Foreign Direct Investment as Constituency Demand: Electoral Institutions and Bilateral Investment Treaties

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Abstract: In this paper we argue that bilateral investment treaties between the United States and other nation-states provide cross-national data to explore how domestic political institutions can affect policies that privilege special interests. We argue that political institutions that create personal vote seeking incentives lead legislators to carve out numerous exceptions for special interests in bilateral investment treaties signed with the United States. In our empirical analysis of nineteen bilateral investment treaties between the United States and as many countries from 1982 to 2004, we find that personal vote seeking incentives are a robust predictor of the number of exceptions added to bilateral investment treaties.

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1. Introduction

Bilateral investment treaties (BITs)---international treaties on the treatment of investment between two countries---have existed for decades, yet these treaties have only recently garnered significant academic attention. The main benefit of these treaties is to reduce risks for multinational investors by increasing policy certainty and giving international investors many of the same rights and privileges that domestic investors enjoy. Scholars continue to debate the effectiveness of these treaties and the actual impact on investment patterns, yet an important element of BITs has been left unexplored.¹

In this paper we argue that bilateral investment treaties can provide answers to broader questions in political science. BITs are not exogenously supplied to random pairs of countries; they are the result of complex negotiations between countries and in most cases are ratified by domestic legislatures. Thus BITs are the product of political wrangling and compromise, yielding treaties that protects foreign investors in general and provides numerous exceptions for specific domestic industries. These treaties provide us with a rich data resource on exceptions provided to specific domestic actors.

Specifically, exploring the universe of U.S. bilateral investment treaties (treaties between the United States and other countries) provides us with a comparable measure of policy towards multinational investors. As argued later in this paper, the U.S. bases its negotiations on "model BITs", i.e., the U.S. offers a standard treaty to every nation that it chooses to approach. Although these treaties all begin with the same elements, numerous

¹ For studies of how BITs affect FDI see, UNCTAD 1998; Hallward-Driemeir 2003; Salacus and Sullivan 2005; Tobin and Rose-Ackerman 2007. See also Blonigen and Davis 2004 on bilateral tax treaties and Büthe and Milner 2006 on preferential trade agreements.

exceptions are written into the treaties. Our main theoretical argument is that negotiation leverage and electoral institutions will drive the differences across BITs. Large countries such as Argentina will have more leverage over the U.S. relative to smaller BIT signers such as Albania, leading Argentina to have more exceptions written into the investment treaty². More importantly, countries with electoral institutions that create incentives to cultivate a "personal vote" will provide politicians greater incentives to respond to demands from special interests, leading to more exceptions.

2. Bilateral Investment Treaties and Foreign Direct Investment

The ability to attract and garner foreign direct investment (FDI) is seen as one of the keys to economic development.³ However, a difficult problem confronts foreign investors seeking to invest in developing countries---inadequate legal and regulatory systems in many of these countries fail to adequately protect private property and discourage foreign investment.⁴ A mechanism designed to mitigate this lack of institutional credibility in developing countries and promote a receptive climate for FDI is the bilateral investment treaty (BIT).⁵

BITs are international investment agreements between two states that outline reciprocal terms for the treatment of foreign investors in each state. The agreements define what is considered to be an "investment", typically state both parties' commitment to grant fair and equitable treatment to each state's foreign investors, delineate the specific treatment that will be afforded to foreign nationals' investments (whether national or most favored nation, or both), and guarantee that any investment disputes that

² Argentina has fifteen exceptions in their US BIT while Albania has only six.

³ See UNCTAD 2003.

⁴ See Jensen 2006 for a review.

⁵ See Biglaiser and Brown 2006 for a discussion on how domestic international institutions interact with bilateral investment treaties to affect political risk.

arise under the auspices of the treaty will be turned over to a third-party arbitrator. The International Court for the Settlement of Investment Disputes (ICSID), located in Washington D.C. and a member of the World Bank Group, serves as the arbitration venue for in the many disputes that arise from BITs.

