Risky Business: Foreign Direct Investment & the Economic Consequences of Electoral Violence

Austin C. Doctor
Eastern Kentucky University

Stephen Bagwell
DePauw Univeristy

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Abstract

While the social and political consequences of electoral violence are widely discussed in the literature, less is known about the economic repercussions of electoral violence. Our study investigates this dynamic, asking how episodes of electoral violence affect existing levels of foreign direct investment? We argue that, when managing their investments in foreign markets, multinational firms weigh the expected gains of the investment with the probability that the host country experiences significant lapses in political stability. Electoral violence signals a greater risk of this undesirable outcome and, thus, increases the probability that firms divest in favor of more favorable investment environments. Using firm-level data, we investigate the investment behavior of 77 multinational firms in 25 Sub-Saharan African countries from 1995 to 2008 with a series of logistic regression models. Directly modeling the choices that firms make with respect to yearly changes in investment, we demonstrate that firms are more likely to divest following events of electoral violence in a host country. This study carries important implications for our understanding of how electoral violence may undermine the economic stability of emerging economies.

Word Count: 10,848

Introduction

On December 30, 2007, violence broke out in Kenya after Mwai Kibaki, the incumbent, was declared the winner of the presidential election over Raila Odinga, despite objections by the opposition and election observers that the vote tally was seriously flawed. The ensuing violence caused approximately 1,400 casualties over the course of 59 days and displaced 600,000 people from their homes (Al Jazeera 2013). In February 2008, the candidates signed a power-sharing agreement, effectively ending the electoral crisis.

In addition to its severe implications for many Kenyans, the violent electoral crisis imposed a number of economic consequences on the country. The Kenya Manufacturing Association estimated that "industry lost 35 percent of its business in January" (United Nations 2008). Moreover, the crisis seemed to provoke a fear of instability among multinational firms; levels of foreign direct investment (FDI) into the country decreased significantly in the year following the violence. The 2008 United Nations Conference on Trade and Development (UNCTAD) World Investment Report finds that "the stock of FDI in Kenya stood at $183 million in 2008. After enjoying a banner year in 2007 attracting $729 million in FDI, Kenya only received $96 million in 2008" (U.S. Department of State 2011).

The observed foreign divestment in Kenya that followed the period of electoral violence in 2007 and 2008 raises a compelling question: what are the economic consequences of electoral violence? Specifically, we ask: are multinational corporations (MNCs) more likely to divest from countries following episodes of election-related violence?

To answer this research question, we offer a novel firm-level theory of electoral violence and foreign divestment. A number of existing studies emphasize the role of political violence and war in shaping levels of FDI (e.g. Busse and Hefeker 2007). Others argue that domestic politics in host countries, such as transparent policymaking, tend to increase incoming levels of FDI as they signal degrees of political stability desirable to outside investors (Jensen 2008). Investigating the intersection of these issues, we explain how episodes of violence surrounding multiparty elections—a process now ubiquitous across the regime polity spectrum—uniquely inform multinational firms' risk assessment of a host country's political environment. In short, these violent events credibly signal to investors a future risk of policy discontinuity and an undesirable realignment in the political status quo. This study makes an important contribution by explaining how electoral violence shapes firm's strategic calculus of divestment, meaningfully affecting a source of economic revenue critical to many emerging economies.

Empirical evidence for our theory comes from a sample of firm-level data on the investment activity of 77 multinational firms in 25 sub-Saharan African countries. We test our hypothesis through a series of logistic regression models, in which we model the unique choices that firms make with respect to their standing investments. We find that episodes of electoral violence in a host country more than double the probability of divestment, relative to status quo levels of investment activity in that country.

Existing Literature

The literature on foreign direct investment suggests that multinational firms observe and react to several factors in host countries. Two are especially relevant to this study: (1) political factors in

host countries, such as transparency in policymaking, quality of governance, and executive constraints; and (2) the dynamics of violent unrest in host countries, such as civil war, repression, and terrorism. A review of these studies exposes an opportunity for clarification, namely, in describing how events of violence surrounding institutionalized political processes may serve to signal a credible threat to foreign investment. Electoral violence, we believe, is well suited for this purpose. In this regard, while the literature has identified some of the political and social costs of electoral violence, we know little about its economic consequences. With this gap in mind, we aim to explain how episodes of electoral violence inform firms' decision to divest.

Political Factors in Host Countries

In general, multinational firms are more willing to invest and maintain operations in countries where political risk is expected to be limited (Kerner 2014; Barry 2016; Jakobsen and de Soysa 2006; Jensen 2008). Political risk is informed, in part, by the nature of domestic politics in a host country. For instance, some scholars find, broadly speaking, that democracies tend to receive more incoming FDI than their counterparts (e.g. Asiedu and Lien 2011; Li and Resnick 2003; Jensen 2003).[1] Related studies suggest that constraints on the executive (Jensen 2006; Feng 2001), the presence of multiple veto players (Henisz 2000; Tsebelis 2002), and greater levels of transparency in the policymaking process (Rosendorff and Vreeland 2006) attract greater levels of foreign direct investment. These characteristics, however, are not necessarily unique to

[1] At the same time, the process by which these factors affect firms' perceptions of political risk tends to be obscured by mixed evidence resulting from different operationalizations of these concepts across existing studies (Li and Resnick 2003; Kerner 2014).

democracies. For example, levels of transparency vary within and across regime types (Barry and DiGiuseppe 2019) and multiparty elections are now ubiquitous across the polity spectrum (Morgenbesser 2014). As such, there is a pressing need to clarify how different political processes—and domestic politics more broadly—affect firms' perceptions of political risk.

With this in mind, we ask: how do already-invested MNCs react to violent events ignited by cycles of common political processes? In particular, we aim to explain how violence surrounding national-level elections sends signals to firms about underlying levels of stability. By evaluating MNCs' reactions to episodes of violence surrounding election periods, we gain greater insight into how the domestic politics and political violence in a host country shapes firms' strategic management of their global subsidiaries.

Political Violence in Host Countries

A growing body of literature shows that violent conflict has detrimental effects on economic growth, foreign investment, and trade (e.g. Collier 2007; Glick and Taylor 2010). Within this literature, several studies explore the effects of violence and conflict in emerging economies on foreign direct investment. Generally, these suggest that political instability and violence—including civil war, political repression, and terrorism—make a country less attractive for FDI (Jun & Singh 1996; Miller 1992; Berden et al. 2013; Buthe and Milner 2008; Hayakawa et al. 2013). These explanations tend to rely on the mechanisms of political risk and physical security to explain these relationships between political violence and FDI.

For example, the event of civil war seems to have substantial influence on levels of FDI inflows (Busse and Hefeker 2007; Hayakawa et al. 2013), though a number of notable studies find that the relationship between FDI and armed conflict is highly sensitive to model and measurement specifications (Crenshaw 1991; Barry, Clay, and Flynn 2013; Li 2006). Generally speaking, armed conflict poses a credible threat to local operations in several ways, including: the displacement of the workforce and loss of human capital, the capture or destruction of factories or plants, and the destroying of valuable transportation routes. And multinational firms are aware of this. In a 2001 survey of corporate executives, respondents indicated that risks to the physical security and wellbeing of facilities and personnel, and those relating to unrest and war, as the most concerning for many investors today (MIGA 2002: 27). Building on this framework, Joshi and Quinn (2018) find that when civil wars end in comprehensive peace agreements they convey information to investors regarding the credibility of the conflict actors' commitment to future peace and, thus, attract the most FDI. Finally, recent work by Barry (2018) finds that armed conflict may shape the decisions to invest and to divest in different ways, indicating the continued importance of clarifying how political risk influences the broader management of foreign investment. This raises an important point, political violence likely shapes not only the initial decision of where to invest, but also decisions of how to manage already-sunk investments.

The bulk of existing studies demonstrate that multinational firms are sensitive to armed violence. Overall, the literature leaves an opportunity for greater attention to the circumstances and processes by which MNCs observe and respond to various forms of violent political unrest, including election-related violence. Multinational firms look for signals of stability before

investing and, upon investing, continue to look for signs of future instability. We argue that our novel foci on electoral violence and divestment provides needed dimension to the discussion on the relationship between domestic politics, violence, and foreign direct investment. Our results support this expectation: in the year following episodes of electoral violence, the probability of firm divestment increases.

