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Effects of the Deployment and Departure of UN Peacekeeping Operations on Foreign Direct Investment

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ABSTRACT

Do United Nations peacekeeping operations (UNPKOs) foster foreign direct investment (FDI) in host countries over time? I argue that the deployment of UNPKOs increases FDI by signaling credibility in peace and the rule of law. However, once peacekeepers depart, uncertainty regarding political stability, due to premature withdrawal and unemployment shocks deters investment in the short term. Over time, however, FDI increases as investors recognize the country's growing resilience, shaped by the legacy of UNPKOs. Empirical analyses test these hypotheses, demonstrating that while the departure of peacekeepers initially slows investment, it ultimately accelerates FDI inflows in the long run.

1 | Introduction

In 2017, the United Nations Operations in Côte d'Ivoire (UNOCI) ended after 13 years. A UN Secretary-General's special representative stated, "the departure of UNOCI shows the remarkable progress that has been accomplished in Ivory Coast on the path to peace, lasting stability, and economic prosperity" (Adele 2017). That year, foreign direct investment (FDI) in Côte d'Ivoire surged by 69% compared to 2016. Although FDI decreased for the next 3 years after, it rebounded in 2021, increased by 141% compared to 2016.¹

Do the UN peacekeeping operations (UNPKOs) foster FDI growth in host countries over time? If so, how? The UN often calls for further transnational cooperation after a mission ends. FDI facilitates global market integration (Gartzke and Li 2003; Gartzke, Li, and Boehmer 2001) and reduces interstate conflict risks (Bussmann 2010; Lee and Mitchell 2012; Polachek, Seiglie, and Xiang 2007; Rosecrance and Thompson 2003). It also enhances political stability through economic growth by adapting technology and transferring knowledge (de Mello 1997, 1999;

Hansen and Rand 2006), developing local industries (Markusen and Venables 1999),² reducing income inequality (Reuveny and Li 2003), and lowering militarization, while simultaneously increasing societal security (de Soysa 2020). Since FDI reduces civil war risks (Barbieri and Reuveny 2005), UNPKO-driven FDI growth can enhance political stability both domestically and internationally.

However, earlier studies find no significant effect of UNPKOs on FDI inflows in post-conflict states (Bak and Lee 2021; Joshi and Quinn 2020). Troops deployments, which may signal deteriorating security, can deter investment (Hunnicut 2023; Joshi and Quinn 2020). This challenges the assumption that UN interventions reassure investors about political stability (Kang and Meernik 2005) and that UNPKOs promote stability by reducing violence (Hultman, Kathman, and Shannon 2014; Ruggeri, Dorussen, and Gizelis 2017; Smidt 2020a), enhancing the rule of law (Blair 2021), democratizing the country (Blair, Di Salvatore, and Smidt 2023), and helping state-building by implementing peace accords (Campbell and Di Salvatore 2024; Maekawa, Ari, and Gizelis 2019; Mailhot 2024).

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The gap in literature lies in three dimensions: space, aggregation, and time. First, although political and economic risks vary sub-nationally (Caruso et al. 2017; Hunnicutt 2023), investors assess state-level political stability to determine profitability, enable branch expansions, and prevent government exploitation. However, in civil-war-affected countries, obtaining timely, accurate subnational security data is difficult for foreign investors. Thus, this study theorizes and tests the state-level effects of UNPKOs on FDI.

Second, state-level signals of political stability emerged from aggregate mission effects, as micro-level outcomes, shaped by mandates and personnel members, collectively drive macro-level outcomes. This study theorizes how UNPKOs attract FDI by signalling credibility in peace and the rule of law from an aggregate mission perspective, in contrast to studies that focus on specific personnel (Hunnicutt 2023; Joshi and Quinn 2020).

Third, state-building outcomes from UNPKOs may take time to materialize, as their initial deployment could signal uncertainty, which diminishes over time. Thus, the long-term impacts of UNPKOs on FDI must be examined. Unlike existing studies (e.g., Bak and Lee 2021; Hunnicutt 2023; Joshi and Quinn 2020), this study differentiates between deployment and departure effects by unpacking the time dimension.

This study argues that UNPKOs increases FDI by signalling peace and the rule of law credibility. However, after peacekeepers depart, uncertainty about political stability due to premature peacekeeping withdrawal and unemployment shocks deters short-term investment. Over time, firms increase investment as they observe the country's growing resilience sustained by the legacy of the UNPKOs. The theory was tested through *deployment* and *departure* hypotheses. Findings show that UNPKO deployment increases FDI compared to non-UNPKO countries (the deployment effect). Meanwhile, departure initially reduces FDI but accelerates inflows over time (the departure effect). These findings imply that aggregate UNPKO mission effects, including their legacy, play a key role in investment decisions in post-conflict states and enhance host-state's engagement in the global markets.

This study advances the existing body of research in four ways. Recent studies have investigated the effects of UNPKOs on host countries' economies (Beber et al. 2019; Bove and Elia 2018; Bove, Di Salvatore, and Elia 2022; Caruso et al. 2017). However, contrary to the finding that economic gains can be reversed when UNPKO missions conclude (Beber et al. 2019), this study found that UNPKOs have long-term positive economic effects on host countries by attracting foreign investors. Second, this study contributes to the literature on the legacy of UNPKOs (Caplan 2020; Di Salvatore and Ruggeri 2020; Gledhill 2020), showing that an accelerated positive effect of UNPKOs on FDI emerges following their departure. Third, the findings support the argument that the UN is good at establishing peace (Doyle and Sambanis 2006; Gilligan and Sergenti 2008), not only by influencing the substantive state-building process but also by signalling its credibility and success, a gesture that fosters transnational cooperation. Finally, this study contributes to the broader literature on international organizations. Mansfield

and Pevehouse (2006) argue that countries transitioning to democracies engage with international organizations to credibly commit to democratic reforms. This study shows that the UN lends credibility of state building to transitioning democracies by increasing FDI inflows. As such, international organizations facilitate transnational cooperation by signalling the host country's credibility.

