

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

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What determines the allocation of foreign aid?

- Plethora of previous research
 - **Donor strategic interests** (alliances, trade, etc.)
 - **Recipient needs** (GDP pc, life expectancy, schooling, etc.)
 - **Domestic politics**
 - Donor country (roll call votes for aid based on district ideology)
 - Recipient country (aid for policy; regime type)

Can recipient countries also influence how much aid they receive?

- Does lobbying by recipient countries result in an increase in foreign aid receipts?
 - Larger lobby network
 - More lobbying money spent
- Can foreign aid be “bought” by foreign lobbies?

Foreign lobbies: actors residing outside the U.S.

- Other nation-states, foreign political parties, non-U.S.-based MNCs, individuals, and foreign interest groups who hire U.S.-based lobbying firms
- Not equivalent to **ethnic lobbies**
 - Different tools/ resources
 - Different laws

Anecdotal evidence connecting foreign lobbying and foreign aid

- **Egypt 2007** – hired lobbyists to maintain U.S. military and economic aid with few strings
- **Pakistan 2011** – hired lobbyists to maintain U.S. relations and aid after Osama bin Laden killed
- **Liberia 2007** – lobbied for conditions on U.S. aid to be dropped in post-Charles Taylor era
- **Ethiopia 2007** – lobbyists argued that U.S. aid should not be tied to democratic reforms

Anecdotal evidence also connecting foreign lobbying and MCC eligibility

- November 2010: **Cameroon** hired lobbyists to tout democratic reforms and improved governance
 - Goal of obtaining MCC assistance
- February 2010: **Philippines** re-hired Covington & Burling LLP to win a \$439 million MCC Compact
 - Also get US Congress to lift HR conditions on military aid

Are these examples indicative of a larger systemic pattern?

- Need to analyze data in **large-N fashion**
 - Utilize comprehensive dataset – Foreign Agent Registration Act (FARA)
 - Filed with the Justice department from 1948 – 2009
 - Dataset currently includes 1997-2007 lobbying
- Control for variables that lead to endogeneity

Theory: foreign lobbying increases aid by playing an *informational role* to Congress

- Lobbying literature focuses on three causal mechanisms:
 - Direct pressure
 - Information
 - Legislative subsidy
- Foreign lobbying plays an **informational role**
 - Increases awareness of mitigating factors
 - Positively frame controversial situations
 - Creates a focal point for low-risk U.S. involvement
- **Particularly acute with foreign aid**
 - Budget is tight
 - Shortfall of information; “Endorsers” key to legislative movement
 - Helps keep them in office

Natural experiment: evaluate lobbying independent of campaign contributions

- **Hypothesis:** Ceteris paribus, foreign interests will increase foreign aid by increasing their lobbying efforts (both in terms of frequency and in the amount of money spent)
- **Target Congressmen/ women with most to gain**
 - Foreign affairs subcommittees
 - Large proportion of ethnic voters in district
- **Less likely to incorporate information in higher risk decisions**
 - Military aid
 - Economic sanctions

Model

- $USAID_{t+1} = \beta_1 \text{Lobbying}_{it} + \beta_2 \text{Regime Type}_{it} + \beta_3 \text{Distance}_{it} + \beta_4 \text{US exports}_{it} + \beta_5 \text{Alliance with US}_{it} + \beta_6 \text{GDP pc (log)}_{it} + e_{it}$
- USAID is the yearly net bilateral aid (World Bank)
- Three different measures of lobbying (FARA data)
- Time series, cross sectional data: Prais Winsten regression with panel corrected standard errors, AR(1) process

