

International Law, Territorial Disputes, and Foreign Direct Investment

DAVID B. CARTER

Washington University in St. Louis

RACHEL L. WELLHAUSEN

University of Texas at Austin

AND

PAUL K. HUTH

University of Maryland

Although contentious interstate disputes are widely known to depress foreign direct investment (FDI), we identify and explain variation in investor responses even to territorial disputes, known to be slow to resolve and prone to militarization. Forward-looking and profit-seeking investors have incentives to increase FDI when the characteristics of a dispute point toward peace. These incentives drive them to increase investment even prior to an actual settlement. Given that legal focal points—when international law identifies one side in the dispute as having a clear legal advantage—promote peace, countries in disputes with legal focal points should receive more FDI. To support this argument, we use new data on international law and territorial disputes from 1980 to 2010 to explain variation in FDI across countries, as well as variation in the timing of within-country FDI accumulation. While a growing body of work demonstrates how international law influences state behavior, we show that it also profoundly influences the investment patterns of firms.

Introduction

Multinational corporations (MNCs) balk at investing in high-risk countries, which include those embroiled in contentious interstate disputes. MNCs may be particularly reluctant to invest in states entangled in territorial disputes, which tend to be long-lasting and to carry a relatively high risk of militarized conflict (Vasquez 1993; Huth 1996). Even in the absence of militarization, the mere threat of armed conflict in territorial disputes can disrupt the transportation of goods and supplies throughout a country, leading firms up and down international supply chains to look elsewhere for partners. Broadly, the uncertainty generated by hostile bilateral relations resulting from territorial disputes, and the associated international controversy they can generate, often has a chilling effect on cross-border and third-party trade and investment opportunities (Simmons 2005; Lee and Mitchell 2012; Schultz 2015; Carter and Goemans 2018). Although the idea that contentious territorial disputes should depress such economic activity seems intuitive, we argue that important variation across territorial disputes matters greatly for their influence on investment patterns.

To date, the literature has underemphasized the fact that investors are often willing to take on some risk if the potential for profit seems real. Some extremely risk-seeking investors see opportunities even in states embroiled in highly

contentious disputes if the price is low and there is sufficient possibility of positive returns. Yet, even investors that are more risk-averse can see opportunities in the midst of territorial disputes. When peaceful settlement is likely, savvy investors take advantage. This argument has implications for the timing of foreign direct investment (FDI) accumulation within a country: at least some investors that anticipate settlement will “get in on the ground floor,” increasing FDI before the dispute is resolved.

The legal status of disputed territory provides one important source of information about whether a dispute will become violent or see a peaceful resolution. Investors are usually not lawyers or legal scholars—though they can, and do, hire such consultants. But investors can look at the kind of rhetoric and dynamics surrounding a territorial conflict, and the legal status of the territory plays an important role in driving those signals. Thus, prospects for the investment climate should prove better when a “legal focal point” exists, or when the international legal principles relevant to a given dispute are clear, well-established, and also asymmetric in the sense that they strongly favor one of the two states in the dispute (Chayes and Chayes 1995; Huth, Croco, and Appel 2011). Recent evidence shows that the presence of such a legal focal point has a proinvestment influence on almost all aspects of a dispute, as it reduces the probability of the onset of military conflicts, increases the chances for settlement, and makes settlements more likely to endure (Carter and Goemans 2011; Huth et al. 2011, 2012, 2013; Prorok and Huth 2015). In the post-World War II era, and especially since the mid-1970s, the legal status of disputed territory matters a great deal to how states manage their disputes and how the international community views disputes (Zacher 2001; Huth et al. 2011; Goertz, Diehl, and Balas 2015). In the same period, the proportion of states

David B. Carter is an associate professor of political science at Washington University in St. Louis.

Rachel L. Wellhausen is an associate professor of government at the University of Texas at Austin.

Paul K. Huth is a professor of political science at the University of Maryland.

Authors' note. We thank Benjamin Appel, Carolina Garriga, Erik Gartzke, Leslie Johns, Quan Li, Xiaobo Lu, Hyeran Jo, Bob Keohane, Helen Milner, Pablo Pinto, and George Shambaugh, as well as audiences at CIDE Mexico City, Texas A&M University, the Texas Triangle Conference, and the Midwest Political Science Association.

that seek FDI has increased markedly, such that now nearly all governments try to attract foreign investors. We establish an essential piece of the logic that links these trends and demonstrates their power: variation in international law explains not just the willingness of some few investors to swoop in and make high-risk investments (sometimes known as “vulture investors” willing to pick through “carion” in search of some return). Rather, international law is powerful enough to shape the aggregate accumulation of FDI.

Consider the territorial dispute between Peru and Ecuador, settled in 1998, in which a legal focal point existed that favored Peru; Argentina, Brazil, and Chile (the “ABC” powers) all made it clear that international law favored Peru. Already by 1995, Peru had success attracting FDI as the government sold off dozens of state-owned enterprises to foreign investors. The state’s “luster for investors” led FDI stock to reach 6 billion US dollars (USD). Peru’s FDI stock continued to increase from 1994 to 1996, more than in any other period from 1980 to 2010. This broad, long-term activity took place despite short-term fluctuations in the Lima stock market, “apparently reflecting concern about Peru’s border dispute with Ecuador” (Brooke 1995).

Indeed, limited armed clashes between the two states broke out in 1995. Despite those military clashes, by 1997 foreign firms operating in Ecuador were also investing and reinvesting in gold mining, and others aggressively responded to privatization processes in telecommunications and airport construction (Leon 1997). FDI stock in Ecuador also increased from 1993 to 1998 at the highest rates it would experience from the early 1980s until 2010. Oil industry analysts suggested that the 1998 peace would “unleash” more FDI in both states: “Ecuador has a lot of oil under the ground that can’t get out, and Peru has a pipeline that is half full” (Chetwynd 2000). But that “unleashed” postsettlement investment would build on years of prior activity by a variety of foreign (and domestic) oil and gas firms that had developed new fields and pipelines in both states (Chetwynd 2000).

At least some of these savvy investors (or their consultants) in Peru and Ecuador may have directly understood the prospects for peace signaled by international law. Others likely responded to the environment that the legal focal point generated. In particular, and consistent with the legal focal point that favored Peru, the United States and the ABC regional powers conveyed to Ecuador the need for a settlement based on the 1942 Rio Protocol that Peru had signed. As mediators of the dispute, the weight of the ABC states’ united interpretation surely reinforced the movement toward peace. In a 1998 letter to the editor of the *Wall Street Journal*, Ecuador’s ambassador to the United States was confident enough to call the state a “peaceful island in the continent” and to tout Ecuador’s deepening economic integration—even though a settlement was only just appearing on the horizon (Flores 1998).

Given that “we now live in the world that trade built,” states in search of capital face incentives to prioritize behaviors that attract foreign capital (Farrell and Newman 2016, 713). Using new data on legal focal points in territorial disputes from 1980 to 2010, we find that the strength of disputants’ legal claims in territorial disputes significantly influences belligerent states’ abilities to attract FDI. Moreover, we find support for our expectation that investors respond to the impact of law on the trajectories of territorial disputes, with implications for within-country pre- and postsettlement periods. Because FDI is a key component of most states’ long-term development strategies, our finding carries with it crucial practical importance. Further, our argument

that clarity in international law can suggest a realistic possibility of peace and, in turn, associate with more FDI provides new evidence of the importance of international law in the political economy of conflict (Gent and Shannon 2010; Huth et al. 2011; Davis 2012; Owsiak 2013; Schultz 2014, 2015; Goertz et al. 2015). The relationship between international law, peace, and FDI that we uncover provides an alternative economic explanation for why militarized disputes over territory are on the decline (Pinker 2011), which scholars generally explain as driven by a territorial integrity norm (Zacher 2001; Atzili 2012; Goertz et al. 2015).

Economic Integration and Conflict

Literature on interstate conflict and economic relations focuses on how trade and investment flows increase the opportunity costs of conflict for leaders (Oneal and Russett 1997; Gartzke and Li 2003; Simmons 2005; McDonald 2009; Li and Vashchilko 2010; Lee and Mitchell 2012), or how conflict increases risk and uncertainty for firms (Mansfield 1994; Gowa 1995; Mansfield and Pevehouse 2000; Gowa and Mansfield 2004; Jensen and Young 2008). Several scholars look at the relationship between FDI and conflict in general or territorial disputes in particular (Brooks 2005; Jensen and Young 2008; Li and Vashchilko 2010; Garriga and Phillips 2014), arguing for example that global FDI flows influence the number of territorial disputes in the world and bilateral FDI flows reduce escalation within territorial disputes (Lee and Mitchell 2012).¹ Indeed, among the universe of international economic actors, MNCs engaging in FDI are particularly likely to be influenced by the contours of the investment environment in the shadow of territorial disputes. FDI is characterized by long-term investments in which foreign owners have managerial control of assets abroad. As territorial disputes are known to be hard to resolve quickly, their characteristics overlap with MNCs’ tendencies to calculate over the long-term.

We examine the substantial variation in interstate disputes to answer a prior question: how do investors react in the face of disputes that pose quite different risks of militarized conflict? A focus on territorial disputes facilitates our goal. While a large literature shows that territorial disputes are closely associated with the outbreak of militarized conflict and war (Kocs 1995; Vasquez and Henehan 2001; Senese and Vasquez 2008), a majority of territorial disputes do not become militarized (Huth 1996; Huth and Allee 2002). Further, in the post-World War II era, there are very few instances of one or both parties rejecting or overturning a peaceful settlement once reached, such that settlements are very durable (Huth 1996). This durability suggests that firms that respond to—or anticipate—peaceful relations will be able to reap the benefits for a long period of time, a fact that is surely not lost on profit-motivated foreign direct investors. We contend that investment decisions in the shadow of interstate conflict, and specifically territorial disputes, should be conditional on information that points to the likelihood that political risks will dissipate. International law can facilitate such information.

