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Who Pays a Visit to Brussels? Firm Value Effects of Cross-Border Political Access to European Commissioners

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Abstract

This study analyzes meetings of firms with policymakers at the European Commission (EC). Meetings with Commissioners are associated with positive abnormal equity returns for U.S. firms. Firms of the European Union (EU), however, do not experience significant value increases. We identify regulatory outcomes as a channel that can rationalize this difference in value effects of political access. U.S. firms with meetings are more likely to receive favorable decisions in their EC merger decisions than their EU peers. The results suggest that cross-border political access can alleviate uncertainties and alleged discriminatory behavior of regulators in foreign markets.

I. Introduction

The share of multinational enterprises (MNEs) has increased substantially in the recent past. About half of U.S. public firms operate in more than 1 country (Erel, Jang, and Weisbach (2020)). Operating globally may imply considerable risk

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from political factors. MNEs face different legislation and regulation abroad, and foreign policymakers may treat them unfavorably in regulatory decisions (e.g., Aktas, deBodt, and Roll (2007), Dinc and Erel (2013)). Access to politicians in foreign markets may alleviate uncertainties and discriminatory concerns. This suggests that investing in foreign political capital can be an important source of competitive advantage for MNEs.[1]

The peculiarities of operating internationally suggest that foreign firms may have stronger incentives than domestic firms to gain access to politicians. Access might be more costly for foreign firms, which in turn implies that they could gain more from political access than domestic firms. It is, however, empirically challenging to identify firms' attempts to influence foreign policymakers. This might explain why scholarly evidence on the topic is scarce. Data on politician-firm interactions are difficult to obtain in a cross-border setting. In addition, the available data are typically indirect approximations of direct interactions. As a result, endogeneity concerns are present in the form of measurement error and/or omitted variables.

In this article, we use a novel data set to analyze the value of cross-border political access. We exploit the mandatory disclosure of information on meetings of firms and policymakers at the European Commission (EC) to obtain a direct measure of political access. We study meetings between representatives of U.S. and EU public firms and Commissioners between 2014 and 2019. Meetings of U.S. firms with Commissioners are associated with almost 0.7% abnormal equity returns. Importantly, EU firms' abnormal returns amount to merely around 0.2% and are not significantly different from 0. We analyze how this difference in value effects can materialize and show that U.S. firms with meetings at the EC are around 30% more likely to receive unconditional approval of their EU merger plans than firms without meetings. There is no evidence for preferential treatment of EU firms with meetings at the EC.

The results show that cross-border access to Commissioners can be more valuable than access for firms from the EU domestic market. While some characteristics of this setting may be particular to U.S. firms and their operations in the EU, we believe that our findings are likely to hold for other cross-border settings of interactions between corporations and policymakers.

Since Nov. 2014, Commissioners at the EC publish the information on meetings with organizations and self-employed individuals.[2] The information includes the names of the organizations, time, location, as well as the subject of the meeting. It has to be published on the respective Commissioner's website within 2 weeks of the meeting. We gather information on all meetings of corporate representatives of U.S. and EU public firms with Commissioners between Nov. 2014 and Nov. 2019, thereby covering the entire period of the *Juncker Commission.* In total, we analyze 1410 meetings of Commissioners. 447 of these meetings are with 71 U.S. firms and 963 meetings are with 202 EU firms.

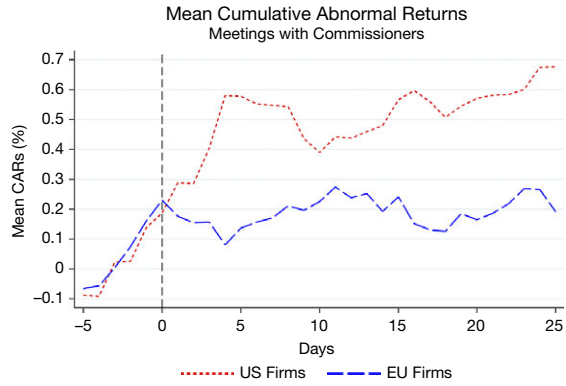
[1]Many firms are aware of this as the example of Google shows. The company's yearly lobbying expenses at European Union (EU) institutions rose from €0.6 million in 2011 to €6 million in 2020. See https://lobbyfacts.eu.

[2]See EC decision 2014/839/EU, Euratom.

FIGURE 1

Cumulative Abnormal Returns (CARs) Around Meetings with Commissioners

Figure 1 plots the mean CARs for U.S. and EU public firms for meetings with Commissioners. CARs are based on Fama–French–Carhart 4-factor adjusted returns.



To determine the value effects of political access, we perform event study analyses around the date of the meetings. We find that meetings with Commissioners are highly valuable for the visiting U.S. firms, but far less so for those from the EU. Figure 1 plots the mean cumulative abnormal returns (CARs) for all meetings with Commissioners. Both, U.S. and EU firms, benefit from increasing CARs. However, while U.S. firms' abnormal equity gains amount to almost 0.7% a few days following the meeting, EU firms merely benefit from an increase of around 0.1%–0.2%. After about 1 week, the CARs remain fairly stable for the next month.

We study how this difference in value can be rationalized. One explanation is that political access assists foreign firms to alleviate uncertainties or potential discriminatory behavior in regulatory decisions. The EC as the executive authority of the EU institutions decides on the approval of mergers and acquisitions (M&A). We analyze whether political access to the EC positively affects regulatory outcomes for U.S. firms. We compile a data set of all M&A decisions at the EC between Nov. 2014 and Nov. 2019 that involve public U.S. or EU acquirers. We combine information from the EC's competition database with data on deal characteristics from Thomson Reuters and Bureau van Dijk's Zephyr database. We apply a nearest neighbor matching approach and match each merger case that involves a U.S. acquirer with at least 1 Commissioner meeting before the merger decision release date to merger cases of acquirers without meetings. We do the same for EU acquirers with Commissioner meetings. We find that cases with U.S. acquirers with meetings are around 30% more likely to receive unconditional approval of their merger plans than cases of acquirers without meetings. Cases with EU acquirers with political access, in contrast, show no significant difference in the likelihood of unconditional approval. We would like to point out that lobbying expenses and political access are inextricably connected and that lobbying is important to gain access. Our results, however, suggest that it is the Commissioner meetings that are crucial for receiving favorable merger outcomes.

In the context of our work it is important to briefly discuss the motives why Commissioners receive corporate representatives and why this can be of value. Commissioners should be willing to meet and assist firms for mainly 2 reasons. Commissioners may gain important firm insights and benefit from firms' expertise. They may also be inclined, while still in office, to establish a basis to join the private sector in the future. There are several examples of the revolving door for Commissioners. The appointment of former EC president José Manuel Barroso by Goldman Sachs in 2016 is perhaps the most prominent case.[3] Luechinger and Moser (2020) study which Commissioners entered the corporate sector after their political career, and they find positive value effects for firms that hire former Commissioners. Gehring and Schneider (2018) show that Commissioners may indeed distort policies along their preferences. The authors document that Commissioners make budget allocation decisions in favor of their home country. Unfortunately, the available data of our setting do not enable us to unambiguously identify Commissioners' motives and actions.

Our work relates to the extensive literature on the value of political connections. Several studies find significant value effects for connected firms. For evidence on value effects measured in financial markets (see, e.g., Fisman (2001), Johnson and Mitton (2003), Faccio (2006), Faccio and Parsley (2009), Goldman, Rocholl, and So (2009), Cooper, Gulen, and Ovtchinnikov (2010), and Akey (2015)). Other studies show that politically connected firms improve their performance and increase their financial leverage (Boubakri, Cosset, and Saffar (2012a)), have lower cost of equity capital (Boubakri, Guedhami, Mishra, and Saffar (2012b)), are significantly more likely to receive government bailouts (Faccio, Masulis, and McConell (2006)), have an increased likelihood of legislators altering their position on regulation in favor of the firm (Igan and Mishra (2014)), have a lower likelihood of SEC enforcement (Correia (2014)), and impact policymakers' voting behavior (Mian, Sufi, and Trebbi (2010), Mian, Sufi, and Trebbi (2013)).

We contribute to the scant literature on political connections to the executive branch (Fisman, Fisman, Galef, Khurana, and Wang (2012), Acemoglu, Johnson, Kermani, Kwak, and Mitton (2016), Brown and Huang (2020), and Child, Massoud, Schabus, and Zhou (2021)). The only extant study on firms' attempts to connect to foreign policymakers is Fink and Stahl (2020). The authors show that non-U.S. firms with considerably more contributions to Republicans via their U.S. subsidiaries benefit from positive abnormal equity returns following the 2016 U.S. presidential election.[4] Our study differs from their work in that we use a direct measure of political access and identify a channel through which interactions with foreign policymakers can create value.

Several studies link political connections to the regulatory process and document that corporate strategies to influence policymakers are associated with beneficial outcomes in M&A decisions (e.g., Ferris, Houston, and Javakhadze (2016), Croci, Pantzalis, Park, and Petmezas (2017), and Fidrmuc, Roosenboom, and Zhang (2018)). Mehta, Srinivasan, and Zhao (2020) show that merging entities

[3] *Financial Times*, "Goldman Sachs hires former EU chief José Manuel Barroso" (July 8, 2016).

