The Informational Role of Foreign Lobbying in U.S. Foreign Aid: Is U.S. Assistance for Sale?

Jon Pevehouse, University of Wisconsin, Madison
Felicity Vabulas, University of Chicago*

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Abstract:
Research on U.S. foreign aid allocation has largely focused on the causal effects of donor strategic interests, recipient need, and domestic politics. But can foreign countries also influence the level and terms of their foreign assistance by lobbying the U.S. government? Anecdotal accounts of foreign lobbyists successfully haggling for better U.S. foreign aid deals are alarming because they allude to the fact that U.S. foreign aid might be ‘for sale’. We show that these front-page headlines are part of a larger pattern of influence by analyzing Foreign Agent Registration Act (FARA) records filed with the Department of Justice from 1978-2006: ceteris paribus, the more a foreign principal lobbies (both in terms of dollars and networks), the more foreign aid they can secure from the U.S. We argue that foreign lobbyists highlight information about smaller countries’ domestic political nuances to Congressmen and women who lack robust information about the micro-details of international affairs and need supplemental information to divide the tight foreign aid budget. In focusing specifically on foreign lobbying, we gain a greater understanding of how lobbying works by focusing on a group that cannot pay for campaigns and also teaches us about international political economy and foreign policy.

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Introduction

What determines the allocation of US foreign aid? Questions surrounding who gives foreign aid, why aid is given, how much aid is given, and who gets aid have been central questions in international political economy research for at least fifty years (c.f. Alesina and Dollar 2000; Alesina and Weder 2002; Balla and Reinhardt 2008; Bearce and Tirrone 2010; Berthelemy and Tichit 2004; Boone 1996; Bueno de Mesquita and Smith 2007, 2009; Burnside and Dollar 2000; Cingranelli and Pasquarello 1985; Finkel et al 2006; Kono and Montinola 2009; Lai 2003; Lai and Morey 2002; Licht 2010; Mc Gillvray and Oczkowski 1991; Meernik et al 1998; Poe and Meernik 1995; Raghuran and Subramanian 2008; Trumbull and Wall 1994). Early literature focused on whether foreign aid follows power politics or humanitarian factors. Recent research has focused on the domestic political factors shaping foreign aid—that is, whether Congressmen and women vote to increase or decrease foreign aid in response to the ethnic and partisan composition of their constituents in order to improve their domestic electoral prospects (Thérien and Noël 2000; Fleck and Kilby 2001, 2006; Milner and Tingley 2010; Tingley 2010).

But can recipient countries also influence how much aid they are sent beyond these factors? While preliminary research indicates yes—for example, increased media attention on a particular country can lead to an increase in foreign aid allocations (Rioux and Van Belle 2005; Potter and Van Belle 2004)—we know little about whether recipient country lobbying can impact the allocation of foreign aid. To be sure, journalists and non-profit organizations have highlighted one-off examples of foreign lobbyists successfully haggling for better foreign aid deals across the years.\(^1\) In fact, even when the entire U.S. foreign aid budget is being reduced in

2012-13, many onlookers have connected the power of the Israel lobby with maintaining—and even increasing—aid to Israel. Journalistic accounts connecting foreign lobbying to foreign aid gain quick readership because they infuriate the public: many voters detest the idea that their valuable tax dollars could be “manipulated” by overseas governments rather than given to those most “in need”. Furthermore, while many voters detest the potential influence that lobbying can have on American politics—because it implies that money rather than grassroots support can buy political outcomes—these voters express even stronger moral outrage that foreign lobbying can alter U.S. policy because these groups are not even U.S. constituents. To many, foreign lobbying appears to attack the very ideals upon which a democracy is founded. More generally, it is not clear whether these incidents are stand-alone case studies or if they reflect a wider trend.

We argue that lobbying by foreign principals can increase foreign aid because it serves an informational role to elected officials. Foreign lobbying can increase awareness of the mitigating factors why a country might be struggling to achieve better policy outcomes (in a number of issue areas), allow foreign governments to spin or positively frame controversial domestic situations, and create a focal point for low-risk U.S. involvement. The informational role of foreign lobbying is particularly acute because the U.S. foreign aid budget is extremely tight and U.S. Congressmen and women (who suffer an overall shortfall of information concerning international affairs) leverage supplementary information about why a country may be falling short of international standards to help them divide the small, fixed budget. Ultimately, Congressmen and women are motivated to change their foreign aid votes because they want to stay in office and politicians can use the information from foreign lobbyists to tout their foreign policy acumen to constituents. The purely informational role of foreign lobbying stands in

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contrast to domestic lobbying which can play both informational and direct pressure roles (through campaign contributions and get-out-the-vote promises). In this respect, our project stands as a way to evaluate the informational role of lobbying independent of campaign contributions and therefore speaks not only to those interested in U.S. foreign policy but also to students of interest groups in American politics.

In order to test our theory, we analyze the most comprehensive database of foreign lobbying to date—our own coding of the Foreign Agent Registration Act (FARA) records filed with the Department of Justice from 1978-2006—to systematically determine whether foreign lobbying is effective in increasing foreign aid or whether these efforts are made in vain. We show that a dollar spent by foreign entities on lobbying the U.S. government can have a significant marginal impact in securing a flow of foreign aid from the U.S., even when U.S. strategic interests, recipient needs, and U.S. domestic politics are taken into account. Our results are robust to whether we measure the amount of lobbying money spent by the recipient country or the number of lobbying reports filed by the recipient country.

The paper progresses as follows: first, we motivate the paper by highlighting several anecdotal cases that link foreign lobbying to foreign aid. Next, we briefly review the literature on foreign aid allocations. We then overview the nascent research on foreign lobbying, showcasing some of the causal connections with changes in foreign policy that have been established in the literature. Next, we look at the intersection of the two topics and develop our own theory linking foreign lobbying to foreign aid allocation that builds on the American Politics interest group literature. We then review our data and econometric strategies. Finally, we present our quantitative results and conclude with an array of questions for future research on foreign lobbying and foreign aid.
Preliminary links Tying Foreign Lobbying and Foreign Aid

Foreign policy analysts have traditionally understood that governments work to influence U.S. foreign policy by working through their embassies in Washington. However, front-page headlines outline how countries also rely on lobbyists in the U.S. to protect and promote their interests abroad. In fact, an analysis of Foreign Agent Registration (FARA) data shows that close to one hundred countries have lobbied to try to affect U.S. foreign policy in recent years (Newhouse 2009). Foreign entities hire U.S. law firms and lobbying agencies\(^3\) that are staffed with insiders such as former members of Congress in order to help them navigate and operate more effectively on Capitol Hill. These lobbying firms also keep meticulous details on the voting records and public statements of various key players in the Senate and House Foreign Relations Committees and can use this data to try to influence policy outcomes. Lobbyists representing foreign clients claim that their work is part of the normal U.S. political process and that they simply act as surrogates for their foreign clients. Cynics, on the other hand, claim that lobbying by foreign clients signals the “steady decline and privatization of diplomacy, with an increasing impact on how the United States conducts its own foreign policy” (Newhouse 2009: 73). These cynics believe that foreign lobbying is particularly egregious because it can skew a balanced formation of U.S. foreign policy and compromise our national interests.

