

The Inter-governmental Relations among Sovereign States, Social Responsibility and the Completion of Cross-border Mergers and Acquisitions Transactions by Chinese Companies along the “Belt and Road”

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Abstract: Intergovernmental relations among sovereign states significantly influence international cross-border mergers and acquisitions (M&A). This study examines Chinese companies' cross-border M&A activities along the Belt and Road Initiative (B&R) from 2008 to 2020, exploring how these relations, along with social responsibility, affect Chinese firms' M&A performance. The findings highlight that B&R cooperation agreements enhance Chinese companies' M&A efforts, while third-party market agreements with non-B&R countries reduce investment barriers and bolster confidence. Moreover, strong bilateral political ties positively correlate with successful Chinese M&A endeavors. The study further underscores that social responsibility amplifies the positive effects of intergovernmental relations on Chinese firms' M&A success within the B&R framework.

Keywords: Inter-governmental relations among sovereign states; The “Belt and Road”; Third-Party market cooperation; Social responsibility; Cross-border M&A

1. Introduction

Since the proposal of the Belt and Road initiative(B&R), more Chinese companies are pursuing cross-border mergers and acquisitions (M&A) along the B&R. According to the “2019 Review and 2020 Outlook of the Enterprise M&A Market”, from 2016 to 2019, mainland Chinese companies saw substantial growth in both the number of M&A transactions (annual average growth rate of nearly 181%) and transaction amounts (annual average growth rate of 329%, averaging \$16.433 billion USD per transaction). Cross-border M&A has become the primary method for Chinese firms to internationalize (Sun et al., 2012), integrating them effectively into the global cooperation value chain along the B&R.

Recent literature on the B&R primarily focuses on macro-level analyses, with fewer studies examining micro-level aspects such as cross-border M&A within this framework. Existing research tends to cover cultural and institutional distance in M&A (Jung et al., 2020), market entry strategies (Fang & Chimenson, 2017), and the broader impact of the B&R on China's overseas investments (Jin et al., 2021). While many studies discuss Chinese companies' foreign investments and internationalization strategies along the B&R (Lin et al., 2020; Xie & Yin, 2023; Zhang, 2017), they generally do not delve deeply into cross-border M&A.

Global cross-border M&A activities are predominantly studied in developed economies, which may not directly apply to Chinese firms operating under the B&R. The B&R spans across eighteen administrative regions in China and seventy countries across Asia, Europe, and Africa, encompassing diverse civilizations and complex geopolitical dynamics. Chinese companies face unique challenges in these regions, including intricate business environments and high operational risks distinct from developed economies. Chinese companies' M&A under the B&R benefit significantly from strong policy support by the Chinese government, which actively cultivates intergovernmental relationships and promotes their participation. As of January 2021, China had signed 205 cooperation agreements with 140 countries and 30 international organizations, demonstrating robust policy backing for M&A activities under the B&R. This study focuses on three main aspects: cooperation agreements, third-party market collaboration within the B&R framework, and bilateral political relations. It empirically investigates how sovereign state intergovernmental relations impact the success or failure of Chinese cross-border M&A

transactions under the B&R. Additionally, the study explores how Chinese parent companies' corporate social responsibility (CSR) practices influence M&A outcomes, aiming to offer policy recommendations to enhance Chinese government strategies under the B&R.

2. Theoretical analysis and research hypotheses

Multinational corporations investing in countries with higher cultural differences often face the "liability of foreignness" issue (Zaheer, 1995). According to this theory, these corporations incur increased costs due to cultural, political, and economic disparities between their home country and the host country (Hymer, 1976), and heighten risks and uncertainties in cross-border M&A transactions (Xie & Yin, 2023). Cultural divergence is a primary barrier to gaining legitimacy in host countries (Kang & Jiang, 2012), thereby adversely affecting the success rates of cross-border M&A activities. Chinese companies involved in cross-border M&A along the B&R encounter significant institutional and cultural disparities compared to other host countries. B&R countries vary widely in political and economic development levels. The B&R initiative, launched by China in 2013, aims to revive the ancient Silk Road and promote economic cooperation with countries along its route. This effort has spurred substantial infrastructure development and boosted foreign trade in B&R nations. These agreements improve the visibility of Chinese firms, foster a favorable investment climate and mitigate risks stemming from institutional disparities. Thus, Hypothesis 1 is suggested.

