

## B Online appendix

### B.1 Data

#### B.1.1 On FDI

The data on foreign direct investment (FDI) stem from Eurostat. They cover the years 1994 – 2003. The data follow the benchmark definition of FDI as given by the IMF Balance of Payments Manual and being fully consistent with the OECD guide.<sup>15</sup> According to the IMF and OECD definitions, direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the latter. Direct investment involves both the initial transaction establishing the relationship between the investor and the enterprise and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated. Despite the consensus among all countries on this definition there may exist bilateral discrepancies in country specific FDI statistics, that is between inward and outward data of two partner countries: A country's recorded FDI inflow does not necessarily correspond to the partner country's statistics on FDI outflow to this country. Main reasons for such differences are found in country specific registration practices.<sup>16</sup> We employ FDI inflow data.

The fifth Edition of the IMF's Balance of Payment Manual defines the owner of 10% or more of a company's capital as a direct investor. Even though this definition is somewhat arbitrary, the IMF recommends using this percentage as the basic dividing line between direct investment and portfolio investment in the form of share holdings.

As for the instruments, direct investment capital comprises the capital provided (either directly or through other related enterprises) by a direct investor to a direct investment enterprise and the capital received by a direct investor from a direct investment enterprise. Direct investment capital transactions are made up of three

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<sup>15</sup>IMF (1993) and OECD (1996).

<sup>16</sup>For a detailed discussion on reasons for discrepancies in FDI statistics with special focus on Germany see for example Jost (1997).

basic components: (i) **Equity capital**: comprising equity in branches, all shares in subsidiaries and associates (except non-participating, preferred shares that are treated as debt securities and are included under other direct investment capital) and other capital contributions such as provisions of machinery, etc. (ii) **Reinvested earnings**: consisting of the direct investors share (in proportion to direct equity participation) of earnings not distributed, as dividends by subsidiaries or associates and earnings of branches not remitted to the direct investor. If such earnings are not identified, all branches earnings are considered, by convention, to be distributed. (iii) **Other direct investment capital** (or inter company debt transactions): covering the borrowing and lending of funds, including debt securities and trade credits, between direct investors and direct investment enterprises and between two direct investment enterprises that share the same direct investor.

### **B.1.2 On taxation**

The data on the top statutory tax rate on corporate income are taken from European Commission - DG Taxation and Customs Union (2004, p.116). The tax rates taken from the European Commission's publication cover the period 1994 – 2003. The data include local taxes and surcharges.

### **B.1.3 The other data**

Education is measured as "Pupils and students (ISCED 1-6) aged 5-29 - as a % of population aged 5-29 years".

Distance data are measured in 1000 miles (Rose's data are divided by 1000).

The wage rate is measured as monthly labor cost in total industry and construction, we also used the hourly wage rate as an alternative measure without any substantial change in the results.

A dummy for a common language should be positively related to FDI flows as transaction costs are significantly reduced. However, in the present data set of 25 EU countries only few such common language matches exist (Germany and Austria, Ireland and UK), and the coefficient is therefore insignificant and not reported.

Table 8: Sources of main data

data	source
GDP	Eurostat
export	Eurostat
import	Eurostat
financial risk	www.countrydata.com
wage	ICRG index of financially sound rating, Ashoka Mody, IMF
population	Eurostat
distance	Nace sectors varying across country and year
border dummy	Andrew Rose's data set <a href="http://faculty.haas.berkeley.edu/arose/">http://faculty.haas.berkeley.edu/arose/</a>
common language dummy	Andrew Rose's data set <a href="http://faculty.haas.berkeley.edu/arose/">http://faculty.haas.berkeley.edu/arose/</a>

## B.2 Control regressions: openness, financial risk, wages and education

Table 9: Estimation results when controlling for the openness of the country.