[4] See Sojli and Tham (2017) for a study on how governments through their investments have vested interests in firms abroad.

receive favorable antitrust review outcomes if they are located in the districts of U.S. congressional members who serve on committees that have antitrust regulatory oversight. We add a cross-border context to their analysis.

In particular, with respect to the direct measure of political access, the present work is closely related to Brown and Huang (2020). The authors analyze meetings of U.S. corporate executives with policymakers at the White House, and they show that firms experience positive abnormal stock returns, receive more government contracts, and are more likely to receive regulatory relief following the meetings. In contrast to the domestic focus in Brown and Huang (2020), we study political access to foreign policymakers and identify a channel of value creation of significance for MNEs in their international markets.

To the best of our knowledge, we are the first to document value effects of cross-border political access. The EC data provide us with a direct measure of access and enable us to quantify value effects in financial markets around the date of the interaction. We consider our contribution a first step toward a more thorough understanding of cross-border interactions between policymakers and the corporate sector as well as the channels through which these interactions can be valuable for MNEs.

The article is structured as follows: Section II provides a brief overview of the structure and tasks of the EC. Section III presents the data and data sources. In Section IV, we present the methods, main results, and robustness checks of the analysis. Section V concludes.

II. The European Commission

The EC is composed of the College of Commissioners. These include the President and Vice-Presidents. There is 1 Commissioner from each of the 27 EU countries, and they form the EC's political leadership during the legislative period.[5] A new group of Commissioners is appointed every 5 years. Each Commissioner has a team of about 5 to 10 cabinet members that support them in their daily work. The EC works under the leadership of a President who is elected by the European Parliament.

Our data set covers the entire presidency of Jean-Claude Juncker. The President's role is to determine the EC's policy agenda, decide on the organization of the EC, and assign responsibility to each Commissioner for particular departments, the Directorates-General. The Directorates-General develop, implement, and manage EU policy, law, and funding programs for different policy areas. They are each headed by a director who reports to the Commissioner in charge of the corresponding policy area.

The EC proposes policies and laws to the European Parliament and European Council, which adopt them. The EC, together with the member countries, then implements the laws and makes sure that they are properly applied. In combination with the Court of Justice, the EC ensures that EU law is complied with, and it can begin an infringement procedure if this is not the case. In addition, it can investigate

[5]On Jan. 31, 2020, the United Kingdom withdrew from the EU. Our data set covers the period from Nov. 2014 to Nov. 2019, for which the EU had 28 member states.

and impose fines if companies do not respect EU competition laws. The EC is the executive of the EU institutions, and it has the legislative initiative.

III. Data

This work combines several data sources. We retrieve information on the meetings between corporate representatives and Commissioners from the platform EU Integrity Watch and the respective web pages of the EC officials (see www.integritywatch.eu and https://ec.europa.eu). We gather data on firms' lobbying efforts in Europe from the Transparency Register and from LobbyFacts.eu (see https://transparency-register.europa.eu/index_en and https://lobbyfacts.eu).

We obtain security price data and data on firm characteristics from Refinitiv Datastream. All continuous firm characteristic variables are winsorized at the 1st and 99th percentile. We apply the Fama–French–Carhart 4-factor model to obtain abnormal returns.[6] We retrieve the data for the four factors from AQR (see https://www.aqr.com). The firm provides the daily equity factors for the U.S. and several EU countries as an updated and extended version of the equity portfolios used in Frazzini and Pedersen (2014). For each firm, we use its countries' factors to calculate abnormal returns.[7] Abnormal returns are winsorized at the 1st and 99th percentile.

To analyze the outcomes of merger proposals at the EC, we collect data on merger decisions from the EC's competition database (see https://ec.europa.eu/competition). Data on M&A deal characteristics are obtained from Thomson Reuters and from Bureau van Dijk's Zephyr database.

Following a decision of the EC on Nov. 25, 2014, EC members should disclose details of their meetings with organizations and self-employed individuals.[8] The information includes the name of the organization, time, location, as well as the subject of the meeting. It has to be published on the respective Commissioner's website within 2 weeks of the meeting. The names of individuals acting on behalf of organizations are not made public unless the persons give their consent. Our data set includes the names of Commissioners, but for many meetings we do not have the identities of the firm representatives.

In total, we analyze 1410 meetings of U.S. and EU firm representatives with Commissioners between Nov. 2014 and Nov. 2019. 447 meetings take place with 71 U.S. firms, and 963 meetings take place with 202 EU firms. Table 1 provides an overview of the 20 U.S. and EU firms with the highest number of meetings at the EC. These 20 firms combined have more than 30% of all meetings. The table indicates that there may be some differences in the industry composition across the 2 regions.

Given the positive value effects of many meetings, a natural question is why not more firms seek access to Commissioners. We merely observe meetings that take place and therefore do not know who requests a meeting but gets rejected. It

[6]See Fama and French ((1992), (1993)) and Carhart (1997).

[7]The EU countries that enter our data set are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, and United Kingdom.

[8]The decision is denominated 2014/839/EU, Euratom.

TABLE 1

Most Frequent Visitors at the European Commission

Table 1 provides an overview of the 20 public firms with the highest number of meetings with Commissioners between Nov. 2014 and Nov. 2019. Column 1 shows the number of total meetings of the respective firm. Columns 2 and 3 indicate whether the firm is from the U.S. or the EU.

Company Name	Total 1	U.S. 2	EU 3
Google	55	1	0
Airbus	31	0	1
Facebook	30	1	0
Microsoft	30	1	0
Vodafone	29	0	1
Deutsche Telekom	27	0	1
IBM	27	1	0
Scania	21	0	1
Telefónica	21	0	1
Amazon	20	1	0
Goldman Sachs	20	1	0
Deutsche Bank	19	0	1
Engie	18	0	1
General Electric	16	1	0
Cisco Systems	14	1	0
Orange	14	0	1
Bayer	13	0	1
Daimler	13	0	1
Électricité de France	13	0	1
Enel	13	0	1

TABLE 2

Meetings by Industry

Table 2 displays the number of meetings of public firms with Commissioners between Nov. 2014 and Nov. 2019 by industry (1-digit SIC code level). Column 1 shows the number of total meetings for the respective industry. Columns 2 and 3 indicate how many meetings are by firms from the U.S. or the EU. In total, 273 firms meet with Commissioners (71 U.S. firms and 202 EU firms), and 1410 meetings take place (447 with U.S. firms and 963 with EU firms).

Industry	Total 1	U.S. 2	EU 3
Manufacturing	448	138	310
Transportation and public utilities	393	16	377
Finance, insurance, real estate	240	78	162
Services	238	195	43
Retail trade	32	20	12
Mining	24	0	24
Wholesale trade	19	0	19
Construction	15	0	15
Agriculture, forestry, fishing	1	0	1
Total	1410	447	963

seems very plausible that more firms attempt to meet, but that access is limited by the scarce amount of time that Commissioners have. Commissioners most likely meet with firms that are most promising and interesting for them. Typically these will be large and well-established firms.

Table 2 presents a break down of the meetings by 1-digit SIC code industries. Most of the U.S. firm meetings are concentrated within the 3 industries Services, Manufacturing, and Finance, Insurance, and Real Estate. The Services industry includes the large tech firms, and U.S. firms have substantially more meetings in that industry than EU firms. On the other hand, while EU firms compare fairly well

TABLE 3

Directorates-General with Highest Number of Meetings

Table 3 lists the 12 Directorates-General and their respective Commissioners with the highest number of meetings with public U.S. and EU firms between Nov. 2014 and Nov. 2019. Column 1 shows the number of total meetings for the respective Directorate-General. Columns 2 and 3 indicate how many meetings are by firms from the U.S. or the EU.

		Total	U.S.	EU
Directorate-General	Commissioner	1	2	3
Digital Economy and Society	Mariya Gabriel/Günther Oettinger	206	71	135
Climate Action and Energy	Miguel Arias Cañete	181	11	170
Digital Single Market	Andrus Ansip	162	58	104
Euro and Social Dialogue	Valdis Dombrovskis	111	68	43
Jobs, Growth, Investment, and Competitiveness	Jyrki Katainen	95	28	67
Transport	Violeta Bulc	73	11	62
Energy Union	Maroš Šefčovič	66	8	58
Financial Stability, Financial Services, and Capital Markets Union	Jonathan Hill	63	19	44
Budget and Human Resources	Kristalina Georgieva/Günther Oettinger	62	10	52
Economic and Financial Affairs, Taxation, and Customs	Pierre Moscovici	62	27	35
Research, Science, and Innovation	Carlos Moedas	57	19	38
Justice	Věra Jourová	55	44	11

to U.S. firms in relative number of meetings in the industries of Manufacturing and Finance, Insurance, and Real Estate, a much larger share of their meetings occurs in the area of Transportation & Public Utilities.

Table 3 lists the 12 Directorates-General and their respective Commissioners with the most frequent meetings with U.S. and EU firms. The table reveals that more than 50% of all meetings take place with just 5 of the 28 Directorate-Generals. The distribution of meetings across U.S. and EU firms is rather balanced with the exception of the Directorate-General Climate Action & Energy. Here, meetings are mainly concentrated among EU firms. This is in line with the disequilibrium in meetings for the Transportation & Public Utilities industry.

