Costly Benefits: Regime Time Horizon and Investment Treaty Formation in Autocratic Regimes

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Abstract

This paper investigates the domestic political factors shaping the participation of autocratic regimes in Bilateral Investment Treaties (BITs). While some research suggests BITs benefit developing countries with weak political accountability by serving as external commitment devices for property rights protection, it is puzzling why some autocracies sign more BITs than others. We argue the time horizon under autocratic rule positively affects governments' motive to sign BITs by shaping the costs of commitment and delegation. Autocratic regimes with long time horizons are able to bear the immediate costs of BITs in constraining domestic policy autonomy and exposing to the risk of investor-state dispute settlement (ISDS). Furthermore, regimes with prospects of holding power into the future implement stronger domestic property right protection and, thus, have lower compliance cost with BITs. Evidences from a country-dyad data of BIT signing from 1975 to 2009 as well as all ISDS cases registered at international arbitral institutions support our hypotheses.

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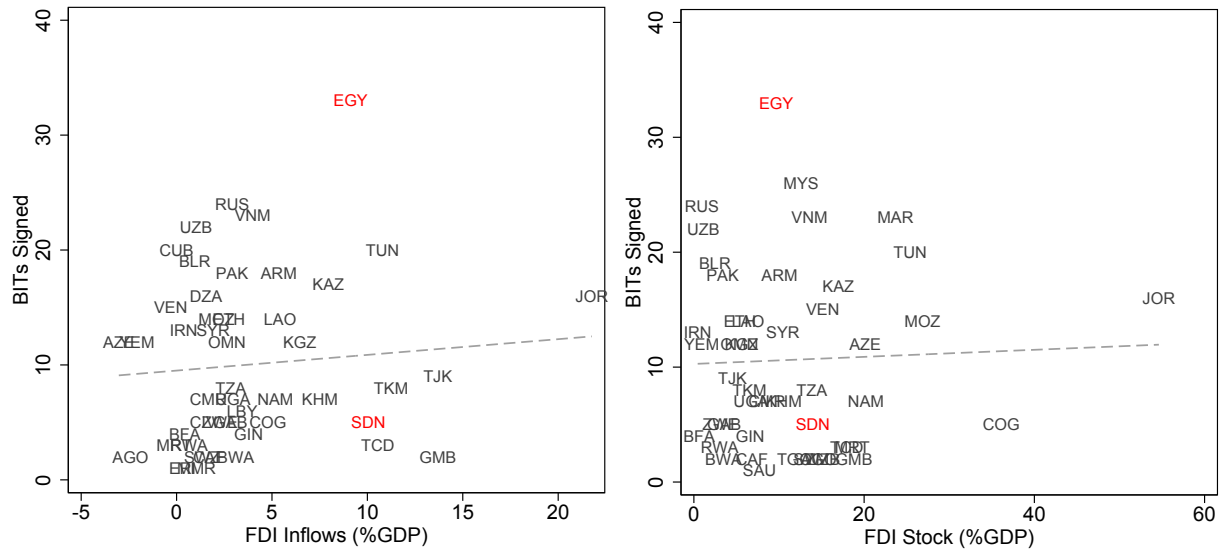
1 Introduction

Foreign direct investment (FDI) flows to developing countries have emerged as a salient aspect of global economy integration in the past few decades. Viewing FDI as an important engine for industrial development and economic growth (Markusen and Venables, 1999), many countries in the global south enthusiastically set up policies and incentives to promote inflows of direct investment. However, a core issue that has plagued FDI-seeking countries lies in the difficulty in making credible property rights commitments to foreign investors. The international investment institutions, most importantly bilateral investment treaties (BITs), have been developed largely to supply external remedies for such a time-inconsistency problem in the governance of international investment. With the absence of a multilateral regime for investment protection, BITs have indeed been the most powerful legal instruments for the protection of investor's interest (Guzman, 1997; Salacuse and Sullivan, 2005). Notably, the current BITs regime prompts the sovereign signatories to delegate the jurisdiction over investment disputes to international arbitral tribunals. By consolidating the legal foundation for depoliticized resolutions of investment disputes, bilateral investment treaties urge the capital-hosting signatories to take property rights and regulatory commitments more seriously, alleviating the political and policy risks plaguing foreign investors.[1]

Autocratic polities are believed to encounter greater difficulties in making credible commitments to foreign investors due to the absence of effective institutional constraints on the discretionary power of the government (Busse and Hefeker, 2007; Jensen, 2003, 2008). While some believe governments with weak domestic executive constraints potentially benefit more from signing bilateral investment treaties (Rosendorff and Shin, 2015), not all autocracies see BITs as favorable remedies for such commitment difficulty. Even after accounting for their divergent investment positions, some of the autocratic governments display stronger enthusiasm for BITs than their peers. Using data from 2008, Figure 1 plots the number of signed BITs against FDI inflows (Figure 1a) and stock (Figure 1b) among 93 autocratic regimes as per defined in Geddes, Wright and Frantz (2014). While the involvement in BITs is shown to be weakly associated with the inflows and stock of FDI in Figure 1, much of the variation among autocratic regimes remains insufficiently understood. A contrast between Egypt and Sudan provides an illustrative example as highlighted in Figure 1a and 1b. These two neighboring African autocracies are in very similar investment positions in terms of FDI inflows and stock but Egypt has signed much more BITs (33) than Sudan

[1] As of 2010, more than 150 countries in the global south have signed at least one bilateral investment treaty (BIT) with developed country partners. According to International Investment Agreements (IIAs) Database of the United Nations Conference on Trade and Development (UNCTAD), the total number of BITs signed between capital exporting and capital hosting countries since 1959 amounts to 1,280.

(5) as of 2008.[2]



(a) (b)

Figure 1: BITs Signed and FDI Inflows and Stock Among Autocracies in 2008. (a) plots the cumulative number of signed BITs against the annual inflows of FDI as percentage of GDP; (b) plots the cumulative number of signed BITs against the stock of FDI as percentage of GDP The dash line in each of the sub-figures provides a linear line fit of the data. For comparison, Egypt (`EGY`) and Sudan (`SDN`) are highlighted in red in both sub-figures.

Bearing this observation in mind, we seek to provide in this paper an explanation for the divergent BITs signing behavior of autocracies which remains inadequately addressed in the literature. We posit that the time horizon of autocratic regimes, which reveals the political stability under the autocratic rule, has a significant impact on the government's decision to join bilateral investment treaties, mostly importantly through shaping the sovereignty cost of delegating the jurisdiction over investment disputes. Although BITs arguably bring economic and political gains to capital-hosting signatories (Arias, Hollyer and Rosendorff, 2014; Kerner, 2009; Allee and Peinhardt, 2011), the sovereignty cost incurred stands out as a critical factor for understanding the formation and design of BITs (Poulsen and Aisbett, 2013; Blake, 2013). Once signed, BITs impose constraints most prominently on the discretionary power of the executive branch of the government (Caddel and Jensen, 2014; Williams, N.d.). In the particular context of autocratic regimes where the government politically benefits from the absence of institutionalized constraints on its discretionary power, signing BITs with binding constraints incurs non-negligible political costs on the signato-

[2]The annual FDI inflows as percentage of GDP is 9.12% for Egypt and 10.05% for Sudan. The total FDI stock as percentage of GDP is 9.67% for Egypt and 13.97% for Sudan.

ries.

The political stability of the autocratic rule, as we argue, critically affects the government's capability of effectively managing such a political cost incurred by BITs. With the delegation of jurisdiction mandated in most investment treaties, the sovereignty cost of signing BITs is most visibly incurred when the government failed to comply with provisions in BITs, triggering dispute settlement procedures that are financially and reputationally costly. In autocratic regimes with a rickety political rule, the government tends to prioritize the ability to willfully wield the discretionary power (particularly in economic and regulatory policy-making) as a tactic to co-opt or appease the disgruntled domestic oppositions. The government will consequently find full compliance with BIT commitments difficult under such political circumstances. In contrast, in regimes with relatively stable autocratic rule, the government is better positioned to comply with BIT provisions in a political environment conducive to regulatory stability and the ability to maintain effective property rights institutions domestically.

The core prediction of our argument is that autocratic regimes with long time horizons are more likely to sign BITs, and run much lower risks of triggering BIT related investment dispute arbitration cases. The empirical evidence collected to substantiate our claims comes in two parts. First, in a survival analysis of a dyad-year dataset of BITs signature from 1958 to 2008, we find autocratic regimes with long time horizons are more likely to sign BITs with capital exporting countries, controlling for a number of economic, political, and geographical factors. Second, in support for the theoretical claim leading to the main hypothesis on BIT signing behavior, we explore empirically if the risk of investor-state dispute settlement (ISDS) is negatively associated by the time horizon of autocratic regimes. With a dataset of publicly known ISDS cases at the country-year level from 1987 to 2008, we find that autocratic BIT signatories with long time horizons are much less likely to be brought before international investment tribunals as the defendant even after controlling for domestic rule of law and property rights institutions.

The remainder of the paper is organized as follows. The next section briefly reviews relevant literature and highlighted our contribution. The third and fourth section elaborate our theoretical argument centered on autocratic regime time horizon and derive key hypotheses. We then move on to discuss the design of empirical analysis followed by a presentation and discussion of results. The final section concludes the paper with a treatment of broader implications.

2 A Review of Relevant Literature

Political scientists, economists, and scholars of international law have long debated the formation and function of bilateral investment treaties (BITs). The propositions from the existing research, however, remain largely divided. Some scholars believe BITs have been used by capital-hosting countries as hand-tying devices to make more credible commitments to investors (Ginsburg, 2005; Blake, 2013; Kerner, 2009; Kerner and Lawrence, 2014). Others believe BITs are unable to effectively alter the behavior of capital-hosting governments, but could nevertheless alleviate the information asymmetry between investors and the host government by functioning as signaling devices (Neumayer and Spess, 2005; Kerner, 2009; Haftel, 2010). Some even believe the formation of BITs is endogenous and has only a secondary impact on the behavior of relevant actors (Hallward-Driemeier, 2003; Rose-Ackerman and Tobin, 2005; Aisbett, 2007). A conceptual crux underlying this debate resides in the self-selection process behind the formation of these treaties: What are the factors driving the decision of capital-hosting countries to sign BITs in the first place? Scholars have become more attentive to examining the costs that shape the host government's decision to join BITs (Elkins, Guzman and Simmons, 2006; Bergstrand and Egger, 2013; Arias, Hollyer and Rosendorff, 2014; Betz and Kerner, 2015). In particular, recent studies suggest the sovereignty costs of BITs loom large in understanding the decision of the host government to sign BITs. Notably, Poulsen and Aisbett (2013) and Poulsen (2014) highlighted the daunting cost of investor-state dispute settlement (ISDS) proceedings as a critical factor in understanding the initiative of the capital-hosting government to sign BITs. As Poulsen and Aisbett (2013) suggested, the evolving trend of investment dispute arbitration has made capital-hosting countries increasingly wary of the undesirable aspects of BITs and the ISDS provision. Host governments, as Poulsen and Aisbett found, signed BITs at much slower rates after observing BIT-related ISDS claims.

An important piece of evidence that connects the sovereignty cost of BITs to the time horizon of the signatory government comes from Blake (2013). Conceiving bilateral investment treaties as hand-tying devices that enable the host government to make credible commitments to investors, Blake (2013) suggested that BIT signatory governments are very mindful of the political costs incurred by the loss of domestic policy autonomy. When negotiating investment treaties, the host government carefully manages the sovereignty costs of BITs through carving out sectors with political significance from being applied national treatment standard to. Similar to our argument, Blake (2013) emphasized the importance of government time horizons in shaping the sovereignty costs of signing BITs. As the government's expectation of staying in power into the future prolongs, it becomes politically costly to tie its hands with BITs whose constraining effect looms larger in the

long term. Ruling governments with long time horizons, as Blake argued, would seek to scale back the national treatment obligations when negotiating the contents of BITs.

We seek to bring several important extensions to Blake's argument. First, the sovereignty cost of BITs is most essentially materialized by the investor-state dispute settlement (ISDS) mechanism (Allee and Peinhardt, 2011; Poulsen and Aisbett, 2013). While the national treatment provision constitutes a substantive feature of BITs that constrains the policy autonomy of the signatories, the cost of failing to compile with core BITs obligations is most essentially inflicted by the triggered ISDS claims. Given the salience of dispute settlement mechanism, the ISDS provision in BITs marks arguably the most prominent aspect of the institutional design of the current investment treaty regime (Allee and Peinhardt, 2010, 2014) and shall be placed at a more central place in understanding the cost aspect of signing BITs. The theory and evidence we put forth seek to connect the functioning of the ISDS mechanism more closely and concretely with the sovereignty cost of delegation in BITs that shaped states' signing decisions.

