ERASMUS UNIVERSITY ROTTERDAM
Erasmus School of Economics
Master Thesis Policy Economics

INVESTOR-STATE DISPUTES: A BIT OF INFORMATION FOR INVESTORS

An analysis on the effect of investor-state disputes on foreign direct investment in developing countries and whether this effect differs depending on the defendant state's investment climate

Abstract: This thesis researches the effects of bilateral investment treaties (BITs) and investor-state disputes on foreign direct investment (FDI) in non-OECD countries. In particular, it focusses on the question whether the effect of investor-state disputes on FDI is different between countries depending on their property right protection index. This thesis contributes to the relatively limited research on the effect of investor-state disputes on FDI and it is the first to research the differential effect of investor-state disputes on FDI depending on investment climate. A dataset on BITs and investor-state disputes is manually constructed for the purposes of this thesis. The final sample includes 84 countries over the period 1970 to 2016. The hypotheses are tested using generalized least squares and two stage least squares, with the average number of BITs signed by neighboring states used as an instrument. No convincing evidence is found that BITs have a positive effect on FDI. The most important finding is that the effect of investor-state disputes differs between countries with a different score on the property right index. Sensitivity analyses confirm this finding, it remains uncertain whether countries with a low or a high property right index are more negatively affected by investor-state disputes.

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Date final version: 17/04/2019

Acknowledgements

I acknowledge the supervision and guidance I have received from prof. dr. Webbink. I would like to thank him for his supervision and feedback on my work. Additionally, I would like to thank Mr. Thuis for checking my thesis and earlier drafts. I would also like to thank him for his support throughout the time we have studied together.

Since this thesis also marks the end of my years of studying at Erasmus University Rotterdam, I would also like to thank all the people that I have engaged with as a student at this university. In particular, I am grateful for my time on the board of Study Association AEclipse.

Lastly, I would like to thank my parents for their love and financial support. Without them, I would not have been able to do everything I have done so far.

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List of Abbreviations

BIT	Bilateral Investment Treaty
ECT	Energy Charter Treaty
FDI	Foreign Direct Investment
FTA	Free Trade Agreements
GLS	Generalized Least Squares
ICSID	International Center for the Settlement of Investment Disputes
ICRG	International Country Risk Guide
ISD	Investor-State Dispute
ISDS	Investor-State Dispute Settlement
IV	Instrumental Variable
PRPI	Property Right Protection Index
GGM	Generalized Method of Moments
MFN	Most Favored Nation
NAFTA	North American Free Trade Agreement
NT	National Treatment
OECD	Organization for Economic Co-operation and Development
PCA	Permanent Court of Arbitration
PPML	Poisson Pseudo-Maximum Likelihood
PTA	Preferential Trade Agreements
RTA	Regional Trade Agreement
UNCTAD	United Nations Conference on Trade and Development
US	United States (of America)
WEF	World Economic Freedom
WDI	World Development Indicators
WTO	World Trade Organization
2SLS	Two Stage Least Squares

1. Introduction

Since the 1990s, there has been an enormous increase in the amount of Bilateral Investment Treaties (BITs), which are concluded to promote investments between countries. Since this increase, the conclusion of BITs also became the subject of quite some research. Economists were particularly interested in investigating whether the conclusion of BITs could increase Foreign Direct Investment (FDI). The particular benefit of a BIT that research has focused on, is the common clause that offers for investor-state dispute settlement (ISDS). When a dispute arises between a foreign investor and a state, the investor does not have to rely on a national court. Rather, he can file a claim directly against a state at an international tribunal. This would give the possibility for an easier settlement of disputes between states and foreign investors. More importantly, it also gives the foreign investor more confidence that a state will refrain from treating him unfairly in attempts to skim off profits from his economic activities inside the borders of the state. These attempts are commonly referred to as expropriation. Despite the fact that BITs offer strong investment protection to investors through the ISDS clause, not all research on the effect of BITs on FDI produced convincing results in favor of BITs (Hallward-Driemeier, 2003; Tobin & Rose-Ackerman, 2005; Yackee, 2007).

After the significant increase in BITs, the amount of disputes at international tribunals has increased tremendously as well, especially in the last two decades. Claims filed against states at the International Centre for the Settlement of Investment Disputes (ICSID), which is the most used ISDS tribunal, surged from around 10 yearly cases in the 1990s, to over 40 cases each year in recent years (ICSID, 2017). Right now, there are around 300 pending cases at the ICSID (UNCTAD, 2019b).

This development also drew the attention of some researches that started to investigate the relationship between investor-state disputes and FDI. Two noteworthy papers are written by Allee & Peinhardt (2011) and the more recent paper of Aisbett et al. (2018). In these studies, the effect of BITs on FDI is also a question that is addressed. However, the effect of investment disputes on FDI is still quite unexplored. This thesis researches the effect of investor-state disputes on FDI and whether this effect differs between countries with different investment climates. Of course, the more widely researched question on the effect of BITs on FDI is also addressed.

In this regard, three hypotheses are tested in this thesis. The first hypothesis that is tested, is that BITs have a positive association with FDI. The second hypothesis that is tested, is that investor-state disputes have a negative effect on FDI. The third hypothesis expects a different effect of investor-state disputes on FDI between countries depending on the investment climate.

This thesis will contribute to the existing economic research in the following ways. First of all, it will contribute to a growing body of literature that investigates the relationship between BITs and FDI. It will also elaborately discuss the underlying theoretical mechanisms behind this relationship,

which is rather underdeveloped in most of the published papers. Secondly, it will contribute to the literature on the effect of investor-state disputes, a topic that is not researched yet by many papers. Thirdly, the analysis of this thesis looks at the effect of the investor-state disputes on an aggregate level up and until 2016, which takes into account ten more years than the paper of Allee & Peinhardt (2011) that runs until 2006. The other analysis of Aisbett et al. (2018) is on a dyad level. Fourthly, this thesis makes a first exploration on the question whether investor-state disputes have a different effect on countries with different investment climates.

For my estimations I have created my own dataset with information about pending, registered, settled and lost investor-state disputes based on the website of the United Nations Conference on Trade and Development (UNCTAD). Furthermore, I have also developed my own dataset with information about how many BITs each country has signed and ratified each year and how many of these ratified and signed BITs were with long-time OECD countries. I have also gathered this information from the UNCTAD website. Additionally, for each country I have calculated the average number of treaties signed and ratified by the neighboring countries in each year. With this self-constructed dataset and data gathered from other sources, I have estimated the effects of BITs and investor-state disputes on non-OECD countries over the period 1970-2016 using the Generalized Least Squares (GLS) estimation method and using the two stage least squares (2SLS) estimation method, with the calculated neighbor averages as an instrument.

I have consistently found no convincing evidence that the conclusion of BITs is associated with higher FDI. Furthermore, I found that investor-state disputes have a negative effect on FDI and that the effect is different between countries, depending on their score in property right protection. However, I cannot say with certainty whether this negative effect takes place at the moment a claim is filed against a state or when a state loses a dispute. I can also not say with certainty whether this association is more negative in countries with a good investment climate or countries with a poor investment climate. In some estimations it is found that countries with a better investment climate suffer more from lost investment arbitration cases. In other estimations, with another definition of FDI, this effect is not found and it is found that a filed claim negatively effects FDI, particularly in countries that score low on the property right protection index.

The structure of the rest of this thesis will be as follows. Chapter 2 discusses the theoretical framework. Chapter 3 discusses relevant research on both the dyadic and the monadic level on the effect of BITs on FDI and on the effect of investor-state disputes on FDI. Chapter 4 discusses the methodology and the data that is used. This is followed by Chapter 5 that presents the results per hypothesis and of an analysis per region. Chapter 6 presents the sensitivity checks and Chapter 7 concludes by summarizing the main findings, discussing the shortcomings and implications of this research and giving suggestions for future research.

2. Theoretical Framework

This chapter contains a discussion of the theory that is relevant for the research in this thesis. This theory also forms the foundation for the empirical research in the next chapter and the hypotheses that are introduced at the end of that chapter. Thus, to what extent the theory is supported by findings in empirical research will be discussed in chapter 3.

The chapter will start by explaining the concept of FDI and why it is beneficial to a country's economy. Then, attention will be given to the development of BITs between countries that are meant to promote investment. Commonly these BITs contain an investors-state dispute settlement (ISDS) clause and it will be discussed what ISDS entails. Following this, I will elaborate on several theoretic mechanisms that are proposed in the literature, through which the signing of BITs between states would have a positive effect on the incoming investments. This will be followed by a discussion of what effects investor-state disputes would have on FDI in light of these theoretical mechanisms.

2.1. Definition FDI & Positive Effects

Foreign Direct Investment (FDI) is the capital flow from a foreign investor to an enterprise in a particular country. This can be in the form of equitable capital, earnings that are reinvested or loans between an enterprise and a foreign entity (Tobin & Rose-Ackerman, 2005). To be regarded as FDI, investments should be of such a size that it would lead to a significant control over the enterprise by the foreign investor (Kerner, 2009). There are several positive effects of FDI to be distinguished. First of all, FDI provides capital and jobs. Secondly, the investments from foreign countries can transfer production techniques from abroad, which is also referred to as 'knowledge spillovers'. Thirdly, FDI is more common in the exporting industry, hence an increase in foreign investment can lead to a high production for foreign markets (Kerner, 2009). Because of these reasons, countries have sought for ways to attract more investments. This is particularly the case for developing countries that would like to attract capital form capital rich countries (Guzman, 1997).

2.2. Emergence of Bilateral Investment Treaties (BITs)

In 1959, the first Bilateral Investment Treaty (BIT) was signed between Germany and Pakistan (UNCTAD, 2000).The purpose of this treaty was to "*intensify economic cooperation*", create favorable investment conditions and promote investment with the aim to "*increase prosperity of both [s]tates*" (UNCTAD, 2016). From this wording it can be derived that the BIT is used as a tool to promote FDI. It is argued in the literature that the first BITs were mainly signed between countries that did not have colonial ties and thus had less tight economic relations. Therefore, countries such as Switzerland and Germany were common signatory states of the early BITs (Büthe & Milner, 2009). In the following decades, the number of BITs increased. At the end of the 70s, 72 BITs were concluded, 165 BITs were

signed at the end of the 80s and 385 BITs at the end of the 90s. The largest increase was seen in the 90s, as the number of BITs increased to 1857 by the end of 1999. The years after, this increase continued. As per the 1st of January 2019, the number of BITS signed worldwide is 2959 and the number of BITs in force is 2361 (UNCTAD, 2019c). Germany is the country that has concluded the most BITs, with 132 BITs signed and 128 BITs in force (UNCTAD, 2019d). Typically, BITs are concluded between capital exporting developed countries ("source states") and capital importing ("host states").[1] The BITs are concluded to promote investments and to ensure investors that their investment in the host states enjoys adequate protection. This is particularly important when an investor has less confidence in the protection by the national laws of the host state (UNCTAD, 2000).

2.2.1. Common Provisions in a BIT

Commonly, BITs include the obligation for the host state to treat investors in a certain way. It can include the standard that the host state has to treat investors the same as the nationals with the most favorable conditions, the so-called most favored-nation (MFN) treatment. BITs can even include an obligation for a state to treat foreign investors the same as its own nationals, which is called national treatment (NT). BITs will typically also include provisions regarding the protection of rights derived from contracts, regulations about transferring profits and an obligation of the host state to provide for adequate compensation in case of expropriation (Kerner, 2009; Simmons, 2014).

Besides this, many BITs include provisions which stipulate that the government cannot take measures that would decrease the investment's value. Even though these provisions can be vaguely formulated, their consequences can be far-reaching (Büthe & Milner, 2009). However, these kind of provisions have been subject to criticism as this would also prevent countries from taking certain measures that they deem necessary in their national interest, such as measures for environmental protection or tax reforms (Tobin & Rose-Ackerman, 2005). The obligations codified in BITs are reciprocal, but in practice FDI flows are mostly from developed countries to developing countries. Therefore, as noted before, it seems that developed countries mainly want to secure the rights of their companies in developing countries (Hallward-Driemeier, 2003).

Furthermore, BITs typically also include an investor-state dispute settlement (ISDS) clause. This allows for the investor, which can be a private person or a company, to seek remedy directly at an international tribunal when he believes that the host state has breached its obligations. The next paragraph will elaborate further on ISDS. Interestingly, treaties before 1985 generally did not include such a clause (Kerner, 2009). BITs that do not have an ISDS clause are commonly referred to as "soft BIT" or "weak BIT" (Yackee, 2007). The first BIT also did not contain an ISDS clause (UNCTAD, 2016), but it got replaced in 2009 and now it includes an ISDS clause (UNCTAD, 2016). In general, it can be

[1] Host states are sometimes also referred to as 'home states'.

assumed that modern BITs include an ISDS clause (Allee & Peinhardt, 2011).[2] It is mainly the ISDS clause that deserves most attention in the literature as this provides for an enforcement mechanism independently from the national courts of the host state. However, as discussed above, it should be noted that BITs also include many other obligations that improves the position of foreign investors.

2.2.2. Criticism on BITs

Not all scholars agree that the signing of BITs with ISDS clauses would actually be beneficial for the host states. Some scholars argue that there are high "sovereignty costs" involved (Guzman, 1997). States are required to grant certain privileges to foreign investors by signing the treaty, which limits their sovereign power. It might even be the case that foreign investors get more rights than domestic investors, as they have access to ISDS, while domestic investors do not have this access (Kerner, 2009). Furthermore, by consenting to ISDS, a host state submits to binding decisions of international tribunals which cannot be overturned by national courts. There are authors that argue that in fact, developing countries would be collectively better off by not signing BITs (Guzman, Simmons, & Elkins, 2006). However, because signing a BIT gives a particular country a small advantage over his neighboring countries, developing countries have engaged in the signing of Bits (Guzman et al., 2006). Therefore, it can be said that the signing of BITs of developing countries it is a good example of a prisoners dilemma (Neumayer & Spess, 2005). Individually, developing countries have an incentive to sign a BIT to attract more investments, while collectively they are worse off if they all sign a BIT. It is important to note, however, that these kind of theories seem to assume that there is a 'fixed stock' of FDI for which developing countries compete. The question is whether this is the case. Perhaps investments will increase as long as it is profitable and the risk is reduced.

Another negative by-effect of signing BITs could be that incentives are decreased to implement reforms to improve the investment climate, since by signing a BIT a country substitutes its poor investment protection by protection under international law (Tobin & Rose-Ackerman, 2005).

2.2.3. Other Agreements

Besides BITs, countries can also decide to conclude a Free Trade Agreement (FTA)[3] or a Regional Trade Agreement (RTA) to promote trade and investments. FTAs and RTAs also typically include MFN provisions (Berger et al., 2010; Büthe & Milner, 2008). The effect of FTAs on FDI is also a subject of research,[4] but it will not be dealt with in this thesis. Of course, it is something that should be taken into account for the empirical model. At the same time, there are some important distinctions between BITs and FTAs. The most important difference is that primarily BITs include the possibility of

[2] Allee & Peinhardt (2011) coded 1473 BITs and found that 1192 (81%) contained an ISDS clause.
[3] Also commonly known as Preferential Trade Agreement (PTA).
[4] See e.g. Büthe & Milner (2008) focusing on WTO/GATT membership and Preferential Trade Agreements (PTAs).

ISDS, while under trade agreements, disputes concerning trade generally take place on a country level (Simmons, 2014). However, this is not always the cases, in particular for RTAs. The North Atlantic Free Trade Agreement (NAFTA) for instance, provides for ISDS.[5]

2.3. Legal Framework ISDS

In 1965, standardized rules were adopted for ISDS during the ICSID Convention.[6] The main purpose of the establishment of ICSID was to provide states and investors a uniform regime to settle disputes. To reach on a common set of substantive rules was not possible, since the state parties could not even agree on the definition of 'investment'. Therefore, the contents of substantive protection is left to the state parties through their wording in the BITs, FTAs or RTAs (Dolzer & Schreuer, 2012). Most disputes are settled under the rules of the ICSID convention (UNCTAD, 2019a). Considering this and the ICSID's special properties, research mostly focusses primarily on ICSID.[7]

The ICSID regime functions as follows. When a dispute arises, an entity can file a request for arbitration at ICSID. After this request an *ad hoc* tribunal is established, consisting of one or more (odd numbered) arbitrators. This tribunal will determine whether it has jurisdiction,[8] conduct the proceedings in accordance with the ICSID Convention,[9] and decide on an award by majority of a vote.[10] This decision of an ICSID tribunal is binding for both parties and it cannot be appealed.[11] This also means that national courts cannot set aside the award since they have to treat the award as if it were the final judgement of a national court.[12] This last characteristic of ICSID is unique, because other dispute settlement mechanisms (such as commercial arbitration) still requires that an investor has to seek recognition and enforcement of an award in national courts (Dolzer & Schreuer, 2012).

Investors and states do not have to rely exclusively on the rules of the ICSID Convention. There are also other facilities and procedural frameworks available to settle investment disputes. The most well-known procedural alternative is commercial arbitration under the UNCITRAL Arbitration Rules. Cases using these rules can also be brought before ICSID.[13] However, also another venue can be chosen, such as the Permanent Court of Arbitration (PCA) in The Hague, the Stockholm Chamber of Commerce (SSC), the International Chamber of Commerce (ICC) in Paris or other regional

[5] NAFTA Article 1122.
[6] Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (ICSID Convention) (open for signature 18 March 1965, entered into force 14 October 1966) 575 UNTS 159.
[7] See e.g. Allee & Peinhardt (2011) that only analyses ICSID cases.
[8] Article 41 ICSID Convention.
[9] Article 44 ICSID Convention.
[10] Article 48 ICSID Convention.
[11] Article 53 ICSID Convention.
[12] See Article 54 ICSID Convention.
[13] Even when a state is not a party to the ICSID Convention, a case can be brought before ICSID's Additional Facility. This is not recommended as the enforceability of a decision of a tribunal established under ICSID's Additional Facility is less strong.

institutions (Born, 2015).

Interestingly, a BIT is not the only way for a state to consent to ISDS. A state can also offer an investor the possibility of ISDS through national legislation (Dolzer & Schreuer, 2012). Furthermore, an investor and a state can also decide in their contract that international arbitration can be used when a dispute arises between the state and the investor (Dolzer & Schreuer, 2012). This fact undermines one of the characteristics of BITs that is believed to have a positive effect on FDI, namely the possibility of ISDS. It appear that states and investors already have these other possibilities to allow for ISDS (Yackee, 2007). Still, as we will see in the next paragraph, ISDS plays a big role in most explanations of why BITs would increase FDI. Nevertheless, there are also other economic explanations mentioned in the literature that go beyond the mere possibility of ISDS.

2.4. Why BITs would increase FDI: The Economic Mechanisms

Most papers that research the effect of BITs on FDI have a discussion on the mechanisms through which the signing of BITs would increase FDI. Some papers spend more attention on these mechanisms than others. It can be said that Büthe & Milner (2009), Kerner (2009) and Aisbett et al. (2018), have the most extensive discussion of the underlying theory.[14] This thesis categorizes the mechanisms into five theories which would explain why BITs increase FDI.

This section is structured as follows. First, it discusses the notion of expropriation. Then I will discuss five mechanisms through which the signing of BIT should have a positive effect on the FDI flow. Next, the criticism to these arguments will be dealt with. Lastly, the theoretical effects of investor-state disputes on FDI will be discussed.

2.4.1. The Notion of Expropriation

The main concern that comes forward in most of the theoretical mechanisms is the investor's fear of expropriation. Therefore, this section will briefly define this concept. Direct expropriation means that the government seizes assets of a foreign entity. As direct expropriation is rare nowadays, most attention in the literature is given to indirect expropriation.[15] In the case of indirect expropriation, the investor does not lose his property rights over his assets, but is deprived from "the possibility of utilizing the investment in a meaningful way" (Dolzer & Schreuer, 2012). This could be any measure that a government might take in the form of taxation, change in regulation or selectively enforcing the law that harm the investments profitability and benefits the state (Büthe & Milner, 2009). A state can also withdraw privileges it had previously promised in order to attract the investment after the

[14] Most of the papers that are cited in this chapter, also contain empirical research. As mentioned earlier, the empirical findings of these papers will be discussed in the next chapter.

[15] Direct expropriation is also called "formal expropriation" (Dolzer & Schreuer, 2012) or "outright expropriation" (Büthe & Milner, 2009) and indirect expropriation is also called "creeping expropriation" (Wellhausen, 2015).

foreign investor already made the investment (Simmons, 2014).

International law recognizes the right to expropriate foreign property, as this is a consequence of the concept of national sovereignty. Commonly, this right is also recognized is BITs, but expropriation can only take place under strict conditions. It should always serve a public purpose, it has to be in a non-discriminatory way and "prompt, adequate and effective compensation" has to be given to the investor. This phrase is also called the "Hull formula" (Dolzer & Schreuer, 2012). As the legal definition of expropriation is quite stringent and actually allowed under international law, I will depart in this thesis from the legal definition of expropriation. I will define expropriation as "any illegal measure of a state that harms the profitability of an investment". This is in accordance with the broader use of this term in the economic literature.

2.4.2. Theoretical Mechanisms

Most theories explaining the positive effect of BITs on FDI have to do with the fear for economic expropriation. For instance, it is argued that agreeing to provisions in BITs provide for a legal framework that makes it easier to observe expropriation. Or it can be the case that investors see BITs as a commitment device preventing the host state from expropriating investments. In other words, the host state "ties its hands". Alternatively, BITs can provide for an insurance, because it obliges a state to pay compensation if it expropriates an investment. This way an investor is insured that he would not lose his entire investment if his investment is expropriated. Furthermore, the signing of BITs can ensure investors that they are not expropriated by the application of signaling theory. Lastly, the signing of a BIT would prevent states from expropriating an investment, simply because it is too costly. This is called a deterrent effect of a BIT. All these theories will be discussed in the following paragraphs.

2.4.2.a. Information

One theory that has been put forward is that BITs provides information about the applicable investment laws in a certain country and the country's compliance with those rules. The informational benefits can thus be distinguished as providing *ex ante* and *ex post* information (Büthe & Milner, 2009). The *ex ante* informational benefits consist of the fact that a country makes clear by signing a BIT what rules it respects with the treatment of foreign investments. This information is superior to national legislation, as national legislation can be unclear and is subject to changes. Furthermore, the transaction costs of acquiring information about the investment climate is reduced when a country has signed a BIT (Tobin & Rose-Ackerman, 2005). It is easier to consult the text of a BIT than finding provisions of national legislation which might be written in another language. Furthermore, the signing of BITs are often combined with a public ceremony and the information is published by the national governments (Büthe & Milner, 2009). The signing of BITs have to be

notified to the UN and the texts of BITs are also sent to UNCTAD and are easily accessible on its website (UNCTAD, 2019c).

The *ex post* informational benefits entail that BITs make it easier to observe indirect expropriation. If an investor considers that his investment is expropriated, a BIT will provide him with access to ISDS, most commonly under the auspices of ICSID. The filing of a case at ICSID is public and also the decisions of ICSID tribunals are usually published. Therefore, the ISDS mechanisms make it possible for all investors to observe when states are alleged to have expropriated investments and when the government has actually violated its commitments under the BIT (Büthe & Milner, 2009).

Furthermore, it is argued that the signing of BITs encourages governments and investors to share information about the compliance of the governments that have signed BITs. This is the case because governments commonly monitor the compliance of other governments with international obligations, in particular when the international obligation arises out of a treaty concluded between two countries (Büthe & Milner, 2009). Therefore, partner countries are more likely to monitor each other. The monitoring will not only take place by governments, but also private parties that are interested in obtaining information about the investment climate in a country's record concerning its compliance with international investment law. Home governments can even actively assist investors. A good example is the Directorate General for Trade of the European Commission that hears and investigates complaints of investors (Büthe & Milner, 2009). Thus, it is argued that the more BITs a state concludes, the more information is generated about the state's compliance (Büthe & Milner, 2009). As the information about a state's compliance is easier to observe, the reputational costs of a state breaching obligation will also increase. This will further be elaborated in the paragraph about the deterrent effect of the BIT.

The fact that a written agreement is breached might also create reputational costs that go beyond the scope of the investment treaty breached. Any other commitments that a state has entered into, might lose credibility as well. The reputational costs of a country that has concluded more BITs should be larger, as the violation of one BIT would negatively affect the credibility of all other BITs that a country concluded (Büthe & Milner, 2009).

2.4.2.b. Commitment Device

Most commonly, authors speak about the 'dynamic inconsistency problem' or 'holdup problem' as the main reason why a country would conclude a BIT (Neumayer & Spess, 2005; Hallward-Driemeier, 2003). Other authors have called it a 'credibility problem' or simply put that investors do not have enough trust in the property right protection of the government and complain about unclear and changing legislation (Tobin & Rose-Ackerman, 2005).

The problem is that the host state cannot commit to not expropriate the investment. A host

state will first make promises to attract investments, but as soon as investments are made, the state has an incentive to deviate from the earlier promises (Simmons, 2014). This incentive is caused by the fact that the assets that a foreign investor generally invests in are investment specific. This means that it is not easy to move or sell these assets. Therefore, after an investor made an investment he will regard it as sunk costs (Neumayer & Spess, 2005). This gives the host states government more leverage with regard to the investor and makes it possible to take some of the profits through a form of expropriation. Challenging the state at a local court, might not be very effective. (Tobin & Rose-Ackerman, 2005).

The fact that the government cannot credibly commit to not expropriate and the fact that the investor would not make the investment if it knows that his profits are skimmed off, will lead to the investor's decision not to invest in that state. Therefore, it is needed that the government can credibly commit itself to the promise that it will not expropriate the investment. Access to ISDS provides for a commitment device (Neumayer & Spess, 2005). International dispute settlement gives the investor assurance that the terms of the contract and the rules regarding expropriation will be enforced. This is a form of proper protection of property rights, which must include the control of an investor over its return of investment (Hallward-Driemeier, 2003). An investor should not have to rely only on national courts and it should not possible anymore for the state to change the laws in such a way that it would escape certain obligations (Büthe & Milner, 2009).

In the literature, this mechanism is also called "tying hands" (Kerner, 2009). This entails that a state would suffer such high costs ex post if it does not honor the commitment. Reasons for the high costs are exposure to paying compensation and harming diplomatic relations. Of course, these costs have to be sufficiently high for the hands-tying mechanism to work (Kerner, 2009). It should be noted that countries can still change their laws and still try to exploit investors, but they cannot escape the legal consequences. But for the protection of expropriation, there is "*no absolute guarantee that governments will not change policies to the detriment of foreign investors*" (Büthe & Milner, 2009, p. 187). It could be said that the tying hands doctrine resembles the deterrent theory more, which is discussed in paragraph 2.4.2.e.

2.4.2.c. Signaling

Another theory is that BITs serve as signals for investors. Countries sign BITs to show that they have a good investment climate (Neumayer & Spess, 2005; Kerner, 2009; Aisbett et al., 2018). An important perquisite of the signaling theory to work is that it has to be costly enough for countries to sign a BIT. If it would not be costly enough, the signal would not be credible, as countries with a poor investment climate could mimick the signal and sign BITs too (Aisbett et al., 2018). The costs of entering a BIT consists of the expected liability of monetary compensation to foreign investors. If the

investment climate in a particular country is poor, it would be likely that the BIT would be violated, then this expected liability would be high. Therefore this particular country would refrain from signing a BIT because of this high expected liability (Aisbett et al., 2018).

Nevertheless, most authors do not seem to apply classic signaling theory when they say that a country 'signals' a good investment climate by signing a BIT. Neumayer & Spess (2005) for instance, call the signaling affect a 'positive spill-over' of signing a BIT. Aisbett et al. (2018) however, recognize that it should only be attractive for states that have a good investment climate to sign a treaty in order for signaling to work. Another author that comes close to applying signaling theory is Kerner (2009). He uses the term 'signal', but speaks somewhat peculiarly about the 'sunk costs' effect of BITs. When the *ex ante* costs are sufficiently high, a state shows that it does not intend to expropriate investors. The costs consist of increased difficulties to implement policies that are not consistent with BITs. This would cause political costs and these policies might be challenged in international disputes. Other costs that occur are that existing investors and nationals become less well protected compared to foreign investors that will fall under the BIT. Therefore, it would be expected that a country does not sign a BIT if the domestic protection is so weak that domestic entities are not able to compete against the foreign investors (Kerner, 2009).

In empirical research, evidence for the signaling theory can be found when signing a BIT has a positive influence on investments originating from both the state it has signed the treaty with as from states it has not signed any treaty with (Kerner, 2009; Aisbett et al., 2018).

2.4.2.d. Insurance

Another theory through which BITs would promote investment, is that BITs are an insurance for the investor. This is the belief of the investor that they will always receive compensation if the host state expropriates the investment. Under this theory, the investors also believe that the host state is unlikely to alter its behavior after the signing of the BIT. In other words, the investor does not believe that the state will necessarily cease any form of expropriation after the signing of the BIT, but rather that it will receive an adequate compensation if the host state does expropriate an investment. Therefore, the investor is still inclined to invest. Of course, this theory predicts that only investors from states that have signed a BIT with the host state will invest more, but investors from non-partner states will not invest more as they cannot get compensation. This theory does not assume perfect compensation, but rather that "*the expected net cost of adverse treatment by the host state is decreased*" (Aisbett et al., 2018, p. 126). The question is whether the expected compensation is high enough for investors to keep investing, despite their assumption that BITs will not alter the behavior of the host states. This argument is strengthened by the fact that there are complaints about the time and legal costs surrounding ISDS (Gaukrodger & Gordon, 2012).

The compensation possibility also has a negative side. Hallward-Driemeier (2003) notes that BITs can also lead to problems of moral hazard and adverse selection. Investors might work less hard to make their company succeed if they believe that they can litigate succesfully against a host state. Also, investors might go to exactly those locations were investment protection is poor so that they have a better legal case and more chance to win large sums of money in litigation, instead of choosing locations that are more attractive in terms of economical development (Hallward-Driemeier, 2003).

2.4.2.e. Deterrence

The last theory, which I call the deterrence theory, is very similar to the commitment device theory. The most important distinction is that the commitment device theory emphasizes the underlying dynamic inconsistency problem and the need to have a mechanism in place to enforce the contract between an investor and a host state. The deterrence theory emphasizes the costs that occur when the host state breaches its obligations. Thus, both theories have an approach that differs to such an extent that it was most appropriate to discuss them separately.

The deterrence theory entails that BITs work as a deterrence. As opposed to the insurance theory, it assumes that governments will alter their behavior to prevent treaty breaches. In order for this theory to be true, the costs of breach for the host country have to be sufficiently high. The costs of the breach does not only consist of the costs of compensation, but also reputational costs and costs that occur in the dispute settlement, such as legal costs (Aisbett et al., 2018). And as was discussed in the information theory paragraph, reputational costs are largely increased when a country signs more BITs.

It is thus hard to separate the deterrence theory from the information effect of BITs. It can be argued that these theoretical mechanisms work as complements. Indeed, the publication of arbitration cases and assessments of national governments or private parties about a state's compliance to investment treaties, magnifies the reputational costs of a country when it breaches an investment treaty. Thereby, it increases the deterrent effect on expropriation by signing a BIT.

2.4.3. Criticism

Not all authors support the theories that are described above. One of the main criticasters is Yackee (2007) who questions the importance of BITs to increase FDI. Aisbett (2007) also spends some attention on points of criticism. The first issue is that the conclusion of BITs is not the only way to solve the credibility problems of the host state. Thus, this problem is exaggerated. Secondly, investors might not entirely be aware of whether their investment is protected under a BIT and the investor's knowledge of the investment's protection is an important underlying assumption of the proposed theory. This section will address these issues.

2.4.3.a. Seriousness of Credibility Problem

The first important point of criticism concerns the seriousness of the credibility commitment problem that a BIT is attempting to solve. It is argued that there are already ways to overcome this problem and that the investor's expected costs of the fact that a country cannot credibly commit to refrain from expropriation are not that high (Yackee, 2007).

There are alternative ways of dealing with the credibility problem. Investors and states can also choose to consent to arbitration in the contract they conclude. Indeed, as was discussed in paragraph 2.3. in which the legal framework of ISDS was outlined, there are two other ways to consent to ICSID arbitration. Thus, the signing of a BIT is not the only commitment device available, even though it is commonly framed this way in the literature.

However, one could say that these alternatives have higher transaction costs. Furthermore, it is easier to observe when states have consented to the possibility of international arbitration when they have signed a BIT. This was discussed elaborately under the information theory. Thus, BITs provide for a more public commitment device that is put in place for all foreign investors.

Also, the monetary risk of expropriation for the investors is not as high as one might think. First, there is a possibility of international investment insurance, allowing the investor to recoup all the losses when the host state breaches international law (Aisbett, 2007; Yackee, 2007). Second, Yackee (2007) argues that the expected political risks costs are only a fraction of the costs of investment. This is caused by reputational concerns of the host state. If the state breaches the contract, it becomes more difficult and costly to attract investments in the future. Yackee (2007) also argues that the investor tends to conclude a contract that is more detailed for immobile investments, as opposed to mobile investments. The risk of expropriation is not equally high for each investment and when an investment is asset specific, investors already reduce the risk through the negotiation of their contract. Thus, the problem that the BIT is trying to solve can already be reduced in practice if necessary.

2.4.3.b. Awareness investors of protection

The second important point of criticism concerns the investor's awareness of BITs. An important underlying assumption to the theory that signing BITs increases FDI is that the investors are aware of the existence of the BIT and the ISDS possibilities. Yackee (2007) argues that that investors are not in particular aware of BITs and investment arbitration possibilities before they invest in a country. Rather, investors are only interested in the legal possibilities after a dispute arises. As research on this particular question is limited, Yackee (2010) conducted an email based survey to the chief lawyers of 200 top United States corporations. Basing his conclusion on 75 respondents, he found that the lawyers were relatively unfamiliar with BITs. Only 20% of the respondents were 'very aware'

of BITs (Yackee, 2010). However, this research was only conducted in the United States and it is unknown how much the firms in this sample invested abroad. Büthe & Milner (2009) quote interviews with managers of multinational corporations, investment advisors and government officials, indicating that investors do take into account BITs when taking investment decisions. They also argue that when two countries are about the sign a BIT, investors in the source state postpone their investments until after the BIT is signed. However, this evidence is merely anecdotal.

Nevertheless, it can be argued that investors should be aware of investor-state disputes. Büthe & Milner (2009) defend this position by arguing that both the installment of claims before ICSID and ICSID awards are published in global newspapers. Furthermore, Allee & Peinhardt (2011) argue that investors inform themselves about a country's investment climate through industry-specific newsletters and other secondary sources, such as country risk guides. Indeed, it was argued in section 2.4.2.a that investors and source states have incentives to gather information about the host state's compliance. Thus, the purpose of this thesis, it is most probable that investors are at least aware of important investor-state disputes. But, it is less certain that investors are aware of conclusion of BITs and little research has been conducted to investigate this. At the same time, information on BITs has been become more accessible, for instance on the UNCTAD website (UNCTAD, 2019d).

2.5. Effects of Investor-State Disputes on FDI

Now that the different mechanisms through which the signing of a BIT could increase FDI are outlined, I will now proceed with the question of how investor-state disputes would affect FDI flows. Of course, the expected effect of investment disputes on the inflowing FDI of a host country depends on the dominating theory through which BITs would increase FDI in the first place (Aisbett et al., 2018). Therefore, I will go through the different theories that were explained in the previous section and explain what the expected effect is when the host state has an investment dispute case pending or loses an investment dispute case. It appears that most theories predict the same outcome, unless one is to assume that BITs merely works as an insurance for the investor.

2.5.1. Information Theory

Under the information theory it was discussed that BITs give *ex ante* and *ex post* information about the host state's investment climate. If a host state becomes a defendant in an investment dispute, it is an important piece of *ex post* information which would negatively affect the perception of the investment climate in the host state. As discussed, this would be monitored in particular by states that have concluded BITs with this particular host state (so-called 'partner countries'). It can be said that a pending case would already cause uncertainty about the investment climate, but if a state loses the dispute, it is confirmed that a host state breached its obligations. This information would

cause a decline in the incoming investments in the defending host state.[16] As the compliance is particularly monitored by source states that have concluded a BIT with this host state, the decline in inflowing FDI from partner countries is expected to be higher than from non-partner countries.

2.5.2. Commitment Device Theory

Under the theory that the BIT serves as a commitment device, investor-state disputes with a negative outcome for host states will show the investors that the commitment device is not watertight. Indeed, if an investment tribunal finds that the host state expropriated an investment, the hands-tying mechanism to ensure that a state would refrain from expropriating an investment does not work. As the commitment device loses credibility investors from partner countries will invest less in the host state, as they are not ensured anymore that their investment will not be expropriated. Investors from non-partner countries will also invest less, but this decline will be less strong. This group of investors did not benefit from the commitment device beforehand, but they still observe that the state expropriates investments.

2.5.3. Deterrence Theory

As the deterrence theory was similar to the commitment device theory, the expected effect of losing an investment dispute on investment flows is also the same. The deterrence theory suggested that a state would not expropriate investments because the costs become too high. If a state loses a case it appears that the state was not deterred by the expected negative outcome of a possible investment dispute. Therefore it seems that the deterrent effect of the BIT might not be as strong as the investors anticipated. This will lead to a decline of investment flows from partner countries. Of course, losing a dispute also indicates a poor investment climate. This also leads to a decline of investment from non-partner countries. Again, these investors did not benefit from the deterrent effect before, so this decline is expected to be less sharply.

2.5.4. Signaling Theory

Under the signaling theory, successful claims against host states would also lead to a strong decline in FDI flows. The signaling theory suggested that only countries with a good investment climate would sign BITs and countries with a poor investment climate would refrain from signing a BIT, since their expected exposure to dispute settlement claims would be too high. However, if an investor's claim succeeds against a host state, it means that the state that signed a BIT has expropriated an investment and does not seem to belong to the group of countries that have strong investment protection. Therefore, the positive effect of signaling a good investment climate by signing a BIT will evaporate. Investors from all states, partner and non-partner countries, will not believe the signal anymore and investment flows from all states will decline. As signaling theory focusses on the signal

[16] This is different when investors see BIT as an insurance.

given by the state, rather than the improved substantive protection in the BITs for investors of the partner country, no differential effect is expected on the decline of investment from partner and non-partner countries.

2.5.5. Insurance Theory

Under the insurance theory, investor-state disputes should have little impact on the investments. When a state loses an investment dispute, it simply shows that the insurance against expropriation works. The investor will get compensated in case of expropriation. For investors from non-partner countries, investment disputes would have a negative effect on their willingness to invest in the defendant state. These investors do not fall under the BIT insurance regime and observe that the state has expropriated an investment. Therefore, they will consider their own investments less well protected.

2.5.6. Overview

Table 1 below summarizes the effects of investor-state disputes.[17] "+/-" stands for little effect on investment flows, "-" stands for a decline in inflowing investments in a host state, "- -" stands for a large decline in investment inflows. Important distinctions are that under the information, commitment device and deterrence theory the negative effect on FDI inflow is expected to be higher from partner countries than from non-partner countries. This is because investors from partner countries more closely monitor compliance (information theory) and these investors expected that the BIT would ensure that a state would refrain from expropriating investments of investors from partner states (commitment device & deterrence theory). Under signaling theory investments would decline from all states, regardless of source. Under the theory that BITs serve as insurance the decline in investments would be relatively little from partner countries, but it shows to unprotected investors from non-partner countries that the state expropriates investments. Thus under that particular theory it is expected that investments from non-partner countries will decline more than investments from partner-countries.

	Investments from partner countries	Investments from non-partner countries
Information	- -	-
Commitment Device	- -	-
Signaling Theory	-	-
Insurance	+/-	- -
Deterrence	- -	-

Table 4.1. The effect of a successful claim brought against a host state

[17] This table is inspired by Table 1 in the paper of Aisbett et al. (2018, p. 128).

Distinctions between these theories can only be tested empirically when bilateral investment flows are used as a dependent variable. If aggregate FDI inflow is used, it is impossible to distinguish investments from partner countries and non-partner countries. As this thesis will use aggregate FDI inflow, the above theories will not be tested in this paper. It is, however, important to note that these different theories exist and predict different effects on investment flows. Some of the empirical papers that are discussed in the empirical section are based on these different mechanisms.

3. Empirical Literature Review

This chapter discusses the relevant empirical literature with regard to the effect of BITs on FDI and the effect of investor-state disputes on FDI. The chapter is structured as follows. The first section will discuss methodological issues that are common in the research on this effect. By starting with outlining these issues, additional attention can be given to how the different papers attempt to solve them. Then, I will move on to the discussion of the literature that attempts to investigate the link between BITs and FDI. A distinction will be made between research that is done on a dyad level, measuring FDI flows between pairs of countries, and on an aggregate (monadic) level, measuring total FDI inflow into a particular country. Advantages and disadvantages of these methods will also be discussed. The fourth section deals with the research investigating the relation between investor-state disputes and FDI. The last section introduces the hypotheses that are tested in this thesis.

3.1. Effects BITs on FDI: Statistical Issues

There are different issues that need to be solved when the relation between BITs, ISDS and FDI is investigated. The first issue is that both BITs and FDI have a positive trend through time. Therefore a correlation between the two does not necessarily mean that one caused the other. The second issue is the problem of reverse causality. The theory states that BITs can increase FDI, but there are also reverse mechanisms. The third issue concerns data availability. It is possible that missing data is correlated with certain variables, skewing the results if the missing observations are left out. Finally, the last issue is inherent to any investigation into a causal relation. It is possible that one important variable is left out that can explain both the increase in FDI as the increase in BITs. These potential problems will now be discussed more elaborately below.

3.1.1. Common Trend

The first problem arises out of the fact that both the number of BITs as FDI have surged in the past decades. In the figure below, the development through time of the number of BITs is displayed together with the values of the net FDI inflows worldwide.

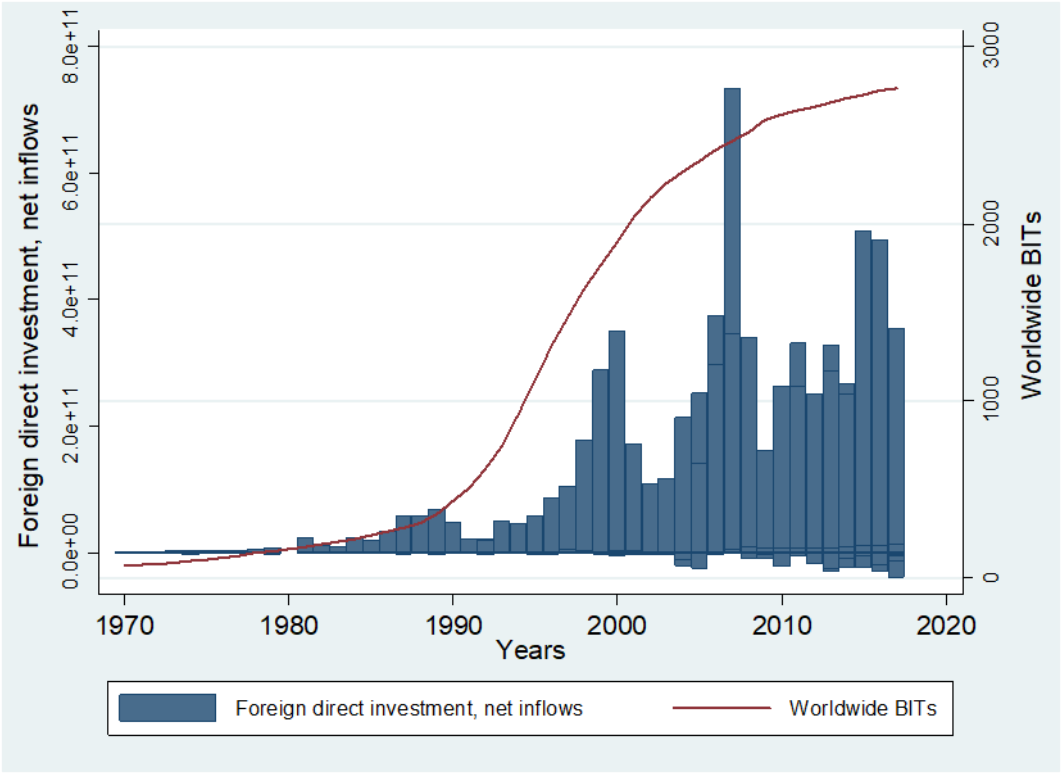

Figure 3.1. A display of the FDI inflows and the number of BITs signed worldwide through time. The figure is based on the sample that used in this thesis, including OECD countries.

When investigating whether the conclusion of a BIT actually leads to an increase in FDI, it should be recognized that both variables have an upward trend through time. Therefore, if a correlation is found between BITs and FDI, it can simply be caused by the fact that both have a positive trend through time which is caused by another factor (Aisbett et al., 2018). Even when it is determined that the association between BITs and FDI is caused by a positive trend, it does not necessarily imply that the conclusion of BITs cause an increase in FDI.

3.1.2. Reverse Causality

The second problem is reverse causality between BITs and FDI. It is possible that the fact that a relative high level of FDI is already present between two particular states, leads to a larger incentive for these states to sign a BIT. When a host country is thinking of attracting more investments, they might first focus on countries that the host state is already receiving investments from. A similar observation is also made in lobbying for double taxation treaties (Salacuse & Sullivan, 2005). Reasoning differently, it could also be the case that a state would actually focus on countries it does not receive much investments from and attempt to increase investments from these countries by concluding BITs with these countries (Hallward-Driemeier, 2003). Both stories have an opposite effect on the relation between BITs and FDI, and both effects do not represent whether the

conclusion of BITs actually increases FDI. Therefore considerably attention should be given to the research design of the papers.

Aisbett (2007) defined a theoretical model in which a host state decides to sign a BIT or not. The model shows that when the host state expects that new investments are large enough (relative to the existing investments), it will sign the treaty. Hence, only when an increase in investments are expected, a BIT will be concluded and if the expected increase in investments is too low, no BIT will be signed. As the BIT signing is influenced by the expected investments and the conclusion of BIT is not randomly, the effect of BITs on FDI might be overestimated.

3.1.3. Non-Random Missing Data

Thirdly, there is a problem of non-random missing data. Kerner (2009) notes in his dyadic model that around 70% of the dependent variable he uses is missing and observes that this is mostly the case for poorer, less democratic and less populated countries (Kenrner, 2009, p. 96). Furthermore the likelihood of missing values of bilateral FDI flows increases when the distance between the two countries is larger and when the countries have no colonial ties. This problem could be solved by finding an instrument correlated with missing data but uncorrelated with bilateral FDI flows (Kerner, 2009), but no paper has found such an instrument. Mostly this problem is solved by replacing the missing values with zero and comparing these results with a sample that does not include the missing observations (Hallward-Driemeyer, 2003; Kerner, 2009). In that case it is assumed that countries that do not report investment flows from certain sources, do not receive a significant amount of investments from these source countries. On an aggregate level, missing data is less of a problem (Tobin & Rose-Ackerman, 2005), but the problem of non-random missing data still exists.

3.1.4. Omitted Variable Bias

The last problem that is common in any empirical study is that there might be an omitted variable bias. In the context of investor-state disputes, the increase in disputes and the decline in FDI into a particular country might be explained by the investor friendliness of the country (Aisbett et al., 2018). But investor friendliness is not really a variable that can be measured. Also, circumstances might change and a host state might want to start gaining more from the investments through expropriation, after it keenly tried to improve the conditions to attract more investments in the first (Aisbett et al., 2018). Also this shift in policy from attracting investments to expropriating them, is very hard to measure. What might be possible to measure though, is the extent to which a government can suddenly shift their policy. This can be measured by including certain political risk or veto indicators in the analysis.

3.2. Effects BITs on FDI: Dyadic Research

The first category of research that is discussed in this chapter consists of analysis on a dyadic level. This entails that the dependent variable is the FDI flow between two countries. Thus, all the observations are country pairs. There are both advantages and disadvantages to this approach. An important advantage is that it is possible to correct for certain relations that are particular to certain country pairs by including country pair fixed effects. Also certain drivers that are positively associated with FDI flows between two countries can be included in a dyad model, such as distance and the education skill gap.[18] These variables cannot be included in an aggregate research. An important disadvantage is data availability. There is far less data available on investment flows between two countries, compared to data on the total investment countries receive.

3.2.1. Hallward-Driemeier (2003)

The paper of Hallward-Driemeier (2003) is one of the first that investigates empirically whether the ratification of BITs leads to a significant increase in FDI. Before Hallward-Driemeier, there was one earlier attempt by UNCTAD (1998) to investigate this relationship, but this paper has too many shortcomings to give considerable attention.[19] Besides the analysis of the relation between BITs and FDI, Hallward-Driemeier also tries to determine whether the ratification of a BIT can serve as a substitute for poor institutional quality in a developing country. She bases her hypothesis on the commitment device theory. However, she also applies signaling theory and checks whether the credibility of the signal can be affected by the institutional quality and the degree of corruption in the host country. Thus, in her statistical analysis she also looks at the interaction between institutional quality and the signing of a BIT.

Hallward-Driemeier's analysis is done on the basis of a panel dataset covering the period 1980-2000 with data of bilateral FDI flows between 20 OECD countries and 31 developing countries. The effect of the BIT ratification is measured by a dummy variable indicating that two countries have signed a treaty. Additionally, dummies are included covering a period of five years before and after the signing of a treaty as the effect of the signing of a BIT might not take place directly. To deal with the fact that FDI also changes through time, she also includes a trend term. To deal with the reverse causality problem Hallward-Driemeier includes an instrumental variable (IV), which is the number of BITs that a host state has concluded with other source countries in a given year. This instrument should be correlated with the probability that the host state signs another treaty with a particular

[18] See e.g. Egger & Pfaffermayr (2004), Egger & Merlo (2007) and Aisbet et al. (2018).
[19] The analysis consisted of a time-series study, without correcting for the FDI trend and using adequate control variables, and a cross-sectional model of the year 1995 (Hallward-Driemeier, 2003; Salacuse & Sullivan, 2005).

source country, but should not increase the FDI flows from that particular source country.[20]

She finds different results depending on the definition of the dependent variable. When the *absolute FDI flow* is used as a dependent variable, a significant *negative* effect is found in the year directly after the signing of a BIT, and only a much smaller positive but non-significant effect 5 years after the signing of a treaty is found. The IV regression also yields a negative result of the BIT signing on FDI flows. When the *FDI/GDP ratio* is used as a dependent variable, the results remain similar, though no positive effects are found for all the dummies for the five years after the signing of a BIT. Only the dummy for the year after ratification is significant and negative. Only when *the FDI share of a host country* to the particular source country is used as a dependent variable, positive effects are found, but only for the dummy five years after signing of a BIT. Its significance is at the ten percent level. The IV regression using this model gives a negative result of the BIT on the FDI share, significant at the 1% level.

Lastly, Hallward-Driemeier explores the influence of institutional quality of a country, expecting that a country with low institutional quality benefits more from the signing of a BIT. The BIT will provide for relative better protection of property rights in a country with low institutional quality. However, it could also be expected that a country has to have a certain institutional quality before the signing of a BIT is seen as credible. The results of Hallward-Driemeier's analysis indicate that the latter explanation is more likely. A positive interaction is found between institutional quality and the signing of a BIT, which would imply that BITs are complementary to institutional quality instead of a substitution of weak institutional quality.

Thus, overall the paper of Hallward-Driemeiers does not support the hypothesis that the effect of BITs on FDI is positive, but rather that this effect is negative. However, the findings overall are not very convincing as they change depending on the definition of FDI that is used. The main conclusion of her paper focused on the positive interaction that was found between the signing of a BIT and the institutional quality.

3.2.2. Egger & Pfaffermayr (2004) and Egger & Merlo (2007)

Egger & Pfaffermayr (2004) also attempt to investigate the impact of BITs on FDI. They include two interesting additions in their model, compared to the analysis of Hallward-Driemeier. First of all, they recognize the importance of the skill gap and the fact that this also interacts with the distance and the size of the economy. Their reasoning is that large skill gaps are associated with higher investments, but that this is also associated with the distance between the two countries and the sizes of their economies. Secondly, they distinguish between the signing and the ratification of the

[20] This would not hold if the signing of a BIT serves as signals. In that case, signing BITs with other countries would also lead to an increase of FDI flows from non-partner countries. Hallward-Driemeier finds, however, that the instrument she proposed is valid.

treaty. It is expected that the signing of a treaty can already have a positive effect as it provides information about the country that signs it. However, the treaty only becomes enforceable when it is ratified. Therefore, if a treaty contains an enforcement mechanism, such as ISDS, it only becomes enforceable when the treaty is ratified.

They find that the variable of signing a BIT is positive but not significant. The coefficient for the ratification of a BIT, however, is positive and significant across all their models, at the 5% or 10% level. Most of their interaction variables are also significant. In their main model, they do not really address endogeneity. For example, it is possible that they measure a lagged effect of singing a BIT and that this caused the dummy for the ratification of the BIT to be significant. In their robustness checks, they estimate a probit model in which they compare countries that ratified a BIT with countries two years before they ratified a BIT. The idea is that both groups of countries were approximately equally likely to ratify a BIT (as they both did eventually), but the first group should benefit from the BIT earlier than the other countries, as they ratified the BIT two years earlier. The BIT variable turns out to be significant and positive in this model as well, indicating that ratification has a positive effect on FDI.

In a similar analysis to Egger & Pfaffermayr (2004), Egger & Merlo (2007) also find a positive effect of ratifying BITs on FDI. A distinction between this analysis and the earlier analysis of Egger & Pfaffermayr, is that it does not include an interaction effect with the distance between the two countries in a pair. Also, they run different estimations, including lagged values of FDI as independent variables. Because of their dynamic model, they are able to distinguish a short run and a long run effect of signing a BIT. Both these effects are significant and positive, and the long run effect is larger than the short run effect.

3.2.3. Aisbett (2007)

Aisbett (2007) also analyses the relationship between the conclusion of BITs and FDI flows on a dyad level. The sample consists of 29 OECD countries and 46 developing countries over the period 1980 to 1998. Her research is much more econometrical sound than previous ones. She spends more attention to endogeneity problems, the economic theory behind the expected effects and to finding the right determinants of FDI for the model.

