
Corporate Lobbying Information and Investor-State Dispute

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Abstract

Investor-state dispute settlement (ISDS) provisions have become key components in international investment treaties in protecting foreign direct investments (FDI). Despite the conventional wisdom that ISDS minimizes the role of home government in investment dispute, however, home government still can participate in many phases in ISDS procedure such as diplomatic intervention to prevent dispute, review of implementation and interpretation of investment treaties, non-disputing party submission, and the enforcement of the award. Therefore, this paper claims that firms' political connection with their home government and the availability of such information to host government shape the pattern of ISDS. This study builds a game theoretic model to investigate the effect of lobbying disclosure on the pattern of ISDS and test the theory with firm-level data of Global Fortune 500 firms' lobbying and ISDS between 1999 and 2016. This paper exploits the exogenous shock of the Honest Leadership and Open Government Act of 2007, changing the ability of host governments to identify politically influential firms. In accordance with the theoretical expectations, lobbying firms are less likely to initiate an ISDS since 2008, while such prevention effect after the reform decreases when firms' lobbying efforts becomes too huge.

KEYWORDS investor-state dispute settlement, international investment agreements, corporate lobbying, firm-level data

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Introduction

As of July 2022, a total of 1,229 investor-state dispute settlement (ISDS) cases have been filed.¹ ISDS provisions have become key components in international investment treaties in protecting foreign direct investments (FDI). ISDS allows a firm to sue a host government for unfair treatment without an espousal of the firm's home government. In addition, the International Centre for Settlement of Investment Disputes (ICSID) Convention² suspends home governments' diplomatic protection during investor-state arbitration (see ICSID Article 27). Therefore, researchers have argued that ISDS depoliticizes investment dispute by providing a substitute for gunboat diplomacy by home governments (e.g. [Brower and Steven 2001](#); [Franck 2009](#); [Shihata 1992](#)).

Despite the ICSID Convention and increasing use of ISDS, more recent studies find that home governments still often exert their diplomatic influence over investment disputes in order to promote the economic interests of their nationals (e.g. [Büthe and Milner 2009](#); [Gertz 2018](#); [Gertz, Jandhyala and Poulsen 2018](#); [Jandhyala 2016](#); [Jandhyala and Weiner 2014](#); [Paparinskis 2008](#); [Polanco 2019](#)). Using internal US State Department diplomatic cables between 1996 and 2010, [Gertz, Jandhyala and Poulsen \(2018\)](#) find that diplomatic intervention has been frequently used and is crucial for leading settlements or discontinuations of proceedings before the arbitral tribunal renders an award. This is possible since home governments can participate in many phases of ISDS procedures such as diplomatic intervention to prevent disputes, review of implementation and interpretation of investment treaties, non-disputing party submission, and the enforcement of the award ([Polanco 2019](#)).

However, a home government's diplomatic intervention is not a duty but rather a right ([Amerasinghe 2008](#)). Diplomatic intervention can be a costly effort and national interests are not always aligned with corporate interests. Since ISDS arbitration can be a lengthy and expensive³ process, firms typically initiate a dispute only when ISDS is the last resort, and when

¹More detailed information of these ISDS cases is available at the *United Nations Conference on Trade and Development* (UNCTAD) Investment Policy Hub (<https://investmentpolicy.unctad.org/>)

²Available at <https://icsid.worldbank.org/resources/rules-and-regulations/>

³The average time for a decision in favor of investors is 4.2 years, while a decision in favor of the host country takes 3.3 years, and settlement takes 2.5 years. The longest arbitration case to date is *AES v. Argentina* (2002), which has been pending for 18 years ([Jones 2018](#)). The average cost of a case is around \$8 million, although some cases have exceeded \$30 million ([Gaukrodger and Gordon 2012](#)).

they believe they can win acceptable compensation (e.g. Jones 2018; Pelc 2017). Therefore, the question of whether a home government or a politically influential actor, such as the US, would intervene during a dispute is crucial for firms contemplating an ISDS claim against their host government. Although this information is often uncertain, firms that invest more resources in building connections with powerful governmental actors may perceive themselves as more likely to receive diplomatic support. As a result, firms with such political clout are more likely to initiate a dispute.

A host government can also infer the political background of its investors from available signals. The level of political clout that a firm possesses may be more publicly visible for some firms than for others, unless relevant information is publicly reported. This suggests that lobbying disclosure could influence the pattern of ISDS cases. Host governments may be more likely to avoid disputes with firms known to engage in lobbying activities (hereinafter referred to as lobbying firms), while non-lobbying firms may be more likely to be targeted.

This paper develops a game theoretic model to explore the impact of firms' lobbying activities and the lobbying disclosure act on the pattern of ISDS cases. When lobbying information is not available to host governments, lobbying firms and non-lobbying firms face similar risks of unfair treatment by the host government. However, lobbying firms are more likely to initiate disputes due to their secret political connections. In contrast, when lobbying information is publicly disclosed, host governments adjust their policies to avoid disputes with lobbying firms, as diplomatic intervention by the home government in ISDS proceedings can be too costly. Consequently, the number of disputes involving lobbying firms decreases when lobby records become public information. However, this effect can be weakened if corporate lobbying efforts become excessively large, as they can become more certain of diplomatic support. In other words, firms spending extremely large amount of lobbying expenses strategically initiate more disputes even if host government's policy change is not necessarily a wrongful act.

Using firm-level data of Global Fortune 500 firms' lobbying and ISDS, this paper tests the effect of lobbying information on the pattern of ISDS along with an exogenous shock of the *Honest Leadership and Open Government Act* of 2007 (hereinafter HLOGA), which changed the ability of host governments to identify politically influential firms. Critical reviews on empirical

FDI research (e.g. Barry 2016; Bellak 1998; Kerner 2014; Stephan and Pfaffmann 2001) highlight the limitations of using aggregated level datasets to test theories of multinational behavior. They argue that aggregated FDI flow data either at dyadic- or industry-levels can lead to inaccurate and wrong conclusions. This paper tackles this problem by using firm-level data. The lobbying dataset has been recorded by the *Lobbying Disclosure Act* (hereinafter LDA) since 1996⁴, and it has become publicly available since 2008. The dataset of 1,323 Fortune 500 firms which have been ranked in Global Fortune 500 between 1992 and 2018 shows that the lobby law reform in 2007 contributes to reducing disputes of lobbying firms. This effect is bolstered by the volume of lobbying efforts, while it does not hold for firms making extremely large lobbying efforts.

The information dynamics presented in this paper have important policy implications for protecting overseas investments. The empirical findings of this research suggest that promoting transparency in government-business relationships can help safeguard the interests of a home government's nationals against potentially harmful policy changes in foreign countries.

Corporate Lobbying and ISDS

International investment agreements (IIAs) have been widely used to attract foreign direct investment (FDI). The number of IIAs has rapidly increased since the 1959 signing of the *Treaty between the Federal Republic of Germany and Pakistan for the Promotion and Protection of Investments*, with 2,794 bilateral investment treaties (BITs) and 425 treaties with investment provisions (TIPs) signed as of 2021. A growing number of studies find that IIAs help to address the time inconsistency problem in FDI (e.g. Kindleberger 1969; Simmons 2000; Vernon 1971). IIAs signal the credibility of governmental commitments on FDI contracts by incurring *ex ante* costs of joining and *ex post* costs of violation through an investor-state dispute settlement (ISDS) mechanism (e.g. Elkins, Guzman and Simmons 2006; Kerner 2009; Sachs and Sauvart 2009; Salacuse and Sullivan 2005; Simmons 2000, 2014).

⁴Although the LDA took effect on January 1, 1996, the LobbyView (Kim 2018) dataset that this paper uses starts from 1999.

Firms can initiate a legal dispute against a host government for unfair treatment⁵ through ISDS provisions in IIAs. Although it is widely believed that ISDS provisions depoliticize investment dispute, the independence of international institutions from the power of nation states is not always guaranteed (e.g. Gilpin 2001; Kuziemko and Werker 2006; Stone 2011). The home governments of multinationals and their co-national firms often act as diplomatic leverage in investment arbitration (e.g. Büthe and Milner 2009; Gertz 2018; Gertz, Jandhyala and Poulsen 2018; Jandhyala 2016; Jandhyala and Weiner 2014; Wellhausen 2014, 2015). Gertz (2018) suggests that American investors often asked the US government to exert diplomatic pressure to resolve investment disputes, and Lee (2019) finds that firms are less likely to experience both expropriations and ISDS when informal settlements between home and host governments are more likely.

Using WikiLeaks data on internal US State Department diplomatic cables between 1996 and 2010, Gertz, Jandhyala and Poulsen (2018) find that the US has often carried out diplomatic interventions. A settlement for ongoing investment disputes between a host country and US firms was traded with commercial benefits from the international trade with the US. Other countries also intervened in their nationals' ISDS. For example, Canada disturbed the debt relief of the Democratic Republic of the Congo from the Paris Club in 2010 for First Quantum Minerals, Spain announced trade sanctions against Argentina in 2012 for Repsol, and the United Kingdom threatened its trade relationship with India for Cairn Energy and Vodafone.

In addition, home governments still have various legal channels to play a crucial role in ISDS (Polanco 2019). Before launching an ISDS, first, multinationals often lobby their home governments to seek for consular assistance and diplomatic protection to prevent a dispute or an espousal of claim. Second, article 27(2) of the ICSID Convention allows informal diplomatic exchanges between home and host governments to facilitate the settlement. Third, home governments can join the review of implementation and interpretation of investment treaties, as

⁵Until the 1980s, direct expropriation had been one of the biggest risks for FDI, but more recently, indirect expropriation has become a more salient issue. Indirect expropriation occurs when a new public policy enacted by host government harms investors' business. Particularly, health and environmental policies are often challenged by foreign investors (Kerner 2009). For example, in 2011, Philip Morris sued the Australian government due to the legislation of the *Tobacco Plain Packaging Act*. While the arbitral tribunal declined during the case in 2015, Australia could not enforce the new health policy for the next 5 years. The controversy against the *Trans-Pacific Partnership* (TPP) also reflects concerns over the potential abuses of ISDS.

well as submit a written brief to provide an opinion as a non-disputing party. Lastly, home governments can exert its diplomatic pressure to enforce the award.

