

The Political Economy of Anti-Bribery Enforcement*

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ABSTRACT

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

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

JEL Classification: D72, G28, G38

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A central role of economic regulation is the creation and enforcement of a level playing field in which business operates. Towards this end, the Foreign Corrupt Practices Act (FCPA) of 1977 was passed by the US Government in an attempt to reduce the then-common practice of bribing foreign officials and to restore public confidence in a level playing field (for firms doing business in the US) across an increasingly expansive global competitive landscape.¹ Does FCPA enforcement actually yield more balanced competition in foreign trade?

Using exogenous variation in election timing, we find, contrary to the FCPA's intended purpose, negative implications for firm value and foreign trade more broadly. Namely, FCPA enforcement actions are related to geography, time, and usage to senators' electoral incentives, tipping the scales to un-level the playing field in the process. In particular, we find evidence that i) spikes in FCPA enforcement occur against foreign-headquartered firms, as opposed to globally-operating domestically-headquartered firms, in states during those states' US Senate election cycles; ii) the enforcement spikes are muted for foreign firms in economically important industries that constitute large share of in-state establishments; iii) the enforcement is accompanied by large and significant media coverage spikes, in both public media and social media produced by the enforcement-jurisdiction senators themselves; and iv) the media covering foreign-firm enforcements has significantly more negative sentiment, ultimately leading to both significant jumps in polling support and actual votes received.

Moreover, we find that FCPA enforcement actions are associated with substantial impacts on the real value and global activities of firms. For instance, following enforcement actions firms experience significantly negative stock returns around the enforcement, along with large and significant credit rating deterioration, both being concentrated in targeted foreign firms. Furthermore, they relocate global business segments and sales-mix away from those countries that have higher perceived global perceptions of corruption.

Lastly, in terms of political mechanism, we find that senators' ascension to the Judiciary Committee (which helps oversee the DOJ, an enforcement agency of the FCPA) increases their political influence and amplifies foreign-firm FCPA targeting. Relatedly, when the senator's party matches that of the executive branch (of which the DOJ is a Cabinet-level department), foreign-firm targeting increases.

¹ The SEC undertakes FCPA enforcement actions seeking civil penalties, while the DOJ is responsible for criminal prosecutions. However, the SEC and DOJ often pursue joint investigations and settlement negotiations. In terms of magnitude, penalty revenue from FCPA violations has generated upwards of 50% of the total penalties of the *entire* DOJ Criminal Division and in 2020 set another record high (Department of Justice (2021)).

To establish empirical identification, we utilize cross-sectional and time-series variation in political incentives. In particular, we examine US Senate elections—which have schedules that are pre-determined, are known years in advance,² and are exogenous from a timing and location perspective.³ They are staggered spatially and in time—with one-third of the senate’s one hundred seats up for election to six-year terms every even-numbered year across the United States. Therefore, unlike presidential elections, there is substantial cross-state variation in the timing of treated and untreated states in each election cycle. This allows us to exploit this exogenous variation in Senate election timing and locations to explore the extent to which political influence impacts the enforcement of the law.

Our sample consists of 8,677 global publicly listed companies with subsidiaries both in the US and in foreign countries from 1985–2017. To study whether political incentives influence the enforcement action of regulators, we use detailed subsidiary-level data of US and foreign companies and link the location of subsidiaries to the state electoral cycles. As mentioned, our results suggest that regulators do not respond equally to all firms, instead responding primarily to foreign firms. We find that the probability of a regulatory enforcement increases over 21% ($t = 2.35$) preceding elections for foreign companies. In sharp contrast, we do not observe any increase in regulatory actions against US firms in the same pre-election year, nor of firms in the non-election states. Exploring the actions taken against foreign firms in pre-election and the incentives of politicians in more depth, we provide additional evidence of a connection between enforcement and local constituent interests. Enforcement actions are focused significantly more on foreign firms associated with less job creation in the senators’ states.

In exploring the potential mechanisms and channels of influence underlying these empirical patterns, we find evidence for a number of channels. First, we find that enforcement action investigations are followed by spikes in public media coverage of the FCPA action. This is true of the purely business-focused press (i.e., *The Wall Street Journal*) and of broader media coverage. Interestingly, we observe over a 50% larger jump in media coverage following FCPA enforcement actions against foreign firms vs. US firms (an average of 51 articles vs. 33 articles). This difference in articles of 18.78 is highly significant ($t = 6.67$). Coupled with this spike in media coverage quantity, we observe that media sentiment also experiences a sharp negative turn for foreign firms facing enforcement actions.

² With the exception of special elections. These are infrequent (prompted by in-office deaths or resignations), and our results are unaffected by excluding these unexpected within-term events.

³ While aggregate political incentives have clearly been present throughout history, one component of aggregate variation that is consistent with the rise in actions we observe is the increasing importance of international trade and presence over time (World Bank (2020)).

We augment this traditional media by hand-collecting social media produced by these senators as well (in particular, their Twitter account activity). We observe that there are large spikes in Twitter activity of these senators regarding FCPA enforcement announcements. Moreover, much like traditional media, these spikes are larger for enforcement actions taken against foreign firms than against domestic firms.

We next explore the electoral implications associated with the enforcement actions and media surrounding them. Our results indicate that an additional enforcement action against foreign firms led to a 2.2% increase in general-election votes for the incumbent senator relative to the mean. Again, we find that the spike of media attention covering the FCPA enforcement action and the vote increase are particularly large when foreign and US firms are competitor-firms. Going further, we collect more granular data on polling pre-election to get higher-frequency estimates of the impact of media on public presumptive voter impressions. We find strong evidence that both traditional media articles and Twitter activity relate significantly to increases in vote share received by the senator. Further, Twitter activity by senators specifically produced following foreign enforcements is significantly related to increases in polling support.

Turning to the real effects of FCPA enforcement actions on firms, we examine a number of channels of firm behavior and firm value consequences. First, we find that firms significantly alter their sales and segment location behavior after being a target of FCPA enforcement. In both cases, they significantly decrease their exposure to countries rated as more corrupt along a number of dimensions by Transparency International. Moreover, we find large and significant stock return responses to the announcement of FCPA enforcement actions taken. In particular, foreign firms' stock prices drop over -10% ($t = 2.65$) following enforcement announcement. At the same time, the foreign firm's US domestic non-targeted peer firms actually experience a small but statistically significant positive increase in firm returns. Much like the news media, however, US firms, upon being subject to FCPA enforcement, do not experience the same negative announcement return response that foreign firms do. As a final channel of real effects on firms, we collect data on firm credit ratings and find that much like the negative return responses, foreign firms experience large and significant credit downgrades following FCPA enforcement action (while US firms do not).

Lastly, we investigate the scope of senators to influence and sway the FCPA enforcement process and markers of this influence occurring. For example, we examine two political alignment channels: i) the impact of the executive branch and the senator being party-aligned (the general who heads the DOJ is both appointed by, and reports to, the US president); and ii) senators on the Judiciary

Committee, which aids in oversight of the DOJ. We find evidence for the impact of both channels in that senators in parties aligned with the president, and senators serving on the Judiciary Committee have an especially large scope. We exploit these channels in data—in terms of large and significant increases in FCPA enforcement against foreign firms pre-election with cases *specifically* brought by the Department of Justice, as opposed to the SEC. Furthermore, targeting of FCPA enforcement actions against foreign firms is driven by senators up for re-election (as opposed to non-incumbent senators) and senators in particularly tight races.

Turning to the targeted cases themselves, we find evidence that the cases brought against foreign firms in pre-election appear to be weaker overall cases. For example, they are significantly less likely to ever make it to court proceedings. In addition, they are significantly more likely to end in plea agreements for the accused firms. They are also associated with a significantly lower sanction-to-bribe ratio of dollars collected (e.g., the amount of “sanctions” for each dollar of alleged bribery) and are more likely to involve significantly fewer forms of bribery than in other cases (e.g., money, automobiles, real estate, vacations, etc.).

Stepping back, we find novel evidence that the FCPA has been enforced in a manner at direct odds with its motivation, leveling competitive global trade. These opportunistic enforcements have substantive implications for firm operations and firm value. These findings matter because the FCPA is a unique foreign policy tool that, unlike tariffs and sanctions (which are nearly always enforced on a country, country-sector, or country-product level), can be precisely targeted at a *specific* firm. Thus, it can have a much more directed impact on specific global pairings of domestic-foreign firm competitors.

Our paper contributes to the literature on the role of political influence on the decisions of regulatory agencies or legislative voting behavior (Kroszner and Strahan, 1996; Mian, Sufi, and Trebbi, 2010; Cohen and Malloy, 2014). A number of papers document the political economy of banking regulation and deregulation (Benmelech and Moskowitz, 2010; Liu and Ngo, 2014; Kroszner and Stratmann, 1998; Kroszner and Strahan, 1999; Agarwal et al., 2014; Lambert, 2018; Akey, Heimer, and Lewellen, 2021). The paper also supports the literature on the political influence on broader regulatory enforcement related to corporate misconduct, antitrust and trade (Weingast and Moran, 1983; Yu and Yu 2011; Correia, 2014; Baker, Frydman, and Hilt, 2018; Mehta and Zhao, 2020; Mehta, Srinivasan, and Zhao, 2020). We provide new evidence showing how political motives impact and shape the high-stakes, dynamic landscape of foreign trade and international firms’ operations.

This paper also contributes to the literature on the economic impacts of corruption (e.g., Shleifer and Vishny, 1993, 1994; Acemoglu and Verdier, 2000) and how regulatory enforcement shapes

corrupt behavior (Fisman and Miguel, 2007). The economics of crime research (Becker (1968)) emphasizes the assumption that agents respond to the costs and benefits of committing crime, which determines the optimal amount of enforcement. Recent strands of this empirical research have focused on micro-data to study the impact of anti-bribery enforcement activity on economic outcomes and resource allocation. Zeume (2017) examines changes in UK firms' values around the passage of the UK Bribery Act and finds that the prospect of higher penalties decreased the firm values of UK firms. Goldman and Zeume (2021) show that unpunished firms benefit from anti-bribery enforcement, which is associated with increases in revenue and productivity. Karpoff, Lee, and Martin (2017) use foreign bribery-related enforcement actions initiated under the FCPA to examine firms' incentives to pay bribes and their costs.

I. Origins of the FCPA, Political Influence and a Case Study

A. The Foreign Corruption Practices Act of 1977 and Its Controversial Implementation

As with most new laws, the FCPA was not formulated without cause—specific events and policy considerations motivated Congress to enact it. In the mid-1970s foreign corporate payments problems were discovered by the Office of the Watergate Special Prosecutor, aided by the Securities and Exchange Commission. One notable case was Lockheed Corporation. The defense contractor received a \$250 million government loan to avoid bankruptcy and spent over \$100 million of those funds on bribes to various government officials. Brewster and Buell (2017) document that the statute was also in part a response to national security concerns in the 1970s Cold War era.

Since the passage of the 1977 Act, critics have expressed concerns regarding its adverse impact on US businesses abroad. In theory, the FCPA could place US businesses at a comparative disadvantage. This is because, even though the FCPA allows enforcement against domestic and foreign-domiciled firms, the enforcement of these actions often relies on the cooperation of foreign jurisdictions.⁴ Thus, despite the fact that the FCPA provides prosecutors with significant extraterritorial jurisdiction, international cooperation is a necessary element. This cooperation goes from the sharing of internal corporate records during the initial stages of investigation through the end-enforcement in certain instances. In practice, prior to 2000, foreign governments regularly refused to impose civil or criminal rules against their domestic firms. This resistance fueled concern from US businesses about their relative disadvantage in foreign markets, as the FCPA might only be effectively

⁴ In Appendix C, we provide more detail on the enforcement agencies involved (the Department of Justice and the Securities and Exchange Commission), along with the traditional timeline and nature of the enforcement process.

and unevenly enforced against US corporations. Figure 2 illustrates, to this end, the limited number of enforcement actions against foreign companies prior to 2000.

In response to these criticisms, US Congress directed the executive branch to seek a level playing field by encouraging trading partners to adopt similar anti-bribery policies. These efforts ultimately led to the creation of the Organization for Economic Cooperation and Development Convention on Combating Bribery (the “OECD Convention”).⁵ On July 31, 1998, the Senate passed S. 2375, the International Anti-Bribery and Fair Competition Act of 1998, by unanimous consent, and on November 10 President Bill Clinton signed it into law. The new legislation criminalized the bribery of foreign public officials, required business accounting transparency, and promoted cooperation in the international investigation and enforcement of anti-bribery laws.⁶ It further called on *all* parties to assert territorial jurisdiction broadly by expanding the extraterritorial scope of the FCPA through international cooperation in a wider range of cases.

In terms of its enforcement, recent years have shown a marked rise in enforcement, from 2004 to 2010. According to the Stanford Law School Foreign Corrupt Practices Act Clearinghouse (FCPAC), the total sanction payments for FCPA violations were \$14 billion in 2016–2019, 48 times that in the years 2004–2007. Moreover, this total represents a substantial percentage of all criminal fines collected by the DOJ, upwards of 50% of all revenues in certain years (Department of Justice 2021), setting a record high in 2020. Panel A of Table 1 shows the ten largest settlements: 1) the \$3.5 billion fine against Odebrecht S.A., a global construction conglomerate based in Brazil; 2) Goldman Sachs paid a \$2.6 billion fine and admitted wrongdoing to end a bribery probe that originated in Southeast Asia; 3) in a 2020 settlement in terms of deferred prosecution agreement, Airbus agreed a record \$4 billion settlement with France, the UK, and the US (of the \$4 billion, \$2.09 billion was paid to the DOJ) to avoid criminal prosecution with a corporate plea bargain. Besides criminal fines, Airbus was barred from public contracts in the United States and the European Union until July 2023—a substantive blow to a major defense and space supplier.

Panel A of Table 1 also lists the 10 cases that were subject to the longest delays in enforcement between alleged bribery and enforcement, including Alcoa World Alumina LLC, Total, S.A., Marubeni,

⁵ The Passage of the OECD Convention paralleled a series of corruption scandals in Europe in 1995 and 1996. The corruption allegations in Germany, France, and the United Kingdom changed national politics, and combating corruption became major electoral issues.

⁶ The OECD Convention calls on all parties to make it a criminal offense “for any person intentionally to offer, promise or give any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of international business.”

JGC Corporation, Tyson Foods, Rolls-Royce, Technip, Kellogg Brown & Root, Teva Pharmaceutical, and Alstom.

With regard to enforcement timing, there is a substantial average gap between corruption activity and enforcement of eight years. Further, exact timing is idiosyncratic—varying between immediate action and enforcement following the alleged bribery, up to over 25 years following an alleged infraction. Figure 1 depicts the distribution of this time lag between bribery activities and enforcement actions. Comparing again the US and foreign firms, 5% of enforcement actions (26 cases) against US firms occur within five years after the initial bribery, while for foreign companies solely 1% of enforcement actions (seven cases) occur within five years. The built-in delays in enforcement thus further the FCPA’s potential use as a discretionary tool, with a large pool of potential case targets from which to choose.

*B. United States of America v. Total, S.A.*⁷

To give a concrete example of an enforcement action from our sample, we take a case from the oil and gas industry, *United States of America v. Total, S.A.*, brought by the DOJ and SEC. Total, S.A. (“Total”) is a French corporation engaging in the business of exploring for and developing oil and gas resources around the world. Total owned and operated a number of subsidiaries, with its central US base of operations located in Texas. On May 29, 2013, the DOJ filed a case against Total alleging conspiracy to violate the anti-bribery provisions of the FCPA, along with violation of internal control provisions of the FCPA. According to the Eastern District of Virginia, in a deferred prosecution agreement, Total accepted responsibility for the conduct alleged in the suit and agreed to pay a criminal fine of \$245.2 million to implement enhanced anti-corruption compliance policies and procedures, and to hire an independent monitor for a period of three years.

The court filings indicate that: “From May 1995 to November 2004, Total and its co-conspirators, participated in a scheme to pay approximately \$60 million in unlawful payments to intermediaries designated by an Iranian official. The Iranian official was the Chairman of an Iranian engineering company owned by the Government of Iran. The purpose of the payments was to induce the Iranian Official to use his influence to assist Total in obtaining and retaining over \$1 billion of business related to the Sirri A and E and South Pars oil and gas field development projects.”

⁷ <https://www.justice.gov/iso/opa/resources/1862013529103734480930.pdf>
<https://www.justice.gov/iso/opa/resources/9392013529103746998524.pdf>

Exxon Mobil Corporation, one of the world's six largest publicly traded oil and gas companies, is a US multinational oil and gas corporation that also happens to be headquartered in Irving, Texas. Exxon Mobil competes with Total in global markets in oil, natural gas, and energy procurement and production. Moreover, the 2014 United States Senate election in Texas was held in November 2014, with incumbent Republican Senator John Cornyn (also a member of the Senate Judiciary Committee) running for re-election and winning a third term. The enforcement action against Total was brought in 2013, coupled with an explosion of media coverage, preceding the Senate election in Texas. In what follows, we find evidence consistent with this pattern across the universe of all FCPA violation enforcement actions taken from 1985–2017.

II. Data, Summary Statistics, and Broad Patterns around US Senate Elections

A. Data Sources

We hand-collect case-level data from the United States Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) on anti-bribery investigations and enforcements from 1985 through 2017. We analyze settlement agreements and other litigation-related documents that are published on the SEC and DOJ websites, coupled with court documents from the Public Access to Court Electronic Records (PACER) site. We further augment the enforcement actions, investigations, and entities information with data from the Foreign Corrupt Practices Act Clearinghouse (FCPAC) and verify information from the SEC, press releases, news articles, and other publicly available sources. Our case-level data on enforcement covers 526 cases that involve corruption activities in more than 70 countries. We collect granular information associated with each enforcement, including case number and the original case information from the DOJ/SEC, summary of the case, dates (period of bribery, initiation, resolution), locations (district courts, countries involved, subsidiaries involved), agencies (prosecuting agency, prosecuting attorneys, assisting agencies, whistleblowers), resolution outcomes (bribe payment, sanction-to-bribe ratio, type of bribe, purpose of bribe, plea agreement).