There are two different models on which BITs are negotiated. The *preestablishment* model (favored by the U.S. and Canada) protects investment through all stages: establishment, investment, and disillusion. The *post-establishment* model only covers the investment after it has been established, and defers to national laws in the establishment phase. Due to the wider scope of coverage afforded to foreign investors in pre-establishment BITs, these include an annex of exceptions at the end of many of these treaties. These are mostly absent in the post-establishment BITs, as each country's national laws govern the establishment of investment and make it redundant to have a separate annex within the treaties. The importance of these annexes within the U.S. BIT program will be touched upon later.

The U.S. BIT program has been around since the late 1970s. The U.S. signed its first BIT in 1982 with Panama, and now has signed BITs with over 46 countries, 39 of which have entered into force (become international law).⁶ In choosing a BIT partner, the U.S. does not necessarily seek out countries with a high regard for the rule of law or with a well-established democratic tradition.⁷ This would make the investor protections within the BIT redundant because that country's domestic laws are usually strong enough to protect foreign investors. Rather, the U.S. often seeks BITs with countries whose

⁶ The U.S. Department of State, U.S. Bilateral Investment Treaty Program, Dec 5, 2006, http://www.state.gov/e/eeb/rls/fs/2006/22422.htm

⁷ Most US BITs are signed with developing countries. The average GDP per capita of the 40 BITs ratified is \$1690 (Constant 2000 dollars). The only OECD countries that have ratified BITs with the United States are transition economies (Czech Republic, Poland, and Slovakia), Mexico, and Turkey.

institutions and rule of law governing foreign investment may not be that strong. The BIT then serves as a mechanism to encourage foreign investment, strengthen the rule of law, and help the transition government along the path to reform.

Once the U.S. has decided to secure a BIT with a willing partner, the two countries agree to enter into negotiations. The U.S. then typically sends a negotiation team, led by officials from the Office of the United States Trade Representative (USTR) and United States Department of State, who meet with their foreign counterparts. The U.S. negotiates BITs on the basis of a model text. The U.S. has had several model texts during the course of its BIT program, including the 1982, 1983, 1984, 1987, 1992, and 1994 models, with the most recent update coming in 2004. The 2004 model, for example, includes these core provisions:

1. national treatment and most-favored nation treatment both before and after the establishment of an investment, which creates a level playing field for U.S. investors;

2. a minimum standard of treatment based on customary international law;

3. international law principles governing expropriation;

4. limitations on performance requirements, such as local content requirements;

5. the right of investors to hire senior managers of their choice;

6. improved transparency with respect to investment-related laws and regulations;

7. a guarantee of free transfers of investment-related funds; and

8. binding international arbitration of investment disputes that can be invoked either by investors (investor-state dispute settlement) or by the Parties to the agreement (state-state dispute settlement).⁸

Due to the aforementioned pre-establishment nature of the U.S. model BITs, it is

necessary for the U.S. and the foreign party to negotiate a schedule of measures or sectors

that they would like to be exempt from coverage in the BIT (i.e., protected industries,

sectors vital to national defense, and any other special interests). These exceptions from

the model BIT appear at the end of the BIT in the annex and protocol sections. Also,

⁸ Daniel S. Sullivan, Assistant Secretary for Economic and Business Affairs, Testimony before the Senate Committee on Foreign Relations, June 16, 2006, http://www.state.gov/e/eeb/rls/rm/2006/67965.htm

clarifications on what the treaty encompasses or other amendments to the BIT may sometimes be added in the form of diplomatic correspondences to the annex and protocols section at the behest of one of the negotiating parties.

