

Multinational Corporations' Strategic Lobbying Across Borders

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Abstract

When do multinational corporations' (MNCs) global headquarters in one country and their subsidiaries in another coordinate their lobbying efforts? Lobbying across borders may maximize access to relevant policymakers but is financially costly. We theorize that MNCs selectively engage in complementary lobbying only when economic stakes are significant. To test this idea, we compile and link firm-level lobbying data for North American MNCs in the United States and Canada regarding the United States-Mexico-Canada Agreement (USMCA) and Trans-Pacific Partnership (TPP) from 2012 to 2020. We find that North American MNCs are more likely to use complementary lobbying to protect against threats of losing preferential treatment in North America than to gain opportunities of new market access in Asia Pacific. This holds especially true for MNCs with substantial subsidiary presence in North America. We also show that complementary lobbying is associated with greater access to key policymakers. Finally, we discuss various adjustments North American MNCs make to their lobbying strategies post-U.S.-withdrawal from the TPP. Our findings suggest that MNCs strategically and flexibly devise non-market strategies across borders to protect their economic interests.

Keywords: Multinational Corporations, Lobbying, Trade, Opportunities, Threats, Access

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Introduction

During the United States-Mexico-Canada Agreement (USMCA) negotiations, about thirty multinational corporations (MNCs) lobbied on the USMCA in both the United States and Canada. Among these were household names such as America's Pfizer, Merck & Co., Inc., Dow Inc., and Ford Motor Company. Canada's Gildan Activewear, Soti Inc., and JD Irving Ltd. also lobbied across borders. Meanwhile, during the Trans-Pacific Partnership (TPP) negotiations, Microsoft Corporation, Medtronic and Alphabet Inc. lobbied in the United States until the end of 2016, right before the Trump administration withdrew the United States from the TPP. Starting from the second quarter of 2017, these MNCs switched to lobbying in Canada instead. Other firms such as Merck & Co., Inc. , Dow Inc., and Gildan Activewear Corporation lobbied on the TPP from both countries until the U.S.-withdrawal, and later only in Canada. As the examples illustrate,¹ MNCs, given their presence in multiple jurisdictions, can strategically engage in various modes of lobbying across borders regarding a particular policy issue.

But what determines MNCs' choice of different modes of lobbying? To date, a rich literature has built around the distinctive economic features of MNCs and their policy preferences. MNCs are large and productive, allowing them to incur the high fixed costs of owning and controlling value-adding activities across the globe.² Deeply integrated into global value chains, MNCs hold a strong preference for frictionless trade and investment across national borders.³ Meanwhile, a growing body of studies demonstrate that MNCs are also politically distinctive.⁴ Considering the strong association between economic resources and political leverage, the magnitude in which MNCs actively engage in political activities is not so surprising.⁵ And yet, the

¹See Figures 2 and 3 for more examples.

²Helpman, Melitz and Yeaple (2004); Bernard, Jensen and Schott (2009).

³Jensen, Quinn and Weymouth (2015); Osgood (2018); Alschner and Panford-Walsh (2019); Kim et al. (2019); Kim (2021); Lee and Osgood (2021, 2022).

⁴Jensen et al. (2012); Kim and Milner (2021); Lee (2023); Lee (2024a).

⁵Epstein (1969); Drope and Hansen (2006); Weymouth (2012).

breadth of political strategies available to MNCs and how MNCs might optimize those options under varying circumstances have been rarely explored.

In this paper, we analyze different modes of trade lobbying strategies that MNCs adopt: Lobbying in one jurisdiction only, lobbying across multiple jurisdictions simultaneously, and lobbying across multiple jurisdictions but in one at a time. We argue that MNCs strategically select their trade lobbying strategies based on the economic salience of a policy issue and the incentives for political mobilization thereof. As one example, the extant literature suggests that MNCs perceive losses as more salient than opportunities.⁶ Building on this idea, we expect MNCs to use *complementary lobbying*, where global headquarters and subsidiaries engage in lobbying simultaneously, when facing threats to existing trade orders – e.g., preferential tariffs or rules of origin in place as result of an extant trade agreement. Complementary lobbying is likely to be more expensive than lobbying from a single jurisdiction. And yet, complementary lobbying could potentially enhance MNCs’ chances of achieving their policy objectives by providing them with greater access to policymakers. Meanwhile, when facing opportunities for free trade – e.g., new market access opportunities – lobbying from a (most politically relevant) single jurisdiction may be the prudent option.

We study lobbying related to preferential trade agreements, ensuring that multiple jurisdictions where MNCs operate hold political relevance for those MNCs. Furthermore, recognizing that institutionalized channels of commercial lobbying are not universally applicable, we focus on recent trade agreements involving the United States and Canada.⁷ Specifically, we analyze the United States-Mexico-Canada Agreement (USMCA) and Trans-Pacific Partnership (TPP). Failing to negotiate the USMCA would have posed a serious and concrete threat to current beneficiaries of the original North American Free Trade Agreement (NAFTA): MNCs that have established and optimized their business networks in North America based on NAFTA preferential tariffs and rules of origin. Meanwhile, the TPP negotiations focused on expanding

⁶Dür (2007), Dür (2010).

⁷See, e.g., Lee and Stuckatz (2024) for a detailed account on how the U.S. and Canada have comparable lobbying disclosure laws.

market access to Asia-Pacific. Prospective beneficiaries and their gains were less clear. Therefore, we expect to observe greater complementary lobbying for the USMCA than for the TPP. Additionally, USMCA complementary lobbying is likely driven by MNCs with specific firm characteristics making them more susceptible to threats against the existing trade order.

We test these ideas using an original firm-level dataset linking the lobbying activities of all MNCs with operations in both the United States and Canada from 2012 to 2020. We find that North American MNCs did engage in different modes of lobbying strategies for the USMCA and TPP. During the USMCA negotiations, North American MNCs that lobbied in the United States had an 8-fold increase in probability to also lobby in the same quarter in Canada, especially among firms with a greater subsidiary presence in the two countries. In contrast, for the TPP, there was no significant relationship between lobbying in the United States and Canada. Meanwhile, we find that MNCs that engaged in complementary lobbying had a greater chance of securing access to key trade-related policymakers in Canada. Considering that policymakers' time is a scarce resource, and access is a precondition for influencing political outcomes through signaling and information sharing, this finding points to potential benefits of engaging in complementary lobbying.⁸ Additionally, we discuss how North American MNCs flexibly adapted their lobbying strategies with regard to the TPP once the United States withdrew from the negotiations. Specifically, those that lobbied on the TPP prior to US withdrawal shifted their lobbying efforts to Canada post-US withdrawal, presumably to maintain the possibility of influencing the negotiation outcomes.

Our findings have important implications for studies on the politics of international trade and investment, multinational corporations, and organized interest groups more generally. First, we provide a theoretical framework explaining when and why MNCs adopt different modes of lobbying strategies. By this, we provide a new avenue for research on firm-level global governance and transnational non-market strategies.⁹ Second, contrary to prominent

⁸Hall and Wayman (1990); Lohmann (1995); Hall and Deardorff (2006); Ludema, Mayda and Mishra (2018); Brutger (2022).

⁹Eckhardt and De Bievre (2015); You (2020).

political economy theories that hold MNCs as vulnerable to policy changes in host countries post-investment, we demonstrate that MNCs may use domestic subsidiaries to gain access to policymakers in those countries.¹⁰ Finally, a rich literature studies the role of corporate campaign contributions and lobbying in buying access to legislators and even political favors.¹¹ In addition to corporate lobbying and campaign donations specific to a home country, our paper highlights yet another means by which multinational corporations can strategically and flexibly gain access to policymakers and influence politics worldwide.

1. Theory

1.1 MNC Lobbying Strategies: Complementary vs. Substitutional Lobbying

Multinational corporations, by definition, are commercially present in two or more jurisdictions. Given their presence across multiple jurisdictions, MNCs considering to engage in government relations face a distinctive question of when and *where* to engage in political activities. For instance, MNCs may target their home government to advance their policy interests (Drope and Hansen, 2006; Kim and Milner, 2021). Meanwhile, a growing literature suggests that MNCs also manage host government relations through the political activities of their domestically incorporated subsidiaries (Mitchell, Hansen and Jepsen, 1997; Eckhardt and De Bievre, 2015; Lee, 2023; Lee and Stuckatz, 2024; Lee, 2024a,b). And yet, the current literature fails to provide guidance to a very important question: Under which circumstances do MNCs complement vs. substitute their lobbying efforts across their home and host countries?

Presumably, MNCs internally consider multiple factors when devising such political strategies. One important factor must be whether the home and host countries are politically relevant for pursuing a specific agenda. At the broadest level, only jurisdictions with institutionalized

¹⁰Vernon (1971); Jensen (2008); Lee (2023); Lee (2024a); Lee (2024b).

¹¹Grossman and Helpman (1994); Ansolabehere, de Figueiredo and Snyder (2003); Fowler, Garro and Spenkuch (2020); Kim, Stuckatz and Wolters (2020); Huneus and Kim (2021).

channels of political influence are relevant for MNCs' political engagement. But also, the scope of the policy issue in question determines whether a single jurisdiction or multiple jurisdictions are politically relevant. Presumably, issues related to federal budget and appropriations, labor, and consumer safety are typically specific to a home country. Meanwhile, trade, foreign relations, and immigration are likely to concern multiple jurisdictions. Once the jurisdictions of political relevance are determined, MNCs must then weigh the costs and benefits of political engagement in those jurisdictions. Since political engagement is financially costly even for the largest firms, MNCs are likely to be selective in their choice of target jurisdiction and timing of political action.

In this paper, we investigate the *lobbying mode choice by MNCs when both the home and host governments are politically relevant*. For instance, consider a case where commercial lobbying is institutionalized in the home and host countries where an MNC operates in. Now consider a trade agreement under negotiations that is likely to impact the operations of the MNC's headquarters and subsidiaries. Then, both the home and host country governments are politically relevant. Such condition allows us to focus on the question of when MNCs choose to *lobby in a single jurisdiction vs. multiple jurisdictions*, when in principle, the MNCs have the incentive to lobby in both. We further make two important assumptions for our theory building. First, considering that both the home and host countries hold political relevance, we assume that lobbying across multiple jurisdictions enhances access to policymakers, which is then expected to increase the chances that MNCs achieve their policy goals. Second, assuming no financial constraints for MNCs, we posit that they would prioritize lobbying across multiple jurisdictions to enhance political access, rather than lobbying in a single jurisdiction.

We define two modes of MNC lobbying under this context: Complementary and substitutional lobbying. First, *complementary lobbying* is when MNCs lobby across multiple jurisdictions simultaneously regarding a single policy issue. As the name suggests, lobbying in the host (vs. home) country complements the MNCs' lobbying in the home (vs. host) country. Based on our assumptions, this is MNCs' preferred but more expensive mode of lobbying. This is because MNCs that engage in complementary lobbying incur significant operational expenses as

they establish an internal global affairs unit or at least designate specialized personnel to function as a political liaison across their global operations. Additionally, complementary lobbying may demand a costly learning process whereby MNCs need to adapt their lobbying strategy by jurisdiction based on different political institutions (Lee and Stuckatz, 2024). Meanwhile, lobbying simultaneously across multiple jurisdictions likely means, although not necessarily, increased lobbying expenses.

