

Does Migration-Related Fear Sentiments Deter Inbound Cross-Border Acquisitions?

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ABSTRACT

Building upon a news-based index of migration-related fear sentiments in 4 large economies: France, Germany, the UK, and the USA, over the period from 1995 to 2017, we examine how uncertainty due to migration-related fear sentiments affect inbound cross-border acquisitions (CBAs). We find that the number and volume of CBAs within industries decrease significantly following high migration-related fear sentiments. We further, support this finding using a quasi-natural experiment, by exploiting the 9/11 terrorist attack in the USA and European refugee crisis 2015 (ERC) as a source of plausibly exogenous variation in uncertainty, and show that post 9/11 and ERC there is a significant decline in the inbound CBAs. Additionally, we show that following high migration-related fear sentiments the likelihood of receiving an acquisition bid for the firms located in these large economies is lower, and their takeover process is lengthier. We find support to the argument that right-wing leaning nationalist government significantly affect CBAs negatively when migration-related fear sentiments are high. Finally, our results are attributable to human capital being influenced by safety, uncertainty, and fear. Knowledge of the variation in exposure to uncertainties relating to immigration events can assist managers, investors, and policymakers in taking appropriate risk-investment decisions.

JEL Codes: G34; F22

Key Words: Migration fear; Migration economic policy uncertainty; Geopolitical risk, Nationalism; Cross Border Acquisitions (CBAs); 9/11 terrorist attack; European Refugee crisis

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1. Introduction

Does fear and fear-induced nationalism sentiments deter inbound cross-border acquisitions (CBAs)? We investigate this conjecture in this paper using migration-related fear sentiments index and exogenous events of September 11, 2001 terrorist attack in USA (9/11) and 2015 European refugee crisis (ERC).

When terrorist activities and illegal immigration crisis are heightened, the anxiety and fear among the local people increases. Metcalfe, Powdthavee, & Dolan (2011) show that there were reduced levels of subjective well-being following 9/11. Terrorist attacks have psychological impacts on trust and perceptions of well-being (Ahern, 2018). Further, immigrants and refugees can pose problems to natives in the form of competition for host citizens for land, jobs, housing, and other resources (Jacobsen, 2005; Werker, 2007). Refugees could impose an economic burden by straining local social services and infrastructure and reducing public resources available for natives (Weiner, 1992). These conditions are indicative of the fact, that under such heightened fear, populism becomes rampant resulting in right-wing leaning governments to be voted into power. This is evident from the recent presidential elections of Donald Trump in the USA, European populism and Brexit vote in which the main theme was immigration and related sentiments, with some instructive exceptions, were all right-wing variant of populism (Rodrik, 2018). Right-wing governments tend to advocate and prefer natives over foreigners and immigrants (Serdar Dinc & Erel, 2013). Media coverage following these negative events may aggravate investors' anxiety and fear, and temporarily reduce investor's willingness to take risks (Kaplanski & Levy, 2010).

A key concern in the security planning in the USA, Schengen zone and many other countries is international immigration (Adamson, 2006; Rudolph, 2003). There are, however, two views in literature regarding the link between immigration and security risk. While one set of studies show higher likelihood of conflict spillover with a larger refugee influx from nearby conflict-torn countries, including association between refugees and spread of terrorism (Buhaug & Gleditsch, 2008; Milton, Spencer, & Findley, 2013; Salehyan & Gleditsch, 2006).³ Another group of studies, on the contrary, show no evidence for a direct relationship between forced migrants arriving in Europe and the risk of terrorism in the EU (Choi, 2019) nor any causal link despite post-9/11 fears (Guild, 2003; Howard, 2010).

Genocide, civil war, dissident conflicts, government violence and political regime transitions could all lead to increased human displacement (Davenport, Moore, & Poe, 2003; Melander & Öberg, 2007; Moore & Shellman, 2004; Schmeidl, 1997). This could lead to civilian flight from the conflict zones where refugees move to places that are free of conflict and where incomes are higher and the costs of transit are lower (Moore & Shellman, 2007) . By the end of 2017, more than 68.5 million people had been displaced from their homes due to violent conflict, persecution, famine, or natural disasters (United Nations High Commissioner for Refugees: UNHCR, 2018). This movement is a major issue in contemporary world politics, with economic, demographic, political, and security implications for host countries (Miller & Peters, 2018; Milton et al., 2013; Salehyan & Gleditsch, 2006). The Syrian refugee crisis in particular has captured headlines as countries in the region, as well as throughout Europe, have scrambled to form an appropriate response. Yet, there are important geopolitical considerations as refugees can place fiscal strains on and pose a security risk – if only indirectly – to receiving

³ Militant groups can mobilize among refugee communities and migrants may be subject to anti-foreigner attacks. Thus, the infusion of aid workers, food, shelter, and other humanitarian supplies makes host countries more prone to terrorist attacks, as militants seek to exploit these resources. While refugee assistance is essential to forestall humanitarian catastrophes and should be lauded, without proper security measures in place, aid workers and the resources they provide are subject to attack.

states, although the vast majority of refugees never directly or deliberately participate in violence or arrive in destination countries with hostile intentions (Braithwaite, Salehyan, & Savun, 2019; Hatton, 2016). Fears about immigration played a central role in the leave campaign against the United Kingdom's membership in the European Union (Brexit referendum) and in Donald Trump's presidential campaign in the United States (Arnorsson & Zoega, 2018; Braithwaite et al., 2019; Davis, 2016) and thus investor decisions investing in these markets (Baker, Bloom, & Davis, 2016). Major immigration policies, including the open border concept in the Schengen area, are now under threat. Given the profound impact of flows of migration on the economy,⁴ there is no prior study has investigated the link between migration-related fear sentiments and CBAs. Our paper fills this gap in the literature by exploring whether migration-related fear sentiments deter inbound CBAs.

There is clear evidence of the impact of uncertainty on corporate investment. Pástor & Veronesi (2012) identify policy uncertainty as uncertainty about whether the prevailing government policy will change.⁵ Similarly, Pástor & Veronesi (2013) broadly interpret policy uncertainty as “uncertainty about the government's future actions” (page 521).⁶ This is in line with the models by Bernanke (1983) and Bloom, Bond, & Van Reenen (2007) on the relation between uncertainty and real investment. These models suggest that firms become cautious and hold back on investment in the face of uncertainty. In addition, Bloom (2014) finds that a greater level of micro and macro uncertainty can discourage firms from hiring and investing, and consumers from spending. Kim & Kung (2017) propose asset redeployability as a mediating factor affecting the negative relationship between uncertainty and corporate

⁴ See e.g., Borjas (2003); Card (2005); Preston (2014), and Boeri et al., (2015).

⁵ Pastor and Veronesi (2012) identify so defined policy uncertainty as one of the elements of government policy uncertainty. The other aspect is uncertainty of the effect of a fresh government policy on corporate profitability, which relates to uncertainty.

⁶ In the Pastor and Veronesi (2013) model, investors respond to a policy news stream (political shocks) that update their views about the probability of multiple future policymaking measures. Political shocks orthogonally affect the supply of resources and the effects of present government policies orthogonally.

investment. They indicate, in specific, that companies with reduced asset redeployability results are lowering their investment costs more than those whose assets are more redeployable, following a rise in uncertainty. This paper complements the literature by considering, an important underlying cause of uncertainty: the degree of migration-related fear sentiments

Fear and anxiety have been shown to momentarily decrease the readiness of investors to take risks by making them more pessimistic about future returns (Kaplanski & Levy, 2010). Our analysis is therefore driven by the literature on psychology, which shows that exposure to extreme adverse occurrences, such as fears about terrorism and waves of refugees, adversely affects people's emotions as they cause powerful emotions of fear and anxiety. The result is a degree of pessimism among people, which in turn affects their risk assessments in unrelated areas (Lerner, Gonzalez, Small, & Fischhoff, 2003; Lerner & Keltner, 2001). Abadie & Gardeazabal (2008) provide a theoretical model for the relationship between terrorism and investment in particular, suggesting that terrorism has two primary economic impacts. First, it has a tangible effect because it destroys physical and human productive capital. Second, it has an intangible impact that raises financial/economic agents' rates of uncertainty and fear and distorts human productive behavior. In particular, target companies may lose important risk-averse employees or face the challenge of hiring fresh employees, particularly extremely qualified workers (BenYishay & Pearlman, 2013). In addition, the adverse psychological effect of fears about terrorism and waves of refugees is likely to decrease current workers' work satisfaction, involvement, effort, learning and creativity (Ahern, 2018; Becker & Rubinstein, 2011). Consequently, firm human capital productivity is handicapped and the expected return to investment in the afflicted areas declines.

We particularly focus on CBA activities because, apart from enable firms to access new markets and benefit from economies of scale and scope (Erel, Liao, & Weisbach, 2012), there

is recent evidence that target firm human capital is a significant determinant in CBA investment decisions.⁷ Additionally, human capital provides a potential channel through which migration-related sentiment affects CBA activities, making target firms in such locations less attractive.⁸ Hence, migration-related fear sentiments impact are highly relevant in this context. Building upon the established theoretical literature related to the effects of uncertainty on investment (Bernanke, 1983; Bloom, 2009) and above associated arguments, which suggest that investments on firms located in areas with security unforeseen shocks are of higher uncertainty and lower expected return (implying lower bargaining power for these firm), we predict that firms in migration-related fear sentiments afflicted locations should i) experience lower probability of receiving acquisition bids; ii) decreases the probability of deal completion; and iii) their takeover process is lengthier.

We use the migration-related fears index (henceforth, MF) index developed by (Baker, Bloom, & Davis, 2015) as a proxy for migration-related fear sentiments in France, Germany, the United Kingdom and the United States to examine its effect on inbound CBAs. The MF index has been constructed based on newspaper coverage of certain combinations of words referring to migration and fear. The MF index significantly correlates with events such as major immigration policies, including Europe's recent waves of refugees, security fears and terrorist attacks.

We begin our analysis by investigating the relationships between migration-related fear sentiments and the number and volume of CBA deals at the industry level. We run the industry level regressions with either the natural logarithm of the number of CBA deals or the natural

⁷ See e.g., Tate and Yang, (2015, 2016); Ouimet and Zarutskie (2016) and Lee et al. (2018). Acquiring firms prefer to use M&A to boost their labor efficiency through economies of scale to rapidly satisfy increasing customer demand.

⁸ This is due to: i) acquirers' Chief executive officers (CEOs) safety uncertainty and fear; and/or ii) reduction in target firm human capital productivity.

logarithm of the aggregate inbound CBA deal volume for each industry in a given year as the dependent variable. We find that MF index is negative (-0.0195 to -0.0326 for number of inbound CBA and -0.262 to -0.304 for inbound CBA deal volume) and significant at the 1% level. Further this is supported by the Tobit regression. We also find that the overall negative impacts of MF on CBA variables significance reduces in subsequent quarters, suggesting that the negative effects of migration-related fear sentiments on inbound CBA activities are normally time bound and higher around the events of MF index spikes. To confirm this link we run a difference-in-differences (DiD) model using 9/11 and ERC as exogenous shock. Consistent with the view that nationalism negatively impacts inbound CBA, we find that in the post shock period the inbound CBA significantly declines among the firms located in a country with right-wing leaning governments. Further, in support of the human capital theory, we also find that the negative impact of fear on inbound CBAs is greater in labor-intensive industries. The results still hold when we conduct a double DiD, that is Fear significantly reduces inbound CBAs among firms in countries with right-wing leaning government and belonging to labor intensive industry.

