Tax Havens and Reputational Costs: Evidence from EU Blacklisting

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ABSTRACT:
In response to growing concern over escalating tax avoidance, the European Commission (EC) published a blacklist and greylist of tax haven jurisdictions (EU tax haven list). The EU tax haven list is intended to pressure countries to comply with existing international tax standards by affecting the country's reputation. Critics note that the EU tax haven list excludes well-known EU tax havens, heavily focuses on developing nations, and is too-frequently updated, suggesting inadequacies and politics in the listing process that potentially limit the desired effects. We document the determinants of being included on the EU tax haven list and find that countries with less economic bargaining power with the EU and more financial secrecy have a greater likelihood of being on the EU tax haven list. Our analysis suggests that certain EU tax havens have similar characteristics to non-EU countries included in the EU listing. Furthermore, we examine country reputational costs for listed countries by evaluating the flow of investment to tax haven affiliates (FDI) and tourism for listed tax haven jurisdictions after the list issuance. We fail to find evidence that listed countries suffer a reduction in FDI. However, we find evidence that listed countries suffer a reduction in tourism, an often-major source of national revenue for common tax haven countries. Overall, our results suggest some consumer-related reputational effects to the EU tax haven list.

Keywords: Tax havens, reputational costs, foreign direct investment

JEL codes: F4 (Macroeconomic Aspects of International Trade and Finance), G38 (Government Policy and Regulation), H20 (Taxation)

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1. Introduction

In response to growing concern over escalating tax avoidance, the evidence revealed by the Paradise Papers in November 2017, and generally aggressive tax competition, European Union (EU) finance ministers sought to develop a list of uncooperative tax haven countries (EC 2022). The European Commission (EC) published the "first pan-EU list of third-country and non-cooperative tax jurisdictions" (EU tax haven list) as part of a broader plan to fundamentally reform corporate taxation in the EU.[1] The stated objective of the list was to "screen non-cooperative tax jurisdictions and develop a common EU strategy to deal with them." The EU tax haven list consists of both a blacklist and a lesser greylist (we collectively refer to these two lists as the "EU tax haven list"). The EU blacklist was compiled from various member states' own tax haven blacklists and initially included 30 countries, composed of those that appeared on at least ten member states' individual blacklists. We use the publication of the EU tax haven lists as a quasi-natural experimental setting to examine country-level reputational costs of tax haven status. Specifically, we analyze whether being listed as a non-cooperative tax jurisdiction leads to country reputational costs including reductions in foreign direct investment and tourism.

Researchers often characterize jurisdictions as tax havens to the extent the jurisdiction provides at least one of the following elements: 1) low or zero tax rates, 2) general financial secrecy, 3) limited opportunity to share information with other tax authorities and government agencies, or 4) fosters insubstantial activity (OECD 1998). However, the lack of a generally accepted definition of a tax haven hinders multilateral regulation targeting tax havens (Dharmapala and Hines 2009). While the history of tax havens can be traced back to at least the

[1] https://ec.europa.eu/commission/presscorner/detail/en/IP_15_5188

Swiss Banking Law of 1934 (Palan 2009), developed nations have struggled to establish tax policies that limit the tax benefit to using tax havens or that acquire data from tax havens on potentially abusive transactions. Some international cooperative tax initiatives attempt to influence haven tax policy through cooperative frameworks (e.g., OECD Base Erosion and Profit Shifting minimum standards (OECD 2013)) and through legislative actions such as the EU transparency rules for tax intermediaries (Council Directive (EU) 2016). However, the EU tax haven list differs from these legislated tax policies. Although specifically stated as *not* intended to be a "name and shame" policy, the EU tax haven list does not implement any sanctions on listed countries nor provide any international legislative actions for non-cooperative countries. Without tangible consequences, the list is meant to put pressure for reform on countries to comply with existing international tax standards (EC 2022), an appeal to the reputation of haven countries. Thus, the list is more like a "name and shame" policy than not.[2]

The goal of the EU blacklist is to pressure non-cooperative countries to comply with international tax standards, particularly regarding information sharing. Listed countries can agree to and implement these standards. For example, Barbados, Grenada, the Republic of Korea, Macau, Mongolia, Panama, Tunisia, and the United Arab Emirates, were downgraded from the blacklist to the greylist after the countries committed to remedy the EU's concerns in January 2018 (Guarascio and O'Dwyer 2018). Alternatively, listed countries can continue non-compliance with international standards and face the potential reputational risks related to public refusal to comply with widely accepted international tax information sharing standards. While

[2] A notable exception is that as of January 2021, EU members committed to use the EU list to enact their own national legislation using at least one of the following defensive measures: 1) non-deductibility of costs incurred in a listed jurisdiction, 2) controlled foreign company (CFC) rules, to limit artificial deferral of tax to offshore, low-taxed entities, 3) withholding tax measures (WHT), to tackle improper exemptions or refunds, or 4) limitation of the participation exemption on shareholder dividends. https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/

recent literature considers *firm* and *executive* reputational costs of tax avoidance (e.g., Gallemore, Maydew, and Thornock 2014; Asay, Hoopes, Thornock, and Wilde 2021; Chenarides, Christensen, Kenchington, and Snow 2021), we examine the *country* reputational costs for listed countries.

Country reputation is a multi-faceted construct evolving from the concept of corporate reputation (Fullerton and Kendrick 2017). A country's reputation is generally considered in comparison to a competitive set of countries and affects bilateral trade and individual decisions to engage with that country via travel, investment, or commerce (Yang, Shin, Lee, and Wrigley 2008; Jain and Winner 2013; Fullerton and Kendrick 2017; Kotler and Gertner 2002; Passow, Fehlmann, and Grahlow 2005). Prior literature examines specific reputational effects of blacklists. For example, Sharman (2009) argues that blacklisting damages countries' reputations among investors. Relatedly, Rusina (2020) finds that firms with EU blacklisted tax haven subsidiaries suffered a negative stock market price reaction (a firm-level effect) to the EU blacklist's release. Taken together, this literature suggests that blacklisting havens would affect reputational perceptions and thus travel and investment.

However, the EU tax haven list could not affect jurisdictional reputation for several reasons. First, the listing process has certain characteristics that could limit associated reputational costs. The EU lists have been highly criticized for excluding EU tax havens, and for focusing on "smaller states with little standing in global trade relations and with few geopolitical allies – including developing countries" (Christensen 2020), questioning the legitimacy of a biased list. Also, the EC frequently updates the list (currently semi-annually). Countries commonly enter and exit the blacklist (e.g., Marshall Islands and Belize), possibly leading to limited reputational effects due to the inconsistencies of the listing process. Second, similar

attempts to curtail perceived tax abuses, specifically a similar list issued by the OECD and the Financial Action Task Force (FATF) in 2000, had little effect on banking-associated tax haven activity (Kudrle 2009). Finally, the costs of changing organizational structures to avoid foreign direct investment in listed countries may exceed the costs of association with a low-reputation country. Thus, the effect of tax-related blacklisting on country-level reputational costs is unclear.

First, we examine the determinants of inclusion on the EU tax haven list to help interpret and explain our primary findings. Our findings support that countries with less economic bargaining power with the EU (smaller population, further away from the EU, and more reliant on EU imports) and with more financial secrecy have a greater likelihood of being listed. Our model has good discriminatory power with an area under the ROC curve exceeding 80 percent in all specifications. Additionally, because critics highlight the intentional exclusion of certain EU tax havens from the list, we examine whether the EU haven countries are more similar to the listed havens or non-listed countries by creating a tax haven score based on our determinants model. We conclude that EU countries commonly considered tax havens are more similar to listed havens than to other non-listed EU member states, suggesting the criticism is fair.

We examine reputational costs for tax haven countries by evaluating whether the issuance of the EU tax haven list affects both the flow of outbound investment to tax havens (FDI) and tourism between EU countries and tax haven jurisdictions.[3] FDI is an appealing measure because of its bilateral nature and ability to capture a large portion of overall investment in a jurisdiction. Tax havens typically have very limited natural resources; therefore, foreign financial investment via FDI is an important driver to havens' economies. In fact, tax havens have a

[3] To be removed from the EU blacklist and grey lists, countries must comply with international tax standards related to increased tax transparency with EU Member States. Countries are not required to raise tax rates. Thus, we do not anticipate any change we might observe is related to the economics of tax planning with specific tax haven jurisdictions.

disproportionately high share of the world's total FDI (Dharmapala 2008). Should listed countries suffer tax reputational costs from the EU tax haven list, one of the most economically impactful costs would be a reduction in FDI. Given a country's reputation affects bilateral trade and investment into the country (Jain and Winner 2013), potential reputational costs associated with the EU tax haven list may manifest in tax havens' FDI.

We use macro-level datasets to examine potential reputational effects of the EU listing. The time-series variation in the composition of the tax haven list allows for identification of a treatment effect. We use data from the OECD on flows of FDI to construct a sample of 13,417 country-pairs between 2013 and 2020. We perform a staggered difference-in-differences analysis. The results suggest that being on an EU tax haven list (blacklist or greylist) is not associated with a reduction in investment from EU constituents. To the contrary, our results suggest that these countries enjoy relatively higher inflows of FDI than non-listed countries.

We also consider tourism activity as individuals may choose to alter their spending habits to avoid purchasing goods or services of a listed tax haven. Travel and leisure activities are largely discretionary spending with easily identifiable substitutions that directly benefit the local economy (e.g., Puerto Rico and British Virgin Islands are neighboring islands with similar resort options). Further, like FDI, tourism is often a large factor in havens' economies.[4] Jain and Winner (2013) suggest, but do not empirically test, a country's reputation affects travel decisions to the country. Finally, unlike some consumer product transactions which may reflect corporate brand loyalty, changes in travel allow us to specifically consider attitudes towards the tax haven's ability to attract tourists (Kotler and Gertner 2022).

[4] For example, in our sample the correlation between log GDP and our measure of tourism (*Visitor Tourism*) is 58 percent for tax haven countries.

We examine tourism activity using data from the United Nations World Tourism Organization (UNWTO). These data are compiled annually and capture tourism based on the tourist's country of residence. We use a balanced panel of 6,580 country-pairs between 2013 and 2019. Unlike FDI, which requires firms to alter the location of business activities, we expect tourism activity to quickly reflect potential reputational damage from listing. We find that EU tax haven list countries suffer reduced tourism from EU residents. This result becomes stronger when we limit the sample to countries that rely more heavily on tourism. Accordingly, whereas our FDI tests and prior literature fail to find that reputational costs affect corporate decisions, we contribute to the tax literature by documenting reputational costs manifest as less tourism.

We contribute to the international tax and policy literatures by examining country-level reputational costs related to international tax policies. Understanding the effects of policy tools that encourage tax transparency across jurisdictions is important as countries continue to combine efforts to curb worldwide base erosion and profit shifting. While the EU's listing process has been criticized as political and inconsistent, our results suggest countries with higher levels of financial secrecy are more likely to be listed, consistent with the tax haven lists identifying a lack of tax transparency. However, the lists exclude EU member states Ireland and Luxembourg, while the small island nation of Montserrat is on the greylist in 2018 and 2022 despite largely being destroyed by a volcano in 1995. Thus, our results support countries with less bargaining power with the EU are more likely to be on the tax haven list, consistent with the criticisms of politics in the listing process.

