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Protectionism and Cross-Border Mergers and Acquisitions Undertaken by US Multinational Enterprises: The Moderating Role of Intellectual Property Rights Protection

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Abstract

This paper examines the impact of protectionism and intellectual property right (IPR) protection in host markets on cross-border mergers and acquisitions (CB M&As). CB M&As have become important vehicles for firms to expand into foreign markets and acquire strategic assets. In recent years, the topic has attracted significant scholarly interest. Recently, many countries have enacted protectionist measures to protect local firms and jobs. Consequently, the impact such measures have on economic activities is under debate in the literature. This study leverages the vital context of CB M&As undertaken by US multinational enterprises (MNEs) between 2011 and 2017 in 49 host countries. The findings indicate that host country IPR protection has a much more substantial and positive impact on CB M&A activities undertaken by USA MNEs than the protectionist policies of the host country by itself. The findings further suggest that, although local protectionism, by itself, does not play a significant role in CB M&As, its presence strengthens the positive effect of IPR protection on CB M&A activities in the host country, thereby supporting the contingent role of such protection. These findings have important implications for research, practice, and policy.

Keywords CB M&As · Deals · IPR protection · Open market index · Protectionism · USA firms (MNEs)

1 Introduction

Cross-border mergers and acquisitions (CB M&As) have attracted significant scholarly interest from strategy and international business (IB) scholars (e.g., Ahammad et al., 2018; Dikova et al., 2017; Khan et al., 2020; Rao-Nicholson et al., 2015; Tian et al., 2021; Xie et al., 2017). Compared to the strategic alternative to CB M&As (i.e., greenfield investment), in which a foreign subsidiary is built from scratch over

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a lengthy period, CB M&As enable multinational enterprises (MNEs) to achieve critical strategic goals, which can include: speedy access to new geographic markets or industries; the consolidation of market power in concentrated global industries; access to advanced technologies, reputable or locally recognized, and valuable human resources; the chance to take advantage of new opportunities, exploit new knowledge, or to avoid possible future threats (e.g., Ahammad et al., 2018; Alcácer et al., 2016; Arslan & Dikova, 2015; Chhabra et al., 2021; Kogut & Zander, 1993; Shimizu et al., 2004; Xie et al., 2017). Hence, it is not surprising that, over the last three decades, the global value and number of CB M&As undertaken by firms have been on the rise, with occasional dips driven by economic calamities such as the financial crisis of 2008–9.

The value of CB M&As globally was registered as USD 98.90 Billion in 1990 (Arslan & Dikova, 2015), while the value in 2021 had increased to USD 6 trillion (Statista, 2022). Despite this relatively recent surge in CB M&As, the rise of anti-globalization sentiment, which is primarily expressed in the form of protectionist policies, is a reality in the current international business (IB) landscapes (e.g., Butz-bach et al., 2020; Ghauri et al., 2021; Williamson, 2021; Witt, 2019). In line with global protectionist trends, IB scholars are already highlighting how firms (including MNEs) need to gain a better understanding of these trends' specific influences on their strategies and other associated dynamics, including the reconfigurations of global value chains (Buckley, 2021; Evenett, 2019, 2020; Witt, 2019; Yin & Moon, 2022). This trend is especially relevant as the COVID-19 pandemic is expected to ensure the continuance — and perhaps even an increase — of protectionist policies across the globe (Contractor, 2022; Delios et al., 2021; Van Assche & Lundan, 2020). Our study also represents an attempt to shed light on this concern by focusing on the influences of the protectionist policies in target countries where CB M&A deals are undertaken by USA MNEs, which are among the most active participants in global M&A activities. Recent trends suggest that the USA is one of the top markets for both outbound and inbound M&A activities. For instance, in 2019, the USA recorded more than 1,500 outbound M&A deals, totaling around USD 209bn — a 46% increase in overall deal value compared to 2018, with the deal volume also increasing by 8% (Global Data, 2020).

It is noteworthy that, despite its great importance in the CB M&A context, protectionism is just one element of a country's institutional framework that can shape the strategic choices that firms make (Sipiczki, 2020). Prior IB research has explored different aspects of institutional environments concerning M&A strategies and deals (e.g., Aguilera & Grogaard, 2019; Chidlow et al., 2021; Dikova et al., 2017; Xie et al., 2017). The extant literature has shed light on the role of national culture in creating synergy as well as contributing to the high failure rate of CB-M&As (e.g., Björkman et al., 2007; Tarba et al., 2019; Zhang et al., 2020). In this context, merging firms' ability to address social integration issues has been suggested to play an important role in successful post-merger integration. Scholars have also paid attention to organizational and national culture fit, mergers' performance, and post-integration-related challenges (e.g., Cartwright & Cooper, 1993; Tarba et al., 2019; Tian et al., 2021; Weber et al., 1996). However, the linkage between intellectual property rights (IPRs) and their protection within the context of CB M&A deals is a relatively

under-explored topic (e.g., Alimov & Officer, 2017). The vital role played by IPR protection in the CB M&A context is self-evident, as acquirers of foreign target firms tend to be interested in either transferring (exporting) their own intellectual property (IP) — such as proprietary technologies, trademarks, processes, or products — to target firms after the acquisition or in gaining access to the IP of such firms in the case of CB M&As aimed at the inbound transfer of knowledge or technology. Hence, incorporating IPR protection in any study to analyze CB M&A deals, such as ours, is critical. Therefore, our paper also explores the linkage between national protectionism and IPR protection levels in the context of CB M&A deals.

The empirical context of our study is that of the CB M&As undertaken by USA MNEs in 49 host countries; the data we primarily obtained from the Thomson SDC database. We combined the country-level CB M&As with the Open Market Index (OMI), available at the International Chamber of Commerce (ICC), and the International Patent Enforcement Index, developed and updated by Papageorgiadis and Sofka (2020). Our final sample included 2501 CB M&A firm-year observations, resulting in 324 country-year observations. The findings suggest that the IP protection measures enacted in a host country have a much more substantial and positive impact than the same country's protectionism on the CB M&A activities initiated by USA MNEs. Furthermore, we found that local protectionism does not play a direct role in CB M&A activities; instead, it acts as a moderator that strengthens the positive effect of IPR protection on CB M&A activities in a host country. Our results are robust to alternative definitions of IPR protection in a host country.

We contribute to the extant CB M&A and IB streams of literature in two important ways. First, to the best of our knowledge, our study is one of the first to specifically link the rising protectionism policies recently pursued by many countries across the globe with the IPR protection measures enacted in target countries and their influences on CB M&A deals. Bearing in mind that the discourse on protectionism has only relatively recently gained scholarly attention, our study plays a vital role in highlighting the interlinkage specificities between these elements — thus establishing a basis for future studies to explore this topic further. Second, even though IB scholars have studied IPR protection relating to CB M&As, the focus of their studies mainly was either on ownership choice — i.e., full or partial acquisition (Ahammad et al., 2018; Dikova et al., 2017) — or on the survival (performance) of the acquired subsidiaries (Contractor et al., 2016; Ryan et al., 2020). Our study is one of the few to link IPR protection with CB M&A deals. We identified IPR protection regimes as being more important for US acquirers than the protectionist policies being pursued by certain countries. IP is becoming critically important for those highly protectionist policies enforced in those markets. These insights shed light on the moderating role played by IPR protection in the CB M&As undertaken by USA firms. Very few studies have simultaneously explored the interaction of IPR protection with protectionism measures enacted by host markets (e.g., Hemphill, 2010; Lee, 2019), especially in the context of CB M&As. Although many countries are increasingly adopting inward-looking policies to protect domestic industries and create local jobs, the extant literature has not yet linked IPR protection with protectionism in the cross-border investment context. IPR protection is vital to attracting quality foreign direct investment (FDI). Therefore, integrating the IPR

protection's moderating role with protectionism provides a much-needed and fine-grained view of which of these two important institutional measures is most relevant for cross-border economic activities. The role of IRPs and protectionism measures have been examined separately in the extant literature; thus, in this study, we bring these two important variables together in a single study to explicate their role in a large sample of CB M&As undertaken by the US MNEs. Lastly, our methodological approach also accounts for the possibility of reverse causality; therefore, the analysis is more fine-grained than single case studies examining the impact of protectionism on firms' overseas activities.

