Political Relations and Media Coverage

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Abstract

In this paper, we show how bilateral political relations (political proximity) between US and other countries affect the US media coverage towards 2,309 firms with American Depositary Receipts (ADRs). As a proxy for negativeness of US media, we count annual fraction of positive and negative news for each ADR firms by using RavenPack's sentiment score - Event Sentiment Score (ESS). We find that bad bilateral political relation between countries and US negatively affect US media coverage towards ADR firms. Further we empirically show that media negativeness has downward pressure on prices and such negative impact is reduced during the year when the political proximity is bad. We conclude our paper by showing that negative media coverage leads to higher likeliness of ADR firms to terminate their ADRs.

JEL Classification: G00, G30, H77

Keywords: Political Proximity; Media Dissemination; Stock Returns; American Depositary Receipts (ADR); Termination of ADR

Section 1: Introduction

Media is a key element of development of financial markets as it provides the quantity and quality of information to investors on financial assets and on their issuers. Engelberg, Reed and Ringgenberg (2012) find that a substantial portion of short sellers' trading advantage comes from their ability to analyze publicly available information. However, there have always been doubts that whether reporters of media can separate their personal opinions from the subjects that they cover. Gurun and Butler (2012) document that local media write more favorably about local firms because of advertising expenditures of local firms. Other literatures have shown that analysts issue biased and overoptimistic reports in an attempt to secure current and future investment banking business for the brokerage firms with which they are affiliated (e.g. Lin and McNichols (1998); Michaely and Womack (1999)). Also, media could be biased in a way that media conforms to the readers' view (Gunther (1992); Dalton, Beck, and Huckfeldt (1998); Gentzkow and Shaprio (2006); Turan (2004); Kempner (2001)).

Previous literatures examine that media coverage is influenced by geographical proximity (O'Brien and Tan (2015); Koopmans and Vliegenthart (2011)), economic proximity (Wu (2000) and cultural proximity (Wu (2000); Du, Yu, and Yu (2014)). This article examines the importance of political proximity on the US media coverage. In the study of economics, number of researches find the negative link between bad political relation and economic flow (Gupta (2007); Michaels and Zhi (2010); Dajud (2013)). We expect that bad political relation between US and other countries will also have negative impact on US media when it disseminate news about foreign firms with American Depositary Receipts (ADRs). We examine only firms with ADR because ADR firms receive wide coverage among analysts and press (Baker, Nofsinger and Weaver, 2002; Bailey, Karolyi and Salva, 2003; Lang, Lins and

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Miller, 2003).

Using a panel of 2,309 ADR firms from 45 countries, we show empirically that political proximity has impact on the US media dissemination towards ADR firms. We first create our measure of political relation with UNGA votes. There are empirical evidences showing that patterns of UN votes are highly correlated with alternative measure of political alignment such as alliances and similarity of interest (Alesina and Weder (2002)). Following Alam (2012), we believe that such characteristics of the UNGA voting system make these votes a good candidate for depicting political alignment or misalignment for the purposes of this paper. Our results shows that bad bilateral political relation with US negatively affect US media coverage towards ADR firms from those countries. The evidence is robust for different proxies of political proximity and alternative methods for estimating negativeness of media. To mitigate the endogeneity concern, we adopt an instrumental variable approach and difference-in-difference method, which provides causal link between the political proximity and the negativeness of media.

To employ the difference-in-difference (DiD) estimator, we look for any abnormal shock in the UN voting pattern of non-US countries in terms of alignment with US vote. We examine unexpected voting which is not consistent to previous voting when we observe patterns in *important* Human Right issues and *important* Palestine issues. *Important* votes (defined by U.S. Department of State) are votes on issues which directly affected United States interests and on which the United States lobbied extensively. We find that some countries consistently voted in line with US in regards to those two topics previously but unexpectedly casted an unidentical vote to US on 22nd December 2007 and 29th November 2012 respectively. Firms from those countries with unexpected disagreement with US are included in the treatment group. Firms from countries which consistently disagreed with US previously as well as on those dates are treated as control groups.

Treatment and control firms are matched by propensity score before doing Diff-in-Diff analysis. We analyze two weeks period before and after 22nd December 2007 and 29th November 2012 and show that firms in treatment group receive more negative news from US media after those date relative to control firms. These results indicate that when we take UN voting as a proxy for political relation, US media reacts to an unexpected change in political relation and disseminate more negative news towards ADR firms from countries with unexpected opposite vote with US.

To address endogeneity issue, we further use the instrument variable approach. Following Dajud (2013), we use Physical Integrity Rights Index (*PRI*) as instrument variable because human right issues are perhaps the most contentious issue in the United Nations. For this reason, most votes take place on resolutions directly or indirectly related to human rights. Also, following Dreher and Jensen (2013) research, we use leader change of a country, *LC*, as an additional instrument variable. They empirically show that new leaders vote more frequently in line with the U.S. on key votes, on average. This additional analysis with two instrument variables corroborates our main findings that the bad political relation has negative impact on the U.S media dissemination.

Apart from the government level of proximity, we also test how US citizens' view of a country affect US media. Following Hwang (2011), we measure each country's popularity among American by using Gallup surveys. Our results show that when the country is favored by US citizens, ADR firms from that country tend to receive less negative news from US media. We also show such popularity is influenced by political proximity which infers that US citizens' view on the country is a possible channel that political proximity influences media coverage.

Next, to test whether the media negativeness has impact on stock performances, we regress daily version of our dependent variable from the main result, *NegNews*, on daily abnormal stock returns of ADR firms in their home country. To obtain daily measure of *NegNews*, we use market closing time of each country. Unlike Tetlock (2007) who built media sentiment proxy based on one Wall Street Journal column issued every morning, we use all RavenPack news data available from the market closing time of previous day to the market closing time of the day for each country. Each country has different market closing time based on Greenwich Mean Time (GMT)² and we treat any news after market closing time as next day's news. RavenPack news data is based on Greenwich Mean Time (GMT) which is not adjusted to day light saving³ and we adjust RavenPack data time according to Daylight Saving seasons for each country.

Daily returns of ADR firms in their home markets from January 3, 2000 to December 31 2013 is collected from Worldscope and we find results that are consistent with previous literatures - high media pessimism predict low returns at short horizons and reversion to fundamentals at longer horizons. However we are more interested in what role political relation plays in media's impact on stock returns. We further closely look into the downward pressure of negativeness of US media on ADR home market stock returns. First, we regress daily abnormal stock returns on daily negativeness of US media by every firm year to find the intensity of US media's impact on stock return for every firm year.

We find that when the political relation between non-US countries and US is bad, the degree of negative impact on stock returns from negativeness of US media is reduced

² Market Closing Time data provided by Worldscope

³ Time is adjusted to Daylight Saving for Argentina, Australia, Australia, Belgium, Brazil, Canada, Chile, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, United Kingdom.

inferring that investors already know that the US media produce more negative news towards ADR firms when the political relation is bad. We claim this because if investors already know that US media is more pessimistic compared to the fundamental value when political relation is bad, investors will not react to such negative news.

Finally, we conclude our paper with results showing that ADR firms that had negative media coverage in the previous year are more likely to terminate their ADRs. Previous literatures only look into ADR firms which directly cross-list into US market (i.e. Level 2 and 3 ADRs and direct ordinary listings). In our article we expand from this barrier and include all levels of ADR firms and test whether bad political relation leads to termination of ADRs. Our political proximity variable are used as instrument variable in 2SLS analysis to show that the US media is a possible channel through which political relation influence firms decision on ADR termination and our results support this.

We make contributions to the various strands of corporate finance literature in number of ways. First, there has been no studies that establish a direct relation between political proximity and media. We provide empirical support that political proximity has direct impact on the US media. Second, our paper also extends from the previous studies by examining the impact of the negativeness of media on stock performance with more recent data set and better source of media data. Our media data source, RavenPack, enable us to remove "repeated" news and "noisy" news from our data set to create "unique" and "firm-relevant" news so that our results are not driven by any news that are repeated and noisy. Further, adding on previous literatures looking into media's role in stock returns (e.g Tetlock (2007); Fang and Peress (2009); Garcia (2013)), we use firm specific news data to test political proximity's role in relationship between media and stock returns. Finally, we contribute to the existing literature which looks into which firms cross-(de)list (e.g. Karolyi (1998); Sarkissian

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and Schill (2004); Daugherty and Georgieva (2011)). We focus on termination of all levels of ADR firms and show that negative media coverage can influence likeliness of termination of ADRs.

Our paper is structured as follows. Section 2 outlines the literature review and hypothesis development. Section 3 describes the sample and data collection. Section 4 reports main results and Section 5 presents additional tests. Section 6 concludes our paper.

Section 2: Hypothesis

Section 2.1: Media Coverage and Political Proximity

Gurun and Butler (2012) find that when local media report news about local companies, they use fewer negative words compared to the same media reporting about nonlocal companies within US. O'Brien and Tan (2015) also study the role of geographic proximity in media coverage for US and find analysts are 80% more likely to cover IPO firms headquartered in their home states than those in other states. Jones, Aelst, and Vliegenthart (2011) find that geographic proximity to the United States was not a significant predictor of visibility in the early Cold War years, but it became a significant predictor in the late and post–Cold War years and then dropped in significance again in the post-9/11 period. This is consistent with research findings that point to the persistent influence of distance on foreign news coverage (e.g. Koopmans and Vliegenthart (2011)). Apart from geographic proximity, Wu (2000) find the extension of a country's economic proximity and cultural proximity with others may affect the coverage of news. Du, Yu, and Yu (2014) examine cultural proximity with data of a group of US analyst of Chinese ethnic origin and find that analysts of Chinese ethnicity issue more accurate forecasts about earnings of Chinese firms. They also find market reaction is stronger if analysts of Chinese ethnicity revise their forecasts upwards to

issue favorable recommendations about a Chinese firm. How about political proximity then?

In the study of economics, number of papers find the negative link between political proximity and economic flow. Gupta (2007) find that deterioration in bilateral relations is followed by a significant decrease in economic flows between the United States and that country. Michaels and Zhi (2010) estimate that French opposition to the Iraq War in the United Nations Security Council led to a reduction in French exports to the United States by about 15% and of American exports to France by nearly 8%. Empirically, Dajud (2013) find that political differences have an impact on bilateral trade that is robust to a wide range of econometric specifications. However there has been no evidence how political proximity affects the media and we test it in this paper.

We consider dissemination of more negative news or positive news is also a possible choice or a possible bias of US media like using more negative or positive words in the news. US media is not obliged to produce every news about ADR firms and it can suppress negative or positive news if they are willing to. As previous economic literatures find that bad political relation has negative impact on economics, we hypothesize that bad political relation have negative impact on the US media. In other words, we test whether US media produce more negative news towards ADR firms because its home countries are having bad political relation with US. One of the possible reasons for this is because US media may disseminate what US citizens want to see. This is similar to *catering hypothesis* from Gurun and Butler (2012) which claims that local media may write favorably about local firms because employees of local firms are more likely to be the audience of local newspapers. This is also consistent with previous literatures indicating that media could be biased in a way that media conforms to the readers' view (Gunther (1992); Dalton, Beck, and Huckfeldt (1998); Gentzkow and Shaprio (2006); Turan (2004); Kempner (2001)). When the political relation is

bad, US citizens will favor those countries less, meaning that US citizens may not want to see positive news about firms from those countries and this could lead to more negative news from US media.

