Application for REStat Fellowship
NBER Summer Institute 2025

Applicant: Sydul Karim, PhD

Affiliation: College of Business+IT, Lawrence Technological University, Southfield, MI

Email: mkarim@ltu.edu

PhD: Financial Economics, May 2021

Research Page: Google Scholar (As of April 8, 2025, 634 citations)

Summary of Current Research Activity

My research agenda focuses on the intersections of corporate finance, corporate governance, financial reporting, and economic resilience, using rigorous empirical methods to investigate how firms respond to a variety of institutional, regulatory, and macroeconomic shocks. My recent and ongoing research spans several core areas of applied microeconomics, including public economics, law and economics, labor economics, energy and environmental economics, and development economics.

A central theme of my research is how external institutional conditions—such as political risk, corruption, ESG practices, regulatory uncertainty, and financial crises—shape firm-level decisions and outcomes. I employ a variety of identification strategies and data sources to answer timely policy-relevant questions at the intersection of economics and finance.

Key areas of current and recent research include:

- **Corporate governance and political economy**: How political corruption influences corporate debt maturity and how internal capital markets buffer firms from political risk.
- **Law and economics**: How litigation risk affects innovation outcomes by increasing the cost of risky investments in intangible capital.
- **Public economics and international business**: The competitive implications of foreign state-owned enterprise acquisitions on U.S. firms.

- **Environmental and development economics**: How ESG activities affect bank performance in emerging markets and how firms communicate sustainability-related risks using non-GAAP metrics.
- **Labor economics and financial stability**: The role of leadership structure and community bank models in preserving firm performance during macroeconomic disruptions like COVID-19.

My work is published in leading peer-reviewed journals such as the *Journal of Corporate Finance*, *Auditing: A Journal of Practice & Theory*, *Journal of Financial Stability*, and *Journal of International Financial Markets, Institutions and Money*, and has earned awards from professional associations such as the Financial Management Association and the Federation of Business Disciplines.

Distinctive Perspective and Contribution to the NBER Summer Institute

My scholarship brings an interdisciplinary perspective to applied microeconomics by integrating frameworks from corporate finance, institutional economics, and sustainability with advanced empirical methods. My research is grounded in questions of broad public interest, such as how firms manage legal exposure, how public corruption affects access to capital, and how governance structures shape crisis resilience. These themes align closely with the objectives of several NBER Summer Institute tracks, particularly in public economics, law and economics, labor, and environmental economics.

As an Assistant Professor at Lawrence Technological University—an institution historically underrepresented at the Summer Institute—I contribute to broadening both the institutional and topical diversity of the NBER community. My work addresses applied microeconomic questions in domains that remain relatively underexplored, including the intersection of political economy and corporate finance, as well as the role of ESG and AI in shaping firm strategy and risk management.

My forward-looking research agenda includes examining how firms adapt to climate-related

regulatory risk through voluntary disclosures, how artificial intelligence reshapes financial decision-making and governance, and how Fintech innovation affects access to capital and financial resilience. These areas are increasingly important to public policy and applied economic research but remain underrepresented in traditional economics conferences.

Participation in the NBER Summer Institute would provide a unique opportunity to share insights from this work, receive feedback from leading scholars, and explore new collaborations. I am particularly interested in contributing to sessions where law, policy, and firm behavior intersect—areas where I have developed both theoretical and empirical expertise.

Expected Benefits from Attending the Summer Institute

Attending the NBER Summer Institute will provide me with invaluable exposure to cutting-edge research methodologies and facilitate collaborations with leading scholars in applied economics. Additionally, it will enhance my ability to contribute innovative ideas to the field, especially in areas related to corporate governance, public economics, and financial resilience. I am particularly interested in participating in sessions related to **public economics, law and economics, labor economics, and energy and environmental economics**.

The opportunity to engage with renowned researchers and present my work will significantly enhance the quality of my research and broaden the scope of my academic collaborations. I am eager to contribute to the rich intellectual environment of the Summer Institute and help expand the diversity of researchers and topics represented at the conference.

Session Preferences

Based on my research interests, I am particularly interested in attending the following session/s at the Summer Institute:

- **SI 2025 Corporate Finance** (July 7-8, 2025)
- **SI 2025 Big Data and High-Performance Computing for Financial Economics** (July 12, 2025)

- **SI 2025 Capital Markets and the Economy** (July 7-9, 2025)

Attachments

- Curriculum Vitae (CV)
- Recent Research Paper: *The takeover Tango: Unraveling the impact of state-owned enterprise acquisitions on American competitors*
  DOI: https://doi.org/10.1016/j.ribaf.2023.102167

Thank you very much for your consideration of my application. I look forward to the possibility of contributing to the NBER Summer Institute and engaging with fellow researchers.

Sincerely,

Sydul Karim, PhD
Assistant Professor, Lawrence Technological University
mkarim@ltu.edu

Curriculum Vitae

Sydul Karim, PhD

Assistant Professor
Department of Accounting and Finance
College of Business + IT
Lawrence Technological University
Phone: 248.204.3065 *Cell: 225-447-4563*
email: mkarim@ltu.edu
Resident Status: Permanent (Green Card)

EDUCATION

University of New Orleans — New Orleans, LA
Ph.D. in Financial Economics [2021] — 05/2021
Master of Science in Finance [2019]

The University of Akron — Akron, OH
MBA in Finance [2016]

University of Dhaka — Dhaka, Bangladesh
Masters in Development Studies [2009]
MBA in Accounting & Information Systems [2007]
BBA in Accounting & Information Systems [2006]

Institutions of Bankers — Dhaka, Bangladesh
Banking Diploma

TEACHING AND INDUSTRY EXPERIENCE

Lawrence Tech University (AACSB Accredited) — Southfiled, MI
Assistant Professor of Finance (tenure track) — Fall 2023 – Current

- MBA 6003 01_Financial Management — Fall, 2024, Spring, 2025
- ACC 6003 01_Managerial Accounting
- ACC 5001T_ Fundamentals of Financial Acc
- MBA 5051T_Fundamentals of Finance

- ACC 6003 01_Managerial Accounting — Spring, 2024
- ACC 6003 02_Managerial Accounting
- MBA 7013 01_Financial Mkts & Institutions
- FIN 4013 01_ Financial Mkts & Institutions

- MBA6003_Financial Management — Fall, 2023
- ACC5003_Fundamentals of Financial Acct

Kalamazoo College — Kalamazoo, MI
Assistant Professor of Business (tenure track) — Jan 2022 – June 2023

- BUSN 350-01: Corporate Finance — Spring 2023
- BUSN-495-01: Portfolio Management

- Conducted an independent study of student participation in high-impact practices in collaboration with the Institutional Research at Kalamazoo College — Winter 2023

- BUSN-100-01: Accounting Basics — Fall, 2022
- BUSN-355-01: Principles of Investments

- BUSN-100-02: Accounting Basics — Spring, 2022
- BUSN-495-01: Portfolio Management

- BUSN 350-01: Corporate Finance — Winter, 2022

Dickinson College — Carlisle, PA

Assistant Professor of Finance (tenure track) — July 2021 – Dec, 2021

- FIN 250 – Fundamentals of Corporate Finance (2 Sections) — Fall, 2021

Department of Economics and Finance, University of New Orleans — New Orleans, LA

Instructor (Full Responsibilities) — Sum 2019 -- Current

- ACCT 2100 (Online) -- Principles of Accounting — Spring, 2021
- FIN 3300 (Online) -- Principles of Financial Mgmt — Fall, 2020
- FIN 3300 (Online) -- Principles of Financial Mgmt — Summer, 2020
- ECON 2221 (Hybrid) -- Money & Banking — Spring, 2020
- FIN 3300 601 -- Principles of Financial Mgmt — Fall, 2019
- QMBE 2786 601 -- Intermed Bus & Econ Stat — Summer, 2019

Teaching Assistant

- FIN 6303 (Online) -- Financial Markets & Inst, MBA , (Inst: Prof. M Hassan) — Fall & Spring, 2020
- FIN 6300 (Online) -- Financial Administration, MBA, (Inst: Prof. M Hassan) — Summer, 2018
- Derivative Securities, PhD Seminar (Inst: Prof. Duygu Zirek) — Spring, 2018

Industry Work Experience

Chief Investment Officer -- Athena Venture & Equities Ltd., Bangladesh — 2016 -- 2017
Branch Manager -- Habib Bank Limited, Bangladesh — 2013 -- 2014
Relationship Manager -- Corporate Credit: Habib Bank Limited, Bangladesh — 2010 -- 2013
Principal Officer -- Credit: AB Bank Limited, Dhaka, Bangladesh — 2007 -- 2010

RESEARCH [PUBLISHED PAPERS]

[1] Does the Goodwill-related Critical Audit Matter Disclosure Influence Firms' Financial Reporting Decisions? Evidence from Goodwill Impairment, with Jahan ***[Auditing: A Journal of Practice & Theory – ABDC A+]*** *https://doi.org/10.2308/AJPT-2022-129*

[2] Courting Innovation: The Effects of Litigation Risk on Corporate Innovation, with Hassan & Houston ***[Journal of Corporate Finance – ABDC A+]*** https://doi.org/10.1016/j.jcorpfin.2021.102098

- Presented at 2021 the Southwestern Finance Association (SWFA) Conference

[3] The takeover Tango: Unraveling the impact of state-owned enterprise acquisitions on American competitors ***[Research in International Business and Finance – ABDC B]*** *https://doi.org/10.1016/j.ribaf.2023.102167*

- Recipient of the Federation of Business Disciplines **Distinguished Paper Award-2022**
- Presented at the *2022 Financial Management Association (FMA)* Conference

[4] ESG activity and bank performance: Evidence from emerging economies, with Azmi, Hassan, & Houston –***[Journal of International Financial Market, Institutions and Money* _ABDC A*]*** https://doi.org/10.1016/j.intfin.2020.101277

- One of the most cited articles on ESG and Banking since 2021. [https://www.sciencedirect.com/journal/journal-of-international-financial-markets-institutions-and-money]

[5] Implications of public corruption for local firms: Evidence from corporate debt maturity, with Hassan & Kozlowski ***[Journal of Financial Stability – ABDC A]*** https://doi.org/10.1016/j.jfs.2022.100975

- Finalist - *Best Regional Paper Award*. 2020 DSI Annual Conference
- SSRN's Top Ten download list for: CGN: Corporate Borrowing, Capital Structure Choices, & Leasing (Topic), ERN: Credit Risk (Topic), FEN: Political Risk & Corporate Finance (Topic) and PSN: Corruption (Topic) as of May 26, 2021

[6] Weathering the COVID-19 Storm: The Case of Community Banks, with Hassan ***[Research in International Business and Finance – ABDC B]*** https://doi.org/10.1016/j.ribaf.2021.101608

[7] A Conventional and Religious Analysis of Bitcoin, with Hassan & Muneeza, ***[Arab Law Quarterly]*** 1(aop), 1-35. https://doi.org/10.1163/15730255-BJA10033

[8] CEO Duality and Firm Performance during the 2020 Coronavirus Outbreak, with Hassan & Houston ***[The Journal of Economic Asymmetries -ABDC B]*** https://doi.org/10.1016/j.jeca.2022.e00278

- SRN's Top Ten download list for: ERN: Credit Risk (Topic) as of 31 August 2022

[9] Does corporate diversification retrench the effects of firm-level political risk?, with Hassan & Mukherjee ***[Financial Review -ABDC A]*** https://doi.org/10.1111/fire.12356

- Presented at the *2020 Financial Management Association (FMA)* Conference
- Presentation at the *2021 The American Finance Association (AFA) Poster Session*

[10] How corporate pensions affect stock returns: the role of R&D expenditures, with Hassan Paltrinieri & Dreassi

Presented at *the 2020 Southwestern Finance Association (SWFA) Conference* ***[Journal of Financial Management, Markets and Institutions – ABDC C]*** https://doi.org/10.1142/S2282717X23500020

BOOK CHAPTER

Hassan M.K., Karim M.F., Karim M.S. (2019) Experiences and lessons of cash Waqf in Bangladesh and other countries. In: Ali K., Hassan M., Ali A. (eds) ***Revitalization of Waqf for Socio-Economic Development***, Volume I. Palgrave Macmillan, Cham. *LINK*

WORKING PAPERS

[1] Corporate culture and inventory behavior, with Hassan [SSRN LINK] ***[IREF -Under Review]***

[2] The Effects of Disclosing Audit Firms' Independence Deficiencies in PCAOB's New Inspection Report on Auditor-Provided Non-Audit Services, with Jahan [SSRN LINK] ***[TAR Conference -Under Review]***

[3] The Effects of Political Risk on Corporate Compliance Violation, with Hassan, Houston ***[Financial Review-Submitted]***

- Presented at the *2022 Financial Management Association (FMA)* Conference

[4] CEO overconfidence and intangible corporate investments, with Hassan & Huda

- Presented at *the 2020 Southwestern Finance Association (SWFA) Conference*
- Presented at *50th Annual Conference of the Decision Sciences Institute*

[5] Navigating Climate Risk: The Role of Non-GAAP Reporting in Corporate Sustainability, with Jahan ***[Priliminary Results]***

[6] CEO Insider Debt and Corporate Risk-Taking: Insights from the COVID-19 Crisis, with Le ***[Priliminary Results]***

PHD DISSERATION

My Ph.D. dissertation "Mapping the Impacts of Political Risk in Corporate Finance: A Firm-Level Diversification and Debt-Maturity Perspective" consists of two essays - (i) Implications of public corruption for local firms: Evidence from corporate debt maturity and (ii) Does corporate diversification retrench the effects of firm-level political risk?