	FDI	lequityflow	lreflow	locflow	FDI	lequityflow	lreflow	locflow
tax <sub>jt</sub>	<b>-0.45</b>	<b>-1.97</b>	<b>-0.74</b>	<b>-0.13</b>	<b>2.14</b>	<b>1.59</b>	<b>1.74</b>	<b>1.89</b>
	-0.52	-2.56	-0.66	-0.16	1.46	1.14	0.89	1.24
tax <sub>it</sub>	<b>0.35</b>	<b>-0.61</b>	<b>-2.90</b>	<b>-0.43</b>	<b>1.86</b>	<b>2.49</b>	<b>-0.75</b>	<b>2.22</b>
	0.40	-0.72	-2.44	-0.45	1.11	1.48	-0.35	1.21
log (pop) <sub>jt</sub>	<b>0.96</b>	<b>1.07</b>	<b>0.78</b>	<b>0.85</b>	<b>5.34</b>	<b>4.44</b>	<b>-8.48</b>	<b>6.80</b>
	13.66	16.33	8.56	11.11	1.03	0.89	-1.36	1.37
log (pop) <sub>it</sub>	<b>0.70</b>	<b>0.82</b>	<b>0.75</b>	<b>0.69</b>	<b>2.68</b>	<b>8.03</b>	<b>1.52</b>	<b>10.03</b>
	10.16	11.45	8.52	9.77	0.24	0.87	0.11	1.01
openness <sub>jt</sub>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.01</b>
	6.45	6.27	5.10	6.34	-0.26	-0.04	0.51	-1.21
openness <sub>it</sub>	<b>0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>
	2.47	3.76	1.29	6.55	0.30	-0.15	0.33	1.29
log (GDP/pop) <sub>jt</sub>	<b>0.58</b>	<b>0.57</b>	<b>0.58</b>	<b>0.74</b>	<b>0.87</b>	<b>0.74</b>	<b>0.84</b>	<b>1.43</b>
	7.72	8.36	6.10	10.06	1.55	1.49	1.06	2.51
log (GDP/pop) <sub>it</sub>	<b>2.37</b>	<b>2.32</b>	<b>2.33</b>	<b>2.48</b>	<b>1.81</b>	<b>2.19</b>	<b>0.77</b>	<b>0.70</b>
	13.38	14.11	9.83	12.13	1.79	2.56	0.71	0.75
dist	<b>-1.56</b>	<b>-1.81</b>	<b>-1.14</b>	<b>-1.18</b>	<b>-2.33</b>	<b>-2.70</b>	<b>-2.13</b>	<b>-1.80</b>
	-7.77	-10.11	-5.13	-6.68	-12.37	-13.89	-7.77	-9.40
border	<b>0.43</b>	<b>0.51</b>	<b>0.51</b>	<b>0.32</b>	<b>0.50</b>	<b>0.43</b>	<b>0.44</b>	<b>0.34</b>
	2.50	3.12	2.59	1.67	3.43	3.09	2.36	2.14
cons	<b>-11.72</b>	<b>-15.32</b>	<b>-9.94</b>	<b>-10.44</b>	<b>-93.19</b>	<b>-171.52</b>	<b>139.76</b>	<b>-247.71</b>
	-6.04	-8.88	-4.52	-5.78	-0.57	-1.21	0.64	-1.54
select								
tax <sub>jt</sub>	<b>-0.19</b>	<b>-0.71</b>	<b>-0.71</b>	<b>-1.51</b>	<b>3.12</b>	<b>0.63</b>	<b>-1.00</b>	<b>1.87</b>
	-0.19	-0.94	-0.86	-1.98	1.24	0.33	-0.42	0.95
tax <sub>it</sub>	<b>2.69</b>	<b>2.44</b>	<b>-2.20</b>	<b>0.09</b>	<b>7.67</b>	<b>3.99</b>	<b>8.05</b>	<b>2.14</b>
	2.07	2.38	-2.31	0.12	1.47	1.13	3.11	0.46
log (pop) <sub>jt</sub>	<b>0.54</b>	<b>0.50</b>	<b>0.51</b>	<b>0.53</b>	<b>4.76</b>	<b>-1.71</b>	<b>-18.83</b>	<b>7.16</b>
	7.08	8.51	8.03	9.24	0.65	-0.27	-2.49	1.01
log (pop) <sub>it</sub>	<b>0.30</b>	<b>0.43</b>	<b>0.26</b>	<b>0.32</b>	<b>-11.56</b>	<b>-7.18</b>	<b>-39.14</b>	<b>-14.22</b>
	4.03	7.42	4.11	6.20	-0.71	-0.81	-2.47	-1.39
openness <sub>jt</sub>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	2.47	1.89	3.25	4.08	0.26	-0.29	0.36	0.52
openness <sub>it</sub>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.02</b>	<b>-0.02</b>	<b>0.00</b>	<b>0.03</b>
	-0.11	1.04	-0.42	0.65	-1.25	-1.99	-0.18	1.80
log (GDP/pop) <sub>jt</sub>	<b>0.23</b>	<b>0.17</b>	<b>0.23</b>	<b>0.20</b>	<b>0.20</b>	<b>1.29</b>	<b>-1.30</b>	<b>0.35</b>
	2.95	3.00	3.46	3.37	0.22	1.73	-1.47	0.44
log (GDP/pop) <sub>it</sub>	<b>1.62</b>	<b>1.35</b>	<b>1.52</b>	<b>1.11</b>	<b>-2.21</b>	<b>-0.72</b>	<b>-1.62</b>	<b>-2.08</b>
	14.34	16.65	14.63	14.21	-0.89	-0.58	-1.09	-1.56
dist	<b>-1.55</b>	<b>-1.22</b>	<b>-0.77</b>	<b>-0.94</b>	<b>-2.68</b>	<b>-2.49</b>	<b>-2.23</b>	<b>-2.18</b>
	-8.53	-10.52	-5.37	-8.31	-5.95	-7.26	-6.77	-6.17
border	<b>1.20</b>	<b>0.53</b>	<b>0.28</b>	<b>0.16</b>	<b>1.13</b>	<b>0.73</b>	<b>0.46</b>	<b>1.00</b>
	3.76	2.58	1.27	0.88	3.80	3.50	1.88	4.31
cons	<b>-4.32</b>	<b>-7.59</b>	<b>-3.84</b>	<b>-7.33</b>	<b>106.17</b>	<b>160.25</b>	<b>775.76</b>	<b>61.09</b>
	-2.13	-5.03	-2.27	-4.98	0.35	0.82	3.08	0.31
dummies	no	no	no	no	c+t	c+t	c+t	c+t
N	1265	1645	1124	1402	1265	1645	1124	1402
censored	346	512	592	551	346	512	592	551
$\chi^2$	8.93	16.47	5.06	19.17	2.12	11.11	3.18	6.58
p	0.00	0.00	0.02	0.00	0.15	0.00	0.07	0.01

Notes: t-values below the coefficient.

Table 10: Estimation results when controlling for the differences in financial risk.