International Law and Territorial Disputes

We begin by outlining our baseline expectations over how the presence of territorial disputes will influence patterns

¹Others examine how firms find ways to invest despite the presence of political risks (e.g., Jensen 2008; Li 2009; Wellhausen 2015).

of foreign direct investment. First, we agree that, all else equal, territorial disputes bring increased risks for international capital. Whether or not a firm has investments in the conflict zone, territorial disputes suggest disrupted supply chains, politicized export policies, and a potential loss of government prioritization of international financial actors' preferences, as territorial disputes can siphon away government resources for economic development toward military spending and security needs (Gibler 2012; Dai, Eden, and Beamish 2013). Despite the variation we focus on, territorial disputes on average have been found to be most prone to escalating into militarized interstate disputes (MIDs), enduring rivalries, and wars (Vasquez 1993; Colaresi, Rasler, and Thompson 2007; Hensel et al. 2008). With armed conflict comes a greater risk of economic sanctions being imposed on one or both sides that could weaken the investment environment. In short, there is ample reason to believe that states entangled in a territorial dispute should have lower levels of FDI, whether from the belligerent country or from other countries, because they receive less reinvestment and less entry of new FDI.

H1: *All else equal, foreign direct investment is lower in states involved in a territorial dispute.*

Nonetheless, we argue that investors are attuned to important sources of variation in the conflict risks posed by territorial disputes. Investments are made in anticipation of how politics will affect investors' bottom-lines both at the time of investment and in the future. If a conflict is moving toward stability and peace, then early investment is a means of gaining first-mover competitive advantages especially via lower prices. To the extent that information about a dispute allows investors to anticipate stability and the potential for settlement, FDI should increase in the volume and clarity of information that suggests a more positive investment environment.

International law can provide a key source of information about the potential for peace in territorial disputes when legal principles are well-established, clear, and asymmetric such that they favor the position of one side of a territorial dispute. In such instances, a legal focal point emerges, because international law indicates a particular territorial settlement with clarity.² Legal focal points come about as a combination of customary state practice, historical evidence, and/or legal principles backed by court rulings (Huth et al. 2011: 426–27). One example of such a legal principle is *thalweg*, or the principle that the boundary line lies in the center of a river's main navigable channel. Another is *uti possidetis*, or the principle that territory remains with the party that exercised administrative authority and control prior to decolonization or secession, barring treaty provisions on the point. We conceptualize legal focal points as static, a conflict fixed effect. Relevant international law and norms are very slow to change, and we feel safe in presuming that they do not change in the period under question (1980–2010). Thus, the kind of information investors learn from a legal focal point does not change over the life of a territorial dispute.

Legal focal points are associated with a higher probability of settlement, fewer military conflicts between disputants, and more durable peace. Huth et al. (2012) show that the presence of a legal focal point significantly increases the probability that two neighbors will peacefully settle a dis-

pute through negotiations or adjudication. Both sides of a dispute, and in particular the challenger state, have fewer incentives to resort to the use of military force in the presence of a legal focal point, because the legal focal point can provide grounds for negotiations that disincentivize military escalation (Huth et al. 2013). For example, Carter and Goemans (2011) show that more than 60 percent of territorial settlements follow prior administrative frontiers (*uti possidetis*); when boundaries follow prior borders, the use of force is much less likely for neighbors (Carter and Goemans 2011, 2014).³ Prorok and Huth (2015) show that transfers of territory are much more likely to result in lasting peace in the presence of a legal focal point.⁴ In short, while a legal focal point need not deter a territorial dispute from arising, it is likely to shape the progress and outcome of that dispute.

We contend that even foreign investors lacking expertise in legal principles relating to title to territory can respond to the positive effect of a legal focal point on state and third-party behavior. Indeed, given the importance of the legal standing of investments to profitability, foreign investors (and their consultants) are primed to think about the investment environment from a legal perspective (Allee and Peinhardt 2011; Bauer, Graham, and Cruz 2012; Beazer 2012; Jensen et al. 2012; Wellhausen 2015; Garriga 2016). Of course, our argument that international law affects FDI would be muted if the peace-promoting effects of legal focal points are hidden. But disputants with a legal focal point on their side have every reason to make their advantage widely known and not keep it confined to only intergovernmental relations. Public information can make it more difficult for the opposing government to justify aggressive or obstructionist policies to domestic or international audiences. Moreover, publicity about the opposing government's decision to reject a clear, legally based solution to the dispute could weaken that government's reputation for favoring reliable, cooperative relations. It could also set a negative precedent that the opposing leader ignores international law, not just around territory but also around issue areas like foreign investors' property rights. For example, Russian actions in Ukraine widely recognized as inconsistent with international law have had real influence on investors' willingness to stay in (or enter) the Russian market (Emmott 2016).

In sum, we contend that investors, like states, react to incentives for long-term peace and settlement that legal focal points provide. Accordingly, FDI will be significantly higher in states involved in a territorial dispute when the law provides a clear legal advantage to one of the disputants.⁵

H2: *All else equal, foreign direct investment is higher in states involved in a territorial dispute when international law provides strong legal advantage to one party in the dispute.*

An implication of the logic behind Hypothesis 2 is that, if firms and investors are "getting in on the ground floor" in states that have disputes with a relatively high likelihood of being peacefully settled, the positive investment effects of settlement will be "used up" by the time settlement occurs. Early entry into a market can allow investors to secure access to the best resources, capture market share, and benefit from lower domestic wages before increasing foreign demand for workers bids wages up. The idea that the "peace

³ See also Goertz, Diehl, and Balas (2015). The majority of territorial claims in Europe arose around former international boundaries (Abramson and Carter 2016).

⁴ Other important work on legal focal points includes Mitchell and Hensel (2007); Gent and Shannon (2010, 2011).

⁵ We explore in great detail below that this holds for both challenger and respondent states.

² We use the concept of a legal focal point as developed by Huth and coauthors. Our definition and coding rules are identical to Huth, Croco, and Appel (2011).

dividend” is anticipated prior to settlement in cases with a legal focal point is consistent with our emphasis on investors as proactive, forward-looking, and interested in entering markets before costs go up.⁶ This argument parallels that in Gray (2013): as countries make international legal commitments in the process of acceding to the European Union, investors perceive improvements in investment environments and increase investments accordingly. But the significant effects of accession are used up in the time between the opening of legal accession procedures and accession itself, because political realities strongly suggest that states will (eventually) accede once they start the process.

Recall that we conceptualize legal focal points as conflict fixed effects, such that the type of information does not change over time. Nonetheless, we further expect the peace dividend to occur in the presettlement period in the presence of a legal focal point, because public reporting on a potential settlement likely increases as legal processes proceed. The population of investors receiving that information also increases over time. In contrast, in the absence of a legal focal point, we do not expect similar reporting increasing in quantity and confidence in the presettlement period, because we do not expect the characteristics of the dispute to so clearly increase the likelihood of peace. In the absence of a legal focal point, we would not expect a group of investors as large and broad as in cases with a legal focal point to be willing invest in belligerents’ economies prior to settlement. These points lead us to develop the following hypothesis, which focuses on a comparison of the *presettlement* period across territorial disputes that are at some point formally settled.

H3: *All else equal, the presettlement accumulation of foreign direct investment is higher in states involved in a territorial dispute with a legal focal point than in states involved in a territorial dispute without a legal focal point.*

Hypothesis 3 directly implies that territorial disputes without a legal focal point that nevertheless are eventually settled should not reap a presettlement peace dividend. Even if public reporting in such a context anticipates a settlement, that settlement is more “surprising” because it came about with a significantly lower probability. We expect surprising settlements to generate increased aggregate FDI in their wake; there should be more of a peace dividend following the settlement of territorial disputes that lack a legal focal point.

H4: *All else equal, the postsettlement accumulation of foreign direct investment is higher in states involved in a territorial dispute without a legal focal point than in states involved in a territorial dispute with a legal focal point.*

Hypotheses 3 and 4 focus on cross-country comparisons. However, our theoretical framework also has implications for the dynamics of investment pre- and postsettlement within disputant states. Absent the risk-alleviating environment around a legal focal point, investors must expend their own resources to mitigate political risk and improve expected returns. Costs of risk-mitigation depress the amount foreign firms are putting into actual production through FDI. Rather than incur them, investors may delay entry until estimated political risks are lower, whether by diverting potential FDI to other foreign host countries or by keeping their capital at home.

In the absence of a legal focal point, settlement is decisive in mitigating political risk. After settlement, foreign investors can reduce the amount they spend on political risk mitigation and increase estimates of expected returns. Among the *ex ante* population of investors interested in a given host country, we expect more of that population to invest more once expected rewards are higher. Higher expected rewards in a given market should also grow the population of interested investors. Given that settlement reduces risks and thus costs for all investors, reduced political risk in the wake of settlement should increase FDI at the aggregate country-level.

