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LATIN AMERICAN AND CARIBBEAN LOBBYING FOR INTERNATIONAL
TRADE IN WASHINGTON, D.C. *

* Prepared by the ECLAC Washington Office.

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I. Introduction

Lobbying by foreign countries in Washington, D.C., experienced a surge in growth beginning in the late 1970s. Some of the reasons cited for this surge are tighter interdependence in the world economy, the relative importance of the United States market, the inherent complexities of doing business in the U.S., and changes in U.S. trade legislation. Many countries, rich and poor alike, hire lobbyists to represent them and pursue their interests in the United States, to the point that lobbying by foreign countries has become one of Washington's major growth industries.¹

The number of foreign agents--lobbyists acting on behalf of foreign clients--has increased steadily. In 1944, there were 144 registered lobbyists acting on behalf of foreign clients. In 1976 their number had grown to 590, and by 1989 there were more than 1,000. These foreign agents perform numerous and diverse activities. They obtain and disseminate information, promote trade and investment, provide policy advice, give legal counsel and represent clients, undertake litigation, influence policy formulation, and mold U.S. public opinion.

Critics point out that lobbying efforts can often cancel each other out. At best, foreign lobbying, they say, has only a marginal influence on policy making; at worst, efforts backfire because of negative publicity. On the other hand, advocates assert that effective lobbying is a legitimate and productive way of participating in the U.S. political system and has furthered the commercial interests of some countries.

This paper analyzes lobbying for international trade in Washington with special emphasis on the potential for activity by Latin American and Caribbean (LAC) countries. The purpose of this paper is fourfold: first, it provides an economic explanation for the existence of foreign lobbying; second, it describes the extent and nature of the activities of foreign agents representing Latin American and Caribbean interests; third, it places lobbying within the context of the U.S. political decision-making process; and, last, it offers suggestions on how to advance commercial interests in Washington.

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1. Only 365 lobbyists were registered with Congress in 1961, and 23,011 were registered with the secretary of the Senate in mid-1987 (43 lobbyists for each member of the House and Senate); the District of Columbia Bar Association listed 12,564 members in 1961, and 46,000 in 1987; 1,522 journalists were accredited to Congressional press galleries in 1961, and 5,250 in 1987; the 1980 census showed 12,612 journalists citywide. Hedrick Smith, *The Power Game*, (New York: Ballantine Books), 1988, p. 29.

II. The Economics of Lobbying

In the economic literature, lobbying is part of the larger study of how economic agents (consumers or firms) seek to make a profit by engaging in activities which are directly unproductive in the sense that they yield pecuniary returns but do not produce goods or services that enter a utility function.² For example, firms divert otherwise productive economic resources to contact government officials or to generate grass-roots campaigns to erect or maintain trade barriers. Resources are used to impose quotas or to gain tariff protection against foreign production, rather than for the production of goods or services.

The literature considers the social costs of these unproductive activities and whether their costs exactly offset the extra competitive profits generated by them.³ In a perfectly competitive economy free of market distortions, any unproductive activity such as lobbying is necessarily welfare worsening. Resources diverted to lobbying in order to obtain, for example, tariff protection represent a social loss. Such expenditures create no value from a social point of view, and their opportunity cost constitutes lost production to society. This is true even if offsetting lobbying efforts by two or more agents avert the imposition of a distortion into the economy by cancelling each other (for example, efforts by a tariff-seeking group cancelled by a tariff-averting lobby). These activities reduce the amount of domestic resources dedicated to productive activities.⁴

Of course, the real world is not free of economic distortions, and when such distortions exist any result is possible. In a distorted setting, rent-seeking activities may improve welfare. When lobbying activities are carried out amid tariffs, quotas, and other distortions, their impact on social welfare cannot be determined a priori. For instance, even if lobbying is undertaken to remove a tariff and return the economy to an optimal, undistorted situation, society as a whole may or may not benefit from this unproductive activity. Society will benefit only if the social gains from free trade have a larger social value than the resources used in the unproductive lobbying activities.

Although the literature has focused on lobbying undertaken by and for domestic residents, foreign lobbying--understood as the purchase by foreigners of domestically produced

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2. Jagdish Bhagwati, "Directly Unproductive, Profit-seeking (DUP) Activities", *Journal of Political Economy*, 90(5), 1982, pp. 988-1002.
 3. For a comprehensive review of the literature on rent seeking activities, see for instance, R. D. Tollison, "Rent Seeking: A Survey", *Kyklos*, 35(4), 1982, pp. 575-602; Dennis C. Mueller, *Public Choice II*, Cambridge University Press, 1989; Jagdish Bhagwati et al., "The Generalized Theory of Transfers and Welfare: Exogenous (Policy-Imposed) and Endogenous (Transfer-Induced) Distortions", *Quarterly Journal of Economics*, 100, 1985, pp. 697-714; and, Bhagwati, op. cit.
 4. Bhagwati, op. cit.

lobbying services--has been recently incorporated into standard international trade models.⁵ Foreigners purchase these lobbying services to obtain beneficial domestic government policies, reduce existing domestic trade barriers, or change the tastes of domestic consumers in favor of their products. Preliminary results from this research suggest that, unlike domestic lobbying, foreign lobbying may not be directly unproductive, since these domestically produced lobbying services can be exchanged in international markets for welfare-improving goods and services.

In general, the preferred outcome for the potential lobbying country is free trade and no lobbying. Foreigners will lobby if their welfare is likely to be affected by policies or preferences in the domestic country and, in turn, if they assume that their lobbying efforts have some likelihood of improving their trade position. For example, if lobbying efforts can affect domestic policies and produce free trade, this is better than facing a tariff. Foreigners have no incentive to lobby if the home country cannot affect their welfare. On the other hand, the model suggests that, in a relatively important market, countries will spend more on lobbying the more adverse they perceive the alternative policies they face.