Our study also contributes to the tax literature on the real effects of blacklisting, which to date provides somewhat mixed evidence. While Kudrle (2009) finds the OECD/FATF's blacklisted countries did not suffer a reduction in banking activity, Collin (2020) finds limited

improvement in tax governance for listed countries. Our results suggest that ramifications of the lists do not affect all areas of the tax havens' reputations, and thus economies, equally. We find limited evidence supporting a reduction in investment (FDI), consistent with the recent literature that considers firm-level reputational costs of tax avoidance (e.g., Gallemore et al. 2014; Asay, et al. 2021; Chenarides et al. 2021). However, novel to the tax literature, we are the first to document a reduction in EU-outbound tourism, a vital source of GDP for many listed countries.

2. Background and Hypotheses

2.1 Tax Havens

While there is no widely accepted definition of a tax haven (Dharmapala and Hines 2009), in general, tax haven countries have a low or zero percent tax rate and financial secrecy, allowing taxpayers to obscure ownership of assets to taxing authorities. Tax havens are often small, affluent countries with strong governance (Dharmapala and Hines 2009). Despite lacking a concrete definition, the various tax haven lists often have significant overlap. Rusina (2020) finds striking similarities between several tax haven lists over 30 years.

Estimates suggest 40 percent of worldwide FDI flows through tax havens (Damgaard, Elkjaer, and Johannesen 2018). A stream of literature identifies how tax havens enable tax shifting across jurisdictions (Desai, Foley, and Hines Jr 2006; Dyreng and Lindsey 2009), including how firms use tax havens as either conduit or sink economies (Garcia-Bernardo, Fichtner, Takes, and Heemskerk 2017).[5] As taxing firm profits is often a zero-sum game for countries, groups of powerful, developed countries have attempted to curb tax avoidance via tax havens for years. For example, beginning in 2000, the OECD and the FATF issued lists of

[5] Per Garcia-Bernardo et al. (2017) (p. 2), conduit economies are "intermediate destinations in the routing of investments" and enable transfer of capital without taxation while sink economies "attract and retain foreign capital."

uncooperative tax havens. And, in 2009, the OECD issued international information exchange standards. Li and Ma (2022) find that in response to these standards, U.S. firms reduce aggressive tax behavior. However, the OECD and FATF lists often do not impose sanctions or other penalties on a given country. This common name and shame strategy attempts to appeal to the reputational concerns of the tax haven to coerce compliance with international standards to allow taxing jurisdictions to work together to address base erosion and profit shifting.

2.2 European Commission Tax Haven Blacklisting and Greylisting

In response to growing concern over tax avoidance and the evidence revealed by the Paradise Papers in November 2017, EU finance ministers sought to develop a list of uncooperative tax haven countries based on three criteria: transparency, fair taxation, and participation in international tax standards (e.g., O'Dwyer 2017a; Collin 2020). The European Commission (EC) develops the EU's overall strategy, designs, and implements EU policies, and evaluates and reports on implemented policies. The EC presented a broad action plan to fundamentally reform corporate taxation in the EU, focusing on reducing tax avoidance, securing sustainable revenues, and enhancing the single market for businesses. The plan incorporated the common consolidated corporate tax base (CCCTB), introduced a plan to require companies to publicly disclose certain country-by-country tax information, and published the "first pan-EU list of third-country and non-cooperative tax jurisdictions" commonly known as a blacklist.

The first EU tax haven blacklist was publicly disclosed on December 5, 2017. The list was compiled from various member states' own blacklists and composed of those that appeared on at least ten member states' individual blacklists (Toplensky 2017).[6] The EC also issued a

[6] In February 2017, the EU sent 92 (undisclosed) jurisdictions letters threatening blacklisting should they not comply. Of the 92, 22 proved they were compliant, and 8 indicated they would change their plans to comply. However, only 41 were advised blacklisting, and another 12 were on the original list, but were removed from the

corresponding greylist including countries deemed non-compliant but had committed to change their tax rules to come into compliance. The initial blacklist consisted of 17 countries, and an additional 47 on the greylist. In Appendix A, we summarize countries that appeared on a blacklist or greylist from 2017 through 2021.[7]

However, the initial lists were met with resistance. Spain's finance minister described the methodology to identify which countries belong on the blacklist as politically sensitive (Brunsden 2016). Additionally, the global charitable organization, Oxfam, called on the EU to include member states Ireland, Luxembourg, Malta, and the Netherlands on the tax haven list and not just focus on countries outside the EU (O'Dwyer 2017a). In response, Pierre Moscovici, the European Commissioner for Economic Affairs and Taxations agreed that "some European countries are black holes and I want to address this" (Cogley 2018). As of May 2022, the EC has not included any EU country on either list, and the EC website specifically states the list includes only non-EU countries. Furthermore, the call to address EU-based tax havens and British territories highlighted the politics behind the EU lists (Guarascio and O'Dwyer 2018).

In January 2018, one month after issuing the initial blacklist, the EC removed eight jurisdictions from the original blacklist because they had agreed to enhance transparency. While the EU indicated that these countries had taken steps to remedy the EU's concerns, critics again questioned the efficacy of the list given this quick reversal. Since the first published list in December of 2017 through May 2022, the lists have been updated 18 times, with a total of 77 countries moving on or off the blacklist during our sample period. Appendix C provides a

list, possibly because of ties with the UK. The final list was issued in December 2017 after approval of all 28 EU member states.

[7] The initial blacklist included American Samoa, Bahrain, Barbados, Grenada, Guam, South Korea, Macau, Marshall Islands, Mongolia, Namibia, Palau, Panama, Saint Lucia, Samoa, Trinidad and Tobago, Tunisia, and the United Arab Emirates.

timeline of key events in this process as well as corresponding Google Trends for the term "EU Blacklist" which suggests that large changes in the list spur public interest.

While Vladislav Goranov of the EU says that the revisions reflect countries pledging to adopt EU standards, and the French Finance Minister Bruno Le Marie tweeted "European pressure has brought its first results!", others suggest the quick revisions were inadequate and political and a confession of failure (Markus Ferber, Vice Chair of the European Parliament's economic committee) (Guarascio and O'Dwyer 2018). Critics also strongly questioned removing Panama from the list because the Panama Papers revealed complex tax avoidance schemes (Guarascio and O'Dwyer 2018). The shear fluidity of the lists and the critiques related to which countries are and are not on the lists call into question the lists' ability to affect country reputation.

Valdis Dombrovskis, European Commission Vice President in charge of finance, pushed for sanctions to ensure the blacklist is credible and meaningful (Cogley 2017). The initial threat was that blacklisted countries could lose access to EU funds (O'Dwyer 2017b). The EC currently invites EU member states to consider the list when implementing tax and non-tax defensive measures in protecting revenue and fighting tax fraud and abuse. Further, certain EU funding instruments cannot be channeled through entities in listed countries (e.g., European Fund for Sustainable Development, European Fund for Strategic Investments).[8] However, specific EU-wide country or haven sanctions are still not a part of the blacklist process.

2.3 Reputational Costs

Reputation is a multi-faceted construct. The notion of country reputation evolved from the concept of corporate reputation (Fullerton and Kendrick 2017). Likewise, Passow et al.

[8] https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/

(2005) note that reputational concerns are not restricted to firms, and that countries actively measure and manage their reputations. Included in a country's reputation is the financial appeal, perceptions of the country's competitiveness, profitability, growth prospects, and risk of investment (Yang et al. 2008). Further, country reputation is a significant determinant of bilateral trade (Fullerton and Kendrick 2017) and affects people's decisions to travel to, invest in, and purchase products of a country (Jain and Winner 2013). Through interviews, press accounts, official documents, and limited data, Sharman (2009) argues that blacklisting damages countries' reputations among investors. While country reputation is considered fairly stable, evidence suggests it can change based on recent events such as a change in leadership (Strauss 2017). Finally, country reputation is typically considered relative to competitors or a competitive set of countries (Passow et al. 2005), such that the creation of the EU tax haven lists may affect perceptions and trade with some haven countries in favor of others.

Regarding reputation and taxes, research suggests managers consider firm-level reputational costs when selecting tax strategies (Graham, Hanlon, Shevlin, and Shroff 2014). However, there is limited empirical evidence that firms and/or managers bear any reputational costs associated with tax planning (Gallemore et al. 2014; Asay et al. 2021; Chenarides et al. 2021). Prior studies examining firm-level tax reputation (e.g., Asay et al. 2021) suffer from associated brand loyalty with consumer products and quasi-monopolies associated with large technology companies (e.g., Apple, Google, Amazon). Likewise, market reaction tests provide mixed evidence as lower abnormal returns could represent a reputational cost or market participants impounding changes in expected future tax payments.[9] We complement the

[9] While Hanlon and Slemrod (2009) document lower abnormal returns around the media publicizing tax sheltering among retail firms, Nesbitt, Outslay, and Persson (2017) document positive abnormal returns among firms whose private Luxembourg tax rulings were leaked.

literature that examines the firm-level reputational costs by evaluating several different macro-datasets that capture reputational costs stemming from tax implications at the country-level.

The practice of naming and shaming via a blacklist in an attempt to alter tax behavior through reputational concerns is not new. For example, Massachusetts and the City of Boston have publicly disclosed delinquent taxpayers for decades.[10] Similarly, California uses non-monetary sanctions by publishing lists of non-compliant taxpayers and threatening professional license revocation (Angaretis, Galle, Organ, and Prohofsky 2022). In 2013, Australia enacted legislation to publicly disclose tax return information on large corporate returns to improve tax compliance (Hoopes, Robinson, and Slemrod 2018). Tax watchdog groups have recently attempted to combat perceived harmful tax practices, particularly those that involve tax havens, through increased transparency. This is evident in the LuxLeaks scandal, where the International Consortium of Investigative Journalists created a repository of hundreds of private Luxemburg tax rulings on their website (see Li, Lusch, and Murphy 2021), and when ActionAid International pushed for FTSE100 firms to comply with subsidiary disclosure requirements under the UK Companies Act of 2006 (Dyreng, Hoopes, and Wilde 2016). This line of literature suggests that using the name and shame strategy to alter tax behavior through reputational impacts is an important tool that governmental and private organizations use.

2.4 Hypothesis Development

Our interest is in the country-level reputational costs of the EU tax haven lists. Taken together, the above literature suggests that listing havens would affect a country's reputation, leading to economic implications for the country (e.g., FDI and tourism). Anecdotally, South Korea strongly objected to being on the original blacklist, and, even after it was quickly moved

[10] See the Massachusetts Public Disclosure Tax Delinquents List here: https://wfb.dor.state.ma.us/dorcommon/PublicDisclosure/disclosure.aspx

to the greylist, feared that reputational damage had been done. Further, if tax havens face a reputational cost of being listed, the country reputation literature suggests these reputational effects would affect investment and travel into that country. Tax haven jurisdictions may suffer reduced economic activity as firms lessen their investment in a country with potentially higher tax and enforcement costs, and individuals may lessen their travel to a country with a perceived overall poor reputation.

