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Human Rights Shaming and FDI: Effects of the UN Human Rights Commission and Council

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ABSTRACT

Do public condemnations by the United Nations human rights bodies lead to foreign direct investment (FDI) loss for abusive regimes? The Human Rights Commission and later Council (UNHRCC) are internationally legitimized tools where member states shame repressive regimes for human rights violations in public resolutions. We argue that these resolutions can influence foreign investors in two main ways: (1) They signal that a state is an outcast, unable to secure alliances within the UN human rights bodies that protect it from being publicly shamed, with negative consequences for investment attractiveness ('outcast' effect). (2) They signal that a state is one of the most rogue, severe human rights violators because voting members of the UNHRCC may be aware of many human rights violations, but they pass resolutions only in the harshest cases ('bottleneck' effect). Any MNC associated with such a country risks severe reputational damage. Results from a panel data analysis of 165 countries (1977–2013) confirm that UNHRCC condemnations deter FDI. This effect is amplified by media reporting of human rights abuse, and stronger and more robust than a bad human rights record of a state itself. NGO shaming and milder UNHRCC sanctions (which do not reach resolution stage) have less strong effects, although the result on NGO shaming is to be seen with caution due to a reduced sample size.

1. Introduction

It is widely argued that a country's ability to attract foreign direct investment (FDI) depends not only on economic factors, but also on the political environment (Schneider & Bruno, 1985, Globerman & Shapiro, 2002).[1] Within the political sphere, the role of human rights protection has received great attention in the fields of International Relations and Development. The conventional wisdom used to be that foreign investors are drawn to repressive host countries which offer cheap labor and lax regulation of businesses (Hymer, 1979; Smith, Bolyard, & Ippolito, 1999). However, more recent empirical work has provided evidence that better human rights protection is connected to higher FDI inflows, indicating that firms seek political stability (Schneider & Bruno, 1985) and improved human capital (Noorbakhsh, Paloni, & Youssef, 2001), which are connected to better human rights protection (Blanton & Blanton, 2006, 2007b).

An emerging key factor in explaining the link between human rights and FDI is shaming activities by state and non-state actors. The growing literature on general shaming effects has tended to focus on non-governmental organizations (NGOs), which publicize human rights abuses to force repressive regimes to comply with international human rights norms (Risse, Ropp, & Sikkink, 1999). One way to exert pressure on these states is through economic costs. For example, Barry, Chad and Flynn (2013) show that naming and shaming by human rights NGOs reduces FDI in developing nations because it creates reputational costs for foreign investors. Peterson, Murdie, and Asal (2016) find that after NGO shaming, citizens may engage in boycotts or lobby their governments to reconsider trade agreements with abusive states. The result is a loss in exports for repressive regimes.

We know much less about the role of intergovernmental organizations (IGOs) and their shaming activities. We do know that IGO shaming tends to reduce political repression (DeMeritt, 2012; Franklin, 2008; Krain, 2012), but it is not clear if this link works via successful norm diffusion among states, or via economic pressures such as FDI loss. This study therefore examines the United Nations

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Commission on Human Rights, later replaced by the UN Human Rights Council (hereafter UNHRCC collectively) as a key player that can negatively influence economic outcomes for repressive regimes. Being lobbied and informed by activists, the UNHRCC can provide the potentially most damaging form of public condemnation. It is the primary forum in which governments publicly shame other nations for human rights abuse (Lebovic & Erik, 2006). When the UNHRCC adopts a resolution against a repressive regime, it provides a member-state-authorized, legitimate and internationally highly visible type of shaming. International institutions such as the UNHRCC are "the primary vehicles for stating community norms and for collective legitimation". Unlike shaming by NGOs, a majority vote by member governments has to be reached before a public condemnation is issued. Fearing the consequences, target countries go to great lengths to avoid being publicly criticized in this way and appear to see such resolutions "as the most weighty penalty" and a "severe sanction" (Lebovic & Erik, 2006, 865). Indeed, shaming by the United Nations human rights bodies has been shown to cause loss of foreign and multilateral aid (Lebovic & Erik, 2009, Esarey & DeMeritt, 2016), but we do not know how effective such shaming is in deterring foreign investors. We ask: Do public condemnations by the UNHRCC lead to FDI loss for shamed governments?

Our study makes a theoretical and empirical contribution to the literature. Based on theories about political, social and economic risk, we propose two main causal pathways. First, voting patterns within the UNHRCC have been shown to be influenced by power and political alliances of the voting members (Lebovic & Erik, 2006). Before the reform of the human rights body in 2006, UN Secretary General Kofi Annan (2005) criticized a "politicization of its sessions". Lebovic and Erik (2006) have shown that through partisanship and strategic voting, states tended to protect their allies from UNHRCC shaming, especially before the end of the Cold War. How could this affect FDI? When a country is condemned by a UNHRCC resolution, this might be seen as a signal that the government is unable to call upon strong alliances and political favors among other voting members. This could reflect damaged bilateral relations with other states, including a lack of bilateral economic support for foreign investors and less favorable trade and investment agreements. The shamed country – an outcast in the international community – may even be subject to future material sanctions. This makes it a host country which is much less attractive for FDI than other states ('outcast' effect).

Second, Lebovic and Erik (2006) have emphasized that many target countries were also shamed based on their actual human rights record, with the main goal of shining a negative spotlight on such abuse (Spar, 1998). UNHRCC condemnations can create reputational damage to firms by pointing to the fact that they provide capital to repressive regimes, thereby extending the spotlight from shamed governments to foreign investors (Barry, Chad, & Flynn, 2013; Spar, 1998). Since firms have increasingly committed themselves to human rights norms (Mwangi, Lothar, & Hans, 2013), they have become more vulnerable to public criticism and boycotts when they finance repressive regimes or become complicit in rights violations. The UNHRCC can therefore create direct reputational risk to firms which invest in repressive regimes. Since the UNHRCC passes a resolution only in the harshest cases – unlike NGOs, which target a wider range of violations and states – it acts as a bottleneck, so that a UNHRCC resolution signals a risk of severe reputational damage for abusive states and their investors ('bottleneck' effect).

To provide further insights into shaming and FDI, we also integrate the media. It is usually through the megaphone of the media that information about human rights abuse reaches a wide audience of consumers, shareholders, employees, activists and firm decision makers (Pruce & Budabin, 2016). Some reports by NGOs may remain unnoticed to foreign audiences; UNHRCC resolutions may be too technical for a wide audience to make sense of. But the "communicative processes" and accessibility of the media, with human interest stories and local features, can be a crucial amplifier of shaming activities. In another context, the power of the media has been demonstrated by connecting it to loss of foreign aid and increased economic sanctions (Nielsen, 2013; Peksen, Peterson, & Drury, 2014).

In our empirical contribution, the results from our panel data analysis of 165 countries (1977–2013) provide strong support that UNHRCC shaming is connected to less FDI flows. Human rights abuse itself also has a negative effect on FDI, but to a substantially smaller degree, indicating that it is the act of UNHRCC shaming that 'counts'. NGO shaming or milder forms of UNHRCC sanctions which do not reach the resolution stage have less strong effects, although the result on NGO shaming is to be seen with caution due to a reduced sample size. We further find that UNHRCC shaming is conditional on media reporting about repressive regimes. Our results are stable across a range of robustness checks.

By focusing on the most powerful shaming body, the UNHRCC and by integrating the media amplifier, this study provides a comprehensive and novel approach to the human rights and FDI literature. Since FDI is one of the biggest drivers of economic development, and governments try to attract investment and prevent FDI loss,[2] human rights shaming by the UNHRCC can be an important tool to improve human rights protection worldwide.

The rest of this paper is structured as follows. We first discuss the relevance and nature of UNHRCC condemnations, and present the theoretical arguments and hypotheses. In the main part, the data and models are discussed, and we present the main results and robustness checks. The conclusion highlights policy implications and future research avenues.

2. Shaming by the UN Human Rights Bodies

The United Nations Commission on Human Rights was formed in 1946 and operated until 2006, when it was replaced by the Human Rights Council.[3] In the first 20 years of its existence, the Commission was primarily concerned with setting standards in the field of human rights, rather than dealing with human rights complaints. It developed the 1948 Universal Declaration of Human Rights, as well as the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, which were adopted by General Assembly of the United Nations in 1966. From then onwards, the Commission assumed a more interventionist role. Through Special Rapporteurs and working groups, it monitored human rights compliance by member states and performed fact-finding missions in order to investigate alleged human rights violations (OHCHR, 2016a). The main purpose of the 53-member Commission soon became to voice concerns about gross offender states. In other words, it provided a highly-visible international forum through which member states publicly condemned other governments for human rights violations.

The main and strongest mechanism of public condemnation was through resolutions, which openly criticized individual repressive regimes and their human rights record. Before reaching 'resolution stage', however, the UNHRCC sanction process followed several steps with rising intensity of shaming. First, the Commission could discuss an allegation against a state but not pursue it further. Second, the Commission could decide to continue deliberations in closed sessions, suggesting that the allegations behind the resolution may have some merit. The third option consisted of a

[2] For example, the withdrawal of FDI can lead to job loss and a decline in government tax revenues (Howard-Hassmann (2010).

[3] This study will treat them collectively as the United Nations Human Rights Commission & Council (UNHRCC) in the following sections.

mild condemnation by issuing a critical statement from the chair of the commission and in the form of advisory procedures. Fourth, being the highest form of sanction, the Commission could adopt a resolution publicly condemning the accused country for committing human rights violations (Lebovic & Erik, 2006).[4] States would obviously prefer the first three milder steps in the sanction process, and try to avoid a resolution. We focus on resolutions here, as the most severe public condemnation, but we consider effects of the lower levels as well.

These resolutions fulfil an important function to publicly condemn states that violate rights of their citizens by bringing international attention to their wrongdoings. NGOs and rights activists inform and lobby the Commission to "put the norm-violating state on the international agenda", creating additional international attention. For example, between 1977 and 2013, the human rights body targeted 95 countries and adopted resolutions to shame 38 countries at least once, with the goal of pressuring these countries to comply with international human rights norms. During these shaming processes, the Commission itself became subject to criticism. Voting members and countries taking over chairmanship of the body were not always committed to human rights protection themselves; and alliances within the human rights body influenced public shaming activities (Lebovic & Erik, 2006). After such concerns about the political motivation behind public condemnations,[5] the Commission was replaced by the United Nations Human Rights Council in March 2006. In its reformed version, the new 47-member states, each serving three-year terms, were still tasked with addressing human rights violations worldwide, but now members were elected by the General Assembly based on their contribution to the promotion and protection of human rights (OHCHR, 2016b). All countries are now subject to scrutiny via the newly established Universal Periodic Review which examines the human rights compliance of all 193 UN member states on a regular basis (Terman & Erik, 2017). Resolutions are still the main form of UNHRCC sanction. Since only the most severe rights violations will reach the resolution stage, and a wide agreement among the member states is necessary for action, a resolution by the United Nations Commission on Human Rights and later Council constitutes the highest, internationally legitimized, and most visible form of condemning repressive regimes.

