

# Prospectus updates

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## 1 Correlation between measures of corruption

	bureaucratic_rents_agree_DDI	bribe_size_DDI
bureaucratic_rents_agree_DDI		
bribe_size_DDI	0.51***	
govcontract_corrupt_DDI	-0.10	-0.16*

Table 1: Correlation of year-on-year change across corruption measures, DDI

	bureaucratic_rents_agree_FDI	bribe_size_FDI	custom_corrupt_FDI
bureaucratic_rents_agree_FDI			
bribe_size_FDI	0.33		
custom_corrupt_FDI	0.19	0.53**	
govcontract_corrupt_FDI	-0.28	0.77*	0.72*

Table 2: Correlation of year-on-year change across corruption measures, FDI

## 2 Regression: The relationship between corruption and spill-over effect

- Bureaucratic corruption: Fraction of firms agreeing that provinces use inspections to extract fees, FDI, province-year
- Custom corruption: Fraction of firms reporting paying bribe at port, FDI, province-year
- Bribe size: Average informal fees as % of firms' revenue, FDI, province-year
- Registration corruption: Fraction of firms engaging in registration corruption, FDI, province. Firms in restricted industries, i.e. those approved by the PM office instead of by provinces, are excluded.

- Procurement corruption: Fraction of firms reporting paying bribe at port, FDI, province-year

### 3 Visualize regressions

These two graphs visualize the positive effect of *bureaucratic corruption* and *custom corruption* above.

The x-axis represents the level of corruption. The y-axis represents the residuals of the % sale to FDI firms in models with full controls but no corruption. It represents the part of spillover effect that is unexplained by the controls.

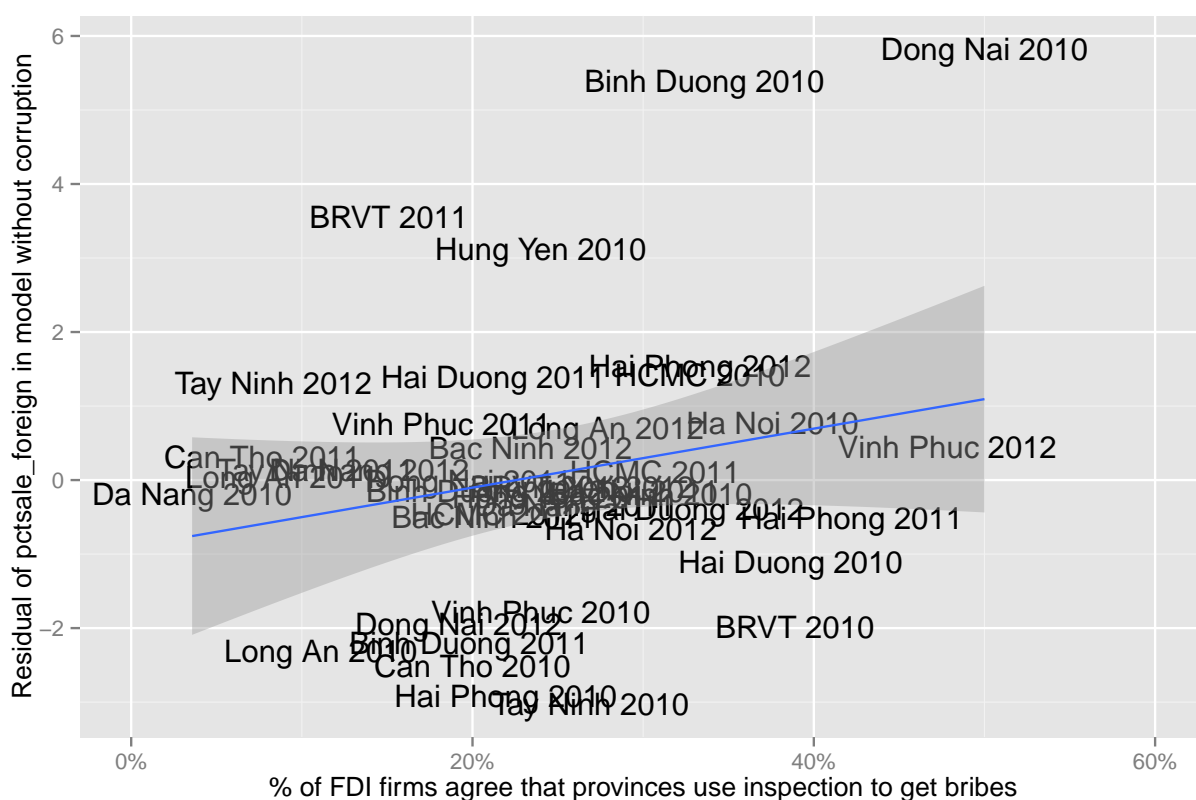


Figure 1: Effect of bureaucratic corruption on spillover

Table 3: Relationship between FDI corruption and spill-over effect. Hierarchical model with varying intercepts for provinces and survey years