Table 4 shows descriptive statistics for U.S. and EU firms that have meetings with Commissioners. U.S. firms spend more money on lobbying in the EU than their EU counterparts, and they have, on average, more meetings. There is no significant difference in size and leverage between the 2 samples. However, U.S. firms have higher market-to-book ratios, are more profitable, and have less tangible assets than EU firms.

There are some shortcomings of the data. First, it is not obvious at what date a meeting becomes public knowledge. Commissioners have 2 weeks following the meeting to publish information on their websites. It is, however, not possible to ex post figure out on what day they published the information. To address this issue, we use 3 complementary data sources to analyze for which meetings information was already available prior to the official meeting date. The EC publishes press releases and information on its latest activities (see https://ec.europa.eu/commission/presscorner/home/en and https://www.pressreleasepoint.com/user/72870/tracker). This includes a weekly calendar with Commissioners' appointments and sometimes includes their meetings with firms. This calendar is typically published on Friday the week before. We study all these calendars. We also perform a search in news databases (Factiva and LexisNexis) for each meeting in our data set.

TABLE 4

Descriptive Statistics (Firm-Year Observations)

Table 4 provides summary statistics for U.S. and EU public firms that have meetings with Commissioners between Nov. 2014 and Nov. 2019. In total, 273 firms meet with Commissioners (71 U.S. firms and 202 EU firms), and 1410 meetings take place (447 with U.S. firms and 963 with EU firms). MEETINGS is the annual number of meetings between firm representatives and Commissioners. LOBBY (m) depicts the maximum of reported annual lobbying expenses in the EU in €million. ASSETS ($bn) is the book value of total assets in $billion. MKT_BOOK is the ratio of market value to common equity value. LEVERAGE is total debt divided by total assets. ROA is the return on assets, the measure for profitability. TANGIBILITY is net property, plant, and equipment divided by total assets. *p*-Value is the *p*-value of a test on differences in means.

	U.S.				EU				
Variables	No. of Obs.	Mean	Std. Dev.	Median	No. of Obs.	Mean	Std. Dev.	Median	*p*-Value
MEETINGS	426	1.05	2.03	0.00	1.212	0.80	1.40	0.00	0.004
LOBBY (€m)	426	0.81	1.01	0.50	1.212	0.55	0.74	0.30	0.000
ASSETS ($bn)	426	217.11	471.49	54.76	1.212	211.41	483.96	29.25	0.773
MKT_BOOK	426	8.82	15.02	4.04	1.212	4.06	9.58	1.91	0.000
LEVERAGE	426	0.22	0.14	0.22	1.212	0.21	0.15	0.18	0.105
ROA	426	0.06	0.08	0.06	1.212	0.04	0.07	0.03	0.000
TANGIBILITY	426	0.18	0.22	0.10	1.212	0.26	0.24	0.23	0.000

If information on a meeting is mentioned in one of the 3 sources before the meeting date, we set the meeting date to the publication date.

Typically, the publication dates are a few days prior to the meeting date. We do not find any publications already months before a meeting. If a meeting is mentioned in more than 1 source, we set the date to the earliest publication date. In total, this leads to the modification of the date for about 45% of meetings in our data set. This does not mean that information on the other meetings is not already available ahead of the meetings. We can, however, not verify this with hindsight. Indeed, the inspection of Figure 1 reveals that CARs already begin to increase several days before the meeting dates. This suggests that information on many meetings circulates beforehand. We take this into consideration in our empirical analysis and start all event windows 3 days prior to the meeting date.

A second concern is that we do not know what Commissioners and firm representatives talk about in the meetings. The subject of the meeting is typically just a buzzword or a phrase that somehow relates to the tasks of the respective Commissioner's portfolio. It is, hence, not possible to systematically make use of this information. The Commission also does not publish information on who requests a particular meeting. We attempt to shed light on who typically initiates meetings and request information on meetings from the EU. Regulation (EC) No 1049/2001 grants the right to access EU institutions documents. The documents may include notes, agendas, minutes, and e-mail conversations. The responses that we receive are often not very conclusive or lack material that would help to identify the initiator of a meeting. However, for 95% of the meetings for which we could unambiguously identify the requestor, the meeting was requested by the firm.

A third shortcoming is that information on meetings that directly relate to a particular competition case are not published by the EC. In addition, there are hardly any meetings with the Commissioner for competition. This is relevant for the interpretation of our analysis of the association between merger outcomes and political access. The intuition of our identification strategy is that the political power of a Commissioner, although not being directly in charge of a certain merger

decision, can assist in receiving preferential treatment. This interpretation is in line with many other studies that lack a directly observable connection between the firm and the regulator. For instance, in Mehta et al. (2020) firms are merely indirectly linked, via their geographical location, to a politician who serves on committees that have antitrust regulatory oversight. Other studies associate favorable outcomes with rather indirect measures of access such as contributions by political action committees (Croci et al. (2017)), lobbying expenses (Fidrmuc et al. (2018)), or the appointment of regulators and former politicians to boards of directors (Ferris et al. (2016)).

IV. Results

In this section, we study firm characteristics and value effects of political access. We then present evidence on a channel through which political access to the EC may increase the value of U.S. firms. The section concludes with several robustness checks.

A. Political Access and Firm Characteristics

Table 5 provides evidence on the association between the number of Commissioner meetings and observable firm characteristics. The table shows results of ordinary least square (OLS) regressions of the natural logarithm of the number of

TABLE 5

OLS Regression: Number of Meetings and Firm Characteristics

Table 5 displays OLS regressions of the number of meetings with Commissioners on lobbying expenses and firm characteristics. The regressions use firm-year observations and cover all meetings between Nov. 2014 and Nov. 2019. Columns 1 and 2 show results for U.S. firms and columns 3 and 4 for EU firms. ln(1 + #MEETINGS) is the natural logarithm of 1 plus the annual number of meetings. LnLOBBY depicts the natural logarithm of the maximum of reported annual lobbying expenses in the EU. LnASSETS is the natural logarithm of the book value of total assets. MKT_BOOK is the ratio of market value to common equity value. LEVERAGE is total debt divided by total assets. ROA is the return on assets, the measure for profitability. TANGIBILITY is net property, plant, and equipment divided by total assets. All specifications include year fixed effects and industry fixed effects at the 1-digit SIC code level. Standard errors clustered by firm are shown in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Dependent Variable: ln(1 + #MEETINGS)			
	U.S.		EU	
Independent Variables	1	2	3	4
LnLOBBY	0.025***	0.016***	0.013***	0.006*
	(0.007)	(0.006)	(0.003)	(0.003)
LnASSETS		0.082***		0.082***
		(0.025)		(0.014)
MKT_BOOK		−0.000		−0.005***
		(0.002)		(0.002)
LEVERAGE		−0.403		−0.036
		(0.336)		(0.126)
ROA		0.447		0.060
		(0.471)		(0.291)
TANGIBILITY		−0.044		−0.066
		(0.199)		(0.106)
No. of obs.	426	426	1.212	1.212
R^2	0.034	0.101	0.014	0.079
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Clustered SE	Firm	Firm	Firm	Firm

firm-year meetings on lobbying expenses and covariates. Lobbying expenses and all continuous firm characteristic variables are winsorized at the 1st and 99th percentile. All specifications include year fixed effects and industry fixed effects at the 1-digit SIC code level. Standard errors clustered by firm are shown in parentheses. We are, in particular, interested in the relation between political access and lobbying efforts in the EU. Columns 1 and 2 provide the results for U.S. firms and columns 3 and 4 for EU firms. The findings show that the amount of lobbying expenses is a strong predictor of a firm's number of meetings. The magnitude of coefficients is higher for U.S. than for EU firms, but unreported specifications show no statistically significant difference. The results suggest that an increase in lobbying activities increases the likelihood and frequency of access to policymakers at the EC. The results also reveal that firm size is positively associated with political access. This finding is in line with Brown and Huang (2020) who find that primarily large firms have meetings at the White House and with studies that use traditional indirect measures such as campaign contributions or lobbying expenses and document that it is typically large firms that seek access (e.g., Cooper et al. (2010), Croci et al. (2017)).

B. Firm Value Effects around Meetings with Commissioners

To measure firm value effects of political access to the EC, we perform event study analyses around the date of the respective meeting. We calculate CARs applying the Fama–French–Carhart 4-factor model.[9] We fit the coefficients of the four factors during an estimation window that begins 200 days and ends 20 days prior to the meeting. Abnormal returns are winsorized at the 1st and 99th percentile. For each firm, we estimate CARs for the respective meeting and then calculate mean CARs for U.S. and EU firms.

Figure 1 shows that mean CARs for both regional samples begin to rise a few days prior to the meetings. This suggests that for several meetings the information is known already before the meeting, even if our news search did not yield a result. To capture value effects in their entirety, all event windows begin 3 days prior to the meeting. Figure 1 also reveals that value effects for U.S. firms are fully incorporated after about 1 week following the meeting. CARs then remain fairly stable for the next month. The value effects for EU firms are quite stable for several weeks following the meeting.

Table 6 shows the value effects of Commissioner meetings for 3 different event windows. Rows 1 and 2 of Panel A present the mean and median CARs for U.S. firms. Firms whose representatives meet with Commissioners experience mean CARs of 0.67% during the event window $(-3, 5)$. These value effects are statistically significant at the 1% level. The value effects are slightly lower when considering the event window $(-3, 10)$, but have almost the same magnitude for the window $(-3, 20)$. Both of these values are significant at the 5% level. The magnitude and significance, according to the Wilcoxon signed-rank test, of median CARs is very much in line with the mean. Panel B of Table 6 displays the value effects for EU firms. Mean and median CARs are roughly between 0.1% and 0.2%

[9]The four risk factors are market, size, value, and momentum.