	FDI	equity	RE	OC	FDI	equity	RE	OC
tax <sub>jt</sub>	<b>-1.79</b>	<b>-2.45</b>	<b>-2.13</b>	<b>-2.65</b>	<b>-1.47</b>	<b>-0.78</b>	<b>-1.06</b>	<b>0.63</b>
	-2.23	-3.58	-2.13	-3.53	-1.04	-0.62	-0.60	0.48
tax <sub>it</sub>	<b>1.38</b>	<b>0.55</b>	<b>-1.85</b>	<b>1.05</b>	<b>3.05</b>	<b>1.56</b>	<b>-0.88</b>	<b>4.23</b>
	1.57	0.65	-1.53	1.13	1.74	0.97	-0.44	2.31
log (pop) <sub>jt</sub>	<b>0.72</b>	<b>0.82</b>	<b>0.47</b>	<b>0.68</b>	<b>1.75</b>	<b>2.65</b>	<b>-10.36</b>	<b>6.40</b>
	12.71	15.55	5.83	11.32	0.36	0.65	-1.99	1.41
log (pop) <sub>it</sub>	<b>0.54</b>	<b>0.66</b>	<b>0.62</b>	<b>0.46</b>	<b>-6.50</b>	<b>19.45</b>	<b>-7.13</b>	<b>-8.76</b>
	7.94	9.72	7.77	6.49	-0.57	2.76	-0.58	-0.97
finriskdiff	<b>-86.60</b>	<b>-74.76</b>	<b>-121.78</b>	<b>-142.27</b>	<b>32.64</b>	<b>59.53</b>	<b>-47.38</b>	<b>-63.32</b>
	-2.87	-2.93	-3.80	-4.70	0.84	1.92	-0.99	-1.98
log (GDP/pop) <sub>jt</sub>	<b>0.59</b>	<b>0.61</b>	<b>0.44</b>	<b>0.89</b>	<b>0.76</b>	<b>0.28</b>	<b>1.09</b>	<b>0.90</b>
	7.45	8.90	4.49	12.34	1.29	0.53	1.51	1.66
log (GDP/pop) <sub>it</sub>	<b>2.52</b>	<b>2.30</b>	<b>2.07</b>	<b>2.55</b>	<b>1.46</b>	<b>2.19</b>	<b>0.17</b>	<b>1.26</b>
	14.91	12.77	8.15	14.81	1.65	2.95	0.20	1.44
dist	<b>-1.89</b>	<b>-2.10</b>	<b>-1.35</b>	<b>-1.63</b>	<b>-2.32</b>	<b>-2.62</b>	<b>-2.19</b>	<b>-1.66</b>
	-10.94	-12.68	-6.40	-10.38	-12.25	-14.71	-8.66	-9.69
border	<b>0.23</b>	<b>0.38</b>	<b>0.38</b>	<b>-0.08</b>	<b>0.63</b>	<b>0.54</b>	<b>0.47</b>	<b>0.38</b>
	1.49	2.57	2.22	-0.50	4.29	4.03	2.70	2.56
cons	<b>-2.25</b>	<b>-6.63</b>	<b>-1.97</b>	<b>0.35</b>	<b>76.49</b>	<b>-377.13</b>	<b>320.35</b>	<b>86.68</b>
	-1.56	-5.16	-1.26	0.26	0.43	-2.73	1.51	0.52
select								
tax <sub>jt</sub>	<b>0.15</b>	<b>-0.15</b>	<b>-0.33</b>	<b>-2.07</b>	<b>0.43</b>	<b>-0.97</b>	<b>-1.77</b>	<b>-0.24</b>
	0.16	-0.22	-0.45	-3.15	0.17	-0.59	-0.93	-0.14
tax <sub>it</sub>	<b>2.90</b>	<b>2.26</b>	<b>-0.57</b>	<b>-0.17</b>	<b>1.78</b>	<b>1.72</b>	<b>6.63</b>	<b>1.37</b>
	2.51	2.48	-0.66	-0.21	0.38	0.54	2.72	0.38
log (pop) <sub>jt</sub>	<b>0.44</b>	<b>0.41</b>	<b>0.40</b>	<b>0.39</b>	<b>-0.10</b>	<b>6.94</b>	<b>-11.37</b>	<b>-1.72</b>
	7.07	8.74	8.51	8.86	-0.02	1.27	-2.00	-0.28
log (pop) <sub>it</sub>	<b>0.23</b>	<b>0.39</b>	<b>0.08</b>	<b>0.35</b>	<b>27.85</b>	<b>22.13</b>	<b>-22.05</b>	<b>-11.56</b>
	3.64	7.37	1.31	6.86	2.19	2.71	-1.74	-1.54
finriskdiff	<b>-37.71</b>	<b>-57.38</b>	<b>-18.81</b>	<b>-105.97</b>	<b>34.31</b>	<b>-58.37</b>	<b>-52.09</b>	<b>59.47</b>
	-1.59	-3.08	-0.84	-5.59	0.57	-1.43	-1.01	1.38
log (GDP/pop) <sub>jt</sub>	<b>0.24</b>	<b>0.11</b>	<b>0.21</b>	<b>0.19</b>	<b>-0.49</b>	<b>0.55</b>	<b>-0.14</b>	<b>1.51</b>
	3.29	1.86	3.17	3.32	-0.46	0.77	-0.17	1.95
log (GDP/pop) <sub>it</sub>	<b>1.67</b>	<b>1.44</b>	<b>1.50</b>	<b>1.29</b>	<b>-1.36</b>	<b>1.09</b>	<b>-1.63</b>	<b>-2.03</b>
	15.07	17.65	16.00	16.69	-0.89	1.12	-1.49	-2.29
dist	<b>-1.45</b>	<b>-1.25</b>	<b>-0.95</b>	<b>-0.90</b>	<b>-2.46</b>	<b>-2.36</b>	<b>-1.89</b>	<b>-1.84</b>
	-9.18	-11.39	-7.45	-8.58	-5.79	-7.11	-6.55	-6.01
border	<b>0.91</b>	<b>0.69</b>	<b>0.22</b>	<b>0.16</b>	<b>1.08</b>	<b>0.84</b>	<b>0.41</b>	<b>1.07</b>
	3.23	3.50	1.13	1.06	4.08	4.26	1.90	5.25
cons	<b>-1.23</b>	<b>-5.17</b>	<b>0.70</b>	<b>-3.95</b>	<b>-491.50</b>	<b>-394.28</b>	<b>445.35</b>	<b>190.89</b>
	-0.89	-4.69	0.55	-3.71	-1.95	-2.78	2.35	1.29
dummies	no	no	no	no	c+t	c+t	c+t	c+t
N	1382	1843	1215	1585	1382	1843	1215	1585
censored	366	526	610	625	366	526	610	625
χ <sup>2</sup>	9.13	7.83	0.07	24.15	3.82	11.97	1.98	7.36
p	0.00	0.01	0.79	0.00	0.05	0.00	0.16	0.01

Notes: t-values below the coefficient.