To address endogeneity problems, Aisbett exploits the fact that BITs are "*exogenous ex post.*" This uses the fact that once a BIT is signed between two countries, they cannot really employ this measure again for at least 10 years. Therefore, by fully controlling for the ratification of BITs, the endogeneity problem can be addressed (Aisbett, 2007, p. 15). Also, she includes year dummies for every host, source and country-pair to control for changes through time in every country and country and country pair. The country-pair dummy would also help control for the fact that higher bilateral

FDI flow increases the probability of the conclusion of a BIT, thus helping to reduce endogeneity problems. Additionally, country-pair fixed effects also provides a solution for a potential selection bias, as most countries started reporting their FDI data in different years.

In the first estimations, Aisbett (2007) finds that across different specifications the conclusion of BITs has a positive association with FDI. In later estimations, however, when endogeneity problems are addressed the strong association ceases to exist. After including country-pair time trends, the BIT indicator becomes insignificant. The application of a feasible generalized least squares (FGLS) estimation halves the predicted value of the BIT indicator and the significance is reduced to the 10% level. The inclusion of host or source country specific trend dummies also reduces the estimates for the BIT indicator. Apparently, conditions in host and source countries are essential for a correct estimation, and excluding them leads to an overestimation of the BIT indicator. In an additional estimation, Aisbett (2007) tests the signaling theory by replacing the BIT indicator with an indicator representing the total number of BITs that a host country in a country pair signed with other OECD countries. If the signaling theory were true, the conclusion of any BIT would also lead to a FDI flow increase between any country pair, even when they have not signed a BIT. This new indicator however, turns out to be insignificant, discrediting the signaling theory. Lastly, Aisbett (2007) tests her hypothesis that countries which have a high risk of expropriation are less likely to sign a BIT. This hypothesis is also an underlying assumption of the signaling theory. Using data over the period 1982-1997, she finds that "*decreases in expropriation risk in a given year are strongly correlated with increases in BIT ratification in the following year*" (Aisbett, 2007, p. 31). However, when the estimation is reversed, it is found that the ratification of a BIT is not correlated with lower expropriation risks in the following year. Thus, it can be concluded the signing of a BIT does not increase the investment climate in a particular country. It is more likely that countries that are improving their investment climate are more likely to sign a BIT and that this effect influences the positive association between the ratification of BITs and FDI.

The main conclusion of this paper is therefore that there is no strong evidence that BITs increase FDI flows and that previous studies that have found otherwise did not address endogeneity problems properly. When endogeneity problems are addressed, strong positive associations disappear. Rather, a very credible different explanation is introduced. The improvement in the investment climate has a positive effect of FDI and it can also explain the increase in likelihood for a country to sign a BIT.

3.2.4. Kerner (2009)

Kerner (2009) also spends more attention to endogeneity problems and distinguishes between different mechanisms through which BITs can increases FDI, such as "tying the hands" and signaling

theory, as discussed in the previous chapter.

Kerner estimates a dyad model over the period 1982-2001 with 127 developing countries and source countries that consist of mainly OECD countries. In his main model, the BIT estimate is significant and has a positive sign. He uses three instrumental variables, namely the percentage of neighboring states that have ratified a treaty with the host state, the 3-year average[21] of the number of new treaties that neighboring states have ratified and lastly the 3-year average of the number of BITs that have been ratified worldwide. It seems that in all the models that are estimated, the instruments are exogenous. Kerner criticizes the use of the number of treaties that a host state has ratified as an instrument by Halward-Driemeier (2003) and Tobin & Rose-Ackerman (2005),[22] calling the instrument "*likely invalid*" as it is also "*a statistically significant and theoretically important predictor of FDI flows*" (Kerner, 2009, p. 91).

Furthermore, he tests his theory that when it is politically more costly to conclude a BIT, the signal of ratifying a BIT should be stronger and hence the benefits of a BIT should be higher. He firstly interacts the BIT indicator with a democracy variable, arguing that political costs are bigger when it can be challenged by the opposition in a well-functioning democracy. Secondly, he argues that after 1997, the political costs became higher because the opposition against investment agreements became stronger due to the failure of the Multilateral Agreement on Investment (MAI). Thirdly, he uses the variable saving, as he argues that if there are high savings, opposition to investment treaties would be higher as there would be a domestic alternative to foreign investment.

He finds support for the first and the third theory, both interaction terms are significant at the 10 per cent level. Looking at the conditional coefficients, it is indeed confirmed that higher levels of democracy are associated with more FDI and higher savings are associated with higher FDI as well. However, comparing this result with the findings of Hallward-Driemeier (2003) regarding the complementarity of institutional quality and BITs in their positive relation with FDI, it might be the case that the indicators that Kerner uses might just be associated with a better investment climate for the investor, instead of higher political costs for the host state.

Following criticism of different authors,[23] Kerner also attempts to distinguish between BITs that contain an ISDS clause and BITs that do not. He does not go through the treaties available, but distinguishes treaties that are signed before and after 1985, as treaties before 1985 predominantly have no ISDS clause. He finds that for the treaties concluded before 1985, the conclusion of a BIT has

[21] He uses the 3-year averages to address non-stationarity problems. The 3 year period is arbitrarily chosen, though in the robustness checks the variables are substituted by 2-years and 5-years averages leading to the same results.

[22] Tobin & Rose-Ackerman (2005) is discussed below in paragraph 3.3.2

[23] Yackee (2007), discussed in paragraph 3.3.4. and Allee & Peinhardt (2011), discussed in paragraph 3.4.1., though Kerner refers to an earlier version of the paper of Allee & Peinhardt.

no significant effect and after 1985, signing a BIT has a positive effect on FDI. Another interesting robustness check is the analysis of a sample that only includes dyads that have not concluded a BIT and a sample that only includes dyads that have concluded a BIT. This check gives similar results. He therefore concludes that BITs have a positive effect on FDI and puts emphasis on his theory that internal political opposition increases the positive effect of concluding a BIT on FDI.

3.2.5. Berger, Busse, Nunnenkamp & Roy (2010)

Berger et al. (2010) estimate in their working paper a model covering the bilateral FDI flows over the period 1978-2004 with a sample of 28 source and 83 host countries. Their main analysis consist of an OLS model, which they check with running a fixed-effects Poisson Pseudo-Maximum Likelihood (PPML) model and later they add a dynamic Generalized Method of Moments (GGM) estimator. The main purpose of their analysis is the differentiation between ISDS provisions and so-called Nation Treatment (NT) provisions providing for a more liberal treatment of foreign investors.

For this thesis, this should be taken into consideration because of two reasons. First of all Berger et al., just like earlier papers, employ a model estimating bilateral FDI flows, which this thesis also attempts to do. Secondly, the paper differentiates between certain provisions within BITs, which might lead to the conclusion that not all BITs should be treated equally. They find, however, that the type of ISDS provision[24] makes no difference on the positive effect of BITs on FDI flows. This is also the case with NT provisions, leading to their statement that "*foreign investors respond to BITs rather indiscriminately*" (Berger et al., 2010, p. 12).

For reginal trade agreements, they find that more liberal admission rules regarding foreign investment have a more positive effect on FDI. Their GGM estimation actually addresses endogeneity problems and also includes lags and lagged differences of several control variables as instruments. The effect of BITs and RTAs on FDI remains positive and significant, though the absolute value decreases. Differentiation between BITs with and without ISDS clauses leads to insignificant indicators, only for RTAs a positive effect of the inclusion of an ISDS clause is found. And again the NT provisions remain important for RTAs, in line with earlier estimations. They conclude that a more liberal investment policy leads to more FDI, but that this only works through RTAs and not through BITs. They explain this difference by assuming that investors are probably less aware about the exact provisions of BITs, whereas the contents of RTAs are mostly more well-known as regional agreements can be more politicized.

[24] The distinguish pre-consent to arbitration (strongest), partial pre-consent and promissory consent.

3.2.5. Busse, Königer & Nunnenkamp (2010)

Busse et al. (2010) estimate a 'gravity-type model' that explains FDI through its determinants. Their analysis runs from the period 1978 to 2004, using 3-year averages of each indicator. This analysis is very similar to Berger et al. (2010), which is probably due to the fact that Busse and Nunnenkamp have contributed to both papers.

Yet, there are some distinctions between the paper of Busse et al. (2010) and Berger et al. (2010). Busse et al. (2010) also look at the interaction between institutional quality in terms of political constraints and BITs. They find evidence that BITs serve as a substitute for poor institutions in the host state. The BIT variable is positive and significant and the interaction variable between institutional quality and the BIT variable is negative and significant. This means that the positive effect of BITs is larger for countries with a lower intuitional quality. Also, Busse et al. (2010) spend attention to the capital account openness, which is not included in the analysis of Berger et al. (2010). Lastly, Busse et al. (2010) employ many robustness checks. One of their findings is that the positive association between BITs and FDI becomes smaller or even negative when they exclude transition countries[25] from the sample. Other checks include taking subsamples of low and high income countries, re-estimating over a shorter period and using different measures for FDI. They conclude that BITs promote FDI and that there is evidence that the international arbitration regime substitutes for a weak domestic institutions.

3.3. Monadic Research

In this section, papers will be discussed that investigate the relation between the conclusion of BITs and FDI on an aggregate level. This means that the dependent variable is the total inflowing FDI into a host state and no distinction is made where the investments originate from. Advantages of monadic research are linked to the disadvantages of dyad research, as discussed in paragraph 3.2. The main advantage of this approach is that there is more data available on aggregate FDI as opposed to dyad FDI. According to Tobin & Rose-Ackerman (2005), it also has the positive advantage that aggregate data also captures positive effects of the conclusion of a BIT on the FDI flows of other countries, as the data also captures the inflow from other countries. However, it makes it impossible to distinguish between FDI flows from partner countries and FDI flows from non-partner countries. In dyad research this distinction is possible.[26] Furthermore, an aggregate model does not distinguish between treaties and will therefore only indicate whether the conclusion of an additional treaty with any given country will increase overall FDI.

[25] Eastern European countries and countries of the former Soviet Union.
[26] See Aisbett et al. (2018).

3.3.1. Salacuse & Sullivan (2005)

The paper of Salacuse & Sullivan (2005) that was published in a law journal, attempts to investigate the relation between BITs and FDI flows. The first analysis consist of three cross-sectional studies on the years 1998, 1999 and 2000, and the second analysis is a time-series of FDI flows originating only the United States (US) over the period 1991 to 2000 to 31 developing countries. All analyses make the distinction between an US BIT, OECD BITs and non-OECD BITs. The cross-sectional model gives a significant positive effect of US BITs on aggregate FDI flow change, but no significant effect of other BITs. The same holds for the time-series model. They provide that US BITs have higher protection standards for investors as one of the explanations. Overall, the study finds significant effects of the conclusion of BITs on either aggregate FDI flows (first model) or US FDI flows (second model). However, the model is not convincing. The paper does not address endogeneity issues and the models are a simplified version of the earlier discussed Hallward-Driemeier's study. Furthermore, the study contains few control variables. Still, many of the future papers refer to the analysis of Salacuse & Sullivan.

3.3.2. Tobin & Rose-Ackerman (2005)

A more convincing attempt to investigate the effects of BITs on an aggregate level is the analysis of Tobin & Rose-Ackerman (2005). The arguments for a monadic approach that they put forward are that there is more data available and that aggregate FDI inflow also captures positive effects following the signaling theory, as it also includes FDI from non-partner countries. This last argument is not very convincing, since it is still possible to measure the signaling effect in a dyad model.[27]

Tobin & Rose-Ackerman set up a panel data set from 1959[28] to 2000 containing low-and middle-income countries. They conduct two studies. One is the analysis of an international sample to investigate whether the FDI increases as a result of the signing of BITs. The other is "*a bilateral analysis between the United States and low- and middle-income countries*", the results of which will not be discussed as it only looks at investment flows from one source country (Tobin & Rose-Ackerman, 2005, p. 14). The FDI inflow to a country is measured as a percentage of the worldwide FDI inflow in a particular year as a dependent variable. They do not attempt to solve the endogeneity problems in their model. Addressing the topic they acknowledge that countries that experience more investments might be more inclined to sign a BIT, but they add that countries which have low foreign investments are also expected to sign BITs. Apparently they assume that these opposite phenomena will conveniently cancel each other out. With regards to economic growth they also recognize

[27] This is done in the research of Aisbett et al. (2018), discussed below.
[28] The year the first BIT was signed.

reverse causality,[29] which is solved by including lags as instruments for income and economic growth. Their independent variable of interest is the natural log of the total number of BITs that a particular country signed in the first year of each five-year period of their model. They use five-year averages covering the period 1975 to 2000.

They estimate both a random and a fixed effect model. In the random effects model, the authors find a significant positive effect of signing an additional BIT on FDI fraction, whereas in the fixed effect model, the effect is not significant. Similar to the research of Hallward-Driemeier (2003), they also look at the interaction between the signing of a BIT and institutional quality, which they measure as political risk. Again, their results are not consistent across the models they use, except for the fact that it seems that lower political risk has a positive association with investment. In one of their specifications, however, the interaction term of political risk and BITs concluded with high income countries is negative and the interaction term of political risk and BITs concluded with low income countries is positive. This would indicate that BITs are more important to increase FDI for low income countries, consistent with the theory that a BIT serves as a substitute for poor institutional quality.

3.3.3. Neumayer & Spess (2005)

As opposed to Tobin & Rose-Ackerman, Neumayer and Spess (2005) take the natural log of the absolute amount of FDI as a dependent variable. Their reasoning is that they want to measure absolute increases in FDI instead of relative importance. With this decision, they need to make sure that they deal with the upward trend adequately. First, they include year dummies and second they check their results with another dependent variable, the fraction FDI a host country received relative to the total FDI.

Similar to Tobin & Rose-Ackerman (2005), the independent variable of interest is the cumulative number of BITs that a developing country has concluded. The difference is that Neumayer and Spess weigh this number by the outward FDI share of the developing country relative to the total worldwide FDI flow. The idea is that a BIT with a developed country with more outward FDI flows carries more weight. Overall, their model is similar to Tobin & Rose-Ackerman (2005) with a few differences in the variables they use. For instance, they use more variables from the International Country Risk Guide (ICRG). Recognizing reverse causality problems, they lag all variables with one period. They do not chose for an IV-regression as they believe all their variables might have reverse causality problems and finding valid instruments for each of the variables "*would be simply impossible*" (Neumayer & Spess, 2005, p. 1575). Later in their paper they acknowledge that the one-year period lag is "*somewhat arbitrary*" and they therefore add lags up to 4 years in their sensitivity

[29] FDI might cause extra economic growth, but high economic growth can also cause more FDI.

analysis (Neumayer & Spess, 2005, p. 1580).

In both the random and fixed effects models, Neumayer & Spess find that the number of BITs has a significant positive effect on FDI. They estimate different models with different indicators for institutional quality or investment risk and its interaction with the number of BITs. They find that for some indicators,[30] there is a significant negative interaction between the number of BITs and institutional quality. This would mean that the positive effect of a BIT in a country with a low institutional quality is larger, indicating that the ISDS possibility in a BIT substitutes for the poor investment climate. In their sensitivity analysis, they look at outliers, exclude small countries and Eastern European and former Soviet countries, but the results remain the same. They also estimate a model with 5-year averages, similar to Tobin & Rose-Ackerman (2005) and still find a positive effect of BITs on FDI. The earlier found interaction with institutional quality, however, becomes insignificant. Thus, they conclude that BITs have a positive effect on FDI flows, but the evidence for an interaction with institutional quality is weak.

3.3.4. Yackee (2007)

Neumayer and Spess received a lot of criticism from Yackee (2007), who reproduced their analysis. Yackee's paper was also discussed in the theory sector as being critical upon the causal link of BITs and FDI increase. However, he emphasizes that his main aim is not to criticize Neumayer & Spess, but rather to increase confidence in research findings, also considering the confirmatory bias in the literature of social sciences. Yackee repeats the analysis while making small adaptions. He extends the time period by two years, redefines capital-exporting countries (instead of just taking all OECD countries), also takes into account larger Free Trade Agreements (FTAs), includes a better indication for trade openness and adapts the method for dealing with negative FDI values. Interestingly, he does not include year dummies in his GLS model as this "*consistently worsens reported results*" (Yackee, 2007, p. 12).

His results indicate the opposite of the conclusion of Neumayer & Spess. First of all, signing additional BITs has a negative effect instead of a positive effect. Secondly, Yackee finds that signing a BIT is associated with & FDI when the political risk measure is low and less FDI when the political risk is high. Neumayer and Spess found that countries with low institutional quality benefit more from signing a BIT, supporting the substitution theory. Yackee does a number of sensitivity checks that influence his results. He mainly attempts to discredit the findings of Neumayer & Spess, by arguing that small adaptions to the variables or estimation method have big influence on the results of the model.

[30] ICRG's composite index & ICRG's component government stability.

3.3.4. Büthe & Milner (2009)

Büthe & Milner (2009) analyze the inward FDI flows over the period 1970-2000 into 122 developing countries. The sample only includes countries with a population of more than 1 million people. They start with a baseline model with the determinants of FDI. They address problems for potential spurious regressions because of trends by de-trending variables for which they find trends. Furthermore, they lag some variables to address reverse causality. They find that the number of cumulative BITs has a positive significant effect on FDI inflow. Arguing that this positive effect might be found because countries that sign a BIT already have a good investment climate anyway, they add extra variables to their model such as financial openness and a 'good policy index'. Inclusion of these variables reduces the estimated effect of BITs a little, but the effect remains significant at the 1% level. These results remain the same with different estimation methods and after excluding certain groups from the sample. When they include a variable that weighs BITs relative to the FDI of a home state they find that BITs with 'more powerful' home states lead to an additional increase in FDI besides the positive effect of cumulative BITs. They explain this finding by the fact that the cost of breaking a commitment with an economically bigger country is more costly.

3.4. Effect of Disputes on FDI

There are three studies that investigate the relation between ISDS cases and FDI: The study of Allee and Peinhardt (2011), Wellhausen (2015) and Aisbett et al. (2018). The research of Peinhardt and Wellhausen are executed on an aggregate level, whereas the research of Aisbett et al. is on a dyad level. In this section, these three studies will be discussed chronologically.

3.4.1. Allee & Peinhardt (2011)

The paper of Allee & Peinhardt (2011) is the first research that addresses the behavior of the host state after the ratification of a BIT. They find it an omission that previous studies did not consider the host state's compliance to the treaty as this would definitely affect the credibility of the treaty. The authors argue that when a state's behavior is challenged before the International Centre for the Settlement of Investment Disputes (ICSID), it will result in a loss of FDI inflow in the challenged state. This negative effect should be even larger when the state loses the case. Both these events would result in an updated belief of investors regarding the investment climate in a state. They address these hypotheses by creating a sample of all countries, excluding OECD countries, over the period 1984 to 2007.

They use the cumulative number of treaties that a country has signed as an independent variable, following the aggregate models discussed earlier. For the testing of their main hypothesis they use the number of ICSID cases pending against a country and a variable indicating that a country has lost a case or reached a settlement with the investor. Settlements are included, as they indicate

"*a de facto admission of guilt*" by the state (Allee & Peinhardt, 2011, p. 416). Different from other research they include 'shock' control variables, accounting for political or economic shocks to correct for the fact that the ICSID arbitration cases might result from this kind of shocks. A good example is Argentina that experienced a tremendous amount of ICSID cases[31] after their peso crisis (Allee & Peinhardt, 2011, p. 427). This could be an indicator of a policy shift that was suggested as a potential important variable in paragraph 3.1.4.

They estimate a GLS model and they deal with reverse causality issues by lagging all variables one period. In their model in which they test the effect of pending arbitration cases, the BIT variable is positive and significant at the 10% level. They find that ICSID disputes have a significant and negative effect on FDI. The absolute value of this loss of FDI is more than twice as large as the benefit of signing an additional BIT. They underline these findings with anecdotal evidence of countries that have experienced an increase in FDI in the years after the signing of a BIT and a decrease in the years after an investment dispute was filed. In their following estimation, in which they test the effect of losing an ICSID ruling, the BIT variable is still positive and significant at the 5% level. The estimated effect of losing the arbitration is significant and negative, the absolute value being much larger than the loss in FDI for a pending ICSID case. They also combine the variables of pending ICSID cases and lost ICSID cases in the same model and find that the effects they found remain, indicating that "*the two reputational mechanisms function independently*" (Allee & Peinhardt, 2011, p. 426).

They conclude that the *ex ante* commitments of states are not credible per se. Reputation plays an important role in the effects of BITs on FDI and this credibility depends on the state's compliance with the BITs. Pending, lost and settled ICSID cases give valuable information about this compliance.

3.4.2. Wellhausen (2015)

Rachel Wellhausen (2015) also spends attention on the relation between investor-state disputes and FDI. Her paper focusses on contract breaches by the host government and tries to answer the question whether these breaches are more likely when a host state has a more diversified inflow of FDI.[32] Her paper also focusses on the hypothesis that when a host state breaches a contract, it has a larger effect on FDI originating from multinationals that have the same nationality as the company the host state broke its contract with. To test this, she employs a dyad model covering the period 1998-2008, in which net FDI inflows to 106 host countries are explained by international arbitration cases. As she focusses on the nationality of the multinationals, she employs a separate dummy for arbitration cases instituted by nationals of a particular source country ('conational' arbitration) and a

[31] In 2006 Argentina had 35 pending cases. To deal with this outlier, Allee & Peinhardt also re-estimate the model without Argentina and take the log of the pending cases variable.
[32] i.e. FDI inflows from many different source countries

dummy for arbitration cases of other nationals. It is the only paper of the three that makes this distinction. Interestingly, the BIT variable is not significant in her estimations. The variable of the conational arbitration is negative and significant at the 1% level. Thus, this paper indicates that arbitration cases have a negative effect on FDI inflows, in particular from the state in which the suing investor is seated. The paper does not discuss endogeneity problems. It seems that time trend is not accounted for, though variables are lagged to deal with reverse causality. In consideration of these issues and the fact that the paper primary focus is not on the effect of investor-state disputes on FDI, it is not possible to draw a solid conclusion from the results of Wellhausen.

3.4.3. Aisbett, Nunnenkamp & Busse (2018)

The most recent paper that incorporated ICSID arbitration outcome in the analysis of FDI is written by Aisbett, Nunnenkamp & Busse (2018). As opposed to Allee & Peinhardt (2011), Aisbett et al. (2018) estimate the model on a dyad level. This gives them the advantage that they can differentiate the effect of BITs on FDI flows between partner countries and non-partner countries. This distinction forms the cornerstone in testing of the hypotheses in their paper. There are also other benefits to analyzing country pairs, as discussed earlier. Country-pair fixed effects can be included and together with the inclusion of year-dummies, to capture the trend through time, the country-pair fixed effects provide for a difference-in-difference estimator. To solve the problem of missing observations, which is bigger in a dyad dataset, they employ an "*inverse hyperbolic sine transformation*" of FDI, which solves the issue of non-random missing data and allows for negative observations (Aisbett et al., 2018, p. 129).

They investigate FDI flows from 39 source countries to 83 developing host countries in the period 1980-2010. In their baseline model, they find a non-significant positive effect of a BIT of around 18%. When they include a term indicating an ICSID claim, this term turns outs significant at the 1% level and is negative. The BIT term remains positive and is now significant at the 10% level. Differentiation of a BIT in force between two countries, and the BIT after the claim[33] and a claim with a BIT in force.[34] yields indicators that are all significant at the 1% level. The signs are as expected, a BIT in force has a positive effect, but when there is a claim, the BIT has a negative effect.

The results of their analysis show strong support for their hypothesis that BITs work as a deterrent. They find a significant positive effect of a BIT in force between two countries and a significant negative effect of the dummy for a BIT after a claim has been installed. However, they find that the negative effect of claims is no longer significant when high income host countries are

[33] A dummy variable capturing that a BIT comes into force while or after an investor instituted proceedings against the host state at ICSID.
[34] A dummy variable capturing that there was already a BIT in place when an investor instituted proceedings against the host state at ICSID.

included. This might indicate that the effect of disputes is larger for developing countries than for high income countries.

3.5. Hypotheses

In light of the discussion of the theory and the empirical review, it is now possible to formulate the hypotheses of this thesis. Much of the early research focused solely on the question whether BITs have a positive effect on FDI. It was discussed that the earlier research in particular found conflicting evidence. The results of Hallward-Driemeier (2003) and Tobin & Rose-Ackerman (2005) did not give the expected results. The research of Salacuse & Sullivan (2005) gave the hypothesized results but was statistically unsound, similar to the research of Neumayer and Spess (2005), which was scrutinized by Yackee (2007). Aisbett (2007) wrote the most convincing paper in this regard, with the conclusion that there is no evidence of a positive effect of BITs on FDI. Later research presented a more convincing case for the positive effect on BITs. The results of Egger & Pfaffermayr (2004), Egger & Merlo, Kerner (2009), Büthe & Milner (2009), Berger et al. (2010), Allee & Peinhardt (2011) point to a positive effect of BITs on FDI. Even Aisbett, in a later research together with Nunnenkamp & Busse (2018) finds positive and significant signs for BITs on FDI. These results lead to the formulation of the first hypothesis for this thesis.

H1: The conclusion of bilateral investment treaties has a positive association with inflowing foreign direct investment.

Later research, by Allee & Peinhardt (2011), Wellhausen (2015) and Aisbett et al. (2018) started to explore the effects of investor-state disputes on FDI. This was discussed elaborately in the previous section. In the theoretical framework, it was already predicted that investment disputes are expected to have a negative effect on the investment in the defendant states. In particular when investors assumed that the state was signaling a good investment climate, or that the state would be deterred or prevented from expropriating investments. Investor-state disputes give the investors important information in that regard. The research of Allee & Peinhardt (2011), Wellhausen (2015) and Aisbett et al. (2018) clearly indicate that investor-state disputes have a negative effect on investments. This leads to the formulation of the second hypothesis.

H2: Investor-state disputes have a negative association with foreign direct investment received by the defendant state.

My final hypothesis is aimed at researching something that has not been addressed as such in the empirical literature. Some of the early research already focused on certain political factors, rule of law or institutional quality of a host state and the interaction with the conclusion of a BIT. Hallward-

Driemeier (2003) for instance, estimated a model in which she interacted institutional quality with BITs. It was question whether BITs served as complements or as substitutes for a good investment climate. If BITs work as complements, it is expected that BITs only encourage investments when the country has a certain level of an investment climate. If BITs work as substitutes, it is expected that the countries with the poorest investment climate experience the highest increase in FDI after the conclusion of a BIT. The international arbitration system would replace the poor enforcement of the right regulations to create a good investment climate. Hallward-Driemeier (2003) found support for the former theory, that BIT and institutional quality work as complements. Tobin & Rose-Ackerman (2005) did something similar, but did not find consistent results. Neumayer & Spess (2005) found weak evidence for a substitution effect. Kerner (2009) investigated interaction between BITs and democracy, which was significant at the 10% level.

In the context of investor-state disputes, it is also possible to investigate whether investors see BITs with the ISDS clause as a substitute for the weak regulations in the host state. If it is assumed that the commitment device theory or the deterrence theory prevails, investors would expect that a country would commit to certain international standards of investment protection by signing a BIT enforced by ISDS. This would substitute for the weak protection they gave under their national laws. This would mean that if this host country would face a case filed against it by an international investor, the positive effect of the presence of the ISDS mechanism would evaporate. It would be expected that this effect is in particular large in countries that were more dependent on the ISDS to provide proper investment protection. For countries that have a good investment climate, investor-state disputes might not have such a big effect. This can also give an explanations as to why Aisbett et al. (2018) found no effect of investor-state disputes on FDI when they added developed countries to the sample. This leads to the formulation of the last hypothesis of this thesis.

H3: Investor-state disputes have a larger negative association with foreign direct investment received by a defendant state if that state has a weaker investment climate

4. Data & Methodology

This chapter will discuss the methodology and the data that is used to test the hypotheses that were introduced in the previous section.

4.1. Choice Methodological Approach

As discussed in the empirical literature review, there are two main approaches that are employed to investigate the effect of investment treaties and investor-state disputes on FDI. One approach is dyadic research, in which the observations consist of bilateral investment flows. This method allows for including country pair fixed effects and additional variables that explain investment flows between two countries. Additionally, this method can distinguish between investment flows from partner countries and non-partner countries. The other approach is aggregate research, in which the observations consist of total investment flows per country. Correcting for certain characteristics in bilateral relations is impossible with this method and investments from partner countries and non-partner countries cannot be distinguished. However, the main advantage of aggregate research is that there is more data available on an aggregate level.

In this thesis the aggregate model[35] will be employed. The quality of the dyad research might be better, but the total number of observations is limited. Taken together with the fact that the number of arbitration disputes is not particularly high, it is important to be able to compare as many countries as possible. In total, there have been a little over 900 known ISDS cases, of which 580 are concluded. According to UNCTAD statistics there are 371 cases that were clearly decided in favor of the state or the investor (UNCTAD, 2019e). In my final analysis, I will only have 720 registered cases left to analyze and 173 that were lost by the state and 102 that are settled.[36] Given the most important hypothesis, that these cases have a larger negative effect on states with a weak investment climate, the sample might become too small given the incomplete data in the dyad research. This applies particularly to the data of bilateral investment flows that has many missing observations.

Therefore, this thesis will employ a model on an aggregate level. In the construction of the model and the choice of the different control variables, I will also compare my chosen variables to the dyad models that were discussed in the literature review. In this way I am able to construct an aggregate model that is more convincing than previously used in the literature.

[35] Or 'monadic level'.

[36] This is because not every country can be taken into consideration due to data availability, the fact that my reported data runs until 2017 and the fact that I only analyze countries that have a population above 1 million.

4.2. Model Specification

The following model looks at the total inward FDI into a country. This follows the methodology of the monadic models of Neumayer & Spess (2005), Büthe & Milner (2009) and Allee & Peinahardt (2011). The specification for testing the hypotheses looks at follows:

(1) $y_{it} = \beta_0 + \beta_1 BITs_{i,t-1} + \beta_n x_{n\,i,t-1} + \mu_{it}$

(2) $y_{it} = \beta_0 + \beta_1 BITs_{i,t-1} + + \beta_2 ISD_{i,t-1} + \beta_n x_{n\,i,t-1} + \mu_{it}$

(3) $y_{it} = \beta_0 + \beta_3 BITs_{i,t-1} + + \beta_2 ISD_{i,t-1} + \beta_2\, ISD_{i,t-1} * PRPI_{i,t-1} + \beta_n x_{n\,i,t-1} + \mu_{it}$

The first equation explains the inward FDI y in country i in year t by the number of BITs this country has concluded with other countries in the year before. This BIT variable is either defined as (1) the number of BITs country i has signed with any other country, (2) the number of BITS country i has ratified with any other country, (3) the number of BITs country i has signed with OECD countries and (4) the number of BITs country i has ratified with OECD countries.[37] $\beta_n x_n$ is the vector of control variables for country i in year *t-1* and μ is the error term. It is expected that for each additional BIT signed, the inward FDI increases. The second equation adds the investor-state disputes (ISD) that the country faced in the previous year. The ISD variable is defined as either (1) the cumulative amount of pending cases for country i, (2) the total number of claims registered against country i in the last two years, (3) the total number of claims registered against country i in the last five years, (4) the number of ISDS cases lost by country i in the previous year, (5) the total number of ISDS cases lost by country i in the last two years, (6) the total number of ISDS cases lost by country i in the last five years, (7) the number of cases that country i settled in the previous year, (8) the total number of cases that country i settled in the last two years and (9) the total number of cases that country i settled in the last five years. The third equation adds an interaction variable between the ISD variable and the property right protection index (PRPI) to estimate whether there is a differential effect between countries with a different investment climate. Thus, the strength of the investment climate is approximated by the PRPI.

To estimate the models, I will use two different estimation methods. The first estimation method is Generalized Least Squares (GLS). I use GLS instead of ordinary least squares (OLS) because I estimate with robust standard errors clustered by country, as the errors are likely to be correlated within countries. The second estimation method is two stage least squares (2SLS) with an instrumental variable to address potential endogeneity of the BIT variable. In the literature, the average number of BITs signed by neighboring states has been used as an instrument (Kerner, 2009).

[37] In this context OECD countries are defined as countries that became member of the OECD before January 1st, 2000. This is because the OECD countries that became member of the OECD recently were not always developed (capital exporting) countries during my sample period.

It is argued that the number of BITs signed by neighboring states increases the likelihood of a state signing a BIT. Furthermore, the number of BITs signed by the neighboring states of state i should not influence the FDI that state i receives. Thus, this instrument is correlated with the BIT variable, but not with y. A good instrument also requires that state i cannot have an influence on whether it is affected or not by the instrument. This is known as the monotonicity assumption. This assumption is also met, because countries do not choose their neighboring states and cannot influence the amount of treaties their neighbors conclude. The last important assumption is independence. Obviously, this assumption is not met since the number of treaties the neighboring countries conclude is not caused randomly. The decision to sign BITs of these neighboring countries is likely to be correlated to factors that also play a role in the decision of country i to sign a BIT. Thus, the instrument is not perfect, because not all assumptions are met.

In the estimated models, the dependent variable y_{it} is the log of the FDI in country i in year t, following the reasoning of Neumayer & Spess (2005) and Allee & Peinhardt (2011). Another option would have been to define the dependent variable as the FDI as a fraction of worldwide FDI.[38] The idea of this definition is that countries compete for the same worldwide FDI stock and have comparative advantages over another. Also, it corrects for the absolute increase in FDI worldwide. However, taking the natural log of absolute FDI is better for the purpose of interpretation and there are other ways to correct for the upward trend in FDI. It is common to take the log instead of the absolute values as this reduces absolute differences between countries and thus corrects for skewed distributions.[39] For dealing with the negative values of FDI flows, I adopt the methodology employed by Kerner (2009) who took this methodology from Blonigen & Davies (2004). They have also done research on different determinants of FDI. This methodology takes the log of the absolute values of FDI and reintroduces the original sign after the transformation. To deal with the observations of zero, 1 dollar is added to each observation before this transformation. As my sample contains two observations of 0, I have added one dollar to all my observations, followed by the above described transformation. To deal with any controversy regarding the justification of any logarithmic transformation, Kerner (2009) also reports his results with unlogged values. I will also report the results using original values in chapter 6.

The vector of control variables will include the country's GDP, the population, the economic growth and the GDP difference between country i and the OECD average. Also the trade openness is included, the skill difference between country i and the OECD average. Interaction terms between the skill difference and the GDP per capita difference and between the skill difference and the trade openness are also included. The other control variables are the macroeconomic stability, the capital

[38] See e.g. Tobin & Rose-Ackerman (2005)
[39] See e.g. Busse et al. (2010)

account openness, the natural resource rents, the savings rate, the property right protection index, the number of FTAs ratified, WTO memberships and the total world FDI. As was already shown in the equation, all explanatory variables are lagged by one year to deal with reverse causality. I will now proceed to describe all the above mentioned variables, their exact definition and sources and why they are included in more detail.

4.2.1. Size of the Economy

The first important variable that explains FDI flows is the size of the economy. The indicators population and GDP are used in all papers to measure the size of the economy.[40] In dyad models, both the size of the economy of the host state and the source state is included. This would explain the amount of FDI flowing from one particular country to another. In that regard, some authors, such as Egger & Merlo (2007), Berger et al. (2010) and Busse et al. (2010)[41] include the difference of GDP between the host and the source state.[42] The relative difference in GDP can namely also be an important predictor of FDI flow. In an aggregate model, it is still possible to approximate this difference by taking the difference between the GDP per capita of country i and the average GDP per capita of OECD countries. I take the average of the OECD countries as these countries are generally regarded as the source countries in the literature.

Some papers include GDP per capita. Authors take different decisions with regard to the inclusion of either total GDP or GDP per capita. Neumayer & Spess (2005) and Yackee (2007) for instance, take GDP per capita, but not total GDP. In principle, if the total GDP and population are included, it is unnecessary to also include GDP per capita, because GDP per capita is the total GDP divided by the population.

Quite some papers also include economic growth.[43] The reason is that high economic growth attracts investments. The question is whether short term economic growth can affect FDI in the short run and whether economic growth causes FDI or whether FDI causes economic growth. Commonly, the growth variable turns out to be a significant predictor.[44] Therefore I also include it in my thesis.

All data that is described in this paragraph, net FDI inflows, population, GDP, and economic

[40] One exception is Büthe & Milner (2009) that do not report the values of population in their results, but include it as control variable. According to them, a de-trended population variable explains very little variation in a fixed effect model.
[41] [Busse et al. (2010) is a paper that is not yet discussed in the literature review]
[42] Or they just include sizes of both economies when using a Dyad model, see e.g. Hallward-Driemeier (2003), Aibsett (2007), Kerner (2009).
[43] See e.g. Allee & Peinhardt (2011), Wellhausen (2015), Busse et al. (2010), Berger et al. (2010), Yackee (2007), Neumayer & Spess (2005), Tobin & Rose-Ackerman (2005).
[44] All papers have significant estimates except for Tobin & Rose-Ackerman (2005) and Wellhausen (2015)

growth is taken from the World Development Indicators (WDI).[45] The difference in GDP per capita is also calculated from data originating from the WDI, including the observations for OECD averages.

4.2.2. Skill Gap

Another factor driving FDI is the difference in skill of the workforce. Theory predicts that companies in countries with a high skilled labor force will move low-skilled production to countries with a low skilled labor force and lower wages (Egger & Pfaffermayr, 2004). Another explanation is that more knowledge exchange can take place when the skill gap between countries is higher (Egger & Merlo, 2007).

Different indicators can be used to approximate the skill gap. Egger & Merlo (2007) and Egger & Pfaffermayr (2004) take the difference in tertiary school enrolment, while Hallward-Driemeier (2003) and Aisbett (2007) use the difference in average years of education. Egger & Pfaffermayr (2004) use the difference in secondary school enrolment in their sensitivity tests. In this thesis, it is not possible to take differences between country pairs as my model is aggregate. Interestingly, all the monadic models that were discussed completely ignore the skill differences. Since it appears that skill gap is an important predictor of FDI, I will include the difference in tertiary school enrollment between country i and the average OECD country. I choose tertiary school enrolment, as this says more about the level of education compared to average years of any education.

Following Aisbett (2007), I will also use an interaction term of the skill gap and the GDP per capita difference that was defined earlier. A large skill gap in combination with a large difference in GDP should be the ideal combination for moving low-skilled production from the source to the host state. Of course, these variables are not entirely accurate in a monadic setting, but in all aggregate models discussed in the literature review, no attention was given to the skill gap and its interaction with the relative difference of the size of the economy. Including approximations is better than ignoring this factors completely and makes my model better in explaining FDI than those discussed in the literature review. Data for calculating the skill gap is also taken from the WDI.

4.2.3. Openness

Openness is also a variable in this mechanism of reallocating production that should not be overlooked. In general terms, open economies would be expected to receive more investment. In the theory that labor is moved from a rich economy to a poor economy, openness is also essential. Moving production implies that countries will have to trade. However, a closed economy might also attract FDI as a source state might replace production to the closed economy to circumvent import barriers (Neumayer & Spess, 2005).

[45] World Development Index. See: https://databank.worldbank.org/data/source/world-development-indicators

Therefore, openness is included as a dependent variable, which is commonly defined as total trade divided by GDP. Openness is included by almost all papers.[46] Following Aisbett (2007) I will also include an interaction term of trade openness and skill gap, as the mechanism of reallocating production only works if the host countries also engages in trade. This would also address the concern of the potential conflicting effects of openness. I retrieved the openness indicator from the WDI database.

Also a distinction is made between trade openness and financial openness. Allee & Peinhardt (2011) use the amount of capital control to measure financial openness. This variable turns out to be significant. A similar approach was taken by Büthe & Milner (2009) and Kerner (2009) that used a capital openness index from the IMF. Busse et al. (2010) find a significant value for capital account openness and not for trade openness. They use an indicator provided by Chin and Ito (Chinn & Ito, 2006) that is available online. Wellhausen (2013) includes the same variable from the very same authors, though in his estimation it is not significant. I will also use the indicator of Chin and Ito in my analysis.[47]

4.2.4. Economic Stability

Furthermore, the macroeconomic stability is considered an important indicator and is included in the papers that were discussed in the literature review. To measure this, most commonly the inflation rate is used.[48] Besides the inflation rate, the exchange rate can also play an important role in the mechanism that was described above. The absolute exchange rate is of lesser importance, rather the exchange rate volatility. A volatile exchange rate would make the returns of investment uncertain and would make moving production to another country unattractive. The exchange rate is not included in many papers.[49] It appears that Allee & Peinhardt (2011) have included the exchange rate instead of the inflation rate, as they have not included inflation in their model. The methodology they use for calculating the exchange rate is taken from the paper of Li & Resnick (2003). Their methodology uses the absolute deviation from the mean of the local currency exchange rate to the US dollar to measure exchange rate volatility (Li & Resnick, 2003). With this method, a sudden change in the exchange rate will have a big impact on the mean and thus on the indicator for exchange rate volatility overall, even when the exchange rate is not necessarily unstable over time.

[46] See Aisbett et al. (2018), Wellhausen (2013), Busse et al. (2010), Berger et al. (2010), Büthe & Milner (2009), Kerner (2009), Yackee (2007), Hallward-Driemeier (2003). Neumayer & Spess (2005) only include it in their sensitivity analysis and Salacuse & Sullivan (2005) do not include total trade, but export, divided by GDP.
[47] The dataset can be downloaded here: http://web.pdx.edu/~ito/Chinn-Ito_website.htm
[48] Inflation is included by Aisbett et al. (2018), Busse et al. (2010), Berger et al. (2010), Yackee (2007), Neumayer & Spess (2005), Tobin & Rose-Ackerman, Salacuse & Sullivan (2005), Hallward-Driemeier (2003). Interestingly, Allee & Peinhardt (2011) and Wellhausen (2013) do not include inflation .
[49] Allee & Peinhardt (2011) and Aisbett et al. (2018) include one. Aisbett et al. (2018) could include a measure for bilateral exchange rates, because they did a dyadic analysis

Therefore I concluded that it was more appropriate to use the inflation rate as an indicator for macroeconomic stability, which is used by almost all other papers.

The inflation rate can take extremely large values and therefore it is common to take the log of the inflation rate. Following the methodology of Senhadji and Khan (2001), who researched the relation between inflation and economic growth, I employ their methodology of an hybrid logarithmic transformation of the inflation variable. I take the log of inflation for positive values above one and I subtract the values below one by one. The subtraction ensures that the flipping point of the model is at zero; the values of the logarithmic transformation can never be lower than zero and the subtraction ensures that the other values are always below zero (Khan & Senhadji, 2001).The values below zero are linear. The inflation rates are taken from the WDI.

4.2.5. Savings and Domestic Infrastructure

Interestingly, almost none of the papers control for domestic savings. It is expected that a country with high domestic savings is less dependent on FDI. This means that countries with more savings would have a lower FDI and it would also reduce their likeliness to sign a BIT (Kerner, 2009). Kerner (2009) is the only paper that includes savings, which is significant in some of the estimations of his model. Therefore, I chose to also include domestic savings in my model. The indicator, domestic savings as percentage from GDP, is taken from the WDI.

There are also other domestic economic determinants that can influence FDI and economic growth. Egger & Pfaffermayr (2004) also include economic development variables, in particular for telephone, road and electricity networks. But the inclusion of these controls do not change the results. Tobin & Rose-Ackerman (2005) mention literacy and health. However, these variables are highly collinear with economic indicators such as economic growth and GDP per capita. Therefore, these kind of variables seem to be of lesser importance to predict FDI and are thus not included in the analysis.

4.2.6. Regional or Endowment Factors

Authors tend to include dummies to correct for certain regional factors or historical differences between certain regions. One of the most common corrections, is the inclusion of dummies for eastern European countries and former Soviet countries.[50] Yackee (2007) also emphasizes this when he reviews the paper of Neumayer & Spess (2005). I will include a dummy for Eastern European countries[51] as their economic development in the past years together with the transition to a free market economy has been quite unique. The findings of Berger et al. (2010) who show that the

[50] See e.g. Hallward-Driemeier (2003), Yackee (2007) and the results of Berger et al. (2010) in which they indicate that Eastern European Countries explain a big part of the positive effect of BITs on FDI.
[51] More specifically, Eastern European Countries and the Baltic States that became member of the EU.

positive association between BITs and FDI was largely explained by Central and Eastern European Countries underlines the need of adding this control variable.

Some papers also include other regional dummies, such as continental dummies.[52] Tobin & Rose-Ackerman (2005) also include a variable indicating the distance to the equator, normalized between 0 and 1. These variables are only included in their random effect estimation and excluded from the fixed effect estimation. I will include continental dummies[53] to ensure the results are not influenced by differences between regions.

Another relevant difference between countries is initial endowment. If a country is rich on natural resources, this will have a positive influence on investment (Tobin & Rose-Ackerman, 2005). Interestingly, this variable is not used in many papers.[54] An explanation can be that endowment might be a characteristic that is filtered out by including country fixed effects, in particular in dyad models.

I will use the natural resource rent as percentage of GDP from the WDI as an indicator for endowment. It is the only variable available included in the WDI database that says something about the endowment of natural resources. Besides, it is relevant how much of the natural resources are actually mined and it is impossible to have an indication of how much natural resources a country possesses. Therefore this indicator is a good approximation of how the presence of natural resources can influence FDI.

4.2.7. Party to Relevant Treaties

Another factor that can influence FDI is being a party to different treaties. In terms of controls, EU membership and membership of regional trade agreement such as NAFTA are often included. Some papers also include WTO membership, Free Trade Agreements (FTAs) or Preferential Trade Agreements (PTAs), and Double Taxation Treaties (DTT).[55] Yackee (2007) in this regard has a quite unique approach by counting certain FTAs as BITs when the provisions in the FTA are similar to BITs. I will include a variable for FTAs, as this is most common in other papers and since FTAs can also contain a provision for ISDS. Therefore it is likely that a country that has concluded more FTAs, attracts more investment. For creating an indicator which captures the trade agreements that countries have concluded I used a dataset from the Design of Trade Agreements (DESTA) project

[52] Tobin & Rose-Ackerman (2005) include continental dummies, Egger & Pfaffermayr (2004) only include them in the sensitivity analysis.
[53] I include dummies in coherence with the regional division I made in Appendix A, with the exception of European dummy, as most of these countries are OECD countries.
[54] Tobin & Rose-Ackerman (2005) by export of certain resources, Neumayer & Spess (2005) and Yackee (2007) include resource rents.
[55] Authors make different decisions in this regard. Neumayer & Spess (2005) include only WTO membership. Kerner only includes FTAs. Busse et al. (2010), Berger et al. (2010) and Aisbett et al. (2018) include both FTAs and DTTs. Hallward-Driemeier (2003) includes only NAFTA

(Dür, Baccini, & Elsig, 2014). They have listed and coded all known FTAs. I have used their list of treaties dataset[56] to count how many FTAs a country has concluded in each year.

I also include a dummy for WTO membership that takes the value 1 starting from the year a country became member of the WTO or the General Agreement on Tariffs and Trade (GATT), the WTO's predecessor. An overview of the membership entry dates can be downloaded from the website of the WTO.[57] I have manually replaced the entry dates for the countries that were already member of the GATT with the entry date of the GATT. The entry dates to the GATT can also be found on the website of the WTO.[58]

4.2.8. Number of BITs Signed and Ratified

The most relevant treaty is the BIT, which has been extensively discussed in this thesis. I will include a variable with the cumulative number of BITs. This follows the approach of Allee & Peinhardt (2011). It is expected that a BIT has a lagged effect on investments, as a decision of an investor to invest in a particular country can take time. Papers have dealt differently with this lagged effect. The most interesting approach was taken by Hallward-Driemeier (2003), which included using year dummies from the period 5 year before until 5 year after the signing of a BIT. Kerner (2009) used 3-year moving averages of the number of BITs that a host state concluded with OECD countries. As my indicator is not a dummy variable, but a cumulative number, it is less necessary to create lagged variables. However, I agree that there might be a difference between signing a BIT with a capital rich OECD country and signing a BIT with a poorer other country. Therefore I have made a distinction between BITs signed with any countries and BITs signed with OECD countries. Since the countries that have recently become a member from the OECD were not always capital rich countries, I have defined an OECD country as a country that became a member of the OECD before the year 2000.[59] Some papers have also made the distinction between signed treaties and ratified treaties.[60] I have also made this distinction. There is no dataset available with information about how many BITs countries have signed in total each year. Therefore I had to scrape this information from the UNCTAD website and create this dataset myself.[61]

For each country, I have counted all the treaties they have signed and ratified for each year and calculated how many treaties each country has cumulatively signed and ratified in any given year. I have also registered the year of signing and ratification of countries with OECD countries, as

[56] The file that is used can be downloaded here: https://www.designoftradeagreements.org/downloads/
[57] See: https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm
[58] See: https://www.wto.org/english/thewto_e/gattmem_e.htm
[59] Please note that this definition is only applicable to the coding BIT indicators. In the rest of the thesis, OECD countries are countries that were member of the OECD on January 1st, 2019.
[60] See e.g. Egger & Pfaffermayr (2004), Egger & Merlo (2007) and Aisbett (2007).
[61] For an overview of the BITs per country see: https://investmentpolicyhub.unctad.org/IIA/IiasByCountry

defined earlier. BITs that were concluded with the Belgium–Luxembourg Economic Union (BLUE) were counted as two treaties, because these countries have also concluded treaties separately. When a BIT was replaced by a new one, the old treaty was counted and the new treaty was not counted. It is possible that the new BIT was an improvement of the old BIT, but it does not matter for the cumulative treaties signed and ratified and therefore it should not be counted double. Terminated BITs that were not replaced by a new one, were deducted from the cumulative amount of treaties signed and deducted from the cumulative amount of treaties ratified if the treaty was also already ratified. I have not made the distinction between BITs with a dispute settlement clause and without a dispute settlement clause, following the conclusion of Berger et al. (2010) that it does not make a difference. Apart from that, this information was not available to me for all BITs.

4.2.9. Institutional Quality & Political Stability

Most papers include measures of institutional quality, democracy, rule of law or political constraints. As was discussed earlier, Hallward-Driemeier (2003), Tobin & Rose-Ackerman (2005), and Kerner (2009) interacted these variables with the BIT variable. I will also interact a variable of institutional quality with the variable for investor-state disputes. This will be discussed more elaborately in the next paragraph.

The indicators that are used in the different papers are diverse. Neumayer & Spess (2005) were the first to use political risk, using the indicator that was developed by Henisz (2000).[62] As was discussed in the literature, the paper of Neumayer & Spess was characterized by including many different measures of political risk. Büthe & Milner (2009) used the veto point indicator of Henisz as a measure for democracy, which can express the strength of domestic institutional quality in terms of power constraints. It is also particularly useful for predicting FDI to non-democratic countries. Kerner (2009) also uses the political risk index and finds a significant effect in some of his estimations. Wellhausen (2013) and Busse et al. (2010) and Berger et al. (2010) use the same political constraints, but in all papers the estimates are not significant. They use this external treat variable constructed by IMF that might scare away investors. Neumayer & Spess (2005), Tobin & Rose-Ackerman (2005) and Yackee (2007) use a variable from the International Country Risk Guide (ICRG) which is not available for me. Both Allee & Peinhardt (2011) and Welhuasen (2013) use a property rights variable from the ICRG. Salacuse & Sullivan (2005) use the Governance Indicators of the World Bank in their analysis to proxy 'rule of law'.

Allee & Peinhardt (2011) also use variables that capture certain 'external threats', 'domestic political shocks' and 'domestic economic shocks'. The external threats indicator captures dangers of cross-border conflicts or economic sanctions, which might scare away investors. The political shocks

[62] This dataset is available online. See https://mgmt.wharton.upenn.edu/faculty/heniszpolcon/polcondataset/

focusses on governmental crises and different forms of protests, while the economic shocks focusses on different economic crises, namely banking currency and debt crises.

In this thesis, I will rely on indicators that are available and that give the best indication about the investment climate in terms of property rights enforcement, possibility for sudden government intervention and an indicator for sudden changes in the economic situation, which increases the chance of expropriation. I will use the indicator of World Economic Freedom that gives a score for property right protection. It is not a variable that is used in the other papers to approximate investment climate, but I find it important to have a variable that gives a score specifically to property right protection. The index is objectively constructed for each country, relying on international data sources and reports of individual countries (Miller, Kim, & Roberts, 2019). I have also gathered data on the political constraint indicator produced by Henisz (2000) as this might give a good indication of the investment climate in terms of the governmental power to suddenly change policy and possible expropriation of investments. Unfortunately, I was not able to use it as a control variable in my analysis due to the low number of observations. Lastly, I also use a crisis indicator that was used by Allee & Peinhardt (2011), taken from the database that was produced by Laeven and Valencia (2018).[63] Their file shows the years for each country when there was a debt, banking or currency crisis. I have used their data to construct a dummy variable that takes the value 1 in case of occurrence of any debt, banking or currency crisis. This was also done by Allee & Peinhardt (2011). I expect that this would have a direct and indirect negative effect on received investment. It will directly affect received investments as crises will scare away investors and indirectly because crises might increases the amount of disputes a state will face, since an economic crisis might cause states to expropriate investments.

4.2.10. Investor-State Disputes

For testing the last two hypotheses, I need an indicator for the investor-state disputes that a state is facing and that a state has lost. In the registration of disputes, I will make a distinction between the pending cases and cases that are concluded with a negative result, either through losing a case or through a settlement. Also for investor-state disputes, there was no dataset available that covered the period of my analysis. The dataset that was used by Allee & Peinhardt (2011) was available online, but it only ran until 2006.[64] I have used their dataset as a base and supplemented it with information of the disputes over the years 2006-2016. I used information from the UNCTAD website that has an overview of all public investor-state disputes.[65] Following the methodology of Allee &

[63] For the dataset see: https://www.imf.org/en/Publications/WP/Issues/2018/09/14/Systemic-Banking-Crises-Revisited-46232
[64] Their dataset can be found here: https://doi.org/10.7910/DVN/EHRNTO/4QTLNP
[65] See: https://investmentpolicyhub.unctad.org/ISDS/FilterByCountry

Peinhardt, I have registered for each country in what years cases where installed and when a case was finished due to a settlement, a final award or discontinuation. This information was used to calculate the number of pending cases for each year. When registering this data I also calculated for each year the cumulative cases registered, lost and settled over periods of two and five years. Unlike Allee & Peinhardt (2011), I have made no distinction on the forum the case was installed and whether the jurisdiction of the tribunal was based on another treaty than a BIT. I made this distinction because it does not matter for foreign investors whether a claim is brought before the ICSID or PCA in monitoring the compliance of the state. Allee & Peinhardt (2011) only registered ICSID cases that were based on BITs. It appeared however that most claims were based on BITs, except for some cases that were based on the Energy Charter Treaty (ECT) that provides for the possibility of ISDS. All cases against North American countries were based on the North Atlantic Free Trade Agreement (NAFTA), which is also not a BIT. But again, it should not matter from the perspective of foreign investors whether the compliance of a state was with a BIT another treaty that was signed to promote investments.

