

The Political Economy of Anti-Bribery Enforcement*

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ABSTRACT

Using exogenous variation in the timing and geographic location of US Congressional elections, we find that the probability of Foreign Corrupt Practices Act (FCPA) enforcement actions against foreign firms increases significantly preceding senatorial elections, spiking over 21%, with no commensurate increase for globally-operating domestically-headquartered firms in these same senators' states. Using hand-collected case-level data from the SEC and DOJ, we observe that these pre-election cases tend to be weaker overall and that they are brought significantly more often against foreign firms that operate in less-important industries in the senator's state, and when they have a smaller overall US presence. This spike in foreign firm targeting is accompanied by a significant spike in traditional and social media coverage coupled with sharply negative sentiment. Furthermore, these enforcement actions and media spikes are associated with electoral consequences, specifically greater vote shares and better poll results for enforcement-state senators. The FCPA enforcement actions have real impacts on firms. These include a 10% reduction in market value after enforcement actions against foreign firms and a significant decrease in credit ratings.

Keywords: Political influence, firm behavior, firm trade, firm location choice.

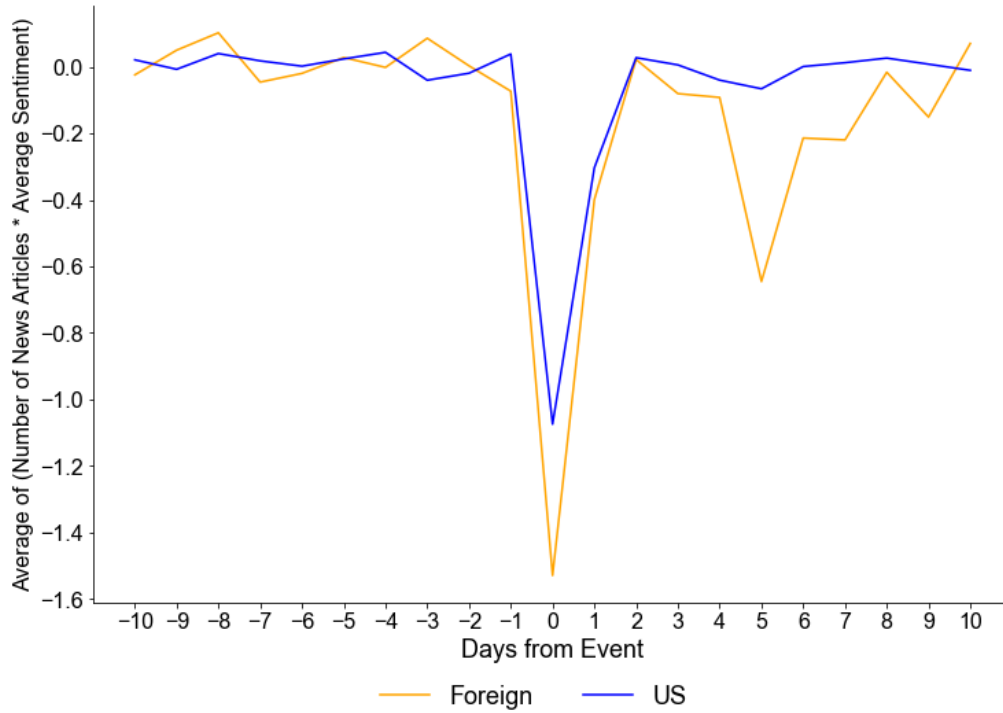
JEL Classification: D72, G28, G38

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Online Appendix
The Political Economy of Anti-Bribery Enforcement

Figure A1: The Average of (Number of News Articles * Average Sentiment)

This figure displays the interaction of the average number of FCPA-related news articles and average sentiment of FCPA-related news [-10, +10] days around the FCPA enforcement date for both foreign companies and US companies. The *t*-tests shows the difference in both window [-10, +10] and the post-event window [0, +10].

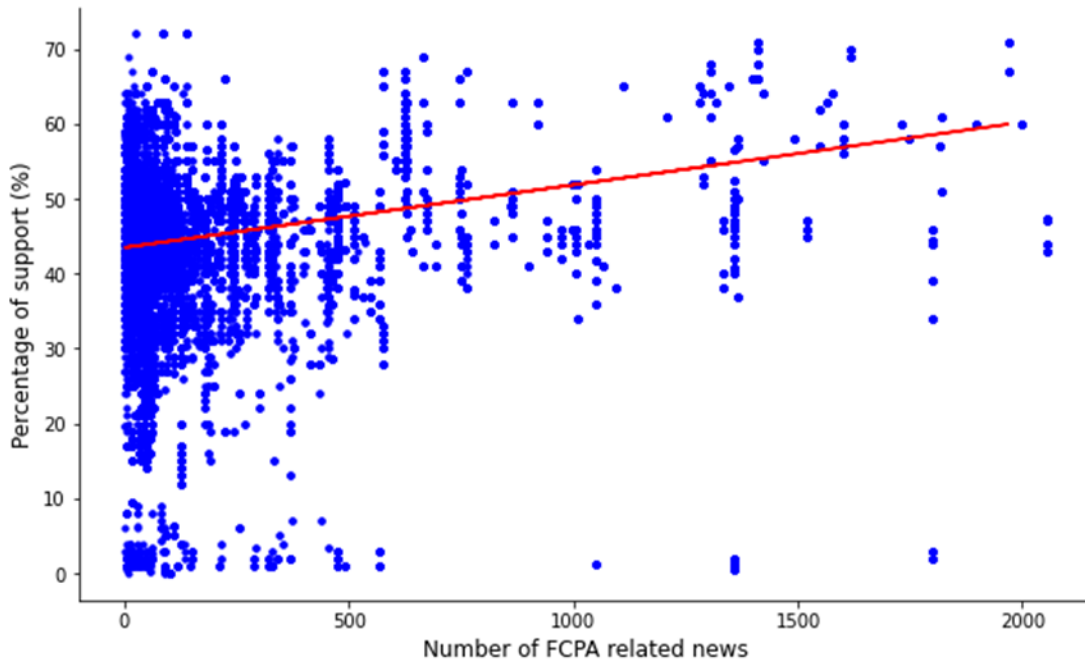


T-test for the Interaction of Number of News Articles and Sentiment.

	Foreign	US	Diff (Foreign-US)	T-stat	P-value
[-10, +10]	-0.15	-0.062	-0.088	-3.11	0.002
[0, +10]	-0.296	-0.129	-0.167	-3.23	0.001

Figure A2: Relationship between Monthly FCPA News Coverage and Poll Outcomes

In this figure, we study the media coverage for the targeted US and foreign companies. The measure *Number of News Articles* counts the number of news articles associated with targeted firms around the enforcement dates [-10, +10] from the RavenPack media data, which includes both newspapers and online media. The line plotted is the OLS best-fit slope estimate.



