Capital Mobility Incentives: Foreign Direct Investment and Shareholder Protection under Periods of Financial Distress

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May 5, 2017

Advisor: Professor Barry J. Eichengreen

To my advisor, Prof. Barry Eichengreen, for helping me understand.

To my friends, for showing me there is no other way but forward.

To my parents, Carlos and Claudia, for making it all possible.

1 Introduction

What is the importance of a country's corporate governance framework and what influence does it have on foreign investors' capital allocation decisions after a period of financial distress?

Throughout the past decades, scholars have been able to conclude that a financial crisis might cause a significant increase in the level of a country's Foreign Direct Investment inflows. One of the most prevalent explanations for this is that a crisis can ignite a heated period of fire-sale FDI; a phenomenon prompted by the post-crisis depreciation of domestic firms' assets, leading foreign entities to mobilize capital into the host country motivated by an increase in expected returns, ultimately causing inward FDI flows to increase in the form of heightened M&A activity (Krugman 2000, Acharya et al. (2010), Stoddard et al. (2015)).

Others such as Albuquerque (2003) have elaborated on a potentially positive association between FDI and the severity of a financial crises, based on the flows' inalienability, which severely limits them from being expropriated during periods of distress. Albuquerque's findings were confirmed one year later by Berg et al.(2004), who claimed that FDI's relatively low risk and high stability present an attractive opportunity for emerging economies to obtain external financing, given that it is less likely to trigger a financial crisis than inflows such as portfolio equity and bank lending flows.

Additional to the study of the behavior of FDI patterns during periods of financial distress, a separate body of research has focused heavily on the influence of a country's corporate governance mechanisms in attracting higher levels of Foreign Direct Investment. Farooque (2010) found, for example, that at the moment of executing investing decisions, the international investor community has become increasingly concerned about the financial accountability of the capital-recipient firms in the host country, as well as the strength of the corporate bylaws that will be intended to protect their equity ownerships. Additionally, the author was able to confirm a bi-directional relationship between measures of country-level corporate governance, including enforcement of property rights and legal infrastructure, and the economy's level of Foreign Direct Investment. Gibson (2003) was able to establish the same relationship than Farooque between the level of these inflows and the strength of the country's corporate governance framework, also noting that some institutional investors had identified the soundness of a shareholder protection framework as a particularly important factor affecting their willingness to invest in emerging markets. A possible explanation for this is provided by La Porta et al. (1999); the authors argue that given the predominantly family-centered nature of firms in emerging markets, the controlling shareholders have less restrictions and more influence surrounding the expropriation of the company's minority shareholders which could potentially be foreign capital providers.

However insightful, Farooque and Gibson's findings do not contemplate whether the relationship between FDI and corporate governance changes in the midst of a period of financial instability, which might shed further light into the importance of emerging economies implementing a sound and resilient corporate regulatory structure. Additionally, the contributions of La Porta are only able to draw conclusions of the relationship between a country's corporate governance and its overall economic growth, without analyzing or stressing the particular importance of any type of capital inflow or key channels of external financing. Finally, to the best of my knowledge, there is no research that examines the behavior of the relationship between Foreign Direct Investment and corporate governance or shareholder right's protection under crisis episodes that have originated through different channels. For instance, it would be insightful to understand if there is any difference between the relationship of FDI and shareholder protection when the country is impacted by a currency crisis, an inflation crisis, or a sovereign debt crisis.

1.1 The Agency Problem: Improving Shareholder and Management Alignment

It is crucial to understand that attaining better legal protection for foreign investors (both shareholders and creditors) is no trivial pursuit for host countries, particulary when they are emerging and developing economies. Investor regulatory protection has in fact been considered one of the key factors that promotes a country's financial infrastructure development by reducing the agency problem to which investors are exposed due to the separation of responsibilities and control between them en the company's management. These governance deficiencies, as the IMF (2016) defines them, allow corporate insiders to divert resources for their personal use, or to commit funds to

unprofitable projects that provide greater private benefits, even if it is in violation of their fiduciary duty and at the expense of the corporation.

When investor's rights are better protected by law, foreign investors are willing to pay more for financial assets in the host country, such as equity and debt. Their increased willigness to pay comes about because they recognize that with a stronger regulatory framework protecting them, they have a higher chance of obtaining more of the value created by the enterprise they fund in the form of dividends or interest payments. This in turn reduced the misalignments existent between the investors and the management of the company or the entrepreneurs in charge of the day to day operations of the business, which in an environment where lack of investor protection is pervasive might have excess power and control over the company's decisions which could lead them to expropriate the benefits to which the capital providers are entitled.

Shareholder protection is intented to prevent exactly this problem: the misalignment between the incentives and intentions of investors and the decision-makers who control a given business entity on a daily basis. By limiting expropriation and reducing misalignment, shareholder protection regulations have the power to raise the price of securities in the marketplace by reducing the risk exposure of investors, which in turn enables more entrepreneurs to finance their investments externally, leading to the expansion of financial markets (La Porta et al. (1999)).

This agency problem is especially important to address for emerging market economies. While advanced economies are known to generally have diffuse or highly fragmented ownership on their largest conglomerates, Morck et al. (2005) document that there is a clear predominance of a significantly high ownership concentration in emerging marets. Moreover, this controlling stakes are usually in the hands of wealthy families that perpetuate their management style and operating thesis through generations as legacy owners of the entities. This stark difference wtih more developed economies portrays a distinctive landscape where the high concentration of ownership forces us to think about the agency problem slightly differently: in the case of emerging markets, the misalignment might exist not only between the foreign providers of capital and the management of the company, but also might be present between these investors and the business' domestic majority shareholders, which sometimes might create additional problems for their stance to have influence on the operations of the company. This dynamic was further confirmed in the specific case of China by Luo et al. (2014), where the authors document that many of the country's controlling families have used their high ownership to expropriate minority shareholders, which ultimately has had the effect of reducing the corporate value of the private entities.

The foreign ownership landscape in Mexico is no different in terms of the problems it has faced since the last decade of the XX^{th} century. The country's bank privatization experience beginning in 1992 can serve as a clear example to understand the extent to which foreign investors regard as important the existence of a framework that protects their interests when channeling financial resources abroad.

1.2 On Banking Crises and the Importance of Shareholder Protection: The Case of Mexico

For President Carlos Salinas de Gortari, circumstances had changed since in 1982 the Mexican government under Lopez Portillo decided to nationalize the banking system. Ten years later, Salina's administration saw privatization as the only way forward for Mexico to face its macroeconomic challenges and "confront with sovereignty a world that was more competitive and technologically revolutionized".

The reality was not that optimistic: the government was faced with a dire fiscal crisis that originated at the beginning of the 1970's and had not been stifled ever since due to the poor implementation of an effective taxation system. Through the auction and sale of a broad range of state-owned enterprises, the goverment sought to maximize the non-recurring revenues of assets that might otherwise be capital-draining for the public budget.

In order to get Mexico's domestic bankers to pay high prices for the auctioned entities, the government made decisions that would both portray the financial industry as a highly profitable *de facto* oligopoly[1] and reduce the prudent risk-taking and reporting of the bank directors and regulators that were managing and surveilling the now-private institutions. Regulatory leniency was pervasive indeed: during the bidding process, the government aimed

[1] In 1991, the banking industry was composed of 18 banks, 4 of which controlled 70% of total bank assets in the country.

to reduce the amount of equity capital that bankers needed to invest upfront and risk themselves. For some of the transactions, Mexican investors were even allowed to acquire banks' assets with borrowed funds that sometimes were taken from the same banks they were purchasing (Unal et al. (1999).

The government authorities were not ignorant of the high risks that these policies and arrangements would bring, but they were convinced these incentives in order to maximize the prices paid for the financial institutions, particularly because they feared bankers would underbid for the assets given the ease of expropriation of private assets by the Mexican government and its few limits on its authority. After all, the government had already expropriated businessmen from their banking assets twice before in the same century.[2]. Under this strategy President Salinas de Gortari was succesful in reaching his objective, at some points having groups of investors bidding almost 29 times what the bank had earned in the previous year[3].

However, the lack of rigor in bank monitoring and accountability from bankers and enforcement authorities did not improve after the adjudication of the assets on sale. Once privately owned, commercial banks were subject to weak accounting standard requirements that allowed them to roll over the principal of their non-performing loans and count it as performing assets, while only taking into account the interest in arrears as non-performing. Needless to say, this severely overestimated the overall health of the banking system and has been confirmed to be the primary reason[4] for the inminent banking crisis and collapse that was triggered by the peso crisis that started in December of 1994.

It is important to note that under the North American Free Trade Agreement (NAFTA) established in 1994, foreign entities could not own more than 30% of a Mexican bank's capital, which would automatically categorize them as minority shareholders given the characteristically low ownership fragmentation of the industry.

18 banks needed to be rescued by the Mexican government, and while the authorities were willing to clean the bank's balance sheets off their non-performing loans thorugh a loan repurchase program run by the FOBAPROA (the Fund for the Protection of Bank Savings), both domestic and foreign bank shareholders had to agree that for every peso granted they would have to invest 50 cents of new equity to recapitalize the banks. Furthermore, for some of the banks that were in serious financial distress, the National Banking and Securities Commission decided to intervene and immediately suspend the rights of shareholders to make management decisions. After the fact, the Commision would remove the bank's management and arrange another financial institution to invest or acquire control of the bank.

These two strategies (FOBAPROA funding and management removal) only worsened the situation however, as the government intervention and the cleaning of the institution's non-performing loans only provided further incentives for some of the new bank executives to issue large loans to themselves and then default on them without incurring any major penalty, ultimately harming shareholders even more and aggravating the already serious agency problem[5].

After the collapse of the banking system Mexico made it a point to reform key institutions that promoted banking monitoring and decided to open the industry to Foreign Direct Investment. Between 1995 and 1996, the Mexican government decided to lift the 30% bank ownership restriction for foreign investors in an additional effort to recapitalize the industry. As a result, foreign banks began purchasing significant shares that ultimately amounted to controlling interests in Mexico's largest banks.

[2]The first banking expropriation was carried out by President Venustiano Carranza, the second one by President Lopez Portillo.

[3]A group of investors bid $845 million dollars (at 1992 prices) for the medium-sized bank Somex.

[4]Gonzalez-Hermosillo et al.(1997) studied how the accumulation and increase of non-performing loans from 13% to 16% of Mexican banks' portfolios during the period of 1991 to 1993 was the primary cause of the increased fragility and imminent insolvency of the financial institutions.

[5]The problem was quantified in La Porta et al. (2003), where it is shown that 20% of all large loans from 1995 to 1998 were channeled to the banks' directors.

