This thesis is a study of the People’s Republic of China’s lobbying activity during the 1980s, 1990s, and 2000s, with a focus on both the advocacy methods used by the Chinese to lobby the U.S. government, and the corporate interests that have continually weighed in on China’s behalf. Its primary purpose is to clarify the significant role that both U.S. multinational corporations and Chinese state-owned enterprises (SOEs) have played in China’s lobbying efforts in order to demonstrate the extent to which the Foreign Agents Registration Act (FARA) database—the main foreign lobbying transparency system—has failed to adequately capture the wealth and institutional resources that these interests have put into backing pro-Chinese trade legislation.¹

This work seeks to demonstrate this failure by collecting and parsing data taken from reports issued to Congress by the FARA Unit—the wing of the Department of Justice that serves as the main watchdog of foreign lobbying efforts—and contrasting it with corporate lobbying disclosures mandated by the Lobbying Disclosure Act of 1995, interviews with lobbyists that command high positions within some of Washington’s most powerful firms, previous scholarly works, congressional reports, and C.I.A. declassifications.² This aggregated data elucidates the drawbacks of the FARA system and brings to light a political landscape in which U.S. multinational corporations are pressured to lobby on China’s behalf for fear of economic
retribution—a phenomenon this thesis calls lobbying by proxy. Furthermore, it discusses a corporate insurgency in the United States that is amassing against Chinese economic interests, as well as the potential future developments of China’s lobbying efforts.

SECTION II – LITERATURE REVIEW

Section II A. – Developments of Chinese Lobbying Efforts

The first and most renowned scholar to analyze China’s attempts to alter U.S. policy is Robert G. Sutter of George Washington University. However, while Sutter mentions the interactions between China, lobbyists, and Congress, he neglects to address the role that U.S. multinational corporations and Chinese SOEs play in China’s lobbying process. Instead, he focuses on undocumented higher-level talks that allegedly took place between successive U.S. administrations and the upper echelons of Chinese officials. To Sutter’s credit, most of China’s efforts to lobby in the United States were targeted at the executive branch until around the mid-1990s. In his work that has been published after 2000, he fails to address the evolution of China’s lobbying methods and incorporate the activities of economic interests that weigh in on U.S. policy towards China.

In the rare instances where Sutter does allude to China’s efforts to lobby the U.S. Congress, he fails to explicitly explain what lobbying, in any specific sense, entails. This appears to be a common hole in scholarship on China’s lobbying activity for other historians as well, such as Qingshan, Dumbaugh, Jian, Xu, and Wang. 3 4 Dumbaugh does explore how interest groups weigh in on legislation that pertains to Chinese interests, but she does not unequivocally state the connection between U.S. multinational corporations and interest groups. This work will discuss the specific methods that Chinese interests use to lobby members of
Congress to both enact pro-China legislation and counteract anti-China legislation. It does so by interviewing K Street lobbyists and soliciting them to describe what the phrase actually means in terms of Chinese lobbying tactics.

Two newspaper articles first made the phenomenon of China pressuring U.S. multinational corporations into lobbying on behalf of Chinese interests salient to me. In the article “The New China Hands,” Ken Silverstein, a contributing editor for Harper’s, describes how China pressured U.S. corporations into supporting its bid for permanent normal trade relations (PNTR). Writing in 1997, he explains that, “While Beijing has been low-profile in approaching the Hill directly, Chinese authorities have made it known to the U.S. C.E.O.s that they expect them to stand up for China in Washington.” Silverstein cites China expert Ross Munro, who explains that insubordinate multinational corporations risk being barred from investing, putting up factories, or selling their products in China if they rebuff its demands. The second source is a 1994 Seattle Times article in which reporter Stanley Holmes interviews an anonymous vice president at Boeing, who is worried that his company’s future in China might be “toast,” because of what a Chinese official sees as his company’s lackluster lobbying efforts.

This study recognizes that U.S. corporations and China’s SOEs are the largest sources of wealth and resources that go into pro-China legislation, and seeks to demonstrate that agents within the Chinese Embassy in Washington solicit major U.S. corporations to lobby on the nation’s behalf. It will also elaborate on how these corporations allow China to lobby by proxy. Subsequently, by identifying the Chinese lobbying tactics that go undocumented in FARA disclosures, this work will demonstrate the failings of the primary foreign sovereign lobbying transparency system.
Section II B. – Developments of the Foreign Agents Registration Act (FARA)

In 1938, Congress passed the Foreign Agents Registration Act (FARA). The statute provided that every person working as an “agent of a foreign principal,” unless excluded by one of the Act’s exemptions, had to file a registration statement with the Secretary of State. Jahad Atieh, former editor-in-chief of the Journal of International Law at the University of Pennsylvania, argues that, at the time of its creation, “the law was not designed to substantively censor or restrict foreign propaganda,” but rather to deter the dissemination of anti-American ideology through mandatory disclosure requirements and fear of imprisonment. This work adopts Charles Lawson’s notion that the pejorative term propaganda remains tied to the act, citing it as one of the possible reasons that China, as a foreign principal lobbying the United States Congress, cultivates corporate proxies in order to avoid the untoward sentiments associated with appearing in FARA’s records.

