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Disguised Protectionism: Competition Laws and National Security Policies as Barriers to Cross-border M&As

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Abstract

Do governments seek to protect domestic industries from competition by restricting cross-border mergers and acquisitions (M&As)? International competition increasingly affects domestic markets through inward FDI rather than imports, especially in sectors where goods are relatively hard to trade. I argue that domestic firms and industries will seek insulation, as with international trade, from profit-lowering international competition by securing restrictions on M&As by foreign firms. Because of limits on overt restrictions of FDI, potential host governments are incentivized to use subtler forms of restrictions. I focus on two main types of regulations that govern M&A activities: competition policies (or antitrust regulations) and national security reviews. I find that both types of regulation discourage M&As that involve foreign global parents more substantially than M&As with domestic global parents. I therefore conclude that governments of developed countries use competition laws and national security regulations to protect domestic firms. This paper explores an under-addressed topic in international political economy and the politics of M&As, and demonstrates how regulatory standards in this area are politicized to defend narrow economic interests.
Key words: cross-border mergers and acquisitions, barriers to competition, national security reviews, foreign direct investment

1 Introduction

One of the main drivers of 21st century globalization is the transnational activities of multinational corporations (MNCs) and foreign direct investment (FDI). Although the general trend of FDI flow is increasing, many countries have recently adopted restrictive measures on inward FDI by imposing stricter competition policy or institutionalizing national security reviews. While these regulations are meant to protect consumers and the broader public, the recent changes have left foreign MNCs in a relatively disadvantaged position compared to domestic firms. In developed countries, where both types of FDI – greenfield investment and cross-border mergers and acquisitions (CBM&As) – are highly active, regulations on CBM&As have become particularly politicized due to the increase in Chinese M&As in developed countries. The regulations, however, are not limited to Chinese CBM&A activities and have discouraging effects on CBM&As from other countries. Rather than addressing legitimate concerns about national security or competition, regulations that hinder FDI may instead be contributing to protectionism and global economic disorder.

Do governments seek to protect domestic industries from competition by restricting CBM&As? An increase in international competition as a result of CBM&As disrupts domestic markets more than imports do, especially in sectors where goods are relatively hard to trade. Domestic incumbent companies are likely to oppose a foreign MNC entering the market via CBM&A, because the new merged/acquired firm is likely to increase market competition by introducing new goods and services. Moreover, the targeted domestic firms (or acquired firms) are better equipped with advanced technology and management skills. In contrast, domestic firms would be less worried about an incumbent domestic firm acquiring another incumbent domestic firm, because the changes are less substantial. Therefore, I argue that domestic firms and industries will seek insulation from profit-lowering international competition by securing restrictions on M&As by foreign firms.

Host governments are susceptible to the demands of domestic producers, who have means and resources to influence the government's policy-making. Moreover, governments have incentive to protect "national champion" companies' competitiveness against foreign MNCs. Because of limits on overt restrictions of FDI, host governments are incentivized to use subtler forms of restrictions. I focus on two main types of regulations that govern M&A activities: competition policies (or antitrust regulations) and national security reviews. Competition laws (also antitrust laws) and entry screening/approval regulations are often conveniently used by the host government in order to protect domestic industries from CBM&As, especially when the global ultimate owners (GUOs or ultimate parent companies) of the acquiring companies are of foreign nationality. Therefore, I hypothesize that governments will utilize competition laws and national security reviews to protect domestic firms against CBM&As led by foreign MNCs.

I test these arguments using the Services Trade Restrictiveness Index (STRI), constructed from statistics from the Organization for Economic Development and Co-operation (OECD). The dataset covers 36 OECD member states over the past seven years (2014-2020). I focus on the service sectors because trade in services inevitably includes FDI activities and much of FDI in developed countries are concentrated in services. For the dependent variable, I utilize global M&A transactions data from SDC Platinum database. I separated M&As into four types: (1) CBM&As led by foreign GUOs, (2) CBM&As led by domestic GUOs, (3) domestic M&As led by foreign GUOs, and (4) domestic M&As led by domestic GUOs. Types (1) and (2) are both CBM&As, but a company may have a foreign or domestic ultimate parent company. The same applies to domestic M&A deals. This paper focuses on the comparison between types (1) and (2) for the accurate analysis of whether governments treat domestic MNCs and foreign MNCs differently. Moreover, national security reviews are only applied to CBM&As regardless of the GUO nationality, so two different types of CBM&As serves the purpose of this paper. To control for large CBM&As, I also examine a subset of data on the top 20% largest deals.

By examining the effects of competition laws and foreign entry restrictions on the number of different types of CBM&As, I find that both types of regulation disproportionately discourage M&As that involve foreign global parents compared to M&As with domestic global parents. These results are largely consistent, even when the data are isolated to large-scale CBM&A deals. Moreover, I find that foreign entry restrictions are applied even in industries that are not security-sensitive. Thus, domestic laws governing M&As are likely to discriminate against CBM&A deals by foreign affiliates whose GUOs are also foreign and to favor CBM&As by foreign affiliates whose ultimate parent companies are domestic. I therefore conclude that governments of developed countries use competition laws and national security regulations to protect domestic firms from CBM&As led by foreign MNCs.

This research on CBM&As and regulations on inward FDI offers three contributions to the field of international political economy (IPE). First, I investigate the preferences of domestic producers regarding inward FDI from the market competition perspective. Existing studies on domestic interests and FDI regulation have emphasized the importance of political institutions and the economic impact of FDI on individuals. Building upon those studies, this paper highlights a relatively under-studied aspect of FDI in the IPE literature: market competition and domestic producers' preferences regarding inward FDI. Second, I focus on a particular type of FDI, CBM&As, which has recently become one of the major issues in the study of FDI. While research on the politics of FDI is extensive, CBM&As have not been independently studied. Moreover, I demonstrate the importance of the nationality of the foreign acquirers' parent companies by examining the information on GUOs. Third, I show how governments, and the protection-seeking domestic firms they represent, strategically use apparently neutral areas of domestic policy – such as antitrust – or seemingly limited but actually highly flexible rules – those on national security review – in order to discriminate against foreign firms. This paper therefore explores a neglected topic in IPE , the politics of M&As, and demonstrates how regulatory standards in this area are politicized to defend narrow economic interests.

2 Political Determinants of Cross-border M&As

The question of what factors drive CBM&A transactions is one of the most well-studied fields in both business and economics literature. Many scholars argue that gravity-related determinants – such as geographical distance, colonial experience, legal origin, language and religious familiarity – significantly increase the number of CBM&As (Harzing, 2003; Malhotra et al., 2011; Li et al., 2017; Siegel et al., 2011). Several studies have found that the "liability of foreignness" often results in higher costs and poor performance of foreign MNCs after CBM&A transactions (Zaheer and Mosakowski, 1997). Other studies have examined the macroeconomic indicators that affect firms' decisions to enter foreign markets via CBM&As. These studies have concluded that the development of financial markets (e.g., stock prices), economic performance (e.g., GDP growth), exchange rates and interest rates have a negative effect on inward CBM&As (Vasconcellos and Kish, 1998; Shleifer and Vishny, 2003; Boateng et al., 2014; Uddin and Boateng, 2011). These studies highlight the importance of existing country-specific features and economic conditions that affect the decision by MNCs to enter foreign markets via CBM&As.

One important driver of CBM&As are country-level policies that seek to entice or restrict foreign investment, including M&As by foreign acquirers. Regarding the political determinants of CBM&As, researchers have analyzed the impact of political institutional distance, property rights protection, and taxation policies on the locational choice of M&A deals (Levine et al., 2001; Collins et al., 2009; Erel et al., 2012; Hebous et al., 2011). While these studies offer significant insights into why certain countries have more inward CBM&As compared to others, their focus is at the country level, where the total number of M&As is aggregated. This focus does not explain the intricate regulations that developed countries have recently imposed (e.g., industrial policies). Horn and Levinsohn (2001) found that the liberalization of international trade will induce countries to use competition policies to promote national interests at the expense of others.

Few studies have directly incorporated industry-specific tests on the effects of merger laws on CBM&As. For instance, previous studies have demonstrated that CBM&As are less likely to succeed in completion of the transaction compared to domestic M&As due to merger control laws (Conybeare and Kim, 2010; Evenett, 2002; Yan, 2018). These studies indicate that many countries treat CBM&A deals differently from domestic deals via a screening process. The effects are particularly significant in industries that are considered security sensitive. Other studies have explored how regulations, such as pre-merger approval and competition laws, discourage CBM&As. In contrast, scholars have found that the deregulation of service sectors increases CBM&As (Boudier and Lochard, 2013).