The largest and most consistent group of exceptions in the U.S. BIT programs is each party's exceptions to national and most-favored nation (MFN) treatment of foreign investors in the annex and protocol of the treaty. National treatment affords foreign investors the same treatment as that country's national investors. MFN treatment gives foreign investors the same treatment afforded to any third country investor. Most BIT programs, including the U.S.'s, try to secure their investors the better of national or MFN treatment (almost always national treatment). As the consequences of BITs have become more evident (i.e. increased use of third party arbitration), developing countries have become more sophisticated in their negotiations, especially in the wording of the annex and the protocols.⁹ The typical hierarchy from best treatment afforded to foreign investors to worst is as follows: national treatment, MFN treatment, not MFN treatment (which inherently implies not national treatment also).¹⁰

The ratification of a BIT by the U.S. follows the standard treaty ratification process with few caveats. After negotiations have concluded, and all exceptions and clarifications have been agreed upon and included in the annex and protocol, each party's representatives sign the treaty. This does not mean the treaty is law, only that the

⁹ This reflects the sentiments of Jose Antonio Rivas, the Director of Foreign Investment and Services at the Ministry of Trade, Industry, and Tourism in Colombia. He believes that initially developing countries did not fully understand the consequences for arbitration that a BIT entailed and were not as vigilant in the negotiation process. As the frequency of BIT arbitration cases at ICSID have increased in recent years, developing countries have increased the sophistication of the their BIT negotiations to make sure that the BIT serves as a mechanism to increase FDI and not as a opening to international arbitration.

¹⁰ We are not aware of any cases where MFN treatment afforded foreign investors better treatment than national treatment, i.e. a country which afforded better treatment to foreign nationals than to its own citizens.

language and terms of the BIT have been agreed upon. The treaty then enters its implementation phase where both parties must bring their domestic laws into conformity with the language in the treaty.¹¹ In the past, the Senate Foreign Relations Committee, the committee of jurisdiction in the Congress, has often waited until several BITs have been signed before commencing hearings. Both Senate hearings and ratification of BITs are done in groups for the sake of expediency. It also allows the U.S. time to make sure that the foreign party in the treaty is serious about ratification and conforming to the BITs. The U.S. Senate gives its advice and consent to the president on the BIT by approving with a 2/3 majority vote. It is only after the signature of the president that the BIT is ratified. Foreign ratification is generally more contentious as the process may depend on passage of various reforms. Political timing (i.e. elections), conscious policy choices, and problems with bureaucratic coordination may lead to delays or failure of ratification by the foreign country.¹² The ratification process also depends on each country's individual constitutional system of ratification.¹³ Some countries have separate constitutional courts (i.e., aside from their supreme courts) that must determine the constitutionality of treaties and laws.¹⁴

Even if both parties ratify the BIT, the treaty may not enter into force. Both parties must exchange the instruments of ratification that demonstrate their domestic ratification and compliance with the specifics of the treaty. The U.S. may choose not to exchange instruments of ratification, as it did in the case of Belarus and Uzbekistan, as a

¹¹ As the U.S. has very strong protections of private property and foreign investment, most of the domestic law conformity issues involve the foreign party bringing its laws into accord with the treaty.

¹² The latter is the case of Russia

¹³ Bahrain ratified its BIT with the U.S. by a Royal Emiri decree

¹⁴ Countries such as Colombia, Albania, Armenia, Poland, Ukraine, Germany, and France have separate constitutional courts.

way of trying to elicit further reforms from the foreign county. Thirty days after the exchange of instruments of ratification the treaty enters into force and becomes part of international law.

3. Personal Vote Seeking and Foreign Investors

BITs can serve the interests of both the US and its partner country. While U.S. investors are eager to obtain legal protections for their investment, governments around the world are attempting to woo international capital. The attraction of foreign direct investment has become a central development strategy for developing countries; to wit, 149 countries now have active investment promotion agencies that attempt to attract international capital, along with numerous state and local agencies.¹⁵ BITs can be seen as a mechanism to increase FDI by a developing country that offers legal protections to investors.

Yet, this broad consensus in the need to attract international capital does not lead to a completely open environment for foreign direct investment. Strong domestic actors often seek protections from foreign competition by restricting investment flows or not fully extending BIT treatment to all industries. To give two simple examples, in the United States the domestic airline industry has engaged in political activities to block foreign ownership of airlines, while in India the retail sector is one of the most lucrative investment areas, yet remains relatively closed.