In the presence of a legal focal point, investors accrue benefits from low political risk mitigation expenditures even while the dispute is ongoing. It is in this presettlement period that the population of interested investors grows and more investors increase their investment. Settlement itself does not change the risk-reward ratio in the market, because peace, and likely settlement, was anticipated, so neither the population of investors interested in a given host country nor the accumulation of FDI should increase postsettlement (holding other determinants of FDI constant). In fact, net investment costs may go up by the time settlement comes, as the best resources are already being exploited, and there is no offsetting decline in firm expenditure on political risk mitigation. Thus, for a given territorial dispute with a legal focal point, presettlement FDI in a disputant state should outpace postsettlement FDI.

These observable implications allow us to conduct empirical tests identifying off of the more difficult setting of within-unit over-time variation.

H5: *All else equal, the accumulation of foreign direct investment in a state involved in a territorial dispute with a legal focal point is higher before settlement than after settlement.*

H6: *All else equal, the accumulation of foreign direct investment in a state involved in a territorial dispute without a legal focal point is higher after settlement than before settlement.*

Research Design

Per the standard International Monetary Fund (IMF) definition, FDI occurs when a foreign investor owns a 10 percent or greater stake in operations in the host state. This threshold is an indicator of managerial control, which separates the behavior and incentives of longer-term direct investors from those of shorter-term portfolio investors. We specify the dependent variable as (logged) monadic FDI stock data, or the cumulative value of foreign direct investors’ stakes in host-state operations.⁷ Monadic FDI stock is the concept of interest, because we are interested in the effect legal focal points have in aggregate, on firms from any foreign country. Our time-series cross-sectional analysis allows us to better draw inferences about the implications of legal focal points for state interest in maximizing access to FDI, rather

⁶Similarly, firms likely factor in the probability of militarization upon entry or at the start of a territorial dispute; if militarization is expected, then any *ex post* change with the occurrence of an MID might be quite small (Li 2006: 237–38).

⁷We follow the literature in adding a constant to keep negative values and logging for right-skewness. We use United Nations Conference on Trade and Development (UNCTAD) data that measure stock with historical cost, market value, and cumulative FDI flows. We measure FDI stock levels, and not scaled levels, because our hypotheses are about investor behavior and not the saturation of FDI in a host country’s economy; it is more appropriate to control for scale factors on the right-hand side. On FDI data, see Kerner (2014); Li, Owen, and Mitchell (2016). Our hypotheses are not industry-specific; results are signed as expected but are less precise when we analyze only the subset of FDI stock in fixed capital Kerner (2014). Our aggregated results speak to the reality that political risk shapes investor behavior in all industries. See appendix.

than a microlevel analysis demonstrating that some individual firms behave as expected.

We use and extend the data of Huth and coauthors to identify and code the population of territorial disputes from 1945 to 2010 (Huth and Allee 2002; Huth et al. 2011). Territorial disputes occur when executive leaders of one state lay claim to the territory of another state or contest that state's sovereignty, and the targeted government's leadership, in response, rejects the claim. We measure territorial disputes in which a state is the challenger as well as disputes in which a state is the target of a claim, as we expect both types of disputant status to affect FDI.

We follow Huth et al. (2011) exactly in extending their data on legal focal points (2001–2010). We identify the strength of the target and the challenger's legal claims to disputed territory based on customary state practice; legal principles, particularly those backed by court rulings; and the weight of historical evidence (Huth et al. 2011: 426–27). This labor-intensive process relies on data sources from third parties that are not written by state governments or by nationals from either side of the territorial dispute. Claims are considered weak if the state's position is ambiguous or poor on all relevant legal principles and moderate if a state's claims are strong in some areas and weak or ambiguous in others. To have a strong claim, the state's position must be consistently supported by the relevant legal principles. A state also has a strong claim if a majority of the state's subclaims are strongly supported while the remaining claims receive no worse than moderate support. Following the literature, we conservatively code a legal focal point as present when one state's legal position is coded as strong and the opponent's legal position is coded as weak. This means that a legal focal point can favor either the target or the challenger state.

As detailed below, we thoroughly evaluate our theory in states with single or multiple disputes. We employ a measure of the proportion of disputes with legal focal points in a given state. We also conservatively code a legal focal point if, in a state with multiple territorial disputes, all disputes have this feature. It is worth emphasizing that in more than 75 percent of all cases in which a state is the challenger in a territorial dispute, there is only one territorial dispute. Moreover, more than 92 percent of all such cases involve one or two territorial disputes. The percentages are slightly lower for disputes in which the state is the target.

Table 1 provides a reference list of all territorial disputes after World War II in which one side had a legal focal point. In our sample, there are a total of 733 country-years composed of forty countries in which a territorial dispute is ongoing and a legal focal point exists (about 20 percent of observations). The legal focal point favors the target in 80 percent of observations and the challenger in 20 percent of observations. Descriptive statistics are very similar across these subsets of the data, which indicates that the states in disputes with legal focal points are not systematically different on some important dimension (e.g., more wealthy, populous, or democratic).⁸ Our data include thirty-two settlements from 1980 to 2010. In a small number of cases, the challenger unilaterally withdraws territorial claims. Additionally, our data also include thirty-four militarized interstate disputes (MIDs) involving twenty-one states.

We follow the conventions of a large literature on the determinants of FDI to ensure comparability to existing studies. Both (*log*) *population* and (*log*) *GDP per capita* (constant 2005 US dollars) indicate market size and

Table 1. Post–World War II territorial disputes with legal focal point

<i>Challenger</i>	<i>Target</i>	<i>Year of settlement</i>
Paraguay	Argentina	1945
Afghanistan	Russia	1946
Austria	Italy	1946
France	Italy	1946
United Kingdom	France	1946
Yugoslavia	Greece	1946
Czechoslovakia	Hungary	1947
Romania	Hungary	1947
Iraq	United Kingdom	1948
India	Pakistan	1948
Ethiopia	United Kingdom	1949
France	United Kingdom	1953
USSR	Turkey	1953
Egypt	United Kingdom	1954
United Kingdom	Ethiopia	1954
Germany	France	1957
Netherlands	Belgium	1957
Greece	United Kingdom	1959
Liberia	France	1960
Nicaragua	Honduras	1960
China	Mongolia	1962
China	Afghanistan	1963
Ghana	Ivory Coast	1966
Ghana	Togo	1966
Iran	United Kingdom	1970
Nicaragua	United States	1970
Argentina	Uruguay	1971
Greece	Albania	1971
Uganda	Tanzania	1979
Somalia	Kenya	1981
Greece	Cyprus	1982
China	United Kingdom	1984
Egypt	Israel	1988
Saudi Arabia	Qatar	1992
Chad	Libya	1994
Iraq	Kuwait	1994
Namibia	South Africa	1994
Guatemala	Belize	1995
Botswana	Namibia	1996
Ecuador	Peru	1998
China	Kyrgyzstan	1999
Portugal	Indonesia	1999
Serbia	Macedonia	2001
Indonesia	Malaysia	2002
Malaysia	Singapore	2008
Brunei	Malaysia	2009
Philippines	Malaysia	Not Settled
Venezuela	Guyana	Not Settled
Thailand	Laos	Not Settled
China	Bhutan	Not Settled
Egypt	Sudan	Not Settled
Guatemala	Belize	Not Settled
Iraq	Iran	Not Settled
Namibia	South Africa	Not Settled
United Arab Emirates	Iran	Not Settled
Cyprus	Turkey	Not Settled
Somalia	Ethiopia	Not Settled
Lesotho	South Africa	Not Settled
Togo	Ghana	Not Settled
Vanuatu	France	Not Settled

⁸ See appendix.

development level.⁹ *GDP growth* (percent) captures the health of the economy and speaks to variation in states' attractiveness as investment destinations. *Democracy* codes a state's regime type (Geddes, Wright, and Frantz 2014).¹⁰ *Trade/GDP* captures the economy's openness to international trade. The relationship between FDI and bilateral investment treaties (BITs), intended to promote FDI, has been found to be quite complex (Sauvant and Sachs 2009).

Regardless, we include the count of *total BITs (in force)* to indicate the scope of protections enjoyed by investors in the host state that have the potential to mitigate expected political risks of territorial disputes.¹¹ We control for *capital account openness* as a marker of the state's economic integration with capital markets in general (Chinn and Ito 2008). Countries with different resource endowments may have distinct investment environments. We include *resource rents/GDP* as a measure of the importance of natural resources to an economy and, usefully, one that captures variation over time. We lag all independent variables by one year.¹²

In general, FDI stock increases over the time period (1980–2010), as more states open to FDI in the post-Latin American debt crisis and post-Cold War era (Pandya 2014). In our models, we account for time in two straightforward and flexible ways. First, we include a linear time trend to ensure that any findings are not reflective of the upward trend in FDI across time.¹³ Second, we control for any unmeasured shocks that occur yearly by including year fixed effects in all model specifications.¹⁴

We account for time-invariant country-specific factors in several ways. Crucially, our key territorial dispute and legal covariates do not exhibit much variation within each cross-section.¹⁵ Thus, we begin with pooled models. We add common time-invariant covariates: *region*, *former colony*, and *state strength*. In our main specifications, we opt for country random-effects models rather than country fixed effects as cross-country variation is important for Hypotheses 1 through 4. These are hierarchical linear models that still estimate country-specific effects but assume correlations do not exist between effects and other independent variables. We then estimate country fixed effects models as appropriate to test Hypotheses 5 and 6, although the cost is that we drop several variables of theoretical interest that do not vary enough within unit.¹⁶ In all models, Huber-White standard errors are clustered by state.¹⁷

Results

We first provide simple descriptive statistics to probe the relationship between FDI stock and territorial disputes.¹⁸ We find that the average level of FDI stock in a country with a territorial dispute is significantly lower than in a country without a dispute, a significant difference using a difference-in-means test.¹⁹ Additionally, within the set of territorial disputes, cases in which a legal focal point exists are associated with higher levels of FDI.²⁰ This suggests that our argument about the role of international law has merit.