The Consequences of Electoral Violence

Generally, the purpose of electoral violence is to influence the outcome of an election through intimidation, harassment, assassinations, or other acts of physical aggression (Bekoe and Buchard 2017: 76). But electoral violence also bears additional, perhaps unintended, consequences as well. For example, Höglund (2009: 412) states that "voter turnout may be influenced if large sections of the population refrain from casting their vote due to fear of violence." Relatedly, Buchard (2015) finds that electoral violence shapes civilians' willingness to participate in future elections, trust in governing institutions, and support for democracy (18). These outcomes, however, are political in nature; we know surprisingly little about the direct economic or social consequences of electoral violence. Unaddressed, these issues constitute considerable gaps in our efforts to assess the holistic costs of election-related violence.

In studying the causes and effects of electoral violence, the existing literature has also carefully made these events conceptually-distinct from other forms of intrastate political violence, such as

armed conflict.[2] Indeed, as Fjelde and Hoglund (2014) point out, "Whereas the launch of a civil war often tends to represent an exit strategy from the domain of regular political competition, violent electoral tactics are often employed alongside other constitutional and non-constitutional strategies for retaining power" (298). In short, electoral violence represents a unique political process, distinct from terrorist or insurgent activity not only in scale but in form. Accordingly, as the discipline aims to understand the consequences of electoral violence, it is important to build from the premise that the mechanisms by which electoral violence shapes political, social, and economic outcomes of interest may also be unique from those associated with other expressions of political violence.

Electoral Violence and Foreign Divestment

We offer a firm-level theory of electoral violence and foreign divestment. To explain the observed differences in firms' investment choices in emerging economies, we build on the premise that foreign firms prefer not to operate in risky environments with high levels of political instability (Jensen 2006; Berry 2013). We argue multinational firms perceive episodes of electoral violence as signals of immediate and future instability, posing a greater risk of loss

[2] "Electoral violence does not always have the high profile of a civil war; rarely are elections as violent as those of Kenya in 2007, Congo-Brazzaville in 1994, or Côte d'Ivoire in 2010. But the persistence of violent elections reinforces a norm of political transition that will eventually be at variance with the ideals and goals of democracy, especially as free, fair, peaceful, and noncoercive elections are a necessary prerequisite for democratic development" (Bekoe and Buchard 2017: 89).

on investment. As a result, multinational corporations are more likely to divest in emerging economies that experience election-related violence.

Foreign direct investment—a form of cross-border investment in which a resident or corporation based in one country owns a productive asset located in a second country—incorporates a range of distinct activities, such as "greenfield" investments, cross-border acquisitions, the construction of a new plant or factory, or the purchase of machinery equipment (Oatley 2012: 376). Generally, all of these "implicate (at least some portion of) the value of capital owned or controlled by the foreign affiliates of MNCs" (Kerner 2014: 806).[3] As such, direct investment entails a large enough stake in an enterprise to present the investing firm with both opportunities for operational control—and, subsequently, meaningful profits—and risks of a substantial loss of capital.

A growing literature leverages a firm-level choice framework to explain variation in FDI, where firms can choose to start a new investment, not invest, increase an existing investment, maintain an investment, or divest. In this study, we focus on an understudied element of this framework: foreign divestment. Divestment is a firm-level decision that *involves the sale of international subsidiaries, closure of foreign plants, and exit from foreign markets* (Soule, Swaminathan, and Tihanyi 2014: 1032). Despite the importance of the issue, we know relatively little about the factors which prompt firms to divest their foreign investments (Berry 2010, 2013; McDermott

[3] Similarly, Sobel (2006) defines FDI as the "investment in control of productive facilities overseas—usually defined by an investment that amounts to control of 10% or more of a company's equity" (460).

2010).[4] Speaking to this gap, we argue that episodes of electoral violence which occur in a host-country update firms' confidence in the stability of their investment and pose a sufficiently credible threat to prompt divestment.

Multinational firms face a common set of strategic constraints when managing their investments in foreign countries. On one hand, firms may know, for example, that the foreign country respects the rule of law, or recently experienced a civil war. On the other hand, firms do not necessarily know whether a state is likely to enter civil conflict or experience a coup, or that scheduled transitions of power will transpire peacefully. Foreign firms also do not know if policies sufficiently favorable for investment will remain in place. Once spent, direct investments comprise a substantial and long-term commitment for firms, not to be transferred or revoked affordably. Moreover, having been expended, investments are vulnerable to a number of shocks, including political instability, violence, theft, or regulation by the host government (Vernon 1971). Multinationals are acutely aware of their relatively exposed position in host countries and make an effort to minimize these potential risks by investing in stable market economies (Barry and DiGuiseppe 2018; Busse and Hefeker 2007).

As part of this decision-making process, multinational corporations are sensitive to any political risk (Miller 1992). Political risk describes the assessment of *the likelihood that a host country will take political actions or experience political problems that will negatively affect FDI assets or return on investment*. Policy instability complicates the investment environment for

[4] The business management literature has given greater attention to the issue of foreign divestment. For related studies on foreign divestment, see: Soule, Swaminathan, and Tihanyi (2014), Berry (2010, 2013), Duhaime and Grant (1984), and Haynes, Thompson, and Wright (2003).

multinationals because policies can change more easily and more often in these circumstances. Changes in policies regarding the repatriation of profits, tariffs on imports, domestic ownership requirements, or tax policies can affect both what firms are able to do within countries and the success of their operations, i.e. their profitability (Berry 2013: 249). Firms which have already invested know that the current environment is sufficiently favorable; they do not *know* that these conditions will remain stable. Ultimately, political risk strongly informs a firm's assessment of the potential opportunities and costs of investing and maintaining an investment in a local enterprise (North 1990; Graham, Johnston, and Kingsley 2016).

Foreign investors are especially vigilant to many of the political risks that come with violent conflict and social unrest (Jensen and Young 2008; Blanton and Blanton 2007). The presence of violent political conflict or lack of political predictability are among the most commonly evaluated indicators used by risk analysts to rate potential FDI sites (Eun and Resnick 2014; Joshi and Quinn 2018). Predicting violent conflict or even war is quite difficult. As such, companies rely on current events—especially episodes of unrest—to update their beliefs about future instability. We hesitate, however, to treat all social or violent conflict equally. We take up this issue to provide insight to the effect of a specific form of violence on extant foreign operations of multinational corporations.

National elections often act as flashpoints for violence. For example, Straus and Taylor (2009) find that, from 1990 to 2007, 19% of the 213 elections taking place in Sub-Saharan Africa witnessed electoral violence. From 2008 to 2014, Burchard (2015: 3) finds that approximately 50 percent of elections in the region experienced some form of election-related violence. This

phenomenon is hardly limited to African countries—episodes of violence clouded recent elections in Mexico, Columbia, Iran, Thailand, Pakistan, the United States, and many others.

Electoral violence is best understood as "physical violence and coercive intimidation directly tied to an impending electoral contest or to an announced electoral result." (Straus and Taylor 2012).[5] Common forms of electoral violence include the use of force against state agents, political parties, or opposition groups and attacks by mobs and gangs against visible manifestations of elections, like polling places (Birch and Muchlinski 2017; Bratton 2008). It is important to note that electoral violence does not necessarily take place within the immediate time frame of scheduled elections. It can emerge both before and after elections, especially in cases when results are disputed or concerns over socio-economic conditions have been brought to the fore by aggrieved voters (Onwudiwe & Berwind-Dart 2010: 4). Indeed, many existing studies are quick to point out that election day, even when preceded by substantial violence, is often relatively peaceful (Laakso, 2007; Höglund, 2009; Daxecker 2013).

We argue that electoral violence, from the perspective of foreign firms, is unique from other forms of political violence and unrest and sends an especially strong message to outside investors

[5] For a more thorough discussion on the definition of electoral violence, see Birch and Muchlinski (2017). By comparison, the U.S. Institute of Peace defines election violence as "any form of intimidation or physical violence directed against electoral stakeholders or the disruption of events or damage to materials intended to affect an electoral process or influence the outcome."

about the risks that they face in a given host market.[6] While the target of violence is a defining feature of, for instance, terrorism, it is particularly the *timing* and *motive* that distinguishes electoral violence from other types of violence (Hoglund 2009). Overall, the objective of electoral violence is to influence the electoral process and existing system of power. Within this broader motive, electoral violence is used for a few specific strategic purposes: to postpone an election, to protest an illegitimate method for the transfer of political power, or to influence directly the outcome of an election (Daxecker 2013). From firms' perspectives, electoral violence contributes additional uncertainty about the future, especially regarding the tenability of the political status quo. These motives and the timing of electoral violence make it distinct from other forms of unrest and even violence, sending unique signals to foreign firms with already-sunk costs.