CONFERENCE

- AAA Annual Conference (Scheduled) 2025
- Southher Finance Association (Scheduled Presentation) 2024
- AFA PhD Student Poster Session 2021
- FMA Annual Meeting 2022, 2021,2020
- Southwestern Finance Association (SWFA) 2021
- FMA virtual seminar series co-presented by the Richard A. Mayo Center for Asset Management at the University of Virginia Darden School of Business 2020
- 50th Annual Conference of the Decision Sciences Institute, New Orleans, LA 2020, 2019

- FMA Annual Meeting, New Orleans, LA 2019
- Southwestern Society of Economists (SSE), Houston, TX 2018
- Research Workshop by Dr. Philip Dybvig at University of New Orleans 2019
- Research Workshop by Dr. A. Subrahmanyam at University of New Orleans 2018
- Southwestern Society of Economists 2022

PROFESSIONAL SERVICES

Academic

- American Accounting Association Midyear Conference 2024
- Reviewer, SFA 2020
- EFA Review Committee 2020
- Reviewer, FMA Annual Meeting 2019, 2020
- Discussant, FMA Annual Meeting 2019, 2020

Referee Service (Journal review)

Journal of Economics and Business, since 2024

Quarterly Journal of Finance & Accounting, since 2021

Journal of International Financial Market, Institutions and Money, since 2022

International Journal of Emerging Markets, since 2021

Global Finance Journal, since 2021

Finance Research Letter, since 2023

AFFILIATION

- Financial Management Association FMA
- Southwestern Finance Association SWFA
- American Finance Association AFA
- Southern Finance Association SFA
- The Academy of Economics and Finance AEF

AWARDS & SCHOLARSHIP

- Environmental Stewardship Faculty Stipend to develop BUSN355 Principles of Investments course at Kalamazoo College 2022
- PhD Scholarship, University of New Orleans 2017 -- 2021
- Graduate Assistantship, The University of Akron 2015 -- 2016
- Decision Science Institute regional Best Paper Award (Finalist), 2020 DSI Annual Conference 2020
- Distinguished Paper Award-2022, Southwestern Society of Economists Annual Conference 2022

Research in International Business and Finance 68 (2024) 102167



Contents lists available at ScienceDirect

Research in International Business and Finance

journal homepage: www.elsevier.com/locate/ribaf





The takeover Tango: Unraveling the impact of state-owned enterprise acquisitions on American competitors

Tahsin Imtiazul Huq [a,*,1], M. Kabir Hassan [b,2], Reza Houston [c,d], M. Sydul Karim [e]

[a] Department of Economics and Finance, Eastern Kentucky University, Richmond, KY, 40475 USA
[b] Department of Economics and Finance, University of New Orleans, New Orleans, LA 70148, USA
[c] Department of Finance and Insurance, Miller College of Business, Ball State University, Muncie, IN 47306, USA
[d] Center for the Analysis of Politics and Enterprise, Indianapolis, IN, 46240, USA
[e] Lawrence Technological University, Southfield, MI 48075, USA

ARTICLE INFO

JEL Classification:
K2
F5
G15
G28
G3
H2

Keywords:
Political connections
State-owned enterprises
Mergers
Acquisitions
Efficiency

ABSTRACT

When foreign state-owned enterprises (SOE) enter the United States (US) market by acquiring domestic targets, they increase competition in the targeted industry and pressure domestic competitors. Competitors should respond to such acquisitions by changing their behavior. Using acquisition data from 2010 to 2018, we examine the impact of acquisitions by foreign SOEs on the US competitors of acquisition targets. We analyze the initial response to acquisition announcements, the attempts of industry incumbents to increase their political connections, and the change in profitability and efficiency of such incumbents. Investors respond most negatively to SOE acquisitions when the domestic competitor is politically connected, implying such firms have the most to lose from such acquisitions. The US target firms can access resources from SOEs to offer better and cheaper products and thus increase their market share. Our analysis shows that competitors' profitability and lobbying activity decrease while efficiency increases after SOE acquisitions. These results indicate that SOE acquisitions force domestic competitors to adapt to a changing competitive environment.

1. Introduction

State-owned enterprises (SOEs) have diversified geographically by acquiring cross-border targets, a practice that has substantially increased in recent years (Liang et al., 2015; Estrin et al., 2016; Reddy et al., 2016). Foreign SOEs are increasingly interested in entering developed markets through international mergers. As a result, developed countries like the United States (US) are experiencing higher competition in their domestic markets. The COVID-19 pandemic and its aftermath have also exacerbated US market competition (Rose, 2020).[3] Issues revealed by the pandemic and nations' responses to the outbreak have led to a reevaluation of supply

* Corresponding author.
E-mail address: tihuq1@uno.edu (T.I. Huq).
[1] ORCID: 0000-0002-2326-5699
[2] ORCID: 0000-0001-6274-3545

[3] Covid-19 and nations' responses to the pandemic led to many issues. One of the longest-lasting was the supply chain crisis: https://www.coupa.com/stateofsupplychains/2023?utm_source=Coupa&utm_medium=PR&utm_campaign=PR-2023Q1&utm_trm=NA-Supply-Chain&utm_content=23-State-Supply-Chains-spch&utm_last_engagement=PG24468A1

https://doi.org/10.1016/j.ribaf.2023.102167
Received 28 February 2023; Received in revised form 30 October 2023; Accepted 5 November 2023
Available online 8 November 2023
0275-5319/© 2023 Elsevier B.V. All rights reserved.

chains and trade relationships by developed nations.[4]

While governments have become more concerned about international relationships and supply chains, cross-border acquisitions have remained relatively consistent post-COVID-19.[5] Firms continue to acquire seemingly-valuable targets; however, politicians and regulators in many nations have become concerned with the impact SOE acquisitions could have on a target firm's domestic competitors. For example, in 2016, the US–China Economic and Security Review Commission (USCC) recommended that the Committee on Foreign Investment in the United States (CFIUS) block all Chinese SOE acquisitions of US firms.[6]

This paper examines the impact SOE acquisitions have on domestic US competitors (of the acquisition target). We analyze whether these competitors alter their behavior or suffer adverse side effects. Finally, we examine which competitors investors believe will be most strongly impacted by the SOE acquisition.

The literature on cross-border mergers and acquisitions by foreign SOEs primarily examines the actions and motives of SOEs that acquire firms in the international market. Another strand of literature focuses on firm decisions to acquire SOEs via international mergers (Jory and Ngo, 2014). Few studies examine the behavior of US target firm competitors around a foreign SOE acquisition. International acquisitions could lead to synergistic benefits for the target firm; thus, the behavior of their direct competitors deserves some scrutiny.

Practitioners and academics argue that domestic industry-leaders in developed countries (for example, the US) experience stiffer competition after the entry of SOEs into a market (Freund and Sidhu, 2017). SOEs likely have lower capital costs or receive other benefits that private domestic firms do not possess, allowing them to compete for large-scale infrastructure projects or discriminate against customers.[7] SOEs could exhibit greater financial stability due to their ability to secure capital budgeting projects in their domestic market, making them a more stable supplier than competitors. If an SOE acquires a US firm, the targeted firm could access those resources, increasing its ability to compete in the American market. This arrangement disadvantages the competitors of these target firms; therefore, we are motivated to analyze the economic impact of SOE acquisitions on US domestic competitors.

A firm's political connections can significantly determine its fare relative to its domestic competitors backed by SOEs. Several papers examining the political connections of US firms establish that connected firms receive more government contracts and federal aid (Blau et al., 2013; Goldman et al., 2013; Ferris et al., 2019).[8] Federal procurement contracts received by connected firms are often more lucrative than those received by competitors (Ferris et al., 2019). Legislators and regulators could also influence public policy to benefit domestic competitors over their merged rivals. Cooper et al. (2010) and Blanes i Vidal et al. (2012) suggest that lobbying influences legislative action and firm political access.[9] Investors could reasonably expect politically connected competitors to fare better than their unconnected counterparts when an SOE acquires its direct competitors.

Beyond the changes in political behavior, domestic competitors could also positively alter their behavior around an acquisition. Griffith (2001) examines the relationship between product market competition and productivity levels, determining that an increase in product market competition leads to an increase in overall levels of efficiency.[10] Other studies indicate that SOEs suffer from inefficiency (Lawson, 1994), while competitors of SOE targets respond to increased competition through acquisition activities to improve their operational efficiency (Srinivasan, 2020). These previous findings in existing literature motivate us to examine the impact of acquisitions by foreign SOEs on politically connected domestic US competitors.

Using Bloomberg data on acquisitions of foreign SOEs from 2010 to 2018, this study analyzes the impact of acquisitions by SOEs on the competitors of the US target firms. We restrict our sample to politically connected US competitors and examine their profitability, level of political connections, and efficiency. We find that politically connected incumbents suffer the most negative investor responses to acquisitions by SOEs of their industry competitors. Interestingly, such politically connected firms decrease future political contributions. Given that the market environment has changed, we hypothesize that these firms are reallocating funds to more efficient uses.

Furthermore, we find that politically connected industry incumbents experience a decline in profitability and an increase in efficiency around a direct competitor's acquisition by an SOE. We also examine the financial performance of such competitors, finding that they underperform over the three years after the acquisition; however, this evidence is limited.

Our primary contribution is to identify SOE acquisitions' direct effect on domestic firms when countries reevaluate their trade relationships. This is particularly important in the aftermath of the COVID-19 pandemic. While prior research demonstrates the impact of SOE acquisitions on the targets themselves, this paper finds evidence that the entry of a foreign SOE in the US market motivates direct competitors to increase efficiency. The entry of a foreign competitor leads to significant negative consequences for their domestic rivals, leading to rivals reallocating resources to more effective uses. The actions adopted by direct competitors of SOE targets in the US market increase efficiency. Our research contributes to the literature on political connections and their impact on US firms' decision-making following cross-border acquisition.

This paper proceeds as follows. We develop our hypotheses in Section 2, describe our data in Section 3, and explain our empirical

[4] Onshoring and friendshoring have become more appealing means to ensure nations have adequate access to critical resources in future crises.

[5] https://www.statista.com/statistics/955594/worldwide-number-of-cross-border-merger-and-acquisition-deals/

[6] https://www.uscc.gov/annual-report/2016-annual-report-congress

[7] Reddy et al. (2016) indicate that SOEs have recently completed several deals in developed nations, including the US.

[8] Extensive literature demonstrates a complex relationship between state ownership, political connections, and firm behavior (Boateng et al., 2019; Li et al., 2022).

[9] Gao and Huang (2016) indicate that hedge fund managers collect private information on lobbyists' political connections. Such private information allows politically connected hedge funds to outperform their non-politically connected industry counterparts.

[10] Griffith (2001) uses the European Union Single Market Program (SMP) as an instrument for the change in product market competition.

results in Section 4. Finally, Section 5 provides our conclusions.

2. Hypothesis development

2.1. SOE

Previous studies on SOEs focus on how they affect the SOE's domestic market. Several authors argue that SOEs address suboptimal allocations of resources (Levy, 1987; Lawson, 1994); however, SOE management must be adequately incentivized to maximize shareholder value due to additional firm objectives (Levy, 1987). For example, Lawson (1994) argues that SOEs are less efficient and innovative than their private industry counterparts. Furthermore, Li et al. (2021) discuss the optimal subsidy allocation between state-owned and private enterprises, concluding that uniform distribution of subsidy payments among private and state-owned firms is the optimal policy.