The election data covers US Senate elections from the MIT Election Data and Science Lab (MEDSL). This data includes every Senate election held between 1985 and 2017. Each senator is elected to serve a standard six-year term (barring special elections and appointments), where the terms are staggered and approximately one-third of the seats are up for election every two years in the 100-seat Senate. The election data includes the following senator-level information: party affiliation, election outcomes, and vote margins. We also obtain party affiliation and committee assignments of Senators from the dataset of Charles Stewart III and Jonathan Woon, Congressional Committee

Assignments, 103rd to 115th Congresses, 1993–2017 (Stewart and Woon 2017). To capture the influence of senators with regard to FCPA enforcement, we examine the specific role of the Judiciary Committee for laws and hearings related to enforcement actions.

Our firm-level dataset covers all publicly traded multinational firms listed on the three major US equity exchanges—NYSE, NASDAQ, and AMEX. We obtain accounting data on our global sample of firms from COMPUSTAT North America and Global. To focus on multinational corporations with similar global operations, we retain US companies that do business abroad with at least one foreign subsidiary and, for comparison, foreign firms that operate in the US with at least one subsidiary from the Bureau van Dijk-Orbis Database (BVD) subsidiary-level data. For US multinational corporations, we match the state-level electoral cycles with their US headquarters location. For foreign firms that have multiple subsidiaries in the US, we identify their most active state of operation with the largest number of subsidiaries and match with the electoral cycles in this state. State macroeconomic data on GDP, employment, and population are sourced from the United States Census Bureau of Economic Analysis (BEA) and the United States Bureau of Labor Statistics (BLS).

In addition, we augment this data using FactSet-Revere Data to capture global economic linkages based on supply-chain relationships available from 2003. Regulation SFAS No. 14 and 131 require firms to report information on operating segments in interim financial reports issued to shareholders. Firms are required to disclose financial information on any industry segment that constitutes more than 10% of consolidated yearly sales, assets, or profits and to identify any major customer representing more than 10% of the firms' total reported sales.⁸

We explore further into the mechanism associated with the influence of senators. Namely, we collect data in terms of traditional media and social media—in particular Twitter. First, to capture the traditional media response associated with FCPA enforcements, we match each enforcement case with the RavenPack media database. The news in the RavenPack data is obtained from 20,462 news outlets and includes local, national, and international news outlets, which is essential for analyzing reporting about foreign companies. Second, we hand-collect Senate candidates' Twitter posts. To discern whether tweets contain information potentially related to an FCPA enforcement, we search for specific information in them: the names of targeted firms, the industries in which targeted firms operate, and the home countries of targeted firms.

⁸ SFAS 131, became effective after December 15, 1997, permits firms to disclose country-level geographic segment disclosures after the implementation of SFAS 131. SFAS 131 increased the number of reported segments and provided more disaggregated information in the post-SFAS 131 period.

Further, we collect Political Action Committee (PAC) contribution data from the Federal Election Commission (FEC) to analyze the political incentives associated with anti-bribery enforcement. We manually match publicly listed companies in Compustat with the connected organizations of PACs as specified in the contribution data. Lastly, to analyze the realizations of these benefits, we collect polling data from the FiveThirtyEight on each senator's support in a given month from 2008 throughout our sample period.

B. Summary Statistics and Patterns around US Senate Elections

Figure 2 shows the number of enforcement actions over time—the blue and red bars plot the number of enforcement actions against US and foreign firms, respectively. Prior to the OECD Convention initiated in 1998, the regulatory agencies centrally targeted US companies in most years. The increasing number of enforcements following the OECD Convention provides suggestive evidence that indeed the SEC and DOJ did initiate increased enforcement following the international cooperation and compliance yielded by the OECD Convention.

Figure 3 then plots the number of anti-bribery enforcement actions around the nearest election date in US states where either US or foreign firms are headquartered or where their main business is located. The lighter bars show the number of enforcements in the twelve months leading up to a Senate election, and the darker bars indicate the number of cases in the year following a Senate election, in three-month increments. Panel A shows the number of enforcement actions taken against US firms, while Panel B shows this identical targeting statistic for foreign companies.

Panel A shows no significant increase in enforcement actions against US firms leading up to a Senate election. Panel B shows a sharply contrasting pattern for foreign firms. Namely, cases against foreign firms spike in the three months preceding a Senate election in foreign firms' main operating state. In the years leading up to Senate elections, the number of enforcement actions in aggregate brought by regulators jumps as the election draws nearer. In the period of six to three months before an election, regulators filed 14 cases on average, but in the final three months prior to the election, they filed another 33 cases. This jump in cases—over 100%—is statistically significant at the 1 percent level. In the twelve months following elections, the number of enforcement actions drops back down to a quarterly average of 11 cases. Again, from Panel A, no similar pattern is observed in the enforcement actions against the equivalent set of US multinational firms.

Panel A of Table 1 lists the 10 largest monetary sanctions, along with the dominance of foreign firms on this list (only Goldman Sachs is US-headquartered). Panel B then shows the cases across

industrial sectors, where the top three sectors include manufacturing, natural resource extraction, and finance. Panel C lists the number of enforcement actions ranked by country in which the alleged corruption occurred for the top 50 countries. A first observation is that regulatory enforcement actions against bribery are brought in numerous regions across the globe. In Appendix Table A1, we document a similar list ranked instead by the headquarters of the alleged bribing *firm* in question, irrespective of where the action took place. In the case of Total from Section I, for instance, the “Country of Alleged Bribing Activity” listed in Table 1 would be Iran, while the “Headquarters Country of Firm Alleged to Be Bribing” listed in Table A1 would be France. Further, in both Tables 1 and A1, we list country-level Corruption Index Scores taken from Transparency International. We transform the index to a Corruption Score of 0–10, where a higher score indicates more perceived corruption and a lower score the opposite. From Table A1, a significant number of cases involve firms headquartered in developed countries with relatively low corruption scores. This challenges the traditional view that FCPA enforcement simply targets firms from perceived corrupt countries.

Table 2 reports summary statistics for our sample of US and foreign firms. The dependent variable in our analysis is the fraction of firm-year observations that are subject to anti-bribery enforcement. Given that Senate elections are staggered and approximately one-third of the seats are up for election every two years, our sample average of *Pre-election* indicates that roughly 35 percent of the firm-year observations are headquartered in states with Senate elections in any given even-numbered year. Our competition and US exposure measures capture the ratio of US-based operations (including suppliers, customers, and competitors) to the total global network of activities.⁹

III. Empirical Results

A. Methodology

In this section, we explore time-series and cross-sectional Congressional influence associated with FCPA enforcement actions. Essentially, we are attempting to test more formally the initial patterns observed in Figure 3. To do so, we compare the enforcement outcome in treated states and control states. Specifically, we compare the probability of enforcement in states with an upcoming Senate election (the treatment group) with the probability of enforcement in states without an upcoming election (the control group), for both US and foreign firms.

⁹ Besides the intensive margin, our results are robust to the extensive margin of network size, i.e., whether a firm has any foreign suppliers, customers, or competitors, which we discuss in detail on the measure in later sections.

The advantage of our identification, as previously mentioned, is that Senate elections, unlike presidential elections, occur in different states and years over time in predetermined fashion, and only treat a specific subsample of states in any election cycle. Therefore, elections in each state can be considered as independent testing samples for the effect of political incentives on enforcement actions for that specific state facing an election in that year (and not other states which are not), which then changes every two-year period. The substantial cross-state-and-time variation allows us to then explore political incentives associated with the enforcement actions related to this political cycle.

We estimate the following model:

$$(1) \quad Target_{it} = \delta_1 PreElection_{st} + X'_{it}\beta_1 + Z'_{st}\beta_2 + \theta_c + \theta_s + \theta_i + \theta_t + \epsilon_{it}$$

where i indexes firms, s indexes the state in which a firm's main operation is located in the US, and t indexes years. $Target_{it}$ is a 0–1 variable that takes a value of one when firm i is targeted in year t and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterwards (as referenced in the report of Martin et al. 2014).¹⁰ $Target_{Foreign_{it}}$ and $Target_{US_{it}}$ are defined equivalently for firms headquartered in foreign jurisdictions and the US, respectively. $PreElection_{st}$ is an indicator that equals one if the enforcement occurs one year prior to the election year. X_{it} is a vector of time-varying firm-level characteristics (firm size, leverage, cash ratio, ROA, sales growth), and Z_{st} is a vector of state-level controls (the logarithm of state population, logarithm of state GDP, and state employment rate).

To address concerns regarding country- and state-level unobserved characteristics, including even fine time-invariant attributes of firms, we include a series of fixed effects. θ_c , θ_s , θ_i , and θ_t thus represent country, state, firm, and year fixed effects to control for unobserved, time-varying differences across headquarters countries, states, and firms. The unit of observation in these regressions is the firm-year level. All standard errors are clustered at the state level.

In the following analysis, we estimate the pre-election effect δ_1 and estimate the anti-bribery enforcement for the sample of US and foreign firms. Our multiple treatment events result across time and states in 575 separate Senate elections in 50 states over 33 years. A key identification assumption in the estimation in Equation (1) is that we see no difference in enforcement targeting between domestic and foreign firms except before the election. This is precisely what is observed in Figure 3 in

¹⁰ We also have the alternative specification using $Target_{it}$ as a 0–1 variable only in the year of targeting; we show the results are strong and significant in Table A3, discussed in sub-section c.

the lead-up comparing US and foreign firms. Moreover, in subsequent analyses we run a number of placebo-effect specifications to show the unique importance of the election period.

B. Baseline Results

Table 3 presents regression estimates of the effect of Senate election cycles on anti-bribery enforcement. Columns 1 to 3 present results with *Target* as the dependent variable, which captures the likelihood of enforcement for US and foreign firms. We include country, state, industry, and year fixed effects in Column 1, as well as firm-level controls (size, leverage, cash ratio, ROA, sales growth) and state-level variables (logarithm of GDP, employment rate, and logarithm of population). Column 2 then estimates the same regression specification, but with finer firm fixed-effects, which subsume country-, state-, and industry-fixed effects.

Columns 1 and 2 of Table 3 document a small, insignificant increase in FCPA targeting before elections. However, this masks the stark contrast in enforcement behavior against foreign vs. US firms. In Column 3, we compare the difference in the probability of targeting between US and foreign firms. From Column 3, the coefficient on the targeting of foreign firms (interaction of *PreElection X Foreign*) of 0.0032 ($t = 2.35$) implies an over 21% increase in the likelihood of being targeted pre-election. In contrast, there is no commensurate increase in targeting for domestic firms in the same states.¹¹

In Columns 4–9, we run these identical specifications separating out solely for the sub-samples of US-based firms (Columns 4–6) and foreign firms (Columns 7–9). These columns tell an identical story: that the spike in targeting that we see is concentrated squarely in actions taken against foreign firms. In fact, from Columns 4–6, the point-estimate of the targeting effect is even negative against US firms, though only marginally statistically significantly so. In contrast, from Columns 7–9 the targeting effect is large and significant against foreign firms.

Next, we explore the robustness tests of the result for the latest part of the sample period from 2006–2017, a sample of a balanced number of elections.¹² This is useful as both i) enforcement actions rose substantially over this period, and ii) we want to ensure that the result is not simply an artifact of past enforcement tendencies (not present in the current political times), nor driven by a mis-match in

¹¹ The main effect *Foreign* is absorbed by the firm fixed effects included in Column 3, as we do not have firms jumping between domestic and foreign status over the sample period. *Pre-election*, however, remains separately estimable as only certain firms are treated as pre-election firms even in those years (roughly one-third of seats are up for election in each pre-election year).

¹² We thank Stefan Zeume for the helpful suggestions on the balance of elections in the later period.

timing between relative US and foreign enforcement actions. To begin, Panel B of Table A1 shows the distribution of firms in election years vs. non-election years for both US and foreign corporations. In particular, all states have balanced four elections during this later period. This implies that the increase in enforcement likelihood is unlikely to be driven by the clustering of elections in certain states over the period of increased enforcement.

Moreover, turning to the formal regression framework, we estimate our main regression specification separately solely on this later time period in Columns 6 and 9 of Table 3. Consistent with the main sample analysis, from Column 6, the estimate for US firms is insignificant and even negative in point estimate. In contrast, from Column 9, the coefficient is large and statistically significant for foreign firms and in fact even larger in point estimate for the most recent time period. These results suggest that the differential targeting of foreign firms remains strong and significant through the present day and, if anything, appears to be trending toward increasing strength over time.

C. Alternative Specifications

We run a number of different formulations and alternative specifications exploring the robustness of the findings in Table 3. First, we compare sets of “US” and “foreign” firms having as closely matched foreign operations and exposures as possible. In particular, our matching procedure matches on two key dimensions: first, the primary four-digit SIC (i.e., same primary industry); second, the number of subsidiaries across countries. The matching is conducted with replacement as we match US firms with a single “best-fit” foreign firm. Specifically, i.) we match on all firms in the target firm’s industry (SIC four-digit industry); ii.) we focus on the set of firms that have overlapping branches outside the US in common; and iii.) lastly, among this set, we choose the closest firm in terms of matching firm structure (number and location of foreign and US segments). This results in a sample of approximately 54 thousand observations for the matched sample (down from roughly 137 thousand for the full sample). The results, in Appendix Table A2, show that, much like Table 3, pre-election targeting is strong and significant in this finer matched sample and concentrated on foreign firm targets.

Next, we explore a different formulation of the outcome enforcement variable. In our baseline results shown in Table 3, $Target_{it}$ is a 0–1 variable that takes a value of one when firm i is targeted in year t and remains one given the ongoing costs of enforcement (Martin et al. 2014). We also have the alternative specification using $Target_{it}$ as a 0–1 variable only in the year of targeting, and Table A3 shows that alternative specification results are strong and significant.

We further conduct placebo tests on Senate election dates to investigate whether unobservable state-level characteristics can explain the enforcement patterns we document. Namely, we conduct placebo tests on Senate election timing and location by randomly assigning across time and state Senate elections with their corresponding probability of 1/3. The results of these placebo tests are shown in Appendix Table A4. The predicted probabilities of these placebo elections are insignificant for the full sample, along with both US and foreign companies (Columns 1–3).

Lastly, in Table A5 we explore a sample of solely those Senate races that include an incumbent candidate. The idea is that, in races where neither party is running an incumbent candidate, the likelihood of being able to use the channels of influence to implement FCPA targeting are reduced.¹³ Again, we find strong and significant evidence in this sample concentrated in foreign firm FCPA targeting pre-election, very similar in magnitude and significance to Table 3.

D. Which Types of Firms are FCPA Enforcement Targets?

In this section, we further explore the cross-section and time series of the spikes we observe in FCPA enforcement actions against foreign firms that might be driving the empirical patterns we document. If individual political motivations are driving the enforcement spikes that we observe, one might expect to see fewer actions brought against industries that are especially important for senators' own states' interests. In order to explore this, we create a measure, *Locally important industries*, to capture local concentration in a given state that is likely important to that area, which can affect the local politician's incentive to help US firms. Specifically, using the BEA data, we measure this using an establishment-level share at the two-digit SIC code level in the state.¹⁴ *Locally important industries* thus varies over time at the state-industry-year level.

In the following analysis, we interact the election cycles with the local economic importance of the given industry measure. Table 4 presents the results. Across specifications, *Locally important industries* itself is largely negative and often significant, consistent with politicians being less likely to spur enforcement actions against important industries in their states. Moreover, the interaction term between *Pre-election X Locally important industries* is negative, and significant amongst foreign firms,

¹³ By analyzing the states with enforcement actions, consistent with Senators exerting influence, only 9.2% of pre-election enforcements are associated with both candidate newcomers, while over 90% are associated with Senators seeking re-election during the race, consistent with the impact of political motives on enforcements. We explore this further in Section VI, regarding channels and methods that increase the ability to influence and implement FCPA targeting.

¹⁴ We have used labor share in that state as well, which is highly correlated and looks nearly the same in magnitude and significance.

suggesting that politicians might be more reluctant to bring actions against key industries in their states directly before an upcoming election, even among foreign firm targets.

In further examining the variation across foreign-firm targeting, we turn to the intensity of foreign firms' operations in the US vs. their total global presence. One might expect that if a foreign firm is relatively important to the US economy and perhaps the state economy, then politicians may be more reluctant to target the firms because doing so can damage jobs or economic activity.¹⁵ In order to capture this phenomenon, we create a variable *US segment share*, which measures the fraction of foreign firms' segment sales in the US relative to their total sales globally.

Columns 1 and 2 of Table A6 show results on this measure, examining specifically the targeting of foreign firms. The interaction term between *US segment share X Pre-election* all but zeroes out the strategic timing in targeting of the foreign firms. The interaction term suggests that, as a foreign firm “becomes” a US firm in presence by its US segment share reaching one, there could no longer be any strategic targeting of that firm pre-election.

Stepping back, the sum of the baseline results along with the cross-section of which foreign firms are most intensively targeted suggests the role of political influence—potentially substantive—in the observed FCPA enforcement against US and foreign firms. Moreover, given the exogenous timing and rich cross-section and time series of treated and untreated Senate elections, the patterns reinforce even further this political motivation. We next explore channels through which political influence is transmitted, through media coverage and PAC contributions.

