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# Foreign Lobbying: A Theoretical Analysis

**Steven Husted***

## INTRODUCTION

Recently, the theory of commercial policy has moved rapidly in the direction of incorporating into general equilibrium analysis several phenomena which have been characterized as directly-unproductive profit-seeking (DUP) activities (Bhagwati, 1982). These include lobbying to seek policy changes (e.g. tariff seeking) or to profit from existing policies (e.g. rent seeking for premia on quotas).[1]

Very little effort has been made in this vast literature to analyze the phenomenon of foreign lobbying (lobbying on behalf of foreign interests to change domestic policies).[2] On the other hand reports in the popular press suggest that such lobbying activity is by no means negligible in the United States.[3] Congress, for its part, seems concerned over the influence foreign lobbyists might have on U.S. policy.[4] Legislation is being considered that would sharply limit the ability of former government officials to lobby for foreign interests.[5] Doubtless foreign lobbying is not limited to the United States. It needs to be analyzed.

Section II provides a brief review of the DUP theoretic literature on lobbying. Section III then analyzes foreign lobbying, utilizing the general equilibrium theoretic framework that has become popular in the literature. Section IV discusses some underlying issues and presents some data on foreign rent seeking in the United States. Section V offers some concluding remarks.

### *Existing Analysis: A Review*

The introduction of domestic revenue (rent) or tariff (quota) seeking into international trade models has taken the following general form. The (domestic) economy is usually assumed to be small so that world prices are given. There are two factors of production (e.g. labor and capital) and three goods (two tradeables and one non-tradeable, lobbying services).[6] In the revenue/rent seeking models, protection is assumed to be in place and then factors are diverted into the production of lobbying services in pursuit of the revenues/rents generated by protection. In the tariff/quota seeking literature, it is assumed that lobbying is required in order to produce any given level of protection. Again resources are drawn from otherwise productive uses into DUP activities.

A number of theorems exist regarding the effects of DUP activities on an economy. For instance, Bhagwati and Srinivasan (1980) have shown that *full* revenue seeking in a small economy is necessarily welfare worsening compared with the tariff distorted equilibrium.[7] Consider, for instance, Figure 1. With AB as the production possibility frontier, PC ($=P_LC_L$) the given foreign price ratio, and $P_TC_T$ the tariff inclusive price ratio, free trade yields consumption at C and welfare at U. The imposition of a tariff shifts production to $P_T$ (from P), consumption to $C_T$ and welfare to $U_T$.

When competitive revenue seeking is introduced into the model, equilibrium production shifts to $P_L$ which lies on the generalized Rybczynski line, $P_TP_L$. Consumption then is at $C_L$ and welfare at $U_L$ on

*Department of Economics, University of Pittsburgh, Pittsburgh, PA 15260.

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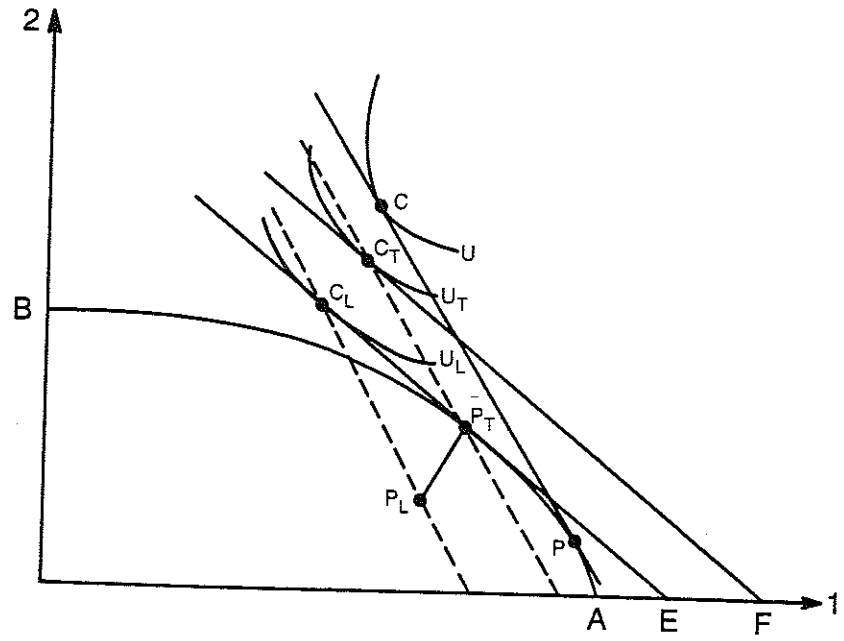



**Figure 1**

the budget line defined by the tariff-inclusive price line tangent to AB. Thus, revenue seeking, because it draws labor and capital into activities that produce output that does not enter the social utility function, imposes a secondary burden on society.

