Internet Appendix for

Extending Industry Specialization through Cross-Border Acquisitions

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This appendix contains additional analyses that we mention but do not report in the paper to preserve space.

- **Table IA.1**: Cross-sectional regression models (baseline equation (2)) on a sample that includes the natural resources industries.

- **Table IA.2**: Cross-sectional regression models (baseline equation (2)) with acquirer and target country fixed effects (instead of acquirer and target country characteristics).

- **Table IA.3**: Cross-sectional regression models (baseline equation (2)) estimated using Ordinary Least Squares with acquirer-target country pair fixed effects.

- **Table IA.4**: Panel regression models (baseline equation (2)) with country-industry-pair fixed effects. The specifications are estimated by Ordinary Least Square instead of Tobit.

- **Table IA.5**: Cross-sectional regression models (baseline equation (2)) estimated using Ordinary Least Squares instead of Tobit.

- **Table IA.6**: Cross-sectional regression models (baseline equation (2)) estimated using Ordinary Least Squares with country-industry-pair fixed effects..

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- **Table IA.9**: Cross-sectional regression models (baseline equation (2)) estimated using Poisson Pseudo-Maximum-Likelihood (PPML developed by Silva and Tenreyro (2006)), where the dependent variables (the number and value of cross-border deals) are not in logs.

- **Table IA.10**: Cross-sectional regression models (baseline equation (2)) where we scale the flow (both in number and dollar value) of cross-border horizontal acquisitions in a given industry between two countries by the intensity of domestic horizontal acquisitions in the target country-industry.

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- **Table IA.12**: Descriptive statistics on the coefficients estimated from separate regression model (similar to equation (2)) for each country-pair. Each country-pair specification is estimated using Tobit. Because some country-pairs feature no deal, the sample is restricted to country-pairs that have at least one deal during the sample period.

- **Table IA.13**: Cross-sectional regression models (baseline equation (2)) where the definition of industry specialization (SP) is based on domestic sales only (we exclude foreign sales).

- **Table IA.14**: Cross-sectional regression models (baseline equation (2)) estimated separately for tradable and non-tradable sectors.

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- **Table IA.19**: Cross-sectional regression models (baseline equation (2)) estimated using specialization measures restricted to only include industry with non-missing data on sales or employment.

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- **Table IA.30**: Cross-sectional performance regressions with interaction terms between difference in industry specialization and relative size between acquirers and targets.

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- **Table IA.32**: CARs and Premiums regressions using the Heckman self-selection correction.

- **Figures IA.A, IA.B, IA.C, and IA.D**: same as Figures A, B, C, D, but with Industry Specialization calculated on the basis of Employment rather than Sales

Table IA.1: Including Natural Resources

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)) on a sample that includes natural resources industries. The dependent variable is the logarithm of total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. .

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.147***	0.137***	0.529***	0.484***
	(11.409)	(11.244)	(7.763)	(7.399)
Baseline Controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
#Obs.	200,790	200,790	200,790	200,790
Pseudo R^2	0.30	0.30	0.22	0.22

Table IA.2: Countries Fixed Effects

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of the total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include only country-pair characteristics. All variables are defined in Appendix 1. All specifications include acquirer and target country fixed effects as well as industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.134***	0.123***	0.525***	0.468***
	(11.028)	(10.532)	(8.201)	(7.494)
Baseline Controls	No	No	No	No
Pair Controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Acq. Country FE	Yes	Yes	Yes	Yes
Tar. Country FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.28	0.28	0.22	0.22

Table IA.3: Country-Pair Fixed Effects

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of the total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). All variables are defined in Appendix 1. All specifications include acquirer and target country-pair fixed effects as well as industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.115***	0.112***	0.466***	0.438***
	(10.117)	(9.729)	(6.987)	(6.286)
Baseline Controls	No	No	No	No
Pair Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
Country-Pair FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.10	0.10	0.08	0.08

Table IA.4: Panel OLS

This table presents panel Ordinary Least Squares estimations of the baseline model (equation (2)). The dependent variable is the logarithm of the total flow of cross-border acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the difference in specialization (in a given industry) between the acquirer and the target country. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. In Panel A, we split the sample period (1990-2010) into three sub-periods of seven years, and average all variables over these three sub-periods. In Panel B, we consider the full panel of 21 years. All specifications include period fixed effects, as well as country-industry-pair fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)

Panel A: three seven-year sub-periods

ΔSP	0.001**	0.001***	0.004***	0.005***
	(2.162)	(2.451)	(3.117)	(3.467)
Baseline Controls	Yes	Yes	Yes	Yes
Period FE	Yes	Yes	Yes	Yes
Country-industry-pair FE	Yes	Yes	Yes	Yes
#Obs.	527,850	527,850	527,850	527,850
Adj. R^2	0.504	0.504	0.314	0.314

Panel B: Full Panel of 21 years

ΔSP	0.001*	0.001**	0.001*	0.001***
	(1.722)	(2.423)	(2.511)	(3.000)
Baseline Controls	Yes	Yes	Yes	Yes
Period FE	Yes	Yes	Yes	Yes
Country-industry-pair FE	Yes	Yes	Yes	Yes
#Obs.	3,694,950	3,694,950	3,694,950	3,694,950
Adj. R^2	0.286	0.286	0.149	0.149

