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General Government Division

B-277996

May 29, 1998

The Honorable Carl Levin
Ranking Minority Member
Subcommittee on International Security,
Proliferation, and Federal Services
Committee on Governmental Affairs
United States Senate

Subject: Comparison of Foreign Lobbying Registrations

Dear Senator Levin:

You asked us to compare the number of registrations¹ filed for foreign and foreign-affiliated clients under lobbying disclosure laws before and after the enactment of the Lobbying Disclosure Act of 1995 (LDA). This letter provides information on (1) the number of such registrations that were filed in 1995 under the Foreign Agents Registration Act (FARA) or the Federal Regulation of Lobbying Act (FRLA), and filed in 1996 under FARA and/or LDA, in order to determine whether there had been an overall increase or decrease in foreign registrations from 1995 to 1996; (2) the number of those 1996 LDA registrations that were new and of those that had been filed in the previous year under FARA or FRLA; and (3) the registration actions after December 31, 1995, of those that had been registered under FARA in 1995. As agreed, to the extent possible, we separated all foreign and foreign-affiliated clients into two categories: (1) nongovernments and nonpolitical parties and (2) governments and political parties.

To gather the information needed to meet our objectives, we reviewed FARA and LDA registration documents. We also analyzed registration information provided in databases maintained by the Department of Justice (for FARA) and

¹These registrations record the name of the filing agent representing the foreign client, as well as the foreign client. Because a foreign client may be represented by more than one agent, that client's name may appear on numerous registrations.

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by the Secretary of the Senate (for FRLA and LDA). The enclosure provides more details on our scope and methodology.

We did our work in Washington, D.C., from June 1997 to April 1998 in accordance with generally accepted government auditing standards. We submitted a draft of this letter to the Attorney General and the Secretary of the Senate for review and comment. Their responses are discussed on page 8.

BACKGROUND

FARA was enacted in 1938 in response to Germany's use of American organizations and citizens to spread Nazi propaganda. FARA was intended to expose the foreign interests behind propaganda campaigns in the United States. To do this, FARA required agents representing foreign clients (referred to as "foreign principals" in the act) to publicly disclose to the Department of Justice both their activities and whom they were representing. Since 1938, FARA has been amended several times and its focus has shifted away from disclosing foreign interests behind propaganda campaigns to disclosing foreign principals' efforts to influence public decisionmaking through lobbying. However, in addition to lobbying, FARA requires that certain activities on behalf of foreign clients, including political consulting, being a publicity agent, and fund-raising, be disclosed in registrations filed with the Department of Justice.²

FRLA was enacted in 1946 and was intended to provide for the disclosure of who was financing lobbyists' efforts to influence federal legislation. FRLA required any organization or individual who was paid to influence legislation to register with the Clerk of the House of Representatives and the Secretary of the Senate, to report who was being represented, and to report in detail the receipts and expenditures involved and the legislative objectives pursued. Among the shortcomings of this law were its narrow interpretation of what constituted lobbying, its lack of any enforcement authority, and its lack of a mechanism to handle late or incomplete filings of lobbying reports and the failure to register. Also, FRLA did not require that registration forms disclose whether the clients were foreign or had foreign affiliations.

LDA, which went into effect on January 1, 1996, repealed FRLA, and was the first major overhaul of federal lobbying disclosure laws in nearly half a century. It was intended to correct FRLA's shortcomings, which had resulted in comparatively few lobbyists registering with Congress. LDA defines lobbying to include contacts with Members of Congress and congressional staff, as well as with certain executive branch officials. Like FRLA, LDA requires registration with the Clerk of the House and the Secretary of the Senate. Unlike FRLA, LDA includes enforcement authority and requires lobbyists to disclose the foreign affiliations of their clients. LDA also amended FARA. By so doing, it exempted agents for foreign clients that are neither governments nor political parties from registering under FARA when they register

²Some filing agents registered under FARA might not be engaged in lobbying. We did not determine which FARA agents were lobbyists.

under LDA. Under LDA, the registration forms are less detailed than for FARA and registration does not require payment of any filing fees. However, lobbyists registering foreign and foreign-affiliated clients under LDA must disclose foreign client information.

RESULTS

Overall, there appears to have been an increase of 145 registrations under the lobbying disclosure laws for foreign and foreign-affiliated clients from 1995 to 1996. However, because we cannot determine the actual number of foreign and foreign-affiliated clients that may have been registered under FRLA in 1995, the true increase in registrations for such clients may be fewer than 145.

