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Does Financial Remoteness Affect Foreign Direct Investment?

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We examine the effect of financial remoteness on foreign direct investment (FDI) using a sample of 173 countries over the period 1970-2015. Our results show that financial remoteness has a significant negative effect on FDI, which suggests that proximity to major financial centres is a key factor in deciding on foreign investments. Our results are robust to alternative measures of financial remoteness and controlling for other determinants of FDI from the literature.

Keywords: Foreign direct investment, Empirical, Financial remoteness, Proximity.

JEL classification: F21, N20, O50, C33

1 Introduction

Recent literature suggests that the role of distance in determining different levels of financial activities cannot be overemphasised. For instance, Malloy (2005) shows that geographically proximate analysts perform better than other analysts because the former possess information advantage over the latter. In addition, Coval and Moskowitz (2001) find that fund managers earn substantial abnormal returns (an additional return of 2.67 per cent per year) on

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investments in close proximity while Berger and Woitek (2005) demonstrates that larger banks tend to lend at greater distance and they interact more impersonally with their borrowers. Similarly, Rose and Spiegel (2009) also show that volatility in growth rates of both output and consumption increase with distance from major financial centres. Rose and Spiegel (2009) introduced the concept of international financial remoteness which captures the natural logarithm of the distance to the nearest major financial centres (New York, London or Tokyo). The main advantage of the aforementioned geography-based measure is its potential exogeneity. Subsequently, the variable was adopted by Schmitz (2011) who find that remote countries tend to have a more positive net external position. Despite the importance of proximity to financial centres, there are no empirical studies that directly examine the effect of financial remoteness on foreign direct investment (FDI, henceforth).

We extend the literature by examining the effects of financial remoteness on FDI for a panel of 173 countries over the period 1970-2015. We posit that financial remoteness has a negative effect on FDI for two reasons. First, a model by Rose and Spiegel (2007) predicts that the costs of moving assets to banks located offshore increases with physical distance which tends to reduce both the share of offshore banking and competition in the domestic banking system from offshore financial centres. Similarly, Degryse and Ongena (2005) show that loan rates are increasing in physical distance between the firm and the lending bank which results spatial price discrimination. Second, models of Martin and Rey (2004, 2006) show that transactions costs for international assets on exchanges tend to be higher than those for domestic assets. This shows that in theory, proximity to financial centres has a significant effect on lending and transaction costs, which can also extend to foreign direct investment.[1] The intuition motivating this study is that countries that are proximate to financial centres are more financially integrated which reducing information asymmetry and agency costs, while those further away are less integrated which increases monitoring costs and reduces the observability of those managing the investment projects. Combined, this should result in a negative relationship between FDI and distance from main financial centres.

Consistent with our hypothesis, countries that are in proximity to the major financial centres (London, New York or Tokyo) have higher levels of foreign direct investment relative to those that are more distant. Our results show that financial remoteness has a statistically and economically significant negative effect on FDI, as a one standard deviation increase in financial remoteness results in an 11% decrease in FDI relative to the sample mean. This result is robust to alternative measures of financial remoteness (see definitions in Appendix A) and controlling for other factors that affect FDI from the literature. Our results provide further evidence on how financial remoteness negatively impacts economic activities.

[1] A study by Lin and Png (2003) also find that international investors can reduce these monitoring costs which increase with distance by structuring investments further away from home as joint ventures.

The rest of the paper is organised as follows. Section 2 describes the data and presents some summary statistics. Section 3 introduces the empirical approach. Section 4 discusses the empirical findings and robustness tests. Section 6 concludes.

2 Data

Our unbalanced sample consists of 173 countries drawn from the World Bank Database over the period 1970-2015. Prior periods have limited observations to allow for meaningful analysis. We retain only countries with non-missing data on key variables. Consistent with Rose and Spiegel (2009), we also drop the USA, Japan, and the UK as our measure of financial remoteness is based on the distance from these three main financial centres. The following variables were adopted for the purposes of this study:

a) Foreign direct investment (*fdi*) is the dependent variable measured as a percentage of GDP. The independent variables follow the extensive literature on FDI such as Chanegriha et al. (2017) which shows openness, democratic governance, geographic and coastal locations as robust determinants of FDI. They include:

b) International Financial Remoteness (*ldistmbc*): This is our main independent variable of interest as proposed in Rose and Spiegel (2009). It is measured as the natural logarithm of the great-circle distance to closest major financial center (London, New York, or Tokyo). Intuitively, nearness to major financial center reduces monitoring and transaction costs and thus, encourages foreign direct investment. Therefore, we expect a negative sign on *ldistmbc*.