Despite the fact that home governments may have the ability to impact an ISDS outcome, firms are not guaranteed that their home governments will provide them with assistance during these disputes. [Gertz, Jandhyala and Poulsen \(2018\)](#) show that the US intervened in only 30% of such cases, while bigger firms were more likely to get support. To deal with this uncertainty, corporations can use lobbying to build political connections with their home governments. Firms with well-established political connections are better able to access the US policy makers and exchange information regarding their foreign investments⁶ As a result, firms that have recently engaged in sufficiently large lobbying become more confident about diplomatic interventions. Consequently, they are more likely to launch disputes when their host countries make disputable policy changes and the expected litigation costs are affordable for them.

On the contrary, non-lobbying firms may have incentives to use ISDS in the hopes of a favorable early settlement. The initiation of ISDS can signal to host countries that these firms are backed by their home governments, even if they do not have strong political connections. However, host governments are unlikely to provide early settlements favorable to investors without persistent diplomatic intervention. This implies that early settlements are less likely to be provided to non-lobbying firms than to lobbying firms. Therefore, the high uncertainty regarding diplomatic support constrains the incentives of non-lobbying firms to use ISDS.

Lobbying Information and ISDS

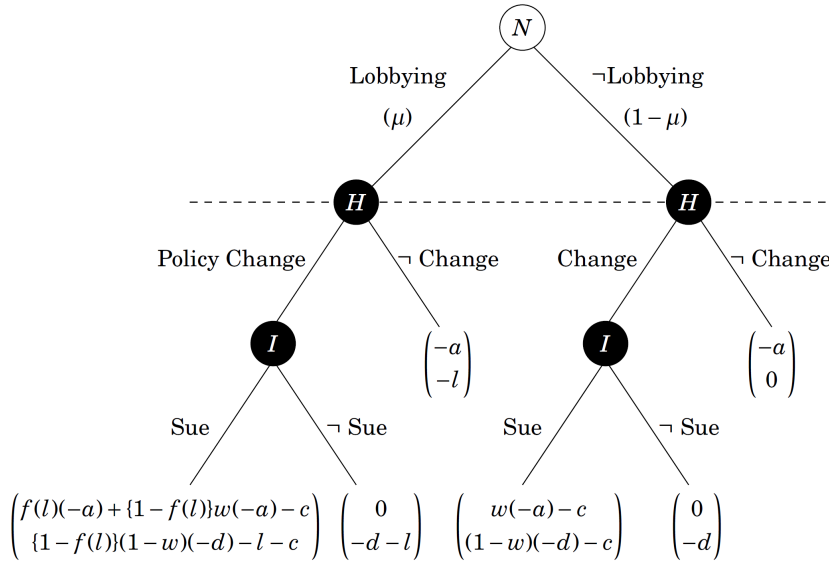
However, the theoretical mechanism that lobbying firms are more likely to initiate a dispute would only hold when there is asymmetric information between a firm and a host government regarding lobbying activities. Host governments cannot distinguish between lobbying and non-lobbying firms if lobbying activities are not revealed. In the absence of information about a firm's expected level of diplomatic intervention during an ISDS, policy changes that

⁶International political economy literature of the corporate lobbying has focused on the US trade policy. Previous studies find that larger firms frequently influence trade bills and trade liberalization through lobbying process (e.g. [Bombardini 2008](#); [Bombardini and Trebbi 2012](#); [Kim, Milner, Bernauer, Osgood, Spilker and Tingley 2019](#); [Kim and Osgood 2019](#); [Kim 2017](#))

unintentionally harm foreign investors may be implemented in a nondiscriminatory manner.

Suppose a host government (H) faces political pressure on a policy change which can possibly harm the profits of a foreign investor (I). There are two types of investors: lobbying firms and non-lobbying firms. Nature (N) decides the history of corporate lobbying. The crucial difference between the two types is that lobbying firms can expect a chance of early settlement through diplomatic intervention as an exchange for its past lobbying $l \in (0, 1)$, whereas non-lobbying firms do not. The host government cannot observe this lobbying information under this incomplete information setting. Given a political situation in the host country, the host government decides whether or not to change a policy incurring an economic damage $d \in (0, 1)$ to the investor. If the government does not change the policy, it has to pay a political cost $a \in (0, 1)$ by disappointing its domestic audiences and the game ends.

Figure 1: The Structure of the Game



Following the government's choice of the policy change, the investor decides whether to sue the host government for discriminatory practices through ISDS with the litigation cost $c \in (0, 1)$ or not. If it does not initiate a dispute, it has to bear the policy change's damage d . The investor wins the case with a probability $w \in (0, 1)$ and all damages will be fully compensated. Hence, the payoff for the non-lobbying investor is $(1 - w)(-d) - c$. For lobbying firms, the diplomatic intervention succeeds in an early settlement with a probability $f(l) \in (0, 1)$ which is the increasing function of the past lobbying l . Therefore, the payoff for the lobbying investor

is $\{1 - f(l)\}(1 - w)(-d) - l - c$. By the same logic, the payoffs to the host government when it was sued by the non-lobbying investor is $w(-a) - c$, while $f(l)(-a) + \{1 - f(l)\}w(-a) - c$ is when it was sued by the lobbying investor. Figure 1 portrays the sequence of the actions and the payoffs in the game in extensive form. If the government is not informed of the type of the investor, it has belief about the type $\mu \in [0, 1]$ and assumes $f(l) = f(\bar{l})$. $f(\bar{l}) \in (0, 1)$ is a fixed value that the host government can infer to the best of its knowledge.

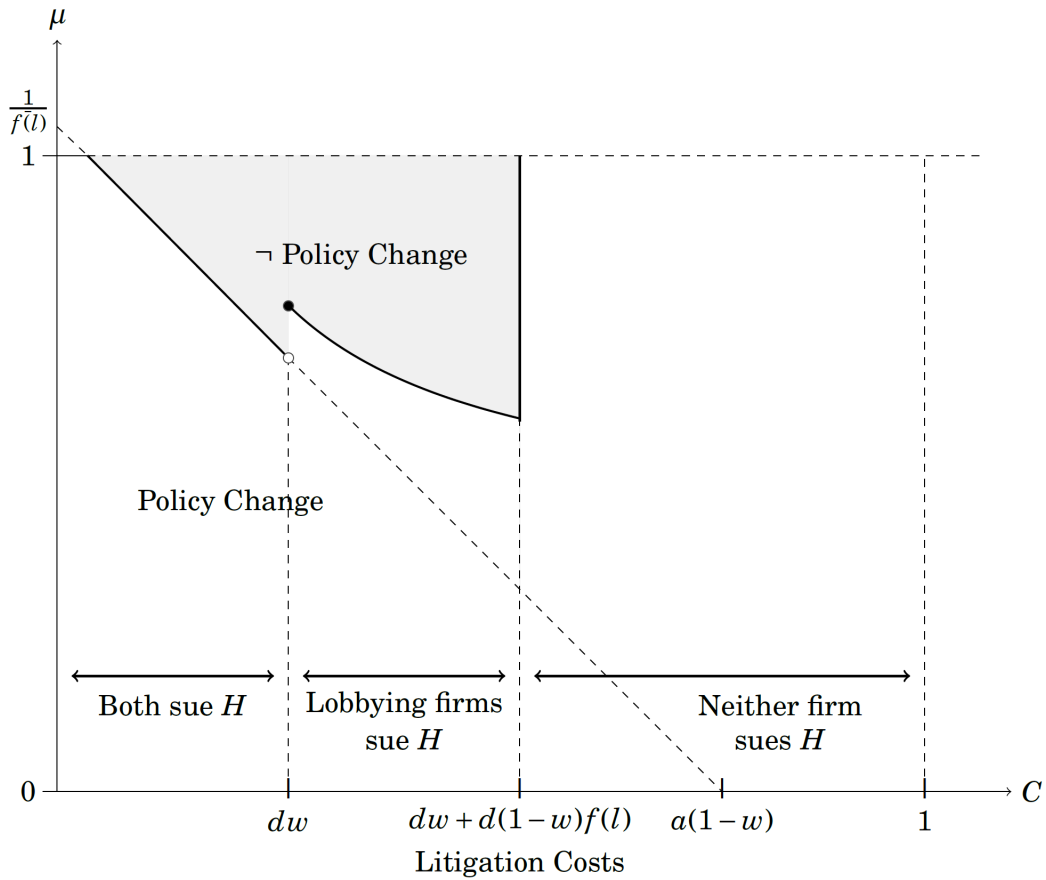
Non-lobbying investors initiate a dispute if $(1 - w)(-d) - c \geq -d$, thus $c \leq dw$; lobbying firms sue the host government when $\{1 - f(l)\}(1 - w)(-d) - l - c \geq -d - l$ which can be simplified as $c \leq dw + d(1 - w)f(l)$. Once the litigation cost c is greater than those cut points, the investor does not launch an ISDS. Due to the political costs of failing to change a policy a , the host government always implements a policy change if it expects that the firm would not initiate an ISDS. However, when it sees that the litigation cost is affordable for the investor, it attempts a policy change depending on the belief on the type of the investor. When $c \leq dw$, the host government does not change a policy as long as $\mu[f(\bar{l})(-a) + \{1 - f(\bar{l})\}w(-a) - c] + (1 - \mu)\{w(-a) - c\} < -a$. This implies that when both types sue the host government, the host government will change the policy if $\mu \leq \mu^*$ where $\mu^* = \frac{1}{f(\bar{l})}\{1 - \frac{c}{a(1 - w)}\}$. When $dw < c \leq dw + d(1 - w)f(l)$, the host government knows that only lobbying type investors can initiate a dispute. Therefore, it changes a policy if $\mu[f(\bar{l})(-a) + \{1 - f(\bar{l})\}w(-a) - c] \leq -a$, thus $\mu \leq \frac{1}{f(\bar{l})(1 - w) + w + \frac{c}{a}}$.

These results can be visualized in Figure 2.

In Figure 2, the shaded areas indicate the chances that host countries will not change their policies, while the white areas represent situations where host countries do change their policies. This plot shows that lobbying firms are more likely to initiate a dispute since the expected litigation cost is more affordable. Host governments are less likely to make a policy change as they believe that an affected firm is more likely to be a lobbying firm. The slope of the line of cut points μ^* is largely determined by the value of $f(\bar{l})$, while the amount of litigation costs that lobbying firms can accept depends on their private information of $f(l)$. Then, does the pattern of ISDS hold the same when corporate lobbying activities become public information?