H1: Cooperation agreements between China and B&R countries significantly boost Chinese companies' success in cross-border M&A within those countries.

In June 2015, China and France initiated third-party market cooperation, forming a "North-South-South" economic model where Chinese firms collaborate with developed country counterparts in third-party markets. Countries strategically located along the B&R, such as the UK, Netherlands, Japan, and Spain, have signed similar agreements with China. These partnerships leverage developed countries' expertise in overseas investment to facilitate Chinese firms' international expansion, easing resistance abroad. Third-party market cooperation embodies B&R principles of consultation, joint contribution, and shared benefits, fostering political trust and economic cooperation despite geopolitical challenges. It supports Chinese cross-border M&A by establishing MOUs that enhance political trust, bridge institutional gaps, and reduce risks of unfair treatment. This model facilitates collaboration in infrastructure development in B&R countries, addressing funding and technology deficits through information exchange and supply-demand dynamics. It promotes regional economic and social development while alleviating geopolitical concerns, thereby enhancing the success of Chinese cross-border M&A activities along the B&R.

H2: China's third-party market cooperation agreements with non-B&R countries facilitate successful cross-border M&A in the destinations chosen by these countries for B&R projects.

Institutional theory posits that multinational corporations must attain "legitimacy" in host countries to succeed, which entails being recognized and accepted by various stakeholders (Cheng et al., 2017). Bilateral political relations play a crucial role as a "bridge" between the institutional frameworks of home and host countries, shaping the external environment for multinational enterprises entering foreign markets (Desbordes & Vicard, 2009). Chinese companies engaging in cross-border M&A along the B&R face heightened operational risks and legal challenges due to disparities in economic development, political stability, and legal systems among B&R countries. Strong bilateral political ties facilitate trust and cooperation between nations (Li & Vashchilko, 2010), aiding companies in navigating institutional risks, protecting foreign investments, and establishing legitimacy (Gammeltoft et al., 2010). These ties also streamline approval processes influenced by national security concerns and partially mitigate complexities in institutional environments, thereby enhancing the success rate of multinational companies' cross-border M&A. Furthermore, robust bilateral political relations reduce opportunistic behaviors, improve institutional predictability, and reduce uncertainty in international investments, thereby mitigating investment risks (Long & Leeds, 2006) and political risks (Duanmu, 2014). Thus, they positively influence Chinese companies' legitimacy and success rates in cross-border M&A along the B&R.

H3: Positive bilateral political relations between China and B&R countries increase the success probability of Chinese companies' cross-border M&A along the B&R.

International organizations and sovereign states increasingly stress the importance of CSR for multinational corporations (MNCs). Developed countries, such as those in Europe and America,

prioritize CSR to gain public support and enhance corporate performance. CSR entails upholding responsible management principles and taking practical actions for the environment and society alongside economic pursuits (Aguilera et al., 2007). It helps companies build internal resources, capabilities, and external goodwill, thereby enhancing competitive advantage (Branco & Rodrigues, 2006). Stakeholder theory emphasizes that the success of cross-border M&A hinges significantly on how acquiring companies are perceived by stakeholders. Positive CSR performance signals responsible corporate behavior to stakeholders, fostering favorable evaluations in host countries (Hawn et al., 2018). Conversely, poor CSR performance can heighten perceived investment risks (Hawn et al., 2018). Third-party institutions conducting due diligence consider CSR performance, influencing the smooth progress of cross-border M&A transactions (Reddy et al., 2016). Based on signaling theory, better CSR performance helps gain emotional recognition from countries along the B&R, facilitating Chinese companies' cross-border M&A transactions. Therefore, CSR plays a significant positive moderating role between intergovernmental relations and the success of Chinese companies' cross-border M&A transactions along the B&R.

H4: Strong CSR from Chinese companies enhances intergovernmental relations between China and B&R countries, boosting the success of Chinese cross-border M&A along the B&R.

