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Corporate Governance Reforms Around the World and Cross-Border Acquisitions

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Abstract

This paper provides comprehensive, detailed documentation of major corporate governance reforms (CGRs) undertaken by 26 advanced and emerging economies. Have these reforms impacted corporate investment decisions by altering investor protection (IP)? To answer this question, we estimate the CGRs' impacts on foreign acquirers' tendency to pick better performing firms in emerging markets. We argue the cherry picking is partly due to emerging countries' weaker IP than acquirer countries', predicting a positive relation between the degree of cherry picking and the gap in the strength of IP. If the CGRs strengthen IP, the gap will decrease (increase) following a CGR in a target's (acquirer's) country, moderating (intensifying) the cherry picking tendency. This is what we find when we estimate difference-in-differences in cherry picking before and after a CGR. These results not only demonstrate the CGRs' impacts, but also imply the IP gap between capital exporting and importing countries distorts firm-level allocation of foreign capital inflows and reduces the benefits of globalization.

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1. Introduction

Since the late 1990s a number of developed and emerging countries have undertaken corporate governance reforms (CGRs), defined here as deliberate interventions in a country's corporate governance tradition by the state, security and exchange commission, or stock exchanges. This paper provides a comprehensive documentation of 26 CGRs undertaken worldwide over the period 1991-2007 using careful, painstakingly meticulous procedures. It details events leading up to each CGR, relevant dates, the scope of the reform, regulation contents, the level of enforcement, outcome and criticism, and other regulatory changes following the CGR. We make this database available on the Journal's website, hoping to encourage and provide useful resources to study comparative corporate governance. A brief summary of the database is provided in the Appendix.

The precise nature and strength of the CGRs vary across countries. However, they all share the common objective of strengthening investor protection (IP). Have the CGRs achieved their objective? If so, do they affect corporate investment decisions? To investigate these issues, we examine whether CGRs trigger a change in foreign acquirers' tendency to target better performing firms when they make acquisitions in emerging markets. We examine changes in the cherry picking tendency because we conjecture that one of the possible causes is the gap in the strength of IP between the target and acquirer countries, predicting that when the IP gap decreases, cherry picking will moderate, but it will intensify when the gap increases. If CGRs strengthen IP, a CGR undertaken by a target country or an acquirer country will change the IP gap.

Cherry picking by acquirers from developed economies is a well-documented phenomenon in the foreign direct investment (FDI) literature. Aitken and Harrison (1999) identify a positive relation between the likelihood of foreign equity acquisition of Venezuelan firms and the local firms' pre-acquisition performance. [1] Subsequent studies document similar cherry picking tendencies in a

[1] The cherry picking phenomenon became an important issue in the FDI literature after Aitken and Harrison (1999) identified a selection bias in FDI; namely, targets of FDI were already performing better before they were acquired. This selection bias implies much of the previously estimated positive impacts of foreign ownership can be attributed to cherry picking. Consequently, subsequent studies estimating the impact of foreign ownership on firm performance control for cherry picking in emerging countries.

number of Eastern European countries (e.g., Djankov and Hoekman, 2000; Konings, 2001; Javorcik, 2004; and Sabirianova, Svejnar, and Terrell, 2005). The cherry picking phenomenon, however, seems to be a unique to emerging markets with weak IP. Bloom, Sadun, and Van Reenen (2012), for example, find no evidence foreign acquirers cherry pick targets in the U.K., a country with strong IP.

Foreign acquirers may cherry pick because better performing firms tend to be better managed and allow for greater synergies. The difficulty of acquiring relevant local information about potential targets may also attract foreign acquirers to better performing targets.[2] These explanations, though quite plausible, ignore the cost of acquisitions. Better performing firms are valued higher, making them more expensive to acquire.

One factor affecting costs of acquisition is the strength of IP in the target country. Consider an acquirer from a strong IP country seeking a target in an emerging market with weak IP. Barclay and Holderness (1989) and Dyck and Zingales (2004) argue the reservation price of controlling equity stakes in a target includes control premiums priced at the value of private benefits consumed by controlling stockholders.[3] Because the acquirer's home country has stronger IP than the target country, imposing stricter constraints on diversion for private benefits, the acquirer values the control premium less than the target's controlling shareholder.

Doidge, Karolyi, and Stulz (2004) and Durnev and Kim (2005) show that when firms have more profitable investment opportunities, their controlling shareholders consume fewer private benefits because diversion for private benefits could lead to foregoing profitable investments.[4] Fewer

[2] See Erel, Liao, and Weisback (2011) for an in-depth study on factors affecting the likelihood of a cross-border acquisition.

[3] Diversion for private benefits takes many different forms, from excessive perks and tunneling, to outright stealing of tangible and intangible corporate resources.

[4] Durnev and Kim (2005) show that firms with more profitable investment opportunities divert less for private benefits because more diversion leads to more rejection of positive NPV projects, reducing the value of controlling shareholders' cash flow rights. In a similar vein, Doidge, Karolyi, and Stulz (2004) and Doidge et al. (2009) show firms in weak-IP countries with better investment opportunities are more likely to bond themselves to fewer private benefits by cross-listing in a strong-IP country (the U.S. and the U.K.).

private benefits lower the control premium demanded by the controlling shareholder, making targets with greater profitable investment opportunities less costly to acquire.[5]

According to this cost-based explanation, one cause of cherry picking is the gap in the strength of IP between the target and acquirer countries. If CGRs indeed strengthen IP, CGRs undertaken by emerging economies will reduce the IP gap, moderating the cherry picking tendency, whereas CGRs undertaken by acquirer countries with strong IP will enlarge the IP gap, intensifying cherry picking.

To test this prediction, we examine cross-border acquisitions in 20 weak-IP target countries by acquirers from 13 strong-IP developed economies. Of the 33 sample acquirer and target countries, 20 countries have enacted CGRs with substantive contents over 1998 – 2006.[6] If these CGRs strengthen IP, they will generate within-country variation in IP. As Table 1 shows, CGRs occurred in a staggered fashion, allowing for difference-in-differences tests to compare the type of firms targeted before and after a CGR between the treatment and control groups.

Estimation results reveal a significant increase in cherry picking following CGRs by strong-IP acquirer countries. Acquirers target firms about 15 percentiles higher in the pre-acquisition performance ranking among all firms in a country-industry-year combination after their home countries undertake CGRs. CGRs enacted by target countries, in contrast, weaken the cherry picking tendency. Foreign acquirers target firms about 13 percentiles lower in the pre-acquisition performance ranking after target countries undertake CGRs.

Confounding effects around CGR years are a major concern for studies of this kind. We follow Bertrand and Mullainathan (2003) and Branstetter, Fisman, and Foley (2006) and include a set of dummies corresponding to the periods before and after CGRs. The re-estimation shows our

[5] This will not hold if an acquirer can buy 100% of a target's outstanding shares while perfectly price-discriminating between the controlling shareholder and other shareholders. Such perfect price discrimination is not possible, because at the announcement of an acquisition bid by a foreign firm from a strong-IP country, the target's share price will rise in anticipation of fewer private benefits and greater cash flows under the new ownership. This will prevent minority shareholders from selling shares at a lower price, making perfect price discrimination impossible.

[6] Five countries with CGRs do not enter the sample because of insufficient data on cross-border acquisitions and we do not count Brazil's CGR as a CGR because it is too limited in scope and is considered ineffective by legal scholars.

results are not driven by confounding effects. Our results also are robust to changes over time in target countries' openness toward foreign capital. We conduct a battery of robustness tests using alternative specifications and sample constructions. None alters our conclusion.

Cherry picking distorts firm-level allocation of foreign capital inflows, limiting their access to poorly performing firms, which tend be capital constrained. Poorly performing firms can also use the managerial know-how that accompanies acquisitions by firms from advanced economies. Cherry picking also reduces a potential benefit of globalization – the spread of good corporate governance through foreign acquisitions of firms in emerging markets. If the foreign acquirers target only better performing firms, the improved governance system is unlikely to reach underperforming firms, which may be in greater need of improved governance.

Our findings imply that improving legal investor protection in emerging economies will reduce these adverse effects by inducing foreign acquirers to reach out to underperforming firms. However, when capital exporting countries strengthen IP it seems to have the unintended consequence of pushing foreign acquirers further away from poorly performing firms.

Related papers include Gelos and Wei (2005) and Alfaro, Kalemli-Ozcan, and Volosovych (2008), who demonstrate a weak legal environment is one reason for insufficient capital flows from rich to poor countries (the "Lucas Paradox"). We extend their contribution by showing that the negative impact of a weak legal environment is concentrated on poorly performing firms. In a similar vein, Leuz, Lins, and Warnock (2009) and Kim, Sung, and Wei (2011) document foreign investors avoid firms with ownership structures conducive to governance problems, e.g., those with a greater wedge between cash flow and control rights. These studies are based on a single investor country (the U.S.) and a target country (South Korea). In contrast, our sample covers 13 acquiring countries and 20 target countries, rendering our results more generalizable.

The next section describes CGRs undertaken around the world over the period 1991-2007. Section 3 details empirical design, sample construction, and data used to estimate the impact of

CGRs on the cherry picking tendency. Section 4 presents the empirical results, along with robustness tests. Section 5 concludes.

