



RCI-POD series

BILATERAL INVESTMENT TREATIES AND FDI ALLOCATION

IMPLICATIONS FOR ASIA

Rolando Avendano

Fahad Khan

Economic Research and Regional Cooperation Department (ERCD)
Asian Development Bank

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Introduction

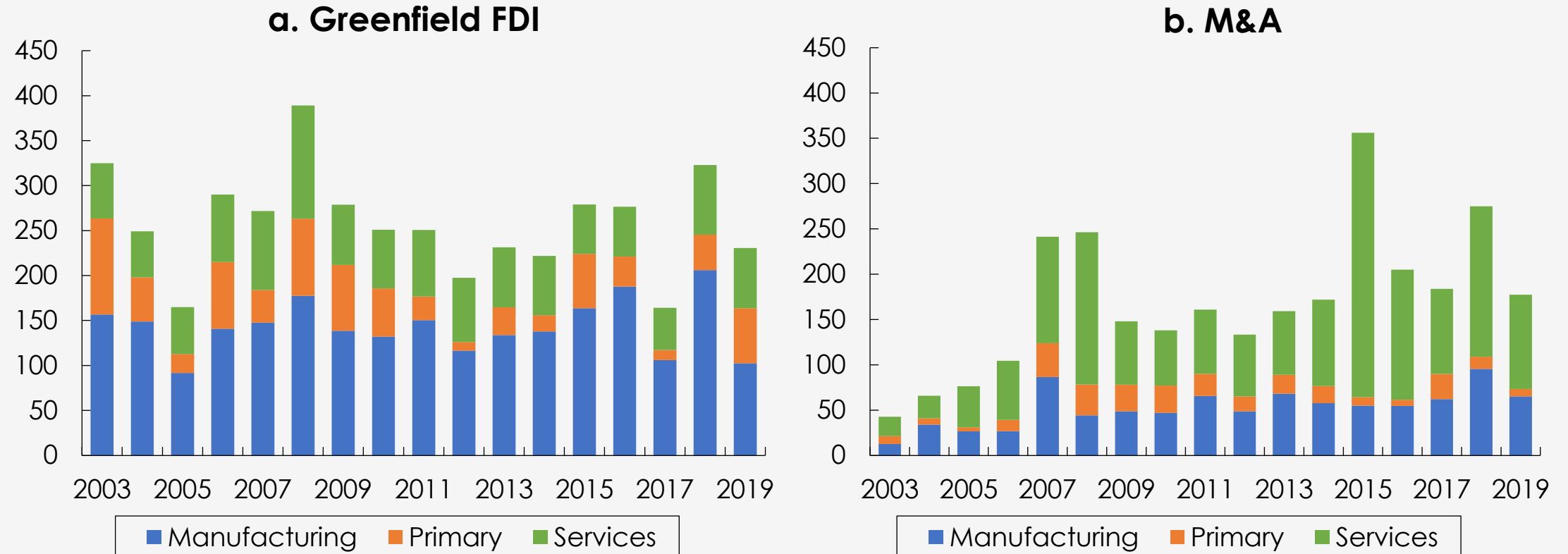
- Asian economies have signed an increasing number of BITs in recent years with provisions strengthening over time. However, the heterogeneity of BITs has increased.
- As an increasingly employed instrument of international investment policy, how effective are BITs facilitating FDI ? The empirical evidence is mixed.
- The impact of BITs possibly differs by mode of entry, sector or industry, and the generation and template of the agreements
- Exploit the granularity of ADB's BIT dataset (15 provisions) and disaggregated FDI flows for more detailed empirical analysis.

Policy Considerations for Analysis

- Role of BITs in the context of regional agreements. What are the trade-offs?
- Can BITs substitute for poor business environment and governance ?
- Balancing Investor and State rights → Interaction between different BIT provisions e.g. Public Interest versus Investor State Dispute Mechanisms.
- An '**ideal**' template or flexible treaty design (dictated by broader industrial and development strategy, and the 'type' of FDI i.e. mode of entry, sectors) ?

Greenfield FDI has historically been the dominant mode of entry in manufacturing, M&A for services

Total Inward Foreign Direct Investment to Asia, by Sector (\$ billion)



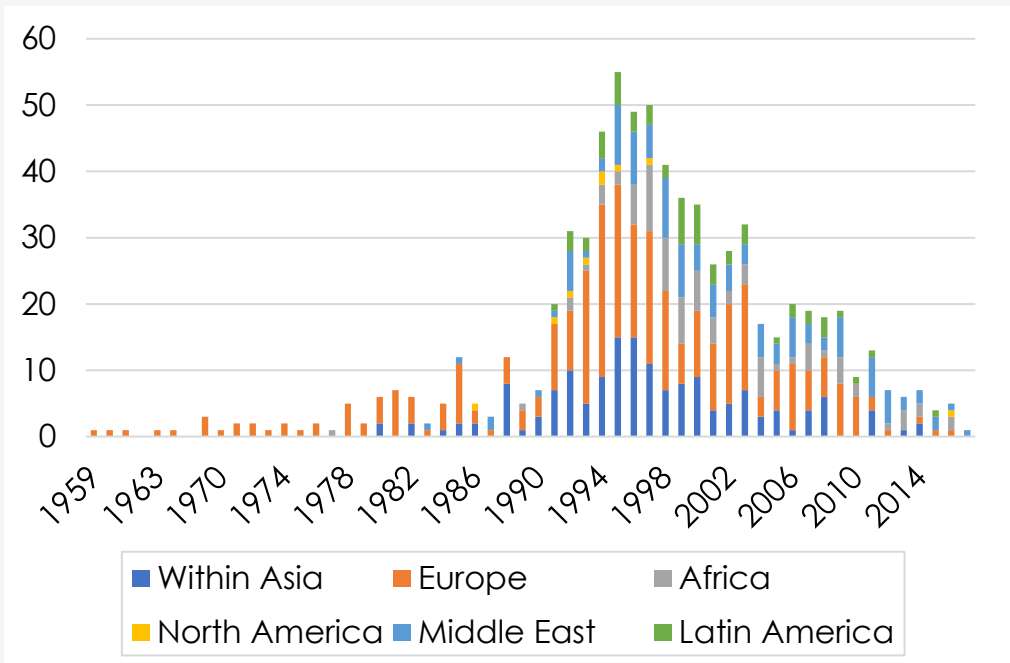
FDI = foreign direct investment, M&A = merger and acquisition.

Sources: ADB calculations using data from Bureau van Dijk, Zephyr M&A Database; and Financial Times. fDi Markets (both accessed June 2020).

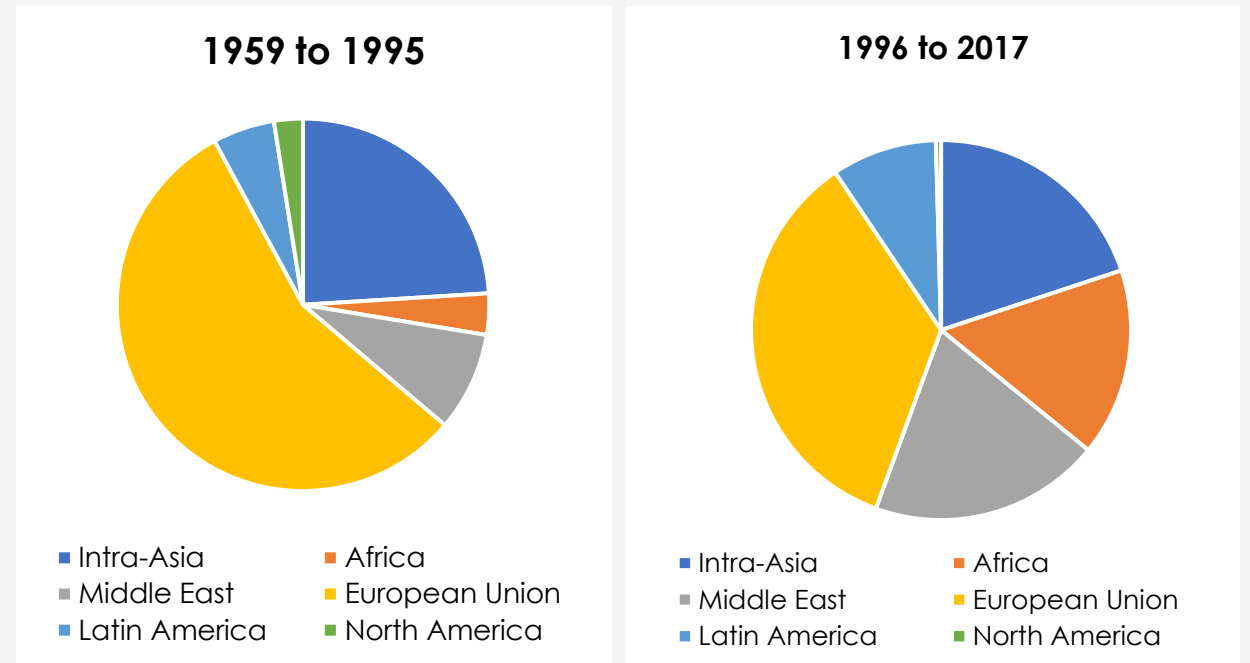
Composition of Asian BITs has evolved, with increasing participation of emerging economies