Table 11: Total FDI: controlling for wages and education.

tax <sub>jt</sub>	<b>-1.92</b>	<b>-2.09</b>	<b>-2.96</b>	<b>-1.91</b>	<b>-2.65</b>	<b>-2.82</b>	<b>1.10</b>	<b>1.38</b>
	-1.84	-2.03	-2.52	-1.48	-1.45	-1.56	0.55	0.55
tax <sub>it</sub>	<b>0.12</b>	<b>0.16</b>	<b>2.72</b>	<b>1.93</b>	<b>1.76</b>	<b>2.03</b>	<b>3.25</b>	<b>2.88</b>
	0.11	0.15	2.17	1.44	0.95	1.11	1.45	1.18
log (pop) <sub>jt</sub>	<b>0.85</b>	<b>0.88</b>	<b>0.73</b>	<b>0.78</b>	<b>11.38</b>	<b>10.80</b>	<b>6.03</b>	<b>8.00</b>
	10.84	13	11.28	11.33	1.53	1.57	0.83	0.8
log (pop) <sub>it</sub>	<b>0.70</b>	<b>0.60</b>	<b>0.43</b>	<b>0.44</b>	<b>0.48</b>	<b>1.95</b>	<b>-18.40</b>	<b>-15.77</b>
	9.33	8.43	5.37	4.99	0.04	0.18	-1.23	-0.96
log (GDP/pop) <sub>jt</sub>	<b>0.19</b>	<b>0.88</b>	<b>0.83</b>	<b>0.74</b>	<b>1.47</b>	<b>1.72</b>	<b>0.72</b>	<b>0.66</b>
	0.36	4.2	8.5	3.04	1.33	2.12	0.81	0.55
log (GDP/pop) <sub>it</sub>	<b>4.27</b>	<b>2.50</b>	<b>2.35</b>	<b>2.42</b>	<b>2.71</b>	<b>1.47</b>	<b>0.68</b>	<b>1.06</b>
	7.07	8.34	11.19	6.59	1.64	1.32	0.37	0.55
dist	<b>-2.31</b>	<b>-2.18</b>	<b>-1.81</b>	<b>-1.94</b>	<b>-2.48</b>	<b>-2.48</b>	<b>-2.20</b>	<b>-2.33</b>
	-11.59	-10.98	-8.03	-7.65	-12.72	-12.69	-10.37	-10.34
border	<b>0.48</b>	<b>0.47</b>	<b>0.31</b>	<b>0.46</b>	<b>0.80</b>	<b>0.80</b>	<b>0.76</b>	<b>0.80</b>
	2.73	2.68	1.67	2.32	5.12	5.11	4.57	4.47
log (wage) <sub>jt</sub>	<b>0.35</b>				<b>0.33</b>			
	0.73				0.3			
log (wage) <sub>it</sub>	<b>-1.25</b>				<b>-1.40</b>			
	-2.35				-0.99			
wage diff		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
		-1.51		-0.18		0.19		-0.51
edu diff			<b>-0.07</b>	<b>-0.08</b>			<b>0.01</b>	<b>0.03</b>
			-5.46	-5.47			0.32	0.53
cons	<b>5.83</b>	<b>-4.40</b>	<b>-0.53</b>	<b>-1.80</b>	<b>-174.25</b>	<b>-202.15</b>	<b>221.05</b>	<b>143.45</b>
	0.76	-2.81	-0.32	-1.07	-0.76	-0.9	0.85	0.45
select								
tax <sub>jt</sub>	<b>-1.03</b>	<b>-1.18</b>	<b>-0.64</b>	<b>-1.23</b>	<b>-0.75</b>	<b>-0.01</b>	<b>0.59</b>	<b>-0.83</b>
	-0.93	-1.07	-0.58	-0.9	-0.29	0	0.21	-0.23
tax <sub>it</sub>	<b>3.38</b>	<b>3.76</b>	<b>3.64</b>	<b>1.87</b>	<b>6.01</b>	<b>6.01</b>	<b>3.50</b>	<b>1.01</b>
	2.5	2.84	2.61	1.23	1.32	1.33	0.77	0.19
log (pop) <sub>jt</sub>	<b>0.46</b>	<b>0.50</b>	<b>0.41</b>	<b>0.50</b>	<b>-0.24</b>	<b>0.09</b>	<b>-1.37</b>	<b>0.16</b>
	6.3	7.77	6.29	7.27	-0.02	0.01	-0.15	0.01
log (pop) <sub>it</sub>	<b>0.18</b>	<b>0.17</b>	<b>0.20</b>	<b>0.24</b>	<b>5.26</b>	<b>3.42</b>	<b>14.52</b>	<b>26.78</b>
	2.54	2.64	2.96	3.02	0.43	0.28	1.01	1.46
log (GDP/pop) <sub>jt</sub>	<b>-0.30</b>	<b>0.39</b>	<b>0.34</b>	<b>0.39</b>	<b>-1.28</b>	<b>-1.21</b>	<b>-0.78</b>	<b>-2.10</b>
	-0.59	2.01	3.95	1.83	-0.69	-0.9	-0.63	-1.28
log (GDP/pop) <sub>it</sub>	<b>1.46</b>	<b>1.48</b>	<b>1.58</b>	<b>1.73</b>	<b>-4.47</b>	<b>-0.82</b>	<b>-1.05</b>	<b>0.15</b>
	3.03	7.58	13.82	7.13	-1.46	-0.51	-0.63	0.08
dist	<b>-1.60</b>	<b>-1.61</b>	<b>-1.60</b>	<b>-1.72</b>	<b>-3.50</b>	<b>-3.51</b>	<b>-2.50</b>	<b>-3.35</b>
	-9.88	-10.18	-8.84	-9.16	-7.45	-7.42	-5.55	-6.86
border	<b>1.04</b>	<b>1.05</b>	<b>0.98</b>	<b>0.92</b>	<b>1.04</b>	<b>1.02</b>	<b>1.24</b>	<b>1.16</b>
	4.6	4.64	3.25	2.92	3.94	3.93	4.56	3.88
log (wage) <sub>jt</sub>	<b>0.44</b>				<b>0.02</b>			
	0.93				0.02			
log (wage) <sub>it</sub>	<b>0.21</b>				<b>3.61</b>			
	0.5				1.35			
wage diff		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
		-1.3		-0.57		-0.47		-0.39
edu diff			<b>-0.01</b>	<b>0.00</b>			<b>-0.02</b>	<b>-0.01</b>
			-0.77	-0.07			-0.33	-0.18
cons	<b>-8.36</b>	<b>-1.03</b>	<b>-0.15</b>	<b>-0.45</b>	<b>-118.98</b>	<b>-60.64</b>	<b>-236.18</b>	<b>-480.84</b>
	-1.27	-0.68	-0.11	-0.29	-0.43	-0.22	-0.91	-1.4
mills-lambda	<b>1.57</b>	<b>1.43</b>						
	6.02	5.22						
dummies	no	no	no	no	c+t	c+t	c+t	c+t
N	1243	1243	1161	995	1243	1243	1161	995
censored	374	374	369	316	374	374	369	316
χ <sup>2</sup>			6.72	4.36	2.19	1.96	3.51	1.15
p			0.01	0.04	0.14	0.16	0.06	0.28