Table IA.5: Cross-sectional OLS

This table presents cross-sectional Ordinary Least Squares estimations of the baseline model (equation (2)). The dependent variable is the logarithm of the total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.010***	0.010***	0.017***	0.017***
	(11.198)	(10.523)	(7.759)	(6.996)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Adj. R^2	0.19	0.19	0.10	0.10

Table IA.6: Cross-sectional OLS with Country-Pair Fixed Effects

This table presents cross-sectional Ordinary Least Squares estimations of the baseline model (equation (2)). The dependent variable is the logarithm of the total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). All variables are defined in Appendix 1. All specifications include country-pair and industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.008***	0.007***	0.014***	0.014***
	(9.460)	(8.427)	(6.426)	(5.521)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
Country-Pair FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Adj. R^2	0.35	0.35	0.21	0.21

Table IA.7: Cross-sectional OLS (non-zeros)

This table presents cross-sectional Ordinary Least Squares estimations of the baseline model (equation (2)) on a sample that is restricted to country-industry pairs that feature at least one cross-border horizontal transaction. The dependent variable is the logarithm of the total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.032***	0.026***	0.095***	0.079***
	(6.896)	(6.015)	(3.888)	(3.370)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	11,434	11,434	11,434	11,434
Adj. R^2	0.29	0.29	0.25	0.25

Table IA.8: Count Model

This table presents cross-sectional Poisson Count model estimations of the baseline model (equation (2)). The dependent variable is the total flow of acquisitions, in number (#Acq.) or dollar value ($Acq.), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	#Acq.		$Acq.	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.216***	0.193***	0.193***	0.118***
	(11.310)	(10.460)	(5.94)	(8.944)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	NA	NA	NA	NA

Table IA.9: Poisson Pseudo-Maximum-Likelihood Model

This table presents cross-sectional Poisson Pseudo-Maximum-Likelihood (PPML) estimations of the baseline model (equation (2)). We follow the methodology of Silva and Tenreyro (2006). The dependent variable is the total flow of acquisitions, in number (#Acq.) or dollar value ($Acq.), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	#Acq.		$Acq.	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.186***	0.165***	0.215***	0.190***
	(13.040)	(12.435)	(9.746)	(8.944)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	173,880	173,880
R^2	0.39	0.39	0.23	0.23

Table IA.10: Scaled Deal Flow

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the ratio of the total flow of acquisitions, in number or dollar value in a given country-industry-pair over the 1990-2010 period, divided by the flow of acquisitions in the target country-industry (number or dollar value) of the same period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	Scaled(#Acq.)		Scaled($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.032***	0.030***	0.056***	0.050***
	(12.175)	(11.832)	(9.942)	(9.017)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.42	0.42	0.32	0.32

Table IA.11: No US/UK

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)) on a sample that excludes deals involving US or UK firms. The dependent variable is the logarithm of total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.146***	0.138***	0.685***	0.628***
	(9.212)	(8.987)	(7.673)	(7.260)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	160,820	160,820	160,820	160,820
Pseudo R^2	0.28	0.28	0.19	0.19

Table IA.12: Separate Country-Pairs Estimations

This table presents results from Tobit estimations of separate regression models (equation (2)) for each country-pair. The dependent variable is the logarithm of total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics. All variables are defined in Appendix 1. To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. We present the mean, standard deviation, and 10th, 25th, 50th, 75th, and 90th percentiles of the estimated coefficients on ΔSP(sales) (or ΔSP(emp)) across country-pairs. Because some country-pairs do not feature any horizontal cross-border acquisitions, we restrict to country-pairs featuring at least on deal.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
Coefficient:	ΔSP(sales)	ΔSP(emp)	ΔSP(sales)	ΔSP(emp)
Mean	0.188	0.185	0.710	0.654
St.Dev	0.617	0.614	3.400	3.032
p10	-0.363	-0.351	-1.613	-1.931
p25	-0.074	-0.093	-0.508	-0.608
p50	0.118	0.118	0.425	0.378
p75	0.434	0.435	1.817	1.743
p90	0.845	0.836	3.743	3.844
# Country pairs	1,288	1,286	1,055	1,053
% positive	66.22%	64.69%	61.61%	61.65%

Table IA.13: Specialization Measured Without Foreign Sales

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. The measure of specialization (SP(dom.sales)) is computed based on domestic sales only (and exclude foreign sales). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)	ln($Acq.)
SP(x)	SP(dom.sales)	SP(dom.sales)
ΔSP	0.134***	0.512***
	(10.689)	(7.682)
Baseline Controls	No	No
Industry FE	Yes	Yes
#Obs.	175,950	175,950
Pseudo R^2	0.31	0.22

Table IA.14: Tradable vs. Non-Tradable Sectors

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. Panel A considers only tradable industries, while Panel B considers Non-Tradable industries. We classify industries as "tradable" or "non-tradable" using the definition of Mian and Sufi (2012) (Appendix Table 1).[1] The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
Panel A: Tradable Sectors				
ΔSP	0.134***	0.140***	0.564***	0.602***
	(7.298)	(7.785)	(5.848)	(6.313)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	86,940	86,940	86,940	86,940
Pseudo R^2	0.31	0.31	0.21	0.21
Panel B: Non-Tradable Sectors				
ΔSP	0.161***	0.128***	0.580***	0.412***
	(10.464)	(8.512)	(6.907)	(5.077)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	89,010	89,010	89,010	89,010
Pseudo R^2	0.32	0.32	0.25	0.24

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[1] Mian, Atif, and Amir Sufi, 2012, What explains high unemployment? The aggregate demand channel, NBER working paper No. 17830.