TABLE 6

CARs Around Commissioner Meetings

Table 6 shows the mean and median cumulative abnormal returns (CARs) for U.S. and EU firms for their meetings with Commissioners. CARs are based on Fama–French–Carhart 4-factor adjusted returns. Rows 1 and 2 display the results for U.S. firms and rows 3 and 4 those for EU firms. The table lists CARs for different event windows, all of which start 3 days prior to the meeting. Standardized cross-sectional *t*-statistics are shown in parentheses. Signrank *p*-value is the *p*-value of the nonparametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to 0. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. U.S. Firms

		Event Window			
		(−3, 5)	(−3, 10)	(−3, 20)	No. of Meetings
1	MEAN_CARs	0.67%	0.48%	0.66%	312
	(*t*-stats)	(3.80)***	(2.28)**	(2.08)**	
2	MEDIAN_CARs	0.51%	0.50%	0.62%	312
	Signrank *p*-value	0.001***	0.020**	0.027**	

Panel B. EU Firms

		Event Window			
		(−3, 5)	(−3, 10)	(−3, 20)	No. of Meetings
3	MEAN_CARs	0.09%	0.16%	0.23%	872
	(*t*-stats)	(0.57)	(0.81)	(0.96)	
4	MEDIAN_CARs	0.12%	0.10%	0.09%	872
	Signrank *p*-value	0.276	0.467	0.454	

for all 3 event windows. None of the CARs are statistically significant at conventional levels.

The number of meetings in the analysis of value effects in Table 6 differs from the sum of meetings reported previously. This can be explained by the fact that some firms have more than 1 meeting with different Commissioners on the same day. For the calculation of CARs, we only consider 1 meeting per firm per day, even if a firm has 2 or more meetings on the same day. In addition, observations only enter the analysis if there are data for at least the first and last day of the short-term event window.

In conclusion, we find substantial value effects in security prices around U.S. firms' meetings with Commissioners. This is not the case for EU firms.

C. Robustness and Discussion

Our results suggest that information on meetings, in general, already circulates a few days prior to the meetings. As stated in Section III, we can identify a publication date for about 45% of meetings in our data set. For the other 55%, we use the meeting date as the publication date. This could introduce noise into our analysis of value effects. To mitigate this concern, we perform a robustness check that merely considers meetings for which we identify the publication date.

Table A1 in the Appendix provides the results for this reduced sample. Panel A shows that the coefficient for U.S. firms for the short event window is similar to the coefficient of the full sample, and coefficients are larger for the longer event windows. There is some loss of statistical power, which may be explained by the decrease in sample size. Panel B illustrates that the mean CARs for EU firms are slightly negative but not statistically significant. There does not seem to be any

evidence that the main results in Table 6 are driven by meetings without identified publication date.

Another concern may be that the value effects are not specific to firms with meetings but coincide with industry-wide positive news or events. We provide 3 robustness checks to mitigate this concern. First, we redo the analysis for the value effects, but instead of adjusting for market returns, we calculate industry-adjusted returns. Second, we conduct a placebo test, in which we repeat the analysis for the value effects but for pseudo-meeting dates. Third, we conduct a further placebo test, in which we repeat the analysis for the value effects but for nonmeeting firms that are similar to meeting firms.

To calculate industry-adjusted returns, we use the Refinitiv Datastream sector price indices based on the industry classification benchmark (ICB). The indices are country-specific, which makes them particularly suitable for our multicountry analysis. Panel A in Table A2 in the Appendix shows the results. Mean CARs for U.S. firms are very similar to the market-adjusted returns for the short event window. The coefficients for the longer windows are slightly lower, with somehow lower levels of significance. The main results, however, are qualitatively robust to the modification. Panel B confirms that, also for industry-adjusted returns, there are no significant value effects for EU firms.

To perform the first placebo test, we calculate CARs for pseudo-meetings for the date 8 weeks prior to the respective meeting (i.e., we pretend that the meetings take place 8 weeks before the actual date or publication date). Table A3 in the Appendix illustrates that neither for U.S. nor for EU firms the value effects around the pseudo-meeting dates are statistically significant.[10]

In the second placebo test, we calculate CARs around Commissioner meeting dates for firms that do not have meetings. For each firm with Commissioner meetings, we identify a firm that is similar, but does not have Commissioner meetings. We retrieve stock market constituents for all countries in our sample from Refinitiv Datastream. To find the respective similar nonmeeting firm, we perform a nearest neighbor matching on total assets with an exact match on the country and the industry at the 1-digit SIC code level. For each date of a Commissioner meeting, we calculate the CARs for the respective nonmeeting firm. Table A4 in the Appendix provides the CARs and significance tests for the nonmeeting firms. There are no significant value effects for the nonmeeting firms, neither for the U.S. nor for the EU.[11] This provides further evidence that the significant value effects of U.S. firms are indeed driven by meetings with Commissioners.

D. Regulatory Outcomes and Political Access

In this section, we study a channel that may explain why political access to Commissioners is more valuable for U.S. than for EU firms. The EC is the executive of the European institutions and decides on regulatory outcomes. Legal differences

[10]The number of observations slightly differs from the number of observations in the main specification in Table 6. Some of the pseudo-meeting dates fall on a holiday.

[11]The number of observations for the EU firms is slightly lower than the number of observations in the main specification in Table 6. This is due to the fact that for some firms there are no exact matches.

and uncertainties regarding the European market as well as potential discriminatory behavior of the EU regulator may impose an additional burden on U.S. firms that operate in the EU.

Repeated accusations suggest a potential EU bias against U.S. firms. For instance, former U.S. president Barack Obama says that Europe's scrutiny of Silicon Valley is sometimes a mask for protectionism.[12] His successor, Donald Trump, attacks the EC for aggressively pursuing antitrust cases against U.S. technology firms and calls this actions of an EU regulator who "hates" America.[13] Empirical evidence confirms that European policymakers may indeed treat foreign firms unfavorably in M&A decisions (e.g., Aktas et al. (2007), Dinc and Erel (2013)). Interactions with Commissioners may alleviate this potential bias. This could explain the discrepancy in the observed patterns of value effects.

We analyze the outcomes of M&A decisions at the EC for U.S. and EU public firms with political access. We compile a data set of all merger decisions at the EC Competition Authority between Nov. 2014 and Nov. 2019 in which the acquirer parent is a U.S. or an EU firm. We combine the information on merger cases from the EC competition database with data on deal characteristics from Thomson Reuters and Bureau van Dijk's Zephyr database. We do not consider cases that are deferred, withdrawn, or abandoned. We drop cases with a deal size smaller than $100 million. To assure that cases are comparable, we merely consider cases with a friendly deal attitude.

To test whether Commissioner meetings can affect merger outcomes, we focus on cases for which EC officials have to make a qualitative assessment and accordingly are likely to have some discretion in their decision-making. We therefore exclude all cases for which the outcome is decided by the so-called simplified procedure. This procedure is applied by the EC when the notified merger does not give rise to significant competition problems, typically because the merging entities have small market shares or do not operate in the same markets.[14] Virtually all mergers that are decided under the simplified procedure are cleared without any opposition of the EC.

We, hence, limit the sample to cases for which the EC carries out a full investigation. The detailed procedure for controlling merger operations is specified by Council Regulation (EC) No 139/2004. After the notification of a proposed merger, the EC has 25 working days to analyze the proposed deal during the phase I investigation. The possible outcomes of this phase I investigation relevant to our study are the following: i) the merger is approved unconditionally (Article 6.1 (b));

[12] *Financial Times*, "Obama attacks Europe over technology protectionism" (Feb. 16, 2015).

[13] *Irish Times*, "Trump lashes out at EU over tech antitrust cases" (June 27, 2019).

[14] The EC Competition Authority announces the following guidelines for the simplified procedure: "If the merging firms are not operating in the same or related markets, or if they have only very small market shares not reaching specified market share thresholds, the merger will typically not give rise to significant competition problems: the merger review is therefore done by a simplified procedure, involving a routine check. The market share thresholds are: 15% combined market shares on any market where they both compete, or 25% market shares on vertically related markets. Note that sometimes a 'market' can possibly involve relatively narrow business areas, both in terms of products and geographic areas. Above those market share thresholds, the Commission carries out a full investigation." See http://ec.europa.eu/competition/mergers/procedures_en.html.

ii) the merger is approved subject to accepted remedies (Article 6.1 (b) in conjunction with Article 6.2); or iii) the merger raises concerns, and it enters a phase II investigation (Article 6.1 (c)). Decisions in phase II investigations have to be taken within 90 working days of the initiation of proceedings. Phase II investigations in our sample have the following decisions: i) the merger is approved unconditionally (Article 8.1); ii) the merger is approved subject to remedies (Article 8.2); or iii) the merger is prohibited because no adequate remedies to the competition concerns have been proposed by the merging parties (Article 8.3). Figure A1 in the Appendix provides a schematic presentation of the EC procedure. The figure is from European Commission (2013). Figure A2 in the Appendix shows statistics on EC merger outcomes since 1990.