We found total registrations of 1,487 in 1995, which included 1,368 under FARA and 119 under FRLA.³ In 1996, there were a total of 1,763 registrations (1,092 under FARA and 671 under LDA). However, because 131 of the 1,763 were registered under both FARA and LDA, to avoid double counting, we subtracted 131 from the 1,763 to arrive at 1,632 registrations. By subtracting the total for 1995 from 1996 (1,487 from 1,632), we derived the increase. (See table 1.)

³Because FRLA did not require lobbyists to disclose whether their clients were foreign or foreign-affiliated, we could not determine the total number of these types of registrations. In an effort to get some indication of the magnitude of such registrations filed in 1995 under FRLA, we identified 520 such registrations filed in 1996 under LDA but not filed under FARA in 1995 and compared them to the names in the 1995 FRLA database. Of these 520, 119 were in the FRLA database.

Table 1: Registrations for Foreign and Foreign-Affiliated Clients Filed Under Lobbying Disclosure Laws in 1995 and 1996

Years and laws	Types of foreign and foreign-affiliated clients			Total
	Nongovernments and nonpolitical parties	Governments and political parties	Unknown	
1995				
FARA ^a	717	636	15	1,368 ^b
FRLA	119	0	0	119 ^c
1996				
FARA ^a	488	591	13	1,092 ^{d,e}
LDA	631	39	1	671 ^e

^aAccording to the Department of Justice, these data overstate the number of active FARA registrations because they include all registrations for clients whose agents have not yet filed forms terminating their registrations.

^bThis number includes 271 registrations originally filed in 1995 and 1,097 registrations originally filed before 1995 that had not been terminated before January 1, 1995.

^cBecause FRLA did not require lobbyists to disclose whether their clients were foreign or foreign-affiliated, we could not determine the total number of these types of registrations. In an effort to get some indication of the magnitude of such registrations filed in 1995 under FRLA, we identified 520 such registrations filed in 1996 under LDA but not filed under FARA in 1995 and compared them to the names in the 1995 FRLA database. Of these 520, 119 were in the FRLA database.

^dOf this number, 131 registrations were filed under both FARA and LDA; 961 registrations were filed only under FARA, and 540 only under LDA.

^eThese entries include 134 registrations originally filed in 1996 and 827 registrations originally filed before 1996 that had not been terminated before January 1, 1996.

Source: GAO analysis of Department of Justice and Secretary of the Senate registration data.

Of the 1,632 registrations for foreign and foreign-affiliated clients we identified for 1996, 671 were registrations under LDA. Of these 671 registrations, 631 represented nongovernment and nonpolitical parties. Of these 631 registrations for nongovernments and nonpolitical parties, 393, or about 62 percent, were new registrations under LDA; that is, these registrations had not been filed in 1995 under

FARA or FRLA. The remaining 238 registrations, or about 38 percent, were filed in 1995 under FARA or FRLA. Of these 238, 119 registrations for nongovernments and nonpolitical parties had previously been filed under FARA in 1995, and 119 registrations were filed in 1995 for nongovernments and nonpolitical parties under FRLA. Table 2 shows the number that were newly registered under LDA with the Secretary of the Senate and the number that had been previously registered in 1995 under FARA or FRLA.

Of the 671 total registrations, we categorized 39 as foreign government and political parties and 1 as unknown. Among the 39, we found two foreign governments with registrations filed under LDA but not filed under FARA in 1996. Clients who are foreign governments and political parties are required to be registered under FARA. Therefore, we brought these two foreign governments and political parties to the attention of Department of Justice officials. Justice officials then notified the two foreign government representatives by letter of the requirements under FARA.

Table 2: Prior-Year Registration Status of All 1996 LDA Registrations Filed for Foreign and Foreign-Affiliated Clients

Registration status in 1995	Types of foreign and foreign-affiliated clients			Total
	Nongovernments and nonpolitical parties	Governments and political parties	Unknown	
Filed under FARA	119	31	1	151
FRLA ^a	119	0	0	119
Subtotal	238	31	1	270
Not filed under FARA or FRLA	393	8	0	401
Total	631	39	1	671

^aThis category includes only those 1996 LDA registrations that were not registered under FARA in 1995 but were registered under FRLA in 1995.

Source: GAO analysis of Department of Justice and Secretary of the Senate registration data.