2 | Theoretical Background

2.1 | Credibility in Peace and the Rule of Law in Post-Conflict Countries

Reversing investment decisions in uncertain environments can be costly to undo later (Dixit 1989). When faced with uncertainty, investors transform objective uncertainty into subjective political risk (Rummel and Heenan 1978). Investors' risk perceptions increase in countries that lack peace (Murdoch and Sandler 2004). Civil war generates significant uncertainty regarding a country's economic and political stability, damaging both labor and investment assets (Busse and Hefeker 2007; Busmann 2010; Enders and Sandler 1996; Enders, Sachsida, and Sandler 2006; H. Lee 2017; Li and Vashchilko 2010). As a result, firms tend to avoid investing in politically unstable countries (Murdoch and Sandler 2002). Indeed, political instability (Feng 2001; Schneider and Frey 1985), terrorism (Enders and Sandler 1996; Enders, Sachsida, and Sandler 2006; C.-Y. Lee 2017; Powers and Choi 2012), armed conflict (H. Lee 2017; Li and Vashchilko 2010), and civil war (Busse and Hefeker 2007; H. Lee 2017; Murdoch and Sandler 2004) reduce investment inflows.³ Investors prioritize credibility in peace and prefer to see a lower risk of renewed conflict (Bak and Lee 2021).

For investors, whether the recipient country recognizes property rights is crucial, as foreign investors would lack direct assets if the host government were to break the contract (Frieden 1994). Modifying property rights for government benefits reduces investments (North and Weingast 1989). These rights are safeguarded under the rule of law (Haggard and Tiede 2014). However, the rule of law weakens during civil war due to increased executive authority, which erodes judicial independence, and the suspension of civil and political liberties (Haggard and Tiede 2014). Thus, to revive investments in post-conflict countries, the credibility of both peace and the rule of law must be reinforced to protect capital, assets, and property.

2.2 | Post-Conflict Transformation: Lack of Credibility in Peace

However, establishing such credibility is challenging because post-conflict countries undergo significant *transformations*. Specifically, they tend to shift toward authoritarianism during civil wars (Haggard and Tiede 2014) and transition to democracy afterward (Wantchekon and Neeman 2002; Weingast 1997). A well-established democracy is less likely to experience domestic disturbances or civil and cross-border wars (Diamond 1995; Doyle 1986, 1997; Hegre et al. 2001; Rummel 1995; Russett 1993).

Due to expected institutional constraints, democratic systems also mitigate political risk (Jensen 2008), fostering policy stability (Jensen 2003) and increasing the potential for FDI growth (Busse 2004; Busse and Hefeker 2007; Harms and Ursprung 2002; Jensen 2003, 2006).

However, *transforming* democracies often lack credibility in maintaining peace (Flores and Nooruddin 2009; Paris 2004). One key issue is the constraint they impose on democratic executives. While democratizing states enforce arbitrary constraints, distrust of public political participation and the dominance of competing elites' interests lead to nationalist ideological appeals, increasing the likelihood of war (Mansfield and Snyder 1995, 2002). The second challenge is election-related violence. Elections in post-conflict states frequently trigger political violence (Brancati and Snyder 2012; Flores and Nooruddin 2012; Paris 2004). In the short term, former combatants may reignite conflict by refusing to accept election results or exclusionary rulings, thereby fostering grievances (Brancati and Snyder 2012). Furthermore, as cross-ethnic coalitions tend to receive little support, political discourse follows traditional lines of religion, ethnicity, lineage, and clientelism (Brancati and Snyder 2012), further polarizing post-conflict societies and enabling remobilization. As a result, newly democratized societies remain at risk of disturbing hard-won peace at the domestic level.

2.3 | Post-Conflict Transformation: Lack of Credibility in the Rule of Law

While well-established democracies uphold property rights (North 1990; Olson 1991, 1993), *transitioning* democracies often struggle to make credible commitments to these rights (Przeworski 1991). Democratization is frequently accompanied by a commitment to redistribution (Acemoglu and Robinson 2000, 2001). In the short term, elected leaders may seek to maximize their chances of re-election by expropriating the assets of wealthy individuals and marginalized minorities, as well as seizing the assets of firms affiliated with their opponents (Clague et al. 1996). By contrast, leaders who feel politically secure are more likely to adopt a long-term approach (Li 2009). Since the transition to democracy is a reversible process (O'Donnell and Schmitter 1993), uncertainty about future political competition may prompt leaders to prioritize short-term gains. As a result, both the willingness and the opportunity for expropriation tend to be high in newly democratized states. Although property rights are not inherently self-enforcing in well-established democracies, such systems incorporate enforcement mechanisms within their legal structures (Li and Resnick 2003). Impartial court systems possess coercive power and require individuals to honor contracts (Olson 1993). However, in new democracies, there is no guarantee that the legal system will effectively enforce the rule of law or constrain potential abuses of individual rights (Clague et al. 1996).

In summary, the transition to democracy negatively impacts FDI (Resnick 2001). However, contract enforcement institutions can reduce the uncertainty associated with this transition (O'Reilly 2015), and successfully consolidated democratic

transitions can ultimately increase FDI inflows (Lacroix, Méon, and Sekkat 2021).

3 | Theoretical Argument

3.1 | Deployment Effect: UNPKOs and Credibility in Peace

A post-conflict country can signal credibility in peace and the rule of law through costly signals (Kydd 2000). Investors seek assurance from both the post-conflict government and the international community, given the former's incentive to misrepresent information (Garriga and Phillips 2013). UNPKOs act as costly signals, reinforcing credibility for both peace and the rule of law. For the international community, they incur reputation-based audience costs if they fail as peacemakers (Guisinger and Smith 2002; Li and Chen 2021) and financial costs to maintain operations (Quek 2021). For the host country, UNPKOs incur reputation, implementation, and opportunity costs of violence.

