

Global Firms and Global Sheriffs? Why Territory Matters for Extraterritorial Enforcement of International Regimes*

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Abstract

Under international regimes, states have adopted laws to prohibit multinational companies from committing financial crime. Although global firms can evade regulations creating complex ownership structures, some countries enforce laws *extraterritorially*. They prosecute firms regardless of their nationality, behaving as “global sheriffs” of a regime. However, these countries only prosecute a fraction of the foreign firms under their jurisdiction. This variation remains largely unexplained. I study this phenomenon focusing on US prosecution of foreign companies. I argue that US authorities are more likely to prosecute foreign companies that have US investment. Formally, this is no requirement for the application of American extraterritorial regulations. Yet, US prosecutors exploit reputational risk induced by the investment, which increases exposure to the US public opinion. They use it to obtain cooperation by the firm and retrieve necessary information to build a case. I test my argument building a novel firm-level data on enforcement of policies under the anti-bribery regime. I merge this data with information on non-US companies’ investment in the US. I find that the probability that US authorities investigate a suspect foreign company increases from 0.33 to about 0.61 when it has investment in the US. The study shows that even powerful extraterritorial regulators need a territorial leverage to rule on foreign multinationals.

Keywords: International regimes; Extraterritoriality; Multinational corporations; Transnational crime; Anti-corruption

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Introduction

Globalization creates complex governance tasks for sovereign states (Keohane and Nye, 1973). States solve coordination problems in an interdependent world by establishing international regimes and overcome their territorial limits (Keohane, 1984). However, a group of transnational subjects can evade regulations under international regimes: global criminals (Cooley and Sharman, 2017). Criminals can evade regulations under international regimes by fragmenting illicit activities across borders. This “regulatory arbitrage” makes it challenging to prosecute perpetrators of cyber crimes, human rights violations, drug trafficking, and transnational terrorism (Andreas, 2004; Cooley and Sharman, 2017; Shelley, 2014; Williams, 1994). The problem is exacerbated when it comes to regulating crime by multinational companies (MNCs). Firms can *legally* fragment their nationalities and activities across borders in order to evade tax regimes, labor rights standards, or policies against money laundering and corruption (Arel-Bundock, 2017; Chapman et al., 2020; Findley et al., 2015; Mosley, 2017).

Are sovereign states condemned to be helpless in face of increasingly complex global crimes? On the contrary, some countries have adopted policies to prosecute foreign subjects as if they were domestic, acting as “global sheriffs” of international regimes (Andreas and Nadelmann, 2008). This strategy potentially counters regulatory arbitrage, because criminals cannot leverage their nationality to evade state coercion. The current champion of this approach to law enforcement is the US. United States federal authorities prosecute crime perpetrated by foreigners including transnational terrorism, violations of unilateral sanctions, and crime by MNCs (Andreas, 2005; Biglaiser and Lektzian, 2011; Putnam, 2009). In the realm of corporate regulation, American prosecutors levy billions of dollars in fines each year for corporate crimes committed by non-US companies. Such broad *extraterritorial* approach to regulatory enforcement makes the US arguably the most relevant regulator of corporations.

Yet, “global sheriffs” do not appear to be enforcing their laws against all cases they could prosecute (Ruggie, 2018). What makes a country behave as a “global sheriff” and enforce its regulations against a foreign subject? This question hinges on the nature of power under international regimes. Political science and international relations scholarships have dedicated scant attention to the sources of *de facto* extraterritorial behavior (Baradaran et al., 2012), despite its relevance for contemporary regulatory regimes (Putnam, 2009). The lack of clear data on cases that authorities *could have* prosecuted exacerbates the problem. As a result, the question is left substantively unanswered¹.

I set to fill this gap and study how public authorities select which foreign subjects to investigate under extraterritorial policies. I focus on corporate regulations. I argue that prosecutors gain the *ex-*

¹In the realm of corporate regulations, claims are often made that extraterritorial regulators target foreign firms so as to facilitate domestic companies in international competition. A former manager for the French energy company Alstom, for instance, denounced the relentless approach of US judicial authorities against non-US companies in a recent book (Pierucci, 2019). He alleged US regulators prosecute foreign companies so as to advantage US companies. His book has recently become a best-seller in China: <https://www.washingtonpost.com/world/2019/06/07/an-unlikely-winner-china-us-trade-war-french-businessmans-book-about-his-battle-with-doj/>.

tratorritorial capacity to rule over a foreign firm depending on its territorial connection to their economy. Formally, MNCs need not be physically present in a country to be subject to its extraterritorial provisions. Extraterritorial jurisdiction on a corporate wrongdoing can be usually established on the basis of much weaker connections². Yet, foreign investment creates jobs, business, and activities that expose a company to the local public opinion. In comparison to foreign firms with no investment, one that invests is a well-visible entity. This induces a larger reputational damage for the parent company in the host country, when scandals for corporate crime emerged (Karpoff et al., 2008). Companies attempt to minimize such damage by signalling compliance through cooperation with prosecutors (Garrett, 2014). Cooperation gives prosecutors information and documents to investigate a corporate case. Thus, cases where the implicated foreign company is territorially connected to prosecutors are easier to build.

I find evidence for this argument studying US prosecution of non-US companies for events of bribery. I show that even such a powerful extraterritorial regulator requires territorial connections to a foreign company in order to stretch the arm of its law abroad. This is a puzzling finding from two points of view. First, from the perspective of the hegemonic country in the international regime that I study. The US lead the construction of the global anti-bribery regime in the 1990s, spending significant efforts to this goal (Abbott and Snidal, 2002). Its establishment formally enabled US authorities to stretch the arm of the US anti-corruption laws abroad (Brewster, 2014; Kaczmarek and Newman, 2011). Yet, my findings indicate that law enforcers still depend to a great extent on territorial connections to *de facto* enforce this regime. This is surprising because US prosecutors enjoy substantial freedom in their choice of cases to investigate (Tomashevskiy, 2021). Territoriality is not a jurisdictional requirement for the application of extraterritorial American law (Leibold, 2014). Cooperation between corporate defendants and authorities is also the standard in the US system³. Hence, US regulators would have the prerogatives and power to prosecute foreign companies without necessarily relying on territoriality to investigate a case. Second, results are puzzling from the perspective of non-American firms. By investing in the US, foreign companies rebrand themselves as American, a strategy that is supposed to reduce their “liability of foreignness” (Zaheer, 1995). However, I find that this strategy backfires, exposing companies to the legal reach of local prosecutors.

The choice to study the anti-bribery regime allows to overcome the obvious problem that we can only observe cases that US authorities investigated. We are not able to observe the universe of *enforceable* cases that federal agencies chose not to consider. This prevents to explain selection of cases and forces

²Extraterritoriality is usually supported by legal principles such as the “effects doctrine” – stating that misconduct by foreign subjects occurring abroad may be regulated by a state because of its effects on interests within the domain of the state – or the “presence doctrine” – stating that misconduct by foreign subjects occurring abroad may be regulated by a state if the misbehavior is partly in connection to its domain. None of the two requires *territorial* presence, strictly speaking. For instance, the United States exercises its authority on corporate crimes where the implicated company has used internet servers located on US soil, has paid the transaction in US dollars, holds securities in US banks, or has used US means of communication like US mail and transports (Leibold, 2014).

³Companies usually settle charges with authorities avoiding perils of a trial. Legal instruments used include non-prosecution agreements (NPAs) and deferred prosecution agreements (DPAs), see Garrett (2014).

recent studies on the matter to focus only on explaining size of penalties imposed by US agencies on companies that were prosecuted (Choi and Davis, 2014; Tomashevskiy, 2021).

Two unique features of the US-sponsored international anti-bribery regime offer a way around the problem. First, the regime has diffused US-like anti-bribery policies to member states, that are now mandated to prohibit their MNCs from paying bribes to foreign public officials in international transactions (Bukovansky, 2006). Thus, a larger set of cases is observable involving non-US companies in violation of US-like anti-corruption policies around the globe, not necessarily prosecuted by the US. Second, the regime strengthened US capacity to enforce its own extraterritorial policy (Brewster, 2014). Because of that, virtually *all* observable anti-bribery cases under this regime umbrella were in principle prosecutable by US authorities, who need only a marginal connection of the defendant non-US company to their economy to claim jurisdiction (Leibold, 2014).

I leverage these characteristics and construct a novel dataset on observable events where non-US companies violated the anti-bribery regime, by (allegedly) paying bribes to foreign public officials. I explore this dataset and explain why the US investigated about 38% of non-US companies involved in corporate bribery scandals⁴. I test my argument merging this data with firm-level information on foreign investment. A selection on observables design shows that the probability a suspected firm will be investigated by American authorities increases by about 0.28 for foreign companies with investments in the US, when holding constant important confounders. A sensitivity analysis shows the assumption of no omitted variable bias is credible in this context. Finally, I provide additional case-study and large-N evidence on the reputational mechanism supporting my empirical expectations.

The study offers valuable contributions to political science. It provides a nuanced account in the debate on state sovereignty and globalization. I offer a middle ground between positions declaring the “retreat of states” from markets (Strange, 1996) and those claiming states can vigorously engage with them (Andreas and Nadelmann, 2008; Kaczmarek and Newman, 2011). I provide evidence that state coercive capacity beyond borders is feasible but determined to a great extent by territory. Even a powerful regulator like the United States needs a territorial connection in order for extraterritoriality to be viable. This consideration questions the extent to which projection of legal arms beyond borders can be considered a solution to imbalances created by globalization.

Finally, the study provides novel political-economic insights. In line with the emerging “weaponized interdependence” literature (Farrell and Newman, 2019), I show that states leverage their position in transnational private networks to gain a *de facto* prerogative to prosecute foreign companies. I contribute to this literature by offering a theory that does not assume national interest as a determinant of state action. Rather, my explanation moves from purely bureaucratic incentives of prosecutors. Moreover, I argue that the exercise of state coercive authority is induced by different degrees in the “liability of

⁴Original computation based on the dataset used in the article. See Table A.1.

foreignness” (Zaheer, 1995) among companies. This is akin to recent studies investigating differences in government treatment among companies operating in a foreign market (Johns and Wellhausen, 2021; Wellhausen, 2015). I contribute to this recent literature by investigating the behavior of one specific branch of the government: public prosecutors.

1 Extraterritorial regulation of multinational companies

Regulating multinational companies is a challenging task for states. To this end, countries coordinate their behavior by making vast use of international regimes (Keohane, 1984). International regimes coordinate state responses to global issues including violations of labor and human rights (Abouharb and Cingranelli, 2006; Jo and Simmons, 2016), corruption (Kaczmarek and Newman, 2011), financial crime (Findley et al., 2015), tax evasion (Crasnic and Hakelberg, 2021), and environmental damage (Kennard, 2020). One of the key mechanisms supporting coordinated responses to corporate crime is the threat of judiciary repercussions at home for firms that commit crime abroad (Crippa, 2023).

Effectiveness of such regimes ultimately depends on their enforcement by states (Baradaran et al., 2012; Simmons, 2010). The literature posits two specific problems are in the way of effective enforcement of international corporate regulatory regimes. First, *regulatory arbitrage*. Transnational firms can fragment ownership structures and supply chains across borders to evade unfavourable regulations (Arel-Bundock, 2017; Chapman et al., 2020; Fisman et al., 2008) or to profit from their conditions (Genovese, 2020; Thrall, 2021). Second, the *regulator’s dilemma* (Kapstein, 1989). Self-interested countries are subject to a competitive pressure to de-regulate (or to turn a blind eye on) crime by nationals abroad, if they do not bear negative externalities of crime⁵ (Eilstrup-Sangiovanni and Sharman, 2019).

A vibrant debate has then emerged to study if, net of these two problems, enforcement of international regimes is effective. Mixed evidence exists on the efficacy of enforcement. Some studies find that it successfully reduces transnational corruption (Jensen and Malesky, 2018), others provide concerning evidence on the lack of effectiveness against financial crimes (Findley et al., 2015). Many conclude formal state-based law cannot hold private actors accountable for misconduct along cross-border supply chains (Ruggie, 2018). If so, they continue, the only feasible tool to hold corporations accountable for transnational misbehavior could be in the hands of a global civil society, which could punish market actors when information on their misconduct arises (Kreitmeir et al., 2020).

By focusing on these two problems, this important literature in political science has overlooked a prerogative of states that potentially overcomes them both: extraterritoriality. States do not only enforce their regulations on *domestic* firms for criminal behavior abroad. In fact, some countries apply their policies on *foreign* subjects as well, effectively behaving as “global sheriffs” of a regime (Slaughter,

⁵For instance, investigations on alleged bribery of Saudi Arabian officials by the British corporation BAE Systems were repeatedly halted by UK governments, due to national interest concerns (Gilbert and Sharman, 2016).

2004). The country that currently champions such extraterritorial approach to enforcement is the United States⁶ (Putnam, 2009). Effectively, its authorities enforce US corporate policies against firms from all over the world and threaten repercussions *in the US* for violating American criminal policies (Garrett, 2011). US authorities even use this as a tool to sanction foreign countries (Tomashevskiy, 2021).

Extraterritoriality is potentially a powerful tool to regulate global markets. First, to the extent that the legal net cast by the regulator is sufficiently large, it can effectively prevent evasion of transnational supply chains from regulatory regimes, as nationality is no obstacle to extraterritorial enforcement. Moreover, extraterritoriality overcomes the regulator’s dilemma induced by self-interest . If it is national interest that causes political intrusions and halts regime enforcement, it appears a third-party “global sheriff” has no reasonable incentive to shield *foreign* companies for violating criminal laws abroad⁷.

Yet, extraterritoriality is far from being the norm in the enforcement of corporate regulatory regimes⁸. First, only a few countries have adopted instruments to prosecute foreign companies. Differences from this point of view are generally explained because of legal obstacles or technological limitations (Eilstrup-Sangiovanni and Sharman, 2019). Second, countries enforcing regulations extraterritorially show striking variation in their capacity to behave as such. The US only prosecutes a handful of foreign companies every year under each of its corporate regulations, a number which is significantly below that of potential cases it has jurisdiction on (Garrett, 2011). Figure 1 shows that foreign companies are significantly under-represented in the set of cases prosecuted by the US Department of Justice (DOJ), although fines extracted from these companies tend to be higher than those from domestic corporations. When it comes to allegations for certain crimes by MNCs, including human rights violations, these numbers drop significantly (Kreitmeir et al., 2020; Ruggie, 2018).

