EMERGING COUNTRY CROSS-BORDER ACQUISITIONS: CHARACTERISTICS, ACQUIRER RETURNS AND CROSS-SECTIONAL DETERMINANTS

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ABSTRACT

What are the important characteristics of cross-border acquisitions (CBAs) by firms from emerging countries and do these acquisitions create market value for the acquirers? Using a unique and a manually collected dataset, we identify 698 CBAs made by emerging country firms during the period January 1991 through December 2008. Targets tend to be small (by U.S. transaction value measures) – the median ranging between \$10 million to \$40 million (in 2008 dollars). However, from 2000 to 2008, 24 acquisitions were worth more than a billion dollars each. Emerging country acquirers experience a *positive* and a significant market response of 1.09% on the announcement day. Additionally, in the cross-section, acquirer returns are positively correlated with (better) corporate governance measures in the target country. The positive announcement return *and* the cross-sectional relation between these returns and governance measures are consistent with Martynova and Renneboog's (2008) and Khanna and Palepu's (2004) bootstrapping hypothesis: The acquirer voluntarily bootstraps itself to the higher governance standards of the target – resulting in a positive valuation impact for the acquirer.

Keywords: Cross border acquisitions, governance, emerging market acquirers, event study

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1. Introduction

"Indian-Style Mergers: Buy a Brand, Leave It Alone,"

Wall Street Journal, March 22, 2008.

"Chinese M&A Goes Global," *Business Week*, June 9, 2008.

"Brazil: M&A Deals Heat Up," *Business Week*, October 27, 2009.

During this decade the popular financial media has prominently featured cross-border acquisitions (CBAs) by emerging country acquirers from India, Malaysia, China, Brazil and others. These articles have provided an interesting and sometimes colorful description of the transaction and the principals involved. In contrast, very few academic papers focus on the financial impact on the emerging country companies of these cross-border acquisitions.

The increasing trend towards international acquisitions by firms from emerging economies and a lack of research in this area creates a need to address whether the extant conceptual framework and empirical evidence on international acquisitions are relevant for acquirers outside the developed countries. The generalizability of the existing international acquisition literature's findings to the emerging country acquirers remains an open question. More specifically, the research questions of this study are: (1) what are the important characteristics of CBAs made by emerging country firms? (2) What is the stock market's response to the acquisition announcement? (3) What are the cross-sectional determinants of this market response? To address these questions, we examine a sample of 698 CBAs made by firms from eight emerging countries – *Brazil, China, India, Malaysia, Mexico, Philippines, Russia, and South Africa* – during the period January 1991 through December 2008. These eight emerging countries are ranked highest in their number of outbound CBAs.

CBAs are an important strategic corporate initiative that enables firms to extend their current businesses, leverage their current capabilities, and/or diversify in to related markets. In addition, CBAs can be an important mechanism for corporate governance convergence in today's world. CBAs have increased significantly over the last two decades (Moeller and Schlingemann, 2004; Seth, Song and Pettit, 2002). The number of CBAs increased from 4,247 in 1995 to 6,244 in 2008, and during the same period, the financial value of these acquisitions increased from US$186 billion to US$673 billion (United Nations Conference on Trade and Development, 2009). Furthermore, Brakman, Garretsen and Marrewijk (2006) note that the share of CBAs towards the overall world FDI is as high as 76%.

Although multinationals from developed countries account for the major share of CBAs, firms from the emerging countries too have entered this market in a big way. Outbound CBAs by emerging-country firms have increased from $37 billion in 2004 to $182 billion in 2008 – a staggering rise of 392%; the value of CBAs at $182 billion (for the year 2008) makes up 66% of the total FDI outflows from emerging countries (UNCTAD, 2009).

Over the last decade, CBAs have become a major mode-of-entry for developing-country firms into other countries (Aulakh, 2007). A number of studies by international organizations provide evidence towards the growth of developing country multinationals. For instance, Boston Consulting Group (2006) reports that the top 100 companies from developing countries are expanding globally into diverse industries such as industrial goods, consumer durables, telecommunications, pharmaceuticals, information technology, among others. They also report that these expansions are not only through exports, but also include other modes of FDI such as CBAs. The report finds that 57% of the CBAs made by these 100 firms during 1985 to 2005 involved target firms in the developed markets. For instance, CBAs by Indian firms in 2006 increased by 121% over the 2004 figures; similarly, the total value of these acquisitions increased to US $21 billion in 2006, an increase of 2,236% over the 2004 value of US $0.90 billion (SDC Platinum Database, 2007). Apart from India, other developing countries such as China, Brazil and Russia also show a similar trend. For instance, the value of CBAs by Chinese firms in 2006 stood at US $12 billion, an increase of 73% over the previous year (SDC Platinum Database, 2007). Some of the major international acquisitions by emerging country firms in the recent years include: (1) Brazil-based Cia Vale do Rio Doce's US $18.2 billion acquisition of Canada's Inco, (2) Mexico-based Cemex's US $ 15.1 billion acquisition of Australia's Rinker Group, and (3) India-based Tata Steel's US $12.5 billion acquisition of the U.K.-based Corus Group.

This study's contribution is threefold. First, it contributes important understanding to the internationalization strategy of firms from emerging countries. Many influencing factors in international acquisitions by firms from developed countries would be substantially different from those in the emerging country, such as international experience and exposure, corporate governance, cultural background, government regulation, and maturity of the domestic capital market. Till recently, many emerging economies offered poor growth avenues for business firms due to restrictive regulatory policies (Anandan et al. 1998). For example, until the mid 1990s, the Indian government placed many restrictions on business firms, such as limits on capacity extension, stringent licensing requirements to enter new businesses, restriction on foreign entry and investment, and numerous tariff and non-tariff trade barriers (Ahluwalia and Little 1998, Ghemawat and Khanna 1998). In such an environment, acquisitions are generally restricted.

There has been a steady transition in a number of emerging economies as governments try to liberalize their closed economies. Furthermore, unlike the traditional multinationals from developed countries, emerging-country firms have defied the convention of incremental internationalization by expanding globally at a dizzying pace (Guillen & Garcia-Canal, 2009). Therefore, shareholder expectations and management perspectives may differ for firms in the developed and emerging economies.

Second, many authors indicate that the strategies of multinationals from emerging countries differ from those from developed countries (Beausang, 2003; Buckley and Mirza, 1988; Buckley, 2004). For instance, it is argued that emerging country multinationals are investing overseas at a relatively earlier stage in their development than their counterparts from developed countries (WIR 2006). In addition, some studies have shown that emerging country multinationals adopt a market-seeking overseas investment strategy vis-à-vis resource-seeking by developed country multinationals. This study will help to strengthen the nascent body of research on the internationalization of emerging market firms, which as suggested by the OECD report (2006), is "…mostly based on a few anecdotal evidence, and deduction and inference from the history of North-South capital flows, rather than a body of systematic research".

Third, we build on the growing literature on differential investor protection across countries – as developed by La Porta et al. (1997, 1998, 1999, 2000, 2002). Specifically, we shed light on Martynova and Renneboog's (2008) *bootstrapping hypothesis*; these authors suggest the possibility of the acquirer voluntarily bootstrapping itself to the higher corporate governance standards of the target – resulting in a positive valuation impact on the acquirer.

The remainder of the paper is organized as follows. In the next section we discuss the growth of CBAs in general and specifically for emerging market firms. In section three, we review the theory on returns to acquirers; most of this literature focuses on acquirers from developed countries. Section 4 reviews the cross-sectional determinants of the returns to these acquirers from developed countries. Section 5 describes our data and sample. Section 6 discusses our results with concluding remarks in Section 7.