Paradoxically, Bhagwati and Srinivasan have also shown that some (less than full) revenue seeking, whereby at least some of the tariff revenues can be distributed to domestic residents, may be welfare improving (compared to the welfare level under the tariff). The necessary condition for this is that as resources are drawn from other industries into lobbying, the output of the protected (import competing) good *falls* and the production of the unprotected good rises. Since relative prices are held fixed in this model, this necessary condition depends upon the factor intensities in the production of lobbying services relative to the production of tradeables. Graphically, a necessary condition for welfare improvement is that the Rybczynski line be less negatively sloped than the world price line.[8] In terms of the Heckscher-Ohlin model, this condition obtains only if lobbying services production is *more* intensive in the scarce factor than is the import competing sector.

Subsequently, Bhagwati, Brecher, and Hatta (1985) have considered international transfers combined with induced transfer-seeking DUP activity. In that paper, the authors show, among other results, that transfer seeking DUP activity in the recipient country may, if the country is large, lead to a fall (rise) in welfare relative to the free trade level of welfare for the recipient (donor) country although welfare is generally lower than it would have been in the absence of the transfer-seeking. As it happens, their transfer-seeking model has a direct applicability to an analysis of foreign lobbying, though there are also dissimilarities. That is, when foreigners purchase lobbying services in the home country, the resulting payment by foreigners for domestically produced lobbying services has many of the same analytical attributes of a transfer in the case of the foreign country. In particular, a payment is made by the foreign country to the domestic for which there is no quid pro quo in terms of goods valued in the social welfare function. For the domestic (recipient) country, however, there is no analogy to a transfer since the provision of lobbying services merely represents an expansion of exports into a second category of goods. In fact, there are several other points of similarity and difference between foreign lobbying and transfers-cum-DUP activity. The next section will elaborate on these issues.



## FOREIGN LOBBYING

### *Endogenous Commercial Policy: Fixed World Prices*

This section offers several propositions regarding the impact of foreign lobbying. Unless noted otherwise, the following strong assumptions are made. Consider a world of two countries, H (home) and F (foreign). In both countries two tradeable (manufactured) goods, 1 and 2, are produced by means of two mobile factors of production, K (capital) and L (labor). A third good, 3 (lobbying services), is produced in H[9]. Good 3 can be purchased in H by residents of either H or F. Hence, 3 can be thought of as a tradeable service. Suppose further that initially no lobbying services are being produced in H and that H exports good 1 to F in exchange for good 2, which is treated throughout as the numeraire good.

Why would foreigners purchase lobbying services? It would seem that the answer would be for precisely the same motives ascribed to domestic agents who employ lobbyists. That is, foreigners must either be seeking rents (or revenues) made possible by government policies in H or they may be hoping to avoid adverse (or equivalently to achieve favorable) terms-of-trade effects threatened against (or offered to) them by the government of H[10].

Figure 2 illustrates a situation that could induce F to lobby in H. Suppose that F's production possibility frontier is given by DC and that it initially faces free trade prices given by P′C′. Suppose further that H has under consideration a tariff that would, if implemented, affect the world price, raising it to P″C″ and lowering welfare in F to U″. The loss in welfare in F due to H's threatened policy at free trade prices in terms of 1 is J′K′. This amount represents the maximum amount that F should be willing to spend on lobbying services in H, provided that lobbying effort could guarantee the free trade status quo.

In general, it must be the case that foreigners assume that their lobbying efforts will have some positive probability of affecting H's commercial policy decisions. This could be true if H's commercial policy was set to achieve non-economic (e.g. political) objectives.[11] If one views lobbying as one manifestation of rent seeking behavior—including such activities as advertising or bribery of government officials—then it must be true that the rents available to F in H be nontrivial. That is, changes in policies, or preferences in H must have the potential to affect welfare in F.