IV. Mechanisms and Channels of Influence

Our main results establish evidence regarding the impact of political motives on regulatory agencies and outcomes over the electoral cycles. We move on to exploring the channels through which the politician can reach public opinion, along with how this public opinion translates into measures of voting.

A. Media Spikes Surrounding Enforcement Action Announcements

A1. Wall Street Journal FCPA Coverage

We begin by searching the number of *Wall Street Journal* articles related to keywords surrounding “FCPA enforcements.” We choose the *Wall Street Journal* because it is a business-focused

¹⁵ For instance, certain firms sell upwards of 75% of total sales in the US in a certain state; TSMC Arizona Corporation, a subsidiary of Taiwan Semiconductor Manufacturing Company Limited (TSMC), has an investment that exceeds \$65 billion in three greenfield leading-edge fabs in Phoenix, Arizona, which will manufacture the world's most advanced semiconductors.

periodical and the largest focused one by circulation in the US over our time period. Panels A and B of Figure 4 show the media coverage of enforcement actions against US and foreign companies, respectively. The quantity of news regarding FCPA enforcements spikes sharply and correspondingly in the quarter of enforcement for both US and foreign firms. This is comforting with regard to the FCPA violation in that it suggests: i.) that the FCPA violation itself is not “leaked” or anticipated for US or foreign firm in advance, ii.) that the FCPA violation represents something sufficiently material to the firms that news outlets sharply increase coverage on its announcement, and iii.) perhaps most importantly, i) and ii) are both equivalently true for both US and foreign firms. This can be seen in the statistically significant large jumps of 2.101 ($t = 3.57$) and 1.428 ($t = 4.93$) for the foreign and domestic firms FCPA coverage, respectively.

We additionally investigate how media coverage changes with enforcement actions in a regression framework. Table A7 shows that the estimates are positive and statistically significant for both US and foreign companies in the enforcement event quarter. Furthermore, we observe no media attention spike of similar magnitude in the period prior to and following the event.

A2. Broader Media Coverage—Quantity and Sentiment Surrounding Enforcement Actions

We begin exploring the quantity and sentiment of traditional media surrounding FCPA enforcement actions using RavenPack Data. As mentioned in the Data Section, RavenPack news data covers 20,462 news outlets along with detailed information associated with each news outlet. From this RavenPack news data, we construct two measures associated with media coverage for the targeted firms: for the US and foreign companies, respectively. Our first measure, *Number of News*, counts the number of news articles associated with targeted firms around the enforcement dates. Our second measure, *News Sentiment*, measures the sentiment of the same news and is constructed by RavenPack based on the headlines and the full articles’ contents. The score is constructed based on short-term positive or negative economic forecasts from financial experts by RavenPack. The scale was determined through surveys from these financial experts to determine whether these events generally are considered positive or negative news in predicting firms’ future performance. Sentiment is a continuous variable that ranges between -1.00 (indicating more negative news) and +1.00 (indicating more positive news) for a given firm by measuring the sentiment contained in the news, with zero indicating neutral sentiment.

We match the enforcement actions with the relevant RavenPack media sources, including both newspapers and online media, and create an event window [-10, +10] surrounding FCPA enforcement

actions. We focus on the news items that are related to the targeted company and enforcement action by limiting our sample to contain only news with corruption-related (FCPA) content. To demonstrate the changes in media coverage, we plot the changes in news articles around the event window, based on the DOJ/SEC enforcement date or an earlier announcement about the enforcement. First, as shown in Figure 5, we observe a spike in news just around the enforcement date, indicating that coverage by media reinforces the general public's awareness of the enforcement actions. Importantly, the spike in news of foreign companies is greater than that of US companies, both from the figure and the t -test. For instance, in the 10-day window surrounding the announcement of enforcement [-10,+10], regarding US enforcement actions, the media coverage of US companies jumps on average by 33 articles. For enforcement actions on foreign firms, news items spike by over 51 articles on average, with the difference in articles (18.78, $t = 6.67$) being highly significant.

Broadly, from Figure 5, we observe i.) substantial spikes in news coverage surrounding event dates and ii.) those coverage spikes are greater for foreign firms than for US firms. These strong and systematic empirical patterns are consistent with the bringing of sanctions against foreign firms. The publicity and media spotlight generated by these actions against foreign firms also yield more positive attention for incumbent senators seeking re-election.

Going further, we explore the *sentiment* in news articles, as well. In particular, differences in news sentiment may affect public attention and reaction differently even if the number of articles is the same. To answer this question, we explore the changes in media sentiment toward enforcement events, as shown in Figure 5. For instance, foreign firms experience a sharp decline in media sentiment in the day following the event, much more extreme than the change for domestic firms' media sentiment following sanction events. Prompted by this finding, we go further to explore the interaction between number of articles and sentiment in Figure A1. The negative sentiment is higher against foreign firms than against US firms subject to the same sanctions. From Figure A1, t -tests on the difference are statistically significant in both the surrounding window [-10,+10] ($t = 3.11$), and measuring just post event window [0,+10] ($t = 3.23$).

B. Socia Media: Senators' Twitter Activity

If senators have political incentives to target foreign firms prior to elections, we might expect actions by senators observed to result in increases in publicity to gain electoral popularity. In this section, we manually collect data on senators' public statements by examining Twitter information, and we then tie this to voting metrics.

There are 288 candidates up for Senate election in states with firms being targeted by the FCPA. In particular, we are able to identify 348 Twitter accounts associated with the 288 candidates, including both incumbents and non-incumbents. A total of 27,120 tweets were extracted in the [-30, +30] days around sanction events. To discern whether tweets contain information potentially related to an FCPA firm, we search for following information in tweets: the name of the company targeted, the industry in which targeted firms operate, and the home country of targeted firms.

We then use Natural Language Processing (NLP) machine learning techniques to analyze *how* politicians discuss foreign firms targeted by bribery enforcement during the election period. The main keywords and issues used by politicians regarding foreign firms and sanctions include: *bribe, corrupt, kickbacks, pay to play, unlawful payments, enforcement, governance, compliance, investigation, violation, pay government official, pay foreign, improper payment, and transparency.*

Figure 6 shows a number of interesting trends associated with the senators' social media usage and these sanction events. First, in Panel A both the number of cases and the number of total tweets by senators increase substantially in election years (e.g., in states where their main businesses are located). Second, again from Panel A, the number of tweets matches closely with the number of enforcement actions across years. These results show a strong correlation between politicians' social media activity and sanction announcements. Moving to Panel B, we find that the spike in Twitter usage after enforcement is mainly driven by the number of tweets following enforcement actions against foreign firms. Lastly, from Figure A3, spikes in tweets following these sanctions appear associated with winning politicians—with tweets about foreign firms in particular being consistently observed for winning candidates (vs. those candidates who end up losing).

C. Electoral Outcomes and Targeting

An important piece of a senator's incentive to use FCPA targeting surrounds the senator's notion of the extent to which the targeting confers benefits. A central potential benefit works through an increased vote share in the election in which the targeting activity is concentrated. As a plausible mechanism for the conveyance of the targeting activity, we already see significant spikes in traditional and social media coverage at the time of FCPA enforcement action announcements. We now move on to test for the impact of these enforcements on the voting metrics received by all candidates surrounding the election itself.

C1. Targeting and Voting Share Outcomes

The results on electoral outcomes are shown in Panel A of Table 5. Using detailed Senate election data on voting records, we find evidence that candidates do experience a significant bump in electoral support on average following pre-election enforcement actions against foreign firms. From Column 2, the estimate indicates that an additional enforcement action against foreign firms led to a 2.2% increase ($t = 2.16$) in the votes relative to the mean—statistically significant and economically meaningful—while no statistically reliable effect was seen following the same against US firms. Moreover, in Columns 3 and 4 we then further explore electoral dynamics surrounding anti-bribery enforcements depending on the intensity of competition across firms. We again see evidence in line with previously documented results. The impact of enforcement activity is again most concentrated when foreign firms compete directly and more intensely with US firms (not the case for enforcement actions against US firms). The coefficient in Column 4 suggests that, when increasing the intensity of competition with US firms from the 25th to 75th percentile, the total number of votes increases on average by 2.6% ($t = 3.61$) following the targeting against foreign firms and the resultant spike in media coverage.

C2. Twitter and Voting Preferences

Going further, we explore the relationship between the Twitter activity of senators specifically regarding FCPA enforcement actions and measures of voter preferences. While Table 5 explores enforcement activity and general-election vote share received, we now augment this with hand-collecting more granular data on *polling* pre-election to see a higher-frequency impact of these enforcement behaviors. Unfortunately, local polling in high frequency is not available for many of these senator elections. That said, we use the data that is available to explore more granularly media activities and election outcomes.

We begin with Figure 7, showing the relationship between FCPA enforcement tweets and the percentage of support that senators receive in election polls. Figure 7 shows a strong and significant positive relation between the two. More intense social media activity specifically discussing FCPA enforcement actions is significantly related to public support given to the senator by prospective voters in election polling.

Going further, we run regressions exploring the differential impact of Twitter activity following foreign and domestic FCPA-targeted enforcement actions. Shown in Table 5 Panel B, consistent with the evidence from traditional media and Figure 7, this impact appears to be concentrated in foreign enforcement actions.

C3. Traditional Media and Voting Preferences

Lastly, to give a wholistic view of media and voting preferences, we examine the relationship between polling support of the senators and traditional media coverage of the FCPA. While in these instances, senators have less control and less of a say over what, when, and how it is written, this media coverage could still have a substantive impact on voter preferences that we can observe in their voting intentions. Thus, in Appendix Figure A2, we plot the relationship between traditional media coverage and poll results. Appendix Figure A2 shows that, much like for Twitter intensity covering FCPA enforcement actions, increases in traditional media publicity regarding FCPA-targeted firms is strongly and significantly positively associated with increases in percentage support for the politician.

D. Political Action Committee Contributions and FCPA Targeting

Given the costs associated with penalties and reputational damage from FCPA violations, exploring actions taken by both US firms and competing foreign firms with respect to campaign contributions to politicians is a potentially important best response to explore. In order to do so, we begin by collecting all data on campaign contributions by Political Action Committees (PACs) from the Federal Election Commission (FEC).

In particular, the PAC contribution data provides the overall receipts and disbursements for each PAC and party committee registered with the commission, along with a breakdown of overall receipts by source and totals for contributions to other committees, independent expenditures made, and other information. We first obtain the total amount of campaign spending at the company and transaction levels, and further match company names with the PAC committee names according to the existing literature on political contributions.

At the aggregate level, we begin by examining whether domestic firms contribute to campaigns to strengthen political ties with politicians upon enforcement events across time. Figure 8 shows the total amount of contributions and the number of enforcement actions by year. Interestingly, we observe that the campaign contributions are highly correlated with the electoral cycles along with having been generally rising after 2000 (much like FCPA enforcement dynamics in Figure 2). We decompose the contributions by US and foreign firms in Figure 8, where the total amount of PAC contribution by US firms (in targeted industries) is \$36.22 million USD per year (contributed by 4,543 US firms in our sample). Foreign contributions contribute an average of \$5.48 million USD per year (contributed by 3,870 foreign firms). Within the targeted sample, US firms contribute an average of

\$3,712 dollars per year, while foreign firms only contribute \$309 dollars per year (less than one-tenth the contribution of domestic firms). This suggests that US firms contribute more relative to foreign firms—consistent with domestic firms having a greater incentive to their rivals in doing so.¹⁶ This evidence is also broadly consistent with PAC contributions as a moderating channel—politicians soliciting more contributions are more likely to return favors by targeting these firms’ foreign competitors.

Going further, we examine micro-level evidence on how PAC contributions play a role in enforcement actions. First, we regress PAC contributions on elections to study whether campaign activities intensify in the pre-election year. Panel A of Table 6, Column 1 shows that firms increase the amount of contributions in the year preceding the election year. Going further, from Columns 2 and 3, the evidence implies again that US firms in particular have political contributions significantly responsive to electoral cycles—and presumably the political motives—of senators.

To move even one step further in an attempt to capture the effect of contributions on being targeted, we run a 2SLS model with election being the instrumental variable for PAC contributions from the first-stage regression. In the first stage, elections are positively correlated with contribution, as shown in Panel A of Table 6, and pass various identification tests including under-identification, weak identification (Cragg-Donald Wald F test), the Wu-Hausman F test, and the Durbin-Wu-Hausman chi-squared test. In the second stage, election-motivated PAC contributions lead to reductions in the likelihood of being targeted. The coefficient in Column 2 of Table 6, Panel B implies that a one standard deviation increase in instrumented PAC contributions lowers the probability of being targeted by 34.9%.

V. Real Effects on Firm Behavior Associated with FCPA Enforcement Actions

A. Real Effects on Firm Operating Behavior Following FCPA Enforcement

We lastly turn to exploring the real responses of firms that are targeted by Foreign Corrupt Practices Act violation enforcement actions in order to examine how firms might change operations before and after enforcement actions are undertaken. We explore these potential firm behavior changes in Table 7.

To begin, Panel A documents that all firms, both domestic *and* foreign, display distinct changes in their sales exposure to perceived “corrupt” countries from pre-to-post following FCPA

¹⁶ This heightened incentive could relate to the relative jurisdiction over the given firm, along with relative size of operational domicile in the US (versus foreign jurisdictions).

enforcement. In particular, firms significantly pull back on firm operations in perceived corrupt countries (using the same Global Corruption Score Index as in Table 1). Our corruption exposure at firm level is constructed as $Corruption\ exposure_{it} = \sum_{s \in S} Corruption\ Score_{ct} \times \frac{Segment_{i,c,t}}{Num\ segments_{i,t}}$, where *Corruption Score* equals 10 minus the *Corruption Perceptions Index* obtained from Transparency International from 1998 to 2019. A higher corruption score indicates more perceived corruption.

The results shown in Panel A indicate global firms' segment reallocation in terms of both i) the percentage of their global segments domiciled in more corrupt countries (Columns 1–4), and ii) by an explicit reduction in the *number* of global segments located in the top 50 or top 100 countries ranked as more corrupt (Columns 5–8). In analogous regression specifications, Panel B then provides corroborating evidence of this change in real behavior on the dimension of a reduction in firm-level sales consummated in these countries ranked as more corrupt post-enforcement actions.

Table 8 then explores this pattern further, and in particular which countries' firms exhibit the largest real changes and shifts in underlying global firm operations following FCPA enforcement actions. The results suggest that it is firms from nations scoring the lowest on corruption (e.g., Denmark and Sweden) that appear most responsive to the FCPA actions. This is consistent with anecdotal accounts that partner-governments of these nations have worked more closely with US counterpart agencies to enforce the FCPA and mirror trade laws and agreements across nations.

In sum, the empirical patterns on reallocation of business segments and sales following FCPA enforcement actions suggest that the FCPA enforcement action choices can have substantial impacts on the real global activities of firms, along with resulting potential implications for global trade and supply chains more broadly.

B. Value Implications through Cumulative Abnormal Returns (CARs) Surrounding FCPA Enforcements

Next, we move on to exploring the value implications of FCPA enforcement actions on firm value. To do this, we first use a direct measure of cumulative abnormal returns (CARs) on our sample of public firms. In particular, we study whether, after the enforcement action is announced, the targeted firms experience negative stock market responses, along with any differential responses of foreign vs. US firms. The CAR is calculated after adjusting for the FF48 industry-adjusted return.

To examine the stock market returns associated with enforcement events, we first manually check that the announcement is due to the negative impact of the FCPA targeting, often including information regarding DOJ/SEC settlement amounts and allegation specifics. Detailed media coverage from

RavenPack data shows that most companies choose to settle on the same day as the enforcement day. We search for enforcement action events as follows: i) the FCPA enforcement announcement is the earliest date that the negative news was released, and ii) in cases where both FCPA announcements and settlements are reached, we use the earlier of the two events. To avoid confounding effects associated with other events, we also drop acquisition-related events.

Figure 9 explores differential return effects by studying three sets of firms:

1. Returns to foreign firms targeted by FCPA enforcement actions (*Foreign Targeted*).
2. For the same FCPA enforcement actions against the foreign firms, returns of their US non-targeted firm peers (*US Non-Targeted*).
3. Returns to US firms targeted by FCPA enforcement actions (*US Targeted*).

The CARs of all three sets of firms are shown and compared in Figure 9. Three interesting facts emerge from the figure. First, even given the relatively small (for an asset-pricing test) number of realizations on FCPA actions—and the resultant more modest test-power—a stark difference in responses is seen between domestic vs. foreign enforcement responses over this time period (which is large in economic magnitude and statistically significant). This is consistent with the real results we find above on information revelation, in that there is a significantly larger spike in media coverage for foreign firms around enforcement action announcements—in both traditional and social media—and that coverage is significantly more negative in sentiment for foreign firms, as well.

Second, *Non-Targeted* US firms do experience a smaller, albeit significant *increase* in firm value at the exact time of the FCPA targeting announcement of their foreign competitor firms. This is intriguing and consistent with domestic US firms in their home states benefitting from the motivation of senators' behavior targeting foreign firms.

Third, while there is a small pre-trend in the days just before enforcement announcement on both the negative side for foreign targeted firms and on the positive side for US non-targeted competitor peer firms (which interestingly could potentially be driven by some short-horizon leakage of the information from the DOJ just before official announcement), the majority of the return reaction is coming post-announcement. This can be seen in the large difference in mean returns pre and post for foreign firm announcements, and for US non-targeted firms during these same announcements. Again, for domestic targeted firms these pre and post means are essentially identical and not reliably different from zero.

