

**Appendix for** “THE CONDITIONAL NATURE OF POLITICAL RISK: HOW HOME INSTITUTIONS INFLUENCE THE LOCATION OF FOREIGN DIRECT INVESTMENT”

This appendix contains additional analyses that are not reported fully in the main document.

*Appendix Tables*

- A1 – Summary Statistics: Orbis Data on Foreign Subsidiary Incorporation (2006-2011)
- A2 – Summary Statistics: IMF’s Total Outward FDI Positions Data (avg. 2009-2011)
- A3 – Summary Statistics: UNCTAD Net FDI Outflows Data (1972-2006, 3-yr Avgs)
- A4 – Summary Statistics: World Bank Enterprise Surveys (2008-2011)
- A5 – Full Table: Multilevel Logit Models of Foreign Subsidiary Incorporation
- A6 – Robustness: Alternative Model Specifications in Orbis Data, pt I
- A7 – Robustness: Alternative Model Specifications in Orbis Data, pt II
- A8 – Robustness: Excluding OECD Countries in Orbis Data
- A9 – Full Table: Total Outward FDI Position (avg. 2009-2011)
- A10 – Robustness: Annualized Total Outward FDI Position, 2009-2011
- A11 – Robustness: Alternative Model Specifications in IMF Data, pt. I
- A12 – Robustness: Alternative Model Specifications in IMF Data, pt. II
- A13 – Robustness: Zero-FDI Dyads & Excluding OECD Countries in IMF Data
- A14 – Full Table: UNCTAD Bilateral Data, Net FDI Outflows (1981-2006)
- A15 – Robustness: UNCTAD Net FDI Outflows Data, Averaged By Time Period
- A16 – Robustness: Alternative Model Specifications in UNCTAD Data, pt. I
- A17 – Robustness: Alternative Model Specifications in UNCTAD Data, pt. II
- A18 – Robustness: Zero-FDI Dyads & Excluding OECD Countries in UNCTAD Data
- A19 – Robustness: Controlling for Uncertainty Aversion
- A20 – Additional Analysis: Firm Strategies Differ Across Judicial Environments

*Discussion* – Description of Sampling Company Records from Orbis

Table A1: **Summary Statistics: Orbis Data on Foreign Subsidiary Incorporation (2006-2011)**

Variable	Obs	Mean	Std. Dev.	Min	Max
DV: NEW FOREIGN SUBSIDIARY	406,456	0.026	0.158	0	1
JUDICIAL INDEPENDENCE (HOME)	406,246	0.895	0.133	0.167	0.988
JUDICIAL INDEPENDENCE (HOST)	398,714	0.558	0.281	0.018	0.988
POLITICAL CONSTRAINTS (HOST)	387,101	0.312	0.197	0	0.692
DEMOCRACY (HOST)	394,843	0.706	0.456	0	1
GDP PER CAPITA (HOST)	387,101	1.449	1.454	0.028	6.829
GDP PER CAPITA (HOME)	403,726	3.351	0.991	0.102	6.951
GDP, LOGGED (HOST)	387,101	23.22	1.732	19.414	27.859
GDP, LOGGD (HOME)	403,726	25.594	1.54	18.75	27.859
GDP GROWTH (HOME)	403,726	1.987	1.408	-6.272	10.647
TOTAL INTL. TRADE (HOST)	387,101	0.875	0.534	0.265	4.299
FDI INFLOWS (HOST)	387,101	6.554	17.745	-4.258	172.716
FIRM ASSETS	379,366	13.875	2.115	4.025	20.181
FIRM AGE, LOGGED	400,156	3.312	0.948	0	5.897
FIRM INTERNATIONALIZATION	406,456	0.678	0.721	0	3.714
BILATERAL INVESTMENT TREATY	406,456	0.376	0.484	0	1
COMMON LANGUAGE	390,063	0.112	0.315	0	1
COLONIAL LINK	390,063	0.05	0.218	0	1
DISTANCE	390,063	0.649	0.424	0.001	1.995
FUEL EXPORTS/GDP	363,029	6.692	11.322	0	51.879

Table A2: **Summary Statistics: IMF's Total Outward FDI Positions Data (avg. 2009-2011)**

Variable	Obs	Mean	Std. Dev.	Min	Max
DV: OUTWARD FDI POSITIONS	12,898	7.29	8.671	-0.001	27.094
JUDICIAL INDEPENDENCE (HOME)	14,282	0.555	0.294	0.016	0.988
JUDICIAL INDEPENDENCE (HOST)	14,282	0.555	0.294	0.016	0.988
POLITICAL CONSTRAINTS (HOST)	15,148	0.319	0.196	0	0.707
DEMOCRACY (HOST)	14,108	0.686	0.464	0	1
GDP PER CAPITA (HOST)	15,194	1.713	1.542	0.032	7.22
GDP PER CAPITA (HOME)	15,194	1.713	1.542	0.032	7.22
GDP, LOGGED (HOST)	15,194	11.673	2.017	5.338	16.388
GDP GROWTH (HOME)	15,484	0.36	0.403	-1.770	1.77
TOTAL INTNL. TRADE (HOME)	13,602	9.535	5.775	2.583	43.739
FDI INFLOWS (HOST)	15,451	0.715	1.186	-0.655	8.98
BILATERAL INVESTMENT TREATY	16,604	0.197	0.398	0	1
COMMON LANGUAGE	14,328	0.096	0.295	0	1
COLONIAL LINK	14,328	0.023	0.149	0	1
DISTANCE	14,328	7.274	4.373	0.06	19.812
FUEL EXORTS/GDP	12,412	8.573	14.624	0	70.142

Table A3: **Summary Statistics: UNCTAD Net FDI Outflows Data (1984-2006, 3-yr Avgs)**

Variable	Obs	Mean	Std. Dev.	Min	Max
DV: NET FDI OUTFLOWS	7,942	2.939	2.48	0	10.913
JUDICIAL INDEPENDENCE (HOME)	36,423	0.619	0.29	0.049	0.989
JUDICIAL INDEPENDENCE (HOST)	37,292	0.609	0.306	0.016	0.989
POLITICAL CONSTRAINTS (HOST)	35,786	0.31	0.211	0	0.72
DEMOCRACY (HOST)	37,174	0.643	0.472	0	1
GDP PER CAPITA (HOST)	35,066	1.598	1.404	0.025	12.165
GDP PER CAPITA (HOME)	35,632	1.465	1.137	0.032	12.165
GDP, LOGGED (HOST)	35,097	25.698	1.884	18.591	30.13
GDP GROWTH (HOME)	35,629	0.022	0.041	-0.376	0.58
TOTAL INTNL. TRADE (HOME)	35,229	0.731	0.513	0.003	4.099
FDI INFLOWS (HOST)	34,005	0.023	0.047	-0.323	0.922
BILATERAL INVESTMENT TREATY	39,600	0.15	0.348	0	1
COMMON LANGUAGE	39,600	0.139	0.346	0	1
COLONIAL LINK	39,600	0.043	0.203	0	1
DISTANCE	39,600	0.624	0.454	0.006	1.995
FUEL EXORTS/GDP	32,602	5.537	10.94	0	88.762
LAGGED FDI OUTFLOWS	6,935	2.878	2.432	0	10.913