Hypothesis 1: Territorial Disputes Disrupt FDI

Table 2 uses ordinary least squares (OLS) regressions to estimate the influence of active territorial disputes on states' FDI stock.²¹ Binary indicators of territorial dispute essentially estimate a set of territorial dispute "fixed effects." All models also include a variable indicating states that formerly had territorial disputes that have since been settled. This allows us to ensure that our results are not affected by comparing states with ongoing territorial disputes to states that have a history of territorial disputes that have been settled, perhaps very recently.²² Model 1 shows that territorial disputes are disruptive of FDI stock. Territorial disputes in which a state is the challenger have greater substantive effect; the coefficient for being the target just misses significance.²³ In Model 2, the coefficient averages across the estimates for targets and challengers; it is still negative and significant. Substantively, the estimates in Model 2 imply that, all else equal, a state embroiled in a territorial dispute has around 25 percent less FDI stock than it would if it did not have a territorial dispute, which translates into more than 640 million USD in foregone FDI. In Models 1 and 2, coefficients are also negative (but not significant) for states that were previously involved in a territorial dispute. Models in Table 3 are identical to Table 2 except that we now count the number of territorial disputes in which a country is embroiled. Results are largely consistent with those reported using the binary measures in Table 2.

¹⁸To make levels of FDI stock reasonably comparable across states when using raw data, we use the ratio of FDI stock over gross domestic product (GDP). This normalization facilitates a simple comparison that takes into account the fact that much larger countries will naturally have higher levels of FDI stock accumulation than much smaller countries. This is not how we treat FDI in our regression models below, as we deal with confounders such as GDP by including them as regressors.

¹⁹We allow the two subsamples to have unequal variances, as this is the case in the data.

²⁰In the appendix, we explore the effects of the Cold War, finding that our results are even stronger when focusing on the post-Cold War era. However, the sign is always in the same direction for the Cold War period. The difference in statistical significance for the post-Cold War and Cold War periods could be due to there being about twice as many years of data post-Cold War.

²¹We do not include country fixed or random effects in these specifications as the binary indicators of the presence or absence of a dispute do not vary much within country; thus, inclusion of country-specific effects soaks up much of the theoretically interesting variation in the binary dispute indicators. We ensure that our main results are robust to fixed and random effects below when we develop more fine-grained measures of disputes and their characteristics to assess our within-country hypotheses.

²²One reason why this is potentially important is because our arguments about firms' abilities to anticipate settlement suggest different dynamics within ongoing disputes and following settlement.

²³If we use Polity IV scores, which leads to models with around 3,700 observations, the target coefficient is significant.

⁹Data are from the World Bank World Development Indicators unless otherwise stated.

¹⁰Results are stronger with Polity IV, although several hundred observations are lost.

¹¹UNCTAD. Results are robust to including Preferential Trade Agreements (PTAs) (Buethle and Milner 2008). See appendix.

¹²In the appendix, we show results robust to including deep lags that measure each states' FDI in the first year of the sample (which is excluded). Our main reason to be skeptical of reverse causality is that the majority of territorial disputes in our sample, as well as the conditions underlying them, began before the boom in FDI in the 1980s.

¹³The results are unaffected if we include a nonlinear time trend using polynomials.

¹⁴To investigate whether FDI exhibits unit root, which could make year fixed effects problematic, we implement the Fisher-type test for panel unit roots. Four tests all easily reject the null hypothesis that the panels contain unit roots.

¹⁵This would be the case even if we had FDI data back to 1946.

¹⁶The analysis in Clark and Linzer (2015) suggests that random effects are preferable to fixed effects given the structure of our data.

¹⁷Results are robust to jackknife approaches. See appendix.

Table 2. Territorial disputes, international law, and logged FDI stock

	Model 1	Model 2	Model 3	Model 4
Target TD	-0.303 (0.19)			
Challenger TD	-0.389** (0.15)			
Any TD		-0.279* (0.17)		
Settled TD	-0.240 (0.16)	-0.144 (0.16)		
Challenger legal Focal point			0.693** (0.19)	
Target legal Focal point			0.351 (0.21)	
Any legal focal Point				0.405** (0.20)
No TDs			0.365** (0.15)	0.364** (0.15)
Log population	0.965** (0.05)	0.939** (0.05)	0.934** (0.05)	0.933** (0.05)
Log GDP pc	0.993** (0.06)	0.993** (0.06)	0.992** (0.06)	0.996** (0.06)
GDP growth	0.041 (0.07)	0.028 (0.07)	0.031 (0.07)	0.034 (0.07)
Democracy	-0.098 (0.11)	-0.092 (0.11)	-0.120 (0.10)	-0.121 (0.10)
Trade/GDP	0.921** (0.16)	0.922** (0.16)	0.912** (0.17)	0.901** (0.17)
Total BITs	0.008** (0.00)	0.008** (0.00)	0.008** (0.00)	0.008** (0.00)
Openness	0.096** (0.05)	0.092** (0.05)	0.088** (0.05)	0.085** (0.05)
Resource rents	0.003 (0.00)	0.003 (0.00)	0.003 (0.00)	0.003 (0.00)
Constant	-16.453** (1.02)	-16.134** (1.02)	-16.481** (1.02)	-16.484** (1.02)
Year fixed effects	Yes	Yes	Yes	Yes
Time trend	Yes	Yes	Yes	Yes
Country random effects	No	No	No	No
N =	4190	4190	4190	4190
R ²	0.857	0.854	0.857	0.857

Notes: (1) Standard errors clustered by state in parentheses. (2) Statistical significance: ** $p < 0.05$; * $p < 0.10$.

Hypothesis 2: Legal Focal Points Correspond with Increased FDI

Table 2's Models 3 and 4 more directly assess our central argument that foreign investors respond to information suggested by legal focal points to anticipate whether the disputes are likely to be violent or peacefully settled. In both models, we compare the coefficient(s) for the legal focal point variables with the coefficient for states not in territorial disputes, both of which are interpreted relative to all states in territorial disputes that lack a legal focal point.

The results clearly show that FDI stock is sensitive to whether or not a state is involved in a territorial dispute with a legal focal point. Results in Model 3 demonstrate that, if a state is involved in a dispute in which either the challenger or target has a legal focal point, then the state has significantly higher levels of FDI stock relative to all other states in

territorial disputes without legal focal points (Hypothesis 2). The challenger coefficient is especially striking when compared with the coefficient for states with no territorial disputes. Per Huth et al. (2011), when the challenger state initiates the dispute (by definition) and has the legal focal point, military escalation is particularly less likely and peaceful negotiations more likely. Our results suggest that foreign firms are aggressive in "getting in the ground floor" and investing in these states, all else equal. However, the coefficients for *challenger legal focal point* and *no TDs* are not significantly different. Still, this result is striking as it suggests that the subset of territorial dispute cases in which the challenger has a strong legal advantage are indistinguishable from states that have no territorial disputes (with the baseline being the "worst-case scenario" of states in territorial disputes without legal focal points). We also find that disputes in which the

Table 3. Multiple territorial disputes, international law, and logged FDI stock

	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>
Sum target TDs	-0.081 (0.08)			
Sum challenger TDs	-0.176* (0.10)			
Sum any TDs		-0.118** (0.06)		
Settled TD	-0.108 (0.14)	-0.100 (0.14)		
% of challenger focal points			0.824** (0.20)	
% of target focal points			0.509** (0.23)	
Sum of legal focal points				0.560** (0.21)
No TDs			0.458** (0.16)	0.458** (0.16)
Log population	0.943** (0.05)	0.943** (0.05)	0.933** (0.05)	0.931** (0.05)
Log GDP pc	0.999** (0.06)	1.004** (0.06)	0.989** (0.06)	0.993** (0.06)
GDP growth	0.042 (0.07)	0.042 (0.07)	0.031 (0.07)	0.034 (0.07)
Democracy	-0.119 (0.11)	-0.121 (0.11)	-0.124 (0.10)	-0.125 (0.10)
Trade/GDP	0.914** (0.17)	0.913** (0.17)	0.902** (0.17)	0.890** (0.17)
Total BITs	0.009** (0.00)	0.009** (0.00)	0.007* (0.00)	0.007* (0.00)
Openness	0.090* (0.05)	0.090* (0.05)	0.089** (0.04)	0.086* (0.04)
Resource rents	0.003 (0.00)	0.003 (0.00)	0.003 (0.00)	0.003 (0.00)
Constant	-16.276** (1.03)	-16.313** (1.02)	-16.543** (1.01)	-16.544** (1.02)
Year fixed effects	Yes	Yes	Yes	Yes
Time trend	Yes	Yes	Yes	Yes
Country random effects	No	No	No	No
N =	4190	4190	4190	4190
R ²	0.855	0.855	0.859	0.858

Notes: (1) Standard errors clustered by state in parentheses. (2) Statistical significance: ** $p < 0.05$; * $p < 0.10$.

target has the legal focal point are associated with increased FDI stock relative to other territorial disputes, although the coefficient just misses significance.

Model 4 estimates the effect of a state being in a territorial dispute with a legal focal point regardless of which party has the legal focal point. The coefficient is positive, large, and significant. Substantively, the estimates in Model 4 imply that a state in a territorial dispute with a legal focal point enjoys about 50 percent more in FDI stock than it would if it had a territorial dispute without a legal focal point. This implies that more than 1 billion USD in additional FDI accumulates in a state if, all else equal, its dispute(s) features a legal focal point.

