

Institutional difference and outward foreign direct investment: The case of Greece

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Abstract

This paper investigates the impact of institutional difference on Greece's outward foreign direct investment (OFDI) to EU and extra EU host countries through a gravity model. The estimations are based on a large panel of 52 countries over the period 2002–2019. The results show that the institutional differences of voice and accountability, government effectiveness and control of corruption between Greece and host countries have a statistically significant effect on Greece's OFDI. The results also show that OFDI from Greece to EU host countries is more likely to occur with member states that have similar per capita income levels.

Keywords: economic crisis; foreign direct investment; Greece; institutions; Linder effect

JEL classification: F18, F21, O43, O52

1. INTRODUCTION

The devastating impact of the global financial crisis of 2007-2008 and the economic crisis that followed has lasted for approximately 10 years in the European Union (EU).¹ A decade after the crisis, 23 of the 28 member states reached their pre-crisis (i.e. pre-recession) levels of GDP. However, 14 member states did not reach their pre-crisis levels of gross fixed capital formation (GFCF) and 18 their pre-crisis levels of employment (Vlachos and Bitzenis, 2019). The EU economy reached its pre-crisis macroeconomic performance before the outbreak of COVID-19 pandemic in Europe. Data from Eurostat reveal that in 2019 the sizes of GDP and GFCF for the economy of the EU were above their pre-crisis levels, by 12.2% and 13.7%, respectively (9.6% and 7% for the euro area). Accordingly, employment was above its pre-crisis level by 0.8% (-0.1% for the euro area). Greece's macroeconomic performance in 2019 has been below the abovementioned averages. GDP, GFCF, and employment were below pre-crisis levels by 23.5%, 66.4%, and 10.4%, respectively.²

Greece's economic recovery from the COVID-19 pandemic requires significant amounts of direct investment. A key source will be the Recovery and Resilience Facility, which finances reforms (bottlenecks to lasting and sustainable growth) and investments (green and digital transitions) in member states.³ An alternative source will be foreign direct investment (FDI) flows. Previous research indicates the positive effect of inward FDI (IFDI) on economic recovery of member states (Regan and Brazys, 2018;

¹ See presentation of Marco Buti titled "Europe 10 Years After the Crisis: Out of the Tunnel?" at Columbia University on 10 October 2017, available at https://ec.europa.eu/info/sites/info/files/2017.10.10_columbia_the_response_to_the_crisis_marco_buti.pdf (accessed February 12, 2022).

² Authors' calculations with data from Eurostat: GDP and GFCF chain linked volumes (index 2010=100) and employed over active population (from 15 to 64 years).

³ See https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en (accessed February 12, 2022).

Vlachos and Bitzenis, 2018; Tsitouras et al., 2020). Accordingly, findings from previous research indicate the positive effect of outward FDI (OFDI) on economic growth (Herzer, 2010; Amin et al. 2021; Sahoo and Bishnoi, 2021).

Greece's FDI performance has been chronically low. Figure 1 gives a glimpse of Greece's IFDI and OFDI performance in 2019. Figure 1 indicates that "older" member states have on average low deviation between their levels of IFDI and OFDI stocks (% of GDP). "Newer" member states have higher levels of OFDI stocks (% of GDP). Greece has the lowest levels of IFDI and OFDI stocks (% of GDP).

Insert Figure 1 here

There is a significant number of studies focusing on Greece's poor IFDI performance and low levels of GFCF. For example, findings indicate that Greece's anemic recovery in the pre- COVID-19 period was mainly due to the country's poor international competitiveness and low level of institutional quality (Vlachos and Bitzenis, 2021) and that foreign investors did not consider that the Greek economy had any important advantages (Vlachos et al., 2019).

Although much empirical work has focused on understanding the determinants of Greece's IFDI, the determinants of Greece's IFDI has received considerably less attention. This study aims to fill this gap by investigating the influence of the institutional contexts of Greece's and host countries on Greece's OFDI. The findings should be of considerable importance to researchers and policy makers, since previous research showed Greece's OFDI may contribute to the country's economic recovery (Bitzenis and Vlachos, 2013a). Furthermore, under the consideration that OFDI was granting a leading investing role to Greece in southeast Europe before the economic

crisis that followed the global financial crisis of 2007-2008 (Bitzenis and Vlachos, 2013b), the findings will indicate the importance of institutional quality in re-gaining the role of the key investor in southeast Europe.