Table A4: **Summary Statistics: World Bank Enterprise Surveys (2008-2011)**

---

---

Variable	Obs	Mean	Std. Dev.	Min	Max
PAYMENT BEFORE OR AT DELIVERY	37,740	50.523	37.719	0	100
INFORMAL GIFTS	27,481	1.084	4.712	0	100
JUDICIAL INDEPENDENCE	41,593	0.443	0.236	0.016	0.978
FIRM SIZE	45,973	1.794	0.744	1	3
DOMESTIC FIRM	45,684	0.821	0.383	0	1
INDEPENDENT FIRM	45,438	0.860	0.347	0	1
GDP PER CAPITA	40,752	9.131	7.708	0.322	72.200
MARKET SIZE	40,752	25.252	2.021	19.148	30.204
PAST PERFORMANCE	34,616	16.076	4.026	0.000	33.622

---

---

Table A5: **Full Table: Multilevel Logit Models of Foreign Subsidiary Incorporation between 2006-2011**

DV: NEW FOREIGN SUBSIDIARY <i>dummy; 1 = subsidiary formed</i>	(1)	(2)	(3)	(4)
JUDICIAL IND. (HOME × HOST)	1.918 (0.305)***	2.136 (0.402)***	2.816 (0.579)***	1.941 (0.447)***
HOME	-0.317 (0.167)	-0.610 (0.205)***	-0.940 (0.271)***	-0.560 (0.210)***
HOST	5.078 (0.443)***	3.560 (0.910)***	3.636 (0.890)***	3.554 (0.911)***
POL. CONSTRAINTS (HOST)		0.519 (0.837)	0.329 (0.818)	0.522 (0.837)
DEMOCRACY (HOST)		-0.108 (0.402)	-0.060 (0.393)	-0.110 (0.402)
FIRM ASSETS, LOGGED		0.008 (0.007)	0.008 (0.007)	0.007 (0.007)
FIRM AGE, LOGGED		0.008 (0.013)	0.009 (0.014)	0.008 (0.013)
GDP PER CAPITA (HOME)		-0.032 (0.028)	-0.057 (0.042)	-0.037 (0.031)
GDP GROWTH (HOME)		-0.012 (0.017)	-0.015 (0.023)	-0.009 (0.017)
GDP, LOGGED (HOST)		0.721 (0.088)***	0.729 (0.086)***	0.721 (0.088)***
GDP PER CAPITA (HOST)		-0.033 (0.152)	-0.089 (0.149)	-0.032 (0.152)
TOTAL INTL. TRADE (HOST)		-0.116 (0.286)	-0.097 (0.280)	-0.117 (0.286)
FDI INFLOWS (HOST)		0.012 (0.008)	0.012 (0.008)	0.012 (0.008)
FIRM INTERNATIONALIZATION		1.236 (0.018)***	1.275 (0.019)***	1.237 (0.018)***
BILATERAL INVEST. TREATY		0.193 (0.043)***	0.119 (0.069)	0.194 (0.043)***
COMMON LANGUAGE		0.799 (0.041)***	0.756 (0.097)***	0.802 (0.041)***
COLONIAL LINK		0.471 (0.046)***	0.752 (0.118)***	0.465 (0.047)***
DISTANCE		-0.561 (0.048)***	-1.207 (0.088)***	-0.554 (0.049)***
GDP, LOGGED (HOME)				0.013 (0.026)
GDP PER CAP (HOME × HOST)				0.011 (0.010)
GDP, LOGGED (HOME × HOST)				0.001 (0.006)
<i>Number of Observations</i>	398,508	345,709	342,220	345,709
<i>Number of Host Countries</i>	103	99	99	99
<i>Number of Home Countries</i>	62	56	56	56
<i>Sector Intercepts</i>	No	Yes	Yes	Yes
<i>Dyad Intercepts</i>	No	No	Yes	No

*Note:* Coefficient estimates from multilevel logistic regressions modeling parent firm's decision to open a foreign subsidiary in a given host country. All models include random intercepts for home and host countries. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A6: **Robustness Check: Alternative Model Specifications in Orbis Data, pt I**

DV: NEW FOREIGN SUBSIDIARY <i>dummy; 1 = subsidiary formed</i>	(1)	(2)	No China (3)	Mult. Imputation (4)
JUDICIAL INDEPENDENCE				
HOME/HOST DISTANCE		-1.038 (0.178)***		
HOME × HOST			2.636 (0.440)***	1.703 (0.372)***
HOME	-0.138 (0.189)	-1.034 (0.244)***	-0.729 (0.218)***	-0.559 (0.183)***
HOST	3.507 (0.910)***	3.816 (0.907)***	3.576 (0.915)***	4.197 (0.984)***
POL. CONSTRAINTS (HOST)	0.523 (0.837)	0.401 (0.833)	0.487 (0.843)	0.133 (0.775)
DEMOCRACY (HOST)	-0.119 (0.402)	-0.263 (0.401)	-0.089 (0.407)	0.073 (0.535)
FIRM ASSETS, LOGGED	0.008 (0.007)	0.008 (0.007)	0.008 (0.007)	0.012 (0.007)
FIRM AGE, LOGGED	0.008 (0.013)	0.008 (0.013)	0.006 (0.013)	0.008 (0.012)
FIRM INTERNATIONALIZATION	1.236 (0.018)***	1.236 (0.018)***	1.238 (0.019)***	1.226 (0.018)***
GDP PER CAPITA (HOME)	-0.032 (0.028)	-0.026 (0.029)	-0.035 (0.029)	-0.025 (0.025)
GDP GROWTH (HOME)	-0.011 (0.017)	-0.009 (0.017)	-0.014 (0.018)	-0.009 (0.015)
GDP, LOGGED (HOST)	0.719 (0.088)***	0.709 (0.087)***	0.716 (0.093)***	0.229 (0.084)**
GDP PER CAPITA (HOST)	-0.034 (0.152)	-0.001 (0.151)	-0.030 (0.155)	-0.045 (0.137)
TOTAL INTL. TRADE (HOST)	-0.117 (0.286)	-0.170 (0.284)	-0.114 (0.287)	-0.074 (0.137)
FDI INFLOWS (HOST)	0.012 (0.008)	0.012 (0.008)	0.012 (0.008)	0.006 (0.007)
BILATERAL INVEST. TREATY	0.170 (0.043)***	0.179 (0.043)***	0.206 (0.044)***	0.189 (0.041)***
COMMON LANGUAGE	0.809 (0.041)***	0.795 (0.041)***	0.801 (0.041)***	0.794 (0.039)***
COLONIAL LINK	0.469 (0.046)***	0.457 (0.046)***	0.473 (0.047)***	0.485 (0.044)***
DISTANCE	-0.574 (0.048)***	-0.577 (0.048)***	-0.581 (0.049)***	-0.525 (0.045)***
<i>Number of Observations</i>	345,709	345,709	340,943	406,456
<i>Number of Host Countries</i>	99	99	98	105
<i>Number of Home Countries</i>	56	56	55	63

*Note:* Coefficient estimates from multilevel linear regressions modeling net outward FDI flows into a given host country. Model 1 excludes the interaction term, while Model 2 substitutes an alternative operationalization: absolute distance in home/host judicial independence. Model 3 excludes China as a home and host country. Model 4 reports combined estimates from 5 imputed datasets after using *Amelia* to impute missing values. All models include a constant term and random intercepts for home and host countries. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A7: **Robustness Check: Alternative Model Specifications in Orbis Data, pt II**

