

On-Line Appendix

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I. Data Set and Variables

1. **Data set** - the unit of analysis is the treaty and the data set includes 2,595 BITs from 1959, the year in which the first BIT was signed, to 2007.

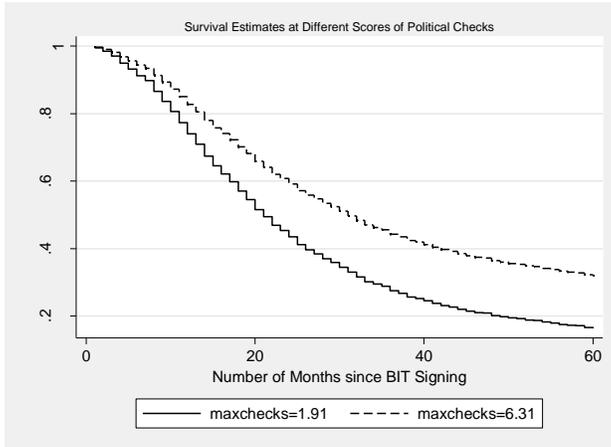
2. Variables

- **dyad** – Correlates of War (COW) country code 1*1,000 + country code 2
- **ccode1** – COW country numerical code 1
- **ccode2** – COW country numerical code 2
- **statea** – COW three letter country code 1
- **stateb** – COW three letter country code 2
- **statei** – COW country 1 name
- **statej** – COW country 2 name
- **daysign** – day of BIT signing
- **monthsign** – month of BIT signing
- **years sign** – year of BIT signing
- **dayforce** – day of BIT entry into force
- **monthforce** – month of BIT entry into force
- **yearforce** – year of BIT entry into force
- **ensor** – dummy variable; coded one if BIT entered into force before or in 2007, zero otherwise.
- **month_count (Time Force)** – the “spell,” the number of months passed from signature to entry into force or to 2007 for treaties not mutually ratified.
- **maxhurdles (Legislative Hurdles)** - formal legal hurdles to ratification. An ordinal variable that ranges from 0 to 3 as follows:
 - 0 No legislative approval required
 - 1 Majority in one house required
 - 2 Majority in two houses required
 - 3 Supermajority in one or two houses required
 - For each dyad the higher value is taken. Coding is based on information provided by Hathaway (2008), supplemented by the authors.
- **maxpolconv (Political Constraints)** – Henisz’ (2000) Political Constraints variable, which includes the judiciary or sub-federal institutions (known as POLCON V). The higher value in the year of BIT signing is used.
- **maxchecks (Checks DPI)** – a measure of checks and balances from the World Bank’s Database on Political Institutions (Beck et al. 2001). The higher value in the year of BIT signing is used.