Notes: t-values below the coefficient.

Table 12: Equity FDI: controlling for wages and education.

tax <sub>jt</sub>	<b>-2.73</b>	<b>-2.76</b>	<b>-3.08</b>	<b>-2.53</b>	<b>-2.34</b>	<b>-2.38</b>	<b>-0.22</b>	<b>-2.37</b>
	-2.84	-3.25	-2.67	-1.92	-1.39	-1.43	-0.11	-1.01
tax <sub>it</sub>	<b>-0.88</b>	<b>-0.58</b>	<b>1.06</b>	<b>0.96</b>	<b>2.05</b>	<b>2.21</b>	<b>2.55</b>	<b>2.02</b>
	-0.83	-0.61	0.82	0.71	1.1	1.19	1.14	0.85
log (pop) <sub>jt</sub>	<b>0.93</b>	<b>0.89</b>	<b>0.82</b>	<b>0.86</b>	<b>4.00</b>	<b>3.59</b>	<b>-1.57</b>	<b>12.83</b>
	12.09	13.58	12.52	12.16	0.57	0.52	-0.23	1.26
log (pop) <sub>it</sub>	<b>0.82</b>	<b>0.75</b>	<b>0.63</b>	<b>0.66</b>	<b>5.63</b>	<b>12.22</b>	<b>7.32</b>	<b>6.50</b>
	9.58	8.09	6.71	5.87	0.69	1.67	0.79	0.64
log (GDP/pop) <sub>jt</sub>	<b>0.43</b>	<b>0.67</b>	<b>0.80</b>	<b>0.61</b>	<b>1.11</b>	<b>0.80</b>	<b>-0.29</b>	<b>0.80</b>
	0.89	3.65	8.76	2.7	0.99	1.01	-0.32	0.73
log (GDP/pop) <sub>it</sub>	<b>2.82</b>	<b>2.45</b>	<b>2.32</b>	<b>2.54</b>	<b>3.53</b>	<b>1.95</b>	<b>1.59</b>	<b>1.74</b>
	5.26	7.33	9.45	6.93	2.89	2.24	1.34	1.46
dist	<b>-2.37</b>	<b>-2.17</b>	<b>-2.07</b>	<b>-2.12</b>	<b>-2.78</b>	<b>-2.80</b>	<b>-2.83</b>	<b>-2.97</b>
	-12.62	-9.61	-8.74	-7.33	-14.05	-14.1	-13.03	-13.25
border	<b>0.60</b>	<b>0.60</b>	<b>0.39</b>	<b>0.59</b>	<b>0.66</b>	<b>0.67</b>	<b>0.52</b>	<b>0.57</b>
	3.56	3.44	2.04	2.84	4.43	4.45	3.28	3.36
log (wage) <sub>jt</sub>	<b>0.22</b>				<b>-0.33</b>			
	0.5				-0.32			
log (wage) <sub>it</sub>	<b>-0.09</b>				<b>-2.20</b>			
	-0.19				-1.92			
wage diff		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
		-0.14		0.4		1.3		-0.78
edu diff			<b>-0.02</b>	<b>-0.02</b>			<b>0.01</b>	<b>0.06</b>
			-1.94	-1.14			0.26	1.04
cons	<b>-10.34</b>	<b>-8.01</b>	<b>-5.35</b>	<b>-6.60</b>	<b>-127.16</b>	<b>-259.27</b>	<b>-63.70</b>	<b>-302.63</b>
	-1.55	-5.3	-3.26	-3.71	-0.66	-1.5	-0.42	-1.44
select								
tax <sub>jt</sub>	<b>0.03</b>	<b>-0.34</b>	<b>0.34</b>	<b>1.24</b>	<b>1.16</b>	<b>0.60</b>	<b>1.28</b>	<b>-0.54</b>
	0.04	-0.46	0.42	1.3	0.56	0.29	0.61	-0.18
tax <sub>it</sub>	<b>1.16</b>	<b>1.11</b>	<b>2.33</b>	<b>0.47</b>	<b>3.71</b>	<b>4.48</b>	<b>4.24</b>	<b>4.82</b>
	1.09	0.94	2.12	0.33	1.12	1.34	1.2	1.22
log (pop) <sub>jt</sub>	<b>0.42</b>	<b>0.49</b>	<b>0.39</b>	<b>0.43</b>	<b>-3.95</b>	<b>-6.95</b>	<b>7.67</b>	<b>3.60</b>
	7.79	8.77	7.69	7.29	-0.42	-0.75	1.02	0.28
log (pop) <sub>it</sub>	<b>0.44</b>	<b>0.43</b>	<b>0.36</b>	<b>0.42</b>	<b>0.49</b>	<b>9.37</b>	<b>9.71</b>	<b>16.81</b>
	7.27	6.67	6.37	5.89	0.05	1.13	0.99	1.39
log (GDP/pop) <sub>jt</sub>	<b>0.18</b>	<b>0.41</b>	<b>0.16</b>	<b>0.34</b>	<b>0.11</b>	<b>0.39</b>	<b>2.42</b>	<b>2.06</b>
	0.44	3.16	2.15	2.17	0.08	0.38	2.63	1.57
log (GDP/pop) <sub>it</sub>	<b>1.95</b>	<b>1.19</b>	<b>1.38</b>	<b>1.27</b>	<b>3.93</b>	<b>0.81</b>	<b>0.81</b>	<b>0.61</b>
	5.12	6.77	15.73	6.16	2.23	0.75	0.77	0.49
dist	<b>-1.31</b>	<b>-1.31</b>	<b>-1.34</b>	<b>-1.40</b>	<b>-3.22</b>	<b>-3.20</b>	<b>-2.56</b>	<b>-3.30</b>
	-11.15	-12.15	-11.1	-11.56	-9.74	-9.79	-6.69	-9.15
border	<b>0.74</b>	<b>0.67</b>	<b>0.61</b>	<b>0.73</b>	<b>0.69</b>	<b>0.70</b>	<b>0.73</b>	<b>0.71</b>
	4.57	3.62	3.17	3.48	3.62	3.68	3.65	3.39
log (wage) <sub>jt</sub>	<b>-0.09</b>				<b>0.39</b>			
	-0.24				0.32			
log (wage) <sub>it</sub>	<b>-0.50</b>				<b>-3.79</b>			
	-1.5				-2.33			
wage diff		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
		-2.03		-1.62		1.93		1.81
edu diff			<b>0.02</b>	<b>0.04</b>			<b>-0.01</b>	<b>-0.05</b>
			2.23	3.11			-0.19	-0.85
cons	<b>0.97</b>	<b>-6.25</b>	<b>-4.59</b>	<b>-5.49</b>	<b>76.67</b>	<b>-46.60</b>	<b>-259.61</b>	<b>-346.97</b>
	0.19	-5.25	-3.93	-4.14	.	.	-1.54	-1.16
mills-lambda	<b>1.64</b>				<b>0.83</b>	<b>0.87</b>		<b>0.95</b>
	5.91				3.83	4.05		4.06
dummies	no	no	no	no	c+t	c+t	c+t	c+t
N	1625	1625	1476	1284	1625	1625	1476	1284
censored	552	552	517	448	552	552	517	448
χ <sup>2</sup>		3.61	7.02	3.30			11.70	
p		0.06	0.01	0.07			0.00	