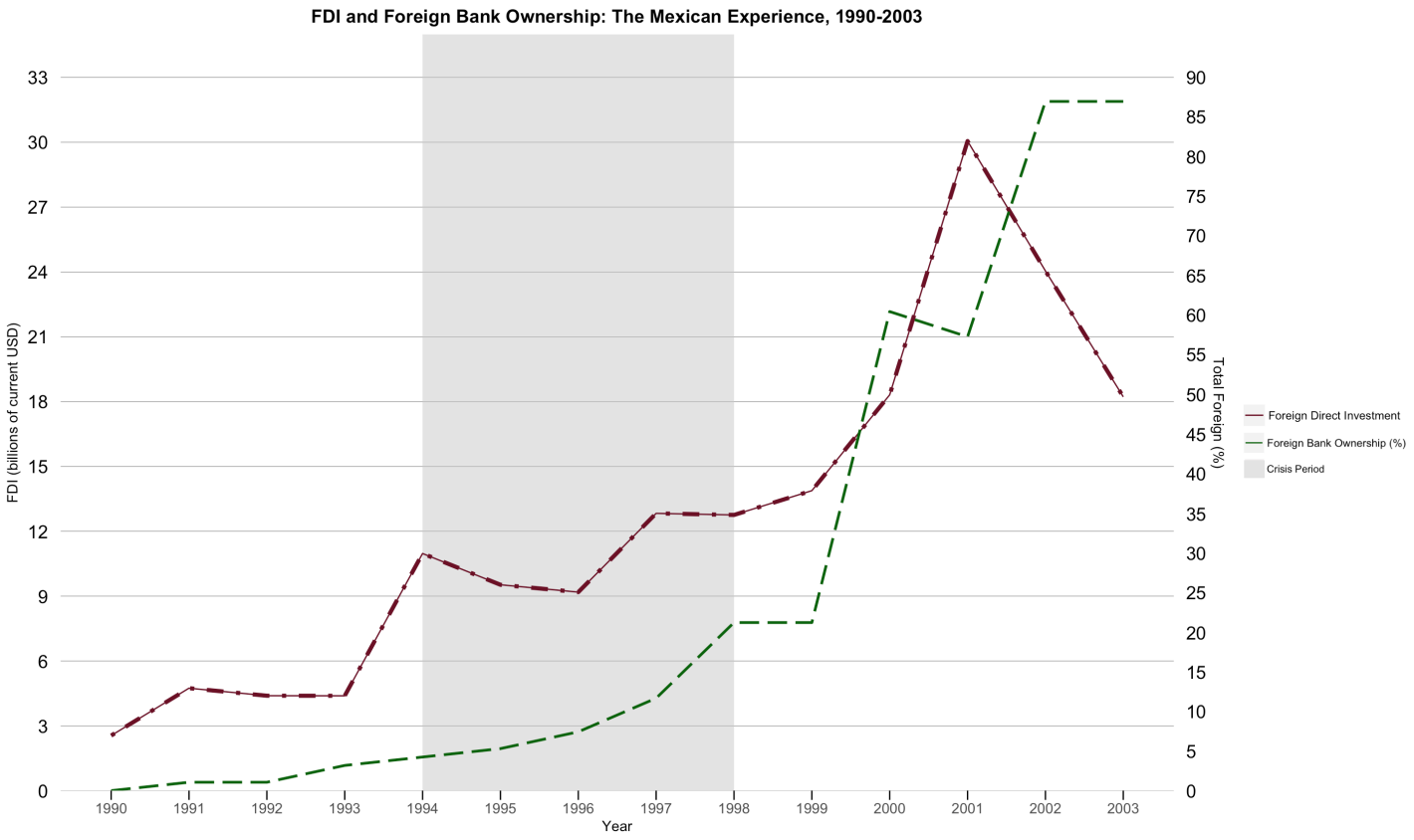

Figure 1 - Source: Author's estimation with data from Haber(2005).

Prior to the lifting of the foreign ownership restrictions, only 7% of total bank assets in Mexico were controlled by international agents. As it is shown in Figure 1, by December of 1999 20% of bank assets were controlled by foreign banks, and as of December of 2003 the share of Mexican banks under foreign control totalled 82%.

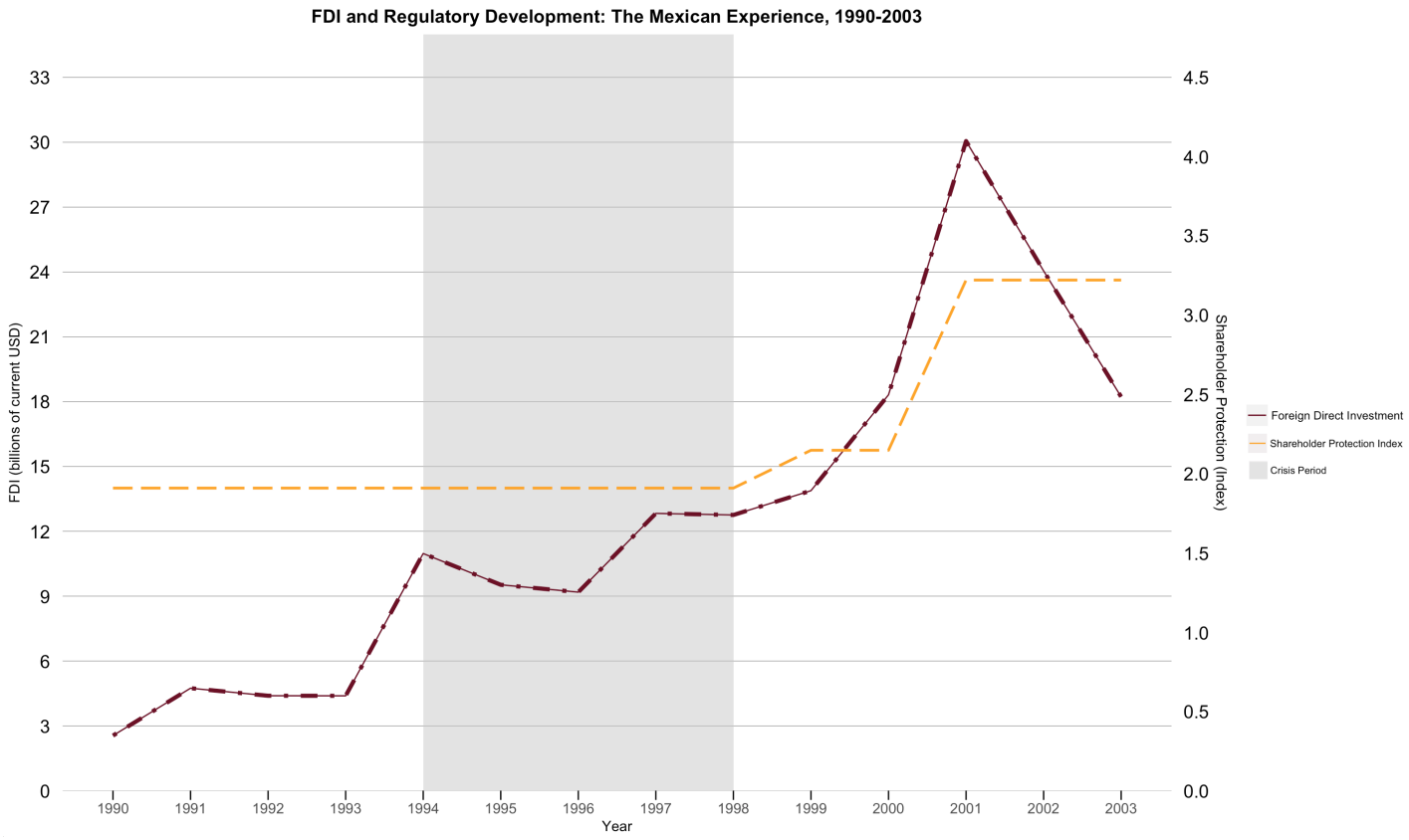

Figure 2 - Source: Author's estimation with data from Haber(2005).

This episode in the last decade of the XXth century in Mexico is just one example that showcases the need to further understand the relationship and interaction between the protection of foreign investors and the dynamics of capital inflows into a host economy after the ocurrence of a financial crisis. Given the unleveled power and influence dynamic between the "insiders" and international investors, this decade also sheds light on the increasingly important role that regulatory frameworks aimed at providing further protection to minority and foreign shareholders have had to play since the advent of emerging market's financial liberalization policies.

As the International Monetary Fund stated in its Global Financial Stability Report in 2016, there is still scarce empirical research on the links between corporate governance and nancial stability, either at the country or firm level, that is comprehensive and includes a broad set of emerging market economies. Furthemore, to the best of my knowledge, there is no research that examines the behavior of the relationship between FDI and corporate governance or shareholder right's protection under crisis episodes that have originated through channels such as currency crisis, inflation crisis, sovereign debt crisis.

This study will make use of two different samples of shareholder protection data that have just recently been updated and made available, allowing us to contribute with an integral study of the relationship between investor protection and financial distress. The final aim is to expand the evidence on the relevance of a regulatory framework for capital allocators and their decision to participate in an emerging economy's Foreign Direct Investment inflows after a period of financial distress.

2 Data Specification

Emerging and Developing Countries Specification

The present research makes use of two different datasets. The original dataset includes the following countries: Argentina, Brazil, Chile, China, India, Malaysia, Mexico, Pakistan, Poland, Russia, South Africa and Turkey.

Table 1: Foreign Direct Investment: Summary Statistics

FDI Inflows in billions of current US dollars	*Total FDI*	*M&A*	*Greenfield*
By decade:			
1990-2000	844.09	189.17	632.97
2000-2010	3210.15	564.14	2622.35
By Region (No. of Countries in Group)			
Commonwealth of Independent States (1)	31.44	6.11	25.33
Emerging and Developing Asia (6)	1838.34	219.80	1613.88
Emerging and Developing Europe (2)	281.65	93.05	188.51
Latin America and the Caribbean (11)	1283.87	272.45	999.66
M. East and N.Africa (2)	78.75	30.79	35.16
Sub-Saharan Africa (4)	126.61	48.61	61.43

The second dataset is specified for a broader range of emerging market economies, which will be used to observe whether the results obtained in the first dataset can be further generalized across the board to other nations. The latter specification includes: Algeria, Argentina, Brazil, Chile, China, Colombia, Egypt, Ghana, Guatemala, Honduras, India, Indonesia, Kenya, Malaysia, Mexico, Nicaragua, Nigeria, Panama, Peru, Philippines, Poland, Russia, South Africa, Thailand, Turkey and Venezuela.

The period of analysis for both sets of countries is 1990-2010, which is the earliest period found where there is a reasonable amount of information that is both comprehensive and accurate regarding country's macroeconomic indicators (especially measures regarding the country's strength of shareholder's protection framework).

Crisis Specification

The main crisis identification data source relies on Reinhart and Roggoff (2009). This comprehensive data set identifies various types of financial distress episodes, including banking, currency, inflation, stock market and debt crisis, for seventy countries over the period 1970-2010.

Reinhart and Rogoff (2009) makes use of quantitative thresholds to determine the existence of three types of crises that will be examined throughout this study: a currency crisis, an inflation crisis, and a stock market crash. A currency crisis is defined by an annual depreciation versus the relevant country's anchor currency of 15% or more. An inflation crisis is identified by a period of time when a country suffered from an annual inflation rate of 20% or higher. In order to identify a stock market crash, the authors borrow the identification methodology of Barro and Ursua (2008); a stock market crash is thus defined as a cumulative decline of 25% or more in real equity prices. The remaining crises, external debt and banking, are determined by the identification of specific events as opposed to the assesment of a quantitative threshold. With regards to an external debt crisis, Reinhart and Rogoff define the episode as "the failure of a government to meet a principal or interest payment on the due date (or within the specified grace period)." The begining of the crisis is identified by the default or debt rescheduling as reported by credit-rating agencies such as Standard & Poor's. Reinhart and Rogoff identified the end of each default or rescheduling period as the date when full payments resumed or a restructuring was agreed upon. Finally, a banking crisis is strictly measured by two parameters: the first one is the identification of any bank runs that lead to the closure, merging, or takeover by the public sector of one or more financial institutions; the second one is the closure, merging or takeover of an important financial institution that "marked the start of a string of similar outcomes for other financial institutions."