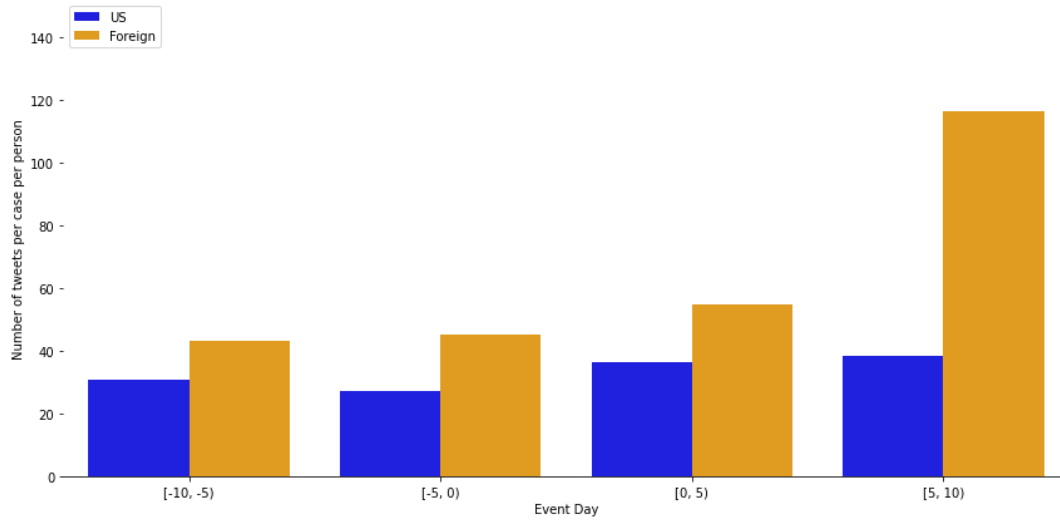
T-test for Monthly FCPA News Coverage and Poll Outcomes

	Slope Coefficient	T-stat	P-value
Number of FCPA News Articles	0.008	80.463	0.000

Figure A3: Total Number of Tweets for US vs. foreign around Events: Winner vs. Non-winner Candidates

This figure shows the changes in tweets following FCPA sanctions for both eventual winning (Panel A) and non-winning (Panel B) candidates in Senate elections.

Panel A: Winning Candidates



Panel B: Non-Winning Candidates

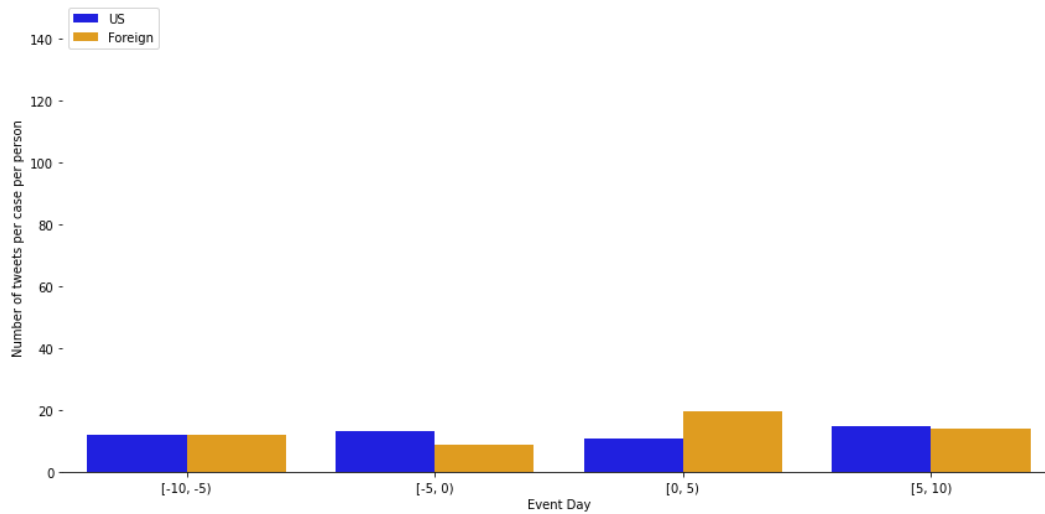
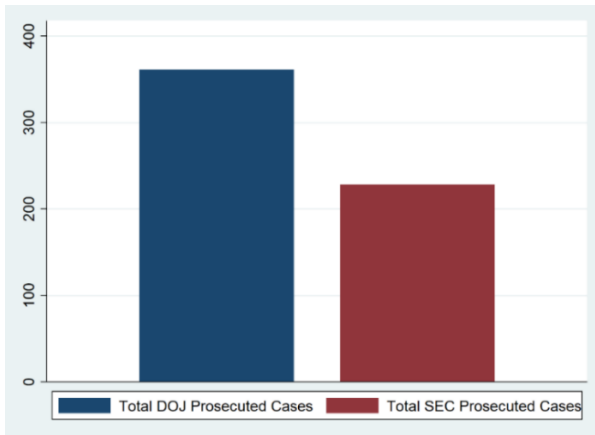


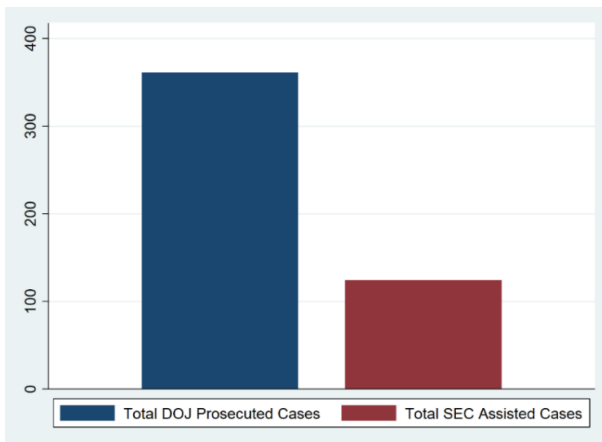
Figure A4: Breakdown of Cases Brought by the DOJ and SEC

This figure shows the distribution of cases under the DOJ and SEC. Specifically, Panel A shows the total number of DOJ-prosecuted cases, and the total number of SEC-prosecuted cases. Panel B shows the number of cases with the DOJ as prosecution agency and SEC as assisting agency, with Panel C illustrating the cases with the SEC as prosecution agency and the DOJ as assisting agency.