Secondly, departing from the assumption underlying the argument in Blake (2013) and Poulsen and Aisbett (2013), we contend that the sovereignty cost of BITs embodied in the ISDS mechanism has to be evaluated in specific domestic political and institutional context of the host country. The shadow of the perceived cost of signing BITs is critically filtered through the particular political institution of the host state, which then shapes the incentive of the government to participate in these investment agreements. The policy constraints imposed by BITs on the hosting signatory gain divergent significance as the strength of domestic institutions capable of constraining the government varies. Giving in policy autonomy by signing on to BITs obtains greater political salience in scenarios where the domestic institutional constraints on the government is weak. In autocratic regimes where weak political constraints are strategically maintained to stablize the authoritarian rule, the government contemplating signing BITs perceives the political cost very differently from their democratic counterparts.

With these two considerations, we seek to reconstruct the impact of government time horizon on the formation of BITs in the political context of autocracies. In the argument in Blake (2013), the logic connecting time horizon with the sovereignty costs of BITs hinges on the government's belief of the probability that the commitments made in BITs backfiring at the signatory in the future. We believe this conception has some distinct reflections in the autocratic political context that has been largely ignored. The time horizon of an autocratic government indicates not only the time it expects to govern (i.e., the discount factor) but more essentially the political stability of the

authoritarian rule which critically shapes the capacity of the regime to comply with the provisions in BITs. As we explicate later in our main argument, autocratic regimes with shorter time horizons are less capable of following through the commitments made in BITs due to the domestic political circumstance, resulting in higher risks of triggering costly investor-state dispute settlement (ISDS) lawsuits. In contrast, the exact same mechanism associating government time horizon with the capacity to comply may not be present in democratic regimes.[3] The unconstrained capability to strategically maneuver discretionary policies is crucial to the survival of autocratic rules, and the imposition of external constraints on such a capability brings salient political implications as suggested by Hankla and Kuthy (2013); Steinberg and Malhotra (2014). To better characterize the cost aspect of BITs and how it shapes the incentive of governments in signing them, we ought to be more attentive to the distinct dynamics of autocratic political economy. These considerations thus motivate the focus of this paper on BITs signing behavior among autocracies.

3 Why Are BITs Costly For Autocracies?

Over time, BITs have incorporated various clauses to formalize the host state's commitment to the protection of investors' rights. The provisions and commitments formalized in BITs greatly constrain the policy autonomy of the host government and impose unpredictable legal risk on capital-hosting signatories. The recent development in investor-state relationship has highlighted five common clauses in investment treaties as key sources of the constraining power of BITs: fair and equitable treatment (FET), protection against (direct and indirect) expropriation, national treatment, umbrella clause, and mostly importantly, investor-state dispute settlement (ISDS).

As one of the most frequently invoked investment treaty clauses in investor-state disputes, fair and equitable treatment (FET) standard intends to protect investors "against serious instances of arbitrary, discriminatory or abusive conduct by host states" (UNCTAD, 2012). Despite being one of cornerstones of international investment agreements, FET standard and its legal entailments in BITs have been vaguely defined. The absence of a clear definition of "fairness" and "equity" makes it possible for investors to challenge many domestic policies of host states on the basis of bold and expansive interpretations of FET.[4] Relatedly, clauses formalizing protections against indi-

[3] From our perspective, the mechanism associating time horizon with BITs design elaborated in Blake (2013)'s argument gains more relevance in the context of democratic institutions.

[4] The key in the competing readings of FET standard lies in whether the minimal standard of fairness and equity should be one with a defined scope under customary international law or one with free-standing and autonomous requirement without referring to international law. Nevertheless, recently signed bilateral investment treaties are starting

rect expropriations also underlie the constraining power of BITs. In indirect expropriations, foreign investor's investment benefits are allegedly "deprived" indirectly by regulatory policy changes in the host state. With such a provision, investors have been able to challenge a wide array of policies that arguably harmed their interests. Between 1980 and 2010, the vast majority of investor-state disputes invoking the expropriation provision claims against *indirect* as opposed to *direct* expropriations.[5]

National treatment clause is another widely observed provision in BITs that restricts host government policies. National treatment standard requires the host government to not discriminate against foreign investors in the making and implementation of regulatory policies. This clause, while fostering a level playing field for domestic and foreign investors, greatly curtails the ability of the government to strategically protect domestic industries and sectors with political significance (Blake, 2013). Umbrella clause incorporated in BITs effectively escalates contractual breaches by the host government to treaty violations.[6] When the host government causes breaches of provisions in investment contracts but not provisions in investment treaties, the investor may still be able to use the umbrella clause in BITs as a "catch all" provision to pursue ISDS claims against the host government.[7]

Lastly, the investor-state dispute settlement (ISDS) clause facilitates the monitoring of the host government's compliance with BITs and consolidates the enforceability of investment agreements. Allowing foreign investors to bring disputed cases to international tribunals, ISDS provisions in BITs constitute a substantial delegation of the jurisdictional power of the capital-hosting signatories.[8] According to Allee and Peinhardt (2014), over two-fifth of bilateral investment treaties signed by 2006 require the signatories to deposit pre-consent that allows investment dispute cases

to explicitly clarify the entailment of FET in their provisions. For more discussion see Marshall (2007) and Vandevelde (2010).

[5]The core difference between direct and indirect expropriation lies in whether an outright seizure or mandatory transfer of property is present. For a discussion of the controversy of the legal practice of indirect expropriation clause, see Fortier and Drymer (2004).

[6]The umbrella clause in BITs "brings obligations or commitments that the host state entered into in connection with a foreign investment under the protective umbrella of the BIT" (OECD, 2012).

[7]About 40% of BITs include such umbrella clause (Gill, Gearing and Birt, 2004). Recent ISDS cases where the investors successfully challenged host states with the umbrella cause includes Vivendi v. Argentina (2005) and Chevron v. Ecuador (2009). For a more thorough treatment of the salience of umbrella clause, see Yannaca-Small (2006).

[8]While the extent of such a delegation varies by investment treaties, 90% of BITs signed by 2006 stipulate an institutionalized procedure for dispute settlement and allow for international arbitration at at least one investment tribunal (Allee and Peinhardt, 2014). The two sets of dispute arbitration rules most frequently resorted to are that of the International Center for Settlement of Investment Disputes (ICSID) and the United Nations Commission on International Trade Law (UNCITRAL).

to be unilaterally taken to international tribunals by investors. The aforementioned BIT provisions curtailing the policy autonomy of host states (i.e., FET, expropriation, national treatment, umbrella clause) would not gain as much practical salience if the host government refuses to delegate the jurisdiction over investment disputes to international tribunals. A notable aspect of the ISDS provision in investment treaties resides in that it oftentimes allows foreign investors to bring cases before international tribunals without exhausting domestic and local remedies. Granting private actors depoliticized access to international arbitration, this feature of ISDS draws a striking distinction between the rules for investment disputes arbitration and dispute settlement processes in other areas of global governance (Choi, 2007).[9] As the legality of the jurisdiction of international tribunals over investment dispute cases is firmly grounded in the ISDS provision, signatory governments face tremendous pressure to comply with the legal procedures and rulings stipulated in the ISDS mechanism.[10] Capital-hosting countries are increasingly wary of the legal risk incurred by the delegation entailed in ISDS clauses, particularly after realizing foreign investors could "abuse" their access to ISDS mechanism by aggressively invoking substantive clauses in BITs (Allee and Peinhardt, 2010; Poulsen and Aisbett, 2013).[11]

3.1 The Constraining Effect of BITs on Discretionary Policies in Autocracies

The sovereignty cost incurred by the provisions of BITs gains distinctive political significance in capital-hosting countries ruled by autocratic regimes. Along with the investor-state dispute settlement (ISDS) institutions at the international level, policy constraints imposed by BITs greatly tighten the space for maneuvering discretionary economic policy for domestic political purposes under authoritarian rules. Autocratic governments, under significantly weaker institutional constraints than their democratic counterparts, frequently wield their discretionary executive power to maneuver economic policies for the purpose of strategically distributing resources and rents among prominent political and societal groups. The highly discretionary and yet weakly challenged use of the executive power in economic policy-making stands at the very center of autocratic political

[9] International human rights institutions, European Court of Human Rights (ECHR) and International Criminal Court (ICC) in particular, get very close to ISDS provision in BITs in providing access for private actors. Private actors' access to ECHR and ICC, however, is conditional on the exhaustion of domestic and local remedies.

[10] The enforceability of arbitral ruling is provided by *the Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (also known as the *New York Convention*) that requires all signatories to recognize and enforce foreign and international arbitral awards as their domestic equivalents.

[11] The incorporation of ISDS mechanism in Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) has triggered debates in the United States and countries in the European Union regarding the sovereign cost incurred (Johnson, Sachs and Sachs, 2015).

arena: the stability in the winning coalition (and hence the political rule) hinges on the ability of autocratic governments to manipulate the societal distribution of economic resources whenever needed (Bates, 1986; Acemoglu and Verdier, 2000; Bueno de Mesquita et al., 2005; Acemoglu, Robinson and Verdier, 2004; Robinson, Torvik and Verdier, 2006; Pepinsky, 2009; Steinberg and Malhotra, 2014). Because of the absence of institutionalized constraints in the autocratic system, politically motivated government conducts that are distributive in nature are less likely to be challenged by domestic groups whose interests are unjustifiably compromised by such policy discretion.[12]

The policy constraints imposed by BITs provisions (e.g., FET, protection against expropriation, national treatment, umbrella clause) protect the interest of foreign investors who are subject to potential harms caused by politically motivated economic policy maneuverings. As the contribution of foreign direct investment is making up of an increasingly substantial proportion of economic output worldwide [13], politically motivated economic policy maneuverings under autocratic rules can easily generate negative externalities compromising the interests of investors.[14] The provisions in BITs have been regularly invoked by investors to demand indemnification for losses incurred by distributive policy conducts in autocratic regimes.[15]

Furthermore, ISDS clause in BITs weakens the jurisdiction of the legal authority in autocratic regimes over disputes between foreign investors and hosting government. Allowing investors to resort to ISDS mechanism without exhausting local and domestic remedies for resolving disputes effectively imposes external judicial constraints on the autocratic signatories. In the shadow of costly international arbitration, governments will contemplate before implementing policies that

[12]The other facet of the low chance of the distributive policy discretion being challenged domestically is that autocratic governments would strategically sacrifice the interests of domestic actors that are weak in political bargaining power and collective action capability.

[13]According to UNCTAD (2015), the contribution of foreign direct investors and multinational corportions accounts for 5% of the total GDP in the developing world.

[14]According to Abbott, Erixon and Ferracane (2014), investor-state dispute cases heard by investment tribunals tend to concentrate in sectors where government intervention or political patronage is high. This finding suggests foreign investors are indeed highly vulnerable to the damage caused by politically motivated policy changes.

[15]Recent investment dispute cases triggered by distributive policy maneuverings in autocracies includes Rumeli Telekom v. Kazakhstan (ICSID, 2006) and Belokon v. Kyrgyzstan (UNCITRAL, 2011). In the former case, the Kazakhstan government was allegedly behind the transfer of the ownership of KaR-Tel, the second largest cellphone network operator in the country, to a group of politically salient individuals including the son-in-law of President Nursultan Nazarbayev in 2003. Rumeli and Telesim, two Turkish telecommunication companies with a 60% shareholding of KaR-Tel, were expelled from the board of KaR-Tel and their shares were forcefully bought back at very low price. In the latter case, a Kyrgyzstan bank fully owned by Valeri Belokon, a Latvian banker, was seized by the Kyrgyzstan government following the ouster of President Kurmanbek Bakiyev in 2010 and the ensuing need to redistribute among domestic interest groups in an evolving political landscape in the country. Both cases ended with a ruling by the respective tribunals in favor of the investor.

could adversely impact the interests of foreign investors. As a result, the space for using discretionary policy for domestic political purposes is significantly tightened. Policies intended to redistribute economic resources and output for the purpose of consolidating political power are likely to instigate challenges from outsiders who have access to international arbitration platforms. The mere threat of initiating arbitration cases on the side of investors could substantially affect autocratic host government's decision to implement certain policies when investors regard those actions as violation of BITs commitments.[16] Such a loss of policy autonomy unfavorably increases the costs of implementing discretionary policies intended to protect or favor particularistic domestic interests that are crucial to the stability of autocratic rules.[17]

3.2 Reputation Cost and the Informational Function of Investor-State Dispute Settlement Mechanism

Once being brought before international arbitration body, the direct operational and legal costs incurred to the respondents can be substantial. As of 2012, the average legal and arbitration costs for an ISDS case are around $8 million (OECD, 2012), all of which will be paid by the party ruled against by tribunals. Capital hosting country respondents in the global south usually lack legal expertise in international adjudication, and are thus often at a disadvantage compared to multinational corporations. Once the respondent governments are ruled against by arbitrators, the arbitral award plus legal fees for both sides and accumulated interests could amount to a significant fiscal burden for the defendant.[18]

More importantly, being brought to arbitration institutions as the respondent in ISDS cases incurs considerable reputation cost on capital-hosting signatories. The record of ISDS cases has been shown in the existing studies to reduce future FDI inflows to the respondent state (Allee and Peinhardt, 2011). Underlying the impact of ISDS cases on future investment flows is the distinctive

[16] One way to pose a threat, for instance, is to serve a host state "a notice of arbitration" at the early stage of arbitration process. The notice of arbitration could prompt the host state and the investor to reach a settlement without proceeding to international arbitration process. While such threats are usually unobservable as the underlying backdoor bargaining remains confidential, legal experts believe it is a common strategy for extracting concessions from host states (Gallagher and Shrestha, 2011, p.5).

