Global Firms and Global Sheriffs? Why Territory Matters for Extraterritorial Regulation of Global Corporate Crime*

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Abstract

Governance of globalization demands states prohibit private companies' transnational crime. Although global firms can evade regulations creating complex ownership structures, some countries enforce their laws *extraterritorially*. They prosecute firms regardless of their nationality, behaving as "global sheriffs". However, these countries only prosecute a fraction of the foreign firms under their jurisdiction. This variation remains largely unexplained. I study this phenomenon focusing on US prosecution of foreign companies. I argue that US authorities are more likely to prosecute foreign companies that have US investment. Formally, this is no requirement for the application of American extraterritorial regulations. Yet, US prosecutors exploit reputational risk induced by the investment, which increases exposure to the US public opinion. They use it to obtain cooperation by the firm and retrieve necessary information to build a case. I test my argument building a novel firm-level data on enforcement of policies under the anti-bribery regime. I merge this data with information on non-US companies' investment in the US. I find that the probability that US authorities investigate a suspect foreign company increases by 0.28 when it has investment in the US. I provide causal evidence on the mechanism underlying my story, by showing that exposure to the US is a liability for companies that facilitates US authorities' regulatory action. The study shows that even powerful extraterritorial regulators need a territorial leverage to rule on foreign multinationals.

Keywords: Regulatory regimes; Transnational crime; Extraterritoriality; Multinational corporations; Anti-corruption

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Introduction

Globalization presents sovereign states with complex governance tasks. Interdependence makes problems spill over across borders and requires a likewise transnational solution (Keohane and Nye, 1973). However, states' regulatory action is usually limited to their territory. This turns into a sever issue when it comes to the prevention of global crime. Criminals can evade nationality-based regulations by fragmenting their activities across borders. This "regulatory arbitrage" makes it challenging to prosecute perpetrators of corporate crimes, cyber crimes, human rights violations, drug trafficking, and transnational terrorism (Cooley and Sharman, 2017; Findlay, 2000). The problem is most evident when it comes to regulating crime by multinational companies (MNCs). Firms can fragment their nationalities in order to evade tax regimes, environmental regulations, labor rights standards, or policies against money laundering and corruption (Arel-Bundock, 2017; Chapman et al., 2020; Findley et al., 2015). Are sovereign states condemned to be helpless in face of increasingly complex global crimes?

On the contrary, some countries have adopted policies to prosecute foreign subjects as if they were domestic, acting as "global sheriffs" of international regimes. This potentially solves the problem of regulatory arbitrage, because criminals cannot leverage their nationality to evade states' coercive arms. The current champion of this approach to law enforcement is the US. United States federal authorities prosecute crime perpetrated by foreigners including transnational terrorism, violations of unilateral sanctions, and crime by MNCs (Biglaiser and Lektzian, 2011; Putnam, 2009). In the realm of corporate regulation, for instance, American prosecutors levy billions of dollars in fines each year for corporate crimes committed by non-US companies. Such broad *extraterritorial* approach to regulatory enforcement makes the US arguably the most relevant judicial regulator of multinational corporations.

Yet, "global sheriffs" do not appear to be enforcing their laws against all cases they could prosecute (Ruggie, 2018). What makes a country behave as a "global sheriff" and enforce its regulations against a foreign subject? This question hinges on the nature of power in transnational governance. Political science and international relations scholarships have dedicated scant attention to the sources of extraterritorial enforcement, despite its relevance for contemporary regulatory regimes (Putnam, 2009). The lack of clear data on cases that authorities *could have* prosecuted exacerbates the problem. As a result, the question is left substantively unanswered. This gap is particularly problematic in the realm of corporate regulations, because it legitimates claims that global sheriffs select foreign firms so as to facilitate national companies in international economic competition[1].

I set to study how authorities select foreign subjects to prosecute under extraterritorial policies. I focus on corporate regulations. I argue that prosecutors gain the *extra*territorial capacity to rule over

[1]See a book by Pierucci (2019), former manager to the French company Alstom, who denounces the relentless approach of US judicial authorities against non-US companies, allegedly aimed at favoring US competitors. Interestingly, the book has recently become a best-seller in China: https://www.washingtonpost.com/world/2019/06/07/an-unlikely-winner-china-us-trade-war-french-businessmans-book-about-his-battle-with-doj/.

a foreign firm depending on its territorial connection to their economy. MNCs need not be physically present in a country to be formally subject to its extraterritorial regulations. Extraterritorial jurisdiction on a corporate wrongdoing can be usually established on the basis of much weaker connections[2]. Yet, foreign investment creates jobs, business, and activities that expose a company to the local public opinion. In comparison to foreign firms with no investment, one that invests is a well-visible entity. This induces a larger reputational damage for the parent company in the host country, in case scandals for corporate crime emerged (Karpoff et al., 2008). Companies attempt to minimize such damage by signalling compliance through cooperation with prosecutors (Garrett, 2014). Cooperation gives prosecutors access to necessary information and documents to bring on a corporate case. Thus, cases where the implicated foreign company is territorially connected to prosecutors are easier to build.

I test this argument studying US prosecution of non-US companies for events of bribery. The American case is ideal for theoretical, methodological, and empirical reasons. Theoretically, the US is a hard test of my argument. If territorial presence is necessary for extraterritoriality of such a powerful country, the argument likely travels to weaker regulators. Moreover, US prosecutors enjoy substantial freedom in their choice of cases to investigate (Tomashevskiy, 2021). Territoriality is not a jurisdictional requirement for the application of extraterritorial American law (Leibold, 2014). Cooperation between corporate defendants and authorities is also the standard in the US system[3]. Hence, US regulators would have the prerogatives and power to prosecute foreign companies without necessarily relying on territoriality to build a case. Methodologically, focusing on explaining prosecution by a single country holds constant legal features that vary across countries and that pertain to the *de jure* extraterritorial authority, rather than to its *de facto* application. Finally, and from an empirical perspective, the US shows surprising variation in its efforts to prosecute foreign companies for anti-bribery violations. It is arguably the most vigorous extraterritorial enforcer of corporate regulations[4]. Yet, each year it prosecutes only a handful of the foreign companies it has jurisdiction on (Garrett, 2011).

The choice to study the anti-bribery regime allows to overcome the obvious problem that we can only observe cases that US authorities enforced. We are not able to observe the universe of *enforceable* cases that federal agencies chose not to consider. This prevents to explain selection of cases and condemns recent studies on the matter to focus only on explaining size of penalties imposed by US agencies on companies that were prosecuted (Choi and Davis, 2014; Tomashevskiy, 2021).

[2]Extraterritoriality is usually supported by legal principles such as the "effects doctrine" – stating that misconduct by foreign subjects occurring abroad may be regulated by a state because of its effects on interests within the domain of the state – or the "presence doctrine" – stating that misconduct by foreign subjects occurring abroad may be regulated by a state if the misbehavior is partly in connection to its domain. None of the two requires territorial presence, strictly speaking. For instance, the United States exercises its authority on corporate crimes where the implicated company has used internet servers located on US soil, has paid the transaction in US dollars, holds securities in US banks, or has used US means of communication like US mail and transports (Leibold, 2014).

[3]Companies usually settle charges with authorities avoiding perils of a trial. Legal instruments used include non-prosecution agreements (NPAs) and deferred prosecution agreements (DPAs), see Garrett (2014).

[4]The original dataset supporting this study shows the US has enforced about half of all extraterritorial anti-bribery actions. The next two countries in line are the United Kingdom and Switzerland, accounting respectively for about 9.81% and 4.15% of total cases.

Two unique features of the US-sponsored international anti-bribery regime offer a way around the problem. First, the regime has diffused US-like anti-bribery policies to member states, that are now mandated to prohibit their MNCs from paying bribes to foreign public officials in international transactions (Bukovansky, 2006). Thus, a larger set of cases is observable involving non-US companies in violation of US-like anti-corruption policies around the globe, not necessarily prosecuted by the US. Second, the regime strengthened US capacity to enforce its own extraterritorial policy (Brewster, 2014). Because of that, virtually *all* observable anti-bribery cases under this regime umbrella were in principle prosecutable by US authorities, who need only a marginal connection of the defendant non-US company to their economy to claim jurisdiction (Kaczmarek and Newman, 2011; Leibold, 2014).

I leverage these characteristics and construct a novel dataset on observable events where non-US companies violated the anti-bribery regime, by (allegedly) paying bribes to foreign public officials. I draw data from reports in the TRACE International Compendium, a collection of documents summarising legal anti-bribery actions involving MNCs from around the world. I explore this dataset and explain why the US investigated about 38% of non-US companies involved in corporate bribery scandals[5]. I test my argument merging this data with firm-level information on foreign investment. A selection on observables design shows that the probability a suspected firm will be investigated by American authorities increases by about 0.28 for foreign companies with investments in the US, when holding constant important confounders. A sensitivity analysis shows the assumption of no omitted variable bias is credible in this context. Finally, I provide additional evidence on the reputational mechanism supporting my empirical expectations.

The study offers valuable contributions to political science. It provides a nuanced account in the debate on the role of state sovereignty in solving transnational issues generated by globalization. I offer a middle ground between positions declaring the "retreat of states" from global markets (Strange, 1996) and those claiming states can vigorously engage with collective problems (Vogel, 1997). I provide evidence that state coercive capacity beyond borders is feasible but determined to a great extent by territory. Even a powerful regulator like the United States needs a territorial connection in order for extraterritoriality to be viable. This consideration questions the extent to which projection of legal arms beyond borders can be considered a solution to imbalances created by globalization. It travels beyond corporate regulation, to issues spanning cyber crime, transnational terrorism, and trade sanctions.

Finally, the study speaks to the emerging "weaponized interdependence" literature (Farrell and Newman, 2019). In line with this framework, I show that states leverage their position in transnational networks to gain the *de facto* prerogative they need to prosecute foreign subjects. I contribute to this literature by offering a theory that does not assume national interest as a determinant of state action. Rather, my explanation moves from purely bureaucratic incentives of prosecutors.

[5]Original computation based on the dataset used in the article. See Table A.1.

1 Extraterritorial regulation of multinational companies

Regulating multinational companies is among the most challenging problems globalization poses. To this end, countries coordinate their behavior by making vast use of international regimes (Keohane, 1984). International regimes coordinate state responses to global issues including violations of labor and human rights (Abouharb and Cingranelli, 2006), corruption (Kaczmarek and Newman, 2011), financial crime (Findley et al., 2015), tax evasion (Crasnic and Hakelberg, 2021), and environmental damage (Kennard, 2020). One of the key mechanisms supporting coordinated responses to corporate crime is the threat of judiciary repercussions at home for firms that commit crime abroad (Crippa, 2021).

Effectiveness of such regimes ultimately depends on their enforcement by states (Baradaran et al., 2012; Simmons, 2010). The literature posits two specific problems are in the way of effective enforcement of international corporate regulatory regimes. First, *regulatory arbitrage*. Transnational firms can fragment ownership structures and supply chains across borders to evade unfavourable regulations (Arel-Bundock, 2017; Chapman et al., 2020; Fisman et al., 2008) or to profit from their conditions (Genovese, 2020; Thrall, 2021). Second, the *regulator's dilemma* (Kapstein, 1989). Self-interested countries are subject to a competitive pressure to de-regulate (or to turn a blind eye on) crime by nationals abroad, if they do not bear negative externalities of crime[6] (Eilstrup-Sangiovanni and Sharman, 2019).

A vibrant debate has then emerged to study if, net of these two problems, enforcement of international regimes is effective. Mixed evidence exists on the efficacy of enforcement. Some studies find that it successfully reduces transnational corruption (Jensen and Malesky, 2018), others provide concerning evidence on the lack of effectiveness against financial crimes (Findley et al., 2015). Many conclude formal state-based law cannot hold private actors accountable for misconduct along cross-border supply chains (Ruggie, 2018). If so, they continue, the only feasible tool to hold corporations accountable for transnational misbehavior could be in the hands of a global civil society, which could punish market actors when information on their misconduct arises (Kreitmeir et al., 2020).

By focusing on these two problems, this important literature in political science has overlooked a prerogative of states that potentially overcomes them both: extraterritoriality. States do not only enforce their regulations on *national* firms for violating criminal laws abroad. In fact, countries often apply their policies on *foreign* subjects as well, effectively behaving as "global sheriffs" of a regime (Slaughter, 2004). The country that currently champions such extraterritorial approach to enforcement is the United States[7] (Putnam, 2009). Effectively, its authorities enforce US corporate policies against firms from all over the world and threaten repercussions *in the US* for violating American criminal policies (Garrett, 2011). US authorities have occasionally even used this as a tool to sanction foreign countries (Tomashevskiy, 2021).

[6] For instance, investigations on alleged bribery of Saudi Arabian officials by the British corporation BAE Systems were repeatedly halted by UK governments, due to national interest concerns (Gilbert and Sharman, 2016).

[7] Examples of US extraterritorial corporate regulations include (but are not limited to) corrupt exchanges, violations of unilateral trade sanctions, taxation of foreign-owned assets, data usage, intellectual property.

Extraterritoriality is potentially a powerful tool to regulate global markets. First, to the extent that the legal net cast by the regulator is sufficiently large, it can effectively prevent evasion of transnational supply chains from regulatory regimes, as nationality is no obstacle to extraterritorial enforcement. Moreover, extraterritoriality overcomes the regulator's dilemma induced by self-interest . If it is national interest that causes political intrusions and halts regime enforcement, it appears a third-party "global sheriff" has no reasonable incentive to shield *foreign* companies for violating criminal laws abroad[8].

Yet, extraterritoriality is far from being the norm in the enforcement of corporate regulatory regimes[9]. First, only a few countries have adopted instruments to prosecute foreign companies. Differences from this point of view are generally explained because of legal obstacles or technological limitations (Eilstrup-Sangiovanni and Sharman, 2019). Second, countries enforcing regulations extraterritorially show striking variation in their capacity to behave as such. The US only prosecutes a handful of foreign companies every year under each of its corporate regulations, a number which is significantly below that of potential cases it has jurisdiction on (Garrett, 2011). Figure 1 shows that foreign companies are significantly under-represented in the set of cases prosecuted by the US Department of Justice (DOJ), although fines extracted from these companies tend to be higher than those from domestic corporations. When it comes to allegations for certain crimes by MNCs, including human rights violations, these numbers drop significantly (Kreitmeir et al., 2020; Ruggie, 2018).