DV: NEW FOREIGN SUBSIDIARY <i>dummy; 1 = subsidiary formed</i>	(1)	(2)	(3)
JUDICIAL INDEPENDENCE			
HOME × HOST		2.088 (0.409)***	2.011 (0.433)***
HOME		−0.574 (0.208)***	−0.619 (0.206)***
HOST	3.429 (0.910)***	3.312 (1.052)***	3.525 (0.910)***
HOME (LOW)	0.183 (0.074)**		
HOME (HIGH)	0.092 (0.080)		
LOW HOME × HOST	−0.420 (0.141)***		
HIGH HOME × HOST	0.739 (0.143)***		
POLITICAL CONSTRAINTS (HOST)	0.513 (0.834)	0.682 (0.872)	0.521 (0.836)
DEMOCRACY (HOST)	−0.097 (0.401)	0.028 (0.420)	−0.106 (0.401)
GDP PER CAPITA (HOME)	−0.076 (0.028)***	−0.034 (0.028)	−0.035 (0.028)
GDP GROWTH (HOME)	−0.017 (0.014)	−0.009 (0.017)	−0.009 (0.017)
GDP, LOGGED (HOST)	0.725 (0.087)***	0.757 (0.090)***	0.719 (0.088)***
GDP PER CAPITA (HOST)	−0.044 (0.152)	0.002 (0.175)	−0.044 (0.153)
TOTAL INTNL. TRADE (HOST)	−0.098 (0.285)	−0.123 (0.292)	−0.106 (0.285)
FDI INFLOWS (HOST)	0.012 (0.008)	0.011 (0.009)	0.012 (0.008)
BILATERAL INVESTMENT TREATY	0.146 (0.044)***	0.196 (0.043)***	0.206 (0.046)***
COMMON LANGUAGE	0.782 (0.041)***	0.802 (0.041)***	0.801 (0.041)***
COLONIAL LINK	0.473 (0.046)***	0.465 (0.047)***	0.470 (0.046)***
DISTANCE	−0.590 (0.048)***	−0.561 (0.048)***	−0.558 (0.048)***
FUEL EXPORTS		−0.008 (0.015)	
NORTH-NORTH DYAD			0.075 (0.096)
<i>Number of Observations</i>	345,709	324,757	345,709
<i>Number of Host Countries</i>	99	93	99
<i>Number of Home Countries</i>	56	56	56

*Note:* Coefficient estimates from multilevel logistic regressions modeling parent firm’s decision to open a foreign subsidiary in a given host country. Model 1 separates home judicial independence into a series of dummy variables, with “low” and “high” reflecting the lower and upper terciles of the LJI variable. Model 2 controls fuel exports as a share of host GDP. Model 3 includes a dummy for dyads where both OECD members. All models include a constant term, random intercepts for home, host countries, and sector, plus controls for firm assets, firm age, and firm internationalization; estimates not presented to save space. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .



Table A8: **Robustness Check: Excluding OECD Countries in Orbis Data**

DV: NEW FOREIGN SUBSIDIARY <i>dummy; 1 = subsidiary established</i>	Excludes OECD Hosts (1)	Excludes all OECD (2)
JUDICIAL INDEPENDENCE		
HOME × HOST	2.767 (0.774)***	
HOME	−0.646 (0.314)**	
HOST	3.108 (1.058)***	−0.120 (1.265)
HOME (MED. & HIGH)		0.072 (0.242)
HOME (MED. & HIGH) × HOST		1.991 (0.850)**
POLITICAL CONSTRAINTS (HOST)	0.731 (0.979)	1.658 (1.061)
DEMOCRACY (HOST)	−0.056 (0.411)	0.309 (0.438)
FIRM ASSETS, LOGGED	0.022 (0.013)	−0.077 (0.046)
FIRM AGE, LOGGED	0.064 (0.023)***	0.044 (0.113)
GDP PER CAPITA (HOME)	−0.051 (0.050)	0.085 (0.089)
GDP PER CAPITA (HOST)	−0.188 (0.188)	0.007 (0.216)
GDP GROWTH (HOME)	−0.035 (0.029)	−0.029 (0.042)
GDP, LOGGED (HOST)	0.813 (0.099)***	0.599 (0.113)***
TOTAL INTNL. TRADE (HOST)	−0.218 (0.325)	−0.979 (0.450)**
FDI INFLOWS (HOST)	0.058 (0.029)**	0.071 (0.036)**
FIRM INTERNATIONALIZATION	1.197 (0.031)***	1.480 (0.126)***
BILATERAL INVESTMENT TREATY	0.112 (0.062)	0.400 (0.179)**
COMMON LANGUAGE	1.089 (0.100)***	1.442 (0.239)***
COLONIAL LINK	0.343 (0.095)***	2.043 (0.376)***
DISTANCE	−1.331 (0.081)***	−1.436 (0.226)***
<i>Number of Observations</i>	265,393	19,533
<i>Number of Host Countries</i>	76	76
<i>Number of Home Countries</i>	56	33

*Note:* Coefficient estimates from multilevel logistic regressions modeling parent firm's decision to open a foreign subsidiary in a given host country. All models include a constant term and random intercepts for home and host countries and sectors. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A9: Full Table: Total Outward FDI Position (avg. 2009-2011)

DV: OUTWARD FDI POSITIONS <i>in millions constant USD (logged)</i>	(1)	(2)	(3)	(4)
JUDICIAL INDEPENDENCE				
HOME × HOST	14.011 (0.663)***	13.060 (0.653)***	12.977 (0.725)***	9.718 (0.693)***
HOME	9.492 (1.278)***	3.486 (1.292)***	3.385 (1.286)***	3.821 (0.766)***
HOST	5.154 (1.255)***	0.912 (1.167)	0.895 (1.143)	1.298 (1.145)
POL. CONSTRAINTS (HOST)		−1.021 (1.313)	−0.906 (1.285)	−1.190 (1.288)
DEMOCRACY (HOST)		1.374 (0.561)**	1.285 (0.549)**	1.349 (0.550)**
GDP PER CAPITA (HOME)		2.069 (0.236)***	2.062 (0.235)***	0.531 (0.158)***
GDP GROWTH (HOME)		−1.203 (0.814)	−1.157 (0.810)	−1.368 (0.482)***
GDP, LOGGED (HOST)		1.676 (0.122)***	−0.697 (0.212)***	1.638 (0.119)***
GDP PER CAPITA (HOST)		1.825 (0.126)***	1.785 (0.124)***	−0.480 (0.217)**
TOTAL INTNL. TRADE (HOST)		0.199 (0.049)***	0.192 (0.048)***	0.197 (0.049)***
FDI INFLOWS (HOST)		0.132 (0.243)	0.124 (0.237)	0.146 (0.238)
BILATERAL INVEST. TREATY		1.974 (0.143)***	2.007 (0.160)***	2.181 (0.142)***
COMMON LANGUAGE		2.755 (0.208)***	2.778 (0.231)***	2.919 (0.203)***
COLONIAL LINK		3.350 (0.381)***	3.380 (0.423)***	3.409 (0.375)***
DISTANCE		−0.516 (0.017)***	−0.501 (0.019)***	−0.485 (0.016)***
GDP, LOGGED (HOME)				−0.735 (0.199)***
GDP PER CAP (HOME × HOST)				0.291 (0.025)***
GDP, LOGGED (HOME × HOST)				0.188 (0.015)***
<i>Number of Observations</i>	11,234	9,817	9,817	9,817
<i>Number of Host Countries</i>	166	141	141	141
<i>Number of Home Countries</i>	166	154	154	154
<i>All Control Variables</i>	No	Yes	Yes	Yes
<i>Home-Host Dyad Intercepts</i>	No	No	No	Yes

*Note:* Selected coefficient estimates from multilevel linear regressions modeling average total outward FDI position from one country in a given host country. All models a constant term and include random intercepts for home and host countries. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A10: **Robustness Check: Annualized Total Outward FDI Position, 2009-2011**