[17] The cost of allowing the imposition of constraints on policy autonomy could be extremely high for leaders in authoritarian regimes where the consequence of losing office is often deadly (Debs and Goemans, 2010).

[18] The average amount of award in ISDS cases where the state is ruled against reaches $16.6 million as of 2012 (Gaukrodger and Gordon, 2013). Recent ISDS cases saw sizable awards such as in CME v. Czech Republic ($350 million, 2001), French Telecom v. Lebanon ($266 million, 2005), Al-Kharafi v. Libya ($935 million, 2012), and Occidental v. Ecuador ($2.3 billion, 2012). The amount awarded in Occidental v. Ecuador constitutes the largest award in all ISDS cases by 2015.

informational function of investor-state dispute settlement mechanism in BITs. ISDS mechanisms, especially that embodied in the arbitration rules and procedures of the International Center for Settlement of Investment Disputes (ICSID) and the United Nations Commission on International Trade Law (UNCITRAL), constitutes a spontaneous multilateral information regime monitoring the compliance behavior of BITs signatories.[19] In managing the risk associated with international investment, investors are oftentimes plagued by information asymmetry on two domains: whether the host government is creditworthy, and whether the host government has complied with the investor protection provisions it signed on to. The publicity of ISDS proceedings in arbitration institutions allows international investors to simultaneously update their beliefs on the creditworthiness of the host government upon observing compliant or non-compliant behavior in the scope of obligations stipulated in BITs. Investors as well as investment risk consultancies closely follow the development of investment disputes in international tribunals and use such information to manage the risk involved in international business activities and future investment plans. The incident of being brought before ISDS mechanism by investors will significantly increase the risk premiums and shrinks the number of prospective investors daring to invest in the respondent country, leading to a decline in future investment inflows.

The existing empirical evidence suggests FDI flows into BIT signatories are indeed very sensitive to the initiation of ISDS cases. Allee and Peinhardt (2011) found the incident of both registered and lost ISDS cases at the International Center for the Settlement of Investment Disputes (ICSID) has led to sizable declines in FDI flows into the respondent country. According to Allee and Peinhardt's estimation, the presence of a registered ICSID case in previous two years is expected to reduce FDI inflow by 86 million US dollars. The loss of future investment inflows incurred by losing one ICSID case in the past two years is even greater: FDI inflows are estimated to shrink by 791 million US dollars. We expect the significance of ISDS mechanism as a multilateral regime for information transmission to gain even greater salience for capital-hosting signatories ruled by autocratic regimes. The institutional origins and implications of the lack of transparency of the political and policy-making process in non-democratic regimes to external market actors has been widely documented in the literature (Broz, 2002; Stasavage, 2003; Svolik, 2006; Mosley and Singer, 2008; Hollyer, Rosendorff and Vreeland, 2011). ISDS mechanism gains significance very importantly in the context of autocratic politics in that it provides a valuable channel through which external in-

[19]ISDS cases submitted to ICSID and UNCITRAL account for 90% of all known ISDS cases as of 2014 (UNCTAD, 2014). Up-to-date information on the progress and award of most ISDS cases adopting the rules of UNCITRAL and ICSID are publicly available from various online sources such as Investment Policy Hub of UNCTAD (http://investmentpolicyhub.unctad.org/ISDS), ISDS caseload database of ICSID (https://icsid.worldbank.org/apps/icsidweb/resources/pages/icsid-caseload-statistics.aspx), and Italaw investment dispute database (http://www.italaw.com/) hosted by Faculty of Law at the University of Victoria.

vestors can update their beliefs regarding the trustworthiness of the autocratic host. Because of the absence of domestic mechanisms precipitating the transparency in political institutions and policy process, autocratic governments potentially suffer more damages on its reputation when ISDS disputes deliver negative information to prospective as well as existing investors.

4 Autocratic Regime Time Horizon and BITs Signing

Bilateral investment treaties (BITs) are perceived by political leaders as legal instruments for bringing FDI inflows to capital-hosting signatories,[20] which are of political significance in the autocratic political context as the economic and technological gains accompanying the inflows of capital enhance the regime's chance of staying in power. However, given the possibility of backfires from formalizing investor protection commitments and delegating jurisdiction over investment disputes, capital-hosting autocratic governments would carefully contemplate about the formidable sovereignty cost incurred by signing onto new investment treaties (Poulsen and Aisbett, 2013). The crucial factor that tips an autocratic government's calculation lies in the time horizon of the autocratic regime (Olson, 1993; Clague et al., 1996; Wright, 2008*a*; Moon, 2015). We define regimes' time horizon under autocratic rule as the ruling coalition's expectation of remaining in power into the future (Wright, 2008*a*,*b*; Dionne, 2010; Kono and Montinola, 2015; Kendall-Taylor, 2011; Moon, 2015). Specifically, our contention is that the probability of the benefits outweighing the costs of BITs, and consequently the chance of forming new investment treaty, increases in the time horizon of the autocratic rule. Given the daunting negativity of constraints imposed by bilateral investment treaties, only autocratic regimes that are capable of managing the risk associated with formalizing investor protection commitments and delegating jurisdiction would consider BITs remunerative. The sovereignty cost incurred on autocratic signatories by bilateral investment treaties varies critically by the time horizon of the regime which in turn shapes the probability of signing new BITs.

Our argument comes in three parts. First, once signed, BITs give foreign investor immediate access to investment protections for 10 to 15 years. It is common to observe BITs incorporating survival clause that ensures investment protection and treaty obligations for existing foreign

[20]The most recent studies have provided new evidences for the effect of BITs in promoting FDI inflows (Büthe and Milner, 2008; Kerner and Lawrence, 2014; Allee and Peinhardt, 2011; Haftel, 2010). Furthermore, similar to the argument in Betz and Kerner (2015), our theory of BITs signing emphasizes the ex ante expectation of autocratic elites on the benefit of BITs rather than the actual ex post effect of BITs on FDI inflows. For instance, Poulsen and Aisbett (2013) pointed out that "(all officials, including stakeholders) treated BITs as one out of a long list of diplomatic gestures without any practical implications apart from helping to attract foreign investment"(p. 282).

investment for another 10 to 15 years after BITs expire or are abrogated by a government. The imposition of the constraining effect on domestic policy autonomy and the ensuing risk of investment dispute settlement are both immediate and enduring following the signature of BITs. However, the benefits from attracting FDI through signing BITs are unlikely to be materialized in the short term. Governments in autocratic regimes with short time horizons and hence low political stability would be compelled to aggressively discount future payoffs and might not be patient enough to wait for such benefits to come.

Notably, the investment promotion effect of BITs, as Allee and Peinhardt (2011) suggested, is contingent on the subsequent observability of compliance conveyed by the ISDS mechanism. A good record of investor protection and hence the credibility of a signatory state would take some time to be built. Risk-averse international investors may opt to hold their move until posterior information on the behavior and the type of the host government becomes available. As FDI inflows may react slowly to the formation of BITs, the countable benefits taking many years to come require the government to have an optimistic prospective regarding the viability of the autocratic rule at the moment the investment treaty is formed. In addition, although FDI inflows are suggested to generate economic gains including technological innovations, high wage jobs, tax revenues, management skills, and industrial upgrading, those gains are either not achievable in the very short run or requires long-term investment in legal or institutional environment to materialize (Alfaro et al., 2004; Asiedu, 2006; Moon, 2015). Thus, only those autocratic regimes with long time horizons of holding power into the future may afford to count on these benefits to break even in the long run.

A second important perspective is that autocratic regimes with long time horizons have more incentive to invest in domestic property rights institutions and thus foresee a lower compliance cost with signing new BITs. Existing research suggests that autocratic regimes with long time horizons are more capable of upholding effective private property rights institutions. For example, Moon (2015) found that authoritarian regimes with long time horizons are associated with better performance in domestic property rights protection. Extending this evidence to the context of BITs signing, we argue that autocratic governments with long time horizons expect lower compliance cost after signing on to BITs (Downs et al., 1996). Furthermore, the rationale of the compliance cost argument stands when the enforceability of international agreements is high. For instance, with an emphasis on domestic enforcement mechanisms of international human rights treaties, Hathaway (2007) and Von Stein (2015) argued that under conditions where agreements are enforceable, states with poor human rights records will be less likely to sign those agreements due to high compliance costs.

The combination of high levels of enforceability and high compliance costs tends to deter states from joining international treaties. In the context of participation in BITs, particularly among autocratic regimes, the application of such a compliance cost logic to understanding BIT signing behavior is relevant. Comparing with international agreements in other issue areas (e.g., trade, environment, human rights), obligations in BITs are much more enforceable via the investor-state dispute settlement mechanisms as elaborated earlier. Investors could seek protections of their rights in a timely manner making use of the centralized and institutionalized structure of ISDS procedures.[21] The arbitral awards granted by international tribunals carry the same effect as their equivalents in national courts (Blake, 2013; Allee and Peinhardt, 2010). Therefore, we expect that the high enforceability of BITs to deter autocratic regimes with short time horizons and weak property rights institutions from signing BITs which they anticipate greater difficulty in complying with.

Finally, autocratic regimes with long time horizons are less likely to orchestrate politically motivated infringement on foreign investor's rights. As explicated earlier, autocratic governments rely on abusing the unchecked executive power to distribute perks and privileges to its core supporters and members of the winning coalition. Foreign investors, who are expected to bring economic and political benefits to the ruling government, may initially came as the protectorates of the regime and thus enjoyed the access to the private goods provided to cronies (e.g., favorable polices, selective protection of property rights). However, when an autocratic regime's time horizon wanes and regime stability deteriorates, the security of the assets of foreign investors diminishes.[22] Shortenings of the time horizon of an autocratic regime oftentimes follow the exacerbation of economic conditions which weakens the capability of the ruling elites to garner sufficient resources to appease discontent from different strata of the society. If the autocratic government is devoid of alternative sources of revenues, it would turn more aggressively into extorting rents from the private sector.

Medium and small businesses and foreign investors are natural prey in this respect as they not

[21] Being the single most important platform for ISDS arbitration, the International Center for Settlement of Investment Dispute (ICSID) is a self-contained international organization with strong institutional capacity. Its status in the World Bank Group adds additional leverages to the influence of ICSID (Allee and Peinhardt, 2010).

[22] The aforementioned investment dispute between Valerie Belokon and Kyrgyzstan constitutes an illustration in point. The investment by foreign businesses in Kyrgyzstan (including that by Valerie Belokon) was well protected during the presidency of Kurmanbek Bakiyev (2005-2010). Following the political turmoil that ousted Bakiyev in 2010, the new government turned predatory on these foreign businesses and have rapaciously seized assets from foreign investors.

only lack the economic power and political influence to bargain with the host government but also face significant obstacles in overcoming the collective action problem in defending their interest. A shortened regime time horizon would incentivize the government to strategically predate on private businesses with weak organizational capacities. While investment treaties provide protections to investors of all types, medium and small investors tend to benefit more from a greater accessibility of third-party arbitration and lower political costs for dispute settlement. There is evidence indeed suggesting that individuals or medium to small corporations have been more frequent claimants in ISDS cases (Gaukrodger and Gordon, 2013).[23] We therefore expect to see higher incidence of investment disputes and ISDS cases as the time horizon of an autocratic signatory declines. Autocratic regimes that anticipate domestic political instabilities in the near future, as reflected in regime time horizon, may become reluctant to sign onto new investment treaties that would increase the risk of triggering costly ISDS cases.