Number of enforced Asian BITs and regional distribution, by year

Number of signed BIT treaties by Asian economies



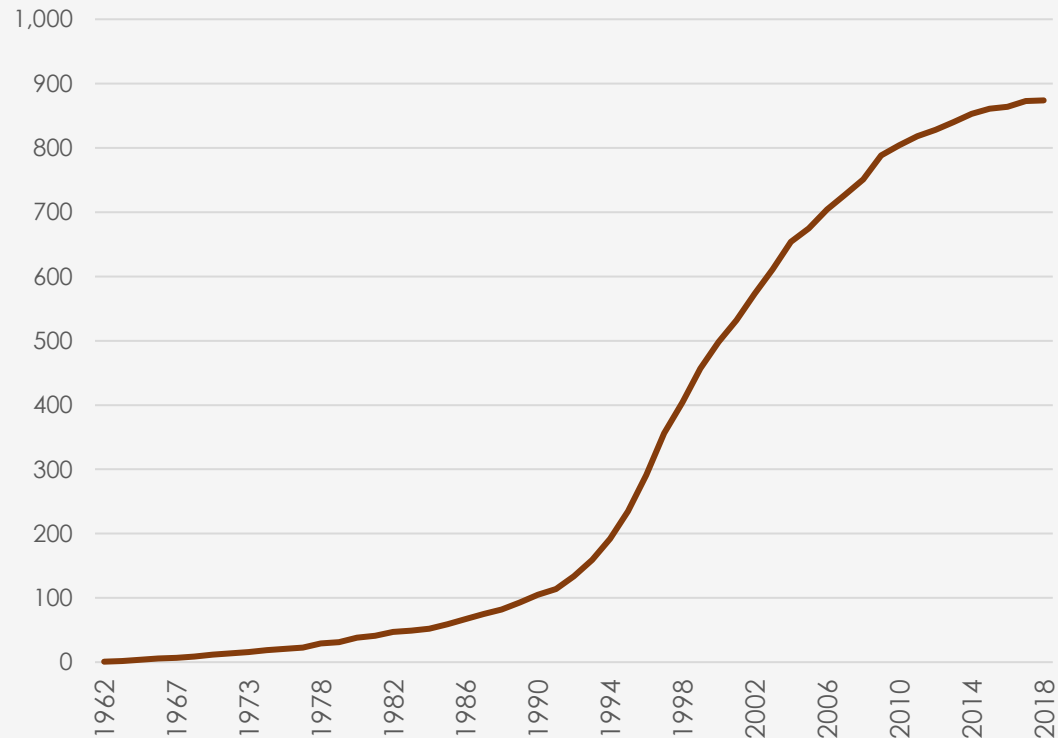
Composition of Asia's BITs, by region



Source: ADB database on International Investment Agreements (2020).

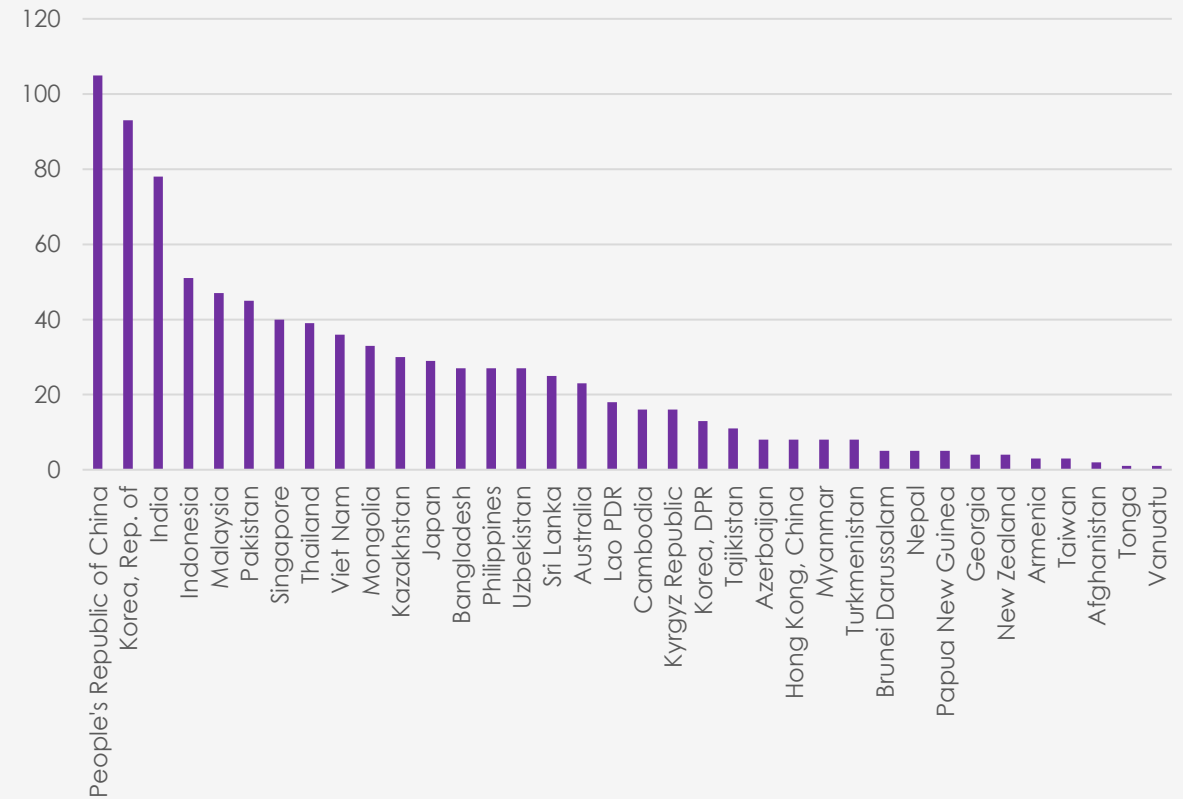
BIT instrument widely used by larger economies

Cumulative number of BITs in Asia*



Source: ADB database on International Investment Agreements (2020).

Number of enforced BITs by country - Asia



Note: Only includes the enforced BITs.

Source: ADB database on International Investment Agreements (2020).

BIT provision families

Dimension	Definition	BIT provisions included
Entry	Entry rules for foreign investors (<i>ie.</i> liberalization)	<ul style="list-style-type: none"> • Admission vs. establishment • Non-economic standards • Investment-related funds
Treatment	Treatment given to foreign investors against domestic ones.	<ul style="list-style-type: none"> • National treatment • Most favoured nation • Public interest obligations
Scope	Definition of investment, jurisdiction and duration of treaty	<ul style="list-style-type: none"> • Definition of investment • Umbrella clause • Temporal scope of application • Exception clause • Performance requirements
Expropriation	Arrangements for host States to take over foreign assets.	<ul style="list-style-type: none"> • Fair and equitable treatment • Direct and indirect expropriation
Dispute mechanism	Existence and specific features of dispute settlement	<ul style="list-style-type: none"> • Access to arbitration • ISA transparency

ADB BIT database classifies new investment provisions

Public Interest Obligations

Labor, health and environmental standards to avoid disputes post-establishment.

Performance requirements

Designed to protect or support certain industries or regional development policies.

Exception clause

National security or general exceptions to protect strategic industries in times of economic crises/shocks.