In many cases, CBM&A regulations are applied as dyadic policies, through which countries resist foreign acquirers from specific countries. Several studies have found evidence of discrimination against foreign MNCs in CBM&As in the United States (U.S.) by the U.S. government, particularly when the CBM&A deals become publicly politicized through media (Tingley et al., 2015; Kang, 1997; Jackson, 2006). The CBM&A activities of Chinese companies have recently received extensive attention from the media. Meunier et al. (2014) specifically discussed the politics of hosting Chinese FDI and argued that a growing number of EU member states are becoming more resistant towards Chinese CBM&As. Such high resistance against Chinese CBM&As is mainly due to the fact that the Chinese acquirers are often state-owned enterprises, which poses an immediate national security threat (Zhang et al., 2011). What is missing in the literature, however, is acknowledgement that, while China has been the center of the CBM&A regulation topic in the past decade, it was Japan in the 1980s and Middle Eastern countries in the early 2000s that received the most attention by in U.S. reviews of cross-border M&As (Kang, 1997; Jackson, 2006). Thus, studies should not only broaden the scope of industry-specific characteristics, in addition to national security considerations, that deter CBM&As, but also conduct more comprehensive cross-country analyses on what affects CBM&A transactions.

Building upon these previous works, I address two specific regulations that deter CBM&As to a greater extent than domestic M&As. In doing so, I distinguish the nationality of the foreign acquirers' GUO as either domestic or foreign to accurately assess the effects of M&A regulations on the behavior of "foreign" firms. The comparison between the domestic or foreign nationality of GUOs is important because the nationality of the immediate ownership of a foreign MNC only reveals partial information about the acquirer. There are many cases where foreign MNCs acquire their own foreign affiliates, but are labeled as CBM&A deals. Domestic MNCs located abroad may also acquire one of their affiliates in the domestic market, but the deals are similarly considered CBM&As. Therefore, I look at the nationality of the global parent companies to examine how regulation policies are applied differently to foreign GUOs and domestic GUOs in CBM&As.

3 Regulation on Cross-Border M&As

3.1 The Rise of Cross-border M&As

Regulations on CBM&As have long been one of the top political issues in developed countries. where CBM&As comprise more than half of inward FDI. In contrast, greenfield investments are more frequent in developing countries. Despite the fluctuations, CBM&A trends since the 1990s have been increasing in both value and number. As illustrated in Figure 1, CBM&As are particularly frequent in services industries, where foreign acquirers have a relatively easy time finding affordable targets.[1] Moreover, around 80-90% of CBM&As worldwide are completed in developed countries, and around 70-80% of the number of CBM&A transactions worldwide are in service sectors. Thus, the empirical analyses in this paper focus on CBM&As in the service sector of developed countries.

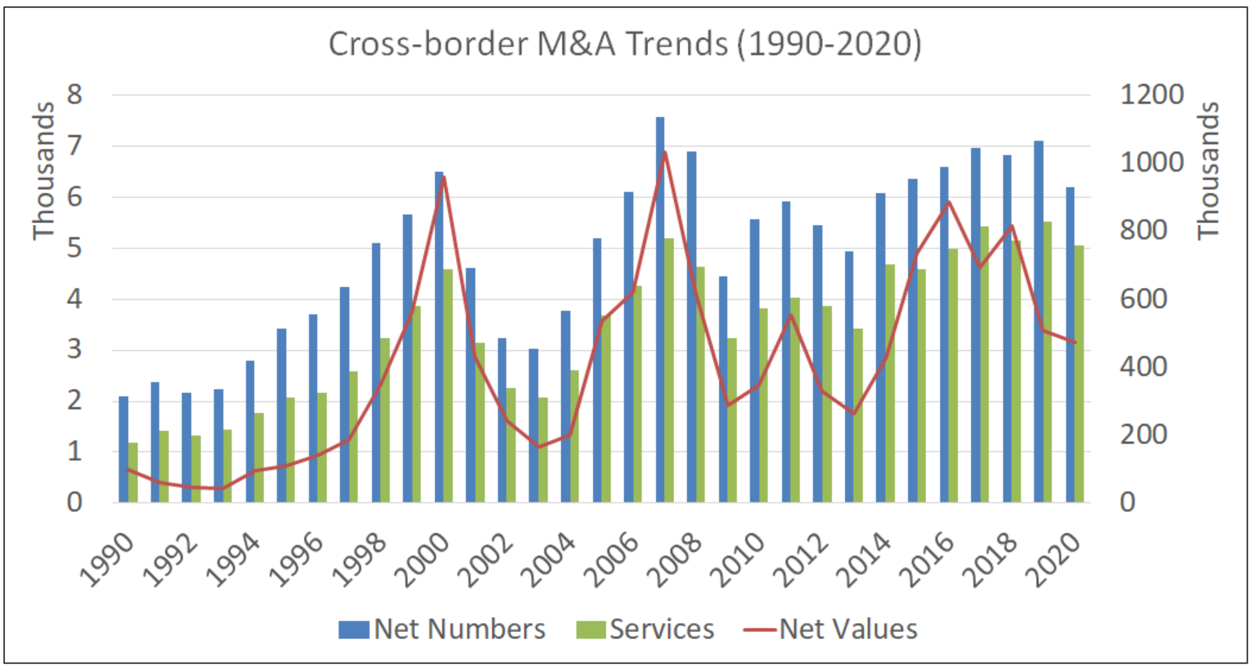

Figure 1: Cross-border M&A Trends (1990-2020)

[1]Data on the aggregate number and value of cross-border M&As are from the annex tables of the UNCTAD World Investment Report 2020.

3.2 Regulations on Cross-border M&As

Increasing CBM&As in developed countries may come with many benefits, such as technology transfers, information spillovers, and introduction of better management skills. However, what if CBM&As result in foreign MNCs dominating the domestic market by reducing the competitiveness of domestic rival firms? Domestic rival companies may be wary of foreign MNCs entering the local market via CBM&As, because these MNCs are more efficient than average domestic firms. While targeted domestic firms may benefit from M&A deals, other incumbent firms will have to adjust their business operations – such as spending more on research and development – in order to maintain their market share. However, domestic firms' preferences regarding CBM&As may not necessarily be reflected in regulation policies. In fact, the main actor that enacts the policy, the host government, could be favorable to CBM&As for many reasons, such as to encourage the inflow of foreign capital or to protect consumers by fostering market competition. Nevertheless, there are two reasons why host governments are likely to represent the interests of domestic firms.

First, domestic firms have the means to take political action to prevent foreign MNCs from entering domestic markets via M&As. These political actions include formal lobbying as well as informal efforts, such as leveraging personal connections or offering bribes (Faccio, 2006). As such, domestic firms, particularly large firms that have significant economic resources, hold an advantage compared to foreign mergers/acquirors (Hillman et al., 2004).[2] For this reason, many foreign MNCs choose minority-owned joint ventures when going abroad to ensure better treatment by the host government (Johns and Wellhausen, 2016; Henisz, 2000). Unlike joint ventures, however, a CBM&A transaction changes the majority ownership from domestic to foreign nationality. Thus, domestic firms have more influence over the government's regulation policy on CBM&As than foreign firms.

Second, host governments are more sympathetic to domestic firms than to foreign MNCs. Even if the targeted industry is not considered "sensitive" to the national security interest, a change in the nationality of a domestic firm is often politicized in the media, which affects the FDI policy preferences of domestic consumers, who are the main constituents of the incumbent government. Studies have shown, for example, that Chinese firms acquiring

[2]In their review article on corporate political activities (CPA), Hillman et al. (2004) suggest that studies have focused lot on the firm size as the firm-level antecedent of CPA. According to the authors, "[p]erhaps the most prominent of the firm-level antecedents of CPA in recent work is firm size, whether measured by sales (Bhuyan, 2000; Hansen & Mitchell, 2000; Hart, 2001; Martin, 1995; Schuler, Rehbein & Cramer, 2002a), assets (Meznar & Nigh, 1995), market share (Schuler, 1996), or number of employees (Bhuyan, 2000; Hillman, 2003; Meznar & Nigh, 1995). Much of this work continues the tradition of examining firm size and CPA set by earlier work such as Boddewyn and Brewer (1994), Keim and Baysinger (1988), and Masters and Keim (1985) who all argue that larger firms are more politically active and firm size is an important antecedent of particular forms of CPA." (Hillman et al. (2004), pp.839-840)

companies in the U.S. and EU are more likely to face public opposition than non-Chinese firms (Tingley et al., 2015; Meunier et al., 2014). In addition, a change in the nationality of a large "national champion" firm is particularly concerning if the foreign acquiror is either a state-owned company or from a country that does not share the host country's national security interests (Zhang and He, 2014; Li and Vashchilko, 2010; Bertrand et al., 2016). Host governments may sometimes support the merger of two domestic companies, hoping that the new "national champion" will be too big to be taken over by foreign MNCs (Serdar Dinc and Erel, 2013). Using 290 proposed acquisitions screened by European regulators in the 1990s, Aktas et al. (2007) found that European regulatory intervention on CBM&As increases when more harm to European rival firms is expected. By examining the cumulative abnormal returns, the authors demonstrated that M&A announcements were generally bad news for the domestic rival firms.[3] In such cases, the likelihood of European regulators intervening in the proposed M&As was higher when the bidder came from outside of the European Community (EC) than when the bidder is from the EC. Therefore, host governments are more protective of domestic industries when CBM&As are a threat to the existence of domestic rival firms.