c) Political instability (*polity2*): This is a modified version of the POLITY variable, ranging between -10 (total autocracy) and 10 (total democracy). It measures the "intensity" or "degree" of democratization in a country, based on underlying variables such as competitiveness of executive recruitment, openness of executive recruitment, constraint on the chief executive, regulation of participation and competitiveness of political participation. Democratic regimes have a positive effect on FDI inflows and thus, we expect a positive on *polity2* (see, Marshall and Jaggers, 2002).

d) Trade openness (*trade*): This variable captures the impact of multilateral and bilateral trade agreements. In addition, it measures the effect of regional integration. A more open economy attracts FDI inflows and hence, *trade* is expected to have a positive sign.

e) log of GDP (*loggdp*) and GDP growth (*growth*): *These* variables measure the overall level of development of an economy. Although related to the trade and financial sector variables, the explanatory powers of *loggdp* and growth are potentially better as they reflect the administrative capacity and institutional quality of an economy. In addition, they capture the effects of sectoral variables such as agriculture and manufacturing. *loggdp*

is expected to be negative because FDI is measured as a percentage of GDP; hence, an increase in the denominator decreases the overall variable. GDP growth is expected to be positive.

f) Credit to GDP ratio (*credit*): This is measured as the flow of domestic credit to the private sector. It captures the overall development of the banking sector. The relationship between FDI flows and domestic credit is generally ambiguous in the literature; while some studies have shown a significant positive relationship, others have found no significant relationship at all (see, Tsaurai, 2014). Thus, the sign on *credit* will be determined by the regression model.

g) *island* is a dummy variable that takes the value of one for countries that are islands and otherwise zero, landlis a dummy variable that takes the value of one for countries that are landlocked and otherwise zero.2 We include logarithm of latitude (llat) to control for the positive link between distance to the equator and economic development which consequently affects foreign direct investment (see, Dalgaard and Strulik, 2018).[3].

Table 1 presents the basic statistics (Panel A) and correlations (Panel B) for the variables used. The mean (median) FDI, financial remoteness, polity2, log of GDP, growth, credit and log of latitude is 3.476 (1.691), 7.735 (7.886), 0.143 (-1 .000), 81.880 (72.020), 23.270 (23.160), 3.833 (3.897), 34.600 (28.530), and 2.846 (2.944), respectively. As Panel A shows, FDI can be negative and this is due three countries (Bermuda, Iraq and Suriname) that are experiencing large divestments.[4] The pairwise correlations in Panel B show that FDI is positively correlated with trade, growth and credit, while it is negatively correlated with financial remoteness (*ldistmbc*), political regime (*polity2*), logarithm of GDP (*loggdp*), and logarithm of latitude (*llat*). The negative correlation of -0.077 between FDI and financial remoteness shows an *apriori* indication that FDI decreases with distance from the main financial centres. The other correlations are as expected and consistent with the literature.

Figure 1a and 1b plots the mean FDI and the scatter plot of FDI and financial remoteness, respectively. Figure 1a shows a general increase in FDI over time, while Figure 1b shows a general decrease in FDI with financial remoteness. This is consistent with the negative correlation in Table 1 and our hypothesis that investors are less willing to invest in remote locations as information asymmetry and monitoring costs increase with distance from the main financial centres (London, New York or Tokyo).

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[2] These variables are informed by the literature (see, Asiedu et al., 2015; Bevan and Estrin, 2004; Blonigen and Piger, 2014; Farla et al., 2016; Lane and Milesi-Ferretti, 2008).

[3] Indeed, we acknowledge that there are other potential determinants of FDI; however, most of these determinants are highly correlated which may lead to incorrect signs and magnitude of coefficients

[4] Our results are not significantly affected by excluding these countries from our sample.