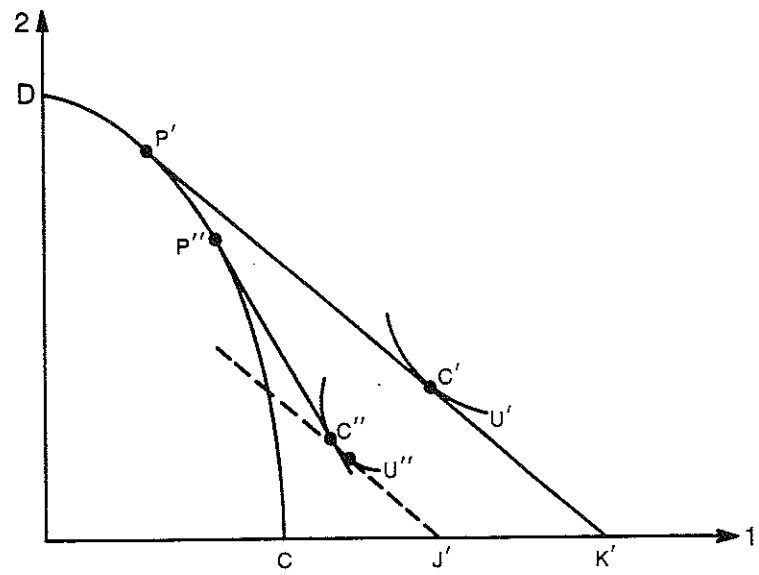



**Figure 2**

Let us focus graphically on the effects in both H and F when there is foreign lobbying in H. For simplicity, several additional assumptions are made, which, it turns out, are symmetric to those usually made in analyzing the effects of domestic lobbying. Suppose (1) there is no domestic lobbying in H—only foreign; (2) the world relative price of good 1 (in terms of good 2) is fixed before and after lobbying[12]; (3) free trade prevails before and after (and perhaps on account of) F's lobbying efforts; (4) the amount of lobbying undertaken by F is exogenously determined and fixed[13]; and (5) there are no net financial flows between F and H before and after lobbying.

Consider Figure 3. Part (a) shows the effects on F if it were to import lobbying services from H. Under free trade and no lobbying, production occurs at P′, consumption at C′ and foreign welfare is given by U′. After F undertakes lobbying in H, the value of national output which can be used to support consumption expenditure shrinks by the amount of lobbying expenditure, here assumed to be L′K′. Thus, while production remains fixed, since relative prices have not changed, welfare in F falls.

In H, the effects of F's actions are somewhat different. As lobbying activity is undertaken, resources

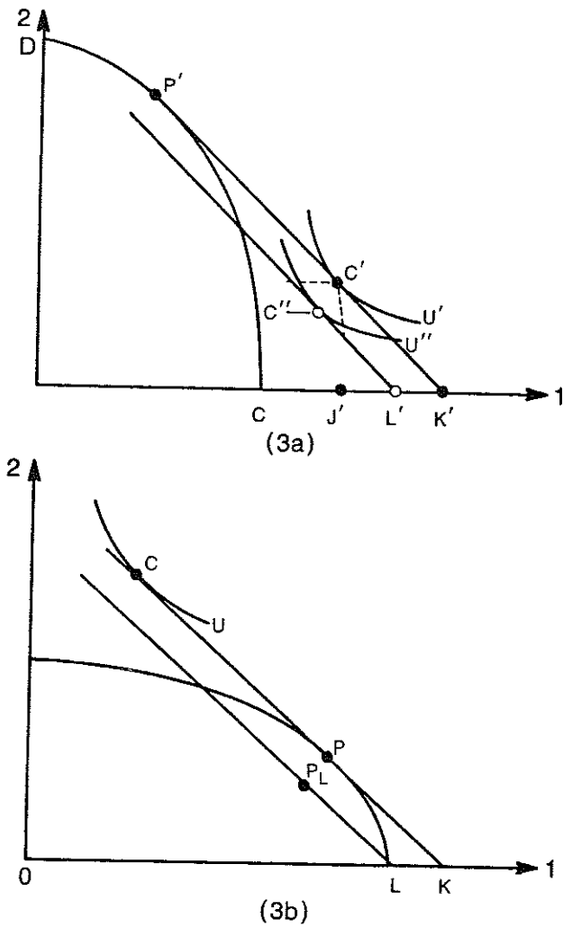



**Figure 3**



are drawn from tradeable goods manufacturing into lobbying. This causes production of manufactures to move along the generalized Rybczynski patch from point P to $P_L$. Consumption remains at C. The reason is that the value of H's output (measured in terms of good 1) is OL of manufactures plus LK (=L′K′) of lobbying services (exports). Thus the result obtains that even though lobbying services are being produced in H, welfare is unchanged from free trade levels. The essence of this discussion is found in the following proposition.