2. Corporate Governance Reforms (CGRs)

We define CGRs as deliberate interventions in a country's corporate governance tradition by the state, security and exchange commission, or stock exchanges. They are usually undertaken through publication of a set of codified corporate governance norms or amendments to countries' corporate and/or securities laws pertaining to the role and composition of the board of directors and board committees; the appointment and rules of operation applying to external auditors; the distribution of rights and powers between management, shareholders, and other stakeholders; the role of media in information dispersion; and the protection of whistle blowers and penalty enhancement of corporate fraud (Aguilera and Cuervo-Cazurra, 2004). Typical CGRs include the Australian CLERP 9, the Indian Clause 49, and the U.S. Sarbanes-Oxley Act.

For each of the sample countries, we identify the most important CGR by searching websites of the European Corporate Governance Institute, the Asian Corporate Governance Association, the International Finance Corporation (IFC) at the World Bank, the Financial Standards Foundation, and each country's stock exchanges. We also read media news, law review and academic journal articles, and books about legislative activities intended to improve corporate governance and enhance financial transparency in the sample countries over the period of 1991 to 2007. The objective of collecting information from so many different sources is to better understand the circumstances, contents, outcomes, and experts' opinions of each legislative activity designed to enhance corporate governance systems. The search process involves obtaining background information on the corporate governance system of a country; key dates of relevant reforms; the scope of reforms; the level of enforcement; and the outcome, evaluation, and criticism of reforms. The basic identification criteria are as follows:

i) The central objectives of a reform are to improve financial transparency, provide better monitoring by improving board structure and/or internal control systems, empower shareholders, and establish

effective legal systems. The contents of the reform should cover some of the following issues: enhancing disclosure requirements, strengthening governance mechanisms through specific requirements concerning the role and composition of the board of directors, empowering shareholders, and strengthening public enforcement.

ii) The reform may have some exemptions but should be applied to all publicly listed firms in the country. Some regulations or new rules apply only to a subgroup of firms rather than all publicly listed firms in the country. For example in Finland, Handling of Corporate Governance Issues (2000) applies only to state-owned companies and their associated companies. Our definition of CGRs does not include these types of regulatory changes.

iii) The level of enforcement of new rules must be either legal rules or comply-or-explain regulations, not purely voluntary compliance. When the new rules covered by a reform are subject to different levels of enforcement, the legislative action is defined as a CGR only if the majority of the issues covered by the reform are legal rules or comply-or-explain regulations. For example, the Danish Shareholders' Association Guidelines of 2000 and the Berlin Institutive Code of 2000 are voluntary compliance recommendations that are not enforceable and, hence, are not considered CGRs.

iv) The reform has received generally positive comments on its influence and effectiveness. Phrases, such as "milestone" or "the most important development of financial markets," are used to infer that the new rules are relatively sound and effective. For example, Japan made regulatory changes in 2002 to introduce a more "U.S.-style" governance system. We determine the new rules do not constitute a CGR because they are considered too weak to have meaningful impacts on Japanese corporate governance practices.

v) Improving corporate governance may involve multiple regulatory regimes. When a country enacts multiple reforms, the most influential one is considered the CGR of the country. If the multiple reforms are more or less equivalent, the earliest one is considered the CGR of the country. In as much as each legal regime is part of a broader set of legal reforms geared toward an improved

corporate governance system, the earlier one signals implicit information about the future schedule of corporate governance improvement.

These criteria sometimes require subjective judgments. To minimize the impact of subjectivity and prevent inconsistency, initially legislative activities indicating a CGR was coded independently by an author and a law school JD student research assistant (RA). For a few countries initial opinions differed on whether the country undertook a meaningful CGR; which activity should be identified as the CGR when there is more than one legislative activity to improve the corporate governance system; and which year should be considered as the CGR year for an identified reform. For each inconsistency, the author and the RA analyze the case until consensus is reached. After the initial coding, the author and a different RA (another law school JD student) re-code CGRs without referencing the prior coding. Again, when opinions differed, both the author and RA read the relevant documents and discuss to ensure consistency in the definition of CGRs across countries.

Additionally, we verify the validity of the CGRs by conducting a broad survey of law review and academic articles and books to see whether existing corporate governance studies consider the CGRs we identified as important regulatory changes with positive impacts on corporate governance practices in the country. For example, Brazil made changes in its Corporate Law in 2001 to improve minority shareholder rights and corporate transparency. However, the reform measures are considered to be very limited in scope and ineffective, receiving comments such as "…most of (Brazilian corporate reform) measures do not adequately promote better corporate governance practices, or strengthen capital markets" (Gorga, 2006, p.856) and "Board independence is an area of notable weakness … Financial disclosure lags behind world standards … Audit committees are uncommon" (Black, De Carvalho, and Gorga, 2009, p.424). We classify Brazil's CGR as weak. Switzerland's CGR is also classified as weak because the Swiss Code of Best Practice is only recommendations with no clear external enforcement mechanism. When we estimate the impact of CGRs on the cherry picking tendency in cross-border acquisitions, we treat the two countries as having no CGR.

The result is a lengthy document exceeding well over a hundred pages. It is available on the Journal's website. The Appendix summarizes the key features associated with the CGR of each country identified to have undertaken a CGR during the sample period. For each CGR, it contains a brief summary of the key events involved, the CGR year, and the level of enforcement.

Table 1 lists countries with CGRs that meet our criteria, the CGR year(s), and the enforcement level. The year in parentheses is an alternative CGR year.

3. Empirical Design and Data

3.1. Specification

We employ a difference-in-differences approach using corporate governance reforms (CGRs) undertaken by either acquirer or target countries. Acquirer and target countries are selected so that an acquirer country has stronger IP than the target country. Thus, if CGRs have their intended effects of strengthening IP, a CGR enacted by an acquirer country enlarges the IP gap, intensifying the cherry picking tendency, while a CGR by a target country narrows the gap, moderating the cherry picking tendency. We estimate the effects of the CGRs using a specification similar to the Gravity Equation model.

$$CDF(Y)_{ijmnkt} = \alpha + \delta ACGR_{mt} + \lambda TCGR_{nt} + \gamma X_{ijmnkt} + \sum_{j=1}^{J-1} d_j + \sum_{m=1}^{M-1} d_m + \sum_{n=1}^{N-1} d_n + \sum_{t=1}^{T-1} d_t + \varepsilon_{ijmnk} \quad (1)$$

Subscript *i* indexes target firms; *j* indexes industries of target firms; *m* indexes acquirer countries; *n* indexes target countries; *k* indexes acquirers; and *t* indexes years. The dependent variable, $CDF(Y)_{ijmnkt}$, is the cumulative density function (CDF) of target *i*'s performance prior to the announcement of the acquisition bid. It measures the target's relative performance (percentile) among all firms in a country-industry-year (*n-j-t*) combination. $ACGR_{mt}$ and $TCGR_{nt}$ are indicators equal to one if an acquirer- and a target country has undertaken a CGR by the year the acquisition bid for target *i* is announced, respectively; X_{ijmnkt} is a vector of control variables; d_j is target industry fixed effects; d_m and d_n are acquirer and target country fixed effects; d_t is year fixed effects; and ε_{ijmnkt} is the error term. To account for correlation among acquisition bids within an acquirer-target-country

pair, standard errors are clustered at the level of acquirer-target-country pair. Table 2 provides descriptions of all variables used in this study.

This specification allows us to simultaneously control for target-, deal- and acquirer characteristics. The traditional acquisition target prediction models (e.g., Palepu, 1986) can control only for target characteristics, but not acquirer or deal characteristics that may be related to the type of firms being targeted.

We use the CDF of a target's performance because the cherry picking is about the performance of a target relative to the population of other potential target candidates in a country. CDF measures the performance of a target relative to all firms in a country-industry-year combination, enabling us to fully utilize large firm-level panel data on the population of potential targets. The CDF approach controls for the common time-varying factors affecting all target and non-target firms within the country-industry-year combination. With a raw performance measure as the dependent variable, the common time varying factors will not be controlled for, because the estimation would be based only on target firm observations. The CDF approach also controls for changes in targets' pre-acquisition performance that may coincide with and/or are caused by the target country's CGR. For example, CGRs may deflate accounting-based performance measures through stricter accounting standards. Furthermore, this ranking approach makes it unnecessary to compare the quality of performance information based on accounting data across countries and across years, an important concern in cross-country studies. It also reduces the importance of outliers by normalizing the variable into a unit interval.

The variables of main interest are *ACGR* and *TCGR*. Their estimated coefficients measure the average effects of these CGRs on the cherry picking tendency. With the CDF approach, the estimated coefficients of CGR dummies provide intuitive economic interpretation: CGRs' mean effects on target firms' performance ranking among all firms in a country-industry-year combination prior to the announcement of an acquisition bid. The coefficient on *ACGR* is expected to be positive; an increase in the cherry picking tendency following an acquirer country's CGR. The coefficient on

TCGR is expected to be negative; a decrease in the cherry picking tendency following a target country's CGR.

3.2. Sample construction

The sample for cross-border acquisitions is constructed at the level of acquisition bids. For sample inclusion, the bidder has to be from a strong-IP country; the target, from a weak-IP country. We remove noise arising from "round-tripping capital,"[7] by defining company nationalities at their ultimate parent company level.

