Selected indicators of FDI and international production, 1982-2002
(Billions of dollars and per cent)

Item	Value at current prices (Billion dollars)			Annual growth rate (Per cent)						
	1982	1990	2002	1986-1990	1991-1995	1996-2000	1999	2000	2001	2002
FDI inflows	59	209	651	23.1	21.1	40.2	57.3	29.1	-40.9	-21.0
FDI outflows	28	242	647	25.7	16.5	35.7	60.5	9.5	-40.8	-9.0
FDI inward stock	802	1 954	7 123	14.7	9.3	17.2	19.4	18.9	7.5	7.8
FDI outward stock	595	1 763	6 886	18.0	10.6	16.8	18.2	19.8	5.5	8.7
Cross-border M&As [a]	..	151	370	25.9[b]	24.0	51.5	44.1	49.3	-48.1	-37.7
Sales of foreign affiliates	2 737	5 675	17 685[c]	16.0	10.1	10.9	13.3	19.6	9.2[c]	7.4[c]
Gross product of foreign affiliates	640	1 458	3 437[d]	17.3	6.7	7.9	12.8	16.2	14.7[d]	6.7[d]
Total assets of foreign affiliates	2 091	5 899	26 543[e]	18.8	13.9	19.2	20.7	27.4	4.5[e]	8.3[e]
Export of foreign affiliates	722	1 197	2 613[f]	13.5	7.6	9.6	3.3	11.4	-3.3[f]	4.2[f]
Employment of foreign affiliates (thousands)	19 375	24 262	53 094[g]	5.5	2.9	14.2	15.4	16.5	-1.5[g]	5.7[g]
GDP (in current prices)	10 805	21 672	32 227[h]	10.8	5.6	1.3	3.5	2.6	-0.5	3.4[h]
Gross fixed capital formation	2 286	4 819	6 422[i]	13.4	4.2	1.0	3.5	2.8	-3.9	1.3[i]
Royalties and licences fees receipts	9	30	72[j]	21.3	14.3	6.2	5.7	8.2	-3.1	..
Export of goods and non-factor services	2 053	4 300	7 838[k]	15.6	5.4	3.4	3.3	11.4	-3.3	4.2[k]

Source: Adapted from UNCTAD (2003): World Investment Report 2003, Table I.1, p3.

Appendix 3.1a

FDI PERFORMANCE INDEX: Full Results

The Performance Index is shown for three-year periods to offset annual fluctuations in the data. The indices cover 140 economies for as much of the period as the data permit; however, some economies in transition could not be ranked in the early years for lack of data or because they did not exist as separate countries. The indices exclude tax havens, which for tax rather than productive reasons tend to have massive FDI inflows in relation to their economic size.

FDI Performance Index 1999-2001.
(140 economies)

Rank	Economy	Score
1	Belgium and Luxembourg	10.955
2	Angola	6.455
3	Hong Kong, China	6.387
4	Ireland	5.861
5	Malta	4.465
6	Singapore	3.978
7	Sweden	3.857
8	Netherlands	3.740
9	Denmark	3.485
10	Brunei Darussalam	3.445
11	Czech Republic	2.929
12	Gambia	2.861
13	Nicaragua	2.810
14	Bolivia	2.735
15	Kazakhstan	2.714
16	Congo, Rep.	2.519
17	Guyana	2.316
18	Moldova, Republic of	2.314
19	Chile	2.273
20	Cyprus	2.227
21	Estonia	2.211
22	Croatia	2.003
23	Jamaica	2.001
24	Mozambique	1.939
25	Bulgaria	1.926

Rank	Economy	Score
71	Venezuela	0.902
72	Mexico	0.900
73	Costa Rica	0.871
74	Austria	0.855
75	Romania	0.810
76	Tunisia	0.763
77	Ghana	0.736
78	Peru	0.726
79	United States	0.719
80	Colombia	0.700
81	South Africa	0.696
82	Benin	0.669
83	Nigeria	0.639
84	Uzbekistan	0.634
85	Myanmar	0.630
86	Cote d´Ivoire	0.627
87	Belarus	0.532
88	Ukraine	0.524
89	Madagascar	0.514
90	Philippines	0.514
91	Australia	0.495
92	Korea, Republic of	0.483
93	Tajikistan	0.476
94	Senegal	0.475
95	El Salvador	0.459
96	Lebanon	0.454
97	Iceland	0.417