Our most preferred binary measures of legal focal points in Table 2 are conservative in that they only code countries with multiple disputes as having a legal focal point if *all* the

disputes have this feature. However, it is possible that having, for example, three territorial disputes in which two have legal focal points but one does not also could produce some positive effects for FDI. To explore this possibility, we analyze the proportion of all territorial disputes a country is in that feature a legal focal point. A value of 1 on the percent of *challenger focal points* measure in Model 3 indicates that all of a state's disputes in which it is the challenger have a legal focal point. Model 4 sums challenger and target measures to create a general measure of the proportion of all territorial disputes a state is involved in that have a legal focal point. Taken together, Models 3 and 4 present similar results to Table 2. The positive and statistically significant coefficients on all of the legal focal point variables in Table 3 indicate that FDI responds positively to the presence of a legal focal point.

Table 4. Legal focal points, dispute settlement, and logged FDI stock

	Model 1	Model 2
Legal focal point	0.332** (0.04)	0.372* (0.21)
Full settlement	0.091* (0.05)	0.033 (0.23)
Legal focal point x full settlement	-0.155* (0.09)	-0.310 (0.30)
No TDs	0.286** (0.04)	0.047 (0.17)
Log years since MID	-0.014 (0.02)	0.158 (0.14)
Pre-1980 MIDs	-0.026** (0.01)	-0.041 (0.04)
Log population	0.944** (0.01)	0.750** (0.06)
Log GDP pc	0.989** (0.02)	1.062** (0.09)
GDP growth	0.039 (0.05)	0.040 (0.03)
Democracy	-0.110** (0.04)	-0.097 (0.10)
Trade/GDP	0.934** (0.04)	0.179 (0.17)
Total BITs	0.008** (0.00)	0.013** (0.00)
Openness	0.090** (0.01)	0.066* (0.04)
Resource rents	0.003** (0.00)	-0.001 (0.00)
Constant	-16.496** (0.31)	-13.563** (1.35)
Year fixed effects	Yes	Yes
Time trend	Yes	Yes
Country random effects	No	Yes
Country fixed effects	No	No
N =	4190	4190
Countries =	170	170
R ²	0.857	0.833

Notes: (1) Standard errors clustered by state in parentheses. (2) Statistical significance: ** $p < 0.05$; * $p < 0.10$.

Hypotheses 3 and 4: Under a Legal Focal Point, Investors Anticipate Peace and Settlement

It could be the case that FDI stock is simply higher for unrelated reasons not captured by the other covariates in the models reported in Table 2. We help to rule out this possibility by estimating models with country-specific effects in which we test additional observable implications of our argument for the pre- and postsettlement periods of states' territorial disputes in the presence and absence of legal focal points.

In Table 4, we assess the pre- and postsettlement periods in territorial disputes with and without legal focal points using interaction terms.²⁴ We do this by including a measure of whether a state has a territorial dispute with a legal focal point that is either ongoing or has been settled and interacting this variable with an indicator of whether the territorial dispute has been settled. The variable *full settlement* only

takes a value of 1 if settlement results in a country having no ongoing territorial disputes. The interaction term *legal focal point x full settlement* indicates the FDI environment in states that were embroiled in territorial dispute(s) with a legal focal point but settled (them all). The direct estimate for *legal focal point* indicates the FDI environment in a state with a dispute that has a legal focal point but has not yet experienced full settlement (*full settlement* is equal to zero). The estimates for *full settlement* indicate the effect of full settlement on FDI in the absence of a legal focal point. This strategy allows us to easily identify all the effects of interest while also making clear the differences between presettlement FDI in instances with and without a legal focal point. In both models we measure conflict history with the logged time since a state experienced a MID and the count of pre-1980 MIDs a country experienced, which helps us assess whether our effect washes out when we explicitly control for a state's participation in contemporary or historical military conflict.²⁵ In both models we also control for countries that are not and never were in a territorial dispute with *no TDs*.²⁶

The results in Table 4 provide evidence that FDI stock is accumulating at relatively high volumes prior to territorial dispute settlement, but only when the dispute has a legal focal point (Hypothesis 3). The coefficient for *legal focal point* in the pooled OLS regression of Model 1 indicates that FDI is significantly higher in the presettlement phase of a territorial dispute. In contrast, FDI is significantly lower in states that formerly had disputes with legal focal points (coefficient on *legal focal point x full settlement*). This finding, especially when contrasted with the positive and significant coefficient on *legal focal point*, clearly suggests that investors are reacting to the international legal status of states' territorial disputes. In real dollar amounts, these effects suggest that, all else equal, the average state in a dispute with a legal focal point enjoys almost 40 percent more in FDI stock prior to settlement relative to what the "same" state would enjoy without a legal focal point. This indicates an investment environment that has more than 850 million USD in additional FDI stock. In contrast, the positive and significant coefficient on *full settlement* makes clear that the dynamics are quite different when states with disputes that have no legal focal point settle, consistent with the cross-country hypothesis that there is a peace dividend following settlement of disputes without a legal focal point (Hypothesis 4). All else equal, this represents a modest peace dividend of around 175 million USD of additional FDI stock, which is a bit less than a 10 percent increase from the predicted presettlement FDI stock. In sum, these results strongly suggest that the dynamics for disputant states with legal focal points are quite different than those without legal focal points.

In Model 2, we add country-specific random effects to guard against our findings being the artifact of some omitted country-level factor. The results are similar, although slightly muted. Importantly, we still find support for the stark difference in the volume of presettlement FDI stock as the coefficient on *legal focal point*, which estimates the effect of a focal point prior to settlement, remains positive and significant. The coefficient on the interaction term *legal focal point x full settlement* remains negative but becomes insignificant. *Full settlement*, which assesses the FDI environment postsettlement in the absence of a legal focal point,

²⁵ In the appendix we separate out fatal MIDs from those that do not result in fatalities to demonstrate that conflict severity does not affect our findings.

²⁶ We can measure the history of territorial dispute as far back as 1918. The vast majority of states that exist at the start of our sample in 1980 did not exist in 1919, so it is unlikely that we miss cases due to the temporal range of the dispute data.

²⁴ We thank an anonymous reviewer for suggesting this approach.

also retains its positive sign but becomes insignificant. This result suggests that cross-country support for a peace dividend postsettlement in the absence of a legal focal point is tepid, although the estimate does not rule out large meaningful effects as the upper bound on a 90 percent confidence interval of the estimate is a substantively large 0.40.²⁷ In sum, while support for Hypothesis 3 is robust to the inclusion of random effects, support for Hypothesis 4 is much more muted.

Hypothesis 5 and 6: Within-Country Pre- and Postsettlement Effects Are Consistent

We now focus on implications of our argument for within-country variation pre- and postsettlement. Table 5 Models 1–4 include country fixed effects to identify all coefficients off of within-country variation. Country fixed effects have both clear advantages as well as costs relative to random effects in our context. One clear benefit is that, in contrast to random effects, we no longer need to assume that the regressors included in our specification are uncorrelated with the error term, which is often a rather strong assumption. Of key theoretical importance is that country fixed effects allow us to test the within-country variation posited in Hypotheses 5 and 6. One cost of country fixed effects is that we cannot include variables that do not vary within country. Thus, the interaction strategy in Table 4 cannot be fully replicated in a fixed-effects model because *legal focal point* does not vary within country as it takes a value of 1 before and after settlement. This means that the (theoretically interesting) effect of *legal focal point* is subsumed (without any measurement error) in the country fixed effect, along with any other variables that do not exhibit within-country variation (e.g., *pre-1980 MID*s). However, this is not a significant concern in assessing Hypotheses 5 and 6, as we can carefully estimate complementary models on the same sample. A model that includes *legal focal point x prefull settlement* and *no legal focal point x prefull settlement* will provide us with estimates of the presettlement FDI environment. These coefficients are identified off of the comparison to postsettlement FDI in a state. A model that includes *legal focal point x full settlement* and *no legal focal point x full settlement* will identify the postsettlement FDI environment relative to the presettlement FDI environment.

Table 5 Model 1 interacts *prefull settlement* with *legal focal point* and *no legal focal point*. Results on this difficult within-country test provide strong evidence for Hypothesis 5 that foreign investors are anticipating settlement, as the real increase in FDI takes place before settlement when there is a legal focal point present (the coefficient on *legal focal point x prefull settlement* is positive and significant). Substantively, this corresponds to a state with a territorial dispute that has a legal focal point enjoying around 80 percent more in FDI stock prior to settlement, which amounts to a little less than 2 billion USD in additional presettlement FDI. The same is not true in territorial disputes that lack a legal focal point and are eventually settled, as the small and statistically insignificant coefficient suggests that the presettlement period is not associated with significantly higher levels of FDI (Hypothesis 5). Taken together, these results suggest that international law does provide key information about the character of a dispute to investors. If foreign investors were simply able to anticipate settlement in general and this was not closely related to the presence of a legal focal point, we would also expect a positive and significant coefficient

on the presettlement period in the absence of a legal focal point.