Host governments have an array of policies that can be used to restrict FDI, but direct regulations on CBM&As are most likely to run afoul of investment treaty commitments, WTO rules, or bilateral trade treaty commitments or to otherwise cause disputes. Thus, host countries may find it more suitable to use subtler measures. I focus on two such CBM&A regulations: competition laws and entry restrictions. When assessing an M&A deal, governments compare the pre-M&A and potential post-M&A conditions in terms of market share, market concentration, unilateral pricing effect, and product differentiation. Because these conditions vary across industries and firms, competition laws are applied on a case-by-case basis. This is also true when evaluating the national security threat posed by a CBM&A deal. Since governments have full authority over and final approval of CBM&A transactions, other entities may find it difficult to file complaints if an individual CBM&A deal fails to pass on the grounds that the deal may either harm fair competition or pose a threat to national security.

[3] Cumulative abnormal returns is the "sum of the differences between the expected return on a stock (systematic risk multiplied by the realized market return) and the actual return often used to evaluate the impact of news (such as mergers, interest increase, and lawsuits) on a stock price." NASDAQ, https://www.nasdaq.com/investing/glossary/c/cumulative-abnormal-return (access 3.26.2019.)

3.3 Competition Laws and National Security Reviews

3.3.1 Competition Laws and Regulation on CBM&As

Competition laws are the key barriers that both domestic and foreign investors face when engaging in M&A transactions.[4] Since the 1980s, the number of countries that have adopted competition laws has rapidly increased, and governments have become increasingly active in enforcing the law (Büthe, 2015; Yan, 2018). Competition laws concerning M&As generally regulate those M&A transactions that would potentially decrease market competition to a significant extent. Competition laws regulate economic behaviors that tend to hinder fair competition, such as curtailing free trade between businesses, predatory pricing or price gouging, and M&As of large companies. What is concerning is that the competition laws applied to CBM&As in different industries can disadvantage foreign investors compared to domestic investors. Existing studies on the effect of competition laws on CBM&As have demonstrated mixed results. On the one hand, several studies have concluded that merger laws, particularly those that involve competition laws (Yan, 2018; Conybeare and Kim, 2010; Evenett, 2002; Barattieri et al., 2014), indeed decrease CBM&As. On the other hand, other studies have found that competition laws actually increase CBM&As by resolving informational asymmetry (Bris et al., 2007; Coeurdacier et al., 2009). While detailed (strict) competition laws may provide a fair guide to all potential acquirers, foreign acquirers still stand in a relatively disadvantaged position compared to domestic acquirers for several reasons.

First, governments strategically use competition laws to protect domestic firms' competitive advantages over foreign MNCs. Governments are more likely to give exceptions to domestic firms than to foreign firms when they find violations of competition policy. Studies on antitrust laws have found that governments promote the business of domestic MNCs at the expense of foreign MNCs (Budzinski, 2012; Evenett, 2002; Guzman, 2004). Therefore, as domestic firms have more influence over their own government's policy-making (see section 3.2), the host government's strategy to increase domestic firms' global competitiveness further drives discriminatory policy against foreign GUOs regarding CBM&As.

Second, competition laws are more likely to discriminate against CBM&As by foreign GUOs because foreign acquirers, unlike domestic firms, are not familiar with the legal and business culture in the local market. Without inside information, foreign firms are unsure to what extent the strict enforcement of competition laws will affect their CBM&A deals. Clougherty and Zhang (2021) also argues that domestic merger policies are more likely to discourage CBM&As than domestic M&As because foreign firms face higher policy risk and

[4] Competition laws are named differently across countries. For example, they are refer to as antitrust laws in the United States, and anti-monopoly laws in China, Japan, and Korea.

uncertainty due to the inherent liabilities of foreignness and information asymmetry. The lack of information affects the already high transaction costs that foreign firms have to pay in order to enter a new local market. Thus, foreign firms become risk-averse to avoid the large losses that come with failed CBM&As after the deal announcements.

Third, lack of information is also problematic from the host government side. While the goods and services produced by domestic firms already exist in the local market, the goods and services of foreign firms are new to the market. As competition laws are enforced prior to the completion of M&A transactions, governments have more difficulty in assessing the economic impact of potential CBM&As by foreign GUOs compared to domestic GUOs. Although some studies have indicated an increase in firms' performances after CBM&As (Ashraf et al., 2016), many others have concluded that CBM&As have either negative or insignificant effects on the overall local economic performance (Neto et al., 2008; Wang and Sunny Wong, 2009). Therefore, policy enforcers may be more conservative towards CBM&As that would bring new products to the market.

For the empirical analysis, I focus on developed countries (OECD members) to examine the effect of competition laws on CBM&As in different service industries. I focus on OECD members because almost all of the CBM&A transactions worldwide are concentrated in high-income countries. Furthermore, rather than simply comparing between CBM&As and domestic M&A activities, I look at the nationality of the GUO of CBM&A deals to distinguish between domestic parent companies (domestic GUOs) and foreign parent companies (foreign GUOs). Since competition laws, in theory, should be applied equally to all M&As, the comparison within CBM&As is pertinent because I am interested in whether nationality matters in the regulation of CBM&As. To control for the size of M&A deals, I also examine whether competition laws discourage CBM&As by foreign GUOs more than CBM&As by domestic GUOs when only examining the top 20% largest deals. Thus, I test the following hypothesis:

> *Hypothesis 1: Stricter competition laws are more likely to discourage CBM&As by foreign GUOs compared to CBM&As by domestic GUOs.*

3.3.2 National Security Reviews through Entry Restrictions

Another way to regulate CBM&As is by restricting foreign MNCs on the basis of national security and public order. An increasing number of developed countries are adopting national security reviews of foreign entries, which is a relatively explicit regulation on CBM&As. Since its establishment in 1975, the Committee on Foreign Investment in the United States

(CFIUS) has continued to expand its authority over "covered transactions."[5] Other countries including, European Union member states and Australia, have also recently discussed establishing a CFIUS-like institution to review inward FDI. Although these measures are supposedly limited to certain industries (e.g., defense, aerospace, and other sensitive technology or information), the possibility of being disapproved by the government authority substantially affects CBM&A behaviors.

Most developed countries, and more recently many emerging markets, have laws and regulations that regulate FDI based on public order and national security concerns. In Article 3 of the OECD "Code of Liberalisation of Capital Movements," member states have agreed that "the provision of this Code shall not prevent a Member from taking action which it considers necessary for: i) the maintenance of public order or the protection of public health, morals and safety; ii) the protection of its essential security interests; iii) the fulfillment of its obligations relating to international peace and security."[6] Moreover, countries express reservations regarding liberalizing certain industries according to their own national situation. This can also be found in the OECD "National Treatment for Foreign-Controlled Enterprises," where countries explicitly note measures taken for public order and security. However, since industries are broadly categorized, it is difficult to identify which sectors within those industries are considered security sensitive.

How do host governments make decisions about whether a CBM&A is contrary to national security interests? In most developed countries, there is a government agency that oversees those transactions. While the details of the reviewing process vary across countries, the U.S. institution is regarded as a good model of reference.[7] The U.S. national security reviews on CBM&As are conducted by the CFIUS, which has recently increased its profile due to active Chinese M&As in the U.S. The CFIUS is an interagency committee authorized to review CBM&As that fall under "covered transactions" specified in the CFIUS regulation, 31 CFR Part 800 and 801. The CFIUS was first established in 1975, and, since then, it has continuously expanded its role in intervening in CBM&As that trigger national security concerns. The Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA) made amendments to the CFIUS, expanding the scope of covered transactions by broadening the

[5] "CFIUS is an interagency committee authorized to review certain transactions involving foreign investment in the United States." CFIUS can unilaterally block cross-border M&As that are considered to be harmful to national interests.

[6] OECD Code of Liberalisation of Capital Movements, 2018., p. 10. The Code is updated whenever the reservations and/or exceptions of an adhering country are modified by the OECD Investment Committee or the OECD Council. Link to the document (accessed 3/27/2019)

[7] Many countries, including the European Union members and Australia, have been trying to adopt similar institutions that resembles that of the US. In fact, Kirchner and Mondschein (2018) argues that the US CFIUS provides a useful model for how Australia can reform FDI screening process.

meaning of “critical technology” and increasing the number of days of the review process from 30-45 days to additional 15 days. Although the main targets of this law are firms from China, it does not preclude firms from other countries from being reviewed. Thus, the screening and approval process, in addition to competition laws, is a major entry barrier to CBM&As.