On the other hand, *substitutional lobbying* is when MNCs lobby within a single jurisdiction (either the home or a host country) regarding a certain policy issue that presumably affects MNCs' headquarters and subsidiaries altogether. In this case, lobbying in the host (vs. home) country substitutes the MNCs' potential lobbying in the home (vs. host) country. This mode of lobbying may be less effective in advancing MNCs' policy goals, but is more affordable. Thus, substitutional lobbying is the default mode of MNC lobbying.

1.2 Economic Salience of Threats vs. Opportunities to Trade & Incentives to Mobilize

In our theory of complementary vs. substitutional lobbying, complementary lobbying is the preferred mode of MNC lobbying that is likely provide additional benefits – e.g., greater political access in relevant jurisdictions. And yet, due to the greater costs of engaging in complementary lobbying, not all MNCs can afford this mode of lobbying. Consequently, we theorize that MNCs are likely to choose complementary over substitutional lobbying only when a policy at issue is sufficiently *economically salient*.

A plethora of studies document that MNCs are the most willing and able to advocate for free trade (Kim and Milner, 2021; Huneus and Kim, 2021). Amongst studies documenting MNCs' advocacy for free trade, some focus on their interests in creating new trade opportunities (Manger, 2009; Baccini, Pinto and Weymouth, 2017; Kim et al., 2019; Anderer, Dür and Lechner, 2020; Kim, 2021). Others primarily focus on MNCs' interests in defending liberalized trade, especially in response to the growing backlash against globalization (Johns, Pelc and Wellhausen, 2019; Milner, 2021; Zeng, Lu and Li, 2021; Osgood, 2021; Lee and Osgood, 2021, 2022). It is important to distinguish between these pro-trade objectives because MNCs may use

different political strategies based on whether they are primarily focused on creating new trade opportunities or defending extant trade order.

For instance, the extant literature suggests that firms perceive losses as more salient than opportunities (Dür, 2010, 2007). Building on this idea, we theorize that MNCs perceive threats to trade as more salient than opportunities to trade. In the context of trade agreements, new opportunities are created for MNCs when their respective home or host countries sign preferential deals with new member countries. Generally, access to new markets help globally competitive firms to expand their customer base beyond existing ones. New customers and better brand recognition tend to increase global sales directly and indirectly. Also, MNCs that offshore production processes to member countries or source inputs from them will significantly benefit from reduced costs of intra-firm trade (Antras and Helpman, 2004; Grossman and Rossi-Hansberg, 2008; Jensen, Quinn and Weymouth, 2015).

Meanwhile, major revisions, re-openings, and reversals of extant trade agreements pose significant threats to MNCs that have positioned their global production networks around these preferential trade agreements. For instance, an automaker might have spread assembly plants across member countries as a way to reduce production costs and gain competitive advantage. To ensure that the assembled products qualify for preferential treatment, the automaker presumably has positioned facilities and coordinated production strategically so that its products meet the rules of origin criteria specified in the agreement. Once established, that network becomes the automakers' first-best option for production. And yet, host and home country governments, in response to domestic political pressures, may decide to reverse favorable treatments that have been previously promised to MNCs (Vernon, 1971). For MNCs that have already incurred a significant upfront cost in foreign investment, such interruptions to existing business relations severely hurt their bottom lines. This is particularly true when alternative suppliers are not easily available or much more expensive (Ayse, Lee and Osgood, 2024).

In addition, we theorize that MNCs are exposed to vastly different incentive structures for political action when facing threats to trade as opposed to opportunities (Olson, 1965). When it comes to the threat of renegotiating extant trade agreements, losers from the policy

reversal and their expected losses are very clear. Precisely, the MNCs that have been benefiting from existing trade and investment arrangements will lose out. The beneficiaries themselves have concretely experienced the benefits, and thus, they understand the extent to which those benefits will be forfeited. In contrast, all MNCs, theoretically, have the prospect to benefit from expanded markets.¹² But which firm exactly has a real chance of benefiting and by how much is relatively unclear. This is because the post-agreement expansion has not yet materialized, limiting the certainty regarding the benefits and beneficiaries. Thus, MNCs have relatively stronger incentives to mobilize in defense against threats to trade rather than creating opportunities for trade.

1.3 Empirical Implications: MNCs' Lobbying Strategies for the USMCA vs. TPP

We analyze different lobbying strategies adopted by MNCs present in North America with respect to two recent trade agreements – the United States-Mexico-Canada Agreement (USMCA) and the Trans-Pacific Partnership (TPP). We focus on the North American region, specifically the United States and Canada, for several reasons. First, this allows us to examine lobbying across two developed democracies with comparable lobbying disclosure laws (Chari, Murphy and Hogan, 2007; Holman and Luneburg, 2012; Lee and Stuckatz, 2024). Second, as negotiating parties of the USMCA and TPP, both the United States and Canada were important political jurisdictions for advancing these trade negotiations. Third, the North American region is one of the largest supply chain hubs in the world, where the economic stakes of free trade and investment is high. These conditions fit the focus of our paper where MNCs are incentivized to lobby across multiple jurisdictions due to the scope of the policy and political relevance of the home and host countries.

The economic salience of the USMCA and TPP negotiations were vastly different for North American MNCs.¹³ Arguably, negotiations surrounding the USMCA were highly economically

¹²One exception is when rules of origins are negotiated in ways to create specific benefits for certain interest groups (Manger, 2009).

¹³See Appendix A for examples of earnings calls transcripts from 2012 to 2020 of publicly traded MNCs that

significant. Since NAFTA came into effect in 1994, regional trade has tripled under the agreement and cross-border investment also grew significantly among member states.¹⁴ Given the strong dependencies between North American MNCs and their subsidiaries located in NAFTA partner countries, the uncertainty posed by the possibility of the United States withdrawing from the pact or substantially changing existing terms was significant. This uncertainty likely instigated intense political mobilization in the United States and Canada.

In contrast, the TPP negotiations, from the perspective of North American MNCs, were more of an opportunity to create market access in Asia-Pacific. Indirect benefits were also expected through closer trade and security relations with the region. Therefore, in a relative sense, the opportunities to be created from the TPP negotiations were less economically salient than the threats associated with renegotiating the NAFTA. Also, between the two agreements, the gains (vs. losses) from the TPP (vs. USMCA) agreement were arguably diffused (vs. concentrated) for North American MNCs. This is because the United States and Canada were two countries out of the proposed 12-member pact with respect to the TPP, whereas the two countries have been key constituents of the NAFTA for the last couple of decades.

This leads to different expectations for North American MNCs' lobbying strategies regarding the two trade agreements. Specifically, complementary lobbying is more likely to be observed with respect to the USMCA. American MNCs with subsidiaries in Canada may simultaneously utilize those Canadian subsidiaries to target the bureaucracy and politicians in Ottawa; also, Canadian MNCs with subsidiaries in the United States may have those American subsidiaries simultaneously target Congress at Capitol Hill. Meanwhile, we do not expect to observe as much complementary lobbying for the TPP. Rather, MNCs are likely to engage in the default substitutional lobbying strategy.

Furthermore, we anticipate that firm-level heterogeneity in economic salience exists with

discuss the USMCA or the TPP during earnings calls. The number of transcripts mentioning the USMCA is greater than those mentioning the TPP. Also, the focus of the transcripts was substantially different as highlighted in Figures A1 and A2.

¹⁴<https://sgp.fas.org/crs/row/R42965.pdf>

respect to each particular trade agreement. For instance, MNCs that are deeply integrated into business networks among member countries regarding a respective trade agreement are more likely to find prospected threats or opportunities from (re)negotiations as more economically salient. Therefore, we expect to observe complementary lobbying for the USMCA especially among MNCs with greater economic presence in the region, who are expected to face the greatest costs of a failed negotiation. These are likely MNCs that have a greater number of subsidiaries located in the region or with a greater proportion of fixed assets positioned in the region. Also, MNCs that were subject to stricter NAFTA rules of origin (RoO), especially those that have strategically established their global production networks around them, are more likely to resist changes to RoO through complementary lobbying.

Thus, our first two hypotheses focus on the differences in economic salience across the two trade agreements. Our third hypothesis focuses on the heterogeneity in economic salience across firms regarding the USMCA:

Hypothesis 1. *Trade Threats & Complementary Lobbying:* USMCA lobbying by a North American MNC in the United States is likely to have a positive association with USMCA lobbying in Canada during the same time period.

Hypothesis 2. *Trade Opportunities & Substitutional Lobbying:* TPP lobbying by a North American MNC in the United States is unlikely to have a significant association with TPP lobbying in Canada during the same time period.

Hypothesis 3. *Firm-level Heterogeneity in Trade Threats & Complementary Lobbying:* MNCs with a greater commercial presence in North America and subject to more stringent rules of origin are more likely to engage in complementary lobbying for the USMCA.

Note that we focus on the USMCA and TPP negotiations in this paper to compare two recent trade agreements involving *both* governments of the United States and Canada, but with different degrees of economic salience for North American MNCs. However, following the inauguration of the Trump administration in 2017, the United States withdrew from the TPP negotiations. In other words, post-2017, the United States was no longer a politically relevant

jurisdiction for lobbying with regard to the TPP. Therefore, we additionally examine how North American MNCs adapt their lobbying strategies regarding the TPP post-U.S. withdrawal.

Post-U.S. withdrawal, we expect that North American MNCs will lose incentives to lobby on the TPP in the United States. While lobbying on the TPP in the United States is likely to be discontinued, lobbying on the TPP in Canada may be a new option for those who were not already lobbying in Canada. If some MNCs start to lobby in Canada after having lobbied in the United States, they effectively lobby across multiple jurisdictions but through the substitutional lobbying mode, as the MNCs lobby only from a single jurisdiction at a time. We call this special case as *switching substitutional lobbying*. In this case, MNCs lobby across multiple jurisdictions asynchronously as to flexibly manage government relationships by political relevance. This leads to our fourth hypothesis on switching substitutional lobbying with regards to the TPP:

Hypothesis 4. *Switching Substitutional Lobbying:* TPP lobbying by a North American MNC in Canada post-U.S. withdrawal is likely to have a positive association with TPP lobbying in the United States pre-U.S.-withdrawal.

Finally, we test one of our core assumptions: Complementary lobbying, relative to substitutional lobbying, leads to additional benefits. Due to the difficulty of making inferences about firm-level financial returns from lobbying, we instead utilize a unique aspect of the Canadian lobbying data. The Canadian Lobbying Act requires interest groups to not only register their intent to lobby, but also disclose communication reports which indicate *actual access* and *to whom*. If MNCs engage in complementary lobbying across multiple jurisdictions but do not gain better access to policymakers, these lobbying efforts would be futile and a waste of financial resources. For lobbying to have an effect on policy, gaining access and voicing concerns to policymakers is an important precondition (Langbein, 1986; Lohmann, 1995; Kalla and Broockman, 2016). Therefore, we test whether complementary lobbying is associated with a greater likelihood of securing direct access to trade-related policymakers in Canada. Our final hypothesis is:

Hypothesis 5. *Complementary lobbying & Political Access:* North American MNCs engaged in complementary (vs. substitutional) lobbying with regard to the USMCA negotiations are ex-

| | | Jurisdiction(s) | |
|------|--------------|---|--|
| | | Single | Multiple |
| Time | Simultaneous | Substitutional Lobbying Hypothesis 2 e.g., TPP lobbying (overall period) | Complementary Lobbying Hypotheses 1 & 3 e.g., USMCA lobbying (overall period) |
| | Asynchronous | Not Hypothesized | Switching Substitutional Lobbying Hypothesis 4 e.g., TPP lobbying (pre- vs. post-U.S. withdrawal) |

Table 1: Summary of Theoretical Expectations for USMCA/TPP Lobbying by North American MNCs

pected to be associated with a greater chance of securing access to trade-related policymakers in Canada.

