# Do Corporate Regulations Deter or Stimulate Investment? The Effect of the OECD Anti-Bribery Convention on FDI

Lorenzo Crippa*

July 22, 2023

# Supplemental Material

## Contents

**A The *Host PACI* measure** **2**

**B Determinants of the ratification of the OECD Convention** **3**

**C Firm-level analysis: Descriptive statistics** **6**

**D Firm-level analysis: Full disclosure of results** **10**

**E Firm-level analysis: Robustness tests** **11**

**F Firm-level analysis: Placebo tests using past enforcement** **16**

**G Dyadic country-level analysis: Descriptive statistics** **21**

**H Dyadic country-level analysis: Robustness tests** **22**

**I Dyadic country-level analysis: 2FE designs** **24**

**J Dyadic country-level analysis: Models with interactions** **27**

*University of Glasgow. Correspondence email address: lorenzo.crippa@glasgow.ac.uk

# A The *Host PACI* measure

In this section I present the Public Administration Corruption Index (PACI), proposed by Escresa and Picci (2017) and adopted in this study. The PACI relies on the following intuition: suppose all countries were equally corrupt. Then the number of observed cases of cross-border bribery occurring in a country should be proportional to its economic inflows: bribery would simply be more likely to occur where more funds were inflowing. Imagine in fact we observed that a large share of bribes paid by firms from country $x$ abroad are paid in country $y$, but country $y$ is not a major commercial partner of $x$. This is evidence that public officials in country $y$ are more corrupt than those in the other partners of $x$, because they attract more bribes than what could be expected by simply looking at economic flows. The PACI generalizes and formalizes this intuition. For each country $y$, it is computed as the ratio between the number of observed cross-border bribes paid by firms from the set of all countries $X$ ($X \not\supset y$) to $y$'s public officials, and the number of cases that could be expected based on trade flows between all $xy$ pairs. It thus measures by how much *observed* cases of cross-border corruption involving public officials of a country depart from cases that could be *expected* assuming all countries were equally corrupt and corruption of $y$ were only proportional to trade inflows.

What matters for the PACI to be valid is thus the spatial distribution of cases of cross-border corruption. The index relies on the assumption that the probability of observing a corrupt transaction involving firms from country $x$ and public officials in country $y$ does not depend on the identity of country $y$ (Escresa and Picci, 2017). One could reasonably expect very corrupt countries to be less likely to enforce cases of corruption. This would violate the assumption and threaten the validity of the PACI. For this reason the index does not consider cases of corruption that were enforced only in country $y$, and includes exclusively cases that were prosecuted by at least one foreign country.[1] A second important assumption that needs to hold is that the number of cross-border transactions is proportional to bilateral trade flows (as opposed to other economic flows like FDI). Escresa and Picci (2017) argue that many transactions are not reflected in FDI flows or stocks, and that investments eventually enable trade flows between countries. Thus, they argue, trade flows are a good proxy of economic flows between pairs of countries.

[1] Evidence for most cases of cross-border bribery, anyway, does not originate in the country where the bribe is paid but in that where the firm is headquartered (Escresa and Picci, 2017).

# B Determinants of the ratification of the OECD Convention

In this section, I offer some descriptive evidence suggesting that ratification of the OECD Convention by home countries of MNCs was not significantly affected by economic factors related to their firms' existing foreign investment positions. This section provides some confidence that selection into the treatment (ratification of the Convention) was not endogenous to considerations related to firm pressure, at least for the early ratifiers of the Convention. Results are consistent with qualitative accounts claiming that ratification was the result of a normative global shift around corruption, exploited by the second Clinton administration to secure a treaty (Abbott and Snidal, 2002; Brewster, 2017).

The goal of this exercise is to show that early ratifiers of the OECD Convention were no more or less likely to sign the treaty based on their existing foreign investment or their investment into more corrupt economies. On the contrary, if considerations about firm pressure determined ratification of the OECD Convention, we should expect that countries with larger investment into more corrupted economies would be significantly less likely to ratify the Convention.

In order to provide insights into the process of ratification of the OECD Convention, I first build a country-year level panel dataset comprising the 63 home countries of MNCs documented in the firm-level analysis. I observe them between 1977 (the year the US first adopted the FCPA) and 2005 (the year the firm-level cross-section starts). For each country, I code a binary dependent variable representing whether and when it ratified the OECD Convention.

I explain this dependent variable with a number of relevant covariates, all one-year lagged. First, I measure the existing investment into low-, mid- and high-corruption countries. To obtain this variable, I draw on the same UNCTAD dyadic data employed in the country-dyadic analysis reported in the main text. For each country, in each year, I aggregate this variable based on terciles[2] of the distribution of the *Host PACI* measure. This results in a variable representing, for each home country, the size of its yearly investment into host countries with low, medium, and high levels of corruption. I express this measure as GDP percentage.

I obtained further covariates by drawing on the World Development Indicator (Arel-Bundock, 2022) to obtain data about a number of covariates: the yearly total outward FDI (as GDP percentage); the total value of merchandise trade export (as GDP percentage); GDP (logged); GDP per capita; and GDP growth (in percentage). Next, I draw on the same sources described in the main text for measuring the country's level of judiciary independence and the POLCON III index.

I explain my binary dependent variable in a linear model including country and year fixed effects, with standard errors clustered at the country-level. In order to allow a comparison of estimates across different covariates, I standardize all variables so that coefficients represent the effect of a one-standard

[2]I adopted terciles, in this exercise, so as to estimate more parsimonious models. Attempts performed when using different quantiles (*e.g.*, quartiles, quintiles) yielded similar results.

deviation increase in the covariate. Table B.1 reports estimated results. Model 1 shows that variables about the size of FDI in countries with different levels of corruption bear a small and insignificant effect on the probability of ratifying the OECD Convention. A barely significant effect is only detected for FDI into mid-corruption economies, which is however not significant when controlling for the rest of the covariates (model 4). In models 2, 3, and 4 we observe that the level of outward FDI is associated with a slightly larger probability of ratifying the OECD Convention. However, such effect is only significant at the 0.10 conventional level. Moreover, the size of the estimate is remarkably small. A one-standard deviation increase in Home FDI—which would move a country significantly along the distribution of the variable: from the first to more than the third quartile—is associated with an increase in the probability of ratifying the Convention by just 0.036.

Results are very similar when estimating the same specifications in a survival analysis, which models the time-to-ratification for each country—similarly to what Von Stein (2008) does. I adopt a Cox proportional hazard model and replicate previous specifications in Table B.2.

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | OECD Ratification | | | |
| | (1) | (2) | (3) | (4) |
| Home FDI in low-corruption countries (GDP %) | 0.013 | | | -0.007 |
| | (0.010) | | | (0.007) |
| Home FDI in mid-corruption countries (GDP %) | 0.022+ | | | 0.002 |
| | (0.013) | | | (0.008) |
| Home FDI in high-corruption countries (GDP %) | -0.012 | | | 0.005 |
| | (0.026) | | | (0.011) |
| Home FDI (GDP %) | | 0.036+ | 0.035+ | 0.036+ |
| | | (0.021) | (0.018) | (0.018) |
| Home Trade (GDP %) | | | -0.005 | -0.557*** |
| | | | (0.066) | (0.141) |
| Home GDP (log) | | | -0.357** | -0.129 |
| | | | (0.132) | (0.267) |
| Home GDP per capita | | | 0.310*** | 0.009 |
| | | | (0.038) | (0.080) |
| Home GDP Growth (%) | | | 0.007 | 0.099** |
| | | | (0.014) | (0.033) |
| Home Judiciary Indep. | | | 0.121+ | -0.045 |
| | | | (0.069) | (0.065) |
| Home POLCON III | | | 0.004 | -0.050 |
| | | | (0.026) | (0.034) |
| Country FE | Yes | Yes | Yes | Yes |
| Year FE | Yes | Yes | Yes | Yes |
| Country-clustered Std. Err. | Yes | Yes | Yes | Yes |
| Num.Obs. | 367 | 1473 | 1287 | 363 |
| R2 | 0.886 | 0.665 | 0.764 | 0.946 |

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table B.1: Economic determinants of ratification of the OECD Convention. Linear models

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | OECD Ratification | | | |
| | (1) | (2) | (3) | (4) |
| Home FDI in low-corruption countries (GDP %) | 0.432 | | | 0.270 |
| | (0.357) | | | (0.432) |
| Home FDI in mid-corruption countries (GDP %) | 0.229 | | | -0.014 |
| | (0.406) | | | (0.506) |
| Home FDI in high-corruption countries (GDP %) | -0.670 | | | 0.055 |
| | (0.452) | | | (0.606) |
| Home FDI (GDP %) | | -0.182 | 0.299 | 0.283 |
| | | (0.191) | (0.283) | (0.413) |
| Home Trade (GDP %) | | | -0.209 | -1.216 |
| | | | (0.349) | (0.970) |
| Home GDP (log) | | | 0.338 | -0.021 |
| | | | (0.267) | (0.423) |
| Home GDP per capita | | | 0.176 | -0.056 |
| | | | (0.272) | (0.554) |
| Home GDP Growth (%) | | | 0.359 | 1.142 |
| | | | (1.091) | (3.183) |
| Home Judiciary Indep. | | | 0.978* | 1.210 |
| | | | (0.387) | (0.785) |
| Home POLCON III | | | 0.118 | -0.054 |
| | | | (0.343) | (0.696) |
| N | 21 | 58 | 54 | 21 |
| Log.Lik. | -42.01 | -121.95 | -97.86 | -37.55 |
| Wald $\chi^2$ | 2.87 | 0.91 | 22.32 | 7.54 |

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Table B.2: Economic determinants of ratification of the OECD Convention. Cox PH models

# C Firm-level analysis: Descriptive statistics

The usage of Orbis data potentially introduces an issue of selection into the sample. Orbis data are obtained from compulsory reports that companies file with their home countries' authorities. This typically over-represents OECD economies (Beazer and Blake, 2018; Kalemli-Ozcan et al., 2015). In my case, about 94.4% of firms are headquartered in signatories of the OECD Convention. This disproportion is, however, not a surprise: the Convention covers a large proportion of MNCs—95 of the 100 largest non-financial enterprises—and of FDI—about 80% of global outbound stocks (OECD, 2018). In light of this, the split between the treatment and control group in the sample seems to represent that in the relevant population of MNCs.

However, such treatment-control group split means there is only a limited number of control-group firms to operate a comparison. I evaluate the balance in covariates at the firm-level and home country-level in Table C.1, Figure C.1, and Figure C.2.

Firm-level features are rather balanced. Treated firms only tend to be smaller by assets, but the difference appears substantively minimal when converted from the logarithmic scale (about 2500 USD). They are not dissimilar with respect to their age, total number of host countries they operate in, and with respect to whether their industry experienced at least one case of corporate corruption before 2005. Figure C.1 breaks down companies in the dataset according to their North American Industry Classification Standard (NAICS) 2-digit code and treatment status. Distributions of sectors seem comparable between treatment and control group, although treated firms have more representatives in services related to management of enterprises. This reassures that treated and control firms in the sample are similar with respect to fundamental economic features.

However, treated and control firms' home countries' features largely differ. Figure C.2 describes the distribution of headquarter countries for firms in each of the two groups. More than half of the treated firms are headquartered in the United States, Germany, France, United Kingdom, and Japan. More than half of the control firms are headquartered in India, Israel, Singapore, Taiwan, and Russia. Unsurprisingly, OECD economies are, on average, larger by GDP (although they grow more slowly) and experience higher levels of judicial independence. The limited number of observations in the control group and the imbalances in home-country covariates suggest caution against the causal interpretation of findings from these data. Readers should keep in mind that countries, especially late-ratifiers self-selected into ratifying the OECD Convention and this determined their companies' treatment status. The problem of self-selection into the treatment is mitigated in the country-dyadic empirical exercise, which exploits within-dyad variation to estimate the conditional effect of the OECD Convention. Between-country differences are therefore removed in that analysis.