However, Atieh and Mark Baker, breaking from previous scholarship, suggest that FARA has evolved as Congress has continually reshaped it to serve as a bulwark against anti-U.S. interests at the time. For instance, Atieh highlights a “slate of blatant enforcement failures led to significant public outcry against the excesses of lobbying, prompting Congress to question FARA’s efficacy.” Led by the Senate Foreign Relations Committee, Congress closed several loopholes that allowed non-registry, proposed increased penalties for non-compliance, and increased the operating budget for enforcement. This amendment created a broad new class of people who were obligated to register under FARA while simultaneously creating a new set of loopholes, such as the exemptions for attorneys and U.S.–based subsidiaries of foreign corporations. Michael Spak argues that, as there has been no subsequent closing of these
loopholes, the 1963 changes were the last major revision to FARA itself.\textsuperscript{15}

In its most recent iteration, FARA requires a \textit{foreign agent} representing a \textit{foreign principal} to register with the Department of Justice and file a disclosure that outlines the purpose of the representation as well as income and expenditures of the agent on the behalf of the foreign principal.\textsuperscript{16} The statute defines \textit{foreign principals} in four ways: foreign political parties; persons or organizations based outside of the United States (except for citizens of the United States); partnerships, associations, corporations, organizations, or any other combinations of persons inside the United States that are organized under laws of a foreign country; and partnerships, corporations, organizations, or any other combinations of persons inside the United States that have their principal place of business in a foreign country.\textsuperscript{17}

The act defines a \textit{foreign agent} as an individual or organization that acts under the order, request, or under the direct control of a foreign principal. Moreover, the definition also includes an individual or organization whose activities are directed by a foreign principal, acts in one or more of the four following capacities: engaging in political activities for or in the interests of a foreign principal.\textsuperscript{18} (The term “political activities” entails that the agent has a reasonable expectation that their behavior will influence any agency or official of the United States government or cleavage of the American public in terms of U.S. domestic or foreign policy or reference to the political or public interests of the foreign principal);\textsuperscript{19} acting in a public relations capacity for a foreign principal;\textsuperscript{20} soliciting or dispensing anything of value within the United States for a foreign principal,\textsuperscript{21} and representing the interests of a foreign principal before any agency or official of the U.S. government.\textsuperscript{22}

Yet the statute stipulates seven categories for foreign agents that are exempt from the registration requirement, the most significant of which is any agent engaging in lobbying activities while also registered under the Lobbying
Disclosure Act (LDA).\textsuperscript{23} The LDA was passed by Congress in 1995 in response to the 1980 Toshiba Scandal, during which Toshiba avoided legislative sanctions for selling advanced military technology to the Soviets by hiring agencies that were exempt from required FARA disclosures to lobby against its restrictions.\textsuperscript{24} When the entire scope of the events came to light over the course of the next fifteen years, Congress again had the impetus to remodel the lobbyist transparency system. According to Baker, the common sentiment at the time was that, “Since nations today compete primarily on an economic rather than a military level, national security is directly implicated by any activity that threatens the economic health of the nation.”\textsuperscript{25} Despite the calls to amend FARA, by introducing the LDA, Congress drastically overhauled the domestic lobbying laws rather than those pertaining to foreign sovereigns. The new system allows foreign business agents to register under the LDA, a system that forces lobbyists to disclose the amount of money that their clients spend and how it is distributed among individual pieces of legislation.\textsuperscript{26} Atieh argues that the LDA ultimately limited FARA’s comprehensibility, but because it focuses on domestic firms lobbying by proxy, he also contends that LDA brought to light multiple instances of domestic multinational corporations acting as agents of foreign sovereigns. Given this conclusion, he contends that the LDA has significantly aided FARA, which had previously been blind to the influence of multinational corporations.

My work establishes a new criticism of FARA. The statute somewhat effectively records the relationship between the Chinese government, its embassy, and SOEs and the lobbying firms that they contract to advocate on their behalf. And while the report issued to Congress each year is quite vague—the verbiage of reports for specific foreign principals sometimes remains the same for five-year spans—it does aggregate and provide useful information. Conversely, Congress’ failure to refine its definition of a foreign agent to
include U.S. multinational corporations betrays a lack of awareness about the significant role that U.S. economic interests play in China’s efforts to lobby in the United States. An entire universe of lobbying activity related to the interests of foreign principals exists entirely out of FARA’s grasp. The saving grace of the post-1995 system is the disclosures mandated by LDA. Through these disclosures, I was able to discern which companies had been lobbying on issues related to China, how much money they were spending, and which firms or individuals they had contracted. Yet, as this study goes on to show, LDA disclosures fail to illustrate the connections between this type of corporate lobbying and Chinese interests, indicate whether corporations are lobbying for or against China-related legislation, or depict what this category of corporate lobbying actually entails.

SECTION III – SOURCES & METHODOLOGY

This study begins by comparing data from two sources: FARA’s Annual Reports to Congress, and the LDA database that compiles inputs made to the Lobbying Disclosure Electronic Filing System. The Department of Justice delivered the Annual Reports as part of a Freedom of Information Act request that asked for all reports between 1940 and 2011. All of the requested reports were delivered except for the years 1991, 1992, 1993, and 1994, which, for reasons the Department has kept unclear, do not seem to exist. Furthermore, 1942–1944, 1945–1949, and 1988–1991 were grouped together as one report, and after the passage of LDA in 1995, reports were issued to Congress twice a year.

In order to parse data quickly, the older FARA files were scanned by Apple Preview’s optical character recognition (OCR) technology so that the search function of the program could be used. I went through the China section of each report year-by-year, making note of the firms that represented the Embassy of the People’s Republic of China, how much the foreign sovereign was spending, and the
reported activities associated with the costs. A collection of state-owned enterprises, which prior research indicated had ties to the central government of China, also had disclosures in the annual FARA reports. And although these SOEs do not necessarily fall directly under the jurisdiction of the Politburo of the Chinese Communist Party (CCP), I also parsed and included their data in my results because they are subject to party control. Most other entries that fell under the People’s Republic of China section pertained to normal business transactions made by foreign corporations to entities within the United States (as stipulated by FARA), but because this is documentation of nothing more than normal business transactions—and has no relationship to lobbying activity—it was ignored.