Since the implementation of the *Lobbying Disclosure Act* (LDA) in January 1996, lobbying activities to the US government that exceed \$20,000 in total expenses for any given half-year

Figure 2: Equilibria in the Game

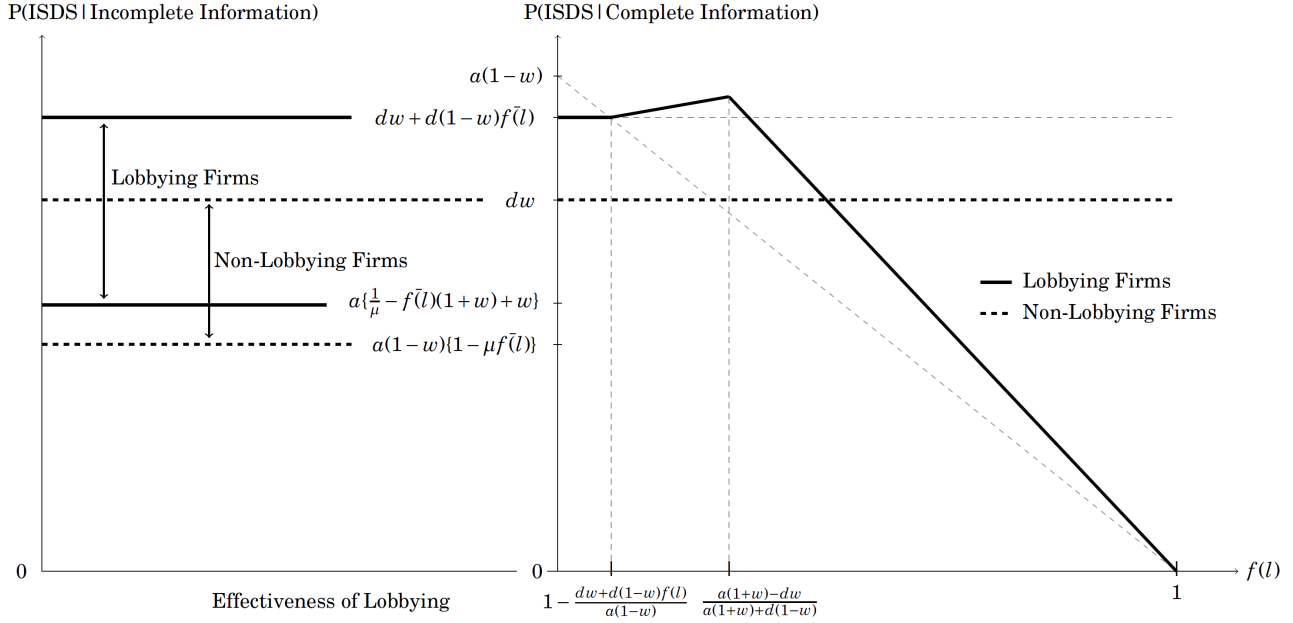


reporting period are required to be reported to the Clerk of the US House of Representatives and Secretary of the US Senate. However, the LDA does not make corporate lobbying records publicly available, creating asymmetric information between investors and host governments, unless the political ties between firms and the US government are well-known. While some host governments may have informal networks to collect such information, they are uncertain about lobbying activities that do not exceed \$20,000 for a half-year or other secret lobbying channels, such as contributions to electoral campaigns and the presidential library.

In September 2007, President George W. Bush signed the *Honest Leadership and Open Government Act* (HLOGA), an amendment to the LDA. Since its implementation in January 2008, lobbyists are required to file reports when total expenses exceed \$10,000 for any given quarterly reporting period, and lobbying through campaign and presidential library contributions must also be reported. These lobbying records, including those prior to 2008, became publicly available on the web. As a result, host governments could incorporate this information

when making policy decisions, discriminating between non-lobbying firms and lobbying firms. In other words, host governments have been more likely to target non-lobbying firms since 2008.

Figure 3: Effect of Lobbying on ISDS with or without Lobbying Disclosure



Suppose that the litigation costs are uniformly distributed from 0 to 1. For non-lobbying firms under incomplete information, the probability that they would face a policy change and the ISDS is affordable is $\min[dw, a(1-w)\{1 - \mu f(\bar{l})\}]$. Since complete information makes $\mu = 0$, $a(1-w)\{1 - \bar{\mu}f(\bar{l})\}$ is always greater than dw , which in turn, $P(ISDS) = dw$. For lobbying firms, the probability of the ISDS is $\min[dw, a(1-w)\{1 - \mu f(\bar{l})\}]$ if $c \leq dw$, while it is $\min[dw + d(1-w)f(l), a\{\frac{1}{\mu} - f(\bar{l})(1+w) + w\}]$ if $dw < c \leq dw + d(1-w)f(l)$. This implies that the probability of ISDS under complete information when only lobbying firms afford to initiate an ISDS is as follows:

$$P(ISDS|Lobbying, \mu = 1) = \begin{cases} a(1-w)\{1 - f(l)\} & \text{if } f(l) \geq \frac{a(1+w) - dw}{a(1+w) + d(1-w)} \\ dw + d(1-w)f(l) & \text{if } f(l) < \frac{a(1+w) - dw}{a(1+w) + d(1-w)} \end{cases} \quad (1)$$

$P(ISDS|Lobbying, \mu = 1)$ is the decreasing function of $f(l)$ as long as the lobbying effort is sufficiently large, while the increasing function of $f(l)$ is exogenously given by the value of d and w when the lobbying efforts are trivial. In other words, the lobbying disclosure reduces the number of ISDS that investors with sufficiently large lobbying records can be involved in, while lobbying firms with small efforts may face same or slightly more chances of ISDS compared to the situation without lobbying disclosure. [Figure 3](#) visualizes the effects of lobbying on ISDS across different information structure.

Nevertheless, there have been numerous media reports about larger companies' lobbying and their political influence on the US policymaking process. Thus, it would be more realistic to assume that the lobbying activities of some firms with an extremely large lobbying effort can be known to host governments even before the implementation of the HLOGA in 2008. In this case, the pattern of ISDS for these firms may not be significantly affected by the HLOGA because their lobbying activities have been public information in both pre- and post-reform periods. In other words, these firms' probability of ISDS has been the same as the plot on the right in [Figure 3](#).

In the sense that the mechanism of diplomatic intervention is usually illustrated as a home government's protection of its nationals against the hostile acts of foreign governments, American lobbying firms may be more confident of US intervention in an ISDS than non-US lobbying firms. Clearly, US firms have more reason to lobby the US government and also have greater access to it. Even if non-US lobbying firms are less likely to receive direct and immediate support from the US, the lobbying efforts of foreign entities and business coalitions have affected US foreign policies (e.g. [Amuzegar 1997](#); [Mearsheimer, Walt et al. 2007](#); [Schonberger 1977](#); [Tidwell 2017](#)). These lobbying efforts often succeed in leading to the United States' approval of their home government's diplomatic intervention, as well as collective actions against disputing parties.

In addition, one striking feature of multinational corporations is that they may possess multiple nationalities. Firms can lobby through their subsidiaries in their host country to increase their effectiveness. In particular, foreign firms can dilute their national identity by having joint ventures or a local business partner (e.g. [Henisz 2002](#); [Lee, Biglaiser and Staats](#)

2014). Once they enter a market by opening an office and a factory (greenfield FDI) or merging with a preexisting company (M&A) in a host country, they are not only protected by bilateral investment treaties between their original home and the host country but can also benefit from the international treaties that the host country has joined with others. In other words, they can use a host government as their home government in disputes with other host countries. Therefore, non-US firms with US subsidiaries can effectively lobby regardless of their country of origin. Moreover, even if a firm does not have a US subsidiary, it can still conduct effective lobbying through its alliance in the US market (Amuzegar 1997; Mearsheimer, Walt et al. 2007; Schonberger 1977).

When the government of the Democratic Republic of Congo (DRC) expropriated Societe Aurifere du Kivu et Maniema (SAKIMA), a Congolese subsidiary of Canadian gold miner Banro Resource Corporation, Banro lobbied the US government through its US subsidiary Banro American Resources from 1998 to 2000, trying to qualify as an American investor under the 1990 DRC-US bilateral investment treaty.⁷ Although the Canadian government was more active in the case, the US government also provided consular assistance, and some US Senators even sent letters to the DRC government. The case of Vivendi Universal is also interesting. A French mass media, water, and environmental business, Vivendi, acquired Universal Studio and created Vivendi Universal as its US subsidiary. Vivendi Universal owned Vivendi's water and environmental divisions, including local branches in Argentina. In 1997, Vivendi Universal sued Argentina for the unlawful breach of their contract.⁸ Vivendi Universal used the France-Argentina bilateral investment treaty for the arbitration as its parent company is French. Although the award decision was made in 2007, Argentina refused to pay compensation awards. However, the US government exercised its diplomatic intervention to enforce the award decision.⁹ The United States withdrew trade benefits under the Generalized System of Preferences and expressed disagreement with the extension of loans to Argentina at the Inter-

⁷Banro American Resources, Inc. and Société Aurifère du Kivu et du Maniema S.A.R.L. v. Democratic Republic of the Congo, ICSID Case No. ARB/98/7

⁸Compañía de Aguas del Aconquija S.A. and Vivendi Universal S.A. v. Argentine Republic, ICSID Case No. ARB/97/3

⁹According to Gaillard and Penushliski (2020), during the same time, Argentina also refused to comply with award decisions from four other disputes with American corporations: CMS Gas, Azurix Corp, Continental Casualty, and National Grid.

American Development Bank. In both cases, the US government provided diplomatic assistance to foreign multinationals regardless of nationality as long as they have US subsidiaries. In this regard, this paper assumes that the effect of the HLOGA does not discriminate against non-US lobbying firms and US lobbying firms.

In sum, host governments can use the revealed information to form a conjecture about corporations' confidence in receiving diplomatic support from the US. As a result, after 2008, host governments can avoid predictable disputes, which in turn secures the interests and property rights of lobbying firms. Therefore, lobbying firms that make a sufficiently large effort will experience fewer ISDS cases following the implementation of the HLOGA.