The rest of the paper is organized as follows. Section 2 briefly discusses the findings of previous research and presents the hypotheses to be tested. Section 3 presents the data and discusses the method of analysis. Section 4 presents the empirical results. Section 5 discusses the results and concludes.

2. LITERATURE REVIEW

Faeth (2009) reviews nine key theoretical frameworks of FDI and concludes that there is not one single theory of FDI, but a variety of theoretical models attempting to explain FDI and the location decision of multinational enterprises (MNEs):

1. Early studies of FDI determinants looked at a variety of factors, including marketing factors, trade barriers, costs factors and investment climate.
2. Determinants of FDI based on the neoclassical trade theory argued that capital moves due to differences in capital returns (difference in capital endowments, currency risks and tariffs).
3. Ownership advantages (R&D and advertising expenditure, managerial resources, technology, capital intensity, labour skills, firm size, scale economies and experience) are significant determinants of FDI.
4. Market size and growth, and trade barriers are important determinants of FDI.
5. The eclectic paradigm of FDI (the ownership, location and internalization advantage framework) synthesizes the reasons for firms to operate internationally (advantages) and the mode of entry (FDI, export and licensing).

6. Horizontal and vertical FDI models.
7. The knowledge-capital model.
8. Diversified FDI and risk diversification models.
9. Policy variables in terms of fiscal and financial investment incentives.

FDI has also been successfully explained by gravity structures (Anderson, 2010). In the standard gravity model, FDI to a host country is determined by geographic distance, host country GDP, cultural distance, political stability, common language and regional trade/investment agreements. (Zwinkels and Beugelsdijk, 2010). The analysis in this study relies on the estimates of a gravity model.

Li et al. (2018) review the literature on location choices of MNEs and distinguish between external and internal factors. External are host country national (and sub-national) level factors:

1. Economic:
 - demand side: market size, growth, productivity, and stages of economic development.
 - supply side: local infrastructure (physical, human, knowledge), risk (political, economic, financial, disaster), labor cost (wages).
2. Institutional:
 - regulative (legislation, regulation, legal and political system).
 - normative (cultural distance, cultural similarity, cultural affinity).
 - cognitive (intensity of business transactions, mimetic isomorphism).

External are also home country market factors (market and industry structure, competitive pressure, institutional hardship etc.) and regional/supranational and

networking factors. Internal are firm-based (firm size, experience, resources etc.) and managerial factors.⁴

Findings from previous research indicate that institutional quality has an effect on FDI. Bailey (2016) reviews the literature on the relationship between institutional factors and FDI attractiveness and finds that host countries with stronger positively related institutions (such as democratic institutions, political stability and rule of law) do appear to attract FDI. In addition, host countries with stronger negatively related institutions (such as corruption, tax rates and cultural distance) do appear to deter FDI. The findings indicate that the level of heterogeneity for most effect sizes is substantial across levels of development and regions. Sabir et al. (2019) find that institutional quality has a greater positive impact on IFDI in developed than in developing countries. Aleksynska and Havrylchyk, (2013) indicate that a large institutional distance between home and host countries discourages FDI inflows and deters investors from developed (high-income) countries, but this deterring effect is diminished for host countries with substantial resources. Kurul (2017) gives evidence on the existence of a nonlinear relationship between institutional quality and IFDI and finds that institutional quality affects developing countries' IFDI positively only after this measure exceeds a certain threshold value. Li et al. (2020) find that only the institutional differences of government effectiveness and control of corruption between China and a host country have a statistically significant negative effect on China's OFDI.

With regard to Greece's OFDI, Kotarridi et al. (2019) indicate that the regulatory quality of a host country is highly and significantly positively associated with OFDI from firms originating in developed countries that face regulatory

⁴ The internal factors that affect location refer to the firm's size, international experience, specific resources and capabilities, competitiveness, ownership structure and choices at the level of the individual manager (Li et al., 2018, p. 1089).

weaknesses or voids, such as Greece. Giakoulas et al. (2022) indicate that Greek outward greenfield investments in more advanced economies of West Europe aim to benefit from regulated free labor and credit markets. In addition, Greek outward greenfield investments in central and eastern European countries seek investment freedom and take advantage of existing corruption.

