

Internet Appendix for:

**“A BIT Goes a Long Way: Bilateral
Investment Treaties and Cross-border
Mergers”**

Table A1: BITs and Bilateral FDI Flows

This table reports the results of OLS regressions in which the unit of observation is an acquirer country i , target country j , and year t combination. The dependent variable is the total FDI flow into the target country from the acquirer country in year t . All models include a fixed effect for each country-pair and year and cluster standard errors at the year and country-pair level, reported in parentheses (** $p < 0.01$, * $p < 0.05$, * $p < 0.1$).

Dependent Variable:	(1)	(2)
	FDI Flow (Bilateral)	
Post-Sign	0.044 (0.063)	0.059 (0.066)
Post-Sign \times Low Risk Target		-0.020 (0.072)
Post-Sign \times High Risk Target		-0.042 (0.041)
Low Risk Target		0.073 (0.067)
High Risk Target		0.017 (0.020)
Ln(Total Trade _{acq,tgt})	-0.003 (0.002)	-0.002 (0.002)
Ln(1+(GDP/Capita) _{acq/tgt})	-0.091*** (0.028)	-0.110*** (0.033)
Δ Openness _{acq-tgt}	0.005 (0.003)	0.001 (0.002)
Δ (Credit Mkt. Dev.) _{acq-tgt}	0.001 (0.001)	0.001 (0.002)
Δ (Public Firms) _{acq-tgt}	0.001 (0.001)	0.001 (0.002)
Δ (Market Cap.) _{acq-tgt}	-0.001 (0.001)	-0.001 (0.001)
Δ (Corruption) _{acq-tgt}	0.012 (0.036)	0.022 (0.037)
Δ (Rule of Law) _{acq-tgt}	0.012 (0.030)	-0.001 (0.031)
(Takeover Reform) _{tgt}	0.117 (0.081)	0.112 (0.080)
(Anti-trust Reform) _{tgt}	0.001 (0.001)	0.001 (0.002)
Δ (Exchange Rate) _{acq-tgt}	-0.001 (0.001)	-0.001 (0.002)
Year Fixed Effects	Yes	Yes
Country-Pair Fixed Effects	Yes	Yes
Observations	52,795	48,501
R-squared	0.419	0.418

Table A2 – Cross-Border Mergers and Target Country Law Quality

This table reports results from OLS regressions where the unit of observation is an acquirer country i , target country j , and year t combination. The dependent variable is indicated in the column title. We categorize *target* countries as having “Low”, “Medium”, or “High” quality legal institutions based on the terciles of ICRG’s annual Law & Order score (roughly a score less than 3 is Low, between 3 and 5 is Medium, and a 5 or 6 is High). All models include a fixed effect for each country-pair and year and cluster standard errors at the year and country-pair level, reported in parentheses (***) $p < 0.01$, ** $p < 0.05$, * $p < 0.1$).

Dependent Variable:	(1) I(Cross-Border Merger _{ijt})	(2) Ln(1 + Number of Deals _{ijt})	(3) Ln(1 + \$Amount of Deals _{ijt})
Post-Sign (β_1)	0.031*** (0.005)	0.022*** (0.004)	0.102*** (0.019)
Post-Sign X Low Quality Law Target (β_2)	-0.016** (0.007)	-0.015** (0.006)	-0.072** (0.028)
Post-Sign X High Quality Law Target (β_3)	-0.012** (0.005)	-0.009* (0.005)	-0.038* (0.022)
Low Quality Law Target	0.004*** (0.001)	0.005*** (0.002)	0.022*** (0.006)
High Quality Law Target	-0.005** (0.003)	-0.009* (0.004)	-0.049** (0.018)
Ln(Total Trade _{acq,tgt})	-0.520*** (0.093)	-0.621*** (0.120)	-2.987*** (0.500)
Ln(1+(GDP/Capita) _{acq,tgt})	-5.547** (2.087)	-6.997*** (2.479)	-28.410*** (9.890)
Δ Openness _{acq-tgt}	0.202 (0.333)	0.361 (0.339)	1.162 (1.499)
Δ (Credit Mkt. Dev.) _{acq-tgt}	-0.002** (0.001)	-0.002** (0.001)	-0.007* (0.004)
Δ (Public Firms) _{acq-tgt}	0.005*** (0.002)	0.005** (0.003)	0.016* (0.009)
Δ (Market Cap.) _{acq-tgt}	0.036*** (0.005)	0.043*** (0.007)	0.174*** (0.029)
Δ (Corruption) _{acq-tgt}	3.449*** (1.233)	4.171*** (1.319)	16.717*** (5.868)
Δ (Rule of Law) _{acq-tgt}	1.753 (1.274)	1.146 (1.444)	5.591 (6.306)
(Takeover Reform) _{tgt}	0.014*** (0.003)	0.016*** (0.004)	0.063*** (0.014)
(Anti-trust Reform) _{tgt}	0.025*** (0.004)	0.028*** (0.005)	0.132*** (0.019)
Δ (Exchange Rate) _{acq-tgt}	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)
Year Fixed Effects	Yes	Yes	Yes
Country-Pair Fixed Effects	Yes	Yes	Yes
Observations	503,640	503,640	503,640
F-test ($\beta_1 + \beta_2 = 0$)	6.88**	1.32	1.51
F-test ($\beta_1 + \beta_3 = 0$)	17.38***	9.00***	9.31***
R-squared	0.438	0.649	0.509