We extend our analysis further by examining the effect of migration-related fear sentiments on the probability of a firm being acquired. The empirical analysis shows a significantly negative association between migration-related fear sentiments and the probability of a firm being acquired. We calculate the marginal effects to assess the economic magnitude of the probit coefficients and it indicates that when MF index increases by 1% the probability of the firm being acquired reduces by 2.19%. Our results remain robust when controlling for potential endogeneity bias. Using DiD analysis under similar setup we find that countries with far-right parties are negatively associated with the probability of being acquired at the 1% significance level (marginal effect is a reduction by a probability of 2.25%). Further, the effect of migration-related fear sentiments on the probability of deal completion decreased after the

9/11 and ERC given the finding that the interaction coefficients of treated far-right parties variables with post- 9/11 and ERC period are negative and significant at 1% significance level (marginal effect is a reduction by a probability of 9.28%).

Furthermore, we document that migration-related fear sentiments can reduce the probability of deal being completed, and can also delay the inbound CBA process increasing the time to completion. The complexities of the negotiation process after the signing of an initial merger agreement can be affected when the dialogue with uncertainty about future security fears and anxiety about social and economic consequences. We consistently find that MF index significantly decreases the probability of deal completion and increases the deal completion duration (i.e., the length of deal negotiation measured by the number of calendar days between the announcement date and the completion date) for up to two quarters following the heightened fear sentiments. The size of the effect is meaningful. The marginal effects of the probit coefficients indicate that a 1% increase in MF index reduces the probability of inbound CBA deal completion by 5.08% in the second quarter and increases the deal duration by 31.58 calendar days, which is about 27.8% of average deal duration of 43.75 days in our sample. These results on the deal completion process complement the fears and anxiety explanation of the negative relationship between uncertainty and CBA activity.

Our paper contributes to a new and growing literature linking policy uncertainty to corporate investment (economic outcomes). Bloom et al. (2007) and Bloom (2009) among others, analytically and empirically show that marked increases in uncertainty after major shocks, such as the 9/11 terrorist attacks, have a significant impact on investment, output, and employment. Using the policy uncertainty index constructed by Baker et al. (2016) and firm-level investment data, Gulen & Ion (2016) find strong support for the argument that policy uncertainty depresses corporate investment due to investment irreversibility. Recently, Liu,

Shu, & Wei (2017) who analyses the impact of the Bo Xilai political scandal on stock prices of Chinese firms. They show that firms which are more sensitive to monetary and fiscal policy and firms with political connections are more affected when political uncertainty increases. Our study extends the line of recent studies which focus on the microeconomic effects by showing that migration-related fear sentiments have economically significant effects on CBAs. We find that migration-related fear sentiments impose a significant cost on CBA flows.⁹ It lends support to the view that the security fears and anxiety not only impact political policies, social and psychological wellbeing, but also has real economic effects.

We also contribute the literature of the impact of populism and nationalism on corporate risk decisions. While Serdar Dinc & Erel (2013) provides a detailed link between the nationalist government influences on economic impact on mergers, we extend this line of literature by linking the migration fear induced populism resulting in nationalist government negative impacts inbound CBA activities.

Finally our paper also contributes to a growing literature on the role of labor and human capital in finance. In the M&As literature, Ouimet & Zarutskie (2012) find evidence that firms pursue M&As to acquire employees. Along similar lines, Tate & Yang (2015) find that inter-industry worker mobility motivates diversifying acquisitions while Lee, Mauer, & Xu (2018) show that human capital complementarity is an important determinant of M&As. In this regard, we offer a fresh perspective on CBA activities, specifically, we provide an economic explanation behind these results (i.e., distortion of human capital due to safety, uncertainty and fear) sourced by both behavioral and rational elements.

⁹ This is in line with recent studies which document high policy uncertainty hinder M&A activities (Nguyen and Phan, 2017; Bonaime et al., 2018)

The rest of the paper proceeds as follows: Section 2 discusses related literature; Section 3 describes the data, and Section 4 contains regression results; Section 5 concludes the paper.

2. Related literature and hypothesis development

To develop predictions regarding the determinants of migration-related sentiment we refer to the theoretical and empirical literature on policy uncertainty. We also consider the effects of migration-related sentiment on CBAS activity via the channel of human capital.

2.1 Uncertainty and Corporate Investment (Economic Outcomes)

The seminal work of Bernanke (1983) provided a hypothetical model illustrating the connection between country's monetary, fiscal, or macroeconomic policies and firms delay investment in the face of uncertainty. Essentially, Bloom et al. (2007) show that a change in the regulatory environment increases real option values, making firms more cautious when investing or disinvesting. Similarly, Bloom (2014) shows that uncertainty about future stock prices, as measured by implied volatility, is negatively associated with returns on the stock market.

Kim and Kung (2016) propose the redeployment of resources as an interpersonal factor influencing the negative link between uncertainty and corporate investment. More specifically, they indicate that firms with reduced asset redeployability results are lowering their investment spending more than firms with more redeployable resources, following a rise in uncertainty. Baker et al. (2016) present a novel proportion of economic policy uncertainty and discover that the reverse link between policy uncertainty and investment is greater for economic industries that are more vulnerable to policy modifications. Gulen and Ion (2016) report a comparable outcome and also demonstrate that the unfavourable effect of increasing policy uncertainty on capital investment is considerably greater for firms working in government-exposed sectors

and whose expenditure is more irreversible, supporting the results of Bernanke (1983) and Kim and Kung (2016). Thus we hypothesise the following

H1a: *Ceteris paribus, when the country's migration-related fear sentiment increases, the number (volume) of inbound CBAs should decrease.*

H1b: *Ceteris paribus, when the country's migration-related fear sentiment increases, the probability of receiving acquisition bids of inbound CBAs should decrease.*

H1c: *Ceteris paribus, when the country's migration-related fear sentiment increases, the probability of completing the CBA (time to completion) deal should decrease (increase).*

2.2 Migration-related Sentiment and Nationalism

As noted by Botero et al. (2004), the political environment is an important factor that influences countries' attitude to both migration-related sentiment and CBAs. For example, left-leaning governments tend to be more supportive of immigrants while the right-leaning governments oppose immigration, both of which will directly affect labor policies relating to immigration. To control for such political ideological forces, we include a time-varying measure of the political orientation of the ruling party with respect to economic policy as obtained from World Bank database of Political Institutions. Indeed, a major source of support for far-right parties in Europe has been the fear that immigration will erode welfare state benefits, a fear that is heightened in countries experiencing austerity and recession (see for example Hatton, 2016). Cavaille & Ferwerda (2017) find that support for right-wing populist parties is very responsive to perceived competition with immigrants for in-kind benefits, in their case public housing. Given these arguments we further hypothesise the following

H2a: *Ceteris paribus, post 9/11 and ERC the probability of receiving an acquisition bid for firms in right-wing governed countries must reduce.*

H2b: *Ceteris paribus, post 9/11 and ERC the probability of completing the CBA deal for firms in right-wing governed countries must reduce.*

2.3 Migration-related Sentiment and Human Capital

Forced migrants is a key issue in the security agenda of the United States, Schengen zone and many other countries (Adamson 2006; Rudolph 2003). Existing studies indicate that the likelihood of spillover of conflict rises with a greater influx of refugees from neighbouring conflict-torn nations (Buhaug & Gleditsch, 2008; Salehyan & Gleditsch, 2006).¹⁰ Milton, Spencer, and Findley (2013) even find that refugees are associated with the spread of terrorism across pairs of states. Accordingly, refugees can create security concerns.¹¹ Refugees are certainly the victims of violence, but they can also spread conflict and instability to their host countries, particularly if hosts are unwilling or unable to contain security externalities (Choi & Salehyan, 2013). Choi and Salehyan (2013) suggest that hosting refugees is associated with an increase in terrorism, but that many such attacks are directed at refugees themselves or at the aid workers that assist them. In this respect, the distortive impact of fear and uncertainty on human behaviour can explain agents' reactions to terrorist attacks (Kahneman & Tversky, 2013; Tversky & Kahneman, 1973).

In addition to overt security risks, other scholars have found evidence that a large influx of refugees can place strains on the economy of receiving countries, such as employment losses

¹⁰ On the contrary, some studies show no evidence for a direct relationship between forced migrants arriving in Europe and the risk of terrorism in the European Union. For example, Howard (2010) contends that there is no causal link despite post-9/11 fears (see also Guild, 2003).

¹¹ Militant groups can mobilize among refugee communities and migrants may be subject to anti-foreigner attacks. Thus, the infusion of aid workers, food, shelter, and other humanitarian supplies makes host countries more prone to terrorist attacks, as militants seek to exploit these resources. While refugee assistance is essential to forestall humanitarian catastrophes and should be lauded, without proper security measures in place, aid workers and the resources they provide are subject to attack.

among native informal workers and increases in the rents of higher quality housing units (Tumen, 2016). Moreover, particularly associated with human capital productivity, fear and uncertainty can exacerbate feelings of racism, xenophobia and discrimination based on people's ethnic origin, migration status or religion (Birkelund, Chan, Ugreninov, Midtbøen, & Rogstad, 2019), often leaving certain groups out of the labour market. These effects reduce the attractiveness of the local labour market to bring in human capital, and also decrease human capital supply in terrorism-afflicted areas, since risk-averse human capital will prefer to locate in safer places.

The above problems can be further improved in firms that base their duties on profoundly human capital. Extremely talented employees increase firm effectiveness; however, they are more sensitive to the risk of fear mongering of than lower-talented representatives (Amior, 2015).¹² Thus, exceedingly talented workers require better life quality conditions, and have expanded impetuses to switch employments into more secure situations (Docquier, Lohest, & Marfouk, 2007; Dreher, Krieger, & Meierrieks, 2011).

Additionally, the increased fear and safety uncertainty can reduce job satisfaction, participation, effort, learning, and creativity of the employees, and consequently decrease their productivity. Along these lines, the psychology literature (See, for instance, Galea, Ahern, & Resnick, 2002; Hughes et al., 2011) suggests that security concerns affect individuals' sentiment adversely, as strong feelings of fear, anxiety, and depression are common even for people who are not directly exposed to the attacks. In this respect, Ryan, West, & Carr (2003) report that security concerns generate fears, and affect psychologically employees who become pessimistic about the future, and adopt anti-productive attitudes. For example, (Byron &

¹² Earlier research demonstrates that exceptionally talented representatives have high geographic versatility, and can secure positions effectively and rapidly (Gottschalk, 1997).

Peterson, (2002) and Ksoll et al. (2016) show that security concerns lead to high employee absenteeism in the workplace.

In general, previous evidence suggests that the fear of offshoring affects human capital. First, from the acquirer side, fear affects human capital due to CEOs safety uncertainty which deter them from buying fear target firms. Second, considering that human capital is an important factor in acquisition investments (Tate and Yang, 2015, 2016, Ouimet and Zarutskie, 2016 and Lee et al., 2018). We argue that a moderator (and another potential explanation behind the effects of migration related to fears and economic policy uncertainty on CBAs) is the decrease in target firm human capital productivity.