3. Sample and research model

3.1 Sample and data sources

Data spans January 2008 to December 2020 from the Thomson Reuters M&A Database, excluding projects by investment groups or individuals and unclear transaction statuses. Using regression analysis with the Cluster command to address company-level heterogeneity, 402 cross-border M&A cases by Chinese firms in B&R countries were analyzed. Data on B&R cooperation agreements between China and sovereign state governments are sourced from China's official B&R website. Information on establishment times, leader meetings, bilateral conflicts, and sister cities is collected manually from the Ministry of Foreign Affairs' official website. Data on the China Charity Award and advanced collectives in poverty alleviation come from the Ministry of Civil Affairs and the State Council official websites, respectively.

3.2 Research model

3.2.1 Sovereign State Intergovernmental Relations and the Success or Failure of B&R Cross-border M&A: A Perspective Based on Cooperation Agreements

3.2.1.1 The cooperation agreements signed between China and countries along the B&R

Due to varying times of B&R cooperation agreement signings between China's central government and those of countries along the route, this study employs a Time-varying Difference-in-Differences (DID) approach in Model (1). It examines how Chinese companies' cross-border M&A outcomes in B&R nations differed before and after these agreements during 2008-2020.

$$DSUCC_{it} = \alpha + \beta_1 TREAT_i \times POST_{it} + \beta_2 CASH_{it} + \beta_3 EXPE1_{it} + \beta_4 ESPE2_{it} + \beta_5 PUBLIC_{it} + \beta_6 MANN_{it} + \beta_7 LANGU_{it} + \beta_8 GROUP_{it} + \beta_9 PRIVATE_{it} + \beta_{10} ESTA_{it} + \mu_i + \varepsilon_{it} \quad (1)$$

In Model (1), DSUCC is a binary variable indicating the outcome of Chinese-initiated cross-border M&A transactions under the B&R. It takes the value 1 for completed transactions and 0 otherwise. *TREAT* identifies firms affected by policy changes: following China's signing of cooperation agreements with B&R countries, all target companies of Chinese-initiated M&A transactions in these countries are assigned a value of 1; otherwise, *TREAT* is 0. *POST* is a binary variable denoting the timing of policy shocks, with a value of 1 post-signing of B&R agreements and 0 otherwise.

Based on Jiang et al. (2014) and Sampson (2005), we select the following control variables: Acquisition Transaction Method (*CASH*, 1 for cash payment method in M&A, 0 otherwise), Cross-border M&A Experience (*EXPE1*, $LN(1 + \text{the number of previous cross-border M\&A transactions by the Chinese company})$), Domestic M&A Experience (*EXPE2*, $LN(1 + \text{the number of previous domestic M\&A transactions by the Chinese company})$), Public Acquirer (*PUBLIC*, 1 if acquiring company is publicly listed, 0 otherwise), Target Company Management Attitude (*MANN*, 1 if target company management is supportive, 0 otherwise), Official Language (*LANGU*, 1 if target country's official language is Chinese or English, 0 otherwise), Corporate Group (*GROUP*, 1 if acquiring company is a corporate group, 0 otherwise).

otherwise), Private Target (*PRIVATE*, 1 if target company is private, 0 otherwise), Industry Type (*ESTA*, 1 if M&A is within same industry, 0 otherwise).

3.2.1.2 The third-party market cooperation agreements signed between China and non-B&R countries

This study employs a Time-varying DID approach in Model 2. It explores whether there are significant changes in the success rates of Chinese companies' cross-border M&A transactions in specific B&R countries before and after signing these agreements between 2008 and 2020.

$$DSUCC_{it} = \alpha + \phi_1 NTRE_{ij} \times NPOST_{it} + \phi_2 CASH_{it} + \phi_3 EXPE1_{it} + \phi_4 EXPE2_{it} + \phi_5 PUBLIC_{it} + \phi_6 MANN_{it} \\ + \phi_7 LANGU_{it} + \phi_8 GROUP_{it} + \phi_9 PRIVATE_{it} + \phi_{10} ESTA_{it} + \mu_i + \varepsilon_{it} \quad (2)$$

In Model (2), *NTRE* is a dummy variable representing companies affected by the policy. It categorizes all cross-border M&A conducted by Chinese firms in specific B&R countries after China signs B&R third-party cooperation agreements with non-B&R countries. *NTRE* is set to 1 for the experimental group. Selection of the control group involves considering whether specific B&R countries have signed B&R cooperation agreements with China. For those that have, the control group comprises cross-border M&A where the Chinese company is the parent and the destination is another B&R country that has already signed such an agreement. For those that have not, the control group includes cross-border M&A where the Chinese company is the parent and the destination is another B&R country that has not signed such an agreement. *NPOST* is a dummy variable indicating the timing of the policy shock, set to 1 after China signs the third-party market cooperation agreement with non-B&R countries and 0 otherwise.