What gives a country the capacity to behave as a "global sheriff" and enforce a regulatory regime against a certain foreign company? We still know too little to answer this question, despite its relevance for the literature on international regimes. Political science and its sub-disciplines have dedicated surprisingly scant attention to extraterritoriality[10]. International law has studied the issue more extensively. Legal scholars generally conclude that the gap between potential cases and those that are actually enforced is due to the costs and complexity of embarking on cross-border prosecutions (Brewster, 2014). From a political science perspective this is only a partial explanation, however, as it does not justify why legal resources are devoted to the selection of a *specific* extraterritorial case over another.

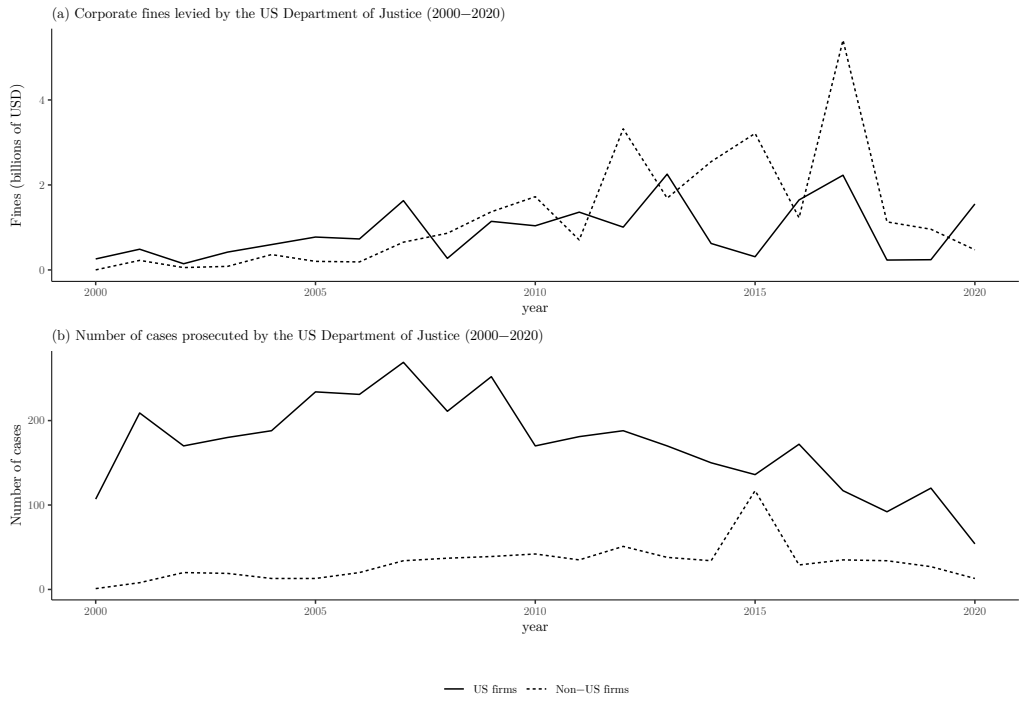
Two potential explanations are provided by the few political science studies on the matter. Putnam (2009) is among the first to address the topic in political science. She argues that the US intervenes extraterritorially when foreign violations undermine the integrity of American domestic norms. Although more satisfactory, not even this claim is able to explain what determines the selection of a company over another that violated *the same* US domestic norm. Some corporate practitioners contest these decisions

[8]If anything critics of the extraterritorial application of US corporate law contend quite the *opposite*: that American authorities unfairly apply their regulations with disproportionate energy against foreign companies, to alter the playing field of international economic competition and ultimately favor US companies (Leibold, 2014). As an example of such claims, see: "À qui profite la lutte anticorruption? Le piège General Electric", *Le Monde Diplomatique*, September 2019: https://www.monde-diplomatique.fr/2019/09/A/60335.

[9]I suspect that the reticence of political science to address the topic can be partially justified precisely because extraterritoriality is rather the exception in corporate governance than the rule (Ruggie, 2018). I believe this is yet one more reason making a study about the sources of extraterritorial capacity a relevant contribution.

[10]This literature has rather focused on its effects, see Efrat and Newman (2016) or Kaczmarek and Newman (2011).

Figure 1: Corporate fines levied (a) and number of prosecuted cases (b) from the US DOJ by nationality of indicted firm, 2000 – 2020.



Data retrieved from the Corporate Prosecution Registry (Garrett and Ashley, 2019).

are in fact political and are made to advantage US companies in key industries (Pierucci, 2019).

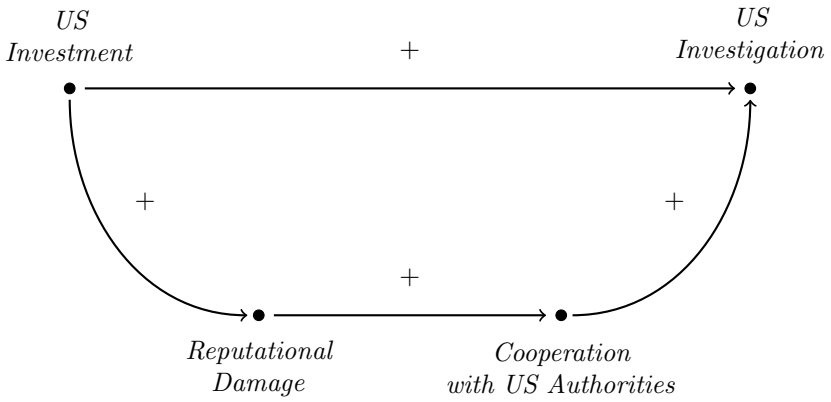
A second potential explanation comes from proponents of the so-called "weaponized interdependence" argument. This theory claims countries can leverage transnational economic networks to gain advantage over rival nations and coerce them (Farrell and Newman, 2019). Next section presents an argument that largely builds on insights from this theoretical framework. I draw from here the notion that economic interdependence creates the conditions for countries to exercise their coercive (regulatory) prerogatives. Yet, I claim this is not done in pursuit of national interest. In fact, I contend it is purely the result of career and professional incentives to bureaucrats in charge of regime enforcement. My argument focuses on the United States case and considers the two key actors of extraterritorial regime enforcement: global firms and national prosecutors.

2 Global firms and global sheriffs?

Imagine two very similar non-US companies, Red Apple Cigarettes and Morley Cigarettes, were suspected of violating some US extraterritorial corporate policy in a certain foreign country. Whereas Red Apple has a local US subsidiary, called American Red Apple, Morley is only publicly traded on the New York Stock Exchange. Besides that, it has no significant presence in the United States. In this fictitious case,

the US has jurisdiction to rule over both misconducts[11]. Will US authorities be more likely to enforce their policies against either of the two? I argue that territorial presence empowers state authorities to behave extraterritorially, making Red Apple a more likely target of US courts. Although extraterritorial jurisdiction formally does not require the physical presence of a firm in a country, I argue that a country leverages the investment of a foreign firm on its territory to gain the *de facto* capacity to behave as a "global sheriff" and investigate it.

Figure 2: Effect of US investment on likelihood of US investigation for suspected companies. Expected effect signs and mechanism



In a nutshell, my argument assumes that judicial authorities have incentives for bringing cases against foreign companies, but they are constrained by limited resources. Therefore, they must focus on cases offering a higher likelihood of success. This, in turn, depends on availability of information. I move from these premises and advance the theory sketched in Figure 2, which summarizes my observable expectation and its underlying mechanism. I claim that suspected foreign firms with an investment in the prosecutors' economy represent an easier case to investigate than those with no such physical presence and will therefore be more likely selected by authorities. The reason is that their exposure to the prosecutors' economy makes them suffer larger reputational damages for violating local corporate policies than their counterparts without similar investment. In turn, increased reputational damage makes cooperation with local authorities a more appealing strategy to these companies. By cooperating, they signal to the public opinion they are complying with authorities, in the hope to minimize reputational damage. Crucially, by cooperating a company also provides information and evidence to prosecutors, making such cases on average easier to win for regulatory agencies. When choosing among suspected foreign companies, prosecutors will therefore tend to select those territorially bound to their country, expecting that they will be more likely to cooperate.

In this section I first elaborate on the assumptions that motivate prosecutors' behavior in my argument. I justify these assumptions based on previous work from political science and legal studies. Next,

[11]Red Apple would be subject to US corporate policies due to its presence in the domain of the state, and Morley due to its requirement to file 20-F forms to the Securities and Exchange Commission.

I expand on my mechanism detailing foreign firms' behavior when corporate scandals emerge.

2.1 Global sheriffs: Incentives to prosecute and resource constraints

My argument assumes judicial authorities have incentives for enforcing laws against foreign corporate defendants. This is a reasonable premise from the point of view of individual-level incentives to pursue these cases. First, when establishing a case it is relatively easier for prosecutors to investigate a company than the individuals within its organization who are responsible for committing the crime[12] (Garrett, 2014). The damage suffered from a corporate scandals is a serious concern for implicated companies, which typically accept guilt and try settling allegations without going to court, so as to minimize the time spent under the spotlight of newspapers and the public opinion. In the US system, out-of-court legal instruments allowing this outcome include deferred prosecution (DPA) or non-prosecution agreements (NPA). These costly solutions expedite the resolution of corporate legal matters. They are aimed at avoiding a "death sentence" for a company (Alexander and Arlen, 2018; Garrett, 2018): they prevent perils of judiciary prosecution for the firm, but involve large costs. This solution is precluded to individuals, who also have incentives to go through lengthy trials and appeals in order to maximize their chances of resulting innocent (Davis, 2019).

Corporate cases therefore provide a good career opportunity to prosecutors, as they are easier to build. Cases against *foreign* firms prove particularly appealing for monetary and prestige reasons. Successful officers often build thriving careers from winning cases against foreign companies[13] (Choi and Pritchard, 2018; DeHaan et al., 2015). The resonance of these cases also benefits prosecutors in prestige, building them a reputation as tough opposers of economic crime. Corporate scandals involving foreign companies regularly make it to the first pages of newspapers and attract the attention of news outlets around the world. They often involve corporations with vast activities across borders, large sums of dirty money mobilized, and vast rents illicitly extracted. On top of this, the blatantly absurd way these resources are sometimes spent makes for easy eye-catching stories[14].

Prosecutors also have office-level incentives to enforce their laws against foreign corporations, pertaining to their budget. Offices in charge of enforcing corporate criminal laws are public bodies. Budget decisions are thus usually political. Fines and monetary settlements levied are partly employed to com-

[12]Former FBI director James Comey referred to the DOJ as the "Chickenshit Club" precisely for an alleged tendency to prosecute easier corporate cases rather than more complex individual ones. See: https://www.ft.com/content/102ffa00-5bf4-11e7-9bc8-8055f264aa8b

[13]To provide a few anecdotes, prior to his 2016 appointment as chief of the DOJ Fraud Section, Daniel Kahn had been the lead prosecutor of cases among the top anti-bribery enforcement actions in the US against foreign entities (See: https://fcpablog.com/2016/06/02/doj-names-permanent-chief-of-fcpa-unit/). His subordinates at the Fraud Section share similar successful stories. After a successful experience as a line prosecutor at the DOJ, Albert Stieglitz was seconded overseas, to the UK Serious Fraud Office (See his biography: https://www.pli.edu/faculty/albert--stieglitz-32298).

[14]Corrupt corporate money was allegedly used by Malaysian public officials to fund part of the production of Martin Scorsese's movie "The Wolf of Wall Street", with bitter irony – see: https://www.theguardian.com/business/2019/dec/19/goldman-sachs-close-to-2bn-settlement-over-1mdb-scandal-malaysia –, and in Equatorial Guinea to buy an iconic crystal-studded glove once owned by Michael Jackson – see : https://abcnews.go.com/Blotter/doj-seeks-jackson-glove-dictators-son/story?id=14812081.

pensate those who suffered from the economic crime, but a large share typically ends up in the National Treasury, particularly when victims are hard to identify (Turk, 2012). Zeal of prosecutors' offices thus increases revenues for a government and signals those in charge of budget decisions that the office is of strategic importance.

Empirical evidence confirms that cases against foreign companies tend to be much more remunerative. Fines levied by the US DOJ from foreign corporations tend to be significantly higher than those from domestic corporations[15]. In the case of foreign bribery, with the sole exception of Goldman Sachs, the top 10 monetary corporate settlements for bribery with US agencies have all been paid by non-US entities[16]. This pattern stands out even when controlling for the egregiousness of the bribe paid (Choi and Davis, 2014). Such zeal and surge in revenues is rewarded by governments. In the US the increase in anti-bribery revenues has paralleled the expansion of prosecutors' offices and the establishment of divisions specialized in the investigation and enforcement of this particular corporate criminal offence.

Therefore, in the example presented above, US prosecutors have incentives for making a case against both Red Apple Cigarettes and Morley once they obtain information on their violations of corporate law. Yet, prosecutors must focus only on cases where the likelihood of success is higher, because foreign prosecution is a costly endeavour and resources to initiate cases are scarce (Brewster, 2014). US authorities bring only a handful of cases against foreign companies each year, as panel b in Figure 1 shows. When broken down to the various types of corporate offences, this figure is reduced to just a few cases[17].

2.2 Global firms: Reputational damage and incentives to cooperate

Which of the two imaginary companies in our running example will more likely be prosecuted by US authorities? Based on my assumptions, the answer will depend on what case will be easier to build. The most valuable resource prosecutors need to build a case is information on the alleged misconduct, and access to financial records or corporate documents. Public authorities from the headquarter of the foreign company usually offer support thanks to multilateral legal assistance networks (Brewster, 2014; Kaczmarek and Newman, 2011). Yet, it is cooperation with indicted companies that proves crucial to build a case (Baer, 2018; Davis, 2019). Cooperation of defendants and information disclosure are usually provided as part of an NPA or DPA program. Among the steps of these programs, the firm usually sets up internal investigations on the alleged misconduct. Authorities retrieve information and classified documents from such type of cooperation as a condition to grant non-prosecution (or defer it).

Companies mainly cooperate with US authorities in order to reduce the reputational damage that a corporate scandal generates. Evidence shows that firms are imposed harsh costs on financial markets

[15]Data from Garrett and Ashley (2019) (plotted in Figure 1) reveal that the average fine imposed by the DOJ on a US corporation is \$5,192,672 whereas that imposed on a non-US company is \$38,368,610. The difference is statistically significant with p-value 7.6×10^{-9}.