> Proposition 1: At constant world prices, the diversion of resources into the production of lobbying activities *no matter how large* has no welfare implications for the country where the services are produced, so long as all of the lobbying services are exported.[14]

In other words, when prices are held constant, it is not the diversion of resources into DUP activities that generates welfare changes *per se*. Welfare changes are determined by who must sacrifice consumption in order to purchase these services. This result stands in contrast to many of the standard theorems about the welfare results of domestic lobbying, including those established by Bhagwati, Brecher, and Hatta. In particular, with domestic lobbying (or rent seeking), at constant prices, there is always a reduction in (domestic) consumption possibilities relative to the no-lobbying equilibrium. And, thus, many of the paradoxical results of the domestic lobbying literature depend upon degree to which resources are drawn from other sectors into the provision of lobbying services.

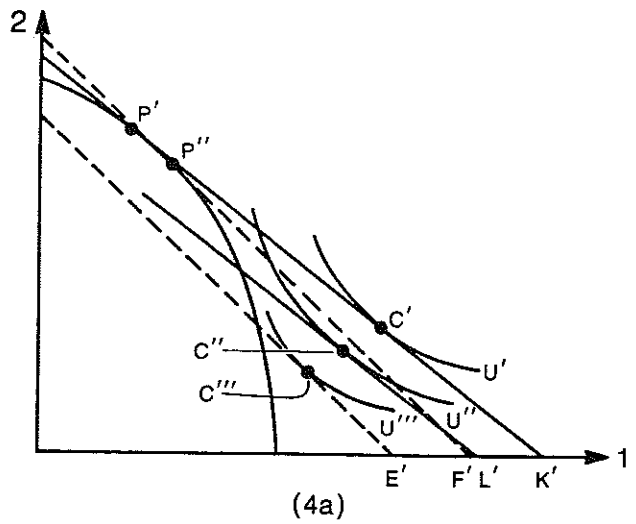
### *Endogenous Commercial Policy: Terms of Trade Effects*

Suppose now that we relax the assumption that F is small in the product markets for goods 1 and 2. Then, it may well be the case that the free trade-cum-foreign lobbying equilibrium will produce a different relative price between the two manufactured goods. In particular, we have seen that when F lobbies in H, this affects consumption in F and production in H. If production and consumption changes are not equal, there will be pressure on prices to adjust.

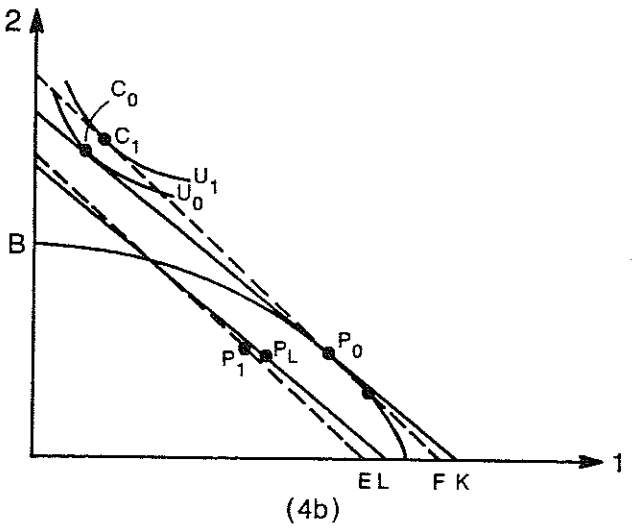
Consider the market for good 1. Both production and consumption can either rise or fall after F lobbies in H. Consumption will fall so long as 1 is not an inferior good (i.e. so long as F's income expansion path ($IEP_F$) is upward sloping). The change in production depends upon the slope of the generalized Rybczynski path ($GRP_H$), which, in turn, depends upon the factor intensity of production of lobbying services relative to the factor intensities in the production of the other goods. Suppose that both the $IEP_F$ and the $GRP_H$ are upward sloping. Then (at constant prices) both production and consumption of good 1 will fall with foreign lobbying. The relative price of good 1 will rise or fall as the slope of the $IEP_F$ is greater or less than the slope of the $GRP_H$.