In support of these claims, various journalists and transparency-focused organizations have highlighted examples linking foreign lobbying and U.S. foreign policy (Schneiderman 2010; bogardus 2011; Freeman and Godwin 2010; Licht and Koch 2011; Lichtblau 2011; Morero 2010; Seidl 2011; Stern 2011; Narayanswamy et al 2011). We focus here on the

\(^3\) Some of the most well cited hybrid law and lobbying firms connected with foreign clients include Patton Boggs, Akin Gump Strauss, Hauer and Feld, and BGR Group (Newhouse 2009).
potential impact of lobbying on one specific element of U.S. foreign policy: foreign aid. For example, by retaining three of Washington’s most high-powered lobbyists—Tony Podesta (with close ties to the Obama and Clinton Administrations), former Republican representative Bob Livingston, and former Democratic representative Toby Moffett who together form the PLM group—Egypt has arguably kept a tight grip on the conditions of attached to its US foreign aid allocation over the past decades (Rowley and O’Leary 2011). In 2005, Egypt was concerned by a condition that the U.S. Congress put on its aid, barring the Mubarak government from choosing which pro-democracy groups could receive $20 million of the total $1.8 billion in US aid. Egypt hired the PLM Group lobbyists in 2007 to “maintain the amount of U.S. military and economic aid to Egypt” (according to a draft retainer agreement on file at the U.S. Department of Justice). The hiring of the PLM Group coincided with debates in Congress about whether future Egyptian military and economic aid should be tied to improvements in human rights. Egypt paid the group an average of $1.1 million a year since 2007, mostly to ensure that U.S. aid flows come with few strings attached. Between 2007 and 2010, the PLM Group made 1873 contacts with lawmakers and their staffs to explain to Americans why the U.S.-Egypt relationship is so important to the two countries. Egypt’s lobbyists arguably gave the issue a “little more flash and increased their firepower” (Rowley and O’Leary 2011), successfully ensuring that U.S. aid from 2007-2010 was not cut because of a lack of progress on democracy. The PLM Group was also successful in getting the Bush administration to sign an agreement to increase its military aid to Israel in mid-2007 and in concluding a similar deal with Jordan a year later.

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4 Unfortunately, we cannot test the effects of lobbying on U.S. foreign aid conditionality, only amounts/levels, because the U.S. does not release data on aid conditionality. The only systematic data available on aid conditionality is for World Bank aid (See Kilby 2009, for example).
Foreign lobbyists have also been called to action to help a country maintain its foreign aid flows after a catastrophic event. For example, after the U.S. found and killed Osama Bin Laden in early May 2011, Pakistan was on the phone with its U.S. lobbyists within hours to help repair its potentially damaged relations with the U.S. (Seidl 2011). One of the lobbyists, Locke Lord Strategies, has been lobbying for the Pakistani embassy since May 2008, earning more than $2.7 million in fees (Siedl 2011). Locke Lord Strategies successfully pushed a $7.5 billion aid package through Congress for Pakistan in 2009. In fact, since 2002, Pakistan has received more than $20 billion from the U.S., making the country one of the largest U.S aid recipients in the world (Congressional Research Service.) The lobbyists were asked in May 2011 to convince the Hill that Pakistan stood with the U.S. in the fight against terrorism, and that they did not know about bin Laden’s hiding place. Most importantly, the lobbyist’s strategy was to turn the tide against criticism of Pakistan and preserve the country’s billions of dollars in U.S. aid (Seidl 2011). Several U.S. government officials, on the other hand, pressed Congress to wait on funding the president’s fiscal 2012 budget request of close to $3 billion in aid to Pakistan. The lobbyists were not completely successful this time around: in July 2011, the U.S. decided to withhold $800m (about a third) of U.S. security aid to Pakistan as a way to show its anger at the expulsion of U.S. military trainers and to pressure Pakistan to step up its fight against militants (BBC July 10, 2011).

Liberia and the Republic of Congo are other stand-out states who have actively lobbied members of Congress in recent years to help secure U.S. foreign aid. Liberia in particular focused its lobbying attention on Rep. Gwen Moore (D-WI) after it discovered that the Congresswoman was interested in helping the country (Marrero 2010). Moore was then included in a Congressional trip to Liberia in the spring of 2007. On June 21, 2007, Moore delivered a
speech on the House floor calling for the repeal of a federal rule that provided additional oversight of Liberia during Charles Taylor’s rule in the 1990s. Moore argued that the rule was no longer needed because the country had democratically elected Ellen Johnson Sirleaf in 2005, Africa’s first female head of state. Her amendment did not increase funding for Liberia but made it easier for the country to access U.S. foreign assistance funds—$163 million in 2008 and $200 million in 2009. Her measure became part of a federal spending bill in 2007 and was a major victory for Liberia. Many argue that Liberia’s lobbyists had a large part in this process—“What these countries are able to do is really get an insider who knows Washington and can press their case with the right people,”—in this case, Gwen Moore (Marrero 2010).

In 2007, Ethiopia spent $2.3 million⁵ to secure the services of three firms to ensure that its $467 million in U.S. aid was not tied to strict democratic reforms. The Bush administration saw Ethiopia as a key ally in the war on terror but members of the House wanted to use the financial support that came with that designation to prod Ethiopia toward democratic reforms. Rep. Donald Payne, D-N.J., the chairman of the House Subcommittee on Africa and Global Health introduced a bill with 85 co-sponsors to tie Ethiopia’s assistance to democratic advances. Even though the House passed the bill, Ethiopia’s lobbyists were effective in stalling the bill in the Senate. The lobbyists worked through 138 different contacts with congressional offices to oppose the bill, and Ethiopia’s aid was largely delivered unconditionally that year (Narayanswamy et al 2009).

Last, there are several cases of states tapping lobbying groups to help qualify them for Millennium Challenge Corporation (MCC) compacts, a particular kind of U.S. foreign aid. For example, in 2010, the Philippines hired the influential Washington D.C. lobby group, Covington

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⁵ http://www.fara.gov/annualrpts.html
and Burling LLP to help win a $439 MCC compact and convince the U.S. congress to lift human rights conditions for military aid, among others. In late 2010, Cameroon lobbied the MCC to promote their ‘progress being made toward democratic reform and improved governance’ with the intention of getting a favorable consideration for MCC assistance.

These anecdotal accounts are alarming to voters who think that U.S. foreign aid should be granted to the “most deserving” nations—either those with tight strategic partnerships or those with the direst development needs. These examples highlight the possibility that U.S. foreign aid might be ‘for sale’ to the nations who establish the best relationships with lobbyists on and subsequently with members of Congress. But are these examples just that—one off stories of U.S. foreign aid ‘gone awry’—or are they indicative of a larger pattern of giving? To date, no scholar has comprehensively analyzed this question. We aim to quantitatively evaluate the effect of foreign lobbying on foreign aid allocations while controlling for other variables that affect these U.S. foreign policy decisions.

What Determines Foreign Aid?

Foreign aid allocation has intrigued both scholars and the public for decades, perhaps because this spending is considered ‘optional’ and at times extravagant. Foreign aid allocation studies have largely focused on whether aid is better predicted by “donor strategic interests” — such as security concerns, colonial ties, trade benefits, and alliances— (Huntington 1982; Lai 2003; Meernik, Krueger and Poe 1998; Poe 1991, 1992; Poe and Meernik 1995)—or “recipient needs”—such as GDP, population, infant mortality, education enrollment, macroeconomic

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policy, and conflict (Lipset 1996; Talbott 1996, Cingranelli & Pasquarello, 1985; Carleton & Stohl, 1987, McCormick & Mitchell 1988; Meernik, Krueger & Poe 1998; Poe 1992; Poe & Meernik 1995). Neither the neorealist nor the liberal hypothesis is entirely supported by the evidence but instead, studies have shown that context matters in whether foreign aid is directed by political and strategic concerns or the humanitarian needs of a recipient country (Alensina and Dollar 2000).

A large body of work argues that the recipient country’s regime type also helps determine how foreign aid is allocated (Boone 1996, Bueno de Mesquita and Smith 2007, Bueno de Mesquita and Smith 2009, Kono and Montinola 2009, Lai and Morey 2006). Recipients with smaller winning coalitions (such as autocracies, juntas, and monarchies) are more likely to grant policy concessions in exchange for aid because it helps secure their tenure in office.