Table A3: Cross-Border Mergers and Target Country Size of Stock Market Development

This table reports results from OLS regressions in which the unit of observation is an acquirer country i , target country j , and year t combination. The dependent variable is indicated in the column title. We categorize *target* countries as having Low, Medium, or High stock market development based on terciles of the size of the stock market relative to GDP. All models include a fixed effect for each country-pair and year and cluster standard errors at the year and country-pair level, reported in parentheses (** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$).

Dependent Variable:	(1) I(Cross-Border Merger _{ijt})	(2) Ln(1 + Number of Deals _{ijt})	(3) Ln(1 + \$Amount of Deals _{ijt})
Post-Sign (β_1)	0.045*** (0.005)	0.037*** (0.005)	0.163*** (0.023)
Post-Sign \times Low Mkt. Dev. Target (β_2)	-0.044*** (0.007)	-0.044*** (0.008)	-0.185*** (0.032)
Post-Sign \times High Mkt. Dev. Target (β_3)	-0.023*** (0.006)	-0.024*** (0.005)	-0.089*** (0.024)
Low Mkt. Dev. Target	0.000 (0.001)	0.004* (0.002)	0.016** (0.008)
High Mkt. Dev. Target	-0.002 (0.001)	-0.001 (0.001)	-0.004 (0.007)
Ln(Total Trade _{acq,tgt})	-0.342*** (0.074)	-0.428*** (0.089)	-2.076*** (0.375)
Ln(1+(GDP/Capita) _{acq,tgt})	-2.554** (0.940)	-3.322*** (1.095)	-13.548*** (4.412)
Δ Openness _{acq-tgt}	-0.041 (0.143)	0.082 (0.145)	-0.132 (0.549)
Δ (Credit Mkt. Dev.) _{acq-tgt}	-0.000 (0.001)	-0.001 (0.001)	-0.002 (0.003)
Δ (Public Firms) _{acq-tgt}	0.004*** (0.001)	0.005* (0.002)	0.013 (0.008)
Δ (Market Cap.) _{acq-tgt}	0.024*** (0.004)	0.026*** (0.005)	0.103*** (0.023)
Δ (Corruption) _{acq-tgt}	4.119*** (0.964)	4.694*** (1.020)	19.622*** (4.492)
Δ (Rule of Law) _{acq-tgt}	0.200 (0.911)	-0.261 (1.027)	-0.996 (4.554)
(Takeover Reform) _{tgt}	0.015*** (0.003)	0.018*** (0.004)	0.072*** (0.014)
(Anti-trust Reform) _{tgt}	0.026*** (0.004)	0.029*** (0.005)	0.136*** (0.019)
Δ (Exchange Rate) _{acq-tgt}	-0.000* (0.000)	-0.000 (0.000)	-0.001* (0.001)
Year Fixed Effects	Yes	Yes	Yes
Country-Pair Fixed Effects	Yes	Yes	Yes
Observations	641,568	641,568	641,568
F-test ($\beta_1 + \beta_2 = 0$)	0.03	1.50	0.84
F-test ($\beta_1 + \beta_3 = 0$)	35.88***	15.62***	19.65***
R-squared	0.430	0.644	0.502

Table A4: Cross-Border Mergers and Relative GDP per Capita

This table reports results from OLS regressions in which the unit of observation is an acquirer country i , target country j , and year t combination. The dependent variable is indicated in the column title. Large Acq. Small is an indicator equal to 1 if the acquirer firm country's GDP per capita is larger than the target firm country's GDP/capita, and equal to 0 otherwise. All models include a fixed effect for each country-pair and year and cluster standard errors at the year and country-pair level, reported in parentheses (** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$).