Some of the clients who had been registered under FARA at the end of 1995 (1) were registered under LDA in 1996, (2) were registered during at least part of 1996 under both FARA and LDA, (3) remained registered only under FARA in 1996, or (4) had their registrations terminated with the federal government entirely. By December 31, 1995, 39 agents representing foreign clients terminated their FARA registrations and subsequently registered under LDA in 1996, thus switching their registrations from FARA in 1995 to LDA in 1996.⁴ Another 112 agents that did not terminate their clients' FARA registrations by December 31, 1995, also registered their clients under LDA in 1996. Thus, they were registered under both LDA and FARA for some part of 1996. However, 47 of these terminated their FARA registrations by the end of February 1996.⁵ More than 60 percent (827) of the 1995 FARA registrations continued to be registered only under FARA in 1996. Another 390 of the 1995 FARA registrations were terminated in 1995 and did not register under LDA. (See table 3.)

⁴Although we have registration and termination dates for FARA agents and clients, we do not have similar data on LDA registrations. Our data on LDA registrations show whether lobbyists and clients registered during 1996 but do not show the specific date of the registrations.

⁵When we reviewed the FARA registrations that were also filed under LDA during 1996, we found that 64 terminated during 1996. Of these 64 terminations, 47 (or about 73 percent) terminated their registrations during January or February 1996.

Table 3: Registration Actions During 1996 for 1995 FARA Registrations

Registration actions	Types of foreign and foreign-affiliated clients			Total
	Nongovernments and nonpolitical parties	Governments and political parties	Unknown	
Switched registrations from FARA in 1995 to LDA ^a	37	2	0	39
Filed under both LDA and FARA ^b	82	29	1	112
Filed under FARA in 1996 and did not file under LDA ^c	344	475	8	827
Did not file in 1996 under FARA or LDA	254	130	6	390
Total	717	636	15	1,368

^aIncludes all registrations filed under FARA in 1995 that were terminated by December 31, 1995, and that filed under LDA in 1996.

^bIncludes all registrations filed under FARA in 1995 that were not terminated by December 31, 1995, and that filed under LDA in 1996.

^cIncludes all registrations filed under FARA in 1995 that had not been terminated from FARA by December 31, 1995, and that did not file under LDA in 1996.

Source: GAO analysis of Department of Justice and Secretary of the Senate registration data.

In addition, in our work classifying foreign clients into (1) nongovernments and nonpolitical parties and (2) governments and political parties, we found a significant number of clients that were affiliated with foreign governments but that did not identify themselves as governments. For example, we found tourism and trade promotion boards that were created and funded by foreign governments, but have individuals from the private sector serving on the Board of Directors. We also found many 100-percent foreign government-owned corporations, including airlines, oil companies, electric companies, and weapons manufacturers. On the basis of discussions with Department of Justice officials, for the purposes of this letter, we classified these clients as nongovernments and nonpolitical parties. Because how

these clients are classified under FARA and LDA affects where they are required to register (i.e., with the Department of Justice, or with the Clerk of the House and Secretary of the Senate) and the extent of the disclosures they are required to make, we plan, at your request, to do additional work on the issue of foreign government-affiliated clients. When we report the results of that work, we will include a comparison of the disclosure requirements under LDA and FARA.

AGENCIES' COMMENTS

On May 20, 1998, we received responses on a draft of this letter from the Department of Justice and the Secretary of the Senate. The Department of Justice officials generally concurred with the contents of this letter. Regarding the two foreign governments we found with registrations filed under LDA but not filed under FARA, Justice officials asked that we note that they have taken action on this matter. We did so. The Secretary of the Senate had no comment.

As agreed with your office, we plan no further distribution of this letter until 30 days after its issuance, unless you publicly release its contents earlier. We will then send copies to the Chairman of the Subcommittee, the Chairman and Ranking Minority Member of the full Committee, and we will make copies available to others upon request. Major contributors to this letter were Rita Oliver and James Turkett of our Dallas Regional Office, Jessica Botsford of the Office of General Counsel, and Terry Draver and Kathleen Peyman of our headquarters office. If you have any questions, please call me on (202) 512-8676.

Sincerely yours,



L. Nye Stevens
Director, Federal Management
and Workforce Issues

SCOPE AND METHODOLOGY

To determine the number of registrations filed for foreign and foreign-affiliated clients under lobbying disclosure laws, we obtained and reviewed registration documents and electronic databases on lobbying activities—two electronic databases from the Secretary of the Senate (for 1995 FRLA and 1996 LDA registrations) and one electronic database from the Department of Justice (for 1995 and 1996 FARA registrations). All databases contained multiple records for organizations representing different clients. We did not perform a reliability assessment of the information contained in the databases. We did detect errors in the process of our review, which were then discussed with the appropriate officials and corrected.