3. UNHRCC condemnations and FDI

Shaming constitutes an important component in the 'spiral model' of human rights norm diffusion and can have a range of effects that may ultimately influence states to commit to and implement human rights protection. Shaming can work by directly engaging governments in dialogue about potential improvements. This often goes hand in hand with creating material pressures on states' economies, for example by creating a risk of loss of foreign aid or donor support. We turn our focus towards FDI, because many states which repress their citizens are also highly dependent on foreign investment. In order to attract and maintain benefits such as growth, skills transfers, revenues and economic development from FDI (Moran, 2006), many nations compete for investment from abroad, and go through great lengths to avoid the loss of FDI (Cooray, Artur, and Vadlamannati, 2015). In a revised version of the spiral model, the authors have therefore emphasized the "growing importance of non-state actors such as multinational corporations" (Risse & Ropp, 2013, 9) for human rights improvement.

For example, between 1992 and 1997,[6] the Commission on human rights adopted several resolutions against the repressive regime in Myanmar,[7] which was followed by a wave of divestment (Spar, 1998). In March 2002, the Commission expressed "concern at the seriousness of the human rights situation in Myanmar" and wrote that it "[d]eplores the fact that the Government of Myanmar, despite the assurances given at various times that it would take firm steps towards the establishment of a democratic State, has not to this day fulfilled those commitments" (OHCHR 1992, 2). Three months later, Levi Strauss was one of the first major foreign investors withdrawing from the country, stating that "It is not possible to do business in [Burma] without directly supporting the military government and its pervasive violations of human rights" (see Carment & Albrecht, 2004, 373). In each of the following years the Commission issued a resolution on Myanmar. In 1994, it shamed the regime by stating that it was

> "[g]ravely concerned at the violations of human rights in Myanmar which remain extremely serious, in particular the practice of torture, summary and arbitrary executions, forced labor, including forced portering for the military, abuse of women, politically motivated arrests and detention, forced displacement of the population, the existence of important restrictions on the exercise of fundamental freedoms, including the freedom of expression and association, and the imposition of oppressive measures directed, in particular, at minority groups".
> [(OHCHR, 1994, 1)]

In 1996, exerting further pressure on the country's leaders, the Commission stressed that it "strongly urges the Government of Myanmar to guarantee full respect for human rights and fundamental freedoms." (OHCHR, 1996, 2). A range of foreign investors such as Liz Claiborne, Eddie Bauer, Macy's, and oil company Texaco subsequently withdrew their investment (Spar, 1998).

But why did the MNCs disinvest, and how can UNHRCC resolutions affect foreign investors' behavior in general? At the core of our answer lies firm risk. With the rise of globalization, firms have encountered new investment possibilities, but they are also subject to a greater range of risks and vulnerabilities which introduce uncertainty. Firms now have to manage a variety of economic, political and social risks when they invest in the global marketplace (e.g. Schneider & Bruno, 1985; Kytle & John, 2005). When a host state is publicly condemned by the UNHRCC, foreign investors doing business in that country may be exposed to a rise in location-related risks. Based on such theories of corporate risk, we propose two main causal pathways which we label (1) 'outcast' effect and (2) 'bottleneck' effect; we believe that these two are aggravated by (3) conditioning media effects. We also propose that UNHRCC condemnations outweigh potential (4) human rights concerns by MNCs.

3.1. 'Outcast' effect and political risk

The first pathway between the UNHRCC and FDI is that its resolutions signal that a state is an outcast, unable to secure alliances within the UN human rights bodies that protect it from being publicly shamed. This can have negative consequences for investment attractiveness ('outcast' effect). When a state is publicly condemned by the community of norm-conforming states, a political risk arises which can influence strategic concerns of firms about government relations and geo-politics (Kytle & John, 2005).

There has been some debate about the motivations behind UNHRCC decisions. In an ideal case, UNHRCC members decide to

[4] This final step, adopting a resolution, is what this study will refer to as "public condemnation".

[5] Despite the criticism, Lebovic and Erik (2006) found that the Commission's resolutions were generally in line with actual human rights violations, and not purely motivated by states' agendas and alliances.

[6] See http://ap.ohchr.org/Documents/gmainec.aspx (accessed Oct 14, 2016).

[7] For details on authoritarianism in Myanmar see Dukalskis (2009).

shun a repressive regime purely based on its human rights record in a "transparent, fair and impartial" (United Nations, 2006, 4) way. However, criticism of the Commission as it was founded in 1946 and acted until 2006, has pointed to political bias and dynamics[8] behind the scenes that come into play. Lebovic and Erik (2006) have examined voting patterns within the Commission between 1997 and 2001, and found that partisan ties, power politics and membership influenced voting decisions. For example, Western democracies were unwilling to condemn their political allies. Powerful states such as China managed to avoid condemnations, while weaker countries like Myanmar failed to gain support among the members. Hug (2016) also found that both the Commission and the later Council were subject to politicized and polarized decision making. If the voting decisions are influenced by such political dynamics, some states may be condemned because they have committed gross rights violations, but also – and crucially for this study – because they were unable to form strong alliances to protect themselves from public shaming via the UNHRCC. As a consequence, the outcome of a UNHRCC condemnation is that the target state is seen as an outcast with no or weak alliances in the international community. This could signify damaged bilateral relations with other states or a lack of power to gain support in intergovernmental (financial) bodies.

Investing in politically isolated states can bear a range of risks and costs for foreign investors. Often, governments interact with each other by facilitating economic opportunities on the bilateral level and in intergovernmental bodies such as the World Bank, be it via business events or official bilateral trade and investment agreements. These diplomatic processes may be disrupted when a state is isolated. Therefore, the lack of support by allies in the UNHRCC may well be a signal for a loss of general support and functioning economic relations with other states.

Research has shown the economic costs of being targeted by the UNHRCC. There is evidence that after a UNHRCC resolution aid by international economic institutions such as the World Bank is reduced (Lebovic & Erik, 2009).[9] Lebovic and Erik (2009) state that the shamed states had become political outcasts in the international community and therefore "'safe targets' for material and non-material sanctions by other institutions" (p. 80). Similarly, Esarey and DeMeritt (2016) show that UNHRCC condemnations are associated with lower bilateral aid for states when they previously received small aid packages. There could be consequences for FDI as well. In the case of Myanmar, UNHRCC condemnations were followed by U.S. regulation in 1997 that prohibited new investment in this particular host country by U.S. companies; at this point, many MNCs had already disinvested.

The outcast status signaled by UNHRCC voting decisions therefore may explain why investment in such a state can pose a political risk for MNCs, which quickly can become an economic one, leading to a loss of FDI. This causal pathway, which we label 'outcast' effect, is distinct from NGO shaming.

Hypothesis 1. UNHRCC condemnations are negatively connected to FDI inflows.

3.2. 'Bottleneck' effect and social risk

A UNHRCC resolution signals that a state is one of the most rogue, severe human rights violators. Voting members may be aware of many human rights violations, but they pass resolutions only in the harshest cases ('bottleneck' effect). Any MNC associated with such a country risks severe reputational damage.

When a government is publicly shamed for human rights violations, a social risk is created because firms that invest in this state are often criticized publicly and may suffer reputational damage (Barry et al., 2013; Spar, 1998). Even though it is the state itself that is condemned by the UNHRCC, and not the foreign investor itself, the line between the two is often blurred. Firms may be seen as directly complicit in state violence (Wettstein, 2010), as in the case of Nigeria where security forces allegedly arrested and killed anti-oil protesters while international investors stood by (Holzer, 2007); often MNCs are also criticized for indirectly financing a repressive regime (Meyer, 1998). Answering to such criticism, multinational corporations increasingly portray themselves as concerned about human rights, labor standards or corrupt practices by signing up to international initiatives and voluntary standards such as the United Nations Global Compact, the Global Reporting Initiative, or ISO 26000. This means that firms can be – and are – held accountable for ignoring human rights abuse in host countries. Therefore, being connected to a state that is shamed by the UNHRCC can tarnish the brand name of a MNC by extending the negative spotlight (Spar, 1998) from the host government to the investors as well. Extending concepts about economic and political firm risks, pressures by civil society and stakeholders have been described as social risks for firms (Kytle & John, 2005) that may influence or even outweigh economic advantages of investing abroad, and ultimately deter FDI.

Evidence that firms react to shaming and social risks has been provided by Barry et al. (2013) in the context of NGOs. More NGO criticism of repressive regimes is connected to lower FDI inflows in these countries due to potential reputational damage (Barry et al., 2013). We expect even stronger effects from UNHRCC resolutions, because UNHRCC decisions undergo intense deliberation by voting member states who would pass a resolution only in the most severe cases of abuse. Allegations have to be picked up by the UNHRCC in the first place; then they have to pass three stages of deliberations – some of which behind closed doors – until they reach the resolution stage. This filtering process makes the UNHRCC a unique bottleneck.

In comparison, NGOs take action in a much wider number of cases. Being aware of the additional pressure that can be leveraged via the UNHRCC, they inform and lobby the human rights body to deliberate sanctions. In fact, the 'spiral model' of human rights norm diffusion explains that a crucial step for overall shaming success is the ability of activists to engage external state and non-state actors, including intergovernmental organizations. For example, effects of NGO shaming on repressive regimes' human rights record have been shown to be effective in themselves; but more so when foreign governments criticized abusive states from the outside as well (Franklin, 2008; Murdie, 2009).

Social risk for foreign investors from UNHRCC resolutions therefore differs from NGO shaming in that the UNHRCC is an intergovernmental body with international legitimacy, which condemns and flags up the harshest cases of rights violations. The UNHRCC may be able to create much larger reputational damage for firms investing in rogue states. We therefore propose that the effect of UNHRCC resolutions on FDI is stronger than that of NGO shaming; and it is stronger than the milder forms of sanctions within the UNHRCC ('bottleneck effect'):

Hypothesis 2a. The effect from UNHRCC condemnations and of NGO shaming on FDI is negative; but UNHRCC effects are stronger than those of NGO shaming.

