The Diplomacy Discount in Global Syndicated Loans

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Abstract

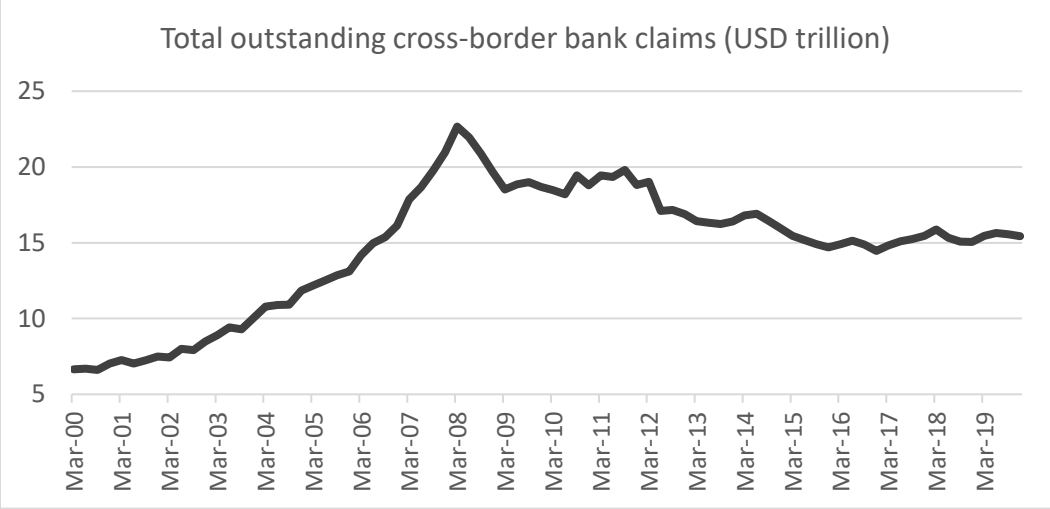
We investigate whether state-to-state political ties with a global superpower affects the pricing of international syndicated bank loans. We find statistically and economically significant effects of stronger state political ties with the United States, arguably the most dominant global superpower of our times, on the pricing of global syndicated loans. A one standard deviation improvement in state political ties between the U.S. and the government of a borrower's home country is associated with 13.5 basis points lower loan spread. This is equivalent to a cumulative savings in loan interest payments of about 10 million USD for the average loan in our sample. The effect of political ties on loan pricing is also stronger when lead arrangers are U.S. banks, during periods in which the U.S. is engaged in armed conflicts such as in the Afghan, Iraq and Syrian wars, when the U.S. president belongs to the Republican Party, and for borrowers with better balance sheets and prior lending relationships. Notably, we find that not all firms equally benefit, as cross-listed firms and firms in countries with strong institutional quality and ability to attract institutional investors are much less affected by political ties in lowering their borrowing costs.

Keywords: Global syndicated loans; Loan pricing; Political ties; International relations

JEL classification: G15, G21, G30, F50

1. Introduction

Cross-border bank-based financing remains an important segment of external financing around the world at one time peaking at a value of outstanding claims amounting to over USD 22 trillion in 2008 which was preceded by decades of growth since the early 1990s. The global financial crisis of 2008-09 brought to a halt the meteoric rise in cross-border bank lending and after an approximately three-fold expansion over the period 2000-2008, the stock of cross-border bank claims has since fallen to about 70% of its peak value by the end of 2019.[1] Many other factors have since contributed to its relative decline following the crisis. Among these, geopolitical tensions have recently surfaced as a key factor. Much of these tensions are linked to the U.S. and U.S. foreign policy which has decidedly become more mercantilist of late. In this paper, we study how these geopolitical tensions specifically relating to political ties with the U.S. has affected the borrowing conditions of private firms who seek bank-based cross-border financing through the global syndicated loans market.



Source: BIS International Banking Statistics

[1] See BIS statistics at: https://www.bis.org/statistics/consstats.htm

Our focus on state-to-state political ties is motivated by the growing literature emphasizing the importance of socio-political and institutional factors in the pricing of international debt (see, e.g., Qian and Strahan, 2007; Bae and Goyal, 2009; Qi, Roth and Wald, 2010; Giannetti and Yafeh, 2012; Delis, Hasan and Ongena, 2020). State-to-state political ties could facilitate cross-border lending by ensuring smooth and cooperative interaction of regulatory agencies across borders and thus enhance cross-border investor protection.[2] Specific to the U.S., closer political ties with a global military and economic superpower could also provide an implicit hedge against sovereign risk. This can take the form of direct economic and military support or indirect support through multilateral institutions such as the IMF and the World Bank towards home country governments of borrowers.[3] Consequently, we expect that closer state-to-state political ties with the U.S. could help mitigate sovereign risk and improve investor (bank) protection leading to lower borrowing costs.

To test this hypothesis, we consider more than ten thousand loan facilities in the global syndicated loan market over the period 1992-2017 along with detailed lender, borrower, and country information. Our main outcome variable is the all-in spread drawn (AISD), which includes the loan spread over LIBOR plus any facility fee. Our main explanatory variable measure of the strength of state-to-state political ties between a borrower's home country and the U.S. Following earlier contributions to the literature, we use voting similarity indices on voting patterns at the United Nations General Assembly (UNGA) between sovereign states and the United States.[4]

[2] For instance, Lambert (2019) document evidence that lobbying by U.S. banks influence regulatory enforcement actions. Braun and Raddatz (2010) document international evidence that politically-connected banks enjoy more favorable regulation. In terms of U.S. domestic bailout policies, Mian, Sufi and Trebbi (2010) find evidence that U.S. congressmen who received support from financial sector donors were more likely to vote in favor of the U.S. 2008 bailout legislation.

[3] See evidence on the effect of global political ties on IMF and World Bank lending in Thacker (1999), Barro and Lee (2005), and Malik and Stone (2018) among others, as well as on sovereign ratings and yields in Ambrocio and Hasan (2019).

[4] See, e.g., Garmaise and Natividad (2013) and Ambrocio, Gu and Hasan (2019).

We find a statistically sizeable effect of state-to-state political ties on the cost of syndicated loan borrowing. A one standard deviation improvement in political ties with the U.S. is associated with 13.5 basis points lower borrowing costs. Economically, this is equal to a 9.1% lower AISD compared to the average in our sample, highlighting a substantial benefit to borrowing firms in countries with closer political ties with the U.S. The economic significance of this can also be seen by calculating the savings in interest payments for these firms. For the average loan size and maturity (equal to USD 1.68 billion and 4.4 years respectively), an AISD that is 13.5 basis points lower corresponds to approximately USD 2.3 million in lower interest expenses every year over the loan's duration.

Several sensitivity tests show that these baseline findings are robust, and of these, the following four are noteworthy. First, we use different sets of fixed effects (see, e.g., Jiménez, Ongena, Peydró and Saurina, 2014) to control for alternative bank- and firm-side explanations of our findings and the macroeconomic environment in the lender's and borrower's countries. Second, we use alternative model specifications with different loan control variables to show that the results are not affected by the "bad controls" problem.

Third, we strengthen the identification of the effects of political ties by looking at differential effects during international conflicts. We expect the effect of state political ties to be stronger during the buildup and main stages of international conflicts (wars) by the U.S., since allies are more likely to be called upon and expected to provide continuous support to the U.S. government's proposals in the UN General Assemblies. We indeed find stronger effects in periods when the U.S. is engaged in extraterritorial conflicts such as the Afghan, Iraq, and Syrian wars; however this effect is independent of the generic discount in loan spreads due to similar voting patterns during the non-war periods. Fourth, we show that our results are not driven by potential

sample-selection bias. We estimate a Heckman-type model (Heckman, 1979), which explicitly accounts for the probability that a firm takes out a loan with a given bank and find that our results remain.[5]

We delve deeper into the potential drivers of our results and examine the role of political conditions in the U.S. We find that the loan spread discount is greater when the Office of the President of the United States is held by a Republican. We consequently examine potential differences due to the status of the lending bank and find that the effect is stronger if the lead bank is government-controlled. Furthermore, the effect of political ties on borrowing costs is more potent for larger firms and those with strong balance sheets (e.g., return on assets, retained earnings, asset growth, and lower debt-to-equity).

Moreover, the easing effect of political ties on loan spreads is independent of that attributed to previous lending ties between the bank-firm pair. Although close political ties measure lower spreads more for relationship borrowers relative to first-time ones, the generic effect of our voting similarity measure persists over and above that of relationship lending. Finally, we do not see significant interactions with other bilateral ties with the U.S. such as common borders and participation in mutual defense pacts or non-aggression treaties. These results indicate that the value of state-to-state political ties with the U.S. operates mainly when the member-banks of the loan syndication have tight links to their governments and for borrowers of good credit standing.

Our results about the easing effect of political ties on firm cost of credit, gives rise to the question of whether all firms benefit from this mechanism. Arguably, firms with financing flexibility and access to foreign capital markets can achieve lower cost of credit ceteris paribus. Similarly, firms operating in countries with strong institutional environment and ability to attract

[5] See also similar exercises in Dass and Massa (2011) and Giannetti and Yafeh (2012).

institutional investors face lower financing constraints. We find this to be the case, as cross-listed firms and firms in countries with strong institutional quality are less reliant – if at all – on their countries' political ties as a means for lowering their borrowing costs.

The rest of the paper proceeds as follows. Section 2 relates our study to the existing literature and further highlights the novelty of our work relative to previous studies. Section 3 discusses the data set and the empirical specification. Section 4 presents and discusses the main empirical results, showing the impact of political ties on the cost of credit. Section 5 examines the heterogeneities of our findings due to certain bank and firm characteristics and country relationships. Section 6 concludes the paper. An Internet Appendix provides several additional summary statistics and robustness checks.

2. Related literature

This paper builds on the growing literature on the determinants of cross-border bank financing. Delis, Hasan and Ongena (2020) show that democratization is associated with cheaper financing costs in the global syndicated loan market while Qi, Roth and Wald (2010), Qian and Strahan (2007), and Bae and Goyal (2009) provide evidence that domestic legal and institutional factors related to creditor protection matter. Giannetti and Yafeh (2012) document evidence on the importance of cultural proximity between parties in international syndicated loans. Haselmann, Pistor and Vig (2010) find that foreign banks react substantially more than domestic banks to improvements in domestic legal institutional quality and creditor legal protection. Houston, Lin and Ma (2012) document evidence in support of regulatory arbitrage in international banking. Boehmer and Megginson (1990) study the determinants to secondary market pricing of developing country syndicated loans and identify factors related to sovereign solvency as particularly

important. Our results adds state-to-state political ties to the list of qualitative country-level factors as important determinants of cross-border bank financing.

We are also related to the literature on the economic implications of forging global political ties. The use of voting patterns at the United Nations General Assembly as a measure of state-to-state political ties follows an established literature such as by Thacker (1999) and Barro and Lee (2005) who document the effects of political ties with the U.S. on IMF lending, and Alesina and Dollar (2000) on U.S. political ties and U.S. foreign aid flows. Garmaise and Natividad (2013) document how global political ties facilitate microfinance funding. Ambrocio and Hasan (2019) show that closer political ties with the U.S. lower sovereign borrowing costs while Ambrocio, Gu and Hasan (2019) show that state to state political ties lower the cost of private bond issuances by foreign firms in the United States. Our results show that the effects of global political ties with the U.S. extend to the cost of global bank-based borrowing in the syndicated loan market.

Finally, our work complements a related strand of the literature focusing on firm-to-state political ties as an important factor in external financing and firm valuation.[6] Claessens, Feijen and Laeven (2008) show that political connections, proxied through campaign contributions, lead to preferential access to bank financing. Houston, Jiang, Lin, and Ma, (2014) show that politically connected board members lower firm bank borrowing costs. Acemoglu, Johnson, Kermani and Kwak (2016) show that political connections are especially valuable in crises periods. Our work extends this literature by showing that state-to-state political ties also benefit private firms through lower borrowing costs in the global syndicated loan market.

3. Data and empirical methodology

[6] See, e.g., Fisman (2001), Butler, Fauver and Mortal (2009), Goldman, Rocholl and So (2009), and Banerji, Duygun and Shaban (2016).

We obtain data from three sources. Syndicated loan facilities (the unit of our analysis) are collected from DealScan, which includes the most comprehensive and historical loan-deal information available on the global syndicated loan market. Our examination period extends from 1992 to 2017. We drop all loans for which there is no conventional pricing (i.e., there is no spread) and this deletes some very specialized credit lines. We match the loan data with country-level variables measuring international political ties. We further match the loan facilities with the bank- and firm-specific characteristics from Compustat, as well as with additional macroeconomic and institutional (country-year) variables from several freely available sources. The number of loan facilities for our baseline specifications ranges from 10,427 to 10,479, depending on the controls and the set of fixed effects used. Our preferred specification includes 10,472 loans granted by 156 lead lenders headquartered in 12 countries and to 1,115 borrowers from 25 countries; Table 1 provides key descriptive statistics.[7]

[Insert Table 1 about here]

Empirical identification. To examine whether firm from countries with closer political ties to the U.S. face lower borrowing costs we use a regression approach very similar to Giannetti and Laeven (2012), Giannetti and Yafeh (2012), and Delis, Hasan and Ongena (2020):

$$Cost\ of\ credit_{lt} = a_0 + a_1 Vote_{kt-1} + a_2 Controls_{kt} + u_{lt} \quad (1)$$

where $Cost\ of\ credit_{lt}$ measures the cost of loan facility l originated at time t. The most widely used measure is the all-in spread drawn (AISD), denoting the spread over LIBOR, although

[7] Consistent with relevant studies on the syndicated loan market we only include information on lead lenders (see, e.g., Santos and Winton, 2019; Delis, Hasan and Ongena, 2020).

a strand of the literature (e.g., Berg, Saunders, Steffen and Streitz, 2016) also highlights the importance of fees and the all-in spread undrawn (AISU). The vector a_0 denotes different types of fixed effects, described later. Controls is a vector of control variables of dimension k, and u is a stochastic disturbance.