What gives a country the capacity to behave as a “global sheriff” and enforce a regulatory regime against a certain foreign company? We still know too little to answer this question, despite its relevance for the literature on international regimes. Political science and its sub-disciplines have dedicated surprisingly scant attention to extraterritoriality⁹. International law has studied the issue more extensively. Legal scholars generally conclude that the gap between potential cases and those that are actually enforced is due to the costs and complexity of embarking on cross-border prosecutions (Brewster, 2014). From a political science perspective this is only a partial explanation, however, as it does not justify why legal resources are devoted to the selection of a *specific* extraterritorial case over others.

⁶Examples of US extraterritorial corporate regulations include (but are not limited to) corrupt exchanges, violations of unilateral trade sanctions, taxation of foreign-owned assets, data usage, intellectual property.

⁷If anything critics of the extraterritorial application of US corporate law contend quite the *opposite*: that American authorities unfairly apply their regulations with disproportionate energy against foreign companies, to alter the playing field of international economic competition and ultimately favor US companies (Leibold, 2014). As an example of such claims, see: “À qui profite la lutte anticorruption? Le piège General Electric”, *Le Monde Diplomatique*, September 2019: <https://www.monde-diplomatique.fr/2019/09/A/60335>.

⁸I suspect that the reticence of political science to address the topic can be partially justified precisely because extraterritoriality is rather the exception in corporate governance than the rule (Ruggie, 2018). I believe this is yet one more reason making a study about the sources of extraterritorial capacity a relevant contribution.

⁹This literature has rather focused on its effects, see Efrat and Newman (2016) or Kaczmarek and Newman (2011).

Figure 1: Corporate fines levied (a) and number of prosecuted cases (b) from the US DOJ by nationality of indicted firm, 2000 – 2020.



Data retrieved from the Corporate Prosecution Registry ([Garrett and Ashley, 2019](#)).

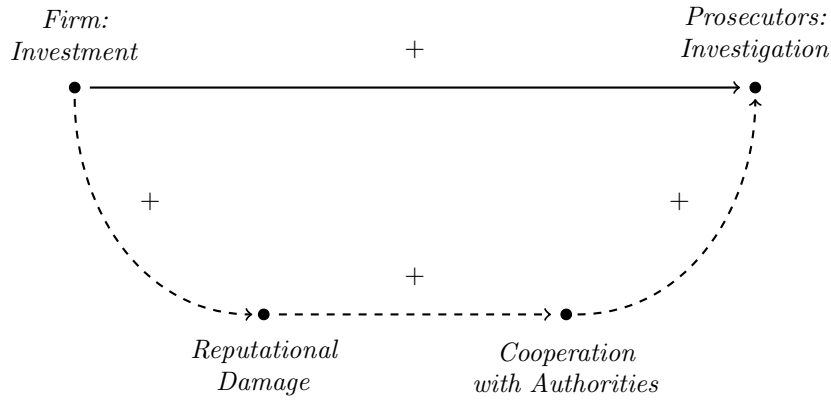
Two potential explanations are provided by the political science on the matter. [Putnam \(2009\)](#) argues that the US intervenes extraterritorially when foreign violations undermine the integrity of American domestic norms. Although plausible, this claim is not able to explain what determines selection of a company over another that violated the same US domestic norm. Some corporate practitioners contest these decisions are in fact political and are made to advantage US companies in key industries ([Pierucci, 2019](#)).

A second potential explanation comes from proponents of the so-called “weaponized interdependence” argument. This theory claims countries can leverage transnational economic networks to gain advantage over rival nations and coerce them ([Farrell and Newman, 2019](#)). Next section presents an argument that largely builds on insights from this theoretical framework. I draw from here the notion that economic interdependence creates the conditions for countries to exercise their coercive (regulatory) prerogatives. Yet, I claim this is not done in pursuit of national interest. In fact, I contend it is purely the result of career and professional incentives to bureaucrats in charge of regime enforcement. My argument focuses on the United States case and considers the two key actors of extraterritorial regime enforcement: global firms and national prosecutors.

2 Global firms and global sheriffs

Imagine two very similar non-US companies, Red Apple Cigarettes and Morley Cigarettes, were suspected of violating some US extraterritorial corporate policy in a certain foreign country. Whereas Red Apple has a local US subsidiary, called American Red Apple, Morley is only publicly traded on the New York Stock Exchange. Besides that, it has no significant presence in the United States. In this fictitious case, the US has jurisdiction to rule over both misconducts¹⁰. Will US authorities be more likely to enforce their policies against either of the two? I argue that territorial presence empowers state authorities to behave extraterritorially, making Red Apple a more likely target of US courts. Although extraterritorial jurisdiction formally does not require the physical presence of a firm in a country, I argue that a country leverages the investment of a foreign firm on its territory to gain the *de facto* capacity to behave as a “global sheriff” and investigate it.

Figure 2: Effect of US investment on likelihood of US investigation for suspected companies. Expected effect signs and mechanism



In a nutshell, my argument assumes that judicial authorities have incentives for bringing cases against foreign companies, but they are constrained by limited resources. Therefore, they must focus on cases offering a higher likelihood of success. This, in turn, depends on availability of information. I move from these premises and advance the theory sketched in Figure 2, which summarizes my observable expectation (top arrow) and its underlying mechanism (bottom chain). Suspected foreign firms with an investment in the prosecutors’ economy represent an easier case to investigate than those with no such physical presence and will therefore be more likely selected by authorities. Their exposure to the prosecutors’ economy makes them suffer larger reputational damages for violating local corporate policies than their counterparts without similar investment. In other words, their “liability of foreignness” (Zaheer, 1995) is larger. Increased reputational damage makes cooperation with local authorities a more appealing strategy to these companies. By cooperating, they signal to the public opinion they are complying with authorities, in the hope to minimize reputational damage. Crucially, by cooperating a company also

¹⁰Red Apple would be subject to US corporate policies due to its presence in the domain of the state, and Morley due to its requirement to file 20-F forms to the Securities and Exchange Commission.

provides information and evidence to prosecutors, making such cases on average easier to investigate for regulators. When choosing among suspected foreign companies, prosecutors will therefore tend to investigate those territorially bound to their country, expecting that they will be more likely to cooperate.

In this section I first elaborate on the assumptions that motivate prosecutors' behavior in my argument. Next, I expand on my mechanism detailing foreign firms' behavior when scandals emerge.

2.1 Global sheriffs: Incentives to prosecute and resource constraints

I assume judicial authorities have incentives for enforcing laws against foreign corporate defendants. This is a reasonable premise from the point of view of individual-level incentives to pursue these cases. First, when establishing a case it is relatively easier for prosecutors to investigate a company than the individuals within its organization who are responsible for committing the crime¹¹ (Garrett, 2014). The damage suffered from a corporate scandal is a serious concern for implicated companies, which typically accept guilt and try settling allegations without going to court, so as to minimize the time spent under the spotlight of newspapers and the public opinion. In the US system, out-of-court legal instruments allowing this outcome include deferred prosecution (DPA) or non-prosecution agreements (NPA). These costly solutions expedite the resolution of corporate legal matters. They are aimed at avoiding a "death sentence" for a company (Alexander and Arlen, 2018; Garrett, 2018): they prevent perils of judiciary prosecution for the firm, but involve large costs. This solution is precluded to individuals, who also have incentives to go through lengthy trials and appeals in order to maximize their chances of resulting innocent (Davis, 2019).

Corporate cases therefore provide a good career opportunity to prosecutors, as they are easier to build. Cases against *foreign* firms prove particularly appealing for monetary and prestige reasons. Successful officers often build thriving careers from winning cases against foreign companies¹² (Choi and Pritchard, 2018; DeHaan et al., 2015). The resonance of these cases also benefits prosecutors in prestige, building them a reputation as tough opposers of economic crime. Corporate scandals involving foreign companies regularly make it to the first pages of newspapers and attract the attention of news outlets around the world. They often involve corporations with vast activities across borders, large sums of dirty money mobilized, and vast rents illicitly extracted. On top of this, the blatantly absurd way these resources are sometimes spent makes for easy eye-catching stories¹³.

¹¹Former FBI director James Comey referred to the DOJ as the "Chickenshit Club" precisely for an alleged tendency to prosecute easier corporate cases rather than more complex individual ones. See: <https://www.ft.com/content/102ffa00-5bf4-11e7-9bc8-8055f264aa8b>

¹²To provide a few anecdotes, prior to his 2016 appointment as chief of the DOJ Fraud Section, Daniel Kahn had been the lead prosecutor of cases among the top anti-bribery enforcement actions in the US against foreign entities (See: <https://fcpablog.com/2016/06/02/doj-names-permanent-chief-of-fcpa-unit/>). His subordinates at the Fraud Section share similar successful stories. After a successful experience as a line prosecutor at the DOJ, Albert Stieglitz was seconded overseas, to the UK Serious Fraud Office (See his biography: <https://www.pli.edu/faculty/albert--stieglitz-32298>).

¹³Corrupt corporate money was allegedly used by Malaysian public officials to fund part of the production of Martin Scorsese's movie "The Wolf of Wall Street", with bitter irony – see: <https://www.theguardian.com/business/2019/dec/19/goldman-sachs-close-to-2bn-settlement-over-imdb-scandal-malaysia> –, and in Equatorial Guinea to buy an iconic crystal-studded glove once owned by Michael Jackson – see : <https://abcnews.go.com/Blotter/>

Prosecutors also have office-level incentives to enforce their laws against foreign corporations, pertaining to their budget. Offices in charge of enforcing corporate criminal laws are public bodies. Budget decisions are thus usually political. Fines and monetary settlements levied are partly employed to compensate those who suffered from the economic crime, but a large share typically ends up in the National Treasury, particularly when victims are hard to identify (Turk, 2012). Zeal of prosecutors' offices thus increases revenues for a government and signals those in charge of budget decisions that the office is of strategic importance.

Empirical evidence confirms that cases against foreign companies tend to be much more remunerative. Fines levied by the US DOJ from foreign corporations tend to be significantly higher than those from domestic corporations¹⁴. In the case of foreign bribery, with the sole exception of Goldman Sachs, the top 10 monetary corporate settlements for bribery with US agencies have all been paid by non-US entities¹⁵. This pattern stands out even when controlling for the egregiousness of the bribe paid (Choi and Davis, 2014).

Therefore, in the example presented above, US prosecutors have incentives for making a case against both Red Apple Cigarettes and Morley once they obtain information on their violations of corporate law. Yet, prosecutors must focus only on cases where the likelihood of success is higher, because foreign prosecution is a costly endeavour and resources to initiate cases are scarce (Brewster, 2014). US authorities bring only a handful of cases against foreign companies each year, as panel b in Figure 1 shows. When broken down to the various types of corporate offences, this figure is reduced to just a few cases¹⁶.

2.2 Global firms: Reputational damage and incentives to cooperate

Which of the two imaginary companies in our running example will more likely be prosecuted by US authorities? Based on my assumptions, the answer will depend on what case will be easier to build. The most valuable resource prosecutors need to build a case is information on the alleged misconduct, and access to financial records or corporate documents. Public authorities from the headquarter of the foreign company usually offer support thanks to multilateral legal assistance networks (Brewster, 2014; Kaczmarek and Newman, 2011). Yet, it is cooperation with indicted companies that proves crucial to build a case (Baer, 2018; Davis, 2019). Cooperation of defendants and information disclosure are usually provided in order to enter an NPA or DPA program. Among the steps of these programs, the firm usually sets up internal investigations on the alleged misconduct. Authorities retrieve information and classified documents from such type of cooperation as a condition to grant non-prosecution (or defer it).

[doj-seeks-jackson-glove-dictators-son/story?id=14812081](https://www.doj-seeks-jackson-glove-dictators-son/story?id=14812081).

¹⁴Data from Garrett and Ashley (2019) (plotted in Figure 1) reveal that the average fine imposed by the DOJ on a US corporation is \$5,192,672 whereas that imposed on a non-US company is \$38,368,610. The difference is statistically significant with p-value 7.6×10^{-9} .

¹⁵See the top 10 monetary settlements from the FCPA blog: <https://fcpublog.com/2020/10/26/wall-street-bank-earns-top-spot-on-fcpa-blog-top-ten-list/>.

¹⁶In the years when cases of foreign bribery peaked, for instance, the DOJ prosecuted less than 15 yearly cases in all.

Companies cooperate with US authorities in order to reduce the reputational damage that a corporate scandal generates. Evidence shows that firms are imposed harsh costs on financial markets when their corporate social responsibility records are undermined (Capelle-Blancard and Petit, 2019; Krüger, 2015). This is particularly true for criminal prosecution. Around 80% of each dollar lost in the share value of a company, following judiciary prosecution, comes from market-imposed penalties (Karpoff et al., 2008). This leaves only 20% of losses to fines and disbursements imposed by authorities¹⁷. Markets impose penalties because unveiled criminal behaviors provide information that a company operates inefficiently, or that it will likely incur in legal costs in the future. Both issues concern investors, who negatively update their expectations on the profitability of implicated companies and restructure their portfolios accordingly. By offering cooperation, companies can minimize these reputational penalties. They can reduce the time they spend under the spotlight of the public opinion, avoiding the long process of in-court trials. Moreover, they signal compliance with corporate laws. They frame the misconduct as the behavior of a “bad apple” inside the company, rather than a structural issue (Garrett, 2014).

Yet, cooperation through NPAs or DPAs is costly. Usually the firm is required to admit guilt, pay large settlements, and undertake a complete re-organization of its corporate structure and culture to comply with regulatory standards in the future (Garrett, 2011). NPA and DPA terms also often mandate the company changes executive offices composition and organizes systems of internal investigations including third-party observers. Non-US companies can also incur in transaction costs and frictions caused by their inexperience with the US legal system (Leibold, 2014). A company will therefore evaluate the opportunity cost of refusing cooperation (and its expenses) based on how much it values potential benefits of signalling a compliant behavior. Opportunity cost of refusing cooperation with US authorities will be higher for those foreign companies that risk larger reputational damage for corporate scandals.

I argue that companies with an investment on US soil will tend to suffer increased reputational costs for these types of scandals. Similar companies have branches, offices, jobs, and businesses (Kerner, 2014) that potentially expose a relatively larger share of the firms’ activity to the local public opinion. Having more at stake, these companies will perceive higher potential reputational costs in case of a corporate scandal. They will therefore face higher opportunity costs of refusing cooperation. Hence, when information on potential corporate law violation emerges, they will be more likely to cooperate with authorities than comparable companies with no similar exposure to the US economy. This provides prosecutors the information they need to bring a case and makes it more likely that they will be able to enforce regulation against these companies.