Based on these dynamics, we argue that multinational corporations view events of electoral violence as sufficient cause to reduce or revoke their investment in a host country. Moreover, electoral violence stands apart from other forms of political violence or unrest in that it credibly signals the likelihood of both immediate and sustained changes in the market environment. We make this argument based on three underlying mechanisms; electoral violence increases the risk of three outcomes undesirable to firms: (1) *disruption in policy continuity*, (2) *immediate*

[6] For example, Enders, Sachside, and Sandler (2006) find that transnational terrorist attacks had no discernible effect on US-based FDI flows to non-OECD countries. This suggests that not all forms of political violence are threatening to investors in emerging economies, but that unique forms of violent unrest follow unique causal pathways to affect firm investment behavior.

disruption in production, and (3) *conflict escalation*.

In the first case, electoral violence increases the probability that policies favorable to a firm's investment operations in a host country will change. Uncertainty regarding host countries policies on firm's operations already clouds the decision to invest (Jensen et al. 2012; Berry 2013).[7] Electoral violence represents, in part, dissatisfaction with the current regime and, by extension, the network of political elites at the helm of the government. Given that the political status quo is sufficiently favorable to multinationals for investment, politically related violence suggests to MNCs that the investment environment may soon change, possibly in undesirable ways (Eun and Resnick 2014).

On this issue, Fortman (2000) points out that electoral violence "...erupts particularly in situations in which elections offer a genuine possibility of changing existing power relations" (76). As a result, electoral violence often reflects an underlying reality that the incumbent government does not enjoy a plurality of popular support, i.e. when the incumbent has good reason to fear that the election will result in their replacement. Even if the incumbent is able to win the election, the probability of political discontinuity in the near future is greater following

[7] Firms may be especially vulnerable to policy changes affecting their foreign subsidiaries. Berry (2013) argues, "For foreign subsidiary operations in particular...changing policies regarding repatriation of profits, tariffs on imports, domestic ownership requirements, and tax policies more generally can all impact both what firms can do within countries and the success of their operations" (249).

episodes of electoral violence. In a recent study, Hafner-Burton, Hyde, Jablonski (2018) find, "…pre-election violence can help incumbents win elections but it also increases the risk that leaders may eventually face mass protests that may oust leaders from power after the election or annul election results that were favorable to the incumbent are annulled and call new elections" (480).[8] As such, we argue that electoral violence sends credible signal to foreign investors that the political landscape is likely to change and, subsequently, the pre-existing terms of production and trade.

Second, electoral violence increases the risk of immediate disruption to production. Political violence poses a credible threat to local operations in many ways, including, the killing of local civilians, displacement of the workforce, and loss of human capital (Kerner 2014). For instance, following the 2011 Nigerian presidential election, violence in the northern part of the country left more than 800 dead and approximately 65,000 persons displaced. This violence was largely orchestrated by the supporters of opposition candidate Muhammadu Buhari in response to the disputed election of the incumbent Goodluck Johnson (Human Rights Watch 2011). Similarly, during the 1997 Kenya presidential election, the ethnic violence between Kiyuku and Luos and Kalenjins resulted in approximately 100,000 people fleeing their homes in Mombasa (Laasko 2007). Insofar as firms rely on local populations to maintain operations, electoral violence poses significant challenges to production.

[8] In the worst case, policy disruption or change in government may lead to expropriation, where host governments seize control of multinational corporations' operations in their country.

Episodes of electoral violence also often target the destruction or incapacitation of critical infrastructure—including factories and valuable transportation routes. For example, during the 2008 Zimbabwe election period, pre-election violence manifested in the form of widespread property damage around the country and the blocking of key highways (Human Rights Watch 2008). Pro-government supporters created "no-go areas" across broad swathes of the country, placing barricades across roads and making whole regions of the country inaccessible. To the extent that production capacity relies on the physical security of local communities and infrastructure, electoral violence poses an immediate, critical threat to multinational firms' local investments.

Finally, electoral violence signals a heightened risk of conflict escalation. As Staniland (2014) points out, "The problem is that in an important subset of cases, electoral politics is likely to trigger either large-scale warfare or less dramatic, but nevertheless sustained, violence around electoral contestation" (116). Armed conflict is a process generated by state and dissident violence (Young 2012: 518). In this spirit, electoral violence can provide fruitful ground for further entrenched conflict. In some instances, "sore losers"—who blame electoral defeat on electoral fraudulence—sometimes take up arms after electoral defeat, especially in election cycles marked by episodes of electoral violence and characterized by a strong ethnic bent (Cederman, Gleditsch, and Hug 2012: 393). For example, the 2010 presidential election in Cote d'Ivoire, which featured high levels of electoral violence perpetrated by forces representing both the incumbent Laurent Gbagbo and challenger Alassane Ouattara, sparked a civil war that killed an estimated 3,000 people and displaced nearly a million civilians between 2010 and 2011 (Bekoe 2012). For multinational firms with pre-existing investments, electoral violence---insofar

as it invokes the dissent-repression cycle---carries with it the heightened risk of conflict escalation and, thus, directly threatens the immediate security of their locally held assets.[9]

In sum, we argue electoral violence imposes unique risks to foreign firms and, subsequently, prompts MNCs to look to less threatening investment environments. Based on this theoretical framework, we hypothesize that *firms are more likely to divest following episodes of electoral violence*.

Data and Methods

To test our hypothesis, we use firm-level data on the operations of 77 major multinational corporations in 25 Sub-Saharan African countries from 1995 to 2008.[10] Importantly, by

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[9] We are not the first to indicate that election violence and armed conflict may be related. Buchard (2015) argues that "....the fact that electoral violence has been associated with the outbreak or resumption of larger conflicts suggests we urgently need to better understand why it occurs, what it affects, and what measures can be taken to prevent it" (3).

[10] Regarding the selection of firms included in the dataset, we use the data gathered by Barry (2016). The data comprise a random selection of the world's largest MNCs, from 1993-2010. Barry compiled the population of firms by evaluating a list of heavily internationalized firms as determined by the United Nations Conference on Trade and Development (UNCTAD) in its World Investment Reports, which identify the 100 largest non-financial multinational corporations. While some firms show up on the reports only infrequently, many of the firms maintain their status in multiple and consecutive years. As Barry notes, this is both a strength and

empirically disaggregating flows of foreign direct investment at the firm level and observing changes in these behaviors over time, we are able to match our empirical analysis to our dynamic, micro-level theory of electoral violence and foreign direct investment. With a sample of 17,903 company-country year observations, we estimate the effect of electoral violence on firms' investment behavior in emerging economies in Sub-Saharan Africa. Descriptive statistics are presented in Table 1.

Table 1: Descriptive Statistics, 1995-2008.

Variable	N	Mean	Std. Dev.	Min	Max
Foreign Divestment	17,903	0.0089	0.1255	0	1
Electoral Violence	17,903	0.0824	0.2750	0	1
Election Period	17,903	0.4624	0.4985	0	1
All Armed Conflict	17,903	0.1096	0.3123	0	1
Civil War	17,903	0.0436	0.2041	0	1
Minor Conflict	17,903	0.0646	0.2458	0	1
Regime Durability	17,903	8.2086	9.4274	0	42
Polity Score	17,903	2.1203	4.9720	-7	10
GDP per Capita	17,903	6.0740	1.0847	4.3894	8.4846
GDP Growth	17,903	3.9733	5.1314	-28.1	35.2
Inflation	17,903	20.4569	64.118	-18.192	638.1888
Population	17,903	16.0244	1.1657	13.8924	18.8127
Trade (% of GDP)	17,903	64.4157	29.028	14.3778	210.7496
Property Rights	17,903	4.4652	1.4410	1.02	8.15
Presence of Competitors	17,903	0.2698	0.7832	0	7
Number of New Ventures	17,903	1.5088	4.5852	0	65
Presence of Subsidiary	17,903	0.0524	0.2229	0	1
Years Since New Venture	17,903	7.6202	3.9674	0	15

a weakness: from a theoretical perspective, we are often motivated by the largest firms and the global power players. However, the lack of representation of smaller firms can limit the generalizability of our findings. A list of the multinational firms included in our sample—as well as the host countries—is provided in Appendix A.