Table 1: Basic statistics and correlations

Panel A: Basic statistics

Variable	N	Mean	Stdev	Min	p25	Meadian	p75	Max
fdi	5655	3.476	6.499	-58.980	0.479	1.691	4.298	89.480
ldistmbc	5655	7.735	0.650	5.188	7.493	7.886	8.163	8.707
polity2	5655	0.143	6.982	-10.000	-7.000	-1.000	8.000	10.000
trade	5655	81.880	50.240	6.320	49.600	72.020	101.900	531.700
loggdp	5655	23.270	2.276	17.280	21.660	23.160	24.930	30.030
growth	5655	3.833	5.772	-50.250	1.495	3.897	6.252	150.000
credit	5655	38.270	34.600	0.000	13.970	28.530	52.720	312.200
llat	5655	2.846	0.950	0.000	2.485	2.944	3.555	4.174

Panel B: Correlations

Variable	*fdi*	*ldistmbc*	*polity2*	*trade*	*loggdp*	*growth*	*credit*	*llat*
fdi	1.000							
ldistmbc	-0.077***	1.000						
polity2	-0.027*	-0.241***	1.000					
trade	0.439***	-0.116***	0.007	1.000				
loggdp	-0.042**	-0.373***	0.170***	-0.140***	1.000			
growth	0.162***	0.061***	-0.037**	0.127***	-0.001	1.000		
credit	0.154***	-0.382***	0.260***	0.297***	0.441***	-0.064***	1.000	
llat	-0.012	-0.495***	0.168***	-0.098***	0.366***	-0.054***	0.294***	1.000

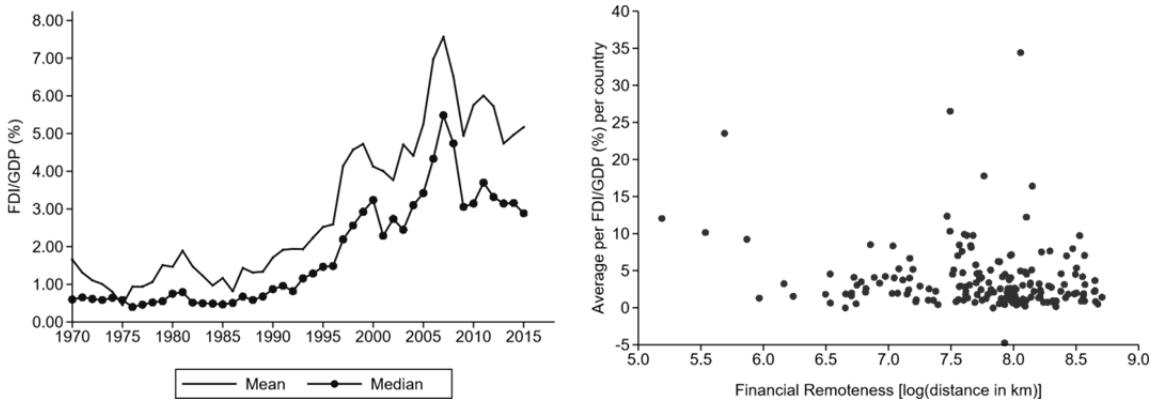
3 Methodology

We adopt a panel-data approach to examine the effect of financial remoteness on FDI. The following empirical model is employed:

$$FDI_{jt} = \alpha_0 + \alpha_1 FR_J + \beta X_{jt} + \epsilon_{jt} \quad (1)$$

where FDI_{jt} is foreign direct investment (as a percentage of GDP) for country *j* at time *t*; α_0 is a constant; α_1 and β are parameters to be estimated; FR_J is a measure of financial remoteness; X_{jt} is a vector of control variables (as previously explained); and ϵ_{jt} is an error term. The vector of control variables includes the political regime (*polity2*), logarithm of GDP (*loggdp*), and logarithm of latitude (*llat*). We estimate all our different specification of Equation (1) with OLS, using standard errors robust to the presence of heteroskedasticity and controlling for time-fixed effects.