Hypothesis 2b. The effect from UNHRCC milder forms of sanctions is less severe than from UNHRCC resolutions.

[8] We thank an anonymous reviewer for pointing us in the direction of political dynamics in the UNHRCC.

[9] Their analysis also showed that UNCHR resolutions have no impact on bilateral aid.

3.3. 'Media effects' and aggravation of the pathways

Finally, we believe that the 'outcast' and the 'bottleneck' effects are aggravated by the media and their reports about human rights violations. The media can cement an outcast position of a state by reporting about its human rights violations; the media can also amplify reputational damage, in particular for those most severe cases that pass the bottleneck of the UNHRCC.

The media function as agenda setters, bring human rights violations to the public's attention, and can affect policy decision making (Livingston, 1997). International media scrutinize governments' human rights violations (Ramos, Ron, & Thoms, 2007) by creating human stories, be it on the front pages of newspapers or in news broadcasting. With their attention, the media can reinforce effects of UNHRCC condemnations, reaching the public and investors alike (Keck & Sikkink, 1998; Pruce & Budabin, 2016).

For example, in the case of Myanmar, the New York Times repeatedly reported about business' involvement in the repressive regime. In December 1996, following a resolution by the UN Commission on Human Rights in April that year, the newspaper shamed the government in an article titled "Doing Business in Myanmar",

> "For sheer nastiness, few governments can compete with Myanmar's. It winks at heroin trafficking. It forces citizens to provide slave labor to build bridges and railroads. In 1990 the Government lost elections, then imprisoned and harassed activists of the victorious party, led by Daw Aung San Suu Kyi. Last week the Government confined her to her house, detained more of her colleagues and shut down secondary schools to stop student protests."
>
> [(NYT, 1996, A14)]

The newspaper also criticized foreign investors which provide capital to the regime, such as the California-based energy company Unocal: "at times a government is so repressive and a company's support of it so significant that its presence cannot help but be political... Unocal should not be doing business there." The article praised that Macy's and Disney disinvested, as a response to publicity. Unocal itself did not immediately follow – in fact, it was called a "shameful exception" (NYT, 1997, A36). Other multinationals such as Philipps, J. Crew and Texaco soon withdrew to avoid the bad press. In 1997, the U.S. Congress and Clinton administration approved sanctions against Myanmar, preventing U.S. companies from making new investments in the country. Even if a business is not directly involved in human rights violations or has little influence on a government's actions, consumers may still hold it accountable for non-action when the media pick up on human rights violations and shape the public discourse (Holzer, 2007).

There is some evidence on the power of the media in the context of human rights. Peksen et al. (2014) find that news media coverage of human rights violations increases the likelihood of U.S. economic sanctions against abusive governments. Nielsen (2013) finds a negative relationship between media reports of human rights violations and aid for economic sectors.[10] In their study on NGO shaming and FDI, Barry et al. (2013) point out that NGOs aim to publicize human rights violations via media outlets to apply further pressure and maximize impact. To capture this effect, Barry et al. (2013) merge NGO activism and media influence into one variable: NGO criticism of rights violations as reported by Reuters (see also Peterson et al., 2016). Due to the nature of the outcast effect and the bottleneck effect, we treat the media as a separate measure and explicitly model media reports about human rights violations in a country (not just reports about UNHRCC violations; as this would be too narrow) as an amplifier by entering it as a conditioning factor into our models. In doing that, we follow Garriga (2016) who has examined the effects of international human rights treaties conditioned by the media. The rationale behind this is that the original influence of UNHRCC is important in its own right; but when general public criticism is amplified by the media, the effect is expected to be stronger.

Hypothesis 3. Effects of UNHRCC condemnations are conditional on international media reporting about human rights violations.

3.4. 'Human rights concerns' by MNCs

Finally, it could also be true that MNCs care about the human rights record of a country itself, rather than reacting to UNHRCC condemnations and the pathways laid out above. Previous work has connected a worse human rights record to less FDI (Blanton & Blanton, 2006, 2007b, 2009), indicating that companies do, on the whole, not want to invest in repressive regimes. It is not clear if firms are actually concerned about human rights, or shaming, or other issues connected to human rights abuse. Many critics state that much of the human rights promises in corporate social responsibility reports are a form of 'green-washing' and 'window-dressing', rather than being a real concern (Christian Aid, 2004; Frankental, 2001). The relationship between human rights and FDI loss may also be due to an aversion to political and economic instability (Blanton & Blanton, 2007a; Khan & Akbar, 2013; Vadlamannati, 2012a, Davenport, Armstrong, & Lichbach, 2006), concerns about human capital provision (Blanton & Blanton, 2009), or fear of inadequate property rights protection (Barry et al., 2013) – which may be connected to a worse human rights record of a country. The link between shaming and FDI is much more tangible and direct. We therefore propose that effects from UNHRCC resolutions are stronger than those of the human rights record of a regime itself:

Hypothesis 4. Human rights abuse itself is negatively connected to FDI inflows, but the effect of UNHRCC condemnations is stronger.

4. Methods and data

4.1. Model specifications

To examine the hypotheses, we apply panel data covering 164 countries (see Appendix 1 for list of countries) over the 1977–2013 (37 years) period. Since some of the data are not available for all country-years, the dataset is unbalanced. We estimate:

$$\ln fdi_{it} = \phi_c + \beta \ln fdi_{it-1} + \beta H_{it-1} + \beta Z_{it-1} + \lambda_t + \eta_i + \omega_{it} \quad (1)$$

Wherein, ln fdi_{it} is our outcome variable FDI inflows, $\boldsymbol{\phi}$ is the intercept, $\boldsymbol{H_{it-1}}$ are our key variables of interest: human rights shaming via UNHRCC condemnations; human rights abuse itself; shaming by human rights NGOs. $\boldsymbol{Z_{it-1}}$ are control variables, $\boldsymbol{\lambda_t}$ is time dummies, $\boldsymbol{\eta_i}$ is country dummies, and $\boldsymbol{\omega_{it}}$ is the error term.

We measure the total FDI inflows (ln fdi_{it}) a country $\boldsymbol{i}$ received in year $\boldsymbol{t}$ measured in US$ millions current prices, from the United Nations Conference on Trade and Development (UNCTAD 2015).[11]

[10] Hafner-Burton (2008) finds that media reports have no significant effect on political rights and physical integrity rights. It could be that the media alone may not have such effects, but that they work in interaction with other shaming measures such as our UN resolution measure, which we will test later in relation to FDI inflows.

[11] The UNCTAD defines FDI as long-term cross-country investments consisting of at least 10% ownership and voting power by the foreign party.

Due to skewness we employ a logarithmic transformation of the FDI variable. Since some observations are negative (divestments by foreign investors),[12]: and logging negative values is impossible, we follow for log transformation, which has also been applied by others (e.g. Jakobsen & de Soysa, 2006):

$$y = \ln\left(x + \sqrt{(x^2 + 1)}\right) \tag{2}$$

$\boldsymbol{H_{it-1}}$ captures our three key variables of interest which are lagged by one year as we believe that their effects on FDI are not contemporaneous. The first variable is human rights shaming via UNHRCC condemnations. We use two different operationalizations of UNHRCC condemnations. First, we use a dummy measure with the value 1 in year *t-1* if country *i* is condemned by the UNHRCC by adopting a public resolution and 0 otherwise.[13] The data on public resolutions adopted by the then Commission until 2000 is obtained from Lebovic and Erik (2006) who cover the years from 1976 to 2000. From 2001 onwards, we update these codings with the same criteria, using the information about adopted resolutions from the former Commission[14] and later Council[15] until 2013.[16] Fig. 1 captures the trend of UNHRCC public resolutions and FDI inflows (mean) 1977 to 2013[17], showing higher FDI inflows where UNHRCC condemnations are reduced. FDI inflows overall have dramatically increased since the mid-1990s which can be attributed to fall of the Soviet Union and most of the countries now welcoming FDI inflows. With respect to UNHRCC condemnations, there was an increasing trend of adopting resolutions during the 1970s and 1980s, and the mean of public resolutions peaked in the early 1990s through the mid-1990s. This could be attributed to the fall of the Soviet Union and the human rights violations followed in the early years in many of the new post-Soviet countries. There is a declining trend with the advent of the new Council in 2006, suggesting that the new body's approach remains cautious.

Further, we also make use of a finer-grained measure of the severity of UNHRCC targeting, in which we use a decomposed measure, i.e., a series of dummies corresponding to each category of UNHRCC shaming process namely, (i) targeting a country with no further subsequent action; (ii) confidential report or internal condemnations; (iii) critical statement but short of adopting a public resolution; and (iv) public resolution, so as not to assume linearity in the effects from one degree of severity to the other. This approach ensures that we examine UNHRCC public resolutions (with the harshest cases, acting as a bottleneck), but also capture potential effects from milder sanctions in comparison.

Our second key variable of interest is human rights abuse itself. We use the Political Terror Scale (PTS) index developed by Gibney, Cornett, Wood, and Haschke (2012), which measures the amount of respect a state gives to personal integrity rights such as the freedom from politically motivated execution, torture, forced disappearance, unlawful imprisonment and discrimination based on political and religious beliefs. The PTS index is made up of two components. One based on a codification of country information from Amnesty International's annual human rights reports to a scale from 1 (being the best) to 5 (being worst) human rights score. The other is coded from information from the US Department of State's Country Reports on Human Rights Practices, again coded on a 1–5 scale. We take the average of these two measures to avoid any subjective biases, especially the data from the U.S. State Department (Poe, Carey, & Vazquez, 2001; Qian & Yanagizawa, 2009).[18] This index is a commonly accepted measure for human rights protection and has been used widely in the literature (Walker & Steven, 2002). We also use an alternative measure of the PTS index in which we decompose the variable into its constituent categories, i.e., a series of dummies corresponding to each of the PTS scores.[19]

Our third key variable is shaming by human rights NGOs, taken from Peterson et al. (2016), who have updated this variable originally from Murdie and Davis (2012). NGO shaming captures the annual count of shaming incidents reported, targeting a particular regime or government, as reflected in Reuters Global News Service reports (see also Barry et al., 2013). In order to overcome the problem of skewness in the data, the authors log the count variable (adding one in the cases on zero values). We should note that the main limitation of this NGO shaming measure is that the data is available only from 1990 onwards, reducing our sample considerably for the respective models, and therefore the results must be interpreted with caution.