First, UNPKOs increase the reputation costs of violence by publicizing it through multiple ways (Fjelde and Smidt 2022). For example, traditional observers reporting general unrest (Fortna 2008), electoral monitors overseeing elections (Fortna 2004), and UN radio broadcasts highlighting violence and non-compliance (Shafiei and Overton 2024). Second, troops and police patrols signal their capacity to secure the environment, deterring violence (Fjelde and Smidt 2022; Fjelde, Hultman, and Nilsson 2019; Ruggeri, Dorussen, and Gizelis 2017; Smidt 2021). Third, the UNPKOs increase the opportunity costs of violence through institutional development and education by making peace agreements more beneficial for state leaders and former warring parties (Hartzell and Hoddie 2003; Nomikos 2021). Observers or troops enforce agreements, preventing renegeing (Fortna 2008; Walter 2002), while larger missions (Maekawa, Ari, and Gizelis 2019) or greater UN involvement strengthen enforcement (Mailhot 2024). Beyond security concerns, peacebuilding mandates help elites commit to peace agreement reforms, fostering FDI growth (Campbell and Di Salvatore 2024; Joshi and Quinn 2020). Education further raises opportunity costs of violence. UNPKOs increase citizens' educational attainment through both direct and indirect strategies, beyond specific mandates or mission details (Reeder and Polizzi 2021). Education also includes job training, as seen in the UN Organization Stabilization Mission in the Democratic Republic of Congo,⁴ and explanations of the benefits and moral values of political participation by civilians (Smidt 2020b), leading to actual political participation (Mvukiyehe 2018; Paris 2004). Thus, integrated UNPKOs mitigate new democracies commitment problems, including post-conflict political and electoral violence.

3.2 | Deployment Effect: UNPKOs and Credibility in the Rule of Law

Maintaining the rule of law is central to the UN's task of promoting peace and security (Blair 2021; Carlson 2006).

UNPKOs reinforce legal norms by educating citizens and state actors, discouraging violations through inducements, persuading officials via liaison officers, and providing oversight mechanisms (Blair 2021). Indeed, the UN often strengthens the rule of law post-conflicts, particularly as the peace process begins (Blair 2021). In transitioning democracies, weak property rights stem from electoral competition (Clague et al. 1996), making UNPKOs crucial in legal stabilization. Establishing a legal framework to resolve elections disputes is a key institutional element of peacebuilding (Paris 2004). UN missions institutionalize elections, ensuring compliance (Ari, Gizelis, and Maekawa 2024). This promotes long-term political stability, discouraging leaders from treating elections as a one-shot game and reducing expropriation risks. UNPKO curb expropriation risks by strengthening infrastructure for electoral competition, including independent courts that enforce democratic bargaining between the government and opposition (Staats and Biglaiser 2012). A functioning judiciary enforces constitutional law, ensuring government accountability post-UNPKO withdrawal (Walter 2015). For instance, the UN Mission for Justice Support in Haiti strengthened judicial capacity and the rule of law.⁵ Beyond top-down reforms, UN police units embedded in local communities bolster property rights institutions over time (Hunnicut 2023). Since better-trained police improve property security (Blair, Karim, and Morse 2019), UNPKO-lead security sector reforms further reinforce this bottom-up approach.

Overall, UNPKOs strengthen state credibility in the rule of law, reduce commitment problems regarding property rights, and boost FDI inflows.

Deployment hypothesis 1. Countries with UNPKO deployments attract more FDI than those without.

3.3 | Alternative Deployment Effect: Uncertainty About the State-Building Process

However, UNPKO deployment can also signal uncertainty about the state-building process. UNPKOs are often deployed in volatile states (Fortna 2008; Gilligan and Sergenti 2008; Sambanis and Doyle 2007), typically intervening when combatants fail to provide credible guarantees of settlement (Doyle and Sambanis 2000; Fortna 2004; Walter 1997, 2002). Although UNPKO deployment signals combatants' willingness to broker peace, the need for peacekeeping services also suggests that those combatants cannot trust each other without a third party. UNPKOs have also been deployed to reinforce weak state institutions (Dorussen and Gizelis 2013; Doyle and Sambanis 2000, 2006). The strength of institutions, such as electoral processes, is crucial to state-building (Flores and Nooruddin 2012). Indeed, the presence of UN troops negatively impacts investment at the sub-national level (Hunnicut 2023), signaling active conflict (Ruggeri, Dorussen, and Gizelis 2018).

Alternative deployment hypothesis 2. Countries with UNPKO deployment receive less FDI than those without UNPKO deployment.

3.4 | Short-Term Departure Effect: Peacekeepers' Departure as a Mixed Signal About Political Stability

What happens to FDI when peacekeepers leave? The impact depends on how UNPKOs exit. Peacekeepers typically follow an exit strategy, often tied to elections in the 1990s (Caplan 2005) and institution-building since 2000 (Hirschmann 2012). However, the ability to hold free and fair elections remains the key benchmark for UNPKOs' withdrawal (Kissling and Smidt 2023). As Fearon and Laitin (2004) note, "exit requires a functioning state capable of providing order" (p. 36). Since UNPKOs' departures are now closely linked to legitimate governance capacities (Call 2008), their exit signals institutional progress. For example, the UNOCI resolution reflected the successful 2015 presidential election and the government's ability to assume UNOCI's role.⁶

Peacekeepers may depart without fulfilling expectations. Some PKOs operate with fragile host-states consent, often facing attacks (Henke 2019). For instance, the UN Multidimensional Integrated Stabilization Mission in Mali faced state-building conflicts, prompting a request for withdrawal (Maekawa 2023). However, premature drawdowns can jeopardize democratic transitions, as UNPKOs reduce violence (Hultman, Kathman, and Shannon 2014; Ruggeri, Dorussen, and Gizelis 2017; Smidt 2020a) and protect civilians (Hultman, Kathman, and Shannon 2013; Kathman and Wood 2016). Their withdrawal has been linked to short-term political violence (Kissling and Smidt 2023). For instance, in Mali, the peacekeepers' withdrawal fueled fighting between the Malian army and rebels over vacated areas.⁷ Such cases may be perceived as failures (Autesserre 2019).