While all the countries in the sample have some form of national elections, they vary considerably in their political structures. In terms of Polity score, South Africa scores the highest (9). In terms of polity durability, some countries like Namibia experienced no change in their polity score in the sample. Others, such as Niger, experienced massive shifts in polity types from 1995 to 2008. Niger shifts from a -6 Polity score in the first year of our sample to an 8. Importantly, electoral violence happens across the polity spectrum. Specifically, it is recorded in our sample in 255 dyad-years in states with a Polity score between -6 and 0, in 625 dyad years in states with a Polity score between 0 and 6, and in 240 dyad-years in states with a Polity score of 7 or higher. Overall, our sample is heterogeneous in terms of regime type, regime durability, and the frequency in which violence is experienced. We view this variability as a strength of the study as it allows us to generalize our empirical analysis across different political contexts.

Dependent Variable

For the dependent variable, *foreign divestment*, we use Barry's (2016) data which records investment activity by multinational firm *i* in country *j* during year *t*. We operationalize FDI to account for the range of investment choices available to multinational firms. Once a firm has established operations in a host country, the firm can choose to maintain the status quo or reduce its investment. To match this choice framework, we generate a two-category variable that captures each of these outcomes. We first count the number of subsidiaries that firm *i* operates in a given country *j* at time *t*-1. Then, we calculate any changes in this measure at time *t*. For the main dependent variable, we code decreases in the number of a firm's local subsidiaries as "1" (divestment); no change is coded "0" (status quo). Given the binary nature of our dependent variable, we use a series of binary logistic regression models in the empirical analysis. Fixed

effects are included at the home country, host country, and annual levels to account for unmodeled between-unit sources of variation at these levels that may influence a firm's investment decisions.[11]

Consistent with previous studies on foreign direct investment (e.g. Barry 2016; Barry and DiGiuseppe 2018), the majority of cases in our sample retain their status quo. In our sample of firm-country-years, no change in investment is observed in over 98% of cases. Again, this is both a function of our nuanced unit of analysis and consistent with existing research. FDI is quite sticky, where firms loathe to renege on sunk costs. That said, the occurrence of divestment is still

[11] A firm level empirical approach is important because it offers the most direct test of our theory, which aims to explain why any firm would choose to divest in a given host-year. First, there are often more than one firms investing in a host country at a given time. As such, we allow the sampled firms to respond to their similar environments and shocks differently, presenting a more honest and robust assessment of the risk that any firm divests given the external shock of electoral violence. Second, and equally important, this unit of analysis allows us to control directly for differences in firm-level factors which may affect how firms respond to electoral violence in a host country. Many previous studies on foreign direct investment model changes in the FDI inflows at the country-aggregated level, often due to data limitations. As a robustness check, to confirm that our results are not unique to our unit of analysis or particular measurement of investment, we estimate a series of modeled relationships between electoral violence and FDI inflows at the country-year level. This information is shown in Table H of the appendix included with this manuscript.

more common than our sample distribution initially suggests; seen from another perspective, all the firms in our sample divested at some point. The relative rarity of divestment—amplified by our fine-grained unit of analysis—does not undermine the importance of understanding its underlying causes; this decision carries meaningful consequences for the development and stability of emerging economies.

Independent Variable

To measure the main independent variable, *electoral violence*, we indicate where episodes of election-related violence are recorded in a given country-year. Information for this variable comes from the Social Conflict Analysis Database (Salehyan et al. 2012). SCAD codes information on social conflict events based on Lexis-Nexis searches of news wires. The data feature information on protests, riots, strikes, dissent violence, pro-government violence, and other social disturbances. To create our binary measure of electoral violence, we subset the SCAD data in a two-step process: (1) include only those events coded as relating to elections and (2) include only events coded as involving physical violence. While SCAD is coded at the event level, to match our observations of multinational investment behavior, we aggregate counts of electoral violence events to the host-country year level. We recode the aggregated count to create a binary variable, assigning a "1" if the host country experienced electoral violence in a given year and "0" if there was no electoral violence.[12] Thus, in cases of electoral violence, all firms

[12] We considered using a count of the number of events of electoral violence per year. However, after evaluating the distribution of the event counts, we have determined that this approach does

investing in the same country receive a common exogenous "shock", but may be observed to respond differently.

Many sub-Saharan African countries introduced multiparty elections in the 1990s and, thus, are vulnerable to events of unrest surrounding the electoral process. We draw information on a country's electoral practices from data from Fjelde and Hoglund (2017). Of the 29 host countries in our sample, 17 experienced at least one event of electoral violence. For all models, we provide a one-year lag for our measures of electoral violence. This is to account for the time it takes to act once the decision has been made to increase or decrease operations in a host country.

Control Variables

We identify several factors that are likely to affect the process by which electoral violence influences levels of foreign direct investment First, domestic economic and market conditions in the host country provide various incentives to firms looking for investment opportunities. For example, Neumayer and Spess (2005) identify *economic growth*, *inflation*, and *market size* as economic factors positively (growth and market size) or negatively (inflation risk) associated with FDI inflows. We account for these factors with country-level measures of annual changes in gross domestic product, inflation and population size, respectively. Data for each of these variables were taken from the World Bank's World Development Indicators (2012). GDP per

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not offer additional empirical leverage; the mean of the count distribution is 1.4 and the median number of events is 1.

capita and population are both logged to reduce skew. In our sample, the distribution of inflation is highly skewed and takes on a range of both positive and negative values; accordingly, we transform this variable by taking its inverse hyperbolic sine (Burbridge, Magee, and Robb 1988). Firms often seek to establish and maintain subsidiaries in host states with higher levels of *trade openness* (Büthe and Milner 2008, Jensen 2006, Barry and DiGiuseppe 2019). High levels of trade openness, however, may also expose firms to more economic shocks as competitors enter the market, leading firms to divest. We operationalize trade openness by taking the total value of imports and exports and dividing by GDP. We then transform this measure by the natural log to account for skew.

Second, at the firm level, we include controls for the *presence of competing firms* in a given host country in a given year, the *number of new ventures* a firm has initiated across host countries in a given year, and the *presence of existing subsidiaries* in a given country-year (Barry 2016). These variables speak to a number of important dynamics, namely, the broader strategic investment environment in a given country (Soule, Swaminathan, and Tihanyi 2014), a given firm's global investment behavior at a given time (Berry 2010), and the size of a firm's pre-existing involvement in a given host market.

Third, local political factors are found to shape firm's decisions about divestment. We control for *election periods*, as these seasons, even without violence, tend to slow investment as firms wait to see if a change in government will occur (Fjelde and Hoglund 2017, Bak 2016). This control is measured with a binary indicator coded ``1'' if a host country is holding national elections in a given year and ``0'' in all other cases. *Regime type* is an especially important control in this

study since we theorize about the effect of election-related violence. In doing so, we make distinctions between the concepts of democracy and multiparty elections and test their independent effects. Elections which are increasingly used as tools of political control by a variety of non-democratic regime types (Levitsky and Way 2010; Morgenbesser 2017). We employ the 21-point Polity scale as a measure of democracy (Marshall, Jaggers, and Gurr 2003) and use both linear and squared polynomial terms. All else equal, we expect this democracy to have a negative association with divestment. In addition to regime type, we control for *regime durability* (Marshall et al. 2003) with a count of the number of years since the state moved 3 points or more on the Polity scale within a 3-year period. Political durability informs firms' assessment of future political instability, suggesting the plausibility of a positive relationship with FDI (Resnick 2001). Finally, we control for *property rights* practices in a host country using the measure provided by the Economic Freedom Project (Gwartney, Hall, and Lawson 2010). As Li and Resnick (2006) find that countries with strong property rights practices enjoy greater FDI inflows, we expect that firms will be more likely to divest in countries with weak property rights.