In the running example introduced above, Red Apple will be more likely to cooperate with prosecutors than Morley. This makes the Red Apple case one where the availability of information will likely be higher than in the Morley one. All else equal, I expect US authorities will be more likely to dedicate

¹⁷This means that it is not relevant whether a firm was *actually* guilty of the alleged crime or not: firms suffer harsh reputational penalties even as a result of mere criminal allegations.

scarce legal resources to cases against foreign companies with investment in the country, than others.

3 The US and the global anti-bribery regime

A study aimed at explaining the selection of foreign companies by prosecutors quickly runs into a very obvious problem: only *enforced* cases are observable. Cases agencies had information on and decided not to investigate are, instead, impossible to observe. My solution to this problem exploits two unique features of the case I study: the US-sponsored international anti-bribery regime that was built starting in the 1990s. First, construction of the regime diffused US-like anti-bribery policies to its member states. Second, the regime enables US authorities to enforce their own anti-bribery policy extraterritorially.

The United States was the first country to adopt a regulation preventing American companies from paying bribes to foreign public officials, with the 1977 Foreign Corrupt Practices Act (FCPA)¹⁸. Ever since the law was adopted, US administrations have faced concerns by American companies who were worried the law would disadvantage them *vis-à-vis* foreign competitors that did not risk judiciary repercussions for paying bribes overseas¹⁹. They responded to such concerns in two ways. First, they lobbied for the adoption of a common anti-bribery regulation among partner countries, an effort which had to wait 20 years before resulting in a number of anti-bribery international agreements signed in the 1990s (Abbott and Snidal, 2002). Second, they expanded the jurisdiction of the FCPA to cover non-US companies with rounds of amendments in 1988 and in 1998.

Two consequences of its peculiar history make the regime an optimal case to study why US authorities choose to prosecute certain non-US companies. First, countries participating in this US-sponsored international anti-bribery regime have adopted policies that closely resemble the US FCPA, and that prohibit the same type of corrupt payments (Brewster, 2014). This is particularly true for the 43 countries taking part, alongside the US, to the OECD Anti-Bribery Convention. The Convention is an instrument of hard international law mandating its participants to enforce anti-bribery standards against foreign corrupt payments by their MNCs (Abbott and Snidal, 2002). The existence of this agreement makes it possible to observe, from 1997 on, a much larger set of violations of anti-bribery rules by companies around the world, than what would be observed by simply looking at US-based enforcement.

Second, the construction of the regime dramatically expanded US authority over non-US companies. After its 1998 amendments the FCPA formally applies to foreign corporations suspected of foreign bribe payments with just a marginal connection to the US. This includes non-US companies listed on a US stock exchange or otherwise obliged to submit periodic reports to the Securities and Exchange Commission

¹⁸The FCPA emerged from the blows of the Watergate scandal. Among the many illicit payments uncovered by the Watergate Special Prosecutor offices, US corporations were found to have paid bribes in various foreign countries to members of governments, of cabinets, of parties, and of the public administration believed to be close to American interests and values (Abbott and Snidal, 2002).

¹⁹A few countries, notably France and West Germany, had even made cross-border bribery payments tax-deductible for their companies (Guterman, 2015).

(SEC), but also non-issuing companies furthering any act of bribery to a foreign official *while in the US* (Leibold, 2014). The latter category does not cover exclusively misbehavior *physically* occurring on US soil. In fact, the use of US mail, phone calls or internet communication using US providers, interstate or international travel with connection to the US, and even bank wire transfers or transactions operated in US dollars can be sufficient for the SEC and the DOJ to invoke jurisdiction on a company from anywhere in the world, as long as such connections were instrumental to the corrupt exchange. This interpretation of the “presence doctrine” (see footnote 2) is so broad that often its justification appears stretched to legal experts (Garrett, 2011). Cross-border networks of mutual legal assistance among authorities belonging to this regime facilitates US federal agencies to enforce their laws against foreign subjects (Kaczmarek and Newman, 2011). As a result, nowadays virtually *all* corporations under the regulatory umbrella of the anti-bribery regime are considered liable under FCPA provisions, regardless of their presence on US soil (Leibold, 2014).

By focusing on this specific regime I am thus able to observe a vast set of similar violations of anti-bribery standards by non-US companies. Some were investigated by US authorities, others were not. Given that the US has the authority to behave as the “global sheriff” of this regime and prosecute virtually all these cases, I am able to distinguish between cases involving non-US companies that were prosecuted by US authorities and those that were only prosecuted by non-US courts.

I argue these cases comprise the ones information was available for. This observable set clearly does not include *all* possible violations of anti-bribery standards. Namely it does not include cases that (i) no involved authority had information on and that (ii) all informed authorities willingly chose not to investigate. The first source of selection does not really represent an issue for this study, as US authorities cannot choose to focus on violations nobody knew of. The second, instead, might introduce an issue of selection bias. If unobserved cases *willingly* overlooked by all informed judicial authorities were also systematically different in their US investment behavior, I would be unable to observe certain bribery cases that differ systematically from the observable ones in terms of the involved companies’ presence in the US. I assume this is not happening: hence deliberate selection of non-US cases out of the set of observable ones is independent of the US ownership structure of the involved companies²⁰. Even in the restrictive case this assumption were violated, yet, focusing on observable cases allows to explain what drives US prosecution of non-US companies in *publicly known* violation of the anti-bribery regime. Next section details how I construct an original dataset recording anti-bribery violations by non-US companies.

²⁰A violation of this assumption would occur, for instance, if overseas bribe payments by non-US companies with a significantly large presence in the US were known by authorities of some countries and were willingly and coordinately overlooked. I believe this scenario to be rather unrealistic, particularly since countries where bribes were paid can often extract a valuable reimbursement from judicial actions.

4 Data collection

My argument explains decisions of US authorities to investigate a non-US company as a function of its investment in the US. I test this expectation in the case of the anti-bribery regime. Two crucial pieces of information are therefore required. First, I need to retrieve information on cases of corporate bribery by non-US companies which were investigated and were not investigated by US authorities. Second, I need to reconstruct investment of the involved firms in the US (or lack thereof). The next two subsections detail how I constructed an original dataset containing both pieces of information.

4.1 Anti-corporate bribery enforcement cases

I retrieve information on anti-bribery enforcement actions by US and non-US authorities combining different data sources. The main one is the TRACE Compendium. TRACE International is a business association providing risk management services, particularly focused on anti-bribery legal, reputational, and economic risk. Its Compendium²¹ is an open database made of 841 text documents summarising events of cross-border corporate corruption in violation of the international anti-bribery regime, and related law enforcement actions. TRACE constructs it drawing from legal documents, newspaper articles, and leakages or official releases of corporate files.

Two features make this database the perfect source for my data collection. First, the case selection. TRACE only considers events of cross-border corruption where the bribe-payer is an (individual acting on behalf of an) enterprise headquartered in a certain country and the bribe-payee is a public official of a different nationality. It does not consider events of corruption that are purely domestic, *i.e.* those where bribe-payer and payee are of the same nationality. These events technically do not fall under the scope of the international anti-bribery regime. Second, TRACE reports events of anti-bribery law enforcement initiated by US *and* non-US authorities alike. This allows me to tell cases that were enforced by US prosecutors from those that US agencies did not enforce.

I employ a mix of web-scraping techniques and hand-coding to collect information from these 841 text documents²². A single TRACE document can be particularly complex. It can refer to a single bribe-payer company or multiple ones. Under the same corrupt scheme, bribe-payers can funnel illicit money into the pockets of public officials from a single country or multiple ones. Finally, enforcement actions by a national authority can cover any or all of these criminal transactions. I disentangle this complex information and code information on individual payments made by specific subjects to foreign officials of a certain nationality, and enforced by a given national authority.

²¹See: <https://www.traceinternational.org/resources-compendium>

²²I check completeness of this dataset drawing from data generously provided by Escresa and Picci (2017). I also check my data using sources specific to US FCPA enforcement: Garrett and Ashley (2019)'s data on DOJ prosecution, Stanford Law School's Foreign Corrupt Practices Act Clearinghouse dataset (see: <http://fcpa.stanford.edu/enforcement-actions.html?page=1.0>), and data from the Violation Tracker by Good Job First (see: <https://www.goodjobsfirst.org/violation-tracker>). I test accuracy of coded information by randomly selecting 30% of the observations and checking the way automated techniques coded information.

Once I have obtained information on events of anti-bribery enforcement, I collect data on the corporate identity of the bribe-payers. First, I identify the company paying the bribe from the scraped TRACE documents. Where individuals are reported to have paid a bribe, I try to gather information on the company they were bribing on behalf of, if the information is available. Where this information is not available, I flag these records as payments made by individuals, and I later discard them²³. I draw on several providers of company data to retrieve correct information on the headquarter country and identity of each corporate bribe-payer. My main source for this is Bureau van Dijk's Orbis Corporate Ownership database. Where Orbis does not report information on the included companies in my dataset, I draw from alternative sources²⁴. I retrieve this information employing mandatory filings by civil authorities in charge of overseeing security markets (like the SEC or UK Companies House reports), datasets about leaked offshore corporate documents²⁵, NGO information (like those provided by the UN Global Compact program, or development agencies), and private information providers on company data (Bloomberg, Dun & Bradstreet, and Crunchbase).

The final dataset I obtain is composed of 3,031 distinct events. The unit of such dataset is a bribe payment by a single subject (a company or an individual) to public officials of a single nationality, prosecuted by authorities of a single country. Reported bribes were paid by a total of 767 companies headquartered in 75 different countries, and by 34 individuals of 16 different nationalities. They involve a total of 1,245 different events of cross-border bribe payments to foreign officials from 160 different countries, from 1972 to 2021. A total of 1,583 distinct enforcement events²⁶ were initiated by national agencies of 111 countries in total.

This rich dataset contains some information that is not necessary for my study. I therefore proceed at selecting only the relevant information. First I remove all observations referring to events of corruption taking place before 1997. I consider this year the real birth of the anti-bribery regime, with the ratification of the OECD Anti-Bribery Convention. Legal research has shown that the agreement represented a turning point for the possibility to enforce the US FCPA (Brewster, 2014). Next, I remove all cases of cross-border bribery where information on the company individuals were bribing on behalf of was not available.

My interest is in explaining extraterritorial prosecution of non-US companies by American federal authorities. I therefore discard all cases of cross-border bribery where the bribe-payer company is a US-incorporated firm. Cases in this category do not fall under the extraterritorial application of FCPA

²³In 45 TRACE records it was not possible to discern which companies individual bribe-payers were paying on behalf of. In the majority of these cases criminals set up fictitious firms or shell companies to conceal bribe-payments and/or pocket kickbacks. Usually they conceived complex schemes for securing private advantages.

²⁴Only 45 out of 767 companies were not appearing in Orbis and required to obtain information with alternative means.

²⁵Like <https://offshoreleaks.icij.org> or <https://wikileaks.org>.

²⁶This figure departs significantly from official TRACE statistics because I count enforcement actions differently. TRACE considers multiple events of enforcement by agencies from different countries as a single event, while in my dataset each individual enforcement by an agency represents a single event of prosecution, even if multiple countries are prosecuting the same corruption case.

terms, therefore they are not of interest for the study. Finally, I discard cases where the bribe-payee is a US public official. Cases under this category do not fall under the jurisdiction of the FCPA, and are prosecuted in light of legislations against domestic bribery.

These selections leave me with a dataset of 1,921 observations involving 425 non-US companies. These firms were involved in a total of 677 distinct corrupt exchanges involving non-US public officials, prosecuted in 934 different events of enforcement around the world. Finally, I collapse these observations by firm and obtain my binary dependent variable *Investigation* measuring whether each firm of the 425 non-US companies involved in at least one bribery event was ever investigated by US authorities (DOJ or SEC) or not²⁷.

4.2 US investment

I collect information on the presence of these companies in the US economy. I aim at constructing a binary firm-level explanatory variable *US Subsidiary* that takes value 1 if and only if a given company has a subsidiary in the US.

I rely on Orbis to obtain data on investment of the companies of interest through US subsidiaries. Out of the 425 companies in the dataset, 402 have information available in Orbis. I collect data on subsidiaries of each of these 402 firms around the world. Orbis reports information gathered from mandatory filings made by companies to agencies regulating securities.

Orbis reports that the 402 companies of interest own a total of 58,734 unique subsidiaries in 198 different countries. Not all these ownership relations are of interest, though. Some of these subsidiaries can be shell companies, financial services, and short-term ownership operations that have little to do with the type of long-term foreign investment implied by my argument (Kerner, 2014). I proceed at making appropriate selections following practices recommended by previous studies that use Orbis data (Beazer and Blake, 2018) and established guidelines on dealing with this data source (Kalemli-Ozcan et al., 2015).

I get information on whether each of the 402 companies owns at least one US subsidiary. I define a subsidiary according to two criteria. First, it should not be what Orbis classifies as a “small” company. Hence, I consider only subsidiaries that have higher operating revenue than one million US dollars, more than two million US dollars in total assets, and more than 15 employees. Second, a parent should enjoy at least 50% of voting power in a company for it to be considered its subsidiary (Kalemli-Ozcan et al., 2015). These two criteria ensure I am only considering non-US long-term and substantive investment in the US, the kind of enterprise that is likely to induce reputational liabilities advanced by my theory.

²⁷A minority of companies (4 out of 428) were investigated by other US agencies in connection to events of bribery, including the Federal Bureau of Investigation, the Department of State, and the Department of Commerce. Since these agencies are not in charge of enforcing the FCPA, I code these cases as *not* being investigated by the US, as I am interested in explaining enforcement of FCPA extraterritorial terms. However, a replication of all results presented in the next section relaxing this condition showed my estimates do not hinge on it. This robustness test is not reported in the paper to keep the Appendix compact enough, but is available upon request.

For each company in the dataset I construct my explanatory variable of interest *US Subsidiary* measuring whether the company has at least one subsidiary in the US. Out of the 402 companies, 49 have a subsidiary in the country²⁸ while 353 do not.

4.3 Firm-level controls

My argument expects non-US companies suspected of bribery will be disproportionately likely to be investigated by federal authorities if they have an investment in the US. The effect of interest can be confounded by a number of potential factors that might make it more likely for a company to invest in the US, while simultaneously making it more likely that US agencies will investigate it. The analysis should control for these factors.

First, foreign companies can be more likely to invest in the US if their production and ownership chains make them more projected abroad. At the same time, firms in industries that fragment production across borders can also be more likely to be involved in events of bribery, simply because of the larger possibilities of interaction with foreign public officials. I therefore extract from Orbis information on the number of total subsidiaries (defined following the same criteria outlined above) for each company – *Global Subsidiaries* – and for the number of branches directly controlled by each company – *Global Branches*. The number of employees can also play a similar confounding effect: companies with more employees around the world can have better resources to invest in the US and be more likely to be exposed to bribery. I therefore measure the logarithm of the total number of employees for each company + 1: *Global Employees (log + 1)*.