III. The Nature and Magnitude of Foreign Lobbying

This section includes descriptive statistics on foreign lobbying in the U.S., in particular that of Latin American and Caribbean countries. The purpose is to describe the nature and magnitude of foreign lobbying on the basis of empirical evidence.

The Foreign Agents Registration Act

The following data cover activities of foreign agents, that is, persons lobbying on behalf of foreign interests, as presented in the *Report of the Attorney General to the Congress of the United States on the Administration of the Foreign Agents Registration Act*, an annual compilation of registered foreign agents' activities required by the Foreign Agents Registration Act (FARA) of 1938 as amended in 1966.

Under the current act, all persons must be registered as foreign agents with the Department of Justice if they act as agents, representatives, employees or servants and engage directly or through any other person in any of the following activities:⁶

- *Political activity* in the U.S. on behalf of the foreign principal

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5. Steven Husted, "Foreign Lobbying: A Theoretical Analysis", *Eastern Economic Journal*, (forthcoming) 1990.
 6. See U.S. Department of Justice, Criminal Division, *The Foreign Agents Registration Act of 1938 as Amended and The Rules and Regulations Prescribed by the Attorney General*. (Washington D.C.: Department of Justice, n.d.)

- ▶ *Public relations* counsel, publicity agent, information-service employee, or political consultant for the principal
- ▶ *Soliciting, collecting, disbursing or dispensing contributions, loans, money or other items of value* for the foreign principal
- ▶ *Representing the interests of the foreign principal* before any agency or official of the Government of the United States

Exemptions include diplomatic or consular officers engaged exclusively in diplomatic activities recognized by the Department of State; persons engaged in private and nonpolitical activities in furtherance of the bona fide trade or commerce of such foreign principal; those soliciting funds for medical aid and assistance, food and clothing to relieve human suffering, and those engaged in activities to further religious, academic or scientific pursuits. Finally, the exemption also covers any person qualified to practice law who is representing a disclosed foreign principal before any U.S. court or government agency, provided the legal representation does not include attempts to influence or persuade agency personnel or officials beyond the scope of the legal proceeding.

The law requires a person to register as a foreign agent within ten days of taking on a foreign client. The filing statement, to be supplemented every six months, includes the agent's name, a comprehensive statement of the agent's business, a complete list of the agent's employees, and names and addresses of every foreign principal the agent represents. Every 60 days, the foreign agent must file a statement indicating the type and amount of compensation received, how the money was disposed of, and the activities in which he or she engaged on behalf of the client. Civil enforcement mechanisms include a fine up to \$10,000 and/or imprisonment of up to 5 years for providing a false or incomplete registration. Other lesser penalties are imposed for violations such as failing to label properly propaganda information.

Officials have noted many weaknesses in the FARA; there are inadequacies in its enforcement tools which lead to underreporting of activities and spending. The Justice Department has estimated, for instance, that the number of unregistered foreign agents ranges from 30 percent to 60 percent of all those registered.⁷ In addition to these unreported foreign agents' activities, there are activities such as making contributions to research institutions that constitute exertion of influence on U.S. officials and the public, but these are exempt from registration. Despite this underestimation, the FARA figures are the only available public record and the best approximation of foreign countries' spending in the purchase of agents' services.

Activities

Contrary to the perception that foreign agents just obtain access to decision makers, the information reported shows that lobbyists engage in many types of promotional and policy-related activities such as information gathering, monitoring of issues, public relations, political

7. Deborah M. Levy, "Advice for Sale", *Foreign Policy*, 67, Summer 1987, pp. 64-86.

analysis and policy formulation. These activities may be classified using the following categories:⁸

- ▶ *Information*, that is, distribution of economic, political and social data
- ▶ *Export promotion*, direct advertising and promotional activities of products or services. Promotional activities include dissemination of press releases, newsletters and other material; sponsoring of exhibits and travel shows; and broadcast advertising and other marketing strategies.
- ▶ *Investment promotion*, activities to attract U.S. investment.
- ▶ *Policy advice*, information and analysis of U.S. government policies; for instance, information on U.S. import policies in a certain industry, and draft strategies to attain trade policy objectives.
- ▶ *Representation*, legal representation in government or civil proceedings, such as countervailing duty and antidumping cases.
- ▶ *Policy formulation*, direct lobbying to affect the formulation of U.S. policy. For instance, expressing viewpoints regarding the Generalized System of Preferences before government and business leaders.
- ▶ *Other* includes nontrade and noninvestment-related activities.

For the remainder of this paper, lobbying will be understood to include the activities described above undertaken with the purpose of advocating and/or advancing trade and investment interests. It is a broad categorization in the sense that it includes trade-related activities mentioned in the previous section and also encompasses other actions such as investment promotion.

Expenditures

In 1989, total expenditures by foreign agents in lobbying amounted to \$451.3 million. These figures, which include the outlays of 160 countries, constitute less than 1 percent of U.S. imports of goods and services in the same year. Retaining at least one foreign agent in the U.S. is a common practice of almost all countries, but the extent of lobbying involvement varies substantially by country.