[16]See the top 10 monetary settlements from the FCPA blog: https://fcpablog.com/2020/10/26/wall-street-bank-earns-top-spot-on-fcpa-blog-top-ten-list/.

[17]In the years when cases of foreign bribery peaked, for instance, the DOJ prosecuted less than 15 yearly cases in all.

when their corporate social responsibility records are undermined (Capelle-Blancard and Petit, 2019; Krüger, 2015). This is particularly true for criminal prosecution. Around 80% of each dollar lost in the share value of a company, following judiciary prosecution, comes from market-imposed penalties (Karpoff et al., 2008). This leaves only 20% of losses to fines and disbursements imposed by authorities[18]. Markets impose penalties because unveiled criminal behaviors provide information that a company operates inefficiently, or that it will likely incur in legal costs in the future. Both issues concern investors, who negatively update their expectations on the profitability of implicated companies and restructure their portfolios accordingly. By offering cooperation, companies can minimize these reputational penalties. They can reduce the time they spend under the spotlight of the public opinion, avoiding the long process of in-court trials. Moreover, they signal compliance with corporate laws. They frame the misconduct as the behavior of a "bad apple" inside the company, rather than a structural issue (Garrett, 2014).

Yet, cooperation through NPAs or DPAs is costly. Usually the firm is required to admit guilt, pay large settlements, and undertake a complete re-organization of its corporate structure and culture to comply with regulatory standards in the future (Garrett, 2011). NPA and DPA terms also often mandate the company changes executive offices composition and organizes systems of internal investigations including third-party observers. Non-US companies can also incur in transaction costs and frictions caused by their inexperience with the US legal system (Leibold, 2014). A company will therefore evaluate the opportunity cost of refusing cooperation (and its expenses) based on how much it values potential benefits of signalling a compliant behavior. Opportunity cost of refusing cooperation with US authorities will be higher for those foreign companies that risk larger reputational damage for corporate scandals.

I argue that companies with an investment on US soil will tend to suffer increased costs on financial markets for these types of scandals. Similar companies have branches, offices, jobs, and businesses (Kerner, 2014) that make it likely reputational penalties will be harsher, as they potentially expose a relatively larger share of activity. Having more at stake, these companies will be aware of their high potential reputational costs in case of a corporate scandal. They will therefore perceive higher opportunity costs of refusing cooperation. Hence, when information on potential corporate law violation emerges, they will be more likely to cooperate with authorities than comparable companies with no similar exposure to the US economy. This provides prosecutors the information they need to bring a case and makes it more likely that they will be able to enforce regulation against these companies.

In the running example introduced above, Red Apple will be more likely to cooperate with prosecutors than Morley. This makes the Red Apple case one where the availability of information will likely be higher than in the Morley one. All else equal, I expect US authorities will be more likely to dedicate scarce legal resources to cases against foreign companies with investment in the country, than others.

[18]This means that it is not relevant whether a firm was *actually* guilty of the alleged crime or not: firms suffer harsh reputational penalties even as a result of mere criminal allegations.

3 The US and the global anti-bribery regime

A study aimed at explaining the selection of foreign companies by prosecutors quickly runs into a very obvious problem: only *enforced* cases are observable. Cases agencies had information on and decided not to prosecute are, instead, impossible to observe. My solution to this problem exploits two unique features of the case I study: the US-sponsored international anti-bribery regime that was built starting in the 1990s. First, construction of the regime diffused US-like anti-bribery policies to its member states. Second, the regime enables US authorities to enforce their own anti-bribery policy extraterritorially.

The United States was the first country to adopt a regulation preventing American companies from paying bribes to foreign public officials, with the 1977 Foreign Corrupt Practices Act (FCPA)[19]. Ever since the law was adopted, US administrations have faced concerns by American companies who were worried the law would disadvantage them *vis-à-vis* foreign competitors that did not risk judiciary repercussions for paying bribes overseas[20]. They responded to such concerns in two ways. First, they lobbied for the adoption of a common anti-bribery regulation among partner countries, an effort which resulted in a number of anti-bribery international agreements since the 1990s. Second, they expanded the jurisdiction of the FCPA to cover non-US companies with rounds of amendments in 1988 and in 1998.

Two consequences of its peculiar history make the regime an optimal case to study why US authorities choose to prosecute certain non-US companies. First, countries participating in this US-sponsored international anti-bribery regime have adopted policies that closely resemble the US FCPA, and that prohibit the same type of corrupt payments (Brewster, 2014). This is particularly true for the 43 countries taking part, alongside the US, to the OECD Anti-Bribery Convention. The Convention is an instrument of hard international law mandating its participants to enforce anti-bribery standards against foreign corrupt payments by their MNCs (Abbott and Snidal, 2002). The existence of this agreement makes it possible to observe, from 1997 on, a much larger set of violations of anti-bribery rules by companies around the world, than what would be observed by simply looking at US-based enforcement.

Second, the construction of the regime dramatically expanded US authority over non-US companies. After its 1998 amendments the FCPA formally applies to foreign corporations suspected of foreign bribe payments with just a marginal connection to the US. This includes non-US companies listed on a US stock exchange or otherwise obliged to submit periodic reports to the Securities and Exchange Commission (SEC), but also non-issuing companies furthering any act of bribery to a foreign official *while in the US* (Leibold, 2014). The latter category does not cover exclusively misbehavior *physically* occurring on US soil. In fact, the use of US mail, phone calls or internet communication using US providers, interstate or

[19]The FCPA emerged from the blows of the Watergate scandal. Among the many illicit payments uncovered by the Watergate Special Prosecutor offices, US corporations were found to have paid bribes in various foreign countries to members of governments, of cabinets, of parties, and of the public administration believed to be close to American interests and values (Abbott and Snidal, 2002).

[20]A few countries, notably France and West Germany, had even made cross-border bribery payments tax-deductible for their companies (Gutterman, 2015).

international travel with connection to the US, and even bank wire transfers or transactions operated in US dollars can be sufficient for the SEC and the DOJ to invoke jurisdiction on a company from anywhere in the world, as long as such connections were instrumental to the corrupt exchange. This interpretation of the "presence doctrine" (see footnote 2) is so broad that often its justification appears stretched to legal experts (Garrett, 2011). Cross-border networks of mutual legal assistance among authorities belonging to this regime facilitates US federal agencies to enforce their laws against foreign subjects (Kaczmarek and Newman, 2011). As a result, nowadays virtually *all* corporations under the regulatory umbrella of the anti-bribery regime are considered liable under FCPA provisions, regardless of their presence on US soil (Leibold, 2014).

By focusing on this specific regime I am thus able to observe a vast set of similar violations of anti-bribery standards by non-US companies. Some were investigated by US authorities, others were not. Given that the US has the authority to behave as the "global sheriff" of this regime and prosecute virtually all these cases, I am able to distinguish between cases involving non-US companies that were prosecuted by US authorities and those that were only prosecuted by non-US courts.

I argue these cases comprise the ones information was available for. This observable set clearly does not include *all* possible violations of anti-bribery standards. Namely it does not include cases that (*i*) no involved authority had information on and that (*ii*) all informed authorities willingly chose not to investigate. The first source of selection does not really represent an issue for this study, as US authorities cannot choose to focus on violations nobody knew of. The second, instead, might introduce an issue of selection bias. If unobserved cases *willingly* overlooked by all informed judicial authorities were also systematically different in their US investment behavior, I would be unable to observe certain bribery cases that differ systematically from the observable ones in terms of the involved companies' presence in the US. I assume this is not happening: hence deliberate selection of non-US cases out of the set of observable ones is independent of the US ownership structure of the involved companies[21]. Even in the restrictive case this assumption were violated, yet, focusing on observable cases allows to explain what drives US prosecution of non-US companies in *publicly known* violation of the anti-bribery regime. Next section details how I construct an original dataset recording anti-bribery violations by non-US companies.

4 Data collection

My argument explains decisions of US authorities to investigate a non-US company as a function of its investment in the US. I test this expectation in the case of the anti-bribery regime. Two crucial pieces of information are therefore required. First, I need to retrieve information on cases of corporate bribery by

[21] A violation of this assumption would occur, for instance, if overseas bribe payments by non-US companies with a significantly large presence in the US were known by authorities of some countries and were willingly and coordinately overlooked. I believe this scenario to be rather unrealistic, particularly since countries where bribes were paid can often extract a valuable reimbursement from judicial actions.

non-US companies which were investigated and were not investigated by US authorities. Second, I need to reconstruct investment of the involved firms in the US (or lack thereof). The next two subsections detail how I collected data from different sources and constructed an original dataset containing both pieces of information.

4.1 Anti-corporate bribery enforcement cases

I retrieve information on anti-bribery enforcement actions by US and non-US authorities combining different data sources. The main one is the TRACE Compendium. TRACE International is a business association providing risk management services, particularly focused on anti-bribery legal, reputational, and economic risk. Its Compendium[22] is an open database made of 841 text documents summarising events of cross-border corporate corruption in violation of the international anti-bribery regime, and related law enforcement actions. TRACE constructs it drawing from legal documents, newspaper articles, and leakages or official releases of corporate files.

Two features make this database the perfect source for my data collection. First, the case selection. TRACE only considers events of cross-border corruption where the bribe-payer is an (individual acting on behalf of an) enterprise headquartered in a certain country and the bribe-payee is a public official of a different nationality. It does not consider events of corruption that are purely domestic, *i.e.* those where bribe-payer and payee are of the same nationality. These events technically do not fall under the scope of the international anti-bribery regime. Second, TRACE reports events of anti-bribery law enforcement initiated by US *and* non-US authorities alike. This allows me to tell cases that were enforced by US prosecutors from those that US agencies did not enforce.

I employ a mix of web-scraping techniques and hand-coding to collect information from these 841 text documents[23]. A single TRACE document can be particularly complex. It can refer to a single bribe-payer company or multiple ones. Under the same corrupt scheme, bribe-payers can funnel illicit money into the pockets of public officials from a single country or multiple ones. Finally, enforcement actions by a national authority can cover any or all of these criminal transactions. I carefully disentangle this complex information and code documents appropriately, obtaining information on individual payments made by specific subjects to foreign officials of a certain nationality, and enforced by a given national authority.

Once I have obtained information on events of anti-bribery enforcement, I collect data on the corporate identity of the bribe-payers. First, I identify the company paying the bribe from the scraped TRACE

[22] See: https://www.traceinternational.org/resources-compendium

[23] I check completeness of this dataset drawing from data generously provided by Escresa and Picci (2017). I also check my data using sources specific to US FCPA enforcement: Garrett and Ashley (2019)'s data on DOJ prosecution, Stanford Law School's Foreign Corrupt Practices Act Clearinghouse dataset (see: http://fcpa.stanford.edu/enforcement-actions.html?page=1.0), and data from the Violation Tracker by Good Job First (see: https://www.goodjobsfirst.org/violation-tracker). I test accuracy of coded information by randomly selecting 30% of the observations and checking the way automated techniques coded information.

documents. Where individuals are reported to have paid a bribe, I try to gather information on the company they were bribing on behalf of, if the information is available. Where this information is not available, I flag these records as payments made by individuals, and I later discard them[24]. I draw on several providers of company data to retrieve correct information on the headquarter country and identity of each corporate bribe-payer. My main source for this is Bureau van Dijk's Orbis Corporate Ownership database. Where Orbis does not report information on the included companies in my dataset, I draw from alternative sources[25]. I retrieve this information employing mandatory filings by civil authorities in charge of overseeing security markets (like the SEC or UK Companies House reports), datasets about leaked offshore corporate documents[26], NGO information (like those provided by the UN Global Compact program, or development agencies), and private information providers on company data (Bloomberg, Dun & Bradstreet, and Crunchbase).

The final dataset I obtain is composed of 3,031 distinct events. The unit of such dataset is a bribe payment by a single subject (a company or an individual) to public officials of a single nationality, prosecuted by authorities of a single country. Reported bribes were paid by a total of 767 companies headquartered in 75 different countries, and by 34 individuals of 16 different nationalities. They involve a total of 1,245 different events of cross-border bribe payments to foreign officials from 160 different countries, from 1972 to 2021. A total of 1,583 distinct enforcement events[27] were initiated by national agencies of 111 countries in total.

This rich dataset contains some information that is not necessary for my study. I therefore proceed at selecting only the relevant information. First I remove all observations referring to events of corruption taking place before 1997. I consider this year the real birth of the anti-bribery regime, with the ratification of the OECD Anti-Bribery Convention. Legal research has shown that the agreement represented a turning point for the possibility to enforce the US FCPA (Brewster, 2014). Next, I remove all cases of cross-border bribery where information on the company individuals were bribing on behalf of was not available. For the sake of my argument I do not consider these cases as events of illicit corporate payments, but as individual criminal actions.

My interest is in explaining extraterritorial prosecution of non-US companies by American federal authorities. I therefore discard all cases of cross-border bribery where the bribe-payer company is a US-incorporated firm. Cases in this category do not fall under the extraterritorial application of FCPA terms, therefore they are not of interest for the study. Finally, I discard cases where the bribe-payee is

[24] In 45 TRACE records it was not possible to discern which companies individual bribe-payers were paying on behalf of. In the majority of these cases criminals set up fictitious firms or shell companies to conceal bribe-payments and/or pocket kickbacks. Usually they conceived complex schemes for securing private advantages.

[25] Only 45 out of 767 companies were not appearing in Orbis and required to obtain information with alternative means.

[26] Like https://offshoreleaks.icij.org or https://wikileaks.org.

[27] This figure departs significantly from official TRACE statistics because I count enforcement actions differently. TRACE considers multiple events of enforcement by agencies from different countries as a single event, while in my dataset each individual enforcement by an agency represents a single event of prosecution, even if multiple countries are prosecuting the same corruption case.

a US public official. Cases under this category do not fall under the jurisdiction of the FCPA, and are generally prosecuted in light of legislations against domestic bribery.

These selections leave me with a dataset of 1,921 observations involving 425 non-US companies. These firms were involved in a total of 677 distinct corrupt exchanges involving non-US public officials, prosecuted in 934 different events of enforcement around the world. Finally, I collapse these observations by firm and obtain my binary dependent variable *Investigation* measuring whether each firm of the 425 non-US companies involved in at least one bribery event was ever investigated by US authorities (DOJ or SEC) or not[28].

4.2 US investment

I collect information on the presence of these companies in the US economy. I aim at constructing a binary firm-level explanatory variable *US Subsidiary* that takes value 1 if and only if a given company has a subsidiary in the US.