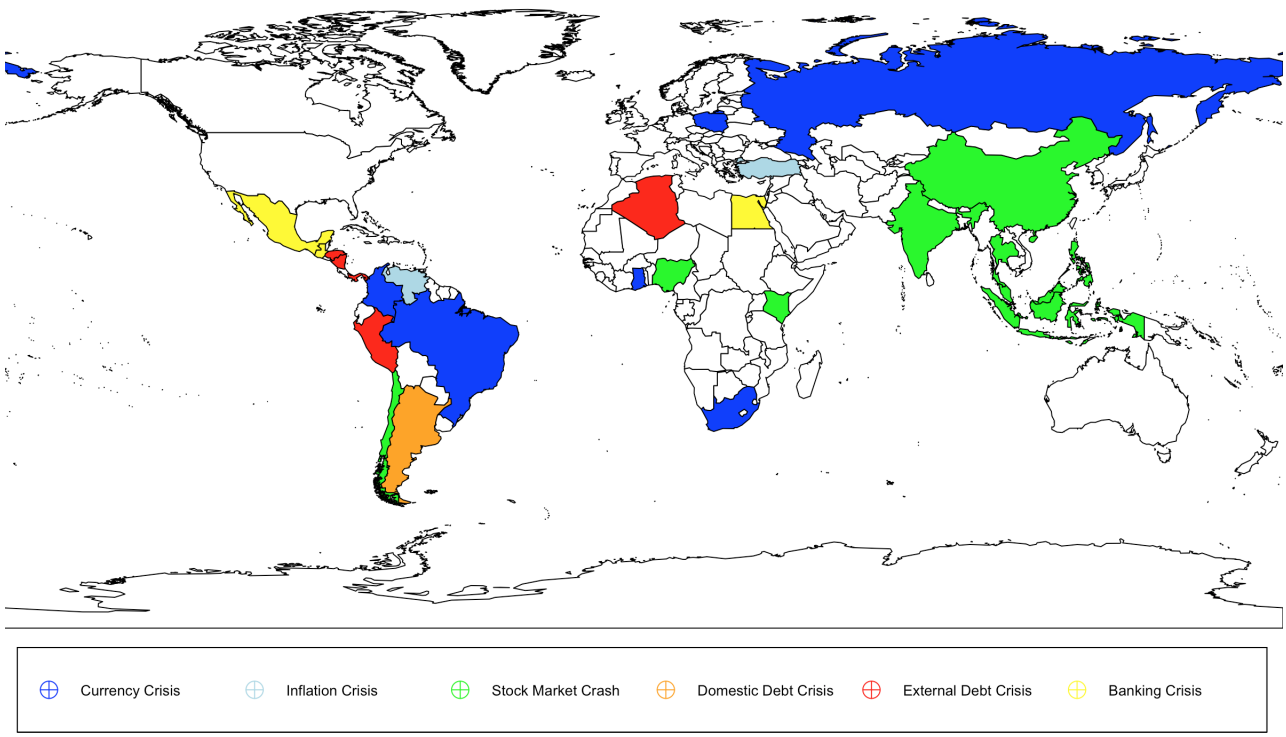

Figure 1 - Source: Author's estimation with data from Reinhart and Rogoff (2009).

Figure 1 above shows evidence of the most prevalent type of crisis for every country during the years for which the model will be specified. It can be seen that during the two decades analzyed stock market crashes were highly prevalent in East Asia, Currecy Crises had a significant presence in South America and External Debt Crisis were pervasive in the South and Central region of the same continent. It can also be observed that the sample of countries subject to analysis comprises a well-balanced geogrpahical selection of countries, covering almost all continents, which will allow us to generalize the results of our study to a larger geography with a lesser degree of territory dependence.

Shareholder Protection Index (SPI)

The present research makes use of two indices: Siems (2016) and Guille and Caprion (2017). They both were constructed using a leximetric approach to law in order to assess the strength of 10 variables that, as it is generally agreed, serve as the foundation for a sound shareholder protection framework[6]:

Table 2: Shareholder Protection Core Variables

Powers of the general meeting for de facto changes	Feasibility of director's dismissal
Agenda setting power	Private enforcement of directors duties
Anticipation of shareholder decision facilitated	Shareholder action against resolutions of the general meeting
Prohibition of multiple voting rights	Mandatory bid
Independent board members	Disclosure of major share ownership

[6]Consult the Appendix for a detailed explanation on the variable encoding methology as per Siems (2007).

Some of the core variables included in both of the indexes, would seem highly pertinent in the context of an investor determining the risk profile and the degree of protection his investment would have in an emerging market economy. A clear example would be the key role played by the regulation regarding the Private Enforcement of Director's Duties in the case of Mexico's financial liberalization period after 1992 and the sale of the biggest banking assets from the government to the private sector. Before the financial sector's restrictions to foreign investment were lifted in 1996, foreign investors were only able to contribute up to 30% of the equity capital in any given financial institution. Under this context and considering Mexico's financial industry's highly concentrated ownership structure, these investors were still considered minority shareholders which would need tools at their disposition to reduce the misalignment between their motivations and proposed strategies and the ones enacted by the majority shareholders and the management of the company, particularly when directors were involved in reckless management and excessive risk-taking.

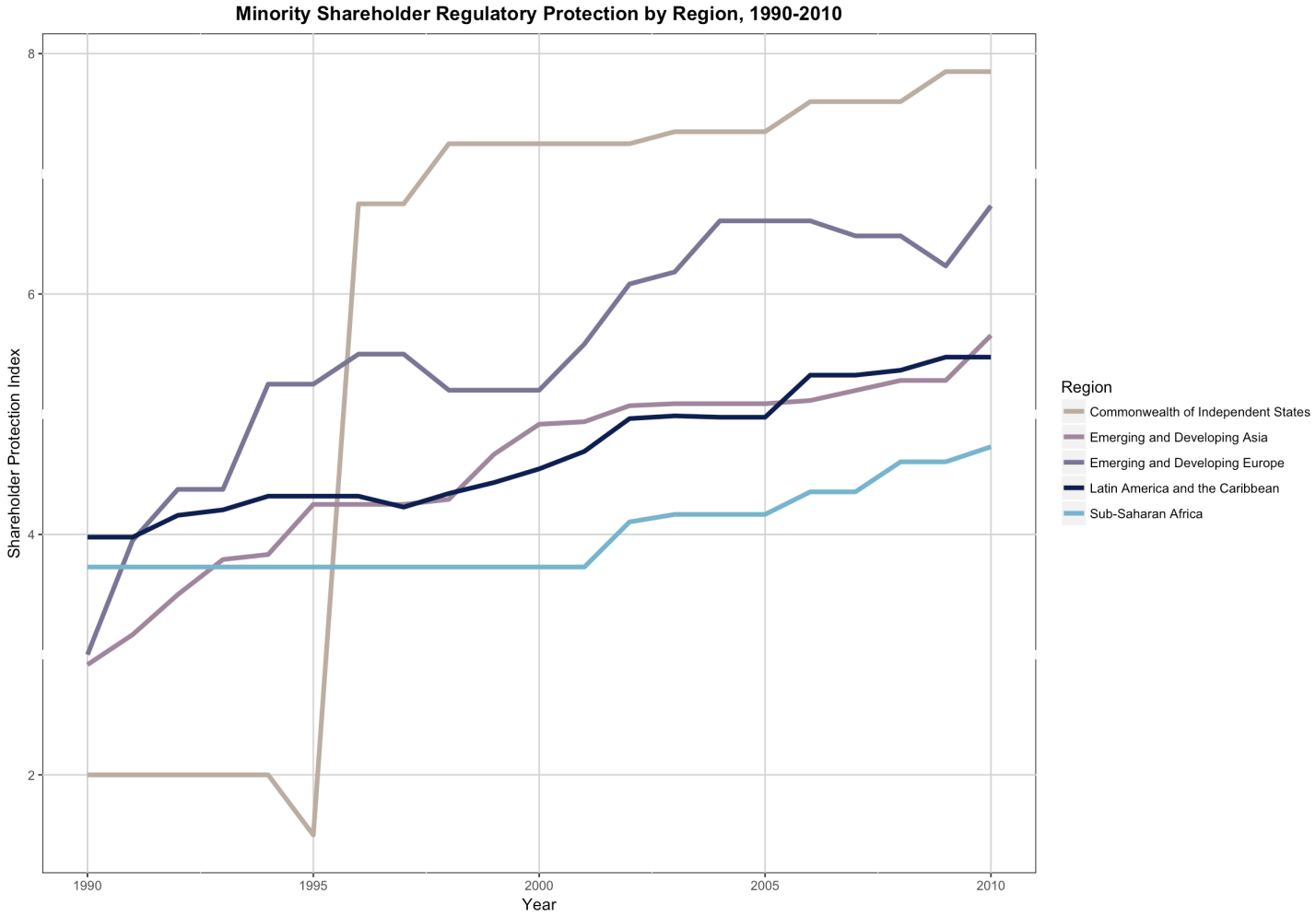

Figure 2 - Source: Author's estimation with data from Siems (2016). Region specification by the International Monetary Fund.

The index utlimately yields a value between 0 and 1 for each variable, with 0 implying no shareholder protection or the worst protection, and 1 the best or maximum protection offered. We then added the scores of each one of those 10 variables for a total annual score per country.

As it can be seen in Figure 2, the strength of shareholder protection frameworks have been almost always increasing from 1990 to 2010 for all of the countries analyzed. While the region with the most sustained growth for the period is Developing and Emerging Europe (comprising Poland and Turkey), the region which undeniably presents the most progress is the Commonwealth of Independent States (comprised by Russia). The reason for the country's significant increase in the strength of its shareholder protection score from 1995 to 1996 is the government's release of corporate shareholder guidelines for the first time which the primary objective of attracting foreing direct investment and various modes of financing to strengthen and grow their economy after the fall of the USSR. As it will be detailed on

a later stage, since Russia represents a significant outlier to the trends shown by the other countries in the sample, the model specification will be run both with and without it to avoid a severe degree of sample bias.

It is important to note that both the original and the extended indices are concerned specifically to flows of equity capital and reinvestment of earnings and do not consider the implications for of regulatory protection for debtholders.

Foreign Direct Investment Specification

The source of FDI inflows and cross-border M&A measurements is the United Nations Conference on Trade and Development's FDI database compiled in its annual World Investment Report, which will be sourced from 1990-2010 in order to match the information obtained for the shareholder's protection index (SPI). Moreover, following Wang and Wong (2009), we construct a measure of greenfield investment by subtracting cross-border M&A from each country's total FDI inflows.

3 Econometric Specification

The dependent variable of interest is annual level of inward Foreign Direct Investment by country, regressed on the the Shareholder Protection Index, along with a vector of crisis dummies (set to 1 when a given country is suffering a specific type of crisis for a particular year, and zero otherwise), as well as an interaction term between the vector of crisis and the value of the Shareholder Protection Index. The model will also include a vector of control variables a la Stoddard (2015), which aims to control for a broad set of macroeconomic conditions, as well as for the political, socioeconomic, and business environment in the host country. The data for this factors relies on indicators provided by the Freedom House and International Country Risk Guide sourced from the ICRG-PRS databases, as well as the World Bank's World Development Indicators (WDI).

The model is thus defined as follows:

$$FDI_{it}^{T} = \beta_1 + \beta_2 SPI_{it-1} + \beta_3 CRISIS_{it-1}^{P} + \beta_4 (SPI_{it-1} \times CRISIS_{it-1}^{P}) + \beta_5 (SPI_{it-2} \times CRISIS_{it-2}^{P}) + \beta_6 X_{it} + \beta_7 Z_{it} + \varepsilon_{it}$$

Where FDI_{it}^{T} is the measure of FDI inflows into country i in year t and of type T (either M&A or Greenfield investments), SPI_{it-1} the Shareholder Protection Index relevant for country i in year $t-1$, $CRISIS_{it-1}^{P}$ the crisis dummy for country i in year $t-1$ relative to the specific type of crisis P as identified by Reinhart and Rogoff (2009), X_{it} a vector of control variables as previously defined, and Z_{it}, a vector of one and two-time lagged values of the relevant mode of Foreign Direct Investment (M&A or Greenfield investments) and SPI, respectively.

The present research will employ a country panel regression approach using an Arellano-Bond Generalized Method of Moments with a within estimator. The algorithm allows to disregard the time-invariant institutional, legal and cultural environment in which FDI projects are implemented and which may have an important impact on FDI inflows, but will allow us to capture the effect of the variability of the relevant country's corporate governance as per the Shareholder Protection Index included in the specification. It is worth stating that the Arellano-Bond GMM estimation has been proven to yield more efficient estimators than the traditional fixed effects specification when facing time series with a potential endogeneity problem, and has been more effective when dealing with problems of unkown heteroskedasticity. Given the likely correlation between the dependent variable and the error of the model, we include lagged levels of FDI in the specification, once again exploiting the properties of Arellano-Bond which also allows to prevent estimation bias due to limited data availability. In our case, the data restrictions come in the form of both a relatively short time horizon, encompassing 20 years, as well as a fairly limited number of 11 and 26 emerging and developing countries considered in the samples, respectively. We utilize a one-lagged value of the Shareholder Protection Index as an instrumental variable as a strategy to control for the endogeneity of the Index and level of FDI; with this model specification, it is clear that a prior regulatory framework might be able to explain the future behavior of Foreign Direct Invesment, and there is no real possibility for the future level of capital to explain ther regulatory strength in existence one period before. Furthermore, since it is plausible that the errors of the estimation across time won't have the same variance, we use heteroscedasticity-consistent standard errors.

