

Who Concedes Their Tax Base? The Domestic Politics of Global Taxation*

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Abstract

Multinational corporations (MNCs) and migrant workers earn income abroad that both home and host states can tax. To avoid double taxation, countries have signed over 4,500 bilateral tax treaties (BTTs). BTTs limit the host state's taxing right on each overlapping tax base and allow the home state to tax the remainder. Many argue that BTTs increasingly restrict host taxing rights, undermining developing countries' ability to tax MNCs and facilitating tax evasion. When and why do states accept lower host taxing rights? I argue that democracies and left-wing governments selectively concede host taxing rights to attract foreign firms' business and investment. I construct the first global dataset of BTT contents, coding 20 provisions in over 4,000 treaties to quantify these rights across tax bases. I find that democracies across the ideological spectrum, as well as left-wing nondemocracies, grant lower host taxing rights—but only on incomes and payments generated exclusively by foreign firms, not on other bases such as foreign individuals' income or domestic firms' outgoing payments. The rise of global tax evasion reflects uneven government preferences, not merely uniform pressures from the treaty regime, and the left's conventional preference for domestic taxation does not extend to global taxation.

Keywords: Global Taxation; Multinational Corporations; Trade; Foreign Direct Investment; Partisan Ideology.

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1 Introduction

Economic globalization creates governance challenges, such as double taxation. Firms can make profits in foreign countries through trade and foreign direct investment (FDI), individuals may earn salaries abroad through employment, and firms and individuals alike often derive gains from capital that they hold overseas. These incomes form overlapping tax bases between a home state and a host state. In addition, FDI and portfolio investment flows have contributed to growing cross-border payments of dividends, interest, and royalties. Multinational corporations (MNCs) use these payments to repatriate profits from their foreign subsidiaries in host states and, in some cases, to evade taxes. These payments may be subject to double taxation by both the sending (host) and receiving (home) states, with taxes levied by the host state commonly known as withholding taxes. Double taxation makes trade, investment, and migration more costly and causes tax disputes between countries. In response, countries have signed over 4,500 bilateral tax treaties (BTTs),¹ which aim to avoid double taxation by requiring the home state to reduce its tax on an income or payment depending on the host state's tax on that income or payment.²

The BTT regime appears to be a successful example of international cooperation in two respects. First, the large number of ratified BTTs suggests that the BTT network has covered major dyads of trade, investment, and labor exchanges. Although I am unaware of any study that estimates the amount of double taxes avoided by BTTs, many scholars of BTTs argue that states form BTTs mainly to facilitate FDI and present statistical evidence that BTT formation can increase FDI inflows.³ Second, the design of BTTs features remarkable global coordina-

¹I focus on comprehensive BTTs that are usually called “income tax treaties” or “income and capital tax treaties.” Their formal titles are usually in the form of “Convention [or Agreement] Between [State A] and [State B] for the Avoidance of Double Taxation With Respect to Taxes on Income (and on Capital).” There are over 1,800 active non-comprehensive BTTs that cover one of the following specialized subjects that would also be covered in a comprehensive BTT: social security, transport, inheritance/gift, exchange of information, and administrative assistance (data from the Tax Research Platform of the International Bureau of Fiscal Documentation: <https://research.ibfd.org>). Following existing studies, I do not examine these non-comprehensive BTTs.

²Note: For two contracting states, each state can be both a home state and a host state, and treaty language is normally symmetrical.

³For example, see Neumayer (2007), Barthel and Neumayer (2012), and Hong (2018). Promoting labor migration does not seem to be a primary motivation for forming BTTs, although BTTs also govern the taxation of personal income earned through overseas employment. The first reason is that countries can far more effectively promote labor migration by signing bilateral labor agreements (BLAs) that directly facilitate or request labor exchanges (Peters, 2019). Second, as I will explain later, there is little, if any, variation across BTTs in their articles about labor employment income.

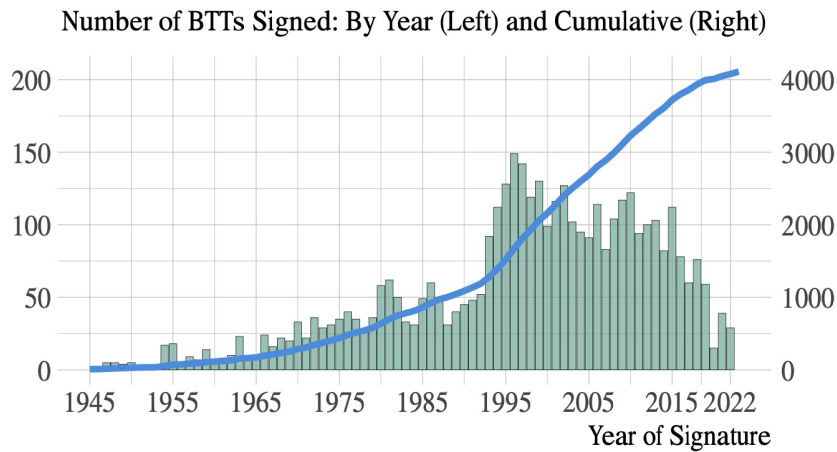


Figure 1: **The proliferation of BTTs since 1945.** The histogram shows the number of BTTs signed each year since 1945. The blue curve shows the cumulative count. The data source is introduced in Section 3.

tion and legalization. In 1980 and 1992, the United Nations (UN) and the Organization for Economic Co-operation and Development (OECD) published their respective BTT templates, also called the UN and OECD models, to guide and expedite BTT negotiations.⁴ These two models share a common structure in the composition and sequencing of treaty articles, reflecting patterns that had already emerged in some earlier treaties. Subsequent BTTs have closely followed these templates. In terms of legalization, the provisions of both the models and most BTTs are highly detailed and precise regarding tax policy and related administrative issues. As a result, BTTs around the world exhibit a highly standardized and legalized format.

Despite the shared format, there exist wide variations in the substantive provisions of BTTs about the host state’s taxing rights. The BTT regime has adopted a particular procedure for reducing double taxation: For each kind of foreign-source income or payment, a BTT first prescribes its host state’s right to tax it, which is known as the *host taxing right* or *source taxing right* (Eyitayo-Oyesode, 2020); then, the BTT prescribes how the home state should reduce its tax on the income or payment. All BTTs are designed to eliminate double taxation through this procedure, but many BTTs prescribe particularly low levels of host taxing rights.

Variations in host taxing rights across BTTs have raised distributive concerns that the BTT

⁴The UN and OECD both have updated their models multiple times and provide hundreds of pages of commentaries to explain the current design and historical evolutions of their models. The UN model BTT is formally titled “United Nations Model Double Taxation Convention between Developed and Developing Countries” and its most recent 2021 version is available here: <https://rb.gy/r3h7mw>. The OECD model is formally entitled “Model Tax Convention on Income and on Capital” and its most recent 2017 version is available here: <https://www.oecd.org/ctp/treaties/model-tax-convention-on-income-and-on-capital-condensed-version-20745419.htm>

regime favors developed countries at the expense of developing countries, facilitates MNCs' tax evasion, and contributes to a global race to the bottom in host taxing rights. Lower BTT-prescribed host taxing rights can cause fiscal loss by developing countries relative to developed countries: When a developing country negotiates a BTT with a developed country, it is probably the net importer of investment from that developed country and, therefore, the host state of more income and payments than that developed country. To the developing state, accepting a lower taxing right will be equivalent to a relative fiscal loss, unless the treaty increases the inflow of foreign investment to the extent that the larger size of the tax base can prevent a decline in the total revenue. In addition, two recent studies in International Political Economy (IPE), [Arel-Bundock \(2017\)](#) and [Qian \(2023\)](#), argue that BTTs with low host taxing rights have enabled MNCs to develop sophisticated treaty-shopping strategies to evade taxes. They demonstrate that such treaty-shopping strategies have pressured developing states in need of global capital to create BTTs with even lower host taxing rights—a process described as a “race to the bottom.” In recent years, scholars, legal experts, and policymakers have increasingly recognized MNCs' tax avoidance as a major global governance challenge ([Chancel et al., 2022](#)) and have called for strengthening BTT-prescribed host taxing rights and supplementing the BTT regime with multilateral tax agreements ([Neumayer, 2007](#); [Hearson, 2016](#); [OECD, 2017](#); [Hearson, 2018](#); [Eyitayo-Oyesode, 2020](#); [Millán-Narotzky et al., 2021](#)).

However, the puzzle of when and why states accept low host taxing rights in BTT negotiations has not been examined using comprehensive data on treaty provisions. Quantitative analyses of BTT-prescribed host taxing rights have either relied on small samples of treaties ([Hearson, 2016, 2018](#)) or focused narrowly on specific articles governing withholding taxes on outgoing payments such as dividends, interest, and royalties ([Arel-Bundock, 2017](#); [Qian, 2023](#)). Scholars have yet to systematically measure host taxing rights across all major tax bases in BTTs worldwide. As a result, existing distributive concerns still lack empirical corroboration, and little is known about the conditions under which governments are more likely to concede host taxing rights in exchange for economic benefits.

I develop the Global Taxing Rights Database, which is, to my knowledge, the first comprehensive dataset of BTT provisions. The database not only enables systematic comparison of

host taxing rights across treaties and countries but also allows the existing literature's focus on outgoing payments to be expanded to all tax bases governed by BTTs. The tax bases covered by BTTs fall into four broad categories, distinguished by the nature of the taxpayer and the underlying economic activity: *corporate income*, *personal income*, *divestment*, and *outgoing payments*. *Corporate income* refers to profits earned by foreign⁵ firms from sustained business activities in the host state. *Personal income* includes several types of income earned by foreign individuals, including compensation for high-level firm managers, labor wages, income from independent professional services, and related social security payments such as pensions. *Divestment* captures capital gains realized by foreign firms and individuals from the alienation of assets located in the host state. *Outgoing payments* refer to dividends, interest, and royalties remitted from resident firms or individuals to foreign recipients. These payments have been the focus of most existing studies in IPE (Arel-Bundock, 2017; Qian, 2023). The dataset quantifies variation in host countries' taxing rights over these four types of tax bases across BTTs by systematically coding 20 relevant provisions in each treaty. The current version of the dataset includes host taxing right indices for 3,954 original treaties and 313 amendment protocols signed through the end of 2023.

My data reveal two descriptive patterns that challenge prevailing assumptions about the evolution of host taxing rights globally. First, the conventional view holds that less developed economies routinely accept low host taxing rights in their treaties with more developed partners to attract MNCs. However, I show that BTTs negotiated between less developed and more developed countries do not grant lower, but rather higher, host taxing rights. Second, existing studies have focused on host taxing rights over outgoing payments (i.e., dividends, interest, and royalties), assuming that the withholding tax rates on outgoing payments serve as proxies for overall host taxing rights (Arel-Bundock, 2017; Qian, 2023). However, I find that taxing rights over outgoing payments are only weakly correlated with those over the other three tax bases: corporate income, personal income, and divestment. Although a race to the bottom in the withholding tax rates on outgoing payments appears to have occurred, I find that host taxing rights on the other three tax bases have increased steadily since 1970. As I explain later,

⁵Technically, they should be called “nonresident” (vs “resident”) for tax purposes. I use “foreign” vs “domestic” to make it easier for readers to understand.

provisions governing corporate income, personal income, and divestment are also central to firms' tax avoidance strategies.

Taken together, these descriptive patterns suggest that, to understand when and why states accept low host taxing rights, it is useful to extend existing studies of the race to the bottom in taxing outgoing payments by considering additional explanations and taking into account different tax bases. If governments use BTTs strategically to attract MNCs, a more nuanced analysis is needed to identify the conditions under which they do so and how they employ BTT provisions on different tax bases to achieve this goal.

Hence, I develop a theory of government preferences for host taxing rights, in which domestic political institutions and interests explain those preferences. I argue that democracies and left-wing governments prefer lower host taxing rights to attract foreign firms' business and investment. Existing studies have established the fundamental roles of regime type and government ideology in shaping government preferences for foreign economic policy. Compared to nondemocracies and rightist governments, democracies and left-wing governments usually have broader ruling coalitions with more diverse economic interests, and they are therefore more supportive of open trade and FDI policies to advance those interests (Mansfield et al., 2002; Milner and Kubota, 2005; Pandya, 2014; Pinto and Pinto, 2008; Pinto, 2013). This logic suggests that democracies and leftist governments may also be more willing to strategically design their BTT commitments to attract foreign firms. Yet, given the fiscal and political costs of conceding taxing rights, I expect that democracies and left-wing governments make selective concessions—choosing lower taxing rights only for tax bases that are highly relevant to foreign firms. In addition, given the cost of negotiating treaties, I expect these governments to selectively form BTTs with key economic partners, rather than seeking to form as many BTTs as possible.

My empirical analysis shows that democracies and left-wing nondemocracies tend to concede their host taxing rights over incomes and payments generated exclusively by foreign firms, but not over any other tax base. Specifically, among the four types of tax bases, democracies across the ideological spectrum and left-leaning nondemocracies are associated with lower host taxing rights on corporate income, but not on personal income, divestment, or outgoing pay-

ments. Furthermore, democracies—left and right alike—impose higher taxing rights on certain personal incomes and dividend payments, but exempt those uniquely tied to foreign firms: foreign firm managers’ compensation and dividends paid by MNC subsidiaries to their headquarters. I do not find any evidence that democracies or leftist nondemocracies grant concessions over any tax base that is not exclusively associated with foreign firms, such as domestically owned firms’ outgoing dividend payments. In addition, a survival analysis of treaty formation confirms that democracies and leftist nondemocracies do not exhibit a greater propensity to form as many BTTs as possible, but tend to prioritize forming BTTs with their FDI partners.

In sum, these results suggest that democracies, as well as left-leaning nondemocracies, selectively concede host taxing rights to attract foreign firms’ business and investment. At the same time, by maintaining higher taxing rights on many other tax bases, they appear cautious about making overly generous treaty commitments that could further erode their fiscal base. These findings hold after accounting for a wide range of potential confounding factors at the level of each contracting state and the dyad, including the network-based measure of treaty-shopping risk following the procedure of [Arel-Bundock \(2017\)](#) and [Qian \(2023\)](#).

This paper introduces the first comprehensive dataset on BTT contents, reveals descriptive patterns that challenge existing beliefs about BTTs, and systematically analyzes how domestic politics shape BTT commitments. My descriptive and analytical findings cast doubt on the prevailing distributive concern that the BTT regime has simply disadvantaged less developed countries by forcing them to cede host taxing rights on incoming foreign capital. Instead, I suggest that democracies and left-wing governments deliberately use BTTs to attract foreign firms, conceding taxing rights only over bases that are exclusively generated by foreign firms, while protecting other parts of the tax base.

These findings advance a new perspective on the rise of global tax evasion. Existing studies emphasize global-level structural pressures arising from the treaty network: Firms’ treaty-shopping strategies force states into a race to the bottom in host taxing rights ([Arel-Bundock, 2017](#); [Qian, 2023](#)). I bring state agency and preferences back into the analysis by revealing systematic variation in countries’ positions on BTT provisions. Paradoxically, democracies and left-wing governments—the very types of governments that might be expected to resist tax

evasion and protect their fiscal base—have made concessions to global firms and enabled their tax planning strategies in the first place.

This paper examines how domestic politics shape governments' preferences for global taxation. Despite foundational political economy research on how political institutions and interests shape domestic taxation—and despite the numerous carveouts that international tax law creates within domestic tax systems—we still know little about the domestic politics of global taxation. Although I hypothesize that leftist ideology shapes governments' preferences for host taxing rights, I find that ideology matters only among nondemocracies, not among democracies. Within the democratic world, economic ideology and partisan preferences with respect to taxation appear to stop at the water's edge. This finding speaks to a broader literature on whether the left and right differ in their preferences over foreign security and economic policies (Milner and Tingley, 2015).

Relatedly, this study speaks to a long-standing debate on the relationship between globalization and domestic politics. Beginning in the 1980s, as globalization and capital mobility accelerated, many scholars and observers worried that globalization might prevent leftist governments from adopting laws and policies that could harm the interests of global capital, including high taxation, expansive public spending, and stringent regulation (Garrett, 1998; Mosley, 2000; Zohlnhöfer et al., 2018). To date, the empirical record remains highly mixed (Zohlnhöfer et al., 2018). With respect to taxation, recent studies examining statutory tax rates suggest that left governments retain discretion, whereas those analyzing effective tax rates find more ambiguous results (Osterloh and Debus, 2012; Shin, 2017). This study expands this literature by examining the context of global taxation. In both democracies and nondemocracies, left-leaning governments have proactively advanced the interests of global capital through BTT provisions. This finding supports the view that the left increasingly converges with the right in its behavior under globalization.

2 Background: How BTTs Allocate Taxing Rights

This section explains how BTTs allocate taxing rights between host and home states across different tax bases, and how MNCs exploit BTT provisions on these tax bases for tax avoidance

purposes.

2.1 Tax Bases and Host Taxing Rights

The provisions on host taxing rights over distinct tax bases constitute the core content of modern BTTs and the primary source of variation across them. For example, the UN model BTT template consists of seven chapters and 31 articles, of which 20 articles (Chapters II to V) focus on dividing overlapping tax bases between the host and home states, while the remaining chapters contain technical definitions and ratification procedures.⁶ The OECD model, as well as the vast majority of BTTs worldwide, follows the same structure.⁷ While the chapters on technical matters are broadly standardized and widely accepted, the provisions governing the division of taxing rights over overlapping tax bases vary across treaties in their substantive content, despite similar formatting. A key reason for this variation is the significant divergence between the UN and OECD models. The two models differ considerably in their recommendations for host state taxing rights over several types of tax bases, with the OECD model generally advocating more limited taxing rights for the host state. Countries are left to choose between these models and may calibrate their preferences by selectively adopting provisions from each model across different tax bases.

The tax bases over which these disagreements arise fall into four categories, defined by the form of transaction and the taxpayer. I label them concisely as follows: *corporate income*, *personal income*, *divestment*, and *outgoing payments*. Table 1 summarizes these tax bases and provides brief explanations. The first is *corporate income*, which covers profits earned by firms that are residents of the other treaty partner through a “permanent establishment” (PE)—that is, a fixed or durable place of business, such as a branch or office, through which the firm carries on activities in the host country. The second is *personal income*, which includes wages, salaries, and related payments earned by individuals who are residents of the other treaty partner through employment or independent services performed in the host country. The third is *divestment*, also referred to as “capital gains,” which concerns gains realized when firms or

⁶Appendix Table A1 presents the detailed structure of the UN model.

⁷In particular, nearly all BTTs drafted since the 1960s adhere to a shared, detailed structure promoted by both the UN and OECD model treaties. As a result, modern BTTs typically contain the same number of articles and address the same issues in the same order.

Tax Base	Taxpayer	Example
Corporate Income	Foreign (Nonresident) Firms	A firm that is a resident of State A earns profits by selling goods or services in State B and has a Permanent Establishment (PE) there.
Personal Income	Foreign (Nonresident) Individuals	An individual who is a resident of State A receives income in State B via employment or independent services there.
Divestment	Foreign (Nonresident) Firms & Individuals	A firm or individual who is a resident of State A realizes gains from alienating capital assets held in State B (e.g., real estate, shares).
Outgoing Payments	Domestic (Resident) Firms & Individuals	A firm or individual who is a resident of State B pays dividends, interest, or royalties to a firm or individual who is a resident of State A.

Table 1: **Four main types of tax bases in BTTs.** I created the original terminology to explain the contents of BTTs; these are not official terms used in treaty texts. The four types of tax bases are addressed in the following treaty articles (in the case of the UN model): corporate income in Arts. 5 and 7–9; personal income in Arts. 14–18; divestment in Arts. 6 and 13; and outgoing payments in Arts. 10–12. The order of the articles is nearly identical in the OECD model.

individuals that are residents of the other treaty partner dispose of capital assets—such as real estate, factories, or shares—located in the host country. Finally, *outgoing payments* refer to cross-border financial transfers, most notably dividends, interest, and royalties, which firms or individuals resident in the host country remit to firms or individuals in the other treaty partner. These payments are subject to withholding taxes, and BTTs prescribe maximum withholding tax rates for each type.