Although prior literature would predict an effect of blacklists on reputation, the implementation of the EU tax haven lists has been criticized as political, and the continual fluctuation of the lists suggests a lack of credibility. Further, recent literature on the effects of blacklists, particularly the current EU tax haven list and the OECD/FATF blacklist that started in the early 2000's, provides mixed results. Kudrle (2009) finds no consistent or substantial impact of blacklisting on banking investment. Further, from a firm-level perspective, Rusina (2020) finds a negative market reaction for firms with EU blacklist (but not greylisted) tax haven subsidiaries around the initial blacklist, suggesting investors anticipate negative outcomes, either in the form of increased tax authority scrutiny, or that firms will reduce the use of tax havens and incur increased tax liabilities, decreasing shareholder value. The issues with the viewed credibility of the lists and the mixed results regarding the effects of listing suggest to what extent the EU tax haven list is associated with country-level reputational costs is an empirical question. Therefore, we state our hypothesis in the null:

Hypothesis: Countries listed on the EU tax haven list do not bear reputational costs.

3. Data Sources and Sample Selection

To examine our hypothesis, we collect the EU blacklists and greylists from reports of "EU list of non-cooperative jurisdictions for tax purposes" issued between 2017 and 2020 from

the Council of the European Union's website. We identify revisions that added or removed countries from the lists. In December 2017, the EU released the first tax haven list (blacklist and greylist), with seven updates to the list issued in 2018, six updates to the list issued in 2019, and two updates to the list issued in 2020.

We perform two sets of analyses: (1) the determinants of countries appearing on the EU tax haven lists and (2) the reputational costs associated with being a listed tax haven. The unit of measurement, and thus the sample, vary between these two analyses. The determinants analysis is performed on a country-year basis. For the reputation analyses, of primary interest is whether reputational concerns among EU constituents alter their decision to transact in a listed tax haven compared to non-listed countries. Accordingly, this analysis is performed at the country-pair-year (e.g., FDI flows from France to Bermuda in 2017).

We start our analyses by examining the determinants of countries appearing on the EU tax haven list to help interpret and explain our primary findings. For this determinants analysis, our sample begins with all non-EU countries from 2017 through 2020 as we examine EU tax haven lists issued between December 2017 and September 2020. We remove all EU countries because they cannot be on either list per the EC (EC 2022). Thus, while the tax literature consistently classified Luxembourg and Ireland as tax havens, they are excluded from this determinants analysis. Countries must have reported GDP. We lag all independent variables to avoid simultaneity (i.e., sourced from 2016 to 2019 data).

We next examine the reputational costs associated with being a listed tax haven. We use two primary data sources to examine country-level reputational costs. We use pairwise flows of FDI (*FDI)* from the OECD. FDI is a common summary measure of economic activity (real and paper transactions) and has been used in both the economics (e.g., Hines and Rice 1994) and

accounting literatures (e.g., Murphy 2021). The FDI flow data are computed based on the 4th edition benchmark definitions and represent either flows of capital into jurisdictions or the reinvestment of earnings (losses) of subsidiaries in those jurisdictions. Values can be either positive (net increase outward flows) or negative (net decrease in outward flows). We gather annual data on FDI starting in 2013 because countries were primarily reporting under a different definition of FDI prior to 2013. Our data end in 2020, the last complete year.[11]

We also gather tourism data from the United Nations World Tourism Organization. These data are compiled annually and capture tourism based on the tourist's country of residence. The data are further categorized by inbound (visitors coming into a country) and outbound (visitors leaving a country) and summarize the number of travelers that enter a particular destination. We collect tourism data from 2013 to 2019. We end the sample in 2019, the last year the respective data is reported.[12] We require a balanced panel of observations due to data concerns regarding reporting of 2019 tourism due to COVID-19. Our variable, *log(Visitor Tourist)*, is novel to the accounting literature.

For both the FDI and tourism tests we limit the outbound transacting party (i.e., where the FDI is coming from or where the tourist is a resident of) to only EU countries. We remove country-pairs that do not report data, report exactly zero values in the respective datasets, and country-years with missing GDP. Across all our analyses we include several variables sourced from publicly available databases. Appendix B describes all variables and lists the source of all

[11] We expect FDI generally captures corporate-to-corporate transactions. However, the data could include individual or government flows into tax havens. The well-known home country investing bias reduces concerns that individual investors are reported in the data, and we see little reason to believe that EU governmental agencies should be holding large positions in tax haven investment vehicles. Based on the ownership thresholds (approximately 10 percent), this data will not capture retail investors portfolio equity holdings.

[12] Many countries failed to file timely 2019 statistics to the UNWTO due to the ongoing COVID-19 Pandemic. We plan to update our data to ensure 2019 is comprehensive once the next data update becomes available (estimate Summer 2022).

data. We allow the sample to vary based on the control variables employed in the specification. Table 1 outlines our sample selection criteria for all three sets of tests.

[Insert Table 1 Here]

4.1 Determinants Analysis

We begin by examining the determinants of being included on a tax haven list. We perform this analysis in the backdrop of criticism that the lists are the byproduct of the EU's highly political and uncertain process. Accordingly, we examine country characteristics that are often associated with tax haven status (e.g., low tax rates). Additionally, we consider measures that capture a country's political bargaining power (e.g., OPEC nations that could retaliate through changes in oil production) that could alter the probability of inclusion on a tax haven list. We present the baseline determinants specification in equation (1):

$$List\ Calendar\ Year_{it} = \alpha_{it} + \beta_1 Log\_GDP_{it-1} + \beta_2 Log\_Population_{it-1} + \beta_3 Tax\ Rate_{it-1} + \beta_4 Landlocked_i + \beta_5 English\ Official_i + \beta_6 OPEC_i + \varepsilon_{it} \quad (1)$$

We code a country-year as *List Calendar Year* equal to one if that country is on either the blacklist or greylist at any point in the calendar year. The unit of measurement for this analysis is the country(*i*)-year(*t*). We estimate this regression using a probit model; however, inferences are not sensitive to using a logistic regression model. We report the area under the ROC curve to gauge the relative discriminatory power of each specification. We use robust standard errors as we only have four observations per country (Cameron and Miller 2015).

In equation (1) we lag all independent variables to avoid using data that was not publicly available prior to the updated list's announcement. Several of the determinants are time-invariant (e.g., *Landlocked)* and thus precludes the use of country fixed effects. While tax rates do change periodically by country, most countries do not alter their corporate tax rate during our sample.

Therefore, our results are interpreted as how the variation of these attributes *between* countries, and not *within* country, alter the likelihood of being placed on a list.

We predict that countries with higher GDP (*Log(GDP)*) and a smaller population (*Log(Population)*) will have a higher probability of being on the list as tax havens tend to be affluent and small (Dharamapala and Hines 2009). Similarly, we expect an inverse relation between being on the list and tax rate (*Tax Rate*) given tax havens typically offer low or zero tax rates. For country-level control variables, we include an indicator if the country is landlocked (*Landlocked*) and an indicator if English is an official language (*English Official*), both following Dharmapala and Hines (2009). Lastly, we include an indicator for OPEC (*OPEC*) countries because these countries carry significant political leverage through their control of oil production.

We supplement this main specification with several additional determinants. Consistent with the findings in Dharmapala and Hines (2009), we expect that more safeguards in place reduce the likelihood of being listed. We include several governance variables from the World Bank including the Business Extent of Disclosure Index (*Disclosure Index*) to capture investor protections through disclosure of ownership and financial information, the Extent of Director Liability Index (*Director Liab. Index*) to capture minority investor protections, and the cost of enforcing contracts (*Contract Enforce*) to capture the quality and efficiency of the country's legal system. We also include a variable for the distance to Paris, France, as our proxy for distance from the EU (*Distance to France*), which captures an exogenous element of geographical openness (Dharmapala and Hines 2009). We expect countries further away are more likely to be listed as it likely lowers economic ties to the region. We include an indicator

variable for UK legal origin (*Legal Origin UK*) as Brexit may increase the likelihood that these countries are included on the list.

In another specification we include import/export data (*Import From EU*/*Export to EU*) and posit that the countries which rely more heavily on EU imports will have a higher probability of being listed, based on the argument that blacklisting has potentially more effect on these countries. Conversely, we predict that countries that export relatively little to the EU have a higher probability of being listed because they do not have strong economic ties to the EU. Finally, the last specification adds the financial secrecy index (*Secrecy Score*) from the Tax Justice Network, which increases in financial secrecy.[13] Beyond simply lower tax rates, tax havens are valuable to users for their secrecy laws that allows taxpayers to obscure ownership of assets to taxing authorities. We expect a positive relation between being listed and financial secrecy as a primary purpose of the list was to increase tax transparency for countries reluctant to share tax information.

Table 2, Panel A presents descriptive statistics on variables used in the three specifications described above for the full sample of observations. Notably, 27.4 percent of countries are on the black or greylist at any point in a calendar year throughout our sample (8.1 percent on the blacklist; 20.9 percent on the greylist). Table 2, Panel B presents descriptive statistics on the same variables, split by non-listed and listed observations. Listed countries have statistically lower GDP and small populations. Listed countries have an average tax rate of 19.2 percent compared to the average non-listed country rate of 24.6. Listed countries are also less likely to be in OPEC and have higher scores for financial secrecy (*Secrecy Score*).

[13] An issue with these data is that the lists are only published in 2018 and 2020. Accordingly, we use the 2018 list for 2016 to 2018 and 2020 for 2019. The 2020 variables are more encompassing, so if a country was not on the 2018 but was on the 2020 list, we use that value for all years.

[Insert Table 2 Here]

We present the results of our multivariate specifications in Table 2, Panel C. Consistent with the literature on tax havens, in column (1) we find that country-years with higher GDP, smaller populations, and lower tax rates are more likely to be listed. The findings also generally support that OPEC nations are less likely to be listed, possibly due to their stronger geo-political bargaining power. In columns (2) and (3), both *Lag Disclosure Index* and *Lag Contract Enforce* are negative and significant, suggesting countries with poorer investor protections and lower quality legal systems are more likely to be listed. By contrast, *Lag Director Liab. Index* is significant and positive suggesting countries with better minority protections are more likely to be on the list. Column (4) includes *Secrecy Score*. Consistent with the goal of the EU tax haven list to pressure non-cooperative countries to comply with international tax information sharing standards, *Secrecy Score* is positively associated with being placed on the tax haven list.

One limitation of the Tax Justice Network secrecy data is that it is only available at points in time and for a subset of observations. In untabulated analysis, we re-estimate column (1) but replace missing values of *Secrecy Score* with the sample median and include an indicator for missing values. We find this variable largely absorbs the impact of tax rates. However, it appears that missing values are not random, thus we cannot fully determine whether tax rates or financial secrecy are relatively more important considerations when the EU establishes the lists.