H3: Ceteris paribus, post 9/11 and ERC compared to firms where the labour intensity is lower, the number (volume) of CBAs among firms where the labour intensity is higher must reduce.

3. Data, descriptive statistics and preliminary evidence

In this section, we describe our CBA deals data as well as Baker et al. (2015) migration-related fear sentiments indicator and outline our sources for macroeconomic uncertainty-level, country-level, industry-level, and firm-level control variables. The data on firm/industry and deal characteristics are obtained from the S&P Capital IQ and matched with Thomson Financial's Global M&A Database (formerly known as SDC) and includes all acquisition deals (domestic and cross-border). For our study we integrate S&P Capital IQ firm level data with the CBA deals data from SDC using the target company International Securities Identification Number (ISIN). We use fuzzy matching at 90% similarity score for target companies with no ISIN. Further, we perform a manual audit on these fuzzy matched firms to remove any bad

matches¹³. The data on our macroeconomic level variables come primarily from the World Bank's World Development Indicators Database (WDI).

3.1 CBA deals

Keeping in view that Baker et al. (2015) migration-related fear sentiment is available for only four countries i.e., USA, UK, Germany and France, we limit our sample for deals involving target's domicile in these four countries within the sample period from 1995 to 2017. In line with literature, we exclude leverage buyouts, spinoffs, recapitalizations, tender offers, exchange offers, recapitalization, share repurchases, tender offers, and buyback transactions (Erel et al., 2012). The acquisition represents a transfer of control, meaning that the bidder aims to bring its ownership in the target to more than 50% (Rossi & Volpin, 2004).¹⁴ To ensure that the acquirer enjoys control of the target, we only include deals that fulfil this criteria. Further we retain deals with transaction value of at least 50 million US dollars.¹⁵

In Table 1 we present the distribution of the number and volume of inbound CBA deals for the sample period. We identify 29,540 inbound CBA deals which is approximately 21% of total 140,527 unique M&A deals. Among the countries under study, the maximum number (volume) of inbound CBA deals in our sample is from USA which is 14,411 (USD 51,178.55 million).

[Insert Table 1 here]

¹³ All variable definitions and sources are summarized in Table A1 in the Appendix.

¹⁴ If the firm receives multiple bids during a given year, the first deal is considered in our analysis.

¹⁵ We add this filter only for deals for which the transaction value is available.

3.2 Measuring Migration-Related Fear Sentiment

We rely on data for the migration-related fear sentiment provided by Baker, Bloom, & Davis (2015).¹⁶ The MF index is available for the USA, UK, Germany and France at a quarterly frequency and is constructed by counting the number of newspaper articles with at least one term from two different set, i.e. migration (“border control”, “Schengen”, “open borders”, “migrant”, “migration”, “asylum”, “refugee”, “immigrant”, “immigration”, “assimilation”, “human trafficking”) and fear (“anxiety”, “panic”, “bomb”, “fear”, “crime”, “terror”, “worry”, “concern”, “violent”) and then dividing by the total count of newspaper articles (in the same calendar quarter and country).¹⁷ We present the mean and standard deviation of MF index for each of the target’s domicile under study in Table 1. We see Germany has the largest mean value of the MF index at 221.32 and USA with the lowest mean value at 107.21.

3.3 Other Variables

We include an exhaustive set of host macroeconomic uncertainty, firm, deal, industry-country- level and country level characteristics in our analyses that previous research finds to be associated with the direction of CBA activity. Macroeconomic uncertainty could increase the likelihood that the target’s value decreases in the interim period between deal announcement and completion, discouraging CBA activity (Bhagwat, Dam, & Harford, 2016). We include two proxies for macroeconomic uncertainty characteristics. First, we control for immigration related economic policy uncertainty (MEPU) with the index provided by Baker et al. (2015) available for the USA, Germany, France and the UK at a quarterly frequency.¹⁸ Second, we

¹⁶ The index available at (<http://www.policyuncertainty.com/>; see also: <http://voxeu.org/article/immigration-fears-and-policy-uncertainty>).

¹⁷ The counts are obtained from “Le Monde” for France, “Frankfurter Allgemeine Zeitung” and “Handelsblatt” for Germany, the “Financial Times” and the “Times of London” for the United Kingdom, and US newspapers indexed by the Access World News Newsbank database for the United States.

¹⁸ The MEPU is constructed by counting the number of newspaper articles with at least one term from economy (“economic,” “economy”) and policy (“regulation,” “deficit,” “white house,” “legislation,” “congress,” “federal

control for geopolitical risk (GPR) using the a monthly index based on a tally of newspaper stories that contain terms related to geopolitical tensions (Caldara & Iacoviello, 2018).¹⁹

We control for a host of firm-level characteristics. Smaller sized firms, on average, are more likely to receive an acquisition. Following the literature, we control for firm size (*Firm size*) by taking the natural logarithm of total assets (Moeller, Schlingemann, & Stulz, 2004; Palepu, 1986). While, Palepu (1986) finds a negative relation between leverage and takeover bids, Stulz (1988) show that a target firm's higher leverage results in greater takeover premium offer. We therefore we control for leverage (*Leverage*) defined as the ratio of the sum of long-term and short-term debt to total assets. On one hand, cash holding may decrease the probability of being acquired because they might be used by the firm to defend against the bid; on the other hand, cash may attract the attention of some bidders who might want, by acquiring the target firm, to also add cash reserves into their firms' balance sheets. (Crocì et al., 2016). Therefore, we use ratio of the cash and short-term investments divided by total assets as proxy for Cash holding (*Cash holding*). Palepu (1986) predicts a positive relation between firm sales growth and the probability to receive a bid. Hence, we control for year on year changes in sales (*Sales growth*). An inefficient management hypothesis suggests that firms with efficient managers are more likely to acquire inefficiently operating targets to enhance the value of the combined firm. The theory also predicts that the bidding companies are expected to have strong performance

reserve”) and uncertainty (“uncertainty,” “uncertain”) and then dividing by the total count of newspaper articles (in the same calendar quarter and country).

¹⁹ The authors construct various GPR indices by counting the occurrence of words related to geopolitical tensions derived from automated text searches in 11 leading national and international newspapers including the Boston Globe, the Chicago Tribune, the Daily Telegraph, the Financial Times, the Globe and Mail, the Guardian, the Los Angeles Times, the New York Times, the Times, the Wall Street Journal and the Washington Post. The index is constructed by searching the electronic archives of each newspaper from January 1985 to April 2016 for eight phrases, namely: “geopolitical risk(s)”, “geopolitical concern(s)”, “geopolitical tension(s)”, “geopolitical uncertainty(ies)”, “war risk(s)” (or “risk(s) of war”), and “military threat(s)”, “terrorist threat(s)”, “terrorist act(s)”, and “Middle East AND tensions”. Based on these search criteria, Caldara and Iacoviello (2016) calculate the index by counting for each of the above-mentioned 11 newspapers, for each month, how many articles contain the search terms above. The index is then normalized to average a value of 100 in the 2000–2009 decade. The GPR index include not only terror attacks, but also other forms of geopolitical tensions like war risks, military threats and Middle East tensions, and hence capture a wider array of exogenous global uncertainty.

whilst targets of merger and acquisition activity demonstrate poor performance (Morck, Shleifer, & Vishny, 1990; Palepu, 1986). We include return on assets (*ROA*) to control for managerial quality measured as the ratio of the income before interest, tax depreciation and amortization (EBITDA) to total assets.

We control for a host of deal-level characteristics. Prior literature has documented that typically diversifying CBAs are associated with lower takeover premium (Officer, 2003). To control for deal diversification, we include a dummy variable that takes the value of 1 if the target and bidder firms operate in the different industries using 48 Fama-French industry classification (FF-48) and 0 otherwise (*Diversifying*). While, Huang & Walkling (1987) report that takeover premium in cash-financed acquisitions is larger than the one paid in stock transactions, Hansen's (1987) model predicts that stock is more likely to be used by acquiring firms when there is considerable uncertainty about the value of the target. We control for cash deals by including a dummy variable (*Cash deal*) with a value equal to 1 if the complete consideration of the CBAS deal is in cash, and 0 otherwise. Schwert (2000) finds that tender offers and hostile deals have a positive relation with the premium offered. Hence, to see how deals reacts to the offer, we include a dummy variable (*Tender offer*) which take takes the value of 1 if a bid is structured as a tender offer, 0 if it is a merger. We also include a dummy variable (*Hostile deals*) which take the value of 1 if SDC classifies a bid as hostile and 0 otherwise.

We control for a host of industry-country-level characteristics. Harford (2005) show that mergers are clustered in time within industries. Furthermore, he finds that, capital liquidity of the economy positively affects the aggregate level of likelihood of an acquisition. To account for the liquidity of corporate assets within an industry, we include in our analysis the (*Industry CBAs liquidity*) variable measured as the sum of deal values for each FF-48 industry and year divided by the total assets of firms in the same FF-48 and year. Industry concentration might

also influence the propensity of firms to conduct acquisitions as firms in highly concentrated industries have fewer competitors that can serve as targets reducing the number of within-industry acquisitions (Harford & Uysal, 2014). To proxy for Industry concentration we use the Herfindahl index (*Herfindahl*) defined as the sum of squares of the market shares of all firms sharing the same FF-48 industry. Further, for the industry-country-level control variables following Billett & Xue (2007) and Chen, Kacperczyk, & Ortiz-Molina (2012) we include the industry-country median of the following variables: Firm size, leverage, ROA, sales growth, and cash holding.

We control for a host of country-level characteristics. Underlying economic conditions (e.g., level of economic development and growth), and trade relations are highly correlated with cross-country differences in the overall investment climate (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998). To control for country-level economic development and growth, we include the natural logarithm of yearly GDP per capita (*Log GDP per capita*) and the annual growth in real GDP (*GDP growth*). To record a country's level of foreign trade, we calculate the ratio of imports and exports to GDP (*Trade openness*). Bailey (2018) argues that institutional factors, such as bureaucratic quality, rule of law and corruption are important factors influencing FDI. Following Erel et al. (2012) and Bekaert, Harvey, & Lundblad (2005), among others we proxy for a country's institutional environment by including time-varying indices taken from the International Country Risk Guide's (ICRG) database and capturing: (i) (*Quality of institution*) calculated by summing three different indexes capturing the level of corruption, quality of law and order, and bureaucratic quality. We normalize it on a scale of 0-1 with the higher score indicating countries with higher institutional quality and vice versa. (ii) (*Investment profile*) determined by summing three sub-indexes that specifically capture the quality of the environment for foreign investments. These indexes are risk of expropriation or contract viability, payment delay and repatriation of profits. Each of these sub-components is

scored on a scale from 0 (very high risk) to 4 (very low risk). We normalize the 0-12 index on a scale of 0-1 with one representing potentially very high risk.

3.4 Descriptive Statistics

The descriptive statistics are displayed in Table 2. While we have 29,540 inbound unique CBA deals. 26,609 deals were completed on an average of 43.75 days. We have 448 quarterly observations for the MF, MEPU and GPR index, which we then assign to the entire sample of firms under study.

[Insert Table 2 here]

Further we observe that 4135 inbound CBA deals (14% of total inbound CBA deals) are between firms belonging to different industries and around 7% of the inbound CBA are through 100% cash consideration.