Despite some exceptions, as for example, there are studies indicating a positive relationship between corruption and IFDI (Helmy, 2013; Jalil et al., 2016), the general consensus of the literature on institutional quality and FDI location indicates is that better institutions of host countries lead to higher IFDI. Accordingly, the following hypothesis is proposed:

Hypothesis 1: Better institutions of the host country increase IFDI from Greece.

Other factors than institutional quality which are key determinants of FDI location in a gravity model are distance, market size, and investment agreements. Distance has several effects on outward FDI (Egger, 2008) and can be conceived in three different forms (Drogendijk and Martín, 2015). Blonigen and Piger (2014) indicate that market size and geographic distance are the most robustly significant determinants of FDI flows. There is evidence that regional trade agreements stimulate FDI (Cherif and Dreger, 2018) and that Bilateral Investment Treaties (BITs) have a positive effect on Greece's outward FDI (Vlachos, 2020).

The Linder hypothesis for FDI (Fajgelbaum et al., 2015) tested in previous studies employing a gravity model of FDI (for example, see Aleksynska and Havrylchuk, 2013) leads to the following proposition:

Hypothesis 2: FDI is more likely to occur between countries with similar per capita income levels (Linder hypothesis).

3. METHODOLOGY

A standard gravity model takes the following form (Zwinkels and Beugelsdijk, 2010):

$$Y_{h,t} = \alpha X_{h,t} + \beta D_{h,t} + \varepsilon_{h,t} \quad (1)$$

where Y represents exports or OFDI to host country h in period t , matrix X includes variables such as geographic distance, host country GDP, cultural distance, and political stability, and matrix D includes dummy variables for common language and regional trade/investment agreements.

The focus of this study is on the institutional determinants of FDI and according to Li et al. (2020), the effect of institutional differences on outward FDI can be estimated by the following gravity equation:

$$OFDI_{h,t} = GDP_{h,t} + GDP_{G,t} + DIST_{h,t} + BIT_{h,t} + INSTDIFF_{h,t} \quad (2)$$

where Greece's *OFDI* to host country h at time t depends on the economic size of host country h and Greece in terms of GDP, respectively, the geographic distance (*DIST*) between host country h and Greece, the existence of investment treaties (*BIT*) between Greece and host country h , and the institutional difference (*INSTDIFF*) between Greece and host country h . Compared to the empirical model for OFDI specified by Li et al. (2020), *equation 2* includes a *BIT* dummy following the importance of regional agreements in gravity models, and excludes an exchange rate variable. EU member states share a single market and many of those who have not joined the euro area, participate to the Exchange Rate Mechanism, so that economic stability within the single market is not disrupted by exchange rate fluctuations between the euro and other EU currencies. Thus, the exchange rate may not be an important determinant of Greece's OFDI to EU host countries.

The data used in this study were obtained from several sources. The sample consists of a panel of 52 host countries and covers the period from 2002 to 2020. Following Fratiani et al. (2011), host countries with zero values of OFDI are excluded from the sample. Following arguments in the literature about how FDI stocks are a biased measure of MNEs' activity (Beugelsdijk et al., 2010; Wacker, 2013) this study measures outward FDI in terms of flows. The values of market size and GDP per capita differences are transformed to natural logarithms. All values of OFDI flows are transformed according to *equation 3* below (due to negative flows). Variable transformation takes place following the suggestions of Levy-Yeyati et al. (2007) and Sondermann and Vansteenkiste (2019). These authors tackle negative or zero values with the following equation, which represents the transformation of OFDI:⁵

$$LOFDI = \text{sign}(OFDI) + \ln(1 + |OFDI|) \quad (3)$$

Table 1 presents variable descriptions and data sources and reports descriptive statistics of variables after transformation.

Insert Table 1 here

Following the transformation of variables, the empirical model for OFDI is specified as follows:⁶

$$LOFDI_{h,t} = \alpha_0 + \alpha_1 \ln(MARKET_{G+h,t-1}) + \alpha_2 \ln GDPpcDIFF_{G-h,t-1} + \alpha_3 DIST_{h,t} + \alpha_4 BIT_{h,t} + \alpha_5 INSTDIFF_{G-h,t-1} + D_h + D_t + u_{h,t} \quad (4)$$

⁵ Similar to Levy-Yeyati et al. (2007), all variables in monetary units (FDI flows, GDP, GDP per capita) are in Euros (not million) and hence adding 1 is equivalent to adding one Euro to (for example) FDI flows. However, adding 1 is necessary in order to transform zero values.