Hypothesis 1a: Bad bilateral relation between a country and US negatively affect US media when it disseminates news about ADR firms

Hypothesis 1b: US citizens' country favorability is a possible channel through which bad bilateral relation influence US media coverage towards ADR firms

Section 2.2: Media Coverage and Stock Performance

Recently, there has been increase in number of literatures documenting an association between media dissemination and stock market activity (Dyck and Zingales (2003); Tetlock (2007); Fang and Peress (2009); Griffin, Hhirschey and Kelly (2011); Sprenger and Welpe (2011); Garcia (2013); Ahmad et al. (2013); Peress (2014); Ferguson, Philip, Lam, and Guo (2015); Twedt (2016)). Previous literatures suggest that the breadth and sentiment of information dissemination affects stock returns. In our paper we focus on Tetlock (2007) which uses Dow Jones Industrial Average daily returns and find that high media pessimism predicts downward pressure on market prices followed by a partial reversion to fundamentals.

If investors are aware of the fact that bilateral political relation influences US media, then the downward pressure from negative US media dissemination on stock returns will be reduced. This is because if investors already know that US media is more pessimistic compared to the fundamental value when political relation is bad, investors will not react to such negative news. Consistent with previous literatures, using daily abnormal stock returns of ADR firms in their home market, we expect that daily negativeness of US media on the day before the market closing time will have downward pressure on home market prices. Further, we hypothesize that such downward pressure is attenuated when the political relation is bad if the investors perceive the fact that bad bilateral political relation negatively affect US media.

Hypothesis 2: Downward pressure on stock prices from negativeness of US media is reduced when the political relation is bad if the investors perceive the fact that bad bilateral political relation negatively affect US media.

Section 2.3: Cross-(de)listing

There are many reasons why a non-US firm may choose to cross-list their shares in the US, including improved access to capital, greater liquidity, lower capital costs, heightened corporate prestige, and the greater investor protection for minority shareholders that tougher US securities regulations confer upon such firms (Karolyi (1998)). Sarkissian and Schill (2004) test for geographic and other forms of proximity biases in the overseas financing market and conclude that geographic, economic, cultural and industrial proximity of foreign stock exchanges between two countries play an important role in host market selection. Their finding suggests that firms prefer to cross-list in countries which are close-to-home markets and share similar language or colonial ties. Also firms cross-list in the market with which their countries trade heavily and have a similar industrial base to their home country.

Daugherty and Georgieva (2011) find that the cultural aspect plays an important role in the cross-delisting decision of foreign firms in US. However no research has been done on the role of political aspect in the cross-(de)listing decision. We expect that bad bilateral political relations through US media coverage will stimulate ADR firms' decision to terminate their ADRs. Previous literatures focus on ADR firms that are cross-listed into US market (i.e. Level 2 and 3 ADRs and direct ordinary listing). We include all levels of ADR firms and test if ADR firms are more likely to terminate their ADRs when the bilateral political relation between US and their home-countries is bad.

Hypothesis 3: Bad political proximity encourage ADR firms to terminate their ADRs through negative media coverage

Section 3: Data and Sample

Section 3.1: Sample (American Depositary Receipt)

Karolyi (1998) gives a detailed explanation on American Depositary Receipt (ADR) and states that ADR is the most popular vehicle through which firms outside of United States to cross-list their shares in the United States. ADR is a negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock traded on a US exchange. ADRs provide an interesting opportunity for US investors, in that US investors can enjoy benefits of international diversification without going abroad and trading shares on foreign stock exchanges. Such diversification benefits from ADRs are demonstrated in the paper by Errunza, Hogan, and Hung (1999).

ADRs are quoted, are traded, and pay dividend in US dollars, and those transactions take place in accordance with US clearing and settlement conventions. Each ADR is issued by a custodian bank when the underlying shares are deposited in a foreign depositary bank, usually by a broker who has purchased the shares in the open market local to the foreign company. An ADR can represent a fraction of a share, a single share, or multiple shares of a foreign security. There are four different levels in ADR and they have different level of accounting disclosure obligation.

Level 1 ADRs trade over-the-counter as OTC Bulletin Board or Pink Sheet issues with no capital-raising activity and require only minimal SEC disclosure and minimal GAAP compliance. In contrast, Level 2 and 3 ADRs are exchange listed securities which require stricter SEC disclosure and compliance with an exchange's own listing rules. Rule 144A are capital-raising issues in which securities are privately placed to qualified institutional buyers and as a result do not require compliance with GAAP or SEC disclosure.

Following previous literatures which find that cross-listed ADR firms receive wide coverage among analysts and press (Baker, Nofsinger and Weaver, 2002; Bailey, Karolyi and Salva, 2003; Lang, Lins and Miller, 2003), we consider all level of ADRs to observe how the political relations affect US media when it disseminate news about foreign firms. We believe that even the ADR firms that are not cross-listed in US markets (Level 1 and 144A) still attract US media's attention because they are intriguing investment opportunities for American investors. Our sample consists of all the news for 2,309 non-U.S companies from 45 countries with American Depositary Receipt from January 2000 until December 2013. To construct a sample that is not biased toward recent ADR events, we use many different data sources for our cross-listing database. Data on non-US firms listing in the US market with ADRs are obtained from the primary depository institutions: Citibank, Bank of New York, JP Morgan, and Deutsche Bank. All institutions have a part of the information, and no individual database includes all US cross-listings actually available. We add to this information data collected directly from the stock exchanges on non-U.S listings (including Canadian firms that list directly on US exchanges) from Worldscope.

Section 3.2: Variables

Section 3.2.1: News Variables

The data for a list of news comes from RavenPack News Analystics, a leading global news database used in quantitative and algorithmic trading, which has recently been used in finance research (e.g., Kolasinski, Reed, and Ringgenberg (2013); Dai, Parwada, and Zhang (2015); Shroff, Verdi, and Yu (2014); Dang, Moshirian, and Zhang (2015)). RavenPack collects and analyzes real time, firm-level business news from leading news providers, including Dow

Jones Newswire, the Wall Street Journal (all editions), Barron's, and other major publishers and Web aggregators, including industry and business publication, regional and local newspapers, government and regulatory updates, and trustworthy financial websites. RavenPack measures news flows and the informational content of news articles for more than 30,000 firms across one hundred countries (more than 98% of the investable global market) with news covering a wide range of facts, opinions, and corporate disclosures⁴.

To measure the sentimental content of a news article, RavenPack relies on two major approaches. In the first approach, RavenPack classifies a news article into news event categories that may be value-relevant based on its taxonomy. RavenPack then measures the sentimental content of news events using proprietary algorithms, which have been developed and evaluated by effectively combining traditional language analysis and expert consensus, to determine the quantified sentiment score for each news event. The news-sentiment score indicates whether and to what extent a news event may have a positive, neutral, or negative effect on stock prices. This score is assigned to all relevant firms listed in the news report. The sentiment score has a value ranging between zero and one hundred, with a value above (or below) 50 indicating the positive (or negative) sentiment of a given news event, whereas a value of 50 represents a neutral sentiment. Alternatively, instead of analyzing a news article at the news-event level, RavenPack analyzes its information content based on the combination of traditional language analysis and market response methodologies. This analysis produces a news-sentiment score that represents the positive, neutral, or negative value effect of a given news article.

Among the number of sentiment scores in RavenPack, we use the main sentiment score -

⁴ We delete any news which are press release. The press release is a written communication directed at members of the news media for the purpose of announcing something ostensibly newsworthy. Such news represents facts about a firm which is not affect by a political relation.

the event sentiment score (ESS) which indicates how firm-specific news events are categorized and rated as having a positive or negative effect on stock prices by experts in linguistics, finance, and economics. The ESS variable is determined by systematically matching stories typically categorized by financial experts as having short-term positive or negative financial or economic impact. By using ESS, we count annual number of negative news and annual number of positive news for each firm. In addition to the news-sentiment score types, RavenPack also provides two other related measures: 1) the event-novelty score (ENS), which represents how novel a news article is, and 2) the news-relevance score (NRS), which indicates how relevant a news article is to a given firm. ENS variable enable us to distinguish "unique" news from repeated news while NRS variable enable us to remove potentially noisy news and focus only on firm-relevant news. RavenPack also gives information on the reliability of media sources. Out of 5 levels of reliability of source, we use rank 1 and rank 2 media sources so that our news data are from reliable sources. To RavenPack news data, we match the list of ADRs. We only consider firms with ADRs because foreign firms with ADRs attract the US media such as Dow Jones.

Section 3.2.2: Political Relations

Following previous literatures (Dajud (2013); Gupta and Xu (2007)), we construct a measure of Political Proximity - bilateral political relations - based on voting data from the United Nations General Assembly collected from U.S. Department of State. It provides for each year and for each country, how many UN votes are identical and unidentical with US votes as well as abstain and absent votes. We define our political proximity variable VoteDisagree_{US} as the number of votes cast by a country at the United Nations that are not identical to the US vote scaled by the total number of votes, which is the sum of identical votes, unidentical votes, abstentions and absences for each country. Also we collect another

political proximity variable - VoteDiverge_{US} - which measures the UN vote dissimilarity (-1 of correlation - s2un) from Erick Voeten Dataverse⁵. Voeten (2009) data captures UN General Assembly voting coincidence between the US and its trading partner, and aims to capture the degree of political alignment between the two. It is available up to year 2012.

Some previous literatures in politics mention that the United Nation gives no perfect image of broader international politics and UN votes are often considered fairly irrelevant, from the point of view of international politic (Russett (1966); Alesina and Weder (2002)). However, UNGA is the only international arena where we can observe its 150-plus members vote on a variety issues relating to worldwide concern (Russett (1966)) and Voeten (2009) and there are empirical evidences showing that patterns of UN votes are highly correlated with alteranative measure of political alignment such as alliances and similarity of interest (Alesina and Weder (2002)). Alam (2012) find such voting patterns across a range of issues can be a useful gauge of the general political orientations of the UN member states, and observing voting alignments over time can help pinpoint changes in the political orientations. We also agree that such characteristics of the UNGA voting system make these votes a good candidate for depicting political alignment or misalignment for the purposes of this paper.

Section 3.2.3: Control Variables

Firm-level accounting data are collected from Worldscope. We control for a firm-specific characteristics that are likely to be correlated with negativeness of media in regressions analysis. All firm level control variables are measured at the beginning of the year. We include size of a firm (*Size*), tobin's Q (*TobinQ*), leverage (*Leverage*) and return on equity (*ROE*). The definition of the firm-specific characteristics variables are given in the Appendix. We also include four country level control variables; log of GDP per capita

⁵ https://dataverse.harvard.edu/dataset.xhtml?persistentId=hdl:1902.1/12379

(*GDPCapita*), GDP growth (*GDPGrowth*), net percent equity flow (*Investhareus*) and economic flow (*TradeShareus*). GDP per capita and GDP growth are collected from World Development Indicators⁶. Net percent equity flow is collected from Treasury International Capital and defined as the difference of "Annual Gross sales of foreign stocks by foreigners to US residents" and "Annual Gross purchases of foreign stocks by foreigners from US residents" divided by the sum of annual gross sales and annual purchases of foreign stocks by foreign stocks by foreigners to/from US residents while economic flow data are collected from UN comtrade Database⁷ measured as total trade inflow and outflow to/from U.S for each country divided by total import and export of U.S to the rest of the world. Summary statistics are provided in Table 2.

<Insert Table 2 here>

Section 4: Main Results

Because we are interested in whether political proximity affects US media, we focus on all levels of ADR firms since all levels of ADR attract the attention of US media. We first present results on the impact of political proximity on the US media then we show how the media affects stock performances. To examine how the political proximity influences termination decisions of ADR firms, we use probit model.