Table C.2 presents descriptive statistics for all variables included in the firm-level models. I retrieve from Beazer and Blake (2018) data for the variables Subsidiary, Home GDP (log), Home GDP Growth

| | Control (N=218) | | Treatment (N=3653) | | | |
|---|---|---|---|---|---|---|
| | Mean | Std. Dev. | Mean | Std. Dev. | Diff. in Means | Std. Error |
| Firm Age (log) | 3.31 | 0.73 | 3.31 | 0.96 | -0.0009 | 0.05 |
| Firm Assets (log) | 14.73 | 2.05 | 13.82 | 2.11 | -0.91 | 0.15 |
| Firm Host Countries (log) | 0.60 | 0.70 | 0.68 | 0.72 | 0.08 | 0.05 |
| Industry with enforcement | 0.75 | 0.43 | 0.76 | 0.43 | 0.005 | 0.03 |
| Home GDP (log) | 24.89 | 1.49 | 25.63 | 1.53 | 0.74 | 0.11 |
| Home GDP Growth (%) | 5.74 | 2.91 | 1.79 | 0.93 | -3.95 | 0.21 |
| Home Judiciary Indep. | 0.59 | 0.22 | 0.91 | 0.10 | 0.32 | 0.01 |

Table C.1: Description of covariates for treated and control firms

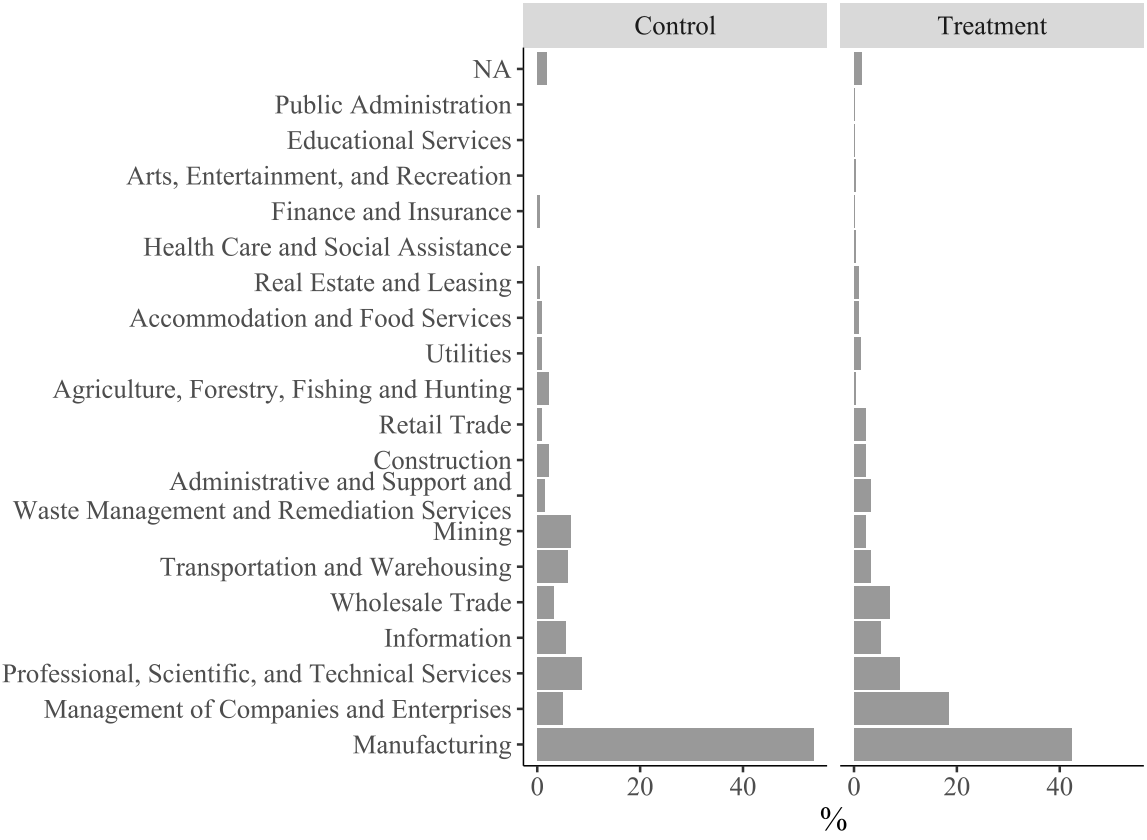


Figure C.1: Firm-level database description: Percentage of firms in the database by NAICS-2 code and treatment status

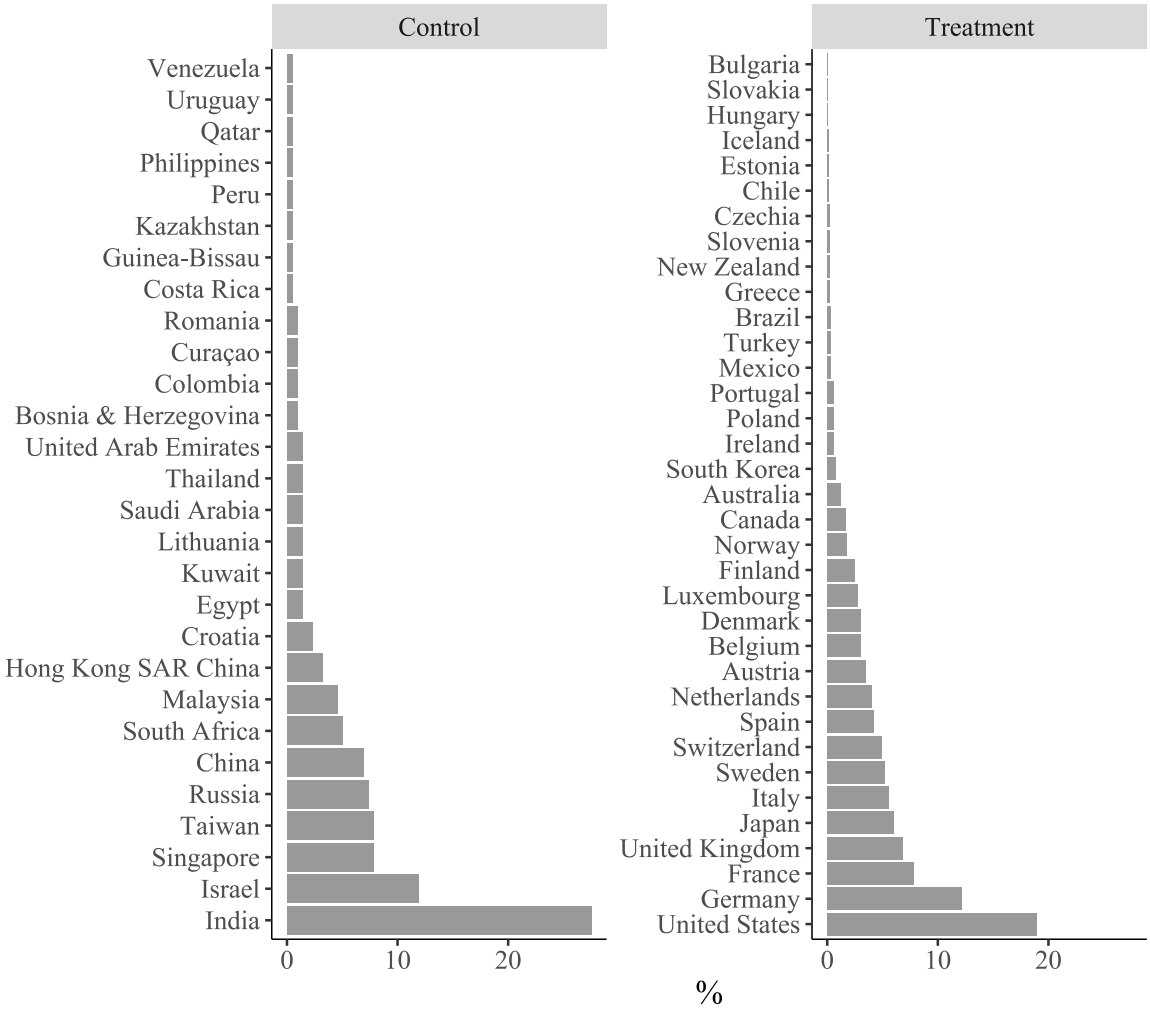


Figure C.2: Firm-level database description: Percentage of firms in the database by headquarter country and treatment status

(%), Home Judiciary Indep., Host GDP (log), Host GDP per Capita, Host FDI (GDP %), Host Trade (GDP %), Host Judiciary Indep., Host Democracy, Host POLCON III, Dyad Distance, Dyad Common Language, Dyad Colonial Relation, Dyad BIT, Firm Age (log), Firm Assets (log), Firm Host Countries (log). Data on anti-bribery actions necessary to build the Host PACI variable are retrieved from the dataset of Escresa and Picci (2017).[3] Data on Host CCE and Host V-Dem Bribery have been retrieved respectively from the Quality of Governance dataset (Teorell et al., 2020) and from the Varieties of Democracy (V-Dem) core database, version 10 (Coppedge et al., 2020).

| Statistic | N | Mean | St. Dev. | Min | Max |
|---|---|---|---|---|---|
| Subsidiary | 402,589 | 0.026 | 0.159 | 0 | 1 |
| Subsidiary (extended) | 402,589 | 0.047 | 0.212 | 0 | 1 |
| OECD Ratifier | 402,589 | 0.944 | 0.231 | 0 | 1 |
| Host PACI | 329,155 | 5.162 | 2.333 | 0.000 | 8.901 |
| Host PACI (2012) | 332,971 | 5.030 | 2.261 | 0.000 | 8.755 |
| Host Bribery V-Dem | 398,720 | 0.197 | 1.556 | −2.838 | 3.363 |
| Host CCE | 398,720 | 2.661 | 1.069 | 1.082 | 4.825 |
| Industry with enforcement | 402,589 | 0.757 | 0.429 | 0 | 1 |
| Host with enforcement | 402,589 | 0.579 | 0.494 | 0 | 1 |
| Home with enforcement | 402,589 | 0.860 | 0.347 | 0 | 1 |
| Home GDP (log) | 399,885 | 25.594 | 1.540 | 18.750 | 27.859 |
| Host GDP Growth (%) | 399,885 | 1.987 | 1.408 | −6.272 | 10.647 |
| Home Judiciary Indep. | 402,381 | 0.895 | 0.133 | 0.167 | 0.988 |
| Host GDP (log) | 383,260 | 23.196 | 1.717 | 19.414 | 27.859 |
| Host FDI (GDP %) | 383,260 | 6.533 | 17.617 | −4.258 | 172.716 |
| Host GDP per capita | 383,260 | 1.430 | 1.445 | 0.028 | 6.829 |
| Host Trade (GDP %) | 383,260 | 0.876 | 0.533 | 0.265 | 4.299 |
| Host Judiciary Indep. | 394,849 | 0.555 | 0.280 | 0.018 | 0.988 |
| Host Democracy | 390,985 | 0.703 | 0.457 | 0 | 1 |
| Host POLCON III | 383,243 | 0.311 | 0.198 | 0.000 | 0.692 |
| Dyad BIT | 402,589 | 0.384 | 0.486 | 0 | 1 |
| Dyad Common Language | 386,205 | 0.113 | 0.316 | 0 | 1 |
| Dyad Colonial Relation | 386,205 | 0.051 | 0.219 | 0 | 1 |
| Dyad Distance (hundreds of km) | 386,205 | 0.656 | 0.422 | 0.006 | 1.995 |
| Firm Age (log) | 396,349 | 3.312 | 0.948 | 0.000 | 5.897 |
| Firm Assets (log) | 375,755 | 13.875 | 2.115 | 4.025 | 20.181 |
| Firm Host Countries (log) | 402,589 | 0.678 | 0.721 | 0.000 | 3.714 |

Note:

Table C.2: Firm-level data. Summary statistics

[3] I have manually extended this data source following the same procedure adopted by the authors. With my extension the database consists of 1640 cases of anti-bribery prosecution involving 636 different parent firms from 59 nationalities active in 147 countries. Total time coverage goes from 1977 to 2018.