3.2. a. Acquirer and Target countries

To classify countries into a strong-IP acquirer country and a weak-IP target country, we consider both the strength of legal institutions and the level of economic development. The strength of legal protection for minority shareholders is measured by an IP index constructed giving equal weights to *de jure* and *de facto* measures of legal protection.[8] The *de jure* regulation is proxied by the anti-self-dealing index and the revised anti-director index compiled by Djankov et al. (2008). These indices measure different aspects of regulations concerning minority shareholder protection and receive equal weights in constructing the *de jure* regulation. Both indices are time invariant. The *de facto* regulation is measured by the *law-and-order* index provided by International Country Risk Guide,[9] which measures the strength and impartiality of a legal system and of the popular observance of the law. This measure is time varying, updated monthly. We use the yearly averages. There are 48 countries covered by both the Djankov et al. (2008) study and International Country Risk Guide. For each of these countries, we compute IP = (0.25*anti-self-dealing + 0.25*nor_revised_anti-director + 0.5*law-and-order), where nor_revised_anti-director is the revised

[7] "Round-tripping capital" means that capital originating from a country (usually a developing country) is routed to another country before re-entering the original country as foreign direct investments (FDI) inflows. In some developing countries (e.g., China), round-tripping capital is a popular phenomenon. Prasad and Wei (2008) estimate as much as one-third of Chinese FDI represents round-tripping capital. Round-tripping capital is often associated with tax evasion (Fisman and Wei, 2004).

[8] The weighting scheme is similar to those used in Atanassov and Kim (2009) and Durnev and Kim (2005).

[9] http://www.postgraduateforum.com/threadViewer.aspx?TID=13535

anti-director index divided by the highest value (5) of the index to make its scale the same as the other two indices. A higher IP value indicates stronger legal protection for minority shareholders.

We separate the 48 countries into three groups by their relative ranking in the IP index. Then we supplement the IP-index-based ranking with indicators for the level of economic development, which are related to whether a country is a capital-importing or capital-exporting economy. The indicators are whether a country is considered an emerging market, as defined by the Morgan Stanley Capital International Emerging Markets Index, or a major economic power, as indicated by membership in the G7 group. We classify a country as a weak-IP target country if it belongs to the bottom third of the IP index or is an emerging market. If a non-emerging country belongs to the top third of the IP index or is a G7 country, it is classified as a strong-IP acquirer country. No G7 country falls into the weak-IP target country group, except Italy, a G7 country with an IP index in the bottom third. We classify Italy as a weak-IP target country, and later check the robustness by re-estimating regressions while excluding acquisition bids for Italian firms.

To sharpen the distinction, we drop the countries in the middle third that are neither an emerging market nor a G7 country. We also exclude countries with only one or two bids. These classification procedures yield 13 strong-IP acquirer countries and 20 weak-IP target countries. They are listed separately in Table 3, acquirer and target countries in Panels A and B, respectively.

Table 3 also shows the breakdown in the number of bids made by each acquirer country's firms for companies in each target country, pre- and post- CGR. Countries with no CGR have no observations for post-CGR periods. All acquirer countries, except Denmark and Japan, have CGRs, while only 8 out of 20 target countries have CGRs. The difference may be due to the Principles of Corporate Governance issued by the OECD in 1999 and 2004. The Principles have had more impact on OECD member countries than non-member countries, prompting more CGRs among the member countries, which tend to fall into the category of an acquirer rather than a target country.

For robustness, we construct an alternative grouping of weak- and strong-IP countries based only on the strength of legal institutions for investor protection and re-estimate the regressions. The results are robust.

3.2. b. Acquisition bids

Because our objective is to study target selection, we do not distinguish between successful and unsuccessful acquisition bids. Some bids may be acceptable to a target's controlling shareholder but fail because of government interventions or opposition by labor unions, among other reasons. Data on acquisition bids are taken from Thomson Reuters SDC Platinum. The sample of acquisition bids is constructed using the following criteria:

i) Acquisition bids are announced between January 1, 1991 and December 31, 2007. There were few cross-border acquisitions in emerging markets prior to the 1990s. Many emerging economies did not open domestic stock markets to foreign investors until the late 1980s (Bekaert and Harvey, 2000; Henry, 2000; Kim and Singal, 2000).

ii) Bidder and target firms are publicly listed with sufficient data to construct relevant variables to estimate the regression.

iii) The bidder does not own any shares of the target prior to the announcement of the bid. This eliminates the influence pre-existing foreign ownership may have on target selection and on a target's pre-acquisition bid performance and governance.

iv) Bids are made for at least 10% of outstanding target shares. This cutoff point is used because the Bureau of Economic Analysis' definition of FDI requires a minimum 10% stake. Dyck and Zingales (2004) also use the 10% cutoff to define the block of shares conveying control rights. The sample mean (median) percentage shares sought by the bidders are 54.45% (57.34%).

These screens yield 527 cross-border acquisition bids: 222 bids are announced after bidders' home countries undertook CGRs; 198 bids are announced after target countries enacted CGRs.

3.3. Firm performance variables

Two proxies are used to measure firm performance. The first is the growth rate of the ratio of sales to the book value of total assets, *SALES/TA_Gr*, one year prior to the announcement of bids. This proxy measures the growth rate in asset utilization. Faster growth in asset utilization to generate sales indicates better investment opportunities. We use the growth rate rather than the level because Yang (2008) shows that the changes in productivity affect decisions to buy or sell assets. In addition, Durnev and Kim (2005) and Francis, Khurana, and Pereira (2005) provide evidence that sales growth rate is positively related to the quality of governance.

We also use a level measure of firm performance: the ratio of earnings before interest, taxes, depreciation, and amortization (EBITDA) to the book value of total assets, one year prior to the announcement of bids. This is a more standard measure of firm performance. We use this level measure to check the robustness of the results based on the asset utilization growth rates.

To compute CDF of these two performance variables, we require at least 10 firms for each target firm's country-industry-year matched sample, where industries are classified into 13 groups as in Campbell (1996). With this restriction, the mean (median) number of non-target firms for each target is 171 (104), suggesting that the CDFs provide reasonable measures of each target's relative performance.[10] CDF calculation requires large firm-level panel data on the population of potential targets. The main data sources are Compustat Global,[11] Compustat North America, and Thomson Reuters SDC Platinum. Compustat Global provides financial data for firms listed outside the U.S. and Canada; and Compustat North America, for firms listed on U.S. or Canadian stock exchanges. These databases allow us to construct the performance and control variables.

Table 4 reports summary statistics. The top two rows show target firms' CDFs in the two performance measures. The mean (median) CDF of target firms' *SALES/TA_Gr* is 0.57 (0.57); the

[10] The number of non-target firms is skewed and the mean is driven by big emerging target countries, such as China and India. The median is still large because we use the broad industry classification of Campbell (1996), which classifies industries into only 13 groups and because we require at least 10 firms for each target firm's country-industry-year matched sample.

[11] Compustat Global states that its data cover over 90 percent of the world's market capitalization and are normalized to provide comparability across different accounting standards and practices. See http://wrds-web.wharton.upenn.edu/wrds/ds/comp/index.cfm.

mean (median) CDF of target firms' *EBITDA/TA* is 0.53 (0.55). These statistics suggest cherry picking; firms with above average (median) performance are targeted by acquirers from strong-IP countries. The remaining rows contain summary statistics of control variables described below.

3.4. Control variables

We control for deal-, target-, bidder-, and country-level characteristics. *Cross List* is an indicator for target shares cross-listed on foreign stock exchanges at the time of a bid announcement. All cross-listings are in stronger-IP countries, reducing the effective gap in IP between targets and acquirers. Doidge, Karolyi, and Stulz (2004) and (2009) show that firms cross-listed on U.S. and U.K. stock exchanges (strong-IP countries) have better investment opportunities and are subject to fewer private benefits. Thus, according to our model, foreign acquirers from strong-IP countries would be more attracted to the cross-listed firms.

SOE is an indicator for targets that are state owned enterprises (SOEs). These acquisitions could be a part of an on-going privatization process in the target country. Privatization waves sometimes coincide with other regulatory changes such as a CGR. In addition, SOEs tend to be more politically connected and are governed differently from privately owned firms (Faccio, 2006).

Friend and *Tender* are indicator variables for acquisition bids defined by SDC as "friendly" and bids made in the form of tender offers, respectively. Rossi and Volpin (2004) find more hostile takeovers take place in countries with greater shareholder protection, common law, and higher accounting standards. Of 527 acquisition bids in the sample, 329 are defined by SDC as friendly.[12] We control for tender offer bids because bidders can bypass target management's resistance by making a public tender offer directly to shareholders. There are 37 tender offers in our sample.

Diversified is an indicator equal to one, if the acquirer and target do not operate in the same industry as defined in Campbell (1996). Although it is doubtful an acquirer would go abroad for pure diversification purposes, the motivation may affect its target choice.

[12] The rest are defined hostile(3), unsolicited (3), neutral (123), and not applicable (69).

Target Total Assets and *Acquirer Total Assets* are the logged values of total assets of a target and an acquirer one year prior to the announcement of a bid. The size of the acquirer and the target may affect their relative bargaining power and the ability to create synergies.

Acquirer EBITDA/TA is an acquirer's EBITDA divided by its total assets one year prior to the announcement of a bid. Acquirers with higher EBITDA margins are likely to have more financial resources to acquire better performing firms, which tend to be valued higher and are more expensive to acquire. When acquirers have more profitable investments, their controlling shareholders are expected to consume fewer private benefits and value control premiums less. Thus, they may exhibit a greater tendency to cherry pick.

Num of Bids is the total number of acquisition bids a target country received from our sample of acquirer countries in the year of acquisition bid. When target countries undertake CGRs, the improvement in legal environments may attract more foreign investment, resulting in more foreign acquisition bids and greater variation in the types of firms being targeted. Conversely, when acquirer countries undertake CGRs, acquirers may become more selective in weak-IP countries, reducing the number of possible targets. In addition, if a target country's CGR coincides with financial liberalization policies concerning foreign acquisition of domestic firms, the number of bids may increase. Thus, *Num of Bids* may also help control confounding effects.