The second effect stems from physical changes in the host state, regardless of why peacekeepers leave. The PKOs boost demand for low-skilled employment, which disappears when missions end (Beber et al. 2019). This can heighten political uncertainty, as job losses reduce income opportunities, lower recruitment costs, and amplify grievances (Collier 2000; Collier and Hoeffler 2004).

Investors receive mixed signals about political stability immediately after peacekeepers leave. They assess risks based on prior beliefs, updating them as new information emerges (Ahlquist 2006). Until then, investment is delayed, making peacekeeper departures short-term deterrent to FDI inflows.

Departure effect hypothesis 3. FDI declines in the short-term after UNPKO departures, compared to if UNPKOs had not departed.

3.5 | Long-Term Departure Effect: Peacekeepers' Departure as a Signal of Improved Prospects for Political Stability

As adverse signals decrease, concerns may be mitigated over time through beliefs updates. First, in cases of contested departure, intensified battles whether due to rebels attacking

peacekeepers to gain bargaining leverage (Fjelde, Hultman, and Bromley 2016) or becoming trapped in status-quo bargaining positions (Greig and Diehl 2005), may indicate a break from deadlock or reduced strategic violence. Moreover, peacekeepers' departures do not necessarily mean the UN has been expelled. Even without a successor operation, a UN country team remains to coordinate with the former UNPKO and other UN agencies, particularly those focused on development. For instance, between 2007 and 2015, Mozambique's top three UN expenditure recipients were UNICEF, the UN World Food Programme, and the United Nations Development Programme (Campos 2021). Development fosters infrastructure growth and macroeconomic stability (Asiedu 2006), while lowering the risk of violence (Collier and Hoeffler 2002; Elbadawi and Sambanis 2002; Fearon and Laitin 2003).

Second, while short-term political instability stems from unemployment shocks, long-term demand for high-skilled labor increases as the economy develops (Acemoglu and Autor 2011). Enhanced educational attainment, supported by UNPKOs (Reeder and Polizzi 2021), meets this demand. Moreover, rising demand incentivizes further educational attainment, ultimately reducing violence (Collier and Hoeffler 2004; Thyne 2006), improving prospects stability from an investors' perspective.

Thus, the short-term negative effect can be mitigated over time, as investors recognize the host government's resilience and ability to maintain political stability post-UNPKOs, albeit supported by its legacy.

Departure effect hypothesis 4. FDI in a country increases over time after UNPKO departure compared to if UNPKOs had not departed.

4 | Research Design

The empirical analysis conducted to test these four hypotheses consists of two parts. First, the *deployment hypotheses* (H1 and H2) are tested using a time-series cross-sectional dataset covering post-conflict countries between 1997 and 2014.⁸ The sample includes 60 countries, not limited to transitioning democracies, since, in theory, countries tend to move toward democracy after a civil war (Wantchekon and Neeman 2002; Weingast 1997), regardless of whether they ultimately become democratic. Post-conflict cases were identified using the Uppsala Conflict Data Program (UCDP) Conflict Termination Dataset (Kreutz 2010). The beginning of the post-conflict period is defined as the point at which at least one conflict in a given country is terminated (Joshi and Quinn 2020).⁹ Each country remained in the sample for 10 years following the termination of the conflict. Section 1 describes the sample construction process. Information on UNPKOs was obtained from the official UN peacekeeping website,¹⁰ which provides information on past and current UNPKOs, including the duration of their deployments. Applying these coding rules and accounting for missing values resulted in 536 observations.

Second, the *departure effect hypotheses* (H3 and H4) compare periods during UNPKO deployments with those following their

departure. Therefore, the second part of the analysis includes only countries where UNPKOs intervened. The unit of analysis is an "intervention episode-year." Information on UNPKOs is obtained from the official UN peacekeeping website, as described in Section 1. A "country-year" observation enters the sample when a UNPKO intervention begins and exits once 10 years have passed after their departure or when 2019 is reached. Civil war episodes are identified from the UCDP/PRIO Armed Conflict Dataset (Gleditsch et al. 2002; Pettersson and Öberg 2020). Applying these coding rules and accounting for missing values resulted in 229 observations covering the period from 1997 to 2014.¹¹

4.1 | Dependent Variable

The dependent variable is net FDI inflows, measured in millions of dollars (*log of FDI*) and sourced from the UNCTAD Database. Some studies operationalize net FDI as a percentage of a country's gross domestic product (GDP) (Biglaiser and DeRouen 2007; Garriga and Phillips 2013; Jensen 2003). However, earlier research on post-conflict societies has preferred net FDI inflows over FDI inflows as a percentage of GDP, since a country's GDP tends to be fragile following a civil war (Appel and Loyle 2012) or may even increase in the post-conflict period (Bak and Lee 2021). For this reason, I used net FDI inflows as the dependent variable, following previous studies (Appel and Loyle 2012; Bak and Lee 2021; Joshi and Quinn 2020). Figure 1 shows the descriptive relationship between UNPKO presence and FDI, along with variations in the dependent variable.¹²

As the dependent variable in the first part of the analysis, I use the natural logarithm of 5-year moving averages, following Bak and Lee (2021), for two reasons. First, the effect of UNPKO deployment on FDI may not be immediately observable. Second, investment decisions may be influenced by temporary exchange rate fluctuations (Bayoumi, Bartolini, and Klein 1996). Using moving averages helps smooth trends, thereby addressing these concerns. In the robustness checks, I test 3-, 4-, and 6-year moving averages as alternative specifications. For the second part of the analysis, the natural logarithm of net FDI inflows in a given year serves as the dependent variable.