Dependent Variable:	(1) I(Cross-Border Merger _{ijt})	(2) Ln(1 + Number of Deals _{ijt})	(3) Ln(1 + \$Amount of Deals _{ijt})
Post-Sign	0.009*** (0.003)	0.004 (0.003)	0.023* (0.013)
Post-Sign X (Large Acq. Small)	0.041*** (0.005)	0.034*** (0.005)	0.153*** (0.024)
(Large Acq. Small)	0.001 (0.001)	0.001 (0.001)	0.002 (0.007)
Ln(Total Trade _{acq,tgt})	-0.370*** (0.036)	-0.463*** (0.048)	-2.229*** (0.187)
Ln(1+(GDP/Capita) _{acq/tgt})	-2.697*** (0.687)	-3.456*** (0.784)	-13.554*** (3.392)
Δ Openness _{acq-tgt}	-0.060 (0.165)	0.057 (0.138)	-0.241 (0.802)
Δ (Credit Mkt. Dev.) _{acq-tgt}	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.002)
Δ (Public Firms) _{acq-tgt}	0.004*** (0.001)	0.004* (0.002)	0.011 (0.008)
Δ (Market Cap.) _{acq-tgt}	0.026*** (0.004)	0.032*** (0.005)	0.126*** (0.021)
Δ (Corruption) _{acq-tgt}	3.867*** (0.680)	4.254*** (0.776)	17.539*** (3.286)
Δ (Rule of Law) _{acq-tgt}	-0.225 (0.635)	-0.473 (0.786)	-1.806 (3.415)
(Takeover Reform) _{tgt}	0.016*** (0.002)	0.018*** (0.003)	0.073*** (0.011)
(Anti-trust Reform) _{tgt}	0.027*** (0.002)	0.030*** (0.003)	0.142*** (0.013)
Δ (Exchange Rate) _{acq-tgt}	-0.001* (0.001)	-0.001 (0.001)	-0.001 (0.001)
Year Fixed Effects	Yes	Yes	Yes
Country-Pair Fixed Effects	Yes	Yes	Yes
Observations	641,568	641,568	641,568

R-squared

0.429

0.644

0.502

Table A5: Robustness Tests of Main Results

This table reports the results from the main baseline tests in Table 2, with some modifications to the sample or set of controls as indicated in the column description. All models report OLS regressions where the unit of observation is an acquirer country i , target country j , and year t combination. The dependent variable is indicated in the column title. Columns 1 to 3 drop all country pairs where the BIT was signed prior to 1987 (when our cross-border merger sample starts). Columns 4 to 6 drop all country pairs where the BIT was signed between 1991–1995, inclusive. Columns 7 to 9 uses the full sample of BITs and includes three lags of the total trade between two given countries as additional controls (in addition to contemporaneous trade). All models cluster standard errors at the year and country-pair level, reported in parentheses (** $p < 0.01$, * $p < 0.05$, * $p < 0.1$). All models include fixed effects for each year and country-pair, and all controls from Table 2 (coefficients omitted for brevity).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Dependent Variable:	I(Cross-Border Merger _{ijt})	Ln(1 + No. of Deals _{ijt})	Ln(1 + \$Amount of Deals _{ijt})	I(Cross-Border Merger _{ijt})	Ln(1 + No. of Deals _{ijt})	Ln(1 + \$Amount of Deals _{ijt})	I(Cross-Border Merger _{ijt})	Ln(1 + No. of Deals _{ijt})	Ln(1 + \$Amount of Deals _{ijt})
Sample:	Drop BITs signed before 1987			Drop BITs signed 1991-1995			Control for Lagged Trade (3 yrs)		
Post-Sign	0.029*** (0.003)	0.021*** (0.003)	0.100*** (0.014)	0.026*** (0.004)	0.018*** (0.004)	0.083*** (0.017)	0.020*** (0.004)	0.011*** (0.003)	0.058*** (0.017)
All Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country-Pair Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	628,138	628,138	628,138	622,938	622,938	622,938	614,658	614,658	614,658
R-squared	0.440	0.656	0.515	0.443	0.656	0.516	0.450	0.663	0.523