2. Theoretical Background

2.1 Returns to Acquirers in Cross-Border Acquisitions.

Much of the research on CBAs focuses on whether they create value for shareholders. The empirical evidence on value creation, which is based mainly on U.S. acquiring firms or U.S. target firms (Chen et al. 2000; Gubbi et al. 2009; Mantecon, 2009), remains inconclusive (Andrade, Mitchell, & Stafford, 2001; Moeller & Schlingemann, 2005; Seth, Song, & Pettit, 2002). While most of the earlier studies showed that buyers gained positive economic value (e.g., Morck & Yeung, 1992; Markides & Ittner, 1994), recent studies have shown that buyers lose value (e.g., Chatterjee and Aw, 2004; Denis et al., 2002; Eckbo and Thorburn, 2000; Moeller and Schlingemann, 2005). Appendix 1 summarizes a subset of recent papers that study acquirer returns in CBAs. Four studies report a significant positive return to the acquirer, two report a significant negative return, and two report returns insignificantly different from zero. There are no obvious differences in sample (acquirer/target from developed/ emerging country) or sample period between the studies that report such qualitatively different returns to acquirers. In these studies, while the targets are from developed and emerging countries, the acquirers are largely from developed countries.

In another study involving buyers from 75 nations during the period from 1985 to 2005, Mantecon (2009) found that a total of $187 billion of wealth was lost for the shareholders of the buying firms in the three days around the announcement date. Though this study looked at CBAs by buyers from 75 nations, less than 1% of the CBAs were from emerging-country firms; consequently, the results largely show the behaviours of MNEs from developed countries.

In contrast to the valuation results for CBAs by firms from developed countries , a recent study by Gubbi et al. (2009) on Indian multinationals (only study on CBAs by firms from an emerging country) shows that international acquisitions by Indian firms earn significantly positive value for their shareholders. This study is somewhat limited. First, the study only focuses on Indian firms, thus limiting the generalizability of their results. Second, it does not consider any corporate governance related cross-sectional determinants of acquirer returns. Finally, it does not include important controls in their cross-sectional regressions, for example, idiosyncratic risk, that Moeller, Schlingemann, and Stulz (2007) conclude is an important determinant of acquirer returns.

The classical theories on the determinants of returns to acquirers in CBAs focused on diversification, operational efficiency and market power as sources. The neoclassical literature has focused on the changes in shareholder rights and changes in other corporate governance features implicit when acquirers and targets are from substantially different governance regimes. In the next section, we discuss these theories in more detail.

2.2 Determinants of Returns to Cross-border Acquirers: The Classical Theories

The early literature on the determinants of acquirer returns in CBAs is based on the corresponding literature for domestic (U.S.) acquisitions. Two broad types of such determinants have been considered, value creation and wealth transfer.

Value creation is the initial focus of scholars studying shareholder wealth effects in domestic (U.S.) acquisitions; Jensen and Ruback (1983) and Brickley, Jarrell and Netter (1991) survey some of this literature. Following are the hypothesized sources of value creation; these are neither exhaustive nor mutually exclusive:

Diversification: If the cash flows of the acquirer and target are less than perfectly correlated, the combined company's cash flow will have a smaller variance. While the reduction in variance may not reduce systematic risk, it may lower the cost of debt; acquiring and target shareholders can ultimately capture this benefit.

Better use of target's assets: There are two versions of this hypothesis. Under the first version, target managers are doing as well with the target's assets as possible given their understanding of the target's production and investment possibilities. Acquiring managers have a different, perhaps "better", understanding of the target's production and investment possibilities. These could include increases, decreases, or different kinds of capital expenditures, R&D investments, marketing expenditures, and human resource investments. Under the alternate version of the above hypothesis, target management is maximizing its own welfare at the expense of shareholder value. For example, target management may increase its expenditures on a pet project beyond the firm value-maximizing level because management derives psychic or pecuniary benefits or income from such increased expenditures. Conversely, target management may decrease its expenditures (in capital items, R&D, marketing, human resources) from the value-maximizing level, perhaps because this lessens their effort and stress. After the acquisition, under either version of the hypothesis, the acquiring management implements a superior production and investment strategy with the target's assets.

Synergy between acquirer and target assets: There are possible scale economies if the acquirer and target are producing very similar products or services. The acquirer (target) can also leverage its technology and brand name to the target's (acquirer's) products or services.

Relative size of target to acquirer: Asquith, Bruner and Mullins (1983) document a positive relation between acquirer return and relative size of target to acquirer. They suggest this would be consistent with the argument that a dollar spent on acquisition generates the same positive return regardless of the size of the acquisition.

Reduction of tax liability: It is possible under certain circumstances for the tax liability of the combined company to be less than the sum of the tax liabilities of the target and acquirer operating independently. Corporate taxes can play a role in CBA; see Norback, Persson, and Vlachos (2009).

Exchange rate effects: Georgopoulos (2009) documents that a depreciation of the home currency leads to an increase in CBAs.

Some scholars have suggested that wealth effects in acquisitions reflect wealth transfers, rather than value creation. Such wealth transfers could occur from the exercise of market power by the acquirer and/or target on their customers and suppliers. To the extent acquirer and/or target shareholders are benefiting from the exercise of market power, the policy implications for regulators are quite different than for acquisitions in which value is being created; see Kim and Singal (1993). Some authors have focused on wealth transfers from target and acquirer employees to target and/or acquirer shareholders; for example, see Bhagat, Shleifer and Vishny (1991).

Up through the 1980s, most studies focus on the acquisitions of publicly-held U.S. acquirers of publicly-held U.S. targets. The average market response for acquiring shareholders is a small negative return. Roll (1986) suggests that the negative market response is a result of acquirers overpaying for targets; in other words, the negative response on acquiring shareholders is merely a wealth transfer from acquiring to target shareholders.

Several other explanations for the negative returns to acquirers have been noted in the literature: The classic paper by Myers and Majluf (1984) argues that firms issuing equity signal to the market that their equity is overvalued. McCardle and Vishwanathan (1994) and Jovanovic and Braguinsky (2002) suggest that firms first fund their internal projects; if they have no attractive internal investment opportunities, they look to the outside for growth. Hence, the acquisition is a signal that internal growth opportunities have been exhausted, and the market interprets this signal as negative information about the acquirer management's ability to grow the company. In all of the above scenarios, the negative market response at the announcement of the acquisition is not due to the acquisition per se, but to the stand-alone value of the acquirer; see Bhagat, Dong, Hirshleifer and Noah (2005).

Why are returns to large acquirers particularly negative? Demsetz and Lehn (1985) suggest that incentives of small firm managers are better aligned with shareholder interests, perhaps because of greater stock ownership. Following up on Roll's (1986) hubris hypothesis, large firm managers may be more prone to hubris, given their past success in growing the company. Large firms may also have more resources (of both cash and stock) to pay for the acquisition. Large firms may also be further along in their life cycle; such firms are more likely to have exhausted internal growth opportunities. Finally, arbitrageurs are more likely to establish a short position for a large firm involved in acquisitions, because of the lower cost of establishing such a position. Moeller et al (2004) provide a more comprehensive discussion and analysis.

Jensen (1986) suggests that acquisitions reflect empire-building by acquiring managers who are engaging in acquisitions instead of paying out the free cash flow to their shareholders. Consistent with Jensen's empire-building argument, Bayazitova, Kahl, and Valkanov (2009) document that acquisitions with particularly large transaction values elicit the most negative market response.

Why are acquirer returns more negative when targets are publicly-held, compared to acquisitions when targets are privately-held? The Grossman and Hart (1980) type free-rider problem allows for greater bargaining power for public-company shareholders. Private company owners may face greater liquidity constraints, hence, might accept a lower price.

2.3 Determinants of Returns to Cross-border Acquirers: The Neo-classical Approach

In a series of influential papers, La Porta et al. (1997, 1998, 1999, 2000, 2002) analyze the role a country's legal system has in protecting investor rights. They argue (2000, p.4): "Such diverse elements of countries' financial systems as the breadth and depth of their capital markets, the pace of new security issues, corporate ownership structures, dividend policies, and the efficiency of investment allocation appear to be explained both conceptually and empirically by how well the laws in these countries protect outside investors." La Porta et al. (1998) draw on the work of David and Brierley (1985) and Zweigert and Kotz (1987) to postulate that the commercial legal codes of most countries are based on four legal traditions: the English common law, the French civil law, the German civil law, and the Scandinavian law. They find that common law countries provide the most protection to investors (La Porta et al. 1998), and that they have the deepest stock markets and most dispersed corporate ownership structures (La Porta et al., 1997, 1999) . They also document that countries develop substitute mechanisms for poor investor protection, such as mandatory dividends and greater ownership concentration. In a follow-up paper, La Porta et al. (2002) find that investor protection is positively correlated with valuation across countries.