Furthermore, when a government faces the political pressure from idiosyncratic domestic forces to predate on foreign investors, autocratic regimes with long time horizons are capable of refraining from pandering to such demand. An autocratic government with a stable political prospect would value the long term benefits from continuing inflows of investment whereas a besieged government caught in the middle of a political impasse may be tempted by the short-term gains from predating on small and medium foreign businesses. Governments in autocratic regimes lacking a stable expectation on its political viability would thus prefer not to give up jurisdictions over investment disputes to international tribunals. Based on the preceding elaboration on the mechanisms connecting regime time horizon with the cost of signing BITs, we propose the following hypothesis for our main empirical analysis.

Hypothesis 1. *Autocratic regimes with long time horizons are more likely to sign bilateral investment treaties with developed country partners.*

The empirical analysis is divided into two parts. First, through a survival analysis modeling of dyadic BIT-signing data from 1958 to 2010, we provide direct evidence for Hypothesis 1. Following mainstream works on BITs signing literature (Elkins, Guzman and Simmons, 2006; Neumayer and Plümper, 2010; Cho, Kim and Lee, 2015), we fit a series of survival models to substantiate

[23] As Gaukrodger and Gordon (2013) found in a OECD survey study, 62% of the known ISDS cases in 2000s were brought by individuals and medium or small enterprises that have limited international experience. Only 8% of the known ISDS cases were brought by large multinational corporations. These statistics are, however, disputed by Van Harten and Malysheuski (2016) who argues large corporations and wealthy individuals are the biggest beneficiaries of treaty-based investor-state dispute settlement (ISDS). The quantitative support for Van Harten and Malysheuski's argument is nevertheless weak given the legal merit is not controlled for in making the comparison.

the positive effect of autocratic regime time horizons on the likelihood of signing BITs with developed countries. Second, we empirically characterize a prominent causal channel entailed in our argument: the regime time horizon of autocratic signatories has a strong negative impact on the risk of investment dispute arbitration. Using a panel dataset on the initiation of investor-state dispute settlement (ISDS) cases in major international tribunals from 1987 to 2008, we fit a series of count data models where the incidence of ISDS cases for autocratic BITs signatories is shown to decrease in the time horizon of the regime. We detail our empirical strategy and results in the following sections.

5 Regime Time Horizon and BITs Signing: A Survival Analysis

The sample in this part of the analysis consists of all yearly country-dyads between developed countries (the home country of FDI) and capital hosting countries ruled under authoritarianism (the host country of FDI) defined by Geddes, Wright and Frantz (2014). The membership status in the Organisation for Economic Co-operation and Development (OECD) is used as a proxy for identifying the home country in the dyads.[24] We also exclude from our sample all country-dyads between authoritarian countries and other capital-hosting countries in the global south. Although bilateral investment treaties between capital hosting countries in the global south (so called "South-South" BITs) increased rapidly during the 1990s, they are considered "bizzarre" and less relevant (Elkins, Guzman and Simmons, 2006; Jandhyala, Henisz and Mansfield, 2011) as there is little potential for cross-border capital flows in the dyads. Since our theory hinges on the assumption that the perception of increasing FDI inflows (after signing BITs) enters the cost-and-benefit calculation of autocratic regimes' decision to sign BITs, we drop those south-south dyads from our sample. The time span of our sample is from 1958 to 2010.[25]

The dependent variable counts the consecutive years in which a bilateral investment treaty in the dyad has not been signed since the time the dyad came into being post 1958. This formulation marks the start of the "risk" of signing a BIT in the dyad either at 1958 if both countries existed by the time or at the year the dyad formed if one or both of the countries gain independence and join the world system after 1959. The BIT signing data in our analysis comes from International

[24]The 22 OECD countries in our sample are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States. We exclude late-joiners of OECD (e.g., Mexico, South Korea, and the Central European countries) and Turkey as the capital-exporting home countries.

[25]The first BIT (Germany-Pakistan) was signed in 1959.

Investment Agreement (IIA) Database (UNCTAD, 2014).[26]

5.1 Independent Variables and Controls

Following previous studies (Wright, 2008*a*,*b*; Dionne, 2010; Kono and Montinola, 2015; Kendall-Taylor, 2011; Moon, 2015), we use the "yearly predicted probability of regime failure" to capture the time horizons of autocratic regimes. The risk index, or predicted probability of regime failure, is based on a panel logistic model that takes into account "observable causes" that lead to the failure of authoritarian rule (Wright, 2008*a*,*b*).[27] A low (high) predicted value reflects a low (high) risk of regime failure, and hence a long (short) time horizon. Such a risk evaluation of regime failure, as assumed in the conceptualization of Wright (2008*a*,*b*), is the same calculus that autocratic rulers are attuned to as the external observers. Among the existing measurements of autocratic regime time horizon, Wright's risk index of regime failure stands out as the most suitable dynamic measurement for regime time horizon.[28] It not only accounts for the effect of different leaderships within an authoritarian regime but also capture the dynamic impact of economic and social factors on regime time horizon. The original index from Wright's model covers years between 1971 and 2003. To extend the data to cover more recent years, we follow the same procedure of generating predicted probability of regime failure in Wright's model and update this index to 2008.[29].

We also include four types of control variables, namely political or institutional controls, economic variables, global or systemic controls, and cultural and geographical variables. The political control variables capture the dis-similarities between two countries in the dyad in terms of domestic political system and the quality of the domestic legal infrastructure. As a number of the existing studies pointed out, BITs play an important role in "harmonizing" the differences in political and legal practice between the home and host countries. The expected utility of an investment treaty

[26] We choose to focus on signing rather than ratifying BITs because the ratification process of BITs is the outcome of some distinctive cooperative processes (Haftel and Thompson, 2013) which is beyond the scope of the theoretical take of the paper. Different countries have idiosyncratic procedures and requirements for treaty ratification that prolong or shorten the time taken for clearing ratification. This will lead to larger measurement errors if ratification of BITs, instead of signing of BITs, is taken as the dependent variable. Also our choice of using BITs signature rather than ratification is in line with the empirical strategy in the existing mainstream studies exploring the political mechanism underlying the proliferation of BITs (Elkins, Guzman and Simmons, 2006; Jandhyala, Henisz and Mansfield, 2011; Neumayer and Plümper, 2010; Cho, Kim and Lee, 2015).

[27] These "causes" include per capita income, growth, religious demographics, internal conflict, and the type of authoritarian rule.

[28] Alternative measurements of regime stability may include the duration of autocratic regimes from Polity IV project and number of changes in the chief executive and number of coups in each authoritarian spell (Gandhi and Przeworski, 2006).

[29] See the details in Table A2 in the appendix

grows as investors face significantly different political and institutional environment abroad which calls for some interstate arrangement to manage the cost of accommodating the investment risks in host states (Allee and Peinhardt, 2010). Three of such political/institutional controls based on the "distance" between the two countries in the dyad are included: democracy (Polity2 index), political constraint on the executive (Henisz, 2002), and the latent judicial independence index (Linzer and Staton, 2011).

The economic control variables cover factors that account for the economic gravity dynamics underlying the need for a bilateral investment treaty in the dyad. Sum of GDP in the dyad and the squared difference in GDP between home and host states capture the potential for horizontal FDI flows between the countries. The difference in per capita GDP between home and host countries in the dyad captures the potential for vertical (and potentially horizontal) FDI flows in the dyad. GDP growth rate in the host country indicates the investment opportunities and potentials for FDI. Trade openness is measured by the sum of export and import as percentage of GDP. Countries with deeper integration in global trade networks may see greater drive for FDI and hence stronger push for harmonization of investment policies. We control for trade openness in the host as well as the home country. PTA-dyad variable indicates if both countries are parties to any preferential trade agreement. This is an important control variable as recent scholarship found linkages between dynamics of cross-national investment and international trade institutions (Büthe and Milner, 2008). Finally, the net outflows of FDI as percentage of GDP in the home country indicates the importance of ensuring security of its oversea investment for the economy of home country and the strength of the push from the home country government for BITs.[30]

Global or systemic control variables account for the impact of global politics and institutions on bilateral FDI flows and investment arrangement at the dyadic level. Global BITs variable controls for the global trend of signing BITs. The cumulative number of BITs signed by capital-importing countries in the same region is also controlled for to capture the competition logic of BIT signing as elaborated in Elkins, Guzman and Simmons (2006). We consider regional peers as economic competitors because states in the same region may have comparable economic structure, infrastructures, and factor endowments that are attractive to the similar types of foreign investors. Hence, foreign investors could well consider neighboring states as substitutes when deciding on where to invest. A Cold War dummy variable is added to account for any possible effect of the change in great power dynamics during or after the Cold War on the implication of foreign investment and

[30] Alternatively, the bilateral flow of FDI between countries in the dyad could be used but our sample size will shrink drastically due to the limited coverage (both in time and across countries) of bilateral FDI data.

global investment institutions. Finally, cultural and geographic controls account for the geographical distance, common language, and colonial linkage between the countries in the dyad. These control variables are intended to capture features that are fixed to each dyad and potentially affect the formation of BIT. Descriptive statistics and data sources for all variables can be found in the appendix.

To test Hypothesis 1, we use event history models to analyze the duration of time before a BIT is signed. Specifically, following previous studies (Elkins, Guzman and Simmons, 2006; Cho, Kim and Lee, 2015), we employ Cox model to analyze our data. Since Cox models assume that hazard rates are proportional across units, we also check this proportional hazard assumption. As shown later, the key result is highly robust when non-proportional hazard Cox models and other model specifications are employed. All independent variables are lagged one year.

5.2 Results

Models 1-4 in Table 1 show the main results for examining Hypothesis 1. In all models, a positive coefficient indicates a higher probability of signing a BIT as the value of the independent variable increases. Model 1 uses Wright's original index of predicted probability of regime failure while model 2 employs our updated index.

We find strong evidence that autocratic regimes with long time horizons are more likely to sign BITs with OECD countries in models 1 and 2. We further explore whether the effect of regime time horizon varies by the availability of information on the costs of BITs. When the costs of BITs become more observable, autocracies with shorter time horizons are much less likely to join investment treaties. It has been noticed that updated information on the sovereignty costs of BITs rapidly accumulates since mid-1990s due to the boom in investor-state arbitration cases (Schultz and Dupont, 2013; Wellhausen, 2015).[31]

[31] Since 1972, at least 550 investor-state disputes are registered, most of which are after the mid-1990s period (Schultz and Dupont, 2013). Based on Wellhausen (2015)'s dataset of publicly known international investment dispute arbitration, multinational corporations from various industries (e.g., utilities, oil and gas, services, manufacturing) have sued at least 100 host states for at least 535 times from 1990 to 2012.

