Accepted Manuscript

Cross-border Acquisitions and Restructuring: Multinational Enterprises and Private Equity-firms

Selva Bahar Baziki, Pehr-Johan Norbäck, Lars Persson, Joacim Tåg

PII: S0014-2921(17)30048-X
DOI: 10.1016/j.euroecorev.2017.02.012
Reference: EER 2968

To appear in: *European Economic Review*

Received date: 25 May 2016
Accepted date: 28 February 2017

Cross-border Acquisitions and Restructuring: Multinational Enterprises and Private Equity-firms*

Selva Bahar Baziki

Central Bank of the Republic of Turkey

Pehr-Johan Norbäck

Research Institute of Industrial Economics (IFN)

Lars Persson

Research Institute of Industrial Economics (IFN) and CEPR

Joacim Tåg

Research Institute of Industrial Economics (IFN)

March 2017

ABSTRACT

An increasingly large share of cross-border acquisitions are undertaken by private equity-firms (PE-firms) and not by traditional multinational enterprises (MNEs). We propose a model of cross-border acquisitions in which MNEs and PE-firms compete over domestic assets and which incorporates endogenous financial frictions. MNEs' advantages lie in firm-specific synergies and access to internal capital markets, whereas PE-firms are good at reorganizing target firms. We show that stronger firm-specific synergies, lower restructuring advantages for PE-firms, higher exit costs for PE-firms, better access to internal capital markets, a higher risk premium on lending, higher moral hazard problems, and higher trade costs all favor MNEs over PE-firms. We also present cross-country correlations that are consistent with these predictions.

Keywords: Cross-border acquisitions, Institutions, Private Equity, M&As, Trade.
JEL Codes: F23, F65, L13.

*Financial support from the Marianne and Marcus Wallenberg Foundation, Tom Hedelius' and Jan Wallander's Research Foundation, and the Wallander-Hedelius-Browaldh Foundation is gratefully acknowledged. We thank Thomas Rønde and seminar participants at various institutions for excellent comments and suggestions. We also thank Charlotta Olofsson and Hanna Thunström for research assistance. The views expressed in this paper are those of the authors and do not necessarily represent the official views of the Central Bank of the Republic of Turkey. E-mail: firstname.lastname@ifn.se or selva.baziki@tcmb.gov.tr.