Panel A: Total Number of Cases Prosecuted by Each Agency: DOJ and SEC



Panel B: Total Number of DOJ Cases in which SEC Was an Assisting Agency



Panel C: Total Number of SEC Cases in which DOJ Was an Assisting Agency

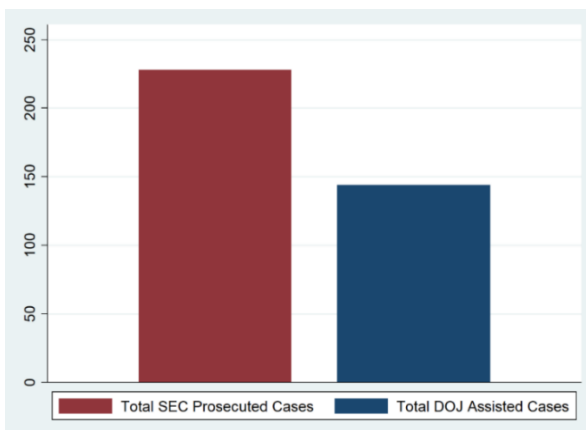


Table A1
Summary Statistics of Enforcements

This table provides the number of enforcement actions and the number of listed firms involved in bribery over the sample period (1978 to 2017) based on firm headquarters country. *Corruption Perceptions Index*, obtained from Transparency International from 1998 to 2017, ranks corruption with a focus on the public sector. Since 2012, the index has a scale of 0–100 where a 0 indicates the highest level of perceived corruption and 100 indicates the lowest level of perceived corruption (prior to 2012, it had a scale of 0–10). In all analysis, we transform the index to a corruption score of 0–10 for interpretation, where a higher score denotes more corruption. Panel A shows the number of cases and the number of firms by headquarters country. Panel B shows the distribution of firms across states and elections.

Panel A: Enforcements by Headquarters Country of Firm Alleged to be Bribing			
Country	Total number of cases	Total number of firms	Corruption score
United States	254	126	2.529
France	21	7	2.865
United Kingdom	18	9	1.737
Germany	17	8	2.108
Venezuela	17	2	7.446
Switzerland	15	4	1.111
Japan	11	6	2.803
Netherlands	11	4	1.475
Ireland	7	3	1.965
Brazil	7	3	6.136
Chile	6	2	2.879
Canada	5	3	1.334
Mexico	5	1	6.627
Sweden	5	2	0.885
Hungary	4	1	4.957
Taiwan	4	1	2.500
Israel	3	1	3.604
Russia	3	1	7.477
Singapore	3	1	0.976
Norway	2	1	1.316
Bermuda	2	1	1.285
Hong Kong	2	1	2.108
Luxembourg	2	1	1.589
Denmark	2	1	0.615
Italy	2	2	5.322
Australia	1	1	1.531
Cayman Islands	1	1	2.718
Portugal	1	1	2.108
Belgium	1	1	2.905
China	1	1	6.386
Spain	1	1	3.554
Bangladesh	1	1	2.108
Total	435	199	2.967

Panel B: Distribution of Firms in Election Years versus Non-election Years and US and Foreign Companies

State	Non-election	Election	US firms		Foreign firms	
			Non-election	Election	Non-election	Election
AK	8	4	2	2	2	2
AL	8	4	19	20	18	19
AR	8	4	17	17	3	3
AZ	8	4	38	38	32	33
CA	8	4	413	402	584	612
CO	8	4	75	75	34	33
CT	8	4	67	66	34	36
DE	7	5	11	11	0	0
FL	8	4	120	112	136	140
GA	8	4	86	89	83	83
HI	7	5	10	10	24	25
IA	8	4	18	18	12	12
ID	8	4	6	6	1	1
IL	8	4	127	128	136	138
IN	8	4	46	43	33	34
KS	8	4	18	18	6	6
KY	8	4	26	26	40	40
LA	8	4	20	20	5	5
MA	8	4	147	143	88	86
MD	8	4	45	45	52	54
ME	8	4	6	6	7	7
MI	8	4	60	57	89	87
MN	8	4	77	76	39	38
MO	8	4	52	50	22	22
MS	8	4	8	8	6	6
MT	8	4	3	3	7	7
NC	8	4	63	64	70	70
ND	8	4	3	2	3	3
NE	8	4	14	13	8	8
NH	8	4	8	8	14	15
NJ	8	4	113	112	193	192
NM	8	4	1	1	17	16
NV	8	4	23	24	17	18
NY	8	4	262	260	410	418
OH	8	4	110	109	101	103
OK	8	4	31	30	19	18
OR	8	4	30	31	37	38
PA	8	4	132	128	119	125
RI	8	4	10	10	5	5
SC	8	4	16	15	35	35
SD	8	4	6	6	4	5
TN	8	4	40	39	53	54
TX	8	4	320	318	398	399
UT	8	4	21	20	19	20
VA	8	4	86	86	77	77
VT	8	4	4	3	18	18
WA	8	4	53	54	99	100
WI	8	4	44	44	60	62
WV	7	5	8	8	13	13
WY	8	4	1	1	10	10

Table A2
Main Specification: Matched Sample

This table shows the analog of the main specification (Table 3), with identical setup, sample period, and specifications. The difference from Table 3 is that in this table we confine the analyses (and, thus, comparisons) to a matched sample between foreign and domestic firms. The matching is conducted with replacement as we match US firms with a single “best-fit” foreign firm. The step-wise matching procedure we use: first, we match on all firms in the target firm’s industry (SIC four-digit industry); next, we reduce this to the set of firms that have overlapping branches outside the US in common; lastly, among this set, we choose the closest firm in terms of matching firm structure (number and location of foreign and US segments).