C. Credit Rating Decreases Surrounding FCPA Enforcements

The next value implication we explore is how enforcement actions impose additional real costs on targeted firms besides the penalties issued by the SEC and DOJ, and stock market responses. Specifically, we examine changes in firm-level credit ratings following enforcements, as investors and firm raters may perceive the firms more negatively following their corporate governance failure.¹⁷ To analyze the change in credit ratings of firms that were subject to enforcement, we collect data from the S&P Entity Rating from WRDS. The S&P Global Ratings issuer credit rating is a forward-looking opinion about an entity's overall creditworthiness on the entity's capacity and willingness to meet its financial commitments as they come due. We map the long-term ratings to a numerical scale, where 20 indicates the highest rating ("AA+") and 1 indicates the lowest rating ("D") in our sample of targeted firms, from the year prior to enforcement to two years thereafter. The average rating for a targeted firm is BB (equivalent to 10).

Panel A of Figure 10 shows that enforcement actions surrounding election years are associated with significantly larger penalties against foreign firms by credit rating agencies, leading to larger reductions in ratings relative to US firms with enforcement actions. The difference in rating between foreign and US firms of over five rating points in the post period is statistically significant at the 1% level ($t = 5.45$). We further construct a dummy for investment grade, which equals one if the rating is BBB- or above, and equals zero otherwise. In Panel B, similar to the results from Panel A, foreign firms experience a significantly higher likelihood of dropping from investment grade following enforcement actions around election years than US firms.

These estimates in some ways may represent conservative benchmarks for the costs of sanctions on foreign firms, as it might be difficult for investors and raters to fully estimate (as mentioned), aspects such as the indirect costs on reputation, including customers' deteriorating perception, supplier pullback, etc. These can be substantial, further negatively affecting firm value.

VI. The Scope of Influence

In this section we explore in more detail a number of markers—and manners—in which senators can influence FCPA enforcements—acutely those against foreign firms pre-election. In particular, we explore the timing of these cases in the investigation phase, characteristics of the cases

¹⁷ This is also consistent with reputation loss following FCPA enforcement of firms, as documented in a Martin et. al (2014) report on the process.

brought against foreign firms just pre-election, and characteristics of the senators that bring these pre-election targeting cases.

A. Corroborating Evidence on Strategic Timing

We begin by examining the enforcement process duration for foreign firms that experience enforcement actions in election vs. non-election years. This is shown in Figure 11. From Figure 11, there is a difference in the timing of cases brought in election years for foreign FCPA bribery cases. In fact, on average, cases brought during election years have significantly shorter investigation periods, over 1.5 years shorter ($t = 2.79$), representing over a 16% shortening from the average of over 9.5 years in normal, non-election years. Given the length and variance in duration of the FCPA investigation process, along with the fact that at any point in time there are numerous cases being investigated and in the work-in-progress inventory of the DOJ for potential FCPA enforcement action, this is consistent with senators having scope to press for certain, targeted cases in that inventory being brought forward to enforcement.

B. Senators' Power, Characteristics, and Ability to Influence

We have thus far found multiple empirical patterns consistent with senators' political influence entering the FCPA enforcement process, along with markers of benefits they may receive from doing so. To further examine the capacity of senators to influence this process, we begin by examining whether enforcement agencies respond equally to senators from both parties, or whether we observe asymmetric responses based on which party controls the Department of Justice (DOJ), one of the two agencies tasked with enforcing the Foreign Corrupt Practices Act. The attorney general, who heads the DOJ, is appointed by, and reports to, the president. Given this, we examine which party has control of the executive branch, and we explore whether enforcement actions for senators of the president's party are more prevalent. From Panel A of Table 9, and particularly from Column 3, we find evidence of precisely this effect: election-year enforcement actions are more prevalent against foreign firms chiefly active in states where incumbent senators of the president's own party face re-election.

To explore the political monitoring mechanism further, we next move to the Senate Judiciary Committee, which provides oversight of the Department of Justice. We thus test whether membership and seniority on this Committee correlate with the regulatory enforcement we document. Specifically, we investigate the heterogeneous effects of Judiciary Committee membership by senators with

upcoming re-election campaigns in Panel B of Table 9 (Cohen et al., 2011).¹⁸ Column 3 shows a positive relationship between Judiciary Committee membership and the likelihood of FCPA enforcement against firms in a senator's home state. Foreign firms with operations in states whose senator is appointed to the Judiciary Committee experience a 20 percent increase in the probability of enforcement in senators' re-election years.

As a refining test to further explore the mechanism surrounding the influence of politicians, we consider the ascension of senators to powerful positions on other committees that do not have the DOJ or SEC in their purview. If the results are mainly driven by Judiciary Committee oversight, one might expect a weaker relation between other Senate committees and the probability of enforcement. This is precisely what is seen in Table A8, with no other committee showing the same positive and significant impact on enforcement actions surrounding elections.

Moving even one step further into the legislative process, political alignment with other senators regarding generalized perception of foreign firms represents another way that senators can increase their influence. We test this political alignment on legislation regarding the Foreign Relations Committee, specifically exploring individual senators' voting behavior. We extract detailed Congressional voting records for each senator from states with and without enforcement actions initiated. Results are reported in Table A9. The dependent variable is commonality in voting behavior between the senators in states taking enforcement actions vs. other senators from the same party in states that do not. Columns 1 and 2 focus on bills sponsored by the Foreign Relation Committee, while Columns 3 and 4 focus even more finely on bills targeting perceived corruption at the sovereign country level in our sample. The results suggest that, if anything, senators from states where firms are targeted by FCPA enforcement actions vote more consistently along party lines than other senators on foreign relation bills in the Senate in particular.

Figure 12 then illustrates many of these attributes in graphical form. For instance, Panel A illustrates the higher probability of a senator serving on the Judiciary Committee when they target foreign firms in FCPA enforcement actions, while Panel C shows the increased probability of being a member of the party in control of the executive branch when doing the same. Panel B indicates that senators face a tighter senate race when they strategically target foreign firms.

C. Enforcement by the DOJ vs. the SEC

¹⁸ The list of the Senate Judiciary Committee's members is from Edwards and Stewart (2006). Seniority shocks begin in the year of appointment and are applied for six years (the length of a Senate term).

Related to the above, we next explore more deeply the identity of the agency that brought each individual FCPA enforcement action. In particular, FCPA enforcement actions are brought by either (or both) the US Securities and Exchange Commission (SEC) and the US Department of Justice (DOJ).¹⁹ Given the Judiciary Committee’s oversight of the DOJ, one might expect that if the mechanism was working through the senator’s political influence, the election-year enforcement action spike against foreign firms may be weighted more toward cases brought by the DOJ.

Appendix Figure A4 begins to explore this in plotting the total number of DOJ-prosecuted cases and the total number of SEC-prosecuted cases. From Panel A, we observe a larger number of enforcement actions undertaken by the DOJ relative to the SEC in total. Panel B then shows the number of cases with the DOJ as prosecuting agency and SEC as the assisting agency, with Panel C illustrating the cases with the SEC as prosecuting agency and the DOJ as assisting agency. Together, these figures show the significant influence of the DOJ in FCPA enforcement. For instance, the DOJ directly prosecutes 361 cases and assists in 144 SEC-led cases, for a total of 505 DOJ-involved cases, representing 86% of all cases.

Table A10, Columns 3 and 4 then show that the spike in pre-election FCPA enforcement actions against foreign firms is driven by DOJ actions, in particular. Going further, Table A11 provides confirmatory evidence of this, in that the location of SEC regional offices—whether near or relatively far from the firm being targeted—has no impact on the pre-election spike in cases brought against foreign firms.

D. What Types of Cases Are Brought Against Foreign Firms Pre-election?

We next turn to examining the individual case attributes of the enforcement action cases brought directly in pre-election. Again, with the mechanism working through political influence—and the rushed timing implied in terms of the increased incremental benefit in election years—FCPA cases brought against foreign firms in election years might be expected to bear different markers reflecting this rushed constrained optimization. In particular, given the years (and even decades in some instances from Figure 1) that it appears to take to develop, build, and bring cases against firms, these acute-in-time political motivations would result in having to run a constrained maximization of enforcement choice and timing to bring those cases that fit the geography-time-motivated incentives at the precise

¹⁹ Appendix C details both of these enforcement agencies’ general roles, along with other details surrounding the FCPA timeline and enforcement process.

election-year timing of the senator. Given this constrained maximization, we might then expect to see these cases being brought in election years are on average somewhat weaker.

We explore exactly these comparisons in Figure 13, which plots the difference-in-difference of multiple characteristics comparing i) the percentage difference of foreign vs. US cases on the given case characteristic, and ii) comparing that difference during election and non-election years. First, cases brought against foreign firms in pre-election bear a number of markers of being weaker cases. Second, they are significantly less likely to ever make it to court proceedings. In addition, they are significantly more likely to end in plea agreements for the accused firm. Moreover, they are associated with a significantly lower sanction-to-bribe ratio of dollars collected (e.g., the number of “sanctions” for each dollar of alleged bribery). Lastly, they involve significantly fewer forms of bribery than in other cases (e.g., money, automobiles, real estate, vacations, etc.).

VI. Conclusion

Using exogenous variation in US Congressional election timing and location, we provide novel evidence on FCPA enforcement, with enforcement actions against foreign firms spiking in pre-election year in the Senate. Utilizing hand-collected case-level data from the DOJ and SEC, augmented with fine subsidiary-level data on global firm operations, we observe no such spike for otherwise equivalent, but domestically-headquartered, firms. This finding stands in direct contrast to the base motivation of the landmark law itself—to *level* the playing field and promote increasing international global commerce and trade.

We find that the spikes in enforcement are significantly larger against foreign firms that are part of less-important industries in the state for the senator’s constituents, and when the firms have less of a presence in the US. The spikes are also driven by senators who have more capacity to influence the process—particularly, Senators on the Judiciary Committee and whose same-party president politically controls the DOJ—along with senators who have more an incentive to do so, such as those in closer races. More broadly, the enforcement actions generate significant public media spikes along with social media spikes generated by the campaigning senators themselves. Both of these are followed by a bump in vote share and polling support received. The FCPA enforcements have real impacts on firms, causing relocation of operations, along with large value consequences in terms of market value loss and significant credit downgrades. The pre-election cases brought forward against foreign firms are significantly weaker cases, as well.

Stepping back, the Foreign Corrupt Practices Act serves as a powerful setting to explore the trade-off of political incentives in the growing global regulatory setting, given its position as the most well-established and widely enforced global regulation. Further, given the foundational importance the FCPA has played as a template for level-playing field laws and cooperation, shining a light on weaknesses in its implementation is critical in improving and strengthening legislative amendments in the future. Doing so will ensure a more efficient implementation of global trade regulation, stripping away political incentives and influence. This will enable all firms to compete more fairly, plausible contributing to greater efficiency of global integration.

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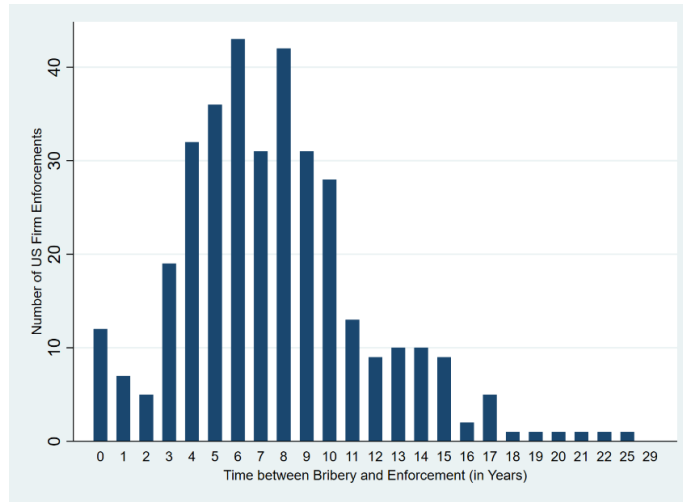
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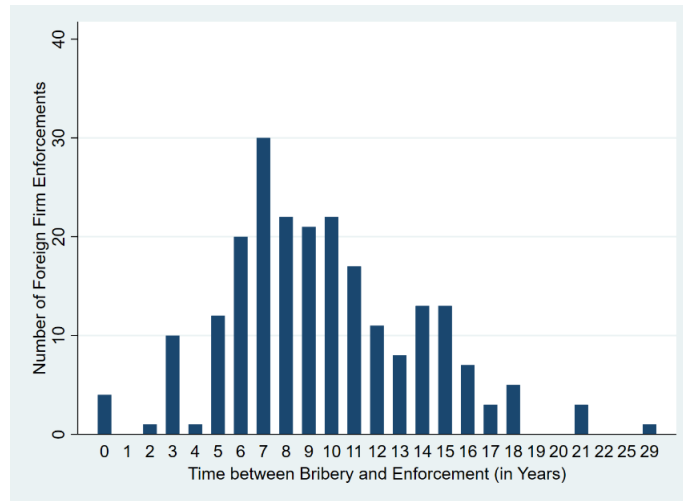
Figure 1: The Time Lag between Bribery Actions and Anti-Bribery Enforcements.

These graphs plot the number of anti-bribery enforcement actions and the number of years between when the alleged bribery occurred and the start of the enforcement action. Panel A shows the number of enforcement actions against US companies and Panel B presents the number of enforcement actions against foreign companies.

Panel A: The Duration of Bribery to Enforcement for US companies



Panel B: The Duration of Bribery to Enforcement for Foreign Companies



Average Duration from Bribery to Enforcement of FCPA Cases (Years)

US	Foreign	Diff (Foreign-US)	T-stat
7.571	9.625	2.054	5.80

Figure 2. Number of Anti-Bribery Enforcement Cases.

This figure shows the number of anti-bribery enforcement actions initiated by both the Department of Justice (DOJ) and Securities and Exchange Commission (SEC) in each year between 1978 and 2017.

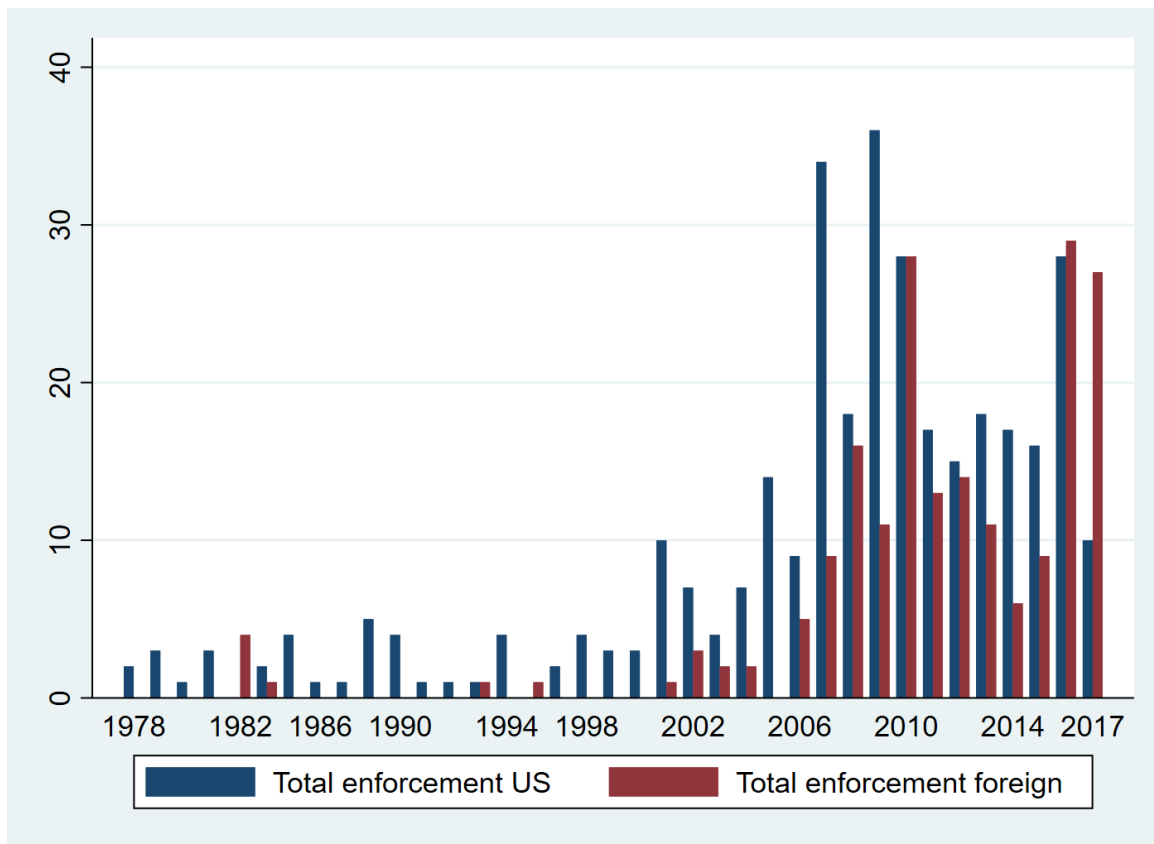
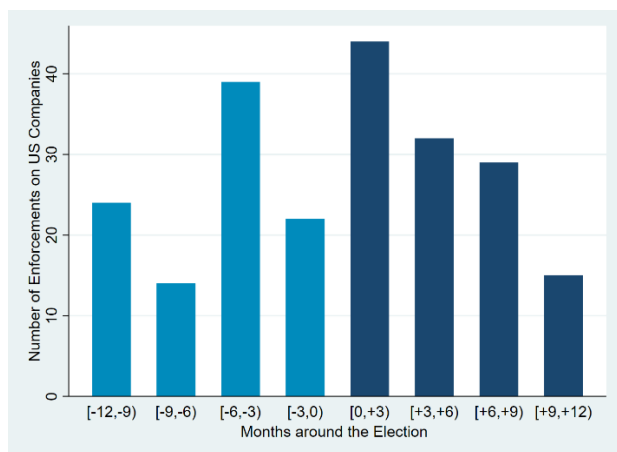


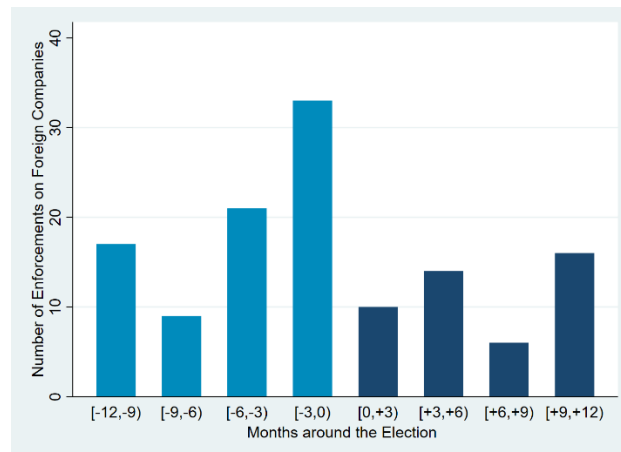
Figure 3: Electoral Cycle and Anti-Bribery Enforcements.