DV: OUTWARD FDI POSITIONS <i>in millions constant USD (logged)</i>	2009 (1)	2010 (2)	2011 (3)	Pooled (4)
<b>JUDICIAL INDEPENDENCE</b>				
<i>LJI latent scale, ranging 0 to 1</i>				
HOME × HOST	12.659*** (0.701)	11.873*** (0.706)	12.249*** (0.711)	12.160*** (0.407)
HOME	3.401*** (1.250)	4.251*** (1.336)	4.711*** (1.285)	5.111*** (1.165)
HOST	1.335 (1.169)	0.874 (1.205)	0.994 (1.226)	1.321 (1.060)
POLITICAL CONSTRAINTS (HOST) <i>POLCON scores, ranging 0 to 1</i>	-1.313 (1.314)	-0.768 (1.381)	-1.064 (1.436)	0.840 (0.620)
DEMOCRACY (HOST) <i>dummy, 1 = dem.</i>	1.221** (0.561)	1.510*** (0.575)	2.027*** (0.597)	1.196** (0.541)
GDP PER CAPITA (HOME) <i>in thousands constant USD</i>	2.063*** (0.228)	2.322*** (0.261)	2.269*** (0.256)	1.765*** (0.221)
GDP GROWTH (HOME) <i>annual change in GDP, in %</i>	-1.429 (0.788)	0.045 (0.638)	1.005 (0.836)	-0.179 (0.113)
GDP, LOGGED (HOST) <i>in thousands constant USD</i>	1.795*** (0.126)	1.791*** (0.130)	1.815*** (0.134)	1.775*** (0.123)
GDP PER CAPITA (HOST) <i>in thousands constant USD</i>	-0.271 (0.204)	-0.125 (0.226)	-0.118 (0.236)	-0.319 (0.194)
TOTAL INTNL. TRADE (HOST) <i>% of GDP</i>	0.198*** (0.049)	0.201*** (0.047)	0.210*** (0.049)	0.225*** (0.046)
FDI INFLOWS (HOST) <i>% of GDP</i>	0.201 (0.242)	0.066 (0.290)	0.099 (0.150)	0.034 (0.027)
BILATERAL INVESTMENT TREATY <i>dummy, 1 = treaty between home &amp; host</i>	1.939*** (0.154)	2.054*** (0.155)	1.932*** (0.156)	1.908*** (0.090)
COMMON LANGUAGE <i>dummy, 1 = home &amp; host have official lang.</i>	2.853*** (0.231)	3.004*** (0.232)	2.406*** (0.232)	2.811*** (0.134)
COLONIAL LINK <i>dummy, 1 = home &amp; host colonial link</i>	3.089*** (0.408)	3.388*** (0.417)	3.342*** (0.412)	3.291*** (0.238)
DISTANCE <i>distance between capitals (100 km)</i>	-0.513*** (0.018)	-0.545*** (0.018)	-0.546*** (0.019)	-0.540*** (0.011)
<i>Number of Observations</i>	8,695	8,527	8,468	25,690
<i>Number of Host Countries</i>	141	141	140	141
<i>Number of Home Countries</i>	154	154	152	154
<i>Year Intercepts</i>	No	No	No	Yes

Note: Coefficient estimates from multilevel linear regressions modeling average total outward FDI position from one country in a given host country. All models include a model constant, plus random intercepts for home and host countries. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A11: Robustness Check: Alternative Model Specifications in IMF Data, pt 1

DV: OUTWARD FDI POSITIONS	(1)	(2)	No China (3)	Mult. Imputation (4)
JUDICIAL INDEPENDENCE				
HOME/HOST DISTANCE		-4.805 (0.249)***		
HOME × HOST			13.090 (0.668)***	8.399 (0.633)***
HOME	4.527 (1.317)***	3.028 (1.297)**	3.520 (1.244)***	2.922 (0.608)***
HOST	2.387 (1.225)	0.768 (1.163)	0.827 (1.165)	1.870 (0.722)**
POL. CONSTRAINTS (HOST)	-1.348 (1.381)	-1.087 (1.308)	-0.789 (1.321)	0.213 (0.884)
DEMOCRACY (HOST)	1.441 (0.590)**	1.220 (0.559)**	1.471 (0.562)***	0.850 (0.367)**
GDP PER CAPITA (HOME)	2.041 (0.241)***	2.155 (0.237)***	2.083 (0.227)***	1.175 (0.202)***
GDP GROWTH (HOME)	-1.124 (0.830)	-1.372 (0.816)	-1.487 (0.787)	-0.108 (0.444)
GDP, LOGGED (HOST)	1.884 (0.133)***	1.815 (0.126)***	1.758 (0.132)***	1.749 (0.072)***
GDP PER CAPITA (HOST)	-0.326 (0.214)	-0.126 (0.203)	-0.176 (0.206)	-0.494 (0.145)**
TOTAL INTNL. TRADE (HOST)	0.218 (0.052)***	0.189 (0.049)***	0.199 (0.049)***	0.188 (0.188)***
FDI INFLOWS (HOST)	0.101 (0.255)	0.161 (0.242)	0.099 (0.242)	0.216 (0.185)**
BILATERAL INV. TREATY	1.646 (0.145)***	1.976 (0.143)***	2.042 (0.146)***	2.521 (0.158)***
COMMON LANGUAGE	2.847 (0.212)***	2.725 (0.208)***	2.805 (0.209)***	2.891 (0.247)***
COLONIAL LINK	3.493 (0.389)***	3.421 (0.382)***	3.349 (0.384)***	3.032 (0.388)***
DISTANCE	-0.553 (0.017)***	-0.519 (0.017)***	-0.529 (0.017)***	-0.455 (0.015)***
<i>Number of Observations</i>	9,817	9,817	9,591	16,604
<i>Number of Host Countries</i>	141	141	140	192
<i>Number of Home Countries</i>	154	154	153	192

Note: Coefficient estimates from multilevel linear regressions modeling net outward FDI flows into a given host country. Model 1 excludes the interaction term, while Model 2 substitutes an alternative operationalization: absolute distance in home/host judicial independence. Model 3 excludes China as a home and host country. Model 4 reports combined estimates from 5 imputed datasets after using *Amelia* to impute missing values. All models include a constant term and random intercepts for home and host countries. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A12: **Robustness Check: Alternative Model Specifications in IMF Data, pt II**

