Country Reputation and Corporate Activity

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Abstract

We study the link between a previously neglected form of intangible firm asset—country reputation—and corporate sales. By exploiting variation in nationalities of foreign victims in local terror attacks, we detect unanticipated distortions in reputations of local countries in foreign countries and we pin down reductions in sales of local country firms in foreign markets. The reductions in sales are economically and statistically significant, persistent, and more pronounced after attacks with high levels of foreign media coverage. Local country firms, whose names resemble names from their countries of origin, experience greater deteriorations in their sales. The distortions in country reputations are associated with depreciations in overall firm value, sales growth, and profitability.

JEL codes: G32, G40, G41.

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We study the link between a previously neglected form of intangible firm asset—country reputation—and corporate sales. By exploiting variation in nationalities of foreign victims in local terror attacks, we detect unanticipated distortions in reputations of local countries in foreign countries and we pin down reductions in sales of local country firms in foreign markets. The reductions in sales are economically and statistically significant, persistent, and more pronounced after attacks with high levels of foreign media coverage. Local country firms, whose names resemble names from their countries of origin, experience greater deteriorations in their sales. The distortions in country reputations are associated with depreciations in overall firm value, sales growth, and profitability.

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This paper provides a first exploration of the link between a previously neglected form of intangible asset—country reputation—and corporate sales. Country reputation refers to assessments made by economic agents about characteristics of countries (Noe 2012). It encompasses consumers' broad perceptions of a country's people, history, politics, economy, and products (Newburry 2012) and can influence corporate outcomes when these perceptions are welfare relevant to consumers.

Country reputation differs from conventional intangible assets because it is a pure public good. It's used and shared by multiple firms, as it's non-excludable (i.e., no firm can be excluded from benefiting from it) and perfectly nonrival in consumption (i.e., its use by one firm doesn't reduce its availability for others).[1] Although intangible assets have long been studied, understanding of country reputation as an intangible asset is still limited, because much of the theory in financial economics neglects intangible assets that can impact firms but cannot be fully maintained by them.

How can country reputation impact firms? According to practitioners, having a bad country reputation or none at all is a serious handicap for firms seeking to remain competitive in the global arena.[2] This is because country reputation helps firms differentiate their products in the global marketplace (Riefler 2020; Ozsomer 2012) and charge interested foreign consumers premium prices (Chamberlin 1933). However, since country reputation needs to be managed by governments on behalf of firms, negative shocks to country reputation can expose

[1] Firms don't acquire country reputation from a direct market mechanism, and standard property rights theory (e.g., Grossman and Hart 1986; Hart and Moore 1999; Hart 1995) doesn't apply to country reputation (Besley and Ghatak 2001).

[2] See, for example, van Ham (2001). For a well-cited marketing paper on the subject please refer to Kotler and Gertner (2002). Consistent with this view, the number of country promotion offices has steadily increased from 58 in 1990 to 122 in 2000, and to at least 236 in 2021. In contrast to straightforward advertising, country promotion aims to give countries an emotional appeal. For example, branding campaigns such as 'Cool Britannia', 'Egypt: where it all begins', and 'Japan: endless discovery' create country image attributes such as 'cool', 'friendly', 'traditional' and 'progressive'.

firms to unique business risks that are often unavoidable and difficult to navigate (Kotler and Gertner 2002).[3]

At least three obstacles hinder empirical attempts to pin down the impact of country reputation on business outcomes. First, isolating a causal link between country reputation and firm outcomes is challenging due to endogeneity concerns. In an ideal world, one would need exogenous changes in country reputation in order to identify any of its effects reliably. Second, pinning down the impact of country reputation in the cross section of firms is hard, because it's difficult to measure firm-level exposures to country reputation. Third, one would need a rich cross-country dataset of time-varying country reputations. Although recent research papers exploit data on attributes such as trust for people (Guiso, Sapienza, and Zingales 2009), the type of data that can proxy consumers' broad perceptions of a country's people, history, politics, economy, and products simultaneously is hard to come by.

This paper provides an attempt to quantify how much country reputation matters for sales of multinational firms in global markets. It does so by using a unique empirical methodology and a new proxy for firm-level exposure to country reputation. As our identification methodology, we use terror attacks that target citizens of local countries (local-target countries, hereafter) but also end up hurting citizens of foreign countries (foreign-victim countries, hereafter). These attacks are unpredictable not only in terms of time and place but also in terms of the *nationalities* of foreign citizens they impact. By exploiting variation in the nationalities of

[3] Two examples related to country reputation risk are (i) Coca-Cola losing market share in the Middle East during the invasion of Iraq. Cola Turka, a market entrant at the time, showed U.S. as an unfriendly country in commercials and capitalized on Turkey's friendly image. In a famous commercial, for example, U.S. soldiers in Iraq found a cooler full of Cola Turka products, and once they drank these, they stopped marching, and the words of Ataturk (the founder of Turkish Republic) appeared on the screen: "Peace at home, peace in the world." The commercial can be found at https://bit.ly/2m6ejHS. (ii) Italian-sounding Turkish companies Bellona and Pirelli suffered market share, when the leader of PKK was hiding in Italy. See https://bit.ly/2m2eAf5 and https://bit.ly/2mpGG45 for declarations by these companies clarifying that they are Turkish firms and not Italian.

foreign victims in these local attacks, we detect unanticipated changes in media coverage and reputations of local-target countries around the globe, and we study how these changes relate to corporate outcomes.

We start our analysis with running difference-in-differences regressions on firms' foreign segment sales. The first difference is between firms' foreign-victim country segments and their unaffected but comparable foreign country segments, and the second difference is in the event time. For example, if an Austrian citizen is killed in a terror attack targeting the police in Turkey by a local, we study Turkish firms' sales in Austria against their sales in unaffected but comparable foreign countries before and after the attack.

Using the above methodology, we pin down a 17% reduction in segment sales after the terror attacks. This result is robust to a rich array of controls, coupled with firm × segment, firm × year and foreign country × year fixed effects. Our specification therefore controls for omitted firm-year characteristics, such as cost of capital, total factor productivity, firm reputation, investor choices, supply chain, and managerial mood, and time-varying country-specific characteristics, such as socioeconomic conditions.[4]

We exploit firm names as a novel proxy for firm-level exposures to country reputation. First, firm names are chosen long before reductions in country reputations occur, and these choices are arguably orthogonal to which foreign countries' citizens might be affected in the future by local terror events and when. Second, to the degree that firm names remind foreign consumers about countries, they are also correlated with country reputations.[5] Therefore, they

[4] See, for example, Collier and Hoeffler (2004) and Miguel, Saytanath, and Sergenti (2004).

[5] Brand origin recognition is largely based on consumers' association of brand names with languages that suggest country origins (Samiee, Shimp and Sharma 2005). Accordingly, we predict firms in local-target countries to be harmed more by their countries' negative reputations, to the extent that their names remind foreign consumers of their country of origin. For additional papers on firm names, see Tadelis (1999), Cooper, Dimitrov and Rau (2001), Cooper, Gulen and Rau (2005), Bao, Shao and Rivers (2008), Green and Jame (2013), Belenzon, Chatterji and Daley (2017), and McDevitt (2014).

allow us to study how the association of firms with negative country of origin reputations (Locke 1690; Hamblin 1970; Cole 2008) affects their sales to foreign consumers.

Third, firm names are costly to change. Almost no treated firm in our sample made significant alterations to its name during our sample period.[6] This provides us with stable treatment and control groups—all we need is a measure of how much a firm name is associated with its country of origin. Fourth, *inaccurate* firm name and country of origin associations provide us with an additional identification strategy. Such name similarities are arguably orthogonal to which foreign countries' citizens might be affected by a future terror attack in another foreign country. Furthermore, they allow us to show how much country reputation matters for firm sales in the absence of the distortionary effects of terrorism or bilateral trade relations.

We measure firm name and country-of-origin associations using a publicly accessible script called NamePrism (Ye, Han, Hu, Coskun, Liu, Qin, and Skiena 2017). NamePrism blends geographic location data with detailed information on user and company names from 57 million contact lists of a major Internet company. It's widely recognized as one of the best name classifiers in the world. We use NamePrism to compute "predicted nationalities" from names of local-target country firms, and we examine whether having a firm name that sounds like a name from the local-target country distorts foreign segment sales incrementally. We find that high firm name and local-target country resemblance decreases sales to foreign-victim countries by up to a significant 54%.

Importantly, we also examine sales of firms that are *inaccurately* associated with local target countries, due to strong name similarities. We show that such firms also experience

[6] See, for example, McDevitt (2011) and Wu (2010) for relevant research on changing firm names.

significant reductions in their sales to foreign-victim countries after the terror attacks. This finding is inconsistent with alternative hypotheses, such as terrorism, worsening economic conditions, weaker trade agreements, longer delays at border crossings due to more frequent security checks, costly expenditures on security equipment and personnel, or higher insurance costs fully explaining our findings.

To examine how terrorism changes reputations of local-target countries, we compare local-target countries' reputations in foreign-victim countries against their reputations in unaffected but comparable foreign countries, before and after the attacks. To do so, we use detailed consumer surveys carried out by BAV Consulting (BAV) between 1993 and 2014 across the globe.[7] BAV's data allow us to analyze countries' reputational characteristics in numerous ways. We create a rich array of country reputation indices by taking average image attribute scores, using principal components, and by concentrating on specific culture- and product-related attributes. Overall, our findings confirm that terror attacks harm reputations of local-target countries in foreign-victim countries.

We use a rich, hand-collected dataset of news articles to show the media's role in this outcome. We find that terror-related media coverage of local-target countries in foreign-victim country media outlets increases rapidly by up to 80% after the terror events and that this increase is persistent for up to four years. Furthermore, the intensity of media coverage has incremental weakening effects on country reputations and segment sales.[8] We also hand collect

[7] In comparison to existing datasets, BAV's dataset on country reputation characteristics has the longest horizon, is more diverse, is more geographically granular (allowing us to identify country reputations in different locations), has a higher frequency (in annual format), and includes significantly more image attributes (48 different characteristics). Larkin (2013) uses BAV data on U.S. corporations to study the relation between brand image and financial frictions.

[8] As a placebo test, we examine foreign-victim countries' closest neighbors. If, for example, a Swiss citizen is affected by a terror event in France, as treatment we study France's reputation in Austria (i.e., the closest neighbor of Switzerland), rather than in Switzerland. Similarly, we examine segment sales to foreign-victim countries' closest neighbors, rather than foreign-victim countries themselves. Collectively, we do not find significant results in these placebo tests.

data on country promotion agencies around the world and survey these agencies about their activities. Using this information, we confirm that government efforts to protect country reputations benefit multinational corporations.

Finally, to assess whether reductions in country reputation are associated with reductions in the overall financial performance of local-target country firms, we study corporate valuation, growth, and profitability. We pin down reductions in Tobin's Q by 5%, market-to-book ratio by 4%, sales growth by 3%, asset growth by 2%, return on equity by 0.86%, and profit margin by 1.99%. We also pin down an incremental deterioration in value for firms with high name exposures to their country of origin. These findings are persistent and robust to controlling for firm-level characteristics, along with firm fixed effects, and year fixed effects.

Our paper contributes to the financial economics literature in four unique ways. First, it represents an initial attempt to quantify how much country reputation matters for sales of multinational firms in global markets and firm-level outcomes. Second, it offers a new proxy for firm-level exposure to country reputational risk. Third, it shows that *inaccurate* associations between firms and countries can significantly impact corporate outcomes. Fourth, it provides evidence on how government-run country promotion offices can preserve value for firms, particularly when reputations of their countries are declining.

The remainder of the paper is organized as follows. Section I presents the literature review. Section II presents hypothesis development. Section III presents our data and summary statistics. Section IV discusses our research design and identification strategy. Section V presents our main findings, and Section VI concludes the article. Section A of the Appendix includes detailed variable descriptions along with additional summary statistics. We present a rich set of additional empirical results in Section B of the Appendix to keep the main text concise.

I. Literature Review

Our paper contributes to multiple literatures. Our primary contribution is to the broad literature on reputation and corporate activities. Reputation is often seen in financial economics as a firm's most important intangible asset (Rob and Fishman 2005). Firms need good reputations to be able to provide high-quality products (Klein and Leffler 1981), fight market entrants (Kreps and Wilson 1982; Milgrom and Roberts 1982), and generate high returns (Diamond 1989). Recent papers study effects of *firm* reputation on asset prices (Belo, Vitorino, and Lin 2014; Barth, Clement, Foster, and Kasznik 1998), risk and financial policy (Larkin 2013), investor preferences (Frieder and Subrahmanyam 2005), and consumer behavior (Bronnenberg, Dhar, and Dube 2009; Bronnenberg, Dube, and Gentzkow 2012).[9]

In contrast to these papers, we study the effects of *country* reputation on firm sales. Country reputation cannot be easily maintained by firms[10], even though it can significantly affect their activities (Kotler and Gertner 2002). It may therefore constitute a unique form of reputational risk that needs to be maintained by the governments on behalf of firms.[11] Hwang (2011) provides novel evidence on how favorability of foreign countries among Americans causes security prices to deviate from fundamentals by affecting US investors' demand for

[9] Firm reputation explains performance differences within several industries, including the auto industry (Kwoka 1993; Stahl, Heitmann, Lehmann, and Neslin 2012), the consumer goods industry (Thomas 1989; Bronnenberg, Dhar, and Dube 2009), and the hotel industry (Kim, Kim, and An 2003). It's also associated with decreasing price distortion (Choi 1998), increasing chance of survival (Bar-Isaac 2003) and forming a stable consumer base (Bronnenberg, Dhar, and Dube 2007; Gourio and Rudanko 2014). It also affects firms' financial policy (Grullon, Kanatas, and Kumar 2006; Larkin 2013) as well as post-IPO (Chemmanur and Yan 2009) and post-M&A performance (Mizik, Knowles, and Dinner 2011) and provides resilience to business cycles (van Heerde, Gijsenberg, Dekimpe and Steenkamp 2013; Bronnenberg, Dube, and Gentzkow 2012).

[10] This could be due to free rider problems or high cost. There are cases, in which government-held enterprises or firms in tourism industry seek to support country reputations. See, for example, Turkish Airlines advertisement series on Turkey: https://bit.ly/1SNIb19.

[11] Consistent with this observation, the recent decades have witnessed a sharp increase in governments' reputation building efforts to help multinational firms. According to our hand-collected data, the number of country reputation agencies has for example steadily increased from 58 in 1990 to 122 in 2000, and to 175 in 2019.

securities.[12] Similar to Hwang, we study how perceptions about countries affect corporate outcomes. Our focus is however not on investor choices but on foreign segment sales, and we try to control for investor choices with firm-year fixed effects. This allows us to compare different segments (i.e., treatment and control) of a given firm in a given year.

We also contribute to the broader literature on bilateral trust and economic exchange. Guiso, Sapienza, and Zingales (2009) provide novel evidence on the relation between trust towards people from different countries and cross-border economic exchange. Ahern, Daminelli, and Fracassi (2012) examine the impact of cultural distance on the volume of cross-border mergers. Gupta and Yu (2009), and Botazzi, Da Rin, and Hellmann (2016) further demonstrate the role of public opinion on cross-country economic flows, and, finally, Morse and Shive (2010) study the effect of patriotism on home bias in asset allocation. We extend this literature by investigating a comprehensive measure, country reputation, which is driven by 48 image attributes (including trust) and its impact on multinational firms' foreign-segment activities. We confirm that our results are robust to excluding trust from our country reputation index and orthogonalizing it to trust.

Our paper contributes to the literature on corporate risk management, too. Finance papers on reputational risk concentrate on reputational penalties resulting from firm-level actions.[13] We complement these papers by showing that reputational damage can also originate from accurate and inaccurate associations with countries. This finding also advances the literature on the operation of multinational firms, because it provides a unique element of risk for geographically diversified corporations (Denis, Denis and Yost 2002).

[12] This paper also shows a positive association between country popularity and M&A activity. See, Ahern, Daminelli, and Cesare (2015) on the effect of culture on M&A activity.

[13] See Jarrell and Peltzman (1985), Mitchell and Maloney (1989), Karpoff and Lott (1993), Karpoff and Lott (1999), Karpoff, Lott, and Wehrly (2005), Karpoff, Lee, and Martin (2008), Murphy, Shrieves, and Tibbs (2009), Karpoff (2012), Servaes and Tamayo (2013), Flammer (2015), Armour, Mayer and Polo (2017).

We also contribute to the literature on terrorism and corporate activities. Recent studies identify significant effects of terrorism on income, growth, politics, tourism, real estate markets, foreign direct investments, and investor risk aversion.[14] Our main channel is country reputation not terrorism. First, the terror attacks that we use as our identification strategy correspond to only a specific subset of all terror events. Therefore, they cannot fully explain overall effects of terrorism on corporate activities. Second, we provide out-of-sample tests on firms that are *inaccurately* associated with local-target countries. It's unlikely that terrorism in local-target countries drives large distortions in activities of inaccurately associated foreign firms. Third, we control for the effects of terrorism with tight fixed effect structures that are previously explained in detail. Even though terrorism is not the main channel driving our results, we provide novel evidence on how terrorism can distort country reputation, which is a unique intangible asset that can influence corporate outcomes. In so doing, we also complement recent work by Wang and Young (2019), which provides novel evidence on the effects of terrorism on investor risk aversion.[15]

II. Hypothesis Development

The aforementioned literature suggests that reputation should matter for business outcomes. Even if these findings are taken at face value, the literature provides little insight into how

[14] It has been argued that because terrorism destroys a small capital stock, it cannot hurt target countries economically (Mill 1848; Becker and Murphy 2001). Recent studies, however, identify significant effects of terrorism on local firms (Abedie and Gardeazabal 2003), growth (Blomberg, Hess and Orphanides 2004; Tavares 2004; Ahern 2018), politics (Gould and Klor 2010), tourism (Enders, Sandler, and Parise 1992), real estate markets (Glaeser and Shapiro 2002; Abadie and Gardeazabal 2008; Besley and Mueller 2012), and foreign direct investments (Abadie and Gardeazabal 2008). Additional papers include Benmelech and Berrebi (2007), and Benmelech and Klor (2018). Abedie and Gardeazabal (2003) study terrorist conflicts in the Basque country and find large reductions in local income and stock market performances of local firms with a significant part of their business in the Basque country. We concentrate in our analyses on multinational firms, not local firms, and we control for the effects of terrorism on the overall economy with tight controls and fixed effect structures. Wang and Young (2019) provide unique evidence on the effects of terrorism on investor risk aversion. They find that one standard deviation increase in the number of terror attacks each month in the US leads to a $75.09 million drop in aggregate flows to equity funds and a $56.81 million increase to government bond funds.

[15] We control for investor risk aversion with firm-year fixed effects.

terror events can influence country reputation and how changing country reputation can influence foreign-segment activities of businesses. We therefore motivate hypotheses regarding the possible links between terrorism, country reputation, and business outcomes in the subsections below. In so doing, we also list some of the relevant country image attributes we have data on from BAV's reputation surveys, which we will explain in detail in Section III.

II.A The Link Between Terrorism and Country Reputation

Terrorism can impact country reputation in multiple ways. Multinational firms often mitigate competitive disadvantages in foreign marketplaces by exploiting a reputation for authenticity (Riefler 2020). Perceived linkage to a country or heritage is a strong determinant of authenticity, and it allows multinational firms to differentiate their products and charge interested foreign consumers premium prices (Chamberlin 1993; Ozsomer 2012). Due to bad publicity related to terror events, foreign-victim country consumers may be less interested in local-target countries and products that originate from them (Erickson, Johansson and Chao 1984; Milgrom and Roberts 1986). This can result in weaker local-target country reputation scores in foreign-victim countries, particularly in BAV image attributes *authentic, unique, different, distinctive*, and *worth more*.

Economic agents in foreign-victim countries often rely on media outlets to gather information about terror events in local-target countries (Nacos 2003; Chermak and Gruenwald 2006; Iyer, Webster, Hornsey, and Vanman 2014). Media coverage of terror events is known to trigger fear, anger, and anxiety about local-target countries (Smith et al. 1993; Roseman et al. 1994; Slone 2000; Iyer, Webster, Hornsey, and Vanman 2014). These emotions can influence consumers' attitudes toward local-target countries (Gadarian 2010). Local-target country scores in BAV imagery attributes *friendly, fun, charming, kind, reliable,* and *trustworthy* can therefore be particularly negatively affected.

Terror events can indicate worsening economic conditions. Recent studies identify significant effects of terrorism on income (Abedie and Gardeazabal 2003), growth (Blomberg, Hess and Orphanides 2004; Tavares 2004; Ahern 2018), political and economic uncertainty (Gould and Klor 2010), tourism (Enders, Sandler, and Parise 1992), and foreign direct investments (Abadie and Gardeazabal 2008). Deteriorating economic conditions can disincentivize investments in local-target countries due to a surge in uncertainty (Fudenberg and Tirole 1984), and slow down innovation and dynamism (Dixit and Pindyck 1994). Terror events can therefore make foreign-victim country consumers reassess their beliefs about local-target countries and the products that are associated with them. BAV image attributes *innovative, visionary, high quality, dynamic* and *progressive* can be particularly affected. Furthermore, longer delays at airports, seaports, and land-border crossings due to security checks along with higher expenditures on security equipment and personnel, and increased insurance fees may distort customer satisfaction and the reputation for value for money if some of these costs are reflected into prices.[16] BAV image attribute *good value* can also be affected.

Under the above scenarios, we expect a distortionary effect of terrorism on reputations of local-target countries in foreign-victim countries. The distortion in country reputations can be due to one or many of the above channels, as they (e.g., attributes related to culture, products, or people) are not exclusive from each other. To reflect these expectations, we label our first hypothesis *Reputation Distortion*.

Our second hypothesis, which we label *Compassion*, predicts that some local-target country attributes may be positively affected by terror attacks under some scenarios. To motivate, media coverage of terrorism can cover terror events as an illegitimate attack on innocent (local

[16] Trade experts estimate that costs of additional security measures after September 11 attacks reached 3% of the total value of goods being sold to the United States. See, for example, Walkenhorst and Dihel (2002), Cole (2008), and Bandyopadhyay, Sandler, and Younas (2018).

and foreign) civilians. Previous work has shown that awareness of others' suffering elicits feelings of sympathy, especially when the suffering is seen to be undeserved (Salovey and Rosenhan 1989). This is because sympathy involves an increased sensitivity to, and understanding of, the feelings of the other (Gruen and Mendelsohn 1986). 2016 Brussel bombings, for example, was perceived as a collective tragedy that created sympathy for the local-target country in foreign-victim countries. Depending on the circumstances, terror attacks can therefore stimulate awareness, sympathy, and compassion for local-target countries overseas (Boulianne, Minaker, and Haney 2018). Under this scenario, we expect BAV image attributes such as *friendly*, *sensuous* and *rugged* to be positively affected. Whether the data support *Distortion* or *Sympathy* is an empirical question, and we test these hypotheses against the null hypothesis that terrorism has no significant effect on country reputation.

II.B The Link Between Country Reputation and Business Outcomes

The literature provides theoretical evidence for the link between country reputations, consumer preferences, and country-level economic outcomes. Armington (1969) is the first paper that incorporates country reputation into trade models. In recent literature, Chisik (2003) provides a theoretical framework, in which country reputation determines not only a country's amount of exports, but also the types of its exports. In this framework, patterns in international trade are explained by a 'reputational comparative advantage'. Similarly, Cage and Rouzet (2015) argue that countries with bad reputations can be locked into exporting low-quality, low-cost goods.

There are multiple ways in which changes in country reputation can influence firm- and segment-level outcomes. First, halo effects (Milgrom and Roberts 1986) or stereotyping (Bodenhausen and Lichenstein 1985, 1987; Bordalo, Coffman, Gennaioli, and Shleifer 2016) can turn country reputation into a heuristic for product choice. Firms that export products or

services as unbranded commodities or sell credence goods in markets with acute information asymmetries can therefore depend highly on the reputations of their countries (Michaels and Zhi 2010; Riefler 2020).