Fig 1: Financial remoteness and foreign direct investment



(a) Time variations (b) FDI and financial remoteness

The conventional approach to cross-country FDI regressions is to adopt fixed effects or GMM model. However, our main variable of interest (international financial remoteness, *ldistmbc*) is time invariant which means makes the aforementioned approaches unsuitable. While *ldistmbc* has the advantage of plausible exogeneity, we do not overstate the overall strength of our results due to potential endogeneity issues. Nevertheless, the addition of time fixed effects addresses cross-section dependency, a source of endogeneity in cross-country regressions of this nature. Overall, we think the useful insights from unearthing a new significant determinant of FDI flows should not be neglected.[5]

4 Results

Table 2 presents results for the eight different specifications of Equation (1) relating FDI to financial remoteness and its determinants. In column (1), we examined the "pure" effect of financial remoteness on FDI by including only the variable FR. In columns (2) - (7) we include all the aforementioned variables (in Section 2). We adopt this approach to ascertain the sensitivity of our variables with respect to sign and significance. The results in columns (1) - (2) show that financial remoteness has a significant negative effect on FDI. These results are economically and statistically significant, as a one standard deviation increase in financial remoteness results in a 10% to 14% decrease in FDI relative to the sample mean of 7.735 (2,287 km).

[5] Given potential endogeneity concerns, we also estimated the models using lags of the independent variables. These results are similar and are available on request.

Table 2: The effects of financial remoteness on FDI

	Dependent variable: Foreign Direct Investment (FDI)						
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ldistmbc	-0.725***	-0.656***	-0.593**	-0.712***	-0.590***	-0.520***	-0.732**
	(0.190)	(0.182)	(0.253)	(0.182)	(0.190)	(0.186)	(0.309)
polity2		-0.026**	-0.020*	-0.033***	-0.027**	-0.036***	-0.007
		(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.023)
trade		0.045***	0.046***	0.045***	0.046***	0.046***	0.045***
		(0.004)	(0.004)	(0.004)	(0.004)	(0.007)	(0.005)
loggdp		-0.226***	-0.203***	-0.189***	-0.232***	-0.165**	-0.389***
		(0.053)	(0.057)	(0.058)	(0.052)	(0.074)	(0.093)
growth		0.125***	0.127***	0.126***	0.125***	0.131**	0.084
		(0.047)	(0.048)	(0.047)	(0.047)	(0.054)	(0.071)
credit		0.005	0.006	0.003	0.005	-0.001	0.007
		(0.005)	(0.005)	(0.004)	(0.005)	(0.005)	(0.008)
easiapac			-0.454*				
			(0.243)				
eurcasia			0.064				
			(0.258)				
namer			0.309				
			(0.407)				
sasia			-0.677***				
			(0.236)				
ssafrica			0.331				
			(0.232)				
island				0.509**			
				(0.253)			
landl				-0.279			
				(0.251)			
llat					0.109		
					(0.085)		
Constant	7.184***	8.476***	7.375***	8.140***	7.786***	6.575**	12.260***
	(1.528)	(1.942)	(2.224)	(1.957)	(2.086)	(2.832)	(3.093)
N	5,655	5,655	5,655	5,655	5,655	3,970	1,685
R^2	0.0913	0.251	0.252	0.251	0.251	0.226	0.276

The other determinants of FDI used as control variables, namely; the political regime (*polity2*), logarithm of GDP (*loggdp*), and logarithm of latitude (*llat*), are generally consistent with theory and prior studies (e.g., Asiedu et al., 2015; Bevan and Estrin, 2004; Blonigen and

Piger, 2014). Political instability (*polity2*) and size of the economy (*loggdp*) have a negative effect on FDI, while openness (*trade*), growth (*growth*) and domestic private sector credit (*credit*) have a positive effect.

5 Robustness

We check the robustness of our results in several ways. First, we include regional dummies in column (3) to examine whether our results are not just merely capturing regional differences in FDI. The result shows that financial remoteness has a significant negative effect on FDI even after the inclusion of regional categorical dummies (*easiapac* - Europe, Asia and the Pacific; *eurcasia* - Europe and Central Asia; *namer* - North America; *sasia* - South Asia and *ssafrica* - Sub-Saharan Africa). Second, the result in column (4) is also robust to controlling for islands and landlocked countries. Third, in column (5), the result remain similarly significant after controlling for latitude. Finally, in columns (6) and (7) of Table 2, we also examine whether our results are not just capturing differences in the levels of economic development. Our results show that countries with high-income levels of economic development (column (7)) are even more affected by financial remoteness than those with low-income levels (column (6)).[6] Overall our results show a significant negativity effect of financial remoteness on FDI that is robust to alternative specifications and measures of financial remoteness (see Appendix A).