Section 4.1: Baseline Findings

To test Hypothesis 1a - whether political relation has an impact on US media, we construct our proxy for negativeness of media by using number of unique negative and unique positive news with the exception of the press release. RavenPack indicate what the news sources are

⁶ http://data.worldbank.org/data-catalog/world-development-indicators

⁷ http://comtrade.un.org/data/

and we only consider news source which are based in US such as Dow Jones Newswire and Wall Street Journals. Different to previous literatures such as Tetlock (2007) and Garcia (2013) which use one or two columns of news, we use every news from US media that is unique (all subsequent news following first story is not used) and 100% relevant for each company. We call our negativeness of media proxy variable *NegNews* which is calculated as

*NegNews*_{*i*,*c*,*t*}

= number of negative unique news – number of positive unique news number of total unique news

We scale our main dependent variable by total number of unique news because some firms (such as large firms) may have more media coverage than other firms. Large firms or those with well-known brand names would have been more likely to receive media coverage during our control period as well as at the time of first cross listed, so this is another way to control for size or other firm characteristics that directly lead to higher media coverage (Liu (2004); Liu, Sherman, and Zhang (2009)).

We perform regression analysis at the firm level to examine the impact of political proximity on the negativeness of media using following equation:

$$NegNews_{i,c,t} = \alpha + \beta_1 PP_{c,t} + \beta_2 X_{i,t} + \beta_3 Y_{c,t} + \Phi_t + \theta_t + \varepsilon_{i,c,t}$$

where the indices i,c and t correspond to firm, country and time, respectively. Φ_t and θ_t represents country and year fixed-effect and $\varepsilon_{i,c,t}$ represents firm-time specific error term that is assumed be correlated within the firms and heteroskedastic. As such, all standard errors and test statistics are robust to these two departures from the classical regression model Petersen (2009) and clustered at firm-level. $PP_{c,t}$ indicates political proximity variable while $X_{i,t}$ represents firm-specific characteristics including size, leverage, book-to-market ratio and return on equity. $Y_{c,t}$ includes country level control variables; log of GDP per capita, GDP Growth, Net percent equity flow and economic flow.

We first test two different measures of political proximity. *VoteDisagree_{US}* is number of UN opposite votes casted by a country divided by total number of votes and *VoteDiverge_{US}* is the UN vote dissimilarity between US and non-US countries collected from "The Affinity of Nations" database⁸. The evidence presented in Table 2 shows ADR firms from bad political relations receive more negative news relative to positive news from US media during the year. Both *VoteDisagree_{US}* and *VoteDiverge_{US}* have positive coefficient with significance level at 1% with our dependent variable - *NegNews*. This provides evidence that bad political relation negatively affects US media coverage when it report news towards the ADR firms from that country.

<Insert Table 2 here>

Section 4.2: Endogeneity Tests

Section 4.2.1: Exogenous Shock

Section 4.2.1.1: Human Rights

To further investigate whether political proximity influences US media, we employ the difference-in-difference (DiD) estimator to estimate the differences in negativeness of media between firms from countries which unexpectedly went opposite to US in UN voting and firms from countries which consistently have been against US. To do such a test, we look for an abnormal voting pattern from any country i.e. any voting not consistent to previous voting

⁸ s2un: Values for the Affinity data range from -1 (least similar interests) to 1 (most similar interests). The Affinity data are coded with the "S" indicator ("S" is calculated as 1 - 2*(d)/dmax, where d is the sum of metric distances between votes by dyad members in a given year and dmax is the largest possible metric distance for those votes, see Signorino and Ritter 1999) from 2 category UNGA vote data (1 = "yes" or approval for an issue; 2 = "no" or disapproval for an issue.), coded as follows: Code for Votes 1 for "Yes" 2 for "Abstain" 3 for "No" 8 for "Absent (country cast no vote and no evidence of non-participation)" 9 for "Non-member" (South Africa is coded as "55" for the 30th to 47th sessions)" - source: The Affinity of Nations }.

and we observe abnormality in *important* Human Right issues⁹. *Important* votes (defined by U.S. Department of State) are votes on issues which directly affected United States interests and on which the United States lobbied extensively.

Important votes in human rights are examined from 2000 and 20 countries which consistently voted in line with US for important human right voting unexpectedly voted against US for "Report of the Human Rights Council" (Res/62/219) on 22nd December 2007. Those countries are Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Luxembourg, Netherland, New Zealand, Norway, Poland, Portugal, Spain, Sweden, United Kingdom, Switzerland and Japan. ADR firms from these countries are in treatment group while firms from 11 countries - China, Egypt, India, Indonesia, Malaysia, Pakistan, Philippines, Russia, Singapore, South Africa and Thailand - consistently voted against US most of the time or consistently voted against US whole time regarding important human rights issue before 22nd December 2007. On this date, US was against Report of the Human Rights Council (Res/62/219) by saying that "there was the Council's relentless focus during the year on a single country – Israel" while 150 countries voted in favor.

Treatment and control firms are matched by propensity score before doing Diff-in-Diff analysis. When applying propensity score matching, we use all the control variables used in the main results except GDP measures because countries in control and treatment groups are different in terms of GDP to large extent. We also add another variable for propensity score which is *NewsGrowth* to help satisfy the parallel trends assumption as the DiD estimator should not be driven by differences in any firm or country characteristics. To calculate

⁹ Important human rights issues include "Globalization and Human Rights", "Human Rights in Iran", "Human Rights in Iraq", "Human Rights and Coercive Measures", "Human Rights in the Democratic Republic of the Congo", "Human Rights in Sudan", "Situation of Human Rights in Turkmenistan", "Human Rights in North Korea", "Situation of human rights in Myanmar " and "Human Rights in Belarus".

NewsGrowth, we produce weekly *NegNews* prior to 22nd December 2007 then we subtract *NegNews* of the 1 week prior to the event date to *NegNews* of the 3 week prior to the event date. The dependent variable of the pre-matching process is equal to one if the firm belongs to the treatment group and zero otherwise. In the Panel A of Table 3, the probit model estimates are presented in column 1 with standard errors clustered at country level. We then use the predicted probabilities, or propensity scores, from column (1) to perform nearest-neighbor propensity score matching. Before matching, we have 256 firms in treatment group and 175 firms in control firms. Rather than creating unique matches (which causes significant drops in number of samples), we use control firms more than 1 time and this ends up with duplicate of firms from control group. The second column shows probit model results after propensity matching.

In Panel B, we examine the difference between the propensity scores of the treatment firms and those of the matched control firms. From the table, we can see that the difference is very small. Panel C reports the univariate comparisons between the treatment and control firms' characteristics and their corresponding t-statistics. No difference in *NewsGrowth* suggests that the parallel trends assumption is not violated.

Table 3, Panel D presents the DiD estimators. Column (1) reports the average change in the negativeness of news for the treatment group while Column (2) reports for control group. The difference is computed by subtracting *NegNews* of two weeks prior to the event date from the *NegNews* of two weeks post the event date. The difference is averaged. In Column (3) and (4), we report the DiD estimators and the corresponding two-tailed t-statistics, testing the null hypothesis that the DiD estimators are zero, is statistically significant. This indicate that ADR firms from treatment group receive more negative news from US media relative to control firms after 22nd December 2007. To further strengthen our result, we test in regression frame

work. We keep two observations for each firm – pre and post.

$$NegNews_{i,c,t} = \alpha + \beta_1 p_t \times d_i + \beta_2 p_t + \beta_3 d_i + \beta_4 X_{i,t} + \beta_5 Y_{c,t} + \varepsilon_{i,c,t}$$

where the indices i,c and t correspond to firm, country and time (pre or post period), respectively. $\varepsilon_{i,c,t}$ represents firm-time specific error term that is assumed be correlated within the firms and heteroskedastic. As such, all standard errors and test statistics are robust to these two departures from the classical regression model Petersen (2009) and clusterred at country-level. p_t is a dummy variable equals to 1 for the days two weeks after 22nd December 2007 inclusive and 0 otherwise. d_i equals to 1 for treatment group and 0 for control group. $X_{i,t}$ represents firm-specific characteristics including size, leverage, book-tomarket ratio, return on equity and $Y_{c,t}$ includes country level control variables; log of GDP per capita, GDP Growth, Net percent equity flow and economic flow for year of 2007. β_1 indicates difference between our treatment group and control group. Table 3 Panel E shows that β_1 is statistically positive and significant indicating that firms from countries which unexpectedly voted against US receive higher level of negativeness from US media than firms from countries which consistently have voted against US. In other words, when US media issues news, it takes political relation into account.

<Insert Table 3 Here>

Section 4.2.1.2: Palestine Question

We observe another abnormality in voting by three countries on 29th November 2012 (UN code: A/RES/67/19). On 29th November 2012, United Nations General Assembly adopted resolution 67/19 (A/RES/67/19 from now on) which is a resolution upgrading Palestine to non-member observer state status in the United Nations. Before this resolution, since 2003

there has been two annual important votes regarding "Palestine Question"¹⁰.

Those two votes are renewed annually and US has consistently voted "disagree" since 2003 for both topics because US believes that the continuation of this Committee that embodies institutional discrimination against Israel is inconsistent with UN support for the efforts of the Quartet¹¹ to achieve a just and durable solution of democratic Israeli and Palestinian states living in peace. Countries such as Canada, Australia and Israel have voted in line with US regarding "Palestine Question" since 2006 while countries such as China and South Africa have voted against US every year. Treatment group in this section is firms from countries which have voted in line with US regarding "Palestine Question" at least once unexpectedly voted against US on 29th November 2012 for A/RES/67/19. We identify 3 countries - Australia, Japan and New Zealand- which unexpectedly voted opposite to US for A/RES/67/19. They at least once agreed with US regarding Palestine Issue between 2006 and 2011. Control groups are firms from countries which consistently have voted against US regarding "Palestine Question" since 2006¹². Time periods we test are two weeks before and after 29th November 2012 (15 days period, event date not included). Treatment and control groups are matched by propensity score.

When applying propensity score matching, we use all the control variables used in the main results except *GDPCapita* because it predicts treatment group perfectly. We also add

¹⁰ First important vote we consider - "Committee on the Exercise of the Inalienable Rights of the Palestinian People" - requests the Committee to continue to exert all efforts to promote the realization of the inalienable rights of the Palestinian people, to support the Middle East peace process, and to mobilize international support for and assistance to the Palestinian people. Second important vote we consider - "Division for Palestinian Rights of the Secretariat" requests the Secretary-General to continue to provide the Division with the necessary resources and to ensure that it continues to carry out its program of work as detailed in relevant earlier resolutions, in consultation with the Committee on the Exercise of the Inalienable Rights of the Palestinian People and under its guidance. For more details, please visit U.S. Department of State website.

¹¹ The Quartet is a group comprised of the United States, the United Nations, the European Union, and Russia.

¹² Control group countries are Argentina, Brazil, Chile, China, Cyprus, Egypt, Greece, India, Indonesia, Malaysia, Mexico, Pakistan, Philippine, South Africa, Thailand and Turkey

another variable for propensity score which is *NewsGrowth* to help satisfy the parallel trends assumption as the DiD estimator should not be driven by differences in any firm or country characteristics. To calculate NewsGrowth, we produce weekly NegNews prior to 29th November 2012 then we subtract *NegNews* of the 1 week prior to the event date to *NegNews* of the 3 week prior to the event date. The dependent variable of pre-matching process is equal to one if the firm belongs to the treatment group and zero otherwise. In the Panel A of Table 4, the probit model estimates are presented in column 1 with standard errors clustered at country level. We then use the predicted probabilities, or propensity scores, from column (1) to perform nearest-neighbor propensity score matching. Before matching, we have 202 firms in treatment group and 252 firms in control firms. Rather than creating unique matches (which causes significant drops in number of samples), we use control firms more than 1 time and this ends up with duplicate of firms from control group. The second column shows probit model results after propensity matching. One thing to emphasize here is that NewsGrowth which was a significant factor of determining the treatment group is no longer significant after propensity matching. This indicates that new growth is not a factor that decides whether firm is in a treatment or control group.