DV: OUTWARD FDI POSITIONS <i>in millions constant USD (logged)</i>	(1)	(2)	(3)
<b>JUDICIAL INDEPENDENCE</b> <i>continuous, ranging 0 to 1</i>			
HOME × HOST		12.573 (0.675) <sup>***</sup>	10.639 (0.711) <sup>***</sup>
HOME		3.569 (1.302) <sup>***</sup>	3.271 (1.251) <sup>***</sup>
HOST	−3.386 (1.232) <sup>***</sup>	0.222 (1.463)	0.672 (1.164)
HOME (MEDIUM)	1.260 (0.698)		
HOME (HIGH)	2.526 (0.938) <sup>***</sup>		
MED. HOME × HOST	2.330 (0.498) <sup>***</sup>		
HIGH HOME × HOST	9.011 (0.495) <sup>***</sup>		
POLITICAL CONSTRAINTS (HOST)	−1.063 (1.317)	−1.520 (1.589)	−1.025 (1.310)
DEMOCRACY (HOST)	1.377 (0.563) <sup>**</sup>	1.117 (0.624)	1.340 (0.560) <sup>**</sup>
GDP PER CAPITA (HOME)	2.123 (0.235) <sup>***</sup>	2.133 (0.238) <sup>***</sup>	1.981 (0.228) <sup>***</sup>
GDP GROWTH (HOME)	−1.170 (0.833)	−1.231 (0.820)	−1.106 (0.788)
GDP, LOGGED (HOST)	1.828 (0.126) <sup>***</sup>	1.804 (0.145) <sup>***</sup>	1.757 (0.126) <sup>***</sup>
GDP PER CAPITA (HOST)	−0.229 (0.204)	−0.080 (0.259)	−0.283 (0.203)
TOTAL INTNL. TRADE (HOST)	0.200 (0.050) <sup>***</sup>	0.221 (0.055) <sup>***</sup>	0.203 (0.049) <sup>***</sup>
FDI INFLOWS (HOST)	0.129 (0.243)	−0.014 (0.265)	0.117 (0.242)
BILATERAL INVESTMENT TREATY	1.968 (0.143) <sup>***</sup>	2.029 (0.146) <sup>***</sup>	2.393 (0.151) <sup>***</sup>
COMMON LANGUAGE	2.761 (0.208) <sup>***</sup>	2.806 (0.213) <sup>***</sup>	2.698 (0.207) <sup>***</sup>
COLONIAL LINK	3.412 (0.381) <sup>***</sup>	2.959 (0.393) <sup>***</sup>	3.453 (0.380) <sup>***</sup>
DISTANCE	−0.519 (0.017) <sup>***</sup>	−0.514 (0.017) <sup>***</sup>	−0.502 (0.017) <sup>***</sup>
FUEL EXPORTS		−0.018 (0.018)	
NORTH-NORTH DYAD			2.809 (0.331) <sup>***</sup>
<i>Number of Observations</i>	9,817	9,051	9,817
<i>Number of Host Countries</i>	141	119	141
<i>Number of Home Countries</i>	154	154	154

*Note:* Coefficient estimates from multilevel linear regressions modeling average total outward FDI position from one country in a given host country. Model 1 separates home judicial independence into a series of dummy variables, with “medium” and “high” reflecting the middle and upper terciles of the LJI variable and the lower tercile as the excluded category. Model 2 controls fuel exports as a share of host GDP. Model 3 includes a dummy for dyads where both OECD (DAC) members. All models include a constant term and random intercepts for home and host countries. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A13: **Robustness Check: Accounting for Non-Investment Dyads & Excluding OECD Countries in IMF Data**

DV: OUTWARD FDI POSITIONS <i>in millions constant USD (logged)</i>	Excludes	Excludes	Addressing Non-investment	
	OECD Hosts (1)	all OECD (2)	<i>1st stage</i> (3)	<i>2nd stage</i> (4)
<b>JUDICIAL INDEPENDENCE</b> <i>LJI latent scale, ranging 0 to 1</i>				
HOME × HOST	10.062*** (0.896)	8.004*** (1.205)	5.925*** (0.496)	4.446*** (0.611)
HOME	4.006*** (1.182)	1.958 (1.074)	1.516** (0.727)	1.342*** (0.498)
HOST	0.589 (1.267)	0.756 (1.305)	−0.229 (0.817)	1.098** (0.450)
POLITICAL CONSTRAINTS (HOST) <i>POLCON scores, ranging 0 to 1</i>	−1.116 (1.365)	−2.005 (1.408)	−0.113 (0.916)	−0.187 (0.494)
DEMOCRACY (HOST) <i>dummy, 1 = dem.</i>	1.324** (0.555)	1.183** (0.572)	1.051*** (0.389)	−0.258 (0.207)
GDP PER CAPITA (HOME) <i>in thousands constant USD</i>	1.721*** (0.215)	1.306*** (0.223)	0.974*** (0.133)	0.669*** (0.091)
GDP GROWTH (HOME) <i>annual change in GDP, in %</i>	−1.058 (0.745)	−0.469 (0.660)	−0.482 (0.459)	−0.510 (0.309)
GDP, LOGGED (HOST) <i>millions constant USD, logged</i>	1.702*** (0.133)	1.301*** (0.137)	1.050*** (0.091)	0.416*** (0.050)
GDP PER CAPITA (HOST) <i>in thousands constant USD</i>	−0.090 (0.233)	−0.226 (0.241)	−0.233 (0.140)	0.116 (0.078)
TOTAL INTNL. TRADE (HOST) <i>% of GDP</i>	0.173*** (0.052)	0.157*** (0.053)	0.126*** (0.034)	0.024 (0.018)
FDI INFLOWS (HOST) <i>% of GDP</i>	0.568 (0.385)	0.466 (0.392)	0.085 (0.168)	0.081 (0.080)
BILATERAL INVESTMENT TREATY <i>dummy, 1 = treaty between home &amp; host</i>	2.840*** (0.181)	3.229*** (0.225)	0.967*** (0.107)	0.049 (0.135)
COMMON LANGUAGE <i>dummy, 1 = home &amp; host have official lang.</i>	3.341*** (0.246)	4.266*** (0.294)	1.204*** (0.146)	
COLONIAL LINK <i>dummy, 1 = home &amp; host colonial link</i>	4.128*** (0.510)	4.600*** (0.799)	1.508*** (0.334)	
DISTANCE <i>distance between capitals (100 km)</i>	−0.524*** (0.019)	−0.526*** (0.022)	−0.285*** (0.013)	−0.132*** (0.015)
PREDICTED PR(FDI>0) <i>continuous, between 0 &amp; 1</i>				14.771*** (0.242)
<i>Number of Observations</i>	7,352	5,267	9,817	9,817
<i>Number of Host Countries</i>	118	118	141	141
<i>Number of Home Countries</i>	154	131	154	154

*Note:* All models include a constant term and random intercepts for home and host countries. Models 1, 2, and 4 present coefficient estimates from multilevel linear regressions. Model 1 drops OECD *hosts* and Model 2 drops *all* OECD countries from the original sample; Model 3 is a multilevel logit model of the probability that a home country has non-zero FDI positions in a given host. Model 4 controls for this predicted probability and drops two dyadic predictors of non-zero investment for identification. Standard errors in parentheses (bootstrapped s.e. in Model 4). \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A14: Full Table: UNCTAD Bilateral Data, Net FDI Outflows (1984-2006)