Table IA.15: Mergers vs. Acquisitions

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. Panel A considers only mergers, while Panel B considers only acquisitions. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
Panel A: Mergers				
ΔSP	0.130***	0.114***	0.577***	0.507***
	(7.036)	(6.423)	(4.024)	(3.662)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.31	0.31	0.24	0.24
Panel B: Acquisitions				
ΔSP	0.147***	0.133***	0.566***	0.498***
	(11.244)	(10.716)	(8.307)	(7.450)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.31	0.31	0.22	0.22

Table IA.16: Public vs. Private Transactions

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. Panel A considers only deals between publicly-traded firms. Panel B considers only deals where the acquirer is public and the target is private. Panel C considers only deals between privately-owned firms. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
Panel A: Public-Public Deals				
ΔSP	0.203***	0.210***	1.205***	1.216***
	(4.623)	(5.040)	(4.494)	(4.811)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.3	0.3	0.25	0.25
Panel B: Public-Private Deals				
ΔSP	0.222***	0.196***	0.816***	0.696***
	(12.268)	(11.053)	(8.895)	(7.670)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.32	0.32	0.24	0.24
Panel C: Private-Private Deals				
ΔSP	0.100***	0.090***	0.300***	0.240***
	(7.697)	(7.434)	(3.672)	(3.115)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.31	0.31	0.21	0.21

Table IA.17: Country-Industry Pairs Bilateral Trade

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of the total flow of cross-border horizontal acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. In addition, we include the intensity of bilateral trade between country-industry pairs over the 1990-2010 period (Trade). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.187***	0.182***	0.768***	0.735***
	(10.425)	(10.263)	(7.732)	(7.494)
Trade	0.179***	0.177***	0.620***	0.612***
	(7.680)	(7.560)	(5.335)	(5.264)
Baseline Controls	No	No	No	No
Industry FE	Yes	Yes	Yes	Yes
#Obs.	62,866	62,866	62,866	62,866
Pseudo R^2	0.31	0.31	0.21	0.21

Table IA.18: Heterogeneous Country-Pairs

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of the total flow of cross-border horizontal acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. We split the sample in sub-groups of country pairs based on differences between acquirer (A) and target (T) countries' average specialization (SP(sales)) in Panels A, economic development (GDP per capita) in Panels B, and size (GDP) in Panels C. We consider separate combinations of country-pairs based on median cuts (e.g. acquirer country is above the median and target country is below the median) and 25-75 percentile cuts (e.g. acquirer country is above the 75th percentile and target country is below the 25th percentile). The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. Specialization is based on sales (SP(sales)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dependent Variable:	ln(#Acq.)			
Country Cuts:	A>Med & T>Med	A>Med & T<Med	A<Med & T>Med	A<Med & T<Med
Panel A: Cuts based on Country SP				
ΔSP(sales)	0.108***	0.187***	0.079**	0.293***
	(6.94)	(9.91)	(2.28)	(7.14)
#Obs.	43010	44965	44965	43010
Panel B: Cuts based on Country GDP/Capita				
ΔSP(sales)	0.100***	0.228***	0.139***	0.321***
	(7.18)	(11.30)	(2.79)	(4.94)
#Obs.	43010	44965	44965	43010
Panel C: Cuts based on Country GDP				
ΔSP(sales)	0.110***	0.094***	0.216***	0.152***
	(7.31)	(3.87)	(7.29)	(3.54)
#Obs.	43010	44965	44965	43010

Dependent Variable:	ln($Acq.)			
Country Cuts:	A>Q75 & T>Q75	A>Q75 & T<Q25	A<Q25 & T>Q75	A<Q25 & T<Q25
Panel A: Cuts based on Country SP				
ΔSP(sales)	0.089***	0.165***	0.117***	0.332***
	(3.98)	(6.98)	(3.06)	(8.45)
#Obs.	11220	25500	25500	51000
Panel B: Cuts based on Country GDP/Capita				
ΔSP(sales)	0.080**	0.213***	0.204***	0.325***
	(4.02)	(9.01)	(3.14)	(5.70)
#Obs.	11220	25500	25500	51000
Panel C: Cuts based on Country GDP				
ΔSP(sales)	0.120***	0.050*	0.243***	0.158***
	(4.50)	(1.59)	(8.37)	(4.02)
#Obs.	11220	25500	25500	51000