Figure 4 illustrates the case in which, at constant prices, the purchase of lobbying services produces an excess demand for good 1 in world markets and, hence, the relative price of 1 rises. Consider part (a) of the diagram. This depicts the situation in country F. The free trade (pre-lobbying) relative price is given by the slope of the line passing through the production point, P′, and the consumption point, C′. Now, let there be an exogenously determined purchase of lobbying services produced in H of L′K′ measured in units of good 1. From the previous analysis, it is clear that at constant prices consumption would move to point C″, while production would remain at P′. In this case, however, it has been assumed (based on knowledge of the Rybczynski path in H) that the relative price of 1 must rise. The price change is illustrated in the diagram by the dashed lines. Because of the higher relative price of good 1, F's importable, F experiences a secondary welfare loss, as consumption moves to C‴ (with welfare falling from U″ to U‴). In addition to the welfare loss, in this situation F's production mix is also altered as its production point moves from P′ to P″, because of the higher relative price of 1.

Part (b) of the diagram illustrates the situation for H. There, at constant prices, when F purchases lobbying services in the amount LK (equal to L′K′), production moves to some point such as $P_L$. (Note that the slope of line connecting $P_0$ to $P_L$ is lower than F's income expansion path between points C″ and C′. As noted above this is the necessary situation for the relative price of 1 to rise subsequent to the purchase of the lobbying services.) The higher relative price of 1 is illustrated by the dashed lines in the




(4a)




(4b)

**Figure 4**

diagram. Consumption in H moves from $C_0$ to $C_1$, and, accordingly, welfare rises in H above the welfare level associated with free trade. The possibility that welfare could rise in H *above free trade levels,* even though factors of production are drawn into the production of lobbying services, is a strong and interesting result. It is, of course, a byproduct of the fact that foreigners are assumed to finance (in real terms) the transfer of these resources.

There is nothing to guarantee that H will benefit (relative to free trade) from F's purchases of lobbying services. For instance, suppose that after the purchase the relative price of good 1 falls. (This situation is not illustrated.) In this instance, H would be worse off relative to free trade while F would be better off relative to the case where lobbying occurs at constant prices. In general, then the following proposition holds.



Proposition 2: Lobbying by F in H may raise, lower, or leave unchanged H's welfare relative to free trade levels as the relative price of H's exportable rises, falls, or remains unchanged.

A necessary condition for H's welfare to rise is that at initial prices the reduction of production of H's exportable is greater than the reduction in consumption of this good in F. Is there anything in the model that would allow one to place any more structure on what is likely to happen to prices? In general, the answer is no. In most cases, it depends upon preferences in F and technology in H. If, for instance, good 1 is normal in consumption (in F) and if the capital intensity of production of good 3 lies between that of goods 1 and 2, anything can happen.

More interesting results obtain if (coupled with normality in consumption) the factor intensity of lobbying production were to lie outside of the range of factor intensities in the production of goods 1 and 2. In particular, suppose that lobbying is the most capital intensive industry in the economy followed by good 2 and then by good 1. In this case, as resources are drawn (at initial world prices) into the production of lobbying services, the output of good 1 (2) will rise (fall) relative to free trade levels. In this case, higher production of 1 in H coupled with lower consumption of 1 in F should produce a lower relative price of good 1. Alternatively, if the capital intensity of lobbying production is lower than that of good 1, then (assuming normality) lobbying by F in H will lead to a higher relative price of 1—because the production of 2 rises in H while consumption of 2 in F falls.

It has been shown that changes in relative prices determine the direction of welfare effects in H and alter the post lobbying welfare in F. The question remains, can F enrich itself relative to the free trade through lobbying in H? Provided that F lobbies successfully, the answer is yes. One of two conditions must hold. The first of these conditions is that F's exportable, good 2, be inferior in consumption (for F) in the vicinity of free trade equilibrium. Then, at constant prices, as F lobbies the demand for good 2 begins to rise in world markets. The second condition is that as the output of 3 rises in H so too does the output of 1. That is, H's Rybczynski path has a negative slope. In this situation, the world production of 2 must surely fall. Given the initial assumptions about factor intensities, this sort of output effect would occur when the production of lobbying is more intensive in the home country's scarce factor than the production of any other good in the economy.