Finally, we control for other forms of violent political conflict in a host country. For example, given our argument that violent unrest affects firms' decisions to invest in a host country, we issue a control for armed intrastate conflict with three separate measures taken from the UCDP Armed Conflict Dataset (Pettersson, Hogbladh, and Oberg 2019). The first, *minor armed conflict*, coded "1" in all country-years in which UCDP Armed Conflict Data (Pettersson, Hogbladh, and Oberg 2019) indicates an ongoing event of intrastate war in which between 25 battle-related casualties and 999 battle-related casualties were recorded, in a given year, and "0" otherwise. Second, *civil* war is a binary indicator that records the onset and continuation of a

high intensity conflict in a given host country year, i.e. one which reaches at least 1000 battle-related deaths. In the final measure, *all armed conflict,* we combine the previous two measures to create an indicator for host country years in which an armed conflict reached at least 25 battle-related deaths. This approach allows us to estimate any unique effects corresponding to different intensities of armed conflict. We lag all political violence measures by one year.

Results

In Table 2, we present the estimated effects of electoral violence on the decision to divest in a series of binary logistic regression models.[13] Model 1 shows the estimated bivariate relationship between electoral violence and foreign divestment. Model 2 includes a subset of our full set of controlling variables, specifically those relating to the structural investment environment. Finally, we include multiple controls at the firm level in Model 3. The coefficients in all models express the expected change in the log-odds that a firm divests for a unit-change in the predictor, all else equal. Our findings indicate that episodes of electoral violence in a host country serve as a meaningful and consistent predictor of foreign divestment.

[13] In Model 2 and Model 3 we include fixed effects at the home country, host country, and year levels. We include fixed effects for the home country—the country in which a multinational firm is based—in the plausible case that unmodeled political or economic features at that level influence firms' logic of investment abroad. A control for host country—the market in which a firm invests—allows us to address any local characteristics that may also shape firm's decision to divest. Finally, we include yearly fixed effects to address global fluctuations in foreign direct investment.

Table 2: Electoral Violence and Foreign Divestment, 1995-2008

	Model 1	Model 2	Model 3
Electoral Violence (t – 1)	0.616**	1.014***	1.022***
	(0.266)	(0.378)	(0.385)
Election Period		-0.247	-0.201
		(0.220)	(0.225)
Regime Durability		0.0450	0.0410
		(0.0301)	(0.0305)
Polity Type		-0.0214	-0.0303
		(0.101)	(0.104)
GDP per Capita		-1.125	-1.847
		(1.705)	(1.799)
GDP Growth		-0.00406	-0.000878
		(0.0394)	(0.0404)
Inflation		0.0835	0.106
		(0.117)	(0.119)
Population		-9.795	-4.321
		(6.073)	(6.368)
Trade (% of GDP)		0.0334***	0.0305***
		(0.00946)	(0.00946)
Property Rights		0.261	0.294
		(0.242)	(0.264)
Presence of Competitors		-0.256	-0.257
		(0.164)	(0.185)
Presence of Subsidiary			0.248
			(0.325)
# of New Ventures			0.388***
			(0.121)
Years Since New Venture			-0.259***
			(0.0391)
Constant	-5.670***	131.7	63.34
	(0.0889)	(81.74)	(85.10)
AIC	1892.386	1211.604	1135.798
Log Likelihood	-944.193	-549.802	-508.899
Observations	39,476	17,903	17,903

Robust standard errors shown in parentheses. Number of New Ventures, GDP per Capita, Inflation, and Population are transformed by the natural log to account for skew in their distributions. Fixed effects included in Model 2 and Model 3 at the home country, host country, and year levels. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

We find support for our hypothesis. Episodes of electoral violence in the previous year have a positive and discernible effect on the decision to divest, i.e. to reduce the number of subsidiaries

that a foreign firm owns or controls in a given country. Specifically, the estimate in Model 3 indicates the occurrence of electoral violence in the year prior is associated with a 2.78 factor increase in the log-odds of divestment—or a 178% increase in the odds of divestment.

We've argued and found evidence that electoral violence shapes a firm's decision to divest. By comparing the magnitude and consistency of this estimated effect with those associated with other forms of political violence, we have an opportunity to further substantiate our main claim: electoral violence sends a powerful and unique signal about the stability of a host investment environment. Toward this end, we investigate the effects of armed conflict on foreign divestment. In particular, in the plausible case that firms may respond to conflicts of different intensities in distinct patterns, we consider the effects of both major and minor armed internal conflict.

Table 3: Electoral Violence, Armed Conflict, and Foreign Divestment, 1995 – 2008

	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Electoral Violence (t – 1)				1.034**	1.081***	1.130**
				(0.497)	(0.394)	(0.489)
All Armed Conflict (t – 1)	0.916			0.882		
	(0.688)			(0.716)		
Civil War (t – 1)		0.770			0.875	
		(0.643)			(0.651)	
Minor Conflict (t – 1)			0.678			0.843
			(1.460)			(1.565)
Election Period	-0.174	-0.135	-0.185	-0.206	-0.198	-0.220
	(0.251)	(0.231)	(0.260)	(0.248)	(0.227)	(0.260)
Regime Durability	0.0625*	0.0503	0.0516	0.0589*	0.0503	0.0492
	(0.0355)	(0.0336)	(0.0347)	(0.0356)	(0.0337)	(0.0341)
Polity Type	-0.0311	-0.00535	-0.0424	-0.0381	-0.0115	-0.0546
	(0.105)	(0.106)	(0.106)	(0.114)	(0.113)	(0.116)
GDP per Capita	-2.410	-1.080	-4.552**	-2.460	-0.850	-4.790**
	(2.185)	(1.876)	(2.262)	(2.207)	(1.833)	(2.239)
GDP Growth	0.00580	-0.00494	0.0240	0.00781	-0.00336	0.0266
	(0.0382)	(0.0387)	(0.0368)	(0.0369)	(0.0370)	(0.0344)
Inflation	0.146	0.161	0.0932	0.132	0.158	0.0794
	(0.143)	(0.129)	(0.122)	(0.146)	(0.133)	(0.124)
Population	6.926	-0.408	7.865	4.504	-3.488	5.026
	(8.665)	(6.535)	(9.006)	(8.327)	(6.111)	(8.792)
Trade (% of GDP)	0.0206**	0.0224**	0.0223***	0.0269***	0.0291***	0.0299***
	(0.00817)	(0.00888)	(0.00829)	(0.00877)	(0.00902)	(0.00900)
Property Rights	0.341	0.305	0.354	0.399	0.335	0.419
	(0.290)	(0.246)	(0.295)	(0.300)	(0.258)	(0.309)
Presence of Competitors	0.0259	-0.133	0.000860	-0.0943	-0.233	-0.132
	(0.198)	(0.194)	(0.197)	(0.200)	(0.181)	(0.199)
Presence of Subsidiary	0.471	0.233	0.464	0.468	0.238	0.463
	(0.333)	(0.329)	(0.342)	(0.334)	(0.328)	(0.343)
# of New Ventures	0.343**	0.391***	0.335**	0.344**	0.390***	0.337**
	(0.145)	(0.121)	(0.151)	(0.145)	(0.121)	(0.151)
Years Since New Venture	-0.270***	-0.262***	-0.269***	-0.269***	-0.260***	-0.268***
	(0.0444)	(0.0391)	(0.0457)	(0.0443)	(0.0390)	(0.0456)
Constant	-107.9	2.070	-112.1	-68.15	42.49	-64.59
	(136.5)	(85.45)	(143.4)	(131.4)	(81.25)	(140.7)
AIC	1014.118	1139.717	996.237	1012.013	1135.562	993.322
Log Likelihood	- 450.059	-510.859	-442.119	-448.006	-507.781	-439.661
Observations	14,387	17,903	14,325	14,387	17,903	14,325

Robust standard errors shown in parentheses. Number of New Ventures, GDP per Capita, Inflation, and Population are transformed by the natural log to account for skew in their distributions. Fixed effects included in all models at the home country, host country, and year levels. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

In Table 3 we extend the analysis to consider, by comparison, the effects of other forms of violent conflict on foreign divestment in comparison to those of electoral violence. Models 4, 5,

and 6 evaluate the relationships between divestment and all armed intrastate conflict, strictly high intensity conflict (civil war), and strictly minor armed intrastate conflict, respectively.[14] In Models 7, 8, and 9, we include these three variables as controls and find that the main effects of electoral violence remain robust to these specifications. While all three conflict variables have an estimated positive relationship with divestment, none is statistically discernible.[15] Equally important, the estimated effect of electoral violence on divestment is larger than those associated with the armed conflict measures. Overall, the models indicate that firms take episodes of electoral violence quite seriously, and in ways that are distinct from armed conflict.

