Transnational Legal Spillover? A Reappraisal of the OECD Anti-Bribery Convention*

Elizabeth Acorn
University of Toronto
elizabeth.acorn@utoronto.ca

Michael O. Allen
Harvard University
michael_allen@fas.harvard.edu

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Abstract

Can prosecutions by United States authorities help spread enforcement of foreign bribery laws to other countries? In this article, we explore this question by re-examining an earlier study that found that US prosecutions of foreign corporations under the Foreign Corrupt Practices Act increases the likelihood that the corporation's home state will enforce its own foreign bribery laws. Using a conditional-frailty Cox model that allows us to model foreign bribery enforcement actions as repeat-events, we find that the relationship reported in earlier scholarship does not hold. We also find that prior results are not robust to the inclusion of an important confounding variable: a country's level of exposure to corruption in their trading partners. Still, while our findings indicate a more limited role of US law enforcement in this particular instance, we nonetheless see many promising avenues for future research on transnational law enforcement and its consequences.

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1 Introduction

Criminal law has historically been quintessentially territorial and used by states to govern activity within their borders. But in a globalized world, criminal activity and law enforcement are increasingly transnational. Perhaps nowhere is this more apparent than foreign bribery. The offense of foreign bribery is itself transnational—prohibiting the payment of bribes to public officials of other countries. The investigation and prosecution of foreign bribery crimes also frequently crosses borders, drawing on evidence and witnesses from multiple countries. Further, it is not only a business's home state—the country where it is incorporated—that prosecutes foreign bribery. Most notably, the United States regularly deploys its foreign bribery law, the Foreign Corrupt Practices Act ("FCPA"), to punish foreign corporations for the bribery of government officials in other countries.

The transnational dimension of foreign bribery enforcement and, in particular, US enforcement of the FCPA against foreign corporations is the focus of this article. The US was the first country in the world to expressly prohibit foreign bribery with the adoption of the FCPA in 1977 and advocated for the spread of foreign bribery laws to other countries through international instruments like the Organization for Economic and Cooperation and Development's ("OECD") 1997 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ("Anti-Bribery Convention" or "ABC"). Much of the world now criminally prohibits foreign bribery, but the enforcement of these prohibitions has been a persistent challenge. Apart from the US, and a handful of other states, many countries have failed to enforce these laws at all or have been slow to do so. Prosecutions of foreigners by the US could potentially change this, propelling other states to enforce their own foreign bribery laws. Given the US's leading role in developing these laws, plus the FCPA's expansive jurisdiction, the US is uniquely situated to potentially export not only foreign bribery laws, but also their enforcement.

Prior research provides support for the argument that US FCPA enforcement can propel foreign bribery enforcement in other states. In a 2011 article, Kaczmarek and Newman

(2011) advanced what they termed the "spillover hypothesis." The authors found that an FCPA prosecution against a foreign corporation increases the likelihood that the corporation's home country will enforce its own laws against foreign bribery (Kaczmarek and Newman, 2011, 747, 764). More than 10 years later, debate persists over this kind of transnational law enforcement and its consequences for legal institutions in other states. While some, like Kaczmarek and Newman, are optimistic that US enforcement against foreign defendants will be complementary and have a positive impact on enforcement in the defendant's home country (e.g., Spahn, 2012), others point out that the net benefits of intervention by foreign anti-corruption institutions—namely US prosecutors—"may be low, or even negative" (Davis, Jorge and Machado, 2015, 670).

It is in this context that we re-examine Kaczmarek and Newman's 2011 article and similarly ask: do US FCPA prosecutions of foreign corporations make enforcement of foreign bribery laws more likely in the corporation's home country? In contrast to prior research, we find little support for the spillover hypothesis and reach a more cautious conclusion about the role of US prosecutions in other states' foreign bribery enforcement.

We reach this conclusion in three steps. First, we start by replicating Kaczmarek and Newman's original specification using updated data on foreign bribery enforcement through the end of 2018. With 10 additional years of foreign bribery enforcement and more reliable data drawn from OECD sources, we are able to replicate their main finding that a US FCPA prosecution of a foreign corporation is positively associated with the first use of foreign bribery laws in the corporation's home country. However, using our improved dataset we find that the magnitude of the effect of FCPA prosecution on another state's enforcement to be significantly smaller than that estimated by Kaczmarek and Newman.

Next, we go beyond replication and test the spillover hypothesis in a way that we argue is better aligned with both the theory motivating the spillover hypothesis and current research on transnational law enforcement in anti-corruption. In their article, Kaczmarek and Newman consider only the first time that an FCPA defendant's home country enforces

its foreign bribery laws. In contrast, we model our test of the spillover hypothesis to capture foreign bribery enforcement in the home country over time.