These figures plot the number of anti-bribery enforcement actions around the nearest election date in US states where firms are headquartered or where main business is located from 1978 to 2017. Panel A shows the number of enforcement actions against US companies, and Panel B presents the number of enforcement actions against foreign companies. The lighter bars show the number of enforcements in twelve-month increments leading up to a Senate election, and the darker bars indicate the number of cases after a Senate election.

Panel A: Enforcement Actions (US)



Panel B: Enforcement Actions (Foreign)



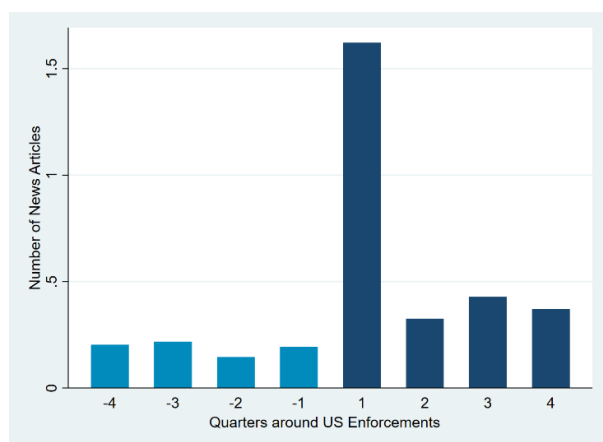
	Pre-election	Post-election	Diff (Pre-Post)	T-stat
Number of Foreign Firms Targeted	22	11	11	15.917
Number of US Firms Targeted	27	32	-5	-4.825

	One Quarter Before Election [-3,0) months	Other Quarters	Diff (One Quarter Before-Others)	T-stat
Number of Foreign Firms Targeted	33	14	19	28.402
Number of US Firms Targeted	22	31	-9	-6.531

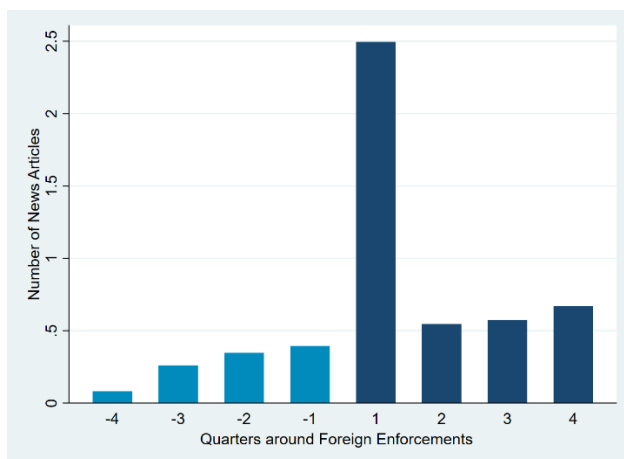
Figure 4: Anti-Bribery Enforcements and Media Coverage.

These figures display the number of media coverage articles around anti-bribery enforcement actions. Panel A shows the number of *Wall Street Journal* articles on FCPA enforcement actions against US companies, and Panel B presents the number of *Wall Street Journal* articles on FCPA enforcement actions against foreign companies. The lighter bars show the number of articles in four quarters prior to enforcements, and the darker bars indicate the number of news coverage four quarters thereafter.

Panel A: Media Coverage of Enforcement (US)



Panel B: Media Coverage of Enforcement (Foreign)

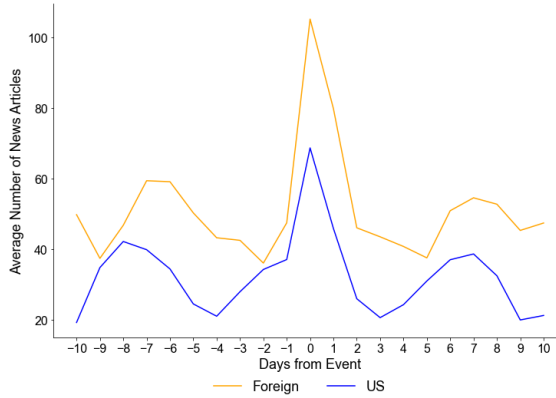


	Pre-enforcement (One Quarter Before)	Post-enforcement (one Quarter After)	Diff (Post-Pre)	T-stat	P-value
Number of <i>WSJ</i> News Articles on Foreign Firms Targeted	0.394	2.495	2.101	3.57	0.001
Number of <i>WSJ</i> News Articles on US Targeted	0.194	1.622	1.428	4.93	0.000

Figure 5: Total Number of News Articles and Media Sentiment for US and Foreign Companies during the Event Window [-10, +10] with T-tests.

Panel A displays the average number of news [-10, +10] days around the FCPA enforcement dates, covering US and foreign enforcement actions with the relevant RavenPack media sources, including both newspapers and online media from 2000–2017. Panel B shows the changes in media sentiment around enforcement events based on Ravenpack sentiment measures.

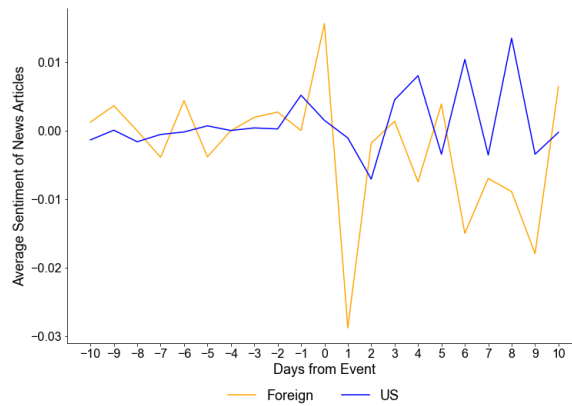
Panel A: Average Number of News Articles



T-test for News Articles between Foreign and US Companies

	Foreign	US	Diff (Foreign-US)	T-stat	P-value
[-10, +10]	51.241	32.458	18.783	6.67	0.000

Panel B: Media Sentiment



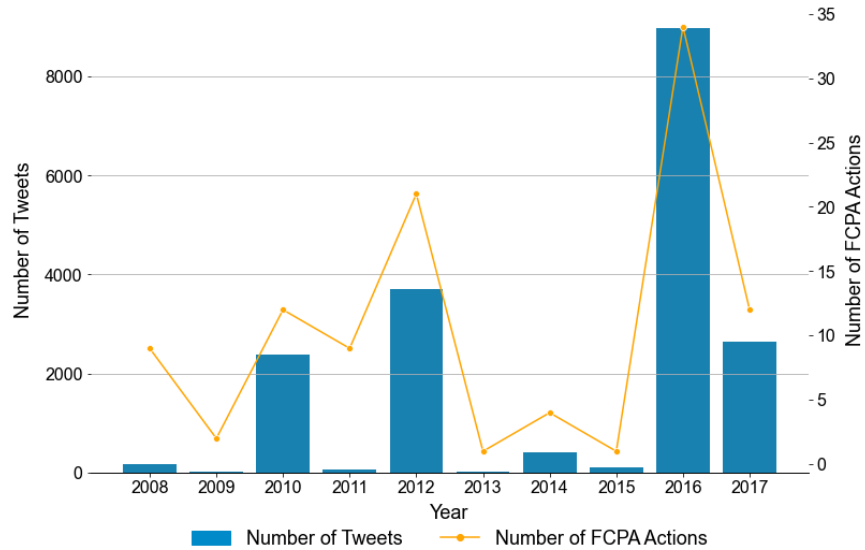
T-test for Diff-in-Diff of News Sentiment between Foreign and US Companies

	Foreign	US	Diff (Foreign-US)	T-stat	P-value
[-10, +10]	-0.003	0.001	-0.004	-1.87	0.062

Figure 6: Total Number of Tweets by Senators Surrounding FCPA Actions

Panel A shows the trends associated with senators' social media usage in terms of total number of tweets and Twitter usage from 2008 (the first year we observe senators' accounts) throughout our sample period. We use Natural Language Processing (NLP) machine learning tools to analyze how politicians talk about foreign firms targeted by bribery enforcement actions during the election period. Panel B compares Twitter usage following enforcement actions against foreign firms and US firms.

Panel A: Total Number of FCPA-Related Tweets and the Total Number of FCPA Cases by Year



Panel B: Total Number of FCPA-Related Tweets for US vs. Foreign, Pre- and Post-Enforcement

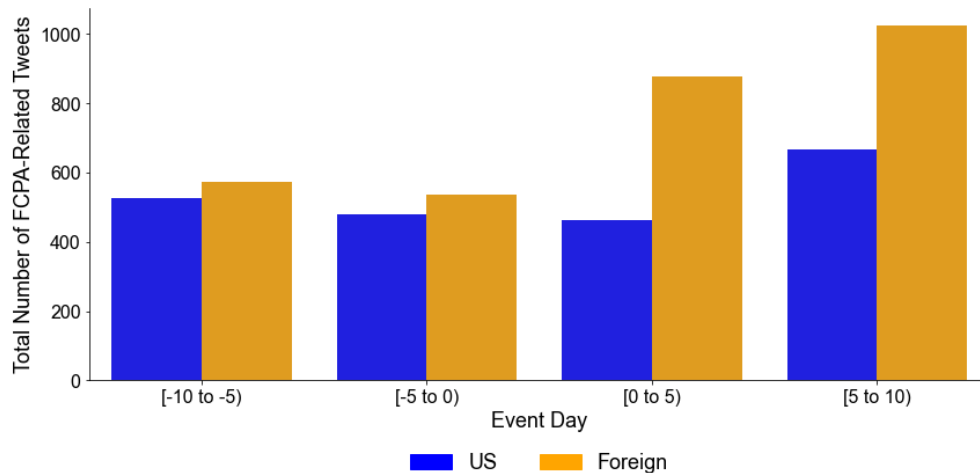
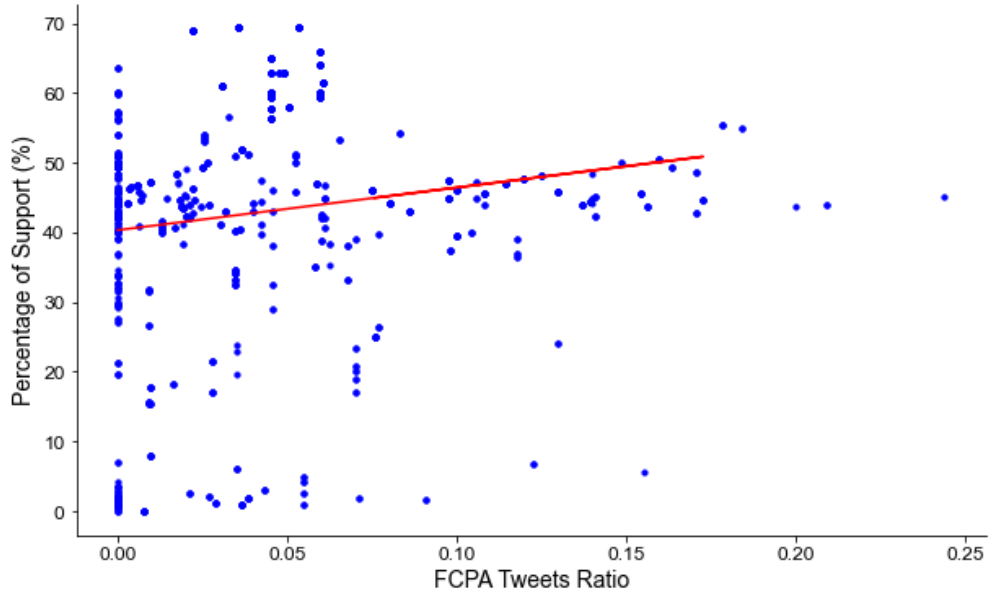


Figure 7: Senators' Tweets containing FCPA Enforcement Language and Polling Outcomes

This figure depicts the relationship between the Twitter activity of Senators specifically regarding FCPA enforcement actions and measures of voter preferences. The percentage of support is the average of a senator's poll in a given month from FiveThirtyEight from 2008 throughout our sample period. The FCPA tweets ratio is calculated as the number of tweets containing FCPA enforcement language six months before the poll divided by the total number of tweets made by the Senator during the six months before the poll. The line plotted is the OLS best-fit slope estimate.



T-test for Senator Tweets containing FCPA Enforcement (Negative) Language and Polling Outcomes

	Slope Coefficient	T-stat	P-value
FCPA Tweets Ratio	62.859	4.77	0.000

Figure 8: PAC Contributions and FCPA Cases: US and Foreign firms, 1985–2017.

This figure shows the amount of PAC contribution by US and foreign companies to candidates in thousands USD recorded by the Federal Election Commission (FEC) from 1985 to 2017, along with number of FCPA cases by year.

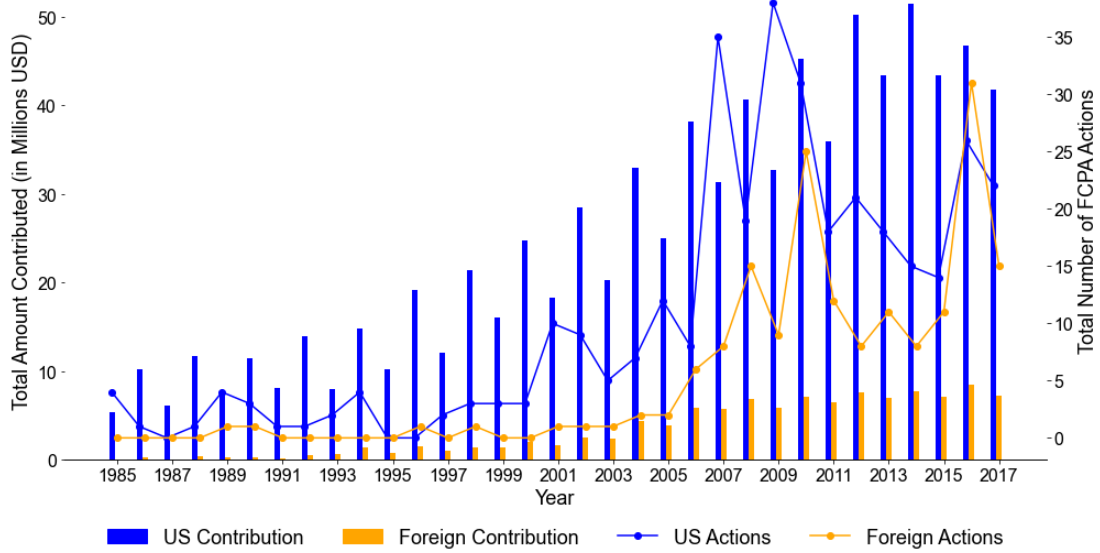
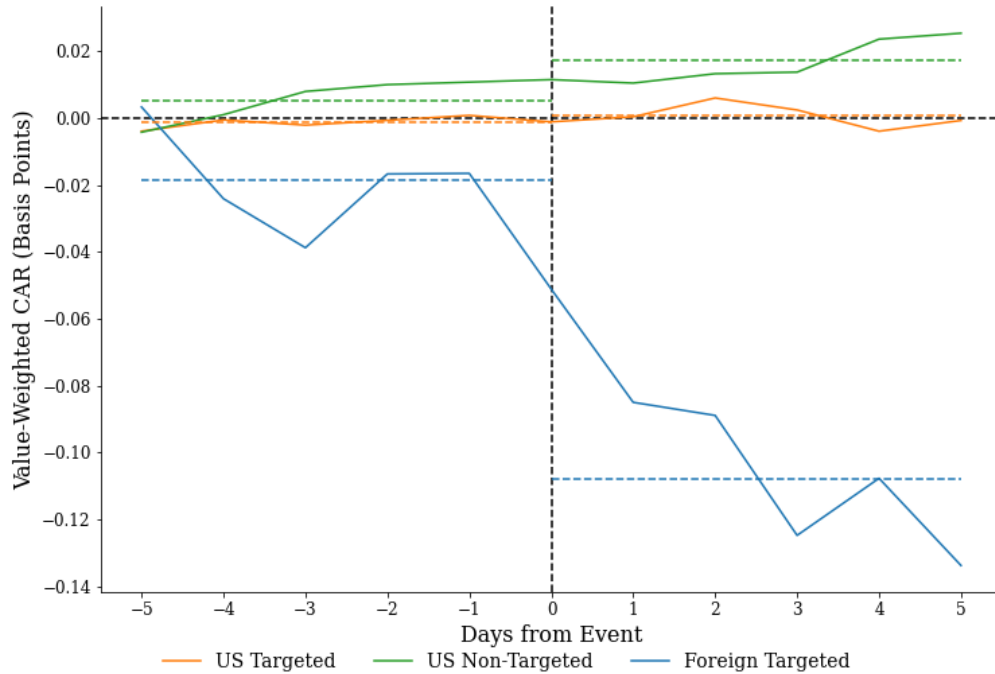


Figure 9: Value-Weighted CAR of FCPA Companies: Foreign Targeted vs. US Targeted vs. US Non-Targeted using Market Method, Adjusting the Event Date using Combined Method.