Table 1 shows outlays by country of the largest spenders in the past three years. Colombia, Jamaica, and Japan rank highest in spending. Total outlays by Japan are

8. This classification is based on Husted's, op. cit.

**Table 1: COUNTRIES WITH THE LARGEST
LOBBYING EXPENDITURES IN THE U.S.
(\$'000)**

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Australia	18,253.9	19,866.6	19,320.2
Austria	8,059.1	5,615.1	6,687.6
Bahamas	11,505.0	7,734.2	4,923.6
Barbados	6,279.8	7,791.2	5,089.7
Bermuda	15,162.3	8,989.9	9,465.1
Canada	17,045.3	19,827.8	19,655.4
Cayman Islands	5,465.3	8,129.2	7,595.3
China	4,344.7	4,532.1	4,321.4
Colombia	33,957.8	43,976.8	39,097.0
Federal Republic of Germany	6,701.8	13,690.8	13,355.8
France	7,401.3	14,974.3	9,632.9
Great Britain	19 829.8	34,057.5	34,431.3
Hong Kong	7,193.6	7,538.6	8,973.5
India	7,920.3	7,245.2	8,060.5
Indonesia	6,034.2	5,562.8	6,447.0
Ireland	14,567.0	12,264.9	14,979.4
Israel	18,834.6	17,575.5	15,832.1
Italy	5,904.3	5,822.3	7,810.2
Jamaica	31,676.5	46,609.6	42,547.4
Japan	36,872.4	41,194.7	38,920.5
Liberia	5,455.4	160.3	162.8
Mexico	14,262.3	15,079.8	17,299.7
Neth. Antilles	5,825.8	10,227.7	7,012.1
Netherlands	3,763.4	3,648.8	7,885.3
Republic of Korea	8,642.1	12,644.1	11,570.0
Saudi Arabia	5,800.0	3,079.0	18,330.5
Singapore	3,302.6	5,004.3	3,740.3
Soviet Union	5,262.8	5,980.6	8,654.0
Switzerland	6,639.4	3,235.2	2,437.5
Taiwan	4,659.5	4,033.7	3,452.2

Source: ECLAC, based on data from the U.S. Department of Justice.

surprisingly small, when compared to figures published in other sources which include expenditures that are exempt from FARA, such as contributions to think tanks.⁹

Lobbying expenditures of Colombia and Jamaica correspond, for the most part, to the promotion of coffee and tourism, respectively. The major trading partners of the United States, such as Canada, Mexico, members of the European Community and other countries for which this market is relatively important appear among the largest purchasers of lobbying services. Overall, the table shows few surprises, with the exception of the absence of Egypt, Pakistan and the Philippines, countries that receive substantial U.S. economic aid.

Table 2 shows that Latin American and Caribbean lobbying expenditures averaged over \$150 million per year, about 35 percent of the yearly outlays reported by all countries under the FARA.¹⁰ The figures show a concentration of expenditures by subregion and in a few countries. More than half of the region's lobbying outlays correspond to the Caribbean and are mainly directed at efforts to attract U.S. tourism. A few countries--Jamaica, Bermuda and the Bahamas--are big spenders on tourism.

In South America, Colombia's average 26 percent share of total Latin American and Caribbean lobbying expenditures is greater than might be anticipated. These outlays correspond to promotion of coffee, in an attempt to increase market share in a relatively important market for this product. The next largest spenders, Argentina, Brazil, and Venezuela, each account for a similar share of the region's total expenditures (less than 2 percent), although for the latter two countries, trade with the U.S. is comparatively more important than for Argentina.

Mexico, the region's main supplier of merchandise exports to the U.S., is responsible for approximately 10 percent of the region's lobbying expenditures. For the most part, Mexico's lobbying activities are not directly related to merchandise sales but are concentrated in promoting tourism. Finally, for the rest of the Central and South American countries, the share of lobbying expenditures (with some exceptions) corresponds roughly to their share of LAC exports to the U.S. market.

There is concentration among a few countries which purchase lobbying services, and also concentration in the type of services demanded.¹¹ As indicated in Table 3, \$115.9 million

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9. It has been estimated that Japanese government agencies, firms, and foundations spent \$150 million in 1988 and \$350 million in 1989. See, for instance, John B. Judis, "The Japanese Megaphone", *The New Republic*, January 22, 1990.
 10. Countries that retained foreign agents but reported no expenditures in those years were not included in the tables.
 11. The analysis by type of expenditures (Tables 3 and 4) and types of spender groups (Tables 5 and 6) is done only for 1987, the last year for which published data are available. Several assumptions were made to assemble the data: first, if the foreign agent performed more than one activity, the total payments reported were divided by the number of activities; and second, the few entries that correspond to purchases or

Table 2: LATIN AMERICAN AND CARIBBEAN
LOBBYING EXPENDITURES IN THE U.S.
(\$'000)

	---1987---		---1988---		---1989---	
	Amt	Pct	Amt	Pct	Amt	Pct
LAC	137,171.3	100.0	168,655.6	100.0	151,182.7	100.0
South America	40,604.4	29.6	49,194.2	29.1	45,054.5	29.8
Argentina	1,383.8	1.0	312.3	0.2	424.3	0.3
Bolivia	115.5	0.1	105.0	...	176.5	0.1
Brazil	2,189.9	1.6	2,198.9	1.3	2,639.1	1.7
Chile	183.9	0.1	367.0	0.2	142.8	0.1
Colombia	33,957.8	24.8	43,976.8	26.1	39,097.0	25.9
Ecuador	...	...	...	...	12.0	...
Peru	75.6	0.1	160.7	0.1	70.8	...
Venezuela	2,697.9	2.0	2,073.6	1.2	2,492.0	1.6
Mexico and						
Central America	16,200.4	11.8	18,842.76	11.1	19,582.3	13.0
Mexico	14,262.3	10.4	15,079.8	8.9	17,299.7	11.4
Costa Rica	329.0	0.2	687.6	0.4	509.5	0.3
El Salvador	35.1	...	106.9	...	129.8	0.1
Guatemala	99.7	...	406.7	0.2	179.1	0.1
Honduras	130.0	...	284.4	0.2	88.1	...
Nicaragua	836.8	0.6	1,204.3	0.7	732.5	0.5
Panama	507.5	0.4	1,072.5	0.6	643.6	0.4
Caribbean	80,366.5	58.6	100,618.8	59.6	86,545.9	57.2
Anguilla	10.0	...	134.9	...	114.0	0.1
Antigua and						
Barbuda	1,469.7	1.1	873.4	0.5	232.2	0.2
Bahamas	11,505.0	8.4	7,734.2	4.6	4,923.6	3.3
Barbados	6,279.8	4.6	7,791.2	4.6	5,089.7	3.4
Belize	6.4	...	8.3	...	...	...
Bermuda	15,162.3	11.1	8,989.9	5.3	9,465.1	6.3
British Virgin Islands	366.8	0.3	426.6	0.3	478.6	0.3
Cayman Islands	5,465.3	4.0	8,129.2	4.8	7,595.3	5.0
Dominican Republic	408.3	0.3	446.9	0.3	138.8	0.1
Grenada	290.0	0.2	211.7	0.1	...	...
Guadeloupe and						
Martinique	170.8	0.1	160.3	0.1	181.2	0.1
Guyana	83.0	...	10.3	...	...	...
Haiti	1,264.0	0.9	325.0	0.2	18.1	...
Jamaica	31,676.5	23.1	46,409.6	27.6	42,547.4	28.1
Montserrat	19.7	...	22.0	...	26.4	...
Netherlands Antilles	5,825.8	4.2	10,227.7	6.1	7,012.1	4.6
Sabo & St. Eustatius	...	...	36.0	...	40.6	...
St. Lucia	353.4	0.3	447.0	0.3	442.5	0.3
Suriname	...	...	293.5	0.2	321.5	0.2
Trinidad and Tobago	8.0	...	487.2	0.3	759.7	0.5
International ^c	1.7	...	7,253.4	4.3	6,890.7	4.6