Vote is the Signorino and Ritter (1999) measure of voting similarity in the voting patterns of two countries (one of which is the U.S.) from the U.N. General Assembly (see also Garmaise and Natividad, 2013). This measure is an index for voting affinity originally ranging from -1 (completely opposite) to +1 (completely similar), based on two-category vote data (1 = "yes" or approval of an issue; 2 = "no" or disapproval of an issue). The measure is constructed for each country k in year t by averaging the Signorino-Ritter score (S2) of voting similarity with the U.S. for each resolution (r) in year t:

$$Vote_{kt} = \frac{1}{R}\sum_{r=1}^{R} S2_{r,k,t} \quad (2)$$

To facilitate our analysis, the index is normalized and assumes values between 0 and +1, although for sensitivity purposes we also employ the non-normalized index, as well as the Signorino and Ritter 3-option index (-1, 0, +1), which is the initial index adjusted for missing and abstain votes. We further employ a variation of our baseline measure, constructed by replacing the Signorino and Ritter (1999) index with the reversed Thacker (1999) voting similarity index in equation (2). The resulting 2-option measure (*Vote with us*), assumes values of 0 and +1, reflecting voting completely opposite to U.S. and completely similar to U.S. respectively.

We identify the lender's and the borrower's country as the one in which the lender and the borrower respectively is located. In the event where a loan is provided by the parent bank's foreign

affiliate or subsidiary, the lender's country is set as the country of the affiliate/subsidiary. Similarly, for firms receiving loans through their foreign subsidiaries we set the borrower's country as the country of the affiliate/subsidiary.[8]

The main coefficient of interest is a_1, which shows the effect of *Vote* on the firm cost of credit. Differently phrased, we obtain identification from the fact that firms in countries with stronger political ties to the U.S. enjoy lower borrowing costs relative to firms in countries with weaker ties. We expect that a_1 is negative if country-level political ties are material for the determination of loan spreads and thus decrease the cost of credit for firms in countries with closer ties.

Controls and fixed effects. We include several control variables and fixed effects. Following the relevant literature (e.g., Ivashina, 2009; Adelino and Ferreira, 2016; Almeida, Cunha, Ferreira and Restrepo, 2017; Hasan, Hoi, Wu and Zhang, 2017; Kim, 2019; Delis, Hasan and Ongena, 2020), we control for loan characteristics such as the log of the loan amount, loan maturity (in months), the number of lenders in the syndicate, dummies for performance-pricing provisions and/or collateral, and the total number of covenants. We also control for the total assets of the bank (*Bank size*), the bank return on assets (*Bank ROA*), and the bank's non-performing loans (*Bank NPLs*). Similarly, our firm controls include the firm size (*Firm size*), the firm return on assets (*Firm ROA*), the firm common equity capital (*Firm equity*) and the firm debt ratio (*Firm debt*). We include borrower's country-level variables, such as the GDP growth rate (*GDP growth*), the GDP per capita (*GDP per capita*) and the bilateral trade with the lender's country (*Bilateral*

[8] For example, although Citibank (the parent bank) is headquartered in the U.S., for loans provided by Citibank International Plc, we set the lender's country as the UK. In sensitivity tests, we examine cases of cross-border loans where the lending bank has an affiliate or subsidiary in the borrower's country, by identifying all banks' subsidiaries/affiliates in the borrower's country. Similarly, we further identify all firms' subsidiaries/affiliates in the borrower's country, although the number of these subsidiaries is relatively small.

trade) to account for the economic development and the macroeconomic environment in the borrower's country. Exact definitions of these variables are provided in Table A1 and summary statistics in Table 1.

We also use loan type fixed effects; these are very important as loan facilities include credit lines and term loans, which have fundamental differences in their contractual arrangements and pricing (Berg, Saunders and Steffen, 2016). We further include fixed effects based on the purpose of the loan (e.g., corporate purposes, working capital, takeovers or acquisitions, debt repayment, etc.). Importantly, we use year, bank, and firm fixed effects. This complements our bank- and firm-level characteristics and allows us to control for general bank- and firm-side respectively explanations of our findings (such as differences in banks' financial soundness, corporate governance, or in firms' credit risk and performance), that are not isolated by the inclusion of our set of control variables. We further control for differences in the macroeconomic environment of the borrowers' countries using borrower's country fixed effects. These fixed effects saturate the effect of *Vote* on *AISD* from other country socioeconomic and political effects on bank lending.[9]

In even more stringent specifications, we control for characteristics common to the firm's industry that may affect firms within that industry equally (firm industry effects). We additionally control for forces stemming from the macroeconomic environment in the lender's country (lender's country effects), as well as differences between the given pair of lender's and borrower's countries (e.g., the exchange rate dynamics) through the use of country-pair effects.

4. The Effect of Political Ties on the Cost of Credit

[9] These are country factors affecting all banks and firms within a country. Several studies examine such macro effects on international bank lending (e.g., Delis, Hasan and Ongena, 2020; and the associated references), and in this study these effects are fully controlled for via the fixed effects.

4.1. Baseline results

Table 2 reports the results of the estimation of Equation (1) using OLS and various fixed effects, including the coefficient estimates and t-statistics obtained from standard errors clustered by firm *and* year.[10] In line with our discussion in Section 2, we consider different fixed effects. In column (1), we adopt the simplest of our set of fixed effects, namely year, bank, and firm fixed effects. In column (2), we introduce borrower's country fixed effects that control for macroeconomic conditions in the country of the firm, while column (3) introduces loan type and loan purpose fixed effects. Next, we add lender's country fixed effects, to capture the macroeconomic dynamics in the country of the bank in column (4). Column (5) includes are most demanding specification, since we further add firm industry, and country-pair fixed effects.

[Insert Table 2 about here]

Across all specifications, the general finding is that stronger voting similarity (as reflected in the coefficient of *Vote*) exerts a negative and statistically significant effect on loan spreads. We choose specification (2) as our baseline since it controls to a reasonable extent for changing bank and firm characteristics and the macroeconomic environment in the borrower's country without being overburdened by fixed effects; furthermore, the results are similar to either the less or the more stringent specifications. The main coefficient of interest, a_1, reveals that a one standard deviation increase in *Vote* decreases *AISD* by an average of 13.4 basis points (= 83.9 basis points $\times$ 0.16).

Economically, this is a sizeable effect, equal to a 9.1% (= 13.4 basis points ÷ 147.1 basis points) decrease for the average loan amount in our sample. Given that the average loan size is USD 1.68 billion, firms from countries with strong voting similarity to the U.S. save approximately

[10] In the last row of each table, we report the number of banks and firms from which we obtain identification in the corresponding estimations.

USD 2.25 million (= USD 1.68 billion × 13.4 basis points) per year in foregone interest. For an average loan maturity of 4.4 years, this represents approximately USD 9.92 million in interest savings over the loan's duration.[11]

Since our voting similarity measure reflects the magnitude of a country's political ties with the U.S., we expect the effect of *Vote* to be more pronounced for loans provided by U.S. banks. We examine this premise in Table 3, where we estimate our baseline regression by splitting our sample into loans from non-U.S. banks and U.S. banks (columns (1) and (2) respectively). The coefficients on *Vote* in either columns are very similar in magnitude and statistical significance with our baseline, pointing to minimal differences when distinguishing between the two lender types.

Column (3) consequently examines the differential effect of *Vote* on loans granted by U.S. banks, by including the interaction of our voting measure with an indicator of whether the lead bank is headquartered in the U.S. (*U.S. lender*). Results from this column show that the coefficient on the main term of *Vote* is negative and statistically significant, albeit relatively lower than our baseline estimate. The rest of the effect is picked up by the double interaction term, which comprises approximately 22% of the overall effect. Most importantly, the combined effect of *Vote* on *AISD* (reflected in the sum of the coefficients on *Vote* and *Vote* × *U.S. lender*) is approximately 14.9 basis points, only slightly higher than our baseline estimate. Interestingly, the coefficient on *U.S. lender* is not statistically significant, suggesting that loans from U.S. banks carry a lower interest rate only when granted to politically friendly countries.

[Insert Table 3 about here]

[11] Employing LIBOR as the discount rate, the increase in interest expense equals USD 9.4 million for the average 12-month LIBOR rate of 2.1% during our sample period (for similar calculations, see Ivashina and Sun, 2011).

In Table A2 of the Appendix, we examine the sensitivity of our estimates to the "bad controls" problem, by interchangeably excluding loan-level control variables from our specifications.[12] We initially omit all loan-level variables (column (1)) and sequentially introduce quantitative information on the loan (*Loan amount, Maturity, Collateral, Number of lenders, Performance provisions* and *General covenants*) in columns (2)-(4).[13] Irrespective of the specifications used, the coefficient on *Vote* retains its negative and statistically significant coefficient confirming the lower cost of credit for firms headquartered in countries with close political ties to the U.S.

In each of the columns of Table A3, we consider alternative versions of our principal voting similarity measure. Columns (1)-(2) include the non-normalized version of *Vote* (lagged and contemporaneous), while column (3) includes the 3-option version; results in either columns confirm their negative and statistically significant effect on *AISD*. This effect is further confirmed for the Thacker (1999) measure, as according to column (4), a one standard deviation increase in *Vote with us* raises loan spreads by 8.9%.

The size and magnitude of coefficients on the control variables in Tables 2-4 are generally in line with expectations and the earlier works of Ivashina (2009), Bae and Goyal (2009), Cai, Saunders and Steffen (2018), and Delis, Hasan and Ongena (2020). In particular, loan spreads decrease with the loan amount and increase with maturity. The imposition of collateral further increases *AISD* as these loans are generally deemed to be riskier. Also, loans are more competitively priced when more lending banks are included in the syndicate. The non-significance

[12] Since the "bad controls" problem is due to differences in the composition of loans to a given firm, in an alternative sensitivity test we include weights based on the number and amount of loans received by each firm (results available upon request).

[13] The replacement of *General covenants* with the number of financial covenants (*Financial covenants*) or net covenants (*Net covenants*) leaves our results unchanged.

of the bank-, and firm-level characteristics (with the exception of firm return on assets) is also anticipated, as it confirms that the reduction on the firm cost of credit is driven by something more than just conventional bank loan-supply or firm loan-demand considerations. Last, macro forces seem to be at play, since the higher the GDP growth in the borrower's country and the stronger the trade relationship between the given country-pair, the lower the spread on loans directed to the borrower's countries.

4.2. Instrumental variables

In this section we further test the robustness of our results using an IV method. Using a cross-section of loans for multiple years limits the possibility of reverse causality or simultaneity: observing a change in *Vote* due to a change in loan spreads is highly unlikely, and even more so given our control variables and the fact that we have loan-level data. Identifying a causal relation running from *Vote* to *AISD* is still challenging due to the possible presence of unobserved characteristics of the borrower's country that are correlated with both *Vote* and *AISD*. The inclusion of a number of different control variables, especially at the loan- and country-level in the previous section, should reduce this possibility.

We nevertheless adopt a two-stage least-squares (2SLS) model, where in the first stage we regress our voting similarity measure on the determinants of a country voting in favor of U.S. proposals; these determinants include the level of U.S. aid towards the voting country, along with the country's population, and country-level institutional characteristics, such as the legal origin and the degree of democracy (see Dreher, Nunnenkamp, and Thiele, 2008; Carter and Stone, 2015). Given the construction of the instrument, the model takes the form:

$$Vote_{kt} = a_0 + a_1 Determinants\ of\ Vote_{kt-1} + a_2 Controls_{kt-1} + u_{kt} \quad (3)$$

In equation (3), *Determinants of Vote* is a vector of borrower's country-level variables, namely the amount of economic aid by the U.S., the country's population, the degree of democracy (as reflected in the country's Polity score) and the legal origin (English common law, French commercial code, socialist/communist laws, etc.). The vector *Controls* includes borrower's country-level controls, such as the level of political rights and civil liberties (*Political rights* and *Civil liberties* respectively), whether the recipient country has a formal alliance with the U.S. (*Alliance*) or common religion (*Religion*), and the country's GDP growth (*GDP growth*) and GDP per capita (*GDP per capita*). In the second stage, we estimate equation (1) with the predicted values of *Vote* from the first stage, as our main explanatory variable.

By employing this approach, we control for the support of U.S. proposals in the first stage of the model and further ensure the econometric efficiency of the estimates as second-stage results are usually associated with lower standard errors and lower coefficient estimates Our specification of equations (3) and (1) is a consistent IV model that has much better bias properties for our sample compared to the usual 2SLS model.[14] A similar approach has been adopted in the recent works of Acemoglu, Naidu, Restrepo, and Robinson (2019) and Delis, Hasan and Ongena (2020).[15]

To satisfy the exclusion restriction, this approach assumes that the determinants of a country's voting in favor or U.S. proposals are not strongly related. In fact, U.S. aid to recipient countries varies in its influence on different regimes as a function of their domestic institutions, as U.S. policymakers are likely to consider a divergent set of factors with respect to awarding

[14] We further estimate a simple 2SLS however, we do not present the estimates for brevity (available on request).
[15] The studies examine the effect of democratic development on economic growth and firm cost of credit respectively, using an IV termed "Regional democratization".

financial assistance (see Demirel-Pegg and Moskowitz, 2009). As such, they may sometimes choose to subordinate human rights and provide aid to non-democratic regimes with weak institutions and limited political and civil liberties in order to pursue more immediate stability or security interests. Furthermore, although legal origin is primarily responsible for the structure of the legal system and the centralization of justice, it is nevertheless unrelated to the country's population or the U.S. aid received (see Chong, Gradstein and Calderon, 2009).

The system of equations (3) and (1) is not the usual 2SLS model given that not all variables of the second stage are included in the first stage. In a simple 2SLS model, where both the endogenous independent and the dependent variables are observed at the same level (e.g., at country-year), not including control variables in the first stage would be an omission, especially if these controls have any explanatory power on *Vote*. We nevertheless adopt this IV approach here since, given the multi-level nature of our sample, it is not likely that loan- and firm-level controls can significantly explain our voting similarity measure.

In Table A4 of the Appendix, we present results from the first-stage, where we estimate different specifications of equation (3). We present estimates from the second-stage regressions in Table 4, where we estimate our preferred specification by replacing our baseline voting similarity measure with the predicted values from each of the specifications in the first stage. Across all specifications, a one standard deviation increase in *Vote* lowers spreads by 9.3-16.5 basis points. Regarding the rest of our control variables, their sign and significance is in line with our baseline estimates.[16]

[Insert Table 4 about here]

[16] The standard deviation of our predicted voting measure from the first stage regressions ranges from 0.12 to 0.17.

4.3. Identification from war conflicts and geopolitical risks

Thus far, an implicit assumption in our identification strategy is that firms borrow at a lower interest rate if their sovereign of domicile is favorably disposed towards the U.S. However, this could be a temporary phenomenon mainly prevalent during periods of global tensions and conflicts, where the sovereigns can capitalize on their provision of voting support to the U.S. proposals. If these periods are prolonged and require the continuous support of the U.S. allies, we should observe a notable discount in the loans directed to these allies' corporates during their duration. Nevertheless, borrowers may also receive a lower interest rate after the easing of these conflicts as an enticement to support U.S. proposals in future UN General Assemblies. In such a case, we should observe a fall in loan spreads in response to similar voting patterns over and above that observed during the duration of the conflict periods.