Moreover, since national security reviews are considered exceptions to economic liberalization treaties, countries are likely to utilize these regulations in industries that demand protection. Since national security reviews only affect CBM&As, comparison between CBM&As and domestic M&As will obviously reveal fewer CBM&As than domestic M&As. This is a further reason why I compare between CBM&As with foreign GUO and CBM&As with domestic GUO. A global ultimate owner (or ultimate parent company) is at the top of the corporate ownership structure, but not necessarily a controlling owner or beneficiary owner. Even if the GUO is domestic, if the immediate parent is foreign, the M&A transaction is considered a CBM&A and is “covered” under CFIUS reviews. This rule is also implied in the CFIUS regulation in Section 800.402 “Contents of voluntary notice,” which states that the transaction notice should include the name and nationality of “[t]he immediate parent, the ultimate parent, and each intermediate parent, if any, of the foreign person that is a party to the transaction.”[8] Therefore, if the host government places a higher priority on domestic firms, the effect of barriers to screening would disproportionately discourage CBM&As with foreign GUO. Foreign entry restrictions do not, however, have distinguishable effects on domestic M&As, regardless of the nationality of the GUO, because a domestic M&A transaction is not considered an “entry” to the domestic market. Therefore, I test the following hypothesis:

> *Hypothesis 2: Stricter foreign entry restrictions are more likely to discourage CBM&As by foreign GUOs compared to CBM&As by domestic GUOs, even in industries that are not security-sensitive.*

4 Data and Empirical Analysis

To test each hypothesis, I created a dataset that consists of two types of service-related regulations and four categories of total number of M&A transactions. The dataset includes 36 OECD member states and the data span from 2014 to 2020. Following the service sector categories of the two main variables from the OECD Services Trade Restrictiveness Index, I

[8]See 31 CFR Part 800, Department of the Treasury (2008), “Regulations Pertaining to Mergers, Acquisitions, and Takeovers by Foreign Persons; Final Rule.”, p.70724. CFIUS

include 21 service sectors.[9] In the following section, I explain each variable in more detail.

4.1 Data

Dependent Variable: Cross-border M&A deals

I used all M&A deals announced in the past seven years, from 2014 to 2020, obtained from the *SDC Plantinum* database.[10] I used announced M&As rather than completed M&As for two reasons. First, I am interested in whether strict regulations discourage the investment behavior of foreign MNCs so announcement of M&A deals better reflects how the investment atmosphere affects CBM&As.[11] Second, the duration of M&A deal completion varies from several months to several years. Thus, the regulatory environment in the year in which an M&A deal was announced and that of the year when it was completed may be different. Thus, for consistency, I used the announced dates of M&As.

To identify the GUO (or ultimate parent company), I examined the nationality information of the immediate acquirers as well as their ultimate parent companies. In order to evaluate the effect of government regulations on CBM&As, all M&As deals were sorted into four different subsets: (1) CBM&As in which the acquirers' GUOs are foreign, (2) CBM&As in which the acquirers' GUOs are domestic, (3) domestic M&As in which the acquirers' GUOs are foreign, and (4) domestic M&As in which the acquirers' GUOs are domestic. For instance, if both nationalities are different from the target's nationality, they are category (1). In this paper, I focus on the comparison between categories (1) and (2). I counted the number of M&A deals for each country by service sectors (see Appendix). For hypothesis 2, I divided industries into two subgroups: security-sensitive and non-sensitive industries.[12]

Independent Variables

I examined two types of regulation: barriers to competition (or restrictive competition law) and foreign entry restrictions (national security review), which are subgroups of the OECD Service Trade Restrictiveness Index (STRI). The STRI measures how open a country's market is on scale from zero to one, where one indicates the highest restrictiveness – completely

[9] The detail of service sectors is in the Appendix section.

[10] Thompson SDC Platinum database is more widely used because of its accuracy in the firm-level data and the announcement dates for M&A deals (Bollaert and Delanghe 2015). Another M&As database, Zephyr, has an edge on the information about vendors and multiple acquirers; however, my research does not deal with either of those variables. Therefore, I use SDC Platinum's M&A data.

[11] While announced deals have not been formally reviewed by government agencies, announcement itself brings media attention and can gain informal information on whether a deal has higher possibility of passing competition regulation or national security reviews.

[12] For security-sensitive industries, I include Air transport, Broadcasting, Computer, Maritime transport, Rail freight transport, Road freight transport, Telecom. All others are labeled as non-sensitive industries.

closed to foreign service providers. This database is suitable for my analysis for two reasons. First, it contains factual information on laws and regulation based on the most favored nation (MFN) treatment standard. Therefore, it does not reflect bilateral or multilateral agreements between and among countries, which makes it easy to focus on sector-level cross-country comparison. Second, restrictiveness is measured at the sector level, so it reflects FDI regulation at the industry level. This condition makes it simple to check if the regulatory restrictiveness of screening and approval for CBM&As is actually used for national security purposes or for disguised protectionism. There are five policy areas within the STRI: restrictions on foreign entry, restrictions on the movement of people, other discriminatory measures, barriers to competition, and regulatory transparency. Among these, I utilized two measures that are most relevant to my research on CBM&A regulations: restrictions on foreign entry and barriers to competition.

The *competition laws* variable includes laws and regulations applicable to publicly controlled firms, price settings, contract conditions, and vertical and horizontal M&As. While other policy areas concern discriminatory measures against foreign firms, barriers to competition are mostly non-discriminatory, which means that the same laws and regulations are applied to domestic firms. Therefore, if competition laws have a more discouraging effect on CBM&As compared to domestic M&As, the host government is indeed protecting its domestic firms.

The variable *restrictions on foreign entry* includes laws and regulations on screening and approval, nationality of the board of directors, and restrictions on CBM&As. Thus, I found this measure to be the best representation of CBM&A regulation regarding national security reviews. The Appendix provides details on the measurement methods for the two regulatory restrictiveness indices.

In order to identify the difference between CBM&As with foreign GUOs and CBM&As with domestic GUOs, I used an interaction term for each type of regulatory restrictiveness variable and a dummy variable for M&A deals by foreign GUOs. For instance, in the *type* variable, CBM&As with foreign GUOs are 1, while CBM&As with domestic GUOs are 0. When comparing domestic M&As by domestic companies whose ultimate parent companies are foreign and domestic M&As by those whose parent companies are domestic, I similarly created a dummy for foreign GUOs.[13]

Control variables

I also included several economic control variables, including the logged value of GDP per capita, imports and exports as a share of GDP, and outward FDI as a share of GDP to ac-

[13]Domestic companies whose GUOs are foreign nationalities are, in other words, foreign affiliates.

count for each country's global economic position.[14] I expected that a unit increase in these variables would be positively associated with the number of CBM&As. I also added two financial variables that are closely related to M&A activities: exchange rate and share price index.[15] Exchange rate is an important determinant of CBM&As because if the acquirer's national currency is stronger than the targeted firm's national currency, it significantly reduces the cost of a M&A. A share price index, or stock price, is particularly important for CBM&As because it represents the average prices of company shares within a country. Thus, the lower the price, the higher the number of M&A deals, because targeted firms become more affordable to the acquirers. Finally, I included two variables related to FDI openness: start-up procedures to register a business and the number of bilateral investment treaties (BITs).[16] As the procedures to start a business increase, the number of CBM&As compared to domestic M&As should decrease. In contrast, the number of BITs should be positively associated with the number of CBM&As.

4.2 Empirical Model

I used panel ordinary least square (OLS) model with country-industry and year fixed effects to test hypotheses. The equation below specifies the two empirical methods. i, j, t, and k denote industry, country, year, and the type of CBM&A, respectively. X_{1ijt} is the regulatory restrictiveness index value of either the competition law or foreign entry restriction, X_{2k} is the type of GUO (1 if foreign GUO and 0 if domestic GUO) and $(X_1 * X_2)_{ijtk}$ is the interaction term of the two. U_{jt} represents country-level control variables.

$$y_{ijtk} = \alpha + \beta_1 X_{1ijt} + \beta_2 X_{2k} + \beta_3 (X_1 * X_2)_{ijtk} + \gamma U_{jt} + \epsilon_{ijtk}$$

4.3 Results

Table 1 presents the results for hypothesis 1 examining the effect of competition laws on CBM&As by foreign GUOs and domestic GUOs. Looking at model (1), a unit increase in the restrictiveness of competition laws increase the number of CBM&As by 21.71 deals when the CBM&A acquirer's GUO is domestic. However, the effect of competition laws on the number of CBM&A deals is lowered by 40.55 when the acquirer's GUO is foreign, turning the slope negative (-18.84). Figure 2 graphically illustrates the marginal effects of

[14] Data on GDP per capita was downloaded from the World Bank DataBank and import, export, and outward FDI data were obtained from OECD.Stat database.