Second, consumers' perceptions of countries can influence their perceptions of the reputability of firms from those countries (Bodenhausen and Lichenstein 1985, 1987; Bilkey and Nes 1982; Verlegh and Steenkamp 1999; Gurhan-Canli and Maheswaran 2000; Insch and McBride 2004). Theoretical research in this area is unfortunately limited. Nevertheless, Ely and Valimaki (2003) provide a relevant economic model, in which unfortunate events that cannot be controlled by firms can lead these firms to be stuck with bad reputations. Similarly, in complete information models, if country reputation does influence prevailing firm reputations, a firm suffering from significant reductions in its country's reputation can be labelled by customers permanently as a low-quality firm (Klein and Leffler 1981).

Third, country reputation can also impact firms through inaccurate firm-country associations. Such associations can stem from firms' brand positioning strategies, name similarities, or consumers' incorrect beliefs about origins of companies. For example, Häagen-Dazs, a well-known ice cream company, is often perceived by consumers as Scandinavian, but it was actually founded in Brooklyn Heights, New York. Similarly, Matsui, a consumer electronics company from the United Kingdom, is often perceived as Japanese. Lexus, a Japanese automotive brand, is often perceived as American, and Klarbrunn, a bottled water company from the United States, is often perceived as Swiss, Austrian, or German.[17]

[17] Marketing and management literatures provide ample evidence on how consumers associate foreign brands with wrong country origins (Balabanis and Diamantopoulos 2011; Samiee, Shimp, and Sharma 2005). Coca-Cola is also falsely associated with Israel. During the flotilla crisis between Turkey and Israel, Turkish consumers protested Israel by dumping Coca-Cola on the streets (https://bit.ly/2m1EFee). Similar inaccurate associations involve Turks boycotting Italian-sounding Turkish companies Bellona and Pirelli, when the leader of PKK was hiding in Italy. (See https://bit.ly/2m2eAf5 and https://bit.ly/2mpGG45 for declarations by these companies clarifying that they are Turkish firms.)

Overall, we expect a distortionary effect of negative local-target country reputation on business sales in foreign-victim countries. To reflect these expectations, we label our hypothesis *Sales Distortion*. Under this scenario, we also expect firms that are strongly associated with local-target countries to observe a greater reduction in their foreign-victim country sales. The timing over which the above hypothesis manifests is an empirical question, depending for example on a firm's exposure to country reputation, how great the shock to country reputation is, and changing bilateral trade relations. We test this hypothesis against the null hypothesis that country reputation has no significant effect on firm sales overseas. Importantly, in order to empirically establish the links between terrorism, country reputation, and business outcomes, our hypotheses for both links (i.e., *Reputation Distortion* and *Sales Distortion*) need to hold simultaneously. Alternatively, one can merge these two hypotheses and test them simultaneously.

III. Data and Summary Statistics

We gather data from several resources. We use University of Maryland's Global Terrorism Dataset (GTD) [18] to identify terror events, local-target countries, and foreign-victim countries. In particular, we use terror attacks that have a defined local target (i.e., people or institutions in a local-target country), but also impact citizens of foreign countries. We restrict our sample to *initial* terror attacks on each local and foreign country pair and exclude attacks that are directed at foreign military or are unsuccessful.[19]

– Insert Table I about here –

[18] More information on GTD can be found at: https://www.start.umd.edu/gtd/downloads/Codebook.pdf.

[19] We use only events in which the nationality of victim can be clearly identified. In other words, if the foreign victim is listed as "International" we do not use that event, because we cannot identify the nationality of the victim. We also exclude attacks on foreign military overseas due to these events mostly being targeted events rather than exogenous shocks. Appendix Table B.I presents our results from further excluding the international attacks that we identify on our own.

Table I presents key information on terror attacks. Panel A records clearly defined targets in each attack, Panel B records terror attack types, Panel C records terrorist group names, and Panel D records the number of attacks, affected countries, and firms over time. We provide further detailed information (including the complete list of names of local-target and foreign-victim countries) in Appendix Section A.6. As shown in Panel A, 32.2% of terror events targeted local businesses, and 22.2% targeted private citizens and property. In addition, 46.7% of the attacks were conducted with a bombing or explosion, and 24.4% were armed assault. The table also shows that 51.1% of the time the attacker's identity was yet unknown when the terror event was added to the GTD dataset. For these cases, we search for the nationalities of perpetrators on the Internet.[20] Among the identified terrorist groups, ETA carried out 3.3% of the attacks, Chechen rebels carried out 2.2% of the attacks, and PKK conducted 2.2% of the attacks. In Panel D, we present the number of attacks, local-target countries, foreign-victim countries, and local-target country firms affected by the terror events. The staggered nature of these events makes it less likely that alternative factors such as economic cycles or terror events in one single country are driving our results. Terror attacks impact around 24% of the countries in the globe as foreign victims or local targets. If one excludes countries with less than 10 million citizens, this number becomes 52%.

– Insert Table II about here –

Panel A of Table II presents information on segment-level sales, financial characteristics, and firm name and country-of-origin resemblance.[21] Our segment-level sales data along with

[20] For replicability reasons, we do not change the GTD data presented in summary statistics.

[21] Accounting standards on operating segments (e.g., IFRS 8 and FASB ASC 280) require a firm to report material revenue from external customers separately based upon its country of domicile and foreign countries. Hence, the accounting standards on geographical segments entails managerial discretion as information is deemed material only if omitting, misstating or obscuring segment reporting could reasonably be expected to influence decisions of the primary users of general purpose financial statements.

data on other financial characteristics are from Thomson Reuters Worldscope. We manually correct misspelled country names in Worldscope segment data to be able to match this data with BAV's global surveys on country image.[22] Our segment data is on 46 countries, and the average country has 245 multinational firms over our 21-year sampling period. On average, 12.36% of the firm segments are foreign-victim country segments. We collect data on firm name and country of origin resemblance by using the NamePrism algorithm of Ye, Han, Hu, Coskun, Liu, Qin, and Skiena (2017). More specifically, we use their application program interface (API) on nationalities (http://www.name-prism.com/api) by entering all available firm names in Thomson Reuters datasets. By doing so, we compute a name similarity score by measuring the probability of a company's name being most similar to names from its country of origin.

Panel B of Table II presents detailed information on country-level reputation characteristics, economic characteristics, local-target country promotion efforts, media coverage of terror attacks in foreign countries, and bilateral trade agreements. Our country reputation data is from annual surveys carried out by BAV between 1993 and 2014 across 42 countries.[23] In these surveys, respondents are asked to evaluate countries using BAV's 48 emotional image attributes.[24] For example, when survey respondents in Turkey evaluate

[22] We do not use foreign segments that are reported at the regional level due to linking issues with the BAV dataset. Interested researchers can download this code which is shared in the Appendix.

[23] These countries are Argentina, Australia, Austria, Brazil, Chile, China, Colombia, Czech Republic, Denmark, Ecuador, Finland, France, Germany, Greece, Guatemala, Holland, India, Indonesia, Italy, Japan, Jordan, Malaysia, Mexico, Norway, Peru, Poland, Puerto Rico, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, United States, Uruguay, and Venezuela.

[24] BAV imagery attributes and additional constructs include Arrogant, Authentic, Best Brand, Carefree, Cares About Customers, Charming, Chic, Classic, Customer Centric, Cutting Edge, Daring, Different, Differentiation, Distant, Distinctive, Down To Earth, Dynamic, Energetic, Friendly, Fun, Gaining In Popularity, Glamorous, Good Value, Healthy, Helpful, High Performance, High Quality, Independent, Innovative, Intelligent, Kind, Leader, No Nonsense, Obliging, Original, Outgoing, Prestigious, Progressive, Reliable, Restrained, Rugged, Sensuous, Simple, Social, Socially Responsible, Straightforward, Stylish, Superior, Tough, Traditional, Trendy, Trustworthy, Unapproachable, Unique, Up To Date, Upper Class, and Worth More. Some of these attributes are not useful for analyzing country reputations. To tackle this issue,

Germany on BAV's image attribute *friendly*, they each give a yes or no answer to the following question: do you find Germany to be *friendly*? Germany then receives a score in Turkey on its image attribute *friendly*, measured as the percentage of respondents that associate it with being *friendly*. Germany also receives scores in the remaining 47 image attributes in Turkey and all of the 48 image attributes across the remaining annual country surveys.[25]

We provide two broad country reputation measures*: Country reputation* and *PCA-based reputation*. *Country reputation* denotes the average score across all BAV image attributes, and *PCA-based reputation* refers to the first principal component spanning all of BAV's image attributes. It has an eigenvalue of 18.0023 and spans 37.50% of the variation in all 48 variables. Figures A.I and A.II in the Appendix provide detailed information on nation brands (i.e., the strongest image attribute) of each country along with a two-dimensional visualization of our data on bilateral country surveys.

We collect country-level economic characteristics data from the CEPII GeoDist database, the World Trade Organization (WTO), and the World Bank's World Development Indicators. Terror-related news in foreign-victim country media outlets are from Factiva, and country promotion agencies data are collected from the World Association of Investment Promotion

we do tests on all of them to see which attributes are powerful. We also identify the strongest attribute of each country. We find that the strongest attribute of most countries is friendliness.

[25] Some alternative datasets to BAV are Anholt-GfK Roper Nation Brands Index, US Gallup Poll, FutureBrand Country Index, and Brand Finance Nation Brands. In terms of sampling period Anholt-GfK Roper Nation Brands Index covers post 2005, FutureBrand Country Index covers post 2009, and Brand Finance Nation Brands covers post 2010. They are therefore inferior to BAV data in terms of sampling period. The closest dataset to ours in terms of sample period is US Gallup Poll, which has reliable data starting from 1996. US Gallup data, however, only shows Americans' favorability of 42 foreign countries. The survey is therefore not bilateral. It also only contains one imagery attribute (i.e., favorability). Anholt-GfK Roper Nation Brands Index measures reputation across six dimensions (people, exports, culture, governance, tourism, investment, and immigration), and it only has data on 20 countries. Likewise, FutureBrand Country Index and Brand Finance Nation Brands indices do not contain a large array of imagery attributes and are not bilateral. BAV data therefore is far richer than all of these alternatives.

Agencies (WAIPA) and individual country promomotion agency websites.[26] Our data on bilateral trade agreements come from UNESCAP.

As shown in Panel A, Part 1, the average firm has about 4.74 additional foreign segments, as the logged value equals 1.57. As shown in Panel B, Part 2, the average local-target country firm has a logged Tobin's Q of 0.88, R&D to assets ratio of 5%, Capex to assets ratio of 5%, return on equity of 6.52%, and return on assets of 3.75%. In Panel A, Part 3, we show that 20% of local-target country firms are correctly perceived as firms from local-target countries given their highest name similarity scores. This value increases to 41% once we look at Top 5 country resemblances for names of local-target country firms.

After analyzing the data in detail, we identify two matters that explain these figures: the noise in measuring firm name and country-of-origin associations in non-English speaking countries, and the number of firms from emerging markets with foreign names. Our results get stronger if we exclude firms with weak country association scores. To the best of our knowledge, our paper is the first one to provide such detailed information on firm name and country-of-origin associations around the globe.

As shown in Part 1 of Panel B, the average country reputation score is 7.95, and the median score is 7.99. Summary statistics on the individual image attributes are presented in the Appendix Table A.I. Looking at country-pair characteristics, in Part 2 of Panel B, only 4% of the country pairs (local-target and foreign-victim countries) have had a conflict (i.e., war), 21% of the pairs have a common religion, and 14% have a common language. Local-target and foreign-victim countries are comparable in terms of their remaining characteristics such as GDP, land area, and WTO membership. As shown in Part 3 of Panel B, there are on average

[26] Part of our data before 2006 comes from a list of investment promotion agencies created by Marcelo Olarreaga. We are thankful to him for sending this data.

1.35 country promotion agencies in local-target countries. We provide detailed definitions of many of these variables along with detailed explanations of our data collection process in Appendix Section A.

IV. Research Design

In this paper we use a difference-in-differences methodology as in Bertrand and Mullainathan (2003). In particular, we estimate the following regression:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \varepsilon_{jklt}, \quad (1)$$

where j indexes firm, k indexes home country, l indexes foreign country, and t indexes year. y_{jklt} is the dependent variable of interest (i.e., the natural logarithm of dollar denominated segment sales of firm j of country k in foreign country l in year t), and α_t and α_{jl} are year and firm-segment fixed effects. X_{jklt} and Z_{jt} contain segment-level control variables such as segment age, number of other segments, and segment-wide Herfindahl-Hirschman index (HHI) index, along with firm-level controls such as cash flows to assets, Tobin's Q, and leverage. Cash flows are deflated by lagged assets, Tobin's Q is lagged, and leverage is deflated by lagged assets.

$Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country k impacted citizens of country l by year t.[27] It is therefore one after the initial attack and zero beforehand. In untabulated results, we use different versions of decaying treatment and find comparable results. ε_{jklt} is the error term. Importantly, we fully control time-invariant differences between treated and untreated firm segments with firm-segment fixed effects and aggregate time trends with year dummies. Our estimate of the treatment effect is δ.

[27] We also estimate a dynamic treatment effect within the five-year event window surrounding the terror attacks, similar to Bertrand and Mullainathan (2003). This specification shows the effects of treatment in the event time.

There are multiple benefits to using this methodology. First, it allows us to exploit the staggered nature of terror attacks over time. This time-series variation is valuable, because it helps us rule out alternative stories such as financial crises, sanctions, or armed conflicts driving our results. Importantly, our specification implicitly takes as the control group all firm-segments that are uneffected by terror attacks by time *t*, even if they might eventually be affected later on.

Second, since we exploit firm-segment data, we can separate out the effects of treatment from the effects of contemporaneous shocks in foreign-victim and local-target countries. We do this first by introducing the interacted fixed effects: $\alpha_k \times \alpha_t$. For a simple illustration of our methodology, consider a Turkish firm that is selling to a foreign country (e.g., Germany) whose citizens are impacted by a terrorist attack in Turkey. By introducing $\alpha_k \times \alpha_t$, we compare sales of Turkish firms in a given year to foreign-victim countries (e.g., Germany, whose citizens are impacted in Turkey) with sales of Turkish firms in that year to non-victim foreign countries (e.g., France, whose citizens are not impacted by terror attacks in Turkey). This specification allows us to control for yearly shocks at the home-country level, which could otherwise impact our empirical findings.

Furthermore, we also exploit data on firms from non-local-target countries that also sell in foreign-victim countries. This allows us to fully control for yearly shocks in foreign-victim countries by using interacted fixed effects $\alpha_l \times \alpha_t$. With this specification, we compare sales of Turkish firms in Germany (whose citizens are impacted in Turkey) with sales of Greek firms in Germany (as Germans are not impacted by a terrorist attack in Greece). Hence, we control for local shocks at foreign countries that might otherwise affect corporate sales to those countries.

Finally, we control for $\alpha_j \times \alpha_t$ interactive fixed effects, which allows us to fully control for yearly shocks at the firm level. With this specification, we compare foreign-victim country segments of firms with their non-foreign-victim country segments in a given year. The unobserved characteristics at firm-year level are therefore absorbed with this fixed effects structure. In untabulated specifications, we also control for industry-year shocks at the country level, i.e., we include local-target country × industry × year fixed effects or foreign-victim country × industry × year fixed effects, and find similar results. We examine the changes in reputations of local-target countries and foreign media coverage using a similar difference-in-differences methodology.

Bertrand and Mullainathan (2003) allow for clustering of the observations at the (away) state of location level rather than the headquarter state in order to account for the presence of serial correlation in their data (see page 1058). This is because antitakeover laws (i.e., their treatment) are being passed in the away states and are influencing firms that are headquartered elsewhere. In our paper, local-target country reputation gets shocked at the foreign-victim countries and are influencing local-target country firms. With this logic, we cluster standard errors at foreign-country level, which yields 92 clusters in total.

V. Results

A. Firm Sales in Foreign Markets

In this section, we begin our analysis by investigating how terror attacks impact foreign segment sales using the difference-in-differences specification in equation (1). The estimated coefficient of interest is the one on $Treatment_{klt}$, which equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*.

– Insert Table III about here –

Table III presents our results. In column (1), we show the negative effect of terror attacks on sales to foreign-victim countries. We find a 41% decrease in sales to foreign-victim countries on average. The result is robust to controlling for firm-segment-level and firm-level characteristics as well as a comprehensive set of fixed effect structures. In columns (2) through (7), we use different sets of fixed effects, as explained at length before, in order to control for yearly local-target, foreign-victim country and firm-level shocks. Across all specifications, the estimated coefficient of interest, *Treatment*, remains statistically significant and negative, with estimates ranging from –17% to –49%.[28] As shown in Panel B of Appendix Table B.III, we do not find significant effects of treatment on sales to foreign-victim countries' closest neighbors.

We provide a rich array of supplementary findings in the Appendix. First, Table B.IV and Section B.4 present results from interacting our treatment variable with three characteristics of interest in the full sample. In so doing, we find that consumer-focused, geographically-concentrated, and easy-to-substitute firms experience greater deteriorations in their foreign-victim country sales.[29] Second, Table B.X provides evidence that our results are robust to controlling for changing bilateral trade relations, and Table B.VII details the dimensions of trade relations that are influenced by terror attacks. Third, perhaps more importantly, we show in Panels A and C of Table B.II that our results are robust to analyzing subsidiary-level sales data from a different data vendor (BvD Osiris). Using subsidiary-level data circumvents problems related to strategic nondisclosure of segment-level sales. By exploiting this data, we also find evidence that supports the notion that local-target country firms do not reduce their

[28] We obtain similar results when we look at terror events that are in first half of each calendar year.

[29] We argue individual consumers and industrial buyers are different in terms of their purchase decision-making process. Purchasing decision of individual consumers might be potentially affected by social group forces, psychological factors, and consumers' situational forces, whereas in industrial purchasing, the decision-making process is highly formalized, subject to economic cost-benefit analysis (Corey 1991). Accordingly, we hypothesize that the reduction in foreign sales would be stronger for consumer-focused firms, as products of these firms are purchased by individuals rather than by manufacturers and industries.

sales efforts in foreign-victim countries. As shown in Panels B and C of Table B.II, they seem to increase their employee count after the treatment.

Collectively, these results are in line with our *Sales Distortion* hypothesis. Under this scenario, however, we also expect firms that are strongly associated with local-target countries to observe a greater reduction in their foreign-victim country sales. The following subsection provides our analyses on firm-level associations with country reputation.

B. Firm-level Name Exposures to Local-target Countries

In this section, we exploit perceived firm-name origin as a novel exposure measure to country reputation. Firm names are chosen long before terror events, and these choices are arguably orthogonal to which foreign countries' citizens might be affected in the future by local terror events and when. Firm names are also difficult to change. If firm names remind foreign consumers of product country-of-origin, they are also correlated with country image (Samiee, Shimp and Sharma 2005). To the extent that terror events have a negative effect on local-target country's image overseas, we predict local-target country firms, whose names resemble names from their country of origin, to be more severely affected by the consequences of these terror attacks.

To measure firm name and country of origin resemblance, we use a publicly-available script called NamePrism as in Ye, Han, Hu, Coskun, Liu, Qin, and Skiena (2017).[30] The authors train the NamePrism algorithm using 57 million contact lists from an email company to classify 74 million labeled names from 118 different countries, containing over 90% of the world's population. Importantly, NamePrism's training sample also uses domain (i.e., company) names following the "@" sign, which can help explain some of its success in classifying corporate

[30] Recent media mention on NamePrism can be found at https://bit.ly/2xbgY4U.

names. NamePrism is shown to perform considerably better than other existing name classifiers, and to the best of our knowledge, it provides the most detailed country classifications.

Using NamePrism, we compute a "predicted nationality" for each firm in our sample. We then examine whether having a name that sounds like a name from the local-target country affects corporate outcomes incrementally. We apply the algorithm only to firms that have names longer than four characters, excluding punctuation marks and incorporation information such as Inc. or Corp. Furthermore, we observe that the predictive capability of the algorithm is weaker for certain languages. We therefore drop languages with an average prediction score of 5%. In general, our results get stronger as we increase this lower bound.

– Insert Table IV about here –

We investigate effects of name resemblance on segment sales using a difference-in-difference-in-differences specification. We present our results in Table IV. The estimated coefficient of interest is the one on $Treatment_{klt} \times Z_j$, where Z_j is one of *Top 1 name resemblance*, *Top 3 name resemblance*, and *Top 5 name resemblance*. These variables are respectively equal to one if firm *j*'s name has the highest predicted "nationality" equal to its country of incorporation, or if among firm *j*'s top 3 or top 5 "nationality" predictions includes its country of incorporation. If, for example, Chanel receives its highest score for French, then *Top 1 name resemblance* would equal one for Chanel. If Chanel receives its second highest score for French, then *Top 1 name resemblance* would equal zero for Chanel, but *Top 3 name resemblance* would equal one.

As shown in column (1) of Table IV, our previous results also hold in this restricted sample. We show the effects of treatment on firms with high name-related exposures to their countries in columns (2) to (4). We find that high firm name and local-target country resemblance

incrementally decreases sales in foreign-victim countries by between 33% and 54%. This result is robust to controlling for firm-segment-level and firm-level characteristics as well as a comprehensive set of fixed effects structures. For a local-target country firm, having a name that sounds similar to a name from its country of origin is therefore detrimental to its segment sales in foreign-victim countries.

– Insert Figure I about here –

As shown in Figure I, we also estimate a dynamic treatment effect within the five-year event window surrounding the terror attacks, similar to Bertrand and Mullainathan (2003). In particular, we include pre- and post-event-year dummies up to five years around the event year. The fact that we don't see a strong pre-event trend in segment sales is in line with the hypothesis that we don't have an "unnatural experiment" (Besley and Case 2000). We identify an economically and statistically significant decline in foreign segment sales in the treament period. In particular, after adjusting for inactive segments, we pin down a reduction of 20% for firms with name exposures during the five-year period after the treatment. The impact of treatment on firms without name exposure is statistically and economically insignificant.

Coupled with the previous subsection, the results from Table IV and Figure I provide further evidence for our *Sales Distortion* hypothesis. In Appendix Table B.V, we present our results on *inaccurate* country-of-origin assocations (Balabanis and Diamantopoulos 2011; Samiee, Shimp, and Sharma 2005). As shown in column (1) of Table B.V, we do not identify deteriorations in foreign segment sales due to false country-of-origin assocations on average. However, the effect of false country-of-origin assocations starts to kick in once we increase the accuracy in predicted countries of origin. As shown in column (2) of Table B.V, a firm that is not from the local-target country but has a 100% name match score with it (say the local-target country is Turkey, but the firm is from Azerbaijan), experiences a 45% reduction in its sales in

the foreign-victim country. This figures is close to the reduction of 41% we pin down in Table III's column (2). Collectively, these results provide further support to the *Sales Distortion* hypothesis.

C. The Country Reputation Channel

Our results so far indicate that local-target country firms that do business in foreign-victim countries observe reductions in their foreign-victim country segment sales. These reductions are stronger for firms who names strongly resemble local-target countries. With some qualification, similar results hold for firms that are not from local-target countries but their names have *inaccurate* associations with local-target countries. Additional robustness tests highlight that consumer-focused, geographically-concentrated, and easy-to-substitute firms also experience greater deteriorations in their foreign-victim country sales.