To examine this contingency, we consider certain war conflicts. We focus on three major conflicts, namely the Afghanistan war of 2001, the Iraq war of 2003, and the Syria war of 2014.[17] In total, 2,844 loan facilities were granted during the course of these wars. If even after disentangling the effect of these war conflicts firms continue to receive more favorable loan spreads, this should be attributed to the strategic alliance between the sovereigns and the U.S. and not to a temporary reward in return for support during the war. We introduce these exogenous shocks into our model by interacting them with our voting similarity measure and present results

[17] Since the Afghanistan and Syrian wars are ongoing, and therefore extend during the best part of our sample period, they were characterized by different phases of varying intensity and escalation levels. It is therefore reasonable to expect that political ties primarily manifest through the support of U.S. proposals about the beginning and/or the intensification of military interventions during the major phases of the wars; this is further useful for identification purposes (for more details on the wars and their different phases and intensity levels, see the Uppsala Conflict Data Program described in Gleditsch, Wallensteen, Eriksson, Sollenberg and Strand, 2002). To determine the major phase of each war we resort to information provided by the Council of Foreign Relations and the content of the resolutions issued by the United Nations Security Council during the duration of the wars.

in Table 5. These results essentially provide an even more stringent identification method, implying that during war conflicts our results must be stronger.

[Insert Table 5 about here]

We first consider the Afghanistan war, where 1,444 loan facilities were extended during the major phase of the war. From the estimates in column (1), it is evident that this period is associated with lower firm borrowing costs: the coefficient on *Vote* × *Afghanistan war* is negative and statistically significant. The additional interest rate savings amount to approximately 2.8 basis points following a one standard deviation increase in our voting similarity measure. What matters is that this discount is independent of the lower interest rate charged during the non-war period: the coefficient on *Vote*, remains statistically significant and within the range suggested by our baseline estimates. We consequently examine the effect of political ties on borrowing costs during the onset of the Iraq war. During the main stage of this war, firms received 351 syndicated loan facilities. According to the coefficient on our double interaction term (column (2)), these facilities carried an additional 6.2 bps lower spread than those received in the non-episode period. This is almost 44% of the discount received during normal times.

Our next conflict concerns the Syria war, in the course of which firms received 1,400 loan facilities. As column (3) reveals, these facilities carried an interest rate discount approximately 8 times the discount carried in normal times (coefficients on *Vote* × *Syria war* and *Vote* respectively). Last, in specification (4), we examine the overall effect of all wars occurring during our sample period. Again, this combined episode translates into a 7.1 basis points decrease in the loan spreads, or 48% of the regular decrease in calm periods (coefficients on the double interaction term and the main term respectively). Overall, while these exogenous war conflicts were associated with discounted interest rate loans granted to corporates domiciled in countries with similar voting

patterns to the U.S., results in this section suggest that these patterns have a persistent effect that extends to non-war periods.

We further examine the effect of general geopolitical risks on our results, hypothesizing that in times of rising geopolitical uncertainty the effect of political ties on loan spreads is stronger. Relative to the examination of war conflicts, geopolitical risk is the broader risk associated with wars, terrorist acts, and tensions between states that affect the normal and peaceful course of international relations. Geopolitical risk reflects both the risk that these events materialize, and the new risks associated with an escalation of existing events (such as wars or military interventions). To examine this premise, in Table 6 we interact our voting similarity measure with the geopolitical risk index of Caldara and Iacoviello (2018).[18] To allow for the direct interpretation of the coefficient estimates on both the interaction terms and the main terms, we mean-center the variables included in the interaction terms.

[Insert Table 6 about here]

Considering geopolitical tensions does not change our inferences about the effect of political ties on loan spreads: a one standard deviation increase in our voting similarity measure raises spreads by 14.3 basis points, an estimate very close to our baseline regression (coefficient on *Vote* in column (1)). However, this effect is magnified in the presence of geopolitical tensions. The coefficient on *Vote* × *Geopolitical risk* suggests that when adverse geopolitical events trigger an increase in geopolitical risk, firms in countries with closer political ties to the U.S. are able to receive even cheaper loans relative to times when geopolitical risk is contained: a one standard

[18] The geopolitical risk index is constructed by counting the number of occurrences in leading English-language newspapers of articles discussing geopolitical events and associated risks. In particular, the baseline geopolitical risk index is constructed starting in 1985 by running automated text-searches of the electronic archives available on ProQuest Newsstream of 11 newspapers: The Boston Globe, the Chicago Tribune, The Daily Telegraph, the Financial Times, The Globe and Mail, The Guardian, the Los Angeles Times, The New York Times, The Times, The Wall Street Journal, and the Washington Post. More information on the construction of the index is available in Caldara and Iacoviello (2018).

deviation increase in *Geopolitical risk* decreases spreads by an additional 2.0 basis points for loans to firms in these countries. We obtain similar results in columns (2)-(3), where we focus on the decomposition of the geopolitical risk index into its threats (column (2)) and acts (column (3)) components.

4.4. Political conditions in the U.S.

Having established the added importance of similar voting patterns during war periods, we now turn our focus to political conditions in the U.S. Our approach is two-fold: a) to examine whether the easing effect of voting patterns on loan spreads is further reinforced when certain political parties are in power and b) to identify the potential effect of the political cycle. To accomplish this, we estimate specifications including the double interactions of our voting similarity measure with indicators for whether Republicans or Democrats are in power (*Republican party*) and whether federal elections are held in the year (*U.S. elections*) respectively. We present results in Table 7.

[Insert Table 7 about here]

As column (1) reveals, the effect of *Vote* on loan spreads is more pronounced under Republican administration: approximately 42% of the overall effect of *Vote* (consisting of the sum of the main term and the double interaction) stems from the double interaction term; furthermore, this overall effect exceeds our baseline estimates, pointing to a 17.8 bps spread discount in response to a one standard deviation increase in our voting similarity measure. However, this effect is not contingent on the phase of the political cycle: although the coefficient on the main term is similar in sign, magnitude and statistical significance to our baseline, the coefficient on *Vote* × *U.S. election* fails to reach statistical significance at conventional levels (column (2)).

4.5. Additional results

An extension of our empirical analysis relates to the role of loan fees, since we might expect that closer political ties reduce the cost of loans through lower fees. However, data on fees is generally limited since several loans (especially outside the U.S.) are term loans that have limited fees. Nevertheless, in Table A5 we replicate Table 2 with *AISU* as the dependent variable. Across all specifications, we do not observe a statistically significant effect of *Vote* on *AISU*. Thus, it seems that voting similarity is only priced in spreads.

Further, to make sure that our inferences are not sensitive to the type of clustering (also given the multi-level and multi-country nature of our data), we also cluster standard errors by borrower's country and year, borrower's country and firm, bank and year, bank and firm, and borrower's country and lender's country (see Table A6). Results are similar to the baseline.

Our OLS estimations thus far, have assumed that all loans enter the model with equal weights. Normally, the different fixed effects in Table 2 provide a safeguard against cross-country variation. We nevertheless acknowledge that the empirical specification might leave the analysis open to the critique that countries receiving fewer loans might affect our results disproportionately. To this end, we re-estimate our preferred model specification using weighted least squares and several different weights. The results in Table A7 are almost identical to our baseline.

Thus far our results could be subject to a sample-selection bias, in the sense that the variables driving our findings might further determine the firm's decision to receive a loan from the particular bank. It may be, for instance, that the impact of a country's political ties to the U.S. on loan contracting is due to firms in this country being the ones more likely to request a loan. To eliminate this potential selection bias from our estimates, we follow Dass and Massa (2011) and employ Heckman's (1979) two-stage model to calculate the probability of a firm entering into a

loan deal. In the first stage, we run a probit model to estimate the firm's loan-taking decision. During this stage, our loan sample is extended and includes all syndicated loan facilities available in Dealscan. We calculate Heckman's lambda (inverse mills ratio) and include it as an additional control variable in the second-stage OLS estimation of specifications (1)-(3) of Table A8.

In line with Dass and Massa (2011), we assume that the borrower's decision to get a syndicated loan is a function of the main determinants of the decision to borrow in general. Consequently, our probit regression is augmented with a set of loan-, bank-, and firm-level characteristics; a set of weights for the number, origin, and direction of loans made in a given year; loan type, year, bank, firm, and borrower's country dummies. Our set of annual weights include the number of loans by a given bank (*Bank loans*), the number of loans to a given firm (*Firm loans*), and the number of loans between a given bank-firm pair (*Bank-firm loans*).

We present results from this exercise in columns (1)-(3) of Table A8 (Panels A and B). Probit estimates (columns (1)-(3) of Panel A), indicate that the higher the firm's return on assets and the greater (lower) reliance on debt (equity financing), the more likely is the completion of a syndicated loan deal. Loans of a greater amount and shorter maturity are more likely to be granted, particularly when these loans include many lenders, are secured, and carry pricing provisions and covenants. Most importantly, estimates from the second-stage regressions (columns (1)-(3) of Panel B) confirm the strong negative impact of our voting similarity measure on *AISD* (as reflected in the coefficient on *Vote*).

Further, we control for changes in the firm's fundamentals as well as differences in the macroeconomic, financial, and institutional environment in the borrowers' country. Specifically, we include additional firm controls (leverage, asset growth, retained earnings, credit ratings), a number of macroeconomic and institutional controls (debt-to-GDP ratio, price level, balance of

trade, prevalence of democratic institutions, interbank market conditions, etc.), general economic controls (global stock price volatility), etc. These variables (especially the macroeconomic ones) should correlate strongly with the borrower's country fixed effects, to the extent that these variables change slowly over time. We do not use all indicators at once, because they tend to have high pairwise correlations. Again, the results in Table A9 confirm our baseline estimates on the effect of *Vote* on loan spreads.

Finally, in Table A10 we examine the response of the remaining loan terms. Although there is evidence that an increase in *Vote* enables firms to obtain longer maturity loans (column 2), other terms, such as the loan amount (column 1), or the decision on the imposition of collateral and covenants (columns 3 and 4 respectively) do not appear to be affected by our voting similarity measure.

5. Analyzing the mechanisms

Thus far, our analysis points to the discounting effect of a country's voting of the U.S. proposals on the cost of loans granted to that country's firms. In this section, we identify the mechanisms through which similar voting patterns materialize into lower firm borrowing costs.

5.1 Exploring the mechanisms: Borrower fundamentals

The present section considers alternative demand-side explanations of our findings and identifies certain firm traits that act as drivers of our results. To this end, Table 8 includes the interaction of *Vote* with a number of different firm characteristics reflecting the firm's size, profitability, capital structure and operating performance. Specification (1) reveals that the effect of voting patterns on firm cost of credit is concentrated in large borrowers. Moreover, this effect is magnified for

profitable firms: a one-standard deviation increase in the firm's return on assets saves the firm an additional 2.75 basis points on top of the savings due to a similarity in voting patterns (coefficients on *Vote* × *Firm ROA* and *Vote* respectively).

[Insert Table 8 about here]

The next two specifications consider the firm's decision with regards to its capital structure. Estimates point to a negative relationship between firm use of equity capital and loan spreads, as better capitalized firms face lower borrowing costs; however greater reliance on debt financing exerts the opposite effect, thereby increasing the firm's interest burden (coefficients on double interactions in specifications 3 and 4 respectively). From a similar perspective, firms with greater asset growth and retained earnings further manage to extend the interest savings due to similar voting patterns (coefficients on double interactions in specifications 5 and 6 respectively). This is intuitive, since less reliance on external financing and greater reliance on own funds lowers firm borrowing costs ceteris paribus; as results from columns (3)-(6) reveal, this mechanism is further operative when considered along voting pattern similarity.

5.2. Exploring the mechanisms: Government-owned banks

A further potential mechanism, through which similar voting patterns translate into lower loan spreads is through government-owned banks. In fact, politically connected banks are more suited to follow government guidelines and support the targets of administration (see, e.g., Sapienza, 2004; Brei and Schclarek, 2013). Their government ownership further enables them to attract deposits more easily than their non-connected counterparts; thus, state-owned banks are more likely to charge lower interest rates relative to private banks (see, e.g., Ferri, Kalmi and Kerola, 2014; Nys, Tarazi and Trinugroho, 2015). Due to their exclusive relationship with the

government and their easier access to financial resources at more convenient conditions, we expect that the effect of political ties on loan spreads is stronger for loans granted by government-owned banks relative to non-government owned ones. We examine this premise by interacting our voting similarity measure with indicators about the presence of government banks in the syndicate and present results in Table 9. Furthermore, since lead banks are responsible for the initial negotiations with the borrowing firm, the setting of the loan terms, and monitoring the loan facility after its origination (see Ivashina, 2009), we distinguish lead arrangers from participant banks.

[Insert Table 9 about here]

As column (1) suggests, the response of loan spreads to an increase in our voting similarity measure is not contingent on the inclusion of government participant banks in the syndicate (coefficient on double interaction); moreover, this result is not dependent on whether the participant bank is based in the U.S. (coefficient on triple interaction in column (2)). Results are very different, when we consider the presence of lead arrangers. In specific, the inclusion of at least one government lead bank in the syndicate results in a decrease in the loan spreads over and above the decrease attributed to a rise in voting similarity (coefficient on *Vote* × *Government lead*). This decrease is further magnified when U.S. lead banks enter the syndicate (coefficient on *Vote* × *Government lead* × *U.S. lender* in column (2)).

5.3. Exploring the mechanisms: Relationship lending

Our results thus far highlight an important competitive advantage of firms in countries with close political ties to the U.S. However, the operation of the political ties channel bypasses the traditional bank-firm interplay which is primary responsible during the loan negotiation process. In that sense, political ties might coexist with alternative factors that minimize information asymmetry between

the bank-firm pair and determine loan spreads. Such an important factor is relationship lending. Prior lending relationships allow lenders to acquire valuable information about the borrowing firm's operations and credit risk. It is reasonable to expect that firms with prior lending ties with their banks might be able to enjoy lower loan spreads relative to first-time borrowers. Nevertheless, this should be an effect over and above that attributed to close political ties between their countries of domicile and the U.S. We test this hypothesis in Table 10, by interacting our variables of main interest with *Lending relationship*, a variable reflecting the existence of a prior lending relationship between the given bank-firm pair over the previous 2-year period (see, e.g., Bharath, Dahiya, Saunders and Srinivasan, 2009; Dass and Massa, 2011).