2.2 Outgoing Payments vs The Other Tax Bases

While existing studies in IPE have focused primarily on taxing rights over outgoing payments, it is also important to examine the other three types of tax bases. The two most rigorous studies of BTTs in IPE, [Arel-Bundock \(2017\)](#) and [Qian \(2023\)](#), operationalize treaty depth as host taxing rights over outgoing payments (i.e., the maximum withholding tax rates). These studies make fundamental contributions by revealing how host taxing rights on outgoing payments have evolved over time, but due to data constraints, they do not incorporate treaty provisions that govern the other three types of tax bases. The relative importance of these income-generating tax bases is reflected in the space they occupy in BTTs: they are covered in 13 articles in Chapter III of the UN model, whereas only 3 articles address outgoing payments. Conceptually,

unlike outgoing payments, the other three tax bases represent income generated within the host state by firms and individuals who are residents of the contracting partner.

Treaty provisions on outgoing payments and the other three types of tax bases serve different roles in firms' tax planning strategies, but all are important for tax planning. To begin with, a foreign firm can operate in a host country and become liable to host taxation in two ways: (1) by engaging in FDI through the creation of a subsidiary that is a resident of the host country, or (2) by conducting sales or construction activities without establishing a local subsidiary.

Outgoing payments are particularly relevant to firms with FDI in a host country. When a foreign firm undertakes FDI, it establishes a locally incorporated subsidiary firm that, although owned and controlled by the foreign parent, is legally domiciled in the host country and therefore considered a resident for tax purposes. To shift profits to the parent, the subsidiary can transfer funds in the form of dividends, interest, or royalty payments. When a BTT exists between the host and home states, such payments are subject to the withholding tax rates specified in the treaty. Consequently, MNCs can engage in treaty shopping by routing intrafirm payments through third countries whose BTTs with the host and home states offer lower withholding rates. This mechanism underlies existing explanations of how treaty shopping contributes to downward competition—or a “race to the bottom”—in host taxing rights.

The provisions on corporate income are relevant to foreign firms that directly sell products and services (including construction contracting) in the host country without creating a subsidiary via FDI.⁸ Most of the provisions on corporate income concern the scope of “permanent establishment” (PE). Whether a foreign firm without a resident subsidiary can be subject to host taxation depends on whether its business activity constitutes a PE.⁹ A foreign firm that conducts business and generates income in a host country will be considered to have a PE if two conditions are met: First, it has a fixed or durable base of business; and second, that base has a dependent, rather than arm's-length, relationship with the firm.¹⁰ A fixed base of business

⁸For this reason, I use the term “foreign firms” more often than “multinational corporations.” Foreign firms that conduct business such as sales and construction contracting in host countries do not necessarily own subsidiaries there and thus are not always MNCs engaged in FDI.

⁹If a foreign firm is deemed to have a PE in the host country, the income attributable to that PE becomes taxable by the host country; otherwise, it remains taxable only by the firm's home country.

¹⁰In the UN model, Articles 5 and 7 include detailed language defining how “durable” and “dependent” a base must be to constitute a PE.

can include a branch, management office, or site of resource extraction.

Yet corporate income, personal income, and divestment can also be relevant to foreign firms with FDI in the host country in three ways. Provisions on corporate income—specifically those concerning PE—are relevant because, even if a parent firm wholly or partially owns a separately incorporated subsidiary in the host country, that subsidiary can still constitute a PE if the parent firm conducts its own business through it. In other words, although the subsidiary is a resident of the host state, it may be treated as an agent of the foreign parent firm, such that the parent firm itself is deemed to have a PE in the host state through the subsidiary. Moreover, if a subsidiary is considered a PE, withholding tax rates will no longer apply—instead, the business profits generated by the PE and repatriated to the parent firm will be taxed as part of the PE’s business income by the host state.¹¹

Provisions on personal income are relevant to foreign firms regardless of whether they operate through FDI, since one article specifically addresses the taxation of compensation for high-level foreign managers of foreign firms. There are four distinct tax bases under the category of personal income: compensation of corporate managers, salaries of employees, income earned by independent professionals, and unspecified income. As discussed in the data and coding section, there is virtually no variation across BTTs in taxing rights over labor wages or employees’ salaries. Thus, while personal income as a whole is not uniquely relevant to foreign firms, the article governing the taxation of foreign managers’ compensation is. Lastly, provisions on divestment are relevant to foreign firms that dispose of or sell their capital assets, particularly those with FDI in the host country.

Multinational firms have long exploited treaty provisions on corporate income and divestment to minimize taxation on profits and capital gains. In practice, firms without a resident subsidiary have structured their operations to avoid constituting a PE under Articles 5 and 7 of the OECD and UN models. For instance, many corporations have used commissionaire arrangements, contract splitting, or “independent” local agents to carry out sales or construction activities in a host country while formally remaining non-resident, thereby escaping host taxation. Even firms with subsidiaries have engaged in intragroup contract structuring to en-

¹¹This is a universal principle across modern BTTs, stipulated in treaty articles on outgoing payments.

sure that the parent company's activities through the subsidiary do not qualify as a PE. Similarly, provisions on capital gains from the alienation of property or shares have been used to avoid source-country taxation when selling locally incorporated affiliates.¹² Accordingly, the OECD's recent efforts to combat tax avoidance, notably the Multilateral Instrument (MLI), have directly targeted these strategies (OECD, 2016, 2017).¹³

In sum, BTTs vary widely in the host taxing rights they grant over income and payments generated by foreign firms. Treaties that grant lower host taxing rights can ease foreign investors' tax burdens and help developing countries compete for global capital, but they may also fuel fiscal transfers from the Global South to the North, create a race to the bottom in taxation, and encourage more sophisticated avoidance strategies by MNCs. Yet, the variations across BTTs indicate that some but not all states concede host taxing rights to accommodate firm interests. Thus, it is pressing to examine when, how, and why states make these concessions.

3 New Data and New Puzzles

I develop the Global Taxing Rights Database to record host taxing rights over different tax bases in all BTTs signed through the end of 2023. The database enables systematic comparison across treaties and countries and extends the existing literature's focus on outgoing payments to all four types of tax bases governed by BTTs. With these data, I will address two fundamental questions about the global evolution of host taxing rights that previous data limitations have left unclear.

3.1 The Global Taxing Rights Database

I construct a series of host taxing right indices by systematically coding treaty articles according to a detailed set of coding rules. The treaty texts are collected from the Tax Research Platform

¹²Before selling, firms can transfer ownership to a holding company in a jurisdiction whose bilateral tax treaty with the host country exempts such gains.

¹³Articles 12–15 of the MLI strengthen the definition of PE by treating commissionaire arrangements and fragmented activities as taxable business presences and by aggregating split contracts to prevent time-threshold avoidance. Article 9 of the MLI also tightens the rules on capital gains, introducing a 365-day look-back period and extending taxation to comparable interests such as partnerships and trusts. Together, these provisions seek to ensure that business profits and gains are taxed where substantive economic activity occurs, curbing the long-standing use of treaty provisions on corporate income and divestment as vehicles for base erosion and profit shifting.

of the International Bureau of Fiscal Documentation (IBFD), the most comprehensive database on BTTs in the world.¹⁴ My data collection aims to include all 4,452 unique BTTs signed by the end of 2023, as well as 626 amendment protocols that partially revise previously signed treaties. The current version of the dataset covers 3,954 original treaties and 313 amendment protocols.

I construct an index of host taxing rights for each of the four tax base categories by coding each relevant treaty article or paragraph, following the coding rules summarized in Appendix Table A2. For corporate income, personal income, and divestment, each relevant article stipulates whether the host state has the right to tax a specific type of income. I code each article on a scale from 0 to 1, with 0 indicating the lowest possible host taxing right and 1 the highest, and take the average across articles to construct the index for each tax base.¹⁵ For outgoing payments, I follow the approach of existing studies (Arel-Bundock, 2017; Qian, 2023) and compute the index as the average of the maximum withholding tax rates allowed on dividends, interest, and royalties. Appendix A.3 provides further details.

3.2 Do Developing Countries' BTTs Feature Lower Host Taxing Rights?

I begin by presenting the global variation in host taxing rights in Figure 2. The key takeaway is that many developing countries appear to retain relatively high host taxing rights in their treaties. The left panel shows the average overall host taxing rights granted across each country's BTTs. Notably, many developing countries in Asia, Africa, and Latin America exhibit relatively high overall host taxing rights. The right panel uses the BTTs signed by the US as an example and shows that many of its treaties with developing-country partners grant comparatively high host taxing rights.

I further present descriptive statistics on whether treaties signed by less developed countries tend to feature lower host taxing rights than other treaties. In Figure 3, I compare treaty dyads in which the two signatories differ in income level, based on the World Bank's income-level classification of each country in each year (high, upper-middle, lower-middle, or low). The figure

¹⁴<https://research.ibfd.org>. In addition to the texts, the IBFD provides information on the negotiation timeline of each BTT, including the year of signature, year of mutual ratification, year of entry into force, year(s) of amendment(s), and year of termination, if applicable.

¹⁵Articles stipulating whether the host state may tax an income at all are coded binarily; those specifying the minimum duration of presence required for taxation are coded continuously.

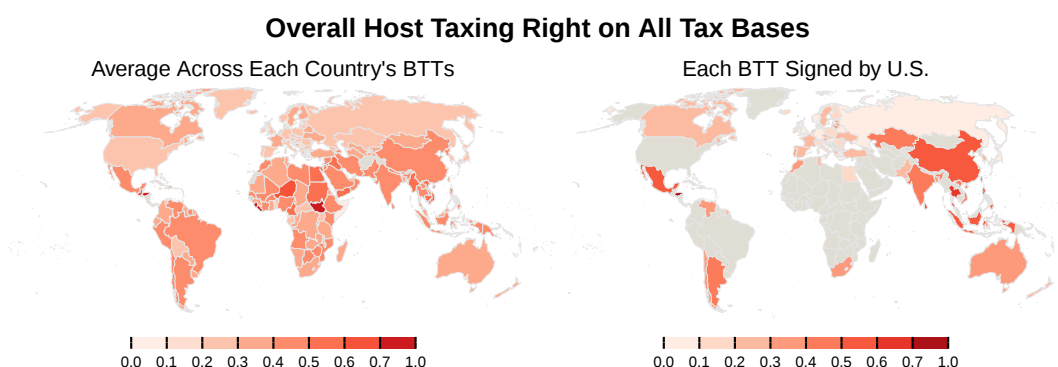


Figure 2: Variations in the overall host taxing right on all tax bases. This figure shows the overall host taxing right for each treaty, namely the average of the host taxing right indices across the four tax bases.

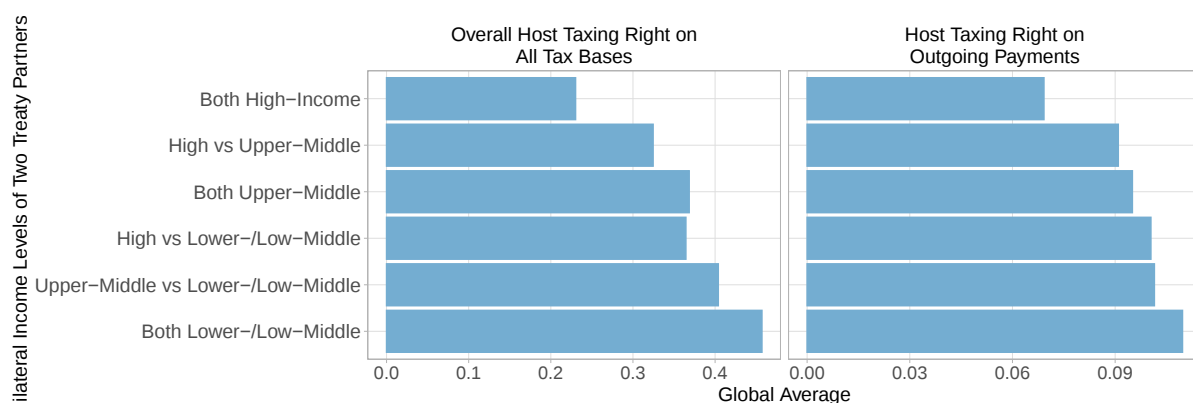


Figure 3: The income levels of treaty partners and host taxing rights. The figure compares BTTs by the World Bank income-level classification of the two partner states in each year (high, upper-middle, lower-middle, or low).

shows that BTTs between less developed and more developed countries do not systematically feature lower host taxing rights. Treaties involving one or two upper-middle-income countries tend to grant higher host taxing rights than those between two high-income countries. Likewise, BTTs signed by one or two lower-middle- or low-income countries also exhibit higher host taxing rights, on average, than those between two high-income countries. These patterns hold for both the overall host taxing rights index and the host taxing right on outgoing payments. Appendix Table D4 presents a more rigorous regression analysis, which shows that lower income levels predict higher host taxing rights even after controlling for a wide range of state- and dyad-level factors and year fixed effects. The results are also robust to using the host taxing right index for each of the four tax bases as the dependent variable (see Table D5). In sum, this finding challenges the common belief that less developed countries routinely accept

low taxing rights in their BTTs.

3.3 Is It (Only) About Racing to the Bottom in Withholding Tax Rates?

I now examine whether host taxing rights differ systematically across tax bases. If the host taxing right on outgoing payments—the focus of existing studies such as [Arel-Bundock \(2017\)](#) and [Qian \(2023\)](#)—does not closely reflect taxing rights on other bases, this would validate my broader approach of considering all tax bases. In Figure 4, the left panel displays each treaty’s host taxing right on outgoing payments by year of signature. The middle panel shows the average host taxing right across the other three types of tax bases—corporate income, personal income, and divestment. In both panels, the green solid line represents a LOESS curve that approximates the global average over time.

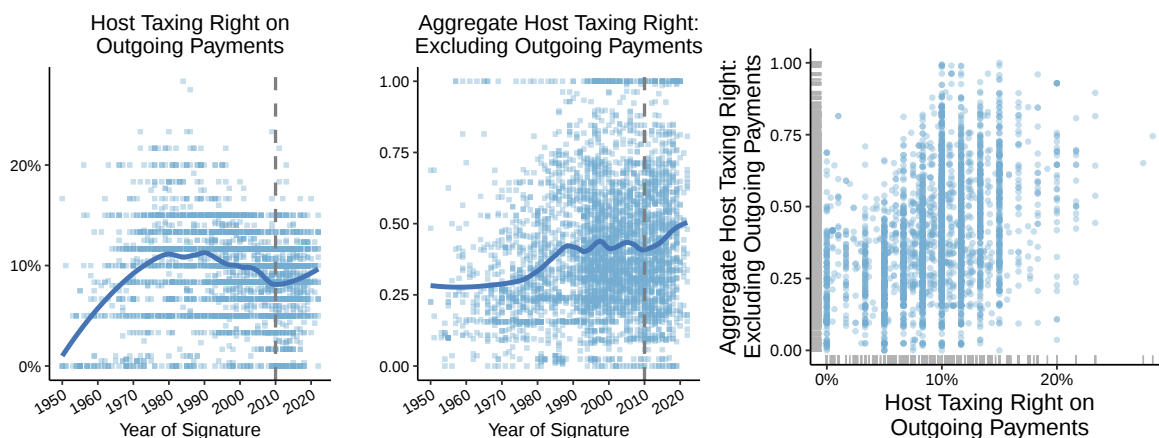


Figure 4: Host taxing right on outgoing payments vs host taxing rights on the other tax bases. The first two plots show, respectively, the host taxing right on outgoing payments and the average host taxing right across the other three types of tax bases, for each BTT signed between 1950 and 2022. Each dot represents an individual BTT, and the green solid curve is the LOESS curve. The third plot shows the relationship between the two indices. The marginal rugs indicate the distributions along both dimensions. The correlation coefficient between the two measures is 0.39.

These two indices exhibit distinct temporal trajectories. On average, the host taxing right on outgoing payments increased steadily from 1950 to around 1980, declined between 1980 and 2010, and then rose again after 2010. In contrast, for the other three tax bases—corporate income, personal income, and divestment—there is no evidence of a sustained downward trend since 1950. Their average host taxing rights appear to have risen between 1970 and 1990, stagnated between 1990 and 2010, and then increased again after 2010. The right panel of Figure 4 compares the host taxing right on outgoing payments with the average host taxing right across the other three tax bases. These two indices are not closely aligned across treaties:

The scatterplot shows a wide distribution of points, with substantial variation in one index for any given value of the other. The correlation between the two indices is 0.39 ($p < 0.001$), indicating a moderate relationship.

These patterns highlight the limitations of previous studies that focus on how firms' treaty-shopping strategies have driven a race to the bottom in withholding tax rates—also referred to as the “treaty cascade.” To be sure, the decline in withholding tax rates between 1980 and 2010 provides descriptive evidence consistent with treaty-shopping and the treaty cascade dynamic. However, the temporal trends in host taxing rights over the other three types of tax bases suggest that no similar race to the bottom has occurred in those domains. Moreover, since 2010, both the host taxing right on outgoing payments and those on the other three tax bases have exhibited clear upward trends, which directly contradict the predictions of the treaty-shopping and treaty-cascade perspective.¹⁶ Notably, this recent increase cannot be attributed to the OECD's global tax reform efforts, as the multilateral negotiations surrounding global minimum taxation did not gain momentum until 2017. As previously discussed, treaty shopping is only one of several strategies used for tax planning, and the treaty-shopping theory provides an incomplete account of how BTT provisions on host taxing rights have evolved. Treaty provisions on corporate income, personal income, and divestment are also relevant to tax avoidance, but in ways distinct from the use of conduit jurisdictions.

In sum, these two sets of descriptive findings show that less developed countries have not systematically accepted lower overall host taxing rights, despite concerns about a global race to the bottom. Moreover, such a race to the bottom has not occurred with respect to tax bases other than outgoing payments. These patterns challenge the common belief that less developed countries must offer low host taxing rights in order to attract MNCs. Instead, if these countries use BTTs strategically to attract MNCs, they are likely doing so under more specific circumstances and through more selective concessions. This underscores the need for closer analysis of how—and under what conditions—governments make strategic concessions in BTT negotiations, using data that cover not only taxing rights on outgoing payments but also taxing rights on other types of tax bases.

¹⁶Appendix Figure A3 further disaggregates these patterns, showing that the post-2010 increase is especially pronounced for corporate income and divestment, but not for personal income.

4 Theory: Domestic Politics and Host Taxing Rights

I develop a theory of how domestic political institutions and interests shape government preferences for host taxing rights. I argue that democratic and left-wing governments are more willing to offer lower host taxing rights to attract foreign firms to do business and invest in their economies. Importantly, they do so selectively—conceding taxing rights only over the specific bases most relevant to foreign firms, while maintaining stronger taxing rights over other bases. In addition, rather than seeking to conclude as many BTTs as possible, these governments prioritize negotiating treaties with key economic partners.

4.1 Domestic Politics and Preferences for Host Taxing Rights

To begin with, existing research has established that democracy and left-leaning ideology, respectively, increase government incentives to attract foreign firms' business and investment. IPE scholars have probed the relationship between democracy and economic openness since the third wave of democratization. A central theoretical logic is based on the economic interests of a regime's ruling coalition. Democracies draw support from broad winning coalitions, including labor and/or the middle class, whose wages and consumption benefit from trade openness. In contrast, nondemocracies—including autocracies and hybrid regimes—tend to depend on narrower elite coalitions, in which domestic capital owners hold greater influence. These capital owners extract monopoly rents from their dominance in domestic markets, which can be undermined by trade liberalization. Empirical studies show that democracy brings greater trade openness (Mansfield et al., 2002; Milner and Kubota, 2005; Eichengreen and Leblang, 2008) and fewer restrictions on inward FDI (Pandya, 2014).

The same theoretical mechanism has also led IPE scholars to argue that governments with left-wing economic ideology have greater economic openness. Pinto (2013) finds that, among both democracies and nondemocracies, left-wing government ideology predicts reduced barriers to FDI inflows. Indeed, working-class interests can influence foreign economic policy even in nondemocracies, as many of them include the working class as part of their ruling coalitions formally or informally.¹⁷ Pepinsky (2009) finds that nondemocracies that include labor as part

¹⁷Many autocrats have institutionalized quasi-democratic, popular elections to legitimize their rule, by deter-

of their core ruling coalitions tend to incorporate labor preferences into their policies on cross-border capital flows. In addition, [Pond \(2018\)](#) and [Gao \(2022\)](#) argue that autocrats who face non-institutionalized threats of labor or leftist social unrest are more likely to liberalize barriers to FDI.