[15] Both data were obtained from OECD.Stat database.

[16] Start-up procedures downloaded from the World Bank DataBank and BITs downloaded from UNCTAD (https://investmentpolicy.unctad.org/international-investment-agreements).

competition laws on the number of two types of CBM&As. While the number of CBM&As led by domestic GUO increase with stricter competition laws, the slope for foreign GUO decreases as the restrictiveness of competition laws increase. In other words, CBM&As led by foreign GUOs are significantly discouraged with stricter competition laws. The results are consistent when important control variables are included in model (2). Thus, hypothesis 1 is supported in the empirical analysis. Strict competition laws tend to disproportionately discourage CBM&A deals with acquirers whose GUOs are foreign compared to CBM&A deals with acquirers whose GUOs are domestic.

Models (3) and (4) present the results on the effect of competition laws on large-scale CBM&A deals to examine if hypothesis 1 holds for large deals. This examination is important because CBM&As tend to be larger than domestic M&As and thus are more likely to be regulated by competition laws. While the effect of competition law alone does not show statistical significance, the difference between the slope of the effect of competition laws on CBM&As by foreign GUOs and that on CBM&As by domestic firms is negative and significant. Within the subset of the top 20% of the largest deals, competition laws discourage CBM&As by foreign GUOs by 0.957. In other words, discrimination against CBM&As is not due to the fact that CBM&A deals are larger than domestic M&As. Therefore, there is evidence that the nationality of the GUOs of foreign MNCs matters when governments enact and enforce competition laws on CBM&As.

Table 2 presents the regression results for hypothesis 2. Models, (1) and (2) include all industries, while models (3) and (4) are subsets of security-sensitive industries and others, respectively. As with the results from Table 1, strict entry restrictions are more likely to discourage CBM&A deals by acquirers whose GUOs are foreign compared to CBM&A deals by acquirers whose GUOs are domestic. The results are statistically significant throughout all models for all industries, security-sensitive industries and non-sensitive industries. Figures 3, 4, and 5 graphically depict the marginal effects of foreign entry restrictions on CBM&As. Looking at Figures 3 and 4, while stricter foreign entry restrictions have positive effect on the number of CBM&As led by domestic GUOs, they have negative effect on the number of CBM&As led by foreign GUOs. These results confirms that foreign entry restrictions definitely discourage CBM&As led by foreign GUOs. This make sense because CBM&As led by foreign GUOs may indeed threaten national security and public order. However, this pattern persists even when the industries are subset to security non-sensitive sectors. In Figure 5, which only includes security non-sensitive industries, strict foreign entry restrictions discourage CBM&As by foreign GUOs, while CBM&As by domestic GUOs are increasing. Therefore, hypothesis 2 is also supported in the empirical analysis. Strict entry restrictions discourage CBM&A deals by foreign GUOs to a much greater extent than deals by domestic

Table 1 Effect of Competition Laws

	All CBM&As		*Top 20% CBM&As*	
	(1)	(2)	(3)	(4)
Competition Law	21.71***	23.29***	0.565	0.859
	(5.997)	(6.523)	(0.562)	(0.672)
Foreign GUO	4.53***	4.59***	0.214***	0.265***
	(0.250)	(0.277)	(0.023)	(0.029)
Competition Law:Foreign GUO	−40.55***	−40.79***	−1.522***	−1.927***
	(5.545)	(6.079)	(0.520)	(0.627)
Logged GDPPC		−0.926		0.056
		(2.502)		(0.258)
Δ Exchange Rate		1.045		0.218
		(2.931)		(0.302)
Δ Shared Price		−0.272		0.022
		(1.245)		(0.128)
OFDI		0.005		0.0001
		(0.017)		(0.002)
Business Procedure		0.123		0.011
		(0.257)		(0.027)
Export (% of GDP)		−0.019		−0.010
		(0.107)		(0.011)
Import (% of GDP)		−0.003		0.009
		(0.114)		(0.012)
Number of BITs		−0.159		−0.020
		(0.240)		(0.025)
Observations	10,990	8,804	10,990	8,804
R^2	0.222	0.225	0.192	0.222
Adjusted R^2	0.217	0.218	0.187	0.215
Fixed Effects	C, I, Y	C, I, Y	C, I, Y	C, I, Y

Note: C=country, I=industry, Y=year *p<0.1; **p<0.05; ***p<0.01

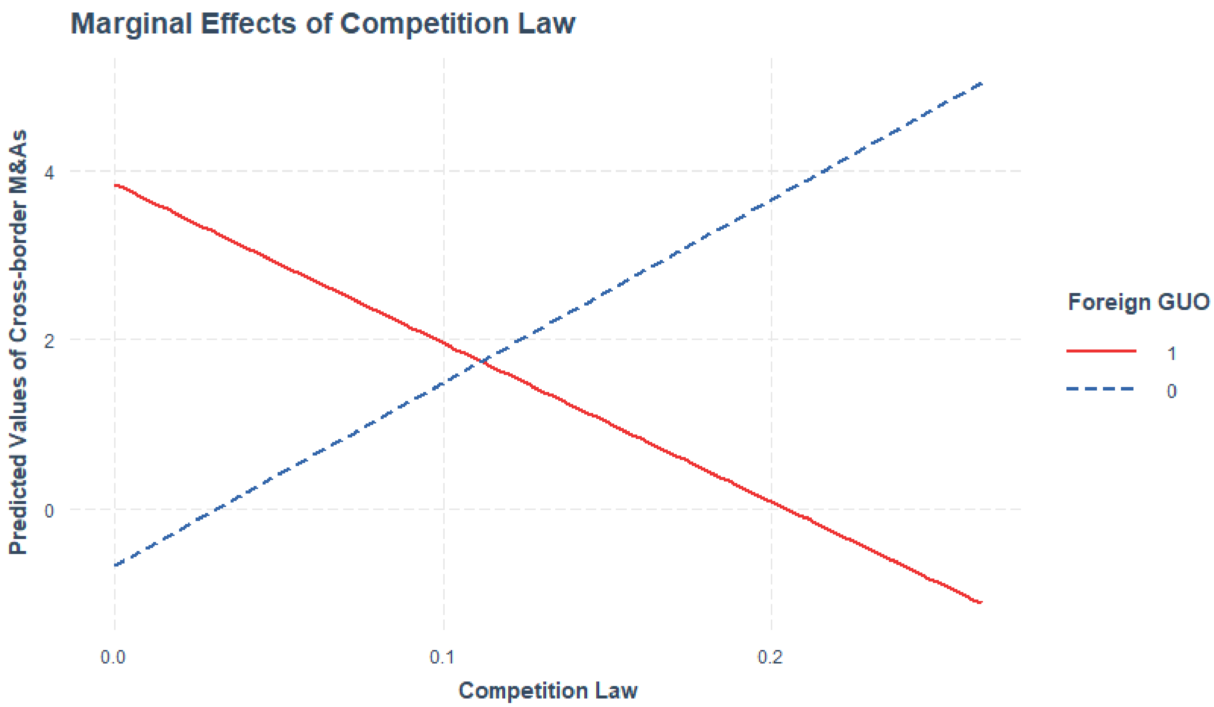

Figure 2: Marginal Effects of Competition Law

GUOs, and the pattern is not limited to security-sensitive industries. These results indicate that national security reviews are potentially used as a way to protect domestic industries from foreign acquirers.

Table 3 presents the effect of entry restrictions on large-scale CBM&As (top 20% largest deals). Similar to the results from Table 2, strict entry restrictions are associated with a larger decrease in CBM&As by acquirers whose GUOs are foreign compared to CBM&As by acquirers whose GUOs are domestic. However, when industries are divided into security sensitive and non-sensitive, entry restrictions do not show statistical significance. The results in models (3) and (4) indicate that foreign entry restrictions discriminate against foreign firms, but not in non-sensitive industries. In other words, among large-scale M&A transactions, entry restrictions may actually discriminate against foreign firms on the grounds of national security. Therefore, while both competition laws and national security reviews clearly discriminate against foreign MNCs and favor domestic MNCs in CBM&As, entry restrictions in large-scale CBM&As may only be applied in security-sensitive industries.