	Target			Target US			Target Foreign		
	1985–2017		2006–2017	1985–2017		2006–2017	1985–2017		2006–2017
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-election	0.0087*	0.0087*	-0.0006	-0.0015	-0.0016	-0.0024	0.0102**	0.0103**	0.0172**
	(0.0047)	(0.0046)	(0.0055)	(0.0012)	(0.0011)	(0.0022)	(0.0045)	(0.0044)	(0.0079)
Pre-election × Foreign			0.0276***						
			(0.0080)						
Size	0.0083***	-0.0098	-0.0208**	0.0050***	0.0013	-0.0014	0.0033	-0.0111	-0.0194**
	(0.0021)	(0.0071)	(0.0084)	(0.0013)	(0.0012)	(0.0016)	(0.0020)	(0.0073)	(0.0099)
Leverage	-0.0327*	-0.0288	-0.0904*	0.0012	0.0031	-0.0121	-0.0339**	-0.0319	-0.0799*
	(0.0190)	(0.0265)	(0.0470)	(0.0068)	(0.0085)	(0.0117)	(0.0169)	(0.0226)	(0.0478)
Cash	-0.0327	-0.0748	-0.1384**	0.0125	0.0357***	0.0107	-0.0452	-0.1105**	-0.1497*
	(0.0317)	(0.0465)	(0.0568)	(0.0096)	(0.0111)	(0.0133)	(0.0317)	(0.0469)	(0.0810)
ROA	-0.0352	-0.0189	-0.0945	0.0002	-0.0076	0.0003	-0.0355	-0.0113	-0.0969
	(0.0298)	(0.0472)	(0.0699)	(0.0065)	(0.0070)	(0.0085)	(0.0304)	(0.0487)	(0.0853)
Sales Growth	-0.0073	0.0009	0.0082	-0.0030***	0.0004	-0.0002	-0.0043	0.0005	0.0087
	(0.0048)	(0.0069)	(0.0052)	(0.0011)	(0.0011)	(0.0016)	(0.0049)	(0.0071)	(0.0062)
State-level Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry FE	Yes	Subsumed	Subsumed	Yes	Subsumed	Subsumed	Yes	Subsumed	Subsumed
Firm FE	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Observations	51,491	51,491	28,511	51,491	51,491	28,511	51,491	51,491	28,511
R-squared	0.3383	0.4430	0.6344	0.1354	0.3615	0.5860	0.3187	0.4003	0.5854

Table A3
Alternative Specification of Enforcement

This table shows regressions which are exact analogs of the regression, shown in Table 3 in the paper, of FCPA targeting behavior on election timing for both US and foreign firms using the full sample of Compustat North America and Global listed firms with subsidiary information from the Bureau van Dijk Orbis Database from 1985 to 2017. This table shows an alternative specification using Target defined as a 0–1 variable only in the year of targeting.

	Target		Target US		Target Foreign	
	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election	0.0008** (0.0003)	0.0008** (0.0003)	0.0003 (0.0003)	0.0003 (0.0003)	0.0005* (0.0003)	0.0006* (0.0003)
Size	0.0010*** (0.0001)	0.0004** (0.0002)	0.0005*** (0.0001)	0.0003*** (0.0001)	0.0005*** (0.0001)	0.0001 (0.0002)
Leverage	0.0007 (0.0008)	0.0022* (0.0012)	0.0006 (0.0006)	0.0018** (0.0008)	0.0001 (0.0004)	0.0004 (0.0006)
Cash	0.0002 (0.0007)	0.0005 (0.0012)	0.0004 (0.0008)	0.0027** (0.0011)	-0.0002 (0.0004)	-0.0022** (0.0009)
ROA	-0.0011 (0.0009)	0.0010 (0.0010)	0.0007 (0.0007)	0.0008 (0.0009)	-0.0018*** (0.0005)	0.0001 (0.0006)
Sales Growth	-0.0008*** (0.0002)	-0.0006** (0.0003)	-0.0005*** (0.0001)	-0.0003** (0.0001)	-0.0004*** (0.0001)	-0.0003 (0.0002)
State-level Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry FE	Yes	Subsumed	Yes	Subsumed	Subsumed	Subsumed
Firm FE	No	Yes	No	Yes	No	Yes
Observations	137,844	137,840	137,844	137,840	137,844	137,840
R-squared	0.0162	0.0487	0.0112	0.0480	0.0162	0.0475

Table A4
Placebo Tests of Election Timing and Location

This table presents placebo tests of the main specification of Table 3 using the sample of Compustat North America and Global listed firms with subsidiary information from the Bureau van Dijk Orbis Database from 1985 to 2017. We randomly assign Senate elections across time and states with corresponding probability of 1/3. This reflects the US Senate election term: Senators serve terms of six years each, and the terms are staggered so that approximately one-third of the seats are up for election every two years. $Target_{it}$ is a 0–1 variable that takes a value of one when firm i is targeted by FCPA enforcement in year t , and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterward. $Target Foreign_{it}$ and $Target US_{it}$ are defined equivalently for firms headquartered in foreign jurisdictions and the US, respectively.

	Target (1)	Target US (2)	Target Foreign (3)
Placebo Election	-0.0010 (0.0007)	-0.0007 (0.0005)	-0.0003 (0.0005)
Size	0.0001 (0.0013)	0.0012 (0.0007)	-0.0012 (0.0011)
Leverage	0.0073 (0.0069)	0.0085 (0.0060)	-0.0013 (0.0031)
Cash	0.0140** (0.0058)	0.0190*** (0.0047)	-0.0050 (0.0036)
ROA	-0.0002 (0.0058)	-0.0019 (0.0044)	0.0017 (0.0039)
Sales Growth	-0.0003 (0.0011)	-0.0007 (0.0008)	0.0004 (0.0009)
State-level Controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Country, State FE	Subsumed	Subsumed	Subsumed
Industry FE	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes
Observations	134,536	134,536	134,536
R-squared	0.4725	0.4766	0.4280

Table A5
Removing the First Time Election Sample

This table shows the analog of the main specification (Table 3), with identical setup, sample period, and specifications. In this table, we use solely those Senate races that include an incumbent candidate, thus removing all elections that contain two first-time candidates.

	Target			Target US			Target Foreign		
	1985–2017	2006–2017		1985–2017	2006–2017		1985–2017	2006–2017	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-election	0.0013*	0.0014*	-0.0005	0.0002	0.0000	0.0000	0.0012**	0.0013**	0.0023**
	(0.0007)	(0.0008)	(0.0016)	(0.0006)	(0.0000)	(0.0000)	(0.0005)	(0.0006)	(0.0009)
Pre-election × Foreign			0.0035**						
			(0.0017)						
Size	0.0076***	-0.0001	-0.0011	0.0163***	-0.0000	-0.0000	0.0031***	-0.0010	-0.0008
	(0.0008)	(0.0013)	(0.0013)	(0.0022)	(0.0000)	(0.0000)	(0.0005)	(0.0011)	(0.0011)
Leverage	0.0089	0.0088	-0.0042	-0.0058	0.0002	0.0001	0.0062	-0.0007	-0.0017
	(0.0065)	(0.0070)	(0.0062)	(0.0089)	(0.0001)	(0.0001)	(0.0051)	(0.0031)	(0.0045)
Cash	0.0087	0.0144**	-0.0024	-0.0032	-0.0002	0.0000	0.0075**	-0.0053	-0.0058
	(0.0056)	(0.0060)	(0.0063)	(0.0137)	(0.0002)	(0.0001)	(0.0035)	(0.0036)	(0.0045)
ROA	-0.0170***	0.0001	-0.0059	-0.0022	0.0001	0.0000	-0.0135***	0.0020	-0.0040
	(0.0053)	(0.0058)	(0.0053)	(0.0117)	(0.0001)	(0.0000)	(0.0041)	(0.0039)	(0.0042)
Sales Growth	-0.0050***	-0.0001	-0.0006	-0.0057***	0.0001	-0.0000	-0.0014***	0.0004	-0.0003
	(0.0008)	(0.0011)	(0.0010)	(0.0019)	(0.0001)	(0.0000)	(0.0004)	(0.0008)	(0.0008)
State-level Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry FE	Yes	Subsumed	Subsumed	Yes	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Observations	129,566	129,566	63,931	129,566	129,566	63,931	129,566	129,566	63,931
R-squared	0.1615	0.4611	0.7536	0.2505	0.9905	0.9861	0.1477	0.4211	0.6986