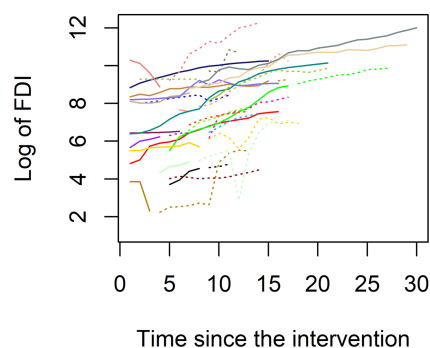


FIGURE 1 | Plot for time since the intervention (years) of UNPKO (x-axis) and Log of FDI (y-axis) (solid lines—during the deployment of UNPKO; dotted lines—after the departure of UNPKO).

4.2 | Model Specification and Independent Variables

The first part of the analysis used a linear regression model with panel-corrected standard errors to facilitate cross-country comparisons. The main independent variable, *UNPKO*, is coded as 1 if a UNPKOs were present in a given year and 0 otherwise.¹³ A total of 165 observations are coded as 1, while 371 observations are coded as 0.

The second part of the analysis for *H3* and *H4* estimates the following interrupted time-series model to differentiate between short- and long-term effects:

$$(\ln)FDI_{i,t} := \beta_0 + \beta_1 T_t + \beta_2 \text{Withdrawal level}_t + \beta_3 \text{Withdrawal trend}_t + \sum c_i Z_{i,t-1} + \mu_i + \varepsilon_{i,t}$$

where T is a time variable that counts the number of annual increments from the start of observations for each intervention episode. The time variable resets when new UNPKOs are deployed after a gap of several years. β_0 represents the baseline level at $T=0$. β_1 captures how an increase in the unit of time affects the outcomes. *Withdrawal level* is a dummy variable, coded 0 for the pre-departure and 1 for the post-departure period of UNPKOs.¹⁴ β_2 represents the level change after peacekeepers depart, capturing the short-term effect. *Withdrawal trend* is coded as 0 for all pre-withdrawal UNPKO observations and increased by 1 for each subsequent year after withdrawal. β_3 represents the slope change following the departure of peacekeepers. The control variables are lagged by 1 year ($Z_{i,t-1}$). The model includes intervention episode fixed effects μ_i to account for time-invariant, intervention-specific characteristics such as peacekeeping mandates. This approach ensures a within-case comparison rather than an across-case comparison. A total of 25 countries experienced 27 episodes of intervention.

4.3 | Control Variables

I control for several variables that influence both UNPKOs and FDI, all lagged by 1 year.

4.3.1 | Political Variables

Democracy (*Polity2*) is controlled using the Polity Dataset (Marshall, Gurr, and Jaggers 2019). While full democracies may prompt UNPKOs' exits, democracy attracts FDI (Busse 2004; Busse and Hefeker 2007; Harms and Ursprung 2002; Jensen 2003, 2006). *Rule of law* is taken from the World Bank Database (WBD) and is positively linked to FDI inflows (Asiedu 2006; Staats and Biglaiser 2012).

4.3.2 | Economic Variables

Economic development, operationalized as the natural logarithm of GDP per capita, was taken from the WBD, a proxy for state capacity (Fearon and Laitin 2003), linked to UNPKO exit strategies (Call 2008), and FDI growth (Garriga and Phillips 2013). *Market size* is measured as the natural logarithm of the country's

population (Büthe and Milner 2008; Garriga and Phillips 2013), obtained from the WBD. Larger populations facilitate mobilization (Fearon 2004), influencing UNPKO deployment and increasing FDI (Appel and Loyle 2012; Biglaiser and Staats 2010; Garriga and Phillips 2013; Joshi and Quinn 2020). *Economic growth* is operationalized as growth in GDP per capita, taken from the WBD. Economic growth reduces income inequality (Kuznets 1955), mitigates mobilization (Muller 1985), influences UNPKOs' deployment, and attracts FDI investment (Biglaiser and DeRouen 2007; Biglaiser and Staats 2010; Garriga and Phillips 2013; Li and Resnick 2003). *Openness* is operationalized as the sum of exports and imports in the GDP (Penn World Table version 10.0: Feenstra, Inklaar, and Timmer 2015). Economic interests influence UNPKO deployment (Stojek and Tir 2015; Zhang 2022), while trade openness increases FDI (Bak and Lee 2021; Jensen 2003). *Foreign aid (ln)* is operationalized as the natural logarithm of net foreign aid received in a given year, obtained from AidData version 1.3 (Tierney et al. 2011). UNPKO deployment is accompanied by developmental aid (Bove and Elia 2018; Hunnicutt 2023; Maekawa 2024), which signals state's credibility in managing international funds, thereby attracting FDI (Garriga and Phillips 2013). Finally, *Natural resources rents (% of GDP) (ln)* were obtained from the WBD. Conflicting parties tend to control natural resources, and it could prolong the conflicts (Lujala 2010; Ross 2012). An increase in the demand for UNPKOs, while natural resources or economic interests attract FDI (Asiedu 2006; Jensen 2022; Maher 2015).

4.3.3 | Conflict Damage

Battle-related deaths (ln). The prospect of improved security influences the departure of UNPKOs, as seen in Sierra Leone (Bah 2012), whereas an active civil war deters investment (Busse and Hefeker 2007; H. Lee 2017; Murdoch and Sandler 2004). Measurements were performed using the UCDP battle-related death dataset (Pettersson and Öberg 2020). The variable captures whether the country had an ongoing conflict.

4.3.4 | Conflict Outcomes

Peace agreement, *Government victory*, and *Rebel victory* were coded as 1 if the outcome was observed in the year of the conflict termination (UCDP Conflict Termination Dataset; Kreutz 2010). Although treaties and UNPKO deployment are not directly linked (Fortna 2004; Gilligan and Stedman 2003; Greig and Diehl 2005), UNPKOs gain mandates post-agreement when combatants lack the credibility on settling the conflict (Doyle and Sambanis 2000; Fortna 2004; Walter 1997, 2002). Conflict termination is significant for FDI (Bak and Lee 2021; Joshi and Quinn 2020). The level of peace accord implementation is not included since it is a post-treatment variable (Campbell and Di Salvatore 2024; Maekawa, Ari, and Gizelis 2019; Mailhot 2024). Nevertheless, as a robustness check, I use *Peace agreement subsequent years*, which is coded 1 for post-agreement years and 0 otherwise (Appendix Section 4).