Finally, looking at the control variables, while the signs mostly indicate expected results, none of the results are statistically significant. First, an increase in the exchange rates of target companies' domestic currencies is associated with more M&A deals, which means that large amounts of M&As may have an effect on the increase of currency value. An

Table 2 Effect of Entry Restriction (All CBM&As)

	All Cross-border M&As			
	All industries		Security	Non-Security
	(1)	(2)	(3)	(4)
Entry Restriction	8.412***	8.795***	15.231**	5.732***
	(2.308)	(2.505)	(6.478)	(1.636)
Foreign GUO	4.845***	4.945***	10.496***	3.010***
	(0.284)	(0.314)	(0.986)	(0.183)
Entry Restriction:Foreign GUO	−18.219***	−18.635***	−44.410***	−7.528***
	(2.528)	(2.760)	(6.652)	(1.941)
Logged GDPPC		−0.926	−1.196	−0.818
		(2.502)	(7.282)	(1.444)
Δ Exchange Rate		1.059	2.271	0.503
		(2.931)	(8.513)	(1.693)
Δ Shared Price		−0.275	−0.416	−0.210
		(1.245)	(3.633)	(0.718)
OFDI		0.005	0.006	0.004
		(0.017)	(0.050)	(0.009)
Business Procedure		0.118	0.081	0.129
		(0.257)	(0.745)	(0.149)
Export (% of GDP)		−0.018	−0.036	−0.010
		(0.107)	(0.311)	(0.062)
Import (% of GDP)		−0.004	0.012	−0.011
		(0.114)	(0.334)	(0.066)
Number of BITs		−0.159	−0.237	−0.123
		(0.240)	(0.695)	(0.139)
Observations	10,990	8,804	2,744	6,060
R^2	0.222	0.225	0.227	0.330
Adjusted R^2	0.217	0.218	0.211	0.323
Fixed Effects	C, I, Y	C, I, Y	C, I, Y	C, I, Y

Note: C=country, I=industry, Y=year *p<0.1; **p<0.05; ***p<0.01

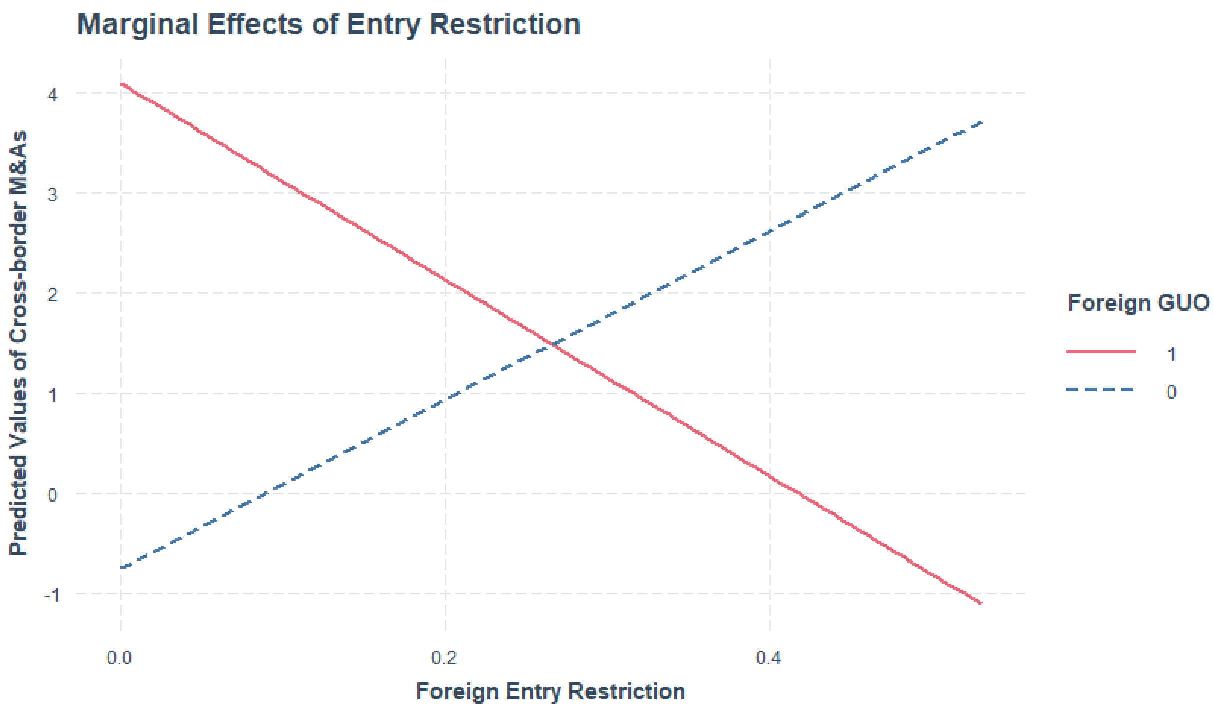

Figure 3: Marginal Effects of Foreign Entry Restriction

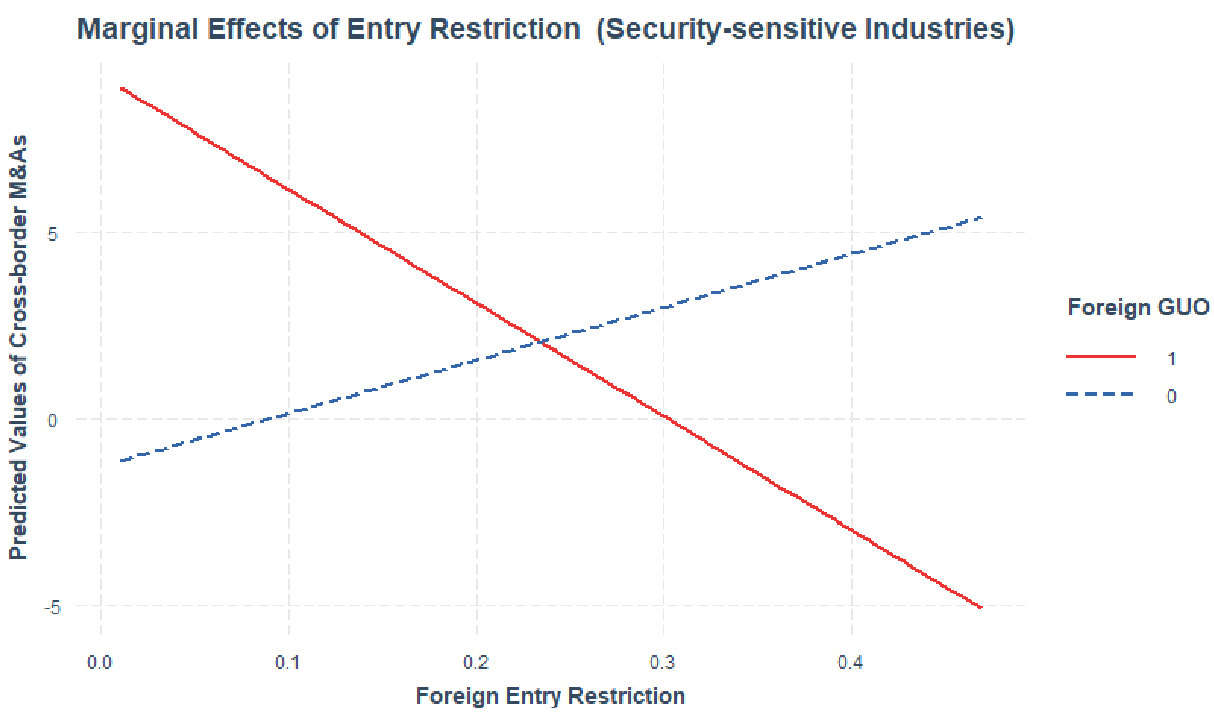

Figure 4: Marginal Effects of Foreign Entry Restriction (Security-Sensitive)

Table 3 Effect of Entry Restriction (Top 20% Deals)

	Top 20% CBM&As			
	All industries		Security	Non-Security
	(1)	(2)	(3)	(4)
Entry Restriction	0.339	0.432*	−0.163	0.794***
	(0.216)	(0.258)	(0.565)	(0.270)
Foreign GUO	0.227***	0.280***	0.581***	0.178***
	(0.027)	(0.032)	(0.086)	(0.030)
Entry Restriction:Foreign GUO	−0.698***	−0.863***	−2.219***	−0.326
	(0.237)	(0.285)	(0.580)	(0.320)
Logged GDPPC		0.056	0.441	−0.126
		(0.258)	(0.635)	(0.238)
Δ Exchange Rate		0.218	0.229	0.208
		(0.302)	(0.742)	(0.280)
Δ Shared Price		0.022	0.078	−0.003
		(0.128)	(0.317)	(0.119)
OFDI		0.0001	−0.001	0.001
		(0.002)	(0.004)	(0.002)
Business Procedure		0.011	−0.033	0.031
		(0.027)	(0.065)	(0.025)
Export (% of GDP)		−0.010	0.0002	−0.015
		(0.011)	(0.027)	(0.010)
Import (% of GDP)		0.009	0.002	0.012
		(0.012)	(0.029)	(0.011)
Number of BITs		−0.020	−0.029	−0.015
		(0.025)	(0.061)	(0.023)
Observations	10,990	8,804	2,744	6,060
R^2	0.192	0.222	0.211	0.263
Adjusted R^2	0.187	0.215	0.194	0.256
Fixed Effects	C, I, Y	C, I, Y	C, I, Y	C, I, Y