The data from both the Embassy of the People’s Republic of China and the Chinese SOE disclosures were then plotted graphically in order to illustrate trends in China lobbying-related spending. These charts were then compared with reports aggregated from the LDA database. In order to use this database, I searched using the “filings” query and opted to search by “specific lobbying issue,” recalling data based on chosen terms. The first term I used was “China,” generating results in which the word “China” was used in the field where registered lobbyists were asked to report their client’s intentions for lobbying. Additionally, I used terms that would yield results associated with legislation related to China such as H.R. 3729, a pending currency bill, MFN (most-favored nation) and PNTR, and H.R. 4444, also known as the bill that granted China PNTR. Because these queries often generated thousands of results, I selected the ones to compile and code by two methods: first, which clients were spending the most money, and second, which had salient household multinational corporation brand names such as Boeing, Liberty Mutual, Caterpillar, Nestle, Citigroup, Chrysler, General Motors, and Mattel. In order to limit the results to only the most financially powerful, and therefore applicable, corporations, this study evaluates reports attached
to the ten corporations with the highest spending amounts or those that previous scholars or journalists have indicated as having specific ties to Chinese policy issues.

In order to explain the trends that my plotting of the FARA data revealed, I turned to previous scholarly works, Congressional reports and disclosures, C.I.A. declassifications, governmental watchdog reports, interest group releases, and news archives. Moreover, in hopes of garnering the quite elusive insider’s view of the lobbying activity, I conducted interviews with registered K Street lobbyists, who were selected based on the status their positions commanded within the top lobbying organizations, as well as their proximity to Chinese lobbying efforts.

SECTION IV – RESULTS & ANALYSIS

Section IV A. – General FARA Aggregation and Trends

To be clear, the reason this study focuses on the spending of the Embassy of the People’s Republic of China in Washington D.C. is because, as Interviewee 2 explained to me, the Embassy initiates its lobbying activity based on instructions it receives from the high command of the CCP; therefore, the central power structure of China lobbies solely through the Embassy. The graph tracing the spending trends of China-based interests begins in 1979 because this was the first time that the Embassy ever engaged a firm, Surrey Morse, to lobby on its behalf.29 It is likely that China resumed lobbying efforts in 1979—after nearly 25 years of inactivity—the year that China normalized relations with the United States. There is a gap between 1991-1994 because, as stated in the methodology, no FARA reports were issued to Congress for those years. The superimposition of the SOE spending indicates that these state-owned corporations constituted a majority of the foreign lobbying expenditures in the United States. Furthermore, it indicates that a very
significant event occurred in 2005, during which Embassy and SOE spending dwarfed all other years.\textsuperscript{30}

Section IV B. – The Six Spending Trends of the Embassy and SOEs of the PRC

An examination of Figure 1 also elucidates six major periods of interests: first, the spending surge from 1984-1987; second, the spending buildup from 1990-2000; third, the inverse correlation between Embassy and SOE spending in 1998-2003; fourth, the 2005 event; fifth, the 2008 spike; and sixth, the 2009-2010 drop-off. Yet when one attempts to use the FARA reports to shed light on these trends, the disclosures do very little to explain what actually happened beyond disclosing the payments made to law firms as well as a brief summary of what the services rendered entailed.

\textbf{Figure 1}

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\end{center}

For example, according to the 1984 report, the Embassy contracted Akin, Gump, Strauss, Hauer & Feld for the first time in 1984.\textsuperscript{31} The 1985 report shows that, in 1985, the Embassy paid the firm $103,858.90 to provide “counsel and advice regarding trade and foreign policy issues, which included contacting members and staff of Congress,” on top of $99,840.69 already paid to the firm it had had on retainer
since 1979, Surrey & Morse, to “[provide] legal services to the foreign principal and [contact] members of Congress regarding foreign investment regulations…” The 1986 report discloses that, in 1986, the Embassy paid $51,969.55 to Akin Gump to provide “…general counsel to the foreign principal and contacted Congressional U.S.-China tax treaty [sic],” paid Jones Day (formerly Surrey & Morse) $30,924.50 to “[advise] the foreign principal on matters of interests, and contacted U.S. Government officials…” and paid an additional firm, Milbank, Tweed, Hadley and McCloy $20,000 to advise it on “trade regulations between the U.S. and the People’s Republic of China, including proposals involving the application of countervailing duties and antidumping proceedings.” These vague service reports provided paragraphs and financial figures, but did little to elucidate the significant event that occurred between 1984 and 1987. They indicate general areas of policy, such as countervailing duties and antidumping policy, and describe very general lobbying methods, such as contacting members of Congress, but the overall comprehensiveness of the reports is rather lacking. This holds true for the FARA reports that were released during the six subsequent spending trends as well, and the language in those reports—and in all of the FARA reports, for that matter—is just as nondescript as those from 1984, 1985, and 1986.

As it turns out, a comprehensive historical analysis is necessary in order to expound the events that resulted in these six spending trends of the Embassy People’s Republic of China and Chinese SOEs that are reflected in Figure 1. Using previous scholarship, historical research, governmental disclosures, and interviews with K Street professionals, I was able to provide some insight as to why some of these fluctuations in Embassy and SOE lobbying expenditures occurred between 1979 and 2010.

1) The Spending Surge 1984-1987
This period of time marks China’s formal initiation into both political and economic affairs on the international level. In 1984, the world was reaching out to China in a way it had not since the days of the Silk Road. Reagan visited Beijing for the first time, a Soviet vice-premier made agreements with CCP members to modestly advance the tepid Sino-Soviet economic relations, and the United Kingdom announced the Sino-British Joint Declaration, in which it promised to return Hong Kong over to Chinese sovereignty in 1997. Beijing reciprocated these engagements in hopes of attracting foreign investment, designating fourteen new “open cities,” deemed Special Economic Zones (or SEZs), where foreign corporations would be allowed to invest in factories and other labor pools.