4.2 Predicting EU Tax Haven Listing

Some commentators have highlighted the absence of common EU tax havens (e.g., Ireland and Luxembourg) on these lists. We investigate the validity of this concern by comparing how similar EU tax havens are to havens on the EU lists. To investigate whether EU tax havens are more similar to listed or non-listed countries, we begin by modifying the determinants

analysis by removing variables that are not applicable within the EU such as the distance to France and import/export to EU. We also reset missing values of the *Secrecy Score* to the sample median to avoid sample attrition. Additionally, because arguments suggest that oscillating between being on the list versus not may be driven by politics and not underlying country-level characteristics, we remove non-listed year observations for listed countries to reduce the noise in our estimates. We estimate this model using OLS to avoid relying on a non-linear model to generate predicated values. In addition to using the point estimates to generate a prediction, we also perform a specification that includes EU tax havens.

In Table 3, Panel A, column (1) we present the results of our prediction model. Although we change the sample and remove several covariates, we find the direction of the coefficient estimates and statistical significance are similar to those in our primary determinants model (Table 2). In column (2) we expand the sample to include the six commonly-considered EU tax havens: Luxemburg, the Netherlands, Ireland, Cyprus, Malta, and Latvia. We code these EU tax havens as non-havens. Given the samples are identical other than the addition of a small number of EU tax haven observations (N=24), most formal statistical tests will lack significant discriminatory power.[14] Thus, we present descriptive statistics on whether the inclusion of these observations improves the explanatory power of the model. While our point estimates are relatively stable, the R^2 and adjusted-R^2 decrease. In untabulated analysis, we re-code these observations as *List Calendar Year* equal to 1 and find the adjusted R^2 increases. We interpret these findings to suggest that these EU countries appear to be more similar to the listed tax havens than other EU countries.

[Insert Table 3 Here]

[14] Bootstrapping confidence intervals around the adjusted-R^2 suggests these differences are not statistically different from zero, likely due to the inclusion of less than five percent of the sample in column (1).

Using the point estimates from Table 3, Panel A, column (1), we compute a *Tax Haven Score* within sample countries and for EU countries over the same period and report the mean and median values in Table 3, Panel B. We categorize countries in four ways: List Countries (countries on the tax haven list); Non-List Countries (non-EU countries not on the tax haven list); EU Tax Havens (Luxemburg, the Netherlands, Ireland, Cyprus, Malta, and Latvia); and EU Non-Tax Havens (all other EU countries). When comparing the differences in means of *Tax Haven Score* between country-years, we find that List Countries have a statistically higher values than the EU Tax Havens (0.0901, p-value = 0.06). However, we find that the EU Tax Havens have higher values than both EU Non-Tax Havens (0.2735, p-value < 0.01), and Non-List Countries (0.3186, p-value < 0.01). The differences in *Tax Haven Score* between countries are economically significant. The average and median *Tax Haven Score* for EU tax havens is over 300 percent larger than non-list countries. The results provide additional evidence that EU tax havens are more similar to countries that appear on the tax haven list than other EU nations.[15] We conclude from the determinants and prediction analyses that the EU tax haven list appear to contain a political component by purposefully protecting EU countries, that are otherwise similar to listed countries, by excluding them from the lists. Thus, commentary highlighting the absence of EU tax havens appears to be justified.

5. Reputational Costs

5.1 Research Design – Foreign Direct Investment

After providing insight on the listing process, we next move to testing our hypothesis. To analyze the influence of the EU tax haven lists on the reputational costs to tax havens we begin by analyzing FDI data. FDI flows can be either positive or negative and are reported at the

[15] Due to a lack of acceptable matches, we opt not to propensity score match on *Tax Haven Score* for reputational costs analyses.

country-pair level (e.g., flows from the Germany to the Cayman Islands). Positive values relate to either increasing the capitalization of foreign affiliates in a jurisdiction or reinvesting the earnings of local affiliates. Negative values represent a net decrease in the capitalization of affiliates, dividend distributions, or retaining losses. There is no natural scalar for FDI flows; thus, we reduce the influence of outliers by winsorizing the data at the top and bottom one percent. While the tax haven list changes during the year, sometimes frequently, *FDI* and most of the control variables are measured annually. Thus, we are able to exploit some degree of time-varying inclusion on the tax haven list but do not have data granular enough to more accurately capture the intermittent changes to the tax haven list within a given year. We first use a difference-in-differences (DiD) research design in regression equation (2).

$$FDI_{it} = \alpha_{it} + \beta_1 List_i + \beta_2 Post_t + \beta_3 Post*List_{it} + \beta_4 Log\ GDP_{it} + Controls_{it} + \varepsilon_{it} \quad (2)$$

In equation (2) *FDI* is the annual outbound country-pair flows of FDI. We use FDI values in USD to ease interpretation. We set *List* to equal one for a country that has ever been included on any of the thirteen blacklists or greylists issued by the EU between December 5, 2017 and February 18, 2020. We do not impose a minimum time length/list requirement because we expect that many of the countries that were not on the initial lists (e.g., U.S. Virgin Islands was added to the blacklist on March 8, 2018) or subsequently removed (e.g., Liechtenstein was removed from the greylist on September 27, 2018) are structurally different from other countries. Accordingly, the main effect of *List* captures differences between the two subsets of countries. We set *Post* to equal one for years after 2017 to capture differences in FDI after the EU lists began. Because some countries are added to the list later in the sample period, we adapt the coding of the interaction of *List* and *Post* to account for variation in the timing of any treatment effect. Specifically, the value of the interaction of *Post* and *List* is equal to one for a country-year

if it was on the list at any point during the last six months of the prior calendar year or the first six months of the current calendar year (i.e., July 1, 2018 – June 30, 2019). Prior to 2020, the EU did not release updates to the tax haven lists in uniform time intervals (e.g., the shortest interval was only six days from May 2 to 8, 2018). We use a mid-year convention because we do not anticipate that either individual consumers making travel plans or corporations alter their direct investment behavior this frequently. The interaction of *List* and *Post* captures the difference between listed and non-listed countries over the 12 months, on average, after being listed.[16]

We control for factors that may influence FDI. We expect that countries with a larger economy will naturally attract more investment and may have more foreign affiliates already incorporated within their jurisdictions. Thus, we require all reporting countries to have annual GDP values reported by the World Bank. We log nominal values, as opposed to GDP per capita, to capture the breadth of the economy. We also require all observations to have a corporate tax rate reported by the Tax Foundation.

We take two approaches to account for potential correlated omitted variables. The first approach uses a series of variables to control for observable differences between countries. These control variables capture differences between country pairs (e.g., distance, language), recipient country attributes (e.g., UN member, landlocked), and governance factors that may affect willingness to do business in a country (e.g., contract enforcement). The second approach we take uses fixed effects at the recipient-country level. This enables us to examine how the lists affect flows of FDI within a specific country, controlling for time-invariant country characteristics. This specification assumes that countries have time-invariant attributes that may

[16] Note, based on when the lists are published countries are on the list for as short as 6 months or as long as 14 months using this mid-year convention. We specifically aim to avoid countries being added later in the year as there may not be adequate time to measure a reaction.

alter the flows of FDI (e.g., legal system, currency, proximity to economic centers). We cluster standard errors at the payor-year level.

5.2 Research Design – Tourism

To analyze potential reputational costs of tax haven listing using tourism, we replace *FDI* in equation (2) with our measure of inbound tourism, *Log(Visitor Tourist).* This measure is a count variable representing people entering a country in a calendar year based on the country of residence of the tourist. Generally, the United Nations World Tourism Organization defines tourists as individuals staying in a location overnight, and more broadly defines visitors as individuals that enter and exit a location within the day or stay overnight. We use tourist data if available, and if tourists are not available for a country-pair-year, then we use visitor data.[17] We log the number of tourists or visitors per country-pair-year to ease in interpretation of the results. We exclude country-pairs that report exactly zero tourists between them.

In our tourism analyses, we include many of the same control variables as the FDI analyses; however, their inclusion and interpretation is based on capturing individuals' travel preferences. We include a measure of distance between the two countries in the country-pair (*Distance*) and whether the country-pair has a common language (*Common Language*). These variables account for the costs to travel to locations that are further away and tourists having a preference to visit a country where they know the language. We include an indicator for landlocked countries (*Landlocked*) and the count for the annual number of named natural storms and cyclones (*Storm Count*). These variables identify locations that may attract more annual visitors or jurisdictions that tourists may avoid due to inclement weather. Lastly, we include GDP (*Log(GDP)*) as a time-varying measure of the destination countries' macro-economy. We

[17] We do not switch between using tourist and visitor data for any country-pairs.

perform the tourism analyses with and without host country fixed-effects and cluster standard errors at the origin-country-year level.

5.3 Descriptive Statistics

In Table 4, we present descriptive statistics for all variables used in the reputational costs analyses. Across all analyses, the number of *List* countries observations ranges from 27-37 percent while *Post* observations similarly range from 29-39 percent. We find that on average a country is in a net FDI in-flow position. We log the tourism data because the raw data is right skewed. In Figure 1, Panel A, we graph the annual flows of FDI aggregated between all list and non-list countries. Tax havens are generally less-populated countries with smaller economies, thus we observe *List* countries receive significantly less FDI inflows than other countries. The time-series data shows a spike in FDI among *List* countries in 2016 and a decline thereafter. However, a similar decline is apparent in non-*List* countries. Overall, this graph does not seem to suggest that tax havens suffer from reputational costs as captured by investment behavior. In Figure 2, we present a graph of our annual tourism data. Overall, Figure 2 shows significantly more tourism in non-*List* countries. While both set of countries show a general increase in tourism over time, the growth for *List* countries appears to slightly stall starting in 2017 compared to the continued growth for non-*List* countries. Overall, these graphs do not appear to provide strong univariate evidence that *List* countries suffer from reputational costs as captured by FDI and tourism. Next, we examine this research question using multivariate analysis.

[Insert Table 4 Here]

[Insert Figures 1 and 2 Here]

5.4 Multivariate Results

5.4.1 Foreign Direct Investment

In Table 5, we present the results from estimating equation (2) testing the reputational effect of EU tax haven listing on FDI. In Panel A we include all observations, and in Panel B we limit the sample based on cross-sectional partitions. In Panel A columns (1) and (2), we use the DiD design with controls, and in columns (3) and (4) we include payee-country fixed effects and suppress *List* and time-invariant payee controls. If the EU lists are associated with higher reputational costs that manifest in reduced investments in these countries, we expect a negative coefficient on *Post*List.* Across all four specifications the interaction coefficient is positive and significant. Recall that the interaction of *Post*List,* represents a mid-year list convention, thus our estimates can be interpreted as a short-run response (6-18 month) to a country being included on the list. In Columns (2) and (4) we find the coefficients on the pair-wise controls for distance between countries and common language (*Distance* and *Common Language*) are consistent with our intuition that countries that are closer and speak a similar language have more FDI.