Access to arbitration

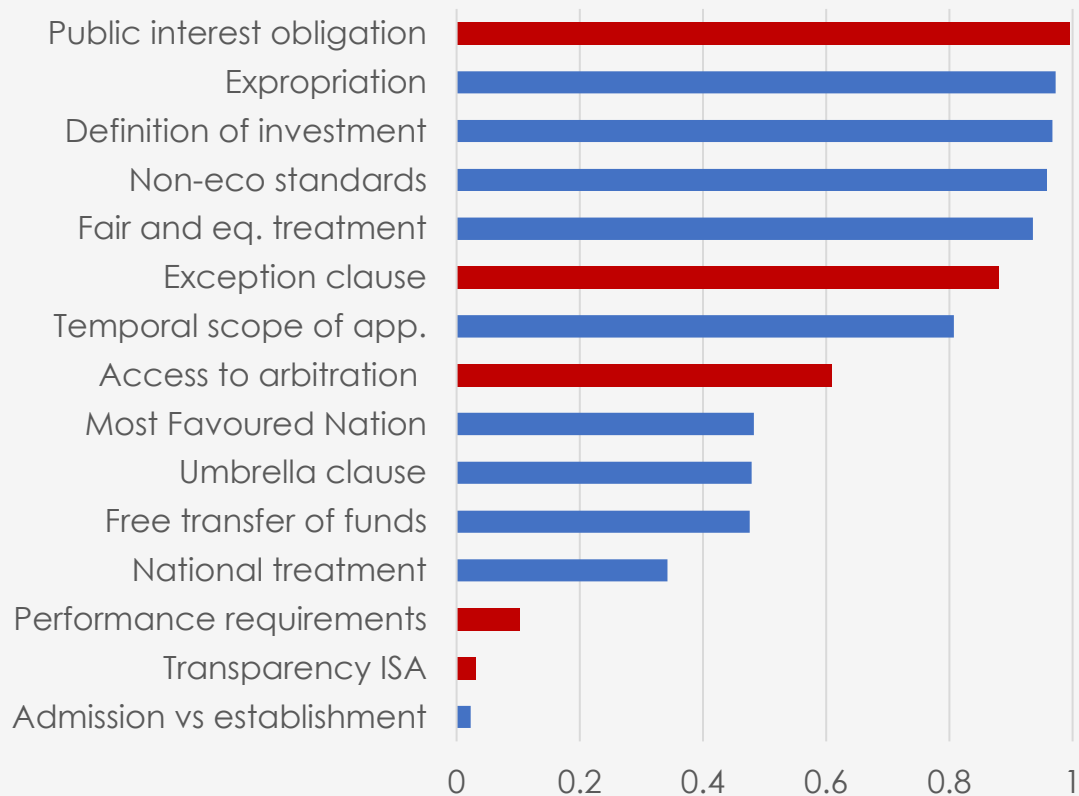
General provisions on investor-State dispute settlement, defining the type of disputes to which the mechanisms apply.

Transparency in ISA

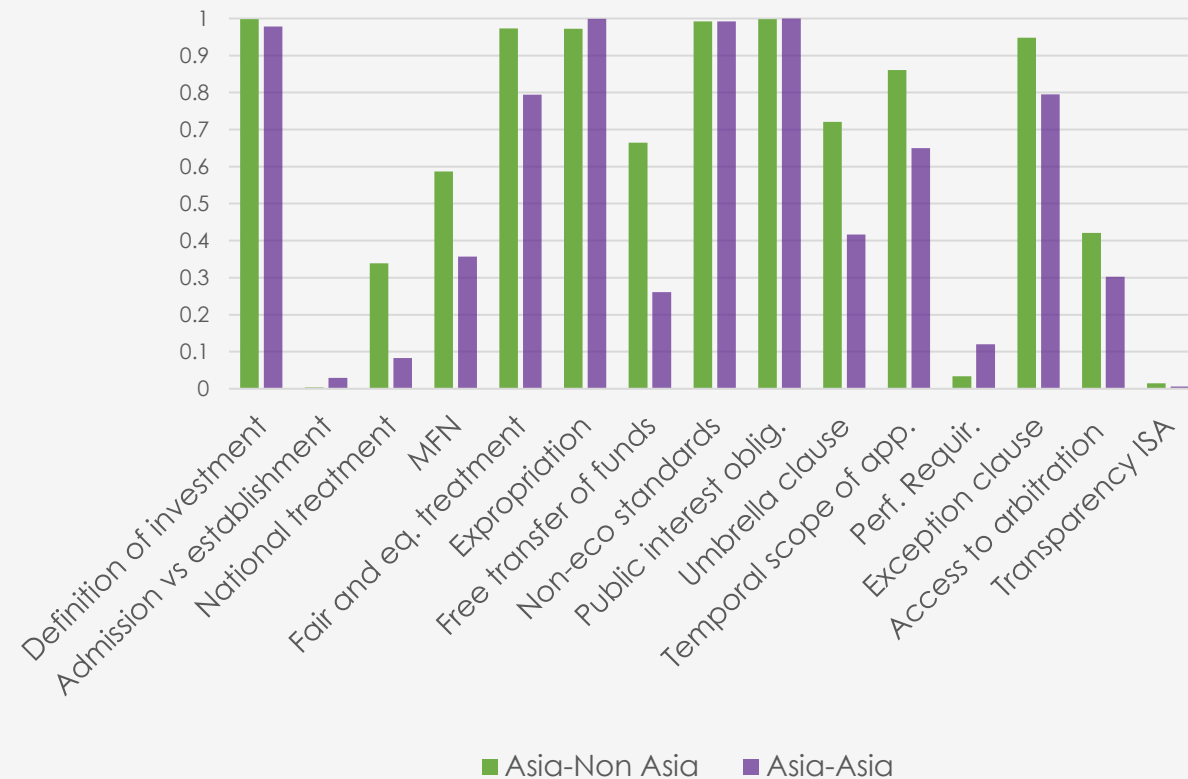
Procedures for appointing arbitrators, arbitration venues available, obligation to consider the arbitration award final and binding.

Adoption and structure of provisions in Asian treaties differ substantially, depending on national priorities and partner States

Average score for BIT provisions in Asia



BIT provisions for intra and extra-regional agreements

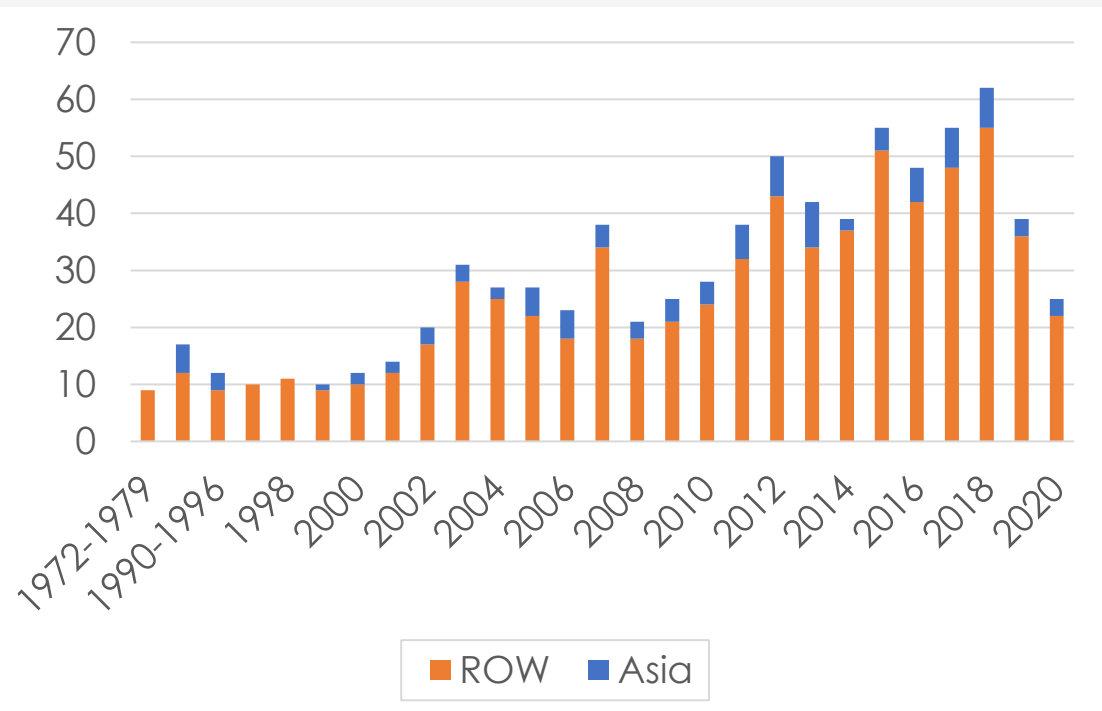


Note: Bars in red denote additional provisions included in the ADB BIT database (2020). For all provisions, the higher the value the more likely is the treaty to foster FDI.
 Source: ADB database on International Investment Agreements (2020).