Hypothesis 1. *Lobbying firms are less likely to be involved in investment disputes than non-lobbying firms since 2008.*

Hypothesis 2. *Since 2008, firms are less likely to be involved in investment disputes as corporate lobbying expenses increase.*

Although the information effect of lobbying efforts reduces the opportunistic policy change against lobbying firms, lobbying activities of firms with extremely large lobbying efforts might already be exposed to host governments. In that case, the effect of lobbying disclosure would be zero. This implies that those firms would file fewer ISDS than others since their host countries are more likely to avoid damages to their business operations. However, they are more certain about the US diplomatic intervention in the face of dispute, which implies that they may strategically initiate more disputes even if a host government's policy change is not necessarily a wrongful act. For example, in the case of *Philip Morris v. Australia* (2011), the US tobacco company Philip Morris sued the Australian government using its Hong Kong subsidiary Philip Morris Asia Limited to deter the enactment of the *Tobacco Plain Packaging Act*. The parent company of Philip Morris, Altria Group, had been one of the top 10 lobbying firms among Global Fortune 500 firms. If this is the case, Australia did not intentionally target Philip Morris since the government already knows the political connection that this company

has. The company also may know that they are not going to win, while expecting possible diplomatic pressure by home government and small luck of early settlement. In either case, the prevention effect of lobbying disclosure on ISDS would be attenuated as the size of lobbying effort becomes too large.

Hypothesis 3. *The effect of lobbying on the number of investment disputes is attenuated when the firm makes extremely large lobbying efforts.*

Research Design

To assess the impact of corporate lobbying across the change in information structure on the pattern of ISDS, I construct a firm-level dataset¹⁰ of Global Fortune 500 companies' lobbying and ISDS between 1999 and 2016. I match firm names of 1,323 companies that had been ranked as Global Fortune 500 between 1992 and 2016 with the name of client in the LobbyView data (Kim 2018) and that of dispute parties in the ISDS data (Wellhausen 2016). Since a subsidiary's lobbying and disputes can affect interests of all of the other subsidiaries under a parent organization, I aggregate lobbying records and investment disputes of firms at the ultimate parent firm-level.

This paper identifies the location of FDI of Fortune 500 firms by using firm-level global M&A data from Bloomberg Terminal. By doing so, the dataset is able to identify all of the host countries that those Fortune 500 firms can file an ISDS against.¹¹ I limit the analysis to

¹⁰Recent studies have discussed the limitations of using aggregated FDI flow data either at dyadic or industry level in testing firm-level decision making process (e.g. Barry 2016; Bellak 1998; Blake and Moschieri 2017; Kerner 2014; Stephan and Pfaffmann 2001; Wright and Zhu 2017). The aggregated measures often overlook interesting variations at firm- and industry-levels. In addition, it also lacks coherent balance-of-payments FDI measures. For example, although OECD uses an universal benchmark of FDI, the amount of FDI flows within a dyad in the dataset are not consistent across reporting countries. In other words, the FDI inflow to country B from country A should be same with the outflow from country A to country B at a given year, but they are significantly different in the OECD data. Furthermore, the use of such data is not free from selection bias or a generalizability issue, since the most widely used country level FDI accounts that are publicly available rely on OECD member states' report, and industry level FDI that are mostly used are released by the US Bureau of Economic Analysis (BEA). Many scholars also point out that aggregating ISDS data by country level also has a problem, since home country information on dispute dataset does not always indicate a true home country of multinationals (e.g. Peinhardt and Wellhausen 2016; Samples 2019). For example, the US tobacco company Philip Morris uses Hong Kong as its home country in Philip Morris v. The Commonwealth of Australia (2011) and Switzerland in Philip Morris v. Uruguay (2010). This paper solves this data problem by coding the country of origin of a firm as identified by the global Fortune 500 company list. (<https://fortune.com/global500/>)

¹¹One caveat of using M&A data from Bloomberg Terminal is that I exclude the location of investment in

Fortune 500 firms, since the literature has pointed out that there are discrepancies between larger and smaller firms in FDI risk assessments. [Gertz, Jandhyala and Poulsen \(2018\)](#) also find that bigger firms are more likely to be granted diplomatic intervention during disputes. In the dataset, there are 44 home countries and 154 host countries. One caveat of this dataset is that it only accounts for M&A deals to figure out the location of foreign investments, which implies that the data may miss some Fortune 500 firms if they only made greenfield FDI in a country, but did not merge with any pre-existing facilities.

Two different empirical strategies were employed. First, exploiting the HLOGA as an exogenous shock on the information structure, this research employs a difference-in-differences (DID) design. The enactment of the HLOGA was not determined by the effect of corporate lobbying on the chance of ISDS. According to the LDA and the HLOGA, the purpose of these laws was to enhance the public inspection of the political influence of interest groups and firms in US politics. Yet, they mention no information about the interests of firms' foreign activities. Since the *Honest Leadership and Open Government Act* of 2007 was implemented in 2008, the shock variable is coded as zero if year t is before 2008, while one if year t is since 2008.

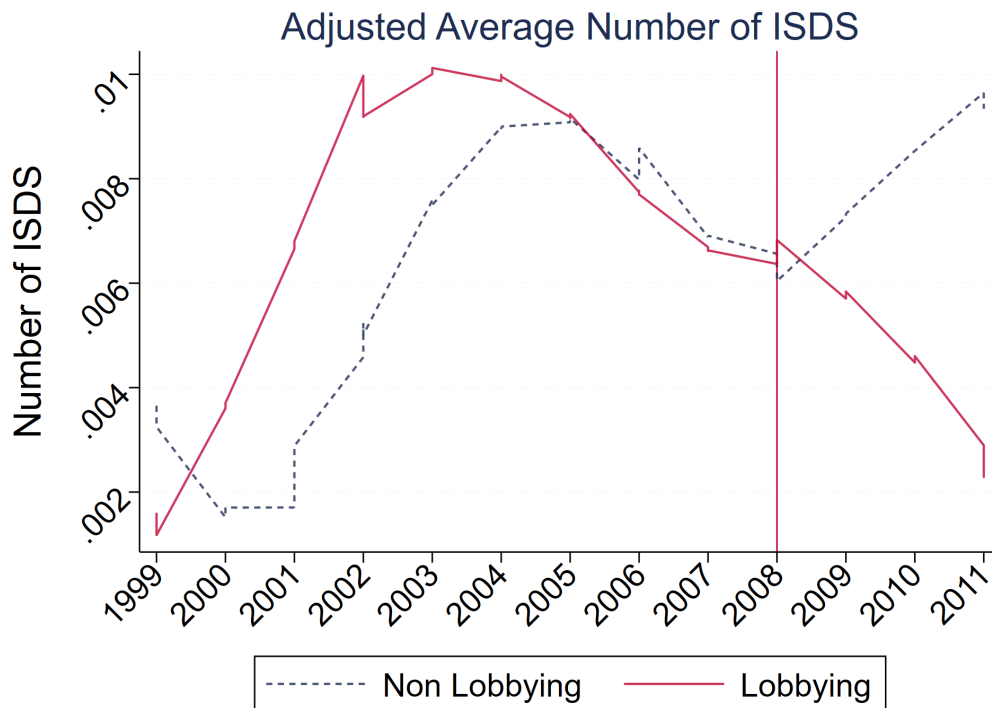
The treatment group consists of firms that had lobbied before 2008, while the control group consists of firms that did not make any lobbying effort between 1999 and 2016. To address the Stable Unit Treatment Value Assumption (SUTVA), firms that have lobbied since 2008 but not before 2008 are dropped. In the dataset, 1255 Fortune 500 firms meet the aforementioned condition, which consists of 343 US firms and 913 non-US firms. The treatment group includes 266 US firms and 246 non-US firms, while the control group includes 667 non-US firms and 77 US firms. I use the following specification to estimate the difference-in-differences:

$$\begin{aligned}
 ISDS_{it} = & \beta_0 + \beta_1 \text{Lobbying Firm}_i + \beta_2 \text{HLOGA}_t \\
 & + \beta_3 \text{Lobbying Firm}_i \times \text{HLOGA}_t + Z_{it} + C_t + u
 \end{aligned} \tag{2}$$

The dependent variable for this research is whether a company i initiates any ISDS in year t . In the dataset, the maximum number of ISDS is three which are the cases for Gazprom in new assets (greenfield FDI) from the analysis. However, this may not hurt the validity and reliability of the analysis, since locations of both types of FDI are highly correlated. [Loayza, Calderón and Servén \(2004\)](#) find that greenfield FDI comes after M&A in general, while M&A follows greenfield FDI in developing countries.

2012 and GDF Suez in 2003. Among 1,323 firms, 90 firms had experienced ISDS. To control for firm-year level covariates which can potentially explain both ISDS and lobbying efforts, the main model specification includes the vectors of control variables, Z_{it} . It consists of the number of ongoing disputes of a company i in year $t - 1$, the logged total number of affiliates in the US of a firm i in $t - 1$, the logged total number of foreign subsidiaries of a firm i in $t - 1$, and a dummy variable for foreign nationality. Two subsidiary variables are collected from the Bloomberg M&A data by counting the number of M&A deals in each year. The foreign nationality variable is collected from Fortune 500. To account for the effect of economic cycles which can affect both ISDS and lobbying activities, C_t is added to the model, which includes the global average GDP growth in t^{12} , the logged total amount of lobbying expenditure in $t - 1$, and the logged total number of lobbying reports in $t - 1$. I use a probit model with robust standard errors to estimate the impact of treatment on the probability of ISDS.

Figure 4: Trends in ISDS



A difference-in-differences design will successfully identify the causal effect of corporate

¹²Because the implementation of the HLOGA coincidentally started in 2008 which is the same starting year of the global financial crisis, I expect that global average GDP growth can control for the confounding effect of 2008 financial crisis.

lobbying information when the parallel trends assumption holds. In other words, the number of ISDS for both lobbying and non-lobbying firms must have the common average changes before the HLOGA reform in 2008, while the pattern has to diverge since 2008. The smooth curves in Figure 4 display the trends of adjusted average number of ISDS for both groups from 1999 and 2011. The plot nicely shows approximately parallel upward trends for both groups by 2001 and downward trends by 2008. This implies that there is no statistically significant difference between lobbying firms and non-lobbying firms before the lobby law reform. However, since the HLOGA reform, lobbying firms have tended to file fewer ISDS, while non-lobbying firms filed more ISDS.