Together, these studies suggest that democracies and left-leaning governments are more likely to promote trade and FDI openness. Such openness benefits labor and middle-class groups by increasing wages and consumption but threatens domestic capitalists and their firms by exposing them to foreign competition. Given their broader ruling coalitions, democracies and left-leaning governments are therefore more likely to adopt policies that advance the economic interests of labor and the middle class while overcoming the resistance of domestic capital.

Building on the above literature, I argue that BTTs provide democracies and left-leaning governments with an effective tool to attract foreign firms, owing to two key features. First, the legalized and codified nature of BTT provisions enables these governments to make credible commitments to foreign investors. Leftist governments often face skepticism from global capital due to their reputations for high public spending, inflation, taxation, and rigid labor market policies. Similarly, left-wing autocratic regimes must overcome reputations for expropriation and contract breaches. Many democracies also face skepticism from foreign investors because of frequent government turnover and limited policy stability, particularly in capital taxation ([Marx et al., 2025](#)). For both left-leaning governments and democracies, using BTTs to offer lower host taxing rights allows them to signal credible and durable commitments to a stable, investor-friendly environment.

The second key feature of BTT provisions is their obscurity, which may help democratic and left-wing governments resolve a policy dilemma. In leftist governments and democracies, labor and middle-class constituents may simultaneously demand both job creation and increased taxation of capital. Although democracies and left-wing governments may be more open to foreign firms, attracting them by offering lower BTT taxing rights can create a po-

ring potential challengers ([Magaloni, 2006](#)) and/or mobilizing and rewarding supporters ([Blaydes, 2010](#)). In those regimes, as those studied by [Magaloni \(2006\)](#) and [Blaydes \(2010\)](#), electoral fraud is present but does not make voting meaningless or remove autocrats from electoral accountability.

tential tension with the goal of maximizing capital taxation. To be sure, this contradiction is not inevitable: Greater foreign firm activity could expand the tax base and ultimately increase total revenue. In theory, governments could identify an optimal level of host taxing rights that balances investment attraction with revenue generation. In practice, however, these trade-offs are often more complex, particularly for less developed countries. This potential contradiction is especially salient for leftist governments and democracies, whose working-class constituents may simultaneously demand both job creation and heavy taxation of capital.

The obscure nature of BTT provisions may help democratic and left-wing governments resolve their policy dilemma by enabling them to prioritize investment attraction—rather than maximizing taxing rights—as a first-order goal. This logic builds on the idea of “democratic obfuscation” proposed by Kono (2006), which suggests that governments can adopt policies that are technical or opaque to avoid electoral backlash. Relatedly, Shin (2017) finds that among OECD countries, leftist governments tend to maintain higher statutory tax rates but are also more likely to relax certain regulations on MNCs’ tax-planning behavior to encourage inward FDI. BTTs provide a similar obfuscatory tool: Their contents are highly technical, legalized, and therefore opaque to most voters. Based on my reading, while BTT negotiations are occasionally covered in the news, the specific treaty provisions rarely receive public scrutiny.

The discussion so far leads to the following hypotheses:

- **H1** (*Regime Type*): Democracies prefer lower host taxing rights in order to attract foreign firms’ business and investment.
- **H2** (*Ideology*): Left-wing governments prefer lower host taxing rights in order to attract foreign firms’ business and investment.

Does the suggested effect of left-wing ideology vary by regime type? In other words, is there an interaction effect between democracy and ideology? I hypothesize that the effect of left-wing ideology operates in both democratic and nondemocratic contexts. If the effect of left-wing ideology is present in democracies but not in nondemocracies, this will imply an interaction effect between regime type and ideology. Yet the above IPE literature shows that, even among nondemocracies, left-wing ideology promotes economic openness by advancing labor and middle-class interests (Pepinsky, 2009; Pond, 2018; Pinto, 2013; Gao, 2022).

While I hypothesize that left-wing ideology matters in both democratic and nondemocratic contexts, I remain agnostic about whether its effect size differs across regime types. The narrative nature of my theory does not allow me to specify a precise prediction about how the effect of government ideology varies between democracies and nondemocracies. I will therefore empirically test whether the effect of left-wing ideology is larger or smaller in democracies.

- **H2a** (*Ideology by Regime Type*): The hypothesized role of left-wing government ideology applies to both democratic and nondemocratic contexts.

4.2 Selective Concession on Relevant Tax Bases

The mechanism proposed in my theory—that democracies and left-wing governments concede host taxing rights to attract foreign firms—implies that such concessions should target the tax bases most relevant to foreign firm activity. This is not only because selective concessions are more effective in attracting foreign firms, but also because conceding over other tax bases can entail significant fiscal and political costs. These costs are likely to be higher for democracies and leftist governments, which may face stronger public accountability or distributive constraints. In such contexts, attracting foreign firms to generate jobs, economic growth, and future tax revenue may be the only politically viable justification for offering lower taxing rights. If this logic holds, concessions should be limited to the tax bases most important to foreign firms.

Among the four types of tax bases—corporate income, personal income, divestment, and outgoing payments—corporate income is the only one that pertains exclusively to foreign firms. Personal income is relevant to both foreign individuals and foreign firms: One of the four specific tax bases under this category (see Appendix Table A2), namely compensation for high-level foreign managers (including directors and board members), is exclusively generated by foreign firms. Divestment is relevant to both foreign firms and foreign individuals.

The broad category of outgoing payments does not uniquely concern foreign firms, but one of its components does. Outgoing payments—such as dividends, interest, and royalties—refer to transfers from domestically based resident firms and individuals to foreign (non-resident) firms and individuals. As such, the category applies to a wide range of taxpayer relationships.

However, one specific tax base under this category—dividends paid by foreign-owned subsidiaries in the host state to their parent companies in the home state—is uniquely created by foreign firm activity. My coding reveals that many host countries grant partial or full exemptions for such dividends. In these cases, treaties typically specify a threshold of foreign capital ownership or voting power required to establish a direct ownership relationship between the resident subsidiary and the foreign parent. These thresholds—usually 10% or 20%—are consistent with standard definitions of foreign direct investment. Thus, many states exempt dividend payments made by MNC subsidiaries to their corporate headquarters, while maintaining higher withholding rates on dividends paid by domestically owned firms. Notably, no such exemptions are commonly observed for interest or royalty payments.

- **H3** (*Selective Concession by Tax Base*): To attract foreign firms, democracies and left-leaning governments prefer lower host taxing rights on specific tax bases that are most relevant to foreign firm activity.

4.3 Selective Treaty Formation with Key Economic Partners

My theory holds that democracies and left-wing governments make selective, targeted concessions in BTT negotiations, not that they adopt an overly liberal or uniformly generous approach. In other words, we should not observe that democratic or left-wing governments are more likely to sign BTTs with all countries. If they did take a uniformly liberal approach, we would expect them to show a higher overall propensity to conclude BTTs with a broad range of partners.

Existing studies of BTT formation have examined the relevance of democracy but not government ideology. By far the most comprehensive study of BTT formation, [Qian \(2023\)](#), reports that a higher Polity score predicts a lower propensity to join BTTs, although Qian does not examine government ideology. Building on this finding, I further argue that democracies and leftist nondemocracies do not join more BTTs than other governments do, despite their greater propensity to offer lower taxing rights in the BTTs that they choose to join, for two reasons.

First, the motivation to attract foreign firms should not constantly lead to new BTT negotiations. For example, after a country has already formed BTTs with its FDI providers, the goal of attracting FDI should no longer predict new BTT negotiations. For a developing country, the

number of its major FDI providers is usually not large. For example, among developing countries, Ukraine had a relatively high level of national diversity of its FDI providers from 1990 to 2011 (Wellhausen, 2016, 66). Yet, in 2003, 75% of Ukraine's FDI stock came from twelve countries, and the top four sources provided nearly 50% of the stock (ibid, p.116). In 2008, the top six sources of Ukraine's FDI stock that year provided nearly 75% of the stock (ibid, p.119). Similarly, China and Vietnam, two prominent destinations of labor-intensive manufacturing FDI, have been drawing most of their FDI from East Asia (Hong Kong, Japan, Korea, and Taiwan), Singapore and Malaysia, and, to a lesser extent, the US and several other Western economies.

Second, the initiation of BTT negotiations is probably subject to the influence of diplomacy and geopolitics. To begin with, Thrall (2025) shows that countries tend to sign five different kinds of bilateral treaties (BTTs, bilateral investment treaties or BITs, preferential trade agreements, bilateral environmental agreements, and bilateral cultural agreements) within short time periods, so explanations of treaty formation must account for treaty coevolution. Attracting foreign firms is unlikely to explain the formation of bilateral environmental and cultural agreements. Instead, state leaders often promise to negotiate multiple bilateral treaties during a summit or a state visit, taking advantage of treaty negotiation to improve diplomatic relationships. According to Poulsen (2015), many developing country governments have signed BITs with little knowledge about those treaties. Such non-functional explanations of treaty diplomacy suggest that governments may sign BTTs for diplomatic interests, not for economic or fiscal interests. Thus, governments that are not interested in the specific content of BTTs may still join many BTTs for diplomatic reasons.

In sum, governments that are interested in attracting foreign firms may offer particularly low taxing rights in their BTTs, especially over tax bases that are directly relevant to foreign firms, but they do not necessarily join more BTTs than other governments due to the diplomatic functions of the BTT regime. Signing BTTs for diplomatic purposes does not require states to negotiate low taxing rights, while states aiming to increase capital inflows do not need to form BTTs with all countries to do so. Hence, I make the following hypothesis regarding treaty formation:

- **H4** (*Selective Treaty Formation*): Democratic and left-wing governments are not more likely to negotiate new BTTs across the board; instead, they prioritize negotiations with key economic partners.

5 Testing H1–3: Selective Concessions for Foreign Firms

5.1 Research Design

I operationalize government ideology as the chief executive’s ideology using the Global Leaders Ideology Database (Herre, 2023). The executive branch is usually responsible for negotiating treaties with foreign countries. To my knowledge, this is the most recent and comprehensive dataset on leader ideology, with fewer missing values than alternative datasets. Consistent with my use of the term “ideology,” the dataset defines ideology based on the left–right cleavage over government intervention in the economy. It classifies individual government leaders’ economic ideology into four categories: leftist, centrist, rightist, and non-ideological. I adopt Herre’s coding for the *head of government*, defined as the chief executive. For nondemocratic country-years in which the *head of government* and the *de facto leader* have different ideologies, I use the dataset’s coding for the *de facto leader* because the latter is more likely to dictate policymaking in nondemocracies. Appendix B.1 provides coding details and descriptive statistics comparing this dataset with a commonly used alternative in political science, the DPI project.

I measure regime type using the dataset developed by Boix et al. (2013), updated in January 2022. They offer a binary coding of democracy vs nondemocracy for nearly 200 countries from 1960 to 2020. I choose this binary measure instead of the commonly used Polity scores or other measures of regime type because, to my knowledge, this is the measure of regime type with the broadest coverage. I will use the Polity2 score in a robustness check.

The baseline analysis leverages cross-country differences while accounting for global temporal trends through year fixed effects, rather than estimating within-country, over-time effects of changes in regime type and government ideology on host taxing rights. Estimating the causal effects on host taxing rights is difficult—if not infeasible—because most dyads in the sample have negotiated only one BTT. That is, the sample contains a single cross-section for most

dyads, so dyad fixed effects (or fixed effects for both states) would absorb nearly all variation. Furthermore, even fewer dyads have negotiated multiple treaties and also experienced changes in regime type or ideology.¹⁸ These constraints justify a baseline design focused on cross-dyad comparisons without country fixed effects, with year fixed effects to account for temporal trends.

I use a directed dyad–year design to account for the characteristics of both signatories in a treaty dyad and their bilateral relationship. As the dependent variables are host taxing rights, the sample includes all treaty dyads in the years of treaty signature, rather than all possible dyads between any two states in any given year. Formally, the unit of analysis is a directed dyad–year, $i-j-t$, where i denotes the home state, j the partner state, and t the year in which the treaty was signed. For example, the US and China have signed only one BTT to date, in 1984. Accordingly, the sample contains two directed observations, US–China (1984) and China–US (1984), with each country alternately serving as the home and partner state. Conducting the analysis at the directed-dyad level, rather than at the home- or partner-country level, allows me to capture the substantial variation in taxing rights across a country’s BTTs.

I use each of the host taxing right indices on the four types of tax bases as the dependent variable, and their different distributions require different statistical models. I use OLS models to analyze the host taxing rights on corporate income, personal income, and divestment since these variables are relatively continuous and have non-skewed distributions. In contrast, the measures of the host taxing right on outgoing payments—both the specific withholding tax rates and their average—are discrete and ordinal rather than continuous: Over 90% of treaties adopt one of four conventional thresholds (0%, 5%, 10%, or 15%) for each rate, and the average index is similarly clustered on a handful of values (see Appendix Figures A1 and A2). A standard linear model is therefore inappropriate, as it assumes a continuous and normally distributed outcome. Accordingly, I group the observed values into five ordered bins—[0%, 5%), [5%, 10%), [10%, 15%), [15%, 20%), and [20%, +∞)—and use an *ordinal logistic regression*

¹⁸Appendix Table B1 summarizes the number of undirected dyads by the number of treaties signed and whether changes in the independent variables occurred. As shown, 2,977 dyads have signed only one treaty, leaving no within-dyad variation to exploit, and among dyads with multiple treaties, only a small subset experienced changes in regime type or ideology. There is also a related statistical power challenge: Even when changes occur, the number of relevant cases may be too small to support precise estimation.

(ordered logit or probit) framework. This approach captures the inherent rank ordering of tax rate levels while accommodating their bounded and discrete nature. Supplementary analyses will include OLS models for this category of dependent variables.

Testing **H2a** (*Ideology by Regime Type*) with the full sample requires interacting the ideology measure with the regime type variable. Because the results of such interaction terms are less straightforward to interpret, I combine my data on government ideology and regime type to construct a categorical variable classifying four government types: rightist nondemocracies (the baseline category), centrist/leftist nondemocracies, rightist democracies, and centrist/leftist democracies. This categorical variable is used in the main analyses reported in the paper, while the appendix includes robustness checks that use regime type and ideology separately and interact them, as well as those using subsamples of democracies and nondemocracies. Although the categorical variable groups centrist and leftist governments together, I also test whether the results are driven primarily by either centrist or leftist governments.

The basic OLS model specification is as follows:

$$Y_{ijt} = \beta_1 \text{Government_Type}_{it} + \gamma_1 \text{Government_Type}_{jt} + \beta_2 \mathbf{X}_{it} + \gamma_2 \mathbf{Y}_{jt} + \delta \mathbf{D}_{ijt} + \theta_t + \epsilon_{ij} \quad (1)$$

In this model, i and j respectively denote the home state and the partner state in a directed dyad. Y_{ijt} is one of the host taxing right indices for the treaty that the two states signed in year t . $\text{Government_Type}_{it}$ refers to the four-level categorical variable combining ideology and regime type. The vectors $\mathbf{X}_{it}$, $\mathbf{Y}_{jt}$, and $\mathbf{D}_{ijt}$ stand for the characteristics of the home state i , the partner state j , and the dyad ij in year t , respectively, including both independent variables and controls. Year fixed effects θ_t account for temporal trends across the globe. Standard errors are clustered by both home state and year. While I do not lag independent variables in baseline analyses, I will test whether my baseline results are robust to lagging independent variables in robustness checks. The ordered logit model follows a similar structure.

I include both state- and dyad-level control variables.¹⁹ The state-level controls capture

¹⁹I select the set of control variables by following Qian (2023)—the most cutting-edge study of BTTs—and include all the control variables in his models, as well as a few additional controls (e.g., geopolitical alignment) that are important but not included by Qian (2023).

political institutions, domestic socioeconomic conditions, and external economic relations; the dyad-level controls capture geographic, cultural, commercial, and geopolitical ties. The statutory corporate income tax rate should also be relevant to BTT content, but I include it only in robustness checks because it is unavailable before 1980. Appendix B.2 lists the individual variables, and Appendix Table B2 documents their sources, coding rules, and temporal coverage.

5.2 Results

I estimate equation (1) separately for host taxing rights over each of the four tax bases: corporate income, personal income, divestment, and outgoing payments. OLS models are used for corporate income, personal income, and divestment, while ordered logit models are used for outgoing payments. Figure 5 displays the results. To ease interpretation, the OLS coefficient estimates are transformed into percentage deviations from the mean value of the dependent variable in each model specification. I present results from two model specifications for each outcome. The first specification includes state- and dyad-level controls, leaving the sample at around 2,600 BTTs. The second specification includes statutory corporate income tax rates, which are only available from 1980 onward, further limiting the sample to roughly 1,900 BTTs.²⁰

I report only the coefficients for the home-state-year (*it*) variables because the directed-dyad design produces symmetrical coefficients for home- and host-state variables—as each dyad enters the data twice, each country serves once as the home state and once as the host. The results suggest that democracies and centrist/leftist nondemocracies are associated with substantially lower host taxing rights on corporate income—approximately 30% below the mean—relative to rightist nondemocracies. In contrast, regime characteristics are not clearly associated with taxing rights on personal income or on divestment. For outgoing payments, in the restricted sample covering 1980–2020, democracies and centrist/leftist nondemocracies are associated with higher host taxing rights on outgoing payments. These results hold for both centrist and leftist governments (see Table D8, where I separate centrist and leftist governments). Note that the distinction between leftist and rightist governments appears to matter more among non-

²⁰Appendix Table C1 also shows results from a simple specification that includes only year fixed effects and no control variables, yielding the largest sample size—approximately 3,300 BTTs. Sample sizes vary by outcome due to missing values in the host taxing right indices.

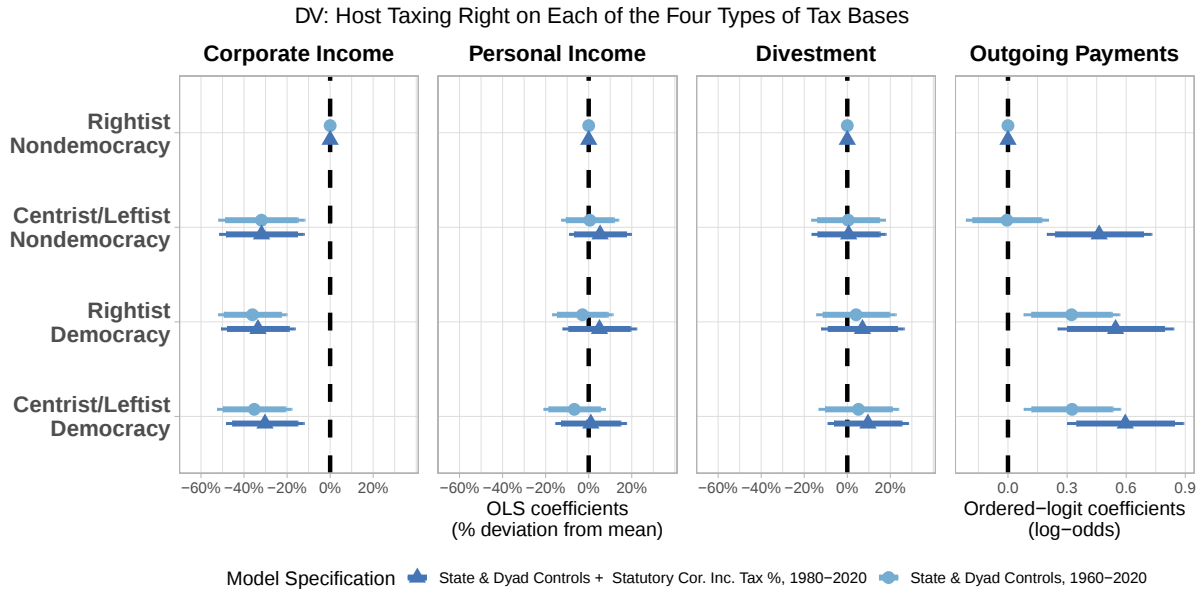


Figure 5: Baseline results across the four types of tax bases. The unit of analysis is a directed dyad–year (ijt), specifically a directed dyad of two states i, j that signed a BTT in year t . The reported coefficients are the ones for the home-state-year (it) variables. The dependent variables are host taxing right indices disaggregated by four types of tax bases. The baseline category is rightist nondemocracies. Bars show point estimates and 90% and 95% confidence intervals. All models include year fixed effects and cluster standard errors by both home state i and year t . The OLS estimates are visualized as percentage deviations from the mean of the dependent variable in each model. See Table C1 for full regression results.

democracies; among democracies, government ideology does not show consistent differences across outcomes.