The identity of the donor country also matters in determining foreign aid allocations (Alesina and Dollar 2000, Balla and Yannitell Reinhardt 2008): Nordic countries respond the most to humanitarian metrics and policy conditions within recipient countries (Alesina and Dollar 2000, Balla and Yannitell Reinhardt 2008); France rewards its former colonies and political allies (Alesina and Dollar 2000, Balla and Yannitell Reinhardt 2008); the U.S. sends disproportionate amounts of aid to countries with strong geostrategic interests (such as countries bordering Communist countries during the Cold War and Egypt and Israel in the last decades); (McKinlay & Little 1977; Alesina and Dollar 2000, Balla and Yannitell Reinhardt 2008, McKinlay & Little 1977); and Japan favors trading partners and loyal UN voters (Alesina and Dollar 2000, Balla and Yannitell Reinhardt 2008). Our study singularly investigates U.S. foreign aid allocations so many of these comparative country-level factors are not relevant to our study.
Research also shows that bilateral aid is more amenable to the “aid-for-policy” theory than multilateral or NGO aid since the bilateral donor can be more explicit when tying policy compliance to aid (Alesina and Dollar 2000; Bueno de Mesquita and Smith 2009). Recipient need, on the other hand, seems to best explain multilateral aid (Maizzels and Nissanke 1984).

Foreign aid has also been affected by time variables: the end of the Cold War changed the bias in allocation from former colonies to trade partners; 1990 marked an uptick in donors rewarding good economic policy in recipient nations; and aid is usually progressive, increasing each year (Berthelemy and Tichit 2004). Cingranelli and Pasquarello (1985) also show that the U.S. has increasingly conditioned the disbursement of foreign aid on favorable human rights conditions. Balla and Reinhardt (2008) show that donor countries differentially assess their foreign aid distributions when the recipient nation or its neighbors are involved in conflict because violence can alter the effectiveness of aid.

McGillvray and Oczkowski (1991) show that conclusions surrounding foreign aid allocations are highly dependent on the method of analysis employed and they encourage analysts to evaluate aid using a two-part sample selection process (such as a Heckman two-step model or Tobit regression) because donors first decide whether or not they will give a country aid, and then how much aid they will give.8

The most relevant line of research for our study is the work connecting domestic politics and foreign aid. First, foreign aid has been heavily influenced by domestic business and industry groups who want to promote liberal free-market policies and help domestic businesses penetrate other state’s economies (Cingranelli and Pasquarello 1985, McKinlay and Little 1979, Meernik, Krueger & Poe 1998; Poe and Meernik 1995). Second, Tingley (2010) shows that foreign aid is

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8 Future iterations of the paper will use a selection model to evaluate the two-step process of aid provision.
influenced by the ideology of politicians: as governments become more conservative (both within and between countries), foreign aid to low income countries and multilaterals is more likely to fall, while aid to middle income countries remains unaffected. Furthermore, an analysis of bilateral aid data between the U.S. and 119 countries from 1960-1997 shows that liberal Congresses give aid for development reasons whereas conservative Congresses give more weight to commercial interests (Fleck and Kilby 2006). Milner and Tingley (2010) show that legislators respond both to the diffuse preferences of their voting constituents as well as pressures from organized interest groups for money-centered banks and corporations in allocating U.S. foreign aid. The logic in each of these studies is that Congressmen and women care about re-election and thus takes positions on foreign aid that partly reflect the pecuniary stakes of their district constituencies and interest groups. It is worth noting that the key difference with our study is that foreign lobbies are not domestic interest groups. They exist overseas and therefore, campaign contributions and get-out-the-vote promises cannot provide a theoretical foundation for understanding how and if lobbying impacts aid.

**Foreign and Ethnic Lobbying**

While research on foreign aid allocation has interested IPE scholars for decades, studies on foreign lobbying are more nascent. Pevehouse and Vabulas (2013) provide an overview of the nascent literature on foreign lobbying. They emphasize that ethnic and foreign lobbying are distinct but often conflated in the literature. “Ethnic lobbies” are grass-roots organizations of

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9 Somewhat contradictorily, Fleck and Kilby (2001) show that the economic benefits from USAID contracts in a Congressman’s district do not appear to affect the representative’s votes supporting foreign aid.

10 In a similar vein, Broz (2005, 2008) and Broz and Hawes (2006) also show that legislators are more likely to vote to increase IMF requests, support international financial rescues, and increase funding of international financial institutions when they have received more campaign contributions from banks that specialize in international lending.
U.S. citizens or U.S.-based diaspora groups that attempt to influence U.S. policy towards other nation-states or ethnic groups. “Foreign lobbies”, on the other hand, are actors residing or headquartered outside the U.S. who attempt to influence U.S. policy through a formal channel of influence (Pevehouse and Vabulas 2013). Foreign lobbies can include other nation-states, foreign political parties, non-US-based Multi-national corporations (MNCs), individuals, and foreign interest groups who hire U.S-based lobbying firms. This distinction is important: because they live, work, and vote in the U.S., ethnic lobbies have tools, resources, and goals that foreign governments, working through lobbying firms, do not. In addition, the actions of ethnic lobbies are governed by different federal laws than foreign lobbies, which afford the former access to different mechanisms to influence public policy. In 1966, the Foreign Agent Registration Act was expanded to explicitly outlaw election-related activities from foreign principals. Specifically, a foreign entity may not make direct campaign contributions nor can they form a political action committee (PAC) if any funds come from abroad or if foreign nationals have any authority within the PAC. Of course, this excludes U.S. citizens with ethnic or religious ties to a foreign community or immigrants who have been granted a green card. Foreign entities may continue to lobby over policy issues, but not directly through the electoral channel. While it is certainly true that foreign governments can encourage the formation of grass-roots lobbies or utilize ethnic lobbies for the purposes of pressuring the American government, this is a very different causal process and one that likely has different probabilities for success compared to foreign principals hiring Washington lobbyists.

Pevehouse and Vabulas (2013) summarize two causal mechanisms by which interest groups (whether foreign or domestic ethnic) may lobby and try to influence U.S. policy. First, interest groups may place direct pressure on elected officials concerning their electoral prospects
Pressure may work either through campaign contributions (which can buy votes, access, or time with legislators) (Ansolabehere, de Figueiredo, and Snyder 2003) or by mobilizing key voter blocs. Second, interest groups’ lobbying may influence policy through “information mechanisms”. Information is costly, and lobbying seeks to reduce information asymmetries between generalist legislators and expert interest groups with industry (or issue)-specific knowledge. (Epstein and O’Halloran 1993; Austen-Smith 1993, 1994, 1995; Bauer, Pool and Dexter 1963; Hansen 1992; Milbrath 1960; Rothenbert 1992; Wright 1990, 1996.)

Pevehouse and Vabulas (2013) argue that ethnic lobbies are more likely to pursue pressure mechanisms while foreign lobbies are more likely to function through the information mechanism.

We build on these theoretical foundations and similarly argue that lobbying by foreign principals can increase foreign aid because it serves an informational role to elected officials. Foreign governments, political parties, and MNCs hire U.S. based lobbyists to highlight situational factors in a foreign country to U.S. politicians. These lobbyists present information about a foreign country that may debunk existing stereotypes or expose new understandings of domestic political struggles that U.S. politicians then take into account when allocating foreign aid. The information provided by lobbyists may be enough to cause slight changes in foreign aid because (a) the public is relatively uninformed on foreign affairs (Almond 1950; Holsti 1992; Jacobs and Page 2005) and (b) so are many members of Congress (Zegart 1999; Kull and Ramsay 2000). However, despite their shortfall of expertise in international affairs, Congressmen and women want to show their aptitude for foreign policy by responding to information. Milner (1997), for example, shows that the role of endorsers (like lobbyists) providing information is key for legislative movement on international issues (see also Austen-

Congressmen and women may therefore be inclined to increase foreign aid to a country based on new information from a lobbyist because it gives them a low-risk opportunity to respond to international nuances. They are less likely to incorporate information from foreign lobbyists in more high-risk decisions such as military intervention or economic sanctions which can threaten U.S. security. The informational role of foreign lobbying is particularly acute in the area of foreign aid because the foreign aid budget is extremely tight and new information can justify small changes in aid allocation.