Pending cases should already have a negative effect as according to most discussed theories it would indicate that the host state was not deterred to expropriate an investment. Even though it is not yet proven legally, pending cases already cause uncertainty about the investment climate in a particular state. The effect of lost cases by the state depends on which theory prevails. The insurance theory would predict that nothing would happen, because the investor gets compensated. All other theories predict an additional negative effect if it is legally established that a country was not deterred from expropriating investment.

Finally, we arrive at the most important part of the analysis, which is whether countries with a weaker investment climate would experience larger decreases in investment as a result of investor-state disputes. As already mentioned, I will include an interaction term of the property right protection index defined in the previous subsection with the indicators that I have created measuring pending, registered, lost and settled cases. If the third hypothesis is true, I would find a positive sign of the interaction variable of the interaction between property protection and pending or lost cases. Higher property protection would have a reduced effect of a pending or lost arbitration case. The estimated coefficient for the pending or lost case should remain negative and become larger.

4.2.11. Dealing with the Positive Trend and Non-Stationarity

To correct for the development of FDI through time a trend term can be included (Hallward-Driemeier, 2003). Another way to address the upward worldwide trend is the inclusion of a world growth rate (Kerner, 2009) or a total world FDI (Allee & Peinhardt, 2011). I will include the worldwide FDI as an indicator to correct for the growth in total FDI. In the sensitivity analysis in Chapter 6, I will

also look at the inclusion of a trend term and time fixed effects.

There are also some variables that I use in the model that are non-stationary, meaning that they have a trend. As these different variables can all have the same (upward) trend, estimations can lead to spurious results with significant correlations caused by the common trend, while in reality variables are not related to each other. I have tested each variable for non-stationarity. It appeared that the variable for GDP, the skill gap, the school enrollment ratio and the number of free trade agreements appeared to have a trend. Taking the first differences of these variables solved the non-stationarity problems. Interaction variables with the skill gap were also estimated using the first differences of the skill gap instead of the absolute value of the skill gap. It also appeared that the BIT variable had an upward trend. None of the papers discussed in the literature review discussed this problem, except for Kerner (2009) that solved this by taking three year averages of the number of BITs signed. Taking the first differences of the BIT variable is not an option, as this would effectively transform the BIT variable into a variable that only measures that a country has signed a BIT in the previous year. Since I also estimate using an instrument for the BIT variable, I expect that the non-stationarity problem is dealt with in my 2SLS estimations. This means that the estimated coefficient and the significant of the BIT variable in the GLS models should be treated with caution.

4.3. Descriptive Statistics

Variable	N	Mean	Std. Dev.	Min	Max
Economic Indicators					
FDI*	3233	2.98	(15.8)	-7.12	291
GDP*	3469	1.23	(4.75)	0.01	95.10
Population**	3854	48.50	(164.00)	1.36	1380.00
Economic Growth	3446	3.89	(6.14)	-64.05	57.82
Difference in GDP per Capita	3469	25841.48	(7517.62)	-14947.32	38187.32
Trade / GDP	3299	69.11	(52.23)	0.02	442.62
Tertiary School Enrollment	2515	16.13	(17.58)	0	89.0819
Skillgap	2515	30.24	(17.18)	-22.10	69.58
Inflation	3444	60.72	(645.69)	-29.69	26765.86
Capital Openness	3343	-0.49	(1.31)	-1.91	2.36
Natural Resource Rents	3386	8.18	(9.78)	0	83.21982
World GDP*	3854	752.00	(901.00)	10.20	3110.00
Investment Climate Indicators					
WEF Property Right Protection Index	1537	4.34	(1.33)	0.93	8.66
Political Constraints	2050	0.35	(0.15)	0.00	0.73
Crisis	3807	0.05	(0.22)	0	1
BITs & Other Treaties					
BITs signed	3854	13.71	(19.84)	0	131
BITs ratified	3854	9.86	(16.12)	0	111
BITs signed OECD	3854	6.16	(6.85)	0	27
BITs ratified OECD	3854	5.13	(6.38)	0	27
FTAs	3854	37.98	(34.95)	0	181
WTO/GATT membership	3854	0.68	(0.47)	0	1
Investment Dispute Indicators					
Pending Cases	3854	0.43	(2.06)	0	37
Case Lost	3838	0.03	(0.22)	0	5
Cases Lost Last 2 Years	3772	0.05	(0.34)	0	7
Cases Lost Last 5 Years	3526	0.12	(0.60)	0	10
Case Settled	3837	0.02	(0.22)	0	9
Cases Settled Last 2 Years	3772	0.04	(0.34)	0	9
Cases Settled Last 5 Years	3526	0.10	(0.59)	0	10

Table 4.1. Descriptive statistics of the sample.

* In billion dollars ** In millions *** Countries that became OECD member before January 1st, 2000.

For all variables, I have collected data for the period 1970 until 2016. Countries with a population of below 1 million in 1970 were dropped from the sample. For a few countries, there were not enough observations for one or more variables. These countries were taken out of the sample as well. The final list of the 84 non-OECD countries that are used for estimating the models can be found in appendix A. I have also collected data for all OECD countries. However, in my main analysis I will focus not on these countries. Therefore the tables I report in this section will not include OECD

countries, unless I am making comparisons between regions. The table above shows the descriptive statistics of all variables included in the analysis.

It can be said that there are large differences between countries in term of received FDI, indicated by the high standard deviation. In the next section, an overview of the differences in FDI between regions over the years will be given. The average value of economic growth for all countries over the years 1970-2016 is 3.89%. The observed maximum is very high, but overall, the growth rates do not take these extreme values in the rest of the observations. It also seems that some extreme values appear in the observations of inflation rate, which also influences the reported mean inflation across all countries (60.72%). There are only 142 observations with an inflation rate above 100% and if these are not taken into account the mean inflation rate drops to 11.46%, which is a more realistic number. This underlines the importance of taking the log of the inflation rate.

Variable	N	Mean	Std. Dev.	Min	Max
Inflation > 100%	142	1206.11	2965.96	100.63	26765.86
inflation < 100%	3302	11.46	15.11	-29.69	99.63

Table 4.2. Descriptive statistics of inflation rate below and above 100%.

Another fact that Table 4.2 shows is that there are large differences in countries in trading to GDP. Figure 1 in Appendix B shows the distribution of the observations. It seems that most observations are between 0% and 150% following a more or less normal distribution, while between 150% and 450% the observations are spread out.

The average of the natural resource rents percentage is quite low. It is possible that many countries are not gaining a large fraction of their income from natural resources, whereas the countries that gain income from natural resources, will typically have a larger fraction than the reported 8.18%. The density curve displayed in Figure 2 in Appendix B shows that it is true that most countries are concentrated around the zero. However, most observations of countries that derive income from natural resources are also concentrated at single digit percentages. As the fraction of resource rents increases, the density of observations decreases.

Not much information can be retrieved from the descriptive statistics of the dummy variable indicating that there has been a crisis. It would be interesting to take a closer look on whether there is a connection between a crisis and investment dispute cases. The peso crisis in Argentina that was mentioned earlier in this thesis, is a good example of such a connection. When the observations of crises are compared to the pending cases, it is hard to make this connection. Figure 3 in Appendix B shows a line of the total number of pending cases worldwide and a histogram for the total number of observed crises in the world. It appears that most crises have already occurred long before the number of pending cases started increasing. Thus, there might be no relation found between crises

and pending cases. Indeed, Table 4.3 shows the results of a regression analysis of an one year lagged crisis variable on the number of pending cases. A negative and insignificant relation between cases pending and crises is found, which is probably due to the fact that most crises occurred in a time where arbitration cases were still quite uncommon. Only if the regression is restricted to the years after 2000 or 2005, significant estimates are found. For after 2000 a crisis is associated with 1.7 more pending cases in the following year and for the years after 2005 it is associated with 2 more pending cases in the following year.

	crisis	crisis > 2000	crisis > 2005
Cases pending	-0.011	1.706***	2.024**
	(0.136)	(0.573)	(0.853)

Table 4.3. Estimates of regressions of the occurrence of a crisis (X) in the previous year on the number of cases pending (Y). Shows the crisis coefficient and standard deviation. The estimated constant is not reported in this table.

In the next section, I will also take a closer look at the development of the school enrollment and the skill gap. However, a few comments can already be made about the reported values. First of all, the reported minimum is 0, which would mean that nobody went to school in a certain country in a certain year. A closer look at the data reveals that these observations were made in the early years in Chad and Niger, before the school enrollment ratio took values of around 1%. Thus, the observations of 0 might actually come close to the actual values in these countries in these early years. Secondly, the reported maximum is above 100%. This is because I work with the gross school enrollment ratio, which is calculated by dividing the school enrollment by the age group that is meant to follow tertiary education (World Bank Group, 2019). In this calculation, students outside the age group, with a lower or higher age are also counted as enrolled. Thus, it might be possible that more students are reported to be enrolled than the size of the age group. The net enrollment ratio would be a better indicator this corrects for age of the students. Unfortunately, the net enrollment ratio has a far lower number of observations. Thirdly, the number of observations for tertiary school enrollment is a bit lower than for most variables. However, this number is not as low as the number of observations of the WEF property right index and the political constraint index, which will be discussed below.

The values for the BITs and disputes will be dicussed per region later in this chapter. The lagged values for the number of cases settled or lost are evidently higher than the non-lagged value, as they count the cumulative amount of cases lost or settled in the last 2 or 5 years. The number of observations for these variables is lower, since there are no observations in the first 2 and 5 years for each country.

4.3.1. Dealing with the Low Number of Observations

The relatively low number of observations for the property right index of the World Economic Freedom (WEF) raises some concerns. Given the fact this variable is essential to my analysis and in particular my third hypothesis, it would be preferred to have had more observations of this variable. The main cause for this lower number of observations is that the indices of the World Economic Freedom only have one observation per 5 years for the years 1970-2000. As it can be assumed that the development of institutional quality, and thus the property right index of World Economic Freedom, gradually improves over time, I decided to interpolate the missing values between the observations. In Table 4.4 below, I have displayed the descriptive statistics of the values with and without interpolation for the countries in my sample.

Variable	N	Mean	Std. Dev.
WEF Property Right Index	1537	4.34	(1.33)
Wef Property Right Index Interpolated	2601	4.16	(1.41)

Table 4.4. Comparison WEF indices interpolated with original values.

The main positive consequence is that the number of observations improved. Hence, there are more data points to base the regression on. The table also shows that the mean of all observations has decreased. This is due to the fact that the missing observations that are added through the interpolation were mainly in the first years, when the institutional quality was lower and when there was only one observation each five years. Thus, there are now more observations with a lower value, which negatively affects the average.

The other variables are not candidates for interpolation to fill missing observations. The variables either already have a large number of observations and thus not many missing values, or the variables are not suited for interpolation. Especially for variables that fluctuate, such as the inflation rate or economic growth, it cannot be assumed that they follow a linear trend. The exception to this case, however, is the school enrollment. For this indicator it can also be assumed that it gradually moves over time and that it has a linear trend. At the same time, there are some missing values in the data. Therefore, I decided to interpolate the missing values for the school enrollment variable. The comparison between the indicators with and without interpolation can be found in Table 1 in Appendix B. To this table, I have also added the new calculations of the skill gaps based on the interpolated indicators and compared these to the original ones. The number of observations increased with around one thousand for each indicator. Of course, I will spend considerable attention to this decision in chapter 6, when the robustness of the model is discussed.

The index for the political constraints also has a low number of observations. As this variable was used in other papers, I did not foresee that this indicator would have so many missing

observations. The indicator is still relevant as it can say something about the level of democracy and the likelihood of a sudden policy change. At the same time, it is likely that the political constraint is strongly correlated with the property right protection index. Indeed, countries with strong property right protection also must have constrained the power of the government. As the correlation matrix below shows, these variables are correlated with high significance. Given, the low number of observations and its strong correlation with the WEF property right index, the political constraint indicator is not taken into account in the final model.

ρ	Political Constraints
WEF Property right index	0.2200
	(0.0000)

Table 4.5. Correlation matrix of the WEF property right index and the polcon indicator.

4.3.2. Descriptive Statistics per region

Because regions and the development between regions may differ, it is also interesting to glance over the descriptive statistics of some of the variables by regions and continents. I have broken the sample into the following regions and groups: OECD countries, European Union, Eastern and Central Europe, North America, Central America, South America, North Africa, West Africa, East Africa, Central Africa, West Asia, Central Asia, East Asia, South East Asia, Oceania and the Caribbean. The regional divisions and the countries in each region can be found in Appendix A. Some countries fall in multiple groups. Countries in Eastern and Central Europe also became member of the European Union and the OECD countries group consists of developed countries in different regions, though most OECD member states are located in Europe. In this section, the FDI, the WEF index for property protection, the skill gap, the number of BITs countries have signed and ratified and lastly the claims countries have faced, settled and lost, will be looked at per region.

4.3.2.a. Foreign Direct Investment (FDI)

The first variable to investigate is FDI, the dependent variable of the analysis. The descriptive statistics of FDI per region over periods of 10 years can be found in Table 2A and 2B in Appendix B. A common trend that is visible across all regions is that the average FDI has surged over the years. In all regions, the average FDI received in the first decades did not even come close to $1 billion per year, with the exception of developed countries. Apart from OECD countries, Latin American countries and countries in South East Asia receive the largest sum of FDI. The other regions in Asia receive less investments, but still far more than the average amount which an Africa country receives. Both Africa and Central America receive the least amount of investment. Though it should be noted that Central American countries are generally smaller compared to African countries. Central Africa received the

least amount of investment, followed by West Africa. North Africa received relatively more investment compared to the other African regions over the years, with around $2 billion per country per year since 2000. The other regions fall far behind, but the amount they receive has been increasing over the years.

4.3.2.b. Property Right Protection

The second variable to investigate is the WEF property right protection index. It is not only an important indicator as it might predict inflowing investments, it is also of central importance in the third hypothesis of this thesis. This hypothesis addresses the question whether investor-state disputes have a differential effect between countries with different investment climates, which is approximated by the WEF property right protection index.

The descriptive statistics of the WEF property right index divided into ten year periods and sub regions can be found in the Tables 3A to 3E in Appendix B. The maximum observation over the first 20 years is found in Asia, but not in one of the defined regions of Asia.[66] This high value is Hong Kong. On average, the property right protection in OECD countries and North America is best compared to other regions. However, in the last decades the property right protection in OECD countries remain more or less the same, while the property right protection in North America is even declining. North Africa starts with a very low ten year average of 2.85, but ends with an average value of 4.72 over the period 2010-2016, which is higher than most other African regions. West Africa starts in a better position, but does not see an increase over time. Central Africa remains the region with the lowest values for property right protection. In Asia, South East Asia and West Asia are the best performing regions. The high values in Oceania are caused by Australia and New Zeeland.

4.3.2.c. Skill Gap

The third variable to take a closer look at across regions is the skill gap. It was determined in the literature review that the skill gap is included in most dyadic analysis, but not in any monadic analysis. The question remains whether it is an appropriate variable to include in the model.

Table 4A to 4E in Appendix B shows descriptive statistics of the skill gap divided into ten year periods. Remember that the skill gap is defined as the difference in the gross tertiary enrollment ratio between a country and the average OECD enrollment ratio. When studying the skill gap data, it appears that the skill gap increases for most regions. This is caused by the fact that the tertiary education enrollment increased over time in OECD countries, but increased less hard in the other regions. To highlight this development, Figure 4.1 shows the development of the tertiary school

[66] Note that Japan, Hong Kong and South Korea are part of Asia but not of any of the defined Asian regions.

enrolment over time of the OECD countries, Europe, America, Africa and Asia. The drop in North America is explained by a large decrease in school enrolment ratio in the US and Canada in 1998.

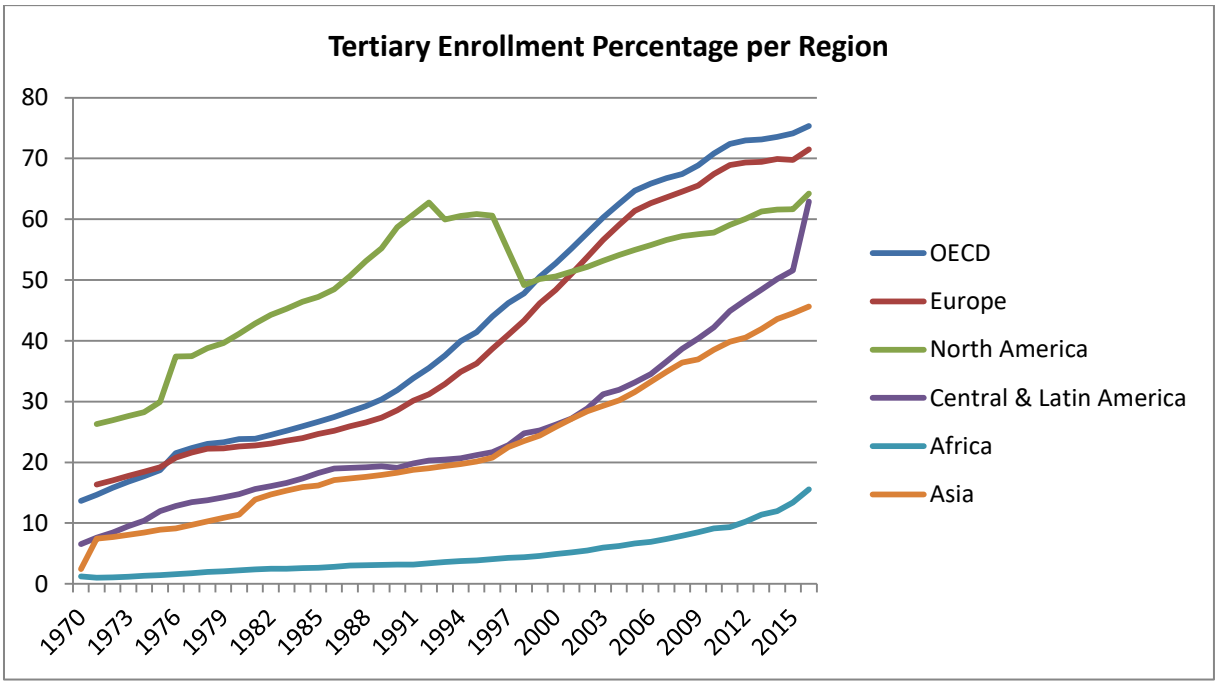

Figure 4.1. Tertiary enrollment ratio in the main regions 1970-2016.

The skill gap remains the smallest in Latin America and Central and Eastern Europe. Within regions there are also big differences. North Africa has a less bigger skill gap than the rest of Africa and South East Asia and West Asia are performing better than the rest of Asia. The low minima in Asia are caused by the Republic of Korea. Two minima of the periods 1990-2000 and 2000-2010 for North Africa draw some attention. It seems that there is a country that had a higher enrolment ratio for two periods than the OECD average and that in the next period this dropped again. These numbers are caused by Libya that experienced high enrolment ratios, but Libya has no observations for tertiary school enrolment after 2003. This fact also caused an increase in the average skill gap in the period 2010-2017.

4.3.2.d BITs signed and ratified

Another essential variable where most of the research discussed in the literature review focused on are the numbers of BIT a state has signed or ratified. Table 5A and Table 5B displays the mean and standard deviations of the number of BITs signed, ratified with any countries and the number of BITs signed and ratified with OECD countries.[67] These descriptive statistics are also calculated over periods of 10 years and divided in regions to see the development per region over time.

[67] OECD countries that became member of the OECD before January 1st , 2000.

The descriptive statistics show that in the first two decades of the sample period, BITs were primarily concluded with countries in North Africa and to a lesser extend with South Asia and South East Asia. After the 1990s, the average amount of BITs per country increased tremendously in Central & Eastern Europe, Latin America, North Africa and all regions in Asia. The average number of BITs concluded by African countries increased only in the last two decades. In Africa overall, there is also quite a gap between the number of BITs signed and the number of BITs ratified.

If the total number of BITs signed is compared with the number of BITs signed with OECD countries, it is visible that most of BITs concluded between 1970 and 1990 were with OECD countries. However, in the recent years, the fraction of the BITs that countries concluded with OECD countries became smaller. In particular in Asia, there is a large difference between the average amount of BITs signed per country and the average amount of BITs signed with OECD countries. In Central and Latin America, this difference is less big. These countries sign most of their treaties with OECD countries.

4.3.2.e Investor-State Disputes

This section takes a first glance at the number of investor-state disputes across regions and what the results of these investment disputes were. First of all, it is interesting to look at the cases pending and the differences per region. As was discussed earlier, the cases that are pending have increased dramatically over the last two decades and many cases are still pending today. Figure 4.3 below shows the development across time of the weighted average of the pending cases per country in different regions.

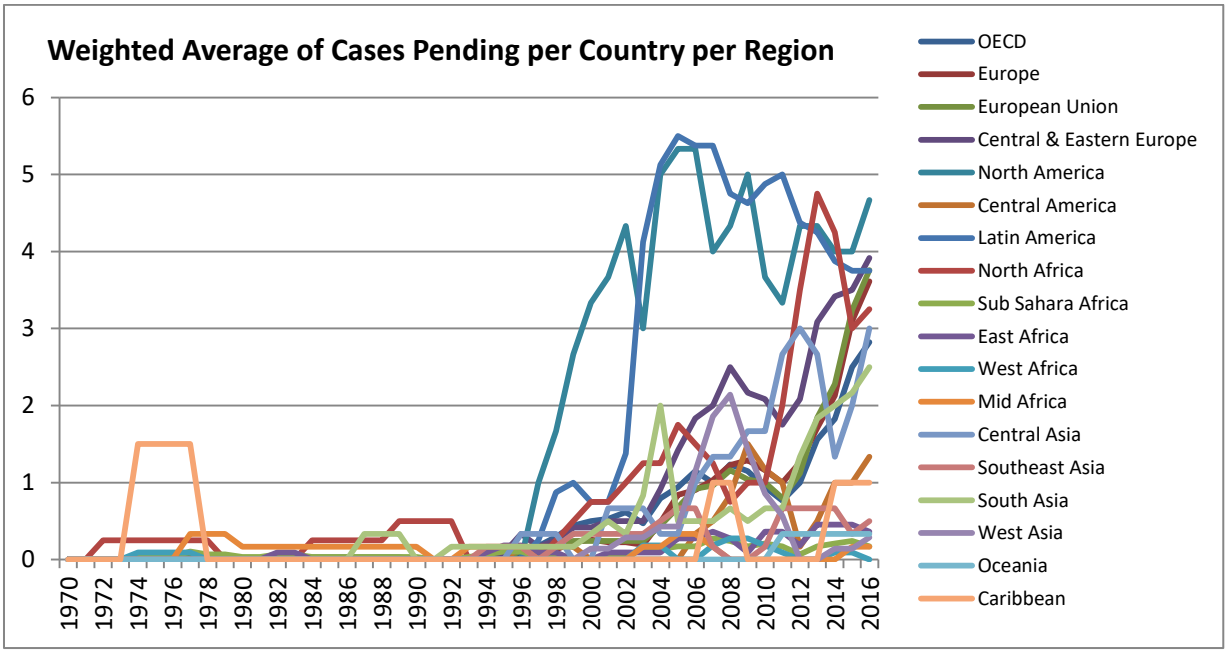

Figure 4.2. Weighted average of cases pending per country across regions.

The figure shows that in the first years, only a few claims were brought before an international tribunal. It must be said that due to the different amount of countries per regions, only a few cases already have a large effect on the graph line in the regions North Africa, North America and the Caribbean. At the end of the 90s, the amount of claims increased. In particular, cases were brought against the United States, Canada and Mexico, all countries in North America. Argentina, Venezuela and Ecuador faced many disputes in the early 2000s, causing a surge in pending cases observed in Latin America. Looking at other regions, many cases were brought against North African and Central and Eastern European countries. Interestingly, countries from the EU that are not part Central and Eastern Europe did not face many claims. Only Germany, Greece, Italy and Spain have faced three or more investor-state disputes as a defendant. Thus, the increase in pending cases in the European Union is primarily due to Central and Eastern European Countries, in particular Hungary, Poland, the Slovak Republic and the Czech Republic. In Asia and the rest of Africa, the number of cases is also relatively low. The exception to this case is South Asia, where Bangladesh, India and Pakistan faced a relatively high number of cases brought against them.

It appears that only a few countries are responsible for the high amount of pending cases. Table 4.6 below shows the countries of the full sample that have faced more than 20 claims against them. Together they are responsible for 375 claims, which is almost half of all the claims in the sample.

Country	# of claims
Argentina	59
Venezuela	44
Spain	40
Czech Republic	34
Egypt	32
Poland	26
Canada	26
Mexico	25
Russian Federation	24
Ecuador	23
Ukraine	21
India	21

Table 4.6. List of countries in full sample (incl. OECD) that faced more than 20 claims in the period 1970-2016.

4.3.2.f Investor-State Disputes Lost

Another relevant factor to look at is the outcome of the dispute. A case can be won by the state, the investor, or it can be settled or discontinued. I will look in particular to the cases that were settled and lost by the state as this would send a negative message about the investment climate to the investors. The Caribbean and Oceania are not included since the countries in these regions never lost an investment dispute.

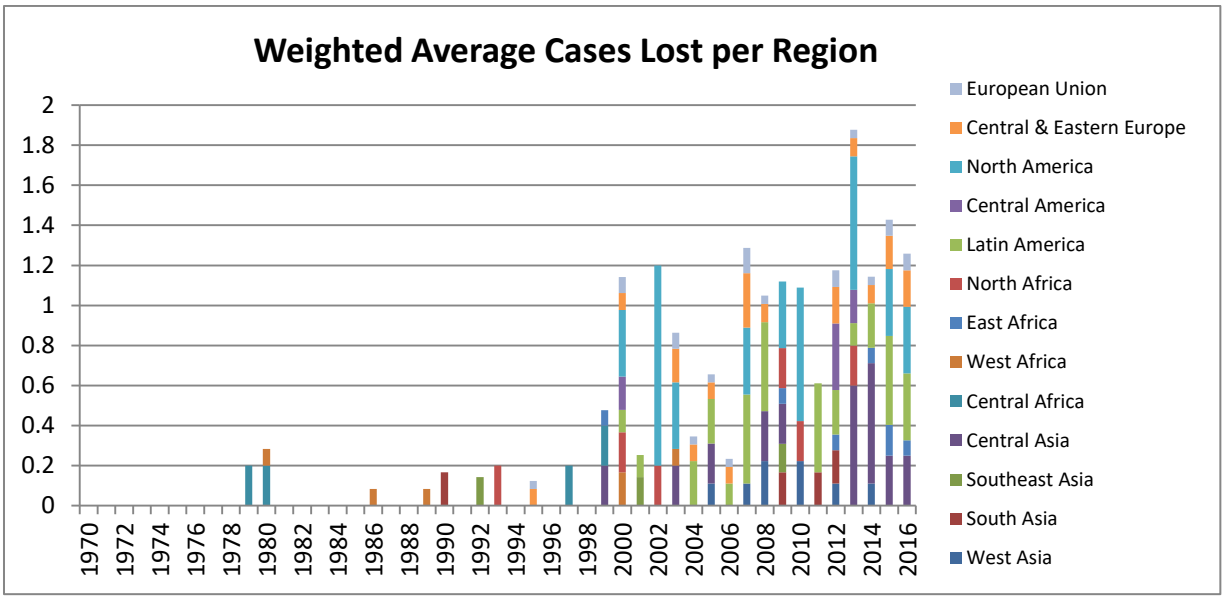

Figure 4.3. Overview of the average number of cases lost per country across regions per year

Since there were not many cases brought before international tribunals before the end of the 1990s, not many cases were lost during that period either. From 1999 it is visible that quite some cases are lost in North America, and some in North Africa, Central and Eastern Europe and Western Africa. From 2004 onwards, Latin American countries start to lose their first cases. In the last ten years, cases are mainly lost by Latin America, North America, Central and Eastern Europe. This might complicate the research as most of the countries in the latter regions are members of the OECD. However, in Central Asia and East Africa, also a few cases are lost by the state in the last few year. This also happens occasionally in South and East Asia. Interestingly, Central and West Africa have not lost any cases in the last 15 years. Only two cases were lost in the entire region of South East Asia since 2000.

4.3.2.g Investor-State Disputes Settled

It is also possible that the investor and the state decides to settle a case. This might also send a signal to investors that a country has broken its obligations, since a country would not choose to settle if it has not broken any rules. Some settlements are paired with quite high compensations paid by the state to the investor. However, sometimes the settlement terms are not public. In that case it is hard

to say whether the state expropriated an investment. Figure 4.4 below gives an overview of the weighted average of settled cases per year across regions.

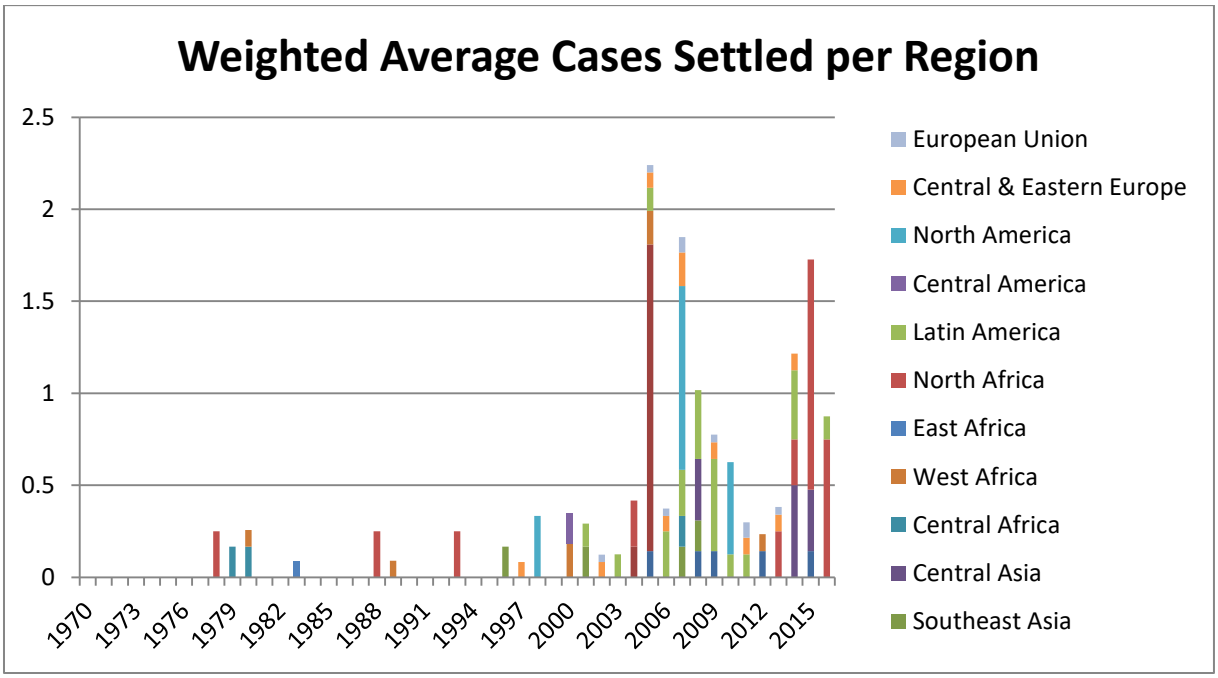

Figure 4.4. Weighted average per country of the investment dispute cases per region.

The figure includes Oceania and the Caribbean. It appears that these countries have settled cases instead of losing them. It also seems that quite a number of cases were settled in North America, Latin America and South Asia over the last 15 years. In the last 5 years, quite a few cases were settled in North Africa. It seems that other Asian countries are also in the business of settling their cases, with occasional settlements in the last decades in Central Asia and West Asia. Some cases were also settled in South East Asia, but not in the last 15 years. Virtually no cases were settled in East Africa, Central Africa[68] and Oceania.

[68] With the exception of two settlements around the 1980s by Congo.

5. Results

With the data that is discussed in the previous chapter, different models are estimated to test the hypotheses that were introduced at the end of Chapter 3. The structure of this chapter will be as follows. The first section discusses the baseline model that is estimated to test whether the signing and ratification of BITs increases FDI. The second section extends the model by introducing pending, lost and settled investor-state disputes. These models test whether claims brought against a host state have a negative effect on the inflowing FDI in the defending host state. Furthermore it is estimated whether lost or settled cases have a negative effect as well. The third section extends this model even further by investigating whether there is a differential effect between countries with different levels of property right protection. The last section will take a closer look at the final model and discusses re-estimations of the models per region. The robustness checks are discussed in the next chapter.

5.1. The Relation between Treaty Signing, Treaty Ratification and FDI

The first hypothesis states that the signing of a treaty has a positive effect on the inflowing FDI. As discussed in the methodology, two estimations methods are used. One ordinary estimation for panel data and one estimation using instrumental variables. The first series of models are Generalized Least Squares (GLS) estimations. Each model contains a different indicator for entering a treaty. A distinction is made between (1) signing a BIT with any country, (2) ratifying a BIT with any country, (3) signing a BIT with an OECD country and (4) ratifying a BIT with an OECD country.[69] For each different indicator, a model is estimated using random effects and using fixed effects. The second series of models are two stages least squares (2SLS) estimations, using the weighted average of treaties signed by the neighboring countries as an instrument. For the 2SLS estimations, the definition of the instrument always corresponds with the variable of entering a treaty. Thus, when the model uses the variable that counts the number of BITs signed with any country, the average number of BITs signed with any countries by the neighboring countries is used as an instrumental variable. When the variable counts the number of treaties ratified, the average number of treaties ratified of the neighboring states is used, and so on and so forth. The 2SLS estimations use fixed effects. In all models that are estimated, errors are clustered by country.

5.1.1. GLS Estimations

The results of the first estimations can be found in Table 5.1 at the end of this subsection. The first matter that catches attention is that the regional dummies are omitted in the fixed effects model, because of collinearity with the country fixed effects. This is because the fixed effects estimator also

[69] OECD countries that became a member of the OECD before January 1st, 2000.

captures regional differences. The random effects model shows that regional differences exist, but only in one of the models, the coefficient is positive and significant at the 10% level. In that case, the coefficient estimates that South and Central American countries receive approximately 2% more investment. The coefficient for Central & Eastern European countries is not significant, while it was found in earlier papers that this region receives more investment. It should be noted however, that when most of the discussed papers were published, the Baltic States and Slovenia were not a member of the OECD yet and thus included in the sample.[70] In my estimations, these countries are excluded from the sample

There are two variables that are consistently significant across all estimations on the 1% level. The first variable is population, which should have a positive effect on incoming investments. All estimated coefficients are positive. For the random effects model the estimated coefficients are lower than for the fixed effect models. This would mean that when country specific effects are not controlled for, the effect of population on GDP is underestimated. The last other coefficient that is consistently significant is the positive coefficient of the WEF property right index. Each point higher in the property right index leads to an increase of at least 1.7% on the inward FDI.

Some estimated coefficients are significant for some of the specifications. GDP is positively associated with investment. For all random effects estimations the GDP coefficient is significant at the 5% level, whereas in the fixed effects estimations, the coefficients are not significant. The size of the economy in terms of GDP does not matter anymore when fixed effects are accounted for. Furthermore, it is found that economic growth has a negative association with FDI, but this association is only observed in the random effects model. The skill gap is also only positive associated in the random effects models, significant at the 5% or 10% level. This positive estimation is in accordance with the theory that a larger skill gap is associated with more investment. All other control variables are not significant.

The BIT variable is significant across all random effects models, at the 1% or 5% level. In the fixed effect models, the BIT variable is not significant. It is possible that countries with certain characteristics that are also correlated with higher FDI are more inclined to sign BITs. When these country specific characteristics are controlled for in the fixed effects model, the effect of the BIT signing thus disappears. Nonetheless, an interesting observation in the random effects estimations is that the estimated BIT coefficient is much larger when the BIT is signed with an OECD country compared to any country. Each additional BIT signed with any country is associated with an 0.05% increase in FDI while each BIT signed with an OECD country is associated with and 0.23% increase. The differences between the estimated coefficients for ratified BITs as opposed to signed BITs are

[70] These countries became member of the OECD after 2010.

not that large.

Summarizing the first findings, it cannot be said that the signing or ratification of BITs have a positive effect on FDI inflows. The estimated coefficients for the different BIT variables are only significant for the random effects model. Furthermore, it seems that the fixed effects model is more appropriate than the random effects model. All estimations for the Sargan-Hansen test are significant at the 5% level, indicating that a fixed effects model is more appropriate. It is also visible that some important coefficients change and become insignificant when fixed effects are accounted for. Therefore, I will use country fixed effects in all later estimations. Lastly, there seem to be some differences when the BITs are signed with any country or only with OECD countries, but it is quite certain that there are no large differences if the BIT variable measures ratification or signing.

H1: GLS ESTIMATIONS	1A	1B	2A	2B	3A	3B	4A	4B
BITs Signed	0.0507**	0.0188						
	(0.0199)	(0.0266)						
BITs Ratified			0.0522***	0.0212				
			(0.0202)	(0.0263)				
BITs Signed with OECD					0.234***	0.129		
					(0.0567)	(0.0844)		
BITs Ratified with OECD							0.199***	0.0841
							(0.0591)	(0.0828)
Population	1.328***	6.499***	1.472***	6.674***	1.120***	5.796***	1.344***	6.367***
	(0.374)	(1.662)	(0.395)	(1.578)	(0.353)	(1.700)	(0.375)	(1.633)
GDP	214.8**	175.8	214.0**	174.4	219.6**	182.0	214.7**	177.3
	(106.8)	(111.7)	(106.9)	(112.0)	(104.3)	(110.6)	(105.2)	(111.3)
Economic Growth	-1.970*	-1.592	-1.964*	-1.578	-2.019**	-1.654	-1.971*	-1.607
	(1.022)	(1.074)	(1.022)	(1.076)	(0.997)	(1.062)	(1.006)	(1.068)
Δ GDPPC difference	-3.98	-3.17	-3.99	-3.06	-4.02	-3.10	-3.75	-3.05
(x10e^4)	(5.50)	(5.81)	(5.64)	(5.91)	(5.42)	(5.67)	(5.53)	(5.79)
Trade	0.00570	-0.00833	0.00647	-0.00849	0.00312	-0.0102	0.00439	-0.00911
	(0.00820)	(0.0130)	(0.00839)	(0.0132)	(0.00794)	(0.0129)	(0.00813)	(0.0130)
Δ School enrollment	0.252	0.0872	0.290	0.0908	0.161	0.0460	0.216	0.0721
	(0.263)	(0.267)	(0.266)	(0.269)	(0.274)	(0.270)	(0.273)	(0.270)
Δ Skill Gap	0.459**	0.321	0.488**	0.329	0.394*	0.300	0.446*	0.320
	(0.231)	(0.225)	(0.234)	(0.227)	(0.232)	(0.223)	(0.233)	(0.225)
Interaction Δ Skill Gap	-2.41	-2.23	-2.54	-2.28	-2.26	-2.22	-2.44	-2.27
& Δ GDPPC difference (x10^-4)	(1.77)	(1.92)	(1.78)	(1.94)	(1.87)	(1.98)	(1.84)	(1.97)
Interaction Δ Skill Gap	-9.75	-13.30	-9.18	-13.60	-10.60	-13.90	-10.00	-13.70
& Δ GDPPC difference (x10^-4)	(9.38)	(10.10)	(9.39)	(10.20)	(9.59)	(10.10)	(9.62)	(10.20)
Inflation (log)	-0.0439	-0.0562	-0.0433	-0.0537	-0.0286	-0.0465	-0.0307	-0.0489
	(0.128)	(0.123)	(0.129)	(0.124)	(0.128)	(0.124)	(0.129)	(0.125)
Capital Openness	-0.0164	-0.0543	-0.0211	-0.0627	-0.159	-0.143	-0.117	-0.101
	(0.286)	(0.320)	(0.281)	(0.319)	(0.283)	(0.333)	(0.279)	(0.327)
Natural Rents	0.0287	0.0595	0.0306	0.0592	0.0224	0.0612	0.0275	0.0592
	(0.0607)	(0.0958)	(0.0605)	(0.0946)	(0.0600)	(0.0943)	(0.0601)	(0.0939)
Savings	-0.0305	-0.0179	-0.0326	-0.0185	-0.0213	-0.0129	-0.0254	-0.0158
	(0.0375)	(0.0548)	(0.0385)	(0.0549)	(0.0369)	(0.0546)	(0.0383)	(0.0557)
WEF Property Right Index	1.971***	1.771***	2.057***	1.793***	1.811***	1.682***	1.929***	1.748***
	(0.396)	(0.495)	(0.408)	(0.501)	(0.398)	(0.494)	(0.410)	(0.508)
Crisis	-0.773	-0.645	-0.818	-0.649	-0.680	-0.600	-0.759	-0.638
	(1.204)	(1.211)	(1.198)	(1.209)	(1.224)	(1.226)	(1.216)	(1.220)
World FDI	5.97	4.27	6.25	4.23	5.52	4.07	5.81	4.21
(x10^-13)	(5.26)	(5.49)	(5.37)	(5.55)	(5.14)	(5.39)	(5.21)	(5.44)
Free Trade Agreements	-0.0409	-0.0375	-0.0438	-0.0383	-0.0395	-0.0365	-0.0420	-0.0379
	(0.0330)	(0.0324)	(0.0333)	(0.0327)	(0.0332)	(0.0326)	(0.0334)	(0.0328)
WTO/GATT Membership	0.542	0.150	0.564	0.140	0.380	0.0391	0.448	0.110
	(0.959)	(1.057)	(0.962)	(1.051)	(0.911)	(1.036)	(0.931)	(1.044)
Central & Eastern Europe	0.542	omitted	0.744	omitted	0.0272	omitted	0.475	omitted
	(1.260)		(1.276)		(1.123)		(1.165)	
South & Central America	1.745	omitted	1.840	omitted	1.767	omitted	2.037*	omitted
	(1.208)		(1.212)		(1.233)		(1.221)	
Africa	-1.601	omitted	-1.451	omitted	-1.312	omitted	-1.338	omitted
	(1.032)		(1.048)		(1.078)		(1.035)	
Asia	-1.498	omitted	-1.563	omitted	-1.239	omitted	-1.495	omitted
	(0.994)		(1.009)		(1.025)		(0.994)	
Caribbean	0.851	omitted	0.979	omitted	1.328	omitted	1.246	omitted
	(1.736)		(1.691)		(1.905)		(1.802)	
Constant	-14.26**	-98.76***	-16.93***	-101.7***	-11.16*	-87.29***	-14.94**	-96.67***
	(6.125)	(26.91)	(6.525)	(25.58)	(5.884)	(27.64)	(6.295)	(26.61)
Number of Observations	2,192	2,192	2,192	2,192	2,192	2,192	2,192	2,192
R-squared	0.1054	0.1155	0.1043	0.1155	0.1089	0.117	0.1061	0.1159
Number of Countries	82	82	82	82	82	82	82	82
Sargan-Hansen F-Statistic	27.688*		27.886*		27.369*		28.218*	

Table 5.1.A. Estimations on the effect of BITs on FDI. The log of FDI is the dependent variable. A-models are random effects, B-models are fixed effects estimations. Standard errors are clustered on country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

5.1.2. 2SLS Estimations

The results of the second 2SLS regression can be found on the next page. All estimations for the BIT variable are insignificant. However, there appear to be some differences in the size estimated coefficients between BITs signed or ratified with any country and BITs signed or ratified with OECD countries. At the same time, we cannot even say with enough certainty that all coefficients are different from zero, so no large inferences can be drawn from this observation.

The only control variables that are significant across all estimations are the size of the population and the WEF property right index. In that regard, the estimations of the 2SLS models are very similar to those of the GLS models.

The 2SLS should provide a more reliable estimate as it uses an instrument for the number of BITs signed or ratified. The first stage estimates show that the instrument is strong, because the estimated F-statistics are extremely large. Of course, as discussed before, the instrument is still not perfect, because not all assumptions are met. Nevertheless, the 2SLS estimations addresses endogeneity problems better than the GLS estimation. The GLS estimations found no effects on BITs in the fixed effects model and the 2SLS estimations also found that there is no significant association between FID and the number of BITs signed or ratified. Therefore, no evidence is found in support for the first hypothesis. This provisionary conclusion should be done under precaution, as later models taking into account arbitration cases, might shed a different light on the relation between BITs and FDI.

H1: 2SLS ESTIMATIONS	Model 1	Model 2	Model 3	Model 4
BITs Signed	0.00850			
	(0.0401)			
BITs Ratified		0.00693		
		(0.0439)		
BITs Signed with OECD			0.116	
			(0.119)	
BITs Ratified with OECD				0.116
				(0.144)
Population (log)	6.781***	6.909***	5.939***	6.129***
	(2.092)	(1.867)	(2.104)	(2.158)
GDP (log)	176.0	175.4	181.9	178.6
	(113.0)	(113.1)	(111.3)	(112.2)
Economic Growth	-1.599	-1.593	-1.654	-1.619
	(1.084)	(1.085)	(1.068)	(1.076)
Δ GDPPC difference	-4.11	-4.16	-3.68	-3.31
(x10^-4)	(6.57)	(6.67)	(6.40)	(6.49)
Trade	-2.98	-2.68	-6.25	-6.81
(x10^-3)	(15.10)	(15.60)	(14.80)	(15.10)
Δ School enrollment	0.0182	0.0224	-0.0309	-0.0248
	(0.273)	(0.274)	(0.273)	(0.273)
Δ Skill Gap	0.259	0.262	0.235	0.258
	(0.259)	(0.257)	(0.266)	(0.261)
Interaction Δ Skill Gap	-2.23	-2.24	-2.24	-2.34
& Δ GDPPC difference (x10^-4)	(2.05)	(2.06)	(2.12)	(2.10)
Interaction Δ Skill Gap	-1.48	-1.49	-1.49	-1.59
& Trade (x10^-3)	(1.82)	(1.81)	(1.85)	(1.81)
Inflation (log)	-0.0810	-0.0810	-0.0702	-0.0658
	(0.121)	(0.123)	(0.122)	(0.123)
Capital Openness	-0.241	-0.240	-0.332	-0.328
	(0.271)	(0.273)	(0.293)	(0.304)
Natural Rents	0.0814	0.0804	0.0861	0.0878
	(0.0943)	(0.0932)	(0.0942)	(0.0930)
Savings	-0.0197	-0.0196	-0.0165	-0.0195
	(0.0588)	(0.0586)	(0.0592)	(0.0591)
WEF Property Right Index	1.708***	1.720***	1.613***	1.643***
	(0.510)	(0.508)	(0.495)	(0.502)
Crisis	-0.962	-0.967	-0.901	-0.923
	(1.279)	(1.273)	(1.284)	(1.278)
World FDI	4.87	4.93	4.37	4.22
(x10^-13)	(6.28)	(6.34)	(6.19)	(6.29)
Free Trade Agreements	-0.0445	-0.0450	-0.0429	-0.0439
	(0.0332)	(0.0336)	(0.0333)	(0.0335)
WTO/GATT Membership	0.456	0.460	0.337	0.344
	(1.031)	(1.036)	(1.009)	(1.046)
Number of Observations	2,026	2,026	2,026	2,026
R-squared	0.112	0.112	0.114	0.112
Number of Countries	77	77	77	77
F-statistic (Cragg-Donald)	1054.035	1115.624	1079.061	720.418
F-statistic (Kleibergen-Paap)	35.514	34.643	40.945	29.289

Table 5.1.B. 2SLS fixed effects estimations on the effect of BITs on FDI. The log of FDI is the dependent variable. Standard errors are clustered on country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . IV Model 1: Weighted average BITs signed by neighboring states. IV Model 2: Weighted average BITs ratified by neighboring states. IV Model 3: Weighted average BITs signed with OECD countries by neighboring states. IV Model 4: Weighted average BITs ratified with OECD countries by neighboring states.

5.2. The Effect of Investor-State Disputes on FDI

Given the outcome of the first models, it is even more interesting to investigate the effect of investor-state disputes on FDI. A possible explanation of the lack of association between treaty signing and FDI can be the presence of investor-state disputes that can cause a negative effect of FDI which cancel out the positive effect of BITs on FDI. Perhaps controlling for these disputes can lead to a positive association of BITs, as was found for instance by Allee & Peinhardt (2011). The first models that are estimated will be similar to their estimations, which uses the GLS estimation method, with the number of BITs signed and the pending ICSID disputes as main independent variables. Also, estimations are run with the number of registered disputes in the last two years and the last five years. Then the negative effects will be estimated of cases lost or settled in the previous year, in the last two years and in the last five years. The next series of estimations will use 2SLS, as presented in the previous section. The variables used will be the same as the GLS model.

As it appeared in the previous section, it is not of big importance whether the BIT variable only takes into account signed treaties or ratified treaties. There were some indications however that BITs signed with OECD countries can lead to different estimations of the BIT variable. The estimated coefficients in the random effects GLS model for BITs signed with OECD countries were much larger than for BITs signed with any country. For the GLS models and the 2SLS models, this was also found, but all coefficients in those estimations were insignificant. As a primary approach, I will use the number of BITs signed with any country in further analysis. This means that for the 2SLS, the number of BITs signed by neighboring states is always used as an instrument. In the next chapter I will check whether the estimated outcomes change if the BIT variable only takes into account the BITs that are signed with OECD countries.

5.2.1. GLS Estimations

Table 5.2.A shows the GLS models that estimated the effect of pending cases, registered cases, lost cases or settled on FDI. It appears that none of the coefficients of interest is significant across all models. Model 1 in column one shows that the amount of pending cases have no effect on FDI. Model 2 and 3 show that the number of cases registered in the past 2 and 5 years respectively also have no significant association with FDI. The models 4 to 6 show that the lost cases in the previous year or the previous 2 or 5 years have no significant effect on FDI. The last three columns, 7 to 9, show that same holds for cases settled.

The variable for the number of BITs signed remains insignificant, in accordance with the baseline estimation including fixed effects that tested the first hypothesis. The coefficients for the control variables also do not change much in this extended analysis. The signs of the coefficients remains the same across all models and even the estimated values do not change much.

H2: GLS ESTIMATIONS	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-0.000723			0.509			0.139		
	(0.0648)			(0.398)			(0.245)		
Cases R / L / S in last 2 years		0.0348			0.287			0.000452	
		(0.116)			(0.305)			(0.231)	
Cases R / L / S in last 5 years			0.0201			0.459			0.148
			(0.0740)			(0.313)			(0.181)
BITs Signed	0.0188	0.0178	0.0175	0.0169	0.0171	0.0134	0.0180	0.0188	0.0168
	(0.0292)	(0.0287)	(0.0311)	(0.0270)	(0.0267)	(0.0289)	(0.0271)	(0.0273)	(0.0294)
Population (log)	6.499***	6.498***	6.685***	6.549***	6.515***	6.728***	6.533***	6.499***	6.690***
	(1.662)	(1.661)	(1.608)	(1.675)	(1.664)	(1.611)	(1.676)	(1.662)	(1.607)
GDP (log)	175.8	176.4	185.2	175.4	176.4	187.8	175.8	175.8	186.0
	(112.3)	(112.5)	(115.1)	(111.8)	(111.8)	(114.4)	(112.0)	(112.2)	(114.7)
Economic Growth	-1.592	-1.599	-1.693	-1.588	-1.599	-1.718	-1.591	-1.592	-1.700
	(1.080)	(1.081)	(1.106)	(1.075)	(1.074)	(1.098)	(1.076)	(1.078)	(1.101)
Δ GDPPC difference	-3.18	-3.15	-2.76	-3.09	-3.19	-2.74	-3.09	-3.17	-2.64
(x10^-4)	(5.77)	(5.79)	(6.05)	(5.83)	(5.81)	(6.10)	(5.83)	(5.81)	(6.10)
Trade	-0.00833	-0.00823	-0.00733	-0.00866	-0.00826	-0.00731	-0.00877	-0.00833	-0.00747
	(0.0130)	(0.0131)	(0.0135)	(0.0131)	(0.0130)	(0.0134)	(0.0131)	(0.0130)	(0.0135)
Δ School enrollment	0.0871	0.0892	0.121	0.0968	0.0965	0.133	0.0893	0.0872	0.119
	(0.267)	(0.267)	(0.265)	(0.269)	(0.268)	(0.264)	(0.269)	(0.267)	(0.265)
Δ Skill Gap	0.321	0.322	0.350	0.330	0.326	0.368	0.327	0.321	0.353
	(0.223)	(0.223)	(0.230)	(0.226)	(0.227)	(0.233)	(0.225)	(0.224)	(0.230)
Interaction Δ Skill Gap	-2.23	-2.24	-2.52	-2.28	-2.21	-2.59	-2.31	-2.23	-2.55
& Δ GDPPC difference (x10^-4)	(1.92)	(1.92)	(2.12)	(1.95)	(1.92)	(2.12)	(1.94)	(1.92)	(2.11)
Interaction Δ Skill Gap	-1.33	-1.33	-1.33	-1.34	-1.33	-1.38	-1.35	-1.33	-1.35
& Trade (x10^-3)	(1.01)	(1.02)	(1.01)	(1.00)	(1.01)	(1.01)	(1.00)	(1.01)	(1.00)
Inflation (log)	-0.0562	-0.0563	-0.0477	-0.0554	-0.0572	-0.0518	-0.0547	-0.0562	-0.0489
	(0.123)	(0.123)	(0.126)	(0.123)	(0.123)	(0.127)	(0.123)	(0.123)	(0.126)
Capital Openness	-0.0543	-0.0569	0.0332	-0.0710	-0.0517	0.0410	-0.0718	-0.0543	0.0428
	(0.320)	(0.321)	(0.324)	(0.330)	(0.321)	(0.326)	(0.332)	(0.320)	(0.321)
Natural Rents	0.0595	0.0590	0.0509	0.0585	0.0592	0.0529	0.0595	0.0595	0.0521
	(0.0966)	(0.0964)	(0.103)	(0.0960)	(0.0958)	(0.102)	(0.0959)	(0.0957)	(0.102)
Savings	-0.0179	-0.0178	-0.0198	-0.0173	-0.0172	-0.0188	-0.0184	-0.0179	-0.0203
	(0.0549)	(0.0548)	(0.0549)	(0.0551)	(0.0548)	(0.0547)	(0.0552)	(0.0548)	(0.0549)
WEF Property Right Index	1.771***	1.777***	1.748***	1.787***	1.779***	1.771***	1.781***	1.771***	1.745***
	(0.500)	(0.499)	(0.506)	(0.497)	(0.496)	(0.506)	(0.495)	(0.495)	(0.502)
Crisis	-0.645	-0.645	-0.410	-0.629	-0.630	-0.349	-0.637	-0.645	-0.400
	(1.206)	(1.211)	(1.175)	(1.210)	(1.209)	(1.173)	(1.210)	(1.211)	(1.178)
World FDI	4.27	4.26	4.3	4.36	4.36	4.53	4.34	4.27	4.33
(x10^-13)	(5.51)	(5.49)	(5.66)	(5.55)	(5.51)	(5.64)	(5.52)	(5.50)	(5.63)
Free Trade Agreements	-0.0375	-0.0375	-0.0379	-0.0370	-0.0375	-0.0387	-0.0368	-0.0375	-0.0379
	(0.0324)	(0.0324)	(0.0323)	(0.0326)	(0.0324)	(0.0323)	(0.0326)	(0.0324)	(0.0323)
WTO/GATT Membership	0.150	0.147	-0.292	0.139	0.122	-0.359	0.169	0.150	-0.275
	(1.057)	(1.057)	(1.039)	(1.056)	(1.057)	(1.036)	(1.059)	(1.059)	(1.046)
Constant	-98.75***	-98.77***	-101.3***	-99.69***	-99.04***	-102.1***	-99.42***	-98.76***	-101.4***
	(26.92)	(26.90)	(26.10)	(27.16)	(26.96)	(26.17)	(27.17)	(26.92)	(26.08)
Observations	2,192	2,192	2,164	2,178	2,192	2,164	2,177	2,192	2,164
R-squared	0.116	0.116	0.114	0.116	0.116	0.115	0.116	0.116	0.114
Number of Countries	82	82	82	82	82	82	82	82	82

Table 5.2.A. GLS fixed effects estimations on the effect of BITs and investor-state disputes on FDI. The interaction variable interacts the WEF property right index with the variable stated at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered on country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

5.2.2. 2SLS Estimations

Table 5.2.B on the next page shows the 2SLS estimations on the effect of disputes on FDI inflows. The first three models (1-3) that look at the number of pending cases or the amount of cases registered in the last 2 or 5 years do produce significant coefficients. The second set of three models (4-6) in Table 5.2.B that look at the effect of a lost case on the next year and the effect of the lost cases in the last 2 or 5 years, have exactly the same outcome as the first three models. Lost cases also do not have a significant effect on FDI. The story is still the same for the last three models (7-9) estimated through 2SLS estimations. Across all models the estimated coefficient for signed BITS is insignificant, in accordance with the 2SLS models estimated in the previous sections. All control variables remain similar to previous estimations as well, with only population and the WEF property right variables as significant control variables, at the 1% level.