Naturally, an unconditional approval after the phase I investigation is the preferred outcome for the merging parties. All other decisions will imply additional costs or inconveniences. It is difficult to quantify to what extent these other outcomes add costs for each individual case. We believe that a binary qualitative dependent variable model is the best choice of analysis in this setup. We distinguish between unconditional approval after the phase I investigation on the one hand and all other potential regulatory outcomes on the other.[15] We define a binary outcome variable APPROVAL that takes the value of 1 if the decision on a proposed merger is unconditional approval according to Article 6.1 (b) of Council Regulation EC No 130/2004, and 0 for all other decisions.

To determine whether political access is associated with more favorable merger outcomes for U.S. than for EU firms, we separately compare merger outcomes of U.S. acquirers and EU acquirers with political access to outcomes of merger cases without political access. We consider firms as having political access if they have at least 1 meeting with a Commissioner before the merger decision release date. The control group of merger cases without political access also includes those cases for which acquirers have Commissioner meetings but merely after their merger decision. We include these cases to avoid a potential bias because acquirers that never have EC meetings may be fundamentally different.

Table 7 provides descriptive statistics of U.S. acquirers with access and acquirers without access (Panel A) and EU acquirers with access and acquirers without access (Panel B). The variable values are for the year of the respective merger. Table 7 also breaks down the merger cases by merger decisions. 70% of cases with U.S. acquirers with access receive an unconditional approval. This share merely amounts to 57% for EU acquirers with access. All cases for U.S. acquirers with access are in the industry branch of Manufacturing. This share amounts to 60% for EU acquirers with access. The other cases are in the segment of Finance, Insurance, and Real Estate (32%) and in Services (9%).

The statistics in Table 7 reveal several significant differences between the respective samples of acquirers with access and those without access. We apply a matching approach as in Abadie and Imbens (2006) to account for these. For both samples, we match each merger case with an acquirer with political access to its

[15] Our approach is similar to Aktas et al. (2007).

TABLE 7

Descriptive Statistics: Merger Decisions at the European Commission

Table 7 shows descriptive statistics for firms with merger decisions at the European Commission (EC) Competition Authority between Nov. 2014 and Nov. 2019. *Acquirers with access* describes the sample of all merger cases for which the acquirer is a U.S. firm (Panel A) or an EU firm (Panel B) that has at least 1 meeting with a Commissioner before the merger decision release date. *Acquirers without access,* respectively, describes the sample of cases without EC meetings or without EC meetings before the merger decision. The values of firm observables are for the year of the respective merger. DEAL_SIZE ($bn) depicts the deal size of the merger in $billion. ASSETS ($bn) is the book value of total assets in $billion. MKT_BOOK is the ratio of market value to common equity value 4 weeks before the merger announcement. ROA is the return on assets, the measure for profitability. LEVERAGE is total debt divided by total assets. TANGIBILITY is net property, plant, and equipment divided by total assets. LOBBY (€m) depicts the maximum of reported lobbying expenses in the EU in €million. *p*-Value is the *p*-value of a test on differences in means. The table also shows the number and share (Share) of merger cases by merger decisions.

Panel A. U.S. Firms

	Acquirers With Access				Acquirers Without Access				
Variables	No. of Cases	Mean	Std. Dev.	Median	No. of Cases	Mean	Std. Dev.	Median	*p*-Value
DEAL_SIZE ($bn)	27	17.15	23.67	5.17	91	5.40	9.73	2.00	0.000
ASSETS ($bn)	27	124.41	110.90	100.72	91	157.99	170.40	37.73	0.337
MKT_BOOK	27	5.57	12.11	3.75	91	13.23	14.17	4.31	0.012
ROA	27	0.06	0.07	0.07	91	0.10	0.07	0.07	0.015
LEVERAGE	27	0.28	0.10	0.30	91	0.46	0.23	0.43	0.000
TANGIBILITY	27	0.14	0.08	0.11	91	0.33	0.23	0.34	0.000
LOBBY (€m)	27	1.23	1.24	0.70	91	0.09	0.22	0.00	0.000
Share by Merger Decision	No. of Cases	Share			No. of Cases	Share			
Art.6.1(b) approval	19	0.70			63	0.69			
Art.6.1(b)&Art.6.2	4	0.15			22	0.24			
Art.8.1 approval	1	0.04			2	0.02			
Art.8.2 approval with conditions	3	0.11			4	0.04			

Panel B. EU Firms

	Acquirers With Access				Acquirers Without Access				
Variables	No. of Cases	Mean	Std. Dev.	Median	No. of Cases	Mean	Std. Dev.	Median	*p*-Value
DEAL_SIZE ($bn)	47	9.43	18.21	4.02	97	5.34	9.22	2.00	0.075
ASSETS ($bn)	47	315.63	460.10	82.70	97	463.95	638.99	32.86	0.157
MKT_BOOK	47	4.84	6.05	2.06	97	8.13	7.75	4.17	0.012
ROA	47	0.07	0.06	0.06	97	0.10	0.08	0.06	0.049
LEVERAGE	47	0.21	0.17	0.18	97	0.44	0.23	0.42	0.000
TANGIBILITY	47	0.19	0.19	0.11	97	0.34	0.26	0.27	0.000
LOBBY (€m)	47	1.16	1.12	0.70	97	0.05	0.12	0.00	0.000
Share by Merger Decision	No. of Cases	Share			No. of Cases	Share			
Art.6.1(b) approval	27	0.57			66	0.68			
Art.6.1(b)&Art.6.2	13	0.28			25	0.26			
Art.8.1 approval	1	0.02			2	0.02			
Art.8.2 approval with conditions	4	0.09			4	0.04			
Art.8.3 prohibition	2	0.04			0	0.00			

nearest neighbor among the sample of merger cases without acquirer meetings. Importantly, a matching based on several continuous firm characteristics shown in Table 7 (deal size, total assets, market-to-book, ROA, leverage, tangibility, lobbying expenses) and an exact match on the industry at the 1-digit SIC code level shows that U.S. acquirers with political access are around 30% more likely to receive an unconditional approval of their EC merger decisions than similar acquirers without meetings. It also reveals that EU acquirers with political access are not significantly more likely to receive a preferential treatment in their EC merger decisions than similar acquirers without access.

TABLE 8

Nearest Neighbor Manual Matching for Merger Cases (Size and Lobbying)

Table 8 shows the results of nearest neighbor matching estimations for the treatment group U.S. acquirer with access (Panel A) and EU acquirer with access (Panel B) for merger decisions at the European Commission (EC) Competition Authority between Nov. 2014 and Nov. 2019. It provides results for 2 outcome variables. The outcome variable APPROVAL takes the value of 1 if a merger decision is unconditionally approved according to "Art. 6.1 (b) approval" of Council Regulation EC No 130/2004, and 0 else. The outcome variable DECISION takes the following values: a value of 1 if a merger decision is unconditionally approved according to "Art. 6.1 (b) approval"; a value of 2 if the decision is "Art. 6.1 (b) in conjunction with Art. 6.2 with conditions & obligations"; a value of 3 if the decision is either "Art. 6.1 (c) doubts: Phase II of procedure," or "Art. 8.1 approval," or "Art. 8.2 approval with conditions & obligations"; a value of 4 if the decision is "Art. 8.3 prohibition." We manually match each merger case with an acquirer that has at least 1 meeting with a Commissioner before the merger decision release date to merger cases without EC meetings or without EC meetings before the merger decision. Following Barber and Lyon (1997), for each treatment firm, we first identify all control firms with lobbying expenses between 70% and 130% of the lobbying expenses of the treatment firm. From this set of control firms, we then choose the firm with total assets closest to that of the treatment firm. The table provides results for the average treatment effect for a matching to this nearest neighbor, NN (1). Abadie-Imbens standard errors are shown in parentheses. ** indicates significance at the 5% level.

Panel A. U.S. Acquirer With Access

		NN (1)
1	APPROVAL	0.333**
		(0.155)
2	DECISION	−0.333**
		(0.155)

Panel B. EU Acquirer With Access

		NN (1)
3	APPROVAL	0.079
		(0.150)
4	DECISION	0.040
		(0.200)

A side effect of this matching approach, however, is that the postmatching differences in size and lobbying expenses between the sample of U.S. acquirers with access and those without access (and the differences in lobbying expenses for the sample of EU acquirers) are statistically significant. This may raise concerns that size or lobbying expenses drive merger outcomes and not Commissioner meetings. To mitigate this concern, we manually match on the 2 variables size and lobbying expenses. We follow the procedure in Barber and Lyon (1997). For each treatment firm, we first identify all control firms with lobbying expenses between 70% and 130% of the lobbying expenses of the treatment firm. From this set of control firms, we then choose the firm with total assets closest to that of the treatment firm. This procedure yields exactly 1 control firm per treatment firm, and we perform a matching on the nearest neighbor only. Incidentally, this matching approach causes all treatment and matched control firms for the U.S. acquirers to be in the industry branch of Manufacturing. Hence, the matching can be considered as if it were additionally an exact matching on the industry level.