2 Theoretical Background and Hypotheses Development

2.1 Cross-Border Mergers &Acquisitions and Protectionism

For several years, governments worldwide have enacted inward-looking policies to protect local jobs and industries. Such policies have started the debate that globalization is declining and the world is becoming less integrated. The 2008–9 financial crisis and the external political events, such as the Brexit (the UK leaving the EU), reinvigorated the interest of policymakers in enacting inward-looking measures to protect local economies and firms. Such policy instruments gained popularity and momentum under former US President Trump (e.g., Evenett, 2019; Miroudot & Nordstrom, 2020). The research interest in protectionism is now gaining increasing attention in the IB field (e.g., Ciravegna & Michaelova, 2022; Luo et al., 2021; Williamson, 2021). Through various policy tools such as tariffs, import quotas, and subsidies, the government wants to protect local firms through such measures (e.g., Evenett, 2019; Luo et al., 2021).

Using a range of theoretical lenses and empirical methodologies, prior IB research (e.g., Aguilera & Grogaard, 2019) has addressed issues like the restrictions (including those pertaining to full ownership or acquisitions) imposed by target country governments on the strategies employed by foreign MNEs. In the specific case of protectionism, Hughes and O'Neill's (2008) definition, which refers to it as "*the practice of employing economic devices to restrict or distort trade and to benefit domestic producers*," is quite relevant. They further suggested that protectionist policies manifest themselves in a specific country as attempts to help "*domestic industries either by imposing barriers to foreign competitors or by subsidizing or compensating domestic industries in some other way to assist them against international competition*" (Hughes & O'Neill, 2008). One of the key arguments presented in favor of protectionism highlights the fact that a country's unconstrained global trade increases its dependency on other nations, which, in turn, may undermine its sovereignty (Stiglitz & Kaldor, 2013). Other scholars have highlighted the arguments about the importance of self-sufficiency (e.g., Erokhin, 2017; Williamson, 2021) or protecting strategic industries, which has become an essential factor — especially during the ongoing COVID-19 pandemic (e.g., Arslan et al., 2021; Bazel-Shoham & Shoham, 2020). In the specific context of FDI undertaken by MNEs, which includes CB

M&As — it is an established fact in the IB literature that local governments have the option of implementing a range of protectionist measures, such as requiring firms to source a certain percentage of components locally or form partnerships with local firms (e.g., Bertrand et al., 2016; Pinto et al., 2017). These measures can act to discourage MNEs from choosing targets in specific locations (Donnelly & Manolova, 2020), prevent them from fully owning and controlling subsidiaries (e.g., Sun et al., 2012), or employ capital controls to discourage the repatriation of profits to headquarters (e.g., Noy & Vu, 2007). Moreover, limitations on the employment of expatriates and restrictions on restructuring acquired firms are some examples of protectionist restrictions (DePamphilis, 2019). However, as mentioned earlier, prior IB research has addressed chiefly the role played by these protectionist measures and restrictions from either the equity ownership or the subsidiary survival (or exit) perspective.

Despite much research having been undertaken on CB M&As, specific research on the link between the level of protectionism found in a country and the number of cross-border deals initiated/concluded is somewhat limited, with most of the focus directed towards examining FDI and protectionism (e.g., Sauvant, 2009). Several countries (e.g., Japan and India, among others) have recently enacted FDI screening measures to protect their national and strategic industries. However, concerning inbound cross-border M&As, countries often do not see such activities as being in their favor due to their national interest being affected by foreign entities' takeover of domestic firms (cf. Heinemann, 2012). In the specific context of M&As, protectionism can manifest itself in local governments preferring domestic acquirers over foreign ones, as Dinc and Erel (2013) found in their study of EU countries. Their study further demonstrated that when governments resist acquisitions by foreign firms by implementing protectionist policies, the chances of failure of such acquisitions are close to 70% (Dinc & Erel, 2013). Zhang and He (2014) yielded similar evidence showing that, in China, the review process for foreign investors was more demanding than it was for domestic ones — thus visibly illustrating a form of economic nationalism (protectionism).

Based on this discussion, it is logical to argue that the presence of protectionist policies in a target country can clearly influence the initiation, the process, and the outcome of CB M&A activity. For example, the trade wars between the US and China also affected the carrying out of cross-border activities — including M&As — into each other's markets. Several prominent deals (e.g., the acquisition of MoneyGram by Ant Financial, owned by China's Alibaba) fell apart due to the rising restrictions and trade disputes between the US and China. Similarly, even developed markets such as Germany, France, and Japan have put in place regulatory policies to restrict the takeover of domestic firms by foreign companies on the ground of national interest and ensuring fair competition (e.g., Jackson & Miyajima, 2007; Lessambo, 2020). Hence, we hypothesize that:

Hypothesis 1: Protectionism in host countries is negatively associated with CB M&A activities initiated by USA MNEs.

2.2 Cross-Border Mergers & Acquisitions, Protectionism, and Intellectual Property Rights Protection

IPR protection, as one of the most important aspects of a country's formal institutional framework (North, 1990), has been studied significantly in IB and management research (e.g., Ghauri & Rao, 2009; Khoury & Peng, 2011; Papageorgiadis & Sofka, 2020). Despite this research, the specific influences exerted by IPR protection on the number and frequency of CB M&A deals in a country are relatively underexplored (e.g., Alimov & Officer, 2017; Campi et al., 2019). IP assets tend to be a significant part of a target firm's valuation if a CB M&A is focused on accessing a specific technology, product, knowledge, or process competency (Buckley & Munjal, 2017). At the same time, IPR protection is important for investing MNEs as, in many cases, they transfer their processes, knowledge, and practices to the acquired subsidiaries to align them with their global strategy (e.g., Gaur et al., 2019). Hence, IB scholars have tried to address issues like safeguarding IP assets in target countries with weak IPR protection regimes (Berry, 2017). The cross-border transfer of knowledge exposes firms to various risks (e.g., Alcacer & Zhao, 2012; Berry, 2017), which are substantial in those markets in which the local institutional safeguards are relatively weak or non-existent, as the foreign firms may be in danger of losing key intellectual capital to local rivals (e.g., Acemoglu & Johnson, 2005; Berry, 2017). Prior research has shown that the influence of IPR protection on CB M&As is moderated or mediated by several factors such as the industry type, the level of development of countries, and the technology or R&D intensity of the deal (e.g., Campi et al., 2019; Gaffney et al., 2016). However, the interlink between IPR protection and the protectionist policies pursued by host markets in the context of CB M&A deals — the area we set out to analyze — had not hitherto been explored. The existing research on protectionism has not explored the contingency factors that may attenuate the impact of protectionism on various cross-border activities. IPR protection can be an important boundary condition in the examination of the impact of protectionism on cross-border activities.

Furthermore, Campi et al. (2019) recently argued that, theoretically, the relationship between IPR protection and FDI, including M&As, remains ambiguous — although a positive correlation has been found empirically in prior studies. The analysis of this relationship becomes rather interesting in those cases where the target countries enforce high levels of protectionism due to specific government policies while also having strong IPR protection. The connections between protectionism and IPR protection might affect in such a way that strong IPR protection will lead to more cross-border deals, despite the presence of protectionism in those countries. US acquirers, with their superior IP assets, would be inclined to seek deals in those markets that have strong IPR regimes in place in order to mitigate any intended and unintended knowledge and key know-how spillovers to local firms. Thus, strong IPR protection will counteract the effects of protectionism so that even countries enacting various protectionist measures will see more cross-border deals. For instance, the trade disputes and rising trade wars between the US and China have adversely affected the initiation and successful completion of cross-border deals in each other's markets; however, companies are still pursuing tactical options into each other

markets (e.g., EY, 2019). This example illustrates that firms might mitigate the impact of protectionism on their cross-border activities by adopting creative strategies for tactical deals. Scholars also suggest that the investing firms' costs can go up in the presence of weak IPR protection in host markets; consequently, firms will require more safeguards aimed at protecting their intellectual assets from being appropriated by their competitors and local firms (e.g., Acemoglu & Johnson, 2005; Berry, 2017). Based on the above discussion, we hypothesize that:

> *Hypothesis 2: The IPR protection in the host country moderates the influence of protectionism on the CB M&A activities undertaken by USA MNEs, so that in countries with high IPR protection, CB M&A activity will be higher despite protectionism measures in place compared to vice versa.*

3 Empirical Context and Research Design

3.1 Sample Selection

For our study, we initially obtained data about the CB M&A deals undertaken and completed by the USA MNEs from the Thompson S.D.C. database (SDC M&A), which tracks the changes in the equity ownership of the target firms in each CB M&A deal over the years. To examine the impact of the host countries' local institutions on country-wide CB M&A activities enacted by USA MNEs, we first collapsed the deal-specific data into country-year pairs.