In this subsection we provide country reputation as a channel that explains these outcomes. As motivated in Section II, we are testing two hypotheses on the link between terror attacks and country reputation against the null hypothesis that terrorism doesn't influence country reputation. To that end, we next compare local-target countries' reputations in foreign-victim countries against their reputations in unaffected foreign countries, before and after the attacks. We do so by utilizing detailed consumer surveys carried out by BAV Consulting (BAV) between 1993 and 2014 across the globe. We estimate the following regression:

$$y_{klt} = \alpha_t + \alpha_{kl} + \gamma \, X_{klt} + \delta \, \text{Treatment}_{klt} + \varepsilon_{klt}, \qquad (3)$$

where k indexes country, l indexes foreign country, and t indexes survey year. y_{klt} is the dependent variable of interest (i.e., *Country reputation* or *PCA-based reputation* score of country k in foreign country l in year t), and α_t and α_{kl} are year and country-pair fixed effects. X_{klt} contains control variables such as logged GDPs, populations, WTO membership, and common currency dummies. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack

in country *k* impacted citizens of country *l* by year *t*, and ε_{klt} is the error term. Our estimate of terrorist attacks' effect on country reputations is δ.

– Insert Table V about here –

Table V presents our results. In column (1), we show that there is a 0.66-unit decline (close to 19.53% when deflated by the standard deviation) in nation brand scores of the local-target countries in foreign-victim countries after the events. This decrease corresponds to a 8.30% relative to sample mean. We investigate the robustness of this effect in the rest of the table. In column (2), we introduce a new dependent variable, *PCA-based reputation*, and we find a 0.76-unit decline this measure. In columns (3) to (6), we isolate media's response to terror attacks and use interactions of it with our treatment.

We predict the negative effect of terrorist attacks on nation brand scores to be more pronounced when terror-related news is strongly disseminated in foreign-victim country media outlets. We use *Media coverage in foreign-victim country* dummy to proxy if there is any news coverage, and *Nr. of news articles in foreign-victim country* for the saliance of news coverage. The coefficients on *Treatment* × *Media coverage in foreign-victim country* and *Treatment* × *Nr. of news articles in foreign-victim country* are in the predicted sign, and they are statistically significant. For example, 100 terror-related articles written about the local-target country in the event years are associated with decreases in nation brand score by 4.52%, or 56.86% relative to the sample mean.

– Insert Figure II about here –

As shown in Figure II, we also examine country reputations in the event time of terror attacks. Once again, we introduce pre- and post-event-year dummies for up to five years around the event year. We show that there isn't a strong pre-event trend, and we identify a reduction

in country reputation scores in the treament period. Collectively, these results support the *Reputation Distortion* hypothesis.

Next, we revisit our cross-sectional analysis of segment-level sales, by using media coverage in foreign-victim countries, governments' active promotion efforts before the attacks, and strength of local-country image in foreign-victim countries before the attacks as potential channels that may influence foreign corporate sales.[31] To do so, we interact our *Treatment* variable with these variables in the full sample.

– Insert Table VI about here –

We present our findings in Table VI. In columns (1) and (2), we use *Media coverage in foreign-victim country* dummy to proxy for newscoverage, and *Nr. of news articles in foreign-victim country* for the saliance of news coverage. By doing so, we show that 100 terror-related media articles in foreign-victim country media outlets depreciate foreign segment sales of local-target country firms to foreign-victim countries by 5%.

Next, we study whether country promotion efforts just before terror attacks help alleviate negative effects on foreign sales.[32] We look at the ex ante number of promotion agencies in local-target countries and define *Weak Country Promotion* as a dummy variable equal to one if the headquarters country has fewer country promotion offices than the sample median in the

[31] See, Baloria and Heese (2018) on the effect of media slant on firm activities, Baron (2006) on media bias, DellaVigna, Enikolopov, Mironova, Petrova and Zhuravskaya (2014) on cross-border media and nationalism, Dinc and Erel (2013) on economic nationalism, Gentzkow and Shapiro (2006, 2010) on media slant and reputation, Liu and McConnell (2013) on the role of the media in corporate governance, Tetlock (2007, 2010, 2011, 2015) and Tetlock, Saar-Tsechansky, and Macskassy (2008) on broad effects of media on investments.

[32] Country promotion emerges as a new tool that countries use to reduce informational barriers to entry into foreign markets, besides the traditional policy tools (i.e., export subsidies, tax schemes, R&D subsidies, etc.), which has already extensively been explored in prior literature (e.g., Mayer, 1984; Bagwell and Steiger, 1989; Grossman and Horn, 1988; Chen, 1991; Harding and Javorcik, 2011). However, due in part to the lack of reliable data, the effectiveness of country promotion in boosting or protecting foreign sales remains an unexplored issue. Most agencies use proactive country brand management techniques with the objective of changing the image of the country. Image-building activities comprise public relation events, generation of favorable news, and advertising campaigns in international newspapers (Morisset and Andrews-Johnson, 2004).

pre-treatment period. In column (3), we interact *Weak Country Promotion* with *Treatment* to compare the effect across countries that increase their promotion efforts by opening more agencies and countries that do not. We find that deteriorations in foreign sales after terror events are economically and statistically significant for weak-promoter local-target countries. The coefficient on the interaction term *Weak Country Promotion***Treatment* is –1.45 and statistically significant, while the coefficient on *Treatment* equals 0.81. These results provide descriptive evidence on the usefulness of country promotion in preventing erosions in country reputation and protecting the private sector from its negative ramifications.

We also use survey methodology to triangulate our empirical findings, as it enables us to ask questions that would be difficult to address with observational data. We compile a list of questions that is designed to better understand the responsibilities and changing importance of these roles for a global sample of investment and promotion agencies ("agency"). We also ask if the agency changes its efforts after events that damage country reputation.[33] Our survey is available upon request. 90.1% of agencies (10 out of 11) find the activities aiming to improve image of their countries either extremely important (7 agencies) or very important (3 agencies), on a Likert scale of 5 where extremely important (very important) corresponds to 5 (4).[34]

[33] Our survey instrument was informed by a review of the surveys conducted by the United Nations Conference on Trade and Development (UNCTAD) and the Organisation for Economic Cooperation and Development (OECD) as well as by our review of extensive literatures on investment and promotion agencies. After compiling a list of questions, we contacted academic colleagues who are familiar with the survey methodology and distributed pilot survey to an investment and promotion agency. This process helped us assess presentation of our questions, include omitted fundamental questions, and exclude unimportant and ambigious questions to reduce the time to complete the survey. We asked a total of 14 questions with the order of the questions randomized.

[34] We compiled a contact list of a global sample of agencies, of which, out of a total of 128, we could have obtained 119 contact details from agencies' websites. We use qualtrics.com to deliver the survey via email on June 26, 2019. We informed respondents that their response would be strictly kept confidential, sent reminder emails to agencies who had not completed the survey on July 5 and 16, and closed the survey on July 26, four weeks after our original invitation. We received a total of 11 responses for a response rate of 9.24%. While we have a small number of agencies responding to our survey, the response rate is in line with other accounting and finance surveys administered vie email (for example see Dichev et al. (2013) reporting a response rate of 5.4% and Graham et al. (2005) reporting a response rate of %10.4).

Country image building activity appears to be the second most important responsibility following the promotion of foreign direct investment. Further, 8 (3) agencies find the importance of country image building activities to increase (remains unchanged) over the last 5 years. More importantly, 8 (3) agencies report that they increase (do not change) their efforts after events that damage country reputations. Our survey provides some of the first exploratory evidence documenting the increasing importance of country image building activities for investment and promotion agencies, and the increasing efforts to improve country reputations after adverse events affecting a country's image overseas.

Finally, in Column (4), to identify whether nation brand scores amplify our findings, we also interact our treatment variable with *High Country Reputation*, which denotes whether the local-target country reputation score is greater than the median at the foreign-victim country surveys during the pre-treatment period. Once again the interaction term is significant and negative.

In Appendix Section B.8, we provide a detailed analysis of how media outlets in foreign-victim country respond to terror attacks. Results from this section are in line with the *Reputation Distortion* hypothesis. Media coverage influences country image and amplifies the effects of declining country reputations on corporate outcomes. Governments' active promotion efforts before the attacks and the strength of local-country image in foreign-victim countries before the attacks also influence these outcomes.

D. Firm-Level Outcomes

Our findings so far highlight the impact of our treatment at the firm-segment level. In this section, we study the overall well-being of firms. To do so, we run regressions on the following specification:

$$y_{jt} = \alpha_j + \alpha_t + \gamma\, X_{jt} + \delta\, \text{Treated}_{jt} + \varepsilon_{jt}\,, \qquad (5)$$

where j indexes firm and t indexes survey year. y_{jt} is the dependent variable of interest (i.e., Logged Tobin's Q, Logged Market-to-book, Sales Growth, or Return on Equity of firm j in year t), and α_j and α_t are firm and year fixed effects. X_{jt} contains control variables such as logged assets, assets squared, and firm age as in Bennedsen and Zeume (2018), or cash flows to assets and leverage as in Cohen, Coval, and Malloy (2011). Cash flows are deflated by lagged assets, Tobin's Q is lagged, and leverage is deflated by lagged assets. $Treated_{jt}$ denotes whether at least one of firm j's segments was affected by terror attacks by year t.[35]

– Insert Table VII about here –

We present our results in Table VII. Our findings confirm that our treatment is associated with deteriorations in overall firm value. These deteriorations are economically impactful, statistically significant, and persistent. In particular, firms that have segment-level exposures to terror attacks lose up to 5% of their market values, as shown in columns (1) and (2). These effects hold after correcting for firm-level controls, firm fixed effects, and industry-year fixed effects as shown in columns (5) and (6).

We also pin down distortions in sales growth as high as 3%. As shown in column (4), we further identify a negative effect on return on equity. In particular, firms with segment-level exposures to terror attacks exhibit a drop of 0.86% in profitability. In Appendix Table B.XII, we show similar distortions in variables *Asset Growth* and *Profit Margin*. Overall, we identify depreciations in sales at the segment level and sizable deteriorations in value, profitability, and growth at the firm level.

– Insert Figure III about here –

[35] This means that at least one foreign segment country's citizen got killed or injured in a terror attack.

As shown in Figure III, we also estimate a dynamic treatment effect within the five-year event window surrounding the terror attacks. We don't see strong pre-event trends in dependent variables, and we identify an economically and statistically significant decline in firm value in the treament period. Similar to Abedie and Gardeazabal (2003), we pin down an immediate reduction in firm value after the terror attacks, which is in line with the hypothesis that the market quickly prices expected losses in cash flows and increased risk.

Importantly, Appendix Table B.XI presents empirical evidence that the deteriorations in firm value are particularly strong for firms with high name exposure to local-target countries. Appendix Figure A.VI provides further evidence on dynamic treatment effects related to this finding. As shown in the figure, we pin down an immediate reduction in firm value after the terror attacks for firms with high name exposure.

Abedie and Gardeazabal (2003) use a unilateral truce declared by ETA in September 1998 as a natural experiment to estimate the effects of the terrorism on firm value in Spain. Stocks of firms with a significant part of their business in the Basque Country have a positive relative performance as a truce becomes credible, and a negative relative performance at the end of the cease-fire. Between August 1999 and November 1999, domestic stocks with exposure to terrorism lost around 15% in returns relative to stocks with minimal exposure to terrorism. With some qualification, our findings in Table B.XI (i.e., a reduction of 15% in Log(M/B)) are in line with Abedie and Gardeazabal (2003)'s numbers. As shown in column (4), not surprisingly, our results are not merely driven by firm name exposure (i.e., the country reputation channel) and we do not claim they are.

E. Alternative Explanations

Our results highlight depreciations in sales at the segment level and sizable deteriorations in value, profitability, and growth at the firm level after treatment. These reductions are greater

for firms who names strongly resemble local-target countries. With some qualification, similar results hold for firms that are not from local-target countries but their names have *inaccurate* associations with local-target countries. Additional robustness tests highlight that consumer-focused, geographically-concentrated, and easy-to-substitute firms also experience greater deteriorations in their foreign-victim country sales.

These findings are in line with *Reputation Distortion* and *Sales Distortion* hypotheses. This being said, it could still be the case that firms with high (correct and incorrect) name resemblance with local-target countries, along with consumer-focused, geographically-concentrated, and easy-to-substitute firms collectively do not disclose their foreign-victim country sales due to strategic disclosure reasons. To respond to this caveat, we rerun our main regressions using subsidiary-level data that are immune to this problem. As reported in Table B.II and explained in Section B.2, we find similar results from using this data.

Another concern with our findings can be related to economic magnitude. Upon investigation, we identified several firm segments with zero sales. Although these do not fully explain our results (see, for example, our results on foreign segment sales in Figure I after adjusting for inactive segments), they can still amplify our coefficients. Perhaps more importantly, inactive segments can also provide some information about a firm's participation decision to foreign-victim segments. We provide therefore additional analyses about firm name exposure and segment dynamics.

As shown in Table B.VI, the name exposure has a significant effect on a firm's participation decision to the foreign-victim country marketplace for the first five years of treatment. Figure A.III presents a very interesting dynamic treatment effect. Using a linear probability model, we show that the probability of having an active segment decreases more for firms with name

exposure during the first five years of treatment. After the first five years, the trends for firms with name exposure and firms without name exposure look very similar.

This takes us to the third alternative explanation for our findings: bilateral trade relations. Although we control for changing bilateral trade relations in Table B.X and our findings from (accurate and inaccurate) name similarities difference out the effects of bilateral trade relations at least partially, we still investigate what happens to trade relations after the treatment. Figure A.V coupled with Table B.VII highlight that the trade relations start to deteriorate after the fifth year of treatment. This alligns nicely with our findings Table B.VI and Figure A.III. As a summary, country reputation channel influences the participation of local-target country firms to foreign-victim country markets, during the first couple of years of treatment. Nonetheless, deteriorating trade relations dominate the influence of country reputation over time.

VII. Conclusion

This paper provides a first attempt at filling a gap in the financial economics by identifying the effects of a novel form of intangible asset —country reputation— on foreign segment sales of multinational corporations. We provide a first measure of firm-level exposure to country reputation, show how government promotion agencies help multinational firms by preserving firm value, and how inaccurate firm-country associations impact corporate activities in global markets. We employ an innovative identification methodology that exploits the unforeseeable nature of local terror attacks, not only in terms of time and place, but also in terms of the nationalities of foreign citizens they impact.

As with any empirical study, our findings may be affected by endogeneity. However, our novel identification strategy combined with a rich set of fixed effect structures and multiple conditional relationships seek to alleviate these concerns in a convincing manner. Although it is possible to find alternative explanations for some of the cross-sectional tests independently,

it is difficult to find one that fits all of our results simultaneously. For example, any omitted variable would have to be correlated in such a way that it can simultaneously explain our results based on foreign media coverage, country reputation, and name resemblance. Furthermore, the omitted variable should also have to be correlated with the nationalities of foreigners citizens injured in terror attacks, match the timing of terror attacks, pass our placebo tests and drive our results on inaccurate country associations.

In our paper, we look at the relation between country reputation and foreign corporate sales. Future work in finance can benefit from our firm-level exposure measure to country reputation while studying asset pricing implications of country reputation. We leave additional extensions and considerations in corporate finance, risk management and public economics to other researchers.

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Table I

Terror-event Characteristics

This table presents key information on terror attacks using data from the merged GTD and Worldscope universe, spanning the period 2001–2013. We use terror attacks that have a defined local target (i.e., people or institutions in the local-target country), but also impact citizens of foreign countries. We restrict our sample to initial terror attacks on each local and foreign country pair and exclude attacks that are directed at foreign military or are unsuccessful. **Panel A** reports target types, **Panel B** reports attack types, **Panel C** reports terrorist groups, and **Panel D** reports the number of attacks, affected countries, and multinational local country firms newly affected by terror attacks each year.

Panel A: Target types	**N**	**%**
Business	29	32.2
Private Citizens & Property	20	22.2
Government (Diplomatic)	17	18.9
NGO	7	7.8
Tourists	4	4.4
Airports & Aircraft	3	3.3
Police	3	3.3
Educational Institution	2	2.2
Journalists & Media	2	2.2
Unknown	2	2.2
Religious Figures/Institutions	1	1.1
Total	**90**	**100**
Panel B: Terror attack types	**N**	**%**
Bombing/Explosion	42	46.7
Armed Assault	22	24.4
Hostage Taking (Kidnapping)	11	12.2
Facility/Infrastructure Attack	10	11.1
Hijacking	2	2.2
Unarmed Assault	2	2.2
Other	1	1.1
Total	**90**	**100**
Panel C: Terrorist groups	**N**	**%**
Unknown	46	51.1
Unaffiliated Individual(s)	4	4.4
Basque Fatherland and Freedom (ETA)	3	3.3
Chechen Rebels	2	2.2
Free Aceh Movement (GAM)	2	2.2
Kurdistan Workers' Party (PKK)	2	2.2
National Liberation Army of Colombia (ELN)	2	2.2
Abu Sayyaf Group (ASG)	1	1.1
Athens and Thessaloniki Arsonist Nuclei	1	1.1
Conspiracy of Cells of Fire	1	1.1
Corsican National Liberation Front (FLNC)	1	1.1
Other	35	27.7
Total	**90**	**100**

Table I, continued

Panel D: Yearly observations

	Number of terror attacks	Number of local-target countries	Number of foreign-victim countries	Number of local-target country firms
2001	17	12	10	264
2002	6	6	5	191
2003	9	7	7	115
2004	5	4	4	61
2005	9	8	7	649
2006	8	4	7	43
2007	7	7	5	269
2008	13	12	11	275
2009	8	7	7	42
2010	3	3	2	7
2011	2	2	2	52
2012	1	1	1	1
2013	2	2	2	6
Total	**90**	**75**	**70**	**1,975**

Table II

Summary Statistics

This table reports country-level and firm-level characteristics. We provide number of observations, mean, median, and standard deviations.

- In **Panel A**, we present data on segment-level corporate sales, financial characteristics, and name-embedding characteristics of exporter firms from local-target countries. In part (1), we report segment-level characteristics of firms. *Logged segment sales* denotes log of one plus foreign segment sales, and *Logged segment assets* denotes log of one plus foreign segment assets. Both of these variables are reported in U.S. dollars using exchange rates from the previous year end. We exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. *Logged Segment age* refers to logged number of years since inclusion in Thomson Reuters Worldscope. *Logged number of other segments* denotes the logged number of firm segments excluding a given segment. *Segment Herfindahl-Hirschman index (HHI)* is computed using sales in FF-48 industries in the foreign segment. In part (2), we present financial characteristics. Detailed definitions of these variables are presented in Appendix Section A. In part (3), we report firm name and country of origin match scores using the NamePrism algorithm of Ye, Han, Hu, Coskun, Liu, Qin, and Skiena (2017). Top 1 name resemblance, Top 3 name resemblance, and Top 5 name resemblance are respectively equal to one if firm *j*'s name has highest predicted "nationality" equal to its country of incorporation, or if firm *j*'s top 3 or top 5 "nationality" predictions includes its country of incorporation.

- In **Panel B**, we present data on country image, economic characteristics, promotion efforts, bilateral trade agreements, and foreign media coverage. In part (1), we report image attribute scores from surveys carried out by BAV in foreign countries. Each country gets a percentage score in each attribute that denotes the percentage of the respondents associating it with the image attribute. *Country reputation* denotes the average score across all BAV image attributes. *PCA-based Reputation* refers to the first principal component spanning all of BAV's image attributes. *Product-related country reputation* refers to average score in BAV attributes *high quality, trustworthy, authentic, unique, cares customers, good value,* and *socially responsible*. *Culture-related country reputation* refers to average score in BAV attributes *friendly, fun, kind, down to earth, arrogant, energetic, rugged,* and *traditional*. In part (2), we present economic characteristics of country pairs (i.e., local and foreign countries in our sample). *Conflict* denotes whether there is an active war between a given country/foreign country pair. *Distance* is the population-weighted distance between the two most populous cities in thousand kilometers, as in Mayer and Zignago (2005). Common religion and common ethnic language denote whether countries share a common religion and an ethnic language, respectively. *Logged GDP* denotes US$ GDP per capita in thousands, *Population* denotes population in millions, *Area* denotes area in thousand kilometers squared, and *WTO member* denotes whether a given country is a WTO member in a given year. In part (3), we present data on country promotion agencies. We hand-collect country promotion agencies data from World Association of Investment Promotion Agencies (WAIPA) and individual country promotion agency websites. In part (4), we present data on media coverage of terror events in foreign countries at the firm-segment-year level. *Nr. of news articles in foreign-victim country* are Factiva news articles (in 100's) with subjects equal to "Terrorism", region tags equal to the name of local country names, and source tags equal to names of the foreign media outlets. *Media coverage in foreign-victim country* is one if *Nr. of news articles in foreign-victim country* is greater than zero, and zero otherwise. In part (5), we present data on bilateral trade agreements between countries. *Trade agreement* denotes whether there is an active trade agreement between country *k* and foreign country *l* in year *t*. *Total Pages* denotes the average number of pages in active trade agreements between country *k* and foreign country *l* in year *t*. *IPR Mention, IPR Chapter* and *Trade Secrets* respectively denote whether intellectual property rights (IPR) were covered, there is a chapter on IPR, and trade secrets are mentioned in active trade agreements between countries.

