The Effects of Participation in Human Rights Regimes on Foreign Direct Investment

Ana Carolina Garriga
Centro de Investigación y Docencia Económicas (CIDE)
División de Estudios Políticos
carolina.garriga@cide.edu

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Abstract: What are the effects of international human rights (HR) regimes on foreign direct investment (FDI)? The literature generally shows a negative relationship between HR violations and FDI, with some variation across sectors of investment. Similarly, international regimes can have effects beyond the parties in the agreement. However, it is not clear how a country’s participation in HR regimes affects investors’ decisions. This paper analyzes the effect of international HR regimes on FDI, including by looking at how they condition the impact of HR violations on FDI. I theorize that the host country’s participation in HR regimes provides a “reputational umbrella” for investors, and has a positive effect on FDI. This effect is stronger in countries with poorer HR records. Furthermore, and against the purpose of HR covenants, state participation in HR regimes curbs the negative effect of human rights violations on FDI. Empirical analysis on a sample of developing countries, from 1982 to 2011, provides support for the existence of these direct and indirect effects of participation in HR regimes on FDI.
What are the effects of international human rights (HR) regimes on foreign direct investment (FDI) inflows? Although there is a broad literature examining why countries commit to HR regimes, and the effects of HR regimes on state behavior, there is very little research on the effect of HR regimes on the behavior of third parties. Although several studies examine whether third parties punish HR violations, we know little about the effect of participation in HR regimes on other actors’ behavior. This lacuna is striking given the expansion of HR regimes, the legitimizing effect of HR regimes, and their potential for indirect effects on state behavior. I argue that a country’s HR record has reputational effects on investors’ decisions. HR violations deter FDI because of investors’ fears of being associated with countries responsible for these violations. However, the host country’s participation in HR regimes provides a “reputational umbrella” for investors, and has a positive effect on FDI. Furthermore, this effect is particularly important for countries with higher levels of violations, in which participation in HR regimes has a stronger positive effect. In other words, countries that violate HR receive the highest benefits from participating in HR regimes in terms of FDI inflows.

HR protection mechanisms are based on the state’s commitment to respect, protect and/or promote a series of rights. However, the state is simultaneously the main actor responsible for violating HR, and for protecting those rights. International regimes formalize countries’ commitments to HR protection and have the potential for imposing exogenous limits to the state’s discretion – or, at least, additional costs for HR violations. Beyond the debate

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1 I define regime following Krasner (1982, 185) as “principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area”. However, I assume that signing an international HR convention is the most common and easily observable way to enter a HR regime. Therefore, in this paper, HR regimes, treaties and agreements are used indistinctly.


5 Elliott 2011.

6 Hafner-Burton, Tsutsui and Meyer 2008.
regarding the effect of ratifying HR treaties on HR practices, there are other less explored mechanisms that can reward commitment to HR regimes. This paper analyzes the existence and reach of one of those informal mechanisms: the reaction of foreign investors to countries’ participation in HR regimes.

Do investors care about HR treaties? The literature suggests that investors react to HR violations, and to HR non-governmental organizations’ (NGOs) naming and shaming. However, there is not much said about the effect of HR regimes on investment decisions. Participation in HR regimes is a public act, witnessed not only by other participants in the regime, but also by a wider audience. Investors pay attention to HR treaties as part of the host country’s legal framework and as a reference for the HR situation. Particularly, in recent years, FDI practices started including pre- and post-investment HR impact assessments. For example, after buying the Guatemalan Marlin mine, Goldcorp commissioned a HR impact assessment, contrary to what it is usually expected from companies engaging in extractive FDI. Interestingly, this assessment describes Guatemala’s participation in HR conventions and the ratification dates as relevant information, along with the description of the general political environment.

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7 E.g., Blanton and Blanton 2007, 2009; Blume and Voigt 2007.
8 E.g., Barry, Clay and Flynn 2013.
9 Even in the economic specialized press, see Gorst (2010).
10 Although larger companies are more likely to engage in impact assessment or be concerned with social sustainability of their activities, smaller companies are starting to move in that direction. Environmental Leader 2013. Furthermore, not only HR impact assessments include information or references to HR regimes. The press reflects companies and business association discussing host countries international commitments (e.g., Tribune Report 2013).
11 Although this study may have been motivated by conflicts with local groups, I am interested in the content and not in the motivations for the report.
This report – like many other HR impact assessments – examines four dimensions of the HR situation in the host country: the first one is “formal acceptance of HR,” measured as ratification of fundamental HR conventions; followed by compliance with civil and political rights (including respect for physical integrity rights); compliance with economic, social and cultural rights; and women’s rights (see Appendix 1). The inclusion of ratified HR conventions is not exclusive to this assessment, but it is suggested in most HR assessment tools or guidelines provided by several international organizations (e.g., the International Financial Corporation), NGOs (such as the Danish Institute for Human Rights) and business associations. Although this shows that investors can and do learn about the host country’s involvement in international HR regimes, it does not a priori indicate how they use this information. Do investors reward or punish countries’ commitment to HR regimes? In this paper, I argue that investors reward commitment to HR regimes.

Knowing the effect of a country’s HR international commitments on the FDI it receives is important because governments want FDI; therefore, investors’ avoidance of countries that do not commit to international HR regimes would entail a costly pressure on governments to

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13 Other examples are guidelines produced by the International Business Leaders Forum and the International Finance Corporation, in association with the UN Global Compact, that recommend to “identify the international conventions the host country has signed and ratified” (Abrahams and Wyss 2010, 25, 28); a nonprofit research organization, whose format for assessments includes identifying the ratified treaties recognizing nondiscrimination or the right to health (NomoGaia 2012, 28-9), and academic articles (Salcito et al. 2013). Similarly, and not surprisingly, the UN Office of the High Commissioner for HR (2012, 17) mentions the use of “indicators on the number of ratifications of treaties” for human rights assessment. Ratified HR treaties are also recommended indicators for HR impact assessment applicable to corporate investments that involve large land acquisitions in the 2012 Annual World Bank Conference on Land and Poverty. Salcito 2012, 3.

14 Governments want FDI because of its short- and long-term effects on the economy. Although an unconditional effect of FDI on growth is still disputed (Carkovic and Levine 2005), there is evidence linking FDI to economic growth (Li and Liu 2005), reduced poverty (Bhagwati 2007), lower domestic income inequality (Jensen and Rosas 2007), and more domestic investment (Borensztein, Gregorio and Lee 1998; Modya and Murshid 2005). Also, FDI generally has positive short-term effects on domestic employment, government financing, foreign exchange reserves, and potentially, on government approval. That is why almost all governments compete to receive these financial flows (Elkins, Guzman and Simmons 2006; Oman 2000).
join international conventions. Furthermore, the answer to this question sheds light on questions still open in three literatures.

