



# Can foreign direct investment promote BIT signing?

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## Abstract

Compared to the vast number of previous studies on the impact of bilateral investment treaties (BITs) on Foreign Direct Investment (FDI), this paper empirically analyses how previous FDI affects BIT signing by using annual data covering 258 countries for the period 2002–2012. We find that the likelihood of signing BITs between two countries is higher when the country-pair has a larger sum of FDI stock and a larger FDI difference, and this effect is more pronounced in middle- and low-income countries than high-income countries. Further research finds that the institutional gap is an important factor that can enhance the positive impact of FDI stock/ FDI difference on the signing of BITs. The contribution of this research lies in providing a benchmark for incorporating more economic variables into the understanding of the determinants of BIT signing. In particular, the role of FDI should be given more attention.

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