In Panel B, we partition the sample to examine countries that are more similar to listed countries. In Columns (1) and (4) we only include payee-countries that are on any tax haven list, (i.e., on one of the EU lists, the Tax Justice Network's list of tax havens, or the OECD tax haven list from 2000 – See Appendix D). In Columns (2) and (5), under the assumption that small countries are more likely to be tax havens (e.g., Dharmapala and Hines 2009), we limit the sample to smaller payee-countries, which we define as below median population. Lastly, in columns (3) and (6) we limit the sample to only payee-countries with a tax rate of less than 21 percent, the median corporate tax rate among OECD countries in 2021. We find the point estimate of *Post*List* is positive and statistically significant in five of six specifications. Overall, the results of the FDI tests suggest that being on a tax haven list is not associated with a

reduction in investment from EU constituents. To the contrary, our results suggest that these countries continue to enjoy steady investment from EU countries.

[Insert Table 5 Here]

5.4.2 Tourism

In Table 6, we modify equation (2) to examine the potential reputational effect of the EU tax haven list on tourism. Unlike FDI, which might require firms to alter the location of business activities, we expect the nature of tourism to allow for a quicker response to the EU blacklists. In general, consumers have many choices and low substitution costs for tourism destinations. Similar to the FDI analysis, the variable of interest is the interaction of *Post*List.* If consumers reduce travel to countries on the EU tax haven list due to reputational costs, we will observe a negative coefficient on the interaction. In Table 6, Panel A, we generally find support that reputational costs reduce outbound EU tourism to grey- and blacklisted countries. In columns (1) and (2) we do not include fixed effects and find a negative and statistically significant coefficient on *Post*List*. We continue to find this result with the inclusion of destination country fixed effects in Columns (3) and (4), although the point estimate is smaller in magnitude.

[Insert Table 6 Here]

One concern is that while many of the countries on the EU lists rely heavily on tourism, some are not a common tourist destination. For example, in 2019 South Korea reported less than four percent of total export receipts from tourism. Therefore, we re-estimate our tourism model in a group of countries that are most reliant on tourism. To select a group of countries most likely to experience shifts in tourism, we limit the sample to destination countries that have above the median of tourism receipts (as a percentage of exports).[18] We report our results in Table 6, Panel

[18] We exclude list countries from computing the median because many rely heavily on tourism compared to developed nations. Inferences remain unchanged if these observations are included in our median calculation.

B. Despite the reduced sample, we find results consistent with our primary findings, mitigating some concerns that our results are driven by the inclusion of countries that do not rely heavily on tourism. Overall, the results in Table 6 are consistent with a reputational effect on travel resulting from EU tax haven listing.

6. Additional Analysis

A natural question that likely arises is whether the reduction in tourism to list countries results affects within EU tourism. We examine whether local EU travel acted as a substitute for list country destinations. Given the findings that list countries have a reduction in tourism, we remove them from the sample to avoid mechanically creating a treatment effect. In untabulated analyses, we find a positive but statistically insignificant increase in EU-to-EU tourism after the 2017 lists. This analysis suggests that while some countries suffered from reputational costs, we find little evidence that EU countries benefit significantly in the form of additional EU-to-EU tourism.

Recently, Baker, Larcker, and Wang (2022) highlight several economic issues with using a staggered DiD research design. Although the issues they list are much more problematic when examining a longer implementation window (e.g., 30+ years), defining *Post*List* from a changing EU list could suffer from estimation bias. In untabulated analyses, we address this concern by altering the definition of *Post*List* to be a simple interaction that captures all List countries post-2017. Our results are consistent with our primary inferences. Another suggestion from Baker et al. (2022) to address potential staggered DiD issues is to explicitly assume whether the treatment effect is static or dynamic. The treatment effect in our setting is likely not dynamic until the onset of the Covid-19 pandemic, when some EU countries withheld pandemic relief to companies operating in listed countries. This changes the treatment effect, but primarily

in our FDI analyses. When only including pre-Covid-19 data, we continue to find that listed tax havens do not suffer a reduction in FDI. In our main analyses, we end the tourism sample in 2019 to avoid more salient confounding travel effects of the pandemic

7. Conclusion

In response to growing concern over escalating tax avoidance, in December 2017, the European Commission (EC) published a blacklist and greylist of tax haven jurisdictions (EU tax haven list). The EU tax haven list itself does not impose any sanctions on listed countries and is meant to put pressure on countries to comply with existing international tax standards. However, some commentators question the efficacy of the list as the EC revised the list numerous times suggesting inconsistent and/or political motivations. We first examine the determinants of being listed. Countries with less economic bargaining power with the EU (smaller population, further away from the EU, and more reliant on EU imports) and with more financial secrecy have a greater likelihood of being on the tax haven list. We further extrapolate our estimates and find evidence consistent with criticisms that the EU is protecting their own tax havens at the expense of developing countries by documenting that common EU tax havens are more similar to listed countries than other EU nations.

We next test our hypothesis by evaluating whether the issuance of the EU tax haven list affects both FDI and tourism between EU countries and listed tax haven jurisdictions. We fail to find evidence that being listed reduced FDI flows to listed countries. However, we find evidence that listed countries suffer a reduction in tourism, an often-major source of national revenue for many tax haven countries.

We contribute to the international tax and policy literatures by examining country-level reputational costs related to international tax policies. While our results suggest countries with

typical characteristics of tax haven countries (e.g., higher levels of financial secrecy and low tax rates) are more likely to be listed, our results also are consistent with the criticisms of politics in the listing process. Importantly, we further contribute to the tax literature by documenting reputational costs manifest as less tourism to listed countries, an effect on the reputation of listed countries not found in our FDIs tests nor in prior literature. Our results are also informative to international organizations and policymakers implementing or considering implementing a blacklist to compel tax haven countries to comply with international tax standards. Documenting the reputational costs of a tax haven blacklist strategy, specifically reduced tourism, helps these organizations understand the economic implications of a blacklist strategy.

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Appendix A
European Union Blacklist and Greylist

Blacklist	Greylist	
American Samoa	Albania	**Macao SAR**
Anguilla	Andorra	Malaysia
Aruba	**Anguilla**	Maldives
Bahamas	Antigua and Barbuda	**Marshall Islands**
Bahrain	Armenia	Mauritius
Barbados	**Aruba**	**Mongolia**
Belize	Australia	Montenegro
Bermuda	**Bahamas**	Morocco
Cayman Islands	**Bahrain**	**Namibia**
Dominica	**Barbados**	Nauru
Fiji	**Belize**	New Caledonia
Grenada	**Bermuda**	Niue
Guam	Bosnia and Herzegovina	North Macedonia
Korea (Republic of)	Botswana	**Oman**
Macao SAR	British Virgin Islands	**Palau**
Marshall Islands	Cabo Verde	**Panama**
Mongolia	**Cayman Islands**	Peru
Namibia	Cook Islands	Qatar
Oman	Costa Rica	**Saint Kitts and Nevis**
Palau	Curacao	**Saint Lucia**
Panama	**Dominica**	Saint Vincent and the Grenadines
Saint Kitts and Nevis	Eswatini (fka Swaziland)	San Marino
Saint Lucia	Faroe Islands	Serbia
Samoa	**Fiji**	**Seychelles**
Seychelles	Greenland	Switzerland
Trinidad and Tobago	**Grenada**	Taiwan
Tunisia	Guernsey	Thailand
United Arab Emirates	Hong Kong SAR	**Tunisia**
US Virgin Islands	Isle of Man	Turkey
Vanuatu	Jamaica	Turks and Caicos Islands
	Jersey	**United Arab Emirates**
	Jordan	Uruguay
	Korea (Republic of)	**Vanuatu**
	Labuan Island	Vietnam
	Liechtenstein	

**__Bolded__ countries appear on both lists*

Appendix B
Variable Definitions

Variable	Description	Source
FDI	Outward Foreign Direct Investment (FDI) flows from European Union countries to partner countries. FDI financial flows are cross-border transactions between affiliated parties. FDI encompasses both the initial transaction between two entities and all subsequent capital and income transactions. Each observation represents a country-year pair and flows are for all resident units in millions of USD.	OECD International direct investment database
Log(Visitor Tourist)	Outbound tourists from European Union countries (in thousands), where tourists are residents of EU countries and visits are either same-day and overnight.	United Nations World Tourism Organization
Tax Haven Score	Country-year predicted value from Table 3 Column (1)	
Post	An indicator variable set to one for years after 2017	
List	An indicator variable set to 1 if a country appeared on either the black or grey list at any point during the sample period	Council of the European Union
List Year	An indicator variable set to 1 if a country appeared on either the black or grey list during the last 6 months of the prior calendar year or the first 6 months of the current calendar year	Council of the European Union
List Calendar Year	An indicator variable set to 1 if a country appeared on either the black or grey list during the calendar year	Council of the European Union
GDP	Gross domestic product in billions of U.S. dollars	World Bank
Tax Rate	Country's corporate tax rate	Tax Foundation
Distance	Distance between most populated city of each country-pair (km)	CEPII Gravity Database Obtained from Thierry Mayer's website
Common Language	An indicator variable set to 1 if the countries share a common official or primary language	CEPII Gravity Database Obtained from Thierry Mayer's website
Disclosure Index	Protecting minority investors: Extent of disclosure index (0-10) The extent of disclosure index measures the approval and disclosure requirements of related-party transactions. It has five components.	World Bank

Director Liab. Index	Protecting minority investors: Extent of director liability index (0-10) 'The extent of director liability index measures when board members can be held liable for harm caused by related-party transactions and what sanctions are available. It has seven components.	World Bank
Contract Enforce	Enforcing contracts: Cost (percent of claim) 'The cost to enforce contracts is recorded as a percentage of the claim value, assumed to be equivalent to 200 percent of income per capita or $5,000, whichever is greater. Three types of costs are recorded: average attorney fees, court costs and enforcement costs. Bribes are not taken into account.	World Bank
UN Member	An indicator variable set to 1 if a country was a member of the United Nations during the year	United Nations
Landlocked	An indicator variable set to 1 if a country is landlocked	World Bank
OPEC	An indicator variable set to 1 if a country was a member of the Organization of the Petroleum Exporting Countries during the year	Organization of the Petroleum Exporting Countries
English Official	An indicator variable set to 1 if English is listed as one of the country's official or national languages and languages spoken by at least 20 percent of the population of the country	Geo_CEPII dataset
Population	Total population in millions	World Bank
Secrecy Score	The level of a country's transparency in the operations allowed, engagement in information sharing with other authorities, and compliance with international norms for combating money-laundering. Secrecy Score is measured from 0 - 100 with higher scores indicating lower transparency. This is available for 2018 and 2020, with amounts backfilled to 2016, 2017, and 2019.	Tax Justice Network.
Distance to France	Distance from most populated city in France to FDI flow country most populated city	CEPII Gravity Database Obtained from Thierry Mayer's website
Legal Origin UK	An indicator variable set to 1 if English if the country's legal origins are the United Kingdom	La Porta, Lopez-de-Silanes, and Shleifer (2008)
Import From EU	Annual balance for all products imported by a country from countries in the European Union	TradeMap.Org

Export To EU	Annual balance for all products exported by a country to countries in the European Union	TradeMap.Org
Storm Count	The number of named storms and cyclones in a country per year. Missing country-years are set to the median.	Emergency Events Database.