It appears that both the 2SLS estimations and the GLS estimations remain highly consistent on their own, after adding investor-state disputes to the equations. The variable for the number of BITs signed remains insignificant for both the GLS estimations and the 2SLS estimations. Therefore, still no evidence is found in support of the first hypothesis. For the second hypothesis, also no evidence is found. All estimated coefficients regarding pending, registered and lost cases are insignificant for both estimation methods. Thus, investor-state disputes seem to have no significant association with FDI inflows.

H2: IV ESTIMATIONS	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	0.0160			0.562			0.176		
	(0.0785)			(0.491)			(0.254)		
Cases R / L / S in last 2 years		0.0738			0.326			0.0436	
		(0.134)			(0.401)			(0.251)	
Cases R / L / S in last 5 years			0.0507			0.519			0.254
			(0.0927)			(0.371)			(0.207)
BITs Signed	7.48	6.5	0.965	5.55	6.54	-2.29	6.71	8.3	1.84
(x10^-3)	(43.90)	(42.70)	(45.60)	(41.10)	(41.30)	(42.90)	(40.80)	(40.80)	(42.50)
Population (log)	6.783***	6.776***	7.077***	6.868***	6.803***	7.140***	6.851***	6.779***	7.056***
	(2.094)	(2.086)	(2.037)	(2.116)	(2.102)	(2.049)	(2.113)	(2.088)	(2.026)
GDP (log)	176.4	177.4	186.4	175.5	176.7	188.5	175.9	176.3	187.2
	(113.4)	(113.6)	(116.2)	(113.2)	(113.0)	(115.5)	(113.2)	(113.4)	(115.7)
Economic Growth	-1.603	-1.613	-1.709	-1.593	-1.605	-1.730	-1.596	-1.601	-1.716
	(1.088)	(1.090)	(1.115)	(1.085)	(1.084)	(1.107)	(1.086)	(1.088)	(1.109)
Δ GDPPC difference	-4.05	-4.05	-3.63	-4.01	-4.15	-3.76	-4.01	-4.09	-3.45
(x10^-4)	(6.49)	(6.53)	(6.97)	(6.60)	(6.59)	(7.09)	(6.59)	(6.56)	(7.05)
Trade	-2.9	-2.77	-0.842	-3.45	-2.91	-1.03	-3.55	-2.99	-1.48
(x10^-3)	(15.10)	(15.20)	(16.40)	(15.30)	(15.10)	(16.20)	(15.30)	(15.10)	(16.30)
Δ School enrollment	0.0210	0.0224	0.0673	0.0295	0.0290	0.0770	0.0203	0.0184	0.0601
	(0.273)	(0.273)	(0.276)	(0.275)	(0.274)	(0.274)	(0.275)	(0.273)	(0.275)
Δ Skill Gap	0.260	0.259	0.286	0.267	0.267	0.308	0.263	0.259	0.290
	(0.258)	(0.259)	(0.264)	(0.262)	(0.262)	(0.269)	(0.261)	(0.259)	(0.264)
Interaction Δ Skill Gap	-2.24	-2.25	-2.56	-2.3	-2.2	-2.61	-2.33	-2.23	-2.6
& Δ GDPPC difference (x10^-4)	(2.05)	(2.06)	(2.28)	(2.08)	(2.05)	(2.29)	(2.08)	(2.05)	(2.28)
Interaction Δ Skill Gap	-1.47	-1.43	-1.32	-1.46	-1.51	-1.44	-1.47	-1.48	-1.39
& Trade (x10^-3)	(1.82)	(1.83)	(1.82)	(1.83)	(1.83)	(1.82)	(1.84)	(1.82)	(1.80)
Inflation (log)	-0.0812	-0.0811	-0.0740	-0.0804	-0.0821	-0.0788	-0.0796	-0.0810	-0.0759
	(0.121)	(0.121)	(0.123)	(0.122)	(0.122)	(0.125)	(0.122)	(0.121)	(0.124)
Capital Openness	-0.241	-0.247	-0.145	-0.262	-0.238	-0.131	-0.264	-0.240	-0.128
	(0.271)	(0.270)	(0.277)	(0.279)	(0.273)	(0.283)	(0.281)	(0.272)	(0.279)
Natural Rents	0.0808	0.0804	0.0705	0.0801	0.0811	0.0736	0.0813	0.0815	0.0736
	(0.0951)	(0.0948)	(0.103)	(0.0945)	(0.0943)	(0.101)	(0.0944)	(0.0942)	(0.101)
Savings	-0.0194	-0.0195	-0.0207	-0.0188	-0.0187	-0.0194	-0.0203	-0.0197	-0.0219
	(0.0588)	(0.0588)	(0.0588)	(0.0591)	(0.0588)	(0.0587)	(0.0593)	(0.0588)	(0.0589)
WEF Property Right Index	1.713***	1.720***	1.709***	1.727***	1.716***	1.725***	1.722***	1.708***	1.696***
	(0.518)	(0.517)	(0.530)	(0.513)	(0.512)	(0.529)	(0.510)	(0.510)	(0.520)
Crisis	-0.957	-0.961	-0.721	-0.944	-0.944	-0.651	-0.953	-0.960	-0.706
	(1.269)	(1.278)	(1.237)	(1.276)	(1.273)	(1.232)	(1.278)	(1.278)	(1.242)
World FDI	4.82	4.84	4.86	4.97	4.98	5.26	4.95	4.86	4.94
(x10^-13)	(6.26)	(6.27)	(6.50)	(6.35)	(6.33)	(6.57)	(6.33)	(6.29)	(6.53)
Free Trade Agreements	-0.0445	-0.0445	-0.0453	-0.0440	-0.0446	-0.0462	-0.0437	-0.0445	-0.0452
	(0.0332)	(0.0332)	(0.0331)	(0.0334)	(0.0332)	(0.0331)	(0.0335)	(0.0332)	(0.0331)
WTO/GATT Membership	0.455	0.450	0.000258	0.449	0.422	-0.0753	0.486	0.458	0.0335
	(1.031)	(1.030)	(0.985)	(1.029)	(1.029)	(0.983)	(1.032)	(1.033)	(0.987)
Observations	2,026	2,026	2,000	2,012	2,026	2,000	2,011	2,026	2,000
R-squared	0.112	0.112	0.109	0.112	0.112	0.110	0.112	0.112	0.110
Number of Countries	77	77	77	77	77	77	77	77	77
F-statistic (Cragg-Donald)	938.654	983.271	935.091	1018.517	1017.05	992.469	1034.276	1040.182	1029.496
F-statistic (Kleibergen-Paap)	34.257	35.38	33.83	34.972	35.711	35.082	34.893	35.785	35.429

Table 5.2.B. 2SLS fixed effects estimations on the effect of BITs and investor-state disputes on FDI. The interaction variable interacts the WEF property right index with the variable stated at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered on country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . The IV in all models is the weighted average of the number of BITs signed of neighboring countries.

5.3. A Differential Effect of Investment Disputes on FDI

The last hypothesis expects a larger negative effect on investor-state disputes for countries with a poor investment climate compared to countries with a better investment climate. In the analysis of the previous hypothesis it was found that it cannot even be concluded that investor-state disputes have any effect at all on the amount of FDI that a country receives. That no evidence was found for the second hypothesis does not mean that this third hypothesis cannot be tested. Indeed, when the third hypothesis is tested, the results can still show that there is a differential effect of investor-state disputes on FDI between countries with a different investment climate. In this section, the estimations of the previous section will be repeated with the inclusions of an interaction variable. This variable interacts with the investor-state dispute variable that is specified for the given model, i.e. the number of pending cases or the number of cases registered, lost or settled in the past year, two years or five years.

5.3.1. GLS Estimations

Table 5.3.A at the end of this subsection presents the results for the GLS estimations that includes a variable of the WEF property right protection index interacted with the variable for pending, registered, lost or settled cases, depending what variable is used in the model. In the first three estimated models, displayed in columns 1-3 in Table 5.3.A, the interaction variable is the property right protection index interacted with the number of pending cases in model 1, the number of registered cases in the last two years in model 2 and the number of registered cases in the last two years in model 3. None of the estimated coefficients of the variables of interest are significant in the first three models.

In the next three estimated models, displayed in columns 4-6, the cases that are lost are analyzed. Here the estimates for the main variables of interest are significant. The coefficient for losing a cases last year, in the past two years and the past five years are all significant at the 1% level and positive. For model 4 this would mean that losing a case in the previous year is associated with a 6.33% increase in investments. On first sight this seems a very strange result. Looking further down, it appears that the estimation for the interaction variable is negative and significant at the 1% level. In this model this variable interacts the WEF property right index and the cases lost in the previous year. It can be recalled the descriptive statistics of the property right index displayed in Tables 3A to 3E in Appendix B that the property right index can range from 0.99 to 9.14. The estimated coefficient for the interaction variable is -1.33%, which should be multiplied with the WEF property right index and the number of cases lost in the previous years. Taking into account the estimated 6.3% positive estimate of one case lost, this model would predict that countries that score above 4.7 on the property right index experience a loss in FDI, whereas countries scoring lower than that value

experience an increase in FDI. Of course this division is not so precise in reality. What can be concluded however is that there is a differential effect of lost cases on FDI. Countries with higher levels of property right protection experience a larger decrease in FDI than countries with lower levels of property right protection. This is the opposite of what I expected, but it is not necessarily counterintuitive taking into account the theories discussed in chapter 2. It might be the case that for countries with a poor investment climate, the insurance theory prevails. This theory predicted that lost cases will not have a negative effect on the investment as investors see the ISDS merely as an insurance mechanism. For countries with a good investment climate, the theory about information and signaling, predicting a negative effect of lost cases prevails. All in all, it seems that countries with a good investment climate have much more to lose than countries with a poor investment climate.

Of course, all these theories also predicted a positive effect of BITs on FDI, which is again not observed in any of the estimations. However, the theories also made different predictions about the effects of disputes, which are observed in the estimations. So these theories can still be applied to interpret these outcomes.

The effects found for cases lost are not found when cases are settled. This can have several explanations. Firstly, when a case is settled, a state might indirectly admit that it has expropriated an investment, but it is still not publically established by an international tribunal. Hence, the negative signal to investors is much weaker when a case is lost. Secondly, the insurance theory can also provide an explanation here. When an investor observes that a state settles a case, the investor might think that the possibility of filing a claim against a state can lead to settlements, providing the investor with the idea that his investment is 'insured' against the state's expropriation. However, when the investor observes that a state does not settle cases but fights them at international tribunals, the investor might consider his investment less insured.

Across all models, the estimates of the control variables are roughly the same as the earlier estimated models. Only the population variable and the WEF property right index are significant at the 1% level. There is one other estimated coefficient that is significant at the 10%, which is the GDP in model 6. The sign is positive, which is in accordance with economic theory.

H3: GLS ESTIMATIONS	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	0.320			6.327***			1.030		
	(0.503)			(2.117)			(1.392)		
Cases R / L / S in last 2 years		-0.00527			6.242***			-0.112	
		(0.603)			(2.217)			(1.429)	
Cases R / L / S in last 5 years			-0.0474			5.989***			0.486
			(0.419)			(2.023)			(0.931)
Interaction Variable	-0.0772	0.00946	0.0161	-1.330***	-1.373***	-1.295***	-0.168	0.0219	-0.0693
	(0.119)	(0.135)	(0.1000)	(0.419)	(0.480)	(0.442)	(0.230)	(0.247)	(0.171)
BITs Signed	0.0193	0.0178	0.0173	0.0170	0.0179	0.0143	0.0176	0.0188	0.0169
	(0.0293)	(0.0288)	(0.0314)	(0.0268)	(0.0263)	(0.0284)	(0.0272)	(0.0274)	(0.0294)
Population (log)	6.420***	6.504***	6.708***	6.455***	6.334***	6.383***	6.509***	6.504***	6.658***
	(1.709)	(1.695)	(1.656)	(1.669)	(1.651)	(1.590)	(1.682)	(1.674)	(1.616)
GDP (log)	175.0	176.5	185.3	177.4	183.9	199.1*	175.9	175.7	186.2
	(112.8)	(112.8)	(115.4)	(112.2)	(112.2)	(115.3)	(112.0)	(112.2)	(114.7)
Economic Growth	-1.585	-1.599	-1.694	-1.607	-1.669	-1.823	-1.592	-1.592	-1.702
	(1.084)	(1.084)	(1.108)	(1.078)	(1.078)	(1.107)	(1.077)	(1.078)	(1.101)
Δ GDPPC difference	-3.27	-3.15	-2.74	-3.07	-3.04	-2.33	-3.05	-3.18	-2.57
(x10^-4)	(5.82)	(5.78)	(6.05)	(5.80)	(5.79)	(6.12)	(5.82)	(5.82)	(6.13)
Trade	-8.24	-8.25	-7.4	-8.14	-7.37	-4.26	-8.69	-8.34	-7.37
(x10^-3)	(13.10)	(13.10)	(13.50)	(13.10)	(12.90)	(13.20)	(13.20)	(13.10)	(13.50)
Δ School enrollment	0.0795	0.0897	0.123	0.0900	0.0953	0.123	0.0894	0.0871	0.119
	(0.265)	(0.267)	(0.263)	(0.269)	(0.268)	(0.266)	(0.269)	(0.267)	(0.266)
Δ Skill Gap	0.320	0.322	0.351	0.326	0.337	0.359	0.330	0.321	0.354
	(0.223)	(0.223)	(0.230)	(0.225)	(0.227)	(0.234)	(0.224)	(0.224)	(0.230)
Interaction Δ Skill Gap	-2.22	-2.23	-2.52	-2.28	-2.36	-2.61	-2.32	-2.23	-2.56
& Δ GDPPC difference (x10^-4)	(1.93)	(1.91)	(2.11)	(1.94)	(1.91)	(2.17)	(1.95)	(1.92)	(2.12)
Interaction Δ Skill Gap	-1.34	-1.32	-1.33	-1.3	-1.34	-1.33	-1.36	-1.33	-1.36
& Trade (x10^-3)	(1.01)	(1.01)	(1.01)	(0.99)	(0.99)	(1.03)	(1.00)	(1.01)	(1.00)
Inflation (log)	-0.0581	-0.0562	-0.0471	-0.0574	-0.0627	-0.0637	-0.0553	-0.0561	-0.0495
	(0.123)	(0.123)	(0.126)	(0.124)	(0.123)	(0.128)	(0.123)	(0.123)	(0.126)
Capital Openness	-0.0409	-0.0576	0.0311	-0.0634	-0.0477	0.0448	-0.0700	-0.0544	0.0434
	(0.326)	(0.323)	(0.327)	(0.329)	(0.321)	(0.324)	(0.332)	(0.320)	(0.320)
Natural Rents	0.0594	0.0590	0.0508	0.0577	0.0619	0.0625	0.0596	0.0594	0.0523
	(0.0965)	(0.0964)	(0.104)	(0.0959)	(0.0953)	(0.101)	(0.0959)	(0.0958)	(0.102)
Savings	-0.0169	-0.0179	-0.0201	-0.0165	-0.0183	-0.0232	-0.0179	-0.0180	-0.0200
	(0.0552)	(0.0553)	(0.0554)	(0.0549)	(0.0541)	(0.0529)	(0.0555)	(0.0551)	(0.0550)
WEF Property Right Index	1.793***	1.775***	1.741***	1.808***	1.818***	1.878***	1.791***	1.769***	1.758***
	(0.518)	(0.514)	(0.531)	(0.499)	(0.500)	(0.518)	(0.499)	(0.502)	(0.507)
Crisis	-0.637	-0.645	-0.412	-0.644	-0.669	-0.415	-0.629	-0.646	-0.390
	(1.203)	(1.209)	(1.170)	(1.217)	(1.215)	(1.185)	(1.208)	(1.211)	(1.173)
World FDI	4.34	4.25	4.28	4.22	4	3.85	4.34	4.26	4.29
(x10^-13)	(5.51)	(5.47)	(5.65)	(5.55)	(5.45)	(5.58)	(5.52)	(5.49)	(5.65)
Free Trade Agreements	-0.0378	-0.0374	-0.0379	-0.0370	-0.0375	-0.0367	-0.0369	-0.0375	-0.0379
	(0.0324)	(0.0324)	(0.0323)	(0.0326)	(0.0324)	(0.0323)	(0.0326)	(0.0324)	(0.0323)
WTO/GATT Membership	0.147	0.148	-0.288	0.148	0.152	-0.347	0.171	0.149	-0.278
	(1.057)	(1.059)	(1.048)	(1.057)	(1.060)	(1.039)	(1.056)	(1.060)	(1.045)
Constant	-97.54***	-98.85***	-101.7***	-98.25***	-96.29***	-97.01***	-99.07***	-98.84***	-100.9***
	(27.59)	(27.37)	(26.73)	(27.05)	(26.73)	(25.78)	(27.25)	(27.08)	(26.17)
Observations	2,192	2,192	2,164	2,178	2,192	2,164	2,177	2,192	2,164
R-squared	0.116	0.116	0.114	0.117	0.117	0.118	0.116	0.116	0.114
Number of Countries	82	82	82	82	82	82	82	82	82

Table 5.3.A. GLS fixed effects estimations on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differential depending on the country's property right protection. The log of FDI is the dependent variable. Standard errors are clustered on country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

5.3.2. 2SLS Estimations

Table 5.3.B on the next page presents the results for the 2SLS estimations. Just as the GLS estimations discussed in the previous section, these 2SLS estimations include a variable interacting the property right protection index with the first variable indicating pending, registered, lost or settled disputes. The results of the 2SLS are almost identical to the estimations of the GLS model.

Also in the 2SLS estimations, no significant coefficient is found for pending cases, cases registered or cases settled on FDI (columns 1-3 and 6-9). In the 2SLS estimations, the estimated coefficients for lost cases in all three specifications are positive and significant at the 1% level. The estimated coefficients for the interaction variables are negative and significant at the 1% level. The values for the coefficient are slightly higher than estimated by the GLS model. Thus, the estimated positive effect of losing a case is larger, but it is combined with a larger negative effect of losing a case depending on the property right protection index. This would mean that countries with a high property right index would suffer an even higher loss in FDI when they lose a case. The 'turning point' of these estimations, however, is roughly the same. Countries with a WEF property right protection index of above 4.8 would expect a negative response to investments in accordance with these estimations. In the GLS estimations this was around 4.7.

The explanations for these observations were already discussed in the previous section. Summarizing, a differential effect is observed between countries with different levels of property right protection. Countries with a higher level of property right protection suffer more from lost cases than countries with a lower property right protection.

All other control variables remain the same as in previous estimations, with only significant estimates for population and the WEF property right protection index on the 1% level. In the sixth estimation a significant (at the 10% level) coefficient is found for the control variable GDP and economic growth.

H3: 2SLS ESTIMATIONS	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	0.139			6.737***			1.019		
	(0.501)			(2.341)			(1.374)		
Cases R / L / S in last 2 years		-0.0955			6.690***			-0.116	
		(0.617)			(2.359)			(1.472)	
Cases R / L / S in last 5 years			-0.177			6.196***			1.073
			(0.424)			(2.111)			(0.945)
Interaction Variable	-0.0297	0.0400	0.0543	-1.405***	-1.462***	-1.328***	-0.159	0.0311	-0.167
	(0.122)	(0.144)	(0.104)	(0.450)	(0.503)	(0.455)	(0.227)	(0.253)	(0.168)
BITs Signed	0.00781	0.00631	8.25e-05	0.00607	0.00779	-0.00143	0.00648	0.00835	0.00183
	(0.0444)	(0.0428)	(0.0460)	(0.0410)	(0.0412)	(0.0429)	(0.0408)	(0.0409)	(0.0425)
Population (log)	6.748***	6.801***	7.162***	6.766***	6.616***	6.791***	6.823***	6.788***	6.974***
	(2.170)	(2.135)	(2.109)	(2.108)	(2.090)	(2.036)	(2.118)	(2.096)	(2.025)
GDP (log)	176.1	177.6	186.7	177.9	185.5	201.5*	176.0	176.2	187.8
	(113.7)	(113.8)	(116.2)	(113.5)	(113.4)	(116.4)	(113.3)	(113.4)	(115.7)
Economic Growth	-1.600	-1.615	-1.713	-1.615	-1.687	-1.851*	-1.597	-1.600	-1.722
	(1.091)	(1.092)	(1.115)	(1.088)	(1.088)	(1.115)	(1.086)	(1.088)	(1.109)
Δ GDPPC difference	-4.08	-4.07	-3.58	-3.88	-3.9	-3.3	-3.96	-4.11	-3.27
(x10^-4)	(6.52)	(6.52)	(6.94)	(6.57)	(6.57)	(7.11)	(6.58)	(6.56)	(7.08)
Trade	-2.87	-2.85	-1.14	-2.78	-1.71	3.43	-3.47	-3.01	-1.17
(x10^-3)	(15.20)	(15.20)	(16.40)	(15.20)	(15.00)	(16.00)	(15.30)	(15.20)	(16.30)
Δ School enrollment	0.0178	0.0251	0.0740	0.0217	0.0263	0.0664	0.0203	0.0183	0.0591
	(0.272)	(0.273)	(0.275)	(0.275)	(0.275)	(0.276)	(0.275)	(0.273)	(0.275)
Δ Skill Gap	0.259	0.260	0.288	0.254	0.272	0.300	0.266	0.259	0.294
	(0.259)	(0.259)	(0.265)	(0.261)	(0.262)	(0.269)	(0.259)	(0.258)	(0.263)
Interaction Δ Skill Gap	-2.24	-2.23	-2.56	-2.31	-2.38	-2.63	-2.33	-2.23	-2.62
& Δ GDPPC difference (x10^-4)	(2.06)	(2.03)	(2.27)	(2.08)	(2.04)	(2.34)	(2.08)	(2.05)	(2.29)
Interaction Δ Skill Gap	-1.47	-1.43	-1.31	-1.29	-1.42	-1.41	-1.48	-1.48	-1.41
& Trade (x10^3)	(1.82)	(1.83)	(1.81)	(1.83)	(1.81)	(1.87)	(1.83)	(1.82)	(1.79)
Inflation (log)	-0.0818	-0.0806	-0.0723	-0.0824	-0.0880	-0.0901	-0.0801	-0.0809	-0.0773
	(0.121)	(0.121)	(0.124)	(0.122)	(0.122)	(0.126)	(0.122)	(0.121)	(0.124)
Capital Openness	-0.235	-0.250	-0.152	-0.254	-0.233	-0.122	-0.262	-0.240	-0.127
	(0.274)	(0.270)	(0.278)	(0.279)	(0.274)	(0.282)	(0.281)	(0.272)	(0.278)
Natural Rents	0.0808	0.0804	0.0703	0.0794	0.0844	0.0832	0.0814	0.0814	0.0742
	(0.0950)	(0.0949)	(0.103)	(0.0944)	(0.0938)	(0.100)	(0.0944)	(0.0943)	(0.101)
Savings	-0.0190	-0.0199	-0.0216	-0.0180	-0.0202	-0.0250	-0.0198	-0.0198	-0.0213
	(0.0591)	(0.0592)	(0.0594)	(0.0589)	(0.0579)	(0.0567)	(0.0595)	(0.0590)	(0.0588)
WEF Property Right Index	1.721***	1.712***	1.684***	1.744***	1.749***	1.827***	1.731***	1.705***	1.730***
	(0.532)	(0.529)	(0.550)	(0.515)	(0.515)	(0.538)	(0.514)	(0.517)	(0.531)
Crisis	-0.953	-0.963	-0.730	-0.960	-0.987	-0.721	-0.945	-0.962	-0.683
	(1.264)	(1.275)	(1.232)	(1.284)	(1.279)	(1.243)	(1.273)	(1.276)	(1.240)
World FDI	4.85	4.81	4.81	4.72	4.52	4.5	4.94	4.86	4.85
(x10e^13)	(6.25)	(6.25)	(6.49)	(6.35)	(6.27)	(6.51)	(6.33)	(6.28)	(6.53)
Free Trade Agreements	-0.0446	-0.0444	-0.0452	-0.0440	-0.0446	-0.0442	-0.0438	-0.0445	-0.0452
	(0.0332)	(0.0333)	(0.0331)	(0.0334)	(0.0332)	(0.0331)	(0.0335)	(0.0332)	(0.0331)
WTO/GATT Membership	0.453	0.453	0.0170	0.452	0.442	-0.0819	0.487	0.458	0.0281
	(1.034)	(1.035)	(0.994)	(1.029)	(1.029)	(0.985)	(1.030)	(1.033)	(0.987)
Observations	2,026	2,026	2,000	2,012	2,026	2,000	2,011	2,026	2,000
R-squared	0.112	0.112	0.109	0.113	0.114	0.114	0.112	0.112	0.110
Number of Countries	77	77	77	77	77	77	77	77	77
F-statistic (Cragg-Donald)	931.356	980.456	922.473	1018.183	1015.869	991.775	1032.758	1038.899	1029.603
F-statistic (Kleibergen-Paap)	34.082	35.456	34.114	34.932	35.69	35.085	34.989	35.813	35.447

Table 5.3.B. 2SLS fixed effects estimations on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differential depending on the country's property right protection. The log of FDI is the dependent variable. Standard errors are clustered on country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed of neighboring countries. *p<0.1 ** p<00.5 ***p<0.01 .

5.4. Differences between Regions

It is possible that the results that are found in the previous section only occur in certain regions. Furthermore, there might be large regional differences in the effect of BITs or disputes on investments. Therefore, the models are also estimated per region. All tables of these estimation can be found in Appendix C.

5.4.1. Africa

Table 1A and 1B in Appendix C estimate the models that were used to test the third hypothesis only for African countries. There are a few interesting distinctions between these estimations and the ones discussed above. First of all, columns 4 to 6 show that the estimated coefficients are much larger for the variable of lost cases and the interaction term between lost cases and the WEF property right index. This means that African countries with higher property right indices (of around 5 and more), will suffer relatively higher losses in FDI than in the estimated model in the previous section. The higher estimates are probably due to the fact that the African countries with a relatively high property right protection index still do not have high index values. Table 3D shows that the maximum observed value between 2000 and 2010 was 6.53 and Table 3E shows that the maximum was 7.32 between 2000 and 2016. If the countries with higher property right protection indices suffer more from lost cases, the estimated coefficient thus takes a higher value. Another observation is that the indicator for settled cases in the previous years (see column 7) is also significant. Again we observe that the corresponding interaction variable is negative and also significant, at the 10% level in the GLS estimations and at the 5% level in the 2SLS estimations. This means that countries with relatively high property right protection suffer losses compared to countries with lower property right protection. In the models in the previous section, this effect was not found with settled cases. It is, however, only observed for settled cases in the previous year and not when the indicator measures the number of cases settled in the previous two or five years.

Other noteworthy observations are that some control variables are now significant. The interaction term between skill gap and GDP per capita difference is significant at the 10% level across all estimations, while it was not relevant in the main model. The WEF property right index is only significant at the 10% level, while for the worldwide sample, it was significant at the 1% level. It also appears that each free trade agreement signed is associated with a 0.1% decrease in FDI, the opposite effect of what one would expect. Also the estimated coefficients for the BIT variables are negative for both models. However, most of these coefficients are insignificant, except for model 6 and 9 of the 2SLS estimation. These coefficients are significant at the 5% and 10% level respectively. Thus, it appears that signing treaties does not necessarily help attract investments for African countries.

Lastly, it is visible that the estimated values of the coefficients for world FDI are much larger for Africa. Apparently, Africa is much more dependent on the development of investment worldwide. The increase in investments worldwide went together with an increase in investments in Africa.

5.4.2. Asia

Table 2A and 2B in Appendix C show the GLS and 2SLS estimates of the models for Asia. The GLS model finds more or less the same estimation as the model using the word wide sample. Negative values for the interaction variable are observed and positive values for cases lost, which all significant at the 5% level. Interestingly, these effects are not observed in the 2SLS estimations. In those models, only the model using the variable accumulating the lost cases in the last 5 years produces a significant coefficient. Another odd result can be found in column 1 of the 2SLS estimations. It appears that each pending case for an Asian country is associated with 3.79% more FDI. It is hardly likely that this estimated coefficient measures a causal effect. The first stage estimations in the 2SLS models are also much weaker in Asia compared to Africa and the worldwide sample. Hence, the number of treaties that an Asian country concludes seems to be less correlated with the number of treaties that their neighboring countries conclude. The difference between the 2SLS and GLS estimations can be explained by a slightly different sample, since the 2SLS estimations exclude countries without neighbours.

It appears that the R-squared is much higher than previous models, with values around 35% in the 2SLS estimations and 25% in the GLS estimations. This means that the variables used in these models explain a much larger portion of the variance for FDI in Asia than for FDI worldwide. For all earlier models, the R-squared took a value of around 11%. This value was also observed for the estimations for the African sample.

The higher R-squared can be due to the fact that some controls seem to predict FDI well. In most of the models, the crisis variable is significant at the 10% level in the GLS models and on the 5% level in the 2SLS models. This variable will probably capture the effect of the Asian financial crisis in 1997. It is estimated that a crisis is associated with 10% less investment in the following year. Savings and natural rents are also consistently significant. Some of the estimated value for school enrollment are significant and negative, but this effect should theoretically be countered by the positive interaction between skill gap and the GDP. However, those estimates are not significant.

5.4.3. South and Central America

The estimations for South and Central America are somewhat different from the world sample, as can be seen in Table 3A and 3B in Appendix C. For the GLS estimation, most variables of interest are not significant, except for the BIT variable and the variable for the pending cases. Each pending case is associated with a -1.59% decrease in FDI. This coefficient is significant at the 10% level. The BIT

variable is significant across the models, on the 10%, 5% or 1% level, depending on the model. The sign of the BIT variables are positive, which would mean that for the South American Countries, signing a BIT is positively associated with FDI. These estimates are also found in the 2SLS models, where the coefficient for the number of BITs signed is significant across all models, on the 1% and 5% level. Furthermore the interaction between the WEF property right protection index and the used variable for disputes registered, settled or lost, is not significant. Rather, it is found that losing a case has a big negative impact on incoming investment and that there is no differential effect.

The other estimated coefficients are also very different from the main estimations as found in section three of this chapter. It appears that for Central and South American Countries, the property right index has no positive association with investment. This is interesting, as all previous estimations showed highly significant relations. It also appears that FTAs have a positive but small association with FDI, whereas in earlier estimates, no effect of FTAs was found. Furthermore, it is found that inflation has a positive association with FDI, which is the opposite of what theory predicts.

It is possible that these results are caused by South American countries that have produced some extreme observations. Venezuela, for instance, had over 30 pending cases between the years 2004 and 2007. To look into the cause of these differences in estimations is outside the scope of this thesis. These estimations show, however, that the results in the previous sections cannot be applied on Central and South America. For those countries, different policy implications may follow from this research.

5.4.4. Central & Eastern Europe

Several authors have argued that the positive effect that was found of BITs on FDI was primarily caused by Central & Eastern European (CEE) countries.[71] This is a plausible explanation, since these countries have signed quite a large amount of treaties between 1990-2000, which is observable in Table 5A and 5B in Appendix B. At the same time, these countries have also experience tremendous economic growth and an increase in FDI. Therefore I have also estimated the models for CEE countries, that were likely part of the sample in earlier papers. In my thesis, most of the CEE countries are not part of the sample, as they became member of the OECD in the meantime. Hungary, Poland and the Czech Republic were already member of the OECD, so these countries are not included in the CEE estimation. Albania, Bulgaria, Estonia, Croatia, Lithuania, Latvia, Romania, the Slovak Republic and Slovenia are the nine countries included in the estimations shown in Table 4A and 4B in appendix C.

The BIT variable is not significant across all estimations. Thus, according to these estimations it cannot be claimed that the results presented in previous papers were caused by the Central

[71] See literature review, for example Yackee (2007) and Busse et al. (2010) argued this.

European Countries. However, there are a few interesting coefficients estimated for model 6. It is estimated that every lost case in the past 5 years is associated with a whopping 21% decrease in FDI. This effect is diminished depending on the property right protection index, as the estimation of the interaction variable shows. Both these coefficients are significant at the 5% level for the GLS estimation and on the 1% level in the 2SLS estimation. Interestingly, the sign and size of these coefficients are similar to what was expected according to the theory. Countries with a low score in property right protection suffer higher losses in investments after an investment dispute is lost than countries with a higher score. However, in all other estimations but this one, the opposite was found.

Three other noteworthy observations concerning the control variables are the following. First, the estimated coefficients for population and GDP are significant in some models and takes large negative values. Of course, this is caused by the fact that small countries in the CEE, such as the Baltic States have performed much better than larger countries such as Bulgaria and Romania. Furthermore, the estimated coefficients for the crisis variable are also significant and negative. It is a well-known fact that the countries in this region suffered from crises in their transition to a free market economy. This was most likely associated with lower levels of FDI. Lastly, the coefficients for the property right index are not significant.

5.5. Summary

In this chapter, the three hypotheses were tested using GLS and 2SLS estimations. In the first GLS estimations, random effect models were compared to fixed effects models, using different indicators for the number of BITs that a country has concluded. A distinction was made between BITs signed and ratified, and whether the BITs were signed with any country or only OECD countries. The findings indicated that the difference between signing and ratification was not relevant. For BITs signed with OECD countries, larger coefficients were estimated. However, the coefficients were only significant in the random effects GLS model. The more appropriate fixed effects model did not produce significant coefficients for the BIT variable. This was also the case for the 2SLS fixed effects model. Therefore, on the basis of the first estimations, no evidence was found supporting the first hypothesis. No positive association was found between the signing of BITs and FDI.

In the second part of this chapter, models were estimated in which investor-state disputes were introduced. Different regressions were ran using the number of pending cases, the number of cases registered in the past two or five years and the number of cases lost or settled in the previous, the past two and the past five years. None of the estimated coefficients were significant. Also the coefficients for the BIT variable remained insignificant. Therefore, in these estimations, still no evidence was found in support of the first hypothesis. Also, the second hypothesis could not be accepted. There appeared to be no negative association between investor-state disputes and FDI.

In the third part of this chapter, the models were further extended by introducing an interaction variable. This variable interacted the WEF property right protection index with the variable used in the model to measure the effect of investor-state disputes, in terms of pending, registered, lost or settled cases, depending on the model. It was found that investor-state disputes indeed have a negative effect on FDI, but only when a case is lost. The way that the differential effect works was different than predicted. It appeared that countries with a high index of property right protection suffer more losses in FDI as a result of a lost case than countries with a lower index of property right protection. A potential explanation for these results may be that countries with a high property right protection index experience more reputational damage from lost cases compared to countries with a lower property right protection index.

In the fourth part of this chapter, the models were re-estimated per region. In Africa, the same results were found as in the main model, but the estimated coefficients were much higher. In Asia, the same effects were found as in the main model and the estimated coefficients were similar in size to the main model. In South America, the effect was only found in the estimation where the lost cases of the past five years were used as an indicator. The estimations for South America also showed positive and significant coefficients for the number of BITs signed. Hence, in South America, evidence is found in support of the first hypothesis. The last re-estimation was for the CEE countries. No significant association between BIT signing and FDI was found, even though some authors 'blame' the CEE countries for causing this significant association. The differential effect of the main model was not found as such in the CEE countries. In one estimation, in the sixth model of both the GLS and 2SLS estimation, the coefficients behaved according to expectations. Countries with a lower property right protection suffer more from lost cases than countries with a higher property right protection index in Central and Eastern Europe.

6. Sensitivity Analysis

The main results that are found in the previous chapter indicate that BITs do not have any association with investments and that lost cases have a differential effect on incoming FDI. However, it might be the case that these results are found due to the specific indicators that were used in the analysis. To check the validity of the findings, this chapter scrutinizes the results that were found in the previous chapter. I will focus on the models that were used to test hypothesis three, as these were the most extensive models. Also, the primary conclusions were based on these models. The first section of this chapter will introduce time trends and time fixed effects to the last estimations. The second section re-estimate the models using the 'BITs signed with OECD countries' variable. In all estimations of hypothesis 2 and 3, the total number of BITs signed with any country was used as a variable. The third section will estimate models with different indicators for FDI. The absolute value of FDI will be used as a dependent variable, the fraction of FDI to the nations GDP and the fraction of FDI to the FDI worldwide. The fourth section will leave out the five countries with the highest amount of pending cases to see whether these countries had a big influence on the estimates. The sixth section will re-estimate the model using a shorter time period, namely from 2000 to 2016, because during the period 1970 to 2000, the number of cases installed was relatively low. Also the WEF, property right index had only one observation in each five years during this period. The seventh and last section will use the original values of the tertiary school enrolment, excluding the observations obtained through interpolation. The calculation of the skill gap and the interaction variables in this estimation are also based on the original observations.

6.1. Time Trend and Time Fixed Effects

The first robustness check consists of adding a time trend. In my analysis, I followed the approach of Allee & Peinhardt (2011) by controlling for the world FDI. Other researchers such as Tobin & Rose-Ackerman (2005) and Egger & Merlo (2007) included time trends. Aisbet (2007) also included time fixed effects. Table 1A in Appendix D shows the GLS estimations with a time trend and time fixed effects. The time trend is significant for all estimations. The table also shows all estimations for the year dummies. Some time dummies are excluded because of collinearity. The time dummies show overall that there was an upward trend of FDI over the years, with some large decreases in some periods Quite some year dummies are significant and the estimates are all negative. The significant dummies indicate years during which FDI did not follow the trend. In the recent years, this was in particular in 2000 and 2001, in 2006 and 2007 and in 2012 and 2014. The figure below shows a plot of the development of FDI through time. As the world FDI appears quite volatile in the recent years and only a crisis variable and a linear variable for the FDI trend was used through time, it might have been more appropriate to include a trend term and account for the years during which a strong drop

in worldwide FDI was observed.

Table 1B in Appendix D show the 2SLS estimations with a time trend. Interestingly, the estimated coefficients for the BIT variable is now significant at the 10% level and negative. For both estimation methods, there is still a differential effect of lost investor-state disputes estimated, and this effect is significant. Furthermore, the WEF property right index is still significant and positive across all models. The interaction variable of the skip gap and GDP is negative and significant on the 10% level in the GLS estimations.

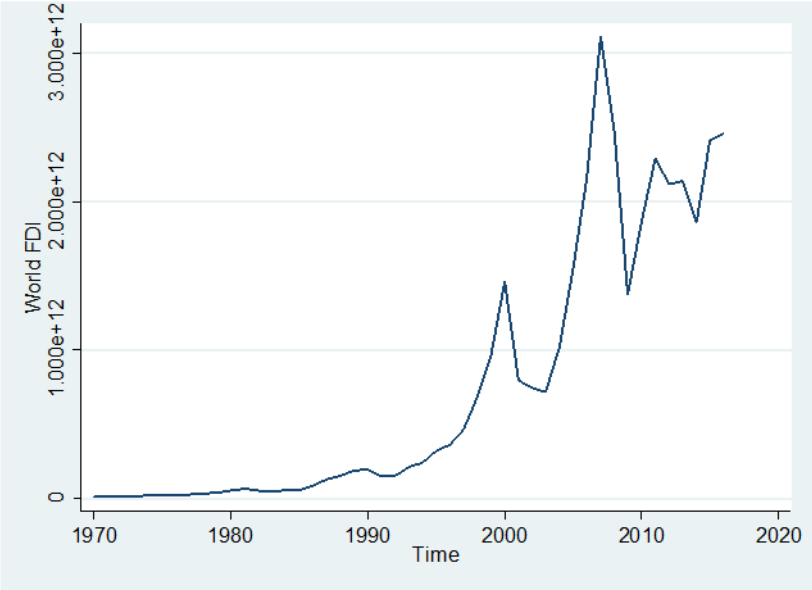

Figure 6.1. Development of the total FDI throughout the years

6.2. The BIT variable

In the earlier estimations it was shown that the estimated coefficients for BITs signed with OECD countries was higher than the estimated coefficients for BITs signed with any countries. All further analysis was based on this latter variable. This decision was made because the difference in coefficients of the different definitions was not large, as all coefficients were insignificant in the fixed effects estimations.

To see whether this decision has influenced the results, the 2SLS and GLS models are re-estimated using the variable 'BITs signed with OECD countries'. This means that for the 2SLS regression, the instrument applied is the weighted neighboring countries' average number of BITs signed with OECD countries. The results are shown in Table 2A and 2B in appendix D. No notable changes have occurred compared to the results in Chapter 5. The main results remain the same and the BIT variables remain insignificant.

6.3. The Dependent Variable

In all estimations, the log of the net FDI inflow was used as a dependent variable. This was done following the analysis of Allee & Peinhardt (2011). As a robustness check, they also looked at whether using the absolute FDI changed their result. I will also execute this check. Furthermore, other papers have used other variables and checked whether changing the dependent variable changed the result (Hallward-Driemeier, 2003). As the literature review showed, FDI divided by the worldwide FDI was also used as a dependent variable (Neumayer & Spess, 2005). The percentage of FDI to the nation's GDP was also used (Hallward-Driemeier, 2003). To check whether the definition of the dependent variable influenced my results, I will rerun the analysis using all these definitions. All resulting tables can be found in Tables 3 to 5 in Appendix D.

Table 3A and 3B show the results using the absolute values of the FDI inflows. It appears that some of the estimated coefficients and their significance is quite different. First of all, in the GLS estimation, the estimates for the most important coefficients in the first three models are now significant. Each pending case has a significant negative association with FDI of $4.346 billion. The interaction variable has a positive sign, meaning that countries with a higher institutional quality experience a less negative effect. The second and the third model have the same implications. The two coefficients are significant at the 10% level in the second model and on the 1% level in the third model. The effect that was found in previous estimates for lost cases is not significant in the GLS estimations. Settled cases also have a negative effect, but it is much smaller than that of a pending case. Each settled case in the last 5 years is associated with a $5.8 billion decrease in investment. But this negative effect is diminished by the interaction effect when a country has a decent institutional quality index of above 5. For some estimates, the coefficient for signing a BIT is positive, on the 10% level. The 2SLS estimations show very similar estimations as the GLS estimations, but one striking difference is that the estimated coefficients for the BIT variable are significant at the 5% level in the 2SLS estimations. In the GLS estimations they are significant at the 10% levels in some models. The 2SLS estimations indicate that signing an additional BIT is associated with a roughly $3.5 billion increase in FDI.

Table 4A and 4B show the results using the FDI values divided by the worldwide FDI. Of course, the estimated coefficients are much lower than the previous estimations that used the absolute FDI value. Overall, the results are very similar to the estimations using absolute FDI. Again, the coefficients for the models estimating the effect of lost cases are not significant and the significant coefficients are found for the registered and pending cases. For settled cases, significant coefficients are found when the variable takes into account all settled cases of the last five years. Both the coefficient of this indicator and of the corresponding interaction variable are significant at

the 1% level. Interestingly, there is one large distinction with the previous estimations. In these estimations, the BIT variable is not significant for both estimation methods.

Table 5A and 5B show again estimations using GLS and 2SLS. In these tables the FDI fraction of the country's GDP is used as a dependent variable. For the GLS estimations, only the coefficients of interest in the first two columns are significant. A pending case is associated with a 0.5% decrease of investment in terms of the nation's GDP. This effect is offset by the positive interaction variable. The 2SLS results report more or less the same. These estimations support the story again that countries with a poor institutional quality score are hit harder by pending cases. The coefficients for lost and settled cases are not significant for the GLS estimations, and only the coefficient for settled cases in the last two years is significant for the 2SLS model. It has a negative sign and the interaction variable in the same model is not significant. A very different result in the GLS estimations is that all coefficients for the BIT variable are significant at the 5% level and negative. Thus, the model predicts that signing additional treaties has a negative effect on investment. These results are not found in the 2SLS estimation, which accounts better for endogeneity thanks to the inclusion of an instrument.

All in all, the choice of the dependent variable has a large impact on the results that are found. This is similar to what was found by Hallward-Driemeier (2003). In one estimation, BITs are positively correlated with FDI and in another BITs have a negative association with FDI. One result that consistently comes forward in all estimations is that pending cases have a negative effect on FDI, and that this effect is less negative for countries with higher levels of institutional quality. Several models also show that settling is negatively correlated with FDI. However, the main results in chapter 5 that lost cases affect countries with a higher property right index more negatively compared to countries with a lower property right index, does not come forward in any of the re-estimated models in this section.

6.4. Influence of Outliers

It is possible that some effects are mainly caused by extreme observations or that a few extreme observations influence the results in such a way that coefficients are not correctly estimated. This gives reason to exclude extreme observations, which was also done by Neumayer & Spess (2005). Allee & Peinhardt (2011) excluded Argentina, because of its high number of cases. I have re-estimated the models in which the five countries that have encountered the highest amount of pending cases are excluded from the sample. These countries are Argentina, Ecuador, Egypt, India and Venezuela.

The results of these new estimates are shown in Table 6A & 6B. The estimates for some coefficients slightly change. The estimated values for the cases lost last year, in the previous two years and in the previous five years, increase in value. They remain significant at the 1% level. The

coefficients of the interaction variables, that remain significant at the 1% level as well, do not change that much. This means that by excluding the outliers, it is found that the effect of lost cases is less large, in particular for countries that have a WEF property right index of around 5. The result that countries with high levels of property protection still suffer more from lost cases still stands.

An even more interesting change is that the values for settled cases in column 7 and the corresponding interaction variable became significant at the 1% level. It shows the same story as with the lost cases. When countries with a high property right index settle a case they will experience a loss in investment, whereas a country with a lower property right index will not experience this loss according to these estimations.

6.5. Estimation Period

There are a couple of reasons to argue that the period 2000-2016 is a more appropriate period to run the analysis. First of all, the use of ISDS only started to become more common in the late 1990s. Before this increase in popularity of ISDS, cases were only installed rarely. Secondly, for the period 1970-2000, the WEF property right index only had one observation in each five years. Thus, I based my analysis on values calculated through interpolation in the years between each observation.

Table 7A & 7B show the estimates over the period 2000-2016. The coefficients in column 5 of the GLS estimations are no longer significant, but overall the primary results are still the same. A lost case still has a positive effect, albeit on a 10% level, and this positive effect is turned into a negative effect when the country scores high on the property right index. The estimation of the 2SLS models show the same. The WEF property right index is still significant at the 5% level across all estimations. Thus, shortening the time period makes some coefficients insignificant, but the primary results still stand. It is still found that lost cases have a differential effect on investment depending on property right protection.

6.6. Original Values Tertiary Enrollment

As described in chapter 4, I have obtained more observations for the tertiary enrollment ratio through interpolation. This decision could have had a big influence on my analysis. The enrollment ratio was not only used as an independent variable, it was also used to calculate the skill gap. The skill gap in its turn was interacted with the GDP per capita difference and trade. Therefore, I recalculated the skill gap and these interaction variables using the original values of the tertiary enrolment ratio. I used these values and the original enrollment ratio to re-estimate the models to see whether the decision of interpolating the enrolment ratio has significantly influenced my results.

Table 8A & 8B show the estimations based on only the original observations of the tertiary school enrolment. The number of observations of these models is much lower than in the models

used in chapter 5. For the 2SLS models, the number of observations was ranging between 2062 and 2000, depending on the model. The number of observations when the original observation of the tertiary school enrollment are used range between 1246 and 1226. This is a difference of roughly 800 observations. The number of observations in the GLS model decreased by almost 850, from ranging between 2192 and 2194 to 1347 and 1325.

The new estimations in Table 8A & 8B show some changes in results. The first two coefficients were significant on a 1% level in model 4 and 5 for both estimation methods and now these coefficients are no longer significant. The coefficients for model 6, where the case lost variable takes into account all cases lost in the last five year, is still significant together with the interaction variable. Both are significant at the 10% level, while they were significant at the 1% level. Also the value of the estimated coefficients are decreased by half. Thus, losing a case as a country with a high property right index, has a much lower negative effect in these estimations than in the estimations in the previous chapter. The value for settled cases in column 7, is significant at the 5% level and also the interaction variable is now significant at the 10% level. The estimated coefficients also indicate that settling a case is more negative for countries with good property rights protection than countries with poor property right protection. Lastly, the level of significance of the WEF property right protection index on the basis of the estimations in the previous chapter was 1%. Now the estimated coefficients are only significant at the 10% level.

The question is whether these different estimates are caused by different educational enrollment values or due to a smaller sample. I am inclined to think the latter. The much smaller sample causes variables that have a strong association with FDI to become less significant or even insignificant. If the observations for tertiary school enrolment that were obtained by interpolation were not entirely correct, it would have barely influenced the estimates. Throughout this thesis, the estimates for the skill gap, education and the interaction variables with the skill gap have not been significant in most estimations.

7. Conclusion

This research has made a contribution to the debate on the effect of BITs on FDI. Furthermore, it has added new insights on the not so widely researched effect of investor-state disputes on FDI. For example, it extended the period of earlier analysis on the monadic level with 10 years. Lastly, this research also made an analysis on the differential effect of investor-state disputes between countries with different investment climates. Such a type analysis has not be done before.

7.1. Main Findings

The simplest models, discussed in section 5.1 estimated whether BITs have a significant positive association with FDI. In the random effects GLS estimations, such a significant association was found. However, this association was not found when fixed effects were introduced. For all fixed effects GLS estimations, it was found that BITs do not have any association with FDI. It also did not matter whether the model only took into account signed or ratified BITs or only signed or ratified BITs with OECD countries. The 2SLS estimations, which used the neighbor average BITs concluded as an instrument to address endogeneity issues, also did not find any significant effects of BITs on FDI. The hypothesis that BITs have a positive effect on FDI could therefore not be accepted.

In section 5.2, the models were extended with the introduction of investor-state disputes. The amount of pending cases, and the number of cases registered, lost or settled in the last two and five years were all used as variables in different estimations. All estimated coefficients for these variables in both the GLS models and the 2SLS were not significant. Also the BIT variable remained not significant across all estimations. The hypothesis that investor-state disputes have a negative effect on FDI could therefore not be accepted.

The testing of hypothesis 3 yielded results that also shed a new light on the conclusions concerning hypothesis 2. The models of section 5.2 were further extended in section 5.3 by introducing an interaction variable between the investor-state dispute variable used in the specific estimation and the WEF property right index. There appeared to be a negative effect of cases lost on FDI and this negative effect depended on the value of the property right index. The estimations predicted that countries with a high value of property right protection would suffer a stronger loss in FDI than countries with a lower value. Interestingly, this was the opposite from the effect predicted according to the theory.

In section 5.4 the models were re-estimated using regional subsamples. The findings in Asia and Africa were the same as the main findings, regarding the variables of interest. There were only some differences in the absolute values of the coefficients, but the variable of the cases lost was positive and significant and the interaction variable was negative and significant. For South and Central America, this effect was less strong and it appeared that the BIT variable was positive and

significant for all estimations using the South and Central American subsample. However, it is very questionable whether this association indicates causation. For CEE countries, also different results were found than in the main models. For this subsample, the estimated coefficient indicated that countries with low values of the property right protection would suffer more instead of less from cases lost. The BIT variable for the CEE countries remained insignificant across all estimations.