3.1 Expected Results

The most relevant regression coefficients we are interested in estimating are β_4 and β_5, which are intended to reflect the association between FDI and the interaction term of one and two lagged values of SPI and the Crisis dummy.

The estimate β_4 , which will be addressed as the *interaction* term in the following analysis, is intended to capture the impact of the crisis on the relationship between the country's Shareholder Protection Index and the level of Foreign Direct Investment as if minority shareholders only had access to one year of information prior to deciding whether to commit a certain amount of capital in the form of equity financing to an emerging economy. On the other hand, β_5, which will be addressed as the *persistence* term, will intend to capture the extent at which previous values of both the Shareholder Protection Index and the existence of a crisis two periods before have any influence in the level of FDI.

We thus expect these estimates to have a positive sign, implying the increased importance that the appropriate protection of shareholder rights play in determining FDI inflows after a period of financial instability. Furthermore, the insight will become richer when comparing the magnitude and significance of the coefficients with the different types of crises identified by Reinhart and Rogoff, allowing us to conclude the types of crises that have a greater effect on strengthening the influence that a country's shareholder's protection framework has in explaining its level of FDI.

4 General Findings and Analysis[7]

Table 3

Estimations Based on Siems (2016)
11 Country Sample

Regressor	Total FDI	M&A	GF Inv.
pers1	0.03	0.06	−0.06
int1	−0.35	0.18	−0.47
pers2	−0.22	0.50***	0.05
int2	0.58	0.03	0.35
pers3	0.50	0.04	0.51
int3	−1.29**	0.15**	1.10**
pers4	0.10	0.20***	−0.46
int4	0.14	−0.17**	0.02
pers5	0.58	−0.18	0.50
int5	−0.45	−0.001	−0.52
pers6	0.32	−0.10	0.31*
int6	0.39	0.32**	0.05

Table 4

Estimations Based on Guillen & Capron (2016)
26 Country Sample

Regressor	Total FDI	M&A	GF Inv.
pers1	0.02	0.06	−0.11
int1	−0.15	0.16	−0.35
pers2	0.23	0.41***	0.29
int2	0.16	0.05	−0.08
pers3	0.35	0.05	0.39
int3	−0.79**	0.12**	−0.64
pers4	0.05	0.09	−0.17
int4	0.10	−0.17**	0.06
pers5	0.37	−0.08	0.29
int5	−0.05	−0.06	−0.20
pers6	0.32**	−0.10	0.22**
int6	0.34	0.08*	0.23

* $p<0.10$, ** $p<0.05$, *** $p<0.01$.

When analyzing our results per type of inflow, we observe that Mergers and Acquisitions is the most of inward capital that is more sensitive towards the strength of a country's shareholder protection score after a period of financial distress. This happens to be true for both 11 and 26 country samples where we find 5 and 4 statistically significant terms, respectively. In particular, these terms refer to inflation and banking crises (*pers2*, *pers6*, *int6*) as well as stock market crashes (*int3*). The same trend cannot be observed in our results when analyzing the estimated interaction and persistence terms with regards to post-crisis greenfield investment decisions, where only a banking crisis and stock market crashes seem to be relevant as per their statistic significance. This result agrees with previous research findings that have concluded that M&A flows might respond relatively faster to a financial shock when

[7]The tables on this section only showcase the relevant interaction and persistence terms. The full specification including all control variables can be found in the Appendix. Coefficient estimates in billions of current USD.

compared to greenfield investment. For example, Davies et al. (2015) documents that M&A flows are significantly more prone for opportunistic behavior ian that it is more prone to short-term variations in some macroeconomic variables, such as changes in market size, as measured by the total valuation of the publicly listed companies in a country, or the sudden depreciation of a currency that might makes some assets undervalued in the short-term. On the other hand, the authors also document that greenfield investment is more linked towards the firm's capacity in the country of origin and doesn't necessarily respond to the short-term variation of the host country's indicators. Having this in mind, it is important to clarify that we cannot necessarily think about the development of a country's legal framework as a short-term change (which refers us back to the shareholder protection framework's strength remaining constant in some countries for a significant period of time). Rather, what can be seen as a short-term change is the binary variable that we use to indicate whether a crisis is impacting a country or not. In other words, the short-term disruption to which M&A flows are reacting as per the model estimated is the existence or nonexistence of a crisis, without incorporating the degree of severity of the distress for any given year. Thus, it is possible to see how from one year to the other Reinhart and Roggoff's dataset might diagnose a country as fully recovered when in reality the effect of the shock could have been much more long-lived.

As it was expected before estimating the model, the analysis on the small sample shows a statistically significant and positive relationship between M&A net inflows and shareholder protection during a banking crisis. This helps us confirm the argument about the dynamics of foreign investors in events such as the Mexican bank privatization in 1992 . Given the instability that the banking sector would be experiencing under the circumstance previously described, it is understandable that foreign investors might want to guarantee a higher degree of security for their capital that can protect them from resource mismanagement of from excessive risk taking as per the decisions of either the company's leadership or from the majority shareholders that in some situations also tend to control the Board of Directors of the private enterprises.

Additionally, we find that the persistence terms of our estimation are highly significant at the 1% level for periods where countries suffered from inflation crises (*pers3*), for both the small and the large sample of countries. This is in line with what was expected, since according to previous analyses, inflation poses a real threat to investors because it directly impact their investment returns. Significant price increases put pressure on investor's objectives to increase their long-term purchasing power when their rate of returns cannot compete with the rate of inflation. Moreover, PIMCO (2012) explains that even though common stocks, which would need to be transferred or acquired during an M&A transaction for example, have often been a good investment relative to inflation over the very long term since companies can increase their cash flow by raising prices for their products when their costs increase in an inflationary environment. However, in the short-term, which is of bigger interest for the present research, stocks have often seen a negative correlation to inflation and can be especially hurt by significant and sudden price increases, such as the ones identified by Reinhart and Rogoff of a decrease in purchasing power of more than 20% on an annual basis. Thus, inflationary environments might make foreign investors worry and rely more on a protection framework that can allow them to be heard in the decision-making process of the company in the short term.

Regarding greenfield investment inflows, we only observe statistic significance in the two-lagged interaction term in both of the samples. This once again reaffirms Davies's findings regarding the differing short and long-run sensitivity of M&A and greenfield investment. From another perspective, the significance of the two-lagged variable might be due to the fact that the process of allocating capital into a country to establish a fully new production facility or manufacturing plant is accompanied by a longer timeframe compared to when investors engage in a transaction that involved the merger of two already-existing corporation. Thus, with a longer timeframe in mind, it is reasonable to expect investors to assess the regulatory and macroeconomic stability of a country at a a certain point in time, but consummate the transaction and transfer their capital in the subsequent two periods, which is when it is ultimately rejected in the FDI measurement reported by the UNCTAD.

There are only two results that challenge our initial hypothesis. The first of these is the one-lagged interaction for M&A during a sovereign debt crisis (*int4*). It is worth highlighting that the regression coefficient for the interaction terms in both the 11 and 26-country samples proved to be significant at the 5% level, even though the significance of the persistence term disappeared with the estimation of the larger sample. This result would imply that foreign investors would be more willing to channel capital into a country after a domestic debt crisis the less robust was the regulatory framework protecting them. Even though this would be the right insight to draw from the econometric estimation, as elaborated in Reinhart and Rogoff (2009), there is a pervasive lack of transparency in many emerging market governments and multilateral institutions, which do not make time series on domestic debt easily available. Unfortunately, the poor disclosure of relevant and accurate information by the appropriate authorities inevitably

makes any conclusions related to events identified by a sovereign debt crisis highly unreliable. Thus, this study does not consider prudent to rely on these results as concrete evidence for a potentially negative relationship between any type of capital inflow and the included interaction and persistence terms.

The second result challenging our hypothesis is the negative and statistically significant interaction term when the level of total FDI is estimated after a year of a stock market crash (*int3*), for both the small and large samples. However, there is reason to believe that there should be a direct relationship between this period's level of foreign direct investment and the previous period's shareholder legal protection strength given this type of crisis.Thus, it would be more appropriate to suggest an alternative explanation to why the estimation returned a negative regression coefficient for the interaction term as opposed to a positive one. In the following we claim that this might be a case for omitted variable bias.

The omitted variable might very well be a measurement of the degree to which shareholders are required to internally propose and enforce resolutions and business strategies, as opposed to having them prescribed in detail by the regulatory authority of a given country. In other words, the omitted variable may refer to how clearly does the legal framework set up at a country-level provide specific solutions that would relieve the shareholders of a corporation to have to decide on a solution to a specific dispute during an extraordinary shareholder meeting. One example is the robustness of the body of bankruptcy law in a given country and the degree to which it specifies the process of asset disposition in a situation of complete insolvency. If the law is clear enough about the action that the entity should take when facing such situation, then there is little room for the shareholders of the company to override federal (or country-level) law and thus there would be a lesser need for them to reconvene to assess a proper strategy to dispose of their assets. On the other hand however, if the country-level regulation is not clear or mature enough, it becomes necessary to establish a separate body of corporate law as it would pertain specifically to shareholder rights and protection. In this case, it would be appropriate to assume a negative correlation between the development of a shareholder protection framework and the specificity and robustness of other areas of corporate law with regards to conflict resolution and antitrust decisions, as well as a positive correlation between the specificity and robustness of the latter and the any period's level of inward FDI. Thus, we would expect the coefficient of "interaction3" to be downwards biased, which can be the reason it enters the regression with a negative sign.

It is also worth mentioning the results obtained for some of the control variables included in the model[8]. For instance, the log of GDP enters positive and significant across all financial crises analyzed. This confirms the importance of previous episodes of economic growth in determining the attractiveness of a country as a destination for new waves of foreign capital. It is alto interesting the relationship that the lending rate charged to the private sector has with both M&A and greenfield investments. In most cases, the coefficient of this control enters negative for both types of inflows. This implies that a higher cost of borrowing is associated with a lower level of foreign capital in the form of equity entering a country in any given period. This might suggest that debt and equity act as complementary sources of financing for investors. According to corporate finance theory (De Marzo, 2016), equity financing usually entails a greater cost of capital relative to debt, making it appropriate to establish an entity of carry out a transaction with an optimal combination of both of these financing instruments, and it will almost never be optimal to do so purely with equity. This being said, the higher the cost of debt, as measured here by the lending rate, the less equity investment will be made since the overall venture becomes increasingly more expensive if they wanted to replace debt with equity, which would in turn directly impact the project's return on investment (ROI).

In terms of the relationship between the control variables utilized, we can also note the negative, albeit not significant relationship between a country's market capitalization in a given year and it's rate of inflation. In the same way, we also see a positive association between the former market maturity variable and the countries economic growth as measured by the log of its GDP. Interestingly enough, we see a highly significant and positive correlation between the inflation rate and the rate with which the economy lends to the private sector. This does not necessarily imply however that increasing interest rates causes a higher annual inflation rate. Rather, the positive correlation between these variables could indicate that the country's central bank or rate-setting authority is merely responding to a greater inflation by raising the overnight rate charged between banks to meet reserve requirements (the federal funds rate, in the United States). Since this rate is a key components of the ultimate lending rate at which debt is issued to enterprises, a contraction monetary policy enacted by the relevant regulatory authority would make lending rates react and adjust after recognizing the sudden increase in prices.

[8]Consult Appendix for comprehensive estimation results.