First, this paper contributes to the literature on the effect of international institutions beyond the parties in the agreements. The analysis of HR regimes allows us to distinguish different effects on third parties because of the particular characteristics of these regimes. HR regimes’ ends and means characterize a peculiar type of institutionalized cooperation.\(^{15}\) As Moravcsik highlights, HR regimes generally do not target “policy externalities arising from societal interactions across borders,” but instead governments’ domestic activities. Additionally, although HR treaties allow parties to demand compliance from other parties, this rarely occurs.\(^{16}\) This suggests the possibility of disentangling HR regimes’ different effects on third parties. Although there are studies exploring institutions’ effects on third parties,\(^{17}\) it is not easy to distinguish different effects institutions may have. Participation in regimes can provide information, signals,\(^{18}\) and enhance countries’ reputation, and they can also affect costs for third parties. It is difficult to discern these first three effects from the cost effect – the regime’s monitoring or enforcement mechanisms can reduce third parties’ monitoring and enforcement costs. This paper also makes an effort to separate HR regimes’ reputational effects from their informational and cost effects.

Second, this paper contributes to the literature on international political economy. By analyzing the direct and conditional effects of HR regimes on FDI, this paper further specifies the political determinants of FDI and the cues that investors look at.\(^{19}\) Third, this paper also

\(^{15}\) Moravcsik 2000, 217.
\(^{16}\) “The distinctiveness of [HR] regimes lies instead in their empowerment of individual citizens to bring suit to challenge the domestic activities of their own government.” Moravcsik 2000, 217.
\(^{17}\) E.g., Büthe and Milner 2008; Dreher and Voigt 2011; Gray 2009, 2010.
\(^{19}\) Allee and Peinhardt 2011; Busse and Hefeker 2007; Büthe and Milner 2008; Jensen 2006; Kerner 2009; Lektzian and Biglaisser 2013; Pinto 2013.
speaks to the more general question about the relationships between HR and globalization. Particularly, it provides evidence of direct and indirect effects of HR conventions, both in projected and “undesirable” paths, and it specifies certain conditions under which HR violations deter FDI. Finally, it suggests a possible way for investors to foster changes in regime participation, by giving incentives for countries to join international HR conventions.

1 Human rights, regimes, and FDI

1.1 Human rights and FDI

Do investors care about a country’s HR record in general, or about their eventual commitment to HR? An early literature would be skeptical about this. This literature posits that multinational corporations (MNCs) invest and support governments in countries with repressive mechanisms, capable to maintain order and guarantee the maintenance of operations. This creates incentives for authoritarian governments to maintain and even strengthen repressive systems that guarantee cheap labor and low levels of political organization and mobilization of the working class to attract investment. These arguments have been illustrated by a host of anecdotal evidence, such as the ties between repressive governments and MNCs. However, a more recent literature provides evidence suggesting that HR violations, in fact, deter FDI.

Studies showing that a good HR record attracts FDI can be classified in two groups. First, some scholars argue that HR violations indirectly deter FDI. HR respect creates favorable conditions for investment, such as “an environment unconducive to violence,” political

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20 Blanton and Blanton 2007; Egan 2012; Richards et al. 2001.
23 Hymer 1972.
25 For example, the cases of Bhopal in India, British Petroleum in Colombia, Freeport McMoran in Indonesia, ITT in Chile, Shell in Nigeria, United Fruit in Guatemala or Unocal in Myanmar. Amnesty International 2002; Spar 1999, 61.
instability or social conflict;\textsuperscript{26} or better conditions for human capital development.\textsuperscript{27} Other studies stress a more \textit{direct} effect of HR violations in the host country on investors’ incentives: investing in countries that violate HR can hurt companies’ reputation. Blanton and Apodaca posit that “the global marketplace functions as an ‘audience’ that rewards orpunishes the policy choices of states.” Globalization implies more exposure to this marketplace, increasing these audience costs.\textsuperscript{28} Colonomos and Santiso stress the “development of moral expertise in civil society;”\textsuperscript{29} others stress the role of NGOs directing media attention to HR violations and making it difficult for MNCs to avoid being linked to countries responsible for said violations, known as the “spotlight phenomenon.”\textsuperscript{30}

This literature suggests investors avoid countries with poor HR records. Some empirical studies support this idea, but they have usually looked at small samples or particular investors. For example, several studies show a positive effect of countries’ respect for physical integrity rights (that is, the lack of torture, extrajudicial killings, political imprisonment, or disappearances) on the investment they receive. Blanton and Blanton assess both the direct and indirect effects of HR respect on FDI and show that HR respect attracts FDI.\textsuperscript{31} Blanton and Blanton further study the mechanism that links HR to FDI. They find that physical integrity rights significantly determine U.S. foreign investment in developing countries in industry sectors that value higher skills and integration within the host society.\textsuperscript{32} Recently, Blanton and Blanton analyze the impact of HR on U.S. outward investment across multiple sectors. They find that physical integrity rights violations deter U.S. FDI in sectors with no temporal inconsistency.\textsuperscript{33} Additionally, using different samples and different measures of FDI, many studies find a positive relationship

\textsuperscript{26} Sorens and Ruger 2012, 428.  
\textsuperscript{27} Blanton and Blanton 2007.  
\textsuperscript{28} Blanton and Apodaca 2007, 599.  
\textsuperscript{29} Colonomos and Santiso 2005, 1324.  
\textsuperscript{30} Spar 1999, 70-4. Hathaway 2007, 597 also stresses the role of NGOs when they publicize “a decision by investors to withdraw or withhold funds”.  
\textsuperscript{31} Blanton and Blanton 2007. Blume and Voigt 2007 find similar results.  
\textsuperscript{32} Blanton and Blanton 2009.  
\textsuperscript{33} Blanton and Blanton 2012.
between political rights and civil liberties and FDI inflows.\textsuperscript{34} This relationship, however, may be non-linear.\textsuperscript{35}

1.2 International regimes’ effects on FDI

Can international regimes affect investors’ decisions? The literature shows that participation in international institutions can produce effects not only among the regimes’ members, but also beyond them.\textsuperscript{36} Third parties, whether they are non-member states, NGOs or investors, can learn and update their expectations when countries formalize their commitment to international regimes.

