Political Turnover and Cross-border M&A of Chinese Firms

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Abstract:
This paper investigates whether political turnover affects the cross-border M&As of Chinese firms. We examine both the volume and risk level of cross-border M&As in the one year period leading to turnover event. We find a reduction in the overall number of cross-border M&As in this period. More importantly, the cross-border M&As by Chinese firms in the political turnover period are characterized by lower levels of risk, as manifested in lower stake sought in targets, smaller institutional distance and more industry relatedness to targets. Additional evidence suggests that the reduction in the risk level of cross-border M&As in this period is driven by politicians' risk aversion in the development of their political career rather than firms' strategy to handle political uncertainty.

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All Interested are Welcome