In Table 4 Panel B, we examine the difference between the propensity scores of the treatment firms and those of the matched control firms. From the table, we can see that the difference is very small except for minimum and 5 percentile. Panel C reports the univariate comparisons between the treatment and control firms' characteristics and their corresponding t-statistics. No difference in *NewsGrowth* suggests that the parallel trends assumption is not violated.

Table 4, Panel D presents the DiD estimators. Column (1) reports the average change in the negativeness of news for the treatment group while Column (2) reports for control group. The

difference is computed by subtracting *NegNews* of two weeks prior to the event date from the *NegNews* of two weeks post the event date. The difference is averaged. In Column (3) and (4), we report the DiD estimators and the corresponding two-tailed t-statistics, testing the null hypothesis that the DiD estimators are zero, is statistically significant. This indicate that ADR firms from treatment group receive more negative news from US media relative to control firms after 29th November 2012. To further strengthen our result, we test in regression frame work. We keep two observation for each firm – pre and post.

$$NegNews_{i,c,t} = \alpha + \beta_1 p_t \times d_i + \beta_2 p_t + \beta_3 d_i + \beta_4 X_{i,t} + \beta_5 Y_{c,t} + \varepsilon_{i,c,t}$$

where the indices i,c and t correspond to firm, country and time (pre or post period), respectively. $\varepsilon_{i,c,t}$ represents firm-time specific error term that is assumed be correlated within the firms and heteroskedastic. As such, all standard errors and test statistics are robust to these two departures from the classical regression model Petersen (2009) and clusterred at country-level. p_t is a dummy variable equals to 1 for the days two weeks after 29th November 2012 inclusive and 0 otherwise. d_i equals to 1 for treatment group and 0 for control group. $X_{i,t}$ represents firm-specific characteristics including size, leverage, book-tomarket ratio, return on equity and $Y_{c,t}$ includes country level control variables; log of GDP per capita, GDP Growth, Net percent equity flow and economic flow for year of 2012. β_1 indicates difference between our treatment group and control group. Table 4 Panel E shows that β_1 is statistically positive and significant indicating that firms from countries which unexpectedly voted against US receive higher level of negativeness from US media than firms from countries which consistently have voted against US.

<Insert Table 4 Here>

Section 4.2.2: Instrument Variable

Although our finding in the previous sections is robust to the omitted or unobservable

variables by having fixed effects, the results may still suffer from endogeneity. Specifically, a potential problem is that our proxies for political proximity may be determined simultaneously with the media's negativeness which would bias our results. As a robustness check, we use the instrument variable approach to address this concern.

Following Dajud (2013), we use Physical Integrity Rights Index (*PRI*) as instrument variable which is constructed by summing up country scores in four matters: torture, extrajudicial killing, political imprisonment, and disappearance. Countries with the high scores are those where human rights are better respected. The reason for choosing *PRI* as instrument variable is that human right issues are perhaps the most contentious issue in the United Nations. For this reason, most votes take place on resolutions directly or indirectly related to human rights. Therefore *PRI* can be seen as highly correlated with VoteDisagree_{US} and VoteDiverge_{US}. Further, following Dreher and Jensen (2013) research, we use leader change of a country, *LC*, as an additional instrument variable. They empirically show that new leaders vote more frequently in line with the U.S. on key votes, on average. However, leader changes could theoretically impact United Nation General Assembly voting in either direction, either voting with or against the United States. Dreher and Jensen (2013) acknowledge that while the precise influence of individual leaders on policy is conditional on political institutions, executives tend to have the most discretion over foreign policy relative to other issue areas.

Table 5 shows instrument variable results. The unreported test statistics support the construction of the instrument. For example, Hansen J statistics for over identifying restrictions show that instruments are valid and the first-stage F statistics for the weak instrument test are acceptable based on Staiger, Stock, and Watson (1997) guidelines. First-stage regressions of the instrument variable show that our instrument variables are highly

correlated with VoteDisagree_{US} and VoteDiverge_{US} and the second-stage regressions results with predicted value are consistent with our main results. This additional analysis corroborates our findings that the political proximity has impact on the U.S media.

<Insert Table 5 here>

Section 4.2.3: Lagged variables and Changes-in-Changes

We further test number of other regressions to strengthen our main result. Firstly we take one year lagged values of our political proximity measures - *VoteDisagreeus* and *VoteDivergeus*. We take such a test to show subsequent effect of political relation on US media. Table 6, Panel A shows that the previous years' bad political relation proxy variables have positive and significant coefficient with negativeness of US media. This suggests that if a country has a bad political relation with US in the year before, ADR firms from this country still get more negative news from US media in the year.

Secondly, we take first differences method to address any unobservable or missing variables because first differences method eliminates time-invariant unobserved effect. Table 6, Panel B shows that the coefficients of political proximity variables are still positive and significant indicating that bad political relation has negative impact on US media when it disseminate news about ADR firms. These findings support our main results by showing that our main results still hold with different methods.

<Insert Table 6 Here>

Section 5: Additional Tests

Section 5.1: Placebo Tests

Press release news are controlled by firms. Ahern and Sosyura (2014) find that firms have an incentive to manage media coverage to influence their stock prices during important corporate events. RavenPack provides information on whether the news is press-release or not and our dependent variable in the main results, *NegNews*, is constructed without press releases news because we are interested in how the US media disseminate about ADR firms rather than how the firms report about themselves. We expect ADR firms will not release more negative or positive news because its country has bad political relation with US. The number of negative and positive *press-release* news is used to create *NegNews* in this section and Table 7 clearly shows that political relation does not affect what firms report about themselves on US media. The coefficients of two political proximity variables are statistically insignificant.

<Insert Table 7 Here>

For our main results, only US media sources are considered. In Table 8 we examine how political proximity affect non-US media sources. Column (1) - (2) show results for news sample from non-US media sources except home country media. The coefficients are insignificant indicating that political relation with US and a country does not affect how third party countries' media disseminate news about ADR firms. For example, the results reported in column (1) and (2) indicate that United Kingdom or Japanese media do not produce more negative news on Australian ADR firms because Australia is having bad political relation with US during the year. Further Column (3) – (4) show that home country media is also not affected by the political relation between US and the countries ADR firms are from. There is no motivation for home country's media to produce more negative news on its country's ADR firms just because its country is having bad political relation with US.

<Insert Table 8 Here>

The positive relation between different UN vote and negativeness of US media in Table 2 could be driven by changes in sales in US. As previous literatures in economics show bad

political relation leads to reduced bilateral trade flow between two countries (Gupta and Xu (2007); Michaels and Zhi (2010); Dajud (2013)). This could also mean decrease in sales in US for ADR firms which is negative news. In Table 9, we use two sub-samples - one with ADR firms with sales in overseas but not in US and one with ADR firms with sales in US. The results from Table 9 show that for both firms with and without sales in US, the negative effect of bad political relation on US media persist. This indicates that our main results are not driven by change in US sales from bad political relations.

<Insert Table 9 Here>

Section 5.2: Country Popularity Score

Apart from the government level of proximity, we also test how US citizens view of a country affect US media. To measure each country's popularity among American, we use Gallup surveys. Following Hwang (2011), we construct a Country Popularity Score (*CPS*) by multiplying the percentage of survey participants who respond very favorably by four, mostly favorably by three, mostly unfavorably by two, and very unfavorably by one and adding these four numbers into one cumulative score.

Column (1) of Table 10 shows that when the country is favored by US citizens, ADR firms from that country tend to receive less negative news from US media. The causality of this correlation is supported by 2SLS regression with instrument variables as one year lag of our two political proximity variables. We believe that previous years' voting has impact on the Country Popularity Score and column (2) and (4) of Table 10 support this. When the country casts more opposite vote in the previous year, the country popularity goes down. Results with predicted value of *CPS* is statistically significant ant consistent with that of column (1). This 2SLS regressions indicate that country popularity is a possible channel through which the political relation may influence US media because we examine that political relation first affect country's popularity and then such country popularity influence US media. Overall result is consistent with Hypothesis 1b.

<Insert Table 10 Here>

Section 5.3: Return Impact

Unlike Tetlock (2007) who built media sentiment proxy based on one Wall Street Journal column issued every morning, we use all RavenPack news data available from the market closing time of previous day to the market closing time of the day for each country to create our daily media pessimism variable. Each country has different market closing time based on Greenwich Mean Time (GMT)¹³ and we treat any news after market closing time as next day's news. RavenPack news data is based on Greenwich Mean Time (GMT) which is not adjusted to day light saving¹⁴ and we adjust RavenPack data time according to Daylight Saving season for each country.

In this section we first test how political relation influence US media's impact on home market stock returns. Daily returns of ADR firms from January 3, 2000 to December 31 2013 is collected from Worldscope and abnormal return is calculated by subtracting daily stock return from beta of the firm (previous year) multiplied by MSCI market return for each country. We test how the 5 days of *NegNews* influence the abnormal return using this equation:

$$AR_{i,c,t} = \alpha + \beta_1 NegNews_{i,c,t} + \beta_2 L4(NegNews_{i,c,t}) + \beta_3 L5(AR_{i,c,t}) + \beta_4 volume_{i,c,t}$$
$$+ Jan + Recession + \varepsilon_{i,c,t}$$

where the indices i,c and t correspond to firm, country and time, respectively. We include

¹³ Market Closing Time data provided by Worldscope

¹⁴ Time is adjusted to Daylight Saving for Argentina, Australia, Australia, Belgium, Brazil, Canada, Chile, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, United Kingdom.

contemporaneous negativeness measure (*NegNews*) as well as all lags upto 4 days of our media negativeness variable and include all lags upto 5 days of abnormal stock returns (AR). Volume indicates daily trading volume of each firm. *Jan* equals to one if the abnormal return belong to January of each year and 0 otherwise. *Recession* equals to 1 if the abnormal return is in the period of global financial crisis and 0 otherwise. Media negativeness measure (*NegNews*) equals to 0 (neutral) when there are no news released on the day¹⁵. Consistent with Tetlock (2007), we find that negativeness of US media predict low returns at short horizons and reversion to fundamentals at longer horizons. Using such a characteristic, we test how political relations influence US media's impact on home market stock returns.

By regressing daily abnormal stock returns on daily *NegNews* by firm-year, we calculate coefficient of five lags of media negativeness measure (*NegNews*) which then used to create *ReturnImpact. ReturnImpact1* is the coefficient of contemporaneous media negativeness measure; *ReturnImpact2* is sum of the coefficients of 5 lags of media negativeness measure. Table 11 shows our results for how the political proximity affect *ReturnImpact*.

$$ReturnImpact_{i,c,t} = \alpha + \beta_1 PP_{c,t} + \beta_2 X_{i,t} + \beta_3 Y_{c,t} + \Phi_t + \theta_t + \varepsilon_{i,c,t}$$

The result shows that when the political relation between non-US countries and US is bad, the *ReturnImpact* becomes more positive inferring that investors already know that the US media disseminate more negative news towards ADR firms when the political relation between its home country and US is bad. We claim this in Hypotheis2 because if investors already know that US media is more pessimistic compared to the fundamental value when political relation is bad, investors will not react to such negative news. This is shown in Model (1) - (2) as the results show that initial negative impact of *NegNews* on stock return is

¹⁵ We remove firm year observations that has less than 5 unique news released within that year and firm year observations that has less than 125 daily stock return data available.

reduced for firms from countries with bad political relations with US compared to the firms from countries with good relations with US. Further, Model (3) - (4) show that overall negative impact (5 days period) from negative US media on stock return is less when political relation is bad. The size of the coefficients for two political proximity variables is larger than that of Model (1) - (2) which implies that investors already know and also quickly adjust to the fact that US media is negatively influenced by bad political relation.