# D Firm-level analysis: Full disclosure of results

| | *Dependent variable:* | | | | |
|---|---|---|---|---|---|
| | Subsidiary | | | | |
| | (1) | (2) | (3) | (4) | (5) |
| OECD Ratifier × Host PACI$^2$ | $-0.033^{**}$ | $-0.038^{**}$ | $-0.024^{+}$ | $-0.032^{*}$ | $-0.034^{*}$ |
| | (0.012) | (0.013) | (0.013) | (0.013) | (0.013) |
| OECD Ratifier × Host PACI | $0.212^{*}$ | $0.240^{**}$ | $0.169^{+}$ | $0.210^{*}$ | $0.224^{*}$ |
| | (0.089) | (0.091) | (0.090) | (0.096) | (0.096) |
| OECD Ratifier | −0.103 | −0.124 | −0.210 | −0.273 | −0.285 |
| | (0.158) | (0.184) | (0.245) | (0.200) | (0.200) |
| Host PACI$^2$ | −0.040 | 0.013 | 0.003 | 0.010 | 0.013 |
| | (0.033) | (0.029) | (0.026) | (0.027) | (0.028) |
| Host PACI | −0.130 | −0.022 | 0.018 | −0.010 | −0.037 |
| | (0.285) | (0.241) | (0.219) | (0.230) | (0.231) |
| Host GDP (log) | | $0.596^{***}$ | $0.652^{***}$ | $0.674^{***}$ | $0.680^{***}$ |
| | | (0.127) | (0.114) | (0.119) | (0.120) |
| Host GDP per capita | | −0.003 | −0.043 | −0.023 | −0.056 |
| | | (0.179) | (0.162) | (0.169) | (0.172) |
| Host FDI (GDP %) | | 0.010 | 0.010 | 0.010 | 0.010 |
| | | (0.009) | (0.008) | (0.009) | (0.009) |
| Host Trade (GDP %) | | −0.242 | −0.193 | −0.187 | −0.171 |
| | | (0.333) | (0.301) | (0.314) | (0.316) |
| Host Judiciary Indep. | | $3.757^{**}$ | $3.571^{***}$ | $3.711^{***}$ | $3.755^{***}$ |
| | | (1.144) | (1.029) | (1.076) | (1.081) |
| Host POLCON III | | 0.503 | 0.095 | 0.147 | 0.190 |
| | | (0.957) | (0.860) | (0.900) | (0.903) |
| Host Democracy | | −0.135 | −0.005 | −0.026 | −0.032 |
| | | (0.460) | (0.414) | (0.433) | (0.434) |
| Home GDP (log) | | $0.062^{*}$ | $0.136^{**}$ | $0.051^{+}$ | $0.054^{+}$ |
| | | (0.027) | (0.046) | (0.030) | (0.030) |
| Home GDP Growth (%) | | −0.018 | −0.031 | −0.006 | −0.006 |
| | | (0.018) | (0.026) | (0.020) | (0.020) |
| Home Judiciary Indep. | | −0.192 | −0.303 | −0.392 | −0.391 |
| | | (0.233) | (0.383) | (0.258) | (0.256) |
| Dyad BIT | | | 0.102 | 0.088 | 0.092 |
| | | | (0.069) | (0.073) | (0.074) |
| Dyad Common Language | | | $0.700^{***}$ | $0.765^{***}$ | $0.756^{***}$ |
| | | | (0.091) | (0.100) | (0.100) |
| Dyad Colonial Relation | | | $0.765^{***}$ | $0.785^{***}$ | $0.780^{***}$ |
| | | | (0.112) | (0.123) | (0.123) |
| Dyad Distance | | | $-1.216^{***}$ | $-1.062^{***}$ | $-1.061^{***}$ |
| | | | (0.093) | (0.093) | (0.094) |
| Firm Assets (log) | | | | 0.008 | 0.009 |
| | | | | (0.008) | (0.008) |
| Firm Age (log) | | | | 0.010 | 0.009 |
| | | | | (0.014) | (0.014) |
| Firm Host Countries (log) | | | | $1.270^{***}$ | $1.271^{***}$ |
| | | | | (0.019) | (0.019) |
| Constant | $-3.190^{***}$ | $-5.520^{***}$ | $-5.539^{***}$ | $-6.089^{***}$ | $-6.032^{***}$ |
| | (0.596) | (0.637) | (0.604) | (0.608) | (0.610) |
| Random intercepts | Yes | Yes | Yes | Yes | Yes |
| Industry intercepts | | | | | Yes |
| N. of host countries | 86 | 85 | 85 | 85 | 85 |
| N. of home countries | 62 | 61 | 61 | 58 | 57 |
| Observations | 324,526 | 319,253 | 319,253 | 293,013 | 288,528 |
| Log Likelihood | −33,166.090 | −33,003.980 | −32,839.340 | −26,652.560 | −26,303.350 |
| Akaike Inf. Crit. | 66,350.180 | 66,045.960 | 65,724.690 | 53,357.120 | 52,660.690 |
| *Note:* | | | | | $^{+}$ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001 |

Table D.1: Firm-level data. The effect of the OECD Convention on probability of subsidiary incorporation. Multilevel logit models (full disclosure)

# E Firm-level analysis: Robustness tests

Results for the first tests are reported in Table E.1. In model 1 I replicate the full specification of model 5 in Table 1 excluding the squared measure of *Host PACI* and its interaction with *OECD Ratifier* to show that the effect of the OECD Convention on *Subsidiary* is not conditional on a linear measure of corruption. No term involved in the interaction is found to be statistically significant. I then replicate model 5 of Table 1 using more traditional, perception-based indexes of corruption. First, I use the "Executive bribery and corrupt exchanges" measure from V-Dem (Coppedge et al., 2020). The measure is a Bayesian-based index that relies on both objective and survey information, and is generally considered an improvement of traditional perception-based indexes. Next, I employ the World Bank's CCE, rescaled so as to range from 0 to 5. In both cases, lower values indicate higher levels of corruption. Results obtained remain substantively the same. Next, I consider the possibility that the main measure of corruption I adopt restricts the sample excessively and introduces a source of selection. Computing the 2005 version of *Host PACI* reduces the number of host countries in the analysis because it relies on fewer observations of the dataset from Escresa and Picci (2017). To test whether results hold with an extended sample of host countries, I replicate model 5 of Table 1 using the version of the index computed and published by Escresa and Picci (2017), which employs information until 2012 and includes more host countries.[4] Results obtained when using this version of the index are substantively the same as the ones discussed before.

Next, I show that results are robust to the inclusion of the interaction originally proposed by (Beazer and Blake, 2018) between *Home Judiciary Independence* and *Host Judiciary Independence*. Excluding this interaction might introduce omitted variable bias, if the interaction term correlated with the outcome and with the interactions of interest in this paper (those between *OECD Ratifier* and *Host PACI* or *Host PACI*$^2$). This is a plausible concern: home country's levels of judicial independence likely correlate with the adoption of anti-bribery policies; and host country's levels of judicial independence likely correlates with host country's level of corruption. Model 1 in Table E.2 introduces the original interaction term in the fullest model from Table 1. Results for the coefficients of interest are consistent with those presented in the main results table, in the same direction, and statistically significant. Coefficient for $\beta_1$ is negative and significant at the 0.10 level. Estimate of $\beta_2$ is positive and significant at the 0.05 level. As a next test I consider the hypothesis that results might be driven by some outlier countries. China figures as a very likely candidate: the country has not ratified the Convention and it is generally considered a rather corrupt bureaucracy. Yet, it is involved in the world economy as both a major importer and exporter of investments. I therefore replicate the analysis excluding observations relative to firms from this country or investing in it. Results do not change significantly with this exclusion. Next, in two countries the

[4] I deem the choice appropriate, since corruption is a very sticky phenomenon with little time variation. Correlation between the two versions of the index indeed equals 0.98.

Convention has entered into force within the time window of the cross-section (2006-2011): Israel and South Africa. Thus, their firms might have been subject to anti-bribery policies even though *OECD Ratifier* assigns them a value of 0. I therefore replicate the analysis excluding them. Results, again, do not change significantly.

Finally, I replicate results from Table 1 updating the dataset to include all investment made by these same companies until 2018. I follow the same procedure in Beazer and Blake (2018) to update investment data from Orbis. Results are reported in Table E.3. Point estimates of variables of interest are substantively unchanged and statistically significant.

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | Subsidiary | | | |
| | (1) | (2) | (3) | (4) |
| OECD Ratifier | −0.066 | 0.019 | −2.040* | −0.258 |
| | (0.184) | (0.181) | (0.847) | (0.194) |
| OECD Ratifier × Host PACI | −0.004 | | | |
| | (0.033) | | | |
| OECD Ratifier × Host Bribery V-Dem | | 0.134+ | | |
| | | (0.071) | | |
| OECD Ratifier × Host Bribery V-Dem$^2$ | | −0.074* | | |
| | | (0.032) | | |
| OECD Ratifier × Host CCE | | | 1.367* | |
| | | | (0.543) | |
| OECD Ratifier × Host CCE$^2$ | | | −0.214** | |
| | | | (0.082) | |
| OECD Ratifier × Host PACI (2012) | | | | 0.277** |
| | | | | (0.097) |
| OECD Ratifier × Host PACI$^2$ (2012) | | | | −0.048*** |
| | | | | (0.014) |
| Host PACI | 0.038 | | | |
| | (0.105) | | | |
| Host Bribery V-Dem | | −0.090 | | |
| | | (0.159) | | |
| Host Bribery V-Dem$^2$ | | 0.133* | | |
| | | (0.062) | | |
| Host CCE | | | −0.674 | |
| | | | (1.012) | |
| Host CCE$^2$ | | | 0.156 | |
| | | | (0.148) | |
| Host PACI (2012) | | | | −0.058 |
| | | | | (0.233) |
| Host PACI$^2$ (2012) | | | | 0.020 |
| | | | | (0.028) |
| Host GDP (log) | 0.723*** | 0.751*** | 0.737*** | 0.626*** |
| | (0.106) | (0.087) | (0.088) | (0.115) |
| Host GDP per capita | −0.065 | −0.171 | −0.184 | 0.220 |
| | (0.173) | (0.165) | (0.187) | (0.225) |
| Host FDI (GDP %) | 0.011 | 0.013+ | 0.014+ | 0.006 |
| | (0.009) | (0.008) | (0.008) | (0.009) |
| Host Trade (GDP %) | −0.119 | −0.152 | −0.172 | −0.370 |
| | (0.310) | (0.281) | (0.292) | (0.315) |
| Host Judiciary Indep. | 3.695*** | 3.205** | 2.453+ | 2.926** |
| | (1.080) | (1.065) | (1.373) | (1.082) |
| Host POLCON III | 0.241 | 0.454 | 0.421 | 0.025 |
| | (0.902) | (0.819) | (0.828) | (0.891) |
| Host Democracy | 0.006 | 0.006 | 0.068 | 0.039 |
| | (0.431) | (0.397) | (0.413) | (0.411) |
| Home GDP (log) | 0.054+ | 0.048 | 0.048 | 0.052+ |
| | (0.030) | (0.035) | (0.035) | (0.030) |
| Home GDP Growth (%) | −0.005 | −0.003 | −0.002 | −0.003 |
| | (0.020) | (0.022) | (0.022) | (0.020) |
| Home Judiciary Indep. | −0.398 | −0.366 | −0.375 | −0.321 |
| | (0.260) | (0.294) | (0.293) | (0.258) |
| Dyad BIT | 0.075 | 0.093 | 0.081 | 0.107 |
| | (0.073) | (0.071) | (0.071) | (0.073) |
| Dyad Common Language | 0.762*** | 0.793*** | 0.790*** | 0.710*** |
| | (0.100) | (0.098) | (0.098) | (0.100) |
| Dyad Colonial Relation | 0.781*** | 0.757*** | 0.757*** | 0.759*** |
| | (0.123) | (0.120) | (0.120) | (0.123) |
| Dyad Distance | −1.082*** | −1.242*** | −1.238*** | −1.062*** |
| | (0.094) | (0.090) | (0.090) | (0.093) |
| Firm Assets (log) | 0.009 | 0.008 | 0.008 | 0.006 |
| | (0.008) | (0.007) | (0.007) | (0.008) |
| Firm Age (log) | 0.009 | 0.010 | 0.009 | 0.009 |
| | (0.014) | (0.014) | (0.014) | (0.014) |
| Firm Host Countries (log) | 1.271*** | 1.274*** | 1.274*** | 1.277*** |
| | (0.019) | (0.019) | (0.019) | (0.019) |
| Constant | −6.115*** | −6.209*** | −5.352** | −5.999*** |
| | (0.587) | (0.258) | (1.639) | (0.629) |
| Random intercepts | Yes | Yes | Yes | Yes |
| N. of host countries | 85 | 100 | 100 | 86 |
| N. of home countries | 57 | 57 | 57 | 57 |
| Observations | 288,528 | 340,553 | 340,553 | 291,944 |
| Log Likelihood | −26,306.690 | −27,685.150 | −27,684.540 | −26,637.240 |
| Akaike Inf. Crit. | 52,663.380 | 55,424.300 | 55,423.080 | 53,328.490 |
| *Note:* | | | | + p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001 |