Specifically, participation in international regimes can influence investors through different channels. First, regimes provide information about policy commitments. Formal and informal international agreements are “promises about future national behavior.”\textsuperscript{37} Because joining a formal regime is a visible act, investors can learn to what policies a state is committing to (i.e., free trade, labor standards), and assess how desirable said policies are for them. Second, regimes also inform about members’ compliance, reducing monitoring costs for interested third parties. For example, each of the United Nations’ HR conventions has a committee of experts that meet periodically to monitor the implementation of the treaties. These committees evaluate reports regularly submitted by the parties in the agreement, together with “shadow reports” submitted by interested NGOs, and discuss the HR situation with the parties. These regular reporting activities can be complemented with the implementation of the more limited petition or complaints system (receiving complaints against the state), the elaboration of “ad hoc” reports, and even fact-finding missions.

\textsuperscript{34} See Rodrik 1996; Harms and Ursprung 2002; Kucera 2002; Jensen 2003; and Busse 2004.
\textsuperscript{35} Adam and Filippaios 2007; Ponce 2010.
\textsuperscript{37} Lipson 1991, 498.
Finally, regimes can also affect countries’ reputation. There is a significant literature exploring the reputational cost of noncompliance. Exposure to noncompliance costs makes international commitments more credible than unilateral declarations,\(^{38}\) and has been argued to be the mechanism at work behind compliance in different policy areas, such as trade,\(^{39}\) monetary agreements,\(^{40}\) or debt.\(^{41}\) The cost of reneging on an agreement can go beyond the parties and the particular agreement, and include not only reputational costs, but also different forms of retaliation.\(^{42}\) There is less evidence, however, regarding positive reputational effects of joining international regimes. Although there is a literature showing positive effects associated with joining a regime,\(^{43}\) it is hard to disentangle mere reputational aspects of joining those regimes, from other effects such as information gains, or preference for countries that commit to policies that are desirable for third actors.

Although international regimes could affect investors’ decisions through either or all three of these channels, this paper proposes a theory about the reputational effect of joining international HR regimes on investors. Furthermore, I try to distinguish empirically the reputational from the informational and cost effects of committing to international HR regimes.

\[\text{2 The effect of HR regimes on FDI}\]

In this section, I argue that (a) investors react to countries’ HR record, and that (b) these reactions are based on reputational concerns that may exceed the spotlight phenomenon. Therefore, mechanisms that potentially improve a country’s reputation will attract investment even in the presence of HR violations. Because membership in HR regimes improves a


\(^{39}\) Büthe and Milner 2008.

\(^{40}\) Simmons 2000.

\(^{41}\) Tomz 2007. Many argue that this reputational cost is what makes compliance likely. As Lipson 1991, 511 clearly put it, “treaties are a conventional way of raising the credibility of promises by staking national reputation on adherence.”

\(^{42}\) Abbott and Snidal 2000; Lipson 1991.

\(^{43}\) E.g., Büthe and Milner 2008; Dreher and Voigt 2011; Gray 2009, 2013; Kerner 2009.
country’s reputation, (c) membership in HR regimes has a positive effect on FDI, (d) especially for countries with poor HR records.

Do investors punish HR violations? Although this paper studies the effect of HR regimes on FDI, it is first necessary to establish whether investors react to HR violations. If investors were indifferent to HR violations, arguing the existence of commitment to HR regimes’ reputational effects could constitute a stretch. The literature distinguishes direct and indirect effects of HR violations on FDI, and there is some evidence about both types of effects, but no undisputed support for an unconditional direct effect. Although some studies suggest that HR violations deter investment, the use of different samples, operationalization – of both violations and FDI –, and modeling choices might leave some questions regarding the existence of a general reputation-based direct effect. I argue that there are non-coordinated but systematic investors’ direct reactions to HR violations. By non-coordinated, I mean the lack of a state, group of states or international organization formally boycotting or imposing financial sanctions on a country (for example, to the South African apartheid regime). By systematic, I mean the presence of general trends, even when there are cases that deviate from these trends.

I argue that the direct mechanism linking HR violations to investment deterrence is based on investors’ reputational concerns of being associated with countries accused of violating HR. This is particularly the case in companies concerned with their corporate social responsibility (CSR) reputation and ranking, but I argue that reputational concerns have a general impact on investors’ decisions. This argument is not new in the literature; however,

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44 See Arvanitis 2006.
45 HR conditions are part of CSR rankings and ratings put forth by companies such as Asset4 as well as the KLD corporate ratings. KLD Research & Analytics 2013; Thomson Reuters Investment Management 2013.
46 The literature on “social risk” suggests that many companies expect to be held at least somewhat accountable for if they are linked to countries that violate HR. See for example, Risse, Ropp and Sikkink 2013; Spar and La Mure 2003; Yaziji and Doh 2009; Zadek 2004. I thank R. ANONYMOUS for bringing this to my attention.
47 E.g., Blanton and Apodaca 2007; Spar 1999.
investors’ reputational concerns may go beyond the spotlight phenomenon, that is, the action of HR NGOs spurring press releases against the country and, eventually, against companies investing in said country. Empirically, the spotlight effect has been tested with the inclusion of the number of press releases by major international sources, or the number of press releases originated on NGOs’ actions, or the number of NGOs in the host country and there is evidence supporting this effect. However, limiting investors’ reactions to the spotlight effect seems insufficient for two reasons.

First, investors’ sources of information are not limited to the international press. Other means for investors to gather information include informal means of communication (word of mouth, informal networks of elites, local media (including radio) that is not well covered by the international press, reports from diplomatic representations or business associations in the host country, and consultants in the field. Moreover, the literature shows the presence of bias in NGOs naming and shaming strategies, and in news sources reporting of HR violations. Therefore, it should not surprise us that investors gather information through other channels.

Second, it seems reasonable that investors are not only passive actors and merely react to naming and shaming from NGOs. Given the lags between HR violations and HR NGOs’ effect on the press, and the availability of other sources of information about HR violations, investors can

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48 Spar 1999; Spar and La Mure 2003.
49 Barry, Clay and Flynn 2013.
50 Davis and Ruhe 2003; Ruey-Jer, Tan and Sinkovics 2011.
51 For example, the Guatemalan mine report cites among its sources the following: interviews with local individuals, companies, organizations and other representatives of the government; “the Universal Periodic Review of Guatemala, reports from OHCHR field presence in Guatemala; the UN Treaty Bodies; the UN Special Procedures that have conducted field missions to Guatemala; the International Labour Organization; and civil society organizations specialized in human rights.” On Common Ground Consultants Inc., 11, 21.
53 Hafner-Burton and Ron 2013.
54 This may explain why the correlation between actual HR violations, naming and shaming by NGOs and news reports is not high or always significant.
anticipate naming and shaming against a country. The fear of being linked to countries that violate HR discourages investment.55

Because there is no clear evidence of an unconditional effect of a country’s HR record on the global FDI flows it receives, the first hypothesis to test is the following:

**Hypothesis 1:** HR violations have a negative direct impact on the general level of FDI inflows.

Finding support for hypothesis 1 is important because if investors were not deterred by HR violations – or if HR violations did not hurt countries’ reputation – it would be difficult to argue that a country’s commitment to HR has a positive effect on investment.