Our theoretical expectations are summarized in Table 1.

2. Data

We determine whether a firm lobbies on the USMCA or TPP using two principal data sources. For the United States, we use the LobbyView database (Kim, 2018), and for Canada, we use data provided by the Office of the Commissioner of Lobbying of Canada (Commissioner of Lobbying, 2021). In the American lobbying data, we find reports of clients lobbying on ‘international trade’ or ‘tariffs’, and which also mention the full names and different acronyms for the USMCA, the TPP, as well as congressional bills associated with the two agreements. For Canada, we select the lobbying registrations specifying the issue of ‘international trade’, which also contain language on the USMCA, the TPP, as well as the legislative bills for the two agreements. For all entities lobbying in both countries, we obtain Orbis BvD IDs as well as Compustat GVKEYs for publicly traded firms. We then merge these data at the level of the interest group and create a quarterly panel of all organized interest groups lobbying in the United States, Canada, and in both countries.¹⁵ In total, we find 600 corporations lobbying in either the United States or Canada, out of which 401 are publicly traded.¹⁶

¹⁵See Lee and Stuckatz (2024) for a detailed description of merging lobbying data across the U.S. and Canada.

¹⁶We also find 332 trade associations, 67 peak associations, 74 ideological groups, 39 unions, and 25 public institutions lobbying on either agreement in both countries. In this paper, we concentrate on corporate lobbying.

Out of all publicly traded firms, 328 firms lobbied on the USMCA, and 243 on the TPP. We analyze the USMCA and TPP lobbying of these firms between 2012 and 2020. This time frame captures the negotiations period of *both* trade deals in *both* the United States and Canada. In the United States, the Obama administration announced its intention to participate in the TPP negotiations in 2009. However, the Trump administration formally withdrew the United States from the TPP agreement in January 2017. Canada began its TPP negotiations in October 2012 until the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force in December 2018.¹⁷ Meanwhile, the USMCA negotiations started in early 2017, and was signed into law in January 2020 in the United States and March 2020 in Canada.

In addition, we collect firm-financial covariates regarding firms' sales, number of employees, total assets, fixed assets, and number and location of subsidiaries for a given year from the BvD Orbis database. We also add NAICS 4-digit codes to identify firms' industries.

3. Findings

First, we investigate the extent to which North American MNCs engage in different modes of lobbying strategies regarding the USMCA and TPP. Specifically, do MNCs leverage their global ownership structure to lobby across *multiple jurisdictions* and *when*?

Figure 1 presents firms lobbying on the USMCA and the TPP between 2008 and 2020, expressed as a share of all firms mobilizing. It also depicts whether firms mobilized in the United States (blue), Canada (red), or both (grey). Corporate mobilization was generally higher for the USMCA compared to the TPP. Overall, 482 firms mobilized for lobbying on the USMCA and 377 firms lobbied on the TPP. The figure also reveals some interesting variation, both in terms of the *timing* and *jurisdiction* of lobbying across the two agreements. Naturally, there is no lobbying on the USMCA before the negotiations began in 2016, but then U.S. lobbying mo-

¹⁷The CPTPP evolved from the TPP, which never came to force due to the withdrawal of the United States. It is also known as TPP11 or TPP-11. Signatories include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

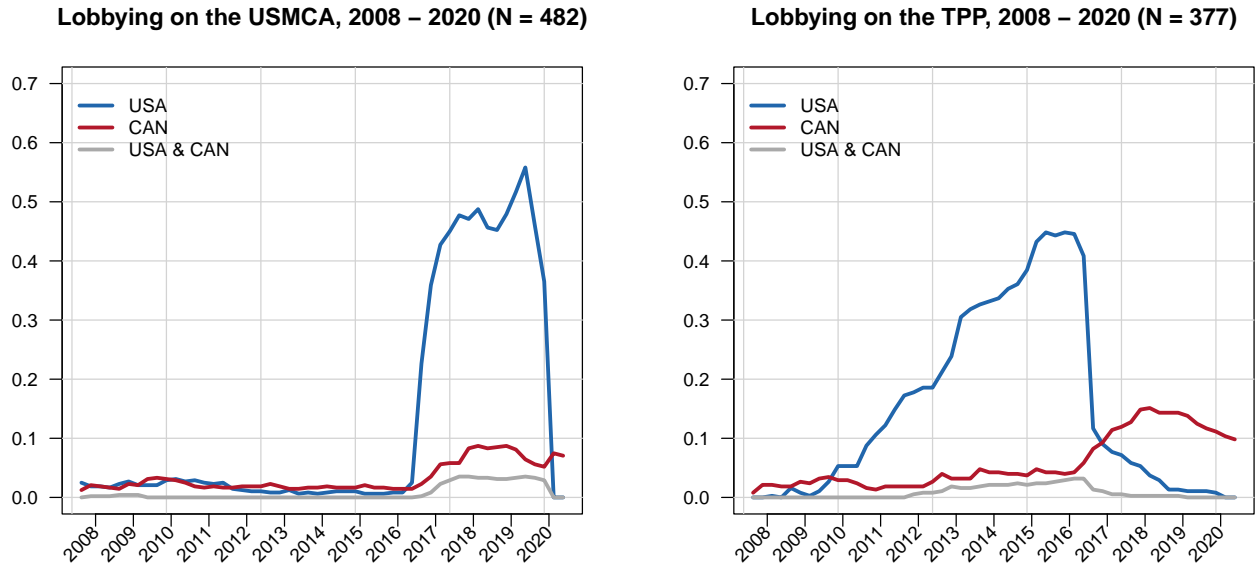


Figure 1: Corporate Lobbying Mobilization on the USMCA and the TPP from 2008 to 2020: This figure shows the relative lobbying mobilization of firms on the USMCA (left panel) and the TPP (right panel), expressed as the share of the total number of firms mobilizing. The colors indicate whether a firm i lobbies in quarter t on the respective trade agreement in the U.S. (blue), Canada (red), or in both jurisdictions (grey).

bilization skyrockets after the presidential elections.¹⁸ Around this time, USMCA lobbying is also observed in Canada, but the overall lobbying levels are much lower than that in the United States. Interestingly, there is also a small number of 27 firms that lobby in both the United States *and* Canada. As far as we are aware of, this is the first direct evidence on complementary lobbying across multiple jurisdictions on the same policy. Also notice the contrast between the steady increase in TPP lobbying in the United States and instantaneous rise in USMCA lobbying at the end of 2016, coinciding with the announcement of the NAFTA-renegotiations. Finally, while TPP lobbying in the United States drops post-U.S. withdrawal, TPP lobbying in Canada increases afterwards, suggestive of switching substitutional lobbying.

¹⁸There is some ongoing lobbying on NAFTA implementation prior to 2016. Post-2016, NAFTA lobbying is mainly related to the USMCA.

3.1 Complementary Lobbying

First, we investigate to what extent multinational corporations engage in complementary lobbying across multiple jurisdictions on the same policy. In order to do so, we first need to focus only on firms with the *potential* to engage in lobbying across multiple jurisdictions. Thus, we identify firms with at least one subsidiary in *both* the United States *and* Canada, based on the number and location information of subsidiaries from Orbis.¹⁹ In total, we find 4,266 firms with subsidiaries in both the United States and Canada. All of these firms are relatively large multinational corporations with median sales of \$ 1.5 billion and a median number of employees of 5,600. In addition, we identify firms lobbying on either agreement who also have at least one subsidiary in either the United States or Canada. This leaves us with 276 lobbying firms in total, out of which 258 lobby in the United States and 55 in Canada.

Which firms actually engage in complementary lobbying? Figure 2 shows all 27 firms in the data that lobby in both the United States and Canada on the USMCA, and the timing and location of their lobbying efforts, between 2014 and 2020. It reflects the distinct pattern shown in the left panel of Figure 1. First, it shows a sharp increase in lobbying activity in the last quarter of 2016 and the first quarter of 2017. Second, for the clear majority of cases, U.S. lobbying precedes Canadian lobbying on the USMCA, but in some cases (e.g., Alphabet Inc., 3M Company, Merck & Co., Inc., Soti Inc.), multinational corporations began lobbying in Canada first.

We add logged sales and the number of employees as firm-level covariates. Using this firm-quarter panel, we first run the following linear model:

$$Lobby CA_{it} = \alpha_i + \gamma_t + \delta Lobby US_{it} + \theta X_{it} + \epsilon_{it}$$

where the outcome, $Lobby CA_{it}$, is a binary indicator which scores one when a firm i lobbies

¹⁹Note that the subsidiary data is only available cross-sectionally, so we cannot track changes in the subsidiary numbers, e.g., as a consequence of the USMCA renegotiations. However, the data still serves as the best measure to identify firms with branches in multiple jurisdictions.

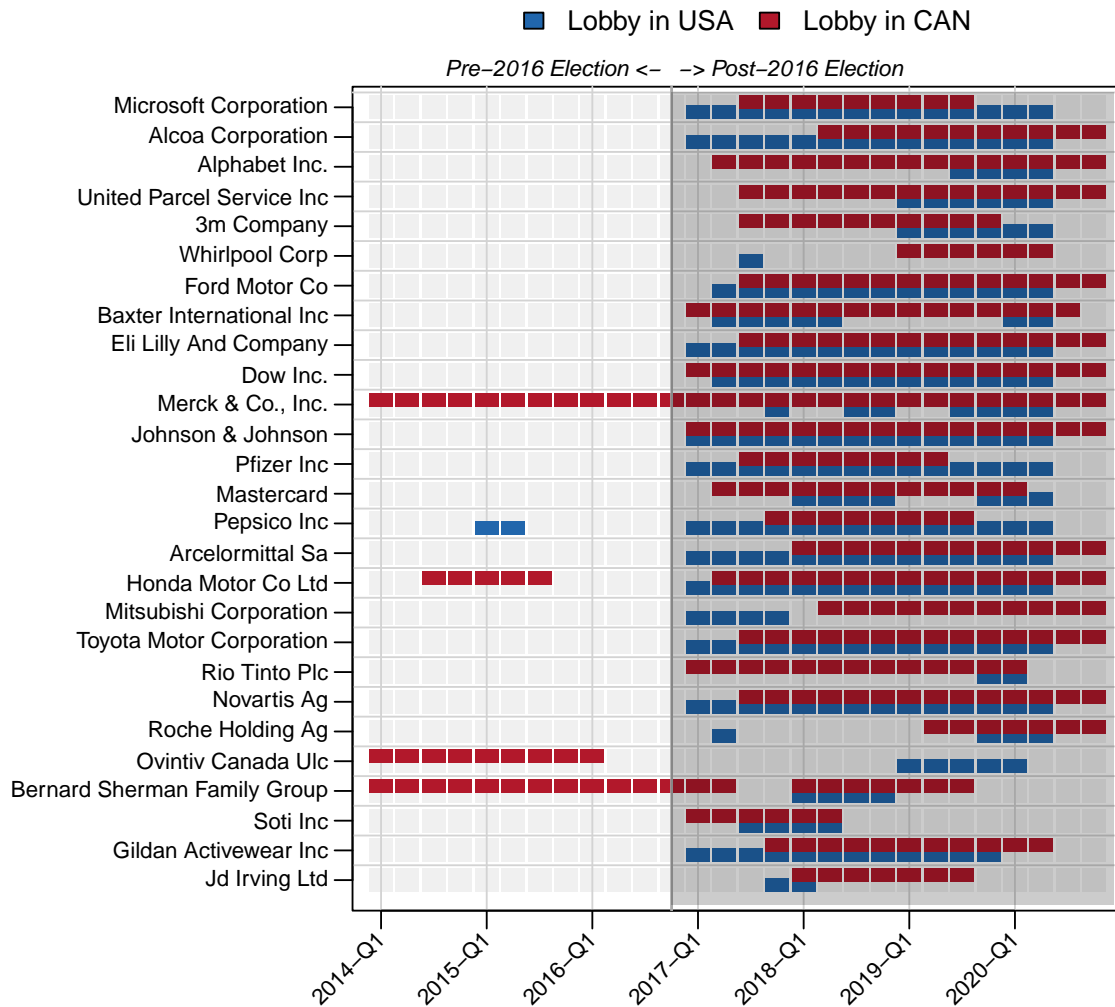


Figure 2: Complementary lobbying on the USMCA, 2014 to 2020: The tile plot shows the 27 firms i lobbying on the USMCA in a given quarter t in both the U.S. and Canada. Blue tiles indicate lobbying in the U.S. and red tiles indicate lobbying in Canada.