⁶ Using a static model is more appropriate for FDI flows (Wacker, 2013).

where Greece's *OFDI* to host country *h* at time *t* depends on market size (*MARKET*) the difference of GDP per capita (*GDPpcDIFF*), geographic distance weighted by population size (*DIST*), the existence of bilateral investment treaties (*BIT*), and the institutional difference (*INSTDIFF*). Following Aleksynska and Havrylchyk (2013), the variables of economic size in *equation 2* are replaced with market size (*MARKET*), which is the sum of the GDPs of Greece and the host country. The absolute difference of GDP per capita (*GDPpcDIFF*) from Aleksynska and Havrylchyk (2013) is added to test for the Linder hypothesis. Following Baldwin and Taglioni (2006), *equation 4* includes two sets of dummy variables, D_h and D_t , in order to remove the cross-section and time-series correlation that results from an omitted variable bias. Following Li et al. (2020), all explanatory variables except geographic distance are lagged by one year to mitigate the potential reverse causality problem.

Table 2 provides pairwise correlations between explanatory variables after transformation. Apart from correlation among institutional differences, there is no issue of high collinearity. The strategy is to include one variable of institutional difference in one regression to avoid the multicollinearity problem. In addition, dummies for the level of European integration are not included in *equation 4* in order to avoid estimator bias.

Insert Table 2 here

4. EMPIRICAL RESULTS

Following Zwinkels and Beugelsdijk (2010), the panel times series is tested for stationarity and first differences are employed if a cross-section time series is not

stationary.⁷ Since previous research findings indicate that the level of heterogeneity for most effect sizes is substantial across levels of development and regions different estimates are produced for EU and extra EU hosts of Greece's OFDI. Tables 3 and 4 report the heteroscedasticity corrected estimated results of the determinants of OFDI from Greece to EU and extra EU hosts respectively, using dummy variable least squares (DVLS). Based on the findings of Romano and Wolf (2017), a weighted least squares (WLS) heteroscedasticity corrected regression is estimated in order to obtain consistent standard errors and more efficient parameter estimates as compared with DVLS (see appendix).

As mentioned earlier, to avoid the collinearity problem among variables of institutional difference, each variable is included separately. This results to model specifications 1-6, where the effect of the institutional differences between Greece's OFDI and host countries is controlled for. Again, in order to tackle the potential issue of reverse causality and consider the time effect of each determinant, each variable (except distance and BIT) is lagged by one year. Institutional differences between Greece and host countries are mainly negative, thus hosts on average have higher quality institutions.

The results in Table 3 suggest that the difference of government effectiveness negatively and significantly affects OFDI from Greece to EU hosts. In addition, the difference of voice and accountability and control of corruption positively and significantly affect OFDI. The rest of the indicators of institutional difference, however, do not have any significant impact on OFDI. The results support the findings of Giakoulas et al. (2022) that Greek outward greenfield investments take advantage of

⁷ The Im-Pesaran-Shin test statistics (Im et al., 2003) are not presented here but can be available upon request.

existing corruption. The results do not support the findings of Kotarridi et al. (2019) which indicate that regulatory quality of a host country is positively associated with Greece's OFDI.

The results in Table 3 also indicate that total market size (of Greece and the host country), geographic distance between Greece and host country and the difference of GDP per capita have a negative and significant effect on OFDI from Greece to EU hosts. First, the negative effect of the difference of GDP per capita supports the Linder hypothesis that FDI is more likely to occur between countries with similar per capita income levels. Second, the negative effect of total market size should be investigated further before making implications due to the presence of a Linder effect and the fact that the great recession following the global financial crisis of 2007-2008 reduced significantly the size of several EU economies and magnified the level of country risk.

Insert Table 3 here

The results in Table 4 suggest that the difference of government effectiveness negatively and significantly affects OFDI from Greece to extra EU hosts. The results do not support the findings of previous research that a large institutional distance between home and host countries deters investors (Aleksynska and Havrylchyk, 2013). The results in Table 4 also indicate that total market size and BITs have a positive and significant effect on OFDI from Greece to extra EU hosts and support the findings of previous research (Blonigen and Piger, 2014; Cherif and Dreger, 2018; Vlachos, 2020). The positive and significant effect of GDP per capita difference in one specification does not support the Linder hypothesis.