### 2.1 Do investors care about HR treaties?

Joining international HR regimes can increase a country’s reputation56 and it is the argument of this paper that HR regimes also provide investors with a reputational umbrella they can use to deflect claims (from board members, consumers, NGOs, etc.) regarding the country’s HR record. After presenting my argument, I discuss a way to distinguish the reputational from the cost and informational effects of joining an international HR regime.

I argue that international HR regimes can increase a country’s reputation. For this to happen, three conditions need to be met: First, ratifying HR treaties needs to be costly. Second, for the ratification to be informative, the cost of ratifying HR treaties needs to be different for different types of states. Third, investors should care about potential host countries’ reputation.

#### 2.1.1 The costs of joining HR regimes

Although ratifying a HR treaty may be less costly than changing domestic politics, for example, it is not cost-free.57 There are at least three kinds of costs associated with formalizing

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55 On investors withdrawing funds anticipating U.S. sanctions, see Biglaiser and Lektzian 2011.
57 Goodliffe and Hawkins 2006, 368.
commitments to HR regimes. First, treaties impose (different levels of) constraints on states’ behavior and potentially on their sovereignty.\(^{58}\) HR treaties are hard forms of legalization – that is, precise, legally binding obligations with different levels of third-party delegation.\(^{59}\) Treaties’ precision limits countries’ interpretations about the extent of their commitment, and treaties’ monitoring mechanisms may constrain countries’ interpretations about the extent of their compliance.

Second, joining an international regime opens the door to noncompliance or to agreement reneging costs. As mentioned above, these costs can go beyond the parties,\(^{60}\) and include not only the “loss of reputation as a reliable partner” that may facilitate other cooperative agreements, and different forms of retaliation,\(^{61}\) but also broader consequences for violating social norms,\(^{62}\) related regimes\(^{63}\) and international law.\(^{64}\) In the particular case of HR treaties, these costs could be higher because they are part of broader regimes, and the noncompliance costs may spread throughout the regime.\(^{65}\)

Third, there are also costs associated with the ratification of an international agreement in general (and a HR treaty in particular). In general, formalizing the commitment is a prominent act that may have “consequences for democratic oversight, bureaucratic control, and diplomatic precedent” and may expose the matter to the public debate.\(^{66}\) Depending on how open the society is, the public debate exposes “the depth of national support for an agreement,” and may mobilize various domestic and international actors interested in an agreement.\(^{67}\)

\(^{58}\) Abbott and Snidal 2000, 422; Goodliffe and Hawkins 2006, 364, 366.
\(^{59}\) Abbott and Snidal 2000.
\(^{60}\) Abbott and Snidal 2000.
\(^{61}\) Lipson 1991, 511.
\(^{63}\) Keohane 1984, 104.
\(^{64}\) Abbott and Snidal 2000, 427-8. Goodliffe and Hawkins 2006, 363, also include non expected costs.
\(^{65}\) Abbott and Snidal 2000, 427. For a cautionary note, see Downs and Jones 2002.
\(^{66}\) Lipson 1991, 500.
\(^{67}\) Lipson 1991, 501.
2.1.2 Ratification costs likely depend on human rights record

One could argue that joining HR regimes is non-informative because both countries intending to respect HR and those who do not mean to respect HR can obtain benefits from these ratifications. However, the three costs mentioned above may be higher for countries with worse HR records: these countries are relatively more exposed to monitoring and publicity of HR violations, they are more likely to suffer noncompliance costs, and they may be more negatively affected by HR advocate’s mobilization. The fact that some countries are willing to absorb eventual noncompliance costs to pursue different goals does not change the fact of the higher costs of joining HR regimes.

2.2 Investors and reputation

For the reputational mechanism to work, it is necessary that investors care about host countries’ reputation. Note that investors’ concerns about host countries reputation do not imply preoccupation about actual policies being implemented or about treaty compliance. For my argument to work, it is not necessary that investors believe the country will not violate HR, because they already have information about HR violations (see hypothesis 1). It is necessary that investors can use the country’s commitment to HR regimes to shield themselves from eventual accusations and to deflect responsibility.

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68 Simmons 2009.
70 However, the literature on the “spiral model” of compliance suggests that compliance can be expected even from states that made “tactical” or merely symbolic ratifications of HR treaties. Risse, Ropp and Sikkink 1999; 2013. Furthermore, Simmons suggests that “most governments are sincere when they ratify (or sincerely refrain from doing so), while only a fraction appear to ratify without any intention to significantly change rights practices.” Simmons 2013, 53.
71 Keohane 1984, 104.
72 À la Zartner and Ramos 2011.
73 See for example Wadi 2013.
The literature documents the efforts of not only firms, but also of regions, countries, and continents to build reputation\textsuperscript{74} because reputation seems to have an independent effect in business decisions. Furthermore, there are indications that a host country’s reputation may affect companies’ reputations,\textsuperscript{75} and that companies frequently engage in reputation building and reputation repair operations.\textsuperscript{76} Additionally, recent studies show that investors rely on informational shortcuts,\textsuperscript{77} and that their perceptions about a country may be influenced by other investors’ opinions and perceptions.\textsuperscript{78} Therefore, it seems plausible that beyond actual HR data, investors use participation in HR regimes as cues for locations where they can defend their investment.

In other words, if reputational concerns effectively drive investors’ reactions to HR violations, then commitment to HR should improve a country’s reputation and mitigate investors’ concerns of being associated with countries that violate HR. Because I theorize that participation in HR regimes has a positive effect on the countries’ reputation that attracts investment – independent from the actual level of HR violations – I test the following hypothesis:

\textbf{Hypothesis 2:} State participation in HR regimes has a positive effect on FDI inflows.