In 1985, Chinese President Li Xiannian paid a visit to the United States—the first time a modern Chinese head of state had done so—likely in anticipation of the power play that lay ahead. In 1986, China applied for full membership to the General Agreement on Tariffs and Trade (GATT), the international agreement that guaranteed fair trade policies among member states and was later developed into the World Trade Organization (WTO). As post-Mao China was just coming into its industrial and economic capacities in 1986, accession to GATT marked a significant geopolitical stepping stone for the burgeoning economic power.

The push for accession into GATT explains the impetus for the Embassy of the People’s Republic of China to spend $378,539 contracting the aforementioned lobbying firms to reach out to representatives within the United States. As Interviewee 3 described, at this period in time, China focused most of its lobbying efforts on the executive branch, because it considered Congress as nothing more than a collection of provincial figureheads with a mercurial base of power. Furthermore, as this was of specific interest to the economic health and development of the nation, agents
within the Chinese lobbying apparatus presumably compelled SOEs to spend $897,838.79 in the pursuit of interests similar to those of the Embassy.\textsuperscript{40} It is also notable, as Figure 1 indicates, that the Embassy and SOEs’ application of funds were out of step on this issue. Instead, SOE expenditures reached an almost identical peak to that of the Embassy almost a year later. It seems most tenable that this was due to heavier allocation of SOE expenditures toward China’s newly opened SEZ, leaving Embassy-based expenditures to compensate in order to maintain China’s efforts to attain GATT accession.

2) The Spending Buildup of the 1990s-2000

The most salient event during this period was the ten-year long political struggle leading up to the passage of legislation in 2000 that granted China Most Favored Nation (MFN) tariff status.\textsuperscript{41} In response to the human rights violations at the hands of the CCP during the Tiananmen Square Massacre, the Clinton Administration issued harsh sanctions against China and threatened to discontinue its MFN tariff status unless it agreed to refrain from its militaristic tendencies.\textsuperscript{42} The loss of MFN status would mean that goods and services exported to the United States from China would suffer a significant increase in tariffs, making it almost impossible for Chinese businesses to access the U.S. market and discouraging corporations based in the U.S. from investing in China. This led to a series of political firestorms that occurred every June during the 1990s as Congress battled over whether or not it should renew China’s MFN status. Then, a new actor joined the political fray – the business lobby.

In 2000, major U.S. multinational corporations and U.S. advocacy groups championed a successful effort to pass a bill that granted China permanent MFN status. As Jian Yang explains, multinational corporations, heralding China as the new frontier of industry in 1990s, “fought doggedly
for renewal…afraid that they might lose the huge China market…[believing] that their economic future depended on preserving trade with China.” In 1993, 298 U.S. multinational corporations and 37 trade groups sent a letter to President Clinton urging him to support an unconditional extension of China’s MFN status. Some of the brand names at the bottom of the letter were AT&T, American Express, Boeing, General Electric, General Motors, I.B.M., and Xerox. Moreover, in 1996, multinationals with substantial business ties to China spent an estimated $20 million on a “state-of-the-art lobbying drive” to push forward legislation on China’s MFN status. At that time, U.S. corporate lobbying on China’s MFN status renewal greatly exceeded amounts spent by U.S. businesses on any other issue.

The Clinton administration took China’s continuing human right’s abuses very seriously and intended to use MFN-renewal as a bargaining chip to pressure China into altering some of its citizen-policing practices. However, after an unprecedented effort funded by the largest multinationals and spearheaded by the U.S. Chamber of Commerce—the largest advocacy group in the United States—Congress and the Clinton administration finally caved to political pressure and passed a bill ensuring China permanent MFN status in 2000.

However, it would appear improper for the Chinese government to be perceived as the champion of its own lobbying efforts, and instead utilized its state-owned enterprises and U.S. embassy to funnel money into Washington. Between 1979 and 2010, through its SEO and embassy channels, China spent just under $24 million (in 2010 dollars) to cast its influence into a myriad of different U.S.–China policy debates and discussions on the Hill.

The registrant rendered legal services to the foreign principal in analyzing and monitoring developments of interest to the foreign principal in both the legislative and executive branch of the U.S.
Government. The registrant contacted U.S. Government officials to obtain information concerning the views of the U.S. Government and the status of potential and proposed legislation in regard to trade and tariff issues…and U.S. sanctions pertaining to the People’s Republic of China.\textsuperscript{49}

This FARA disclosure, given the political context of the MFN effort, evinces that most of China’s spending during this time was targeted towards monitoring the progress of H.R. 4444, the bill that proposed permanent MFN status for China. Rather than explicitly referring to specific pieces of legislation, China generally describes its involvement in order not to draw attention to its actions. As Interview 3 explains, “[They were] aware that they couldn’t look integrated in the effort—it wouldn’t look proper for a foreign nation to do that—so instead they were spending money trying to put a good face on China.”\textsuperscript{50} As for what the SOEs were up to during this time, we must turn to the next trend.