I rely on Orbis to obtain data on investment of the companies of interest through US subsidiaries. Out of the 425 companies in the dataset, 402 have information available in Orbis. I collect data on subsidiaries of each of these 402 firms around the world. Orbis reports information gathered from mandatory filings made by companies to agencies regulating securities.

Orbis reports that the 402 companies of interest own a total of 58,734 unique subsidiaries in 198 different countries. Not all these ownership relations are of interest, though. Some of these subsidiaries can be shell companies, financial services, and short-term ownership operations that have little to do with the type of long-term foreign investment implied by my argument (Kerner, 2014). I proceed at making appropriate selections following practices recommended by previous studies that use Orbis data (Beazer and Blake, 2018) and established guidelines on dealing with this data source (Kalemli-Ozcan et al., 2015).

For each of the 402 companies in the sample, I get information on whether it owns at least one US subsidiary. I define a subsidiary according to two criteria. First, it should not be what Orbis classifies as a "small" company. Hence, I consider only subsidiaries that haver higher operating revenue than one million US dollars, more than two million US dollars in total assets, and more than 15 employees. Second, a parent should enjoy at least 50% of voting power in a company for it to be considered its subsidiary (Kalemli-Ozcan et al., 2015). These two criteria ensure I am only considering non-US long-term and substantive investment in the US, the kind of enterprise that is likely to induce reputational liabilities advanced by my theory.

[28] A minority of companies (4 out of 428) were investigated by other US agencies in connection to events of bribery, including the Federal Bureau of Investigation, the Department of State, and the Department of Commerce. Since these agencies are not in charge of enforcing the FCPA, I code these cases as *not* being investigated by the US, as I am interested in explaining enforcement of FCPA extraterritorial terms. However, a replication of all results presented in the next section relaxing this condition showed my estimates do not hinge on it. This robustness test is not reported in the paper to keep the Appendix compact enough, but is available upon request.

For each company in the dataset I construct my explanatory variable of interest *US Subsidiary* measuring whether the company has at least one subsidiary in the US. Out of the 402 companies, 49 have a subsidiary in the country[29] while 353 do not.

4.3 Firm-level controls

My argument expects non-US companies suspected of bribery will be disproportionately likely to be investigated by federal authorities if they have an investment in the US. The effect of interest can be confounded by a number of potential factors that might make it more likely for a company to invest in the US, while simultaneously making it more likely that US agencies will investigate it. The analysis should control for these factors.

First, foreign companies can be more likely to invest in the US if their production and ownership chains make them more projected abroad. At the same time, firms in industries that fragment production across borders can also be more likely to be involved in events of bribery, simply because of the larger possibilities of interaction with foreign public officials. I therefore extract from Orbis information on the number of total subsidiaries (defined following the same criteria outlined above) for each company – *Global Subsidiaries* – and for the number of branches directly controlled by each company – *Global Branches*. The number of employees can also play a similar confounding effect: companies with more employees around the world can have better resources to invest in the US and be more likely to be exposed to bribery. I therefore measure the logarithm of the total number of employees for each company + 1: *Global Employees* $(log + 1)$.

The wealth of a company can also confound the relationship of interest. Richer firms might have the means and interest to embark in a US investment, an initiative which entails considerable sunk costs for a company. At the same time, they might also be more easily target of bribe requests when conducting their business, hence they might risk appearing on US authorities' radar more often. I therefore measure the average *Parent Revenues* and *Parent Assets* as reported by Orbis, measuring respectively operating revenues and total assets' worth in millions of US dollars. I also measure the average *Parent Employees* to get a sense of the firm's size.

Finally, foreign companies that tend to be more often under scrutiny of their domestic agencies might be less likely to invest in the US as a means of reducing judicial pressure on their activity. At the same time, US agencies might refrain from prosecuting a company if it is already investigated by other authorities. To control for this aspect I measure, for each company i, the mean number of prosecuting countries in the events of bribery that involve it: *Number of Prosecutors*.

Companies from specific nationalities can also be facilitated when investing in the US because of

[29] Imposing the condition that only non-small companies count as subsidiaries shrinks substantively this "treatment group". Relaxing it increases the treatment group to a total of 174 companies. Results presented in the next section are overall the same (although slightly smaller in size) when this condition is relaxed. They are available upon request.

unobservable characteristics. Perhaps special relations between their home countries and the US facilitates the bureaucratic process of opening a subsidiary on American soil. If US authorities investigate more thoroughly companies from these home countries, then the origin of a company can confound the relationship of interest. Industry-specific features can also play a similar role. To account for both problems, I record the home country of each company and its industrial sector based on the two-digits North American Industry Classification System (NAICS). I introduce fixed effects at these levels to remove such unobserved heterogeneity.

4.4 Data description

I present summary statistics of my cross-sectional dataset in Appendix (Table A.1). Table 1 provides information on the average value of each variable for companies with or without a US subsidiary. Non-US companies with no US subsidiaries have a baseline 0.33 probability of being investigated by US authorities when they are involved in events of bribery. This confirms the vigorous extraterritorial activity of federal authorities documented by previous studies. This probability increases by 0.40 in the group of companies with at least one US subsidiaries. Firms in this group have a 0.73 probability of being investigated by US authorities, when they are involved in events of bribery. The difference is statistically distinguishable from zero at a 0.05 conventional level of significance.

Table 1: Bribe-payer non-US companies. Observable covariates balance table

	No Subsid. (N=353)		Subsid. (N=49)			
	Mean	Std. Dev.	Mean	Std. Dev.	Diff. in Means	Std. Error
Investigation	0.33	0.47	0.73	0.45	0.40	0.07
Global Subsidiaries	0.01	0.02	0.04	0.04	0.03	0.01
Global Branches	0.02	0.12	0.07	0.32	0.05	0.05
Global Employees (log+1)	0.85	1.37	3.43	1.12	2.58	0.18
Number of Prosecutors (mean)	1.48	0.91	1.37	0.55	-0.11	0.09
Parent Revenues (mean)	0.12	0.37	0.39	0.46	0.27	0.07
Parent Assets (mean)	0.37	1.49	2.79	6.17	2.42	0.89
Parent Employees (mean)	0.00	0.00	0.00	0.00	0.00	0.00

This difference provides some initial descriptive evidence on the relationship advanced by my argument. Yet, Table 1 also shows that almost all the other covariates are strongly unbalanced in the sample. On average, firms with at least one investment in the US tend to have more extended activities in the world, and they tend to be larger. To the extent that these features correlate with the likelihood of US investigation too, the difference-in-means presented above provides a confounded picture. Next section adopts a selection on observables design to hold constant these potential sources of endogeneity.

5 Selection on observables design

In this section I estimate a series of linear probability models (LPM) of the *Investigation* binary dependent variable. I explain the dependent variable using my main explanatory variable *US Subsidiary* and I hold constant relevant observable sources of endogeneity presented in the previous section. I estimate LPMs using ordinary least squares (OLS) for ease of interpretation of their coefficients. I cluster all standard errors at the home-country level to account for possible correlation at this level in the error term and obtain larger measures of uncertainty that factor in co-dependence of observations.

Table 2: Linear probability models of Investigation. Binary main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.403***	0.349***	0.344***	0.279**	0.303**
	(0.076)	(0.091)	(0.101)	(0.105)	(0.104)
Global Subsidiaries		-1.061	-0.772	-0.018	-0.041
		(0.871)	(0.960)	(1.165)	(1.057)
Global Branches		0.358**	0.215	0.187*	0.148
		(0.124)	(0.160)	(0.084)	(0.090)
Global Employees (log+1)		0.027	0.019	0.016	0.040
		(0.024)	(0.029)	(0.030)	(0.033)
Number of Prosecutors (mean)			0.177**	0.138+	0.133+
			(0.058)	(0.075)	(0.068)
Parent Revenues (mean)			0.151*	0.196*	0.140
			(0.071)	(0.094)	(0.145)
Parent Assets (mean)			0.013+	0.018**	0.015+
			(0.007)	(0.006)	(0.009)
Parent Employees (mean)			-61.596***	-74.496*	-85.837
			(17.664)	(34.456)	(69.198)
(Intercept)	0.331***	0.311***	0.061	-0.162	-0.409*
	(0.041)	(0.048)	(0.104)	(0.099)	(0.166)
Num.Obs.	402	402	303	303	301
Country FE				Yes	Yes
Industry FE					Yes
R2	0.074	0.091	0.203	0.433	0.486
R2 Adj.	0.072	0.082	0.181	0.296	0.308
F	31.886	9.973	9.365	3.149	2.736

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

Note: Coefficients estimated using OLS. Standard errors are clustered at the home country level.

Table 2 reports LPM estimates. I include my control variables step-wise and carefully given the limited number of observations in my dataset and data missingness for some covariates. This also avoids problems of suppression effects in a selection on observables design (Lenz and Sahn, 2020). The first model introduces only my binary explanatory variable *US Subsidiary*. Its estimated effect is obviously the exact same difference-in-means reported in Table 1: non-US companies with at least one subsidiary in the US are about 0.40 more likely to be investigated by federal authorities when they are involved in events of bribery, over a baseline likelihood of 0.33. In the second model I introduce controls relative to the global spread of a company. I control for the worldwide number of subsidiaries, of branches, and

for the (logged) number of employees. The estimated effect of *US Subsidiary* remains substantively the same: an increase of about 0.35 in the likelihood of being investigated by federal authorities.

In model 3, I introduce controls relative to the size of the company (average revenues, assets, and number of employees) and I control for the average number of prosecuting countries in cases involving it. Introducing these controls shrinks the sample size considerably due to missing data for variables on company sizes. Nevertheless the effect of *US Subsidiary* remains substantively the same: an increase by about 0.34 in the probability of being investigated. Finally, in models 4 and 5 I control for country-specific and industry-specific idiosyncratic heterogeneity by including a categorical home country variable (*Country FE*) and a categorical industry variable (*Industry FE*). Estimates still show that companies with at least one *USSubsidiary* are about 0.28 to 0.30 more likely to be investigated by federal authorities.

All estimated effects of *US Subsidiary* are distinguishable from zero at a 0.05 conventional level of significance. The effect size in the most conservative of the estimated models (model 4, with the smallest point estimate and the largest measure of uncertainty) is such that the probability of being investigated by federal authorities increases by a factor between 0.07 and 0.49 for firms with at least one *US Subsidiary* (when looking at the boundaries of a 95% confidence interval). This amounts to a percentage increase in the probability of being investigated by at least 21% and at most 148% (when considering the baseline 0.33 probability of investigation for companies with no US investment).

I test robustness of these results extensively. All tests are reported and discussed in Appendix. The overall picture they provide is consistent with the one that emerges from Table 2. First, I assess the possibility that results are driven by any one outlier in the sample. I adopt a jackknife approach and re-estimate my most complete model (no. 5 from Table 2) leaving each one company out from the model once. Next, I assess the potential concern that Chinese companies are driving the results for reasons unrelated to my causal story. I exclude all Chinese companies from the sample and re-estimate my models. In a following test I address the concern that FCPA jurisdiction might not be equally easy to claim on all companies in my sample. I leverage the fact that companies trading securities on US-based exchanges univocally fall under FCPA jurisdiction. I first control for this additional variable, then condition on it restricting my sample to the 145 US-traded foreign companies. Next, I restrict the causal quantity of interest to an average treatment effect on the treated (ATT) companies. I estimate it in two ways: with an OLS regression imputation estimator (Lin, 2013) and with a Mahalanobis matching procedure. Next, I show that estimates are not model-dependent: I employ a logit model, a random effect linear model, and a random effect logit model. I also propose alternative operationalizations of my dependent and main explanatory variables. Finally, I disaggregate my company-level data into a multilevel dataset where each row represents a company involved in a specific corrupt incident in a given host country. This allows me to control for the potential confounding effect of investigation of an incident by the home country, and for heterogeneity at the host-country level.

5.1 Discussion

Estimates provided in the selection on observables analysis inform us that, on average, non-US companies that are exposed to the US economy through an investment in the country are at least 0.28 more likely to be investigated by US authorities than comparable companies with no investment in the US. Internal validity of these results rests on the demanding conditional independence assumption, which claims that models control for all potential factors causing companies with US investment to be systematically different than those without similar exposure, and that also affect the dependent variable. This assumption is essentially untestable and hard to defend. It is, yet, possible to hypothesize the direction of potential sources of bias to understand the extent to which the sign of the estimates is credible.

One potential source of omitted variable bias is the unobservable preference of companies for bribing in international business. Non-US companies that are more inclined to secure contracts by means of bribing are more likely to end up being targeted by US authorities, simply because they have higher chances to appear on their radar. At the same time, they are likely aware of the extraterritorial provisions of the American anti-bribery policy. They might therefore decide to reduce their exposure to the US economy, by avoiding investing in the country, precisely in order to limit the risk of prosecution. If that is the case, then the propensity to bribe is a potential confounder threatening results presented.

A similar likely confounder is the propensity to pay *larger* bribes. Non-US companies that are more used to pay larger bribes in international business might be more likely target of US authorities (Choi and Davis, 2014). At the same time, they might have an incentive to limit their presence in the US economy to avoid the risk of prosecution.

In both cases, yet, the direction of the resulting selection bias would be negative, because propensity to bribe (or to bribe more) would be positively causing the dependent variable but negatively affecting exposure to the US economy. Therefore estimates presented in Table 2 would in fact be *under*estimating the real effect size of *US Subsidiary* on *Investigation*. Their point estimates would be smaller than the real effect size. This is true in general for all sources of *negative* selection bias. They would threaten the substantive validity of estimated effects because their exclusion causes coefficients to be smaller than the real effect sizes. Yet, even if point estimates would be unreliable, the effect of exposure to the US economy on the probability of being investigated by US authorities would nevertheless be positive.

Potential sources of selection bias should be positive in order to effectively threaten the *sign* of the estimates provided. Their effects on the dependent variable *and* treatment variable *US Subsidiary* should have the same sign (either both positive or both negative). My selection on observables design assumes similar sources of endogeneity are not taking place. Is this reasonable? How large should a hypothetical unobserved confounder be in order to threaten the presented estimates? Recent tools for sensitivity analysis introduced by Cinelli and Hazlett (2020) allow to ground this assumption into more concrete terms. These tools allow the analyst to use an *observed* severe confounder as a reference point to study

how larger an *unobserved* confounder should be in order to flip sign of estimated effect or to make it statistically insignificant. Impact of confounders is expressed in terms of partial R-squared, *i.e.* in terms of the proportion of residual variation of the treatment or outcome variable that the confounder explains.