Selective Concessions Among Different Types of Personal Income

As specified in Hypothesis 3, if democracies and leftist nondemocracies make concessions over their host taxing rights specifically to attract foreign firms, we should expect to find the largest concessions over corporate income and also over corporate managers’ compensation—a type of personal income. Given the null result for the host taxing right on personal income overall, I proceed to examine heterogeneity across different types of personal income. There are four specific tax bases under the category of personal income: corporate managers’ compensation, salaries of employees hired by companies, income earned by independent professionals from their services, and so-called unspecified income.²¹ Each of these four tax bases has a single coding, and the host taxing right variable is binary. I therefore estimate logistic versions of the OLS models used in the baseline analysis.

Figure 6 presents the results. The point estimates represent changes in log-odds. As shown

²¹The taxing right over salaries from dependent employment is not included in my measure, as I find no variation in this category across BTTs.

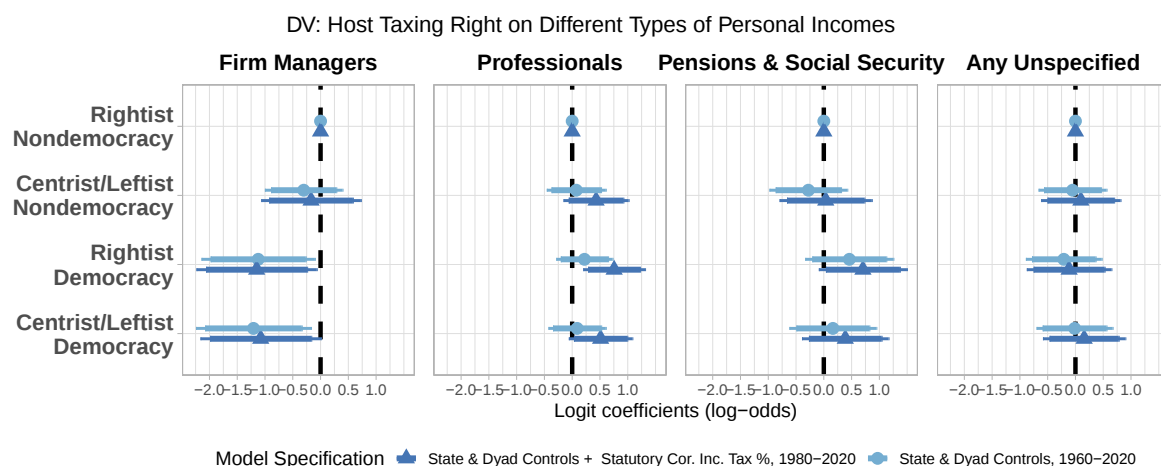


Figure 6: Result heterogeneity across different types of personal income. As in the previous figure, the unit of analysis is a directed dyad–year (*ijt*), and the reported coefficients are the ones for the home-state-year (*it*) variables. Here, logistic regressions are used, as the dependent variable in each panel is a binary indicator for whether the treaty grants the host country taxing rights over a specific type of personal income. Estimates are shown as changes in log-odds. All models include year fixed effects and cluster standard errors by both home state *i* and year *t*. See Appendix Table C2 for full regression results.

in the upper-left panel, compared to nondemocracies, democracies have substantially lower log-odds of retaining host taxing rights on corporate managers’ compensation—approximately 0.5 to 1.0 log-odds units lower, depending on the model specification. This corresponds roughly to a 40 to 65 percent reduction in the odds of retaining those rights. Leftist nondemocracies also exhibit lower host taxing rights over corporate managers’ compensation, although the estimates are smaller and not statistically significant. The upper-right panel shows that, since 1980, democracies and centrist or leftist nondemocracies are more likely to retain taxing rights on income earned by independent professionals. The lower two panels show null results for taxing rights on pensions and social security, as well as on unspecified personal income.

Selective Concessions Among Different Types of Outgoing Payments

I now examine different types of outgoing payments. As discussed above, many BTTs allow partial or full exemptions for a particular kind of dividend payment: dividends paid by MNCs’ subsidiaries to their headquarters or foreign parent companies. I use an indicator variable for whether such an exemption exists as the dependent variable. For contrast, I also analyze the maximum withholding tax rates on the three types of payments (dividends, interest, and royalties).

Figure 7 reports the results. The plots on the first row present results from ordered-logit

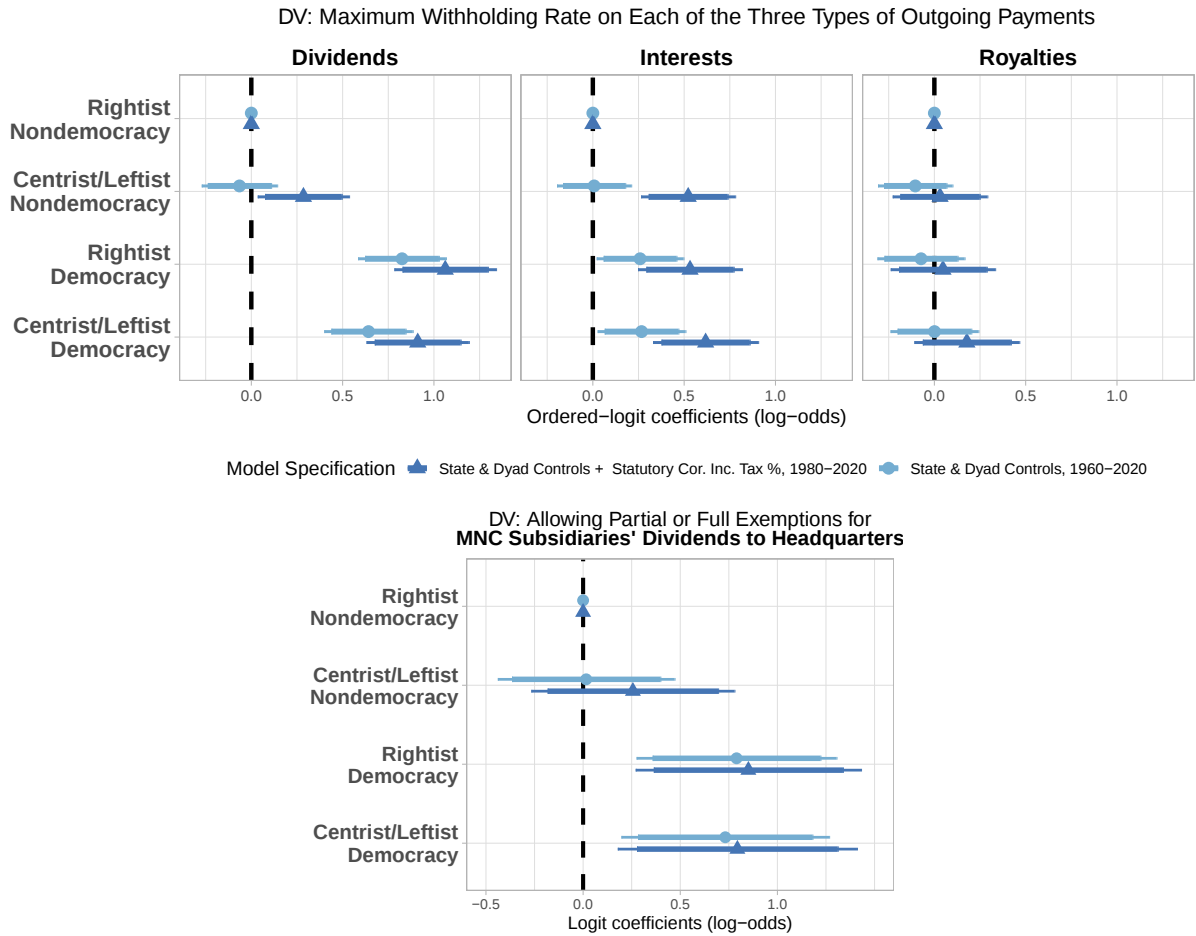


Figure 7: Result heterogeneity across different types of outgoing payments. As in the previous figures, the unit of analysis is a directed dyad-year (ijt), and the reported coefficients are the ones for the home-state-year (it) variables. In the upper panels, ordered-logit regressions are used, as the dependent variables are the withholding tax rates on outgoing payments, which are ordered bins. In the lower panel, logistic regressions are used, as the dependent variable is a binary indicator. Estimates are shown as changes in log-odds. All models include year fixed effects and cluster standard errors by both home state i and year t . See Appendix Table C2 for full regression results.

models where the dependent variables are the maximum withholding tax rates on the three types of payments. The coefficient plot on the second row presents the results from a logistic regression model where the dependent variable is the binary indicator for whether the treaty grants exemptions for dividends paid by MNC subsidiaries to their headquarters. I find that, compared to rightist nondemocracies, democracies tend to set higher, not lower, maximum withholding rates on dividends and interest. Centrist/leftist nondemocracies also appear to set higher maximum withholding tax rates on dividends and interest since the 1980s. Democracies across the ideological spectrum are more likely to allow exemptions for dividends paid by MNC subsidiaries to their headquarters compared to nondemocracies.

Further Evidence and Discussion

In Appendix Figures [D1](#) and [D2](#), I further examine result heterogeneity across each detailed type of tax base within the categories of corporate income and divestment. The baseline results are robust across most of these disaggregated tax bases. I find no evidence that democracies or leftist governments have lower host taxing rights over any tax base in the category of divestment, which is not exclusively generated by foreign firms.

The results are not driven by developing countries but tend to hold equally for both developed and developing countries. In analyses reported in Table [D13](#) through Table [D15](#), I examine subsamples of dyads stratified by bilateral economic asymmetries, using relative income levels, real GDP, and GDP per capita. Across subsamples, the core findings—regarding corporate income, foreign managers’ compensation, and dividends paid by subsidiaries to foreign parents—remain largely consistent. This pattern does not contradict the theoretical framework, which does not assume a Global South–specific scope condition. While foreign firms and FDI play an especially important role in development strategies across the Global South, governments in the Global North also actively compete for MNCs, offering generous incentives and accounting for the majority of global FDI inflows. However, the results appear to be primarily driven by non-OECD countries (see Table [D16](#)). This is likely because OECD members have largely harmonized around the OECD model treaty, which prescribes uniformly low host taxing rights across nearly all tax bases.

A series of robustness checks, presented in the appendix, confirms the stability of the core findings. The observed effect of ideology is not clearly driven by either centrist or leftist governments (see Table [D8](#)). The results hold when controlling for a network-based measure of treaty-shopping risk following [Arel-Bundock \(2017\)](#) and [Qian \(2023\)](#), when using alternative measures of regime type and government ideology, and when estimating alternative statistical models for withholding tax rates. Overall, these results provide support for Hypotheses 1–3, though with some caution. In particular, there is limited evidence that government ideology matters among democracies.

6 Testing H4: Selective Treaty Formation

My theory holds that democracies and leftist governments make targeted concessions for foreign firms in BTT negotiations, rather than adopting a uniformly generous approach. If they did follow a generally liberal approach to treaty-making, we would expect them to exhibit a greater overall propensity to form BTTs with a wide range of partners. Accordingly, **H4** posits that democracies and leftist governments do not have a greater propensity to initiate new BTTs.

6.1 Research Design

I conduct event history analysis using a Cox proportional hazards model to test **H4**. The dependent variable is the duration of time until two states i and j sign a BTT. In other words, I examine the time at which a treaty is signed by both states' chief executives, rather than when a treaty is mutually ratified or enters into force. This choice is consistent with measuring government ideology in terms of the chief executive's ideology (introduced in Section 5.1) since it is usually the chief executives or their representatives who sign treaties. Using the timing of mutual ratification or the timing of entry into force would introduce confounding factors, such as relationships between the legislature and the executive.

I conduct the analysis at the level of directed dyad-years as before, but in this case, the sample includes all dyads between any two states in any given year, rather than only those that signed a BTT in the year of treaty signature. The model is formalized as follows:

$$\lambda_{ijk}(t) = \lambda_0(t) \exp \left(\beta_1 \text{Government_Type}_{ik} + \gamma_1 \text{Government_Type}_{jk} + \beta_2 \mathbf{X}_{ik} + \gamma_2 \mathbf{Y}_{jk} + \delta \mathbf{D}_{ijk} + \theta_{ij} \right)$$

where k stands for event status, λ represents the hazard function, λ_0 represents the baseline hazard, and the vectors $\mathbf{X}_{ik}$, $\mathbf{Y}_{jk}$ and $\mathbf{D}_{ijk}$ are the same control variables that I include in equation (1) above. I cluster the standard errors at the dyad level. Two additional considerations for model specifications are worth mentioning. First, the Cox model is incompatible with unit fixed effects. In robustness checks, I estimate an alternative specification with dyad random effects θ_{ij} , which is also called the “conditional frailty term” in Cox models. Second, as my sample includes both the first treaty in a dyad as well as amendment protocols and “renegoti-

ation” treaties that superseded previous ones, the Cox model handles these events of signing amendment protocols and renegotiation treaties as “repeated” events.

6.2 Results

Figure 8 visualizes the results. Since the model coefficients are un-exponentiated logits, I transform them into hazard ratios for ease of interpretation. Full regression results are reported in Table C3. Briefly, the results show that, compared to rightist nondemocracies, centrist and leftist nondemocracies are less likely to form new BTTs. Democracies across the ideological spectrum, by contrast, are not systematically more or less likely to form BTTs. These findings support H4.

Still, the relationship between treaty formation and treaty content warrants further conceptual attention. I treat them as distinct outcomes: Entering into a BTT does not, by itself, determine the level of host taxing rights negotiated. Moreover, while the treaty formation analysis is based on the universe of potential dyads, the analysis of treaty content is restricted to the subset of dyads that actually signed BTTs. This introduces a potential selection issue that is not accounted for in the current analysis and should be addressed in future work.

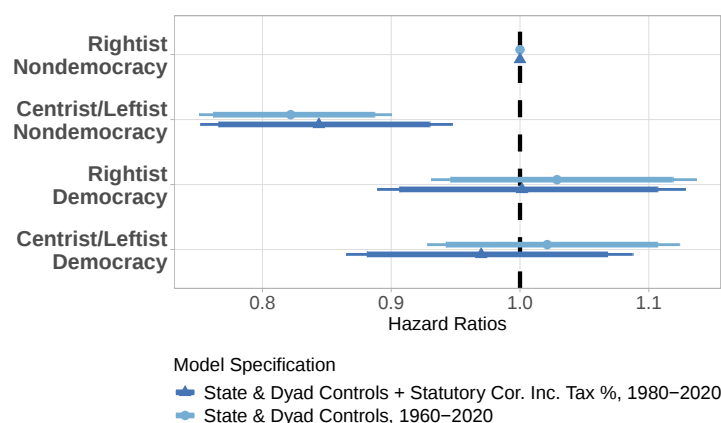


Figure 8: The treaty formation analysis: estimates in terms of hazard ratios. The unit of analysis is a directed dyad–year (ijt), and the sample includes all dyads of any two states in any given year. The reported coefficients are the ones for the home-state-year (it) variables. This figure reports hazard ratios from a Cox proportional hazards model estimating the likelihood of entering into a new BTT. Hazard ratios greater (less) than one indicate that a higher value of the variable is associated with a higher (lower) likelihood of treaty formation. The model includes state- and dyad-level controls and dyad duration dependence. Standard errors are clustered by dyad.

Treaty Formation with FDI and Trade Partners

H4 implies that democracies and leftist governments prioritize forming BTTs with their key economic partners, namely countries that are important sources of FDI and major trade partners. To test this implication, I examine whether bilateral FDI and trade relationships predict treaty formation differently across types of governments. I focus on three measures of bilateral economic relations: (1) $\text{BIT_Partners}_{ijt}$, an indicator for whether two states i and j have signed a bilateral investment treaty (BIT) by year t ; (2) $\text{Exports_to_Partner}_{ijt}$, the log dollar value of goods exported by state i to state j in year t ; and (3) $\text{Imports_from_Partner}_{ijt}$, the log dollar value of goods imported by state i from state j in year t .

While I am in the process of collecting data on bilateral FDI flows and stocks, whether two countries have signed a BIT serves as an important indicator of FDI partnership. Signing a BIT is a costly action that signals credible commitments to attracting and protecting investment from the partner state, as BITs typically subject host governments to binding investor–state dispute arbitration mechanisms (Moehlecke and Wellhausen, 2022). Moreover, recent studies have identified positive causal effects of BITs on FDI flows, including broader spillover effects (Liu and Ma, 2025). Systematic global data on bilateral FDI flows and stocks are difficult to obtain, as such data are less developed than global trade data and suffer from inconsistent reporting across countries. In addition, there are well-known pitfalls in using FDI flows or stocks as proxies for multinational firm activity, due to definitional and measurement challenges (Kerner, 2014).

In Figure 9 and Table D19, I re-estimate the Cox proportional hazards model by splitting the sample according to the four types of governments and focus on the estimates for the three proxies of bilateral FDI and trade relations discussed above. In this specification, I include state- and dyad-level controls and use the full sample period from 1960 to 2020. The results indicate that $\text{BIT_Partners}_{ijt}$ predicts BTT formation only among centrist/leftist nondemocracies and democracies, but not among rightist nondemocracies. Across all four types of governments, however, greater flows of exports and imports between two countries are associated with a higher likelihood of BTT formation. The results remain substantively similar after including additional controls—statutory corporate income tax rates and treaty-shopping

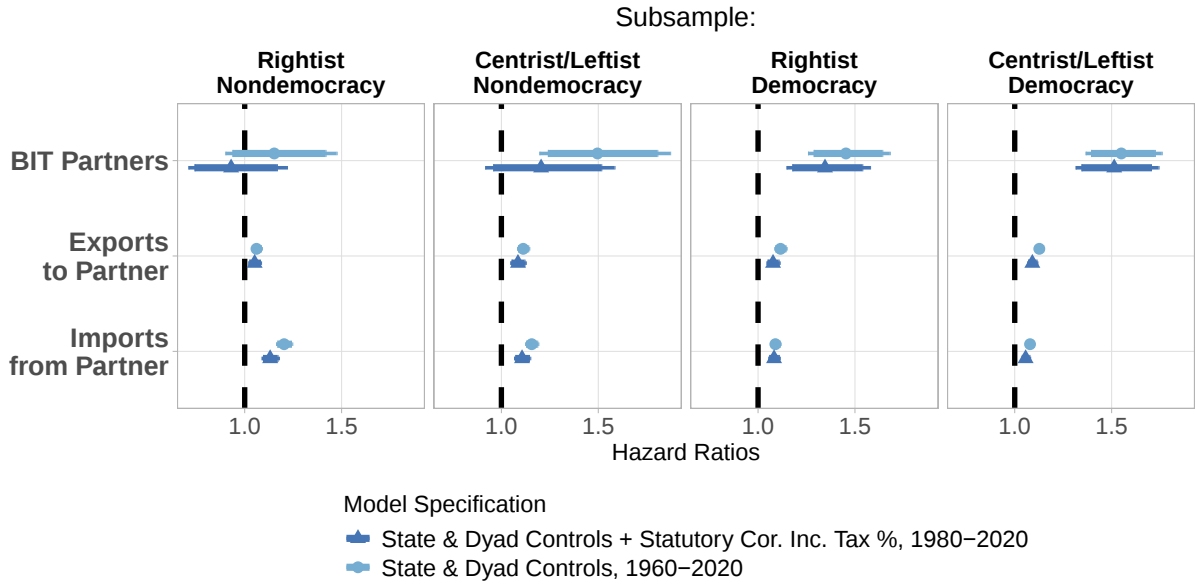


Figure 9: **How bilateral FDI and trade relations predict treaty formation, by government type.** The model details are the same as in Figure 8, except that I separate the sample by the government type of the home state (it). *BIT Partners* stands for an indicator for whether two states i and j have signed a bilateral investment treaty (BIT) by year t . *Exports to Partner* is the log dollar value of goods exported by state i to state j in year t . *Imports from Partner* is the log dollar value of goods imported by state i from state j in year t . See Appendix Table D19 for regression results.

risks—over shorter sample periods (see Appendix Tables D20 and D21).

