Online appendix for Terrorism, Counterterrorism Aid, and Foreign Direct Investment

Appendix A: List of countries that are included in the analysis

Albania	Algeria	Angola	Argentina
Armenia	Azerbaijan	Bahrain	Bangladesh
Bolivia	Botswana	Brazil	Bulgaria
Burkina Faso	Burundi	Cambodia	Cameroon
Central African Republic	Chad	Chile	China
Colombia	Congo Brazzaville	Congo Kinshasa	Costa Rica
Croatia	Cyprus	Czech Republic	Dominican Republic
Ecuador	Egypt	El Salvador	Eritrea
Estonia	Ethiopia	Fiji	Gabon
Georgia	Ghana	Guatemala	Guinea
Guyana	Haiti	Honduras	Hungary
India	Indonesia	Iran	Israel
Ivory Coast	Jamaica	Jordan	Kenya
Korea	Kuwait	Kyrgyzstan	Laos
Latvia	Lebanon	Lesotho	Liberia
Libya	Lithuania	Madagascar	Malawi
Malaysia	Mali	Mauritania	Mexico
Moldova	Morocco	Mozambique	Namibia
Nepal	Nicaragua	Niger	Nigeria
Oman	Pakistan	Panama	Papua New Guinea
Paraguay	Peru	Philippines	Poland
Romania	Russia	Rwanda	Saudi Arabia
Senegal	Serbia	Sierra Leone	Singapore
Solomon Islands	Somalia	South Africa	Sri Lanka
Sudan	Swaziland	Syria	Tajikistan
Tanzania	Thailand	Togo	Trinidad
Tunisia	Uganda	Ukraine	Uruguay
Uzbekistan	Venezuela	Vietnam	Yemen
Zambia	Zimbabwe		

Appendix B: Descriptive Statistics

	N	Mean	Median	Std. Dev.	Min.	Max.
FDI (logged)	2,218	16.31	18.79	9.76	−22.28	25.65
FDI/GDP	2,175	0.04	0.02	0.08	−1	1.59
GDP (logged)	2,222	23.09	22.87	1.74	18.70	28.45
GDP per capita	2,217	2300.89	936.32	3510.13	69.12	31867.35
Economic growth	2,201	3.24	4.03	6.93	−51.03	106.28
Trade openness	2,175	73.67	64.81	41.50	10.83	428.46
Exchange rate volatility	2,196	0.86	0.65	0.68	0	6.01
Democracy (Polity score)	2,258	0.93	1	6.72	−10	10
Regime durability	2,280	15.26	9	16.74	0	105
Population (in million people)	2,277	41.12	8.90	145.94	0.27	1303.72
Oil production (in thousand barrels)	2,280	424.28	1.55	1251.26	−23.75	11096.31
U.S. ally	2,280	0.28	0	0.45	0	1
Internal wars	2,280	0.27	0	0.70	0	8
Economic sanctions	2,280	0.21	0	0.40	0	1
World FDI inflows (in billion dollars)	2,280	620.14	463.24	504.30	127.80	2,060.87
Terrorist incidents (ITERATE)	2,280	1.65	0	5.35	0	101
Terrorist incidents (GTD)	2,280	16.81	1	58.42	0	666
U.S. counterterrorism aid (logged)	2,280	1.92	0	4.77	0	17.11
Conflict-tied aid (logged)	2,280	4.25	0	6.57	0	20.22

Appendix C: Additional Robustness analyses

I conduct a number of additional analyses as robustness checks, including dropping variables that may have potential collinearity problems, separating democratic countries and non-democratic countries, using a dichotomous measure of counterterrorism aid, and including a lagged dependent variable. The results are presented in Table I.

First, as the main results show, democracy and economic development are two important determinants of FDI. These two variables, however, may not only be highly correlated with each other, but also may explain most of the variation.[1] To avoid these problems, I drop democracy and/or economic development from the model. Model 1 in Table I excludes democracy, Model 2 excludes economic development, and Model 3 excludes both. As can be seen, excluding democracy and/or development does not change the main results.

Second, I separate democracies and non-democracies since their abilities to attract FDI and their vulnerability to terrorism may differ. Model 4 includes only democracies (Polity score $\geq$ 6), and Model 5 includes non-democracies. As Model 4 shows, the results are pretty robust for democracies. For non-democracies, the coefficient of terrorism is negative but does not achieve statistical significance, probably because in reality terrorism prevails more in the democratic world. The interaction term, however, remains positive and statistically significant.