3.5 Preliminary Evidence

Consistent with the evidence presented by Baker et al. (2015) that this MF captures migration-related fear sentiments, Figure 1 and 2 shows that MF index clearly increases around events which are ex-ante expected to increase migration-related fear sentiments, such as ERC, Paris attacks and USA 9/11 terrorist attacks.

[Insert Figure 1 here]

[Insert Figure 2 here]

Further, we plot the trend of number (volume) of CBA deals in figures 1 (2) with the MF index. We observe that the CBAs trends normally decline following the increase in MF index.

4. Empirical Results

4.1 Industry-level Analysis

We begin our analysis by examining the effect of migration fear on inbound CBA activities. Using country-industry-level data, we estimate the following specification:

$$CBAs_{kjt} = \alpha + \beta_1 MF\ index_{k(t-l)-1} + \beta_2 MEPU\ index_{kt-1} + \beta_3 GPR\ index_{t-1} + \beta_4 IND_{jkt-1} + \beta_5 C_{kt-1} + \alpha_j + \alpha_k + \epsilon_{jkt}, \quad (1)$$

The dependent variable, $CBAs_{jkt}$, is the either number of CBA deals or the CBA deals volume in the industry j of the country k , in the quarter t , and l is the number of lags in which $l \in \{0,1,2,3\}$. $MF\ index_{kt-1}$ is the variable of interest and its co-efficient captures the effect of migration fear. $MEPU\ index_{kt-1}$ is the migration economic policy uncertainty and $GPR\ index_{t-1}$ is the index that controls for geopolitical risk. We use MF and MEPU index lagged by one period to alleviate endogeneity concern. IND_{jkt-1} is a vector of industry-country-level control variables (total assets, leverage, ROA, cash to assets, sales growth and Herfindahl index) and C_{kt-1} is a vector of country-level characteristics (GDP growth, GDP per capita, trade openness, investment profile and institutional quality). All control variables are lagged by one year to ensure that they are exogenous to frequency of CBAs and industry controls are winsorised at 1% and 99%. The model further includes α_j to control for Fama–French 48 industry-fixed effect and α_k to control for unobserved country-specific factors.²⁰ Finally, we use the heteroscedasticity-robust standard errors clustered by industries for statistical inference.²¹

²⁰ Because industries are subject to the same migration related to fears and economic policy uncertainty in a given year, we do not include year fixed effects in the regressions because they will capture most of the explanatory power of MF index and MEPU index (Gulen & Ion, 2016; Nguyen & Phan, 2017). However, we control for time-varying macroeconomic conditions by including variables that proxy for macroeconomic forces in our Eq. (1).

²¹ Clustering the standard errors by year qualitatively similar results.

We present the results of equation (1) in Table 3, where CBA_{kjt} is the number of inbound CBA deals in the industry j . While models [1] to [5] are Regression fixed effects model, we run a Tobit model for and present them in [6]. We run the equation (1) with which $l \in \{0,1,2,3\}$ and present the results in models [1] through [5]. While we observe that the MF is significantly negative in the range of -0.195 to -0.326 when lagged by one quarter, the time sensitivity analysis with longer quarter lags reduces the significance. With no significant effects when MF is lagged by 4 quarters. These results indicate that the number of inbound CBA significantly reduces in the immediate quarter following a rise in MF index. Further, the Tobit analysis also indicate a similar significant negative relationship between number of inbound CBA and MF index.

[Insert Table 3 here]

We further present the results of equation (1) in Table 4, with CBA_{kjt} the inbound CBA deals volume of the industry j . While models [1] to [5] are Regression fixed effects model, we run a Tobit model for and present them in [6]. We run the equation (1) with which $l \in \{0,1,2,3\}$ and present the results in models [1] through [5]. While we observe that the MF is significantly negative in the range of -0.262 to -0.304 when lagged by one quarter, the time sensitivity analysis with longer quarter lags reduces the significance. With no significant effects when MF is lagged by 4 quarters. These results indicate that the volume of inbound CBA significantly reduces in the immediate quarter following a rise in MF index. Further, the Tobit analysis also indicate a similar significant negative relationship between volume of inbound CBA and MF index.

[Insert Table 4 here]

Collectively, the results in Table 3 and 4 strongly characterize migration related fears as a key determinant of inbound CBAs activity at the industry level. We further see that the

control variables have the expected signs. The result is consistent with the hypothesis of deferring investment decisions that is, *ceteris paribus*, migration related fear will deter foreign firms from making inbound CBAs.²²

4.2 Industry-Level Difference-in-Differences Analysis

The media-based measure of migration-related sentiment can be argued to provide a plausible source of exogenous variation in both migration-related sentiment given that are directly derived from the reporting of major newspapers in the sample countries (Baker et al., 2016). However, there may be possibility that the multi-country continuous measure of migration-related sentiment may be endogenous to other macro-economic events. As such, to further address the endogeneity concern we exploit two exogenous shocks, the first being 9/11 terrorist attack in the USA and second the unprecedented levels of European refugee crisis (ERC) in 2015 for the European countries and the USA in a Difference-in-differences (DiD) design.

We use two alternative treatment groups, one based on whether the firm belongs to a country with left-leaning or right-leaning government and second based on industry labor-intensity. In the first case, we generate a dummy variable *Right wing* which takes the value of one for firms belonging to the target country with a right wing leaning government (“treatment group” or “treated firms”) and zero for firms when the target country has a left-leaning governments (“control group” or “control firms”). Similarly, in the second case the dummy variable *Labor intensity* takes the value of one if the firms belongs high labor intensity industry (“treatment group” or “treated firms”) and takes the value zero if the firms belongs to low labor intensity industry (“control group” or “control firms”)²³. We run the following specification:

²² Our results are qualitatively similar when using domestic acquisitions only.

²³ An industry is classified as a high labor intensity industry if its labor intensity is above the median value.

$$\begin{aligned}
CBAs_{jkt} = & \alpha + \beta_1(Treated_i \times Post_t) + \\
& \beta_2 MEPU index_{kt-1} + \beta_3 GPR index_{t-1} + \beta_4 IND_{jkt-1} + \beta_5 C_{kt-1} + \\
& \alpha_j + \alpha_k + \epsilon_{jkt},
\end{aligned} \tag{2}$$

The dependent variable, $CBAs_{jkt}$, is the either number of inbound CBA deals or the inbound CBA deals volume in the industry j of the country k , in the quarter t , and l is the number of lags in which $l \in \{0,1,2,3\}$. $Treated_i$ is dummy variable *Right wing* or *Labor intensity*, $Post_t$ dummy variable takes the value of zero three years before the exogenous shocks (1997-2000 for 9/11 and 2012-2014 for ERC) and takes the value one for three years from and including the year of the exogenous shock (2001-2003 for 9/11 and 2015-2017 for ERC). $Treated_i \times Post_t$ is our DiD estimate of causal effect of the 9/11 and ERC on CBAs. All other variables are as defined in Sub-Section 4.1 and industry controls are winsorised at 1% and 99%. The model further includes α_j to control for Fama–French 48 industry-fixed effect and α_k to control for unobserved country-specific factors. Finally, we use the heteroscedasticity-robust standard errors clustered by industries for statistical inference.

Results of DiD using the equation (2) are presented in Table 5. The DiD coefficient of the interaction term ($Treated_i \times Post_t$) is negative and statistically highly significant at the 1% significance level. Models [1] and [4] results indicate that post the 9/11 and ERC shocks, resulting in higher MF, the number of inbound CBA deals (inbound CBA deals volume) significantly reduces among the treated firms belonging to the country with right-wing leaning governments.

Similarly, Models [2] and [5] results indicate that post the 9/11 and ERC shocks, resulting in higher MF, the number of inbound CBA deals (inbound CBA deals volume) significantly reduces among the treated firms belonging to high labor-intensive industries. The

result is consistent with the defer investment decisions and thus support our hypothesis *Ceteris paribus*, post 9/11 and ERC compared to firms where the labour intensity is lower, the number (volume) of CBAs among firms where the labour intensity is higher must reduce.

[Insert Table 5 here]

We further, run a double DiD by interacting *Right wing*, *Labor intensity* and $Post_t$ dummy variables and present the results in Model [3] and [6] of Table 5. In the post the 9/11 and ERC shocks, the labor-intensive firms belonging to the rightwing leaning counties experience a significant reduction in the number of inbound CBA deals and inbound CBA deals volume when compared to other firms in the target country.

4.3 Firm-Level CBAs Decisions Analysis

To further triangulate our conjecture that migration-related sentiment is a non-trivial inhibitor of CBAs, in this section, we examine if a firm shift CBAs decision by extensive margins by examining the effect of migration-related sentiment of the four countries on the inbound CBAs of that country. As such, migration-related sentiment could pose a serious and irrevocable costs on a firm's decision to invest in a foreign territory, this may reflect not only on scaling down the investments and frequency in CBAS activity, it may also decrease the propensity to undertake CBAs (Bernanke, 1983; Pastor and Veronesi, 2012, 2013). CBAs tend to be risky investments, as such, potential acquirers will delay CBAs until target country uncertainty resolves itself. Given the large capital commitment to and the irreversibility of CBA deals, we predict a negative relationship between migration-related sentiment with the target country firms' propensity of being acquired. We employ probit regression model estimate the following specification:

$$\begin{aligned}
\textit{Being Acquired}_{it} = & \alpha + \beta_1 \textit{MF index}_{k(t-l)-1} + \\
& \beta_2 \textit{MEPU index}_{kt-1} + \beta_3 \textit{GPR index}_{t-1} + \beta_4 \mathbf{X}_{it-1} + \\
& \beta_5 \textit{IND}_{jkt-1} + \beta_6 \mathbf{C}_{kt-1} + \alpha_j + \alpha_k + \epsilon_{it}
\end{aligned} \tag{3}$$

where $\textit{Being Acquired}_{it}$ is a dummy variable which takes the value of one if the firm has received at least one bid during the year and zero otherwise. \mathbf{X}_{it-1} is a vector of firm level control variables (*Total assets*, *Leverage*, *ROA*, *Cash to assets* and *Sales growth*). All other variables are as defined in Sub-Section 4.1. Firm and industry controls are winsorised at 1% and 99%. The model further includes α_j to control for Fama–French 48 industry-fixed effect and α_k to control for unobserved country-specific factors. Finally, we use the heteroscedasticity-robust standard errors clustered by firm for statistical inference.

The results of the equation (3) are presented in Table 6. We observe that for all models [1] to [6], the propensity of the firm being acquired significantly reduces (range of -0.33 to -0.105) even when the MF is lagged up to a year.