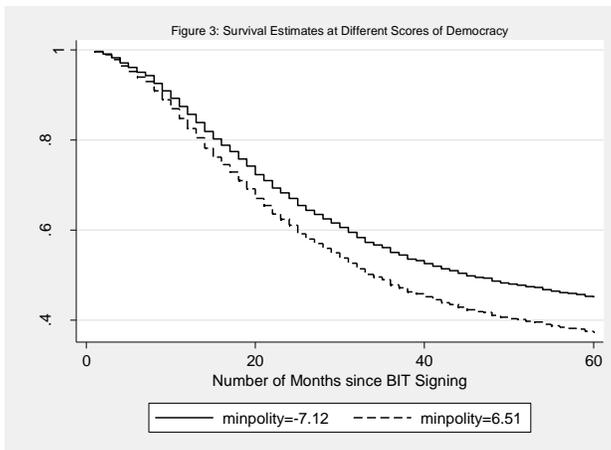
- **minpolity (*Democracy*)** – the Polity score in the Polity IV data set (Marshall and Jaggers 2009). The lower Polity score in the dyad in the year of BIT signing is used.
- **minratio (*Ratification Ratio*)** – the percentage of signed BITs that had entered into force by the year prior to the signing of the observed BIT for a given country. This variable ranges from zero for countries with no BITs in force to one for countries with all BITs are mutually ratified. The lower value in the dyad is used.
- **min_laworder (*Law and Order*)** – The *Law and Order* component of the International Country Risk Guide (ICRG) index (PRS Group). It ranges from 0 for countries with weak legal systems that are routinely ignored to 6 for countries with powerful and impartial legal systems that benefit from high popular observance. The value for the country with the lower score on this variable in the year of BIT signing is used.
- **ln_mingdp (*GDP*)** – the natural logarithm of the smaller economy’s gross domestic product in the year of BIT signing. Data are from *Penn World Tables 7.0* (Heston et al. 2011).
- **min_govexp (*Government Expenditure*)** – government spending as a percentage of GDP. The value of the country with the lower value in the year of BIT signing is used. Data are from the *World Development Indicators* (World Bank).
- **comlang (*Common Language*)** – a dummy variable coded one if the BIT partners share a formal language and zero otherwise.
- **comcol (*Colonial Ties*)** – a dummy variable coded one if the BIT partners share a colonial heritage and zero otherwise.
- **Atopally (*Alliance*)** – a dummy variable coded one if the BIT partners share a formal alliance at the time of BIT signing and zero otherwise. Data are from Leeds et al. (2005).
- **s2un (*Affinity UN*)** – a measures of voting similarity in the United Nations General Assembly. The value in the year of BIT signing is used. Data are from Gartzke and Jo (2002).
- **log_gapgdppc (*Development Gap*)** – the natural log of the difference in the dyad’s GDP per capita in the year of BIT signing. Data are from *Penn World Tables 7.0* (Heston et al. 2011).
- **maxcomlaw (*Common Law*)** – a dichotomous variable that scores one if at least one party has a common law system (that is, one of British origin) and zero otherwise. Data are from La Porta et al. (2008).
- **fdi_host (*Host FDI/GDP*)** – net FDI inflows as a proportion of GDP of the state with the lower GDP per capita. Data are from UNCTAD (2009).
- **fdi_home (*Home FDI/GDP*)** – net FDI outflows as a proportion of GDP of the state with the higher GDP per capita. Data are from UNCTAD (2009).
- **coldwar (*Cold War*)** – a dummy variable that scores one from 1959 to 1989 and zero thereafter.
- **maxexecleft (*Left in Office*)** – a dummy variable coded one if a left-wing party is in office in at least one country and zero otherwise in the year of BIT signing. Data are from Beck et al. (2001).

II. Additional Survival Graphs

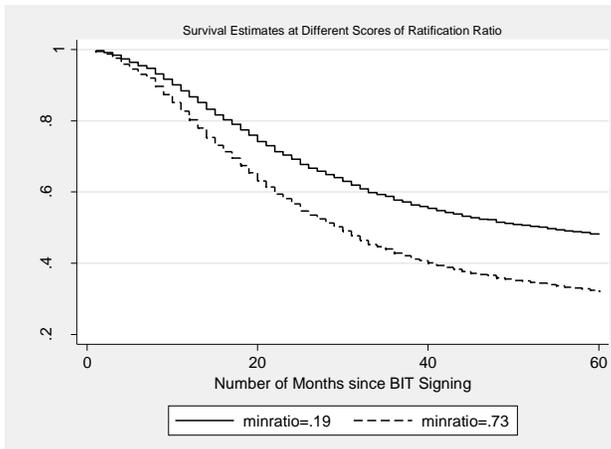
1. Checks DPI (based on Model 11, Table 2)



