

Who Lobbies: Analyzing the Drivers of Foreign Lobbying in the U.S.

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Background

- Foreign governments pay millions of dollars to hire American lobbyists
 - Foreign lobbying is at least a half a billion-dollar industry since 2017
 - More than \$1 of every \$7 in lobbying the U.S. comes from foreign interests
- Increased recent attention due to Manafort, Flynn, Menendez



Definition

- **Foreign lobbying:** any actor, residing or headquartered outside the U.S. attempting to influence U.S. policy through formal channels
- **Does not include ethnic lobbies** made up of American voters

Research Question

- Previous studies have attempted to discern **the *effects* of lobbying**
 - Tariffs
 - Foreign Aid
 - Human Rights reports
 - Tourism/ Development
- We address the prior question: who lobbies the U.S. government from abroad?
- If foreign entities do not command U.S. voters, **why do they lobby?**

Examples

- In 2012, the **United Arab Emirates** topped the list of foreign spending with an enormous \$14.2 million spent on lobbyists to:
 - “make contacts”
 - “promote tourism and business developments”
 - “create a public diplomacy program”
 - “discuss “illicit finance issues”
 - “influence U.S. policy”



Other efforts...

- **Cayman Islands** spent over a million dollars hiring Sidley Austin LLP
 - Help them remain a tax haven
- **Panama** spent \$2.25M across three separate lobbyists
 - Push for the ratification of the U.S.-Panama Free Trade agreement
- **Mexico** hired Gregory J. Kuykendall, PC for \$3.5M
 - Communicate with U.S. govt. regarding International Court of Justice decisions

Past Research

- Some research on prominent lobbies
 - Taiwan, China, Japan, India, Armenia
- We undertake cross-national analysis
 - Original dataset compiled from Foreign Agent Registration Act (FARA) records



Top 25 lobbying states over 50 years

Japan	5976	Netherlands	890
Canada	2973	Saudi Arabia	783
UK	2862	Jamaica	781
Russia	2174	South Africa	727
Mexico	2165	Colombia	705
France	1772	India	686
South Korea	1421	Germany	670
Taiwan	1279	Austria	647
China	1202	Romania	644
Israel	1125	Ireland	619
Switzerland	1053	Brazil	589
Australia	1009	Dominican Republic	553
Italy	934		

Why do foreign principals hire U.S. lobbyists?

- We argue that an information-centric theory is at play
 - Provide information to U.S. lawmakers
 - Also collect information to influence policy back home
- More specifically:
 - Frame controversial or under-the-radar domestic situations
 - Congress relatively ill-informed about foreign policy

When is information most needed?

1. Counteraction strategy against information from political rivals
 - Balance against adversaries: lobbying arms race
 - Perception that foreign policy influence is a zero-sum game
2. Provide alternative channels of influence vs. traditional diplomatic ties
 - Especially when other channels are weak, ineffective, or have strong competition

Hypotheses

- H1: Enduring rivals increase lobbying through U.S. firms when their most significant overseas rival increases its lobbying efforts (**arms race**)
- H2: U.S. allies are less likely to lobby through U.S. firms (**complementarities**)

Measurement

- **DV:** total number of yearly lobbying records for each state in FARA
 - Helps us address the potential missing data issue on expenditures
- **IVs:**
 - Most enduring rival (Klein, Goertz & Diehl)
 - Alliance (ATOP)
 - Diplomatic visits (COW diplomatic data; Lebovic and Saunders)
- **Controls:**
 - Shared international institutions (IGOs), Regime type, Per capita GDP

Research Design

- Approach 1: Yearly time-series cross-sectional data
 - Panel corrected standard errors (PCSE)
 - Panel-specific AR(1) process (~FEs)
- Approach 2: Panel ECM

$$\Delta y_{it} = \phi_i(y_{i,t-1} - \theta_i' X_{it}) + \sum_{j=1}^{p-1} \lambda_{ij}^* \Delta y_{i,t-1} + \sum_{j=0}^{q-1} \delta_{ij}^* \Delta X_{i,t-j} + \mu_i + \epsilon_{it} \quad (2)$$

where $\phi_i = -(1 - \sum_{j=1}^p \lambda_{ij})$, $\theta_i = \sum_{j=0}^q \delta_{ij} / (1 - \sum_k \lambda_{ik})$, $\lambda_{ij}^* = -\sum_{m=j+1}^p \lambda_{im}$ $j = 1, 2, \dots, p-1$, and $\delta_{ij}^* = -\sum_{m=j+1}^q \delta_{im}$ $j = 1, 2, \dots, q-1$.