on a trade agreement in Canada in year-quarter t , and zero otherwise. The main independent variable of interest here is $Lobby US_{it}$, whether a firm i lobbies on the same trade agreement in year-quarter t or not. The models include fixed effects for the firm, α_i , and for the year-quarter, γ_t , and firm-year-quarter covariates X_{it} . We run two separate series of models, one set for the USMCA (2016-2020) and another set for the TPP (2012-2020), and vary the time span of the panel accordingly.

The results in Models 1 to 4 in Table 2 show that there is a strong and positive relationship between lobbying the USMCA in the United States and lobbying the USMCA in Canada. In our preferred specification using both firm- and quarter fixed effects (column 3), the probability of a firm to lobby the USMCA in Canada increases by 0.042 if the *same* firm also lobbies on the agreement in the United States in the *same* quarter. We would like to emphasize that this is a large effect, considering that the average probability to lobby on the USMCA in Canada is very low, at 0.005. Hence, this is an 8-fold increase in the probability of a given firm to lobby *in the same quarter* in Canada. Also note that our sample consists of large MNCs with subsidiaries in both countries, and therefore, the *actual possibility* to lobby in both.

Models 4 to 8 in Table 2 present the results with respect to the TPP. While the first model in column 5 shows a positive correlation between lobbying on the TPP in the United States and in Canada, the coefficient shrinks closer to zero and becomes negative, as soon as we introduce firm fixed effects, and remains indistinguishable from zero. This remains the same when controlling for firm size. Hence, we find no evidence that firms coordinate lobbying meaningfully between the United States and Canada regarding the TPP. The overall insignificant relationship is consistent with our prediction that complementary lobbying is likely to be observed for the USMCA, but not the TPP. With respect to the TPP, firms are more likely to engage in substitutional lobbying.

3.2.1. Firm-level Variation in Subsidiary Presence

Next, we test our prediction that complementary lobbying is driven by firms with a greater vulnerability to disruptions to extant supply chain networks. We use the number of subsidiaries

| | Lobby USMCA _{CA} = 1 | | | | Lobby TPP _{CA} = 1 | | | |
|---------------------------|-------------------------------|---------------------|---------------------|---------------------|-----------------------------|-------------------|-------------------|-------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 | Model 8 |
| Lobby USMCA _{US} | 0.095*** (0.006) | 0.045*** (0.011) | 0.042*** (0.011) | 0.040*** (0.011) | | | | |
| Lobby TPP _{US} | | | | | 0.095*** (0.004) | -0.027 (0.017) | -0.026 (0.017) | -0.031 (0.019) |
| Num.Obs. | 85 320 | 85 320 | 85 320 | 57 360 | 153 576 | 153 576 | 153 576 | 102 276 |
| R2 | 0.040 | 0.636 | 0.637 | 0.663 | 0.024 | 0.609 | 0.609 | 0.670 |
| Mean Dep.Var. | 0.0049 | 0.0049 | 0.0049 | 0.0049 | 0.0042 | 0.0042 | 0.0042 | 0.0042 |
| Firm FEs | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Year-Quarter FEs | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Firm Covariates | | | | ✓ | | | | ✓ |

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001. Standard errors are clustered by firm.

Table 2: Complementary Trade Lobbying in the United States and in Canada, 2012-2020: The unit of observation is the firm-quarter. The sample includes 4,266 private and publicly traded firms with at least one subsidiary in both the U.S. and Canada. Models 1 to 4 use data from 2016 to 2020, and Models 5 to 8 use data from 2012 to 2020.

in North America as a proxy for vulnerability.²⁰ We then create a binary measure of this vulnerability, coding firms with a higher than median number of subsidiaries (in our sample) as one and those with a lower than median number of subsidiaries as zero. Then we interact this subsidiary measure with our binary indicator that a firm i lobbies on an agreement in quarter t in the United States. The results in Table 3 shows a close to zero relationship for firms with a lower number of subsidiaries, but a positive and significant coefficient of 0.046 for USMCA lobbying in both jurisdictions for firms with a large number of subsidiaries, close to the previous coefficient of 0.042. The results for the TPP confirm our previous estimates from Table 2, with no significant relationship between TPP lobbying in both countries, neither for high- nor for low-subsiary firms.

Despite the fact that our sample consists of relatively large firms, size could be a confounding factor, in that larger firms are more likely to lobby or to lobby across multiple jurisdictions.

²⁰In Appendix Tables B1 and B2 we use alternative measures of asset specificity instead. Specifically, we use measures of tangible fixed assets as a proportion of total assets of the firms.

| | Lobby USMCA _{CA} = 1 | | | | Lobby TPP _{CA} = 1 | | | |
|--|-------------------------------|---------------------|-----------------------|---------------------|-----------------------------|---|--------------------|--------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 | Model 8 |
| Lobby USMCA _{US} | -0.001** (0.0004) | 0.000 (0.000) | -0.002*** (0.0006) | -0.003** (0.001) | | | | |
| Lobby USMCA _{US} × ≥ Median(Subsidiaries) | 0.094*** (0.006) | 0.045*** (0.011) | 0.046*** (0.011) | 0.043*** (0.011) | | | | |
| Lobby TPP _{US} | | | | | 0.002*** (0.0004) | 2 × 10 ⁻¹⁶ (2 × 10 ⁻¹⁶) | 0.001+ (0.0007) | 0.0002 (0.0006) |
| Lobby TPP _{US} × ≥ Median(Subsidiaries) | | | | | 0.091*** (0.004) | -0.028 (0.017) | -0.028 (0.017) | -0.031+ (0.019) |
| Num.Obs. | 85 320 | 85 320 | 85 320 | 57 360 | 153 576 | 153 576 | 153 576 | 102 276 |
| R2 | 0.042 | 0.636 | 0.637 | 0.664 | 0.026 | 0.609 | 0.609 | 0.670 |
| Mean Dep.Var. | 0.0049 | 0.0049 | 0.0049 | 0.0049 | 0.0042 | 0.0042 | 0.0042 | 0.0042 |
| Firm FEs | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Year-Quarter FEs | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Firm Covariates | | | | ✓ | | | | ✓ |

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001. Standard errors are clustered by firm.

Table 3: Complementary Trade Lobbying in the United States and in Canada, 2012-2020, by Number of North American Subsidiaries: The unit of observation is the firm-quarter. The sample includes 4,266 private and publicly traded firms with at least one subsidiary in both the U.S. and Canada. ≥ Median(Subsidiaries) indicates a firm has more than the median number of North American subsidiaries (more than 20). Models 1 to 4 use data from 2016 to 2020, and Models 5 to 8 use data from 2012 to 2020.

However, the results do not change much by adding firm-level covariates for sales and employees in columns 4 and 8 of Tables 2 and 3.²¹ Note that we are also using the most narrow definition of complementary lobbying, i.e., lobbying in the very same quarter on the same agreement. Firms might also align activities across countries over longer time horizons, such as multiple quarters or a year. Another concern could be that we are making comparisons across very different industries with different incentives to lobby regarding trade. Therefore, we use matching methods for panel data to match on firm size measures and 2-digit NAICS codes, to ensure comparability of firms and to calculate effects over time. In Figure B1 in the Appendix, the results show similar coefficient sizes that increase over time, reaching about 0.05 in three to four quarters after firms start lobbying in the United States.²²

3.2.2. Firm-level Variation in Rules of Origin

We also investigate whether the propensity to engage in complementary lobbying is driven by strict rules of origin on intermediate inputs in a given industry. NAFTA established strict sourcing requirements that firms that want to make use of lower (mostly zero) NAFTA tariffs need to abide by. Since NAFTA was established in 1994, MNCs have invested to establish supply chains within the agreement, but these supply chains are protected by RoOs, the renegotiation posed the threat of a change, potentially, a loosening of the RoOs. Therefore, we interact the the indicator for lobbying in the U.S. with a measure of stringency of RoO on inputs under NAFTA. This measure is provided by Conconi et al. (2018) who for each final good calculate the number of sourcing restrictions for inputs for this good, at the HS-6 level. We use the concordance R package (Liao et al., 2020) to cross-walk HS-product codes to NAICS codes, and calculate the average RoO input stringency for a given industry. We then create a

²¹The number of observations drops when including firm-level covariates because not all firms report sales and employees consistently throughout the period.

²²We use the PanelMatch package for these calculations (Imai, Kim and Wang, 2023), thus also improving control firms to be comparable in size, industry, and past lobbying activity. We also confirm the absence of dynamic complementary lobbying for the TPP in Figure B2.

Table 4: Complementary Trade Lobbying in the United States and in Canada, 2012-2020 and strict Rules of Origin: the unit of observation is the firm-quarter. The sample includes 4,266 private and publicly traded firms with at least one subsidiary in both the United States and Canada. Strict RoO indicates a firm has more than the median Rules of Origin Stringency (more than 17.13). Model 1 to 4 use data from 2016 to 2020, and Model 5 to 8 use data from 2012 to 2020.

| | Lobby USMCA _{CA} = 1 | | | | Lobby TPP _{CA} = 1 | | | |
|--|-------------------------------|-------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 | Model 8 |
| Lobby USMCA _{US} | 0.077*** (0.006) | 0.039* (0.019) | 0.036* (0.018) | 0.039* (0.019) | | | | |
| Strict RoO | 0.005*** (0.0007) | | | | 0.003*** (0.0007) | | | |
| Lobby USMCA _{US} × Strict RoO | 0.062*** (0.005) | 0.029 (0.027) | 0.029 (0.027) | 0.016 (0.027) | | | | |
| Lobby TPP _{US} | | | | | 0.124*** (0.006) | -0.025 (0.018) | -0.023 (0.018) | -0.018 (0.019) |
| Lobby TPP _{US} × Strict RoO | | | | | 0.012 (0.008) | 0.007 (0.039) | 0.008 (0.039) | -0.011 (0.042) |
| Num.Obs. | 41 600 | 41 600 | 41 600 | 29 560 | 74 880 | 74 880 | 74 880 | 53 468 |
| R2 | 0.063 | 0.655 | 0.656 | 0.681 | 0.048 | 0.658 | 0.659 | 0.706 |
| Mean Dep.Var. | 0.0049 | 0.0049 | 0.0049 | 0.0049 | 0.0042 | 0.0042 | 0.0042 | 0.0042 |
| Firm FEs | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Year-Quarter FEs | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Firm Covariates | | | | ✓ | | | | ✓ |

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001. Standard errors are clustered by firm.

binary measure for stringent RoOs that scores one if RoO in a given industry are larger than the median across all industries, and zero otherwise. Table 4 below shows the results.