The robustness checks discussed in chapter 6 created some doubts over the main results that were found, in particular regarding the interaction between property right protection and cases lost. It was shown that the results are very sensitive to the way in which the dependent variable is defined. If the absolute value of FDI is used as the dependent variable, estimations regarding registered and pending cases are also significant. Alternatively, when the FDI variable is defined as the fraction of worldwide FDI or as the fraction of the country's GDP, the results were different again. When the latter two definitions were used, it appeared that registered and pending cases had a particularly negative effect on FDI. This negative effect was not found for lost cases and for settled cases only when it was defined as the amount of settled cases in the past five years. However, all estimations showed a different effect of dispute settlement cases depending on the property right protection index. At the same time, the differential effects that were estimated in the models of the robustness checks were different from the results in Chapter 5. The models in Chapter 5 predicted that countries with high levels of property right protection would suffer more from lost cases.

Other sensitivity checks did not create doubts about the findings. Including a trend term and time fixed effects did not change the estimated coefficients. However, this check showed that it would have been better to include a trend term and (some) time dummies instead of the worldwide FDI in the estimations. Another check showed that the results did not change when the BIT variable was defined differently. Excluding the five countries that experienced more than 20 pending cases at some point in time, also did not lead to different results. Furthermore, estimating the models over the period 2000 to 2016 did not produce different results, although it lead to less significant estimations. Lastly, because I filled in missing observations of tertiary school enrollment using interpolation, I also estimated the models using the original values of the tertiary school enrollment. This lead to less significant estimations and some estimated coefficients became insignificant. This is probably due to the fact that the models were based on a much lower number of observations. It is very unlikely that the gaps in the tertiary school enrollment variable were filled with observations that were very different from the real values. Therefore, I think that the interpolation helped me to base my analysis on more observations and that it did not significantly influence the results.

7.2. Shortcomings

Especially the findings about how the interaction between investor-state disputes and the property right index functions exactly, have to be interpreted with caution. There is too much inconsistency across the different methods to draw general conclusions. The results were very sensitive to the definition used of FDI, but the estimates of the fraction of FDI to the worldwide FDI and the fraction of FDI to GDP were quite similar. Perhaps these definitions are less susceptible to volatility in the worldwide FDI trend.

The analysis of this thesis also suffers from a few other shortcomings. One problem that was already discussed as a potential problem in the beginning of Chapter 3 is that of non-random missing data. It is possible that there are certain characteristics of the countries that have more data available and that these characteristics also have an impact on the predicted findings. For instance, countries that did not have observations of the WEF property right index were simply excluded from the sample. It could be the case that investor-state disputes would have a very high negative impact for this specific group of countries and that if these countries would have had a score on the property right index, this score would be very low. The fact that these countries are not included in the analysis could have definitely influenced the findings. Therefore the conclusions should not be applied to countries that were not included in the sample.

Furthermore, it also possible that there are other factors that are not taken into account that can determine both FDI and other variables of interest in the estimations. This problem of omitted variable bias, was also discussed in Chapter 3. An example of an omitted variable could be the position of the government towards a free market economy. A government promoting a free market economy would have a positive effect on incoming investments, on the BITs signed by a country and also on the property right index. Of course, my analysis did not include such a variable indicating whether a country is promoting an open market and is friendly towards foreign investors.

Lastly, it was already discussed that the instrument used for the 2SLS estimation is not optimal. Even though most first stage estimates showed very high correlations and the monotonicity assumption is not violated, the instrument is not random. Whether neighboring countries signed BITs is highly dependent on the state's location, perhaps its ties with certain OECD countries and many other factors. These factors are also correlated with the decision of a state to sign a treaty. However, there are not many examples of perfect instruments. In some specifications the 2SLS models gave significantly different coefficients for the BIT variable compared to the GLS models. Therefore, it was an appropriate attempt to deal with the problem of the common trend of BITs and FDI, which was identified as a problem in the theory section. It was visible, however, that the 2SLS models did not generate much different estimations from the GLS models for the other variables that were not

instrumented. Thus, that all other estimated coefficients were consistently estimated in both the GLS model and the 2SLS model was not a very impressive result.

7.3. Main Conclusions

Taking into account all results, the robustness checks and the shortcomings, the main conclusions of this thesis are as follows. First, no association was found between the signing or ratification of BITs and a country's incoming investments. Second, there is evidence that investor-state dispute cases have a negative association with FDI. However, this negative effect is only observed when the estimated model controls for a differential effect between countries with different investment climates. Third, there appears to be a differential effect of investor-state disputes between countries with different values of the property right protection index. The main models showed that more loss in FDI is expected when a country loses an investment dispute if this country has better property right protection than when this country has worse property right protection. However, other models in the robustness checks indicated that a loss in FDI is found when a claim is filed against a country and that this loss is higher for countries with poorer property right protection than countries with better property right protection. Thus, there is definitely an interaction there, but it changes depending on the definition of the model. It could also be that both models are right. Investors respond more negatively when a claim is filed against a country with poor property right protection, because they were already uncertain about the country's investment climate in the first place. At the same time, they respond more negatively when a case is lost by a country that has better property right protection since that country loses relatively more reputation when it loses a case.

7.4. Policy Implications and Further Research

One of the main findings is that there is no positive association between the conclusion of BITs and FDI. If a country wishes to attract more FDI, it should therefore not focus on concluding BITs with other countries. It is possible that in the recent years, the effect of BITs has been overshadowed due to the conclusion of all kinds of regional and bilateral FTAs that can also contain ISDS provisions. This is an interesting subject for future research. Different bilateral and regional trade agreements and investment treaties should all be mapped carefully to determine to what extent and for how many nationalities each country consents to ISDS. Only in that way it can truly be established whether the availability of international arbitration to foreign investors would increase their willingness to invest. Projects such as the Design of Trade Agreements that attempt to map all the relevant treaties and code all kind of different provisions would make it possible to research this.

The most important policy implication of all models are the positive estimates of the WEF property right protection index. Hence, countries that score low on this index should primarily focus

on reforming institutions, reducing corruption and other measurements to ensure better property right protection. It appears that a good investment climate remains the best way to attract investments and that the protection of an international tribunal cannot substitute for poor property right protection in a country. Indeed, no evidence for a substitution effect was found. If there would have been a substitution effect, BITs would have had a very positive impact on FDI in regions with a low institutional quality. An analysis of the subsample of Arica did not find this.

Another suggestion for future research is a more thorough investigation of the interaction between investor-state disputes and the investment climate of a country. One could interact the different investor-state dispute indicators with other indicators of investment climate. Perhaps additional analysis would provide more clarity on whether investor-state disputes have a more negative effect on countries with a relatively better investment climate or countries with a relatively poorer investment climate. Or it could be the case that this interaction works differently depending on whether cases are pending, registered or lost, which I suggested as an explanation for the different findings in the robustness checks. In the end, the main finding of this thesis that there is an interaction between investment climate and the effect of disputes, is absolutely a newly discovered outcome that definitely deserves further exploration and research.

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Appendix A: REGIONAL DIVISIONS

Sample Main Analysis			
Albania	Cote d'Ivoire	Lebanon	Romania
Algeria	Croatia	Macedonia, FYR	Russian Federation
Angola	Dominican Republic	Madagascar*	Rwanda
Argentina	Ecuador	Malawi	Senegal
Armenia	Egypt, Arab Rep.	Malaysia	Sierra Leone
Azerbaijan	El Salvador	Mali	Singapore
Bangladesh	Ethiopia	Moldova	South Africa
Benin	Georgia	Morocco	Sri Lanka*
Brazil	Ghana	Mozambique	Tajikistan
Bulgaria	Guatemala	Myanmar	Tanzania
Burkina Faso	Guinea	Nepal	Thailand
Burundi	Honduras	Nicaragua	Togo
Cambodia	Hong Kong*	Niger	Tunisia
Cameroon	India	Nigeria	Uganda
Central African Rep.	Iran, Islamic Rep.	Pakistan	Ukraine
Chad	Iraq	Panama	Uruguay
China	Jamaica*	Papua New Guinea	Venezuela, RB
Colombia	Kazakhstan	Paraguay	Vietnam
Congo, Dem. Rep.	Kenya	Peru	Zambia
Congo, Rep.	Kyrgyz Republic	Philippines*	Zimbabwe
Costa Rica	Lao PDR		

Table 1. List of all 82 countries that are included in the GLS analysis. The 5 countries indicated with an asterisk (*) are not included in the 2SLS analysis, because they are islands or have a special status. Hence, the 2LSL estimations are based on 77 countries.

OECD Countries			
Australia	France	Korea, Rep.	Portugal
Austria	Germany	Latvia*	Slovak Republic*
Belgium	Greece	Lithuania*	Slovenia*
Canada	Hungary	Luxembourg**	Spain
Chile*	Iceland**	Mexico	Sweden
Czech Republic	Ireland	Netherlands	Switzerland
Denmark	Italy	New Zealand	Turkey
Estonia*	Israel*	Norway	United Kingdom
Finland	Japan	Poland	United States

Table 2. List of OECD countries. The countries with an asterisk (*) became member of the OECD after 2010. When hen these countries were a counter party to a BIT, this BIT was not coded as “BIT signed with OECD country”. The countries with a double asterisk (**) are not included in the descriptive statistics, because they did not meet the 1 million population threshold. However, when these countries were a counter party to a BIT, this BIT was coded as ‘BIT signed with OECD country’.

North Africa	Sub Sahara Africa		
Algeria	**East Africa**	**West Africa**	**Mid Africa**
Egypt, Arab Rep.	Burundi	Benin	Angola
Morocco	Ethiopia	Burkina Faso	Cameroon
Tunisia	Kenya	Cote d'Ivoire	Central African Rep.
	Madagascar	Ghana	Congo, Dem. Rep.
	Malawi	Guinea	Conge, Rep.
	Mozambique	Mali	
	Rwanda	Niger	
	Tanzania	Nigeria	
	Uganda	Senegal	
	Zambia		
	Zimbabwe		

Table 3. List of African Countries in the sample and the region they belong to.

Asia				
Hong Kong	**West Asia**	**South East Asia**	**South Asia**	**Central Asia**
China	Armenia	Cambodia	Bangladesh	Kazahkstan
Japan	Azerbaijan	Malaysia	India	Kyrgyz Republic
Korea, Rep.	Egypt, Arab Rep.	Philippines	Nepal	Tajikistan
	Georgia	Singapore	Pakistan	
	Israel	Thailand	Sri Lanka	
	Lebanon	Vietnam		
	Turkey			

Table 3. List of Asian Countries in the sample and the region they belong to.

North America	Central America	South America
Canada	Costa Rica	Argentina
Mexico	El Salvador	Brazil
United States	Guatemala	Chile
	Honduras	Colombia
	Nicaragua	Ecuador
	Panama	Paraguay
		Peru
		Uruguay

Table 4. List of American countries in the sample and the region they belong to.

Europe			
Albania*	**European Union**		
Macedonia, FYR	Austria	France	Netherlands
Moldova	Belgium	Germany	Poland*
Norway	Bulgaria*	Greece	Portugal
Russian Federation	Croatia*	Hungary*	Romania*
Switzerland	Czech Republic	Ireland	Slovenia*
Ukraine	Denmark	Italy	Slovak Republic*
	Estonia*	Latvia*	Spain
	Finland	Lithuania*	Sweden
			United Kingdom

Table 5. List of European countries in the sample and the regions they belong to. The countries with an asterisk (*) are part of the region Central and Eastern Europe (CEE), which is also used as a region in this thesis.

Caribbean	Oceania
Dominican Republic	Australia
Jaimaica	New Zeeland
	Papua New Guinea

Table 6. List of countries in the Caribbean and Oceania.

Appendix B: TABLES AND FIGURES DESCRIPTIVE STATISTICS

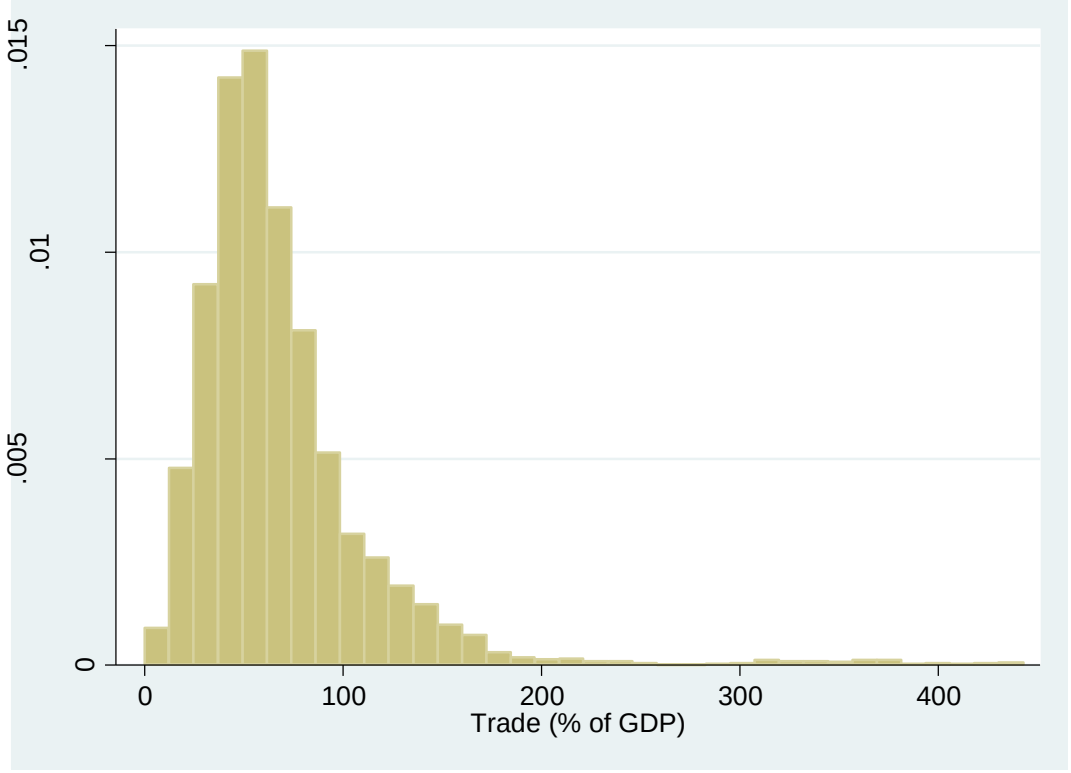

Figure 1. Density curve of trade as a fraction of GDP of sample main analysis

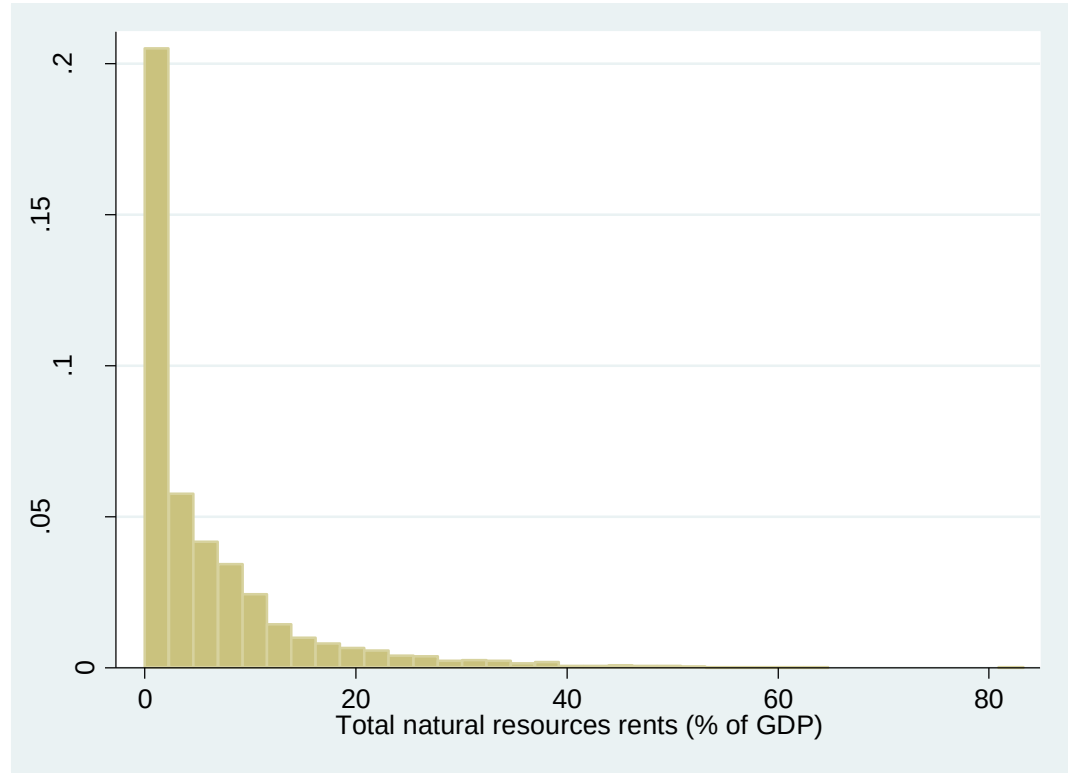

Figure 2. Density curve of natural resource rents as a fraction of GDP of sample main analysis.

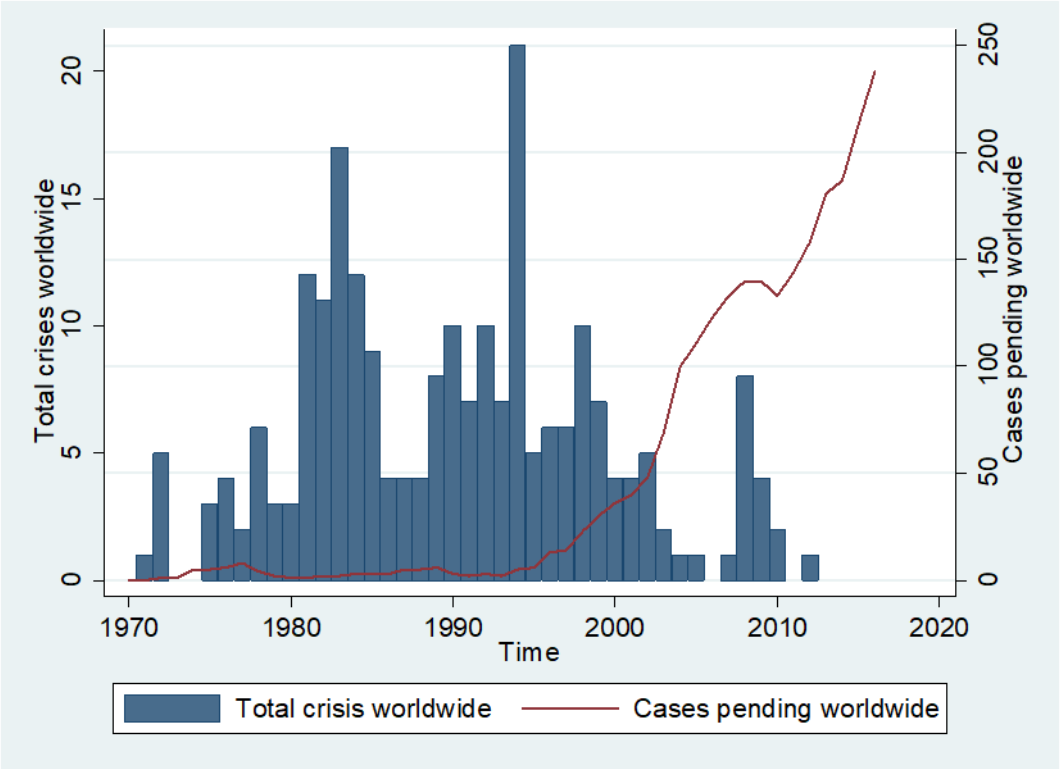

Figure 3. Total crises worldwide and the total number of cases pending worldwide in full sample

Variable	Obs	Mean	Std. Dev.
School Enrollment (%)	2515	16.13	17.56
School Enrollment (%) Interpolated	3493	15.53	17.04
Skill Gap	2515	30.24	17.18
Skill Gap Interpolated	3493	30.61	17.21

Table 1. Comparison between the descriptive statistics of the original observations and observations supplement through interpolation of tertiary school enrollment ratios and skill gaps in sample main analysis.

Foreign Direct Investment									
	1970-1980			1980-1990			1990-2000		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	N	Mean	Std. Dev.
OECD	217	0.811	(1.25)	257	2.870	(7.91)	314	8.740	(23.00)
Europe	139	0.666	(1.00)	157	1.850	(3.81)	273	5.460	(10.90)
European Union	129	0.694	(1.03)	140	1.980	(4.00)	222	6.280	(11.90)
Central & Eastern Europe	4	0.017	(0.01)	10	0.016	(0.01)	101	0.947	(1.53)
North America	30	2.290	(1.94)	30	12.900	(18.70)	30	36.600	(61.10)
Central America	29	0.027	(0.03)	60	0.034	(0.14)	60	0.221	(0.29)
Latin America	64	0.199	(0.49)	80	0.433	(0.65)	80	3.080	(5.89)
Africa	242	0.042	(0.12)	304	0.067	(0.22)	325	0.166	(0.38)
North Africa	27	0.121	(0.24)	40	0.279	(0.39)	37	0.395	(0.32)
Sub Sahara Africa	215	0.032	(0.10)	264	0.035	(0.16)	288	0.136	(0.38)
East Africa	90	0.012	(0.02)	90	0.013	(0.03)	108	0.064	(0.10)
West Africa	85	0.048	(0.11)	104	0.051	(0.23)	110	0.148	(0.36)
Mid Africa	30	0.028	(0.05)	60	0.045	(0.08)	60	0.125	(0.37)
Asia	127	0.095	(0.17)	168	0.366	(0.70)	215	2.860	(7.19)
Central Asia	-	-	-	-	-	-	23	0.380	(0.55)
Southeast Asia	45	0.166	(0.19)	50	0.720	(0.84)	58	3.170	(3.44)
South Asia	49	0.064	(0.18)	60	0.035	(0.08)	56	0.398	(0.75)
West Asia	26	0.036	(0.05)	30	0.099	(0.14)	46	0.538	(0.73)
Oceania	30	0.433	(0.51)	30	1.590	(2.10)	30	2.810	(2.97)
Caribbean	14	0.034	(0.04)	20	0.038	(0.04)	20	0.294	(0.30)

Table 2A. Descriptive statistics of foreign direct investment (FDI) per 10 year period across regions for the years 1970-2000 The values reported are in billions of dollars.

Foreign Direct Investment						
	2000-2010			2010-2016		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.
OECD	338	32.700	(69.30)	238	34.900	(73.20)
Europe	308	25.600	(61.10)	217	22.800	(50.70)
European Union	248	29.300	(67.10)	175	24.800	(54.90)
Central & Eastern Europe	120	5.000	(10.10)	84	3.860	(9.06)
North America	30	97.600	(109.00)	21	137.000	(155.00)
Central America	60	0.706	(0.75)	42	1.740	(1.45)
Latin America	80	6.260	(9.58)	56	17.700	(27.00)
Africa	328	0.762	(1.68)	231	1.270	(1.99)
North Africa	40	2.220	(2.72)	28	2.470	(2.07)
Sub Sahara Africa	288	0.560	(1.38)	203	1.100	(1.92)
East Africa	108	0.273	(0.33)	77	1.120	(1.30)
West Africa	110	0.541	(1.44)	77	1.120	(1.76)
Mid Africa	60	0.494	(0.84)	42	0.487	(2.52)
Asia	260	9.470	(22.20)	182	21.900	(52.30)
Central Asia	30	2.360	(4.48)	21	3.860	(5.48)
Southeast Asia	60	6.350	(8.91)	42	16.500	(21.70)
South Asia	60	3.480	(8.01)	42	7.010	(12.70)
West Asia	70	3.240	(4.67)	49	4.990	(4.79)
Oceania	30	7.630	(15.70)	21	17.600	(25.30)
Caribbean	20	1.040	(0.62)	14	1.420	(1.02)

Table 2B. Descriptive statistics of foreign direct investment (FDI) per 10 year period across regions for the years 2000-2016. The values reported are in billions of dollars.

Property Right Protection					
	1970-1980				
	N	Mean	Std. Dev.	Min	Max
OECD	250	5.48	(1.31)	0.99	7.80
Europe	150	5.52	(1.21)	0.99	7.80
European Union	130	5.43	(1.27)	0.99	7.80
Central & Eastern Europe	-	-	-	-	-
North America	30	6.17	(1.17)	4.28	7.66
Central America	-	-	-	-	-
Latin America	60	3.18	(1.21)	1.02	5.41
Africa	70	3.00	(1.03)	0.93	4.94
North Africa	40	2.85	(1.18)	0.93	4.94
Sub Sahara Africa	30	3.19	(0.79)	2.33	4.87
East Africa	10	4.23	(0.34)	3.79	4.87
West Africa	10	2.73	(0.14)	2.53	2.95
Central Africa	-	-	-	-	-
Asia	120	4.73	(1.86)	1.27	8.09
Central Asia	-	-	-	-	-
Southeast Asia	40	5.36	(1.37)	3.01	7.83
South Asia	30	2.41	(0.79)	1.27	4.16
West Asia	20	4.28	(0.82)	2.72	5.34
Oceania	20	5.93	(0.84)	4.56	7.48
Caribbean	-	-	-	-	-

Table 3A. Descriptive statistics property right protection across regions, 1970-1980.

Property Right Protection					
	1980-1990				
	N	Mean	Std. Dev.	Min	Max
OECD	250	5.48	(1.31)	0.99	7.80
Europe	150	5.52	(1.21)	0.99	7.80
European Union	130	5.43	(1.27)	0.99	7.80
Central & Eastern Europe	-	-	-	-	-
North America	30	6.17	(1.17)	4.28	7.66
Central America	-	-	-	-	-
Latin America	60	3.18	(1.21)	1.02	5.41
Africa	70	3.00	(1.03)	0.93	4.94
North Africa	40	2.85	(1.18)	0.93	4.94
Sub Sahara Africa	30	3.19	(0.79)	2.33	4.87
East Africa	10	4.23	(0.34)	3.79	4.87
West Africa	10	2.73	(0.14)	2.53	2.95
Central Africa	-	-	-	-	-
Asia	120	4.73	(1.86)	1.27	8.09
Central Asia	-	-	-	-	-
Southeast Asia	40	5.36	(1.37)	3.01	7.83
South Asia	30	2.41	(0.79)	1.27	4.16
West Asia	20	4.28	(0.82)	2.72	5.34
Oceania	20	5.93	(0.84)	4.56	7.48
Caribbean	-	-	-	-	-

Table 3B. Descriptive statistics property right protection across regions, 1980-1990.

Property Right Protection					
	1990-2000				
	N	Mean	Std. Dev.	Min	Max
OECD	275	6.47	(0.94)	3.35	7.95
Europe	190	6.47	(0.90)	3.18	7.95
European Union	165	6.40	(0.85)	3.18	7.83
Central & Eastern Europe	30	5.39	(0.95)	3.18	6.75
North America	30	6.93	(0.66)	5.63	7.66
Central America	60	2.61	(0.72)	1.71	4.10
Latin America	80	4.23	(0.97)	2.34	5.80
Africa	235	3.11	(1.02)	1.24	5.52
North Africa	40	3.32	(1.16)	1.24	5.05
Sub Sahara Africa	195	3.07	(0.98)	1.34	5.52
East Africa	65	3.52	(1.09)	1.38	5.49
West Africa	80	2.83	(0.81)	1.94	5.52
Central Africa	40	3.08	(0.84)	2.01	5.12
Asia	145	4.71	(2.06)	1.17	8.40
Central Asia	-	-	-	-	-
Southeast Asia	40	5.57	(1.91)	2.30	8.13
South Asia	50	2.65	(1.10)	1.17	4.72
West Asia	20	4.95	(0.69)	3.35	5.72
Oceania	25	7.00	(0.50)	5.99	7.69
Caribbean	20	3.50	(0.85)	2.45	4.54

Table 3C. Descriptive statistics property right protection across regions, 1990-2000.

Property Right Protection					
	2000-2010				
	N	Mean	Std. Dev.	Min	Max
OECD	340	7.17	(1.15)	4.10	9.14
Europe	302	6.78	(1.35)	3.82	9.14
European Union	250	6.92	(1.16)	4.82	9.14
Central & Eastern Europe	120	5.90	(0.69)	4.54	7.33
North America	30	6.81	(1.62)	4.10	8.47
Central America	60	4.45	(0.89)	2.97	6.32
Latin America	80	4.53	(0.91)	3.12	6.88
Africa	302	3.81	(1.20)	1.35	6.53
North Africa	40	4.85	(0.80)	3.29	6.12
Sub Sahara Africa	262	3.66	(1.17)	1.35	6.53
East Africa	102	4.23	(1.04)	2.31	6.53
West Africa	95	3.46	(0.93)	2.02	5.76
Central Africa	55	2.59	(0.73)	1.35	3.79
Asia	196	5.56	(1.48)	2.20	8.66
Central Asia	10	5.07	(0.79)	3.98	5.94
Southeast Asia	47	6.10	(1.43)	4.15	8.66
South Asia	60	4.14	(1.07)	2.20	6.51
West Asia	39	5.71	(0.47)	4.45	6.62
Oceania	30	7.26	(1.71)	4.48	8.81
Caribbean	20	4.39	(0.34)	3.65	5.00

Table 3D. Descriptive statistics property right protection across regions, 2000-2010.

Property Right Protection					
	2010-2016				
	N	Mean	Std. Dev.	Min	Max
OECD	238	7.03	(1.13)	4.13	8.91
Europe	217	6.65	(1.30)	4.21	8.91
European Union	175	6.82	(1.06)	4.66	8.91
Central & Eastern Europe	84	5.93	(0.68)	4.47	7.51
North America	21	6.50	(1.59)	4.13	8.16
Central America	42	4.58	(0.76)	3.44	5.94
Latin America	56	4.66	(0.98)	3.58	6.80
Africa	228	4.08	(1.12)	1.62	7.32
North Africa	28	4.72	(0.89)	3.31	6.98
Sub Sahara Africa	200	4.00	(1.12)	1.62	7.32
East Africa	77	4.62	(1.13)	2.78	7.32
West Africa	74	3.84	(0.70)	2.33	5.51
Central Africa	42	2.85	(0.50)	1.62	3.67
Asia	176	5.31	(1.29)	2.73	8.29
Central Asia	21	5.02	(0.63)	4.19	6.10
Southeast Asia	42	5.47	(1.35)	3.99	8.29
South Asia	42	4.20	(0.83)	2.73	5.58
West Asia	43	5.33	(0.87)	2.77	6.61
Oceania	21	7.22	(1.73)	4.10	8.79
Caribbean	14	4.53	(0.37)	4.03	5.16

Table 3E. Descriptive statistics property right protection across regions, 2010-2016.

Skill Gapp					
	1970-1980				
	N	Mean	Std. Dev.	Min	Max
Europe	217	7.77	(9.05)	-22.10	24.55
European Union	162	9.63	(5.91)	-6.04	20.86
Central & Eastern Europe	54	14.95	(4.22)	8.23	24.55
North America	22	-5.67	(21.13)	-25.27	20.06
Central America	56	18.45	(5.02)	8.81	25.30
Latin America	65	14.19	(6.09)	-1.06	22.25
Africa	278	25.93	(3.12)	14.20	30.16
North Africa	27	21.55	(4.64)	14.20	26.90
Sub Sahara Africa	251	26.40	(2.49)	19.47	30.16
East Africa	101	26.67	(2.48)	21.85	30.16
West Africa	95	26.56	(2.26)	22.20	30.06
Central Africa	45	26.46	(2.28)	22.02	30.01
Asia	162	18.59	(8.38)	-0.21	29.89
Central Asia	-	-	-	-	-
Southeast Asia	42	18.97	(7.77)	5.93	29.89
South Asia	47	24.26	(2.62)	18.63	29.08
West Asia	36	12.10	(8.68)	-0.21	21.90
Oceania	28	10.70	(10.06)	-0.12	28.46
Caribbean	18	19.63	(2.16)	16.92	23.35

Table 4A. Descriptive statistics of the skill gap across regions, 1970-1980.

Skill Gapp					
	1980-1990				
	N	Mean	Std. Dev.	Min	Max
Europe	294	8.95	(9.43)	-20.86	28.71
European Union	225	10.54	(6.51)	-5.66	28.34
Central & Eastern Europe	105	15.91	(6.00)	2.45	28.71
North America	30	-13.97	(23.92)	-45.79	21.24
Central America	60	19.71	(6.81)	7.31	29.57
Latin America	70	12.77	(8.91)	-4.46	28.87
Africa	315	30.86	(3.88)	13.59	36.61
North Africa	33	23.76	(5.67)	13.59	30.06
Sub Sahara Africa	282	31.69	(2.56)	23.39	36.61
East Africa	110	32.37	(1.98)	27.84	36.61
West Africa	110	31.76	(2.05)	25.95	36.26
Central Africa	52	31.58	(2.52)	26.24	36.34
Asia	243	17.73	(12.12)	-3.77	36.23
Central Asia	22	4.89	(7.11)	-3.77	15.39
Southeast Asia	60	19.93	(12.15)	-1.61	36.23
South Asia	59	28.63	(2.50)	23.97	33.65
West Asia	62	11.08	(10.18)	-1.82	26.28
Oceania	30	12.62	(14.12)	-5.94	34.70
Caribbean	20	22.13	(6.12)	15.30	31.92

Table 4B. Descriptive statistics of the skill gap across regions, 1980-1990.

Skill Gapp					
	1990-2000				
	N	Mean	Std. Dev.	Min	Max
Europe	309	8.62	(12.52)	-30.77	36.79
European Union	246	8.46	(11.75)	-30.77	32.92
Central & Eastern Europe	117	19.39	(9.02)	-1.82	36.79
North America	30	-12.90	(32.79)	-55.97	33.51
Central America	60	27.18	(9.42)	9.65	42.05
Latin America	71	20.10	(10.06)	-0.22	38.38
Africa	330	41.10	(5.98)	20.54	50.31
North Africa	40	31.33	(4.99)	20.54	40.99
Sub Sahara Africa	290	42.45	(4.73)	26.27	50.31
East Africa	110	43.26	(4.30)	33.19	50.31
West Africa	110	42.61	(4.01)	33.92	49.76
Central Africa	60	42.65	(4.38)	33.47	50.13
Asia	260	24.27	(15.08)	-21.76	48.54
Central Asia	30	18.61	(8.74)	-1.11	33.51
Southeast Asia	60	25.78	(15.96)	-5.02	48.54
South Asia	60	38.19	(5.69)	25.46	48.11
West Asia	70	18.00	(11.11)	1.72	38.96
Oceania	30	4.24	(29.09)	-34.27	48.74
Caribbean	20	30.12	(8.06)	18.16	41.43

Table 4C. Descriptive statistics of the skill gap across regions, 1990-2000.

Skill Gapp					
	2000-2010				
	N	Mean	Std. Dev.	Min	Max
Europe	310	0.42	(15.29)	-32.18	41.21
European Union	250	-1.48	(12.90)	-32.18	26.64
Central & Eastern Europe	120	5.49	(16.11)	-23.78	41.21
North America	30	4.72	(24.08)	-23.25	40.15
Central America	53	33.92	(11.04)	9.34	47.88
Latin America	80	21.06	(12.51)	-6.86	35.22
Africa	323	52.52	(8.18)	21.04	64.86
North Africa	40	36.57	(7.93)	21.04	51.88
Sub Sahara Africa	283	54.77	(5.15)	34.20	64.86
East Africa	110	56.36	(4.39)	44.65	64.86
West Africa	103	53.85	(4.35)	43.65	64.09
Central Africa	60	55.66	(4.33)	45.61	63.46
Asia	256	27.67	(21.04)	-40.36	58.55
Central Asia	30	22.68	(12.26)	4.36	42.64
Southeast Asia	60	28.15	(19.70)	-6.81	57.39
South Asia	60	47.77	(7.53)	27.76	58.55
West Asia	66	22.20	(13.41)	-0.89	46.41
Oceania	20	-26.69	(11.49)	-41.17	-14.01
Caribbean	20	31.42	(8.21)	22.40	43.17

Table 4D. Descriptive statistics of the skill gap across regions, 2000-2010.

Skill Gapp					
	2010-2016				
	N	Mean	Std. Dev.	Min	Max
Europe	214	1.78	(14.91)	-51.97	33.29
European Union	175	0.29	(13.86)	-51.97	26.61
Central & Eastern Europe	84	5.54	(10.74)	-20.64	26.61
North America	21	10.43	(24.41)	-18.05	42.92
Central America	32	38.35	(13.04)	18.52	53.86
Latin America	48	11.76	(15.74)	-15.91	33.40
Africa	191	59.77	(9.14)	31.75	70.63
North Africa	28	40.77	(5.80)	31.75	54.01
Sub Sahara Africa	163	63.03	(4.39)	49.47	70.63
East Africa	62	65.37	(1.91)	61.16	69.58
West Africa	62	62.21	(4.06)	54.70	70.63
Central Africa	32	62.61	(4.25)	54.86	68.42
Asia	175	29.16	(23.29)	-34.28	64.68
Central Asia	21	32.23	(10.93)	20.07	48.43
Southeast Asia	42	31.06	(20.90)	-9.81	61.27
South Asia	42	48.22	(16.74)	5.22	64.68
West Asia	42	21.63	(20.06)	-29.34	50.61
Oceania	14	-26.40	(18.56)	-47.45	-6.42
Caribbean	13	32.84	(10.46)	21.42	45.57

Table 4E. Descriptive statistics of the skill gap across regions, 2000-2016.

BITs Signed/Ratified											
		1970-1980		1980-1990		1990-2000		2000-2010		2010-2016	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
OECD	Signed	3.32	(7.96)	7.41	(12.64)	30.89	(24.58)	56.24	(30.16)	62.23	(31.32)
	Ratified	2.72	(6.91)	5.81	(10.77)	22.80	(20.54)	49.14	(27.36)	56.65	(29.21)
	Signed with OECD	0.40	(1.03)	1.17	(2.13)	7.90	(6.90)	11.35	(8.04)	11.17	(7.91)
	Ratified with OECD	0.35	(0.93)	0.81	(1.67)	6.31	(6.02)	10.82	(7.68)	10.95	(7.70)
Europe	Signed	3.52	(8.30)	7.94	(13.16)	33.56	(24.99)	62.61	(26.73)	68.41	(26.92)
	Ratified	2.85	(7.20)	6.34	(11.17)	24.56	(21.15)	54.75	(24.84)	62.35	(25.47)
	Signed with OECD	0.28	(0.72)	1.10	(1.96)	8.85	(7.24)	13.44	(7.86)	13.19	(7.73)
	Ratified with OECD	0.24	(0.63)	0.79	(1.44)	6.86	(6.28)	12.89	(7.60)	12.95	(7.54)
European Union	Signed	3.32	(8.12)	8.35	(13.32)	35.77	(24.48)	65.46	(24.70)	71.03	(24.34)
	Ratified	2.58	(6.77)	6.50	(11.03)	26.24	(20.67)	57.56	(22.83)	65.03	(22.76)
	Signed with OECD	0.32	(0.79)	1.28	(2.07)	9.35	(7.28)	13.34	(7.98)	12.91	(7.77)
	Ratified with OECD	0.26	(0.68)	0.94	(1.56)	7.52	(6.53)	12.96	(7.87)	12.83	(7.76)
Central & Eastern Europe	Signed	0.23	(1.11)	2.16	(4.35)	27.43	(19.57)	52.68	(17.72)	57.01	(15.63)
	Ratified	0.12	(0.57)	1.39	(3.19)	19.64	(16.94)	48.07	(16.92)	53.43	(15.56)
	Signed with OECD	0.14	(0.65)	1.25	(2.57)	14.49	(7.60)	21.68	(2.05)	21.12	(2.11)
	Ratified with OECD	0.07	(0.31)	0.86	(1.86)	11.23	(7.73)	21.01	(2.54)	20.95	(2.10)
North America	Signed	0.00	(0.00)	1.83	(3.53)	15.80	(14.34)	30.40	(11.30)	36.24	(8.01)
	Ratified	0.00	(0.00)	0.13	(0.73)	10.27	(10.19)	26.33	(9.13)	32.05	(6.22)
	Signed with OECD	0.00	(0.00)	0.17	(0.38)	2.77	(2.18)	7.73	(6.88)	8.52	(8.01)
	Ratified with OECD	0.00	(0.00)	0.00	(0.00)	1.93	(1.20)	7.03	(6.22)	8.33	(7.73)
Central America	Signed	0.20	(0.40)	1.18	(1.69)	4.77	(4.26)	17.23	(4.50)	19.43	(4.42)
	Ratified	0.17	(0.38)	0.43	(0.93)	2.33	(2.74)	12.55	(4.63)	15.12	(3.76)
	Signed with OECD	0.20	(0.40)	1.18	(1.69)	3.30	(2.75)	10.73	(2.75)	12.67	(2.55)
	Ratified with OECD	0.17	(0.38)	0.43	(0.93)	1.77	(2.01)	8.25	(2.72)	10.57	(2.21)
Latin America	Signed	0.28	(0.67)	0.71	(1.17)	15.40	(13.90)	29.98	(16.67)	30.52	(15.40)
	Ratified	0.13	(0.33)	0.38	(0.60)	8.35	(10.67)	23.59	(17.05)	24.71	(16.96)
	Signed with OECD	0.28	(0.67)	0.59	(0.98)	9.18	(7.09)	15.40	(6.78)	16.14	(6.00)
	Ratified with OECD	0.13	(0.33)	0.25	(0.44)	4.89	(6.03)	12.16	(7.93)	13.16	(7.85)
Africa	Signed	1.94	(2.19)	3.13	(4.10)	7.20	(10.56)	18.84	(19.63)	22.95	(20.38)
	Ratified	1.61	(1.82)	2.46	(3.14)	4.26	(6.16)	10.05	(13.77)	12.96	(15.09)
	Signed with OECD	1.78	(1.80)	2.51	(2.59)	4.41	(4.44)	7.80	(5.91)	9.10	(5.82)
	Ratified with OECD	1.55	(1.70)	2.18	(2.34)	3.36	(3.63)	5.97	(5.58)	7.39	(5.83)
North Africa	Signed	4.85	(4.28)	10.25	(6.99)	28.05	(18.19)	61.38	(22.86)	67.57	(21.34)
	Ratified	3.70	(3.38)	7.53	(5.58)	15.58	(11.57)	40.73	(18.52)	47.64	(16.76)
	Signed with OECD	3.70	(3.01)	6.25	(4.07)	13.40	(5.46)	20.05	(3.60)	21.11	(3.14)
	Ratified with OECD	3.18	(2.89)	5.60	(3.72)	9.80	(5.89)	17.90	(5.39)	20.25	(3.47)
Sub Sahara Africa	Signed	1.53	(1.40)	2.15	(2.14)	4.32	(3.73)	12.97	(9.12)	16.79	(9.90)
	Ratified	1.32	(1.31)	1.76	(1.73)	2.70	(2.23)	5.82	(4.62)	8.18	(5.65)
	Signed with OECD	1.52	(1.37)	1.99	(1.78)	3.17	(2.38)	6.11	(3.78)	7.45	(3.81)
	Ratified with OECD	1.32	(1.31)	1.71	(1.58)	2.48	(1.94)	4.32	(3.01)	5.62	(3.33)
East Africa	Signed	1.17	(1.26)	1.38	(1.32)	3.23	(2.64)	12.16	(7.96)	16.64	(9.01)
	Ratified	0.88	(1.24)	1.12	(1.27)	1.79	(1.47)	5.82	(4.46)	9.23	(5.98)
	Signed with OECD	1.17	(1.26)	1.38	(1.32)	2.45	(1.78)	6.63	(3.40)	8.57	(3.63)
	Ratified with OECD	0.88	(1.24)	1.12	(1.27)	1.71	(1.45)	4.28	(2.69)	6.45	(3.37)
West Africa	Signed	1.75	(1.55)	2.66	(2.45)	4.95	(3.27)	13.20	(7.37)	16.47	(8.78)
	Ratified	1.54	(1.32)	2.04	(1.69)	3.15	(2.04)	5.50	(3.38)	7.92	(4.96)
	Signed with OECD	1.71	(1.49)	2.34	(1.84)	3.27	(1.80)	5.22	(2.92)	6.43	(3.51)
	Ratified with OECD	1.54	(1.32)	1.98	(1.54)	2.83	(1.70)	3.82	(2.07)	5.16	(3.03)
Mid Africa	Signed	2.05	(1.11)	2.98	(2.24)	4.32	(2.70)	9.10	(4.23)	12.76	(4.57)
	Ratified	1.97	(1.12)	2.73	(1.98)	3.48	(2.39)	3.98	(2.39)	4.86	(2.64)
	Signed with OECD	2.05	(1.11)	2.82	(1.94)	3.82	(2.35)	4.83	(2.34)	6.29	(3.01)
	Ratified with OECD	1.97	(1.12)	2.58	(1.69)	3.27	(2.15)	3.65	(2.28)	4.17	(2.25)

Table 5A. Mean and standard deviation over BITs signed and ratified with any country and with long-time OECD countries. Descriptive statistics are divided into ten year periods and in different regions in Europe, America and Africa.

BITs Signed/Ratified									
		1970-1980		1980-1990		1990-2000		2000-2010		2010-2016	
		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Asia	Signed	0.75	(1.46)	3.25	(4.86)	16.87	(17.35)	38.52	(24.87)	46.55	(27.92)
	Ratified	0.60	(1.26)	2.43	(4.04)	11.66	(14.06)	30.36	(21.11)	38.54	(24.48)
	Signed with OECD	0.66	(1.37)	2.48	(3.76)	7.83	(6.46)	13.42	(6.22)	14.76	(6.11)
	Ratified with OECD	0.57	(1.16)	1.98	(3.30)	6.28	(6.13)	12.23	(6.25)	14.07	(6.24)
Central Asia	Signed	0.00	(0.00)	0.13	(0.51)	12.40	(8.89)	30.50	(5.91)	37.48	(5.77)
	Ratified	0.00	(0.00)	0.00	(0.00)	7.13	(6.53)	22.77	(7.87)	28.76	(7.18)
	Signed with OECD	0.00	(0.00)	0.13	(0.51)	6.57	(3.68)	12.77	(3.56)	14.24	(3.28)
	Ratified with OECD	0.00	(0.00)	0.00	(0.00)	4.63	(3.38)	11.23	(3.46)	13.33	(2.83)
Southeast Asia	Signed	1.40	(1.82)	4.50	(4.67)	18.68	(15.11)	39.32	(16.45)	45.62	(15.95)
	Ratified	1.17	(1.47)	3.68	(3.59)	13.97	(11.23)	31.37	(13.79)	37.14	(14.35)
	Signed with OECD	1.40	(1.82)	3.78	(3.75)	8.83	(5.68)	14.15	(5.08)	15.14	(4.38)
	Ratified with OECD	1.17	(1.47)	3.35	(3.25)	7.52	(5.33)	13.15	(5.20)	14.71	(4.52)
South Asia	Signed	0.58	(0.65)	4.55	(5.12)	13.45	(10.58)	35.18	(19.45)	42.71	(24.89)
	Ratified	0.53	(0.57)	3.27	(4.43)	8.60	(7.40)	25.15	(15.09)	34.55	(21.88)
	Signed with OECD	0.50	(0.50)	3.48	(4.04)	7.50	(5.56)	13.47	(5.59)	14.74	(5.62)
	Ratified with OECD	0.50	(0.50)	2.70	(3.62)	6.32	(5.13)	11.68	(5.53)	13.64	(5.43)
West Asia	Signed	0.34	(0.48)	0.90	(1.77)	12.89	(13.99)	34.53	(20.15)	43.24	(23.25)
	Ratified	0.14	(0.35)	0.23	(0.46)	7.04	(9.63)	27.17	(16.31)	36.22	(19.81)
	Signed with OECD	0.20	(0.40)	0.69	(1.50)	5.41	(5.32)	11.73	(6.30)	13.69	(6.38)
	Ratified with OECD	0.14	(0.35)	0.23	(0.46)	3.26	(4.26)	10.44	(6.03)	12.94	(6.90)
Oceania	Signed	0.00	(0.00)	0.77	(0.90)	5.73	(4.74)	9.83	(7.74)	10.29	(7.80)
	Ratified	0.00	(0.00)	0.63	(0.85)	4.67	(4.16)	8.33	(7.78)	9.14	(8.66)
	Signed with OECD	0.00	(0.00)	0.95	(1.00)	2.40	(0.75)	3.00	(0.73)	3.93	(0.27)
	Ratified with OECD	0.00	(0.00)	0.80	(0.95)	2.70	(0.73)	3.30	(0.66)	4.21	(0.89)
Caribbean	Signed	0.00	(0.00)	0.15	(0.37)	4.30	(4.29)	13.60	(2.68)	15.29	(1.38)
	Ratified	0.00	(0.00)	0.15	(0.37)	2.95	(3.36)	8.15	(3.00)	11.00	(0.00)
	Signed with OECD	0.00	(0.00)	0.15	(0.37)	3.15	(2.98)	6.60	(2.48)	8.00	(1.04)
	Ratified with OECD	0.00	(0.00)	0.15	(0.37)	2.45	(2.63)	5.55	(3.07)	8.00	(1.04)

Table 5B. Mean and standard deviation over BITs signed and ratified with any country and with long-time OECD countries. Descriptive statistics are divided into ten year periods and in different regions in Oceania, the Caribbean, and different regions in Asia.