This analysis lends partial support to **H4** but calls for cautious interpretation and further investigation. The result for $BIT\ Partners_{ijt}$ is consistent with the hypothesis, though it should be corroborated with analyses using bilateral FDI flow and stock data. The minimal differences across government types in the effects of exports and imports also warrant caution in interpretation. One possible explanation is that, while bilateral trade relationships generally promote BTT formation, democracies and left-leaning nondemocracies use BTTs as an important instrument for attracting FDI. However, it remains unclear whether promoting FDI or facilitating trade is the primary motivation for countries when negotiating BTTs.

7 Conclusion

This paper presents the first systematic effort to measure and explain the varying levels of host-state taxing rights that governments permit in BTTs. I introduce the Global Taxing Rights Database, the first comprehensive dataset on BTT provisions, covering more than 4,000 treaties signed by countries around the world. The dataset includes indices of host taxing rights across four main types of tax bases: corporate income, personal income, divestment, and outgoing

payments. The data reveal wide variation in host taxing rights across treaties, countries, and tax bases, and offer two key pieces of descriptive evidence that challenge prevailing beliefs about the BTT regime.

First, while scholars have raised distributive concerns that developing countries have been pressured into accepting BTTs with low host taxing rights, the data indicate otherwise: BTTs signed by developing countries—including those with developed countries—on average feature higher host taxing rights. Second, existing IPE studies have focused on maximum withholding tax rates (equivalent to my measure of host taxing rights on outgoing payments), arguing that treaty-shopping by MNCs has led to a race to the bottom in taxing rights (Arel-Bundock, 2017; Qian, 2023). However, my data show that such a race to the bottom has not occurred with respect to other types of tax bases, which have seen a steady increase in host taxing rights over time. While a decline in the withholding tax rates was evident between 1980 and 2010, these rates have also trended upward since 2010. Together, these findings suggest that the conventional wisdom about BTTs requires rethinking. In particular, a more nuanced understanding is needed of how—and under what conditions—states make concessions over host taxing rights in BTT negotiations to attract foreign firms. Crucially, such analysis must consider host taxing rights across all tax bases, not just those related to cross-border payments.

Motivated by these surprising descriptive patterns, I develop and test a theory of government preferences for host taxing rights, focusing on how domestic political institutions and interests shape those preferences. I argue that democracies and leftist governments tend to prefer lower host taxing rights in order to attract foreign firms' business and investment. However, they do so selectively: Concessions are limited to tax bases that are highly relevant to foreign firms, given the fiscal and political costs of broader concessions. Similarly, these governments selectively form BTTs with key economic partners, rather than seeking to sign as many treaties as possible, due to the substantial costs associated with treaty negotiation.

I find that democracies and leftist nondemocracies are more likely to concede host taxing rights on tax bases that are exclusively tied to foreign firms, but not on other tax bases. Among the four categories of tax bases, democracies across the ideological spectrum and left-leaning nondemocracies are associated with lower host taxing rights on corporate income, but not on

personal income, divestment, or outgoing payments. At the same time, democracies—both left and right—tend to impose higher taxing rights on certain types of personal income and dividend payments, while exempting those specifically related to foreign firms, such as compensation for foreign firm managers and dividends paid by subsidiaries to foreign parent firms. I find no evidence that democracies or leftist nondemocracies grant concessions over any tax base that is not exclusively generated by foreign firms. In addition, survival analysis of treaty formation shows that these governments are no more likely than others to sign BTTs broadly; rather, they do so selectively. These findings are robust to a wide range of confounders at the country and dyad levels, including measures of treaty-shopping risk following the approaches of [Arel-Bundock \(2017\)](#) and [Qian \(2023\)](#). Together, the evidence suggests that democracies and leftist nondemocracies strategically concede taxing rights to attract foreign firms while maintaining caution against broader fiscal erosion.

These findings offer a new perspective on how international tax laws have enabled multinational firms to erode states' fiscal bases—contributing to hundreds of billions of dollars in lost revenue each year. Existing research emphasizes global structural pressures created by the treaty network, particularly how firms' treaty-shopping strategies compel states to compete in a race to the bottom in their host taxing rights. I expand this agenda by drawing attention to underexamined tax bases, such as corporate income, and by bringing back the agency and preferences of states. My analysis suggests that certain types of governments may have proactively opted for lower host taxing rights in exchange for the economic benefits brought by foreign firms. Future research could further integrate domestic political dynamics into the global institutional context to develop a more comprehensive explanation of how states shape—and are shaped by—the international tax regime.

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Appendix for “Who Concedes Their Tax Base? The Domestic Politics of Global Taxation”

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A The Global Taxing Rights Database

A.1 The UN Model Treaty

Table A1: The structure of the UN model

Chapter	Chapter Title	Articles Included	Brief Description
Chapter I	Scope of the Convention	Art. 1–2	Persons and Taxes Covered
Chapter II	Definitions	Art. 3–5	“Permanent Establishment”
Chapter III	Taxation of Income	Art. 6–21	Income and Payments
Chapter IV	Taxation of Capital	Art. 22	Ownership of Capital
Chapter V	Methods for Elimination of Double Taxation	Art. 23	Exemption vs Credit
Chapter VI	Special Provisions	Art. 24–29	Administrative Procedures
Chapter VII	Final Provisions	Art. 30–31	Diplomatic Procedures

A.2 Sample

The current version of the dataset covers 3,954 original treaties and 313 amendment protocols. I am unable to code a small number of treaties that are known to have been signed because their English texts are not available via the IBFD or other online sources. Among the coded BTTs, 219 have not yet been ratified by both states or have been ratified but are not yet in force; 517 were signed between two states that had previously signed at least one BTT with each other. In these cases, the earlier BTTs were either terminated or superseded by the new ones.

I do not exclude amendment protocols from the sample, as they can be equally important as original treaties. When countries decide to revise an existing BTT, some opt to create a new treaty that supersedes the old one, while others issue an amendment protocol. Thus, it is *ex ante* unclear whether amendment protocols are substantively less important than full treaties.

Although amendment protocols typically contain only the revised provisions and not the full text of the original treaty, I apply the coding from the original treaty to the unchanged articles and code the amended provisions as specified in the protocol.

A.3 Coding Rules

Table A2 summarizes my coding rules. Based on the coding of individual treaty provisions, I construct an index of host taxing rights for each of the four tax base categories. For outgoing payments, I follow the approach of existing studies (Arel-Bundock, 2017; Qian, 2023) and compute the index as the average of the maximum withholding tax rates allowed on dividends, interest, and royalties. For corporate income, personal income, and divestment, I code each relevant article (or paragraph) on a scale from 0 to 1, with 0 indicating the lowest possible host taxing right and 1 indicating the highest, and then take the average to construct the index for each tax base.

Excluding Invariant Provisions I only include articles whose effective contents vary across BTTs and exclude those for which the codings do not vary across BTTs. For example, regarding the taxation of income from dependent employment (i.e., labor wages), I do not find a BTT that explicitly exempts such income, so I focus on the other specific types of personal income. Hence, the resulting indices measure *relative* host taxing rights on income rather than absolute ones. A score of 0 (or 1) does not mean absolutely no (full) host taxing right. Rather, it stands for the lowest (highest) level of host taxing right among the sample BTTs.

(Mostly) Symmetric Provisions for Treaty Partners The basic coding rules shown above are symmetric for both contracting states in a single treaty. This is because modern BTT articles are generally drafted symmetrically: The articles refer only to the host state and the home state, and either role can apply to each contracting party. However, in a very small number of treaties, certain provisions are country-specific. For example, in many BTTs signed between a “tax haven” jurisdiction and another jurisdiction that is not a tax haven, the tax haven’s maximum withholding tax rates on outgoing payments are often zero, while its treaty partner typically applies non-zero maximum rates. I record these asymmetrical provisions whenever they appear.

Preexisting Coding Rules My coding rules are built on and enrich the coding rules of the International Centre for Tax and Development (ICTD) in their coding of the content of 2,050 BTTs signed by 118 developing countries. Then, through my own reading and coding, I find additional articles that are excluded from the ICTD’s coding rules but display substantial variations across BTTs, such as Article 18.2 on pensions and social security payments, provisions on the minimum thresholds of shares in capital assets to be eligible for taxation in Articles 13.4 and 13.5, and Article 13.6 on the taxation of alienating legal rights to the use of natural resources. Table A3 provides a detailed comparison between my coding rules and the ICTD coding rules.

Handcoding and Validations I code the taxing rights mainly by using hand-coding, but also use automated computer-assisted coding and cross-validation with the preexisting codings of a subset by the ICTD. Reading and handcoding are required, while completely automating the process via either simple code-based programmatic classification or machine/deep learning is not possible, for two reasons. First, the rules for coding many articles are complicated and nuanced, and often require judgment and continued refinement of predefined coding rules. Throughout the process, I have developed a detailed coding book. Second, despite the promotion of model treaty templates, many countries have used unique wording styles in the treaty texts. Without going through all countries’ BTTs, one cannot fully incorporate these idiosyncratic features into the coding rules, which would prevent effective automated coding by pro-

Tax Base	Treaty Article	Description	Coding
Corporate Income	5.3.a	Minimum days that facilities must last to constitute permanent establishments (PE)	0–1 (rescaled)
	5.3.a	Can provision of supervisory services constitute PE?	0 or 1
	5.3.b	Minimum days that service provisions must last to constitute PE	0–1 (rescaled)
	5.4	Can facilities for goods delivery constitute PE?	0 or 1
	5.5	Can agents that help maintain stocks of goods constitute PE?	0 or 1
	5.6	Can insurance firms constitute PE?	0 or 1
	5.7	Can dependent agents constitute PE?	0 or 1
	7.1	Can activities related to a firm's main activity constitute PE? (i.e., “force of attraction”)	0 or 1
	7.3	Are tax deductions allowed for payments to headquarters (e.g., royalties)?	0 or 1
Personal Income	14	Can the host state tax income from independent professional services?	0 or 1
	16.2	Can the host state tax top-level managerial remuneration (beyond board fees)?	0 or 1
	18.2	Can the host state tax pensions or other payments from its social security system?	0 or 1
	21.3	Can the host state tax other types of income not explicitly mentioned?	0 or 1
Divestment	13.2	Can the host state tax gains from alienating property used for independent services?	0 or 1
	13.4	Can the host state tax gains from alienating shares in immovable property?	0 or 1
	13.4	Minimum threshold of shares in immovable property required to trigger taxation	0–1 (rescaled)
	13.5	Can the host state tax gains from alienating company shares?	0 or 1
	13.5	Minimum shareholding threshold in company capital required to trigger taxation	0–1 (rescaled)
	13.6	Can the host state tax gains from alienating rights to exploit natural resources?	0 or 1
	13.7	Can the host state tax gains from alienating unspecified capital assets?	0 or 1
Outgoing Payments	10	Maximum withholding tax rate on dividends	Percent
	11	Maximum withholding tax rate on interest	Percent
	12	Maximum withholding tax rate on royalties	Percent

Table A2: Coding rules. The article numbers follow the UN model, while the order of the articles in the OECD model is nearly identical. Items coded as 0 or 1 indicate the absence or presence of host-state taxing rights. The thresholds for durations (5.3.a and 5.3.b) and for capital shares (13.4 and 13.5) are rescaled to fall between 0 and 1.

grammatic classification or machine/deep learning. Thus, I first hand-code all treaties and then conduct two sorts of validations. Then, based on the accumulated coding rules from the hand-coding process, I select treaty articles that display regular wording patterns across different countries' BTTs for automated computer-assisted coding based on keywords.

A.3.1 Adjustments to ICTD's Coding Rules

Table A3: Comparison with ICTD's coding rules

Tax Base	Treaty Article	In ICTD Coding Rule?
Corporate Income	5.3.a	✓
	5.3.a	✓
	5.3.b	✓
	5.4	✓
	5.5	✓
	5.6	✓
	5.7	✓
	7.1	✓
	7.3	✓
Personal Income	14	✓
	16.2	✓
	18.2	No
	21.3	✓
Divestment	13.2	
	13.4	✓
	13.4	No
	13.5	✓
	13.5	No
	13.6	No
	13.7	No
Outgoing Payments	10	✓
	11	✓
	12	✓

A.4 Distribution of the Index of Host Taxing Right on Outgoing Payments

The three maximum withholding tax rates on dividends, interest, and royalties—and hence the index of host taxing rights on outgoing payments (their average)—are discrete and ordinal rather than continuous. As shown in Figure A1, over 90% of treaties adopt one of four conventional thresholds (0%, 5%, 10%, or 15%) for each rate, and the average index is similarly clustered on a handful of values (see Figure A2). This ordinal and clustered structure informs two decisions on coding and model specification. First, I create categorical versions of these variables by grouping the observed values into five ordered bins: [0%, 5%), [5%, 10%), [10%, 15%), [15%, 20%), and [20%, +∞). Second, whereas existing studies rely on OLS models to analyze the maximum withholding rates (Arel-Bundock, 2017), a standard linear model

is inappropriate for such an outcome; as discussed in the research design section of the main paper, I instead employ an ordinal logistic regression model (ordered logit).

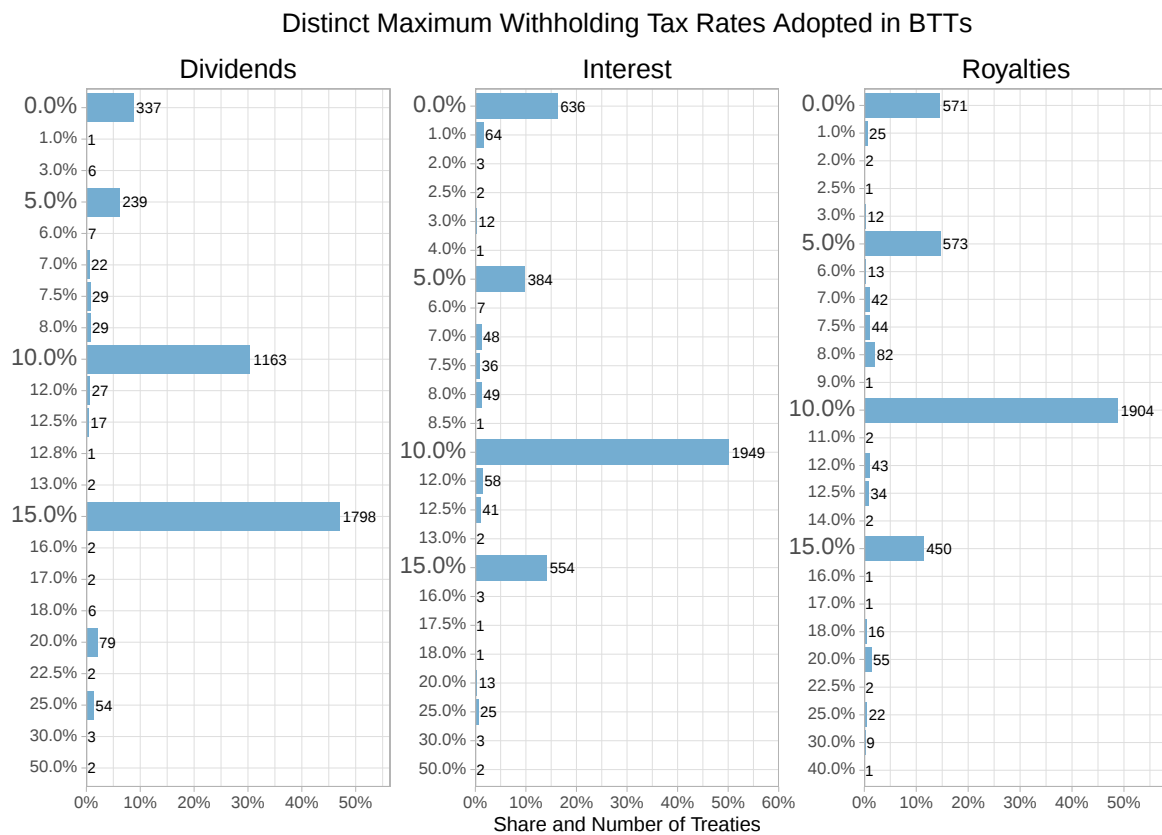


Figure A1: Discrete and clustered distributions of the maximum withholding tax rates. Each bar represents the share of treaties adopting a given rate, with the exact number of treaties displayed to the right of each bar. The y-axis lists all distinct rate values appearing in at least one treaty; the most common thresholds—0%, 5%, 10%, and 15%—are highlighted in larger, bold font. The total number of distinct rate values for dividends, interest, and royalties is 25, 24, and 25, respectively. In total, the shares of treaties adopting one of the four highlighted thresholds are 92.4% for dividends, 90.5% for interest, and 89.5% for royalties.

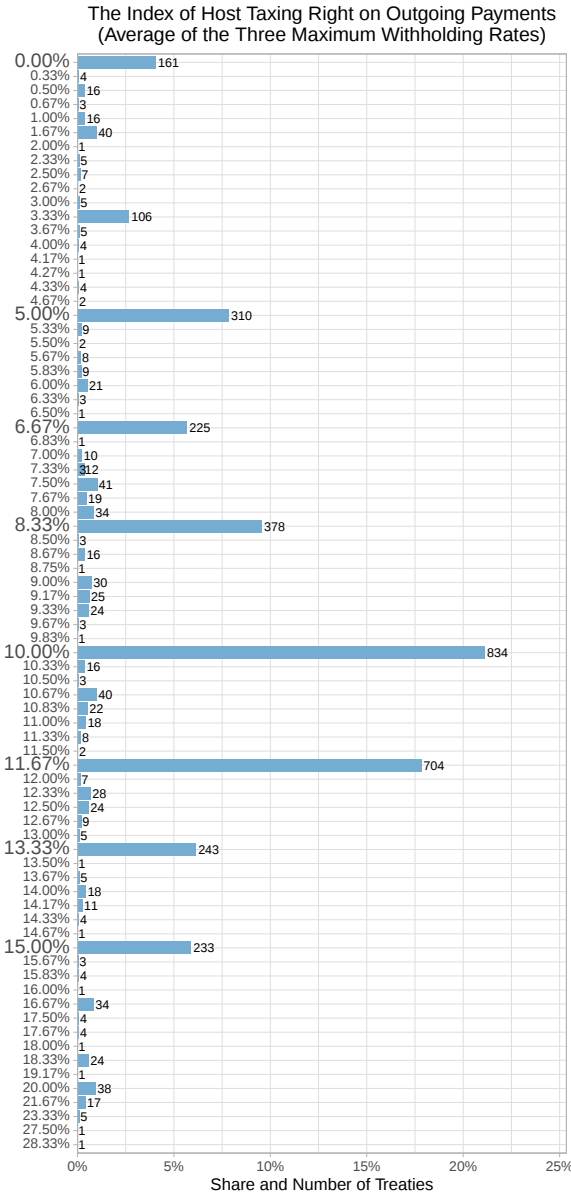


Figure A2: Distribution of the index of host taxing right on outgoing payments. While this index takes on 81 distinct values across treaties, nearly 80% of the treaties have one of the following eight values: 0.00%, 5.00%, 6.67% ($\frac{20\%}{3}$), 8.33% ($\frac{25\%}{3}$), 10.00%, 11.67% ($\frac{35\%}{3}$), 13.33% ($\frac{40\%}{3}$), 15.00%.