Table E.1: Firm-level data. Robustness tests of multilevel logit models to different corruption specifications

| | *Dependent variable:* | | |
|---|---|---|---|
| | Beazer and Blake (2018) | Subsidiary Exclude China | Exclude Israel and South Africa |
| | (1) | (2) | (3) |
| OECD Ratifier × Host PACI$^2$ | $-0.022^{+}$ | $-0.029^{*}$ | $-0.024^{+}$ |
| | (0.014) | (0.012) | (0.014) |
| OECD Ratifier × Host PACI | $0.215^{*}$ | $0.166^{+}$ | $0.165^{+}$ |
| | (0.096) | (0.089) | (0.096) |
| OECD Ratifier | $-0.454^{*}$ | $-0.180$ | $-0.216$ |
| | (0.203) | (0.195) | (0.225) |
| Host PACI$^2$ | 0.003 | 0.016 | 0.012 |
| | (0.028) | (0.026) | (0.027) |
| Host PACI | $-0.037$ | $-0.068$ | $-0.098$ |
| | (0.230) | (0.221) | (0.230) |
| Host Judiciary Indep. × Home Judiciary Indep. | $3.119^{***}$ | | |
| | (0.663) | | |
| Host Judiciary Indep. | $3.904^{***}$ | $3.724^{***}$ | $4.412^{***}$ |
| | (1.076) | (1.034) | (1.110) |
| Home Judiciary Indep. | $-0.990^{***}$ | $-0.258$ | $-0.286$ |
| | (0.283) | (0.275) | (0.298) |
| Host GDP (log) | $0.679^{***}$ | $0.679^{***}$ | $0.687^{***}$ |
| | (0.119) | (0.121) | (0.112) |
| Host GDP per capita | $-0.060$ | $-0.041$ | $-0.143$ |
| | (0.171) | (0.167) | (0.169) |
| Host FDI (GDP %) | 0.010 | 0.011 | 0.012 |
| | (0.009) | (0.008) | (0.008) |
| Host Trade (GDP %) | $-0.176$ | $-0.220$ | $-0.226$ |
| | (0.314) | (0.303) | (0.297) |
| Host POLCON III | 0.199 | 0.182 | 0.356 |
| | (0.898) | (0.864) | (0.848) |
| Host Democracy | $-0.038$ | $-0.051$ | $-0.389$ |
| | (0.432) | (0.418) | (0.459) |
| Home GDP (log) | $0.055^{+}$ | $0.077^{*}$ | $0.070^{*}$ |
| | (0.030) | (0.033) | (0.030) |
| Home GDP Growth (%) | $-0.006$ | $-0.005$ | $-0.008$ |
| | (0.020) | (0.023) | (0.021) |
| Dyad BIT | 0.120 | $0.197^{***}$ | $0.184^{***}$ |
| | (0.074) | (0.049) | (0.049) |
| Dyad Common Language | $0.708^{***}$ | $0.687^{***}$ | $0.696^{***}$ |
| | (0.100) | (0.043) | (0.043) |
| Dyad Colonial Relation | $0.760^{***}$ | $0.350^{***}$ | $0.341^{***}$ |
| | (0.122) | (0.048) | (0.049) |
| Dyad Distance | $-1.047^{***}$ | $-1.091^{***}$ | $-1.035^{***}$ |
| | (0.093) | (0.059) | (0.057) |
| Firm Assets (log) | 0.009 | 0.009 | 0.009 |
| | (0.008) | (0.008) | (0.008) |
| Firm Age (log) | 0.009 | 0.005 | 0.007 |
| | (0.014) | (0.014) | (0.014) |
| Firm Host Countries (log) | $1.271^{***}$ | $1.256^{***}$ | $1.254^{***}$ |
| | (0.019) | (0.019) | (0.019) |
| Constant | $-5.881^{***}$ | $-5.871^{***}$ | $-5.647^{***}$ |
| | (0.608) | (0.585) | (0.617) |
| Random intercepts | Yes | Yes | Yes |
| N. of host countries | 85 | 84 | 83 |
| N. of home countries | 57 | 56 | 55 |
| Observations | 288,528 | 283,987 | 278,905 |
| Log Likelihood | $-26{,}292.270$ | $-26{,}184.200$ | $-26{,}131.620$ |
| Akaike Inf. Crit. | 52,640.530 | 52,420.400 | 52,315.230 |
| *Note:* | $^{+}$ p $<$ 0.1, * p $<$ 0.05, ** p $<$ 0.01, *** p $<$ 0.001 | | |

Table E.2: Firm-level data. Further robustness tests of multilevel logit models

| | *Dependent variable:* | | | | |
|---|---|---|---|---|---|
| | Subsidiary | | | | |
| | (1) | (2) | (3) | (4) | (5) |
| OECD Ratifier × | $-0.038^{***}$ | $-0.046^{***}$ | $-0.025^{*}$ | $-0.031^{**}$ | $-0.034^{**}$ |
| Host PACI$^2$ | (0.011) | (0.011) | (0.011) | (0.012) | (0.012) |
| OECD Ratifier × | $0.282^{***}$ | $0.328^{***}$ | $0.209^{**}$ | $0.251^{**}$ | $0.262^{**}$ |
| Host PACI | (0.075) | (0.077) | (0.077) | (0.082) | (0.083) |
| OECD Ratifier | 0.065 | −0.176 | −0.211 | −0.305 | −0.317 |
| | (0.190) | (0.243) | (0.255) | (0.222) | (0.224) |
| Host PACI$^2$ | −0.036 | 0.029 | 0.012 | 0.018 | 0.021 |
| | (0.034) | (0.029) | (0.027) | (0.028) | (0.028) |
| Host PACI | −0.207 | −0.103 | −0.002 | −0.031 | −0.053 |
| | (0.302) | (0.247) | (0.231) | (0.241) | (0.241) |
| Host GDP (log) | | $0.719^{***}$ | $0.783^{***}$ | $0.828^{***}$ | $0.835^{***}$ |
| | | (0.132) | (0.122) | (0.127) | (0.128) |
| Host GDP per capita | | −0.048 | −0.095 | −0.091 | −0.109 |
| | | (0.184) | (0.171) | (0.178) | (0.179) |
| Host FDI (GDP %) | | 0.006 | 0.004 | 0.004 | 0.004 |
| | | (0.010) | (0.009) | (0.009) | (0.009) |
| Host Trade (GDP %) | | −0.027 | 0.057 | 0.060 | 0.070 |
| | | (0.344) | (0.320) | (0.332) | (0.333) |
| Host Judiciary Indep. | | $4.833^{***}$ | $4.707^{***}$ | $4.905^{***}$ | $4.924^{***}$ |
| | | (1.194) | (1.108) | (1.153) | (1.156) |
| Host POLCON III | | 0.262 | −0.147 | −0.149 | −0.127 |
| | | (1.005) | (0.933) | (0.971) | (0.973) |
| Host Democracy | | −0.346 | −0.208 | −0.236 | −0.239 |
| | | (0.477) | (0.443) | (0.461) | (0.462) |
| Home GDP (log) | | $0.106^{*}$ | $0.151^{**}$ | −0.005 | −0.025 |
| | | (0.048) | (0.052) | (0.042) | (0.042) |
| Home GDP Growth (%) | | 0.005 | −0.001 | 0.040 | 0.029 |
| | | (0.028) | (0.029) | (0.025) | (0.025) |
| Home Judiciary Indep. | | 0.539 | 0.390 | $0.786^{*}$ | $0.712^{*}$ |
| | | (0.409) | (0.434) | (0.351) | (0.355) |
| Dyad BIT | | | 0.007 | −0.012 | −0.004 |
| | | | (0.063) | (0.068) | (0.068) |
| Dyad Common Language | | | $0.752^{***}$ | $0.818^{***}$ | $0.810^{***}$ |
| | | | (0.091) | (0.100) | (0.101) |
| Dyad Colonial Relation | | | $0.797^{***}$ | $0.861^{***}$ | $0.876^{***}$ |
| | | | (0.109) | (0.120) | (0.121) |
| Dyad Distance | | | $-1.186^{***}$ | $-1.290^{***}$ | $-1.306^{***}$ |
| | | | (0.087) | (0.093) | (0.094) |
| Firm Assets (log) | | | | $0.186^{***}$ | $0.208^{***}$ |
| | | | | (0.006) | (0.006) |
| Firm Age (log) | | | | $0.129^{***}$ | $0.071^{***}$ |
| | | | | (0.011) | (0.011) |
| Firm Host Countries (log) | | | | $0.900^{***}$ | $0.893^{***}$ |
| | | | | (0.014) | (0.015) |
| Constant | $-2.825^{***}$ | $-5.300^{***}$ | $-5.400^{***}$ | $-5.913^{***}$ | $-6.110^{***}$ |
| | (0.645) | (0.691) | (0.654) | (0.661) | (0.667) |
| Random intercepts | Yes | Yes | Yes | Yes | Yes |
| Industry intercepts | | | | | Yes |
| N. of host countries | 86 | 85 | 85 | 85 | 85 |
| N. of home countries | 62 | 61 | 61 | 58 | 57 |
| Observations | 324,526 | 319,253 | 319,253 | 293,013 | 288,528 |
| Log Likelihood | −49,284.060 | −49,000.120 | −48,801.010 | −40,045.040 | −39,281.510 |
| Akaike Inf. Crit. | 98,586.120 | 98,038.240 | 97,648.030 | 80,142.070 | 78,617.030 |
| *Note:* | | | | | + p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001 |

Table E.3: Firm-level data. The effect of the OECD Convention on probability of subsidiary incorporation. Multilevel logit models. Extended data

# F Firm-level analysis: Placebo tests using past enforcement

I further test my argument by constructing three placebo tests. In the theory section, I argued that the effect of anti-bribery laws should be reinforced if firms have credible expectations of law enforcement. It should not hold if firms believe anti-bribery laws to be "empty paper" with no real application. Because past enforcement actions against bribery are a strong predictor of future enforcement actions against the same targets (see Tomashevskiy, 2021, table 1, p. 394), I use available information on past enforcement events (pre-2005) to discriminate between firms with and without likely expectations of future anti-bribery law enforcement.

In my first placebo test, I distinguish between host countries involved in past anti-bribery law enforcement actions. In the second, I distinguish between firms in industries that were targeted by previous events of enforcement. And in the third, I distinguish between firms from the same home countries of those that were prosecuted for foreign bribery. If my argument is correct, in all three placebo tests the effect of anti-bribery laws should be observable only for firms that are linked to host countries, industries, or home countries that experienced past enforcement events.