Panel A: Firm-level characteristics				
Part 1: Segment-level sales	**N**	**Mean**	**Median**	**Stdev.**
Logged segment sales	244,222	2.96	0.00	4.08
Logged segment assets	244,222	1.59	0.00	3.36
Logged segment age	244,222	2.24	2.40	0.7
Logged number of other segments	244,222	1.57	1.61	0.58
Segment HHI	244,222	0.35	0.25	0.3
Part 2: Financial characteristics	**N**	**Mean**	**Median**	**Stdev.**
Logged Tobin's Q	243,311	0.88	0.8	0.31
Logged Market-to-book	243,328	0.62	0.53	0.4
Logged size	243,334	3.02	3.01	0.1
R&D to book assets	127,572	0.05	0.02	0.06
Capex to book assets	242,068	0.05	0.04	0.05
Leverage	244,222	0.24	0.21	0.21
Return on equity (%)	238,139	6.52	8.79	19.83
Return on assets (%)	243,620	3.75	4.83	10.22
Profit margin (%)	235,967	27.18	23.64	19.25
Cash flows to assets	244,222	0.02	0.00	0.07
Part 3: Name characteristics	**N**	**Mean**	**Median**	**Stdev.**
Top 1 name resemblance	214,579	0.20	0.00	0.40
Top 3 name resemblance	214,579	0.35	0.00	0.48
Top 5 name resemblance	214,579	0.41	0.00	0.49
Panel B: Country-level characteristics				
Part 1: Country reputation characteristics	**N**	**Mean**	**Median**	**Stdev.**
Country reputation	7,407	7.95	7.99	3.38
PCA-based reputation	7,407	0.00	-0.08	4.24
Product-related country reputation	7,407	7.71	7.55	3.21
Culture- related country reputation	7,407	10.27	9.72	4.62
Part 2: Economic characteristics	**N**	**Mean**	**Median**	**Stdev.**
Conflict	7,407	0.04	0.00	0.19
Distance	7,407	6.97	7.46	4.81
Common religion	7,407	0.21	0.08	0.27
Common ethnic language	7,407	0.14	0.00	0.35
Logged GDP	7,407	9.29	9.61	1.27
Logged GDP (Foreign country)	7,407	9.40	9.97	1.30
Population	7,407	145.84	58.68	278.33
Population (Foreign country)	7,407	175.78	57.97	340.04
Area	7,407	2.14	0.51	3.38
Area (Foreign country)	7,407	3.41	0.55	4.85
WTO member	7,407	0.97	1.00	0.18
WTO member (Foreign country)	7,407	0.91	1.00	0.28
Part 3: Promotion efforts	**N**	**Mean**	**Median**	**Stdev.**
Number of promotion agencies	7,407	1.35	1.00	1.35
Part 4: Media coverage abroad	**N**	**Mean**	**Median**	**Stdev.**
Media coverage in foreign-victim country	229,629	0.07	0.00	0.25
Nr. of news articles in foreign-victim country	229,629	0.16	0.00	0.98
Part 5: Bilateral trade agreements	**N**	**Mean**	**Median**	**Stdev.**
Trade agreement	41,600	0.80	1.00	0.40
Total pages	41,600	91.92	16.00	216.71
IPR mention	41,600	0.24	0.00	0.30
IPR chapter	41,600	0.23	0.00	0.29
Affirming TRIPS	41,600	0.63	0.00	0.84
Trade secrets	41,600	0.25	0.00	0.42

Table III

Effects of Terror Attacks on Foreign Segment Sales

This table reports the impact of terror events on firms' foreign segment sales. We run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \varepsilon_{jklt},$$

where *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest (i.e., logged segment sales of firm *j* of country *k* in foreign country *l* in year *t*). We convert segment sales to U.S. dollars using exchange rates from the previous year end, and we exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. α_t and α_{jl} are year and firm-segment fixed effects. X_{jklt} and Z_{jt} contain segment-level control variables such as *Log(Segment age), Log(Number of other segments), Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries, along with firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Cash flows* are deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*, and ε_{jklt} is the error term. Our sample is the merged GTD and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

	Log(Segment-level Sales)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treatment	-0.41**	-0.41**	-0.48***	-0.33**	-0.49**	-0.25***	-0.17**
	(-2.59)	(-2.45)	(-3.31)	(-2.40)	(-2.52)	(-3.87)	(-2.01)
Log(Segment age)	…	0.02	0.06	0.04	0.05	0.04	…
		(0.14)	(0.50)	(0.33)	(0.36)	(0.37)	
Log(Number of other segments)	…	-2.82***	-3.12***	-3.07***	-3.44***	-3.37***	…
		(-4.28)	(-4.32)	(-4.17)	(-4.72)	(-4.49)	
Segment HHI	…	0.22	0.27	0.42***	0.29**	0.40***	0.17*
		(1.21)	(1.56)	(3.61)	(2.06)	(3.67)	(1.79)
Cash flows to assets	…	-2.42***	-1.96***	-1.25***	0.32	0.36	…
		(-5.48)	(-4.59)	(-2.95)	(0.95)	(0.99)	
Leverage	…	0.25***	0.29***	0.28***	0.28***	0.25***	…
		(2.83)	(3.64)	(3.53)	(3.45)	(3.14)	
Log(Tobin's Q)	…	-0.11**	-0.16***	-0.16***	-0.20***	-0.20***	…
		(-2.14)	(-2.69)	(-2.74)	(-3.34)	(-3.28)	
Firm-segment fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	No	No	No	No	No
Industry-year fixed effects?	No	No	Yes	Yes	Yes	Yes	No
Foreign country × year fixed effects?	No	No	No	Yes	No	Yes	Yes
Country of incorporation × year fixed effects?	No	No	No	No	Yes	Yes	No
Firm × year fixed effects?	No	No	No	No	No	No	Yes
Observations	243,543	243,543	243,543	243,433	243,543	243,433	242,187
R^2	0.460	0.461	0.474	0.488	0.496	0.507	0.763

Table IV

Firm Name Associations and Foreign Segment Sales

This table presents results on how firm name and country-of-origin resemblance affect foreign segment sales. We run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \mu\, \text{Treatment}_{klt} * T_j + \varepsilon_{jklt},$$

where *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest (i.e., logged segment sales of firm *j* of country *k* in foreign country *l* in year *t*). We convert segment sales to U.S. dollars using exchange rates from the previous year end, and we exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. α_t and α_{jl} are year and firm-segment fixed effects. X_{jklt} and Z_{jt} contain segment-level control variables such as *Log(Segment age), Log(Number of other segments), Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries, along with firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Cash flows* are deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t.* T_j is one of *Top 1 name resemblance, Top 3 name resemblance,* and *Top 5 name resemblance*. They are respectively equal to one if firm *j*'s name has highest predicted "nationality" equal to its country of incorporation, or if among firm *j*'s top 3 or top 5 "nationality" predictions includes its country of incorporation. ε_{jklt} is the error term. Our sample is the merged BAV, GTD, and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Log(Segment-level Sales)			
	(1)	(2)	(3)	(4)
Treatment	-0.40**	-0.24	-0.03	0.02
	(-2.28)	(-1.46)	(-0.32)	(0.17)
Treatment × Top 1 name resemblance	…	-0.54***	…	…
		(-2.72)		
Treatment × Top 3 name resemblance	…	…	-0.33**	…
			(-2.02)	
Treatment × Top 5 name resemblance	…	…	…	-0.36**
				(-2.03)
Log(Segment age)	0.03	0.03	-0.17**	-0.17**
	(0.19)	(0.19)	(-2.31)	(-2.30)
Log(Number of other segments)	-2.52***	-2.52***	-0.83**	-0.84**
	(-3.70)	(-3.70)	(-2.45)	(-2.47)
Segment HHI	0.25	0.25	0.01	0.01
	(1.32)	(1.33)	(0.10)	(0.10)
Cash flows to assets	-2.76***	-2.75***	-0.75***	-0.75***
	(-5.94)	(-5.85)	(-4.18)	(-4.13)
Leverage	0.23**	0.23**	0.15***	0.15***
	(2.49)	(2.48)	(3.43)	(3.42)
Log(Tobin's Q)	-0.13**	-0.13**	-0.05*	-0.05*
	(-2.26)	(-2.23)	(-1.95)	(-1.96)
Firm-segment fixed effects?	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes
Observations	213,967	213,967	213,967	213,967
R^2	0.460	0.460	0.516	0.516

Table V

Country Reputation and Media Coverage

This table studies effects of terror attacks on country reputation scores overseas. In our main specification, we estimate the following regression:

$$y_{klt} = \alpha_t + \alpha_{kl} + \gamma\, X_{klt} + \delta\, \text{Treatment}_{klt} + \mu\, \text{Treatment}_{klt} * M_{klt} + \varepsilon_{klt}$$

where *k* indexes country, *l* indexes foreign country, and *t* indexes survey year. y_{klt} is the dependent variable of interest (e.g., country reputation score of country *k* in foreign country *l* in year *t*), and α_t and α_{kl} are year and country-pair fixed effects. *Country Reputation* denotes the average score across BAV image attributes. *PCA-based Reputation* refers to the first principal component spannig all of BAV's image attributes. X_{klt} contains control variables such as *Log(GDP per capita), Log(Population)*, and *WTO membership*, along with *Common currency* dummies for both country *k* and location *l*. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*, and ε_{klt} is the error term. M_{klt} is one of *Media coverage in foreign-victim country* and *Nr. of news articles in foreign-victim country*. *Nr. of news articles in foreign-victim country* are Factiva news articles (in 100's) with subjects equal to "Terrorism", region tags equal to the name of local country names, and source tags equal to names of the foreign media outlets. *Media coverage in foreign-victim country* is one if *Nr. of news articles in foreign-victim country* is greater than zero, and zero otherwise. Our sample is the merged BAV and GTD, and our sample period is from 1993 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Country Reputation	PCA-based Reputation	Country Reputation	PCA-based Reputation	Country Reputation	PCA-based Reputation
	(1)	(2)	(3)	(4)	(5)	(6)
Treatment	-0.66**	-0.76**	0.61	0.86	-0.31	-0.28
	(-2.14)	(-2.22)	(1.49)	(1.60)	(-0.86)	(-0.71)
Treatment × Media coverage	…	…	-1.79***	-2.27***	…	…
in foreign-victim country			(-3.14)	(-3.04)		
Treatment × Nr. of news articles	…	…	…	…	-4.52***	-6.13***
in foreign-victim country					(-2.97)	(-3.26)
Log(GDP per capita)	2.44**	3.10**	2.58**	3.23**	2.59**	3.25**
	(2.20)	(2.22)	(2.29)	(2.27)	(2.32)	(2.30)
Log(GDP per capita$^{\text{Foreign country}}$)	0.40	0.53	0.38	0.52	0.37	0.52
	(1.50)	(1.69)	(1.35)	(1.54)	(1.45)	(1.67)
Log(Population)	0.85	1.47	1.19	1.86*	1.10	1.76
	(1.14)	(1.53)	(1.46)	(1.77)	(1.35)	(1.69)
Log(Population $^{\text{Foreign country}}$)	-1.66	-0.18	-4.78	-4.25	-4.81	-4.27
	(-0.27)	(-0.02)	(-0.76)	(-0.51)	(-0.76)	(-0.51)
GATT/WTO member	0.60*	1.24***	0.46	1.06**	0.53	1.15**
	(1.85)	(2.85)	(1.34)	(2.28)	(1.54)	(2.49)
GATT/WTO member $^{\text{Foreign country}}$	-0.04	-0.06	-0.04	-0.06	-0.02	-0.04
	(-0.39)	(-0.39)	(-0.29)	(-0.35)	(-0.21)	(-0.29)
Common currency	0.98**	1.05*	1.04**	1.10*	0.87*	0.89
	(2.27)	(1.94)	(2.29)	(2.03)	(1.92)	(1.61)
Country pair fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7,083	7,083	6,256	6,256	6,256	6,256
R^2	0.839	0.838	0.844	0.842	0.843	0.842

Table VI

Media Coverage, Country Reputation and Foreign Sales

This table reports how media coverage of terror events, country image, and country promotion efforts influence foreign segment sales. We run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \mu\, \text{Treatment}_{klt} * M_{klt} + \varepsilon_{jklt},$$

where *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest (i.e., logged segment sales of firm *j* of country *k* in foreign country *l* in year *t*). We convert segment sales to U.S. dollars using exchange rates from the previous year end, and we exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. α_t and α_{jl} are year and firm-segment fixed effects. X_{jklt} and Z_{jt} contain segment-level control variables such as segment age, number of other segments, segment-wide Herfindahl-Hirschman index (HHI) index using FF-48 industries, along with firm-level controls such as cash flows to asset, Tobin's Q, and leverage. Cash flows are deflated by lagged assets, Tobin's Q is lagged, and leverage is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that is equal to one if a terror attack in country *k* impacted citizens of country *l* by year *t*. M_{klt} includes additional controls. *Media coverage in foreign-victim country* is equal to one if foreign-victim country media outlets cover the terror attack. *Nr. of news articles in foreign-victim country* denotes the number of terror-related news articles (in hundreds) in foreign-victim country media outlets in the event year. *Weak country promotion* denotes whether the local target country has fewer country promotion agencies than the sample median in the year before the terror attack. *High country reputation* denotes whether a local-target country's average *Country reputation* score is greater than the median in the pre-treatment period (i.e., pre-2001). *Country reputation* denotes the average score across BAV image attributes. ε_{jklt} is the error term. Our sample is the merged BAV, GTD, and Worldscope universe, and our sample period is from 1993 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and10% levels, respectively.

(Table is on the following page)

	Log(Segment-level Sales)			
	(1)	(2)	(3)	(4)
Treatment	-0.03	-0.33*	0.81***	0.10
	(-0.20)	(-1.77)	(2.95)	(0.60)
Treatment × Media coverage	-0.66***	…	…	…
in foreign-victim country	(-2.71)			
Treatment × Nr. of news articles	…	-0.05**	…	…
in foreign-victim country		(-2.10)		
Treatment × Weak country promotion	…	…	-1.45***	…
			(-4.78)	
Treatment × High country reputation	…	…	…	-0.53***
				(-3.83)
Log(Segment age)	-0.05	-0.04	0.01	-0.22
	(-0.37)	(-0.34)	(0.10)	(-1.64)
Log(Number of other segments)	-2.74***	-2.74***	-2.82***	-3.96***
	(-3.83)	(-3.80)	(-4.34)	(-3.44)
Segment HHI	0.30	0.30	0.22	0.07
	(1.56)	(1.56)	(1.21)	(0.56)
Cash flows to assets	-2.40***	-2.38***	-2.42***	-5.37***
	(-5.50)	(-5.38)	(-5.54)	(-2.78)
Leverage	0.19**	0.18**	0.25***	0.15
	(2.30)	(2.24)	(2.88)	(1.15)
Log(Tobin's Q)	-0.14***	-0.13***	-0.12**	-0.22***
	(-2.68)	(-2.63)	(-2.29)	(-3.57)
Firm-segment fixed effects?	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes
Observations	228,974	228,974	243,543	90,060
R^2	0.461	0.461	0.461	0.534

Table VII

Firm-level Ramifications

This table reports the impact of terror events on firm value, sales growth, and profitability. We run regressions on the following specification:

$$y_{jt} = \alpha_j + \alpha_t + \gamma\, X_{jt} + \delta\, \text{Treatment}_{jt} + \varepsilon_{jt},$$

where *j* indexes firm and *t* indexes survey year. y_{jt} is the dependent variable of interest (i.e., *Logged Tobin's Q, Logged Market-to-book, Sales growth*, or *Return on Equity* of firm *j* in year *t*), and α_t and α_j are year and firm fixed effects. X_{jt} contains *Log(Book assets), Log(Book assets squared), and Log(Age),* or firm-level controls such as *Cash flows to assets* and *Leverage. Book assets* and *Book assets squared* are in U.S. dollars, as reported by Worldscope under firm-level data. *Sales growth* is percent yearly change in firm sales. *Cash flows to assets* is deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{jt}$ denotes whether at least one of a firm's segments was affected by terror attacks by year *t*. Our sample is the merged BAV, GTD, and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the local-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Logged Tobin's Q	Logged M/B	Sales Growth	Return on Equity (%)	Logged Tobin's Q	Logged M/B	Sales Growth	Return on Equity (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Treatment	-0.05***	-0.04***	-0.03***	-0.86*	-0.04***	-0.04***	-0.03***	-0.76*
	(-2.96)	(-3.34)	(-3.93)	(-2.01)	(-2.71)	(-2.89)	(-4.78)	(-1.88)
Log(Age)	-0.15***	-0.12***	-0.19***	-5.24***	-0.11***	-0.09***	-0.17***	-5.12***
	(-7.58)	(-8.20)	(-9.86)	(-5.29)	(-7.55)	(-8.57)	(-10.27)	(-5.57)
Log(Book assets)	-0.17*	-0.03	0.28***	22.97***	-0.15	-0.00	0.28***	23.98***
	(-1.72)	(-0.44)	(9.67)	(9.33)	(-1.54)	(-0.06)	(8.76)	(9.51)
Log(Book assets sq.)	0.00	-0.00	-0.01***	-0.54***	0.00	-0.00	-0.01***	-0.57***
	(0.91)	(-0.93)	(-7.66)	(-8.48)	(0.61)	(-1.47)	(-6.75)	(-8.96)
Cash flows to assets	…	…	…	50.43***	…	…	…	47.96***
				(5.09)				(5.03)
Leverage	…	…	…	-6.92***	…	…	…	-7.32***
				(-6.20)				(-6.59)
Firm fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes	No	No	No	No
Industry-year fixed effects?	No	No	No	No	Yes	Yes	Yes	Yes
Observations	66,649	66,649	66,341	66,649	66,638	66,638	66,330	66,638
R^2	0.624	0.677	0.217	0.426	0.653	0.703	0.253	0.450

Figure I

Segment Sales in the Event Time of Treatment

This figure shows the evolution of segment sales relative to control firms around the terror attacks. The x-axis denotes years around the terror attacks. The y-axis shows the interaction coefficients between years-to-attack dummies and the *Treatment* variable as in specification (1). Interaction terms are obtained from an OLS regression on a sample of treatment and control firm-segments with logged segment sales in U.S. dollars on the left-hand side. On the right-hand side, we have controls as in Table IV. We also have firm-segment fixed effects along with year fixed effects as in Table IV, Column (2). *Firms with Name Exposure* refers to *Top 1 name resemblance* firms as in Table IV, Column (2). *Firms without Name Exposure* refers the firms that have *Top 1 name resemblance* value of zero. All dependent variables are scaled by sample averages, and *Firms with Name Exposure* refers to *Top 1 name resemblance (Adj.)* is scaled by the sample average conditional on segment sales being positive. The red vertical dotted line records the event time. The triangle, square and diamond markers record statistically insignificant coefficients, and the circle markers record statistically significant coefficients at the 10%, 5%, or 1% levels. Standard errors are clustered at the foreign-country level.

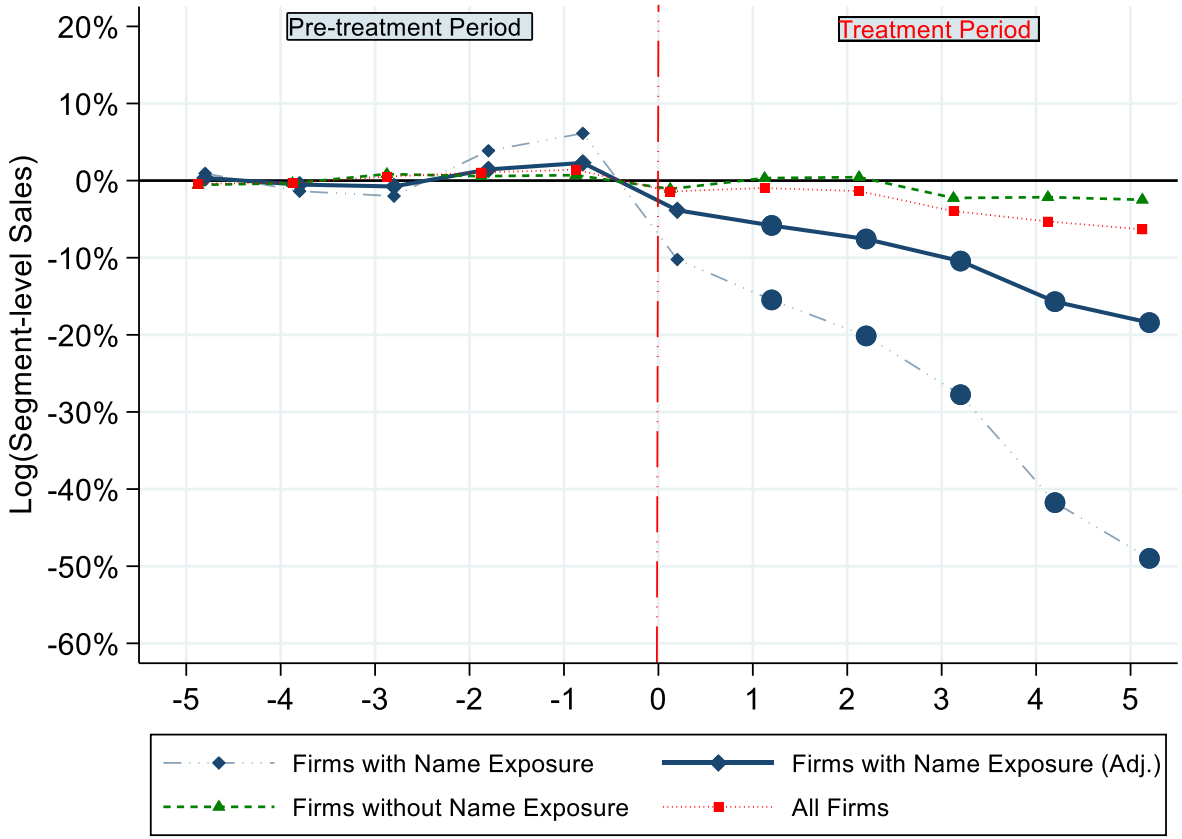


Figure II

Local-target Country Reputation in the Event Time of Treatment

This figure shows how reputations of local-target countries evolve in foreign countries around terror attacks. *Country reputation* denotes the average score across BAV image attributes. *PCA-based reputation* denotes the first principal component of all BAV image attributes. Both are scaled by their standard deviations (*Std.*) for comparability. The x-axis denotes years around the terror attacks. The y-axis shows the interaction coefficients between years-to-attack dummies and the *Treatment* variable, as in specification (2). Interaction terms are obtained from an OLS regression on a sample of treatment and control countries (all survey countries that exist in BAV sample) with reputation scores on the left-hand side. On the right-hand side, we control for country-pair and year fixed effects as in Table V. The red vertical dotted line records the event time. The triangle and square markers record statistically insignificant coefficients, and the circle markers record statistically significant coefficients at the 10%, 5%, or 1% levels. Standard errors are clustered at the foreign-country level.

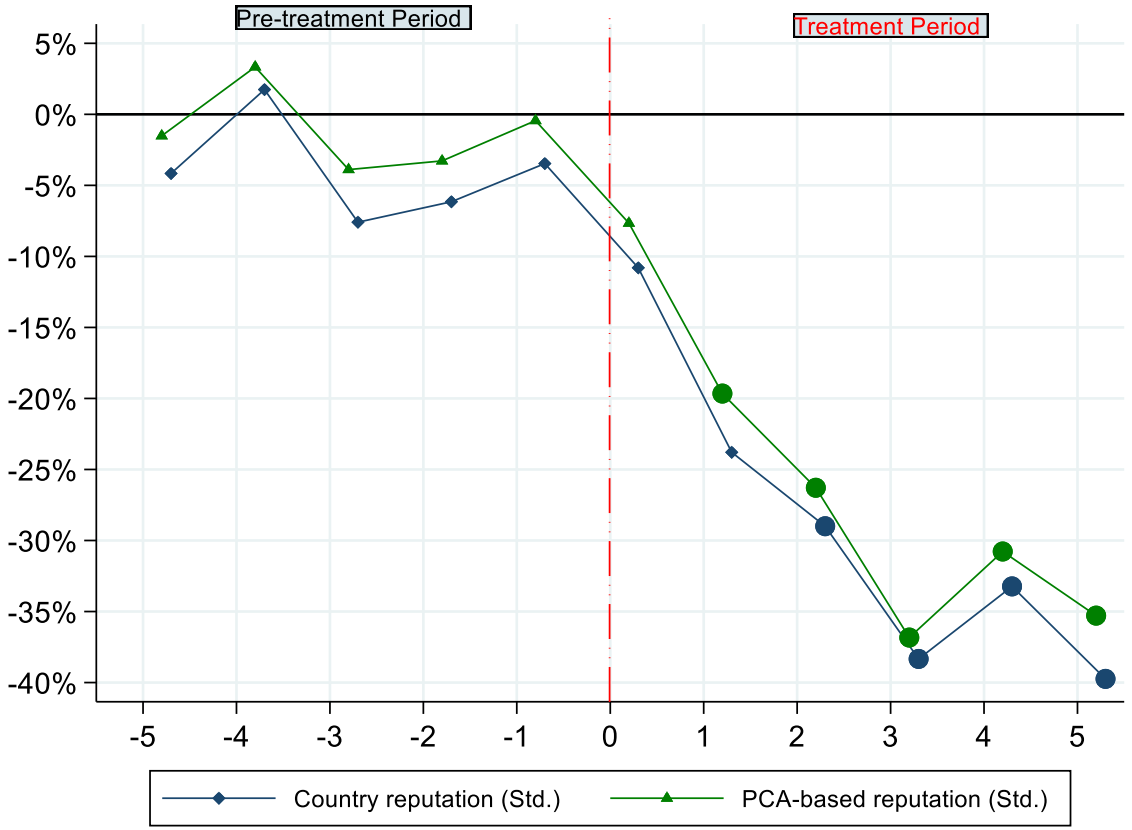
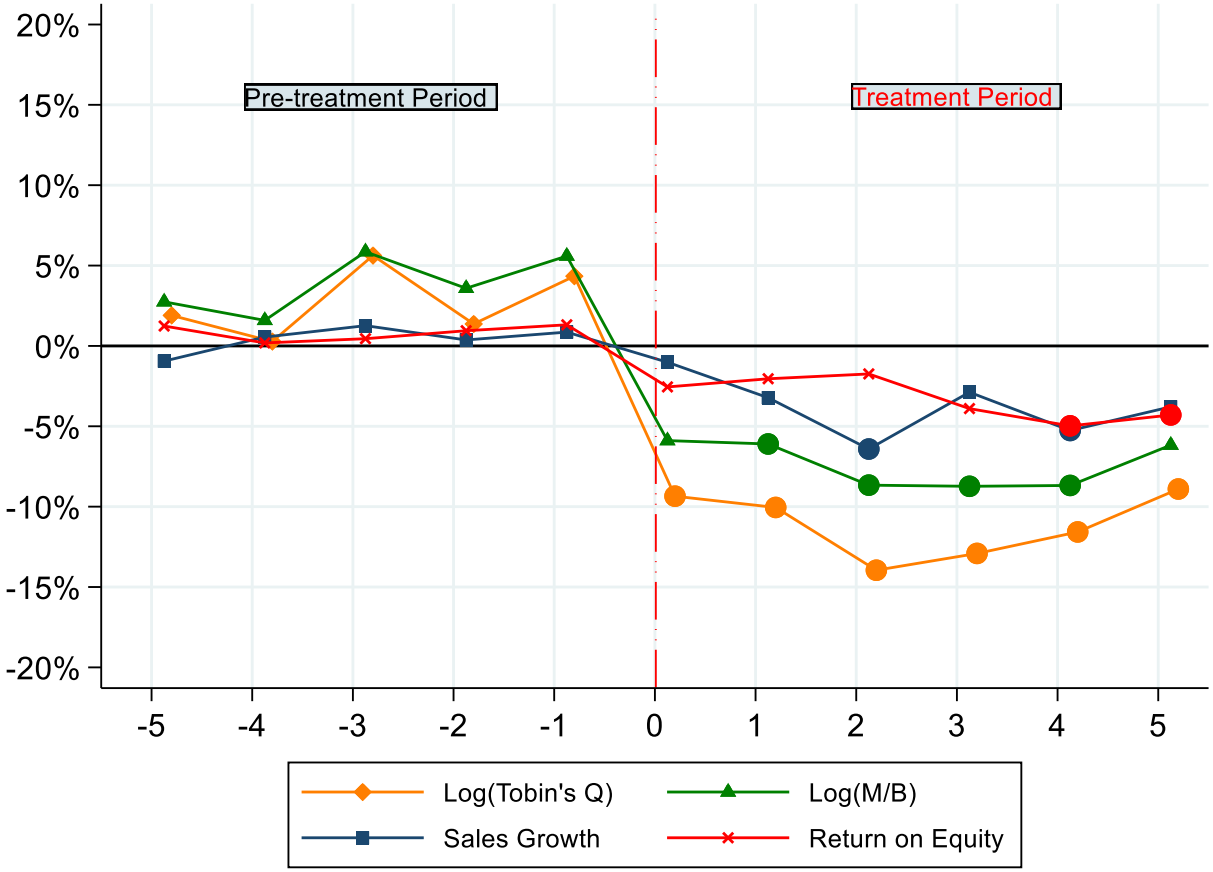