Empirical evidence reinforces the causal mechanism of information. There are several instances when information may be more influential to a U.S. Congressperson. First, a large number of lobbying instances and lobbying dollars are spent by ‘obscure’ countries or entities that do not have ‘typical’ diplomatic relationships with the U.S. (i.e. no chargé d'affaires, ministers, or ambassadorial representation in Washington D.C\(^1\)). These entities may therefore have difficulty using ‘typical’ avenues to influence foreign policy. For example, the Government of the Saharawi Arab Democratic Republic—a partially recognized state that claims sovereignty over the Western Sahara—regularly lobbies through a foreign agent called Independent Diplomat, Inc.\(^2\) The name of this company speaks volumes to the role they try to play in providing information to U.S. government officials on behalf of foreign principals. Similarly, the Government of Nagorno Karabagh—a region with disputed status between Armenia and Azerbaijan—regularly lobbies through the Office of the Nagorno Karabakh

\(1\) Unfortunately, the Correlates of War Diplomatic Exchange Data Set only includes countries that are listed in the Correlates of War. We therefore have no official indicators for diplomatic representation in these obscure or contested territories (such as Tibet, Palestine, or Bermuda) since these entities are not individually listed in COW. [http://www.correlatesofwar.org/](http://www.correlatesofwar.org/)

Republic in the USA and Palestine (the General Delegation of the PLO to the United States) regularly employs several lobbyists (such as Bell Pottinger USA, Inc.) to provide Congressional relationships.

While existing studies of foreign lobbying often focus on individual case studies, several large n studies have examined the impact of foreign lobbying. In particular, several focus on how lobbying by foreign principals can change U.S. trade policy preferences (Gawande, Krishna, and Robbins 2006; Kee, Olarreaga, and Silva 2007; Pevehouse and Vabulas 2013). These authors use varying datasets to separately show that foreign lobbying—measured both by the amount of money spent as well as the number of contracts signed—reduces the effective tariff rates levied on industrial products and textiles (but not on agricultural products). Stoyanov (2009) extends Gawande et al’s Grossman-Helpman framework to show that the presence of a Free Trade Agreement (i.e. NAFTA) can alter whether domestic firms will lobby for or against trade barriers.

**Foreign Lobbying and Foreign Aid**

The foreign lobbying and foreign aid literatures have historically stood alone but recently, scholars have begun to connect these two distinct research agendas. However, much of the existing work that connects “international” lobbying and foreign aid investigates *ethnic lobbying*. Anwar and Michealowa (2006) show that ethnic business lobbying can influence foreign aid because of cultural ties to the home country, family relations, and economic linkages. Pakistani ethnic lobbying (in the U.S.) from 1980 to 2002 affected both foreign aid allocations and Congressional voting patterns associated with foreign aid. U.S. aid to Pakistan rose when

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13 For example, see the 1st semi-annual FARA report in 2003, where the registrant contacted U.S. Government officials to discuss U.S. aid to Nagorno Karabakh, regional developments, and the Nagorno Karabakh peace process.
the economic power of Pakistani firms in the U.S. increased but decreased with the corresponding economic power of Indian firms. Furthermore, Pakistani lobbying expenses were positively related to Pakistani aid whereas Indian lobbying result in decreased aid to Pakistan, highlighting the important role of counter-lobbying. Lahiri and Raimondos-Muller (2000) also show that foreign aid allocation can be affected by ethnic lobbying but use a game theoretic model to support their claims. Ambrosio (2002) shows how the Armenian-American lobby framed the Nagorno-Karabagh conflict as an act of aggression by Azerbaijan and successfully pushed for restrictions on direct foreign aid to Azerbaijan in subsequent U.S. legislation (while Armenia maintained significant levels of aid).

Two recent works evaluate whether foreign lobbying (rather than ethnic lobbying) can influence foreign aid. Freeman and Godwin (2010) argue that a bigger foreign lobbying network (more lobbyists hired by the recipient nation) can result in higher foreign aid allocations\(^{14}\) because economic aid is a low salience issue for the U.S. public.\(^{15}\) On the other hand, they find that lobbying for military aid is not successful in securing changes in foreign policy decisions, because military aid is highly salient to the public.\(^{16}\) Their results provide preliminary evidence to support our hypothesis that foreign lobbying can impact foreign aid allocation, but their short data timeframe (1997-2001) limits the inferences one can make from their data. Their theoretical explanation centered on low salience issue areas is in line with our emphasis that information from lobbyists can alter foreign aid because it represents a low-risk way for politicians to incorporate mitigating circumstances in their foreign policy decisions.

\(^{14}\) More lobbying dollars, however, does not have a significant impact in their analysis, probably because the network variable soaks up much of the variation.  
\(^{15}\) The costs of economic aid are diffuse, there are few obvious domestic constituencies for foreign aid, and individual allocation decisions can rarely be related to one member of Congress, so US government officials are far more likely to respond to lobbying requests favorably.  
\(^{16}\) Committing troops to military action abroad, for example, affects individual constituents and US government officials are therefore far less likely to be swayed based on lobbying efforts.
Last, Licht and Koch (2011) show that foreign governments carefully time lobbying requests for foreign aid in order to maximize their chance of staying in office. They argue that aid flows to foreign democratic leaders will further destabilize those who are already insecure, but that aid flows to foreign autocrats can have little effect on those who are secure and long-tenured.

These preliminary analyses begin to examine important questions about foreign lobbying and foreign aid, but there remain large gaps in our understanding of how the two are linked. First, much of the existing research focuses on ethnic rather than foreign lobbies. As we have previously emphasized, because ethnic lobbies are U.S.-based, Congressmen and women may respond to ethnic lobbies to secure votes from a densely populated ethnic district but the same argument cannot be made for foreign lobbies that are prohibited from being involved in U.S. elections. Second, the existing quantitative work on foreign lobbying and foreign aid focuses on a short time frames (the longest evaluation reviews FARA records from 1997 – 2001.) While the conclusions for this time frame appear to show that lobbying increases foreign aid, we need to better understand if these patterns are time specific or indicative of a wider pattern.

**Congressional Channels for Influencing Foreign Aid**

Before progressing to our econometric analysis, it is important to understand the sequence of events in the foreign lobbying-foreign aid connection: Lobbyists target Congressmen, women, and their staffs with information about foreign affairs, but through what channels can Congress then impact foreign aid? First, Congress can influence foreign aid by defining discrete *authorized* accounts. Members of the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs have primary jurisdiction to *authorize* legislation
establishing programs and policy and for conducting oversight of foreign aid programs in bilateral development, ESF and other economic security assistance, military assistance, and international organizations. In the past, Congress scheduled debates every two years on omnibus foreign aid bills that amended permanent authorization measures, but Congress has not enacted into law a comprehensive foreign assistance authorization measure since 1985. Instead, foreign aid bills have frequently stalled at some point in the debate because of controversial issues, a tight legislative calendar, or executive-legislative foreign policy disputes (Tarnoff and Lawson 2011). In lieu of approving a broad authorization bill, Congress has on occasion authorized major foreign aid programs for specific regions, countries, or aid sectors in stand-alone legislation or within an appropriation bill.