<Insert Table 11 here>

Section 5.4: ADR Termination

To test if ADR firms are more likely to terminate their ADRs because of previous years' negative media coverage, we estimate a series of probit models in the form of:

 $PR(termination) = \alpha + \beta_1 L. NewsNeg_{c,t} + \beta_2 L. X_{i,t} + \beta_3 L. Y_{c,t} + \Phi_t + \theta_t + \varepsilon_{i,c,t}$

where the indices i,c and t correspond to firm, country and time, respectively. Φ_t and θ_t represents country and year fixed-effect and $\varepsilon_{i,c,t}$ represents firm-time specific error term that is assumed be correlated within the firms and heteroskedastic. $\varepsilon_{i,c,t}$ is the standard normal cumulative distribution and all standard errors again clusterred at firm-level. $L.X_{i,t}$ represents one year lag of firm-specific characteristics including size, leverage, book-to-market ratio and return on equity and $L.Y_{c,t}$ includes one year lag of country level control variables; log of GDP per capita, GDP Growth, Net percent equity flow and economic flow.

Previous literatures focus on when foreign firms cross-(de)list into US market by considering firms that actually cross-listed into US markets (via Level 2 and 3 ADR and direct ordinary listing). In our paper, we consider all levels of ADR firms to see if media has effect on their ADR termination decisions. We examine termination rather than commencement of ADR because we believe that before firms become ADR firms, some firms may get more attention from US media than others. However, once firms become ADR, we

believe that US media pay the same or the similar level of interest towards all ADR firms. On ly firms that hold their ADRs more than 5 years are included in our analysis.

Column (1) of Table 12 presents our probit regression with a dependent variable as a dummy equal to 1 if a firm terminated in the year and 0 otherwise. The result shows that ADR firms are more likely to terminate their ADRs if the US media coverage is negative in the previous year. Column (2) – (5) of Table 12 show two stage regression results using our political proximity variables as instrument variables. As we have shown in Table 2, the first stage of 2SLS regression indicates that bad political relation leads to more negative news from US media and the coefficients of the predicted values of *NegNews* are statistically significant and consistent with that of Column (1). This two stage regression results directly imply that media coverage is a possible channel through which political proximity influences ADR termination decision which is consistent with Hypothesis 3.

<Insert Table 12 here>

Section 5.5: Robustness Test

The quality or credibility of firm-specific information produced by the media may depend on the characteristics of that information (e.g, quantitative information, such as earnings announcements and financial statements, or qualitative information, such as opinions, rumors and verbal communications) or the manner in which the media accesses firm-specific information (e.g., through firm disclosures or through active information gathering). In our paper, we closely examine the former and classify our sample into hard and soft news; hard news as quantitative information and soft news as qualitative information. Table 13 reports the regression results for different news categories in column 1, 2, 5 and 6. For both type of news, the results are still consistent with our main results.

We also perform the same test with repeated news. We test another dependent variable, All

News *NegNews*, in column 3 and 7 of Table 13, which shows the overall measure for the negativenss of media from US media since we use total number of news which includes repeated news of unique news. The results are still consistent with our main results.

Rather than using our sentiment score, ESS, just to distinguish news between bad and good news, in column 4 and 8 of Table 13, we include it as dependent variable and test direct impact of political proximity on the sentiment score. We take the average ESS score of firms' unique news (Avg_ESS) each year and find that when bilateral political relation between a country and US is bad, average sentiment score decrease. This indicates that ADR firms receive higher degree of negatively sentimented news when their countries experience bad political relation with US.

<Insert Table 13 here>

Section 6: Conclusion

Our main focus of the paper is to investigate how political proximity affect US media towards ADR firms. Using a unique data set of news articles collected from RavenPack, which has its own sentiment of news for every news data, we find a strong empirical evidence which shows that when bilateral political relation between a country and US is bad, ADR firms from that country receive more negative news than positive news from US media.

Consistent with previous literatures, we also find that media negativeness predict low returns at short horizons and reversion to fundamentals at longer horizons. In addition to this, we further find that the downward pressure of negative news on stock return is attenuated when bilateral political proximity between US and its country is bad. This indicate that investors are already aware of the fact that US media is influenced by political relations so they do not react to such negative news. Next important finding of this paper is that ADR firms with high level of negative US media coverage in the previous year are more likely to terminate their ADRs. We use our political proximity variable as instrument variable in 2SLS analysis to show that the US media is a possible channel through which political relation influence firms decision on ADR termination and our results support this.

Our primary contribution is to set up a new area of literature that explores what factors affect media. No previous literatures have explored such an area and we provide empirical support that political proximity has direct impact on the media. We also extends from the previous studies by examining the impact of the negativeness of US media on stock performances with non-US data set and with a source of media data which enabled us to remove "repeated" news and "noisy" news from our data. Finally, we contribute to the existing literature which looks into which firms cross-(de)list by focusing on the termination of all levels of ADR firms rather than only certain levels of ADR firms.

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Table 1: Summa	ary Statistics										
Panel A		Ν	Mea	n	STD	P1		Q1	Median	Q3	P99
NegNews		16,833	-0.24	9	0.379	-1.00	0	-0.489	-0.273	-0.031	1.000
VoteDisagreeus		585	0.46	5	0.170	0.05	9	0.339	0.456	0.577	0.829
<i>VoteDiverge</i> _{US}		534	0.24	7	0.374	-0.91	8	0.000	-0.214	0.583	0.843
Size		16,833	15.18	37	2.189	9.26	2	13.973	15.355	16.672	18.759
Leverage		16,833	0.16	3	0.142	0.00	0	0.032	0.143	0.253	0.529
ROE		16,833	5.62	8	34.676	-132.6	40	2.180	10.010	18.360	57.470
TobinQ		16,833	1.67	8	1.292	0.59	3	1.024	1.261	1.813	7.876
TradeShareus		585	0.01	9	0.035	0.00	0	0.003	0.007	0.016	0.181
InvestShareus		585	0.01	7	0.097	-0.24	0	-0.031	0.011	0.058	0.304
GDPCapita		585	9.64	2	1.181	6.61	0	8.800	10.000	10.600	11.500
GDPGrowth		585	3.00	5	3.349	-7.00	0	1.300	3.100	4.900	10.000
Danal P	NegNous	VotaDiaganaana	VoteDiwara	Sizo	Lavaraa	POF	TohinO	TradoShanova	InvestShanova	CDPCapita	CDPCrowth
Fallel D	negnews	voleDisagree0s	eus	Size	e	KOE	TobinQ	Tradesnareus	Invesisnareus	GDFCapita	GDFGrowin
NegNews	1.000	-0.046	-0.027	0.002	0.059	-0.234	-0.193	0.022	-0.063	0.060	-0.161
VoteDisagree											
US	-0.029	1.000	0.948	0.080	0.022	0.178	0.025	-0.111	0.120	-0.575	0.382
VoteDivergeus	-0.007	0.952	1.000	0.121	0.023	0.167	-0.034	-0.127	0.127	-0.568	0.366
Size	0.007	0.105	0.152	1.000	0.288	0.216	-0.302	-0.086	0.019	0.026	-0.125
Leverage	0.053	-0.005	-0.002	0.246	1.000	0.065	-0.175	-0.118	0.008	-0.014	-0.077
ROE	-0.116	0.130	0.136	0.303	0.031	1.000	0.331	-0.177	0.026	-0.107	0.127
TobinQ	-0.113	-0.021	-0.058	-0.381	-0.209	-0.095	1.000	0.073	0.025	-0.016	0.158
TradeShareus	0.017	-0.121	-0.151	-0.252	-0.105	-0.142	0.146	1.000	0.008	0.065	-0.030
InvestShareus	-0.042	0.205	0.206	0.028	-0.011	0.041	0.008	-0.026	1.000	-0.188	0.145
InvestShareus GDPCapita	-0.042 0.049	0.205 -0.684	0.206 -0.680	0.028 0.012	-0.011 0.026	0.041 -0.093	0.008 -0.014	-0.026 0.080	1.000 -0.266	-0.188 1.000	0.145 -0.393

Correlation Coefficients (Spearman for the upper-right part, highlighted; Pearson for the bottom-left part)

Table 2: Baseline Findings

In this table we present regressions of political proximity variables on negativeness of US media (NegNews). We run following regression:

 $NegNews_{i,t} = a + B_1Poltical_Proximity_{c,t} + X_{i,t} + Y_{c,t} + \varepsilon_{i,c,t}$ where Political_Proximity is the ratio of opposite UN vote to US from a country (VoteDisagreeUS) and reverse correlation of UN voting between a country and US (VoteDivergeUS). Xi,t include firm level control variables - log of book asset value in US dollars (Size), total debt divided by total asset (Leverage), return on equity (ROE) and tobin's Q (TobinQ) while Yc,t include Economic flow (TradeShareUS), net percent equity flow (InvestShareUS), log of GDP per capita (GDPCapita) and GDP growth (GDPGrowth). Results are obtained from regressions with year and country fixed effects. The values of the tstatistics in parentheses are based on robust standard errors clustered at the firm level.

Dep. Variable	ole NegNe		
	Model	Model	
	(1)	(2)	
VoteDisagreeus	0.254		
	(3.24)		
VoteDiverge _{US}		0.218	
		(5.41)	
Size	-0.004	-0.002	
	(-1.52)	(-0.86)	
Leverage	0.119	0.107	
	(4.61)	(3.92)	
ROE	-0.001	-0.001	
	(-8.05)	(-7.93)	
TobinQ	-0.028	-0.025	
	(-8.20)	(-7.03)	
TradeShare _{US}	-0.119	-0.783	
	(-0.25)	(-1.36)	
InvestShare _{US}	0.014	0.031	
	(0.27)	(0.59)	
GDPCapita	0.048	0.035	
	(1.92)	(1.27)	
GDPGrowth	-0.014	-0.013	
	(-6.81)	(-6.32)	
Fixed Effects	Country/Year	Country/Year	
Observations	16,833	14,832	
R ²	8.4%	9.1%	

Table 3: Difference-in-Differences (DiD) Analysis using Human Right issues voting

In this table we present Difference-in-Difference (DiD) regression on NegNews with 22nd December 2007 as an event date. We find an abnormal UN voting from a country on Humant Rights issues that are "important" to US (i.e. different to previous consistent votings) on 22nd December 2007 and compare NegNews two weeks before and after the event date. Panel A presents parameter estimates from the probit model used to estimate propensity scores for firms in the treatment and control groups. The dependent variable is one if the firm belongs to the treatment group and zero otherwise. Standard errors are clusterred at country level and t-statistics are displayed in parentheses. Variables used to match include firm level control variables - log of book asset value in US dollars (Size), total debt divided by total asset (Leverage), return on equity (ROE), tobin's Q (TobinQ) and trend in NegNews (NewsGrowth)- and country level variables - Economic flow (TradeShareus) and net percent equity flow (InvestShareUS). Panel B reports the distribution of estimated propensity scores for the treatment firms, control firms, and the difference in estimated propensity scores post matching. Panel C reports the univariate comparisons between the treatment and control firms' characteristics and their corresponding t-statistics. Panel D provides the DiD test results and standard errors are given in parentheses. Panel E reports regression estimates of the NegNews of treatment and control firms surrounding the event date:

 $NegNews_{i,t} = a + B_1p_t + B_2d_i + B_3p_tXd_i + X_{i,t} + Y_{c,t} + \varepsilon_{i,t}$ where p_t is a dummy variable equals to 1 to the days after 22nd December 2007 exclusive and 0 otherwise. d_i equals to 1 for treatment group and 0 for control group. B_3 indicates difference between our treatment group and control group. The values of the t-statistics in parentheses are based on robust standard errors clustered at the country level.