Table 8 provides the results. Row 1 of Panel A of Table 8 shows that U.S. acquirers with political access are more than 30% more likely to receive an unconditional approval of their EC merger decisions than similar acquirers without meetings. The coefficient is statistically significant at the 5% level. Row 3 of Panel B of Table 8 illustrates that for EU acquirers with political access there are no significant effects. Please note that there are matches for 18 U.S. acquirers with

access and merely 21 EU acquirers with access. For the remaining firms from Table 7, there are no control firms that have lobbying expenses between 70% and 130% of the treated firms. Table A5 in the Appendix shows the postmatching statistics for these analyses. There are no significant differences between the treated firms and the control firms for any of the firm observables (with the exception of Leverage for the sample of EU acquirers).

Multiple Decision Outcomes

Our preferred specification uses a binary variable to qualify the outcome of merger decisions. Other studies that analyze mergers allot more than 2 values to the potential outcomes (e.g., Mehta et al. (2020)). To provide robustness for our results, we modify the values of our outcome variable to account for the variety of merger decisions at the EC.

We define the outcome variable DECISION that can take 4 values: i) a value of 1 if a merger decision is unconditionally approved according to "Art.6.1 (b) approval" of Council Regulation EC No 130/2004; ii) a value of 2 if the decision is "Art.6.1 (b) in conjunction with Art.6.2 with conditions & obligations"; iii) a value of 3 if the decision is either "Art.6.1 (c) doubts: phase II of procedure," or "Art.8.1 approval," or "Art.8.2 approval with conditions & obligations"; iv) a value of 4 if the decision is "Art.8.3 prohibition."

The choice of the 4 categories follows the characteristics and phases of the EC merger controls procedure. The unconditional approval of a merger is the preferred outcome for the acquirer. It therefore forms category 1. If a merger is approved according to "Art.6.1 (b) in conjunction with Art.6.2 with conditions & obligations," it implies inconveniences for the acquirer, but it is still approved in phase I. We consider this category 2. All approvals that are merely conceded after a phase II investigation form category 3. Finally, the prohibition of a merger constitutes category 4.

Table 8 provides the average treatment effects of the previously described nearest neighbor matching for U.S. acquirers with access (row 2 of Panel A) and EU acquirers with access (row 4 of Panel B). The results are in line with the analysis that uses the binary outcome variable. For the nearest neighbor matching, the value of the outcome variable DECISION decreases by more than 0.33 if the acquirer is a U.S. firm. The results are statistically significant at the 5% level of confidence. Please note that the magnitude of the coefficients and standard errors for the 2 outcome variables APPROVAL and DECISION coincide in this setting, because in this subset the only decision outcomes are the unconditional approval according to "Art. 6.1 (b) approval" and "Art. 6.1 (b) in conjunction with Art. 6.2 with conditions & obligations." There are no significant effects for EU acquirers with political access (row 4 of Panel B of Table 8).

We, certainly, cannot claim that the preferential merger outcomes are unaffected by lobbying expenses. Lobbying expenses and access to Commissioners are clearly connected. Still, we regard it as very plausible that lobbying expenses are a

necessary means to achieve the end to directly interact with a Commissioner and that it is the meetings with Commissioners that are crucial to facilitate favorable merger outcomes. Our results suggest that merger outcomes at the EC are favorable for U.S. firms with political access. We consider this evidence for a channel of value creation of cross-border political access through the influence of regulatory outcomes at the EC.

V. Conclusion

In this article, we analyze novel data on meetings between corporate representatives and Commissioners at the EC between 2014 and 2019. To the best of our knowledge, we are the first to use the EC meetings data. We provide evidence on the value of cross-border political access. We find positive abnormal equity returns for U.S. firms around their meetings with Commissioners. There are, however, no significant value effects for EU firms.

We study how this difference in value effects may materialize and find that U.S. firms with meetings at the EC are more likely to receive unconditional approval of their European merger plans than similar firms without meetings. The same does not hold for EU firms with meetings. The EC is the executive of the European institutions and decides on regulatory outcomes. Regulation in their international markets is of particular importance for MNEs. Our results therefore suggest that political access to foreign policymakers can be of substantial value for MNEs.

Some of the considerations in this work may be rather specific to U.S. firms and their operations in the EU. However, we believe that our results are likely to extend to other settings in which MNEs and policymakers from different countries interact.

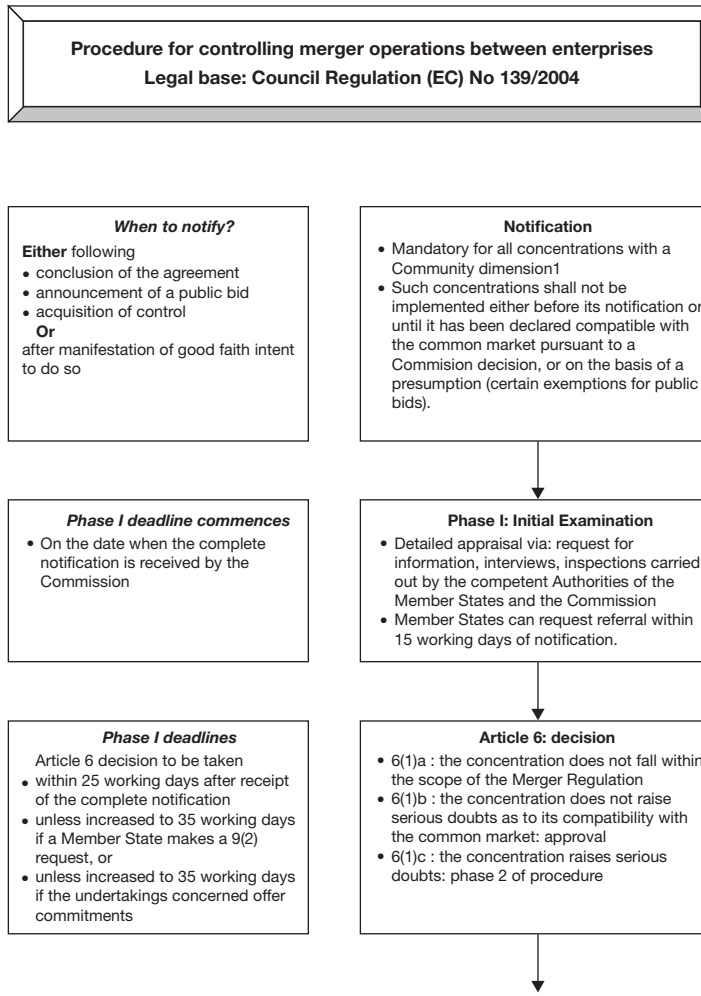
Cross-border relations between corporations and politicians are largely underexplored. Given recent developments toward more inward-oriented or even protectionist government policies of some countries, influencing foreign policymakers should be of increasing significance for firms that operate globally. We consider our contribution a first step in documenting how MNEs influence policymakers in their international markets and how firm value can be created through this political access. Future research could shed light on different strategies to influence nondomestic authorities and on the channels that motivate firms' cross-border political investments.

Appendix

FIGURE A1

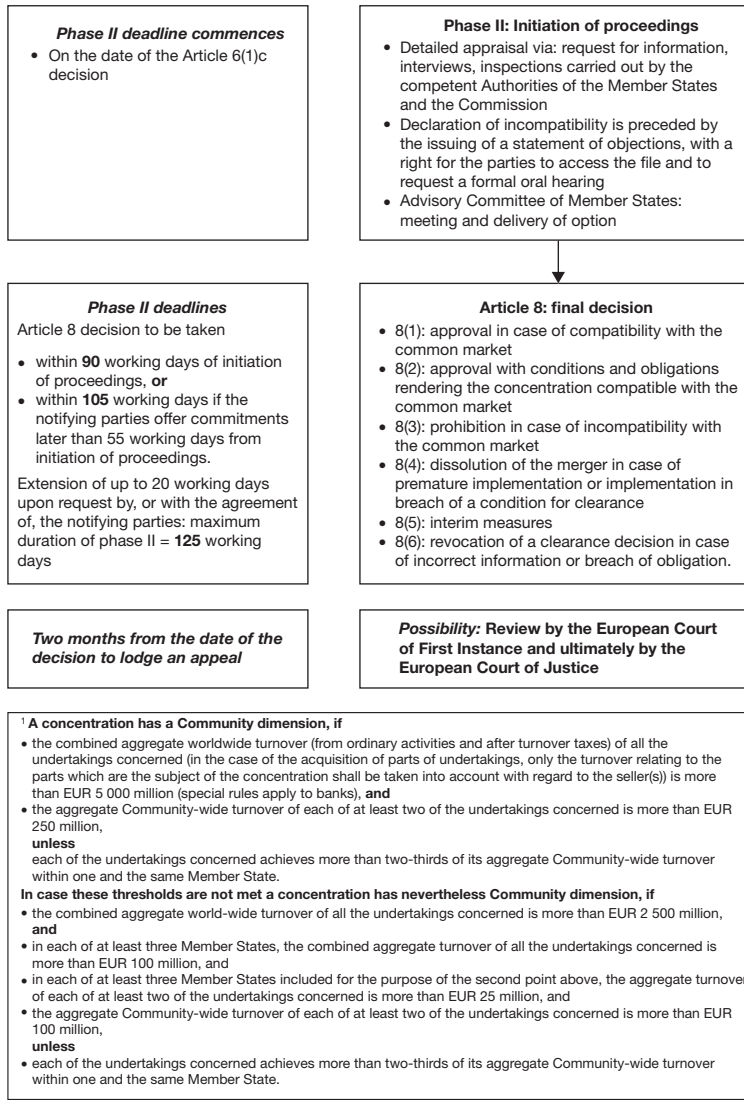
European Commission Procedure for Controlling Merger Operations

Figure A1 shows a schematic representation of the European Commission (EC) procedure for the decision on merger outcomes as shown in European Commission (2013).