The above hypothesis suggests the existence of an independent effect of subscribing to HR regimes on FDI. However, if the reputational mechanism is at work, this positive effect on investment should vary depending on the country’s HR record. Particularly, I argue that the reputational gains of adhering to HR conventions should be more important for states with worse HR records for two reasons. First, the cost of committing to HR regimes is higher for

\textsuperscript{74} Van Ham 2001, 2.
\textsuperscript{75} For example, the campaign against Ben and Jerry for selling ice-cream in Israeli settlements (Vermonters for a Just Peace in Palestine/Israel 2013), or the reputational losses attributed to MTN’s ventures in Iran and Syria (Saigol and England 2013).
\textsuperscript{76} Dukerich and Carter 2000.
\textsuperscript{77} Biglaiser et al. 2008; AUTHOR 2014; Gray 2009, 2013.
\textsuperscript{78} Davis and Ruhe 2003, 277.
countries with worse HR records (see above). Second, investors should not worry about commitment to HR regimes in states that already have good HR records.

**Hypothesis 3:** State participation in HR regimes has a stronger positive effect on FDI inflows in countries with more HR violations.

Finally, if hypothesis 3 (reputation) is true, this implies that against the original intention of HR institutions creation, HR regimes may also curb the negative effect of HR violations on investment. Therefore, I also test the following hypothesis:

**Hypothesis 4:** State participation in HR regimes curbs the negative effect of HR violations on FDI.

### 2.3 Alternative mechanisms

Note that hypotheses 2 and 3’s expected effects are not necessarily intuitive and only correspond to the reputational mechanism. The literature suggests that many kinds of treaties can reduce costs for third parties,\(^{79}\) either by providing information or, more importantly, by enforcing a commitment that may interest investors (e.g., the WTO demanding countries to keep free trade standards). HR treaties, however, can increase costs for investors. Once treaties’ provisions are incorporated to the domestic legal framework, they increase the level of constraints on companies’ activities,\(^ {80} \) and may subject these activities to international monitoring and naming and shaming. This cost should be especially elevated in countries with worse HR records. If cost was the principal mechanism linking participation in HR regimes and FDI, then one should observe state participation in HR regimes having a *negative* effect on FDI inflows, and this negative effect should be stronger in countries that violate HR.

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\(^{79}\) Moravcsik 2000, 217.

\(^{80}\) For example, the Guatemalan Marlin mine’s assessment highlights that “Guatemala’s strong record of ratifying international human rights [leaves] no question of the applicability of these standards in the national context of Guatemala.” On Common Ground Consultants Inc. 2010, 15.
**Alternative hypothesis 1 (costs of adapting to the legal framework):** State participation in HR regimes has a negative effect on FDI inflow.

**Alternative hypothesis 2 (costs of exposure to naming and shaming):** State participation in HR regimes has a stronger negative effect on FDI inflows in countries with more HR violations.

Hypothesis 3 also allows us to disentangle HR regimes’ reputational and informational effects. Because I expect the reputational mechanism to be at work, participation in HR regimes should have a positive effect on FDI inflows. However, if the informational mechanism was at work, one should expect the opposite effect: if regimes are providing information about their members’ compliance (and investors care about a country’s HR record), HR violations should become more visible for countries that participate in HR regimes. Therefore, HR regimes should reinforce the deterrent effect of HR violations.

**Alternative hypothesis 3 (information):** State participation in HR has a negative effect on FDI inflows in countries with more HR violations.

Table 1 summarizes the expectations for different mechanisms.

[Table 1 about here]

### 3 Empirical analysis

The dependent variable is \( FDI \) measured as the natural log of net flows in 2005 U.S. dollars. I use aggregate FDI flows because the theory does not suggest different effects for different kinds of FDI. Although it would be ideal to test the theory in different sectors to identify differences in “sensibility” to HR records across sectors, there is no comprehensive
sectoral data.\textsuperscript{81} Finally, the literature uses similar operationalization.\textsuperscript{82} All of the economic variables come from the World Bank, except where indicated otherwise.\textsuperscript{83}

*Physical Integrity* measures HR violations using CIRI’s physical integrity rights index reversed.\textsuperscript{84} The CIRI dataset adds countries’ yearly scores from the torture, extrajudicial killing, political imprisonment, and disappearance indicators in a cumulative scale ranging from 0 (no government respect for these four rights) to 8 (full government respect for these four rights).\textsuperscript{85} I reversed the index so 0 equals absence of HR violations, and 8 indicates the maximum level of HR violations. Although I acknowledge the problems associated with the use of indices to measure countries’ HR records,\textsuperscript{86} the CIRI data are satisfactory for the purposes of this paper and are widely used in the literature.

To test hypothesis 2, I use two variables representing the degree of commitment to HR regimes. The data come from the Reporting Status of HR Treaty Bodies.\textsuperscript{87} First, *HR treaty count* is a count of the number of worldwide HR treaties signed and ratified by a country in a given year.\textsuperscript{88} Note that the coded treaties are the most important pieces in the international HR protection system and do not include obscure or unknown agreements. Therefore, this variable

\textsuperscript{81} Although some studies explore sectoral effects using U.S. FDI outflows data Blanton and Blanton 2009, other studies suggest that U.S. FDI has characteristics that differentiate them from investment from other countries. See Biglaiser and Lektzian, 2011; Lektzian and Biglaiser 2013.
\textsuperscript{82} Barry, Clay and Flynn 2013.
\textsuperscript{83} World Bank 2012.
\textsuperscript{84} Cingranelli and Richards 2010.
\textsuperscript{85} For the definitions and coding of these variables, see Appendix 2.
\textsuperscript{86} For discussions about the problem of measuring human rights, see the issue 8(4) of the *Human Rights Quarterly* (1986).
\textsuperscript{87} United Nations 2013.
\textsuperscript{88} The coded treaties are the International Convention on the Elimination of All Forms of Racial Discrimination (21-Dec-65); the International Covenant on Civil and Political Rights (16-Dec-66); International Covenant on Economic, Social and Cultural Rights (16-Dec-66); Convention on the Elimination of All Forms of Discrimination against Women (18-Dec-79); Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (10-Dec-84); Convention on the Rights of the Child (20-Nov-89); International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (18-Dec-90); International Convention for the Protection of All Persons from Enforced Disappearance (20-Dec-06); Convention on the Rights of Persons with Disabilities (13-Dec-06).
does not risk being distorted if some countries ratified several unimportant treaties but others ratificed fewer but more important ones. Furthermore, these treaties cover the most important issue areas in HR protection and do not overlap, which justifies an additive measure. Second, \( HR \) treaty percentage is equal to \( HR \) treaty count divided by the total number of HR open for signature in a given year. Interactive terms test hypothesis 3 and 4.

