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Can I stay a BIT longer? The effect of bilateral investment treaties on political survival

Soumyajit Mazumder¹

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Abstract Bilateral Investment Treaties (BITs) have proliferated throughout the international system. While ostensibly commercial in purpose, do BITs have domestic political ramifications? I argue that BITs affect a leader's tenure through their effect on the property rights environment in developing countries. BITs, by segmenting a country's property rights environment for foreign and domestic firms, reduce the incentive for foreign firms to lobby for property rights protections in the host country thus leading to a stagnating domestic property rights environment. In autocracies, a stagnating domestic property rights regime benefits domestic business elites who can continue to stymie small and medium enterprises (SMEs). The political benefits of BITs, however, decrease as a country becomes more democratic. Using a dataset of developing country leaders over the period 1965–2011, I find support for my hypothesis that BITs are associated with a decreased hazard of losing office and that the effect diminishes with higher levels of democracy. My results highlight the consequences of the legalization of global investment on the domestic political economy.

Keywords International treaties · Multinational corporations · Property rights · Legalization

JEL Classification F23 · F53 · F60 · K33

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1 Introduction

What are the domestic political consequences of international treaties? Recently, scholars have begun investigating the domestic impacts of preferential trade agreements (PTAs) in areas such as human rights, leader tenure, domestic regulations, and domestic economic reform (Hafner-Burton 2005; Hollyer and Rosendorff 2012; Baccini and Kim 2012; Baccini and Urpelainen 2013, 2014). Yet PTAs are not the only legal instruments that govern international economic cooperation. Over the past 40 years, the coverage of Bilateral Investment Treaties (BITs) has exploded as a result of the competition among states for global investment (Elkins et al. 2006). Following this path, the vast majority of scholarly attention on BITs focuses on the intended effect of BITs on foreign direct investment (FDI)—namely, through the way in which BITs potentially substitute for a country's domestic property rights environment (Kerner 2009; Tobin and Busch 2010; Tobin and Rose-Ackerman 2011; Rosendorff and Shin 2012; Lee and Johnston N.d.). But if BITs are primarily designed to remedy a country's domestic political institutions such as its court system, rule of law, and control of corruption, then aside from economic consequences, we should also expect domestic political ramifications to these treaties.

What are the domestic consequences of BITs? I argue that BITs affect a leader's time in office and that this effect depends on that leader's institutional context. This effect is linked to the Multinational Corporation's (MNC) profit incentive. In capital-scarce (developing) countries, MNCs can expect high rates of return on their investment provided the political climate is favorable for private enterprise. To reduce political risk, MNCs expend a significant amount of resources lobbying host governments for various public goods related to property rights protections and enforcement (Henisz 2002b; Desbordes and Vauday 2007; Malesky 2009; Jensen et al. 2012; Markus 2012; Weymouth 2012). Such extensive activities inside of developing countries are quite costly. When MNCs have access to BITs, however, they can rely on the high-quality, third party courts afforded to them by these treaties to settle disputes over a host government's handling of an MNC's investments (Neumayer and Spess 2005; Elkins et al. 2006; Tobin 2007; Rosendorff and Shin 2012).

Importantly, the property rights institutions enshrined in BITs are *only* available to MNCs. By separating a country's property rights environment for foreign and domestic investors, BITs reduce the incentive for multinational corporations (MNCs) to lobby for domestic institutional reform. Should a MNC have a grievance against a host state that has BITs in force, it can seek recourse through international tribunals rather than domestic courts where they can expect to win (Elkins et al. 2006; Kerner 2009; Tobin and Rose-Ackerman 2011; Simmons 2014). Ironically, BITs may improve the property rights environment for MNCs but they can simultaneously contribute to a stagnation in the property rights environment of host states because MNCs have less cause to lobby for reform when they have access to BITs (Ginsburg 2005; Tobin 2007; Lee and Johnston N.d.).

A country's property rights regime differentially impacts certain economic interest groups. For those autocratic countries where leaders are selected by a small business elite, a stagnating domestic property rights environment enhances the ability of these elites to conduct "business as usual" and block any new competitors from

entering the market (Acemoglu and Thierry 1998; Glaeser et al. 2003; Sonin 2003; Braguinsky and Myerson 2007). In democracies, where national leaders are selected by a relatively broad swath of the population, a stagnating property rights environment diminishes the ability of small and medium enterprises (SMEs) to engage in productive economic activity (Bueno de Mesquita et al. 2004; Frye 2004). Given these effects, I argue that autocratic leaders benefit from BITs and that these benefits should decrease as a country becomes more democratic.

My theory argues that BITs should help national leaders depending on the country's institutional context. Using survival analysis, I empirically test my theory on a data set of up to 808 developing country leaders from 1965 to 2011. I find that autocrats who have more BITs in force with Global North countries (proxied by Organization for Economic Co-operation and Development membership) face a lower hazard of removal from office than their more democratic counterparts. These results hold controlling for a battery of economic and political variables including PTA signing, the number of BITs inherited from a leader's predecessors, foreign direct investment (FDI), free resources such as foreign aid and oil rents, international financial institution (IFI) involvement, and veto players as well as partially accounting for selection on observables using a Genetic Matching Algorithm (Diamond and Sekhon 2013). Thus, my findings provide evidence for a robust correlation between BIT signing and political survival for autocrats.

Broadly speaking, my results contribute to the literature on the impact of international treaties on domestic politics. While treaties are generally designed to engender international cooperation or domestic reform, a number of studies, most notably in the human rights literature, highlight how these treaties may have unintended consequences (Hathaway 2002; Hill Jr. 2010; Hollyer and Rosendorff 2011). In this paper, I note the impact that investment treaties have on a country's domestic political economy. Like Hollyer and Rosendorff (2012) who find that PTAs provide indirect political benefits to leaders, I find that investment treaties also alter the domestic political landscape by changing the incentive of politically influential actors to lobby for reform.

This paper proceeds as follows. Section 2 highlights the relationship between foreign investment and property rights. Section 3 traces how, in the eyes of foreign investors, BITs substitute for a country's domestic property rights institutions. Section 4 argues that by substituting for important domestic property rights protections, BITs reduce the incentive for MNCs to lobby for reform, which differentially impacts the welfare of domestic business elites and SMEs. This subsequently impacts a leader's tenure in office depending on that country's regime type. In Section 5, I empirically test my argument using survival analysis in addition to providing a number of robustness checks. Section 6 concludes with the contributions of this study to scholars as well as policy-makers.

2 Foreign investment and the role of property rights

Why do corporations invest in some countries but not others? To answer this, we must establish the importance of property rights to MNCs. Dunning (1988, 1993) outlines

three important factors in a firm's decision to invest abroad: (1) ownership-specific advantages, (2) internalization advantages, and (3) location-specific advantages. Unpacking this logic of foreign investment should elucidate the reasons for how a firm's investment decisions are guided by its perceptions of the property rights environment in a given country.

The first set of advantages, ownership-specific advantages, are intrinsically linked to a robust property rights regime. These advantages include the ownership rights over tangible and intangible assets as well as organizational structure and governance. It is important to point out that the degree of an MNC's ownership-specific advantages depends on the extent to which these assets are available to other firms. That is, the MNC must be confident that the host government will respect its property rights over tangible and intangible assets. Furthermore, the host country must be willing to clearly delineate these rights and uphold them through a fair system of courts should any disputes emerge.

Dunning posits that the second set of advantages lies in internalization advantages. Internalization refers to the degree to which a MNC is able to exert hierarchical control over its value chain as opposed to simply trading or licensing out these goods and services. In countries where transaction costs are high as a result of hold-up problems and property rights violations by suppliers, firms have an incentive to vertically integrate with these suppliers. Where these internalization advantages are high, we should expect firms to vertically integrate their value chains across borders.

Finally, Dunning refers to the role that individual countries play in a firm's decision to engage in international production in his description of locational advantages. These advantages can include a country's labor pool, human capital, and natural resources. In addition, foreign governments can affect locational advantages through favorable government regulation, taxation of foreign firms, and intellectual property protections.

Though Dunning's framework for a MNC's calculus to invest in a country is a useful starting point, it does not explicitly get at the notion of political risk—a concept that is also important to a firm's decision to invest in a given country (Simon 1984; Henisz 2000). By political risk, I mean the political factors that can detract from the value of a firm's assets in a given country. This political risk is fundamentally a product of the obsolescing bargaining problem (Vernon 1971; Bergsten et al. 1978; Henisz 2000; Jensen 2003, 2008; Li and Resnick 2003; Kerner 2009). Once a firm invests in a country, it is difficult for the host state to credibly commit to refrain from direct or indirect expropriation because a firm's assets are immobile in the short-run. While host governments have an incentive to provide favorable investment terms when an MNC seeks to invest abroad, conditions may arise in the future that give host governments an incentive to renege on its contracts with that MNC and transfer a greater share of the firm's value to the state. As a result, potential host states have a time inconsistency problem when dealing with foreign investors.

What factors are associated with a country's political risk level? A significant portion of the literature on political risk identifies the ways in which a country's institutional context can exacerbate or mitigate political risk. The evidence suggests that democratic institutions lower the risk of expropriation (Jensen 2003, 2006; Li 2009; Jensen et al. 2013a). What precisely is it about democratic institutions that

lowers political risk? Henisz (2000, 2004) contends that this democratic advantage is rooted in the presence of veto players. Countries with more veto players have more credible checks and balances thereby enjoying greater policy stability. Jensen and McGillivray (2005) and Jensen (2006) find that federal political structures mitigate political risk because states within a country must compete for foreign investment thus raising the costs of reneging on contracts with MNCs. In sum, the evidence indicates that foreign investors seek to invest in countries where their property rights are more secure *ceteris paribus*.¹

Taken together, Dunning's framework as well as a political risk explanation of MNC activity depend on the robustness of a potential host government's property rights regime. But domestic institutional change can often be quite costly. How can MNCs mitigate the political risk inherent within a low quality property rights environment? In the next section, I describe the mechanisms through which BITs can potentially fill this gap in a country's domestic institutions for MNCs.

2.1 BITs and property rights

BITs are intrinsically designed to address a country's property rights institutions. In their seminal article, Elkins et al. (2006) argue that competitive pressures among potential host governments over the property rights protections that MNCs sought when investing abroad drove developing countries to rush to sign BITs. Jandhyala et al. (2011) show how these treaties proliferated in three distinct waves: (1) the 1960s where BITs followed the competitive diffusion logic of Elkins et al. (2006), (2) the 1980s and 90s where BITs became a global standard for investment, and (3) a reversion in the 2000s back to competitive diffusion. Undergirding all of these waves of treaty signings was the rational or normative desire of states to conform—albeit to varying degrees—to the Western model of property rights protections. By design, not all investors enjoy the benefits of BITs (Salacuse 1990; UNCTAD 2004). Foreign investors are the only non-state actors that have legal standing under BITs while domestic investors in the host country must operate within their own country's property rights systems.

Legally, BITs have three main pillars. First, BITs ensure that a host country treats foreign investors at least as well as investors from the host country. This is otherwise known as national treatment. Second, BITs guarantee Most Favoured Nation status to foreign investors covered under the treaty. Third and perhaps most importantly for this study, BITs protect against uncompensated expropriation. Should the host state violate any of these pillars, then the investor has the right to sue the host government in front of a third-party panel such as the International Centre for the Settlement of Investment Disputes (ICSID) or an ad hoc panel under the United Nations Commission on International Trade Law (UNCITRAL).² If the host government is

¹This does not necessarily mean that the property rights of other domestic firms must be secure—a point that I return to later.