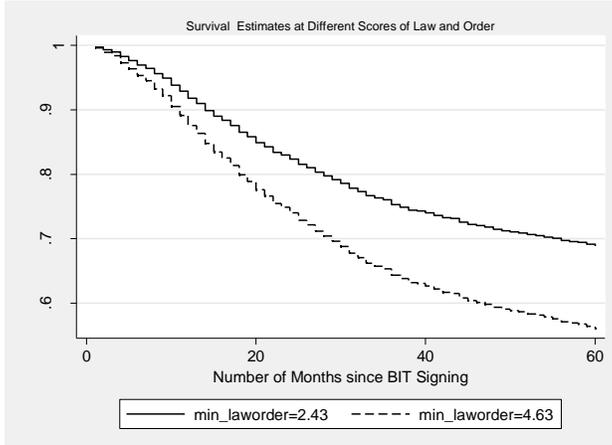
2. Democracy (based on Model 1, Table 1)



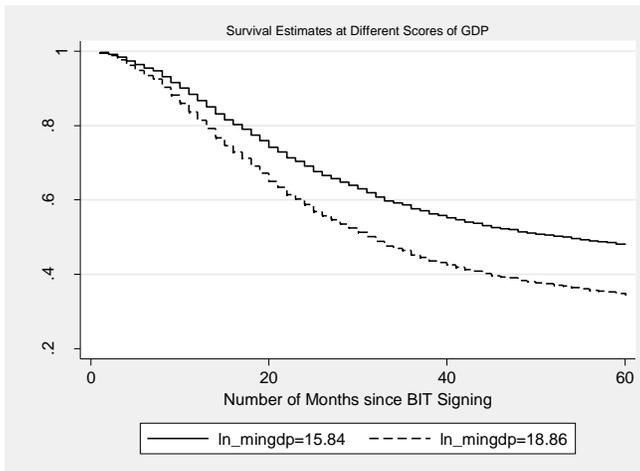
3. Ratification Ratio (based on Model 1, Table 1)



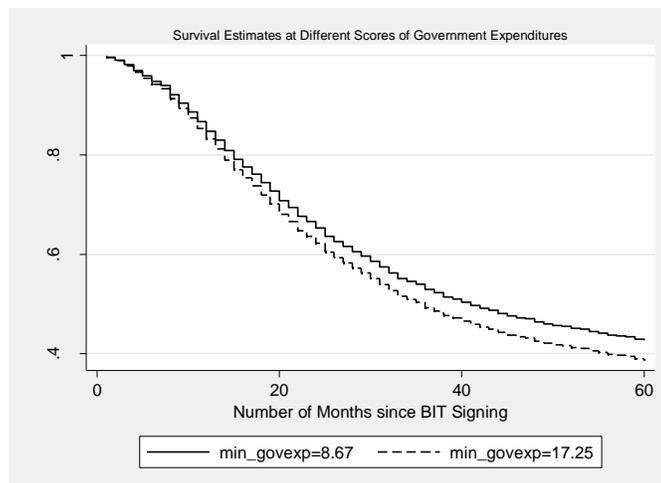
4. Law and Order (based on Model 10, Table 2)



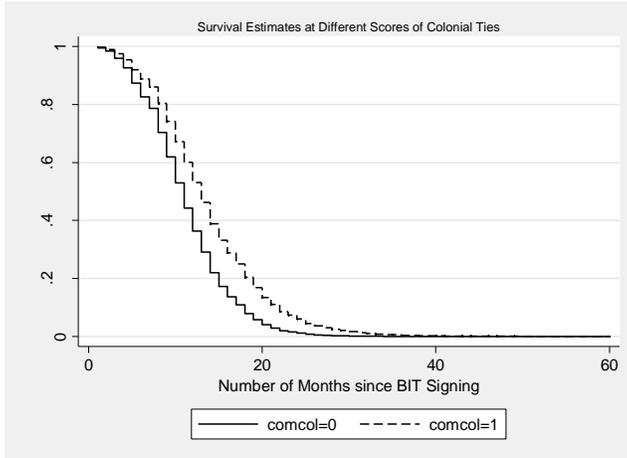
5. GDP (based on Model 1, Table 1)