In Table 5 Model 2 we further probe the dynamics of presettlement FDI by separating the estimates for countries that are embroiled in only one dispute from those embroiled in multiple disputes. We do this by interacting an indicator of whether a state is involved in multiple territorial disputes or not with *legal focal point x prefull settlement* and *no legal focal point x prefull settlement*. We separate multiple-dispute from single-dispute states as the effect of settlement is easiest to identify in single-dispute states. Why? While states with more than one dispute can also experience full settlement, the effect of full settlement is potentially clouded by the more muted effects of partial settlements. In other words, if we focus on prefull settlement FDI, these presettlement accumulations often occur in the context of instances of no settlement and instances of partial settlement in the set of states with multiple disputes. This could influence our results in several ways. First, it could be the case that our presettlement results are greater in magnitude because they are driven by cases of partial settlement. This is plausible because multiple dispute cases that are fully settled almost always involve multiple settlements spread across time. If this were the case it would be problematic for our theory as it would suggest that the presettlement boon to FDI in the presence of legal focal points is driven by increases following settlement of some disputes.²⁸ To guard against our results being driven by the aggregation of multiple disputes, we estimate separate coefficients for single and multiple territorial-dispute cases.

In sum, the results in Table 5 Models 1 and 2 provide a good deal of empirical support for Hypothesis 5 by showing even sharper presettlement effects in the set of states that are involved in only one territorial dispute. Specifically, the coefficient on *legal focal point x prefull settlement* in the presence of a single dispute across the sample period becomes more than two-thirds larger in magnitude and remains significant. In dollars, this corresponds to a state with a single dispute with a legal focal point enjoying more than 2 million USD more in FDI stock prior to settlement than postsettlement. In contrast, the effect is insignificant in the smaller set of countries with multiple territorial disputes. The presettlement effects in the absence of a legal focal point remain insignificant regardless of whether a country is involved in one or more disputes. These results establish that the relatively sharp effects in single dispute cases are attenuated by the cases where countries have multiple territorial disputes.

In Table 5 Models 3 and 4 we directly estimate the postsettlement effects of settlement in the presence and absence of legal focal points (Hypothesis 6). We estimate postsettlement effects identified relative to within-country presettlement FDI stock. The estimates in Model 3 are roughly consistent with the idea that settlement in the absence of a legal focal point brings a peace dividend, as it is more surprising to investors. Specifically, the coefficient on *no legal focal point x full settlement* is positive, but insignificant, while the coefficient on *legal focal point x full settlement* is negative and insignificant. While the estimated 90 percent confidence intervals around these insignificant coefficients make clear that *no legal focal point x full settlement* is consistent with large and positive effects, the uncertainty over the estimate is too high to draw strong conclusions. Model 4 replicates the approach of Model 2 to provide separate estimates of

²⁷ See Rainey (2014) for the logic behind making this point.

²⁸ Recall that countries with multiple disputes are only coded as having a legal focal point if all the disputes have this feature.

Table 5. Legal focal points, dispute settlement, and logged FDI stock

	Model 1	Model 2	Model 3	Model 4
Legal focal point x prefull settlement	0.609* (0.31)			
No legal focal point x prefull settlement	-0.036 (0.22)			
Legal focal point x full settlement			-0.291 (0.26)	
No legal focal point x full settlement			0.258 (0.23)	
One dispute—legal focal point x prefull settlement		1.029** (0.21)		
Multiple disputes—legal focal point x prefull settlement		-0.201 (0.12)		
One dispute—no legal focal point x prefull settlement		-0.410 (0.32)		
Multiple disputes—no legal focal point x prefull settlement		-0.240 (0.16)		
One dispute—legal focal point x full settlement				-0.473 (0.46)
Multiple disputes—legal focal point x full settlement				0.148 (0.16)
One dispute—no legal focal point x full settlement				0.761** (0.34)
Multiple disputes—no legal focal point x full settlement				-0.065 (0.25)
Log population	-0.659 (0.45)	-0.621 (0.45)	-0.658 (0.43)	-0.647 (0.43)
Log GDP pc	1.022** (0.18)	1.041** (0.18)	1.008** (0.18)	1.016** (0.18)
GDP growth	0.050 (0.03)	0.049 (0.03)	0.050 (0.03)	0.051 (0.03)
Democracy	-0.074 (0.11)	-0.088 (0.11)	-0.070 (0.11)	-0.082 (0.10)
Trade/GDP	0.115 (0.19)	0.121 (0.19)	0.102 (0.19)	0.097 (0.19)
Total BITs	0.007* (0.00)	0.007 (0.00)	0.008* (0.00)	0.008* (0.00)
Openness	0.054 (0.04)	0.056 (0.04)	0.055 (0.04)	0.052 (0.04)
Resource rents	-0.002 (0.00)	-0.002 (0.00)	-0.002 (0.00)	-0.002 (0.00)
Log years since MID	0.348 (0.23)	0.349 (0.23)	0.350 (0.22)	0.354 (0.23)
Constant	8.383 (7.33)	6.390 (7.38)	8.446 (7.13)	6.806 (7.12)
Year fixed effects	Yes	Yes	Yes	Yes
Time trend	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes	Yes
N =	4190	4190	4190	4190
Countries =	170	170	170	170
R ²	0.770	0.772	0.771	0.772

Notes: (1) Standard errors clustered by state in parentheses. (2) Statistical significance: ** $p < 0.05$; * $p < 0.10$.

both *legal focal point x full settlement* and *no legal focal point x full settlement*.

We again ensure that differences across single-dispute and multiple-dispute states are not clouding our estimated ef-

fects somehow by separately estimating coefficients of interest in Model 4. We find that in the absence of a legal focal point the postsettlement increase in FDI stock is substantively large and statistically significant in countries that have

only a single dispute during the sample period (consistent with Hypothesis 6). Thus, there is a substantial peace dividend when countries have a single dispute without a legal focal point and settle it. In fact, the estimates in Model 4 suggest that a state in a single dispute without a legal focal point enjoys a peace dividend of around 60 percent in additional FDI stock postsettlement, which amounts to just less than 1.4 billion USD in additional FDI. In contrast, when there are multiple disputes, the effect of full settlement is negligible, as the estimated coefficient is small, negative, and insignificant. This contrast suggests that how “surprising” a full settlement is really depends on whether it entails settling a single dispute or settling multiple disputes, which almost always occurs across a number of years. Finally, again consistent with Hypothesis 6, we find that there is not much evidence of a peace dividend following full settlement in the presence of a legal focal point. This result holds regardless of whether we separately estimate *legal focal point x full settlement* for multiple- or single-dispute states.²⁹

Illustration: Namibia

Our statistical results demonstrate that international law around territorial disputes affects FDI in aggregate. As such, we provide evidence that the incentives around legal focal points are significant enough to shape investment decisions in general, beyond simply a small number of “vulture” investors that are able to stomach considerable risk. Our research strategy thus provides clarity on the scope of rewards available to a capital-seeking state that is willing to comply by the implications of a legal focal point. Still, process-tracing the behavior of particular investors and a particular government is a valuable exercise that can shed further light on how investors get their information about legal focal points and what that means for their investment decisions.

Therefore, we briefly consider FDI trends and government behavior in Namibia, a country involved in a territorial dispute with a legal focal point, as an illustration of our argument.

Namibia gained independence in 1990. For its first four years of existence, it had the legal focal point in a territorial dispute with South Africa over Walvis Bay. While many territorial disputes are over remote or less consequential territory, Walvis Bay is economically and strategically important: it had long been a key naval base for South Africa, and it is the only deep-sea port on Namibia’s coastline. As a brand new, impoverished state, Namibia already lacked the features associated with high levels of FDI; this territorial dispute stacked on top of those disadvantages. Has it nonetheless benefitted from the presence of a legal focal point? Of course, the counterfactual is unobservable. Nonetheless, the European Community, IMF, World Bank, Organization of African Unity, and more were integrating Namibia into the community of independent states, supporting its territorial integrity (Woodworth 1990). With this backdrop, the behavior of a variety of foreign investors, in different industries and from different home states, suggests that many investors saw the dispute as a growing pain rather than a threatening source of long-term political risk. Indeed, South Africa peacefully gave up its claim and ceded the territory in 1994.

First, although their credibility is weakened by their inability to easily move operations outside of Namibia, investors in natural resources exhibited behavior and rhetoric

consistent with expectations that Namibia would peacefully work out the Walvis Bay dispute. Walvis Bay is the point of departure for uranium from Rio Tinto’s Rossing mine, forty miles inland.³⁰ Despite several years of uncertainty over the status of Walvis Bay, Rio Tinto did not pursue alternative means of shipping uranium via airlifts or road transportation to Angola (*Lloyd’s List International* 1990). In fact, the Rossing mine has been in continuous operation since 1966. In 1993, the director of a South African salt refiner that also used Walvis Bay was so copacetic with its uncertain status that he said, “[i]f in the future we need to change to being a Namibian [joint venture], we are quite happy to do that.” (*Lloyd’s List International* 1993)³¹ DeBeers, too, continued to ship diamonds out of Walvis Bay, and the European Community (EC) was confident enough to provide financing to the local diamond industry that relied on it (*Reuters* 1993). This record of continued and new investment, by multinationals and the EC, is consistent with the South African Foreign Minister’s comment prior to the Walvis Bay handover, that “he did not understand what all the fuss was about as there had never been any doubt in principle about the incorporation of the disputed territory into Namibia” (Carlin 1993).