To measure the strength of the IP protection measures enacted in the host countries, we used the updated international Patent Enforcement Index (PEI) and its three components developed by Papageorgiadis and Sofka (2020). We estimated local protectionism by using the Open Market Index (OMI) score,[1] available from the International Chamber of Commerce (ICC), which is designed to capture country-level openness to trade. Once we had cross-referenced the SDC M&A database with the PEI and OMI scores, we were left with 350 country-year observations. After screening and removing those observations that lacked country-level control variables of interest, our final sample was based on 2,501 CB M&A deals, which led to 324[2] Country-year observations cover 49 host countries between 2011 and 2017. Appendix 1 shows the list of the 49 host countries in our final sample.

The comprehensive geographical coverage of the sample provided us with a diversity of international data suitable to examine the effect of the host countries' local institutions in terms of the strength of their local IP protection and protectionist

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[1] The samples used in the following regression analyses differ due to the variation in data availability. For example, given that the OMI scores for all 75 sample countries were only available for 2011, 2013, 2015, and 2017, the sample size in those regressions that used OMI scores as an explanatory variable of interest was significantly reduced to 185 country-year observations.

[2] To minimize sample selection bias, we constructed a balanced panel of data by intentionally including any country-year observations missing in the SDC M&A database due to USA MNEs not having engaged in any CB M&A transactions in specific host countries in specific years.

measures, both individually and collectively, on the degree of internationalization achieved through the country-level equity ownership of local target firms by USA MNEs.

3.2 Dependent Variable

To measure the degree of host country-level CB M&A activities as a dependent variable, we drew from the SDC M&A database all the CB M&A deals made by USA MNEs annually for each host country. We constructed the following two country-level dependent variables. First, we counted the total number of CB M&A deals made yearly in each host country by USA MNEs and labeled the resulting value as "*Total Number of Deals*." As a second measure of host country-level CB M&A activities, we added up the total transaction values of all the CB M&A deals made yearly by USA MNEs in each host country and used the natural log of the total transaction values to construct the "*Log (Total Values of Deals)*" variable for each year and each host country.

3.3 Independent Variables

Our primary independent variables of interest were the OMI scores for hypotheses 1 and 2, the Patent enforcement Index (PEI), and its three components for hypothesis 2 as interaction.

3.4 Open Market Index (OMI) Score

To capture the extent to which the host country governments were following through on their commitments to create genuinely open economies, we measured each country's degree of protectionism by employing the Open Market Index (OMI)[3] score — available from the International Chamber of Commerce (ICC) for 2011, 2013, 2015, and 2017. As the OMI scores were only available for alternate years from 2011 to 2017, we developed an alternative measure of OMI score — *OMI score (interpolated)* — by using a linear interpolation approach[4] to estimate the *OMI scores* for the missing years; this enabled us to increase our sample size to 324. The *OMI score* values range from 1 to 6, with higher values representing more openness (more lenient protectionism) and lower ones indicating less openness (stricter protectionism) for each sample host country.

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[3] In contrast to other existing globalization indices, the Open Market Index focuses on the ease of access to an economy. The OMI concentrates on actual and market access barriers attributed to government policies; as a result, the index is more suitable for measuring the degree of protectionism in each host country for our study. More detailed information on the index (e.g., methodology and data sources of the index) is available at https://iccwbo.org/publication/icc-open-markets-index-1st-edition-2011/

[4] For example, if the *OMI score* of a county increased from 1.8 in 2011 to 2.0 in 2013, an *OMI score* increase at a constant rate of 0.1 per year between 2011 and 2013 was assumed, resulting in a 2012 *OMI score* of 1.9.

3.5 The Patent Enforcement Index (PEI) and its Three Components

To measure the strength of the IPR protection found in each host country, we used the new Patent Enforcement Index[5] (PEI) score developed by Papageorgiadis and Sofka ([2020](#)), which aims at capturing, on an annual basis, the strength of a country's patent system, with a particular emphasis on the effectiveness of its enforcement practices. Given that the PEI score is made up of three components — (1) service costs, (2) property right protection costs, and (3) monitoring costs, each of which measures a different aspect of the transaction costs that patent owners may face in protecting their patents — we used each component as an alternative measure of the PEI score as a robustness test in the subsequent analyses. Further explanation of the new PEI score can be found in Papageorgiadis and Sofka ([2020](#)).

3.6 Control Variables

We controlled for the following ten (10) host country-specific characteristics identified in prior studies to affect FDI.

Same Border (Mexico and Canada) was used to designate the two countries (Mexico and Canada) that border the US (Ahern et al., [2015](#)) and are also members of the North American Free Trade Association (NAFTA).

We also added Each host country's *sovereign credit rating* (published by S&P Global Rating) as a composite indicator of host country attractiveness concerning MNE FDI (*e.g.*, James & Vaaler, [2018](#)). We measured the sovereign credit rating of each host country using the entity rating for long-term foreign currency-denominated debt issues available from Compustat Capital IQ. Following Klock et al. ([2005](#)) and Pandej et al. ([2020](#)), we computed the credit ratings through a conversion scale ranging from a value of 22 for AAA-rated bonds to a value of 1 for D-rated ones. Unrated firms were assigned a value of 0.

Buckley and Casson ([1976](#)) argued that geographical distance increases entry barriers, while Portes and Rey ([2005](#)) indicated that geographical distance increases informational friction. We thus used the log of the minimum *geographical distance* between the capital cities of the US and each host country (Siegel et al., [2011](#)).

We also included annual *GDP* in tens of millions of US dollars and *GDP per capita* in tens of thousands of US dollars. We controlled for these two variables as proxies for the effect of economic masses (Siegel et al., [2011](#)).

To account for the *host country's financial market development and strength*, we included the natural log of the stock market capitalization of listed domestic companies and the natural log of the number of listed companies in each host country.

Another host country-specific control variable is the *Level of FDI inflow* into a host country. The literature (see Chari & Chang, [2009](#); Christopoulou et al., [2021](#)) recognizes the level of CB acquisition activity in a host country as one of the

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[5] Papageorgiadis and Sofka ([2020](#)) developed a new PEI score covering 51 countries between 1998 and 2017 by updating the international patent systems strength index developed by Papageorgiadis et al. ([2014](#)).

determinants of the share of equity investments in CB acquisition. To account for the level of CB M&A activity in each host country, we followed Chari and Chang (2009) and used the annual FDI inflow in each host country.

As additional region-specific variables, we include two variables familiar in the gravity model (e.g., Slangen & Beugelsdijk, 2010): (1) *Common legal origin*, which is equal to 1 if the host country has the common law tradition as the US and 0 otherwise, and (2) *Common language*, equal to 1 if the host country has English as its official language and 0 otherwise.

Lastly, as CB M&A activities may be related to business cycles and other intertemporal macroeconomic changes, we added *Year fixed effect* by including year dummies in all regression analyses. The detailed definitions of all variables used in our study are presented in Appendix 2.

