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Political risk, institutions and foreign direct investment

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Abstract

The paper explores the linkages among political risk, institutions, and foreign direct investment inflows. For a data sample of 83 developing countries covering 1984 to 2003, we identify indicators that matter most for the activities of multinational corporations. The results show that government stability, internal and external conflict, corruption and ethnic tensions, law and order, democratic accountability of government, and quality of bureaucracy are highly significant determinants of foreign investment inflows.



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JEL classification

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