Second, Congress can influence foreign aid by funding specific annual appropriations legislation. In the absence of regular enactment of foreign aid authorization bills, appropriation measures have assumed greater significance for Congress in influencing U.S. foreign aid policy. Members of the Senate Foreign Operations Subcommittees carry the responsibility for appropriating foreign aid. Appropriation bills set spending levels each year for nearly every

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17 Members of the Agriculture Committees in both bodies retain primary responsibility of food aid, along with the Foreign Affairs Committee in the House. Members of the Senate Foreign Relations Committee and the House Financial Services Committee retain control of U.S. contributions to multilateral development banks (Tarnoff and Lawson 2011).
18 Separate permanent authorizations exist for other specific foreign aid programs such as the Peace Corps, the Millennium Challenge Corporation, the Inter-American Foundation, and the African Development Foundation.
foreign assistance account and incorporate new policy initiatives that would otherwise be debated as part of authorizing legislation. In the U.S. federal budget, foreign aid accounts are subsumed under the 150 - International Affairs budget function with development and humanitarian assistance accounts in sub-function 151 and security assistance accounts in sub-function 152. The U.S. Agency for International Development (USAID) manages the bulk of bilateral economic assistance; the Treasury Department handles most multilateral aid; and the Department of Defense (DOD) and the State Department administer military and other security-related programs. The Millennium Challenge Corporation is a new foreign aid agency created in 2004.  

In addition to setting spending levels, Congress can exert its influence by formally ‘attaching strings’ to foreign aid packages in appropriations bills. For example, Senator Patrick Leahy, D-VT, was recently responsible (2012) for including strong conditionality clauses in a $1.3B military aid package for Egypt: Cairo had to release American pro-democracy workers that it had detained for weeks, show that the Egyptian military is making progress on the transition to democracy, and that the Egyptian government is allowing freedom of expression and assembly in order to receive their U.S. assistance.

Congress is likely to exert more influence on foreign aid bills at different times. For example, foreign aid is less popular with the American public in tough economic environments, so Congress tends to apply more scrutiny to foreign aid and layer on more conditions when the budget is tight (Sorcher 2012). In addition to these avenues of influence, there are also

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21 An increasing number of other U.S. government departments and agencies have begun to support programs that also might be characterized as foreign aid but are formulated and implemented outside of the sphere of U.S. foreign policy agencies and their traditional aid budgets. For instance, in the 1980s, EPA, using its own authorized and appropriated funds, cooperated on joint research with China on the health effects of various pollutants and conducted workshops in India on wastewater treatment in an effort to clean up the Ganges River.
limitations to Congressional leverage on foreign aid. For example, the stipulations that Congress can place on specific appropriations bills can be formally bypassed. In fact, Secretary of State Hillary Rodham Clinton used a ‘National Security Waiver’ to waive the conditions put on aid to Egypt in early 2012 (Rogin 2012). Given the institutional landscape of the U.S. Congress, it is therefore very possible that foreign lobbying can influence foreign aid.

Hypotheses

Our informational theory about foreign lobbying and foreign aid lends itself to the following prediction:

**H1:** More lobbying by foreign principals (both in terms of dollars spent and connections made) will increase foreign aid to that country.

Our theory would also predict that lobbyists will target Congressmen and women who have the most to gain from information about a particular country. This might include congressmen and women on foreign policy committees and subcommittees. It also might include Congressmen and women with a large proportion of ethnic voters (from that particular foreign country) in their constituency, because the politician can show sympathy to the diaspora and gain electoral advantages. However, we do not formally test these predictions about who the lobbyists will

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22 The foreign aid bill passed by the Senate Appropriations Committee also stipulates that Bahrain, where the Sunni regime has cracked down on protests led by the Shiite majority, cannot receive any funds next year for items that could be used for crowd-control purposes until Clinton declares it has met certain conditions. In April, the House put a hold on Palestinian aid amid concerns about a bid for membership at the United Nations absent a peace agreement with Israel and the House Appropriations Committee later reinforced this by asserting that Palestinians would lose scheduled economic-support funds if they obtained membership at any other U.N. agency.

23 Another hypothesis that flows from this logic would suggest that lobbying could be used by states to lower aid allocations to hostile states. We leave the examination of this hypothesis to a future paper.
specifically target because we do not have systematic information about who the lobbyists work with. We encourage future research to tackle this important question.

Data

In order to quantitatively evaluate the effects of foreign lobbyists, we turn to the data in the Foreign Agent Registration Act (FARA). Since 1938, FARA has governed the behavior of foreign actors lobbying US officials. The act was adopted after reports surfaced of German officials lobbying the government concerning American arms sales to Britain. FARA requires that any foreign actor (government, corporation, industry group, individual, etc.)—referred to as the “foreign principal”—register with the Department of Justice and disclose who was hired as a lobbyist (referred to as the “foreign agent”). The foreign actor must also declare the purpose for which they hired the lobbyist, and how money was spent on the lobbying contract. The Department of Justice is then required to disclose these amounts in an annual report to Congress (since the mid-1990s in semi-annual reports). In 1966, FARA was expanded to explicitly outlaw election-related activities. Specifically, a foreign entity may not make direct campaign contributions nor can they form a political action committee (PAC) if any funds come from abroad or if foreign nationals have any authority within the PAC. Foreign entities may continue to lobby over policy issues, but not directly through the electoral channel.

Our research team has coded the semi-annual FARA reports back to 1942. We coded reports from 1997 onward using an extraction program to process the roughly 9,000 pages of text. Reports before 1978 have not been incorporated into the analysis at this time.

Figure 1 shows foreign lobbying $ between 1978 and 2008 in relation to foreign aid. Somewhat surprisingly, while foreign aid (both economic and military) has increased over the
last decade, foreign lobbying seems to have decreased (from its heyday in the mid-1980s to mid-1990s.) Figure 2 shows the top 20 foreign lobbying countries over the same 30 year timeframe. Chile, somewhat surprisingly rises to the top of the list, due to large lobbying efforts in the mid-1980s to mid-1990s, but no lobbying since 1996. Poland is second on the list, with high lobbying during the same timeframe, but an extremely large outlier year in 1995. This may be due to WTO accession that year, among other factors.

As part of the FARA reporting process, foreign agents list the activities they perform for foreign principals. Often, the documented activities are vague, but many reports provide detailed evidence that lobbying is directly tied to foreign aid concerns. For example, Cote d’Ivoire in 2004 hired Quinn Gillespie & Associates, LLC to “to contact media representatives and U.S. policy makers in order to obtain international economic aid and investment and improve the image of the foreign principal in the U.S. media and among the American people.” In 2010, Yemen hired Daniel L. Swayne to “contact U.S. Government officials to advocate for military aid, and to discuss policies or opinions related to the foreign principal.” And just recently in 2011, Madagascar hired the US FED Group to lobby “officials at the World Bank, the Millennium Challenge Corporation and other U.S. Government agencies to resume aide programs that were suspended in 2009.” These anecdotal examples showcase the rich information supplied in the FARA reports.

As previously mentioned, FARA has no jurisdiction over ethnic lobby groups (e.g. AIPAC). Many ethnic lobbies have formed PACs or similar institutions and thus lie outside the boundaries of FARA, thus we should be clear that we are not assessing the influence of domestic

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24 With this in mind, we hope to test how the overall foreign aid budget affects lobbying. When the foreign aid budget is low, do countries lobby more for the marginal dollar? Econometrically, however, this is challenging (as the overall ‘pie’ changes, so too do allocations to individual countries, and we don’t want to ‘suck up all the variation.’)
lobby groups (i.e., diasporas) who may advocate for higher aid budgets for their home countries. We should also note that many foreign actors who are exempt according to the DOJ still register. Approximately one third of the entries are from tourist boards or government and/or private chambers of commerce that encourage general business contracts. As Gawande et al (2004) point out, “the large number of entries that fall into this category is somewhat puzzling because these agents, while they do meet the criteria for FARA registration, certainly qualify for exemption from reporting.” While it is possible to systematically delete some of these records from our data for analysis purposes, it raises a larger question of what influence foreign actors might have whose data is exempt from being included in the FARA filings.