	(1)	(2)
	Prematch	Postmatch
	<i>d</i>	d
lize	0.157	0.094
	(2.74)	(2.33)
everage	0.857	0.875
	(1.63)	(0.97)
ROE	-0.001	0.001
	(-0.81)	(0.38)
TobinQ	-0.190	0.152
	(-1.45)	(1.10)
radeShare _{US}	-15.084	8.207
	(-2.74)	(0.73)
<i>westShare</i> _{US}	-1.881	1.758
	(-0.33)	(0.33)
ewsGrowth	0.042	0.044
	(0.46)	(0.47)
itercept	-1.008	-2.268
	(-0.82)	(-2.47)
Observations	431	512
22	37.8%	4.1%

Panel B: Estimatea Propensity Score Distributions								
Propensity Scores	No. of Obs.	Min	p5	p50	Mean	SD	P95	Max
Treatment	256	0.072	0.463	0.794	0.769	0.154	0.965	0.984
Control	256	0.008	0.401	0.856	0.798	0.176	0.950	0.950
Difference		0.064	0.062	-0.061	-0.029	-0.022	0.015	0.034

Panel C: Estimated Propensity Score Distributions						
	Treatment	Control	Difference	std err	t-statistic	
Size	16.850	16.560	0.290	0.160	1.818	
Leverage	0.172	0.153	0.019	0.011	1.701	
ROE	19.394	18.146	1.249	2.804	0.445	
TobinQ	1.729	1.659	0.070	0.077	0.909	
TradeShareus	0.037	0.027	0.010	0.002	3.938	
InvestShareus	0.016	0.014	0.002	0.004	0.633	
GDPCapita (Not used to match)	10.671	9.152	1.520	-1.337	-1.136	
GDPGrowth (Not used to match)	3.023	9.251	-6.228	0.157	-39.645	
NewsGrowth	0.057	0.021	0.036	0.118	0.302	

Panel D: Difference-in-Difference Test								
	Mean Treatment Difference (after-before)	Mean Control Difference (after-before)	Mean DiD Estimator (treat-control)	t-statistic for DiD Estimator				
NegNews	0.118	-0.225	0.342	6.109				
Standard Errors	(0.0553)	(0.0566)	(0.0560)					

Panel E: Difference-in-Difference Analysis				
Dep. Variable	NegNews			
Variable	Model			
	(1)			
p X d	0.342			
	(2.94)			
p	-0.224			
	(-2.00)			
d	-0.062			
	(-0.54)			
Size	-0.050			
	(-1.74)			
Leverage	0.625			
	(1.65)			
ROE	0.001			
	(1.78)			
TobinQ	-0.037			
	(-0.74)			
<i>TradeShare</i> _{US}	-2.017			
	(-2.74)			
InvestShareus	0.059			
	(0.09)			
GDPCapita	0.021			
	(1.08)			
GDPGrowth	-0.006			
Observations	1 024			
R^2	8.4%			
	0,0			

Table 4: Difference-in-Differences (DiD) Analysis using Palestine issues voting

In this table we present Difference-in-Difference (DiD) regression on *NegNews* with 29th November 2012 as an event date. We find an abnormal UN voting from a country on Palestine issues that are "important" to US (i.e. different to previous consistent votings) on 29th November 2012 and compare *NegNews* two weeks before and after the event date. Panel A presents parameter estimates from the probit model used to estimate propensity scores for firms in the treatment and control groups. The dependent variable is one if the firm belongs to the treatment group and zero otherwise. Standard errors are clusterred at country level and t-statistics are displayed in parentheses. Variables used to match include firm level control variables - log of book asset value in US dollars (*Size*), total debt divided by total asset (*Leverage*), return on equity (*ROE*), tobin's Q (*TobinQ*) and trend in *NegNews* (*NewsGrowth*)- and country level variables - Economic flow (*TradeShareus*), net percent equity flow (*InvestShareus*) and GDP growth (*GDPGrowth*). Panel B reports the distribution of estimated propensity scores for the treatment firms, control firms, and the difference in estimated propensity scores post matching. Panel C reports the univariate comparisons between the treatment and control firms' characteristics and their corresponding t-statistics. Panel D provides tthe DiD test results and standard errors are given in parentheses. Panel E reports regression estimates of the *NewNews* of treatment and control firms surrounding the event date:

NegNews of treatment and control firms surrounding the event date: $NegNews_{i,t} = a + B_1p_t + B_2d_i + B_3p_tXd_i + X_{i,t} + Y_{c,t} + \varepsilon_{i,t}$ where p_t is a dummy variable equals to 1 to the days after 29th November 2012 exclusive and 0 otherwise. d_i equals to 1 for

where p_t is a dummy variable equals to 1 to the days after 29th November 2012 exclusive and 0 otherwise. d_i equals to 1 for treatment group and 0 for control group. B_3 indicates difference between our treatment group and control group. The values of the t-statistics in parentheses are based on robust standard errors clustered at the country level.

Panel A: Prematch propensity Score Regression and Postmatch Diagnostic Regression					
	1	2			
	Prematch	Postmatch			
	d	d			
C:	0.040	0.072			
Size	-0.049	0.072			
	(-0.95)	(1.63)			
Leverage	-0.505	-0.030			
	(-0.71)	(-0.08)			
ROE	-0.000	-0.022			
	(-1.15)	(-3.26)			
TobinQ	-0.111	0.196			
	(-1.57)	(1.61)			
<i>TradeShare</i> _{US}	3.727	11.982			
	(0.27)	(0.66)			
<i>InvestShare</i> _{US}	4.651	-0.476			
	(0.61)	(-0.03)			
GDPGrowth	-0.247	0.245			
	(-1.36)	(0.57)			
NewsGrowth	-0.088	-0.044			
	(-1.88)	(-0.90)			
Intercept	1.456	-2.087			
	(1.42)	(-1.61)			
Observations	454	404			
R^2	15.4%	13.6%			

Panel B: Estimated Propensity Score Distributions								
Propensity Scores	No. of Obs.	Min	p5	p50	Mean	SD	P95	Max
Treatment	202	0.190	0.279	0.610	0.545	0.153	0.711	0.759
Control	202	0.232	0.408	0.582	0.563	0.077	0.660	0.663
Difference		-0.043	-0.129	0.028	-0.017	0.076	0.051	0.096

Panel C: Estimated Propensity Score Distributions						
	Treatment	Control	Difference	std err	t-statistic	
Size	16.038	16.067	-0.029	0.195	-0.148	
Leverage	0.159	0.174	-0.016	0.013	-1.193	
ROE	3.333	11.374	-8.041	1.844	-4.360	
TobinQ	1.336	1.292	0.043	0.070	0.616	
TradeShareUs	0.037	0.020	0.017	0.003	6.427	
InvestShareus	0.020	0.023	-0.003	0.002	-1.254	
GDPCapita (Not used to match)	10.880	9.241	1.639	0.027	60.472	
GDPGrowth	2.275	1.860	0.416	0.109	3.811	
NewsGrowth	-0.086	-0.063	-0.023	0.069	-0.342	

Panel D: Difference-in-Difference Test						
	Mean Treatment	Mean Control	Mean DiD	t-statistic for		
	Difference (after-before)	(after-before)	(treat-control)	Estimator		
NegNews	0.002	-0.237	0.238	3.570		
	(0.0650)	(0.0685)	(0.0668)			

Panel E: Difference-in-Difference Analysis				
	NegNews			
p X d	0.238			
	(2.43)			
p	-0.236			
_	(-2.54)			
d	0.301			
	(1.50)			
Size	-0.023			
	(-1.19)			
Leverage	-0.524			
DOE	(-1.68)			
ROE	0.000			
	(0.22)			
TobinQ	-0.091			
Turn I. Channe	(-3.28)			
1 radeShareUs	-1.931			
	(-3.59)			
InvestSnare _{US}	-3.305			
CDDC 1	(-2.52)			
GDPCapita	-0.235			
	(-2.01)			
GDPGrowth	-0.021			
	(-0.88)			
Observations	808			
R^2	4.6%			

Table 5: Endogeneity tests

In this table we present 2SLS regressions of political proximity variables on negativeness of US media (*NegNews*) with two instrument variables; Physical Integrity Right Index (PRI) and Leader Change of the country (LC). *VoteDisagreeus* represents the ratio of opposite UN vote to US from a country and *VoteDivergeus* is reverse correlation of UN voting between a country and US. Control variables include firm level control variables - log of book asset value in US dollars (*Size*), total debt divided by total asset (*Leverage*), return on equity (*ROE*) and tobin's Q (*TobinQ*) - and country level variables - Economic flow (*TradeShareus*), net percent equity flow (*InvestShareus*), log of GDP per capita (*GDPCapita*) and GDP growth (*GDPGrowth*). Panel A reports first and second stage regression for *VoteDisagreeus* and Panel B is for *VoteDivergeus*. Model (1) and (2) in each panel show 2SLS regression with Leader Change of the country (LC) as an instrument variable; Model (3) and (4) shows 2SLS regression with Physical Integrity Right Index (PRI) as an instrument variable. Results are obtained from regressions with year and country fixed effects. The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level.

Panel A	Instrument=	LC	Instrument=	PRI
Dep. Variable	<i>VoteDisagree</i> _{US}	NegNews	<i>VoteDisagree</i> _{US}	NegNews
	Model	Model	Model	Model
	(1)	(2)	(3)	(4)
Instrument	0.010		-0.003	
	(13.21)		(-5.13)	
VoteDisagreeus		2.195		6.742
		(2.72)		(3.09)
Size	0.000	-0.002	0.000	-0.001
	(1.13)	(-1.00)	(0.73)	(-0.55)
Leverage	0.005	0.099	0.005	0.054
	(2.16)	(3.57)	(2.17)	(1.67)
ROE	0.000	-0.001	0.000	-0.001
	(2.96)	(-8.23)	(3.66)	(-7.78)
TobinQ	0.001	-0.027	0.000	-0.027
	(2.29)	(-7.29)	(1.77)	(-6.59)
TradeShareus	1.655	-2.982	1.548	-9.681
	(20.82)	(-2.16)	(20.15)	(-2.90)
$InvestShare_{US}$	-0.014	0.057	-0.019	0.187
	(-2.73)	(1.10)	(-3.36)	(2.31)
GDPCapita	-0.049	0.117	-0.042	0.254
	(-11.26)	(2.40)	(-9.00)	(2.79)
GDPGrowth	0.003	-0.019	0.003	-0.030
	(14.28)	(-6.20)	(11.46)	(-5.12)
Observations	14,860	14,860	12,970	12,970
R^2	95.6%	8.9%	95.5%	8.8%