[Insert Table 10 about here]

Estimates in column (1) suggest that relationship borrowers are able to save approximately 3.8 basis points (coefficient on *Vote* × *Lending relationship*). Most importantly, these savings are on top of the spread discount due to their countries' similar voting patterns; the latter is reflected in the coefficient on *Vote* and it is within the range suggested by our baseline estimates. The offsetting effect of relationship lending further increases with the size and magnitude of this relationship: the greater the number or the amount of loans between the given bank-firm pair during the previous 2-year period, the greater the interest rate savings for the borrowing firms (coefficients on double interaction terms in columns (2)-(3)).

5.4 Exploring the mechanisms: Country relationships

Consequently, we investigate the possibility that firms gain access to lower borrowing costs due to continuous and established relationships that in turn drive voting pattern similarity. To this end, in Table 11 we interact our voting similarity measure with a number of indicators reflecting the

alliance and (in)direct contiguity relationships between the borrower's countries and the U.S. (see Stinnett, Tir, Diehl, Schafer and Gochman, 2002).

[Insert Table 11 about here]

Estimates from column (1) suggest that formal alliances do not constitute a contributing factor to the firms' lower cost of credit (coefficient on *Vote* × *Alliance*). This primarily owes to the strong presence of firms headquartered in countries classified as allies of the U.S., as more than 90% of loans in our sample are extended to these countries' firms. Intuitively, voting similarity should matter more when allied countries confirm their alliance in practice by, among other, providing support to U.S. proposals. Furthermore, the response of loan spreads to voting similarity is not intensified by the existence of shared borders between the borrowers' countries or their colonies and the U.S. (double interactions in columns (2) and (3) respectively) or the presence of religion ties between them (double interaction in column (4)). Importantly, across all specifications the effect of *Vote* on *AISD* is at least similar if not stronger, to that suggested by our baseline, while the differential effect of country relationships is not statistically significant. This further indicates that closer political ties exert an easing effect on loan spreads that cannot be explained by deep-rooted country characteristics.

5.5 Exploring the mechanisms: Cross-listing and institutional investors

Having demonstrated the easing effect of close political ties on firm cost of credit, we ultimately examine whether the ability to access alternative sources of financing and attract institutional investors relieves firms of the need to rely on this effect. In line with our analysis of the relevant mechanisms, in this subsection we interact our voting similarity measure with a number of variables reflecting the firms' cross-listing status and the level of institutional ownership in the

borrowers' countries. A listing on a foreign stock exchange presents the issuing firm with an incentive to commit to providing higher quality financial information and exposes the company to further scrutiny of reputable intermediaries (Lang, Raedy and Wilson, 2006; Shi, Magnan and Kim, 2012). As a result, the firm will expose itself to higher disclosure standards and provide credible information to market participants. This is further driven by the dual pressures from both host and home countries' stock exchanges that cross-listed firms face, which in turn make them more adept at attracting alternative sources of financing (see Hillman and Wan, 2005). Similarly, cross-listed firms benefit in the product market by releasing more information to foreign markets; this product market internationalization translates into a higher likelihood that managers will issue forecasts, thereby minimizing the information asymmetry about their future prospects and performance (see Saudagaran, 1988).

For these reasons, we expect that cross-listed firms rely less – if at all – on the easing effect exerted by their home countries' voting patterns on their borrowing costs relative to domestically listed companies. Their global outreach and superior network combined with their effective monitoring, provides the former type of firms with a comparative advantage that renders them insensitive to their countries' voting decisions. We examine this premise in columns (1) and (2) of Table 7, where we interact *Vote* with an indicator of a firm's cross-listed status. Results from column (1), suggest that the effect of *Vote* on *AISD* is largely mitigated for cross-listed firms: the coefficient on the double interaction is positive and statistically significant and approximately 55% of the coefficient on the main term of *Vote*. Furthermore, the reversal effect of the cross-listing status is magnified for firms listed on U.S. stock exchanges (in addition to their domestic stock exchange): for the latter, the effect of *Vote* is entirely reversed (coefficient on *Vote* × *Cross-listed*

in U.S. in column (2)). It appears that although an increase in voting similarity results in lower spreads for the borrowing firms, this does not apply to firms listed in multiple stock exchanges.

[Insert Table 11 about here]

We consequently examine the role of institutional quality, since strong institutions and the ability to attract institutional investors are largely considered a driving force shaping firm performance and borrowing costs (see, among others, Qian and Strahan, 2007; Qi, Roth and Wald, 2010). In fact, their presence may reduce firm cost of credit as firms with greater proportions of institutional investors are likely to have lower agency costs due to better monitoring. This in turn alleviates the need for banks to engage in heavy monitoring, thereby passing the savings to the borrowing firms in the form of lower interest rates (see Bhojraj and Sengupta, 2003; Dyck, Lins, Roth and Wagner, 2019). On the same line, firms that are closely monitored by institutions are generally more profitable and less risky. As such, we expect that greater institutional investor involvement provides a positive signal to the lending banks, thereby relieving firms of the need to rely on political ties to obtain favorable loan rates.

We test this conjecture by distinguishing between countries located in the top 25th percentile of our sample in terms of institutional quality and protection. In specific, we consider the extent of firm disclosure intensity, the strength of investor protection, and the strength of legal rights, and interact the relevant binary indicators with our voting similarity measure (columns (3), (4) and (5) respectively). Across all specifications, we observe that the effect of *Vote* is largely reversed – and even revoked – for countries in the top band of institutional scores (coefficients on double interactions). We conclude that in countries with strong presence of institutional investors and strong institutional environment, the support of U.S. proposals does not constitute an effective mechanism for lowering domestic firms' loan spreads.

Overall, the results of this section suggest that the effect of stronger political ties between the borrower's country and the U.S. is not symmetric across all borrowing firms. It is mainly concentrated in firms listed only in their domestic stock exchange, and in countries with weak institutional quality that prevents the participation of institutional investors. On the other hand, firms with alternative financing sources and ability to attract foreign institutional investors are less likely to be affected irrespective of how their country of domicile votes.

6. Concluding Remarks

This article expands the literature on the extent of international political-economic linkages in cross-border financing by investigating the effects of state-to-state political ties with a global superpower, the United States, on the pricing of international syndicated bank loans. We find that stronger state political ties between the U.S. and the government of a borrower's home country, measured through voting similarity at the United Nations General Assembly, is associated with lower borrowing costs and is stronger when lead arrangers are U.S. banks, during periods in which the U.S. is engaged in armed conflicts such as in the Afghan, Iraq and Syrian wars, when the U.S. president belongs to the Republican party, and for borrowers with better balance sheets and prior lending relationships. These results parallel the literature on the socio-cultural determinants of cross-border debt pricing as well as the documented effect of state political ties on international bond pricing in the literature.

Even within countries with close ties to the U.S., we find that not all firms equally benefit from closer political ties in lowering their loan spreads. The additional flexibility in terms of access to alternative sources of external financing, additional transparency and constant communication with market participants that is associated with listing in multiple exchanges allows cross-listed

firms to rely less – if at all – on the easing effect of their countries' ties with the U.S. From a similar perspective, firms operating in countries with strong institutional environment that can attract institutional investors are less likely to benefit from political ties as a means of lowering their borrowing costs.

It should be noted that our results are historical in nature and depend on qualitative features of foreign relations and U.S. foreign policy. While voting patterns at the United Nations has been found useful and informative for measuring political ties in the literature, it is by no means an all-encompassing measure of international foreign relations. Dramatic upheavals and shifts in qualitative factors regarding political relationships not captured by voting patterns at the United Nations could change the implications of the results we document in this paper. Understanding the additional implications of these, perhaps using a more nuanced measure of state-level political ties, is left for future work.

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Table 1. Summary statistics

The table reports summary statistics (number of observations, mean, standard deviation, minimum and maximum values) for all variables used in the estimations of the main text. All variables are defined in Table A1.

	Obs.	Mean	Std. dev.	Min.	Max.
AISD	10,472	147.06	132.11	1.00	1,175.00
AISU	3,437	28.75	28.63	1.00	300.00
Vote	10,472	0.69	0.16	0.25	1.00
Vote (non-normalized)	10,472	0.49	0.27	-0.23	1.00
Vote (non-normalized current)	10,472	0.54	0.26	-0.23	1.00
Vote (3-option)	10,472	0.61	0.15	0.19	1.00
Vote with us	8,118	0.69	0.11	0.37	0.92
Loan amount	10,472	20.38	1.42	11.07	24.41
Loan amount (USD million)	10,472	1,680.00	2,800.00	0.06	39,900.00
Maturity (months)	10,472	52.49	29.82	2.00	515.00
Collateral	10,472	0.25	0.43	0.00	1.00
Number of lenders	10,472	17.27	13.03	1.00	94.00
Number of leads	10,472	9.56	7.86	1.00	44.00
Performance provisions	10,472	0.19	0.39	0.00	1.00
General covenants	10,472	0.24	0.75	0.00	6.00
Financial covenants	10,472	0.22	0.69	0.00	6.00
Net covenants	10,472	0.02	0.14	0.00	1.00
Bank share	10,467	0.13	0.17	0.00	1.00
Herfindahl	10,467	1,250.19	1,745.81	0.00	10,000.00
Government lead	10,208	0.12	0.32	0.00	1.00
Government participant	10,208	0.05	0.22	0.00	1.00
Lending relationship	10,472	0.32	0.47	0.00	1.00
Lending relationship number	10,472	0.06	0.15	0.00	1.00
Lending relationship amount	10,439	0.06	0.15	0.00	1.00
Bank size	10,472	14.17	0.66	10.03	15.14
Bank ROA	10,472	0.20	0.52	-0.84	2.21
Bank NPLs	10,472	0.83	1.82	0.00	8.88
Firm size	10,472	9.64	1.70	1.30	15.18
Firm ROA	10,472	0.07	0.06	-0.78	0.48
Firm equity	10,472	8.42	1.90	0.75	15.55
Firm debt	10,472	0.33	0.16	0.00	0.95
Firm asset growth	10,157	0.07	0.28	-4.99	4.66
Firm retained earnings	10,451	0.11	0.22	-2.70	1.44
Cross-listed	10,362	0.27	0.45	0.00	1.00
Cross-listed in U.S.	10,362	0.21	0.41	0.00	1.00
GDP growth	10,472	1.94	2.21	-9.13	26.28
GDP per capita	10,472	44,996.14	14,022.69	6,930.74	111,069.20
Bilateral trade	10,472	75,929.84	116,355.50	0.00	666,543.30
Geopolitical risk	10,472	90.21	60.39	23.70	545.09
Geopolitical risk (threats)	10,472	91.93	64.96	20.23	602.45
Geopolitical risk (acts)	10,472	80.71	59.63	18.48	496.89
Republican party	10,472	0.51	0.50	0.00	1.00
U.S. elections	10,285	0.11	0.32	0.00	1.00
Alliance	10,472	0.91	0.28	0.00	1.00

Direct contiguity	10,472	0.07	0.26	0.00	1.00
Dependency contiguity	7,974	4.05	3.47	1.00	9.00
Religion	10,472	0.58	0.49	0.00	1.00
Disclosure	6,963	0.57	0.50	0.00	1.00
Investor protection	5,941	0.33	0.47	0.00	1.00
Legal rights	6,773	0.53	0.50	0.00	1.00

Table 2. Baseline results with different fixed effects

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. Each specification includes a different set of fixed effects, as given in the last part of the table. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)
Vote	-81.489**	-86.983**	-83.910**	-85.905**	-82.360**
	[-2.474]	[-2.325]	[-2.462]	[-2.541]	[-2.343]
Loan amount	-9.199***	-6.849**	-8.549***	-8.661***	-8.692***
	[-2.919]	[-2.491]	[-3.546]	[-3.616]	[-3.411]
Maturity	0.274**	0.283**	0.330**	0.326**	0.339**
	[2.274]	[2.587]	[2.396]	[2.348]	[2.522]
Collateral	47.929***	47.390***	33.396***	33.283***	29.846***
	[3.957]	[4.076]	[3.239]	[3.245]	[3.173]
Number of lenders	-0.786***	-0.683***	-0.533**	-0.532**	-0.514**
	[-3.158]	[-2.963]	[-2.463]	[-2.428]	[-2.545]
Performance provisions	-4.912	-5.696	-4.607	-4.527	-6.003
	[-0.918]	[-0.968]	[-1.172]	[-1.156]	[-1.578]
General covenants	3.438	3.770	6.942**	6.856**	6.909**
	[1.128]	[1.235]	[2.218]	[2.193]	[2.147]
Bank size	-9.642	-9.146	-1.414	-2.836	-2.507
	[-1.328]	[-1.251]	[-0.214]	[-0.424]	[-0.404]
Bank ROA	-0.639	-0.585	2.369	2.123	1.909
	[-0.177]	[-0.156]	[0.714]	[0.654]	[0.646]
Bank NPLs	-0.597	-0.561	-0.279	-0.346	-0.182
	[-1.064]	[-1.044]	[-0.495]	[-0.598]	[-0.362]
Firm size	-8.008	-4.850	-9.437	-9.936	-9.856
	[-0.930]	[-0.620]	[-1.247]	[-1.304]	[-1.387]
Firm ROA	-260.261***	-271.990***	-237.271***	-234.923***	-247.095***
	[-3.855]	[-4.232]	[-4.450]	[-4.391]	[-4.593]
Firm equity	-5.559	-6.684	-3.179	-2.881	-1.569
	[-0.889]	[-1.106]	[-0.527]	[-0.477]	[-0.276]
Firm debt	55.009	54.398	13.588	14.515	20.053
	[1.585]	[1.574]	[0.407]	[0.436]	[0.629]
GDP growth	-5.107***	-4.759**	-4.295**	-4.239**	-4.294**
	[-3.534]	[-2.639]	[-2.413]	[-2.394]	[-2.540]
GDP per capita	0.003*	0.000	-0.001	-0.001	-0.001
	[1.999]	[0.141]	[-0.668]	[-0.701]	[-0.744]
Bilateral trade	-0.000**	-0.000**	-0.000*	0.000	0.000
	[-2.604]	[-2.125]	[-1.795]	[-1.321]	[-1.261]
Constant	538.413***	564.778***	581.859***	610.481***	594.074***
	[3.870]	[3.784]	[4.422]	[4.536]	[4.651]
Observations	10,479	10,479	10,472	10,472	10,427
Adj. R-squared	0.699	0.708	0.766	0.767	0.773
Loan type	N	N	Y	Y	Y
Loan purpose	N	N	Y	Y	Y
Year effects	Y	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y	Y
Firm industry effects	N	N	N	N	Y
Lender's country effects	N	N	N	Y	Y
Borrower's country effects	Y	Y	Y	Y	Y
Country-pair effects	N	N	N	N	Y