The central hypothesis tested in this paper is an information argument: lobbyists attempt to provide relevant information to the legislative or executive branch to make their case for additional foreign assistance. This could be strategic information about the importance of the potential recipient country or it could be general information about the general “worthiness” of the state. We also note that foreign lobbying and ethnic lobbying may work in tandem with foreign lobbying playing either a complementary role with ethnic lobbying or playing a substitution role when ethnic or PAC lobbying falls short of achieving its goals. We plan to more formally analyze this possibility in a future iteration of the paper.

**Model**

To test our hypothesis, we begin by estimating the following model:

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25 The Federal Election Commission (FEC) rules require PACs to submit their expenditure data for electoral lobbying. It is possible to trace the influence of these ethnic lobbies and their domestic PACs through their reported campaign finance disclosures. We plan to pursue this in future research.

26 While our first cut at the data includes all lobbying records, isolating only lobbying attempts by central governments yields identical results to those we review below.
USAID_{t+1} = \beta_1 \text{Lobbying}_{it} + \beta_2 \text{Regime Type}_{it} + \beta_3 \text{Distance}_{it} + \beta_4 \text{Exports from US}_{it} + \beta_5 \text{Alliance with US}_{it} + \beta_6 \text{Cold War} + \beta_7 \text{Per capita GDP (log)}_{it} + e_{it}

Our dependent variable is USAID from the US Overseas Loans and Grants (Greenbook) data. We provide separate estimates for economic aid and military aid since it is likely that distinct political processes govern these allocation decisions. We lead both aid variables to year \( t+1 \) to lessen concerns about any endogeneity that might exist in the data generating process. Note the value of this variable can be positive or negative depending on the net disbursement of aid in a given year.

Our first independent variable captures the effect of foreign lobbying on U.S. foreign aid. We use two different measures to capture lobbying behavior – both of them drawn from the FARA data discussed above. First, we use the log of the total amount of lobbying expenditures registered to each country. We use the log because the distribution of the data has a skewness measure greater than 16. Second, we use the log of the total number of yearly lobbying records for each state present in the FARA data, whether or not those records disclosed the amount of expenditures by each agent. This helps us address both the potential missing data issue with some foreign actors not disclosing their expenditures, and also helps address whether a deeper network of lobbying contacts impacts aid.

We include several control variables that have been linked to levels of foreign aid in the past, but also may help predict the amount of lobbying by foreign principals. First, we control for the regime type of the recipient country by including their Polity IV regime type score, which

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27 http://gbk.eads.usaidallnet.gov/
28 We also count the number of yearly lobbying records and lobbying expenditures only if the description of those records includes a reference to “public relations” or “lobbying”. We subset these records to see if attempts to enhance the general public image of a country has a positive effect on their net foreign aid. This analysis has no demonstrably different effects than the model using all lobbying records.
29 All control variables, unless otherwise stated, (Expected Utility Generation and Data Management Program) http://www.eugenesoftware.org/
ranges for -10 to +10. Based on previous literature, we expect this variable to be positively related to the provision of foreign aid. Second, we include a measure of distance to Washington DC in our model to control both for the potential ease of lobbying but also the propensity for the recipient country to be perceived as important to the U.S. Our presumption is that, ceterus paribus, countries closer to the U.S. will be perceived as more important and more likely to receive US assistance.

Third, we include a measure of U.S. exports to the recipient country to measure their economic importance to the U.S., but also to control for the demand for additional lobbying that could be tied to trade policy.\(^{30}\) Fourth, we include an indicator variable for whether the recipient has an alliance with the U.S. While some past research has indicated this could increase foreign aid, it is also possible that growing military assistance through the alliance will lessen non-military assistance.\(^{31}\) Moreover, it is possible that allies will more frequently lobby the U.S. (Paul and Paul 2010). We also include a Cold War dummy marked as 1 during Cold War years to control for the fact that foreign aid lobbying might have been structurally different during this timeframe. We include an initial measure of “need” for each recipient country. We proxy recipient need by including a measure of per capita GDP which is taken from the Penn World Tables version 6.3 (Henson et. al. 2009).\(^{32}\) Finally, in the models predicting military assistance, we include the military capability ratio between the US and the recipient state to account for the power relations between the two countries.

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\(^{30}\) The estimates of this variable and other variables in the model do not change significantly if one uses Exports to US rather than Exports from US. Data is taken from the COW dyadic trade data.

\(^{31}\) Data taken from Leeds (2011) ATOP data.

\(^{32}\) Other factors that might affect foreign aid but are probably not correlated with foreign lobbying are not included because these variables do not fit the definition of potential omitted variables. For example, a shock like a natural disaster in year t might lead to more foreign aid in year t+1 (Bermeo and Leblang 2009). However—keeping our information story in mind—tragic natural disasters overseas lead to high media coverage (even if there does exist some media fatigue that sets in rather quickly). There is therefore little need to pay a lobbyist to push the information to the U.S. government.
Because we have yearly time-series cross-sectional data, we use a Prais-Winsten regression with panel corrected standard errors (PCSE), based on the estimation of a panel-specific AR(1) process (Beck and Katz 1995). In the context of our study, PCSE account for contemporaneous correlation, that is, foreign aid for different countries might be correlated in the same time period. This might be a result of the total U.S. foreign aid budget shifting from year to year either due to economic conditions or the particular U.S. administration in office setting out a larger overall budget in the appropriations process. PCSE also account for spatial correlation, meaning that the scale of foreign aid differs from country to country. Certain countries—Israel and Egypt, for example—always receive large amounts of foreign aid from the U.S. and thus the variance of the error processes differs from country to country. The AR(1) process accounts for temporal dependence, meaning that foreign aid next year is highly dependent on foreign aid today.

Results

Table 1 presents the initial estimates of our model. Column 1 estimates economic aid as the dependent variable\(^ {33} \) and begins with a measure for lobbying with the log of lobbying expenditures. This variable, *Lobbying $*, is positive and highly statistically significant, suggesting that increasing lobbying expenditures over time yields increased foreign aid. The estimate is also substantively significant, with a one standard deviation increase in lobbying expenditures leading to a nearly eight percent increase in foreign assistance.

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\(^ {33} \) In future iterations of the paper, we hope to break out economic aid into programmatic levels to investigate, for example, whether lobbying can change the composition of aid. For example, does lobbying impact infrastructure aid differentially to vaccinating babies? We thank Sarah Bermeo for her helpful suggestion here.
Three other variables achieve statistical significance: Trade, Alliance, and GDP per capita. The estimate of Trade is negative—the more a state trades with the U.S., the less foreign aid it receives. This is probably because those states that trade the most with the U.S. are also those that are more well-off and less in-need of foreign economic assistance. The estimate of Alliance is also negative—a military alliance with the U.S. predicts less economic aid. Again, this could be evidence of a substitution effect, shifting to military assistance that often comes with membership in an alliance from foreign aid. GDP per capita is not signed as expected: the richer a recipient, the more foreign aid it receives from the U.S. Given this slightly counter-intuitive result, we hope to further investigate this relationship in future iterations of the paper.

The second column of Table 1 shows a similar model, but with military aid (rather than economic aid) as the dependent variable. Again, our key independent variable, Lobbying $, is positive and highly statistically significant, suggesting that increasing lobbying expenditures over time yields increased military aid. Its substantive effect is even stronger in this model: an increase of one standard deviation in lobbying expenditures leads to a nearly 15 percent increase in military assistance. Trade and alliance are no longer statistically significant, but several other control variables are. Regime type is positive suggesting that democratic countries are more likely to receive higher amounts of military aid over time. This aligns with the notion that the U.S. is unlikely to provide military aid to autocracies that might abuse the funding. Distance is positive suggesting that countries that are farther away tend to receive more military aid. This result is perhaps due to the U.S. supporting countries that take longer to get to in a time of military crisis. Cold War is positive, suggesting that more military aid was provided to countries during the Cold War period. Last, Capability Ratio is negative, suggesting that the larger the
ratio of US military capabilities over a recipient’s capabilities, the less military assistance is given.