We can also note the negative, albeit not significant, relationship between Market Capitalization, and the rate of inflation in the sample of countries analyzed[9]. We also see a positive relationship between these market maturity variable and the countries' economic growth as measured by their Gross Domestic Product. Interestingly enough, we see a highly significant and positive correlation between the inflation rate and the rate at which the economy lends to the private sector. In this case, however, this doesn't necessarily mean that increasing interest rates causes a higher level inflation. Rather, the positive correlation between these variables could indicate that the Central Bank is responding to a greater inflation by raising interest rates. Since the funds rate is a key component of the ultimate lending rate at which debt is issued to enterprises as well as the additional risk premium, a raise in interest rates by the central monetary authority would make lending rates also adjust reacting after recognizing the sudden increase in prices.

We also see that the lending rate has a statistically significant and negative correlation with a country's Market Capitalization. As explained in the introduction, this confirms the theory that firms utilize equity and debt as complement sources of financing. Thus, a higher demand for debt obligations would tend to push the lending rates higher, at the same time that the higher utilization of debt would mean a smaller need for the private sector to issue equity in the public market to finance its endeavors, contributing to a lesser extend to the development of the maturity of the country's financial infrastructure.

Finally, there is a positive correlation for each crisis detected in $t-1$ t-1 and the one detected in $t-2$[10].This implies that a crisis in any given period shows a relatively strong association to the existence of a crisis in the period immediately before that. This also signals that foreign investors, when assessing the opportunity of channeling capital to an emerging market at one point in time, are likely to consider the influence of the shareholder protection strength and the existence of a crisis in both one and two years prior to their decision.

The relationship between the persistence and interaction terms also sheds light on the speed of recovery of an economy after a financial crisis. We could claim that the lower the correlation coefficient, the speedier the recovery after a financial shock since it means that there are more episodes in which a crisis year was immediately followed by a recovery period. However, we can observe that out of the 6 different types of financial distress events analyzed 4 of them have a correlation that is higher than .5 which might imply that there a significant periods where the crisis lasted for more than one year.

As a robustness check, the model was estimated once again utilizing the same two samples but excluding Russia[11]. The reason for this is that, as explained in previous sections, Russian governmental authorities did not release any corporate shareholder guidelines until 1995 and 1996. When they decided to do so in order to attract a higher share of external financing, the measured strength of the country's shareholder protection framework increased substantially, making it a significant outlier in our sample. Our new results prove to be mostly robust to our original country specification. For instance, with regards to the 11 country sample based on Siems (2016), the regression coefficient relating total FDI and the strength of shareholder protection during the previous period during a stock market crash only changed by .07% and remained with the same significance level. On the same sample, the results concerning M&A did not see any change, and the ones related to greenfield investment saw a 1.8% increase and 32% decrease on the interaction regarding a stock market crash (*int3*), and the persistence term regarding a banking crisis (*pers6*), respectively. However, both terms kept their original statistic significance. With regards to the 26 country sample based on Guillen and Capron (2016), only the persistance of the effect of a banking crisis after two years saw a decrease in significance from 5% to a 10% level under the Total FDI specification (*int6*), and the one-lagged regression coefficient of shareholder protection and banking crisis on M&A looses it's 10% significance. Other than these changes, the estimations of our results remain largely consistent across both samples allowing to draw highly generalizable conclusions.

It is important to highlight however that our analysis of these correlations assume that the countries in the sample were only experiencing one type of crosses at a time and were not suffering other negative impacts from other financial shocks from one period to the other. Given its strength and arguable real-world application, this assumption is further analyzed in the following section of the present research.

[9]These results are presented in the Control Variables section of the Appendix.
[10]Consult Persistence and Interactions cross-correlation table in Appendix.
[11]Comprehensive results can be consulted in the Appendix under the model estimations excluding Russia

5 Conclusion and Scope for Future Research

5.1 Conclusion

The aim of the present research was to extend the general understanding of the relationship between inward foreign direct investment into emerging markets and the strength of the shareholder protection framework that these countries have in place for foreign minority investors during a period of financial distress. To that respect, we began by acknowledging the fact that not all capital flows are created equal and that not all financial crises impact economies in the same way and thus that there was a crucial need to differentiate between them throughout our analysis. Examining these separately, we were able to determine that a shareholder protection framework is of most relevance when capital allocators are deciding whether to transfer capital in the form of a merger or an acquisition, specifically to a country that has recently suffered from a stock market crash, an inflation crisis, or a banking crisis.

The study was also able to shed light on the relationship between shareholder protection during a period of financial distress and the subsequent level of greenfield investment into a host country. As shown in our results, investors are less interested in the immediately prior existence of a shock and are more interested on the impact of a crisis that took place two periods before, particularly when observing countries which had suffered from an inflation crisis. The results for both of the types of FDI are consistent with the investment timeframe which is usually identified for execution of a M&A transaction of the consolidation of a new venture in an emerging market. Some of our collateral findings also include the complementary relationship between debt and equity as financing instruments for both M&A and greenfield investments. We also confirmed the statistically significant relationship of these inflows with the economic growth of the host economy.

As thorough as the present research intends to be, it is important to recognize that there is significant room for improvement. In the following we list some potential ways in which ours results could be confirmed and further enriched.

5.2 Foreign Investor Heterogeneity

Even though our analysis makes special emphasis in differentiating between the two most important types of inward foreign direct investment, the accuracy of our results could be further improved by further differentiating by the type of investor who is channeling his capital into the host economy. In other words, having a better understanding of the separate shares of institutional investors and individual investors or family offices who participate in this transaction would allow us to shed light into the specific group of investors for which having a shareholder protection framework would be most important. Having said this, we would most likely find an inverse relationship between the size of the agent allocating capital and its sensitivity to the strength of such legal infrastructure. Furthermore, with regards to the data collected to analyze transactions in the form of M&A, it would be useful to obtain information regarding whether the investor is channeling capital to the emerging market merely to increase his stake in the recipient enterprise of if it is the first time the agent is investing in such entity. The results relevant to our hypothesis would become more accurate if we were able to discard the ones whose objective is to increase their equity share in the organization, given that they are not venturing into unchartered territory and have already fostered a relationship with domestic shareholders and the company's leadership and management, as opposed to first-timers, who would potentially give more importance to the existence of a robust regulatory framework that would allow them to be protected from the uncertainty they face regarding the internal decision-making process of the company.

5.3 Domestic Investor's Ownership Concentration

An extension of the baseline study here presented could be to modify the model estimated and include a regressor to adjust for the average ownership concentration of domestic shareholders, at the very least, at the country-level. We could speculate a direct relationship between foreign investors' sensitivity to the strength of a shareholder protection legal structure and the average ownership concentration by domestic shareholders. This would be especially true where the regulatory environment does not foresee any prescriptive resolutions to prevent conflicts regarding

minority shareholder expropriation by the controlling shareholders. Given that previous literature has documented the negative correlation between domestic investor's ownership share an foreign direct investment, and the positive correlation between said investor's ownership share and the strength of shareholder protection[12] we would expect the model's coefficients regarding the interaction and persistence terms as originally defined to be downward biased. This improvement might be challenging however, since it was already challenging to obtain reliable information on the overall market capitalization of the publicly listed companies in some of the countries examined without expressing further interest in their ownership breakdown.

5.4 Industry Segmentation and Crisis Exposure

The present research could be further improved if we could obtain information at an industry-level and adjust the estimation of our model to only focus on the industry or industries that were the most impacted by a specific type of crisis. This targeted approach would allow us to better understand the specific ways in which specific industries are impacted and respond to different types of crises, which would provide further guidance into whether a specific legal framework to protect shareholders is important, or if the other bodies of corporate law are enough to cover the needs of those industries that are relatively more crisis-prone. Even though this might potentially introduce upward bias intro our interaction and persistence estimates given that we would only be focusing on the industries that "truly" require or need the existence of an shareholder protection framework, if these estimate prove to be statistically significant and small, then we could conclude that such a framework is necessary to attract foreign direct investment after a crisis even into the most affected industries.

5.5 Crisis Interdependence

From the estimation of the model and all the way to the cross-correlation matrices of the persistence, interaction and control variables, we assume that the countries were being impacted by only one type of crisis at a time. Needless to say, this is hardly the case: an extensive body of empirical research has proven thee are of crisis contagion and transmission. An example could be a country which suffers a currency crisis caused by abandoning a pegged currency and a forced evaluation, which can lead to an inflation crisis and subsequently to a banking crisis. Therefore, an extension of the present research could devote part of its analysis to the relationship between the distinct types of capital inflows and the most common combinations of financial crises occurring approximately during the same period of time. This analysis would be especially important for countries such as Argentina, Indonesia, Kenya and Russia, which suffered from more than 4 types of financial crises during the same year.

5.6 A Note on Regulatory Enforceability

There might be a confounding variable that we haven't been able to measure: regulation enforceability. Even if in the introduction of the present research we were able to shed light on the current developments of shareholder protection regulatory frameworks in emerging markets which show an ever-strengthening legal infrastructure, without having additional information on the ways in which the law is followed and applied we cannot be certain that more shareholder regulation is anything else but a short-term attempt to signal the country's attractiveness to foreign investors without delivering on its promise of protection at a later stage.

[12] See Lskavyan (2001).

6 Appendix

6.1 Persistence and Interactions

Table 5: Cross-Correlation Analysis of Persistence and Interaction Regression Estimations

Variables	pers1	pers2	pers3	pers4	pers5	pers6
int1	0.328					
	(0.000)					
int2		0.679				
		(0.000)				
int3			0.249			
			(0.000)			
int4				0.630		
				(0.000)		
int5					0.725	
					(0.000)	
int6						0.565
						(0.000)

6.2 Control Variables

Table 6: Cross-Correlation Analysis of Control Covariates

Variables	lnGDP	Infl	WDI_MCAP	WDI_Lend
lnGDP	1.000			
Infl	0.026	1.000		
	(0.552)			
WDI_MCAP	0.008	-0.038	1.000	
	(0.884)	(0.502)		
WDI_Lend	-0.043	0.959	-0.136	1.000
	(0.350)	(0.000)	(0.023)	

6.3 Assessing Strength of Shareholder Protection - A Leximetric Approach[13]

Variables	Description
1. Powers of the general meeting for de facto changes	If the sale of more than 50 % of the company's assets requires approval of the general meeting it equals 1; if the sale of more than 80 % of the assets requires approval it equals 0.5; otherwise 0.
2. Agenda setting power	Equals 1 if shareholders who hold 1 % or less of the capital can put an item on the agenda; equals 0.75 if there is a hurdle of more than 1 % but not more than 3%; equals 0.5 if there is a hurdle of more than 3 % but not more than 5%; equals 0.25 if there is a hurdle of more than 5% but not more than 10 %; equals 0 otherwise. Please also indicate the exact percentage
3. Anticipation of shareholder decision facilitated	Equals 1 if (1) postal voting is possible or (2) proxy solicitation with two-way voting proxy form has to be provided by the company (i.e. the directors or managers); equals 0.5 if (1) postal voting is possible if provided in the articles or allowed by the directors, or (2) the company has to provide a two-way proxy form but not proxy solicitation; equals 0 otherwise.
4. Prohibition of multiple voting rights (super voting rights)	Equals 1 if there is a prohibition of multiple voting rights; equals 2/3 if only companies which already have multiple voting rights can keep them; equals 1/3 if state approval is necessary; equals 0 otherwise.
5. Independent board members	Equals 1 if at least half of the board members must be independent; equals 0.5 if 25 % of them must be independent; equals 0 otherwise

[13]Exact methodology used by Siems (2007) and Siems (2016) for variable encoding.