6 Conclusions

We empirically examine the effects of financial remoteness on FDI, while controlling for other determinants of FDI from the literature. Our results show that financial remoteness has a statistically and economically significant negative effect on FDI. This result suggests that proximity to financial centres is an important factor that is also considered by foreign investors beyond the other factors in the FDI literature. Further research could examine the robustness of the relationship between international financial remoteness and FDI using a combination of other explanatory variables and the application of other econometric methodologies.

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[6] Appendix A shows that our results are robust to alternative definitions of financial remoteness. The coefficients for the alternative measures of financial remoteness are lower as the closest or average distance to several financial centres is lower than that to the three main centres (London, New York and Tokyo). These alternative measures of remoteness are based on Rose and Spiegel (2009).

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Appendix A : Alternative measures of financial remoteness

The table below presents the results estimating Equation (1) that relates FDI to alternative measures of financial remoteness and control variables. Consistent with Rose and Spiegel (2009), the alternative measures of financial remoteness used are:

ofcmingr is the distance to closest offshore financial center (Column (1));

lbig8min is the distance to the closest eight largest gross debtors (Column (2));

lbig10min is the distance to the closest ten largest gross creditors (Column (3));

lmind55 is the distance to the closest ten countries with the largest gross capital outflows (Column (4));

lmindv55 is the distance to the closest ten countries with largest gross capital inflows (Column (5));

lbig8wavg is the average distance to the eight largest gross debtors (Column (6));

lwbig10avg is the average distance to the ten largest gross creditors (Column (7));

lavgd55 is the average distance to the ten countries with largest gross capital outflows (Column (8));

lavgdv55 is the average distance to the ten countries with largest gross capital inflows (Column (9));

wsldistmbc is the weighted distance to major financial centres with host transactions as weights (Column (10)).

The controls are political instability (polity2), trade openness (trade), log of GDP (loggdp), GDP growth (growth) and credit to GDP ratio (credit).

Dependent variable: Foreign Direct Investment (FDI)

FR Measure Variables	*ofcmingr* (1)	*lbig8min* (2)	*lbig10min* (3)	*lmind55* (4)	*lmindv55* (5)
FR	-0.186**	-0.282**	-0.273**	-0.381**	-0.279**
	(0.081)	(0.134)	(0.130)	(0.150)	(0.125)
polity2	-0.018*	-0.022**	-0.022**	-0.024**	-0.022**
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)
trade	*0.046***	*0.046***	*0.046***	*0.046***	*0.046***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
loggdp	-0.164***	-0.203***	-0.203***	-0.218***	-0.201***
	(0.054)	(0.053)	(0.053)	(0.053)	(0.053)
growth	0.121**	0.122***	0.122***	0.124***	0.122***
	(0.047)	(0.047)	(0.047)	(0.047)	(0.047)
credit	0.006	0.006	0.006	0.006	0.006
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Constant	3.263**	5.003***	4.933***	6.094***	4.910***
	(1.472)	(1.657)	(1.644)	(1.772)	(1.586)
N	5,655	5,655	5,655	5,655	5,655
R^2	0.248	0.248	0.248	0.249	0.248

FR Measure Variables	*lbig8wavg* (6)	*lwbig10avg* (7)	*lavgd55* (8)	*lavgdv55* (9)	*wsldistmbc* (10)
FR	-0.842***	-0.577***	-0.408**	-0.397**	-0.261**
	(0.238)	(0.222)	(0.174)	(0.173)	(0.117)
polity2	-0.020*	-0.019*	-0.020*	-0.019*	-0.020*
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)
trade	0.046***	0.046***	0.046***	0.046***	0.046***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
loggdp	-0.201***	-0.193***	-0.193***	-0.191***	-0.166***
	(0.054)	(0.054)	(0.054)	(0.054)	(0.054)
growth	0.124***	0.122***	0.122***	0.122**	0.126***
	(0.047)	(0.047)	(0.047)	(0.047)	(0.048)
credit	0.006	0.007	0.007	0.007	0.007
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Constant	7.862***	6.137***	5.997***	5.857***	4.157***
	(1.863)	(1.858)	(1.905)	(1.893)	(1.269)
N	5,655	5,655	5,655	5,655	5,598
R^2	0.249	0.248	0.248	0.248	0.251

