Who pays a visit to Brussels? Firm value effects of cross-border political access to European Commissioners[*]

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Abstract

We analyze meetings of firms with policymakers at the European Commission (EC). Meetings with Commissioners are associated with positive abnormal equity returns for US 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. US 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.

1   Introduction

The share of multinational enterprises (MNEs) has increased substantially in the recent past. About half of US public firms operate in more than one country (Erel, Jang, and Weisbach 2020). Operating globally may imply considerable risk from political factors. MNEs face different legislation and regulation abroad, and foreign policymakers may treat them unfavorably in regulatory decisions (e.g., Aktas, de Bodt, 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 paper, we use a novel dataset 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 US and EU public firms and Commissioners between 2014 and 2019. Meetings of US firms with Commissioners are associated with almost 0.7 percent abnormal equity returns. Importantly, EU firms' abnormal returns amount to merely around 0.2 percent and are not significantly different from 0. We analyze how this difference in value effects can materialize and show that US firms with meetings at the EC are around 35 percent more likely to receive unconditional approval of their EU merger plans than their EU peers.

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[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.

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 US 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 November 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 two weeks of the meeting. We gather information on all meetings of corporate representatives of US and EU public firms with Commissioners between November 2014 and November 2019, thereby covering the entire period of the "Juncker Commission". In total, we analyze 1,410 meetings of Commissioners. 447 of these meetings are with 71 US firms and 963 meetings are with 202 EU firms.

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 US 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, US and EU firms, benefit from increasing CARs. However, while US firms' abnormal equity gains amount to almost 0.7 percent a few days following the meeting, EU firms merely benefit from an increase of around 0.1 to 0.2 percent. After about one week, the CARs remain fairly stable for the next month. We show that firms' lobbying expenses in Europe are positively associated with their number of Commissioner meetings. However, there is no direct association between CARs and lobbying expenses. This suggests that meetings with Commissioners have a value effect beyond the effect of traditional measures of political connections.

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 & acquisitions (M&A). We analyze whether political access to the EC positively affects regulatory outcomes for US firms. We compile a dataset of all M&A

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

decisions at the EC between November 2014 and November 2019 that involve public US 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 US acquirer with Commissioner meetings to merger cases that involve EU acquirers with meetings. The matching is based on several continuous firm characteristics (deal size, total assets, market-to-book, roa, leverage, tangibility, lobbying expenses) and an exact matching on the industry. We find that cases with US acquirers are at least 35 percent more likely to receive unconditional approval of their merger plans than the cases of their EU peers. In addition, we show that US acquirers with political access are up to 27 percent more likely to receive unconditional approval than acquirers without meetings. We do not find any significant differences in merger decisions between EU firms with political access and firms without access. Since we match on lobbying expenses, we are confident that the outcome is driven by direct political access and not by lobbying efforts.

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 two 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

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

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), Goldman, Rocholl, and So (2008), Faccio and Parsley (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 2012), have lower cost of equity capital (Boubakri et al. 2012), are significantly more likely to receive government bailouts (Faccio, Masulis, and McConnell 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 (Acemoglu et al. 2016; Fisman et al. 2012; Brown and Huang 2020; Child et al. 2020). The only extant study on firms' attempts to connect to foreign policymakers is Fink and Stahl (2020). The authors show that non-US firms with considerably more contributions to Republicans via their US subsidiaries benefit from positive abnormal equity returns following the 2016 US 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 et al. 2017; Fidrmuc, Roosenboom, and Zhang 2018). Mehta, Srinivasan, and Zhao (2020) show that merging entities receive favorable antitrust review outcomes if they are located in the districts of US 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 US corporate

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

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 paper is structured as follows. The next section provides a brief overview of the structure and tasks of the EC. Section 3 presents the data and data sources. In section 4, we present the methods, main results, and robustness checks of the analysis. Section 5 concludes.

2   The European Commission

The EC is composed of the College of Commissioners. These include the President and Vice-Presidents. There is one 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 five years. Each Commissioner has a team of about five to ten 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 dataset 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

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[5]On January 31 2020, the United Kingdom withdrew from the EU. Our dataset covers the period from November 2014 to November 2019, for which the EU had 28 member states.

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 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.

3 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 webpages of the EC officials.[6] We gather data on firms' lobbying efforts in Europe from the Transparency Register and from LobbyFacts.eu.[7]

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 Four-Factor model to obtain abnormal returns.[8] We retrieve the data for the four factors from AQR.[9] The firm provides the daily equity factors for the US 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.[10] 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.[11] Data on M&A deal characteristics are obtained from

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[6]See www.integritywatch.eu and https://ec.europa.eu.

[7]See http://ec.europa.eu/transparencyregister/public/homePage.do and https://lobbyfacts.eu.

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

[9]See https://www.aqr.com.

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

[11]See http://ec.europa.eu/competition/.

Thomson Reuters and from Bureau van Dijk's Zephyr database.

Following a decision of the EC on November 25, 2014, EC members should disclose details of their meetings with organizations and self-employed individuals.[12] 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 two weeks of the meeting. The names of individuals acting on behalf of organizations are not made public unless the persons give their consent. Our dataset includes the names of Commissioners, but for many meetings we do not have the identities of the firm representatives.