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26	Slovakia	1.836
27	Trinidad and Tobago	1.811
28	United Kingdom	1.806
29	TFYR Macedonia	1.707
30	Canada	1.642
31	Dominican Republic	1.633
32	Panama	1.581
33	Azerbaijan	1.573
34	Namibia	1.535
35	Ecuador	1.523
36	Switzerland	1.511
37	Brazil	1.443
38	Armenia	1.423
39	Germany	1.419
40	United Republic of Tanzania	1.373
41	Spain	1.314
42	Argentina	1.311
43	Papua New Guinea	1.293
44	New Zealand	1.279
45	Togo	1.276
46	Morocco	1.269
47	Poland	1.256
48	Mongolia	1.252
49	Finland	1.246
50	Viet Nam	1.240
51	Latvia	1.210
52	Portugal	1.184
53	Hungary	1.168
54	Jordan	1.163
55	Honduras	1.130
56	Bahrain	1.126
57	Sudan	1.112
58	Uganda	1.109
59	China	1.107
60	Lithuania	1.098
61	Thailand	1.040
62	France	1.010

97	Iceland	0.417
98	Qatar	0.416
99	Guatemala	0.405
100	Uruguay	0.394
101	Algeria	0.386
102	Taiwan Province of China	0.385
103	Syrian Arab Republic	0.374
104	Paraguay	0.372
105	Slovenia	0.360
106	Ethiopia	0.332
107	Kyrgyzstan	0.321
108	Russian Federation	0.314
109	Italy	0.297
110	Egypt	0.286
111	Sri Lanka	0.271
112	Turkey	0.268
113	Greece	0.258
114	Guinea	0.223
115	Botswana	0.222
116	Pakistan	0.200
117	Sierra Leone	0.193
118	Kenya	0.192
119	Burkina Faso	0.182
120	India	0.159
121	Niger	0.156
122	Cameroon	0.145
123	Haiti	0.119
124	Zimbabwe	0.112
125	Bangladesh	0.111
126	Rwanda	0.072
127	Congo, Dem. Rep.	0.065
128	Japan	0.058
129	Oman	0.054
130	Nepal	0.044
131	Iran, Islamic Rep.	0.011
132	Kuwait	-0.016
133	Malawi	-0.034

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63	Georgia	1.010
64	Zambia	1.007
65	Israel	1.001
66	Bahamas	0.987
67	Albania	0.958
68	Mali	0.923
69	Norway	0.918
70	Malaysia	0.904

134	Libyan Arab Jamahiriya	-0.110
135	Saudi Arabia	-0.144
136	United Arab Emirates	-0.187
137	Yemen	-0.203
138	Indonesia	-0.680
139	Gabon	-0.995
140	Suriname	-1.613

Source: UNCTAD Report
(Available at http://www.unctad.org/Templates/WebFlyer.asp?intItemID=2471&lang=1)

Appendix 3.1b

THE INWARD FDI PERFORMANCE INDEX: Methodology

The Inward FDI Performance Index ranks countries by the FDI they receive relative to their economic size. It is the ratio of a country's share in global FDI inflows to its share in global GDP.

A value greater than one indicates that the country receives more FDI than its relative economic size, a value below one that it receives less (a negative value means that foreign investors disinvest in that period).

The index thus captures the influence on FDI of factors other than market size, assuming that, other things being equal, size is the "base line" for attracting investment. These other factors can be diverse, ranging from the business climate, economic and political stability, the presence of natural resources, infrastructure, skills and technologies, to opportunities for participating in privatization or the effectiveness of FDI promotion.

$$IND_i = \frac{FDI_i / FDI_w}{GDP_i / GDP_w}$$

Where,

IND_i = *The Inward FDI Performance Index of the i^{th} country*

FDI_i = *The FDI inflows in the i^{th} country*

FDI_w = *World FDI inflows*

GDP_i = *GDP in the i^{th} country*

GDP_w = *World GDP*

FDI POTENTIAL INDEX: Full Results

The Potential Index is shown for three-year periods to offset annual fluctuations in the data. The indices cover 140 economies for as much of the period as the data permit; however, some economies in transition could not be ranked in the early years for lack of data or because they did not exist as separate countries. The indices exclude tax havens, which for tax rather than productive reasons tend to have massive FDI inflows in relation to their economic size.