This figure shows stock market responses and value implications and costs of FCPA enforcement targeting. The CAR is calculated after adjusting for the FF48 industry-adjusted return. We show differential effects between enforcement and investigations by studying three sets of firms: 1) returns to foreign firms targeted by FCPA enforcement actions (Foreign Targeted); 2) for the same FCPA enforcement actions against the foreign firms, returns of their US non-targeted firm peers (US Non-Targeted); 3) returns to US firms targeted by FCPA enforcement actions (US Targeted).



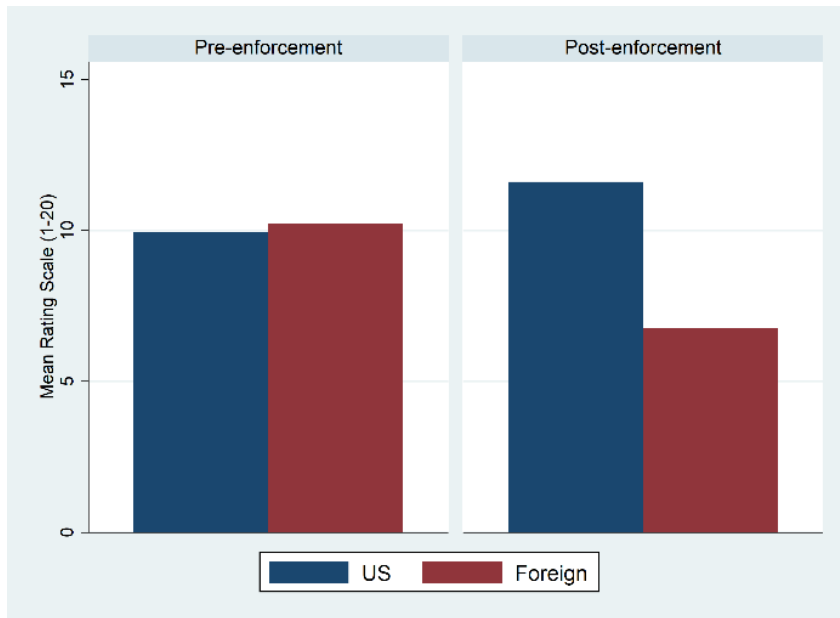
T-test for Value-Weighted CAR of FCPA Targeted and Non-Targeted Companies.

	[-5, -1]	[0, 5]	Diff (Post-Pre)	T-stat
US Targeted	0.0009	-0.0015	-0.0024	-0.08
US Non-Targeted	0.0108	0.0146	0.0038	4.17
Foreign Targeted	-0.0165	-0.1173	-0.1008	-2.65
Diff (Foreign Targeted – US-Non Target)	-0.0273	-0.1319		
T-stat	-2.86	-5.57		
Diff (Foreign Targeted – US-Target)	-0.0173	-0.1158		
T-stat	-1.57	-3.21		

Figure 10: Rating Changes for Targeted Firms.

This figure displays the changes in firm-level credit ratings following enforcements from the S&P Entity Rating from WRDS. We map the long-term ratings to a numerical scale, where 20 indicates the highest rating (“AA+”) and 1 indicates the lowest rating (“D”) in our sample of targeted firms, from the year prior to enforcement to two years afterward. The average rating for a targeted firm is BB (equivalent to 10).

Panel A: Rating Scale



Panel B: Investment Grade

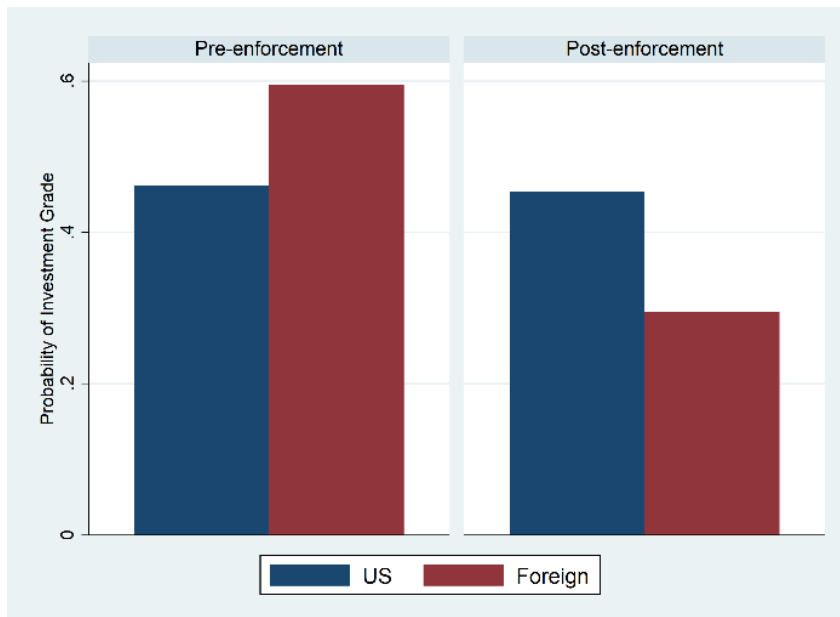
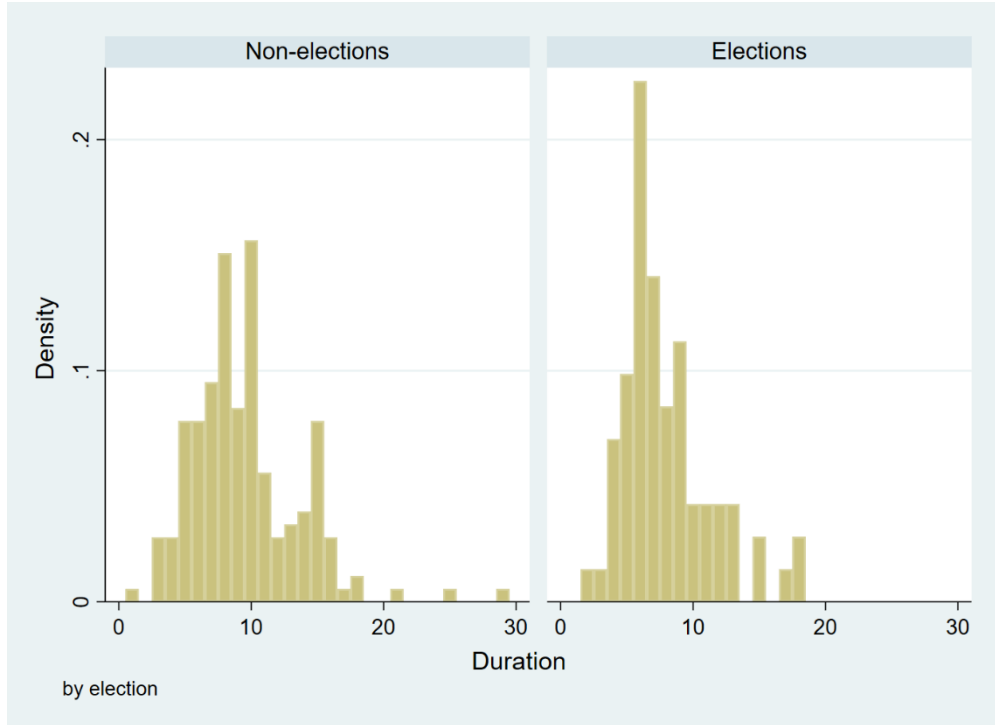


Figure 11: Strategic Timing of Enforcements

This figure shows the average duration for states in elections versus non-election years. We focus on the difference in timing of cases in election years for foreign FCPA bribery cases.



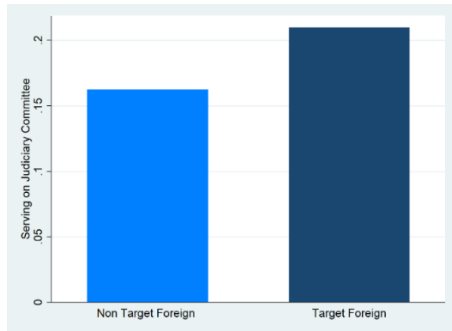
T-test on the Average Duration for States in Election Years vs. Non-Election Years.

	Non-elections	Elections	Diff (Non-elections– Elections)	T-stat	P-value
Duration	9.519	7.986	1.533	2.790	0.005

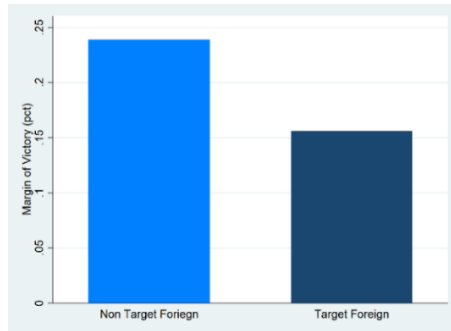
Figure 12: Attributes of Senators and Senate Races Conditional on Targeting Firms.

This figure shows political attributes associated with senators. Panel A measures the likelihood of senators serving on the Judiciary Committee conditional on targeting foreign or domestic firms. The y-axis represents that the senator who is facing re-election serves on the Judiciary Committee in pre-election in which they target domestic or foreign firms. Panel B measures targeting based on competitiveness of elections. The y-axis in Panel B measures the average margin of victory for senators in elections in which they target domestic or foreign firms. Panel C measures the likelihood of a senator’s party controlling the executive branch (DOJ) when targeting foreign or domestic firms. The y-axis in Panel C is the average likelihood of a senator’s party controlling the executive branch during targeting of domestic or foreign firms.

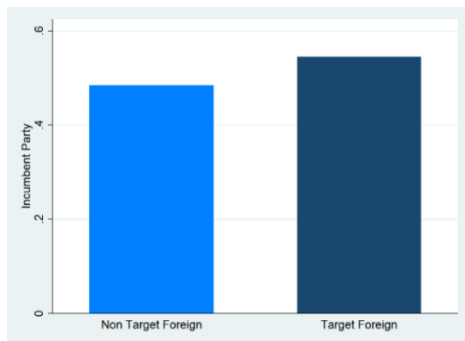
Panel A: Sitting on Judiciary Committee



Panel B: Tightness of Senate Race



Panel C: Membership of Same-Party President



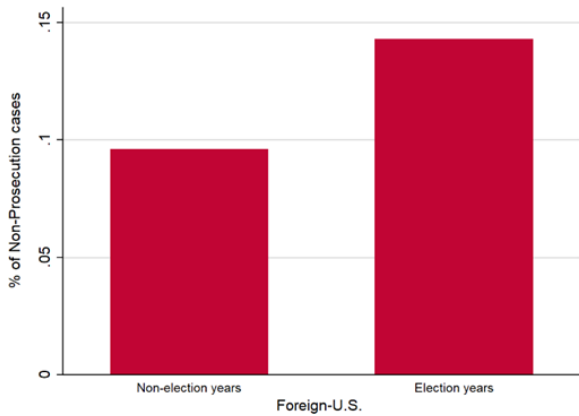
T-tests on Senator Attributes when Targeting Foreign vs. Domestic Firms:

	Non-Target Foreign	Target Foreign	Diff (Target Foreign– Non-Target Foreign)	T-stat	P-value
Member on Judiciary Committee	0.163	0.209	0.046	3.123	0.002
Tightness of Senate Race	0.239	0.156	-0.083	-12.702	0.000
Member of Same-Party President	0.484	0.545	0.061	3.040	0.002

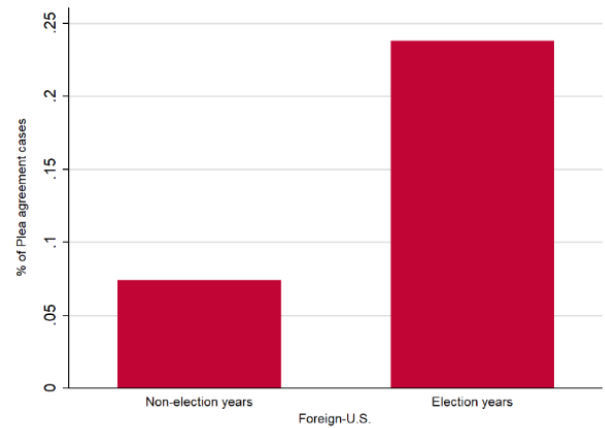
Figure 13: Case Resolution Outcomes: Proxies for Weaker Cases.

Panel A plots the difference-in-differences in the fraction of cases that never reach trial—because they are resolved in non-prosecutions between foreign and US companies. The figure shows the difference between (foreign-US) percentages of these types of cases in election years vs. non-election years. Panel B shows the parallel difference in the fraction of cases resolved in plea agreements between (foreign-US) companies and between election years and non-election years. Panel C shows the average sanction-to-bribe ratio, and Panel D shows the average number of payment forms (e.g., cash, non-cash gifts, travel, lodging, electronics, computer equipment, clothing, accessories etc.).

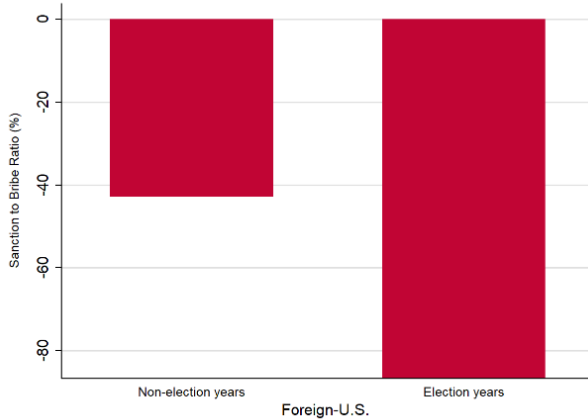
Panel A: Cases Never Reaching Court



Panel B: Plea Agreement Cases



Panel C: Sanction-to-Bribe Ratio



Panel D: Forms of Bribery Payment

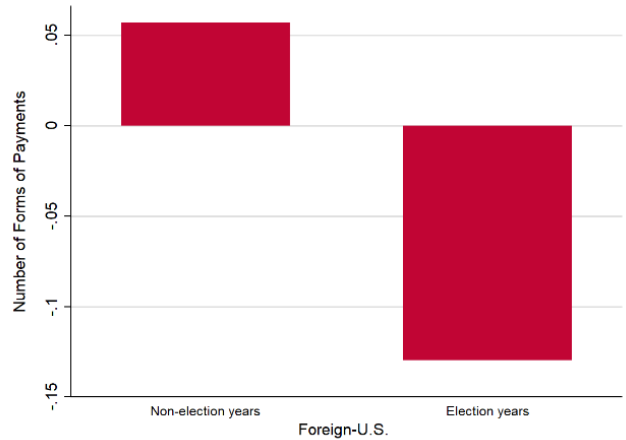


Table 1
Bribery Enforcements by Country and Industry

Panel A illustrates the top 10 largest monetary sanctions and the top 10 longest delays (from bribery to enforcement) by DOJ ranked by the Stanford Law School Foreign Corrupt Practices Act Clearinghouse (FCPAC). Panel B and Panel C show the number of enforcement actions and the number of listed firms involved in bribery over the sample period (1978 to 2017) based on the country where bribery was alleged to occur. *Corruption Perceptions Index* is obtained from Transparency International from 1998 to 2017 and calculated using different data sources from different institutions that capture perceptions of corruption with a focus on the public sector. Since 2012, the index has a scale of 0–100 where a 0 indicates the highest level of perceived corruption and 100 indicates the lowest level of perceived corruption (prior to 2012, it has a scale of 0–10). In all analyses, we transform the index to a *corruption score* of 0–10 for interpretation, where a higher score denotes more corruption. Panel B provides distribution across industries, and Panel C shows the number of cases and the number of firms targeted across countries

Panel A: Largest US Monetary Sanctions and Longest Investigations by DOJ

Largest Monetary Sanctions	Monetary Sanctions (\$)	Longest DOJ Investigations	Years
Odebrecht S.A.	3,557,626,137	Alcoa World Alumina LLC	25
Goldman Sachs	2,617,088,000	Total S.A.	18
Airbus	2,091,978,881	Marubeni	18
Petrobras	1,786,673,797	JGC Corporation	17
Ericsson	1,060,570,832	Tyson Foods	17
Telia Company	965,604,372	Rolls-Royce	16
Mobile Telesystems	850,000,400	Technip	16
Siemens Aktiengesellschaft	800,002,000	Kellogg Brown & Root	15
VimpelCom	795,326,798	Teva Pharmaceutical	15
Alstom S.A.	772,291,200	Alstom	15

Panel B: Enforcement by Targeted Industry

Targeted Industry	NAICS2	Total Number of Cases	Total Number of Firms
Manufacturing	31–33	229	110
Mining, Quarrying, and Oil and Gas Extraction	21	60	21
Finance and Insurance	52	29	13
Professional, Scientific, and Technical Services	54	19	10
Information	51	19	7
Wholesale Trade	42	15	7
Transportation and Warehousing	48–49	14	7
Construction	23	10	3
Agriculture, Forestry, Fishing, and Hunting	11	8	3
Health Care and Social Assistance	62	5	2

Panel C: Enforcement by Country in which Alleged Corruption Occurred

Country ISO	Country	Enforcement Case Ranking	Total Number of Cases	Total Number of Firms	Corruption Score
CHN	China	1	95	53	6.1
NER	Nigeria	2	65	29	7.4
IRQ	Iraq	3	46	22	8.5
VEN	Venezuela	4	45	10	8.0
MEX	Mexico	5	43	19	6.6
BRA	Brazil	6	38	21	6.0
IDN	Indonesia	7	36	18	6.8
RUS	Russia	8	32	15	7.7
SAU	Saudi Arabia	9	25	13	5.6
ARG	Argentina	10	25	13	7.0
KAZ	Kazakhstan	11	23	13	7.1
THA	Thailand	12	22	9	6.2
AGO	Angola	13	19	12	7.7
GAB	Gabon	14	19	4	7.2
PAN	Panama	15	14	3	6.2
EGY	Egypt	16	14	8	7.1
KOR	South Korea	17	14	6	4.6
ECU	Ecuador	18	13	4	7.7
ARE	United Arab Emirates	19	12	6	3.2
LBY	Libya	20	12	6	8.3
VNM	Vietnam	21	12	7	6.7
GNQ	Equatorial Guinea	22	11	7	8.1
COD	Democratic Republic of Congo	23	11	6	7.8
UZB	Uzbekistan	24	11	6	8.4
POL	Poland	25	10	8	4.5
GRC	Greece	26	10	7	6.6
CRI	Costa Rica	27	10	4	5.2
AZE	Azerbaijan	28	10	6	7.8
BGD	Bangladesh	29	10	7	7.3
TWN	Taiwan	30	9	4	4.4
TUR	Turkey	31	8	4	5.9
COL	Colombia	32	8	4	6.2
PHL	Philippines	33	8	4	7.7
SEN	Senegal	34	7	2	6.7
HTI	Haiti	35	7	2	7.8
KWT	Kuwait	36	7	5	5.1
MYS	Malaysia	37	7	3	5.6
HND	Honduras	38	7	2	7.6
UKR	Ukraine	39	6	3	7.1

IRN	Iran	40	6	4	7.5
GHA	Ghana	41	6	4	5.7
HRV	Croatia	42	6	3	5.4
TCD	Chad	43	6	2	8.0
MNE	Montenegro	44	6	3	5.5
RWA	Rwanda	45	5	1	7.2
MOZ	Mozambique	46	5	4	7.3
PAK	Pakistan	47	5	4	7.3
KGZ	Kyrgyzstan	48	5	2	8.0
BEN	Benin	49	5	2	7.1
MRT	Mauritania	50	4	3	7.3

Table 2
Descriptive Statistics

This table presents the summary statistics of targeted and non-targeted firms. The sample includes Compustat North America and Global listed firms with subsidiary information from the Bureau van Dijk Orbis Database across all countries. *Target* indicates whether firms were subject to US Department of Justice (DOJ) or Securities and Exchange Commission (SEC) FCPA enforcement during the sample period from 1985 to 2017. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement during the sample period and equals zero otherwise. *Pre-election* is an indicator that equals one if the enforcement occurs one year prior to the election year.