Figure III

Firm-level Outcomes in the Event Time of Treatment

This figure shows the evolution of firm valuations relative to control firms around the terror attacks. The x-axis denotes years around the terror attacks. The y-axis shows the interaction coefficients between years-to-attack dummies and *Treatment* as in Table VII's Panel B, which denotes whether at least one of a firm's segments was affected by terror attacks by year *t*. Interaction terms are obtained from an OLS regression on a sample of treatment and control firm-segments with *Logged Tobin's Q, Logged Market-to-book, Sales growth*, or *Return on Equity* on the left-hand side. On the right-hand side, we control for firm fixed effects along with year fixed effects and control variables as in Table VII. The red vertical dotted line records the event time. The triangle, square, X, and diamond markers record statistically insignificant coefficients, and the circle markers record statistically significant coefficients at the 10%, 5%, or 1% levels. Standard errors are clustered at the local-country level.



Internet Appendix

for

Country Reputation and Corporate Activity

Appendix A: Variable Descriptions

A.1 BAV Data

BAV surveys are at an annual frequency and measure country reputations using image attributes. These attributes (including BAV's image constructs that are their linear combinations) include Arrogant, Authentic, Best Brand, Carefree, Cares About Customers, Charming, Chic, Classic, Customer Centric, Cutting Edge, Daring, Different, Differentiation, Distant, Distinctive, Down To Earth, Dynamic, Energetic, Friendly, Fun, Gaining In Popularity, Glamorous, Good Value, Healthy, Helpful, High Performance, High Quality, Independent, Innovative, Intelligent, Kind, Leader, No Nonsense, Obliging, Original, Outgoing, Prestigious, Progressive, Reliable, Restrained, Rugged, Sensuous, Simple, Social, Socially Responsible, Straightforward, Stylish, Superior, Tough, Traditional, Trendy, Trustworthy, Unapproachable, Unique, Up To Date, Upper Class, and Worth More.

Each country gets a percentage score in each of these attributes, determined by the percentage of the respondents associating the rated country with the imagery attribute by ticking a box that matches the rated country with the attribute. Surveys are carried out in Argentina, Australia, Austria, Belgium, Brazil, Chile, China, Colombia, Czech Republic, Denmark, Ecuador, Finland, France, Germany, Greece, Guatemala, Holland, India, Indonesia, Ireland, Italy, Japan, Jordan, Malaysia, Mexico, New Zealand, Norway, Peru, Philippine, Poland, Puerto Rico, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UAE, United Kingdom, United States, Uruguay, and Venezuela. These are the countries without restrictions.

To identify a rated country's overall score in a given imagery attribute, we first find its median score in that attribute across surveys in a given year, and we then take a time-series average. Using this methodology, we compute country scores in all image attributes, and we report for each country three image attributes with highest scores. Table A.I provides summary statistics for BAV image attributes that are not presented in the main text. Furthermore, Figures A.I and A.II show each country's nation brand and average nation brand scores across different geographies.

A.2 Worldscope Data

Tobin's Q is defined as (ITEM2999 + ITEM8001 – ITEM3501) / ITEM2999 and is used as a lagged control variables in segment-level regressions. *Market-to-book ratio* is defined as ITEM7210 / ITEM7230. *Market capitalization* (in USD) is defined as ITEM7210. *R&D to assets* is defined as ITEM1201 / ITEM2999. *Capital expenditures to assets* is defined as ITEM4601 / ITEM2999. *Leverage* is defined as ITEM3255 / L.ITEM2999. *Return on equity* is defined as ITEM8301. *Profit margin* is defined as ITEM8306. *Cash flows to assets* is defined as (ITEM7250 + ITEM1151) / L.ITEM7230. *Segment-level sales* are ITEM19600 to ITEM19690. We manually clean segment names in order to match segment data with terrorism and brand value data.

We are happy to provide our code (about 14,000 lines) that cleans country names for interested researchers. We winsorize all variables at 2.5% on both tails. In our segment sales regressions, we drop country pairs with no economic relation, proxied by the total firm sales being zero during our sampling period. In segment sales regressions, we report sales in hundred thousand dollars and exclude terror events in the years 2000, 2014, and 2015 to be able to run difference-in-difference regressions.

A.3 Country Promotion Agencies

We compile a list of promotion agencies using data from various resources. Part of our data comes from country promotion agencies from the website of World Association of Investment Promotion Agencies (WAIPA). WAIPA is an international organization established in 1995 to provide networking opportunities for agencies acting as a forum. It has 170 members from 130 countries. We identify agencies disclosed in the Members List section of the website, augmented with a set of promotion agencies listed in the Appendices of two UNCTAD papers (UNCTAD Advisory Paper 14, 1999 and UNCTAD Advisory Paper, 2001). The foundation years are obtained from individual agency websites, and in cases where this information is missing, we proxy it with promotion agency website creation years.

A.4 Country-Level Controls

We use several sources to collect our country-level data. Country population and real gross domestic product (GDP) data are obtained from the World Bank's World Development Indicators. We also use country-pair variables in our analysis. *Conflict* denotes whether there is war between target and victim countries in history. *Distance* denotes the bilateral distance between the most populous cities of target and victim countries in thousand kilometers, in which those inter-city distances are weighted by the share of the city in the overall country's population. The distance formula is a generalized mean of city-to-city bilateral measure developed by Head and Mayer (2002). *Common religion* and *common ethnic language* denote whether target country and victim country share a common religion and a common ethnic language spoken by at least 9% of the population, respectively. These country-pair variables come from the CEPII GeoDist database, except for common religion, which is obtained from the CEPII Gravity dataset. Finally, GATT/WTO membership of different countries over time is from the World Trade Organization website, and data on countries' land area (in squared kilometers) is sourced from the CEPII Gravity Dataset.

A.5 Factiva

We use Factiva to find all terror-related articles published in 114 leading newspapers and news agencies across 43 countries. We miss five countries (i.e., Greece, Guatemala, Puerto Rico, Sweden, Turkey) that are included in BAV surveys but whose newspapers are not covered by Factiva during our sample period. Factiva is a global news database that has been used in numerous prior finance and accounting studies covering over 35,000 publications in 26 languages. We use Factiva indexing codes to list all terror-related articles about country *i* published in country *j*. These codes allow us to identify date, subject, language, and source of articles as well as country names mentioned in a specific article. Specifically, we use tag combination of "region"= Target Country, "subject"=Terrorism, "language"=All, "date"=Time Interval, "more options"= Full Article, and "source"=newspaper to identify terror-related news. We exclude republished articles from our analysis. Then we count the number of terror-related articles about country *i* published in country

j in a given year. We iterate this process for all the country-pairs in BAV surveys during our sample period. We restrict our sample to post-2001 period as majority of the non-US newspapers are not covered by Factiva prior to 2001. We follow Baker, Bloom, and Davis (2016) in choosing the leading newspapers of each country. For countries not included in Baker, Bloom, and Davis (2016), newspapers are selected based on web popularity rankings compiled by 4imn.com. 4imn.com is an international search engine focusing on worldwide newspapers including 7,000 newspapers in 200 countries. They use an algorithm extracted from three different search engines, Google Page Rank, Alexa Traffic Rank, and Majestic Seo, to rank the newspapers based upon the popularity of their websites. More information on news sources can be found on Table A.II.

A.6 GTD Data

We download terror-related data from GTD. This dataset has 156,772 observations. We exclude attacks on military (targtype1==4), as they are endogenous. We also exclude unsuccessful attempts. We are left with 120,458 observations. We drop all attacks before 2000, because we want to have reasonable number of observations in the pre-treatment periods -particularly for events that occur in the beginning of 2000s. This is important, because we take the initial attacks between country pairs and our country image and news data is relatively unpopulated in the 1990s. We are left with 65,798 observations. We then identify initial attacks for each country pair. In so doing, we are left with 803 observations. Many of these remaining attacks are, however, between countries that do not ever have economic relations according to the Worldscope universe (e.g., Syria, Pakistan, State of Palestine, Democratic Republic of the Congo, Algeria, Niger, Kenya, Iraq, Yugoslavia, Libya, Yemen, Afghanistan, Somalia, and Nigeria). When we merge the remaining data with Worldscope data between 1995 and 2014, we are left with 90 terror attacks.

The local- target country and foreign victim country pairs (listed using "local-target country name" - "foreign- victim country name") are Argentina-United States; China-United States; United States-United Kingdom; Austria-Switzerland; Austria-Turkey; Belgium-United States; Chile-Brazil; Brazil- United States; Canada-Turkey; United States-Mexico; Chile-United States; China-Australia; China-France; Colombia-Ecuador; Colombia-Peru; Colombia-United States; France-

Italy; France-Spain; France-Germany; France-Switzerland; France-Morocco; France-Turkey; Switzerland-Germany; France-Israel; Germany-Poland; Germany-China; Germany-Italy; Germany-Greece; Greece-Switzerland; Greece-Cyprus; Greece-Canada; Greece-France; Greece-Germany; Greece-Sweden; Greece-Spain; India-United States; India-Italy; India-Germany; India-Thailand; India-Bangladesh; Indonesia-Australia; Indonesia-United States; Indonesia-Singapore; Indonesia-South Korea; Indonesia-United Kingdom; Indonesia-Germany; United States-Ireland; Israel-United Kingdom; Norway-United States; Italy-United States; Italy-Switzerland; United Kingdom-Spain; United Kingdom-Turkey; Japan-United States; Malaysia-Pakistan; Pakistan-India; Pakistan-Germany; Pakistan-United States; Peru-United States; Philippines-Australia; Philippines-China; Philippines-Japan; Philippines-Indonesia; Russia-China; Russia-United States; Saudi Arabia-United States; Spain-France; Spain-United Kingdom; Spain-Italy; Sri Lanka-Japan; Sri Lanka-Holland; Sri Lanka-India; Sri Lanka-United Kingdom; Sweden-Russia; Switzerland-Israel; Thailand-China; Thailand-Malaysia; Thailand-Taiwan; Thailand-Cambodia; Thailand-Japan; Thailand-United States; Thailand-India; Thailand-Myanmar; Thailand-Philippines; Turkey-Germany; Turkey-United Kingdom; Turkey-Russia; United States-Israel; Venezuela- Colombia; Venezuela-Peru.

A.7 Osiris Data

We study foreign subsidiary sales using Bureau van Dijk's Osiris dataset. The raw Osiris data has 2,078,675 observations. The observations are distributed across time as follows: year 2011 has 25450 observations, year 2012 has 47,111 observations, year 2013 has 35,152 observations, year 2014 has 37,982 observations, year 2015 has 103,188 observations, year 2016 has 214,121 observations, year 2017 has 456,370 observations, and year 2018 has 1,146,781 observations. Years 1997 to 2010 have 12,520 observations. We drop observations with missing subsidiary name, where subsidiary names equals "n.a.", where year is less than or equal to 2007, and we also drop duplicates. We are left with 1,974,392 observations. At this point some subsidiary sales are still in string format due to data entry errors or missing sales data. 1,122,697 observations are dropped because subsidiary sales (suboprev) is empty. We fix those and merge with GTD data. At this point

we have 812,567 observations. Given the sampling period (we study terror events post-2000), we drop all Osiris data before and in 2012, and we study all terror attacks in and after 2013. This leaves us with 772,529 observations. We then drop firms with less than 10 observations at the segment level (firm-country level, not firm-country-subsidiary level), because many firms have only a couple of observations and don't have any time variation within segments. This leaves us with 552,174 observations. We then winsorize the LHS variables (subsidiary sales and employee count) at 2.5%.

Appendix B: Additional Results

This section provides our results that are not presented in the main text. Section B.1 reestimates our regressions after excluding international attacks, Section B.2 exploits Osiris data to study subsidiary sales, Section B.3 presents robustness tests on segment-level outcomes, Section B.4 presents our results on consumer-focused firms, geographic concentration and substitutability, Section B.5 covers inaccurate country-of-origin associations, Section B.6 studies the extensive margin of foreign segment sales, Section B.7 studies trade relations, and Section B.8 provides further analyses on foreign media's coverage of terror events.

B.1 Excluding International Attacks

In this subsection we study the effects of terror events on local-target country firms' sales after excluding international terror attacks. We define international attacks as attacks committed by international terror groups or people who are not citizens of local-target countries. To differentiate international attacks from local attacks, we searched for cases in which the attackers are not from local-target countries. We identified 9 such cases, corresponding to 10% of the attacks we utilize. The exhibit below lists these attacks.

Exhibit B.I

#	Foreign-victim Country	Local-target Country	Attack Year
1	Colombia	Venezuela	2003
2	India	Thailand	2008
3	Peru	Venezuela	2009
4	Russia	Turkey	2001
5	Spain	France	2006
6	Switzerland	Austria	2009
7	Turkey	Austria	2008
8	Turkey	France	2006
9	United States	Pakistan	2002

To give an example, in attack number #4 three Chechen rebels armed with knives and claiming to have a bomb hijacked a Moscow-bound Russian owned Vnukovo Airlines passenger jet after takeoff from Istanbul, Turkey. The three men commandeered the airplane and redirected the flight to Saudi Arabia. While taking over control of the aircraft, they stabbed and wounded a

flight attendant. Saudi commandos seized the aircraft after a 22 hour standoff with the hijackers. During the battle, the hijackers stabbed and killed a Russian flight attendant and a Turkish civilian. One of the three hijackers died in the battle as well. 161 of 162 passengers as well as 11 of 12 crew members were freed in the rescue operation. According to our methodology, Turkey is the local-target country, because the atack begins in Istanbul. Russia is the foreign-victim country, because the impacted citizens are from Russia. Nonetheless, the person who commits this attacks is not from Turkey. We therefore exclude this attack from our analyses.

Similarly, in attack #9, a well known journalist for the Wall Street Journal, Daniel Pearl, along with some locals was abducted by militants from the Jaish-e-Mohammad in Karachi, Pakistan. After significant efforts to secure his release he was beheaded several weeks later. The person who commits this attack is from an international organization. We therefore exclude this attack from our analyses.

– Insert Table B.I about here –

After excluding the above cases, we investigate the effects of terror attacks using our difference-in-differences specification in equation (1). We present our results in Table B.I. Across all specifications, the estimated coefficient of interest, Treatment, remains statistically significant and negative, with estimates ranging from –0.16 to –0.52.

B.2 Subsidiary Sales

In this subsection, we study the effects of terror events on local-target country firms' subsidiary sales in foreign-victim countries. We first run regressions on the following specification:

$$y_{sjklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{sjklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \varepsilon_{jklt}, \quad \text{(B.1)}$$

where s indexes subsidiary, j indexes firm, k indexes country of incorporation, l indexes foreign country, and t indexes survey year. y_{sjklt} is the dependent variable of interest—i.e., logged sales (employee count) of subsidiary s of firm j from country k in foreign country l in year t.

– Insert Table B.II about here –

We present our findings in Table B.II. In Panel A of the table, we show the negative effect of terror attacks on subsidiary sales in foreign-victim countries. Panel A.1 presents our results on public and private firms, and Panel A.2 presents our results from using public firms. We stretch the

definition of public firms here. In particular, by saying public firms, we are referring to all firms in Panel A.1, for which we can find *Cash flows to Assets*, *Leverage* and *Log(Tobin's Q)* data.

As shown in Panel A.1, across all specifications, the estimated coefficient of interest, *Treatment*, remains statistically significant and negative, with estimates ranging from –0.47 to –0.69. As shown in Panel A.2, across all specifications, the estimated coefficient of interest, *Treatment*, remains statistically significant and negative, with estimates equal –0.58. These findings are robust to controlling for variable firm-segment and firm-subsidiary characteristics, as well as a comprehensive set of fixed effect structures that absorb fixed characteristics at the firm-segment, year, and industry-year levels. Results from this subsection highlight the distortionary effects of terror attacks on firms' foreign subsidiary sales. These findings are economically and statistically significant and robust to a rich array of controls and fixed effects structures.

Panel B of Table B.II presents our analyses on the effects of terror attacks on subsidiary employee count in foreign-victim countries. Once again, in Panel A.1 we present our results on public and private firms, and in Panel A.2 we present our results from using public firms. As shown in these panels, across all specifications, the estimated coefficient of interest, Treatment, remains positive, with estimates ranging from 0.22 to 0.67. We find statistically significant results in some columns and insignificant results in others.

In Panel C of Table B.II, we report our findings from running regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \varepsilon_{jklt}, \quad \text{(B.2)}$$

where j indexes firm, k indexes country of incorporation, l indexes foreign country, and t indexes survey year. y_{jklt} is the dependent variable of interest (i.e., logged total subsidiary sales of firm j of country k in foreign country l in year t). As shown in columns (1) and (2), the estimated coefficient of interest, *Treatment*, remains statistically significant and negative, with estimates equal –0.26 and –0.33 when we study the sum of subsidiary sales on the left hand side. Similar to our findings in Panel B, we pin down a positive effect of Treatment on total subsidiary employee count.

Collectively, Panels A, B, and C of Table B.II suggest that there is a statistically significant

decrease in subsidiary sales in foreign-victim countries, and there is a statistically insignificant (depending on the specification) increase in subsidiary employee count following the terror attacks. Our findings on subsidiary sales are in line with our previous findings in Table III, and our findings on employee count are in line with the notion that treated firms are not actively reducing their sales efforts. In tabulated regressions, we confirm that the subsidiary employee count remains non-negative even after controlling for changing labor market conditions at the foreign-country level with foreign-victim country × year fixed effects.

B.3 Robustness Tests

In this subsection we present our findings from robustness tests on foreign segment activities. We report results from changing our forex conversion method, running a placebo test on closest neighboring countries to foreign-victim countries, and studying the effects on foreign segment assets. We report our findings in Table B.III. In all each panel, we control for firm- and segment-level characteristics as in Table III. We also utilize the same fixed effects structures. These are reported in Panel D of Table B.III.

– Insert Table B.III about here –

B.3.1 Using Contemporenous Exchange Rates

Here, we rerun our analyses on foreign sales by converting segment sales to U.S. dollars using contemporaneous exchange rates. Sales in year t is converted using exchange rate at the end of year t. As shown in Panel A of Table B.III, our results are robust to this test. As shown in this panel, across all specifications, the estimated coefficient of interest, *Treatment*, remains statistically significant and negative, with estimates ranging from –0.17 to –0.49. These findings are robust to controlling for variable firm-segment and firm-subsidiary characteristics, as well as a comprehensive set of fixed effect structures we utilize in Table III. Results from this subsection reaffirm the distortionary effects of terror attacks on firms' foreign segment sales.

B.3.2 Placebo Test on Segment Sales

Here we provide a placebo test on foreign segment sales. To do so, we rerun our analyses on foreign sales on foreign-victim countries' closest available neighbors. For example, if an Austrian citizen gets killed in a terror attack targeting the police in Turkey, we study Turkish firms' sales in

Austria's nearest neighbor (i.e., the country with the nearest capital to Austria's). The purpose of this is to benchmark the ethnicity of the affected citizen as closely as possible. As shown in Panel B of Table B.III, across all specifications, the estimated coefficient of interest, *Treatment*, remains statistically insignificant. These findings are robust to controlling for variable firm-segment and firm-subsidiary characteristics, as well as a comprehensive set of fixed effect structures we utilize in Table III. Results from this subsection reaffirm the distortionary effects of terror attacks on local-target country firms are specific to foreign-victim country markets.

B.3.3 Segment Assets

Here we study the effects of terror events on local-target country firms' assets in foreign-victim countries. We investigate the effects of terror attacks using our difference-in-differences specification in equation (1). We present our results in Panel C of Table B.III. As shown, the estimated coefficient of interest, Treatment, remains negative, with estimates ranging from –0.19 to –0.33. We find statistically significant results in some columns and insignificant results in others. Results from this subsection suggest that the treatment decreases segment assets in foreign-victim countries economically, but the statistical significance depends on the fixed effects structures we utilize.

B.4 Consumer Focused Firms, Geographic Concentration and Substitutability

In this subsection we provide important subsample tests on foreign segment sales. In so doing, we interact our treatment with characteristics of interest—i.e., consumer focused, geographically concentrated, and easy to substitute—in the full sample (N=243,543). These characteristics have potential to amplify the distortionary effects of our treatment variable.

Consumer-focused firms are from the following FF48 industries: 4 (Beer & Liquor), 5 (Tobacco Products), 6 (Recreation), 7 (Entertainment), 9 (Consumer Goods), 10 (Apparel), 12 (Medical Equipment), 14 (Chemicals), 16 (Textiles), 20 (Fabricated Products), 32 (Communication), 33 (Personal Services), 35 (Computers), 42 (Retail), 43 (Restaurants, Hotels, Motels), 44 (Banking), 45 (Insurance), and 47 (Trading). Geographically-concentrated firms are those with less foreign segments than the average firm in our sample during the pre-treatment period. Easy-to-substitute firms are those that operate in competitive foreign segments (ex ante).

To identify whether a firm's foreign segment is competitive, we check whether the (sales based) industry-HHI score in a firm's foreign segment is less than the sample average (during the pre-treatment period).