3.7 Baseline Empirical Model

To test our hypotheses, we employed the multivariate ordinary linear squared (OLS) regression models as our baseline empirical models, as specified in Eq. (1) for hypothesis 1 and Eq. (2) for hypothesis 2.

$$
\begin{aligned}
\text{CBM\&As} = &\ \alpha + \beta_1 * \text{Protectionism} + \beta_2 * \text{IP protection} \\
&+ \beta_3 * \text{Controls} + \text{Year } FE + \varepsilon.
\end{aligned}
\tag{1}
$$

$$
\begin{aligned}
\text{CB M\&As} = &\ \alpha + \beta_1 * (\text{IP protection} \times \text{Protectionism}) + \beta_2 * \text{IP protection} \\
&+ \beta_3 * \text{Protectionism} + \beta_4 * \text{Controls} + \text{Year } FE + \varepsilon.
\end{aligned}
\tag{2}
$$

To capture the CB M&A activities enacted by USA MNEs in host countries as a dependent variable, we used *Total Number of Deals* and *Log (Total Values of Deals)* in all Equations, as described in subsection 3.2 (Dependent Variable). In addition, as an explanatory variable of interest to test our hypotheses, we used *OMI score (interpolated)* as a proxy for local protectionism, *PEI score*, and its three components alternatively as proxies for IPR protection and the interaction between IPR protection and local protectionism.

All equations included year dummies.[6]

To account for any temporal variations in CB M&A activities by USA MNEs around the globe. In addition, robust standard errors were used in all models to

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[6] Even though target firms and US MNCs in different business sectors might respond differently to local institutions proxied by OMI and PEI scores, we do not include industry dummies in our regression models. This is because our sample consists of host country-year pairs, and it is therefore not empirically feasible to assign specific industry characteristics to the host-country level.

control for the possibility that the error terms did not have constant variance, which is generally referred to as heteroscedasticity.

4 Analysis and Findings

4.1 Descriptive Statistics

The descriptive statistics for our study's variables of interest are presented in Table 1. On average, about 7.5 CB M&A deals per country had been made annually by USA MNEs, for a total value of approximately USD 2,368.34 million. Our sample's host countries' mean OMI score of 3.78 suggests a slightly left-skewed distribution regarding their economies' openness to trade. As expected, the mean of the PEI scores of the 49 countries in our sample was found to be 5.68. All PEI scores are available in Papageorgiadis and Sofka (2020).

Some of the other statistics are also worth noting. For example, the mean sovereign credit rating was 16.53, corresponding to A. This result implies that USA

Table 1 Descriptive statistics

Variable	N	Mean	Median	Standard deviation	Minimum	Maximum
Total Number of Deals	324	7.50	2.00	14.29	0.00	87.00
Total Values of Deals	324	2,368.34	235.01	5,799.25	0.00	50,174.77
OMI Score	185	3.78	3.80	0.72	2.00	5.60
OMI Score (Interpolated)	324	3.79	3.80	0.72	2.00	5.60
Service costs	324	5.56	5.40	2.41	0.10	9.50
Protection costs	324	5.45	5.10	2.48	0.20	9.50
Monitoring costs	324	6.05	5.85	2.29	0.10	9.90
Patent Enforcement Index (PEI) score	324	5.68	5.30	2.31	0.20	9.30
Same border (Mexico, Canada)	324	0.04	0.00	0.20	0.00	1.00
Sovereign credit rating	324	16.53	17.00	4.71	1.00	22.00
Geographical distance	324	5,226.05	4,494.26	2,192.17	455.83	10,165.79
GDP (10 millions)	324	99.73	39.89	150.03	1.32	1,106.16
GDP per capita (10,000)	324	2.83	2.20	2.20	0.11	10.29
Stock market capitalization	324	636,462.00	218,345.00	1,023,878.00	0.00	8,188,019.00
Number of public companies	324	711.61	246.00	1,140.81	0.00	5,835.00
FDI inflow	324	22,733.54	11,697.20	30,425.96	35.51	217,868.60
Common legal origin	324	0.25	0.00	0.44	0.00	1.00
Common language	324	0.10	0.00	0.30	0.00	1.00

MNEs tend to select their target host countries conservatively before deciding which local firms to acquire. However, we also found that financial market development — in terms of both stock market capitalization and number of public companies — exhibited significant variation among the individual countries in our sample, ranging from countries with no public companies at all to one with 5,853 public companies, which was about eight times the mean number of 711 public companies. Table 1 also shows the descriptive statistics for the other control variables used in our study.

The correlation matrix in Table 2 reports the correlations among our variables of interest. As hypothesized, we found strong positive correlation coefficients between *OMI score (Interpolated)* — representing a country's degree of protectionism — and *PEI score* and its three components. These positive correlations are also clearly presented in Appendix 3, in which a scatter plot depicts a positive pattern of dots sloping upward from left to right. As expected, the correlations between PEI score and each of its three components were also high and statistically significant. However, their respective values were all found to be less than 1, implying that each component reflects different aspects of a country's IPR protection level.

As implied by the positive correlations, USA MNEs will likely acquire more target firms domiciled in host countries with better *sovereign credit ratings* and greater *FDI inflow*. In addition, the positive correlation of *Same Border (Mexico, Canada)* and the negative correlation of *Geographical Distance* imply that the host country's geographical proximity encourages USA MNEs to engage more in CB M & As in terms of both the number and total value of deals. Host country financial market development also acts as a catalyst to induce greater engagement in CB M & As by USA MNEs, as evidenced by the positive correlations of *Stock Market Capitalization* and *Number of Public Companies* with both dependent variables of interest.

4.2 The Effect of Protectionism on CB M&A Deals

To test our first hypothesis, we first estimated Eq. (1), where *Total Number of Deals* was used as a dependent variable, and *OMI score (interpolated)* and *PEI score* (and its three components) were used as focal explanatory variables of interest. As shown in Models (1) to (4), and contrary to our initial expectation, *OMI score (interpolated)* — which had been designed to capture the degree of openness to trade in a host country — was found to be significantly and negatively associated with *Total Number of Deals* in the host country. In other words, the greater the openness (and thereby the lower the protectionism) found in an individual economy seems to discourage USA MNEs from engaging in CB M&A activities in that country. When we replaced *Total Number of Deals* with *Log (Total Value of Deals)* as a dependent variable of interest using log-level specifications in Models (5) and (8), their coefficients were negative and statistically significant, suggesting that a greater openness (and thereby a lower level of protectionism) in an individual economy acts as a deterrent to engaging in CB M&A activities in it.

Concerning the effect of *IPR protection* on CB M&A, all models yielded significantly positive coefficients for *PEI score* and its three components, implying that the

Table 2 Correlation matrix

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1)	Total number of deals	1.000								
(2)	Total values of deals	0.563***	1.000							
(3)	OMI score (Interpolated)	0.080	0.218***	1.000						
(4)	Service costs	0.349***	0.496***	0.654***	1.000					
(5)	Protection costs	0.330***	0.448***	0.755***	0.898***	1.000				
(6)	Monitoring costs	0.317***	0.439***	0.728***	0.859***	0.925***	1.000			
(7)	PEI score	0.346***	0.479***	0.739***	0.954***	0.977***	0.961***	1.000		
(8)	Same border (Mexico, Canada)	0.413***	0.197***	-0.057	0.091	-0.003	0.000	0.030	1.000	
(9)	Sovereign credit rating	0.375***	0.533***	0.653***	0.745***	0.803***	0.787***	0.808***	0.076	1.000
(10)	Geographical distance	-0.254***	-0.160**	-0.100	-0.032	-0.119*	-0.044	-0.067	-0.394***	-0.066
(11)	GDP (10 millions)	0.341***	0.413***	-0.249***	0.045	-0.032	0.016	0.010	0.060	0.202***
(12)	GDP per capita (10,000)	0.287***	0.490***	0.660***	0.786***	0.830***	0.779***	0.829***	0.009	0.702***
(13)	Stock market capitalization	0.227***	0.364***	-0.019	0.159**	0.116*	0.163**	0.151**	0.117*	0.296***
(14)	Number of public companies	0.482***	0.386***	-0.151**	0.163**	0.065	0.058	0.101	0.240***	0.162**
(15)	FDI inflow	0.314***	0.442***	0.143**	0.193***	0.157**	0.172**	0.180**	0.097	0.310***
(16)	Common legal origin	0.381***	0.236***	0.217***	0.313***	0.267***	0.306***	0.307***	0.121*	0.246***
(17)	Common language	0.660***	0.326***	0.175**	0.372***	0.384***	0.343***	0.382***	0.280***	0.292***

		(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(10)	Geographical distance	1.000							
(11)	GDP (10 millions)	0.041	1.000						
(12)	GDP per capita (10,000)	-0.241***	-0.014	1.000					
(13)	Stock market capitalization	0.134*	0.788***	0.064	1.000				
(14)	Number of public companies	0.128*	0.474***	-0.032	0.587***	1.000			
(15)	FDI inflow	0.001	0.506***	0.151**	0.553***	0.313***	1.000		
(16)	Common legal origin	0.397***	-0.064	0.102	0.124*	0.390***	0.250***	1.000	
(17)	Common language	-0.031	0.067	0.317***	0.028	0.270***	0.242***	0.579***	1.000

***$p<0.01$, **$p<0.05$, *$p<0.1$

higher the IPR protection, the greater the number of CB M&A activities enacted by USA MNEs.