For the FARA registrations, we classified the agent and client combination as being unique to 1995 (registered before December 31, 1995, and terminated during 1995); unique to 1996 (registered after December 31, 1995); or registered in both years (registered before December 31, 1995, and either not terminated or terminated after December 31, 1995). According to the Department of Justice, these data overstate the number of active FARA registrations because they include all registrations for clients whose agents have not yet filed forms terminating their registrations. Therefore, registrations filed in past years, for which accumulated filing fees have not been paid and supplemental statements have not been filed, are counted in these data as active registrations. However, we do not know the extent of the overstatement of registrations and therefore could not adjust the data to compensate for the overstatement.

For the LDA registrations, we reviewed microfilm of all the registration forms for 1996 submitted under LDA to the Secretary of the Senate before coding the electronic database. We identified registrations as being for foreign clients when the client's listed address on the registration was a foreign address or when the address under the "foreign entities" section of the LDA registration form was a foreign address. In addition, we counted LDA clients as foreign if they were registered under FARA (which contains only foreign clients), even if the LDA registration form did not disclose a foreign address or foreign affiliation for the client.

FRLA did not require lobbyists to disclose whether their clients were foreign or foreign-affiliated. In an effort to get some indication of the magnitude of registrations filed in 1995 under FRLA for such clients, we identified registrations for such clients that were filed in 1996 under LDA but that were not filed under FARA in 1995. We then compared these registrations with the registrations in the 1995 FRLA database. When we identified a match, we classified that registration under FRLA as being filed for a foreign or foreign-affiliated client. We did not perform a computerized match of the FARA and FRLA electronic databases because we were not trying to identify clients registered under both of those acts, which would have been allowed.

To count the number of registrations filed under FARA, FRLA, and LDA for clients who were foreign or foreign-affiliated, we considered a registration to be the

combination of (1) lobbyists under LDA and FRLA or the registered agent under FARA and (2) foreign clients under LDA and FRLA or foreign principals under FARA. Therefore, each registration includes a combination of lobbyist and foreign client or agent and foreign principal. We counted each unique combination as a separate registration.

Because there were no unique identifiers for lobbyists or clients that were consistent across the databases, we used a computer program to perform a character-to-character match on fields (e.g., lobbyist and client combinations) in the databases. After identifying a list of the unique combinations in this match, we electronically matched FARA records with those of LDA. In addition, to determine how many of the foreign and foreign-affiliated clients registered under LDA in 1996 were new—i.e., had not been registered under FRLA or FARA in 1995—we first used the lobbyist/client combinations identified in our matching of FARA and LDA records.

Next, we listed and manually verified the records for accuracy and consistency with regard to these unique combinations. We alphabetized the listing (first by lobbyist name and then by client name) and reviewed it to identify all lobbyist/client combinations that the two databases had in common and all that were unique to one database. Because of variations in how organizations' and individuals' names can be listed and changes in organization names (e.g., the addition of a partner in a firm named for its partners), we used our best judgment in determining if lobbyist/client listings were the same in the two databases. During the process of comparing registrations, we identified and eliminated duplicate registrations in the databases.

To determine which of the registrations were categorized as nongovernments and nonpolitical parties or governments and political parties, we reviewed the FARA and LDA registration forms. For FARA clients whose names clearly indicated what type of entity they were (e.g., Embassy of Japan as an indication of a government, Guyana Republican Party as the name of a political party, and Underwriters at Lloyds of London as the name of a nongovernment and nonpolitical party), we based our categorization on the clients' names. For clients with names that did not clearly indicate the type of entity, we reviewed the Exhibit A form that is to accompany the FARA registration form. Exhibit A requires agents to disclose the type of entity the foreign principal is and the principal's connections with foreign governments, political parties, and other entities. On the basis of all the information provided about the client on the Exhibit A form, we determined whether the client was a government or political party. For guidance, we used the FARA definitions of foreign government and foreign political party, plus Department of Justice officials' interpretations of how the definitions applied to a judgmental sample of 40 Exhibit A forms. In some cases, we were not able to categorize an entity because (1) the name did not clearly indicate the type of entity and no Exhibit A was available or (2) the information on the Exhibit A form was insufficient and/or ambiguous. Due to the complexity and sometimes incompleteness of the information provided on the forms, we exercised judgment in interpreting the information and in categorizing entities. The LDA registration form provides less information on the client's entity type than does the FARA Exhibit A.

ENCLOSURE

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Therefore, if the client was registered under both acts, we used the information on FARA Exhibit A to categorize the client. For LDA clients not registered under FARA, we categorized clients on the basis of their names and, when relevant, on the foreign-affiliated entities shown on the form.

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