– Insert Table B.IV about here –

As shown in Table B.IV, we find a 38% (t-stat=2.59) incremental decrease for consumer-focused firms and a 33% (t-stat = 1.97) incremental decrease for easy-to-substitute firms. These results are presented in columns (1) and (2). In columns (4) to (7), we horserace these interaction terms. We find that they are reasonably orthogonal, in the sense that keeping them as explanatory variables simultaneously does not seem to reduce their economic and statistical significance. As shown in column (7), for example, we find a 43% (t-stat=2.95) incremental decrease for consumer-focused firms, a 65% (t-stat=1.68) incremental decrease for geographically-concentrated firms and a 36% (t-stat = 2.34) incremental decrease for easy-to-substitute firms once we control for them at the same time. In untabulated analyses, we further interacted these characteristics. Our findings were inconclusive due to the power of the interaction terms getting weaker.

B.5 Inaccurate Country-of-origin Associations

In this subsection we study how incorrect firm name and country-of-origin associations affect foreign segment sales after terror attacks. For example, if an Austrian citizen gets killed in a terror attack targeting the police in Turkey, we study *Turkish-sounding but not actually Turkish* firms' sales in Austria against their sales in unaffected but comparable foreign countries before and after the attack. To make sure the results are not driven by our previous findings, we exclude "*Turkish-sounding and Turkish*" firms from our sample.

– Insert Table B.V about here –

Panel A of Table B.V presents our main results, and Panel B presents a placebo test from using a weak false association proxy. As shown in column (1), we do not find significant effects of false country-of-origin associations on foreign segment sales after terror attacks on average. However, as we raise the bar in terms of probability of predicted nationalities, i.e., as we look at "more Turkish sounding" firms from around the globe, false country-of-origin associations start to matter.

In particular, we find that false country-of-origin associations matter for firms that have higher name resemblance scores (i.e., at the intensive margin). Since the similarity score denotes the probability that a given name is a name from the local target country, our finding in column (1) suggests that a *Turkish-sounding* non-Turkish firm—say a firm from Azerbaijan—with a 100% name similarity match score with Turkey experiences a 45% reduction in its sales in the foreign-victim country. This figure is close to the reduction of 41% we pin down in Table III's column (2). Columns (2) and (3) further show that the effect is strong at various extensive margins, too.

In columns (5) through (7) of Table B.V, we provide a "placebo" test for our inaccurate name association analysis. Just to be clear, we stretch the definition of placebo a bit here. In particular, what we do is we use not the first but the fifth most likely *incorrect* country of origin according to the name similarity algorithm of Ye, Han, Hu, Coskun, Liu, Qin, and Skiena (2017). For example,— once again, the local-target country is Turkey and the foreign-victim country is Austria—if the name algorithm falsely predicts a Georgian firm as Armenian, Bulgarian, Syrian, Iranian, and Turkish, with probabilities $p^{Armenian} > p^{Bulgarian} > p^{Syrian} > p^{Iranian} > p^{Turkish}$, then we study the Austrian segment sales of this Georgian firm, because it's fifth most likely country of origin is Turkey. Columns (5) through (7), show that weak false associations do not influence foreign segment sales. We do confirm in untabulated analyses that our results are robust to using second, third, and fourth most likely country of origins (e.g., Bulgarian, Syrian, and Iranian). These results suggest that false country-of-origin associations matter only for firms, names of which sound very much like names from local target countries but are not incorporated in local target countries. Collectively, these results highlight a different channel, i.e., a false positive channel, through which declining country reputation may influence corporate activities.

B.6 Choice of Participating Foreign-victim Country Marketplaces

In this subsection, we study how firm name and country-of-origin resemblance affect the extensive margin of foreign segment sales, i.e., whether they choose to participate foreign-victim country marketplaces or not. As shown in Figure I, there can be a strong "inactive segment" effect on the treatment coefficients we estimate. We therefore delve deeper into whether firms with high name resemblance exit foreign-victim country segments or keep them as inactive segments. To

counter the risk of firms strategically not reporting their segment sales, we already showed in section B.2 of this Appendix that our results are robust to using subsidiary-level sales data from Osiris. To examine the effect of our treatment on the extensive margin of segment sales, we run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \mu\, \text{Treatment}_{klt} * T_j + \varepsilon_{jklt}, \quad \text{(B.3)}$$

where *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is *Active Segment*, which is equal to one if segment sales of firm *j* of country *k* in foreign country *l* in year *t* is positive, and zero otherwise; or *Log(Active Segment)*, which equals log of one plus *Active Segment*. We present our results in Table B.VI. In column (1), using a linear probability model, we show the negative effect of terror attacks on the probability of having an active segment in foreign-victim country.

– Insert Table B.VI about here –

We show that firms from local-target countries experience a 5% reduction per year on average in the probability of obtaining positive sales in foreign-victim countries after treatment. As shown in column (2), this result is robust to using a logged transformation of the dependent variable. Columns (3) and (4) reaffirm our results on firms with high name exposure. As shown, firms from to local-target countries with high name resemblance to their countries of origin experience incremental reductions, with estimates ranging from –0.05 to –0.03.

Our results so far suggest that exposure to deteriorating country reputation have a distortionary effect on foreign segment sales at the intensive and extensive margins. How long can this effect survive? To answer this question, we utilize $\text{Treatment}_{1\text{-}5}$ and $\text{Treatment}_{6+,}$ former variable representing the treatment term for the first five years of treatment, and the latter variable representing the treatment after the first five years. As shown in columns (5) and (6), the incremental effect of name resemblance on the extensive margin is significant for only the first five years of treatment.

– Insert Figure A.III about here –

To accompany this result, we also present in Figure A.III, the year-to-year effects of the treatment on our dependent variable for high and low name resemblance firms. We do not see a

trend before treatment, but identify a significant decline in segment assets for both groups in the treatment period. This figure confirms that incremental effect of name exposure starts to disappear after year five. The trends for firms with high and low name exposures are surprisingly similar after year seven. We study bilateral trade relations in the following section in order to explain what distorts foreign segment sales in the long run.

B.7 Bilateral Trade Relations

In this subsection, we study bilateral trade agreements as a factor moderating the relation between terror events and foreign sales of local-target country firms. We use hand-collected data on bilateral trade agreements provided to us by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), which include a comprehensive list of agreements, e.g., free trade agreements, customs union agreements, economic partnership agreements, preferential trade agreements, and intellectual property-related preferential trade agreements, that are in force or expired over the course of our sampling period. This dataset also includes comprehensive information on the length of each trade agreement (in terms of number of pages) along with its inclusiveness of intellectual property rights (IPR), trade secrets, and affirmation of The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

With this data in hand, we compare local-target countries' trade agreements with foreign-victim countries against their trade agreements with unaffected foreign countries, before and after the attacks. We estimate the following regression:

$$y_{klt} = \alpha_{kt} + \alpha_{kl} + \delta \text{ Treatment}_{klt} + \varepsilon_{klt}, \qquad \text{(B.4)}$$

where k indexes country, l indexes foreign country, and t indexes year. y_{klt} is the dependent variable of interest and it's one of *Trade agreement, Total Pages, IPR Mention, IPR Chapter* and Trade Secrets. *Trade agreement* denotes whether there is a trade agreement between country k and foreign country l in year t. *Total Pages* denotes the average number of pages in trade agreements between country k and foreign country l in year t. *IPR Mention, IPR Chapter* and *Trade Secrets* respectively denote whether IPR were covered, there is a chapter on IPR, and trade secrets are mentioned in trade agreements between country k and foreign country l in year t. α_{kt} and α_{kl} are country-year and country-pair fixed effects. $Treatment_{klt}$ is a dummy variable that equals one if a

terror attack in country k impacted citizens of country l by year t, and ε_{klt} is the error term. Our estimate of terrorist attacks' effect on bilateral trade relations is δ.

– Insert Table B.VII about here –

We present our findings in Table B.VII. As shown in column (1), after correcting for country pair and country-year fixed effects, we observe a 6% decrease in the number of trade agreements after the terror attacks. We also find that the number of pages in trade agreements signed between local-target and foreign-victim countries also declines by 21.20 pages (23% relative to sample mean) after the attacks. In addition to quantity and length, we pin down depreciations in IPR mentions, IPR chapters, reaffirming TRIPS agreement and inclusion of trade secrets. These results are shown in columns (3) to (6). Once trade agreements are in force, they are unlikely to be cancelled. Therefore, weakening trade relations (particularly in terms of trade agreement complexity and coverage) after terror events are therefore likely to drift economic relations between local-target and foreign-victim countries away from desirable levels over long horizons.

– Insert Figure A.V about here –

In order to show the deteriorations in bilateral trade relations in the event time, we also estimate a dynamic treatment effect on the average number of pages in trade agreements within the ten-year event window surrounding the terror attacks. We include pre- and post-event-year dummies up to ten years around the event year. As shown in Figure A.V, we do not see a trend before the terror attacks but identify a significant decline in segment assets in the treatment period. Looking at the statistical significance of our results so far, the responses from foreign media and foreign consumers are almost immediate, but trade relations take about five years to respond. This suggests that our results within the first five years are driven by the reputation channel and bilateral trades relations come into play later on.

B.8 Foreign Media's Response

In this subsection, we analyze foreign media's response to terror attacks. To do so, we use news articles from Factiva with subject tags of "terrorism", region tags equal to names of the local-target countries and source tags equal to names of the foreign media outlets (as detailed in Appendix

Table A.II), which allows us to analyze the number of terror-related articles about local-target countries across different foreign countries. We estimate the following regression:

$$y_{klt} = \alpha_t + \alpha_{kl} + \delta \text{ Treatment}_{klt} + \varepsilon_{klt}, \quad \text{(B.5)}$$

where k indexes country, l indexes foreign country, and t indexes year. y_{klt} is the dependent variable of interest (i.e., log of one plus the number of terror-related articles about country k in foreign country l in year t), and α_t and α_{kl} are year and country-pair fixed effects. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country k impacted citizens of country l by year t, and ε_{klt} is the error term. Our estimate of terrorist attacks' effect on media coverage is δ.

– Insert Table B.VIII about here –

We present our findings in Table B.VIII. As shown in column (1), after correcting for country pair and year fixed effects, we observe a 47% increase in the number of terror-related articles about local-target countries in foreign-victim media outlets after the terror attacks. This finding is robust to additionally correcting for foreign-victim country × year interactive fixed effects, local-target country × year interactive fixed effects, and foreign-victim country × year plus local-target country × year interactive fixed effects. In different specifications, we find increases between 36% and 50%.

– Insert Figure A.IV about here –

As shown in Figure A.IV, we also study terror-related news coverage in the event time of terror attacks. In particular, we introduce pre- and post-event-year dummies for up to five years around the event year. In so doing, we show that there isn't a strong pre-event trend, and we identify a significant increase in the treament period. Specifically, there is an 80% increase in terror-related news coverage in the event year. This increase persists during the following four years.[1]

[1] Due to data unavailability, we cannot study news sentiment in multiple languages. To that end, we assume terror-related articles have a negative sentiment on average.

Table A.I

Additional Summary Statistics

This table reports country image attributes. We provide number of observations, mean, median, and standard deviations.

Image characteristics	N	Mean	Median	Stdev.
Arrogant	7,407	6.54	4.68	6.02
Authentic	7,407	9.00	8.54	4.64
Best Brand	7,407	2.62	1.98	2.28
Carefree	7,407	5.71	5.52	4.41
Cares Customers	7,407	4.52	4.12	2.97
Daring	7,407	8.78	7.68	8.30
Different	7,407	12.63	12.31	5.01
Distinctive	7,407	12.49	11.81	5.98
Down To Earth	7,407	10.37	10.06	7.99
Dynamic	7,407	12.63	12.31	5.01
Energetic	7,407	7.41	7.39	5.45
Friendly	7,407	19.41	16.90	12.16
Fun	7,407	10.07	8.70	5.67
Gaining In Popularity	7,407	8.18	7.58	6.89
Charming	7,407	11.99	10.66	10.08
Glamorous	7,407	7.45	6.56	6.39
Good Value	7,407	5.62	4.82	3.89
Healthy	7,407	3.95	3.48	3.35
Helpful	7,407	4.59	3.57	4.21
High Performance	7,407	4.53	3.62	4.42
High Quality	7,407	6.98	6.35	4.45
Independent	7,407	7.49	8.40	6.79
Innovative	7,407	6.77	5.72	4.77
Intelligent	7,407	8.93	8.05	7.50
Kind	7,407	8.05	6.84	7.16
Leader	7,407	7.42	6.46	6.84
Obliging	7,407	5.81	4.88	6.00
Original	7,407	9.37	8.75	5.03
Prestigious	7,407	7.96	6.93	4.89
Progressive	7,407	8.69	7.14	6.14
Reliable	7,407	6.57	5.64	4.67
Restrained	7,407	6.80	6.83	5.01
Rugged	7,407	6.47	6.00	5.32
Sensuous	7,407	3.08	2.29	3.47
Simple	7,407	8.09	8.02	5.82
Social	7,407	7.50	7.50	7.49
Socially Responsible	7,407	5.21	5.18	5.01
Straightforward	7,407	4.56	4.22	2.86
Stylish	7,407	7.26	6.50	4.57
Tough	7,407	7.80	6.95	6.73
Traditional	7,407	13.14	11.77	6.94
Trendy	7,407	8.49	7.87	6.75
Trustworthy	7,407	11.34	9.96	7.18
Unique	7,407	11.29	10.59	5.57
Unapproachable	7,407	13.06	10.13	9.48
Upper Class	7,407	7.24	6.43	6.15
Up To Date	7,407	6.91	6.00	4.55
Worth More	7,407	2.61	2.37	2.28

Table A.II

Media Outlets

This table reports the media outlets used to identify terror-related articles across 43 countries from FACTIVA. We follow Baker, Bloom, and Davis (2016) in choosing the leading newspapers of each country. For countries not included in Baker, Bloom, and Davis (2016), newspapers are selected based on web popularity rankings compiled by 4imn.com.

Country	Media Outlet
Argentina	La Gaceta, La Voz Del Interior, La Nacion
Australia	The Sydney Morning Herald, The Age, The Australian
Austria	Der Standard, The Local, Austria Presse Agentur
Bangladesh	The Daily Star, The Financial Express
Brasil	Agencia Brasil, Reporter Brasil, Correio do Brasil, Correio 24h
Canada	The Globe and Mail, The Toronto Star, National Post
Chile	Chilevision, La Tercera
China	South China Morning Post, South China Net, China Daily, China Daily, China Times, China Times, China Times
Colombia	Colombia Reports, El Colombiano - SABI, El Pilon, Portafolio
Cyprus	Cyprus Mail, Kibris Postasi, Famagusta Gazette
Czech Republic	Hospodarske Noviny, CTK Business News
Denmark	The Local, Politiken
Ecuador	Expreso
Finland	Esmerk Finnish News, Kauppalehti, Demokraatti
France	Le Figaro, Le Monde
Germany	Bild, Frankfurter Allgemeine Zeitung, Handelsblatt
India	Economic Times , Times of India , Hindustan Times, The Hindu , Financial Express , Indian Express, The Statesman
Indonesia	The Jakarta Post, Kompas, Koran Tempo, Republika, Bisnis Indonesia
Ireland	Irish Independent, The Irish Times, The Irish Examiner
Italy	Corriere Della Sera, La Repubblica
Japan	The Asahi Shimbun, Yomiuri Shimbun
Jordan	Jordan News Agency, Jordan Times, Al Ghad, Al Rai
Malaysia	New Strait Times, The Malay Mail
Mexico	El Universal, Milenio, Reforma
Netherlands	De Telgraaf, De Volkskrant, Algemeen Dagblad

Peru	El Comercio, El Peruano, Hoy
Philippine	Philippine Daily Inquirer, The Philippine Star, Manila Bulletin, The Manila Times
Poland	Gazeta.pl, Gazeta Wyborcza
Russia	Kommersant, Komsomolskaya Pravda
Saudi Arabia	Arab News, Asharq Al-Aswat, Al Riyadh
Singapore	The Straits Times, Today, Lianhe Zaobao, The New Paper
South Africa	Business Day, Sowetan, Cape Business News
South Korea	Donga Ilbo, The Kyunghyang Shinmun, The Korea Economic Daily
Spain	El Mundo, El Pais
Switzerland	20 Minuten, Neue Zurcher Zeitung, Blick, Tages Anzeiger, Le Matin
Taiwan	United Daily News, Liberty Times, Apple Daily Taiwan, China Times, The China Post
Thailand	Bangkok Post, The Nation
UAE	Khaleej Times, The National, Al Bayan
Uruguay	El Pais - SABI, El Observador Economico - SAIB, Brecha
Venezuela	El Nacional, El Universal
UK	The Times,The Guardian, Financial Times
USA	LA Times, USA Today, Chicago Tribune, Washington Post, Boston Globe, and Wall Street Journal, New York Times

Table B.I

Excluding Attacks by International Groups

This table reports the impact of terror events on firms' foreign segment sales excluding cases that are committed by international terror groups. We run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \varepsilon_{jklt},$$

where *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest (i.e., logged segment sales of firm *j* of country *k* in foreign country *l* in year *t*). We convert segment sales to U.S. dollars using exchange rates from the previous year end, and we exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. α_t and α_{jl} are year and firm-segment fixed effects. X_{jklt} and Z_{jt} contain segment-level control variables such as *Log(Segment age), Log(Number of other segments), Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries, along with firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Cash flows* are deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*, and ε_{jklt} is the error term. Our sample is the merged GTD and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

	Log(Segment-level Sales)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treatment	-0.36**	-0.36**	-0.44***	-0.26*	-0.52***	-0.27***	-0.16**
	(-2.37)	(-2.23)	(-3.10)	(-1.94)	(-2.69)	(-4.21)	(-2.03)
Log(Segment age)	…	0.01	0.06	0.04	0.04	0.04	…
		(0.11)	(0.45)	(0.30)	(0.31)	(0.31)	
Log(Number of other segments)	…	-2.91***	-3.21***	-3.17***	-3.52***	-3.45***	…
		(-4.48)	(-4.42)	(-4.27)	(-4.79)	(-4.57)	
Segment HHI	…	0.24	0.28	0.43***	0.30**	0.41***	0.18*
		(1.26)	(1.62)	(3.78)	(2.12)	(3.78)	(1.85)
Cash flows to assets	…	-2.41***	-1.95***	-1.25***	0.32	0.36	…
		(-5.47)	(-4.56)	(-2.93)	(0.94)	(0.98)	
Leverage	…	0.25***	0.29***	0.27***	0.28***	0.26***	…
		(2.81)	(3.60)	(3.49)	(3.44)	(3.12)	
Log(Tobin's Q)	…	-0.11**	-0.16***	-0.16***	-0.19***	-0.19***	…
		(-2.11)	(-2.64)	(-2.69)	(-3.22)	(-3.17)	
Firm-segment fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	No	No	No	No	No
Industry-year fixed effects?	No	No	Yes	Yes	Yes	Yes	No
Foreign country × year fixed effects?	No	No	No	Yes	No	Yes	Yes
Country of incorporation × year fixed effects?	No	No	No	No	Yes	Yes	No
Firm × year fixed effects?	No	No	No	No	No	No	Yes
Observations	242,008	242,008	242,008	241,898	242,008	241,898	240,489
R^2	0.461	0.461	0.475	0.489	0.497	0.508	0.763

Table B.II

Subsidiary Sales and Employee Count in Foreign Countries

This table reports the impact of terror events on firms' subsidiaries in foreign countries. We run regressions on the following specification:

$$y_{sjklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{sjklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \varepsilon_{jklt},$$

where s indexes subsidiary, *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest—i.e., logged sales (employee count) of subsidiary *s* of firm *j* from country *k* in foreign country *l* in year *t* in Panel A (Panel B). Subsidiary data is from Orbis Osiris. Orbis reports subsidiary sales in U.S. dollars. We exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. and firms with less than ten observations. Panels A.1 and B.1 (A.2 and B.2) report results from analyzing all (only public) firms. α_t and α_{jl} are year and firm-segment fixed effects. X_{jklt} and Z_{jt} contain segment-level control variables such as *Log(Segment age), Log(Subsidiary age), Log(Number of other segments), Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries, along with firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Cash flows* are deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*, and ε_{jklt} is the error term. Our sample is the merged Orbis Osiris, GTD and Worldscope universe, and our sample period is from 2013 to 2018. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

Panel A. Effects of Terror Attacks on Subsidiary Sales Overseas

	Dependent Variable: Log(Subsidiary-level Sales)							
	Panel A.1: Public and Private Firms				Panel A.2: Public firms			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Treatment	-0.69**	-0.69**	-0.47***	-0.47***	-0.58*	-0.58*	-0.58***	-0.58***
	(-2.37)	(-2.37)	(-3.55)	(-3.55)	(-1.93)	(-1.92)	(-3.40)	(-3.39)
Log(Segment age)	-0.03	-0.03	-0.12	-0.12	-0.13	-0.13	-0.20**	-0.19**
	(-0.34)	(-0.35)	(-1.16)	(-1.17)	(-1.51)	(-1.50)	(-2.39)	(-2.37)
Log(Number of other segments)	-0.67**	-0.67**	-0.38*	-0.38*	-0.62**	-0.62**	-0.42**	-0.42**
	(-2.36)	(-2.36)	(-1.75)	(-1.75)	(-2.04)	(-2.04)	(-2.08)	(-2.06)
Segment HHI	1.43***	1.43***	0.23	0.24	1.58***	1.58***	0.90**	0.90**
	(3.05)	(3.05)	(0.60)	(0.60)	(4.19)	(4.16)	(2.56)	(2.56)
Log(Subsidiary age)	…	-0.31	…	-0.30	…	0.48	…	0.49
		(-0.67)		(-0.62)		(1.65)		(1.66)
Cash flows to assets	…	…	…	…	-0.01	-0.01	0.03	0.03
					(-0.15)	(-0.14)	(0.52)	(0.52)
Leverage	…	…	…	…	-0.02	-0.02	-0.04***	-0.04***
					(-1.36)	(-1.36)	(-3.09)	(-3.10)
Log(Tobin's Q)	…	…	…	…	0.32*	0.32*	0.35**	0.34**
					(1.69)	(1.68)	(2.24)	(2.22)
Firm-segment fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	No	No	Yes	Yes	No	No
Industry-year fixed effects?	No	No	Yes	Yes	No	No	Yes	Yes
Observations	552,174	552,174	552,152	552,152	220,147	220,147	220,126	220,126
R^2	0.499	0.499	0.503	0.503	0.538	0.538	0.542	0.542

Panel B. Effects of Terror Attacks on Subsidiary Employee Count Overseas

	Dependent Variable: Log(Subsidiary-level Employee Count)							
	Panel B.1: Public and Private Firms				Panel B.2: Public firms			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Treatment	0.67***	0.67***	0.22	0.22	0.52***	0.52***	0.20	0.20
	(3.56)	(3.56)	(1.03)	(1.03)	(3.23)	(3.24)	(0.82)	(0.82)
Log(Segment age)	-0.04	-0.03	-0.06	-0.06	-0.09*	-0.09*	-0.13**	-0.13**
	(-0.59)	(-0.58)	(-1.05)	(-1.04)	(-1.70)	(-1.69)	(-2.45)	(-2.44)
Log(Number of other segments)	0.07	0.07	0.11	0.11	-0.07	-0.07	-0.08	-0.08
	(0.41)	(0.41)	(0.91)	(0.91)	(-0.54)	(-0.54)	(-0.66)	(-0.66)
Segment HHI	-0.17	-0.17	-0.43	-0.43	0.59**	0.58**	0.48*	0.48*
	(-0.40)	(-0.41)	(-1.35)	(-1.36)	(2.08)	(2.06)	(1.68)	(1.67)
Log(Subsidiary age)	…	0.49***	…	0.50***	…	0.31***	…	0.31***
		(3.22)		(3.26)		(3.97)		(3.78)
Cash flows to assets	…	…	…	…	-0.06	-0.06	-0.01	-0.01
					(-0.77)	(-0.77)	(-0.18)	(-0.18)
Leverage	…	…	…	…	-0.01	-0.01	-0.02***	-0.02***
					(-1.33)	(-1.33)	(-3.25)	(-3.25)
Log(Tobin's Q)	…	…	…	…	0.14	0.14	0.18*	0.18*
					(1.32)	(1.30)	(1.97)	(1.94)
Firm-segment fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	No	No	Yes	Yes	No	No
Industry-year fixed effects?	No	No	Yes	Yes	No	No	Yes	Yes
Observations	518,058	518,058	518,039	518,039	192,681	192,681	192,660	192,660
R^2	0.461	0.461	0.463	0.463	0.566	0.566	0.569	0.569

