Do countries' endowments of Non-Renewable Energy Resources matter for FDI attraction? A panel data analysis of 125 countries over the period 1995–2012

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Abstract

Empirical studies on FDI location determinants have neglected the role of natural resources. Panel data estimations for 125 host countries over the period between 1995 and 2012 show that a country's endowment of Non-Renewable Energy Resources (NRERs) matters for FDI attraction, when measured by the share of oil, coal and gas exports in total exports but not when measured by oil, coal and gas 'proven reserves'. Thus, although to possess a vast amount of proven NRERs is not a sufficient condition for FDI inflows, countries with low export diversification, highly dependent on the exports of mineral fuel, tend to succeed in attracting FDI. This evidence supports the content that resource seeking FDI targets mainly economically feeble countries. Moreover, our results firmly indicate that regardless NRERs endowments, FDI attraction is fostered when countries make convincing efforts to open up their economies to international trade and devote resources to the enhancement of their human capital, control of corruption, and have more beneficial tax rates.

Keywords: FDI, Determinants of FDI; Non-Renewable Energy Resources; Panel data

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