In the cross-section, there is indeed a level difference in the propensity to also lobby in Canada for firms lobbying in the U.S. in industries with above median RoO requirements, compared to firms with below median RoO requirements (Model 1), such that the probability to lobby in Canada almost doubles for firms in high RoO industries. However, RoO do not explain within-firm variation in lobbying in both countries over time, as shown by the substantially smaller and insignificant estimates in Models 2 to 4. We also show as a sanity check that the propensity to engage in complementary lobbying in the case of the TPP is not affected by NAFTA RoOs.

3.3 Substitutional and Switching Substitutional Lobbying

Here, we investigate the extent to which multinational corporations substitute their lobbying activities across multiple jurisdictions. We thus turn to the TPP, for which we expect a stronger case for substitutional lobbying (as in Table 2). We revisit the whole negotiation period from 2012 to 2020 and then focus on a crucial time period around the 2016 U.S. presidential elections, especially post-U.S. withdrawal.

We identify three distinct groups of firms that lobby on the TPP in the data, depicted in Figure 3: (1) firms that first lobbied (complementarily) in the United States and Canada, but then stop lobbying in the U.S. and continued lobbying in Canada, (2) firms that first lobbied in the United States and then discontinued lobbying in the U.S. and began lobbying in Canada only, and (3) firms that lobbied in the United States or Canada, but then stopped lobbying altogether on the agreement after the U.S.-withdrawal. The second group is distinctively firms that engaged in *switching substitutional* lobbying.

We want to investigate to what extent firms that previously lobbied on the TPP in the United States *switch* their lobbying efforts to Canada. We therefore estimate the following difference-in-differences model:

$$Lobby\ TPP_{CA,it} = \alpha_i + \gamma_t + \delta Lobby\ TPP_{US,i,pre-2017} \times Year \geq 2017 + \theta X_{it} + \epsilon_{it}$$

where $Lobby\ TPP_{US,i,pre-2017}$ scores one if a firm i lobbied on the TPP in the United States prior to 2017 and zero otherwise. $Year \geq 2017$ is also a binary indicator that is one from the first quarter of 2017 and beyond, and zero before that quarter. Again, α_i and γ_t are firm and year-quarter fixed effects, respectively. The interaction term $Lobby\ TPP_{US,i,pre-2017} \times Year \geq 2017$ thus indicates the probability that a firm will continue lobbying in Canada post-2017, depending on whether they previously lobbied in the United States or not.

We show the results in Table 5. Indeed, firms with previous lobbying on the TPP in the United States are more likely to continue lobbying in Canada after the withdrawal of the U.S. from the agreement. Since the baseline probability to lobby on the TPP in Canada is very

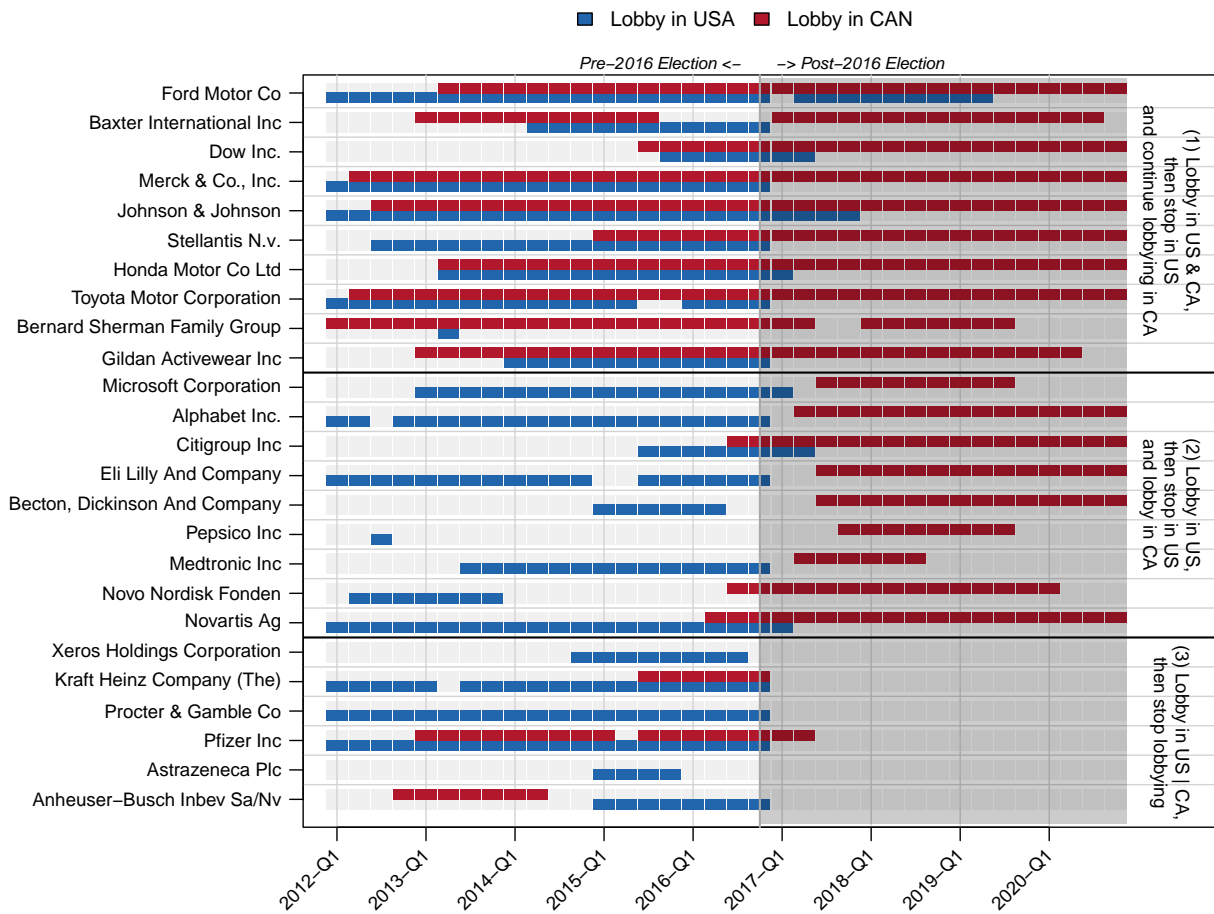


Figure 3: Lobbying strategy adjustments regarding the TPP, 2012 to 2020: The tile plot presents 25 firms that have drastically changed their lobbying strategies post-U.S.-withdrawal from the TPP. As before, blue tiles indicate lobbying in the U.S. and red tiles indicate lobbying in Canada. The majority of firms (not reported here) lobbied either only in the U.S. or Canada throughout the entire period.

| | Lobby TPP_{CA} = 1 | | | | | | | |
|--|-----------------------------------|---------------------|--------------------|-------------------|---------------------|----------------------|------------------|------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 | Model 8 |
| Lobby TPP _{US,pre-2017} | 0.054*** (0.005) | | | | | | | |
| Lobby TPP _{US,pre-2017} × Year ≥ 2017 | 0.047*** (0.006) | 0.047** (0.017) | 0.047** (0.017) | 0.044* (0.019) | | | | |
| Year ≥ 2017 | | 0.002** (0.0006) | | | | 0.003*** (0.0007) | | |
| Lobby TPP _{CA,pre-2017} | | | | | 0.474*** (0.043) | | | |
| Lobby TPP _{CA,pre-2017} × Year ≥ 2017 | | | | | 0.058 (0.044) | 0.058 (0.075) | 0.058 (0.075) | 0.011 (0.074) |
| Num.Obs. | 153 576 | 153 576 | 153 576 | 102 276 | 153 576 | 153 576 | 153 576 | 102 276 |
| R2 | 0.049 | 0.612 | 0.613 | 0.672 | 0.320 | 0.609 | 0.610 | 0.668 |
| Mean Dep.Var. | 0.0042 | 0.0042 | 0.0042 | 0.0042 | 0.0042 | 0.0042 | 0.0042 | 0.0042 |
| Firm FEs | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Year-Quarter FEs | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Firm Covariates | | | | ✓ | | | | ✓ |

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001. Standard errors are clustered by firm.

Table 5: Substitutional Trade Lobbying in the United States and in Canada, 2012-2020, Across Jurisdictions: The unit of observation is the firm-quarter. The sample includes 4,266 private and publicly traded firms with at least one subsidiary in both the U.S. and Canada.

low, this is again a large coefficient size, indicating an approximately 10-fold increase in the probability to lobby, compared to firms with no previous lobbying on the TPP in the United States, prior to the U.S. withdrawal. In addition, we find no such effect for firms who previously lobbied in Canada, confirming that this is really firms *switching* lobbying across jurisdictions.²³

3.4 Complementary Lobbying and Political Access

Finally, we analyze whether complementary lobbying yields better returns for multinational corporations. Measuring tangible benefits of lobbying is very difficult due to the endogeneity between lobbying and firms' financial returns (Kang, 2016; Huneus and Kim, 2021). Here, we investigate *access to (Canadian) policymakers* as one possible benefit of lobbying. The U.S. Lobbying Disclosure Act mainly requires the disclosure of lobbying expenses, specific issue codes, and institutions that a lobbyist *expects to lobby or has already lobbied*. Therefore, it is never clear whether the clients represented by lobbyists have *actually* gained access to U.S. policymakers in those institutions. Meanwhile, the Canadian Lobbying Act not only requires lobbyists to file registration reports, but also monthly communication reports that summarize direct communications with designated public office holders. Specifically, Canadian lobbying reports contain the date and broad subject of communication, as well as the name, role, and institution of the public office holder. Therefore, we utilize information from these communication reports to compare access to policymakers depending on firms' choice of lobbying mode.

We first identify all 55 multinational corporations that lobbied in Canada on either the USMCA or the TPP, and also whether these firms lobby in Canada only (i.e., engage in substitutional lobbying) or in Canada and the United States (i.e., engage in complementary lobbying). Second, we retrieve all communication reports between clients and public office holders relating to international trade, and subset communications with the Prime Minister's Office, Global Affairs Canada, as well as the two Canadian legislative chambers. We use these information to calculate aggregate access per firm to Canadian political institutions.