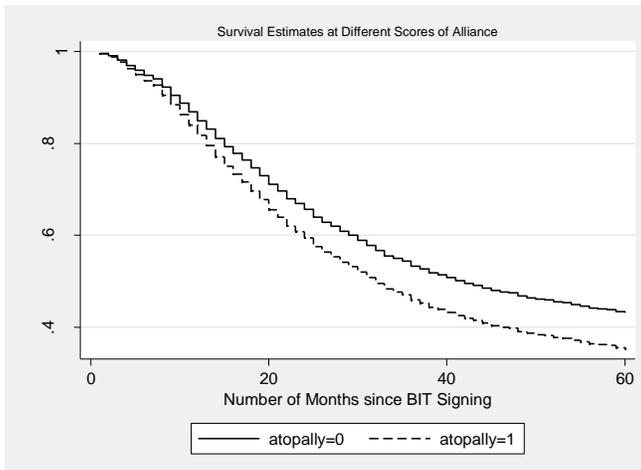
6. Government Expenditures (based on Model 1, Table 1)



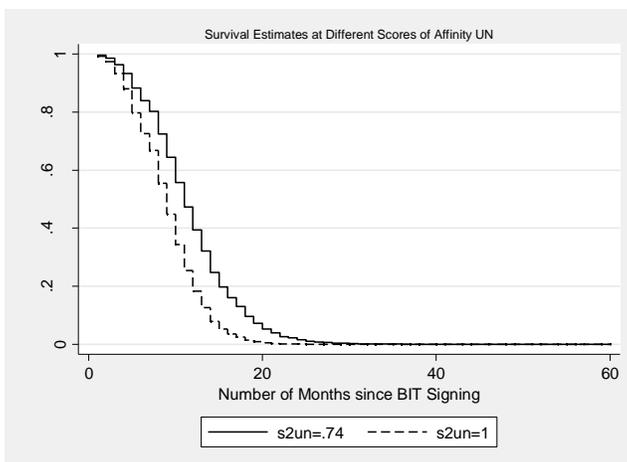
7. Colonial Ties (based on Model 2, Table 1)



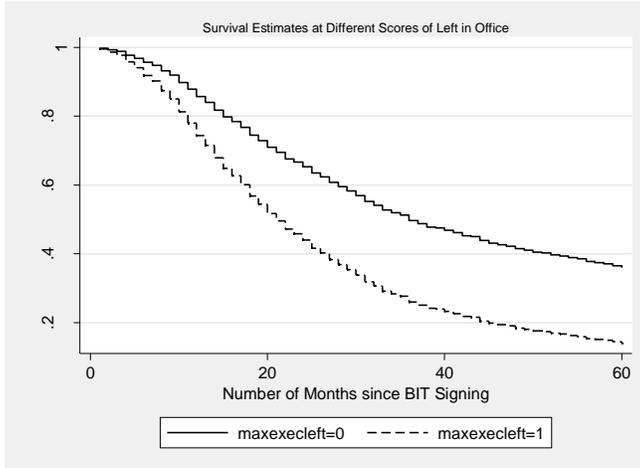
8. Alliance (based on Model 1, Table 1)



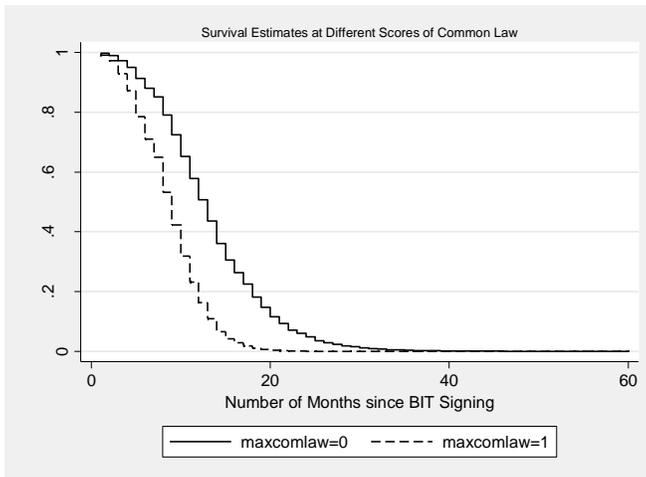
9. Affinity (based on Model 2, Table 1)