Source: ECLAC, based on data from the U.S. Department of Justice

^a Expenditures below 0.1%.

^b No expenditures reported.

^c Includes expenditures from groups whose principals are located in more than one country.

sales of products were excluded since these outlays do not represent lobbying.

(85 percent) of Latin American and Caribbean lobbying expenditures were for export promotion, specifically for coffee and tourism. The amount of money spent on other lobbying categories is quite small. Less than 4 percent of all Latin American and Caribbean expenditures, for instance, were allocated to policy formulation (direct lobbying), that is, to influence U.S. policy.

Table 3: LAC LOBBYING BY EXPENDITURE CATEGORY
(percent)

Information	2.8
Export promotion	84.6
Investment promotion	1.0
Policy advice	4.3
Representation	3.4
Policy formulation	3.7
Other	0.4

Table 4 shows disaggregated country expenditures by type of lobbying activity. Colombian groups allocated substantial resources to broadcast and print advertising of coffee, while tourism boards and departments of tourism from Mexico and in particular from the Caribbean were active in the promotion of tourism through placing advertisements, participating in travel shows, sponsoring familiarization trips, and distributing literature.

During 1987, direct lobbying was relatively important for Bolivia and Guatemala. In the case of Bolivia, services rendered were related to pending foreign assistance legislation, while for Guatemala, lobbying was to oppose additional reductions in sugar quotas to enter the U.S. market. Policy advice services, on the other hand, were relatively significant in that year for several countries, Argentina, Brazil, Chile and Peru, among others. Issues of interest included advice regarding payment of international financial obligations, continued access to the U.S. market for orange juice and orange juice products, legislation that would impose economic sanctions, and shipping practices.

LAC governments were the source of more than half the purchases of lobbying services (\$93.5 million), as indicated in Table 5. Since many firms are government-owned and many trade and producer associations receive government support, the share accruing to governments may be underestimated. Latin American and Caribbean firms have a very small (1.6 percent) share of expenditures.

Table 6 shows type of purchasers by country. The large entry under trade and producer associations from Colombia represents, for the most part, the expenditures of a single buyer, the National Federation of Coffee Growers.

A general comparison of Latin American and Caribbean lobbying with that of major spenders (Japan, Israel, Canada, Great Britain and others) shows that the expenditures of the major spender group are more diversified. Although export promotion still is the largest

Table 4: LATIN AMERICAN AND CARIBBEAN LOBBYING
BY EXPENDITURE CATEGORIES, 1987
(\$'000)

	Information	Export promotion	Investment promotion	Policy advice	Representation	Policy formulation	Other
LAC	3,846.0	115,994.4	1,362.2	5,769.7	4,637.8	5,019.0	542 .0
South America	1,258.6	32,601.0	--	2,762.6	2,065.0	733.9	--
Argentina	1,258.6	--	--	1,091.9	164.9	--	--
Bolivia	--	--	--	--	--	115.5	--
Brazil	76.5	--	--	1,670.7	256.5	186.2	--
Chile	8.0	--	--	142.0	12.9	21.0	--
Colombia	250.0	32,553.7	--	9.9	915.3	228.9	--
Peru	--	--	--	50.0	25.6	--	--
Venezuela	797.1	47.3	--	981.4	689.8	182.3	--
Mexico and Central America	86.5	13,523.0	--	789.3	693.8	586.5	344.9
Mexico	31.9	13,364.9	--	207.3	81.2	374.1	202.8
Costa Rica	--	158.1	--	--	123.4	47.4	--
El Salvador	5.0	--	--	--	18.0	--	12.1
Guatemala	--	--	--	39.6	--	60.1	--
Honduras	--	--	--	--	--	--	130.0
Nicaragua	--	--	--	369.0	291.5	--	--
Panama	49.6	--	--	173.4	179.7	104.9	--
Caribbean	2,324.6	69,870.4	1,276.5	1,034.5	1,879.0	3,698.7	159.0
Anguilla	--	10.0	--	--	--	--	--
Antigua and Barbuda	--	1,378.6	--	91.1	--	--	--
Bahamas	--	10,926.9	21.4	337.7	--	88.5	130.5
Barbados	--	5,100.5	1,070.2	107.1	--	2.0	--
Belize	--	--	--	6.4	--	--	--
Bermuda	--	11,768.8	--	141.2	496.7	2,755.6	--
British Virgin Islands	2.6	364.2	--	--	--	--	--
Cayman Islands	--	5,182.0	--	--	130.5	152.7	--
Dominican Republic	--	389.0	--	--	--	--	19.3
Grenada	22.0	268.0	--	--	--	--	--
Guadeloupe and Martinique	--	170.8	--	--	--	--	--
Guyana	--	--	83.0	--	--	--	--
Haiti	--	70.2	--	--	1,188.8	--	5.0
Jamaica	2,300.0	29,260.1	--	7.1	63.0	42.1	4.2
Montserrat	--	19.7	--	--	--	--	--
Netherlands Antilles	--	4,744.4	--	343.9	--	613.8	--
St. Lucia	--	207.5	101.9	--	--	44.0	--
Trinidad and Tobago	--	8.0	--	--	--	--	--
International	--	1.7	--	--	--	--	--