²³In the Appendix Figures B3 and B4 we confirm that there are no pre-trends between firms with and without previous lobbying on the TPP in the United States.

| | Access _{all institutions} | | | Access _{PMO} | | Access _{GAF} | | Access _{House} | | Access _{Senate} | | Firm Characteristics | | | |
|---------------------------------------|------------------------------------|--------|--------|-----------------------|--------|-----------------------|--------|-------------------------|--------|--------------------------|--------|----------------------|---------|------------|-------|
| | # Firms | Share | n | Share | n | Share | n | Share | n | Share | n | Rev. | Empl. | Assets | Subs. |
| Firms lobbying USMCA & TPP | | | | | | | | | | | | | | | |
| Canada only | 30 | 0.600 | 7.667 | 0.267 | 0.867 | 0.500 | 2.400 | 0.367 | 1.133 | 0.133 | 0.200 | \$28.5 BN | 80.33 K | \$72.3 BN | 163.6 |
| Canada & U.S. | 25 | 0.920 | 42.880 | 0.680 | 5.360 | 0.760 | 14.800 | 0.680 | 14.680 | 0.240 | 0.280 | \$64 BN | 128.6 K | \$180.1 BN | 199.7 |
| difference | | 0.320 | 35.213 | 0.413 | 4.493 | 0.260 | 12.400 | 0.313 | 13.547 | 0.107 | 0.080 | \$35.5 BN | 48.27 K | \$107.8 BN | 36.1 |
| t-statistic | | -3.005 | -2.210 | -3.287 | -2.059 | -2.041 | -2.375 | -2.398 | -1.865 | -0.991 | -0.515 | -2.894 | -1.728 | -1.404 | -1.0 |
| p-value | | 0.004 | 0.037 | 0.002 | 0.050 | 0.046 | 0.026 | 0.020 | 0.074 | 0.327 | 0.609 | 0.007 | 0.091 | 0.171 | 0.3 |
| Firms lobbying USMCA | | | | | | | | | | | | | | | |
| Canada only | 26 | 0.615 | 8.000 | 0.269 | 0.923 | 0.500 | 2.385 | 0.385 | 1.077 | 0.154 | 0.231 | \$25.6 BN | 63.21 K | \$52.9 BN | 162.2 |
| Canada & U.S. | 25 | 0.920 | 42.880 | 0.680 | 5.360 | 0.760 | 14.800 | 0.680 | 14.680 | 0.240 | 0.280 | \$64 BN | 128.6 K | \$180.1 BN | 199.7 |
| difference | | 0.305 | 34.880 | 0.411 | 4.437 | 0.260 | 12.415 | 0.295 | 13.603 | 0.086 | 0.049 | \$38.4 BN | 65.39 K | \$127.2 BN | 37.5 |
| t-statistic | | -2.721 | -2.185 | -3.156 | -2.025 | -1.960 | -2.377 | -2.170 | -1.873 | -0.761 | -0.294 | -3.117 | -2.654 | -1.697 | -1.0 |
| p-value | | 0.010 | 0.038 | 0.003 | 0.053 | 0.056 | 0.026 | 0.035 | 0.073 | 0.450 | 0.770 | 0.004 | 0.012 | 0.102 | 0.3 |
| Firms lobbying TPP | | | | | | | | | | | | | | | |
| Canada only | 28 | 0.643 | 8.214 | 0.286 | 0.929 | 0.536 | 2.571 | 0.393 | 1.214 | 0.143 | 0.214 | \$26.1 BN | 80.93 K | \$68.9 BN | 159.1 |
| Canada & U.S. | 25 | 0.920 | 42.880 | 0.680 | 5.360 | 0.760 | 14.800 | 0.680 | 14.680 | 0.240 | 0.280 | \$64 BN | 128.6 K | \$180.1 BN | 199.7 |
| difference | | 0.277 | 34.666 | 0.394 | 4.431 | 0.224 | 12.229 | 0.287 | 13.466 | 0.097 | 0.066 | \$37.9 BN | 47.67 K | \$111.2 BN | 40.6 |
| t-statistic | | -2.577 | -2.174 | -3.058 | -2.027 | -1.730 | -2.341 | -2.146 | -1.854 | -0.882 | -0.408 | -3.102 | -1.645 | -1.443 | -1.1 |
| p-value | | 0.013 | 0.039 | 0.004 | 0.053 | 0.090 | 0.028 | 0.037 | 0.076 | 0.382 | 0.685 | 0.004 | 0.107 | 0.16 | 0.3 |

Table 6: Access to Canadian Policymakers and Firms Lobbying in Canada Only vs. Canada & U.S.: The table shows access to the Prime Minister’s Office (PMO), Global Affairs Canada (GAF), as well as the Canadian House and Senate. The first three columns ($Access_{all\ institutions}$) report the total number of firms, the share of firms that gain access to any institution, and the number of times they gain access, depending on whether firms lobby in only one jurisdiction or across multiple jurisdictions. The next eight columns split access by types of institution. The last four columns compare the firm groups according to firm characteristics.

Table 6 compares access to political institutions in Canada, depending on whether firms engage in lobbying in Canada only or in both Canada and the U.S., across a) both the USMCA and the TPP, b) only the USMCA, and c) only the TPP. We provide a binary measure of *whether* (“Share”) firms of a respective type directly communicated with policymakers and *how many* (“n”) communications they have had with those policymakers. We then calculate the differences in these measures by firm type and report the t-statistics and p-values for the significance of those differences.

Across all measures of access, we find that multinational corporations that engage in lobbying in both Canada and the U.S. regarding a trade agreement, compared to those that only lobby in Canada, are more likely to gain access, and have more communications and meetings with public office holders. The only exception is access to the Canadian Senate. In order to assess whether the two groups of firms are comparable, we also provide some firm-level characteris-

tics (e.g., revenue, number of employees, total assets, number of North American subsidiaries), and test the differences between the groups. We do find that firms lobbying across multiple jurisdictions tend to be larger in terms revenue and (to a lesser extent) the number of employees, compared to firms that only lobby in Canada. However, differences are not significant in terms of total assets and the number of subsidiaries in North America. This latter piece of evidence provides some confidence that the differences in access gained by firm group are not solely due to differences in firm size or the number of subsidiaries across countries. Moreover, all of the 30 firms that did not lobby across borders are already very large to begin with, so the differences in resources are unlikely to explain differences in access. In sum, we find that firms that engage in lobbying across borders see tangible benefits from this lobbying strategy in terms of greater gains in access to policymakers.

Conclusion

We propose a theoretical framework that conceptualizes various modes of lobbying strategies that MNCs can utilize *across multiple jurisdictions and time*. When multiple jurisdictions are politically relevant to MNCs, we assume that the returns to lobbying is greatest when global headquarters in one country and their subsidiaries in another complement their lobbying efforts. We called this preferred mode of MNC lobbying as *complementary lobbying*: simultaneous lobbying across multiple jurisdictions regarding a single policy issue. On the other hand, *substitutional lobbying* is the default lobbying mode where MNCs lobby in a single jurisdiction (either the home or host country) at a time. Finally, we introduce a special case called *switching substitutional lobbying* where MNCs switch the jurisdiction in which they lobby over time.

We further theorize that, due to the extra costs of lobbying across multiple jurisdictions simultaneously, MNCs selectively engage in complementary lobbying on trade only when economic the stakes are sufficiently high. Building on extant theories on firm mobilization and interest group politics, we hypothesize that MNCs perceive threats to trade as more salient than opportunities to trade (Olson, 1965; Dür, 2007, 2010). In particular, when it comes to

trade negotiations, MNCs with greater fixed investments are highly incentivized to maintain the status quo and protect their established supply chain networks from any trade disruptions. Relatively, MNCs' incentives to create future trade opportunities through political mobilization are weaker. Therefore, complementary lobbying is more likely to be observed in the former, whereas substitutional lobbying is more likely to be observed in the latter.

To demonstrate these ideas empirically, we contrast North American MNCs' lobbying experiences with regard to the USMCA and TPP negotiations. We find that North American MNCs are more likely to engage in complementary lobbying when facing threats of losing preferential treatment or changes to rules of origin in North America.²⁴ During the USMCA negotiations, the chances of the same firm lobbying in Canada was associated with an 8-fold increase when also lobbying on the agreement in the United States in the same quarter. Most of this effect was driven by MNCs with a greater supply chain presence in North America as measured by the number of subsidiaries and the proportion of fixed assets over total assets. Meanwhile, there was no significant association between lobbying on the TPP in Canada and that in the United States. Note that the TPP negotiations were focused on creating new market access in Asia Pacific. We also investigate the various ways in which MNCs flexibly adjust their lobbying strategies post-U.S.-withdrawal from the TPP.

Findings here have broader implications for the literature on MNC lobbying and their political influence in the global era. By providing a detailed micro-level account on the breadth of MNCs' lobbying strategies, our analysis provides some explanation as to how MNCs are politically distinct from domestic firms and why: they can consolidate political leverage through coordinating lobbying across multiple jurisdictions. After conceptualizing different modes of MNC lobbying, we show that the preferred (but expensive) option of complementary lobbying

²⁴In the Earnings Calls Appendix, we provide supplementary evidence that "uncertainty" has a greater weight than "opportunities" or "growth" among earnings calls transcripts of North American MNCs when discussing the USMCA, as opposed to the TPP (See Figure A1). Also, much of the discussions centered on manufacturing in the North American region (e.g., "northamerican", "footprint", "oem", "inventory") when discussing the USMCA (See Figure A2 and examples in the Excerpts From Earnings Calls Transcripts).

is actually associated with tangible benefits – e.g., securing access to policymakers. Establishing this provides evidence as to how MNCs devise and implement lobbying strategies that lead to concrete returns that likely exceed their costs. This attests to how MNCs are capable of strategically and flexibly influencing trade politics across borders. Meanwhile, our findings on how MNCs are more likely to mobilize over protecting their own and narrow trade interests, rather than creating trade opportunities that might benefit a larger constituency, depicts a less promising picture for global trade openness.

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Appendix (For Online Publication)

A Earnings Calls Appendix

A1 Words Describing the USMCA and TPP in Earnings Calls Transcripts

From the Factiva database (Source: VIQ FD Disclosures), we collected (2/20/2023 - 2/24/2023) English earnings calls transcripts by all companies and authors in the North American region from 2012 to 2020 that mention variations of the “USMCA”²⁵ and the “TPP”²⁶ text. Initially, 392 results were found with regard to the USMCA agreement and another 368 with regard to the TPP. After screening, we have dropped many duplicates (e.g., Event briefs that are identical with the Final version of quarterly earnings calls) and non-relevant earnings calls (e.g., those relating to a Thermal Power Plant, Taser Protection Plan, or Tuition Payment Plans that stand for “TPP” but not the Trans-Pacific Partnership). As a result, we were left with 484 entries which we have matched with Orbis firm identifiers. Based on ownership information from Orbis, we further reduced these to 368 entries which consist of multinational corporations only (128 unique MNCs that mentioned the USMCA; 77 unique MNCs that mentioned the TPP).

Using R, we have created wordclouds for each agreement and a term frequency-inverse document frequency (TF-IDF) based on text relevant to the two trade agreements in the earnings calls transcripts. We considered paragraphs directly mentioning the agreements and those in between as relevant to each trade agreement. We also cleaned some of the text (e.g., use of lower keys, changing the “united states” and “u.s.” to “u.s” in order to distinguish from “us”, grouping expressions on uncertainty/certainty such as “uncertainties”, “uncertain”, “uncertain.”, “unkown”, risk(s)”, etc., into a single expression, “uncertainty”) prior to generating the following Figures A1 and A2.

²⁵“USMCA” or “United States Mexico Canada Agreement” or “United States-Mexico-Canada Agreement” or “NAFTA 2.0” or “new NAFTA” or “new North American Free Trade Agreement” or “North American Free Trade Agreement 2.0”, “New North American Free Trade Agreement” or “New NAFTA” or “H.R.5430” or “H.R. 5430” or “HR5430” or “HR 5430” or “S.3052” or “S. 3052” or “S3052” or “S3052”.

²⁶“TPP” or “Trans Pacific Partnership” or “Trans-Pacific Partnership” or “TPSEP” or “Trans-Pacific Strategic Economic Partnership” or “Comprehensive and Progressive Agreement for Trans-Pacific Partnership” or “CPTPP”.