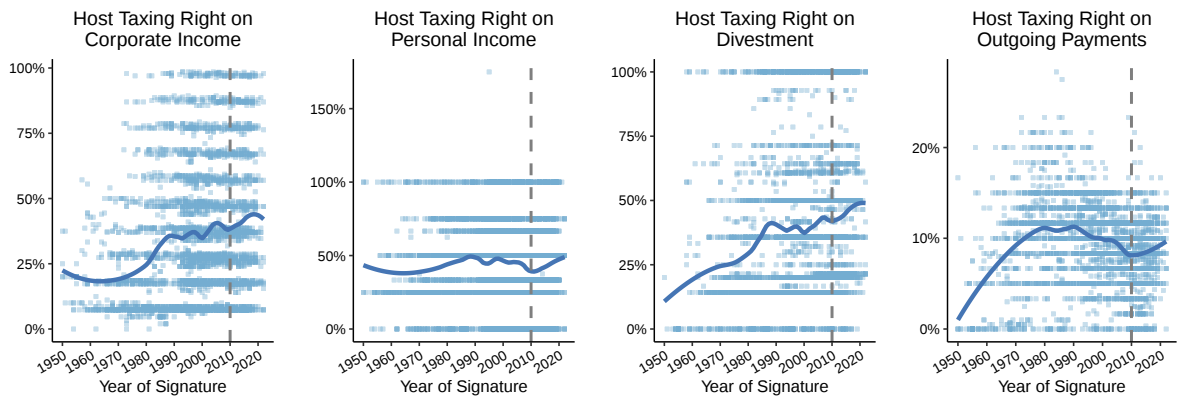


Figure A3: Temporal evolution of the host taxing right on each of the four types of tax bases.

B Other Data Used in the Paper

B.1 Government Ideology

B.1.1 Coding Details

For each country and each year since 1945, Herre’s dataset covers two key political figures: the “head of government” (the chief executive) and the “leader” (who represents the country as the head of state and/or is the most powerful figure). In most countries, the same person serves the two roles. However, in semi-presidential systems like France, the president is considered the leader, while the prime minister is considered the head of government. This distinction is also important for many nondemocracies, including China and Russia. In China, for example, the prime minister is considered the head of government responsible for domestic policymaking, while the president is considered the leader due to his political power and role as head of state.

I adopt Herre’s coding for the head of government, which is defined as the chief executive. Yet, for a small number of nondemocratic country-year units, the head of government and the leader have different ideologies. Among the country-year observations of nondemocracies between 1960 and 2022, about 4.5% of these units have different ideologies for the head of government and the leader. In those cases, I adopt the ideology of the leader because in nondemocracies the leader is more likely to dictate policymaking than the head of government.

Comparison with Alternative Datasets

Herre’s coding rules are transparent and replicable and avoid inferring ideology from policy.²² Herre’s codings are also highly consistent with the various existing datasets on which he draws (Herre, 2023, 745).

Many political scientists have relied on the DPI dataset to measure government ideology, but DPI’s measure of ideology has many more missing values. Figure B1 visualizes this difference.

For my main analysis, I create a binary indicator of whether the chief executive’s personal ideology is leftist rather than centrist, rightist, or non-ideological. I use categorical coding as a robustness check to compare the different categories.

Alternative Measures I will use Herre’s data for my baseline analysis and will test the robustness of the baseline results with three alternative datasets on ideology. First, it will be important to use the ideology ratings from V-Dem to create an alternative measure to Herre’s. All four existing datasets that Herre mainly draws on (Brambor and Lindvall, Manzano, DPI, and V-Party) code ideologies in terms of “left,” “central,” and “right.” V-Dem codes ideologies in different ways and does not provide input for Herre. V-Dem contrasts “socialist” and “conservative” (i.e., leftist and rightist) governments with “nationalist,” “separatist,” and “religious” governments. V-Dem also does not focus on a specific government branch or actor. Second, I will use alternative measures from DPI and V-Party. This is because DPI and V-Party identify the ideology of a leader’s party, while Herre codes the leader’s personal ideology when the personal ideology differs from the party ideology.

²²How exactly does Herre identify a leader’s ideology? With a set of consistent and transparent coding rules, Herre draws on various existing datasets (all of which have smaller coverage) as well as a wide range of original sources like “leaders’ own statements about their views” (p.742). The existing datasets that Herre draws on either measure leaders’ personal ideology or the ideology of their parties: Brambor and Lindvall (2017) and Manzano (2017) are the largest datasets for personal ideology, and the Database on Political Institutions (DPI, Scartascini et al. (2021)) and the Varieties of Party Identity and Organization (V-Party) project (Lührmann et al., 2020) are the most complete for party ideology. These two sorts of ideology measures often agree with each other, but Herre codes personal ideology when they do not. Another feature of Herre’s coding procedure is that he guards against inferring ideology from policy, which would make it tautological to study how ideology affects policy (p.742).

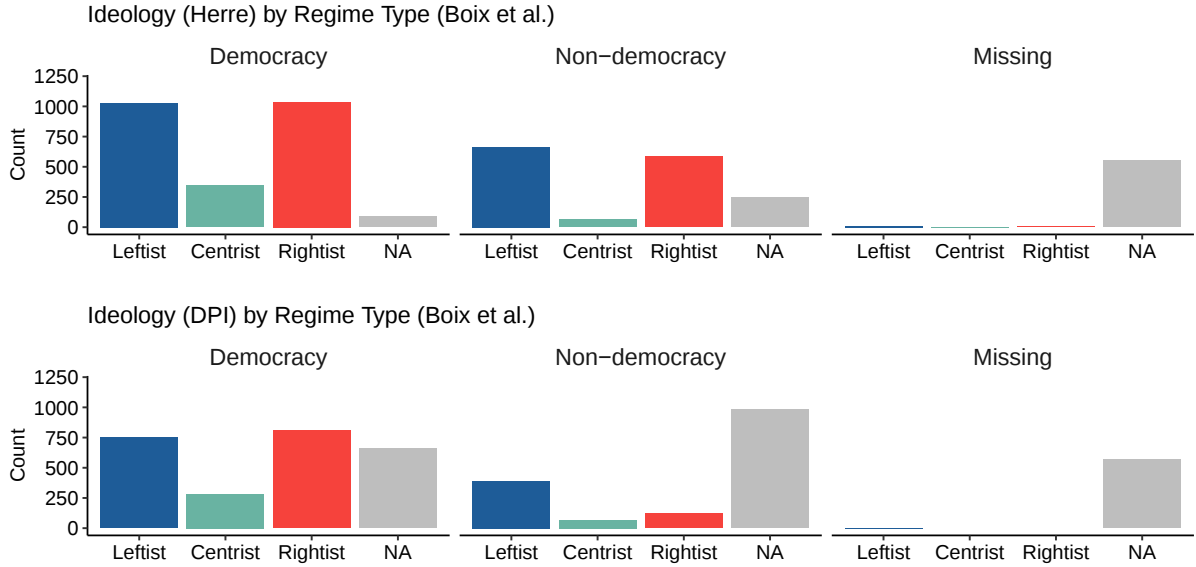


Figure B1: Comparing Herre’s Global Leaders Ideology Database with DPI. The regime type measure comes from the 2022 version of the [Boix et al. \(2013\)](#) dataset. The upper panel shows the distribution of all the codings in Herre’s dataset, covering 182 states every year from 1945 to 2020. The lower panel shows the distribution of the ideology measure from the DPI, for 180 countries from 1975 to 2020.

B.2 Covariates

Number of Treaties Signed by Dyad	Number of Undirected Dyads			
	Total	Only Ideology Changed	Only Democracy Changed	Both Changed
1	2604	0	0	0
2	539	160	77	139
3	59	18	7	23
4	12	6	0	5
5	5	1	0	1

Table B1: Number of dyads by number of treaties signed and changes in independent variables

I follow [Qian \(2023\)](#) in selecting control variables, including all of those in his models as well as a few additional controls that are important but omitted there, such as geopolitical alignment. Table [B2](#) documents the data source and coding rule for each covariate.

The state-level controls are:

- *political institutions*: legislative constraints on the executive;
- *domestic socioeconomic conditions*: population, GDP per capita, and the GDP growth rate;
- *external economic relations*: OECD membership, the trade-to-GDP ratio, and the number of active bilateral investment treaties (BITs).

The dyad-level controls are:

- *geographic ties*: the distance between the two states and whether they are contiguous;

- *cultural ties*: whether the two states share a language and their religious proximity;
- *commercial ties*: bilateral trade flows and whether the two states have signed a BIT;
- *geopolitical ties*: interest similarity, measured by similarity in UN General Assembly voting.

In addition, the statutory corporate income tax rate should be relevant to both BTT content and formation. I include this variable in robustness checks but not in the baseline models because it is not available for years before 1980. As with my main independent and dependent variables, most control variables are available from 1960 through 2020; the statutory corporate income tax rate is the exception, available from 1980.

Variable	Definition	Coding	Source	Time Period	% Missing ^a
State-Level					
Left	Chief executive has leftist ideology (vs centrist/rightist)	Binary	Herre (2023)	1960–2020	12.92
Democracy	Democracy vs nondemocracy	Binary	Boix et al. (2013) (Jan 2022 Version)	1960–2020	12.34
OECD Member	If state i is a formal OECD member in year t	Binary	OECD	1960–2020	7.54
Population	2015 constant USD	Standardized	World Development Indicators (WDI) ^b	1960–2020	7.54
GDP Per Capita		Standardized	WDI	1960–2020	13.33
GDP Growth Rate		Standardized	WDI	1961–2020	13.67
Trade to GDP	Ratio of total exports and imports to GDP	Standardized	WDI	1960–2020	16.13
Legislative Constraints	V-Dem's "legislative constraints on the executive index"	Standardized	V-Dem ^c	1960–2020	11.56
BITs	Number of BITs that a country has signed and that are in force	Standardized	UNCTAD ^d	1960–2020	10.51
FDI Inflow	Ratio of net FDI inflow to GDP	Standardized	WDI	1970–2020	16.57
Corp. Inc. Tax Rate	National, statutory corporate income tax rate	Standardized	Tax Foundation ^e	1980–2020	27.91
Dyad-Level					
Distance	Geodesic distance between the two states' most populous cities (km)	Standardized	CEPII Gravity ^f	1960–2020	20.29
Contiguous	If the two states are contiguous	Binary	CEPII Gravity	1960–2020	20.29
Sharing Language	If the two states share a language spoken by over 9% of the population	Binary	CEPII Gravity	1960–2020	20.95
Shared Religion	Religious proximity	0 to 1	Disdier and Mayer (2007) via CEPII Gravity	1960–2020	22.46
UN Voting Similarity	Similarity in UN General Assembly voting	Standardized	Bailey et al. (2017) via CEPII Gravity	1960–2020	25.99
Bilateral Trade	Bilateral trade flow in 1,000 current USD	Standardized	IMF via CEPII Gravity	1960–2020	8.25
BIT Signed	If the two states have signed a BIT	Binary	UNCTAD	1960–2020	7.54
Treaty-Shopping Risk		0, 1, 2, or 3		2004–2020	69.34

Table B2: Definitions and sources for covariates.

^aThis is the ratio of the number of missing values in each variable to the number of unique treaties included in my dataset, which is 4,110.

^bWorld Bank (2023)

^cCoppedge et al. (2023)

^d<https://investmentpolicy.unctad.org/international-investment-agreements>

^eBray (2021)

^fConte et al. (2022)

C Regression Results for Figures in Main Paper

Table C1: Regression results of the main analysis

	Corporate Income			Personal Income			Divestment			Outgoing Payments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Centrist/Leftist Nondemocracy _{it}	-0.080** (0.036)	-0.110*** (0.035)	-0.118*** (0.037)	-0.007 (0.030)	0.002 (0.030)	0.024 (0.032)	0.050 (0.042)	0.002 (0.035)	0.003 (0.037)	-0.076 (0.086)	-0.005 (0.106)	0.463*** (0.135)
Rightist Democracy _{it}	-0.163*** (0.031)	-0.122*** (0.030)	-0.112*** (0.034)	-0.063** (0.025)	-0.029 (0.037)	0.004 (0.032)	-0.002 (0.024)	0.021 (0.038)	0.041 (0.040)	0.050 (0.078)	0.325*** (0.125)	0.595*** (0.150)
Centrist/Leftist Democracy _{it}	-0.142*** (0.028)	-0.125*** (0.028)	-0.124*** (0.032)	-0.035 (0.025)	-0.013 (0.031)	0.022 (0.039)	-0.003 (0.029)	0.016 (0.037)	0.030 (0.041)	0.077 (0.075)	0.323*** (0.124)	0.546*** (0.150)
Legislative Constraint _{it}		0.028 (0.047)	-0.011 (0.049)		0.006 (0.043)	-0.027 (0.048)		-0.031 (0.056)	-0.048 (0.067)		-0.020 (0.169)	-0.028 (0.211)
OECD _{it}		-0.062** (0.025)	-0.078*** (0.028)		-0.009 (0.025)	-0.036 (0.025)		-0.011 (0.033)	-0.008 (0.035)		-0.182** (0.080)	-0.294*** (0.095)
Real GDP _{it}		-0.018*** (0.007)	-0.020*** (0.007)		-0.008 (0.005)	-0.007 (0.005)		-0.019*** (0.004)	-0.018*** (0.004)		-0.149*** (0.021)	-0.168*** (0.023)
GDP growth _{it}		0.007 (0.007)	0.006 (0.009)		0.009 (0.008)	0.010 (0.010)		-0.002 (0.014)	0.003 (0.016)		0.111** (0.049)	0.068 (0.063)
Population _{it}		0.011** (0.004)	0.009** (0.004)		0.006** (0.002)	0.002 (0.002)		0.017*** (0.003)	0.016*** (0.003)		0.047*** (0.010)	0.040*** (0.012)
Trade to GDP _{it}		-0.014** (0.005)	-0.016*** (0.005)		0.001 (0.009)	0.002 (0.009)		-0.023*** (0.007)	-0.023*** (0.007)		-0.333*** (0.029)	-0.368*** (0.034)
BITs in Force _{it}		-0.001 (0.000)	-0.001 (0.000)		-0.001 (0.001)	-0.001 (0.001)		-0.000 (0.000)	-0.000 (0.000)		-0.004** (0.002)	-0.003 (0.002)
BIT Partners _{ijt}		-0.008 (0.014)	-0.011 (0.013)		-0.023 (0.019)	-0.021 (0.016)		-0.009 (0.014)	-0.009 (0.014)		0.039 (0.066)	-0.035 (0.076)
Export to Partner _{ijt}		-0.001 (0.003)	-0.000 (0.003)		0.004 (0.003)	0.006 (0.004)		0.006* (0.003)	0.005* (0.003)		0.031* (0.016)	0.034* (0.019)
Import from Partner _{ijt}		-0.003 (0.003)	-0.002 (0.003)		-0.001 (0.004)	0.001 (0.004)		0.002 (0.003)	0.002 (0.004)		0.029* (0.017)	0.036* (0.020)
Distance _{ijt}		0.036*** (0.011)	0.038*** (0.012)		0.044*** (0.008)	0.045*** (0.009)		0.045*** (0.011)	0.042*** (0.012)		0.475*** (0.036)	0.555*** (0.045)
Contiguous _{ijt}		-0.010 (0.028)	-0.017 (0.030)		0.072*** (0.026)	0.032 (0.032)		-0.062* (0.032)	-0.076** (0.036)		-0.128 (0.147)	0.247 (0.189)
Shared Language _{ijt}		0.071*** (0.015)	0.058*** (0.018)		0.053** (0.024)	0.055** (0.026)		0.057*** (0.020)	0.056** (0.024)		0.180** (0.086)	0.222** (0.109)
Corp. Inc. Tax Rate _{it}			0.305*** (0.081)			0.232 (0.141)			0.032 (0.114)			1.991*** (0.448)
State controls		Y	Y		Y	Y		Y	Y		Y	Y
Dyad controls		Y	Y		Y	Y		Y	Y		Y	Y
Domestic Cor. Inc. Tax %												
Period	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
BTs included	3271	2684	1967	3401	2798	2037	3169	2610	1948	3279	2687	1966
Num. obs.	6542	5368	3934	6802	5596	4074	6338	5220	3896	6558	5374	3932
Adj. R ² (full model)	0.155	0.283	0.302	0.046	0.088	0.121	0.062	0.210	0.210			
Adj. R ² (proj model)	0.100	0.235	0.282	0.015	0.058	0.079	0.010	0.168	0.181			
AIC												
BIC												
Log Likelihood												
Deviance												
*** p < 0.01; ** p < 0.05; * p < 0.1												

Table C2: Result heterogeneity by types of personal income

	Corporate Income			Personal Income			Divestment			Outgoing Payments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Centrist/Leftist Nondemocracy _{it}	-0.327 (0.318)	-0.303 (0.357)	-0.171 (0.458)	0.185 (0.246)	0.074 (0.271)	0.430 (0.299)	-0.167 (0.379)	-0.278 (0.358)	0.034 (0.424)	-0.200 (0.346)	-0.051 (0.312)	0.097 (0.365)
Rightist Democracy _{it}	-0.741** (0.322)	-1.207** (0.528)	-1.077* (0.553)	-0.205 (0.220)	0.089 (0.263)	0.512* (0.292)	-0.257 (0.269)	0.163 (0.399)	0.386 (0.398)	-0.323 (0.262)	-0.015 (0.349)	0.157 (0.378)
Centrist/Leftist Democracy _{it}	-0.483 (0.339)	-1.122** (0.521)	-1.151** (0.553)	0.046 (0.226)	0.221 (0.258)	0.755*** (0.284)	0.005 (0.283)	0.459 (0.405)	0.704* (0.405)	-0.392 (0.278)	-0.209 (0.348)	-0.114 (0.389)
State controls		Y	Y		Y	Y		Y	Y		Y	Y
Dyad controls		Y	Y		Y	Y		Y	Y		Y	Y
Domestic Cor. Inc. Tax												
Period	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	3160	2564	1920	3100	2584	1846	1779	1536	1149	3155	2574	1929
Num. obs.	6320	5128	3840	6200	5168	3692	3558	3072	2298	6310	5148	3858
Deviance	3422.945	2523.113	1822.490	5039.329	3991.441	2916.668	4650.307	3936.095	3004.059	8139.373	5683.042	4244.027
Log Likelihood	-1711.473	-1261.557	-911.245	-2519.664	-1995.721	-1458.334	-2325.154	-1968.048	-1502.030	-4069.687	-2841.521	-2122.014
Pseudo R ²	0.033	0.046	0.064	0.056	0.087	0.122	0.030	0.034	0.014	0.021	0.141	0.158

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table C3: Government types and treaty formation

	(1)	(2)	(3)	(4)
Centrist/Leftist Nondemocracy _{it}	0.035 (0.036)	-0.196*** (0.052)	-0.170*** (0.064)	-0.392*** (0.098)
Rightist Democracy _{it}	0.453*** (0.036)	0.028 (0.059)	0.002 (0.068)	-0.065 (0.100)
Centrist/Leftist Democracy _{it}	0.390*** (0.035)	0.021 (0.057)	-0.031 (0.067)	-0.154* (0.098)
Period	1960-2022	1960-2022	1980-2022	2004-2022
State controls		✓	✓	✓
Dyad controls		✓	✓	✓
Cor. Inc. Tax Rate			✓	✓
Treaty-Shopping Risk				✓
BTTs Included	4198	2784	2049	973
N	1333124	549754	355898	190654

*p < .1; **p < .05; ***p < .01

Table C4: Government types and treaty formation

	(1)	(2)	(3)	(4)
Centrist/Leftist Nondemocracy _{it}	0.035 (0.036)	-0.196*** (0.052)	-0.170*** (0.064)	-0.392*** (0.098)
Rightist Democracy _{it}	0.453*** (0.036)	0.028 (0.059)	0.002 (0.068)	-0.065 (0.100)
Centrist/Leftist Democracy _{it}	0.390*** (0.035)	0.021 (0.057)	-0.031 (0.067)	-0.154* (0.098)
Population _{it}		0.001*** (0.0001)	0.001*** (0.0001)	0.001*** (0.0001)
OECD _{it}		-0.217*** (0.046)	-0.209*** (0.055)	-0.157* (0.077)
Real GDP _{it}		0.00000 (0.00000)	0.00000* (0.00000)	0.00000*** (0.00000)
GDP growth _{it}		-0.003 (0.020)	-0.015 (0.030)	0.030 (0.053)
Trade to GDP _{it}		0.139*** (0.014)	0.109*** (0.017)	0.086*** (0.025)
Legislative Constraint _{it}		0.167*** (0.077)	0.161** (0.091)	0.234* (0.134)
BITs in Force _{it}		-0.001 (0.001)	-0.0002 (0.001)	0.0004 (0.001)
BIT Partners _{ijt}		0.409*** (0.035)	0.321*** (0.040)	0.271*** (0.055)
Exports to Partner _{ijt}		0.107*** (0.008)	0.081*** (0.009)	0.066*** (0.013)
Imports from Partner _{ijt}		0.107*** (0.008)	0.081*** (0.009)	0.068*** (0.012)
Distance _{ijt}		-0.298*** (0.018)	-0.311*** (0.021)	-0.177*** (0.030)
Contiguous _{ijt}		-0.371*** (0.065)	-0.385*** (0.079)	-0.314 (0.122)
Shared Language _{ijt}		-0.138*** (0.039)	-0.096 (0.048)	0.175* (0.069)
Cor. Inc. Tax Rate _{it}			-1.103*** (0.202)	-2.050*** (0.309)
Treaty-Shopping Risk _{ijt}				-0.209*** (0.022)
Period	1960-2022	1960-2022	1980-2022	2004-2022
State controls		✓	✓	✓
Dyad controls		✓	✓	✓
Cor. Inc. Tax Rate			✓	✓
Treaty-Shopping Risk				✓
BTTs Included	4198	2784	2049	973
N	1333124	549754	355898	190654