In their most recent work, La Porta et al. (2003) construct two indices measuring the quality of securities regulation representing the strength of public and private enforcement mechanisms (the former consists of powers of the national securities regulator, the latter, private litigation regime features such as the burden of proof), to examine the effect of securities regulation on stock markets. As in the case of their investor protection measure, which they refer to as a shareholder rights or anti-director rights index, the public and private enforcement measures have higher values in nations with common law traditions. La Porta et al. (2003) find that the private enforcement measure is more significant than either the public enforcement measure or the shareholder rights index for the development of a stock market.

The overarching theme of the influential and extensive La Porta et al. corpus is that "law matters." The cluster of countries associated with the common-law legal tradition, which is identified with stronger investor protection and securities regulation, have deeper stock markets, less concentrated ownership of public firms, and in their view, given those nations' higher level of financial development, offer better opportunities for economic growth and prosperity. Their work has generated considerable discussion. Some scholars have disagreed with the construction of the investor protection measure (e.g., Vagts, 2002; Berglof and von Thadden, 1999). Others have sought to offer alternative explanations of why common law systems are associated with higher financial development. However, this criticism notwithstanding, their work has had a major impact –international institutions such as the International Monetary Fund and World Bank focus on corporate governance as a key plank in their policy toward emerging market nations – and their corporate law index captures an important element driving cross-national differences in financial development, despite nuances of legal regime differences among nations that are grouped together in their legal categorization (see, e.g., Cheffins, 2001, distinguishing between the corporate law and institutions of the United States and United Kingdom, which are grouped together in La Porta et al.'s analysis). Another sign of the influence of La Porta et al.'s research agenda is the large body of literature that has developed using the La Porta et al. variables to investigate a variety of other cross-national differences. These studies also provide evidence that legal rules matter in important ways for national economies; for a review see Denis and McConnell (2003).

Rossi and Volpin (2004) use the differential investor protection characterization across countries developed by La Porta et al. to study the volume and characteristics of CBAs. They find that targets are typically in countries with poorer investor protection than acquirers. They conclude that CBAs may be partially motivated by enhancement of investor protection in target firms. To the extent investors value such protection; this would be reflected in positive returns to the acquirer at the time of the announcement. Martynova and Renneboog (2008) (hereafter referred to as MR) characterize this as the *positive spillover by law hypothesis*. Correspondingly, if the acquirer has less demanding governance standards than the target, this would have a negative valuation impact on the acquirer; MR note this as the *negative spillover by law hypothesis*. However, MR also suggest the possibility of the acquirer voluntarily bootstrapping itself to the higher governance standards of the target – resulting in a positive valuation impact on the acquirer; MR refer to this as *the bootstrapping hypothesis*. In a careful clinical study of the Indian software company, Infosys, Khanna and Palepu (2004) (hereafter, KP) provide an analysis of and evidence supporting the bootstrapping possibility.

In summary, the classical and neo-classical corporate acquisition theories have been tested predominantly on CBAs made by firms from developed countries. In this exploratory study we take a comprehensive look at the role of the above theories in CBAs made by emerging country firms.

3. METHODS

3.1 Data and Sample

It is difficult to obtain data on CBAs made by firms from emerging countries. Thus, for this study we used a combination of sources to collect the data. We study a comprehensive sample of CBAs by publicly listed firms from eight emerging countries – *Brazil, China, India, Malaysia, Mexico, Philippines, Russia, and South Africa* – during the period January 1991 through December 2008. These eight emerging countries are ranked highest (among emerging countries) in their number of outbound CBAs. We collected the sample from SDC Platinum database. Given the motivation of this study, we needed stock market data around the announcement date for these acquiring companies. We collected the stock return data from the Datastream database. As expected, there were many missing values for acquiring firms from these eight emerging countries. Therefore, in addition to this database, we also *manually* collected the stock returns for acquiring firms from their respective stock exchange websites; for instance, for Indian and Chinese firms, we collected stock returns from the Bombay Stock Exchange and the Shanghai stock exchange respectively. We also collected companies' financial information from the Datastream database and from their annual reports. Because we restricted our sample to acquiring firms that were publicly listed, this resulted in a final sample of 698 acquisitions.

3.2 Research Design

We used the event study methodology to examine the announcement effect of the CBAs. More specifically, we used the market model to detect the abnormal returns on the acquiring firms' stock prices in the announcement period. The abnormal return is calculated as:

$$AR_{jt} = R_{jt} - (\overline{\alpha}_j + \overline{\beta}_j R_{mt})$$

where R_{jt} *and* R_{mt} are the observed returns for firm stock 'j' and the market portfolio (i.e. Bombay Stock Exchange index return), respectively, in day 't' relative to the CBA announcement date. The security specific parameters $\overline{\alpha}_j$ *and* $\overline{\beta}_j$ are computed over an estimation period (120 days to 30 days before the CBA announcement date). We also aggregate the abnormal returns over several days in the announcement period by calculating the cumulative abnormal returns (CAR).

$$\overline{CAR} = \frac{1}{N}\left(\sum_{j=1}^{N}\overline{CAR}_j\right), \quad where \quad \overline{CAR_j} = \left(\sum_{t=K}^{L}\overline{AR}_{jt}\right)/(Q)^{1/2}$$

K and L represent the start and end dates of the test period which includes CBA announcement date '0'. Q is the number of trading days encompassed by the interval K, L (Q = L-K+1). We used both the parametric *t* test and the non-parametric Wilcoxon signed rank test to determine the statistical significance of the CAR.

3.3 Independent Variables

We tested the determinants of the cross-sectional variations in the CARs by examining the following groups of variables based on the above discussed theoretical perspectives:

Acquiring firm's CAR = f (Classical factors, Governance factors)

3.3.1 Classical Factors

Previous studies have shown that the public listing status of the target firms is an important determinant of acquirer returns. U.S. evidence suggests that acquirers achieve zero or negative average announcement period CARs when acquiring publicly listed targets and positive average CARs when acquiring private targets (Chang, 1998; Fuller, Netter, and Stegemoller, 2002; Hansen and Lott, 1996; and Moeller, Schlingemann, and Stulz, 2004). We include a binary variable for the private/public status of the target firms.

Prior empirical evidence also suggests that acquirers' CARs are positively correlated with acquirers' Tobin's Q (Lang, Stulz, and Walkling, 1989 and Servaes, 1991), industry relatedness of the acquiring and target firms (Morck, Shleifer and Vishny, 1990; Maquieira Megginson and Nail, 1998; Moeller, Schlingemann, and Stulz, 2004), payment method (Moeller, Schlingemann, and Stulz, 2004), relative size of target to acquirer (Asquith, Bruner, and Mullins, 1983, Moeller, Schlingemann, and Stulz, 2004, and Bhagat, Dong, Hirshleifer and Noah, 2005, and transaction value (Bayazitova, Kahl, and Valkanov, 2009). In addition to the above variables, we also included the market capitalization of the acquiring firm (as a proxy for firm size), exchange rate, corporate tax difference, and idiosyncratic volatility (that is, the residual variance estimated for each firm based on the market model in the estimation period of the event study). We included the idiosyncratic volatility of acquirer returns given the evidence in Moeller, Schlingemann and Stulz (2007) who conclude that there is no difference in cross-sectional acquirer returns

"…between cash offers for public firms, equity offers for public firms, and equity offers for private firms…" after controlling for idiosyncratic volatility.

3.3.2 Governance Factors

La Porta et al (2000) define corporate governance as the set of policies and procedures that provide outside investors with a fair return on their investment. There are two dimensions to governance, one is country specific, and the other is company specific. Country specific items include the corruption of government officials in a country, the effectiveness and integrity of the judiciary system, the access of new and mid-size firms to the country's capital markets, the concentration of stock ownership in the country, minority shareholder rights, and whether or not the country allows shareholders to mail their proxy vote and allows for proportional representation of minority shareholders on the board. Company specific governance measures include the anti-takeover provisions in the company's charter, manager and director compensation policy, board structure, and board governance policies; Bhagat, Bolton, and Romano (2008) provide a detailed discussion of company specific governance measures and their pros and cons.