Regarding the effect of control variables, the results obtained from multivariable regression generally corroborated the univariate correlation analyses presented in Table 2. *For example, Geographical Distance* carried negative coefficients while *sharing the same border* was found to have positive but mostly insignificant coefficients, suggesting that geographical proximity to a host country catalyzes USA MNE CB M&A deals. In addition, the positive sovereign credit rating coefficient suggests that a better rating makes a host country attractive to USA MNEs in CB M&A deals.

Interestingly, the significantly negative coefficient of *Log (Stock market capitalization)* indicates that a larger host country bigger stock market — in terms of total dollar market value — does not act as a conduit for CB M&As by USA MNEs. In contrast, a larger number of public companies in a host country's stock market makes such countries more attractive for CB M&As by USA MNEs by broadening the list of target companies from which USA MNEs can choose. Lastly, as implied by the positive correlation, the number of CB M&A deals enacted in a host country by USA MNEs increases with the *level of FDI inflow* into the country.

For robustness, we tested our first hypothesis by re-estimating Eq. (1) while using *OMI score* as a focal explanatory variable for protectionism. As reported in Panel B of Table 3, we found evidence similar to that presented in Panel A of the same table.

4.3 The Moderating Role of IPR Protection

Our second hypothesis states that a target country's IPR protection moderates the influences of protectionism on the CB M&A activities carried out by USA MNEs. We first interacted *OMI score (interpolated)* with *PEI score* and each of its three components to create interaction terms (*IP protection X Protectionism*) and included the interaction term in Eq. (2). The coefficient of the interaction term (β_1) was designed to capture the moderating role played by the host country IPR on the relationship between the strength of OMI and CB M&A activities in said country.

As reported in Panel A of Table 4, where *Total Number of Deals* and *Log Total Value of Deals* are used as dependent variables, *PEI score* and its three components continue to exhibit positive and statistically significant coefficients. These findings are consistent with the evidence presented in Panel A of Table 3 and reaffirm that stronger IPR protection fosters USA MNEs' engagement in CB M&A activities.

Interestingly, the coefficient of *OMI score (interpolated)* was found to become insignificant when its interaction term with *PEI score* (and its three components) was added to regression models. In contrast, its interaction term is negative and statistically significant, suggesting that host country protectionism no longer holds any statistical power in explaining the degree of CB M&A activities because its effect seems moderated by host country IPR protection.

Our interpretation is that having strong IPR protection in place by a host country becomes a more important and effective policy than relaxing local protectionism in attracting/inducing US MNEs in the host country.

For robustness, we re-estimated Eq. (2) using *OMI score* in place of *OMI score (interpolated)* as a focal explanatory variable for protectionism. As reported in Panel B of Table 4, we found evidence similar to that presented in Panel A of the same table.

5 Discussion and Conclusion

This paper aims to analyze the influences of protectionism and IPR protection in the host country on CB M&A deals. The topic is important given that, over the years, there has been an increasing trend of CB M&As undertaken by MNEs from different backgrounds, including USA ones. The existing studies provide important insights into the motives behind CB M&As and the factors contributing to their success and high failure rates. However, there has been little discussion on the role played by the protectionist policies and IPR regimes implemented by host countries on CB M&As. Based on a sample of CB M&As undertaken by USA MNEs in 49 host countries, our findings show that host country IPR protection regulations have a much more substantial and positive impact than any protectionist measures on the CB M&A activities of USA MNEs. We further found that, by itself, local protectionism does not play any meaningful role in CB M&A activities; it only serves as one of the factors that strengthen the positive effect of IPR protection on CB M&A activities in the host country. This finding is rather interesting and counterintuitive. It calls for IB scholars not to take protectionism as a stationary factor but to see it through the prism of the acquiring MNEs' country of origin, industry, and context specificities. This finding can further be explained by referring to the fact that our analysis did not incorporate and make any distinction between full and partial CB M&As, given that full CB M&As tend to be more influenced by protectionist measures in a country as host governments may restrict the option for a foreign buyer to only undertake a partial CB M&A. In a recent publication, the Institute for Mergers, Acquisitions, and Alliances (IMAA) also highlighted the mixed influences of protectionism on M&As globally (IMAA, 2020), which gives further credence to our findings.

5.1 Theoretical Implications

Our study's findings offer several theoretical implications. A key theoretical implication relates to the need for a context-specific conceptualization of protectionism by looking at the individual as well as various other specific measures, such as tariffs, import quotas, countervailing duties, subsidies, and currency manipulation enacted by the host countries, instead of its use at a generic level, as is often the case. Although the protectionism discourse has become very visible in recent years, the specific influences of protectionism on specific

Table 3 Marginal effect of the OMI on US MNC's CB M&A deals

Panel A								
Regression model	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) OLS	(6) OLS	(7) OLS	(8) OLS
Variables	Total number of deals				Log (total values of deals)			
OMI Score (Interpolated)	− 2.251**	− 2.891***	− 3.010***	− 3.033***	− 0.703**	− 0.800**	− 0.759**	− 0.823***
	(− 2.386)	(− 2.958)	(− 3.197)	(− 3.109)	(− 2.367)	(− 2.539)	(− 2.417)	(− 2.687)
Service costs	1.238***				0.294***			
	(3.678)				(2.880)			
Protection costs		1.606***				0.303**		
		(3.700)				(2.309)		
Monitoring costs			1.782***				0.247*	
			(4.182)				(1.779)	
PEI score				2.131***				0.396***
				(4.166)				(2.763)
Same border (Mexico, Canada)	− 1.174	2.596	1.298	0.593	0.056	0.871	0.608	0.494
	(− 0.344)	(0.790)	(0.392)	(0.186)	(0.051)	(0.792)	(0.572)	(0.458)
Sovereign credit rating	0.342**	0.193	0.201	0.152	0.101*	0.081	0.098	0.074
	(2.496)	(1.472)	(1.450)	(1.153)	(1.809)	(1.366)	(1.633)	(1.252)
Log (Geographical distance)	− 10.693***	− 9.535***	− 10.109***	− 10.288***	− 0.794**	− 0.537	− 0.634	− 0.678*
	(− 7.413)	(− 6.719)	(− 7.163)	(− 7.448)	(− 2.035)	(− 1.370)	(− 1.647)	(− 1.763)
GDP (10 millions)	0.013**	0.015***	0.012**	0.013**	0.003**	0.004***	0.003***	0.003***
	(2.461)	(2.684)	(2.415)	(2.446)	(2.549)	(2.825)	(2.621)	(2.608)
GDP per capita (10,000)	− 0.446	− 0.428	− 0.435	− 0.729**	0.429***	0.467***	0.501***	0.413***
	(− 1.509)	(− 1.400)	(− 1.519)	(− 2.253)	(3.661)	(4.000)	(4.369)	(3.459)
Log (Stock market capitalization)	− 1.047***	− 1.082***	− 1.107***	− 1.113***	− 0.094***	− 0.097***	− 0.095***	− 0.102***
	(− 4.178)	(− 4.313)	(− 4.330)	(− 4.406)	(− 2.791)	(− 2.915)	(− 2.951)	(− 3.097)
Log (Number of public companies)	2.744***	2.800***	2.817***	2.877***	0.336***	0.337***	0.326***	0.350***
	(4.408)	(4.445)	(4.492)	(4.483)	(3.488)	(3.488)	(3.497)	(3.649)