Source: ECLAC, based on data from the U.S. Department of Justice.

spending category for those countries, its share is less than half of total outlays. Japan, for instance, allocated relatively similar shares to export promotion (38 percent of expenditures) and to policy-related activities (28 percent to policy advice and 11 percent to policy formulation). Furthermore, the data suggest that a relatively larger share of Japanese expenditures (compared to other countries) was allocated that year to policy formulation (direct lobbying). This might be evidence of the adverse commercial atmosphere faced by Japan. Israel spent a significant amount on distributing information, while Great Britain

Table 5: LAC LOBBYING BY SPENDER GROUP
(percent)

Government	68.2
Trade & producer associations	28.6
Firms	1.6
Other	1.6

allocated more than half of its expenditures to policy advice. Finally, a comparison of purchaser groups reveals that the governments of industrialized countries are still the main source of funding for lobbying, with firms and producer associations considerably more active than for Latin America and the Caribbean.

To summarize, the data reveal that a large number of countries purchase lobbying services in the U.S. Through advertising and other promotional techniques, countries seek to affect choices in the U.S. market through export promotion. The relative importance of the U.S. market is illustrated by the case of coffee exports and tourism.¹²

IV. The Politics of Lobbying

Lobbying as a means of open and institutionalized participation in the political process, through regular contact with Congress and Executive officials, is an alien concept in countries where power and decision-making structures are relatively centralized. Equivalent practices to influence domestic policy decisions in more centralized political systems are more often based on personal contacts and ties. Moreover, attempts by foreigners at influencing decision-making processes are commonly understood as interference in internal affairs.¹³

Lobbying is an instrument available to foreigners to advocate and advance their interests openly. In the United States, lobbying constitutes a lawful opportunity available to interest groups to exert influence and to have an impact on policy. The right to lobby is based on the First Amendment of the U.S. Constitution, which provides that:

12. The data suggest many interesting issues that could be explored. For instance, the returns generated by expenditures on lobbying, links between expenditures on policy formulation and the adversity of domestic policies, or between these expenditures and the country's degree of economic development are likely to be fruitful areas for research.

13. See Rochelle L. Stanfield, "So That's How it Works", *National Journal*, 25, June 24, 1989, pp. 1620-1624.

**Table 6: LATIN AMERICAN AND CARIBBEAN
LOBBYING OUTLAYS BY SPENDER GROUP, 1987
(\$'000)**

	Government	Trade and producer associations	Firms	Other
LAC	93,521.4	39,280.2	2,242.3	2,137.7
South America	4,334.1	34,626.8	1,034.4	610.0
Argentina	1,274.2	109.5	--	--
Bolivia	115.5	--	--	--
Brazil	40.8	1,352.9	186.2	610.0
Chile	126.0	21.0	37.9	--
Colombia	575.3	22,143.4	239.1	--
Peru	25.6	00	50.0	--
Venezuela	2,176.7	--	521.2	--
Mexico and Central America	14,835.2	452.7	422.3	429.7
Mexico	13,744.8	295.1	222.4	--
Costa Rica	41.4	85.4	78.8	123.4
El Salvador	5.0	12.1	18.0	--
Guatemala	--	60.1	39.6	--
Honduras	--	--	--	130.0
Nicaragua	660.5	00	00	176.3
Panama	384.0	60.1	63.5	--
Caribbean	74,351.6	4,155.9	785.6	1,013.7
Anguilla	10.0	--	--	--
Antigua and Barbuda	1,465.7	--	4.0	--
Bahamas	11,286.0	--	70.5	148.5
Barbados	5,141.6	1,060.9	3.0	--
Belize	6.4	--	--	--
Bermuda	11,622.8	2,735.6	259.0	544.9
British Virgin Islands	364.2	--	2.6	--
Cayman Islands	5,309.1	--	156.2	--
Dominican Republic	389.0	-0-	--	19.3
Grenada	268.0	21.2	--	--
Guadeloupe and Martinique	170.8	--	--	--
Guyana	83.0	--	--	--
Haiti	1,259.0	--	--	5.0
Jamaica	31,456.3	181.2	34.9	4.2
Montserrat	19.7	--	--	--
Netherlands Antilles	5,240.5	38.1	255.4	291.8
St. Lucia	251.5	101.9	--	--
Trinidad and Tobago	8.0	--	--	--
International	--	17.0	--	--

Source: ECLAC, based on data from the U.S. Department of Justice.