The difference-in-differences design would suffice for testing Hypothesis 1, but the estimates may not be able to completely capture the U-shape changes in the effect of lobbying disclosure when the size of lobbying efforts is too large. Hence, I also use the following model specification:

$$\begin{aligned}
 ISDS_{it} = & \beta_0 + \beta_1 Lobbying_{i,t-1} + \beta_2 Lobbying_{i,t-1}^2 + \beta_3 HLOGA_t \\
 & + \beta_4 HLOGA \times Lobbying_{i,t-1} + \beta_5 HLOGA \times Lobbying_{i,t-1}^2 \\
 & + Z_{it} + C_t + \gamma_i + u
 \end{aligned} \tag{3}$$

This specification includes interaction terms between the HLOGA and the squared term of the lobbying variable, so that the non-linear effects of lobbying on ISDS can be estimated. The corporate lobbying activity is measured in two different measures: the logged total number of lobby reports of a company i in year $t - 1$ and the logged total amount of lobbying expenditure of a company i in year $t - 1$.¹³ According to the dataset, there are 616 Global Fortune 500 firms that have at least one lobbying record between 1999 and 2016, and the maximum number of lobbying reports is 293 which were filed by Verizon Communications in 2008. The average of the annual total lobbying expenditure¹⁴ is about 2.5 million USD and the top 10% of lobbying

¹³I do not use the campaign contribution because the campaign contribution may signal the political connection between a firm and the US government but do not clearly suggest that those two actors exchange information.

¹⁴Since the minimum amount of lobbying requirement before the reform is 20,000 USD and that after the reform is 10,000 USD, I fill the missings in the expenditure information of each lobbying report with these minimum amount.

firms make more than 6.7 million USD. The minimum is 1,760 USD which was made by France Telecom in 2005 and the maximum is 50.5 million USD by General Electric in 2010.

Since some firms are able to afford greater lobbying expenses than others, expenses may be driven by both their past expense levels and their time-invariant attributes such as firm size. Therefore, the number of lobbying reports of a firm i in $t - 2$ is included in Z_{it} and firm fixed effects (γ_i) is added into the model. Due to non-convergence issues in the probit model with fixed effects, OLS models with robust standard errors are used.¹⁵ The dependent variable is the total number of newly initiated ISDS of a company i in year t instead of the dummy variable used in models for the DID design.

Findings

Table 1 displays the results from the difference-in-differences design. Model 1 uses the original samples and Model 2 uses the samples constructed by a kernel-based propensity score matching strategy. Since some firms may have more reasons and incentives for lobbying than others, I use a kernel-based propensity score matching strategy to address the effects of non-random assignment of the treatment. One advantage of the kernel-based propensity score matching over one-to-one propensity score matching is that this method adjusts the balance by constructing weights based on the distance between individual data points from the control group and the counterfactual outcome without reducing the sample size. Therefore, the sample can achieve as-if randomization with the full information of the dataset and lower variance. When estimating the propensity score, I used the Epanechnikov distribution with all covariates in $Z_{i,t}$ and C_t .

In both models, the treatment group tends to file more ISDS than the control group. Although the HLOGA variable in Model 1 is not statistically significant, coefficients for the variable in both models have negative coefficients. This implies that there is a downturn of ISDS since 2008 in general. The interaction term is not statistically significant in both models, which might be led by the U-shape pattern of the impact of lobbying on ISDS under complete information.

¹⁵I also include all the samples that violated the SUTVA to see if those firms' lobbying after the HLOGA also work.

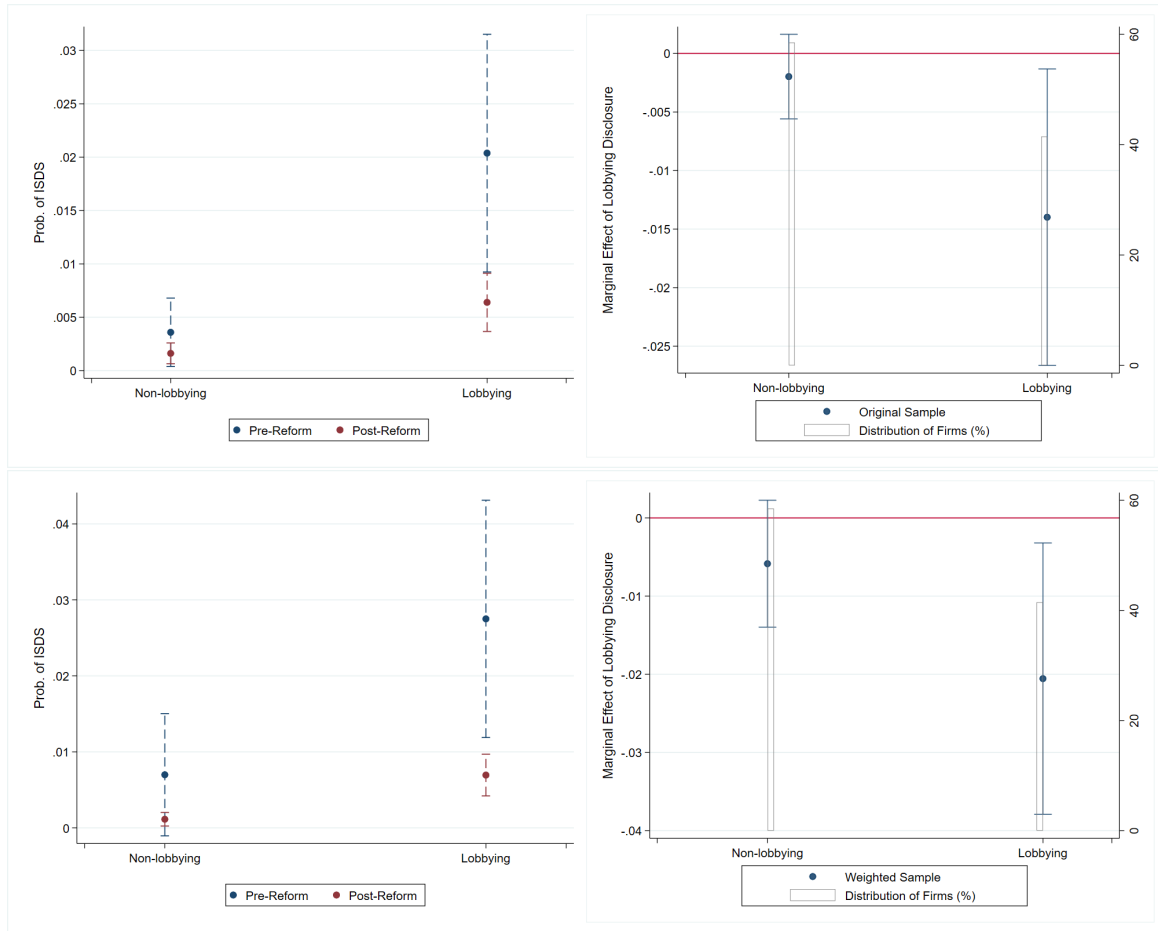
Table 1: Difference-in-Differences

	Model 1	Model 2
	Original Sample	Weighted Sample
Lobbying Firm _{<i>i</i>}	0.697*** (0.122)	0.596*** (0.164)
HLOGA _{<i>t</i>}	-0.282 (0.225)	-0.689** (0.294)
HLOGA × Lobbying Firm	-0.198 (0.160)	0.137 (0.213)
Ongoing ISDS _{<i>i,t-1</i>}	0.475*** (0.061)	0.490*** (0.074)
US Subsidiaries _{<i>i,t-1</i>}	-0.147*** (0.040)	-0.123*** (0.046)
Foreign Subsidiaries _{<i>i,t-1</i>}	0.248*** (0.039)	0.199*** (0.043)
Foreign National _{<i>i</i>}	-0.122 (0.099)	-0.003 (0.102)
Global GDP Growth _{<i>t</i>}	-0.037 (0.026)	-0.041 (0.027)
Total Lobbying Expenditure _{<i>t-1</i>}	0.295 (0.360)	0.316 (0.379)
Total Lobby Reports _{<i>t-1</i>}	-0.283 (0.434)	-0.136 (0.443)
Constant	-1.835 (3.680)	-4.108 (3.767)
Observations	20327	20313
Pseudo R^2	0.138	0.130

Note: Robust standard errors are in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Margins plots in Figure 5 provide a clearer view of the interaction effect of lobbying and information structure. The two plots in the first row are the results from Model 1, and the plots in the second row visualize the results from Model 2. Both plots on the right column display the marginal effects of the HLOGA of 2007, which suggests that the probability that non-lobbying firms experienced was not affected by the change in information structure. In contrast, the enactment of HLOGA significantly reduced the probability that lobbying firms would experience ISDS, which is consistent with Hypothesis 1. The large confidence intervals in both results seem to be the product of the U-shaped impact of lobbying after lobbying disclosure. Plots on the left column show the predicted probability of ISDS for lobbying and non-lobbying firms across the lobby law reform. The probability that non-lobbying firms would file an ISDS is not statistically distinguishable between the pre-reform and post-reform period. However, the probability of ISDS for lobbying firms is clearly distinguishable. According to

Figure 5: Marginal Effect of the Lobbying Disclosure (Model 1 and 2)



the predicted probability of ISDS estimated by Model 2, lobbying firms' probability of ISDS decreases from 0.028 to 0.008, which implies that these firms file about 71% fewer ISDS after their lobbying information becomes publicly available.

The positive and statistically significant coefficients for the ongoing ISDS variable signify that firms are more likely to file an ISDS when they have already experienced one in the past. Firms may gain crucial expertise, knowledge, and experience from past ISDS cases, which can make them more likely to file a new case. The presence of ongoing ISDS cases in the past year may also indicate certain business traits of firms. For example, some firms may be more likely to take risks than others, and some may be more likely to be targeted by opportunistic host governments due to their business styles. The US subsidiaries variable has a statistically significant negative coefficient, while the coefficients for the foreign subsidiaries variable are positive and statistically significant. This suggests that firms are less likely to be involved in

ISDS when they have more subsidiaries in the United States, while they tend to experience more ISDS when they have more foreign subsidiaries.