In total, we analyze 1,410 meetings of US and EU firm representatives with Commissioners between November 2014 and November 2019. 447 meetings take place with 71 US firms, and 963 meetings take place with 202 EU firms. Table 1 provides an overview of the 20 US and EU firms with the highest number of meetings at the EC. These 20 firms combined have more than 30 percent of all meetings. The table indicates that there may be some differences in the industry composition across the two 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 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 US firm meetings are concentrated within the three industries Services, Manufacturing, and Finance, Insurance, and Real Estate. The Services industry includes the large tech firms, and US firms have substantially more meetings in that industry than EU firms. On the other hand, while EU firms compare fairly well to US 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 twelve Directorates-General and their respective Commissioners with the

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

most frequent meetings with US and EU firms. The table reveals that more than 50 percent of all meetings take place with just 5 of the 28 Directorate-Generals. The distribution of meetings across US 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 US and EU firms that have meetings with Commissioners. US 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 two samples. However, US 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 two 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 three 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.[13] 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 dataset. If information on a meeting is mentioned in one of the three 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 one source, we set the date to the earliest publication date. In total, this leads to the modification of the date for about 45 percent of meetings in our dataset. This does not mean that information on the other meetings is not already available ahead of the meetings. We

[13]See https://ec.europa.eu/commission/presscorner/home/en and https://www.pressreleasepoint.com/user/72870/tracker.

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 three 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 percent 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, Srinivasan, and Zhao (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, Roosenboom, and Zhang 2018), or the appointment of regulators and former politicians to boards of directors (Ferris, Houston, and Javakhadze

2016).

4   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 US firms. The section concludes with several robustness checks.

4.1   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 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 parenthesis. 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 US 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 US 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, Gulen, and Ovtchinnikov 2010; Croci et al. 2017).

4.2 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 Four-Factor model.[14] 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 US 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 three days prior to the meeting. Figure 1 also reveals that value effects for US firms are fully incorporated after about one 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 three different event windows. Rows (1) and (2) of Panel A present the mean and median CARs for US firms. Firms whose representatives meet with Commissioners experience mean CARs of 0.67 percent during the event window (-3, 5). These value effects are statistically significant at the 1 percent 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 percent 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 percent for all three 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 above. This can be explained by the fact that some firms have more than one meeting with different Commissioners on the same day. For the calculation of CARs, we

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

only consider one meeting per firm per day, even if a firm has two or more meetings on the same day. In addition, observations only enter the analysis if there is 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 US firms' meetings with Commissioners. This is not the case for EU firms. We provide evidence that value gains are driven by the direct political access granted by Commissioner meetings and not by the rather indirect measure of lobbying expenses.

4.2.1 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 3, we can identify a publication date for about 45 percent of meetings in our dataset. For the other 55 percent we use the meeting data 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 A.1 in the Appendix provides the results for this reduced sample. Panel A shows that the coefficient for US 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 two 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.

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 multi-country analysis. Panel A in Table A.2 in the Appendix shows that the results. Mean CARs for US 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 not significant value effects for EU firms.

To perform the placebo test, we calculate CARs for pseudo meetings for the date eight weeks prior to the respective meeting, i.e., we pretend that the meetings take place eight weeks before the actual date or publication date. Table A.3 in the Appendix shows that neither for US nor for EU firms any of the value effects around the pseudo meeting dates are statistically significant.[15] This provides further evidence that the significant value effects of US firms are indeed driven by meetings with Commissioners.

4.3   Regulatory outcomes and political access

In this section, we study a channel that may explain why political access to Commissioners is more valuable for US than for EU firms. The EC is the executive of the European institutions and decides on regulatory outcomes. Legal differences and uncertainties regarding the European market as well as potential discriminatory behavior of the EU regulator may impose an additional burden on US firms that operate in the EU.

Repeated accusations suggest a potential EU bias against US firms. For instance, former US president Barack Obama says that Europe's scrutiny of Silicon Valley is sometimes a mask for protectionism.[16] His successor, Donald Trump, attacks the EC for aggressively pursuing antitrust cases against US technology firms and calls this actions of an EU regulator who "hates" America.[17] Empirical evidence confirms that European policymakers may indeed treat foreign firms unfavorably in M&A decisions (e.g., Aktas, de Bodt, and Roll 2007; Dinc and

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[15]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.

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

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

Erel 2013). Interactions with Commissioners may alleviate this potential bias. This could explain the discrepancy in the observed patterns of value effects.

We compare the outcomes of M&A decisions at the EC for US and EU public firms with political access. We compile a dataset of all merger decisions at the EC Competition Authority between November 2014 and November 2019 in which the acquirer parent is a US 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 were 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.[18] 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)); ii) the merger is approved subject to accepted remedies

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[18]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.