²Other arbitration options include the International Court of Arbitration of the International Chamber of Commerce, the Arbitration Institute of the Stockholm Chamber of Commerce, the Cairo Regional Centre for Commercial Arbitration, the Arab Investment Court, and the Permanent Court of Arbitration (Hague).

found to be in violation of its obligations under the BIT to protect a foreign investor's assets, then the host government must pay a sum that is determined by the investor or a 3rd-Party panel.

Allee and Peinhardt (2014) note that there is considerable variation in the depth and breadth of BITs. Some BITs allow for arbitration under an ad hoc panel that follows UNCITRAL rules while others allow for arbitration through a more systematized process such as ICSID or the International Court of Arbitration of the International Chamber of Commerce. Moreover, BITs also vary on the number of avenues through which MNCs can resolve disputes. The more dispute resolution options available to investors, the greater the ability for investors to “forum shop” and find the dispute resolution option that will maximize their expected benefits (Busch 2007).

While variation in the depth and breadth of BITs is, of course, important to the study of international institutions, MNCs should prefer any of these international options to domestic courts for two reasons. First, domestic courts tend to exhibit a legal bias against foreign investors (Schreuer 2005; Franck 2007; Rosendorff and Shin 2012). Second, international courts tend to exhibit a pro-complainant bias thus raising the likelihood that a foreign investor will win its suit relative to going through the domestic court system (Simmons 2014). Thus, I argue that the institutions enshrined in the vast majority of BITs are weakly better than a developing country's domestic institutions in the eyes of MNCs.

How exactly do BITs help ensure that host states will respect the property rights of MNCs? Scholars tend to focus on two mechanisms: signaling and commitment effects (Elkins et al. 2006; Kerner 2009; Allee and Peinhardt 2011; Rosendorff and Shin 2012; Allee and Peinhardt 2014; Simmons 2014; Büthe and Milner 2014). While this study does not take a position on which mechanism is truly at work, both mechanisms are consistent with an MNC's incentive to reduce lobbying efforts aimed at host country institutional change.

The signaling story argues that BITs provide information to potential investors about a host country's willingness to offer friendly conditions for investment (Tobin and Rose-Ackerman 2011). Neumayer and Spess (2005) argue that the more BITs a country signs, the more precise the signal becomes. But as is the case with any signaling game, the signal (BIT) must have some sort of cost associated with it so that it can help distinguish the types of governments that are truly favorable to foreign investment from those that are merely signing these treaties to seem *as if* they are favorable to MNC activity (Fearon 1997). Haftel (2010) adds an important layer to the signaling mechanism. To enjoy increased FDI inflows, governments must ratify these agreements, which entails non-negligible costs. These include costs such as limiting a policy-maker's regulatory discretion as well as reducing domestic business elites' competitive advantage in cases where the domestic legal system is underdeveloped or politically charged (Kerner 2009). When leaders sign and ratify these treaties, they provide potentially useful information to foreign investors about a given government's willingness to respect foreign investments.

The commitment effect story argues that BITs help resolve a government's time-inconsistency problem by “tying their hands.” As previously discussed, host country leaders have an incentive to renege on their commitments after a MNC deploys its

investments into the host country. While leader's may initially encourage investments into their country, there may come a time in the future where an exogenous change in the leader's political or economic situation makes the benefits of direct or creeping expropriation greater than the costs. BITs, thereby, increase the *ex post* costs of property rights violations thus allowing governments that sign these agreements to credibly commit to securing an MNC's investments in that country (Elkins et al. 2006; Bütthe and Milner 2008, 2014; Simmons 2014).

Specifically, Elkins et al. (2006) and Simmons (2014) argue that these *ex post* costs entail sovereignty, arbitration, and reputational costs. By allowing international law to supplant domestic law, leader's must submit to an international institution should they violate a foreign investor's property rights. In addition, BITs leave the arbitration process up to 3rd-party international courts such as ICSID and UNCITRAL panels. Should a government be found in violation of its commitments under a BIT, then the arbitration process imposes, oftentimes, heavy monetary fines on a government that reneges on its commitments. Recent cases such as AMCO v. Republic of Indonesia (\$3.2 Million), Deutsche Bank AG v. Democratic Socialist Republic of Sri Lanka (\$60.4 Million), and France Telecom v. Lebanon (\$266 Million) demonstrate that these costs are certainly non-negligible. While most treaty awards are in the millions, some can go into the billions as in the recent case of Occidental Petroleum v. Republic of Ecuador (\$1.7 Billion). Governments, when taken to court by foreign investors, have their reputation on the line. If a country is taken to ICSID or UNCITRAL, it can expect losses in FDI precisely because it has tarnished its reputation for doing business (Allee and Peinhardt 2011). Together, these sovereignty, arbitration, and reputational costs can allow governments to credibly commit to protect an MNC's investments ameliorating the time-inconsistency problem inherent to FDI.

BITs, by signaling a government's willingness to respect a foreign investors property rights or credibly committing governments to protecting a MNC's property rights, can help to either clarify or remedy a country's property rights institutions. Both of these mechanisms, at the margins, help to ensure MNCs that their property rights will be safe when investing in a potential host country. As a result, BITs can change the incentives that MNCs face to efficiently mitigate political risk. This, as I demonstrate later, changes the domestic political economy of the host country in a way that can affect a leader's tenure in different ways depending on the underlying regime type of that country.

3 The politics of leader tenure

In this paper, I draw upon the Selectorate Theory of politics as articulated by Bueno de Mesquita et al. (2004) to elucidate how BITs could affect leader tenure. Their primary assumption—that a leader's main objective is to stay in power (Bueno de Mesquita et al. 2004; Bueno de Mesquita and Smith 2010)—implies that leaders must balance the interests of politically influential groups. The types of interests that are considered politically influential are determined by a country's institutional environment (Bueno de Mesquita et al. 2004).

There are two key institutional features that describe how leaders stay in office: (1) the selectorate and (2) the winning coalition (Bueno de Mesquita et al. 2004). The selectorate refers to the pool of citizens that actually have the ability to choose the leader. The winning coalition, a subset of the selectorate, is the minimum number of citizens that a leader must satisfy in order to win or retain office. In the case where a leader's coalition falls beneath that minimum threshold needed for a winning coalition, then the leader faces an elevated risk of deposition. Both of these factors shape the incentives for leaders to provide private benefits that assist a narrow elite or public goods that benefit a wide range of citizens. Private benefits can include direct payments, legal impunity, non-competitive contracts, corruption, and protective tariffs. Public goods, conversely, consist of property rights protections, the rule of law, national defense, personal freedom, and sound economic policies.

How do these institutional characteristics affect political and economic outcomes? Because governments face scarce resources, the size of the winning coalition is a key factor in determining the precise mix of private benefits and public goods that a leader will provide to her citizens. In large winning coalition systems like democracies, leaders have an incentive to provide more public goods. This is because the base of supporters that leaders must satisfy is greater than small winning coalition systems. Given a leader's scarce resources, it is more efficient to provide public goods rather than to distribute private benefits to each and every member of the winning coalition. In small coalition systems like autocracies, it is more efficient for leaders to provide private benefits to members of their winning coalition than to expend resources on public goods. Leaders, in order to maximize their chance of retaining office, must satisfy members of the winning coalition, but do so in the most efficient way possible.

There is a fair degree of empirical support for the Selectorate Theory. Scholars have found that democracies provide more public goods like health, education, and infrastructure than their autocratic counterparts (Lake and Baum 2001; Bueno de Mesquita et al. 2004; Stasavage 2005; Ansell 2008; Gerring et al. 2012). Moreover, there is also significant evidence that shows that democracies tend to provide better protection of property rights (Olson 1982; North and Weingast 1989; Leblang 1996; Clague et al. 1996; Acemoglu et al. 2001; Jensen 2008; Biglaiser and Staats 2012). Taken together, the evidence suggests that leaders choose policies that respond to politically influential interests as determined by the underlying institutional characteristics.

4 A theory of BITs and political survival

Given the institutional context of a country, leaders respond to the interests of politically organized actors. In developing countries, a central source of political conflict lies between the interests of the entrenched business elite and SMEs. While MNCs, as I show, can be a key ally for SMEs in this conflict, the presence of international institutions can reshape the incentives that MNCs face to engage in this conflict against the entrenched business elite. In this section, I argue that changes in the distribution of power across these various interest groups affect a leader's probability of retaining office.

In developing countries, politically relevant business interests have much to gain or lose from a robust property rights regime. Mainly, I focus on the preferences of the following three actors: (1) domestic business elites, (2) SMEs, and (3) MNCs. These preferences over the strength of a country's property rights regimes determine the incentives for the various actors to lobby for or against property rights protections. In addition, these preferences will also help to identify welfare outcomes for each actor given changes in the level of property rights protections and enforcement.

Entrenched business elites generally tend to benefit from weak systems of property rights. For the business elite, formal and informal political connections such as kinship and ethnic ties as well as "revolving door" type relationships substitute for formal sets of property rights to protect their investments (Fisman 2001; Johnson and Mitton 2003; Faccio and Parsley 2009; Choi and Marcel 2009; Faccio 2010; Carden and Lisa 2010; de Vaal and Ebben 2011; Wang 2013). By lobbying for weak property rights rules and enforcements, entrenched business elites can help stifle new firms that might harm the profits of the elite from entering the market in lesser developed countries (Acemoglu and Thierry 1998; Glaeser et al. 2003; Morck et al. 2005; Braguinsky and Myerson 2007). In essence, political connections and cronyism can substitute for property rights for business elites.

Qualitative and quantitative evidence suggests that business elites extensively rely on these formal and informal relationships with government. Fisman (2001) finds that, upon receiving news of Suharto's poor health, those firms most connected to the Suharto regime in Indonesia did, on average, worse than those firms not connected with the regime indicating that business elites rely on political connections to increase firm value. Such benefits extend far beyond the case of Indonesia. Scholars have found considerable evidence that politically connected firms benefit from their relationships with government.³ Given these benefits, business elites in developing countries should have an incentive to oppose a robust system of property rights protections and enforcement because it would undermine the aforementioned benefits and deteriorate their competitive advantage in the market.

Unlike entrenched business elites, SMEs stand to gain from a robust system of property rights. Better systems of property rights tend to allow these firms to make productive investments (North and Weingast 1989; North 1990; Stasavage 2002; De Soto 2003; World Bank 2005; Acemoglu and Simon 2005). Moreover, SMEs do not have the benefits that their business elite counterparts do through informal relationships such as familial connections to political elites. Of course, SMEs could potentially rely on formal political connectivity. This, however, can be expensive. In developing countries, small or newly started firms are generally capital-scarce thus

³For the evidence demonstrating that politically increased firms enjoy increased firm value, see Faccio (2006), Ferguson and Voth (2008), Goldmann et al. (2009), Cooper et al. (2010), Desai and Olofsgård (2011), Dube et al. (2011). For studies showing that politically connected firms have preferential access to finance, see Khwaja and Mian (2005), Bai et al. (2006), Claessens et al. (2008), Faccio (2010). Studies that show that politically connected firms enjoy favorable regulations include Stigler (1971), Johnson and Mitton (2003). Finally for the literature on how politically connected firms receive favorable litigation outcomes and corporate bailouts, see Faccio et al. (2006), Blau et al. (2013), Lu et al. (2013).

making the marginal cost of gaining and retaining political connections relatively high to the marginal benefits. As a result, SMEs disproportionately benefit from property rights because of their public-good nature. In order to fully reap the benefits of any investments made, especially when they cannot rely on formal and informal political connections, SMEs should have an incentive to lobby for improvements in the property rights system and the business environment (Frye 2004). Yet, because of the public-good nature of property rights, SMEs may face collective action problems in lobbying for these features.