With respect to the control variables ($\boldsymbol{Z_{it-1}}$), we follow other studies on determinants of FDI such as Blonigen and Piger (2014), Jakobsen and de Soysa (2006), Jensen (2003), Chakrabarti (2001). We are conscious of the potential traps of "garbage can model" (Achen, 2005) or "kitchen sink model" (Schrodt, 2010) in which numerous variables are dumped onto the right hand side of the equation. Thus, we follow a conservative strategy of accounting only for known factors that may confound the effects. Accordingly, we include GDP per capita, measured in 2000 US$ constant prices (logged) as a proxy for the level of development in the host country, expecting that richer countries are more likely to attract FDI.[20] We also include a measure of economic growth using the rate of growth of GDP sourced from the World Development Indicators 2015. Likewise, we include total population (log) as a proxy for the market size of an economy. As a measure of infrastructure, we use total electricity consumption in kilowatts per head (log) sourced from the global energy dataset developed by the Energy Information Administration (EIA). Electricity consumption not only captures the availability of electricity, but also the cost associated in accessing electricity[21] (Bilgili, Tuluce-Halici, & Dogan, 2012; Vadlamannati, 2012). Furthermore, we include a dummy indicating whether a country has experienced all or one of three crises and economic instabilities: currency crisis, debt crisis, and systemic banking crisis sourced from Laeven and Fabian (2013).[22] Following Robertson and Teitelbaum (2011), we control for regime type using the Polity IV index developed by Marshall and Jaggers (2002), varying from −10 to +10, where a higher score denotes a higher level of democracy.[23] Previous studies find that investor confidence is likely to be higher for democratic regimes (Jensen, 2006; Li & Resnick, 2003). We also include a measure of trade openness (exports + imports relative to GDP) (log) from the World Bank (2015). Trade openness is a proxy for trade restrictions

[12] Simply deleting negative values would result in losing at least 8% of the total observations, which might bias our results.

[13] Note that our results are robust to alternative lag structures on condemnations.

[14] This information is available at: http://www2.ohchr.org/english/bodies/chr/previous-sessions.htm (accessed Dec 1, 2016).

[15] These documents are available at: http://www.ohchr.org/EN/HRBodies/HRC/Pages/Documents.aspx (accessed Dec 1, 2016).

[16] These are there all practically from the same source and represent resolutions from the UNHRCC.

[17] With this wide range of years, we go beyond the only comparable analysis on (NGO) shaming and FDI by Barry et al. (2013), which covers 10 years (1994–2004).

[18] PTS Amnesty score + PTS State Department, divided by two. For a detailed description on methodology, see: http://www.politicalterrorscale.org/Data/ (accessed Dec 1, 2016).

[19] The dummy for PTS index score 1 is our reference category.

[20] Alternatively, high levels of economic development can also influence FDI due to high labour cost.

[21] Energy cost is first identified by Dunning (1988) as a major location specific advantage for the host country to attract FDI.

[22] Reinhart, Rogoff, and Savastano (2003) find that excessive levels of external debt and a threat of default have significant negative influence on investor perception.

[23] In robustness checks we replace Polity IV measure with freedom house measure on civil and political liberties index. Our results are robust to use freedom house measure.

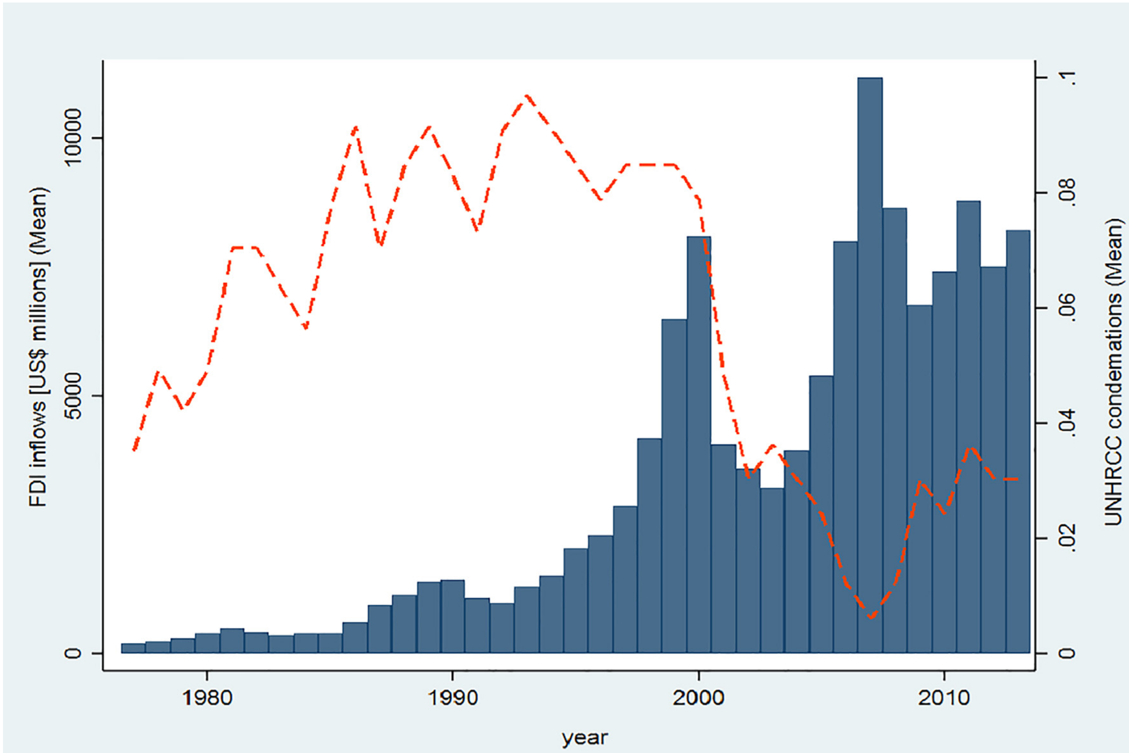

Fig. 1. FDI inflows and UNHRCC condemnations during the 1977–2013 period.

(Brazys, 2014) that might influence FDI activity in the recipient country (Asiedu, 2002). We also include a measure of conflict (international and domestic), which typically threatens the physical property of investors and also a government's capacity to maintain law and order (Jakobsen & de Soysa, 2006). The conflict dummy is 1 if there is conflict with at least 25 deaths in a single year and 0 otherwise, taken from the Uppsala Conflict Data Program (Gleditsch, Wallensteen, Eriksson, Sollenberg, & Strand, 2002). Finally, in line with previous work we include a lagged dependent variable (LDV, hereafter), i.e., FDI $\text{inflows}_{\text{it-1}}$. The inclusion of a LDV can cause inconsistent estimations in a panel data analysis with fixed effects resulting in a downward bias for the coefficient, known to be 'Nickell bias' (Nickell, 1981). Thus, we also present results where we replace the LDV with FDI inward stock (t-1) in US$ millions (UNCTAD, 2015) as a gauge of the host country's existing FDI position.[24]

We estimate all models with an Ordinary Least Squares (OLS) estimator with heteroskedasticity consistent robust standard errors, controlling for time (λ_t) and country fixed effects (η_i). We lag all controls by one year to allow the effect to spread.[25]

4.2. Interaction effects

Next, we will examine whether the negative effect of UNHRCC public condemnations is conditional on media reporting about human rights abuses, introducing interaction terms:

$$\ln fdi_{it} = \phi_c + \beta(H \times media)_{it-1} + \beta H_{it-1} + \beta\, media_{it-1} + \beta Z_{it} + \lambda_t + \eta_i + \omega_{it} \quad (3)$$

Wherein, $(H \times media)_{it-1}$ is the interaction term, lagged by one year and $media_{it-1}$ is the conditioning variable namely, event count of media reports on human rights abuses developed by Nielsen (2013). The dataset was constructed by Nielsen (2013) by evaluating all articles that appeared in *The New York Times* (NYT) containing mentions of countries and their human rights violations (1977–2004). Nielsen (2013) and Bell, Frank, and Macharia (2013) argue that the newspaper's presence in most of the countries around the world, and accessibility of information, were the key reasons in selecting the NYT as a proxy for 'international media'. Bell et al. (2013) note that in the absence of the newspaper's presence in a country, it sources information from news agencies such as the Associated Press, United Press International, Agence France Presse, Reuters, or others.[26] We believe that because of the coverage, accessibility, market presence, and readership, *The New York Times* measure is a good proxy for the media coverage on human rights stories.[27] Nielsen (2013) focused on articles which used the phrase human rights specifically related to physical integrity rights (torture, disappearances, extra judiciary killings and illegal detentions) within 25 words of country name *i* in year *t*. We extend this event count data following the same procedure until 2013. The average coverage is about seven reporting events per country with a minimum value of zero and a maximum value of 327 events (reported from China). There is a lot of variation in the data distribution. For instance, 95% of the reporting events are 60 or less, and the majority of cases fall between 0 and 40. We thus use two different operationalizations of NYT variable: (1) We log the media reports to address skewness;

[24] We thank the referee for suggesting this point.

[25] Descriptive statistics on all variables are in Appendix 2; definitions and data sources in Appendix 3.

[26] Bell et al. (2013) also provide examples as to how non-Western newspapers in turn use NYT as a source to gather information to publish articles, thereby disseminating the newspaper's stories and widening its audience and influence. Furthermore, *The New York Times International Edition* which was previously known *as International Herald Tribune* has 26 Foreign news bureaus and is sold in as many as 160 countries around the world (nytoco.com 2010).

[27] However, as one of the limitation of this measure could be seen that it is still just one newspaper. Ideally, one would code news coverage from all major newspapers in the world, but it is practically impossible to construct such a dataset. Therefore, following, Garriga (2016), and Bell et al. (2013), who also use the Nielsen (2013) data, we use the New York Time as a crude proxy for international media coverage on human rights events.

(2) We exclude data points above 60 media reports, which is roughly 5% of the total data. As before, we control for time fixed effects and country fixed effects in all our interaction models.