[Insert Table 6 here]

Further we also predict that when migration-related fear sentiments increase the propensity of deal completion should decrease and the time taken to complete the deal should increase. To test these deal level impact, we employ probit regression models using the following specifications:

$$\begin{aligned}
\textit{Deal_completion}_{dt} = & \alpha + \beta_1 \textit{MF index}_{k(t-l)-1} + \\
& \beta_2 \textit{MEPU index}_{kt-1} + \beta_3 \textit{GPR index}_{t-1} + \beta_4 \mathbf{X}_{it-1} + \\
& \beta_5 \textit{IND}_{jkt-1} + \beta_6 \mathbf{C}_{kt-1} + \beta_7 \mathbf{D}_d + \alpha_j + \alpha_k + \epsilon_{it}
\end{aligned} \tag{4}$$

$$\begin{aligned}
Time_completion_{dt} &= \alpha + \beta_1 MF\ index_{k(t-l)-1} \\
&+ \beta_2 MEPU\ index_{kt-1} + \beta_3 GPR\ index_{t-1} + \beta_4 X_{it-1} \\
&+ \beta_5 IND_{jkt-1} + \beta_6 C_{kt-1} + \beta_7 D_d + \alpha_j + \alpha_k + \epsilon_{it}
\end{aligned} \tag{5}$$

where $Deal_completion_{dt}$ is a dummy variable which takes the value of one if the deal d is completed and zero otherwise and $Time_completion_{dt}$ is the number of days taken for the deal to complete. D_d is a vector of deal level control variables (*Diversifying*, *Cash deal*, *Tender Offer* and *Hostile bid*). All other variables are as defined in Sub-Section 4.1. Firm and industry controls are winsorised at 1% and 99%. The model further includes α_j to control for Fama–French 48 industry-fixed effect and α_k to control for unobserved country-specific factors. Finally, we use the heteroscedasticity-robust standard errors clustered by firm for statistical inference.

The results of the equation (4) are presented in Table 7. While Models [1] and [2] without any control variables indicates that the probability of the deal being completed significantly reduces in the quarter following higher MF, the significance disappears when control variables are introduced. However, the probability of the deal being completed is significantly negative in two quarters following higher MF. This indicates that the impact of higher MF may not be immediate.

[Insert Table 7 here]

The results of the equation (5) are presented in Table 8. While Models [1] to [3] indicate that the total time for deal completion is significantly higher one quarter following higher MF. The significance wakens (10% significance level) when MF is lagged by two quarters and then the significance disappears when MF is lagged by 3 quarters or longer. These results are

indicative of the fact that the deals time to completion tend to increase in the immediate aftermath of higher MF.

[Insert Table 8 here]

4.4 Firm-Level DID

We further test the implication of MF on the propensity of being acquired and deal completion using the Difference-in-difference setup. Following Sub-section 4.2, we conduct the analysis at firm and deal level using equation 6 and 7 respectively with the 9/11 terrorist attack and ERC as the exogenous shocks.

$$\begin{aligned} \text{Being Acquired}_{it} = & \alpha + \beta_1(\text{Treated}_i \times \text{Post}_t) + \beta_2 + \\ & \beta_2 \text{MEPU index}_{kt-1} + \beta_3 \text{GPR index}_{t-1} + \beta_4 \mathbf{X}_{it-1} + \\ & \beta_5 \text{IND}_{jkt-1} + \beta_6 \mathbf{C}_{kt-1} + \alpha_j + \alpha_k + \epsilon_{it} \end{aligned} \quad (6)$$

$$\begin{aligned} \text{Deal_completion}_{dt} = & \alpha + \beta_1(\text{Treated}_i \times \text{Post}_t) + \beta_2 + \\ & \beta_2 \text{MEPU index}_{kt-1} + \beta_3 \text{GPR index}_{t-1} + \beta_4 \mathbf{X}_{it-1} + \\ & \beta_5 \text{IND}_{jkt-1} + \beta_6 \mathbf{C}_{kt-1} + \beta_7 \mathbf{D}_d + \alpha_j + \alpha_k + \epsilon_{it} \end{aligned} \quad (7)$$

Treated_i is dummy variable *Right wing* which takes the value of one if the firm belongs to a country with right wing leaning government and value zero otherwise. Post_t dummy variable takes the value of zero three years before the exogenous shocks (1997-2000 for 9/11 and 2012-2014 for ERC) and takes the value one for three years from and including the year of the exogenous shock (2001-2003 for 9/11 and 2015-2017 for ERC). $\text{Treated}_i \times \text{Post}_t$ is our DiD estimate of causal effect of the 9/11 and ERC on the probability of being acquired and that the deal completes. From Table 9 we find that, following high MF, the propensity of being acquired is significantly lower among firms which belong to the right wing leaning governments. Similarly results from Model [2] indicate that the inbound CBAs probability of completion reduces significantly following higher MF, particularly so when the target firm belongs to the right wing leaning government. These results support the

general findings in Section 4.2 indicating the nationalism lowers CBA activities in the wake of heightened fear.

5. Conclusion

This paper provides novel evidence on the impact of migration-related sentiment on inbound CBAs activity. We argue and provide empirical evidence that firms become less attractive to potential acquirers during heightened security fears. We show clear evidence of a negative relationship between migration-related fear sentiment and the number (volume) of inbound CBAs at the industry level. We further, support this finding using a quasi-natural experiment, by exploiting the 9/11 terrorist attack in the USA and European refugee crisis 2015 (ERC) as a source of plausibly exogenous variation in uncertainty, and show that post 9/11 and ERC there is a significant decline in the inbound CBAs. Additionally, we show that following high migration-related fear sentiments the likelihood of receiving an acquisition bid for the firms located in these large economies is lower, and their takeover process is lengthier. We find support to the argument that right-wing leaning nationalist government significantly affect CBAs negatively when migration-related fear sentiments are high.

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Appendix

Table A1. Variable definitions and sources.

Variable name	Definition and source
Dependent variables	
Frequency of CBAS	The total number of CBAS deal per industry-year divided by the number of listed firms per industry-year in a target country (<i>Sources:</i> SDC).
Receiving a bid	Dummy variable that takes the value of one if the firm announced at least one acquisition in year t , and zero otherwise. (<i>Sources:</i> SDC).
Tobin's q	The average market-to-book assets ratio of S&P Capital IQ firms residing in the target country. (<i>Sources:</i> S&P Capital IQ).
Independent variables	
Migration fear	The natural logarithm of the average quarterly Baker et al.'s (2015) migration fear index in a given year (<i>Source:</i> http://www.policyuncertainty.com/immigration_fear.html).
Migration policy uncertainty	The natural logarithm of the average quarterly Baker et al.'s (2015) migration policy uncertainty index in a given year (<i>Source:</i> http://www.policyuncertainty.com/immigration_fear.html).
Industry-Firm-level characteristics	
Total assets	The natural logarithm of total assets (<i>Source:</i> S&P Capital IQ).
Sales growth	Percentage change in sales (<i>Source:</i> S&P Capital IQ).
Leverage	The debt-to-equity ratio. It is calculated as long term debt minus cash and cash equivalents divided by book value of common equity (<i>Source:</i> S&P Capital IQ).
ROA	The return on assets. It is calculated as EBITDA divided by book value of total assets (<i>Source:</i> S&P Capital IQ).
Cash holding	Cash and short-term investments divided by total assets (<i>Source:</i> S&P Capital IQ).
R&D	The ratio of total R&D expenditures to total book assets (<i>Source:</i> Capital IQ).
Capex	Capital expenditures to assets (<i>Source:</i> Capital IQ).
Labor Intensity	The industry median of the natural logarithm of total number of employees (<i>Source:</i> Capital IQ).
High labor Intensity	An indicator that equals to 1 if firm's labor Intensity is above the sample median, and 0 otherwise (<i>Source:</i> Capital IQ).
Herfindahl Hirschman Index	Herfindahl-Hirschman index scaled by sales based on the first two digits of SIC code. Herfindahl-Hirschman ranges from 0 to 1 (<i>Source:</i> Capital IQ).
Country-Level Characteristics	
GDP Growth	Real growth rate of GDP in US dollars (<i>Source:</i> World Bank).
GDP per capita	The natural logarithm of per capita GDP in US dollars (<i>Source:</i> World Bank).
Trade Openness	The ratio of imports and exports of goods and services to GDP (<i>Source:</i> World Bank).
Political orientation of governments	The political orientation of the ruling party with respect to economic policy. The variable equals 1, 2 or 3 if the World Bank classifies government as right-leaning, centrist or left-leaning (<i>Source:</i> World Bank Database of Political Institutions). Left government: Dummy equal to 1 if the governing party is a left-wing party and 0 otherwise. Right government: Dummy equal to 1 if the governing party is a right-wing party and 0 otherwise.
Stock market capitalization	The ratio of total market capitalization of listed companies to Gross Domestic Product (<i>Source:</i> World Bank).
Private credit	The ratio of the private credit provided to private sector to GDP (<i>Source:</i> World Bank).

Investment profile	Time-varying index measuring the government's attitude toward investment. The investment profile is determined by summing the three following components: (1) risk of expropriation or contract viability; (2) payment delays; and (3) repatriation of profits. Each component is scored on a scale from 0 (very high risk) to 4 (very low risk) (<i>Source: ICRG</i>).
Quality of institutions	Time-varying index measuring institutional quality of a country, which is calculated by summing the three following components: (1) corruption; (2) law and order; and (3) bureaucratic quality. High score indicates countries with higher institutional quality and vice versa (<i>Source: ICRG</i>).

Table 1: Sample Composition.

Notes: The table presents number and value of all deals, and number and value of CBA deals by target country. The last row of the table presents summary statistics of variable of interest MF index.

Country	Total number of M&A deals	Total number of CBA deals	Volume of CBA deals in million (USD)	MF index	
				Mean	Standard deviation
France	8,733	3,151	6,504.83	143.50	59.32
Germany	9,441	4,280	11,315.12	221.32	220.91
United Kingdom	31,390	7,698	31,461.47	194.63	122.46
United States	90,963	14,411	51,178.55	107.21	35.75
Total	140,527	29,540	35,499.32		

Table 2: Descriptive statistics.

Variables	Observations	Mean	Standard deviation	Minimum	Maximum
<i>Dependent Variable</i>					
Cross-border deal Frequency	29,540	115.363	59.980	18	253
Deal completion time (days) [‡]	26,609	43.746	14.658	11.116	126.193
<i>Independent Variable</i>					
MF	448	138.006	127.106	4.982	1277.677
<i>Index controls</i>					
MEPU	448	168.179	273.301	6.614	2822.163
GPR	448	85.308	58.867	27.827	464.531
<i>Firm-level-controls</i>					
Total Assets	2,59,835	4.24	2.12	-1.61	6.90
Leverage	3,27,906	69.65	163.24	-287.40	864.50
ROA	2,42,971	-0.11	0.63	-3.42	0.46
Cash to Assets	2,65,144	0.18	0.23	0.00	1.00
Sales growth	2,36,719	26.85	118.43	-100.00	862.50
<i>Industry-level-controls</i>					
Herfindahl	3,35,407	0.015	0.021	0.003	0.132
Liquidity	3,35,407	0.182	0.497	0.002	4.018
Labour Intensity	1,81,200	4.349	1.829	0.000	6.861
<i>Fama-French 48 Industry Averages</i>					
Total Assets (Industry average)	16,372	4.167	1.060	1.281	6.474
Leverage (Industry average)	16,620	40.382	42.917	0.000	224.400
ROA (Industry average)	16,372	0.058	0.075	-0.200	0.221
Cash to Assets (Industry average)	16,372	0.097	0.084	0.005	0.498
Sales growth (Industry average)	15,816	53.102	328.462	-88.839	2937.466
<i>Country-level-controls</i>					
GDP growth	3,42,940	2.205	1.694	-4.188	4.685
GDP per capita	3,42,940	10.565	0.240	10.044	10.994
Trade openness	3,36,899	41.210	17.801	22.150	85.756
Investment profile	3,33,866	10.803	1.541	6.500	12.000
Quality of Institutions	3,42,940	13.250	2.349	0.000	15.000
<i>Country-level-controls</i>					
	<i>Percentage of CBA</i>	<i>Number of CBA</i>			
Diversifying	13.99%	4135			
Cash deal	7.01%	2071			
Tender offer	0.2%	83			
Hostile bid	0.3%	91			

[‡] for deals which are completed

Notes: The table presents the descriptive statistics of dependent variables, variables of interest, macroeconomic indicators, firm-level, country-level and deal-level for the full sample which covers 4 countries over the period 1995–2017. All variables are defined in Table A1.