Third, I use a dichotomous measure of counterterrorism aid, which is equal to 1 as long as a country received any positive amount of counterterrorism aid in that year and 0 otherwise. Model 6 displays the results, which remain unchanged.

Finally, I include lagged FDI in Model 7, and the results are not different from those when lagged FDI is excluded. All of these analyses indicate the robustness of the main results.

[1] Thanks to an anonymous reviewer for pointing out this.

Table I. Effects of Terrorist Activities and Aid on FDI: Additional Analyses

	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**
	(Democracy/Development dropped)			(Democracies)	(Non-democracies)	(Binary aid)	(Lagged FDI)
FDI_{t-1}							0.239
							(0.022)***
Terrorism	−1.024	−1.109	−1.086	−1.059	−0.588	−1.052	−0.746
	(0.370)***	(0.370)***	(0.370)***	(0.410)***	(0.607)	(0.378)***	(0.370)**
U.S. counterterrorism aid	−0.005	−0.008	−0.005	−0.022	0.077	−0.065	−0.007
	(0.053)	(0.053)	(0.053)	(0.059)	(0.086)	(0.736)	(0.053)
Terrorism×Aid	0.229	0.239	0.227	0.184	0.265	3.039	0.219
	(0.091)**	(0.093)***	(0.091)**	(0.111)*	(0.135)**	(1.300)**	(0.091)**
Market size	−2.651	−2.253	−1.583	1.565	−6.005	−3.398	−2.634
	(0.815)***	(0.852)***	(0.713)**	(1.068)	(1.264)***	(0.851)***	(0.832)***
Development	0.054			−0.005	0.082	0.060	0.045
	(0.020)***			(0.020)	(0.038)**	(0.022)***	(0.021)**
Economic growth	0.062	0.063	0.062	0.074	0.038	0.062	0.044
	(0.034)*	(0.034)*	(0.034)*	(0.047)	(0.047)	(0.034)*	(0.034)
Trade	0.002	−0.010	0.001	0.014	−0.029	−0.008	−0.011
	(0.013)	(0.013)	(0.013)	(0.017)	(0.019)	(0.013)	(0.013)
Exchange rate volatility	0.420	0.136	0.298	0.010	0.928	0.281	0.178
	(0.331)	(0.331)	(0.329)	(0.383)	(0.549)*	(0.344)	(0.335)
Democracy		0.276				0.279	0.198
		(0.068)***				(0.069)***	(0.068)***
Regime durability	−0.073	−0.014	−0.067	−0.053	−0.002	−0.019	−0.014
	(0.024)***	(0.027)	(0.024)***	(0.071)	(0.038)	(0.028)	(0.027)
Population	0.025	0.018	0.018	0.007	0.054	0.025	0.021
	(0.015)*	(0.015)	(0.015)	(0.014)	(0.029)*	(0.015)*	(0.015)
Internal wars	−1.390	−1.174	−1.308	−0.013	−1.493	−1.274	−1.255
	(0.585)**	(0.584)**	(0.585)**	(0.750)	(0.886)*	(0.596)**	(0.587)**
Oil production	0.002	0.002	0.002	0.001	0.003	0.002	0.002
	(0.001)**	(0.001)***	(0.001)***	(0.002)	(0.001)**	(0.001)**	(0.001)**
U.S. ally	1.180	0.774	0.860	0.393	3.285	1.131	0.836
	(0.865)	(0.860)	(0.858)	(0.773)	(2.373)	(0.929)	(0.903)
Economic sanctions	0.210	0.341	0.253	−0.631	1.694	0.326	0.383
	(0.653)	(0.653)	(0.654)	(0.875)	(0.993)*	(0.666)	(0.652)
World FDI inflows	0.002	0.002	0.002	0.001	0.003	0.002	0.002
	(0.001)***	(0.001)***	(0.001)***	(0.001)	(0.001)***	(0.001)***	(0.001)***
Number of observations	2,060	2,052	2,060	857	1,195	1,994	1,984
Number of countries	114	114	114	68	90	114	114
R^2	0.2900	0.2931	0.2873	0.2591	0.2946	0.2873	0.3325

Note: Standard errors are in parentheses. *p< .1; **p< .05; ***p< .01.