Appendix C: TABLES REGIONAL ANALYSIS

H3: GLS ESTIMATIONS Only Africa	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	2.241			10.23***			5.761**		
	(2.054)			(3.121)			(2.445)		
Cases R / L / S in last 2 years		0.666			12.28**			0.396	
		(2.205)			(4.955)			(6.562)	
Cases R / L / S in last 5 years			1.009			10.11***			3.456
			(1.698)			(2.715)			(3.782)
Interaction Variable	-0.737	-0.123	-0.279	-2.260**	-3.259*	-2.175**	-1.209*	-0.129	-0.675
	(0.646)	(0.607)	(0.527)	(0.967)	(1.683)	(0.932)	(0.611)	(1.690)	(0.990)
BITs Signed	-0.00380	-0.0399	-0.0299	-0.0347	-0.0310	-0.0427	-0.0391	-0.0346	-0.0391
	(0.0639)	(0.0533)	(0.0696)	(0.0428)	(0.0404)	(0.0442)	(0.0450)	(0.0450)	(0.0464)
Population (log)	6.786***	7.048***	7.481***	6.982***	6.723***	7.264***	7.035***	7.076***	7.535***
	(2.191)	(2.141)	(2.111)	(2.111)	(2.104)	(2.053)	(2.122)	(2.165)	(2.075)
GDP (log)	273.8	277.1	285.1	279.1	290.6*	319.9*	277.2	276.1	293.5*
	(164.3)	(164.6)	(169.9)	(165.7)	(163.1)	(166.6)	(164.5)	(164.5)	(167.2)
Economic Growth	-2.569	-2.605	-2.690	-2.619	-2.713*	-3.005*	-2.603	-2.594	-2.771*
	(1.578)	(1.580)	(1.639)	(1.590)	(1.567)	(1.609)	(1.579)	(1.578)	(1.612)
Δ GDPPC difference	-4.33**	-42.3**	-41.5**	-43**	-44.7**	-43**	-43**	-42.4**	-40.3**
(x10^-3)	(1.72)	(1.68)	(1.75)	(1.67)	(1.68)	(1.72)	(1.67)	(1.70)	(1.71)
Trade	-0.0131	-0.00837	-0.0115	-0.00851	-0.00763	-0.00624	-0.00816	-0.00975	-0.0110
	(0.0339)	(0.0338)	(0.0357)	(0.0327)	(0.0324)	(0.0320)	(0.0335)	(0.0330)	(0.0340)
Δ School enrollment	-0.300	-0.159	-0.171	-0.191	-0.137	-0.140	-0.247	-0.179	-0.218
	(0.564)	(0.570)	(0.559)	(0.557)	(0.550)	(0.547)	(0.564)	(0.565)	(0.579)
Δ Skill Gap	-0.938	-0.806	-0.749	-0.879	-0.701	-0.771	-0.773	-0.848	-0.657
	(0.850)	(0.873)	(0.909)	(0.876)	(0.902)	(0.927)	(0.877)	(0.855)	(0.867)
Interaction Δ Skill Gap	1.62*	1.57*	1.53*	1.62*	1.68*	1.61*	1.66*	1.6*	1.53*
& Δ GDPPC difference (x10^-3)	(0.87)	(0.88)	(0.85)	(0.87)	(0.88)	(0.85)	(0.86)	(0.89)	(0.84)
Interaction Δ Skill Gap	7.57	6.46	6.09	7.22	4.9	6.48	5.35	6.76	4.88
& Trade (x10^-3)	(12.70)	(12.90)	(13.30)	(13.00)	(13.10)	(14.00)	(13.10)	(13.00)	(13.30)
Inflation (log)	-0.198*	-0.198*	-0.187	-0.198	-0.196	-0.215*	-0.197*	-0.196*	-0.192
	(0.115)	(0.115)	(0.120)	(0.118)	(0.118)	(0.126)	(0.114)	(0.115)	(0.119)
Capital Openness	-0.0806	-0.118	-0.184	-0.146	-0.108	-0.282	-0.0821	-0.141	-0.178
	(0.738)	(0.729)	(0.745)	(0.718)	(0.706)	(0.720)	(0.714)	(0.729)	(0.720)
Natural Rents	-0.0178	-0.0218	-0.0140	-0.0258	-0.0168	0.0228	-0.0203	-0.0231	-0.00298
	(0.110)	(0.110)	(0.113)	(0.108)	(0.108)	(0.111)	(0.109)	(0.109)	(0.111)
Savings	-0.0980	-0.0989	-0.109	-0.0977	-0.104	-0.129*	-0.0983	-0.0993	-0.116
	(0.0682)	(0.0689)	(0.0716)	(0.0685)	(0.0676)	(0.0633)	(0.0695)	(0.0688)	(0.0698)
WEF Property Right Index	1.300*	1.362*	1.388*	1.347*	1.388*	1.513*	1.369*	1.333*	1.434*
	(0.741)	(0.766)	(0.763)	(0.759)	(0.757)	(0.767)	(0.772)	(0.773)	(0.787)
Crisis	-0.0809	-0.170	-0.111	-0.241	-0.302	-0.314	-0.141	-0.148	-0.165
	(1.545)	(1.594)	(1.484)	(1.620)	(1.608)	(1.553)	(1.558)	(1.559)	(1.485)
World FDI	23.6*	23.1*	22.9*	23.1*	23.6*	23.8*	22.2*	22.8*	2.16E+01
(x10^-13)	(12.60)	(12.70)	(13.40)	(12.70)	(12.50)	(13.30)	(12.40)	(12.60)	(13.20)
Free Trade Agreements	-0.122*	-0.121*	-0.121*	-0.121*	-0.121*	-0.119*	-0.124*	-0.122*	-0.122*
	(0.0689)	(0.0692)	(0.0697)	(0.0695)	(0.0692)	(0.0704)	(0.0693)	(0.0692)	(0.0695)
WTO/GATT Membership	0.538	0.630	-0.372	0.485	0.397	-0.461	0.764	0.558	0.0350
	(2.529)	(2.572)	(2.842)	(2.556)	(2.569)	(2.610)	(2.511)	(2.574)	(2.668)
Constant	-97.63***	-102.3***	-108.6***	-101.1***	-96.98***	-105.9***	-102.2***	-102.5***	-110.0***
	(35.37)	(34.48)	(34.22)	(34.06)	(33.89)	(33.26)	(34.17)	(34.76)	(33.42)
Observations	899	899	891	899	899	891	899	899	891
R-squared	0.111	0.109	0.111	0.111	0.113	0.120	0.110	0.109	0.112
Number of Countries	33	33	33	33	33	33	33	33	33

Table 1A. GLS fixed effects estimations for only African countries on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differentiated depending on the country's property right protection. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

H3: 2SLS ESTIMATIONS Only Africa	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	1.694			10.65***			5.948**		
	(1.951)			(2.730)			(2.434)		
Cases R / L / S in last 2 years		0.579			12.93***			0.665	
		(2.117)			(4.378)			(6.553)	
Cases R / L / S in last 5 years			0.552			10.38***			3.734
			(1.509)			(2.456)			(4.027)
Interaction Variable	-0.473	0.0285	-0.0137	-2.232***	-3.287**	-2.036***	-1.141**	-0.127	-0.690
	(0.624)	(0.572)	(0.450)	(0.822)	(1.458)	(0.752)	(0.561)	(1.659)	(1.014)
BITs Signed	-0.0759	-0.104	-0.133	-0.0873	-0.0870	-0.128**	-0.0918	-0.0876	-0.106*
	(0.0860)	(0.0691)	(0.0874)	(0.0591)	(0.0597)	(0.0644)	(0.0612)	(0.0615)	(0.0633)
Population (log)	7.886***	8.037***	9.031***	8.027***	7.837***	9.007***	8.031***	8.077***	8.812***
	(2.466)	(2.380)	(2.604)	(2.373)	(2.387)	(2.580)	(2.382)	(2.414)	(2.537)
GDP (log)	274.9*	276.9*	287.6*	278.4*	292.4*	326.5*	276.8*	276.4*	295.5*
	(166.7)	(167.1)	(172.8)	(168.2)	(165.1)	(169.8)	(166.5)	(166.4)	(169.4)
Economic Growth	-2.587	-2.609	-2.730*	-2.616	-2.735*	-3.082*	-2.604	-2.601	-2.800*
	(1.593)	(1.596)	(1.659)	(1.606)	(1.579)	(1.630)	(1.590)	(1.590)	(1.625)
Δ GDPPC difference	-4.47**	-4.41**	-4.34**	-4.46**	-4.66***	-4.54**	-4.5***	-4.44**	-4.25**
(x10^-3)	(1.74)	(1.72)	(1.78)	(1.73)	(1.73)	(1.77)	(1.73)	(1.76)	(1.78)
Trade	-0.00537	-0.00221	-0.00111	-0.00450	-0.00373	-0.00106	-0.00402	-0.00584	-0.00750
	(0.0334)	(0.0331)	(0.0343)	(0.0327)	(0.0325)	(0.0323)	(0.0334)	(0.0329)	(0.0335)
Δ School enrollment	-0.195	-0.0704	-0.0772	-0.153	-0.0939	-0.0749	-0.222	-0.149	-0.179
	(0.583)	(0.577)	(0.573)	(0.568)	(0.563)	(0.568)	(0.576)	(0.577)	(0.600)
Δ Skill Gap	-0.842	-0.777	-0.647	-0.918	-0.743	-0.851	-0.772	-0.853	-0.666
	(0.880)	(0.876)	(0.922)	(0.876)	(0.899)	(0.935)	(0.884)	(0.860)	(0.874)
Interaction Δ Skill Gap	1.64*	15.9*	15.8*	16.7*	17.4**	16.6**	17.2**	16.5*	15.9*
& Δ GDPPC difference (x10^-3)	(0.85)	(8.53)	(8.31)	(8.63)	(8.63)	(8.28)	(8.52)	(8.73)	(8.25)
Interaction Δ Skill Gap	6.43	6.25	4.7	7.49	5.21	7.37	5.07	6.62	4.75
& Trade (x10^-3)	(13.10)	(13.00)	(13.60)	(13.00)	(13.10)	(14.10)	(13.20)	(13.10)	(13.40)
Inflation (log)	-0.199*	-0.198*	-0.186*	-0.200*	-0.200*	-0.224*	-0.197*	-0.197*	-0.190*
	(0.108)	(0.108)	(0.111)	(0.111)	(0.112)	(0.117)	(0.107)	(0.108)	(0.110)
Capital Openness	0.141	0.0973	0.109	0.0682	0.115	0.0312	0.147	0.0890	0.115
	(0.742)	(0.731)	(0.724)	(0.727)	(0.722)	(0.707)	(0.725)	(0.737)	(0.696)
Natural Rents	-0.0235	-0.0243	-0.0184	-0.0281	-0.0167	0.0301	-0.0225	-0.0247	-0.00250
	(0.106)	(0.106)	(0.109)	(0.105)	(0.106)	(0.110)	(0.106)	(0.106)	(0.109)
Savings	-0.104	-0.106	-0.120	-0.104	-0.112	-0.143**	-0.105	-0.107	-0.127*
	(0.0723)	(0.0737)	(0.0793)	(0.0726)	(0.0715)	(0.0708)	(0.0737)	(0.0730)	(0.0764)
WEF Property Right Index	1.561	1.629	1.764	1.563*	1.616*	1.847*	1.587*	1.552	1.713*
	(0.971)	(1.000)	(1.108)	(0.941)	(0.935)	(1.030)	(0.958)	(0.961)	(1.024)
Crisis	-0.192	-0.244	-0.262	-0.328	-0.404	-0.473	-0.214	-0.227	-0.300
	(1.692)	(1.719)	(1.648)	(1.740)	(1.727)	(1.688)	(1.681)	(1.684)	(1.625)
World FDI	25*	24.9*	24.3*	24.4*	25.3*	26*	23.7*	24.5*	23.5*
(x10^-13)	(13.40)	(13.60)	(14.20)	(13.60)	(13.30)	(14.30)	(13.30)	(13.50)	(14.20)
Free Trade Agreements	-0.130*	-0.129*	-0.131*	-0.130*	-0.130*	-0.130*	-0.132*	-0.130*	-0.132*
	(0.0682)	(0.0685)	(0.0685)	(0.0687)	(0.0684)	(0.0694)	(0.0683)	(0.0683)	(0.0684)
WTO/GATT Membership	1.161	1.279	0.707	0.989	0.932	0.361	1.304	1.113	0.759
	(2.360)	(2.260)	(2.338)	(2.305)	(2.325)	(2.174)	(2.256)	(2.330)	(2.352)
Observations	868	868	860	868	868	860	868	868	860
R-squared	0.108	0.107	0.106	0.109	0.111	0.116	0.108	0.107	0.109
Number of Countries	32	32	32	32	32	32	32	32	32
F-statistic (Cragg-Donald)	323.945	436.868	369.536	504.623	502.461	487.113	490.382	492.489	498.394
F-statistic (Kleibergen-Paap)	32.999	27.486	41.769	14.734	15.112	16.812	15.767	15.545	15.642

Table 1B. 2SLS fixed effects estimations for only African countries on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differentiated depending on the country's property right protection. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed of neighboring countries. *p<0.1 ** p<00.5 ***p<0.01 .

H3: GLS ESTIMATIONS Only Asia	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	3.350			7.130**			2.525		
	(2.184)			(2.541)			(3.391)		
Cases R / L / S in last 2 years		2.429			6.271**			1.637	
		(1.757)			(2.503)			(2.712)	
Cases R / L / S in last 5 years			1.873			8.668**			1.512
			(1.380)			(3.902)			(2.623)
Interaction Variable	-0.598	-0.444	-0.336	-1.269**	-1.161**	-1.588**	-0.456	-0.316	-0.289
	(0.396)	(0.314)	(0.242)	(0.499)	(0.488)	(0.692)	(0.542)	(0.443)	(0.432)
BITs Signed	-0.00750	-0.00640	-0.0160	-0.00448	-0.00366	-0.0106	-0.00512	-0.00457	-0.0128
	(0.0372)	(0.0385)	(0.0404)	(0.0363)	(0.0359)	(0.0356)	(0.0369)	(0.0367)	(0.0390)
Population (log)	1.155	2.357	3.265	2.807	2.681	3.294	2.823	2.774	4.160
	(3.127)	(3.253)	(3.173)	(3.251)	(3.243)	(3.070)	(3.257)	(3.263)	(3.154)
GDP (log)	8.371	1.317	16.96	3.346	1.618	14.87	1.450	0.0769	13.66
	(100.2)	(104.0)	(107.0)	(101.0)	(100.1)	(99.32)	(102.5)	(103.7)	(106.4)
Economic Growth	-0.0745	0.00731	-0.198	-0.00981	0.00748	-0.186	0.0102	0.0249	-0.156
	(0.947)	(0.986)	(0.988)	(0.955)	(0.947)	(0.919)	(0.969)	(0.983)	(0.980)
Δ GDPPC difference	1.51	2.26	1.39	2.61	2.56	1.63	2.42	2.62	1.99
(x10^-4)	(5.45)	(5.43)	(5.48)	(5.15)	(5.18)	(5.31)	(5.24)	(5.28)	(5.07)
Trade	-0.00485	-0.00569	-0.000164	-0.00641	-0.00575	-0.00121	-0.00623	-0.00578	-0.00110
	(0.0114)	(0.0117)	(0.00912)	(0.0117)	(0.0116)	(0.00968)	(0.0116)	(0.0114)	(0.00918)
Δ School enrollment	-0.435*	-0.505**	-0.434*	-0.523*	-0.527*	-0.438	-0.518*	-0.521*	-0.479
	(0.215)	(0.241)	(0.243)	(0.260)	(0.263)	(0.257)	(0.258)	(0.260)	(0.280)
Δ Skill Gap	-0.131	-0.194	-0.153	-0.209	-0.230	-0.213	-0.206	-0.219	-0.202
	(0.257)	(0.268)	(0.275)	(0.291)	(0.294)	(0.309)	(0.288)	(0.285)	(0.310)
Interaction Δ Skill Gap	-0.553	-0.678	-0.181	-0.714	-0.719	0.0514	-0.615	-0.558	-0.153
& Δ GDPPC difference (x10^-4)	(1.83)	(1.84)	(1.71)	(1.96)	(1.89)	(1.74)	(1.97)	(1.90)	(1.75)
Interaction Δ Skill Gap	-9.26	-9.73	-8.09	-10.1	-9.79	-6.89	-9.93	-9.77	-8.38
& Trade (x10^-4)	(6.69)	(6.74)	(6.92)	(6.93)	(7.01)	(7.41)	(6.82)	(6.98)	(7.04)
Inflation (log)	-0.0256	-0.0339	-0.0968	-0.0452	-0.0478	-0.121	-0.0480	-0.0555	-0.118
	(0.137)	(0.140)	(0.141)	(0.146)	(0.146)	(0.149)	(0.143)	(0.145)	(0.148)
Capital Openness	-0.551	-0.449	-0.331	-0.441	-0.446	-0.385	-0.455	-0.503	-0.373
	(0.482)	(0.472)	(0.489)	(0.475)	(0.474)	(0.471)	(0.475)	(0.465)	(0.469)
Natural Rents	0.146	0.154*	0.234	0.163*	0.163*	0.248	0.162*	0.163*	0.252
	(0.0912)	(0.0878)	(0.157)	(0.0864)	(0.0856)	(0.155)	(0.0863)	(0.0853)	(0.155)
Savings	0.285**	0.275**	0.295**	0.267**	0.263**	0.274**	0.270**	0.267**	0.282**
	(0.122)	(0.125)	(0.109)	(0.124)	(0.122)	(0.104)	(0.125)	(0.123)	(0.110)
WEF Property Right Index	3.444***	3.394***	3.119***	3.339***	3.378***	3.257***	3.339***	3.373***	3.045***
	(0.988)	(1.034)	(0.997)	(0.980)	(0.979)	(0.964)	(1.021)	(1.037)	(0.981)
Crisis	-10.22*	-10.35*	-8.680	-10.43*	-10.42*	-8.734	-10.40*	-10.41*	-8.773
	(5.284)	(5.333)	(5.455)	(5.387)	(5.372)	(5.550)	(5.383)	(5.373)	(5.601)
World FDI	-5.42	-5.11	-4.3	-4.84	-5.44	-3.67	-5.35	-5.68	-4.62
(x10^-13)	(5.57)	(5.39)	(5.22)	(5.71)	(5.72)	(5.20)	(5.62)	(5.48)	(5.35)
Free Trade Agreements	-0.0300	-0.0318	-0.0233	-0.0259	-0.0255	-0.00883	-0.0267	-0.0268	-0.0209
	(0.0386)	(0.0395)	(0.0349)	(0.0395)	(0.0396)	(0.0377)	(0.0392)	(0.0392)	(0.0349)
WTO/GATT Membership	3.405	3.211	3.273	3.121	3.116	3.202	3.121	3.147	3.135
	(2.054)	(2.037)	(2.310)	(2.013)	(2.009)	(2.270)	(2.027)	(2.028)	(2.280)
Constant	-27.40	-47.81	-63.63	-55.39	-53.15	-64.27	-55.71	-54.82	-78.61
	(52.14)	(54.40)	(55.95)	(54.82)	(54.57)	(54.62)	(54.78)	(54.67)	(55.90)
Observations	559	559	550	553	559	550	553	559	550
R-squared	0.317	0.313	0.308	0.312	0.312	0.313	0.311	0.311	0.305
Number of Countries	22	22	22	22	22	22	22	22	22

Table 2A. GLS fixed effects estimations for only Asian countries on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differentiated depending on the country's property right protection. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

H3: 2SLS ESTIMATIONS Only Asia	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	3.789*			6.102			3.067		
	(2.082)			(4.652)			(4.187)		
Cases R / L / S in last 2 years		2.662*			5.092			1.741	
		(1.611)			(3.502)			(3.240)	
Cases R / L / S in last 5 years			1.839			7.758**			2.902
			(1.121)			(3.905)			(3.704)
Interaction Variable	-0.661	-0.484	-0.292	-0.995	-0.895	-1.350**	-0.549	-0.344	-0.488
	(0.403)	(0.304)	(0.187)	(0.884)	(0.692)	(0.688)	(0.646)	(0.507)	(0.561)
BITs Signed	-0.0358	-0.0102	-0.102	-0.00556	-0.00616	-0.0998	-0.00504	-0.00287	-0.102
	(0.125)	(0.130)	(0.168)	(0.127)	(0.129)	(0.171)	(0.130)	(0.132)	(0.179)
Population (log)	0.233	0.604	6.612	1.164	1.137	7.283	1.001	0.856	7.823
	(7.040)	(7.448)	(8.319)	(7.928)	(8.018)	(9.388)	(7.940)	(8.019)	(9.422)
GDP (log)	3.497	-12.59	25.42	-11.32	-12.50	16.92	-14.64	-16.64	16.60
	(102.3)	(106.3)	(112.7)	(99.79)	(99.05)	(103.7)	(102.1)	(104.0)	(111.4)
Economic Growth	-0.0648	0.121	-0.327	0.119	0.129	-0.247	0.151	0.171	-0.225
	(0.992)	(1.036)	(1.074)	(0.966)	(0.960)	(0.985)	(0.989)	(1.010)	(1.054)
Δ GDPPC difference	0.241	1.93	-0.952	2.52	2.23	-0.733	2.12	2.33	0.236
(x10e-4)	(6.95)	(6.93)	(6.42)	(6.67)	(6.61)	(6.58)	(6.69)	(6.75)	(5.91)
Trade	-0.0162	-0.0195	-0.00225	-0.0220	-0.0204	-0.00399	-0.0211	-0.0203	-0.00256
	(0.0188)	(0.0190)	(0.0229)	(0.0195)	(0.0189)	(0.0238)	(0.0196)	(0.0194)	(0.0251)
Δ School enrollment	-0.474	-0.592*	-0.376	-0.628*	-0.629*	-0.406	-0.620*	-0.625*	-0.448
	(0.321)	(0.347)	(0.379)	(0.338)	(0.340)	(0.343)	(0.343)	(0.344)	(0.366)
Δ Skill Gap	-0.280	-0.335	-0.294	-0.350	-0.368	-0.343	-0.341	-0.349	-0.356
	(0.312)	(0.308)	(0.342)	(0.340)	(0.337)	(0.369)	(0.334)	(0.337)	(0.386)
Interaction Δ Skill Gap	-2.04	-2.27	-1.85	-2.48*	-2.25	-1.85	-2.33	-2.1	-2.06*
& Δ GDPPC difference (x10e-4)	(1.54)	(1.41)	(1.19)	(1.50)	(1.44)	(1.17)	(1.51)	(1.50)	(1.16)
Interaction Δ Skill Gap	-1.09	-1.38	-0.789	-1.64	-1.67	-1.00	-1.7	-1.71	-0.945
& Trade (x10e-3)	(2.45)	(2.60)	(2.69)	(2.60)	(2.64)	(2.61)	(2.61)	(2.70)	(2.78)
Inflation (log)	-0.0527	-0.0459	-0.124	-0.0539	-0.0563	-0.150	-0.0588	-0.0701	-0.164
	(0.147)	(0.145)	(0.153)	(0.151)	(0.151)	(0.165)	(0.146)	(0.148)	(0.165)
Capital Openness	-1.105	-0.820	-0.844	-0.788	-0.793	-0.880	-0.798	-0.843	-0.929
	(0.686)	(0.670)	(0.806)	(0.688)	(0.668)	(0.915)	(0.690)	(0.676)	(0.911)
Natural Rents	0.131	0.139	0.218	0.149	0.150	0.232	0.146	0.149	0.235
	(0.0985)	(0.0975)	(0.153)	(0.0954)	(0.0949)	(0.151)	(0.0954)	(0.0936)	(0.150)
Savings	0.398***	0.356***	0.420**	0.345***	0.341***	0.404**	0.344***	0.340***	0.406**
	(0.140)	(0.133)	(0.169)	(0.130)	(0.128)	(0.168)	(0.130)	(0.129)	(0.171)
WEF Property Right Index	3.664***	3.728***	3.055***	3.618***	3.647***	3.152***	3.689***	3.740***	3.035***
	(0.954)	(1.008)	(0.910)	(0.949)	(0.956)	(0.869)	(0.986)	(1.012)	(0.898)
Crisis	-13.87**	-13.86**	-12.54**	-13.94**	-13.93**	-12.59**	-13.90**	-13.90**	-12.72**
	(5.626)	(5.789)	(6.016)	(5.831)	(5.807)	(6.235)	(5.855)	(5.851)	(6.296)
World FDI	-4.04	-4.29	-2.06	-4.01	-4.69	-1.15	-4.75	-5.04	-2.32
(x10e-13)	(5.73)	(5.58)	(4.64)	(5.95)	(6.07)	(5.04)	(5.78)	(5.71)	(4.85)
Free Trade Agreements	-0.0397	-0.0440	-0.0370	-0.0398	-0.0401	-0.0277	-0.0405	-0.0407	-0.0373
	(0.0357)	(0.0361)	(0.0345)	(0.0357)	(0.0358)	(0.0356)	(0.0358)	(0.0357)	(0.0338)
WTO/GATT Membership	3.791*	3.459	4.598	3.370	3.359	4.565	3.369	3.383	4.581
	(2.287)	(2.272)	(3.393)	(2.260)	(2.259)	(3.456)	(2.292)	(2.288)	(3.542)
Observations	460	460	453	454	460	453	454	460	453
R-squared	0.359	0.355	0.329	0.353	0.353	0.331	0.353	0.353	0.325
Number of Countries	19	19	19	19	19	19	19	19	19
F-statistic (Cragg-Donald)	40.76	39.387	27.848	39.087	39.041	27.076	37.716	37.907	26.075
F-statistic (Kleibergen-Paap)	3.768	4.009	2.585	3.99	3.976	2.364	3.869	3.772	2.266

Table 2B. 2SLS fixed effects estimations for only Asian countries on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differentiated depending on the country's property right protection. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed of neighboring countries. *p<0.1 ** p<00.5 ***p<0.01 .

H3: GLS ESTIMATIONS Only South & Central America	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-1.440*			-5.187			-1.033		
	(0.716)			(3.633)			(8.839)		
Cases R / L / S in last 2 years		-1.419			-5.355			-0.963	
		(0.978)			(4.029)			(7.921)	
Cases R / L / S in last 5 years			-1.485			-4.425			-3.481
			(0.878)			(3.349)			(3.530)
Interaction Variable	0.277	0.289	0.311	0.711	0.964	0.859	-0.0412	0.0305	0.709
	(0.159)	(0.216)	(0.202)	(0.738)	(0.875)	(0.748)	(2.182)	(1.930)	(0.871)
BITs Signed	0.205***	0.143**	0.167**	0.154**	0.161**	0.177**	0.133*	0.138*	0.151*
	(0.0639)	(0.0650)	(0.0619)	(0.0664)	(0.0693)	(0.0720)	(0.0651)	(0.0656)	(0.0696)
Population (log)	5.397	5.123	5.873	5.476	5.421	6.364*	5.379	5.394	6.344*
	(3.386)	(3.396)	(3.345)	(3.243)	(3.241)	(3.117)	(3.266)	(3.245)	(3.029)
GDP (log)	519.3	512.3	458.8	563.5	556.0	510.0	543.2	542.2	521.6
	(661.3)	(656.6)	(663.0)	(658.1)	(658.9)	(666.6)	(661.0)	(661.3)	(669.0)
Economic Growth	-4.658	-4.589	-4.051	-5.104	-5.037	-4.589	-4.911	-4.902	-4.700
	(6.490)	(6.447)	(6.506)	(6.464)	(6.472)	(6.546)	(6.491)	(6.493)	(6.572)
Δ GDPPC difference	0.95	12.7	11.9	10.4	11.2	10.6	11.30	10.8	11.2
(x10^-3)	(1.47)	(1.46)	(1.47)	(1.45)	(1.44)	(1.47)	(1.48)	(1.50)	(1.50)
Trade	0.0309	0.0295	0.0315	0.0263	0.0276	0.0269	0.0276	0.0276	0.0275
	(0.0324)	(0.0307)	(0.0319)	(0.0304)	(0.0307)	(0.0310)	(0.0294)	(0.0295)	(0.0292)
Δ School enrollment	-0.279	-0.152	-0.196	-0.309	-0.285	-0.230	-0.207	-0.184	-0.201
	(0.888)	(0.904)	(0.909)	(0.892)	(0.907)	(0.907)	(0.884)	(0.887)	(0.897)
Δ Skill Gap	0.330	0.394	0.457	0.191	0.197	0.256	0.294	0.315	0.310
	(0.673)	(0.705)	(0.710)	(0.663)	(0.669)	(0.681)	(0.666)	(0.670)	(0.680)
Interaction Δ Skill Gap	-6.78	-7.14	-7.59	-6.93	-6.59	-6.34	-6.68	-6.62	-6.59
& Δ GDPPC difference (x10^-4)	(5.05)	(4.89)	(4.89)	(4.91)	(4.95)	(5.18)	(4.87)	(4.90)	(5.07)
Interaction Δ Skill Gap	-3.09	-2.48	-3.28	-1.71	-1.84	-2.44	-2.21	-2.26	-2.37
& Trade (x10^-3)	(4.76)	(4.70)	(4.77)	(4.71)	(4.72)	(4.87)	(4.70)	(4.71)	(4.85)
Inflation (log)	0.419*	0.367	0.413*	0.367	0.371	0.411*	0.353	0.356	0.397*
	(0.216)	(0.224)	(0.206)	(0.229)	(0.230)	(0.217)	(0.230)	(0.227)	(0.219)
Capital Openness	-1.030	-0.685	-0.748	-0.861	-0.916	-1.010	-0.727	-0.751	-0.820
	(0.640)	(0.739)	(0.702)	(0.717)	(0.752)	(0.750)	(0.755)	(0.762)	(0.741)
Natural Rents	0.225*	0.175	0.239**	0.174	0.184	0.197*	0.148	0.145	0.175
	(0.105)	(0.107)	(0.101)	(0.109)	(0.111)	(0.102)	(0.106)	(0.106)	(0.108)
Savings	-0.0723	-0.0679	-0.0665	-0.0782	-0.0791	-0.0767	-0.0682	-0.0690	-0.0724
	(0.0928)	(0.0897)	(0.0973)	(0.0893)	(0.0910)	(0.0943)	(0.0865)	(0.0867)	(0.0891)
WEF Property Right Index	0.744	0.867	0.917	0.995	1.007	1.159	1.007	0.993	1.120
	(0.787)	(0.779)	(0.780)	(0.759)	(0.748)	(0.737)	(0.782)	(0.804)	(0.789)
Crisis	0.383	0.560	0.871	0.498	0.501	0.676	0.495	0.463	0.625
	(1.973)	(2.009)	(2.077)	(1.984)	(1.983)	(2.017)	(1.971)	(1.965)	(2.005)
World FDI	-6.79	-9.63	-8.88	-6.47	-9.14	-8.77	-9.44	-8.86	-9.3
(x10^-13)	(12.30)	(12.40)	(12.20)	(12.10)	(11.70)	(11.80)	(12.20)	(12.40)	(12.20)
Free Trade Agreements	0.0883**	0.0865**	0.0805**	0.0915*	0.0833*	0.0762*	0.0826*	0.0831*	0.0757*
	(0.0383)	(0.0387)	(0.0361)	(0.0428)	(0.0398)	(0.0358)	(0.0388)	(0.0390)	(0.0361)
WTO/GATT Membership	-1.627	-1.531	-2.026	-1.633	-1.595	-2.207*	-1.589	-1.608	-2.117*
	(1.156)	(1.206)	(1.210)	(1.203)	(1.186)	(1.157)	(1.231)	(1.248)	(1.163)
Constant	-76.02	-71.75	-84.26	-77.25	-76.61	-92.23*	-75.86	-76.07	-91.66*
	(53.76)	(53.61)	(52.94)	(51.22)	(51.20)	(49.26)	(51.57)	(51.28)	(47.71)
Observations	448	448	439	448	448	439	448	448	439
R-squared	0.172	0.163	0.170	0.166	0.165	0.169	0.161	0.161	0.166
Number of Countries	13	13	13	13	13	13	13	13	13

Table 3A. GLS fixed effects estimations for only South and Central American countries on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differentiated depending on the country's property right protection. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

H3: 2SLS ESTIMATIONS Only South & Central America	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-1.585**			-6.618*			-1.429		
	(0.630)			(3.565)			(9.862)		
Cases R / L / S in last 2 years		-1.549			-6.991*			-1.728	
		(0.974)			(4.067)			(8.716)	
Cases R / L / S in last 5 years			-1.596*			-5.255*			-4.158
			(0.871)			(3.154)			(3.364)
Interaction Variable	0.301**	0.302	0.329	0.951	1.278	1.026	-0.0823	0.135	0.840
	(0.148)	(0.215)	(0.201)	(0.735)	(0.884)	(0.712)	(2.418)	(2.112)	(0.840)
BITs Signed	0.241***	0.192***	0.204***	0.199***	0.205***	0.207***	0.184**	0.186**	0.188**
	(0.0522)	(0.0719)	(0.0591)	(0.0721)	(0.0731)	(0.0681)	(0.0770)	(0.0759)	(0.0743)
Population (log)	4.506	3.475	4.695	3.998	4.061	5.547*	3.623	3.754	5.164
	(3.144)	(3.743)	(3.394)	(3.562)	(3.491)	(3.069)	(3.683)	(3.572)	(3.256)
GDP (log)	515.8	504.2	450.0	567.9	559.1	509.6	542.6	541.1	523.6
	(623.9)	(621.2)	(627.7)	(617.4)	(618.9)	(626.9)	(623.0)	(623.3)	(628.3)
Economic Growth	-4.622	-4.507	-3.962	-5.148	-5.070	-4.587	-4.909	-4.894	-4.722
	(6.123)	(6.103)	(6.162)	(6.067)	(6.081)	(6.156)	(6.119)	(6.122)	(6.173)
Δ GDPPC difference	0.935	1.33	1.21	1.07	1.15	1.06	1.16	1.09	1.13
(x10^-3)	(1.38)	(1.37)	(1.37)	(1.35)	(1.34)	(1.37)	(1.38)	(1.40)	(1.40)
Trade	0.0292	0.0257	0.0295	0.0227	0.0247	0.0256	0.0240	0.0242	0.0256
	(0.0312)	(0.0297)	(0.0305)	(0.0296)	(0.0299)	(0.0297)	(0.0288)	(0.0289)	(0.0282)
Δ School enrollment	-0.328	-0.210	-0.248	-0.389	-0.359	-0.269	-0.284	-0.246	-0.250
	(0.832)	(0.830)	(0.839)	(0.810)	(0.829)	(0.840)	(0.805)	(0.813)	(0.820)
Δ Skill Gap	0.315	0.379	0.450	0.141	0.148	0.231	0.259	0.290	0.285
	(0.627)	(0.658)	(0.664)	(0.603)	(0.607)	(0.625)	(0.612)	(0.619)	(0.625)
Interaction Δ Skill Gap	-0.676	-7.2	-7.67	-6.98	-6.56	-6.25	-6.67	-6.6	-6.52
& Δ GDPPC difference (x10^-3)	(0.48)	(4.67)	(4.67)	(4.67)	(4.70)	(4.86)	(4.64)	(4.67)	(4.80)
Interaction Δ Skill Gap	-3.29	-2.7	-3.52	-1.71	-1.86	-2.52	-2.4	-2.44	-2.48
& Trade (x10^-3)	(4.60)	(4.51)	(4.58)	(4.51)	(4.51)	(4.64)	(4.51)	(4.52)	(4.64)
Inflation (log)	0.449**	0.406**	0.443**	0.403**	0.407**	0.435**	0.393**	0.397**	0.428**
	(0.189)	(0.197)	(0.183)	(0.200)	(0.200)	(0.189)	(0.200)	(0.198)	(0.191)
Capital Openness	-1.134*	-0.782	-0.829	-0.985	-1.056	-1.113	-0.850	-0.872	-0.924
	(0.585)	(0.725)	(0.667)	(0.692)	(0.711)	(0.688)	(0.740)	(0.740)	(0.706)
Natural Rents	0.233**	0.176*	0.245***	0.173	0.188*	0.199**	0.142	0.138	0.171
	(0.0964)	(0.104)	(0.0939)	(0.107)	(0.107)	(0.0974)	(0.105)	(0.106)	(0.106)
Savings	-0.0682	-0.0588	-0.0611	-0.0735	-0.0757	-0.0755	-0.0600	-0.0617	-0.0694
	(0.0929)	(0.0913)	(0.0968)	(0.0892)	(0.0906)	(0.0914)	(0.0872)	(0.0869)	(0.0866)
WEF Property Right Index	0.720	0.861	0.896	1.007	1.019	1.158*	1.022	0.999	1.114
	(0.729)	(0.726)	(0.726)	(0.711)	(0.699)	(0.686)	(0.733)	(0.753)	(0.732)
Crisis	0.396	0.628	0.930	0.556	0.554	0.700	0.557	0.510	0.645
	(1.857)	(1.911)	(1.969)	(1.885)	(1.882)	(1.898)	(1.866)	(1.857)	(1.883)
World FDI	-6.82	-10.5	-9.13	-6.67	-9.77	-9.01	-10.4	-9.58	-9.75
(x10^-13)	(11.60)	(12.00)	(11.50)	(11.40)	(11.20)	(11.20)	(11.90)	(11.90)	(11.60)
Free Trade Agreements	0.0918***	0.0921***	0.0854**	0.0973**	0.0873**	0.0788**	0.0879**	0.0881**	0.0795**
	(0.0353)	(0.0357)	(0.0332)	(0.0397)	(0.0370)	(0.0331)	(0.0360)	(0.0362)	(0.0336)
WTO/GATT Membership	-1.464	-1.215	-1.814	-1.347	-1.329	-2.063*	-1.256	-1.296	-1.896
	(1.111)	(1.247)	(1.201)	(1.235)	(1.218)	(1.133)	(1.270)	(1.278)	(1.157)
Observations	448	448	439	448	448	439	448	448	439
R-squared	0.171	0.161	0.169	0.164	0.163	0.169	0.159	0.159	0.165
Number of Countries	13	13	13	13	13	13	13	13	13
F-statistic (Cragg-Donald)	288.024	306.656	283.064	312.534	308.387	305.145	315.713	320.418	310.924
F-statistic (Kleibergen-Paap)	18.732	9.879	12.497	9.807	11.232	14.208	9.527	9.847	10.381

Table 3B. 2SLS fixed effects estimations for only South and Central American countries on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differentiated depending on the country's property right protection. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed of neighboring countries. *p<0.1 ** p<00.5 ***p<0.01.

H3: GLS ESTIMATIONS Only CEE	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-2.479			4.829			-1.558		
	(7.046)			(9.101)			(36.83)		
Cases R / L / S in last 2 years		-2.026			-35.95			-10.09	
		(8.044)			(26.39)			(17.81)	
Cases R / L / S in last 5 years			-1.829			-21.08**			-7.594
			(2.087)			(8.282)			(15.33)
Interaction Variable	0.378	0.253	0.333	-0.444	5.627	3.461**	-0.755	1.458	1.062
	(1.199)	(1.388)	(0.353)	(1.342)	(3.884)	(1.217)	(5.663)	(2.751)	(2.519)
BITs Signed	0.0244	0.0184	0.0233	0.0299	0.00997	0.00517	0.0260	0.0212	0.0177
	(0.0461)	(0.0467)	(0.0480)	(0.0491)	(0.0454)	(0.0492)	(0.0514)	(0.0474)	(0.0489)
Population (log)	-22.04	-22.21*	-19.47*	-17.60	-20.77*	-21.14*	-20.05	-19.90*	-18.33
	(11.99)	(11.58)	(9.591)	(10.76)	(9.297)	(10.62)	(12.23)	(10.22)	(10.62)
GDP (log)	-248.7	-239.8*	-262.8	-292.6*	-272.4*	-176.2	-268.5*	-255.3	-292.6**
	(139.6)	(128.4)	(152.4)	(138.3)	(145.4)	(124.4)	(141.9)	(140.6)	(126.6)
Economic Growth	2.438*	2.346*	2.580	2.871*	2.692*	1.718	2.558*	2.469*	2.867**
	(1.292)	(1.179)	(1.442)	(1.298)	(1.380)	(1.161)	(1.295)	(1.311)	(1.205)
Δ GDPPC difference	-0.728	-7.74	-6.57	-6.95	-4.97	-7.66	-13.10	-9.48	-7.43
(x10^-3)	(1.25)	(1.25)	(1.16)	(1.27)	(1.23)	(1.16)	(1.50)	(1.06)	(1.07)
Trade	-0.0210	-0.0170	-0.0203	-0.0181	-0.00894	-0.0134	-0.0266	-0.0211	-0.0192
	(0.0332)	(0.0301)	(0.0326)	(0.0357)	(0.0306)	(0.0354)	(0.0408)	(0.0349)	(0.0336)
Δ School enrollment	0.736	0.697	0.764	0.878	0.759*	0.694	0.687**	0.662**	0.666
	(0.433)	(0.414)	(0.486)	(0.495)	(0.353)	(0.411)	(0.242)	(0.266)	(0.397)
Δ Skill Gap	0.713	0.667	0.788	0.818	0.780*	0.673	0.623*	0.663*	0.650
	(0.472)	(0.434)	(0.537)	(0.494)	(0.398)	(0.369)	(0.292)	(0.316)	(0.377)
Interaction Δ Skill Gap	0.343	-1.25	-41.1	51.5	-84.7	-42.6	2.79	18.2	3.93
& Δ GDPPC difference (x10^-6)	(138.00)	(123.00)	(133.00)	(119.00)	(141.00)	(93.80)	(108.00)	(111.00)	(95.30)
Interaction Δ Skill Gap	-1.56	-1.67	-2.05	-1.25	-2.19	-1.75	-1.02	-1.6	-1.38
& Trade (x10^-3)	(2.15)	(2.56)	(2.53)	(2.42)	(2.63)	(2.85)	(2.41)	(2.72)	(3.15)
Inflation (log)	0.0212	0.0122	0.0283	0.0758	0.0238	-0.0439	0.115	0.0614	0.0675
	(0.381)	(0.366)	(0.375)	(0.360)	(0.336)	(0.347)	(0.398)	(0.337)	(0.332)
Capital Openness	-0.0918	-0.100	-0.301	-0.469*	-0.110	-0.224	-0.179	-0.216	-0.159
	(0.142)	(0.157)	(0.180)	(0.219)	(0.262)	(0.169)	(0.221)	(0.157)	(0.205)
Natural Rents	0.796	0.725	0.741	0.691*	0.420	0.519	0.679	0.658	0.505
	(0.840)	(0.790)	(0.525)	(0.356)	(0.350)	(0.320)	(0.553)	(0.387)	(0.331)
Savings	-0.285**	-0.298**	-0.269**	-0.288**	-0.247*	-0.279*	-0.306**	-0.314**	-0.280*
	(0.119)	(0.125)	(0.115)	(0.113)	(0.127)	(0.124)	(0.129)	(0.124)	(0.128)
WEF Property Right Index	1.387	1.285	1.105	1.734	0.938	0.645	0.925	1.140	0.977
	(1.135)	(1.114)	(1.371)	(1.787)	(1.301)	(1.428)	(1.211)	(1.256)	(1.398)
Crisis	-15.60	-15.70	-15.46	-15.36	-15.51	-15.32	-14.76	-15.08	-15.00
	(8.593)	(8.624)	(8.543)	(8.534)	(8.676)	(8.536)	(9.213)	(8.787)	(8.603)
World FDI	24.8*	25.0*	24.9*	26.1*	22.5	23.6*	32.9**	27.0*	25.1*
(x10^-13)	(12.50)	(13.30)	(12.60)	(12.60)	(12.90)	(12.20)	(13.80)	(11.80)	(12.00)
Free Trade Agreements	0.398	-1.22	2.52	-0.371	3.66	3.61	-0.773	1.26	0.739
(x10^-3)	(6.95)	(7.50)	(5.75)	(6.83)	(7.14)	(6.63)	(6.64)	(5.88)	(4.97)
WTO/GATT Membership	0.337	0.624	0.211	0.322	0.264	0.207	0.463	0.396	0.436
	(1.258)	(1.544)	(1.170)	(1.138)	(1.121)	(1.178)	(1.050)	(1.056)	(1.131)
Constant	352.1*	355.4*	314.0*	281.2	334.2**	343.1*	324.8	321.7*	298.2
	(181.5)	(176.5)	(144.9)	(164.5)	(141.7)	(163.6)	(191.1)	(158.8)	(164.8)
Observations	188	188	188	180	188	188	179	188	188
R-squared	0.291	0.293	0.290	0.296	0.314	0.304	0.314	0.294	0.294
Number of Countries	9	9	9	9	9	9	9	9	9

Table 4A. GLS fixed effects estimations for only Central and Eastern European countries (excluding Hungary, Poland and Czech Republic) on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differentiated depending on the country's property right protection. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

H3: 2SLS ESTIMATIONS Only CEE	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-2.710			5.025			-1.868		
	(6.728)			(8.113)			(32.57)		
Cases R / L / S in last 2 years		-2.317			-35.95			-10.21	
		(7.588)			(23.36)			(15.80)	
Cases R / L / S in last 5 years			-1.945			-21.31***			-7.497
			(2.000)			(6.947)			(13.81)
Interaction Variable	0.417	0.305	0.353	-0.469	5.627	3.496***	-0.705	1.477	1.042
	(1.145)	(1.309)	(0.340)	(1.191)	(3.443)	(1.021)	(4.988)	(2.435)	(2.285)
BITs Signed	0.0438	0.0391	0.0429	0.0467	0.00986	-0.00667	0.0499	0.0405	0.0330
	(0.0624)	(0.0611)	(0.0500)	(0.0533)	(0.0315)	(0.0398)	(0.0587)	(0.0532)	(0.0648)
Population (log)	-20.98**	-21.03**	-18.33**	-16.53	-20.77**	-21.86**	-18.53*	-18.71**	-17.36*
	(10.02)	(9.989)	(7.869)	(10.18)	(8.807)	(10.41)	(10.85)	(8.981)	(10.42)
GDP (log)	-258.7**	-251.2**	-272.4**	-301.6**	-272.4**	-169.3	-281.1**	-265.7**	-301.4**
	(121.9)	(114.4)	(137.4)	(125.5)	(130.6)	(118.7)	(125.8)	(122.9)	(125.2)
Economic Growth	2.534**	2.456**	2.671**	2.956**	2.692**	1.652	2.677**	2.569**	2.952**
	(1.129)	(1.050)	(1.302)	(1.177)	(1.235)	(1.109)	(1.132)	(1.136)	(1.189)
Δ GDPPC difference	-0.695	-0.738	-0.629	-0.683	-0.497	-0.78	-1.29	-0.925	-0.723
(x10^-3)	(1.13)	(1.12)	(1.04)	(1.13)	(1.10)	(1.05)	(1.32)	(0.94)	(0.97)
Trade	-0.0235	-0.0196	-0.0226	-0.0202	-0.00893	-0.0119	-0.0297	-0.0234	-0.0210
	(0.0293)	(0.0262)	(0.0289)	(0.0300)	(0.0240)	(0.0274)	(0.0361)	(0.0309)	(0.0281)
Δ School enrollment	0.732*	0.697*	0.760*	0.879**	0.759**	0.694*	0.686***	0.659***	0.665*
	(0.381)	(0.369)	(0.427)	(0.443)	(0.313)	(0.363)	(0.216)	(0.233)	(0.353)
Δ Skill Gap	0.726*	0.680*	0.800	0.829*	0.779**	0.665**	0.638**	0.675**	0.659*
	(0.435)	(0.397)	(0.493)	(0.450)	(0.354)	(0.327)	(0.270)	(0.289)	(0.344)
Interaction Δ Skill Gap	0.97	0.97	-3.10	6.26	-8.48	-4.92	1.75	2.90	1.25
& Δ GDPPC difference (x10^-5)	(12.30)	(11.80)	(12.00)	(11.40)	(12.10)	(8.15)	(10.70)	(11.00)	(9.45)
Interaction Δ Skill Gap	-1.70	-1.78	-2.19	-1.33	-2.19	-1.68	-1.14	-1.72	-1.46
& Trade (x10^-3)	(1.80)	(2.17)	(2.13)	(1.99)	(2.21)	(2.40)	(1.98)	(2.23)	(2.56)
Inflation (log)	0.0439	0.0373	0.0511	0.0992	0.0237	-0.0603	0.148	0.0868	0.0884
	(0.336)	(0.329)	(0.340)	(0.328)	(0.319)	(0.318)	(0.374)	(0.317)	(0.316)
Capital Openness	-0.158	-0.175	-0.371	-0.535	-0.110	-0.179	-0.268	-0.288	-0.215
	(0.209)	(0.251)	(0.295)	(0.358)	(0.203)	(0.212)	(0.264)	(0.231)	(0.293)
Natural Rents	0.853	0.785	0.794	0.730**	0.420	0.493**	0.737	0.701*	0.537*
	(0.850)	(0.784)	(0.535)	(0.361)	(0.271)	(0.248)	(0.545)	(0.381)	(0.306)
Savings	-0.268**	-0.279**	-0.252**	-0.274***	-0.247**	-0.289**	-0.286***	-0.297***	-0.266**
	(0.105)	(0.113)	(0.104)	(0.0985)	(0.118)	(0.118)	(0.104)	(0.106)	(0.130)
WEF Property Right Index	1.380	1.278	1.103	1.751	0.938	0.632	0.949	1.151	0.988
	(1.019)	(1.002)	(1.236)	(1.628)	(1.163)	(1.284)	(1.106)	(1.144)	(1.275)
Crisis	-15.62**	-15.72**	-15.48**	-15.38**	-15.51**	-15.30**	-14.78*	-15.09*	-15.01*
	(7.666)	(7.689)	(7.616)	(7.591)	(7.716)	(7.588)	(8.188)	(7.833)	(7.673)
World FDI	24.8**	25**	25**	26.2**	22.5**	23.6**	33.1***	27.1**	25.2**
(x10^-13)	(11.10)	(11.80)	(11.20)	(11.10)	(11.40)	(10.70)	(12.30)	(10.60)	(10.70)
Free Trade Agreements	0.557	-0.997	2.66	-0.339	3.66	3.58	-0.637	1.38	0.816
(x10^-3)	6.18	6.67	5.19	6.02	6.44	6.06	5.81	5.16	4.37
WTO/GATT Membership	0.0955	0.354	-0.0380	0.110	0.265	0.353	0.167	0.156	0.245
	(1.501)	(1.710)	(1.395)	(1.320)	(1.099)	(1.264)	(1.186)	(1.239)	(1.415)
Observations	188	188	188	180	188	188	179	188	188
R-squared	0.290	0.293	0.290	0.296	0.314	0.303	0.313	0.294	0.294
Number of Countries	9	9	9	9	9	9	9	9	9
F-statistic (Cragg-Donald)	191.526	192.824	198.511	209.893	206.66	203.379	205.719	203.646	203.695
F-statistic (Kleibergen-Paap)	29.878	30.413	34.172	29.516	37.3	41.691	28.382	32.557	32.903

Table 4B. 2SLS fixed effects estimations for only Central and Eastern European (excluding Hungary, Poland and Czech Republic) on the effect of BITs and investor-state disputes on FDI and whether the effect of investor-state disputes is differentiated depending on the country's property right protection. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed of neighboring countries. *p<0.1 ** p<00.5 ***p<0.01.

Appendix D: SENSITIVITY ANALYSIS TABLES

H3: GLS ESTIMATIONS Trend & Time Fixed Effects (part 1)	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	0.338			6.325**			0.263		
	(0.568)			(2.592)			(1.721)		
Cases R / L / S in last 2 years		0.00891			6.542**			-0.794	
		(0.678)			(2.559)			(1.502)	
Cases R / L / S in last 5 years			0.0452			5.932***			-0.170
			(0.499)			(2.125)			(0.999)
Interaction Variable	-0.0985	-0.00203	-0.0163	-1.408***	-1.516***	-1.347***	-0.0419	0.134	0.0498
	(0.132)	(0.151)	(0.117)	(0.517)	(0.548)	(0.458)	(0.285)	(0.259)	(0.181)
BITs Signed	-0.0484	-0.0512	-0.0513	-0.0519	-0.0508	-0.0527	-0.0516	-0.0507	-0.0536
	(0.0357)	(0.0361)	(0.0383)	(0.0347)	(0.0343)	(0.0362)	(0.0352)	(0.0350)	(0.0373)
Population (log)	-6.037	-5.593	-5.930	-5.724	-5.864	-6.068	-5.648	-5.620	-5.812
	(4.048)	(3.980)	(4.094)	(3.988)	(3.937)	(3.988)	(4.034)	(3.931)	(4.008)
GDP (log)	207.9*	210.6**	211.7**	212.8**	219.0**	225.1**	210.6**	209.9**	212.8**
	(104.8)	(104.9)	(106.3)	(104.4)	(104.5)	(106.5)	(104.2)	(104.2)	(105.5)
Economic Growth	-1.882*	-1.910*	-1.926*	-1.930*	-1.986*	-2.050**	-1.908*	-1.903*	-1.938*
	(1.007)	(1.008)	(1.024)	(1.002)	(1.003)	(1.023)	(1.001)	(1.001)	(1.015)
Δ GDPPC difference	7.52	7.7	7.68	7.9	8.32	8.69	7.78	7.68	7.61
(x10^-4)	(7.34)	(7.38)	(7.25)	(7.41)	(7.55)	(7.65)	(7.47)	(7.42)	(7.30)
Trade	-0.0195	-0.0192	-0.0194	-0.0186	-0.0183	-0.0159	-0.0190	-0.0193	-0.0194
	(0.0121)	(0.0121)	(0.0126)	(0.0120)	(0.0118)	(0.0123)	(0.0121)	(0.0121)	(0.0126)
Δ School enrollment	-0.406	-0.370	-0.306	-0.366	-0.373	-0.326	-0.362	-0.379	-0.287
	(0.443)	(0.448)	(0.490)	(0.447)	(0.448)	(0.500)	(0.448)	(0.448)	(0.489)
Δ Skill Gap	-0.152	-0.129	-0.0628	-0.118	-0.115	-0.0838	-0.118	-0.140	-0.0456
	(0.414)	(0.417)	(0.450)	(0.419)	(0.417)	(0.453)	(0.414)	(0.414)	(0.447)
Interaction Δ Skill Gap	-3.29*	-3.32*	-3.64*	-3.43*	-3.56*	-3.70*	-3.41*	-3.32*	-3.66*
& Δ GDPPC difference (x10^-4)	(1.91)	(1.87)	(2.13)	(1.92)	(1.86)	(2.19)	(1.92)	(1.90)	(2.13)
Interaction Δ Skill Gap	-11.8	-11.5	-11.9	-11.7	-11.9	-11.6	-12.2	-11.5	-11.9
& Trade (x10^-4)	(9.18)	(9.14)	(9.41)	(9.10)	(8.98)	(9.63)	(9.03)	(9.19)	(9.29)
Inflation (log)	-0.0803	-0.0795	-0.0786	-0.0836	-0.0864	-0.0926	-0.0804	-0.0785	-0.0785
	(0.129)	(0.128)	(0.131)	(0.128)	(0.128)	(0.131)	(0.128)	(0.128)	(0.130)
Capital Openness	-0.347	-0.358	-0.290	-0.350	-0.354	-0.281	-0.358	-0.363	-0.291
	(0.291)	(0.288)	(0.296)	(0.296)	(0.286)	(0.293)	(0.300)	(0.288)	(0.294)
Natural Rents	0.0158	0.0146	0.00943	0.0121	0.0157	0.0190	0.0143	0.0138	0.00917
	(0.100)	(0.101)	(0.107)	(0.100)	(0.0996)	(0.105)	(0.100)	(0.100)	(0.107)
Savings	0.00840	0.00769	0.00459	0.00920	0.00695	0.000200	0.00773	0.00739	0.00396
	(0.0538)	(0.0541)	(0.0542)	(0.0536)	(0.0527)	(0.0517)	(0.0543)	(0.0538)	(0.0539)
WEF Property Right Index	1.545***	1.544***	1.526***	1.566***	1.583***	1.650***	1.545***	1.527***	1.521***
	(0.503)	(0.500)	(0.508)	(0.486)	(0.487)	(0.497)	(0.488)	(0.490)	(0.493)
Crisis	-0.796	-0.787	-0.529	-0.801	-0.823	-0.566	-0.785	-0.802	-0.530
	(1.180)	(1.190)	(1.174)	(1.198)	(1.194)	(1.184)	(1.187)	(1.187)	(1.172)
World FDI	1.07	0.991	2.25	0.999	0.32	0.58	1.16	0.877	2.39
(x10^-13)	(9.75)	(9.81)	(9.94)	(9.94)	(9.98)	(10.30)	(9.91)	(9.85)	(9.99)
Free Trade Agreements	-0.0360	-0.0352	-0.0354	-0.0353	-0.0351	-0.0335	-0.0353	-0.0353	-0.0354
	(0.0377)	(0.0378)	(0.0378)	(0.0380)	(0.0377)	(0.0377)	(0.0380)	(0.0377)	(0.0378)
WTO/GATT Membership	-1.157	-1.128	-1.595	-1.123	-1.085	-1.578	-1.130	-1.141	-1.580
	(1.113)	(1.118)	(1.138)	(1.123)	(1.119)	(1.136)	(1.120)	(1.115)	(1.135)
Time	0.340***	0.326***	0.363***	0.326***	0.328***	0.355**	0.326***	0.329***	0.360**
	(0.121)	(0.120)	(0.137)	(0.121)	(0.119)	(0.137)	(0.122)	(0.120)	(0.141)
Constant	106.4	99.39	104.1	101.5	103.6	105.9	100.3	99.85	102.3
	(64.99)	(63.87)	(65.59)	(64.11)	(63.23)	(63.91)	(64.84)	(63.14)	(64.21)
Observations	2,192	2,192	2,164	2,178	2,192	2,164	2,177	2,192	2,164
R-squared	0.146	0.146	0.145	0.147	0.148	0.149	0.146	0.146	0.145
Number of Countries	82	82	82	82	82	82	82	82	82

Table 1A(1). GLS fixed effects estimations of paragraph 5.3 re-estimated using a time trend and time fixed effects. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . Table continues on next page.