Ideally we would like to consider data on country specific and company specific governance measures. However, Doidge, Karolyi and Stulz (2007) suggest that the inter-country differences are much greater than differences across companies within a country. Hence, we choose to focus on country specific governance measures; these data are from La Porta et al (2002). We included four specific governance factors – antidirect, concentration, french origin, and English origin.

This study also included controls for several variables that might affect the relationship between CAR and the above determinants. These include geographic distance, cultural distance, target country's' GDP growth rate, a dummy for USA targets and a year dummy for acquisitions before and after year 2000. The detailed descriptions of all the above variables are given in Table 1.

INSERT TABLE 1 ABOUT HERE

4. Results and Discussion

4.1 Characteristics of Emerging Country CBAs

Table 2 shows the total number and the total transaction values of the completed CBAs in the sample. Both the transaction numbers and values increase substantially in the sample period. There is no obvious intertemporal trend in the median transaction size. However, the mean transaction value appears to have increased substantially recently, especially during the 2006 to 2008 period; this suggests a few large transactions during the most recent three years. During 2000-2008, 24 acquisitions were worth more than a billion dollars each; see Appendix 3. Not surprisingly, given the small size of most acquisitions, the vast majority (561 of 698 transactions) of targets are privately-held or subsidiary companies; only 137 targets are publicly-listed companies.

INSERT TABLE 2 ABOUT HERE

Table 3 notes the industries and countries of the target companies involved in emerging country CBAs between 1991 and 2008, and announcement period abnormal returns for emerging country acquirers (details of returns are noted in Table 4). Indian companies have made the most CBAs, 341, followed by Malaysia (154), China (68), South Africa (50), Mexico (30), Brazil (21), Russia (21), and Philippines (13). Most targets of Indian companies are in the U.S. in the business services industry. Most Malaysian and Chinese targets are in Hong Kong in the financial services industry. South African targets are mostly in U.K. in the business services industry. Mexican targets tend to be in the U.S. in the telecom industry. Most Russian and Brazilian targets are in the metals industry in Ukraine and Argentina, respectively. Finally, Philippines acquirers tend to target U.S. companies in the food industry.

The largest number of targets are from the U.S. (149 targets), followed by U.K. (72 targets), Hongkong (69), Singapore (59), Australia (40), Germany (22) and Canada (21). It is important to note that majority of the acquisitions by the emerging country firms are carried out in the developed countries. Since developed countries tend to have higher governance standards than emerging countries, this is consistent with Martynova and Renneboog's (2008) and Khanna and Palepu's (2004) bootstrapping hypothesis which suggests that the acquirer voluntarily bootstraps itself to the higher governance standards of the target.

INSERT TABLES 3 ABOUT HERE

4.2 Announcement Period Abnormal Returns

Table 4 (Panels A, B and C) summarizes the announcement period abnormal returns for emerging country acquirers during 1991-2008. Panel B notes cumulative returns around the announcement day for our total sample of 698 acquisitions. Panel C notes cumulative returns around the announcement day for our sub-sample of 377 acquisitions for which we have data for the cross-sectional analysis (detailed later in Table 6). Day 0 is the announcement day. Emerging country acquirers experience an average market response of 1.09% on the announcement day. This return is statistically significant at the 0.01 level considering both the parametric and non-parametric tests.[1] Motivated by Khanna and Yafeh (2007) we control for acquisitions made by the same industry group, for example, Tatas; the results are qualitatively identical.

The above result is consistent with the findings of Chari, Ouimet and Tesar (2004), Burns and Moya (2006), Cakici, Hessel and Tandon (1997), and MR; these authors also document a small but significant positive return to acquirers in CBAs; see Appendix 1. However, two comments are worth noting. First, the acquirers in all of the above four studies are from developed economies.[2] Second, as detailed in Appendix 1, two studies document an insignificant return and two document a small but significant negative return to acquirers in cross-border acquisitions; this contrasts with our evidence of a significant positive market response to emerging country acquirers in cross-border acquisitions.

The positive announcement return is consistent with MR's and KP's bootstrapping hypothesis: The acquirer voluntarily bootstraps itself to the higher governance standards of the target – resulting in a positive valuation impact on the acquirer. Similarly for U.S. domestic mergers and acquisitions, Wang and Xie (2009) show that both acquiring and target firms benefit from corporate governance improvements. The scope of these improvements should increase considerably for CBAs because, in CBAs the governance standards differ extensively between the acquiring and the target firm countries; and emerging country firms target predominantly developed markets.

Furthermore, the positive announcement return is inconsistent with MR's negative spillover by law hypothesis which applies to situations when an acquirer has less demanding

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[1] We also consider the acquirer's cumulative abnormal return during the three, five, and eleven days around the acquisition announcement. Additionally, we consider the acquirer's buy-and-hold return during the three, five, and eleven days around the acquisition announcement. These cumulative and buy-and-hold returns are all positive and significant at the .01 level; see Table 4, Panels B and C.

governance standards than the target. To further test MR's bootstrapping hypothesis we consider the correlation between announcement returns and the difference in governance between the target and acquirer. As noted above, per Doidge, Karolyi and Stulz (2007), we use differences in country specific governance measures as proxies for differences in acquirer and target governance; results are discussed in the next section. The correlations for these variables are given in Table 5.

INSERT TABLES 4 AND 5 ABOUT HERE

4.3 Cross-sectional Determinants of Acquirer Returns

Table 6 summarizes the regression results for the cross-sectional determinants of returns to emerging country acquirers. We document a significant positive relation between acquirer return and relative size of the acquisition in all regression specifications; this result is consistent with the findings in Moeller et al (2004) and Bhagat et al (2005). Consistent with the literature, notably Bayazitova et al (2009), we find a significant negative correlation between transaction value and acquirer return in all regression specifications. The other control variables are not significant in any of the regression specifications.

In Models 2 through 5, we focus on various target country specific governance variables. Model 2 indicates a significant positive relation between anti-director rights and acquirer return. Model 3 indicates a significant negative relation between target country share ownership concentration and acquirer return. *Given that stronger anti-director rights and less concentrated share ownership are positively correlated with better corporate governance (per La Porta et al, 2000, 2002), the above evidence is consistent with MR's bootstrapping hypothesis*. Model 4 (Model 5) suggests a significant positive (negative) relation between targets in countries with an

English (French) legal origin and acquirer return. *Since shareholders are treated more favorably under English legal origin laws than French legal origin laws (per La Porta et al, 2000, 2002), this evidence is also consistent with MR's bootstrapping hypothesis*: the acquirer return is more positive when there is greater potential improvement in acquirer governance as a consequence of better target governance.

INSERT TABLE 6 ABOUT HERE

5. Conclusion

Our research addresses an important contemporary phenomenon – the internationalization strategy of acquirers from developing countries. A predominant mode of internationalization for these firms is through CBAs. Despite a significant rise in the number of foreign acquisitions made by firms from developing countries, there is no empirical evidence on the stock market valuation and cross-sectional determinants of the valuation of these acquisitions. This paper lays the foundations for a new research stream, namely, CBAs of acquirers from developing countries.

We find that the stock market rewards emerging country acquirers. Additionally, in the cross-section, acquirer returns are positively correlated with (better) corporate governance measures in the target country. The positive announcement return <u>and</u> *the cross-sectional relation between these returns and governance measures* are consistent with Martynova and Renneboog's (2008) and Khanna and Palepu's (2004) bootstrapping hypothesis: The acquirer voluntarily bootstraps itself to the higher corporate governance standards of the target – and this is viewed positively by the market.

5.1 Future research directions

Acquisition of a target in a developed country by an emerging country acquiring company is one way for the acquirer to signal that it is bootstrapping itself to the higher governance standards of the target. The emerging country acquirer could send a similar signal via cross-listing its common stock in a developed country. Besides the obvious choice of which developed country to cross-list in, foreign corporations have a multitude of ways they can cross-list within a particular developed country. For example, in the U.S. a foreign firm can cross-list via SEC Rule 144a or in the OTC market; alternatively, it could cross-list on one of the organized exchanges like the NYSE or NASDAQ. In U.K., cross-listing alternatives include listing on the Main Market as a Depositary receipt or ordinary issue, listing on the Alternative Investment Market, or the London Stock Exchange. These cross-listing alternatives differ in their disclosure and corporate governance implications; for example, see Doidge, Karolyi, Lins, Miller and Stulz (2009), Goto, Watanabe and Xu (2009), and Fernandes and Ferreira (2008). A comprehensive theoretical and empirical analysis of the emerging country acquiring firm bootstrapping itself to the higher governance standards of a developed country via acquisition or cross-listing in one of the developed countries (and the methods as noted above) would be a fruitful topic for future research.