Panel C. Analyzing Segment-level Outcomes by Aggregating Subsidiary Data

(Public and Private Firms)

	Log(Segment-level Sales)	**Log(Segment-level Sales)**	**Log(Segment-level Employee Count)**	**Log(Segment-level Employee Count)**
	(1)	(2)	(3)	(4)
Treatment	-0.26***	-0.33***	0.35	0.35**
	(-2.82)	(-4.12)	(1.37)	(2.07)
Log(Segment age)		0.54***		0.66***
		(11.23)		(8.53)
Log(Number of other segments)		-0.12		-0.28
		(-0.72)		(-0.67)
Segment HHI		-0.20		-0.87***
		(-0.94)		(-2.72)
Firm-segment fixed effects?	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes
Observations	52,632	52,632	52,632	52,632
R^2	0.686	0.717	0.729	0.743

Table B.III

Robustness Tests on Foreign Segment Activities

This table reports the impact of terror events on firms' foreign segment assets. Panel A reruns Table III using contemporaenous exchange rates rather than exchange rates from the previous year end. Panel B reports results from our placebo test. As treated group, we hold sales of local-target country firms to foreign-victim countries' closest neighbors. As control, we hold all firm-segments other than local-target country firm segments in foreign-victim countries. Panel C reports our findings on *Logged segment assets*, which refers to the log of one plus foreign segment assets. Segment assets are in U.S. dollars using exchange rates from the previous year end. We exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. In all panels, we run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma X_{jklt} + \varphi Z_{jt} + \delta \text{Treatment}_{klt} + \varepsilon_{jklt},$$

where *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest, and α_t and α_{jl} are year and firm-segment fixed effects. Controls and fixed effects structures are as in Table III. X_{jklt} and Z_{jt} contain segment-level control variables such as *Log(Segment age), Log(Number of other segments), Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries, along with firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Cash flows* are deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*, and ε_{jklt} is the error term. Our sample is the merged GTD and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Panel A: Log(Segment-level Sales) using contemporaneous exchange rates						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treatment	-0.41**	-0.41**	-0.48***	-0.33**	-0.49**	-0.25***	-0.17**
	(-2.61)	(-2.47)	(-3.32)	(-2.40)	(-2.53)	(-3.83)	(-2.01)
Observations	243,445	243,445	243,445	243,335	243,445	243,335	242,048
R^2	0.460	0.461	0.474	0.488	0.496	0.507	0.763
	Panel B: Placebo test on Log(Segment-level Sales)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treatment	-0.17	-0.19	-0.38	-0.04	-0.58	-0.15	0.51
	(-0.48)	(-0.53)	(-0.90)	(-0.09)	(-1.62)	(-0.43)	(1.57)
Observations	202,126	202,126	202,124	202,006	202,123	202,004	196,270
R^2	0.465	0.465	0.481	0.495	0.502	0.513	0.763
	Panel C: Log(Segment-level Assets)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treatment	-0.20	-0.24	-0.25	-0.33***	-0.24	-0.19**	-0.24***
	(-1.23)	(-1.39)	(-1.56)	(-2.96)	(-1.56)	(-2.55)	(-2.75)
Observations	243,445	243,445	243,445	243,335	243,445	243,335	242,048
R^2	0.511	0.512	0.520	0.533	0.536	0.546	0.783
	Panel D: Controls for Panels A, B and C						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Controls?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm-segment fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	No	No	No	No	No
Industry-year fixed effects?	No	No	Yes	Yes	Yes	Yes	No
Foreign country × year fixed effects?	No	No	No	Yes	No	Yes	Yes
Country of incorporation × year fixed effects?	No	No	No	No	Yes	Yes	No
Firm × year fixed effects?	No	No	No	No	No	No	Yes

Table B.IV

Consumer-focused Firms, Geographically-concentrated Firms, and Easy-to-substitute Firms

This table reports the impact of terror events on firms' foreign segment sales by concentrating on different subsamples. To do so, we interact our treatment variable with a characteristic of interest in the full sample. In Column (1), we study consumer-focused firms. *Consumer-focused* firms are from the following FF48 industries: 4 (Beer & Liquor), 5 (Tobacco Products), 6 (Recreation), 7 (Entertainment), 9 (Consumer Goods), 10 (Apparel), 12 (Medical Equipment), 13 (Pharmaceutical Products), 14 (Chemicals), 16 (Textiles), 20 (Fabricated Products), 32 (Communication), 33 (Personal Services), 35 (Computers), 42 (Retail), 43 (Restaurants, Hotels, Motels), 44 (Banking), 45 (Insurance), 47 (Trading). Column (2), we study geographically concentrated firms. *Geographically-concentrated* firms are those with less foreign segments than the average firm in our sample ex-ante. In Column (3), we study easy-to-substitute firms. *Easy-to-substitute* firms are those that operate in competitive foreign segments. To identify whether a firm's foreign segment is competitive, we check whether the (sales based) industry-HHI score in a firm's foreign segment is less than the sample average ex-ante. In Columns (4) to (7), we jointly study these characteristics. In all panels, we run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \mu\, \text{Treatment}_{klt} \times \text{Characteristic}_j + \varepsilon_{jklt},$$

where j indexes firm, k indexes country of incorporation, l indexes foreign country, and t indexes survey year. y_{jklt} is the dependent variable of interest (i.e., logged segment sales of firm j of country k in foreign country l in year t). We convert segment sales to U.S. dollars using exchange rates from the previous year end, and we exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. α_t and α_{jl} are year and firm-segment fixed effects. X_{jklt} and Z_{jt} contain segment-level control variables such as *Log(Segment age), Log(Number of other segments), Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries, along with firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Cash flows* are deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country k impacted citizens of country l by year t, *Characteristic* is one of *Consumer-focused*, *Geographically concentrated*, and *Easy-to-substitute*. ε_{jklt} is the error term. Our sample is the merged GTD and Worldscope universe, and our sample period is from 1995 to 2014. Further variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, or * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Log(Segment-level Sales)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treatment	-0.31*	-0.18	-0.16	-0.07	-0.03	0.07	0.21
	(-1.70)	(-0.73)	(-0.68)	(-0.27)	(-0.14)	(0.25)	(0.71)
Treatment × Consumer-focused	-0.38**	..	..	-0.41***	-0.40***	..	-0.43***
	(-2.59)			(-2.82)	(-2.73)		(-2.95)
Treatment × Geographically-concentrated	..	-0.64	..	-0.65*	..	-0.64	-0.65*
		(-1.62)		(-1.70)		(-1.60)	(-1.68)
Treatment × Easy-to-substitute	..	..	-0.33*	..	-0.35**	-0.33**	-0.36**
			(-1.97)		(-2.20)	(-2.08)	(-2.34)
Log(Segment age)	0.02	0.01	0.02	0.01	0.02	0.01	0.01
	(0.15)	(0.09)	(0.13)	(0.11)	(0.14)	(0.08)	(0.10)
Log(Number of other segments)	-2.82***	-2.81***	-2.82***	-2.81***	-2.82***	-2.81***	-2.81***
	(-4.28)	(-4.28)	(-4.28)	(-4.29)	(-4.28)	(-4.28)	(-4.29)
Segment HHI	0.23	0.22	0.23	0.22	0.23	0.22	0.23
	(1.21)	(1.21)	(1.22)	(1.21)	(1.22)	(1.21)	(1.22)
Cash flows to assets	-2.42***	-2.42***	-2.42***	-2.42***	-2.41***	-2.42***	-2.42***
	(-5.47)	(-5.54)	(-5.47)	(-5.53)	(-5.46)	(-5.53)	(-5.52)
Leverage	0.25***	0.25***	0.25***	0.25***	0.25***	0.25***	0.25***
	(2.83)	(2.82)	(2.83)	(2.82)	(2.83)	(2.83)	(2.82)
Log(Tobin's Q)	-0.11**	-0.11**	-0.11**	-0.11**	-0.11**	-0.11**	-0.11**
	(-2.13)	(-2.08)	(-2.14)	(-2.07)	(-2.13)	(-2.08)	(-2.07)
Firm-segment fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	243,543	243,543	243,543	243,543	243,543	243,543	243,543
R^2	0.461	0.461	0.461	0.461	0.461	0.461	0.461

Table B.V

Inaccurate Country-of-origin Associations and Foreign Segment Sales after Terror Attacks

This table presents results on how false firm name and country-of-origin associations affect foreign segment sales after terror attacks (Panel A) and a placebo test on false associations (Panel B). We run regressions on the following specification:

$$y_{jklt} = \alpha_{jt} + \alpha_{lt} + \gamma\, X_{jklt} + \delta\, \text{False Association}_{jklt} + \mu\, \text{False Association}_{jklt} * T_j + \varepsilon_{jklt},$$

where *j* indexes firm, *k* indexes predicted country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest (i.e., logged segment sales). We convert segment sales to U.S. dollars using exchange rates from the previous year end, and we exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. α_{jt} and α_{lt} are firm × year and foreign-country × year fixed effects. X_{jklt} contains *Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries. ε_{jklt} is the error term. In Panel A, *False Association*$_{jklt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t* and firm j is falsely associated with country *k* as a country of incorporation due to its name (i.e., even though it's not incorporated in country *k*, the name similarity algorithm predicts country *k* as the most likely origin*).* T_j is one of *I(>Median Similarity Score)* and *I(>50% Similarity Score)*. These are respectively equal to one if firm *j*'s predicted "nationality" score is greater than the sample median and 50%. In Panel B, *Weak False Association* is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t* and firm j is falsely associated with country *k* as a country of incorporation due to its name, but the association is very weak. In particular, country *k* is not the first but the fifth most likely country of origin according to the name similarity algorithm of Ye, Han, Hu, Coskun, Liu, Qin, and Skiena (2017). Our sample is the merged BAV, GTD, and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix, Section A. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Panel A: Inaccurate Country-of-origin Associations				Panel B: Placebo Test on Inaccurate Country-of-origin Associations		
	Log(Segment-level Sales)				Log(Segment-level Sales)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
False Association	-0.09	0.11	0.06	-0.01	..	..	..
	(-1.23)	(0.91)	(0.61)	(-0.14)			
False Association × Similarity Score	..	-0.56**	..	..	..	..	..
		(-2.14)					
False Association	..	..	-0.29**	..	..	..	..
× I(> Median Similarity Score)			(-2.26)				
False Association	..	..	..	-0.32**	..	..	..
× I(>50% Similarity Score)				(-2.50)			
Weak False Association	..	..	..	..	0.05	-0.01	0.01
					(0.65)	(-0.11)	(0.14)
Weak False Association × Similarity Score	..	..	..	..	..	1.05	..
						(0.69)	
Weak False Association	..	..	..	..	..	..	0.07
× I(> Median Similarity Score)							(0.75)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Foreign country × year fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm × year fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	157,107	157,107	157,107	157,107	183,717	183,717	183,717
R^2	0.606	0.606	0.606	0.606	0.613	0.613	0.613

Table B.VI

Inactive Segments, Firm Name Associations and Long-term Economic Relations

This table presents results on how firm name and country-of-origin resemblance affect the extensive margin of foreign segment sales. We run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \gamma X_{jklt} + \varphi Z_{jt} + \delta \text{Treatment}_{klt} + \mu \text{Treatment}_{klt} * T_j + \varepsilon_{jklt},$$

where *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest (*Active Segment*, which is equal to one if segment sales of firm *j* of country *k* in foreign country *l* in year *t* is positive, and zero otherwise; or *Log(Active Segment)*, which equals log of one plus *Active Segment*). α_t and α_{jl} are year and firm-segment fixed effects. X_{jklt} and Z_{jt} contain segment-level control variables such as *Log(Segment age)*, *Log(Number of other segments)*, *Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries, along with firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Cash flows* are deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t.* $\text{Treatment}_{1\text{-}5}$ (Treatment_{6+}) denotes first five years (after the first five years) of treatment. T_j is one of *Top 1 name resemblance*, *Top 3 name resemblance*, and *Top 5 name resemblance*. They are respectively equal to one if firm *j*'s name has highest predicted "nationality" equal to its country of incorporation, or if among firm *j*'s top 3 or top 5 "nationality" predictions includes its country of incorporation. ε_{jklt} is the error term. Our sample is the merged BAV, GTD, and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Active Segment	Log(Active Segment)	Active Segment	Log(Active Segment)	Active Segment	Log(Active Segment)
	(1)	(2)	(3)	(4)	(5)	(6)
Treatment	-0.05**	-0.03**	-0.04*	-0.02*	…	…
	(-1.99)	(-1.99)	(-1.66)	(-1.66)		
Treatment × Top 1 name resemblance	…	…	-0.05**	-0.03**	…	…
			(-2.00)	(-2.00)		
$Treatment_{1-5}$	…	…	…	…	-0.02	-0.01
					(-0.89)	(-0.89)
$Treatment_{1-5}$ × Top 1 name resemblance	…	…	…	…	-0.05**	-0.03**
					(-2.05)	(-2.05)
$Treatment_{6+}$	…	…	…	…	-0.12**	-0.08**
					(-2.28)	(-2.28)
$Treatment_{6+}$ × Top 1 name resemblance	…	…	…	…	-0.03	-0.02
					(-0.77)	(-0.77)
Log(Segment age)	0.05***	0.05***	0.03***	0.03***	0.05***	0.03***
	(3.51)	(3.50)	(3.51)	(3.50)	(3.46)	(3.46)
Log(Number of other segments)	-0.38***	-0.38***	-0.26***	-0.26***	-0.38***	-0.27***
	(-4.44)	(-4.45)	(-4.44)	(-4.45)	(-4.48)	(-4.48)
Segment HHI	0.06**	0.06**	0.04**	0.04**	0.06**	0.04**
	(2.45)	(2.45)	(2.45)	(2.45)	(2.49)	(2.49)
Cash flows to assets	-0.47***	-0.47***	-0.33***	-0.33***	-0.47***	-0.33***
	(-7.04)	(-6.98)	(-7.04)	(-6.98)	(-7.09)	(-7.09)
Leverage	0.02	0.02	0.01	0.01	0.02	0.01
	(1.24)	(1.24)	(1.24)	(1.24)	(1.25)	(1.25)
Log(Tobin's Q)	-0.02**	-0.02**	-0.01**	-0.01**	-0.02**	-0.01**
	(-2.38)	(-2.36)	(-2.38)	(-2.36)	(-2.33)	(-2.33)
Firm-segment fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes
Observations	213,967	213,967	213,967	213,967	213,967	213,967
R^2	0.396	0.396	0.396	0.396	0.397	0.397

Table B.VII

Effects of Terrorism on Bilateral Trade Agreements

This table studies effects of terror attacks on trade agreements between countries. In our main specification, we estimate the following regression:

$$y_{klt} = \alpha_{kt} + \alpha_{kl} + \delta \text{ Treatment}_{klt} + \varepsilon_{klt}$$

where *k* indexes country, *l* indexes foreign country, and *t* indexes survey year. y_{klt} is the dependent variable of interest and it's one of *Trade agreement, Total Pages, IPR Mention, IPR Chapter* and *Trade Secrets*. *Trade agreement* denotes whether there is an active trade agreement between country *k* and foreign country *l* in year *t. Total Pages* denotes the average number of pages in active trade agreements between country *k* and foreign country *l* in year *t. IPR Mention*, *IPR Chapter* and *Trade Secrets* respectively denote whether intellectual property rights (IPR) were covered, there is a chapter on IPR, and trade secrets are mentioned in active trade agreements between country *k* and foreign country *l* in year *t*. α_{kt} and α_{kl} are country-year and country-pair fixed effects. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*, and ε_{klt} is the error term. Our sample is the merged UNESCAP and GTD, and our sample period is from 1993 to 2014. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

	Trade Agreement	**Total Pages**	**IPR Mention**	**IPR Chapter**	**Affirming TRIPS**	**Trade Secrets**
	(1)	(2)	(3)	(4)	(5)	(6)
Treatment	-0.06**	-21.20	-0.06**	-0.05***	-0.08	-0.05*
	(-1.99)	(-1.21)	(-2.56)	(-2.62)	(-1.52)	(-1.89)
Country pair fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes
Country × year fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes
Observations	41,320	41,320	41,320	41,320	41,320	41,320
R^2	0.795	0.867	0.815	0.816	0.903	0.873

Table B.VIII

Foreign Media's Response to Local Terror Attacks

This table studies effects of terror attacks on foreign media coverage of local-target countries. In our main specification, we estimate the following regression:

$$y_{klt} = \alpha_t + \alpha_{kl} + \delta \text{ Treatment}_{klt} + \varepsilon_{klt}$$

where k indexes country, l indexes foreign country, and t indexes survey year. y_{klt} is the dependent variable of interest (i.e., log of one plus the number of terror related news articles about country k in foreign country l media outlets in year t), and α_t and α_{kl} are year and country-pair fixed effects. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country k impacted citizens of country l by year t, and ε_{klt} is the error term. News articles in foreign country media outlets are hand-collected from Factiva with subject tags of "terrorism" and region tags equal to names of target countries. Our estimate of terrorist attacks' effect on country reputations is δ. Our sample is the merged Factiva and GTD universe, and our sample period is from 1995 to 2014. We use all survey countries that exist in BAV database at least once. Further descriptions on data collection can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

	Logged Number of Terror-related News Articles			
	(1)	(2)	(3)	(4)
Treatment	0.47***	0.50***	0.40***	0.36***
	(3.36)	(3.39)	(3.29)	(3.10)
Country pair fixed effects?	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	No	No	No
Country × year fixed effects?	No	Yes	No	Yes
Foreign country × year fixed effects?	No	No	Yes	Yes
Observations	25,500	24,520	25,500	24,520
R^2	0.515	0.592	0.649	0.729

Table B.IX

Robustness Tests on Country Reputation

This table reports the effects of terror attacks on different layers of country reputation. *Product-related country reputation* refers to average score in BAV atributes *high quality, trustworthy, authentic, unique, cares customers, good value,* and *socially responsible*. *Culture-related country reputation* refers to average score in BAV attributes *friendly, fun, kind, down to earth, arrogant, energetic, rugged,* and *traditional*. We estimate the following regression:

$$y_{klt} = \alpha_t + \alpha_{kl} + \gamma\, X_{klt} + \delta\, \text{Treatment}_{klt} + \mu\, \text{Treatment}_{klt} * M_{klt} + \varepsilon_{klt}$$

where *k* indexes country, *l* indexes survey location, and *t* indexes survey year. y_{klt} is the dependent variable of interest. α_t and α_{kl} are year and country-pair fixed effects. X_{klt} contains control variables such as logged GDPs, populations and WTO membership, and common currency dummies for both country *k* and location *l*. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*, and ε_{klt} is the error term. M_{klt} is one of *Media coverage in foreign-victim country* and *Nr. of news articles in foreign-victim country*. *Nr. of news articles in foreign-victim country* are Factiva news articles (in 100's) with subjects equal to "Terrorism", region tags equal to the name of local country names, and source tags equal to names of the foreign media outlets. *Media coverage in foreign-victim country* is one if *Nr. of news articles in foreign-victim country* is greater than zero, and zero otherwise. Our sample is the merged BAV and GTD, and our sample period is from 1993 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Product-rel. Reputation	Culture-rel. Reputation	Product-rel. Reputation	Culture-rel. Reputation	Product-rel. Reputation	Culture-rel. Reputation
	(1)	(2)	(3)	(4)	(5)	(6)
Treatment	-0.91***	-1.36**	0.46	0.05	-0.56	-1.03
	(-2.96)	(-2.48)	(1.02)	(0.11)	(-1.67)	(-1.61)
Treatment × Newspaper coverage	…	…	-2.10***	-2.03**	…	…
in foreign-victim country			(-3.26)	(-2.35)		
Treatment × Nr. of news articles	…	…	…	…	-6.25***	-4.53**
in foreign-victim country					(-3.80)	(-2.38)
Log(GDP per capita)	2.04*	3.78***	1.88	4.09***	1.90	4.10***
	(1.75)	(2.92)	(1.53)	(3.26)	(1.56)	(3.28)
Log(GDP per capita$^{\text{Foreign country}}$)	0.24	0.69	0.18	0.74	0.17	0.73
	(1.00)	(1.63)	(0.65)	(1.56)	(0.70)	(1.63)
Log(Population)	1.82*	-0.40	2.18*	0.41	2.09*	0.30
	(1.97)	(-0.32)	(2.07)	(0.31)	(2.02)	(0.22)
Log(Population $^{\text{Foreign country}}$)	1.34	-9.02	-1.75	-12.52*	-1.77	-12.55*
	(0.22)	(-1.51)	(-0.29)	(-1.98)	(-0.29)	(-1.97)
GATT/WTO member	1.38***	-0.29	1.19***	-0.48	1.27***	-0.39
	(3.99)	(-0.81)	(3.13)	(-1.28)	(3.33)	(-0.99)
GATT/WTO member $^{\text{Foreign country}}$	-0.14	0.05	-0.11	0.08	-0.10	0.09
	(-0.88)	(0.33)	(-0.64)	(0.49)	(-0.63)	(0.57)
Common currency	1.56***	1.72*	1.86***	2.04*	1.67***	1.86
	(2.85)	(1.89)	(3.07)	(1.88)	(2.82)	(1.69)
Country pair fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7,083	7,083	6,256	6,256	6,256	6,256
R^2	0.803	0.857	0.795	0.863	0.794	0.863