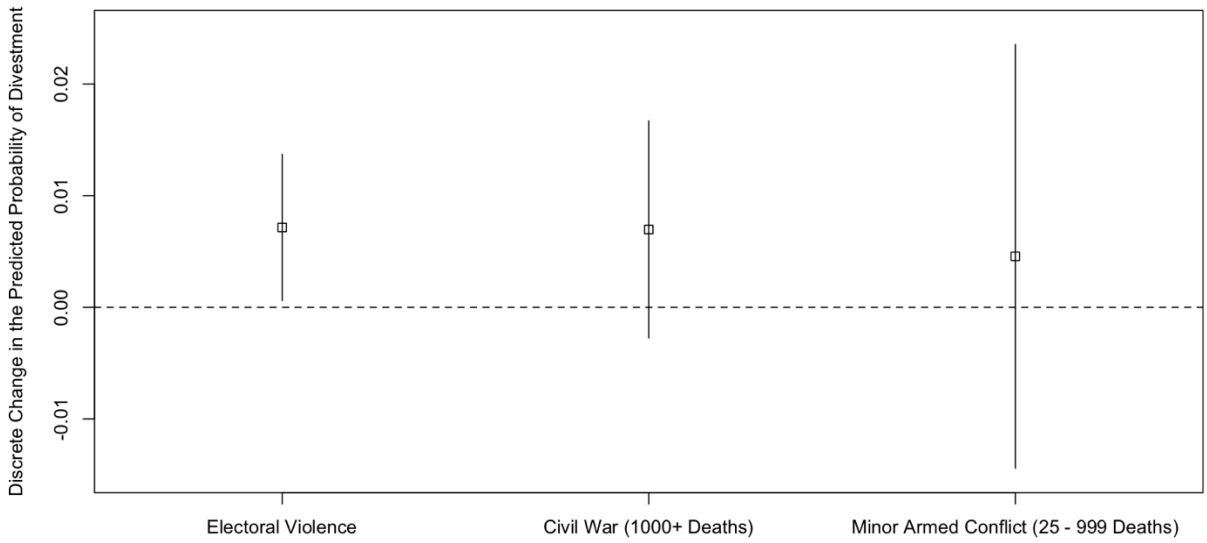
The estimated effects of our controlling variables also speak to the logic of foreign divestment. To account for the possibility that the effect of electoral violence on divestment is confounded by the timing of elections themselves—indeed, recent studies suggest elections may slow down investment activity (Bak 2016)—we control for election years in a host country. The results, however, do not indicate that elections, independently, present sufficient cause to motivate divestment at the firm-level. At the host country level, we find that firms are more likely to divest from countries with high levels of trade interconnectivity. This issue warrants greater

[14] Armed conflict is certainly not the only form of political violence that may shape foreign divestment. As such, we also estimate the effects of terrorist activity and violations of physical integrity rights in a host country on foreign divestment. Our results are robust to this approach and are shown in Appendix Table I.

[15] This finding is consistent with existing literature (Barry, Clay, and Flynn 2012), which indicates that the effects of civil war on FDI are highly sensitive to model specifications.

attention; while previous studies (e.g. Barry, Clay, and Flynn 2013) show that trade openness increases overall FDI inflow, our results suggest that these economic structures may also be more predisposed to firm exit. At the firm level, as expected, the results suggest that firms are less likely to divest the longer they have owned subsidiaries in a given country. That is, as their local investment relationships mature, firms seem to be more resilient to sudden surges in risk. Conversely, the more investments a firm enters globally in a given year, the more likely they are to divest following episodes of electoral violence in a given host country. This suggests, as a firm becomes less reliant on the performance any particular subsidiary, they are more likely to leave an unfavorable or risky market. Finally, a few of the controlling variables do not reach statistical significance, including, host market size, inflation, and host market growth, and host polity type. Given that multiparty elections occur in both democratic regimes and authoritarian regimes, we conclude that broad categorizations of regime type are limited in their capacity to explain firm investor behavior. Overall, the model estimates offer support for our main hypothesis across all model specifications—firms are more likely to divest following episodes of electoral violence.

Figure 1: Predicted Probability of Divestment



Predicted probabilities, as shown in Figure 1, offer a more intuitive interpretation of our main findings.[16] Holding all other variables at their means, we calculate the logit model's predictions based on variation in key variables in the year prior. The displayed values depict the discrete change in the predicted probabilities that a firm divests in a given host-year based on changes in the specified variable. Confidence intervals are shown at the 0.95 level.

[16] Due to some differences in the data samples used in Models 7 – 9, a function of missingness, we are limited in our ability to compare these estimates. To conduct a more proper comparison of the predictions, we estimate each model on an identical subset of the data based on the smallest of the four samples (14,201 observations) and show the resulting values in Figure 1. The full models and estimates from which these predictions are derived are provided in Appendix Table G.

The results shown in Figure 1 demonstrate that the probability of divestment during a given firm-country year more than doubles in size in the years immediately following episodes of electoral violence. Specifically, the predicted probability moves from 0.008, when no electoral violence occurs, to a 0.015 probability of divestment following episodes of electoral violence. Overall, this constitutes a 0.007 discrete effect. For comparison, we estimate the effect of all armed conflict and minor armed conflict on the predicted probability of foreign divestment, all else equal. As shown, none of these effects is discernible at traditional levels of statistical significance. Indeed, the estimated effect of electoral violence on divestment is more consistent than those associated with other forms of violent political conflict.[17] It is worth noting that our leveraged unit-of analysis results in effects that are expressed in small probabilities owing to the large number of combinations of firms and countries and years in our data sample. Indeed, the sample-averaged probability that an individual firm *i* divests in an individual country *j* during

[17] Due to both our fine-grained unit of analysis and the relative rarity of divestment, the projected probabilities are seemingly small. By way of external comparison, however, our findings are quite substantial. For instance, drawing from the same dataset of firm-level investment behavior, Barry (2016, Table 3) finds that changes in regime type from anocracy to democracy produce a maximum 0.002 change in the predicted probability of a new investment. Further, Barry and DiGiuseppe (forthcoming, Figure 2) find that changes in political constraints on host-country's leaders prompt a maximum change of 0.005 on the probability of changes in firm investment behavior, with the durability of peace having maximum effect of 0.001 on the probability of the same event.

year *t* is only 0.0036. Therefore, as compared to the baseline probability of divestment, the reported effect of electoral violence is quite substantial.

Our results indicate that the question of how and why highly lethal forms of political violence, especially civil war, affect investment behavior requires continued attention. Barry (2018) makes the case for evaluating FDI flows at different stages of the conflict lifecycle. He finds, for example, that MNCs look for sustained peace when pursuing new ventures but prove resilient to all but the most intense and persistent conflicts after the costs of entry have been sunk. Overall, our results suggest that firms have a stronger reaction to election-related violence than armed internal conflict. This finding is especially consequential as electoral violence is observed in more countries than civil war. To this point, in the sample of 25 host countries considered in this study, 18 experienced at least one episode of electoral violence, while only 14 experienced some form of armed conflict.

We conclude from these findings, in support of our proposed hypothesis, that electoral violence sends a powerful signal to firms regarding the immediate and future stability of the investment environment in a host country. Indeed, our model suggests that firms react more strongly to events of electoral violence than they do to the onset and continuation of armed conflict. In the following section, we conclude with a discussion of this study's theoretical implications and outline an agenda for future research.