In order to identify hosts, industries, and home countries with past enforcement events, I exploit information in the database from Escresa and Picci (2017). I remove from their records of cross-border bribery enforcement events all observations before 2005 and the few cases of FCPA enforcements that pre-date 1997.[5] Next, I use the dataset to obtain three lists: *i*) a list of host countries where bribes were paid in the selected pre-2005 enforcement events; *ii*) a list of home countries whose firms were involved in the pre-2005 enforcement events; and *iii*) a list of industries (defined at the NAICS-2 level) of firms that were involved in such actions. In each placebo test, I use these lists to subset my whole firm-level database in two groups: one including observations whose host/home/industries were targeted by at least one enforcement action (which I call "test"), and one including the rest ("placebo").

First, I subset my whole firm-level dataset based on whether the potential host country experienced at least one enforcement action by 2005. I then replicate the analysis proposed in Table 1, within the two distinct "test" and "placebo" sub-samples. This forces the analysis to explain multiple investment choices of firms among a portfolio of enforcement-vulnerable ("test") and non-enforcement vulnerable ("placebo") host countries. Results are reported in Table F.1.

Second, I replicate the same placebo test by discriminating between firms from home countries whose firms experienced at least one case of anti-bribery law enforcement and those who did not. The logic for this test is, again, to test credibility of future enforcement actions: by observing past enforcement activity against their co-nationals, firms should form more credible expectations about the likelihood of future enforcement actions. Results should hold stronger for the firms in the "test" subset. Results

[5] I consider only cases enforced at least by one other country than the one where bribes were paid, to mitigate concerns about reliability of information.

relative to this second placebo test are in Table F.2.

Finally, I consider the possibility that firms might be building expectations not by considering past enforcement actions against specific countries, but by considering enforcement against certain industries. Perhaps, they might expect enforcement actions are more likely to follow in industries which law enforcement agencies have previously prosecuted and where they might have developed informants. With the same logic as before, I subset the firm-level sample into the "test" subset (represented by firms in industries that experienced at least one case of law enforcement) and "placebo" subset (the rest of the sectors). Results are reported in Table F.3.

In all three tables, I replicate the model including no controls (only random effects) and all controls. Estimates of the coefficients associated with the interaction terms are consistent with the ones presented in Table 1 for the "test" subsamples. In Table F.1, moreover, estimates are significantly larger in magnitude. In general, standard errors also shrink, resulting in estimates that are significant at smaller conventional levels. The exception is represented by the full model in Table F.2: here, the coefficients of interest are not significant. They are never distinguishable from zero, instead, in the "placebo" subsamples. Overall, the test provides further confidence in my argument. The conditional effect of anti-bribery policies is observed only for firms who have likely expectations of future enforcement actions based on past law enforcement events.

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | | Subsidiary | | |
| | Test | Test | Placebo | Placebo |
| | (1) | (2) | (3) | (4) |
| OECD Ratifier × | $-0.098^{***}$ | $-0.086^{***}$ | $-0.010$ | 0.007 |
| Host PACI$^2$ | (0.021) | (0.022) | (0.033) | (0.035) |
| OECD Ratifier × | $0.812^{***}$ | $0.715^{***}$ | $-0.027$ | $-0.179$ |
| Host PACI | (0.176) | (0.190) | (0.215) | (0.232) |
| OECD Ratifier | $-1.246^{***}$ | $-1.228^{***}$ | 0.265 | $-0.019$ |
| | (0.334) | (0.373) | (0.209) | (0.283) |
| Host PACI$^2$ | 0.088 | $0.131^{**}$ | 0.005 | $-0.089$ |
| | (0.062) | (0.045) | (0.047) | (0.058) |
| Host PACI | $-1.588^{*}$ | $-1.143^{*}$ | $-0.322$ | $1.022^{*}$ |
| | (0.643) | (0.451) | (0.343) | (0.505) |
| Host GDP (log) | | $0.886^{***}$ | | 0.173 |
| | | (0.145) | | (0.280) |
| Host GDP per capita | | $-0.055$ | | $1.162^{+}$ |
| | | (0.177) | | (0.631) |
| Host FDI (GDP %) | | 0.011 | | 0.006 |
| | | (0.009) | | (0.028) |
| Host Trade (GDP %) | | $-0.190$ | | $-0.231$ |
| | | (0.333) | | (0.832) |
| Host Judiciary Indep. | | $3.846^{***}$ | | 1.624 |
| | | (1.156) | | (2.540) |
| Host POLCON III | | 1.833 | | $-1.969^{*}$ |
| | | (1.190) | | (0.985) |
| Host Democracy | | $-0.267$ | | 0.345 |
| | | (0.501) | | (0.660) |
| Home GDP (log) | | $0.067^{**}$ | | $-0.013$ |
| | | (0.026) | | (0.037) |
| Home GDP Growth (%) | | $-0.003$ | | $-0.012$ |
| | | (0.019) | | (0.036) |
| Home Judiciary Indep. | | $-0.389^{+}$ | | 0.026 |
| | | (0.232) | | (0.399) |
| Dyad BIT | | 0.071 | | 0.189 |
| | | (0.080) | | (0.161) |
| Dyad Common Language | | $0.631^{***}$ | | $0.879^{***}$ |
| | | (0.112) | | (0.171) |
| Dyad Colonial Relation | | $0.722^{***}$ | | $0.592^{*}$ |
| | | (0.135) | | (0.250) |
| Dyad Distance | | $-0.915^{***}$ | | $-0.857^{***}$ |
| | | (0.097) | | (0.165) |
| Firm Assets (log) | | $-0.00003$ | | $0.051^{**}$ |
| | | (0.008) | | (0.017) |
| Firm Age (log) | | 0.022 | | $-0.044$ |
| | | (0.016) | | (0.031) |
| Firm Host Countries (log) | | $1.266^{***}$ | | $1.276^{***}$ |
| | | (0.021) | | (0.043) |
| Constant | 0.814 | $-4.105^{**}$ | $-3.951^{***}$ | $-7.404^{***}$ |
| | (1.564) | (1.312) | (0.498) | (0.945) |
| Random intercepts | Yes | Yes | Yes | Yes |
| N. of host countries | 59 | 59 | 28 | 27 |
| N. of home countries | 62 | 57 | 62 | 57 |
| Observations | 217,857 | 198,894 | 101,878 | 89,634 |
| Log Likelihood | $-25{,}612.130$ | $-20{,}655.770$ | $-7{,}033.316$ | $-5{,}623.031$ |
| Akaike Inf. Crit. | 51,244.260 | 41,365.540 | 14,086.630 | 11,300.060 |
| *Note:* | | | | $^{+}$ p $<$ 0.1, * p $<$ 0.05, ** p $<$ 0.01, *** p $<$ 0.001 |

Table F.1: Firm-level data. Placebo test: Effects of the OECD Convention in host countries that experienced pre-2005 enforcement events

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | | Subsidiary | | |
| | Test | Test | Placebo | Placebo |
| | (1) | (2) | (3) | (4) |
| OECD Ratifier × | $-0.037^{*}$ | $-0.026$ | $-0.025$ | $-0.036$ |
| Host PACI$^2$ | (0.016) | (0.017) | (0.023) | (0.025) |
| OECD Ratifier × | $0.239^{*}$ | 0.170 | 0.180 | 0.258 |
| Host PACI | (0.116) | (0.120) | (0.173) | (0.187) |
| OECD Ratifier | $-0.378^{+}$ | $-0.194$ | 0.019 | $-0.382$ |
| | (0.220) | (0.297) | (0.299) | (0.327) |
| Host PACI$^2$ | $-0.036$ | 0.009 | $-0.056$ | 0.007 |
| | (0.035) | (0.030) | (0.037) | (0.032) |
| Host PACI | $-0.186$ | $-0.023$ | 0.050 | $-0.006$ |
| | (0.303) | (0.249) | (0.309) | (0.249) |
| Host GDP (log) | | $0.702^{***}$ | | $0.581^{***}$ |
| | | (0.125) | | (0.123) |
| Host GDP per capita | | $-0.050$ | | $-0.014$ |
| | | (0.178) | | (0.178) |
| Host FDI (GDP %) | | 0.010 | | 0.004 |
| | | (0.009) | | (0.009) |
| Host Trade (GDP %) | | $-0.122$ | | $-0.338$ |
| | | (0.329) | | (0.394) |
| Host Judiciary Indep. | | $3.816^{***}$ | | $2.316^{*}$ |
| | | (1.127) | | (1.089) |
| Host POLCON III | | 0.259 | | 0.146 |
| | | (0.939) | | (0.914) |
| Host Democracy | | $-0.068$ | | 0.604 |
| | | (0.452) | | (0.455) |
| Home GDP (log) | | 0.061 | | 0.069 |
| | | (0.042) | | (0.067) |
| Home GDP Growth (%) | | $-0.003$ | | 0.008 |
| | | (0.038) | | (0.028) |
| Home Judiciary Indep. | | $-0.148$ | | $-0.715^{*}$ |
| | | (0.359) | | (0.348) |
| Dyad BIT | | 0.126 | | 0.189 |
| | | (0.086) | | (0.139) |
| Dyad Common Language | | $0.663^{***}$ | | $0.936^{***}$ |
| | | (0.110) | | (0.178) |
| Dyad Colonial Relation | | $0.699^{***}$ | | $0.908^{**}$ |
| | | (0.134) | | (0.279) |
| Dyad Distance | | $-0.918^{***}$ | | $-1.444^{***}$ |
| | | (0.103) | | (0.188) |
| Firm Assets (log) | | 0.006 | | 0.027 |
| | | (0.008) | | (0.020) |
| Firm Age (log) | | 0.011 | | $-0.009$ |
| | | (0.015) | | (0.042) |
| Firm Host Countries (log) | | $1.277^{***}$ | | $1.252^{***}$ |
| | | (0.021) | | (0.055) |
| Constant | $-2.768^{***}$ | $-6.070^{***}$ | $-3.522^{***}$ | $-5.770^{***}$ |
| | (0.636) | (0.664) | (0.613) | (0.641) |
| Random intercepts | Yes | Yes | Yes | Yes |
| N. of host countries | 86 | 85 | 86 | 85 |
| N. of home countries | 27 | 27 | 36 | 31 |
| Observations | 276,029 | 250,909 | 43,706 | 37,619 |
| Log Likelihood | $-28{,}479.300$ | $-23{,}082.170$ | $-4{,}224.770$ | $-3{,}240.071$ |
| Akaike Inf. Crit. | 56,978.610 | 46,218.350 | 8,469.540 | 6,534.142 |
| *Note:* | | $^{+}$ p $<$ 0.1, * p $<$ 0.05, ** p $<$ 0.01, *** p $<$ 0.001 | | |

Table F.2: Firm-level data. Placebo test: Effects of the OECD Convention in home countries that experienced pre-2005 enforcement events