3) The Inverse Correlation Between Embassy and SOE Spending 1998-2003

In order to understand this period, we must first look back to 1995, the year during which Chinese lobbying tactics underwent a complete game-change. In May of 1995, Lee Teng-hui, then president of Taiwan, was granted a visa to attend his reunion at Cornell University after a successful lobbying endeavor executed by the politically formidable Taiwan lobby.\textsuperscript{51} Mainland China and Taiwan had been adversaries ever since the Communist Party drove the Nationalists to Taiwan in 1949, and therefore, the People’s Republic of China saw this as a great offense on the part of the United States. As a Congressional report on the issue explains, “Beijing was quick to voice its outrage and to engage in a series of overt retaliatory measures.”\textsuperscript{52} China suspended arms control talks with Washington, postponed
cross-strait talks with Taiwan, canceled official visits to and from the United States, amassed troops along the coast facing Taiwan, and recalled its ambassador to the United States back to Beijing.\(^53\)

However, this was an instance during which the upper echelons of the Chinese Communist Party were reminded of the power of the United States Congress. It was the first time that they ever discerned that there was use in lobbying the branch of government that they had, for the most part, written off as talking heads. As the report goes on to explain:

But not all of China’s reactions were overt. Secretly, Beijing worked to prevent similar diplomatic surprises from occurring in the future. After President Lee’s visit, high-level PRC government officials devised plans to increase China’s influence over the U.S. political process and be implemented by PRC diplomatic posts in the U.S.\(^54\)

According to a C.I.A. report that was likely written in 1995 and declassified in June of 2006, after the Lee incident, “Chinese Leaders created the Central Leading Group for U.S. Congressional Affairs to oversee the task of increasing support for Chinese objectives.”\(^55\) While some of this new lobbying activity amounted to nothing more than traditional advocacy, some of it was more ethically questionable. In 1998, a Congressional investigation discovered that China was garnering political influence by illegally funneling money from its SOEs to wealthy Chinese businessmen and women who were, in turn, making contributions to Democratic National Committee campaign coffers.\(^56\) The disclosure of what essentially amounted to corruption “had the effect of dampening somewhat congressional enthusiasm for…organizations with an interest in U.S.-China relations.”\(^57\) In effect, China had taken the wind out of its own sails with the political waves already crashing against it.
The unearthing of this political scandal tenably explains the inverse correlation between Embassy and SOE spending between 1998 and 2003 and the $201,290.96 increase in SOE spending between 1996 and 1997. Subsequently, when a campaign financing scandal came to light, the high-level officials at the CPP were conflicted as to what to do. They were interested in continuing their cultivation of their Congressional contacts, while also aware of mounting Congressional opposition to their presence in Washington. With the prospect of PNTR looming in the distance, they knew the best course of action would be to avoid drawing attention to the efforts of the Embassy. Therefore, the FARA data suggests that the CPP resolved to siphon funds away from the Embassy and disperse them among the SOEs who would continue to contract lobbyists to further the PNTR campaign. There is not enough data to completely corroborate this supposition, but since the 1998 Congressional report indicated that the CCP had already been funneling money through SOEs in order to make contributions to DNC candidates—and given the historical context—this appears to be the most likely explanation.

4) The 2005 Event

In 2005, the Chinese National Offshore Oil Company (CNOOC), one of the nation’s largest SOEs, attempted to purchase the United States’ fifth largest energy company, the California-based Unocal, for roughly $17 billion. Between the Embassy and the SOEs—primarily CNOOC—China spent roughly $7.3 million trying to get Congress to approve the acquisition. Congress was alarmed by the prospect of a Chinese takeover of the prominent U.S. company and deemed preventing it a matter of “national security.” Chevron was also bidding on the company while pushing forth an extensive lobbying effort that eventually landed the approval of the CNOOC bid on the desk of president George W. Bush for review. In reaction to this, CNOOC’s stock
plummeted, and it ultimately withdrew its bid, forfeiting its $500 million initial payment. Unocal went on to merge with Chevron.

This quite decisively explains the vast amount of wealth spent by the Embassy and the SOEs during the buildup to CNOOC’s bid for Unocal in 2004, the comparatively astronomical peak in 2005, and the wind-down in 2006 (see Fig. 1). CNOOC was attempting to combat Chevron’s effort to block the deal by greasing the Congressional wheels, with the Embassy following suit. Yet, returning to the efficacy of the FARA disclosures, while the SOE reports do make mention of the Unocal deal, the Embassy service produced paragraphs that make no reference, leaving the $458,006.76 increase in spending between 2003 and 2005 unexplained.

5) The 2008 Spike

This trend is one of the more difficult to explain. The most pressing event in the geopolitical context of 2008 was incontrovertibly the worldwide financial crisis. During that period, the value of the United States’ economy had depreciated significantly, in what has almost become a five-year economic slump. Because 23.3 percent of China’s foreign holdings consist of roughly $1.26 trillion worth of U.S. Treasury securities—essentially U.S. debt—the nation had a pressing reason to push the U.S. government toward a position that would keep the value and credit rating of these U.S.-issued securities intact. If their values or ratings were to fall drastically, the effects could be cataclysmic for the People’s Republic of China.

This aptly explains the $1.2 million spent by the Embassy in 2008 on lobbying. It was advocating that Congress, and very likely the Obama Administration, take a position that ensured that China’s debt holdings in the United States would not depreciate. The $282,264.40 increase in SOE lobbying also corroborates this theory. It seems tenable
that the Central Leading Group for U.S. Congressional Affairs instructed the only SOE that lobbied that year, the China Ocean Shipping Company, to lobby in tandem with the Embassy. As the two spending trends diverge greatly, it seems that this was an issue that was considered more important to the interests of the political leadership of China than to the SOEs.

6) The 2009-2010 Decline

There is no empirical data that suggests why Embassy and SOE spending dropped $859,390.80 between 2008 and 2010. This is most likely a return to normal spending rates after two events that required considerable amounts of spending. Future research will hopefully be able to more decidedly determine the cause of this trend.