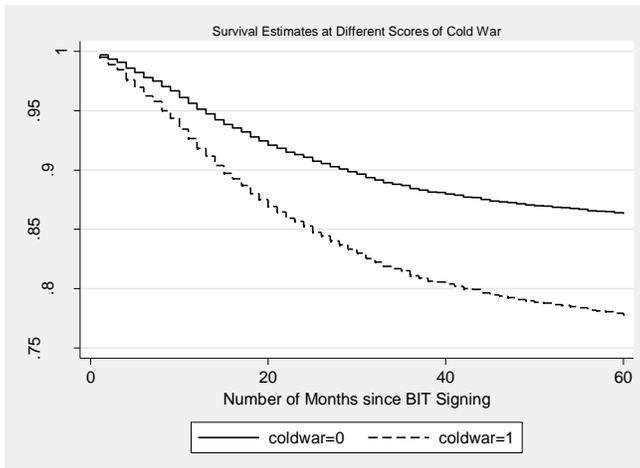
10. Left in Office (based on Model 12, Table 2)



11. Common Law (based on Model 2, Table 1)



12. Cold War (based on Model 5, Table 1)



III. Robustness Checks

1. **Selection Bias** – though we think that selection bias is not a major problem given our question, we made a considerable effort to address this issue. It is worth noting that models that combine selection and event history analysis have been developed only recently and suffer from some limitations. We applied a duration with selection model (Boehmke et al. 2006) to our data (with the kind help of Fred Boehmke, a political scientist at the University of Iowa). Because the *Weibull* model did not converge, we employed the simpler *log* model. We found that the results are largely consistent with our proportional hazard models that do not account for selection effects. This can be seen in Table OA1 below, which compares the selection model to three specifications that do not include selection. One weakness of the selection model is that it does not account for non-proportional hazard rates, which turned out to be important in the empirical analysis.
2. **Proportional Cox and Weibull Models** – one weakness of the selection model is that it does not account for non-proportional hazard rates. As mentioned in the article, this issue turned out to be important in the empirical analysis. We illustrate this point in Table OA1, which compares a “naïve” (i.e. proportional) Weibull and Cox model with a non-proportional Cox model and the results of the *Schoenfeld PH* test.
3. **Change in government ideology** – Grieco et al. (2009) argue that *shifts* in the partisan orientation of a government are more meaningful than cross-national measures of governments’ absolute orientations. Using the DPI dataset, we tested for three kinds of shifts in the executive’s political ideology: from right to left, from left to right, and any change in government ideology. They are reported in Table OA2 below. Note that we had to turn to a dyad-year set up to estimate these models appropriately. All the variables that capture a shift in government ideology are statistically insignificant. Reassuringly, the results on the other variables remain intact.