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Table 1: Variable Description

Variables	Description
Continuous Variables	
CAR (-1, +1)	Acquirer's cumulative abnormal return during the three days around the acquisition announcement. Abnormal return based on the market model.
Acq Mkt Cap	Acquiring firm's log transformed market capitalization (at the latest fiscal year end before acquisition).
Tobin Q	Acquiring firm's Tobin's Q (at the latest fiscal year end before acquisition).
Sigma	Unsystematic risk of acquiring firms' stock (using 120 days daily returns in the estimation period of the market model).
Relative Size	Relative size of transaction (transaction values divided by acquiring firms' market capitalization).
Target Antidirect	This index of Anti-director rights is formed by adding one when: (1) the country allows shareholders to mail their proxy vote; (2) shareholders are not required to deposit their shares prior to the General Shareholders' Meeting; (3) cumulative voting or proportional representation of minorities on the board of directors is allowed; (4) an oppressed minorities mechanism is in place; (5) the minimum percentage of share capital that entitles a shareholder to call for an Extraordinary Shareholders' Meeting is less than or equal to ten percent (the sample median); or (6) when shareholders have preemptive rights that can only be waived by a shareholders meeting. The range for the index is from zero to six. Source: La Porta et al. (1999).
Concentration	Average percentage of common shares not owned by the top three shareholders in the ten largest non-financial, privately-owned domestic firms in a given country. A firm is considered privately-owned if the State is not a known shareholder in it. Source: La Porta et al. (1999), African equities for Kenya, Bloomberg and various annual reports for Ecuador, Jordan, and Uruguay.
Geographic distance	Logarithmic of geographic distance (in kilometres) between the capital cities of the target and acquiring countries.
Exchange rate	The percentage change in the acquiring country's exchange rate against the target country currency during the acquisition year.
Target GDP Growth	Percentage growth rate of the target country's GDP in the latest fiscal year before the acquisition.
Transaction value	Value of the acquisition deal (in million US dollars).
Tax Difference	The difference of the average corporate tax rate between the acquiring country and the target country.
Cultural distance	We follow Kogut and Singh's (1988) method to combine the four dimensions of Hofstede's (1980) cultural distance (individualism, uncertainty avoidance, power distance, and masculinity) into one composite variable.
Binary Variables	
Related industry	Within 2-digit SIC code of the acquirer (1 is yes, 0 is no).
Private target	Private target firms (1 is private firm, 0 for other types).
Pure cash	Payment method of the transaction (1 is cash payment, 0 is mixed cash and stock payment).
Post-2000	1 for the acquisitions after year 2000 (including 2000), and 0 for the acquisitions before year 2000.
USA targets	1 if the target firm is in United States, 0 if the target firm is located in other countries.
English Origin	1 if Target Country has English legal origin. Source: La Porta et al. (1998).
French Origin	1 if Target Country has French legal origin. Source: La Porta et al. (1998).

Table 2: Cumulative average abnormal returns and transaction values for emerging country acquirers

	CAR (-1, +1)			Transaction value in US $ million (in 2008 $)		
Year	N	Mean	Median	N	Mean	Median
2008	41	0.0093	-0.0017	41	832.95	41.00
2007	102	0.0158	0.0016	89	356.45	30.84
2006	118	0.0285	0.0104	92	697.02	29.17
2005	93	0.0082	0.0058	71	104.13	19.75
2004	77	0.0173	0.0049	66	208.33	10.14
2003	55	0.0189	0.0114	45	103.52	18.44
2002	35	0.0068	-0.0035	29	368.03	16.39
2001	32	0.0280	0.0081	30	94.53	22.27
2000	38	0.0363	0.0162	33	163.50	12.45
1999	17	0.0176	-0.0134	12	150.90	40.71
1998	17	0.0278	-0.0031	15	160.51	72.37
1997	17	0.0037	0.0010	16	181.38	10.83
1996	12	-0.0161	-0.0018	12	267.93	18.39
1995	15	-0.0144	-0.0034	15	72.05	32.20
1994	9	0.0003	0.0000	9	46.12	20.11
1993	7	0.0111	-0.0173	7	373.22	16.27
1992	5	0.0103	0.0058	5	142.32	7.62
1991	5	0.0262	0.0300	5	39.69	9.53

CAR (-1, +1) is the acquirer's cumulative abnormal return during the three days around the acquisition announcement.

Table 3: CAR (-1, +1) For Different Acquiring Countries

		CAR (-1,+1)				
Country	**N**	**Mean**	**Median**	**S.D.**	**Top 5 Target Industries**	**Top 5 Target Nations**
Brazil	21	-0.004	-0.0014	0.1342	Metal and Metal Products	Argentina
					Oil and Gas; Petroleum Refining	United States
					Food and Kindred Products	Portugal
					Mining	Canada
					Business Services	Peru
China	68	0.0387	0.0026	0.1518	Finance and Investments	Hong Kong
					Mining	United States
					Oil and Gas; Petroleum Refining	Australia
					Business Services	Singapore
					Electronic and Electrical Equipment	Canada
India	341	0.0233	0.0113	0.0623	Business Services	United States
					Drugs	United Kingdom
					Prepackaged Software	Germany
					Chemicals and Allied Products	Singapore
					Metal and Metal Products	France
Malaysia	154	0.0123	0.0005	0.0653	Finance and Investments	Hong Kong
					Business Services	Singapore
					Real Estate; Mortgage Bankers and Brokers	Australia
					Transportation and Shipping (except air)	China
					Wholesale Trade-Durable Goods	Indonesia
Mexico	30	-0.0001	0.0038	0.0371	Telecommunications	United States
					Stone, Clay, Glass, and Concrete Products	Brazil
					Food and Kindred Products	Argentina
					Radio and Television Broadcasting Stations	Spain
					Business Services	Colombia
Philippines	13	-0.012	-0.0061	0.0518	Food and Kindred Products	United States
					Business Services	Hong Kong
					Financial and Investment Firm	Germany
					Wholesale Trade-Nondurable Goods	Singapore
					Oil and Gas; Petroleum Refining	Australia
Russia	21	-0.0078	-0.0066	0.0343	Metal and Metal Products	Ukraine
					Commercial Banks, Bank Holding Companies	United States
					Oil and Gas; Petroleum Refining	United Kingdom
					Telecommunications	Germany
					Business Services	Kazakhstan
South Africa	50	0.0107	0.0036	0.0607	Business Services	United Kingdom
					Mining	Australia
					Financial and Investment Firm	United States
					Prepackaged Software	Germany
					Wholesale Trade-Durable Goods	Canada
Total	**698**					

CAR (-1, +1) is the acquirer's cumulative abnormal return during the three days around the acquisition announcement.