H3: GLS ESTIMATIONS Trend & Time Fixed Effects (part 2)	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
1973	-5.362	-5.416		-5.443	-5.427		-5.422	-5.406	
	(4.076)	(4.081)		(4.094)	(4.096)		(4.084)	(4.092)	
1974	-5.732	-5.792		-5.820	-5.812		-5.798	-5.787	
	(4.388)	(4.377)		(4.385)	(4.387)		(4.385)	(4.393)	
1975	-0.782	-0.830		-0.832	-0.808		-0.828	-0.821	
	(2.706)	(2.706)		(2.697)	(2.696)		(2.704)	(2.703)	
1976	-7.627*	-7.693*	-6.986*	-7.687*	-7.649*	-6.921*	-7.694*	-7.686*	-7.002*
	(3.955)	(3.958)	(3.832)	(3.962)	(3.946)	(3.814)	(3.952)	(3.956)	(3.827)
1977	-5.451	-5.528	-4.823	-5.542	-5.525	-4.813	-5.535	-5.517	-4.836
	(3.821)	(3.827)	(3.325)	(3.809)	(3.812)	(3.328)	(3.806)	(3.815)	(3.318)
1978	-2.166	-2.197	-1.437	-2.207	-2.198	-1.479	-2.196	-2.203	-1.422
	(3.116)	(3.106)	(3.533)	(3.097)	(3.101)	(3.540)	(3.102)	(3.109)	(3.540)
1979	-2.168	-2.214	-1.535	-2.227	-2.215	-1.580	-2.227	-2.174	-1.521
	(3.210)	(3.205)	(3.497)	(3.198)	(3.203)	(3.505)	(3.210)	(3.216)	(3.508)
1980	-4.530	-4.568	-3.828	-4.569	-4.580	-3.950	-4.566	-4.529	-3.802
	(3.773)	(3.769)	(4.069)	(3.765)	(3.770)	(4.074)	(3.768)	(3.783)	(4.080)
1981	-1.077	-1.123	-0.388	-1.102	-1.051	-0.432	-1.119	-1.105	-0.385
	(1.947)	(1.946)	(2.616)	(1.947)	(1.952)	(2.613)	(1.950)	(1.955)	(2.623)
1982	-2.932	-2.989	-2.328	-3.000	-3.047	-2.452	-2.987	-2.960	-2.327
	(2.244)	(2.248)	(2.931)	(2.250)	(2.242)	(2.924)	(2.258)	(2.261)	(2.935)
1983	-1.691	-1.738	-1.098	-1.735	-1.701	-1.168	-1.731	-1.731	-1.097
	(2.093)	(2.086)	(2.743)	(2.082)	(2.076)	(2.726)	(2.091)	(2.089)	(2.738)
1984	-2.355	-2.407	-1.803	-2.409	-2.397	-1.933	-2.400	-2.402	-1.799
	(2.065)	(2.063)	(2.630)	(2.061)	(2.062)	(2.639)	(2.067)	(2.064)	(2.639)
1985	-6.426**	-6.486**	-5.874*	-6.494**	-6.505**	-6.042*	-6.484**	-6.484**	-5.867*
	(2.529)	(2.532)	(3.110)	(2.534)	(2.539)	(3.122)	(2.538)	(2.538)	(3.121)
1986	-5.962**	-6.011**	-5.415*	-6.021**	-6.035**	-5.501*	-6.009**	-6.012**	-5.405*
	(2.369)	(2.375)	(2.924)	(2.378)	(2.384)	(2.940)	(2.382)	(2.380)	(2.931)
1987	-5.400**	-5.446**	-4.892*	-5.456**	-5.455**	-4.931*	-5.442**	-5.448**	-4.886
	(2.358)	(2.367)	(2.936)	(2.368)	(2.374)	(2.944)	(2.373)	(2.371)	(2.944)
1988	-3.715**	-3.760**	-3.207	-3.763**	-3.764**	-3.227	-3.754**	-3.762**	-3.203
	(1.679)	(1.690)	(2.187)	(1.689)	(1.692)	(2.205)	(1.694)	(1.691)	(2.193)
1989	-3.345	-3.411	-2.889	-3.414	-3.422	-2.963	-3.407	-3.401	-2.883
	(2.418)	(2.422)	(2.922)	(2.431)	(2.435)	(2.944)	(2.433)	(2.430)	(2.934)
1990	-3.299*	-3.345*	-2.881	-3.341*	-3.344*	-2.908	-3.339*	-3.336*	-2.877
	(1.983)	(1.987)	(2.467)	(1.991)	(1.996)	(2.474)	(1.995)	(1.996)	(2.475)
1991	-2.597	-2.641	-2.177	-2.692	-2.695	-2.242	-2.634	-2.639	-2.177
	(1.737)	(1.741)	(2.015)	(1.733)	(1.737)	(2.030)	(1.743)	(1.741)	(2.020)
1992	-3.631*	-3.669*	-3.220	-3.662*	-3.701*	-3.263	-3.660*	-3.672*	-3.217
	(1.966)	(1.960)	(2.140)	(1.961)	(1.954)	(2.147)	(1.964)	(1.961)	(2.142)
1993	-2.139	-2.164	-1.793	-2.186	-2.177	-1.822	-2.161	-2.162	-1.794
	(1.447)	(1.447)	(1.808)	(1.445)	(1.444)	(1.810)	(1.449)	(1.448)	(1.807)
1994	-1.369	-1.396	-1.088	-1.429	-1.440	-1.103	-1.400	-1.381	-1.097
	(1.273)	(1.276)	(1.559)	(1.280)	(1.270)	(1.557)	(1.281)	(1.276)	(1.556)

Table 1A(2). GLS fixed effects estimations of paragraph 5.3 re-estimated using a time trend and time fixed effects. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01. Table continues on next page.

H3: GLS ESTIMATIONS Trend & Time Fixed Effects (part 3)	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
1995	0.0896	0.0585	0.366	0.0625	0.0495	0.333	0.0632	0.0739	0.369
	(1.048)	(1.057)	(1.293)	(1.057)	(1.065)	(1.289)	(1.061)	(1.049)	(1.296)
1996	-0.574	-0.572	-0.220	-0.568	-0.574	-0.273	-0.566	-0.575	-0.198
	(0.948)	(0.955)	(1.256)	(0.956)	(0.964)	(1.263)	(0.957)	(0.959)	(1.257)
1997	-0.610	-0.606	-0.272	-0.606	-0.631	-0.335	-0.600	-0.611	-0.251
	(0.946)	(0.957)	(1.194)	(0.966)	(0.981)	(1.223)	(0.955)	(0.964)	(1.196)
1998	-1.183	-1.170	-0.880	-1.242	-1.267	-0.967	-1.164	-1.177	-0.853
	(1.235)	(1.242)	(1.481)	(1.246)	(1.256)	(1.498)	(1.236)	(1.239)	(1.479)
1999	-2.026	-1.985	-1.726	-1.987	-2.074	-1.804	-1.980	-2.009	-1.676
	(1.468)	(1.484)	(1.812)	(1.482)	(1.501)	(1.844)	(1.478)	(1.478)	(1.813)
2000	-2.762**	-2.768**	-2.608*	-2.841**	-2.841**	-2.689*	-2.763**	-2.774**	-2.591*
	(1.352)	(1.356)	(1.422)	(1.362)	(1.357)	(1.429)	(1.356)	(1.353)	(1.423)
2001	-3.659**	-3.614**	-3.413*	-3.613**	-3.720**	-3.539*	-3.621**	-3.624**	-3.363*
	(1.703)	(1.717)	(1.912)	(1.714)	(1.732)	(1.951)	(1.715)	(1.714)	(1.919)
2002	-1.783	-1.748	-1.497	-1.725	-1.810	-1.719	-1.726	-1.759	-1.453
	(1.401)	(1.407)	(1.455)	(1.420)	(1.422)	(1.491)	(1.419)	(1.410)	(1.466)
2003	-	-	-	-	-	-	-	-	-
2004	-0.265	-0.226	-0.125	-0.278	-0.314	-0.294	-0.218	-0.235	-0.0920
	(1.016)	(1.016)	(1.030)	(1.027)	(1.028)	(1.039)	(1.028)	(1.025)	(1.032)
2005	-0.849	-0.842	-0.734	-0.860	-0.942	-0.811	-0.837	-0.849	-0.700
	(0.877)	(0.894)	(0.885)	(0.905)	(0.899)	(0.897)	(0.904)	(0.888)	(0.887)
2006	-1.583	-1.573	-1.517	-1.563	-1.603	-1.536	-1.575	-1.584	-1.519
	(0.960)	(0.972)	(0.952)	(0.976)	(0.966)	(0.958)	(0.987)	(0.970)	(0.953)
2007	-0.929	-0.909	-0.865	-0.897	-0.925	-0.906	-0.910	-0.915	-0.857
	(0.690)	(0.694)	(0.689)	(0.710)	(0.698)	(0.698)	(0.708)	(0.698)	(0.688)
2008	-	-	-	-	-	-	-	-	-
2009	-1.057	-1.060	-0.905	-1.005	-1.041	-1.019	-1.053	-1.066	-0.889
	(1.503)	(1.509)	(1.477)	(1.533)	(1.526)	(1.539)	(1.529)	(1.510)	(1.476)
2010	-	-	-	-	-	-	-	-	-
2011	-0.930	-0.962	-1.108	-0.901	-0.889	-0.969	-0.986	-0.957	-1.108
	(1.031)	(1.029)	(1.173)	(1.044)	(1.019)	(1.174)	(1.043)	(1.023)	(1.159)
2012	-1.848**	-1.850**	-1.951**	-1.808*	-1.711*	-1.830*	-1.842**	-1.876**	-1.932**
	(0.897)	(0.894)	(0.946)	(0.917)	(0.903)	(0.945)	(0.921)	(0.898)	(0.933)
2013	-1.010	-0.977	-0.999	-0.872	-0.882	-0.896	-0.943	-1.018	-0.958
	(0.901)	(0.903)	(0.886)	(0.913)	(0.906)	(0.894)	(0.929)	(0.921)	(0.884)
2014	-1.959	-1.847	-1.852	-1.773	-1.766	-1.879	-1.783	-1.904	-1.783
	(1.272)	(1.289)	(1.237)	(1.299)	(1.294)	(1.286)	(1.307)	(1.306)	(1.238)
2015	-1.566	-1.510	-1.582	-1.503	-1.543	-1.543	-1.476	-1.552	-1.532
	(1.465)	(1.475)	(1.441)	(1.488)	(1.493)	(1.480)	(1.496)	(1.501)	(1.456)
2016	-3.762***	-3.716***	-3.919***	-3.750***	-3.751***	-3.822***	-3.712***	-3.728***	-3.887***
	(1.275)	(1.285)	(1.283)	(1.299)	(1.289)	(1.318)	(1.298)	(1.288)	(1.292)

Table 1A(3). GLS fixed effects estimations of paragraph 5.3 re-estimated using a time trend and time fixed effects. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

H3: 2SLS ESTIMATIONS	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Trend Included	Pending	Rgstrd (2)	Rgstrd (5)	Lost	Lost (2)	Lost (5)	Settled	Settled (2)	Settled (5)
Pending / Lost / Settled	0.481			6.732**			0.947		
	(0.563)			(2.704)			(1.450)		
Cases R / L / S in last 2 years		0.298			6.848***			-0.456	
		(0.696)			(2.517)			(1.469)	
Cases R / L / S in last 5 years			0.0944			6.425***			0.294
			(0.547)			(1.938)			(1.048)
Interaction Variable	-0.119	-0.0382	-0.00576	-1.474***	-1.560***	-1.443***	-0.127	0.108	0.00518
	(0.134)	(0.159)	(0.133)	(0.538)	(0.538)	(0.408)	(0.241)	(0.252)	(0.185)
BITs Signed	-0.128*	-0.130*	-0.153*	-0.127*	-0.127*	-0.152*	-0.128*	-0.128*	-0.151*
	(0.0754)	(0.0759)	(0.0796)	(0.0751)	(0.0749)	(0.0787)	(0.0754)	(0.0749)	(0.0785)
Population (log)	-6.987	-6.464	-7.730	-6.684	-6.807	-8.169*	-6.801	-6.577	-7.651
	(4.514)	(4.470)	(4.719)	(4.662)	(4.579)	(4.950)	(4.739)	(4.522)	(4.784)
GDP (log)	163.4	167.4	173.3	167.9	174.5	187.1*	166.0	165.2	174.2
	(110.3)	(110.2)	(111.6)	(109.9)	(109.8)	(111.6)	(109.7)	(109.9)	(111.0)
Economic Growth	-1.472	-1.512	-1.579	-1.514	-1.575	-1.707	-1.496	-1.489	-1.587
	(1.059)	(1.058)	(1.071)	(1.055)	(1.054)	(1.071)	(1.053)	(1.054)	(1.065)
Δ GDPPC difference	-2.04	-1.79	-1.31	-1.61	-1.63	-1.04	-1.67	-1.9	-1.13
(x10^-4)	(6.62)	(6.56)	(6.97)	(6.57)	(6.56)	(7.03)	(6.58)	(6.57)	(7.02)
Trade	-4.41	-3.92	-1.50	-3.57	-3.12	2.96	-3.85	-4.50	-2.37
(x10^-3)	(14.80)	(14.70)	(15.80)	(14.80)	(14.60)	(15.70)	(14.90)	(14.70)	(15.70)
Δ School enrollment	0.191	0.205	0.278	0.198	0.201	0.266	0.203	0.203	0.267
	(0.294)	(0.295)	(0.304)	(0.297)	(0.297)	(0.304)	(0.298)	(0.295)	(0.304)
Δ Skill Gap	0.394	0.394	0.444	0.391	0.402	0.445	0.413	0.394	0.448
	(0.276)	(0.275)	(0.285)	(0.277)	(0.276)	(0.285)	(0.278)	(0.276)	(0.284)
Interaction Δ Skill Gap	-3.21	-3.27	-3.64	-3.29	-3.4	-3.67	-3.31	-3.24	-3.69
& Δ GDPPC difference (x10^-4)	(2.15)	(2.15)	(2.34)	(2.16)	(2.12)	(2.39)	(2.16)	(2.14)	(2.33)
Interaction Δ Skill Gap	-1.24	-1.15	-1.07	-1.18	-1.14	-1.14	-1.49	-1.22	-1.17
& Trade (x10^-4)	(1.97)	(1.97)	(2.01)	(1.98)	(1.94)	(2.00)	(1.98)	(1.96)	(1.97)
Inflation (log)	-0.0443	-0.0437	-0.0317	-0.0463	-0.0490	-0.0459	-0.0440	-0.0420	-0.0342
	(0.121)	(0.120)	(0.122)	(0.122)	(0.122)	(0.125)	(0.121)	(0.121)	(0.123)
Capital Openness	-0.383	-0.408	-0.314	-0.390	-0.397	-0.295	-0.387	-0.401	-0.293
	(0.254)	(0.251)	(0.268)	(0.256)	(0.252)	(0.271)	(0.258)	(0.249)	(0.264)
Natural Rents	0.0284	0.0279	0.00995	0.0281	0.0323	0.0230	0.0292	0.0288	0.0145
	(0.0973)	(0.0974)	(0.106)	(0.0970)	(0.0967)	(0.105)	(0.0969)	(0.0969)	(0.105)
Savings	0.0121	0.0106	0.0133	0.0118	0.00893	0.00759	0.0111	0.00994	0.0115
	(0.0592)	(0.0595)	(0.0594)	(0.0591)	(0.0583)	(0.0573)	(0.0596)	(0.0592)	(0.0591)
WEF Property Right Index	1.825***	1.824***	1.833***	1.810***	1.831***	1.935***	1.793***	1.783***	1.811***
	(0.569)	(0.570)	(0.602)	(0.549)	(0.550)	(0.585)	(0.549)	(0.553)	(0.578)
Crisis	-0.812	-0.824	-0.526	-0.843	-0.869	-0.574	-0.819	-0.830	-0.510
	(1.228)	(1.237)	(1.188)	(1.249)	(1.246)	(1.207)	(1.237)	(1.238)	(1.198)
World FDI	4.23	4.08	4.12	3.77	3.63	3.66	4.00	4.07	4.24
(x10^-13)	(6.38)	(6.36)	(6.66)	(6.41)	(6.34)	(6.59)	(6.41)	(6.38)	(6.66)
Free Trade Agreements	-0.0548*	-0.0541	-0.0561*	-0.0543	-0.0542	-0.0543*	-0.0547*	-0.0541	-0.0559*
	(0.0331)	(0.0331)	(0.0329)	(0.0332)	(0.0330)	(0.0328)	(0.0332)	(0.0330)	(0.0328)
WTO/GATT Membership	-0.877	-0.841	-1.412	-0.854	-0.829	-1.458	-0.860	-0.840	-1.358
	(1.125)	(1.132)	(1.176)	(1.135)	(1.131)	(1.182)	(1.129)	(1.121)	(1.158)
Time	0.480***	0.465***	0.523***	0.470***	0.472***	0.526***	0.475***	0.471***	0.520***
	(0.164)	(0.164)	(0.173)	(0.171)	(0.169)	(0.183)	(0.174)	(0.168)	(0.179)
Observations	2,026	2,026	2,000	2,012	2,026	2,000	2,011	2,026	2,000
R-squared	0.109	0.109	0.103	0.110	0.111	0.108	0.109	0.109	0.104
Number of Countries	77	77	77	77	77	77	77	77	77
F-statistic (Cragg-Donald)	318.996	313.221	309.400	314.842	319.212	313.707	314.575	317.64	313.436
F-statistic (Kleibergen-Paap)	17.994	18.233	18.413	17.401	17.504	17.303	17.59	17.642	17.671

Table 1B. 2SLS fixed effects estimations of paragraph 5.3 re-estimated using a time trend. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed of neighboring countries. *p<0.1 ** p<00.5 ***p<0.01 .

H3: GLS ESTIMATIONS Different BIT variable	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	0.159			5.646**			0.668		
	(0.534)			(2.370)			(1.546)		
Cases R / L / S in last 2 years		-0.119			5.643**			-0.411	
		(0.641)			(2.426)			(1.464)	
Cases R / L / S in last 5 years			-0.115			5.659**			0.287
			(0.436)			(2.146)			(0.995)
Interaction Variable	-0.0494	0.0236	0.0237	-1.208**	-1.262**	-1.235***	-0.123	0.0589	-0.0464
	(0.122)	(0.139)	(0.0999)	(0.465)	(0.522)	(0.464)	(0.252)	(0.251)	(0.177)
BITs Signed with OECD	0.139	0.131	0.129	0.121	0.118	0.0946	0.129	0.132	0.122
	(0.0951)	(0.0911)	(0.0964)	(0.0867)	(0.0880)	(0.0939)	(0.0876)	(0.0878)	(0.0938)
Population (log)	5.733***	5.804***	6.032***	5.795***	5.734***	5.913***	5.801***	5.802***	6.005***
	(1.725)	(1.718)	(1.693)	(1.703)	(1.706)	(1.678)	(1.705)	(1.711)	(1.676)
GDP (log)	180.9	181.9	189.9*	183.1	188.8*	202.1*	181.8	181.5	190.5*
	(111.2)	(111.3)	(113.5)	(111.1)	(111.1)	(114.1)	(110.9)	(110.9)	(113.2)
Economic Growth	-1.642	-1.653	-1.738	-1.663	-1.716	-1.852*	-1.650	-1.648	-1.744
	(1.068)	(1.069)	(1.089)	(1.067)	(1.067)	(1.094)	(1.064)	(1.065)	(1.086)
Δ GDPPC difference	-0.339	-3.13	-2.83	-2.99	-3.03	-2.37	-2.97	-3.18	-2.66
(x10^-3)	(0.57)	(0.56)	(0.59)	(0.57)	(0.57)	(0.60)	(0.57)	(0.57)	(0.60)
Trade	-0.0103	-0.0103	-0.00939	-0.0101	-0.00902	-0.00562	-0.0108	-0.0103	-0.00910
	(0.0129)	(0.0130)	(0.0133)	(0.0130)	(0.0128)	(0.0130)	(0.0131)	(0.0130)	(0.0133)
Δ School enrollment	0.0323	0.0459	0.0774	0.0486	0.0554	0.0926	0.0460	0.0444	0.0795
	(0.269)	(0.270)	(0.266)	(0.272)	(0.271)	(0.267)	(0.272)	(0.270)	(0.267)
Δ Skill Gap	0.292	0.298	0.326	0.305	0.314	0.340	0.307	0.297	0.331
	(0.221)	(0.221)	(0.228)	(0.223)	(0.225)	(0.233)	(0.222)	(0.222)	(0.227)
Interaction Δ Skill Gap	-2.17	-2.2	-2.49	-2.28	-2.34	-2.58	-2.3	-2.21	-2.52
& Δ GDPPC difference (x10^-4)	(1.99)	(1.95)	(2.16)	(2.00)	(1.97)	(2.21)	(2.00)	(1.99)	(2.17)
Interaction Δ Skill Gap	-1.4	-1.39	-1.4	-1.36	-1.39	-1.36	-1.42	-1.39	-1.4
& Trade (x10^-3)	(1.02)	(1.01)	(1.01)	(1.00)	(0.99)	(1.02)	(1.01)	(1.02)	(1.00)
Inflation (log)	-0.0470	-0.0461	-0.0377	-0.0476	-0.0534	-0.0561	-0.0449	-0.0459	-0.0398
	(0.125)	(0.124)	(0.128)	(0.125)	(0.125)	(0.130)	(0.125)	(0.124)	(0.128)
Capital Openness	-0.139	-0.144	-0.0559	-0.152	-0.129	-0.0206	-0.167	-0.147	-0.0464
	(0.342)	(0.335)	(0.339)	(0.344)	(0.336)	(0.341)	(0.348)	(0.335)	(0.336)
Natural Rents	0.0623	0.0613	0.0533	0.0597	0.0629	0.0625	0.0616	0.0608	0.0533
	(0.0948)	(0.0947)	(0.100)	(0.0944)	(0.0939)	(0.0986)	(0.0944)	(0.0944)	(0.0997)
Savings	-0.0124	-0.0130	-0.0155	-0.0123	-0.0137	-0.0194	-0.0133	-0.0129	-0.0152
	(0.0551)	(0.0551)	(0.0551)	(0.0547)	(0.0540)	(0.0528)	(0.0552)	(0.0548)	(0.0547)
WEF Property Right Index	1.678***	1.673***	1.641***	1.721***	1.732***	1.809***	1.699***	1.673***	1.672***
	(0.524)	(0.517)	(0.531)	(0.500)	(0.503)	(0.521)	(0.498)	(0.502)	(0.505)
Crisis	-0.607	-0.600	-0.369	-0.602	-0.632	-0.387	-0.586	-0.607	-0.354
	(1.215)	(1.226)	(1.187)	(1.232)	(1.229)	(1.198)	(1.222)	(1.224)	(1.186)
World FDI	4.27	4.05	4.22	4.04	3.84	3.75	4.11	4.08	4.15
(x10^-13)	(5.43)	(5.37)	(5.58)	(5.45)	(5.36)	(5.47)	(5.42)	(5.39)	(5.55)
Free Trade Agreements	-0.0367	-0.0365	-0.0369	-0.0359	-0.0367	-0.0361	-0.0357	-0.0366	-0.0370
	(0.0327)	(0.0327)	(0.0325)	(0.0328)	(0.0326)	(0.0325)	(0.0329)	(0.0326)	(0.0325)
WTO/GATT Membership	0.0353	0.0405	-0.390	0.0520	0.0636	-0.413	0.0568	0.0307	-0.390
	(1.035)	(1.038)	(1.037)	(1.039)	(1.046)	(1.040)	(1.033)	(1.039)	(1.039)
Constant	-86.27***	-87.41***	-90.62***	-87.49***	-86.50***	-89.33***	-87.51***	-87.37***	-90.28***
	(27.99)	(27.87)	(27.53)	(27.71)	(27.74)	(27.40)	(27.73)	(27.78)	(27.33)
Observations	2,192	2,192	2,164	2,178	2,192	2,164	2,177	2,192	2,164
R-squared	0.117	0.117	0.115	0.118	0.118	0.119	0.117	0.117	0.115
Number of Countries	82	82	82	82	82	82	82	82	82

Table 2A. GLS fixed effects estimations of paragraph 5.3 re-estimated using "BITs signed with OECD" instead of total "BITS signed". The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . Table continues on next page.

H3: 2SLS ESTIMATIONS Different BIT variable	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-0.0101			6.033**			0.591		
	(0.493)			(2.685)			(1.440)		
Cases R / L / S in last 2 years		-0.205			6.099**			-0.453	
		(0.620)			(2.648)			(1.462)	
Cases R / L / S in last 5 years			-0.224			5.840***			0.868
			(0.423)			(2.266)			(0.988)
Interaction Variable	-0.00791	0.0492	0.0506	-1.288**	-1.361**	-1.274***	-0.106	0.0716	-0.150
	(0.116)	(0.140)	(0.100)	(0.516)	(0.557)	(0.486)	(0.237)	(0.251)	(0.175)
BITs Signed with OECD	0.131	0.115	0.127	0.105	0.104	0.0857	0.112	0.119	0.113
	(0.139)	(0.129)	(0.135)	(0.124)	(0.127)	(0.132)	(0.121)	(0.122)	(0.125)
Population (log)	5.862***	5.967***	6.063***	5.975***	5.890***	5.975***	5.987***	5.946***	5.999***
	(2.180)	(2.145)	(2.107)	(2.117)	(2.129)	(2.088)	(2.111)	(2.111)	(2.050)
GDP (log)	181.5	182.2	190.2*	183.2	189.8*	203.7*	181.4	181.4	191.4*
	(111.7)	(112.0)	(114.2)	(111.9)	(111.9)	(115.0)	(111.6)	(111.7)	(114.1)
Economic Growth	-1.650	-1.657	-1.741	-1.664	-1.728	-1.868*	-1.647	-1.649	-1.753
	(1.071)	(1.075)	(1.095)	(1.073)	(1.073)	(1.101)	(1.070)	(1.071)	(1.093)
Δ GDPPC difference	-3.88	-3.69	-3.15	-3.46	-3.55	-2.78	-3.52	-3.75	-2.84
(x10^-4)	(6.35)	(6.32)	(6.68)	(6.40)	(6.39)	(6.83)	(6.41)	(6.39)	(6.80)
Trade	-6.66	-6.36	-6.10	-6.07	-4.61	-0.327	-6.99	-6.36	-5.26
(x10^-3)	(14.80)	(14.80)	(15.80)	(14.90)	(14.50)	(15.30)	(15.00)	(14.80)	(15.70)
Δ School enrollment	-0.0436	-0.0274	0.00293	-0.0276	-0.0213	0.0187	-0.0305	-0.0326	0.00422
	(0.273)	(0.274)	(0.276)	(0.275)	(0.275)	(0.273)	(0.275)	(0.272)	(0.274)
Δ Skill Gap	0.228	0.235	0.260	0.231	0.246	0.278	0.240	0.233	0.269
	(0.267)	(0.266)	(0.273)	(0.268)	(0.270)	(0.276)	(0.266)	(0.265)	(0.270)
Interaction Δ Skill Gap	-2.20	-2.22	-2.55	-2.34	-2.39	-2.63	-2.35	-2.24	-2.61
& Δ GDPPC difference (x10^-4)	(2.13)	(2.08)	(2.33)	(2.14)	(2.10)	(2.38)	(2.14)	(2.12)	(2.34)
Interaction Δ Skill Gap	-1.52	-1.49	-1.43	-1.30	-1.41	-1.44	-1.48	-1.49	-1.45
& Trade (x10^-3)	(1.85)	(1.85)	(1.83)	(1.86)	(1.85)	(1.88)	(1.87)	(1.86)	(1.82)
Inflation (log)	-0.0690	-0.0695	-0.0594	-0.0717	-0.0776	-0.0790	-0.0689	-0.0695	-0.0645
	(0.122)	(0.122)	(0.126)	(0.123)	(0.122)	(0.127)	(0.122)	(0.122)	(0.124)
Capital Openness	-0.341	-0.336	-0.258	-0.343	-0.316	-0.204	-0.360	-0.337	-0.234
	(0.303)	(0.293)	(0.304)	(0.304)	(0.300)	(0.313)	(0.308)	(0.297)	(0.306)
Natural Rents	0.0877	0.0861	0.0801	0.0846	0.0882	0.0888	0.0865	0.0858	0.0806
	(0.0951)	(0.0948)	(0.102)	(0.0943)	(0.0939)	(0.0995)	(0.0943)	(0.0942)	(0.100)
Savings	-0.0166	-0.0170	-0.0195	-0.0159	-0.0176	-0.0238	-0.0173	-0.0166	-0.0188
	(0.0594)	(0.0598)	(0.0596)	(0.0593)	(0.0585)	(0.0572)	(0.0598)	(0.0595)	(0.0590)
WEF Property Right Index	1.592***	1.603***	1.555***	1.652***	1.659***	1.737***	1.633***	1.602***	1.626***
	(0.522)	(0.514)	(0.529)	(0.501)	(0.504)	(0.525)	(0.497)	(0.501)	(0.512)
Crisis	-0.908	-0.903	-0.657	-0.906	-0.939	-0.678	-0.888	-0.909	-0.623
	(1.271)	(1.283)	(1.243)	(1.290)	(1.287)	(1.252)	(1.279)	(1.281)	(1.246)
World FDI	4.5	4.33	4.3	4.26	4.09	3.89	4.41	4.38	4.24
(x10^-13)	(6.15)	(6.16)	(6.34)	(6.24)	(6.18)	(6.38)	(6.23)	(6.18)	(6.40)
Free Trade Agreements	-0.0428	-0.0428	-0.0430	-0.0423	-0.0432	-0.0424	-0.0420	-0.0429	-0.0433
	(0.0333)	(0.0333)	(0.0331)	(0.0335)	(0.0332)	(0.0331)	(0.0335)	(0.0333)	(0.0331)
WTO/GATT Membership	0.328	0.341	-0.129	0.352	0.353	-0.175	0.366	0.330	-0.124
	(1.009)	(1.013)	(0.984)	(1.010)	(1.015)	(0.986)	(1.005)	(1.011)	(0.980)
Observations	2,026	2,026	2,000	2,012	2,026	2,000	2,011	2,026	2,000
R-squared	0.114	0.114	0.111	0.115	0.115	0.115	0.114	0.114	0.111
Number of Countries	77	77	77	77	77	77	77	77	77
F-statistic (Cragg-Donald)	831.71	959.109	875.401	1032.698	1003.375	947.509	1053.925	1037.633	1017.77
F-statistic (Kleibergen-Paap)	52.151	43.546	44.372	49.362	53.313	57.61	45.756	47.403	51.581

Table 2B. 2SLS fixed effects estimations of paragraph 5.3 re-estimated using "BITs signed with OECD" instead of total "BITS signed". The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed with OECD countries by neighboring countries. *p<0.1 ** p<00.5 ***p<0.01 .

H3: GLS ESTIMATIONS Absolute FDI	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-4.346**			-4.736			-7.159		
(x10^9)	(2.103)			(3.743)			(5.005)		
Cases R / L / S in last 2 years		-5.453*			-3.841			-6.244	
(x10^9)		(2.956)			(3.043)			(3.969)	
Cases R / L / S in last 5 years			-4.01***			-3.043			-5.835**
(x10^9)			(1.465)			(3.169)			(2.695)
Interaction Variable	8.994**	10.62*	8.042***	2.442	2.022	1.758	12.49	11.47	11.06***
(x10^8)	(4.515)	(5.659)	(2.691)	(7.154)	(5.907)	(6.121)	(8.643)	(7.060)	(4.047)
BITs Signed	4.514*	4.448*	4.536	4.351*	4.389*	4.523*	4.284*	4.26*	4.302
(x10^8)	(2.707)	(0.263)	(0.273)	(0.256)	0.2587	0.2644	0.2535	0.2534	0.2606
Population (log)	-9.217	-9.47	-9.147	-10.41	-10.25	-10.49	-10.16	-9.807	-9.82
(x10^9)	(8.892)	(8.868)	(9.055)	(9.391)	(9.341)	(9.495)	(9.254)	(9.134)	(9.353)
GDP (log)	5.784	1.525	-9.407	13.37	3.849	-16.10	10.63	6.344	-5.975
(x10^9)	(62.610)	(61.660)	(61.140)	(65.070)	(62.270)	(62.450)	(62.760)	(60.740)	(59.450)
Economic Growth	-1.444	-0.1025	0.01229	-0.2275	-0.1333	0.06628	-0.2091	-0.1611	-0.03691
(x10^8)	(6.084)	(0.599)	(0.598)	(0.637)	(0.608)	(0.610)	(0.616)	(0.594)	(0.584)
Δ GDPPC difference	-3.513**	-3.469**	-3.528**	-3.429**	-3.366**	-3.425**	-3.465**	-3.453**	-3.552**
(x10^6)	(1.472)	(1.383)	(1.466)	(1.391)	(1.347)	(1.372)	(1.414)	(1.402)	(1.468)
Trade	6.544	6.482	6.18	7.107	6.843	6.762	7.147	6.839	6.706
(x10^7)	(8.242)	(8.251)	(8.652)	(8.124)	(8.150)	(8.506)	(8.117)	(8.142)	(8.482)
Δ School enrollment	-7.74***	-7.551***	-7.934**	-8.408***	-8.599**	-8.545***	-7.814***	-7.689***	-7.791***
(x10^7)	(2.920)	(2.755)	(3.038)	(3.163)	(3.275)	(3.174)	(2.896)	(2.877)	(2.915)
Δ Skill Gap	-1.017	-1.004	-0.999	-1.019	-1.012	-1.067	-1.006	-0.9704	-1.002
(x10^9)	(0.676)	(0.651)	(0.672)	(0.663)	(0.664)	(0.694)	(0.655)	(0.642)	(0.662)
Interaction Δ Skill Gap	6.097	6.466	5.933	5.851	5.506	5.974	5.880	5.563	5.822
& Δ GDPPC difference (x10^5)	(4.530)	(4.433)	(4.345)	(4.442)	(4.245)	(4.520)	(4.420)	(4.280)	(4.430)
Interaction Δ Skill Gap	-5.731	-5.448	-7.546	-6.492	-6.163	-4.333	-5.977	-5.896	-4.880
& Trade (x10^5)	(28.690)	(28.520)	(28.110)	(30.010)	(30.520)	(31.170)	(30.020)	(30.340)	(30.930)
Inflation (log)	7.053	5.858	6.099	3.901	5.375	5.561	3.705	5.017	4.54
(x10^7)	(11.330)	(11.040)	(10.540)	(10.770)	(11.130)	(10.920)	(10.710)	(11.100)	(10.870)
Capital Openness	-6.027	-4.393	-5.400	-3.424	-4.697	-5.23	-3.298	-4.55	-5.251
(x10^8)	(7.223)	(6.628)	(6.880)	(6.343)	(6.678)	(6.817)	(6.462)	(6.687)	(6.990)
Natural Rents	-0.8154	-1.978	-0.9618	-2.417	-2.859	-3.601	-3.266	-3.348	-3.315
(x10^7)	(13.600)	(13.070)	(14.120)	(12.520)	(12.500)	(13.300)	(12.470)	(12.440)	(13.160)
Savings	0.9116	1.011	0.9273	1.09	1.059	1.06	1.143	1.098	1.078
(x10^8)	(1.024)	(1.064)	(1.046)	(1.080)	(1.065)	(1.069)	(1.104)	(1.089)	(1.097)
WEF Property Right Index	-2.247	-2.186	-2.389	-1.92	-1.894	-1.969	-1.95	-1.936	-2.026
(x10^9)	(1.526)	(1.528)	(1.557)	(1.434)	(1.425)	(1.467)	(1.448)	(1.444)	(1.461)
Crisis	2.98	5.417	4.054	4.777	4.328	2.862	4.815	4.891	4.019
(x10^8)	(6.317)	(7.047)	(6.727)	(6.938)	(6.732)	(6.558)	(6.844)	(6.855)	(6.752)
World FDI	2.57***	2.42***	2.6***	2.41***	2.39***	2.4***	2.46***	2.48***	2.55***
(x10^-3)	(0.884)	(0.817)	(0.910)	(0.814)	(0.789)	(0.772)	(0.855)	(0.848)	(0.858)
Free Trade Agreements	5.378**	5.15**	5.201**	4.643**	4.991**	5.35**	4.513*	4.879**	4.945**
(x10^7)	(2.396)	(2.353)	(2.410)	(2.267)	(2.313)	(2.507)	(2.274)	(2.270)	(2.341)
WTO/GATT Membership	4.141	4.212	4.535	4.187	4.369	4.594	3.966	4.054	4.254
(x10^9)	(5.399)	(5.454)	(5.641)	(5.515)	(5.604)	(5.798)	(5.418)	(5.452)	(5.595)
Constant	1.507	1.547	1.500	1.692	1.664	1.704	1.655	1.594	1.599
(x10^11)	(1.452)	(1.447)	1.476	1.528	1.518	1.543	(1.507)	(1.487)	(1.520)
Observations	899	899	891	899	899	891	899	899	891
R-squared	0.111	0.109	0.111	0.111	0.113	0.120	0.110	0.109	0.112
Number of Countries	33	33	33	33	33	33	33	33	33

Table 3A. GLS fixed effects estimations of paragraph 5.3 re-estimated using the absolute FDI values without transformation as a dependent variable. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . Table continues on next page.

H3: 2SLS ESTIMATIONS Absolute FDI	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-4.565**			-5.493*			-6.21		
(x10^9)	(2.180)			(3.309)			(3.877)		
Cases R / L / S in last 2 years		-5.698*			-5.082*			-5.637*	
(x10^9)		(3.024)			(2.743)			(3.233)	
Cases R / L / S in last 5 years			-4.462***			-4.499			-5.87**
(x10^9)			(1.668)			(2.939)			(2.526)
Interaction Variable	9.928**	1.177*	0.953***	0.540	0.591	0.606	1.154	1.107*	1.193***
(x10^8)	(4.913)	(0.646)	(0.354)	(0.621)	(0.495)	(0.554)	(0.724)	(0.636)	(0.449)
BITs Signed	3.625**	3.591**	3.635**	3.589**	3.597**	3.733**	3.520**	3.466**	3.501**
(x10^8)	(1.782)	(1.705)	(1.805)	(1.675)	(1.689)	(1.767)	(1.640)	(1.626)	(1.678)
Population (log)	-5.517	-5.844	-5.34	-6.918	-6.721	-6.902	-6.708	-6.307	-6.236
(x10^9)	(5.426)	(5.400)	5.548	5.955	5.905	6.113	(5.814)	(5.679)	(5.832)
GDP (log)	-2.881	-3.316	-4.517	-2.575	-3.603	-5.760	-2.715	-3.022	-4.312
(x10^9)	(4.876)	(4.834)	(4.400)	(5.089)	(4.687)	(4.420)	(4.938)	(4.673)	(4.308)
Economic Growth	2.006	0.242	0.372	0.162	0.264	0.482	0.169	0.205	0.339
(x10^8)	(4.663)	(0.463)	(0.415)	(0.495)	(0.452)	(0.417)	(0.481)	(0.453)	(0.411)
Δ GDPPC difference	-3.715**	-3.744**	-3.695**	-3.687**	-3.621**	-3.643**	-3.706**	-3.692**	-3.727**
(x10^6)	(1.841)	(1.832)	(1.850)	(1.851)	(1.812)	(1.838)	(1.856)	(1.839)	(1.897)
Trade	-1.205	-1.322	-2.214	-0.810	-0.977	-1.665	-0.766	-0.957	-1.647
(x10^7)	(3.231)	(3.190)	(3.199)	(3.097)	(3.120)	(3.055)	(3.077)	(3.087)	(3.030)
Δ School enrollment	-5.868	-5.752	-5.827	-6.811*	-6.973*	-6.86*	-6.219*	-6.173*	-6.171*
(x10^7)	(3.875)	(3.796)	(3.907)	(3.941)	(4.007)	(3.835)	(3.773)	(3.744)	3.68
Δ Skill Gap	-1.567*	-1.551*	-1.541*	-1.599*	-1.612*	-1.653*	-1.576*	-1.563*	-1.592*
(x10^9)	(0.873)	(0.859)	(0.867)	(0.884)	(0.888)	(0.910)	(0.874)	(0.870)	(0.884)
Interaction Δ Skill Gap	5.498	6.05	5.375	5.377	5.068	5.441	5.42	5.076	5.262
& Δ GDPPC difference (x10^5)	(4.585)	(4.566)	(4.438)	(4.667)	(4.508)	(4.684)	(4.605)	(4.482)	(4.583)
Interaction Δ Skill Gap	9.067	9.018	9.044	9.436	9.595	9.713	9.406	9.439	9.647
& Trade (x10^6)	(6.706)	(6.738)	(6.760)	(6.953)	(6.960)	(7.014)	(6.979)	(6.965)	(7.051)
Inflation (log)	-3.784	-4.87	-4.117	-6.524	-5.336	-4.827	-6.529	-5.823	-6.198
(x10^7)	(5.880)	(5.772)	(6.021)	(6.349)	(6.239)	(6.473)	(6.253)	(6.202)	(6.530)
Capital Openness	-4.605	-2.987	-4.325	-2.075	-2.989	-3.77	-1.859	-2.798	-3.484
(x10^8)	(5.948)	(5.415)	(5.670)	(5.246)	(5.368)	(5.510)	(5.333)	(5.335)	(5.494)
Natural Rents	-1.002	-2.012	-0.301	-2.001	-2.618	-2.537	-2.777	-2.893	-2.000
(x10^7)	(9.156)	(8.944)	(9.201)	(8.627)	(8.618)	(9.209)	(8.679)	(8.581)	(8.903)
Savings	1.542	1.622	1.520	1.700	1.677	1.668	1.757	1.713	1.668
(x10^8)	(1.098)	(1.133)	(1.131)	(1.162)	(1.142)	(1.158)	(1.191)	(1.169)	(1.191)
WEF Property Right Index	-2.075	-2.016	-2.23	-1.745	-1.728	-1.795	-1.773	-1.773	-1.864
(x10^9)	(1.349)	(1.348)	(1.396)	(1.267)	(1.260)	(1.299)	(1.280)	(1.277)	(1.306)
Crisis	4.447	6.556	5.061	6.400	6.002	4.654	6.419	6.406	5.524
(x10^8)	(5.631)	(6.014)	(5.765)	(6.052)	(5.895)	(5.879)	(5.900)	(5.919)	(5.938)
World FDI	2.97**	2.87**	2.96**	2.90**	2.86**	2.85**	2.92**	2.92**	2.96**
(x10^-3)	(1.26)	(1.23)	(1.28)	(1.26)	(1.23)	(1.23)	(1.28)	(1.27)	(1.29)
Free Trade Agreements	4.589**	4.313**	4.322**	3.979**	4.226**	4.428**	3.877**	4.119**	4.142**
(x10^7)	(2.011)	(1.931)	(2.014)	(1.914)	(1.949)	(2.100)	(1.915)	(1.906)	(1.960)
WTO/GATT Membership	5.524	5.589	5.916	5.519	5.68	5.865	5.328	5.423	5.594
(x10^9)	(6.269)	(6.310)	(6.533)	(6.328)	(6.389)	(6.585)	(6.287)	(6.331)	(6.499)
Observations	2,026	2,026	2,000	2,012	2,026	2,000	2,011	2,026	2,000
R-squared	0.233	0.231	0.236	0.225	0.225	0.229	0.222	0.221	0.223
Number of Countries	77	77	77	77	77	77	77	77	77

Table 3B. 2SLS fixed effects estimations of paragraph 5.3 re-estimated using the absolute FDI values without transformation as a dependent variable. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed by neighboring countries. *p<0.1 ** p<00.5 ***p<0.01 .

H3: GLS ESTIMATIONS FDI divided by World FDI	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-0.00138*			-0.00229			-0.00276		
	(0.000733)			(0.00205)			(0.00229)		
Cases R / L / S in last 2 years		-0.00160**			-0.00110			-0.00259	
		(0.000757)			(0.00173)			(0.00186)	
Cases R / L / S in last 5 years			-0.00151**			-0.000314			-0.00306**
			(0.000544)			(0.00167)			(0.00114)
Interaction Variable	2.54	2.78**	2.87**	1.07	-0.853	-1.89	4.79	4.31	5.88***
(x10^-4)	(1.66)	(1.26)	(1.13)	(3.88)	(3.33)	(3.39)	(3.73)	(3.01)	(1.75)
BITs Signed	9.32	8.68	9.44	8.22	8.45	9.27	7.83	7.88	8.13
(x10^-5)	(9.03)	(8.86)	(9.09)	(8.62)	(8.66)	(8.82)	(8.57)	(8.59)	(8.84)
Population (log)	-4.07*	-4.15*	-3.71	-4.44*	-4.41*	-4.28*	-4.33*	-4.20*	-3.86
(x10^-3)	(2.36)	(2.37)	(2.37)	(2.51)	(2.49)	(2.48)	(2.48)	(2.43)	(2.47)
GDP (log)	-0.0273	-0.0278	-0.0312	-0.0214	-0.0248	-0.0312	-0.0226	-0.0253	-0.0286
	(0.0401)	(0.0397)	(0.0429)	(0.0365)	(0.0377)	(0.0423)	(0.0362)	(0.0375)	(0.0404)
Economic Growth	3.33	3.38	3.64	2.72	3.05	3.61	2.79	3.08	3.31
(x10^-4)	(4.13)	(4.10)	(4.42)	(3.75)	(3.87)	(4.34)	(3.72)	(3.85)	(4.15)
Δ GDPPC difference	-1.19**	-1.12**	-1.12*	-1.11*	-1.08*	-1.05*	-1.12*	-1.12*	-1.12*
(x10^-6)	(0.59)	(0.56)	(0.58)	(0.57)	(0.55)	(0.56)	(0.58)	(0.57)	(0.59)
Trade	2.87	3.01	0.155	5.19	4.35	3.16	5.23	4.27	2.15
(x10^-6)	(26.10)	(26.10)	(27.20)	(25.60)	(25.70)	(26.60)	(25.70)	(25.80)	(26.70)
Δ School enrollment	-2.17*	-1.98	-1.95*	-2.26*	-2.38*	-2.16*	-1.95	-1.93	-1.77
(x10^-4)	(1.10)	(1.19)	(1.05)	(1.25)	(1.25)	(1.19)	(1.26)	(1.25)	(1.20)
Δ Skill Gap	4.84	6.37	6.95	5.5	5.65	3.85	6.59	7.51	7.22
(x10^-5)	(11.60)	(11.70)	(11.80)	(11.20)	(11.20)	(10.90)	(11.30)	(11.50)	(11.20)
Interaction Δ Skill Gap	1.91*	1.91*	1.59	1.73	1.56	1.60	1.73	1.64	1.53
& Δ GDPPC difference (x10^-7)	(1.15)	(1.15)	(1.14)	(1.16)	(1.07)	(1.16)	(1.12)	(1.08)	(1.13)
Interaction Δ Skill Gap	-2.84***	-2.84***	-2.93***	-2.85***	-2.84***	-2.76***	-2.82***	-2.82***	-2.80***
& Trade (x10^-6)	(0.87)	(0.86)	(0.89)	(0.92)	(0.95)	(0.95)	(0.91)	(0.93)	(0.92)
Inflation (log)	8.12	7.63	7.65	7.15	7.66	7.49	7.03	7.49	7.26
(x10^-5)	(7.14)	(7.07)	(6.86)	(6.91)	(7.08)	(7.11)	(6.92)	(7.08)	(7.03)
Capital Openness	2.22	2.82	2.46	3.03	2.55	2.42	3.06	2.58	2.41
(x10^-4)	(3.43)	(3.32)	(3.37)	(3.24)	(3.19)	(3.13)	(3.31)	(3.26)	(3.20)
Natural Rents	5.23	4.57	6.74	4.37	4.19	5.64	3.97	3.9	5.57
(x10^-5)	(7.67)	(7.62)	(7.15)	(7.50)	(7.55)	(7.28)	(7.57)	(7.60)	(7.24)
Savings	5.58	6.11	5.05	6.22	6.08	5.42	6.51	6.34	5.58
(x10^-5)	(4.16)	(4.28)	(4.18)	(4.36)	(4.33)	(4.35)	(4.42)	(4.38)	(4.41)
WEF Property Right Index	-2.75	-2.34	-3.49	-1.53	-1.42	-1.71	-1.57	-1.56	-2.3
(x10^-4)	(5.98)	(6.06)	(6.03)	(5.75)	(5.70)	(5.80)	(5.85)	(5.84)	(5.79)
Crisis	1.07	2.22	1.51	1.87	1.55	0.635	1.97	1.89	1.3
(x10^-4)	(3.70)	(4.02)	(3.69)	(3.97)	(3.86)	(3.54)	(3.95)	(3.91)	(3.64)
World FDI	-2.29	-3.08	-2.39	-3.36	-3.45	-3.58	-3.06	-2.94	-2.72
(x10^-16)	(3.71)	(3.83)	(3.72)	(3.84)	(3.82)	(3.73)	(3.91)	(3.86)	(3.78)
Free Trade Agreements	3.36	2.46	4.4	1.04	2.26	5.64	0.54	1.62	3.21
(x10^-6)	(10.50)	(10.50)	(10.40)	(10.10)	(10.50)	(10.60)	(10.20)	(10.50)	(10.50)
WTO/GATT Membership	1.72	1.75	1.61	1.76	1.84	1.66	1.66	1.68	1.5
(x10^-3)	(1.10)	(1.12)	(1.10)	(1.13)	(1.15)	(1.15)	(1.13)	(1.13)	(1.10)
Constant	0.0682*	0.0694*	0.0627	0.0739*	0.0733*	0.0713*	0.0721*	0.0700*	0.0648
	(0.0393)	(0.0394)	(0.0395)	(0.0416)	(0.0411)	(0.0410)	(0.0412)	(0.0403)	(0.0409)
Observations	2,192	2,192	2,164	2,178	2,192	2,164	2,177	2,192	2,164
R-squared	0.069	0.064	0.070	0.063	0.064	0.067	0.059	0.059	0.062
Number of Countries	82	82	82	82	82	82	82	82	82

Table 4A. GLS fixed effects estimations of paragraph 5.3 re-estimated using the FDI divided by the worldwide FDI as the dependent variable. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 .

H3: 2SLS ESTIMATIONS FDI divided by World FDI	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-0.00146*			-0.00253			-0.00203		
	(0.000767)			(0.00188)			(0.00163)		
Cases R / L / S in last 2 years		-0.00166**			-0.00159			-0.00211	
		(0.000798)			(0.00158)			(0.00141)	
Cases R / L / S in last 5 years			-0.00170**			-0.000675			-0.00303**
			(0.000633)			(0.00146)			(0.00100)
Interaction Variable	2.99*	3.29**	3.59**	2.46	0.982	-0.451	3.94	3.85	6.29***
(x10^-4)	(1.78)	(1.61)	(1.40)	(3.71)	(3.17)	(3.04)	(2.89)	(2.51)	(1.69)
BITs Signed	3.11	2.61	2.65	2.6	2.72	3.11	2.22	2.14	1.98
(x10^-5)	(4.08)	(3.98)	(4.10)	(3.92)	(3.92)	(4.15)	(3.85)	(3.81)	(3.96)
Population (log)	-2.13	-2.23	-1.56	-2.56*	-2.52*	-2.24	-2.48*	-2.34*	-1.81
(x10^-3)	(1.37)	(1.37)	(1.31)	(1.46)	(1.45)	(1.42)	(1.45)	(1.41)	(1.36)
GDP (log)	-0.0390	-0.0393	-0.0420	-0.0360	-0.0394	-0.0446	-0.0364	-0.0382	-0.0409
	(0.0384)	(0.0382)	(0.0389)	(0.0364)	(0.0376)	(0.0398)	(0.0360)	(0.0368)	(0.0373)
Economic Growth	4.39	4.41	4.61	4.07	4.4	4.83	4.07	4.28	4.45
(x10^-4)	(3.86)	(3.84)	(3.93)	(3.65)	(3.77)	(3.99)	(3.60)	(3.68)	(3.74)
Δ GDPPC difference	-1.48**	-1.46**	-1.41*	-1.44*	-1.41*	-1.38*	-1.45*	-1.45*	-1.43*
(x10^-6)	(0.74)	(0.73)	(0.75)	(0.74)	(0.73)	(0.74)	(0.74)	(0.74)	(0.77)
Trade	-1.50	-1.50	-1.90	-1.33	-1.39	-1.60	-1.33	-1.38	-1.72
(x10^-5)	(1.39)	(1.37)	(1.31)	(1.34)	(1.34)	(1.25)	(1.35)	(1.34)	(1.28)
Δ School enrollment	-0.952	-0.811	-0.567	-1.17	-1.27	-1.00	-0.887	-0.899	-0.655
(x10^-4)	(1.65)	(1.75)	(1.62)	(1.70)	(1.68)	(1.63)	(1.74)	(1.72)	(1.67)
Δ Skill Gap	-1.46	-1.36	-1.28	-1.55	-1.63	-1.78	-1.43	-1.4	-1.48
(x10^-5)	(1.59)	(1.59)	(1.64)	(1.49)	(1.44)	(1.44)	(1.53)	(1.52)	(1.47)
Interaction Δ Skill Gap	1.99*	2.07*	1.66	1.89	1.73	1.69	1.87	1.78	1.61
& Δ GDPPC difference (x10^-7)	(1.19)	(1.22)	(1.21)	(1.24)	(1.17)	(1.26)	(1.19)	(1.16)	(1.23)
Interaction Δ Skill Gap	0.639	0.664	0.74	0.82	0.916	1.04	0.856	0.822	1.01
& Trade (x10^-6)	(1.52)	(1.49)	(1.61)	(1.52)	(1.48)	(1.56)	(1.52)	(1.50)	(1.51)
Inflation (log)	4.50	4.05	4.24	3.67	4.05	3.88	3.61	3.83	3.55
(x10^-5)	(4.63)	(4.60)	(4.60)	(4.51)	(4.56)	(4.63)	(4.53)	(4.54)	(4.48)
Capital Openness	3.07	3.62	3.28	3.88	3.53	3.46	3.96	3.59	3.59
(x10^-4)	(3.04)	(2.97)	(3.03)	(2.95)	(2.86)	(2.82)	(3.01)	(2.91)	(2.85)
Natural Rents	3.27	2.71	4.78	2.72	2.50	4.03	2.39	2.33	4.05
(x10^-5)	(7.23)	(7.24)	(6.75)	(7.18)	(7.23)	(6.96)	(7.24)	(7.25)	(6.92)
Savings	8.19*	8.61*	7.60	8.73*	8.63*	8.00	9.05*	8.86*	8.09
(x10^-5)	(4.83)	(4.91)	(4.87)	(5.04)	(5.00)	(5.09)	(5.09)	(5.03)	(5.08)
WEF Property Right Index	-1.32	-0.903	-2.06	-0.141	-0.0777	-0.246	-0.168	-0.202	-0.971
(x10^-4)	(5.43)	(5.50)	(5.59)	(5.22)	(5.18)	(5.31)	(5.31)	(5.31)	(5.36)
Crisis	1.45	2.37	1.54	2.22	1.95	1.05	2.32	2.22	1.55
(x10^-4)	(3.51)	(3.67)	(3.40)	(3.67)	(3.60)	(3.40)	(3.67)	(3.64)	(3.45)
World FDI	0.796	0.276	0.612	0.178	0.0222	-0.0688	0.333	0.397	0.6
(x10^-16)	(3.62)	(3.59)	(3.75)	(3.59)	(3.51)	(3.49)	(3.68)	(3.65)	(3.72)
Free Trade Agreements	-1.82	-2.85	-1.3	-3.73	-2.88	-0.218	-4.13	-3.45	-2.01
(x10^-6)	(9.25)	(9.18)	(9.25)	(8.95)	(9.19)	(9.35)	(9.02)	(9.31)	(9.44)
WTO/GATT Membership	2.28*	2.30*	2.18	2.30*	2.37*	2.18	2.22	2.24*	2.07
(x10^-3)	(1.33)	(1.35)	(1.37)	(1.35)	(1.37)	(1.39)	(1.35)	(1.36)	(1.36)
Observations	2,026	2,026	2,000	2,012	2,026	2,000	2,011	2,026	2,000
R-squared	0.063	0.058	0.062	0.057	0.058	0.060	0.053	0.053	0.055
Number of Countries	77	77	77	77	77	77	77	77	77
F-statistic (Cragg-Donald)	931.356	980.456	922.473	1018.183	1015.869	991.775	1032.758	1038.899	1029.603
F-statistic (Kleibergen-Paap)	34.082	35.456	34.114	34.932	35.69	35.085	34.989	35.813	35.447

Table 4B. 2SLS fixed effects estimations of paragraph 5.3 re-estimated estimated using the FDI divided by the worldwide FDI as the dependent variable. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed by neighboring countries. *p<0.1 ** p<00.5 ***p<0.01 .