As we have detailed, the U.S. government pursues BITs in order to provide prospective U.S.-based investors legal rights and protections. The "model" BIT, from the perspective of the U.S. government and the prospective investor, confirms that the

¹⁵ http://www.waipa.org/. See UNCTAD (2003) for a discussion of the liberalization of FDI laws over time.

investment environment is relatively uncluttered by government restrictions, that foreign investors will have the same legal rights as domestic investors regarding how government restrictions are applied, and where there is disagreement about the application of government action, the U.S.-based investor will have recourse to a neutral, third-party (international) arbitration.

From the perspective of the BIT partner country, exceptions to the model agreement are opportunities to represent the interests of important domestic actors. While seeking to assure U.S. based investors, the governments of BIT partners must also protect vital industries and represent the regime's constituents. But beyond some baseline sense of national interest, we hypothesize that the exceptions requested by the BIT partner increase as legislators face incentives to become individual policy experts. If legislators must build individual reputations with important constituents – such as firms with a concentration of resources in their districts – securing an exception to a BIT that would give that firm a comparative advantage when dealing with U.S. investors would be an ideal means of enhancing one's reputation.

How legislators conceive of representation and the duties it entails is in large part a function of the institutions which govern how they get and keep their jobs. When seeking supporters, candidates can make appeals to both the individual reputations associated with their personal histories or traits and the collective reputations of the parties to which they belong. For example, a candidate might remind prospective supporters of her personal accomplishments. Without her behind-the-scenes maneuvering, the district certainly would not have received federal funds to complete the railway spur for transporting goods produced in the district to the major port. Given that

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they lack her level of experience and personal connections, her challengers will not likely be so effective at obtaining government largesse for the district. Another means of earning votes might be for a candidate to remind voters of the stands his party took on lowering tariff barriers, scaling back the extent of government ownership, and pushing through a regional free trade agreement. If voters do not return his party to office, the cherished principles upon which these policies are based will surely come under attack. The ideological orientation of other parties will lead to policy programs which will undoubtedly make economic growth impossible.

While both these depictions may fall within the behavior we expect from an elected representative, the balance struck between personal vote seeking and party vote seeking will vary systematically – and perhaps dramatically – across electoral systems. Where individual personal reputations have far greater vote-purchasing power than party reputations, candidates will focus on particularistic promises for which they can claim credit – such as exceptional language in a BIT. Where collective party reputations are more valuable than personal reputations, parties will campaign on differences in programmatic policy stances and assessments of incumbents will be based on whether they faithfully implemented the mandate sent through the election.

The relative value of personal reputations versus party reputations to legislators is in large part a function of just "four variables common to all electoral systems: ballot control, vote pooling, types of votes, and district magnitude" (Carey and Shugart 1995, 418). Lack of party leadership control over access to and rank on ballots, the degree to which candidates are elected on individual votes not pooled with those of copartisans, and whether voters cast a single intra-party vote instead of multiple votes or a party-level

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vote enhance the value of a personal reputation. Where such rules are in place, candidates compete not only against members of other parties but also members of their own. Given that voters must distinguish among copartisans, a collective party reputation does not provide sufficient information on which to make a decision. Conversely, where these features do not characterize the electoral system, intraparty competition is eliminated by definition and thus a party reputation is sufficient for making a vote choice. Magnitude (M) heightens these incentives differentially across systems – making personal reputations more valuable as M increases where there is intraparty competition and diminishing the value of a personal reputation as M increases where voters cannot distinguish among copartisans.