Panel B	Instrument=LC		Instrument	t=PRI
Dep. Variable	VoteDivergeus	NegNews	VoteDivergeus	NegNews
Variable	Model	Model	Model	Model
	(1)	(2)	(3)	(4)
Instrument	0.035		-0.005	
	(19.61)		(-3.75)	
VoteDivergeus		0.605		4.245
		(2.72)		(2.75)
Size	0.000	-0.002	0.000	-0.002
	(0.56)	(-0.90)	(0.66)	(-0.62)
Leverage	0.010	0.103	0.011	0.042
	(1.70)	(3.77)	(1.81)	(1.09)
ROE	0.000	-0.001	0.000	-0.001
	(2.16)	(-8.08)	(2.81)	(-6.68)
TobinQ	0.001	-0.026	0.000	-0.025
	(0.89)	(-7.10)	(0.33)	(-5.29)
TradeShareus	6.305	-3.183	5.552	-22.838
	(20.43)	(-2.22)	(18.66)	(-2.78)
InvestShareus	0.002	0.029	-0.014	0.124
	(0.18)	(0.56)	(-1.35)	(1.70)
GDPCapita	-0.125	0.084	-0.104	0.411
	(-10.05)	(2.18)	(-7.60)	(2.70)
GDPGrowth	0.002	-0.014	0.001	-0.015
	(4.17)	(-6.59)	(1.11)	(-4.96)
Observations	14,832	14,832	12,942	12,942
R^2	96.0%	8.5%	96.0%	8.8%

Table 6: Lagged Political Proximity and First Difference Regression

In this table we present different regressions of political proximity variables on negativeness of US media (*NegNews*). In Panel A, we lag our political proximity variables and in Panel B we take first differences of dependent and independent variables. We run following regression:

$$NegNews_{i,t} = a + B_1 Poltical_Proximity_{c,t-1} + X_{i,t} + Y_{c,t} + \varepsilon_{i,t}$$

$$\Delta NegNews_{i,t} = a + B_1 \Delta Poltical_Proximity_{c,t} + \Delta X_{i,t} + \Delta Y_{c,t} + \varepsilon_{i,t}$$

 $\Delta NegNews_{i,t} = \mathbf{a} + B_1 \Delta Pollical_Proximity_{c,t} + \Delta x_{i,t} + \Delta r_{c,t} + \varepsilon_{i,t}$ where *Political_Proximity* is the ratio of opposite UN vote to US from a country (*VoteDisagreeus*) and reverse correlation of

UN voting between a country and US (*VoteDivergeus*). $X_{i,t}$ include firm level control variables - log of book asset value in US dollars (Size), total debt divided by total asset (Leverage), return on equity (ROE) and tobin's Q (TobinQ) while $Y_{c,t}$ include Economic flow (TradeShareUS), net percent equity flow (InvestShareUS), log of GDP per capita (GDPCapita) and GDP growth (GDPGrowth). Results in Panel A are obtained from regressions with year and country fixed effects. The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level in both panel.

Panel A		
Dep. Variable	NegNews	NegNews
	Model	Model
	(1)	(2)
VoteDisagreeus_1	0.272	
	0.572	
VotaDivargans	(4.74)	
VoleDiverge05,-1		0.130
		(3.57)
Size	-0.003	-0.007
-	(-1.37)	(-2.78)
Leverage	0.119	0.137
	(4.49)	(5.38)
ROE	-0.001	-0.001
	(-7.90)	(-7.82)
TobinQ	-0.030	-0.030
	(-8.42)	(-8.30)
$TradeShare_{US}$	-0.455	-0.423
	(-0.97)	(-0.84)
<i>InvestShare</i> _{US}	-0.012	0.050
	(-0.24)	(0.94)
GDPCapita	0.049	0.057
	(1.94)	(2.24)
GDPGrowth	-0.015	-0.015
	(-7.28)	(-7.33)
Fixed Effects	Country/Year	Country/Year
Observations	16,177	14.053
R^2	8.3%	8.7%

Panel B		
Dep. Variable	$\Delta NegNews$	$\Delta NegNews$
_	Model	Model
	(1)	(2)
$\Delta VoteDisagree_{US}$	0.110	
	(2.04)	
$\Delta VoteDiverge_{US}$		0.114
		(3.84)
$\Delta Size$	-0.027	-0.031
	(-1.42)	(-1.57)
$\Delta Leverage$	-0.001	-0.001
	(-7.98)	(-8.15)
ΔROE	0.023	0.013
	(0.35)	(0.18)
$\Delta TobinQ$	-0.042	-0.040
	(-7.42)	(-6.66)
$\Delta TradeShare_{US}$	-1.280	-1.582
	(-1.13)	(-1.34)
Δ InvestShare _{US}	-0.004	0.011
	(-0.06)	(0.17)
$\Delta GDPC apita$	0.272	0.236
	(6.56)	(5.19)
$\Delta GDPGrowth$	-0.019	-0.020
	(-13.97)	(-14.05)
Fixed Effects	-	-
Observations	14,077	12,286
R^2	3.6%	4.0%

Table 7: Press-Release News

In this table we present regressions of political proximity variables on negativeness of US media (NegNews) using Press-**Release news.** We run following regression: $NegNews_{i,t} = a + B_1Poltical_Proximity_{c,t} + X_{i,t} + Y_{c,t} + \varepsilon_{i,t}$ where *Political_Proximity* is the ratio of opposite UN vote to US from a country (*VoteDisagreeus*) and reverse correlation of

UN voting between a country and US (VoteDivergeus). Xi,t include firm level control variables - log of book asset value in US dollars (Size), total debt divided by total asset (Leverage), return on equity (ROE) and tobin's Q (TobinQ) while Y_{c,t} include Economic flow (TradeShareUS), net percent equity flow (InvestShareUS), log of GDP per capita (GDPCapita) and GDP growth (GDPGrowth). The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level.

Dep. Variable	NegNews	NegNews
	Model	Model
	(1)	(2)
VoteDisagree _{US}	0.180	
	(1.33)	
VoteDivergeus		-0.046
		(-0.62)
Size	-0.019	-0.017
	(-5.00)	(-4.26)
Leverage	0.303	0.323
	(5.56)	(5.61)
ROE	-0.000	-0.000
	(-1.44)	(-1.49)
TobinQ	-0.036	-0.036
	(-7.64)	(-7.29)
TradeShare _{US}	-1.314	-0.596
	(-1.49)	(-0.52)
InvestShareus	0.028	-0.045
	(0.30)	(-0.47)
GDPCapita	0.225	0.227
	(4.55)	(4.41)
GDPGrowth	-0.004	-0.003
	(-0.84)	(-0.59)
Fixed Effects	Country/Year	Country/Year
Observations	9,546	8,527
<i>R</i> ²	10.9%	10.6%

Table 8: Non-US Media Source

In this table we present regressions of political proximity variables on negativeness of US media (NegNews) for sample

split into two. First two column show results for non-US news source only and Column (3) and (4) show results for new sample which are sourced from ADR home media. We run following regression: $NegNews_{i,t} = a + \beta Poltical_Proximity_{c,t} + Controls_{i,t} + Controls_{c,t} + \varepsilon_{i,t}$ where Political_Proximity is the ratio of opposite UN vote to US from a country (VoteDisagreeUS) and reverse correlation of UN voting between a country and US (VoteCorrUS). Controls, t include firm level control variables - log of book asset value in US dollars (Size), total debt divided by total asset (Leverage), return on equity (ROE) and tobin's Q (TobinQ) while Controlsc, t include Economic flow (TradeShareUS), net percent equity flow (InvestShareUS), log of GDP per capita (GDPCapita) and GDP growth (GDPGrowth). Model (1) and (2) show results for firms without segment sales in US but in other countries during that year; Model (3) and (4) use firms with sales in US for that year. Results are obtained from

regressions with year and country fixed effects. The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level.

Dep. Variable		NegNews					
	Non-U	S Media	Home	Media			
	Model	Model	Model	Model			
	(1)	(2)	(3)	(4)			
U (D'							
VoteDisagree _{US}	-0.124		0.761				
	(-0.35)		(1.53)				
VoteCorrus		-0.074		-0.139			
		(-0.33)		(-0.65)			
Size	0.022	0.033	-0.004	0.006			
	(3.08)	(4.06)	(-0.62)	(0.69)			
Leverage	0.333	0.327	0.197	0.202			
	(3.65)	(3.08)	(2.39)	(2.20)			
ROE	-0.001	-0.001	-0.001	-0.001			
	(-2.33)	(-2.28)	(-2.15)	(-1.53)			
TobinQ	-0.026	-0.013	-0.021	-0.011			
	(-2.23)	(-0.95)	(-1.86)	(-0.83)			
TradeShare _{US}	-0.646	-1.075	-3.519	0.087			
	(-0.18)	(-0.25)	(-1.06)	(0.02)			
InvestShareus	-0.196	-0.169	0.094	0.192			
	(-1.03)	(-0.72)	(0.34)	(0.61)			
GDPCapita	-0.121	-0.044	0.201	0.103			
	(-0.89)	(-0.31)	(1.49)	(0.65)			
GDPGrowth	-0.001	0.001	-0.007	-0.008			
	(-0.17)	(0.13)	(-0.85)	(-0.90)			
Fixed Effects	Country/Year	Country/Year	Country/Year	Country/Year			
Observations	3,989	3,117	3,918	3,080			
R^2	0.048	0.054	0.038	0.034			

Table 9: US Sales

In this table we present regressions of political proximity variables on negativeness of US media (NegNews) for sample split into two. First two column show results for ADR firms without US sales during the year and Column (3) and (4) show results for ADR samples with US sales. We run following regression: $NegNews_{i,t} = a + B_1Poltical_Proximity_{c,t} + X_{i,t} + Y_{c,t} + \varepsilon_{i,t}$

where Political_Proximity is the ratio of opposite UN vote to US from a country (VoteDisagreeUS) and reverse correlation of UN voting between a country and US (VoteDivergeUS). X_{i,t} include firm level control variables - log of book asset value in US dollars (Size), total debt divided by total asset (Leverage), return on equity (ROE) and tobin's Q (TobinQ) while Y_{c,t} include Economic flow (TradeShareUS), net percent equity flow (InvestShareUS), log of GDP per capita (GDPCapita) and GDP growth (GDPGrowth). Model (1) and (2) show results for firms without segment sales in US but in other countries during that year; Model (3) and (4) use firms with sales in US for that year. Results are obtained from regressions with year and country fixed effects. The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level.

Dep. Variable		1	NegNews	
	No-US	5 Sales	US	S Sales
	Model	Model	Model	Model
	(1)	(2)	(3)	(4)
VoteDisagreeus	0.287		0.196	
	(2.55)		(1.77)	
VoteDivergeus	(100)	0.159	(1)	0.236
		(2.89)		(3.61)
Size	-0.007	-0.005	-0.007	-0.005
	(-1.99)	(-1.34)	(-1.96)	(-1.53)
Leverage	0.103	0.095	0.123	0.109
	(2.74)	(2.31)	(3.01)	(2.61)
ROE	-0.001	-0.001	-0.001	-0.001
	(-5.68)	(-5.66)	(-5.12)	(-4.76)
TobinQ	-0.033	-0.030	-0.026	-0.023
	(-5.85)	(-4.91)	(-5.31)	(-4.45)
TradeShareus	-0.068	-0.256	-1.922	-3.386
	(-0.10)	(-0.33)	(-2.66)	(-3.69)
InvestShareus	0.026	0.039	-0.124	-0.055
	(0.39)	(0.57)	(-1.18)	(-0.48)
GDPCapita	0.055	0.028	0.034	0.037
	(1.59)	(0.72)	(0.77)	(0.78)
GDPGrowth	-0.018	-0.017	-0.007	-0.008
	(-6.91)	(-6.25)	(-1.70)	(-1.89)
Fixed Effects	Country/Year	Country/Year	Country/Year	Country/Year
Observations	8,103	6,892	6,063	5,422
R^2	9.4%	10.3%	10.8%	11.7%

Table 10: Country Popularity Score

In this table, we present regressions of a country popularity score (CPS) variable on negativeness of US media (NegNews). We run following regression:

 $NegNews_{i,t} = a + B_1CPS_{c,t} + X_{i,t} + Y_{c,t} + \varepsilon_{i,c,t}$ where CPS is collected from Gallup. X_{i,t} include firm level control variables - log of book asset value in US dollars (Size), total debt divided by total asset (Leverage), return on equity (ROE) and tobin's Q (TobinQ) while Y_{c,t} include Economic flow (TradeShareUS), net percent equity flow (InvestShareUS), log of GDP per capita (GDPCapita) and GDP growth (GDPGrowth). Column (2) – (4) show second stage regressions (2SLS) using one year lag of our political proximity variables as instrument variables. The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level.