Insert Table 4 here

Only the results reported for OFDI from Greece to EU hosts support the findings of Blonigen and Piger (2014) who indicate that market size and geographic distance are the most robustly significant determinants of FDI flows. The results for OFDI from Greece to EU, which indicate a positive and significant effect of the difference of voice and accountability and control of corruption, support *hypothesis 1*. The rest of the results for OFDI from Greece to both EU and extra EU, which indicate a negative and significant effect of the difference of government effectiveness and insignificant effects of the rest of the indicators of institutional difference, reject *hypothesis 1*. Finally, the results support *hypothesis 2* in the case of OFDI from Greece to EU.

5. CONCLUSIONS

This study contributes to the literature of institutional quality and FDI by highlighting the importance of institutional difference between Greece (home) and host countries. Using a panel of 52 host countries over the period 2002-2019, the study investigates the separate effect of six institutional difference indicators instead of an aggregated institutional index or a single institutional indicator, as employed in previous research about Greece. The findings indicate that institutional differences of government effectiveness have a statistically significant positive effect on OFDI from Greece to both EU and extra EU host countries. An implication of the particular finding could be that when MNEs from Greece find it difficult to take advantages from political connections because they face a more honest and transparent environment abroad, this reduces their investment motivation. The findings also indicate that institutional

differences of voice and accountability differences and control of corruption have a statistically significant positive effect on OFDI from Greece to EU host countries. An important implication is that Greece should make efforts to reduce the level of corruption and increase voice and accountability.

The findings indicate that OFDI from Greece to EU hosts is more likely to occur with member states with similar per capita income levels. Interestingly, the findings indicate a negative effect of total market size on OFDI from Greece to EU hosts. Further investigation is required before reaching any conclusions and this highlights the limitations of this study and the requirements for further research.

Further research is required to investigate if the effect of institutional differences will be altered with the inclusion other control variables highlighted by previous research, such as natural resources and the exchange rate. Possible heterogeneity could be investigated by disaggregating the sample in developed and developing countries and into economic sectors. Finally, the effect of institutional difference on OFDI could be investigate before, during, and after the great recession following the global financial crisis of 2007-2008, under the consideration that previous research has shown that Euroscepticism and populism were on the rise during that period.

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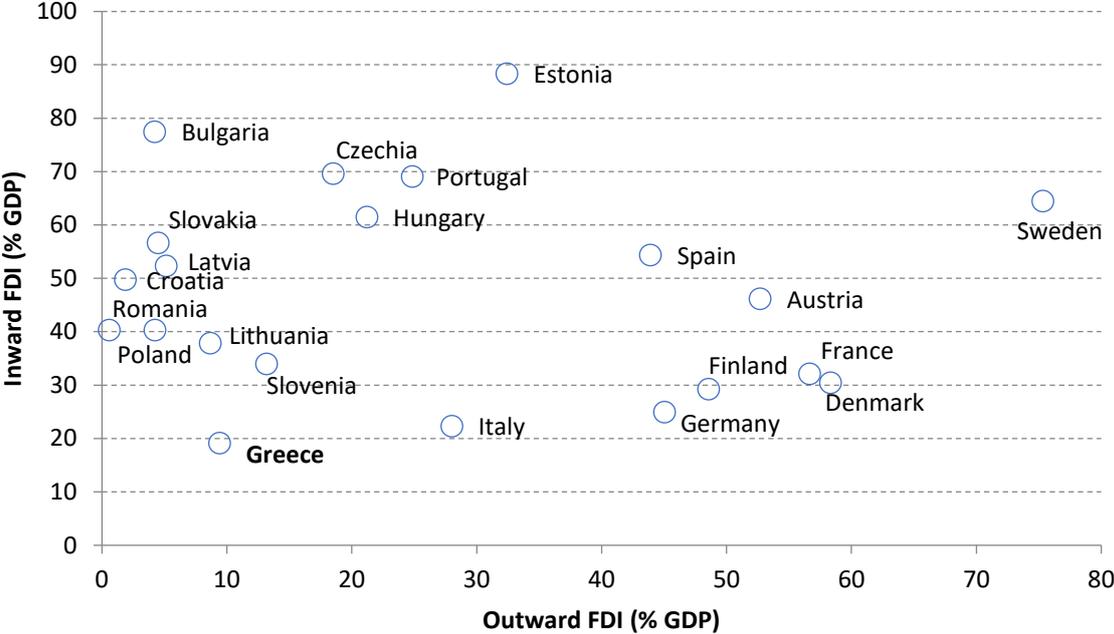
7. APPENDIX