I control for a series of factors that the literature associates with FDI levels. Market size is the natural logarithm of the country’s population. Economic development is the country’s GDP per capita in constant 2005 U.S. dollars. GDP growth is the percentage of change in the country’s GDP in the previous year. \( Trade \) is a country’s exports plus imports over GDP. I also control for regime type using scores from both Freedom House, and Polity2 in alternative specifications. Freedom House scores are reversed so that 0 indicates the least-free category, and 6 indicates the most-free category. Finally, Political instability is a count of the number of disturbances such as riots, strikes, anti-government demonstrations or assassinations in a country in a given year. Instability also controls for an indirect mechanism linking HR record and FDI. Although instability should make foreign firms less likely to invest in a country, evidence on this matter is mixed. For correlation matrix, see Appendix 3.

Alternative model specifications attempt to control for other factors that may affect the relationships under study. Because of concerns regarding the effect of including the lagged

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89 Büthe and Milner 2008; Neumayer and Spess 2005.  
90 Blanton and Blanton 2007; Li and Resnick 2003.  
94 Banks 2011.  
95 Blanton and Blanton 2007.  
96 Schneider and Frey 1985.  
97 Asiedu 2006; Büthe and Milner 2008; Feng 2001.
dependent variable in the model, it was not included in the baseline model.\(^{98}\) However, model 4 includes the dependent variable lagged one year.

To make sure that the HR treaty count is not absorbing a more general tendency of a country to participate in international regimes,\(^{99}\) I include IO participation, the number of non-HR international organizations that the country is a member on in a given year. This variable has been argued to affect HR regimes commitment, but not violations.\(^{100}\) The data come from the Ulfelder’s dataset on intergovernmental organizations and international regimes.\(^{101}\)

Scholars arguing for an indirect effect of HR record suggest that “a government’s willingness to violate human rights may signal that it would also be more willing to violate business and property rights,” and suggest the need of distinguishing the effects of HR violations and property rights.\(^{102}\) Therefore, I include Property Rights, the variable summarizing the state of the legal system and property rights (Chain area 2) from the Economic Freedom of the World index.\(^{103}\) Because before 2000 there are data every five years, the variable is linearly interpolated. Another indirect channel through which HR is said to affect FDI is the formation of human capital.\(^{104}\) Said studies proxy human capital with female life expectancy. Therefore, I include Human capital, a variable that measures female life expectancy in years. Data come from the

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\(^{99}\) For example, there is evidence that countries that are more involved in international organizations are more likely to join international environmental agreements. Bernauer et al. 2010.

\(^{100}\) Conrad and Ritter 2013, 404.


\(^{102}\) Barry, Clay and Flynn 2013.

\(^{103}\) Fraser Institute 2012.

\(^{104}\) Barry, Clay and Flynn 2013; Blanton and Blanton 2007.
World Bank, completed with the CIA fact sheets and data from World Life Expectancy.\textsuperscript{105} Finally, missing years were linearly extrapolated.

To separate the effect of naming and shaming by the press and by HR NGOs, I also control for naming and shaming, using \textit{HRO shaming}\textsuperscript{106} and \textit{Naming and shaming} the number of mentions of HR violations in the New York Times.\textsuperscript{107} Finally, to separate the effect of HR violations from the effect of domestic of international conflicts that might be associated both with the level of HR violations and the withdrawal of FDI, I include \textit{Conflict}, a dichotomous variable indicating whether the country is experiencing a civil conflict that results in at least 25 battle-related deaths in a single year, or inter-state war that results in 1,000 or more battle-related deaths. Civil conflict data come from the Armed Conflict Dataset,\textsuperscript{108} and inter-state conflict data come from the Correlates of War data.\textsuperscript{109}

Models are run on a sample of developing countries between 1982 and 2011. Developing countries are defined as countries that are not OECD members. The estimation technique is an ordinary least squares regression (OLS) with fixed effects and control for AR(1) disturbances. I use fixed effects to capture country-specific FDI determinants not included in the models. Furthermore, a series of Hausman tests show there is a systematic difference between the results of models with random and fixed effects, and that random effects seem to be inconsistent. Wooldridge tests show first-degree serial autocorrelation to be a problem, so I include the autoregression factor.\textsuperscript{110} All independent variables are lagged one year. For descriptive data, see appendix 4.

\textsuperscript{105} Central Intelligence Agency 2013; World Bank 2012; World Life Expectancy 2013.
\textsuperscript{106} Barry, Clay and Flynn 2013.
\textsuperscript{107} Nielsen 2013.
\textsuperscript{108} Gleditsch et al. 2002.
\textsuperscript{109} Sarkees 2000.
\textsuperscript{110} Baltagi 2005, 84-5.
3.1 Findings

Table 2 shows the results of the multivariate analysis. As a baseline for comparison, I first run a parsimonious model of determinants of FDI in the full sample of developing countries (see model 1). As expected, FDI is positively associated with Market size, Trade, Capital openness and Democracy. It is negatively associated with Instability. Economic development and Growth do not achieve statistical significance. Model 2 includes the HR variables. The coefficient associated with Physical integrity is negative and statistically significant at the .1 level. This provides some support for hypothesis 1, stating an unconditional negative relationship between HR violations and the general level of FDI inflows a country receives. The coefficient associated with the count of ratified HR treaties is positive and statistically significant, suggesting that HR treaties attract FDI, in line with the expectation of a legitimating effect of these treaties suggested in hypothesis 2. This result does not support alternative hypothesis 1, which suggested that the cost of adapting to a more stringent legal framework would deter FDI.

Hypothesis 3 states a conditional effect of HR. Therefore, model 3 includes an interaction term, multiplying Physical Integrity and the treaty count variable. As expected, ratifying HR treaties not only has a positive direct effect on FDI inflows, but this positive effect is greater in countries registering more HR violations. These results also indicate that HR conditions specially matter in instances where the value of the treaties variable is 0, that is, in countries that have not ratified any HR instrument. Also, other factors held constant, ratifying an additional treaty is associated with increases in FDI at all levels of HR violations. Figure 1 shows the marginal effect of ratifying an additional HR treaty, depending on the country’s HR record. The marginal effect is .14 in countries that did not register HR violations, but it is .33 in countries registering the highest levels of HR violations. These effects are significant at the .0001 level.

[Table 2 about here]

[Figure 1 about here]
This suggests that the reputation argument (hypothesis 3) finds support, while the alternative hypotheses (cost of increased exposure to naming and shaming, and information about compliance) do not. As stated in alternative hypothesis 2, if the main effect of ratifying HR regimes was the increased investments costs of adapting to a more stringent legal framework and the possibility of magnifying the companies’ exposure to naming and shaming, then the effect of the interaction should be negative. Furthermore, the information mechanism does not seem to be at work either (alternative hypothesis 3). If participation in HR regimes affected FDI through the information about compliance channel, the interaction term should have a negative effect: if investors avoid countries that violate HR, and HR regimes provide information about HR violations, HR violations could become more visible for countries participating in (more) HR regimes. Therefore, a more intense participation in HR regimes should reinforce the deterrent effect of HR violations.