FDI Potential Index 1999-2001.
(140 economies)

Rank	Economy	Score
1	United States	0.689
2	Singapore	0.490
3	Norway	0.489
4	United Kingdom	0.489
5	Canada	0.481
6	Germany	0.457
7	Sweden	0.455
8	Belgium and Luxembourg	0.454
9	Netherlands	0.454
10	Finland	0.445
11	Ireland	0.436
12	Japan	0.428
13	Hong Kong, China	0.424
14	France	0.422
15	Switzerland	0.416
16	Denmark	0.411
17	Iceland	0.410
18	Korea, Republic of	0.408
19	Taiwan Province of China	0.405
20	Qatar	0.404
21	Australia	0.392
22	Austria	0.377
23	Israel	0.376
24	United Arab Emirates	0.364
25	Spain	0.354
26	Italy	0.350

Rank	Economy	Score
71	Brazil	0.183
72	South Africa	0.183
73	Tunisia	0.183
74	Iran, Islamic Rep.	0.181
75	Viet Nam	0.179
76	Suriname	0.174
77	Gabon	0.170
78	Jamaica	0.169
79	Namibia	0.168
80	Peru	0.167
81	Algeria	0.166
82	Bolivia	0.163
83	Kazakhstan	0.161
84	India	0.160
85	Ukraine	0.159
86	Turkey	0.159
87	Gambia	0.158
88	Yemen	0.156
89	Nigeria	0.151
90	Syrian Arab Republic	0.151
91	Romania	0.149
92	Indonesia	0.148
93	Morocco	0.148
94	Colombia	0.147
95	Uzbekistan	0.144
96	Honduras	0.143

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26	Italy	0.350
27	New Zealand	0.318
28	Kuwait	0.318
29	Slovenia	0.315
30	Saudi Arabia	0.304
31	Bahrain	0.301
32	Brunei Darussalam	0.297
33	Malaysia	0.295
34	Portugal	0.290
35	Russian Federation	0.288
36	Greece	0.285
37	Czech Republic	0.271
38	Estonia	0.269
39	Bahamas	0.267
40	China	0.259
41	Hungary	0.257
42	Cyprus	0.255
43	Poland	0.255
44	Malta	0.254
45	Chile	0.245
46	Croatia	0.244
47	Libyan Arab Jamahiriya	0.240
48	Slovakia	0.238
49	Mexico	0.233
50	Oman	0.222
51	Argentina	0.220
52	Thailand	0.214
53	Panama	0.214
54	El Salvador	0.213
55	Latvia	0.211
56	Lithuania	0.209
57	Venezuela	0.208
58	Lebanon	0.206
59	Botswana	0.206
60	Costa Rica	0.205
61	Trinidad and Tobago	0.202
62	Guyana	0.202

96	Honduras	0.143
97	Albania	0.142
98	Papua New Guinea	0.142
99	Uganda	0.142
100	Myanmar	0.139
101	Guatemala	0.138
102	TFYR Macedonia	0.137
103	Ecuador	0.136
104	Congo, Rep.	0.135
105	Angola	0.131
106	Azerbaijan	0.130
107	Paraguay	0.128
108	Mozambique	0.128
109<td align		

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63	Belarus	0.201
64	Bulgaria	0.201
65	Dominican Republic	0.201
66	Philippines	0.195
67	Uruguay	0.192
68	Jordan	0.190
69	Mongolia	0.188
70	Egypt	0.184

THE INWARD FDI POTENTIAL INDEX: Methodology

The Inward FDI Potential Index captures several factors (apart from market size) expected to affect an economy's attractiveness to foreign investors. It is an average of the values (normalized to yield a score between zero, for the lowest scoring country, to one, for the highest) of 12 variables (no weights are attached in the absence of *a priori* reasons to select particular weights):