6. Feasibility of director's dismissal	Equals 0 if good reason is required for the dismissal of directors; equals 0.25 if directors can always be dismissed but are always compensated for dismissal without good reason;[19] equals 0.5 if directors are not always compensated for dismissal without good reason but they could have concluded a non-fixed-term contract with the company; equals 0.75 if in cases of dismissal without good reason directors are only compensated if compensation is specifically contractually agreed; equals 1 if there are no special requirements for dismissal and no compensation has to be paid. Note: If there is a statutory limit on the amount of compensation, this can lead to a higher score.
7. Private enforcement of directors duties (derivative suit)	Equals 0 if this is typically excluded (e.g., because of strict subsidiarity requirement, hurdle which is at least 20 %); equals 0.5 if there are some restrictions (e.g., certain percentage of share capital; demand requirement); equals 1 if private enforcement of directors duties is readily possible.
8. Shareholder action against resolutions of the general meeting	Equals 1 if every shareholder can file a claim against a resolution by the general meeting; equals 0.5 if there is a threshold of 10 % voting rights; equals 0 if this kind of shareholder action does not exist.
9. Mandatory bid	Equals 1 if there is a mandatory public bid for the entirety of shares in case of purchase of 30% or 1/3 of the shares; equals 0.5 if the mandatory bid is triggered at a higher percentage (such as 40 or 50 %); further, it equals 0.5 if there is a mandatory bid but the bidder is only required to buy part of the shares; equals 0 if there is no mandatory bid at all. Please also indicate the exact percentage.
10. Disclosure of major share ownership	Equals 1 if shareholders who acquire at least 3 % of the companies capital have to disclose it; equals 0.75 if this concerns 5 % of the capital; equals 0.5 if this concerns 10 %; equals 0.25 if this concerns 25 %; equals 0 otherwise Please also indicate the exact percentage.

6.4 Comprehensive Estimation Results

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Table 7: Cross-correlation table

Variables	FDI	FDIlag	FDIlag2	MA	MAlag1	MAlag2	Greenfield	Greenfieldlag1	Greenfieldlag2
FDI	1.000								
FDIlag	0.760	1.000							
	(0.000)								
FDIlag2	0.697	0.760	1.000						
	(0.000)	(0.000)							
MA	0.502	0.379	0.308	1.000					
	(0.000)	(0.000)	(0.000)						
MAlag1	0.443	0.503	0.380	0.439	1.000				
	(0.000)	(0.000)	(0.000)	(0.000)					
MAlag2	0.397	0.443	0.503	0.258	0.441	1.000			
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)				
Greenfield	0.985	0.748	0.694	0.346	0.389	0.373	1.000		
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)			
Greenfieldlag1	0.731	0.985	0.748	0.314	0.347	0.388	0.730	1.000	
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)		
Greenfieldlag2	0.670	0.730	0.985	0.271	0.315	0.346	0.673	0.729	1.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	

Table 8: FDI and Shareholder Protection under Financial Distress -11 Countries Sample

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.FDI	0.34*	0.33*	0.43***	0.34*	0.34*	0.34*
	(1.76)	(1.95)	(2.75)	(1.92)	(1.96)	(1.87)
FDIlag2	0.40*	0.41*	0.34*	0.39*	0.39*	0.39*
	(1.74)	(1.89)	(1.83)	(1.76)	(1.81)	(1.78)
SHP_lag	-1.37[a]	-1.47[a]	-.91[a]	-1.20[a]	-1.40[a]	-1.31[a]
	(-1.43)	(-1.19)	(-0.79)	(-0.77)	(-1.26)	(-1.24)
lnGDP	23.7706*[a]	25.24**[a]	23.49**[a]	25.25*[a]	25.64*[a]	26.57**[a]
	(1.95)	(2.03)	(2.00)	(1.89)	(1.82)	(2.07)
Infl	.33[a]	.60*[a]	.23[a]	.40[a]	.40[a]	.39[a]
	(1.43)	(1.95)	(0.90)	(1.45)	(1.60)	(1.50)
WDI_MCAP	20,529,157.5	11,387,703.2	23,419,740.8	10,052,375.8	10,572,406.9	13,566,614.1
	(0.92)	(0.46)	(0.95)	(0.40)	(0.41)	(0.47)
WDI_Lend	-.34[a]	-.36[a]	-.12[a]	-.30[a]	-.31[a]	-.33[a]
	(-1.59)	(-1.26)	(-0.38)	(-0.97)	(-1.12)	(-1.09)
cri_curr	3.81*[a]					
	(1.71)					
persistence1	.03[a]					
	(-0.07)					
interaction1	-.35[a]					
	(-0.77)					
cri_infl		-7.54[a]				
		(-1.32)				
persistence2		-.22[a]				
		(-0.76)				
interaction2		.58[a]				
		(1.45)				
cri_stock			.47[a]			
			(0.34)			
persistence3			.50[a]			
			(1.13)			
interaction3			-1.29**[a]			
			(-2.48)			
cri_debt_dom				-2.81[a]		
				(-1.02)		
persistence4				.10[a]		
				(0.20)		
interaction4				.14[a]		
				(0.33)		
cri_debt_ext					.34[a]	
					(0.19)	
persistence5					.58[a]	
					(1.20)	
interaction5					-.45[a]	
					(-0.82)	
cri_bank						.83[a]
						(0.40)
persistence6						.32[a]
						(1.62)
interaction6						.39[a]
						(0.94)
Constant	-258.11*[a]	-274.38*[a]	-259.74*[a]	-275.71*[a]	-279.32*[a]	-290.697**[a]
	(-1.87)	(-1.95)	(-1.94)	(-1.83)	(-1.74)	(-1.99)
Observations	126	126	126	126	126	126

t statistics in parentheses [a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 9: M&A and Shareholder Protection under Financial Distress- 11 Countries Sample

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.MA	0.19*	0.20**	0.24**	0.20**	0.21**	0.21**
	(1.73)	(2.13)	(2.53)	(2.15)	(2.13)	(2.24)
MAlag2	-0.03	-0.06	-0.05	-0.01	-0.03	-0.03
	(-0.41)	(-0.56)	(-0.64)	(-0.12)	(-0.31)	(-0.42)
SHP_lag	-.91***a	-.75***a	-.68***a	-.31a	-.70***a	-.92***a
	(-5.70)	(-3.41)	(-4.13)	(-0.86)	(-5.19)	(-5.50)
lnGDP	5.56***a	5.43***a	5.14***a	4.86***a	4.59**a	6.16***a
	(3.31)	(3.12)	(3.58)	(2.80)	(2.13)	(3.26)
Infl	-.04a	-.02a	-.05a	-.04a	-.02a	-.06a
	(-0.88)	(-0.37)	(-1.09)	(-0.83)	(-0.35)	(-1.11)
WDI_MCAP	-6,587,116.3	-8,924,959.6	-5,691,404.7	-8,481,227.3	-8,190,727.7	-8,602,461.1
	(-1.27)	(-1.42)	(-0.89)	(-1.39)	(-1.34)	(-1.42)
WDI_Lend	-.03a	.002a	.007a	.03a	-.02a	.03a
	(-0.60)	(0.05)	(0.16)	(0.60)	(-0.34)	(0.51)
cri_curr	.87a					
	(0.74)					
persistence1	.06a					
	(0.43)					
interaction1	.18a					
	(1.45)					
cri_infl		.37a				
		(0.67)				
persistence2		.50***a				
		(-6.02)				
interaction2		.03a				
		(0.16)				
cri_stock			.52a			
			(1.10)			
persistence3			.04a			
			(0.30)			
interaction3			.15**a			
			(2.35)			
cri_debt_dom				-3.05***a		
				(-5.57)		
persistence4				.20***a		
				(2.88)		
interaction4				-.17**a		
				(-2.29)		
cri_debt_ext					-1.09a	
					(-1.25)	
persistence5					-.18a	
					(-1.09)	
interaction5					-.001a	
					(-0.01)	
cri_bank						-1.97***a
						(-3.26)
persistence6						-.10a
						(-1.57)
interaction6						.32**a
						(2.12)
Constant	-55.99***a	-55.13***a	-52.66***a	-51.36***a	-45.63*a	-63.15***a
	(-2.77)	(-2.68)	(-3.06)	(-2.59)	(-1.79)	(-2.79)
Observations	126	126	126	126	126	126

t statistics in parentheses
[a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 10: Greenfield Investment and Shareholder Protection under Financial Distress - 11 Countries Sample

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.Greenfield	0.38	0.36*	0.43**	0.38*	0.37*	0.36
	(1.54)	(1.71)	(2.12)	(1.74)	(1.70)	(1.62)
Greenfieldlag2	0.42*	0.42*	0.38*	0.41*	0.41*	0.420*
	(1.66)	(1.88)	(1.77)	(1.75)	(1.82)	(1.78)
SHP_lag	-.64[a]	-.77[a]	-.37[a]	-.94[a]	-.92[a]	-.55[a]
	(-0.62)	(-0.64)	(-0.31)	(-0.71)	(-0.90)	(-0.52)
lnGDP	18.91*[a]	20.37*[a]	19.29*[a]	19.93[a]	21.71[a]	20.88*[a]
	(1.67)	(1.79)	(1.76)	(1.64)	(1.63)	(1.81)
Infl	.25[a]	.47*[a]	.17[a]	.36[a]	.32[a]	.32[a]
	(1.24)	(1.65)	(0.66)	(1.56)	(1.36)	(1.38)
WDI_MCAP	2,3162,336.0	17,114,056.0	27,416,154.3*	15,839,072.8	15,976,334.8	18,920,364.9
	(1.39)	(1.06)	(1.71)	(0.96)	(0.93)	(0.95)
WDI_Lend	-.20[a]	-.23[a]	-.03[a]	-.28[a]	-.21[a]	-.26[a]
	(-0.91)	(-0.86)	(-0.10)	(-1.04)	(-0.79)	(-0.93)
cri_curr	2.58[a]					
	(1.39)					
persistence1	-.06[a]					
	(-0.17)					
interaction1	-.47[a]					
	(-1.36)					
cri_infl		-6.30[a]				
		(-1.15)				
persistence2		.05[a]				
		(0.21)				
interaction2		.35[a]				
		(0.99)				
cri_stock			.40[a]			
			(0.31)			
persistence3			.51[a]			
			(0.95)			
interaction3			1.10**[a]			
			(2.08)			
cri_debt_dom				2.68[a]		
				(1.47)		
persistence4				-.46[a]		
				(-1.24)		
interaction4				.02[a]		
				(0.06)		
cri_debt_ext					3.66[a]	
					(1.51)	
persistence5					.50[a]	
					(1.24)	
interaction5					-.52[a]	
					(-0.97)	
cri_bank						2.74[a]
						(1.55)
persistence6						.31*[a]
						(1.94)
interaction6						.05[a]
						(0.14)
Constant	-209.08[a]	-225.14*[a]	-216.90*[a]	-217.92[a]	-239.40[a]	-231.72*[a]
	(-1.62)	(-1.74)	(-1.72)	(-1.58)	(-1.57)	(-1.76)
Observations	126	126	126	126	126	126

t statistics in parentheses [a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 11: FDI and Shareholder Protection under Financial Distress - 26 Countries Sample