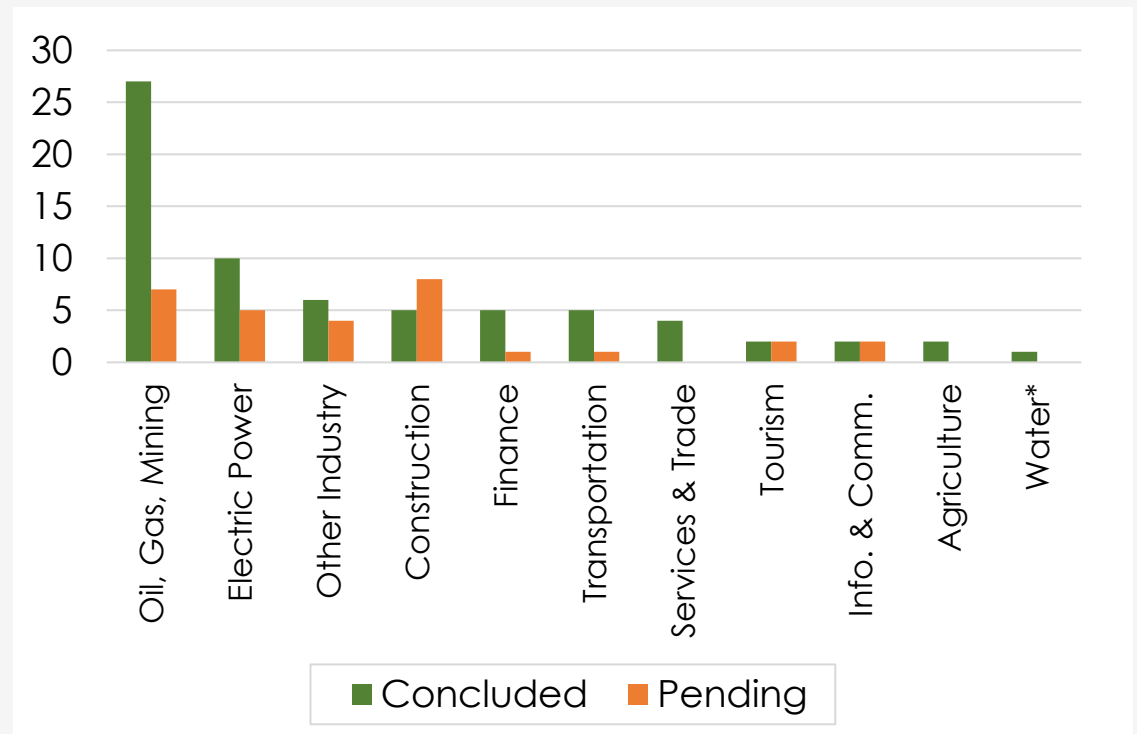
Investor-State disputes have increased and concentrate on some sectors, also in Asia

Trends in Investor-State disputes in Asia

Number of State-investor cases by year (Asia and ROW)



Investor-State cases in Asia, by Sector and Status

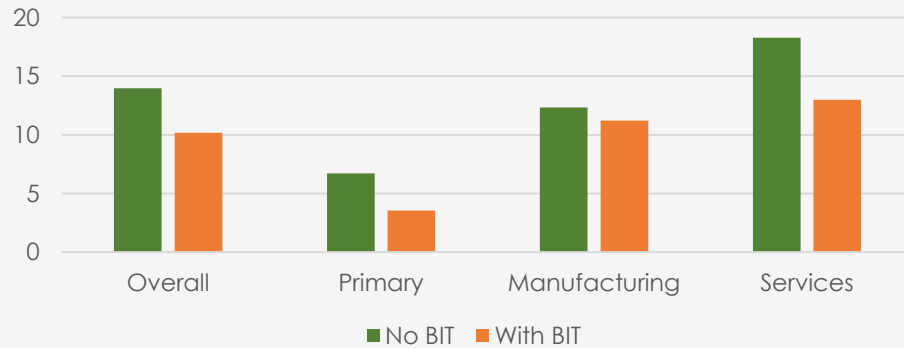


Source: ADB, based on Center for Settlement of International Disputes (ICSID) database, 2020

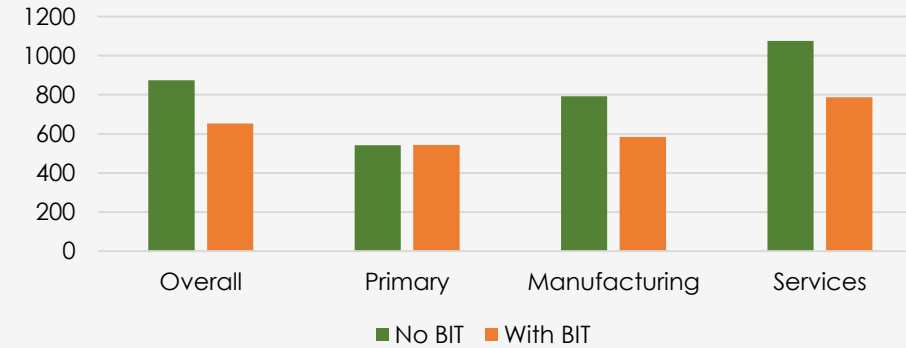
Descriptive statistics - FDI by entry mode

Mergers and Acquisition

Average number of deals

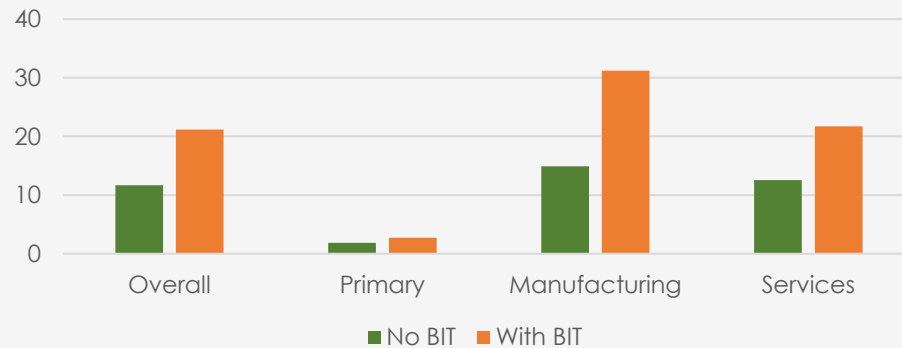


Average value of deal allocated (million USD)

