

Appendix B: Additional Findings

for

"The Politics of Foreign Direct Investment into Developing Countries: Increasing FDI through International Trade Agreements?"

Tim Büthe & Helen V. Milner, *AJPS* 52:4 (October 2008)

This appendix to our article, forthcoming in the October 2008 issue of the *American Journal of Political Science*, provides regression estimates for the additional analyses conducted to assess alternative causal mechanism that emphasize economic effects, only (see "Extensions of the Analysis IV" in the paper) and additional analyses conducted as robustness checks (sample restrictions).

Market-size Weighted PTA Measures

To get at the question whether PTAs might increase FDI only through market size, we created two alternative measures of "weighted" PTAs. For the first measure, PTA_{GDPw} , we weigh each PTA (for a given country i) by the sum of the GDP of the other members of that PTA to capture the size of the additional market created for country i . PTA_{GDPw} then records for each country-year the cumulative sum of the *weighted* PTAs to which country i is a party.

The second measure, $PTA_{relGDPw}$ uses market-size weights that take the total market size created for country i by PTA j and divides it by country i 's own GDP to create a measure of *relative* market size (created for country i by PTA j), as discussed in the "Extensions of the Analysis IV: Alternative Economic Explanations" section of the paper. $PTA_{relGDPw}$ then records for each country-year the sum of these relative-market-size-weighted PTAs (again based on cumulative PTAs in force). The main findings/conclusions from the regressions in Table B1 are discussed in the article; the table merely provides the full regression results. We also re-ran models 14 and 16 after multiplying PTA_{GDPw} by 10^9 and 10^{12} to ensure that the insignificant findings for that variable (and the persistent significance for the regular PTA measure in model 16) were not an artifact of the different scale of the PTA measures; the findings did not change.

Table B1
Models with Market-Size-Weighted Measures of PTAs

	<i>model 4'''</i>	<i>model 14</i>	<i>model 15</i>	<i>model 16</i>	<i>model 17</i>
cumulative PTAs	0.253*** (.0807)			0.250*** (.0858)	0.265*** (.0814)
PTA _{GDPw}		2.67e ⁻¹⁴ (2.74 e ⁻¹⁴)		3.40e ⁻¹⁵ (2.81e ⁻¹⁴)	
PTA _{relGDPw}			-0.000068 (.000086)		-0.000111 (.0000894)
GATT/WTO membership	0.940** (.418)	1.11*** (.414)	1.11*** (.419)	0.942** (.416)	0.936** (.418)
cumulative BITs	0.0319** (.0138)	0.0416*** (.0156)	0.0448*** (.0146)	0.0316** (.149)	0.0304** (.0138)
Domestic Political Constraints	0.778 (.567)	1.05* (.589)	1.07* (.590)	0.777 (.568)	0.742 (.562)
Political Instability	-0.0142* (.00781)	-0.0135 (.00848)	-0.0128 (.00820)	-0.0142* (.00787)	-0.0138* (.00781)
Market Size	-2.88** (1.41)	-3.32** (1.50)	-3.48** (1.57)	-2.88** (1.42)	-3.11** (1.46)
Economic Development	-0.437 (.584)	-0.695 (.588)	-0.756 (.619)	-0.445 (.573)	-0.596 (.618)
GDP growth	0.0342*** (.00957)	0.0378*** (.00983)	0.0376*** (.00987)	0.0342*** (.00952)	0.0337** (.00960)
constant	-8.45e ⁻¹⁰ (1.52e ⁻⁹)	9.02e ⁻¹⁰ (1.53e ⁻⁹)	8.87e ⁻¹⁰ (1.52e ⁻⁹)	8.45e ⁻¹⁰ (1.52e ⁻⁹)	8.08e ⁻¹⁰ (1.52e ⁻⁹)
R ²	+0.0693	+0.0611	+0.0608	+0.0694	0.0705
<i>n</i>	120	120	120	120	120
<i>N</i>	2309	2309	2309	2309	2309

NOTE: Arellano (1987) clustered standard errors in parentheses. * p < 0.1; ** p < 0.05; *** p < 0.01; two-tailed tests. Analysis covers 1970-2000, subject to data availability. All variables de-trended, except Political Instability. Country fixed effects implemented in advance via "areg" command, with "absorb(country)" in Stata 9.2.

Sample Restrictions: Excluding Eastern Europe/former Soviet Republics

Reviewer 1 also asked to see the regression results omitting the countries of the "former Soviet bloc." We implemented this sample restriction in a number of ways, including dropping countries individually. We show in Table A5 columns 2 and 3 the results when omitting all of the countries of Eastern Europe (using the OECD definition of geographic regions) and when omitting all the countries of "Eastern Europe and Central Asia" as defined by the World Bank (Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan are the additionally omitted countries).

Table B2
Sample Restrictions, Former Soviet Bloc

	<i>Model 4</i> <i>all countries</i>	<i>Model 4</i> <i>excluding Eastern Europe</i>	<i>Model 4</i> <i>excluding Eastern Europe & Central Asia</i>
cumulative PTAs	0.217*** (.0797)	0.296*** (.0878)	0.316*** (.0895)
GATT/WTO membership	1.08*** (.411)	1.05** (.421)	1.11*** (.422)
cumulative BITs	0.0411*** (.0129)	0.0401*** (.0142)	0.0396*** (.0146)
Domestic Political Constraints	1.15* (.638)	1.01 (.685)	1.01 (.688)
Political Instability	-0.0153* (.00785)	-0.0147* (.00782)	-0.0147* (.00780)
Market Size	-1.64 (1.23)	-1.45 (1.27)	-1.33 (1.28)
Economic Development	-0.406 (.511)	-0.431 (.563)	-0.361 (.571)
GDP growth	0.0302*** (.00981)	0.0359*** (.0108)	0.0343*** (.0115)
constant	-1.12e ⁻⁹ (1.18e ⁻⁹)	1.49*e ⁻⁹ (1.61*e ⁻⁹)	1.72*e ⁻⁹ (1.39*e ⁻⁹)
<i>n</i>	122	103	95
<i>N</i>	2524	2388	2334
R ²	+0.0691	+0.0638	+0.0657
<i>Region:</i>		OECD definition	World Bank definition

Note: Arellano (1987) clustered standard errors in parentheses. * p < 0.1; ** p < 0.05; *** p < 0.01; two-tailed tests. Analysis covers 1970-2000, subject to data availability. R² not fully comparable across models due to changes in sample size. All variables de-trended, except Political Instability. Country fixed effects implemented in advance via "areg" command, with "absorb(country)" in Stata 9.2.