Table 3 : Migration fear and CBAS activity: target country and industry-level analysis.

	Fixed Effects Models				Tobit Models	
	[1]	[2]	[3]	[4]	[5]	[6]
MF (1 quarter lag)	-0.0195*** (-2.87)	-0.0326*** (-4.29)				-0.0331*** (-3.68)
MF (2 quarter lag)			-0.0130* (-1.73)			
MF (3 quarter lag)				-0.0159* (-1.76)		
MF (4 quarter lag)					-0.00668 (-0.76)	
MEPU		0.0140*** (3.32)	0.00853** (2.14)	0.00901** (2.11)	0.00720* (1.69)	0.0137*** (2.65)
GPR	-0.00705 (-0.76)	-0.00646 (-0.70)	-0.0126 (-1.36)	-0.0131 (-1.41)	-0.0110 (-1.18)	-0.00681 (-0.63)
Industry-level-controls						
Total Assets (Ind avg)	0.00136 (0.23)	0.00110 (0.18)	0.00161 (0.27)	0.00152 (0.25)	0.00182 (0.31)	0.00243 (0.34)
Leverage (Ind avg)	0.000369** (2.21)	0.000372** (2.23)	0.000380** (2.26)	0.000380** (2.26)	0.000382** (2.27)	0.000392* (1.93)
ROA (Ind avg)	0.0654 (0.79)	0.0669 (0.82)	0.0610 (0.75)	0.0620 (0.76)	0.0606 (0.74)	0.0887 (0.92)
Cash to Assets (Ind avg)	-0.00691 (-0.08)	-0.00606 (-0.07)	-0.00236 (-0.03)	-0.00158 (-0.02)	0.000428 (0.01)	-0.0407 (-0.42)
Sales growth (Ind avg)	0.000042*** (3.91)	0.000042*** (3.92)	0.000042*** (3.91)	0.000042*** (3.90)	0.000042*** (3.92)	0.000061*** (3.40)
Herfindahl	0.275*** (4.84)	0.275*** (4.85)	0.276*** (4.84)	0.276*** (4.84)	0.276*** (4.84)	0.332*** (4.52)
Country-level-controls						
GDP growth	-0.0296*** (-9.39)	-0.0291*** (-9.24)	-0.0298*** (-9.37)	-0.0299*** (-9.46)	-0.0302*** (-9.52)	-0.0311*** (-8.32)
GDP per capita	-0.00943 (-0.17)	0.0328 (0.59)	0.0134 (0.25)	0.0155 (0.28)	0.00781 (0.14)	0.0388 (0.61)
Trade openness	0.00836*** (18.47)	0.00876*** (19.02)	0.00847*** (18.95)	0.00849*** (18.81)	0.00838*** (19.02)	0.00963*** (15.75)
Investment profile	-0.0145*** (-3.43)	-0.0151*** (-3.57)	-0.0133*** (-3.15)	-0.0136*** (-3.24)	-0.0127*** (-3.10)	-0.0166*** (-3.22)
Quality of Institutions	-0.0654*** (-11.14)	-0.0672*** (-11.46)	-0.0676*** (-11.44)	-0.0674*** (-11.34)	-0.0678*** (-11.40)	-0.0782*** (-10.54)
R ² (within)	0.424	0.424	0.424	0.424	0.423	
R ² (pseudo)						0.6175
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of industries	48	48	48	48	48	48
Number of observations	9471	9471	9471	9471	9471	9471

The table presents the estimates from OLS regression of CBAS activity. The dependent variable is frequency of CBAS. MF is the quarterly average (over the fiscal year) of the Bakeret al.'s (2015) migration fear index. MEPU is the quarterly average (over the fiscal year) of the Bakeret al.'s (2015) migration economic policy uncertainty index. All independent variables are lagged by one year, and are defined in Appendix Table A1. The sample consists of all targeting firms in 4 countries in the period 1995 to 2017. In all models we include Fama–French 48 industry fixed effects and cluster standard errors by industry-country. Inclusion of fixed effects (FE) is indicated at the end. *t*-statistics are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% level, respectively

Table 4: Migration fear and CBAS Volume: target country and industry-level analysis.

	Fixed Effects Models				Tobit Models	
	[1]	[2]	[3]	[4]	[5]	[6]
MF (1 quarter lag)	-0.304*** (-4.39)	-0.262*** (-2.73)				-1.334*** (-3.22)
MF (2 quarter lag)			-0.252*** (-2.92)			
MF (3 quarter lag)				-0.160* (-1.83)		
MF (4 quarter lag)					-0.140 (-1.44)	
MEPU		0.209*** (4.52)	0.194*** (4.41)	0.182*** (4.30)	0.175*** (4.04)	1.102*** (5.14)
GPR	-0.146** (-2.53)	-0.0562 (-0.51)	-0.121 (-1.07)	-0.116 (-1.03)	-0.0905 (-0.82)	-0.661 (-1.19)
<i>Industry-level-controls</i>						
Total Assets (Ind avg)	-0.0150 (-0.22)	0.0230 (0.37)	0.0214 (0.34)	0.0229 (0.37)	0.0231 (0.37)	0.172 (0.71)
Leverage (Ind avg)	-0.00340 (-1.64)	-0.00343* (-1.79)	-0.00344* (-1.79)	-0.00347* (-1.80)	-0.00348* (-1.82)	-0.0168** (-2.38)
ROA (Ind avg)	-0.973 (-0.99)	-1.178 (-1.36)	-1.201 (-1.39)	-1.238 (-1.43)	-1.246 (-1.43)	-3.067 (-0.94)
Cash to Assets (Ind avg)	-0.131 (-0.12)	0.0908 (0.09)	0.0759 (0.08)	0.125 (0.13)	0.120 (0.12)	-3.877 (-1.04)
Sales growth (Ind avg)	-0.0000752 (-0.78)	-0.0000728 (-0.75)	-0.0000735 (-0.75)	-0.0000777 (-0.80)	-0.0000792 (-0.82)	-0.000245 (-0.83)
Herfindahl	-1.518*** (-3.24)	-0.879** (-2.02)	-0.881** (-2.02)	-0.894** (-2.05)	-0.905** (-2.06)	-3.297** (-2.32)
<i>Country-level-controls</i>						
GDP growth	0.207*** (10.89)	0.00132 (0.03)	0.00274 (0.07)	-0.00471 (-0.12)	-0.00534 (-0.14)	0.233 (1.38)
GDP per capita	1.487*** (9.24)	3.929*** (12.51)	3.947*** (12.24)	4.029*** (12.31)	4.039*** (12.36)	13.34*** (7.74)
Investment profile	0.103*** (3.93)	0.154*** (3.37)	0.152*** (3.46)	0.162*** (3.65)	0.162*** (3.65)	0.142 (0.70)
Quality of Institutions	0.0434 (1.22)	-0.0979** (-2.46)	-0.0998** (-2.58)	-0.115*** (-2.83)	-0.118*** (-2.94)	-0.379** (-2.10)
R ² (within)	0.0667	0.0756	0.0756	0.0749	0.0749	
R ² (pseudo)						0.0879
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of industries	48	48	48	48	48	48
Number of observations	9211	9211	9211	9211	9211	9211

Notes: The table presents the estimates from OLS regression of inbound CBA activity. The dependent variable is volume of CBA. MF is the quarterly average (over the fiscal year) of the Baker al.'s (2015) migration fear index. Depending on specifications, the regressions control for macroeconomic conditions, industry country-level and country-level controls. All independent variables are lagged by one year, and are defined in Appendix Table A1. The sample consists of all targeting firms in 4 countries in the period 1995 to 2017. In all models we include Fama–French 48 industry fixed effects and cluster standard errors by industry-country. Inclusion of fixed effects (FE) is indicated at the end. *t*-statistics are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% level, respectively.

Table 5: Migration Fear, Right wing government, Labor intensity & CBAS

	CBAS Number			CBAS Volume		
	[1]	[2]	[3]	[4]	[5]	[6]
DiD_right_wing [<i>Right wing</i> × <i>Post</i>]	-0.0299** (-2.04)			-0.331*** (-3.80)		
DiD_Lab_int [<i>Labor intensity</i> × <i>Post</i>]		-0.0725*** (-2.69)			-0.403*** (-2.89)	
DiDiD [<i>Right wing</i> × <i>Labor intensity</i> × <i>Post</i>]			-0.0743*** (-2.60)			-0.617*** (-3.16)
MEPU	0.00431 (0.62)	0.0282** (2.13)	-0.0114 (-1.16)	0.0293 (0.67)	0.133** (2.02)	0.0114 (0.21)
GPR	-0.0560*** (-4.30)	-0.0156 (-0.46)	-0.0803*** (-4.81)	-0.148** (-2.04)	0.0199 (0.13)	-0.198** (-2.31)
Industry-level-controls						
Total Assets (Ind avg)	0.0184** (2.22)	-0.0178* (-1.72)	0.00734 (0.64)	0.0944* (1.84)	0.103** (2.07)	0.0321 (0.50)
Leverage (Ind avg)	-0.0000395 (-0.21)	-0.000255 (-0.96)	-0.000273 (-0.97)	0.000849 (0.67)	0.00225 (1.49)	0.00102 (0.61)
ROA (Ind avg)	-0.424*** (-3.84)	-0.524*** (-3.70)	-0.568*** (-3.74)	-0.182 (-0.27)	-1.023 (-1.51)	0.739 (0.86)
Cash to Assets (Ind avg)	0.231** (2.39)	0.319*** (2.75)	0.106 (0.74)	0.567 (0.92)	2.714*** (5.38)	1.871** (2.24)
Sales growth (Ind avg)	0.000003 (0.14)	0.00002 (0.98)	0.00003 (1.38)	-0.0001 (-0.80)	-0.0004** (-2.24)	-0.0004*** (-2.61)
Herfindahl	-0.0520 (-1.19)	-0.771*** (-12.71)	-0.327*** (-5.38)	0.193 (0.68)	-1.056*** (-3.93)	-0.975*** (-2.62)
Country-level-controls						
GDP growth	0.0251*** (3.69)	0.0167 (1.58)	0.0696*** (9.52)	0.0874** (2.36)	0.175*** (3.35)	0.333*** (8.62)
GDP per capita	0.0156 (0.50)	0.614*** (7.61)	0.417*** (11.60)	0.380* (1.89)	2.965*** (8.43)	1.690*** (8.23)
Investment profile	0.0102* (1.81)	0.0387*** (4.34)	0.0295*** (4.83)	0.0701** (2.17)	0.207*** (4.27)	0.193*** (5.16)
Quality of Institutions	0.0194* (1.83)	-0.0192** (-2.00)	0.0398*** (4.94)	-0.0821 (-1.33)	-0.0963* (-1.90)	0.0746 (1.64)
R ² (<i>within</i>)	0.0162	0.156	0.149	0.00612	0.0912	0.0846
Industry FE	Yes		Yes	Yes		Yes
Year FE		Yes			Yes	
Country FE	Yes			Yes		
Number of observations	5810	3812	3737	5810	3812	3737

Table 6: Migration Fear & target country Firm-level propensity to being acquired.