Vernon (1979) argues that SOEs enjoy an operational advantage for undifferentiated products. As SOEs receive subsidized inputs, such as capital, and greater capacity to cover unplanned deficits from public sources, they can offer lower prices than their private competitors; hence, SOEs can achieve their export objectives by being cost leaders.[11] Hassan et al. (2013) find that the presence of foreign banks in the industry plays a significant role in the decision of overseas Islamic banks to enter into the financial industry of developed countries.

Contemporary literature provides evidence that state ownership can affect a firm foreign investment. Knutsen et al. (2011) argue that SOEs invest more than privately owned enterprises (POEs) in countries with weak legal regimes and high levels of corruption.[12] Liang et al. (2015) examine two types of state control of firms—state ownership and executives' political connections—determining that both types of control can influence global investment, contingent on home-country politics. Estrin et al. (2016) examine the impact of home-country governance on foreign investment, reporting that when home-country governance is good, SOEs and POEs exhibit similar internationalization strategies. Alon et al. (2014) examine Chinese SOEs' outward direct investment, finding that these firms have aligned their expansion plans with governmental goals.[13] Stone et al. (2022) find that China uses foreign direct investments by SOEs as an instrument to promote its foreign policy.

SOEs can benefit when they expand their investment overseas. Benito et al. (2016) argue that SOEs can employ government-related firm-specific benefits when competing with other private firms in foreign markets. If an SOE becomes a top-level competitor in international markets, competition can increase; however, the SOE will often successfully bid for projects due to their superior economies of scale or competitive advantages (Freund and Sidhu, 2017).[14]

2.2. Mergers and acquisitions

Several factors drive international merger and acquisition (M&A) decisions, including the ability to capture new markets and benefit from synergy; however, firm-specific elements certainly play a role. Gonzalez et al. (1997) identify leverage, the price-to-earnings ratio, and liquidity as significant firm-specific components influencing the acquisition cost. Ohrn and Seegert (2013) argue that successful M&A deals allow merged firms to capitalize on synergy and greater economies of scale and improve efficiency and shareholder value.[15]

A firm's focus can also affect the likelihood of a cross-border acquisition. For example, Frésard et al. (2017) show that corporations operating in specialized industries are more likely to make horizontal acquisitions than other firms, especially when high contracting inefficiencies and exporting costs limit arm's-length relationships. Their findings indicate that an internalization motive is justified for foreign acquisitions. Srinivasan (2020) uses import tariff cuts as exogenous shocks to foreign competition to demonstrate that capital-intensive, focused firms are more likely to make acquisitions after such cuts. Reddy et al. (2016) determine that SOEs are more likely to complete large deals (>200 billion US dollars [USD]), invest in resource-scarce industries, and diversify their acquisitions across both developing and developed countries.[16]

[11] SOEs often partner with one another for international operations rather than private firms. For example, oil for technology swapping brought European technology SOEs to partner with Middle Eastern oil-producing SOEs' however, private firms tend to outperform SOEs in industries requiring greater flexibility rather than large economies of scale.

[12] The authors demonstrate this is using the FDI of Norwegian firms from 1998 to 2006.

[13] Alon et al. (2014) predict greater investment in the resource extraction, trading, services, and manufacturing industries and increasing investment in developing nations in the short- and medium-term.

[14] One example is the renovation of the Alexander Hamilton Bridge in New York. This project was awarded to the China State Construction Engineering Corporation, despite domestic engineering firms operating there.

[15] Albuquerque et al. (2019) analyze whether FDI promotes corporate governance spillovers in the host country and find that cross-border activity can lead to greater valuations of nontarget firms.

[16] The authors find that Indian POEs prefer to invest in developed economies for market and strategic asset-seeking purposes and follow an effective portfolio matrix by concentrating on diversified sectors.

2.3. Political Connections

Prior researchers have identified various reasons US firms maintain political connections, including increased government contract receipt (Ferris et al., 2019) and decreased likelihood of regulatory action (Correia, 2014; Ferris et al., 2016).[17] Ferris et al. (2016) study the impact of hiring former politicians and regulators on a firm's acquisition, finding that shareholders of politically connected targets are likely to see a more significant control premium, and merged politically connected firms tend to outperform unconnected firms post-merger. Additionally, companies can benefit from hiring lobbyists, as effective lobbying can influence legislation or regulation (Stratmann, 1991; Stratmann, 1998) and roll call voting (Langbein and Lotwis, 1990; Stratmann, 1995). For example, Blanes and Vidal et al. (2012) demonstrate that corporations fund lobbyists with better political access, while Ferris et al. (2019) find that firms hiring lobbyists receive more lucrative government contracts.

Contemporary research on the relationship between corporate entities and politicians suggests that firms can also benefit from political action committee contributions (PACs). Stratmann (1995) demonstrates that the timing of PAC contributions influences legislative voting; contributions around a vote significantly affect voting behavior more than donations received one or two years before voting.

Relationships between firms and politicians can also predict future returns or the receipt of bailout funds. Cooper et al. (2010) construct a database of firm-level campaign contributions, finding a positive relationship between firm connections to current federal political candidates and future returns. Blau et al. (2013) examine whether firms with stronger political relationships and more significant lobbying expenditures are more likely to receive Troubled Asset Relief (TARP) funding in 2008.[18] Their results indicate that firms with greater political engagement received TARP funds earlier than those with minimal political engagement, implying that political connections can positively influence shareholder wealth.[19]

2.4. Hypothesis development

The entry of a foreign SOE into a domestic market via acquisition will likely impact industry competitors immediately. SOEs can derive many benefits from connections with a foreign government, including lower capital costs, greater likelihood of a bailout, greater control of their home market, and the ability to avoid regulatory intervention in the home market. If such SOEs move into a developed market via acquisition, those benefits could be passed on to their acquisition target and reduce production costs. Domestic competitors must then compete in a price war with a firm that has internalized many transactional costs, which is likely detrimental to the SOE targets' competition. Investors should immediately recognize this possibility around the acquisition announcement.

A politically connected domestic firm will likely benefit from its connections in a developed market. Such a firm is more likely to receive government contracts or have better access to capital. If an SOE acquisition creates a more competitive market environment, politically connected firms could lose their industry advantages since the merged firm would also benefit from political connections, albeit with a foreign firm. Therefore, we hypothesize:

H1. : Politically connected US firms that are direct competitors to an SOE's acquisition target exhibit negative cumulative abnormal returns around merger announcements.

Ferris et al. (2016) study the effects of hiring former politicians and regulators to the board of directors or management team on corporate acquisition and performance, finding that the merger premium increases as political connectedness increases. They also determine that connected firms with former politicians or regulators on the board of directors or management teams have better post-merger financial and operating performance. Additionally, positive abnormal announcement period returns indicate that investors identify political connections that add value to bidding firms. Furthermore, lobbying can influence legislators' actions, as lobbyists are often former regulators or legislative branch members. These individuals connect with current regulators or politicians to influence legislation or regulation.

Gao and Huang (2016) claim that hedge fund managers collect private information by establishing lobbyists' political connections.[20] Using such information, they outperform other hedge fund managers without political connections, implying that lobbying can positively influence shareholder wealth.[21] Furthermore, Goldman et al. (2013) demonstrate that corporate political connections increase the total value of federal procurement contracts received by firms. Ferris et al. (2019) also extend this analysis by demonstrating that firms with more generous PAC contributions receive more lucrative government contracts.

When foreign SOEs enter the US market through cross-border acquisition, politically connected direct competitors of SOE targets will require more favorable contracts to withstand the increased competition. Moreover, politically connected US competitors will increase their political contribution to heighten the likelihood of receiving more profitable federal contracts; therefore, competitors to SOEs' acquisition targets will likely increase lobbying and PAC contributions to influence regulation or legislation. Furthermore, these

[17] Huq et al. (2022) analyze the effect of firm political contributions on earmark receipt and finds that PAC contributions to senators and congressman positively influence earmark receipt and the value of total earmarks awarded to those firms.

[18] https://www.cbo.gov/sites/default/files/112th-congress-2011–2012/reports/tarp10–2012one-column.pdf

[19] Firms in highly regulated industries could especially feel these effects. In such industries, regulatory capture could create significant value for the industry competitors and the firms most strongly tied to captured regulators.

[20] Langbein and Lotwis (1990) show that lobbying influences voting in the House of Representatives.

[21] Blau et al. (2013) find that more politically engaged firms received TARP funds earlier than those maintaining minimal political engagement.

competitors will use the political connection to collect information to outperform SOE's acquisition target. Finally, competing firms will increase lobbying and PAC contributions to increase their likelihood of receiving contracts and subsidies from the US government.

H2a. Politically connected US firms in direct competition with an SOE's acquisition target increase lobbying and PAC contributions around the merger event.

Developing political connections can also be expensive for firms. Khan et al. (2016) note that politically connected firms experience higher agency costs than their competitors. Connections might also fail to yield tangible benefits, such as tax breaks, earmarks, favorable legislation, or government contracts; thus, rational economic actors might elect to reduce their political expenditures. In the event of an SOE acquiring a firm's direct competitor, management could allocate political expenditure toward different uses deemed more effective. Therefore, we hypothesize that.

H2b. Politically connected US firms in direct competition with an SOE's acquisition target decrease lobbying and PAC contributions around the merger event.

The merged firm could derive synergistic benefits after an SOE acquires a firm's direct competitor. These include greater access to capital, a lower cost of capital, lower production costs, or greater market access; any of these benefits could allow a merger target to undercut its competitors' prices or steal market share by offering products of higher quality. Doing so would force incumbent US firms to respond to maintain their market share, for example, by increasing marketing, improving product quality, or cutting prices. Regardless of the tactics, market incumbents would likely experience a profitability decline after the merger, which would be especially true of politically connected firms that benefit from such connections. Therefore, we hypothesize:

H3. : Politically connected US firms that are direct competitors to an SOE's acquisition target exhibit decreased profitability around the merger event.

Griffith (2001) studies the relationship between product market competition and productivity levels using European Union Single Market Program as an instrument for the change in product market competition. The author finds that an increase in product market competition leads to an increase in efficiency. Furthermore, Srinivasan (2020) finds that competitors of SOE targets respond to increased competition through acquisition activities to improve their operational efficiency. When foreign SOEs acquire target companies to enter the US market, politically connected direct competitors are motivated to immediately increase their efficiency around merger events; however, non-politically connected direct competitors of SOE targets are less motivated. Therefore, we predict that politically connected competitors to an SOE's acquisition target will increase efficiency around the merger event.

H4. : Politically connected US firms that are direct competitors to an SOE's acquisition target exhibit increased efficiency around the merger event.

After an acquisition, the merged firm can benefit from synergy; if this firm can better compete on cost or through better product or service offerings, it can capture market share or increase its operating margin. Competitors can suffer from this change in the market environment, and post-merger financial performance is liable to reflect such a decline in operating performance.

The post-merger operating performance of incumbents is most likely to suffer when an SOE enters the market. Politically connected firms that benefit from such connections could successfully extract value from such connections. If a competitor develops its international connections, this could allow the target to compete on more equal terms. This situation implies that politically connected firms are likely to experience poor financial performance in the wake of an SOE acquisition of their direct competitor:

H5. : Politically connected US firms that are direct competitors to an SOE's acquisition target underperform after the merger.

3. Data sample and descriptive statistics

3.1. Sample

We collect data on acquisitions by SOEs from 2010 to 2018 from Bloomberg. Our initial sample includes 11,792 firm-year observations of direct industry competitors of SOE targets. We collect PAC contributions and lobbying information from the Center for Responsive Politics, which contains data files with extensive information that must be disclosed to the Federal Election Commission. Additionally, we use data from CRSP and Compustat to obtain our required financial and accounting data; we remove any observation that lacks return or total assets data.

We collect data on government ownership of acquirers from Bloomberg at the end of each calendar year; Bloomberg discloses information on the shareholders of record. We restrict our merger sample to those US targets whose equity is partially owned by a government or government agency (>0%). We create an indicator variable (SOE) to identify whether a government owns at least a 5% stake in the acquirer, our primary measure of state-owned acquirers. If these variables are equal to 0, the government's ownership of the acquirer is only marginal; thus, it might be unable to exert a significant influence or provide any synergistic benefits in the case of an acquisition.[22]

[22] We create indicator variables in robustness tests with cutoff values for government ownership of 2.5%, 3%, and 6%, respectively. Our results are robust to these adjustments.

3.2. Variables

This section provides a detailed explanation of our main explanatory and dependent variables and controls and provides insight into our sample.