Table 1: Autocratic Regime Time Horizon and BITs Signing 1971-2009

	Model 1 Cox	Model 2 Cox	Model 3 Cox	Model 4 Cox	Model 5 Cox	Model 6 Cox	Model 7 Cox non-PH	Model 8 Weibull	Model 9 Logit
Pr(Fail)	-6.404***	-3.887***	-2.908**	-4.010***	-4.290***	-4.174***	-4.317***	-3.684***	-3.579***
	(1.974)	(1.132)	(1.199)	(1.139)	(1.154)	(1.128)	(1.213)	(1.130)	(1.137)
Post-1996 Dummy			-0.177						
			(0.247)						
Pr(Fail)×1996 Dummy			-4.740*						
			(2.636)						
Leadership Tenure				0.0180					
				(0.0466)					
POLCON Diff.	0.320	0.359	0.358	0.317	0.211	0.301	3.090***	0.401	0.399
	(0.329)	(0.285)	(0.284)	(0.293)	(0.299)	(0.294)	(0.832)	(0.282)	(0.299)
Polity2 Diff.	-0.0418**	-0.0270*	-0.0284*	-0.0315**	-0.0238	-0.0302**	-0.0391**	-0.0245	-0.0302*
	(0.0168)	(0.0150)	(0.0148)	(0.0155)	(0.0151)	(0.0149)	(0.0155)	(0.0150)	(0.0160)
GDP Sum	0.929***	0.845***	0.839***	0.873***	1.268***	1.353***	2.229***	0.850***	0.921***
	(0.114)	(0.105)	(0.106)	(0.108)	(0.159)	(0.155)	(0.352)	(0.104)	(0.111)
GDP Diff. (squared)	-0.0361	-0.0333	-0.0277	-0.0320	-0.0267	-0.00705	-0.0268	-0.0365	-0.0397
	(0.0414)	(0.0401)	(0.0407)	(0.0408)	(0.0450)	(0.0457)	(0.0394)	(0.0404)	(0.0424)
GDP pc Diff.	0.232**	0.256***	0.280***	0.326***	0.613***	0.815***	0.240**	0.228**	0.238**
	(0.0911)	(0.0991)	(0.101)	(0.109)	(0.149)	(0.176)	(0.0990)	(0.0963)	(0.0994)
Common Language	-0.868***	-0.954***	-0.942***	-0.982***	-0.484*	-0.408	-0.925***	-0.987***	-1.041***
	(0.257)	(0.233)	(0.232)	(0.237)	(0.278)	(0.270)	(0.235)	(0.237)	(0.250)
Colonial Linkage	1.116***	1.066***	1.055***	1.081***	0.544*	0.482	1.116***	1.053***	1.133***
	(0.299)	(0.273)	(0.271)	(0.279)	(0.303)	(0.293)	(0.272)	(0.280)	(0.303)
Geo. Distance	-0.792***	-0.868***	-0.870***	-0.841***	-0.660***	-0.639***	-0.910***	-0.883***	-0.915***
	(0.0761)	(0.0878)	(0.0886)	(0.0915)	(0.118)	(0.117)	(0.0895)	(0.0894)	(0.0935)
Judicial Diff.	-1.072***	-1.164***	-1.118***	-1.088***	-0.818**	-0.770*	-1.247***	-1.264***	-1.180***
	(0.407)	(0.371)	(0.373)	(0.390)	(0.409)	(0.416)	(0.373)	(0.356)	(0.380)
Host Growth	0.0135***	0.0181**	0.0197***	0.0187**	0.0176**	0.0195***	-0.0562***	0.0117*	0.00921
	(0.00501)	(0.00721)	(0.00713)	(0.00751)	(0.00705)	(0.00718)	(0.0206)	(0.00694)	(0.00737)
Home Trade	1.290***	1.129***	1.137***	1.197***	0.676	1.886***	2.963***	1.143***	1.234***
	(0.164)	(0.152)	(0.153)	(0.153)	(0.476)	(0.554)	(0.609)	(0.152)	(0.156)
Host Trade	-0.0223	-0.00455	0.0174	-0.0197	0.0941	0.196*	-0.0674	0.0380	0.0458
	(0.118)	(0.109)	(0.110)	(0.115)	(0.111)	(0.114)	(0.110)	(0.108)	(0.113)
Home FDI Outflow	0.00984	0.0200**	0.0232***	0.0142	0.00184	0.00689	0.0197**	0.0151**	0.0157*
	(0.0105)	(0.00839)	(0.00863)	(0.00908)	(0.0110)	(0.0111)	(0.00840)	(0.00768)	(0.00846)
PTA Dummy	0.0398	-0.0179	-0.00321	0.0143	0.0435	0.0961	-0.0687	-0.0866	-0.0524
	(0.125)	(0.120)	(0.118)	(0.122)	(0.127)	(0.125)	(0.121)	(0.121)	(0.123)
Global BITs Signed	0.00134	0.00267***	0.00214***	0.00158*	0.00293***	0.00230**	0.00233***	0.00343***	0.00226***
	(0.000991)	(0.000791)	(0.000814)	(0.000903)	(0.000838)	(0.00101)	(0.000775)	(0.000619)	(0.000702)
Regional BITs Signed	0.0423***	0.0226***	0.0248***	0.0298***	0.0395***	0.0604***	-0.0384	0.00581	0.0138**
	(0.0114)	(0.00705)	(0.00805)	(0.00870)	(0.00767)	(0.00923)	(0.0344)	(0.00614)	(0.00662)
Cold War Dummy	0.156	0.284	0.0913	0.0410	0.680**		0.177	0.200	0.0291
	(0.313)	(0.283)	(0.281)	(0.297)	(0.298)		(0.288)	(0.229)	(0.244)
Home country control	No	No	No	No	Yes	Yes	No	No	No
Half-decade control	No	No	No	No	No	Yes	No	No	No
Observations	31445	35658	35658	33098	35658	35658	35658	35658	35534
Dyads	1701	1806	1806	1781	1806	1806	1806	1806	1798
BITs	385	453	453	453	453	453	453	453	453
Log-Likelihood	-2273.2	-2717.5	-2714.7	-2522.9	-2601.0	-2584.5	-2694.9	-747.4	-2130.2
χ^2	427.0	457.5	484.2	440.0	655.3	688.6	522.4	548.5	533.8

Note: Regression coefficients are shown with robust standard errors in parentheses. Model 1 uses Wright (2008a,b)'s original regime failure index while models 2-9 use our updated version. Model 3 includes an interaction term between regime failure index and post-1996 period dummy. Model 4 controls for leadership tenure. Model 5 controls for home country dummies while model 6 includes half-decade dummies. Model 7 is tested for proportional hazard assumption with the Schoenfeld test. Variables that violate this assumption are interacted with the logged function of time. Model 8 employs a parametric survival model - Weibull model. Model 9 uses logistic model with cubic splines. All independent variables are lagged one year. Home country dummies, half decade dummies, splines, and constants are left out due to space constraint. * (p<0.10), ** (p<0.05), *** (p<0.01)

To account for such an observation, we interact in model 3 the regime failure index with a binary variable that codes post-1996 period as 1 (year >= 1996 as 1, otherwise 0). The interaction term gains statistical significance at 90 percent confidence level, indicating the negative impact of regime failure index on probability of signing BITs is stronger in the post-1996 period. This result lends support to our conjecture that autocratic regimes with long time horizons are more likely to sign BITs when the updated information regarding the costs of BITs becomes more accessible.[32]

Since our theory hinges on the time horizon of the regime, we also empirically differentiate regime durability and leadership durability. We believe our theory of BITs signing applies more closely to regime stability than the security of individual leadership tenure. Though tightly related, these two concepts are conceptually different and hence may be distinguished from one other in empirical models.[33] Therefore, we add a control for leadership tenure in model 4 using the data from *Archigos* (Goemans, Gleditsch and Chiozza, 2009). As shown in the output of model 4, regime time horizon outperforms leader time horizon in explaining BITs signing, lending support to our focus on regime durability rather than tenure security.[34] We also control for the home country's idiosyncratic "taste" for BITs (partly reflected in the BIT "programs" of major capital exporting countries) by including home country dummies in model 5.[35] Our main result continues to hold.

Figure 2-4 illustrate the substantive effect of regime time horizon on BITs signing based on Cox models. These figures are based on estimation in models 2, 3, and 5 (where the effect of the country dummy of Germany and Switzerland is shown), respectively.[36] In all three figures we plot the estimated survival rate of country dyads without BITs when our key independent variable of Pr(Fail) is one standard deviation below and above the mean.[37]

Across the models, regime time horizon (Pr(Fail)) reveals a meaningful substantive effect on

[32]Model 3 is also robust when a post-1995 dummy is used instead.

[33]For instance, China under the Chinese Communist Party (CCP) and Mexico under the Institutional Revolutionary Party (PRI) are stable party-based authoritarian regimes but leadership turnovers and power transitions in the system tend to be institutionalized and regular.

[34]When using party-based regime as the proxy for time horizon and regime stability (we will elaborate on this proxy in the robustness check), we find that leadership duration variable has significant (at 90 percent or 95 percent confidence level) positive effect in some models. Since the results of leadership duration variable is inconsistent across models, we believe that more research could be done to explore more. However, in all models we find strong effect for this regime time horizon proxy.

[35]Many developed countries (e.g., United States) have their own "model BIT" or "BIT template" based on which they negotiate the content of new BITs with particular partners.

[36]We choose Germany and Switzerland just for illustrative purpose showing the substantive effect of our key variable in the Cox model with home country dummies. Germany and Switzerland are the top two signatory home countries of BITs with autocracies in our sample. Germany signs 82 while Switzerland signs 65 BITs.

[37]If the value at one standard deviation below the mean is negative, we substitute it with a zero.

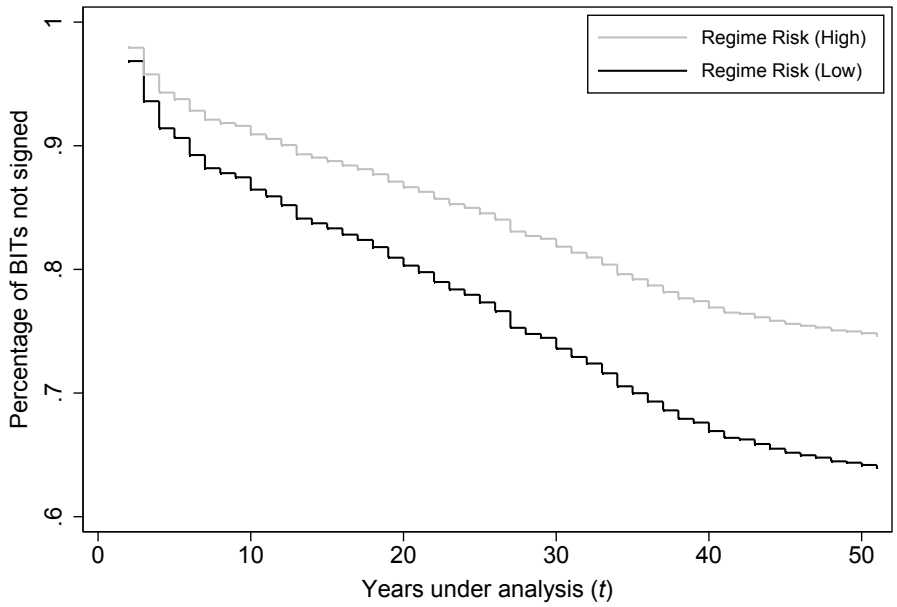


Figure 2: Survival Estimation by Autocratic Regime Time Horizon. The results are based on the output in model 2 of Table 1. The survival curves are estimated for low regime risk (i.e., Pr(Fail) = 0) and high regime risk (i.e., Pr(Fail) = 0.109), which are roughly one standard deviation below and above the mean.

BIT formations. In the late 2000s, 50 years after the inception of BITs, the signing rate of autocracies with Pr(Fail) that is one standard deviation above the mean is about 10 percent less than those with Pr(Fail) that is one standard deviation below the mean (Figure 2). With the increase in ISDS claims at international tribunals since mid-1990s, the updated information regarding the costs of BITs and ISDS mechanism became more visible and salient. Very relevant for our argument that the observed cost of BITs shaped autocratic regimes' decision to signing BITs, the difference of survival rate is much larger in the post-1996 period (shown Figure 3b) than that in pre-1996 period (shown in Figure 3a) when regime fail index varies. According to Figure 3b, when the variable of Pr(Fail) is about 0.0018 (one standard deviation below the mean), about 60% of country dyads is predicted to sign BITs 50 years after the inception of BITs. However, only about 40% of country dyads is predicted to sign BITs when the variable of Pr(Fail) is about 0.1090 (one standard deviation above the mean). The difference of about 20% is substantially larger than that in Figure 3a where the difference is only about 10%. A similar pattern of substantive effect of regime time horizon is also observed in Figure 4, where we plot the survival function when the home country in the dyads is Germany and Switzerland, the two capital exporting countries that have signed most BITs with autocratic hosts. After controlling for home country-specific effects in the BITs signing process, the difference between autocracies with high and low regime risks is still evident in the survival function estimation visualized in Figure 4.

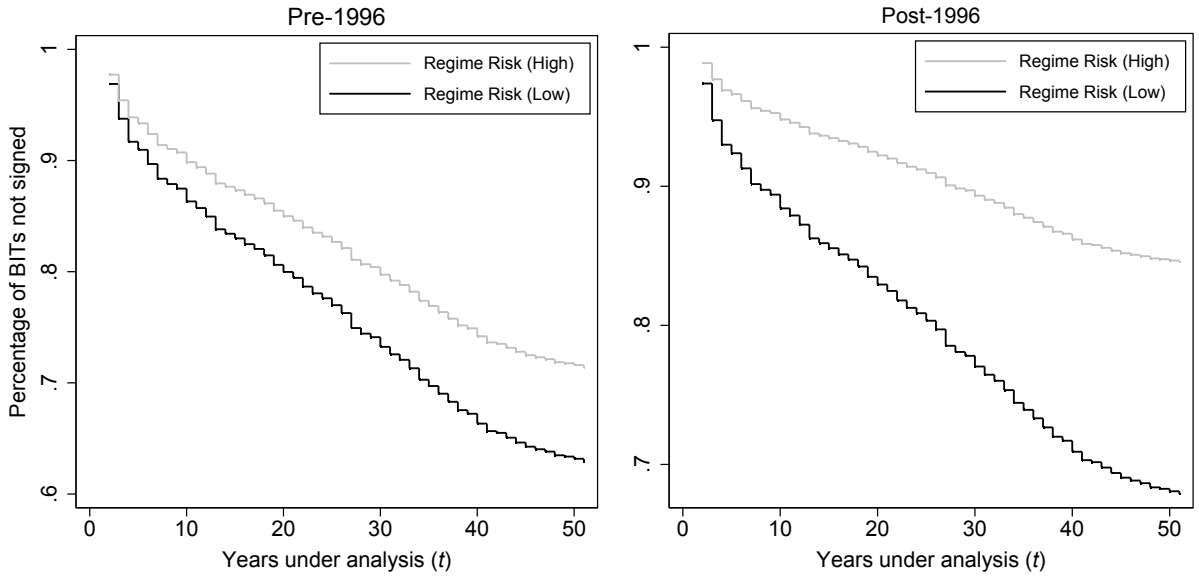


Figure 3: Survival Estimation in Pre and Post-1996 Period. The results are based on the output in model 3 of Table 1. Figure 3a and 3b visualize the substantive impact of the interaction term *Pr(Fail)×Post-1996 Dummy* in model 3 on the survival curve. The survival curves are estimated for low regime risk (i.e., Pr(Fail) = 0) and high regime risk (i.e., Pr(Fail) = 0.109), which are roughly one standard deviation below and above the mean.