The estimation of *equation 4* involves three steps:

1. An DVLS estimation of *equation 4*.
2. An auxiliary regression to generate an estimate of the error variance. The log of the squared residuals from the DVLS on the regressors and their squares are regressed. The log transformation is performed to ensure that the estimated variances are all non-negative. The fitted values f from this regression are used for the formation of weights in the step of WLS as $1/\exp(f)$.
3. A WLS estimation using as weight the reciprocal of the estimated variance.

8. FIGURES

Figure 1 – The share of outward FDI position to GDP across the EU (2019)



Source of data: UNCTADstat

9. TABLES

Table 1 – Variable definitions, data sources and summary statistics

Variable definitions	Source	Variable in the model	Mean	S.D.	Min.	Max.
FDI flows (Resident's direct investment abroad by host country).	Bank of Greece	LOFDI	5.39	13.5	-21.5	21.5
GDP (sum of the GDPs of Greece and the host country is market size).	UNCTADstat	lnMARKET	27.4	1.02	26.1	30.8
GDP per capita (absolute difference between Greece and host country).	UNCTADstat	lnGDPpcDIFF	9.79	0.907	4.24	11.7
Geographic distance (GeoDist database) between Greece and host country weighted by population size (UNCTADstat).	UNCTADstat; Mayer and Zignago (2011)	DIST	3.82	24.6	0.00363	220
Bilateral Investment Treaties: an agreement between two countries regarding promotion and protection of investments made by investors from respective countries in each other's territory.	UNCTAD Investment Policy Hub	BIT	0.392	0.488	0	1
Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media (difference between Greece and host country).	Worldwide Governance Indicators	DEM_DIFF	0.27	0.886	-1.07	2.99
Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism (difference between Greece and host country).	Worldwide Governance Indicators	POL_DIFF	-0.149	0.925	-1.67	3.07
Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (difference between Greece and host country).	Worldwide Governance Indicators	GOV_DIFF	-0.253	0.946	-1.9	2.35
Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development (difference between Greece and host country).	Worldwide Governance Indicators	REG_DIFF	-0.127	0.906	-2.01	2.88
Rule of law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence (difference between Greece and host country).	Worldwide Governance Indicators	LAW_DIFF	-0.139	1	-1.94	2.56
Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as	Worldwide Governance Indicators	COR_DIFF	-0.57	1.07	-2.57	1.78

well as “capture” of the state by elites and private interests (difference between Greece and host country).

Notes:

1) 988 annual observations for the period 2002-2020.

2) Origin country: Greece.

3) 52 host countries: Albania, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Cayman Islands, China (excluding Hong Kong), Croatia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Georgia, Germany, Hong Kong, Hungary, India, Ireland, Israel, Italy, Japan, Jordan, Lebanon, Liberia, Libya, Luxemburg, Malta, Moldova, Netherlands, North Macedonia, Norway, Panama, Poland, Portugal, Republic of South Africa, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America.

4) Sums and differences from own calculations.

5) Market size and GDP per capita data in US Dollars. Converted to Euros from own calculations based on data from Eurostat.

6) Governance indicators range from approximately -2.5 (weak) to 2.5 (strong) governance performance.

Table 2 – Correlation matrix

LOFDI (1)	lnMARKET₋₁ (2)	LGDPpc_DIFF₋₁ (3)	DIST (4)	BIT (5)	DEM_DIFF₋₁ (6)	POL_DIFF₋₁ (7)	GOV_DIFF₋₁ (8)	REG_DIFF₋₁ (9)	LAW_DIFF₋₁ (10)	COR_DIFF₋₁ (11)	
1	0.0582	-0.0084	-0.0919	0.0151	0.07	0.0923	0.0455	0.0765	0.0869	0.0479	1
	1	0.178	-0.1463	-0.2216	-0.1454	-0.0589	-0.3011	-0.2166	-0.2636	-0.2837	2
		1	0.2319	-0.2452	-0.136	-0.0528	-0.2181	-0.1912	-0.194	-0.2977	3
			1	-0.1182	-0.0181	-0.1221	-0.0784	-0.0595	-0.0396	-0.0558	4
				1	0.3821	0.2994	0.446	0.3864	0.4722	0.5103	5
					1	0.7039	0.7977	0.8295	0.8294	0.8008	6
						1	0.7457	0.7667	0.7629	0.7531	7
							1	0.9406	0.9553	0.9572	8
								1	0.9424	0.9125	9
									1	0.9533	10
										1	11