As indicated by hypothesis 4, the positive interaction term also suggests that joining HR regimes has an indirect effect, curbing the negative impact of HR violations on FDI inflows. Figure 2 plots the marginal effect of HR violations at different levels of commitment to HR regimes. Once this indirect effect is taken into account, the total effect of HR violations on FDI appears to be statistically significant only for countries that have ratified fewer than four of the cited treaties. In other words, the HR record seems to matter only for countries with low levels of commitment to international HR regimes. The deterring effect of HR violations on FDI inflows is curbed by commitment to international HR regimes.

[Figure 2 about here]

Models 4 to 7 reproduce previous models adding different controls. Results hold when I include the past values of the dependent variable. Model 5 includes IO participation, the

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111 53% of the observations included in the model’s sample (1,144 out of 2,145) have ratified fewer than four treaties.
112 High levels of collinearity make this model not preferred.
number of non-HR international regimes in which the country participates in a given year. IO participation does not achieve statistical significance and does not alter the main results, suggesting that participation in HR regimes (a) sends a signal of a different nature to investors and (b) it does not absorb some underlying state propensity to participate generally in international regimes that could have positive effects on investors’ assessment of the country.

Model 6 incorporates a series of controls for indirect ways in which a country’s HR record could affect FDI. As expected, both Property Rights and Human capital have a positive and significant effect on FDI inflows. Although the coefficients associated with Naming and shaming (and alternative variables controlling for this effect, not reported) and Conflict are negative, neither of them achieves statistical significance. Model 7 includes all controls, and reproduces the results described above.

3.1.1 Robustness checks

I re-run the models replacing HR treaty count (both as independent variable and as component of the interaction term) with HR treaty percentage. The results generally hold.\textsuperscript{113} Figure 3 plots the marginal effects of HR treaty percentage after running models with controls shown in model 5 (best fit at acceptable levels of correlation among variables).\textsuperscript{114} As described when using HR treaty count, additional treaties are associated with more FDI. The only instance in which the marginal effect does not achieve statistical significance is in models using HR treaty percentage when there are no HR violations. The rest of the curve, however, is significant at the 99.9%. This provides support for hypothesis 3. Similarly, figure 4 reproduces figure 2, changing the

\textsuperscript{113} Tables not reported but are available from the author.

\textsuperscript{114} Table 2 presents the values for the variance inflation factors (VIFs). VIFs smaller than 10 indicate that correlation among independent variables is not a source of concern. However, even when VIF values are higher than 10 (as in models with the lagged dependent variable, and the ones including additional controls, models 4 to 7), both the fact that the average VIF is increased by the inclusion of additional controls, and the stability of the coefficients of interest, suggest that multicollinearity is not affecting the results. As a conservative approach, interpretation is based on model 5, but results are identical when marginal effects are run after any of the other models.
operationalization for commitment to HR regimes. These results also indicate that HR violations are associated with less FDI at lower levels of commitment with HR. Particularly, the negative association between HR violations and FDI is significant for countries that have ratified less than 20% of the treaties opened for adhesion.

[Figures 3 and 4 about here]

Results hold with a different measure of regime type (Polity), in spite of the different indicators used in the Freedom House and in the Polity projects. It is worth noting the two “roles” that Freedom House and Polity play in the literature on FDI and on HR. In the FDI literature, these are regular controls that attempt to account for the effect of democratic institutions on a country’s credibility or commitment capacity, and in some cases, for the enforcement of rights. However, another literature uses measures Freedom House scores as indicator of respect for political rights and civil liberties. In this paper, I focus on physical integrity rights; therefore, the regime type variables work as controls commonly used in the FDI literature. That explains the similar results for the coefficients associated both to Freedom House and Polity in these models.

I re-run models 3 and 6 changing the specification in the following ways. First, I include decade dummies. All the decade dummies are statistically insignificant; however, the main results presented in table 2 do not change. Second, I add a Post-conflict variable indicating the 5-year period after a conflict (as defined above). To separate the effect of actual HR violations from the naming and shaming effect, I replace Physical integrity with either HRO shaming or the number of mentions of HR violations in the New York Times, both alone and interacting with

\[116\] Li and Resnick 2003.
\[117\] E.g., Adam and Filippaios 2007; Busse 2004; Harms and Ursprung 2002; Kucera 2002; Rodrik 1996.
\[118\] AUTHOR 2014.
\[119\] Barry, Clay and Flynn 2013.
\[120\] Nielsen 2013.
HR treaty count. Neither the naming and shaming variables nor the interaction terms are statistically significant. Furthermore, the main results reported here do not change. Finally, I run models including the WTO dummy variable, and the number of bilateral investment treaties that a country has signed with an OECD country (BITs).\(^\text{121}\) Although both variables are statistically significant, they do not alter the results I reported above. Additional specifications include decade and year dummies.

### 3.1.2 Note on endogeneity and reverse causality

These results provide support for the hypotheses derived from the theory. I also test for the possibility of endogeneity and reverse causality. The table in appendix 5 shows a series of further tests, based primarily on Model 3. Models in the paper use independent variables lagged one year, but that may not be enough to address reverse causality issues. I first replace HR treaty count with deeper lags of this variable, and the results hold. Second, I run Arelllano-Bond dynamic panel-data estimations, in which all independent variables are treated as endogenous.\(^\text{122}\) The independent variables are instrumented by generating one instrument for each time period, variable, and lag distance. The results hold when replicating the primary models. Finally, I reverse the models, and alternately predict Physical Integrity and HR treaty count, including FDI as an independent variable. FDI does not achieve statistical significance in any of the models.

### 4 Conclusions

This paper analyzes the legitimizing effects of HR regimes in the eyes of investors: Do international HR regimes have an effect on FDI inflows? As a preliminary step, the paper explores the existence of a negative direct effect of HR violations on FDI inflows and argues that the mechanism linking HR violations to FDI is investors’ reputational concerns. However,

\(^{121}\) The data comes from Barry, Clay and Flynn 2013.  
\(^{122}\) *xtabond2* is not an official Stata command. It is a free contribution to the research community. Roodman 2006.
because participation in HR regimes has a positive effect on countries’ reputations, ratification of HR treaties attracts FDI independently from their level of violations, and this positive effect is especially strong in countries with the worst HR records.