- GDP per capita, an indicator of the sophistication and breadth of local demand (and of several other factors), with the expectation that higher income economies attract relatively more FDI geared to innovative and differentiated products and services.
- The rate of GDP growth over the previous 10 years, a proxy for expected economic growth.
- The share of exports in GDP, to capture openness and competitiveness.
- As an indicator of modern information and communication infrastructure, the average number of telephone lines per 1,000 inhabitants and mobile telephones per 1,000 inhabitants.
- Commercial energy use per capita, for the availability of traditional infrastructure.
- The share of R&D spending in GDP, to capture local technological capabilities.
- The share of tertiary students in the population, indicating the availability of high-level skills.
- Country risk, a composite indicator capturing some macroeconomic and other factors that affect the risk perception of investors. The variable is measured in such a way that high values indicate less risk.
- The world market share in exports of natural resources, to proxy for the availability of resources for extractive FDI.
- The world market share of imports of parts and components for automobiles and electronic products, to capture participation in the leading TNC integrated production systems (WIR02).
- The world market share of exports of services, to seize the importance of FDI in the services sector that accounts for some two thirds of world FDI.

- The share of world FDI inward stock, a broad indicator of the attractiveness and absorptive capacity for FDI, and the investment climate.

Appendix 4.0

The summaries of categories used in constructing the IPRs index

(1) Coverage (COV)	Available	Not available
Patentability of pharmaceuticals	1/7	0
Patentability of chemicals	1/7	0
Patentability of foods	1/7	0
Patentability of plant and animal varieties	1/7	0
Patentability of surgical products	1/7	0
Patentability of microorganisms	1/7	0
Patentability of utility models	1/7	0
(2) Membership in international treaties (MEM)	Available	Not available
Paris convention and revisions	1/3	0
Patent cooperation treaty	1/3	0
Protection of new varieties (UPOV)	1/3	0
(3) Loss of protection measures against losses (RIG)	Available	Not available
Working requirement	1/3	0
Compulsory licensing	1/3	0
Revocation of patents	1/3	0
(4) Enforcement (ENF)	Available	Not available
Preliminary injunction	1/3	0
Contributory infringement	1/3	0
Burden-of-proof reversal	1/3	0
(5) Durations (DUR)	Full	Partial
Application-based standard		
$X \geq 20$ years	1	
$0 \leq x \leq 20$		x/20
Grant-based standard:		
$x \geq 17$ years	1	
$0 \leq x \leq 17$		x/17

Source: Adapted from Ginarte and Park (1997) and Park and Wagh (2002)

Appendix 4.1

Index of Classification

Classification of DIRPS

Index Group value	Yes	Otherwise
[0, 1)	1	0
[1, 2)	1	0
[2, 3)	1	0
[3, 4)	1	0
[4, 5)	1	0

Classifications of DRND

Index Group Value	Yes	Otherwise
[0, 1)	1	0
[1, 2)	1	0
[2, 3)	1	0
[3, 4)	1	0

Classifications of DBMP

Index Group Value	Yes	Otherwise
[1]	1	0
[2]	1	0
[3]	1	0
[4]	1	0
[5]	1	0

Income Classification Country, Dinc

Classification	Yes	Otherwise
Hinc-OECD	1	0
Hinc-nonOECD	1	0
UMinc	1	0
LMinc	1	0
LOinc	1	0

Note: Index value for DIPRS and DRND which started with bracket"["and ended with parenthesis ")" is explained as follows; category with, [0, 1), the index value is less than one and including zero. Index value for DBMP with clustered with [ ] means all categories falls under the exact value.

ppendix 4.2a

my for IP classification

[1,2) Country	[2,3) Country	[3,4) Country	[4,5) Country
Bolivia	Bulgaria	Argentina	Australia
India	Burkina Faso	Brazil	Austria
Portugal	China	Canada	Belgium
Tunisia	Cyprus	Chile	Denmark
Turkey	Finland	Colombia	France
	Iceland	Czech Republic	Germany
	Malaysia	Ecuador	Ireland
	Mexico	Greece	Italy
	Panama	Hungary	Japan
	Peru	Israel	Korea, Republic of
	Romania	New Zealand	Netherlands
	Senegal	Norway	Singapore
	Syrian Arab Republic	Poland	Spain
	Thailand	Russian Federation	Sweden
	Uganda	Sri Lanka	Switzerland
	Uruguay	Trinidad and Tobago	United Kingdom
	Venezuela		United states