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.FDI	0.30*	0.31*	0.32	0.31*	0.31*	0.30*
	(1.67)	(1.80)	(1.52)	(1.76)	(1.78)	(1.72)
FDIlag2	0.49*	0.48**	0.49*	0.48**	0.48**	0.48**
	(1.91)	(1.97)	(1.83)	(1.96)	(1.99)	(1.98)
SHP_lag	-1.11[a]	-1.18[a]	-.81[a]	-1.05[a]	-1.19[a]	-1.27[a]
	(-1.28)	(-1.10)	(-0.93)	(-1.14)	(-1.18)	(-1.28)
lnGDP	13.78**[a]	14.25**[a]	146.75**[a]	14.14**[a]	15.06*[a]	17.53**[a]
	(2.03)	(1.97)	(2.03)	(2.02)	(1.94)	(2.11)
Infl	-.001[a]	-.001[a]	-.002*[a]	-.001*[a]	-.001[a]	-.043[a]
	(-1.42)	(-1.37)	(-1.70)	(-1.72)	(-1.30)	(-0.03)
WDI_MCAP	14,312,399.6	8,397,307.5	9,062,894.1	78,66,109.8	70,09,750.1	10,248,683.1
	(1.39)	(0.77)	(0.60)	(0.77)	(0.67)	(0.82)
WDI_Lend	-.12[a]	-.07[a]	.02[a]	-.06[a]	-.06[a]	-.08[a]
	(-1.06)	(-0.49)	(0.17)	(-0.55)	(-0.59)	(-0.71)
cri_curr	2.52**[a]					
	(2.31)					
persistence1	.02[a]					
	(0.06)					
interaction1	-.15[a]					
	(-0.50)					
cri_infl		-.52[a]				
		(-0.17)				
persistence2		.23[a]				
		(0.91)				
interaction2		.16[a]				
		(1.30)				
cri_stock			.39[a]			
			(0.50)			
persistence3			.35[a]			
			(1.06)			
interaction3			-.79**[a]			
			(-1.97)			
cri_debt_dom				-1.43[a]		
				(-0.75)		
persistence4				.05[a]		
				(0.28)		
interaction4				.10[a]		
				(0.30)		
cri_debt_ext					.25[a]	
					(0.18)	
persistence5					.37[a]	
					(1.55)	
interaction5					-.05[a]	
					(-0.23)	
cri_bank						1.04[a]
						(0.66)
persistence6						.32**[a]
						(2.41)
interaction6						.34[a]
						(1.51)
Constant	-144.37**[a]	-149.60*[a]	-157.94**[a]	-148.99**[a]	-158.64*[a]	-186.10**[a]
	(-1.99)	(-1.96)	(-2.01)	(-1.99)	(-1.91)	(-2.09)
Observations	248	248	223	248	248	248

t statistics in parentheses [a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 12: M&A and Shareholder Protection under Financial Distress - 26 Countries Sample

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.MA	0.14	0.13	0.22**	0.13	0.14	0.15
	(1.28)	(1.30)	(2.15)	(1.40)	(1.36)	(1.37)
MAlag2	-0.05	-0.08	-0.06	-0.06	-0.05	-0.06
	(-0.96)	(-1.06)	(-0.84)	(-0.80)	(-0.79)	(-0.93)
SHP_lag	-.99***a	-.87**a	-.84**a	-.64*a	-.86**a	-.92**a
	(-2.69)	(-2.46)	(-2.33)	(-1.87)	(-2.47)	(-2.49)
lnGDP	3.74**a	3.44**a	3.36**a	3.00*a	3.03a	3.78**a
	(2.43)	(2.14)	(2.45)	(1.69)	(1.53)	(2.10)
Infl	-.001***a	-.001***a	-.002***a	-.002***a	-.001***a	-.001***a
	(-8.05)	(-4.70)	(-6.14)	(-4.29)	(-6.63)	(-6.31)
WDI_MCAP	-81,60,721.0	-11,470,022.8*	-7,549,857.8	-10,890,110.9*	-11,320,169.0*	-11,647,981.2*
	(-1.51)	(-1.83)	(-0.89)	(-1.77)	(-1.72)	(-1.76)
WDI_Lend	-.052*a	-.007a	-.025a	-.016a	-.029a	-.028a
	(-1.89)	(-0.29)	(-1.46)	(-0.83)	(-1.18)	(-1.12)
cri_curr	.573a					
	(0.80)					
persistence1	.06a					
	(0.76)					
interaction1	.16a					
	(1.63)					
cri_infl		-.69a				
		(-1.25)				
persistence2		.41***a				
		(3.51)				
interaction2		.05a				
		(0.41)				
cri_stock			.63*a			
			(1.80)			
persistence3			.05a			
			(0.49)			
interaction3			.12**a			
			(2.04)			
cri_debt_dom				-1.03a		
				(-0.99)		
persistence4				.009a		
				(0.10)		
interaction4				-.17**a		
				(-2.19)		
cri_debt_ext					-.73a	
					(-1.50)	
persistence5					-.08a	
					(-0.80)	
interaction5					-.06a	
					(0.66)	
cri_bank						-.12a
						(-0.24)
persistence6						-.10a
						(-0.19)
interaction6						.08*a
						(1.83)
Constant	-34.40**a	-31.62*a	-31.56**a	-27.85a	-26.95a	-35.23*a
	(-2.06)	(-1.80)	(-2.08)	(-1.44)	(-1.22)	(-1.73)
Observations	225	225	203	225	225	225

t statistics in parentheses
[a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 13: Greenfield Investment and Shareholder Protection under Financial Distress - 26 Countries Sample

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.Greenfield	0.31	0.32*	0.29	0.31	0.32*	0.314
	(1.49)	(1.69)	(1.18)	(1.64)	(1.67)	(1.60)
Greenfieldlag2	0.52**	0.50**	0.54*	0.51**	0.50**	0.50**
	(2.06)	(2.14)	(1.90)	(2.14)	(2.17)	(2.14)
SHP_lag	-.98[a]	-1.14[a]	-.85[a]	-1.18[a]	-1.23[a]	-1.16[a]
	(-0.99)	(-1.06)	(-0.97)	(-1.20)	(-1.24)	(-1.18)
lnGDP	12.67**[a]	13.99**[a]	14.11*[a]	13.84**[a]	14.84**[a]	15.94**[a]
	(2.01)	(2.12)	(1.95)	(2.09)	(2.09)	(2.26)
Infl	-.08[a]	-.11[a]	-.002[a]	-.001[a]	-.008[a]	-.006[a]
	(-0.83)	(-1.41)	(-1.22)	(-1.19)	(-0.98)	(-0.91)
WDI_MCAP	20,259,241.0	16,228,276.6	16,690,550.2	16,372,427.3	16,452,392.6	21,088,768.7
	(1.57)	(1.61)	(1.53)	(1.54)	(1.55)	(1.55)
WDI_Lend	-.02[a]	-.01[a]	.05[a]	-.03[a]	-.01[a]	-.02[a]
	(-0.31)	(-0.10)	(0.39)	(-0.32)	(-0.20)	(-0.29)
cri_curr	1.44[a]					
	(1.10)					
persistence1	-.11[a]					
	(-0.37)					
interaction1	-.35[a]					
	(-1.45)					
cri_infl		-.76[a]				
		(-0.23)				
persistence2		.29[a]				
		(1.35)				
interaction2		-.08[a]				
		(-0.53)				
cri_stock			.33[a]			
			(0.42)			
persistence3			.39[a]			
			(0.88)			
interaction3			-.64[a]			
			(-1.43)			
cri_debt_dom				.91[a]		
				(0.86)		
persistence4				-.17[a]		
				(-1.13)		
interaction4				.06[a]		
				(0.19)		
cri_debt_ext					1.76[a]	
					(1.32)	
persistence5					.29*[a]	
					(1.74)	
interaction5					-.20[a]	
					(-0.84)	
cri_bank						1.08[a]
						(0.95)
persistence6						.22**[a]
						(2.15)
interaction6						.23[a]
						(1.05)
Constant	-135.51**[a]	-149.69**[a]	-154.26*[a]	-147.58**[a]	-158.95**[a]	-171.95**[a]
	(-2.02)	(-2.13)	(-1.93)	(-2.09)	(-2.08)	(-2.27)
Observations	225	225	203	225	225	225

t statistics in parentheses [a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 14: FDI and Shareholder Protection under Financial Distress - 11 Countres Sample Excluding Russia

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.FDI	0.33	0.32	0.40*	0.34	0.34	0.33
	(1.38)	(1.48)	(1.95)	(1.49)	(1.52)	(1.45)
FDIlag2	0.45	0.44*	0.38	0.41	0.42	0.422
	(1.61)	(1.75)	(1.64)	(1.59)	(1.64)	(1.62)
SHP_lag	-1.57*[a]	-1.66[a]	-1.09[a]	-1.41[a]	-1.53[a]	-1.49[a]
	(-1.83)	(-1.42)	(-0.99)	(-1.03)	(-1.47)	(-1.55)
lnGDP	23.19*[a]	24.54*[a]	23.37*[a]	24.55*[a]	24.53*[a]	25.55*[a]
	(1.86)	(1.93)	(1.91)	(1.79)	(1.72)	(1.89)
Infl	.38*[a]	.67**[a]	.27[a]	.43[a]	.44*[a]	.43*[a]
	(1.72)	(2.20)	(1.09)	(1.62)	(1.84)	(1.76)
WDI_MCAP	18,513,363.9	10,088,640.4	22,358,498.8	85,47,401.9	9,254,687.0	11,711,383.2
	(0.79)	(0.40)	(0.86)	(0.33)	(0.35)	(0.39)
WDI_Lend	-.38*[a]	-.40[a]	-.16[a]	-.34[a]	-.35[a]	-.39[a]
	(-1.91)	(-1.48)	(-0.54)	(-1.17)	(-1.36)	(-1.35)
cri_curr	3.61*[a]					
	(1.69)					
persistence1	-.15[a]					
	(-0.33)					
interaction1	-.34[a]					
	(-0.73)					
cri_infl		-8.62[a]				
		(-1.45)				
persistence2		-.25[a]				
		(-0.94)				
interaction2		.62[a]				
		(1.51)				
cri_stock			.55[a]			
			(0.39)			
persistence3			.47[a]			
			(0.98)			
interaction3			-1.28**[a]			
			(-2.18)			
cri_debt_dom				-2.76[a]		
				(-1.02)		
persistence4				.10[a]		
				(0.20)		
interaction4				.18[a]		
				(0.46)		
cri_debt_ext					.16[a]	
					(0.08)	
persistence5					.57[a]	
					(1.21)	
interaction5					-.53[a]	
					(-1.01)	
cri_bank						1.31[a]
						(0.72)
persistence6						.16[a]
						(0.56)
interaction6						.43[a]
						(1.09)
Constant	-249.68*[a]	-264.79*[a]	-256.71*[a]	-265.92*[a]	-265.20*[a]	-276.97*[a]
	(-1.78)	(-1.85)	(-1.85)	(-1.73)	(-1.65)	(-1.81)
Observations	125	125	125	125	125	125

t statistics in parentheses
[a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 15: M&A and Shareholder Protection under Financial Distress - 11 Country Sample Excluding Russia

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.MA	0.20*	0.20**	0.24**	0.20**	0.21**	0.20**
	(1.72)	(2.03)	(2.43)	(2.07)	(2.04)	(2.08)
MAlag2	-0.03	-0.05	-0.05	-0.01	-0.03	-0.03
	(-0.40)	(-0.54)	(-0.63)	(-0.10)	(-0.28)	(-0.39)
SHP_lag	-.90***a	-.75***a	-.68***a	-.30a	-.70***a	-.92***a
	(-5.86)	(-3.38)	(-4.10)	(-0.85)	(-5.39)	(-5.66)
lnGDP	5.53***a	5.41***a	5.15***a	4.84***a	4.57**a	6.21***a
	(3.24)	(3.08)	(3.59)	(2.76)	(2.10)	(3.13)
Infl	-.03a	-.02a	-.05a	-.041a	-.01a	-.05a
	(-0.86)	(-0.37)	(-1.08)	(-0.83)	(-0.35)	(-1.10)
WDI_MCAP	-6,530,925.0	-8,890,214.8	-5,655,888.7	-8,444,637.7	-8,153,312.8	-8,580,432.8
	(-1.25)	(-1.42)	(-0.89)	(-1.38)	(-1.33)	(-1.42)
WDI_Lend	-.036a	.002a	.007a	.033a	-.020a	.034a
	(-0.60)	(0.05)	(0.16)	(0.61)	(-0.33)	(0.51)
cri_curr	.87a					
	(0.74)					
persistence1	.04a					
	(0.31)					
interaction1	.18a					
	(1.47)					
cri_infl		-.37a				
		(-0.66)				
persistence2		-.50***a				
		(-6.02)				
interaction2		-.02a				
		(-0.16)				
cri_stock			.05a			
			(1.10)			
persistence3			.04a			
			(0.32)			
interaction3			.15**a			
			(2.31)			
cri_debt_dom				-3.07***a		
				(-5.64)		
persistence4				.20***a		
				(3.02)		
interaction4				-.16**a		
				(-2.24)		
cri_debt_ext					-1.11a	
					(-1.27)	
persistence5					-.17a	
					(-1.08)	
interaction5					-.08a	
					(-0.01)	
cri_bank						-2.02***a
						(-2.98)
persistence6						-.08a
						(-1.08)
interaction6						.31**a
						(2.27)
Constant	-55.58***a	-55.00***a	-52.83***a	-51.12**a	-45.41*a	-63.7399***a
	(-2.72)	(-2.65)	(-3.07)	(-2.57)	(-1.77)	(-2.68)
Observations	125	125	125	125	125	125

t statistics in parentheses
^{a} in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 16: Greenfield Investment and Shareholder Protection under Financial Distress - 11 Country Sample Excluding Russia