Table A6
Foreign Companies' Exposure to the US and Targeting

This table presents regressions of FCPA enforcement actions against foreign firms related to the US presence of their global segments using the detailed FactSet-Revere Data to capture global economic linkages from 2003–2017. *Pre-election* is an indicator that equals one if the enforcement occurs one year prior to the election year. *US Segment Share* measures the fraction of foreign firms' segment sales in the US relative to their total sales globally. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years.

	The Sales of Foreign Firm Business in the US Target Foreign	
	(1)	(2)
Pre-election	0.0012* (0.0007)	0.0011* (0.0007)
US Segment Share	0.0175*** (0.0045)	0.0125** (0.0053)
Pre-election*US Segment Share	-0.0019* (0.0011)	-0.0018* (0.0011)
Firm and State Controls	Yes	Yes
Year FE	Yes	Yes
Country, State, Industry FE	Yes	Subsumed
Segment FE	Yes	Subsumed
Firm FE	No	Yes
Observations	57,900	57,764
R-squared	0.2700	0.5900

Table A7
Enforcement and Media Coverage

This table tests the effect of FCPA enforcement actions on media coverage across US and foreign firms. *Enforcement Event* equals one for the quarter when the enforcement occurs, *Pre-election, 2nd Quarter* and *Pre-election, 1st Quarter* indicate the periods six to three months before the election and the period three to zero months before it, respectively. *Post-action, 1st Quarter* and *Post-action, 2nd Quarter* indicate the first and second quarters after the enforcement actions, respectively. *Media Coverage* equals the total number of *Wall Street Journal* articles related to FCPA enforcement actions. *Media Coverage US* captures the number of *Wall Street Journal* articles on FCPA enforcement actions against US firms. *Media Coverage Foreign* measures the number of *Wall Street Journal* articles on FCPA enforcement actions against foreign firms.

	Media Coverage		Media Coverage US		Media Coverage Foreign	
	(1)	(2)	(3)	(4)	(5)	(6)
Pre-election, 2nd Quarter	0.0398 (0.0848)	0.0870 (0.1044)	-0.0540 (0.0756)	-0.0591 (0.0732)	0.2523 (0.2269)	0.2475 (0.2281)
Pre-election, 1st Quarter	0.0758 (0.1295)	0.0950 (0.1386)	-0.0412 (0.0985)	-0.0461 (0.0979)	0.2907 (0.3160)	0.2828 (0.3184)
Enforcement Event	1.7613*** (0.5187)	1.7281*** (0.5020)	1.4184*** (0.3923)	1.4098*** (0.3911)	2.1637** (1.0525)	2.1545** (1.0548)
Post-action, 1st Quarter	0.1945* (0.1049)	0.1245 (0.0824)	0.1685** (0.0762)	0.1496** (0.0708)	0.1216 (0.1936)	0.1159 (0.1946)
Post-action, 2nd Quarter	0.2177* (0.1166)	0.1370 (0.1057)	0.2434 (0.1719)	0.2320 (0.1695)	0.0576 (0.1378)	0.0558 (0.1372)
Firm and State Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes	No	Yes
Observations	1,975	1,975	1,135	1,135	840	840
R-squared	0.3439	0.3674	0.3864	0.3985	0.3813	0.3818

**Table A8:
Other Congressional Committees**

This table reports regression of US and foreign FCPA enforcement pre-election conditional on membership across Senate committees other than the Judiciary Committee (which is reported in Table 9 from the 103rd through 155th Congresses).

	Target US				Target Foreign			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Pre-election	-0.0003 (0.0008)	-0.0011 (0.0007)	-0.0010 (0.0007)	-0.0008 (0.0007)	0.0014** (0.0007)	0.0016** (0.0006)	0.0019*** (0.0007)	0.0024*** (0.0006)
Appropriations Committee	0.0002 (0.0008)				-0.0014** (0.0007)			
Pre-election × Appropriations Committee	-0.0009 (0.0009)				0.0008 (0.0008)			
Budget Committee		0.0020*** (0.0007)				-0.0012** (0.0006)		
Pre-election × Budget Committee		0.0005 (0.0009)				0.0004 (0.0008)		
Environment Committee			-0.0025*** (0.0007)				-0.0057*** (0.0007)	
Pre-election × Environment Committee			0.0007 (0.0009)				-0.0001 (0.0008)	
Intelligence Committee				0.0006 (0.0007)				-0.0005 (0.0006)
Pre-election × Intelligence Committee				0.0000 (0.0009)				-0.0019** (0.0008)
Firm and State Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry FE	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Year, Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	124,276	124,276	124,276	124,276	124,276	124,276	124,276	124,276
R-squared	0.5317	0.5317	0.5317	0.5317	0.4477	0.4477	0.4481	0.4477

Table A9
The Voting and Political Alignment of Individual Senators

This table presents the impact of enforcement on individual senators' voting behavior. We use detailed Congressional voting records for each senator from states with or without enforcement during our sample period. The dependent variable is the voting behavior between the senator and the average of other senators from their same party. Columns 1 and 2 focus on bills sponsored by the Foreign Relation Committee, and Columns 3 and 4 include all bills that cover any country that was the subject of an FCPA enforcement action during our sample period.