Analyzing the reactions of investors to countries’ HR violations and to their commitment to HR regimes is important because governments want FDI to finance themselves, and they are willing to implement policy changes in order to attract investment. If investors avoid HR violators, one might hope that the competition for FDI could lead to more respect for HR. However, if investors perceive commitment to HR regimes as a positive signal, independently from the level of HR violations, then countries would have a less costly policy (adhering to an international regime) producing similar effects.

What does the evidence suggest? The statistical analysis provides support for the idea of reputational mechanisms at work. First, there is evidence supporting the idea that violations of physical integrity rights deter FDI. However, this effect characterizes FDI in countries with relatively low levels of commitment to HR regimes. This result is robust to different specifications. It is noteworthy that (a) this effect does not disappear when controlling for naming and shaming and, (b) that the naming and shaming variables do not achieve statistical significance in these models. However, once the indirect effect of HR regimes ratification is taken into account, the results show that this negative effect appears only in countries with relatively low levels of commitment to international HR regimes.

Second, investors seem to reward countries’ commitment to HR regimes whether they care about the reputation, or because they can use that reputation to deflect responsibility in front of others. The hypothesis suggesting a positive effect of commitment to HR regimes on FDI is supported using different measures of participation in global HR regimes. The countries’ propensity to adhere to international treaties does not absorb the HR regimes’ effect on investment. Furthermore, the positive effect of HR regimes on FDI flows is more important for
countries with worse HR records. Given the consensus in the literature regarding the lack of a significant effect of HR convention ratifications on states’ behavior, it seems reasonable to interpret this effect as a reputational effect. FDI could be also an intermediary variable explaining, for instance, why governments who participate in HR treaties survive longer in office than those who do not participate.\textsuperscript{123}

Third, the empirical analysis also suggests an undesirable effect of HR treaties on investors’ punishment of HR violations: ratification of HR conventions curbs the negative effect of HR violations on FDI. (This effect could explain some mixed evidence in the literature regarding a direct effect of HR on FDI.) This finding suggests that treaties may not be working as mere cognitive shortcuts to investors assessing the HR situation, and supports the possibility of treaties providing some type of reputational cover for investors – especially in cases in which actual HR practices do not match international commitments.

This paper has implications for the three bodies of research. First, it contributes to the literature on the determinants of FDI by further specifying the cues that investors look at: investors react both to HR violations and to commitment to HR regimes. There is evidence of a direct effect of HR violations, but this effect seems to matter particularly when countries lack of mechanisms to mend their reputation. Second, it suggests that the relationships between HR and globalization are more convoluted when one considers their interactions with international institutions, and that reputation and actual practices may have independent – even contradictory – effects.

Finally, this paper offers a contribution to the literature on international institutions. It presents evidence of a substantial effect of treaty ratification on third parties (foreign investors). Furthermore, the characteristics of HR regimes permit scholars to distinguish theoretically and empirically three different mechanisms through which international institutions can affect third

\textsuperscript{123} Hollyer and Rosendorff 2011.
parties: information, cost, and reputation. The empirical analysis shows not only an effect of ratification of HR regimes on FDI, but also allows us to rule out the informational and cost mechanisms in favor of the reputational mechanism.

5 References


AUTHOR. 2009.

AUTHOR. 2014.


Li, Quan, and Adam Resnick. 2003. Reversal of Fortunes: Democratic Institutions and Foreign Direct Investment Inflows to Developing Countries. *International Organization* 57:175-211.


Table 1: Mechanisms and expected direction of the regime variables

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Table 2: Determinants of FDI net flows (natural log 2005 US dollars). Developing countries

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<td><strong>Constant</strong></td>
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<td>1.961</td>
<td>1.979</td>
<td>.926</td>
<td>2.065</td>
<td>1.540</td>
<td>1.604</td>
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<td></td>
<td>(12.76)***</td>
<td>(12.49)***</td>
<td>(12.60)***</td>
<td>(5.10)***</td>
<td>(12.78)***</td>
<td>(8.09)***</td>
<td>(8.30)***</td>
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<td>1842</td>
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<td><strong>Number of groups</strong></td>
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<td>133</td>
<td>120</td>
<td>93</td>
<td>89</td>
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<tr>
<td><strong>R² within</strong></td>
<td>0.575</td>
<td>0.575</td>
<td>0.577</td>
<td>0.699</td>
<td>0.569</td>
<td>0.592</td>
<td>0.588</td>
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<tr>
<td><strong>R² between</strong></td>
<td>0.715</td>
<td>0.737</td>
<td>0.742</td>
<td>0.729</td>
<td>0.758</td>
<td>0.650</td>
<td>0.666</td>
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<tr>
<td><strong>R² overall</strong></td>
<td>0.596</td>
<td>0.629</td>
<td>0.635</td>
<td>0.653</td>
<td>0.641</td>
<td>0.581</td>
<td>0.591</td>
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<td><strong>F</strong></td>
<td>336.33</td>
<td>280.95</td>
<td>255.12</td>
<td>359.17</td>
<td>216.29</td>
<td>151.23</td>
<td>136.85</td>
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<td><strong>Mean VIF</strong></td>
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<td>5.32</td>
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<td>50.08</td>
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<td>5009.484</td>
<td>4959.927</td>
<td>4953.085</td>
<td>4205.373</td>
<td>4816.953</td>
<td>3864.509</td>
<td>3821.556</td>
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<td>5015.986</td>
<td>5014.75</td>
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<td>3846.142</td>
<td>3841.7</td>
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<td><strong>BIC (§)</strong></td>
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<td>3394.185</td>
<td>3381.857</td>
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**Notes:** Linear regression with AR1 correction and fixed effects. T-values are between parentheses. Statistical significance is indicated as follows:

* p < .10, ** p < .05, *** p < .01.

(§) Statistics after re-running the models on model 7’s sample (for comparability)
Figure 1: Average marginal effects of HR treaty count at different levels of Physical integrity, based on model 5 (Hypothesis 3)
Figure 2: Average marginal effects of *Physical integrity* at different levels of *HR treaty count*, based on model 5 (Hypothesis 4)
Figure 3: Average marginal effects of HR \textit{treaty perc} at different levels of \textit{Physical integrity}, based on model 5 (Hypothesis 3)
Figure 4: Average marginal effects of *Physical integrity* at different levels of *HR treaty perc*, based on model 5 (Hypothesis 4)

Note: $dy/dx$ is significant at the 95% level when HR treaties (percentage) $\leq .35$