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | | Subsidiary | | |
| | Test | Test | Placebo | Placebo |
| | (1) | (2) | (3) | (4) |
| OECD Ratifier × | $-0.042^{**}$ | $-0.047^{**}$ | 0.001 | 0.009 |
| Host PACI$^2$ | (0.014) | (0.015) | (0.025) | (0.027) |
| OECD Ratifier × | $0.290^{**}$ | $0.327^{**}$ | $-0.046$ | $-0.146$ |
| Host PACI | (0.100) | (0.107) | (0.177) | (0.191) |
| OECD Ratifier | $-0.148$ | $-0.428^{*}$ | 0.193 | 0.275 |
| | (0.174) | (0.212) | (0.296) | (0.342) |
| Host PACI$^2$ | $-0.032$ | 0.027 | $-0.081^{+}$ | $-0.031$ |
| | (0.033) | (0.028) | (0.044) | (0.038) |
| Host PACI | $-0.190$ | $-0.117$ | 0.130 | 0.251 |
| | (0.285) | (0.230) | (0.353) | (0.299) |
| Host GDP (log) | | $0.699^{***}$ | | $0.625^{***}$ |
| | | (0.118) | | (0.138) |
| Host GDP per capita | | $-0.010$ | | $-0.071$ |
| | | (0.168) | | (0.205) |
| Host FDI (GDP %) | | 0.007 | | 0.015 |
| | | (0.008) | | (0.010) |
| Host Trade (GDP %) | | $-0.117$ | | $-0.338$ |
| | | (0.308) | | (0.407) |
| Host Judiciary Indep. | | $3.657^{***}$ | | $3.269^{**}$ |
| | | (1.058) | | (1.257) |
| Host POLCON III | | 0.348 | | $-0.054$ |
| | | (0.884) | | (1.041) |
| Host Democracy | | $-0.034$ | | 0.393 |
| | | (0.426) | | (0.514) |
| Home GDP (log) | | $0.053^{+}$ | | $0.049^{+}$ |
| | | (0.027) | | (0.029) |
| Home GDP Growth (%) | | $-0.006$ | | 0.004 |
| | | (0.020) | | (0.034) |
| Home Judiciary Indep. | | $-0.344$ | | $-0.089$ |
| | | (0.250) | | (0.288) |
| Dyad BIT | | 0.079 | | $0.193^{+}$ |
| | | (0.079) | | (0.116) |
| Dyad Common Language | | $0.728^{***}$ | | $0.645^{***}$ |
| | | (0.106) | | (0.127) |
| Dyad Colonial Relation | | $0.711^{***}$ | | $0.629^{***}$ |
| | | (0.132) | | (0.154) |
| Dyad Distance | | $-0.972^{***}$ | | $-0.718^{***}$ |
| | | (0.098) | | (0.116) |
| Firm Assets (log) | | 0.011 | | 0.005 |
| | | (0.008) | | (0.017) |
| Firm Age (log) | | 0.012 | | 0.014 |
| | | (0.016) | | (0.031) |
| Firm Host Countries (log) | | $1.274^{***}$ | | $1.226^{***}$ |
| | | (0.022) | | (0.042) |
| Constant | $-3.069^{***}$ | $-6.009^{***}$ | $-3.385^{***}$ | $-6.099^{***}$ |
| | (0.599) | (0.600) | (0.692) | (0.718) |
| Random intercepts | Yes | Yes | Yes | Yes |
| N. of host countries | 86 | 85 | 86 | 85 |
| N. of home countries | 57 | 53 | 45 | 42 |
| Observations | 245,447 | 221,271 | 74,288 | 67,257 |
| Log Likelihood | $-25{,}543.570$ | $-20{,}536.040$ | $-7{,}276.249$ | $-5{,}909.923$ |
| Akaike Inf. Crit. | 51,107.140 | 41,126.090 | 14,572.500 | 11,873.850 |
| *Note:* | | | | $^{+}$ p $<$ 0.1, * p $<$ 0.05, ** p $<$ 0.01, *** p $<$ 0.001 |

Table F.3: Firm-level data. Placebo test: Effects of the OECD Convention in industries that experienced pre-2005 enforcement events

# G Dyadic country-level analysis: Descriptive statistics

Table G.1 presents descriptive statistics for all variables included in the dyadic analysis. I retrieve from Beazer and Blake (2018) data for all variables but the OECD Convention (binary) and Host PACI (same indicator as for the firm-level analysis). All covariates are measured as in the firm-level analysis.

| Statistic | N | Mean | St. Dev. | Min | Max |
|---|---|---|---|---|---|
| Dyadic FDI (log) | 15,074 | 3.218 | 2.561 | 0.000 | 12.056 |
| Dyadic FDI (binary) | 96,832 | 0.195 | 0.396 | 0 | 1 |
| OECD Convention | 96,832 | 0.172 | 0.378 | 0 | 1 |
| Host PACI | 80,998 | 4.306 | 2.432 | 0.000 | 8.901 |
| Lag Host FDI (GDP %) | 81,360 | 2.625 | 6.508 | −54.358 | 172.716 |
| Lag Host GDP per capita | 83,687 | 16.508 | 13.919 | 0.248 | 86.591 |
| Lag Host Trade (GDP %) | 84,111 | 74.428 | 51.319 | 0.309 | 429.949 |
| Lag Host POLCON III | 84,771 | 0.328 | 0.213 | 0.000 | 0.720 |
| Lag Host Democracy | 88,052 | 0.677 | 0.468 | 0 | 1 |
| Lag Host GDP (log) | 83,780 | 25.763 | 1.898 | 18.650 | 30.162 |
| Lag Host Judiciary Indep. | 88,711 | 0.624 | 0.301 | 0.016 | 0.989 |
| Home GDP per capita | 89,717 | 15.364 | 11.754 | 0.300 | 86.591 |
| Home GDP growth (%) | 89,644 | 2.530 | 4.739 | −45.325 | 90.468 |
| Home GDP (log) | 89,717 | 25.957 | 1.793 | 19.832 | 30.188 |
| Home Judiciary Indep. | 91,851 | 0.637 | 0.281 | 0.058 | 0.989 |
| Dyad BIT | 96,818 | 0.181 | 0.385 | 0 | 1 |

Table G.1: Dyadic country-level data. Summary statistics

# H Dyadic country-level analysis: Robustness tests

I first propose alternative ways to bin the moderator *Host PACI*. I bin the variable in tertiles and quartiles of the *Host PACI* distribution. Estimated ATTs in each bins for these cases are reported in Figures H.1 and H.2 respectively. Overall, they provide robust evidence that the Convention had a positive effect on regulated investment into moderately corrupt economies but a negative effect into extremely corrupt countries.

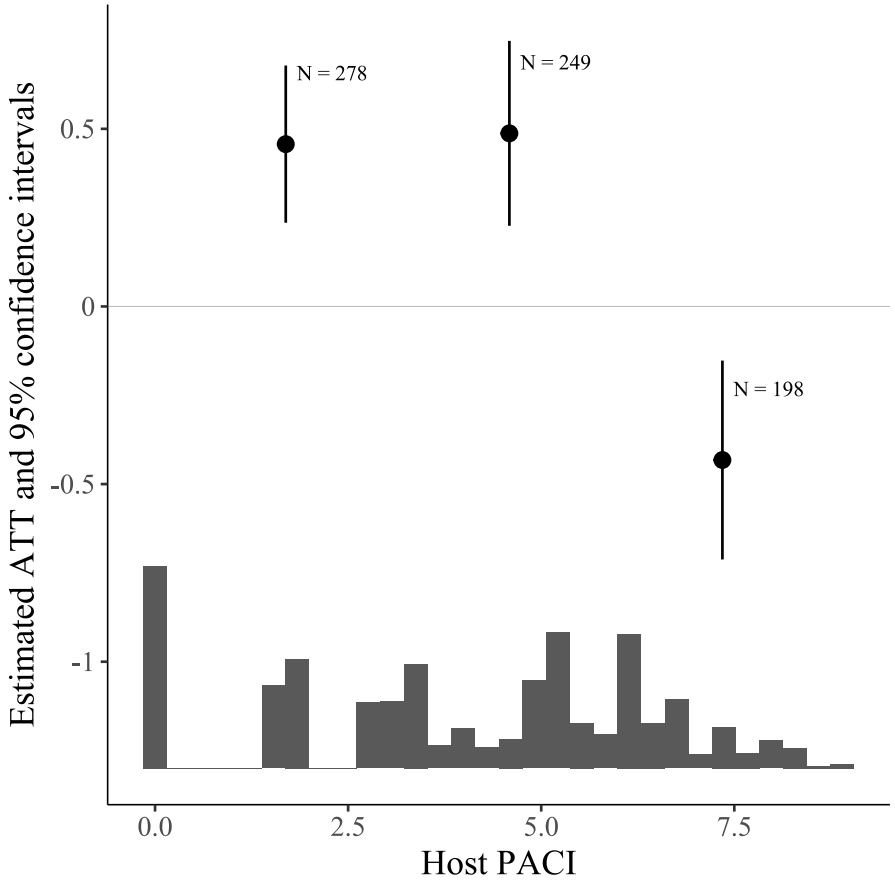


Figure H.1: Country-level data. Effect estimates from synthetic counterfactual designs. Binning based on tertiles of *Host PACI*

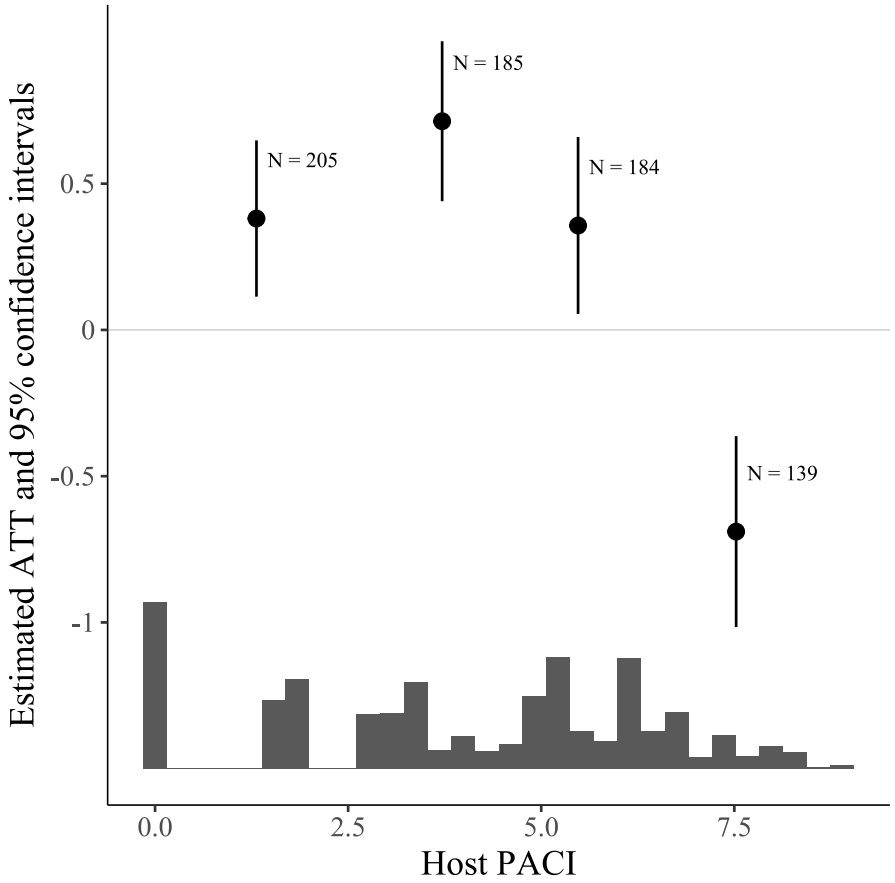


Figure H.2: Country-level data. Effect estimates from synthetic counterfactual designs. Binning based on quartiles of *Host PACI*

# I Dyadic country-level analysis: 2FE designs

As an alternative to the synthetic counterfactual design, I adopt a two-way fixed-effect (2FE) strategy. I include a binary treatment variable *OECD Convention* that takes value 1 after the Convention entered into force for dyads whose home country is a ratifier. It includes fixed effects at the dyad and at the year-level. The estimate associated with *OECD Convention* can be interpreted as the ATT from a difference-in-differences design under the assumption that trends in investment between dyads with and without a ratifier home country would have been the same in the absence of the Convention ("parallel trends assumption"). Time-varying control variables at the level of the host country, home country, and dyad are the same as the ones adopted in the firm-level analysis.

A well-known problem emerges with 2FE when treatment timing varies between units. In that case the estimator produces wrong comparisons between groups at different times of their treatment (Imai and Kim, 2020). This is unfortunately the case with the OECD Convention. The problem is known to affect 2FE estimates particularly when the proportion of never-treated units is small, because of the weighting scheme implemented by 2FE (Goodman-Bacon, 2018). In my case, about half of the directed dyads were never treated[6] thus the problem appears less concerning. Nevertheless, I tackle the problem as follows. First, I estimate my 2FE models with staggered treatment and justify it based on the large share of never-treated dyads. Second, I address the potential issue of staggered treatment with a simple solution. I exploit the fact that for most economies the Convention entered into force either in 1999 or in 2001. I then exclude observations in the "buffer" years 1999–2001 and compare pre-1999 dyad-level investment flows to post-2001 observations.[7] Assuming the effect of the Convention on investment was not extinguished in the immediate short term, the method allows me to detect differences between the two periods and reduces the problem to a canonical 2-groups and 2-periods setup.