Further, a diversity of foreign investors quickly poured into the new Namibian fishing industry, despite the fact that the Walvis Bay dispute was particularly concerning for maritime jurisdiction. Although dominant South African firms’ fishing quotas were disrupted at Namibia’s independence, many of them nonetheless scrambled to regain market share. Investors from France, Portugal, the Netherlands, and Germany pushed the EC to open the market to them. When the EC’s negotiations with Namibia slowed, Spanish investors were so anxious to grow their fishing interests that they formed several joint ventures with Namibian partners already in 1992 (*Agence Europe* 1991). In 1993, well before South Africa had announced its willingness to give up its claim, the Namibian Fisheries Minister said, “I agree with the press about the anticipated boom in the fishing industry. That is already visible” (*Reuters* 1993). The fishing industry’s share of Namibia’s GDP rose 37 percent from 1992 to 1993, and it rose another 39 percent in the year of the handover (*Nachrichten fuer Aussenhandel* 1994). In short, Namibia welcomed a variety of forward-looking investors well in advance of settlement.

Namibia has also faced two other territorial disputes, both with legal focal points. Namibia had a territorial dispute with Botswana for which it had the legal focal point; the two states referred the dispute to the International Court of Justice in 1996, and it was settled in 1999. The dispute over the Namibi–South Africa boundary at the Orange River, for which Namibia is the challenger and South Africa has the legal focal point, arose after Walvis Bay was settled. That dispute remains unresolved. Thus, all FDI going into Namibia, which averages 2.5 percent of GDP, has entered in the shadow of a territorial dispute with a legal focal point.³²

While continued FDI despite these other territorial disputes is consequential, FDI during the Walvis Bay dispute best demonstrates how investment can accrue in advance of settlement—even when the territory in question is economically and strategically important. In fact, Namibia even hosted a major investment in the automobile industry in

²⁹ In general, results on control variables are signed as expected. However, democracy is generally negatively signed although insignificant. In contrast to much of the literature, we recover a relatively consistent, positive coefficient on *total BITs*.

³⁰ Other foreign investors from South Africa, as well as the government of Iran, have ownership stakes in Rossing as well.

³¹ The refiner had operated since 1986.

³² Averaged over 1991–2015. GDP growth averaged 4.5 percent. Data from World Bank World Development Indicators.

1991, when the French firm Citroen began assembling luxury vehicles for export to South Africa. Citroen made the investment contingent on South Africa's promise to continue to allow sea-shipping from Namibia via Walvis Bay—years before its status was seriously negotiated let alone settled (Ottaway 1991).

Conclusion

Today, governments competing for FDI pay careful attention to the many factors that increase the risks foreign investors may face within their borders. Contentious international disputes are one such risk. We find that firms invest at different rates in states embroiled in different kinds of territorial disputes. In particular, firms invest differently in environments in which a clear legal focal point underpins the dispute. To come to this finding, we theorize a firm-level logic and present statistical evidence of it at the aggregate, country-year level—both across and within countries. This research strategy, coupled with a brief discussion of Namibia, provides evidence that forward-looking investors willing to anticipate settlement are prevalent enough to shape aggregate FDI trends and, in turn, influence state behavior.

Scholars find that international law influences the probabilities of peace, conflict, and dispute settlement (Huth et al. 2011, 2012, 2013; Goertz et al. 2015; Prorok and Huth 2015). Our finding that FDI pours into states involved in territorial disputes with a legal focal point suggests a material incentive for states to respond to international law: states face economic pressure to not militarize disputes characterized by a legal focal point and instead to move toward a peaceful settlement. This suggests another key explanation for the decline of violent interstate disputes. Although this implication tracks with a long literature on the political economy of conflict, it strongly suggests the need for further investigation of how economic integration can push states toward peace.

In this vein, a growing body of research links the behavior of nonstate actors in the global economy to security outcomes. Escrib-Folch, Meseguer, and Wright (2015) argue that migrant remittances, which reduce citizens' dependence on state transfers, undermine support for autocracies and push democratic transitions. Shea and Poast (2017) argue that states creditworthy enough to borrow on international markets are more likely to go to war, because they can more easily borrow to fund war. At the same time, Clay and Diguseppe (2017) find that creditworthy states are better able to choose respect for physical integrity rights over domestic repression. Our focus on international law expands this research agenda to consider the conditions under which international institutions can reinforce normatively optimal national and subnational outcomes via a political economy-security nexus. Garriga (2016) already pushes this research agenda, linking state commitments to international human-rights regimes to FDI, especially in states with poor human rights records.

Finally, our argument relies on evidence that international coordination around legal norms can mitigate the negative impact of conflicting claims, even if sovereign states feel justified in initiating disputes around those claims. International legal norms around territory have proven durable enough to shape even belligerent states' behavior. Thus, we reinforce scholarship that emphasizes the effects of interstate commitments on domestic outcomes (Farrell and Newman 2014). States' respect for legal norms at the international level can weaken domestic incentives to fight

because of the implications of those norms for the kinds of political risks that shape nonstate actors' behavior in international markets.

Supplementary Information

Supplementary information is available at the authors' websites and at the *International Studies Quarterly* data archive.

References

- ABRAMSON, SCOTT F., AND DAVID B. CARTER. 2016. "The Historical Origins of Territorial Disputes." *American Political Science Review* 110 (4): 675–98.
- ALLEE, TODD, AND CLINT PEINHARDT. 2011. "Contingent Credibility: The Impact of Investment Treaty Violations on Foreign Direct Investment." *International Organization* 65 (3): 401–32.
- AGENCE EUROPE. 1991. *Marin Criticizes Namibian Government*, April 20.
- ATZILI, BOAZ. 2012. *Good Fences, Bad Neighbors: Border Fixity and International Conflict*. Chicago: University of Chicago Press.
- BAUER, MOLLY E., BENJAMIN A. T. GRAHAM, AND CESI CRUZ. 2012. "Democracies Only: When Do IMF Agreements Serve As a Seal of Approval?" *Review of International Organizations* 7 (1): 33–58.
- BEAZER, QUINTIN H. 2012. "Bureaucratic Discretion, Business Investment, and Uncertainty." *Journal of Politics* 74 (3): 637–52.
- BROOKE, JAMES. 1995. "Peru: On the Very Fast Track." *New York Times*, 31 January.
- BROOKS, STEPHEN. 2005. *Producing Security: Multinational Corporations, Globalization, and the Changing Calculus of Conflict*. Princeton, NJ: Princeton University Press.
- BUETHE, TIM, AND HELEN V. MILNER. 2008. "The Politics of Foreign Direct Investment Into Developing Countries: Increasing FDI Through International Trade Agreements?" *American Journal of Political Science* 52 (4): 741–62.
- CARLIN, JOHN. 1993. "Pretoria to Quit Walvis Bay." *Independent*, August 17.
- CARTER, DAVID B., AND HEIN E. GOEMANS. 2011. "The Making of the Territorial Order: New Borders and the Emergence of Interstate Conflict." *International Organization* 65 (2): 275–310.
- . 2014. "The Temporal Dynamics of New International Borders." *Conflict Management and Peace Science* 31 (3): 285–302.
- . 2018. "International Trade and Coordination: Tracing Border Effects." *World Politics* 70 (1): 1–52.
- CHAYES, ABRAM, AND ANTONIA CHAYES. 1995. *The New Sovereignty: Compliance with International Regulatory Agreements*. Cambridge, MA: Harvard University Press.
- CHETWYND, GARETH. 2000. "Fists Fly South of Rio Grande." *Upstream*, August 18.
- CHINN, MENZIE, AND HIRO ITO. 2008. "A New Measure of Financial Openness." *Journal of Comparative Policy Analysis* 10 (3): 309–22.
- CLARK, TOM S., AND DREW A. LINZER. 2015. "Should I Use Fixed Or Random Effects?" *Political Science Research and Methods* 3 (2): 399–408.
- CLAY, K. CHAD, AND MATTHEW DIGIUSEPPE. 2017. "The Physical Consequences of Fiscal Flexibility: Sovereign Credit and Physical Integrity Rights." *British Journal of Political Science* 47 (4): 783–807.
- COLARESI, MICHAEL, KAREN RASLER, AND WILLIAM R. THOMPSON. 2007. *Strategic Rivalries in World Politics*. New York: Cambridge University Press.
- DAI, LI, LORRAINE EDEN, AND PAUL W. BEAMISH. 2013. "Place, Space, and Geographical Exposure: Foreign Subsidiary Survival in Conflict Zones." *Journal of International Business Studies* 44 (6): 554–78.
- DAVIS, CHRISTINA L. 2012. *Why Adjudicate? Enforcing Trade Rules in the WTO*. Princeton, NJ: Princeton University Press.
- EMMOTT, ROBIN. 2016. "Sanctions Impact on Russia to Be Longer Term." *Reuters*, January 12 <https://www.reuters.com/article/us-ukraine-crisis-sanctions/sanctions-impact-on-russia-to-be-longer-term-u-s-says-idUSKCN0UQ1ML20160112>.
- ESCRIB-FOLCH, ABEL, COVADONGA MESEGUER, AND JOSEPH WRIGHT. 2015. "Remittances and Democratization." *International Studies Quarterly* 59 (3): 571–86.
- FARRELL, HENRY, AND ABRAHAM L. NEWMAN. 2014. "Domestic Institutions Beyond the Nation-State: Charting the New Interdependence Approach." *World Politics* 66 (2): 331–63.