(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 A.1 in the Appendix provides a schematic presentation of the EC procedure. The figure is from European Commission (2013). Table A.4 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.[19] 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 US than for EU firms, we focus our analysis on merger cases with a US acquirer with at least one Commissioner meeting and a control group of cases with an EU acquirer with at least one Commissioner meeting. This yields a total sample of 118 merger cases. Panel A of Table 7 provides descriptive statistics of firm characteristics for both subsamples. The variable values are for the year of the respective merger. US firms are more levered, but have less tangible assets than their EU counterparts. There are no significant differences in size, market-to-book, profitability, or lobbying expenses between the two samples. Interestingly, the average deal size for mergers with US acquirers is significantly larger. Deal size is typically negatively associated with a positive merger outcome.

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[19]Our approach is similar to Aktas, de Bodt, and Roll (2007).

Panel B of Table 7 breaks down the merger cases by industry. Almost 80 percent of cases with US acquirers take place in the manufacturing industry. The cases with EU acquirer participation are somehow more evenly spread across industries, although a large part also occurs in manufacturing. Panel C of Table 7, which lists the distribution of merger decisions, shows that 71 percent of US merger cases receive an unconditional approval as opposed to merely 55 percent of EU cases.

The statistics in Table 7 reveal some differences between the two regional subsamples. We apply a nearest neighbor matching approach as in Abadie and Imbens (2006) to account for these. We match each US acquirer merger case to its nearest neighbor among the sample of EU merger cases. The matching is based on several continuous firm characteristics (deal size, total assets, market-to-book, roa, leverage, tangibility, lobbying expenses) and an exact matching on the industry at the 1-digit SIC code level. Panel A of Table 8 provides the average treatment effects of a matching on 1, 2, or 3 nearest neighbors. Depending on the number of nearest neighbors, US acquirers with political access are 35 to 44 percent more likely to receive an unconditional approval of their EC merger decisions than their EU counterparts. The results are statistically significant at the 1 percent level of confidence.

4.3.1 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 two values to the potential outcomes (e.g., Mehta, Srinivasan, and Zhao 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 four 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 four 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.

Panel C of Table 7 displays the distribution of decisions for the samples of US acquirers and EU acquirers with Commissioner meetings. Panel B of Table 8 provides the average treatment effects of a nearest neighbor matching. Again, we match each US acquirer merger case to its nearest neighbor among the sample of EU merger cases. The matching is based on several continuous firm characteristics (deal size, total assets, market-to-book, roa, leverage, tangibility, lobbying expenses) and an exact matching on the industry. Depending on the number of nearest neighbors, the value of the outcome variable *Decision* decreases between 0.44 and 0.59 if the acquirer is a US firm. The results are statistically significant at the 1 percent level of confidence.

4.3.2 The impact of political access

The results in Table 8 show that US acquirers with Commissioner meetings have more beneficial EC merger outcomes than EU acquirers with meetings. The findings provide a potential explanation for the difference in value effects of political access between US and EU firms. The described approach, however, does not show the impact of having political access. To study this impact, we compare merger outcomes for acquirers with meetings to merger outcomes for acquirers without meetings. We analyze the impact of political access on merger outcomes for US acquirers and EU acquirers separately.

Tables A.5 and A.6 in the Appendix provide descriptive statistics for the analyses for US acquirers and EU acquirers, respectively. It is important to note that the sample sizes for the treatment groups (*Acquirers with access*) differ from the sample sizes of the two samples in

Tables 7 and 8. The reason for this is the loss of some observations due to the requirements of the nearest neighbor matching in combination with the exact matching and the change in control groups.

Panel A of Table 9 shows the results of a nearest neighbor matching of merger cases of US acquirers with access to merger cases of acquirers without access. According to the nearest neighbor match, US acquirers with political access are 27 percent more likely to receive an unconditional approval of their EC merger decisions than acquirers without access. The result is statistically significant at the 1 percent level of confidence. For the matching to the two and three nearest neighbors, the coefficient decreases to some extent and is statistically significant at the 5 and 10 percent level, respectively. Depending on the number of nearest neighbors, the value of the outcome variable *Decision* decreases between 0.23 and 0.33 if the acquirer has political access. The results are statistically significant at the 1 percent and 5 percent level of confidence, respectively.

Panel B of Table 9 shows the results for the corresponding nearest neighbor matching of merger cases of EU acquirers with access to merger cases of acquirers without access. None of the specifications shows a statistically significant difference in merger outcomes between cases of acquirers with access and those without access.

The results suggest that merger outcomes at the EC are favorable for US 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.

5   Conclusion

In this paper, 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 US 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 US firms with

meetings at the EC are more likely to receive unconditional approval of their European merger plans than EU firms with meetings. We also show that US firms with meetings benefit from preferential merger outcomes compared to 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 US 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 under-explored. In particular given recent developments toward more inwards-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 non-domestic authorities and on the channels that motivate firms' cross-border political investments.