Personal vote seeking incentives have been used to explain the relationship between legislators and constituents, with observable implications at a variety of points during the electoral and policy-making processes. Examining primarily European cases, Norris (2004) found that ballot type helped explain the amount of interaction between individual candidates and prospective supporters and the knowledge that voters had regarding candidates. Examining a set of six Latin American countries, Crisp et al. (2004) found that once in office personal vote-seeking incentives were associated with the propensity of legislators to initiate parochially targeted legislation. Stratmann and Bauer (2002) show that personal vote-seeking incentives influence how legislation, once initiated, is handled as it passes through the legislature. German members of parliament facing greater personal vote seeking incentives were more likely to be members of what the authors labeled "district committees" – committees which had the greatest potential to consider bills entailing funds that could be channeled to the home district, while members facing lower personal vote-seeking incentives were more likely to be assigned to "party committees" – committees where few funds could be channeled to the geographic reelection constituency.

In terms of policy outcomes, Chang and Golden (2007) found that personal vote seeking incentives were associated with the allocation of government spending at the subnational level in Italy. Where legislators faced the greatest incentive to cultivate a personal vote, relative government spending exceeded a baseline captured with an indicator of infrastructure investment. Comparing 25 Latin American cases, Hallerberg and Marier (2004) found that personal vote seeking incentives were associated with fiscal imbalance. National budgets were more likely to be in deficit where legislators had the greatest incentives to cultivate personal reputations in their districts.

Akin to these works, we seek to determine whether personal vote seeking incentives encourage legislators to request exceptional treatment during the BIT negotiation process.

4. Empirical Analysis

The information for coding the U.S.'s Bilateral Investment Treaties came from the Bilateral Investment Treaty websites of the U.S. Department of State¹⁶ and Office of United States Trade Representative.¹⁷ The Department of State website gave both the date of signature and date of entry into force (the date the treaty enters into international law). It also contained copies of BITs (39 out of 46) that have entered into force. The U.S. negotiates from a model text and therefore the annex and protocols of the treaties

¹⁶ http://www.state.gov/e/eeb/rls/fs/2006/22422.htm

¹⁷ http://www.ustr.gov/Trade_Agreements/BIT/Section_Index.html

(where individual BITs deviate from the model text) were the most interesting to our investigations.

From the annex of the U.S. BITs, we derived several variables for our dataset. Two variables were the number of the foreign country's exceptions to national and its exceptions to most favored nation (MFN) treatment. The variables national exceptions and MFN exceptions were calculated by summing the number of exceptions included in the annex using semicolons as a method of separating each exception. For example, an annex of a BIT that read "Country X maintains exceptions to national treatment in the following sectors: fishing; mining; banking and insurance" would indicate that Country X had three exceptions to national treatment in its BIT with the U.S. In contrast, a BIT that reads "Country Y maintains exceptions to national treatment in the following sectors: fishing; mining; banking; and insurance," indicates that Country Y has four exceptions to national treatment in the BIT. This may seem a capricious system for categorizing the exceptions, but it follows the methods used in delineating between each sectoral exception within the BIT. In addition to the number of each country's *national* and *MFN exceptions*, another important variable was the number of deviations from the U.S. model treaty (usually a numbered list following the schedule of exceptions). The variable *protocols* represents the total tally of these deviations for each country. A variable of total exceptions was the sum of the foreign party's national exceptions and MFN exceptions.

Since the U.S. negotiates from a model text, these common templates serve as a control against extreme variation that would likely obtain if each foreign BIT partner started the process of negotiation anew. Yet, because these model texts have changed

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over time, we also consider the possibility of wording changes in the U.S. BIT program by classifying treaties according to the various U.S. "model texts" that have been employed throughout the last two decades (1982, 1983, 1984, 1987, 1992, 1994, and 2004 models). Table 1 breaks down the average number of exceptions, and protocols, along with the total number of available BITs, according to the "model text" employed in each negotiation. After analyzing this breakdown, we decided to include a dummy for BITs based on the 1984 model. Our decision was guided by what seems to be an inordinately high average number of MFN exceptions for BITs based on that model.¹⁸