DV: NET FDI OUTFLOWS	(1)	(2)	(3)	(4)	(5)	(6)
JUD. INDEPENDENCE (HOME × HOST)	6.350*** (0.300)	5.098*** (0.308)	1.976*** (0.332)	2.468*** (0.325)	4.750*** (0.408)	4.759*** (0.243)
HOME	1.194*** (0.437)	1.004** (0.438)	0.448 (0.356)	1.130*** (0.384)	0.836** (0.367)	1.431*** (0.394)
HOST	0.949*** (0.228)	-0.188 (0.253)	-0.321 (0.172)	0.263 (0.248)	-0.322 (0.231)	-0.062 (0.229)
POLITICAL CONSTRAINTS (HOST)		0.030 (0.194)	0.102 (0.158)	0.043 (0.185)	-0.062 (0.156)	-0.039 (0.131)
DEMOCRACY (HOST)		0.049 (0.108)	0.083 (0.079)	0.009 (0.104)	0.022 (0.091)	-0.103 (0.083)
GDP PER CAPITA (HOME)		0.656*** (0.094)	0.324*** (0.077)	0.111 (0.095)	0.315*** (0.099)	0.760*** (0.072)
GDP GROWTH (HOME)		4.973*** (1.043)	3.183*** (1.034)	5.048*** (0.984)	5.495*** (0.813)	2.948*** (0.612)
GDP, LOGGED (HOST)		0.590*** (0.033)	0.255*** (0.019)	-3.138*** (0.172)	0.511*** (0.032)	0.636*** (0.034)
GDP PER CAPITA (HOST)		0.080 (0.046)	0.074*** (0.028)	-0.388*** (0.059)	0.170*** (0.041)	0.075 (0.042)
TOTAL INTL. TRADE (HOST)		0.482*** (0.101)	0.278*** (0.058)	0.443*** (0.098)	0.404*** (0.088)	0.420*** (0.088)
FDI INFLOWS (HOST)		1.880*** (0.438)	0.346 (0.375)	1.790*** (0.417)	1.358*** (0.353)	0.913*** (0.225)
BILATERAL INVEST. TREATY		-0.271*** (0.049)	0.003 (0.046)	-0.158*** (0.046)	-0.070 (0.050)	-0.245*** (0.037)
COMMON LANGUAGE		0.470*** (0.071)	0.184*** (0.064)	0.590*** (0.068)	0.509*** (0.117)	0.458*** (0.055)
COLONIAL LINK		0.785*** (0.082)	0.328*** (0.074)	0.650*** (0.078)	0.787*** (0.142)	0.788*** (0.061)
DISTANCE		-1.346*** (0.053)	-0.476*** (0.047)	-1.281*** (0.051)	-1.252*** (0.085)	-1.372*** (0.041)
FDI OUTFLOWS <sub>t-1</sub>			0.645*** (0.011)			
GDP, LOGGED (HOME)				-3.018*** (0.182)		
GDP PER CAPITA (HOME × HOST)				0.196*** (.015)		
GDP, LOGGED (HOME × HOST)				0.138*** (0.006)		
<i>Number of Observations</i>	7,850	6,913	4,927	6,913	6,913	13,597
<i>Number of Host Countries</i>	163	140	140	140	140	140
<i>Number of Home Countries</i>	47	47	43	47	47	47
<i>Time Periods</i>	3-yr avg	3-yr avg	3-yr avg	3-yr avg	3-yr avg	annual
<i>Home-Host Dyad Intercepts</i>	No	No	No	No	Yes	No

Note: Coefficient estimates from multilevel linear regressions modeling net outward FDI flows into a given host country. All models include a constant term and random intercepts for home and host countries and time period; all predictors lagged by one time period. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A15: Robustness Check: UNCTAD Net FDI Outflows Data, Averaged By Time Period

DV: NET FDI OUTFLOWS in millions constant USD (logged)	Cross-sections, Averaged by Time Period										Panel Data, using 5-Year Averages
	82-84 (1)	85-87 (2)	88-90 (3)	91-93 (4)	94-96 (5)	97-99 (6)	00-02 (7)	03-05 (8)	2006 (9)	2006 (10)	
JUDICIAL INDEPENDENCE <i>LJI latent scale, ranging 0 to 1</i>											
HOME × HOST	-0.891 (2.091)	2.900** (1.383)	5.269*** (0.985)	6.572*** (0.938)	4.292*** (0.933)	4.347*** (0.896)	5.313*** (0.789)	5.106*** (0.571)	6.764*** (1.195)	4.841*** (0.325)	
HOME	-0.096 (7.436)	3.183 (3.409)	-1.009 (3.520)	-2.089 (2.261)	-2.010 (1.825)	-2.115 (1.401)	-1.334 (1.365)	-1.577 (1.281)	-1.383 (1.674)	0.901 (0.477)	
HOST	0.606 (0.950)	0.159 (0.898)	-0.813 (0.841)	-0.562 (0.695)	-0.219 (0.643)	-0.813 (0.552)	-0.990** (0.472)	-0.060 (0.364)	-0.650 (0.567)	-0.409 (0.275)	
<i>Number of Observations</i>	181	334	451	569	801	965	1,129	1,541	942	4,844	
<i>Number of Host Countries</i>	79	75	94	96	117	125	128	137	129	140	
<i>Number of Home Countries</i>	8	15	21	26	27	32	38	42	32	47	
<i>All Control Variables</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

*Note:* Coefficient estimates from multilevel linear regressions modeling net outward FDI flows into a given host country. Models 1-9 reestimate the baseline model using separate cross-sections, each averaged for a three-year period. Model 10 uses time-series cross-sectional data averaged by five-year periods (1981-2006) and includes a random intercept for time period. All models include a constant term and random intercepts for home and host countries; all independent variables lagged by one time period. Additionally, all models include controls for host political constraints, host democracy, home and host GDP per capita, bilateral investment treaties, home economic growth, size of host economy, dyadic trade between countries, total FDI inflows to host, common language, shared colonial history, and distance between countries. To save space, coefficient estimates for control variables dropped; available from authors upon request. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .



Table A16: **Robustness Check: Alternative Model Specifications in UNCTAD Bilateral FDI Outflows (1984-2006), pt. I**

DV: NET FDI OUTFLOWS	(1)	(2)	No China (3)	Mult. Imputation (4)
JUDICIAL INDEPENDENCE				
HOME/HOST DISTANCE		-1.736 (0.106)***		
HOME × HOST			5.277 (0.338)***	0.445 (0.134)***
HOME	1.411 (0.444)***	0.903 (0.441)**	1.032 (0.444)**	0.285 (0.169)
HOST	0.796 (0.256)***	-0.326 (0.260)	-0.316 (0.260)	0.911 (0.127)***
POL. CONSTRAINTS (HOST)	-0.009 (0.199)	-0.021 (0.195)	0.038 (0.197)	0.099 (0.139)
DEMOCRACY (HOST)	0.050 (0.111)	-0.009 (0.109)	0.067 (0.110)	0.078 (0.112)
GDP PER CAPITA (HOME)	0.665 (0.098)***	0.661 (0.099)***	0.664 (0.093)***	1.220 (0.050)***
GDP GROWTH (HOME)	5.236 (1.064)***	5.000 (1.046)***	4.813 (1.057)***	2.327 (1.288)
GDP, LOGGED (HOST)	0.579 (0.035)***	0.585 (0.034)***	0.601 (0.035)***	0.543 (0.017)***
GDP PER CAPITA (HOST)	0.069 (0.048)	0.114 (0.047)**	0.094 (0.048)**	0.079 (0.037)**
TOTAL INTL. TRADE (HOST)	0.440 (0.105)***	0.444 (0.103)***	0.504 (0.103)***	0.421 (0.064)***
FDI INFLOWS (HOST)	1.716 (0.448)***	1.921 (0.439)***	1.828 (0.442)***	2.109 (0.498)***
BILATERAL INVEST. TREATY	-0.391 (0.049)***	-0.259 (0.049)***	-0.307 (0.050)***	-0.453 (0.052)***
COMMON LANGUAGE	0.579 (0.072)***	0.486 (0.071)***	0.519 (0.072)***	0.624 (0.049)***
COLONIAL LINK	0.720 (0.083)***	0.803 (0.082)***	0.761 (0.082)***	0.848 (0.090)***
DISTANCE	-1.454 (0.054)***	-1.348 (0.053)***	-1.305 (0.054)***	-0.986 (0.060)***
<i>Number of Observations</i>	6,913	6,913	6,675	39,600
<i>Number of Host Countries</i>	140	140	139	168
<i>Number of Home Countries</i>	47	47	46	101

*Note:* Coefficient estimates from multilevel linear regressions modeling net outward FDI flows into a given host country. Model 1 excludes the interaction term, while Model 2 substitutes an alternative operationalization: absolute distance in home/host judicial independence. Model 3 excludes China as a home and host country. Model 4 reports combined estimates from 5 imputed datasets after using *Amelia* to impute missing values. All models include a constant term and random intercepts for home and host countries and year; all predictors lagged by one time period. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A17: **Robustness Check: Alternative Model Specifications in UNCTAD Bilateral FDI Outflows (1984-2006), pt. II**