3.2.1. Main explanatory variables

Our firm's political connections are measured yearly by summing the firm's PAC or lobbying expenditures; a PAC connected to a publicly traded firm only accepts contributions from firm managers, directors, shareholders, and employees. The PAC then contributes to the politicians, PACs, political parties, or other PACs on behalf of the donors. Our primary measure of political connections is an indicator variable (PAC) for whether the firm-affiliated PAC contributes at least 1 USD to any candidate running for federal office that year. These candidates run for the House of Representatives, Senate, and Presidency. Similarly, we construct a lobbying measure (Lobby) indicating whether the firm spends at least 1 USD on lobbying activity during that year. Unlike PAC contributions, lobbying expenditure is paid to lobbying firms; hence, we cannot track the politicians influenced by such lobbying activities.

3.2.2. Dependent variables

First, we examine the impact of the cross-border acquisition announcement on the cumulative abnormal returns of direct competitors of SOE targets around the merger event. We compute our cumulative abnormal return using Carhart (4-factor) value-weighted returns. We primarily examine the investor response in the day $(-1, 0)$ or three days $(-1, 1)$ around the announcement. After analyzing the investor response, we examine the change in industry competitors' political contributions by calculating the change in the natural log of PAC contributions or lobbying from the year before the SOE acquisition to the year after the acquisition ($t + 1$, $t + 2$, or $t + 3$). In later analyses, we also investigate the change in return on assets (ROA) and total asset turnover. The change in ROA is our proxy for firm profitability, while the change in total asset turnover is a proxy for firm efficiency. Finally, we calculate buy-and-hold abnormal returns 1, 2, or 3 years after the acquisition.

3.2.3. Controls

Following Goldman et al. (2013) and Tahoun (2014), we identify several control variables that can influence firms' benefits from the US government. We include the natural log of total assets because large firms are more likely to receive government contracts. We also expect that firms with superior growth prospects are more likely to be acquired by SOEs; thus, we include the market/book ratio. Following Cohen and Malloy (2016) and Ferris et al. (2020), we control profitability and capital expenditure scaled by total assets. We also suspect that investors are likely to view financial instability and leverage as negatives in the event of a change in the market environment; therefore, we include debt/total assets and calculate Ohlson's O-score (1980).

3.3. Descriptive statistics

Table 1 presents the descriptive statistics of direct competitors of publicly traded firms acquired by SOEs, indicating that the total lobbying expenses by these competing firms are higher than total PAC contributions. We also include deal size and payment type (Cash) in Table 1. Furthermore, the firms in our sample are large, and the industry concentration in our sample is relatively low, as measured by the Herfindahl– Hirschman Index (HHI). Finally, the average firm in our sample is highly liquid, with a cash ratio of 25.5%.

Table 2 provides detailed information on our sample, presenting the number of direct competitors annually. Our sample's highest number of observations comes from 2017, followed by 2014 (1366 and 1277, respectively). The lowest number of observations is from 2018 (74 observations). Using data from 2010 to 2018, we have 6926 observations of direct competitors of SOE targets.

Table 3 provides country-specific information on the SOEs participating in mergers and acquisitions between 2010 and 2018 in the US market. The greatest number of acquisitions come from Canadian SOEs, followed by SOEs from the United Kingdom. Any state-owned acquirer in our sample that made fewer than ten acquisitions is categorized in "others"; Denmark, Italy, and South Africa were named countries with the smallest number of acquisitions.

4. Empirical results

This section analyzes the effect of cross-border acquisitions' on the firm wealth, political connection, and efficiency of US direct competitors of SOE targets. We define our political connection variable, *PC*, as lobbying expenditure or PAC. In our primary analysis, we define SOE as an indicator variable that denotes whether a government owns at least 5% of the equity stake of the acquisition target.

4.1. Cumulative abnormal return

Table 4 investigates the effect of SOE merger announcements on cumulative abnormal returns of US direct competitors of SOE targets. Each model regresses the cumulative abnormal returns on our measures of political connection, SOE stake, the interaction between the political connection and SOE stake, firm-level controls (γ), year fixed effects (θ), industry fixed effects (φ), and merger fixed effects (π). We use either a one-day or three-day event window in each test, cluster standard errors by firm, restrict our sample to completed acquisitions, and lag all independent variables. We report the first model below:

Table 1
Descriptive Statistics.

Variable	Obs.	Mean	Std. dev.	Min	Max
PAC	5807	0.137	0.344	0.00	1.00
Lobbying	5807	0.129	0.335	0.00	1.00
PAC Cont.	5807	14,440.9	66,702.7	0.00	1417,750
Lobbying Exp.	5807	354,457.4	1784,485.0	0.00	49,700,000
SOE	5807	0.246	0.431	0.00	1.00
Completed Acq.	5807	0.838	0.368	0.00	1.00
ln(total assets)	5807	6.596	2.308	0.54	12.47
Type of Payment (Cash)	5807	0.954	0.021	0.00	1.00
Deal Size	5807	2152.5	3934	9.78	65695.72
ln(sales)	5807	5.994	2.425	0.00	13.07
Market/book	5807	3.906	6.017	0.00	60.45
Debt/Total Assets	5807	0.214	0.236	0.00	4.93
Cumulative Ab. Returns (t − 1,t)	5807	− 0.294	4.339	− 54.24	80.39
Cumulative Ab. Returns (t − 1,t + 1)	5807	− 0.185	5.366	− 71.86	131.36
ROA	5807	− 0.074	0.426	− 9.90	0.49
CAPEX/Total Assets	5807	0.047	0.060	0.00	0.44
HHI	5807	0.038	0.044	0.01	0.55
O-score	5807	0.296	0.282	0.00	1.00
Cash/Total Assets	5807	0.255	0.247	0.00	0.97

This table reports the descriptive statistics of direct competitors of publicly traded firms acquired by SOEs. We winsorize accounting variables at the 1% and 99% levels.

Table 2
Number of direct competitor observations per year.

Year	Number of Observations	Percentage of Sample
2010	352	5.08%
2011	148	2.14%
2012	796	11.49%
2013	646	9.33%
2014	1277	18.44%
2015	1198	17.30%
2016	1069	15.43%
2017	1366	19.72%
2018	74	1.07%
Total	6926	100.00%

This table provides detailed information on our sample by looking at the number of direct competitors annually.

$$\mathrm{CAR_i} = \beta_0 + \beta_1 PC_{i,t-1} + \beta_2 \quad \left(\mathrm{SOE_{i,t-1}}\right) + \beta_3 PC_{i,t-1} * \left(\mathrm{SOE_{i,t-1}}\right) + \sum \beta_4 \gamma_{i,t-1} + \beta_5 \theta + \beta_6 \varphi + \beta_7 \pi + \varepsilon_i \tag{1}$$

Model (1) regresses the one-day cumulative abnormal return (−1, 0) on PAC contributions, the SOE stake indicator, the interaction term, firm controls, and industry, year, and merger fixed effects. We find no relationship between PAC contributions and investor response to the acquisition announcement of a rival firm by an SOE; however, the ownership stake of the SOE positively impacts the investor response. This finding suggests that investors expect SOE acquisitions to be less destructive to the value of competitor firms than non-SOEs. The negative coefficient on the PAC * SOE interaction term indicates that investors expect the movement of an SOE into a market to be more detrimental to US competitors that are politically connected than competitors that are not connected. The negative coefficient on debt/total assets indicates that the valuations of indebted firms fall by more than those of less levered firms. The positive coefficient on ROA indicates that investors respond more positively to more profitable firms.

Model (2) regresses the (−1, 1) CAR around the acquisition announcement by an SOE on our variables of interest, firm-level controls, and fixed effects. We find a positive coefficient on SOE and a negative coefficient on the interaction term. These findings are consistent with those in Model (1), indicating that the overall response to the acquisitions of competitors by SOEs is more positively received than the response to acquisitions by other firms; however, investors anticipate more negative consequences for politically connected firms.

Models (3) and (4) examine the relationship between lobbying expenditure and investor response to acquisitions of competitors. In Model (3), our dependent variable is the (−1, 0) CAR; we use the (−1, 1) CAR in Model (4). Each regression indicates a positive coefficient on the SOE variable and a negative coefficient on the interaction term. These findings are consistent with Models (1) and (2), indicating that the investor response is more negative when a non-SOE acquires a competitor firm but that investors expect weaker future cash flows for firms that lobby candidates for federal office.

Table 5 examines the robustness of our results over different regression models and periods. In Models (1)–(4), we allow for different return windows, while in Models (5)–(7), we examine our results while altering the fixed effects.

Table 3
Number of State-owned acquirers by country.

Acquirer Country	Number of State-owned Acquirers
Australia	18
Canada	176
China	40
Denmark	10
France	33
Germany	36
India	49
Ireland	12
Israel	12
Italy	10
Japan	37
Netherlands	15
South Africa	10
South Korea	26
Spain	16
Sweden	19
Taiwan	12
United Kingdom	171
Others	87
Total	**789**

This table reports the number of state-owned acquirers from each country in our sample.

In Model (1), we regress the (−15, 0) CAR around the acquisition announcement of a firm's competitor on PAC contributions, our SOE indicator, the interaction between the two, and the controls from Table 4. Consistent with our results from Table 4, we find a positive coefficient on SOE and a negative coefficient on our interaction term, indicating that while investors respond more positively to SOE acquisitions, they expect a worse performance from politically connected competitors. In Model (2), we examine the investor response five days before the acquisition announcement (−5, 0). We again find results consistent with those in Table 4.

In Models (3) and (4), we use CAR windows of (−3, 3) and (−5, 5), respectively, which we regress on our SOE indicator, lobbying indicator, lobbying * SOE, firm controls, and fixed effects. We find no relationship between the main effects and the investor response; however, a negative relationship persists between the interaction and the investor response.

In Models (5)–(7), we demonstrate the robustness of our results by removing fixed effects. In Model (5), we remove industry fixed effects and replace them with the industry's HHI.[23] In Model (6), we remove year and industry fixed effects. In Model (7), we remove the merger fixed effects and industry and year fixed effects. Each model presents results consistent with those of Table 4.

Our results in Tables 4 and 5 consistently show that investors value competitor firms more when a state-owned enterprise acquires a target US firm than when a non-SOE acquires a firm; however, investors recognize that politically connected US competitors likely suffer more from movement by an SOE into the industry.

4.2. Political connection

In Table 6, we examine the change in political contributions made by competitors of SOE targets around acquisitions. Panel A uses t-tests to present firms' changes in PAC contributions in the years around an SOE's acquisition of a direct competitor. Panel B regresses the natural log of political contributions on the level of political contributions, firm-level controls, and fixed effects. In Panel C, we use nearest-neighbor matching to examine the change in PAC contributions for politically connected and non-connected firms.

The first three rows of Panel A segment our sample based on whether the firm makes a 1 USD contribution in year t to any candidate for public office at the federal level. We then examine the change in PAC contributions from year t − 1 to year t + 1, t + 2, or t + 3. The change in PAC contributions by politically connected firms does not statistically differ significantly from that of non-politically connected firms.

In the final three rows of Panel A, we segment our sample based on whether the firm makes any lobbying expenditure in year t. We examine the change in lobbying expenditure from the year before the SOE acquisition to either year t + 1, t + 2, or t + 3 after the acquisition. The results indicate that firms making lobbying expenditures in the year t expend fewer resources on lobbying in future years, while firms that did not hire lobbyists before the acquisition rarely begin to hire lobbyists.

In Panel B, we regress the change in the natural log of PAC contributions (Models [1]–[3]) or lobbying (Models [4]–[6]) on past PAC contributions, lobbying, our SOE indicator, firm controls, and industry, year, and merger fixed effects. Our regression model is below:

[23] We calculate the HHI using the total sales of all firms in the industry. We define industries using the firms' primary 2-digit SIC code. $HHI = \sum_{i=1}^{n} (\%of\ industry\ sales)_i^2$

Table 4
Effects of SOE Bids on Direct Competitors' Cumulative Abnormal Return.

