firms was associated with positive abnormal returns, while British and Canadian targets were associated with negative abnormal returns.[5]

Kang (1993) examined matched pairs of firms involved in international whole-firm mergers. In his analysis of U.S./Japanese transactions he found that, in contrast to purely domestic transactions, both firms gained. His finding for whole firm transactions was conceptually similar to Pettway, Sicherman, and Spiess's (1993) results on Japanese acquisitions of both entire U.S. firms and units divested by U.S. firms. For divestitures, their results indicate that Japanese buyers experienced abnormal returns over the (-1,0) announcement window of 0.49%, a similar magnitude to the returns noted for acquirers in other (primarily domestic) divestiture studies. They also found that U.S. sellers gained 4.65% over (-1,0) window, which is substantially larger than the U.S. firms' gains noted in previous studies of primarily domestic transactions. The evidence on cross-border divestitures in Blumberg and Owers (1996) comes from an examination of the valuation effects for U.S. firms divesting to foreign acquirer firms. They found little evidence that U.S. firms fare better when selling to non-U.S. firms than when selling to domestic acquirers. In their sample of 165 international transactions, the (-1,0) abnormal return was 1.44% (z statistic of 5.88).

A number of theories posit international market segmentation, market imperfections, and informational asymmetries as impediments to international financial and product market integration. These factors could cause divested units sold across international borders to have different values than units sold in entirely domestic

[5] Negative abnormal returns for acquirers are the most frequently experienced valuation consequences for U.S. firm's acquisition of domestic whole-firm targets.