	<i>Dependent variable:</i>				
	% of sale to foreign firms				
	<i>linear</i> <i>mixed-effects</i>				
	(1)	(2)	(3)	(4)	(5)
equity size	-0.149 (0.230)	-0.152 (0.230)	-0.145 (0.230)	-0.150 (0.226)	-0.706** (0.359)
labor size	0.889*** (0.253)	0.912*** (0.253)	0.888*** (0.253)	0.866*** (0.248)	1.090*** (0.416)
bureaucratic corruption	8.557*** (3.195)				
custom corruption		9.074*** (2.985)			
bribe size			1.879 (1.227)		
registration corruption				-2.822 (2.270)	
procurement corruption					0.106 (0.662)
log(# of domestic firms per 1000 people)	0.987 (1.111)	0.363 (1.098)	0.986 (1.149)	0.853 (1.114)	2.504 (2.044)
log population	1.328 (1.434)	0.450 (1.450)	1.385 (1.466)	1.308 (1.426)	3.733 (2.786)
log GDP	-0.646 (0.493)	-1.064** (0.483)	-0.925* (0.489)	-0.829* (0.486)	-0.909 (0.850)
log distance to HN / HCMC	0.167 (0.427)	-0.090 (0.422)	0.098 (0.441)	0.184 (0.443)	0.671 (0.754)
Constant	-15.793 (18.990)	-1.866 (18.641)	-15.073 (19.799)	-9.680 (18.886)	-41.321 (35.578)
Industry fixed effect (ISIC 2-digit)	Yes	Yes	Yes	Yes	Yes
Ownership type fixed effect	Yes	Yes	Yes	Yes	Yes
Observations	5,969	5,969	5,969	6,086	2,869
Log Likelihood	-25,380.330	-25,379.640	-25,383.650	-25,832.870	-12,353.010

*Note:* \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

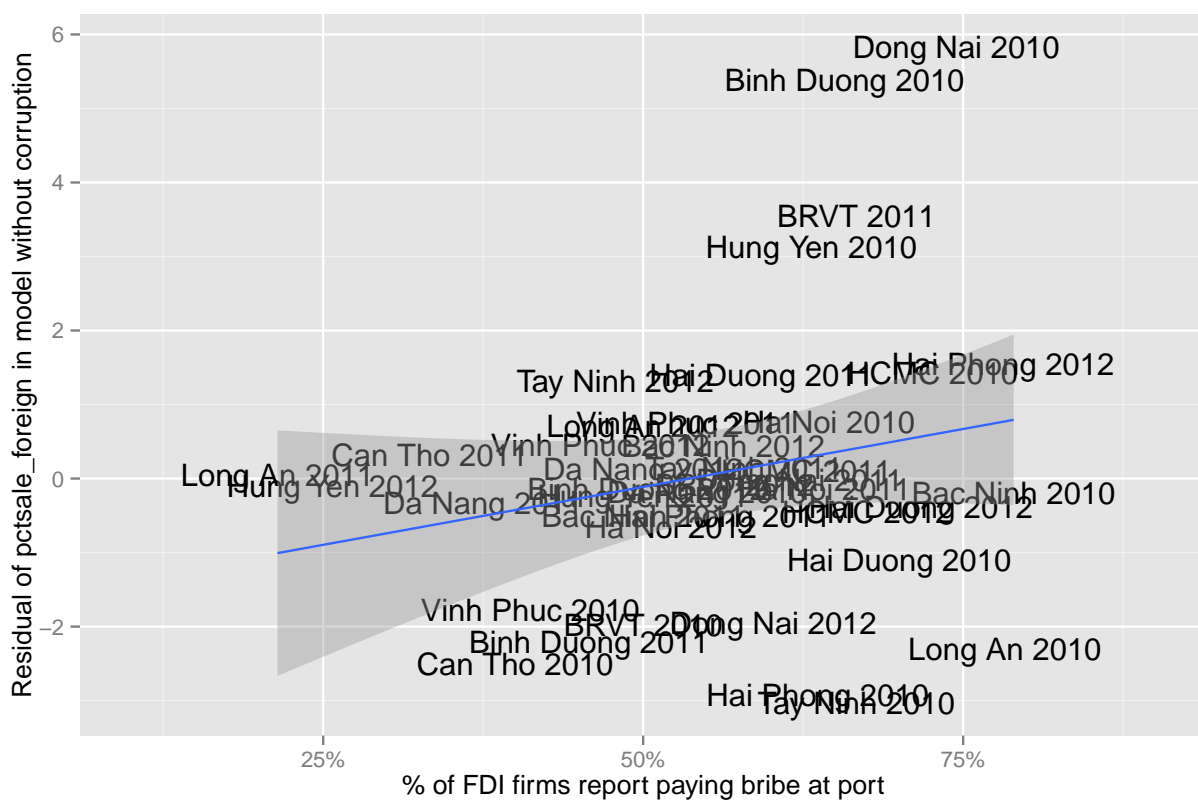


Figure 2: Effect of custom's corruption on spillover