	(1)	(2)	(3)	(4)
	(−1,0)	(−1,1)	(−1,0)	(−1,1)
PAC	0.197	0.178		
	(0.167)	(0.294)		
SOE	4.094 * **	6.129 * *	4.069 * **	6.110 * *
	(0.001)	(0.040)	(0.001)	(0.041)
PAC*SOE	− 0.550 * *	− 0.655 * *		
	(0.028)	(0.030)		
Lobbying			0.0913	0.108
			(0.526)	(0.515)
Lobbying*SOE			− 0.490 * *	− 0.798 * **
			(0.036)	(0.004)
Natural log of total assets	0.0632	0.0715	0.0684	0.0774
	(0.537)	(0.587)	(0.506)	(0.557)
ln(Sales)	− 0.0348	− 0.0181	− 0.0334	− 0.0154
	(0.737)	(0.891)	(0.746)	(0.907)
Market/Book ratio	0.00555	0.0137	0.00545	0.0137
	(0.594)	(0.313)	(0.601)	(0.314)
Debt/Total assets	− 0.695 * *	− 0.709	− 0.713 * *	− 0.731
	(0.046)	(0.120)	(0.040)	(0.109)
Return on assets	0.449 * *	0.746 * **	0.443 * *	0.739 * **
	(0.026)	(0.002)	(0.028)	(0.002)
CAPEX/total assets	− 1.951	− 2.657	− 1.959	− 2.670
	(0.175)	(0.140)	(0.174)	(0.138)
O-Score	0.189	0.410	0.193	0.412
	(0.593)	(0.348)	(0.587)	(0.346)
Cash/total assets	0.198	0.705	0.195	0.695
	(0.594)	(0.114)	(0.601)	(0.119)
Constant	− 2.292 *	− 3.019 *	− 2.328 *	− 3.061 *
	(0.063)	(0.070)	(0.058)	(0.065)
R^2	0.101	0.0743	0.101	0.0745
Num. of obs.	5807	5807	5807	5807
Industry FE.	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.

This table examines the effect of SOE Bids on US direct competitors' abnormal returns. We regress the cumulative abnormal returns on our measure of SOE stake (state ownership ≥5%), political contributions, the interaction between SOE stake and political contributions, firm-level controls, and merger, industry, and year fixed effects. We cluster at the firm level. Models (1) and (3) use a one-day event window. In Models (2) and (4), we use a three-day window (–1, 1) around the event. We lag all independent variables. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

$$\Delta \ln(\mathrm{PC})_{i,(t-1,t+n)} = \beta_0 + \beta_1 \mathrm{PC}_{i,t} + \beta_2 \quad (\mathrm{SOE}_{i,t}) + \sum \beta_3 \gamma_{i,t} + \beta_4 \theta + \beta_5 \varphi + \beta_6 \pi + \varepsilon_i \tag{2}$$

Model (1) shows a negative coefficient on PAC, indicating that politically connected firms decrease their PAC contributions after the SOE acquisition between year t − 1 and year t + 1. The change in PAC contributions is increasingly negative when the acquirer is an SOE partially owned by a national government (at least 5% equity). In Model (2), our dependent variable is the change in the natural log of PAC contributions to federal politicians from year t − 1 to year t + 2. Again, a negative relationship arises between the level of PAC contributions and the change in PAC contributions. In Model (3), our dependent variable is the change in the natural log of PAC contributions from year t − 1 to year t + 3. The negative coefficient on PAC indicates that corporate PAC contributions decline after SOEs enter US markets.

In Models (4)–(6), we examine the change in the natural log of lobbying expenditures. Each model shows a negative relationship between the lobbying expenditure in year t and the change in lobbying expenditure from year t − 1 to year t + 1 (Model [4]), year t + 2 (Model [5]), and year t + 3 (Model [6]). Our findings are consistent with Panel A, indicating that politically connected firms cut their political expenditures after an SOE acquires a direct rival (target firms).

In Panel C, we match observations in which the firm makes at least 1 USD of political expenditure (PAC contributions or lobbying) using nearest-neighbor matching.[24] The first three rows compare the difference in PAC contributions for firms that made at least 1 USD of PAC contributions versus those that made no PAC contributions in year t. As shown, politically connected firms decreased their contributions around the acquisition of a competitor. The last three rows compare the change in lobbying of firms around the

[24] $PAC_{i,t} = \beta_0 + \beta_1 \ln(\text{total assets})_{i,t-1} + \beta_2 \ln(sales)_{i,t-1} + \beta_3 M/B_{i,t-1} + \beta_4 \frac{Debt}{total\ assets_{i,t-1}} + \beta_5 ROA_{i,t-1} + \beta_6 \frac{CAPEX}{total\ assets_{i,t-1}} + \beta_7 \frac{HHI}{Sales_{i,t-1}} + \beta_8 O - score_{i,t-1} + \beta_9 \frac{Cash}{total\ assets_{i,t-1}} + \varepsilon$

Table 5
Robustness Tests of the Effects of SOE Bids on Direct Competitors' Cumulative Abnormal Returns.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	(–15, 0)	(–5, 0)	(–3, 3)	(–5, 5)	(–1, 0)	(–1, 0)	(–1, 0)
PAC	0.0417	0.167			0.201	0.201	0.308 * *
	(0.933)	(0.525)			(0.163)	(0.163)	(0.042)
SOE	11.64 * **	7.131 * **	− 0.192	5.093	2.079 * **	2.079 * **	0.668 * **
	(0.000)	(0.000)	(0.960)	(0.269)	(0.000)	(0.000)	(0.000)
PAC * SOE	− 1.725 * *	− 1.464 * **			− 0.583 * *	− 0.583 * *	− 0.986 * **
	(0.020)	(0.001)			(0.022)	(0.022)	(0.000)
Lobbying			0.0862	0.225			
			(0.770)	(0.512)			
Lobbying * SOE			− 1.395 * **	− 2.091 * **			
			(0.003)	(0.000)			
Natural log of total assets	0.388	0.321 *	0.631 * *	0.711 * **	0.0922	0.0922	− 0.0832
	(0.194)	(0.084)	(0.018)	(0.008)	(0.302)	(0.302)	(0.327)
Ln(sales)	− 0.329	− 0.223	− 0.537 *	− 0.535 *	− 0.0769	− 0.0769	0.0899
	(0.270)	(0.229)	(0.056)	(0.052)	(0.392)	(0.392)	(0.292)
Market/Book ratio	− 0.0146	− 0.00904	0.0140	− 0.0210	0.00387	0.00387	0.00762
	(0.671)	(0.594)	(0.549)	(0.372)	(0.702)	(0.702)	(0.450)
Debt/Total assets	1.938	− 0.189	− 1.199	− 1.090	− 0.613 *	− 0.613 *	− 0.369
	(0.197)	(0.790)	(0.122)	(0.255)	(0.074)	(0.074)	(0.296)
Return on assets	0.330	0.0898	0.257	0.524	0.488 * *	0.488 * *	0.481 * *
	(0.693)	(0.816)	(0.536)	(0.346)	(0.016)	(0.016)	(0.021)
CAPEX/Total Assets	0.613	− 1.478	− 2.939	− 3.550	− 0.857	− 0.857	− 3.613 * **
	(0.882)	(0.513)	(0.295)	(0.324)	(0.547)	(0.547)	(0.001)
Herfindahl index					− 9.889	− 9.889	0.185
					(0.316)	(0.316)	(0.829)
O-Score	− 0.535	0.524	1.310 *	1.588 *	0.151	0.151	− 0.132
	(0.691)	(0.405)	(0.083)	(0.052)	(0.670)	(0.670)	(0.706)
Cash/total assets	− 0.884	0.0691	0.574	0.734	− 0.0504	− 0.0504	− 0.131
	(0.446)	(0.914)	(0.433)	(0.423)	(0.886)	(0.886)	(0.713)
Constant	0.226	− 10.91 * *	5.204	7.361	0.859	0.859	− 0.179
	(0.973)	(0.034)	(0.291)	(0.313)	(0.371)	(0.371)	(0.562)
R^2	0.123	0.0937	0.0800	0.0989	0.0800	0.0800	0.0102
Num. of obs.	5807	5807	5807	5807	5807	5807	5807
Industry FE.	Yes	Yes	Yes	Yes	No	No	No
Year FE.	Yes	Yes	Yes	Yes	Yes	No	No
Merger FE.	Yes	Yes	Yes	Yes	Yes	Yes	No
Firm Clustering	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.

This table examines the effect of SOE Bids on US direct competitors' abnormal returns. We regress the cumulative abnormal returns on two of our measures of SOE stakes (where the SOE has a 5% stake and where SOE has any amount of stake), political contributions, the interaction between SOE stakes and political contributions, firm-level controls, and merger, industry, and year fixed effects. We cluster at the firm level. We lag all independent variables. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

acquisition of a competitor, indicating that politically connected firms cut lobbying expenditures around a competitor's acquisition by an SOE. The results in Table 6 consistently indicate that politically connected firms reduce political contributions around acquisitions by SOEs; hence, these results are consistent with our hypothesis H2(b).[25]

4.3. *Profitability*

Table 7 examines the change in firm profitability as foreign enterprises acquire a direct competitor. We regress the change in ROA on our measures of political contributions, our SOE indicator, firm-level controls (γ), year fixed effects (θ), industry fixed effects (φ), and merger fixed effects (π). We report Eq. (3) below:

$$\Delta ROA_{i,(t-1,t+n)} = \beta_0 + \beta_1 PC_{i,t} + \beta_2 \quad (SOE_{i,t}) + \sum \beta_3 \gamma_{i,t} + \beta_4 \theta + \beta_5 \varphi + \beta_6 \pi + \varepsilon_i \tag{3}$$

In Model (1), our dependent variable is the two-year change in ROA. The negative coefficient on PAC indicates that firms with connections to US politicians experience a decline in profitability around the acquisition by an SOE. Models (2) and (3) provide

[25] We perform further tests to determine whether the type of PAC contribution provided by firms changes around the acquisition. We find that the percentage of contributions made by firms to senators versus representatives does not change around an SOE's acquisition of a competitor. It is natural to assume a firm will increase its contributions to politicians on relevant committees. We take a subsample of twenty competitors from our sample and examine their PAC contributions before and after the acquisition of the SOE target. We find no consistent changes in the type of politicians receiving contributions. These contributions are highly consistent over time for individual firms. One example of this consistency is Whirlpool's firm-affiliated PAC contributions to Fred Upton throughout our sample period.

Table 6
Change in Political Contributions Around the Acquisition.

Panel A: Univariate Regressions

	PAC Cont. = 0		PAC Cont. > 0			
Variable	Obs.	Mean	Obs.	Mean	t-stat	p-value
Change in PAC Cont. (t − 1, t + 1)	5048	$148.75	759	− $526.17	0.77	0.44
Change in PAC Cont. (t − 1, t + 2)	3863	$333.89	601	− $996.74	1.07	0.29
Change in PAC Cont. (t − 1, t + 3)	3050	$402.03	459	$870.41	− 0.39	0.69
Change in Lobbying Expenditure (t − 1, t + 1)	5090	$2481.34	717	− $207,099.20	5.01	0.00
Change in Lobbying Expenditure (t − 1, t + 2)	3888	$5735.33	576	− $256,388.90	5.25	0.00
Change in Lobbying Expenditure (t − 1, t + 3)	3060	$6421.43	449	− $342,467.70	6.32	0.00

Panel B: Multivariate Analysis

	(1)	(2)	(3)	(4)	(5)	(6)
	Change in PAC Cont.			Change in Lobbying Exp.		
	(–1, 1)	(–1, 2)	(–1, 3)	(–1, 1)	(–1, 2)	(–1, 3)
PAC	− 0.979 * **	− 1.153 * **	− 1.250 * **			
	(0.000)	(0.000)	(0.000)			
SOE	− 0.499 * *	− 1.087 * *	1.330	− 0.277 * *	− 1.333	− 0.200
	(0.021)	(0.014)	(0.295)	(0.013)	(0.168)	(0.244)
PAC*SOE	0.198	− 0.431 *	− 0.194			
	(0.247)	(0.062)	(0.490)			
Lobbying				− 1.140 * **	− 1.715 * **	− 1.851 * **
				(0.000)	(0.000)	(0.000)
Lobbying*SOE				0.108	0.149	0.437
				(0.679)	(0.680)	(0.250)
Constant	− 0.0647	1.145 *	1.522	0.385	2.512 *	0.134
	(0.741)	(0.089)	(0.249)	(0.266)	(0.062)	(0.727)
R^2	0.108	0.118	0.123	0.0859	0.103	0.119
Num. of Obs.	5807	4464	3509	5807	4464	3509
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE.	Yes	Yes	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.