I select the size of the parent firm (expressed in terms of asset value) as the most severe observed confounder in my dataset. Larger parent companies have the means to invest in the US market and they also tend to be more likely targets of US prosecutors' activity. There are substantial barriers and costs to invest into the US. An investment typically consists in the establishment (or acquisition) of expensive productive sites in the host country (Kerner, 2014). This represent a significant sunk cost (Jensen et al., 2012). Investing in the US also comes with costs of a different nature. Investors should adapt to the US regulation. They are required to file detailed periodical reports to the SEC. Files must abide by a specific form and typically require the assistance of legal consultants. Legal and organizational costs also come from adapting to the US regulatory framework. This is a documented problem specifically in the case of anti-bribery regulations. Whereas US companies have been subject to FCPA terms since 1977, a non-US company incurs in significant organizational costs to re-organize its structure in order to be FCPA-compliant (Garrett, 2014; Leibold, 2014). On average, only larger firms might be able to absorb similar costs. These considerations find descriptive confirmation in my sample. Table 1 shows that, on average, foreign companies with an investment in the US are more than 7 times larger than companies with no presence in the country, when looking at the value of their assets.

Larger companies, in turn, might also appear more often on US authorities' radar. They are more likely to have extended operations around the globe, for the same reason as they are more likely to invest in the US. Hence, the likelihood that they end up being involved in bribery scandals is higher than for smaller firms. US authorities will therefore be more likely to investigate these companies, all else equal. The size of a company is likely to be the most relevant observed confounder of my effect of interest. If this argument is correct, this confounder introduces a positive selection bias, the kind of bias my analysis should be concerned about. I then proceed to test sensitivity of the estimated effect from model 5 in Table 2 using this observed covariate as a benchmark[30].

Table 3 provides a summary of its sensitivity to omitted variable bias. In this model the treatment variable alone explains about 4.7% in the variation of the outcome variable. This portion is rather large, considering that it stands even after accounting for the explanatory power of covariates and fixed effects. The sensitivity analysis informs that it would take an unobserved confounder explaining more than 19.9% of the remaining variance of *both* treatment and outcome variables to bring the point estimate to 0. Such a large effect on both variables appears unreasonable, thus providing confidence in the estimated effect. The table also informs that an unobserved confounder explaining 8.6% of the residual variation of treatment and outcome variables would be sufficient to move the t-statistic of the estimated effect

[30] I choose model 5 as it is the most complete specification in my main analysis. Sensitivity analyses performed using other observable covariates as benchmarks provided less conservative results and are available upon request.

within the 95% critical values interval, thus making it no longer statistically significant.

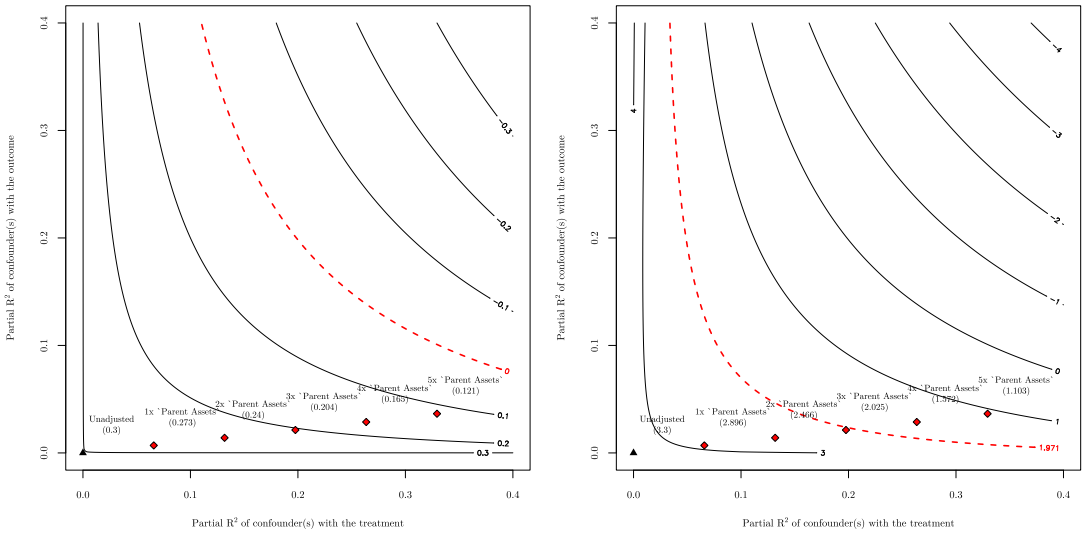
Table 3: Sensitivity analysis of estimated effects

Outcome: *Investigation*

Treatment:	Est.	S.E.	t-value	$R^2_{Y\sim D\|\mathbf{X}}$	$RV_{q=1}$	$RV_{q=1,\alpha=0.05}$
US Subsidiary	0.303	0.091	3.324	4.7%	19.9%	8.6%
df = 223		*Bound (1x Parent Assets)*: $R^2_{Y\sim Z\|\mathbf{X},D}$ = 0.7%, $R^2_{D\sim Z\|\mathbf{X}}$ = 6.6%				

How strong should such an unobserved confounder be, in comparison to the chosen *Parent Assets* observed benchmark? Figure 3 provides this piece of information. Panel 3a shows that it would take an unobserved confounder *more* than five times as large as *Parent Assets* to flip the sign of the point estimate. If there existed an omitted variable even five times as large as the chosen benchmark, the point-estimated effect would still be positive and sizeable (a 0.121 increase in the probability of *Investigation*). Again, it seems unreasonable to have such a large unobserved confounder in place, which provides confidence on the estimated effects. Yet, Panel 3b provides a cautionary tale on my results. Any unobserved confounder that explained more than three times the variation of treatment and outcome that *Parent Assets* explains would move the t-statistics to a value below the conventional critical value of a 95% confidence interval in the relevant t-student distribution for the model. The presence of any unobserved confounder of this size or larger would therefore mean the true estimated effect is not statistically significant at a conventional 0.05 level.

Figure 3: Sensitivity analysis



(a) Point estimates (b) T-statistics

Estimates from Table 2 therefore rest on the assumption that hypothetical unobserved confounders of this size do not exist. Table 3 and Figure 3 provide concrete boundaries to the impact an omitted variable should have on treatment and outcome variables in order to make the effect estimated in this section completely unreliable.

6 Mechanism: reputational damage and cooperation

The previous section shows that companies suspected to be in violation of US anti-corruption policy are more likely to be investigated by US authorities if they have an investment in the US. Results hold conditioning on relevant observable confounders and the identifying assumption appears reasonable in light of the sensitivity analysis. However, the analysis does not shed light on the precise mechanism driving the proposed effect. I argue that the effect is driven by the availability of willingly disclosed information to prosecutors induced by reputational damage (see Figure 2), but this mechanism is currently not tested. In fact, a plausible alternative mechanism would claim that foreign companies with investment in the US have physical assets in the country that are not easy to relocate. It would then be simpler for US authorities to enforce sentences against foreign companies with a foot in the US, not because they are more likely to cooperate with authorities, nor because they suffer larger reputational penalties, but because they will be more easily coerced to pay fines.

In this section I provide additional evidence to support my mechanism. I first leverage additional information from my data and show that foreign companies with US investment are more likely to *willingly* offer cooperation and provide information to US authorities. Second, I perform an event-study design to show that publicly traded foreign companies with US investment suffer harsher reputational penalties on US stock markets than non-US companies without US investment, when information on a potential FCPA violation is revealed.

6.1 US investment makes cooperation more likely

I first investigate more extensively how authorities retrieve information on the judicial cases that make up my dataset. My mechanism suggests that US authorities find it easier to retrieve information from foreign companies with a US investment because these companies are more likely to offer cooperation and provide information necessary to build a case. This is usually provided as part of DPA and NPA programs that are conducted out-of-court.

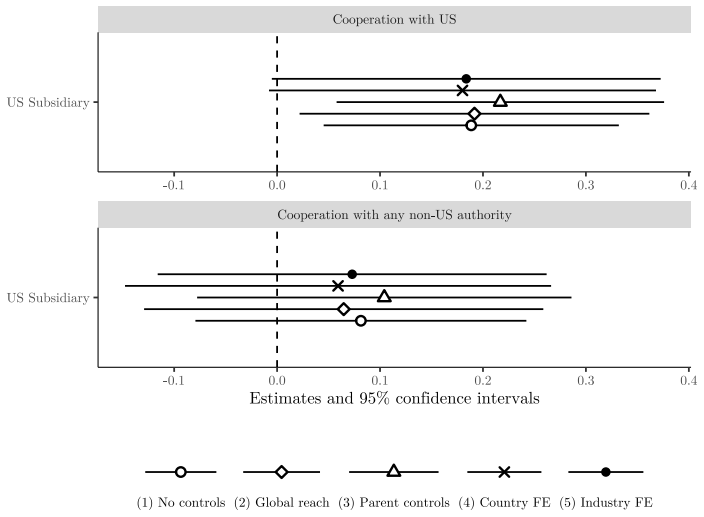
I disaggregate data from the previous section to show that companies with US investment are more likely to offer cooperation to US authorities. For each event of corruption in my dataset, I code how information was provided to authorities. Public agencies retrieve information on cases in a variety of ways. Authorities can obtain information without the implicated company's cooperation. Evidence can come from investigation of the public agency itself, as it is the case when authorities obtain mandates to raid corporate offices and retrieve corporate documents. These solutions are particularly complex when foreign companies have to be investigated. In these cases, US authorities often depend on assistance by their foreign counterparts (Kaczmarek and Newman, 2011). Information can also come from whistleblowers, often insiders who are aware of criminal behaviors by competitors and expose it to relevant authorities.

In other cases, evidence comes from separate investigations. This is particularly the case when multiple companies are involved in the same corrupt contracts, so opening investigations on one company can lead to further information on others. Finally, media or investigative reports can open up new leads and provide evidence to prosecutors.

Alternatively, the indicted company can cooperate to the process and provide evidence. The company can voluntarily disclose evidence in its possession that relates to a foreign criminal behavior. Cooperation can be mandated among the terms to offer NPAs or DPAs. Finally, the company itself can set up internal investigation on a suspected behavior and disclose findings to the relevant authorities, as a way of signalling compliance with corporate regulations.

I code whether each company is offering cooperation voluntarily to US authorities. To this aim, I consider as wilful disclosure of information only cases when a company is providing information through any of voluntary disclosure, cooperation, or internal investigation. I then aggregate this information by company, as I do for my main firm-level cross-sectional dataset, and measure whether each of the 402 non-US companies has *ever* offered cooperation to US authorities.

Figure 4: Change in probability to offer cooperation to US authorities and to authorities from any other country. Linear probability models



Finally, I explain this new dependent variable in the same linear probability models adopted in Table 2. Results for the main variable of interest are reported in the top panel of Figure 4 (full disclosure in Appendix). My models confirm expectations from the mechanism. Suspected foreign companies with a US investment increase their likelihood to offer cooperation to US agencies by about 0.18 – 0.22. This result is not statistically significant at a 0.05 conventional level in models 4 and 5, where estimates fall just short of this threshold (p-values 0.060 and 0.056 respectively).

Skeptical readers might be concerned that companies that have invested on US soil have unobservable characteristics that make them more likely to offer cooperation to judicial authorities in general. Perhaps

only companies of a nature that is more compliant with corporate regulations decide to embark in a foreign investment on US soil, knowing they would be exposed to the reach of this "global sheriff". If so, cooperation would have nothing to do with the goal to improve their reputations in the eyes of the US public, following a scandal. Rather, it would be a byproduct of their unobservable idiosyncratic nature. This skepticism does not find support in my data. If the argument were correct, then companies with a US investment should be more likely to offer cooperation also to regulatory agencies from other countries, when they are involved in corrupt scandals. In fact, I find no evidence of this implication. The lower panel of Figure 4 shows results of a placebo test where I re-estimated my LPM models explaining whether the company has ever offered cooperation (defined as above) to the authorities *of any non-US country* after having been involved in corruption scandals. Companies with a US investment are no more likely than their counterparts to offer cooperation to non-US authorities. point estimates are much smaller than in the top panel, with values ranging from a minimum of 0.06 to a maximum of 0.10. Moreover, estimates are never statistically significant, with p-values that range from 0.26 to 0.57. Full disclosure of results is in Appendix.

6.2 US investment generates harsher reputational damage

Next, I set to show that companies with a US investment suffer harsher reputational damage in the US when news on potential violations of US corporate policies emerge. I apply an event-study design to study the impact of this unexpected information on companies' stock prices. Event-study designs are widely used as a way to estimate markets' responses to unexpected events (Genovese, 2020; Kucik and Pelc, 2016), including news on companies' criminal behavior (Karpoff et al., 2008; Kreitmeir et al., 2020).

I first select, out of my sample of 402 companies, those that publicly trade securities in the US. This makes for a group of 145 companies, 45 of which have a US investment[31]. I select the first case of corruption each company is involved in as its event of interest. I argue the first such event provides unexpected information that should negatively update investors' expectations on potential future dividends from the company. For each event, I draw on newspaper sources to determine the earliest date information about it was made public.

Next, I retrieve daily stock prices data for each company in my dataset drawing from Eikon Refinitiv. I retrieve data in two time windows defined for each company. The first is called *event window*. It ranges from 15 days before until 15 days after the event of interest. The second time window is called *estimation window*. It starts 100 days before the beginning of the event window. I abide by the standard in previous event-analysis studies and measure, for each company, the percentage change in stock prices of each company with respect to the previous day (Aklin, 2018).

I adopt a two-step design. First, I employ data from the *estimation window* to estimate models

[31] Table D.4 shows that, even among this subset of companies, those with US investment are more likely to be investigated by US agencies.

capable of predicting changes in stock prices to companies. These models use information that predates the events of interest by at least 15 days, to avoid possible anticipation effects. Given that these models are estimated using information that predates the event, I use them to predict what the changes in stock prices to the 145 companies would have looked like in the *event window*, had unexpected information on potential FCPA violations not been publicized. Effectively, the first step predicts the best counterfactual observations for the event window, given the available information predating the event. In the second stage I then compute the daily difference between observed and predicted changes in stock prices over the entire *event window* and test whether the difference in changes is negative after the event.