Notes: t-values below the coefficient.

Table 13: Retained earnings FDI: controlling for wages and education.

tax <sub>jt</sub>	<b>-2.81</b>	<b>-2.29</b>	<b>-4.07</b>	<b>-3.40</b>	<b>0.21</b>	<b>-0.24</b>	<b>1.81</b>	<b>4.98</b>
	-2.25	-1.91	-2.92	-2.24	0.08	-0.1	0.8	1.65
tax <sub>it</sub>	<b>-3.11</b>	<b>-3.48</b>	<b>0.55</b>	<b>-0.57</b>	<b>-2.63</b>	<b>-2.89</b>	<b>-0.37</b>	<b>0.70</b>
	-2.16	-2.49	0.34	-0.32	-1.2	-1.31	-0.16	0.27
log (pop) <sub>jt</sub>	<b>0.79</b>	<b>0.69</b>	<b>0.58</b>	<b>0.71</b>	<b>-12.18</b>	<b>-14.75</b>	<b>-11.02</b>	<b>-29.75</b>
	8.55	8.48	6.48	7.85	-1.23	-1.6	-1.29	-2.14
log (pop) <sub>it</sub>	<b>0.59</b>	<b>0.54</b>	<b>0.41</b>	<b>0.32</b>	<b>-5.34</b>	<b>-8.54</b>	<b>8.62</b>	<b>-11.64</b>
	5.93	5.94	4.23	2.97	-0.36	-0.58	0.55	-0.62
log (GDP/pop) <sub>jt</sub>	<b>2.03</b>	<b>1.19</b>	<b>0.84</b>	<b>1.39</b>	<b>-0.57</b>	<b>0.50</b>	<b>1.73</b>	<b>0.22</b>
	3.41	4.6	6.76	4.3	-0.38	0.46	1.74	0.15
log (GDP/pop) <sub>it</sub>	<b>2.52</b>	<b>1.65</b>	<b>2.20</b>	<b>1.71</b>	<b>-2.93</b>	<b>-1.22</b>	<b>-0.27</b>	<b>-2.43</b>
	3.25	4.85	9.7	4.49	-1.32	-0.96	-0.15	-1.23
dist	<b>-1.42</b>	<b>-1.42</b>	<b>-1.50</b>	<b>-1.61</b>	<b>-2.28</b>	<b>-2.30</b>	<b>-2.20</b>	<b>-2.33</b>
	-6.59	-6.68	-6.72	-6.89	-8.47	-8.68	-7.63	-8.2
border	<b>0.65</b>	<b>0.59</b>	<b>0.55</b>	<b>0.60</b>	<b>0.67</b>	<b>0.67</b>	<b>0.56</b>	<b>0.67</b>
	3.53	3.22	2.74	2.87	3.64	3.67	3.14	3.47
log (wage) <sub>jt</sub>	<b>-1.34</b>				<b>1.37</b>			
	-2.47				0.97			
log (wage) <sub>it</sub>	<b>-0.09</b>				<b>1.99</b>			
	-0.13				1.06			
wage diff		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
		-2.49		-1.96		-0.44		0.59
edu diff			<b>-0.07</b>	<b>-0.08</b>			<b>-0.04</b>	<b>-0.07</b>
			-4.98	-5.42			-0.66	-0.99
cons	<b>12.76</b>	<b>-2.75</b>	<b>1.22</b>	<b>0.98</b>	<b>193.76</b>	<b>308.13</b>	<b>52.08</b>	<b>673.56</b>
	1.31	-1.64	0.69	0.53	0.85	1.43	0.19	2.2
select								
tax <sub>jt</sub>	<b>-1.52</b>	<b>-1.56</b>	<b>-3.10</b>	<b>-3.28</b>	<b>-2.83</b>	<b>-3.49</b>	<b>1.18</b>	<b>-1.28</b>