*p < .1; **p < .05; ***p < .01

D Robustness Checks & Result Heterogeneity

D.1 Robustness Checks

Table D1: Robustness of main result: lagged independent variables

	Corporate Income		Personal Income		Divestment		Outgoing Payments	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Centrist/Leftist _{<i>i,t-1</i>}	-0.099*** (0.032)	-0.093*** (0.034)	-0.014 (0.028)	-0.005 (0.031)	0.008 (0.034)	0.025 (0.036)	0.151 (0.099)	0.519*** (0.124)
Democracy _{<i>i,t-1</i>}	-0.089*** (0.030)	-0.077** (0.033)	-0.034 (0.033)	-0.016 (0.041)	0.046 (0.039)	0.074* (0.040)	0.371*** (0.115)	0.617*** (0.137)
Democracy × Centrist/Leftist _{<i>i,t-1</i>}	0.100*** (0.036)	0.086** (0.037)	0.037 (0.028)	0.030 (0.032)	-0.015 (0.036)	-0.034 (0.036)	-0.133 (0.118)	-0.601*** (0.145)
State controls	Y	Y	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %		Y		Y		Y		Y
Period	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	2741	2048	2882	2140	2666	2027	2740	2047
Num. obs.	5482	4096	5764	4280	5332	4054	5480	4094
Adj. R ² (full model)	0.293	0.301	0.102	0.122	0.212	0.218		
Adj. R ² (proj model)	0.247	0.281	0.072	0.085	0.174	0.189		
AIC							11752.146	8192.088
BIC							12340.334	8653.249
Log Likelihood							-5787.073	-4023.044
Deviance							11574.146	8046.088

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D2: Regression results of the main analysis: interacted regime type and government ideology

	Corporate Income			Personal Income			Divestment			Outgoing Payments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Centrist/Leftist _{it}	-0.080** (0.036)	-0.110*** (0.035)	-0.118*** (0.037)	-0.007 (0.030)	0.002 (0.030)	0.024 (0.032)	0.050 (0.042)	0.002 (0.035)	0.003 (0.037)	-0.076 (0.086)	-0.005 (0.106)	0.463*** (0.135)
Democracy _{it}	-0.163*** (0.031)	-0.122*** (0.030)	-0.112*** (0.034)	-0.063** (0.025)	-0.029 (0.032)	0.004 (0.037)	-0.002 (0.024)	0.021 (0.038)	0.041 (0.040)	0.050 (0.078)	0.325*** (0.125)	0.595*** (0.150)
Democracy × Centrist/Leftist _{it}	0.101** (0.042)	0.107*** (0.038)	0.106** (0.040)	0.034 (0.032)	0.014 (0.031)	-0.006 (0.034)	-0.051 (0.042)	-0.006 (0.035)	-0.013 (0.035)	0.103 (0.105)	0.002 (0.124)	-0.512*** (0.155)
State controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Period	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	3271	2684	1967	3401	2798	2037	3169	2610	1948	3279	2687	1966
Num. obs.	6542	5368	3934	6802	5596	4074	6338	5220	3896	6558	5374	3932
Adj. R ² (full model)	0.155	0.283	0.302	0.046	0.088	0.121	0.062	0.210	0.210	0.210	0.210	0.210
Adj. R ² (proj model)	0.100	0.235	0.282	0.015	0.058	0.079	0.010	0.168	0.181	0.168	0.168	0.181
AIC												
BIC												
Log Likelihood												
Deviance												
										14708.751	11296.031	7665.233
										15183.942	11889.070	8117.170
										-7284.376	-5558.015	-3760.617
										14568.751	11116.031	7521.233

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D3: Result heterogeneity by types of personal income: OLS models

	Corporate Income			Personal Income			Divestment			Outgoing Payments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Centrist/Leftist Nondemocracy _{it}	-0.030 (0.030)	-0.022 (0.028)	-0.014 (0.042)	0.021 (0.028)	0.006 (0.030)	0.046 (0.036)	-0.038 (0.087)	-0.063 (0.081)	0.008 (0.094)	-0.046 (0.080)	-0.011 (0.058)	0.017 (0.067)
Rightist Democracy _{it}	-0.057* (0.029)	-0.086* (0.046)	-0.087 (0.057)	-0.029 (0.030)	0.006 (0.030)	0.049 (0.037)	-0.059 (0.062)	0.035 (0.090)	0.086 (0.091)	-0.074 (0.060)	-0.004 (0.064)	0.031 (0.069)
Centrist/Leftist Democracy _{it}	-0.041 (0.031)	-0.077* (0.046)	-0.090 (0.057)	0.005 (0.028)	0.026 (0.031)	0.089** (0.037)	0.002 (0.066)	0.101 (0.093)	0.160 (0.096)	-0.090 (0.063)	-0.036 (0.065)	-0.018 (0.072)
State controls		Y	Y		Y	Y		Y	Y		Y	Y
Dyad controls		Y	Y		Y	Y		Y	Y		Y	Y
Domestic Cor. Inc. Tax												
Period	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	3160	2564	1920	3100	2584	1846	1779	1536	1149	3155	2574	1929
Num. obs.	6460	5314	3926	6310	5268	3810	3588	3098	2298	6380	5242	3890
Adj. R ² (full model)	0.032	0.043	0.061	0.063	0.091	0.126	0.062	0.077	0.047	0.041	0.195	0.220
Adj. R ² (proj model)	0.008	0.020	0.031	0.004	0.034	0.054	0.005	0.029	0.028	0.007	0.166	0.196

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

D.1.1 Income Levels and Host Taxing Rights

Tables D4 and D5 show that the descriptive pattern that lower income levels predict higher host taxing rights is robust to controlling for state- and dyad-level covariates and year fixed effects. The model specifications follow the baseline models for host taxing rights.

Table D4: Income levels and BTT host taxing rights

	Overall		Outgoing Payments	
	(1)	(2)	(3)	(4)
High-Income vs. Upper-Middle	0.096*** (0.013)	0.075*** (0.013)	1.154*** (0.085)	1.421*** (0.104)
Both Upper-Middle	0.142*** (0.024)	0.090*** (0.027)	1.304*** (0.142)	1.879*** (0.180)
High-Income vs. Lower-/Low-Middle	0.145*** (0.016)	0.099*** (0.015)	1.450*** (0.081)	1.891*** (0.110)
Upper-Middle vs. Lower-/Low-Middle	0.190*** (0.020)	0.134*** (0.022)	1.709*** (0.098)	2.479*** (0.146)
Both Lower-/Low-Middle	0.251*** (0.022)	0.171*** (0.025)	2.165*** (0.103)	3.206*** (0.165)
Year FE	Y	Y	Y	Y
State controls		Y		Y
Dyad controls		Y		Y
Model	OLS	OLS	Ordered Logit	Ordered Logit
BTTs included	3193	2542	3025	2407
Num. obs.	6386	5084	6050	4814
Adj. R ² (full model)	0.146	0.204		
Adj. R ² (proj model)	0.128	0.183		
AIC			12372.999	9255.458
BIC			12668.142	9657.173
Log Likelihood			−6142.499	−4565.729
Deviance			12284.999	9131.458

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D5: Income levels and BTT host taxing rights, by tax base

	Corporate Income		Personal Income		Divestment		Outgoing Payments	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
High-Income vs. Upper-Middle	0.107*** (0.015)	0.068*** (0.018)	0.067*** (0.021)	0.044** (0.020)	0.167*** (0.025)	0.164*** (0.026)	1.154*** (0.085)	1.421*** (0.104)
Both Upper-Middle	0.173*** (0.028)	0.086** (0.039)	0.129*** (0.041)	0.088** (0.038)	0.197*** (0.041)	0.193*** (0.042)	1.304*** (0.142)	1.879*** (0.180)
High-Income vs. Lower-/Low-Middle	0.217*** (0.021)	0.143*** (0.026)	0.077*** (0.025)	0.046* (0.024)	0.200*** (0.025)	0.171*** (0.023)	1.450*** (0.081)	1.891*** (0.110)
Upper-Middle vs. Lower-/Low-Middle	0.276*** (0.027)	0.150*** (0.038)	0.153*** (0.036)	0.133*** (0.035)	0.192*** (0.029)	0.163*** (0.035)	1.709*** (0.098)	2.479*** (0.146)
Both Lower-/Low-Middle	0.364*** (0.032)	0.211*** (0.038)	0.184*** (0.037)	0.145*** (0.037)	0.239*** (0.028)	0.202*** (0.037)	2.165*** (0.103)	3.206*** (0.165)
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
State controls		Y		Y		Y		Y
Dyad controls		Y		Y		Y		Y
Model	OLS	OLS	OLS	OLS	OLS	OLS	Ordered Logit	Ordered Logit
BTTs included	3024	2408	3187	2540	2993	2386	3025	2407
Num. obs.	6048	4816	6374	5080	5986	4772	6050	4814
Adj. R ² (full model)	0.187	0.253	0.055	0.092	0.092	0.217		
Adj. R ² (proj model)	0.172	0.234	0.039	0.077	0.072	0.195		
AIC								
BIC							12372.999	9255.458
Log Likelihood							12668.142	9657.173
Deviance							-6142.499	-4565.729
							12284.999	9131.458

*** $p < 0.01$, ** $p < 0.05$; * $p < 0.1$

D.1.2 Accounting for Treaty Shopping Behavior

In Appendix Table D6, I also account for an alternative view on BTT taxing rights and formation offered by Arel-Bundock (2017) and Qian (2023). They explain both BTT formation and the maximum withholding rates (i.e., host taxing right on outgoing payments) using the risk of two states facing MNCs' treaty-shopping or tax avoidance behavior. They argue that the greater the treaty-shopping risks between two states, the more likely the two states are to form a BTT and offer a lower host taxing right on outgoing payments.

Suppose that states A and B do not have a BTT yet, but a firm resident of A has a subsidiary in B that regularly repatriates dividends to A . Without a BTT, the dividends are subject to B 's statutory withholding rate of 30%. To reduce the tax burden, the firm decides to reroute the dividends through a third-country C by setting up a shell holding there. C has BTTs with both A and B , and those BTTs offer low withholding rates: B will withhold 5% from payments from B to C , and C will only withhold 10% from payments from C to A , so the total *indirect* withholding rate will be 15%. According to Arel-Bundock and Qian, this treaty-shopping behavior leads to a reduced fiscal revenue for B , so B is facing a "treaty-shopping risk." They predict that B will negotiate a BTT with A that has a withholding rate lower than 15% but higher than 5% so that the firm will no longer reroute its payments through C , and B will recover part of its tax base. To calculate the treaty-shopping risk, they assume that firms will set up shell holdings in the country that provides the minimal *indirect* withholding rate, and they compute the treaty-shopping risk by finding the minimal indirect withholding rate for each directed dyad.

I compute and control for the treaty-shopping risk for each dyad following their procedure. Qian computes this measure for the period from 1980 to 2020, and the computation requires two sorts of data: the withholding rates in each BTT as well as each country's statutory withholding rates between 1980 and 2020. Data on statutory withholding rates are available from Ernst & Young's annual summary reports since 2004 and from PricewaterhouseCoopers' annual summary reports before 2004. I have only been able to collect the data since 2004 because the EY reports are available online as PDF files while PwC's are not. Therefore, I am only able to compute and control for the treaty-shopping risk for the period between 2004 and 2020. As shown in Table D6, my results remain robust while the treaty-shopping risk measure does not have the expected effect.

Table D6: Robustness of main result: controlling for treaty-shopping risks (2004-2020)

	Corporate Income	Personal Income	Divestment	Outgoing Payments
	(1)	(2)	(3)	(4)
Centrist/Leftist Nondemocracy _{it}	−0.098** (0.039)	−0.004 (0.040)	0.007 (0.037)	0.597*** (0.206)
Rightist Democracy _{it}	−0.146** (0.055)	−0.058 (0.059)	0.089* (0.049)	0.030 (0.235)
Centrist/Leftist Democracy _{it}	−0.160*** (0.054)	−0.046 (0.062)	0.072 (0.050)	0.013 (0.236)
Treaty-Shopping Risk _{ijt}	0.006 (0.006)	0.017* (0.008)	0.006 (0.007)	0.377*** (0.047)
State controls	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y
Corp. Inc. Tax Rate	Y	Y	Y	Y
Treaty-Shopping Risk	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
BTTs included	906	937	905	906
Num. obs.	1812	1874	1810	1812
Adj. R ² (full model)	0.337	0.133	0.240	
Adj. R ² (proj model)	0.322	0.120	0.223	
AIC				3328.124
BIC				3603.234
Log Likelihood				−1614.062
Deviance				3228.124

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

D.1.3 Heterogeneity Across Detailed Tax Bases

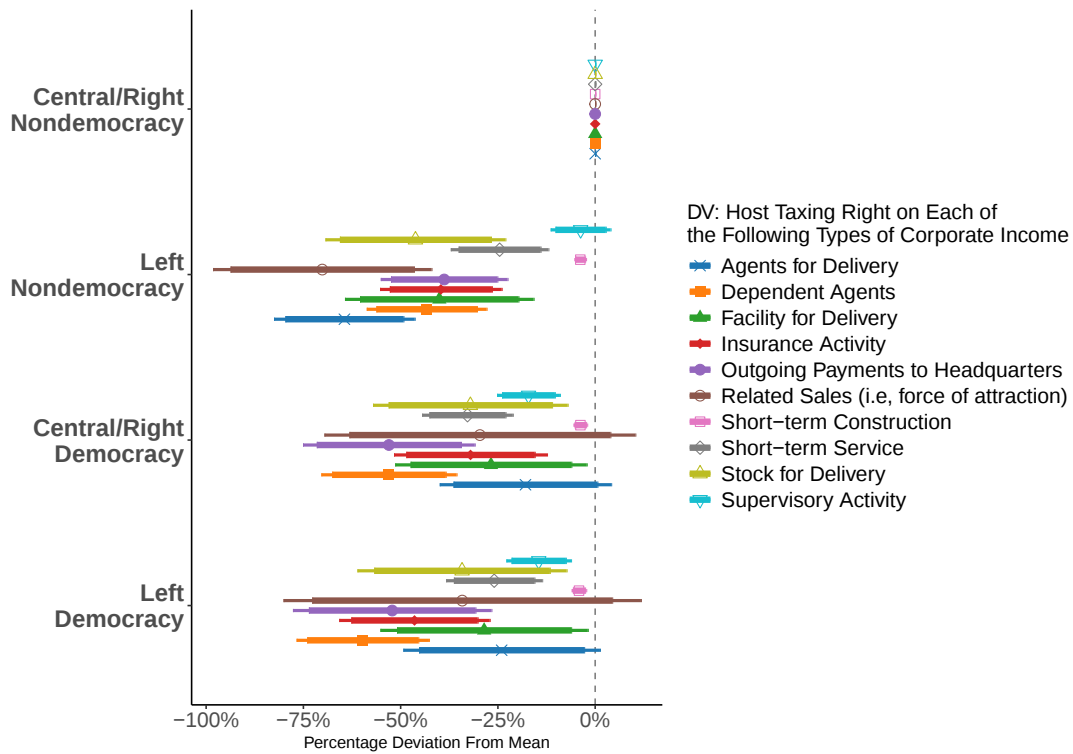


Figure D1: **Result heterogeneity across specific tax bases under corporate income.** Model with full state- and dyad-level controls as well as year fixed effects.

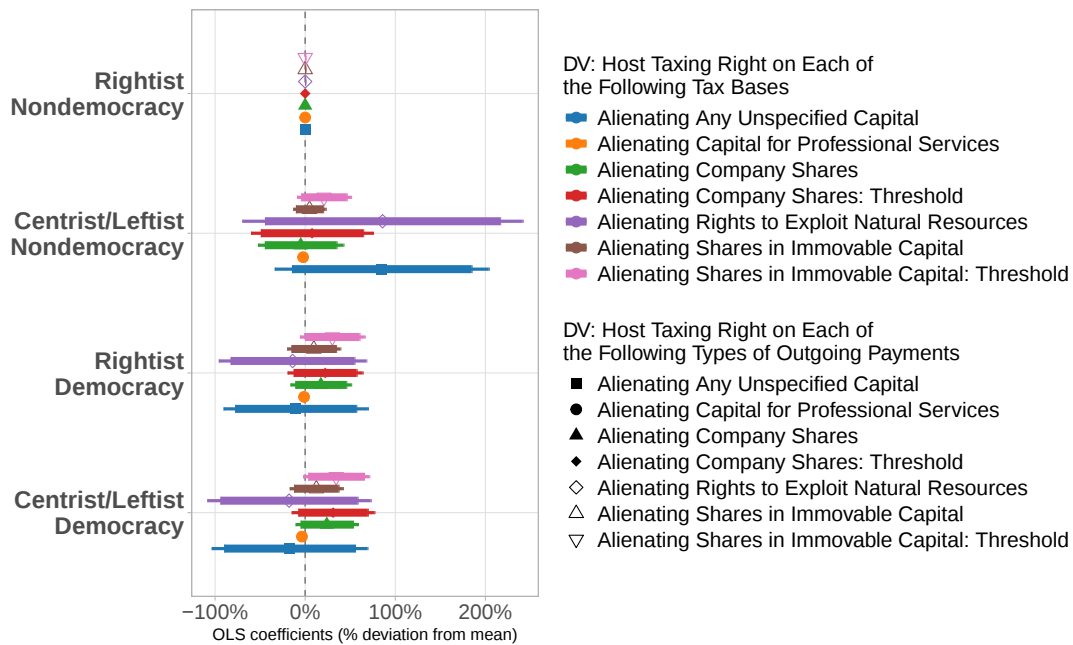


Figure D2: **Result heterogeneity across specific tax bases under “divestment”.** Model with full state- and dyad-level controls as well as year fixed effects.

D.1.4 Alternative Measures of Regime Type

Table D7: Measuring regime type with the Polity score

	Corporate Income		Personal Income		Divestment		Outgoing Payments	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Centrist/Leftist _{it}	−0.070*** (0.025)	−0.073*** (0.026)	0.010 (0.022)	0.021 (0.024)	0.008 (0.025)	0.021 (0.027)	0.079 (0.075)	0.351*** (0.097)
Polity _{it}	−0.007*** (0.002)	−0.005** (0.003)	−0.001 (0.003)	0.001 (0.003)	0.005* (0.003)	0.008*** (0.003)	0.030*** (0.009)	0.059*** (0.011)
Polity × Centrist/Leftist _{it}	0.008** (0.003)	0.007** (0.003)	0.001 (0.002)	−0.001 (0.003)	−0.002 (0.003)	−0.004 (0.003)	−0.009 (0.009)	−0.047*** (0.011)
State controls	Y	Y	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %		Y		Y		Y		Y
Period	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	2336	1699	2436	1755	2271	1681	2337	1698
Num. obs.	4672	3398	4872	3510	4542	3362	4674	3396
Adj. R ² (full model)	0.297	0.308	0.105	0.127	0.227	0.243		
Adj. R ² (proj model)	0.251	0.292	0.070	0.087	0.187	0.214		
AIC							9921.942	6630.713
BIC							10489.522	7065.968
Log Likelihood							−4872.971	−3244.357
Deviance							9745.942	6488.713

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

D.1.5 Alternative Measures of Ideology

Table D7 shows that the results are robust to using the continuous Polity2 score instead of the binary measure of democracy. Appendix D.1.5 examines whether the results are robust to various alternative measures of ideology. Firstly, I use a three-category coding of Herre's data and show that my baseline results are driven by both the difference between leftist and rightist governments and that between leftist and centrist ones.²³ Then, I use measures from Manzano (2017), one of the largest datasets for personal ideology.