Table 4: Announcement period abnormal returns for days -10 through +10 in cross-border acquisitions by emerging country firms

Panel A. Daily Abnormal Returns (Market Model, N = 698)

Day	Mean Abnormal Return	Median Abnormal Return	% Positive	t test		Wilcoxon Signed Rank Test	
-10	-0.10%	-0.08%	47.56%	-0.867		-1.717	*
-9	0.17%	-0.04%	48.15%	1.506		0.068	
-8	0.11%	-0.01%	49.63%	1.078		0.017	
-7	0.71%	-0.06%	47.71%	1.168		0.723	
-6	-0.12%	-0.12%	45.94%	-0.768		-2.425	**
-5	-0.23%	-0.08%	46.23%	-1.277		-2.289	**
-4	-0.03%	-0.21%	44.02%	-0.219		-3.075	***
-3	0.02%	-0.07%	48.01%	0.132		0.461	
-2	0.75%	-0.01%	49.78%	1.165		0.783	
-1	0.27%	0.01%	50.52%	2.317	**	0.908	
0	1.09%	0.27%	56.72%	5.080	***	5.296	***
1	0.36%	-0.02%	49.19%	1.973	**	1.011	
2	-0.04%	-0.13%	45.20%	-0.311		-2.386	**
3	-0.19%	-0.17%	44.46%	-1.377		-3.407	***
4	0.18%	-0.08%	46.09%	0.835		1.781	*
5	-0.01%	-0.07%	46.68%	-0.065		-1.476	
6	-0.27%	-0.12%	45.94%	-1.415		-2.107	**
7	0.47%	0.01%	50.81%	2.293	**	0.493	
8	0.27%	-0.12%	45.49%	1.099		1.626	
9	-0.03%	-0.03%	49.19%	-0.234		-1.269	
10	-0.02%	-0.05%	48.01%	-0.130		-0.731	

*** 1% significance, ** 5% significance, * 10% significance.

Panel B. Cumulative Returns (N = 698)

Cumulative Returns	Mean	Median	% Positive	t test		Wilcoxon Signed Rank Test	
Cumulative abnormal returns (CAR) (market model):							
CAR (-1, +1)	1.72%	0.50%	56.57%	5.870	***	5.406	***
CAR (-2, +2)	2.43%	0.82%	56.57%	3.465	***	5.155	***
CAR (-5, +5)	2.17%	0.40%	52.58%	2.740	***	2.523	**
Buy-and-hold (BHR) raw returns:							
BHR (-1, +1)	1.96%	0.69%	57.31%	6.222	***	6.374	***
BHR (-2, +2)	2.89%	1.09%	59.08%	4.045	***	6.586	***

BHR (-5, +5)	3.17%	1.27%	57.46%	3.839	***	4.750	***

*** 1% significance, ** 5% significance, * 10% significance.

Panel C. Cumulative Returns (N = 377)

Cumulative Returns	Mean	Median	% Positive	t test		Wilcoxon Signed Rank Test	
Cumulative abnormal returns (market model):							
CAR (-1, +1)	1.81%	0.52%	56.37%	5.011	***	4.276	***
CAR (-2, +2)	1.74%	1.04%	58.81%	4.048	***	4.208	***
CAR (-5, +5)	1.34%	0.73%	54.74%	2.085	**	2.407	**
Buy-and-hold raw returns:							
BHR (-1, +1)	1.91%	0.82%	57.72%	4.693	***	4.799	***
BHR (-2, +2)	2.10%	1.45%	62.33%	4.460	***	5.165	***
BHR (-5, +5)	1.99%	1.83%	60.43%	2.850	***	3.627	***

*** 1% significance, ** 5% significance, * 10% significance.

CAR (-1, +1) is the acquirer's cumulative abnormal return during the three days around the acquisition announcement. Similarly, CAR (-5, +5) is the acquirer's cumulative abnormal return during the 11 days around the acquisition announcement.
BHR (-1, +1) is the acquirer's buy-and-hold return during the three days around the acquisition announcement. Similarly, BHR (-5, +5) is the acquirer's buy-and-hold return during the 11 days around the acquisition announcement.
Panel B notes cumulative returns around the announcement day for the total sample of 698 acquisitions. Panel C notes cumulative returns around the announcement day for the sub-sample of 377 acquisitions for which we have data for the cross-sectional analysis.

Table 5. Correlation Matrix[a]

#	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	CAR(-1, +1)	1																			
2	Related Industry	-.05	1																		
3	Transaction Value	-.11**	.07	1																	
4	Private Target	.04	-.01	-.23**	1																
5	Pure Cash	.02	.02	-.11**	.00	1															
6	Cultural Distance	.00	-.06	.08	.03	.09*	1														
7	Tobin Q	-.04	.14**	-.07	.07	.01	.05	1													
8	Sigma	-.01	-.06	-.12**	.14**	-.22**	.02	.07	1												
9	Exchange Rate	-.02	.09*	.07	-.02	.01	.00	-.02	-.04	1											
10	Relative Size	.30**	.08	.08	-.02	.04	.07	.05	.09*	-.02	1										
11	Concentration	-.09*	-.08*	-.02	-.06	-.02	-.46**	-.16**	-.05	-.03	-.15**	1									
12	Acq Mkt Cap	-.20**	.09*	.37**	-.23**	.01	.05	.22**	-.30**	.06	-.24**	.08	1								
13	English origin	.05	-.11**	.03	-.01	-.14**	.00	-.02	.11**	-.03	-.05	-.38**	-.09*	1							
14	French origin	-.09*	.08	-.02	.00	.08	-.13**	-.05	-.09*	-.01	-.04	.42**	.08*	-.76**	1						
15	Target Antidirect	.02	-.16**	-.02	-.05	-.07	-.20**	-.04	-.06	-.11**	-.06	.27**	-.03	.29**	-.24**	1					
16	Post-2000	.06	.18**	.05	.10**	.09*	-.08	.00	.04	-.05	.09*	-.07	-.08*	-.07	.04	-.085*	1				
17	USA Targets	.03	.09*	.03	.12**	-.09*	.18**	.08	.12**	.05	.10*	-.62**	-.06	.32**	-.24**	-.50**	.07*	1			
18	Geographic Distance	.02	.14**	-.01	.10**	.00	.33**	.18**	.03	.00	.16**	-.58**	-.03	-.02	-.01	-.40**	.12**	.43**	1		
19	Target GDP growth	-.02	.03	-.06	-.05	.08*	-.25**	-.09*	-.06	-.05	-.12**	.33**	.01	.12**	-.04	.13**	.02	-.24**	-.35**	1	
20	Tax Difference	.03	.04	-.12**	.00	.05	-.27**	.06	-.06	-.10*	.00	.29**	-.03	-.06	-.09	.43**	.00	-.31**	-.15**	.18**	1

[a]n = 377. **. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).

Variables are defined in Table 4.

Table 6. Cross-sectional determinants of acquirer's announcement returns

	Model 1		Model 2		Model 3		Model 4		Model 5	
Variables	**β**	**t**	**β**	**t**	**β**	**t**	**β**	**t**	**β**	**t**
Constant	.05	1.06	.04	.82	.12	2.27	.05	1.10	.04	.76
Sigma	-.02	-.30	-.01	-.25	-.02	-.28	-.02	-.35	-.02	-.38
Tobin Q	.01	.17	.00	.06	-.02	-.42	-.01	-.14	.00	-.04
Acq Mkt Cap	-.09	-1.39	-.09	-1.37	-.07	-1.12	-.08	-1.26	-.08	-1.22
Transaction Value	-0.15**	-2.58	-0.16**	-2.75	-0.15**	-2.72	-0.16**	-2.73	-0.16**	-2.78
Relative Size	0.32***	6.17	0.33**	6.21	0.33**	6.16	0.33**	6.12	0.34**	6.25
Related Industry	-.08	-1.57	-.06	-1.20	-.07	-1.41	-.06	-1.24	-.06	-1.20
Private Target	.03	.63	.04	.75	.04	.85	.04	.79	.04	.80
Pure Cash	.00	.02	.01	.19	-.01	-.15	.00	-.01	.00	.06
Geographic Distance	-.01	-.08	-.03	-.52	-.07	-1.07	.00	-.01	-.01	-.08
Exchange Rate	-.05	-.87	-.04	-.81	-.04	-.86	-.04	-.83	-.04	-.73
Target GDP growth	-.02	-.34	-.06	-1.00	-.03	-.47	-.04	-.79	-.05	-.95
Tax Difference	.08	1.48	.06	1.07	.08	1.38	.04	.74	.06	1.02
Post-2000	.03	.68	.04	.70	.03	.53	.03	.64	.03	.66
USA Targets	.01	.26	-.03	-.56	-.07	-1.05	-.03	-.42	-.03	-.50
Cultural Distance	.02	.27	.02	.35	-.03	-.52	-.01	-.09	.01	.23
Target Antidirect			.11**	2.07						
Concentration					-.20**	-2.77				
French origin							-.11**	-2.02		
English origin									.10*	1.84
N	375		364		364		364		364	
Adjusted R square	.14		.15		.15		.15		.14	
F	5.01***		4.89***		5.14***		4.87***		4.82***	

*** 1% significance, ** 5% significance, * 10% significance.

The dependent variable is CAR (-1, +1) in each regression.
CAR (-1, +1) is the acquirer's cumulative abnormal return during the three days around the acquisition announcement.
Other variables are defined in Table 4.
t-statistics are computed using heteroscedascticity-consistent standard errors.
Winsorization was also done at 1% and 5%, the results remain the same.