Results

	(1)	(2)	(3)	(5)
	Bilateral US Aid	Bilateral US Aid	Bilateral US Aid	Bilateral US Aid
Regime Type	1625908.903 (1.02)	-43,900.881 (0.02)	497,789.649 (0.23)	-1249287.011 (1.12)
Distance	-9,833.325 (3.32)***	-9,417.306 (2.24)**	-4,402.341 (1.26)	-3,541.086 (2.05)**
Exports from US	100.695 (0.85)	-190.814 (1.42)	-169.067 (1.44)	5.337 (0.09)
Alliance with US	-9.920e+07 (3.02)***	-1.353e+08 (3.05)***	-9.775e+07 (3.14)***	-2.623e+07 (1.79)*
per capita GDP (log)	-2295295.022 (0.15)	20524260.373 (0.85)	12555956.577 (0.58)	-4272619.512 (0.52)
Lobbying \$ (log)	1468921.456 (2.82)***			971,171.040 (2.87)***
Number of Lobbying Reports		2796621.632 (2.28)**		
Number of PR Lobbying Reports			4372415.955 (2.26)**	
Bilateral US Aid (lag)				0.816 (13.00)***
Constant	1.456e+08 (1.26)	-155,808.604 (0.00)	22884734.770 (0.12)	84335767.258 (1.33)
Observations	825	825	825	824
Number of Recipients	117	117	117	117

z statistics in parentheses

* = p<.1; ** = p<.05; *** = p<.01

Marginal Effects

- An increase in **lobbying expenditures** of one standard deviation yields a predicted increase in net foreign aid by ~15 percent, all other factors held at means
- An increase in **lobbying reports** by one standard deviation yields an over 20 percent increase in net bilateral foreign aid
- A one standard deviation increase in PR lobbying efforts still yields a nearly 20 percent increase in predicted foreign aid

Robustness Checks

	(1)	(2)	(3)	(4)
	Bilateral US Aid	Bilateral US Aid	Bilateral US Aid	Bilateral US Aid
Regime Type	180,314.577 (0.11)	-1893540.511 (0.51)	-10,514.022 (0.01)	-1069037.630 (0.73)
Distance	-2,103.787 (0.55)	-2,710.861 (0.84)	558.632 (0.24)	5.266 (0.00)
Exports from US	-45.948 (0.63)	-355.818 (2.25)**	-22.916 (0.56)	-86.968 (0.78)
Alliance with US	-5.538e+07 (1.66)	-1.476e+08 (2.97)***	-1.537e+07 (0.81)	-1.099e+07 (0.59)
per capita GDP (log)	-2.779e+07 (2.14)**	-2.541e+07 (0.97)	-1.505e+07 (1.69)*	-1.610e+07 (1.72)*
Primary School Enroll	411,789.195 (0.91)	594,785.649 (0.87)	56,895.434 (0.18)	213,126.564 (0.48)
Life Expectancy	2111934.293 (1.82)*	5226315.017 (2.72)***	610,588.852 (0.82)	-120,743.927 (0.11)
Lobbying \$ (log)	1443633.489 (2.93)***		1271947.988 (3.03)***	
Number of Lobbying Reports		3068610.774 (2.92)***		1412918.241 (2.37)**
Bilateral US Aid (lag)			0.642 (5.80)***	0.807 (15.18)***
Constant	1.341e+08 (1.36)	-3.017e+07 (0.13)	97574794.826 (1.57)	1.469e+08 (2.13)**
Observations	686	686	685	685
Number of Recipients	107	107	107	107

z statistics in parentheses

* = p<.1; ** = p<.05; *** = p<.01

Conclusion

- Supports a **pluralist notion of foreign policy**
 - U.S. foreign policy shaped by President and Congressmen/ women who can be influenced by foreign lobbyists
- U.S. foreign aid is **not just going to the most needy or Washington's strategic partners**
 - Subject also to the success of lobbyists/ “marketing” campaigns

Future research

- How is foreign aid **conditionality and stability** in year to year disbursements affected by foreign lobbying?
- How does foreign lobbying affect **aid effectiveness?**
- **Other areas of foreign policy**
 - Trade (beyond tariffs, such as NTBs, anti-dumping, FTAs)
 - Human rights and foreign election reports
 - Immigration