

Technical Appendix to

ROLL OUT THE RED CARPET AND THEY WILL COME:

INVESTMENT PROMOTION AND FDI INFLOWS*

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Appendix

Table S1
Countries Included in the Analysis

No	Survey respondents	Targeted	Total
1	Albania	20	129
2	Algeria	0	175
3	Argentina	0	180
4	Armenia	25	70
5	Aruba*	30	161
6	Australia*	172	187
7	Bangladesh	0	60
8	Belize	0	160
9	Bhutan	0	29
10	Bosnia and Herzegovina	55	128
11	Botswana	20	170
12	Brazil	0	155
13	Bulgaria	59	104
14	Cambodia	58	81
15	Canada*	84	178
16	Chile	98	151
17	China	0	177
18	Colombia	0	79
19	Congo, Dem. Rep.	50	180
20	Costa Rica	96	176
21	Cyprus*	40	173
22	Czech Republic	53	108
23	Côte d'Ivoire	133	174
24	Denmark*	0	131
25	Ecuador	43	163
26	Egypt, Arab Rep.	0	137
27	El Salvador	120	163
28	Fiji	41	156
29	Finland*	46	164
30	France*	40	92
31	Georgia	0	65
32	Ghana	82	165
33	Greece*	124	183
34	Guatemala	58	165
35	Guinea	97	161

Table S1
(Continued)

No	Survey respondents	Targeted	Total
36	Guyana	0	65
37	Hungary	24	98
38	Iceland*	40	170
39	Iran, Islamic Rep.	0	187
40	Ireland*	0	76
41	Israel*	0	104
42	Italy*	0	79
43	Jamaica	14	78
44	Japan*	0	188
45	Jordan	129	162
46	Kazakhstan	64	123
47	Kenya	0	141
48	Korea, Rep.	0	188
49	Lao PDR	0	59
50	Latvia	28	88
51	Lebanon	103	176
52	Lesotho	0	85
53	Lithuania	85	110
54	Macedonia, FYR	0	60
55	Madagascar	180	180
56	Malta*	0	66
57	Mauritania	100	184
58	Mauritius	99	178
59	Mexico	18	141
60	Moldova	0	35
61	Mozambique	35	114
62	Netherlands*	25	107
63	Netherlands Antilles*	35	163
64	New Zealand*	97	156
65	Nicaragua	74	163
66	Oman	78	159
67	Pakistan	0	60
68	Palau	0	177
69	Panama	4	49
70	Paraguay	0	163
71	Peru	26	147
72	Poland	0	37
73	Portugal*	121	166
74	Romania	0	163
75	Samoa	30	189
76	Saudi Arabia*	0	95
77	Senegal	65	165
78	Serbia and Montenegro	43	106
79	Singapore*	0	179
80	Slovak Republic	0	107
81	Slovenia	110	150
82	Solomon Islands	0	13
83	South Africa	115	140
84	St. Vincent and the G	50	189
85	Sweden*	119	153
86	Switzerland*	0	173
87	Taiwan*	0	79
88	Thailand	0	50
89	Tunisia	68	161
90	Turkey	0	166
91	Uganda	150	180
92	United Kingdom*	0	189

Table S1
(Continued)

No	Survey respondents	Targeted	Total
93	Uruguay	0	169
94	Vanuatu	108	178
95	Venezuela, RB	64	151
96	Zambia	0	171
97	Zimbabwe	0	123
Subtotal			13,051
No	Existence of IPA could not be confirmed		Total
98	Andorra*		70
99	Brunei*		180
100	Cameroon		183
101	Central African Rep		70
102	Chad		189
103	Cuba		174
104	Djibouti		179
105	Equatorial Guinea		153
106	Ethiopia		188
107	Eritrea		93
108	Gabon		178
109	Haiti		173
110	Iraq		14
111	Kyrgyz Republic		70
112	Libya		177
113	Mali		174
114	Sudan		189
115	Suriname		162
116	Togo		189
117	Turkmenistan		129
118	Uzbekistan		123
Subtotal			3057
No	No IPA exists		Total
119	Congo, Rep.		188
120	Kuwait*		176
121	Liechtenstein*		171
122	Norway*		175
123	Somalia		189
124	St. Kitts and Nevis		189
Subtotal			1088
Total			17196

Notes. Sample corresponding to column 1, Table 2. These countries either responded to the World Bank Census or they are very likely not to have an IPA. Those who responded to the Census gave the full timing (start and end year of the targeting) for at least one targeted sector, or they informed that did not practice sector targeting. (Sectors with incomplete timing information are excluded from the sample.) The column 'Targeted' indicates the number of sector-years observations for the post-targeting period used in the estimation. 'Total' is the total number of observations on the country included in the estimations. Developed countries, classified according to the World Bank definition as of 1 July 2006, are marked with an asterisk.

Table S2
Sectors Included in the Analysis

Sector	Number of observations
Petroleum	1,370
Utilities	526
Food	1,353
Chemicals	1,430
Metals	1,435
Machinery	1,389
Electrical equipment	1,449
Transportation equipment	1,429
Wholesale trade	1,612
Banking	1,186
Other finance	1,356
Services	473
ICT	445
Professional services	491
Other industries	1,252
Total	17,196

Note. The number of observations corresponds to the regression of column 1, Table 2.