3.2.2 Sovereign State Intergovernmental Relations and the Success or Failure of B&R Cross-border M&A: A Perspective Based on Bilateral Political Relations

Based on the perspectives of diplomatic relations established, leadership meetings, bilateral conflicts, and sister cities, we measure the intergovernmental relations between the governments of China and B&R countries. Logit Model (3) examines how these bilateral political dynamics influence the outcomes of Chinese companies' cross-border M&A from 2008 to 2020. Here, *i* represents Chinese parent companies engaged in cross-border M&A, *t* denotes the year, and *j* denotes specific B&R countries.

$$DSUCC_{it} = \alpha + \zeta_1 POL_{it} + \zeta_2 CASH_{it} + \zeta_3 EXPE1_{it} + \zeta_4 EXPE2_{it} + \zeta_5 PUBLIC_{it} + \zeta_6 MANN_{it} \\ + \zeta_7 LANGU_{it} + \zeta_8 GROUP_{it} + \zeta_9 PRIVATE_{it} + \zeta_{10} ESTA_{it} + \mu_i + \varepsilon_{it} \quad (3)$$

Bilateral political relations (*POL*) comprise the following two variables: *POL1* (years of diplomatic relations), representing the duration of diplomatic relations between China and B&R countries, expressed as the difference between the specific year of cross-border M&A conducted by Chinese companies and the initial year of diplomatic relations. *POL2* (leadership meetings) represents the total number of outbound visits, receptions of visiting dignitaries, and working meetings between the Chinese President, Premier, and leaders of B&R countries up to a specific year.

3.2.3 Sovereign State Intergovernmental Relations, CSR, and the Success or Failure of Chinese Companies' B&R Cross-border M&A

This study combines the signing of cooperation agreements and bilateral political relations into the same analysis category, constructing a comprehensive variable of sovereign state intergovernmental relations. Based on the performance of Chinese companies' CSR, the analysis is further grouped, and Model (4) is established to explore the relationship between comprehensive intergovernmental relations of sovereign states, CSR, and the success or failure of Chinese companies' B&R cross-border M&A. Here, *i* represents the Chinese acquiring companies, *t* represents the year, and *j* represents B&R countries.

$$DSUCC_{it} = \alpha + \partial_1 CBRIR_{it} + \partial_2 CSR_{it} + \partial_3 CASH_{it} + \partial_4 EXPE1_{it} + \partial_5 EXPE2_{it} + \partial_6 PUBLIC_{it} + \partial_7 MANN_{it} \\ + \partial_8 LANGU_{it} + \partial_9 GROUP_{it} + \partial_{10} PRIVATE_{it} + \partial_{11} ESTA_{it} + \mu_i + \varepsilon_{it} \quad (4)$$

In Model (4), the independent variable is the Comprehensive B&R Inter-Firm Relations (*CBRIR*). *CBRIR* integrates dummy variables *TREAT* and *NTRE* (based on assumptions 1 and 2) and bilateral political relationship variables (based on assumption 3). The measurement method uses LN(1+ the total annual count of each B&R country being perceived as an ideal destination for Chinese companies' Belt and Road cross-border M&A. This count considers countries signing B&R cooperation agreements and non-B&R countries signing third-party market cooperation agreements with China. Specifically: (1) B&R countries after signing agreements are included as ideal destinations. (2) Non-B&R countries are assessed based on the number of successful cross-border M&A transactions in B&R countries. The top third are considered ideal destinations. (3) Countries are ranked by years since establishing diplomatic

relations (*POL1*) and number of leadership meetings (*POL2*). The top third are considered ideal destinations.