Table IA.19: Specialization measured using Non-Missing Industry Data Only

This table presents cross-sectional Tobit estimations of the baseline gravity specification (equation (2) in the text). The dependent variable is the total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given industry-country-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). Unlike in the baseline definition of industry specialization, we exclude country-industry observations with missing information on sales or employment (i.e., missing economic activities). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects, with industries defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.124***	0.117***	0.534***	0.050***
	(10.504)	(10.621)	(8.565)	(9.017)
Baseline Controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
#Obs.	94,570	94,570	94,570	94,570
Pseudo R^2	0.28	0.28	0.18	0.18

Table IA.20: Horizontal and Non-Horizontal Cross-Border Deals (OLS)

This table presents cross-sectional OLS estimations of the baseline gravity specification (equation (2) in the text) where we consider all cross-border deals, instead of only horizontal cross-border deals. The dependent variable is the logarithm of the total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization between the acquirer and the target country-industry over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, country-pair characteristics, as well as acquirer and target industry fixed effects, with industries are defined based on three-digit ISIC classification (see Appendix 2). All variables are defined in Appendix 1. To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.0002***	0.0002***	0.0003***	0.0003***
	(7.22)	(5.94)	(4.50)	(3.58)
Baseline Controls	Yes	Yes	Yes	Yes
Acquirer Industry FE	Yes	Yes	Yes	Yes
Target Industry FE	Yes	Yes	Yes	Yes
#Obs.	14,955,750	14,955,750	14,955,750	14,955,750
Pseudo R^2	0.01	0.02	0.01	0.01

Table IA.21: Developed vs. Emerging Markets

This table presents cross-sectional Tobit estimations of the baseline gravity specification (equation (2) in the text). The dependent variable is the logarithm of the total flow of cross-border horizontal acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given industry-country pair over the 1990-2010 period. We split the sample in sub-groups of country pairs based on differences between acquirer and target level of development. We consider separate combinations of country-pairs based on the classification of countries as developed (DM) or emerging (EM). The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects, with industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dependent Variable:	ln(#Acq.)			
Country Cuts:	DM-DM	DM-EM	EM-DM	EM-EM
ΔSP(sales)	0.103***	0.244***	0.134**	0.299***
	(7.46)	(11.91)	(2.68)	(4.54)
#Obs.	46,920	44,880	44,880	39,270
ΔSP(emp)	0.101***	0.223***	0.071	0.303***
	(7.49)	(13.08)	(1.28)	(4.49)
#Obs.	46,920	44,880	44,880	39,270

Dependent Variable:	ln($Acq.)			
Country Cuts:	DM-DM	DM-EM	EM-DM	EM-EM
ΔSP(sales)	0.417***	0.942***	0.538*	1.217***
	(5.45)	(8.72)	(1.81)	(4.88)
#Obs.	46,920	44,880	44,880	39,270
ΔSP(emp)	0.395***	0.883***	0.203	1.062***
	(5.24)	(9.52)	(0.67)	(3.54)
#Obs.	46,920	44,880	44,880	39,270

Table IA.22: Lagged Dependent Variable

This table presents panel estimations of the baseline gravity specification (equation (2) in the text). The dependent variable is the total flow of acquisitions in number (ln(#Acq.)) or dollar value (ln($Acq.)) in a given industry-country-pair-year. The variable of interest, ΔSP, is the difference in specialization (in a given industry and a given year) between the acquirer and the target country. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). We report results from an Arellano-Bond estimation that includes that lagged value of the dependent variable as regressor. The control variables (unreported for brevity) include time-varying country-level control variables (similar to the baseline control variables) and industry fixed effects in Panel A, and time-varying country-level control variables and industry-country-pair fixed effects in Panel B. All variables are defined in Appendix 1. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.001**	0.001**	0.001	0.001
	(2.157)	(2.434)	(1.501)	(1.626)
Baseline Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Industry-country-pair FE	Yes	Yes	Yes	Yes
#Obs.	3,343,050	3,343,050	3,343,050	3,343,050
Adj. R^2	N/A	N/A	N/A	N/A

Table IA.23: Full Control Acquisitions and Parent Acquirers

This table presents cross-sectional Tobit estimations of the baseline gravity specification (equation (2) in the text). In The dependent variable is the logarithm of the total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). In Panel A, we restrict to acquisitions where in which buyers acquire 100% of the targets' shares in the transactions. In Panel B, we restrict to acquisitions in which the acquirer's identifier ("acusip" in SDC) is the same as the acquirer's ultimate parent identifier ("aupcusip" in SDC). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects, with industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)

Panel A: Acquirers buys 100% of Target in Transaction

ΔSP	0.040***	0.116***	0.512***	0.418***
	(10.36)	(9.54)	(6.80)	(5.67)
Baseline Controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.32	0.32	0.24	0.24

Panel B: Acquirer is the Parent

ΔSP	0.006***	0.008***	0.014**	0.017***
	(3.39)	(4.14)	(2.59)	(2.90)
Baseline Controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
#Obs.	20,122	20,122	20,122	20,122
Pseudo. R^2	0.21	0.22	0.14	0.14