MNCs can potentially be an important ally to SMEs in lobbying for better property rights institutions. As previously discussed, MNCs, when deciding where to invest, prefer countries with lower levels of political risk all else equal. Given the relationship between the quality of a country's property rights institutions and the level of political risk, MNCs should have an incentive to lobby for reform. Several studies highlight how MNCs engage with a host country's political processes to mitigate political risk (Luo 2001; Henisz 2002b; Desbordes and Vauday 2007; Malesky 2009; Jensen et al. 2012; Weymouth 2012; Bastiaens 2013). Moreover, Markus (2012) provides evidence that MNCs form a crucial alliance with SMEs in lobbying for better property rights protections. This incentive, however, hinges on the availability of substitutes for domestic property rights institutions—namely, the coverage of BITs within a host country.

While MNCs and SMEs may have cause to ally together to push for a robust set of property rights institutions, BITs can engender incentives for MNCs to abandon this alliance. For MNCs, BITs serve as substitutes—albeit imperfect ones—for strong, host-country property rights protections. One of the key components of a high-quality property rights regime is the presence of fair and impartial courts to uphold contracts (North and Weingast 1989; Milgrom et al. 1990; Frye 2004). BITs provide MNCs with an alternative, and arguably, better source for recourse should a government fail to uphold its obligations to foreign investors: 3rd-party international courts such as ICSID and UNCITRAL. These arbitration panels more credibly protect an MNC's property rights than domestic courts (Neumayer and Spess 2005; Elkins et al. 2006; Tobin 2007; Rosendorff and Shin 2012). Moreover, investors can also expect to win when they file a claim under a BIT (Van Harten 2012; Simmons 2014).⁴

International tribunals such as ICSID confer a public good for MNCs in the form of enhanced property rights protections. This, in turn, changes the costs and benefits of relying on international courts versus lobbying for institutional change for an MNC. Particularly, the availability of these international arbitration options lowers the private cost that MNCs must take on relative to going through a lengthy and difficult process of domestic institutional reform, which would require MNCs to expend

⁴While MNCs from capital-exporting states tend to win cases under BITs, investors do have difficulty in securing compensation from a host state that violated its obligations under a BIT (Johnston 2013; Graham et al. 2013). Allee and Peinhardt (2011) as well as Jensen et al. (2013b) find, however, that MNCs punish states that expropriate by withholding future investment. Such actions can potentially improve compliance with panel decisions. Furthermore, the litigation process itself can also be costly and time-consuming for developing countries making it more attractive for such states to either settle or comply.

significant resources (financial, political, and social) to lobby host country governments to change. Because BITs are only available to foreign investors with legal standing in a host country, I argue that, at the margins, MNCs should have less of an incentive to lobby for strong property rights protections as a country's coverage of BITs increases (Salacuse 1990; UNCTAD 2004).

As more BITs come into ratification, this changes the saliency of the pro-reform camp versus the status quo camp to leaders. MNCs have less of an interest in reforming the business environment in developing host-countries that have signed BITs because they can seek recourse for disputes through international arbitration rather than a costly and lengthy domestic process. As a result, leaders shift their policies to benefit the business elites who's voice has now become relatively louder than SMEs in the lobbying process.

The above distributional effects have varying implications for leader's chances of retaining office depending on the types of groups that a host country's political institutions empower. For autocracies where leaders are selected by an entrenched business elite, a stagnating property rights regime enhances the business elite's competitive advantage over new competitors in the marketplace. Thus, their support for a leader should increase with the number of BITs in force implying that a leader's risk of being removed from office should decrease. The political benefits that developing country leaders derive from BITs are decreasing with a country's level of democracy. This is because the base of support that democratic leaders must respond to now includes a greater number of SMEs relative to autocrats. As a result, this implies that the relative interests that democrats must balance become more tilted toward SMEs rather than domestic business elites. This relationship suggests that increased saliency of opposition from SMEs should erode the political benefits of BITs. Given these dynamics, we should expect the political benefits of BITs for leader survival to diminish in magnitude as a political system becomes more democratic.

Is there evidence of the hypothesized causal mechanism? Using firm-level data from the World Bank Enterprise Survey, Tobin (2007) finds evidence in favor of this causal mechanism. Specifically, Tobin (2007) finds that foreign investors' *perception* of a host country's property rights environment increases as the coverage of BITs increases. Consistent with the theory outlined thus far, Tobin (2007) shows that this effect is decreasing as a country becomes more democratic. For SMEs, Tobin (2007) provides evidence that their perception of the business environment is decreasing in the number of BITs in force. This effect increases in magnitude as a country becomes more democratic. Moreover, the results imply that foreign investors should expend less effort in reforming a host country's property rights environment and that SMEs should become more dissatisfied with the host country's property rights system. As such, Tobin (2007) demonstrates that there is indeed evidence in support of the underlying causal mechanism.

While Tobin (2007) demonstrates that firms tend to perceive a country's property rights environment differently depending on both the firm's home country, the country's regime type, and the number of BITs signed by that country, it should also be the case that BITs do not lead to property rights improvements in autocracies at the country level. I provide evidence in the following section that BITs are not associated with property rights improvements in autocracies.

Given the theory and evidence, I hypothesize the following relationship between BITs and political survival:

H1: *If a developing country leader has more BITs in force, then he or she should face a lower probability of being removed from office and that this effect should diminish as a country becomes more democratic.*

5 Empirical evidence

In this section, I use a semi-parametric Cox Proportional Hazards estimator to test my main hypothesis that a leader's probability of surviving in office increases in the number of BITs put into force and that this effect is diminishing with increasing levels of democracy. To test my theory, I use the latest version of the Archigos dataset of political leaders (Goemans et al. 2009) covering all leaders from 1875 to 2014, data on BITs from the United Nations Conference on Trade and Development (UNCTAD) (UNCTAD 2015), and additional covariates from various datasets (Henisz 2002a; Feenstra et al. 2013; World Bank 2014; Hollyer et al. 2014; Baccini et al. 2014). My basic unit of observation is the leader-year. I test whether the hazard rate for each leader in each year is decreasing in the number of BITs and if the magnitude of the effect is conditional on the level of democracy.

5.1 Data

The main dependent variable of this study is a leader's hazard of losing office conditional on surviving in office until time t .⁵ My analysis covers a wide range of leader-year observations over 808 leaders, 108 developing (non-OECD) countries, and 47 years. Though the data is also left and right-censored, potentially introducing bias into my estimates, I mitigate this problem by adjusting for censoring in my estimates.⁶

My key independent variable of interest is the log of North-South BITs that go into force for each given leader. I restrict my attention to North-South BITs rather than the total number of BITs in force in order to better isolate the hypothesized mechanism involving MNCs from capital-exporting states. An observable implication of my mechanism is that the effect of BITs on political survival should primarily run through the North-South BITs channel rather than the South-South BITs channel. I define Global North countries as OECD member countries and Global South as non-

⁵In my main analyses, I include leaders who died in office of natural death as well. Assuming that the probability of dying in office is independently and identically distributed across all leaders, my estimates should not be affected by the inclusion of these leaders. While including these leaders provides us with relevant information, removing leaders who died in office from my analysis does not qualitatively change my results.

⁶Leaders that entered into office before 1965 do not enter into the likelihood function until January 1st, 1965 and therefore are treated as being at risk starting from January 1st, 1965.

OECD members. Varying this definition of North and South does not substantially change my results.

I code data on BITs taken from UNCTAD (2015) so that the observation is the leader-year. I then create a count measure of North-South BITs that reflects the total number of North-South BITs put in force under each leader. To limit the amount of lost data, I take the $\log(\text{North-South BITs} + 1)$.⁷ By taking the natural logarithm of the number of BITs in force, I account for diminishing marginal returns from the number of BITs signed.⁸

There exists substantial variation in the number of BITs that go into force under a leader's tenure. While the median leader does not have any BITs come into force under his or her tenure, leaders such as Deng Xiaoping of China, Alberto Fujimori of Peru, and Nelson Mandela of South Africa have had over a dozen BITs come into force while they were in office. Subsetting this variation by regime-type, autocrats have on average about 1.47 North-South BITs in force while democrats have on average about 1.10 North-South BITs in force. A simple t-test shows that the difference between the means is significant at the $p < 0.001$ significance level. I argue that this variation helps explain why some leaders stay in office longer than their peers. Summary statistics on all the variables used in the subsequent analysis can be found on Tables 1 and 2.

My key hypothesis is that the effect of BITs on leader survival is conditional on a leader's level of democracy.⁹ To test this proposition, I use the Polity II measure of democracy—a subjective measure of a country's level of democracy (Marshall et al. 2013). In my analyses, I use the cumulative democracy score, Polity II, which ranges from -10 (completely autocratic) to 10 (completely democratic).¹⁰ Specifically, I interact the Polity II index with $\log(\text{North-South BITs} + 1)$ to test my hypothesized conditional relationship.

Besides the standard economic control variables such as real GDP per capita (purchasing power parity, constant 2005 international \$, logged), the growth rate of real GDP (percent), and population size (logged), I also account for a number of other potentially confounding variables. The inclusion of these variables should help to account for alternative explanations that could be driving my results.

5.2 Model 1: PTAs, south-south BITs, and inherited BITs

First, I estimate a model that controls for major competing explanations. the relationship between both BIT and PTA signing as shown by Tobin and Busch (2010) as well

⁷The log of zero is undefined. Because most leaders do not have a North-South BIT go into force in a given year, I would lose a substantial amount of data leading to biased and/or inconsistent estimates.

⁸The use of the semi-parametric Cox Hazards estimator also accounts for diminishing marginal returns by adjusting for time dependency.

⁹Arias et al. (2014) find a similar effect of BITs on leader survival. They argue that the BITs affect political survival through their effect on FDI. Yet, theory suggests that the effect of FDI on political survival is ambiguous and the evidence presented in this paper demonstrates that the effect of FDI is not robust.

¹⁰Cheibub et al. (2010) point out a number of problems with the Polity II index. I use the Polity II in my main models because Hollyer and Rosendorff (2012) serves as my baseline model. My main results hold when using the Cheibub et al. (2010) index as well.