I estimate 2FE models using ordinary least squares (OLS). First, I estimate ATTs considering all observations, including those in the "buffer" years 1999–2001 when home countries ratified the Convention at staggered times. Figure I.1 reports estimates obtained in the five subsamples, their confidence intervals, number of observations in each bin, and the distribution of the moderator *Host PACI* variable. I first introduce only the *OECD Convention* variable and fixed effects (panel a). Next, I introduce all controls at the host country-, home country, and dyad-level (panel b). I interact covariates with year fixed effect to control for differential observable trends across dyads.[8] Panels c and d of Figure I.1 reproduce the same specifications of panels a and b, with the exclusion of observations in the "buffer" years 1999–2001. Standard errors are always clustered at the dyad level.

[6] 1733 dyads out of 3591 include a home country that did not ratify the Convention.

[7] In this case I also exclude from the analysis all dyads including either Ireland or Estonia as home country since the Convention entered into force there in 2003 and 2005 respectively, that is within the time-frame of my UNCTAD dataset but outside the "buffer" three-years period.

[8] Results are essentially unchanged in the restricted model specification where interaction coefficients are imposed to equal 0 and controls are simply added to the model.

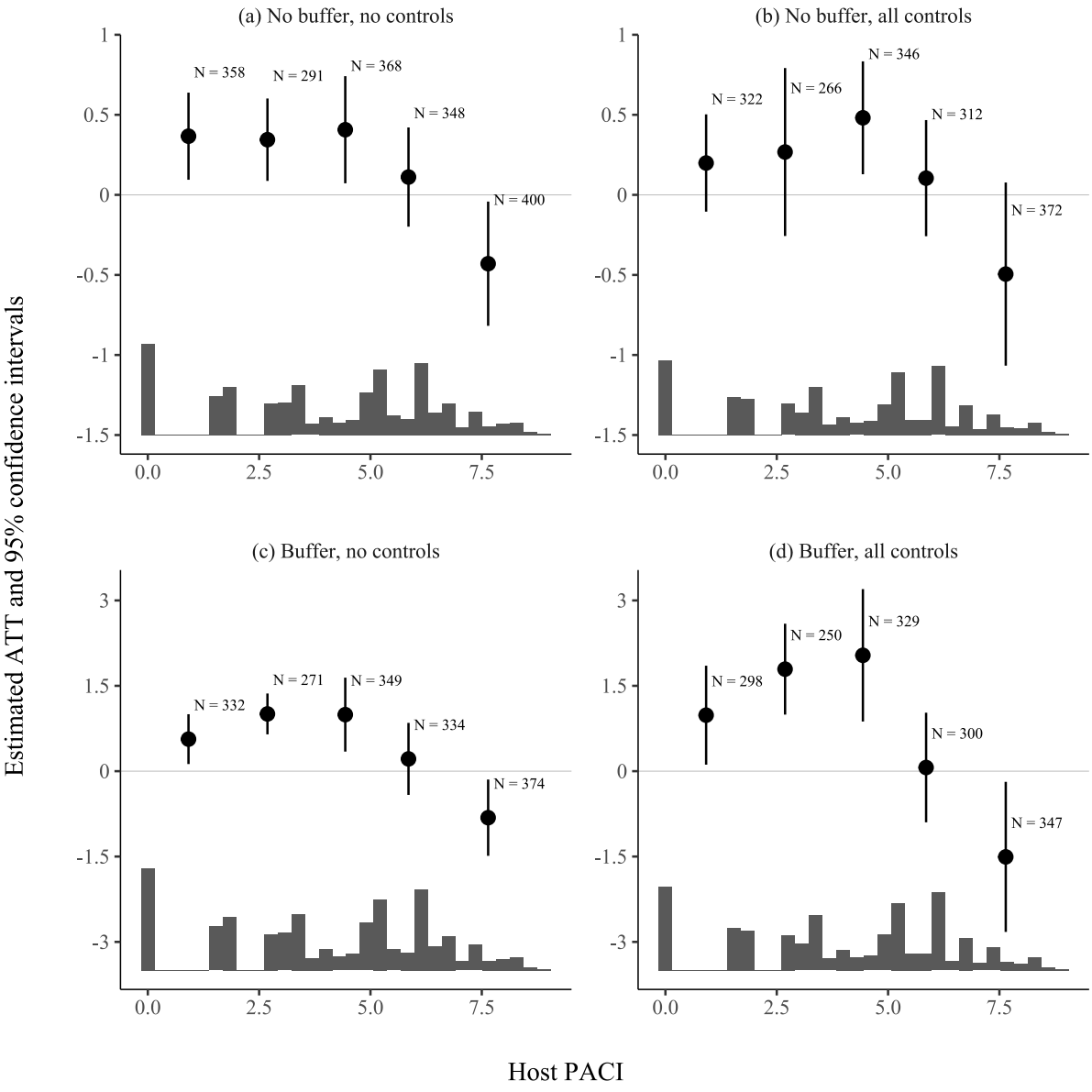


Figure I.1: Country-level data: 2FE binning estimator.

Estimates across the fives bins reproduce the inverted-U pattern seen in the synthetic counterfactual design in all panels. Entry into force of the Convention seems to have had no effect on investment for dyads in the first bin. The estimated effect is positive and statistically significant in all specifications of the second and third bin, with moderately corrupt host economies. Then, the effect declines and becomes negative for dyads with extremely corrupt host economies.

# J Dyadic country-level analysis: Models with interactions

As a last robustness test, I re-estimate my 2FE models but do not employ a binning approach. I test my conditional argument fitting an interactive model. I interact my binary variable of interest *OECD Convention* with the linear and squared measure of *Host PACI*. Standard errors are clustered at the home country level (the level that receives the treatment). Results are reported in table J.1 and are overall consistent with my expectation. I find the estimate of coefficient $\beta_1$ to be negative and statistically significant. The estimate of coefficient $\beta_2$ is positive but is only statistically significant at the 0.10 conventional level. Estimate for $\beta_3$ instead, is insignificant, a finding that confirms the null-effect of the Convention for dyads with very clean host countries.

These models do not technically control for heterogeneity at the home country-level. Dyad-level fixed-effects only allow to remove idiosyncrasies at the dyad-level. Moreover, observations in the dataset are highly hierarchical and cross-nested (each dyad-year is a lower-level observation nested in a dyad, and cross-nested in home and host countries). Such structure can cause correlation between observations and make for unreliable standard errors unless properly modelled (Bell and Jones, 2015). I then re-estimate the interactive models using random effects, to account for such hierarchical structure, model home and host-country specific variation, and ensure correlation is properly accounted for in the standard errors. Table J.2 reports the results obtained. I follow the same step-wise introduction of control variables approach I adopted earlier. In all specifications I include home country, host country, and dyad-level random intercepts. Estimates of $\beta_1$ are negative and statistically significant, and those of $\beta_2$ are positive and statistically significant. Estimates of $\beta_3$ are statistically significant but inconsistent with my argument: they are positive in models 1 and 2, and negative in models 3 and 4.

I propose one last robustness test using dyadic data. I employ a Heckman selection model to account for the selection process of investment destinations for firms: only investments that have been decided-upon are observable. This is known to introduce selection bias in models that do not account for it (Barassi and Zhou, 2012). Table J.3 presents the results, where controls are introduced step-by-step as done previously. Estimates of $\beta_1$ are negative and statistically significant in the selection model and in three specifications of the outcome model. Estimates of $\beta_2$ are positive and statistically significant in various specifications of the selection and outcome models. This indicates that the Convention enters firms' decision-making process as expected. Again, estimates of $\beta_3$ are positive, contrary to my expectation. These coefficients are also similar in size and significance in the outcome model (columns 2, 3, and 4), indicating that the Convention plays a similar effect also in terms of the size of an investment, once the selection problem has been accounted for. With the exception of the parameter representing the effect of the Convention in very clean countries ($\beta_3$), results in these tests provide support for the argument advanced.

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | Dyad FDI (log) | | | |
| | (1) | (2) | (3) | (4) |
| OECD Convention × | -0.016** | -0.023** | -0.022** | -0.021** |
| Host PACI$^2$ | (0.006) | (0.007) | (0.007) | (0.007) |
| OECD Convention × | 0.080+ | 0.112+ | 0.105+ | 0.101+ |
| Host PACI | (0.043) | (0.056) | (0.055) | (0.056) |
| OECD Convention | 0.231 | 0.266 | 0.188 | 0.200 |
| | (0.175) | (0.199) | (0.180) | (0.183) |
| Lag Host FDI (GDP %) | | 0.005+ | 0.005+ | 0.005 |
| | | (0.003) | (0.003) | (0.003) |
| Lag Host GDP per capita | | -0.005 | -0.005 | -0.001 |
| | | (0.014) | (0.014) | (0.013) |
| Lag Host Trade (GDP %) | | -0.0004 | -0.0003 | -0.0002 |
| | | (0.002) | (0.002) | (0.002) |
| Lag Host POLCON III | | -0.060 | -0.056 | -0.057 |
| | | (0.112) | (0.110) | (0.113) |
| Lag Host Democracy | | -0.134 | -0.131 | -0.141 |
| | | (0.104) | (0.104) | (0.101) |
| Lag Host GDP (log) | | 1.132*** | 1.153*** | 1.134*** |
| | | (0.266) | (0.267) | (0.260) |
| Lag Host Judiciary Indep. | | 0.816+ | 0.724+ | 0.747+ |
| | | (0.433) | (0.428) | (0.421) |
| Home GDP per capita | | | 0.041 | 0.043 |
| | | | (0.038) | (0.038) |
| Home GDP Growth (%) | | | 0.019 | 0.020 |
| | | | (0.012) | (0.012) |
| Home Judiciary Indep. | | | 1.438 | 1.421 |
| | | | (1.088) | (1.080) |
| Dyad BIT | | | | 0.187* |
| | | | | (0.077) |
| Dyad FE | Yes | Yes | Yes | Yes |
| Year FE | Yes | Yes | Yes | Yes |
| Num.Obs. | 13176 | 11471 | 11460 | 11460 |
| R2 | 0.834 | 0.839 | 0.840 | 0.840 |
| *Note:* | + p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001 | | | |

Table J.1: Dyadic country-level data. Twoway Fixed-Effect Models with interaction terms.