A systematically negative difference between observed and counterfactual changes in stock prices after the event is evidence that news of the scandal negatively updated investors' expectations on the profitability of a company. I perform my analysis within two subsamples of companies: the 45 having a US investment and the 100 companies without a similar exposure to the US economy. I then compare the effects in the two samples to show that companies with a US investment are more negatively affected by the news of potential FCPA violation.

Conclusion

Globalization creates complex governance tasks for states. Global problems spill over across borders and challenge states' territorially-bound regulation. Global crime, in particular, challenges state territorial authority because criminals can fragment activities across borders and evade laws. A few countries overcome this challenge by enforcing their policies *extraterritorially*: they rule on foreign subjects as if they were domestic. In the context of regulating multinational companies, states use extraterritoriality to oversee global supply chains and prohibit nefarious transactions. States that apply these policies vigorously effectively behave as "global sheriffs" of regulatory regimes. For instance, the US regularly prosecutes foreign companies in violation of domestic corporate criminal laws and levies fines in the order of billions of dollars. Nonetheless, US authorities only prosecute a fraction of potential cases they have jurisdiction on. Determinants of such selection of foreign companies are still understudied in the international political economy scholarship.

In this paper I filled this gap by studying investigation of foreign companies suspected of illicit transactions. I focused on US investigation. I argued that US federal agencies are more likely to investigate a foreign company if that firm is exposed to the US economy through a foreign investment in the country. A similar type of exposure increases the reputational damage that the company suffers for allegations of crime committed abroad. Authorities have bureaucratic and professional incentives to leverage such reputational liabilities and more easily win a case. Potential losses induced by staying under the spotlight of the local public opinion induce the company to settle charges out-of-court. The company

thus cooperates with prosecutors and shares information they need to win a case. An investment in the US thus makes these companies an easier target for federal agencies in comparison to similar foreign companies with no physical presence in the country.

I tested my argument focusing on the case of the anti-bribery regime. I collected a novel dataset on accusations of bribery against multinational companies by web-scraping text documents from an archive of bribery events. I linked this data with information on the subsidiary structure of non-US companies alleged to have paid bribes in international business transactions. Linear models showed that the probability that US agencies will investigate a non-US company suspect of bribery increases by at least 0.28 when the firm has a subsidiary in the US.

Results show that extraterritoriality can be a powerful tool to counter forms of regulatory arbitrage by global criminals fragmenting their nationality to evade regulation. Yet, my study also shows this regulatory strategy needs some kind of territorial leverage in order to be exercised. Even a powerful regulator like the US is less likely to investigate a foreign company in the absence of such territorial bargaining chip. Results offer a nuanced position between views claiming states' territorially-bound action is incapable of addressing transnational problems and accounts claiming to observe a renewed engagement of regulators in global governance.

Findings travel beyond the regulation of multinational companies, to include prevention of cyber crime, drug trafficking, and transnational terrorism. Moreover, they potentially travel to non-US regulatory powers that also stretch the arm of their laws beyond their borders, like the United Kingdom or Switzerland. Results have especially relevant implications for weaker regulators, like Nigeria (Crasnic et al., 2017) that perhaps cannot leverage a likewise centrality over transnational private networks. Finally, my study also provides a new perspective on the so-called "weaponized interdependence" argument (Farrell and Newman, 2019), which claims that states can leverage their economic power to exercise their regulatory prerogatives. I show that this dynamic is not necessarily a byproduct of national interest, as this literature tends to assume. Rather, it can be the result of purely domestic incentives to bureaucrats in charge of exercising a state's coercive power.

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Appendix

Global Firms and Global Sheriffs? Why Territory Matters for Extraterritorial Regulation of Global Corporate Crime

A Descriptive statistics

Table A.1 reports descriptive statistics of variables included in the analysis. *Investigation* is a binary indicator for whether a company is ever investigated by the US (DOJ or the SEC) in the TRACE Compendium or not. *Investigation (share)* measures the proportion of cases involving a company the US investigated from the TRACE Compendium. *Number of Prosecutors (mean)* measures the average number of countries investigating cases involving each company. All other variables come from the Orbis Corporate Ownership Database. *US Subsidiary* is a binary indicator for whether a company has a majority-owned subsidiary in the US. *US Subsidiary Employees (log+1)* reports the natural logarithm of the count of employees in the US + 1 for each company. *Global Subsidiaries* counts the number of majority-owned subsidiaries in the world for each company (expressed in thousands). *Global Branches* counts the number of branches in the world for each company (expressed in thousands). *Global Employees (log+1)* reports the natural logaithm of the count of employees in the world + 1 for each company. *Parent Revenues (mean)* reports the average revenues for each parent company as available from Orbis in hundreds of billions of dollars. *Parent Assets (mean)* reports the average value of assets to each parent company as available from Orbis in hundreds of billions of dollars. *Parent Employees (mean)* reports the average number of employees to each parent company in hundreds of billions.

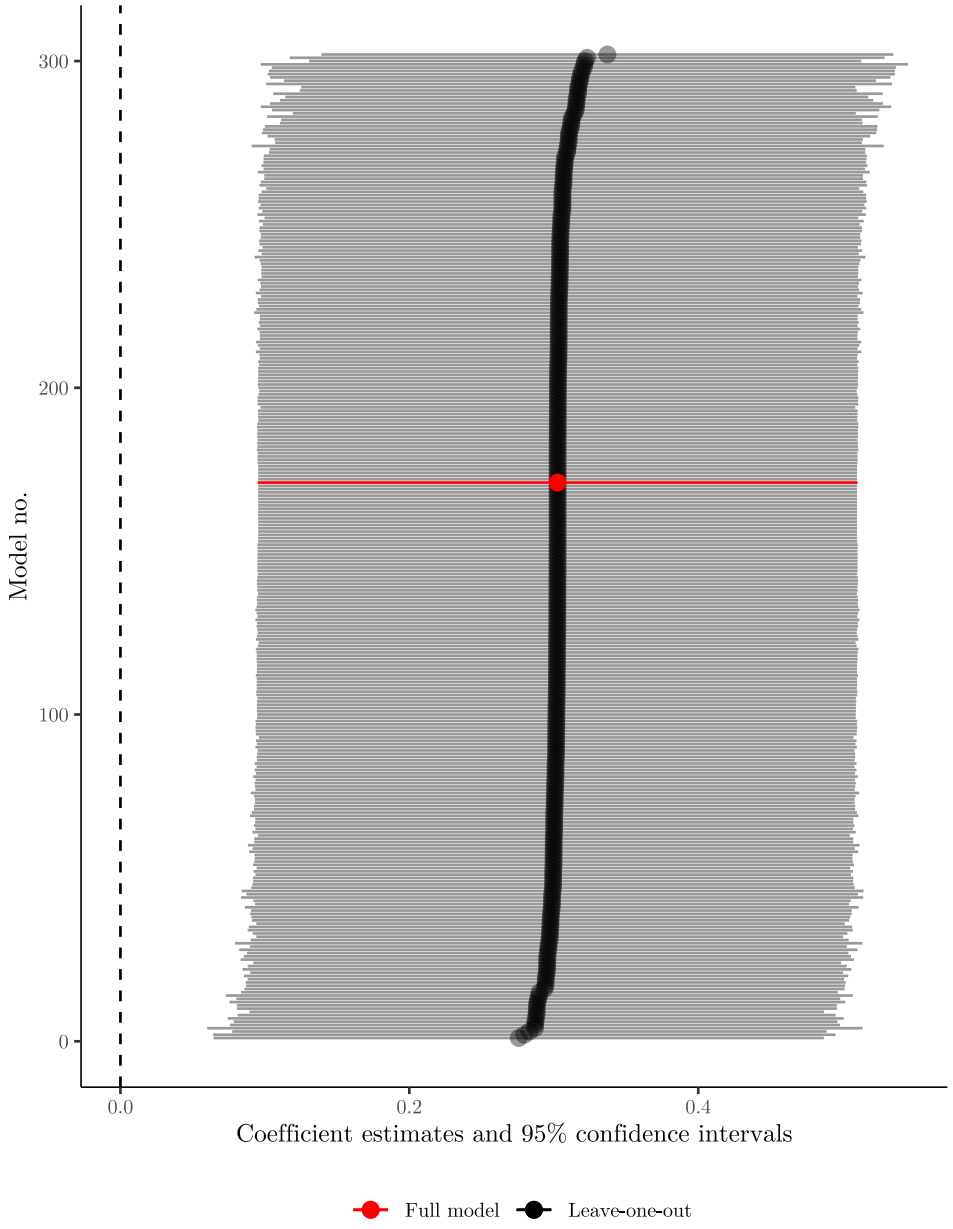
Table A.1: Bribe-payer non-US companies. Summary Statistics

	N	Mean	SD	Min	Median	Max
Investigation	402	0.38	0.49	0.00	0.00	1.00
Investigation (share)	402	0.35	0.46	0.00	0.00	1.00
US Subsidiary	402	0.12	0.33	0.00	0.00	1.00
US Subsidiary Employees (log+1)	402	1.06	2.90	0.00	0.00	11.36
Global Subsidiaries	402	0.01	0.03	0.00	0.00	0.21
Global Branches	402	0.02	0.16	0.00	0.00	2.16
Global Employees (log+1)	402	1.17	1.59	0.00	0.20	6.23
Number of Prosecutors (mean)	402	1.47	0.87	1.00	1.00	10.42
Parent Revenues (mean)	367	0.15	0.40	0.00	0.02	3.98
Parent Assets (mean)	349	0.71	2.80	0.00	0.04	26.12
Parent Employees (mean)	344	0.00	0.00	0.00	0.00	0.01

B Outlier exclusion

First, I re-estimate model 5 in Table 2 adopting a jackknife re-sampling approach. I drop one company from the sample and re-estimate the exact same model. I iterate the procedure 301 times so as to exclude all companies from the sample once. Figure B.1 shows estimated coefficients and 95% confidence levels. It also reports the main result from the full model (model 5) in Table 2 for comparison.

Figure B.1: Leave-one-out estimates of main effect from model 5, Table 2



C Chinese companies

I re-estimate models from Table 2 excluding all Chinese companies from the sample. The goal of this exercise is to assess potential concerns that Chinese companies are driving the main results for reasons unrelated to my causal story. Chinese companies might be less likely to invest in the US for reasons that include bureaucratic constraints, unfamiliarity with the American business environment, and geopolitical concerns. At the same time, they might be less likely to be investigated by US agencies as a byproduct of the lack of formal cooperation between US and Chinese prosecutors (China is not part of the OECD Anti-Bribery Convention, hence no formal channel for cooperation is established between anti-bribery authorities of these countries). Table C.2 reports results obtained when excluding Chinese companies from the data. Estimates are consistent with previous results.

Table C.2: Linear probability models of Investigation. Binary main explanatory variable. Excluding Chinese firms

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.395***	0.319***	0.313**	0.264*	0.295**
	(0.077)	(0.090)	(0.101)	(0.107)	(0.105)
Global Subsidiaries		-1.517+	-1.621	-0.584	-0.371
		(0.819)	(1.196)	(1.641)	(1.502)
Global Branches		0.346**	0.225	0.182*	0.140
		(0.117)	(0.152)	(0.075)	(0.087)
Global Employees (log+1)		0.041+	0.032	0.026	0.054+
		(0.022)	(0.029)	(0.031)	(0.032)
Number of Prosecutors (mean)			0.172**	0.138+	0.133+
			(0.057)	(0.076)	(0.070)
Parent Revenues (mean)			0.201	0.187	0.101
			(0.141)	(0.182)	(0.231)
Parent Assets (mean)			0.011	0.017**	0.014+
			(0.007)	(0.006)	(0.008)
Parent Employees (mean)			-55.021**	-53.863	-72.243
			(19.857)	(35.657)	(83.968)
(Intercept)	0.339***	0.313***	0.069	-0.183+	-0.442*
	(0.043)	(0.050)	(0.106)	(0.100)	(0.188)
Num.Obs.	382	382	289	289	287
Country FE				Yes	Yes
Industry FE					Yes
R2	0.073	0.094	0.199	0.428	0.486
R2 Adj.	0.071	0.084	0.176	0.284	0.300
F	30.130	9.775	8.672	2.973	2.612

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

D FCPA jurisdictional reach

A potential reason of concern with the main results comes from the fact that it might not be equally feasible for US agencies to claim jurisdiction on all companies in my sample. It might not make sense to compare the difference in likelihood of being investigated for foreign companies with and without a US investment, if not all these companies can easily fall under US prosecutors' jurisdiction. My strategy for addressing this problem relies on the fact that foreign companies that are listed on a US-based stock exchange are mandated to file periodic reports to the SEC, therefore they univocally fall under the FCPA jurisdiction. To be sure, even companies that are not listed on an American stock exchange must abide by FCPA terms, given its extraterritorial reach. Yet, US-traded companies represent a minimum set of companies that are univocally subject to FCPA terms. I therefore retrieve information on whether each foreign company in the data trades stocks on a US exchange. I code this variable as binary. Information comes from Orbis. This data source, yet, does not report companies that trade their stocks on US exchange markets as American Depositary Receipts as US-traded. I manually complete this information coding these companies as US-traded.

I address the potential endogeneity concern in two ways. First, I simply control for whether the company is US-listed and re-estimate all models in Table 2 including this additional variable. Results are reported in Table D.3. Results are consistent with previous estimates: they are positive and sizeable. They inform that the probability of being investigated is estimated to increase by a factor between 0.19 and 0.26 for companies with a US investment, even when controlling for whether the company trades stocks on an American exchange. Estimates are all distinguishable from zero at a 0.05 conventional level of significance.

