Political democratization and economic globalization have been two of the most important global trends of the past few decades. But, how are they connected? Do the domestic political institutions affect a country’s attractiveness to foreign investors? Can countries that democratize attract relatively more foreign investments? Drawing on three in-depth case studies of oil-rich countries and statistical analyses of 132 countries over three decades, Oksan Bayulgen demonstrates that the link between democratization and FDI is nonlinear. Both authoritarian regimes and consolidated democracies have institutional capabilities that, though different, are attractive to foreign investors. Democracies can provide long-term stability, and authoritarian regimes can offer considerable flexibility. The regimes that have started on the road to democracy, but have not yet completed it, tend to have political institutions that provide neither flexibility nor stability. These hybrid regimes, then, also find it relatively more difficult to construct a policy environment that is attractive to foreign investments. These findings have deep implications for the link between democratization and globalization, but also for how globalization may affect political, social, and economic development.

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Foreign Investment and Political Regimes

The Oil Sector in Azerbaijan, Russia, and Norway

OKSAN BAYULGEN

University of Connecticut
To my parents, Dogudan and Umit Bayulgen
Contents

List of Figures and Tables                                           page ix
Acknowledgments                                                   xi

1   Introduction                                                   1
2   Political Risks in Oil Investments: A History of Antagonistic
    Interdependence Between Companies and Host-Governments         16
3   With or Without Democracy? The Political Economy of Foreign Direct Investments  41
4   Curse or Blessing? Effects of FDI on Development               72
5   Azerbaijan: One-Stop Shopping                                  87
6   Russia: Two Steps Forward, One Step Back                       122
7   Norway: Icon of Stability                                     183
8   Beyond Three Cases and Oil                                    216
9   Conclusion                                                    236

References                                                        243
Index                                                            265
List of Figures and Tables

FIGURES

2.1 Types of Modern Oil Agreements  page 27
3.1 Determinants of FDI  42

TABLES

1.1 FDI Statistics for Azerbaijan, Russia, and Norway  8
2.1 Effects of Oil Price on Investment Environment  19
3.1 Effects of Institutions on Investment Environment and FDI Flows  52
8.1 Polarizing Constraints and Competition (PCC) and FDI Net Inflows, Random-Effects GLS  229
8.2 Polarizing Constraints and Competition (PCC) and FDI Net Inflows, Fixed-Effects GLS  231
8.3 Polarizing Regime Type (PRT) and FDI Net Inflows, Random-Effects GLS  233
8.4 Polarizing Regime Type (PRT) and FDI Net Inflows, Fixed-Effects GLS  234
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