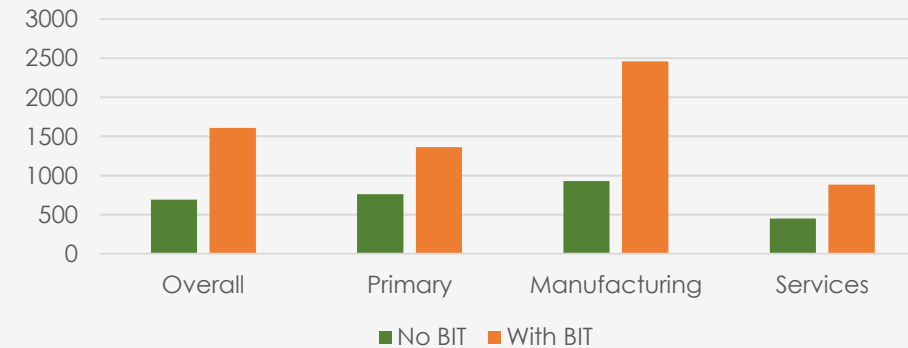


Greenfield investment

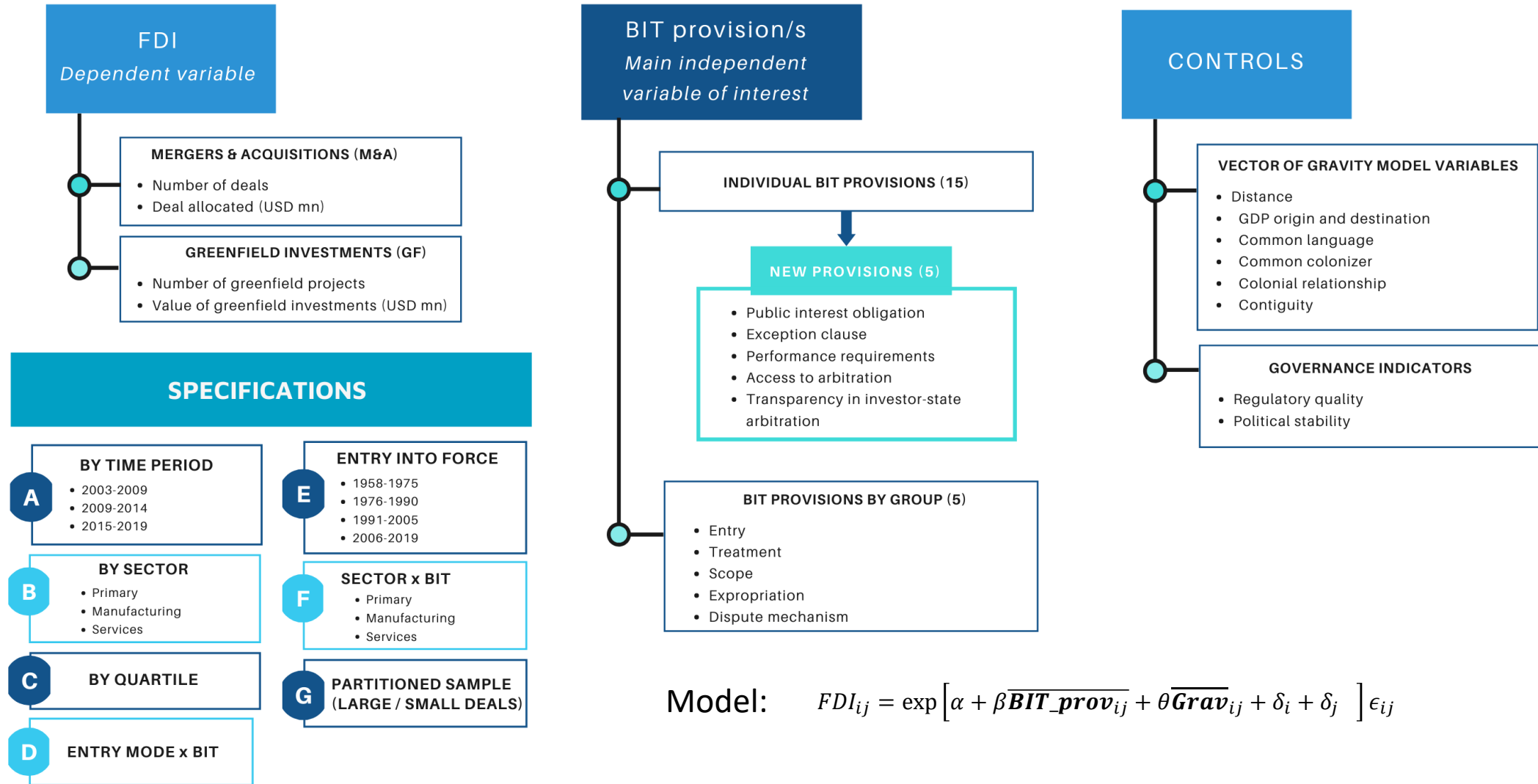
Average number of greenfield investment



Average value of greenfield investment (million USD)



An Empirical Model to assess the impact of BIT provisions on FDI



Main Results

Results for total FDI (by entry mode) and BIT in force: 2004-19

VARIABLES	M&A		G&F	
	Number of deals	Deal allocated	Projects	Investment
BIT	0.0977 (0.146)	0.221 (0.179)	0.412*** (0.0898)	0.227** (0.104)
FDI variable (initial condition = 2003)	1.071*** (0.137)	0.371*** (0.0490)	0.596*** (0.0447)	0.289*** (0.0199)
(mean) iso_gov_pol_stability	0.139 (0.0940)	0.0118 (0.153)	-0.0335 (0.0715)	0.0895 (0.0719)
(mean) p_iso_gov_pol_stability	0.211 (0.144)	0.830*** (0.147)	-0.0521 (0.0945)	0.120 (0.105)
(mean) iso_gov_reg_quality	-0.0463 (0.113)	0.360* (0.184)	0.124* (0.0643)	-0.363*** (0.0821)
(mean) p_iso_gov_reg_quality	0.309** (0.148)	-0.469*** (0.143)	0.370*** (0.0934)	0.0701 (0.102)
(mean) Indist	-0.0322 (0.130)	0.372* (0.199)	-0.210*** (0.0617)	-0.405*** (0.0630)
(mean) lngdp_o	0.316*** (0.0561)	0.372*** (0.0658)	0.333*** (0.0291)	0.389*** (0.0354)
(mean) lngdp_d	0.186* (0.106)	0.383*** (0.0923)	0.492*** (0.0300)	0.495*** (0.0448)
(mean) contig	-0.107 (0.364)	1.386*** (0.343)	0.327** (0.136)	0.197 (0.174)
(mean) comlang_off	0.678*** (0.222)	0.824*** (0.175)	0.479*** (0.0641)	0.577*** (0.116)
(mean) colony	-0.321* (0.169)	-0.280 (0.262)	0.140 (0.157)	-0.00205 (0.187)
(mean) comcol	0.682*** (0.257)	1.242*** (0.447)	0.617*** (0.143)	0.274 (0.177)
Constant	-11.21*** (3.535)	-17.38*** (2.859)	-18.19*** (1.529)	-13.69*** (1.893)
Observations	2,715	2,715	2,715	2,715
Pseudo R2	0.808	0.700	0.867	0.770

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019.

Method:

- Poisson pseudo-maximum likelihood estimator (Santos Silva and Teneyro 2006) to address zero FDI flows
- The initial condition is represented by the log of the dependent (FDI) variable
- BIT variable measured as the presence of BIT for **at least 2 years**

Interpretation:

- BIT is associated with an increase of 50.1% in GF projects and 25.5% in GF investments.

Results for total FDI and individual BIT provisions: 2004-19

	Dependent variable			
	M&A		G&F	
	Number of deals	Deal allocated	Projects	Investment
BIT	0.0977	0.221	0.412***	0.227**
	-0.146	-0.179	-0.0898	-0.104
Definition of investment	-0.0145	0.0618	0.153***	0.0528
	-0.0681	-0.0836	-0.0432	-0.0478
Admission vs. establishment	0.0361	0.113	0.248***	0.0638
	-0.126	-0.151	-0.0847	-0.0863
National Treatment	-0.039	0.127	0.240***	0.107
	-0.0864	-0.13	-0.0534	-0.0654
Most Favoured Nation	0.00394	0.12	0.215***	0.0916
	-0.0827	-0.108	-0.0466	-0.0571
Fair and equitable treatment	0.0274	0.075	0.204***	0.0957**
	-0.0594	-0.082	-0.0373	-0.0479
Expropriation	-0.0177	0.0683	0.160***	0.0674
	-0.0688	-0.0846	-0.0443	-0.0486
Free transfer	0.0395	0.0869	0.212***	0.0716
	-0.0945	-0.101	-0.0445	-0.0572
Non-economic standards	-0.0255	0.0635	0.159***	0.069
	-0.07	-0.0853	-0.0443	-0.049
Public interest	-0.0197	0.155	0.294***	0.119
	-0.143	-0.175	-0.0881	-0.0971
Umbrella clause	0.0155	0.139	0.218***	0.087
	-0.0727	-0.0975	-0.0416	-0.053
Temporal scope	0.0144	0.0224	0.194***	0.0903*
	-0.062	-0.0809	-0.0389	-0.0481
Performance Requirements	0.34	-0.623**	0.0332	-0.207
	-0.218	-0.302	-0.26	-0.227
Exception	-0.0359	0.0697	0.140***	0.0588
	-0.077	-0.0895	-0.0468	-0.0495
Arbitration	0.144	0.235	0.280***	-0.0357
	-0.158	-0.189	-0.076	-0.0944
ISA	0.637	-0.299	-0.479	-0.49
	-0.443	-0.628	-0.454	-0.468
Observations	2,715	2,715	2,715	2,715

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019.