While it is necessary that at least one of these two conditions holds for F to benefit from foreign lobbying, the presence of either one of these conditions is not sufficient to guarantee the result. Even if both conditions hold, the result still may not obtain. The combination of rising (falling) demand for good 2 (1) and falling (rising) production of good 2 (1) at initial world prices generates a terms of trade change that is obviously favorable for F. If the terms of trade change is sufficiently large, then in principle, it could offset the initial inward shift in the consumption possibility frontier. Hence, F's welfare rises relative to the pre-lobbying free trade equilibrium. This result is summarized below.

Proposition 3: Necessary conditions for F's welfare to rise (relative to free trade) subsequent to the purchase of lobbying services in H are (1) F's exportable be inferior in consumption for F or (2) that the production of lobbying be more intensive in H's scarce factor of production than H's import competing good.

Thus, there is an interesting paradox. Precisely the same condition that is necessary for domestic revenue seeking to be welfare improving for H with *domestic* lobbying in H, a negatively sloped Rybczynski path, is a condition which could lead to a higher level of welfare for F with *foreign* lobbying in H.

## SOME BRIEF EMPIRICAL EVIDENCE

To motivate reader interest, Congressional concern over the potential influence of foreign lobbying on U.S. policy outcomes was noted in the introduction to this paper. Are Congress's fears justified? There are two issues to consider. One has to do with the *implementation of policy* and whether or not U.S. interests have been damaged because of manipulations by interests in the employ of foreign governments or principals. There is no substantive evidence that foreign lobbyists have had any impact

on policy.[15] Even if they have, it is not altogether clear that this has been harmful to the United States. Suppose, for instance, that foreign lobbyists have managed to convince U.S. policy makers that a change in U.S. commercial policy would be met with retaliation. Then, it is quite possible that the U.S. is better off (relative to the welfare level it would experience under the retaliation outcome) because the lobbying has taken place and the proposed policy change rejected.

The second consideration, which has been the focus of this paper, is whether or not the diversion of domestic resources into rent seeking activities has had real income effects. From a theoretical point of view, it becomes important to know relative factor intensities of production in various sectors of the economy. Lobbying is likely to be human capital intensive. If, as is also likely, U.S. merchandise exports are skilled-labor-intensive relative to U.S. imports, it is doubtful that the transfer of more resources into lobbying activities because of increases in foreign lobbying could ever, in and of itself, be harmful to the United States. In fact, from this standpoint, it would seem clear that a greater source of concern for Congress should be the diversion of resources into rent seeking activities that is financed domestically.

Another issue has to do with the amount of resources diverted into rent seeking activities. What is the evidence on the size of these expenditures? The Foreign Agents Registration Act of 1938 requires that persons engaging in political activities for or on behalf of foreign governments, foreign political parties, or other foreign principals identify themselves and their activities to the Justice Department on an annual basis. Each year since 1950, the Department of Justice has released a report on these activities. Included in this report are the American registrant, the identity and nationality of the foreign principal, the nature of the activities, the amount of money received, and the political propaganda distributed, if any.

Despite the availability of this data, very little has been done with it. Even the report itself provides no summary information or comparisons with previous years. Elsewhere, a descriptive analysis of the data from the 1984 report has been presented.[16] This paper closes by presenting some of the highlights of that analysis.[17]

Table 1 presents some summary statistics on the general nature of foreign rent seeking expenditures in the United States for the year 1984. It breaks down expenditures by category and by type of foreign principal. The development of this table required considerable judgment. There is only a very limited information in the report on the type of activities actually carried out. Thus, these expenditure categories are an artificial construction. They include: *information* (i.e. distribution of information of a general nature on the life styles in or the political system of the foreign principal); *export promotion* (e.g. advertising); *investment promotion* (e.g. advertising aimed at attracting U.S. capital to the foreign country); *policy advice* (reports by the registrant to the foreign principal on U.S. government policies); *representation* (i.e. legal representation before judicial and quasi-judicial proceedings); *policy formation* (i.e. direct lobbying to affect U.S. government policy); and *other.* Clearly, these categories are quite vague and the actual activities of U.S. registrants often have overlapped.[18]

In 1984, foreign rent seekers from 124 countries entered into 981 different contracts with U.S. firms