Conclusion

We find that episodes of electoral violence offer useful leverage in explaining why firms choose to divest in host countries. This study produces several novel insights. First, the manner in which violent contentious politics informs firm decision-making is understudied in the literature. Like Barry (2018), we find that firms with longer standing investment relationships are more resilient to divestment, all else equal. At the same time, we find that electoral violence materially increases the probability to divestment. That is, while divestment is costly and firms are loathe to abandon sunk costs, electoral violence sends a sufficiently credible signal of political and operational instability to justify the withdrawal of foreign investment. Second, we demonstrate that electoral violence represents a unique form of political risk and, indeed, serves as a more consistent predictor of divestment relative to other types of political violence like armed conflict. This suggests that electoral violence sparks a unique and relatively strong reaction from multinational firms who may remain confident of their investment in the face of other forms of political instability. Third, from a policy standpoint, our findings suggest that governments who are unable to guarantee elections free from violence—or who themselves engage in the physical repression of voters—stand to suffer non-negligible economic consequences. Existing literature demonstrates a robust relationship between foreign direct investment and economic growth, government revenues, and development. By increasing the likelihood of firm divestment, electoral violence prevents states from reaping the benefits of international business.

This study raises interesting questions for future research on the relationship between electoral violence and foreign direct investment. First, does the location of election-related violence affect firm's decisions of divestment? Based on the findings of this study, we would expect firms to be

especially sensitive to violence that occurs in subnational districts in which a firm has physical assets. Second, many episodes of electoral violence are themselves instigated by the state as an effort to consolidate political control (Bhasin and Gandhi 2013). A worthwhile extension of this study would disaggregate events of electoral violence and investigate whether multinational firms are particularly threatened by violence perpetrated by state or non-state agents. Third, do foreign firms with different kinds of subsidiaries in a host country—i.e. those involved in market seeking or exporting industries—react differently to the risks posed by electoral violence? Finally, election-related violence happens at all stages of the electoral cycle (Daxecker 2013). Are firms more likely to divest following violence at certain phases of the election process—e.g. post-election violence compared to episodes of violence prior to or during election day?

This study also generates several questions regarding other economic consequences of electoral violence. Insofar as electoral violence reflects a state's failure to provide proper governance or use of unlawful force, state leaders may find that these choices bring with them far-reaching consequences relating to critical sources of economic revenue. Future work should investigate the relationship between electoral violence and other types of capital flows, such as sovereign debt, foreign aid, and portfolio investment. For firms with a managerial stake, maintaining an investment in host countries which experience electoral violence is risky business.

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Appendix A: Data Descriptives

Table A: List of Host Countries in Sample

Host Country Name	Frequency	Percent	Cumulative
Botswana	756	4.02	4.02
Cameroon	756	4.02	8.03
Chad	759	4.03	12.06
Congo (Brazzaville)	758	4.03	16.09
Congo (Kinshasa)	756	4.02	20.11
Cote D'Ivoire	754	4.01	24.11
Gabon	757	4.02	28.13
Ghana	756	4.02	32.15
Kenya	756	4.02	36.16
Madagascar	758	4.03	40.19
Malawi	758	4.03	44.22
Mali	758	4.03	48.24
Mauritius	758	4.03	52.27
Namibia	756	4.02	56.29
Niger	759	4.03	60.32
Nigeria	752	3.99	64.31
Rwanda	759	4.03	68.35
Senegal	759	4.03	72.38
Sierra Leone	757	4.02	76.4
South Africa	721	3.83	80.23
Tanzania	757	4.02	84.25
Togo	758	4.03	88.28
Uganda	759	4.03	92.31
Zambia	757	4.02	96.33
Zimbabwe	691	3.67	100
Total	18,825	100	

Table B: List of Home Countries in Sample

Home Country Name	**Frequency**	**Percent**	**Cumulative**
Australia	598	1.41	1.41
Brazil	965	2.27	3.68
Canada	1,753	4.12	7.8
Finland	1,196	2.81	10.61
France	6,771	15.92	26.53
Germany	3,588	8.44	34.97
Italy	1,196	2.81	37.78
Japan	4,186	9.84	47.62
Mexico	443	1.04	48.67
Netherlands	1,196	2.81	51.48
Norway	598	1.41	52.88
Spain	1,196	2.81	55.7
Sweden	829	1.95	57.65
Switzerland	2,040	4.8	62.44
United Kingdom	3,316	7.8	70.24
United States	12,656	29.76	100
Total	42,527	100	

Table C: List of MNCs in Sample

MNC Abbreviation	Frequency	Percent	Cumulative
AAL	557	1.27	1.27
ACA	598	1.37	2.64
AES	598	1.37	4.01
ALU	598	1.37	5.38
AN	192	0.44	5.82
ANG	598	1.37	7.18
BAT	598	1.37	8.55
BAY	598	1.37	9.92
BGC	598	1.37	11.29
BHP	598	1.37	12.65
BP	598	1.37	14.02
BSC	598	1.37	15.39
CAR	598	1.37	16.76
CHV	598	1.37	18.12
COK	598	1.37	19.49
COP	598	1.37	20.86
CX	598	1.37	22.23
DAN	598	1.37	23.59
DEO	598	1.37	24.96
DOW	598	1.37	26.33
DPA	598	1.37	27.7
DUP	598	1.37	29.06
E	598	1.37	30.43
EDF	598	1.37	31.8
ELF	231	0.53	32.33
EON	598	1.37	33.7
F	598	1.37	35.06
FIA	598	1.37	36.43
FTE	598	1.37	37.8
GE	598	1.37	39.17
GM	598	1.37	40.53
GRM	155	0.35	40.89
HIT	598	1.37	42.26
HOL	598	1.37	43.62
HPQ	598	1.37	44.99
IBM	598	1.37	46.36
IP	598	1.37	47.73
ITO	598	1.37	49.09

LAF	598	1.37	50.46
LVMH	598	1.37	51.83
MBC	598	1.37	53.2
MIT	598	1.37	54.56
ML	598	1.37	55.93
MMM	598	1.37	57.3
MOB	231	0.53	57.83
MOT	598	1.37	59.19
NES	598	1.37	60.56
NMC	598	1.37	61.93
NOK	598	1.37	63.3
NOR	598	1.37	64.66
PBR	598	1.37	66.03
PG	598	1.37	67.4
PHG	598	1.37	68.77
PMA	598	1.37	70.14
RDS	598	1.37	71.5
REP	598	1.37	72.87
RIO	598	1.37	74.24
ROB	598	1.37	75.61
ROH	598	1.37	76.97
SGO	598	1.37	78.34
SIE	598	1.37	79.71
SNE	598	1.37	81.08
STEN	598	1.37	82.44
STL	598	1.37	83.81
STO	231	0.53	84.34
SZE	598	1.37	85.71
TEF	598	1.37	87.07
TKA	598	1.37	88.44
TOT	598	1.37	89.81
TOY	598	1.37	91.18
TX	311	0.71	91.89
UNL	557	1.27	93.16
UTX	598	1.37	94.53
VAL	598	1.37	95.9
VOL	598	1.37	97.26
XOM	367	0.84	98.1
XON	231	0.53	98.63
XTA	598	1.37	100
Total	43,727	100	

Table D: Electoral Violence by Polity Type

	Electoral Violence		
Polity	*No*	*Yes*	**Total**
-9	1,021	0	1,021
-7	1,247	0	1,247
-6	3,240	0	3,240
-5	1,464	77	1,541
-4	4,713	214	4,927
-3	1,368	0	1,368
-2	2,628	76	2,704
-1	3,651	72	3,723
0	1,726	71	1,797
1	1,258	0	1,258
2	443	152	595
3	288	0	288
4	724	568	1,292
5	3,425	431	3,856
6	4,061	440	4,501
7	2,013	280	2,293
8	2,883	71	2,954
9	1,026	149	1,175
10	1,021	0	1,021
Total	**38,200**	**2,601**	**40,801**

Appendix B: Alternative Model Specifications and Robustness Checks

Table E: Controlling for Polity Squared, 1995 – 2003

	Model 1	Model 2
Electoral Violence (t – 1)	1.022**	1.048**
	(0.421)	(0.422)
Election Period	-0.201	-0.186
	(0.222)	(0.222)
Regime Durability	0.0410	0.0238
	(0.0293)	(0.0320)
Polity Type	-0.0303	-0.110
	(0.0962)	(0.114)
Polity Type Squared		0.0151
		(0.0142)
GDP per Capita	-1.847	-1.836
	(1.993)	(1.998)
GDP Growth	-0.000878	0.000259
	(0.0312)	(0.0311)
Inflation	0.106	0.109
	(0.112)	(0.111)
Population	-4.321	-3.436
	(6.792)	(6.801)
Trade (% of GDP)	0.0305***	0.0304***
	(0.0103)	(0.0104)
Property Rights	0.294	0.253
	(0.249)	(0.251)
Presence of Competitors	-0.257	-0.243
	(0.162)	(0.163)
Presence of Subsidiary	0.248	0.250
	(0.258)	(0.258)
# of New Ventures	0.388***	0.390***
	(0.129)	(0.129)
Years Since New Venture	-0.259***	-0.261***
	(0.0330)	(0.0331)
Constant	63.34	50.98
	(92.07)	(92.39)
Observations	17,903	17,903

Table F: Rare Event Logistic Models, 1995 - 2008

- Presented in separate file provided in manuscript supplementary files
- "Appendix Table F.docx".