Based on whether Chinese companies undertake social responsibility, the sample is divided into two groups: the CSR and the non-CSR. *CSR=1* is assigned if the company has received the Chinese Charity Award, been recognized as a National Advanced Collective for Poverty Alleviation, or disclosed social responsibility on its official website; otherwise, *CSR=0*.

4. Empirical Results and Analysis

4.1 Descriptive Statistics

Table 1 presents descriptive statistics for the variables. 80.1% of Chinese companies completed cross-border M&A. The mean of *TREAT* is 0.938, indicating that 93.8% of the sample companies conducted cross-border M&A transactions with countries along the B&R. The mean of *NTRE* is 0.908, suggesting that after China signed third-party market cooperation agreements with non-B&R countries, 90.8% of the Chinese companies in the sample conducted cross-border M&A in specific B&R countries selected by non-B&R signatory countries. The mean of *CSR* is 0.493, indicating that 49.3% of Chinese multinational companies actively fulfill social responsibilities.

Table 1: Descriptive Statistics

Variables	Mean	Median	Standard deviation	Variables	Mean	Median	Standard deviation
<i>DSUCC</i>	0.801	1.000	0.400	<i>CSR</i>	0.493	0.000	0.501
<i>TREAT</i>	0.938	1.000	0.242	<i>CASH</i>	0.388	0.000	0.488
<i>POST</i>	0.356	0.000	0.479	<i>EXPE1</i>	0.410	0.000	0.695
<i>NTRE</i>	0.908	1.000	0.289	<i>EXPE2</i>	0.533	0.000	0.782
<i>NPOST</i>	0.182	0.000	0.386	<i>PUBLIC</i>	0.438	0.000	0.497
<i>POL₁</i>	41.498	40.000	19.112	<i>MANN</i>	0.940	1.000	0.237
<i>POL₂</i>	20.719	17.000	20.821	<i>LANGU</i>	0.346	0.000	0.476
<i>POL₃</i>	1.114	-1.000	0.718	<i>GROUP</i>	0.236	0.000	0.425
<i>POL₄</i>	37.697	18.000	51.489	<i>PRIVATE</i>	0.391	0.000	0.488
<i>CBRIR</i>	0.748	0.693	0.460	<i>ESTA</i>	0.281	0.000	0.450

4.2 Empirical Analysis

Table 2: B&R Cooperation Agreements, CSR, and Chinese Companies' B&R Cross-Border M&A

	(1)	(2)	(3)	(4)	(5)	(6)
	The full sample		<i>CSR=1</i>	<i>CSR=0</i>	<i>CSR=1</i>	<i>CSR=0</i>
<i>TREAT</i> × <i>POST</i>	0.998*** (3.434)		2.416*** (3.344)	0.904* (1.872)		
<i>NTRE</i> × <i>NPOST</i>		1.525*** (3.479)			1.704*** (2.774)	1.363** (2.057)
<i>Controls</i>	<i>YES</i>	<i>YES</i>	<i>YES</i>	<i>YES</i>	<i>YES</i>	<i>YES</i>
<i>COUNTRY</i>	<i>YES</i>	<i>YES</i>	<i>YES</i>	<i>YES</i>	<i>YES</i>	<i>YES</i>
<i>Log Likelihood</i>	-168.776	-167.472	-52.733	87.109	-55.314	-87.102
<i>Wald Chi²</i>	201.380***	200.970***	160.160***	64.150***	137.490***	70.510***
<i>N</i>	370	370	157	187	157	187

Note: *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Column (1) of Table 2 reveals Model (1) results, where the interaction coefficient between the *TREAT* and *POST* is significantly positive at the 1% level. This indicates that after China signs B&R cooperation agreements with countries along the route, there is a marked increase in Chinese companies' completion rate of cross-border M&A transactions in these countries. Column (2) of Table 2 presents Model (2) findings. The coefficient of the interaction between the treatment group dummy variable (*NTRE*) and the policy shock time dummy variable (*NPOST*) is also significantly positive at the 1% level. This suggests that B&R third-party cooperation agreements between the Chinese central government and non-B&R countries' central governments significantly enhance Chinese companies' success in cross-border M&A transactions in countries chosen by non-B&R signatories. Columns (3) to (6) of Table 2 categorize companies into CSR and non-CSR groups. Columns (3) and (4) analyze Model (1), while columns (5)