Table IA.24: Alternative Industry Definitions

This table presents alternative cross-sectional Tobit estimations of the baseline gravity specification (equation (2) in the text). The dependent variable is the total flow of cross-border horizontal acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given industry-country-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). In Panel A, we define industries using the 2 digits Standard Industry Classification (SIC). In Panel B, we define industries using the 3 digits Standard Industry Classification (SIC). In Panel C, we define industries using the 3 digits North American Industry Classification System (NAICS). In Panel A, we define industries using the 4 digits North American Industry Classification System (NAICS). All variables are defined in Appendix 1. All specifications include industry fixed effects, with industries defined based on three-digit ISIC classification, except in Panel D (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x):	SP(sales)	SP(emp)	SP(sales)	SP(emp)
Panel A: 2-digit SIC industries				
ΔSP	0.119***	0.105***	0.482***	0.426***
	(11.58)	(11.06)	(9.35)	(8.72)
#Obs.	169,740	169,740	169,740	169,740
Pseudo R^2	0.36	0.36	0.26	0.26
Panel B: 3-digit SIC industries				
ΔSP	0.135***	0.131***	0.560***	0.560***
	(15.55)	(15.95)	(11.34)	(11.91)
#Obs.	890,100	890,100	890,100	890,100
Pseudo R^2	0.27	0.27	0.20	0.20
Panel C: 3-digit NAICS industries				
ΔSP	0.067***	0.057***	0.167***	0.103***
	(7.61)	(6.80)	(3.94)	(2.54)
#Obs.	246,330	246,330	246,330	246,330
Pseudo R^2	0.16	0.16	0.11	0.11
Panel D: 4-digit NAICS industries				
ΔSP	0.064***	0.056***	0.234***	0.200***
	(10.88)	(9.60)	(7.31)	(6.21)
#Obs.	765,900	765,900	765,900	765,900
Pseudo R^2	0.18	0.18	0.12	0.12

Table IA.25: Alliances and Joint Ventures

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of total flow of cross-border alliances and joint ventures (ln(#A+JV)), in a given country-industry-pair over the 1990-2010 period. We gather all alliances and joint ventures from SDC. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#A+JV)	
SP(x)	SP(sales)	SP(emp)
ΔSP	-0.001	-0.002
	(-0.087)	(-0.16)
Baseline Controls	Yes	Yes
Industry FE	Yes	Yes
#Obs.	175,950	175,950
Pseudo R^2	0.30	0.30

Table IA.26: U.S. Domestic Acquisitions across States

This table presents alternative cross-sectional Tobit estimations of the baseline gravity specification (equation (2) in the text). The dependent variable is the total flow of cross-states horizontal acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given industry-state-pair over the 1990-2010 period. The variable of interest, ΔSP, is the average difference in specialization (in a given industry) between the acquirer and the target state over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). Both measures are computed based on firm-year observation from COMPUSTAT. All specifications include industry fixed effects, with industries defined based on three-digit ISIC classification. Panel A presents the baseline estimate, while Panel B further includes state-pairs fixed effects. To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x):	SP(sales)	SP(emp)	SP(sales)	SP(emp)
Panel A: Baseline				
ΔSP	0.081***	0.088***	0.417***	0.424***
	(11.61)	(12.56)	(9.50)	(9.94)
#Obs.	202,878	202,878	202,878	202,878
Pseudo R^2	0.11	0.11	0.10	0.10
Panel B: State-Pairs Fixed Effects				
ΔSP	0.068***	0.071***	0.387***	0.386***
	(12.48)	(13.16)	(9.83)	(10.12)
#Obs.	202,878	202,878	202,878	202,878
Pseudo R^2	0.13	0.13	0.10	0.10

Table IA.27: Risk of Government Expropriation

This table presents cross-sectional Tobit estimations of the interacted gravity specification (equation (3) in the text). The dependent variable is the total flow of cross-border horizontal acquisitions in number (ln(#Acq.)) or dollar value (ln($Acq.)) in a given industry-country-pair over the 1990-2010 period. The variable ΔSP is the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The interacted specification augments the baseline gravity specification (equation (3) in the text) with interaction terms between all baseline variables (ΔSP and control variables) and proxies for expropriation risk in target countries. We only report the estimated coefficients on the interaction between ΔSP and these proxies. We consider two variables as proxies for the risk of expropriation by governments: (1) degree of constraints on politicians and politically powerful elites from the Polity IV dataset, and (2) the extent to which private property is protected against both government and other sources of expropriation from the Heritage Foundation's private property index. All specifications include industry fixed effects, with industries defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep.Variable:	ln(#Acq.)		ln($Acq.)	
SP(x):	SP(sales)	SP(emp)	SP(sales)	SP(emp)
Interaction Variable:				
ΔSP × Expropriation Risk (Polity IV)	-0.002	-0.003	-0.014	-0.027
	(-0.17)	(-0.25)	(-0.12)	(-0.37)
ΔSP × Expropriation Risk (Heritage)	-0.155***	-0.133***	-0.631***	-0.539***
	(-5.13)	(-4.52)	(-3.86)	(-3.24)