Appendix 1: Extant literature on cross-border acquisitions

Paper	Sample period	Sample size	Bidder from these countries	Target from these countries	Bidder return	Bidder return Z-statistic or (sig. level)	Bidder return positively related to	Bidder return negatively related to
Chari-Ouimet-Tesar (2004)	1988-2002	346	Developed market	Emerging market	2.43%	(.05)	Majority control	---
Burns-Moya (2006)	1988-2004	1,129	U.S.	26 developed countries, 20 emerging countries	.83% (n=755) 2.41% (n=153)	4.19 4.44	 Private targets	---
Cakici-Hessel-Tandon (1997)	1983-1992	195	Developed countries (UK, Canada, Germany, Japan,)	U.S.	.63%	4.69	---	---
Martynova-Renneboog (2008)	1993-2001	2,419	European countries	European countries	0.47%	2.25	Bidder/target same language, Bidder/target common border, Bidder shareholder rights improvement, Target shareholder rights improvement,	Bidder size, Hostile bid
Benou-Gleason-Madura (2007)	1985-2001	503	U.S.	22 developed, 18 less-developed countries	.29%	.79	Target media visibility, IB reputation	Cash offers, Tech bubble period
Mueller-Turtoglu (2007)	1981-2002	9,733	Developed countries	Developed countries	.006%	--	Separate regressions for positive and negative acquirer returns.	Separate regressions for positive and negative acquirer returns.
Kuipers-Miller-Patel (2003)	1982-1991	181	Developed countries	U.S.	-0.92%	5.82	Level of shareholder rights, and rule of law in acquirer's country.	Level of creditor rights in acquirer's country.
Bris-Cabolis (2008)	1989-2002	506	Developed and emerging countries	Developed and emerging countries	-1.12%	(.03)	---	---

Appendix 2. Top and Worst Performing Cross-border Acquisitions (CBA)
Panel A. Top 30 Value Creating CBAs by Emerging Country Acquirers

#	Year	Bidder Nation	Bidder Firm	Target Nation	Target Firm	% Share	Transaction Value [a]	CAR (-1,+1)
1	1997	China	Hartcourt Cos Inc	United States	Pego Systems Inc	100	2.45	0.808
2	2002	China	Discovery Investments Inc	United States	Cavio Corp	100	7.00	0.634
3	1999	Brazil	Hurricane Hydrocarbons Ltd	Kazakhstan	Shymkentnefteorgsintez	88.36	69.49	0.493
4	2001	Malaysia	Sitt Tatt Bhd	Singapore	PMI Plating Services Pte Ltd	100	41.16	0.442
5	2000	Malaysia	IPCO International Ltd	Indonesia	Prestasi Cipta Pertiwi PT	70	1.40	0.357
6	1998	China	First Tractor Co Ltd	Hong Kong	Ningbo CSI Tractor & Auto	40	3.02	0.331
7	2000	India	Rediff.com India Ltd	United States	ThinkIndia.com Inc	100	3.00	0.314
8	2006	India	Suprajit Engineering Ltd	United Kingdom	CTP Gills Cables Ltd-business	100	3.93	0.288
9	2008	China	Aamaxan Transport Group Inc	British Virgin	Asian Bus Mgmt Grp Ltd	100	41.23	0.274
10	2005	China	TriOil Ltd	Canada	Yangarra Resources Inc	100	6.51	0.260
11	2003	Malaysia	Lion Diversified Holdings Bhd	Singapore	Parkson Venture Pte Ltd	50	122.16	0.240
12	2006	India	Tata Coffee Ltd	United States	Eight O Clock Coffee co	100	220.00	0.238
13	2006	India	Aban International Norway AS	Norway	Sinvest ASA	49.99	657.56	0.233
14	2006	India	Subex Systems Ltd	United Kingdom	Azure Solutions Ltd	100	140.00	0.204
15	2007	India	United Spirits Ltd	United Kingdom	Whyte & Mackay Ltd	100	1176.30	0.199
16	2007	India	Eicher Motors Ltd	United States	Hoff & Associates Inc	100	3.50	0.198
17	2007	India	Nirma Ltd	United States	Searles Valley Minerals Co	100	NA	0.192
18	1993	Malaysia	Shapadu Kontena Bhd	Singapore	Inno-Pacific Holdings Ltd	20.1	2.71	0.189
19	2006	India	Welspun India Ltd	United Kingdom	CHT Holdings Ltd	85	24.54	0.185
20	2007	India	Paramount Communications Ltd	United Kingdom	AEI Cables Ltd	100	26.77	0.183
21	2008	China	Kasen Intl Hldgs Ltd	Hong Kong	Investwise International Ltd	100	34.20	0.181
22	2000	India	Max India Ltd	United States	AltaCast LLC	22	7.00	0.179
23	2003	India	Crisil Ltd	United Kingdom	Economatters Ltd	100	2.65	0.178
24	2007	China	Fushi International Inc	United States	Copperweld Bimetallics LLC	100	22.50	0.177
25	2005	India	Helios & Matheson InfoTech Ltd	United States	vMoksha Technologies Inc USA	100	NA	0.174
26	2001	India	Rediff.com India Ltd	United States	India Abroad Publications Inc	100	10.00	0.161
27	2006	India	Spentex Industries Ltd	Uzbekistan	Tashkent-Toyetpa Tekstil Ltd	100	81.00	0.159
28	2006	India	Aban Loyd Chiles Offshore Ltd	Norway	Sinvest ASA	39.5	512.02	0.148
29	2007	India	Quintegra Solutions Ltd	United States	PA Corp	100	49.00	0.146
30	2008	China	China Unicom Ltd	Hong Kong	China Netcom Grp(HK)Corp Ltd	100	25416.00	0.143

[a]Transaction value is in U.S. Million $ (in 2008$). CAR (-1, +1) is the acquirer's cumulative abnormal return during the three days around the acquisition announcement.

Panel B. Top 30 Value Destroying CBAs by Emerging Country Acquirers

#	Year	Bidder Nation	Bidder Firm	Target Nation	Target Firm	% Share	Transaction Value[a]	CAR (-1,+1)
1	2008	Malaysia	Maybank	Singapore	Sorak Finl Holdings Pte Ltd	100	1255.60	-0.075
2	1996	Malaysia	Malex Industries Bhd	New Zealand	Brierley Investments Ltd	20.01	1393.70	-0.074
3	2004	India	Sona Koyo Steering Systems	France	Fuji Autotech France SAS	15	6.15	-0.072
4	1994	Mexico	Grupo Radio Centro SA de CV	United States	Heftel Broadcasting Corp	38.39	13.50	-0.072
5	2003	South Africa	Harmony Gold Mining Co Ltd	Australia	Abelle Ltd	69.42	83.40	-0.071
6	1999	India	Videocon International Ltd	Italy	Mecne SpA	35	NA	-0.071
7	2008	Malaysia	Grand-Flo Solution Bhd	Hong Kong	CL Solutions(China)Ltd	100	5.28	-0.070
8	1999	India	HDFC	Brazil	hpG	5	NA	-0.069
9	2000	India	Satyam Infoway Ltd	United States	IndiaPlaza.com Inc	100	8.16	-0.068
10	2000	India	Aptech Ltd	United States	Specsoft Consulting Inc	100	10.00	-0.067
11	2008	Malaysia	Malaysian Bulk Carriers Bhd	Singapore	PACC Offshore Svcs Hldg Pte	22.08	221.00	-0.066
12	1999	India	HCL Infosystems Ltd	Singapore	FEC Singapore Pte Ltd	100	1.56	-0.065
13	1996	Malaysia	Hai Ming Holdings Bhd	China	Hubei Huali Paper Mills Co Ltd	60	3.76	-0.064
14	2000	Philippines	Omico Corp	United States	Iemagine Inc	20	3.90	-0.064
15	2001	India	HCL Technologies Ltd	United States	Systech Inc	100	NA	-0.064
16	2006	India	UTV Software Commun Ltd	United Kingdom	Ignition Entertainment Ltd	70	13.44	-0.064
17	2003	India	Tata Motors Ltd	South Korea	Daewoo Commercial Vehicle Co	100	101.30	-0.062
18	2005	India	i-flex Solutions Ltd	Canada	Castek Software Inc	51	NA	-0.061
19	2002	India	United Phosphorus Ltd	United States	Midland Fumigant Inc	25	NA	-0.059
20	2002	Brazil	Petroleo Brasileiro SA	Argentina	Petrolera Perez Companc SA	39.67	49.66	-0.059
21	2002	Brazil	Petroleo Brasileiro SA	Argentina	Perez Companc SA	58.6	1027.50	-0.059
22	2007	India	Educomp Solutions Ltd	Canada	Savicca Inc	70.05	NA	-0.058
23	2007	India	Faze Three Exports Ltd	Germany	Pana Textil GmbH	76	8.43	-0.058
24	1995	Malaysia	JCG Holdings Ltd	Hong Kong	Winton Holdings(Bermuda)Ltd	61.35	63.33	-0.057
25	2008	South Africa	AngloGold Ashanti Ltd	Brazil	Sao Bento Gold Ltd	100	70.22	-0.057
26	1993	Mexico	Consorcio G Grupo Dina'l'ads	United States	Motor Coach Industries Intl	100	334.64	-0.055
27	2001	India	Pentamedia Graphics Ltd	United States	Improvision Corp	100	15.98	-0.055
28	2004	Malaysia	MTD Capital Bhd	Chile	El Principal SA	49	4.00	-0.054
29	2008	Russian Fed	OAO Pharmstandard	Cyprus	Dipaka Trading Ltd	19.88	10.00	-0.052
30	2005	Malaysia	SapuraCrest Petroleum Bhd	Australia	Total Marine Technology Pty	80	8.54	-0.051