Table 3. Non-U.S. loans vs U.S. loans

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. Specification (1) includes loans granted only from non-U.S. lenders (Non-U.S. loans). Specification (2) includes loans granted only from U.S. lenders (U.S. loans). Specification (3) includes the interaction of *Vote* with *U.S. lender*, i.e., a binary variable equal to one if the lender is from the U.S., otherwise zero. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1) Non-U.S. loans	(2) U.S. loans	(3) All loans
Vote	-85.549**	-90.073**	-73.038**
	[-2.107]	[-2.569]	[-2.191]
Vote × U.S. lender			-20.170**
			[-2.526]
U.S. lender			4.171
			[0.550]
Loan amount	-6.794**	-6.722**	-8.560***
	[-2.765]	[-2.124]	[-3.555]
Maturity	0.253*	0.543**	0.329**
	[1.913]	[2.416]	[2.392]
Collateral	37.323***	20.797*	33.450***
	[3.411]	[1.736]	[3.246]
Number of lenders	-0.429*	-0.582**	-0.532**
	[-1.986]	[-2.160]	[-2.472]
Performance provisions	-3.285	-4.535	-4.616
	[-0.621]	[-1.205]	[-1.176]
General covenants	5.348	7.973**	6.944**
	[1.360]	[2.586]	[2.248]
Bank size	-1.009	-11.798	-0.784
	[-0.159]	[-0.640]	[-0.114]
Bank ROA	9.740	4.623	1.296
	[0.264]	[0.871]	[0.382]
Bank NPLs	-0.270	0.461	-0.339
	[-0.360]	[0.202]	[-0.574]
Firm size	-11.170	-0.415	-9.491
	[-1.168]	[-0.047]	[-1.250]
Firm ROA	-316.692***	-176.981***	-238.229***
	[-5.383]	[-3.064]	[-4.498]
Firm equity	4.790	-10.877*	-3.056
	[0.620]	[-1.981]	[-0.505]
Firm debt	24.511	-12.632	13.185
	[0.663]	[-0.279]	[0.396]
GDP growth	-5.500**	-3.301*	-4.298**
	[-2.414]	[-2.063]	[-2.410]
GDP per capita	-0.003	0.000	-0.001
	[-1.412]	[-0.079]	[-0.635]
Bilateral trade	0.000	0.000	0.000
	[1.043]	[-1.297]	[-1.137]
Constant	586.064***	625.019*	566.912***
	[4.496]	[1.973]	[4.307]
Observations	5,414	4,890	10,472
Adj. R-squared	0.793	0.754	0.766
Loan type	Y	Y	Y
Loan purpose	Y	Y	Y
Year effects	Y	Y	Y
Bank effects	Y	Y	Y

Firm effects	Y	Y	Y
Borrower's country effects	Y	Y	Y

Table 4. IV regressions

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is the IV procedure of equations (3) and (1). Each specification presents estimates from the 2nd-stage regressions with standard errors clustered by firm *and* year. Each specification includes a different set of fixed effects, as given in the last part of the table. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Vote	-79.013**	-99.125***	-60.366**	-93.853***
	[-2.160]	[-3.936]	[-2.172]	[-3.062]
Loan amount	-4.707*	-4.548*	-4.762*	-4.567*
	[-1.916]	[-1.827]	[-1.946]	[-1.835]
Maturity	0.244	0.245	0.248*	0.245
	[1.703]	[1.692]	[1.723]	[1.697]
Collateral	30.118*	31.431**	29.447*	31.210**
	[2.062]	[2.143]	[2.019]	[2.132]
Number of lenders	-0.743**	-0.722**	-0.747**	-0.725**
	[-2.260]	[-2.135]	[-2.271]	[-2.141]
Performance provisions	-1.685	-1.211	-0.926	-1.142
	[-0.302]	[-0.216]	[-0.165]	[-0.204]
General covenants	3.571	3.459	3.538	3.406
	[1.055]	[1.004]	[1.038]	[0.998]
Bank size	-8.854	-8.860	-8.923	-8.861
	[-1.119]	[-1.112]	[-1.126]	[-1.114]
Bank ROA	6.199	7.107*	6.512	6.906
	[1.480]	[1.758]	[1.561]	[1.699]
Bank NPLs	-0.185	-0.033	-0.184	-0.051
	[-0.251]	[-0.044]	[-0.249]	[-0.069]
Firm size	-21.886*	-20.466*	-22.058*	-20.710*
	[-2.051]	[-1.916]	[-2.051]	[-1.940]
Firm ROA	-322.045***	-309.395***	-320.087***	-312.441***
	[-4.617]	[-4.403]	[-4.571]	[-4.452]
Firm equity	8.008	7.080	8.032	7.182
	[0.902]	[0.792]	[0.901]	[0.804]
Firm debt	20.014	25.580	21.669	24.237
	[0.554]	[0.690]	[0.595]	[0.654]
GDP growth	-5.473**	-5.568**	4.292	4.076
	[-2.137]	[-2.116]	[0.768]	[1.189]
GDP per capita	0.001	0.001	0.002	-0.001
	[0.273]	[0.300]	[0.478]	[-0.151]
Bilateral trade	-0.000*	-0.000*	-0.000*	-0.000*
	[-1.850]	[-1.871]	[-1.842]	[-1.878]
Constant	2,135.004**	2,592.391***	1,707.306**	2,525.199***
	[2.763]	[5.127]	[2.708]	[4.103]
Observations	6,940	6,940	6,940	6,940
Adj. R-squared	0.781	0.781	0.780	0.780
Loan type	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y
Year effects	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y

Table 5. Identification from war conflicts

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. In specification (1), *Vote* is interacted with *Afghanistan war*, i.e., a binary variable equal to one for the period covering the main period of the Afghanistan war (i.e., from the fourth quarter of 2001 until the second quarter of 2005), otherwise zero. In specification (2), *Vote* is interacted with *Iraq war*, i.e., a binary variable equal to one for the period covering the main period of the Iraq war (i.e., from the first quarter of 2003 until the second quarter of 2003), otherwise zero. In specification (3), *Vote* is interacted with *Syria war*, i.e., a binary variable equal to one for the period covering the main period of the Syria war (i.e., from the fourth quarter of 2014 until the fourth quarter of 2016), otherwise zero. In specification (4), *Vote* is interacted with *All wars*, i.e., a binary variable equal to one for the period covering the main period of the Afghanistan war, the Iraq war, and the Syria war (i.e., if any of *Afghanistan war*, *Iraq war*, or *Syria war* are equal to one), otherwise zero. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Vote	-85.234**	-89.151**	-109.301***	-93.246**
	[-2.457]	[-2.629]	[-3.443]	[-2.637]
Vote × Afghanistan war	-17.794*			
	[-2.025]			
Vote × Iraq war		-38.911**		
		[-2.232]		
Vote × Syria war			-917.353**	
			[-2.039]	
Vote × All wars				-44.358*
				[1.901]
Observations	10,472	10,472	10,472	10,472
Adj. R-squared	0.766	0.766	0.767	0.766
Full set of controls	Y	Y	Y	Y
Loan type	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y
Year effects	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y

Table 6. Geopolitical risk

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. In specification (1), *Vote* is interacted with *Geopolitical risk*, i.e., an indicator of geopolitical risk by Caldara and Iacoviello (2018). In specification (2), *Vote* is interacted with *Geopolitical risk (threats)*, i.e., *Geopolitical risk* decomposed into threats components. In specification (3), *Vote* is interacted with *Geopolitical risk (acts)*, i.e., *Geopolitical risk* decomposed into acts components. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)
Vote	-89.187**	-90.226**	-84.480**
	[-2.596]	[-2.630]	[-2.414]
Vote × Geopolitical risk	-0.205*		
	[-1.718]		
Vote × Geopolitical risk (threats)		-0.188*	
		[-1.772]	
Vote × Geopolitical risk (acts)			-0.285**
			[-2.203]
Observations	10,472	10,472	10,472
Adj. R-squared	0.766	0.767	0.766
Full set of controls	Y	Y	Y
Loan type	Y	Y	Y
Loan purpose	Y	Y	Y
Year effects	Y	Y	Y
Bank effects	Y	Y	Y
Firm effects	Y	Y	Y
Borrower's country effects	Y	Y	Y

Table 7. U.S. political conditions

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. In specification (1), *Vote* is interacted with *Republican party*, i.e., a binary variable equal to one if the incumbent U.S. President comes from the Republican party in the year before the loan facility origination date, otherwise zero. In specification (2), *Vote* is interacted with *U.S. elections*, i.e., a binary variable equal to one if elections are held in the U.S. in the year before the loan facility origination date, otherwise zero. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)
Vote	-64.123*	-96.019**
	[-2.054]	[-2.595]
Vote × Republican party	-46.965**	
	[-2.295]	
Vote × U.S. elections		1.024
		[0.171]
Loan amount	-8.532***	-8.163***
	[-3.543]	[-3.322]
Maturity	0.330**	0.364**
	[2.389]	[2.480]
Collateral	33.406***	33.005***
	[3.246]	[3.143]
Number of lenders	-0.534**	-0.569**
	[-2.468]	[-2.461]
Performance provisions	-4.518	-4.076
	[-1.163]	[-1.026]
General covenants	6.997**	6.704**
	[2.235]	[2.104]
Bank size	-1.346	-1.561
	[-0.203]	[-0.236]
Bank ROA	1.720	3.603
	[0.526]	[1.096]
Bank NPLs	-0.251	-0.196
	[-0.443]	[-0.343]
Firm size	-9.899	-6.979
	[-1.320]	[-0.866]
Firm ROA	-239.558***	-240.179***
	[-4.506]	[-4.277]
Firm equity	-2.837	-2.859
	[-0.471]	[-0.418]
Firm debt	15.113	12.085
	[0.455]	[0.356]
GDP growth	-4.362**	-4.203**
	[-2.446]	[-2.218]
GDP per capita	-0.001	-0.002
	[-0.736]	[-0.786]
Bilateral trade	-0.000**	-0.000*
	[-2.087]	[-1.783]
Constant	589.103***	578.461***
	[4.458]	[4.196]
Observations	10,472	10,472
Adj. R-squared	0.766	0.767
Loan type	Y	Y

Loan purpose	Y	Y
Year effects	Y	Y
Bank effects	Y	Y
Firm effects	Y	Y
Borrower's country effects	Y	Y

Table 8. Exploring the mechanisms: borrower fundamentals

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. Each specification includes a different set of fixed effects, as given in the lower part of the table. In specification (1), we interact *Vote* with *Firm size*, i.e., the log of total firm assets. In specification (2), we interact *Vote* with *Firm ROA*, i.e., the return on total firm assets. In specification (3), we interact *Vote* with *Firm equity*, i.e., the log of firm equity capital. In specification (4), we interact *Vote* with *Firm debt*, i.e., the firm debt ratio. In specification (5), we interact *Vote* with *Firm asset growth*, i.e., the log of the change in firm total assets. In specification (6), we interact *Vote* with *Firm retained earnings*, i.e., the log of firm retained earnings. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Vote	72.506	-63.894*	3.333	-120.061***	-86.184**	-70.192**
	[1.157]	[-1.827]	[0.073]	[-3.607]	[-2.364]	[-2.095]
Vote × Firm size	-15.594**					
	[-2.068]					
Vote × Firm ROA		-286.756***				
		[-3.918]				
Vote × Firm equity			-9.844**			
			[-2.091]			
Vote × Firm debt				110.253*		
				[1.691]		
Vote × Firm asset growth					-20.104*	
					[-1.751]	
Vote × Firm retained earnings						-95.811***
						[-3.229]
Observations	10,472	10,472	10,472	10,472	10,149	10,451
Adj. R-squared	0.767	0.766	0.767	0.766	0.767	0.768
Full set of controls	Y	Y	Y	Y	Y	Y
Loan type	Y	Y	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y	Y	Y
Year effects	Y	Y	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y	Y	Y

Table 9. Exploring the mechanisms: Government banks

The table reports coefficients and t-statistics (in brackets). The dependent variable is AISD and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. In specification (1), *Vote* is interacted with *Government participant*, i.e., a binary variable equal to one if a government participant bank is included in the syndicate, otherwise zero. In specification (2), *Vote* and *Government participant* are interacted with *U.S. lender*, i.e., a binary variable equal to one if the lender is from the U.S., otherwise zero. In specification (3), *Vote* is interacted with *Government lead*, i.e., a binary variable equal to one if a government lead bank is included in the syndicate, otherwise zero. In specification (4), *Vote* and *Government lead* are interacted with *U.S. lender*, i.e., a binary variable equal to one if the lender is from the U.S., otherwise zero. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Vote	-62.976*	-55.669*	-64.347**	-57.169*
	[-2.024]	[-1.844]	[-2.177]	[-1.890]
Vote × Government participant	-31.972			
	[-0.883]			
Government participant × U.S. lender		20.210		
		[0.760]		
Vote × Government participant × U.S. lender		-21.132		
		[-0.611]		
Vote × Government lead			-99.002*	
			[-1.747]	
Government lead × U.S. lender				71.098*
				[1.756]
Vote × Government lead × U.S. lender				-90.565*
				[-1.808]
Observations	10,194	10,194	10,194	10,194
Adj. R-squared	0.774	0.774	0.774	0.774
Full set of controls	Y	Y	Y	Y
Loan type	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y
Year effects	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y

Table 10. Exploring the mechanisms: Lending relationships

The table reports coefficients and t-statistics (in brackets). The dependent variable is AISD and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. In specification (1), *Vote* is interacted with *Lending relationship*, i.e., a binary variable equal to one for a prior lending relationship between the lender and the borrower during the previous 2-year period, otherwise zero. In specification (2), *Vote* is interacted with *Lending relationship number*, i.e., the ratio of the number of prior loans between the lender and the borrower during the previous 2-year period to the total number of loans received by the borrower during the same period. In specification (3), *Vote* is interacted with *Lending relationship amount*, i.e., the ratio of the amount of prior loans between the lender and the borrower during the previous 2-year period to the total amount of loans received by the borrower during the same period. The *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)
Vote	-80.724**	-82.131**	-84.993**
	[-2.387]	[-2.391]	[-2.508]
Vote × Lending relationship	-50.150*		
	[-1.866]		
Vote × Lending relationship number		-83.305*	
		[-2.055]	
Vote × Lending relationship amount			-83.554**
			[-2.101]
Observations	10,472	10,472	10,439
Adj. R-squared	0.766	0.766	0.767
Full set of controls	Y	Y	Y
Loan type	Y	Y	Y
Loan purpose	Y	Y	Y
Year effects	Y	Y	Y
Bank effects	Y	Y	Y
Firm effects	Y	Y	Y
Borrower's country effects	Y	Y	Y