Table AO1: Selection Model and Comparisons

	<i>Model 1: Duration with Selection</i>	<i>Model 2: "Naïve" Weibull</i>	<i>Model 3: "Naïve" Cox</i>	<i>Model 4: Non Proportional Cox</i>	<i>Schoenfeld PH Test</i>
Selection Equation					
<i>Legislative Hurdles</i>	.025*** (3.67)				
<i>Common Law</i>	-.127*** (-12.00)				
<i>Host Economic Growth</i>	.001*** (2.43)				
<i>Common Language</i>	.025 (1.39)				
<i>Colonial Ties</i>	-.013 (-.75)				
<i>Host FDI Inflow/GDP</i>	-.006*** (-6.00)				
<i>Home FDI outflow/GDP</i>	-.001 (-13.08)				
<i>OECD Dyad</i>	-.382*** (-5.25)				
<i>Cold War</i>	-.313*** (-18.65)				
Outcome Equation					
<i>Legislative Hurdles</i>	-.196*** (-4.75)	-.229*** (-4.25)	-.209*** (-4.58)	-1.104*** (-7.11)	.096*** (15.11)
<i>Democracy</i>	.015*** (3.98)	.025*** (4.99)	.023*** (5.92)	.023*** (6.08)	.001 (.06)
<i>Ratification Ratio</i>	.328*** (2.93)	.087 (.66)	.092 (.90)	.822** (2.09)	-.064*** (7.05)
<i>GDP</i>	.073*** (3.61)	.131*** (5.49)	.125*** (6.34)	.116*** (5.87)	-.011 (.19)
<i>Common Language</i>	.106 (.89)	.171 (1.27)	.058 (.49)	.035 (.30)	.014 (.33)
<i>Colonial Ties</i>	-.340** (-3.04)	-.531*** (-3.61)	-.396*** (-3.15)	-.375*** (-3.02)	-.040* (2.92)
<i>Development Gap</i>	.044** (2.05)	.107*** (3.73)	.083*** (3.43)	.079*** (3.29)	.027 (1.38)
<i>Host FDI Inflow/GDP</i>	.017*** (2.87)	.010* (1.75)	.004 (.75)	.003 (.60)	-.004 (.02)
<i>Home FDI outflow/GDP</i>	.028*** (3.24)	.004 (.50)	.001 (.21)	.002 (.23)	.001 (.04)
<i>Common Law</i>	-.113** (-2.06)	-.322*** (-4.71)	-.239*** (-4.27)	.485** (2.49)	-.107*** (18.08)

<i>Cold War</i>	-.077 (-.41)	.300** (2.34)	.404*** (4.63)	.238 (.73)	.404*** (4.63)
<i>Legislative Hurdles* ln(t)</i>				.304*** (6.00)	
<i>Ratification Ratio* ln(t)</i>				-.249* (-1.92)	
<i>Common Law* ln(t)</i>				-.248*** (3.86)	
<i>Cold War* ln(t)</i>				.053 (.53)	
χ^2	745.5***	143.29***	170.33**	235.29***	
N	1,714	1,996	1,996	1,996	
N (selection)	232,751				
rho	.108*** (3.81)				
Global Schoenfeld					47.32***

Note: *p<.1; **p<.05; ***p<.01 (two-tailed test). Figures in parentheses are z statistics for models 1 – 4 and χ^2 for the PH test. **Numbers are coefficients:** numbers > 0 indicate higher risk of termination; numbers < 0 indicate lower risk of termination. The selection equation employs the *dursel* command with the log function. Numbers > 0 (< 0) indicate higher (lower) likelihood of BIT signing.