Firm-Level Annual Variables, Years 1985–2017, Firms = 8,677				
	Mean	Median	Standard Deviation	Obs.
Target	0.015	0.000	0.121	137,844
Target US	0.009	0.000	0.095	137,844
Target Foreign	0.006	0.000	0.076	137,844
Pre-election	0.350	0.000	0.477	137,844
Size	7.101	6.833	3.169	137,844
Leverage	0.543	0.543	0.242	137,844
Cash	0.156	0.101	0.166	137,844
ROA	0.086	0.099	0.153	137,844
Sales Growth	0.216	0.125	0.561	137,844
Locally Important Industries	0.0348	0.0211	0.0316	91,555
US Segment Share	0.374	0.522	0.230	58,000
Corruption Exposure	4.206	4.652	1.272	62,142
Log (# Segments in Top 50 Ranked Corrupt Countries)	1.699	2.079	1.480	62,142
Log (# Segments in Top 100 Ranked Corrupt Countries)	2.237	2.944	1.769	62,142
Log (Segment Sales in Top 50 Ranked Corrupt Countries)	10.926	14.772	8.931	62,142
Log (Segment Sales in Top 100 Ranked Corrupt Countries)	12.771	16.825	9.485	62,142

Table 3
Senate Elections and Anti-Bribery Enforcement

This table presents regression analyses of anti-bribery enforcements on Senate elections. The sample includes Compustat North America and Global listed firms with subsidiary information from Bureau van Dijk Orbis Database during the full sample period from 1985 to 2017. $Target_{it}$ is a 0–1 variable that takes a value of one when firm i is targeted by FCPA enforcement in year t , and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterward. $Target\ Foreign_{it}$ and $Target\ US_{it}$ are defined equivalently for firms headquartered in foreign jurisdictions and the US. The main independent variable of interest, $Pre-election$, is an indicator that equals one if the enforcement occurs one year prior to the election year. Firm-level controls include size (the log of assets), leverage (the sum of long-term debt plus current debt divided by total assets), cash (cash divided by total assets), ROA (operating income divided by total assets), sales growth (three-year average of annual growth in sales in US dollars). State-level control $State\ GDP$ is the logarithm of gross domestic product by state in thousands of dollars). $State\ Employment\ Rate$ is the state-level employment rate from the Bureau of Economic Analysis. ***, **, or * indicates that the regression coefficient is statistically significant at the 1%, 5%, and 10% levels, respectively.

	Target			Target US			Target Foreign		
	1985–2017		2006–2017	1985–2017		2006–2017	1985–2017		2006–2017
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-election	0.0008 (0.0006)	0.0007 (0.0007)	-0.0003 (0.0016)	-0.0005 (0.0005)	-0.0006 (0.0005)	-0.0013 (0.0010)	0.0013*** (0.0004)	0.0014*** (0.0004)	0.0027*** (0.0010)
Pre-election × Foreign			0.0032** (0.0013)						
Size	0.0077*** (0.0008)	0.0001 (0.0013)	-0.0011 (0.0012)	0.0045*** (0.0007)	0.0012 (0.0008)	-0.0002 (0.0006)	0.0031*** (0.0005)	-0.0011 (0.0011)	-0.0009 (0.0011)
Leverage	0.0085 (0.0065)	0.0080 (0.0069)	-0.0037 (0.0059)	0.0024 (0.0044)	0.0089 (0.0061)	-0.0022 (0.0041)	0.0061 (0.0052)	-0.0008 (0.0031)	-0.0016 (0.0042)
Cash	0.0088 (0.0056)	0.0149** (0.0059)	-0.0021 (0.0060)	0.0011 (0.0044)	0.0196*** (0.0047)	0.0041 (0.0041)	0.0077** (0.0036)	-0.0047 (0.0036)	-0.0061 (0.0043)
ROA	-0.0183*** (0.0052)	-0.0005 (0.0058)	-0.0055 (0.0051)	-0.0042 (0.0035)	-0.0021 (0.0044)	-0.0015 (0.0031)	-0.0140*** (0.0041)	0.0016 (0.0039)	-0.0040 (0.0041)
Sales Growth	-0.0051*** (0.0008)	-0.0004 (0.0011)	-0.0008 (0.0009)	-0.0037*** (0.0008)	-0.0007 (0.0008)	-0.0005 (0.0006)	-0.0014*** (0.0004)	0.0003 (0.0009)	-0.0003 (0.0008)
Employment Rate	0.3159** (0.1236)	0.3974** (0.1603)	0.4588** (0.1962)	0.1120 (0.0726)	0.1414 (0.0921)	0.1194 (0.1275)	0.2039** (0.0999)	0.2560* (0.1347)	0.3391** (0.1497)
Log(Population)	0.1256*** (0.0430)	0.1577*** (0.0567)	0.1775* (0.0925)	0.0527* (0.0313)	0.0633 (0.0419)	0.0505 (0.0604)	0.0729** (0.0289)	0.0943** (0.0393)	0.1269* (0.0674)
Log(GDP)	-0.0622* (0.0341)	-0.0807* (0.0436)	-0.1335** (0.0628)	-0.0101 (0.0204)	-0.0087 (0.0259)	-0.0140 (0.0238)	-0.0521* (0.0277)	-0.0721** (0.0360)	-0.1189** (0.0589)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry FE	Yes	Subsumed	Subsumed	Yes	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Observations	137,835	137,831	68,362	137,835	137,831	68,362	137,835	137,831	68,362
R-squared	0.1635	0.4682	0.7588	0.1292	0.4703	0.7734	0.1497	0.4276	0.7069

Table 4
Constituent Interests: Important Industries to Local Voters

This table presents regressions of enforcement on locally important industries for our main sample. The variable *Locally Important Industries* is a continuous variable measuring the share of the economy each industry represents in the state. We measure this using establishment-level share at the two-digit SIC code level. Locally Important Industries thus varies over time at the state-industry-year level. $Target_{it}$ is a 0–1 variable that takes a value of one when firm i is targeted by FCPA enforcement in year t , and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterward. $Target\ Foreign_{it}$ and $Target\ US_{it}$ are defined equivalently for firms headquartered in foreign jurisdictions and the US, respectively. The main independent variable of interest, *Pre-election*, is an indicator that equals one if the enforcement occurs one year prior to the election year.

	Target			Target US			Target Foreign		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-election	0.0030*** (0.0011)	0.0034*** (0.0012)	0.0034*** (0.0012)	0.0002 (0.0009)	0.0001 (0.0009)	0.0002 (0.0008)	0.0028*** (0.0007)	0.0033*** (0.0009)	0.0032*** (0.0009)
Locally Important Industries	-0.1834*** (0.0612)	-0.2084 (0.1278)	-0.4017** (0.1655)	-0.1195** (0.0551)	-0.2921** (0.1163)	-0.1820 (0.1219)	-0.0639** (0.0269)	0.0837 (0.0897)	-0.2197** (0.0976)
Pre-election × Locally Important Industries	-0.0250* (0.0150)	-0.0283** (0.0133)	-0.0217 (0.0136)	-0.0067 (0.0122)	-0.0037 (0.0104)	-0.0050 (0.0097)	-0.0182** (0.0087)	-0.0247*** (0.0084)	-0.0167* (0.0097)
Firm and State Controls	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry FE	Yes	Yes	Subsumed	Yes	Yes	Subsumed	Yes	Yes	Subsumed
Firm FE	No	No	Yes	No	No	Yes	No	No	Yes
Observations	91,555	91,555	91,474	91,555	91,555	91,474	91,555	91,555	91,474
R-squared	0.0467	0.2120	0.6047	0.0269	0.1641	0.6180	0.0768	0.2018	0.5550

Table 5
Electoral Outcomes Associated with Enforcement

Panel A reports regressions of the enforcement actions on election outcomes. $\text{Log}(\text{votes})$ is the logarithm of the number of votes that the candidates receive. *Target US* equals one when a US firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterward. *Target Foreign* equals one if a foreign firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years. *US Competitor* is the share of a company's competitors that are located in the US from the FactSet-Revere Data. Panel B shows the effect of FCPA-related tweets (collected from Twitter) on a candidate's poll support measured in percentage points (collected from FiveThirtyEight) from 2008 to 2017. FCPA Enforcement is a dummy variable that equals one if there is an FCPA enforcement during the month of the poll. *FCPA Tweets Ratio Past 6M* is the ratio of FCPA-related tweets to total number of tweets a senator tweeted in the six months prior to the poll.

Panel A: Effect of FCPA Targeting on Voting Behavior

	Log(votes)			
	(1)	(2)	(3)	(4)
Target US	0.1342 (0.1293)		0.0060 (0.0786)	
Target Foreign		0.3039** (0.1407)		-0.1912* (0.1041)
US Competitor			4.3073*** (1.2153)	3.0604*** (1.1417)
Target US*US Competitor			-3.6295 (3.1549)	
Target Foreign*US Competitor				13.3016*** (3.6827)
State FE	Yes	Yes	Yes	Yes
Observations	795	795	327	327
R-squared	0.6204	0.6222	0.9429	0.9465

Panel B: Effect of FCPA Content in Tweets on Candidate's Poll Support

	Poll Support (%)	
	(1)	(2)
Foreign FCPA Enforcement	1.874*	
	(1.096)	
Foreign FCPA Enforcement * FCPA Tweets Ratio Past 6M	54.891***	
	(14.835)	
US FCPA Enforcement		-3.226***
		(1.094)
US FCPA Enforcement * FCPA Tweets Ratio Past 6M		-51.137***
		(14.244)
FCPA Tweets Ratio Past 6M	-18.067	40.155***
	(13.898)	(8.401)
Year-Month FE	Yes	Yes
State FE	Yes	Yes
Party FE	Yes	Yes
Observations	963	963
R-squared	0.896	0.896

Table 6
PAC Contributions

This table explores the Political Action Committee (PAC) contribution behavior of firms preceding elections. The dependent variable is the dollar amount of PAC contributions (in thousands of USD) made by a given firm to a candidates up for re-election from 1985 to 2017. Panel A explores variation in PAC contributions surrounding elections. PAC data is sourced from the Federal Election Commission (FEC), and Pre-election is an indicator that equals one if the enforcement occurs one year prior to the election year. We include the following state-level controls: state GDP (in billion USD), population in 10,000 people, and employment rate in the percentage of employment rate in a given year. To capture the effect of contributions on the likelihood of being targeted, in Panel B we run a 2SLS model with election being the instrument variable for PAC contributions from the first-stage regression.

Panel A: PAC Contributions Surrounding Elections

	Total PAC	Domestic PAC	Foreign PAC
Pre-election	0.064*** (0.018)	0.068** (0.019)	0.030* (0.013)
State controls	Yes	Yes	Yes
State FE	Yes	Yes	Yes
PAC FE	Yes	Yes	Yes
Observations	743,219	664,243	78,976
R-squared	0.095	0.093	0.127

Panel B: Election-Driven PAC Contributions and Target Probability

	Target	
Electoral-Based Contributions	-0.239*** (0.021)	-0.227*** (0.019)
State FE	No	Yes
Observations	865,146	865,146

Table 7:
Segment Reallocation away from Corruption Exposure Following Enforcement

Panel A shows changes in firms' corruption exposure and the number of segments in countries with high corruption rankings after anti-bribery enforcements. In columns 1–4, the dependent variable corruption exposure at firm level is constructed as $Corruption\ Exposure_{it} = \sum_{s \in S} Corruption\ Score_{ct} \times \frac{Segment_{i,ct}}{Num\ Segments_{i,t}}$, where $Corruption\ Score$ equals 10 minus the *Corruption Perceptions Index* obtained from Transparency International from 1998 to 2017. A higher corruption score indicates more perceived corruption. $Segment_{i,c}$ denotes whether a firm i has a segment operating in country c in year t , and $Num\ segments_{i,t}$ denotes the total number of segments for firm i in year t . The corruption exposure measure increases in perceived corruption across segments. The dependent variables $Log(\# Segments\ in\ Top\ 50)$ in columns 5 and 7 and $Log(\# Segments\ in\ Top\ 100)$ in columns 6 and 8 equal the logarithm of the number of segments operating in top 50 and top 100 most perceived corrupt countries according to Transparency International. $Target\ US$ equals one when a US firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterward. $Target\ Foreign$ equals one if a foreign firm was subject to anti-bribery enforcement in year t , and remains one in the subsequent years. Panel B runs an identical specification for regression but with the dependent variable focusing on reallocation of sales (as opposed to # of segments, from Panel A). $Log(Segment\ Sales\ in\ Top\ 50)$ and $Log(Segment\ Sales\ in\ Top\ 100)$ thus equal the logarithm of the segment sales in the top 50 and top 100 ranked most corrupt countries, respectively, according to Transparency International.

Panel A: Changes in Corruption Exposure Following Enforcement

	Corruption Exposure				Log (# Segments in Top 50)	Log (# Segments in Top 100)	Log (# Segments in Top 50)	Log (# Segments in Top 100)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Target US	-0.6630*** (0.2065)	-0.1819*			-0.1286*** (0.0242)	-0.1761*** (0.0297)		
Target Foreign			-1.8111*** (0.3070)	-0.2451** (0.1065)			-0.2009*** (0.0292)	-0.2603*** (0.0358)
State, Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry, Year FE	Yes	Subsumed	Yes	Subsumed	Subsumed	Subsumed	Subsumed	Subsumed
Firm FE	No	Yes	No	Yes	Yes	Yes	Yes	Yes
Observations	62,139	62,059	62,139	62,059	62,059	62,059	62,059	62,059
R-squared	0.6509	0.9096	0.6560	0.9096	0.9603	0.9581	0.9603	0.9581

Panel B: Changes in Segment Sales after Enforcement

	Log (Segment Sales in Top 50)		Log (Segment Sales in Top 100)		Log (Segment Sales in Top 50)		Log (Segment Sales in Top 100)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Target US	-1.9509*** (0.1460)	-0.3184* (0.1796)	-1.6151*** (0.1738)	-0.4918** (0.1936)				
Target Foreign					-1.2968*** (0.1990)	-0.2584 (0.2194)	-1.8017*** (0.2367)	-0.5318** (0.2365)
State, Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country, State, Industry, Year FE	Yes	Subsumed	Yes	Subsumed	Yes	Subsumed	Yes	Subsumed
Firm FE	No	Yes	No	Yes	No	Yes	No	Yes
Observations	60,072	59,989	60,072	59,989	60,072	59,989	60,072	59,989
R-squared	0.8932	0.9391	0.8643	0.9365	0.8930	0.9391	0.8642	0.9365

Table 8
Which Country's Firms Reduce Corruption Exposure Most Intensely Following FCPA Enforcement?