Table D.3: Linear probability models of Investigation. Binary main explanatory variable. Control for US-listing

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.194*	0.246**	0.256**	0.221*	0.248*
	(0.082)	(0.081)	(0.095)	(0.103)	(0.099)
US-Traded	0.329***	0.360***	0.326***	0.301***	0.290**
	(0.056)	(0.060)	(0.078)	(0.081)	(0.090)
Global Subsidiaries		-1.241+	-1.084	-0.518	-0.515
		(0.711)	(0.872)	(1.356)	(1.179)
Global Branches		0.279***	0.142	0.149+	0.127
		(0.077)	(0.110)	(0.080)	(0.093)
Global Employees (log+1)		-0.018	-0.026	-0.022	0.001
		(0.020)	(0.029)	(0.031)	(0.038)
Number of Prosecutors (mean)			0.176**	0.143*	0.139*
			(0.054)	(0.067)	(0.065)
Parent Revenues (mean)			0.150+	0.187+	0.178
			(0.077)	(0.109)	(0.177)
Parent Assets (mean)			0.013+	0.016**	0.010
			(0.007)	(0.006)	(0.008)
Parent Employees (mean)			-44.646*	-70.030*	-89.710
			(21.438)	(32.514)	(76.313)
(Intercept)	0.238***	0.250***	0.010	-0.063	-0.221
	(0.046)	(0.049)	(0.091)	(0.101)	(0.213)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.160	0.176	0.271	0.476	0.518
R2 Adj.	0.156	0.165	0.248	0.346	0.349
F	37.979	16.893	12.077	3.657	3.063

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

This approach, yet, might not be sufficient to address the potential concern above. Skeptical readers might believe that companies that do not fall univocally under FCPA terms should be excluded from the

sample altogether. I therefore *condition* my analysis on whether each company is US-traded and restrict my sample to the 145 companies that satisfy this condition. I re-estimate all models from Table 2 in this smaller subset of companies. Results are reported in table D.4. Overall, the picture is consistent with the one presented in the main text. The estimated effect is always positive and sizeable, informing that the probability of investigation increases by a factor between 0.19 and 0.25 when the company has an investment on US soil, even in this smaller subsample of US-traded companies. Estimates, yet, are statistically distinguishable from zero at a 0.05 conventional level of significance only in models 1, 2, and 3. Overall, I deem these results consistent with previous findings and I attribute the lack of statistical significance in models 4 and 5 to the underpowered sample that sustains this analysis.

Table D.4: Linear probability models of Investigation. Binary main explanatory variable. Only US-traded companies

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.186*	0.211*	0.248*	0.216+	0.188
	(0.085)	(0.090)	(0.096)	(0.118)	(0.123)
Global Subsidiaries		-1.746+	-0.825	-0.174	-0.121
		(1.002)	(1.818)	(2.085)	(2.476)
Global Branches		0.251***	0.120	0.037	0.073
		(0.062)	(0.122)	(0.096)	(0.141)
Global Employees (log+1)		0.004	-0.010	-0.006	0.034
		(0.033)	(0.044)	(0.046)	(0.056)
Number of Prosecutors (mean)			0.261***	0.303***	0.237**
			(0.052)	(0.060)	(0.085)
Parent Revenues (mean)			0.147	0.112	0.116
			(0.136)	(0.198)	(0.233)
Parent Assets (mean)			0.014+	0.021**	0.012
			(0.008)	(0.008)	(0.022)
Parent Employees (mean)			-80.528*	-89.476*	-160.936+
			(32.561)	(41.465)	(91.263)
(Intercept)	0.570***	0.586***	0.193	-0.349**	-0.182
	(0.054)	(0.083)	(0.139)	(0.120)	(0.172)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	145	145	125	125	124
R2	0.032	0.063	0.203	0.448	0.528
R2 Adj.	0.025	0.036	0.148	0.213	0.194
F	4.656	2.345	3.700	1.909	1.582

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

E ATT estimation

One further potential reason of concern with the analysis comes from the different size of the treatment and control groups in my data. The dataset includes only 49 companies with at least one US subsidiary, whereas there are 353 firms with no US subsidiary (Table 1). OLS provide a variance-weighted estimate of the average treatment effect by using observable covariates to impute an untreated counterfactual for each treated unit *and* a treated counterfactual for each untreated unit (Aronow and Samii, 2016). In my case this latter endeavor might ask a lot to the data, as OLS try to use information on 49 treated companies to impute counterfactuals for 353 untreated units.

To tackle this concern, in my first robustness test I estimate a much narrower causal quantity: an average treatment effect on treated (ATT) units. This simply means using observable information on 353 untreated companies to impute counterfactuals for 49 treated firms. I estimate the ATT in two ways. First, I re-estimate models from Table 2 applying a regression imputation estimator as proposed by Lin (2013). The estimator is obtained by simply interacting the binary treatment variable with re-centred versions of the (numeric) covariates. The model removes the variance-weighting scheme OLS performs. Then, computing the marginal effect from this model with respect to treated units is a straightforward way to retrieve an estimate of the ATT.

Results obtained when applying this procedure are reported in Table E.5. Estimates of the ATT are consistent with the argument advanced. Models estimate that the probability of being investigated by the US increases of about 0.23 – 0.40 for the 49 treated companies with respect to imputed units obtained from comparable untreated firms under observable features. Estimates are all distinguishable from zero at a 0.05 conventional level of significance.

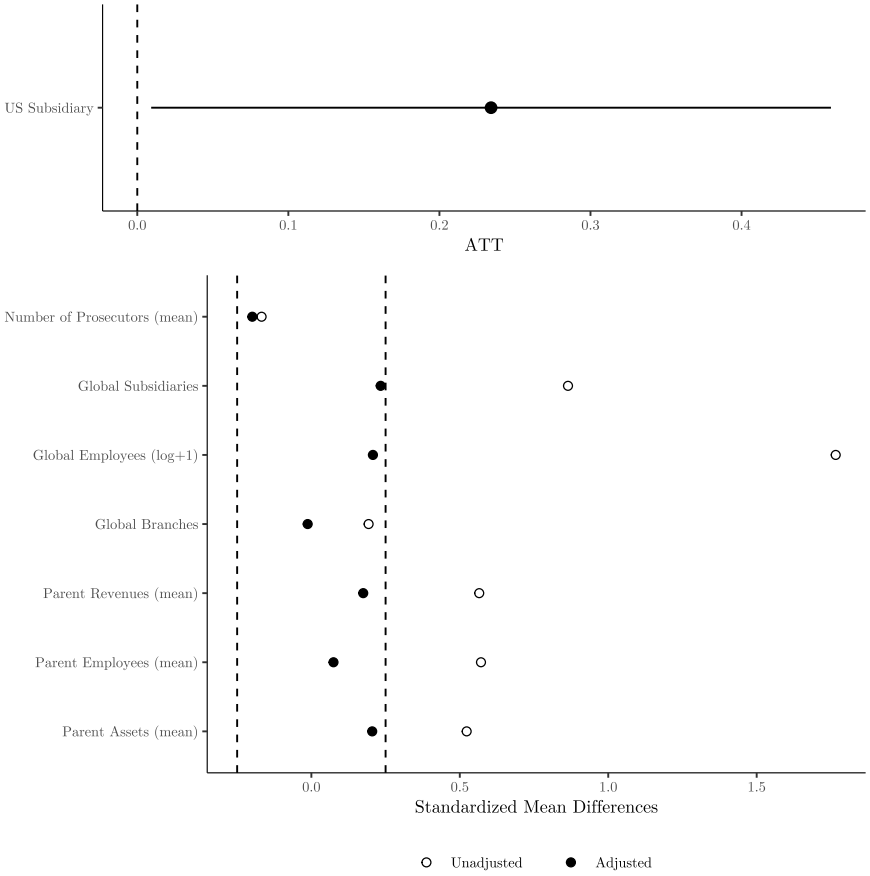
Table E.5: Linear probability models of Investigation. Regression imputation estimator

	(1)	(2)	(3)	(4)	(5)
ATT	0.403***	0.336***	0.323***	0.231*	0.254*
	(0.076)	(0.094)	(0.094)	(0.106)	(0.11)
Firm spread		Yes	Yes	Yes	Yes
Furn controls			Yes	Yes	Yes
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.074	0.098	0.217	0.453	0.507
R2 Adj.	0.072	0.082	0.176	0.300	0.315
F	31.886	6.094	5.294	2.962	2.641

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

Second, I re-estimate the same quantity adopting a matching procedure. I matched the 49 treated companies to 49 untreated companies. Matches were found using Mahalanobis distance according to the same covariates included in the full specification of model 2. I also performed bias adjustment for these very covariates as they are all numeric. I matched each treated observation to one untreated observation only, since increasing the number of matches even by one unit resulted in an unbalanced match. Figure E.2 reports the estimate of the ATT and the achieved balance in covariates. The estimate is consistent with the one presented earlier. The probability of being investigated by US authorities increases by about .23 for the 49 companies with investment in the US. Estimate is distinguishable from zero at a 0.05 conventional level of significance.

Figure E.2: Mahalanobis matching. ATT estimate and balance in covariates



F Model dependence

Next, I tackle the concern that OLS do not correctly model the distribution of my binary dependent variable. A LPM provides coefficients that represent differences in conditional means of the dependent variable, which are quantities of substantive interest. Yet, a binary dependent variable is more appropriately modelled using a logit model, where predicted values are constrained to range only between the values of 0 and 1. Table F.6 re-proposes models estimated above using this alternative functional form. Estimates are robust. Predicted probabilities inform us of very similar quantities as the ones documented earlier. In model 1, non-US companies with a *US Subsidiary* have a 0.73 probability of being investigated when they are involved in events of bribery. This is a substantive increase with respect to their counterparts with no presence in the US (predicted probability for this group: 0.33). Effect is very similar in the full specification of model 5 (increase in predicted probability from 0.40 to 0.84 when holding all numeric covariates to their means and fixed effects to the mode).

The inclusion of home country and industry fixed-effects removes heterogeneity at this level, but only allows to study variation within each category of these variables. Random effects provide a more flexible way of modelling multilevel heterogeneity (Bell and Jones, 2015). I re-estimate models 4 and 5 from Table 2 using random intercepts at the home country and industry-level in a multilevel linear and multilevel logit model. Results are robust to these model choices (Table F.7).

Table F.6: Logit models of Investigation. Binary main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	1.720***	1.674***	1.732**	1.854**	2.066***
	(0.379)	(0.468)	(0.574)	(0.626)	(0.626)
Global Subsidiaries		-7.229	-3.525	-3.149	-6.172
		(5.563)	(5.314)	(7.892)	(6.721)
Global Branches		12.441**	10.681**	16.648*	18.168*
		(4.657)	(4.136)	(7.514)	(7.354)
Global Employees (log+1)		0.084	0.038	0.037	0.261
		(0.115)	(0.155)	(0.209)	(0.236)
Number of Prosecutors (mean)			1.276***	1.599***	1.697***
			(0.305)	(0.319)	(0.359)
Parent Revenues (mean)			0.511	0.666	0.315
			(0.660)	(1.100)	(1.183)
Parent Assets (mean)			0.165+	0.302+	0.253
			(0.092)	(0.163)	(0.227)
Parent Employees (mean)			-383.174	-486.033	-607.304+
			(238.787)	(302.628)	(330.583)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
AIC	509.1	497.7	345.5	346.7	356.1
BIC	517.1	517.7	378.9	569.5	645.3
Log.Lik.	-252.573	-243.863	-163.761	-113.341	-100.058

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

G Alternative operationalizations

Next, I propose alternative operationalizations of my key variables. First, I measure US investigation as the share of cases investigated by the US for each company in the dataset (*Investigation Share*). I replicate the same model choices as in Table 2 in a linear model estimated using OLS. Results inform us that US authorities on average investigated between 0.21 and 0.30 more of the total cases involving companies with a subsidiary in the country (Table G.8).

Finally, I use an alternative explanatory variable measuring the presence of a company in the US economy. I measure the number of employees of each company through US subsidiaries and take the logarithm of the measure +1. I replicate my model specifications of *Investigation* using this alternative explanatory variable and present results obtained from a LPM (Table G.9). Estimates inform us that a one unit increase in the logarithm of the number of US employees (hence, about a +1% in the number of US employees) increases the probability of investigation by the US by about 3% to 5%. Estimates are distinguishable from zero at a 0.05 conventional level of significance. These latter estimates are robust when using a logit model (Table G.10), random-effect models (Table G.11), and the continuous version of the dependent variable (Table G.12).

Table F.7: Multilevel models of Investigation. Binary main explanatory variable

	Multilevel linear		Multilevel logit	
	(1)	(2)	(3)	(4)
US Subsidiary	0.302***	0.315***	1.784***	1.866***
	(0.081)	(0.082)	(0.524)	(0.521)
Global Subsidiaries	-0.259	-0.263	-2.819	-2.612
	(1.198)	(1.183)	(8.525)	(8.500)
Global Branches	0.220	0.205	13.988*	14.447*
	(0.154)	(0.154)	(6.933)	(6.962)
Global Employees (log+1)	0.020	0.030	0.059	0.106
	(0.026)	(0.026)	(0.168)	(0.164)
Number of Prosecutors (mean)	0.153***	0.155***	1.457***	1.468***
	(0.030)	(0.030)	(0.283)	(0.277)
Parent Revenues (mean)	0.186*	0.161+	0.722	0.614
	(0.086)	(0.087)	(0.893)	(0.792)
Parent Assets (mean)	0.014	0.013	0.213	0.206
	(0.010)	(0.011)	(0.139)	(0.143)
Parent Employees (mean)	-69.876+	-71.815+	-449.543	-499.539
	(39.098)	(39.133)	(511.414)	(397.978)
(Intercept)	0.346***	0.340***	-0.647*	-0.689*
	(0.042)	(0.048)	(0.304)	(0.310)
Country RE	Yes	Yes	Yes	Yes
Industry RE		Yes		Yes
Num.Obs.	303	301	303	301
AIC	385.8	382.1	329.7	327.8
BIC	426.6	426.6	366.8	368.6

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

H Event-disaggregated analysis

As a final robustness check, I assess if results hold when including additional control variables that do not fit the company-level structure of the data used in the main analysis. Whether the home country investigated a criminal offence might be a potential confounder, because US agencies might be less likely to investigate a company when the home country is already taking care of the matter. Moreover, there might be unobservable heterogeneity in the likelihood of investigation that pertains to the level of the country where bribes were paid (host country), rather than to the home-country level. Perhaps US prosecutors' likelihood of investigating a company depends on unobservable idiosyncrasies at this level.

These potential issues require to move the analysis to a dataset where the statistical unit is not the company i, but the case c. I therefore disaggregate my company-level data on 402 firms into a new dataset of 1,218 observations where each row represents a company i involved in a corruption case c in a host country j. I then re-estimate my models from Table 2 in a multilevel framework, to account for the complex hierarchy in this new dataset. I include cross-classified random intercepts at the home, industry, host, and firm level to model the complexity of this disaggregated data source. Table H.13 presents the results. I first introduce only the main treatment variable with random intercepts at the home country-level. Next I introduce all controls from the main analysis

Finally, I test robustness of these last estimates in a fixed-effect framework. I substitute random intercepts with fixed effects. Table H.14 presents the results introducing control variables and fixed effects with the same logic as before. However, as each unit-fixed effect removes completely between-unit variation, I cannot include all fixed effects simultaneously. I therefore first introduce home country and industry-fixed effect, as in the main text analysis. Next, I substitute home country with host-country fixed-effect. Results are robust to this choice.