Appendix 4.2b

Dummy for BMI classification

[1] Country	[2] Country	[3] Country	[4] Country	[5] Country
Australia	Argentina	Cyprus	Bolivia	Burkina Faso
Austria	Chile	Czech Republic	Brazil	Colombia
Belgium	Hungary	Denmark	Bulgaria	India
Canada	Italy	Greece	China	Nicaragua
Finland	Korea, Rep.	Mexico	Ecuador	Syrian Arab Republic
France	Malaysia	Panama	Israel	Venezuela
Germany	Portugal	Poland	Peru	
Iceland	Spain	Romania	Russian Fed.	
Ireland	Thailand	Senegal	Sri Lanka	
Japan	Uganda	Trinidad and Tobago		
Netherlands		Tunisia		
New Zealand		Turkey		
Norway		Uruguay		
Singapore				
Sweden				
Switzerland				
United Kingdom				
United States				

Appendix 4.2c

Dummy for R&D classification

[0,1) Country	[1,2) Country	[2,3) Country	[3,4) Country
Argentina	Australia	Denmark	Finland
Bolivia	Austria	France	Israel
Brazil	Belgium	Germany	Sweden
Bulgaria	Canada	Iceland	
Burkina Faso	Czech Republic	Japan	
Chile	India	Korea, Republic of	
Colombia	Ireland	Netherlands	
Cyprus	Italy	Switzerland	
Ecuador	New Zealand	United States	
Greece	Norway		
Hungary	Singapore		
Malaysia	United Kingdom		
Mexico			
Nicaragua			
Panama			
Peru			
Poland			
Portugal			
Romania			
Senegal			
Spain			
Sri Lanka			
Syrian Arab Republic			
Thailand			
Trinidad and Tobago			
Tunisia			
Turkey			
Uganda			
Uruguay			
Venezuela			

Appendix 4.2d

World Bank Country Income Classifications (July 2003-July 2004)

High Income	Upper Middle Income	Lower Middle Income	Low Income	
OECD Country	Non-OECD Country	Country	Country	Country
Australia	Cyprus	Argentina	Bolivia	Burkina Faso
Austria	Israel	Chile	Brazil	India
Belgium	Singapore	Czech Republic	Bulgaria	Nicaragua
Canada		Hungary	China	Senegal
Denmark		Malaysia	Colombia	Uganda
Finland		Mexico	Ecuador	
France		Panama	Peru	
Germany		Poland	Romania	
Greece		Trinidad and Tobago	Russian Fed.	
Iceland		Uruguay	Sri Lanka	
Ireland		Venezuela	Syrian Arab Rep.	
Italy			Thailand	
Japan			Tunisia	
Korea, Rep.			Turkey	
Netherlands				
New Zealand				
Norway				
Portugal				
Spain				
Sweden				
Switzerland				
United Kingdom				
United States				

Source: World Bank (2003) available at: www.worldbank.org

Appendix 5.0

RESET Methodology

According to RESET methodology (Ramsey's, 1969), to detect the general misspecification functional form is fairly simple. To test between two model, for example one with and without logarithm form, the fitted value from the original OLS regression model will be fitted in the respective model.

Therefore, the RESET procedure the two models become;

$$FDI = \alpha_0 + \alpha_1 IPRS + \alpha_2 RDEXP + \alpha_3 BMI + \delta_1 (\hat{FDI})^2 + \delta_2 (\hat{FDI})^3 + error$$

$$\ln(FDI) = \alpha_0 + \alpha_1 \ln(IPRS) + \alpha_2 \ln(RDEXP) + \alpha_3 \ln(BMI) + \delta_1 (\hat{FDI})^2 + \delta_2 (\hat{FDI})^3 + error$$

The squared and cubed terms are freely to decide, but in most application cubic terms is proven to be useful.

If the model correctly specified, the F statistic for testing H_0: $\delta_1 = 0$, $\delta_2 = 0$ in the expanded model above will not be significant. It also can be used to test for robust heteroscedasticity.

