

The Impact of Investor-State Dispute Settlement Mechanism on Cross-Border Mergers and Acquisitions

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Abstract:

This study mainly analyzes how cross-border acquisition and merger (M&A) deals respond to the initiation of investor-state disputes settlement (ISDS) arbitration cases between the hostcountry government and foreign investors from the home country. By conducting deal level analysis with generalized difference-in-differences (DID) method in the period of 1993-2018, we find that the occurrence of ISDS disputes affects widely and significantly various features of deals such as curtail the size of merger deals, lower the likelihood of deal completion, prolong the deal completion duration, increase the acquirer's uses of various means of reducing property expropriation risks, cut the bid premium and increase the nationality arbitrage of both targets and acquirers.

Keywords: ISDS, Arbitration Cases, Cross-Border M&A

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