Appendix A: Alternative Independent Variables Considered

A number of domestic variables were considered when formulating the theory presented in this book, but were not included in the final hypotheses for the reasons outlined in this appendix. Indeed, throughout this project, colleagues, reviewers, and critical friends were kind enough to suggest the inclusion of a number of potential variables. The most notable among these included: the role of *electoral politics* in government intervention; the role of *racism* in government intervention; the presence of *competing bidders*; and the *ownership structure* of the acquirer. My aim was to create as parsimonious a theory as was possible on a complex subject. I therefore ultimately decided not to include variables that proved to be insignificant and/or whose inclusion as controls did not improve the explanatory power of the case studies or the fit of the statistical model.

Electoral Politics

I tested, but ultimately chose not to include, a variable on *electoral politics*. I initially considered this variable as a means of testing whether or not government interventions into foreign takeovers are correlated to the electoral calendar and/or are politicized to the advantage of politicians who are candidates in upcoming elections. Over the course of my case study research, however, I did not find electoral or partisan politics to have a significant impact on M&A interventions. This may be because in most cases it is difficult for a politician to use intervention of this type to "score electoral points" unless his or her constituents are *already* concerned about the geopolitical ramifications of the deal, or full of economic-nationalist zeal. Cases of intervention into cross-border M&A also rarely enter the public consciousness, and, even in cases of a formal veto, the general voting public is rarely brought into (or even aware of) the debate over intervention in the first place.

Let us consider the PepsiCo/Danone case, and the role played by the Franco-American clash over the Iraq War (see Chapter 3). This "clash" became a factor in government intervention as part of a wider geopolitical tension and rivalry between two allies (see Chapter 3, pp. 104–5). While intervention may have resonated in terms of electoral politics, the actions of the French government, even with its excellent "soundbites"

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on the issue, were more widely reported in the *Financial Times* and other financial outlets, such as Bloomberg, than in the French popular press. It would be difficult to determine what effect intervention had on a later election, or whether that played a role in the calculus of those involved in the French government – though I think it highly unlikely as a sole motivation, based on those I interviewed. Rather, the desire to balance US power in this instance was a genuine, albeit secondary, motivator of intervention, as was the healthy dose of economic nationalism that was the primary motivator of intervention at the time. Both of these factors may have been politically useful to some politicians, but I did not identify disingenuous instrumental advocacy of intervention for the purposes of electoral politics in this case. Even were that to be the case, it would be difficult for politicians to use intervention to their electoral benefit without the pre-existing condition of wider geopolitical concern or economic nationalism.

Indeed, the only case study where I found electoral politics to be of any real import was in the DPW case (see Chapter 4), where a handful of senators seemed to be raising the issue as part of an electoral strategy, aware that it would resonate with existing economic nationalist feeling within their particular constituencies. (Importantly, this was *not* true of all of the senators or of the other government stakeholders who came out against the deal). What the behavior of these few senators did contribute to, however, was the type of politicization that I argue makes this an outlier case. From my research, and based on those I interviewed, it became clear that this was historically the only extant case of M&A intervention to become this heavily politicized, making its dynamics unique. As discussed in Chapter 4 (pp. 164–6 and 172–86), this had negative consequences strategically (and politically) for the US, because it led to a strategic overreaction and, thus, overbalancing. I would have considered including levels of *politicization* of an individual transaction as a control variable if the frequency of such an occurrence were greater, but at this stage it does not appear generally significant across the history of government intervention into cross-border M&A, or across countries.

Racism

I also considered including *racism* as an explanatory variable. In my research, however, I came across only rare and isolated incidences of racist comments by individuals (see e.g., Chapter 3, p. 130 and Chapter 4, p. 175), and the individuals making these comments did not, themselves, seem to affect the nature or status of government action or intervention. Rather, greater scrutiny of the foreign investments emanating from particular countries seems to result from perceptions that they might be "threatening" to national security because of a recent rise in those countries' relative power, combined with noticeable increases in the influx of FDI coming from them (see e.g., the discussion in the Introduction, pp. 7 and in Chapter 1; Graham & Marchick 2006; Meunier 2012; Tyson 1992). This is, however, different from racism, which though it may very well underlie threat perception in *some* outlier cases (see e.g., Chapter 4, p. 182), was not a consistent feature in the general debates over intervention and threat perception during the time period examined in this book.

Competing Bidders and Ownership Structure

Additional alternative explanations include the existence of a *competing bidder* (domestic or foreign) and the *ownership structure of the acquirer*. While I did not have the resources to include competing bidders as a variable in the statistical dataset, I do discuss their role in the case studies. In terms of direct government intervention on national security grounds, however, the only place where competing bidders realistically entered the equation were as interest groups lobbying against a particular acquirer, which is already accounted for in the control variable of *interest group presence*. Inclusion as an independent variable would, thus, run the risk of double-counting the effect of competing bidders on intervention.

Before finalizing my theory, I also tested the dataset and case studies for the impact of the *ownership structure* of the acquirer, and did not find it to be a significant variable, or to improve the fit of the model. There are a number of reasons for this, the most notable of which is that the ownership structure of a company alone may not necessarily account for the level of influence a foreign government actually has (or is perceived to have) over that company at a given point in time. The Chinese company Huawei, for example, is not a SOE, but is largely perceived to be heavily influenced by the Chinese government, especially in terms of its foreign acquisition strategy (US House 2012). Ultimate ownership of a company can also be difficult to fully discern from the outside, as it can easily be hidden through the use of shells, holding companies, and other means. As discussed in the case studies, ownership structure of the acquirer *is* an important factor. But it is also one that I believe is already accounted for in the independent variable examining *geopolitical competition* in each deal, and that is taken into account in the discussion of the specific national security concerns raised in each transaction (which can include state ownership of the acquirer). Having *ownership structure* as a separate variable could thus, again, potentially lead to double counting. To the extent possible, I did do some alternative tests for the impact of some ownership structures, such as SWFs, that might be seen as more likely to lead to interventions. But, again, this did not turn out to be statistically significant as an explanatory or control variable, and seemed to be overshadowed (and encompassed) by the variable of geopolitical competition in the case studies for each transaction in question. This may be because different SWFs have different agendas and remits, and the SWF (and state behind it) that is of geopolitical concern to one country may not be of concern to another. As discussed in Chapter 6, however, the one ownership structure that I think might be correlated to lower levels of intervention is that of institutional investors. Though testing the variables raised in Chapter 6 is beyond the remit of this particular book, it could potentially provide a further depth of understanding on this overall topic.