Model	National exceptions	MFN exceptions	Protocols	N
1982	13	0	6	1
1983	1	0	5	2
1984	9.43	0	5.86	7
1987	8.57	2.57	5.14	7
1992	7.17	0.50	1.17	7
1994	7.53	0.67	2.20	19
2004	11	5	6	1
Total	8.08	0.95	3.53	44

Table 1: Summary of Dependent Variables

As we argued before, the most obvious driver of exceptions to bilateral investment treaties is the relative economic clout of signatory countries vis-à-vis the United States. We thus control for the sheer size of a country's economy (GDP), and for the relative wealth of its citizens (per capita GDP). Our main independent variables, however, are indicators of the degree to which national electoral rules provide legislators

¹⁸ In making this argument, we only consider "models" for which we have a relatively large number of BITS, i.e., 1984, 1987, 1992, and 1994. Models that included dummies for other years yielded essentially identical results.

with incentives to cultivate a personal reputation. In particular, we consider "average ballot" and "personalist rank", which we imported from the Database of Particularism (Johnson and Wallack 2005).¹⁹ Average ballot is based on Carey and Shugart's (1995) theory about incentives to cultivate a personal vote. Carey and Shugart conceptualize ballot as the "degree of control party leaders exercise over access to their party's label". When parties control a candidate's access to the ballot and the voters cannot perturb a party's ballot, a district's ballot score is 0 (as in closed list PR systems). When voters can choose from an unrestricted set of candidates, the score is 2. A score of 1 is used for electoral systems in which voters have some freedom to choose among a limited set of candidates. For mixed electoral systems, the authors of the Dataset of Particularism include separate ballot scores for single- and multi-member districts. The indicator we employ in our analysis, *average ballot*, is the country-level weighted average of Ballot in single- and multi-member districts. Personalist rank considers a country's most personalist tier and rank-orders electoral systems according to Carey and Shugart's theoretical considerations. Thus, each country obtains a score of 1 through 13, from least to most incentives to cultivate a personal vote, corresponding to the thirteen possible ranks in Carey and Shugart's theory.²⁰

The nature of the different dependent variables that we analyze dictates the basic model that we estimate. For counts of *exceptions* and *protocols* we fit Poisson regression models.²¹ Finally, we have cast our analysis in a Bayesian framework. Because we use

¹⁹ This database expands the data from Gaviria et al's 2003.

²⁰ An alternative coding considers the rank of the most dominant tier in a country. This measure correlates highly with *personalistic rank*.

²¹Limits in the amount of data available in the Dataset on Particularism reduce the number of observations available in our study. After dropping observations with missing data on the electoral variables of interest, we are left with nineteen observations. Appendix A includes the names of countries in this set.

noninformative prior distributions on parameters of interest, our results are substantively similar to those obtained through maximum likelihood estimation. However, we prefer Bayesian estimates because these do not rely on asymptotic theory that can hardly be justified in finite samples, particularly in samples with relatively small N.²² Tables 2 and 3 collect all model estimates.

	1	2	3	4	5
DV	National Exceptions	MFN Exceptions	All Exceptions	Protocols	Exceptions -protocols
Cons.	-0.40	-1.75	-0.18	0.29	0.34
	1.78	5.28	1.71	3.35	1.46
GDP (log)	0.06	0.03	0.05	0.02	0.05
	0.09	0.27	0.08	0.19	0.08
GDP pc	0.10	0.06	0.09	0.03	0.08
(log)	0.10	0.33	0.10	0.21	0.09
avg.ballot	0.42	0.37	0.42	-0.29	0.27
	0.10	0.34	0.10	0.20	0.09
1987	0.86	1.30	0.90	1.13	0.94
	0.24	0.68	0.21	0.41	0.19
N	19	19	19	19	19
AIC	139	65.16	148.4	84.34	148.2