	-1.61	-1.69	-3.21	-2.58	-1.11	-1.39	0.41	-0.33
tax <sub>it</sub>	<b>-2.82</b>	<b>-2.64</b>	<b>0.23</b>	<b>-2.06</b>	<b>8.30</b>	<b>9.45</b>	<b>9.88</b>	<b>9.65</b>
	-2.78	-2.66	0.2	-1.63	3.22	3.88	3.36	3.03
log (pop) <sub>jt</sub>	<b>0.44</b>	<b>0.47</b>	<b>0.41</b>	<b>0.47</b>	<b>-3.44</b>	<b>-8.11</b>	<b>-24.67</b>	<b>-29.48</b>
	6.84	8.57	8.06	7.59	-0.42	-1.04	-2.44	-2.45
log (pop) <sub>it</sub>	<b>0.22</b>	<b>0.18</b>	<b>0.07</b>	<b>0.12</b>	<b>-45.60</b>	<b>-40.30</b>	<b>-52.38</b>	<b>-38.35</b>
	3.41	2.85	1.2	1.85	-3.56	-3.08	-3.18	-1.98
log (GDP/pop) <sub>jt</sub>	<b>0.00</b>	<b>0.73</b>	<b>0.42</b>	<b>0.73</b>	<b>-1.87</b>	<b>-0.47</b>	<b>-0.37</b>	<b>-0.14</b>
	-0.01	4.29	5.48	3.6	-1.3	-0.45	-0.31	-0.1
log (GDP/pop) <sub>it</sub>	<b>1.34</b>	<b>1.03</b>	<b>1.33</b>	<b>1.11</b>	<b>-0.24</b>	<b>-3.88</b>	<b>-5.65</b>	<b>-5.22</b>
	2.66	5.79	13.56	5.84	-0.1	-2.97	-3.34	-2.79
dist	<b>-0.88</b>	<b>-0.88</b>	<b>-0.93</b>	<b>-0.96</b>	<b>-2.32</b>	<b>-2.31</b>	<b>-2.47</b>	<b>-2.30</b>
	-6.07	-6.3	-6.63	-6.18	-6.82	-7	-7.24	-6.22
border	<b>0.47</b>	<b>0.45</b>	<b>0.17</b>	<b>0.29</b>	<b>0.47</b>	<b>0.47</b>	<b>0.40</b>	<b>0.48</b>
	2.15	2.11	0.81	1.24	2.14	2.14	1.72	1.95
log (wage) <sub>jt</sub>	<b>0.19</b>				<b>1.95</b>			
	0.46				1.4			
log (wage) <sub>it</sub>	<b>0.27</b>				<b>-4.09</b>			
	0.61				-1.87			
wage diff		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
		-3.67		-2.29		1.37		1.86
edu diff			<b>-0.05</b>	<b>-0.05</b>			<b>-0.07</b>	<b>-0.16</b>
			-5.5	-3.94			-1.31	-2.19
cons	<b>-6.26</b>	<b>-1.04</b>	<b>1.16</b>	<b>0.77</b>	<b>859.74</b>	<b>779.87</b>	<b>1150.05</b>	<b>887.52</b>
	-0.91	-0.73	0.88	0.5	3.1	3.08	4.27	3.16
dummies	no	no	no	no	c+t	c+t	c+t	c+t
N	1096	1096	1063	895	1096	1096	1063	895
censored	602	602	602	503	602	602	602	503
χ <sup>2</sup>	4.9	5.2	7.8	12.9	9.4	12.6	1.5	7.6
p	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0

Notes: t-values below the coefficient.

Table 14: Other capital FDI: controlling for wages and education.