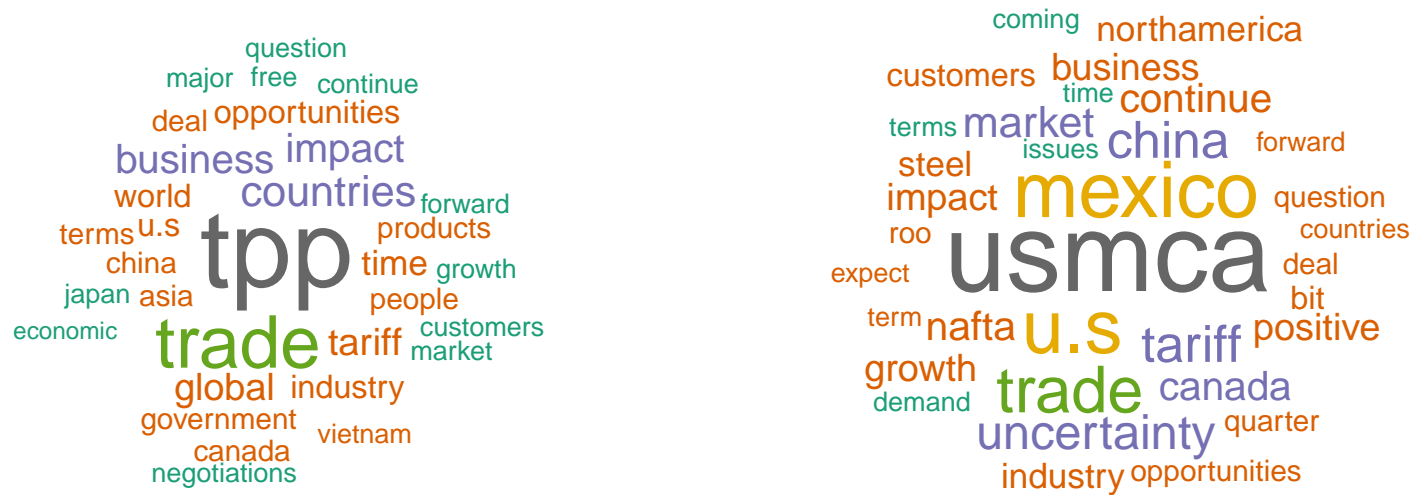


Figure A1: Wordcloud of Earnings Calls Transcripts Relevant to the TPP (L) and USMCA (R). Words with at least 0.003 of term frequency reported for each agreement. Note that “uncertainty” has a greater weight than “opportunities” or “growth” in the USMCA-related texts. Also, “northamerica”, “nafta”, “continue”, “roo (rules of origin)”, and “steel (Section 232)” are uniquely mentioned in these texts. In contrast, “opportunities”, “growth”, “global”, and “asia” are emphasized among TPP-related texts. Also note that “tariff”, “impact”, “market”, and “customers” are key terms mentioned in transcripts relating to both agreements.

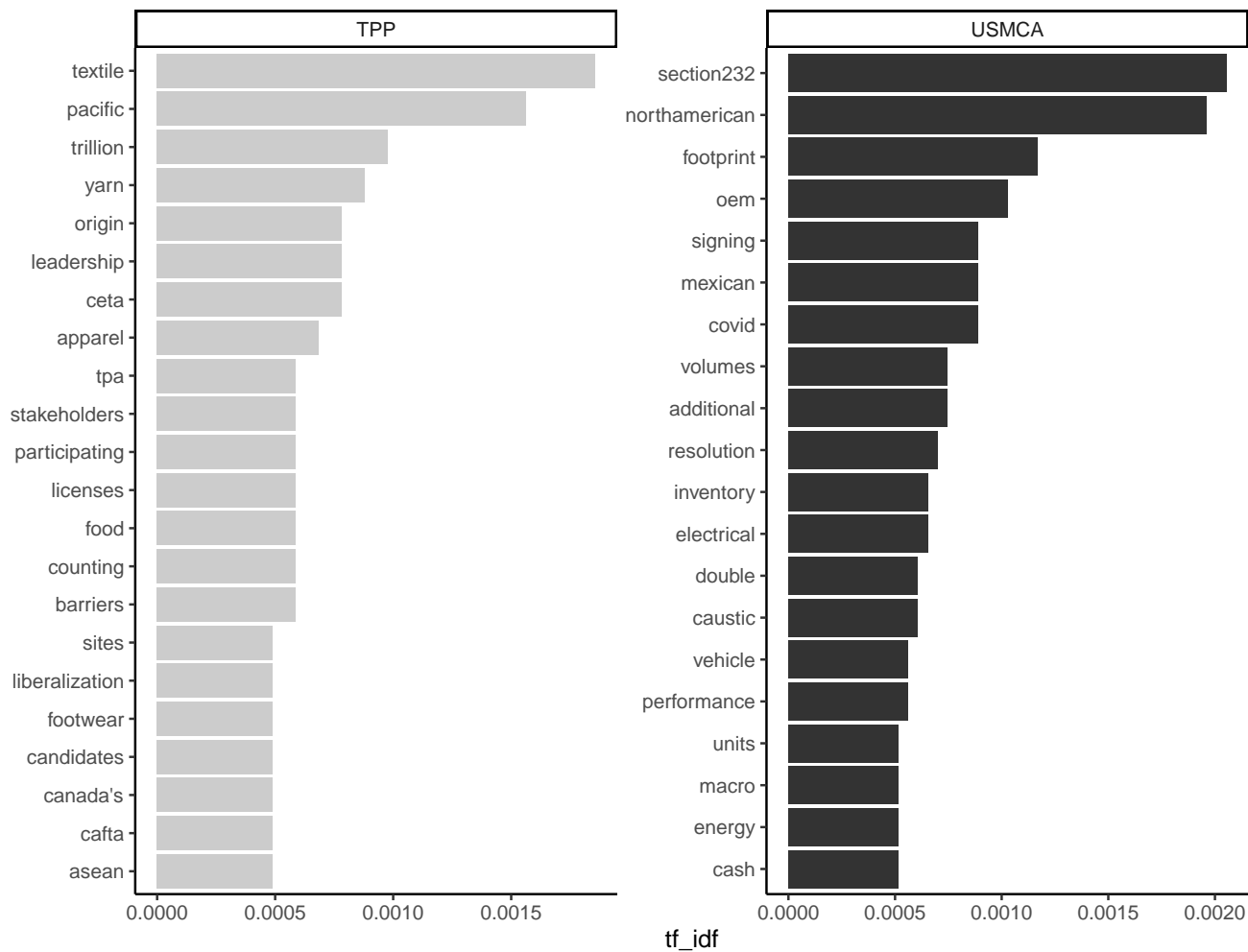


Figure A2: Term Frequency-Inverse Document Frequency for the TPP (L) and USMCA (R). Many of the terms highlighted in earnings calls transcripts that mention the USMCA concern manufacturing in the North American region – e.g., “section232”, “northamerican”, “footprint”, “oem”, “volumes”, “inventory”, “electrical”, “vehicle”, “units”. Meanwhile, “liberalization” is highlighted among earnings calls transcripts that mention the TPP.

A2 Excerpts From Earnings Calls Transcripts

Please see below for direct quotes from several earnings calls transcripts from selected North American multinational corporations that engaged in complementary lobbying. We report industry descriptions of the firms but not the firm names.

Example 1: American steel manufacturer A that engaged in complementary lobbying with respect to the USMCA

“[...] When it comes to the Section 232 tariffs, we’re focused on ensuring that Canada remains tariff free for all of the exports into the United States, and **we’re also very focused on being able to discuss and talk with the administration in the United States, in Canada and elsewhere** on how we can make sure that we have [...]” – Q3 2018 Earnings Call

“[...] Sure. So let me hit the USMCA first, and I’ll probably steer clear of trying to look into the minds of the negotiators to figure out exactly how they came to their conclusions. I think there are incremental improvements. I think the – when you think about the expectations for growing that produced and manufactured in North America, I think it is positive on whole USMCA. But it does, as you mentioned, fall short of where it could have been. Why that is the case and the relative lobbying interests of how that law gets put into action, I think, is beyond my ability to explain clearly. I think it is – I think on the whole, it is positive. Of course, we would have liked to have been even more positive **given our footprint in Canada and the U.S., particularly.**” – Q4 2019 Earnings Call

“[...] We firmly believe that as part of the USMCA, Canada should have the 232 tariffs be exempted from those tariffs. The U.S. is what – U.S. consumes around 5 million metric tons of aluminum. I think we’re about 4 million metric tons short. **Most of that aluminum comes from Canada. And we think that it’s better for the U.S. industry to be able to get that aluminum from Canada tariff-free.** Putting in perspective for us, if we were to get those tariffs eliminated, if we are to get exempted from the Canadian tariffs, it’s probably about \$150 million annually of EBITDA. So it

would be favorable for us and we also believe it's good for the industry." – Company A at Industry-related Conference

Example 2: American auto manufacturer B that engaged in complementary lobbying with respect to the USMCA

"[...] it confuses some of the suppliers about their investments in some of their plants here in the United States, which is another way of saying, **the way the USMCA would benefit as intended is to have these factories be built in the United States for supply of batteries. And so we're well positioned** believing that will happen." – Q2 2020 Earnings Call

"[...] because, obviously, **we spend a lot of money on steel. We were pleased, obviously, to see the steel and aluminum tariffs go away for Section 232 with Canada and Mexico.** The actual steel curves were starting to bend down – started to come down in November when the USMCA was announced, and they've been coming down since. So the market was anticipating this was going to get resolved, I think, and you can see that in the prices. So we have seen on a year-over-year basis – well, second half of last year, first half of this year, improvements in steel prices given all of this. And so I'm not sure that we think it goes down dramatically from here forward, but we are pleased obviously to see those pressures off and let the market dynamics play as they should." – Company B at Industry-related Conference

Example 3: Canadian apparel manufacturer C that engaged in complementary lobbying with respect to the USMCA and TPP and then continued to lobby in Canada post-TPP withdrawal by the United States

"[...] So despite [the expected duty relief], I mean, look, we've made manufacturing decisions, and we think that our expertise is manufacturing. We've made huge investments. And before we made any of these investments, we looked at our cost structure, and our ability to compete on a global basis. **We're supplying products from our Central American facilities into markets that have zero duties or quotas**

today, like Europe, for example, Canada in certain cases. So we know that we've built a model to be globally competitive. We don't see it as being a factor, to answer your question." – Q3 2015 Earnings Call

"[...] We think that even if there is an impact in our category and our segment of labor, and **we are in the labor business, we are not in the industrial, auto type scenario, even in NAFTA.** I don't think we would be impacted because I don't think the US could provide consumers with product. So, we're neutral at this point in time in terms of what we think the impact will be on us. TPP basically is really not an impact for us one way or the other. " – Q3 2016 Earnings Call