Estimates

	PCSE-PSAR1 Lobbies	PCSE-PSAR1 Rival Lobbies	FE Lobbies	FE Rival Lobbies
Δ No. Rival Lobbies Hired	0.075*** (0.012)		0.073*** (0.006)	
No. Rival Lobbies Hired _{t-1}	0.012** (0.005)	-0.134*** (0.040)	0.014** (0.006)	-0.360*** (0.012)
Δ No. Lobbies Hired		0.479*** (0.085)		0.437*** (0.039)
No. Lobbies Hired _{t-1}	-0.108*** (0.028)	0.098*** (0.031)	-0.288*** (0.011)	0.091*** (0.030)
Δ Democracy	-0.486 (0.883)	-0.644 (2.163)	0.065 (1.282)	0.993 (3.147)
Democracy _{t-1}	0.040 (0.320)	-1.499 (1.195)	-0.163 (0.381)	-0.189 (0.935)
Δ No. IGO memberships with US	0.008 (0.079)	-0.011 (0.194)	0.001 (0.047)	-0.071 (0.115)
No. IGO memberships with US _{t-1}	0.011 (0.009)	-0.054 (0.033)	0.017* (0.009)	-0.040* (0.023)
Δ GDP per capita	0.000*** (0.000)	0.000 (0.000)	0.000*** (0.000)	-0.000 (0.000)
GDP per capita _{t-1}	-0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Constant	-0.017 (0.255)	3.503*** (1.096)	0.857*** (0.267)	4.755*** (0.652)
Observations	3,978	3,978	3,978	3,978
Number of ccode	68	68	68	68

Standard errors in parentheses
 *** p<0.01, ** p<0.05, * p<0.1

Panel Cointegration Tests

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Pedroni test for cointegration
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H0: No cointegration
Ha: All panels are cointegrated

Number of panels      =      70
Avg. number of periods = 66.286

Cointegrating vector: Panel specific
Panel means:          Included
Time trend:           Not included
AR parameter:         Panel specific

Kernel:               Bartlett
Lags:                 3.00 (Newey-West)
Augmented lags:       1

Cross-sectional means removed
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	Statistic	p-value
Modified Phillips-Perron t	-19.9723	0.0000
Phillips-Perron t	-17.0166	0.0000
Augmented Dickey-Fuller t	-18.0637	0.0000

ECM: LR

LR			
No. Rival Lobbies Hired	-0.003		
	(0.006)		
Democracy	-1.109***		
	(0.277)		
pcGDP1000	-0.099***		
	(0.017)		
No. IGO memberships with US	0.045***		
	(0.009)		
Ally of US	1.184***		
	(0.217)		
Constant		1.374***	
		(0.258)	
Observations	3,842	3,842	

ECM: SR

	(1)	(2)
	LR	SR
SR		
EC term		-0.394***
		(0.025)
ΔNo. Rival Lobbies Hired		0.042**
		(0.019)
ΔGDP per capita		0.433***
		(0.158)
ΔDemocracy		-7.613
		(19.151)
ΔNo. IGO memberships with US		-0.008
		(0.047)
ΔAlly of US		-0.264
		(0.169)

Results

- Enduring rivals increase their lobbying efforts in the short-run in the U.S. when their most significant overseas rival has stepped up its lobbying efforts.
- Influence of gaps between lobbying efforts influences lobbying as well.
- Presence of an alliance with the U.S. plays a role in reducing foreign lobbying in the long-run.