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Figure 1: **Cumulative abnormal returns (CARs) around meetings with Commissioners.**
This graph plots the mean CARs for US and EU public firms for meetings with Commissioners. CARs
are based on Fama-French-Carhart four-factor adjusted returns.
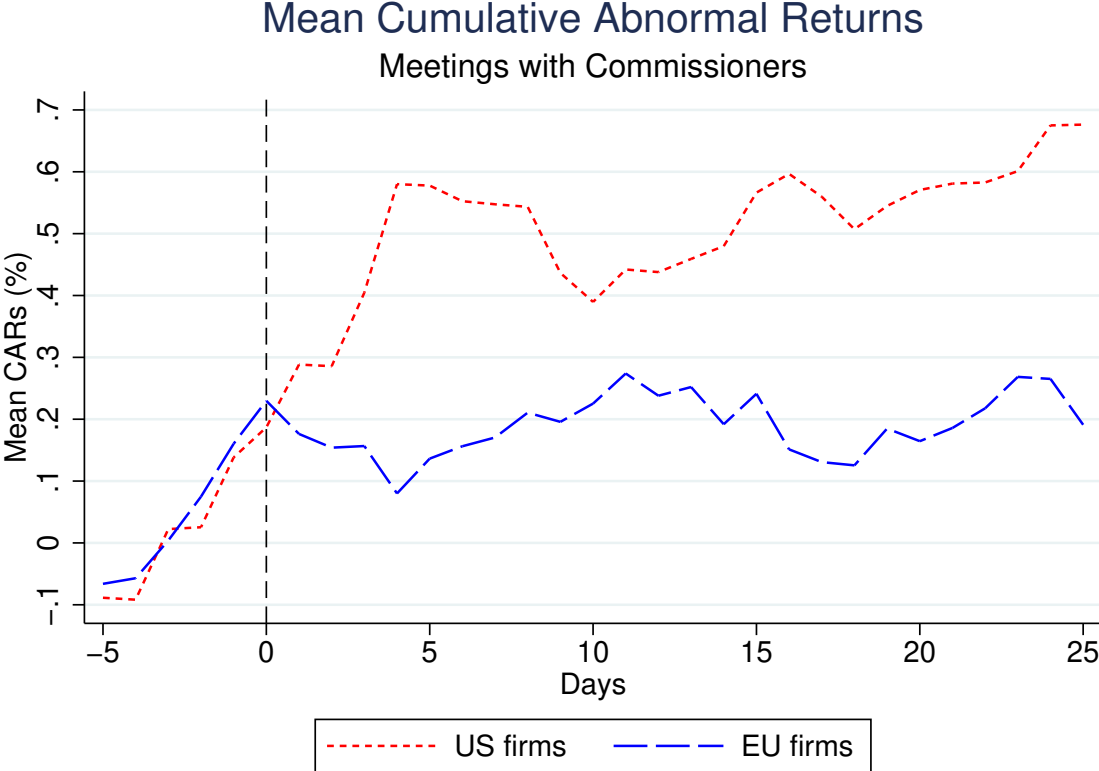
Table 1: **Most frequent visitors at the European Commission.**
This table provides an overview of the 20 public firms with the highest number of meetings with Commissioners between November 2014 and November 2019. Column (1) shows the number of total meetings of the respective firm. Columns (2) and (3) indicate whether the firm is from the US or the EU.

Company name	Total (1)	US (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
Telefonica	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.** This table displays the number of meetings of public firms with Commissioners between November 2014 and November 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 were by firms from the US or the EU. In total, 273 firms meet with Commissioners (71 US firms and 202 EU firms), and 1,410 meetings take place (447 with US firms and 963 with EU firms).

	Total	US	EU
Industry	(1)	(2)	(3)
Manufacturing	448	138	310
Transportation & 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	1,410	447	963

Table 3: **Directorates-General with highest number of meetings.** This table lists the twelve Directorates-General and their respective Commissioners with the highest number of meetings with public US and EU firms between November 2014 and November 2019. Column (1) shows the number of total meetings for the respective Directorate-General. Columns (2) and (3) indicate how many meetings were by firms from the US or the EU.

		Total	US	EU
Directorate-General	Commissioner	(1)	(2)	(3)
Digital Economy and Society	Mariya Gabriel/ Günther Oettinger	206	71	135
Climate Action & Energy	Miguel Arias Cañete	181	11	170
Digital Single Market	Andrus Ansip	162	58	104
Euro & 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 & 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

Table 4: **Descriptive statistics (firm-year observations).** This table provides summary statistics for US and EU public firms that have meetings with Commissioners between November 2014 and November 2019. In total, 273 firms meet with Commissioners (71 US firms and 202 EU firms), and 1,410 meetings take place (447 with US firms and 963 with EU firms). *N* is the number of firm-year observations. *Meetings* is the annual number of meetings between firm representatives and Commissioners. *Lobbying (€m)* depicts the maximum of reported annual lobbying expenses in the EU in €million. *Total Assets ($bn)* is the book value of total assets in $billion. *Market-to-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.

| Variable | US | | | | EU | | | | |
	N	Mean	SD	Median	N	Mean	SD	Median	p-Value
Meetings	426	1.05	2.03	0.00	1,212	0.80	1.40	0.00	0.004
Lobbying (€m)	426	0.81	1.01	0.50	1,212	0.55	0.74	0.30	0.000
Total assets ($bn)	426	217.11	471.49	54.76	1,212	211.41	483.96	29.25	0.773
Market-to-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

Table 5: **OLS regression: Number of meetings and firm characteristics.** This table 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 November 2014 and November 2019. Columns (1) and (2) show results for US firms and Columns (3) and (4) for EU firms. *Ln(1+# meetings)* is the natural logarithm of one plus the annual number of meetings. *Ln Lobbying* depicts the natural logarithm of the maximum of reported annual lobbying expenses in the EU. *Ln Total assets* is the natural logarithm of the book value of total assets. *Market-to-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. *N* is the number of firm-year observations. 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 parenthesis. *, **, or *** indicate significance at the 10%, 5%, or 1% level.