Table 11. Exploring the mechanisms: country relationships

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. Each specification includes a different set of fixed effects, as given in the lower part of the table. In specification (1), we interact *Vote* with *Alliance*, i.e., a binary variable equal to one for a formal alliance (either mutual defense pact or non-aggression treaty) between the borrower's country and the U.S., otherwise zero. In specification (2), we interact *Vote* with *Direct contiguity*, i.e., a binary variable equal to one for a shared border (either land or sea) between the borrower's country and the U.S., otherwise zero. In specification (3), we interact *Vote* with *Dependency contiguity*, i.e., a binary variable equal to one for a shared border (either land or sea) between the colonies/dependencies of the borrower's country and those of the U.S., otherwise zero. In specification (4), we interact *Vote* with *Religion*, i.e., a binary variable equal to one for a common religious adherence between the borrower's country and the U.S., otherwise zero. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Vote	-124.869**	-78.144**	-109.998***	-86.078**
	[-2.634]	[-2.310]	[-2.993]	[-2.283]
Vote × Alliance	49.887			
	[1.024]			
Vote × Direct contiguity		1.352		
		[0.030]		
Vote × Dependency contiguity			5.323	
			[1.255]	
Vote × Religion				5.181
				[0.206]
Observations	10,472	10,472	7,969	10,472
Adj. R-squared	0.766	0.764	0.775	0.766
Full set of controls	Y	Y	Y	Y
Loan type	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y
Year effects	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y

Table 12. Cross-listing and institutional quality

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. Each specification includes a different set of fixed effects, as given in the lower part of the table. In specification (1), we interact *Vote* with *Cross-listed*, i.e., a binary variable equal to one if the borrowing firm's common shares are listed on two or more stock exchanges, otherwise zero. In specification (2), we interact *Vote* with *Cross-listed in U.S.*, i.e., a binary variable equal to one if the borrowing firm's common shares are listed on two or more stock exchanges, where one of them is a U.S. stock exchange, otherwise zero. In specification (3), we interact *Vote* with *Disclosure*, i.e., a binary variable equal to one if the borrower's country extent of disclosure intensity index is above the 75th percentile of our sample, and zero otherwise. In specification (4), we interact *Vote* with *Investor protection*, i.e., a binary variable equal to one if the borrower's country strength of investor protection index is above the 75th percentile of our sample, and zero otherwise. In specification (5), we interact *Vote* with *Legal rights*, i.e., a binary variable equal to one if the borrower's country strength of legal rights index is above the 75th percentile of our sample, and zero otherwise. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)
Vote	-93.101***	-89.116**	-96.469*	-73.240*	-85.848*
	[-2.869]	[-2.795]	[-2.063]	[-1.944]	[-1.902]
Vote × Cross-listed	46.253**				
	[2.166]				
Vote × Cross-listed in U.S.		48.531*			
		[1.684]			
Vote × Disclosure			71.856**		
			[3.019]		
Vote × Investor protection				80.567**	
				[2.651]	
Vote × Legal rights					37.385*
					[1.942]
Observations	10,362	10,362	6,963	5,941	6,773
Adj. R-squared	0.767	0.767	0.806	0.818	0.801
Full set of controls	Y	Y	Y	Y	Y
Loan type	Y	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y	Y
Year effects	Y	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y	Y

Internet Appendix
The Diplomacy Discount in Global Syndicated Loans

Abstract

The first section includes information on the definitions of the variables. The second section reports (i) results from alternative specifications, (ii) estimates from alternative voting measures, (iii) results for AISU, (iv) estimates from Heckman regressions and (v) results for other loan characteristics.

Table A1. Variable definitions and sources

Variable	Description	Source
A. Dependent variables in main specifications		
AISD	All-in spread drawn, defined as the sum of the spread over LIBOR plus any facility fee.	DealScan
AISU	All-in spread undrawn, defined as the sum of the facility fee and the commitment fee.	DealScan
B. Main explanatory variables: Voting measures		
Vote	The Signorino and Ritter 2-option index of voting similarity with U.S., averaged by UN session for issues deemed important by the U.S. State Department. The index ranges from -1 (completely opposite to U.S. vote) to +1 (completely similar to U.S. vote). The index is an average of votes for all issues within a UN session (or year). The index is normalized and assumes values between 0 (completely opposite to U.S. vote) to +1 (completely similar to U.S. vote). The *Vote (non-normalized)* is the initial index non-normalized. The *Vote (3-option)* is the Signorino and Ritter 3-option index, which is the initial index adjusted for missing and abstain votes.	Signorino and Ritter (1999)
Vote with us	The Thacker voting similarity index, averaged by UN session for issues deemed important by the U.S. State Department, higher is closer political ties. The index is an average of votes for all issues within a UN session (or year). The Thacker index has been reversed from Thacker's original measure. The index ranges from 0 (completely opposite to U.S. vote) and +1 (completely similar to U.S. vote).	Thacker (2011)
C. Explanatory variables: Loan characteristics		
Loan amount	Log of the loan facility amount in USD.	DealScan
Maturity	Loan duration in months.	DealScan
Collateral	A binary variable equal to one if the loan is secured with collateral, and zero otherwise.	DealScan
Number of lenders	The number of banks involved in the syndicated loan.	DealScan
Performance provisions	A binary variable equal to one if the loan has performance pricing provisions, and zero otherwise.	DealScan
General covenants	The total number of covenants in the loan contract.	DealScan
Financial covenants	The number of financial covenants in the loan contract.	DealScan
Net covenants	The number of net covenants in the loan contract.	DealScan
Loan type	A series of binary variables indicating loan type (e.g., term loans, revolvers, etc.).	DealScan
Loan purpose	A series of binary variables indicating loan purpose (e.g., corporate purpose, debt repay, etc.).	DealScan
Government lead	A binary variable equal to one if at least one lead lender in the syndicate is a government lender, otherwise zero. The lender is classified as government lender, if it is owned by the government, directly or indirectly, at least at the 20% level.	Bankscope
Government participant	A binary variable equal to one if at least one participant lender in the syndicate is a government lender, otherwise zero. The lender is classified as government lender, if it is owned by the government, directly or indirectly, at least at the 20% level.	Bankscope
Lending relationship	A binary variable equal to one for a prior loan facility between the lender and the borrower in the 2-year period before the loan facility's origination year, and zero otherwise.	DealScan
Lending relationship number	The ratio of the number of prior loan facilities between the lender and the borrower in the 2-year period before the loan facility's origination year to the total number of loans received by the borrower during the same period.	DealScan

Lending relationship amount	The ratio of the amount of prior loan facilities between the lender and the borrower in the 2-year period before the loan facility's origination year to the total amount of loans received by the borrower during the same period.	DealScan

D. Explanatory variables: Lender characteristics

Bank size	The log of total bank assets.	Compustat
Bank ROA	The return on total bank assets.	Compustat
Bank NPLs	The ratio of non-performing loans to total loans.	Compustat

E. Explanatory variables: Borrower characteristics

Firm size	The log of total firm assets.	Compustat
Firm ROA	The return on total firm assets.	Compustat
Firm equity	The log of firm common equity capital.	Compustat
Firm debt	The ratio of total debt to total assets.	Compustat
Firm asset growth	The growth in total firm assets.	Compustat
Firm retained earnings	The ratio of retained earnings to total assets.	Compustat
Firm leverage	The ratio of total debt to common equity.	Compustat
Firm tangibility	The ratio of tangible assets to total assets.	Compustat
Firm credit rating	The credit rating converted to numerical values. The values range from 1 (AAA+) to 22 (D/SD).	S&P Credit Ratings
Cross-listed	A binary variable equal to one if the firm's common shares are listed on one or more foreign stock exchanges in addition to the firm's domestic stock exchange, and zero otherwise. The variable *Cross-listed in U.S.* is the equivalent variable if the firm's common shares are listed on a U.S. stock exchange (in addition to its domestic stock exchange).	Compustat; Firm disclosures

F. Explanatory variables: Borrower's country characteristics

GDP growth	The annual GDP growth rate (%).	WDI
GDP per capita	The annual GDP per capita in constant prices (in USD thousand).	WDI
US economic aid	U.S. economic aid commitments (in constant USD terms) as percentage of the recipient's (borrower's country) GDP.	USAID Greenbook
US military aid	U.S. military aid commitments (in constant USD terms) as percentage of the recipient's (borrower's country) GDP.	USAID Greenbook
Population	The country's population (in millions).	
Polity (borrower)	Polity score in the borrower's country. The polity score is the average of freedom house and the combined polity score. The freedom house is the average of the political rights index and the civil liberties index. The combined polity score is computed by subtracting the autocracy score (an eleven point autocracy scale) from the democracy score (an eleven point democracy score). The resulting unified polity scale for Polity ranges from 10 (most democratic) to 0 (least democratic).	Polity IV Project (2016) The Quality of Government Institute
Political rights	The political rights index in the borrower's country. The index ranges from 1 (most free) to 7 (least free).	WDI
Civil liberties	The civil liberties index in the borrower's country. The index ranges from 1 (most free) to 7 (least free).	WDI
Debt-to-GDP	The annual ratio of public debt to GDP.	WDI
Inflation	The annual inflation (%), as measured by the consumer prices index.	WDI
Interbank rate	The annual interbank rate (%).	WDI
Disclosure	A binary variable equal to one if the borrower's country extent of disclosure intensity index (0-10) is above the 75th percentile of our sample, and zero otherwise.	FactSet

Investor protection	A binary variable equal to one if the borrower's country strength of investor protection index (0-10) is above the 75th percentile of our sample, and zero otherwise. The strength of investor protection index is constructed according to the DB06-14 methodology.	FactSet
Legal rights	A binary variable equal to one if the borrower's country strength of legal rights index (0-10) is above the 75th percentile of our sample, and zero otherwise. The strength of legal rights index is constructed according to the DB05-14 methodology.	FactSet

G. Explanatory variables: Common characteristics between the Lender's and Borrower's countries

Bilateral trade	The annual volume of bilateral trade between the lender's country and the borrower's country (in USD billion).	WDI
Alliance	A binary variable equal to one for a formal alliance (either mutual defense pact or non-aggression treaty) between the borrower's country and the U.S., otherwise zero.	Correlates of War Project
Direct contiguity	A binary variable equal to one for a shared border (either land or sea) between the borrower's country and the U.S., otherwise zero.	Correlates of War Project
Dependency contiguity	A binary variable equal to one for a shared border (either land or sea) between the colonies/dependencies of the borrower's country and those of the U.S., otherwise zero.	Correlates of War Project
Religion	A binary variable equal to one for a common religious adherence between the borrower's country and the U.S., otherwise zero.	Correlates of War Project
Trade balance	Annual trade balance between the lender's and the borrower's countries (in USD million). Trade balance is calculated as (exports of lender's country/exports of borrower's country)-(imports of lender's country/imports of borrower's country).	OECD
Polity	Difference in polity score between the lender's and the borrower's countries. The polity score is the average of freedom house and the combined polity score. The freedom house is the average of the political rights index and the civil liberties index. The combined polity score is computed by subtracting the autocracy score (an eleven point autocracy scale) from the democracy score (an eleven point democracy score). The resulting unified polity scale for Polity ranges from 10 (most democratic) to 0 (least democratic).	Polity IV Project (2016) The Quality of Government Institute

H. Explanatory variables: U.S. conditions

Republican party	A binary variable equal to one if the incumbent U.S. President comes from the Republican party in the year before the loan facility origination date, otherwise zero.	MIT Election Data and Science Lab
U.S. elections	A binary variable equal to one if elections are held in the U.S. in the year before the loan facility origination date, otherwise zero.	MIT Election Data and Science Lab

I. Explanatory variables: Global conditions

Geopolitical risk	A monthly indicator of geopolitical risk based on newspaper articles covering geopolitical tensions (Caldara and Iacoviello, 2018). The index is constructed with an algorithm that computes the share of articles related to geopolitical risk in leading international newspapers published in the United States, the United Kingdom, and Canada. These newspapers cover geopolitical events that are of global interest, thus often implying an involvement of the United States. The index is normalized to average a value of 100 in the decade of 2000-2009. The variable *Geopolitical risk (threats)* is the indicator decomposed into threats components, while the variable *Geopolitical risk (acts)* is the indicator decomposed into acts components.	Caldara and Iacoviello (2018)
VIX	The Chicago Board of Exchange (CBOE) Volatility Index (VIX Index). The VIX index measures the implied volatility of options on the S&P 500.	Bloomberg; CBOE

Table A2. Different loan controls

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. The last part of the table denotes the type of fixed effects used in each specification. Different specifications include different loan controls to show that the estimates on the term *Vote* are not overly sensitive to the loan controls used. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Vote	-96.834**	-85.196**	-91.821**	-87.355**
	[-2.395]	[-2.064]	[-2.328]	[-2.138]
Loan amount			-8.561***	-6.754**
			[-2.851]	[-2.767]
Maturity			0.278**	0.252*
			[2.105]	[1.887]
Collateral		41.322***		38.360***
		[3.626]		[3.459]
Number of lenders		-0.476*		-0.442*
		[-1.923]		[-1.994]
Performance provisions		-4.476	-3.633	
		[-0.807]	[-0.597]	
General covenants		4.800	7.954*	
		[1.197]	[1.807]	
Bank size	2.984	0.752	0.684	-0.886
	[0.455]	[0.116]	[0.110]	[-0.137]
Bank ROA	-0.107	0.797	8.733	10.577
	[-0.003]	[0.022]	[0.219]	[0.294]
Bank NPLs	-0.269	-0.241	-0.266	-0.286
	[-0.338]	[-0.310]	[-0.348]	[-0.383]
Firm size	-13.015	-15.738	-7.258	-11.643
	[-1.231]	[-1.639]	[-0.721]	[-1.190]
Firm ROA	-333.023***	-318.400***	-317.617***	-323.338***
	[-5.514]	[-5.323]	[-5.268]	[-5.590]
Firm equity	3.882	4.968	3.555	4.932
	[0.459]	[0.643]	[0.442]	[0.624]
Firm debt	30.187	23.188	29.451	25.720
	[0.745]	[0.647]	[0.741]	[0.696]
GDP growth	-5.833**	-5.492**	-5.637**	-5.604**
	[-2.566]	[-2.436]	[-2.467]	[-2.470]
GDP per capita	-0.004	-0.003	-0.004	-0.003
	[-1.568]	[-1.410]	[-1.596]	[-1.381]
Bilateral trade	0.000	0.000	0.000	0.000
	[1.192]	[1.024]	[1.196]	[1.062]
Constant	454.215***	475.424***	592.411***	587.067***
	[3.965]	[4.060]	[4.658]	[4.370]
Observations	5,474	5,474	5,414	5,414
Adj. R-squared	0.782	0.788	0.788	0.793
Loan type	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y
Year effects	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y