B Analysis Appendix

B1 Complementary Lobbying, PanelMatch Results

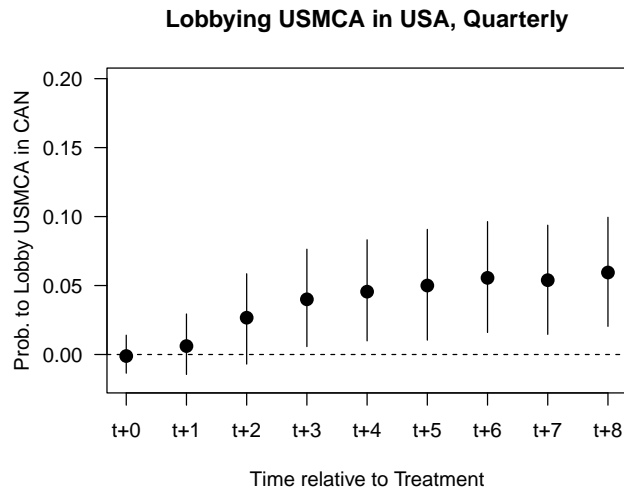


Figure B1: PanelMatch, Complementary, USMCA, 2016-2020

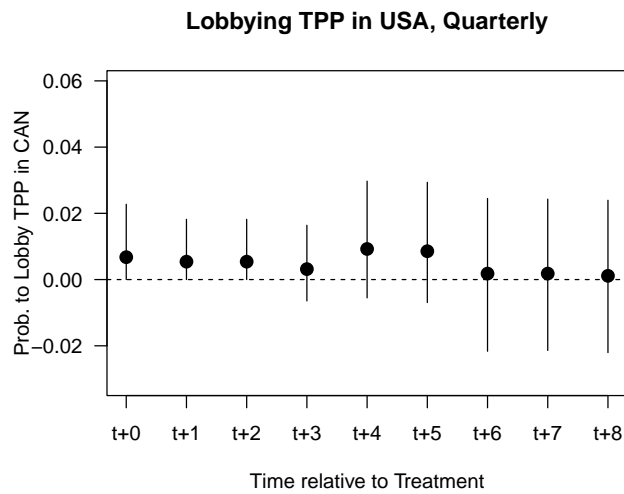


Figure B2: PanelMatch, Complementary, TPP, 2012-2020

| | Lobby USMCA _{CA} = 1 | | | | Lobby TPP _{CA} = 1 | | | |
|--|-------------------------------|-------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 | Model 8 |
| Lobby USMCA _{US} | 0.089*** (0.007) | 0.040+ (0.021) | 0.037+ (0.021) | 0.038+ (0.021) | | | | |
| Lobby USMCA _{US} × >median(asset specificity) | 0.011 (0.011) | 0.006 (0.024) | 0.006 (0.024) | 0.003 (0.025) | | | | |
| Lobby TPP _{US} | | | | | 0.095*** (0.004) | -0.027 (0.028) | -0.026 (0.028) | -0.026 (0.029) |
| Lobby TPP _{US} × >median(asset specificity) | | | | | 0.014 (0.009) | -0.008 (0.032) | -0.008 (0.032) | -0.016 (0.034) |
| Num.Obs. | 67 072 | 67 072 | 67 072 | 54 492 | 121 928 | 121 928 | 121 928 | 97 432 |
| R2 | 0.043 | 0.646 | 0.647 | 0.666 | 0.026 | 0.629 | 0.630 | 0.682 |
| Mean Dep.Var. | 0.0049 | 0.0049 | 0.0049 | 0.0049 | 0.0042 | 0.0042 | 0.0042 | 0.0042 |
| Firm FEs | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Year-Quarter FEs | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Firm Covariates | | | | ✓ | | | | ✓ |

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001. Standard errors are clustered by firm.

Table B1: Complementary Trade Lobbying in the United States and in Canada, 2012-2020, by Asset Specificity: The unit of observation is the firm-quarter. The sample includes 4,266 private and publicly traded firms with at least one subsidiary in both the United States and Canada. Subsidiaries indicates a firm has more than the median asset specificity (more than 0.15 share of fixed assets). Models 1 to 4 use data from 2016 to 2020, and Models 5 to 8 use data from 2012 to 2020.

B2 Complementary Lobbying, by Asset Specificity

| | Lobby USMCA _{CA} = 1 | | | | Lobby TPP _{CA} = 1 | | | |
|---|-------------------------------|---------|---------|---------|-----------------------------|---------|---------|---------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 | Model 8 |
| Lobby USMCA _{US} | -0.0009+ | 0.003 | 0.0007 | 0.001 | | | | |
| | (0.0005) | (0.002) | (0.002) | (0.003) | | | | |
| Lobby USMCA _{US} × asset specificity, Q2 | 0.068*** | 0.033+ | 0.033+ | 0.033+ | | | | |
| | (0.013) | (0.018) | (0.018) | (0.018) | | | | |
| Lobby USMCA _{US} × asset specificity, Q3 | 0.138*** | 0.041+ | 0.041+ | 0.041+ | | | | |
| | (0.012) | (0.023) | (0.023) | (0.024) | | | | |
| Lobby USMCA _{US} × asset specificity, Q4 | 0.118*** | 0.063** | 0.063** | 0.058** | | | | |
| | (0.015) | (0.021) | (0.021) | (0.020) | | | | |
| Lobby USMCA _{US} × asset specificity, Q5 | 0.072*** | 0.028* | 0.027+ | 0.028+ | | | | |
| | (0.013) | (0.014) | (0.014) | (0.014) | | | | |
| Lobby TPP _{US} | | | | | 0.001*** | 0.0005 | 0.001 | 0.001 |
| | | | | | (0.0003) | (0.002) | (0.002) | (0.002) |
| Lobby TPP _{US} × asset specificity, Q2 | | | | | 0.085*** | 0.010 | 0.011 | 0.014 |
| | | | | | (0.008) | (0.031) | (0.032) | (0.034) |
| Lobby TPP _{US} × asset specificity, Q3 | | | | | 0.153*** | -0.070+ | -0.069+ | -0.073+ |
| | | | | | (0.008) | (0.038) | (0.037) | (0.039) |
| Lobby TPP _{US} × asset specificity, Q4 | | | | | 0.112*** | -0.047 | -0.046 | -0.060 |
| | | | | | (0.010) | (0.038) | (0.038) | (0.040) |
| Lobby TPP _{US} × asset specificity, Q5 | | | | | -0.005*** | -0.003 | -0.003 | -0.004 |
| | | | | | (0.0005) | (0.003) | (0.003) | (0.004) |
| Num.Obs. | 67 072 | 67 072 | 67 072 | 54 492 | 121 928 | 121 928 | 121 928 | 97 432 |
| R2 | 0.048 | 0.646 | 0.648 | 0.666 | 0.033 | 0.631 | 0.632 | 0.685 |
| Mean Dep.Var. | 0.0049 | 0.0049 | 0.0049 | 0.0049 | 0.0042 | 0.0042 | 0.0042 | 0.0042 |
| Firm FEs | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Year-Quarter FEs | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Firm Covariates | | | | ✓ | | | | ✓ |

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001. Standard errors are clustered by firm.

Table B2: Complementary Trade Lobbying in the United States and in Canada, 2012-2020, by Asset Specificity: The unit of observation is the firm-quarter. The sample includes 4,266 private and publicly traded firms with at least one subsidiary in both the United States and Canada. Asset specificity is measured in quintiles of the share of fixed assets. Models 1 to 4 use data from 2016 to 2020, and Models 5 to 8 use data from 2012 to 2020.

B3 Substitutional Lobbying Across Trade Agreements

| | Lobby TPP _{CA} = 1 | | | | | | | |
|--|-----------------------------|----------------------|-------------------|-------------------|----------------------|----------------------|-------------------|-------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 | Model 8 |
| Lobby USMCA _{US,pre-2017} | 0.082*** (0.004) | | | | | | | |
| Lobby USMCA _{US,pre-2017} × Year ≥ 2017 | -0.028*** (0.006) | -0.028 (0.041) | -0.028 (0.041) | -0.017 (0.035) | | | | |
| Year ≥ 2017 | | 0.004*** (0.0008) | | | | 0.004*** (0.0008) | | |
| Lobby USMCA _{CA,pre-2017} | | | | | 0.082*** (0.004) | | | |
| Lobby USMCA _{CA,pre-2017} × Year ≥ 2017 | | | | | -0.028*** (0.006) | -0.028 (0.041) | -0.028 (0.041) | -0.017 (0.035) |
| Num.Obs. | 153 576 | 153 576 | 153 576 | 102 276 | 153 576 | 153 576 | 153 576 | 102 276 |
| R2 | 0.008 | 0.609 | 0.609 | 0.668 | 0.008 | 0.609 | 0.609 | 0.668 |
| Mean Dep.Var. | 0.0049 | 0.0049 | 0.0049 | 0.0049 | 0.0042 | 0.0042 | 0.0042 | 0.0042 |
| Firm FEs | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Year-Quarter FEs | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Firm Covariates | | | | ✓ | | | | ✓ |

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001. Standard errors are clustered by firm.

Table B3: Substitutional Trade Lobbying in the United States and in Canada, 2012-2020, Across Trade Agreements: The unit of observation is the firm-quarter. The sample includes 4,266 private and publicly traded firms with at least one subsidiary in both the U.S. and Canada.

B4 Substitutional Lobbying, DiD, Pre-Trends

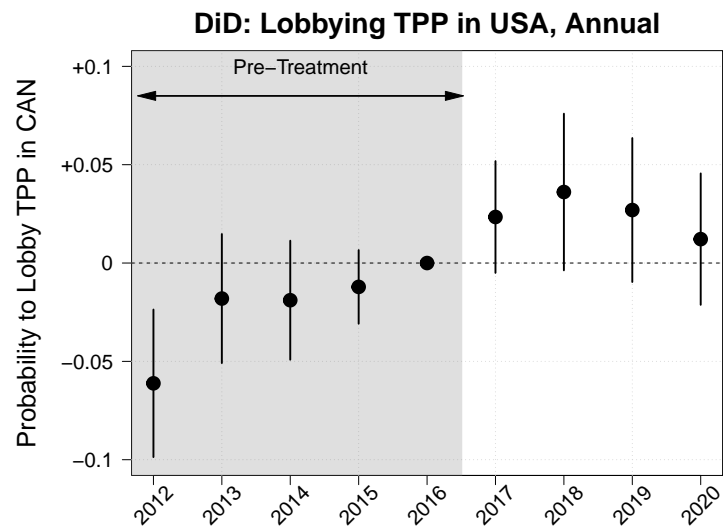


Figure B3: Pre-Trends for Difference-in-Difference Analysis, Annual

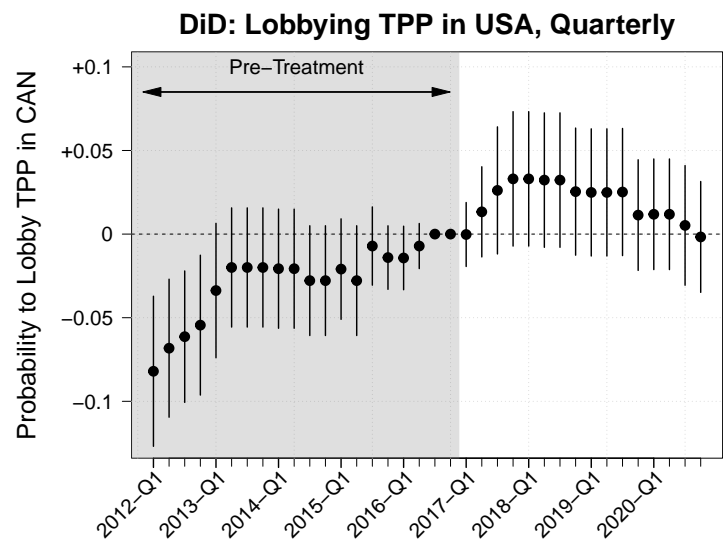


Figure B4: Pre-Trends for Difference-in-Difference Analysis, Quarterly