Dependent variable: Ln(1+# meetings)

	US		EU	
	(1)	(2)	(3)	(4)
Ln Lobbying	0.025***	0.016***	0.013***	0.006*
	(0.007)	(0.006)	(0.003)	(0.003)
Ln Total assets		0.082***		0.082***
		(0.025)		(0.014)
Market-to-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)
N	426	426	1,212	1,212
R-squared	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

Table 6: **CARs around Commissioner meetings.** This table shows the mean and median cumulative abnormal returns (CARs) for US and EU firms for their meetings with Commissioners. CARs are based on Fama-French-Carhart four-factor adjusted returns. Rows (1) and (2) display the results for US firms and Rows (3) and (4) those for EU firms. The table lists CARs for different event windows, all of which start three days prior to the meeting. N is the number of meetings. Standardized cross-sectional t-statistics are shown in parenthesis. Signrank p-value is the p-value of the non-parametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to zero. *, **, or *** indicate significance at the 10%, 5%, or 1% level.

Panel A: US firms

		Event window			
		(-3, 5)	(-3, 10)	(-3, 20)	N
(1)	Mean CARs	0.67%	0.48%	0.66%	312
	(t-Statistics)	(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)	N
(3)	Mean CARs	0.09%	0.16%	0.23%	872
	(t-Statistics)	(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	

Table 7: **Descriptive statistics: Merger decisions at the European Commission (EC) for firms with Commissioner meetings.** This table shows descriptive statistics for firms with merger decisions at the EC Competition Authority between November 2014 and November 2019. *US acquirers* describes the sample of all merger cases for which the acquirer is a US firm that has at least one meeting with a Commissioner. *EU acquirers* describes the sample of all merger cases for which the acquirer is an EU firm that has at least one meeting with a Commissioner. Panel A provides descriptive statistics for the two samples. The values are for the year of the respective merger. *Deal size ($bn)* depicts the deal size of the merger in $billion. *Total assets ($bn)* is the book value of total assets in $billion. *Market-to-book* is the ratio of market value to common equity value four 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. *Lobbying (€m)* depicts the maximum of reported lobbying expenses in the EU in €million. *N* is the number of cases. *p-Value* is the p-value of a test on differences in means. Panel B shows the number and share of merger cases by industry at the 1-digit SIC code level. Panel C displays the distribution of merger decisions at the EC Competition Authority between November 2014 and November 2019.

Panel A: Controls

| | US acquirers | | | | EU acquirers | | | | |
	N	Mean	SD	Median	N	Mean	SD	Median	p-Value
Deal size ($bn)	41	15.83	23.08	5.07	77	7.66	15.90	2.15	0.026
Total assets ($bn)	41	225.38	365.02	100.72	77	237.41	402.53	64.16	0.874
Market-to-book	41	21.04	40.58	4.41	77	13.23	33.27	2.06	0.263
ROA	41	7.99	7.12	7.97	77	6.21	5.67	4.60	0.141
Leverage	41	0.31	0.15	0.30	77	0.24	0.18	0.19	0.046
Tangibility	41	0.17	0.19	0.11	77	0.24	0.19	0.25	0.061
Lobbying (€m)	41	1.15	1.33	0.70	77	1.06	1.08	0.70	0.693

Panel B: Share by industry

| | US acquirers | | EU acquirers | |
	N	Share	N	Share
Mining	0	0.00	3	0.04
Manufacturing	32	0.78	32	0.42
Finance, Insurance, Real Estate	4	0.10	16	0.21
Transportation & Public Utilities	3	0.07	21	0.27
Services	2	0.05	5	0.06

Panel C: Distribution of decision

| | US acquirers | | EU acquirers | |
	N	Share	N	Share
Phase I: Art. 6.1 (b) approval	29	0.71	42	0.55
Phase I: Art. 6.1 (b) in conjunction with Art. 6.2 with conditions & obligations	8	0.20	22	0.29
Phase I: Art. 6.1 (c) doubts: Phase II of procedure	0	0.00	1	0.01
Phase II: Art. 8.1 approval	1	0.02	2	0.03
Phase II: Art. 8.2 approval with conditions & obligations	3	0.07	8	0.10
Phase II: Art. 8.3 prohibition	0	0.00	2	0.03

Table 8: **Nearest neighbor matching for merger cases with Commissioner meetings.** The table shows the results of a nearest neighbor matching estimation for the treatment group *US acquirer* for merger decisions at the European Commission (EC) Competition Authority between November 2014 and November 2019. Panel A provides results for the outcome variable *Approval*, which 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. Panel B provides results for the outcome variable *Decision*, which 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 match each merger case with a US acquirer firm that has at least one meeting with a Commissioner to cases with EU acquirers that have at least one meeting with a Commissioner. The matching is based on several continuous covariates (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. N is the number of cases. The table provides results for the average treatment effect for a matching to 1, 2, and 3 nearest neighbors, *NN (1)*, *NN (2)*, and *NN (3)*, respectively. Abadie-Imbens standard errors are shown in parenthesis. *, **, or *** indicate significance at the 10%, 5%, or 1% level.