Appendix B : Middle low- and low-income countries

Panel A: High Income				Panel B: Upper Middle Income			
Country	N	*FDI*	*ldistmbc*	Country	N	*FDI*	*ldistmbc*
Antigua & Barbuda	38	10.315	7.491	Albania	24	5.259	7.083
Australia	46	2.224	8.378	Algeria	23	0.422	7.396
Austria	46	1.822	6.496	Angola	20	7.000	8.424
Bahamas, The	27	4.031	7.046	Argentina	45	1.535	8.556
Bahrain	34	4.950	8.056	Azerbaijan	21	17.775	7.763
Barbados	35	3.065	7.648	Belarus	24	1.960	7.073
Belgium	14	12.046	5.188	Belize	32	5.114	7.521
Bermuda	5	-0.028	6.655	Bosnia & Herzegovina	17	4.081	6.886
Brunei	15	2.556	7.894	Botswana	41	3.127	8.571
Canada	46	2.225	7.378	Brazil	34	2.082	8.218
Chile	41	4.497	8.495	Bulgaria	26	6.669	7.171
Croatia	20	4.098	6.724	China	34	2.936	7.575
Cyprus	36	4.719	7.593	Colombia	46	2.090	7.841
Czech Republic	23	4.544	6.533	Costa Rica	39	3.371	7.701
Denmark	46	1.539	6.238	Dominica	35	7.026	7.554
Estonia	20	8.341	7.035	Dominican Rep.	46	2.541	7.325
Finland	46	1.844	7.148	Ecuador	40	1.138	7.993
France	46	1.293	5.967	Equatorial Guinea	19	16.412	8.15
Greece	28	0.807	7.218	Fiji	37	4.587	8.381
Hong Kong	18	26.509	7.493	Gabon	38	1.391	8.213
Hungary	24	8.504	6.856	Georgia	19	8.146	7.661
Iceland	39	1.919	7.029	Grenada	34	8.387	7.657
Ireland	42	9.234	5.867	Guyana	39	6.242	7.878
Israel	46	1.772	7.71	Iran	22	0.667	7.993
Italy	46	0.533	6.741	Iraq	21	-0.023	7.837
Korea	40	0.639	6.535	Jamaica	22	1.019	7.359
Kuwait	21	0.434	7.929	Jordan	40	4.073	7.743
Latvia	20	4.227	6.975	Kazakhstan	24	7.143	7.983
Lithuania	20	3.311	6.929	Lebanon	16	9.750	7.676
Luxembourg	10	23.524	5.689	Libya	11	2.226	7.619
Macao	31	4.511	7.513	Macedonia	22	3.742	7.114
Malta	33	3.998	7.169	Malaysia	46	3.785	7.965
Netherlands	46	10.143	5.536	Maldives	14	7.966	8.473
New Zealand	37	2.294	8.651	Mauritius	39	1.413	8.707
Norway	46	1.606	6.703	Mexico	46	1.775	7.618
Oman	26	1.541	8.211	Namibia	30	4.178	8.552

Appendix B : Middle low- and low-income countries (continued)

Panel A: High Income

Country	N	*FDI*	*ldistmbc*
Poland	25	3.057	6.748
Portugal	46	2.095	6.816
Qatar	15	3.028	8.073
Saudi Arabia	46	1.164	7.999
Seychelles	39	9.724	8.529
Singapore	46	12.224	8.103
Slovak Republic	23	3.495	6.783
Slovenia	20	1.852	6.658
Spain	46	1.983	6.705
St. Kitts and Nevis	36	12.348	7.468
Sweden	46	2.588	6.82
Switzerland	33	3.236	6.164
Trinidad and Tobago	46	5.785	7.698
UAE	15	3.091	8.131
Uruguay	46	1.908	8.56
Total	**1,685**	**4.343**	**7.209**