Time since the last conflict termination. As the time since conflict termination increases, UNPKOs are more likely to leave, while FDI inflows rise. Missing values were removed, and if

battle-related deaths of the country are more than zero, this variable was coded as 0. When deaths reached zero, the value of this variable increased to 1.

Appendix Tables A–B provide descriptive statistics, and variance inflation factors confirm no multicollinearity problems (Appendix Table C).

4.4 | Endogeneity Problems

For *H1* and *H2*, the non-random deployment of UNPKOs can introduce selection bias in the results (Bove and Elia 2018). The deployment of UNPKOs tends to be influenced by trade gains (Stojek and Tir 2015; Zhang 2022) and developed infrastructure and economies (Hunnicut 2023). These factors often overlap with attractive investment environments, suggesting that pre-existing conditions rather than UNPKO presence may drive increase in FDI inflows. To address this potential bias, I used coarsened exact matching (CEM) (Appendix Section 5).

For *H3* and *H4*, bias arises from the non-random departure of peacekeepers. Their withdrawal may be influenced by a downward trend in violence (Kissling and Smidt 2023), which could, in turn, contribute to increased FDI. This upward trend in FDI may lead to an overestimation of the effect of UNPKO withdrawal on FDI growth. Table K (Appendix Section 8) examines the determinants of peacekeeping departures. The results indicate that rising FDI levels reduce the likelihood of withdrawal, suggesting that the original model may have underestimated this relationship. To address this, we re-estimated the main model after matching.¹⁵ Second, the presence of UN Special Political Missions—composed of non-military personnel—as successor operations may also mitigate some departure effects through ongoing state-building efforts. However, SPMs may not be as effective as troop deployments in reducing violence. To account for this, I controlled for the one-year lagged average number of troops, observers, and police in a given year¹⁶ using data from the International Peace Institute Peacekeeping Database (Perry and Smith 2013).

5 | Results and Discussion

5.1 | Part 1 Analysis: UNPKO Deployment Effect

Table 1 demonstrates that UNPKOs have a positive and statistically significant effect on net FDI inflows, supporting *H1* but not *H2*. This finding remains robust across multiple specifications, including when 3-, 4-, and 6-year moving averages of net FDI inflows, as well as annual net FDI inflows, are used as dependent variables (Appendix Section 4, Table D). The results also hold when an alternative peace agreement control variable (*Peace agreement subsequent years*) is introduced (Appendix Section 4, Table E), when active conflict year are excluded (Appendix Section 4, Table F), and when CEM is applied (Appendix Section 6, Table I). However, when the lagged dependent variable FDI_{t-1} (ln), (LDV) is included, UNPKOs continue to have a statistically significant effect on the moving averages of net FDI inflows but no longer exhibit statistically significant effect on annual net FDI inflows (Appendix

TABLE 1 | Linear regression model with PCSE for net FDI inflows (log) (testing hypothesis [hypothesis 1](#)).

	Log of FDI t1-t5	
<i>UNPKO</i>	0.654***	(0.130)
<i>Polity2_{t-1}</i>	0.0331***	(0.00679)
<i>Rule of law_{t-1}</i>	0.730***	(0.101)
<i>Economic development_{t-1}</i>	0.931***	(0.0373)
<i>Market size_{t-1}</i>	0.841***	(0.0280)
<i>Economic growth_{t-1}</i>	0.00393	(0.0101)
<i>Openness_{t-1}</i>	1.124	(0.601)
<i>Foreign aid_{t-1} (ln)</i>	0.0248*	(0.00980)
<i>Natural resources rents (% of GDP)_{t-1} (ln)</i>	0.396***	(0.0342)
<i>Battle-related deaths_{t-1} (ln)</i>	−0.00120	(0.0182)
<i>Peace agreement_{t-1}</i>	−0.629	(0.494)
<i>Government victory_{t-1}</i>	0.0640	(0.293)
<i>Rebel victory_{t-1}</i>	−0.239	(0.366)
<i>Time since termination</i>	0.0297*	(0.0149)
<i>Constant</i>	−13.22***	(0.527)
Observations	536	
<i>R</i> ²	0.8195	

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Section 4, Table G). Nonetheless, when the matched sample is applied across all models, UNPKOs maintain a positive and statistically significant effect on FDI (see Appendix Section 4, Table J).

5.2 | Part 2 Analysis: UNPKO Departure Effect

Table 2 demonstrates that in each year following the deployment of UNPKOs, the log of net FDI inflows increases, and this effect is statistically significant. The *Withdrawal level* variable is negative and statistically significant, supporting *H3*, while the *Withdrawal trend* variable is positive and statistically significant, supporting *H4*. Figure 2 illustrates that the departure of peacekeepers accelerates FDI inflows. The predicted values are derived by holding all other variables at their median (mean) values for binary (continuous) variables, if withdrawal occurs in year 6. However, when the LDV is included in the model (Appendix Section 6, Table I), both the short-term and the long-term effects of departure lose statistical significance. This may be due to the correlation between the LDV and mission duration (*Time*), departure timing (*Withdrawal level*), and departure history (*Withdrawal trend*), suggesting that the estimates may be biased (Leszczensky and Wolbring 2022). Appendix Section 7 provides details on the control variables used in both analyses. The re-estimation of the main model after matching further supports *H3* and *H4* (Appendix Section 8 Table M).

TABLE 2 | Interrupted time-series models of the deployment and withdrawal of UNPKOs and net FDI inflows (log) with intervention episode fixed effects (testing hypotheses [hypothesis 3](#) and [hypothesis 4](#)).