Table 2

In Table 2, we consider models that use *average ballot* as a predictor of our different dependent variables. In accordance with our theoretical expectations, larger values of *average ballots* are associated with a greater propensity to include more exceptions into a document. This is most evident in Models 1 and 2, which use national exceptions and the sum of national and MFN exceptions as dependent variables. In these cases, the posterior distribution of the effect parameter of *average ballot* has mean 0.42 and standard

²² In particular, measures of uncertainty about parameters of interest are heavily dependent on assumptions of asymptotic normality in MLE, but can be approximated to an arbitrary degree of precision through Bayesian MCMC simulation (Jackman 2000).

deviation 0.10. However, our results do not conform to expectations when we consider *protocols* or the sum of *protocols and exceptions* (Models 4 and 5). In the latter two models, we find that the posterior distribution of the effect parameter of *average ballot* straddles 0. In Model 4, our point estimate for the effect of *average ballot* is actually negative.

We uncover very similar results when it comes to estimating the association between *personalist rank* and our dependent variables in Table 3. As with *average ballot*, higher values of *personalist rank* are associated with more national and combined exceptions. For *protocols* and the combined *exceptions and protocols* we estimate the effect parameter of *personalist rank* as essentially nil.

In substantive terms, the effect of moving from a system with minimal incentives to cultivate a personal vote to a system with almost maximal incentives is not trivial when we look at *exceptions*. For example, we would expect a country with rank-order 1 in the Carey-Shugart *personalist rank* index to write about 1.97 exceptions in a BIT with the United States, whereas a country with *personalist rank* 11 would write about 2.5 exceptions.²³ The magnitude of this effect is similar to the one that obtains when using parameter estimates in Model 3. Countries with *average ballot* scores of 0, 1, and 2 would be expected to write, respectively, 1.75, 2.17, and 2.60 exceptions in a BIT with the United States. Figure 1 translates these expectations into predicted distributions of exceptions for countries with different *ballot* scores. Figure 2 carries out the same exercise for countries with *personalist rank* scores of 1 and 11.

²³ These results are based on estimates in Model 9, with log(GDP 2000) and log(GDPpc) held constant at mean sample values.

	7	8	9	10	11
DV	National Exceptions	MFN Exceptions	All Exceptions	Protocols	Exceptions -protocols
Cons.	0.97	-0.13	1.08	-1.19	1.12
	1.85	5.22	1.75	3.01	1.49
GDP (log)	-0.02	-0.06	-0.02	0.10	0.004
	0.09	0.28	0.09	0.16	0.08
GDP pc	0.18	0.12	0.18	-0.05	0.13
(log)	0.11	0.33	0.10	0.20	0.09
pers.rank	0.04	0.06	0.05	-0.01	0.033
	0.02	0.06	0.02	0.03	0.015
1987	0.79	1.30	0.84	1.06	0.89
	0.25	0.71	0.24	0.39	0.20
	10	10	10	10	10
N	19	19	19 159 c	19	19
AIU	149.1	03.17	138.0	00.1	132.8

Table 3

5. Conclusions and Future Research

In this paper we show that electoral institutions affect the content of bilateral investment treaties. Countries with political institutions that provide personal vote seeking incentives for political candidates are associated with bilateral investment treaties with larger numbers of exceptions.

Although this research is quite preliminary, this project points to two areas for future research. First, this paper begins to the address the domestic politics of signing bilateral investment treaties, yet more work focusing on the bargain both across countries and within countries could yield further insights. Second, this project has highlighted the value of differences in BITs as a rich data resource. This data can help to test alternative theories on how political institutions affect candidates' incentives and ability to cater to personal interests. We leave this research for after our trip to Iceland.

Figures 1 and 2



Distribution of exceptions conditional on personalist rank score

Distribution of exceptions conditional on ballot score



APPENDIX A: Countries Included in the Analysis

Albania, Argentina, Azerbaijan, Bolivia, Bulgaria, Croatia, Ecuador, Estonia, Honduras,

Jamaica, Latvia, Lithuania, Mongolia, Mozambique, Poland, Romania, Sri Lanka,

Trinidad and Tobago, Ukraine

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