Table 1 Summary statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
North-south BITs (Logged)	0.53	0.75	0	3.04	4869
Polity II	−0.1	7.05	−10	10	4869
North-south BITs*polity	−0.58	6.28	−26.5	24.95	4869
PTAs signed (Logged)	0.76	0.81	0	3.04	4869
Num. BITs inherited	0.9	1.18	0	4.52	4869
GDP per capita (2005 PPP, Logged)	8	1.05	5.09	13	4869
Population (Logged)	2.06	1.57	−2.14	7.19	4869
GDP growth rate	0.04	0.1	−0.65	1.64	4869

as the relationship between PTA signing and leader survival Hollyer and Rosendorff (2012), it might be the case that PTA signing is a confounder. As a result, I include the $\log(\text{PTAs signed} + 1)$ in all of my models.¹¹ It might also be the case that leaders who sign more South-South BITs are more likely to sign North-South BITs and that the effect is actually driven by South-South BITs. If this were the case, this would also undermine the posited causal mechanism in this paper because I argue that foreign lobbying efforts should come from MNCs based in capital-exporting states. At the same time, South-South BIT and North-South BIT signing exhibits a high degree of collinearity ($r=0.73$) which could also introduce problems of collinearity in my models. As a result, I only include $\log(\text{South-South BITs in force} + 1)$ in Model 1 of my main models. Importantly, my results remain robust to the inclusion of this variable in other specifications as well. I also control for the $\log(\text{number of BITs inherited})$ by the current leader from previous leaders to account for the possibility that my results might be driven by BITs signed by a leader's predecessors.

5.3 Model 2: Free resources

Second, I estimate a model that takes into account the potential for certain capital inflows and rents to account for my results given the well-documented effect of capital inflows such as foreign aid and oil rents on political survival. It may be the case that leaders in countries with highly specific assets such as oil may ratify BITs in order to credibly commit to upholding an MNC's investments in that sector. It may also be the case that capital-exporting states may use foreign policy tools such as foreign aid to encourage capital-scarce countries to sign BITs with them.¹² As a result, I

¹¹ It is important to note, however, that given the causal direction of BITs, PTAs and leader survival, the inclusion of PTA signing might induce post-treatment bias into my models. Estimating my models without PTA signing does not substantively change the results.

¹² See Ross (2001), Jensen and Wantchekon (2004), Smith (2004, 2008), Bueno de Mesquita and Smith (2010) for literature on the effect of oil on political survival. For the literature on foreign aid and political survival, see Knack (2004), Smith (2008), Kono and Montinola (2009), Bueno de Mesquita and Smith (2010), Ahmed (2012).

Table 2 Correlation matrix

Variables	North-South BITs (Logged)	Polity II	North-South BITs*Polity	South-South BITs (Logged)	South-South BITs*Polity	PTAs Signed (Logged)	Num. BITs Inherited	GDP per Capita (2005 PPP, Logged)	Population (Logged)
North-south BITs (Logged)	1.00								
Polity II	-0.10	1.00							
North-south BITs*polity	-0.19	0.58	1.00						
South-south BITs (Logged)	0.69	0.04	-0.06	1.00					
South-south BITs*polity	-0.14	0.46	0.75	-0.08	1.00				
PTAs signed (Logged)	0.46	-0.10	-0.16	0.41	-0.11	1.00			
Num. BITs inherited	0.11	0.38	0.28	0.34	0.24	0.01	1.00		
GDP per capita	0.15	0.18	0.05	0.26	0.00	0.08	0.15	1.00	
(2005 PPP, Logged)									
Population (Logged)	0.15	0.09	-0.04	0.20	-0.02	-0.03	0.23	-0.12	1.00
GDP growth rate	0.05	-0.04	-0.05	0.05	-0.07	0.01	0.02	0.08	-0.01
FDI (% of GDP)	0.10	0.04	0.04	0.13	0.02	0.07	0.16	0.06	-0.14
Fuel exports	0.11	-0.22	-0.24	0.10	-0.25	0.06	-0.09	0.40	-0.03
(% of Merchandise Exports)									
Aid (% of GDP)	-0.12	-0.15	-0.02	-0.17	-0.00	0.06	-0.12	-0.52	-0.26
HRV transparency index	0.17	0.32	0.12	0.21	0.10	0.25	0.34	-0.02	0.25
Under IMF program	0.03	0.14	0.09	0.04	0.08	0.09	0.17	-0.19	0.09
Num. world bank programs	0.16	0.06	-0.11	0.10	-0.04	0.00	0.09	-0.15	0.58
Political constraints	-0.03	0.77	0.43	0.12	0.34	-0.05	0.34	0.21	0.14

Table 2 (continued)

Variables	GDP growth rate	FDI (% of GDP)	Fuel exports (% of Merchandise Exports)	Aid (% of GDP)	HRV transparency index	Under IMF program	Num. world bank programs	Political constraints
North-south BITs (Logged)								
Polity II								
North-south BITs*polity								
South-south BITs (Logged)								
South-south BITs*polity								
PTAs signed (Logged)								
Num. BITs inherited								
GDP per capita (2005 PPP, Logged)								
Population (Logged)	1.00							
GDP growth rate	0.19	1.00						
FDI (% of GDP)	0.12	0.05	1.00					
Fuel exports								
(% of Merchandise Exports)								
Aid (% of GDP)	-0.06	0.00	-0.22	1.00				
HRV transparency index	-0.02	-0.13	-0.17	0.04	1.00			
Under IMF program	-0.07	-0.00	-0.19	0.18	0.24	1.00		
Num. world bank programs	0.03	-0.08	-0.12	-0.06	0.24	0.19	1.00	
Political constraints	-0.02	-0.01	-0.21	-0.19	0.31	0.14	0.10	1.00

control for foreign aid as a % of GDP and fuel exports as a % of merchandise exports to capture these effects.

I control for the amount of FDI (% of GDP) a country receives. After all, BITs are specifically designed to bring FDI into the host country (Elkins et al. 2006). Ahmed (2012) and Bueno de Mesquita and Smith (2009) find that free resources in the form of foreign aid, oil rents, and remittances enhance an autocrat's ability to survive in office. FDI may certainly be another form of resources that leaders can appropriate to reward their base of support.¹³

At the same time, Stolper-Samuelson logic implies that domestic capital elites might be opposed to inflows of foreign capital that may result from BITs. If autocrats strictly garner their power from domestic capital, then it may be the case that autocrats actually should get punished by their winning coalition. Frieden (1991) argues, however, that there is vast heterogeneity within domestic capital over their preferences for or against FDI inflows. Moreover, many foreign firms often work in conjunction with domestic capital as well through linkages, technology transfers, and joint-ventures (Jensen et al. 2012; Bastiaens 2013; Markusen and Venables 1999). In effect, competition between foreign and domestic capital may not be so severe thus making the welfare effect from increased foreign investment ambiguous for business elites.

How might democrats be harmed by FDI? Given the literature on democracy and FDI, it is not at all apparent why democrats would get punished by bringing in more FDI. At the macro-level, foreign investors look favorably upon democratic institutions because they reduce political risk (Henisz 2000, 2002b; Jensen and McGillivray 2005; Jensen 2006; Li 2009). From the perspective of democratic leaders, FDI can increase employment, wages and economic growth—all desirable effects for democrats.

Openness to trade and investment may, however, harm local communities and the environment (Rudra 2011; Rudra and Joshi 2012). If there is a sizable population that suffers from the negative externalities to FDI, it is reasonable to suggest that they might blame incumbents. These externalities, however, generally disproportionately affect the poorest members of the society who also happen to face high barriers to collective action (Olson 1971; Deyo 1989; Weyland 1995, 1996; Rudra 2002, 2004; Ross 2006). Thus, those most harmed by FDI—the poorest and least organized members of society—may be the least able to exert political influence and punish democratic leaders. As a result, I argue that BITs have an effect on political survival that is independent of the potential FDI mechanism. This is in contrast to a similar study by Arias et al. (2014) who argue that BITs enhance leader survival for autocrats and that this effect runs through a FDI mechanism. If this mechanism is at work, then we should expect FDI to also be correlated with lower hazard rates. I test whether my results are being driven by the effect of BITs on FDI inflows using data from Penn World Table 8.0 and the World Development Indicators (Feenstra et al. 2013; World Bank 2014).

¹³If FDI is indeed survival enhancing, then this would also risk post-treatment bias that would put downward pressure on the effect of BITs on political survival.

5.4 Model 3: Political risk

Political risk, a factor important to MNCs, might also simultaneously affect BIT signing and leader survival. To account for this, I include a number of variables to reduce these concerns. First, I include the level of democracy as measured by a country's Polity II score because it has been shown to reduce political risk (Jensen 2003; Jensen and McGillivray 2005; Jensen 2006; Li 2009; Jensen et al. 2013a) and is related to political survival (Bueno de Mesquita et al. 2004; Kono and Montinola 2009; Ahmed 2012). Second, I include an index of economic transparency created by Hollyer et al. (2014), which serves as a proxy for the quality of a country's economic institutions.

5.5 Model 4: International financial institutions

Involvement with international financial institutions such as the IMF and World Bank may also be another set of confounding factors. It might be the case that these institutions pressure developing countries to sign these treaties in order to lock-in market liberalization. I include whether a country is under an IMF program as interaction with the IMF has been found to be positively correlated with BIT signing (Elkins et al. 2006) and potentially leader survival through their effect on a leader's budget constraint (Smith and Vreeland 2006; Nooruddin and Vreeland 2010; Caraway et al. 2012) or his or her perceived competence (Dreher and Gassebner 2012). I also include the number of World Bank programs that a country has concluded within a given year as well given its relationship to the probability that a government undergoes a crisis (Dreher and Gassebner 2012).

5.6 Model 5: Ratification

Because my main independent variables involve the number of BITs ratified by a country, I must also account for factors that might simultaneously affect the determinants of ratification and leader tenure. Several studies find that the number of veto players influences the timing of ratification (Haftel 2010; Baccini and Urpelainen 2013; Haftel and Thompson 2013). As such, I include Henisz (2002a)'s measure of veto players to account for this effect.

5.7 Empirical strategy

Given the nature of my hypothesis, large-N survival analysis is the most appropriate tool to test my theory. Particularly, I use a Cox Proportional Hazards estimator to evaluate the hypothesized relationship among BITs, regime type, and survival in office. Compared to other survival models such as the Weibull or exponential distributions, the Cox model allows me to make less restrictive assumptions about the shape of the survival curve. In addition, the Cox model enables me to implicitly model time dependence in the effects of my explanatory variables.

Moreover, recent work in the biostatistics literature suggests that researchers should account for unit heterogeneity by estimating a shared-frailty parameter for leaders within a given group (Liu et al. 2004; Box-Steffensmeir and Boef 2006).¹⁴ By adding a shared-frailty parameter θ for each country i , this method is akin to adding random intercepts for each group (Box-Steffensmeir et al. 2007). Thus, I estimate my main models using a shared-frailty parameter for each country to account for country heterogeneity. Likelihood-ratio tests of θ indicate that my models should be estimated with a shared-frailty parameter.

My main empirical specification is as follows:

$$h_{l,i}(t) = h_0(t)e^{\beta_1 \log(BITs)_{l,i} + \beta_2 Polity_{l,i} + \beta_3 \log(BITs) * Polity_{l,i} + \gamma \mathbf{X}_{l,i} + \theta_i + \epsilon_{l,i}} \quad (1)$$

In my model, $h_{l,i}(t)$ represents the probability of leader l from country i being removed from office conditional on having survived in office until time t . Moreover, $h_0(t)$ models the baseline hazard of being removed from office. This term non-parametrically accounts for time dependence in the data. The vector $\mathbf{X}_{l,i}$ captures the effect of my control variables and alternate explanations previously discussed. The term θ_i accounts for country-specific heterogeneity that might affect the hazard rate. Changes in the covariates shift the hazard function up and down proportionally to β and γ .