(continued on next page)

FIGURE A1 (continued)



[1] **A concentration has a Community dimension, if**

- the combined aggregate worldwide turnover (from ordinary activities and after turnover taxes) of all the undertakings concerned (in the case of the acquisition of parts of undertakings, only the turnover relating to the parts which are the subject of the concentration shall be taken into account with regard to the seller(s)) is more than EUR 5 000 million (special rules apply to banks), **and**
- the aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than EUR 250 million,

unless

each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State.

In case these thresholds are not met a concentration has nevertheless Community dimension, if

- the combined aggregate world-wide turnover of all the undertakings concerned is more than EUR 2 500 million, **and**
- in each of at least three Member States, the combined aggregate turnover of all the undertakings concerned is more than EUR 100 million, and
- in each of at least three Member States included for the purpose of the second point above, the aggregate turnover of each of at least two of the undertakings concerned is more than EUR 25 million, and
- the aggregate Community-wide turnover of each of at least two of the undertakings concerned is more than EUR 100 million,

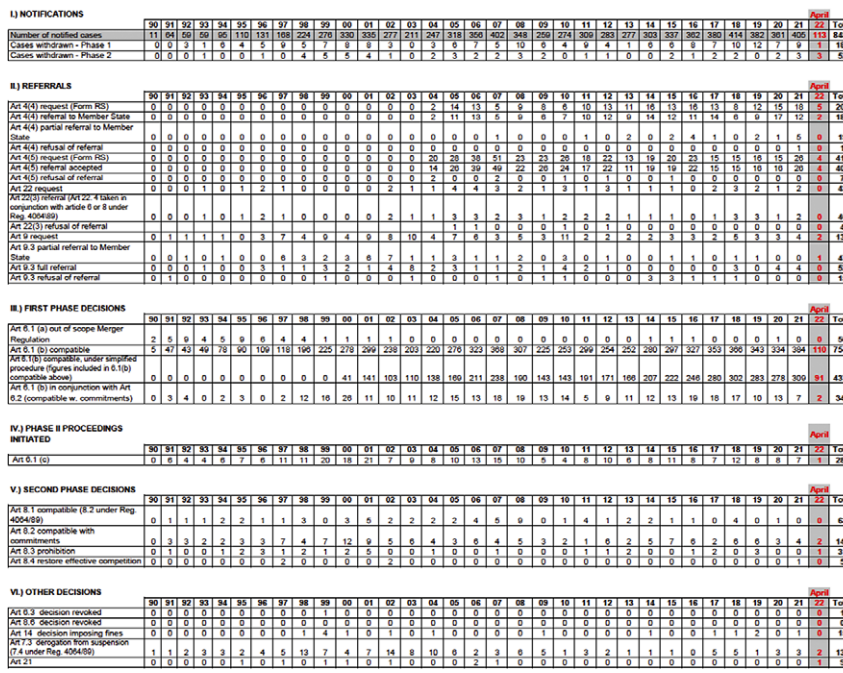
unless

- each of the undertakings concerned achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State.

FIGURE A2

European Commission Statistics on Merger Cases

Figure A2 shows statistics for merger cases at the European Commission (EC) since 1990. The statistics are retrieved from the EC web page at https://ec.europa.eu/competition-policy/mergers/statistics_en.



I.) NOTIFICATIONS (April)

	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	Total
Number of notified cases	11	64	59	59	95	110	131	108	224	276	330	335	277	211	247	318	356	402	348	259	274	309	283	277	303	337	362	380	414	382	361	405	113	8480
Cases withdrawn - Phase 1	0	0	3	1	6	4	5	9	5	7	8	8	3	0	3	6	7	5	10	6	4	9	4	1	6	6	8	7	10	12	7	9	1	180
Cases withdrawn - Phase 2	0	0	0	1	0	0	1	0	4	5	5	4	1	0	2	3	2	2	3	2	0	1	1	0	0	2	1	2	2	0	2	3	3	52

II.) REFERRALS (April)

	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	Total
Art 4(4) request (Form RS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	14	13	5	9	8	6	10	13	11	16	13	16	13	8	12	15	18	5	207
Art 4(4) referral to Member State	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	11	13	5	9	8	7	10	12	9	14	12	11	14	6	9	17	12	2	181
Art 4(4) partial referral to Member State	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	2	0	2	4	1	0	2	1	5	0	19
Art 4(4) refusal of referral	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Art 4(5) request (Form RS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	28	38	51	23	23	26	18	22	13	19	20	23	15	15	16	15	26	4	415
Art 4(5) referral accepted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	26	39	49	22	26	24	17	22	11	19	19	22	15	15	16	16	26	4	402
Art 4(5) refusal of referral	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	2	0	0	1	0	1	0	0	1	0	0	0	0	0	0	0	7
Art 22 request	0	0	0	1	0	1	2	1	0	0	0	0	2	1	1	4	4	3	2	1	3	1	3	1	1	1	0	2	3	2	1	2	0	43
Art 22(3) referral [Art 22.4 taken in conjunction with article 6 or 8 under Reg. 4064/89]	0	0	0	1	0	1	2	1	0	0	0	0	2	1	1	3	3	2	3	1	2	2	2	1	1	1	0	1	3	3	1	2	0	40
Art 22(3) refusal of referral																1	1	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	4
Art 9 request	0	1	1	1	1	0	3	7	4	9	4	9	8	10	4	7	6	3	5	3	11	2	2	2	2	3	3	2	5	3	3	4	2	130
Art 9.3 partial referral to Member State	0	0	1	0	1	0	0	6	3	2	3	6	7	1	1	3	1	1	2	0	3	0	1	0	0	1	1	0	1	1	0	0	1	47
Art 9.3 full referral	0	0	0	1	0	0	3	1	1	3	2	1	4	8	2	3	1	1	2	1	4	2	1	0	0	0	0	0	3	0	4	4	0	52
Art 9.3 refusal of referral	0	1	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	1	0	1	1	0	0	0	3	3	1	1	1	0	0	0	0	15

III.) FIRST PHASE DECISIONS (April)

	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	Total
Art 6.1 (a) out of scope Merger Regulation	2	5	9	4	5	9	6	4	4	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	1	1	1	0	0	0	1	0	0	56
Art 6.1 (b) compatible	5	47	43	49	78	90	109	118	196	225	278	299	238	203	220	276	323	368	307	225	253	299	254	252	280	297	327	353	366	343	334	384	110	7549
Art 6.1(b) compatible, under simplified procedure (figures included in 6.1(b) compatible above)	0	0	0	0	0	0	0	0	0	0	41	141	103	110	138	169	211	238	190	143	143	191	171	166	207	222	246	280	302	283	278	309	91	4373
Art 6.1 (b) in conjunction with Art 6.2 (compatible w. commitments)	0	3	4	0	2	3	0	2	12	18	26	11	10	11	12	15	13	18	19	13	14	5	9	11	12	13	19	18	17	10	13	7	2	340

IV.) PHASE II PROCEEDINGS INITIATED (April)

	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	Total
Art 6.1 (c)	0	6	4	4	6	7	6	11	11	20	18	21	7	9	8	10	13	15	10	5	4	8	10	6	8	11	8	7	12	8	8	7	1	289

V.) SECOND PHASE DECISIONS (April)

	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	Total
Art 8.1 compatible (8.2 under Reg. 4064/89)	0	1	1	1	2	2	1	1	3	0	3	5	2	2	2	2	4	5	9	0	1	4	1	2	2	1	1	0	4	0	1	0	0	63
Art 8.2 compatible with commitments	0	3	3	2	2	3	3	7	4	7	12	9	5	6	4	3	6	4	5	3	2	1	6	2	5	7	6	2	6	6	3	4	2	143
Art 8.3 prohibition	0	1	0	0	1	2	3	1	2	1	2	5	0	0	1	0	0	1	0	0	0	1	1	2	0	0	1	2	0	3	0	0	1	31
Art 8.4 restore effective competition	0	0	0	0	0	0	0	2	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	5

VI.) OTHER DECISIONS (April)

	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	Total
Art 8.3 decision revoked	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Art 8.6 decision revoked	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Art 14 decision imposing fines	0	0	0	0	0	0	0	0	1	4	1	0	1	0	1	0	0	0	0	1	0	0	0	0	1	0	0	1	1	2	0	1	0	15
Art 7.3 derogation from suspension (7.4 under Reg. 4064/89)	1	1	2	3	3	2	4	5	13	7	4	7	14	8	10	6	2	3	6	5	1	3	2	1	1	1	0	5	5	1	3	3	2	134
Art 21	0	0	0	0	0	1	0	1	0	1	1	0	1	0	0	0	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	9

TABLE A1

CARs Around Commissioner Meetings for Identified Publication Dates

Table A1 shows the mean and median cumulative abnormal returns (CARs) for U.S. and EU firms for their meetings with Commissioners. CARs are based on Fama–French–Carhart 4-factor adjusted returns. The analysis merely considers meetings for which we can identify the publication date of the meeting. Rows 1 and 2 display the results for U.S. firms and Rows 3 and 4 those for EU firms. The table lists CARs for different event windows, all of which start 3 days prior to the publication date. Standardized cross-sectional *t*-statistics are shown in parentheses. Signrank *p*-value is the *p*-value of the nonparametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to 0. * and ** indicate significance at the 10% and 5% levels, respectively.

