

The Impact of Global Sanctions on Foreign Direct Investment: A Staggered Difference-in-Differences Approach*

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Abstract

Using a comprehensive database of global sanctions, we examine how sanctions affect cross-border mergers and acquisitions (M&A) over 2006–2023. Aggregating deal-level M&A data to the investor–host–year level, we estimate sanction effects using an extended two-way fixed effects estimator in a staggered difference-in-differences framework. Baseline results show that sanctions are associated with an approximately 50% reduction in bilateral cross-border M&A deals from sanctioning to target countries. Event-time estimates further suggest that this negative effect persists and deepens over time. Cohort-specific estimates indicate substantial heterogeneity across sanction episodes, likely driven by variations in participating countries, sanction types, and other contextual features.

Keywords: global economic sanctions; mergers & acquisitions; extended two-way fixed effect estimator; staggered difference-in-differences

JEL Classification: F21, F23, F51

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