Commercial Diplomacy and Political Risk – Supplementary Material

Geoffrey Gertz
gtgertz@brookings.edu

Table A1: Descriptive Statistics

Variable	Observations	Mean	Standard Deviation	Min	Max
Arbitrations (count)	1918	0.06	0.34	0.00	7.00
Ambassador Vacancy (% of year)	1862	0.18	0.28	0.00	1.00
Extended Ambassador Vacancy (yes/no)	1862	0.14	0.34	0.00	1.00
Rule of Law (index)	1876	2.03	0.72	0.39	4.27
US Ratified BIT (yes/no)	1918	0.28	0.45	0.00	1.00
US FDI stock (log)	1558	18.06	5.51	0.00	25.70
Investment Climate (index, lagged one year)	1442	7.99	2.14	0.00	12.00
Democracy (index)	1693	2.46	6.28	-10.00	10.00
Natural Resource Rents ($, log)	1701	20.09	4.21	0.00	27.08
GDP PC ($, log)	1839	7.69	1.35	4.82	11.39

Table A2: Results When Splitting Sample by Rule of Law

DV: Investment Arbitration Claims	4	5
Count Model		
Ambassador Vacancies	1.379***	0.59
	(0.408)	(1.316)
Investment Climate	-0.364***	0.07
	(0.096)	(0.138)
Arbitration Claims (lagged)	0.092	0.927*
	(0.105)	(0.489)
Democracy	-0.001	0.075*
	(0.034)	(0.041)
Natural Resource Rents	0.119	0.312*
	(0.134)	(0.172)
GDP PC (log)	15.367**	5.012
	(6.571)	(4.222)
GDP PC^2 (log)	-0.914**	-0.324
	(0.385)	(0.265)
Constant	-64.751**	-29.989
	(27.668)	(18.983)
Inflation Model		
Ratified BIT	-9.779***	-4.346
	(2.784)	(3.522)
US FDI Stock (log)	-2.699***	-0.271**
	(0.884)	(0.127)
Constant	62.994***	7.336***
	(20.004)	(2.071)
Year Fixed Effects	*Yes*	*Yes*
Robust SE clustered by country	*Yes*	*Yes*
N	*494*	*552*

Note: Standard errors in parentheses. Model 4 includes only observations with below average Rule of Law scores; Model 5 includes only observations with above average Rule of Law scores

* p<0.1, ** p<0.05, *** p<0.01

Table A3: Results Including Additional Control Variables

DV: Investment Arbitration Claims	6	7	8
Count Model			
Ambassador Vacancies	2.808***	2.931***	2.825
	(1.077)	(1.055)	(1.957)
Ambassador Vacancies * Rule of Law	-1.153*	-1.244*	-0.997
	(0.671)	(0.651)	(1.069)
Rule of Law	-0.349	-0.116	-0.199
	(0.519)	(0.436)	(0.400)
Investment Climate	-0.132	-0.159**	-0.149**
	(0.104)	(0.079)	(0.063)
Arbitration Claims (lagged)	0.121	0.142	0.094
	(0.124)	(0.125)	(0.110)
Democracy	0.060**	0.061**	0.056*
	(0.027)	(0.027)	(0.031)
Natural Resource Rents	0.242	0.271*	0.397***
	(0.156)	(0.145)	(0.116)
GDP PC (log)	6.92	7.265*	10.227**
	(4.484)	(3.965)	(4.468)
GDP PC^2 (log)	-0.409	-0.433*	-0.615**
	(0.277)	(0.243)	(0.268)
Total BITs Ratified	0.008		
	(0.009)		
Cooperative Relations		0.12	
		(0.176)	
US Aid			38.441
			(32.191)
Constant	-35.022*	-37.116**	-51.527***
	(19.722)	(17.412)	(18.754)
Inflation Model			
Ratified BIT	-3.576***	-3.618***	-4.092***
	(0.764)	(0.751)	(0.726)
US FDI Stock (log)	-0.482**	-0.490**	-0.393**
	(0.238)	(0.237)	(0.188)
Constant	12.690**	12.921***	11.370***
	(4.974)	(4.934)	(4.107)
Year Fixed Effects	*Yes*	*Yes*	*Yes*
Robust SE clustered by country	*Yes*	*Yes*	*Yes*
N	*1052*	*1049*	*905*

Note: Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01

Table A4: Results Using Alternative Models (I)