Panel C: Nearest-Neighbor Matching

Variable	Coefficient	z-stat	p-value
Change in PAC Cont. (t − 1, t + 1)	− 1.51	− 5.11	0.00
Change in PAC Cont. (t − 1, t + 2)	− 1.45	− 4.88	0.00
Change in PAC Cont. (t − 1, t + 3)	− 1.83	− 5.16	0.00
Change in Lobbying Expenditure (t − 1, t + 1)	− 2.09	− 6.07	0.00
Change in Lobbying Expenditure (t − 1, t + 2)	− 2.76	− 6.29	0.00
Change in Lobbying Expenditure (t − 1, t + 3)	− 2.30	− 6.84	0.00

This table examines the change in political connections around an SOEs acquisition of an industry competitor. In Panel A, we report the change in PAC contributions and lobbying expenditures from the year before the acquisition to a later period. In Panel B, we regress the change in the natural log of PAC contributions and lobbying expenditures on firm political connections, SOE stake, firm controls, year, industry, and deal fixed effects. We cluster standard errors at the firm level. In Panel C, we use nearest-neighbor matching to examine the difference in the change in political connections around an SOE's acquisition. We use a propensity score matching model to match observations where the political connection variable equals one to another observation.

supporting evidence, where our dependent variables are the three and four-year change in ROA around the SOE's acquisition; however, these models also indicate a negative relationship between our SOE indicator and competitor firm profitability. In Models (4)–(6), our measure of political connections is lobbying rather than PAC contributions. Our results in Models (5) and (6) indicate that over the three and four-year period, acquisitions by SOEs with significant foreign government holdings experience larger-in-magnitude drops in ROA. Table 7 shows that acquisitions by SOEs with larger foreign government ownership lead to more significant domestic US competitor profitability declines over long periods.

4.4. Efficiency

Table 8 examines whether politically connected firms experience efficiency changes after an SOE acquires its direct competitor. We regress the change in total asset turnover on our measures of political connections, SOE indicator, the interaction between the two, firm-level controls, and industry, year, and merger fixed effects. Model (1) presents a positive coefficient on PAC * SOE, indicating that politically connected firms become more efficient than non-connected firms when an SOE acquires a competitor. Models (2) and (3) indicate a positive coefficient on the interaction term, suggesting that this relationship persists and strengthens over the three years after the acquisition. In Model (4), we regress the change in total asset turnover from year t − 1 to year t + 1 on the lobbying and SOE

Table 7
Change in Return on Assets.

	(1)	(2)	(3)	(4)	(5)	(6)
	Change in return on assets					
	(t − 1 to t + 1)	(t − 1, t + 2)	(t − 1, t + 3)	(t − 1, t + 1)	(t − 1, t + 2)	(t − 1, t + 3)
PAC	− 0.0175 *	− 0.0238 * *	− 0.0252 * *			
	(0.092)	(0.043)	(0.017)			
SOE	− 0.0424	− 0.378 * *	− 0.329 * *	− 0.0404	− 0.383 * *	− 0.325 * *
	(0.552)	(0.044)	(0.014)	(0.570)	(0.042)	(0.012)
Lobbying				− 0.00232	− 0.0133	− 0.0293 * *
				(0.812)	(0.220)	(0.014)
PAC*SOE	− 0.0194	− 0.0305	− 0.00566			
	(0.137)	(0.115)	(0.797)			
Lobbying*SOE				− 0.0183	− 0.0177	0.00411
				(0.170)	(0.340)	(0.817)
Constant	− 0.000187	0.290	− 0.382 * **	0.00551	0.298	− 0.376 * **
	(0.997)	(0.153)	(0.005)	(0.918)	(0.145)	(0.004)
R^2	0.409	0.392	0.434	0.409	0.392	0.434
Num. of Obs.	5807	4464	3509	5807	4464	3509
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE.	Yes	Yes	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.

This table regresses the change in the ROA of SOE target competitors around the acquisition date on two of our measures of SOE stakes (where the SOE has a 5% stake and where SOE has any amount of stake), political contributions, the interaction between SOE stakes and political contributions, firm-level controls, and year, industry, and deal fixed effects. Models (1) and (4) examine the change from year t–1 to year t + 1. Models (2) and (5) examine the change from year t − 1 to t + 2. Models (3) and (6) examine the change from year t − 1 to year t + 3. We lag all independent variables. We cluster at the firm level. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

indicators and the interaction between the two. We again find a positive coefficient on the lobbying * SOE interaction term. This significance persists in Models (5) and (6), where we examine the change from year t − 1 to year t + 2 and from year t–1 to year t + 3. These findings indicate that SOE acquisitions are followed by increased efficiency by firms that previously invested heavily in connections with federal politicians.

Table 8
Change in Total Asset Turnover.

	(1)	(2)	(3)	(4)	(5)	(6)
	Change in Total Asset Turnover					
	(t − 1, t + 1)	(t − 1, t + 2)	(t − 1, t + 3)	(t − 1, t + 1)	(t − 1, t + 2)	(t − 1, t + 3)
PAC	− 0.00268	− 0.00917	− 0.0359 *			
	(0.784)	(0.537)	(0.057)			
SOE	− 0.0409	− 0.0635	0.105	− 0.0426	− 0.0646	0.116
	(0.773)	(0.569)	(0.565)	(0.764)	(0.562)	(0.527)
PAC*SOE	0.0315 * *	0.0395 * *	0.113 * **			
	(0.026)	(0.038)	(0.000)			
Lobbying				− 0.0127	− 0.0203	− 0.0397 * *
				(0.202)	(0.177)	(0.036)
Lobbying*SOE				0.0549 * **	0.0480 * *	0.108 * **
				(0.000)	(0.013)	(0.000)
Constant	− 0.0483	− 0.371	− 0.154	− 0.0498	− 0.373	− 0.152
	(0.430)	(0.389)	(0.414)	(0.417)	(0.387)	(0.422)
R^2	0.107	0.142	0.158	0.107	0.142	0.157
Num. of Obs.	5807	4464	3509	5807	4464	3509
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE.	Yes	Yes	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.

This table regresses the change in the total asset turnover of SOE target competitors around the acquisition date on our measures of political contribution, SOE, the interaction between the two, firm-level controls, and year, industry, and deal fixed effects. Models (1) and (4) examine the change from year t − 1 to year t + 1. Models (2) and (5) examine the change from year t − 1 to t + 2. Models (3) and (6) examine the change from year t − 1 to year t + 3. We cluster at the firm level. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

Table 9
Post-Acquisition Buy-and-Hold Abnormal Returns.

	(1)	(2)	(3)	(4)	(5)	(5)	(7)	(8)	(9)	(10)	(11)	(12)
	(t, t + 11)	(t, t + 23)	(t, t + 35)	(t, t + 11)	(t, t + 23)	(t, t + 35)	(t, t + 11)	(t, t + 23)	(t, t + 35)	(t, t + 11)	(t, t + 23)	(t, t + 35)
PAC	4.088 * *	6.098 * *	8.107				4.665 * *	6.381 *	12.61 *			
	(0.011)	(0.038)	(0.122)				(0.019)	(0.085)	(0.053)			
SOE	229.7 * **	25.48	175.8	230.1 * **	25.70	175.4	229.9 * **	25.58	178.2	230.7 * **	26.82	177.1
	(0.000)	(0.230)	(0.108)	(0.000)	(0.225)	(0.104)	(0.000)	(0.229)	(0.105)	(0.000)	(0.204)	(0.101)
Lobbying				5.349 * **	8.094 * *	13.33 * *				7.366 * **	11.29 * **	21.53 * **
				(0.001)	(0.012)	(0.014)				(0.000)	(0.002)	(0.001)
PAC*SOE							− 1.964	− 0.964	− 14.81			
							(0.638)	(0.888)	(0.148)			
Lobbying*SOE										− 6.907 *	− 11.16 *	− 28.08 * **
										(0.054)	(0.069)	(0.003)
Constant	− 5.894	472.1 *	185.7 *	− 5.397	473.6 *	187.0 *	− 5.850	472.1 *	185.1 *	− 5.277	473.4 *	184.0 *
	(0.453)	(0.063)	(0.085)	(0.496)	(0.063)	(0.079)	(0.457)	(0.063)	(0.088)	(0.505)	(0.063)	(0.084)
R^2	0.131	0.129	0.0922	0.131	0.129	0.0927	0.131	0.129	0.0925	0.131	0.130	0.0935
Num. Of Obs.	5723	4404	3462	5723	4404	3462	5723	4404	3462	5723	4404	3462
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.	Acq.

This table regresses the buy and holds abnormal returns for SOE targets' competitors after the acquisition on our measures of political connections, SOE stake, firm controls, and year, industry, and deal fixed effects. We cluster standard errors at the firm level. In Models (1), (4), (7), and (10), we examine the change from the month of the acquisition to 11 months after the acquisition. In Models (2), (5), (8), and (11), we examine the change from the month of the acquisition to 23 months after the acquisition. In Models (3), (6), (8), and (11), we examine the change from the month of the acquisition to 35 months after the acquisition. We cluster at the firm level. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

4.5. Cumulative abnormal returns

Finally, we examine the post-merger performance of the industry competitors of SOE targets. We calculate buy-and-hold abnormal returns (BHARs) starting from the acquisition month and ending after 11, 23, or 35 months. We regress the BHARs on our PAC or lobbying indicator, the SOE indicator, firm-level controls from Table 4, and year, industry, and merger fixed effects. We cluster observations at the firm level.

We demonstrate the model below:

$$BHAR_{i,(t,t+n)} = \beta_0 + \beta_1 PC + \beta_2 \quad SOE + \sum \beta_3 \gamma_{i,t} + \beta_4 \theta + \beta_5 \varphi + \beta_6 \pi + \varepsilon_i \tag{4}$$

Models (1)–(3) examine the relationship between 1, 2, and 3-year BHARs and political connections. A positive coefficient on our PAC indicator arises in Models (1) and (2), indicating that politically connected firms outperform those not politically connected at the time of the acquisition. We also find a positive coefficient on the SOE indicator in Model (1), indicating that the BHARs of competitors are more significant when the government owns at least a 5% stake in the firm. In Models (4)–(6), the lobbying variable's positive coefficients indicate that firms employing lobbyists outperform those that do not in the three years after the acquisition. These findings indicate that even after an acquisition by an SOE, politically connected firms continue to extract value.

Politically connected firms may underperform other US competitors when a foreign government controls an acquirer significantly. We examine this possibility by interacting PAC * SOE in Models (7)–(9). The interaction term is insignificant. We also analyze whether lobbying * SOE is significant in Models (10)–(12). These models show a negative coefficient on the interaction, indicating that firms making lobbying expenditures before the acquisition of their competitor significantly underperform their peers only when the acquirer

Table 10
The Effects of SOE Bids on Direct Competitors' Cumulative Abnormal Returns Including Deal Size.

	(1)	(2)	(3)	(4)
	(–1,0)	(–1,1)	(–1,0)	(–1,1)
PAC	0.250 *	0.242		
	(0.083)	(0.151)		
SOE	0.959 * **	1.245 * **	0.923 * **	1.247 * **
	(0.000)	(0.000)	(0.000)	(0.000)
PAC*SOE	− 0.769 * **	− 0.913 * **		
	(0.003)	(0.002)		
Lobbying			0.165	0.175
			(0.247)	(0.283)
Lobbying*SOE			− 0.645 * **	− 1.030 * **
			(0.007)	(0.000)
Natural log of total assets	0.0284	0.0452	0.0327	0.0514
	(0.782)	(0.729)	(0.750)	(0.694)
ln(Sales)	− 0.0171	− 0.00208	− 0.0178	− 0.000431
	(0.868)	(0.987)	(0.863)	(0.997)
Market/Book ratio	0.0102	0.0157	0.0101	0.0157
	(0.331)	(0.255)	(0.341)	(0.258)
Debt/Total assets	− 0.452	− 0.605	− 0.469	− 0.628
	(0.198)	(0.178)	(0.182)	(0.161)
Return on assets	0.458 * *	0.783 * **	0.454 * *	0.775 * **
	(0.026)	(0.001)	(0.028)	(0.001)
Deal Size	0.264 * **	0.244 * **	0.265 * **	0.244 * **
	(0.000)	(0.000)	(0.000)	(0.000)
CAPEX/Total Assets	− 3.771 * *	− 4.015 * *	− 3.772 * *	− 4.035 * *
	(0.016)	(0.047)	(0.016)	(0.046)
OSCORE	0.0220	0.286	0.0216	0.285
	(0.950)	(0.507)	(0.951)	(0.508)
Cash/Total assets	0.0700	0.602	0.0663	0.590
	(0.853)	(0.181)	(0.860)	(0.189)
Constant	− 10.59 * **	− 9.326 *	− 10.80 * **	− 9.423 *
	(0.002)	(0.078)	(0.002)	(0.074)
R^2	0.0643	0.0534	0.0641	0.0536
Num. of obs.	5807	5807	5807	5807
Industry FE.	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.