We also show the substantive effect of our key independent variable by calculating percentage change in the hazard rate associated with a change in regime failure index. The following formula is used for this calculation:

$$\%\Delta h = \left\{ \frac{\exp[\beta(x_i = X_2)] - \exp[\beta(x_i = X_1)]}{\exp[\beta(x_i = X_1)]} \right\} \times 100\%,$$

where X_1 and X_2 are the values of regime failure variable at one standard deviation below the mean and one standard deviation above the mean, respectively. According to the result in model 2, the percentage change in the hazard rate is about -34.38% with a 95 percent confidence interval of [-48.80, -17.48].[38] This percentage change is statistically significant indicating that the hazard rate of signing a BIT decreases by about 34 percent when regime failure index changes from one standard deviation below the mean to one standard deviation above the mean.

[38]The confidence interval is calculated based on a simulation with 10,000 draws from the estimated coefficient vector and variance-covariance matrix.

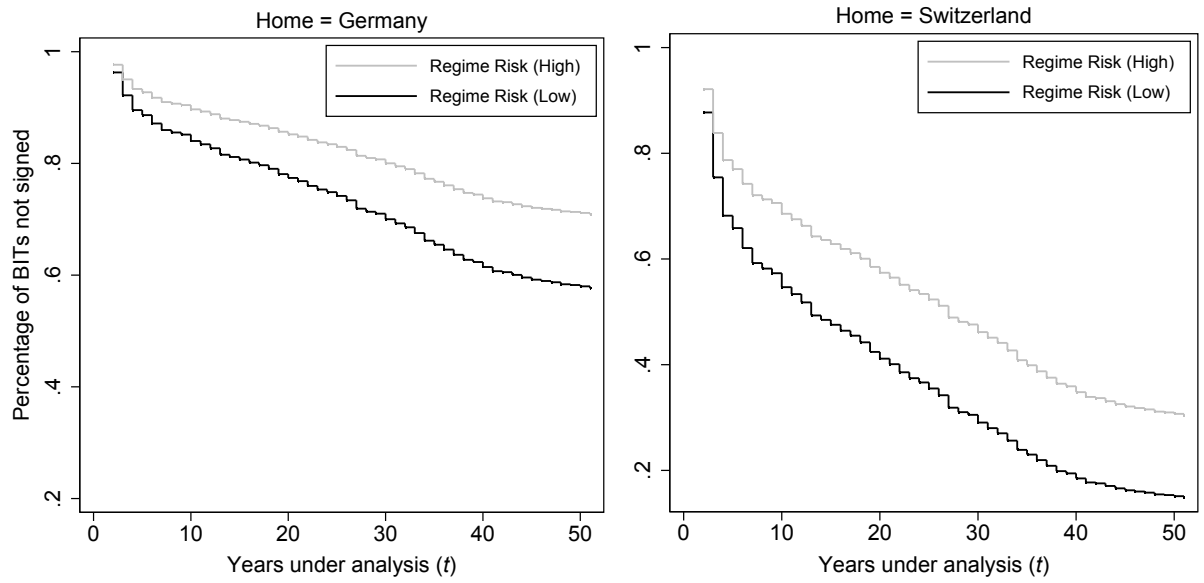


Figure 4: Survival Estimation by Home Country Dummies (Germany and Switzerland). The results are based on the output in model 5 of Table 1. The survival curves are estimated for low regime risk (i.e., Pr(Fail) = 0) and high regime risk (i.e., Pr(Fail) = 0.109), which are roughly one standard deviation below and above the mean.

Finally, regarding our control variables, we find that the difference in judicial independence and polity2 score between home and host countries tends to reduce the likelihood of signing BITs between them, while the difference in political constraint index barely affects the probability of BIT formations.[39] Consistent with the finding in Allee and Peinhardt (2014), such a result implies countries with very different domestic legal and political institutions are not associated with greater likelihood of signing bilateral investment treaties than otherwise. In addition, the potential of horizontal and vertical FDI flows within dyads (GDP sum and GDP pc Diff.) significantly increases the likelihood of signing BITs. Also, we find that common language, dyadic distance, growth rate in autocracies, trade openness in home country, and global and regional number of BITs are all significant predictors of BITs signing with expected signs. The strong positive effect of regional BITs on investment treaty formation in dyads lends another support to the "competition dynamics" underlying the proliferation of BITs posited in the existing studies such as Elkins, Guzman and Simmons (2006) and Jandhyala, Henisz and Mansfield (2011).

[39]Due to the concern of multicollinearity among these three variables (bivariate correlations for each two of them is about 0.6), we include them in the model one at a time. Interestingly, each of them takes on a negative sign and is statistically significant.

5.3 Robustness Check

We examine the robustness of the empirical results in the following ways. First, we control for time trend or time-specific shocks by using half-decade dummies (model 6 of Table 1). The signing of BITs may cluster in time dimensions and occur in waves (Jandhyala, Henisz and Mansfield, 2011). Second, we test the proportional hazard assumption of the Cox model and interact those variables that violate the assumption with the logged function of time ((model 7 of Table 1)). Third, we employ two alternative estimation models: a parametric event history model - Weibull model, and a logistic model that includes the length of time to sign and cubic splines to control for time dependence (Beck, Katz and Tucker, 1998) ((model 8 and 9 of Table 1)). Models 6-9 in Table 1 show the results of all those additional analyses where our main empirical findings hold. Finally, although we believe our dynamic measure of predicted probability of regime failure captures regime time horizon and regime stability, we use an alternative observed proxy for regime time horizon to check on the robustness of our results across different operationalizations of regime time horizon. Scholars have explored the survival rate of autocratic regime subtype and found that party-based autocracies tend to be more durable and stable (Geddes, 2003; Magaloni, 2008).[40] We thus construct a binary variable of regime type in which party-based regime is coded as 1 and otherwise 0 as a proxy for regime time horizon. Our main results are robust.[41]

6 Additional Checks on Causal Mechanism: Time Horizon and Investor-State Dispute Settlement

The evidence presented in this section characterizes an important aspect of the causal mechanism underlying our main theoretical claim. In light of the discussion in the theory development section on the salience of investment disputes arbitration, we seek to empirically substantiate the effect of regime time horizon on the incidence of investor-state dispute settlement (ISDS) cases in international tribunals. Given that the cost of being brought to international tribunals is substantial (e.g., legal cost, compensation for investors, reputation cost), do autocratic regimes with longer time horizons actually do better at managing the risk of investor-state dispute settlement imposed by provisions in BITs? To test this mechanism, we propose the following hypothesis.

[40] In particular, Magaloni (2008) argues that party-based regime survives longer because the political institution of party serves as credible power-sharing mechanism.

[41] See Table A3 for detailed results.

Hypothesis 2. *Autocratic BIT signatories with long time horizons are less likely to be the defendant in investor-state dispute settlement (ISDS) cases.*

In testing Hypothesis 2, we collect a sample consisting of all authoritarian regimes as defined in Geddes, Wright and Frantz (2014) from 1987 to 2008.[42] The dependent variable is the number of times that a country was brought to major international investment tribunals as the respondent in a given year. ISDS cases registered by the following arbitral bodies are included: the International Center for Settlement of Investment Disputes (ICSID), Permanent Court of Arbitration (PCA), Stockholm Chamber of Commerce (SCC), International Chamber of Commerce (ICC), and the London Court of International Arbitration (LCIA). The data comes from the Investment Policy Hub of UNCTAD[43]

Similar to the testing of Hypothesis 1, we use the predicted probability of regime failure as a proxy for time horizon to examine Hypothesis 2. We include a battery of control variables. Most importantly, our analysis controls for the quality of domestic private property rights regime (measured by contract-intensive money from Clague et al. (1999)) and the rule of law (measured by Law and Order Index from International Country Risk Guide (ICRG)). In our theory section, we posit that the time horizon of autocratic regimes affects the risk of BITs violation through shaping domestic property rights institutions in light of the finding in Moon (2015). The variation in property rights protection in autocratic regimes, however, may not be entirely attributable to regime stability and time horizons. We add these two institutional variables to our model to capture the variation in the protection of private property rights due to idiosyncratic factors orthogonal to the time horizons of autocratic regimes, and more importantly its effect on the risk of ISDS lawsuit. Additionally, we control for domestic political variables including constraints on the executive from Polity IV project[44] and the partisanship of the incumbent (Beck et al., 2001). The duration of autocratic incumbency is also controlled for by including a variable of leadership tenure of autocrats from *Archigos*.

The number of BITs signed by the country is also controlled for to account for the varying degree of delegation and exposure to investor-state dispute settlement (ISDS) mechanisms. More BITs signed are likely to increase the risk of a capital-hosting signatory being sued in ISDS

[42] The starting year of 1987 was chosen as it is the year when the first treaty-based investor-state dispute settlement (ISDS) lawsuit (APPL v. Sri Lanka) occurred.

[43] `http://investmentpolicyhub.unctad.org/ISDS`.

[44] We use the component variable, `XCONST`, in Polity IV dataset which measures the strength of domestic institutional constraints on the executive branch of the government.

claims.[45] Relatedly, the yearly total of known ISDS claims in the world is also included in the specification to control for the global trend in invest-state dispute settlement. To account for the effect of the presence of foreign investors in the economy, logged domestic stock of FDI and FDI inflows are added to our model. Theoretically, greater stocks or inflows of FDI indicates deeper integration of foreign industrial capital in the economy and hence greater chances of the host government infringing on the interests of foreign investors. Lastly, we control for the rate of economic growth in the host country economy. As the distribution of the dependent variable displays over-dispersion, we implement the estimation with negative binomial models. Because observations with the value of zero in our dependent variable are prevalent, we adopt a zero-inflation function in the negative binomial model to account for those zero observations due to the absence of investment treaty signed by the country.

6.1 Results

Table 2 displays the results for the testing of Hypothesis 2. With varying specifications, models 1 through 5 use all known ISDS claims as the dependent variable whereas model 6 uses only ISDS cases brought before the International Center for Settlement of Investment Disputes (ICSID) as the dependent variable. The coefficient of regime time horizon (i.e., Pr(Fail)) is consistently positive and gains statistical significance in all models where it is included with at least 95 percent confident level. Model 1 constitutes the basic specification with no control variables on the property rights regime and the rule of law. Model 2 drops Pr(Fail) variable and add Contract-intensive Money to examine the effect of the domestic property rights regime on ISDS claims when regime time horizon is not controlled for. The coefficient of Contract-intensive Money is negative and significant at 95 percent confidence level. The result of model 2 suggests the quality of domestic property rights institutions in the hosting country could help reduce the risk of being sued by investors in investment tribunals when the regime time horizon is not controlled for. Model 3 includes both Pr(Fail) and Contract-intensive Money in the specification. While Pr(Fail) variable retains statistical significance at 95 percent confidence level, the coefficient of Contract-intensive Money decreases slightly with its significance dropping to 90 percent confidence level.

[45] Specifically, we only control for the number of BITs that a host state signed with developed countries (North-South BITs). Following Poulsen and Aisbett (2013), we employ a modified measure of North-South BITs that accounts for major capital exporting countries in the global south including Brazil, Russia, South Africa, China, Argentina, Panama, Mexico, Malaysia, Saudi Arabia, Indonesia, Hungary, Chile, and India. Investors from these countries have been exporting industrial capital to other capital-scarce countries and hence are potential users of the ISDS mechanism stipulated in BITs. However, the regression results are highly robust and consistent when the conventional measure of North-South BITs is used (where BITs signed with major capital exporters in the South are excluded).