Table G.8: Linear models of Investigation Share. Binary main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.304***	0.279***	0.276**	0.210*	0.228**
	(0.067)	(0.082)	(0.091)	(0.088)	(0.073)
Global Subsidiaries		-1.300	-0.803	0.050	0.087
		(0.896)	(0.896)	(0.964)	(0.812)
Global Branches		0.386***	0.219	0.226*	0.205*
		(0.106)	(0.167)	(0.103)	(0.090)
Global Employees (log+1)		0.018	0.003	0.001	0.021
		(0.024)	(0.028)	(0.026)	(0.028)
Number of Prosecutors (mean)			0.152*	0.111	0.109
			(0.067)	(0.083)	(0.072)
Parent Revenues (mean)			0.065	0.098	0.044
			(0.061)	(0.068)	(0.123)
Parent Assets (mean)			0.016*	0.021***	0.019*
			(0.008)	(0.006)	(0.007)
Parent Employees (mean)			-34.920*	-42.674+	-54.080
			(15.753)	(25.806)	(67.112)
(Intercept)	0.312***	0.301***	0.099	-0.108	-0.489**
	(0.040)	(0.044)	(0.112)	(0.093)	(0.156)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.048	0.068	0.158	0.431	0.495
R2 Adj.	0.045	0.059	0.135	0.293	0.320
F	19.949	7.229	6.897	3.117	2.834

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

I Cooperation with US authorities

Table I.15 reports full disclosure of estimates presented in Figure 4. Next, I estimate the same models using the disaggregated event-level dataset. I add random intercepts progressively at the home country, industry, host country, and company-level to account for the complex structure of this dataset. Results are reported in table **??**. They show that companies with a US subsidiary increase the likelihood to offer cooperation to US authorities by a factor 0.12 and 0.15. Results are statistically significant at a 0.05 conventional level.

Table G.9: Linear probability models of Investigation. Continuous main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary Employees (log+1)	0.045***	0.038***	0.039***	0.031*	0.033**
	(0.008)	(0.010)	(0.012)	(0.012)	(0.012)
Global Subsidiaries		-1.025	-0.803	-0.067	-0.111
		(0.852)	(0.979)	(1.164)	(1.061)
Global Branches		0.350**	0.213	0.183*	0.145
		(0.128)	(0.160)	(0.085)	(0.093)
Global Employees (log+1)		0.027	0.016	0.015	0.038
		(0.024)	(0.030)	(0.031)	(0.034)
Number of Prosecutors (mean)			0.178**	0.138+	0.134+
			(0.058)	(0.076)	(0.069)
Parent Revenues (mean)			0.170*	0.211*	0.157
			(0.071)	(0.091)	(0.141)
Parent Assets (mean)			0.011	0.017**	0.014
			(0.008)	(0.006)	(0.009)
Parent Employees (mean)			-62.509***	-75.048*	-86.584
			(17.944)	(35.343)	(72.126)
(Intercept)	0.333***	0.313***	0.064	-0.159	-0.399*
	(0.041)	(0.048)	(0.105)	(0.099)	(0.167)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.071	0.088	0.201	0.430	0.482
R2 Adj.	0.069	0.079	0.179	0.292	0.303
F	30.671	9.551	9.240	3.108	2.694

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

Table G.10: Logit models of Investigation. Continuous main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary Employees (log+1)	0.193***	0.187***	0.197**	0.210**	0.226**
	(0.043)	(0.054)	(0.068)	(0.076)	(0.078)
Global Subsidiaries		-6.995	-3.829	-3.504	-7.318
		(5.611)	(5.463)	(7.839)	(7.008)
Global Branches		12.281**	10.453*	15.899*	17.133*
		(4.654)	(4.153)	(7.398)	(7.045)
Global Employees (log+1)		0.081	0.021	0.021	0.245
		(0.119)	(0.160)	(0.211)	(0.241)
Number of Prosecutors (mean)			1.284***	1.600***	1.701***
			(0.308)	(0.322)	(0.361)
Parent Revenues (mean)			0.682	0.859	0.566
			(0.644)	(1.042)	(1.087)
Parent Assets (mean)			0.158+	0.281+	0.230
			(0.093)	(0.170)	(0.220)
Parent Employees (mean)			-392.386	-485.662	-572.278
			(245.955)	(313.431)	(364.229)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
AIC	510.1	499.0	346.2	347.9	357.8
BIC	518.0	518.9	379.6	570.7	646.9
Log.Lik.	-253.027	-244.477	-164.098	-113.932	-100.879

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

Table G.11: Multilevel models of Investigation. Continuous main explanatory variable

	Multilevel linear		Multilevel logit	
	(1)	(2)	(3)	(4)
US Subsidiary Employees (log+1)	0.034***	0.035***	0.201**	0.209***
	(0.010)	(0.010)	(0.061)	(0.061)
Global Subsidiaries	-0.297	-0.307	-3.065	-2.927
	(1.201)	(1.187)	(8.337)	(8.433)
Global Branches	0.218	0.204	13.392+	13.759*
	(0.155)	(0.154)	(6.871)	(6.945)
Global Employees (log+1)	0.018	0.028	0.042	0.087
	(0.026)	(0.026)	(0.167)	(0.167)
Number of Prosecutors (mean)	0.154***	0.156***	1.457***	1.468***
	(0.030)	(0.030)	(0.282)	(0.276)
Parent Revenues (mean)	0.203*	0.179*	0.873	0.824
	(0.086)	(0.087)	(0.726)	(0.781)
Parent Assets (mean)	0.013	0.012	0.203	0.197
	(0.010)	(0.011)	(0.137)	(0.141)
Parent Employees (mean)	-70.817+	-72.968+	-448.700	-512.540
	(39.198)	(39.239)	(315.907)	(394.951)
(Intercept)	0.347***	0.341***	-0.641*	-0.683*
	(0.042)	(0.048)	(0.300)	(0.306)
Country RE	Yes	Yes	Yes	Yes
Industry RE		Yes		Yes
Num.Obs.	303	301	303	301
AIC	391.4	387.9	330.7	328.9
BIC	432.2	432.3	367.8	369.7

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

Table G.12: Linear models of Investigation Share. Continuous main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary Employees (log+1)	0.034***	0.031**	0.031**	0.022*	0.024**
	(0.007)	(0.009)	(0.011)	(0.010)	(0.009)
Global Subsidiaries		-1.271	-0.827	0.016	0.040
		(0.878)	(0.915)	(0.975)	(0.840)
Global Branches		0.379***	0.218	0.223*	0.202*
		(0.109)	(0.167)	(0.104)	(0.093)
Global Employees (log+1)		0.017	0.001	0.001	0.021
		(0.024)	(0.029)	(0.027)	(0.028)
Number of Prosecutors (mean)			0.152*	0.112	0.109
			(0.067)	(0.083)	(0.072)
Parent Revenues (mean)			0.081	0.110	0.056
			(0.064)	(0.068)	(0.120)
Parent Assets (mean)			0.016+	0.020***	0.019*
			(0.008)	(0.006)	(0.008)
Parent Employees (mean)			-35.737*	-43.738	-55.448
			(16.148)	(26.951)	(69.145)
(Intercept)	0.313***	0.303***	0.101	-0.108	-0.483**
	(0.040)	(0.044)	(0.112)	(0.092)	(0.157)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.046	0.066	0.156	0.428	0.491
R2 Adj.	0.044	0.056	0.133	0.289	0.315
F	19.322	6.973	6.804	3.076	2.789

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

Table H.13: Investigations event datasets. Random effects models

	(1)	(2)	(3)	(4)	(5)	(6)
US Subsidiary	0.143***	0.140**	0.157***	0.138**	0.139**	0.191***
	(0.033)	(0.043)	(0.046)	(0.044)	(0.044)	(0.058)
Global Subsidiaries		-1.799**	-1.878**	-1.645**	-1.606**	-1.061
		(0.593)	(0.590)	(0.567)	(0.566)	(0.811)
Global Branches		0.243*	0.242*	0.237*	0.232*	0.178
		(0.122)	(0.122)	(0.118)	(0.117)	(0.132)
Number of Prosecutors		-0.019*	-0.014	-0.007	-0.006	0.011
		(0.009)	(0.009)	(0.009)	(0.009)	(0.011)
Global Employees (log+1)		0.013	0.023	0.018	0.018	0.014
		(0.014)	(0.014)	(0.014)	(0.014)	(0.019)
Parent Revenues (mean)		0.187***	0.160**	0.146**	0.141**	0.090
		(0.051)	(0.052)	(0.050)	(0.050)	(0.064)
Parent Assets (mean)		0.011+	0.009	0.008	0.007	0.012
		(0.006)	(0.007)	(0.006)	(0.006)	(0.008)
Parent Employees (mean)		-44.312+	-44.272	-40.166	-43.152+	-49.797
		(26.878)	(27.163)	(26.002)	(25.828)	(31.042)
Home Enforced				-0.295***	-0.300***	-0.254***
				(0.032)	(0.032)	(0.032)
(Intercept)	0.271***	0.290***	0.273***	0.349***	0.341***	0.290***
	(0.029)	(0.041)	(0.050)	(0.047)	(0.047)	(0.045)
Home Country RE	Yes	Yes	Yes	Yes	Yes	Yes
Industry RE			Yes	Yes	Yes	Yes
Host Country RE					Yes	Yes
Firm RE						Yes
Num.Obs.	1236	1072	1067	1067	1067	1067
AIC	1591.7	1377.3	1363.4	1290.3	1283.6	1239.9
BIC	1612.2	1432.0	1423.0	1354.9	1353.2	1314.5

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

Table H.14: Investigations event datasets. Fixed effects models

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.200***	0.134*	0.113*	0.166**	0.190**
	(0.058)	(0.064)	(0.054)	(0.063)	(0.069)
Global Subsidiaries		-2.141*	-2.145**	-0.977	-1.110+
		(0.952)	(0.801)	(0.613)	(0.592)
Global Branches		0.235	0.236	0.152	0.165
		(0.185)	(0.171)	(0.154)	(0.154)
Number of Prosecutors		-0.017*	-0.009	-0.020+	-0.009
		(0.008)	(0.008)	(0.010)	(0.012)
Global Employees (log+1)		0.036	0.033	0.000	0.018
		(0.025)	(0.023)	(0.021)	(0.019)
Parent Revenues (mean)		0.147	0.121	0.104	0.087
		(0.117)	(0.096)	(0.089)	(0.096)
Parent Assets (mean)		0.007	0.006	0.007	-0.003
		(0.010)	(0.010)	(0.008)	(0.010)
Parent Employees (mean)		-36.627	-17.288	-47.067	-46.589
		(40.043)	(35.905)	(30.904)	(30.315)
Home Enforced			-0.290***	-0.364***	-0.352***
			(0.049)	(0.057)	(0.051)
(Intercept)	0.295***	-0.425*	-0.279+	0.154+	-0.167*
	(0.032)	(0.200)	(0.160)	(0.079)	(0.071)
Home Country FE		Yes	Yes		
Industry FE		Yes	Yes		Yes
Host Country FE				Yes	Yes
Num.Obs.	1236	1067	1067	1072	1067
R2	0.034	0.228	0.282	0.284	0.314
R2 Adj.	0.033	0.168	0.226	0.173	0.193
F	43.706	3.790	4.982	2.570	2.593

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

Table I.15: Probability to offer cooperation to US authorities. Linear probability models

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.189*	0.192*	0.217**	0.180+	0.184+
	(0.073)	(0.086)	(0.081)	(0.095)	(0.096)
Global Subsidiaries		-0.182	0.254	0.800	0.842
		(0.798)	(0.879)	(1.118)	(1.254)
Global Branches		-0.017	-0.021	0.017	-0.033
		(0.081)	(0.134)	(0.134)	(0.141)
Global Employees (log+1)		0.001	-0.009	-0.025	-0.012
		(0.017)	(0.024)	(0.030)	(0.031)
Number of Prosecutors (mean)			0.102**	0.119*	0.102*
			(0.039)	(0.046)	(0.046)
Parent Revenues (mean)			-0.090*	-0.071	-0.116
			(0.037)	(0.044)	(0.078)
Parent Assets (mean)			-0.002	-0.003	0.000
			(0.010)	(0.012)	(0.010)
Parent Employees (mean)			24.129	21.520	10.597
			(21.425)	(30.920)	(46.897)
(Intercept)	0.077***	0.077***	-0.048	-0.074	-0.313**
	(0.023)	(0.020)	(0.044)	(0.064)	(0.099)
Num.Obs.	401	401	302	302	300
Country FE				Yes	Yes
Industry FE					Yes
R2	0.042	0.043	0.091	0.242	0.305
R2 Adj.	0.040	0.033	0.066	0.057	0.064
F	17.705	4.422	3.645	1.307	1.264

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

Table I.16: Probability to offer cooperation to any non-US authority. Linear probability models

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.081	0.065	0.104	0.059	0.073
	(0.082)	(0.099)	(0.092)	(0.105)	(0.096)
Global Subsidiaries		-0.290	-0.007	1.049	1.065
		(0.897)	(0.888)	(1.250)	(1.363)
Global Branches		-0.080**	-0.126+	-0.034	-0.107
		(0.028)	(0.071)	(0.117)	(0.110)
Global Employees (log+1)		0.012	-0.009	-0.020	-0.020
		(0.021)	(0.020)	(0.025)	(0.024)
Number of Prosecutors (mean)			0.133***	0.133**	0.129**
			(0.037)	(0.046)	(0.048)
Parent Revenues (mean)			-0.148**	-0.050	-0.075
			(0.050)	(0.061)	(0.087)
Parent Assets (mean)			0.002	0.000	0.001
			(0.010)	(0.013)	(0.011)
Parent Employees (mean)			73.267+	12.814	34.500
			(38.819)	(30.092)	(32.566)
(Intercept)	0.102**	0.096**	-0.077	-0.105*	-0.442**
	(0.036)	(0.033)	(0.048)	(0.052)	(0.157)
Num.Obs.	401	401	302	302	300
Country FE				Yes	Yes
Industry FE					Yes
R2	0.007	0.010	0.093	0.292	0.344
R2 Adj.	0.005	0.000	0.068	0.119	0.116
F	2.867	1.017	3.765	1.688	1.511

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