		Instrument=L.VoteDisagreeUS		Instrument=L.V	VoteDivergeUS
Dep. Variable	NegNews	CPS	NegNews	CPS	NegNews
Variable	Model	Model	Model	Model	Model
	(1)	(2)	(3)	(4)	(5)
CPS	-0.060		-4 587		-1 514
ers	(-2.67)		(-2.22)		(-3.28)
Instrument	(101)	-0.107	()	-0.098	(0.20)
		(-2.72)		(-10.77)	
Size	-0.005	-0.000	-0.008	-0.000	-0.007
	(-1.83)	(-0.39)	(-2.28)	(-0.47)	(-2.68)
Leverage	0.088	0.006	0.122	0.007	0.108
	(2.80)	(0.86)	(2.68)	(1.08)	(3.42)
ROE	-0.001	0.000	-0.001	0.000	-0.001
	(-6.50)	(1.85)	(-2.27)	(1.79)	(-5.67)
TobinQ	-0.025	-0.002	-0.035	-0.002	-0.030
	(-6.45)	(-1.54)	(-5.16)	(-1.60)	(-7.15)
TradeShareus	0.640	0.935	4.049	1.406	1.726
	(1.24)	(3.47)	(2.94)	(6.28)	(2.60)
InvestShareus	0.075	0.136	0.727	0.129	0.310
	(1.18)	(7.19)	(2.59)	(6.93)	(3.44)
GDPCapita	-0.021	-0.157	-0.673	-0.175	-0.215
	(-0.70)	(-9.56)	(-2.44)	(-11.88)	(-2.83)
GDPGrowth	-0.015	-0.006	-0.041	-0.007	-0.024
	(-5.30)	(-4.44)	(-2.65)	(-5.32)	(-5.26)
Fixed Effects	Country/Year	Country/Year	Country/Year	Country/Year	Country/Year
Observations	10.238	8.729	8.729	8.720	8.720
R^2	8.8%	90.6%	9.2%	90.6%	9.2%

Table 11: Return Impact

In Panel A of this table we present regressions of political proximity variables on return impact. We run following

regression: $ReturnImapct_{i,t} = \alpha + B_1 Poltical_Proximity_{c,t} + X_{i,t} + Y_{c,t} + \varepsilon_{i,t}$

where Political_Proximity is the ratio of opposite UN vote to US from a country (VoteDisagreeUS) and reverse correlation of UN voting between a country and US (VoteCorrUS). Controlsi,t include firm level control variables - log of book asset value in US dollars (Size), total debt divided by total asset (Leverage), return on equity (ROE) and tobin's Q (TobinQ) while Controlsc,t include Economic flow (TradeShareUS), net percent equity flow (InvestShareUS), log of GDP per capita (GDPCapita) and GDP growth (GDPGrowth). Model (1) and (2) use coefficient of contemporaneous *NegNews* as return impact -ReturnImpact1; Model (3) and (4) show results for return impact as sum of five coefficient of 5 lags of *NegNews* for each firm year - ReturnImpact2. Results are obtained from regressions with year and country fixed effects. The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level.

Dep. Variable	ReturnImpact1	ReturnImpact1	ReturnImpact2	ReturnImpact2
Variable	Model	Model	Model	Model
	(1)	(2)	(3)	(4)
VoteDisagreeus	0.751		1.634	
	(2.15)		(2.86)	
VoteCorrus		0.772		1.126
		(3.69)		(3.35)
Size	0.189	0.196	0.239	0.250
	(18.63)	(17.87)	(13.84)	(12.90)
Leverage	0.207	0.201	0.273	0.327
	(1.82)	(1.66)	(1.55)	(1.73)
ROE	0.001	0.001	0.001	0.001
	(1.07)	(1.03)	(1.26)	(1.26)
TobinQ	0.034	0.043	0.066	0.091
	(2.27)	(2.96)	(2.21)	(2.85)
TradeShareus	-2.273	-7.728	1.445	-4.157
	(-0.93)	(-2.94)	(0.37)	(-0.95)
InvestShareus	-0.287	-0.239	-0.218	-0.102
	(-1.50)	(-1.16)	(-0.62)	(-0.28)
GDPCapita	-0.142	0.034	-0.407	-0.185
	(-1.17)	(0.27)	(-2.17)	(-0.93)
GDPGrowth	0.011	0.011	0.017	0.013
	(1.24)	(1.17)	(1.10)	(0.85)
Fixed Effects	Country/Year	Country/Year	Country/Year	Country/Year
Observations	10,979	9,565	10,979	9,565
R^2	0.099	0.108	0.059	0.065

Table 12: Termination

In this table we present probit regressions of our media variables on *termination*. Our termination variable, *termiation*, equal to 1 if the firm terminated its ADR in that year and 0 otherwise. Only firms that hold their ADRs more than 5 years are included in our analysis. *L.Controls*_{i,t} include one year lag of firm level control variables - log of book asset value in US dollars (*Size*), total debt divided by total asset (*Leverage*), return on equity (*ROE*) and tobin's Q (*TobinQ*) while *L.Controls*_{c,t} include one year lag of Economic flow (*TradeSharevs*), net percent equity flow (*InvestSharevs*), log of GDP per capita (*GDPCapita*) and GDP growth (*GDPGrowth*). Results are obtained from regressions with year and country dummys. The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level. R-squares for probit models are psuedo R-squares. Column (2) – (4) show two stage regressions using one year lag of political proximity variables as instrument variables.

		Instrument=Vo	oteDisagreeUS	Instrument=VoteDivergeUS		
Dep. Variable	termination	NewsNeg	termination	NewsNeg	termination	
	Model	Model	Model	Model	Model	
	(1)	(2)	(3)	(4)	(5)	
NewsNeg	0.224		5.153		2.792	
	(2.42)		(1.83)		(2.03)	
Instrument		0.352		0.285		
		(3.71)		(6.03)		
Size	-0.041	0.001	-0.049	0.001	-0.046	
	(-2.20)	(0.45)	(-2.51)	(0.43)	(-2.41)	
Leverage	0.314	0.088	-0.132	0.087	0.082	
	(1.17)	(2.60)	(-0.38)	(2.55)	(0.29)	
ROE	0.000	-0.001	0.005	-0.001	0.003	
	(0.02)	(-5.35)	(1.70)	(-5.39)	(1.54)	
TobinQ	-0.060	-0.021	0.041	-0.021	-0.009	
	(-1.92)	(-4.91)	(0.65)	(-4.92)	(-0.21)	
TradeShareus	7.767	-0.475	4.532	-2.197	4.860	
	(1.70)	(-0.76)	(0.95)	(-3.09)	(1.05)	
InvestShare _{US}	0.289	-0.008	0.544	0.005	0.435	
	(0.36)	(-0.08)	(0.67)	(0.05)	(0.53)	
GDPCapita	0.124	0.048	-0.008	0.077	0.044	
	(0.50)	(1.38)	(-0.03)	(2.18)	(0.17)	
GDPGrowth	-0.025	-0.012	0.029	-0.012	0.004	
	(-1.03)	(-4.21)	(0.76)	(-4.24)	(0.13)	
Observations	8,666	8,666	8,666	8,643	8,643	
R^2	6.9%	8.0%	6.8%	8.2%	6.7%	

Table 13: Robustness Test

In this table we present regressions of political proximity variables on different measure of media coverage. In Model (1), (2), (5) and (6), our main variable, *NegNews*, is created for hard news and soft news only. In Model (3) and (7), we use all news available to the firm (i.e. including repeated news) and in Model (7) and (8), we calculate average ESS score for our unique news given by Ravenpack. Two political proximity variables are the ratio of opposite UN vote to US from a country (*VoteDisagreeus*) and reverse correlation of UN voting between a country and US (*VoteDivergeus*). *Controls*_{i,t} include firm level control variables - log of book asset value in US dollars (*Size*), total debt divided by total asset (*Leverage*), return on equity (*ROE*) and tobin's Q (*TobinQ*) while *Controls*_{c,t} include Economic flow (*TradeShareus*), net percent equity flow (*InvestShareus*), log of GDP per capita (*GDPCapita*) and GDP growth (*GDPGrowth*). Results are obtained from regressions with year and country fixed effects. The values of the t-statistics in parentheses are based on robust standard errors clustered at the firm level.

	Hard	Soft	All News	Sentiment Score	Hard	Soft	All News	Sentiment Score
Dep. Variable	NegNews	NegNews	NegNews	AvgESS	NegNews	NegNews	NegNews	AvgESS
Variable	Model	Model	Model	Model	Model	Model	Model	Model
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VoteDisagrague	0 202	0 377	0 255	3 700				
V OleDisugree 05	(2.34)	(3.34)	(3.09)	(-2.15)				
<i>VoteDiverge</i> _{US}			()		0.150	0.128	0.215	-3.892
					(3.36)	(2.16)	(5.21)	(-4.30)
Size	-0.011	0.010	-0.002	0.046	-0.008	0.010	-0.000	0.011
	(-5.14)	(3.19)	(-0.66)	(1.08)	(-3.90)	(3.28)	(-0.18)	(0.25)
Leverage	0.098	0.165	0.106	-2.543	0.096	0.162	0.097	-2.424
	(3.84)	(4.17)	(3.94)	(-4.92)	(3.57)	(3.95)	(3.44)	(-4.38)
ROE	-0.003	0.001	-0.001	0.035	-0.003	0.001	-0.001	0.037
	(-17.27)	(3.63)	(-7.60)	(12.77)	(-17.17)	(3.78)	(-7.66)	(12.86)
TobinQ	-0.028	-0.015	-0.030	0.548	-0.025	-0.014	-0.028	0.505
	(-7.18)	(-3.61)	(-9.20)	(8.09)	(-6.10)	(-3.31)	(-7.90)	(7.00)
<i>TradeShare</i> _{US}	-0.203	-0.610	0.171	5.626	-0.549	-0.731	-0.461	18.247
	(-0.39)	(-0.92)	(0.35)	(0.49)	(-0.85)	(-0.89)	(-0.78)	(1.28)
InvestShareus	-0.020	0.058	0.020	-0.552	-0.019	0.079	0.035	-1.264
	(-0.39)	(0.81)	(0.38)	(-0.51)	(-0.35)	(1.00)	(0.64)	(-1.09)
GDPCapita	0.065	0.001	0.042	-1.898	0.045	-0.021	0.027	-1.699
	(2.41)	(0.03)	(1.61)	(-3.37)	(1.56)	(-0.53)	(0.95)	(-2.73)
GDPGrowth	-0.017	0.002	-0.014	0.403	-0.017	0.004	-0.014	0.391
	(-8.56)	(0.81)	(-7.00)	(9.21)	(-8.08)	(1.29)	(-6.54)	(8.79)
Fixed Effects	Country/Year	Country/Year	Country/Year	Country/Year	Country/Year	Country/Year	Country/Year	Country/Year
Observations	16,752	15,237	16,833	16,833	14,868	13,497	14,832	14,832
R^2	13.4%	3.8%	7.8%	11.9%	14.3%	3.9%	8.6%	12.8%