Crisis is an indicator for financial crisis. Foreign acquirers may alter their acquisition strategies and frequencies in target countries during financial crises. Aguiar and Gopinath (2005) find that the number of foreign M&As in East Asia increased by 88% between 1996 and 1998, a period when a number of countries in that region experienced financial crises. The indicator is equal to one, if the observation is in the following target country-year combinations: Mexico, 1994-95; Thailand, 1997-99; South Korea, 1997-99; Indonesia, 1997-99; Russia, 1998; Brazil, 1998-99; Turkey, 1994, and 2000-01; and Argentina, 2001-02.

Finally, *GDPPA Distance* is the gap in GDP per capita between the acquirer and target countries one year prior to the announcement of a bid. The difference in economic conditions

between the acquirer and target countries may affect foreign acquirers' bargaining power. For example, China invited foreign investments more aggressively in the 1990s than in the 2000s. (China's gap in GDP per capita with the acquirer countries narrowed considerably during those periods.) The relative bargaining power may affect acquirers' target selection.

4. CGRs and Cherry Picking in Cross-border Acquisitions

4.1. Main results

The first set of regressions are estimated with control variables for deal-, target firm-, and target country-level characteristics, and with year-, target industry-, target country-, and acquirer country fixed effects. They do not control for acquirer characteristics to maximize the sample size. Columns (1) and (3) in Table 5 present the estimation results for CDF of target firms' *SALES/TA_Gr* and *EBITDA/TA*, respectively. Both columns show positive and significant coefficients for *ACGR* and negative but insignificant coefficients for *TCGR*. The results indicate that CGRs undertaken by acquirer countries increase the cherry picking tendency.

Columns (2) and (4) include acquirer- and acquirer country characteristics as additional control variables: *Acquirer EBITDA/TA, Acquirer Total Assets*, and *GDPPA Distance*. Adding these control variables reduces the sample size due to data unavailability. However, the negative coefficients of *TCGR* become significant in both columns (2) and (4). The *TCGR* coefficient in Column (2) implies that after a target country undertakes a CGR, firms targeted by foreign acquirers are about 13 percentiles lower in performance, a substantial decline in the cherry picking tendency. The estimated coefficient of *ACGR* continues to be positive at higher levels of significance. Column (2) indicates acquirers pursue targets about 15 percentiles higher in performance after their home countries undertake CGRs, a considerable increase in the cherry picking tendency.

The evidence is similar when we use the targets' EBITDA margin as the proxy for pre-acquisition performance. Estimated coefficients in Column (4) suggest acquirers target firms 10 percentiles lower in EBITDA margin after a target country undertakes a CGR; when an acquirer's home countries' undertake CGRs, it pursues targets 14 percentiles higher in performance.

Particularly noteworthy among the control variables is *Acquirer EBITDA/TA*, which is positively related to both CDFs of *SALES/TA_Gr* and *EBITDA/TA* at the one percent significance level. The positive coefficients imply more profitable acquirers cherry pick more. Better performing targets tend to be more expensive to acquire, and acquirers with greater EBITDA margins may have the necessary financial resources to acquire them.

Acquirer EBITDA/TA also helps control non-legal factors captured in the TCGR dummy. An emerging country may not undertake a CGR until it reaches a certain level of economic development. For example, China undertook its CGR in 2001. By then it had enjoyed a double-digit average annual real economic growth rate since 1983. Thus, the TCGR dummy may pick up the effects of strong economic growth as well. [13] With strong economic growth, firms in target countries become more expensive, making them affordable only to cash rich acquirers, i.e., those with high *EBITDA/TA.*

4.2 Confounding effects and other regulatory issues

CGRs do not occur randomly. They are triggered by major scandals, economic growth, demand for foreign capital (e.g., India's enactment of Clause 49[14]), pressures accompanying the 1999 and 2004 publication of the OECD Principles of Corporate Governance, among others. Thus, changes in the type of firms being targeted following the CGR year may be caused by coincident economic or political events. To address this issue, we follow Bertrand and Mullainathan (2003) and Branstetter et al. (2006) and introduce a set of dummies corresponding to the years before and after a CGR. Because of the multi-collinearity problem, the confounding effects for *ACGR* and *TCGR* are tested in separate regressions.

[13] Perhaps because of these non-legal factors captured in the TCGR dummy, the coefficients of *ACGR* are larger in magnitude and more significant than those of *TCGR.* Recent economic growth is an unlikely factor in the timing of CGRs by acquirer countries, already advanced economies growing at much slower rates than the target countries. The majority of acquirer countries' CGRs are triggered by corporate scandals or highly publicized corporate events considered harmful to shareholders, which increases public demand to improve IP regulations.

[14] The desire to access global capital markets has been cited as a leading driver of the support for corporate governance reforms among Indian regulators and corporate leaders (Afsharipour, 2009).

The test results are presented in Table 6. When the confounding effects of *ACGR* (Columns (1) and (3)) are tested with the time dummies, target countries' CGRs are controlled. Similarly, Columns (2) and (4) test the confounding effects of *TCGR* while controlling for acquirers' CGRs. In constructing the time dummies, three or more years prior to the CGR year are used as the base years. Hence, the reform dummies start two years prior to the CGR year. *ACGR_t-2* (*ACGR_t-1*) is equal to one if the acquisition announcement is made two (one) years before the acquirer country's CGR year. *ACGR_t* is equal to one if the acquisition bid is announced during the year of CGR; and *ACGR_t+1* (*ACGR_t+2*) is equal to one if the announcement is made during the year (two or more years) after the CGR year. Time dummies for *TCGR* are constructed in the same way.

Table 6 shows insignificant coefficients on dummies for all years prior to both target and acquirer countries' CGRs, revealing no evidence of changes in the type of firms targeted prior to the reforms. All the coefficients on acquirer countries' post-CGR year dummies in Columns (1) and (3) are positive, and four of six are significant. These results imply that CGRs enacted by acquirer countries have immediate and long term effects of exacerbating the cherry picking tendency. All the coefficients on target countries' post-CGR year dummies in Columns (2) and (4) are negative, and two of six are significant, consistent with the earlier results indicating that CGRs enacted by target countries decrease the cherry picking tendency. The effects of target and acquirer countries' CGRs on the cherry picking tendency are not driven by confounding effects surrounding CGR years.

Our estimation may be affected by regulatory changes in the control group. For example, some countries introduce regulations improving corporate governance but their scopes and effects are not substantive enough to be classified as a CGR – e.g., Brazil in 2001 and Japan in 2002. If these regulatory actions have positive effects on IP, there will be less distinction between the control and treatment group, weakening the power of the test. Also, some countries with identified CGRs continue to issue new IP regulations after enacting CGRs, further refining the CGRs. The post-CGR observations enter our difference-in-differences test as a part of the control group; consequently, the post-CGR regulatory reforms narrow the estimated difference in the type of firms being targeted

between CGR and non-CGR countries, biasing the results against finding significant impacts of CGRs.

4.3 Other robustness tests

This section contains a battery of robustness checks. Re-estimation results are reported in Table 7 without control variables.

Improving corporate governance standards through a CGR may coincide with new financial liberalization policies such as greater openness to foreign capital inflows. Controlling for *Num of Bids* partially addresses this concern. As an additional test, we include the ratio of target countries' foreign direct investment (FDI) net inflows to GDP, *FDI Inflow/GDP*. Because this variable is time-variant, it will reflect changes in the openness toward foreign capital. Panel A of Table 7 shows negative coefficients on *FDI Inflow/GDP*, suggesting a decrease in the cherry picking tendency when a target country receives more foreign capital inflows. However, the effects of CGRs are robust; estimates of *ACGR* and *TCGR* are virtually unchanged from those in Table 5.

Italy is an industrialized country belonging to the G7 group, but is defined as a weak-IP target country because it falls in the bottom third of the IP index. We re-estimate the regressions while excluding acquisition bids for Italian firms. The results, reported in Panel B, are robust.

Our categorization of strong-IP acquirer and weak-IP target countries takes into account whether a country is considered an emerging or a G7 economy. For robustness, we calculate a weighted average of the normalized *Anti-self-dealing* index and *Law-and-Order* index to construct an alternative IP index, *IP_Alternative*. A country is classified as a strong- or weak-IP country if it belongs above or below the median IP_Alternative. [15] Initially, we assigned an equal weight to both indices. However, this approach would rank countries such as China and Thailand ahead of France in terms of IP strength. Although France has civil law origination, ranking France behind China and Thailand in IP seems counter-intuitive. Thus, we experiment with different combinations of weights

[15] In constructing this alternative index, we exclude the revised anti-director index. Pagano and Volpin (2005) point out the inadequacies of the original version of anti-director index in measuring minority shareholder protection, and Djankov et al. (2008) seem to have more faith in the anti-self dealing index than their revised anti-director index.

to come up with a reasonable ranking of countries in IP. The final choice is to give 20 – 80% weights to the *Anti-self-dealing* and *Law-and-Order* indices, at which point Italy and Spain are the only industrialized countries that are classified as weak-IP countries. This new categorization yields 24 weak-IP target countries and 18 strong-IP acquirer countries. [16] The re-estimation results using this alternative IP index are reported in Panel C. The results are robust. As an additional robustness check, acquisition bids for firms in Italy and Spain are excluded from the sample. The results are similar (unreported).

