

Do environmental regulations matter on Spanish foreign investment? A multisectorial approach

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Abstract

A gravity model is used to investigate the impact of the stringency and enforcement of the environmental regulation on Spanish investment flows abroad during the period 2008–2018. From the pollution haven hypothesis' (PHH) perspective, the research tests if offshoring and outsourcing processes from Spanish multinational enterprises (MNEs) were due to movements through FDI of high-polluting industries seeking refuge in countries with a low standard of legal environmental protection framework. The analysis includes FDI into primary, manufacturing, construction, wholesale and retail, professional services, leisure services, utilities, and other services. When no sectoral approach is developed, PHH seems to be not held. However, the multisectoral perspective states that MNEs in primary and manufacturing sectors seek refuge in countries with a low standard of legal environmental protection framework. © 2021, The Author(s), under exclusive licence to Springer-Verlag GmbH Germany, part of Springer Nature.

Author keywords

Environmental regulations; Foreign direct investment; Gravity model; Pollution haven hypothesis; Spain