tax <sub>jt</sub>	<b>-1.26</b>	<b>-1.41</b>	<b>-3.87</b>	<b>-3.00</b>	<b>0.78</b>	<b>0.97</b>	<b>1.37</b>	<b>1.68</b>
	-1.31	-1.49	-3.35	-1.82	0.43	0.55	0.68	0.66
tax <sub>it</sub>	<b>0.16</b>	<b>0.46</b>	<b>1.34</b>	<b>0.81</b>	<b>3.82</b>	<b>3.84</b>	<b>2.14</b>	<b>0.96</b>
	0.16	0.44	0.96	0.46	1.87	1.9	0.95	0.39
log (pop) <sub>jt</sub>	<b>0.69</b>	<b>0.78</b>	<b>0.72</b>	<b>0.88</b>	<b>4.89</b>	<b>6.81</b>	<b>11.76</b>	<b>6.09</b>
	7.91	10	8.92	7.71	0.56	0.81	1.6	0.48
log (pop) <sub>it</sub>	<b>0.46</b>	<b>0.43</b>	<b>0.33</b>	<b>0.44</b>	<b>3.82</b>	<b>3.67</b>	<b>-1.73</b>	<b>1.64</b>
	5.34	5.16	3.62	3.96	0.38	0.39	-0.14	0.12
log (GDP/pop) <sub>jt</sub>	<b>0.25</b>	<b>0.98</b>	<b>1.13</b>	<b>0.50</b>	<b>1.39</b>	<b>1.10</b>	<b>1.23</b>	<b>0.80</b>
	0.5	4.52	11.67	1.67	1.17	1.27	1.5	0.66
log (GDP/pop) <sub>it</sub>	<b>2.66</b>	<b>2.37</b>	<b>2.47</b>	<b>3.66</b>	<b>0.87</b>	<b>0.87</b>	<b>1.31</b>	<b>2.30</b>
	4.07	6.01	8.46	6.84	0.59	0.79	0.88	1.53
dist	<b>-1.74</b>	<b>-1.79</b>	<b>-1.53</b>	<b>-1.93</b>	<b>-1.94</b>	<b>-1.93</b>	<b>-1.71</b>	<b>-1.85</b>
	-8.61	-8.57	-7.36	-6.62	-8.54	-8.66	-8.42	-7.33
border	<b>0.21</b>	<b>0.20</b>	<b>0.11</b>	<b>0.41</b>	<b>0.58</b>	<b>0.58</b>	<b>0.55</b>	<b>0.70</b>
	1.09	0.96	0.52	1.65	3.27	3.28	3.07	3.57
log (wage) <sub>jt</sub>	<b>0.49</b>				<b>-0.45</b>			
	1.06				-0.39			
log (wage) <sub>it</sub>	<b>-0.14</b>				<b>0.22</b>			
	-0.24				0.2			
wage diff		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
		-0.94		1.86		-1.5		-0.19
edu diff			<b>-0.06</b>	<b>-0.10</b>			<b>0.07</b>	<b>0.03</b>
			-4.24	-4.43			1.33	0.57
cons	<b>-5.06</b>	<b>-1.58</b>	<b>2.58</b>	<b>-0.02</b>	<b>-140.65</b>	<b>-174.53</b>	<b>-106.63</b>	<b>-116.52</b>
	-0.66	-1.02	1.6	-0.01	-0.65	-0.86	-0.53	-0.49
select								
tax <sub>jt</sub>	<b>-1.36</b>	<b>-1.48</b>	<b>-2.79</b>	<b>-1.95</b>	<b>3.83</b>	<b>4.19</b>	<b>1.72</b>	<b>4.58</b>
	-1.7	-1.89	-3.03	-1.82	1.7	1.86	0.66	1.39
tax <sub>it</sub>	<b>0.10</b>	<b>-0.12</b>	<b>0.29</b>	<b>-0.47</b>	<b>5.74</b>	<b>5.35</b>	<b>-4.38</b>	<b>-1.75</b>
	0.12	-0.15	0.3	-0.41	1.63	1.49	-1.15	-0.45
log (pop) <sub>jt</sub>	<b>0.43</b>	<b>0.43</b>	<b>0.42</b>	<b>0.38</b>	<b>-9.43</b>	<b>-7.06</b>	<b>10.61</b>	<b>0.08</b>
	7.4	8.28	8.4	7.24	-0.87	-0.66	1.15	0.01
log (pop) <sub>it</sub>	<b>0.30</b>	<b>0.30</b>	<b>0.27</b>	<b>0.22</b>	<b>-6.57</b>	<b>-7.57</b>	<b>-6.50</b>	<b>-16.13</b>
	5.03	5.28	4.36	3.82	-0.7	-0.94	-0.65	-1.45
log (GDP/pop) <sub>jt</sub>	<b>0.07</b>	<b>-0.14</b>	<b>0.36</b>	<b>-0.29</b>	<b>0.77</b>	<b>-0.01</b>	<b>0.89</b>	<b>-0.55</b>
	0.18	-1.09	4.44	-1.75	0.54	-0.01	0.81	-0.4
log (GDP/pop) <sub>it</sub>	<b>1.62</b>	<b>1.56</b>	<b>1.27</b>	<b>1.85</b>	<b>-1.85</b>	<b>-1.55</b>	<b>-0.67</b>	<b>-1.12</b>
	4.64	9.35	14.33	9.27	-1.13	-1.51	-0.59	-0.93
dist	<b>-0.96</b>	<b>-0.99</b>	<b>-0.96</b>	<b>-0.94</b>	<b>-2.23</b>	<b>-2.22</b>	<b>-2.05</b>	<b>-2.21</b>
	-8.88	-8.88	-7.91	-7.21	-5.5	-5.47	-5.33	-5.03
border	<b>0.27</b>	<b>0.26</b>	<b>0.44</b>	<b>0.57</b>	<b>1.10</b>	<b>1.10</b>	<b>1.20</b>	<b>1.15</b>
	1.56	1.54	2.28	3.21	5.41	5.39	5.08	4.78
log (wage) <sub>jt</sub>	<b>0.08</b>				<b>-1.07</b>			
	0.22				-0.91			
log (wage) <sub>it</sub>	<b>-0.39</b>				<b>0.41</b>			
	-1.21				0.25			
wage diff		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
		2.56		3.31		-0.73		-1.44
edu diff			<b>-0.03</b>	<b>-0.05</b>			<b>0.05</b>	<b>0.08</b>
			-3.79	-4.64			1	1.59
cons	<b>-0.74</b>	<b>-4.05</b>	<b>-2.18</b>	<b>-1.33</b>	<b>236.03</b>	<b>216.30</b>	<b>-24.18</b>	<b>269.09</b>
	-0.15	-3.42	-1.78	-1.03	1.02	1	-0.12	1.12
mills-lambda				2.13				
				4.63				
dummies	no	no	no	no	c+t	c+t	c+t	c+t
N	1372	1372	1257	1078	1372	1372	1257	1078
censored	603	603	548	482	603	603	548	482
χ <sup>2</sup>	9.6	8.1	7.4		5.3	5.8	7.3	3.9
p	0.0	0.0	0.0		0.0	0.0	0.0	0.0

Notes: t-values below the coefficient.