Appendix C
Timeline of Key Events

This appendix provides a listed timeline of key events for the European Commission's (EC) process of creating the "first pan-EU list of third-country and non-cooperative tax jurisdictions" commonly called the EU blacklist and greylist. The timeline is presented below in Figure C.1.

Figure C.1: EC Timeline

June 2015 – EC presents an Action Plan to address tax avoidance

January 2016 – EC proposes a process for listing countries that aid in tax avoidance schemes

April 2016 – Panama Papers published

May 2016 – EU finance ministers agree to create a list of non-cooperative jurisdictions

September 2016 – EC published list of factors to evaluate countries. 213 countries were pre-assessed using 1600 different indicators

November 2016 – Council agrees on list criteria and screening guidelines

January-September 2017 – 92 jurisdictions screened

October 2017 – Shortcomings communicated to relevant jurisdictions

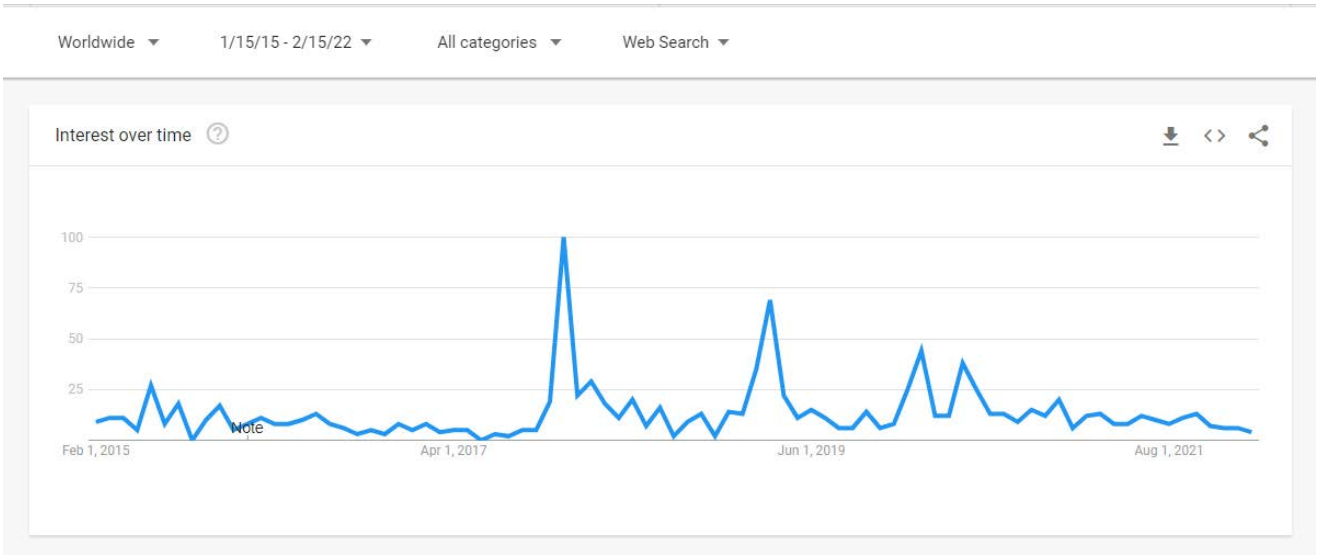
November 2017 – Paradise Papers published

December 2017 – EC published list of non-cooperative jurisdictions

Subsequent List Updates (within sample)- January 2018; March 2018; May 2018; October 2018; November 2018; December 2018; March 2019; May 2019; June 2019; October 2019; November 2019; February 2020; October 2020

Along with a timeline of key events in the EC listing process, we also provide a graph of Google Trends for the search term "EU Blacklist" corresponding with the listed timeline. The graph is presented below in Figure C.2. Large changes to the tax haven list appear to spur the spikes in interest. The notable spikes in Google searches correspond to the initial list (December 2017) and around list updates in March 2019 and February 2020. In March 2019, ten jurisdictions failed to achieve prior commitments regarding tax governance, increasing the number of countries on the blacklist from five to fifteen, the largest increase to-date. This date also decreased the number of countries on the greylist from 65 to 34. February 2020 had another large increase in countries on the blacklist, from eight to twelve, along with a reduction in countries on the greylist, 32 to thirteen.

Figure C.2: Worldwide Google Searches for "EU Blacklist"



Note: Figure C.2 data source: Google Trends (https://www.google.com/trends).

Appendix D
Comparison of Different Tax Haven Lists

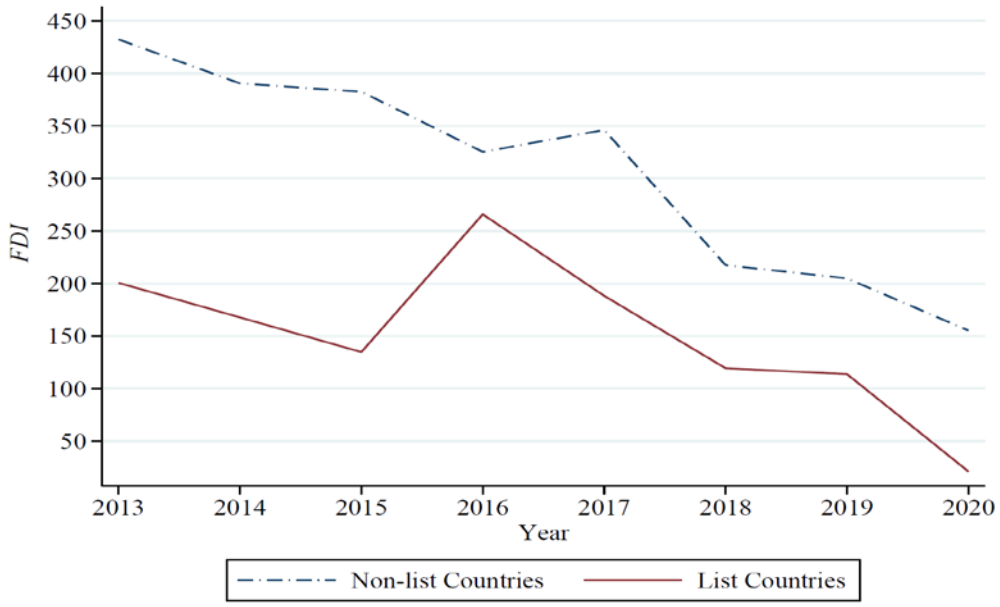
Jurisdictions	EU non-cooperative jurisdictions	OECD 2000	Tax Justice Network 2005	Dharmapala and Hines (2009)	Dyreng and Lindsey (2009)
Albania	•				
American Samoa	•				
Andorra	•	•	•	•	•
Anguilla	•	•	•	•	•
Antigua and Barbuda	•	•	•	•	•
Armenia	•				
Aruba	•	•	•	•	•
Australia	•				
Bahamas	•	•	•	•	•
Bahrain	•	•	•	•	•
Barbados	•	•	•	•	•
Belgium			•		
Belize	•	•	•	•	•
Bermuda	•		•	•	•
Bosnia and Herzegovina	•				
Botswana	•				•
British Virgin Islands	•	•	•	•	•
Brunei					•
Cabo Verde	•				•
Cayman Islands	•		•	•	•
Cook Islands	•	•	•	•	•
Costa Rica	•		•		•
Curacao	•				
Cyprus			•	•	•
Dominica	•	•	•	•	•
Dubai			•		
Eswatini (fka Swaziland)	•				
Faroe Islands	•				
Fiji	•				
Germany (Frankfurt)			•		
Gibraltar		•	•	•	•
Greenland	•				
Grenada	•	•	•	•	•
Guam	•				
Guernsey	•	•	•	•	•

Hong Kong SAR	•		•	•	
Hungary			•		
Iceland			•		
Ireland			•	•	•
Isle of Man	•	•	•	•	•
Israel	•				
Israel (Tel Aviv)			•		
Italy (Campione d'Italia & Trieste)			•		
Jamaica	•				
Jersey	•	•	•	•	•
Jordan	•			•	
Korea (Republic of)	•				
Labuan Island	•				
Latvia					•
Lebanon			•	•	•
Liberia		•	•	•	•
Liechtenstein	•	•	•	•	•
Luxembourg			•	•	•
Macao SAR	•		•	•	•
Malaysia	•				
Malaysia (Labuan)			•		
Maldives	•	•	•	•	•
Malta			•	•	•
Marshall Islands	•	•	•	•	•
Mauritius	•		•	•	•
Mongolia	•				
Monaco		•	•	•	•
Montenegro	•				
Montserrat	•	•	•	•	•
Morocco	•				
Namibia	•				
Nauru	•	•	•	•	•
Netherlands			•		
Netherlands Antilles		•	•	•	•
New Caledonia	•				
Niue	•	•	•	•	•
North Macedonia	•				
Northern Mariana Islands			•		
Oman	•				
Palau	•				•
Panama	•	•	•	•	•

Peru	•				
Portugal (Madeira)			•		
Qatar	•				
Russia (Ingushetia)			•		
Russian Federation	•				
Saint Kitts & Nevis	•	•	•	•	•
Saint Lucia	•	•	•	•	•
Saint Vincent & the Grenadines	•	•	•	•	•
Samoa	•	•	•	•	•
San Marino	•			•	•
São Tomé e Principe			•		
Serbia	•				
Seychelles	•	•	•	•	•
Singapore			•	•	•
Somalia			•		
South Africa			•		
Spain (Melilla)			•		
Switzerland	•		•	•	•
Taiwan	•				
Taiwan (Taipei)			•		
Thailand	•				
Tonga		•	•	•	•
Trinidad and Tobago	•				
Tunisia	•				
Turkey	•				
Turkish Republic of Northern Cyprus			•		
Turks & Caicos Islands	•	•	•	•	•
United Arab Emirates	•				
United Kingdom (City of London)			•		
Uruguay	•		•		•
US Virgin Islands	•	•	•	•	•
USA (New York)			•		
Vanuatu	•	•	•	•	•
Vietnam	•				

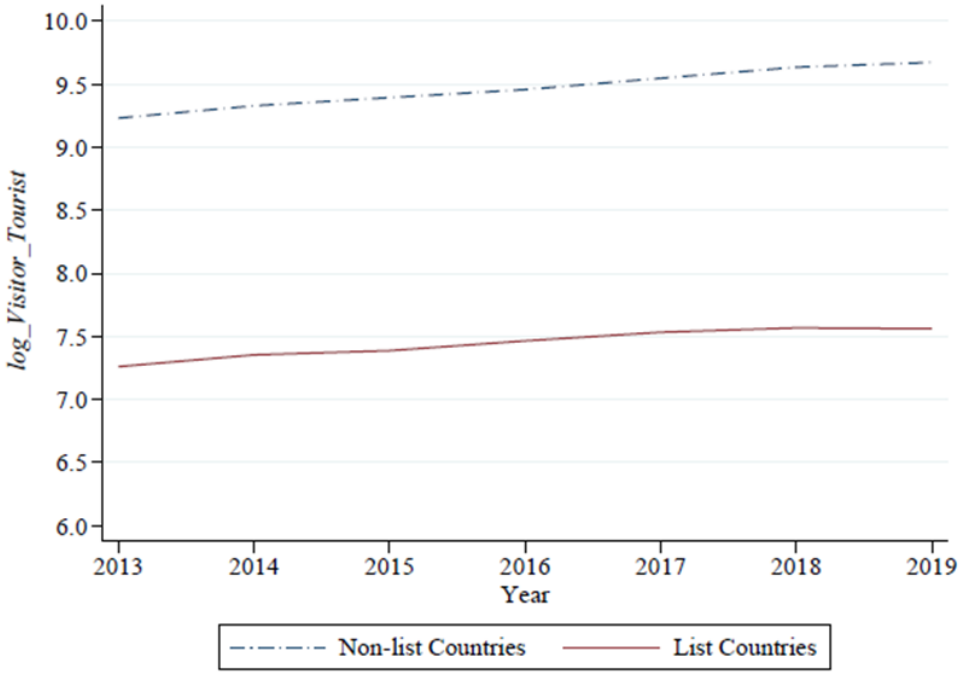
This table indicates which countries appear on common organizational and academic tax haven lists. For countries indicated as EU non-cooperative jurisdictions, bolded countries appeared on the EU blacklist and non-bolded countries only appeared on the greylist.