	Vote Same as the Party (Bills by Foreign Relations Committee)		Vote Same as the Party (Bills Target Corrupt Countries)	
	(1)	(2)	(3)	(4)
Senators Who Target	0.0133* (0.0072)	0.0134* (0.0070)	0.0064*** (0.0021)	0.0063*** (0.0021)
Employment Rate	-0.2005*** (0.0683)	-0.2107*** (0.0665)	-0.0457** (0.0200)	-0.0447** (0.0198)
Log(Population)	-0.0602*** (0.0188)	-0.0614*** (0.0183)	-0.0060 (0.0054)	-0.0062 (0.0053)
Log(GDP)	0.0629*** (0.0177)	0.0640*** (0.0173)	0.0164*** (0.0051)	0.0166*** (0.0051)
Congress-session FE	Yes	Yes	Yes	Yes
Bill FE	No	Yes	No	Yes
Observations	21,924	21,924	262,125	262,125
R-squared	0.0120	0.0730	0.0062	0.0232

Table A10
DOJ versus SEC Enforcement

This table presents regressions of enforcement related to the regulatory agencies DOJ versus SEC. *Pre-election* is an indicator that equals one if the enforcement occurs one year prior to the election year. *DOJ* is an indicator variable that equals one if a firm was subject to enforcement by the US Department of Justice (DOJ) and equals zero if the enforcement action was undertaken by the Securities and Exchange Commission (SEC) during the sample period. *Target US* equals one when a US firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterward. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years.

	DOJ vs. SEC Enforcements			
	Target US (1)	(2)	Target Foreign (3)	(4)
Pre-election	-0.0086 (0.0086)	-0.0078 (0.0087)	0.0173*** (0.0057)	0.0180*** (0.0057)
DOJ	0.0261 (0.0182)	0.0307* (0.0177)	-0.0149* (0.0089)	-0.0138 (0.0095)
Pre-election*DOJ	-0.0086* (0.0050)	-0.0085* (0.0050)	0.0103** (0.0045)	0.0097** (0.0046)
Firm controls	Yes	Yes	Yes	Yes
State controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Country, state, industry FE	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes
Observations	8,361	8,361	8,361	8,361
R-squared	0.5107	0.5539	0.5002	0.5191

Table A11
SEC Regional Offices

This table presents regressions of enforcement related to the presence of SEC local offices. *Pre-election* is an indicator that equals one if the enforcement occurs one year prior to the election year. *SEC Offices* is an indicator variable that equals one if a firm was domiciled in a state where Securities and Exchange Commission (SEC) regional offices are located (GA, MA, IL, CO, TX, CA, FL, NY, PA, UT). *Target US* equals one when a US firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterward. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years.

	SEC Regional Offices			
	(1)	Target US (2)	(3)	Target Foreign (4)
Pre-election	-0.0009 (0.0006)	-0.0008 (0.0005)	0.0009** (0.0004)	0.0012** (0.0005)
SEC Offices	0.0002 (0.0036)	-0.1877* (0.1027)	0.0002 (0.0017)	-0.0390 (0.0357)
Pre-election*SEC offices	0.0006 (0.0005) (0.0008)	0.0003 (0.0005) (0.0008)	0.0000 (0.0006) (0.0004)	0.0003 (0.0005) (0.0009)
Firm Controls	Yes	Yes	Yes	Yes
State Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Country, State, Industry FE	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes
Observations	137,844	137,840	137,844	137,840
R-squared	0.1250	0.4647	0.1470	0.4253

Appendix B: Anecdotal accounts of desire and ability to influence enforcement

B1. Anecdotal Evidence on Political Influence

There are a number of pieces of anecdotal evidence surrounding the importance—and potential for political influence—of FCPA enforcement in addition to the full-sample evidence that we provide. For instance, at the November 30, 2010, hearing of the Senate Judiciary Committee’s Subcommittee on Crime and Drugs on, Senator Arlen Specter of Pennsylvania commented on the Siemens’s case and FCPA enforcement more broadly: “I have been concerned about law enforcement for a long time and have had some experience in the field and am convinced that the only impact on matters of this sort is a jail sentence. Oversight is a major function of Congress. Oversight of the criminal law is a major function of the Judiciary Committee.”¹

Greg Andres, Deputy Assistant Attorney General, Criminal Division, US Department of Justice, testifying on June 14, 2011, commented: “The Department also takes seriously our obligation to provide *guidance* in this area. Our goal is not simply to prosecute FCPA violations, but also to prevent corruption at home and abroad and promote a level playing field in business transactions.” Senator Amy Klobuchar of Minnesota, concerned about the competitiveness of local firms globally, said: “Again, I have heard from a *number of businesses in my State*—and this was not an organized discussion, this is over a year of people bringing up what is making it difficult for them to export, when all we want to do is create jobs in this country.”

Furthermore, as mentioned, FCPA fines represent a meaningful revenue source for the DOJ, making up half of all DOJ Criminal Division penalties in fiscal year 2010, and as mentioned, growing overtime setting a new record in 2020. Businesses that are trying to comply with the FCPA assert that the law is being enforced in a vague and impenetrable manner. Because the risks of prosecution are so great, with billion-dollar fines and possible prison sentences, companies would rather settle with the Justice Department than go to court. Motivated politicians clearly have both oversight and discretion in this oversight.

¹ Hearing before the subcommittee on Crime and Drugs of the committee on the Judiciary United States Senate 111th Congress Second Session (2010), <https://www.govinfo.gov/content/pkg/CHRG-111shrg66921/html/CHRG-111shrg66921.htm>.

Cornyn Bill to Crack Down On Public Corruption Passes Judiciary Committee

Cornyn Bill to Crack Down On Public Corruption Passes Judiciary Committee

WASHINGTON—The U.S. Senate Judiciary Committee on Thursday advanced bipartisan legislation introduced by U.S. Sens. John Cornyn, R-Texas, and Patrick Leahy, D-Vt., to crack down on public corruption, provide additional resources to investigators and prosecutors, and toughen penalties for public corruption offenses. The Public Corruption Prosecution Improvements Act, S.1946, now moves to the full Senate for consideration. Sen. Cornyn is a member of the Judiciary Committee and Vice Chairman of the Ethics Committee. “Public corruption is not a Republican or Democratic problem. It’s not just in Washington, D.C. either. It is a problem in statehouses and city halls across this country,” Sen. Cornyn said. “This legislation strengthens our efforts to combat public corruption by making substantive reforms to public corruption laws, and by giving prosecutors new tools to use in their battle against corrupt officials. We must restore integrity and Americans’ trust in their government. This legislation sends a strong message and demonstrates just how serious we are about stamping out this problem.” The Public Corruption Prosecution Improvements Act strengthens the enforcement of U.S. federal laws for public corruption offenses by increasing the maximum punishments on several offenses, including theft and embezzlement of federal funds, bribery, and a number of corrupt campaign contribution practices. Also, a total of \$100 million will go to the Department of Justice and the Offices of Inspectors General for combating public corruption. The bipartisan legislation will do the following:

- Toughen the prohibition against bribery in connection with programs receiving federal financial assistance;
- Increase maximum penalties for theft of government property, bribery and other public corruption offenses;
- Include certain government theft and bribery offenses as predicates for racketeering prosecutions and wiretaps;
- Revise the definition of “official act” for purposes of public corruption prosecutions;
- Establish a six-year limitation period for the prosecution of certain public corruption crime relating to bribery, theft of government property, mail fraud, and racketeering; and
- Revise prohibitions against mail and wire fraud to include the taking of any other thing of value (in addition to money or property) in the commission of such crimes.