This table examines the effect of SOE Bids on US direct competitors' abnormal returns. We regress the cumulative abnormal returns on our measure of SOE stake (state ownership ≥5%), political contributions, the interaction between SOE stake and political contributions, firm-level controls, and year fixed effects. We also include deal size as one of the control variables in this analysis. Models (1) and (3) use a one-day event window. In Models (2) and (4), we use a three-day window (–1, 1) around the event and lag all independent variables. We cluster at the firm level. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

is a foreign SOE. This finding is consistent with the possibility that an SOE has greater access to capital and receives favorable treatment in their home market. This result also indicates that after the acquisition, target firms can benefit from such access, enabling them to outperform their competitors in the US market..

4.6. Additional robustness tests

The size of the acquisitions (deal size) and the payment type (cash or stock) can significantly influence our results. Hence, Table 10 reexamines the effect of SOE merger announcements on cumulative abnormal returns of US competitors of SOE targets after controlling for deal size. In Table 11, we control for deal size and payment type (cash). Our results are consistent with those reported in Table 4, indicating a positive coefficient on SOE and a negative coefficient on our interaction term. These empirical findings support our expectation that investors respond more positively to SOE acquisitions and expect a worse performance from politically connected competitors.

The extant literature on cross-border mergers and acquisitions argues that Chinese SOEs entering developed nations receive substantial support from their government. For example, Stone et al. (2022) show that China uses foreign direct investments by SOEs as an instrument to promote its foreign policy. This practice motivates us to reinvestigate the effect of SOE merger announcements on cumulative abnormal returns of US direct competitors of SOE targets after excluding Chinese SOEs from our sample. Table 12 shows that the interaction term is negative and significant for PAC and lobbying variables; hence, even after excluding Chinese SOEs, our results are consistent with Table 4. Therefore, we conclude that investors in US markets expect a worse performance from politically

Table 11
Effects of SOE Bids on Direct Competitors' Cumulative Abnormal Return including Deal Size and Type of Payment.

	(1)	(2)	(3)	(4)
	(–1,0)	(–1,1)	(–1,0)	(–1,1)
PAC	0.232	0.235		
	(0.107)	(0.164)		
SOE	0.876 * **	1.215 * **	0.840 * **	1.217 * **
	(0.000)	(0.000)	(0.000)	(0.000)
PAC*SOE	− 0.750 * **	− 0.906 * **		
	(0.003)	(0.002)		
Lobbying			0.138	0.165
			(0.332)	(0.308)
Lobbying*SOE			− 0.620 * **	− 1.021 * **
			(0.010)	(0.000)
Natural log of total assets	0.0275	0.0449	0.0322	0.0512
	(0.788)	(0.731)	(0.753)	(0.695)
ln(Sales)	− 0.0136	− 0.000762	− 0.0140	0.000947
	(0.895)	(0.995)	(0.892)	(0.994)
Market/Book ratio	0.0101	0.0157	0.00988	0.0156
	(0.342)	(0.258)	(0.352)	(0.261)
Debt/Total assets	− 0.453	− 0.606	− 0.470	− 0.629
	(0.197)	(0.178)	(0.181)	(0.161)
Return on assets	0.461 * *	0.784 * **	0.456 * *	0.776 * **
	(0.026)	(0.001)	(0.027)	(0.001)
Deal Size	0.272 * **	0.247 * **	0.274 * **	0.247 * **
	(0.000)	(0.000)	(0.000)	(0.000)
Payment type (cash)	1.065 * **	0.394	1.067 * **	0.395
	(0.000)	(0.308)	(0.000)	(0.307)
CAPEX/Total Assets	− 3.669 * *	− 3.978 * *	− 3.672 * *	− 3.998 * *
	(0.018)	(0.048)	(0.018)	(0.047)
OSCORE	0.0216	0.286	0.0223	0.286
	(0.951)	(0.508)	(0.950)	(0.508)
Cash/total assets	0.0892	0.609	0.0860	0.597
	(0.813)	(0.175)	(0.819)	(0.183)
Constant	− 11.62 * **	− 9.708 *	− 11.84 * **	− 9.807 *
	(0.001)	(0.068)	(0.001)	(0.064)
R^2	0.0661	0.0536	0.0659	0.0538
Num. of obs.	5807	5807	5807	5807
Industry FE.	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.

This table examines the effect of SOE Bids on US direct competitors' abnormal returns. We regress the cumulative abnormal returns on our measure of SOE stake (state ownership ≥5%), political contributions, the interaction between SOE stake and political contributions, firm-level controls, and year fixed effects. We also include deal size and cash (payment type) as control variables. Models (1) and (3) use a one-day event window. In Models (2) and (4), we use a three-day window (–1, 1) around the event and lag all independent variables. We cluster at the firm level. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

connected competitors after SOEs enter these markets by acquiring target firms.

Finally, we want to examine whether our results differ across industries. We restrict our sample to the industries (using 2-digit SIC codes) to analyze the impact of SOE merger announcements on CARs of US competitors. In Table 13, we restrict our sample to firms that belong to the chemicals and allied products industry (the industry with the most acquisitions) and then rerun our regressions from Table 4. Even after introducing this restriction, our results remain the same as our empirical findings in Table 4. We find a positive coefficient on SOE and a negative coefficient on our interaction terms. This empirical evidence supports our initial findings that investors respond more positively to SOEs acquisitions and expect a worse performance from politically connected competitors.

5. Conclusions

5.1. Summary

Practitioners argue that industry-leading US firms are facing increased competition due to the entry of foreign SOEs.[26] As foreign governments back the former, SOEs are more stable than US firms. Many SOEs have greater access to resources than private US firms, providing a potential advantage to any of the SOE's acquisition targets. We examine the impact of SOE acquisitions on US competitors' valuations, political contributions, profitability, efficiency, and future financial performance. Our findings provide insight into how competing firms react and revise their practices to survive the increased competition created in the domestic market after the acquisition event.

A firm's political connections can be significant in determining whether it will withstand the increased competition caused by an acquisition by an SOE. We separate our sample of US competitors to target firms based on PAC contributions and lobbying expenditures, defining those with positive values as politically connected.

Using Bloomberg data on acquisitions by SOEs from 2010 to 2018, we find that around the acquisition date, politically connected competitors of SOE targets exhibit larger-in-magnitude declines in their valuations than non-connected firms. This finding is consistent with our hypothesis that politically connected US incumbents will likely suffer the most from the entry of a firm connected to a foreign government. Interestingly, the main effect of the investor response to an SOE acquisition is positive, indicating that investors believe the acquisition will generally destroy less value for sample firms than the acquisition by a non-SOE. This finding indicates that investors believe these SOEs are less efficient than other acquires in the aggregate.

Competitors to SOE targets make several changes after the SOE acquisition. First, politically connected US competitors reduce their PAC contributions after an acquisition. Given the changing market environment, this is consistent with our hypothesis that politically connected firms choose to reallocate resources more efficiently. Second, the profitability of politically connected firms declines by more than non-politically connected firms, regardless of the acquirer's ownership. Finally, the efficiency of competitor firms rises if the firm was politically connected at the time of the merger and the acquirer has a significant stake in the US target firm (>5%). These findings are consistent with our initial hypotheses.

Finally, we examine the financial performance of competitor firms, finding that politically connected firms continue to outperform competitors after the merger. In contrast, our additional tests indicate that firms engaging in lobbying activity during the acquisition underperform when government ownership of the SOE is high. This finding suggests that politically connected US firms in competition with the SOE targets face negative real-world consequences when the target firms redeem benefits of political connection, albeit from an enterprise with ties with a foreign government.

Rather than examining the effects on an SOE merger target, this paper demonstrates how the acquisition motivates a target firm's direct competitors to become more competitive. As cross-border acquisitions become more heavily scrutinized, understanding the consequences of such acquisitions and responses by competitors could guide future policymakers when determining what acquisitions to allow. Our findings suggest that cross-border acquisitions benefit industry competition and force incumbents to become more efficient.

5.2. Implications for public policy

In recent years, US lawmakers and policy analysts have become increasingly concerned by SOEs' acquisition behavior. These acquisitions could allow foreign governments or competitors to gain a competitive advantage over US firms; thus, US lawmakers have increased restrictions on both inbound and outbound investment in the US. There have been many proposed changes in regulations and legislation in the past three years. For example, in early 2023, a bipartisan group of Congressmen proposed increased restrictions on the purchase of farmland by foreign entities.[27] Furthermore, some lawmakers proposed laws restricting investments by firms headquartered in specific nations.[28]

[26] The COVID-19 pandemic exacerbated this situation by substantially increasing competition in the US economy (Rose, 2020), which resulted in shutdowns of firms in almost all major industries.

[27] https://www.natlawreview.com/article/proposed-legislation-would-authorize-cfius-to-scrutinize-farmland-purchases-foreign

[28] Senator Kennedy (R–LA) proposed legislation that would limit Chinese greenfield investments in June of 2023. https://www.kennedy.senate.gov/public/2023/6/kennedy-introduces-bill-to-increase-scrutiny-over-chinese-investments-on-american-soil

Table 12
Effects of SOE Bids on Direct Competitors' Cumulative Abnormal Return excluding Chinese SOEs.

	(1)	(2)	(3)	(4)
	(–1,0)	(–1,1)	(–1,0)	(–1,1)
PAC	0.198	0.163		
	(0.167)	(0.341)		
SOE	− 2.653	1.114	− 2.686	1.088
	(0.173)	(0.723)	(0.167)	(0.729)
PAC*SOE	− 0.532 * *	− 0.643 * *		
	(0.045)	(0.045)		
Lobbying			0.0881	0.0871
			(0.545)	(0.603)
Lobbying*SOE			− 0.470 *	− 0.806 * **
			(0.056)	(0.007)
Natural log of total assets	0.0442	0.0635	0.0494	0.0696
	(0.672)	(0.641)	(0.637)	(0.609)
ln(Sales)	− 0.0173	− 0.00774	− 0.0158	− 0.00481
	(0.869)	(0.955)	(0.881)	(0.972)
Market/Book ratio	0.00462	0.0134	0.00452	0.0133
	(0.671)	(0.347)	(0.678)	(0.353)
Debt/Total assets	− 0.598 *	− 0.586	− 0.616 *	− 0.610
	(0.091)	(0.205)	(0.081)	(0.186)
Return on assets	0.469 * *	0.766 * **	0.463 * *	0.759 * **
	(0.021)	(0.001)	(0.022)	(0.002)
CAPEX/total assets	− 2.165	− 2.801	− 2.176	− 2.818
	(0.133)	(0.120)	(0.132)	(0.118)
OSCORE	0.187	0.391	0.191	0.394
	(0.604)	(0.379)	(0.596)	(0.375)
Cash/total assets	0.248	0.781 *	0.245	0.771 *
	(0.511)	(0.087)	(0.517)	(0.091)
Constant	− 2.301 *	− 3.065 *	− 2.338 *	− 3.110 *
	(0.064)	(0.066)	(0.059)	(0.062)
R^2	0.102	0.0743	0.102	0.0745
Num. of obs.	5653	5653	5653	5653
Industry FE.	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.

This table examines the effect of SOE Bids on US direct competitors' abnormal returns. We regress the cumulative abnormal returns on our measure of SOE stake (state ownership ≥5%), political contributions, the interaction between SOE stake and political contributions, firm-level controls, and year fixed effects. We exclude any target firms acquired by Chinese SOEs in this sample. Models (1) and (3) use a one-day event window. In Models (2) and (4), we use a three-day window (–1, 1) around the event and lag all independent variables. We cluster at the firm level. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

CFIUS is the primary organization reviewing international acquisitions, and its mandate changed several times in the last few years.[29] The most recent change to CFIUS's process was President Biden's 2022 directive to consider foreign data control when approving mergers.[30]

The results in this paper demonstrate the potential effects of acquisitions by SOEs on competitors. While US competitors experience lower profit margins after the acquisition, they become more efficient, which is good for consumers. The US competitors that experience the most significant increase in efficiency are politically connected. This result demonstrates that one previously unmentioned upside to acquisitions by SOEs is the motivating effect such acquisitions have upon entrenched US firms.

CRediT authorship contribution statement

The authors confirm contribution to the paper as follows: study conception and design: Reza Houston and Tahsin Huq; data collection: Reza Houston; analysis and interpretation of results: Reza Houston, Tahsin Huq, Sydul Karim, and Kabir Hassan; draft manuscript preparation: Tahsin Huq, Reza Houston. All authors approved the final version of the manuscript.