Panel A. U.S. Firms

		Event Window (−3, 5)	Event Window (−3, 10)	Event Window (−3, 20)	No. of Meetings
1	MEAN_CARs	0.62%	0.61%	1.00%	151
	(*t*-stats)	(2.15)**	(1.74)*	(2.08)**	
2	MEDIAN_CARs	0.61%	0.52%	1.13%	151
	Signrank *p*-value	0.041**	0.042**	0.019**	

Panel B. EU Firms

		Event Window (−3, 5)	Event Window (−3, 10)	Event Window (−3, 20)	No. of Meetings
3	MEAN_CARs	−0.08%	−0.13%	−0.01%	390
	(*t*-stats)	(−0.34)	(−0.43)	(−0.02)	
4	MEDIAN_CARs	−0.04%	−0.39%	−0.31%	390
	Signrank *p*-value	0.887	0.382	0.546	

TABLE A2

CARs Around Commissioner Meetings (Industry-Adjusted)

Table A2 shows the mean and median cumulative abnormal returns (CARs) for U.S. and EU firms for their meetings with Commissioners. CARs are based on industry-adjusted returns. We use Refinitiv Datastream's sector price indices to calculate abnormal returns. Rows 1 and 2 display the results for U.S. firms and Rows 3 and 4 those for EU firms. The table lists CARs for different event windows, all of which start 3 days prior to the meeting. Standardized cross-sectional *t*-statistics are shown in parentheses. Signrank *p*-value is the *p*-value of the nonparametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to 0. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A. U.S. Firms

		Event Window			
		(−3, 5)	(−3, 10)	(−3, 20)	No. of Meetings
1	MEAN_CARs	0.60%	0.39%	0.50%	312
	(*t*-stats)	(3.88)***	(1.82)*	(1.76)*	
2	MEDIAN_CARs	0.30%	0.35%	0.35%	312
	Signrank *p*-value	0.002***	0.052*	0.038**	

Panel B. EU Firms

		Event Window			
		(−3, 5)	(−3, 10)	(−3, 20)	No. of Meetings
3	MEAN_CARs	−0.06%	0.00%	−0.00%	872
	(*t*-stats)	(−0.80)	(0.03)	(−0.01)	
4	MEDIAN_CARs	−0.00%	−0.00%	−0.00%	872
	Signrank *p*-value	0.650	0.650	0.602	

TABLE A3

CARs Around Commissioner Pseudo Meetings (Placebo Test)

Table A3 shows the mean and median cumulative abnormal returns (CARs) for U.S. and EU firms for the date 8 weeks prior to the respective meetings with Commissioners. CARs are based on Fama–French–Carhart 4-factor adjusted returns. Rows 1 and 2 display the results for U.S. firms and Rows 3 and 4 those for EU firms. The table lists CARs for different event windows, all of which start 3 days prior to the meeting. Standardized cross-sectional *t*-statistics are shown in parentheses. Signrank *p*-value is the *p*-value of the nonparametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to 0.

Panel A. U.S. Firms

		Event Window			
		(−3, 5)	(−3, 10)	(−3, 20)	No. of Meetings
1	MEAN_CARs	0.10%	0.16%	0.26%	307
	(*t*-stats)	(0.53)	(0.72)	(0.79)	
2	MEDIAN_CARs	0.21%	0.19%	−0.02%	307
	Signrank *p*-value	0.302	0.327	0.480	

Panel B. EU Firms

		Event Window			
		(−3, 5)	(−3, 10)	(−3, 20)	No. of Meetings
3	MEAN_CARs	0.14%	0.11%	−0.13%	871
	(*t*-stats)	(1.17)	(0.75)	(−0.68)	
4	MEDIAN_CARs	0.37%	0.12%	−0.12%	871
	Signrank *p*-value	0.083*	0.495	0.533	

TABLE A4

CARs for Nonmeeting Firms around Commissioner Meetings (Placebo Test)

Table A4 shows the mean and median cumulative abnormal returns (CARs) for nonmeeting firms for Commissioner meeting dates. For each firm with Commissioner meetings, we find a firm that is similar, but does not have Commissioner meetings. For each of these nonmeeting firms, we calculate the CARs around the date of the Commissioner meeting of the respective similar firm with the meeting. To find the respective similar nonmeeting firm, we perform a nearest neighbor matching on total assets with an exact match on the country and the industry at the 1-digit SIC code level. CARs are based on Fama–French–Carhart 4-factor adjusted returns. Rows 1 and 2 display the results for U.S. nonmeeting firms and Rows 3 and 4 those for EU nonmeeting firms. The table lists CARs for different event windows, all of which start 3 days prior to the meeting. Standardized cross-sectional *t*-statistics are shown in parentheses. Signrank *p*-value is the *p*-value of the nonparametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to 0.

Panel A. U.S. Firms

		Event Window			
		(−3, 5)	(−3, 10)	(−3, 20)	No. of Meeting Dates
1	MEAN_CARs	0.14%	0.22%	0.41%	312
	(*t*-stats)	(0.83)	(1.02)	(1.44)	
2	MEDIAN_CARs	0.21%	0.09%	0.23%	312
	Signrank *p*-value	0.428	0.456	0.234	

Panel B. EU Firms

		Event Window			
		(−3, 5)	(−3, 10)	(−3, 20)	No. of Meeting Dates
3	MEAN_CARs	−0.02%	−0.19%	−0.10%	853
	(*t*-stats)	(−0.16)	(−1.14)	(−0.45)	
4	MEDIAN_CARs	0.08%	−0.39%	−0.03%	853
	Signrank *p*-value	0.728	0.211	0.619	

TABLE A5

Postmatching Statistics

Table A5 shows descriptive statistics for firms with merger decisions (Panel A for U.S. firms and Panel B for EU firms) at the European Commission (EC) Competition Authority between Nov. 2014 and Nov. 2019. *Acquirers with access* describes the sample of all merger cases for which the acquirer has at least 1 meeting with a Commissioner before the merger decision release date. *Acquirers without access*, respectively, describes the sample of cases without EC meetings or without EC meetings before the merger decision that are matched to the merger cases with meetings in a nearest neighbor matching. We manually match on the variables lobbying expenses and total assets. Following Barber and Lyon (1997), for each treatment firm, we first identify all control firms with lobbying expenses between 70% and 130% of the lobbying expenses of the treatment firm. From this set of control firms, we then choose the firm with total assets closest to that of the treatment firm. The values of firm observables are for the year of the respective merger. DEAL_SIZE ($bn) depicts the deal size of the merger in $billion. ASSETS ($bn) is the book value of total assets in $billion. MKT_BOOK is the ratio of market value to common equity value 4 weeks before the merger announcement. ROA is the return on assets, the measure for profitability. LEVERAGE is total debt divided by total assets. TANGIBILITY is net property, plant, and equipment divided by total assets. LOBBY (€m) depicts the maximum of reported lobbying expenses in the EU in €million. *p*-Value is the *p*-value of a test on differences in means.

Panel A. U.S. Firms

	Acquirers With Access				Acquirers Without Access				
Variables	No. of Cases	Mean	Std. Dev.	Median	No. of Cases	Mean	Std. Dev.	Median	*p*-Value
DEAL_SIZE ($bn)	18	13.81	23.26	4.77	10	14.72	19.57	8.17	0.918
ASSETS ($bn)	18	78.58	43.68	70.39	10	58.67	53.89	37.80	0.297
MKT_BOOK	18	5.27	14.61	5.61	10	5.59	9.23	3.07	0.952
ROA	18	0.07	0.06	0.07	10	0.06	0.04	0.05	0.654
LEVERAGE	18	0.27	0.11	0.32	10	0.30	0.13	0.31	0.576
TANGIBILITY	18	0.13	0.08	0.11	10	0.20	0.19	0.11	0.188
LOBBY (€m)	18	0.54	0.38	0.55	10	0.32	0.33	0.30	0.146

(continued on next page)

TABLE A5 (continued)

Postmatching Statistics

Panel B. EU Firms

	Acquirers With Access				Acquirers Without Access				
Variables	No. of Cases	Mean	Std. Dev.	Median	No. of Cases	Mean	Std. Dev.	Median	*p*-Value
DEAL_SIZE ($bn)	21	9.02	17.58	4.02	15	5.50	6.46	2.53	0.466
ASSETS ($bn)	21	250.62	455.46	38.55	15	304.67	562.37	31.97	0.752
MKT_BOOK	21	5.31	4.61	3.47	15	4.79	4.46	2.43	0.734
ROA	21	0.08	0.07	0.06	15	0.06	0.07	0.04	0.396
LEVERAGE	21	0.26	0.19	0.19	15	0.42	0.19	0.37	0.014
TANGIBILITY	21	0.20	0.20	0.11	15	0.29	0.24	0.26	0.243
LOBBY (€m)	21	0.31	0.23	0.30	15	0.22	0.21	0.20	0.268

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