Sen. Cornyn serves on the Armed Services, Judiciary and Budget Committees. In addition, he is Vice Chairman of the Senate Select Committee on Ethics. He serves as the top Republican on the Judiciary Committee’s Immigration, Border Security and Refugees subcommittee and the Armed Services Committee’s Airland subcommittee.

Figure B1. John Cornyn and the Public Corruption Prosecution Improvement Act, S.1948. Source: <https://www.cornyn.senate.gov/content/cornyn-bill-crack-down-public-corruption-passes-judiciary-committee>.

Blumenthal Asks Top Federal Prosecutor for Guidance on Trump Organization's Potential Violation of the Foreign Corrupt Practices Act

Friday, March 24, 2017

Anti-bribery legislation was passed during the Watergate investigation to protect against illegal influence by foreign officials

[WASHINGTON, D.C.] – In light of President Trump's continuing refusal to divest himself from his vast business entanglements – even as the Trump Organization pursues activities abroad – U.S. Senator Richard Blumenthal (D-CT) sought input today from top federal prosecutors regarding whether or not those actions could indicate a violation of the Foreign Corrupt Practices Act (FCPA).

“In simple terms, the FCPA prohibits American business officials from engaging in bribery or offering illicit payments to foreign officials to get their way: they must play by the rules of the country in which they are conducting business or pay a steep price,” Blumenthal wrote.

Today, Blumenthal wrote the Acting U.S. Attorney for the Southern District of New York, Joon Kim, and the Chief of the Fraud Section at the Department of Justice, Andrew Weissmann, seeking legal guidance on whether President Trump and his family's continuing relationship with the Trump Organization may have given rise to a violation of the FCPA.

Figure B2. Senator Blumenthal asked US Attorney for the Southern District of New York and the Chief of the Fraud Section at the Department of Justice regarding Trump Organization's potential violation of the FCPA. Press release by Senator Richard Blumenthal, March 24, 2017, <https://www.blumenthal.senate.gov/newsroom/press/release/blumenthal-asks-top-federal-prosecutor-for-guidance-on-trump-organizations-potential-violation-of-the-foreign-corrupt-practices-act>.

Trump called global anti-bribery law ‘horrible.’ His administration is pursuing fewer new investigations.

Renaë Merle

For years, President Trump has criticized a more than 40-year-old law banning companies from bribing foreign officials to win business.

In 2012, he told CNBC that the Foreign Corrupt Practices Act was a “[horrible law](#).” In a 2017 Oval Office meeting, Trump ordered his then-Secretary of State Rex Tillerson to do away with it.

“It’s just so unfair that American companies aren’t allowed to pay bribes to get business overseas,” Trump said, [according to “A Very Stable Genius,”](#) a book by Washington Post reporters Philip Rucker and Carol D. Leonnig that published in January.

White House economic adviser Larry Kudlow said recently that the Trump administration is “[looking at](#)” making changes to the global anti-bribery law.

The Foreign Corrupt Practices Act was largely dormant for decades after its passage in 1977, with very few prosecutions until President George W. Bush began using the anti-bribery statute to propel the country’s moral authority across the globe, legal experts say. It led to a global shift in attitudes about bribery, with the United States as the leading voice, said Andy Spalding, a professor at the University of Richmond School of Law and a senior editor of the FCPA Blog.

“A Republican administration dusted off the law and gave it some teeth,” Spalding said.

But the law has been criticized by those who say it gives foreign competitors an advantage.

In a [2011 paper](#), Jay Clayton, now chairman of the Securities and Exchange Commission, said the United States’ anti-bribery policies were “causing lasting harm to the competitiveness of U.S. regulated companies and the U.S. capital markets.” Trump nominated Clayton to chair the SEC in 2017.

The Trump administration also appears to be more focused on prosecuting foreign companies accused of bribery, Savelle said. Over the past decade, U.S.-based firms have been the target of twice as many FCPA-related sanctions as foreign ones, according to the Stanford data. But among the ongoing cases, the breakdown is nearly even split, she said. (Friday’s Airbus case adds to the total of foreign companies targeted by DOJ.)

“It may be an intentional effort to level the playing field by going after more foreign companies,” Savelle said.

Figure B3. Renaë Merle, *Washington Post*, January 31, 2017, <https://www.washingtonpost.com/business/2020/01/31/trump-fcpa/>.

Senators Introduce Combating Global Corruption Act of 2017

April 28, 2017

[FCPA Update Anti-Corruption FCPA Bribery Fraud](#)

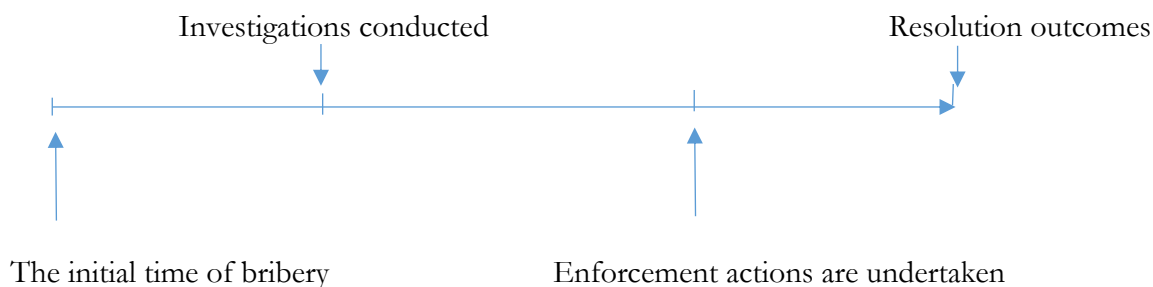
Senator Ben Cardin and Republican co-sponsors [recently](#) introduced a bill titled the “Combating Global Corruption Act of 2017,” which seeks “to identify and combat corruption in countries, to establish a tiered system of countries with respect to levels of corruption by their governments and their efforts to combat such corruption, and to assess United States assistance to designated countries in order to advance anti-corruption efforts in those countries and better serve United States taxpayers.”