DV: NET FDI OUTFLOWS <i>in millions constant USD (logged)</i>	(1)	(2)	(3)
<b>JUDICIAL INDEPENDENCE</b>			
HOME × HOST		5.111 (0.327)***	3.120 (0.329)***
HOME		1.004 (0.448)**	0.963 (0.428)**
HOST	-2.004 (0.394)***	-0.111 (0.278)	-0.285 (0.254)
HOME (MEDIUM)	0.170 (0.331)		
HOME (HIGH)	0.168 (0.346)		
MED. HOME × HOST	0.867 (0.360)**		
HIGH HOME × HOST	3.148 (0.322)***		
POLITICAL CONSTRAINTS (HOST)	0.00003 (0.195)	0.004 (0.201)	-0.014 (0.192)
DEMOCRACY (HOST)	0.043 (0.109)	0.006 (0.112)	0.024 (0.108)
GDP PER CAPITA (HOME)	0.734 (0.096)***	0.649 (0.096)***	0.579 (0.103)***
GDP GROWTH (HOME)	4.595 (1.051)***	4.994 (1.073)***	5.083 (1.030)***
GDP, LOGGED (HOST)	0.584 (0.034)***	0.622 (0.036)***	0.521 (0.034)***
GDP PER CAPITA (HOST)	0.083 (0.047)	0.065 (0.050)	0.064 (0.047)
TOTAL INTNL. TRADE (HOST)	0.470 (0.102)***	0.528 (0.109)***	0.448 (0.102)***
FDI INFLOWS (HOST)	1.846 (0.441)***	2.123 (0.531)***	1.870 (0.432)***
BILATERAL INVESTMENT TREATY	-0.292 (0.049)***	-0.269 (0.050)***	-0.091 (0.050)
COMMON LANGUAGE	0.538 (0.071)***	0.533 (0.075)***	0.456 (0.070)***
COLONIAL LINK	0.817 (0.082)***	0.772 (0.085)***	0.824 (0.080)***
DISTANCE	-1.364 (0.053)***	-1.353 (0.054)***	-1.289 (0.052)***
FUEL EXPORTS		-0.003 (0.004)	
NORTH-NORTH DYAD			1.317 (0.085)***
<i>Number of Observations</i>	6,913	6,651	6,913
<i>Number of Host Countries</i>	140	130	140
<i>Number of Home Countries</i>	47	47	47

*Note:* Coefficient estimates from multilevel linear regressions modeling net outward FDI flows into a given host country. Model 1 separates home judicial independence into a series of dummy variables, with “low” and “high” reflecting the lower and upper terciles of the LJI variable and the middle tercile as the excluded category. Model 2 controls fuel exports as a share of host GDP. Model 3 includes a dummy for dyads where both OECD members. All models include a constant term and random intercepts for home and host countries and year; all predictors lagged by one time period. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A18: **Robustness Check: Accounting for Non-Investment Dyads & Excluding OECD Countries in UNCTAD Data**

DV: OUTWARD FDI POSITIONS <i>in millions constant USD (logged)</i>	Excludes	Excludes	Addressing Non-investment	
	OECD Hosts (1)	all OECD (2)	<i>1st stage</i> (3)	<i>2nd stage</i> (4)
<b>JUDICIAL INDEPENDENCE</b>				
<i>LJI latent scale, ranging 0 to 1</i>				
HOME × HOST	3.327*** (0.484)	2.177*** (0.783)	4.283*** (0.683)	5.726*** (0.311)
HOME	0.903 (0.547)	−0.137 (0.615)	1.411 (0.951)	1.760*** (0.470)
HOST	−0.392 (0.280)	−0.405 (0.342)	−0.726 (0.416)	−0.468 (0.267)
POLITICAL CONSTRAINTS (HOST) <i>POLCON scores, ranging 0 to 1</i>	0.152 (0.206)	0.222 (0.343)	0.215 (0.411)	0.091 (0.201)
DEMOCRACY (HOST) <i>dummy, 1 = dem.</i>	0.017 (0.108)	0.162 (0.158)	0.319 (0.198)	0.057 (0.113)
GDP PER CAPITA (HOME) <i>in thousands constant USD</i>	0.632*** (0.111)	0.551** (0.218)	0.863*** (0.323)	0.619*** (0.100)
GDP GROWTH (HOME) <i>annual change in GDP, in %</i>	4.935*** (1.343)	2.06 (1.678)	5.902*** (2.127)	6.624*** (1.072)
GDP, LOGGED (HOST) <i>millions constant USD, logged</i>	0.530*** (0.035)	0.175*** (0.036)	0.483*** (0.046)	0.636*** (0.037)
GDP PER CAPITA (HOST) <i>in thousands constant USD</i>	0.083 (0.055)	0.039 (0.059)	0.041 (0.073)	0.101** (0.049)
TOTAL INTNL. TRADE (HOST) <i>% of GDP</i>	0.345*** (0.106)	0.192 (0.117)	0.287 (0.156)	0.481*** (0.106)
FDI INFLOWS (HOST) <i>% of GDP</i>	2.537*** (0.620)	1.866 (1.301)	1.445 (1.083)	2.107*** (0.459)
BILATERAL INVESTMENT TREATY <i>dummy, 1 = treaty between home &amp; host</i>	0.088 (0.058)	0.014 (0.097)	0.296*** (0.115)	−0.154*** (0.051)
COMMON LANGUAGE <i>dummy, 1 = home &amp; host have common lang.</i>	0.264*** (0.089)	0.454** (0.181)	0.257 (0.219)	
COLONIAL LINK <i>dummy, 1 = home &amp; host colonial link</i>	0.997*** (0.110)	0.991*** (0.348)	1.413*** (0.304)	
DISTANCE <i>distance between capitals (100 km)</i>	−1.225*** (0.073)	−1.099*** (0.121)	−1.532*** (0.135)	−1.611*** (0.058)
PREDICTED PR(FDI>0) <i>continuous, between 0 &amp; 1</i>				−1.957*** (0.182)
<i>Number of Observations</i>	4,129	1,061	6,913	6,913
<i>Number of Host Countries</i>	118	103	140	140
<i>Number of Home Countries</i>	45	26	47	47

*Note:* All models include a constant term and random intercepts for home and host countries; all predictors lagged by one time period. Models 1 & 2 present coefficient estimates from multilevel linear regressions modeling. Model 1 drops OECD *hosts* and Model 2 drops *all* OECD countries from the original sample; Model 3 is a multilevel logit model of the probability that a home country has non-zero FDI outflows to a given host. Model 4 controls for this predicted probability and drops two dyadic predictors of non-zero investment for identification. Standard errors in parentheses (bootstrapped s.e. in Model 4). \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A19: **Robustness Check: Controlling for Aversion to Uncertainty**