- . 2016. "The New Interdependence Approach: Theoretical Development and Empirical Demonstration." *Review of International Political Economy* 23 (5): 713–36.
- FLORES, FERNANDO. 1998. "Letters to the Editor: Ecuador Wants to End Long Border Dispute." *Wall Street Journal*, 18 September.
- GARRIGA, ANA CAROLINA. 2016. "Human Rights Regimes, Reputation, and Foreign Direct Investment." *International Studies Quarterly* 60 (1): 160–72.
- GARRIGA, ANA CAROLINA, AND BRIAN J. PHILLIPS. 2014. "Foreign Aid as a Signal to Investors: Predicting FDI in Postconflict Countries." *Journal of Conflict Resolution* 58 (2): 280–306.
- GARTZKE, ERIK, AND QUAN LI. 2003. "War, Peace, and the Invisible Hand: Positive Political Externalities of Economic Globalization." *International Studies Quarterly* 47 (4): 561–86.
- GEDDES, BARBARA, JOSEPH WRIGHT, AND ERICA FRANTZ. 2014. "Autocratic Breakdown and Regime Transitions: A New Dataset." *Perspectives on Politics* 12 (2): 313–31.
- GENT, STEPHEN E., AND MEGAN SHANNON. 2010. "The Effectiveness of International Arbitration and Adjudication: Getting Into a Bind." *Journal of Politics* 72 (2): 366–80.
- . 2011. "Decision Control and the Pursuit of Binding Conflict Management: Choosing the Ties that Bind." *Journal of Conflict Resolution* 55 (5): 710–34.
- GIBLER, DOUGLAS M. 2012. *The Territorial Peace: Borders, State Development, and International Conflict*. Cambridge, MA: Cambridge University Press.
- GOERTZ, GARY, PAUL F. DIEHL, AND ALEXANDRU BALAS. 2015. *The Puzzle of Peace: The Evolution of Peace in the International System*. Oxford: Oxford University Press.
- GOWA, JOANNE. 1995. *Allies, Adversaries, and International Trade*. Princeton, NJ: Princeton University Press.
- GOWA, JOANNE, AND EDWARD MANSFIELD. 2004. "Alliances, Imperfect Markets, and Major-Power Trade." *International Organization* 58 (4): 775–805.
- GRAY, JULIA. 2013. *The Company States Keep: International Economic Organizations and Investor Perceptions*. New York: Cambridge University Press.
- HENSEL, PAUL, SARA McLAUGHLIN MITCHELL, THOMAS E. SOWERS, II, AND CLAYTON L. THYNE. 2008. "Bones of Contention: Comparing Territorial, Maritime, and River Issues." *Journal of Conflict Resolution* 52 (1): 117–43.
- HUTH, PAUL K. 1996. *Standing Your Ground: Territorial Disputes and International Conflict*. Ann Arbor: University of Michigan Press.
- HUTH, PAUL K., AND TODD L. ALLEE. 2002. *The Democratic Peace and Territorial Conflict in the Twentieth Century*. New York, NY: Cambridge University Press.
- HUTH, PAUL K., SARAH E. CROCO, AND BENJAMIN J. APPEL. 2011. "Does International Law Promote the Peaceful Settlement of International Disputes? Evidence from the Study of Territorial Conflicts Since 1945." *American Political Science Review* 105 (2): 415–36.
- . 2012. "Law and the Use of Force in World Politics: The Varied Effects of Law on the Exercise of Military Power in Territorial Disputes." *International Studies Quarterly* 56 (1): 17–31.
- . 2013. "Bringing Law to the Table: Legal Claims, Focal Points, and the Settlement of Territorial Disputes Since 1945." *American Journal of Political Science* 57 (1): 90–103.
- JENSEN, NATHAN M. 2008. "Political Risk, Democratic Institutions, and Foreign Direct Investment." *Journal of Politics* 70 (4): 1040–52.
- JENSEN, NATHAN M., AND DANIEL J. YOUNG. 2008. "A Violent Future? Political Risk Insurance Markets and Violence Forecasts." *Journal of Conflict Resolution* 54 (2): 527–47.
- JENSEN, NATHAN M., GLEN BIGLAISER, QUQN LI, EDWARD MALESKY, PABLO PINTO, SANTIAGO PINTO, AND JOSEPH STAATS. 2012. *Politics and Foreign Direct Investment*. Ann Arbor: University of Michigan Press.
- KERNER, ANDREW. 2014. "What We Talk About When We Talk About Foreign Direct Investment." *International Studies Quarterly* 58 (4): 804–15.
- KOCS, STEPHEN A. 1995. "Territorial Disputes and Interstate War, 1945–1987." *Journal of Politics* 57 (1): 159–75.
- LEE, HOON, AND SARA McLAUGHLIN MITCHELL. 2012. "Foreign Direct Investment and Territorial Disputes." *Journal of Conflict Resolution* 56 (4): 675–703.
- LEON, CRAIG. 1997. "Ecuador: Renewed Tranquility." *International Investor* 31 (3): March 1.
- LI, QUAN. 2006. "Political Violence and Foreign Direct Investment." In *Research in Global Strategic Management, Volume 12, Regional Economic Integration*, edited by Michele Fratianni and Alan M. Rugman, 225–49. London, UK: Elsevier Ltd.
- . 2009. "Democracy, Autocracy, and Expropriation of Foreign Direct Investment." *Comparative Political Studies* 42 (8): 1098–127.
- LI, QUAN, AND TATIANA VASHCHILKO. 2010. "Dyadic Military Conflict, Security Alliances, and Bilateral FDI Flows." *Journal of International Business Studies* 41 (5): 765–82.
- LLOYD'S LIST INTERNATIONAL. 1993. *New Horizons Set to Open for Walvis Bay*, August 27.
- LLOYD'S LIST INTERNATIONAL. 1990. *In the 1970s...*, March 23.
- LI, QUAN, ERICA OWEN, AND AUSTIN MITCHELL. 2016. "Why Do Democracies Attract More Or Less Foreign Direct Investment? A Metaregression Analysis." *International Studies Quarterly* 62 (3): 494–504.
- MANSFIELD, EDWARD D. 1994. *Power, Trade, and War*. Princeton, NJ: Princeton University Press.
- MANSFIELD, EDWARD D., AND JON C. PEVEHOUSE. 2000. "Trade Blocs, Trade Flows, and International Conflict." *International Organization* 54 (4): 775–808.
- MCDONALD, PATRICK. 2009. *The Invisible Hand of Peace: Capitalism, the War Machine, and International Relations Theory*. Cambridge: Cambridge University Press.
- MITCHELL, SARA McLAUGHLIN, AND PAUL R. HENSEL. 2007. "International Institutions and Compliance with Agreements." *American Journal of Political Science* 51 (4): 721–37.
- HENSEL, PAUL R. 1993. Namfist opens new Walvis Bay Quay. December 23.
- NACHRICHTEN FUER AUSSENHANDEL. 1994. *Namibia Will Seine Fischerverarbeitung Ausbauen*, August 29.
- ONEAL, JOHN R., AND BRUCE RUSSETT. 1997. "The Classical Liberals Were Right: Democracy, Interdependence and Conflict, 1950–1985." *International Studies Quarterly* 41 (2): 267–94.
- OTTAWAY, DAVID B. 1991. "Neglected Namibia Marks Anniversary." *Washington Post*, March 22.
- OWSIK, ANDREW P. 2013. "Signing Up for Peace: International Boundary Agreements, Democracy, and Militarized Interstate Conflict." *International Studies Quarterly* 56 (1): 51–66.
- PANDYA, SONAL S. 2014. *Trading Spaces*. New York: Cambridge University Press.
- PINKER, STEVEN. 2011. *The Better Angels of our Nature: Why Violence Has Declined*. New York: Viking Penguin.
- PROROK, ALYSSA K., AND PAUL K. HUTH. 2015. "International Law and the Consolidation of Peace Following Territorial Changes." *Journal of Politics* 77 (1): 161–74.
- RAINEY, CARLISLE. 2014. "Arguing for a Negligible Effect." *American Journal of Political Science* 58 (4): 1083–91.
- REUTERS. 1993. *Juggling Act seen for Namibian Budget*, May 26.
- REUTERS. 1993. "Namfist Opens New Walvis Bay Quay." December 23.
- SAUVANT, KARL P., AND LISA E. SACHS. 2009. *The Effect of Treaties on Foreign Direct Investment: Bilateral Investment Treaties, Double Taxation Treaties, and Investment Flows*. Oxford: Oxford University Press.
- SCHULTZ, KENNETH A. 2014. "What's in a Claim? De Jure Versus De Facto Borders in Interstate Territorial Disputes." *Journal of Conflict Resolution* 58 (6): 1059–84.
- . 2015. "Borders, Conflict, and Trade." *Annual Review of Political Science* 18: 125–45.
- SENESE, PAUL D., AND JOHN A. VASQUEZ. 2008. *The Steps to War: An Empirical Study*. Princeton, NJ: Princeton University Press.
- SHEA, PATRICK E., AND PAUL POAST. 2017. "War and Default." *Journal of Conflict Resolution* 62 (9): 1876–904.
- SIMMONS, BETH A. 2005. "Rules Over Real Estate: Trade, Territorial Conflict, and International Borders As Institutions." *Journal of Conflict Resolution* 49 (6): 823–48.
- VASQUEZ, JOHN A. 1993. *The War Puzzle*. New York: Cambridge University Press.
- VASQUEZ, JOHN A., AND MARIE T. HENEHAN. 2001. "Territorial Disputes and the Probability of War, 1816–1992." *Journal of Peace Research* 38 (2): 123–38.
- WELLHAUSEN, RACHEL L. 2015. *The Shield of Nationality: When Governments Break Contracts with Foreign Firms*. New York: Cambridge University Press.
- WOODSWORTH, NICHOLAS. 1990. "Survey of Namibia: Neighbourliness is Crucial to Success- Foreign Relations." *Financial Times*, March 22.
- ZACHER, MARK W. 2001. "The Territorial Integrity Norm: International Boundaries and the Use of Force." *International Organization* 55 (2): 215–50.