The wealth of a company can also confound the relationship of interest. Richer firms might have the means and interest to embark in a US investment, an initiative which entails considerable sunk costs. At the same time, US authorities might find wealthier firms as more appealing targets, if they expect they could extract larger fines from them. I therefore measure the average *Parent Revenues* and *Parent Assets* as reported by Orbis, measuring respectively operating revenues and total assets' worth in millions of US dollars. I also measure the average number of employees (*Parent Employees*) to get a sense of the firm's size.

Finally, foreign companies that tend to be more often under scrutiny of their domestic agencies might be less likely to invest in the US as a means of reducing judicial pressure on their activity. At the same time, US agencies might refrain from prosecuting a company if it is already investigated by other authorities. To control for this aspect I measure, for each company, the mean number of prosecuting countries in the events of bribery that involve it (*Number of Prosecutors*).

Companies from specific nationalities can also be facilitated when investing in the US because of

²⁸Imposing the condition that only non-small companies count as subsidiaries shrinks substantively this “treatment group”. Relaxing it increases the treatment group to a total of 174 companies. Results presented in the next section are overall the same (although slightly smaller in size) when this condition is relaxed. They are available upon request.

unobservable characteristics. Perhaps special relations between their home countries and the US facilitates the bureaucratic process of opening a subsidiary on American soil. If US authorities investigate more thoroughly companies from these home countries as a foreign policy tool (see [Tomashevskiy, 2021](#)), then the origin of a company can confound the relationship of interest. Industry-specific features can also play a similar role. To account for both problems, I record the home country of each company and its industrial sector based on the two-digits North American Industry Classification System (NAICS). I introduce fixed effects at these levels to remove such unobserved heterogeneity.

4.4 Data description

I present summary statistics of my cross-sectional dataset in Appendix (Table [A.1](#)). Table [1](#) provides information on the average value of each variable for companies with or without a US subsidiary. Non-US companies with no US subsidiaries have a baseline 0.33 probability of being investigated by US authorities when they are involved in events of bribery. This confirms the vigorous extraterritorial activity of federal authorities documented by previous studies. This probability increases by 0.40 in the group of companies with at least one US subsidiaries. Firms in this group have a 0.73 probability of being investigated by US authorities, when they are involved in events of bribery. The difference is statistically distinguishable from zero at a 0.05 conventional level of significance.

Table 1: Bribe-payer non-US companies. Observable covariates balance table

	No Subsid. (N=353)		Subsid. (N=49)		Diff. in Means	Std. Error
	Mean	Std. Dev.	Mean	Std. Dev.		
Investigation	0.33	0.47	0.73	0.45	0.40	0.07
Global Subsidiaries	0.01	0.02	0.04	0.04	0.03	0.01
Global Branches	0.02	0.12	0.07	0.32	0.05	0.05
Global Employees (log+1)	0.85	1.37	3.43	1.12	2.58	0.18
Number of Prosecutors (mean)	1.48	0.91	1.37	0.55	-0.11	0.09
Parent Revenues (mean)	0.12	0.37	0.39	0.46	0.27	0.07
Parent Assets (mean)	0.37	1.49	2.79	6.17	2.42	0.89
Parent Employees (mean)	0.00	0.00	0.00	0.00	0.00	0.00

This difference provides some initial descriptive evidence on the relationship advanced by my argument. Yet, Table [1](#) also shows that almost all the other covariates are strongly unbalanced in the sample. On average, firms with at least one investment in the US tend to have more extended activities in the world, and they tend to be larger. To the extent that these features correlate with the likelihood of US investigation too, the difference-in-means presented above provides a confounded picture. Next section adopts a selection on observables design to hold constant these potential sources of endogeneity.

5 Results

In this section I estimate a series of linear probability models (LPM) of the *Investigation* binary dependent variable. I explain the dependent variable using my main explanatory variable *US Subsidiary* and I hold constant relevant observable sources of endogeneity presented in the previous section. I estimate LPMs using ordinary least squares (OLS) for ease of interpretation of their coefficients. I cluster all standard errors at the home-country level to account for possible correlation at this level in the error term and obtain larger measures of uncertainty that factor in co-dependence of observations.

Table 2: Linear probability models of Investigation. Binary main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.403*** (0.076)	0.349*** (0.091)	0.344*** (0.101)	0.279** (0.105)	0.303** (0.104)
Global Subsidiaries		-1.061 (0.871)	-0.772 (0.960)	-0.018 (1.165)	-0.041 (1.057)
Global Branches		0.358** (0.124)	0.215 (0.160)	0.187* (0.084)	0.148 (0.090)
Global Employees (log+1)		0.027 (0.024)	0.019 (0.029)	0.016 (0.030)	0.040 (0.033)
Number of Prosecutors (mean)			0.177** (0.058)	0.138+ (0.075)	0.133+ (0.068)
Parent Revenues (mean)			0.151* (0.071)	0.196* (0.094)	0.140 (0.145)
Parent Assets (mean)			0.013+ (0.007)	0.018** (0.006)	0.015+ (0.009)
Parent Employees (mean)			-61.596*** (17.664)	-74.496* (34.456)	-85.837 (69.198)
(Intercept)	0.331*** (0.041)	0.311*** (0.048)	0.061 (0.104)	-0.162 (0.099)	-0.409* (0.166)
Num.Obs.	402	402	303	303	301
Country FE				Yes	Yes
Industry FE					Yes
R2	0.074	0.091	0.203	0.433	0.486
R2 Adj.	0.072	0.082	0.181	0.296	0.308
F	31.886	9.973	9.365	3.149	2.736

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Note: Coefficients estimated using OLS. Standard errors are clustered at the home country level.

Table 2 reports LPM estimates. I include my control variables step-wise and carefully given the limited number of observations in my dataset and data missingness for some covariates. This also avoids problems of suppression effects in a selection on observables design (Lenz and Sahn, 2020). The first model introduces only my binary explanatory variable *US Subsidiary*. Its estimated effect is obviously the exact same difference-in-means reported in Table 1: non-US companies with at least one subsidiary in the US are about 0.40 more likely to be investigated by federal authorities when they are involved in events of bribery, over a baseline likelihood of 0.33. In the second model I introduce controls relative to the global spread of a company. I control for the worldwide number of subsidiaries, of branches, and

for the (logged) number of employees. The estimated effect of *US Subsidiary* remains substantively the same: an increase of about 0.35 in the likelihood of being investigated by federal authorities.

In model 3, I introduce controls relative to the size of the company (average revenues, assets, and number of employees) and I control for the average number of prosecuting countries in cases involving it. Introducing these controls shrinks the sample size considerably due to missing data for variables on company sizes. Nevertheless the effect of *US Subsidiary* remains substantively the same: an increase by about 0.34 in the probability of being investigated. Finally, in models 4 and 5 I control for country-specific and industry-specific idiosyncratic heterogeneity by including a categorical home country variable (*Country FE*) and a categorical industry variable (*Industry FE*). Estimates still show that companies with at least one *US Subsidiary* are about 0.28 to 0.30 more likely to be investigated by federal authorities.

All estimated effects of *US Subsidiary* are distinguishable from zero at a 0.05 conventional level of significance. The effect size in the most conservative of the estimated models (model 4, with the smallest point estimate and the largest measure of uncertainty) is such that the probability of being investigated by federal authorities increases by a factor between 0.07 and 0.49 for firms with at least one *US Subsidiary* (when looking at the boundaries of a 95% confidence interval). This amounts to a percentage increase in the probability of being investigated by at least 21% and at most 148% (when considering the baseline 0.33 probability of investigation for companies with no US investment).

I test robustness of these results extensively. All tests are reported and discussed in Appendix. The overall picture they provide is consistent with the one that emerges from Table 2. First, I assess the possibility that results are driven by any one outlier in the sample. I adopt a jackknife approach and re-estimate my most complete model (no. 5 from Table 2) leaving each one company out from the model once. Next, I assess the potential concern that Chinese companies are driving the results for reasons unrelated to my causal story. I exclude all Chinese companies from the sample and re-estimate my models. In a following test I address the concern that FCPA jurisdiction might not be equally easy to claim on all companies in my sample. I leverage the fact that companies trading securities on US-based exchanges unambiguously fall under FCPA jurisdiction. I first control for this additional variable, then condition on it restricting my sample to the 145 US-traded foreign companies. Next, I restrict the causal quantity of interest to an average treatment effect on the treated (ATT) companies. I estimate it in two ways: with an OLS regression imputation estimator (Lin, 2013) and with a Mahalanobis matching procedure. Next, I show that estimates are not model-dependent: I employ a logit model, a random effect linear model, and a random effect logit model. I also propose alternative operationalizations of my dependent and main explanatory variables. Finally, I disaggregate my company-level data into a multilevel dataset where each row represents a company involved in a specific corrupt incident in a given host country. This allows me to control for the potential confounding effect of investigation of an incident by the home country, and for heterogeneity at the host-country level.

5.1 Discussion

Estimates provided in the selection on observables analysis inform us that, on average, non-US companies that are exposed to the US economy through an investment in the country are at least 0.28 more likely to be investigated by US authorities than comparable companies with no investment in the US. Internal validity of these results rests on the demanding conditional independence assumption, which claims that models control for all potential factors causing companies with US investment to be systematically different than those without similar exposure, and that also affect the dependent variable. This assumption is essentially untestable and hard to defend. It is, yet, possible to hypothesize the direction of potential sources of bias to understand the extent to which the sign of the estimates is credible.

One potential source of omitted variable bias is the unobservable preference of companies for bribing in international business. Non-US companies that are more inclined to secure contracts by means of bribing are more likely to end up being targeted by US authorities, simply because they have higher chances to appear on their radar. At the same time, they are likely aware of the extraterritorial provisions of the American anti-bribery policy. They might therefore decide to reduce their exposure to the US economy, by avoiding investing in the country, precisely in order to limit the risk of prosecution. If that is the case, then the propensity to bribe is a potential confounder threatening results presented.

A similar likely confounder is the propensity to pay *larger* bribes. Non-US companies that are more used to pay larger bribes in international business might be more likely target of US authorities (Choi and Davis, 2014). At the same time, they might have an incentive to limit their presence in the US economy to avoid the risk of prosecution.

In both cases, yet, the direction of the resulting selection bias would be negative, because propensity to bribe (or to bribe more) would be positively causing the dependent variable but negatively affecting exposure to the US economy. Therefore estimates presented in Table 2 would in fact be *underestimating* the real effect size of *US Subsidiary* on *Investigation*. Their point estimates would be smaller than the real effect size. This is true in general for all sources of *negative* selection bias. They would threaten the substantive validity of estimated effects because their exclusion causes coefficients to be smaller than the real effect sizes. Yet, even if point estimates would be unreliable, the effect of exposure to the US economy on the probability of being investigated by US authorities would nevertheless be positive.

Potential sources of selection bias should be positive in order to effectively threaten the *sign* of the estimates provided. Their effects on the dependent variable *and* treatment variable *US Subsidiary* should have the same sign (either both positive or both negative). My selection on observables design assumes similar sources of endogeneity are not taking place. Is this reasonable? How large should a hypothetical unobserved confounder be in order to threaten the presented estimates? Recent tools for sensitivity analysis introduced by Cinelli and Hazlett (2020) allow to ground this assumption into more concrete terms. These tools allow the analyst to use an *observed* severe confounder as a reference point to study

how larger an *unobserved* confounder should be in order to flip sign of estimated effect or to make it statistically insignificant. Impact of confounders is expressed in terms of partial R-squared, *i.e.* in terms of the proportion of residual variation of the treatment or outcome variable that the confounder explains.

I select the size of the parent firm (expressed in terms of asset value) as the most severe observed confounder in my dataset. Larger parent companies have the means to invest in the US market and they also tend to be more likely targets of US prosecutors' activity. There are substantial barriers and costs to invest into the US. An investment typically consists in the establishment (or acquisition) of expensive productive sites in the host country (Kerner, 2014). This represent a significant sunk cost (Jensen et al., 2012). Investing in the US also comes with costs of a different nature. Investors should adapt to the US regulation. They are required to file detailed periodical reports to the SEC. Files must abide by a specific form and typically require the assistance of legal consultants. Legal and organizational costs also come from adapting to the US regulatory framework. This is a documented problem specifically in the case of anti-bribery regulations. Whereas US companies have been subject to FCPA terms since 1977, a non-US company incurs in significant organizational costs to re-organize its structure in order to be FCPA-compliant (Garrett, 2014; Leibold, 2014). On average, only larger firms might be able to absorb similar costs. These considerations find descriptive confirmation in my sample. Table 1 shows that, on average, foreign companies with an investment in the US are more than 7 times larger than companies with no presence in the country, when looking at the value of their assets.

Larger companies, in turn, might also appear more often on US authorities' radar. They are more likely to have extended operations around the globe, for the same reason as they are more likely to invest in the US. Hence, the likelihood that they end up being involved in bribery scandals is higher than for smaller firms. They might also be more appealing targets for prosecutors, who can extract larger fines from them. US authorities will therefore be more likely to investigate these companies, all else equal. The size of a company is likely to be the most relevant observed confounder of my effect of interest. If this argument is correct, this confounder introduces a positive selection bias, the kind of bias my analysis should be concerned about. I then proceed to test sensitivity of the estimated effect from model 5 in Table 2 using this observed covariate as a benchmark²⁹.

Table 3 provides a summary of its sensitivity to omitted variable bias. In this model the treatment variable alone explains about 4.7% in the variation of the outcome variable. This portion is rather large, considering that it stands even after accounting for the explanatory power of covariates and fixed effects. The sensitivity analysis informs that it would take an unobserved confounder explaining more than 19.9% of the remaining variance of *both* treatment and outcome variables to bring the point estimate to 0. Such a large effect on both variables appears unreasonable, thus providing confidence in the estimated effect. The table also informs that an unobserved confounder explaining 8.6% of the residual variation

²⁹I choose model 5 as it is the most complete specification in my main analysis. Sensitivity analyses performed using other observable covariates as benchmarks provided less conservative results and are available upon request.