Four acquirer countries and four target countries have fewer than 10 acquisition bids. Regressions are re-estimated while excluding acquisition bids associated with these eight countries. The results, reported in Panel D, are robust.

We conduct two more tests without reporting the results. Instead of clustering standard errors at the target-acquirer-country pair level, we cluster standard errors at the target and acquirer country level to allow for correlations among bids received within a same target country and among bids made by firms from a same acquirer country. We also re-estimate the baseline regressions with 2001 as India's CGR year. Both results are robust.

5. Conclusions

This paper provides a comprehensive documentation of major corporate governance reforms undertaken around the world over the period 1991-2007. We also demonstrate that the impacts these CGRs had on investor protection by providing evidence that they had significant effects on foreign acquirers' cherry picking tendency when they choose targets in emerging economies.

We argue when a foreign acquirer's country has stronger IP than a target country, the acquirer's controlling shareholder values private benefits of control less than controlling shareholders of local firms because stronger IP imposes greater constraints on diversion of corporate

[16] The weak-IP countries include Argentina, Brazil, Chile, China, Columbia, Czech Republic, Greece, Hungry, India, Indonesia, Italy, Malaysia, Mexico, Peru, Philippines, Poland, Portugal, Russia, South Africa, South Korea, Spain, Taiwan, Thailand, and Turkey. The strong-IP countries include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Japan, Netherlands, Norway, Singapore, Sweden, Switzerland, the United Kingdom, and the United States.

resources for private benefits. Within the target country, controlling shareholders of firms with more profitable investments take fewer private benefits and, hence, demand lower control premiums. Foreign acquirers, which value control premiums less, will target firms with more profitable investments. The tendency to cherry pick will intensify (moderate) as the IP gap between the acquirer and target countries increases (decreases).

This prediction is tested with data on cross-border acquisition bids. Of 33 acquirer and target countries in our sample, 20 countries undertook CGRs. These CGRs, which took place in a staggered fashion, generate within-country variation in IP, allowing identification of the effect of changes in the IP gap between acquirer and target countries. Consistent with the prediction, we find a significant increase in the cherry picking tendency after strong-IP acquirer countries undertake CGRs. We also find CGRs undertaken by target countries reduce foreign acquirers' tendency to cherry pick. These findings imply weak IP in target countries prevents poorly performing firms from gaining access to foreign investors, restricting the spread of the potential benefits of globalization. More generally, they highlight the importance of IP in guiding international capital flows not only across countries, but also across firms within a country.

Recent studies demonstrate that cross-border acquisitions are an important channel to spread corporate governance systems from strong to weak legal regimes (e.g., Rossi and Volpin, 2004; Bris and Cabolis, 2008; Chari, Ouimet, and Tesar, 2010). This paper identifies a critical distortion in that channel. Cherry picking implies the transmission of governance systems through cross-border acquisitions occurs mainly for better performing firms, leaving largely untouched poorly performing firms, which may be in greater need of governance improvement. Improving the legal environments of weak-IP capital-importing countries should help alleviate the distortion.

Appendix: Corporate Governance Reforms (CGRs)

Argentina: In 2001 the government introduced a major reform to the regulatory framework applicable to the public offer regime. The reform incorporated the Corporate Governance Principles from the OECD, some of which were previously absent from the Argentine legal system. The Federal Executive Branch passed Decree 677/01, "Capital Markets Transparency and Best Practices," also called the "Transparency Decree" or "TD." It became effective on June 1, 2001. The year of CGR is defined as 2001, when the Corporate Governance Principles from the OECD became effective for Argentinean publicly listed firms. Level of enforcement: Legal rule.

Australia: The events at HIH and One.Tel prompted a series of significant corporate governance reforms in Australia that parallel post-Enron reforms in the U.S. and U.K. The most pivotal Australian legislative reform was the Corporate Law Economic Reform Program (Audit Reform & Corporate Disclosure) Act of 2004, CLERP 9. It contains important regulatory reforms to the audit function, disclosure, shareholder participation in governance, executive remuneration, and enforcement. Another key reform was the introduction of the Principles of Good Corporate Governance for Australian listed companies, by the Australian Stock Exchange (ASX). The year of CGR is defined as 2004 when CLERP 9 took effect and the ASX *Principles* also became fully effective. Level of enforcement: Comply-or-explain/Legal rule.

Austria: The 2002 Austrian Code of Corporate Governance (*Code*) has been viewed as an effective tool for promoting confidence in the Austrian capital markets. The *Code* is based on the provisions of Austrian Corporation Law, Securities Law, and Capital Markets Law, as well as the OECD Principles of Corporate Governance. It aims to strengthen investor confidence. It provides a framework for corporate management and control. The year of CGR in Austria is defined as 2004 when The Vienna Stock Exchange began enforcing the *Code* on a comply-or-explain basis. However, because the *Code* was met with many declarations of adherence prior to 2004, the year of publication (2002) can be used as an alternate year of CGR. Level of enforcement: Comply-or-explain.

Belgium: Committee Lippens published a new Belgian Code on Corporate Governance on December 9, 2004. The Code replaces the 1998 Recommendations on Corporate Governance, which was voluntary. The Code entered into force on January 1, 2005, the deadline for all Belgian listed companies to prepare their consolidated financial statements in accordance with international accounting standards (IAS). The year of CGR in Belgium is defined 2005 when the new Belgian Code on Corporate Governance took effect and IAS is adopted by all Belgian listed companies. Level of enforcement: Comply-or-explain/Legal rule.

Brazil: The new Corporation Law (10.303/2001) was enacted on October 31, 2001. It became effective 120 days after promulgation. The 2001 reform strengthened minority shareholders rights and improved standards for disclosure, with improved laws on tag-along rights, de-listing, non-voting shares, election of board members by minority shareholders and private arbitration. The year of CGR in Brazil is defined as 2002, because the new Corporation Law No. 10303 became fully

effective and is the only enforced reform initiative in Brazil. The reform is limited in scope and is considered ineffective. Level of enforcement: Legal rule. This CGR is considered **weak**.

Canada: In 2004, Canadian corporate law and securities regulation was supplemented by a series of new national and multilateral securities instruments. They set new standards for independent audit committees, certification requirements for corporate officers, and disclosure standards. The cumulative effect of the regulatory shifts is that public issuers in Canada will be held to more rigorous standards in the transparency of their governance structures and practices and in the requirement of independence in management supervision. The year of CGR in Canada is defined as 2004 when the reforms on disclosure, audit committees, and accountability were adopted nationwide. Level of enforcement: Legal rule.

Chile: The Securities Market Law (SML) and the Corporation Law (CL) form the legal framework governing listed companies in Chile. In December 2000, both laws were overhauled by Law No. 19,705, also known as the Tender Offers and Corporate Governance Law or Ley de OPA. Law 19,705 is an ambitious and innovative piece of regulation, directed to improve fairness, transparency, and order in the Chilean capital market as a whole. The year of CGR is defined as 2001 because it is the first full year when Law No. 19,705 began to influence market participant's behavior. Level of enforcement: Legal rule.

China: In an effort to raise Chinese corporate governance standards in line with international best practices, the Chinese Securities Regulatory Commission and the State Economic and Trade Commission issued a new Code of Corporate Governance for listed companies in January 2001 (Code). It was effective from the date of issuance. The Code strictly follows the OECD Principles of Corporate Governance. The year of the CGR is defined as 2001 when the Code was enacted and international standards were enforced on listed Chinese firms. Level of enforcement: Legal rule.

Finland: In July, 2004, the Corporate Governance Recommendation for Listed Companies (Code) entered into force to harmonize existing regulations, increase operational transparency, and improve the quality of disclosure. The Code includes key issues on general shareholder meetings; supervisory boards; board committees; managing directors; other management; compensation; internal controls; risk management and internal audits; insider administration; external audits; and communication and disclosure. The year of the CGR is defined as 2004 when the Code entered into force on a comply-or-explain basis. Level of enforcement: Comply-or-explain.

France: Two laws were passed to strengthen the legal position on corporate governance: the May 2001 Law on New Economic Regulations (NRE), and the August 2003 Financial Security Law (LSF). These laws specifically target transparency and ethics within companies. The year of the CGR is defined as 2003 when LSF took effect. While the NRE began to influence corporate governance behavior, we believe that the regime change was not complete until the LSF law, the French version of the U.S. Sarbanes-Oxley Act, made significant changes to French corporate governance practice. Level of enforcement: Legal rule.

Germany: In September, 2001, the German Federal Minister of Justice established a governmental commission, which published the initial version of the German Corporate Governance Code (Code) in February, 2002. The key sections of the Code include shareholders and the general meeting; management board; supervisory board; transparency; and reporting and auditing annual financial statements. It is viewed as the German version of the U.S. Sarbanes-Oxley Act. The Code entered into force on July 26, 2002. The year of the CGR is defined as 2002 when a declaration of conformity with the new German Corporate Governance Code was required by passage of the Transparency and Disclosure Law. Level of enforcement: Comply-or-explain.

Hong Kong: On January 30, 2004, Hong Kong Exchanges and Clearing Limited published "Exposure of Draft Code (Code) on Corporate Governance Practices and Corporate Governance Report (The Exposure Paper)." The Exposure Paper was benchmarked against the best prevailing market practices and international standards of corporate governance, and follows a comply-or-explain principle. The Code became effective January 1, 2005. The year of the CGR is defined as 2005 when the HKEX began enforcing The Exposure Paper. Level of enforcement: Comply-or-explain.