Table A3. Different voting measures

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. Different specifications include different voting measures. Specification (1) includes the non-normalized version of our voting measure (ranging from -1.00 to 1.00) measure. Specification (2) includes the contemporaneous non-normalized version of our voting measure (ranging from -1.00 to 1.00). Specification (3) includes the 3-option normalized version of our voting measure (ranging from 0.00 to 1.00). Specification (4) includes the Thacker voting similarity index (ranging from 0.00 to 1.00). The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Vote (non-normalized)	-51.278**			
	[-2.462]			
Vote (non-normalized current)		-44.745**		
		[-2.645]		
Vote (3-option)			-117.971*	
			[-2.034]	
Vote with us				-118.894*
				[-2.002]
Loan amount	-8.549***	-8.500***	-7.666**	-4.951**
	[-3.546]	[-3.506]	[-2.586]	[-2.252]
Maturity	0.330**	0.322**	0.428**	0.281*
	[2.396]	[2.335]	[2.677]	[2.023]
Collateral	33.396***	35.066***	26.552**	33.876**
	[3.239]	[3.280]	[2.646]	[2.823]
Number of lenders	-0.533**	-0.495**	-0.516*	-0.568**
	[-2.463]	[-2.314]	[-2.001]	[-2.303]
Performance provisions	-4.607	-5.475	-4.965	-4.395
	[-1.172]	[-1.386]	[-0.938]	[-0.836]
General covenants	6.942**	7.274**	6.119	2.093
	[2.218]	[2.310]	[1.441]	[0.541]
Bank size	-1.414	-1.449	-2.169	-8.204
	[-0.214]	[-0.210]	[-0.334]	[-1.113]
Bank ROA	2.369	2.512	5.632*	4.959
	[0.714]	[0.748]	[1.818]	[1.413]
Bank NPLs	-0.279	-0.339	0.255	-0.322
	[-0.495]	[-0.580]	[0.489]	[-0.490]
Firm size	-9.437	-7.812	-15.712*	-18.527*
	[-1.247]	[-1.006]	[-1.819]	[-1.966]
Firm ROA	-237.271***	-233.415***	-310.316***	-346.022***
	[-4.450]	[-4.398]	[-5.234]	[-5.280]
Firm equity	-3.179	-4.239	3.834	6.311
	[-0.527]	[-0.653]	[0.469]	[0.769]
Firm debt	13.588	15.252	15.606	6.708
	[0.407]	[0.457]	[0.394]	[0.188]
GDP growth	-4.295**	-4.155**	-2.874	-3.591
	[-2.413]	[-2.281]	[-1.427]	[-1.682]
GDP per capita	-0.001	-0.002	-0.004	-0.005*
	[-0.668]	[-0.870]	[-1.583]	[-1.730]
Bilateral trade	-0.000*	-0.000*	0.000	0.000
	[-1.950]	[-1.898]	[-1.061]	[-1.493]
Constant	549.227***	559.338***	713.744***	812.670***
	[4.008]	[3.958]	[4.383]	[4.508]
Observations	10,472	10,493	8,745	8,086
Adj. R-squared	0.766	0.765	0.784	0.788
Loan type	Y	Y	Y	Y

Loan purpose	Y	Y	Y	Y
Year effects	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y

Table A4. IV regressions: 1st-stage regressions

The table reports coefficients and t-statistics (in brackets). The dependent variable is *Vote* and all variables are defined in Table A1. The estimation method is the IV procedure of equations (3) and (1). Each specification presents estimates from the 1st-stage regressions at the borrower's country-year level with standard errors clustered by borrower's country *and* year. Each specification includes a different set of fixed effects, as given in the last part of the table. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1) Vote	(2) Vote	(3) Vote	(4) Vote
US economic aid	-0.327	-0.260	-0.308	-0.306
	[-0.947]	[-0.954]	[-0.871]	[-1.040]
US military aid	-0.046*	-0.016*	-0.038	-0.022*
	[-1.989]	[-1.855]	[-1.624]	[-1.893]
Population	0.000	0.000**	0.000	0.001**
	[1.384]	[2.106]	[1.446]	[2.219]
Legal origin	-0.004	-0.004	-0.005	-0.003
	[-0.424]	[-0.378]	[-0.531]	[-0.260]
Polity	-0.007	-0.019	-0.006	-0.017
	[-0.479]	[-1.044]	[-0.420]	[-1.077]
Political rights	-0.012		0.005	
	[-0.573]		[0.177]	
Civil liberties	0.015		0.022	
	[0.749]		[1.041]	
Alliance		-0.005		-0.009
		[-0.341]		[-0.606]
Religion		0.058**		0.064**
		[2.147]		[2.132]
GDP growth (borrower)			0.005*	0.003
			[1.721]	[1.712]
GDP per capita (borrower)			0.000	-0.000
			[0.800]	[-1.176]
Constant	0.749***	0.852***	0.687***	0.850***
	[6.449]	[5.802]	[6.107]	[6.359]
Observations	315	315	315	315
Adj. R-squared	0.720	0.740	0.724	0.743
Year effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y

Table A5. Results for AISU

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISU* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. Each specification includes a different set of fixed effects, as given in the last part of the table. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)
Vote	-0.544	-1.031	1.188	1.631	1.792
	[-0.050]	[-0.092]	[0.124]	[0.173]	[0.190]
AISD	0.233***	0.232***	0.237***	0.238***	0.235***
	[9.343]	[9.079]	[10.335]	[10.360]	[9.826]
Loan amount	0.211	0.138	0.119	0.153	0.127
	[0.417]	[0.283]	[0.222]	[0.292]	[0.258]
Maturity	0.071***	0.067**	-0.005	-0.003	-0.002
	[2.897]	[2.733]	[-0.104]	[-0.066]	[-0.051]
Collateral	1.452	1.336	2.038	2.033	1.618
	[0.384]	[0.357]	[0.619]	[0.621]	[0.521]
Number of lenders	0.014	0.016	0.004	0.003	0.014
	[0.251]	[0.294]	[0.082]	[0.075]	[0.298]
Performance provisions	0.210	0.314	-0.039	-0.074	0.015
	[0.174]	[0.254]	[-0.034]	[-0.064]	[0.012]
General covenants	-0.720	-0.659	-0.802	-0.839	-0.663
	[-0.558]	[-0.512]	[-0.829]	[-0.886]	[-0.726]
Bank size	1.815	1.923	0.508	0.939	1.870
	[1.060]	[1.136]	[0.367]	[0.675]	[1.221]
Bank ROA	1.355	1.345	1.439*	1.518*	1.122
	[1.584]	[1.558]	[1.759]	[1.851]	[1.272]
Bank NPLs	0.063	0.044	-0.009	0.038	0.074
	[0.523]	[0.382]	[-0.080]	[0.358]	[0.678]
Firm size	1.851	1.943	3.627*	3.596	3.646*
	[1.013]	[1.027]	[1.727]	[1.704]	[1.805]
Firm ROA	-21.78	-20.729	-18.217	-17.621	-18.305
	[-1.432]	[-1.329]	[-1.154]	[-1.102]	[-1.167]
Firm equity	-3.057**	-2.942**	-3.330**	-3.318**	-3.761**
	[-2.508]	[-2.361]	[-2.317]	[-2.330]	[-2.641]
Firm debt	-7.697	-6.384	-3.751	-3.609	-4.48
	[-1.034]	[-0.843]	[-0.538]	[-0.511]	[-0.626]
GDP growth	-0.120	0.100	0.223	0.236	0.208
	[-0.242]	[0.199]	[0.474]	[0.502]	[0.435]
GDP per capita	-0.000**	-0.001**	-0.001***	-0.001***	-0.001***
	[-2.635]	[-2.117]	[-3.079]	[-3.113]	[-3.260]
Bilateral trade	0.000	0.000	0.000	0.000	0.000
	[0.863]	[0.645]	[0.307]	[0.435]	[-1.235]
Constant	-1.918	15.789	28.41	21.942	13.2
	[-0.064]	[0.490]	[1.070]	[0.817]	[0.518]
Observations	3,322	3,322	3,312	3,312	3,298
Adj. R-squared	0.890	0.891	0.903	0.904	0.905
Loan type	N	N	Y	Y	Y
Loan purpose	N	N	Y	Y	Y
Year effects	Y	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y	Y
Firm industry effects	N	N	N	N	Y
Lender's country effects	N	N	N	Y	Y
Borrower's country effects	Y	Y	Y	Y	Y

Country-pair effects	N	N	N	N	Y

Table A6. Different clustering of standard errors

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table 1. The estimation method is OLS. The lower part of the table denotes the type of fixed effects used in each specification and the last line of the table denotes the type of standard error clustering (BC&Y refers to Borrower's country *and* Year, BC&F refers to Borrower's country *and* Firm, B&Y refers to Bank *and* Year, B&F refers to Bank *and* Firm,, LC&BC refers to Lender's country *and* Borrower's country). The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)
Vote	-83.910**	-83.910***	-83.910**	-83.910***	-83.910***
	[-2.603]	[-2.836]	[-2.779]	[-3.033]	[-4.569]
Loan amount	-8.549***	-8.549***	-8.549***	-8.549***	-8.549***
	[-4.190]	[-4.562]	[-5.108]	[-3.855]	[-4.536]
Maturity	0.330*	0.330**	0.330**	0.330**	0.330*
	[2.014]	[2.175]	[2.747]	[2.617]	[2.175]
Collateral	33.396**	33.396**	33.396***	33.396***	33.396**
	[2.543]	[2.635]	[3.600]	[2.874]	[2.450]
Number of lenders	-0.533*	-0.533**	-0.533***	-0.533**	-0.533**
	[-1.955]	[-2.199]	[-2.860]	[-2.508]	[-2.589]
Performance provisions	-4.607	-4.607	-4.607	-4.607	-4.607
	[-0.956]	[-1.083]	[-1.455]	[-1.032]	[-1.216]
General covenants	6.942**	6.942**	6.942**	6.942*	6.942**
	[2.155]	[2.595]	[2.160]	[1.910]	[2.505]
Bank size	-1.414	-1.414	-1.414	-1.414	-1.414
	[-0.267]	[-0.318]	[-0.197]	[-0.217]	[-0.339]
Bank ROA	2.369	2.369	2.369	2.369	2.369
	[0.449]	[0.454]	[0.798]	[1.101]	[0.588]
Bank NPLs	-0.279	-0.279	-0.279	-0.279	-0.279
	[-0.411]	[-0.519]	[-0.544]	[-0.849]	[-0.743]
Firm size	-9.437	-9.437	-9.437	-9.437	-9.437
	[-0.887]	[-0.855]	[-1.476]	[-1.029]	[-1.019]
Firm ROA	-237.271**	-237.271**	-237.271***	-237.271***	-237.271**
	[-2.653]	[-2.753]	[-4.600]	[-3.973]	[-2.628]
Firm equity	-3.179	-3.179	-3.179	-3.179	-3.179
	[-0.509]	[-0.531]	[-0.673]	[-0.548]	[-0.540]
Firm debt	13.588	13.588	13.588	13.588	13.588
	[0.389]	[0.493]	[0.476]	[0.529]	[0.473]
GDP growth	-4.295	-4.295	-4.295**	-4.295**	-4.295*
	[-1.600]	[-1.624]	[-2.702]	[-2.667]	[-1.887]
GDP per capita	-0.001	-0.001	-0.001	-0.001	-0.001
	[-0.497]	[-0.538]	[-0.760]	[-0.758]	[-0.622]
Bilateral trade	-0.000**	-0.000***	-0.000**	-0.000**	-0.000*
	[-2.110]	[-2.923]	[-2.280]	[-2.232]	[-2.005]
Constant	581.859***	581.859***	581.859***	581.859***	581.859***
	[3.625]	[3.605]	[3.915]	[3.730]	[4.982]
Observations	10,472	10,472	10,472	10,472	10,472
Adj. R-squared	0.766	0.766	0.766	0.766	0.766
Loan type	Y	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y	Y
Year effects	Y	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y	Y
Clustering	BC&Y	BC&F	B&Y	B&F	LC&BC

Table A7. Weighted regressions

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table 1. The estimation method is OLS with standard errors clustered by firm *and* year. Each specification includes a different weight. In specification (1), we weight by the number of loans between the lender's country and the borrower's country to the total number of loans in our sample. In specification (2), we weight by the number of loans between the lender and the borrower's country to the total number of loans in our sample. In specification (3), we weight by the number of loans between the borrower and the lender's country to the total number of loans in our sample. In specification (4), we weight by the number of loans between the lender and the borrower to the total number of loans in our sample. The *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)
Vote	-83.828**	-83.853**	-83.406**	-83.305**	-83.828**
	[-2.461]	[-2.459]	[-2.457]	[-2.447]	[-2.461]
Loan amount	-8.550***	-8.545***	-8.528***	-8.452***	-8.550***
	[-3.541]	[-3.539]	[-3.608]	[-3.593]	[-3.541]
Maturity	0.329**	0.330**	0.333**	0.331**	0.329**
	[2.388]	[2.393]	[2.432]	[2.414]	[2.388]
Collateral	33.442***	33.406***	33.128***	33.002***	33.442***
	[3.248]	[3.248]	[3.231]	[3.232]	[3.248]
Number of lenders	-0.532**	-0.533**	-0.537**	-0.532**	-0.532**
	[-2.456]	[-2.463]	[-2.488]	[-2.466]	[-2.456]
Performance provisions	-4.549	-4.612	-4.419	-4.653	-4.549
	[-1.160]	[-1.172]	[-1.130]	[-1.185]	[-1.160]
General covenants	6.955**	6.962**	6.924**	6.965**	6.955**
	[2.229]	[2.239]	[2.175]	[2.222]	[2.229]
Bank size	-1.324	-1.476	-1.687	-1.633	-1.324
	[-0.201]	[-0.220]	[-0.258]	[-0.248]	[-0.201]
Bank ROA	2.298	2.364	2.292	2.394	2.298
	[0.694]	[0.712]	[0.692]	[0.725]	[0.694]
Bank NPLs	-0.266	-0.273	-0.296	-0.292	-0.266
	[-0.479]	[-0.473]	[-0.523]	[-0.514]	[-0.479]
Firm size	-9.528	-9.433	-9.086	-9.415	-9.528
	[-1.258]	[-1.247]	[-1.208]	[-1.248]	[-1.258]
Firm ROA	-236.424***	-237.154***	-236.171***	-236.418***	-236.424***
	[-4.435]	[-4.432]	[-4.429]	[-4.432]	[-4.435]
Firm equity	-3.114	-3.172	-3.359	-3.240	-3.114
	[-0.514]	[-0.525]	[-0.559]	[-0.538]	[-0.514]
Firm debt	14.098	13.563	12.828	13.992	14.098
	[0.421]	[0.406]	[0.386]	[0.422]	[0.421]
GDP growth	-4.293**	-4.297**	-4.342**	-4.319**	-4.293**
	[-2.410]	[-2.419]	[-2.474]	[-2.446]	[-2.410]
GDP per capita	-0.001	-0.001	-0.001	-0.001	-0.001
	[-0.662]	[-0.668]	[-0.650]	[-0.630]	[-0.662]
Bilateral trade	-0.000**	-0.000*	-0.000**	-0.000*	-0.000**
	[-2.140]	[-1.953]	[-2.173]	[-2.050]	[-2.140]
Constant	575.048***	582.163***	577.375***	576.682***	575.048***
	[4.383]	[4.407]	[4.484]	[4.454]	[4.383]
Observations	10,472	10,472	10,472	10,472	10,472
Adj. R-squared	0.766	0.766	0.766	0.766	0.766
Loan type	Y	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y	Y
Year effects	Y	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y	Y