5. Results

Tables 1–3 present our regression results. Table 1 displays results estimated using OLS two-way fixed effects models examining the relationship between UNHRCC condemnations, human rights abuse and FDI inflows, controlling for other key determinants of FDI. Table 2 presents the results on the decomposed measure of the PTS index and UNHRCC shaming effects on FDI inflows. Table 3 reports the interactions with media reporting.

As seen in column 1 in Table 1, the impact of public condemnations by the UNHRCC on FDI inflows is negative and significantly different from zero at the 5% level. The substantial effects suggest that countries condemned by the UNHRCC are associated with a roughly 49% decline in FDI inflows. We find the results to be robust even after including a LDV in column 2 and controlling for lagged FDI inward stock in column 3. These results lend support to our first hypothesis that the UNHRCC condemnations are negatively connected to FDI inflows. Notice that human rights abuse in itself has a negative effect on FDI inflows (as in column 1, Table 1) but the substantive effect is weaker than effects from human rights shaming by the UNHRCC. For instance, a standard deviation increase in the PTS index above the mean is associated with a 15% decline in FDI inflows (5% significance level). Interestingly, when we include a LDV in column 2, we find that negative effects of UNHRCC condemnations on FDI inflows remain robust while the effect of human rights abuse itself becomes insignificant. These results suggest that shaming by the UNHRCC is a major driver of the negative effects on FDI reported in Table 1, possibly because of the high visibility of condemnations by an international body like the UN and the connected harsh pressure of resolutions on business reputation (bottleneck effect) as well as effects from isolation of the host county in the international community (outcast effect). Human rights abuse is a much less strong predictor of investment decisions, supporting our hypothesis 4 that though human rights abuse itself is negatively connected to FDI inflows, but the effect of UNHRCC condemnations is stronger.

Next, as seen from column 4, we do not find a significant effect of NGO shaming on FDI inflows, while the impact of UNHRCC shaming on FDI inflows retains a negative sign (10% level). Public condemnations by the UNHRCC are associated with a 47% decline in FDI suggesting that NGO activism can work through creating additional pressure that can be leveraged via the UNHRCC. These results support our Hypothesis 2a that the effect from UNHRCC condemnations is stronger than that of NGO shaming.

In columns 5–7 we report the results on the finer-grained measure of the severity of UNHRCC shaming process. The UNHRCC shaming process has to pass three stages of deliberations and

Table 1
UNHRCC condemnations, human rights abuse and FDI inflows, 1977–2013.

	(1) FDI (log)	(2) FDI (log)	(3) FDI (log)	(4) FDI (log)	(5) FDI (log)	(6) FDI (log)	(7) FDI (log)
UNHRCC condemnations (t-1)	−0.485**	−0.340*	−0.412*	−0.467*	−0.429**	−0.534**	−0.608**
	(0.230)	(0.207)	(0.246)	(0.266)	(0.212)	(0.256)	(0.279)
UNHRCC critical statement (t-1)					−0.245	−0.194	−0.474
					(0.237)	(0.304)	(0.323)
UNHRCC confidential (t-1)					0.251	0.248	0.453
					(0.209)	(0.274)	(0.445)
UNHRCC target (t-1)					−0.124	−0.263	−0.646
					(0.269)	(0.324)	(0.423)
NGO Shaming (log) (t-1)				0.0683			0.0639
				(0.150)			(0.150)
Political Terror Scale index (t-1)	−0.137**	−0.0732	−0.169**	−0.0826	−0.0711	−0.162**	−0.0765
	(0.0636)	(0.0596)	(0.0676)	(0.0886)	(0.0606)	(0.0689)	(0.0890)
Per capita GDP (log) (t-1)	0.00247	−0.0474	−0.460	−0.698	−0.0524	−0.477	−0.708
	(0.263)	(0.249)	(0.299)	(0.444)	(0.249)	(0.299)	(0.442)
Polity Democracy index (t-1)	0.0601***	0.0456***	0.0420***	0.0762***	0.0469***	0.0430***	0.0762***
	(0.0106)	(0.0102)	(0.0115)	(0.0170)	(0.0102)	(0.0115)	(0.0171)
Population (log) (t-1)	−0.0938	0.0161	0.972	1.580*	0.0345	0.972	1.731**
	(0.482)	(0.459)	(0.604)	(0.818)	(0.458)	(0.603)	(0.809)
Economic Crisis (t-1)	−0.179	−0.0234	−0.224	−0.288	−0.0248	−0.227	−0.279
	(0.148)	(0.146)	(0.153)	(0.202)	(0.147)	(0.154)	(0.203)
GDP growth (t-1)	0.0222***	0.0120*	0.0238***	0.0243***	0.0124*	0.0243***	0.0254***
	(0.00746)	(0.00675)	(0.00770)	(0.00886)	(0.00677)	(0.00775)	(0.00884)
Infrastructure (log) (t-1)	0.207	0.105	0.300*	0.146	0.0994	0.301*	0.101
	(0.147)	(0.135)	(0.175)	(0.250)	(0.135)	(0.174)	(0.247)
Trade/GDP (log) (t-1)	0.656***	0.425***	0.481***	0.270	0.437***	0.491***	0.282
	(0.159)	(0.148)	(0.172)	(0.240)	(0.148)	(0.172)	(0.238)
Conflict (t-1)	−0.288	−0.238	−0.136	0.0980	−0.222	−0.122	0.0983
	(0.176)	(0.151)	(0.188)	(0.221)	(0.151)	(0.188)	(0.222)
Lagged Dependent Variable		0.315***			0.314***		
		(0.0303)			(0.0302)		
Lagged FDI Stock (log) (t-1)			0.261***			0.259***	
			(0.0456)			(0.0459)	
Constant	0.463	−0.374	−15.16	−22.96	−0.682	−15.04	−25.41*
	(8.915)	(8.462)	(10.95)	(15.29)	(8.442)	(10.92)	(15.08)
Estimator	OLS-FE	OLS-FE	OLS-FE	OLS-FE	OLS-FE	OLS-FE	OLS-FE
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Countries	157	157	157	154	157	157	154
Total Observations	5,061	5,054	4,507	2,948	5,054	4,507	2,948
R-squared	0.533	0.580	0.523	0.526	0.580	0.523	0.527

Robust standard errors in parentheses $^{***}p < .01$, $^{**}p < .05$, $^{*}p < .1$.

Table 2
Decomposition of UNHRCC condemnations, human rights abuse and FDI inflows, 1977–2013.

	(1) FDI (log)	(2) FDI (log)	(3) FDI (log)	(4) FDI (log)	(5) FDI (log)	(6) FDI (log)
UNHRCC condemnations (t-1)	−0.354*	−0.447*	−0.505*	−0.449**	−0.581**	−0.651**
	(0.205)	(0.245)	(0.269)	(0.211)	(0.255)	(0.283)
UNHRCC critical statement (t-1)				−0.252	−0.216	−0.492
				(0.240)	(0.307)	(0.326)
UNHRCC confidential (t-1)				0.219	0.208	0.474
				(0.210)	(0.276)	(0.448)
UNHRCC target (t-1)				−0.118	−0.277	−0.636
				(0.267)	(0.324)	(0.427)
Political Terror Scale dummy: 5 (t-1)	−0.210	−0.312	0.0195	−0.184	−0.274	0.0547
	(0.196)	(0.226)	(0.285)	(0.199)	(0.231)	(0.289)
Political Terror Scale dummy: 4 (t-1)	−0.0830	−0.230	−0.0492	−0.0861	−0.228	−0.0706
	(0.155)	(0.175)	(0.196)	(0.157)	(0.178)	(0.197)
Political Terror Scale dummy: 3 (t-1)	−0.146	−0.119	−0.0173	−0.146	−0.119	−0.0100
	(0.101)	(0.114)	(0.135)	(0.101)	(0.114)	(0.135)
Political Terror Scale dummy: 2 (t-1)	−0.129	−0.0702	−0.116	−0.127	−0.0674	−0.108
	(0.0984)	(0.105)	(0.128)	(0.0984)	(0.105)	(0.128)
NGO Shaming (log) (t-1)			0.0620			0.0585
			(0.150)			(0.150)
Per capita GDP (log) (t-1)	−0.0409	−0.446	−0.660	−0.0453	−0.462	−0.668
	(0.250)	(0.300)	(0.444)	(0.250)	(0.299)	(0.442)
Polity Democracy index (t-1)	0.0468***	0.0457***	0.0791***	0.0479***	0.0463***	0.0789***
	(0.0101)	(0.0114)	(0.0169)	(0.0102)	(0.0115)	(0.0169)
Population (log) (t-1)	−0.0134	0.931	1.625**	0.00651	0.935	1.780**
	(0.457)	(0.602)	(0.817)	(0.457)	(0.601)	(0.808)
Economic Crisis (t-1)	−0.0219	−0.219	−0.283	−0.0224	−0.220	−0.275
	(0.147)	(0.154)	(0.202)	(0.147)	(0.155)	(0.203)
GDP growth (t-1)	0.0120*	0.0239***	0.0249***	0.0125*	0.0246***	0.0261***
	(0.00676)	(0.00775)	(0.00895)	(0.00678)	(0.00781)	(0.00895)
Infrastructure (log) (t-1)	0.116	0.328*	0.146	0.110	0.328*	0.0997
	(0.135)	(0.174)	(0.251)	(0.134)	(0.173)	(0.248)
Trade/GDP (log) (t-1)	0.427***	0.498***	0.278	0.438***	0.507***	0.291
	(0.147)	(0.172)	(0.241)	(0.148)	(0.172)	(0.239)
Conflict (t-1)	−0.271*	−0.184	0.0315	−0.258*	−0.171	0.0381
	(0.151)	(0.186)	(0.219)	(0.152)	(0.186)	(0.220)
Lagged Dependent Variable	0.315***			0.314***		
	(0.0302)			(0.0302)		
Lagged FDI Stock (log) (t-1)		0.260***			0.258***	
		(0.0459)			(0.0462)	
Constant	−0.0499	−14.97	−24.24	−0.381	−14.91	−26.78*
	(8.452)	(10.93)	(15.24)	(8.435)	(10.90)	(15.02)
Estimator	OLS-FE	OLS-FE	OLS-FE	OLS-FE	OLS-FE	OLS-FE
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Time Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Number of Countries	157	157	154	157	157	154
Total Observations	5,054	4,507	2,948	5,054	4,507	2,948
R-squared	0.580	0.522	0.526	0.580	0.523	0.527

Robust standard errors in parentheses ***p < .01, **p < .05, *p < .1.

milder sanctions until they reach the resolution stage. Neither of the mild sanctions have effects on FDI. Only the final stage, public resolution, is significantly different from zero (5% level), suggesting that foreign investors pay more attention to UN scrutiny when the regime is publicly condemned via a resolution that has passed the bottleneck of milder sanctions, thus creating negative consequences for investment attractiveness. These results remain robust when we include a LDV in column 6 and a lagged FDI inward stock measure in column 7. These results are in line with our Hypothesis 2b that the effect of milder UNHRCC sanctions is less severe than the effect of public resolutions, possibly because some of the milder sanctions are issued behind closed doors.