Table IA.28: Positive and Negative Differences in Specialization

This table presents cross-sectional Tobit estimations of the baseline model (equation (2)). The dependent variable is the logarithm of total flow of acquisitions, in number (ln(#Acq.)) or dollar value (ln($Acq.)), in a given country-industry-pair over the 1990-2010 period. The variables of interest, $\Delta SP_{>0}$ and $\Delta SP_{<0}$, are the average difference in specialization (in a given industry) between the acquirer and the target country over the sample period. $\Delta SP_{>0}$ is equal to ΔSP if ΔSP is positive and zero otherwise, and $\Delta SP_{<0}$ is equal to ΔSP if ΔSP is negative and zero otherwise. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). The control variables (unreported for brevity) include average acquirer and target country characteristics, as well as country-pair characteristics. All variables are defined in Appendix 1. All specifications include industry fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	ln(#Acq.)		ln($Acq.)	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
$\Delta SP_{>0}$	0.183***	0.170***	0.755***	0.698***
	(23.69)	(22.88)	(18.34)	(18.26)
$\Delta SP_{<0}$	-0.052***	-0.055***	-0.297***	-0.322***
	(-4.77)	(-5.27)	(-5.26)	(-6.17)
Baseline Controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
#Obs.	175,950	175,950	175,950	175,950
Pseudo R^2	0.32	0.32	0.23	0.23

Table IA.29: Specialization Profile of Acquirers and Targets at the Deal-Level: Robustness

This table presents the average degree of specialization between the acquirer's industry and the target's industry at the deal-level. We consider two measures of industry specialization: SP(sales) is specialization based on total sales, and SP(emp) is specialization based on total employment. Data on sales and employment are from Worldscope. The sample covers 46 countries, 85 distinct industries and the period 1990-2010. Industries are defined based on three-digit ISIC classification (see Appendix 2). Panel A uses measures of industry specialization that exclude country-industry observations that feature no firm (as opposed to assigning a value of zero as in the baseline definition). Panel B reports averages net of country fixed effects, obtained from the estimated coefficient on the constant in OLS regressions of SP on country fixed effects. Symbols *, **, and *** indicate that the domestic value is different from the cross-border value, at a statistical significance of 10%, 5%, and 1% level, respectively.

		Domestic	Cross-Border
Panel A: SP excluding country-industry with missing information			
SP(sales)$_{Acquirer}$	Mean:	1.396	1.419***
SP(sales)$_{Target}$	Mean:	1.396	1.145
SP(emp)$_{Acquirer}$	Mean:	1.377	1.408***
SP(emp)$_{Target}$	Mean:	1.377	1.140
Panel B: Average SP net of country fixed effects			
SP(sales)$_{Acquirer}$	Mean:	1.240	1.421***
SP(sales)$_{Target}$	Mean:	1.240	0.753
SP(emp)$_{Acquirer}$	Mean:	1.263	1.810***
SP(emp)$_{Target}$	Mean:	1.263	0.714

Table IA.30: Acquirers' Ex Post Performance – Robustness I

This table presents OLS regressions on acquirers' change in performance following cross-border horizontal acquisitions. We define performance as operating income over assets, and examine changes from year t+1 to year t+1 (one-year horizon), or t+4 (three-year horizon), where t=0 is the year of the acquisition. We restrict to firms that only acquire assets in cross-border horizontal transactions over the three-year horizon. We adjust the performance of each acquirer by subtracting the performance of a matched peer, where peers are the closest firms in terms of size that are active in the country-industry of the acquirer and do not participate in any acquisition during a six-year window surrounding the transaction. The variable of interest, ΔSP, is the difference in specialization between the country-industry of the acquirer and that of the target, measured in year t=0. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). All specifications include the following control variables: logarithm of acquirer assets, the relative size of the acquirer compared to the target, and a dummy variable indicating whether the transaction is a merger. All the variables are defined in Appendix 1. Moreover, all specifications include industry and year fixed effect, and country-level controls. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Variable:	Change in ROA			
SP(x):	SP(sale)		SP(emp)	
Horizon:	one-year	three-year	one-year	three-year
ΔSP	0.005*	0.006**	0.004*	0.005**
	(1.93)	(2.16)	(1.93)	(1.96)
Relative Size	0.010***	0.010***	0.009***	0.009***
	(12.95)	(14.57)	(4.01)	(3.53)
ΔSP× Relative Size	0.011	0.017	-0.003	-0.006
	(0.51)	(0.071)	(-0.12)	(-0.18)
Acquirer and Deal Controls	Yes	Yes	Yes	Yes
Countries controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
#Obs.	4,343	4,343	4,343	4,343
Adj. R^2	0.17	0.20	0.17	0.20