Panel B: Upper Middle Income

Country	N	*FDI*	*ldistmbc*
Palau	21	7.613	7.588
Panama	38	4.606	7.707
Paraguay	25	1.348	8.416
Peru	46	2.201	8.163
Russia	24	1.808	7.795
South Africa	46	0.827	8.656
St. Lucia	35	9.896	7.607
Vincent & Grenadines	38	9.758	7.627
Suriname	40	-4.748	7.928
Thailand	41	2.094	7.95
Turkey	42	0.824	7.54
Turkmenistan	20	7.078	7.975
Venezuela	44	1.022	7.748
Total	**1,546**	**3.811**	**7.871**

Appendix C : Middle low- and low-income countries

Panel C: Middle Low Income

Country	N	*FDI*	*ldistmbc*
Armenia	24	4.681	7.726
Bangladesh	44	0.373	8.024
Bhutan	14	1.728	7.98
Bolivia	46	2.764	8.301
Cabo Verde	28	4.523	7.931
Cambodia	22	6.210	7.889
Cameroon	39	1.158	8.075
Congo	38	7.524	8.223
Cote d'Ivoire	41	1.235	8.011
Djibouti	17	3.224	8.204
Egypt	39	2.446	7.74
El Salvador	40	1.313	7.633

Panel D: Low Income

Country	N	*FDI*	*ldistmbc*
Afghanistan	13	1.440	8.14
Benin	46	1.083	7.973
Burkina Faso	46	0.552	7.886
Burundi	17	0.150	8.339
CAR	39	0.971	8.1
Chad	39	4.185	7.912
Comoros	28	0.873	8.542
Eritrea	16	4.530	8.104
Ethiopia	5	2.392	8.214
Gambia	20	1.255	7.931
Guinea	29	2.599	7.955
Guinea-Bissau	32	1.306	7.956

Appendix C : Middle low- and low-income countries (continued)

Panel C: Middle Low Income

Country	N	*FDI*	*ldistmbc*
Ghana	41	2.628	8.008
Guatemala	39	1.030	7.600
Honduras	42	2.856	7.566
India	41	0.733	8.273
Indonesia	35	0.975	8.035
Kenya	46	0.634	8.324
Kiribati	31	0.600	8.064
Kyrgyz Republic	23	5.097	8.145
Lao	28	3.392	7.802
Lesotho	5	0.490	8.674
Mauritania	45	3.894	7.727
Moldova	20	5.189	7.195
Mongolia	25	8.467	7.566
Morocco	46	1.062	7.222
Nicaragua	46	2.803	7.616
Nigeria	46	2.608	7.972
Pakistan	46	0.749	8.239
Papua New Guinea	35	4.062	7.978
Philippines	46	1.097	7.559
Samoa	22	1.834	8.437
Solomon Islands	25	4.814	8.090
Sri Lanka	46	0.895	8.341
Sudan	44	1.626	8.011
Swaziland	43	3.663	8.650
Syria	29	0.716	7.691
Tajikistan	24	3.325	8.135
Tonga	32	1.881	8.486
Tunisia	40	2.423	7.161
Ukraine	24	2.916	7.252
Uzbekistan	24	1.307	8.018
Vanuatu	35	7.646	8.290
Vietnam	30	5.086	7.816
Yemen	25	1.323	8.200
Zambia	22	5.360	8.503
Total	**1,543**	**2.656**	**7.95**

Panel D: Low Income

Country	N	*FDI*	*ldistmbc*
Haiti	19	1.024	7.318
Liberia	19	34.410	8.056
Madagascar	46	2.174	8.646
Malawi	46	1.984	8.502
Mali	45	1.221	7.779
Mozambique	35	7.052	8.567
Nepal	20	0.216	8.093
Niger	46	2.448	7.820
Rwanda	46	0.941	8.316
Senegal	46	1.229	7.902
Sierra Leone	46	2.499	8.019
Tanzania	26	3.130	8.406
Togo	42	2.427	8.007
Uganda	28	2.949	8.281
Zimbabwe	41	0.906	8.567
Total	**881**	**2.667**	**8.128**