Panel A: Outcome variable: Approval

	NN (1)	NN (2)	NN (3)	N
US acquirer	0.439***	0.378***	0.350***	118
	(0.121)	(0.112)	(0.106)	

Panel B: Outcome variable: Decision

	NN (1)	NN (2)	NN (3)	N
US acquirer	-0.585***	-0.463***	-0.439***	118
	(0.171)	(0.158)	(0.151)	

Table 9: **Nearest neighbor matching for merger cases with Commissioner meetings - impact of political access.** The table shows the results of nearest neighbor matching estimations for the treatment group *US acquirer with access* (Panel A) and *EU acquirer with access* (Panel B) for merger decisions at the European Commission (EC) Competition Authority between November 2014 and November 2019. It provides results for two 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". For the specification in Panel A, we match each merger case with a US acquirer firm that has at least one meeting with a Commissioner to merger cases for which the acquirers do not have any meetings at the EC. For the specification in Panel B, we match each merger case with an EU acquirer firm that has at least one meeting with a Commissioner to merger cases for which the acquirers do not have any meetings at the EC. The matching is based on several continuous covariates (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. *N* is the number of cases. The table provides results for the average treatment effect for a matching to 1, 2, and 3 nearest neighbors, *NN (1)*, *NN (2)*, and *NN (3)*, respectively. Abadie-Imbens standard errors are shown in parenthesis. *, **, or *** indicate significance at the 10%, 5%, or 1% level.

Panel A: US acquirer with access

	NN (1)	NN (2)	NN (3)	N
Outcome variable: Approval	0.271***	0.203**	0.181*	118
	(0.098)	(0.098)	(0.095)	
Outcome variable: Decision	-0.331***	-0.246**	-0.229**	118
	(0.124)	(0.118)	(0.116)	

Panel B: EU acquirer with access

	NN (1)	NN (2)	NN (3)	N
Outcome variable: Approval	-0.007	-0.097	-0.037	144
	(0.133)	(0.116)	(0.105)	
Outcome variable: Decision	0.028	0.128	0.053	144
	(0.178)	(0.151)	(0.135)	

Appendix

Figure A.1: **European Commission (EC) procedure for controlling merger operations.** This figure shows a schematic representation of the EC procedure for the decision on merger outcomes as shown in European Commission (2013).

Procedure for controlling merger operations between enterprises

Legal base: Council Regulation (EC) No 139/2004

When to notify?

Either following
- conclusion of the agreement
- announcement of a public bid
- acquisition of control

Or
after manifestation of good faith intent to do so

Notification

- Mandatory for all concentrations with a Community dimension [1]
- Such concentrations shall not be implemented either before its notification or until it has been declared compatible with the common market pursuant to a Commission decision, or on the basis of a presumption (certain exemptions for public bids).

Phase I deadline commences

- On the date when the complete notification is received by the Commission

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Phase I: Initial Examination

- Detailed appraisal via: request for information, interviews, inspections carried out by the competent Authorities of the Member States and the Commission
- Member States can request referral within 15 working days of notification.

Phase I deadlines

Article 6 decision to be taken
- within 25 working days after receipt of the complete notification
- unless increased to 35 working days if a Member State makes a 9(2) request, or
- unless increased to 35 working days if the undertakings concerned offer commitments

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Article 6: decision

- 6(1)a : the concentration does not fall within the scope of the Merger Regulation
- 6(1)b : the concentration does not raise serious doubts as to its compatibility with the common market: approval
- 6(1)c : the concentration raises serious doubts: phase 2 of procedure

Figure A.1: **continued.**

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Phase II deadline commences

- On the date of the Article 6(1)c decision

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Phase II: Initiation of proceedings

- Detailed appraisal via: request for information, interviews, inspections carried out by the competent Authorities of the Member States and the Commission
- Declaration of incompatibility is preceded by the issuing of a statement of objections, with a right for the parties to access the file and to request a formal oral hearing
- Advisory Committee of Member States: meeting and delivery of opinion

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Phase II deadlines

Article 8 decision to be taken

- within **90** working days of initiation of proceedings, **or**
- within **105** working days if the notifying parties offer commitments later than 55 working days from initiation of proceedings.