Table IA.31: Acquirers' Ex Post Performance – Robustness II

This table presents OLS regressions on acquirers' change in performance following cross-border horizontal acquisitions. We define performance as operating income over assets, and examine changes from year t+1 to year t+1 (one-year horizon), or t+4 (three-year horizon), where t=0 is the year of the acquisition. We restrict to firms that only acquire assets in cross-border horizontal transactions over the three-year horizon. We adjust the performance of each acquirer by subtracting the performance of a matched peer, where peers are the closest firms in terms of size that are active in the country-industry of the acquirer and do not participate in any acquisition during a six-year window surrounding the transaction. The variable of interest, ΔSP, is the difference in specialization between the country-industry of the acquirer and that of the target, measured in year t=0. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). All specifications include the following control variables: logarithm of acquirer assets, the relative size of the acquirer compared to the target, and a dummy variable indicating whether the transaction is a merger. All the variables are defined in Appendix 1. Moreover, all specifications include industry and year fixed effects, and country-level controls. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

| Dep. Variable:	Change in OI/A				Change in ROA (positive ROA only)			
SP(x):	SP(sale)		SP(emp)		SP(sale)		SP(emp)	
Horizon:	one-year	three-year	one-year	three-year	one-year	three-year	one-year	three-year
ΔSP	0.003*	0.004**	0.001	0.003**	0.002*	0.003**	0.002*	0.002**
	(1.91)	(2.01)	(1.62)	(2.12)	(1.88)	(1.98)	(1.78)	(2.13)
Acquirer and Deal Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Countries controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
#Obs.	4,343	4,343	4,343	4,343	3,515	3,515	3,515	3,515
Adj. R^2	0.16	0.2	0.17	0.2	0.25	0.29	0.25	0.29

Table IA.32: Market Reaction and Premiums: Heckman

This table presents OLS regressions on abnormal returns around deal announcement and premiums paid by acquirers. We compute acquirers and targets abnormal returns (CARs) over a three-day event window (-1,+1) around the deal announcement for all deals where acquirers or targets are publicly traded firms with returns data on Datastream. We estimate abnormal returns using a two-factor international market model, with local returns and the world-market return as factors. We estimate market models using daily dollar-denominated returns using 250 days preceding each transaction. We compute the combined value-weighted acquirer-target CARs using weights defined based on the relative market capitalization 10 days prior to the deal. We restrict our analysis to deals in which acquirers or targets are not involved in other types of deals (e.g. domestic or non-horizontal) during the quarter that precedes the deal. We measure the premium paid by acquirers using the price offered relative to the target stock price 30 days prior to the deal's announcement (as reported by SDC). The variable of interest, ΔSP, is the difference in industry specialization (in a given industry and year) between the acquirer and the target. We consider two measures of specialization, one based on sales (SP(sales)) and one based on employment (SP(emp)). All estimations include deal-level controls (the log of deal value, dummy variables for whether the acquirer (or target) is private, whether the transaction is a merger, the number of bidders, the fraction of ownership held by the acquirer prior to (i.e. toehold) and after deal completion, and whether the acquisition is paid with stocks), firm-level controls (size, market-to-book, sales growth, cash-to-asset and debt-to-asset ratios, the fraction of foreign sales, ownership structure, previous year stock return , and global market shares), the baseline country-level controls used in the baseline gravity specification (equation (3) in the text), as well as industry and year fixed effects. We also include the previous year stock return of firms' country-industry. We include the Inverse Mills Ratio (IMR), constructed from first stage probit estimation of the probability of being an acquirer (or target) on firms' size, valuation, sales growth, the ratio of cash flow to assets, the measure of specialization, as well country, industry, and year fixed effects. Industries are defined based on three-digit ISIC classification (see Appendix 2). To facilitate economic interpretation, all dependent variables are standardized to have a unit variance. Standard errors are clustered at the acquirer-target country pair level. We report t-statistics in parenthesis. Symbols *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

| Dep. Variable:	Acquirer CAR		Target CAR		Combined CAR		Premium	
SP(x)	SP(sales)	SP(emp)	SP(sales)	SP(emp)	SP(sales)	SP(emp)	SP(sales)	SP(emp)
ΔSP	0.002**	0.002**	0.021***	0.016**	0.007	0.001	0.043*	0.061*
	(2.08)	(2.23)	(2.71)	(2.11)	(0.74)	(0.10)	(1.76)	(1.93)
IMR (Acquirer)	-0.001	-0.001			0.023	0.021		
	(-0.41)	(-0.44)			(0.72)	(0.65)		
IMR (Target)			-0.012*	-0.013*	-0.036	-0.033	-0.006	-0.006
			(-1.77)	(-1.84)	(-1.02)	(-0.95)	(-0.26)	(-0.26)
Deal controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Acquirer controls	Yes	Yes	No	No	Yes	Yes	Yes	Yes
Target controls	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Countries controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ind. and year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
#Deals	6,824	6,823	1,072	1,072	488	488	526	526
Adj. R^2	0.04	0.04	0.23	0.23	0.45	0.45	0.24	0.24

Figure IA.A: Difference in Specialization by Acquirer Country (Employment)