Note: C=country, I=industry, Y=year — *p<0.1; **p<0.05; ***p<0.01

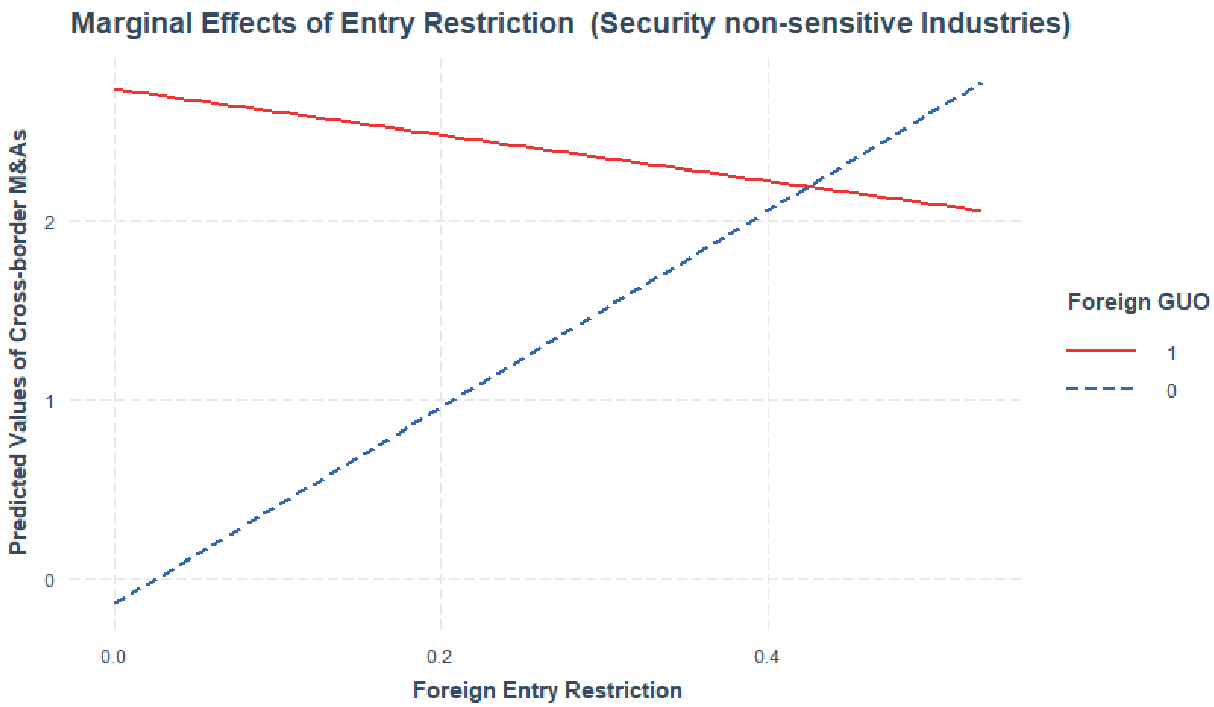

Figure 5: Marginal Effects of Foreign Entry Restriction (Non-Sensitive)

increase in shared prices, however, is generally associated with fewer M&As, indicating that the more expensive the target companies become, the fewer M&A deals result. Outward FDI is associated with more M&A deals, which means that countries that engage in active outward FDI are also likely to have significant inward FDI. Finally, exports and imports have negative correlations with the number of CBM&As, which means that FDI often serves as an alternative to international trade.

Several indicators exhibited unexpected results. For instance, GDP per capita is negatively associated with the number of M&As, and the number of start-up procedures is positively associated with both cross-border and domestic M&As. Finally, the number of BITs also did not exhibit consistent results, but this result may be because BITs do not matter much in high-income countries and domestic M&A deals.

5 Conclusion and Future Research

In this paper, I investigated whether FDI host governments discriminate against foreign firms and favor domestic firms by examining the regulatory restrictiveness of CBM&As in service sectors and how these regulations are applied differently when the acquirers' parent companies are foreign versus domestic. I demonstrated that competition laws and national security reviews are more likely to discriminate against CBM&As led by foreign GUOs compared to domestic GUOs. These findings reveal that governments favor domestic MNCs over foreign MNCs when enforcing merger laws. Restrictive competition laws are more likely to deter the CBM&A activities of foreign firms whose GUOs are also foreign, compared to the CBM&A activities of foreign firms whose GUOs are domestic. National security reviews, which are enacted through entry restrictions, also deter CBM&As by acquirers with foreign GUOs more than CBM&As by acquirers with domestic GUOs, even in industries that are not considered security sensitive. Thus, governments efficiently use competition laws and national security reviews to protect domestic firms from competition with foreign MNCs.

This paper contributes to the literature on the politics of FDI in IPE by focusing on a relatively understudied topic. By exploring competition laws and national security reviews, I detail host governments' subtle way of discriminating against CBM&As. Moreover, this paper emphasizes the importance of the nationality of global parent companies by disaggregating CBM&As into domestic and foreign GUOs, rather than simply comparing CBM&As to domestic M&As. When comparing CBM&As to domestic M&As, it is important to identify the ultimate parent companies that are involved in the transactions. Furthermore, the population sample of this paper is not limited to a single country or a single industry. By including 36 countries and 21 service sectors, I reveal that the discriminatory behavior of host governments toward CBM&As led by foreign MNCs can be observed across countries and industries.

This study, however, uses an aggregate number of M&A deals for each country, and thus lacks country pairwise specific characteristics. For instance, geographic distance, common language, common legal system, and other forms of cultural familiarity matter to CBM&As decisions. Moreover, when it comes to regulatory restrictiveness, bilateral agreements such as investment treaties or free trade agreements often include information on how to cooperate when confronting different competition laws. More importantly, there are agreements that directly address cooperation in competition laws. For instance, the U.S. has signed antitrust cooperation agreements with multiple countries to better enforce antitrust laws. In addition, the OECD Competition Committee has put together an inventory of international cooperation agreements where at least one of the signatories is an OECD country. Therefore, in future research, an empirical analysis using directed dyad datasets of all M&A deals will provide further insights to the literature on the politics of M&As.

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6 Appendix

6.1 Data Description

1. Industry (21): logistics cargo-handling, logistics storage and warehouse, logistics freight forwarding, logistics customs brokerage, accounting, architecture, engineering, legal, motion pictures, broadcasting, telecommunication, air transportation, water transportation, road freight transport, rail freight transport, courier, distribution, commercial banking, insurance, computer, construction