With respect to the control variables, regime type, the GDP growth rate and trade openness are connected to higher FDI inflows.[28] Population and infrastructure, though initially significant, lose their significance when including a LDV. Overall, our findings on UNHRCC condemnations remain robust to the inclusion of a range of control variables.

In Table 2 we report the findings employing decomposed measures of the PTS index and UNHRCC shaming. Note that in column 3, we also include the NGO shaming measure. We do not find statistical significance for any of the constituent categories on FDI inflows. The UNHRCC condemnations coefficient remains negative and significantly different from zero at the 10% level. After controlling for the disaggregated PTS dummies, UNHRCC condemnations are associated with a 35% decline in FDI inflows (column 1). Our results remain robust to the inclusion of a LDV in column 1 and a lagged measure of FDI inward stock in column 2. NGO shaming (column 3), remains statistically insignificant. Columns 4–6 include a decomposed measure of the severity of UNHRCC shaming. As seen, none of the constituent categories of PTS dummies nor the decomposed measures of UNHRCC shaming explain FDI inflows. The sole exception is the UNHRCC public resolution of condemnation which is negative and significantly different from zero at the 5% level. Notice that these results remain robust to the inclusion of a LDV and lagged FDI inward stock measures reported in column 4 and 5. Once again, the

[28] Increasing the regime type (democracy) index by a standard deviation above the mean increases the average impact on FDI inflows by roughly 44%. Also, the substantial effects of the GDP growth rate on FDI inflows is positive and about 15%. Similarly, a standard deviation above the mean of trade openness (log) is associated with a roughly 38% increase in FDI inflows.

Table 3
Conditional effects of UNHRCC condemnations and media reporting, 1977–2013.

	(1) FDI (log)	(2) FDI (log)	(3) FDI (log)	(4) FDI (log)
UNHRCC Condemnations (t-1) X New York Times Reports (log) (t-1)	−0.394*	−0.275		
	(0.202)	(0.179)		
UNHRCC Condemnations (t-1) X New York Times <60 Reports (t-1)			−0.0226	−0.0246*
			(0.0156)	(0.0134)
New York Times Reports (log) (t-1)	0.0912	0.0433		
	(0.0726)	(0.0647)		
New York Times Reports <60 (t-1)			0.0112	0.0132*
			(0.00803)	(0.00682)
UNHRCC Condemnations (t-1)	0.513	0.439	0.0344	0.209
	(0.523)	(0.446)	(0.327)	(0.252)
Political Terror Scale index (t-1)	−0.158*	−0.0280	−0.188***	−0.0885
	(0.0943)	(0.0851)	(0.0725)	(0.0656)
Per capita GDP (log) (t-1)	−0.583	−0.516	−0.276	−0.224
	(0.445)	(0.376)	(0.324)	(0.282)
Polity Democracy index (t-1)	0.0214	0.0225	0.0163	0.0141
	(0.0154)	(0.0152)	(0.0117)	(0.0115)
Population (log) (t-1)	−1.472	−0.508	−1.555***	−0.749
	(1.040)	(0.885)	(0.592)	(0.505)
Economic Crisis (t-1)	0.0227	0.115	−0.136	−0.0535
	(0.183)	(0.172)	(0.164)	(0.155)
GDP growth (t-1)	0.00976	−0.00147	0.0147*	0.00461
	(0.00995)	(0.00878)	(0.00848)	(0.00723)
Infrastructure (log) (t-1)	0.135	0.100	0.119	0.00882
	(0.242)	(0.204)	(0.164)	(0.141)
Trade/GDP (log) (t-1)	0.642***	0.313	0.583***	0.302*
	(0.225)	(0.203)	(0.180)	(0.164)
Conflict (t-1)	−0.244	−0.200	−0.409**	−0.323**
	(0.249)	(0.199)	(0.197)	(0.161)
Lagged Dependent Variable		0.436***		0.418***
		(0.0439)		(0.0353)
Constant	28.95	12.10	31.28***	16.25*
	(18.89)	(16.13)	(11.39)	(9.711)
Estimator	OLS-FE	OLS-FE	OLS-FE	OLS-FE
Country Fixed Effects	Yes	Yes	Yes	Yes
Time Fixed Effects	Yes	Yes	Yes	Yes
Number of Countries	113	113	113	113
Total Observations	2,316	2,309	3,502	3,495
R-squared	0.548	0.639	0.540	0.624

Robust standard errors in parentheses ***p < .01, **p < .05, *p < .1.

NGO shaming measure remains statistically insignificant (as reported in column 6). Overall, these results lend support to our theoretical arguments that the UNHRCC public condemnations effects are stronger than those of milder sanctions imposed by the body, human rights abuse itself and NGO shaming, although we are more cautious about models including the NGO variable due to a reduced sample size. The results on the control variables in Table 2 are in line with the findings of others (Blonigen & Piger, 2014; Chakrabarti, 2001) and those reported in Table 1.

6. Conditional effects

Thus far, we presented the direct effect of human rights abuse and human rights shaming by the UNHRCC on FDI inflows. Next, we examine whether the negative effects of human rights shaming by the UNHRCC on FDI are conditional on the level of media reporting on human rights (corresponding to hypothesis 3). We introduce interaction terms between UNHRCC condemnations and international media reporting on human rights violations (Table 3). The first two columns in Table 3 report these interaction effects. In the last two columns, we present the findings on the interaction effects between the UNHRCC condemnations and media reports with 60 or less news reporting events. Columns 2 and 4 also include a LDV. The interaction term in column 1 is negative and significantly different from zero at the 10% level suggesting that the negative impact of UNCHRCC condemnations on FDI inflows is more pronounced when accompanied by media reporting on human rights abuses. Importantly, however, the UNHRCC condemnations coefficient on its own, i.e., when media reporting is set to 0, has no effect on FDI inflows. Likewise, the effect of media reports when the UNHRCC dummy is 0 on FDI is also statistically insignificant. This suggests that the effect on UNHRCC condemnations is conditional upon media reporting. It is noteworthy that even in linear models the change in statistical significance of the interactive term depends on the conditioning variable (i.e. measure on media reporting). We therefore rely on conditional plots shown in Fig. 2 for the results shown in column 1 in Table 3. To calculate the marginal effect of UNHRCC condemnations, we take account of both the conditioning variable (i.e. log media reporting) and the interaction term. The y-axis of Fig. 2 shows the marginal effect of UNHRCC dummy, and on the x-axis the level of (log) media reports on human rights at which the marginal effect is evaluated; we include the 90% confidence interval as well. In line with our results of the OLS estimation, the UNHRCC condemnations dummy would decrease FDI inflows (at the 90% confidence level at least) when the number of human rights abuse events reported by the media is greater than 20 (significant at the 5% level). The conditional plot shows that at zero events (i.e. when there are no media reports on human rights abuse), the impact of UNHRCC condemnations on FDI

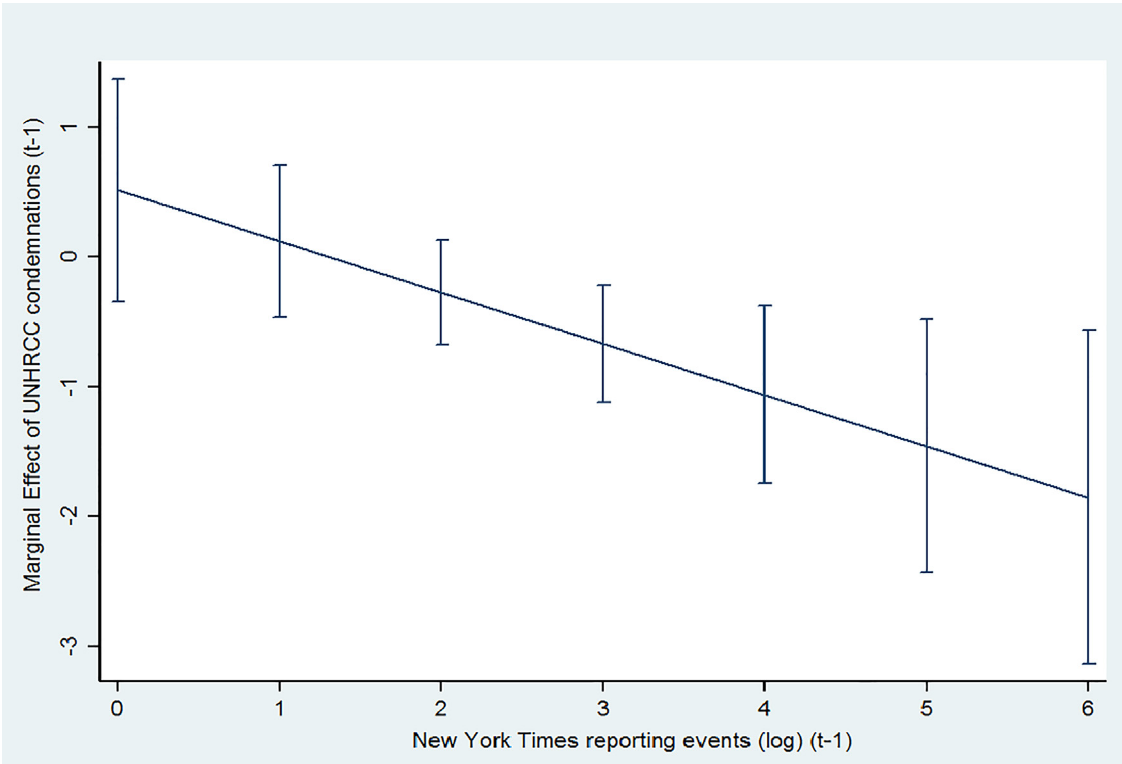

Fig. 2. UNHRCC condemnations, New York Times reporting (log) & Marginal Effect on FDI inflows (log).

inflows remains statistically insignificant. However, at the maximum value of media reporting events on human rights abuse (which is about 330) the negative impact of the PTS index on FDI inflows is about 145%, which is significantly different from zero at the 5% level. It is noteworthy that these results uphold in column 2 when we control for a LDV.