[a]Transaction value is in U.S. Million $ (in 2008$). CAR (-1, +1) is the acquirer's cumulative abnormal return during the three days around the acquisition announcement.

Appendix 3
Top 50 CBAs by Transaction Value[a]

#	Acquirer name	Target name	Acquiring nation	Target nation	Year	Transaction value	Acquirer CAR (-1,+1)
1	China Unicom Ltd	China Netcom Grp(HK)Corp Ltd	China	Hong Kong	2008	25,416.00	0.143
2	Cia Vale do Rio Doce SA	Inco Ltd	Brazil	Canada	2006	18,194.37	-0.036
3	Cemex SAB de CV	Rinker Group Ltd	Mexico	Australia	2006	15,114.59	-0.031
4	Tata Steel UK Ltd	Corus Group PLC	India	United Kingdom	2006	12,509.02	-0.009
5	Ambev	John Labatt Ltd	Brazil	Canada	2004	8,740.04	-0.147
6	OAO GMK Norilsk Nickel	LionOre Mining Intl Ltd	Russian Fed	Canada	2007	6,463.04	0.056
7	AV Aluminum Inc	Novelis Inc	India	United States	2007	5,951.09	-0.147
8	MTN Group Ltd	Investcom LLC	South Africa	Lebanon	2006	5,832.81	0.064
9	Coca-Cola FEMSA SA CV	Panamerican Beverages Inc	Mexico	United States	2002	4,323.10	-0.114
10	Gerdau Ameristeel Corp	Chaparral Steel Co	Brazil	United States	2007	4,253.86	-0.114
11	CEMEX SA DE CV	Southdown Inc	Mexico	United States	2000	3,542.27	-0.011
12	CNOOC Ltd	NNPC-OML 130	China	Nigeria	2006	2,855.93	-0.001
13	America Movil SA de CV	Telecom Americas Ltd	Mexico	Brazil	2002	2,653.34	-0.001
14	OAO Gazprom	Beltransgaz	Russian Fed	Belarus	2007	2,570.00	-0.009
15	YTL Power International Bhd	PowerSeraya Ltd	Malaysia	Singapore	2008	2,357.00	0.019
16	CITIC Pacific Ltd	HK Telecomm	China	Hong Kong	1993	1,986.82	-0.005
17	Malex Industries Bhd	Brierley Investments Ltd	Malaysia	New Zealand	1996	1,898.31	-0.074
18	Gerdau SA	Quanex Corp	Brazil	United States	2007	1,797.97	-0.001
19	Sappi Ltd	KNP Leykam(KNP BT)	South Africa	Austria	1997	1,735.93	-0.010
20	San Miguel Corp	National Foods Ltd	Philippines	Australia	2004	1,636.93	0.002
21	China Unicom Ltd	Unicom New World(BVI)Ltd	China	Hong Kong	2003	1,576.61	-0.021
22	OAO Mechel	Oriel Resources PLC	Russian Fed	United Kingdom	2008	1,524.00	0.042
23	Nueva Grupo Mexico SA de CV	ASARCO Inc	Mexico	United States	1999	1,364.89	-0.013
24	Tata Power Co Ltd	Kaltim Prima Coal PT	India	Indonesia	2007	1,336.40	0.002
25	Vitro SA de CV	Anchor Glass Container Corp	Mexico	United States	1989	1,292.58	0.047
26	Malaysia Intl Shipping Corp	American Eagle Tankers Inc	Malaysia	Singapore	2003	1,267.75	-0.017
27	Maybank	Sorak Finl Holdings Pte Ltd	Malaysia	Singapore	2008	1,256.00	-0.075
28	United Spirits Ltd	Whyte & Mackay Ltd	India	United Kingdom	2007	1,208.93	0.199
29	Petroleo Brasileiro SA	Perez Companc SA	Brazil	Argentina	2002	1,203.72	-0.059
30	America Movil SA de CV	Puerto Rico Telephone	Mexico	Puerto Rico	2006	996.18	0.002
31	JSW Steel Ltd	Jindal United Steel Corp	India	United States	2007	966.32	-0.080
32	Investec Holdings Ltd	Hambros PLC	South Africa	United Kingdom	1998	924.05	-0.009
33	ONGC	Greater Nile Petroleum	India	Sudan	2002	899.28	0.033
34	Cia Vale do Rio Doce SA	Canico Resource Corp	Brazil	Canada	2005	815.05	0.049
35	Guangzhou Investment Co Ltd	Guangzhou Constr,Super Gain	China	Hong Kong	2001	765.57	0.100
36	OAO SeverStal	Esmark Inc	Russian Fed	United States	2008	761.00	-0.040
37	OAO SeverStal	Lucchini SpA	Russian Fed	Italy	2006	742.63	-0.039
38	Metcash Trading Ltd	Foodland Associated Ltd	South Africa	Australia	2004	737.91	0.134
39	Aban International Norway AS	Sinvest ASA	India	Norway	2006	698.07	0.233
40	Maybank	MCB Bank Ltd	Malaysia	Pakistan	2008	673.00	-0.037
41	China Resources Entrp Ltd	Hong Kong Intl Terminal Ltd	China	Hong Kong	1996	649.57	-0.006
42	CITIC Ka Wah Bank Ltd	HKCB(CH Resources(Hldgs)Ltd)	China	Hong Kong	2001	647.60	-0.002
43	OAO SeverStal	Lucchini SpA	Russian Fed	Italy	2005	635.14	-0.004
44	Bank Niaga Tbk PT	Lippo Bank Tbk PT	Malaysia	Indonesia	2007	628.11	0.023
45	ICBC	Seng Heng Bank	China	Macau	2007	609.60	-0.035
46	Dr Reddys Laboratories Ltd	Betapharm Arzneimittel GmbH	India	Germany	2006	605.77	0.107
47	AE-Rotor Techniek BV	Eve Holding NV	India	Belgium	2006	601.53	-0.019
48	CITIC Pacific Ltd	Hang Chong Investment Co	China	Hong Kong	1992	591.22	-0.011
49	Suzlon Windenergie GmbH	REpower Systems AG	India	Germany	2007	568.48	-0.096
50	Guoco Group Ltd	BIL International Ltd	Malaysia	Singapore	2005	563.84	0.001

[a]Transaction value is in U.S. Million $ (in 2008$). CAR (-1, +1) is the acquirer's cumulative abnormal return during the three days around the acquisition announcement.