DV: Investment Arbitration Claims	9	10	11	12	13
Count Model					
Ambassador Vacancies	2.475*	3.538**	2.105***	4.09	3.869**
	(1.347)	(1.638)	(0.794)	(2.568)	(1.811)
Ambassador Vacancies * Rule of Law	-1.249*	-1.596*	-0.831**	-1.754	-1.453
	(0.739)	(0.964)	(0.415)	(1.466)	(0.938)
Rule of Law	0.138	0.266	0.197	-0.646	0.062
	(0.970)	(0.557)	(0.232)	(0.492)	(0.244)
Investment Climate	-0.023	-0.143	-0.156**	-0.151**	-0.169**
	(0.142)	(0.114)	(0.073)	(0.061)	(0.071)
Arbitration Claims (lagged)	0.146	0.944**	0.187*	0.007	0.132
	(0.112)	(0.401)	(0.110)	(0.093)	(0.111)
Democracy		0.057	0.070***	0.045	0.050+
		(0.037)	(0.025)	(0.034)	(0.029)
Natural Resource Rents		0.301*	0.377***	0.390***	0.406***
		(0.160)	(0.086)	(0.104)	(0.120)
GDP PC (log)		4.255	3.340*	18.644***	2.796
		(3.059)	(1.833)	(4.652)	(2.600)
GDP PC^2 (log)		-0.251	-0.199*	-1.111***	-0.152
		(0.185)	(0.110)	(0.275)	(0.154)
Ratified BIT		2.202***			
		(0.637)			
US FDI Stock (log)		0.168*			
		(0.097)			
Constant	-1.265	-32.515***	-23.350***	-85.508***	-22.049*
	(2.838)	(12.550)	(7.646)	(19.446)	(12.271)
Inflation Model					
Ratified BIT	-2.652**		-3.700***	-6.096***	-6.112***
	(1.140)		(0.685)	(1.037)	(1.048)
US FDI Stock (log)	-0.569***		-0.327***	-0.296*	-0.255*
	(0.202)		(0.121)	(0.180)	(0.141)
Constant	13.058***		9.776***	11.194***	11.014***
	(4.615)		(2.718)	(3.994)	(3.416)
Year Fixed Effects	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Country Fixed Effects	*Yes*	*No*	*No*	*No*	*No*
Model Type	*ZIP*	*Logit*	*ZIP*	*ZIP*	*ZIP*
Includes High Income Countries	*No*	*No*	*Yes*	*No*	*Yes*
Includes Disputes Filed Under Non-US Treaties	*Yes*	*Yes*	*Yes*	*No*	*No*
Robust SE clustered by country	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
N	*1218*	*1052*	*1418*	*1052*	*1,418*

Note: Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01

Table A5: Results Using Alternative Models (II)

DV: Investment Arbitration Claims	14	15	16	17
Count Model				
Ambassador Vacancies	4.006***	3.924***	3.776***	2.886***
	(1.335)	(1.308)	(1.374)	(1.041)
Ambassador Vacancies * Rule of Law	-1.811**	-1.664**	-1.579*	-1.219*
	(0.808)	(0.797)	(0.860)	(0.628)
Rule of Law	-0.15	-0.245	-0.174	-0.059
	(0.474)	(0.563)	(0.606)	(0.403)
Investment Climate	-0.204**	-0.224***	-0.219***	-0.172**
	(0.095)	(0.078)	(0.080)	(0.077)
Arbitration Claims (lagged)	0.185**	0.166	0.22	0.137
	(0.084)	(0.109)	(0.174)	(0.123)
Democracy	0.044	0.029	0.032	0.059**
	(0.033)	(0.031)	(0.034)	(0.027)
Natural Resource Rents	0.292**	0.236*	0.244*	0.274**
	(0.143)	(0.123)	(0.128)	(0.140)
GDP PC (log)	3.69	5.064	4.811	7.666**
	(3.885)	(3.141)	(3.164)	(3.834)
GDP PC^2 (log)	-0.2	-0.28	-0.268	-0.459*
	(0.231)	(0.185)	(0.185)	(0.235)
Ratified BIT	1.579**	2.216***	2.219***	
	(0.660)	(0.490)	(0.507)	
US FDI Stock (log)	-0.15	0.165*	0.163*	
	(0.130)	(0.090)	(0.090)	
Constant	-21.635	-33.844***	-32.904***	-38.491**
	(16.574)	(12.730)	(12.623)	(16.898)
Inflation Model				
Ratified BIT	-2.038*			-3.615***
	(1.171)			(0.738)
US FDI Stock (log)	-0.725*			-0.488**
	(0.413)			(0.235)
Constant	16.520*			12.934***
	(9.015)			(4.938)
Year Fixed Effects	*Yes*	*Yes*	*Yes*	*Yes*
Country Fixed Effects	*No*	*No*	*No*	*No*
Model Type	*ZIP*	*Poisson*	*NBREG*	*ZINB*
Includes High Income Countries	*No*	*No*	*No*	*No*
Includes Disputes Filed Under Non-US Treaties	*Yes*	*Yes*	*Yes*	*Yes*
Robust SE clustered by country	*Yes*	*Yes*	*Yes*	*Yes*
N	*1052*	*1052*	*1052*	*1052*

Note: Standard errors in parentheses

* p<0.1, ** p<0.05, *** p<0.01