Figure 1
Average *FDI* by Year for Listed and Non-Listed Countries



This figure presents the average of FDI by year for List and Non-List countries. All variables are defined in Appendix B.

Figure 2
Average *Visitor Tourist* by Year for Listed and Non-Listed Countries



This figure presents the average of Visitor Tourist by year for List and Non-List countries. All variables are defined in Appendix B.

Table 1:
Sample Selection

Panel A: Foreign Direct Investment (FDI)	
Criteria	Country-pair-years
Total country-pair-years for all entity types between 2013 - 2020	59,515
Less: Non-EU payee countries	(19,743)
Less: Recipient county-years missing FDI or where FDI is $0	(25,658)
Less: Recipient county-years missing GDP or where GDP is $0	(697)
	13,417
Less: country-pair-years missing distance between most populated cities (*Distance*)	(194)
	13,223
Less: Recipient county-years missing World Bank minority investor protection variables (*Disclosure Index*, *Director Liab. Index*, and *Contract Enforce*)	(539)
Total country-pair-years available for FDI tests:	***12,684***

Panel B: Tourism	
Criteria	Country-pair-years
Total country-pair-years with outbound tourist data from EU Countries between 2013 - 2019	10,188
Less: Recipient country-years missing GDP or where GDP is $0	(370)
Less: country-pair-years without 7 years of data	(3,161)
	6,657
Less: Recipient country-years missing distance between most populated cities (*Dist*)	(77)
Total country-pair-years available for Tourism tests:	***6,580***

Panel C: Determinants	
Criteria	Country-years
Total country-years between 2017-2020	996
Less: EU countries	(108)
Less: Country-years missing *GDP*	(183)
	705
Less: County-years missing World Bank minority investor protection variables (*Disclosure Index*, *Director Liab. Index*, and *Contract Enforce*)	(81)
Less: County-years missing *Distance to France* and *Legal Origin UK*	(45)
	579
Less: County-years missing *Import from EU* and *Export to EU*	(99)
	480
Less: County-years missing *Secrecy Score*	(188)
Total country-years available for Determinants tests:	***292***

This table presents the sample selection process for all three samples used in our analyses. Panel A describes the sample used in the foreign direct investment (FDI) tests; Panel B describes the sample used in the tourism tests; and Panel C describes the sample used in the determinants tests. All variables are defined in Appendix B.

Table 2
Determinants Analysis

Panel A: Descriptive Statistics

	N	Mean	Median	25th	75th	SD
List Calendar Year	705	0.274	0	0	1	0.446
BlackList Cal. Year	705	0.081	0	0	0	0.273
GreyList Cal. Year	705	0.209	0	0	0	0.407
Lag_GDP	705	302.456	17.28	4.665	92.203	1277.619
Lag_Log(GDP)	705	23.817	23.573	22.263	25.247	2.298
Lag_Population	705	38.844	6.679	.653	25.366	145.769
Lag_Log(Population)	705	15.22	15.714	13.389	17.049	2.493
Lag_TaxRate	705	23.126	25	20	30	9.484
Landlocked	705	0.21	0	0	0	0.408
English Official	705	0.335	0	0	1	0.472
OPEC	705	0.075	0	0	0	0.264
Lag_Disc. Index	579	5.683	6	4	7	2.547
Lag_Director Liab. Index	579	4.721	5	2	7	2.757
Lag Contract Enforce	579	34.537	30	23.2	40.9	17.733
Distance to France	579	6906.25	6708.77	4691.556	8892.726	3506.376
Legal Origin UK	579	0.38	0	0	1	0.486
Lag Import From EU	480	13,467,034	1,165,108	304,041	8,446,479	35,786,532
Lag log(Import From EU)	480	14.159	13.968	12.625	15.949	2.414
Lag (Export to EU)	480	12,883,841	829,800.5	86,927	6,696,008	38,049,778
Lag log(Export to EU)	480	13.484	13.629	11.373	15.717	3.011
Secrecy Score	292	66.888	67.862	59.825	74.05	9.439
Lag Secrecy Score	292	67.565	68.938	60.075	75.175	9.579

Panel B: Descriptive Statistics for Non-*Listed* and *Listed* Observations

	Non-Listed Obs.		*Listed Obs.*		*T-test*	
Variables	**N**	**Mean**	**N**	**Mean**	**Difference**	**t-stat**
Lag_Log(GDP)	512	24.091	193	23.091	1.00***	5.25
Lag_Log(Population)	512	15.808	193	13.660	2.15***	11.05
Lag_TaxRate	512	24.570	193	19.295	5.27***	6.80
Landlocked	512	0.230	193	0.155	0.08**	2.20
English Official	512	0.301	193	0.425	-0.12***	-3.15
Lag_OPEC	512	0.094	193	0.026	0.07***	3.05
Lag_Disc. Index	443	5.832	136	5.199	0.63**	2.55
Lag_Director Liab. Index	443	4.279	136	6.162	-1.88***	-7.25
Lag Contract Enforce	443	36.165	136	29.234	6.93***	4.05
Distance to France	443	6,764.332	136	7,368.528	-604.19*	-1.75
Legal Origin UK	443	0.334	136	0.529	-0.20***	-4.15
Lag Log(Import from EU)	354	14.312	126	13.727	0.59**	2.35
Lag Log(Export to EU)	354	13.702	126	12.871	0.83***	2.70
Secrecy Score	197	64.437	95	71.970	-7.53***	-6.90
Lag Secrecy Score	197	65.054	95	72.772	-7.72***	-6.95

Panel C: Determinants of Being on the EU Tax Haven Lists

	(1)	(2)	(3)	(4)
VARIABLES		*DV= List Calendar Year*		
Lag Log(GDP)	0.27***	0.19***	-0.09	-0.39*
	(6.42)	(3.08)	(-0.66)	(-1.88)
Lag Log(Population)	-0.39***	-0.36***	-0.34***	-0.32***
	(-9.38)	(-5.41)	(-4.73)	(-3.39)
Lag Tax Rate	-0.02***	-0.03***	-0.03***	0.00
	(-2.99)	(-3.41)	(-2.85)	(0.34)
Landlocked	-0.12	-0.14	0.19	0.25
	(-0.80)	(-0.78)	(0.94)	(0.63)
English Official	0.14	-0.22	-0.39	-0.47*
	(1.20)	(-1.04)	(-1.62)	(-1.88)
Lag OPEC	-0.82***	-1.20***	-1.01***	-0.64*
	(-3.42)	(-3.99)	(-3.07)	(-1.80)
Lag Disc. Index		-0.06**	-0.07**	0.05
		(-2.09)	(-2.10)	(1.05)
Lag Director Liab. Index		0.14***	0.08**	-0.04
		(4.67)	(2.40)	(-0.89)
Lag Contract Enforce		-0.01***	-0.01**	-0.00
		(-2.63)	(-2.31)	(-0.30)
Distance to France		0.00	0.00	0.00**
		(0.24)	(1.54)	(2.03)
Legal Origin UK		0.11	0.49**	0.33
		(0.56)	(2.00)	(1.15)
Lag Log(Import From EU)			0.21*	0.32*
			(1.67)	(1.71)
Lag Log(Export to EU)			0.05	0.13
			(0.79)	(1.56)
Lag Secrecy Score				0.05***
				(3.61)
Constant	-0.68	1.06	4.11***	3.68
	(-1.10)	(1.26)	(2.94)	(1.28)
Observations	705	579	480	292
Area under ROC curve	0.8115	0.8432	0.8269	0.8300

This table presents the descriptive statistics for the determinants analysis (Panel A and B) and result of estimating equation (1) (Panel C). All variables are defined in Appendix B. All analyses include clustered standard errors. *, **, and *** signify statistical significance at the 10%, 5%, and 1% significance level, respectively.

Table 3
Prediction Analysis

Panel A: Prediction Model		
VARIABLES	(1) Without EU Tax Havens	(2) With EU Tax Havens
Lag Log(GDP)	0.11***	0.08***
	(6.99)	(5.40)
Lag Log(Population)	-0.15***	-0.12***
	(-10.00)	(-8.46)
Lag Tax Rate	-0.00**	-0.00*
	(-2.08)	(-1.94)
Landlocked	-0.01	-0.03
	(-0.29)	(-0.83)
English Official	0.03	0.03
	(0.72)	(0.73)
OPEC	-0.28***	-0.26***
	(-6.78)	(-6.12)
Lag Disc. Index	-0.01	-0.00
	(-0.89)	(-0.56)
Lag Director Liab. Index	0.03***	0.04***
	(5.58)	(5.84)
Lag Contract Enforce	-0.00**	-0.00**
	(-2.41)	(-2.24)
Legal Origin UK	-0.03	-0.03
	(-0.86)	(-0.75)
*Lag Secrecy Score**	0.02***	0.02***
	(6.33)	(7.89)
Constant	-1.15***	-1.34***
	(-3.07)	(-3.67)
Observations	535	559
R-squared	0.409	.377
Adjusted R-squared	0.396	0.365

Panel B: Predicted Values

	Predicted Values of *Tax Haven Score*		
Country-Year Observations	**N**	**Mean**	**Median**
Within Sample Predictions			
List Countries (*List Calendar Year*=1)	136	0.5590	0.5425
Non-List Countries *(List Calendar Year*=0 & *List*=0)	399	0.1503	0.1307
Out of Sample Predictions			
EU Tax Havens*	24	0.4689	0.4714
EU Non-Tax Havens	84	0.1954	0.2014

Difference in Means	**Difference**	**t-stat**	**p-value**
List Countries vs. Non-List Countries	0.4087***	19.19	< 0.01
List Countries vs. EU Tax Havens	0.0901*	1.90	0.060
EU Non-Tax Havens vs. Non-List Countries	0.0451*	1.93	0.055
EU Tax Havens vs. Non-List Countries	0. 3186***	7.42	<0.01
EU Tax Havens vs. EU Non-Tax Havens	0.2735***	11.84	< 0.01

This table presents the result of estimating equation (1) (Panel A) and comparing the means of *Tax Haven Score* (Panel B). All variables are defined in Appendix B. EU Tax Havens include Luxemburg, the Netherlands, Ireland, Cyprus, Malta, and Latvia. *, **, and *** signify statistical significance at the 10%, 5%, and 1% significance level, respectively.