Table OA2: Cox Proportional Hazard Estimates – Political Party Change

	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>
Legislative Hurdles	.553*** (-5.18)	.552*** (-5.18)	.553*** (-5.19)			
Political Constraints				.233*** (-3.01)	.222*** (-3.12)	.232*** (-3.02)
Democracy	1.019*** (5.41)	1.020*** (5.51)	1.019*** (5.41)	1.011*** (3.08)	1.012*** (3.20)	1.011*** (3.13)
Ratification Ratio	1.192* (1.82)	1.186* (1.78)	1.193* (1.83)	1.229** (2.15)	1.228** (2.14)	1.232** (2.17)
GDP	1.103*** (4.87)	1.106*** (5.01)	1.103*** (4.88)	1.168*** (3.05)	1.166*** (3.02)	1.167*** (3.03)
Government Expenditure	1.011** (1.98)	1.012** (2.14)	1.011** (1.99)	1.003 (.64)	1.005 (.81)	1.003 (.63)
Common Language	1.107 (0.98)	1.109 (1.01)	1.104 (.96)	1.147 (1.34)	1.150 (1.37)	1.142 (1.30)
Colonial Ties	.640*** (-3.97)	.639*** (-3.98)	.640*** (-3.96)	.644*** (-3.99)	.644*** (-4.00)	.646*** (-3.96)
Development Gap	1.045** (1.98)	1.046** (2.03)	1.046** (2.05)	1.031 (1.36)	1.033 (1.46)	1.033 (1.48)
Host FDI Inflow/GDP	1.004 (.81)	1.003 (.71)	1.004 (.81)	1.004 (.87)	1.004 (.78)	1.004 (.88)
Home FDI outflow/GDP	.999 (-.04)	.999 (-.03)	.999 (-.08)	.994 (-.76)	.994 (-.77)	.994 (-.82)
Common Law	1.377** (2.13)	1.379** (2.13)	1.378** (2.13)	1.438** (2.39)	1.438** (2.38)	1.439** (2.39)
Cold War	1.167 (1.48)	1.173 (1.54)	1.169 (1.50)	1.084 (.77)	1.089 (.81)	1.087 (.79)
Exec. Party Move - Left	1.085 (.89)			1.130 (1.30)		
Exec Party Move - Right		.983 (-.18)			.996 (-.03)	
Exec Party Move - All			1.012 (.20)			1.008 (.13)
χ^2	153.4***	153.1***	151.9***	137.4***	135.5***	135.0***
N	1,749	1,758	1,749	1,690	1,699	1,690
NT	5,857	5,918	5,857	5,712	5,772	5,712

Note: *p<.1; **p<.05; ***p<.01 (two-tailed test). Figures in parentheses are z statistics. All models are Cox proportional hazard. **Numbers are hazard ratio:** numbers > 1 indicate higher risk of termination; numbers < 1 indicate lower risk of termination. All models are tested for the proportional hazard assumption with the Schoenfeld test. Variables that violate the assumption are interacted with the logged function of *Time Force*.

IV. Correlation Matrix

	Legislative Hurdles	Pol. Constraints	Checks DPI	Democracy	Ratification Ratio	Law and Order	GDP	Govt. Expenditure	Common Language	Colonial Ties	Alliance	Affinity UN	Development Gap	Left in Office	Host FDI/GDP	Home FDI/GDP	Common Law
Political Constraints	.21																
Checks DPI	.17	.32															
Democracy	.25	.35	.32														
Ratification Ratio	-.07	-.04	-.10	-.10													
Law and Order	-.11	.23	.08	.01	.07												
GDP	.13	.16	.21	.11	-.09	.09											
Govt. Expenditure	.01	.12	-.01	-.07	.10	.31	-.08										
Common Language	.01	-.09	-.14	.01	-.09	-.15	-.16	-.10									
Colonial Ties	.01	-.11	-.01	.03	-.10	-.18	-.20	-.13	.67								
Alliance	.09	.01	-.07	.24	-.01	.05	-.05	.03	.32	.15							
Affinity UN	-.15	-.28	-.16	-.05	-.01	.05	-.03	-.10	.15	.15	.25						
Development Gap	.01	.20	.09	.05	.04	.08	.05	.18	-.21	-.21	-.19	-.39					
Left in Office	-.05	-.01	.09	.06	-.11	.01	.01	.05	-.01	.01	-.09	-.04	.09				
Host FDI/GDP	-.05	.01	-.05	-.02	.12	.15	-.11	-.03	.02	.02	.03	-.02	.01	.09			
Home FDI/GDP	.01	.16	.07	.18	.08	.03	-.01	.08	-.07	-.04	-.11	-.18	.33	.20	.01		
Common Law	-.05	.01	.11	-.02	.01	-.04	-.03	-.03	-.04	-.03	-.15	-.26	.11	-.06	-.09	.08	
Cold War	.01	-.07	-.03	-.14	.02	-.26	.01	.01	-.04	-.01	-.09	-.20	.09	.01	-.14	-.01	.09

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