Results for total FDI and individual BIT families: 2004-19

	Dependent variable			
	M&A		GF	
	Number of deals	Deal allocated	Projects	Investment
Entry	0.00444	0.0884	0.219***	0.0789
	-0.0946	-0.111	-0.0543	-0.063
Treat	-0.017	0.137	0.268***	0.115
	-0.1	-0.136	-0.0602	-0.0727
Scope	-0.00382	0.0799	0.229***	0.0878
	-0.0873	-0.11	-0.0527	-0.0628
Expr	0.00435	0.0724	0.185***	0.0828*
	-0.0639	-0.0839	-0.0399	-0.0485
lsdm	0.355	0.435	0.459***	-0.158
	-0.307	-0.369	-0.161	-0.193
Observations	2,715	2,715	2,715	2,715

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019.

Results total FDI variable (number) and BIT provisions – 2004-19

Dependent variable = FDI variable	Independent variables = BIT & Individual provisions								
	BIT	Definition of investment	Admission vs. establishment	National Treatment	Most Favoured Nation	Fair and equitable treatment	Expropriation	Free transfer	Non-economic standards
BIT	0.446*** (0.134)	0.189*** (0.0648)	0.270** (0.121)	0.285*** (0.0869)	0.250*** (0.0759)	0.198*** (0.0637)	0.191*** (0.0656)	0.280*** (0.0781)	0.213*** (0.0654)
Prov x M&A	-0.877*** (0.143)	-0.427*** (0.0688)	-0.700*** (0.135)	-0.662*** (0.0925)	-0.531*** (0.0889)	-0.430*** (0.0722)	-0.433*** (0.0690)	-0.544*** (0.100)	-0.442*** (0.0709)
Observations	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Pseudo R2	0.705	0.705	0.705	0.705	0.705	0.705	0.705	0.705	0.705

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Dependent variable = FDI variable	Independent variables = BIT & Individual provisions							
	BIT	Public interest	Umbrella clause	Temporal scope	Performance Requirements	Exception	Arbitration	ISA
BIT	0.192*** (0.0652)	0.248*** (0.0703)	0.191*** (0.0636)	0.237** (0.102)	0.194*** (0.0652)	0.194*** (0.0652)	0.215*** (0.0693)	0.236** (0.112)
Prov x M&A	-0.430*** (0.0685)	-0.487*** (0.0884)	-0.446*** (0.0768)	-0.663*** (0.112)	-0.451*** (0.0711)	-0.451*** (0.0711)	-0.460*** (0.0884)	-0.719*** (0.128)
Observations	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Pseudo R2	0.705	0.705	0.705	0.705	0.705	0.705	0.705	0.705

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Results for M&A (number deals and deal value) by sector: 2004-19

Dependent variable = Number and deals	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	-0.0769 (0.177)	-0.0431 (0.123)	-0.0711 (0.107)	-0.0629 (0.104)	-0.0567 (0.0885)	-0.0765 (0.132)
Prov x Primary	-0.253 (0.334)	-0.182 (0.213)	-0.131 (0.196)	-0.144 (0.188)	-0.0938 (0.164)	-0.142 (0.241)
Prov x Services	-0.365*** (0.110)	-0.247*** (0.0735)	-0.214*** (0.0668)	-0.212*** (0.0641)	-0.177*** (0.0534)	-0.238*** (0.0809)
Observations	5,027	5,027	5,027	5,027	5,027	5,027
Pseudo R2	0.610	0.610	0.610	0.610	0.610	0.609

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Dependent variable = Deal allocated	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	-0.115 (0.235)	-0.0575 (0.149)	-0.0434 (0.151)	-0.0533 (0.135)	-0.0432 (0.113)	-0.116 (0.159)
Prov x Primary	0.718** (0.333)	0.450** (0.215)	0.386* (0.200)	0.390** (0.190)	0.363** (0.164)	0.567** (0.238)
Prov x Services	-0.0961 (0.250)	-0.111 (0.162)	-0.0627 (0.161)	-0.101 (0.143)	-0.0683 (0.126)	-0.0460 (0.188)
Observations	5,027	5,027	5,027	5,027	5,027	5,027
Pseudo R2	0.508	0.508	0.507	0.508	0.508	0.508

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Results for Greenfield (number projects and investment) by sector: 2004-19

Dependent variable = Greenfield projects	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.312**	0.213**	0.193**	0.172**	0.146**	0.136
	(0.134)	(0.0892)	(0.0822)	(0.0769)	(0.0652)	(0.0873)
Prov x Primary	-0.141	-0.0552	-0.0374	-0.0303	0.00313	0.0247
	(0.202)	(0.131)	(0.118)	(0.111)	(0.0939)	(0.129)
Prov x Services	-0.327**	-0.208**	-0.178**	-0.179**	-0.147**	-0.150
	(0.134)	(0.0879)	(0.0823)	(0.0770)	(0.0653)	(0.0948)
Observations	5,027	5,027	5,027	5,027	5,027	5,027
Pseudo R2	0.731	0.731	0.731	0.731	0.731	0.730

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Dependent variable = Greenfield investments	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.291*	0.175*	0.159	0.149	0.137*	0.0798
	(0.157)	(0.106)	(0.0971)	(0.0919)	(0.0780)	(0.0975)
Prov x Primary	-0.266	-0.165	-0.109	-0.122	-0.0745	-0.0812
	(0.285)	(0.187)	(0.176)	(0.165)	(0.141)	(0.194)
Prov x Services	-0.442***	-0.286***	-0.256***	-0.240***	-0.206***	-0.244**
	(0.142)	(0.0931)	(0.0906)	(0.0836)	(0.0720)	(0.101)
Observations	5,027	5,027	5,027	5,027	5,027	5,027
Pseudo R2	0.579	0.579	0.579	0.579	0.579	0.577

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Sensitivity analysis

Key results hold under several sensitivity and robustness tests:

- Estimation of a model of cumulative FDI as the dependent variable (with a time dimension).
- Inclusion of country and time fixed-effects; sectoral and sub-sectoral effects
- Additional controls: Various measures of governance and business environment, RTAs
- Alternative specifications: Dividing sample for top country pairs in number of deals and deal value; quartile regressions by deal value (USD)
- Alternative estimation techniques: Pooled OLS, Fixed Effects, Dynamic panel estimators

Key Findings

- The impact of BITs tend to be contingent on the type of entry mode (M&A or GF).
- Initial estimates suggest a positive and significant association between BIT provisions and greenfield investment in Asia.
- Provisions relating to Treatment given to foreign investors against domestic ones (**TREAT**) seem to be the most important.
- Among the new provisions, **public interest**, **exception clause** and **access to arbitration** tend to have a significant effect on greenfield projects.
- We also find that the impact of BIT provisions on greenfield differs by sector - **manufacturing** sector tends to benefit more