The third column of Table 1 examines economic aid as the dependent variable, but the key independent variable is the log of the number of lobbying reports (instead of expenditures) the amount spent on lobbying). This new variable, like its predecessor, is positive and statistically significant. It is also of substantive importance: an increase in lobbying reports by one standard deviation yields an over 10 percent increase in assistance. Furthermore, the same control variables as in column 1 are significant: trade and alliance are both negative while Per Capita GDP is positive.

The final column of Table 1 presents estimates of an identical model to column 2 but with the number of lobbying reports as the key independent variable. As with the previous model, the number of lobbying reports is positive and highly statistically significant. Control variables replicate column 2 too: Regime Type, Distance, Cold War, and Per Capita GDP are all positive and statistically significant whereas Capability Ratio is again negative and statistically significant.

To ensure the robustness of the previous findings, we estimate a few additional models with further control variables. To our original model, we add two other proxies to capture recipient need: Primary School Enroll and Life Expectancy, each taken from the World Development Indicators. In both cases, these new variables do not achieve statistical significance, nor do they alter the results of the initial model.

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34 Note that the sample size for these models is reduced due to data availability problems. It is for this reason that these models are left as robustness checks.

35 These core results remain consistent if one specifies a common AR(1) process across all panels rather than a panel-specific autoregressive process.
Finally, to ensure that there is no strict statistical endogeneity, we estimate a regression predicting the amount of lobbying dollars spent for each country in our sample. Our admittedly rough model swaps our key independent and dependent variables (and appropriately adjusting lags), keeping all other controls the same. Those estimates suggest there is no statistical endogeneity: the amount of foreign assistance, whether military or non-military, does not predict lobbying expenditures by states.\(^{36}\)

**Alternative explanations**

It is worth highlighting a potential alternate explanation. Why do foreign principals pay domestic agents (like law firms) to lobby the U.S. government when they can also pressure non-governmental organizations (NGOs) or associations to take these actions for free? To be sure, savvy foreign principals may combine their lobbying efforts with NGO pressure, but there are several reasons why they still might shell out cash for lobbying.\(^{37}\) First, when principals are paying customers, they have tighter control (though never perfect control) over the principal-agent relationship. Agent slippage may be reduced because the agent presumably wants to get paid again in the future, and may only reap those rewards if they show results. Second, the possibility that foreign principals have several options when it comes to pressuring the U.S. government only serves to make our story more difficult to prove. The fact that this research shows such strong results reinforces the strength of the foreign lobbying-foreign aid relationship.

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\(^{36}\) Although we run this model as a robustness check, it does have implications for what some have labeled “defensive lobbying” – the idea that states will lobby to protect what they have rather than gaining more.

\(^{37}\) We wish to thank Ryan Brutger for highlighting this point and telling us about an interesting example from his previous employer, The Association of Academic Health Centers. This NGO would often be “lobbied” both domestically—for more National Institute of Health grants—and from overseas.
Conclusion

This paper has potentially significant implications for some of our fundamental assumptions in international relations. As scholars of international politics, we have been inculcated into the idea that states are unitary; that is, exchange between states takes place at the highest levels of government—between chief executives and their agents in the diplomatic corps. But this research suggests that states try to influence and/or inform individual legislators in foreign countries, not just chief executives. Foreign lobbying that targets members of congress is a very different mechanism for the transmission and negotiation of foreign policy, and there is no reason to think it is limited to the domain of foreign aid. In short, this mechanism might be crucial not just to foreign aid but to international politics in general. Future research should consider whether foreign lobbying can substitute or complement the centralized exchange we think of under the "unitary actor" assumption.

In other words, this paper takes the pluralist notion of foreign policy seriously—that U.S. foreign policy decisions such as foreign aid flows are not made by a monolithic executive. Instead, foreign policy decisions can be shaped by both the executive and a set of Congressmen and women who also have the potential to be influenced by a range of constituents, including foreign lobbyists. While previous research on foreign aid has focused on donor strategic interests, recipient country needs, and domestic politics, our analysis shows that U.S. foreign aid can also be influenced by foreign actors lobbying Washington elites. This has important implications for foreign aid policy: foreign principals may become good at lobbying the U.S. to alter foreign aid flows and therefore alter the effectiveness of foreign aid. Furthermore, slight

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38 We would like to thank Lawrence Broz for highlighting the importance of this wider implication.
changes—such as lobbying—in the foreign-policy making process can have large effects in monetary flows overseas.

Our paper also highlights opportunities for future research. We have focused on the role that foreign lobbying can play in foreign aid allocations; aid conditionality and the stability of year to year disbursements should also be evaluated.

Second, if foreign lobbying has the high bang-for-the buck that we have shown in this paper, the familiar paradox of lobbying arises: why isn’t more money spent on lobbying for foreign aid when the return is so large? And why doesn’t every country invest a few dollars up front if they can guarantee a higher assistance disbursement in the end? What factors condition the success of foreign lobbying for foreign aid, and when is the lobbying not successful?

The paper leaves several other areas ripe for further exploration. In addition to our previous work studying foreign lobbying’s impact on trade, we should examine whether foreign lobbying can also impact other monetary flows abroad such as foreign direct investment. Furthermore, anecdotal claims have linked foreign lobbying to voting for membership in international organizations, and this should be systematically explored (Newhouse 2009). Foreign lobbying may also influence immigration policy if a government wants to get more of its citizens to emigrate to the U.S. in order to receive more remittances back home. In other words: is more lobbying connected with a higher rate of diversity visas?

Last, future research should also study whether foreign lobbying can impact US Congressional assessments on foreign elections and human rights conditions. Scholars have criticized these U.S. evaluations for being overly subjective, but a significant and systematic connection between lobbying and Congressional assessments would conclusively (and objectively) point out that another aspect of U.S. foreign policy is often for sale.
Table 1. Estimates of the determinants of foreign aid: 1978-2006.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
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<tr>
<td></td>
<td>Aid</td>
<td>Military Aid</td>
<td>Aid</td>
<td>Military Aid</td>
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<tr>
<td>Lobbying $ (log)</td>
<td>0.875***</td>
<td>1.867***</td>
<td></td>
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<tr>
<td></td>
<td>(0.415)</td>
<td>(0.539)</td>
<td></td>
<td></td>
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<tr>
<td>Number of Lobbying Reports</td>
<td></td>
<td></td>
<td>2.020*</td>
<td>6.082***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1.400)</td>
<td>(1.801)</td>
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<tr>
<td>Regime Type</td>
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<td>5.388***</td>
<td>-0.432</td>
<td>5.655***</td>
</tr>
<tr>
<td></td>
<td>(2.424)</td>
<td>(1.608)</td>
<td>(2.445)</td>
<td>(1.746)</td>
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<td>Distance</td>
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<td>0.0217***</td>
<td>-5.41e-05</td>
<td>0.0235***</td>
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<tr>
<td></td>
<td>(0.00320)</td>
<td>(0.00573)</td>
<td>(0.00338)</td>
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<tr>
<td>Trade with US</td>
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<td>-0.000204</td>
<td>-0.00144**</td>
<td>-0.000643</td>
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<td></td>
<td>(0.000676)</td>
<td>(0.00100)</td>
<td>(0.000684)</td>
<td>(0.00106)</td>
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<td>-5.487</td>
<td>-60.00***</td>
<td>-5.507</td>
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<td></td>
<td>(17.03)</td>
<td>(18.92)</td>
<td>(17.00)</td>
<td>(20.40)</td>
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<td>46.20**</td>
<td>-15.94</td>
<td>46.08**</td>
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<td></td>
<td>(25.68)</td>
<td>(21.57)</td>
<td>(26.23)</td>
<td>(22.68)</td>
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<tr>
<td>per capita GDP (log)</td>
<td>30.41***</td>
<td>32.92**</td>
<td>31.23***</td>
<td>34.57**</td>
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<td></td>
<td>-0.0205***</td>
<td>-0.0225***</td>
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<td></td>
<td></td>
<td></td>
<td>(0.00693)</td>
<td>(0.00709)</td>
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<td>Constant</td>
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<td>-390.4***</td>
<td>-172.5*</td>
<td>-389.2**</td>
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<td></td>
<td>(99.43)</td>
<td>(150.4)</td>
<td>(98.43)</td>
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<td>Observations</td>
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<td>3,708</td>
<td>3,708</td>
<td>3,708</td>
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<td>0.062</td>
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<td>Number of Countries</td>
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<td>147</td>
<td>147</td>
</tr>
</tbody>
</table>