This bill, if enacted, would require the Secretary of State to publish annual rankings of foreign countries split up into three tiers that depend on whether those countries’ governments comply with “minimum standards for the elimination of corruption.” The introduced bill defines corruption as “the exercise of public power for private gain, including by bribery, nepotism, fraud, or embezzlement.”

Figure B4. Buckley LLP, FCPA Scorecard Blog, April 28, 2017, <https://buckleyfirm.com/blog/2017-04-28/senators-introduce-combating-global-corruption-act-2017>.

Appendix C: Details of the FCPA Process

FCPA Timeline



Before an FCPA enforcement action is announced, there first must be initiated an information disclosure and due diligence process. Below is an example of the origins of a sample of FCPA Cases brought in 2016:²

- DOJ/SEC Information Requests, Subpoenas, or Industry Sweeps are associated with the following 13 cases: SAP, SciClone Pharmaceutical, Qualcomm, Novartis, Las Vegas Sands, Key Energy, GlaxoSmithKline, AbInBev, AstraZeneca, Embraer, JPMorgan, Och-Ziff, and Teva.
- Voluntary disclosures are associated with the following 10 cases: PTC, Analogic, Nordion, Nortek, Akamai Technologies, Johnson Controls, Nu Skin, NCH, HMT, General Cable.
- Foreign law enforcement investigations or foreign media also play an important role in information disclosures, such as in the cases of VimpelCom, LAN Airlines, and Odebrecht/Braskem.
- In addition, many cases are a combination of the above. For example, the DOJ resolution document states that Teva disclosed to the DOJ “conduct in Russia and Ukraine of which the DOJ was previously unaware”—but elsewhere the same document states: “Teva did not timely, voluntarily self-disclose the FCPA violations to the DOJ.”

The Roles of Both Enforcement Agencies: the DOJ and the SEC

The DOJ, a criminal law enforcement agency, is responsible for criminal enforcement of the fraud, anti-bribery, and other criminal components of the FCPA. This enforcement is conducted through its Criminal Division. The DOJ plays a crucial role in the entire enforcement process. According to case resolution outcomes, most of the DOJ’s FCPA enforcement actions in recent decades have involved a non-prosecution agreement (“NPA”) or a deferred prosecution agreement (“DPA”). An NPA (see link to an example below³) is not filed with a court, but instead is a negotiated agreement between the DOJ and the company whereby the DOJ agrees not to prosecute the company if it acknowledges responsibility for the conduct at issue and agrees to a host of

² <https://fcpaprofessor.com/> provides information and details on numerous aspects of FCPA enforcement actions, news, and related topics. A report by Martin et al. (2014) also describes the process and agencies involved.

³ NPA with Albemarle Corporation (2023), <https://www.justice.gov/d9/2023-09/alb-mpa-9.28.23-fully-executed.pdf>.

compliance undertakings. Cases brought closer to election dates are demonstrably more likely to conclude in NPAs, which is consistent with our figure on the weakness of cases brought by the DOJ.

In contrast, the SEC, a civil law enforcement agency, has jurisdiction only over security issuers and related parties. The SEC can bring civil charges for violations of the FCPA provisions. In terms of SEC enforcement, FCPA inquiries are typically resolved either through a settled civil complaint or an administrative order. In both instances, a defendant is typically allowed to settle the enforcement action without admitting or denying guilt.

Targeting Activity: Global Firm Locations and Multiple Targeting (within Firms over Time, and within Time and Location across Multiple Firms)

We do observe that the same firm can be targeted multiple times due to corruption activities in multiple jurisdictions given their diverse global operations. For example, on December 13, 2011, the SEC filed a four-claim Complaint in the Southern District of New York against Siemens (Argentina) (“Siemens Argentina”), headquartered in Buenos Aires, which was a subsidiary of Siemens, a corporation organized under the laws of Germany with its principal offices in Berlin and Munich. According to the allegations in the complaint, from approximately 1996 until early 2007, senior executives at Siemens and Siemens Argentina paid millions of dollars in bribes intended for top government officials in Argentina, including two presidents and cabinet ministers in two presidential administrations. The bribes were initially paid to secure a \$1 billion government contract (the “DNI Contract”) to produce national identity cards for every Argentine citizen.

In addition, on December 12, 2008, the DOJ filed a case against Siemens Bangladesh alleging conspiracy to violate the anti-bribery and the books and records provisions of the FCPA. Starting in about 2000, Siemens Bangladesh was involved in the bidding process for, and day-to-day operations of, the creation of a nation-wide digital cellular mobile telephone network for the Bangladeshi government (the “BTTB Project”).

We also provide more detailed descriptions of foreign firms being targeted in our sample. According to our definition, “foreign firms” are identified based on the country origin of these firms instead of their geography of operations. For example, Siemens (discussed above) is considered a “foreign firm,” a corporation organized under the laws of Germany with its principal offices in Berlin and Munich (even though it operates throughout the globe). Walmart is a US corporation with its principal place of business in Arkansas, and shares registered with the SEC and traded on the New York Stock Exchange. That said, Walmart operates in many countries through a variety of subsidiaries, including those in Brazil, China, India, and Mexico. From 2000 to 2011, Walmart’s subsidiaries in Brazil, China, India, and Mexico failed to implement sufficient controls and hired third-party intermediaries who made improper payments to government officials in order to obtain store permits and licenses, and thus became the subject of FCPA enforcement action.

In fact, multiple foreign firms can be sanctioned in the same election period in the same state. On November 26, 2013, Weatherford International Limited, a Swiss oil services company located in Texas, agreed to plead guilty to anti-bribery provisions of the Foreign Corrupt Practices Act (FCPA) and export controls violations under the International Emergency Economic Powers Act (IEEPA)

and the Trading with the Enemy Act (TWEA). Weatherford International and its subsidiaries agreed to pay more than \$252 million in penalties and fines. On December 11, 2013, Bilfinger SE, an international engineering and services company headquartered in Germany, also with subsidiaries located in Texas, agreed to pay a \$32 million penalty to resolve charges that it violated the Foreign Corrupt Practices Act (FCPA) by bribing government officials of Nigeria to obtain and retain contracts related to the Eastern Gas Gathering System (EGGS) project—valued at approximately \$387 million. In these cases, both Texas-based companies were sanctioned in the same electoral cycle in 2013 as Senator Cornyn in the state Texas was up for re-election.