Table 2: Regression Analysis

	Model 3	Model 4	Model 5	Model 6
	Reports _{<i>i,t-1</i>}	Reports _{<i>i,t-1</i>}	Reports _{<i>i,t-1</i>} ²	Reports _{<i>i,t-1</i>} ²
Lobbying _{<i>i,t-1</i>}	0.426** (0.180)	0.483 (0.310)	1.108*** (0.381)	1.073 (0.663)
Lobbying _{<i>i,t-1</i>} ²			-0.009*** (0.0030)	-0.007* (0.0043)
HLOGA _{<i>t</i>}	-5.424** (2.649)	-7.130*** (2.715)	-3.041 (2.743)	-5.983** (2.819)
HLOGA × Lobbying	-0.309** (0.140)	-0.328 (0.200)	-0.906*** (0.343)	-0.921* (0.481)
HLOGA × Lobbying ²			0.009*** (0.003)	0.008** (0.004)
Constant	44.255 (63.100)	-87.038 (63.999)	58.732 (63.602)	-84.321 (63.906)
Observations	21459	21459	20233	21459
Controls	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes
Adjusted <i>R</i> ²	0.014	0.072	0.016	0.072
	Model 7	Model 8	Model 9	Model 10
	Expenditure _{<i>i,t-1</i>}	Expenditure _{<i>i,t-1</i>}	Expenditure _{<i>i,t-1</i>} ²	Expenditure _{<i>i,t-1</i>} ²
Lobbying _{<i>i,t-1</i>}	2.156*** (0.657)	1.155 (0.870)	0.834 (2.095)	-0.253 (2.541)
Lobbying _{<i>i,t-1</i>} ²			0.176 (0.284)	0.219 (0.380)
HLOGA _{<i>t</i>}	-4.184 (2.637)	-6.105** (2.690)	-3.431 (2.694)	-6.078** (2.737)
HLOGA × Lobbying	-1.335*** (0.512)	-1.261** (0.552)	1.617 (2.490)	-0.355 (2.674)
HLOGA × Lobbying ²			-0.381 (0.344)	-0.132 (0.361)
Constant	30.513 (64.045)	-83.560 (64.686)	50.895 (62.641)	-81.274 (63.675)
Observations	21459	21459	20233	21459
Controls	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes
Adjusted <i>R</i> ²	0.015	0.072	0.016	0.072

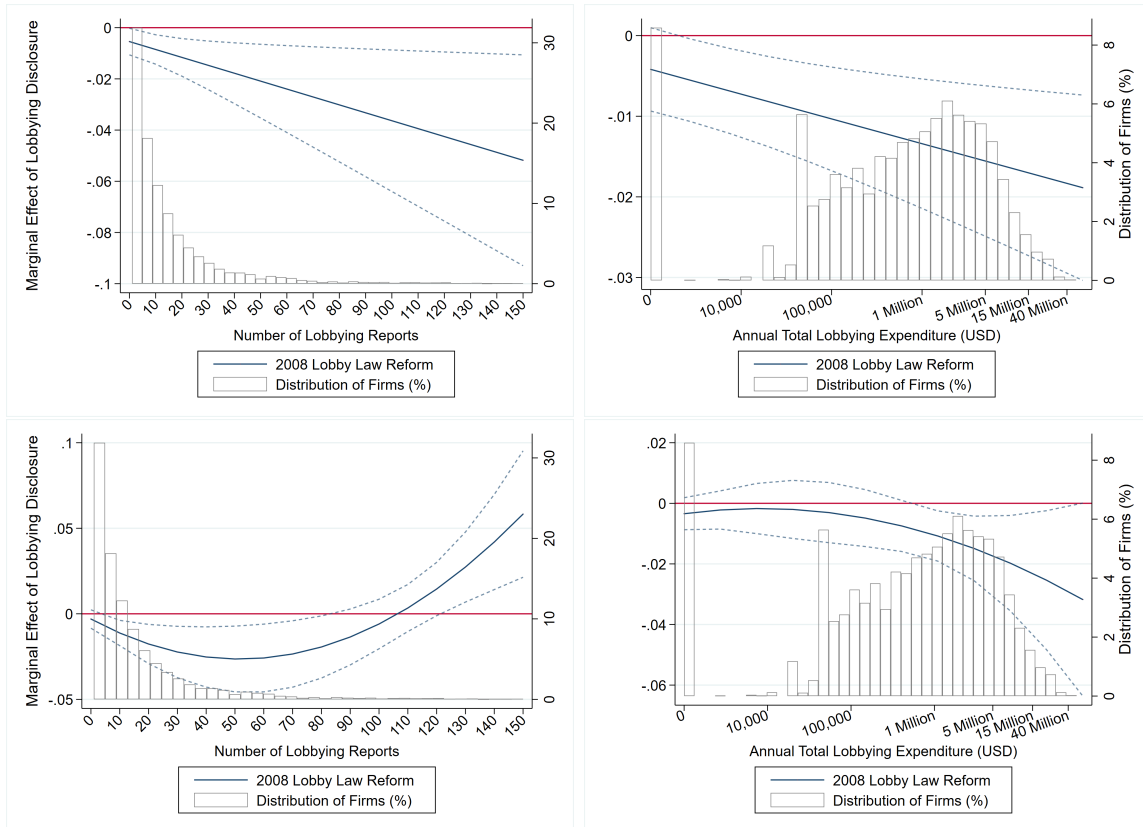
Note: Robust standard errors are in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. All the figures except for observations and adjusted R^2 in the table are multiplied by 1,000 to make the coefficients more readable. The full tables (Table 3 and Table 4) are available in the Appendix.

Table 2 displays coefficients for key independent variables from the regression results. Model 3 through 6 measure corporate lobbying efforts with the total number of lobbying reports of a firm i in year t , and Model 7 through 10 use the logged total amount of lobbying expenditure

of a firm i in year t . All of the figures except for observations and adjusted R^2 in the table are multiplied by 1,000 to make the coefficients more readable. Model 3, 5, 7, and 9 do not include firm fixed effects, while Model 4, 6, 8, 10 include them. Model 3 and 4 estimates the model without a quadratic term of lobbying variable but Model 5 and 6 include the quadratic term as well as its interaction with the HLOGA variable.

In both Model 3 and 7, the interaction term between the HLOGA and lobbying variable has a statistically significant negative coefficient and the coefficient for the reform variable is also significant and negative. This implies that the HLOGA reduces the number of ISDS of lobbying firms, while the size of reduction in ISDS increases when corporate lobbying increases. This interaction effect is well illustrated in two plots on the top in Figure 6, which confirms Hypothesis 2. Although the coefficient for the interaction term in Model 4 and 8 is not statistically significant, the decreasing marginal effect of the HLOGA is well visualized in Figure 8 in the Appendix.

Figure 6: Marginal Effect of the Lobbying Disclosure



Model 5, 6, 9, and 10 estimate the non-linear effect of the HLOGA when the size of lobbying

efforts varies by using the interaction term between the squared term of lobbying efforts and the reform. Two plots on the bottom in [Figure 6](#) visualize the non-linear marginal effect of the HLOGA. As Hypothesis 2 expects, both plots show that lobbying firms experience fewer ISDS as they increase lobbying efforts. However, this effect is attenuated when firms make excessively large lobbying efforts. According to the results from Model 5 and 6, there even exists an interval of the number of lobbying reports where lobbying firms experience more ISDS than before the reform. This seems to be the case where firms with enormous lobbying efforts and their $f(l)$ were overestimated. In contrast, the margins plot for Model 9 shows that the attenuation of the effect fails to flip the coefficient. Yet, the competing dynamics between under- and overestimation offset each other, which, in turn, removes the statistical significance of the marginal effect. [Figure 8](#) in the Appendix suggests that this pattern also holds when controlling for firm fixed effects.

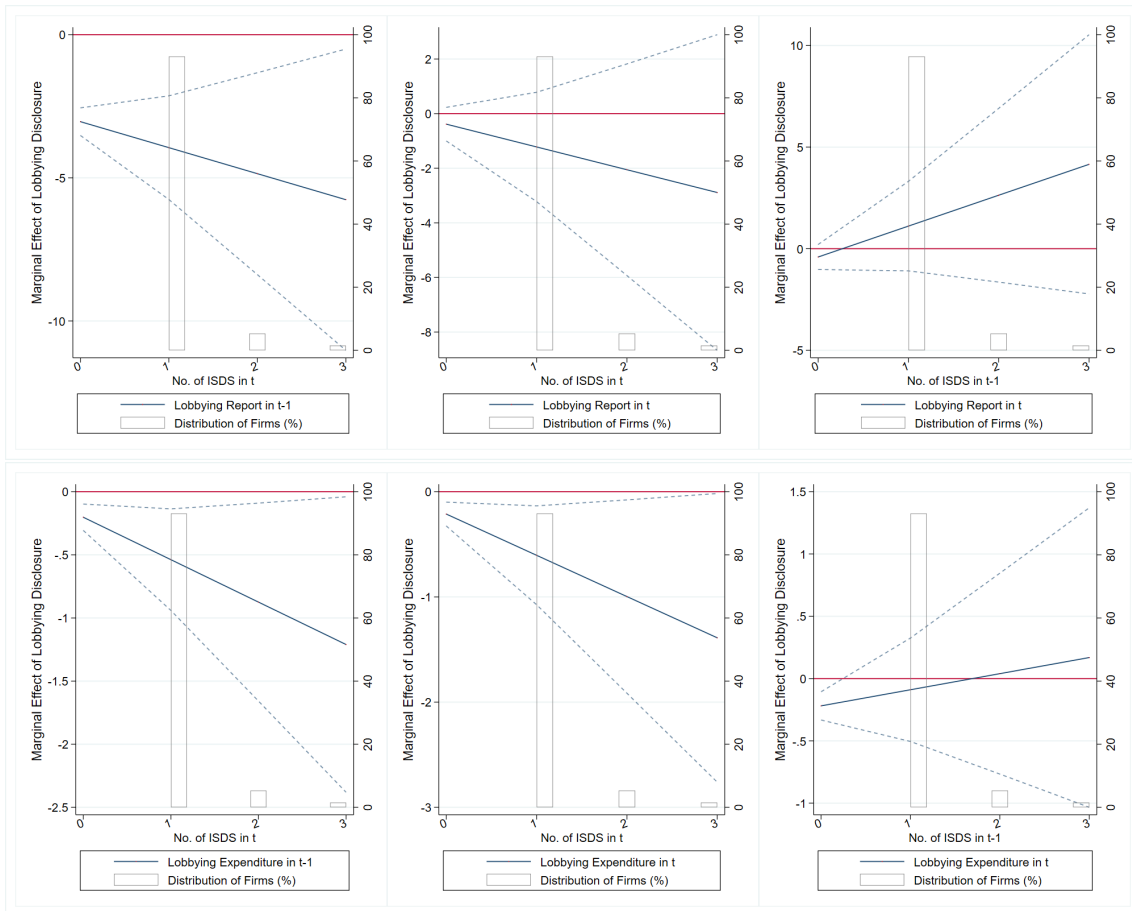
Since ISDS occurrences are rare compared to the number of FDI transactions, the size of the marginal effect may seem small, but it is still substantively meaningful. According to the dataset, the average number of ISDS for all firm-year observations is 0.006. In Model 3, the marginal effect of the HLOGA is -0.009 when a firm files 10 lobbying reports. Model 5 suggests that lobbying filings would have a maximum effect (-0.026) when a firm files 50 reports. According to Model 7, firms can prevent an average level of ISDS (0.006) by spending more than \$3,500, while Model 9 suggests that lobbying spending between one million dollars to 220 million dollars has a more significant effect than other amounts. (Note: The table results for the same models with year fixed effects are in [Table 5](#) in the Appendix, and margin plots for Model 4, 6, 8, and 10 are in [Figure 9](#).)