India: Clause 49 took effect in phases over 2000 through 2003. It contained both requirements and recommendations on the minimum percentage of independent directors, board meetings, codes of conduct, limits on directorships simultaneously held, the power of the audit committee, certification by the CEO and CFO of financials. Firms failing to meet these requirements can be de-listed and given financial penalties. On March 31, 2001, the original Clause 49 went into effect for all companies in the Bombay Stock Exchange 200 and all newly listed companies after that date. Compliance requirements were extended to March 31, 2002 to cover all listed medium and large companies. The year of CGR is defined as 2002. The year of 2001 is also used for a robustness check. Level of enforcement: Legal rule.

Italy: In response to corporate scandals and CGRs in other countries, the government enacted Law 262 (The Savings Law) in December 2005. It is considered the Italian equivalent of the U.S. Sarbanes-Oxley Act. The Savings Law introduces amendments to the Financial Law Consolidated Act on the appointment and requirements of directors, the composition and powers of the board of statutory auditors, and other controlling bodies for monistic and dualistic models. Additionally, a new Corporate Governance Code (Code) was promulgated by the Italian Stock Exchange (Borsa Italiana) in March 2006 to strengthen corporate governance among listed companies. The new Code has a comply-or-explain basis, replacing the Preda Code, which was voluntary. The year of the CGR is defined as 2006 when the Savings Law became effective and the new Code began to effect listed companies. Level of enforcement: Legal rule.

Malaysia: The Malaysian Code on Corporate Governance (Code) was published in March 2000. It took effect through revamped exchange listing requirements on January 22, 2001. The Code sets out principles and best practices of structures and processes that companies may use to achieve an optimal governance framework. It focuses on four areas: board of directors; director's remuneration; shareholders and accountability; and audit. The year of the CGR is defined as 2001 when the Listing Exchanges began enforcing the Code. Level of enforcement: Comply-or-explain.

Mexico: The 1975 Securities Market Law (LMV) was substantially amended in 2001. Specific measures encompassed in the LMV reforms include: granting the National Banking and Securities Commission the power to regulate tender offers in order to prevent the exclusion of minority shareholders from the benefits of these transactions; restrictions on the issuance of non-common shares; prohibition of issuance of "stapled shares" unless the non-voting shares are convertible into common shares within five years; requirements for independent members on boards of directors, appointment of board members by minority shareholders, and the establishment of audit committees; stricter enforcement, with certain violations punishable as criminal offences; and changing the regulatory approach from a merit-based approach to a disclosure regime. Reforms to the LMV took effect in June 2001. The year of the CGR is defined as 2001. Level of enforcement: Legal rule.

Netherlands: Following several scandals and having acquired a reputation for weak investor protection, the Netherlands released a second corporate governance code in 2003. The Dutch Corporate Governance Code (*Code*) was an initiative of the Ministry of Finance and Economic Affairs. Its scope was wider and aimed at legislative changes. The Code has 5 sections: compliance with and enforcement of the code; the management board, the supervisory board, the shareholders and general meeting of shareholders; the audit of the financial reporting; and the position of the internal auditor function and of the external auditor. The Dutch Corporate Governance Code was published on December 9, 2003. It became effective on January 1, 2004. The year of the CGR in the Netherlands is defined as 2004 when the Dutch Corporate Governance Code became effective. Level of enforcement: Comply-or-explain.

Norway: The Norwegian Code of Practice for Corporate Governance (Code) is based on a provisional national code. The Code was published in December, 2004, and became effective starting with fiscal year 2005. The Code adds new principles to strengthen shareholders' confidence in listed companies and consists of a large number of separate recommendations concerning the protection of minority shareholders; board independence; internal control; company leadership; and relationships with the public, external investors, and creditors. Adherence to the Code is based on a comply-or-explain principle. The year of the CGR is defined as 2005. Level of enforcement: Comply-or-explain.

Poland: After a series of corporate governance scandals increased awareness of the importance of minority shareholder rights, several organizations developed corporate governance codes, including the Warsaw Stock Exchange (WSE). The Warsaw Code has been accepted by the Polish Securities and Exchange Commission, the WSE, and the Polish Confederation of Private Employers. The WSE delivered Best Practices in Public Companies (Code) in 2002. The WSE requires listed companies to disclose compliance with the Code on a comply-or-explain basis. Market participants report that the Code appears to have had a significant impact on company behavior. The year of the CGR is defined as 2002 when the WSE imposed the Code on listed companies. Level of enforcement: Comply-or-explain.

Singapore: In 2003, a Code of Corporate Governance (Code) entered into force with the recommendation of the Corporate Governance Committee, formed by the Ministry of Finance and

Monetary Authority of Singapore (MAS). The Code is implemented through the Singapore Exchange Listing Rules, and the MAS ensures that the Code is up-to-date with international practices. The Code is divided into four main sections: board matters, remuneration matters, accountability and audit, and communication with shareholders. For annual general meetings held from January 1, 2003 onwards, listed companies are required to describe in annual reports their governance practices with specific reference to the principles of the Code, as well as disclose and explain any deviation from any Guidance Notes of the Code. The year of the CGR is defined as 2003 when the Code was enforced for listed companies. Level of enforcement: Comply-or-explain.

South Korea: After Korean corporate governance was cited by the IMF as one of the major causes of the 1997 financial crisis, several rounds of amendments to the Commercial Code and the Securities Exchange Act took place between 1998 and 2000. The major amendments require all firms listed on the KSE have at least 25% outside director board composition, establish various minority shareholder rights, introduce cumulative voting, require an audit committee, and improve accounting principles to enhance financial transparency. The year of the CGR is defined as 1999 when the package of new laws and regulations effecting corporate governance began to take effect. Level of enforcement: Legal rule.

Spain: The year of the CGR in Spain is defined as 2006 when the Unified Code was published and companies began to evaluate their disclosure statements using internationally recognized best practices as a baseline in preparation for their 2007 annual reports. Although the earlier Transparency Law is generally regarded as a significant reform in Spain's corporate governance, the 2006 reforms address broader internationally recognized categories of corporate governance reform. The 2006 Corporate Governance Unified Code has been called the strictest Spanish code to date, which has intensified pressure on companies once again to improve their corporate governance practices. Level of enforcement: Comply-or-explain.

Sweden: Two major scandals in 2002 and 2003 triggered two regulatory initiatives. First, the government completed a revision of the Companies Act of 1975, which ended in a new Companies Act in May 2005 (with effective implementation in January 2006). In 2002 the government also supported the creation of a Commission on Business Confidence mandated to draft a national code on corporate governance for listed companies (Code). The Code, enacted as a supplement to the Companies Act, aims to improve the governance of Swedish companies, primarily to ensure that companies are run in the best interests of the owners. 2006 was the first full year when the Code is applied and departures from Code rules must be reported and explained. The year of the CGR is defined as 2006, which is the first time the bundled reform was enforced simultaneously. Level of enforcement: Comply-or-explain.

Switzerland: The introduction of the two new sets of corporate governance rules in 2002 marked a milestone in the development of corporate governance system in Switzerland. The Directive on Information relating to Corporate Governance, issued by the Swiss Exchange (SWX), came into force on July 1, 2002 and aimed to enhance corporate transparency. Additionally, in 2002 the Swiss Code of Best Practice for Corporate Governance was issued by Economiesuisse. The year of the CGR in Switzerland is defined as 2002 when the Corporate Governance Directive took effect. The

Swiss Code of Best Practice is not included as part of a bundle because it is only recommendations with no external enforcement mechanism. Level of enforcement: Comply-or-explain. This CGR is considered **weak**.

UK: The current system of corporate governance in the UK can be traced to widely publicized corporate scandals in the late-1980s and early 1990s. In 1991, the Committee on the Financial Aspects of Corporate Governance was established, which issued a series of recommendations contained in the Cadbury Report. The report laid out recommendations on the separation of the role of the chief executive and chairman, balanced composition of the board, selection processes for non-executive directors, transparency of financial reporting, and stronger internal controls. In 1995, concerns about directors' pay and share options led to another set of recommendations comprised in a report called the Greenbury Report. The Cadbury and Greenbury Reports were merged to form the Combined Code in 1998, which applied to all listed companies with comply-or-explain enforcement. The year of the CGR is defined as 1998. Level of enforcement: Comply-or-explain.

US: The Enron and other major scandals in the early 2000s led to the 2002 Sarbanes-Oxley Act (SOX), which greatly enhanced financial transparency and brought about significant changes in the U.S. corporate governance system. It is widely considered to be the most important U.S. corporate governance reform since the 1930s, as corporate governance rules had previously been imposed by the stock exchanges and respective state laws. The Act strengthened rules on board independence and the role of audit committees, tightened reporting and disclosure requirements, mandated certification of financial statements by the CEO and CFO, and established the Public Company Accounting Oversight Board, with a mission to oversee audits of public companies and related matters. The year of the CGR is defined as 2003 when most of the provisions of the SOX and the new listing requirements became effective. Level of enforcement: Legal rule.

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Table 1: Countries with Corporate Governance Reforms (CGR), Year of CGR, and Level of Enforcement.

This table contains a list of countries that have undertaken a CGR during the sample period, the CGR year, and the level of enforcement. The year in parentheses is an alternative CGR year. To be considered as a CGR, the level of enforcement for the majority of new rules must be legal rules or comply-or-explain regulations, not purely voluntary. The Appendix contains a brief summary of each CGR. More detailed descriptions of background information, key dates, scope, the level of enforcement, outcome and criticism, and regulations for each CGR are provided on the Journal's website.