H3: GLS ESTIMATIONS FDI divided by GDP	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-0.484*			0.679			-0.239		
	(0.245)			(0.940)			(0.516)		
Cases R / L / S in last 2 years		-0.504*			1.390			-0.651	
		(0.265)			(1.237)			(0.443)	
Cases R / L / S in last 5 years			-0.321			0.639			-0.290
			(0.213)			(0.648)			(0.394)
Interaction Variable	0.105*	0.111*	0.0651	-0.254	-0.379	-0.207	0.0180	0.0915	0.0350
	(0.0578)	(0.0649)	(0.0501)	(0.226)	(0.280)	(0.148)	(0.0902)	(0.0760)	(0.0777)
BITs Signed	-0.0182*	-0.0197*	-0.0194*	-0.0180*	-0.0185*	-0.0184*	-0.0187*	-0.0190*	-0.0199*
	(0.0105)	(0.0105)	(0.0107)	(0.0103)	(0.00995)	(0.0101)	(0.0103)	(0.00991)	(0.0102)
Population (log)	3.501***	3.462***	3.702***	3.273***	3.331***	3.529***	3.271***	3.422***	3.619***
	(0.932)	(0.928)	(0.946)	(0.932)	(0.919)	(0.929)	(0.944)	(0.933)	(0.936)
GDP (log)	23.66	23.88	25.56	24.68	25.24	26.44	23.61	22.51	25.15
	(30.60)	(30.54)	(31.68)	(30.78)	(30.86)	(31.46)	(30.64)	(30.63)	(31.38)
Economic Growth	-0.199	-0.202	-0.223	-0.211	-0.214	-0.231	-0.202	-0.189	-0.220
	(0.298)	(0.298)	(0.309)	(0.300)	(0.301)	(0.307)	(0.299)	(0.299)	(0.306)
Δ GDPPC difference	5.17***	-5.16***	-5.54***	-5.02***	-5.06***	-5.41***	-5.22***	-5.23***	-5.62***
(x10^-4)	(1.90)	(1.89)	(1.93)	(1.90)	(1.91)	(1.93)	(1.93)	(1.93)	(1.94)
Trade	0.0534***	0.0535***	0.0539***	0.0551***	0.0540***	0.0549***	0.0552***	0.0537***	0.0545***
	(0.0152)	(0.0152)	(0.0158)	(0.0151)	(0.0151)	(0.0156)	(0.0151)	(0.0151)	(0.0156)
Δ School enrollment	0.0320	0.0339	0.0235	0.0179	0.0204	0.0144	0.0286	0.0277	0.0229
	(0.0944)	(0.0946)	(0.0959)	(0.0935)	(0.0930)	(0.0929)	(0.0936)	(0.0926)	(0.0934)
Δ Skill Gap	0.0372	0.0391	0.0353	0.0272	0.0398	0.0251	0.0386	0.0390	0.0330
	(0.0771)	(0.0757)	(0.0775)	(0.0773)	(0.0768)	(0.0785)	(0.0774)	(0.0772)	(0.0778)
Interaction Δ Skill Gap	-3.49	-3.13	-3.81	-2.73	-4.32	-3.7	-4.38	-3.74	-3.73
& Δ GDPPC difference (x10^-5)	(5.51)	(5.28)	(5.47)	(5.56)	(5.18)	(5.73)	(5.66)	(5.48)	(5.53)
Interaction Δ Skill Gap	-6.7	-6.6	-6.94	-6.96	-6.81	-6.56	-7.94*	-6.75	-6.68
& Trade (x10^-4)	(5.11)	(5.13)	(5.01)	(4.98)	(5.30)	(5.17)	(4.70)	(5.22)	(5.08)
Inflation (log)	-0.0234	-0.0249	-0.0221	-0.0308	-0.0271	-0.0240	-0.0331	-0.0257	-0.0230
	(0.0559)	(0.0560)	(0.0566)	(0.0555)	(0.0551)	(0.0554)	(0.0557)	(0.0554)	(0.0556)
Capital Openness	0.131	0.145	0.153	0.204	0.149	0.155	0.220	0.146	0.150
	(0.131)	(0.128)	(0.131)	(0.129)	(0.127)	(0.128)	(0.135)	(0.128)	(0.129)
Natural Rents	-0.0189	-0.0204	-0.0188	-0.0203	-0.0197	-0.0193	-0.0214	-0.0211	-0.0207
	(0.0436)	(0.0434)	(0.0460)	(0.0432)	(0.0430)	(0.0456)	(0.0434)	(0.0433)	(0.0455)
Savings	-0.0241	-0.0231	-0.0247	-0.0203	-0.0229	-0.0246	-0.0185	-0.0222	-0.0231
	(0.0244)	(0.0242)	(0.0245)	(0.0238)	(0.0241)	(0.0244)	(0.0238)	(0.0243)	(0.0245)
WEF Property Right Index	0.122	0.137	0.112	0.141	0.169	0.159	0.131	0.153	0.148
	(0.158)	(0.156)	(0.164)	(0.155)	(0.151)	(0.155)	(0.159)	(0.155)	(0.159)
Crisis	-0.259	-0.237	-0.248	-0.259	-0.257	-0.278	-0.255	-0.247	-0.249
	(0.193)	(0.195)	(0.198)	(0.196)	(0.194)	(0.197)	(0.195)	(0.195)	(0.197)
World FDI	9.04***	8.93***	9.42***	8.27***	8.83***	9.14***	8.89***	9.03***	9.38***
(x10^-13)	(2.62)	(2.61)	(2.65)	(2.39)	(2.57)	(2.58)	(2.45)	(2.60)	(2.60)
Free Trade Agreements	0.0126	0.0124	0.0132	0.0110	0.0122	0.0138	0.0102	0.0120	0.0131
	(0.0160)	(0.0160)	(0.0160)	(0.0150)	(0.0161)	(0.0161)	(0.0144)	(0.0161)	(0.0161)
WTO/GATT Membership	-0.0671	-0.0641	-0.0502	-0.0876	-0.0401	-0.0342	-0.124	-0.0829	-0.0834
	(0.470)	(0.471)	(0.473)	(0.478)	(0.472)	(0.476)	(0.482)	(0.474)	(0.476)
Constant	-58.70***	-58.10***	-61.97***	-55.09***	-56.10***	-59.33***	-55.02***	-57.50***	-60.73***
	(14.95)	(14.91)	(15.23)	(15.00)	(14.77)	(14.98)	(15.20)	(14.97)	(15.09)
Observations	2,191	2,191	2,163	2,177	2,191	2,163	2,176	2,191	2,163
R-squared	0.186	0.185	0.185	0.189	0.186	0.185	0.191	0.185	0.184
Number of Countries	82	82	82	82	82	82	82	82	82

Table 5A. GLS fixed effects estimations of paragraph 5.3 re-estimated using the inflowing FDI divided by the nation's GDP as the dependent variable. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . Table continues on next page.

H3: 2SLS ESTIMATIONS FDI divided by GDP	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-0.506**			0.619			-0.657		
	(0.247)			(1.096)			(0.672)		
Cases R / L / S in last 2 years		-0.552*			1.347			-0.887*	
		(0.288)			(1.343)			(0.487)	
Cases R / L / S in last 5 years			-0.322			0.373			-0.277
			(0.223)			(0.598)			(0.399)
Interaction Variable	0.100	0.107	0.0551	-0.287	-0.410	-0.172	0.0739	0.120	0.0197
	(0.0613)	(0.0706)	(0.0566)	(0.252)	(0.298)	(0.132)	(0.107)	(0.0756)	(0.0798)
BITs Signed	0.0142	0.0118	0.0135	0.0147	0.0126	0.0132	0.0144	0.0110	0.0103
	(0.0305)	(0.0295)	(0.0310)	(0.0286)	(0.0281)	(0.0286)	(0.0287)	(0.0277)	(0.0280)
Population (log)	2.812***	2.778***	2.973***	2.510**	2.622***	2.798***	2.510**	2.752***	2.912***
	(0.994)	(0.977)	(1.015)	(0.998)	(0.965)	(0.974)	(1.015)	(0.975)	(0.986)
GDP (log)	18.32	18.42	17.95	21.02	21.11	19.37	19.33	17.76	18.50
	(32.21)	(32.15)	(33.48)	(32.19)	(32.16)	(32.88)	(32.03)	(31.89)	(32.81)
Economic Growth	-0.133	-0.134	-0.132	-0.160	-0.160	-0.146	-0.146	-0.129	-0.139
	(0.314)	(0.314)	(0.326)	(0.314)	(0.313)	(0.320)	(0.312)	(0.311)	(0.319)
Δ GDPPC difference	-3.67*	-3.53*	-3.90*	-3.27	-3.29	-3.58*	-3.54*	-3.59*	-3.87*
(x10^-4)	(2.00)	(2.02)	(2.06)	(2.04)	(2.07)	(2.12)	(2.04)	(2.07)	(2.10)
Trade	0.0354***	0.0355***	0.0348***	0.0372***	0.0362***	0.0361***	0.0373***	0.0359***	0.0358***
	(0.0114)	(0.0114)	(0.0119)	(0.0114)	(0.0112)	(0.0118)	(0.0115)	(0.0113)	(0.0118)
Δ School enrollment	0.00459	0.0113	-0.000394	-0.00727	-0.00574	-0.00614	0.00721	0.00789	0.00710
	(0.117)	(0.115)	(0.118)	(0.113)	(0.113)	(0.112)	(0.111)	(0.111)	(0.111)
Δ Skill Gap	-0.0661	-0.0616	-0.0620	-0.0658	-0.0702	-0.0783	-0.0391	-0.0646	-0.0655
	(0.0925)	(0.0903)	(0.0919)	(0.0947)	(0.0904)	(0.0908)	(0.0940)	(0.0915)	(0.0913)
Interaction Δ Skill Gap	-3.89	-3.75	-4.26	-3.47	-5.44	-4.26	-4.77	-4.47	-4.25
& Δ GDPPC difference (x10^-5)	(6.28)	(6.02)	(6.14)	(6.45)	(6.12)	(6.69)	(6.46)	(6.45)	(6.46)
Interaction Δ Skill Gap	1.02	1.03	0.929	0.915	1.16	1.07	0.587	1.08	1.04
& Trade (x10^-4)	(0.99)	(0.99)	(1.00)	(1.00)	(1.00)	(1.01)	(1.00)	(1.00)	(1.00)
Inflation (log)	-0.0262	-0.0278	-0.0262	-0.0323	-0.0294	-0.0261	-0.0341	-0.0285	-0.0265
	(0.0573)	(0.0575)	(0.0581)	(0.0568)	(0.0564)	(0.0568)	(0.0570)	(0.0567)	(0.0571)
Capital Openness	0.0685	0.0883	0.0877	0.138	0.0852	0.0822	0.152	0.0821	0.0788
	(0.130)	(0.124)	(0.126)	(0.126)	(0.122)	(0.123)	(0.133)	(0.125)	(0.125)
Natural Rents	2.31	-0.0483	4.95	0.463	0.2	2.36	-0.858	-1.92	0.969
(x10^-3)	(44.00)	(43.60)	(45.70)	(43.40)	(42.90)	(44.80)	(43.70)	(43.10)	(44.80)
Savings	-0.0213	-0.0196	-0.0222	-0.0177	-0.0201	-0.0225	-0.0156	-0.0186	-0.0200
	(0.0235)	(0.0235)	(0.0237)	(0.0231)	(0.0232)	(0.0234)	(0.0232)	(0.0236)	(0.0236)
WEF Property Right Index	0.0456	0.0639	0.0506	0.0720	0.101	0.0981	0.0593	0.0869	0.100
	(0.177)	(0.174)	(0.179)	(0.175)	(0.170)	(0.173)	(0.180)	(0.173)	(0.174)
Crisis	-0.115	-0.0797	-0.0998	-0.104	-0.109	-0.142	-0.0994	-0.0947	-0.0976
	(0.198)	(0.204)	(0.207)	(0.201)	(0.199)	(0.200)	(0.199)	(0.201)	(0.204)
World FDI	7.78***	7.57***	8.07***	6.78***	7.32***	7.56***	7.41***	7.66***	7.89***
(x10^-13)	(2.83)	(2.84)	(2.86)	(2.61)	(2.82)	(2.83)	(2.66)	(2.84)	(2.85)
Free Trade Agreements	0.0144	0.0140	0.0148	0.0129	0.0140	0.0155	0.0121	0.0137	0.0145
	(0.0164)	(0.0164)	(0.0164)	(0.0155)	(0.0164)	(0.0164)	(0.0149)	(0.0165)	(0.0164)
WTO/GATT Membership	0.0903	0.0967	0.0794	0.0647	0.130	0.106	0.00852	0.0656	0.0318
	(0.516)	(0.514)	(0.524)	(0.524)	(0.511)	(0.518)	(0.536)	(0.521)	(0.529)
Observations	2,025	2,025	1,999	2,011	2,025	1,999	2,010	2,025	1,999
R-squared	0.156	0.155	0.152	0.157	0.156	0.153	0.157	0.155	0.152
Number of Countries	77	77	77	77	77	77	77	77	77
F-statistic (Cragg-Donald)	930.3	979.349	921.332	1017.012	1014.738	990.655	1031.565	1037.748	1028.439
F-statistic (Kleibergen-Paap)	34.102	35.479	34.152	34.94	35.703	35.107	34.997	35.826	35.473

Table 5B. 2SLS fixed effects estimations of paragraph 5.3 re-estimated estimated the inflowing FDI divided by the nation's GDP as the dependent variable. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed by neighboring countries. *p<0.1 ** p<00.5 ***p<0.01.

H3: GLS ESTIMATIONS 5 Countries Excluded	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	1.014			7.724***			6.186***		
	(1.382)			(1.815)			(1.467)		
Cases R / L / S in last 2 years		1.163			7.095***			0.0785	
		(1.524)			(2.382)			(4.656)	
Cases R / L / S in last 5 years			0.825			7.394***			1.353
			(1.115)			(1.594)			(3.048)
Interaction Variable	-0.217	-0.214	-0.158	-1.489***	-1.392***	-1.414***	-1.232***	-0.0883	-0.280
	(0.255)	(0.296)	(0.216)	(0.364)	(0.486)	(0.329)	(0.317)	(0.955)	(0.622)
BITs Signed	0.0368	0.0347	0.0347	0.0354	0.0356	0.0342	0.0358	0.0368	0.0367
	(0.0345)	(0.0333)	(0.0369)	(0.0318)	(0.0314)	(0.0329)	(0.0322)	(0.0321)	(0.0347)
Population (log)	5.314***	5.349***	5.659***	5.375***	5.317***	5.580***	5.355***	5.432***	5.727***
	(1.737)	(1.718)	(1.698)	(1.711)	(1.697)	(1.676)	(1.707)	(1.714)	(1.688)
GDP (log)	187.6	190.0	192.9	189.6	194.8*	206.9*	188.7	187.9	193.1
	(116.4)	(116.2)	(119.9)	(116.0)	(115.9)	(119.9)	(115.4)	(115.6)	(119.0)
Economic Growth	-1.702	-1.724	-1.765	-1.719	-1.768	-1.897	-1.710	-1.703	-1.766
	(1.118)	(1.115)	(1.150)	(1.113)	(1.113)	(1.149)	(1.108)	(1.110)	(1.142)
Δ GDPPC difference	-8.25	-8.05	-7.9	-7.94	-7.9	-7.65	-7.97	-7.92	-7.58
(x10^-4)	(6.26)	(6.28)	(6.44)	(6.31)	(6.28)	(6.53)	(6.30)	(6.28)	(6.46)
Trade	-9.06	-8.7	-9.43	-8.48	-8.01	-6.95	-9.12	-9.05	-9.83
(x10^-3)	(11.90)	(11.90)	(12.80)	(12.00)	(11.90)	(12.60)	(12.10)	(12.00)	(13.00)
Δ School enrollment	0.251	0.264	0.287	0.268	0.288	0.340	0.269	0.258	0.285
	(0.279)	(0.283)	(0.284)	(0.285)	(0.284)	(0.282)	(0.285)	(0.282)	(0.280)
Δ Skill Gap	0.301	0.313	0.322	0.316	0.339	0.353*	0.316	0.303	0.322
	(0.203)	(0.207)	(0.205)	(0.211)	(0.212)	(0.211)	(0.211)	(0.208)	(0.207)
Interaction Δ Skill Gap	-1.09	-2.06	-1.41	-2.3	-2.67	-0.983	-1.85	-1.65	-1.46
& Δ GDPPC difference (x10^-5)	(15.00)	(15.20)	(15.00)	(15.70)	(15.50)	(15.60)	(15.50)	(15.40)	(15.20)
Interaction Δ Skill Gap	-5.52	-5.61	-5.48	-5.5	-6.03	-5.08	-5.79	-5.69	-5.79
& Trade (x10^-4)	(6.98)	(6.98)	(7.18)	(6.89)	(7.05)	(7.30)	(6.95)	(7.00)	(7.18)
Inflation (log)	-0.165	-0.163	-0.162	-0.167	-0.174	-0.187*	-0.165	-0.165	-0.164
	(0.101)	(0.101)	(0.105)	(0.104)	(0.104)	(0.111)	(0.101)	(0.100)	(0.105)
Capital Openness	0.197	0.177	0.205	0.179	0.174	0.176	0.180	0.186	0.206
	(0.341)	(0.335)	(0.347)	(0.343)	(0.330)	(0.340)	(0.345)	(0.331)	(0.344)
Natural Rents	0.0232	0.0245	0.0440	0.0227	0.0300	0.0690	0.0242	0.0236	0.0465
	(0.0975)	(0.0981)	(0.110)	(0.0981)	(0.0975)	(0.109)	(0.0978)	(0.0979)	(0.110)
Savings	-0.0212	-0.0220	-0.0307	-0.0209	-0.0233	-0.0383	-0.0222	-0.0228	-0.0329
	(0.0561)	(0.0562)	(0.0564)	(0.0558)	(0.0545)	(0.0523)	(0.0565)	(0.0560)	(0.0560)
WEF Property Right Index	1.611***	1.608***	1.627***	1.611***	1.624***	1.694***	1.607***	1.589***	1.614***
	(0.574)	(0.570)	(0.582)	(0.561)	(0.561)	(0.573)	(0.560)	(0.564)	(0.564)
Crisis	-0.853	-0.874	-0.504	-0.900	-0.903	-0.532	-0.851	-0.872	-0.510
	(1.364)	(1.368)	(1.331)	(1.376)	(1.371)	(1.343)	(1.363)	(1.364)	(1.334)
World FDI	7.54	7.57	7.58	7.65	7.41	7.66	7.24	7.32	7.43
(x10^-13)	(5.92)	(5.89)	(6.06)	(5.99)	(5.89)	(6.03)	(5.95)	(5.92)	(6.07)
Free Trade Agreements	-0.0455	-0.0449	-0.0441	-0.0448	-0.0448	-0.0439	-0.0455	-0.0447	-0.0438
	(0.0354)	(0.0355)	(0.0353)	(0.0355)	(0.0353)	(0.0353)	(0.0355)	(0.0354)	(0.0353)
WTO/GATT Membership	-0.662	-0.689	-0.928	-0.737	-0.762	-1.128	-0.644	-0.696	-0.898
	(1.088)	(1.090)	(1.168)	(1.099)	(1.097)	(1.166)	(1.097)	(1.101)	(1.184)
Constant	-76.78***	-77.38***	-82.32***	-77.87***	-76.97***	-81.46***	-77.53***	-78.61***	-83.39***
	(27.31)	(27.01)	(26.85)	(26.99)	(26.75)	(26.60)	(26.92)	(26.97)	(26.72)
Observations	1,986	1,986	1,963	1,972	1,986	1,963	1,971	1,986	1,963
R-squared	0.115	0.115	0.115	0.116	0.117	0.121	0.116	0.115	0.115
Number of Countries	77	77	77	77	77	77	77	77	77

Table 6A. GLS fixed effects estimations of paragraph 5.3 re-estimated excluding the five countries that encountered the highest amount of pending cases. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . Table continues on next page.

H3: 2SLS ESTIMATIONS 5 Countries Excluded	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	1.083			8.889***			6.213***		
	(1.423)			(1.696)			(1.447)		
Cases R / L / S in last 2 years		1.379			8.187***			0.0652	
		(1.614)			(2.459)			(4.726)	
Cases R / L / S in last 5 years			0.910			8.014***			3.587
			(1.150)			(1.608)			(2.636)
Interaction Variable	-0.204	-0.235	-0.144	-1.704***	-1.596***	-1.511***	-1.208***	-0.0467	-0.653
	(0.266)	(0.317)	(0.225)	(0.339)	(0.500)	(0.326)	(0.327)	(0.963)	(0.564)
BITs Signed	0.0145	0.0151	-0.00184	0.0172	0.0171	-0.00316	0.0182	0.0195	0.00552
	(0.0490)	(0.0467)	(0.0529)	(0.0451)	(0.0448)	(0.0476)	(0.0455)	(0.0450)	(0.0490)
Population (log)	5.731***	5.709***	6.379***	5.757***	5.712***	6.414***	5.710***	5.766***	6.243***
	(1.976)	(1.954)	(2.024)	(1.949)	(1.937)	(2.011)	(1.947)	(1.941)	(1.972)
GDP (log)	192.4*	194.0*	199.1*	192.3	198.8*	213.7*	191.0	190.6	200.4*
	(116.9)	(116.8)	(120.3)	(117.0)	(116.8)	(120.4)	(116.3)	(116.5)	(119.5)
Economic Growth	-1.753	-1.769	-1.834	-1.750	-1.811	-1.971*	-1.736	-1.733	-1.845
	(1.120)	(1.119)	(1.152)	(1.121)	(1.119)	(1.151)	(1.114)	(1.116)	(1.144)
Δ GDPPC difference	-1.03	-1.02	-1.04	-0.998	-1.01	-1.07	-1.01	-1.01	-0.994
(x10^-3)	(0.73)	(0.74)	(0.77)	(0.74)	(0.74)	(0.78)	(0.74)	(0.73)	(0.77)
Trade	-2.04	-2.07	-0.132	-2.21	-1.26	3.72	-3.20	-2.98	-1.66
(x10^-3)	(14.80)	(14.80)	(16.30)	(15.00)	(14.70)	(15.90)	(15.10)	(14.90)	(16.60)
Δ School enrollment	0.213	0.215	0.261	0.216	0.239	0.316	0.216	0.205	0.254
	(0.291)	(0.293)	(0.298)	(0.295)	(0.294)	(0.295)	(0.295)	(0.292)	(0.294)
Δ Skill Gap	0.238	0.243	0.260	0.240	0.277	0.301	0.249	0.237	0.267
	(0.231)	(0.232)	(0.234)	(0.236)	(0.234)	(0.237)	(0.236)	(0.232)	(0.234)
Interaction Δ Skill Gap	2.31	1.64	2.5	0.953	1.09	4.11	1.72	1.94	2.81
& Δ GDPPC difference (x10^-5)	(16.30)	(16.40)	(16.40)	(17.00)	(16.80)	(17.10)	(16.60)	(16.60)	(16.50)
Interaction Δ Skill Gap	-6.1	-5.74	-5.74	-5.2	-7.65	-7.36	-7.17	-6.84	-7.65
& Trade (x10^-4)	(17.60)	(17.90)	(18.20)	(18.20)	(17.70)	(18.50)	(18.00)	(17.60)	(18.10)
Inflation (log)	-0.200**	-0.198**	-0.200**	-0.202**	-0.211**	-0.231**	-0.200**	-0.199**	-0.207**
	(0.0966)	(0.0964)	(0.0993)	(0.0996)	(0.100)	(0.106)	(0.0964)	(0.0957)	(0.0985)
Capital Openness	-0.0609	-0.0707	-0.0540	-0.0664	-0.0650	-0.0537	-0.0673	-0.0522	-0.0482
	(0.274)	(0.267)	(0.282)	(0.275)	(0.263)	(0.277)	(0.277)	(0.264)	(0.272)
Natural Rents	0.0455	0.0487	0.0629	0.0470	0.0557	0.0908	0.0490	0.0487	0.0737
	(0.0968)	(0.0972)	(0.109)	(0.0972)	(0.0968)	(0.109)	(0.0968)	(0.0969)	(0.108)
Savings	-0.0228	-0.0238	-0.0311	-0.0226	-0.0252	-0.0394	-0.0246	-0.0250	-0.0372
	(0.0608)	(0.0609)	(0.0615)	(0.0605)	(0.0591)	(0.0575)	(0.0613)	(0.0607)	(0.0601)
WEF Property Right Index	1.550**	1.550**	1.603**	1.544***	1.551***	1.661***	1.546***	1.523**	1.619***
	(0.613)	(0.605)	(0.632)	(0.596)	(0.595)	(0.621)	(0.596)	(0.598)	(0.615)
Crisis	-1.245	-1.260	-0.887	-1.294	-1.302	-0.906	-1.232	-1.254	-0.898
	(1.451)	(1.454)	(1.411)	(1.464)	(1.456)	(1.422)	(1.450)	(1.450)	(1.412)
World FDI	9.07	9.11	9.53	9.12	8.98	9.97	8.76	8.90	9.34
(x10^-13)	(6.86)	(6.85)	(7.17)	(6.97)	(6.87)	(7.20)	(6.95)	(6.89)	(7.17)
Free Trade Agreements	-0.0531	-0.0524	-0.0526	-0.0528	-0.0531	-0.0531	-0.0532	-0.0525	-0.0528
	(0.0366)	(0.0366)	(0.0364)	(0.0367)	(0.0364)	(0.0364)	(0.0367)	(0.0365)	(0.0364)
WTO/GATT Membership	-0.222	-0.257	-0.430	-0.302	-0.341	-0.641	-0.192	-0.254	-0.318
	(1.026)	(1.027)	(1.094)	(1.032)	(1.032)	(1.091)	(1.030)	(1.036)	(1.095)
Observations	1,820	1,820	1,799	1,806	1,820	1,799	1,805	1,820	1,799
R-squared	0.110	0.111	0.109	0.112	0.113	0.116	0.111	0.110	0.110
Number of Countries	72	72	72	72	72	72	72	72	72
F-statistic (Cragg-Donald)	940.238	1017.684	943.563	1033.533	1044.657	1041.54	1039.605	1054.976	1035.277
F-statistic (Kleibergen-Paap)	38.329	42.042	38.203	42.067	42.742	41.49	42.317	43.677	42.923

Table 6B. 2SLS fixed effects estimations of paragraph 5.3 re-estimated excluding the five countries that encountered the highest amount of pending cases. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed by neighboring countries. *p<0.1 ** p<00.5 ***p<0.01.

H3: GLS ESTIMATIONS Period 2000-2016	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-0.0305			3.495			-0.647		
	(0.670)			(2.137)			(2.006)		
Cases R / L / S in last 2 years		-0.291			2.854			-2.352	
		(0.856)			(1.997)			(1.935)	
Cases R / L / S in last 5 years			-0.347			3.101*			-0.618
			(0.598)			(1.570)			(0.834)
Interaction Variable	0.0116	0.0850	0.0935	-0.766*	-0.696	-0.692**	0.112	0.394	0.102
	(0.145)	(0.182)	(0.131)	(0.438)	(0.435)	(0.333)	(0.336)	(0.333)	(0.153)
BITs Signed	0.0606	0.0596	0.0553	0.0630	0.0684	0.0673	0.0617	0.0660	0.0628
	(0.0563)	(0.0553)	(0.0554)	(0.0559)	(0.0559)	(0.0562)	(0.0559)	(0.0561)	(0.0558)
Population (log)	9.053**	9.107**	9.326**	8.935**	8.801**	8.680**	9.068**	9.122**	9.119**
	(3.660)	(3.616)	(3.624)	(3.610)	(3.635)	(3.584)	(3.613)	(3.607)	(3.606)
GDP (log)	149.2	152.5	152.3	149.3	155.9	158.8	149.1	149.0	149.5
	(165.0)	(164.2)	(164.0)	(165.7)	(165.5)	(165.9)	(165.2)	(165.2)	(165.0)
Economic Growth	-1.436	-1.468	-1.465	-1.434	-1.498	-1.525	-1.432	-1.431	-1.439
	(1.616)	(1.608)	(1.607)	(1.622)	(1.620)	(1.624)	(1.618)	(1.618)	(1.616)
Δ GDPPC difference	-4.89	-5.02	-4.71	-4.89	-4.73	-4.4	-5.08	-5.56	-5.41
(x10^-4)	(4.92)	(4.90)	(4.90)	(5.08)	(5.01)	(5.14)	(5.04)	(5.14)	(5.23)
Trade	-0.00300	-0.00292	-0.00281	-0.00312	-0.00234	-0.000338	-0.00386	-0.00319	-0.00305
	(0.0123)	(0.0123)	(0.0122)	(0.0124)	(0.0122)	(0.0121)	(0.0126)	(0.0122)	(0.0123)
Δ School enrollment	0.126	0.132	0.143	0.122	0.120	0.140	0.118	0.108	0.118
	(0.288)	(0.288)	(0.287)	(0.292)	(0.294)	(0.291)	(0.289)	(0.283)	(0.286)
Δ Skill Gap	0.155	0.154	0.163	0.159	0.164	0.168	0.155	0.144	0.148
	(0.282)	(0.280)	(0.284)	(0.288)	(0.291)	(0.297)	(0.281)	(0.288)	(0.286)
Interaction Δ Skill Gap	-2.49	-2.44	-2.53	-2.53	-2.59	-2.54	-2.55	-2.49	-2.40
& Δ GDPPC difference (x10^-4)	(2.61)	(2.53)	(2.62)	(2.65)	(2.62)	(2.67)	(2.66)	(2.69)	(2.64)
Interaction Δ Skill Gap	-0.496	-0.157	-0.329	-0.664	-0.823	-0.271	-0.944	-0.68	-0.373
& Trade (x10^-4)	(11.70)	(11.70)	(11.90)	(11.80)	(11.80)	(12.00)	(11.80)	(12.20)	(11.90)
Inflation (log)	0.232	0.234	0.238	0.232	0.225	0.210	0.236	0.239	0.236
	(0.215)	(0.216)	(0.214)	(0.216)	(0.216)	(0.216)	(0.218)	(0.218)	(0.217)
Capital Openness	0.0724	0.0493	0.0311	0.0422	0.0629	0.0881	0.0257	0.0311	0.0536
	(0.409)	(0.407)	(0.402)	(0.449)	(0.426)	(0.426)	(0.446)	(0.411)	(0.415)
Natural Rents	-0.139	-0.140	-0.141	-0.139	-0.135	-0.127	-0.140	-0.144	-0.140
	(0.103)	(0.103)	(0.104)	(0.103)	(0.103)	(0.103)	(0.104)	(0.104)	(0.103)
Savings	-0.0562	-0.0571	-0.0577	-0.0560	-0.0567	-0.0560	-0.0569	-0.0572	-0.0564
	(0.0477)	(0.0477)	(0.0477)	(0.0477)	(0.0474)	(0.0476)	(0.0478)	(0.0475)	(0.0476)
WEF Property Right Index	1.565**	1.540**	1.463*	1.610**	1.603**	1.706**	1.575**	1.489**	1.539**
	(0.731)	(0.724)	(0.748)	(0.718)	(0.710)	(0.734)	(0.721)	(0.703)	(0.718)
Crisis	-4.035	-4.069	-4.083	-4.120	-4.240	-4.239	-4.057	-4.134	-4.126
	(2.549)	(2.554)	(2.550)	(2.551)	(2.557)	(2.573)	(2.542)	(2.527)	(2.542)
World FDI	6.43	6.44	6.21	6.40	6.17	5.93	6.59	6.67	6.68
(x10^-13)	(4.79)	(4.75)	(4.81)	(4.81)	(4.74)	(4.69)	(4.84)	(4.82)	(4.84)
Free Trade Agreements	0.0172	0.0179	0.0177	0.0178	0.0163	0.0172	0.0184	0.0156	0.0165
	(0.0136)	(0.0139)	(0.0136)	(0.0136)	(0.0136)	(0.0137)	(0.0138)	(0.0135)	(0.0136)
WTO/GATT Membership	2.291	2.244	2.258	2.371	2.549	2.449	2.321	2.260	2.295
	(2.020)	(2.023)	(2.004)	(2.033)	(2.030)	(2.065)	(2.008)	(2.010)	(2.005)
Constant	-141.6**	-142.4**	-145.7**	-140.1**	-138.1**	-136.7**	-142.0**	-142.4**	-142.6**
	(62.14)	(61.50)	(61.55)	(61.43)	(61.73)	(60.95)	(61.51)	(61.37)	(61.34)
Observations	1,160	1,160	1,160	1,146	1,160	1,160	1,145	1,160	1,160
R-squared	0.071	0.071	0.072	0.072	0.072	0.073	0.071	0.073	0.071
Number of Countries	82	82	82	82	82	82	82	82	82

Table 7A. GLS fixed effects estimations of paragraph 5.3 re-estimated over a shorter time period: 2000-2016. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . Table continues on next page.

H3: 2SLS ESTIMATIONS Period 2000-2016	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	-0.121			3.919*			-0.504		
	(0.655)			(2.301)			(2.057)		
Cases R / L / S in last 2 years		-0.254			3.231			-2.229	
		(0.881)			(2.116)			(1.997)	
Cases R / L / S in last 5 years			-0.373			3.263**			-0.639
			(0.585)			(1.637)			(0.852)
Interaction Variable	0.0356	0.0824	0.104	-0.844*	-0.766	-0.721**	0.0817	0.369	0.107
	(0.145)	(0.186)	(0.129)	(0.475)	(0.468)	(0.350)	(0.348)	(0.347)	(0.155)
BITs Signed	-0.0135	-0.0149	-0.0273	-0.00803	0.00313	0.00217	-0.0155	-0.00117	-0.00621
	(0.171)	(0.167)	(0.173)	(0.166)	(0.166)	(0.169)	(0.164)	(0.161)	(0.161)
Population (log)	10.91*	10.93*	11.36*	10.72*	10.46*	10.34*	10.97*	10.78*	10.83*
	(6.279)	(6.170)	(6.298)	(6.213)	(6.246)	(6.233)	(6.145)	(6.085)	(6.099)
GDP (log)	145.8	148.2	148.0	144.4	152.2	155.8	144.4	144.1	144.6
	(163.5)	(162.6)	(162.1)	(164.4)	(164.2)	(164.9)	(163.6)	(164.1)	(163.8)
Economic Growth	-1.422	-1.447	-1.443	-1.406	-1.480	-1.514	-1.407	-1.402	-1.410
	(1.601)	(1.591)	(1.586)	(1.608)	(1.606)	(1.611)	(1.600)	(1.605)	(1.602)
Δ GDPPC difference	-6.49	-6.69	-6.38	-6.48	-6.23	-5.87	-6.86	-7.17	-7.08
(x10^-4)	(6.14)	(6.25)	(6.14)	(6.47)	(6.47)	(6.53)	(6.42)	(6.42)	(6.52)
Trade	3.52	3.56	3.97	2.95	4.27	7.59	1.91	3.1	3.37
(x10^-3)	(22.50)	(22.20)	(22.20)	(22.70)	(22.10)	(21.50)	(22.80)	(21.90)	(22.10)
Δ School enrollment	0.139	0.142	0.159	0.131	0.130	0.150	0.125	0.114	0.124
	(0.314)	(0.311)	(0.313)	(0.316)	(0.318)	(0.315)	(0.312)	(0.306)	(0.308)
Δ Skill Gap	0.0410	0.0373	0.0468	0.0380	0.0504	0.0592	0.0371	0.0327	0.0361
	(0.339)	(0.339)	(0.341)	(0.342)	(0.343)	(0.349)	(0.338)	(0.346)	(0.341)
Interaction Δ Skill Gap	-2.66	-2.60	-2.70	-2.68	-2.77	-2.72	-2.68	-2.62	-2.55
& Δ GDPPC difference (x10^-4)	(2.74)	(2.66)	(2.75)	(2.78)	(2.76)	(2.80)	(2.80)	(2.81)	(2.77)
Interaction Δ Skill Gap	1.52	1.59	1.59	1.62	1.52	1.51	1.51	1.42	1.47
& Trade (x10^-3)	(2.47)	(2.47)	(2.50)	(2.44)	(2.37)	(2.41)	(2.49)	(2.47)	(2.40)
Inflation (log)	0.236	0.237	0.241	0.234	0.226	0.213	0.239	0.242	0.239
	(0.215)	(0.214)	(0.213)	(0.215)	(0.214)	(0.215)	(0.216)	(0.217)	(0.216)
Capital Openness	0.159	0.146	0.135	0.133	0.154	0.180	0.123	0.117	0.145
	(0.506)	(0.503)	(0.501)	(0.541)	(0.525)	(0.528)	(0.541)	(0.508)	(0.512)
Natural Rents	-0.141	-0.141	-0.143	-0.140	-0.135	-0.129	-0.141	-0.146	-0.142
	(0.105)	(0.105)	(0.105)	(0.105)	(0.104)	(0.105)	(0.105)	(0.105)	(0.105)
Savings	-0.0553	-0.0560	-0.0563	-0.0544	-0.0561	-0.0557	-0.0550	-0.0564	-0.0555
	(0.0491)	(0.0490)	(0.0492)	(0.0491)	(0.0485)	(0.0486)	(0.0494)	(0.0487)	(0.0489)
WEF Property Right Index	1.502**	1.496**	1.394*	1.567**	1.559**	1.665**	1.532**	1.452**	1.491**
	(0.710)	(0.715)	(0.730)	(0.712)	(0.701)	(0.725)	(0.718)	(0.696)	(0.707)
Crisis	-4.466	-4.500	-4.524	-4.559	-4.694*	-4.676	-4.484	-4.563	-4.558
	(2.857)	(2.860)	(2.863)	(2.847)	(2.844)	(2.858)	(2.845)	(2.823)	(2.839)
World FDI	7.55	7.62	7.36	7.53	7.24	6.98	7.88	7.84	7.86
(x10^-13)	(5.76)	(5.81)	(5.76)	(5.90)	(5.92)	(5.87)	(5.93)	(5.89)	(5.90)
Free Trade Agreements	0.0193	0.0197	0.0196	0.0198	0.0178	0.0186	0.0208	0.0172	0.0181
	(0.0148)	(0.0147)	(0.0145)	(0.0146)	(0.0142)	(0.0141)	(0.0151)	(0.0143)	(0.0144)
WTO/GATT Membership	2.845**	2.802**	2.873**	2.900**	3.020**	2.916**	2.922**	2.777**	2.823**
	(1.287)	(1.306)	(1.274)	(1.300)	(1.321)	(1.321)	(1.312)	(1.304)	(1.301)
Observations	1,074	1,074	1,074	1,060	1,074	1,074	1,059	1,074	1,074
R-squared	0.070	0.070	0.070	0.071	0.071	0.073	0.070	0.072	0.070
Number of Countries	76	76	76	76	76	76	76	76	76
F-statistic (Cragg-Donald)	187.45	193.084	183.269	191.858	192.944	190.755	194.97	199.339	198.223
F-statistic (Kleibergen-Paap)	14.583	15.234	14.344	15.057	15.372	14.981	14.809	15.654	15.71

Table 7B. 2SLS fixed effects estimations of paragraph 5.3 re-estimated over a shorter time period: 200-2016. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed by neighboring countries. *p<0.1 ** p<00.5 ***p<0.01.

H3: GLS ESTIMATIONS Original Schooling Values	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	0.571			4.197			4.317**		
	(0.451)			(2.951)			(1.911)		
Cases R / L / S in last 2 years		0.325			2.949			1.426	
		(0.491)			(2.470)			(1.712)	
Cases R / L / S in last 5 years			0.133			2.900*			1.269
			(0.318)			(1.635)			(0.837)
Interaction Variable	-0.122	-0.0403	-0.00924	-0.843	-0.633	-0.579	-0.702**	-0.233	-0.199
	(0.104)	(0.0987)	(0.0711)	(0.594)	(0.543)	(0.351)	(0.319)	(0.291)	(0.141)
BITs Signed	-0.0316	-0.0326	-0.0359	-0.0298	-0.0289	-0.0348	-0.0324	-0.0302	-0.0339
	(0.0269)	(0.0271)	(0.0290)	(0.0245)	(0.0242)	(0.0258)	(0.0247)	(0.0247)	(0.0257)
Population (log)	7.716***	7.845***	7.895***	7.849***	7.764***	7.789***	7.735***	7.768***	7.808***
	(1.881)	(1.844)	(1.913)	(1.843)	(1.847)	(1.913)	(1.831)	(1.818)	(1.873)
GDP (log)	283.7	285.9	314.8	282.6	287.7	322.8	285.5	286.1	316.8
	(199.3)	(198.9)	(201.8)	(198.6)	(199.2)	(201.3)	(198.5)	(198.4)	(200.8)
Economic Growth	-2.692	-2.715	-3.002	-2.680	-2.729	-3.077	-2.705	-2.714	-3.018
	(1.973)	(1.969)	(2.006)	(1.966)	(1.971)	(2.000)	(1.966)	(1.965)	(1.996)
Δ GDPPC difference	-1.51	-1.52	-1.41	-1.5	-1.51	-1.41	-1.49	-1.49	-1.37
(x10^-3)	(0.74)	(0.74)	(0.77)	(0.75)	(0.74)	(0.78)	(0.76)	(0.75)	(0.78)
Trade	6.59	6.41	7.86	5.06	6.46	8.74	5.79	6.43	7.86
(x10^-3)	(18.20)	(18.30)	(19.00)	(18.60)	(18.10)	(18.80)	(18.60)	(18.10)	(18.90)
Δ School enrollment	0.183	0.191	0.244	0.186	0.186	0.248	0.189	0.184	0.232
	(0.308)	(0.308)	(0.307)	(0.312)	(0.311)	(0.308)	(0.313)	(0.309)	(0.309)
Δ Skill Gap	0.229	0.229	0.253	0.240	0.238	0.261	0.248	0.234	0.260
	(0.231)	(0.231)	(0.235)	(0.238)	(0.238)	(0.241)	(0.236)	(0.233)	(0.239)
Interaction Δ Skill Gap	4.70	4.66	3.13	3.85	3.82	2.32	4.35	4.77	2.30
& Δ GDPPC difference (x10^-5)	(15.40)	(15.50)	(15.60)	(15.70)	(15.60)	(15.80)	(16.00)	(15.60)	(15.70)
Interaction Δ Skill Gap	-4.80	-2.72	7.96	-6.93	-9.84	3.57	-9.65	-8.42	-0.47
& Trade (x10^-5)	(72.10)	(73.30)	(70.80)	(72.50)	(72.50)	(71.00)	(70.50)	(70.70)	(68.60)
Inflation (log)	-0.272**	-0.267**	-0.243*	-0.265**	-0.269**	-0.255*	-0.267**	-0.269**	-0.250*
	(0.132)	(0.131)	(0.139)	(0.131)	(0.131)	(0.139)	(0.132)	(0.131)	(0.138)
Capital Openness	-0.317	-0.357	-0.165	-0.370	-0.340	-0.140	-0.367	-0.339	-0.130
	(0.332)	(0.336)	(0.295)	(0.358)	(0.338)	(0.299)	(0.358)	(0.332)	(0.289)
Natural Rents	0.0978	0.0980	0.0581	0.0987	0.0999	0.0635	0.103	0.101	0.0647
	(0.111)	(0.111)	(0.0966)	(0.111)	(0.110)	(0.0943)	(0.112)	(0.111)	(0.0948)
Savings	0.00472	0.00132	0.0108	0.000845	-0.000674	0.0112	0.00277	0.00135	0.0105
	(0.0415)	(0.0408)	(0.0381)	(0.0414)	(0.0410)	(0.0367)	(0.0415)	(0.0404)	(0.0377)
WEF Property Right Index	1.006*	0.984*	0.829	0.992*	0.986*	0.864	1.037*	0.996*	0.839
	(0.564)	(0.559)	(0.528)	(0.561)	(0.560)	(0.529)	(0.579)	(0.573)	(0.522)
Crisis	-0.870	-0.934	-0.529	-0.904	-0.914	-0.452	-0.852	-0.882	-0.455
	(1.580)	(1.588)	(1.538)	(1.587)	(1.584)	(1.536)	(1.587)	(1.589)	(1.547)
World FDI	1.24	1.25*	1.16	1.24	1.23	1.21	1.2	1.21	1.18
(x10^-12)	(0.75)	(0.74)	(0.77)	(0.00)	(0.75)	(0.77)	(0.76)	(0.76)	(0.77)
Free Trade Agreements	-0.0286	-0.0278	-0.0331	-0.0268	-0.0280	-0.0325	-0.0271	-0.0277	-0.0329
	(0.0346)	(0.0346)	(0.0343)	(0.0348)	(0.0345)	(0.0344)	(0.0348)	(0.0346)	(0.0343)
WTO/GATT Membership	1.065	1.041	0.763	1.042	1.027	0.717	1.097	1.049	0.787
	(0.891)	(0.885)	(0.874)	(0.883)	(0.890)	(0.872)	(0.876)	(0.884)	(0.873)
Constant	-116.9***	-118.9***	-118.7***	-119.1***	-117.5***	-117.1***	-117.5***	-117.7***	-117.3***
	(30.80)	(30.28)	(31.13)	(30.33)	(30.29)	(31.15)	(30.12)	(29.83)	(30.53)
Observations	1,347	1,347	1,325	1,333	1,347	1,325	1,332	1,347	1,325
R-squared	0.108	0.108	0.100	0.108	0.108	0.101	0.110	0.108	0.100
Number of Countries	80	80	80	80	80	80	80	80	80

Table 8A. GLS fixed effects estimations of paragraph 5.3 re-estimated using only the original observations of the tertiary enrollment ratio. Values of other variables that were calculated using tertiary enrollment ratio are also recalculated using the original observations. The interaction variable interacts the WEF property right index with the variable mentioned at the top of the column. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. *p<0.1 ** p<00.5 ***p<0.01 . Table continues on next page.

H3: 2SLS ESTIMATIONS Original Schooling Values	(1) Pending	(2) Rgstrd (2)	(3) Rgstrd (5)	(4) Lost	(5) Lost (2)	(6) Lost (5)	(7) Settled	(8) Settled (2)	(9) Settled (5)
Pending / Lost / Settled	0.594			5.166			4.286**		
	(0.455)			(3.412)			(2.082)		
Cases R / L / S in last 2 years		0.407			3.793			1.438	
		(0.504)			(2.638)			(1.802)	
Cases R / L / S in last 5 years			0.175			3.249*			1.308
			(0.320)			(1.744)			(0.873)
Interaction Variable	-0.127	-0.0574	-0.0170	-1.054	-0.820	-0.653*	-0.697**	-0.235	-0.205
	(0.106)	(0.1000)	(0.0727)	(0.668)	(0.567)	(0.370)	(0.341)	(0.302)	(0.145)
BITs Signed	-0.0321	-0.0338	-0.0409	-0.0315	-0.0297	-0.0391	-0.0338	-0.0309	-0.0377
	(0.0418)	(0.0409)	(0.0422)	(0.0386)	(0.0385)	(0.0385)	(0.0387)	(0.0385)	(0.0382)
Population (log)	7.831***	7.982***	8.066***	8.015***	7.891***	7.954***	7.885***	7.902***	7.942***
	(2.369)	(2.303)	(2.271)	(2.306)	(2.301)	(2.254)	(2.269)	(2.242)	(2.210)
GDP (log)	293.8	296.3	326.7	293.3	300.1	336.4*	295.7	296.2	328.7
	(201.4)	(200.9)	(204.1)	(200.4)	(201.1)	(203.5)	(200.3)	(200.5)	(202.9)
Economic Growth	-2.781	-2.807	-3.107	-2.773	-2.840	-3.198	-2.795	-2.803	-3.124
	(1.992)	(1.988)	(2.028)	(1.982)	(1.990)	(2.022)	(1.982)	(1.983)	(2.016)
Δ GDPPC difference	-1.58**	-1.59**	-1.45*	-1.56*	-1.57*	-1.45*	-1.56*	-1.56*	-1.41*
(x10^-3)	(0.80)	(0.80)	(0.83)	(0.81)	(0.80)	(0.84)	(0.82)	(0.81)	(0.84)
Trade	0.00567	0.00571	0.00774	0.00416	0.00593	0.00872	0.00486	0.00561	0.00728
	(0.0211)	(0.0211)	(0.0221)	(0.0215)	(0.0210)	(0.0219)	(0.0215)	(0.0211)	(0.0221)
Δ School enrollment	0.181	0.189	0.255	0.186	0.183	0.258	0.189	0.183	0.242
	(0.320)	(0.320)	(0.323)	(0.326)	(0.325)	(0.324)	(0.327)	(0.322)	(0.324)
Δ Skill Gap	0.130	0.128	0.136	0.130	0.146	0.152	0.151	0.147	0.155
	(0.287)	(0.289)	(0.295)	(0.302)	(0.296)	(0.303)	(0.290)	(0.287)	(0.297)
Interaction Δ Skill Gap	1.65	1.55	-0.14	0.512	0.437	-1.13	1.35	1.7	-1.1
& Δ GDPPC difference (x10^-5)	(16.00)	(16.20)	(16.20)	(16.40)	(16.30)	(16.40)	(16.70)	(16.30)	(16.30)
Interaction Δ Skill Gap	1.09	1.15	1.6	1.27	0.952	1.44	1.05	0.881	1.34
& Trade (x10^-3)	(2.26)	(2.29)	(2.19)	(2.33)	(2.26)	(2.21)	(2.28)	(2.22)	(2.14)
Inflation (log)	-0.279**	-0.274**	-0.253*	-0.272**	-0.276**	-0.265*	-0.274**	-0.276**	-0.260*
	(0.134)	(0.134)	(0.142)	(0.134)	(0.134)	(0.142)	(0.134)	(0.133)	(0.140)
Capital Openness	-0.321	-0.362	-0.159	-0.371	-0.342	-0.131	-0.373	-0.344	-0.127
	(0.324)	(0.329)	(0.293)	(0.349)	(0.331)	(0.297)	(0.350)	(0.324)	(0.287)
Natural Rents	0.101	0.101	0.0594	0.101	0.103	0.0662	0.105	0.104	0.0668
	(0.106)	(0.106)	(0.0958)	(0.106)	(0.106)	(0.0935)	(0.107)	(0.107)	(0.0939)
Savings	0.00391	0.000484	0.0130	0.000341	-0.00217	0.0133	0.00215	0.000263	0.0121
	(0.0446)	(0.0439)	(0.0415)	(0.0446)	(0.0441)	(0.0401)	(0.0447)	(0.0436)	(0.0410)
WEF Property Right Index	1.009*	0.989*	0.859	0.996*	0.991*	0.892	1.041*	0.998*	0.865
	(0.588)	(0.585)	(0.544)	(0.588)	(0.587)	(0.546)	(0.607)	(0.599)	(0.539)
Crisis	-0.788	-0.857	-0.436	-0.826	-0.837	-0.349	-0.774	-0.805	-0.363
	(1.666)	(1.680)	(1.626)	(1.677)	(1.672)	(1.618)	(1.678)	(1.679)	(1.634)
World FDI	1.32	1.33*	1.23	1.32	1.31	1.27	1.29	1.29	1.24
(x10^-12)	(0.81)	(0.81)	(0.84)	(0.83)	(0.81)	(0.84)	(0.82)	(0.82)	(0.84)
Free Trade Agreements	-0.0323	-0.0314	-0.0372	-0.0304	-0.0317	-0.0365	-0.0307	-0.0313	-0.0370
	(0.0351)	(0.0351)	(0.0350)	(0.0353)	(0.0351)	(0.0351)	(0.0354)	(0.0351)	(0.0350)
WTO/GATT Membership	1.231	1.211	0.889	1.213	1.195	0.827	1.266	1.218	0.921
	(0.885)	(0.877)	(0.859)	(0.875)	(0.882)	(0.859)	(0.870)	(0.876)	(0.862)
Observations	1,246	1,246	1,226	1,232	1,246	1,226	1,231	1,246	1,226
R-squared	0.108	0.108	0.099	0.109	0.108	0.101	0.110	0.108	0.100
Number of Countries	72	72	72	72	72	72	72	72	72
F-statistic (Cragg-Donald)	782.959	824.629	764.483	856.077	856.207	829.04	864.887	870.356	851.353
F-statistic (Kleibergen-Paap)	42.538	44.356	44.093	43.355	44.215	45.346	43.289	44.405	46.145

Table 8B. 2SLS fixed effects estimations of paragraph 5.3 re-estimated using only the original observations of the tertiary enrollment ratio. Values of other variables that were calculated using tertiary enrollment ratio are also recalculated using the original observations. The log of FDI is the dependent variable. Standard errors are clustered by country in all estimations. All independent variables are lagged one year. The IV in all models is the weighted average of the number of BITs signed by neighboring countries. *p<0.1 ** p<00.5 ***p<0.01.