Section IV C. – Implications of Lobbying by Proxy Through LDA Disclosures

Table 1 (see online) represents a limited selection of U.S. multinational corporations’ LDA database’s disclosures in which the registrants listed an issue related to China as a reason for lobbying. These are by no means all of the LDA disclosures that referenced China. As alluded to in the methodology section, querying the LDA database with the term “China,” “Chinese,” “PRC,” and “People’s Republic of China” returned 4,853 reports, implying that there are, at least, several hundred company reports that indicate Chinese policy as an impetus for lobbying. Additionally, the values represented in the “Money Spent” column do not necessarily directly correlate to financial resources spent on lobbying specific to China-related policy. One of the many flaws of the LDA system is that it allows registrants to disclose a single monetary figure without specifying how much it allotted to particular pieces of legislation or policy issue.
The first six entries on Table 1 corroborate the aforementioned finding that U.S. multinational corporations exerted substantial financial resources in order to ensure the passage of H.R. 4444—the bill signed in 2000 that granted China PNTR. The sum of the $8.21 million spent by just these six companies already dwarfs the $814,539.32 spent by the Embassy and SOEs by almost ten-fold.64 This is only the spending done by six companies out of the 298 U.S. multinational corporations and thirty-seven trade groups that were part of China’s PNTR effort, for it is evident from Yang’s calculations that companies spent an estimated $20 million on lobbying for the passage of H.R. 4444.65 These figures unquestionably suggest that U.S. multinational corporations play an incredibly significant role in pro-China policy advocacy, despite the fact that their lobbying activities go completely unreported to the FARA lobbying transparency system.

The latter four entries on Table 1 demonstrate that the PNTR campaign waged by U.S. companies was not the only incident in which U.S. multinationals weighed in on China policy. As one can see by the timeframes indicated, U.S. corporations attempted to influence Chinese policy well after the passage of H.R. 4444. Two corporations in particular, Boeing and Caterpillar, are quite interesting in this regard. Between 2006 and 2011, Boeing tended to only list three lobbying areas of interest on its LDA disclosures, two of which were always “U.S. – China Relations” and “China Trade Issues.”66 Moreover, as shown in the “Money Spent” column, Boeing spent roughly $162 million a year on such lobbying activities between 2006 and 2011.67 Interviewee 3 says that Boeing is probably the company that most often lobbies Congress to take pro-China positions, saying that, behind closed doors, Boeing has earned the nickname “Beijing West.”68 This person says that, when Boeing is unable to deliver China’s policy goals, China has been known to say, “Fine, we’ll go buy from Airbus instead,” making reference to Boeing’s main European competitor.69
Caterpillar, on the other hand, is one of the corporations that spend heavily on anti-China policy. As demonstrated on Table 1, Caterpillar spent $13.73 million dollars on lobbying between 2006 and 2011, some of which went towards advocacy on S. 14, S. 295, S. 337, S. 984, and H.R.2208—all of which are Chinese currency bills, calling for China to allow its currency to appreciate naturally in order to put a stop to its dumping practices. I was never able to make direct contact with a representative from Caterpillar, but indirectly obtained information through a contact in Washington D.C. In an e-mail, my contact, a lobbyist for Caterpillar, explained: “Getting China to change its monetary policy is a huge issue and the U.S.—from government to businesses—is lobbying China to fix what they see as a major inequality that affects trade.” This exchange indicates that a cleavage of U.S. multinational corporations have turned against China in some regard. Caterpillar was one of the 298 companies lobbying for the passage of H.R. 4444. This anti-China corporate insurgency is something that this thesis will discuss in greater detail in the next section.

Section IV D. – Corroborating and Elaborating on Findings Through Interviews

I conducted three formal phone interviews with K Street professionals intimately familiar with China’s lobbying apparatus. Two respondents, Interviewee 1 and 3, were in highly regarded positions within Washington’s most coveted lobbying organizations and the third, Interviewee 2, was in a top position within a firm that focuses specifically on U.S.–China policy. For their own professional protection, all interview subjects requested to have their name and organizations kept anonymous.

All three of the respondents agreed that China’s lobbying methods have evolved drastically over the past 20 years. Interviewee 1 explained:
China lobbying has become much more sophisticated; they have a better understanding of how to use our political system. They used to get frustrated when a presidential administration wasn’t able to get things done with a snap of their fingers, but now they now understand the role of Congress and the President. And now they’re better staffed with people more savvy with U.S. affairs—they have law firms and pay them large retainers. Sometimes they can still be a little heavy-handed or tone deaf, but they play their cards a lot better than they used to in the past.\textsuperscript{72}

Interviewee 3 adds that, “China used to squawk loudly when they didn’t get their way, but now they realize it’s politically intelligent to keep quiet—they don’t fly off of the handle so much anymore. They’re getting more nuanced and savvy about Congress by contracting external help like Patton Boggs [a Washington D.C. law and lobbying firm].”\textsuperscript{73}

As for the notion that China had been using U.S. multinational corporations to lobby by proxy, the interviewees had differing insights. Interviewee 2 rebuffed the idea, claiming that the Chinese often reached out to companies that this person’s organization represented, but asserting that none of the contacted companies have ever complied with a Chinese diplomat’s requests to lobby on China’s behalf.\textsuperscript{74} Interviewee 1 said they had seen evidence of lobbying by proxy in the field. This person explained that, “China is still able to call in a core group of companies and tell them to weigh in in some way.”\textsuperscript{75} Interviewee 3 agreed, stating, “The business community has always been the tip of the spear in terms of keeping the U.S.–China relationship on a good track.”\textsuperscript{76} This person went on to say, “There is a lot of interaction between the government officials in China and U.S. companies.”\textsuperscript{77} But both Interviewee 1 and Interviewee 3 said that the motivation for U.S. multinational corporations
to lobby on China’s behalf usually did not result from direct communication or orders from Chinese governmental officials. They explained that it was more of an unspoken understanding.