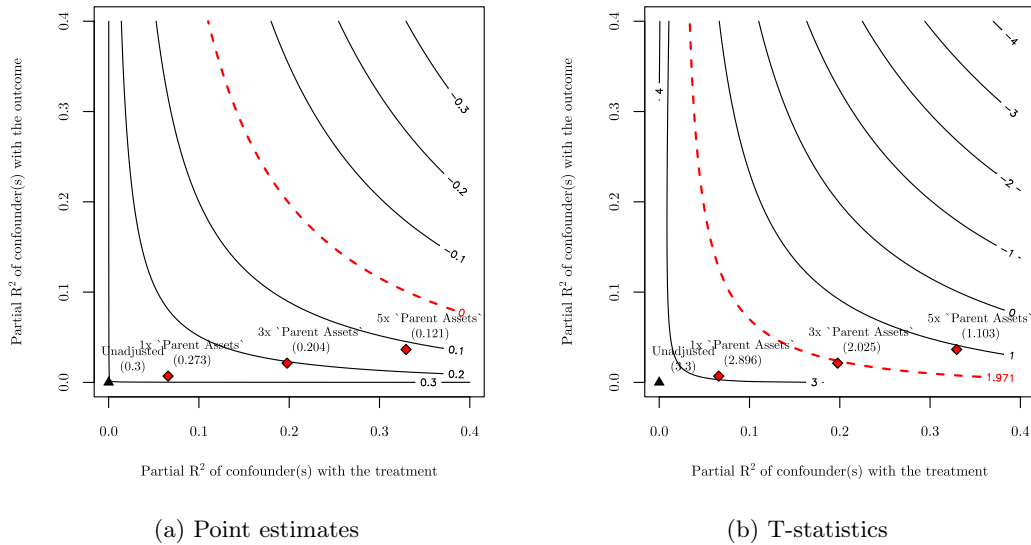
of treatment and outcome variables would be sufficient to move the t-statistic of the estimated effect within the 95% critical values interval, thus making it no longer statistically significant.

Table 3: Sensitivity analysis of estimated effects

Outcome: <i>Investigation</i>						
Treatment:	Est.	S.E.	t-value	$R^2_{Y \sim D \mathbf{X}}$	$RV_{q=1}$	$RV_{q=1, \alpha=0.05}$
<i>US Subsidiary</i>	0.303	0.091	3.324	4.7%	19.9%	8.6%
df = 223	Bound (1x Parent Assets): $R^2_{Y \sim Z \mathbf{X}, D} = 0.7\%$, $R^2_{D \sim Z \mathbf{X}} = 6.6\%$					

How strong should such an unobserved confounder be, in comparison to the chosen *Parent Assets* observed benchmark? Figure 3 provides this piece of information. Panel 3a shows that it would take an unobserved confounder *more* than five times as large as *Parent Assets* to flip the sign of the point estimate. If there existed an omitted variable even five times as large as the chosen benchmark, the point-estimated effect would still be positive and sizeable (a 0.121 increase in the probability of *Investigation*). Again, it seems unreasonable to have such a large unobserved confounder in place, which provides confidence on the estimated effects. Yet, Panel 3b provides a cautionary tale on my results. Any unobserved confounder that explained more than three times the variation of treatment and outcome that *Parent Assets* explains would move the t-statistics to a value below the conventional critical value of a 95% confidence interval in the relevant t-student distribution for the model. The presence of any unobserved confounder of this size or larger would therefore mean the true estimated effect is not statistically significant at a conventional 0.05 level.

Figure 3: Sensitivity analysis



Estimates from Table 2 therefore rest on the assumption that hypothetical unobserved confounders of this size do not exist. Table 3 and Figure 3 provide concrete boundaries to the impact an omitted variable should have on treatment and outcome variables in order to make the effect estimated in this

section completely unreliable.

6 Mechanism: reputational damage and cooperation

The previous section shows that companies suspected to be in violation of US anti-corruption policy are more likely to be investigated by US authorities if they have an investment in the US. Results hold conditioning on relevant observable confounders and the identifying assumption appears reasonable in light of the sensitivity analysis. However, the analysis does not shed light on the precise mechanism driving the proposed effect. I argue that the effect is driven by the availability of willingly disclosed information to prosecutors induced by reputational damage (see Figure 2). However this mechanism is currently not tested.

In fact, a plausible alternative mechanism would claim that foreign companies with investment in the US have physical assets in the country that are not easy to relocate. It would then be simpler for US authorities to enforce sentences against foreign companies with a foot in the US, not because they are more likely to cooperate with authorities, nor because they suffer larger reputational penalties, but because they will be more easily coerced to pay fines. Alternatively, US authorities might find it easier to claim legitimacy for obtaining subpoena and coerce companies into disclosing information. These different mechanisms might also be simultaneously at place.

In this section I provide additional evidence to support my mechanism. First, I investigate two cases that illustrate my mechanism. Second, I present large-N evidence that generalize my logic and back the claim that reputational incentives lead companies with significant presence in the US to cooperate with American authorities.

6.1 Case study evidence

Here I illustrate my mechanism leveraging two case studies. The first involves a foreign company with significant territorial ties to the US which discovered evidence about internal corrupt behaviors and disclosed it to US authorities. American prosecutors opened an investigation into the matter and eventually found the company innocent of the conduct, deciding to close all investigations. The second case involves a foreign company trading its stocks as American Depositary Receipts (ADRs) in the US but lacking a significant physical presence in the United States, as defined above. The company was investigated by foreign authorities but US agencies never intervened.

The case studies illustrate a striking difference in the type of interaction between companies and authorities. The first one shows a company exposed to the US and linked to its territory, which goes into significant steps to show compliance with local anti-corruption laws and reduce its liability of foreignness and reputational damage. US authorities begin an investigation in the matter and eventually find the

company innocent. The second one shows a company that is insulated from the US regulatory reach and reputational damage in the US, namely because of a lack of territorial connection. Notwithstanding the severity of the case, no reputational damage is observed. The company never provided cooperation with US authorities, who never intervened on the matter.

Case 1 Millicom International Cellular SA is a telecommunication company incorporated in Luxembourg, that serves primarily the Latin American market through its Tigo brand. The company currently provides services to approximately 55 million customers in Latin America³⁰. It trades equities on the US NASDAQ Stock Exchange (since January 2019) under the symbol TIGO and trades ADRs over-the-counter in the US under symbol MICCF (since January 2012). Crucially for my argument, it is also physically present in the US through its wholly-owned Millicom International Services, whose corporate offices are at Number 255 of Giralda Avenue, Miami.

On October 21, 2015 Millicom issued a press release announcing to have recently discovered potential violations of the FCPA in Guatemala, as part of the operations conducted by its joint venture Comunicaciones Celulares S.A. with billionaire Mario Lopez Estrada. Evidence emerged as part of an internal investigation conducted by the company itself with support of the law firm Covington & Burling LLP. The company announced allegations had been disclosed with authorities in the US and guaranteed full cooperation with prosecutors³¹.

Reputational damage looked significant in the aftermath of the press release³². In the month of October 2015, following the publication of allegations, the price of the company's stocks traded under the symbol MICCF went from \$60.2 per share (October 2, 2015) to \$54.6 per share (November 9, 2015) amounting to a loss in value of about 9.30%. For comparison, in about the same period the overall value of the NASDAQ 100 index increased by about 9.12% instead, indicating a general upward trend of the market. The Department of Justice opened an investigation into potential FCPA violations as soon as information was disclosed by the company and cooperation started. However, three years later the DOJ announced to have concluded its investigations and found no evidence of misbehavior. No further action would be taken, as a result³³.

Case 2 A comparable corruption case involved the telecommunication company MTN Group Limited. The company is incorporated in South Africa and primarily serves the African market. It is considered the largest telecommunication provider in the continent and the first company in Sub Saharan Africa for market capitalisation³⁴. The company trades securities in the US over-the-counter as ADRs (ticker

³⁰See: <https://tinyurl.com/bloomberg-millicom>.

³¹See press release: <https://fcpa.stanford.edu/fcpac/releases/2000/001091.pdf>.

³²All stock prices data presented in this section have been downloaded from Refinitiv.

³³See interim report by the company to announce end of investigation: <https://fcpa.stanford.edu/fcpac/releases/4000/002968.pdf>.

³⁴See: <https://tinyurl.com/businessinsider-mtn>.

symbol: MTNOY). However, it has no physical presence in the US through a foreign direct investment. FCPA jurisdiction has often been imposed by the SEC and DOJ on foreign companies trading ADRs on US exchanges³⁵. On the basis of these precedents, the company can be considered liable under FCPA terms.

On February 2, 2012 the Turkish telecommunication company Turkcell alleged that MTN had bribed government officials in Iran in order to beat competition. The Turkish company claimed MTN obtained the cancellation of a licence previously granted by the Iranian government to Turkcell in exchange for bribes and the promise of assistance to Iran on nuclear issues at the International Atomic Energy Agency (IAEA)³⁶. In March 2012, Turkcell attempted to involve US authorities directly into the matter by filing a civil law suit in the US District Court for the District of Columbia, demanding about \$4 billion in damages³⁷. However, US authorities are not reported to have ever initiated any investigation onto potential FCPA violations related to the matter. Nor there is evidence that US prosecutors ever investigated an unrelated bribery case involving the MTN Group in Nigeria³⁸.

MTN responded to the Iranian allegations by setting up an internal investigation into the matter. No evidence exists that they ever disclosed information resulting from such investigation with US authorities. Reputational costs inflicted on the company in the US also seem remarkably small. In the month of February 2012, the stock price of MTNOY even *increased* its value by 2.25% on the US stock market, moving from \$16.9 (February 1, 2012) to \$17.2 per share (February 17, 2012), in line with a general increase of the overall market at that time (NASDAQ 100: +6.27%). Investigations by the South African authorities on the matter are reportedly still ongoing so the company is considered innocent until proven guilty. However, on February 15, 2019 the South African police arrested the former South African ambassador in Iran for allegedly facilitating MTN bribes to Iranian government officials, thus lending credibility to allegations³⁹.

6.2 Large-N evidence

In this section I provide additional large-N evidence to support my mechanism. I leverage information in my data and show that foreign companies with US investment are more likely to *willingly* offer cooperation and provide information to US authorities, as in the Millicom case presented above. My mechanism suggests that US authorities find it easier to investigate foreign companies with a US investment because these companies are more likely to offer cooperation and provide information.

For each event of corruption in my dataset, I code how relevant information was provided to author-

³⁵Illustrative examples where US agencies explicitly mentioned trading ADRs to establish jurisdiction include cases: *S.E.C. v. Montedison, S.p.A.*, No. 96-2631 (November 21, 1996); *S.E.C. v. ABB, Ltd.*, No 05-1141 (July 6, 2004); *United States of America v. Siemens AG*, Case 08-cr-00367 (December 12, 2008).

³⁶See: <https://www.diligenciagroup.com/blogs/mtn-more-than-a-corruption-and-bribery-accusation>.

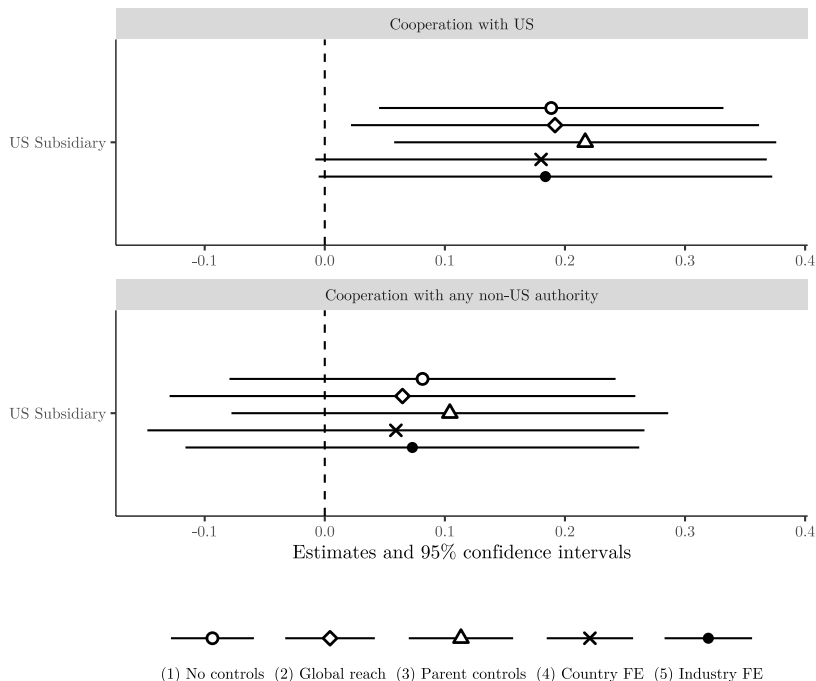
³⁷See text of the law suit: <https://www.politicsweb.co.za/news-and-analysis/iran-turkcells-case-against-mtn>.

³⁸See: <https://www.financeuncovered.org/stories/mtns-8bn-illegal-foreign-exchange-scandal>.

³⁹See: <https://www.reuters.com/article/us-mtn-iran-arrests-idUSKCN1Q41PK>.

ities. In particular, I code whether each company is offering cooperation voluntarily to US authorities. To this aim, I consider as wilful disclosure of information only cases when a company is providing information through any of voluntary disclosure, cooperation, or internal investigation⁴⁰. I then aggregate this information by company, as I do for my main firm-level cross-sectional dataset, and measure whether each of the 402 non-US companies has *ever* offered cooperation to US authorities.

Figure 4: Change in probability to offer cooperation to US authorities and to authorities from any other country. Linear probability models



Finally, I explain this new dependent variable in the same linear probability models adopted in Table 2. Results for the main variable of interest are reported in the top panel of Figure 4 (full disclosure in Appendix). My models confirm expectations from the mechanism. Suspected foreign companies with a US investment increase their likelihood to offer cooperation to US agencies by about 0.18 – 0.22. This result is not statistically significant at a 0.05 conventional level only in models 4 and 5, where estimates fall just short of this threshold (p-values 0.060 and 0.056 respectively).

Skeptical readers might be concerned that companies that have invested on US soil have unobservable characteristics that make them more likely to offer cooperation to judicial authorities in general. Perhaps only companies of a more compliant nature decide to embark in a foreign investment on US soil, knowing they would be exposed to the reach of this “global sheriff”. If so, cooperation would have nothing to do with the goal to improve their reputations in the eyes of the US public, following a scandal. Rather, it would be a byproduct of their unobservable idiosyncratic nature.