Standard errors in parentheses are panel-corrected standard errors, adjusted for a panel-specific AR(1) error structure.

*** p<0.01, ** p<0.05, * p<0.1; two tailed tests except for Lobbying variables, which use one-tailed tests.
Figure 1: U.S. Foreign Aid and Foreign Lobbying $ Over Time

Figure 2: Top 20 Foreign Lobby Countries 1978-2008
Appendix: FARA codebook

Our research team coded the semi-annual Foreign Agent Registration Act reports back to 1942. We obtained the FARA Reports to Congress through the FARA website (http://www.fara.gov/annualrpts.html) and via CD through a Freedom of Information Act (FOIA) request to the Department of Justice for the older reports that were not listed online.\(^{39}\)

We manually coded reports from 1997-2012 using an automated extraction process using Perl Script. We manually coded reports before 1997 because the age of these reports meant that text was blurry and could not be machine-read with an Optical Character Recognition (OCR) program. Furthermore, the format of the reports varied so much from year-to-year before 1997 that we could not establish a standard automated coding process across the years. Our research team manually typed information from the PDF reports into an excel template.

We coded the following variables:

1. **Report:** The name of the report. Many times, reports were semi-annual, so we tracked this information here (e.g. 1\(^{st}\) report 2012 or 2\(^{nd}\) report 2012).
2. **Year:** The year of the report.
   - It is worth noting that many foreign agents track their fees and revenue from foreign principals at different time intervals that may not line up perfectly with the year of the report. (For example, in the June 2012 report, Foley Hoag, LLP #4776 acted as a foreign agent for the Government of the People's Democratic Republic of Algeria, Embassy. They received $210,706.23 for the six month period ending March 31, 2012. In the same June 2012 report, the Podesta Group, Inc. #5926 acted as a foreign agent for Republic of Albania. They received $184,214.00 for the six month period ending June 30, 2012. These two six month periods are obviously different, but both are tracked in the year 2012 because the monthly timeframe is information is not systematically provided by foreign agents. In other words, we associate instances of foreign lobbying with the year in which they are reported.
3. **Country:** The country (of the foreign principal) that is declared in the report. Note that this does not have to be a UN-recognized state, but instead can be a disputed territory (like Palestine). We simply record the raw information that is listed in the FARA report.
   - Earlier reports do not list the country. In these cases, we made our best attempt to discover the country-of-origin for the principal by googling the company name, NGO, etc.
   - We mapped these countries to the Correlates of War (COW) Country Abbreviation and COW Country Code. We did not map the following countries that did not have COW codes. Even if they are ‘officially’ part of a larger country, we kept these records separated out so that we can analyze their effects (for example, one may want to see the kinds of things that Hong Kong lobbies for, outside of the China aggregation). These include: Anguilla, Aruba, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Curacao, Guadeloupe & Martinique, Hong Kong, Isle of Man, Macao, Nagorno Karabagh, St. Christopher

\(^{39}\) Since our coding process began, all FARA Reports to Congress are now available online.
& Nevis, St. Eustatius, Palestine, Saharawi Arab Democratic Republic, St. Martin, Tibet, and Turks and Caicos Islands.
  o In addition, many of the FARA reports attributed the country of the foreign principal to ‘international’. In data runs that rely on a COW state code, we do not include these records (which are often associated with Intergovernmental Organization lobbying), but the records are retained for later analysis.

4. **Agent_ID:** The foreign agent’s ID number.
   o We cut off the (T) from the agent ID when it was present. This signified that the agent was terminated in that period, but this information was not useful to us and prevented aggregation over agent IDs

5. **Agent_Name:** The foreign agent’s name

6. **Principal:** The foreign principal’s name

7. **Nature of services:** The nature of services carried out by the foreign agent for the principal

8. **Activities:** The list of detailed activities carried out by the foreign agent for the principal

9. **Finances:** The amount of money spent by the foreign principal
   o In several instances, finances were provided in foreign currency. We used a World Bank tool to translate the foreign currency to US dollars in that particular year (however, for the 1979 DFL, we could not find the 1979 exchange rate so we used the 1980 exchange rate).

10. **Principal Type:** In order to filter the different kinds of principals, we manually decided whether a principal was a company, government, individual, NGO, IGO, interest group, school, or political party. When it was not obvious from the Principal’s name, we googled the principal to gather more information. We used the following keywords to help us determine the principal type:
   o **Company:** corporation, Inc., Ltd., Bank, company
   o **Government:** government of, department of, embassy, republic of, Kingdom of
   o **Individual:** someone’s name
   o **NGO:** center, union, democracy, freedom, foundation
   o **IGO:** European, international, world, particular regions (Asia, Central America, Arab)
   o **Interest Group:** council, association, group, organization, chamber of commerce, board
   o **School:** university, research institute
   o **Political Party:** party
     - It was difficult at times to distinguish between NGO and interest group.
     - It was often difficult to distinguish between individual, party, and government.
     - Tourism was also hard to figure out when it was sponsored by the government vs. being an external board
1992-1994
Unfortunately, FARA could not provide us with copies of the Reports to Congress for the 1992-1994 period, so we made every effort to recreate these reports using the Supplemental Statements in the Document Search/Document Type functions online. In order to recreate these reports, we followed these steps

- First, we created a list of ‘potential registrant numbers’ by listing all agents from the 1990, 1991, 1995, and 1996 reports. In other words, if an agent only lobbied in 1992, 1993, and 1994, but not the two years surrounding these years (either side), they would be erroneously left out of our re-created report. We therefore recognize that there might be missing records in the 1992-1994 report.
- We individually typed each of these registrant numbers in the ‘Registrant #’ box.
- We clicked on Jan 1, 1992 for stamped/received date start
- We clicked on June 30, 1995 for stamped/received date end
- It was possible that this search revealed several reports within this period (1992-1994). For each report, we created a different row in the excel spreadsheet
- It was also possible that there were no reports in this period (meaning that the registrant existed in the years before 1992-1994 or after, but not during the 1992-1994 timeframe. We kept a tally of these registrant numbers
- For each report, we entered information from the report into the excel file including financial information on page 5 of the report (question 14(a)) or listed in the attachment

Additional coding notes
- In some reports (e.g. 1980), a record was marked but then “See another country” was listed, meaning that the record was duplicated. We only recorded information in the country that listed all the information to avoid duplication. For example, in 1980, Guadeloupe and Martinique have a record for the Caribbean Tourism Association, #991, but the only information listed is “see International.” We therefore do not include this information in a record for Guadeloupe and Martinique but instead, record it in the ‘International’ category.
Bibliography


Heston, Alan, Robert Summers and Bettina Aten, Penn World Table Version 7.0, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, May 2011.