"Congress shall make no law...abridging the freedom of speech or of the press; or the right of the people peaceably to assemble and to petition the Government for redress of grievances."¹⁴

It is impossible, given the difficulties of measuring influence, to determine the exact extent to which lobbying influences the outcome of a specific issue or debate. Many intangibles operate to determine events and policy decisions. When specific lobbying activities are credited with a critical role in the outcome or policy resolution of an issue, it is risky to conclude that lobbying was wholly responsible.¹⁵

It is relatively more fruitful to identify the factors that make lobbying successful than to attempt to assess whether and to what extent lobbying has been effective in specific instances. In a context of competing interests, the ability to influence events depends on the amount of support that can be obtained, since joining forces creates what has been termed "a synergy that can exceed the effectiveness of its components."¹⁶

Foreign Lobbying and Domestic Support

Alliances and coalitions between foreign and domestic interests, organizations, and groups who share similar and/or complementary interests are an important way of generating this synergy. For example, alliances among exporters, consumers and retailers who could benefit from the approval of a provision to maintain or increase an import quota will have a greater likelihood of succeeding than will isolated, individual efforts.

For foreign interests, the support of domestic allies seems decisive, since domestic interest groups can make political contributions and can influence an officeholder's re-election. In fact, some explicitly believe that, in the long run, the strength of foreign lobbies depends directly on whether they have a strong ethnic domestic base. For instance, former U.S. Senator Charles McC. Mathias (R-MD) believes that foreign lobbyists, by themselves, may win specific favors, but an indigenous interest group's capacity to influence an office holder's reelection is, in the long run, highly persuasive. Accordingly, the lobbying experiences of the former China lobby, or of the Republic of Korea lobby, as well as those of other countries illustrate the following:

"Although a good deal of attention and publicity are periodically attracted by the activities of foreign lobbyists or agents, a close examination of their

14. "Lobbies", *Current American Government*, Congressional Quarterly, Inc., Spring 1982, p. 79.

15. Youngnok Koo, "East Asian Lobbies in Washington: Comparative Strategies", The Wilson Center, 1985, #21, p. 1.

16. Charles S. Mack, *Lobbying and Government Relations*, (Connecticut: Quorum Books), 1989, p. 107.

activities shows that those lacking strong indigenous support acquire only limited or transient influence on American foreign policy."¹⁷

This observation adds an interesting dimension to the generation of support beyond that based on short- or medium-term issues, product or sector-specific alliances. The ability to have a positive, long-run impact on United States policy may depend on the capacity to obtain--based on the emotional bonds of national origins--the support of groups with a common cultural background. This depends, in turn, on the capacity of such groups to mature into an effective domestic lobby. Examples of successful lobbying based on domestic, grass-roots support are the American Israel Public Affairs Committee (AIPAC), and the Greek and Irish lobbies.¹⁸ The long-term implications for Latin America and the Caribbean are quite relevant since, in the United States, Hispanics and Blacks have yet to organize themselves into coherent and effective foreign-policy lobbies.

The Practice of Lobbying

A question that needs to be addressed is how the advocacy and promotion of economic interests is performed. Practitioners of lobbying and political analysts agree that effective lobbying depends on the performance of multiple combined efforts by different actors. Although several forces affect the final resolution of a specific issue, the key foreign lobbying players seem to be the foreign countries' diplomatic representatives, representatives of the private sector, and foreign agents.

Analysts stress that there are no better advocates than the countries' own diplomatic representatives.¹⁹ Ambassadors and their staffs are singled out as the ideal communicators of their countries' interests. The role played by commercial attachés in monitoring and participating in economic policy debates is particularly instrumental in building a productive commercial relationship with the United States.

Even so, effectiveness requires "shirtsleeve" diplomacy, activism, visibility and contacts. Good working relations with several government agencies, in particular on Capitol Hill, are considered basic for an effective dialogue. Traditional, low-profile diplomacy through formal channels is, according to the experts, irrelevant in Washington.²⁰

Observers of the political scene repeatedly note the importance of developing contacts at all levels and with people of various political persuasions, since the initial step to gaining

17. Charles McC. Mathias, Jr. "Ethnic Groups and Foreign Policy", *Foreign Affairs*, 59(4), 1981, p. 978-979.

18. A good description of the AIPAC can be found in Smith, op. cit, pp. 215-229.

19. Robert Pastor, *U.S. Foreign Economic Policy: The Dynamics of the Debate*, (LC/MEX/R.52), Mexico: ECLAC, 15 January 1987, p. 81.

20. See, for instance, R.L. Stanfield, op. cit.

access to decision makers is often through their staff.²¹ Contacts should not be restricted to government. Keeping an open and cordial relationship with other influential members of the Washington community--the press, academics, think tanks, and the general public--has good long-term potential. Moreover, countries that have established a broad spectrum of political contacts with liberals, conservatives, and others seem to face fewer obstacles than those that cultivate the favors of a narrow political group.²²

In addition to official representatives, private entrepreneurs are the ideal communicators of their own interests. Assistant Secretary of State Bernard Aronson and Deputy Secretary of State Lawrence Eagleburger recently invited businesspeople interested in Latin America and the Caribbean to participate in a dialogue with government, to educate Congress and others, and make policy recommendations.²³

Contacts between foreign business representatives, producer organizations, trade associations and similar groups in the U.S. enhance the potential of cooperation to influence policies and choices in areas of mutual interest. Partnerships among Latin American businesspeople and with similar groups in the U.S. can be an important and constructive force in trade and investment affairs.²⁴ These partnerships can take a variety of forms: binational business coalitions, issue-specific cooperation, policy alliances, and regular contacts, for example.

The services of foreign agents can be valuable to both diplomatic and business representatives. Some tasks, for instance, demand close monitoring of Congressional committees and subcommittees. Agents can contribute to the understanding of the complexities of the U.S. government: in addition to numerous agencies in the Executive branch, more than 20 committees in the House of Representatives and sixteen in the Senate are in some way involved in international economic relations. The expertise of lobbyists in political processes can be crucial.