Table 2: Autocratic Regime Time Horizon and ISDS Claims: 1987-2009

	Model 1 All ISDS Cases	Model 2 All ISDS Cases	Model 3 All ISDS Cases	Model 4 All ISDS Cases	Model 5 All ISDS Cases	Model 6 ICSID Only
Pr(Fail)	9.790**		9.503**	10.423***	12.077***	9.421***
	(3.886)		(3.834)	(3.849)	(3.288)	(3.248)
Contract-intensive Money		-2.469**	-2.348*	-2.126**	-1.307	-1.739*
		(1.202)	(1.256)	(1.003)	(1.053)	(0.895)
Law & Order				-0.110	0.0430	-0.110
				(0.163)	(0.211)	(0.179)
Leadership Tenure					-0.684	-0.0707
					(0.476)	(0.576)
BITs Signed	0.213***	0.221***	0.210***	0.192***	0.184***	0.148***
	(0.0658)	(0.0853)	(0.0743)	(0.0661)	(0.0583)	(0.0450)
BITs Signed^2	-0.00514***	-0.00577***	-0.00493***	-0.00437***	-0.00410***	-0.00340***
	(0.00185)	(0.00215)	(0.00182)	(0.00161)	(0.00142)	(0.00109)
Yearly Global ISDS	0.0281***	0.0244**	0.0263***	0.0268***	0.0257**	0.0194**
	(0.00846)	(0.00985)	(0.00909)	(0.00935)	(0.0117)	(0.00984)
FDI Stock	0.504***	0.539**	0.592***	0.638***	0.658***	0.594***
	(0.169)	(0.215)	(0.206)	(0.214)	(0.231)	(0.198)
FDI Inflows	-0.0181	-0.0259	-0.0221	-0.0157	-0.0177	-0.0337
	(0.0143)	(0.0214)	(0.0178)	(0.0166)	(0.0300)	(0.0296)
Growth	0.0144	-0.000381	0.0155	0.0444	0.00153	0.0129
	(0.0436)	(0.0333)	(0.0399)	(0.0338)	(0.0330)	(0.0277)
Left Executive	-0.385	-0.333	-0.269	-0.301	-0.112	-0.298
	(0.355)	(0.373)	(0.331)	(0.306)	(0.384)	(0.392)
Executive Constraints	-0.0106	-0.0120	-0.00549	-0.00254	-0.00280	-0.00402
	(0.00719)	(0.00852)	(0.00839)	(0.00825)	(0.00876)	(0.00538)
Lagged DV	0.561	0.763	0.576	0.594*	0.400	0.683***
	(0.425)	(0.564)	(0.369)	(0.322)	(0.301)	(0.244)
Inflation Eq. (No BITs)	-19.23***	-13.44***	-14.87***	-13.29***	-14.07***	-11.98***
	(1.185)	(1.000)	(0.960)	(1.068)	(1.161)	(2.999)
$ln(\alpha)$	-9.97	-36.08***	-74.45***	-27.09***	-21.64***	-15.00***
	(64.864)	(0.208)	(0.284)	(0.252)	(0.450)	(1.717)
Observations	1155	1049	1049	842	724	724
Zeros	1105	1001	1001	798	695	686
Log Likelihood	-187.5	-181.5	-178.0	-157.8	-106.8	-133.2
χ^2	197.0	194.1	189.7	192.9	146.8	159.6

Note: Regression coefficients are shown with clustered standard errors in parentheses. Model 1-5 use all known investor-state dispute settlement (ISDS) cases as the dependent variable and model 6 uses ISDS cases brought in the venue of International Center for Settlement of Investment Disputes (ICSID). Model 1 constitutes the basic specification with no control variables on the property rights regime and the rule of law. Model 2 drops Pr(Fail) variable and add Contract-intensive Money to examine the effect of the domestic property rights regime. Model 3 includes both Pr(Fail) variable and Contract-intensive Money in the specification. Model 4 adds Law & Order index to control for the effect of domestic political order and rule of law. Model 5 additionally controls for leadership tenure of autocrats. Model 6 adopts the identical specification as model 5 but uses ISDS cases registered at ICSID as the dependent variable. * $(p < 0.10)$,** $(p < 0.05)$,*** $(p < 0.01)$

This observation suggests part of the effect of domestic property rights institution on ISDS claims could be accounted for by autocratic regime time horizon. Model 4 adds Law & Order index to control for the effect of the domestic rule of law. The coefficient of Law & Order variable does not gain statistical significance while Pr(Fail) and Contract-intensive Money retain significance at 95 and 90 percent confidence level respectively. Model 5 additionally controls for leadership tenure of autocrats which nevertheless fails to gain significance. Model 6 adopts the identical specification as model 5 but uses ISDS cases registered at ICSID as the dependent variable. The estimation result of model 6 is highly consistent with that in model 5.

On the side of control variables, an important finding in Table 2 is that FDI stock is strongly and positively associated with ISDS claims in all six models and the coefficients are all significant at 99 percent confidence level. This finding suggests a greater presence of foreign investors would increase the risk of autocratic host states being brought to investment tribunals. The yearly global total of ISDS claims worldwide also shows strong and positive association with ISDS claims in all of the six models, indicating the global trend of ISDS have had a substantial influence on the risk of BIT signatory states being brought to international arbitration by investors.

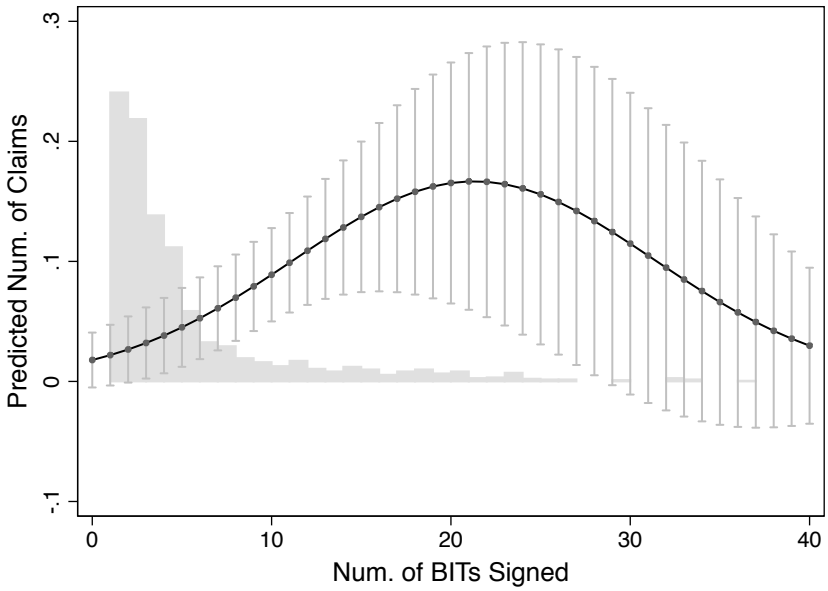


Figure 5: Number of North-South BITs and Predictive Number of ISDS Claims. Predictions are calculated using Stata command `margins` based on estimated coefficients in model 3 of Table 2. The connected dots show the predictive number of ISDS claims as a function of the number of BITs signed by the autocratic capital-hosting state. The caped spikes provide the 95% confidence intervals of those predictions.

Finally, the effect of the cumulative number of signed North-South BITs on the number of

ISDS claims displays interesting patterns. Overall, the number of BITs signed is positively associated with the risk of ISDS claims. The effect of BITs on ISDS claims, however, reveals an inverted U-shape pattern. In model 1 through 6, the coefficient of the quadratic term is negative and statistically significant at 95 percent confidence level. Such a result suggests the number of signed BITs does have a stronger positive effect on ISDS claims when the number of BITs is not too high. Using the output in model 3 of Table 2, we plot the curve-linear effect of the number of signed BITs in Figure 5 where the predicted number of ISDS cases increase in the number of BITs signed until the cumulative number of BITs signed by autocratic host states reaches 23.[46] This finding lends support to an important block of the underlying mechanism of our main causal claim: unless the autocratic signatory has already accumulated a extremely large number of signed BITs with developed country partners, signing new BITs does significantly increase the risk of triggering new ISDS claims against the government.

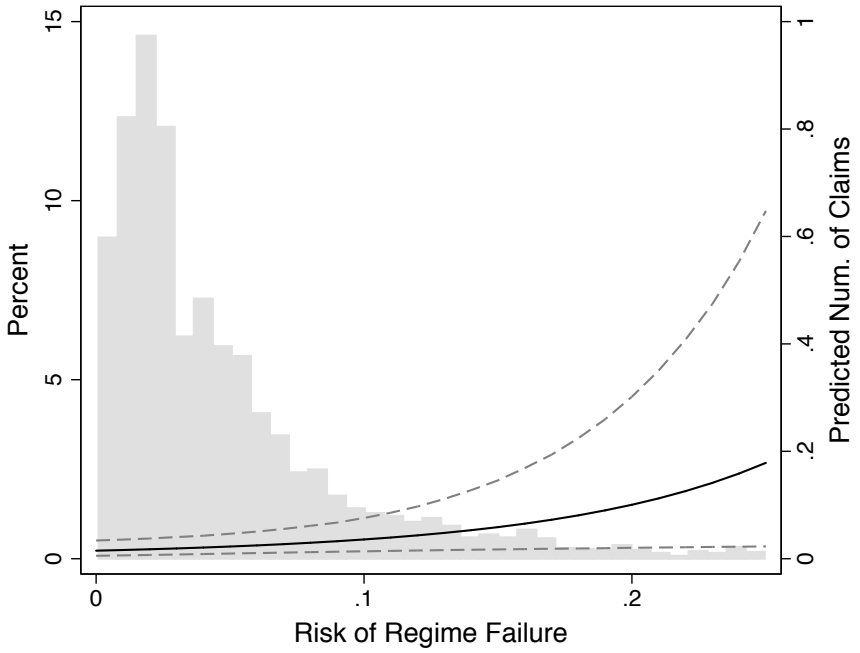


Figure 6: Regime Time Horizon and Predicted ICSID Claims. The predicted number of ISDS claims is generated with coefficients from model 3 in Table 2. 95% confidence intervals are plotted with dash line. The histogram plotted in the background shows the empirical distribution of the risk of regime failure variable.

As a visual demonstration of the finding, the substantive effect of time horizons is plotted in

[46] Those predictions are calculated using State command `margins`. We vary the cumulative number of North-South BITs while holding all other independent variables at their mean values. Also the North-South BITs variable in our sample has a mean of about 6, with a standard deviation of 8.

Figure 6. Based on model 3 in Table 2, we simulate the predicted number of ISDS claims at various values of Pr(Fail) variable while keeping other independent variables at their means.[47] Then we plot the predicted number of ISDS claims against the risk of regime failure variable, with the distribution of the regime failure variable displayed in the background. It is easily observable in Figure 6 that a shorter time horizon (higher risks of regime failure) is associated with a greater number of predicted ISDS claims. With estimation results from the same model, we also calculate the difference of simulated ISDS cases by varying our key regime failure variable. With regime failure risk growing from one standard deviation below to one standard deviation above the mean, the predicted number of claims rises from 0.0162 to 0.0369, with a difference of 0.0207.[48] It reflects almost 127% increase in the predicted number of ISDS cases.

7 Conclusion

With a focus on the political economy of cross-national investment in the context of illiberal political system, this paper seeks to further our understanding of the domestic political dynamics underlying the integration of authoritarian regimes into global economic institutions. The key implication of our study highlights the impact of domestic political parameters on the decision of authoritarian regimes in seeking further integration into the international investment regime - bilateral investment treaties (BITs). In particular, the time horizon of autocratic regimes constitutes a key factor that shapes the cost-benefit analysis leading to the decision of signing or not signing BITs.

We argue that the perceived costs of BITs are likely to be smaller in autocracies with longer time horizons, increasing their likelihood of signing BITs. The constraining effect of BITs on domestic policy autonomy and potential risk of investor-state dispute arbitration are existential after joining BITs while the economic and political gains may come in the mid to long run. Thus, only those autocratic regimes that expect to stay in power into the future can afford to wait for the benefit to come. In addition, autocracies with long time horizons tend to have stronger domestic property right protection and, thus, have relatively lower compliance cost with signing BITs. Finally, autocratic regimes with prospects of holding power into the future are better at managing the risk of investor-state dispute arbitration in international adjudication bodies and less likely to infringe on

[47] We employ `moreClarify` Stata package (Marquez Pena, 2014), which is an extension of the `Clarify` package (King, Tomz and Wittenberg, 2000), in implementing the simulations. The simulations are done with 10,000 draws from the estimated coefficient vector and variance-covariance matrix.

[48] The 95 percent confidence interval for this difference is [0.00224, 0.0551], which clearly excludes zero.

foreign investors' rights. Empirically, we find strong evidence that autocratic regimes with long time horizons are more likely to sign BITs with capital-exporting OECD countries. Furthermore, these types of autocracies are also less likely to be the respondents in the investor-state dispute settlement arbitration.