I hypothesize that the coefficient β_1 should be < 0 . This implies a reduction in the hazard $h(t)$ of being removed from office. As per my theory, the coefficient β_3 should be > 0 . In other words, the benefits of BITs for political survival should diminish with higher values of democracy.

I test my hypothesis that autocrats survive longer in office as more BITs come into force under that autocrat's tenure as compared to democrats and find evidence in support of this proposition. Yet a valid criticism of my estimation strategy is that it suffers from model dependence—that is, my econometric model does not take into account endogenous selection of leaders into BITs. While the first best option would be to use an instrumental variables design to mitigate problems of endogeneity, it is not apparent that an instrument exists that satisfies the exclusion restriction required to produce consistent estimates (Angrist et al. 1996).¹⁵ While Rosendorff and Shin (2012) use non-economic United Nations Educational, Scientific, and Cultural Organization (UNESCO) Convention signing as an instrument for BIT signing, it does not plausibly satisfy the exclusion restriction needed to identify the effect of BITs on leader survival. This is because if UNESCO Convention signing is to be seen as a

¹⁴I thank an anonymous reviewer for this suggestion.

¹⁵Another potential instrument could be the number of BITs signed by that leader's economic competitors (Elkins et al. 2006). However, the theoretical justification is tenuous. The number of BITs signed by competitors can lead to FDI outflows from the country of interest, which can have a plausible effect on a leader's probability of surviving in office especially if the competitive pressures to sign a BIT are particularly acute for the leader. Other potential instruments such as international organization membership and treaty signing have been shown to have effects on leader survival (Mansfield and Pevehouse 2006; Hollyer and Rosendorff 2011, 2012; Poast and Urpelainen Forthcoming).

proxy for the willingness of leaders to sign up for international institutions, then this variable could also plausibly be related to PTA signing as well as Convention Against Torture (CAT) signing; moreover, PTA and CAT signing have both been shown to have an effect on leader survival implying a likely violation of the exclusion restriction (Hollyer and Rosendorff 2011, 2012). Because of the lack of a valid instrument, I caution the reader about interpreting these findings causally; rather, the results show a robust correlation between BIT signing and leader survival.

Following Hollyer and Rosendorff (2012), I use matching methods to mitigate problems of endogenous treaty selection into treaty signing. Using a Genetic Matching Algorithm provided by Diamond and Sekhon (2013), I pre-process the data to match “non-signers” and “signers” on observable covariates thus creating hypothetical control and treatment groups (Simmons and Hopkins 2005; Ho et al. 2007). Balance checks indicate that the matching procedure does indeed reduce covariate imbalance across “non-signers” and “signers.” Even when accounting for selection on pre-treatment observables, I still find evidence for my hypothesis. While matching methods do not completely solve the selection problem as treaty signing could be driven by unobservable factors, they do provide an encouraging robustness check to my main estimates. Section 5.8.2 provides a more detailed description of the exact methods used to match “non-signers” and “signers.”

5.8 Results

In all specifications of my models, I find evidence for the hypothesized effect of BITs on leader survival. In general, Table 3 shows that BITs increase the probability of staying in office. The coefficient on $\log(\text{North-South BITs in force})$ is negative and statistically significant across all models ($p < 0.001$). A negative coefficient implies that the hazard rate (the probability of being thrown out of office) decreases with an increase in the number of BITs coming into force. In developing countries where business elites may be one of the most powerful interest groups, it seems that this set of actors rewards autocrats for ratifying BITs.

In line with my theory, Table 3 shows that the coefficient on the key interaction term is positive and statistically significant ($p < 0.001$) across all models. However, the mere presence of statistical significance of an interaction term is neither necessary nor sufficient for there to be a substantively meaningful interaction effect (Brambor et al. 2006).¹⁶ In order to get a sense of the interaction effect, I present the results graphically in Fig. 1. On the left plot, I show the effect of BIT signing moving from the minimum number of BITs to the mean, 75th percentile, and maximum number of BITs in the sample for the minimum Polity score in the sample. Conversely, the right plot shows the effect of BIT signing for the same levels for the maximum Polity score in the sample. Figure 1 shows that greater levels of North-South BITs are associated

¹⁶Statistical significance on the constituent components of the interaction term are not enough either (Braumoeller 2004).

Estimated Hazard Rates for North–South BITs in Force

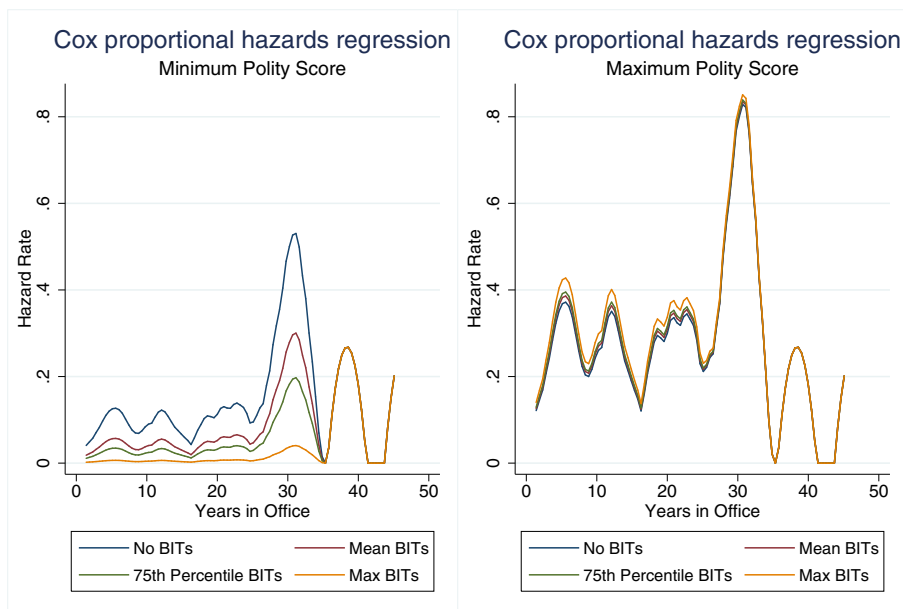


Fig. 1 Survival estimates

with a decrease in the hazard that an autocrat faces of being removed from office. This effect decreases in magnitude as a country becomes more democratic.¹⁷

Even when controlling for a variety of alternative hypotheses such as PTA signing, South–South BITs, inherited BITs, FDI, natural resource rents, foreign aid, international financial institution involvement, political risk, and political constraints, my results hold suggesting that this is a robust correlation. Moving our attention to Model 1, my results hold in the face of several alternative explanations. Particularly, Model 1 shows that any political benefits that leaders derive from BITs are resultant of North–South BITs rather than South–South BITs—an observable implication of the hypothesized causal mechanism. Neither the main effect of South–South BITs nor its interaction with Polity yields a statistically significant effect at conventional levels. Models 1–5 Table 3 support Hollyer and Rosendorff (2012) who find that PTAs are associated with enhanced leader survival. Yet despite the link between BITs and PTA signing, the coefficient on North–South BITs as well as its interaction with Polity remain statistically significant at the $p < 0.001$ level. Furthermore, Model 1 shows that this effect is not driven by the number of BITs inherited from a leader’s predecessors with the coefficient on the number of BITs inherited failing to reach statistical significance at conventional levels.

Model 2 of Table 3 shows that my results hold when accounting for explanations such as FDI, oil rents, and foreign aid. If the political benefits of BIT signing run

¹⁷Note: Estimates derived from Model 5 in Table 3

Table 3 A model of political survival: Cox proportional hazards model

	(1) Model 1: Baseline	(2) Model 2: Free resources	(3) Model 3: Political risk	(4) Model 4: IFI involvement	(5) Model 5: Ratification
North-south BITs (Logged)	-0.413*** (0.101)	-0.540*** (0.113)	-0.527*** (0.122)	-0.619*** (0.135)	-0.628*** (0.135)
Polity II	0.0483*** (0.00847)	0.0402*** (0.0117)	0.0388** (0.0124)	0.0453*** (0.0130)	0.0543*** (0.0158)
North-south BITs*polity	0.0567*** (0.0134)	0.0704*** (0.0143)	0.0692*** (0.0153)	0.0693*** (0.0169)	0.0698*** (0.0170)
South-south BITs (Logged)	0.121 (0.103)				
South-south BITs*polity	-0.00476 (0.0130)				
PTAs signed (Logged)	-0.209** (0.0673)	-0.202* (0.0823)	-0.242** (0.0896)	-0.252** (0.0972)	-0.250* (0.0976)
Num. BITs Inherited	-0.0235 (0.0417)	-0.0385 (0.0505)	-0.00208 (0.0577)	0.0368 (0.0638)	0.0370 (0.0640)
GDP per capita (2005 PPP, Logged)	0.0187 (0.0570)	-0.0867 (0.0975)	-0.0753 (0.105)	-0.0744 (0.112)	-0.0614 (0.114)
Population (Logged)	0.0909* (0.0392)	0.0927 (0.0553)	0.0710 (0.0597)	0.0756 (0.0715)	0.0843 (0.0727)
GDP growth rate	-2.485*** (0.472)	-2.438** (0.772)	-2.169** (0.814)	-1.918* (0.864)	-1.907* (0.868)
FDI (% of GDP)		-0.00284 (0.0184)	-0.000139 (0.0203)	0.00722 (0.0222)	0.00820 (0.0223)

Table 3 (continued)

	(1) Model 1: Baseline	(2) Model 2: Free resources	(3) Model 3: Political risk	(4) Model 4: IFI involvement	(5) Model 5: Ratification
Fuel exports (% of Merchandise Exports)		-0.00335 (0.00294)	-0.00201 (0.00320)	-0.00205 (0.00342)	-0.00236 (0.00348)
Aid (% of GDP)		-6.082*** (1.781)	-6.035** (1.883)	-6.349** (2.096)	-6.317** (2.106)
HRV transparency index			0.363 (0.568)	0.452 (0.618)	0.502 (0.625)
Under IMF program				-0.107 (0.129)	-0.101 (0.130)
Num. world bank programs				0.00886 (0.0281)	0.00747 (0.0282)
Political constraints					-0.427 (0.427)
Observations	4869	2760	2440	2184	2183

Estimates derived using Cox Hazards regressions

Standard errors in parentheses

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

through an FDI channel as Arias et al. (2014) argue, then we should expect a statistically significant negative coefficient on FDI. My results show that FDI does not have a statistically significant effect on a leader's hazard rate at conventional levels thus ruling out this FDI mechanism posited by Arias et al. (2014). This implies that the political benefits of North-South BITs are likely to run through an alternate channel. Furthermore, my results remain robust to the inclusion of fuel exports as well as foreign aid. In particular, the coefficient on foreign aid is negative and statistically significant at the $p < 0.001$ level in Models 2-4 of Table 3, which is in line with the literature. Model 3 of Table 3 indicates that my results hold even when proxying for political risk and institutional environment using Hollyer et al. (2014)'s Transparency Index (HRV Index). If it is the case that leaders are politically rewarded for modest economic reforms, then this would imply that the coefficient on the HRV Index should be negative and statistically significant. The results of Models 3-5 suggest that this is not the case with the coefficient on HRV Index being positive and failing to reach statistical significance at conventional levels.¹⁸

Model 4 discounts alternative explanations that would suggest that IFI involvement drives the effect of BITs on political survival. The coefficients on IMF program involvement and the number of World Bank programs both fail to achieve statistical significance at conventional levels. There is, of course, significant heterogeneity in the types of IMF projects and World Bank programs. Future research may benefit from disaggregating these variables and exploring any heterogeneous treatment effects.