[29] https://home.treasury.gov/policy-issues/international/the-committee-on-foreign-investment-in-the-united-states-cfius/cfius-laws-and-guidance

[30] This executive order requires CFIUS to consider national security factors when approving transactions. https://www.whitecase.com/insight-alert/biden-issues-first-ever-presidential-directive-defining-national-security-factors#:~:text=The%20EO%20provides%20that%20CFIUS,other%20malicious%20cyber%2Denabled%20activity

Table 13
Effects of SOE Bids on Direct Competitors' Cumulative Abnormal Return only including Chemicals and Allied Products Industry.

	(1)	(2)	(3)	(4)
	(–1,0)	(–1,1)	(–1,0)	(–1,1)
PAC	0.954 * *	0.679		
	(0.027)	(0.190)		
SOE	3.060 * **	1.570 *	3.100 * **	1.591 *
	(0.000)	(0.058)	(0.000)	(0.056)
PAC*SOE	− 1.220 * **	− 1.050 *		
	(0.008)	(0.062)		
Lobbying			0.851 * *	0.487
			(0.043)	(0.344)
Lobbying*SOE			− 1.395 * **	− 1.103 * *
			(0.001)	(0.037)
Natural log of total assets	0.291	0.198	0.305	0.213
	(0.124)	(0.389)	(0.107)	(0.354)
ln(Sales)	− 0.165	− 0.0313	− 0.162	− 0.0272
	(0.406)	(0.894)	(0.416)	(0.908)
Market/Book ratio	0.00785	0.0151	0.00730	0.0147
	(0.750)	(0.624)	(0.768)	(0.635)
Debt/Total assets	− 0.141	− 0.217	− 0.136	− 0.227
	(0.864)	(0.829)	(0.869)	(0.821)
Return on assets	0.406	0.701 *	0.389	0.681 *
	(0.284)	(0.078)	(0.302)	(0.085)
CAPEX/total assets	1.625	− 2.452	1.680	− 2.373
	(0.807)	(0.759)	(0.801)	(0.767)
OSCORE	0.586	1.303	0.570	1.286
	(0.488)	(0.172)	(0.499)	(0.177)
Cash/total assets	0.463	1.399	0.457	1.395
	(0.620)	(0.196)	(0.624)	(0.197)
Constant	− 4.972 * **	− 4.255 * **	− 5.075 * **	− 4.360 * **
	(0.000)	(0.002)	(0.000)	(0.001)
R^2	0.0627	0.0584	0.0632	0.0586
Num. of obs.	1123	1123	1123	1123
Industry FE.	Yes	Yes	Yes	Yes
Year FE.	Yes	Yes	Yes	Yes
Merger FE.	Yes	Yes	Yes	Yes
Firm Clustering	Yes	Yes	Yes	Yes
Sample	Acq.	Acq.	Acq.	Acq.

In this table, we limit our sample firms from the chemicals and allied products industry and then examine the effect of SOE Bids on US direct competitors' abnormal returns. We regress the cumulative abnormal returns on our measure of SOE stake (state ownership ≥5%), political contributions, the interaction between SOE stake and political contributions, firm-level controls, and year fixed effects. Models (1) and (3) use a one-day event window. In Models (2) and (4), we use a three-day window (–1, 1) around the event and lag all independent variables. We cluster at the firm level. Observations are winsorized at the 1% and 99% levels. * , * *, and * ** indicate significance at the 10%, 5%, and 1% levels.

Data Availability

Data will be made available on request.

Appendix A.1. Variable descriptions

PAC	Equals 1 for the natural log of PAC contributions by the firm-affiliated PAC at t − 1 or 0 otherwise
Lobbying	Equals 1 for Natural log of lobbying expenditure at t − 1 or 0 otherwise
SOE	Indicator variable for whether the government owning the SOE controls at least 5% of the equity
TAT	Total Asset turnover or efficiency ratio
Cash/TA	Balance sheet cash divided by total assets
Herfindahl Index	Herfindahl Index
ln(total assets)	Natural log of total assets
ln(total sales)	Natural log of total sales
Market/book ratio	Book/market ratio
Debt/total assets	Debt / total assets
Return on assets	Return on assets
CAPEX/total assets	Capital expenditure of the firm/total assets
O-score	Ohlson's (1980) O-score

References

Albuquerque, R., Brandão-Marques, L., Ferreira, M.A., Matos, P., 2019. International corporate governance spillovers: evidence from cross-border mergers and acquisitions. Rev. Financ. Stud. 32, 738–770. https://doi.org/10.1093/rfs/hhy053.

Alon, I., Wang, H., Shen, J., Zhang, W., 2014. Chinese state-owned enterprises go global. J. Bus. Strategy 35, 3–18. https://doi.org/10.1108/JBS-12-2013-0118.

Benito, G.R.G., Rygh, A., Lunnan, R., 2016. The benefits of internationalization for state-owned enterprises. Glob. Strategy J. 6, 269–288. https://doi.org/10.1002/gsj.1138.

Blanes i Vidal, J.B., Draca, M., Fons-Rosen, C., 2012. Revolving door lobbyists. Am. Econ. Rev. 102, 3731–3748. https://doi.org/10.1257/aer.102.7.3731.

Blau, B.M., Brough, T.J., Thomas, D.W., 2013. Corporate lobbying, political connections, and the bailout of banks. J. Bank. Fin. 37, 3007–3017. https://doi.org/10.1016/j.jbankfin.2013.04.005.

Boateng, A., Liu, Y., Brahma, S., 2019. Politically connected boards, ownership structure and credit risk: evidence from Chinese commercial banks. Res. Int. Bus. Fin. 47, 162–173. https://doi.org/10.1016/j.ribaf.2018.07.008.

Cohen, L., Malloy, C.J., 2016. Mini west Virginias: Corporations as government dependents [Working paper]. SSRN J. https://doi.org/10.2139/ssrn.2758835.

Cooper, M.J., Gulen, H., Ovtchinnikov, A.V., 2010. Corporate political contributions and stock returns. J. Fin. 65, 687–724. https://doi.org/10.1111/j.1540-6261.2009.01548.x.

Correia, M.M., 2014. Political connections and SEC enforcement. J. Acc. Econ. 57, 241–262. https://doi.org/10.1016/j.jacceco.2014.04.004.

Estrin, S., Meyer, K.E., Nielsen, B.B., Nielsen, S., 2016. Home country institutions and the internationalization of state owned enterprises: a cross-country analysis. J. World Bus. 51, 294–307. https://doi.org/10.1016/j.jwb.2015.11.002.

Ferris, S.P., Houston, R., Javakhadze, D., 2016. Friends in the right places: the effect of political connections on corporate merger activity. J. Corp. Fin. 41, 81–102. https://doi.org/10.1016/j.jcorpfin.2016.08.011.

Ferris, S.P., Houston, R., Javakhadze, D., 2019. It is a sweetheart of a deal: political connections and corporate-federal contracting. Financ. Rev. 54, 57–84. https://doi.org/10.1111/fire.12181.

Ferris, S.P., Hanousek, J., Houston, R. 2020. Too good to be true: Political connections and contractor default [Working paper].

Frésard, L., Hege, U., Phillips, G., 2017. Extending industry specialization through cross-border acquisitions. Rev. Financ. Stud. 30, 1539–1582. https://doi.org/10.1093/rfs/hhx008.

Freund, C., Sidhu, D., 2017. "Global competition and the rise of China." Peterson Institute for International Economics [Working Paper] 17–3.

Gao, M., Huang, J., 2016. Capitalizing on Capitol Hill: informed trading by hedge fund managers. J. Financ. Econ. 121, 521–545. https://doi.org/10.1016/j.jfineco.2015.11.001.

Goldman, E., Rocholl, J., So, J., 2013. Politically connected boards of directors and the allocation of procurement contracts. Rev. Fin. 17, 1617–1648. https://doi.org/10.1093/rof/rfs039.

Gonzalez, P., Vasconcellos, G.M., Kish, R.J., Kramer, J.K., 1997. Cross-border mergers and acquisitions: maximizing the value of the firm. Appl. Financ. Econ. 7, 295–305. https://doi.org/10.1080/096031097333655.

Griffith, R. 2001. Product market competition, efficiency and agency costs: An empirical analysis Vol. 01/12 [IFS working papers].

Hassan, M.K., Sanchez, B., Safa, M.F., 2013. Editors notes. Int. J. Islamic Middle East. Fin. Manag. 6. https://doi.org/10.1108/IMEFM-08–2013-0096.

Huq, T.I., Hassan, M.K., Houston, R., 2022. The effects of firm political contributions on earmarks and subsequent firm performance. Res. Int. Bus. Fin. 62, 101706 https://doi.org/10.1016/j.ribaf.2022.101706.

Jory, S.R., Ngo, T.N., 2014. Cross-border acquisitions of state-owned enterprises. J. Int. Bus. Stud. 45, 1096–1114. https://doi.org/10.1057/jibs.2014.41.

Khan, A., Mihret, D.G., Muttakin, M.B., 2016. Corporate political connections, agency costs and audit quality. Int. J. Acc. Inf. Manag 24, 357–374. https://doi.org/10.1108/IJAIM-05-2016-0061.

Knutsen, C.H., Rygh, A., Hveem, H., 2011. Does state ownership matter? Institutions' effect on foreign direct investment revisited. Bus. Pol. 13, 1–31. https://doi.org/10.2202/1469-3569.1314.

Langbein, L.I., Lotwis, M.A., 1990. The political efficacy of lobbying and money: gun control in the U. S. House. 1986. Legis. Stud. Q 15, 413–440. https://doi.org/10.2307/439771.

Lawson, C., 1994. The theory of state-owned enterprises in market economies. J. Econ. Surv. 8, 283–309. https://doi.org/10.1111/j.1467-6419.1994.tb00104.x.

Levy, B., 1987. A theory of public enterprise behavior. J. Econ. Behav. Organ 8, 75–96. https://doi.org/10.1016/0167-2681(87)90022-9.

Li, M., Lien, J.W., Zheng, J., 2021. Optimal subsidies in the competition between private and state-owned enterprises. Int. Rev. Econ. Fin. 76, 1235–1244. https://doi.org/10.1016/j.iref.2019.11.011.

Li, M., Liu, D., Peng, H., Zhang, L., 2022. Political connection and its impact on equity market. Res. Int. Bus. Fin. 60, 101593 https://doi.org/10.1016/j.ribaf.2021.101593.

Liang, H., Ren, B., Sun, S.L., 2015. An anatomy of state control in the globalization of state-owned enterprises. J. Int. Bus. Stud. 46, 223–240. https://doi.org/10.1057/jibs.2014.35.

Ohlson, J.A., 1980. Financial ratios and the probabilistic prediction of bankruptcy. J. Account. Res. 1, 109–131. ⟨https://www.jstor.org/stable/2490395⟩.

Ohrn, E., Seegert, N., 2013. Dividend taxation and merger behavior: a new view explanation for the post-merger performance puzzle. Department of Economics. University of Michigan,, USA.

Reddy, K.S., Xie, E., Huang, Y., 2016. Cross-border acquisitions by state-owned and private enterprises: A perspective from emerging economies. J. Policy Model 38, 1147–1170. https://doi.org/10.1016/j.jpolmod.2016.10.002.

Rose, N.L., 2020. Will competition be another covid-19 casualty? The Hamilton Project. Brookings,, 2020–2015.

Srinivasan, S., 2020. Foreign competition and acquisitions. J. Corp. Fin. 60, 101484 https://doi.org/10.1016/j.jcorpfin.2019.07.007.

Stone, R.W., Wang, Y., Yu, S., 2022. Chinese power and the state-owned enterprise. Int. Organ. 76, 229–250. https://doi.org/10.1017/S0020818321000308.

Stratmann, T., 1991. What do campaign contributions buy? Deciphering causal effects of money and votes. South. Econ. J. 57, 606–620. https://doi.org/10.2307/1059776.

Stratmann, T., 1995. Campaign contributions and congressional voting: does the timing of contributions matter? Rev. Econ. Stat. 77, 127–136. https://doi.org/10.2307/2109998.

Stratmann, T., 1998. The market for congressional votes: Is timing of contributions everything? J. Law Econ. 41, 85–114. https://doi.org/10.1086/467385.

Tahoun, A., 2014. The role of stock ownership by US members of Congress on the market for political favors. J. Financ. Econ. 111, 86–110. https://doi.org/10.1016/j.jfineco.2013.10.008.

Vernon, R., 1979. The international aspects of state-owned enterprises. J. Int. Bus. Stud. 10, 7–14. https://doi.org/10.1057/palgrave.jibs.8490790.