and (6) focus on Model (2). In columns (3) and (4), the interaction terms between *TREAT* and *POST* are significantly positive. Specifically, companies with CSR show a coefficient of 2.416, significant at 1%. For companies without CSR, the coefficient is 0.904, significant at 10%. This indicates that Chinese companies with CSR have a higher success rate in cross-border M&A in B&R countries after signing B&R agreements. Columns (5) and (6) show significantly positive coefficients for the interaction terms between *NTRE* and *NPOST*. For companies with CSR, the interaction term is significant at the 1% level, while for those without CSR, it is significant at the 5% level. This suggests that Chinese companies fulfilling CSR achieve a higher success rate in cross-border M&A transactions in destinations outside B&R signatory countries after signing third-party market cooperation agreements.

Table 3: Bilateral Political Relations, CSR, and B&R Cross-border M&A: A Perspective on Diplomatic Relations Establishment and Leadership Summit Meetings

	(1)	(2)	(3)	(4)	(5)	(6)
	The full sample		CSR=1	CSR=0	CSR=1	CSR=0
<i>POL1</i>	0.176***		0.491**	0.107*		
	(4.332)		(2.470)	(1.773)		
<i>POL2</i>		0.026***			0.049**	0.019
		(3.261)			(2.146)	(1.581)
<i>Controls</i>	YES	YES	YES	YES	YES	YES
<i>COUNTRY</i>	YES	YES	YES	YES	YES	YES
<i>Log Likelihood</i>	-166.216	-169.751	-47.874	-87.739	-54.071	-88.228
<i>Wald Chi²</i>	197.690***	202.450***	135.890***	58.020***	128.710***	61.560***
<i>N</i>	370	370	157	187	157	187

Note: *, **, and *** represent significance at the 10%, 5%, and 1% levels, respectively.

Table 3 presents regression results on the relationship between bilateral political relations, CSR, and the success of Chinese companies' B&R cross-border M&A transactions. Columns (1) and (2) analyze the total sample. The regression coefficients for diplomatic relationship duration (*POL1*) and leadership summit frequency (*POL2*) are both significantly positive at the 1% level. This indicates that longer diplomatic relations between China and B&R countries, along with more frequent leadership summits, enhance the completion rate of Chinese companies' BRI cross-border M&A transactions. Columns (3) to (6) present results based on CSR fulfillment (*CSR=1*) or non-fulfillment (*CSR=0*). For Chinese companies with CSR, the coefficients of *POL1* and *POL2* are significant at the 5% level. Conversely, companies without CSR show a significant *POL1* coefficient at the 10% level, with *POL2* not significant. In summary, Chinese companies implementing CSR exhibit stronger associations between cross-border M&A success in B&R countries and bilateral political relations, highlighting higher significance levels compared to non-CSR companies.

Table 4: Sovereign State Intergovernmental Relations, CSR, and B&R Cross-border M&A

	(1)	(2)	(3)
	full sample	CSR=1	CSR=0
<i>CBRIR</i>	1.131***	2.822***	0.867
	(3.028)	(2.578)	(1.619)
<i>Controls</i>	YES	YES	YES
<i>COUNTRY</i>	YES	YES	YES
<i>Log Likelihood</i>	-169.580	-53.174	-87.834
<i>Wald Chi²</i>	200.210***	136.180***	64.550***
<i>N</i>	370	157	187

Note: *, **, and *** represent significance at the 10%, 5%, and 1% levels, respectively.

Table 4 presents regression results on sovereign state comprehensive intergovernmental relations, CSR, and Chinese companies' B&R cross-border M&A success. Column (1) presents Model (4) and the regression coefficient for *CBRIR* is significantly positive at the 1% level, indicating that Chinese central government's intergovernmental relations via B&R agreements and bilateral political ties enhance M&A completion rates in B&R countries. Columns (3) and (4) break down results for sub-samples of Chinese firms with and without CSR initiatives. Among firms undertaking CSR, *CBRIR* remains significantly positive at the 1% level. These findings confirm CSR enhances the positive impact of sovereign state intergovernmental relations on Chinese firms' B&R cross-border M&A success.