Table G: Replication Models for Figure 1, 1995 – 2008

	Model 1	Model 2	Model 3	Model 4
All Armed Conflict (t – 1)	0.916			
	(0.688)			
Civil War (t – 1)		1.034		
		(0.734)		
Minor Armed Conflict (t – 1)			0.686	
			(1.455)	
Electoral Violence (t – 1)				1.062**
				(0.493)
Election Period	-0.174	-0.193	-0.180	-0.198
	(0.251)	(0.256)	(0.259)	(0.245)
Regime Durability	0.0625*	0.0625*	0.0516	0.0486
	(0.0355)	(0.0372)	(0.0345)	(0.0340)
Polity Type	-0.0311	-0.0147	-0.0447	-0.0389
	(0.105)	(0.111)	(0.105)	(0.113)
GDP per Capita	-2.410	-2.134	-4.671**	-3.325
	(2.185)	(2.125)	(2.297)	(2.179)
GDP Growth	0.00580	0.00273	0.0252	0.00897
	(0.0382)	(0.0379)	(0.0369)	(0.0388)
Inflation	0.146	0.158	0.0953	0.0772
	(0.143)	(0.148)	(0.122)	(0.125)
Population	6.926	6.433	7.795	4.076
	(8.665)	(8.392)	(8.985)	(8.393)
Trade (% of GDP)	0.0206**	0.0203**	0.0223**	0.0276**
	(0.00817)	(0.00806)	(0.00831)	(0.00898)
Property Rights	0.341	0.354	0.357	0.372
	(0.290)	(0.292)	(0.295)	(0.297)
Presence of Competitors	0.0259	0.0241	0.00534	-0.125
	(0.198)	(0.196)	(0.197)	(0.198)
Presence of Subsidiaries	0.471	0.468	0.466	0.472
	(0.333)	(0.334)	(0.342)	(0.333)
# of New Ventures	0.343**	0.343**	0.335**	0.343**
	(0.145)	(0.145)	(0.151)	(0.145)
Years Since New Ventures	-0.270***	-0.270***	-0.269***	-0.269***
	(0.0444)	(0.0443)	(0.0457)	(0.0444)
Constant	-107.9	-103.3	-111.0	-58.96
	(136.5)	(127.0)	(137.8)	(127.5)
Observations	14,387	14,387	14,201	14,387

Table H: Electoral Violence and Aggregated FDI Inflows, 1995 – 2003

	Model 1	Model 2
Electoral Violence (t – 1)	-0.312***	-0.546**
	(0.120)	(0.218)
FDI Inflows (t – 1)		0.472***
		(0.0525)
Election Period	-0.0273	0.0321
	(0.144)	(0.166)
Civil War (t – 1)	-1.134	-0.193
	(0.953)	(0.709)
Regime Durability	0.0287***	0.00520
	(0.0110)	(0.0105)
Polity (t – 1)	-0.0115	-0.0125
	(0.0315)	(0.0208)
GDP per Capita (t – 1)	0.000744***	0.000318***
	(0.000173)	(0.000108)
GDP Growth (t – 1)	0.0201	0.0105
	(0.0123)	(0.0298)
Inflation (t – 1)	0.00106	0.00121
	(0.00109)	(0.00144)
Population (t – 1)	1.306***	0.600***
	(0.245)	(0.154)
Trade % of GDP (t – 1)	0.00260	0.00555
	(0.00815)	(0.00686)
Economic Freedom Index (t – 1)	0.710***	0.373*
	(0.198)	(0.207)
Bilateral Investment Treaties (t – 1)	-0.0414	0.00588
	(0.0391)	(0.0419)
Constant	-21.85***	-10.15***
	(4.355)	(2.966)
Observations	247	234

Robust standard errors shown in parentheses. The natural log of foreign direct investment inflow is recorded at the country year level and regressed on the set of controlling variables.

Table I: Physical Integrity, Terrorism, and Foreign Divestment, 1995 - 2008

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Electoral Violence (t – 1)					0.900**	0.936**
					(0.418)	(0.385)
CIRI Score (t – 1)		-0.00180		-0.174		-0.128
		(0.109)		(0.132)		(0.127)
Terrorist Activity (t – 1)	0.0112		0.0317*		0.0279	
	(0.0149)		(0.0173)		(0.0189)	
Election Period			-0.159	-0.172	-0.206	-0.220
			(0.234)	(0.226)	(0.230)	(0.223)
Regime Durability			0.0379	0.0457	0.0365	0.0440
			(0.0371)	(0.0318)	(0.0358)	(0.0314)
Polity Type			-0.0632	-9.89e-05	-0.0629	-0.0160
			(0.114)	(0.102)	(0.116)	(0.106)
Presence of Competitors			-0.164	-0.151	-0.247	-0.244
			(0.176)	(0.188)	(0.170)	(0.180)
# of New Ventures			0.395***	0.389***	0.392***	0.388***
			(0.125)	(0.120)	(0.125)	(0.121)
GDP per Capita			-2.091	-1.455	-1.771	-1.460
			(1.966)	(1.795)	(1.938)	(1.813)
GDP Growth			0.00118	-0.00752	-1.45e-05	-0.00634
			(0.0414)	(0.0404)	(0.0403)	(0.0399)
Inflation			0.127	0.124	0.119	0.112
			(0.123)	(0.112)	(0.124)	(0.115)
Population			-1.820	-0.242	-5.020	-3.286
			(6.540)	(6.771)	(6.343)	(6.559)
Trade (% of GDP)			0.0261***	0.0261***	0.0319***	0.0316***
			(0.00991)	(0.00941)	(0.00997)	(0.00956)
Property Rights			0.221	0.308	0.217	0.313
			(0.267)	(0.258)	(0.274)	(0.266)
Years Since New Subsidiary			-0.265***	-0.260***	-0.263***	-0.259***
			(0.0404)	(0.0389)	(0.0403)	(0.0389)
Presence of Subsidiary			0.177	0.249	0.183	0.253
			(0.332)	(0.327)	(0.331)	(0.326)
Constant	-6.994***	-8.081***	29.25	3.565	70.51	45.71
	(0.896)	(1.165)	(85.27)	(90.64)	(83.72)	(89.21)
Observations	18,838	27,479	16,000	17,779	16,000	17,779

Table J: The Interaction of Armed Conflict and Electoral Violence, 1995 – 2008

	Model 1	Model 2	Model 3
Electoral Violence (t – 1)	0.889***	1.034**	1.041**
	(0.295)	(0.497)	(0.447)
Armed Conflict (t – 1)	0.195	0.882	0.155
	(0.248)	(0.716)	(0.406)
Armed Conflict x Electoral Violence (t – 1)	-0.396	*DROPPED*	-1.511
	(0.993)		(1.136)
Election Period		-0.206	-0.0630
		(0.248)	(0.232)
Regime Durability		0.0589*	
		(0.0356)	
Polity Type		-0.0381	
		(0.114)	
Trade (% of GDP)		0.0269***	0.025***
		(0.00877)	(0.00813)
Presence of Competitors		-0.0943	-0.206
		(0.200)	(0.175)
Presence of Subsidiary		0.468	1.131***
		(0.334)	(0.250)
# of New Ventures		0.344**	0.226*
		(0.145)	(0.123)
GDP per Capita		-2.460	
		(2.207)	
GDP Growth		0.00781	
		(0.0369)	
Inflation		0.132	
		(0.146)	
Population		4.504	
		(8.327)	
Property Rights		0.399	
		(0.300)	
Years Since New Venture		-0.269***	
		(0.0443)	
Constant	-5.607***	-68.15	-8.352***
	(0.126)	(131.4)	(1.338)
Observations	30,430	14,387	20,498