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | Dyad FDI | | | |
| | (1) | (2) | (3) | (4) |
| OECD Convention × Host PACI$^2$ | $-0.017^{***}$ | $-0.021^{***}$ | $-0.024^{***}$ | $-0.023^{***}$ |
| | (0.005) | (0.005) | (0.005) | (0.005) |
| OECD Convention × Host PACI | $0.081^{*}$ | $0.111^{**}$ | $0.126^{**}$ | $0.121^{**}$ |
| | (0.038) | (0.039) | (0.039) | (0.039) |
| OECD Convention | $1.017^{***}$ | $0.716^{***}$ | $-0.274^{**}$ | $-0.278^{**}$ |
| | (0.121) | (0.134) | (0.093) | (0.093) |
| Host PACI$^2$ | $-0.040^{***}$ | $0.018^{*}$ | $0.022^{*}$ | $0.018^{*}$ |
| | (0.007) | (0.008) | (0.008) | (0.008) |
| Host PACI | 0.036 | $-0.142^{*}$ | $-0.160^{*}$ | $-0.136^{*}$ |
| | (0.059) | (0.062) | (0.064) | (0.062) |
| Lag Host FDI (GDP %) | | $0.005^{**}$ | $0.005^{**}$ | $0.005^{**}$ |
| | | (0.002) | (0.002) | (0.002) |
| Lag Host GDP per capita | | $0.013^{***}$ | $0.013^{***}$ | $0.013^{***}$ |
| | | (0.004) | (0.004) | (0.004) |
| Lag Host Trade (GDP %) | | $0.004^{***}$ | $0.004^{***}$ | $0.004^{***}$ |
| | | (0.001) | (0.001) | (0.001) |
| Lag Host POLCON III | | −0.065 | −0.069 | −0.031 |
| | | (0.130) | (0.129) | (0.128) |
| Lag Host Democracy | | −0.042 | −0.070 | −0.045 |
| | | (0.082) | (0.082) | (0.081) |
| Lag Host GDP (log) | | $0.480^{***}$ | $0.490^{***}$ | $0.514^{***}$ |
| | | (0.034) | (0.034) | (0.033) |
| Lag Host Judiciary Indep. | | $0.785^{***}$ | $0.770^{**}$ | $0.600^{**}$ |
| | | (0.234) | (0.238) | (0.232) |
| Home GDP per capita | | | $0.167^{***}$ | $0.167^{***}$ |
| | | | (0.007) | (0.007) |
| Home GDP Growth (%) | | | 0.001 | 0.004 |
| | | | (0.009) | (0.009) |
| Home Judiciary Indep. | | | $-1.695^{***}$ | $-1.646^{***}$ |
| | | | (0.308) | (0.304) |
| Dyad BIT | | | | 0.062 |
| | | | | (0.046) |
| Dyad Common Language | | | | $0.877^{***}$ |
| | | | | (0.154) |
| Dyad Colonial Relation | | | | $1.184^{***}$ |
| | | | | (0.193) |
| Dyad distance | | | | $-0.006^{***}$ |
| | | | | (0.001) |
| Constant | $2.758^{***}$ | $-11.350^{***}$ | $-13.387^{***}$ | $-13.838^{***}$ |
| | (0.124) | (0.940) | (0.966) | (0.931) |
| Home-Host, year intercepts | Yes | Yes | Yes | Yes |
| Dyad intercepts | Yes | Yes | Yes | Yes |
| Observations | 13,176 | 11,471 | 11,460 | 11,460 |
| Log Likelihood | −22,710.600 | −19,754.070 | −19,387.740 | −19,317.970 |
| Akaike Inf. Crit. | 45,441.190 | 39,542.140 | 38,815.470 | 38,683.940 |
| *Note:* | | | | $^{+}$ p $<$ 0.1, $^{*}$ p $<$ 0.05, $^{**}$ p $<$ 0.01, $^{***}$ p $<$ 0.001 |

Table J.2: Dyadic country-level data. Multilevel models

Table J.3: Dyadic country-level data. Heckman selection models

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | Dyad FDI (log) | | | |
| | (1) | (2) | (3) | (4) |
| *Selection model* | | | | |
| OECD Convention × | $-0.01^{***}$ | $-0.01^{***}$ | $-0.01^{***}$ | $-0.01^{***}$ |
| Host PACI$^2$ | (0.00) | (0.00) | (0.00) | (0.00) |
| OECD Convention × | 0.01 | $0.04^{+}$ | 0.03 | 0.02 |
| Host PACI | (0.02) | (0.02) | (0.02) | (0.02) |
| OECD Convention | $1.16^{***}$ | $1.11^{***}$ | $0.49^{***}$ | $0.49^{***}$ |
| | (0.04) | (0.04) | (0.04) | (0.04) |
| Host PACI$^2$ | $-0.01^{***}$ | $0.01^{***}$ | $0.01^{***}$ | $0.01^{***}$ |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| Host PACI | $0.03^{**}$ | $-0.03^{**}$ | $-0.06^{***}$ | $-0.08^{***}$ |
| | (0.01) | (0.01) | (0.01) | (0.01) |
| Lag Host FDI (GDP %) | | 0.00 | 0.00 | 0.00 |
| | | (0.00) | (0.00) | (0.00) |
| Lag Host GDP per capita | | $-0.01^{***}$ | $-0.00^{***}$ | $-0.00^{**}$ |
| | | (0.00) | (0.00) | (0.00) |
| Lag Host Trade (GDP %) | | $0.00^{***}$ | $0.00^{***}$ | $0.00^{***}$ |
| | | (0.00) | (0.00) | (0.00) |
| Lag Host POLCON III | | 0.05 | 0.01 | 0.03 |
| | | (0.05) | (0.05) | (0.05) |
| Lag Host Democracy | | 0.00 | 0.02 | −0.01 |
| | | (0.02) | (0.02) | (0.03) |
| Lag Host GDP (log) | | $0.10^{***}$ | $0.14^{***}$ | $0.14^{***}$ |
| | | (0.01) | (0.01) | (0.01) |
| Lag Host Judiciary Indep. | | $0.29^{***}$ | $0.25^{***}$ | $0.19^{***}$ |
| | | (0.05) | (0.05) | (0.06) |
| Home GDP per capita | | | $0.03^{***}$ | $0.03^{***}$ |
| | | | (0.00) | (0.00) |

| | | | | |
|---|---|---|---|---|
| Home GDP Growth (%) | | | $0.04^{***}$ | $0.03^{***}$ |
| | | | (0.00) | (0.00) |
| Home Judiciary Indep. | | | $1.19^{***}$ | $1.27^{***}$ |
| | | | (0.04) | (0.04) |
| Dyad Common Language | | | | $-0.16^{***}$ |
| | | | | (0.02) |
| Dyad Colonial Relation | | | | $0.58^{***}$ |
| | | | | (0.03) |
| Dyad BIT | | | | $0.41^{***}$ |
| | | | | (0.02) |
| Constant | $-1.11^{***}$ | $-3.85^{***}$ | $-6.37^{***}$ | $-6.25^{***}$ |
| | (0.02) | (0.16) | (0.18) | (0.18) |
| *Outcome model* | | | | |
| OECD Convention × | $-0.47$ | $-0.13^{**}$ | $-0.06^{***}$ | $-0.05^{***}$ |
| Host PACI$^2$ | (0.58) | (0.04) | (0.01) | (0.01) |
| OECD Convention × | 0.83 | $0.43^{+}$ | $0.30^{***}$ | $0.25^{***}$ |
| Host PACI | (1.67) | (0.22) | (0.07) | (0.06) |
| OECD Convention | 79.36 | $10.71^{***}$ | 0.35 | 0.10 |
| | (93.42) | (2.97) | (0.25) | (0.21) |
| Host PACI$^2$ | $-0.57$ | $0.06^{*}$ | $0.05^{***}$ | $0.04^{***}$ |
| | (0.63) | (0.03) | (0.01) | (0.01) |
| Host PACI | 2.04 | $-0.39^{**}$ | $-0.36^{***}$ | $-0.26^{***}$ |
| | (2.37) | (0.15) | (0.05) | (0.05) |
| Lag Host FDI (GDP %) | | $0.02^{*}$ | $0.02^{***}$ | $0.02^{***}$ |
| | | (0.01) | (0.00) | (0.00) |
| Lag Host GDP per capita | | $-0.06^{**}$ | 0.00 | $0.01^{*}$ |
| | | (0.02) | (0.00) | (0.00) |
| Lag Host Trade (GDP %) | | $0.02^{**}$ | $0.01^{***}$ | $0.01^{***}$ |
| | | (0.01) | (0.00) | (0.00) |
| Lag Host POLCON III | | 0.22 | 0.03 | 0.13 |
| | | (0.51) | (0.18) | (0.16) |
| Lag Host Democracy | | $-0.18$ | $-0.00$ | 0.09 |
| | | (0.23) | (0.09) | (0.08) |
| Lag Host GDP (log) | | $1.28^{***}$ | $0.86^{***}$ | $0.76^{***}$ |

| | | | | |
|---|---|---|---|---|
| | | (0.29) | (0.07) | (0.05) |
| Lag Host Judiciary Indep. | | 3.38*** | 1.24*** | 0.92*** |
| | | (0.98) | (0.23) | (0.19) |
| Home GDP per capita | | | 0.24*** | 0.22*** |
| | | | (0.01) | (0.01) |
| Home GDP Growth (%) | | | 0.04* | 0.03 |
| | | | (0.02) | (0.02) |
| Home Judiciary Indep. | | | 0.75 | −0.07 |
| | | | (0.66) | (0.57) |
| Dyad Common Language | | | | 0.31** |
| | | | | (0.10) |
| Dyad Colonial Relation | | | | 2.11*** |
| | | | | (0.23) |
| Dyad BIT | | | | 0.32+ |
| | | | | (0.17) |
| Constant | −146.10 | −52.88*** | −30.78*** | −26.05*** |
| | (178.27) | (14.10) | (3.63) | (2.86) |
| Inverse Mills Ratio | 92.99 | 12.65*** | 3.24*** | 2.24*** |
| | (110.52) | (3.66) | (0.66) | (0.53) |
| Sigma | 81.03 | 11.20 | 3.35 | 2.66 |
| Rho | 1.15 | 1.13 | 0.97 | 0.84 |
| $R^2$ | 0.11 | 0.13 | 0.43 | 0.47 |
| Num. obs. | 77798 | 60668 | 56920 | 56920 |
| Censored | 64622 | 49197 | 45460 | 45460 |
| Observed | 13176 | 11471 | 11460 | 11460 |

*Note:* + p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

# References


Abbott, K. W. and Snidal, D. (2002). Values and interests: International legalization in the fight against corruption. *The Journal of Legal Studies*, 31(S1):S141–S177.

Arel-Bundock, V. (2022). *WDI: World Development Indicators and Other World Bank Data*. R package version 2.7.8.

Barassi, M. R. and Zhou, Y. (2012). The effect of corruption on FDI: A parametric and non-parametric

analysis. *European Journal of Political Economy*, 28(3):302–312.

Beazer, Q. H. and Blake, D. J. (2018). The conditional nature of political risk: How home institutions influence the location of foreign direct investment. *American Journal of Political Science*, 62(2):470–485.

Bell, A. and Jones, K. (2015). Explaining fixed effects: Random effects modeling of time-series cross-sectional and panel data. *Political Science Research and Methods*, 3(1):133–153.

Brewster, R. (2017). Enforcing the FCPA: International resonance and domestic strategy. *Virginia Law Review*, pages 1611–1682.

Coppedge, M., Gerring, J., Knutsen, C. H., Lindberg, S. I., Teorell, J., Altman, D., Bernhard, M., Fish, M. S., Glynn, A., Hicken, A., Lührmann, A., Marquardt, K. L., McMann, K., Paxton, P., Pemstein, D., Seim, B., Sigman, R., Skaaning, S.-E., Staton, J., Wilson, S., Cornell, A., Alizada, N., Gastaldi, L., Gjerløw, H., Hindle, G., Ilchenko, N., Maxwell, L., Mechkova, V., Medzihorsky, J., von Römer, J., Sundström, A., Tzelgov, E., Wang, Y.-t., Wig, T., and Ziblatt, D. (2020). V-dem country-year dataset v10.

Escresa, L. and Picci, L. (2017). A new cross-national measure of corruption. *The World Bank Economic Review*, 31(1):196–219.

Goodman-Bacon, A. (2018). Difference-in-differences with variation in treatment timing. Technical report, National Bureau of Economic Research.

Imai, K. and Kim, I. S. (2020). On the use of two-way fixed effects regression models for causal inference with panel data. *Political Analysis*.

Kalemli-Ozcan, S., Sorensen, B., Villegas-Sanchez, C., Volosovych, V., and Yesiltas, S. (2015). How to construct nationally representative firm level data from the orbis global database: New facts and aggregate implications. Technical report, National Bureau of Economic Research.

OECD (2018). Fighting the crime of foreign bribery. the Anti-Bribery Convention and the OECD Working Group on Bribery. Technical report, Organization for the Economic Cooperation and Development.

Teorell, J., Dahlberg, S., Holmberg, S., Rothstein, B., Alvarado Pachon, N., and Axelsson, S. (2020). The quality of government standard dataset, version jan20.

Tomashevskiy, A. (2021). Economic statecraft by other means: The use and abuse of anti-bribery prosecution. *International Studies Quarterly*, 65(2):387–400.

Von Stein, J. (2008). The international law and politics of climate change: Ratification of the United Nations Framework Convention and the Kyoto Protocol. *Journal of Conflict Resolution*, 52(2):243–268.