Finally, Model 5 investigates whether my results are driven by the determinants of BIT ratification as identified by Haftel and Thompson (2013). The coefficient on political constraints, as proxied by the Henisz (2000) veto player index, fails to reach statistical significance at conventional levels. Encouragingly, my results hold with the inclusion of this variable providing evidence that my findings are not driven by the processes that lead to treaty ratification.

There are several potential pitfalls with the analysis presented, which may invalidate the inferences made from the data thus far. Importantly, I allay these concerns by showing that my results hold for a large number of robustness checks. Mainly, I demonstrate that my results remain robust to relaxing the proportional hazards assumption of the Cox Hazards model as well as to the use of matching procedures designed to mitigate problems of covariate imbalance.

5.8.1 Relaxing the proportional hazards assumption

My results might be driven by the proportional hazards assumption (Box-Steffensmeir and Zorn 2001). Particularly, a Grambsch-Therneau test on Model 5 of Table 3 using *time* and *log(time)* demonstrate a violation of the proportional hazards assumption with χ^2_{15} values of 60 and 51 respectively ($p < 0.001$). Running Harrel's Rho test on the main independent variables—North-South BITs, Polity, and the

¹⁸Recent research by Hollyer et al. (Forthcoming) suggests that autocrats strategically leverage transparency, which generates instability in order to solidify the support of elites around the leader.

Table 4 Non-proportional hazards model

	(1) Model 1: Time	(2) Model 2: Log(Time)
North-south BITs (Logged)	−1.107*** (0.240)	−1.678*** (0.415)
Polity II	−0.0140 (0.0166)	0.0231 (0.0138)
North-south BITs*polity	0.108*** (0.0278)	0.149** (0.0478)
PTAs signed (Logged)	−0.356** (0.132)	−0.583*** (0.172)
Num. BITs inherited	0.132* (0.0568)	0.142* (0.0569)
GDP per capita (2005 PPP, Logged)	−0.0850 (0.0842)	−0.0792 (0.0844)
Population (Logged)	0.0415 (0.0547)	0.0500 (0.0544)
GDP growth rate	−1.475 (0.834)	−1.393 (0.839)
FDI (% of GDP)	−0.00689 (0.0202)	−0.00342 (0.0195)
Fuel exports (% of Merchandise Exports)	−0.00132 (0.00247)	−0.00142 (0.00245)
Aid (% of GDP)	−5.701** (1.759)	−5.638** (1.769)
HRV transparency index	0.447 (0.508)	0.343 (0.502)
Under IMF program	−0.000478 (0.120)	−0.0115 (0.120)
Num. world bank programs	0.00427 (0.0245)	0.00530 (0.0242)
Political constraints	−0.197 (0.394)	−0.178 (0.394)
TIME		
North-south BITs (Logged)	0.0491** (0.0168)	0.496** (0.162)
Polity II	0.0127*** (0.00268)	0.0239*** (0.00605)
North-south BITs*polity	−0.00516* (0.00229)	−0.0378* (0.0187)

Table 4 (continued)

	(1) Model 1: Time	(2) Model 2: Log(Time)
PTAs signed (Logged)	0.0148 (0.0147)	0.223* (0.0952)
Observations	2183	2183

Estimates derived using Cox Hazards regressions

Standard errors in parentheses

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

interaction—using *time* shows that my independent variables violate the proportional hazards assumption. When using *log(time)* instead, there is weaker evidence that my independent variables violate the proportional hazards assumption. To guard against both types of misspecifications, I run models that interact either *time* or *log(time)* with my main independent variables. Table 4 reports the results of this robustness check. Models 1 and 2 in Table 4 demonstrate that my results remain robust to relaxing the proportional hazards assumption. Evidence from relaxing this assumption indicates that BITs still enhance leader survival but that this effect diminishes over time.

5.8.2 Matching methods

It may be the case that the leaders who sign BITs are significantly different from leaders who do not on observable and unobservable characteristics. Particularly, it may be the case that leaders who expect to stay in office for a longer period of time tend to sign more BITs. This would indicate that the selection effect yields a bias that is in favor of my hypothesis. To mitigate this problem, I follow a similar method used by Simmons and Hopkins (2005) and match “signers” and “non-signers” on observable characteristics. In order to alleviate problems of covariate balance that may be resultant of endogenous selection of leaders into BITs, I use a Genetic Matching Algorithm to match leaders who signed at least one North-South BIT (treatment group) with leaders who have not signed any (control group) on several pre-treatment covariates (Diamond and Sekhon 2013). These covariates include Polity II scores, GDP growth, population, the level of real GDP, and the number of BITs inherited from a leader’s predecessors.¹⁹ Specifically, the matching procedure uses a genetic

¹⁹I leave out covariates that are likely to exhibit post-treatment bias such as PTA signing, FDI, fuel exports, and transparency. The inclusion of other pre-treatment covariates such as IMF program membership, the number of World Bank programs, and political constraints does not affect the results of the matched estimates. They do, however, yield lower R^2 values hence why I leave them out of the main matched results.

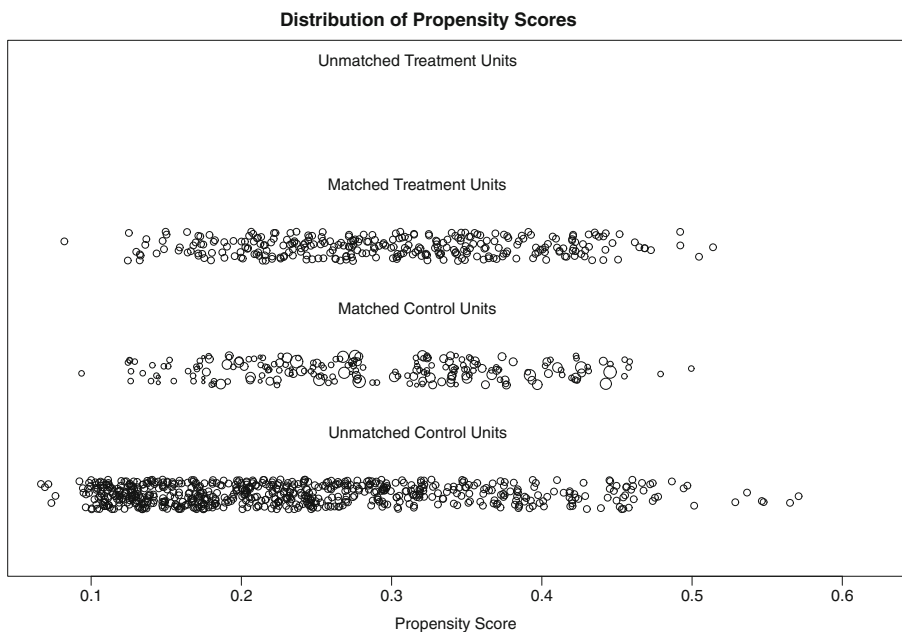


Fig. 2 Distribution of propensity scores

search algorithm to iteratively maximize pre-treatment covariate balance. The use of a Genetic Matching Algorithm eliminates the need to manually search for the best specification of the propensity score, which guards against the potential for misspecification bias (Diamond and Sekhon 2013).

5.9 Robustness checks

Balance checks from the Genetic Matching procedure indicate that this pre-processing step improved covariate balance. Particularly, Figs. 2 and 3 show that matched and treated leaders exhibit a similar distribution of propensities to receive treatment (North-South BIT signing). Moreover, Figs. 4 and 5 provide evidence that the procedure improved balance on each of the pre-treatment covariates. Given these results, I proceed to re-estimate my models by re-weighting each leader by his or her propensity to receive treatment.²⁰

When accounting for the (observable) selection of leaders into BITs, I still find robust evidence for my hypothesis. Figure 6 shows that the interaction effect is still present.²¹ BITs provide political benefits for leaders, but this effect is diminishing

²⁰My results remain robust to using the Entropy Balancing procedure described by Hainmueller (2012) and balancing on the 1st and 2nd moments.

²¹Note: Estimates derived from Model 5 in Table 3 re-weighted by each leader's propensity score.

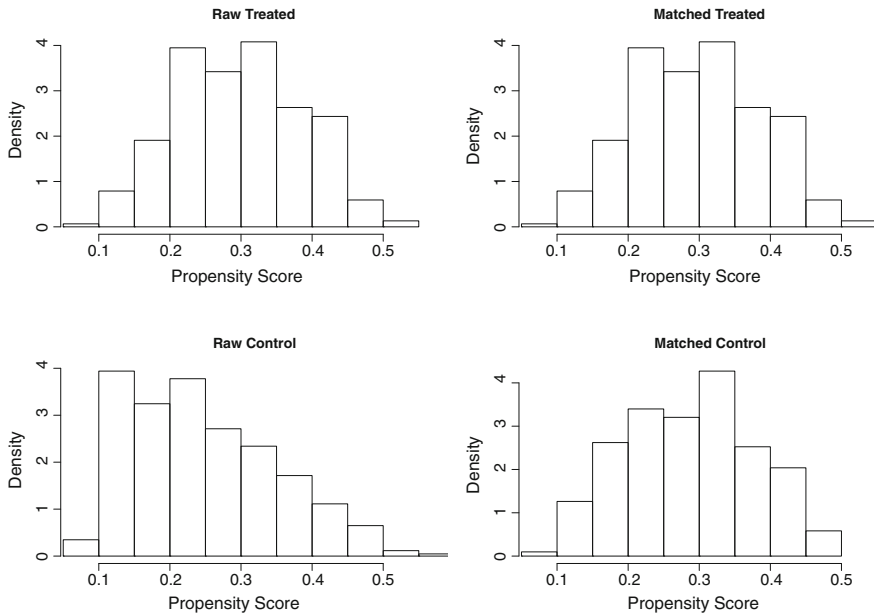


Fig. 3 Histogram

in a leader's level of democracy. Even when accounting for selection into BITs on observables, there is still evidence in support of my theory.

5.9.1 Endogeneity concerns

While matching techniques provide evidence that my results are not being driven by selection on observable variables, there is always the question of endogeneity. While a first-best approach would be to find a suitable instrument to wash out the potentially endogenous portion of BIT ratification, there are, unfortunately, no apparent instruments that plausibly satisfy the exclusion restriction. Rosendorff and Shin (2012) suggest using UNESCO non-economic convention signing as an instrument for BIT signing because UNESCO convention signing is a proxy for a state's propensity to sign BITs. This, as previously discussed, does not reasonably satisfy the exclusion restriction. If UNESCO convention signing is a proxy for a state's propensity to sign international treaties, then it is also the case that the treatment (UNESCO conventions) can also affect whether states sign other treaties that can have consequences for leader survival such as human rights treaties and PTAs. Moreover, it is not readily apparent that there are other instruments that hold given the exclusion restriction. When faced with a paucity of satisfying instruments, it is appropriate to turn to theory to make this identification problem at least partially tractable.