Robustness Check

Although the findings discussed above show statistical evidence that lobbying disclosure reduces the risk of ISDS, while it is attenuated, some may wonder about the possibility of reverse causation. One possible explanation for this endogeneity issue is that foreign investors may increase their lobbying efforts when expecting an ISDS in the near future. Although firms may want

to utilize the prevention effect of lobbying disclosure, the prediction of future ISDS would be accurate only if the firms already plan to launch an arbitration against their host governments. Otherwise, the timing of violation is hardly predictable, which means that lobbying would be driven by many other reasons other than future ISDS, such as taxation, trade barriers, legal issues, foreign policies, and legislation. In other words, the increase and decrease of lobbying would become irrelevant to the possibility of future ISDS.

Figure 7: Testing Reverse Causation



To test the reverse causation, this paper estimates the effect of the number of ISDS of a firm i on the firm i 's lobbying efforts. There are three possible scenarios for reverse causation. The first case is the anticipated ISDS, where the expected future disputes increase corporate lobbying. Second, firms may simultaneously respond to ISDS, which could be either anticipated or unexpected. Third, firms may lobby for ISDS in the past year. To test all of these three scenarios, I use three different combinations of timing in ISDS and lobbying: lobbying in $t - 1$ and ISDS in t , lobbying in t and ISDS in t , lobbying in t and ISDS in $t - 1$. All control variables

used in previous models are included in the model to check the reverse causation.

Margins plots in [Figure 7](#) illustrate the marginal effects of the HLOGA on corporate lobbying efforts when the number of ISDS varies. Three plots on the top use lobbying reports as a measure of lobbying efforts, while plots on the bottom measure the effort with the logged amount of lobbying expenditure. Two plots on the left column suggest that lobbying in $t - 1$ does not increase by ISDS in t . Although it shows that lobbying disclosure decreases lobbying efforts when more future ISDS would occur, this pattern does not support a story where corporations increase their lobbying before filing ISDS. This is also the same for the bottom plot in the middle. All the other plots show either insignificant or negative interaction effects, which suggests that there is no concerned endogeneity issue.

Conclusion

With the increasing number of IIAs, the number of ISDS cases has greatly increased. Previous studies have found positive effects of ISDS provisions on attracting FDI inflows, but a more nuanced understanding of firms' ISDS decisions and their political strategies to increase the likelihood of gaining satisfactory results has not been well investigated.

This paper provides an explanation for the effect of corporate lobbying on ISDS and how the variation in lobbying information affects this mechanism. The main findings of the model are two-fold. First, lobbying firms are less likely to initiate an ISDS since 2008 because host governments try not to change policies that can harm the interests of lobbying firms. Second, this pattern does not hold for firms with extremely large lobbying efforts because these firms' political connections could already be known to host governments, and firms are confident in diplomatic support.

The theoretical arguments of this research are tested by a difference-in-differences design as well as non-linear models using a firm-level dataset of lobbying and ISDS. By examining the pattern of ISDS along with the lobby law change in the US, the claimed arguments are verified. This result holds across two different measures of corporate lobbying and different model specifications.

One contribution of this study is the use of extensive firm-level data. The use of aggregated data in FDI research has faced sharp criticisms (e.g. Barry 2016; Bellak 1998; Kerner 2014; Stephan and Pfaffmann 2001) because it does not directly test firm-level dynamics that researchers often claim. In addition, it also misses useful details of multinational behavior. Thus, it leads to empirical studies potentially wrongly estimating a causal effect of their proposed explanatory variables. In contrast, this research directly tests the firm-level theory by using a parent firm-host level dataset.

This firm-level dataset is also useful for tackling the case of forum shopping in ISDS. Because home countries in ISDS can be different from the true home countries of firms, the use of data aggregated by country-level cannot accurately test the role of firms' nationalities. On the contrary, this paper identifies the home country of firms in ISDS by using headquarter locations. This helps provide a more accurate control for the confounding effect of firms' nationality.

The second contribution of this research is capturing the role of the firms' political clout in ISDS. The literature on the de-politicization effect of ISDS isolates firms' home countries from the theory of ISDS. Based on an assumption that home countries prefer granting legal rights for suing host countries to their nationals than diplomatic intervention, these studies theorize that ISDS is an interaction solely between firms and host governments. However, diplomatic intervention has been used more frequently. Firms can also strategically use the lobbying process to increase their bargaining leverage to receive a formal and informal early settlement.

Finally, this study sheds light on the information dynamics of lobbying activities. By building a game-theoretic model and using an unintentional exogenous effect of the establishment of transparency about government-business connections, this paper suggests that the legislation of lobbying disclosure can contribute to FDI protection.

Appendix

Table 3: Regression Analysis (Full Table for Model 3-6)

	Model 3	Model 4	Model 5	Model 6
	Reports _{<i>i,t-1</i>}	Reports _{<i>i,t-1</i>}	Reports _{<i>i,t-1</i>} ²	Reports _{<i>i,t-1</i>} ²
Lobbying _{<i>i,t-1</i>}	0.000426** (0.000180)	0.000483 (0.000310)	0.001108*** (0.000381)	0.001073 (0.000663)
Lobbying _{<i>i,t-1</i>} ²			-0.000009*** (0.000003)	-0.000007* (0.000004)
HLOGA _{<i>t</i>}	-0.005424** (0.002649)	-0.007130*** (0.002715)	-0.003041 (0.002743)	-0.005983** (0.002819)
HLOGA × Lobbying	-0.000309** (0.000140)	-0.000327 (0.000200)	-0.000906*** (0.000343)	-0.000921* (0.000481)
HLOGA × Lobbying ²			0.000009*** (0.000003)	0.000008** (0.000004)
Lobbying _{<i>i,t-2</i>}	-0.000136 (0.000103)	-0.000136 (0.000107)	-0.000143 (0.000105)	-0.000127 (0.000107)
Ongoing ISDS _{<i>i,t-1</i>}	0.038680*** (0.008781)	-0.086717*** (0.019908)	0.041154*** (0.009387)	-0.086570*** (0.019882)
US Subsidiaries _{<i>i,t-1</i>}	-0.001416 (0.000982)	-0.002723 (0.002071)	-0.001883* (0.001053)	-0.002029 (0.002158)
Foreign Subsidiaries _{<i>i,t-1</i>}	0.004170*** (0.000791)	0.005561*** (0.001347)	0.004479*** (0.000858)	0.005403*** (0.001337)
Foreign National _{<i>i</i>}	-0.003269 (0.002065)	0.005619 (0.005402)	-0.001989 (0.002254)	0.011176 (0.007417)
Global GDP Growth _{<i>t</i>}	-0.000416 (0.000449)	-0.000420 (0.000452)	-0.000327 (0.000451)	-0.000422 (0.000452)
Total Lobbying Exp. _{<i>t-1</i>}	0.004768 (0.004029)	0.000861 (0.003953)	0.004452 (0.004028)	0.000638 (0.004000)
Total Lobby Reports _{<i>t-1</i>}	-0.005924 (0.006199)	0.004880 (0.006152)	-0.006860 (0.006236)	0.004489 (0.006150)
Constant	0.044255 (0.063100)	-0.087038 (0.063999)	0.058732 (0.063602)	-0.084321 (0.063906)
Observations	21459	21459	20233	21459
Firm FE	No	Yes	No	Yes
Adjusted R ²	0.014	0.072	0.016	0.072

Note: Robust standard errors are in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 4: Regression Analysis (Full Table for Model 7-10)