Extension of up to 20 working days upon request by, or with the agreement of, the notifying parties: maximum duration of phase II = **125** working days

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Article 8: final decision

- 8(1): approval in case of compatibility with the common market
- 8(2): approval with conditions and obligations rendering the concentration compatible with the common market
- 8 (3):prohibition in case of incompatibility with the common market
- 8(4): dissolution of the merger in case of premature implementation or implementation in breach of a condition for clearance
- 8(5): interim measures
- 8(6): revocation of a clearance decision in case of incorrect information or breach of obligation.

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Two months from the date of the decision to lodge an appeal

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Possibility: **Review by the European Court of First Instance and ultimately by the European Court of Justice**

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[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.

Table A.1: **CARs around Commissioner meetings for identified publication dates.** This table shows the mean and median cumulative abnormal returns (CARs) for US and EU firms for their meetings with Commissioners. CARs are based on Fama-French-Carhart four-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 US firms and Rows (3) and (4) those for EU firms. The table lists CARs for different event windows, all of which start three days prior to the publication date. N is the number of meetings. Standardized cross-sectional t-statistics are shown in parenthesis. Signrank p-value is the p-value of the non-parametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to zero. *, **, or *** indicate significance at the 10%, 5%, or 1% level.

Panel A: US firms

| | | Event window | | | |
		(-3, 5)	(-3, 10)	(-3, 20)	N
(1)	Mean CARs	0.62%	0.61%	1.00%	151
	(t-Statistics)	(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)	(-3, 10)	(-3, 20)	N
(3)	Mean CARs	-0.08%	-0.13%	-0.01%	390
	(t-Statistics)	(-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 A.2: **CARs around Commissioner meetings - industry-adjusted.** This table shows the mean and median cumulative abnormal returns (CARs) for US 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 US firms and Rows (3) and (4) those for EU firms. The table lists CARs for different event windows, all of which start three days prior to the meeting. N is the number of meetings. Standardized cross-sectional t-statistics are shown in parenthesis. Signrank p-value is the p-value of the non-parametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to zero. *, **, or *** indicate significance at the 10%, 5%, or 1% level.

Panel A: US firms

		Event window			
		(-3, 5)	(-3, 10)	(-3, 20)	N
(1)	Mean CARs	0.60%	0.39%	0.50%	312
	(t-Statistics)	(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)	N
(3)	Mean CARs	-0.06%	0.00%	-0.00%	872
	(t-Statistics)	(-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 A.3: **CARs around Commissioner pseudo meetings - placebo test.** This table shows the mean and median cumulative abnormal returns (CARs) for US and EU firms for the date eight weeks prior to the respective meetings with Commissioners. CARs are based on Fama-French-Carhart four-factor adjusted returns. Rows (1) and (2) display the results for US firms and Rows (3) and (4) those for EU firms. The table lists CARs for different event windows, all of which start three days prior to the meeting. N is the number of meetings. Standardized cross-sectional t-statistics are shown in parenthesis. Signrank p-value is the p-value of the non-parametric Wilcoxon signed-rank test of the hypothesis that the median CAR is equal to zero. *, **, or *** indicate significance at the 10%, 5%, or 1% level.

Panel A: US firms

		Event window			
		(-3, 5)	(-3, 10)	(-3, 20)	N
(1)	Mean CARs	0.10%	0.16%	0.26%	307
	(t-Statistics)	(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)	N
(3)	Mean CARs	0.14%	0.11%	-0.13%	871
	(t-Statistics)	(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 A.4: **European Commission (EC) statistics on merger cases.** This table shows statistics for merger cases at the EC since 1990. The statistics are retrieved from the EC webpage at https://ec.europa.eu/competition-policy/mergers/statistics_en.

21 September 1990 to 30 April

I.) NOTIFICATIONS

	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	April 22	Total
Number of notified cases	11	64	59	59	95	110	131	168	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

	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	April 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	1	9	8	7	10	13	11	16	16	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	6	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	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	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	0	0	1	0	0	0	1	1	1	0	0	0	0	1	0	0	7
Art 22 request	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	1	0	0	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	0	0	1	1	0	0	1	47
Art 9.3 full referral	0	0	0	1	0	0	0	0	1	3	2	4	4	8	2	3	1	1	2	1	2	2	0	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	0	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

	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	April 22	Total
Art 6.1 (a) out of scope Merger Regulation	2	5	9	4	5	9	6	4	4	1	1	0	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	16	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

	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	April 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

	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	April 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	1	4	7	12	9	5	6	4	3	6	4	5	3	2	6	6	2	5	7	6	2	6	6	3	4	2	143
Art 8.3 prohibition	0	0	0	1	0	0	3	1	2	1	2	5	0	0	1	0	0	1	0	1	0	1	1	2	0	0	0	0	0	3	0	1	0	31
Art 8.4 restore effective competition	0	0	0	0	0	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	1	0	5