Table S3
Aggregation Across Sectors and Time, and Matching Census Sectors With BEA Data

Sector	Targeted sectors matched	BEA data	Aggregated	Time period in BEA data
Petroleum	Mining and quarrying	Petroleum		1989–98
		Mining		1999–2004
Utilities	Electricity, gas and water provision	Utilities		1999–2004
Food	Food products	Food and kindred products		1989–98
		Food		1999–2004
Chemicals	Petroleum, chemical, rubber, plastic products	Chemicals and allied products		1989–98
		Chemicals		1999–2004
Metals	Metal and metal products	Primary and fabricated metals		1989–2004
Machinery	Machinery; computers and electronic equipment	Industrial machinery and equipment		1989–98
		Machinery	Yes	1999–2004
		Computer and electronic products	Yes	1999–2004
Electrical equipment	Computers and electronic equipment	Electronic and other electric equipment		1989–98
		Electrical equipment, appliances and components		1999–2004
Transportation equipment	Vehicles and other transport equipment	Transportation equipment		1989–2004
Wholesale trade	Trade and repairs	Wholesale trade		1989–2004
Banking	Financial intermediation; back office services	Banking		1989–98
		Depository institutions		1999–2004
Other finance	Financial intermediation; real estate and business activities; back office services	Finance (except banking), insurance and real estate		1989–98
		Finance (except depository institutions) and insurance		1999–2004
Services	Hotels and restaurants (until 1998); real estate and business activities; software; biotechnology; back office services	Services		1989–98
ICT	Transport and telecommunications (from 1999); real estate and business activities; software; back office services	Information		1999–2004
Professional services	Software; biotechnology	Professional, scientific and technical services		1999–2004
Other industries	Agriculture, fishing and forestry; textiles and apparel; wood and wood products; construction; hotels and restaurants (from 1999); transport and telecommunications (until 1998)	Other industries	Yes	1989–2004
		Other manufacturing	Yes	1989–98

Note. Aggregated means that we have combined the sectors into one.

Table S4
Explaining the Choice of Sectors to be Targeted. Probit

	All	All	All
L. FDI flow	-0.006 (0.005)		
L2. FDI flow		0.000 (0.005)	
L3. FDI flow			-0.008 (0.005)
No. of observations	4,274	4,079	3,842
L. FDI stock	0.000 (0.005)		
L2. FDI stock		0.005 (0.005)	
L3. FDI stock			0.005 (0.006)
No. of observations	4,914	4,295	4,097

Notes. Standard errors are reported in parentheses. No coefficients are significant at the 10% level. The dependent variable is equal to one if country c begins targeting industry i at time t and zero if the industry is not targeted at time t . LX means lagged X periods. Other controls include GDP per capita, population size, GDP growth, inflation, restrictions on civil liberties, country and year fixed effects. Population, GDP per capita, FDI flow and FDI stock enter in the log form.

Table S5
*Removing Cases of Targeting Determined by Previous Success or Failure in
Attracting FDI to the Sector*

	All	All	All	All
Post-targeting	0.866* (0.488)			
L. Post-targeting		1.373*** (0.514)		
L2. Post-targeting			1.166** (0.564)	
L3. Post-targeting				0.839 (0.640)
No. of observations	15,285	15,282	14,750	14,204
No. of country-sector groups	1,389	1,389	1,389	1,387
Within R-squared	0.19	0.20	0.20	0.20

Notes. Standard errors are reported in parentheses. ***, **, * denotes significance at the 1, 5 and 10% level, respectively. The dependent variable is the log of inflow of US foreign direct investment into industry i in country c at time t . Post-targeting is equal to one if industry i was targeted by country c at time t and zero otherwise. LX means lagged X periods. All models include country-year, sector-year and country-sector fixed effects.

Table S6
Using US Affiliate Sales and Employment as Dependent Variables

	US affiliate sales			US affiliate employment		
	Devel- oping	Devel- oping	Devel- oping	Devel- oping	Devel- oping	Devel- oping
Post-targeting	1.033*** (0.363)			0.520*** (0.143)		
L. Post-targeting		1.096*** (0.402)			0.483*** (0.158)	
L2. Post-targeting			1.054** (0.452)			0.505*** (0.186)
L3. Post-targeting				1.164** (0.534)		0.507** (0.223)
No. of observations	3,087	3,034	2,976	3,360	3,227	3,159
No. of country-sector groups	227	226	225	233	233	233
Within R-squared	0.37	0.37	0.37	0.40	0.39	0.39

Notes. Standard errors are reported in brackets. ***, **, * denotes significance at the 1, 5 and 10% level, respectively. The dependent variable is the log of inflow of US foreign direct investment into industry i in country c at time t . Post-targeting is equal to one if industry i was targeted by country c at time t and zero otherwise. LX means lagged X periods. All models include country-year, sector-year and country-sector fixed effects.