	[1]	[2]	[3]	[4]	[5]	[6]
MF (1 quarter lag)	-0.105*** (-5.95)	-0.0333*** (-2.65)	-0.0601*** (-4.63)			
MF (2 quarter lag)				-0.0497** (-2.42)		
MF (3 quarter lag)					-0.0482** (-2.33)	
MF (4 quarter lag)						-0.0567*** (-2.59)
MEPU		0.0367*** (5.33)	0.0323*** (4.83)	0.0264*** (3.49)	0.0255*** (3.36)	0.0249*** (3.34)
GPR			0.00611 (0.64)	0.00128 (0.12)	-0.000192 (-0.02)	0.00380 (0.34)
<i>Firm-level-controls</i>						
Total Assets			-0.00542* (-1.87)	-0.00544 (-0.32)	-0.00541 (-0.32)	-0.00534 (-0.32)
Leverage			0.0000128 (0.43)	0.0000130 (0.12)	0.0000131 (0.12)	0.0000130 (0.12)
ROA			-0.00523 (-0.66)	-0.00536 (-0.15)	-0.00544 (-0.16)	-0.00548 (-0.16)
Cash to Assets			-0.349*** (-20.00)	-0.349*** (-3.94)	-0.349*** (-3.94)	-0.349*** (-3.94)
Sales growth			-0.000155*** (-5.27)	-0.000155** (-2.02)	-0.000155** (-2.01)	-0.000154** (-2.01)
<i>Industry-level-controls</i>						
Herfindahl			-1.070*** (-3.01)	-1.077 (-0.48)	-1.084 (-0.48)	-1.065 (-0.47)
Liquidity			0.0185 (1.11)	0.0150 (0.66)	0.0137 (0.61)	0.0137 (0.61)
Labour Intensity			-0.0108*** (-3.83)	-0.0108 (-0.56)	-0.0108 (-0.56)	-0.0109 (-0.56)
<i>Country-level-controls</i>						
GDP growth			-0.00694*** (-2.77)	-0.00713*** (-2.72)	-0.00757*** (-2.85)	-0.00826*** (-3.05)
GDP per capita			0.0178 (0.57)	0.0241 (0.36)	0.0266 (0.40)	0.0269 (0.41)
Trade openness			0.00412*** (3.73)	0.00376 (1.44)	0.00368 (1.40)	0.00387 (1.46)
Investment profile			0.0283*** (6.67)	0.0282*** (3.43)	0.0278*** (3.41)	0.0267*** (3.33)
Quality of Institutions			-0.0320*** (-3.82)	-0.0346* (-1.85)	-0.0349* (-1.86)	-0.0339* (-1.80)
R ² (<i>pseudo</i>)	0.0265	0.0224	0.0358	0.0358	0.0357	0.0358
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of observations	335033	335033	114982	114982	114982	114982

Notes: The table presents the estimates coefficients of the probit model. The dependent variable is a dummy variable equal to 1 if the firm is acquired and 0 otherwise. MF is the quarterly average (over the fiscal year) of the Baker al.'s (2015) migration fear index. Depending on specifications, the regressions control for macroeconomic conditions, industry country-level and country-level controls. All independent variables are lagged by one year, and are defined in Appendix Table A1. The sample consists of all targeting firms in 4 countries in the period 1995 to 2017. In all models we include Fama–French 48 industry fixed effects and cluster standard errors by industry-country. Inclusion of fixed effects (FE) is indicated at the end. t-statistics are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% level, respectively.

Table 7: Migration Fear & target country deal completion.

	[1]	[2]	[3]	[4]	[5]	[6]
MF (1 quarter lag)	-0.235*** (-5.39)	-0.140** (-2.32)	-0.0486 (-0.42)			
MF (2 quarter lag)				-0.167* (-1.65)		
MF (3 quarter lag)					-0.147 (-1.33)	
MF (4 quarter lag)						-0.134 (-1.22)
MEPU		-0.0725** (-2.25)	-0.0251 (-0.42)	0.000223 (0.00)	-0.00348 (-0.06)	-0.0152 (-0.28)
GPR			-0.0224 (-0.26)	-0.00514 (-0.06)	-0.0109 (-0.13)	-0.00883 (-0.10)
<i>Firm-level-controls</i>						
Total Assets			-0.0332 (-1.34)	-0.0335 (-1.37)	-0.0347 (-1.42)	-0.0349 (-1.43)
Leverage			-0.000245 (-1.08)	-0.000244 (-1.02)	-0.000252 (-1.06)	-0.000246 (-1.04)
ROA			0.00795 (0.13)	0.0107 (0.18)	0.0131 (0.21)	0.0106 (0.17)
Cash to Assets			0.0843 (0.56)	0.0784 (0.51)	0.0870 (0.57)	0.0884 (0.58)
Sales growth			0.000237 (0.90)	0.000237 (0.89)	0.000244 (0.91)	0.000256 (0.96)
<i>Industry-level-controls</i>						
Herfindahl			0.446 (0.16)	0.760 (0.28)	0.609 (0.23)	0.596 (0.22)
Liquidity			-0.00373 (-0.03)	0.00983 (0.08)	0.00221 (0.02)	0.00139 (0.01)
Labour Intensity			0.0216 (0.97)	0.0216 (0.99)	0.0215 (0.99)	0.0222 (1.02)
<i>Country-level-controls</i>						
GDP growth			0.00461 (0.24)	0.00521 (0.26)	0.00331 (0.16)	0.00225 (0.11)
GDP per capita			0.0846 (0.29)	0.0590 (0.20)	0.0831 (0.29)	0.0820 (0.28)
Trade openness			-0.00327 (-0.34)	-0.000250 (-0.03)	-0.00102 (-0.11)	-0.00104 (-0.11)
Investment profile			0.0132 (0.33)	0.0118 (0.29)	0.00997 (0.24)	0.00864 (0.21)
Quality of Institutions			0.0187 (0.23)	0.0315 (0.40)	0.0245 (0.31)	0.0232 (0.29)
<i>Deal-level-controls</i>						
Diversifying			0.123* (1.77)	0.124* (1.79)	0.125* (1.82)	0.123* (1.78)
Cash deal			0.153** (2.14)	0.155** (2.15)	0.154** (2.12)	0.153** (2.12)
Tender offer			0.701* (1.95)	0.699* (1.95)	0.698* (1.95)	0.680* (1.90)
Hostile bid			-1.977*** (-5.00)	-1.993*** (-4.94)	-1.975*** (-4.92)	-1.966*** (-4.91)
R ² (<i>pseudo</i>)	0.0328	0.0336	0.0732	0.0744	0.0740	0.0738
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of observations	5357	5357	1903	1903	1903	1903

Notes: The table presents the estimates coefficients of the probit model. The dependent variable, deal completion, is a dummy variable equal to 1 if SDC reports deal status as “completed,” and 0 if “withdrawn”. MF is the quarterly average (over the fiscal year) of the Baker al.’s (2015) migration fear index. Depending on specifications, the regressions control for macroeconomic conditions, industry country-level and country-level controls. All independent variables are lagged by one year, and are defined in Appendix Table A1. The sample consists of all targeting firms in 4 countries in the period 1995 to 2017. In all models we include Fama–French 48 industry fixed effects and cluster standard errors by industry-country.

Inclusion of fixed effects (FE) is indicated at the end. t-statistics are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% level, respectively

Table 8: Migration Fear & target country time to deal completion.

	[1]	[2]	[3]	[4]	[5]	[6]
MF (1 quarter lag)	0.362*** (5.22)	0.484*** (5.01)	0.278* (1.72)			
MF (2 quarter lag)				0.242* (1.71)		
MF (3 quarter lag)					0.129 (0.79)	
MF (4 quarter lag)						0.0251 (0.17)
MEPU		-0.0951* (-1.90)	-0.110 (-1.31)	-0.0837 (-1.10)	-0.0600 (-0.75)	-0.0333 (-0.45)
GPR			0.104 (0.81)	0.179 (1.42)	0.200 (1.58)	0.214* (1.67)
<i>Firm-level-controls</i>						
Total Assets			0.206*** (5.68)	0.211*** (5.91)	0.211*** (5.88)	0.210*** (5.86)
Leverage			-0.000596 (-1.55)	-0.000600* (-1.67)	-0.000593 (-1.64)	-0.000602* (-1.67)
ROA			-0.192** (-2.12)	-0.198** (-2.19)	-0.196** (-2.17)	-0.192** (-2.12)
Cash to Assets			0.111 (0.51)	0.173 (0.82)	0.163 (0.76)	0.160 (0.75)
Sales growth			0.000419 (1.10)	0.000349 (0.93)	0.000337 (0.90)	0.000341 (0.91)
<i>Industry-level-controls</i>						
Herfindahl			-7.760** (-2.07)	-7.817* (-1.95)	-7.502* (-1.89)	-7.304* (-1.84)
Liquidity			0.267 (1.29)	0.282 (1.39)	0.292 (1.44)	0.298 (1.47)
Labour Intensity			0.139*** (4.06)	0.141*** (4.29)	0.141*** (4.29)	0.141*** (4.28)
<i>Country-level-controls</i>						
GDP growth			0.0549** (2.03)	0.0491* (1.82)	0.0513* (1.90)	0.0507* (1.87)
GDP per capita			-0.215 (-0.57)	-0.324 (-0.85)	-0.334 (-0.87)	-0.326 (-0.85)
Trade openness			0.000436 (0.04)	0.00684 (0.56)	0.00944 (0.78)	0.0114 (0.93)
Investment profile			-0.0796 (-1.56)	-0.0776 (-1.54)	-0.0770 (-1.53)	-0.0796 (-1.58)
Quality of Institutions			-0.0358 (-0.34)	-0.0290 (-0.28)	-0.0105 (-0.10)	0.000285 (0.00)
<i>Deal-level-controls</i>						
Diversifying			-0.400*** (-3.97)	-0.380*** (-3.81)	-0.385*** (-3.86)	-0.383*** (-3.84)
Cash deal			0.373*** (3.60)	0.368*** (3.59)	0.371*** (3.62)	0.370*** (3.61)
Tender offer			1.378*** (7.38)	1.409*** (7.60)	1.421*** (7.76)	1.435*** (7.87)
Hostile bid			-1.115 (-1.10)	-1.214 (-1.16)	-1.211 (-1.13)	-1.176 (-1.08)
R ² (within)	0.0066	0.0073	0.115	0.117	0.115	0.115
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of observations	3862	3862	1392	1395	1395	1395

Notes: The table presents the estimates coefficients of the OLS model. The dependent variable, deal completion duration, is number of calendar days between the deal announcement date and the completion date (Source: SDC).. MF is the

quarterly average (over the fiscal year) of the Baker al.'s (2015) migration fear index. Depending on specifications, the regressions control for macroeconomic conditions, industry country-level and country-level controls. All independent variables are lagged by one year, and are defined in Appendix Table A1. The sample consists of all targeting firms in 4 countries in the period 1995 to 2017. In all models we include Fama–French 48 industry fixed effects and cluster standard errors by industry-country. Inclusion of fixed effects (FE) is indicated at the end. t-statistics are reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5% and 1% level, respectively.