VI.) OTHER DECISIONS

	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	April 22	Total
Art 6.3 decision revoked	1	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	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	0	0	0	0	0	0	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 A.5: **Descriptive statistics: Merger decisions at the European Commission (EC) - impact of political access for US acquirers.** This table shows descriptive statistics for firms with merger decisions at the EC Competition Authority between November 2014 and November 2019. *Acquirers with access* describes the sample of all merger cases for which the acquirer is a US firm that has at least one meeting with a Commissioner. *Acquirers without access* describes the sample of merger cases for which the acquirer does not have any meetings at the EC. Panel A provides descriptive statistics for the two samples. The values are for the year of the respective merger. *Deal size ($bn)* depicts the deal size of the merger in $billion. *Total assets ($bn)* is the book value of total assets in $billion. *Market-to-book* is the ratio of market value to common equity value four 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. *Lobbying (€m)* depicts the maximum of reported lobbying expenses in the EU in €million. *N* is the number of cases. *p-Value* is the p-value of a test on differences in means. Panel B shows the number and share of merger cases by industry at the 1-digit SIC code level. Panel C displays the distribution of merger decisions at the EC Competition Authority between November 2014 and November 2019.

Panel A: Controls

	Acquirers with access				Acquirers without access				
	N	Mean	SD	Median	N	Mean	SD	Median	p-Value
Deal size ($bn)	36	14.81	21.47	4.77	82	5.14	9.62	2.00	0.001
Total assets ($bn)	36	141.78	130.71	101.59	82	154.05	170.50	36.76	0.701
Market-to-book	36	22.96	43.01	3.75	82	46.12	55.86	4.31	0.029
ROA	36	7.26	7.00	6.12	82	9.92	6.97	7.16	0.059
Leverage	36	0.31	0.16	0.30	82	0.46	0.23	0.45	0.001
Tangibility	36	0.17	0.17	0.11	82	0.34	0.22	0.35	0.000
Lobbying (€m)	36	1.04	1.13	0.70	82	0.05	0.12	0.00	0.000

Panel B: Share by industry

	Acquirers with access		Acquirers without access	
	N	Share	N	Share
Manufacturing	32	0.89	49	0.60
Finance, Insurance, Real Estate	4	0.11	33	0.40

Panel C: Distribution of decision

	Acquirers with access		Acquirers without access	
	N	Share	N	Share
Phase I: Art. 6.1 (b) approval	26	0.72	56	0.68
Phase I: Art. 6.1 (b) in conjunction with Art. 6.2 with conditions & obligations	6	0.17	20	0.24
Phase II: Art. 8.1 approval	1	0.03	2	0.02
Phase II: Art. 8.2 approval with conditions & obligations	3	0.08	4	0.05

Table A.6: **Descriptive statistics: Merger decisions at the European Commission (EC) - impact of political access for EU acquirers.** This table shows descriptive statistics for firms with merger decisions at the EC Competition Authority between November 2014 and November 2019. *Acquirers with access* describes the sample of all merger cases for which the acquirer is a EU firm that has at least one meeting with a Commissioner. *Acquirers without access* describes the sample of merger cases for which the acquirer does not have any meetings at the EC. Panel A provides descriptive statistics for the two samples. The values are for the year of the respective merger. *Deal size ($bn)* depicts the deal size of the merger in $billion. *Total assets ($bn)* is the book value of total assets in $billion. *Market-to-book* is the ratio of market value to common equity value four 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. *Lobbying (€m)* depicts the maximum of reported lobbying expenses in the EU in €million. *N* is the number of cases. *p-Value* is the p-value of a test on differences in means. Panel B shows the number and share of merger cases by industry at the 1-digit SIC code level. Panel C displays the distribution of merger decisions at the EC Competition Authority between November 2014 and November 2019.

Panel A: Controls

| | Acquirers with access | | | | Acquirers without access | | | | |
	N	Mean	SD	Median	N	Mean	SD	Median	p-Value
Deal size ($bn)	53	8.65	17.29	3.21	91	5.52	9.47	2.00	0.163
Total assets ($bn)	53	309.93	465.68	78.03	91	477.05	644.81	32.22	0.101
Market-to-book	53	4.88	6.06	2.06	91	8.33	7.80	4.24	0.006
ROA	53	7.15	6.20	5.56	91	9.92	7.75	6.53	0.028
Leverage	53	0.22	0.17	0.18	91	0.45	0.22	0.43	0.000
Tangibility	53	0.20	0.20	0.11	91	0.35	0.26	0.28	0.000
Lobbying (€m)	53	1.04	1.11	0.60	91	0.04	0.12	0.00	0.000

Panel B: Share by industry

| | Acquirers with access | | Acquirers without access | |
	N	Share	N	Share
Manufacturing	32	0.60	49	0.54
Finance, Insurance, Real Estate	16	0.30	33	0.36
Services	5	0.09	9	0.10

Panel C: Distribution of decision

| | Acquirers with access | | Acquirers without access | |
	N	Share	N	Share
Phase I: Art. 6.1 (b) approval	31	0.58	62	0.68
Phase I: Art. 6.1 (b) in conjunction with Art. 6.2 with conditions & obligations	15	0.28	23	0.25
Phase II: Art. 8.1 approval	1	0.02	2	0.02
Phase II: Art. 8.2 approval with conditions & obligations	4	0.08	4	0.04
Phase II: Art. 8.3 prohibition	2	0.04	0	0.00