Model Specification RESET

Dep.variable (FDI)	OLS 1	OLS 2	ResetOLS 1	ResetOLS 2
Constant	-23084.45 (26834.86)	5.4132 (1.1463)***	7265.381	5.3462
IPRS	11175.35 (6328.638)*	2.7703 (0.8164)***	1609.657	1.0915
RDEXP	8089.332 (5888.695)	0.5652 (0.2329)**	-8691.211	0.1902
BMP	-1919.008 (4244.885)	-0.3865 (0.4944)	-1211.332	0.2309
$\delta_1(\hat{FDI})^2$			5.84E-06	-0.0515
$\delta_2(\hat{FDI})^3$			6.20E-10	0.0084
Adj-R^2	0.220885	0.486343	0.2977	0.4912
Ramsey RESET test: $F_{(2,50)}$			3.8445 {0.0279}**	1.2495 {0.2954}
No. of obs.	56	56	56	56

Note:
(i) OLS (1) and OLS (2) regression estimated without and with logarithms term
(ii) The usual OLS standard errors are in parentheses, ( )
(iii) Value indicates with { } is p-value.
(v) *,**,*** indicates the coefficients significant at 10%, 5% and 1% respectively.

Source:
Procedure adapted from Wooldridge, J.M. 2003. Introductory Econometrics: A Modern Approach. 2ed. South-Western. Thomson Learning. USA.

Appendix 5.1

DIPRS and other explanatory variables

Dep.var (FDI)	Eq.1.2	Eq.1.3	Eq.1.4
Constant	3.2535 [3.3827]	4.588960 [1.909247]	2.083216 [2.432866]
IPRS		3.129126 [1.414589]**	5.339311 [1.773657]***
RDEXP	0.456323 [0.2501]*		0.418218 [0.272327]
BMI	-0.0919 [0.6043]	-0.157210 [0.612974]	
IPRS⊗DIPRS[0, 1)	-34.9411 [36.8894]		
IPRS⊗DIPRS[1, 2)	6.2336 [4.8936]		
IPRS⊗DIPRS[2, 3)	4.3549 [3.3254]		
IPRS⊗DIPRS[3, 4)	4.0289 [2.5700]		
IPRS⊗DIPRS[4, 5)	4.5196 [2.3424]*		
RDEXP⊗DIPRS[0, 1)		-0.568369 [0.937289]	
RDEXP⊗DIPRS[1, 2)		0.199862 [0.952823]	
RDEXP⊗DIPRS[2, 3)		0.456838 [0.269010]*	
RDEXP⊗DIPRS[3, 4)		0.573245 [0.344359]*	
RDEXP⊗DIPRS[4, 5)		1.305980 [0.641543]**	
BMI⊗DIPRS[0, 1)			2.677137 [1.624572]
BMI⊗DIPRS[1, 2)			1.494850 [1.194528]
BMI⊗DIPRS[2, 3)			0.018090 [0.988882]
BMI⊗DIPRS[3, 4)			-0.430036 [0.592120]
BMI⊗DIPRS[4, 5)			-0.439528 [0.612743]
Adj-R^2	0.4918	0.4744	0.5027
No. of obs.	56	56	56

Note:
DIPRS is dummy variable for level of protection
DIPRS [0, 1): 1 country
DIPRS [1, 2): 5 countries
DIPRS [2, 3): 17 countries
DIPRS [3, 4): 16 countries
DIPRS [4, 5): 17 countries

Symbol with ⊗ is term interaction operator-times
Value in bracket is robust standard error
The asterisk sign with *,** and *** are the significant level at 10, 5, and 1 percent respectively.

Appendix 5.1

DBMP and other explanatory variable

Dep.var (FDI)	Eq.1.5	Eq.1.6
Constant	5.063919 [1.042880]	4.951590 [1.194293]
IPRS		2.781042 [0.996488]***
RDEXP	0.496466 [0.216086]**	
IPRS⊗DBMP1	3.113648 [0.820581]***	
IPRS⊗DBMP2	2.915674 [0.877096]***	
IPRS⊗DBMP3	2.573259 [0.935458]***	
IPRS⊗DBMP4	2.512996 [0.955429]**	
IPRS⊗DBMP5	1.910547 [1.258904]	
RDEXP⊗DBMP1		1.202662 [0.655245]*
RDEXP⊗DBMP2		-0.320297 [0.265081]
RDEXP⊗DBMP3		0.627670 [0.182043]***
RDEXP⊗DBMP4		0.524416 [0.334844]
RDEXP⊗DBMP5		1.012917 [0.671769]
Adj-R^2	0.4719	0.4967
No. of obs.	56	56

Note:
DBMP is dummy variable for domestic market transparency
DBMP1: 18 countries
DBMP2: 10 countries
DBMP3: 13 countries
DBMP4: 9 countries
DBMP5: 6 countries

Symbol with ⊗ is term interaction operator-times
Value in bracket is robust standard error
The asterisks sign with *,** and *** are the significant level at 10, 5, and 1 percent respectively.