Country	CGR Year	Level of Enforcement
Argentina	2001	Legal Rule
Australia	2004	Comply-or-Explain / Legal Rule
Austria	2004 (2002)	Comply-or-Explain
Belgium	2005	Comply-or-Explain / Legal Rule
Brazil	2002	Legal Rule (Weak)
Canada	2004	Legal Rule
Chile	2001	Legal Rule
China	2001	Legal Rule
Finland	2004	Comply-or-Explain
France	2003	Legal Rule
Germany	2002	Comply-or-Explain
Hong Kong	2005	Comply-or-Explain
India	2002 (2001)	Legal Rule
Italy	2006	Legal Rule
Malaysia	2001	Comply-or-Explain
Mexico	2001	Legal Rule
Netherlands	2004	Comply-or-Explain
Norway	2005	Comply-or-Explain
Poland	2002	Comply-or-Explain
Singapore	2003	Comply-or-Explain
South Korea	1999	Legal Rule
Spain	2006	Comply-or-Explain
Sweden	2006	Comply-or-Explain
Switzerland	2002	Comply-or-Explain (Weak)
United Kingdom	1998	Comply-or-Explain
United States	2003	Legal Rule

Table 2: Descriptions of Corporate Governance Reform (CGR) Variables, Firm and Deal-specific Variables, and Country-level Variables.

Panel A: Corporate Governance Reform (CGR)Variables

ACGR	An indicator equal to one if an acquirer country has undertaken a CGR.
TCGR	An indicator equal to one if a target country has undertaken a CGR.
Panel B: Firm and Deal-specific Variables	
SALES/TA_Gr	Target firms' growth rate of the ratio of sales to the book value of total assets (asset utilization rate) one year prior to the announcement of an acquisition bid. (Source: SDC, Compustat Global, and Compustat North America)
EBITDA/TA	The ratio of earnings before interests, taxes, depreciation, and amortization to the book value of total assets one year prior to the announcement of an acquisition bid. (Source: SDC, Compustat Global, and Compustat North America)
Cross List	An indicator equal to one if a target firm's shares are listed on foreign stock exchanges. (Source: SDC and Compustat Global and Compustat North America)
SOE	An indicator equal to one if the ultimate parent of a target firm is the government. (Source: SDC)
Diversified	An indicator equal to one if an acquirer and the target are not in the same industry as defined by the Campbell (1996) industry groupings. (Source: SDC, Compustat Global, and Compustat North America)
Acquirer EBITDA/TA	An acquirer's earnings before interests, taxes, depreciation and amortization (EBITDA) divided by the book value of total assets one year prior to the announcement of an acquisition bid. (Source: SDC, Compustat Global, and Compustat North America)
Friend	An indicator equal to one if an acquisition bid is defined as a friendly acquisition. (Source: SDC)
Tender	An indicator equal to one if an acquisition bid takes the form of tender offer. (Source: SDC)
Acquirer Total Assets	The natural logarithm of an acquirer's book value of total assets one year prior to the announcement of the acquisition bid. The book value of assets is denominated in 2000 US$. (Source: SDC, Compustat Global, and Compustat North America)
Target Total Assets	The natural logarithm of a target's book value of total assets one year prior to the announcement of the acquisition bid. The book value of assets is denominated in 2000 US$. (Source: SDC, Compustat Global, and Compustat North America)
Panel C: Country-level Variables	
IP	0.25*anti-self-dealing + 0.25*nor_revised_Anti-director + 0.5*law-and-order. Anti-self-dealing measures minority shareholder protection against controlling shareholders' self-dealing. It is a time invariant country level measure, ranging from zero to one. (Source: Djankov, et al., 2008) Revised anti-director index is the aggregate index of shareholder rights. Nor_revised_anti-director is the normalized value of revised anti-director index by the maximum value of revised anti-director index among all countries. It is a time invariant country level measure, ranging from zero to one. (Source: Djankov et al., 2008) Law-and-order measures the strength and impartiality of a legal system and of the popular observance of the law. It changes every year, ranging from zero to one. (Source: International Country Risk Guide). A higher IP score indicates stronger investor protection.
IP_Alternative	0.2*anti-self-dealing + 0.8*law-and-order. Anti-self-dealing and law-and-order are defined above.
Num of Bids	The total number of acquisition bids a target country received from foreign acquirers of our sample countries during a given year. (Source: SDC)
GDPPA Distance	The difference in GDP per capita between the acquirer and target countries one year prior to the announcement of acquisition bid. All values in GDPPA are converted into 2000 US$ in thousands. (Source: World Development Indicators for all countries except Taiwan; MarketLine-Research Database for Taiwan)
FDI Inflows/GDP	The ratio of net inflows of foreign direct investments to GDP. (Source: World Development Indicators for all countries except Taiwan; Economist Intelligence Unit (EIU) for Taiwan)
Crisis	An indicator equal to one if the acquisition bid is announced in the following country-year combination: Thailand, 1997-99; South Korea, 1997-99; Indonesia, 1997-99; Brazil, 1998-99; Mexico, 1994-95; Turkey, 1994, and 2000-01; Russia, 1998. (Source: SDC)

Table 3: Number of Acquisition Bids by Firms in Acquirer Countries for Companies in Target Countries.

Panel A, Column (1) provides a list of acquirer countries in the sample. Column (2) shows the total number of acquisition bids made by firms in each acquirer country with data available to construct CDF(Sales/TA_Gr) or CDF(EBITDA/TA). CDF is a cumulative distribution function and the variables are defined in Table 2. Columns (4) and (6) show the number of acquisition bids made by firms in each acquirer country before and after the acquirer country undertakes a corporate governance reform (CGR), respectively. Columns (3), (5), and (7) show the percentage of bids made by firms in each acquirer country relative to the total number of bids made during the full-, pre-CGR-, and post-CGR period, respectively. In Panel B, Column (1) provides a list of target countries in the sample. Column (2) shows the total number of acquisition bids made for firms located in each target country with data available to construct CDF(Sales/TA_Gr) or CDF(EBITDA/TA). Columns (4) and (6) show the number of acquisition bids made for firms in each target country before and after the target country undertakes a CGR, respectively. Columns (3), (5), and (7) show the percentage of bids made for firms in each target country relative to the total number of bids made during the full-, pre-CGR-, and post-CGR period, respectively. The CGRs are summarized in Table 1 and the Appendix.

Panel A: Number of Acquisition Bids by Acquirer Country						
Acquirer Country	**Full**	**%**	**Pre-ACGR**	**%**	**Post-ACGR**	**%**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
Australia	20	3.80	17	5.57	3	1.35
Canada	13	2.47	7	2.30	6	2.70
Denmark	7	1.33	7	2.30	0	0.00
Finland	6	1.14	2	0.66	4	1.80
France	10	1.90	3	0.98	7	3.15
Germany	49	9.30	28	9.18	21	9.46
Hong Kong	42	7.97	32	10.49	10	4.50
Japan	56	10.63	56	18.36	0	0.00
Norway	3	0.57	1	0.33	2	0.90
Singapore	38	7.21	23	7.54	15	6.76
Sweden	9	1.71	7	2.30	2	0.90
United Kingdom	63	11.95	5	1.64	58	26.13
United States	211	40.04	117	38.36	94	42.34
Total	527	100	305	100	222	100

Table 3: Number of Acquisition Bids by Firms in Acquirer Countries for Companies in Target Countries (Continued).

Panel B: Number of Acquisition Bids for Firms in Target Country						
Target Country	**Full**	**%**	**Pre-TCGR**	**%**	**Post-TCGR**	**%**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
Argentina	3	0.57	3	0.91	0	0.00
Brazil	28	5.31	28	8.51	0	0.00
Chile	11	2.09	8	2.43	3	1.52
China	61	11.57	14	4.26	47	23.74
Czech Republic	13	2.47	13	3.95	0	0.00
Greece	8	1.52	8	2.43	0	0.00
India	58	11.01	15	4.56	43	21.72
Indonesia	21	3.98	21	6.38	0	0.00
Italy	32	6.07	25	7.60	7	3.54
Malaysia	59	11.20	27	8.21	32	16.16
Mexico	19	3.61	15	4.56	4	2.02
Peru	4	0.76	4	1.22	0	0.00
Philippines	19	3.61	19	5.78	0	0.00
Poland	11	2.09	6	1.82	5	2.53
Russia	12	2.28	12	3.65	0	0.00
South Africa	35	6.64	35	10.64	0	0.00
South Korea	65	12.33	8	2.43	57	28.79
Taiwan	37	7.02	37	11.25	0	0.00
Thailand	26	4.93	26	7.90	0	0.00
Turkey	5	0.95	5	1.52	0	0.00
Total	527	100	329	100	198	100

Table 4: Summary Statistics for Key Variables.

This table reports summary statistics of the variables used in the paper. All variables are described in Table 2.