This skepticism does not find support in my data. If the argument were correct, companies with a US

⁴⁰Non-cooperative channels information is provided to US agencies include their own investigations, foreign courts’ assistance, whistleblowers, and media or investigative reports.

investment should be more likely to offer cooperation also to regulatory agencies from other countries, when they are involved in corrupt scandals. In fact, I find no evidence of this implication. The lower panel of Figure 4 shows results of a placebo test where I re-estimated my LPM models explaining whether the company has ever offered cooperation (defined as above) to the authorities *of any other country* (excluding the US) after having been involved in corruption scandals. Companies with a US investment are no more likely than their counterparts to offer cooperation to non-US authorities. Point estimates are much smaller than in the top panel, ranging from a minimum of 0.06 to a maximum of 0.10. Moreover, estimates are never statistically significant, with p-values that range from 0.26 to 0.57. Full disclosure of results is in Appendix.

Conclusion

Globalization creates complex governance tasks for states. Global problems spill over across borders and challenge states' territorially-bound regulation. States solve these problems by establishing international regimes (Keohane, 1984). Global crime, however, challenges state authority because criminals can fragment activities across borders and evade laws. A few countries overcome this challenge by enforcing regimes *extraterritorially*: they rule on foreign subjects as if they were domestic. In the context of regulating multinational companies, states use extraterritoriality to oversee global supply chains and prohibit nefarious transactions. States that apply these policies vigorously effectively behave as "global sheriffs" of international regimes. For instance, the US prosecutes foreign companies in violation of domestic corporate criminal laws and levies fines in the order of billions of dollars. Nonetheless, US authorities only prosecute a fraction of potential cases they have jurisdiction on. Determinants of such selection of foreign companies are still understudied in the international political economy scholarship.

In this paper I filled this gap by studying investigation of foreign companies suspected of illicit transactions. I focused on US investigation. I argued that US federal agencies are more likely to investigate a foreign company if that firm is exposed to the US economy through a foreign investment in the country. A similar type of exposure increases the reputational damage that the company suffers for allegations of crime committed abroad. Authorities have bureaucratic and professional incentives to leverage such reputational liabilities and more easily win a case. Potential losses induced by staying under the spotlight of the local public opinion induce the company to settle charges out-of-court. The company thus cooperates with prosecutors and shares information they need to investigate a case. An investment in the US thus makes these companies an easier target for federal agencies in comparison to similar foreign companies with no physical presence in the country.

I tested my argument focusing on the case of the anti-bribery regime. I collected a novel dataset on accusations of bribery against multinational companies by web-scraping text documents from an

archive of bribery events. I linked this data with information on the subsidiary structure of non-US companies alleged to have paid bribes in international business transactions. Linear models showed that the probability that US agencies will investigate a non-US company suspect of bribery increases by at least 0.28 when the firm has a subsidiary in the US.

These findings are puzzling and open up to further questions for the literature on international regimes. The US sponsored the creation of the international anti-bribery regime in the 1990s. It took American administrations 20 years to win resistances among western partners and secure an OECD agreement on the matter. Before this, the White House had failed to secure anti-corruption treaties at the United Nations and International Chamber of Commerce (Abbott and Snidal, 2002). The US had to leverage its hegemonic position and the emergence of corruption scandals among western partners in the 1990s in order to pressure them into adopting anti-corruption laws similar to the FCPA (Brewster, 2017). Legal scholars have observed that the establishment of this regime gave American prosecutors the possibility to apply their anti-corruption law against foreign companies (Brewster, 2014) and extend their legal arms beyond borders (Kaczmarek and Newman, 2011). Yet, I observe that territoriality still constrains to a great extent the *de facto* capacity of US prosecutors to investigate foreign companies. In a way, then, practical enforcement of this international regime has failed.

Why has US extraterritorial enforcement of this international regime been established on paper, but failed in practice? Previous studies point to political motives that shape American regulatory action (Tomashevskiy, 2021). I point to a different answer: a distance exists between an administration's political goals and the incentives of agents who are in charge of enforcing a regime.

More general considerations can be drawn for the extraterritorial regulatory strategy. I show that this strategy needs some kind of territorial leverage in order to be exercised. Even a powerful regulator like the US is less likely to investigate a foreign company in the absence of such territorial bargaining chip. Results offer a nuanced position between views claiming states' territorially-bound action is incapable of addressing transnational problems and accounts claiming to observe a renewed engagement of regulators in global governance.

Findings travel beyond the regulation of multinational companies, to include prevention of cyber crime, drug trafficking, and transnational terrorism. Moreover, they potentially travel to non-US regulatory powers that also attempt to stretch the arm of their laws beyond their borders, like the United Kingdom or Switzerland. Results have especially relevant implications for weaker regulators – *e.g.* Nigeria (see Crasnic et al., 2017) – that perhaps cannot leverage a likewise centrality over transnational private networks. Finally, my study also provides a new perspective on the so-called “weaponized interdependence” argument (Farrell and Newman, 2019), which claims that states can leverage their economic power to exercise their regulatory prerogatives. I show that this dynamic is not necessarily a byproduct of national interest, as this literature tends to assume. Rather, it can be the result of purely domestic

incentives to bureaucrats in charge of exercising a state's coercive power.

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Appendix

Global Firms and Global Sheriffs? Why Territory Matters for Extraterritorial Enforcement of International Regimes

A Descriptive statistics

Table A.1 reports descriptive statistics of variables included in the analysis. *Investigation* is a binary indicator for whether a company is ever investigated by the US (DOJ or the SEC) in the TRACE Compendium or not. *Investigation (share)* measures the proportion of cases involving a company the US investigated from the TRACE Compendium. *Number of Prosecutors (mean)* measures the average number of countries investigating cases involving each company. All other variables come from the Orbis Corporate Ownership Database. *US Subsidiary* is a binary indicator for whether a company has a majority-owned subsidiary in the US. *US Subsidiary Employees (log+1)* reports the natural logarithm of the count of employees in the US + 1 for each company. *Global Subsidiaries* counts the number of majority-owned subsidiaries in the world for each company (expressed in thousands). *Global Branches* counts the number of branches in the world for each company (expressed in thousands). *Global Employees (log+1)* reports the natural logarithm of the count of employees in the world + 1 for each company. *Parent Revenues (mean)* reports the average revenues for each parent company as available from Orbis in hundreds of billions of dollars. *Parent Assets (mean)* reports the average value of assets to each parent company as available from Orbis in hundreds of billions of dollars. *Parent Employees (mean)* reports the average number of employees to each parent company in hundreds of billions.

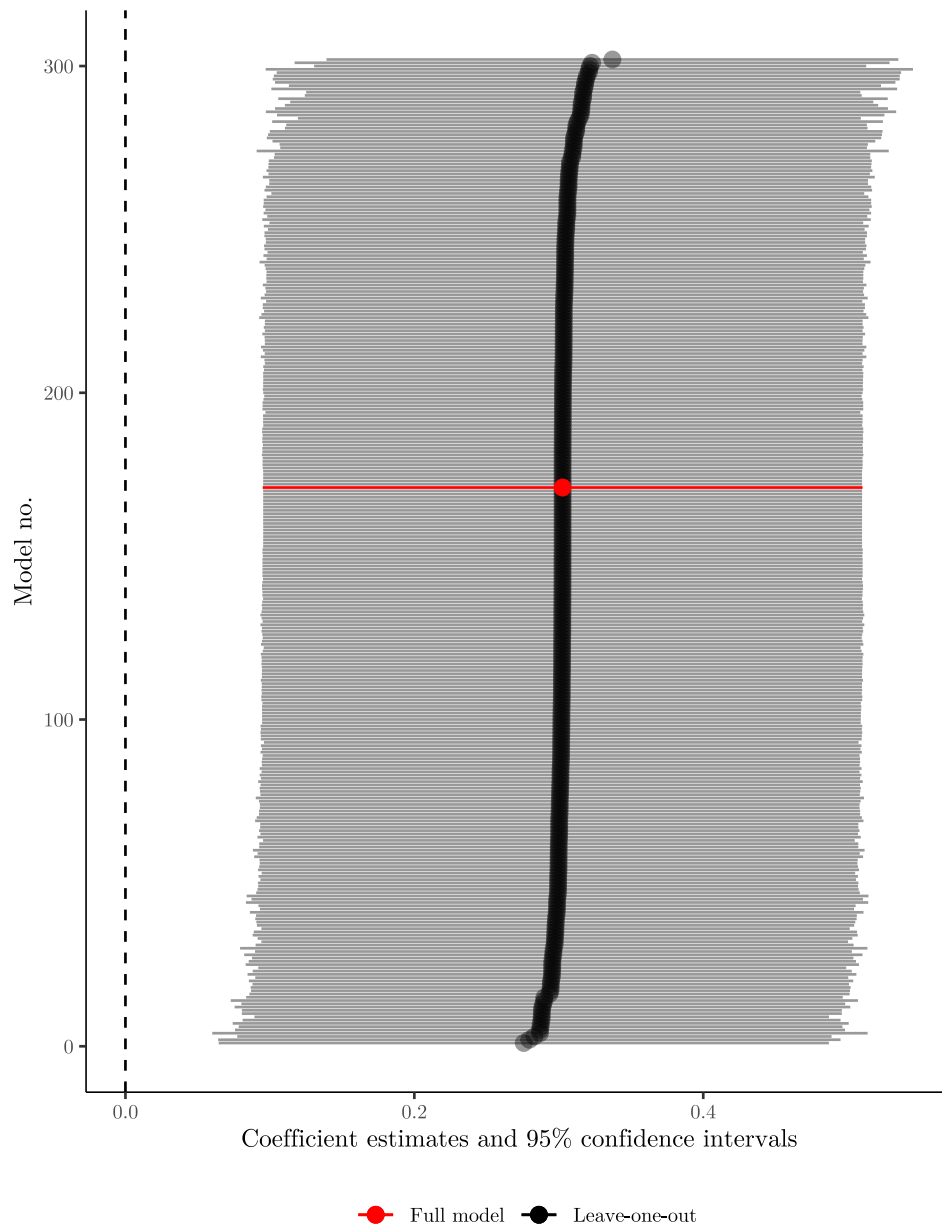
Table A.1: Bribe-payer non-US companies. Summary Statistics

	N	Mean	SD	Min	Median	Max
Investigation	402	0.38	0.49	0.00	0.00	1.00
Investigation (share)	402	0.35	0.46	0.00	0.00	1.00
US Subsidiary	402	0.12	0.33	0.00	0.00	1.00
US Subsidiary Employees (log+1)	402	1.06	2.90	0.00	0.00	11.36
Global Subsidiaries	402	0.01	0.03	0.00	0.00	0.21
Global Branches	402	0.02	0.16	0.00	0.00	2.16
Global Employees (log+1)	402	1.17	1.59	0.00	0.20	6.23
Number of Prosecutors (mean)	402	1.47	0.87	1.00	1.00	10.42
Parent Revenues (mean)	367	0.15	0.40	0.00	0.02	3.98
Parent Assets (mean)	349	0.71	2.80	0.00	0.04	26.12
Parent Employees (mean)	344	0.00	0.00	0.00	0.00	0.01

B Outlier exclusion

First, I re-estimate model 5 in Table 2 adopting a jackknife re-sampling approach. I drop one company from the sample and re-estimate the exact same model. I iterate the procedure 301 times so as to exclude all companies from the sample once. Figure B.1 shows estimated coefficients and 95% confidence levels. It also reports the main result from the full model (model 5) in Table 2 for comparison.

Figure B.1: Leave-one-out estimates of main effect from model 5, Table 2



C Chinese companies

I re-estimate models from Table 2 excluding all Chinese companies from the sample. The goal of this exercise is to assess potential concerns that Chinese companies are driving the main results for reasons unrelated to my causal story. Chinese companies might be less likely to invest in the US for reasons that include bureaucratic constraints, unfamiliarity with the American business environment, and geopolitical concerns. At the same time, they might be less likely to be investigated by US agencies as a byproduct of the lack of formal cooperation between US and Chinese prosecutors (China is not part of the OECD Anti-Bribery Convention, hence no formal channel for cooperation is established between anti-bribery authorities of these countries). Table C.1 reports results obtained when excluding Chinese companies from the data. Estimates are consistent with previous results.

Table C.1: Linear probability models of Investigation. Binary main explanatory variable. Excluding Chinese firms

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.395*** (0.077)	0.319*** (0.090)	0.313** (0.101)	0.264* (0.107)	0.295** (0.105)
Global Subsidiaries		-1.517+ (0.819)	-1.621 (1.196)	-0.584 (1.641)	-0.371 (1.502)
Global Branches		0.346** (0.117)	0.225 (0.152)	0.182* (0.075)	0.140 (0.087)
Global Employees (log+1)		0.041+ (0.022)	0.032 (0.029)	0.026 (0.031)	0.054+ (0.032)
Number of Prosecutors (mean)			0.172** (0.057)	0.138+ (0.076)	0.133+ (0.070)
Parent Revenues (mean)			0.201 (0.141)	0.187 (0.182)	0.101 (0.231)
Parent Assets (mean)			0.011 (0.007)	0.017** (0.006)	0.014+ (0.008)
Parent Employees (mean)			-55.021** (19.857)	-53.863 (35.657)	-72.243 (83.968)
(Intercept)	0.339*** (0.043)	0.313*** (0.050)	0.069 (0.106)	-0.183+ (0.100)	-0.442* (0.188)
Num.Obs.	382	382	289	289	287
Country FE				Yes	Yes
Industry FE					Yes
R2	0.073	0.094	0.199	0.428	0.486
R2 Adj.	0.071	0.084	0.176	0.284	0.300
F	30.130	9.775	8.672	2.973	2.612

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

D FCPA jurisdictional reach

A potential reason of concern with the main results comes from the fact that it might not be equally feasible for US agencies to claim jurisdiction on all companies in my sample. It might not make sense to compare the difference in likelihood of being investigated for foreign companies with and without a US investment, if not all these companies can easily fall under US prosecutors' jurisdiction. My strategy for addressing this problem relies on the fact that foreign companies that are listed on a US-based stock exchange are mandated to file periodic reports to the SEC, therefore they univocally fall under the FCPA jurisdiction. To be sure, even companies that are not listed on an American stock exchange must abide by FCPA terms, given its extraterritorial reach. Yet, US-traded companies represent a minimum set of companies that are univocally subject to FCPA terms. I therefore retrieve information on whether each foreign company in the data trades stocks on a US exchange. I code this variable as binary. Information comes from Orbis. This data source, yet, does not report companies that trade their stocks on US exchange markets as American Depositary Receipts as US-traded. I manually complete this information coding these companies as US-traded.

I address the potential endogeneity concern in two ways. First, I simply control for whether the company is US-listed and re-estimate all models in Table 2 including this additional variable. Results are reported in Table D.1. Results are consistent with previous estimates: they are positive and sizeable. They inform that the probability of being investigated is estimated to increase by a factor between 0.19 and 0.26 for companies with a US investment, even when controlling for whether the company trades stocks on an American exchange. Estimates are all distinguishable from zero at a 0.05 conventional level of significance.