DV: FOREIGN INVESTMENT	Subsidiary Incorp. (Orbis)	Outward FDI Position (IMF)	Net FDI Outflows (UNCTAD)
JUDICIAL INDEPENDENCE			
HOME × HOST	1.920 (0.419)***	11.316 (1.008)***	5.405 (0.337)***
HOME	−0.662 (0.251)***	1.634 (3.041)	1.111 (0.463)**
HOST	3.753 (0.930)***	1.381 (1.092)	−0.283 (0.256)
UNCERTAINTY AVERSION (HOME)	−0.009 (0.015)	−0.036 (0.023)	−0.012 (0.009)
POL. CONSTRAINTS (HOST)	0.398 (0.855)	−1.313 (1.210)	−0.029 (0.198)
DEMOCRACY (HOST)	−0.092 (0.411)	1.574 (0.516)***	0.071 (0.109)
FIRM ASSETS, LOGGED	0.008 (0.007)		
FIRM AGE, LOGGED	0.008 (0.013)		
FIRM INTERNATIONALIZATION	1.237 (0.018)***		
GDP PER CAPITA (HOME)	−0.033 (0.032)	1.784 (0.562)***	0.622 (0.097)***
GDP GROWTH (HOME)	−0.022 (0.020)	0.302 (2.043)	5.003 (1.133)***
GDP, LOGGED (HOST)	0.730 (0.090)***	1.987 (0.116)***	0.612 (0.033)***
GDP PER CAPITA (HOST)	−0.047 (0.155)	−0.128 (0.188)	0.075 (0.047)
TOTAL INTL. TRADE (HOST)	−0.072 (0.291)	0.022 (0.005)***	0.517 (0.102)***
FDI INFLOWS (HOST)	0.012 (0.008)	0.277 (0.225)	1.863 (0.447)***
BILATERAL INVEST. TREATY	0.192 (0.044)***	2.041 (0.173)***	−0.271 (0.049)***
COMMON LANGUAGE	0.798 (0.041)***	2.355 (0.278)***	0.441 (0.072)***
COLONIAL LINK	0.472 (0.047)***	3.831 (0.455)***	0.801 (0.084)***
DISTANCE	−0.550 (0.048)***	−0.535 (0.021)***	−1.354 (0.053)***
<i>Number of Observations</i>	343,135	5,674	6,642
<i>Number of Host Countries</i>	99	141	140
<i>Number of Home Countries</i>	47	62	39
<i>Host Country Intercepts</i>	Yes	Yes	Yes
<i>Home Country Intercepts</i>	Yes	Yes	Yes
<i>All Control Variables</i>	Yes	Yes	Yes

*Note:* Coefficient estimates from dyadic multilevel models of foreign investment. Model 1 uses a multilevel logit to analyze parent firms' dichotomous choice to open a subsidiary in a given host. Model 2 is a linear model of home countries outward FDI position in a given host. Model 3 is a linear model of net FDI outflows from home to host countries. All models include a constant term and random intercepts for home and host countries; model 1 includes sector intercepts, and model includes intercepts for year. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

Table A20: Additional Analysis: Firm Strategies Differ Across Judicial Environments

DEPENDENT VARIABLES:	Requires Payment before or at Delivery			Bribes & Informal Gifts		
	(1)	(2)	(3)	(4)	(5)	(6)
	<i>percent of annual sales</i>			<i>percent of annual sales</i>		
JUDICIAL INDEPENDENCE <i>LJI latent scale, ranging 0 to 1</i>	-28.415*** (7.475)	-23.152*** (7.596)	-23.835*** (7.797)	-3.759*** (1.149)	-4.817*** (1.652)	-4.399*** (1.477)
FIRM SIZE <i>ordinal, 1 = &lt; 20 employees; 3 = &gt; 100</i>		-6.336*** (0.281)	-3.423*** (0.404)		-0.160*** (0.048)	0.022 (0.063)
DOMESTIC FIRM <i>dummy, 1 = domestic firm</i>		5.440*** (0.700)	4.693*** (0.806)		0.033 (0.124)	-0.025 (0.130)
INDEPENDENT FIRM <i>dummy, 1 = not part of larger firm</i>		-1.972*** (0.598)	-2.595*** (0.700)		-0.251** (0.101)	-0.296*** (0.108)
GDP PER CAPITA <i>in thousands constant USD</i>		-0.690** (0.344)	-0.879** (0.352)		0.081 (0.066)	0.064 (0.059)
MARKET SIZE <i>GDP in millions constant USD, logged</i>		-2.360** (1.056)	-1.847 (1.083)		0.022 (0.197)	0.059 (0.175)
PAST PERFORMANCE <i>annual sales<sub>t-3</sub>, logged</i>			-1.657*** (0.135)			-0.107*** (0.021)
<i>Number of Observations</i>	33,366	29,892	22,382	23,139	20,682	15,681
<i>Number of Countries</i>	80	73	73	97	89	89
<i>Sector Intercepts</i>	No	Yes	Yes	No	Yes	Yes

Note: Estimates from multilevel linear regressions of payment before/at delivery or cumulative bribes paid as percent of annual sales using firm-level data from the World Bank Enterprise Surveys (WBES), 2008-2011. In addition to listed control variables, all models include random intercepts for country. Standard errors in parentheses; \*\*\* indicates  $p \leq .01$ , \*\* indicates  $p \leq .05$ .

## Description of sampled data from Orbis

We begin testing our argument's empirical predictions using firm-level data on foreign subsidiary incorporations of multinational enterprises. We collect data on foreign incorporations from the *Orbis* database from business information company Bureau van Dyk. Although the full Orbis database ostensibly contains records of the ownership structure on millions of companies worldwide, only a tiny fraction of that total are suitable for our sample. To construct our sample, we devised a set of guidelines in order to weed out old and inaccurate records, shell corporations and money-laundering operations, financial services, and non-firms and focus our analyses on the type of investment operations commonly referred to in social science research on FDI. Our rules for constructing the sample were as follows:

- Given the complex, multiple layers of ownership within corporate families, we focus on what we call *ultimate parent* MNEs, which we identify by the following criteria:
  - they are the highest industrial company within a corporate group's ownership chain;
  - they exert a controlling influence on those firms directly below them in the ownership structure; and
  - either directly or indirectly, they own firms located in a foreign country.
- We focus on the Orbis classification of "industrial" companies, which excludes other types of firms (financial companies, insurance firms, hedge funds) as well as non-firm entities, such as individuals, families, and public authorities from being ultimate parents. This is a conservative decision, based on the assumption that these other owner types tend to exercise managerial influence at arm's length and are less frequently involved in the details of strategic decisions regarding investment location and political risk.
- We drop all subsidiaries where the ultimate parent's stake for any link in the ownership chain is less than 25 percent. This minimum threshold helps increase the likelihood that the MNE is involved in the subsidiary's investment location decisions and that the MNE has sufficient incentive to be concerned about the subsidiary's exposure to political risk.
- We drop all subsidiaries classified by Orbis as "small" companies since MNEs risk little in terms of revenue when establishing small scale operations. Orbis classifies firms as small if: a) operating revenue is less than one million euros; b) total assets are less than two million euros; and c) the number of employees is less than 15. Most of these dropped companies had less than 5 employees.
- We consider parent firms to have active international investment plans only if they open a foreign subsidiary once during the period 2006-2011 and drop all other parent firms on the assumption that they are not looking for new international investment locations.

- We drop all firms – parent and subsidiary – that are located in recognized tax havens, as classified by the Tax Justice Network ([http://www.taxjustice.net/cms/upload/pdf/Identifying\\_Tax\\_Havens\\_Jul\\_07.pdf](http://www.taxjustice.net/cms/upload/pdf/Identifying_Tax_Havens_Jul_07.pdf)).
- As mentioned in the text’s main body, Orbis does not retain longitudinal data on firm ownership, but instead updates and overwrites companies’ ownership information on a rolling basis. We kept only those subsidiaries with ownership records current within five years of this extraction date to avoid using severely outdated information. Over 90% of the records in our sample were updated within three years of the date when we extracted the data: April 2013.