Table 9: CBAS and Migration Fear post 9/11 and European refugee crisis

	Being Acquired [1]	Deal completion [2]
DiD [Rightwing × Post]	-0.0614*** (-4.54)	-0.309** (-2.46)
MEPU	0.00672 (0.91)	-0.00428 (-0.06)
GPR	-0.0278** (-2.46)	-0.0307 (-0.28)
<i>Firm-level-controls</i>		
Total Assets	-0.00853** (-2.27)	-0.0173 (-0.52)
Leverage	0.0000488 (1.23)	-0.000185 (-0.60)
ROA	0.0178* (1.71)	-0.0437 (-0.48)
Cash to Assets	-0.294*** (-12.91)	0.179 (0.87)
Sales growth	-0.000157*** (-4.14)	-0.000194 (-0.51)
<i>Industry-level-controls</i>		
Herfindahl	-0.308 (-0.69)	-1.293 (-0.36)
Liquidity	0.0113 (0.55)	0.0483 (0.32)
Labour Intensity	-0.0191*** (-5.29)	0.0355 (1.13)
<i>Country-level-controls</i>		
GDP growth	-0.0191*** (-3.15)	-0.0610 (-1.14)
GDP per capita	0.175*** (3.98)	-0.253 (-0.59)
Trade openness	-0.000843 (-0.62)	-0.00156 (-0.13)
Investment profile	0.0528*** (9.85)	0.0500 (0.98)
Quality of Institutions	-0.0450*** (-4.20)	-0.0154 (-0.15)
<i>Deal-level-controls</i>		
Diversifying		0.147 (1.52)
Cash deal		0.0526 (0.54)
Tender offer		0.748 (1.54)
Hostile bid		-1.965*** (-3.67)
R ² (<i>pseudo</i>)	0.0329	0.0790
Country FE	Yes	Yes
Industry FE	Yes	Yes
Number of observations	67906	1015

Figure 1: MF Index and Number of CBAs

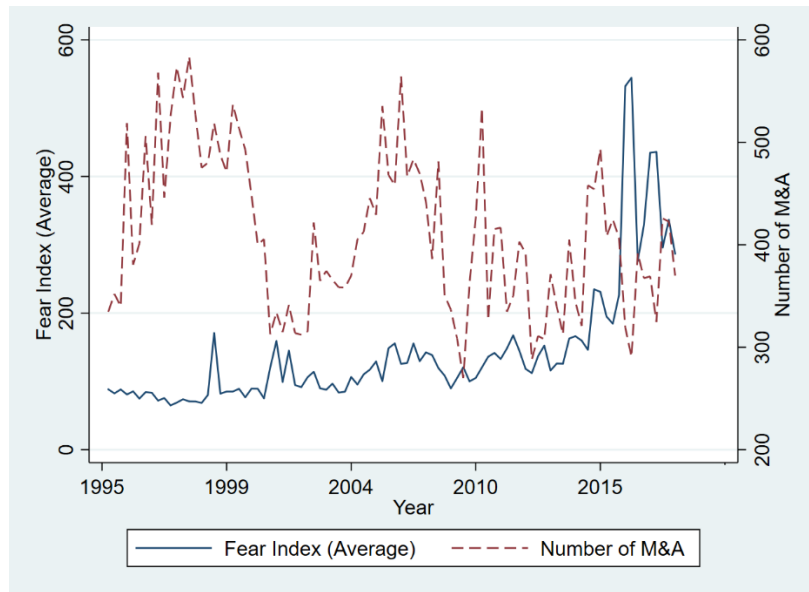


Figure 1(a) – Average of all countries (USA, UK, Germany and France)

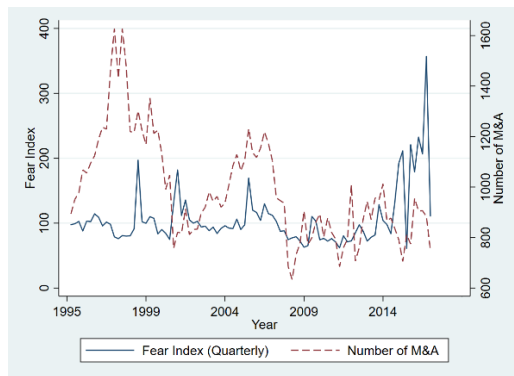


Figure 1(b) United States

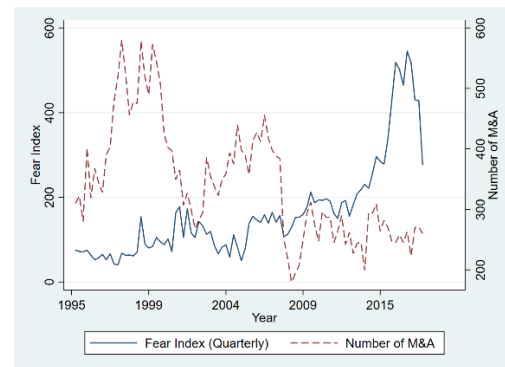


Figure 1(c) United Kingdom

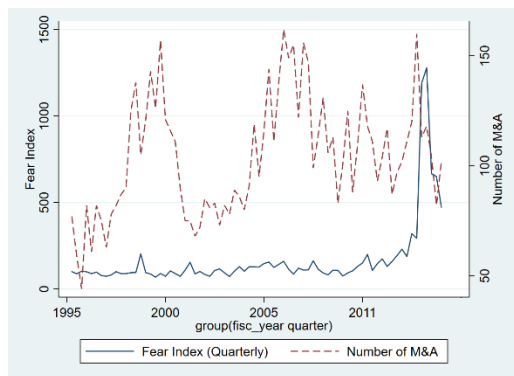


Figure 1(d) Germany

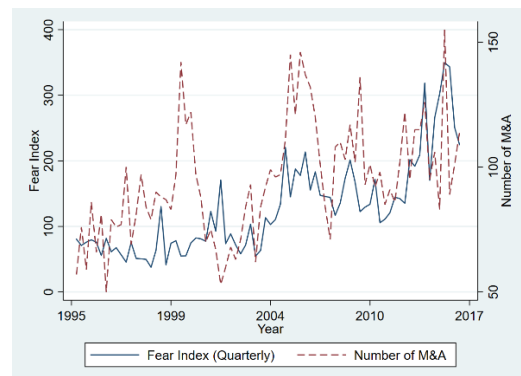


Figure 1(e) France

Figure 2: MF Index and CBA deals Volume

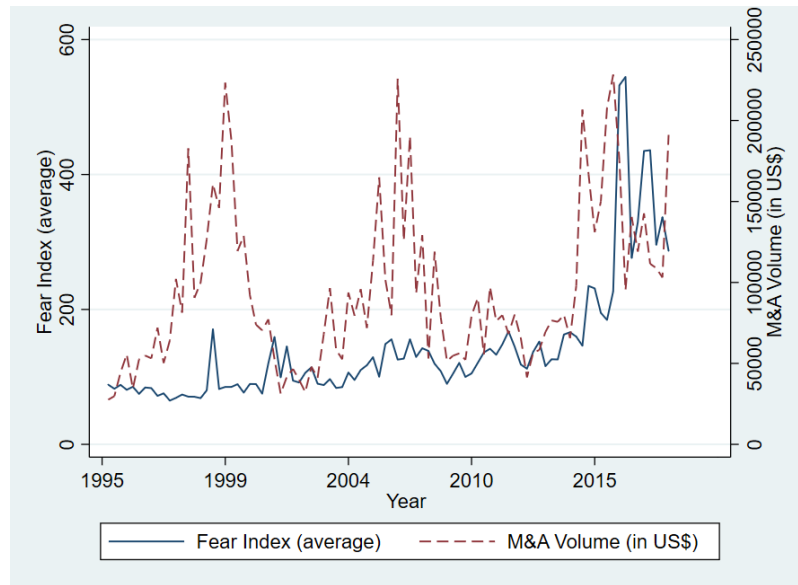


Figure 2(a) – Average of all countries (USA, UK, Germany and France)

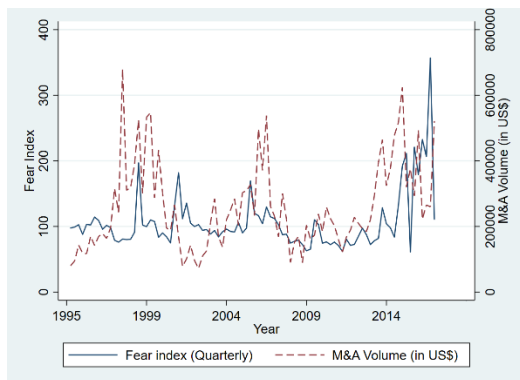


Figure 2(b) United States

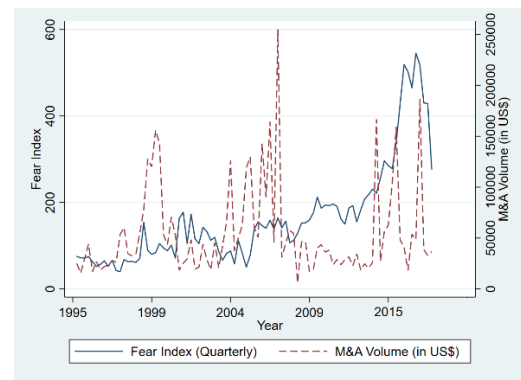


Figure 2(c) United Kingdom

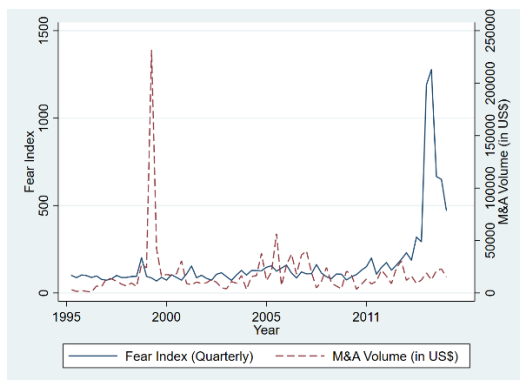


Figure 2(d) Germany

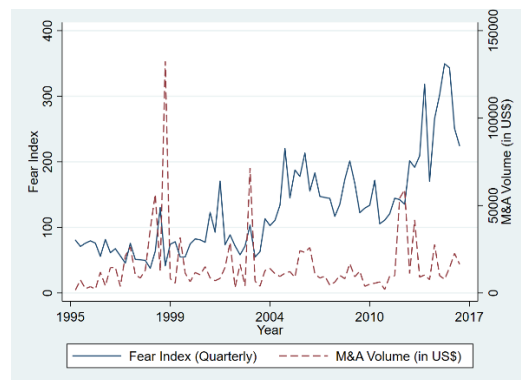


Figure 2(e) France