This table shows the heterogeneous effect across home country corruption norms and the changes in the number of segments in countries with high corruption rankings after anti-bribery enforcements. Home High Corrupt equals one if a firm is headquartered in a country with a corruption score above the mean and equals zero otherwise. In columns 1 and 2, the dependent variable corruption exposure at firm level is constructed as $Corruption\ Exposure_{it} = \sum_{s \in S} Corruption\ Score_{ct} \times \frac{Segment_{i,c,t}}{Num\ Segments_{i,t}}$, where *Corruption Score* equals 10 minus the *Corruption Perceptions Index* obtained from Transparency International from 1998 to 2017. A higher corruption score indicates more perceived corruption. $Segment_{i,c}$ denotes whether a firm *i* has a segment operating in country *c* in year *t*, and $Num\ segments_{i,t}$ denotes the total number of segments for firm *i* in year *t*. The corruption exposure measure increases in the perceived corruption across segments. The dependent variables *Log (# Segments in Top 50)* in columns 3 and 4 and *Log (# Segments in Top 100)* in columns 5 and 6 equal the logarithm of the number of segments operating in top 50 and top 100 most perceived countries, respectively, according to Transparency International. *Post-Targeting* equals one in the years following the enforcement.

	Corruption Exposure		Log (# Segments in Top 50)		Log (# Segments in Top 100)	
	(1)	(2)	(3)	(4)	(5)	(6)
Post-Targeting	-1.7573*** (0.0603)	-1.8071*** (0.0584)	-2.1135*** (0.0527)	-2.1803*** (0.0521)	-2.4740*** (0.0646)	-2.5734*** (0.0636)
Home High Corrupt	0.2057*** (0.0078)	0.0858*** (0.0101)	0.0245*** (0.0068)	0.0232*** (0.0090)	0.0361*** (0.0084)	0.0377*** (0.0109)
Post-Targeting × Home High Corrupt	0.6759*** (0.1277)	0.6867*** (0.1255)	0.7469*** (0.1116)	0.7624*** (0.1120)	0.9253*** (0.1369)	0.9200*** (0.1367)
Year, State, Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	No	Yes	No	Yes	No	Yes
Observations	62,072	62,072	62,072	62,072	62,072	62,072
R-squared	0.6278	0.6560	0.7902	0.7977	0.7789	0.7892

Table 9
The Scope of Influence

Panel A shows the relationship between the probability of enforcement and party alignment between the senator and the President for our main sample. $Target_{it}$ is a 0–1 variable that takes a value of one when firm i is targeted by FCPA enforcement in year t , and remains one in the subsequent years as these targeted firms are still subject to stringent monitoring and compliance costs years afterward. $Target\ Foreign_{it}$ and $Target\ US_{it}$ are defined equivalently for firms headquartered in foreign jurisdictions and the US, respectively. The main independent variable of interest, $Pre\ election$, is an indicator that equals one if the enforcement occurs one year prior to the election year. $Same\ Party\ President$ equals one if senators from the president’s party and equals zero otherwise. Panel B reports panel regressions of the probability of enforcement on election cycles and the presence of a Judiciary Committee. The Senate Judiciary Committee data is from Edwards and Stewart (2006), from the 103rd through 115th Congresses with committee assignments.

Panel A: Political Alignment with the Department of Justice (DOJ)

	Target (1)	Target US (2)	Target Foreign (3)
Pre-election	-0.0006 (0.0010)	-0.0009 (0.0007)	0.0004 (0.0006)
Same-Party President	-0.0027 (0.0018)	-0.0014 (0.0009)	-0.0013 (0.0012)
Pre-election × Same-Party President	0.0027* (0.0015)	0.0007 (0.0010)	0.0020** (0.0008)
Firm and State Controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Country, State, Industry FE	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes
Observations	137,840	137,840	137,840
R-squared	0.4683	0.4704	0.4277

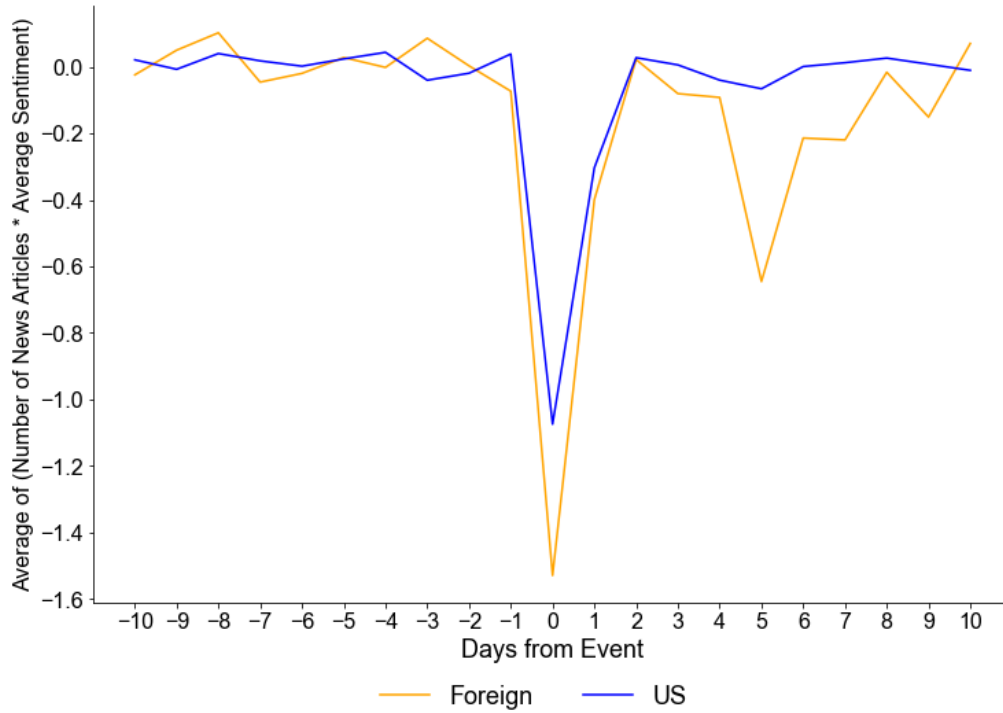
Panel B: Judiciary Committee Membership and Enforcement

	Target (1)	Target US (2)	Target Foreign (3)
Pre-election	-0.0001 (0.0010)	-0.0013* (0.0007)	0.0012* (0.0006)
Judiciary Committee	0.0038*** (0.0005)	0.0020*** (0.0004)	0.0018*** (0.0003)
Pre-election × Judiciary Committee	0.0023** (0.0009)	0.0011 (0.0007)	0.0012** (0.0006)
State and Firm Controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Country, State, Industry FE	Subsumed	Subsumed	Subsumed
Firm FE	Yes	Yes	Yes
Observations	124,276	124,276	124,276
R-squared	0.5121	0.5318	0.4478

Online Appendix
The Political Economy of Anti-Bribery Enforcement

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

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

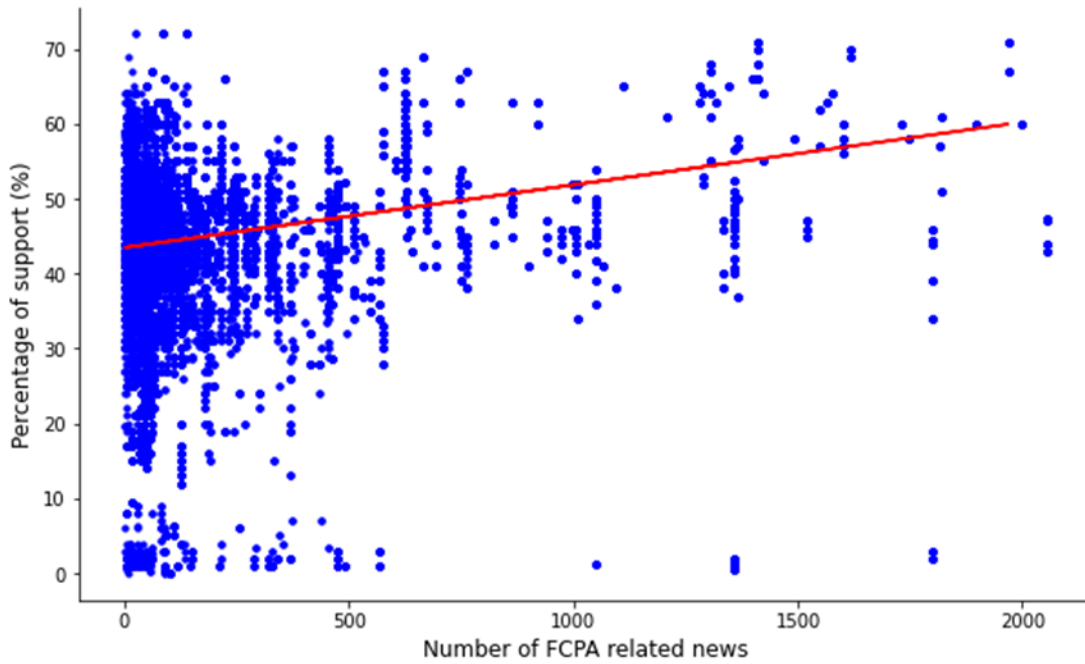


T-test for the Interaction of Number of News Articles and Sentiment.

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

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

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



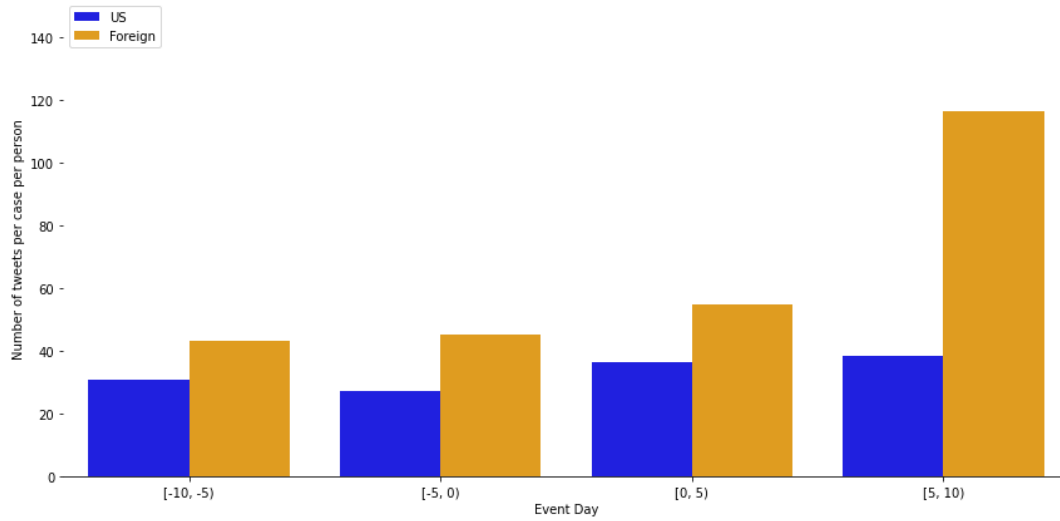
T-test for Monthly FCPA News Coverage and Poll Outcomes

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

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

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

Panel A: Winning Candidates



Panel B: Non-Winning Candidates

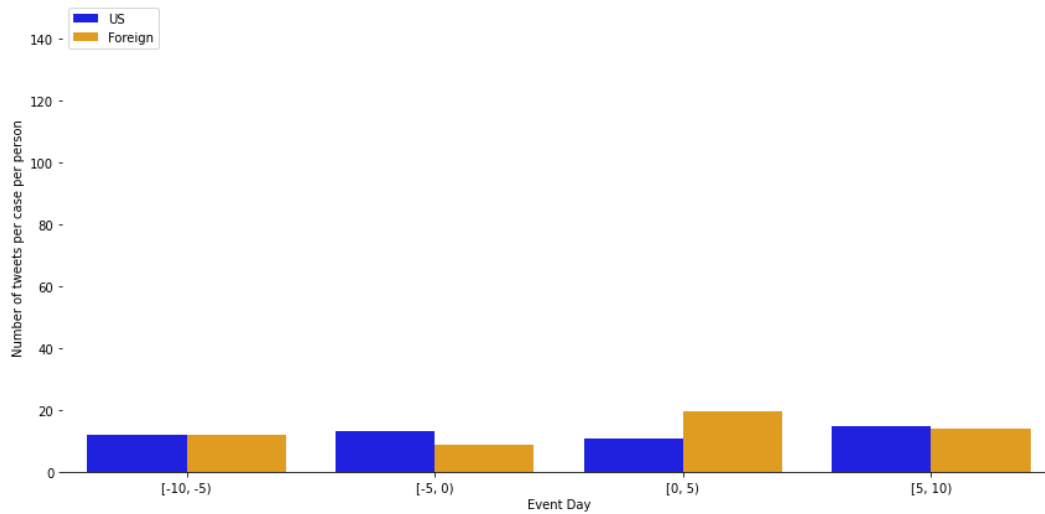
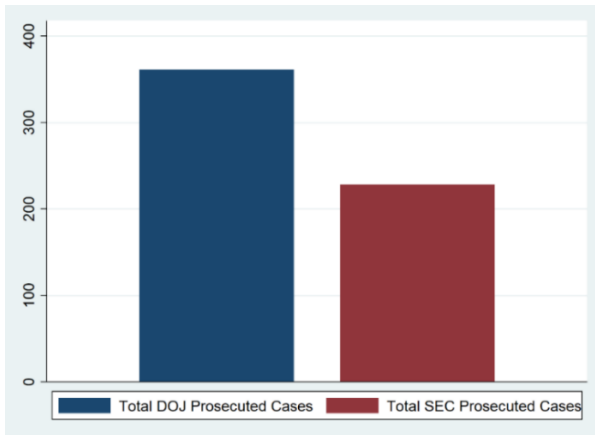


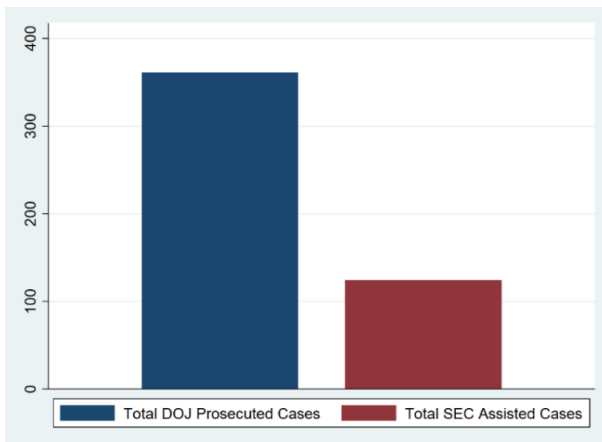
Figure A4: Breakdown of Cases Brought by the DOJ and SEC

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

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



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



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

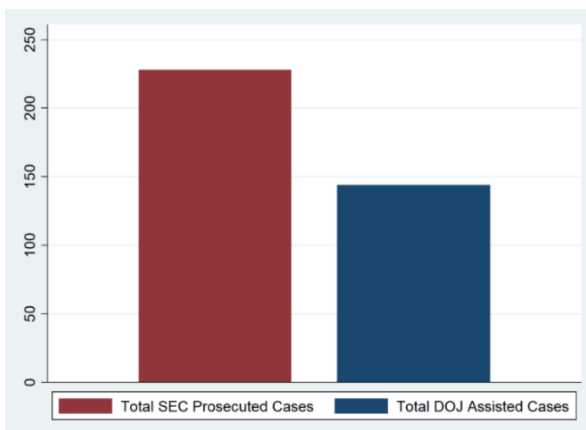


Table A1
Summary Statistics of Enforcements

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

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

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

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

Table A2
Main Specification: Matched Sample

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

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

Table A3
Alternative Specification of Enforcement

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

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

Table A4
Placebo Tests of Election Timing and Location

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

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

Table A5
Removing the First Time Election Sample

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

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

Table A6
Foreign Companies' Exposure to the US and Targeting

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

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

Table A7
Enforcement and Media Coverage

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

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

**Table A8:
Other Congressional Committees**

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

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

Table A9
The Voting and Political Alignment of Individual Senators

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

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

Table A10
DOJ versus SEC Enforcement

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

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

Table A11
SEC Regional Offices

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

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

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

B1. Anecdotal Evidence on Political Influence

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

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

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

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

Cornyn Bill to Crack Down On Public Corruption Passes Judiciary Committee

Cornyn Bill to Crack Down On Public Corruption Passes Judiciary Committee

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

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

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

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

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

Friday, March 24, 2017

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

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

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

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

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

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

Renaë Merle

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

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

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

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

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

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

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

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

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

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

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

Senators Introduce Combating Global Corruption Act of 2017

April 28, 2017

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

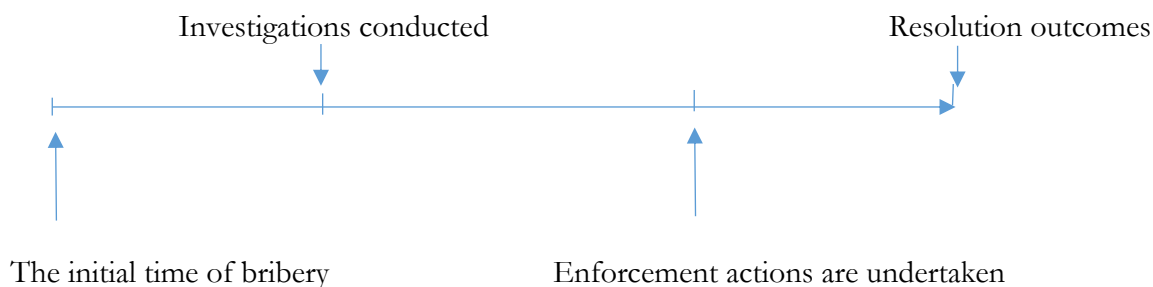
Senator Ben Cardin and Republican co-sponsors [recently](#) introduced a bill titled the “Combating Global Corruption Act of 2017,” which seeks “to identify and combat corruption in countries, to establish a tiered system of countries with respect to levels of corruption by their governments and their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

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

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

Appendix C: Details of the FCPA Process

FCPA Timeline



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

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

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

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

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

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

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

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

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

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

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

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

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

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