Table D.1: Linear probability models of Investigation. Binary main explanatory variable. Control for US-listing

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.194*	0.246**	0.256**	0.221*	0.248*
	(0.082)	(0.081)	(0.095)	(0.103)	(0.099)
US-Traded	0.329***	0.360***	0.326***	0.301***	0.290**
	(0.056)	(0.060)	(0.078)	(0.081)	(0.090)
Global Subsidiaries		-1.241+	-1.084	-0.518	-0.515
		(0.711)	(0.872)	(1.356)	(1.179)
Global Branches		0.279***	0.142	0.149+	0.127
		(0.077)	(0.110)	(0.080)	(0.093)
Global Employees (log+1)		-0.018	-0.026	-0.022	0.001
		(0.020)	(0.029)	(0.031)	(0.038)
Number of Prosecutors (mean)			0.176**	0.143*	0.139*
			(0.054)	(0.067)	(0.065)
Parent Revenues (mean)			0.150+	0.187+	0.178
			(0.077)	(0.109)	(0.177)
Parent Assets (mean)			0.013+	0.016**	0.010
			(0.007)	(0.006)	(0.008)
Parent Employees (mean)			-44.646*	-70.030*	-89.710
			(21.438)	(32.514)	(76.313)
(Intercept)	0.238***	0.250***	0.010	-0.063	-0.221
	(0.046)	(0.049)	(0.091)	(0.101)	(0.213)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.160	0.176	0.271	0.476	0.518
R2 Adj.	0.156	0.165	0.248	0.346	0.349
F	37.979	16.893	12.077	3.657	3.063

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

This approach, yet, might not be sufficient to address the potential concern above. Skeptical readers might believe that companies that do not fall univocally under FCPA terms should be excluded from the

sample altogether. I therefore *condition* my analysis on whether each company is US-traded and restrict my sample to the 145 companies that satisfy this condition. I re-estimate all models from Table 2 in this smaller subset of companies. Results are reported in table D.2. Overall, the picture is consistent with the one presented in the main text. The estimated effect is always positive and sizeable, informing that the probability of investigation increases by a factor between 0.19 and 0.25 when the company has an investment on US soil, even in this smaller subsample of US-traded companies. Estimates, yet, are statistically distinguishable from zero at a 0.05 conventional level of significance only in models 1, 2, and 3. Overall, I deem these results consistent with previous findings and I attribute the lack of statistical significance in models 4 and 5 to the underpowered sample that sustains this analysis.

Table D.2: Linear probability models of Investigation. Binary main explanatory variable. Only US-traded companies

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.186* (0.085)	0.211* (0.090)	0.248* (0.096)	0.216+ (0.118)	0.188 (0.123)
Global Subsidiaries		-1.746+ (1.002)	-0.825 (1.818)	-0.174 (2.085)	-0.121 (2.476)
Global Branches		0.251*** (0.062)	0.120 (0.122)	0.037 (0.096)	0.073 (0.141)
Global Employees (log+1)		0.004 (0.033)	-0.010 (0.044)	-0.006 (0.046)	0.034 (0.056)
Number of Prosecutors (mean)			0.261*** (0.052)	0.303*** (0.060)	0.237** (0.085)
Parent Revenues (mean)			0.147 (0.136)	0.112 (0.198)	0.116 (0.233)
Parent Assets (mean)			0.014+ (0.008)	0.021** (0.008)	0.012 (0.022)
Parent Employees (mean)			-80.528* (32.561)	-89.476* (41.465)	-160.936+ (91.263)
(Intercept)	0.570*** (0.054)	0.586*** (0.083)	0.193 (0.139)	-0.349** (0.120)	-0.182 (0.172)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	145	145	125	125	124
R2	0.032	0.063	0.203	0.448	0.528
R2 Adj.	0.025	0.036	0.148	0.213	0.194
F	4.656	2.345	3.700	1.909	1.582

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

E ATT estimation

One further potential reason of concern with the analysis comes from the different size of the treatment and control groups in my data. The dataset includes only 49 companies with at least one US subsidiary, whereas there are 353 firms with no US subsidiary (Table 1). OLS provide a variance-weighted estimate of the average treatment effect by using observable covariates to impute an untreated counterfactual for each treated unit *and* a treated counterfactual for each untreated unit (Aronow and Samii, 2016). In my case this latter endeavor might ask a lot to the data, as OLS try to use information on 49 treated companies to impute counterfactuals for 353 untreated units.

To tackle this concern, in my first robustness test I estimate a much narrower causal quantity: an average treatment effect on treated (ATT) units. This simply means using observable information on 353 untreated companies to impute counterfactuals for 49 treated firms. I estimate the ATT in two ways. First, I re-estimate models from Table 2 applying a regression imputation estimator as proposed by Lin (2013). The estimator is obtained by simply interacting the binary treatment variable with re-centred versions of the (numeric) covariates. The model removes the variance-weighting scheme OLS performs. Then, computing the marginal effect from this model with respect to treated units is a straightforward way to retrieve an estimate of the ATT.

Results obtained when applying this procedure are reported in Table E.1. Estimates of the ATT are consistent with the argument advanced. Models estimate that the probability of being investigated by the US increases of about 0.23 – 0.40 for the 49 treated companies with respect to imputed units obtained from comparable untreated firms under observable features. Estimates are all distinguishable from zero at a 0.05 conventional level of significance.

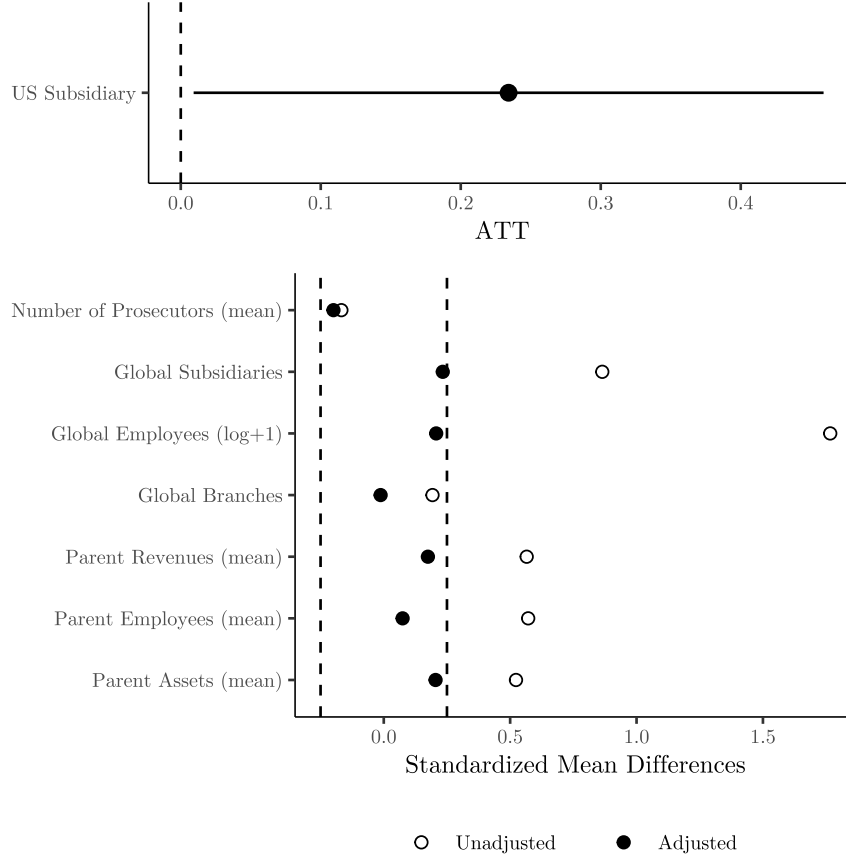
Table E.1: Linear probability models of Investigation. Regression imputation estimator

	(1)	(2)	(3)	(4)	(5)
ATT	0.403*** (0.076)	0.336*** (0.094)	0.323*** (0.094)	0.231* (0.106)	0.254* (0.11)
Firm spread		Yes	Yes	Yes	Yes
Furn controls			Yes	Yes	Yes
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.074	0.098	0.217	0.453	0.507
R2 Adj.	0.072	0.082	0.176	0.300	0.315
F	31.886	6.094	5.294	2.962	2.641

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Second, I re-estimate the same quantity adopting a matching procedure. I matched the 49 treated companies to 49 untreated companies. Matches were found using Mahalanobis distance according to the same covariates included in the full specification of model 2. I also performed bias adjustment for these very covariates as they are all numeric. I matched each treated observation to one untreated observation only, since increasing the number of matches even by one unit resulted in an unbalanced match. Figure E.1 reports the estimate of the ATT and the achieved balance in covariates. The estimate is consistent with the one presented earlier. The probability of being investigated by US authorities increases by about .23 for the 49 companies with investment in the US. Estimate is distinguishable from zero at a 0.05 conventional level of significance.

Figure E.1: Mahalanobis matching. ATT estimate and balance in covariates



F Model dependence

Next, I tackle the concern that OLS do not correctly model the distribution of my binary dependent variable. A LPM provides coefficients that represent differences in conditional means of the dependent variable, which are quantities of substantive interest. Yet, a binary dependent variable is more appropriately modelled using a logit model, where predicted values are constrained to range only between the values of 0 and 1. Table F.1 re-proposes models estimated above using this alternative functional form. Estimates are robust. Predicted probabilities inform us of very similar quantities as the ones documented earlier. In model 1, non-US companies with a *US Subsidiary* have a 0.73 probability of being investigated when they are involved in events of bribery. This is a substantive increase with respect to their counterparts with no presence in the US (predicted probability for this group: 0.33). Effect is very similar in the full specification of model 5 (increase in predicted probability from 0.40 to 0.84 when holding all numeric covariates to their means and fixed effects to the mode).

The inclusion of home country and industry fixed-effects removes heterogeneity at this level, but only allows to study variation within each category of these variables. Random effects provide a more flexible way of modelling multilevel heterogeneity (Bell and Jones, 2015). I re-estimate models 4 and 5 from Table 2 using random intercepts at the home country and industry-level in a multilevel linear and multilevel logit model. Results are robust to these model choices (Table F.2).

Table F.1: Logit models of Investigation. Binary main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	1.720*** (0.379)	1.674*** (0.468)	1.732** (0.574)	1.854** (0.626)	2.066*** (0.626)
Global Subsidiaries		-7.229 (5.563)	-3.525 (5.314)	-3.149 (7.892)	-6.172 (6.721)
Global Branches		12.441** (4.657)	10.681** (4.136)	16.648* (7.514)	18.168* (7.354)
Global Employees (log+1)		0.084 (0.115)	0.038 (0.155)	0.037 (0.209)	0.261 (0.236)
Number of Prosecutors (mean)			1.276*** (0.305)	1.599*** (0.319)	1.697*** (0.359)
Parent Revenues (mean)			0.511 (0.660)	0.666 (1.100)	0.315 (1.183)
Parent Assets (mean)			0.165+ (0.092)	0.302+ (0.163)	0.253 (0.227)
Parent Employees (mean)			-383.174 (238.787)	-486.033 (302.628)	-607.304+ (330.583)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
AIC	509.1	497.7	345.5	346.7	356.1
BIC	517.1	517.7	378.9	569.5	645.3
Log.Lik.	-252.573	-243.863	-163.761	-113.341	-100.058

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

G Alternative operationalizations

Next, I propose alternative operationalizations of my key variables. First, I measure US investigation as the share of cases investigated by the US for each company in the dataset (*Investigation Share*). I replicate the same model choices as in Table 2 in a linear model estimated using OLS. Results inform us that US authorities on average investigated between 0.21 and 0.30 more of the total cases involving companies with a subsidiary in the country (Table G.1).

Finally, I use an alternative explanatory variable measuring the presence of a company in the US economy. I measure the number of employees of each company through US subsidiaries and take the logarithm of the measure +1. I replicate my model specifications of *Investigation* using this alternative explanatory variable and present results obtained from a LPM (Table G.2). Estimates inform us that a one unit increase in the logarithm of the number of US employees (hence, about a +1% in the number of US employees) increases the probability of investigation by the US by about 3% to 5%. Estimates are distinguishable from zero at a 0.05 conventional level of significance. These latter estimates are robust when using a logit model (Table G.3), random-effect models (Table G.4), and the continuous version of the dependent variable (Table G.5).

Table F.2: Multilevel models of Investigation. Binary main explanatory variable

	Multilevel linear		Multilevel logit	
	(1)	(2)	(3)	(4)
US Subsidiary	0.302*** (0.081)	0.315*** (0.082)	1.784*** (0.524)	1.866*** (0.521)
Global Subsidiaries	-0.259 (1.198)	-0.263 (1.183)	-2.819 (8.525)	-2.612 (8.500)
Global Branches	0.220 (0.154)	0.205 (0.154)	13.988* (6.933)	14.447* (6.962)
Global Employees (log+1)	0.020 (0.026)	0.030 (0.026)	0.059 (0.168)	0.106 (0.164)
Number of Prosecutors (mean)	0.153*** (0.030)	0.155*** (0.030)	1.457*** (0.283)	1.468*** (0.277)
Parent Revenues (mean)	0.186* (0.086)	0.161+ (0.087)	0.722 (0.893)	0.614 (0.792)
Parent Assets (mean)	0.014 (0.010)	0.013 (0.011)	0.213 (0.139)	0.206 (0.143)
Parent Employees (mean)	-69.876+ (39.098)	-71.815+ (39.133)	-449.543 (511.414)	-499.539 (397.978)
(Intercept)	0.346*** (0.042)	0.340*** (0.048)	-0.647* (0.304)	-0.689* (0.310)
Country RE	Yes	Yes	Yes	Yes
Industry RE		Yes		Yes
Num.Obs.	303	301	303	301
AIC	385.8	382.1	329.7	327.8
BIC	426.6	426.6	366.8	368.6

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

H Event-disaggregated analysis

As a final robustness check, I assess if results hold when including additional control variables that do not fit the company-level structure of the data used in the main analysis. Whether the home country investigated a criminal offence might be a potential confounder, because US agencies might be less likely to investigate a company when the home country is already taking care of the matter. Moreover, there might be unobservable heterogeneity in the likelihood of investigation that pertains to the level of the country where bribes were paid (host country), rather than to the home-country level. Perhaps US prosecutors' likelihood of investigating a company depends on unobservable idiosyncrasies at this level.