Interviewee 1 said, “The pressure is implicit, but companies get the joke—the Chinese keep score. And if in the future, if you want them to do something for you, they’re going to look back and see what you’ve done for them.”

Similarly, Interviewee 3 added that, “There is a quid pro quo; the Chinese are implying to corporations within their bounds that, ‘if you’re going to be successful in our market, you’re going to be playing a part in U.S.-China relations.’” Interviewee 3 said that U.S. multinational corporations often advocate for China’s position in Congress because they stand the most to lose if China decides to resort to economic retaliation. He/she related:

In China, there is a lot of governmental regulation; they control factory approval, purchasing approval, investment approval—city-by-city—so corporations have an interest in showing that they’re allied of the Government. On commercial issues like PNTR, CEOs were making it very known that they were being active on the Hill. And the Embassy was keeping track of who was testifying before Congress, who was making trips to the Capital Building, who was signing the letters. That’s just the way it is for companies that invest in China—their CEOs are constantly engaging with the Embassy.

SECTION V – DISCUSSION

Implications for FARA
This study levels another blow against the lobbying transparency framework by demonstrating the inadequacy of the FARA reports. As this work has shown, data mined from FARA disclosures can quite effectively complement other methods of research in elucidating Chinese lobbying practices and deriving spending trends of Chinese foreign agents, but as a stand-alone system, the foreign lobbyist registration statute fails in multiple respects. Additionally, as evidenced by the LDA disclosures and scholarly research, FARA misses an entire universe of corporate lobbying that is conducted on China’s behalf—a universe that often spends more than the very small universe that FARA documents. Corporate lobbying by proxy is clearly the method that dominates the Washington lobbying landscape, as corporations have often shelled out millions of dollars a year to lobby for China in order to endear themselves to Chinese representatives. And while the thought of corporations lobbying on behalf of their own economic interests is neither new nor novel, the phenomenon of quintessentially U.S. multinational companies working with a foreign government to subvert the economic interests of the United States absolutely is.

As China transforms into the world’s next superpower, it appears that U.S. corporations may chase it with profligate sycophancy. Either compelled by profit margins, or by an altruistic sense of cosmopolitanism, it seems that the great torrents of U.S. ingenuity will come to disentangle their interests from that of the United States. Therefore, in order for the United States to create a bulwark against a manifesting Fifth Column, it should revise FARA in a way that forces these corporate proxies to disclose their communications with the Chinese government. The efficacy of this change is somewhat dubious, but as Chinese interests have already demonstrated, the notion of public stigma might be enough to forestall the growing ties between a rising China and U.S. multinational corporations. This is unless
what appears to be a mounting corporate rejection of China’s goals—as evidenced by Caterpillar’s lobbying efforts—begins to take sway. It is possible that, during the 1980s and 1990s, U.S. companies viewed China as the new business frontier where the next trillion dollars would be made. However, through its abusive business practices that castigate U.S. companies, China has demonstrated little to no regard for the health of U.S. corporations. Therefore, it seems likely that a backlash, orchestrated by Congress and backed by U.S. corporations, might come to bring China’s lobbying by proxy efforts within Washington to light and keep them at bay.

**Plausibility of Lobbying by Proxy**

The results of this study paint a partial picture of how China’s lobbying by proxy occurs. The findings seem to suggest that there is often some form of communication that goes on between Chinese officials and leaders of U.S. corporations. Even the aforementioned C.I.A. disclosure on Chinese espionage reported that “…the Chinese Government continues to seek influence in Congress through various means…including engaging U.S. business interests to weigh in on issues of mutual concern.” Interviewees 1 and 3 corroborated this finding.

Yet as Interviewee 3 demonstrates, this understanding between China and the U.S. multinational corporations is a very implicit one. Moreover, the underlying factor of this phenomenon of lobbying by proxy is the fact that U.S. companies fear Chinese economic excommunication. Interviewee 3 explained that the U.S. Trade Department has been looking for instances in which China violated international trade laws in the hope of taking them to a WTO court, but corporations—against their own interest—refuse to comply for fear of retaliation by the Chinese government. “If they go along with the case, China’s going to figure out who’s going up against them, and they’re
bound to retaliate,” says Interviewee 3. Ultimately, it appears that China is implicitly pressuring corporations into lobbying on its behalf through fear of sanctions, not mutual advancement of policy goals.

The Future of Chinese Lobbying Efforts

Based on the accounts of all three of the interviewees, it appears that China quite recently has altered the ways in which it goes about lobbying the United States Congress. As the three explain, China has set up its own mini-lobbying firm within the Embassy of the People’s Republic of China, contracting firms such as Patton Boggs to meet with members of Congress on its behalf. As China expert John Pomfret says in an article in the Washington Post, “For years, as China steadily rose to global economic and political heights, it all but ignored the U.S. Congress, with outreach to American lawmakers left to friends in the business community. But now China has launched a multimillion-dollar lobbying effort so effective that it is challenging the heralded efforts of nemesis Taiwan.” The journalist goes on to quote Representative J. Randy Forbes (R–VA), the head of the Congressional China Caucus, who explains: “The Chinese have for years been wielding a lot of influence. They’ve liked to do it under the radar. But as there’s been more light shed on it, they’ve had to change their ways.”

This beckons the question: have research methods from this report managed to capture what this change of ways has entailed, or has it stayed completely out of the reach of data collection techniques of this thesis? Can this new form of Chinese advocacy explain why Embassy and SOE spending drop off so drastically after 2008? Findings seem to indicate that 2009-2010 marked the beginning of a new era of Chinese lobbying efforts, an era that future research will hopefully seek to elucidate.
SECTION VI – CONCLUSION

This study is the first of its kind to grant a glimpse into the backdoor dealings of Chinese lobbying efforts. It is the first non-journalistic piece to describe the interconnected nature of lobbying efforts made by multinational corporations and the Embassy of the People’s Republic of China. Furthermore, it applies the lobbying by proxy model to Chinese advocacy efforts, suggesting that Chinese official or other agents functioning on the government’s behalf actively or implicitly compel multinational corporations to lobby the United States Congress with the intention of delivering China’s own policy goals. It describes the capacities of the China Lobby of the twenty-first century and demonstrates another shortcoming of the FARA framework.