This figure presents the average difference in specialization between acquirers and target in horizontal cross-border acquisitions by acquirer country based on the two main measures of industry specialization presented in Section III.A. SP(emp) is specialization based on total employment. Data on employment are from Worldscope. The sample covers 46 countries, 85 distinct industries and the period 1990-2010.
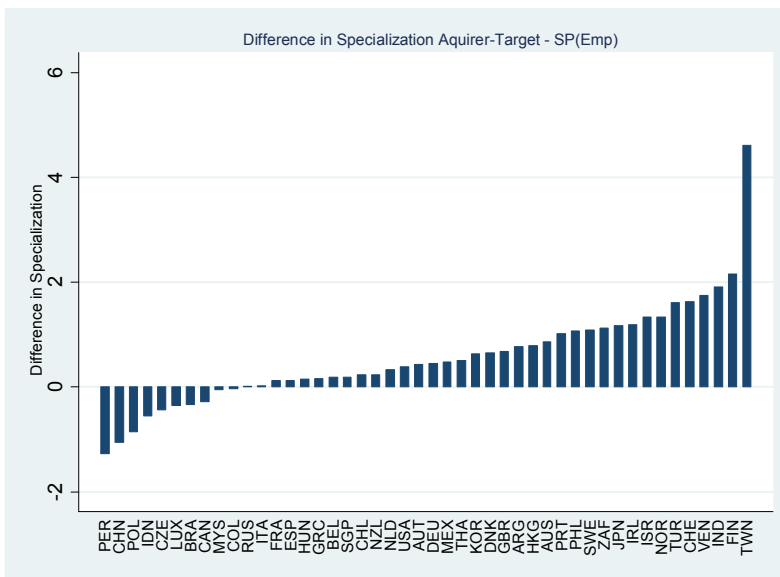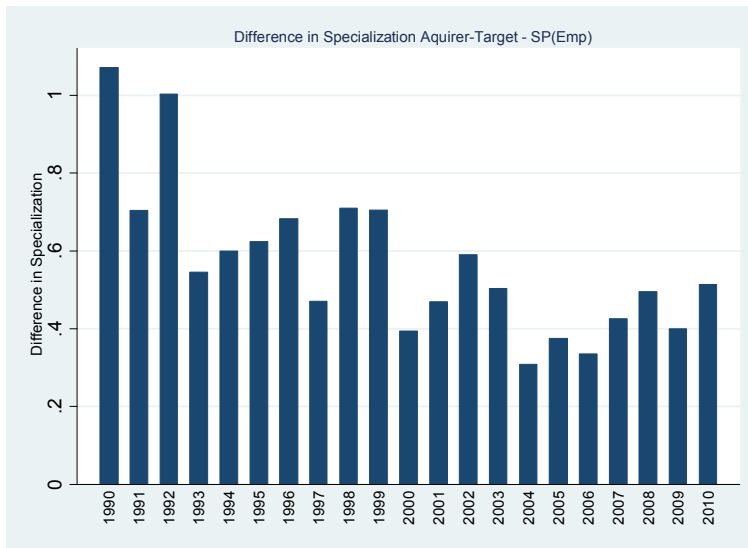

Figure IA.B: Difference in Specialization by Target Country (Employment)

This figure presents the average difference in specialization between acquirers and target in horizontal cross-border acquisitions by target country based on the two main measures of industry specialization presented in Section III.A. SP(emp) is specialization based on total employment. Data on employment are from Worldscope. The sample covers 46 countries, 85 distinct industries and the period 1990-2010.
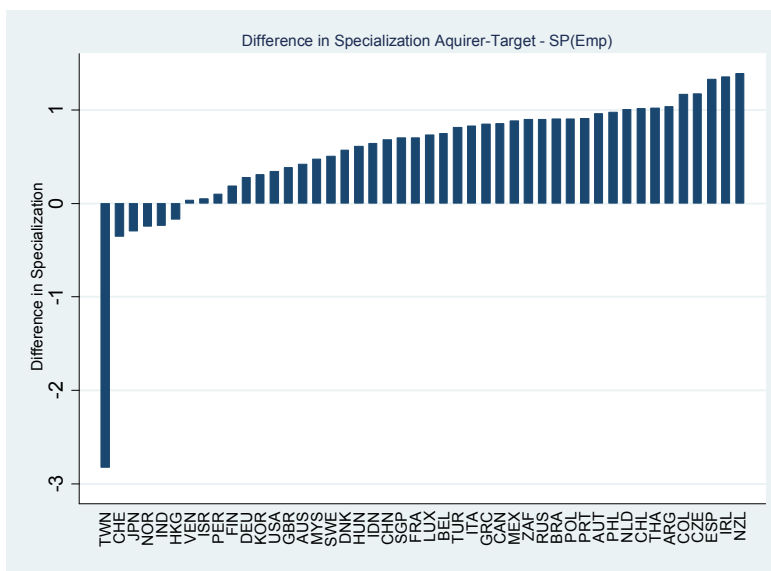
Figure IA.C: Difference in Specialization by Year (Employment)

This figure presents the average difference in specialization between acquirers and target in horizontal cross-border acquisitions by year based on the two main measures of industry specialization presented in Section III.A. SP(emp) is specialization based on total employment. Data on employment are from Worldscope. The sample covers 46 countries, 85distinct industries and the period 1990-2010.

Figure IA.D: Difference in Specialization by industry (Employment)

This figure presents the average difference in specialization between acquirers and target in horizontal cross-border acquisitions by industry based on the two main measures of industry specialization presented in Section III.A. SP(emp) is specialization based on total employment. Data on employment are from Worldscope. The sample covers 46 countries, 85 distinct industries and the period 1990-2010. Industries are defined based on three-digit ISIC classification (see Appendix 2).