This paper joins scholars who emphasized the importance of the distinct political context of authoritarian rules in understanding the dynamics of economic policy-making in autocratic governments (Steinberg and Shih, 2012; Hankla and Kuthy, 2013). We particularly examine how the variation in the regime time horizon and its interaction with the autocratic political economy explains the differential participation of autocratic countries in bilateral investment treaties. Along with other related works in the literature (Elkins, Guzman and Simmons, 2006; Jandhyala, Henisz and Mansfield, 2011; Poulsen and Aisbett, 2013), this paper argues that BITs are not cost-free instruments for investment promotion and the cost must be analyzed and understood in particular political context of the signatories.

More broadly, our paper also yields implications that speak to some of the compelling theoretical issues of international institutions. Scholars of international cooperation have been debating if international institutions of various forms have any effect in shaping the behavior of sovereign states. Debates have been particularly intense regarding the strategic selection mechanism underlying the decision of sovereign states to take part in institutionalized cooperation, with Simmons (2000) and Von Stein (2005) being two well-known examples. Scholars advocating for the constraining effect of institutions argued with evidences suggesting states choosing to accept the jurisdiction of intergovernmental organizations indeed displayed higher rates of compliance. Other questioned the actual true "treatment effect" of international institutions on state behavior, arguing the high rates of compliance among cooperating states are due to the self-selection mechanism. The finding of our work seems to offer an eclectic view. There indeed exists a self-selection mechanism that underlies the decision to take part in binding international institutions. In the political context of this study, our analysis suggests authoritarian regimes with long time horizons can better manage the cost of delegating the jurisdiction over investment disputes than their peers and are hence more likely to sign investment treaties. At the same time, these stable authoritarian regimes self-selected into BITs could nevertheless benefit from formalizing investor protections and delegation jurisdictions (Arias, Hollyer and Rosendorff, 2014). By delegating the jurisdiction to quasi-supranational institutions, the benefit of continuous FDI inflows can be achieved partly through facilitating information flows to investors and partly through making more credible commitment to foreign investors in the shadow of investor-state dispute settlement (ISDS) procedures.

This implication suggests that the "treatment effect" of institutions on state behavior may not be completely offset by the presence of strategic self-selection prior to participating in highly binding and institutionalized international cooperation.

A Additional Tables

Table A1: Descriptive Statistics and Data Sources

	N	Mean	S.D.	Min	Max	Source
Survival Models						
Pr(Fail)	52353	0.051	0.057	0.001	0.418	Updated Wright (2008a,b)
Party-based Regime	52353	0.469	0.499	0	1	GWF (2009)
POLCON Diff.	52228	0.641	0.245	0	0.894	Henisz (2012)
Polity2 Diff.	52353	13.732	5.107	0	20	Polity IV
GDP Sum	52353	13.023	1.24	10.178	16.936	Penn World Tables
GDP Diff. (squared)	52353	25.321	2.971	6.284	32.783	Penn World Tables
GDP pc Diff.	52353	9.769	0.582	1.547	11.003	Penn World Tables
Common Language	52353	0.134	0.341	0	1	GeoDist
Colonial Linkage	52353	0.042	0.201	0	1	GeoDist
Geo. Distance	52353	8.806	0.534	6.215	9.846	GeoDist
Judicial Diff.	52353	0.652	0.207	0	0.977	Linzer & Staton (2011)
Host Growth	51723	4.345	6.591	-51.031	39.487	WDI
Home Trade	51839	3.982	0.513	2.235	5.214	WDI
Host Trade	50106	4.062	0.607	1.844	6.086	WDI
Home FDI Outflow	46956	2.111	4.052	-4.257	48.057	UNCTAD
PTA Dummy	52353	0.651	0.477	0	1	Jandhyala et al. (2011)
Global BITs Signed	52353	122.162	128.175	4	402	Poulsen & Aisbett (2013)
Regional BITs Signed	52353	6.787	10.728	0	57.75	Poulsen & Aisbett (2013)
Cold War Dummy	52353	0.558	0.497	0	1	coded
Leadership Tenure	47964	7.683	1.161	1.099	9.74	Archigos
Negative Binomial Models						
Total ISDS Cases	1494	0.052	0.279	0	4	UNCTAD
ICSID ISDS Cases	1310	0.05	0.245	0	2	UNCTAD
Contract-intensive Money	1182	0.729	0.164	0.015	0.97	IMF-IFS
Law & Order	1133	3.253	1.319	0	6	ICRG
Pr(Fail)	1494	0.053	0.044	0.004	0.402	Updated Wright (2008a,b)
Leadership Tenure	1245	2.051	0.197	-0.365	2.276	Archigos
Num. of BITs	1377	5.501	7.638	0	63	Poulsen & Aisbett (2013)
FDI Stock	1377	6.695	2.27	0	12.586	IMF IIP
Yearly Global ISDS	1494	13.22	15.353	0	43	UNCTAD
Economic Growth	1308	3.74	6.48	-50.248	35.224	WDI
FDI Inflows	1382	2.474	5.143	-12.078	58.004	IMF IIP
Executive Constraints	1364	2.724	1.408	1	7	Polity IV
Left Executive	1417	0.327	0.469	0	1	Beck et. al (2001)

Table A2: Predicting Autocratic Regime Failure (updated to 2010)

Covariates	*Coefficient*	*Standard Error*
Log (GDPpc)	-0.5942	(0.1341)***
Growtht-1, t-2	-0.0479	(0.0155)***
Civil War	0.6674	(0.2292)***
Islam	0.0029	(0.0031)
Cold War	-0.2874	(0.2517)
Single Party	-1.1196	(0.2995)***
Military	1.5141	(0.3068)***
Monarch	-0.8955	(0.5481)
Single party/Military/Personalist	-1.5846	(0.3667)***
Military/Personalist	0.4595	(0.2676)*
Single Party/Military	0.0493	(0.4760)
Single Party/Personalist	-0.1856	(0.4415)
Sub-Saharan Africa	-0.9162	(0.3543)***
North Africa	-2.899	(0.6525)***
Middle East	-1.4975	(0.8388)*
Central Asia	-0.8915	(0.5687)
Central East Europe	0.5901	(0.5246)
East Asia	-0.5485	(0.4712)
South America	0.5089	(0.3709)
West Europe	1.4374	(0.3594)***
Constant	1.4379	(0.9306)
Log Likelihood	-507.396	
Observations	2,894	
Countries	106	

Note: Omitted regime type is personalist regime. Splines are included but not reported. Central America/Caribbean is the omitted region. * p<0.1; ** p<0.05; *** p<0.01

Table A3: Robustness Check - Autocratic Regime Type and BITs Signing 1971-2009

	Model 1 Cox PH	Model 2 Cox PH	Model 3 Cox PH	Model 4 Cox PH	Model 5 Cox PH	Model 6 Cox non-PH	Model 7 Weibull	Model 8 Logit
Party-based Regime	0.466***	0.394***	0.477***	0.455***	0.440***	0.441***	0.474***	0.457***
	(0.0993)	(0.118)	(0.104)	(0.0970)	(0.0968)	(0.0998)	(0.0995)	(0.103)
Post-1996 Dummy		-0.444*						
		(0.237)						
Party Regime×1996 Dummy		0.195						
		(0.204)						
Leadership Tenure			0.0616					
			(0.0448)					
POLCON Diff.	0.378	0.366	0.332	0.193	0.225	2.536***	0.459*	0.460
	(0.271)	(0.271)	(0.277)	(0.284)	(0.281)	(0.956)	(0.269)	(0.284)
Polity2 Diff.	-0.0237	-0.0244*	-0.0287*	-0.0209	-0.0252*	-0.0311**	-0.0227	-0.0292*
	(0.0145)	(0.0144)	(0.0150)	(0.0143)	(0.0142)	(0.0148)	(0.0145)	(0.0154)
GDP Sum	0.784***	0.774***	0.817***	1.183***	1.236***	2.140***	0.780***	0.854***
	(0.0980)	(0.0982)	(0.101)	(0.145)	(0.141)	(0.337)	(0.0976)	(0.103)
GDP Diff. (squared)	-0.0140	-0.00897	-0.0152	-0.00772	0.00738	-0.0110	-0.0163	-0.0189
	(0.0362)	(0.0366)	(0.0368)	(0.0413)	(0.0419)	(0.0355)	(0.0368)	(0.0382)
GDP pc Diff.	0.159*	0.167*	0.221**	0.364***	0.473***	0.146*	0.127	0.145*
	(0.0856)	(0.0866)	(0.0929)	(0.108)	(0.118)	(0.0852)	(0.0820)	(0.0850)
Common Language	-0.946***	-0.931***	-0.974***	-0.472*	-0.399	-0.899***	-0.967***	-1.014***
	(0.224)	(0.224)	(0.231)	(0.271)	(0.266)	(0.222)	(0.225)	(0.236)
Colonial Linkage	1.037***	1.023***	1.050***	0.483*	0.423	1.013***	1.021***	1.083***
	(0.255)	(0.256)	(0.267)	(0.288)	(0.282)	(0.250)	(0.259)	(0.278)
Geo. Distance	-0.877***	-0.879***	-0.846***	-0.700***	-0.675***	-0.901***	-0.895***	-0.930***
	(0.0685)	(0.0693)	(0.0707)	(0.0816)	(0.0820)	(0.0697)	(0.0686)	(0.0727)
Judicial Diff.	-1.182***	-1.192***	-1.131***	-0.818**	-0.769**	-1.259***	-1.242***	-1.165***
	(0.352)	(0.351)	(0.369)	(0.383)	(0.391)	(0.355)	(0.335)	(0.359)
Host Growth	0.0155***	0.0163***	0.0167***	0.0158***	0.0170***	0.0171***	0.0109**	0.00915
	(0.00486)	(0.00496)	(0.00523)	(0.00465)	(0.00449)	(0.00497)	(0.00539)	(0.00584)
Home Trade	1.083***	1.084***	1.149***	0.704	1.701***	2.865***	1.085***	1.183***
	(0.150)	(0.151)	(0.150)	(0.463)	(0.550)	(0.581)	(0.149)	(0.152)
Host Trade	0.0310	0.0391	0.000680	0.120	0.195*	-0.00967	0.0756	0.0894
	(0.101)	(0.102)	(0.108)	(0.101)	(0.104)	(0.0996)	(0.0992)	(0.103)
Home FDI Outflow	0.0225***	0.0259***	0.0168*	0.00470	0.00887	0.0216***	0.0175**	0.0180**
	(0.00833)	(0.00853)	(0.00898)	(0.0109)	(0.0110)	(0.00829)	(0.00761)	(0.00840)
PTA Dummy	0.0504	0.0745	0.0663	0.147	0.202*	0.0210	-0.0230	0.0190
	(0.114)	(0.113)	(0.116)	(0.121)	(0.122)	(0.115)	(0.114)	(0.117)
Global BITs Signed	0.00283***	0.00231***	0.00184**	0.00303***	0.00209**	0.00266***	0.00389***	0.00251***
	(0.000766)	(0.000803)	(0.000870)	(0.000812)	(0.000999)	(0.000759)	(0.000619)	(0.000687)
Regional BITs Signed	0.0320***	0.0371***	0.0403***	0.0491***	0.0664***	-0.00899	0.0141**	0.0241***
	(0.00710)	(0.00782)	(0.00869)	(0.00764)	(0.00909)	(0.0338)	(0.00613)	(0.00667)
Cold War Dummy	0.356	0.183	0.166	0.708**		0.307	0.306	0.172
	(0.272)	(0.273)	(0.284)	(0.284)		(0.277)	(0.230)	(0.242)
Home country control	No	No	No	Yes	Yes	No	No	No
Half-decade control	No	No	No	No	Yes	No	No	No
Observations	37849	37849	35209	37849	37849	37849	37849	37723
Dyads	1839	1839	1814	1839	1839	1839	1839	1831
Log Likelihood	-2898.5	-2896.8	-2702.9	-2776.0	-2763.8	-2883.1	-778.0	-2241.4
χ^2	546.8	557.9	535.2	774.2	4947.3	604.5	599.0	584.3

Note: Regression coefficients are shown with robust standard errors in parentheses. All models use party-based autocratic regime as the proxy for long regime time horizon. Model 1 adopts the basic specification. Model 2 includes an interaction term between party-based regime and post-1996 dummy. Model 3 controls for leadership tenure. Model 4 controls for home country dummies while model 5 includes half-decade dummies. Model 6 is tested for proportional hazard assumption with the Schoenfeld test. Variables that violate this assumption are interacted with the logged function of time. Model 7 employs a parametric survival model - Weibull model. Model 8 uses logistic model with cubic splines. All independent variables are lagged one year. Home country dummies, half decade dummies, splines, and constants are left out due to space constraint. * (p<0.10), ** (p<0.05), *** (p<0.01)

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