Furthermore, this research sets the stage for a comparison between Chinese lobbying tactics and those of other foreign sovereigns. Potentially interesting future research could be a comparison between China’s tactics and India’s. Is there a possibility that India, as a burgeoning superpower, is also practicing a similar lobbying by proxy method? Is it the case that U.S. multinational corporations are also lobbying on India’s behalf for fear of economic excommunication? Or is it possible that India’s more hospitable foreign investment policies make it an entirely different lobbying animal? Lastly, future research should make an effort to determine the fate of what appears to be a mounting corporate insurgency against China’s economic interest in the United States. Will U.S. corporations reject China’s implicit calls to lobby on its behalf, or will fear of economic sanctions intimidate U.S. multinationals into toeing the party line?

Endnotes
The Foreign Agents Registration Act of 1938 (22 U.S.C. §611). Passed in response to propagandist efforts made by the German Nazi party in the U.S. — requires agents representing interests of foreign powers to be properly identified to the American public. A database managed by the Justice Department tracks the value of payments made from foreign sovereigns to U.S. lobbying firms, the number of times lobbyists meet with Congressional representatives on behalf of foreign nations, and the specific lobbying firms retained by a foreign power.


6 Ibid.


9 See page 11 for a list of the exemptions.

10 H.R. REP., supra.


12 Ibid., 1058.

13 Ibid.


16 The Foreign Agents Registration Act (FARA) [22 U.S.C. §611 et. seq.]


18 Ibid.

19 The Foreign Agents Registration Act of 1938 [22 U.S.C. §611 (o)]

20 “Lobbying for Foreign Interest,” Ibid.

21 Ibid.

22 Ibid.

23 Ibid.


25 Baker, 32.

26 Atieh, 1060.

27 22 U.S.C. § 621 stipulates, “The Attorney General shall every six months report to the Congress concerning administration of this subchapter, including registrations filed pursuant to the subchapter, and the nature, sources and content of political propaganda disseminated an distributed.”


2005 was the year that the China National Offshore Oil Corporation (CNOOC), an SOE, attempted to buy the California-based energy giant Unocal. This will be discussed in greater detail later in the Discussion section.


Countervailing duties, known as anti-subsidy duties, are tariffs imposed on trade imports subject to rules under the WTO that are intended to negate the effects of another nations governmental subsidies. Antidumping policy targets nations whose companies utilize unnaturally low pricing structures in order to force out competition in a foreign domestic market in order to establish monopolies in one of this foreign domestic market’s industries.


Sutter, supra.


Interview with lobbyist with knowledge of Chinese advocacy tactics, March 4, 2012.

U.S. Department of Justice, *supra*. The SOEs that disclosed spending money on lobbying activity were the China National Textiles Import and Export Corporation, the China Ocean Shipping Company (COSCO), and the U.S. China-Shantou Technology Trade Investment Resources, Ltd, which was charged with the administration of some of the newly opened SEZs.

A nation that receives Most Favored Nation Status, known as MFN status, receives the same low tariff rates or high import quotas granted to a nation that currently enjoys the lowest rates and highest quotas. It’s a proclamation made by a trading nation to treat the nation it is granting this status to no less advantageously than the majority of other nations it trades with.

A three-day span in 1989 during which hundreds of civilians were killed and thousands wounded as they were driven from their protesting grounds in Beijing by Chinese military forces. It was a movement primarily made up of students and intellectuals, protestors, who were criticizing the cultural and political direction that China was moving in.


Ibid., 248.

Ibid.

Ibid.

Ibid.

Washington D.C. Contact, e-mail message to author, December 1, 2011.

Ibid.

Ibid.

Ibid.

Ibid.

53 Ibid.
54 Ibid.
57 Ibid., 86.
59 U.S. Department of Justice, 2005.
60 “China’s Unocal Bid Ran out of Gas,” supra.
61 Ibid.
63 U.S. Department of Justice, 2008.
64 U.S. Department of Justice, 2000.
65 Jian Yang, Ibid.
67 Ibid.
68 Interview with lobbyist with knowledge of Chinese advocacy tactics, March 3, 2012.
69 Ibid.
70 Caterpillar lobbyist, e-mail message to Interviewee #4, February 28, 2012.
71 Ibid.
72 Interview with lobbyist with knowledge of Chinese advocacy tactics, January 13, 2012.
73 Interview with lobbyist with knowledge of Chinese advocacy tactics, March 3, 2012.
74 Interview with lobbyist with knowledge of Chinese advocacy tactics, January 27, 2012.
75 Interview with lobbyist with knowledge of Chinese advocacy tactics, January 13, 2012.
76 Interview with lobbyist with knowledge of Chinese advocacy tactics, March 3, 2012.
77 Ibid.
78 Interview with lobbyist with knowledge of Chinese advocacy tactics, January 13, 2012.
79 Interview with lobbyist with knowledge of Chinese advocacy tactics, March 3, 2012.
80 Ibid.
81 U.S. Central Intelligence Agency, Ibid.
82 Interview with lobbyist with knowledge of Chinese advocacy tactics, March 3, 2012.
83 John Pomfret, Ibid.
84 Ibid.
<table>
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<th>American Multinational Corporations</th>
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<td>4. United Technologies</td>
<td>$1.5 million</td>
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