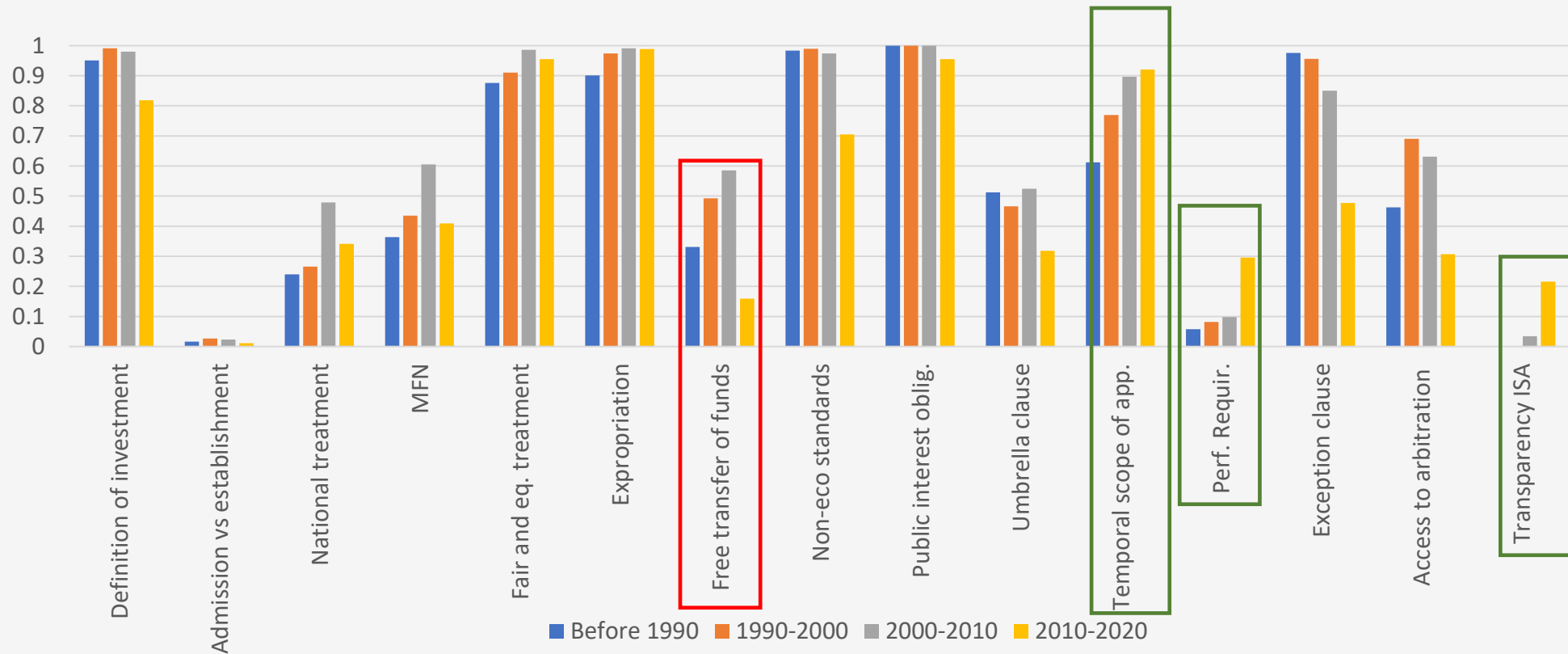
Current extensions

- Consider 6-sector classification (primary: agriculture and mining; manufacturing: low and high-tech; services: business, financial and all other services)
- Analysis of dominant BIT templates (*US vs Japan vs EU; IntraAsian vs with ROW*)
- clustering
- Temporal differences across year of signature i.e. different generations of BITs
- Interaction of BIT with indicators of business environment, governance and RTAs
- A difference in difference approach to better establish causality

Thank you!

Incorporation of certain BIT provisions in Asian treaties has increased over time

Average BIT provisions by year of signature or enforcement



Note: For all provisions, the higher the value the more likely is the treaty to foster FDI.

Source: ADB database on International Investment Agreements (2020).

Results total FDI (number) and BIT families– 2004-19

Dependent variable = FDI variable	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.446***	0.279***	0.252***	0.229***	0.197***	0.251***
	(0.134)	(0.0881)	(0.0802)	(0.0759)	(0.0654)	(0.0921)
Prov x M&A	-0.877***	-0.579***	-0.550***	-0.512***	-0.436***	-0.601***
	(0.143)	(0.0966)	(0.0838)	(0.0830)	(0.0714)	(0.106)
Observations	5,430	5,430	5,430	5,430	5,430	5,430
Pseudo R2	0.705	0.706	0.706	0.706	0.705	0.704

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Results total FDI variable (number) and BIT provisions – 2004-19

Dependent variable = FDI variable	Independent variables = BIT & Individual provisions								
	BIT	Definition of investment	Admission vs. establishment	National Treatment	Most Favoured Nation	Fair and equitable treatment	Expropriation	Free transfer	Non-economic standards
BIT	0.446*** (0.134)	0.189*** (0.0648)	0.270** (0.121)	0.285*** (0.0869)	0.250*** (0.0759)	0.198*** (0.0637)	0.191*** (0.0656)	0.280*** (0.0781)	0.213*** (0.0654)
Prov x M&A	-0.877*** (0.143)	-0.427*** (0.0688)	-0.700*** (0.135)	-0.662*** (0.0925)	-0.531*** (0.0889)	-0.430*** (0.0722)	-0.433*** (0.0690)	-0.544*** (0.100)	-0.442*** (0.0709)
Observations	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Pseudo R2	0.705	0.705	0.705	0.705	0.705	0.705	0.705	0.705	0.705

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Dependent variable = FDI variable	Independent variables = BIT & Individual provisions							
	BIT	Public interest	Umbrella clause	Temporal scope	Performance Requirements	Exception	Arbitration	ISA
BIT	0.192*** (0.0652)	0.248*** (0.0703)	0.191*** (0.0636)	0.237** (0.102)	0.194*** (0.0652)	0.194*** (0.0652)	0.215*** (0.0693)	0.236** (0.112)
Prov x M&A	-0.430*** (0.0685)	-0.487*** (0.0884)	-0.446*** (0.0768)	-0.663*** (0.112)	-0.451*** (0.0711)	-0.451*** (0.0711)	-0.460*** (0.0884)	-0.719*** (0.128)
Observations	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Pseudo R2	0.705	0.705	0.705	0.705	0.705	0.705	0.705	0.705

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Results total FDI (USD value) and BIT family – 2004-19

Dependent variable = FDI variable	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.617***	0.366***	0.330***	0.314***	0.283***	0.324***
	(0.152)	(0.0994)	(0.0891)	(0.0861)	(0.0735)	(0.0984)
Prov x M&A	-1.109***	-0.730***	-0.641***	-0.634***	-0.542***	-0.746***
	(0.200)	(0.132)	(0.127)	(0.116)	(0.1000)	(0.147)
Observations	5,430	5,430	5,430	5,430	5,430	5,430
Pseudo R2	0.576	0.576	0.575	0.575	0.576	0.573

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Results total FDI (deal value USD) and BIT provisions – 2004-19

Dependent variable = FDI variable	Independent variables = BIT & Individual provisions								
	BIT	Definition of investment	Admission vs. establishment	National Treatment	Most Favoured Nation	Fair and equitable treatment	Expropriation	Free transfer	Non-economic standards
BIT	0.617*** (0.152)	0.261*** (0.0731)	0.394*** (0.131)	0.348*** (0.0958)	0.315*** (0.0829)	0.284*** (0.0714)	0.275*** (0.0741)	0.319*** (0.0882)	0.295*** (0.0740)
Prov x M&A	-1.109*** (0.200)	-0.529*** (0.0967)	-0.926*** (0.171)	-0.704*** (0.157)	-0.598*** (0.132)	-0.533*** (0.100)	-0.539*** (0.0975)	-0.683*** (0.130)	-0.545*** (0.100)
Observations	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Pseudo R2	0.576	0.575	0.574	0.573	0.574	0.575	0.576	0.574	0.576

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Dependent variable = FDI variable	Independent variables = BIT & Individual provisions							
	BIT	Public interest	Umbrella clause	Temporal scope	Performance Requirements	Exception	Arbitration	ISA
BIT	0.617*** (0.152)	0.270*** (0.0740)	0.321*** (0.0803)	0.261*** (0.0725)	0.327*** (0.109)	0.273*** (0.0732)	0.251*** (0.0716)	0.353*** (0.123)
Prov x M&A	-1.109*** (0.200)	-0.538*** (0.0968)	-0.577*** (0.119)	-0.570*** (0.100)	-0.865*** (0.146)	-0.532*** (0.105)	-0.557*** (0.123)	-0.915*** (0.167)
Observations	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Pseudo R2	0.576	0.576	0.574	0.575	0.575	0.574	0.571	0.574

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Dependent variable is taken as the total from 2004-2019. Includes main effects of the variables in the interaction.

Time interaction terms – enforcement dates

		Independent variables = BIT & BIT families					
Dependent variable = FDI variable		BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT		-3.221***	-2.353***	-2.279***	-1.950***	-1.616***	-2.892***
		-0.829	-0.624	-0.602	-0.529	-0.415	-0.751
Prov x (1958 - 1975)		2.784***	2.029***	2.032***	1.710***	1.405***	2.620***
		-0.831	-0.622	-0.601	-0.528	-0.42	-0.748
Prov x (1976 - 1990)		3.199***	2.347***	2.252***	1.912***	1.559***	2.843***
		-0.818	-0.618	-0.592	-0.52	-0.405	-0.741
Prov x (1991 - 2005)		2.712***	2.050***	1.977***	1.655***	1.354***	2.525***
		-0.803	-0.606	-0.584	-0.513	-0.402	-0.735
Prov x (2006 - 2019)		2.375***	1.856***	1.750***	1.461***	1.184***	2.243***
		-0.846	-0.646	-0.602	-0.532	-0.423	-0.773
Observations		73,604	73,604	73,604	73,604	73,604	73,604
Pseudo R2		0.522	0.521	0.522	0.522	0.522	0.521

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators.