I argue that the fact that leader signed BITs in three distinct waves provides some insight into the time period where BIT signing might be seen as most exogenous to leader survival (Jandhyala et al. 2011). While countries were slow to adopt these

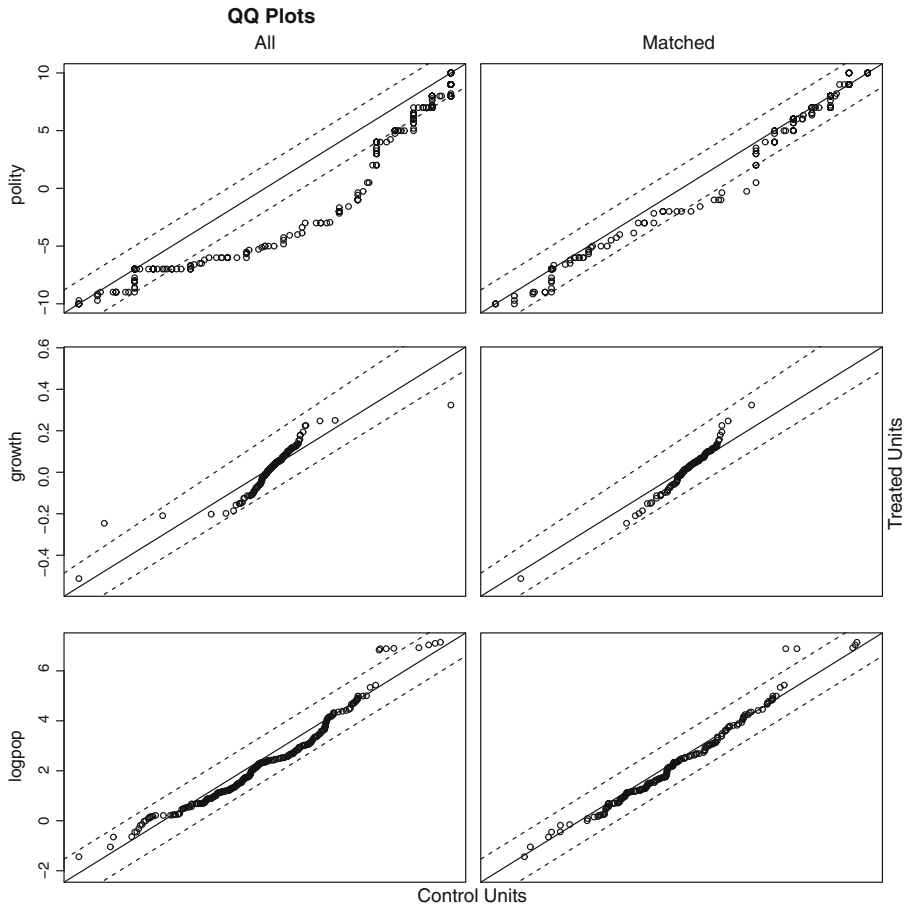


Fig. 4 QQ plot

treaties during the 1960s through the 1970s, Jandhyala et al. (2011) provide evidence that countries rushed to sign these treaties as it became a global norm in the late 1980s and the 1990s. As such, the development of this normative rush to sign BITs can be seen as a partially exogenous shock. Particularly, the precise time at which it became fashionable to sign these treaties can be seen as unrelated to amount of time that leaders were in office during the development of this norm. This gives us empirical leverage over the endogeneity problem because the timing of the treatment—a substantial amount of the BITs signed thus far—can be seen as-if it were random. Because the global norm that resulted in the rush for developing countries to sign BITs is seemingly exogenous to the amount of time that leaders spent in offices at the time, I argue that there is cause to believe that my results are not being driven by an endogenous relationship between time in office and BIT signing. To assess the validity of this argument, I re-estimate a fully specified model on a sample limited to

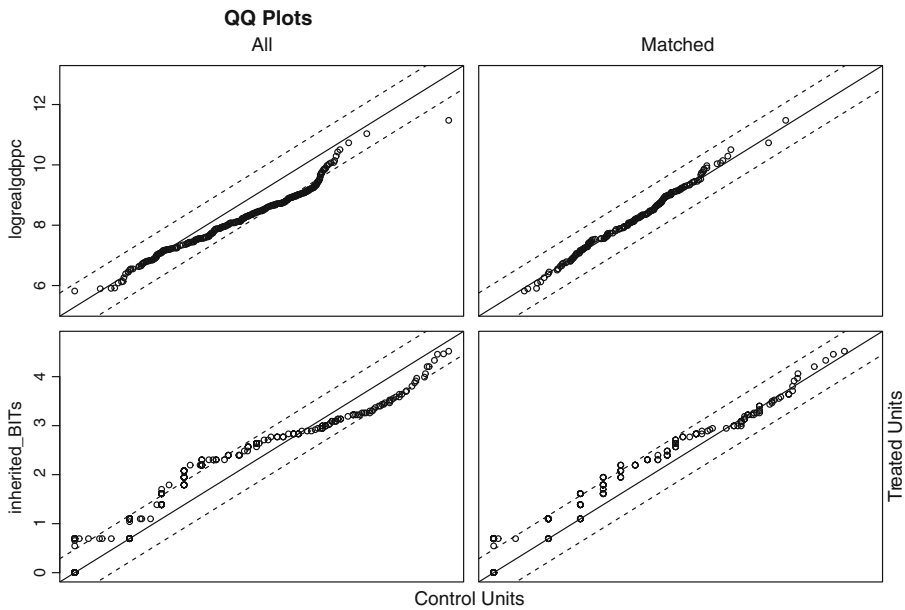


Fig. 5 QQ plot

1980-1999 where Jandhyala et al. (2011) argue BIT signing might be the most exogenous to leader survival. The results, provided in Model 3 of Table 7, remain robust to limiting the sample to this time frame. As a result, I argue that there is reason to believe that my results are not completely driven by an endogenous relationship between a leader's survival in office and BIT signing.

5.9.2 Additional robustness checks

In this section, I present the results of a number of other robustness checks. Importantly, my results hold even when accounting for these additional explanations. First, Table 5 shows that my results remain intact even when controlling for South-South BITs in all of my models. Second, Model 1 of Table 6 provides evidence that my results hold when stratifying my estimates by country instead of estimating a shared-frailty parameter by country. Third, it may be the case that leader's in highly durable polities tend to sign more BITs and that my results are simply driven by the fact that leaders in highly durable regimes can expect to stay in office longer than their counterparts in less durable regimes. Models 2-4 of Table 6 re-estimate my fully specified model trimming the upper 5th, 10th, and 25th percentiles of highly durable regimes from the sample. My results still hold even when dropping highly durable regimes. Fourth, I vary the definition of Global North to be countries that are classified as High Income (Model 1 of Table 7) and Upper-Middle Income (Model 2 of Table 7) by the World Bank instead of using OECD membership. Models 1 and 2 of Table 7 show that my results hold when varying the definition of Global North and Global South. Finally, I also check that my results hold with using Bueno de Mesquita et al. (2004)'s

Table 5 Robustness Checks

	(1) Model 1: Baseline	(2) Model 2: Free resources	(3) Model 3: Political risk	(4) Model 4: IFI involvement	(5) Model 5: Ratification
North-south BITs (Logged)	-0.417*** (0.0923)	-0.578*** (0.116)	-0.508*** (0.127)	-0.524*** (0.142)	-0.526*** (0.143)
Polity II	0.0434*** (0.00955)	0.0350* (0.0140)	0.0354* (0.0150)	0.0396* (0.0162)	0.0416* (0.0175)
North-south BITs*polity	0.0504*** (0.0116)	0.0650*** (0.0159)	0.0565** (0.0176)	0.0538** (0.0185)	0.0542*** (0.0186)
South-south BITs (Logged)	0.0984 (0.0933)	0.0959 (0.108)	0.0123 (0.133)	-0.0598 (0.144)	-0.0582 (0.144)
South-south BITs*polity	-0.000392 (0.0105)	-0.00498 (0.0128)	0.00327 (0.0147)	0.00254 (0.0151)	0.00201 (0.0150)
PTAs Signed (Logged)	-0.202*** (0.0564)	-0.191** (0.0712)	-0.216** (0.0714)	-0.228** (0.0831)	-0.227** (0.0832)
Num. BITs inherited	0.00580 (0.0460)	-0.00910 (0.0530)	0.0269 (0.0655)	0.0813 (0.0766)	0.0814 (0.0763)
GDP per capita (2005 PPP, Logged)	0.0119 (0.0458)	-0.0923 (0.0764)	-0.0896 (0.0773)	-0.0893 (0.0756)	-0.0867 (0.0740)
Population (Logged)	0.0882** (0.0330)	0.0568 (0.0433)	0.0438 (0.0440)	0.0480 (0.0637)	0.0505 (0.0654)
GDP Growth Rate	-2.336*** (0.567)	-2.119** (0.650)	-1.779** (0.661)	-1.499* (0.717)	-1.485* (0.719)
FDI (% of GDP)		-0.00792 (0.0175)	-0.00773 (0.0201)	-0.000151 (0.0212)	-0.000253 (0.0213)

Table 5 (continued)

	(1) Model 1: Baseline	(2) Model 2: Free resources	(3) Model 3: Political risk	(4) Model 4: IFI involvement	(5) Model 5: Ratification
Fuel exports (% of Merchandise Exports)		−0.00225 (0.00260)	−0.00161 (0.00288)	−0.00172 (0.00267)	−0.00180 (0.00273)
Aid (% of GDP)		−5.416*** (1.480)	−5.377*** (1.505)	−5.932*** (1.613)	−5.924*** (1.618)
HRV transparency index			0.151 (0.538)	0.286 (0.554)	0.291 (0.555)
Under IMF program				−0.0381 (0.133)	−0.0354 (0.130)
Num. world bank programs				0.00389 (0.0252)	0.00342 (0.0254)
Political constraints					−0.0932 (0.517)
Observations	4869	2760	2440	2184	2183

Estimates derived using Cox Hazards regressions

Standard errors in parentheses

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

Table 6 Robustness checks

	(1) Model 1: Stratified	(2) Model 2: Trim 95th percentile	(3) Model 3: Trim 90th percentile	(4) Model 4: Trim 75th Percentile
North-south BITs (Logged)	-0.992** (0.332)	-0.554*** (0.126)	-0.583*** (0.143)	-0.645*** (0.173)
Polity II	0.0172 (0.0211)	0.0431* (0.0177)	0.0416* (0.0178)	0.0419* (0.0177)
North-south BITs*polity	0.0955* (0.0407)	0.0576** (0.0177)	0.0632** (0.0196)	0.0671** (0.0238)
PTAs signed (Logged)	-0.211 (0.144)	-0.203* (0.0857)	-0.188* (0.0843)	-0.197* (0.0892)
Num. BITs inherited	-0.0784 (0.123)	0.0793 (0.0712)	0.0725 (0.0741)	0.0871 (0.0726)
GDP per capita (2005 PPP, Logged)	-0.0630 (0.342)	-0.107 (0.0803)	-0.127 (0.0887)	-0.132 (0.103)
Population (Logged)	-0.0633 (0.547)	0.0719 (0.0690)	0.0488 (0.0745)	0.0225 (0.0783)
GDP growth rate	-1.628 (1.162)	-1.277 (0.706)	-1.332 (0.699)	-1.790* (0.736)
FDI (% of GDP)	0.00208 (0.0472)	0.00570 (0.0212)	0.00235 (0.0242)	0.0137 (0.0188)
Fuel exports (% of Merchandise Exports)	-0.000153 (0.00932)	-0.00219 (0.00276)	-0.00139 (0.00292)	-0.000987 (0.00349)
Aid (% of GDP)	-4.655 (3.713)	-5.978*** (1.697)	-6.242*** (1.765)	-6.121*** (1.812)