	Log of FDI	
<i>Time</i>	0.199***	(0.0245)
<i>Withdrawal level</i>	−0.400**	(0.136)
<i>Withdrawal trend</i>	0.0544*	(0.0244)
<i>Polity2_{t-1}</i>	−0.00285	(0.0184)
<i>Rule of law_{t-1}</i>	−0.0408	(0.205)
<i>Economic development_{t-1}</i>	0.208	(0.150)
<i>Market size_{t-1}</i>	−2.685***	(0.661)
<i>Economic growth_{t-1}</i>	−0.00765	(0.00729)
<i>Openness_{t-1}</i>	−0.0525	(0.480)
<i>Foreign aid_{t-1} (ln)</i>	0.00635	(0.0131)
<i>Natural resources rents (% of GDP)_{t-1} (ln)</i>	−0.162	(0.131)
<i>Battle-related deaths_{t-1} (ln)</i>	0.0199	(0.0186)
<i>Peace agreement_{t-1}</i>	−0.0739	(0.173)
<i>Government victory_{t-1}</i>	0.0605	(0.224)
<i>Rebel victory_{t-1}</i>	0.274	(0.622)
<i>Troops_{t-1}</i>	−0.000000139	(0.0000179)
<i>Police_{t-1}</i>	0.00000620	(0.0000393)
<i>Observers_{t-1}</i>	0.000706	(0.000577)
<i>Constant</i>	48.01***	(10.80)
Observations	229	
Intervention fixed effects	Yes	
<i>R</i> ²	0.728	

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

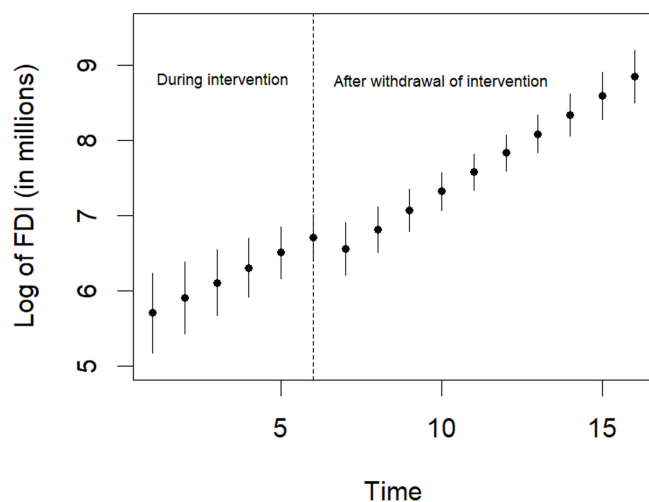


FIGURE 2 | Predicted values of net FDI inflows with 95% confidence intervals.

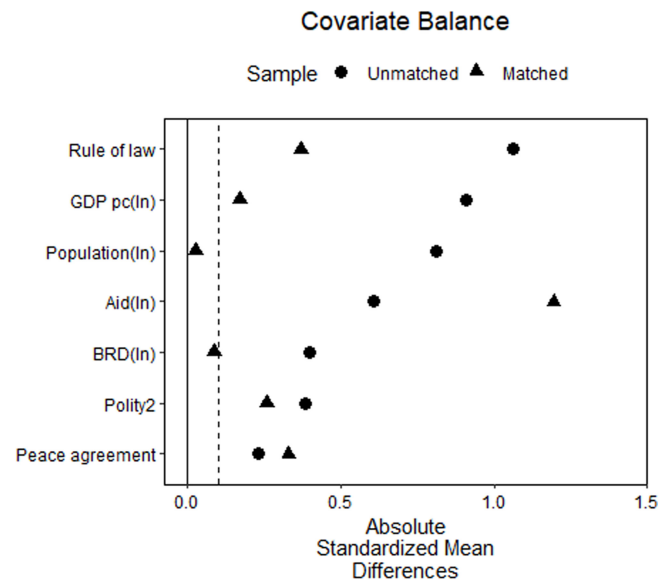


FIGURE 3 | Covariate balance (matched sample).

5.3 | Unpacking the Mechanisms (H1)

These additional analyses indicate that the effect of UNPKOs on FID stems from both aggregate mission effects and state-building tasks. I further examine the underlying mechanisms to determine whether actual improvements in democratization and the rule of law influence this relationship. Appendix Section 11 presents the results of the mediation analyses using a matched sample. Figure 3 demonstrates that, although covariate balance improvement is not perfect due to trade-offs between retaining treated observations and maintaining balance, there is an overall improvement in balance. Figure 4 presents the results of the mediation analysis, where *Polity2* (left) and *Rule of law* (right) serve as mediators. The results show that while the average indirect effect of democracy is not statistically significant, the average indirect effect of the rule of law is negative. Moreover, the average direct effect is positive. This finding suggests two key considerations. First, improvements in the rule of law in post-conflict settings are associated with enhanced civil liberties, judicial independence, and greater restraints on executive authority (Haggard and Tiede 2014). The restraints may have led to stagnation in policymaking and implementation in the short term, increasing uncertainty regarding political stability from investors' perspectives. Second, investors primarily respond to the observable presence and peacebuilding activities of UNPKOs as a credible signal, rather than to actual governance improvements, which may be less apparent to foreign investors. Improvements in democracy tend to be less perceptible over a short period.

5.4 | Unpacking the Mechanisms of the Alternative Arguments (H2)

Regarding H2, while alternative arguments suggest that troop presence signals political instability due to active conflict (Hunnicut 2023), my main theory posits that troops increase the implementation costs of violence, thereby enhancing the credibility to signals at the state level. To test this, I used the IPI

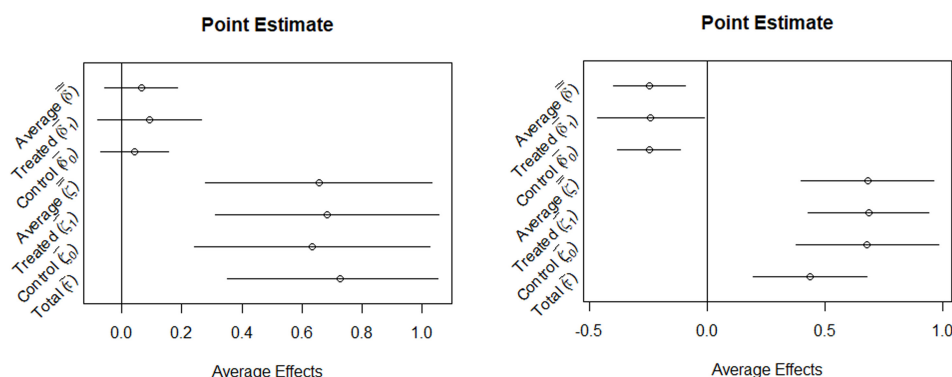


FIGURE 4 | Results of the causal mediation analysis with 95% confidence intervals. Main mediator: *Polity2* (left) and *Rule of law* (right).