Variables	N	Mean	Median	Std. Dev.	Min	Max
(1)	(2)	(3)	(4)	(5)	(6)	(7)
CDF(SALES/TA_Gr)	464	0.565	0.571	0.300	0.009	1.000
CDF(EBITDA/TA)	492	0.533	0.546	0.283	0.019	1.000
Cross List	527	0.085	0.000	0.280	0.000	1.000
SOE	527	0.082	0.000	0.274	0.000	1.000
Num of Bids	527	6.829	6.000	4.141	1.000	16.000
Diversified	527	0.311	0.000	0.463	0.000	1.000
GDPPA Distance	527	23.115	22.960	8.174	2.421	40.059
Acquirer EBITDA/TA	486	0.042	0.093	1.018	-22.000	0.804
Friend	527	0.624	1.000	0.485	0.000	1.000
Tender	527	0.070	0.000	0.256	0.000	1.000
Acquirer Total Assets	486	9.015	9.255	2.773	-7.006	14.554
Target Total Assets	527	5.977	5.857	2.159	-1.486	12.223
FDI Inflows/GDP	527	0.025	0.020	0.021	0.030	0.120
Crisis	527	0.283	0.000	0.451	0.000	1.000

Table 5: Impacts of Corporate Governance Reforms (CGRs) on the Type of Firms Targeted by Foreign Acquirers.

This table reports the baseline estimation results of the impact of CGRs undertaken by either acquirer or target country on the type of firms targeted by foreign acquirers. In Columns (1) and (2), the dependent variable is the numerical cumulative density function (CDF) of the growth rate of asset utilization rate of the target firm (CDF(SALES/TA_Gr)). In Columns (3) and (4), the dependent variable is the CDF of EBITDA margin, EBITDA divided by the book value of total assets of the target firm (CDF(EBITDA/TA)). All variables are defined in Table 2. All regressions are estimated with year-, target industry- (defined as in the Campbell (1996) industry groupings), target country-, and acquirer country fixed effects. Robust standard errors (in parentheses) are corrected by clustering observations at the acquirer-target country pair level. *, **, and *** indicate significance at the 10%, 5% and 1%, respectively.

	CDF(SALES/TA_Gr)		**CDF(EBITDA/TA)**	
	(1)	**(2)**	**(3)**	**(4)**
TCGR	-0.061	-0.134**	-0.068	-0.099*
	(0.062)	(0.059)	(0.056)	(0.055)
ACGR	0.132*	0.153**	0.092*	0.140***
	(0.072)	(0.065)	(0.049)	(0.048)
CrossList	-0.104*	-0.074	0.067	0.048
	(0.053)	(0.061)	(0.058)	(0.060)
SOE	0.069	0.099	0.062	0.085
	(0.064)	(0.091)	(0.059)	(0.063)
Target Total Assets	0.013	0.012	0.001	0.002
	(0.010)	(0.011)	(0.008)	(0.008)
Num of Bids	0.005	0.008	0.021***	0.022***
	(0.006)	(0.006)	(0.004)	(0.005)
Crisis	0.064	0.107	-0.124	-0.091
	(0.110)	(0.119)	(0.081)	(0.083)
Diversify	-0.003	0.010	-0.097***	-0.085**
	(0.026)	(0.029)	(0.036)	(0.036)
Tender	-0.062	-0.068	0.026	0.028
	(0.047)	(0.053)	(0.045)	(0.052)
Friend	0.010	-0.007	0.008	0.012
	(0.032)	(0.035)	(0.028)	(0.025)
GDPPA Distance		-0.004		0.004
		(0.005)		(0.004)
Acquirer Total Assets		-0.001		-0.007
		(0.006)		(0.006)
Acquirer EBITDA/TA		0.022***		0.037***
		(0.006)		(0.008)
Constant	1.078***	0.544*	0.071	-0.158
	(0.215)	(0.276)	(0.212)	(0.257)
Year FE	Y	Y	Y	Y
Target Industry FE	Y	Y	Y	Y
Target Country FE	Y	Y	Y	Y
Acquirer Country FE	Y	Y	Y	Y
Observations	464	426	492	450
Adj-R^2	0.07	0.09	0.12	0.16

Table 6: Impact of Confounding Effects on the Type of Firms Targeted.

This table reports the test results on the impact of confounding effects on the type of firms targeted. The dependent variable is the numerical cumulative density function (CDF) of SALES/TA_Gr in Columns (1)-(2) and the CDF of EBITDA divided by the book value of total assets in Columns (3)-(4). ACGR_t-2 (ACGR_t-1) is equal to one if the acquisition announcement is made two (one) years before the acquirer country's CGR year. ACGR_t is equal to one if the acquisition bid is announced during the year of CGR; and ACGR_t+1 (ACGR_t+2) if the announcement is made during the year (two or more years) after the CGR year. Time dummies for TCGR are constructed in the same way. All variables are defined in Table 2. All regressions are estimated with year, target industry (defined as in Campbell (1996) industry groupings), target country, and acquirer country fixed effects. Robust standard errors (in parentheses) are corrected by clustering observations at the acquirer-target country pair level. *, **, and *** indicate significance at the 10%, 5% and 1%, respectively.

	CDF(SALES/TA_Gr)		**CDF(EBITDA/TA)**	
	(1)	**(2)**	**(3)**	**(4)**
TCGR	-0.130**		-0.102*	
	(0.063)		(0.054)	
ACGR_t-2	0.079		-0.082	
	(0.083)		(0.069)	
ACGR_t-1	-0.045		0.082	
	(0.106)		(0.080)	
ACGR_t	0.103		0.223***	
	(0.081)		(0.076)	
ACGR_t+1	0.101		0.155**	
	(0.082)		(0.071)	
ACGR_t+2	0.201**		0.123*	
	(0.080)		(0.067)	
ACGR		0.170***		0.138***
		(0.063)		(0.048)
TCGR_t-2		0.043		0.060
		(0.125)		(0.101)
TCGR_t-1		0.113		0.029
		(0.117)		(0.101)
TCGR_t		-0.069		-0.079
		(0.112)		(0.075)
TCGR_t+1		-0.080		-0.205**
		(0.107)		(0.097)
TCGR_t+2		-0.188*		-0.026
		(0.099)		(0.081)
CrossList	-0.074	-0.064	0.046	0.043
	(0.062)	(0.059)	(0.060)	(0.061)
SOE	0.088	0.103	0.093	0.080
	(0.092)	(0.090)	(0.066)	(0.063)
Target Total Assets	0.014	0.012	0.000	0.002
	(0.011)	(0.011)	(0.008)	(0.008)
Num of Bids	0.007	0.009	0.022***	0.025***
	(0.006)	(0.006)	(0.005)	(0.005)
Crisis	0.107	0.049	-0.087	-0.113
	(0.121)	(0.111)	(0.081)	(0.097)
Diversify	0.008	0.003	-0.085**	-0.079**
	(0.029)	(0.032)	(0.037)	(0.035)
Tender	-0.077	-0.072	0.039	0.026
	(0.050)	(0.055)	(0.050)	(0.051)
Friend	-0.008	-0.007	0.014	0.016
	(0.035)	(0.034)	(0.026)	(0.026)
GDPPA Distance	-0.003	-0.005	0.003	0.003
	(0.005)	(0.005)	(0.004)	(0.004)
Acquirer Total Assets	-0.002	-0.001	-0.005	-0.006
	(0.006)	(0.006)	(0.006)	(0.006)
Acquirer EBITDA/TA	0.024***	0.023***	0.035***	0.036***
	(0.006)	(0.006)	(0.008)	(0.007)
Constant	0.554**	0.558*	-0.141	-0.111
	(0.277)	(0.286)	(0.233)	(0.274)
Year-, Target Industry-, Target- and Acquirer Country FE	Y	Y	Y	Y
Observations	426	426	450	450
Adj-R^2	0.08	0.09	0.17	0.17

Table 7: Alternative Model Specifications and Sample Constructions.

This table reports results of robustness tests for the results in Table 5 to alternative model specifications and sample constructions. All regressions include the same control variables used in Columns (2) and (4) of Table 5 but not reported. The definitions of all variables are given in Table 2. Robust standard errors (in parentheses) are corrected by clustering at the acquirer-target country pair level. *, **, and *** indicate significance at the 10%, 5% and 1%, respectively.

		CDF(SALES/TA_Gr)	CDF(EBITDA/TA)
		(1)	(2)
Panel A: Controlling for changes in the openness of target countries, as measured by target countries' FDI net inflows as a percentage of GDP	TCGR	-0.132**	-0.098*
		(0.059)	(0.055)
	ACGR	0.146**	0.137***
		(0.064)	(0.048)
	FDI Inflows/GDP	-2.720**	-1.784
		(1.181)	(1.221)
	Year-, Target Industry-, Target- and Acquirer Country FE	Y	Y
	Observations	426	450
	Adj-R^2	0.09	0.16
Panel B: Excluding cross-border acquisitions in Italy	TCGR	-0.131**	-0.104*
		(0.063)	(0.058)
	ACGR	0.146**	0.146***
		(0.065)	(0.047)
	Year-, Target Industry-, Target- and Acquirer Country FE	Y	Y
	Observations	405	428
	Adj-R^2	0.08	0.15
Panel C: Redefining strong- IP acquirer countries and weak IP target countries based on the median value of IP_Alternative	TCGR	-0.129**	-0.025
		(0.050)	(0.050)
	ACGR	0.134***	0.095**
		(0.050)	(0.039)
	Year-, Target Industry-, Target- and Acquirer Country FE	Y	Y
	Observations	523	550
	Adj-R^2	0.08	0.12
Panel D: Excluding bids associated with countries with fewer than 10 acquisition bids	TCGR	-0.150**	-0.090
		(0.061)	(0.059)
	ACGR	0.151**	0.134***
		(0.068)	(0.049)
	Year-, Target Industry-, Target- and Acquirer Country FE	Y	Y
	Observations	388	410
	Adj-R^2	0.09	0.18