We now turn to the conditional effect of UNHRCC condemnations and media reporting excluding outliers with less than 60 reporting events presented in column 3–4 in Table 3. As seen, the interaction term is also negative and significantly different from zero at the 10% level in column 4 suggesting that the negative impact of UNCHRCC condemnations on FDI inflows is more pronounced when accompanied by media reporting (less than 60 events) on human rights abuses. Once again, we rely on the conditional plot in Fig. 3. The y-axis of Fig. 3 shows the marginal effect of UNHRCC public condemnations, and on the x-axis the level of media reports with less than 60 reporting events on human rights at which the marginal effect is evaluated. A UNHRCC public condemnation incident would decrease the FDI inflows (at the 90% confidence level at least) when the number of human rights abuse events reported by the media is greater than 20, which is roughly the 90th percentile of the total media reports. For instance, at 20 media reports on human rights abuse, the impact of UNHRCC condemnations is associated with an about 41% decline in FDI inflows, which is significantly different from zero at the 10% level. Likewise, a UNHRCC resolution leads to an 86% decline in FDI inflows if accompanied by at least 40 media reports on human rights abuse, which is significantly different from zero at the 5% level. The effects are similar when estimating the interactions by including a LDV reported in column 4. Our results thus support Hypothesis 3 that the impact of UNHRCC condemnations on FDI is also conditional on media reporting about human rights violations.

7. Checks for robustness

We examine the robustness of our main findings in several ways (all robustness tables reported in our Supplementary files). First, we control for the following variables: natural resource rents as a share of GDP, life expectancy, ICRG's law and order index which is a proxy for property rights (Jakobsen & de Soysa, 2006), and, following Garriga (2016), a dummy measure capturing whether a country has ratified the International Covenant on Civil and Political Rights (ICCPR). Our results (Table 1A-1C) on UNHRCC condemnations along with the interaction effects remain robust. Second, following Dreher and Gassebner (2008), we exclude the observations with extreme values reported in the FDI inflows data. Our baseline results reported earlier are qualitatively unchanged (Table 2A-2C). Third, following Lebovic and Erik (2006) we estimate the models separately for the sample covering the post-Cold War period (1990–2013) because the UNHR Commission was may have been influenced by cold war politics in which some member countries were split into Soviet and the US camps (Donnelly 1988). The effect of UNHRCC condemnations on FDI inflows in the post-Cold war period is roughly five times that of the human rights abuse itself (Table 3A-3C). Our results remain robust to including the interaction effects. Fourth, as discussed earlier, the then UNHR Commission was replaced by a new body, i.e., Council, which began operating in 2006. While main analysis includes both institutions, we now split the post-2006 years from the. The results (Table 4A-4B) broadly corroborate our earlier findings. Fifth, we acknowledge that endogeneity can stem from omitted variable bias. It is plausible that the UNHRCC is indeed responding to the human rights events highlighted by certain human rights NGOs. We control for a variable measuring NGO shaming in our models. However, the data is available only from 1990 onwards, reducing our sample size. As an alternative, we

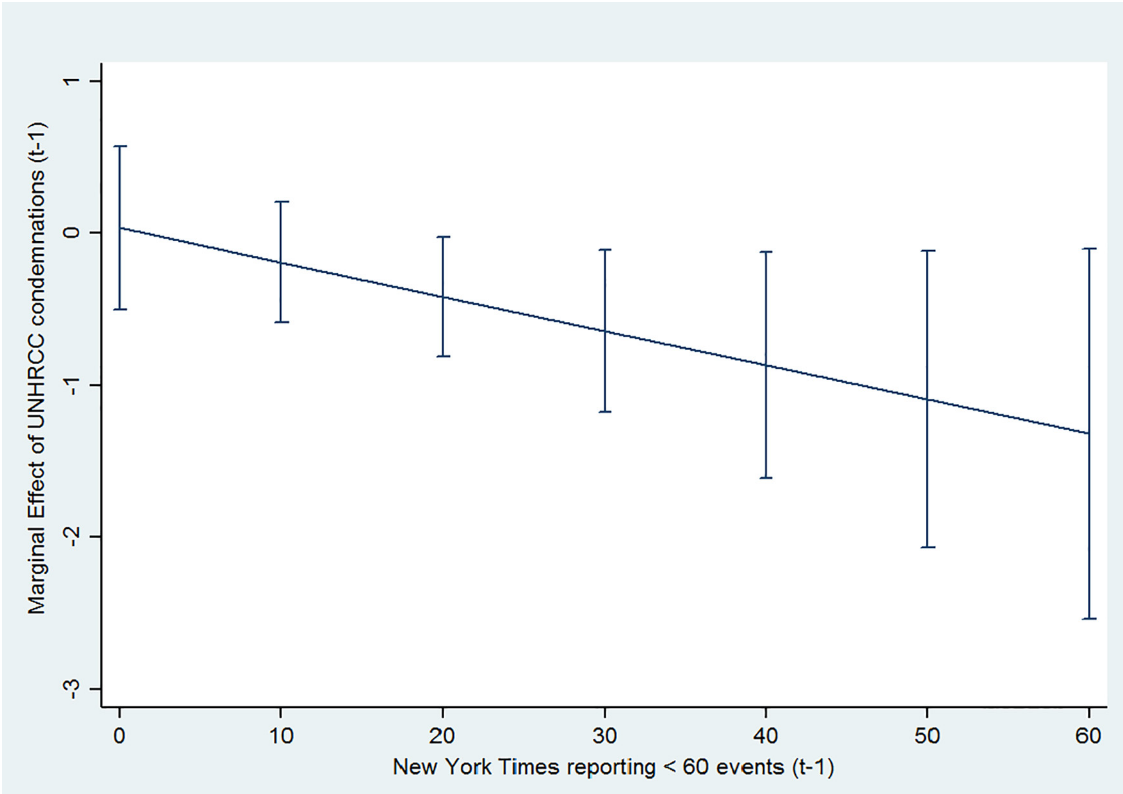

Fig. 3. UNHRCC condemnations, New York Times <60 reports & reporting (log) & Marginal Effect on FDI inflows (log).

now control for the total number of local and international NGOs (log) in our robustness check models. Our results (Table 5A-5C) remain robust. Sixth, the impact of the UNHRCC condemnations on FDI might be influenced by selection bias because targeting a country for condemnation by the UNHRCC is not a random event. Countries are (partially) screened based on their performance on human rights. The potential problem of unobserved heterogeneity could result in the error term in the equation of the FDI inflows being correlated with some explanatory variables that determine public condemnations. We therefore use a binary treatment regression estimator to control for selection effects.[29] This estimator takes account of the determinants of a UNHRCC condemnations in the first step which is the non-random treatment assignment, and models it in non-linear specification in the second step. The non-linear prediction equation for UNHRCC condemnations and the linear estimation of FDI inflow determinants are estimated simultaneously.[30] Our results reported in (Table 6A) do not change and remain robust. While, in line with Lebovic and Erik (2006) we find that in countries which are targets of UNHRCC, human rights violations, income, regime type, trade openness and conflict, International Covenant on Civil and Political Rights (ICCPR) ratification and UNHRCC membership are strong determinants of UNHRCC condemnations. Seventh, we estimate our baseline models by replacing the LDV with a measure of the (log) global volume of FDI (minus *i*th country) during the given year which accounts for broad temporal trends in FDI that affect all potential host countries equally.[31] Note that we also drop time fixed effects but retain country fixed effects when controlling for global FDI. Our results (Table 7A) do not change.

Next, we replace the Polity regime type index with Freedom House's measure on civil and political liberties which is coded on 1–7 scale, wherein higher value denotes more protection of civil and political liberties and a more democratic system. Our results (Table 8A-8B) remain robust when we replace Polity measure with Freedom House index. Finally, we address the endogeneity concerns related to the impact of human rights abuse (using the PTS index) and FDI inflows (Table 9A-9C). We introduce a two-stage least squares instrumental variable (2SLS-IV hereafter) estimations approach with time and country specific fixed effects. We use two instrumental variables. First, *PTS index global context* is the average score of the PTS index in the other countries minus the *i*th country in question. Second, *PTS index regional context* is the average score of the PTS index in that particular geographic region (minus the *i*th country in question) to which country *i* belongs.[32] These instruments, we believe, are likely to be correlated to human rights practices in country *i*, but may not be correlated with the FDI inflows in country *i*. There is evidence that human rights practices tend to diffuse across borders. For instance, Greig, Lantrip, and Poe (2006) finds geography to be an important link in spreading both political repression and respect for human rights. Greig, Poe, Fonseca, and Roussos (2007) show that states tend to become more repressive in nature if

[29] We make use of the *etreg* command in STATA 13 to estimate treatment regression models.

[30] Note that in the two-step treatment regression specification estimating the probability of a country *i* facing UNHRCC condemnation in year *t* in the first step which is a non-linear specification, we control for time fixed effects and in the second step on FDI inflows, which is a linear specification, we control for both country and time fixed effects.

[31] We thank the referee for suggesting this option.

[32] We follow the World Bank classification of geographic regions viz., Europe and Central Asia, Latin America and Caribbean, Middle East North Africa, North America, Sub-Saharan Africa, South Asia, East Asia and Pacific.

the geographic region is concentrated with human rights violators and vice versa. We extend the argument that states learn from the example of others and geographic proximity provides opportunity not only for interaction but also to observe various policy options to select from. We expect the state to either repress or respect human rights depending upon how neighbouring states in the geographic region behave towards their citizens. We lag our instruments by two-years. The two instrumental variables are considered to be valid, if they are correlated with the endogenous variable, namely the PTS index. We make use of a joint F-statistic in the first-step regression, suggested by Bound, David, and Baker (1995), on the excluded instruments.[33] Secondly, the selected two instruments in the second stage equation should not vary systematically with our employed disturbance term, i.e. $[\omega_{it}|IV_{it}] = 0$. We know of no theoretical arguments linking the human rights performance in neighbouring geographic region and across other countries to FDI inflows in the country in question. We apply the Sargan test which shows that the null-hypothesis of exogeneity cannot be rejected at the conventional level of significance.[34] After controlling for endogeneity concerns, we find that the PTS index is associated with a decline in FDI inflows.