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.Greenfield	0.35	0.33	0.38	0.36	0.35	0.34
	(1.22)	(1.29)	(1.49)	(1.35)	(1.32)	(1.27)
Greenfieldlag2	0.45	0.47*	0.43	0.44	0.452*	0.453
	(1.56)	(1.75)	(1.59)	(1.58)	(1.65)	(1.62)
SHP_lag	-.81[a]	-.93[a]	-.51[a]	-1.14[a]	-1.06[a]	-.72[a]
	(-0.83)	(-0.81)	(-0.45)	(-1.00)	(-1.10)	(-0.73)
lnGDP	18.64[a]	20.00*[a]	19.33*[a]	19.58[a]	21.02[a]	20.25*[a]
	(1.64)	(1.73)	(1.72)	(1.59)	(1.57)	(1.69)
Infl	.29[a]	.53*[a]	.20[a]	.40*[a]	.36[a]	.36
	(1.49)	(1.88)	(0.83)	(1.76)	(1.62)	(1.62)
WDI_MCAP	21,430,610.1	15,895,858.1	26,901,653.8	14,452,667.0	14,725,134.9	17,247,124.2
	(1.23) -	(0.96)	(1.53)	(0.84)	(0.84)	(0.83)
WDI_Lend	-.23[a]	-.26[a]	-.06[a]	-.31[a]	-.25[a]	-.30[a]
	(-1.11)	(-1.03)	(-0.20)	(-1.29)	(-1.00)	(-1.13)
cri_curr	2.44[a]					
	(1.34)					
persistence1	-.14[a]					
	(-0.39)					
interaction1	-.49[a]					
	(-1.56)					
cri_infl		-7.42[a]				
		(-1.27)				
persistence2		.01[a]				
		(0.06)				
interaction2		.38[a]				
		(1.04)				
cri_stock			.58[a]			
			(0.42)			
persistence3			.51[a]			
			(0.86)			
interaction3			1.12*[a]			
			(1.82)			
cri_debt_dom				2.87*[a]		
				(1.75)		
persistence4				-.49[a]		
				(-1.43)		
interaction4				.05[a]		
				(0.16)		
cri_debt_ext					3.66[a]	
					(1.43)	
persistence5					.48[a]	
					(1.20)	
interaction5					-.60[a]	
					(-1.20)	
cri_bank						3.07**[a]
						(2.20)
persistence6						.21*[a]
						(0.82)
interaction6						.06[a]
						(0.19)
Constant	-204.38[a]	-219.60*[a]	-216.10*[a]	-212.32[a]	-230.17[a]	-222.81[a]
	(-1.59)	(-1.68)	(-1.68)	(-1.52)	(-1.51)	(-1.63)
Observations	125	125	125	125	125	125

t statistics in parentheses [a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 17: FDI and Shareholder Protection under Financial Distress - 26 Countries Sample Excluding Russia

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.FDI	0.29	0.31	0.32	0.30	0.30	0.30
	(1.31)	(1.40)	(1.57)	(1.37)	(1.38)	(1.32)
FDIlag2	0.50*	0.50*	0.48*	0.50*	0.50*	0.500*
	(1.76)	(1.76)	(1.83)	(1.75)	(1.78)	(1.78)
SHP_lag	-1.09[a]	-1.14[a]	-.83[a]	-1.00[a]	-1.12[a]	-1.23[a]
	(-1.19)	(-1.05)	(-0.95)	(-1.09)	(-1.10)	(-1.22)
lnGDP	13.45*[a]	13.74*[a]	14.76**[a]	13.64*[a]	14.34*[a]	16.99**[a]
	(1.94)	(1.86)	(2.04)	(1.91)	(1.83)	(1.96)
Infl	-.001[a]	-.001[a]	-.002*[a]	-.001*[a]	-.002[a]	-.003[a]
	(-1.44)	(-1.32)	(-1.70)	(-1.65)	(-1.29)	(-0.03)
WDI_MCAP	14,611,119.7	8,864,487.0	8,749,218.3	8,229,629.2	7,653,274.4	10,680,636.0
	(1.42)	(0.86)	(0.56)	(0.86)	(0.78)	(0.91)
WDI_Lend	-.12[a]	-.71[a]	.01[a]	-.06[a]	-.06[a]	-.91[a]
	(-1.07)	(-0.46)	(0.16)	(-0.54)	(-0.57)	(-0.75)
cri_curr	2.52**[a]					
	(2.16)					
persistence1	.10[a]					
	(0.32)					
interaction1	-.16[a]					
	(-0.54)					
cri_infl		-.72[a]				
		(-0.23)				
persistence2		.23[a]				
		(0.90)				
interaction2		.16[a]				
		(1.33)				
cri_stock			.38[a]			
			(0.49)			
persistence3			.35[a]			
			(1.06)			
interaction3			-.79**[a]			
			(-1.97)			
cri_debt_dom				-1.56[a]		
				(-0.79)		
persistence4				.06[a]		
				(0.35)		
interaction4				.09[a]		
				(0.27)		
cri_debt_ext					-.11[a]	
					(-0.08)	
persistence5					.37[a]	
					(1.56)	
interaction5					-.07[a]	
					(-0.30)	
cri_bank						1.21[a]
						(0.79)
persistence6						.26*[a]
						(1.81)
interaction6						.35[a]
						(1.56)
Constant	-140.66*[a]	-144.05*[a]	-158.90**[a]	-143.57*[a]	-150.90*[a]	-179.62*[a]
	(-1.91)	(-1.85)	(-2.01)	(-1.88)	(-1.80)	(-1.94)
Observations	247	247	224	247	247	247

t statistics in parentheses [a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 18: M&A and Shareholder Protection under Financial Distress - 26 Countries Sample Excluding Russia

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.MA	0.13	0.13	0.22**	0.13	0.14	0.14
	(1.18)	(1.22)	(2.15)	(1.31)	(1.28)	(1.30)
MAlag2	-0.05	-0.08	-0.06	-0.06	-0.05	-0.06
	(-0.95)	(-1.06)	(-0.84)	(-0.80)	(-0.79)	(-0.92)
SHP_lag	-1.00***[a]	-.87**[a]	-.84**[a]	-.64*[a]	-.86**[a]	-.92**[a]
	(-2.72)	(-2.47)	(-2.33)	(-1.87)	(-2.48)	(-2.52)
lnGDP	3.75**[a]	3.45**[a]	3.37**[a]	3.01*[a]	3.04[a]	3.80**[a]
	(2.41)	(2.13)	(2.45)	(1.68)	(1.52)	(2.04)
Infl	-.002***[a]	-.001***[a]	-.002***[a]	-.002***[a]	-.001***[a]	-.001***[a]
	(-7.74)	(-4.66)	(-6.16)	(-4.32)	(-6.65)	(-6.33)
WDI_MCAP	-8,365,117.0	-11,488,115.6*	-7,595,592.3	-10,895,127.5*	-11,319,568.9*	-11,673,574.3*
	(-1.57)	(-1.83)	(-0.90)	(-1.77)	(-1.71)	(-1.74)
WDI_Lend	-.058*[a]	-.007[a]	-.025[a]	-.016[a]	-.029[a]	-.285[a]
	(-1.94)	(-0.29)	(-1.47)	(-0.84)	(-1.19)	(-1.06)
cri_curr	.56[a]					
	(0.79)					
persistence1	.07[a]					
	(0.84)					
interaction1	.16[a]					
	(1.57)					
cri_infl		-.69[a]				
		(-1.24)				
persistence2		.41***[a]				
		(-3.51)				
interaction2		.05[a]				
		(0.41)				
cri_stock			.63*[a]			
			(1.80)			
persistence3			.05[a]			
			(0.49)			
interaction3			.12**[a]			
			(2.03)			
cri_debt_dom				-1.03[a]		
				(-0.99)		
persistence4				.008[a]		
				(0.09)		
interaction4				-.17**[a]		
				(-2.19)		
cri_debt_ext					-.73[a]	
					(-1.47)	
persistence5					-.08[a]	
					(-0.80)	
interaction5					.06[a]	
					(0.66)	
cri_bank						-.13[a]
						(-0.26)
persistence6						-.01[a]
						(-0.12)
interaction6						.08[a]
						(0.82)
Constant	-34.45**[a]	-31.72*[a]	-31.60**[a]	-27.90[a]	-26.98[a]	-35.43*[a]
	(-2.04)	(-1.79)	(-2.08)	(-1.44)	(-1.22)	(-1.69)
Observations	224	224	204	224	224	224

t statistics in parentheses
[a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 19: Greenfield Investment and Shareholder Protection under Financial Distress - 26 Countries Sample Excluding Russia

	(1) Curr	(2) Infl	(3) Stock	(4) Dom Debt	(5) Ext Debt	(6) Bank
L.Greenfield	0.29	0.30	0.30	0.29	0.29	0.28
	(1.20)	(1.29)	(1.22)	(1.25)	(1.27)	(1.22)
Greenfieldlag2	0.54*	0.53*	0.54*	0.54*	0.53**	0.53**
	(1.94)	(1.96)	(1.91)	(1.95)	(1.98)	(1.96)
SHP_lag	-.99[a]	-1.11[a]	-.87[a]	-1.15[a]	-1.19[a]	-1.14[a]
	(-0.98)	(-1.03)	(-0.99)	(-1.17)	(-1.20)	(-1.15)
lnGDP	12.66**[a]	13.81**[a]	14.13*[a]	13.68**[a]	14.51**[a]	15.78**[a]
	(1.97)	(2.05)	(1.95)	(2.04)	(2.03)	(2.16)
Infl	-.001[a]	-.001[a]	-.002[a]	-.001[a]	-.008[a]	-.006[a]
	(-0.97)	(-1.40)	(-1.22)	(-1.19)	(-0.96)	(-0.91)
WDI_MCAP	20,991,951.2*	16,493,225.0	16,371,778.5	16,517,277.7	16,457,061.8	21,330,886.0
	(1.67)	(1.62)	(1.44)	(1.62)	(1.61)	(1.58)
WDI_Lend	-.032[a]	-.007[a]	.049[a]	-.029[a]	-.014[a]	-.024[a]
	(-0.33)	(-0.05)	(0.38)	(-0.30)	(-0.15)	(-0.27)
cri_curr	1.50[a]					
	(1.09)					
persistence1	-.01[a]					
	(-0.06)					
interaction1	-.34[a]					
	(-1.48)					
cri_infl		-1.00[a]				
		(-0.30)				
persistence2		.30[a]				
		(1.40)				
interaction2		-.09[a]				
		(-0.56)				
cri_stock			.31[a]			
			(0.39)			
persistence3			.39[a]			
			(0.88)			
interaction3			-.64[a]			
			(-1.43)			
cri_debt_dom				.83[a]		
				(0.76)		
persistence4				-.17[a]		
				(-1.21)		
interaction4				.05[a]		
				(0.16)		
cri_debt_ext					1.44[a]	
					(1.04)	
persistence5					.30*[a]	
					(1.74)	
interaction5					-.23[a]	
					(-0.89)	
cri_bank						1.12[a]
						(1.04)
persistence6						.21[a]
						(1.32)
interaction6						.23[a]
						(1.08)
Constant	-135.35**[a]	-147.83**[a]	-154.35*[a]	-145.83**[a]	-155.36**[a]	-170.20**[a]
	(-1.98)	(-2.06)	(-1.93)	(-2.03)	(-2.01)	(-2.16)
Observations	224	224	204	224	224	224

t statistics in parentheses [a] in billions of current US dollars.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

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