Further, lawyer-lobbyists can be very helpful, if not indispensable, for activities that require representation in legal or administrative matters. Experience in public relations and marketing can also be relevant for export promotion and entry into the U.S. market. Finally, the lobbyist's "inside" knowledge can guide the direct advocacy exercised by the country's own representatives.²⁵

21. See, for instance, John L. Zorack, *The Lobbying Handbook*, first edition.

22. Koo, *op. cit.*, p. 15.

23. Assistant Secretary of State Bernard Aronson gave this advice at a meeting of the Council of the Americas in July 1989. Deputy Secretary of State Lawrence Eagleburger provided similar advice at the plenary meeting of the Brazil-U.S. Business Council in January 1990.

24. This point was suggested by Doreen L. Brown, President of Consumers for World Trade (CWT), an influential grass-roots organization that supports free trade.

25. Pastor, *op. cit.*, p. 81.

The Lobbying Market

The complexity and opacity of the lobbying market can make it difficult to decide whom to hire. Lobbying in Washington is an expanding industry with thousands of practitioners and firms that provide a broad array of services. The market includes both famous and not-so-famous former government officials and members of Congress--Washington's so-called revolving door--as well as lawyers, public relations specialists, coalition builders, marketing experts, communicators, consultants, and many others who have experience in government or on Capitol Hill.

Increasingly, more firms are offering wide arrays of services, and several aspire to offering all of them. For example, the variety of services that a potential client may obtain from one well-known law firm and its subsidiaries can include legal services, Washington lobbying, grass-roots lobbying, coalition building, public relations, media strategies, economic consulting, management consulting, political fund raising, issues monitoring, and event planning. In addition, other firms offer media production, direct mail, political consulting and opinion polling.²⁶

For many, these so-called legal supermarkets represent the wave of the future. Proponents of these all-encompassing firms believe that hiring one firm to provide a wide range of services increases efficiency and generates economies of scale. Further, they argue that "megafirms also suit those who are unsophisticated in Washington's ways--such as companies or foreign governments that don't know what they need, and need someone who can tell them."²⁷

Others believe, however, that megafirms may suffer from diseconomies of scale, loss of quality control and added internal bureaucracy that far outweigh their advantages. Small firms and/or those specialized in offering a few services may have the advantage of giving clients more time and more personalized services.

Aside from large and small firms, there are associations of affiliated lobbyists--lobbying cooperatives--with members on call to match their expertise and skills to their clients' needs. These clearinghouses for lobbying services claim they are well suited to the needs of small and medium-size organizations, to small, independent businesses, and to the "little guys" because they can provide access to the services of skilled professionals at reasonable prices.

High-priced seminars on how Washington works are periodically sponsored by private businesses and think tanks.²⁸ The market also includes nonprofit organizations that provide counseling services and training in how to influence policy. These groups conduct workshops about the skills needed for lobbying, teach influencing techniques, and provide materials to guide individuals and groups with the basics about public-interest advocacy, to "make available

26. Burt Solomom, "Clout Merchants", *National Journal*, March 21, 1987, p.662

27. Ibid, p. 666.

28. Jill Abramson, "Washington Campus Pays Legislators, Lobbyists to Teach Executives the Ins and Outs of Influence", *The Wall Street Journal*, May 7, 1990, p. A6.

to inexperienced public interest advocates the successful techniques used in past advocacy campaigns."²⁹

Newcomers to the lobbying business or do-it-yourselfers can even take formal university courses on the *dos* and *don'ts* of lobbying, or they can acquire this knowledge through numerous manuals available on the topic. This market is prolific, too, in publications and sources that offer advice about how to get things done in Washington.³⁰

V. Some Suggestions

This section provides suggestions to strengthen the efficacy of lobbying for international trade in Washington at the diplomatic and private-sector levels.

1. Diplomatic Level

1.1. Embassies should be provided adequate resources to (a) permit effective monitoring of activities on Capitol Hill, in relevant government agencies, and in

29. These are some of the activities described in a brochure of The Advocacy Institute, a nonprofit organization that provides a broad range of services to support public interest advocates, and whose goal is to enable the average citizen's voice to be heard through voluntary organizations.

30. Bookstores carry a variety of titles on lobbying in Washington. Three of those manuals are:

- ▶ Charles S. Mack, *Lobbying and Government Relations*, (New York, Quorum Books) 1989.
- ▶ Ernest Wittenberg and E. Wittenberg, *How to Win in Washington*, (Basil Blackwell), 1989.
- ▶ John L. Zorack, *The Lobbying Handbook*, (Washington, D.C.), 1990.

Among the many relevant periodicals, three that stress federal issues are:

- ▶ *Congressional Quarterly Weekly Report*: CQ, publishes a weekly guide to developments in Congress and politics. Published by Congressional Quarterly, Inc., 1414 22nd Street, NW, Washington, D.C. 20037.
- ▶ *National Journal*: tends to emphasize the political and lobbying aspects of issues. Published by National Journal, Inc., 1730 M Street NW, Washington, D.C. 20036.
- ▶ *Daily Report for Executives*: this newsletter provides coverage of legislative, regulatory, and judicial developments on business and economic subjects. Published by Bureau of National Affairs, 1231 25th Street NW, Washington, D.C. 20037.

For a comprehensive and annotated list of almanacs, directories, newsletters on politics, and other publications, see Mack, op. cit., pp. 195-206.

courts and other offices, and (b) establish direct contacts with individuals and policy makers in and out of government. Knowledge of the U.S. political system and close monitoring of issues increases the probability of timely action and reaction. Monitoring, in fact, has become important following the approval of the very detailed calendars for policy implementation contained in the Omnibus Trade Act of 1988.³¹

1.2. Increased creative efforts to join forces around specific common interests can greatly enhance or complement other bilateral actions. A good example is the Caribbean Basin Initiative Embassy Group established to represent the diplomatic missions of CBI-beneficiary countries. This group is committed to communicating jointly its viewpoints in support of legislation to enhance the CBI. It follows CBI debates in Congress and in other circles, keeps abreast of policy implementation, and stands ready to express its interests and attempts to influence events.