Table 3 – Institutional difference and OFDI from Greece to EU hosts

	1		2		3		4		5		6	
lnMARKET ₋₁	-19.187**	(8.662)	-22.965***	(7.857)	-20.965***	(7.760)	-21,593**	(8,864)	-19,254**	(8,173)	-15,678*	(8,668)
LGDPpc_DIFF ₋₁	-1.536*	(0.900)	-1.915*	(0.978)	-1.532	(1.035)	-1,971**	(0,992)	-1,692*	(1,023)	-1,603	(0,997)
DIST	-6.163**	(2.560)	-3.823*	(2.250)	-4.483**	(2.119)	-4,429**	(2,150)	-4,590**	(2,332)	-7,926***	(3,026)
BIT	-3.002	(3.835)	-5.708	(4.021)	-6.024	(4.229)	-4,098	(3,944)	-4,849	(4,054)	-6,949	(3,861)
DEM_DIFF ₋₁	14.483***	(5.161)										
POL_DIFF ₋₁			-3.810	(2.615)								
GOV_DIFF ₋₁					-3.814*	(2.303)						
REG_DIFF ₋₁							-4,287	(3,616)				
LAW_DIFF ₋₁									0,878	(4,328)		
COR_DIFF ₋₁											5,672**	(2,721)
Constant	-579.163	(570.246)	3498.680**	(1670.9200)	-985.063*	(544.351)	708,658	(579,656)	1904,200	(1599,920)	1899,630	(4656,880)
Year dummies	Yes		Yes		Yes		Yes		Yes		Yes	
Country dummies	Yes		Yes		Yes		Yes		Yes		Yes	
N	407		407		407		407		407		407	
R ²	0.590		0.609		0.584		0.588		0.571		0.611	

Notes:

- 1) WLS heteroscedasticity corrected DVLS estimation.
- 2) Dependent variable is LFDI.
- 2) Robust standard errors in brackets.
- 3) Statistical significance at ***1% level, **5% level, *10% level.

Table 4 – Institutional difference and OFDI from Greece to extra-EU hosts

	1		2		3		4		5		6	
lnMARKET ₋₁	16.415***	(3.525)	15.637***	(3.179)	16.472***	(3.180)	15.918***	(2,953)	15,718***	(3,223)	14,510***	(3,058)
LGDPpc_DIFF ₋₁	1.603	(1.117)	1.733	(1.139)	2.237*	(1.159)	1,591	(1,100)	1,776	(1,099)	1,297	(1,101)
DIST	0.173	(0.107)	0.168	(0.123)	0.033	(0.117)	-0,019	(0,122)	0,170	(0,113)	-0,003	(0,119)
BIT	13.349***	(4.700)	15.009***	(4.897)	19.049***	(4.403)	16,033***	(4,414)	14,791***	(4,682)	16,367***	(4,387)
DEM_DIFF ₋₁	0.119	(1.825)										
POL_DIFF ₋₁			0.318	(0.768)								
GOV_DIFF ₋₁					-4.726**	(1.956)						
REG_DIFF ₋₁							-1,714	(1,448)				
LAW_DIFF ₋₁									-0,812	(2,104)		
COR_DIFF ₋₁											-2,402	(1,770)
Constant	-135.019***	(28.062)	-235.657***	(48.613)	-832.021***	(167.611)	6777,660**	(3332,060)	-6418,580***	(1293,540)	172,487	(291,906)
Year dummies	Yes		Yes		Yes		Yes		Yes		Yes	
Country dummies	Yes		Yes		Yes		Yes		Yes		Yes	
N	529		529		528		528		529		528	
R ²	0.967		0.967		0.967		0.967		0.967		0.967	

Notes:

1) WLS heteroscedasticity corrected DVLS estimation.

2) Dependent variable is LFDI.

2) Robust standard errors in brackets.

3) Statistical significance at ***1% level, **5% level, *10% level.