Table 4
Descriptive Statistics

Panel A: Foreign Direct Investment (FDI)

	N	Mean	Median	25th	75th	SD
FDI	13,417	263.294	2.212	-3.317	66.509	1,900.355
List	13,417	0.266	0	0	1	0.442
BlackList	13,417	0.094	0	0	0	0.292
GreyList	13,417	0.258	0	0	1	0.438
Post	13,417	0.388	0	0	1	0.487
GDP	13,417	775.983	106	23.208	452	2310.163
Log(GDP)	13,417	25.445	25.387	23.868	26.837	2.090
TaxRate	13,417	22.852	25	19	30	8.368
Distance	13,223	5006	4303	1465	8042.	3932
Common Language	13,223	0.055	0.000	0	0	0.228
Disclosure Index	12,835	6.161	7	4	8	2.461
Director Liab. Index	12,835	4.902	5	3	6	2.420
Contract Enforce	12,694	28.831	25.000	19.700	33.200	15.702
UN Member	13,417	0.958	1	1	1	0.201
Landlocked	13,417	0.178	0	0	0	0.383
OPEC	13,417	0.066	0	0	0	0.249
English Official	13,417	0.243	0	0	0	0.429
Population	13,417	60.099	10.358	4.047	44.135	193.742
Log(Population)	13,417	16.168	16.153	15.214	17.603	2.008

Panel B: Tourism

	N	Mean	Median	25th	75th	SD
Visitor Tourist	6,657	106,596	5,664	998	36,278	357,293
Log(Visitor Tourist)	6,657	8.724	8.642	6.906	10.499	2.590
List	6,657	0.368	0	0	1	0.482
BlackList	6,657	0.130	0	0	0	0.337
GreyList	6,657	0.367	0	0	1	0.482
Post	6,657	0.286	0	0	1	0.452
Distance	6,580	6,913	7,695	2,908	9,140	4,010
Common Language	6,580	0.059	0	0	0	0.235
Landlocked	6,657	0.099	0	0	0	0.298
GDP	6,657	830.214	55.284	11.722	299.000	3,092.520
Log(GDP)	6,657	24.829	24.736	23.185	26.424	2.334
Storm Count	6,657	0.598	0	0	1	1.538

This table presents descriptive statistics for the samples used in our FDI and tourism analyses. Panel A presents descriptive statistics for the sample used in the foreign direct investment (FDI) tests and Panel B presents descriptive statistics for the sample used in the tourism tests. All variables are defined in Appendix B.

Table 5
Foreign Direct Investment (FDI) Around EU Tax Haven Lists

Panel A: Full FDI Sample

	(1)	(2)	(3)	(4)
VARIABLES	*FDI*	*FDI*	*FDI*	*FDI*
Post	-200.70***	-185.11***	-187.56**	-188.07***
	(-2.89)	(-2.84)	(-2.59)	(-2.65)
List	-34.76	-78.84**		
	(-1.11)	(-2.33)		
*Post*List*	115.48*	146.05**	107.46*	122.98**
	(1.97)	(2.35)	(1.69)	(2.00)
Log(GDP)	124.98***	203.77***		
	(7.19)	(7.01)		
Tax Rate	-1.37	1.38		
	(-0.64)	(0.46)		
Distance		-0.02***		-0.18***
		(-4.11)		(-6.11)
Common Language		858.88***		686.28***
		(6.64)		(5.20)
Disclosure Index		-9.22		
		(-1.18)		
Director Liab. Index		4.88		
		(0.87)		
Contract Enforce		2.80***		
		(3.04)		
UN Member		-82.98		
		(-0.37)		
Landlocked		33.75		
		(0.92)		
OPEC		-123.98**		
		(-2.55)		
English Official		216.62***		
		(4.35)		
Log(Population)		-96.65***		
		(-4.71)		
Constant	-2,808.11***	-3,261.39***	327.01***	1,218.15***
	(-7.00)	(-6.56)	(5.99)	(6.34)
Observations	13,417	12,684	13,417	13,223
R-squared	0.020	0.040	0.047	0.058
Fixed Effects	None	None	Payee Country	Payee Country
SE Cluster	Payor Country_Year	Payor Country_Year	Payor Country_Year	Payor Country_Year

Panel B: FDI Subsample Analysis

VARIABLES	(1) *FDI*	(2) *FDI*	(3) *FDI*	(4) *FDI*	(5) *FDI*	(6) *FDI*
Cross-Section	Any Tax Haven List Sample	Below Median Population	Tax Rate < 21%	Any Tax Haven List Sample	Below Median Population	Tax Rate < 21%
Post	-362.09**	-170.53**	-177.30**	-339.91**	-161.71**	-164.28**
	(-2.30)	(-2.57)	(-2.42)	(-2.14)	(-2.39)	(-2.17)
List	-356.42***	-64.17	-141.54***			
	(-2.94)	(-1.44)	(-3.07)			
*Post*List*	310.94**	152.60*	247.98***	263.07*	102.49	179.55*
	(2.22)	(1.87)	(2.64)	(1.89)	(1.24)	(1.94)
Log(GDP)	223.61***	140.67***	115.96***			
	(4.75)	(5.08)	(4.69)			
Tax Rate	-2.96	-1.37	-5.75			
	(-0.83)	(-0.56)	(-1.50)			
Distance	-0.01	-0.02**	-0.03**	-0.16***	-0.09***	-0.05
	(-1.44)	(-2.15)	(-2.25)	(-3.38)	(-2.76)	(-1.26)
Common Language	949.38***	938.48***	359.45**	642.35***	705.79***	-3.21
	(4.36)	(4.98)	(2.39)	(3.06)	(3.71)	(-0.02)
Disc. Index	-9.92	4.09	12.07			
	(-0.52)	(0.39)	(1.62)			
Director Liab. Index	8.22	-14.36*	10.20			
	(0.60)	(-1.88)	(1.32)			
Contract Enforce	5.49**	0.10	2.81**			
	(2.00)	(0.12)	(2.22)			
UN Member	-136.33	-110.50	39.73			
	(-0.51)	(-0.57)	(0.19)			
Landlocked	132.74	175.58***	32.48			
	(1.47)	(2.80)	(1.09)			
OPEC	-33.45	-33.21	21.04			
	(-0.20)	(-0.46)	(0.26)			
English Official	124.11	285.98***	518.63***			
	(1.08)	(3.22)	(3.37)			
Log(Population)	-145.43***	-89.28**	-33.46*			
	(-3.50)	(-2.60)	(-1.79)			
Constant	-2,723.12***	-1,771.80***	-2,264.00***	1,180.62***	591.94***	417.12***
	(-3.82)	(-3.64)	(-4.26)	(3.98)	(3.62)	(2.67)
Observations	4,110	5,363	4,718	4,442	5,723	5,037
R-squared	0.035	0.036	0.032	0.041	0.044	0.036
Fixed Effects	None	None	None	Payee Country	Payee Country	Payee Country
SE Cluster	Payor Country_Year	Payor Country_Year	Payor Country_Year	Payor Country_Year	Payor Country_Year	Payor Country_Year

This table presents the result of estimating equation (2). Panel A presents analysis of the full sample, and Panel B presents cross-sectional results. All variables are defined in Appendix B. All analyses include indicated fixed effects and clustered standard errors. *, **, and *** signify statistical significance at the 10%, 5%, and 1% significance level, respectively.

Table 6
Tourism Around EU Tax Haven Lists

Panel A: Full Tourism Sample				
	(1)	(2)	(3)	(4)
VARIABLES	*DV = Log(Visitor Tourist)*			
	Base	Controls	Fixed Effects	Controls + Fixed Effects
Post	0.30*	0.22	0.26	0.22
	(1.69)	(1.06)	(1.52)	(1.24)
List	-1.97***	-0.01		
	(-46.75)	(-0.28)		
*Post*List*	-0.19**	-0.14**	-0.10*	-0.12**
	(-2.41)	(-2.13)	(-1.94)	(-2.23)
Distance		-0.00***		-0.00***
		(-26.70)		(-16.83)
Common Language		0.41		0.48*
		(1.44)		(1.85)
Landlocked		-1.40***		
		(-24.42)		
Log(GDP)		0.61***		0.45
		(54.07)		(1.38)
Storm Count		-0.01		0.01
		(-0.49)		(0.33)
Constant	9.38***	-4.65***	8.66***	-0.50
	(96.90)	(-16.63)	(88.19)	(-0.06)
Observations	6,657	6,580	6,657	6,580
R-squared	0.143	0.476	0.694	0.706
Fixed Effects	None	None	Destination Country	Destination Country
SE Cluster	Origin Country-Year	Origin Country-Year	Origin Country-Year	Origin Country-Year

Panel B: Tourism Based Economies				
	(1)	(2)	(3)	(4)
VARIABLES	*DV = Log(Visitor Tourist)*			
	Base	Controls	Fixed Effects	Controls + Fixed Effects
Post	0.38**	0.26	0.38**	0.30
	(2.19)	(1.27)	(2.23)	(1.55)
List	-2.10***	-0.48***		
	(-33.80)	(-9.42)		
*Post*List*	-0.23*	-0.17**	-0.20**	-0.19***
	(-1.91)	(-2.01)	(-2.58)	(-2.61)
Distance		-0.00***		-0.00***
		(-19.41)		(-4.87)
Common Language		0.71**		0.58**
		(2.37)		(2.21)
Landlocked		-1.35***		
		(-21.21)		
Log(GDP)		0.71***		0.62
		(40.28)		(1.06)
Storm Count		-0.07***		0.05
		(-2.70)		(0.65)
Constant	9.08***	-7.12***	7.89***	-5.86
	(95.51)	(-17.09)	(78.13)	(-0.42)
Observations	3,558	3,481	3,558	3,481
R-squared	0.204	0.454	0.647	0.659
Fixed Effects	None	None	Destination Country	Destination Country
SE Cluster	Origin Country_Year	Origin Country_Year	Origin Country_Year	Origin Country_Year

This table presents the result of estimating equation (2) replacing the dependent variable with measures of tourism activity. All variables are defined in Appendix B. All analyses include indicated fixed effects and clustered standard errors. *, **, and *** signify statistical significance at the 10%, 5%, and 1% significance level, respectively.