Table 3 (continued)

Panel A

Variables	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) OLS	(6) OLS	(7) OLS	(8) OLS
Regression model	Total number of deals				Log (total values of deals)			
Log (FDI inflow)	1.019***	1.131***	1.275***	1.233***	0.733***	0.747***	0.753***	0.765***
	(2.809)	(3.225)	(3.376)	(3.387)	(6.471)	(6.505)	(6.600)	(6.558)
Common legal origin	2.845**	3.111**	2.358*	2.300*	0.349	0.454	0.392	0.305
	(2.207)	(2.411)	(1.755)	(1.720)	(0.715)	(0.952)	(0.806)	(0.627)
Common language	16.137***	14.928***	15.865***	15.293***	− 0.472	− 0.677	− 0.462	− 0.604
	(5.274)	(4.784)	(5.247)	(5.016)	(− 0.882)	(− 1.174)	(− 0.829)	(− 1.106)
Constant	77.354***	69.076***	71.731***	73.687***	1.293	− 0.523	− 0.000	0.343
	(6.078)	(5.486)	(5.736)	(6.070)	(0.358)	(− 0.143)	(− 0.000)	(0.096)
Observations	324	324	324	324	324	324	324	324
R-squared	0.744	0.744	0.748	0.750	0.607	0.603	0.601	0.606
Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Adjusted R-square	0.729	0.729	0.733	0.735	0.583	0.580	0.577	0.583

Panel B

Variables	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) OLS	(6) OLS	(7) OLS	(8) OLS
Regression model	Total number of deals				Log (total values of deals)			
OMI Score	− 2.703**	− 3.346**	− 3.384**	− 3.472**	− 0.904**	− 1.041**	− 1.044**	− 1.102***
	(− 2.056)	(− 2.453)	(− 2.564)	(− 2.572)	(− 2.322)	(− 2.534)	(− 2.576)	(− 2.806)
Service costs	1.304***				0.440***			
	(3.005)				(3.235)			
Protection costs		1.648***				0.443***		
		(2.866)				(2.725)		
Monitoring costs			1.828***				0.481***	
			(3.108)				(2.679)	

Table 3 (continued)

Panel B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Regression model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Variables	Total number of deals				Log (total values of deals)			
PEI score				2.236***				0.647***
				(3.353)				(3.631)
Same border (Mexico, Canada)	− 2.508	1.501	0.066	− 0.567	0.242	1.466	1.077	0.906
	(− 0.523)	(0.326)	(0.014)	(− 0.126)	(0.152)	(0.939)	(0.722)	(0.589)
Sovereign credit rating	0.344*	0.184	0.199	0.139	0.107	0.075	0.081	0.055
	(1.908)	(1.065)	(1.112)	(0.805)	(1.334)	(0.881)	(0.973)	(0.648)
Log (Geographical distance)	− 10.426***	− 9.319***	− 9.899***	− 10.002***	− 0.289	0.053	− 0.102	− 0.135
	(− 5.393)	(− 4.873)	(− 5.165)	(− 5.363)	(− 0.565)	(0.105)	(− 0.205)	(− 0.271)
GDP (10 millions)	0.013	0.015*	0.013*	0.013*	0.002	0.003	0.002	0.002
	(1.653)	(1.834)	(1.696)	(1.669)	(1.273)	(1.585)	(1.408)	(1.355)
GDP per capita (10,000)	− 0.601	− 0.559	− 0.573	− 0.911*	0.292*	0.358**	0.358**	0.240
	(− 1.440)	(− 1.308)	(− 1.388)	(− 1.959)	(1.887)	(2.311)	(2.392)	(1.591)
Log (Stock market capitalization)	− 0.976***	− 1.006***	− 1.035***	− 1.044***	− 0.116***	− 0.119***	− 0.126***	− 0.132***
	(− 2.625)	(− 2.685)	(− 2.693)	(− 2.777)	(− 2.862)	(− 2.888)	(− 3.227)	(− 3.289)
Log (Number of public companies)	2.317**	2.370**	2.416**	2.449**	0.303**	0.306**	0.317***	0.333***
	(2.525)	(2.532)	(2.578)	(2.602)	(2.475)	(2.470)	(2.653)	(2.678)
Log (FDI inflow)	1.149**	1.246**	1.324**	1.377***	0.885***	0.892***	0.910***	0.937***
	(2.243)	(2.508)	(2.464)	(2.631)	(6.699)	(6.571)	(7.062)	(7.008)
Common legal origin	**3.320***	**3.711***	**2.931**	**2.817**	**− 0.053**	**0.133**	**− 0.068**	**− 0.142**
	(1.870)	**(2.023)**	**(1.542)**	**(1.513)**	**(− 0.084)**	**(0.212)**	**(− 0.106)**	**(− 0.228)**
Common language	**14.631***	**13.280***	**14.410***	**13.770***	**0.077**	**− 0.258**	**0.049**	**− 0.152**
	(3.555)	**(3.154)**	**(3.529)**	**(3.359)**	**(0.128)**	**(− 0.385)**	**(0.076)**	**(− 0.248)**
Constant	77.172***	69.628***	72.353***	73.244***	− 3.628	− 5.871	− 5.128	− 4.915

Table 3 (continued)

Panel B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Regression model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Variables	Total number of deals				Log (total values of deals)			
	(4.499)	(4.070)	(4.226)	(4.431)	(− 0.774)	(− 1.258)	(− 1.111)	(− 1.071)
Observations	185	185	185	185	185	185	185	185
R-squared	0.702	0.703	0.706	0.710	0.615	0.607	0.610	0.619
Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Adjusted R-square	0.676	0.676	0.680	0.684	0.581	0.572	0.576	0.585
Robust t-statistics in parenthesis								

***p<0.01, **p<0.05, *p<0.1

Table 4 Moderating role of PEI score on the effect of OMI on US MNC's CB M&A deals

Panel A	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Regression model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Variables	Total number of deals				Log (total values of deals)			
Interaction	− 0.620*	− 0.608*	− 0.345	− 0.570*	− 0.260***	− 0.276***	− 0.199**	− 0.263***
	(− 1.852)	(− 1.918)	(− 0.989)	(− 1.739)	(− 3.395)	(− 3.323)	(− 2.188)	(− 3.147)
Service costs	3.428***				1.213***			
	(2.845)				(4.286)			
Protection costs		3.837***				1.314***		
		(3.010)				(4.003)		
Monitoring costs			2.943**				0.915***	
			(2.385)				(2.711)	
PEI score				4.135***				1.322***
				(3.291)				(4.132)
OMI Score (Interpolated)	0.856	0.046	− 1.071	− 0.096	0.600	0.531	0.356	0.534
	(0.418)	(0.022)	(− 0.443)	(− 0.043)	(1.193)	(1.024)	(0.583)	(0.992)
Same border (Mexico, Canada)	− 1.710	2.643	1.074	0.305	− 0.169	0.892	0.479	0.361
	(− 0.507)	(0.829)	(0.331)	(0.097)	(− 0.158)	(0.854)	(0.465)	(0.347)
Sovereign credit rating	0.311**	0.139	0.186	0.119	0.088	0.057	0.089	0.059
	(2.268)	(1.010)	(1.316)	(0.884)	(1.563)	(0.951)	(1.494)	(0.991)
Log (Geographical distance)	− 10.952***	− 9.610***	− 10.198***	− 10.446***	− 0.903**	− 0.571	− 0.685*	− 0.751**
	(− 7.899)	(− 7.105)	(− 7.433)	(− 7.838)	(− 2.445)	(− 1.582)	(− 1.863)	(− 2.068)
GDP (10 millions)	0.013**	0.014***	0.012**	0.012**	0.003**	0.004***	0.003**	0.003**
	(2.463)	(2.697)	(2.412)	(2.448)	(2.509)	(2.824)	(2.583)	(2.568)
GDP per capita (10,000)	− 0.147	− 0.177	− 0.256	− 0.459	0.554***	0.581***	0.604***	0.538***
	(− 0.448)	(− 0.532)	(− 0.781)	(− 1.270)	(4.236)	(4.733)	(4.731)	(4.112)
Log (Stock market capitalization)	− 1.032***	− 1.073***	− 1.099***	− 1.101***	− 0.088***	− 0.093***	− 0.090***	− 0.097***
	(− 4.114)	(− 4.269)	(− 4.252)	(− 4.336)	(− 2.714)	(− 2.905)	(− 2.851)	(− 3.030)