	Model 7	Model 8	Model 9	Model 10
	Expenditure _{<i>i,t-1</i>}	Expenditure _{<i>i,t-1</i>}	Expenditure _{<i>i,t-1</i>} ²	Expenditure _{<i>i,t-1</i>} ²
Lobbying _{<i>i,t-1</i>}	0.002156*** (0.000657)	0.001155 (0.000870)	0.000834 (0.002095)	-0.000253 (0.002541)
Lobbying _{<i>i,t-1</i>} ²			0.000176 (0.000284)	0.000219 (0.000380)
HLOGA _{<i>t</i>}	-0.004184 (0.002637)	-0.006105** (0.002690)	-0.003431 (0.002694)	-0.006078** (0.002737)
HLOGA × Lobbying	-0.001335*** (0.000512)	-0.001261** (0.000552)	0.001617 (0.002490)	-0.000355 (0.002674)
HLOGA × Lobbying ²			-0.000381 (0.000344)	-0.000132 (0.000361)
Lobbying _{<i>i,t-2</i>}	-0.000402 (0.000553)	-0.000708 (0.000575)	-0.000416 (0.000546)	-0.000753 (0.000566)
Ongoing ISDS _{<i>i,t-1</i>}	0.038233*** (0.008783)	-0.086641*** (0.019880)	0.041111*** (0.009393)	-0.086594*** (0.019899)
US Subsidiaries _{<i>i,t-1</i>}	-0.002038** (0.000956)	-0.000825 (0.002239)	-0.002121** (0.001025)	-0.000976 (0.002255)
Foreign Subsidiaries _{<i>i,t-1</i>}	0.004009*** (0.000791)	0.005338*** (0.001343)	0.004390*** (0.000853)	0.005327*** (0.001339)
Foreign National _{<i>i</i>}	-0.000513 (0.002351)	0.003427 (0.004712)	-0.000719 (0.002456)	0.005054 (0.005977)
Global GDP Growth _{<i>t</i>}	-0.000504 (0.000452)	-0.000511 (0.000455)	-0.000418 (0.000455)	-0.000511 (0.000456)
Total Lobbying Exp. _{<i>t-1</i>}	0.004771 (0.004033)	0.001325 (0.003902)	0.004872 (0.004012)	0.001340 (0.003866)
Total Lobby Reports _{<i>t-1</i>}	-0.005235 (0.006265)	0.004179 (0.006212)	-0.006711 (0.006163)	0.003942 (0.006133)
Constant	0.030513 (0.064045)	-0.083560 (0.064686)	0.050895 (0.062641)	-0.081274 (0.063675)
Observations	21459	21459	20233	21459
Firm FE	No	Yes	No	Yes
Adjusted R ²	0.015	0.072	0.016	0.072

Note: Robust standard errors are in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Figure 8: Marginal Effect of the Lobbying Disclosure
(Model 4, 6, 8, 10)

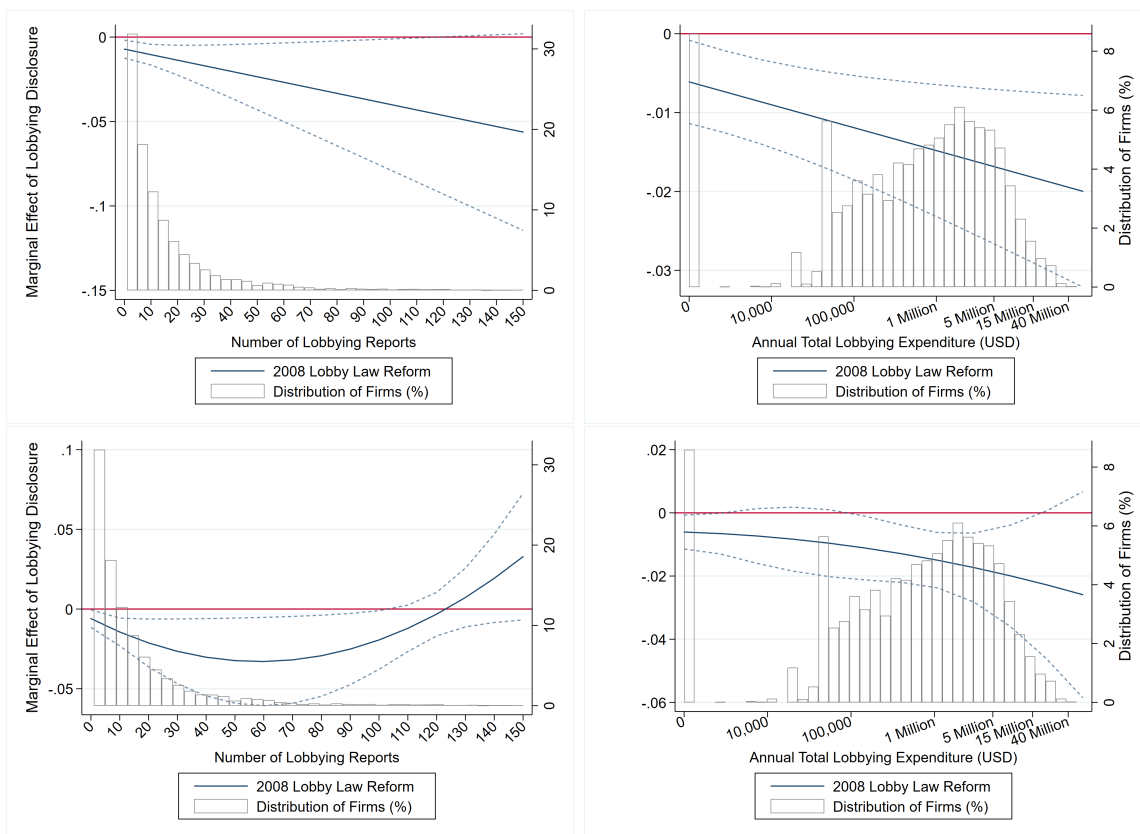
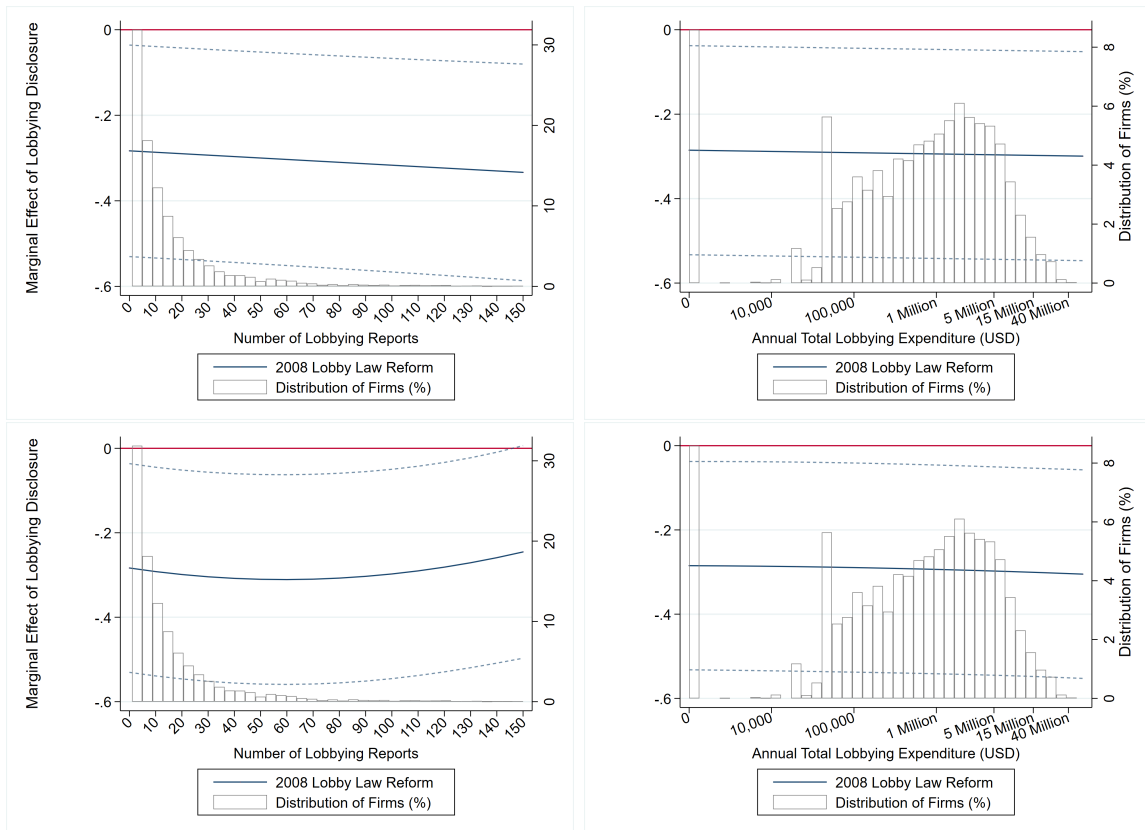


Table 5: Regression Analysis

	Model 3	Model 4	Model 5	Model 6
	Reports _{<i>i,t-1</i>}	Reports _{<i>i,t-1</i>}	Reports _{<i>i,t-1</i>} ²	Reports _{<i>i,t-1</i>} ²
Lobbying _{<i>i,t-1</i>}	0.000411** (0.000181)	0.000479 (0.000310)	0.001095*** (0.000381)	0.001073 (0.000663)
Lobbying _{<i>i,t-1</i>} ²			-0.000009*** (0.000003)	-0.000007* (0.000004)
HLOGA _{<i>t</i>}	-0.287735** (0.123278)	-0.283147** (0.126148)	-0.030688 (.)	-0.283394** (0.126100)
HLOGA × Lobbying	-0.000310** (0.000140)	-0.000336* (0.000200)	-0.000907*** (0.000343)	-0.000931* (0.000481)
HLOGA × Lobbying ²			0.000009*** (0.000003)	0.000008** (0.000004)
Constant	-7.372412** (3.047772)	-7.246223** (3.083412)	0.422954 (.)	-7.262571** (3.081901)
Observations	21459	21459	20233	21459
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes
Adjusted <i>R</i> ²	0.015	0.072	0.016	0.072
	Model 7	Model 8	Model 9	Model 10
	Expenditure _{<i>i,t-1</i>}	Expenditure _{<i>i,t-1</i>}	Expenditure _{<i>i,t-1</i>} ²	Expenditure _{<i>i,t-1</i>} ²
Lobbying _{<i>i,t-1</i>}	0.002089*** (0.000656)	0.001098 (0.000869)	0.000771 (0.002085)	-0.000350 (0.002530)
Lobbying _{<i>i,t-1</i>} ²			0.000176 (0.000283)	0.000226 (0.000380)
HLOGA _{<i>t</i>}	-0.282935** (0.123213)	-0.285308** (0.126327)	-0.027133 (3.42e+04)	-0.284852** (0.126161)
HLOGA × Lobbying	-0.001340*** (0.000512)	-0.001279** (0.000553)	0.001643 (0.002485)	-0.000373 (0.002668)
HLOGA × Lobbying ²			-0.000385 (0.000343)	-0.000132 (0.000360)
Constant	-7.330222** (3.046215)	-7.271233** (3.084398)	0.489844 (7.99e+05)	-7.264648** (3.082573)
Observations	21459	21459	20233	21459
Controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Firm FE	No	Yes	No	Yes
Adjusted <i>R</i> ²	0.016	0.073	0.016	0.073

Note: Robust standard errors are in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Figure 9: Marginal Effect of the Lobbying Disclosure
(Model 4, 6, 8, 10 with Year FE)



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