1.3. In addition to the obvious "economies of scale" that can be achieved by formalized joint advocacy groups such as the CBI Embassy Group, periodic exchanges of information on commercial issues of common interest and on lobbying sources and resources could prove useful by enabling the building of a working database. Such exchanges could take place at regular meetings between Latin American and Caribbean commercial attachés.

2. The Private Sector

2.1. Coordinated actions among private-sector representatives are necessary to create and promote consensus. Examples can be drawn from the CBI Sugar Group, a producers' group formed to secure quotas and preferential access for its members' sugar exports to the United States market. Private-sector representatives from Central America, Panama, the Dominican Republic and the Sugar Association of the Caribbean (Inc.) united in 1985 in a "coordinated approach to the USA authorities as the only realistic possibility of obtaining better treatment for their sugar exports to the USA." The organizational structure includes a General Assembly (a representative from each country to formulate policy and to approve budgets) and an Executive Committee (three representatives and two alternates to implement policy and take necessary action).³²

The CBI Sugar Group undertakes a concerted lobbying effort to restore part of the access lost by the Caribbean and Central America since sugar quotas were

31. See ECLAC, *An Annotated Guide to the U.S. Omnibus Trade and Competitiveness Act of 1988*, (LC/WAS/L.6), 24 November 1989.

32. Minutes of a Meeting of Representatives of Central America, Panama, Dominican Republic and the Sugar Association of the Caribbean (Inc) held at the Hilton Hotel, Barbados, on Wednesday, June 5, 1985.

imposed in the U.S. in 1982. The Sugar Group is active in following legislation, making contact with government officials, making its position known through letters to Representatives, building alliances, and developing the necessary sources of information to be effective. Furthermore, the group has agreed to earmark a portion of its profits per ton of sugar sold for the hiring of foreign agents when needed.

2.2. Alliances and cooperation between Latin American and Caribbean entrepreneurs and U.S. private-sector organizations can generate synergy. An example of such a coalition is ASOCOLFLORES, the Colombian Association of Flower Exporters. To fight an initiative that would have placed restrictions on the entry of flowers from Colombia into the United States market, ASOCOLFLORES formed a coalition with the Florida Importers' Association, the Flower Retailers' Association, and the National Supermarkets Association of the United States and jointly submitted their case to Congress. In addition, a joint strategy to promote the sale of roses was formulated with the U.S. rose producers' organization.³³

2.3. Issue-specific cooperation with U.S. private groups can be mutually beneficial. In 1987, U.S. sugar producers agreed to lobby in favor of reallocation of U.S. import quotas and other measures helpful to CBI growers, in exchange for CBI Sugar Group opposition to an Administration proposal to lower the U.S. support price for sugar from approximately \$0.22 per pound to \$0.12.³⁴

2.4. Common foreign and U.S. business interests need to be identified to explore shared policy positions. In 1986, Florida Citrus Mutual, a producer association, petitioned the U.S. International Trade Commission to apply antidumping penalties to frozen concentrated orange juice imports from Brazil. They alleged that unfairly priced imports caused, or could cause, material injury. Representatives of Lykes Pasco Packing Co., Tropicana Products, Procter & Gamble Co., Ben Hill Griffin Citrus, and Coca-Cola Foods--processing companies interested in maintaining high quality and low prices to supply the market--testified against the antidumping petition.³⁵

2.5. Existing organizations and associations can play an important role in channeling lobbying efforts. An example can be found in the Association of American Chambers of Commerce in Latin America (AACCLA), whose purpose is to foster trade and investment between the regions and bring "insights of its

33. ECLAC, *Changing Production Patterns with Social Equity. The Prime Task of Latin American and Caribbean Development in the 1990s* (LC/G.1601 SES.23/4), March 19, 1990, p. 70.

34. *Washington Report on Latin America and the Caribbean*, Vol. 2, 20, October 13, 1987.

35. ECLAC, *La cadena de distribución y la competitividad de las exportaciones latinoamericanas*, (LC/R.844), December 29, 1989, pp. 63-64.

members to bear on U.S. executive and legislative policy makers."³⁶ The AACCLA is endowed with its own support staff and is headquartered in the U.S. Chamber of Commerce, one of the most influential lobbying forces and a major private-sector coalition builder in Washington D.C.

2.6. Bilateral business coalitions can be a vehicle of trade and investment promotion. Two such organizations, which include the leading business organizations in their respective countries, are the Brazil-U.S. Business Committee and the Mexico-U.S. Business Committee. Probably one of the most successful examples of bilateral private-sector cooperation and support can be found in the evolution of trade and investment relations between Mexico and the United States. The chain of events that led to the subscription of a U.S.-Mexico framework agreement can be traced to the early 1980s, when business interests from both countries began to consider that trade and investment flows could increase within a formal bilateral framework. Private-sector involvement and support, as early as 1981, were crucial to the success of the initiative, as noted by some of the following key events that took place during the negotiations.³⁷

In June 1981, the 36th plenary meeting of the Mexico-U.S. Business Committee discussed a proposal for a bilateral framework agreement in Washington, D.C. In October 1984, the Mexican Business Council for International Affairs (CEMAI) agreed to support the concept of a bilateral framework between both countries. A month later, the Chamber of Commerce of the United States announced its support. In April 1985, the American Chamber of Commerce of Mexico, testifying in Washington before the International Trade Subcommittee of the House Committee on Ways and Means, announced its support. Six months later, the Council of the Americas also made its support of a bilateral framework agreement known to the U.S. government.

36. AACCLA's information brochure.

37. Testimony of Guy F. Erb, Hearing on Bilateral Trade Agreements by the Subcommittee on International Trade, Committee on Finance, U.S. Senate, March 13, 1989.