Database (Perry and Smith 2013) to estimate models incorporating the average number of troops, observers, and police deployed each year. Appendix Section 9 shows the findings, demonstrating that at the state level, both the aggregate UNPKO measurement and troop presence positively impact FDI, whereas the deployment of police and observers does not.

If the aggregate effects of UNPKOs influence outcomes, peacebuilding mandates may also play a role beyond the types of personnel deployed. Indeed, peacebuilding mandates enhance peace agreement implementation capacity (Campbell and Di Salvatore 2024), facilitating consolidated state-building. To examine this, I use Lloyd's (2021) dataset. The results obtained from a matched sample indicate that the deployment of both peacebuilding-mandated UNPKOs and all UNPKOs led to increased FDI. This suggests that mandates beyond personnel composition contribute to FDI growth and that the positive effect cannot be attributed solely to a specific mission aspect. These findings support *H1* but not *H2* (see Appendix Section 10).

6 | Conclusion

This study develops a theory of UNPKOs as signals to foreign investors. UNPKO deployment increases FDI, signaling peace and the rule of law credibility. However, firms initially deter investment due to uncertainty following peacekeepers' departure, driven by premature withdrawal and unemployment shocks. Over time, firms increase investment as they observe the country's resilience through the UNPKO legacy. These findings support our hypotheses.

The results have several implications. First, UNPKOs influence not only state-building but also credibility, fostering transnational cooperation. Regardless of the initial conditions, host countries can build credibility by accepting UNPKO deployment. However, state-building is not mere rhetoric, as the UN incurs deployment costs. Second, extending research on UNPKO legacies (Caplan 2020; Di Salvatore and Ruggeri 2020; Gledhill 2020), my findings show that a country's resilience through UNPKO legacies increases FDI over time, strengthening post-conflict development. Finally, this economic legacy operates through an *indirect* mechanism: FDI. While PKOs' direct impact fades after departure (Beber et al. 2019), the ongoing investment they facilitate sustains economic benefits continues after the termination of operations.

This study has several limitations. First, it examines limited country characteristics; future research could explore sector- or firm-level insights. Moreover, research could assess how the UN facilitates host countries' integration into the global market beyond FDI. Such research could further clarify the UN's indirect mechanisms in achieving sustainable peace in post-conflict environments.

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Conflicts of Interest

The author declares no conflicts of interest.

Data Availability Statement

The replication data of this study will be openly available in Harvard Dataverse.

Endnotes

¹ See [https://www.ceicdata.com/en/indicator/ivory-coast/foreign-direct-investment#:~:text=Ivory%20Coast%20Foreign%20Direct%20Investment%20\(FDI\)%20increased%20by%201.6%20USD,Dec%201970%20to%20Dec%202022](https://www.ceicdata.com/en/indicator/ivory-coast/foreign-direct-investment#:~:text=Ivory%20Coast%20Foreign%20Direct%20Investment%20(FDI)%20increased%20by%201.6%20USD,Dec%201970%20to%20Dec%202022).

² Economic development reduces the risk of civil war (Collier and Hoeffler 2002; Elbadawi and Sambanis 2002; Fearon and Laitin 2003).

³ However, some studies show that civil war does not necessarily reduce FDI (Driffeld, Jones, and Crotty 2013; Maher 2015).

⁴ See <https://monusco.unmissions.org/en/monusco-provides-vocational-training-some-matadi-women>.

⁵ United Nations Peacekeeping. February 16, 2018. "Haiti: UN determined to support authorities in strengthening rule of law." Last accessed on December 18, 2023. <https://peacekeeping.un.org/en/un-news/haiti-un-determined-to-support-authorities-strengthening-rule-of-law>.

⁶ UN Security Council Resolution S/RES/2284 (2016).

⁷ Reuters. November 11, 2023. "Mali rebels say they have taken base vacated by UN peacekeepers." Last accessed on December 18, 2023. <https://jp.reuters.com/article/mali-security-idAFKBN31V11Q/>.

⁸ This is the year range after the list-wise deletion of missing values.

⁹ Considering a possibility that investors may still consider that a conflict is ongoing unless battle-related deaths disappear, I conduct a

robustness check where years with greater than zero-battle related deaths are dropped from the analysis.

¹⁰ See <https://peacekeeping.un.org/en/past-peacekeeping-operations>.

¹¹ The sample ranges between these years because of the availability of information on the control variables.

¹² There is one outlier, Lebanon, where intervention lasted way before the sample start year range. To improve the readability of the plot, I remove the outlier.

¹³ As mentioned, this study uses information taken from the UN website to code whether UNPKOs were observed in a given year.

¹⁴ The pre-departure period of UNPKOs includes those periods in which UNPKOs were redeployed. For instance, in Haiti, UNPKOs were deployed between 1993 and 2000 and redeployed in 2004. Therefore, in this case, the withdrawal level is coded 0 between 1993 and 2000, 1 between 2001 and 2003, and 0 between 2004 and the end of the sample. As post-departure means peacekeepers' departure, mandated renewals of missions are not considered as departures.

¹⁵ For balance improvement, see Appendix Figure D.

¹⁶ These include both UNPKOs and UN Special Political Missions.

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Supporting Information

Additional supporting information can be found online in the Supporting Information section.