**TABLE 1**
Foreign Rent Seeking Expenditures in the U.S. by Group and Expenditure Category (in $000's)

| Lobbiers | Information (1) | Export Promotion (2) | Investment Promotion (3) | Policy Advice (4) | Representation (5) | Policy Formulation (6) | Other (7) | Total (8) |
|---|---|---|---|---|---|---|---|---|
| Government | 10,088.3 | 143,367.9 | 20,219.0 | 8,745.5 | 4,598.8 | 6,451.6 | 12,090.3 | 205,561.4 |
| Trade Associations | 12,692.3 | 97,399.3 | 2,550.2 | 11,810.2 | 1,117.7 | 7,932.4 | 1,313.8 | 134,815.9 |
| Foreign Firms | 1,506.4 | 39,165.3 | 667.0 | 7,561.5 | 4,250.9 | 5,640.3 | 6,054.8 | 64,856.2 |
| Others | 8.6 | 0 | 0 | 0 | 0 | 8.6 | 183.1 | 200.3 |
| | 24,295.6 | 279,932.5 | 23,446.2 | 28,117.2 | 9,967.4 | 20,032.9 | 19,642.0 | 405,433.8 |



spending a total of $405 million for various services. Only about 15% of total foreign expenditures (roughly $58 million) was directly or indirectly related to U.S. government policy (columns 4–6). It is interesting to note that although foreign trade associations spent $70 million less than governments overall, they spent absolutely more on these three categories. Similarly, foreign firms, who spent only about one third as much as governments in total, spent only about $2 million less on U.S. policy related activities. The fact that foreign governments allocate relatively less to expenditures on these services reflects, at least in part, the existence of national embassies wherein much of these same services are performed by embassy staff. Unfortunately, there appears to be no information as to the amount of activity undertaken by embassies, although, at times it appears to be considerable.[19] Thus, these figures understate the total amount of lobbying activity on behalf of foreigners.

Over 50% of total expenditures went to promoting exports. These expenditures, of course, represent standard commercial practice rather than the kinds of activities one would associate with lobbying. Yet, the distinction may not be all that great. Export promotion can be thought of as an attempt to shift the U.S. offer curve outward in the direction of the export promoting country. One purpose of foreign lobbying could be to convince U.S. policy makers not to shift the U.S. offer curve inward vis a vis the foreign lobbying country. Thus, either type of activity can be thought of as an attempt to influence the terms of trade in favor of the foreign country in a manner analyzed in the previous sections.

Expenditures by foreigners on rent seeking activities are small relative to a number of comparison flows. For instance, they represent slightly less than 1% of the U.S. service exports (excluding receipts of income on foreign investments) for that year. They are much smaller than the amount of *potential* tariff revenue seeking. U.S. customs revenue in 1984 was $11.3 billion, 28 times the amount of all forms of foreign rent seeking expenditures.

The fact that the resources devoted to rent seeking are small relative to potential rents is not an uncommon finding. John Jackson (1984) has calculated that the private and public cost of the U.S. import regulation system—including the entire funding of the International Trade Commission and the Office of the U.S. Trade Representative and the identifiable attorney and consultant fees—totalled only about $250 million in 1983, less than 1/10th of 1% of the total value of U.S. imports that year.

## CONCLUSIONS

This paper has sought to show theoretically and empirically the effects of foreign lobbying (or rent seeking in general) on the domestic economy. It has been established that unlike domestic lobbying, foreign lobbying need not be DUP, at least in the country where the lobbying services are produced. Foreign financed rent seeking does not lead to an inward shift in the consumption possibilities frontier in the country in which the rent seeking activities occur. Under plausible conditions, foreign lobbying may even raise domestic welfare.

A number of interesting extensions remain unexplored. For instance, one could relax the assumption that domestic agents do not lobby. Then, in a model of endogenous protection, the resulting equilibrium would be a function of the lobbying efforts of both countries. Clearly, many of the welfare propositions derived above would change.[20]

An interesting issue has to do with the face that foreign lobbiers may be natural allies of one or more domestic groups. In particular, in a specific factors model, foreign lobbiers would want to ally with the specific factor in the home export industry. In a world where governments spend rather than distribute tariff revenues, domestic consumers would have interests similar to those of foreign lobbiers. The existence of foreign friends would seem to have important implications for the resulting protectionist policies. It would also explain, in part, the apparent lack of participation by domestic consumer groups in the policy process since these latter groups might be free riding.

It has been shown empirically that at least for the United States, the volume of foreign rent seeking is small (although the number of countries involved is large), especially when compared to the other traded service flows. Further, most of these expenditures are aimed at export promotion rather than

U.S. commercial policy—and thus, in a strict sense, do not constitute lobbying activity. Finally, the amounts spent seem to generate large returns.