Appendix 5.1

Dinc and other explanatory variable

Dep.var (FDI)	Eq.2.0	Eq.2.1	Eq.2.2
Constant	5.564883 [1.487740]	5.204839 [1.474905]	5.484146 [1.708453]
IPRS		2.651659 [1.067360]**	2.661774 [1.171100]**
RDEXP	0.493472 [0.299954]		0.666261 [0.237363]***
BMI	-0.314332 [0.658266]	-0.250666 [0.615632]	
IPRS⊗DHinc-OECD	2.750834 [1.048900]**		
IPRS⊗DHinc-nonOECD	1.464736 [1.071599]		
IPRS⊗DUMinc	2.831660 [0.969290]***		
IPRS⊗DLMinc	2.581794 [1.003381]**		
IPRS⊗DLOinc	0.747540 [1.376046]		
RDEXP⊗DHinc-OECD		1.124822 [0.591683]*	
RDEXP⊗DHinc-nonOECD		0.559928 [0.842268]	
RDEXP⊗DUMinc		0.101476 [0.451774]	
RDEXP⊗DLMinc		0.437755 [0.381063]	
RDEXP⊗DLOinc		0.635952 [0.273674]**	
BMP⊗DHinc-OECD			-0.528345 [0.681898]
BMP⊗DHinc-nonOECD			-1.657366 [0.442770]***
BMP⊗DUMinc			0.114731 [0.620924]
BMP⊗DLMinc			-0.191922 [0.670902]
BMP⊗DLOinc			-0.435385 [1.241359]
Adj-R^2	0.5083	0.4576	0.4789
No. of obs.	56	56	56

Note:
Country Income Classification, World Bank (as July 2003)
Hinc-OECD: High income Country – OECD (23 countries): US$ 9076 or more
Hinc-nonOECD: High Income Country – NonOECD (3 countries): US$ 9076 or more
UMinc: Upper Middle Income Country (11 countries): US$ 2936 to US$ 9075
LMinc: Lower Middle Income Country (14 countries): US$ 736 to US$ 2935
LOinc: Lower Income Country (5 countries): US$ 735 or less

Symbol with ⊗ is term interaction operator-times
Value in bracket is robust standard error
The asterisks sign with *,** and *** are the significant level at 10, 5, and 1 percent respectively.

Appendix 5.1

DRND and other explanatory variable

Dep.var (FDI)	Eq.1.7	Eq.1.8	Eq.1.9
Constant	5.360465 [1.434980]***	5.386400 [1.419180]	5.346689 [1.585572]***
IPRS		2.757556 [1.008550]***	2.876154 [1.046351]***
RDEXP	0.499022 [0.261947]*		0.454387 [0.261870]*
BMI	-0.294955 [0.602260]	-0.341767 [0.606532]	
IPRS⊗DRND[0, 1)	2.585305 [1.062815]**		
IPRS⊗DRND[1, 2)	2.803403 [1.016882]***		
IPRS⊗DRND[2, 3)	2.994260 [0.909237]***		
IPRS⊗DRND[3, 4)	2.661275 [1.260563]**		
RDEXP⊗DRND[0, 1)		0.580082 [0.249575]**	
RDEXP⊗DRND[1, 2)		0.875885 [1.493034]	
RDEXP⊗DRND[2, 3)		0.555535 [0.877908]	
RDEXP⊗DRND[3, 4)		0.423052 [0.688304]	
BMP⊗DRND[0,1)			-0.627288 [0.808902]
BMP⊗DRND[1, 2)			0.369318 [0.725165]
BMP⊗DRND[2, 3)			-0.406003 [0.473650]
BMP⊗DRND[3, 4)			-1.531298 [0.290494]***
Adj-R^2	0.4595	0.4562	0.4910
No. of obs.	56	56	56

Note: DRND is a dummy variable for domestic R&D per GNP activity
DRND [0, 1): 30 countries
DRND [1, 2): 14 countries
DRND [2, 3): 9 countries
DRND [3, 4): 3 countries

Symbol with ⊗ is term interaction operator
Value in bracket is robust standard error
The asterisks sign with *,** and *** are the significant level at 10, 5, and 1 percent respectively.