Table A6: Comparison of BITs and Stock Market Liberalizations on Cross-Border Mergers

This table replicates the baseline tests with an additional control of Post-Liberalization, which is an indicator equal to 1 for all years after a target country's stock market liberalization and equal to 0 otherwise (as defined in Bekaert, Harvey, and Lumsdaine, 2002). Countries not in their data are coded as not liberalized for the entire sample period. The dependent variable is indicated in the column title. All models include fixed effects for each year and country-pair and cluster standard errors at the year and country-pair level, reported in parentheses (***) $p < 0.01$, ** $p < 0.05$, * $p < 0.1$).

	(1)	(2)	(3)	(4)	(5)	(6)
	I(Cross-Border Merger_{ijt})		Ln(1 + Number of Deals_{ijt})		Ln(1 + \$Amount of Deals_{ijt})	
Post-Sign	0.029*** (0.003)	0.022*** (0.003)	0.020*** (0.003)	0.014*** (0.003)	0.097*** (0.014)	0.070*** (0.013)
Post-Liberalization	0.009*** (0.002)	0.006** (0.002)	0.005* (0.003)	0.003 (0.003)	0.024** (0.011)	0.011 (0.012)
(Post-Sign) × (Post-Liberalization)		0.038*** (0.009)		0.035*** (0.009)		0.153*** (0.039)
Ln(Total Trade _{acq,tgt})	-0.373*** (0.077)	-0.364*** (0.077)	-0.465*** (0.093)	-0.457*** (0.093)	-2.240*** (0.394)	-2.206*** (0.394)
Ln(1+(GDP/Capita) _{acq,tgt})	-2.607*** (0.934)	-2.498** (0.908)	-3.335*** (1.074)	-3.234*** (1.047)	-13.675*** (4.358)	-13.238*** (4.246)
ΔOpenness _{acq-tgt}	-0.048 (0.141)	-0.051 (0.141)	0.068 (0.138)	0.066 (0.139)	-0.194 (0.496)	-0.204 (0.499)
Δ(Credit Mkt. Dev.) _{acq-tgt}	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.003)	-0.001 (0.003)
Δ(Public Firms) _{acq-tgt}	0.004*** (0.001)	0.004*** (0.001)	0.004* (0.002)	0.004* (0.002)	0.012 (0.008)	0.012 (0.008)
Δ(Market Cap.) _{acq-tgt}	0.028*** (0.005)	0.028*** (0.005)	0.033*** (0.006)	0.033*** (0.006)	0.131*** (0.025)	0.131*** (0.025)
Δ(Corruption) _{acq-tgt}	4.060*** (0.937)	3.992*** (0.927)	4.459*** (0.984)	4.397*** (0.976)	18.518*** (4.388)	18.247*** (4.360)
Δ(Rule of Law) _{acq-tgt}	0.175 (0.921)	0.142 (0.912)	-0.137 (1.050)	-0.167 (1.044)	-0.394 (4.627)	-0.527 (4.600)
(Takeover Reform) _{tgt}	0.015*** (0.003)	0.014*** (0.003)	0.018*** (0.004)	0.017*** (0.004)	0.071*** (0.014)	0.067*** (0.014)
(Anti-trust Reform) _{tgt}	0.026*** (0.004)	0.026*** (0.004)	0.030*** (0.005)	0.030*** (0.005)	0.139*** (0.020)	0.140*** (0.020)
Δ(Exchange Rate) _{acq-tgt}	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.002* (0.001)	-0.002* (0.001)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Country-Pair Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	641,568	641,568	641,568	641,568	641,568	641,568
F-test (Post-Sign – Post-Liberalization)	27.79***		13.86***		19.23***	
R-squared	0.429	0.429	0.643	0.644	0.502	0.502