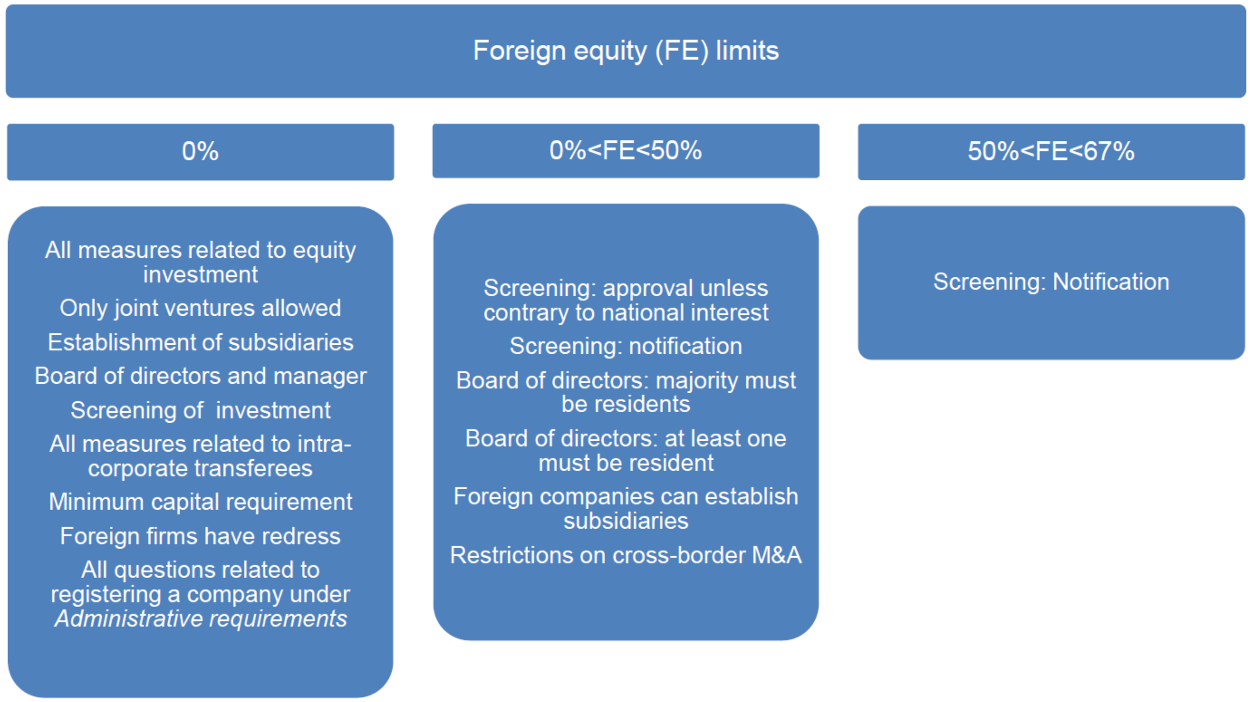
2. Summary Statistics

Table 4 Summary Statistics - Disguised Protectionism

Statistic	N	Mean	St. Dev.	Min	Pctl(25)	Pctl(75)	Max
Year	14,686	2,017.000	2.000	2,014	2,015	2,019	2,020
Competition Law	14,686	0.036	0.045	0	0.01	0.04	0
Entry Res	14,686	0.105	0.092	0.000	0.043	0.131	0.542
M&A	14,686	1.795	9.755	0	0	1	373
Foreign GUO	14,686	0.500	0.500	0	0	1	1
Log GDPPC	12,588	10.016	0.900	7.361	9.334	10.744	11.685
Share Export	12,500	48.529	33.970	11.000	28.500	65.200	221.200
Share Import	12,500	45.031	28.651	11.800	27.200	57.800	187.200
Business Procedure	12,588	5.940	2.619	1.000	4.000	8.000	15.000
Change Exchange	13,718	0.042	0.089	−0.130	−0.020	0.071	0.588
Change Shared Price	12,838	0.047	0.119	−0.356	−0.025	0.119	0.657
OFDI	13,146	3.201	13.285	−17.298	0.340	2.610	173.061
bits	14,070	18.385	8.498	1.000	12.000	26.000	34.000
OECD	14,686	0.748	0.434	0	0	1	1

6.2 Scoring Method for Regulatory Restrictiveness

1. Restrictions on Foreign Entry



2. Restrictions on Foreign Entry **Example: Distribution Industry**

Restrictions on foreign entry
Maximum foreign equity share allowed (%) for retailers
Maximum foreign equity share allowed (%) for wholesalers
There are statutory or other legal limits to the number or proportion of shares that can be acquired by foreign investors in firms that are controlled by national state or provincial governments
Legal form: only joint ventures are allowed
Legal form: other restrictions
Board of directors: majority must be nationals
Board of directors: majority must be residents
Board of directors: at least one must be national
Board of directors: at least one must be resident
Manager must be national
Manager must be resident
Screening: foreign investors must show net economic benefits
Screening: approval unless contrary to national interest
Screening: notification
Conditions on subsequent transfer of capital and investments
Restrictions on cross-border mergers and acquisitions
Acquisition of land and real estate by foreigners is prohibited or subject to restrictions
The distribution of certain products at the retail level is reserved for statutory monopolies
The distribution of certain products at the wholesale level is reserved for statutory monopolies
Wholesale licences for the distribution of certain products are subject to quotas or economic needs tests
Retail licences for the distribution of certain products are subject to quotas or economic needs tests
Licences for department stores or large-store formats are subject to quotas or economic needs tests
Zoning regulation discriminates foreign suppliers against domestic competitors
The number of sales outlets per firm is limited
Commercial presence is required in order to provide distribution services.
A licence is required for e-commerce
Restrictions on franchising
Restrictions on direct selling

3. Barriers to Competition **Example: Distribution Industry**

Barriers to competition	
When appeal procedures are available in domestic regulatory systems, they are open to affected or interested foreign parties as well.	D
Foreign firms have redress when business practices are perceived to restrict competition in a given market	D
National, state or provincial government control at least one major firm in the sector	ND
Publicly-controlled firms or undertakings are subject to an exclusion or exemption, either complete or partial, from the application of the general competition law.	ND
Minimum capital requirements	ND
Vertical agreements: Resale price maintenance is subject to regulation	ND
Vertical agreements: Territorial or customer group sales restrictions are subject to regulation	ND
Laws or regulations impose restrictions on the nature or content of contracts	ND
Firms are required to disclose confidential information	ND
Price regulation: minimum prices	ND
Large retailers are subject to specific taxes	ND
Seasonal sales periods are regulated	ND
Regulation imposes an upper limit on shop opening hours	ND
Regulations limit the range of products a retailer may carry	ND
Retailers or wholesalers are subject to restrictions on advertising	ND
Retailers can set up their own recycling systems	ND

6.3 Other Results

Table 5 M&As by Foreign Affiliate vs. M&As by Domestic Firms

	Cross-border M&As		*Domestic M&As*	
	(1)	(2)	(3)	(4)
Competition law:Foreign affiliate	-30.732^{***}	-30.380^{***}	162.891^{***}	164.261^{***}
	(5.579)	(6.118)	(29.906)	(32.356)
Competition law	19.948^{***}	21.261^{***}	-140.496^{***}	-133.296^{***}
	(6.033)	(6.564)	(32.339)	(34.715)
Foreign affiliate	3.102^{***}	3.097^{***}	-17.540^{***}	-17.867^{***}
	(0.252)	(0.279)	(1.350)	(1.475)
Logged GDPPC		−1.825		−2.248
		(2.518)		(13.317)
Δ Exchange rate		2.143		6.630
		(2.950)		(15.601)
Δ Shared Price		−0.196		−0.345
		(1.253)		(6.629)
OFDI		0.008		0.026
		(0.017)		(0.088)
Business Procedure		0.142		0.379
		(0.259)		(1.369)
Export (% of GDP)		−0.002		0.158
		(0.108)		(0.570)
Import (% of GDP)		−0.032		−0.304
		(0.115)		(0.609)
Number of BITs		−0.231		0.486
		(0.241)		(1.276)
Observations	10,990	8,804	10,990	8,804
R^2	0.288	0.293	0.156	0.163
Adjusted R^2	0.284	0.288	0.151	0.156
Fixed Effects	C, I, Y	C, I, Y	C, I, Y	C, I, Y

Note: C=country, I=industry, Y=year $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

Table 6 Cross-border M&As by Foreign GUOs vs. Domestic M&As by Foreign GUOs

	M&As (by Foreign GUOs)			
	All industries		Security	Non-Security
	(1)	(2)	(3)	(4)
Entry Restriction:Foreign Affiliate	-13.150^{***}	-13.163^{***}	-35.309^{***}	-4.990^{***}
	(2.543)	(2.778)	(6.089)	(1.819)
Entry Restriction	6.583^{***}	6.812^{***}	8.396	6.557^{***}
	(2.322)	(2.521)	(5.975)	(1.542)
Foreign Affiliate	3.287^{***}	3.301^{***}	8.257^{***}	1.621^{***}
	(0.286)	(0.317)	(0.889)	(0.169)
Logged GDPPC		-1.809		
		(2.519)		
Δ Exchange Rate		2.174		
		(2.950)		
Δ Shared Prie		-0.204		
		(1.254)		
OFDI		0.008		
		(0.017)		
Business Procedure		0.136		
		(0.259)		
Export (% of GDP)		0.001		
		(0.108)		
Import (% of GDP)		-0.034		
		(0.115)		
Number of BITs		-0.235		
		(0.241)		
Observations	10,990	8,804	3,430	7,560
R^2	0.288	0.293	0.272	0.438
Adjusted R^2	0.283	0.288	0.262	0.434
Fixed Effects	C, I, Y	C, I, Y	C, I, Y	C, I, Y

Note: C=country, I=industry, Y=year *p<0.1; **p<0.05; ***p<0.01

Table 7 Domestic M&As by Foreign GUOs vs. Domestic M&As by Domestic GUOs

	Domestic M&As			
	All industries		Security	Non-Security
	(1)	(2)	(3)	(4)
Entry Restriction:Foreign Affiliate	64.391***	65.393***	146.531***	13.134
	(13.638)	(14.697)	(29.132)	(14.288)
Entry Restriction	−35.209***	−33.713**	−132.611***	21.174*
	(12.453)	(13.338)	(28.588)	(12.115)
Foreign Affiliate	−18.070***	−18.475***	−32.789***	−12.078***
	(1.532)	(1.674)	(4.253)	(1.330)
Logged GDPPC		−2.369		
		(13.324)		
Δ Exchange Rate		6.369		
		(15.608)		
Δ Shared Price		−0.273		
		(6.632)		
OFDI		0.026		
		(0.088)		
Business Procedure		0.436		
		(1.369)		
Export (% of GDP)		0.136		
		(0.570)		
Import (% of GDP)		−0.286		
		(0.609)		
Number of BITs		0.515		
		(1.277)		
Observations	10,990	8,804	3,430	7,560
R^2	0.155	0.162	0.139	0.201
Adjusted R^2	0.150	0.155	0.127	0.194
Fixed Effects	C, I, Y	C, I, Y	C, I, Y	C, I, Y

Note: C=country, I=industry, Y=year — *p<0.1; **p<0.05; ***p<0.01