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

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# 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)

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## 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.

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