Table 4 (continued)

Panel A

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Regression model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
	Total number of deals				Log (total values of deals)			
Log (Number of public companies)	2.624***	2.681***	2.752***	2.767***	0.286***	0.283***	0.289***	0.299***
	(4.178)	(4.214)	(4.286)	(4.245)	(3.028)	(2.973)	(3.121)	(3.180)
Log (FDI inflow)	1.241***	1.389***	1.405***	1.454***	0.827***	0.864***	0.827***	0.867***
	(3.063)	(3.340)	(3.299)	(3.451)	(7.044)	(7.027)	(6.916)	(7.059)
Common legal origin	3.681***	3.882***	2.850**	3.053**	0.700	0.803*	0.675	0.653
	(2.721)	(2.881)	(2.017)	(2.158)	(1.439)	(1.695)	(1.367)	(1.337)
Common language	15.328***	13.908***	15.366***	14.482***	− 0.811	− 1.139**	− 0.749	− 0.979*
	(5.075)	(4.456)	(5.032)	(4.782)	(− 1.501)	(− 1.982)	(− 1.313)	(− 1.779)
Constant	67.373***	58.161***	65.214***	63.660***	− 2.893	− 5.469	− 3.749	− 4.290
	(4.798)	(4.208)	(4.385)	(4.651)	(− 0.807)	(− 1.501)	(− 0.973)	(− 1.195)
Observations	324	324	324	324	324	324	324	324
R-squared	0.747	0.748	0.749	0.753	0.617	0.615	0.607	0.616
Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Adjusted R-square	0.731	0.732	0.733	0.737	0.593	0.591	0.582	0.592

Panel B

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Regression model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
	Total number of deals				Log (total values of deals)			
Interaction	− 0.662*	− 0.722*	− 0.347	− 0.648	− 0.330***	− 0.359***	− 0.200	− 0.327***
	(− 1.800)	(− 1.833)	(− 0.728)	(− 1.406)	(− 3.243)	(− 3.294)	(− 1.650)	(− 2.960)
Service costs	3.661**				1.615***			
	(2.279)				(4.246)			
Protection costs		4.339**				1.780***		
		(2.531)				(4.052)		

Table 4 (continued)

Panel B

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Regression model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
	Total number of deals				Log (total values of deals)			
Monitoring costs			2.992*				1.154**	
			(1.796)				(2.497)	
PEI score				4.544***				1.812***
				(2.698)				(4.258)
OMI Score	0.704	0.198	− 1.391	− 0.065	0.795	0.720	0.108	0.619
	(0.267)	(0.076)	(− 0.428)	(− 0.023)	(1.177)	(1.082)	(0.133)	(0.881)
Same border (Mexico, Canada)	− 2.998	1.699	− 0.110	− 0.804	− 0.003	1.564	0.976	0.786
	(− 0.630)	(0.381)	(− 0.024)	(− 0.182)	(− 0.002)	(1.078)	(0.676)	(0.538)
Sovereign credit rating	0.304*	0.113	0.187	0.098	0.087	0.039	0.073	0.034
	(1.701)	(0.633)	(1.031)	(0.560)	(1.079)	(0.466)	(0.890)	(0.402)
Log (Geographical distance)	− 10.666***	− 9.330***	− 9.956***	− 10.131***	− 0.409	0.047	− 0.135	− 0.200
	(− 5.703)	(− 5.134)	(− 5.312)	(− 5.619)	(− 0.841)	(0.103)	(− 0.280)	(− 0.424)
GDP (10 millions)	0.013	0.014*	0.013*	0.012	0.002	0.003	0.002	0.002
	(1.634)	(1.814)	(1.680)	(1.642)	(1.184)	(1.510)	(1.340)	(1.248)
GDP per capita (10,000)	− 0.303	− 0.300	− 0.401	− 0.633	0.440***	0.486***	0.458***	0.381**
	(− 0.672)	(− 0.654)	(− 0.847)	(− 1.250)	(2.623)	(3.020)	(2.872)	(2.366)
Log (Stock market capitalization)	− 0.958**	− 0.993***	− 1.023***	− 1.027***	− 0.107***	− 0.112***	− 0.119***	− 0.124***
	(− 2.563)	(− 2.628)	(− 2.619)	(− 2.707)	(− 2.819)	(− 2.903)	(− 3.128)	(− 3.275)
Log (Number of public companies)	2.210**	2.236**	2.352**	2.334**	0.249**	0.239**	0.280**	0.276**
	(2.398)	(2.365)	(2.445)	(2.449)	(2.181)	(2.074)	(2.418)	(2.372)
Log (FDI inflow)	1.367**	1.571***	1.453**	1.628***	0.993***	1.054***	0.985***	1.064***
	(2.428)	(2.673)	(2.445)	(2.733)	(7.472)	(7.457)	(7.441)	(7.708)

Table 4 (continued)

Panel B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Regression model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Variables	Total number of deals				Log (total values of deals)			
Common legal origin	4.133**	4.527**	3.372*	3.573*	0.352	0.538	0.187	0.240
	(2.221)	(2.378)	(1.683)	(1.829)	(0.565)	(0.885)	(0.290)	(0.389)
Common language	13.795***	12.061***	13.937***	12.871***	− 0.340	− 0.864	− 0.224	− 0.607
	(3.391)	(2.873)	(3.373)	(3.165)	(− 0.572)	(− 1.334)	(− 0.340)	(− 1.008)
Constant	66.018***	55.592***	65.347***	61.092***	− 9.190**	− 12.847***	− 9.179*	− 11.051**
	(3.553)	(3.005)	(3.190)	(3.338)	(− 2.036)	(− 2.809)	(− 1.870)	(− 2.442)
Observations	185	185	185	185	185	185	185	185
R-squared	0.706	0.708	0.707	0.713	0.632	0.627	0.617	0.634
Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Adjusted R-square	0.678	0.680	0.680	0.686	0.597	0.591	0.580	0.599
Robust t-statistics in parenthesis								

***p<0.01, **p<0.05, *p<0.1

economic and management aspects can vary significantly across firms, industries, and countries. Hence, IB theorists need to go beyond a general and politically influenced conceptualization of protectionism and incorporate contextual elements, such as the impact of other institutional factors — including the IPR regimes in place in host markets and cultural distance. Another theoretical implication relates to the incorporation of the role played by the home countries of the MNEs undertaking cross-border M&As, especially in analyzing the effects of protectionism. Since our sample was exclusively made up of MNEs from the US, it is possible that, regardless of the protectionist policies found in a particular host location, our sample MNEs may have experienced relatively low levels of uncertainty and restrictions compared to MNEs from other national backgrounds. The US is one of the biggest inbound and outbound destinations for CB M&As. Given the foreign market experience the US MNEs possess, protecting IP assets is essential for preserving their market power. The existing literature has examined protectionism and IPR regimes in isolation. A few studies have integrated these two important institutional factors in their examination of cross-border economic activities, including M&As (e.g., Evenett, 2019; Ghauri & Rao, 2009; Khoury & Peng, 2011; Papageorgiadis et al., 2020). Thus, our study contributes to the extant literature and provides a fine-grained view of the influence of protectionism and IPR protection on CB M&As. By bringing these two key variables together, we theoretically show and empirically explicate their role in the cross-border activities of MNEs. Such an analysis is valuable and offers more profound insights into the two crucial host country-level institutional factors and their impact on shaping the strategic choices of firms expanding into foreign markets with different levels of institutional development. In addition, the importance of interlinkages between IPR protection and protectionism, as highlighted by our study, requires further attention from IB theorists. Despite any protectionist policies in place, if a host country offers a high level of IPR protection, interest in CB M&As by foreign MNEs may still be higher.