These potential issues require to move the analysis to a dataset where the statistical unit is not the company i , but the case c . I therefore disaggregate my company-level data on 402 firms into a new dataset of 1,218 observations where each row represents a company i involved in a corruption case c in a host country j . I then re-estimate my models from Table 2 in a multilevel framework, to account for the complex hierarchy in this new dataset. I include cross-classified random intercepts at the home, industry, host, and firm level to model the complexity of this disaggregated data source. Table H.1 presents the results. I first introduce only the main treatment variable with random intercepts at the home country-level. Next I introduce all controls from the main analysis

Finally, I test robustness of these last estimates in a fixed-effect framework. I substitute random intercepts with fixed effects. Table H.2 presents the results introducing control variables and fixed effects with the same logic as before. However, as each unit-fixed effect removes completely between-unit variation, I cannot include all fixed effects simultaneously. I therefore first introduce home country and industry-fixed effect, as in the main text analysis. Next, I substitute home country with host-country fixed-effect. Results are robust to this choice.

Table G.1: Linear models of Investigation Share. Binary main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.304*** (0.067)	0.279*** (0.082)	0.276** (0.091)	0.210* (0.088)	0.228** (0.073)
Global Subsidiaries		-1.300 (0.896)	-0.803 (0.896)	0.050 (0.964)	0.087 (0.812)
Global Branches		0.386*** (0.106)	0.219 (0.167)	0.226* (0.103)	0.205* (0.090)
Global Employees (log+1)		0.018 (0.024)	0.003 (0.028)	0.001 (0.026)	0.021 (0.028)
Number of Prosecutors (mean)			0.152* (0.067)	0.111 (0.083)	0.109 (0.072)
Parent Revenues (mean)			0.065 (0.061)	0.098 (0.068)	0.044 (0.123)
Parent Assets (mean)			0.016* (0.008)	0.021*** (0.006)	0.019* (0.007)
Parent Employees (mean)			-34.920* (15.753)	-42.674+ (25.806)	-54.080 (67.112)
(Intercept)	0.312*** (0.040)	0.301*** (0.044)	0.099 (0.112)	-0.108 (0.093)	-0.489** (0.156)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.048	0.068	0.158	0.431	0.495
R2 Adj.	0.045	0.059	0.135	0.293	0.320
F	19.949	7.229	6.897	3.117	2.834

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

I Cooperation with US authorities

Tables I.1 and I.2 report full disclosure of estimates presented in Figure 4.

Table G.2: Linear probability models of Investigation. Continuous main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary Employees (log+1)	0.045*** (0.008)	0.038*** (0.010)	0.039*** (0.012)	0.031* (0.012)	0.033** (0.012)
Global Subsidiaries		-1.025 (0.852)	-0.803 (0.979)	-0.067 (1.164)	-0.111 (1.061)
Global Branches		0.350** (0.128)	0.213 (0.160)	0.183* (0.085)	0.145 (0.093)
Global Employees (log+1)		0.027 (0.024)	0.016 (0.030)	0.015 (0.031)	0.038 (0.034)
Number of Prosecutors (mean)			0.178** (0.058)	0.138+ (0.076)	0.134+ (0.069)
Parent Revenues (mean)			0.170* (0.071)	0.211* (0.091)	0.157 (0.141)
Parent Assets (mean)			0.011 (0.008)	0.017** (0.006)	0.014 (0.009)
Parent Employees (mean)			-62.509*** (17.944)	-75.048* (35.343)	-86.584 (72.126)
(Intercept)	0.333*** (0.041)	0.313*** (0.048)	0.064 (0.105)	-0.159 (0.099)	-0.399* (0.167)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.071	0.088	0.201	0.430	0.482
R2 Adj.	0.069	0.079	0.179	0.292	0.303
F	30.671	9.551	9.240	3.108	2.694

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Table G.3: Logit models of Investigation. Continuous main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary Employees (log+1)	0.193*** (0.043)	0.187*** (0.054)	0.197** (0.068)	0.210** (0.076)	0.226** (0.078)
Global Subsidiaries		-6.995 (5.611)	-3.829 (5.463)	-3.504 (7.839)	-7.318 (7.008)
Global Branches		12.281** (4.654)	10.453* (4.153)	15.899* (7.398)	17.133* (7.045)
Global Employees (log+1)		0.081 (0.119)	0.021 (0.160)	0.021 (0.211)	0.245 (0.241)
Number of Prosecutors (mean)			1.284*** (0.308)	1.600*** (0.322)	1.701*** (0.361)
Parent Revenues (mean)			0.682 (0.644)	0.859 (1.042)	0.566 (1.087)
Parent Assets (mean)			0.158+ (0.093)	0.281+ (0.170)	0.230 (0.220)
Parent Employees (mean)			-392.386 (245.955)	-485.662 (313.431)	-572.278 (364.229)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
AIC	510.1	499.0	346.2	347.9	357.8
BIC	518.0	518.9	379.6	570.7	646.9
Log.Lik.	-253.027	-244.477	-164.098	-113.932	-100.879

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Table G.4: Multilevel models of Investigation. Continuous main explanatory variable

	Multilevel linear		Multilevel logit	
	(1)	(2)	(3)	(4)
US Subsidiary Employees (log+1)	0.034*** (0.010)	0.035*** (0.010)	0.201** (0.061)	0.209*** (0.061)
Global Subsidiaries	-0.297 (1.201)	-0.307 (1.187)	-3.065 (8.337)	-2.927 (8.433)
Global Branches	0.218 (0.155)	0.204 (0.154)	13.392+ (6.871)	13.759* (6.945)
Global Employees (log+1)	0.018 (0.026)	0.028 (0.026)	0.042 (0.167)	0.087 (0.167)
Number of Prosecutors (mean)	0.154*** (0.030)	0.156*** (0.030)	1.457*** (0.282)	1.468*** (0.276)
Parent Revenues (mean)	0.203* (0.086)	0.179* (0.087)	0.873 (0.726)	0.824 (0.781)
Parent Assets (mean)	0.013 (0.010)	0.012 (0.011)	0.203 (0.137)	0.197 (0.141)
Parent Employees (mean)	-70.817+ (39.198)	-72.968+ (39.239)	-448.700 (315.907)	-512.540 (394.951)
(Intercept)	0.347*** (0.042)	0.341*** (0.048)	-0.641* (0.300)	-0.683* (0.306)
Country RE	Yes	Yes	Yes	Yes
Industry RE		Yes		Yes
Num.Obs.	303	301	303	301
AIC	391.4	387.9	330.7	328.9
BIC	432.2	432.3	367.8	369.7

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Table G.5: Linear models of Investigation Share. Continuous main explanatory variable

	(1)	(2)	(3)	(4)	(5)
US Subsidiary Employees (log+1)	0.034*** (0.007)	0.031** (0.009)	0.031** (0.011)	0.022* (0.010)	0.024** (0.009)
Global Subsidiaries		-1.271 (0.878)	-0.827 (0.915)	0.016 (0.975)	0.040 (0.840)
Global Branches		0.379*** (0.109)	0.218 (0.167)	0.223* (0.104)	0.202* (0.093)
Global Employees (log+1)		0.017 (0.024)	0.001 (0.029)	0.001 (0.027)	0.021 (0.028)
Number of Prosecutors (mean)			0.152* (0.067)	0.112 (0.083)	0.109 (0.072)
Parent Revenues (mean)			0.081 (0.064)	0.110 (0.068)	0.056 (0.120)
Parent Assets (mean)			0.016+ (0.008)	0.020*** (0.006)	0.019* (0.008)
Parent Employees (mean)			-35.737* (16.148)	-43.738 (26.951)	-55.448 (69.145)
(Intercept)	0.313*** (0.040)	0.303*** (0.044)	0.101 (0.112)	-0.108 (0.092)	-0.483** (0.157)
Country FE				Yes	Yes
Industry FE					Yes
Num.Obs.	402	402	303	303	301
R2	0.046	0.066	0.156	0.428	0.491
R2 Adj.	0.044	0.056	0.133	0.289	0.315
F	19.322	6.973	6.804	3.076	2.789

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Table H.1: Investigations event datasets. Random effects models

	(1)	(2)	(3)	(4)	(5)	(6)
US Subsidiary	0.143*** (0.033)	0.140** (0.043)	0.157*** (0.046)	0.138** (0.044)	0.139** (0.044)	0.191*** (0.058)
Global Subsidiaries		-1.799** (0.593)	-1.878** (0.590)	-1.645** (0.567)	-1.606** (0.566)	-1.061 (0.811)
Global Branches		0.243* (0.122)	0.242* (0.122)	0.237* (0.118)	0.232* (0.117)	0.178 (0.132)
Number of Prosecutors		-0.019* (0.009)	-0.014 (0.009)	-0.007 (0.009)	-0.006 (0.009)	0.011 (0.011)
Global Employees (log+1)		0.013 (0.014)	0.023 (0.014)	0.018 (0.014)	0.018 (0.014)	0.014 (0.019)
Parent Revenues (mean)		0.187*** (0.051)	0.160** (0.052)	0.146** (0.050)	0.141** (0.050)	0.090 (0.064)
Parent Assets (mean)		0.011+ (0.006)	0.009 (0.007)	0.008 (0.006)	0.007 (0.006)	0.012 (0.008)
Parent Employees (mean)		-44.312+ (26.878)	-44.272 (27.163)	-40.166 (26.002)	-43.152+ (25.828)	-49.797 (31.042)
Home Enforced				-0.295*** (0.032)	-0.300*** (0.032)	-0.254*** (0.032)
(Intercept)	0.271*** (0.029)	0.290*** (0.041)	0.273*** (0.050)	0.349*** (0.047)	0.341*** (0.047)	0.290*** (0.045)
Home Country RE	Yes	Yes	Yes	Yes	Yes	Yes
Industry RE			Yes	Yes	Yes	Yes
Host Country RE					Yes	Yes
Firm RE						Yes
Num.Obs.	1236	1072	1067	1067	1067	1067
AIC	1591.7	1377.3	1363.4	1290.3	1283.6	1239.9
BIC	1612.2	1432.0	1423.0	1354.9	1353.2	1314.5

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

Table H.2: Investigations event datasets. Fixed effects models

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.200*** (0.058)	0.134* (0.064)	0.113* (0.054)	0.166** (0.063)	0.190** (0.069)
Global Subsidiaries		-2.141* (0.952)	-2.145** (0.801)	-0.977 (0.613)	-1.110+ (0.592)
Global Branches		0.235 (0.185)	0.236 (0.171)	0.152 (0.154)	0.165 (0.154)
Number of Prosecutors		-0.017* (0.008)	-0.009 (0.008)	-0.020+ (0.010)	-0.009 (0.012)
Global Employees (log+1)		0.036 (0.025)	0.033 (0.023)	0.000 (0.021)	0.018 (0.019)
Parent Revenues (mean)		0.147 (0.117)	0.121 (0.096)	0.104 (0.089)	0.087 (0.096)
Parent Assets (mean)		0.007 (0.010)	0.006 (0.010)	0.007 (0.008)	-0.003 (0.010)
Parent Employees (mean)		-36.627 (40.043)	-17.288 (35.905)	-47.067 (30.904)	-46.589 (30.315)
Home Enforced			-0.290*** (0.049)	-0.364*** (0.057)	-0.352*** (0.051)
(Intercept)	0.295*** (0.032)	-0.425* (0.200)	-0.279+ (0.160)	0.154+ (0.079)	-0.167* (0.071)
Home Country FE		Yes	Yes		
Industry FE		Yes	Yes		Yes
Host Country FE				Yes	Yes
Num.Obs.	1236	1067	1067	1072	1067
R2	0.034	0.228	0.282	0.284	0.314
R2 Adj.	0.033	0.168	0.226	0.173	0.193
F	43.706	3.790	4.982	2.570	2.593

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table I.1: Probability to offer cooperation to US authorities. Linear probability models

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.189* (0.073)	0.192* (0.086)	0.217** (0.081)	0.180+ (0.095)	0.184+ (0.096)
Global Subsidiaries		-0.182 (0.798)	0.254 (0.879)	0.800 (1.118)	0.842 (1.254)
Global Branches		-0.017 (0.081)	-0.021 (0.134)	0.017 (0.134)	-0.033 (0.141)
Global Employees (log+1)		0.001 (0.017)	-0.009 (0.024)	-0.025 (0.030)	-0.012 (0.031)
Number of Prosecutors (mean)			0.102** (0.039)	0.119* (0.046)	0.102* (0.046)
Parent Revenues (mean)			-0.090* (0.037)	-0.071 (0.044)	-0.116 (0.078)
Parent Assets (mean)			-0.002 (0.010)	-0.003 (0.012)	0.000 (0.010)
Parent Employees (mean)			24.129 (21.425)	21.520 (30.920)	10.597 (46.897)
(Intercept)	0.077*** (0.023)	0.077*** (0.020)	-0.048 (0.044)	-0.074 (0.064)	-0.313** (0.099)
Num.Obs.	401	401	302	302	300
Country FE				Yes	Yes
Industry FE					Yes
R2	0.042	0.043	0.091	0.242	0.305
R2 Adj.	0.040	0.033	0.066	0.057	0.064
F	17.705	4.422	3.645	1.307	1.264

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table I.2: Probability to offer cooperation to any non-US authority. Linear probability models

	(1)	(2)	(3)	(4)	(5)
US Subsidiary	0.081 (0.082)	0.065 (0.099)	0.104 (0.092)	0.059 (0.105)	0.073 (0.096)
Global Subsidiaries		-0.290 (0.897)	-0.007 (0.888)	1.049 (1.250)	1.065 (1.363)
Global Branches		-0.080** (0.028)	-0.126+ (0.071)	-0.034 (0.117)	-0.107 (0.110)
Global Employees (log+1)		0.012 (0.021)	-0.009 (0.020)	-0.020 (0.025)	-0.020 (0.024)
Number of Prosecutors (mean)			0.133*** (0.037)	0.133** (0.046)	0.129** (0.048)
Parent Revenues (mean)			-0.148** (0.050)	-0.050 (0.061)	-0.075 (0.087)
Parent Assets (mean)			0.002 (0.010)	0.000 (0.013)	0.001 (0.011)
Parent Employees (mean)			73.267+ (38.819)	12.814 (30.092)	34.500 (32.566)
(Intercept)	0.102** (0.036)	0.096** (0.033)	-0.077 (0.048)	-0.105* (0.052)	-0.442** (0.157)
Num.Obs.	401	401	302	302	300
Country FE				Yes	Yes
Industry FE					Yes
R2	0.007	0.010	0.093	0.292	0.344
R2 Adj.	0.005	0.000	0.068	0.119	0.116
F	2.867	1.017	3.765	1.688	1.511

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$