Table B.X

Main Findings After Controlling for Changing Trade Relations

This table reports the impact of terror events on firms' foreign segment sales excluding cases that are committed by international terror groups. We run regressions on the following specification:

$$y_{jklt} = \alpha_{jl} + \alpha_t + \pi\, W_{klt} + \gamma\, X_{jklt} + \varphi\, Z_{jt} + \delta\, \text{Treatment}_{klt} + \varepsilon_{jklt},$$

where *j* indexes firm, *k* indexes country of incorporation, *l* indexes foreign country, and *t* indexes survey year. y_{jklt} is the dependent variable of interest (i.e., logged segment sales of firm *j* of country *k* in foreign country *l* in year *t*). We convert segment sales to U.S. dollars using exchange rates from the previous year end, and we exclude firm segments with less than $100,000 in total sales during the sampling period of this paper. α_t and α_{jl} are year and firm-segment fixed effects. W_{klt} contains control variables such as *Trade agreement, Total Pages, IPR Mention, IPR Chapter, Affirming TRIPS* and *Trade Secrets*. *Trade agreement* denotes whether there is an active trade agreement between country *k* and foreign country *l* in year *t*. *Total Pages* denotes the average number of pages in active trade agreements between country *k* and foreign country *l* in year *t*. *IPR Mention, IPR Chapter, Affirming TRIPS* and *Trade Secrets* respectively denote whether intellectual property rights (IPR) were covered, there is a chapter on IPR, affirms TRIPS agreement and trade secrets are mentioned in active trade agreements between country *k* and foreign country *l* in year *t*. X_{jklt} and Z_{jt} contain segment-level control variables such as *Log(Segment age), Log(Number of other segments), Segment-wide Herfindahl-Hirschman index (HHI) index* using FF-48 industries, along with firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Cash flows* are deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{klt}$ is a dummy variable that equals one if a terror attack in country *k* impacted citizens of country *l* by year *t*, and ε_{jklt} is the error term. Our sample is the merged GTD and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the foreign-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Log(Segment-level Sales)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treatment	-0.45***	-0.45**	-0.51***	-0.32**	-0.51**	-0.25***	-0.17**
	(-2.72)	(-2.60)	(-3.35)	(-2.32)	(-2.53)	(-3.68)	(-2.02)
Trade agreement	0.06	0.06	0.09	-0.37*	0.32**	0.03	0.14
	(0.32)	(0.32)	(0.48)	(-1.78)	(2.22)	(0.18)	(1.07)
Total Pages	0.00	-0.00	0.00	0.00	0.00	0.00	0.00
	(0.01)	(-0.02)	(0.50)	(1.45)	(0.68)	(1.12)	(1.41)
IPR Mention	1.10**	1.09***	0.91**	0.23	0.53*	-0.35	-0.42
	(2.53)	(2.74)	(2.32)	(0.50)	(1.80)	(-1.24)	(-1.64)
IPR Chapter	-0.85**	-0.85**	-0.92***	0.32	-0.88***	0.31	0.14
	(-2.45)	(-2.58)	(-2.93)	(0.78)	(-2.67)	(1.03)	(0.55)
Affirming TRIPS	-0.35***	-0.35***	-0.26***	-0.21**	-0.26**	-0.19*	-0.08
	(-4.27)	(-4.23)	(-3.80)	(-2.44)	(-2.43)	(-1.67)	(-0.73)
Trade Secrets	-0.14	-0.14	-0.03	0.17	-0.00	0.23	0.14
	(-0.80)	(-0.78)	(-0.24)	(1.28)	(-0.03)	(1.45)	(0.98)
Additional Firm- and Segment-level Controls Not Reported for Brevity:							
Log(Segment age), Log(Number of other segments), Segment HHI, Cash flows to assets, Leverage, Log(Tobin's Q)							
Firm-segment fixed effects?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	No	No	No	No	No
Industry-year fixed effects?	No	No	Yes	Yes	Yes	Yes	No
Foreign country × year fixed effects?	No	No	No	Yes	No	Yes	Yes
Country of incorporation × year fixed effects?	No	No	No	No	Yes	Yes	No
Firm × year fixed effects?	No	No	No	No	No	No	Yes
Observations	243,543	243,543	243,543	243,433	243,543	243,433	242,187
R^2	0.461	0.461	0.474	0.488	0.496	0.507	0.763

Table B.XI

Firm Name Associations and Firm Valuation

This table reports the impact of terror events on firm value by highlighting the influence of firm name associations. In Panel A, we run regressions on the following specification:

$$y_{jt} = \alpha_j + \alpha_t + \gamma\, X_{jt} + \delta\, \text{Treatment}_{jt} + \mu\, \text{Treatment}_{jt} * T_j + \varepsilon_{jt},$$

where *j* indexes firm and *t* indexes survey year. y_{jt} is the dependent variable of interest (i.e., *Logged Tobin's Q* or *Logged Market-to-book* of firm *j* in year *t*), and α_t and α_j are year and firm fixed effects. X_{jt} contains *Log(Book assets), Log(Book assets squared), and Log(Age),* or firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Book assets* and *Book assets squared* are in U.S. dollars, as reported by Worldscope under firm-level data. *Cash flows to assets* is deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Affected_{jt}$ denotes whether at least one of a firm's segments was affected by terror attacks by year *t*. T_j is one of *Top 1 name resemblance*, which is equal to one if firm j's name has highest predicted "nationality" equal to its country of incorporation. ε_{jklt} is the error term. Our sample is the merged BAV, GTD, and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the local-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

(Table is on the following page)

	Logged Tobin's Q	Logged M/B	Logged Tobin's Q	Logged M/B
	(1)	(2)	(3)	(4)
Affected	-0.09***	-0.08***	-0.05	-0.05***
	(-3.99)	(-4.66)	(-1.58)	(-2.72)
Affected × Top 1 name resemblance			-0.16***	-0.10***
			(-5.25)	(-5.86)
Log(Age)	-0.11***	-0.09***	-0.12***	-0.09***
	(-4.03)	(-4.33)	(-4.06)	(-4.33)
Log(Book assets)	-0.07	-0.02	-0.19	-0.02
	(-0.76)	(-0.27)	(-1.33)	(-0.27)
Log(Book assets sq.)	-0.00	-0.00	0.00	-0.00
	(-0.05)	(-1.30)	(0.69)	(-1.30)
Firm fixed effects?	Yes	Yes	Yes	Yes
Industry-year fixed effects?	Yes	Yes	Yes	Yes
Observations	47,748	47,748	47,748	47,748
R^2	0.676	0.713	0.663	0.713

Table B.XII

Additional Firm-level Analyses

This table reports the impact of terror events on asset growth and profitability. We run regressions on the following specification: $y_{jt} = \alpha_j + \alpha_t + \gamma X_{jt} + \delta \text{Treatment}_{jt} + \varepsilon_{jt}$, where *j* indexes firm and *t* indexes survey year. y_{jt} is the dependent variable of interest (i.e., *Logged Tobin's Q, Logged Market-to-book, Asset growth*, or *Profit Margin* of firm *j* in year *t*), and α_t and α_j are year and firm fixed effects. X_{jt} contains *Log(Book assets), Log(Book assets squared), and Log(Age),* or firm-level controls such as *Cash flows to assets, Log(Tobin's Q), and Leverage. Book assets* and *Book assets squared* are in U.S. dollars, as reported by Worldscope under firm-level data. *Cash flows to assets* is deflated by lagged assets, *Log(Tobin's Q)* is lagged, and *Leverage* is deflated by lagged assets. $Treatment_{jt}$ denotes whether at least one of a firm's segments was affected by terror attacks by year *t*. Our sample is the merged BAV, GTD, and Worldscope universe, and our sample period is from 1995 to 2014. More detailed variable descriptions can be found in the Appendix. Standard errors are clustered at the local-country level. ***, **, and * indicate that the coefficient estimate is significantly different from zero at the 1%, 5%, and 10% levels, respectively.

	Asset Growth	**Asset Growth**	**Profit Margin (%)**	**Profit Margin (%)**
	(1)	(2)	(3)	(4)
Treatment	-0.02**	-0.02***	-1.99***	-1.48***
	(-2.40)	(-2.86)	(-4.37)	(-3.89)
Log(Age)	-0.16***	-0.15***	-1.25**	-1.55***
	(-11.54)	(-12.76)	(-2.27)	(-3.31)
Log(Book assets)	0.36***	0.36***	6.80***	8.00***
	(10.30)	(8.80)	(3.65)	(4.32)
Log(Book assets sq.)	-0.01***	-0.01***	-0.17***	-0.21***
	(-7.83)	(-6.49)	(-3.43)	(-4.33)
Cash flows to assets	…	…	5.02	2.64
			(1.56)	(0.86)
Leverage	…	…	-0.75	-0.98
			(-1.04)	(-1.54)
Firm fixed effects?	Yes	Yes	Yes	Yes
Year fixed effects?	Yes	Yes	Yes	Yes
Industry-year fixed effects?	No	No	Yes	Yes
Observations	66,649	64,244	66,638	64,229
R^2	0.239	0.758	0.268	0.771

Figure A.I

Nation Brands

This figure shows the strongest image attributes of all countries in BAV universe, spanning the years 1993 to 2014. Image surveys are carried out in 42 countries at an annual frequency and measure country reputations using BAV's 48 image attributes. To identify a rated country's overall score in a given attribute, we first find its median score across surveys in a given year and then take a time-series average. Using this methodology, we compute country scores in all attributes, and we report each country's strongest attribute. We name the strongest attributes nation brands.

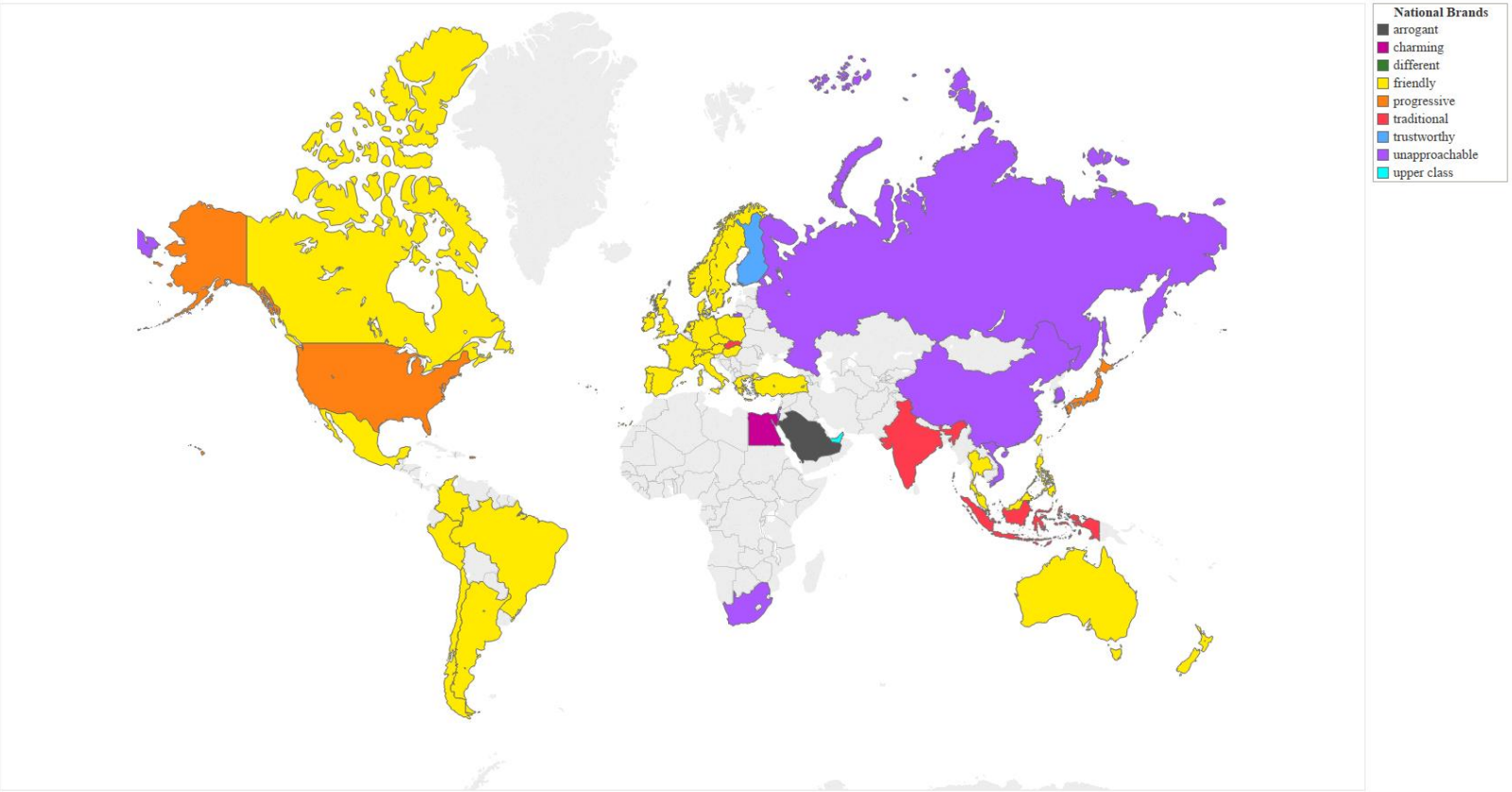


Figure A.II

Country Pairs and Country Reputations

This figure reports average nation brand scores of each country (y-axis) in foreign country surveys (x-axis). We take time-series averages within each country pair. Countries are listed using their ISO 2 codes. Higher scores are reported in darker green. Sample is BAV data between 1993 and 2014.

Figure A.III

Inactive Segments and Firm Name Associations

This figure presents our results on the extensive margin of foreign segment sales after the terror attacks. The y-axis shows the interaction coefficients between years-to-attack dummies and the *Treatment* variable as in specification (1). Interaction terms are obtained from an OLS regression on a sample of treatment and control firm-segments with *Active Segment* dummy from Table V on the left-hand side. On the right-hand side, we control for segment age, number of other segments, segment-wide Herfindahl-Hirschman index (HHI) index using FF-48 industries, along with firm-level controls such as cash flows to asset, Tobin's Q, and leverage. We also control for firm-segment fixed effects along with year fixed effects as in Table IV, Column (2). *Firms with Name Exposure* refers to *Top 1 name resemblance* firms as in Table IV, Column (2). *Firms without Name Exposure* refers the firms that have *Top 1 name resemblance* value of zero. The red vertical dotted line records the event time. The triangle, square and diamond markers record statistically insignificant coefficients, and the circle markers record statistically significant coefficients at the 10%, 5%, or 1% levels. Standard errors are clustered at the foreign-country level.

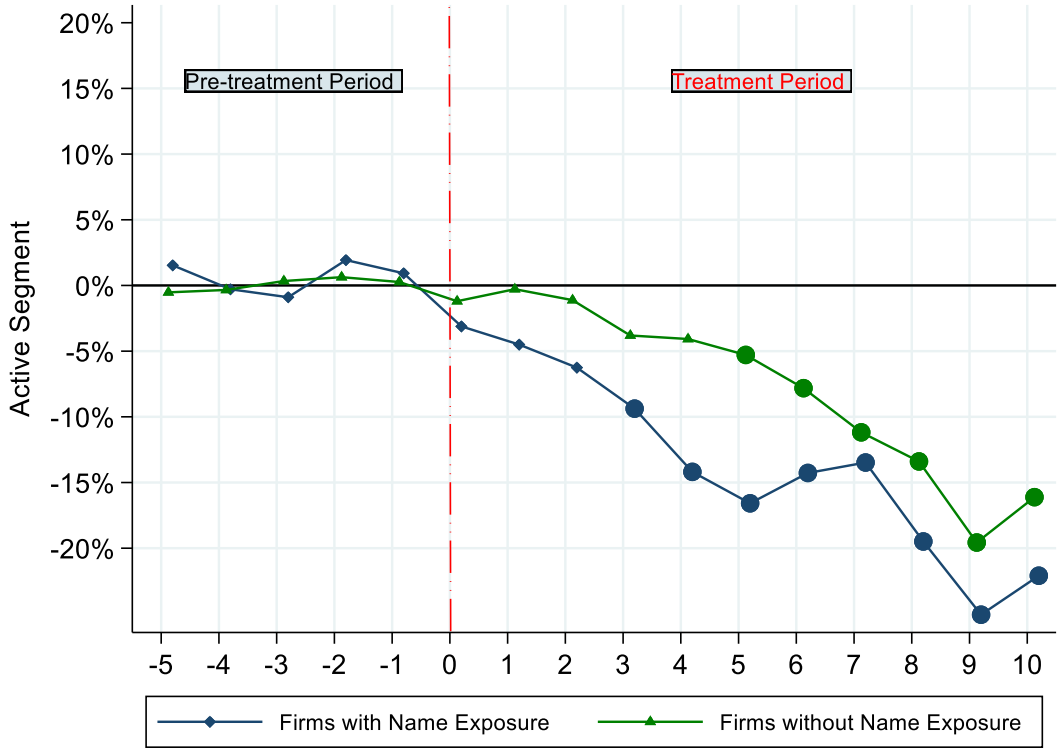


Figure A.IV

Terror-related News Articles in the Event Time of Terror Attacks

This figure shows the evolution of terror-related news articles about local-target countries in foreign media outlets around the terror attacks. The x-axis denotes years around the terror attacks. The y-axis shows the interaction coefficients between years-to-attack dummies and the *Treatment* variable as in specification (2). Interaction terms are obtained from an OLS regression on a sample of treatment and control countries (all survey countries that exist in BAV sample) with logged number of terror-related news articles on the left-hand side. On the right-hand side, we control for country-pair and year fixed effects. The red vertical dotted line records the event time. The blue triangle markers record statistically insignificant coefficients, and the red circle markers record statistically significant coefficients at 10%, 5%, or 1% levels.

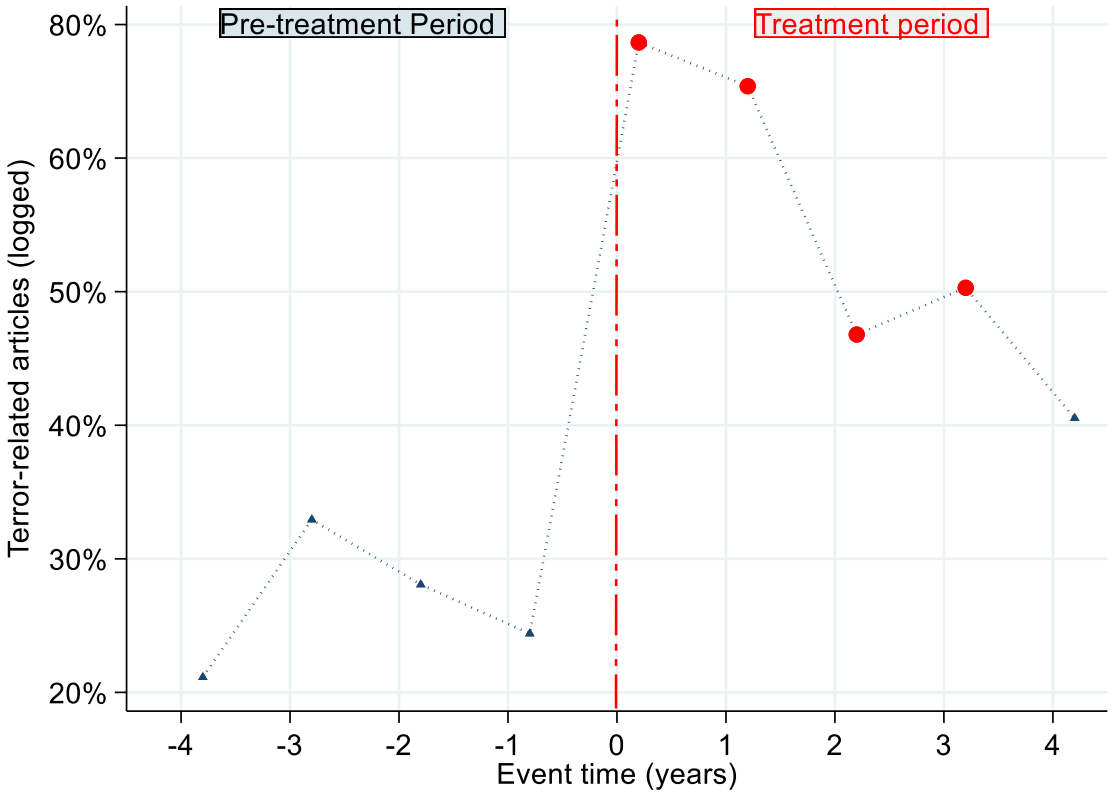


Figure A.V

Bilateral Trade Agreements in the Event Time of Terror Attacks

This figure shows the length of bilateral trade agreements around the terror attacks. The x-axis denotes years around the terror attacks. The y-axis shows the interaction coefficients between years-to-attack dummies and the *Treatment* variable as in specification (5). Interaction terms are obtained from an OLS regression on a sample of treatment and control countries (all survey countries that exist in UNESCAP sample) with mean number of pages in trade agreements in a given year on the left-hand side. On the right-hand side, we control for country-pair and country-year fixed effects. The red vertical dotted line records the event time. The blue triangle markers record statistically insignificant coefficients, and the red circle markers record statistically significant coefficients at 10%, 5%, or 1% levels.

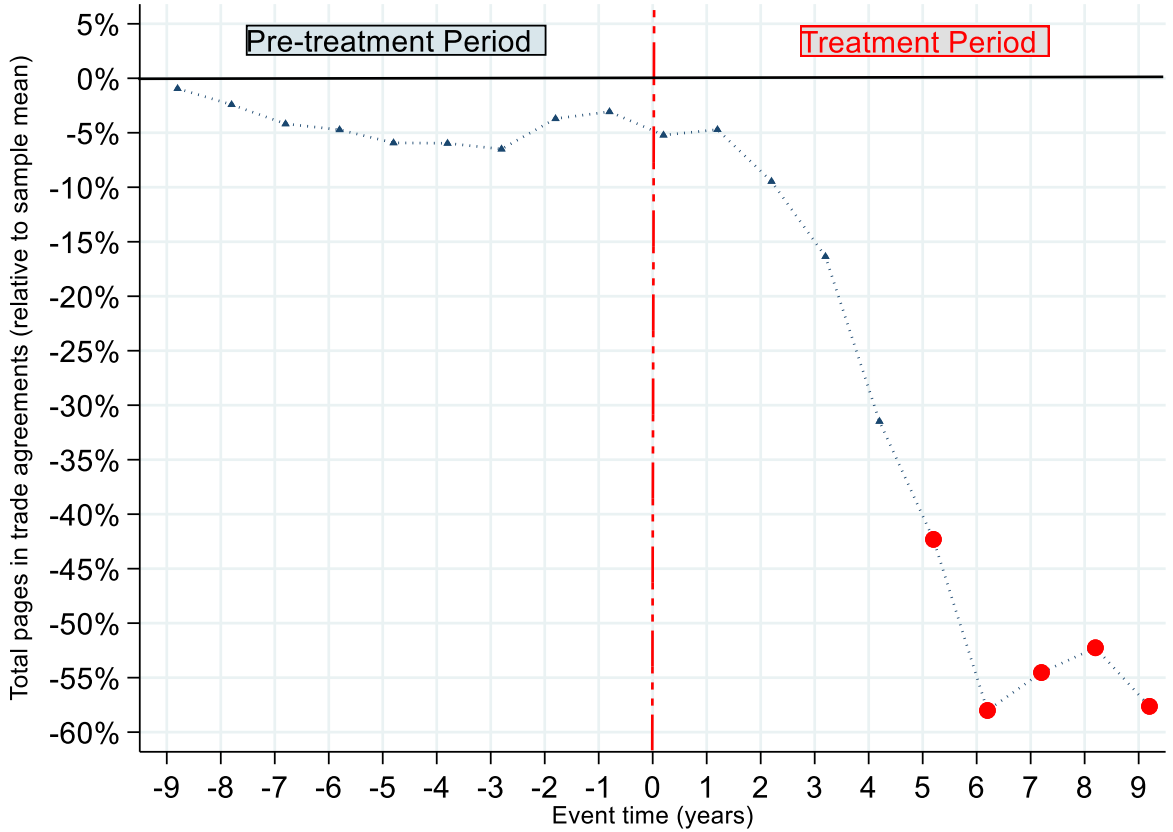


Figure A.VI

Name Resemblance and Firm Valuation in the Event Time of Terror Attacks

This figure shows the evolution of firm valuations relative to control firms around the terror attacks. The x-axis denotes years around the terror attacks. The y-axis shows the interaction coefficients between years-to-attack dummies and *Affected* as in Table VII's Panel B, which denotes whether at least one of a firm's segments was affected by terror attacks by year *t*. Interaction terms are obtained from an OLS regression on a sample of treatment and control firm-segments with logged Tobin's Q on the left-hand side. On the right-hand side, we control for firm fixed effects along with industry(FF48)-year fixed effects as in Table VII, Panel B Column (5). *Firms with Name Exposure* refers to *Top 1 name resemblance* firms as in Table IV, Column (2). *Firms without Name Exposure* refers the firms that have *Top 1 name resemblance* value of zero. The red vertical dotted line records the event time. The triangle, square and diamond markers record statistically insignificant coefficients, and the circle markers record statistically significant coefficients at the 10%, 5%, or 1% levels. Standard errors are clustered at the local-country level.