5.2 Practical Implications

Our findings offer both managerial and policy implications, as well. A critical managerial implication relates to the importance of getting an overall picture of a host country's environment — one that goes beyond a mere focus on protectionism. This is because even though protectionism is highlighted significantly in media these days, a host country may still represent a safe bet for undertaking M&As despite its relatively protectionist outlook due to strong IPR protection regulations. To protect their critical intellectual capital, managers must carefully examine a host country's institutional environment and select those host markets characterized by strong IPR regimes. In addition, managers should carefully analyze their potential target countries and acquisitions in terms of geographical

distance and the presence of great numbers of public companies, which would facilitate CB M&As. For the policymakers, a key takeaway from our study is that IPR protection may lead to more foreign firms acquiring local ones and that strong IPR regimes will facilitate the entry of MNEs into the market. Therefore, rather than blindly pursuing nationalist and protectionist measures, host country policymakers should implement strong IPR regimes to benefit the local economy by creating jobs. Strong IPR may play an enabling role in attracting foreign firms to a host market despite the presence of any protectionist policies; thus, policymakers need to pay more attention to strengthening their IPR regimes as the benefits of such regimes may outweigh any adverse effects of protectionist and nationalist policies.

5.3 Limitations and Future Research Directions

This study has several limitations that point to important directions for future studies. A significant limitation is its focus on cross-border M&A deal completion. Some effects of protectionism may only become visible to foreign acquirers after the M&A deals are completed and their subsidiaries start operating. For example, foreign MNE subsidiaries may not be afforded a level playing field compared to local firms due to protectionist policies. This specific aspect was not analyzed in our study. However, it could be incorporated in future ones, in which the performance of acquired subsidiaries at specific times could be analyzed concerning the effects of protectionism. We only analyzed specific variables related to formal institutions; thus, future studies could incorporate formal and informal institutional variables such as culture and examine their impact on CB M&As. The focus of this study was restricted to USA firms' CB M&As; therefore, future studies could examine firms from other markets — such as Japan, Germany, France, and the UK — to see whether and how such firms react differently to any protectionist policies being pursued by their host markets. Given that emerging economy firms are aggressively expanding into foreign markets, future studies could also examine how these firms are affected by nationalism and IPRs in their CB M&A deals.

5.4 Conclusion

In this paper, we examine the impact of two critical factors, protectionism and IPR protection in host markets, and their impact on CB-M&As undertaken by US MNEs. In light of the rising trade wars and protectionism policies being aggressively pursued by Governments around the world, which can have far-reaching implications on location choice and foreign firms' investment behavior- the topic is gaining increasing traction in the IB literature (e.g., Contractor, 2022; Enderwick, 2011; Evenett, 2019). Using the data on US MNEs CB-M&As across 49 host markets, we find that strong IPR protection moderates the impact of protectionism on CB-M&As. Specifically, we find that in locations with strong IPR protections, the protectionism measures do not deter US

MNEs from pursuing CB-M&As, thus implying that IPR protection in host markets matters much more to the US firms expanding into foreign markets through M&As than the protectionism measures by themselves. Of course, this does not imply that protectionism does not alter MNEs' behavior. However, we only examine the moderating role of IPR regimes in host markets to attract developed markets' MNEs through M&As. Other factors, such as firms' investment motives and the bilateral ties between the home and host markets, may influence the impact of protectionism differently on CB-M&As.

Appendix 1: List of the 49 Host Countries in our Sample of 324 CB M&As

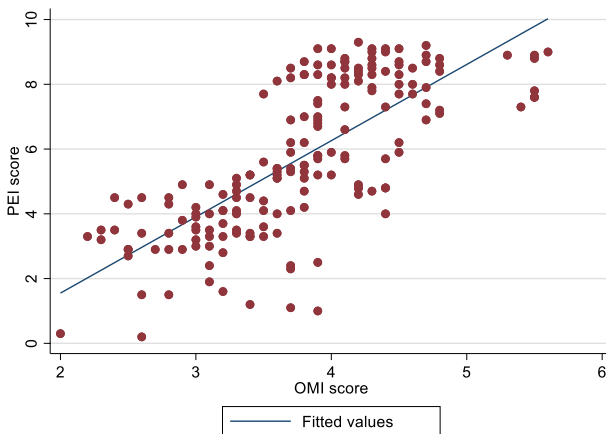| Argentina	Jordan
Australia	Korea (The Republic Of)
Austria	Malaysia
Belgium	Mexico
Brazil	Netherlands (The)
Canada	New Zealand
Chile	Norway
China	Philippines (The)
Colombia	Poland
Czech Republic	Portugal
Denmark	Romania
Estonia	Russian Federation (The)
Finland	Singapore
France	Slovakia
Germany	Slovenia
Greece	South Africa
Hong Kong	Spain
Hungary	Sweden
Iceland	Switzerland
India	Thailand
Indonesia	Turkey
Ireland	Ukraine
Israel	United Kingdom
Italy	Venezuela
Japan	

Appendix 2: Definitions of Variables of Interest

	Variable	Definition	Data source
(1)	Total Number of Deals	The total number of CB M&A deals made yearly in a host country by USA MNEs	Thomson SDC
(2)	Log (Total Values of Deals)	The natural log of total values of CB M&A deals made yearly in a host country by USA MNEs	Thomson SDC
(3)	OMI Score	The Open Market Index (OMI) score available from the International Chamber of Commerce (ICC) for the years 2011, 2013, 2015, and 2017 measures the extent to which the governments of 74 countries are following through on their commitments to create genuinely open economies. Given that OMI scores are based on economic data available two years prior to each reported OMI score, the 2011 score is assigned to 2009, the 2013 score to 2011, and so on. As OMI scores are only available for alternate years from 2011 to 2017, we developed an alternative measure of OMI score, *OMI score_interpolate,* by using a linear interpolation approach to estimate the scores for each missing year	International Chamber of Commerce (ICC)

	Variable	Definition	Data source
(4)	Patent Enforcement Index (PEI) score	The Patent Enforcement Index (PEI) measures the strength of IP protection of a host country, obtained from Papageorgiadis and Sofka (2020). The new Patent Enforcement Index comprises three components (service costs, property right protection costs, and monitoring costs) to capture the strength of a national patent system with a particular emphasis on the effectiveness of enforcement practices for 51 countries for the period of 1998–2017. Further explanation of the updated international patent systems strength index can be found in Papageorgiadis and Sofka (2020)	Papageorgiadis and Sofka (2020)
(5)	Same border (Mexico, Canada)	This variable is set to 1 if the host country is either Canada or Mexico, which borders the US and is also a member of the North America Free Trade Association (NAFTA)	
(6)	Sovereign credit rating	An entity rating for long-term foreign currency-denominated debt issues. Following Klock et al. (2005) and Pandej et al. (2020), we computed credit ratings using a scale in which AAA-rated bonds were assigned a value of 22, and D-rated bonds were assigned a value of 1. Unrated firms were assigned a value of 0	Compustat Capital IQ
(7)	Geographical distance	The minimum geographical distance between the capital cities of the US and each host country is in miles. Latitude and longitude of capital cities of host countries are used to measure geographical distance	https://lab.lmnixon.org/
(8)	GDP (10 millions USD)	Gross Domestic Product of a host country is measured in tens of millions of USD	World Bank

	Variable	Definition	Data source
(9)	GDP per capita (10,000 USD)	A host country's Gross Domestic Product per capita is measured in tens of thousands of USD	World Bank
(10)	Log (Stock market capitalization)	The natural log of the stock market capitalization of the listed domestic companies of a host country plus 1 in millions of USD	World Bank
(11)	Log (Number of public companies)	The natural log of the number of listed domestic companies of a host country plus 1	World Bank
(12)	Log (FDI inflow)	The natural log of the inward flow of foreign direct investment (FDI) plus 1 in millions of USD	UNCTAD
(13)	Common legal origin	This variable is set to 1 if the host country has the common law tradition as the US and 0 otherwise	Rafael La Porta website (https://faculty.tuck.dartmouth.edu/rafael-laporta/research-publications/)
(14)	Common language	This variable is set to 1 if the host country has English as its official language and 0 otherwise	CIA's World Factbook

Appendix 3. Scatter Plot Between PEI Score and OMI Score with Fitted Line

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