Table A8. Heckman sample-selection model

The table reports coefficients and t-statistics [in brackets] from Heckman's (1979) sample-selection model. The dependent variable is in the second line of each panel and all variables are defined in Table A1. Estimation method in Panel A is maximum likelihood and in Panel B is OLS with standard errors clustered by firm *and* year. Panel A reports the estimates from the first-stage probit model to estimate the determinants of the firm's loan-taking decision. The lower part panel A denotes the dummy variables used in each specification. Panel B reports the estimates from the second-stage OLS regression for the effect of voting similarity on loan spreads. Each of the specification in Panel B includes the inverse mills ratio (*Lambda*) from the corresponding specification in Panel A. The lower part of Panel B denotes the type of fixed effects used in each specification. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: The loan-taking decision by the firm

	(1)	(2)	(3)
	Loan deal	Loan deal	Loan deal
Firm size	-0.011	-0.019**	-0.028***
	[-1.380]	[-2.221]	[-2.636]
Firm ROA	0.384***	0.397***	0.132
	[2.793]	[2.880]	[0.829]
Firm equity	-0.036***	-0.030***	-0.028***
	[-4.791]	[-3.817]	[-2.921]
Firm debt	0.368***	0.340***	0.167**
	[6.643]	[6.093]	[2.496]
Firm leverage		0.001***	0.003***
		[2.675]	[2.857]
Firm tangibility			-0.001
			[-0.575]
Loan amount	0.153***	0.162***	0.170***
	[22.086]	[23.048]	[19.863]
Maturity	-0.001*	-0.000	-0.000
	[-1.781]	[-1.622]	[-1.046]
Collateral	0.460***	0.439***	0.329***
	[19.359]	[18.334]	[11.247]
Number of lenders	0.027***	0.028***	0.028***
	[29.642]	[30.170]	[26.946]
Performance provisions	0.603***	0.602***	0.616***
	[20.993]	[20.953]	[18.634]
General covenants	0.106***	0.107***	0.095***
	[7.202]	[7.233]	[5.500]
Bank size	0.472***	0.483***	0.513***
	[27.120]	[27.560]	[24.873]
Bank ROA	-0.025	-0.020	-0.006
	[-1.368]	[-1.077]	[-0.267]
Bank NPLs	-0.043***	-0.043***	-0.036***
	[-9.675]	[-9.751]	[-7.052]
Bank loans	0.711	0.348	0.640
	[1.444]	[0.703]	[1.118]
Firm loans	-27.069***	-37.852***	-26.464***
	[-10.828]	[-12.892]	[-7.604]
Bank-firm loans		139.585***	172.373***
		[7.447]	[6.940]
Constant	148.865***	139.398***	151.411***
	[30.070]	[27.239]	[24.884]
Observations	26,018	26,018	19,259
Loan type dummies	Y	Y	Y

Loan purpose dummies	Y	Y	Y
Year dummies	Y	Y	Y
Bank dummies	Y	Y	Y
Firm dummies	Y	Y	Y
Borrower's country dummies	Y	Y	Y

Panel B: The effect of Vote on loan spreads

	(1) AISD	(2) AISD	(3) AISD
Vote	-82.559**	-82.466**	-103.897**
	[-2.424]	[-2.407]	[-2.666]
Loan amount	-4.330	-3.797	-3.551
	[-1.191]	[-1.039]	[-0.739]
Maturity	0.318**	0.320**	0.097
	[2.286]	[2.306]	[0.770]
Collateral	44.687***	45.530***	43.099***
	[3.482]	[4.106]	[3.084]
Number of lenders	0.026	0.088	0.028
	[0.059]	[0.226]	[0.050]
Performance provisions	9.104	10.439	6.499
	[0.910]	[1.163]	[0.584]
General covenants	9.208**	9.523**	12.224***
	[2.722]	[2.779]	[3.799]
Bank size	11.264	12.758	11.786
	[1.186]	[1.473]	[1.004]
Bank ROA	1.584	1.472	2.802
	[0.468]	[0.434]	[0.783]
Bank NPLs	-1.512	-1.611	-0.982
	[-1.373]	[-1.607]	[-0.953]
Firm size	-10.080	-9.456	-5.855
	[-1.342]	[-1.266]	[-0.632]
Firm ROA	-226.549***	-225.661***	-164.492***
	[-4.251]	[-4.200]	[-2.813]
Firm equity	-4.313	-5.163	-8.544
	[-0.718]	[-0.863]	[-1.111]
Firm debt	22.211	21.598	6.792
	[0.664]	[0.639]	[0.180]
GDP growth	-4.373**	-4.365**	-5.023***
	[-2.438]	[-2.442]	[-2.908]
GDP per capita	-0.001	-0.001	-0.001
	[-0.694]	[-0.733]	[-0.516]
Bilateral trade	-0.000*	-0.000*	-0.000***
	[-2.025]	[-1.960]	[-2.870]
Lambda	42.566	46.593*	43.801
	[1.581]	[1.972]	[1.571]
Constant	282.218	249.776	260.749
	[1.217]	[1.183]	[1.027]
Observations	10,472	10,472	7,878
Adj. R-squared	0.766	0.767	0.780
Loan type	Y	Y	Y
Loan purpose	Y	Y	Y
Year effects	Y	Y	Y
Bank effects	Y	Y	Y

Firm effects	Y	Y	Y
Lender's country effects	Y	Y	Y
Borrower's country effects	Y	Y	Y

Table A9. Different firm- and macro-controls

The table reports coefficients and t-statistics (in brackets). The dependent variable is *AISD* and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. Each specification includes a different set of firm- and macro-level controls. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Vote	-83.677**	-88.381**	-154.344***	-108.720**	-83.534**	-84.987**
	[-2.452]	[-2.444]	[-4.337]	[-2.532]	[-2.407]	[-2.519]
Loan amount	-8.597***	-8.968***	-14.869***	-8.492**	-8.626***	-8.700***
	[-3.580]	[-3.676]	[-3.574]	[-2.769]	[-3.527]	[-3.623]
Maturity	0.329**	0.335**	0.214	0.304*	0.365**	0.332**
	[2.396]	[2.122]	[1.203]	[1.931]	[2.507]	[2.413]
Collateral	33.808***	32.103***	57.996***	29.785**	36.724***	33.540***
	[3.280]	[3.136]	[3.509]	[2.174]	[3.357]	[3.252]
Number of lenders	-0.530**	-0.527**	-0.555*	-0.505	-0.522**	-0.508**
	[-2.463]	[-2.514]	[-1.761]	[-1.696]	[-2.384]	[-2.360]
Performance provisions	-4.720	-4.789	-3.580	-6.032*	-5.097	-4.651
	[-1.197]	[-1.229]	[-0.547]	[-1.814]	[-1.287]	[-1.159]
General covenants	6.900**	5.691*	2.499	9.099***	5.531	7.152**
	[2.190]	[1.866]	[0.349]	[2.945]	[1.688]	[2.291]
Bank size	-1.716	-2.056	-4.704	-9.297	-1.664	-1.748
	[-0.256]	[-0.316]	[-0.814]	[-1.323]	[-0.228]	[-0.260]
Bank ROA	2.276	1.596	6.330*	-1.930	2.965	2.494
	[0.685]	[0.466]	[1.940]	[-0.490]	[0.780]	[0.779]
Bank NPLs	-0.306	-0.279	-0.912	-2.264***	-0.159	-0.277
	[-0.535]	[-0.512]	[-1.543]	[-2.871]	[-0.211]	[-0.487]
Firm size	-4.950	-12.474	11.050	1.288	-6.872	-10.172
	[-0.544]	[-1.481]	[0.598]	[0.165]	[-0.881]	[-1.356]
Firm ROA	-237.144***	-236.388***	-47.628	-143.489**	-220.377***	-241.209***
	[-4.402]	[-4.595]	[-0.660]	[-2.147]	[-3.822]	[-4.526]
Firm equity	-7.440	-1.677	-12.271	-2.831	-3.224	-2.771
	[-0.949]	[-0.248]	[-0.799]	[-0.536]	[-0.480]	[-0.460]
Firm debt	8.519	15.854	-2.973	1.197	1.021	15.606
	[0.257]	[0.457]	[-0.053]	[0.035]	[0.030]	[0.466]
GDP growth	-4.191**	-4.210**	-9.099***	-7.474***	-5.539***	-4.032**
	[-2.373]	[-2.325]	[-4.624]	[-3.303]	[-2.873]	[-2.204]
GDP per capita	-0.001	-0.001	0.006**	0.007**	-0.002	-0.002
	[-0.674]	[-0.600]	[2.152]	[2.826]	[-0.833]	[-0.710]
Bilateral trade	-0.000*	-0.000	-0.000	-0.000	-0.000	-0.000*
	[-1.883]	[-1.594]	[-0.655]	[-1.660]	[-1.682]	[-1.764]
Firm leverage	-0.110					
	[-1.459]					
Firm asset growth		-16.145**				
		[-2.211]				
Firm retained earnings		-0.000*				
		[-2.045]				
Firm tangibility			-8.194			
			[-0.600]			
Firm credit rating			10.024***			
			[3.621]			
Debt-to-GDP				0.637		
				[1.503]		
Inflation				-2.577		
				[-1.132]		

Trade balance					-0.000	
					[-0.154]	
Polity					50.772***	
					[9.264]	
Interbank rate						-1.443
						[-0.501]
VIX						0.436
						[0.875]
Constant	581.897***	613.449***	259.710	212.353	82.624	595.043***
	[4.415]	[4.405]	[1.165]	[0.959]	[0.483]	[4.238]
Observations	10,472	10,128	4,043	7,349	10,120	10,439
Adj. R-squared	0.766	0.767	0.813	0.762	0.767	0.766
Loan type	Y	Y	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y	Y	Y
Year effects	Y	Y	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y	Y	Y

Table A10. Other loan characteristics

The table reports coefficients and t-statistics (in brackets). The dependent variable is denoted in the second line of the table and all variables are defined in Table A1. The estimation method is OLS with standard errors clustered by firm *and* year. The lower part of the table denotes the type of fixed effects used in each specification. The *, **, and *** marks denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
	Loan amount	Maturity	Collateral	General covenants
Vote	0.230	12.252*	-0.026	-0.247
	[0.713]	[1.914]	[-0.263]	[-1.079]
AISD	-0.001***	0.023**	0.000***	0.000*
	[-3.374]	[2.574]	[3.320]	[2.013]
Loan amount		1.251**	-0.027***	0.007
		[2.125]	[-3.361]	[0.439]
Maturity	0.002**		0.001	-0.000
	[2.069]		[1.555]	[-0.268]
Collateral	-0.296***	4.395		0.320**
	[-3.429]	[1.597]		[2.371]
Number of lenders	0.012**	0.127*	-0.003***	-0.000
	[2.666]	[1.920]	[-3.332]	[-0.240]
Performance provisions	0.068	-0.040	0.016	0.367***
	[0.945]	[-0.024]	[0.555]	[5.233]
General covenants	0.017	-0.230	0.072***	
	[0.447]	[-0.271]	[3.086]	
Bank size	-0.026	2.189	0.033	0.054
	[-0.884]	[1.599]	[1.361]	[1.066]
Bank ROA	-0.030	0.068	0.005	0.011
	[-0.794]	[0.100]	[0.414]	[0.337]
Bank NPLs	0.006	-0.077	0.000	0.002
	[1.478]	[-0.682]	[0.099]	[0.526]
Firm size	0.415***	-3.840**	0.064**	0.018
	[6.128]	[-2.338]	[2.306]	[0.231]
Firm ROA	1.082**	20.047	0.079	-0.305
	[2.498]	[1.631]	[0.449]	[-0.617]
Firm equity	-0.041	0.602	-0.023	-0.003
	[-0.953]	[0.552]	[-1.175]	[-0.052]
Firm debt	0.265	4.878	0.173	0.186
	[0.743]	[0.667]	[1.355]	[0.892]
GDP growth	0.014	0.791**	0.002	0.002
	[1.002]	[2.337]	[0.396]	[0.108]
GDP per capita	0.000	0.000	0.000	0.000
	[-1.412]	[-0.785]	[0.523]	[0.084]
Bilateral trade	0.000	0.000	0.000	-0.000
	[0.768]	[-0.632]	[0.476]	[-1.426]
Constant	17.511***	20.565	-0.322	-0.906
	[19.368]	[0.739]	[-0.648]	[-0.967]
Observations	10,472	10,472	10,472	10,472
Adj. R-squared	0.748	0.677	0.751	0.630
Loan type	Y	Y	Y	Y
Loan purpose	Y	Y	Y	Y
Year effects	Y	Y	Y	Y
Bank effects	Y	Y	Y	Y
Firm effects	Y	Y	Y	Y
Borrower's country effects	Y	Y	Y	Y