²³Herre codes a fourth category of “non-ideological” for no more than 1% of his sample, so I treat those non-ideological leaders as centrist leaders.

Table D8: Alternative measures of ideology: 3-level coding of Herre's data

	Corporate Income		Personal Income		Divestment		Outgoing Payments	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Centrist _{it}	-0.096*	-0.107*	-0.001	-0.007	-0.027	-0.034	-0.213	-0.536
	(0.055)	(0.056)	(0.045)	(0.046)	(0.039)	(0.040)	(0.296)	(0.362)
Leftist _{it}	-0.116***	-0.109***	0.009	0.031	0.005	0.024	0.176	0.705***
	(0.038)	(0.039)	(0.032)	(0.034)	(0.036)	(0.037)	(0.111)	(0.142)
Democracy _{it}	-0.118***	-0.101***	-0.033	-0.007	0.036	0.067	0.348***	0.606***
	(0.030)	(0.035)	(0.033)	(0.039)	(0.041)	(0.042)	(0.129)	(0.155)
Centrist × Democracy _{it}	0.098*	0.090	0.039	0.045	0.027	0.032	0.614**	0.883**
	(0.058)	(0.059)	(0.050)	(0.050)	(0.042)	(0.043)	(0.313)	(0.382)
Democracy × Leftist _{it}	0.110**	0.098**	-0.004	-0.024	-0.019	-0.044	-0.365***	-0.980***
	(0.042)	(0.044)	(0.034)	(0.037)	(0.037)	(0.035)	(0.134)	(0.167)
State controls	Y	Y	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %		Y		Y		Y		Y
Period	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	2531	1874	2644	1942	2460	1855	2532	1873
Num. obs.	5062	3748	5288	3884	4920	3710	5064	3746
Adj. R ² (full model)	0.300	0.309	0.109	0.130	0.222	0.233		
Adj. R ² (proj model)	0.256	0.292	0.071	0.082	0.184	0.204		
AIC							10628.538	7294.971
BIC							11242.350	7774.562
Log Likelihood							-5220.269	-3570.486
Deviance							10440.538	7140.971

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D9: Alternative measures of ideology: Manzano (2017)

	Corporate Income		Personal Income		Divestment		Outgoing Payments	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Leftist _{it}	-0.081*	-0.100*	-0.005	0.133	0.030	-0.049	-1.048***	-0.689
	(0.041)	(0.050)	(0.033)	(0.085)	(0.052)	(0.115)	(0.290)	(0.527)
Democracy _{it}	-0.123**	-0.067	0.019	-0.016	0.120	0.293***	-0.697	-0.398
	(0.054)	(0.107)	(0.067)	(0.167)	(0.099)	(0.061)	(0.542)	(0.991)
State controls	Y	Y	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %		Y		Y		Y		Y
Period	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	165	88	186	93	152	87	164	88
Num. obs.	330	176	372	186	304	174	328	176
Adj. R ² (full model)	0.481	0.317	0.113	0.130	0.419	0.292		
Adj. R ² (proj model)	0.298	0.277	0.043	0.063	0.166	0.143		
AIC							720.352	346.505
BIC							963.105	505.029
Log Likelihood							-296.176	-123.253
Deviance							592.352	246.505

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

D.2 Result Heterogeneity

The main results remain similar after I exclude any treaty signed by one of a list of about twenty commonly recognized tax havens in the world (see Table [D10](#)). These jurisdictions include: Andorra, Bahamas, Belize, Bermuda, British Virgin Islands, Cayman Islands, Cyprus, Guernsey, Hong Kong, Ireland, Isle of Man, Jersey, Liechtenstein, Luxembourg, Malaysia, Malta, Mauritius, Monaco, Netherlands, Panama, Seychelles, Singapore, Switzerland. Although Malaysia is usually not considered a tax haven, its BTT commitments are highly similar to those of Singapore due to likely imitation.

Table D10: Robustness of the main result: excluding tax havens

	Corporate Income			Personal Income			Divestment			Outgoing Payments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Centrist/Leftist Nondemocracy _{it}	-0.086** (0.040)	-0.117*** (0.037)	-0.121*** (0.040)	-0.024 (0.031)	-0.017 (0.030)	-0.004 (0.034)	0.048 (0.044)	0.001 (0.037)	0.002 (0.039)	-0.052 (0.098)	-0.036 (0.117)	0.459*** (0.154)
Rightist Democracy _{it}	-0.175*** (0.033)	-0.131*** (0.033)	-0.114*** (0.037)	-0.063** (0.029)	-0.028 (0.034)	0.018 (0.037)	-0.005 (0.026)	0.017 (0.039)	0.038 (0.040)	0.232*** (0.089)	0.471*** (0.138)	0.827*** (0.170)
Centrist/Leftist Democracy _{it}	-0.147*** (0.030)	-0.129*** (0.030)	-0.122*** (0.034)	-0.032 (0.029)	-0.005 (0.033)	0.041 (0.038)	0.008 (0.030)	0.020 (0.039)	0.035 (0.041)	0.291*** (0.086)	0.507*** (0.138)	0.798*** (0.170)
State controls		Y	Y		Y	Y		Y	Y		Y	Y
Dyad controls		Y	Y		Y	Y		Y	Y		Y	Y
Domestic Cor. Inc. Tax %			Y			Y			Y			Y
Period	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	2536	2181	1560	2657	2286	1622	2466	2127	1547	2537	2182	1560
Num. obs.	5072	4362	3120	5314	4572	3244	4932	4254	3094	5074	4364	3120
Adj. R ² (full model)	0.167	0.282	0.297	0.038	0.089	0.122	0.061	0.203	0.203			
Adj. R ² (proj model)	0.106	0.227	0.271	0.011	0.059	0.082	0.008	0.153	0.164			
AIC												
BIC												
Log Likelihood										10933.821	8928.958	5792.250
Deviance										11391.053	9503.261	6227.533
										-5396.911	-4374.479	-2824.125
										10793.821	8748.958	5648.250

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D11: Robustness of the main analysis: excluding amendment protocols

	Corporate Income			Personal Income			Divestment			Outgoing Payments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Centrist/Leftist Nondemocracy _{it}	-0.093** (0.042)	-0.109*** (0.037)	-0.119*** (0.042)	-0.020 (0.028)	0.001 (0.031)	0.012 (0.039)	0.036 (0.041)	-0.005 (0.038)	-0.018 (0.039)	-0.003 (0.005)	-0.002 (0.005)	0.002 (0.005)
Rightist Democracy _{it}	-0.141*** (0.036)	-0.118*** (0.038)	-0.099** (0.041)	-0.051** (0.024)	-0.008 (0.031)	0.020 (0.038)	0.051** (0.024)	0.032 (0.037)	0.034 (0.042)	0.004 (0.004)	0.006 (0.005)	0.009 (0.005)
Centrist/Leftist Democracy _{it}	-0.110*** (0.031)	-0.118*** (0.033)	-0.117*** (0.037)	-0.049** (0.023)	-0.018 (0.030)	0.011 (0.038)	0.029 (0.028)	0.008 (0.036)	0.009 (0.041)	0.004 (0.004)	0.005 (0.004)	0.006 (0.005)
State controls		Y	Y		Y	Y		Y	Y		Y	Y
Dyad controls		Y	Y		Y	Y		Y	Y		Y	Y
Domestic Cor. Inc. Tax %			Y			Y			Y			Y
Period	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	1776	1412	997	1892	1508	1051	1718	1373	984	1772	1410	996
Num. obs.	3552	2824	1994	3784	3016	2102	3436	2746	1968	3544	2820	1992
Adj. R ² (full model)	0.120	0.206	0.245	0.049	0.104	0.136	0.062	0.185	0.185	0.233	0.303	0.356
Adj. R ² (proj model)	0.061	0.145	0.204	0.009	0.059	0.075	0.006	0.124	0.134	0.014	0.087	0.159

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D12: Robustness of the main analysis: excluding BTTs with full taxing rights

	Corporate Income			Personal Income			Divestment			Outgoing Payments		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Centrist/Leftist Nondemocracy _{it}	-0.080** (0.036)	-0.110*** (0.035)	-0.118*** (0.037)	-0.006 (0.036)	-0.005 (0.032)	0.029 (0.035)	0.053 (0.042)	0.004 (0.035)	0.006 (0.038)	-0.076 (0.086)	-0.005 (0.106)	0.463*** (0.135)
Rightist Democracy _{it}	-0.163*** (0.031)	-0.122*** (0.030)	-0.112*** (0.034)	-0.035 (0.029)	-0.018 (0.036)	0.013 (0.040)	0.000 (0.024)	0.023 (0.039)	0.044 (0.041)	0.050 (0.078)	0.325*** (0.125)	0.595*** (0.150)
Centrist/Leftist Democracy _{it}	-0.142*** (0.028)	-0.125*** (0.028)	-0.124*** (0.032)	-0.010 (0.029)	-0.006 (0.035)	0.025 (0.041)	-0.000 (0.029)	0.019 (0.039)	0.033 (0.042)	0.077 (0.075)	0.323*** (0.124)	0.546*** (0.150)
State controls		Y	Y		Y	Y		Y	Y		Y	Y
Dyad controls		Y	Y		Y	Y		Y	Y		Y	Y
Domestic Cor. Inc. Tax %			Y			Y			Y			Y
Period	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020	1960-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
BTTs included	3271	2684	1967	3293	2706	1983	3167	2609	1947	3279	2687	1966
Num. obs.	6542	5368	3934	6586	5412	3966	6334	5218	3894	6558	5374	3932
Adj. R ² (full model)	0.155	0.283	0.302	0.036	0.095	0.128	0.063	0.211	0.211			
Adj. R ² (proj model)	0.100	0.235	0.282	0.005	0.065	0.084	0.010	0.168	0.181			
AIC												
BIC												
Log Likelihood										14708.747	11296.031	7665.235
Deviance										15183.938	11889.070	8117.172
										-7284.374	-5558.015	-3760.617
										14568.747	11116.031	7521.235

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D13: Subsamples by within-dyad relative development levels (World Bank income level classifications)

	Corporate Income			Firm Managers			Exempt Subsidiary-Parent Dividends		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Centrist/Leftist Nondemocracy _{it}	-0.128** (0.058)	-0.142*** (0.022)	-0.111*** (0.028)	-0.024 (0.094)	0.015 (0.022)	-0.086 (0.052)	0.195 (0.134)	0.122*** (0.043)	-0.013 (0.050)
Rightist Democracy _{it}	-0.231*** (0.032)	-0.112*** (0.022)	-0.110*** (0.031)	0.016 (0.104)	-0.014 (0.032)	-0.202*** (0.047)	0.328*** (0.096)	0.172*** (0.056)	0.201*** (0.067)
Centrist/Leftist Democracy _{it}	-0.227*** (0.029)	-0.116*** (0.023)	-0.160*** (0.029)	-0.001 (0.105)	-0.028 (0.030)	-0.195*** (0.052)	0.335*** (0.105)	0.175*** (0.058)	0.228*** (0.067)
Sample	Both High-Income	One High-Income	No High-Income	Both High-Income	One High-Income	No High-Income	Both High-Income	One High-Income	No High-Income
State controls	Y	Y	Y	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %	Y	Y	Y	Y	Y	Y	Y	Y	Y
Period	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y
Num. obs.	618	2026	914	614	2022	914	618	2084	1006
Adj. R ² (full model)	0.344	0.280	0.301	0.159	0.049	0.165	0.241	0.182	0.149
Adj. R ² (proj model)	0.284	0.236	0.239	0.030	0.008	0.091	0.207	0.161	0.107

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D14: Subsamples by within-dyad relative economic size (real GDP)

	Corporate Income		Firm Managers		Exempt Subsidiary–Parent Dividends	
	(1)	(2)	(3)	(4)	(5)	(6)
Centrist/Leftist Nondemocracy _{it}	−0.099*** (0.015)	−0.160*** (0.029)	−0.016 (0.021)	−0.039 (0.032)	0.025 (0.027)	−0.054 (0.073)
Rightist Democracy _{it}	−0.100*** (0.019)	−0.137*** (0.027)	−0.068*** (0.025)	−0.143*** (0.046)	0.154*** (0.035)	0.156** (0.058)
Centrist/Leftist Democracy _{it}	−0.110*** (0.018)	−0.145*** (0.027)	−0.061** (0.024)	−0.146*** (0.049)	0.173*** (0.033)	0.158** (0.063)
Sample	$i < j$	$i \geq j$	$i < j$	$i \geq j$	$i < j$	$i \geq j$
State controls	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %	Y	Y	Y	Y	Y	Y
Period	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y
Num. obs.	2531	1874	2503	1870	2672	1951
Adj. R ² (full model)	0.302	0.316	0.036	0.055	0.177	0.189
Adj. R ² (proj model)	0.267	0.306	0.020	0.034	0.163	0.176

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D15: Subsamples by within-dyad relative development level (GDP per capita)

	Corporate Income		Firm Managers		Exempt Subsidiary–Parent Dividends	
	(1)	(2)	(3)	(4)	(5)	(6)
Centrist/Leftist Nondemocracy _{it}	−0.101*** (0.018)	−0.126*** (0.030)	−0.005 (0.020)	−0.079* (0.042)	−0.040 (0.026)	0.048 (0.051)
Rightist Democracy _{it}	−0.084*** (0.023)	−0.155*** (0.025)	−0.087*** (0.032)	−0.106** (0.051)	0.098** (0.038)	0.275*** (0.056)
Centrist/Leftist Democracy _{it}	−0.096*** (0.025)	−0.153*** (0.028)	−0.087*** (0.031)	−0.102* (0.054)	0.109*** (0.035)	0.262*** (0.051)
Sample	$i < j$	$i \geq j$	$i < j$	$i \geq j$	$i < j$	$i \geq j$
State controls	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %	Y	Y	Y	Y	Y	Y
Period	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y
Num. obs.	2449	1847	2426	1844	2583	1924
Adj. R ² (full model)	0.290	0.307	0.035	0.054	0.179	0.182
Adj. R ² (proj model)	0.262	0.297	0.020	0.033	0.168	0.170

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D16: Subsamples by dyad OECD membership; DV: host taxing right on corporate income

	Both OECD		OECD vs. Non-OECD		Non-OECD vs. OECD		Non-OECD vs. Non-OECD	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Centrist/Leftist Nondemocracy _{it}	−0.074** (0.036)				−0.108*** (0.022)	−0.085*** (0.022)	−0.107*** (0.019)	−0.122*** (0.024)
Rightist Democracy _{it}	0.061 (0.056)	−0.021 (0.070)	0.009 (0.057)	−0.020 (0.066)	−0.074*** (0.025)	−0.041 (0.030)	−0.171*** (0.024)	−0.149*** (0.025)
Centrist/Leftist Democracy _{it}	0.061 (0.062)	−0.018 (0.075)	−0.002 (0.055)	−0.036 (0.066)	−0.079*** (0.021)	−0.053** (0.025)	−0.153*** (0.027)	−0.160*** (0.027)
State controls	Y	Y	Y	Y	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y	Y	Y	Y	Y
Domestic Cor. Inc. Tax %		Y		Y		Y		Y
Period	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020	1960-2020	1980-2020
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Num. obs.	666	460	1350	1005	1350	1005	1696	1278
Adj. R ² (full model)	0.491	0.474	0.244	0.259	0.244	0.259	0.256	0.290
Adj. R ² (proj model)	0.394	0.422	0.210	0.221	0.210	0.221	0.200	0.250

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

D.2.1 Temporal Heterogeneity?

Table D17: Temporal heterogeneity: 1990–2004

	Corporate Income	Personal Income	Divestment	Outgoing Payments
	(1)	(2)	(3)	(4)
Centrist/Leftist Nondemocracy _{it}	−0.104*** (0.017)	0.033 (0.022)	0.029 (0.027)	0.350* (0.181)
Rightist Democracy _{it}	−0.111*** (0.030)	0.005 (0.021)	0.047 (0.034)	1.038*** (0.203)
Centrist/Leftist Democracy _{it}	−0.113*** (0.031)	0.009 (0.020)	0.043 (0.026)	0.893*** (0.196)
State controls	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y
BTTs included	1068	1117	1053	1068
Num. obs.	2136	2234	2106	2136
Adj. R ² (full model)	0.238	0.071	0.183	
Adj. R ² (proj model)	0.236	0.060	0.175	
AIC				4181.442
BIC				4436.443
Log Likelihood				−2045.721
Deviance				4091.442

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table D18: Temporal heterogeneity: 2005–2020

	Corporate Income	Personal Income	Divestment	Outgoing Payments
	(1)	(2)	(3)	(4)
Centrist/Leftist Nondemocracy _{it}	−0.092*** (0.022)	0.033* (0.016)	0.010 (0.024)	0.994*** (0.186)
Rightist Democracy _{it}	−0.155*** (0.022)	−0.058* (0.033)	0.079*** (0.019)	0.252 (0.217)
Centrist/Leftist Democracy _{it}	−0.169*** (0.018)	−0.044 (0.038)	0.065** (0.024)	0.257 (0.217)
State controls	Y	Y	Y	Y
Dyad controls	Y	Y	Y	Y
BTTs included	926	976	925	926
Num. obs.	1852	1952	1850	1852
Adj. R ² (full model)	0.335	0.127	0.224	
Adj. R ² (proj model)	0.319	0.104	0.207	
AIC				3554.247
BIC				3808.352
Log Likelihood				−1731.123
Deviance				3462.247

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

D.2.2 Additional Results for the Treaty Formation Analysis

Table D19: How bilateral FDI and trade relations predict treaty formation, by government types

	(1)	(2)	(3)	(4)
BIT Partners _{ijt}	0.142 (0.107)	0.403*** (0.094)	0.374*** (0.063)	0.438*** (0.056)
Exports to Partner _{ijt}	0.059*** (0.017)	0.107*** (0.017)	0.110*** (0.016)	0.119*** (0.013)
Imports from Partner _{ijt}	0.185*** (0.020)	0.146*** (0.018)	0.086*** (0.015)	0.076*** (0.012)
Period	1960-2022	1960-2022	1960-2022	1960-2022
State controls	✓	✓	✓	✓
Dyad controls	✓	✓	✓	✓
BTTs Included	796	895	1625	2252
N	93450	116037	142804	197463

*p < .1; **p < .05; ***p < .01

Table D20: How bilateral FDI and trade relations predict treaty formation, by government types (1980-2022)

	(1)	(2)	(3)	(4)
BIT Partners _{ijt}	-0.073 (0.121)	0.186 (0.113)	0.297*** (0.069)	0.414*** (0.062)
Exports to Partner _{ijt}	0.050*** (0.020)	0.082*** (0.021)	0.074*** (0.018)	0.087*** (0.015)
Imports from Partner _{ijt}	0.123*** (0.023)	0.101*** (0.023)	0.079*** (0.017)	0.055*** (0.014)
Period	1980-2022	1980-2022	1980-2022	1980-2022
State controls	✓	✓	✓	✓
Dyad controls	✓	✓	✓	✓
Cor. Inc. Tax Rate	✓	✓	✓	✓
BTTs Included	566	586	1291	1655
N	52106	63071	104671	136050

*p < .1; **p < .05; ***p < .01

Table D21: How bilateral FDI and trade relations predict treaty formation, by government types (2004-2022).

	(1)	(2)	(3)	(4)
BIT Partners _{ijt}	-0.192 (0.156)	0.426* (0.192)	0.162 (0.092)	0.414*** (0.088)
Exports to Partner _{ijt}	0.096*** (0.027)	0.088*** (0.037)	0.029 (0.024)	0.056*** (0.022)
Imports from Partner _{ijt}	0.080*** (0.030)	0.059* (0.037)	0.090*** (0.022)	0.047*** (0.020)
Period	2004-2022	2004-2022	2004-2022	2004-2022
State controls	✓	✓	✓	✓
Dyad controls	✓	✓	✓	✓
Treaty-Shopping Risk	✓	✓	✓	✓
BTTs Included	308	220	676	742
N	25167	30266	60429	74792

*p < .1; **p < .05; ***p < .01