4.3 Robustness Testing

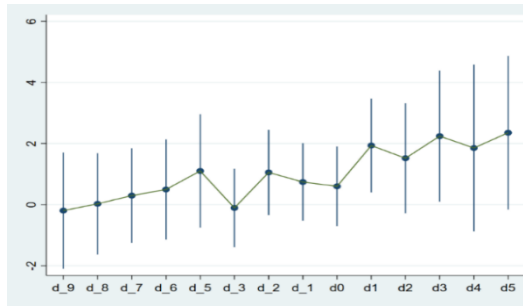


Figure 1: Parallel Trends Test for Model (1)

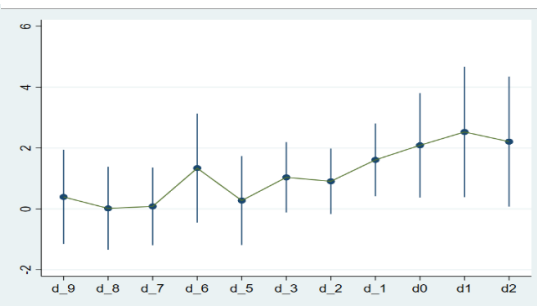


Figure 2: Parallel Trends Test for Model (2)

Before proceeding with multi-period DID regression, this study conducted separate parallel trend tests for Model (1) and Model (2). As shown in Fig. 1 and 2, it was observed that prior to the launch of the B&R initiative, there were generally parallel trends in both treatment and control groups regarding the success and failure of cross-border M&A transactions.

Table 5: Placebo Test and Regression Results after Sample Adjustment

	(1)	(2)	(3)	(4)
	The full sample			
<i>TREAT1</i> × <i>POST</i>	-0.506 (-0.847)			
<i>NTRE1</i> × <i>NPOST</i>		0.056 (0.128)		
<i>TREAT</i> × <i>POST</i>			1.352*** (4.140)	
<i>NTRE</i> × <i>NPOST</i>				1.705** (2.539)
<i>Controls</i>	YES	YES	YES	YES
<i>COUNTRY</i>	NO	YES	YES	YES
<i>Log Likelihood</i>	-124.790	-	-143.293	-157.485
<i>Wald Chi²</i>	51.180***	151.247	172.540***	184.310***
<i>N</i>	259	302	327	335

Note: *, **, and *** represent significance at the 10%, 5%, and 1% levels, respectively.

This study tests B&R cooperation agreements using a placebo experimental group. Companies signing agreements before China's involvement are treated as pseudo-experimental, others as control. Table 5, Columns (1) and (2), conduct placebo tests for Models (1) and (2). Interaction coefficients of *TREAT1* and *NTRE1* with *POST* are non-significant, affirming original research design and baseline regression reliability. For robustness, regressions exclude samples from agreement signing years: Column (3) excludes China's B&R agreements, Column (4) excludes third-party market agreements. Regression results confirm findings' robustness.

5. Conclusion

Based on intergovernmental relations between China and sovereign states under the B&R initiative, this study finds: 1) B&R cooperation agreements significantly enhance Chinese companies' M&A success in signatory countries; 2) Third-party market cooperation with non-B&R countries aids global confidence, boosting M&A success outside B&R signatory countries; 3) Longer diplomatic relations and frequent leadership summits correlate with higher M&A completion rates along the B&R; 4) CSR strengthens the positive impact of intergovernmental relations on M&A success, highlighting its role in promoting social value alongside economic gains in the B&R initiative. The conclusions drawn in this study indicate that the intergovernmental relations fostered by China through cooperation agreements and bilateral political engagements under the B&R initiative provide institutional support for economic cooperation with B&R countries, thereby enhancing Chinese companies' success in cross-border M&A along the initiative. Corporate Social Responsibility (CSR) initiatives by Chinese multinational corporations further amplify the positive impact of these intergovernmental relations on M&A success.

Strengthening multi-level intergovernmental relations between China and sovereign nations is crucial for facilitating Chinese companies' access to the B&R market through cross-border M&A. As global scrutiny on CSR grows, Chinese enterprises must prioritize CSR to enhance social value alongside economic gains while navigating the B&R market.

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