## NOTES

1. Throughout this paper, the terms rent seeking and lobbying will be used interchangeably, although it is well understood that rent seeking includes a much broader set of activities, including those aimed at achieving quite specific and narrow ends.
2. Exceptions are Das (1986) who includes foreign lobbying in a tariff formation model and Hillman and Ursprung (1988) who model the roles of domestic and foreign lobbyists in the choice between tariffs and quotas.
3. See, for instance, "'Foreign Agents' Beware" *Far Eastern Economic Review,* June 5, 1986 or Eduardo Lachica "Japanese Are Lobbying Hard in U.S. of Offset Big Protectionist Push," *The Wall Street Journal,* August 23, 1985.
4. See, for instance, "Did Japanese Lobbyists Scuttle Top Appointment?" by Martin Tolchin, *The New York Times,* March 4, 1988.
5. These activities are already restructed as is foreign lobbying in general. See for more detail, Philip Shenon "Bill Will Be Sought Limiting Lobbying by Ex-U.S. Officials," *The New York Times,* April 10, 1986.
6. The structure of a three good-two factor model was first explored by Komiya (1967); important extensions have been provided by Melvin (1968); it was introduced into the analysis of revenue seeking by Bhagwati and Srinivasan (1980). In the latter context this model has both advantages and disadvantages. On the positive side, the model captures well the welfare effects of the rent seeking induced resource pulls on the economy in question. On the negative side, it is not a model of endogenous policy, so that the policy outcome of lobbying effort must be assumed.
7. Full revenue seeking is defined as the case where the value of lobbying services produced exactly equals the value of revenue sought.
8. See Anam (1982) and Bhagwati and Srinivasan (1982) on contrasts between lobbying for rent and for revenues (i.e. whether lobbying is triggered by price or quantity constraints).
9. We assume for simplicity that no lobbying services are produced in F. This does not seem too unreasonable. Consider, for instance, "Lobbying in Japan So Daunts U.S. Firms that Few Even Try" by E. Browning, *The Wall Street Journal,* Tuesday, April 1, 1986.
10. An example of the first case would be a situation where faced with a given level of protection in H, F lobbies to obtain the rents generated by H's actions, perhaps by offering to negotiate a VER. Section 301 of current U.S. trade law provides a useful example of the second case. Under Section 301, the U.S. government is authorized to threaten and then, if negotiations fail, to impose retaliatory trade measures against alleged unreasonable trade practices of foreign trading partners. Foreign lobbyists often devote considerable effort to persuade the U.S. government not to initiate a Section 301 investigation. If a Section 301 investigation begins, foreign lobbyists then try to convince U.S. government officials that the practices in question are not unreasonable and that retaliation is not justified.
11. An example of such a situation is again provided by certain elements of U.S. trade law. U.S. GSP and Caribbean Basin Initiative trade concessions are contingent on evidence of foreign cooperation in the enforcement of U.S. drug laws. The granting of U.S. MFN status to non-GATT (e.g. Eastern bloc) countries is contingent upon eivdence that these countries pursue workers' rights policies. Evaluation of whether or not these contingencies have been met clearly relies on subjective elements. One role played by foreign lobbyists in such instances is to present evidence to U.S. policy makers that in fact these measures have been undertaken in accordance with U.S. law.
12. This is equivalent to assuming that H is large in world markets and F is small.
13. This amount may be determined through knowledge of H's commercial policy formation function.
14. Proofs of Proposition 1 and the remaining propositions in the paper are contained in a mathematical appendix, available from the author on request.
15. For more discussion on this point, see I.M. Destler and John S. Odell, *Anti-Protection: Changing Forces in United States Trade Politics,* Institute for International Economics, 1987, especially pp. 57–58.
16. See Husted (1986). There is considerable delay in releasing the government reports. The 1987 report became available in January 1990.
17. The author readily acknowledges the tentative nature of the relationship between the data in the Attorney General's report and the resource transfers discussed in the previous section. My aim in the discussion that follows is to offer some suggestive evidence on the order of magnitude of recent foreign lobbying activity in the United States as well as certain other forms for foreign rent seeking.
18. In such cases, the payment (unless otherwise indicated in the report) was divided by the number of separate activities that could be identified from the registrants' statements.
19. See, for instance, "Foreign Diplomats Adopt Lobbying U.S.-Style to Dilute Trade Bill Provisions on Capitol Hill," by Walter Mossberg, *The Wall Street Journal,* July 8, 1987.
20. The paper by Das makes some attempts along these lines.



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