Results for Total FDI (no stacking) – Manufacturing industry as the base variable

Dependent variable = Number of deals	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	-0.0746	-0.036	-0.0563	-0.0501	-0.0447	-0.0521
	-0.33	-0.225	-0.201	-0.196	-0.172	-0.256
Prov x Primary	-2.458***	-1.618***	-1.521***	-1.433***	-1.222***	-1.889***
	-0.145	-0.107	-0.107	-0.1	-0.0965	-0.153
Prov x Services	-0.535***	-0.355***	-0.329***	-0.313***	-0.266***	-0.389***
	-0.0527	-0.0361	-0.0333	-0.0323	-0.0279	-0.0459
Observations	5,027	5,027	5,027	5,027	5,027	5,027
Pseudo R2	0.723	0.723	0.723	0.723	0.723	0.723

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Manufacturing sector was set as base.

Dependent variable = Deal allocated	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.146	0.115	0.125	0.0871	0.0831	0.13
	-0.292	-0.198	-0.177	-0.169	-0.151	-0.228
Prov x Primary	-2.251***	-1.520***	-1.401***	-1.331***	-1.126***	-1.725***
	-0.17	-0.109	-0.112	-0.106	-0.0968	-0.146
Prov x Services	-0.532***	-0.360***	-0.324***	-0.313***	-0.268***	-0.387***
	-0.045	-0.0299	-0.0284	-0.027	-0.023	-0.0381
Observations	5,027	5,027	5,027	5,027	5,027	5,027
Pseudo R2	0.684	0.684	0.684	0.684	0.684	0.684

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GFP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Manufacturing sector was set as base.

Results for total FDI (no stacking) – Manufacturing industry as the base variable

Dependent variable = Greenfield investments	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.764***	0.517***	0.494***	0.447***	0.389***	0.480***
	-0.204	-0.132	-0.12	-0.117	-0.102	-0.145
Prov x Primary	-2.822***	-1.859***	-1.717***	-1.641***	-1.424***	-2.123***
	-0.104	-0.0924	-0.107	-0.095	-0.0937	-0.167
Prov x Services	-0.657***	-0.431***	-0.391***	-0.380***	-0.329***	-0.463***
	-0.0598	-0.0395	-0.0379	-0.0371	-0.0332	-0.0548
Observations	5,027	5,027	5,027	5,027	5,027	5,027
Pseudo R2	0.824	0.824	0.824	0.824	0.823	0.821

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Manufacturing sector was set as base.

Dependent variable = Greenfield investments	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.676***	0.458***	0.441***	0.409***	0.364***	0.404**
	-0.242	-0.158	-0.142	-0.14	-0.121	-0.159
Prov x Primary	-2.633***	-1.747***	-1.626***	-1.545***	-1.335***	-2.032***
	-0.13	-0.0984	-0.108	-0.104	-0.101	-0.169
Prov x Services	-0.668***	-0.441***	-0.405***	-0.390***	-0.337***	-0.485***
	-0.0597	-0.039	-0.0364	-0.0363	-0.0331	-0.0547
Observations	5,027	5,027	5,027	5,027	5,027	5,027
Pseudo R2	0.796	0.796	0.797	0.796	0.796	0.794

*** Significant at 1%, **Significant at 5%, *Significant at 10%

Note: PPML estimates. Robust standard errors clustered by country pair. Baseline control variables (average from 2004-2019) include: log(distance), log(GDP origin country), log(GDP destination country), contiguity, common language, colonial relationship, common colonizer and governance indicators. Manufacturing sector was set as base.

Results for BIT template

Dependent variable = Number and deals	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.185 (0.142)	0.0513 (0.0948)	0.0256 (0.0803)	0.0341 (0.0776)	0.0382 (0.0646)	0.0618 (0.0996)
Prov x USA	-1.347*** (0.474)	-0.745** (0.291)	-0.876** (0.344)	-0.684*** (0.258)	-0.603*** (0.233)	-0.813*** (0.313)
BIT	0.129 (0.131)	0.0145 (0.0878)	-0.0131 (0.0766)	-0.00346 (0.0738)	0.000766 (0.0612)	0.0213 (0.0978)
Prov x Japan	-0.536 (0.523)	-0.375 (0.357)	-0.254 (0.350)	-0.233 (0.322)	-0.188 (0.300)	-0.266 (0.426)
BIT	0.0994 (0.200)	0.0178 (0.138)	-0.00950 (0.118)	-0.00254 (0.108)	0.0133 (0.0867)	0.0348 (0.146)
Prov x EU	0.174 (0.237)	0.0893 (0.156)	0.0886 (0.137)	0.0873 (0.129)	0.0561 (0.105)	0.0627 (0.166)

Dependent variable = Greenfield projects	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.387*** (0.0882)	0.199*** (0.0533)	0.192*** (0.0496)	0.182*** (0.0470)	0.171*** (0.0402)	0.205*** (0.0563)
Prov x USA	-0.799*** (0.227)	-0.452*** (0.129)	-0.501*** (0.157)	-0.411*** (0.122)	-0.371*** (0.107)	-0.472*** (0.141)
BIT	0.457*** (0.0739)	0.232*** (0.0460)	0.215*** (0.0422)	0.206*** (0.0425)	0.190*** (0.0355)	0.261*** (0.0513)
Prov x Japan	-0.694** (0.297)	-0.458** (0.204)	-0.304 (0.229)	-0.323* (0.190)	-0.308* (0.176)	-0.487** (0.214)
BIT	0.380*** (0.134)	0.203** (0.0849)	0.216*** (0.0781)	0.188*** (0.0685)	0.181*** (0.0571)	0.212*** (0.0822)
Prov x EU	-0.0194 (0.167)	-0.0302 (0.105)	-0.0614 (0.0956)	-0.0269 (0.0889)	-0.0366 (0.0741)	-0.0305 (0.104)

Dependent variable = Deal allocated	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.272 (0.181)	0.117 (0.112)	0.125 (0.109)	0.0937 (0.0980)	0.0926 (0.0850)	0.136 (0.125)
Prov x USA	-3.122*** (0.682)	-1.849*** (0.398)	-2.188*** (0.503)	-1.636*** (0.379)	-1.470*** (0.338)	-1.970*** (0.453)
BIT	0.295 (0.200)	0.125 (0.123)	0.141 (0.119)	0.110 (0.108)	0.102 (0.0931)	0.164 (0.133)
Prov x Japan	-0.759** (0.382)	-0.523* (0.273)	-0.473* (0.252)	-0.438** (0.223)	-0.380* (0.210)	-0.582** (0.290)
BIT	0.0512 (0.208)	-0.0256 (0.134)	-0.00399 (0.137)	-0.0289 (0.117)	-0.00798 (0.0996)	-0.0472 (0.150)
Prov x EU	0.643* (0.340)	0.410* (0.218)	0.360* (0.203)	0.355* (0.189)	0.303* (0.165)	0.495** (0.243)

Dependent variable = Greenfield investments	Independent variables = BIT & BIT families					
	BIT	ENTRY	TREAT	SCOPE	EXPR	ISDM
BIT	0.374*** (0.102)	0.161*** (0.0607)	0.162*** (0.0554)	0.148*** (0.0539)	0.145*** (0.0475)	0.140** (0.0633)
Prov x USA	-1.724*** (0.293)	-0.940*** (0.154)	-1.128*** (0.185)	-0.885*** (0.159)	-0.790*** (0.128)	-0.999*** (0.167)
BIT	0.222** (0.1000)	0.0145 (0.0878)	-0.0131 (0.0766)	-0.00346 (0.0738)	0.000766 (0.0612)	0.0213 (0.0978)
Prov x Japan	-0.449** (0.178)	-0.375 (0.357)	-0.254 (0.350)	-0.233 (0.322)	-0.188 (0.300)	-0.266 (0.426)
BIT	0.285** (0.123)	0.110 (0.0791)	0.115 (0.0707)	0.0973 (0.0667)	0.107* (0.0578)	0.0805 (0.0833)
Prov x EU	0.0242 (0.193)	0.0485 (0.123)	0.0509 (0.115)	0.0544 (0.111)	0.0187 (0.0930)	0.0582 (0.128)