Table 6 (continued)

	(1) Model 1: Stratified	(2) Model 2: Trim 95th percentile	(3) Model 3: Trim 90th percentile	(4) Model 4: Trim 75th Percentile
Under IMF program	-0.120 (0.167)	-0.0555 (0.133)	-0.0279 (0.140)	-0.119 (0.146)
Num. world bank programs	-0.0368 (0.0409)	-0.00296 (0.0272)	-0.000380 (0.0283)	0.0153 (0.0328)
HRV transparency index	2.278 (1.432)	0.268 (0.579)	0.155 (0.574)	0.446 (0.650)
Political constraints	-0.545 (0.555)	-0.222 (0.503)	-0.153 (0.520)	-0.446 (0.534)
Observations	2183	2068	1951	1627

Estimates derived using Cox Hazards regressions

Standard errors in parentheses

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

Table 7 Robustness checks

	(1)	(2)	(3)	(4)
	Model 1: Trim high income	Model 2: Trim upper middle income	Model 3: 1980-1990s	Model 4: Winning coalition
North-south BITs (Logged)	-0.548*** (0.119)	-0.362** (0.125)	-0.576*** (0.174)	-0.606*** (0.145)
Polity II	0.0467** (0.0181)	0.0396* (0.0180)	0.0738* (0.0307)	
North-south BITs*polity	0.0448** (0.0167)	0.0734*** (0.0190)	0.0450* (0.0214)	
PTAs signed (Logged)	-0.255** (0.0795)	-0.302** (0.108)	-0.126 (0.120)	-0.212* (0.0825)
Num. BITs inherited	0.0819 (0.0659)	-0.249** (0.0895)	0.134 (0.113)	0.0528 (0.0658)
GDP per capita (2005 PPP, Logged)	-0.0471 (0.0971)	0.0823 (0.140)	-0.140 (0.102)	-0.0838 (0.0737)
Population (Logged)	0.0491 (0.0705)	0.168 (0.0882)	0.118 (0.0785)	0.0326 (0.0667)
GDP growth rate	-1.297 (0.703)	-1.569* (0.800)	-1.235 (1.015)	-1.723* (0.686)
FDI (% of GDP)	-0.0115 (0.0265)	0.0130 (0.0212)	-0.00942 (0.0210)	-0.00342 (0.0192)
Fuel exports (% of Merchandise Exports)	-0.00128 (0.00289)	0.00358 (0.00354)	-0.00196 (0.00286)	-0.00253 (0.00274)
Aid (% of GDP)	-5.833*** (1.720)	-5.238*** (1.544)	-5.462*** (2.119)	-4.507* (1.996)

Table 7 (continued)

	(1) Model 1: Trim high income	(2) Model 2: Trim upper middle income	(3) Model 3: 1980-1990s	(4) Model 4: Winning coalition
HRV transparency index	0.202 (0.672)	1.394* (0.639)	-0.441 (0.600)	0.476 (0.566)
Under IMF program	-0.0727 (0.125)	-0.170 (0.186)	-0.0504 (0.193)	-0.0607 (0.123)
Num. world bank programs	-0.00123 (0.0264)	-0.0503 (0.0306)	-0.0133 (0.0289)	-0.000170 (0.0235)
Political constraints	-0.207 (0.498)	-0.771 (0.518)	-0.512 (0.772)	0.746 (0.529)
Winning coalition size (W)				0.0296 (0.349)
North-south BITs*W				1.064** (0.336)
Observations	2012	1174	1251	2235

Estimates derived using Cox Hazards regressions

Standard errors in parentheses

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

operationalization of the size of the Winning Coalition (W) instead of using Polity scores since my theory draws upon their Selectorate Theory of politics. Model 4 of Table 7 shows that my results are qualitatively similar when using their measure of W instead of Polity scores. Thus, I provide evidence that my results are driven neither by the removal of South-South BITs (despite the potential for introducing collinearity into my estimates) nor by the peculiarities of data and variable construction.

5.10 Investigating the causal mechanism

Thus far, my results present a robust correlation between BIT signing and autocratic survival. Though my analysis does rule out several alternative explanations such as PTA signing, free resources, performance legitimacy, IFI involvement, and ratification dynamics, it does not necessarily indicate direct support for the hypothesized causal mechanism. In this section, I directly test an implication of the hypothesized causal mechanism—that the interaction of BITs and regime type should be associated with a null effect on economic reform in autocracies. To proxy for economic reform, I use both the Hollyer et al. (2014) Transparency Index as well the Executive Constraints component of the Polity II Index. While these variables do not perfectly capture the exact quality of a country's property rights environment, they do measure certain aspects of property rights such as information quality and executive discretion.

Estimated Hazard Rates for North–South BITs in Force

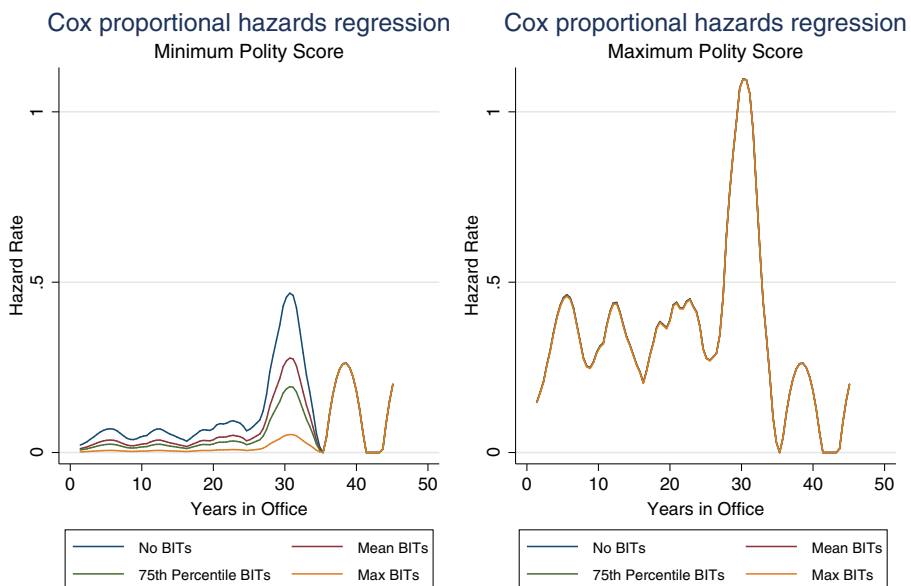


Fig. 6 Survival estimates using genetic matching algorithm

Table 8 Effect of north-south BITs and regime type on economic reform

	(1) Model 1: HRV index	(2) Model 2: HRV Index	(3) Model 3: Executive constraints	(4) Model 4: Executive constraints
North-south BITs (Logged)	0.0619*** (0.0130)	0.0163 (0.0115)	1.565 (0.919)	1.525 (1.062)
Polity II	0.0127*** (0.00214)	0.00281 (0.00163)		
North-south BITs*polity	0.000352 (0.00177)	0.0000307 (0.00134)		
GDP (2005 PPP, Logged)		−0.197* (0.0967)		9.436 (5.927)
GDP per capita (2005 PPP, Logged)		0.197* (0.0965)		−5.232 (4.814)
CGV democracy			7.035*** (1.976)	7.322*** (1.797)
North-south BIT BITs*CGV			−1.571 (1.198)	−0.734 (1.227)
Country FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Constant	0.773*** (0.00819)	1.291*** (0.290)	−2.669*** (0.785)	−58.49* (26.09)
Observations	3878	3824	4106	4044

Models estimated using OLS with country and year fixed effects

Standard errors in parentheses

***p<0.05

***p<0.01

***p<0.001

To test for this “null” effect, I reshape the data so that the observations are at the country-year rather than the leader-year level since both the Hollyer et al. (2014) Transparency Index as well the Executive Constraints component of the Polity II Index are measured at the country-year level. Specifically, I use OLS with country and year fixed effects to estimate the effect of the interaction between North-South BITs and regime type on economic reform. Additionally, I use either no control variables or a sparse set of economic controls to guard against the possibility of finding a “null effect” as a result of the additional variance that a full set of controls would introduce into my estimates. One issue with using the Executive Constraints component as the dependent variable is that the interaction of BITs and Polity II—previously used as the main independent variable—would be biased since the Polity II index is

constructed using the Executive Constraints component. To eliminate this problem, I use the interaction of BITs with Cheibub et al. (2010)'s dichotomous democracy index (CGV index) instead for Models 3 and 4 of Table 8.

Are BITs associated with improvements in the property rights environment of autocracies? Models 1 and 2 of Table 8 provide evidence that the interaction of BITs and regime type is not associated with any additional improvements in economic transparency. Moreover, Models 3 and 4 of Table 8 indicate that the interaction of BITs and regime type (as proxied by the CGV index) is not associated with a reduction in executive constraints. Thus, these results are in line with the expectation that BITs should not be associated with improvements in the property rights environment of developing autocracies—one implication of my theory.

6 Conclusion

What are the political consequences of Bilateral Investment Treaties? In this paper, I provide a theory of how BITs affect a leader's prospects of surviving in office. Specifically, I argue that these treaties shape the incentives for MNCs and governments to create and maintain a strong business environment (Tobin 2007). Using survival analysis, I provide robust evidence that these treaties have a conditional effect on the likelihood that a leader survives in office. By using matching methods to mitigate problems of endogenous selection into treaties, I provide evidence that my results are not a product of selection on observables. For leaders who rely on satisfying a small business elite to maintain office, a reduction in the level of property rights benefits business elites thus increasing the probability that an autocrat stays in office. For leaders who rely on a relatively large set of citizens to stay in office, such a reduction in the business environment harms SMEs. This suggests that the domestic political benefits of BITs should decrease as a leader's institutions become more democratic.

My findings provide evidence as to how these international institutions can have unintended consequences. Ostensibly, BITs are strictly related to FDI. Yet, it is important to note that BITs are primarily a set of property rights that governments rely on when they lack such institutions at home. When the benefits of these institutions are only available to actors that reside outside of that country's borders, this shifts the incentives that both MNCs and governments face. As a result, these treaties may end up empowering autocrats.

While scholars have pointed to several potential mechanisms that explain why autocrats sign more BITs including political risk (Rosendorff and Shin 2012) or through multilateral negotiations (Lupu and Poast 2013), my results point to an alternative mechanism that may explain this empirical regularity. Further research into the precise mechanisms at work could prove a fruitful avenue for future research.

This study also has implications for those interested in poverty and economic development. Strong property rights institutions have long been considered the centerpiece of economic growth and development (North and Weingast 1989; Acemoglu et al. 2001; De Soto 2003; Acemoglu and Simon 2005). BITs, ironically, undermine

this by reducing the incentive for MNCs to push for a more inclusive system of domestic institutions. By empowering autocrats, BITs may also perpetuate bad economic policies that may harm long-term economic growth as well as government spending in areas such as health and education that are essential to reducing poverty (Dreze and Sen 1989; Lake and Baum 2001; Bueno de Mesquita et al. 2004). While BITs may potentially bring in more FDI, which may help the poor in developing countries, they also have unintended consequences for the broader domestic political economy by empowering autocrats.

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