Overall, the findings from our robustness checks suggest that our results are robust not only to the size of the sample and alternative methods of operationalization of our main variable of interest, but also to alternative estimation techniques.

8. Conclusion

Our study presented several interesting results with important policy implications. First, foreign investors avoid countries which have been shamed by the UNHRCC for committing human rights violations. This result holds across a range of model specifications and robustness checks. Previous work has shown that shaming by various state and non-state actors can influence human rights practices (e.g. Franklin, 2008; Hafner-Burton, 2008). One potential mechanism which we were interested in was to change state behavior via shaming and economic pressures, as the spiral model has proposed (Risse, Ropp, & Sikkink, 1999). Supporting findings by Barry et al. (2013) and Peterson et al. (2016), we provide further evidence that shaming can create tangible economic costs for repressive regimes in the form of FDI loss. This effect is stronger than effects of human rights abuse itself on FDI.

Second, while much work in the shaming literature concentrates on NGOs, we shed more light on the power and workings of intergovernmental organizations – in particular the UNHRCC. We show that UNHRCC resolutions can deter foreign investors from operating in targeted countries. While NGOs and other actors have been shown to be effective in their own right (Barry et al., 2013), they do well to lobby IGOs to increase pressure on rogue states, as proposed by the spiral model. The UNHRCC's unique and political decision-making process can influence investors by signaling that a host country has become an outcast, with weak political and economic ties to other states. In addition, only the harshest cases reach the stage of an actual UNHRCC resolution, which can bear severe reputational damage not only for the targeted state, but also for multinational corporations investing in this country. Our results indicate that the effects of the UNHRCC are larger than those of NGOs, although this result is not as robust as our other findings. We also show that resolutions, as opposed to lower level sanctions by the UNHRCC, have the strongest effect, indicating that resolutions, which have passed the bottleneck, are most effective in deterring FDI. With these results, we add to the existing body of work on IGOs that has shown the costs of being shamed by the UN human rights bodies in the form of loss of multilateral and bilateral aid (Lebovic & Erik, 2009; Esarey & DeMeritt, 2016). For future research, we suggest an examination of FDI disaggregated into industry sectors (see Blanton & Blanton, 2009; Janz, 2017) because that may influence the vulnerability of firms to shaming activities. Some industries may rely on a brand image more than others; some industries such as resource-seeking sectors are more location-bound, so that the link between shaming and FDI could be weaker. An examination of shaming and FDI across using firm-level or industry-level data could therefore provide further insights into the mechanisms and conditions under which shaming might influence FDI.

Third, the findings provide evidence that media reporting about human rights abuse plays a crucial role and amplifies the effects of UNHRCC resolutions on FDI. While other studies have included the media as separate shaming actors (e.g. Hafner-Burton, 2008) or as measures integrating NGO shaming and media into one variable (Barry et al., 2013), we demonstrated that the amplification of UNHRCC resolutions by media reports is effective in deterring FDI. Future research on media effects could use a wider range of media sources and types, and test regional effects. We believe that the NYT has international reach and makes for a reasonable proxy for media coverage of human rights (Burgoon, Andrea, Willem, & Ram, 2015; Garriga, 2016; Nielsen, 2013); but there is a range of influential newspaper, television, radio and internet media that may be particularly powerful in certain regions of the world, and may be received differently by different audiences, including firm decision makers.

There are many other unexplored pathways and refinement opportunities in the human rights and FDI literature. For example, the type of human rights violation that is shamed (DeMeritt, Conrad, & Fariss, 2016) may also play a role in deterring FDI, since some rights violations may weigh heavier in damaging a firm's reputation than others, or in isolating a state within the international community. Overall, the policy indication of our work is clear: By strengthening intergovernmental organizations that comprehensively monitor and condemn countries for human rights violations, one might be able to discourage foreign investments flowing into repressive regimes. This might encourage such regimes to improve their human rights performances.

Conflict of interest statement

The authors have no conflict of interest to declare.

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Appendix A.

See Tables 4–6

[33] The first-step of the 2SLS-IV estimations are reported in Table 9B in Supplementary files.

[34] It is also noteworthy that as an alternative way to test exclusion criteria we also regress FDI inflows (log), our dependent variable, on *PTS index global context* and *PTS index regional context* after controlling for all the controls used in our baseline models reported in Table 10C in Supplementary files. Both instruments pass the instrument exclusion criteria. In other words, both instruments remain statistically insignificant in explaining FDI inflows.

Table 4
Countries under study.

Afghanistan	Comoros	Haiti	Mongolia	Slovenia
Albania	Congo, Democratic Republic	Honduras	Morocco	Solomon Islands
Algeria	Congo, Republic	Hungary	Mozambique	South Africa
Angola	Costa Rica	India	Myanmar	South Korea
Argentina	Cote d'Ivoire	Indonesia	Namibia	Spain
Armenia	Croatia	Iran	Nepal	Sri Lanka
Australia	Cuba	Iraq	Netherlands	Sudan
Austria	Cyprus	Ireland	New Zealand	Suriname
Azerbaijan	Czech Republic	Israel	Nicaragua	Swaziland
Bahrain	Denmark	Italy	Niger	Sweden
Bangladesh	Djibouti	Jamaica	Nigeria	Switzerland
Barbados	Dominican Republic	Japan	North Korea	Syria
Belarus	Ecuador	Jordan	Norway	Taiwan
Belgium	Egypt	Kazakhstan	Oman	Tajikistan
Belize	El Salvador	Kenya	Pakistan	Tanzania
Benin	Equatorial Guinea	Kuwait	Panama	Thailand
Bhutan	Eritrea	Kyrgyz Republic	Papua New Guinea	Togo
Bolivia	Estonia	Laos	Paraguay	Trinidad and Tobago
Botswana	Ethiopia	Latvia	Peru	Tunisia
Brazil	Fiji	Lebanon	Philippines	Turkey
Brunei	Finland	Lesotho	Poland	Turkmenistan
Bulgaria	France	Liberia	Portugal	Uganda
Burkina Faso	Gabon	Libya	Qatar	Ukraine
Burundi	Gambia	Lithuania	Romania	United Arab Emirates
Cambodia	Georgia	Macedonia	Russia	United Kingdom
Cameroon	Germany	Madagascar	Rwanda	United States of America
Canada	Ghana	Malawi	Sao Tome and Principe	Uruguay
Cape Verde	Greece	Malaysia	Saudi Arabia	Uzbekistan
Central African Republic	Grenada	Mali	Senegal	Venezuela
Chad	Guatemala	Mauritania	Seychelles	Vietnam
Chile	Guinea	Mauritius	Sierra Leone	Yemen
China	Guinea-Bissau	Mexico	Singapore	Zambia
Colombia	Guyana	Moldova	Slovakia	Zimbabwe

Table 5
Descriptive statistics.

Variables	Mean	Standard Deviation	Minimum	Maximum	Observations
FDI inflows (log)	5.156	3.845	−11.057	13.350	5640
Political Terror Scale index	2.479	1.099	1.000	5.000	5676
Political Terror Scale dummy: 5	0.070	0.255	0.000	1.000	5676
Political Terror Scale dummy: 4	0.081	0.273	0.000	1.000	5676
Political Terror Scale dummy: 3	0.180	0.384	0.000	1.000	5676
Political Terror Scale dummy: 2	0.205	0.404	0.000	1.000	5676
UNHRCC condemnations	0.057	0.232	0.000	1.000	5785
UNHRCC target	0.017	0.128	0.000	1.000	5785
UNHRCC confidential	0.019	0.137	0.000	1.000	5785
UNHRCC critical statement	0.026	0.160	0.000	1.000	5785
New York Times reports events (log)	1.538	1.229	0.000	5.790	2628
NGO Shaming (log)	0.096	0.297	0.000	2.565	3210
Per capita GDP (log)	7.812	1.618	4.314	11.274	5776
Polity Democracy index	1.593	7.284	−10.000	10.000	5500
Economic Crisis	0.064	0.244	0.000	1.000	5909
GDP Growth rate	3.577	6.602	−66.120	106.280	5780
Population (log)	15.795	1.761	9.727	21.060	6068
Trade/GDP (log)	3.956	0.584	1.591	6.894	5736
Infrastructure (Electricity consumption log)	1.810	2.330	−2.303	8.449	5774
Conflict	0.171	0.376	0.000	1.000	5829

Table 6
Data definition and sources.

Variables	Data definition and sources
FDI inflows	Total FDI inflows into country *i* in year *t* measured in US$ millions and logged. The data is sourced from UNCTAD statistics 2015
UNHRCC condemnations	Value 1 if country *i* in year *t* is targeted by the UNHRCC for public condemnations by adopting a resolution and 0 otherwise
PTS index	Coded on 1–5 scale wherein 1 means proper rule of law, no illegal detentions, and torture is exceptional and extra judiciary murders are extremely rare sourced from Gibney et al. (2012)
Per capita GDP (log)	GDP per head in 2000 US$ constant prices sourced from the World Development Indicators 2015, World Bank
Polity democracy index	Based on Polity IV index which is coded on the −10 to +10 scale wherein +10 denotes full democracy and vice versa
Infrastructure	Total electricity consumption in kilowatts per capita (logged) sourced from the International statistics database of the Energy Information Administration (EIA), USA

(*continued on next page*)

Table 6 (*continued*)

Variables	Data definition and sources
Population (log)	Total population count (logged) sourced from the World Development Indicators 2015, World Bank
GDP growth rate	Rate of growth of GDP Of country *i* in year *t* sourced from UNCTAD statistics 2015
Economic crisis	Coded the value 1 if country *i* in year *t* faced with either/or debt, currency and banking crises and 0 otherwise sourced from Laeven and Fabian (2013)
Media reporting	Count of media report events on human rights abuse in country *i* in year *t* reported in New York Times and constructed by Richard Nielsen (2013) until 2004 and the dataset is extended from there-on based on own construction
Conflict	Dummy coded 1 for each year a country has at least one active (inter-state and/or intra state) conflict obtained from Uppsala Conflict Data Program, 2016 originally constructed by Gleditsch et al. (2002)
NGO shaming	Annual count of shaming incidents by NGOs (logged) reported in Reuters Global News Service reports and sourced from Peterson et al. (2016)

Appendix B. Supplementary data

Supplementary data associated with this article can be found, in the online version, at https://doi.org/10.1016/j.worlddev.2017.11.014.

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