We make this modelling decision for multiple reasons. To start, it provides a better test of the spillover hypothesis. Writing more than a decade after Kaczmarek and Newman, we have access to a more complete picture of foreign bribery enforcement. This allows us to go beyond the original study and consider the impact of an FCPA prosecution on a country's enforcement of its foreign bribery laws after its first enforcement action. By doing so, we can examine an essential empirical implication of the spillover hypothesis unexamined by prior work: that an FCPA enforcement action against a foreign corporation can "unsettle the low enforcement equilibrium" (Kaczmarek and Newman, 2011, 750) in the corporation's home country, as evidenced by a *sustained* increase in the propensity of that country to enforce its foreign bribery laws.

In addition, examining ongoing enforcement activity builds on more recent research and allows us to better assess the impact of US FCPA prosecutions on patterns of cooperation in transnational law enforcement. Not only is there growing recognition that repeated enforcement of foreign bribery laws is needed to meaningfully reduce the "supply" of bribery globally, there is also increasing awareness that foreign bribery allegations regularly trigger the jurisdiction of enforcement authorities in multiple countries. Scholars have termed this "institutional multiplicity," where enforcement authorities in the country whose public official was bribed, as well as authorities in the defendant's home country and the US, all have the ability to prosecute a given case (Carson and Prado, 2016). As this overlap in enforcement authority continues beyond a home country's first enforcement action, we should anticipate ongoing interactions and multiple potential dynamics between national enforcement authorities that go beyond spillover.

By modeling foreign bribery enforcement actions as a repeated event, we find that the impact of FCPA enforcement on a defendant's home country's enforcement further diminishes and is no longer statistically distinguishable from zero. Our estimates indicate that

while FCPA enforcement against a foreign corporation may increase the odds of short-term or one-off enforcement in the home country, it has little lasting power.

Third and finally, we turn to consider an important and overlooked confounding variable in the enforcement of foreign bribery laws: a country's exposure to corruption in international business. In short, we argue that enforcement by both US and home country authorities is likely influenced by the degree to which the home country's international businesses are exposed to corruption (Escresa and Picci, 2017). We measure a country's exposure to corruption through the value of exports to countries with high levels of corruption. Once we account for corruption exposure, we find that FCPA enforcement against a foreign corporation is not a significant predictor of first or subsequent enforcement by the corporation's home state.

This research makes several important contributions to scholarly work on anti-corruption as well as broader debates within the literature on the politics of interdependence and global governance. We argue for caution regarding the commonly held belief in the spillover hypothesis and foreign bribery enforcement (e.g., Spahn, 2012; Hock, 2019; Verdier, 2020). We do not argue this is the end of the matter, however. Indeed, because our conclusions differ from prior work on this question, we see promising avenues for future research. For example, research is needed to explore the relevant mechanisms and more fully conceptualize transnational law enforcement and its potential impact. We discuss potentially overlooked mechanisms and new avenues for future research in the conclusion of this article. More broadly, our findings suggest a re-evaluation of the politics of interdependence, as we find little evidence that US enforcement activity abroad spurs increased regulatory cooperation in this area. Instead, scholarship should be attuned to the multiple possible consequences of expansive US law enforcement, which could be costly and have little impact, or even include negative repercussions, such as the displacement of foreign institutions. Further, the article contributes to research in this area by better aligning our modeling choices with relevant theory related to foreign bribery enforcement and improving data transparency and

reproducibility. Finally, our findings also have important policy implications and call for greater nuance in how we assess foreign bribery enforcement and when we should be most concerned with low enforcement patterns.

The article proceeds as follows. The next section introduces the FCPA and international efforts to combat bribery in international business, including long-standing enforcement challenges. Here we introduce the spillover hypothesis in more detail and discuss further why a revaluation is warranted. We turn next to our research design and analysis, first setting out our replication of Kaczmarek and Newman (2011) with updated data. We then move beyond replication and present our preferred model to examine the impact of FCPA prosecutions of foreign corporations on foreign bribery enforcement in home states, modelling foreign bribery enforcement actions as repeat-events and accounting for corruption exposure.

2 Existing Research: A Chronic Enforcement Problem and The Spillover Hypothesis

Foreign bribery laws are common today in many countries (Brewster and Dryden 2018, 239). The US was the first country to expressly prohibit foreign bribery with the adoption of the FCPA in 1977. For other countries, their foreign bribery laws stem from commitments under international law, like the OECD Anti-Bribery Convention. The US championed the creation of the ABC, which was signed in 1997 by the then 29 OECD member states, along with 5 other non-OECD states, and went into force in 1999 (Abbott and Snidal, 2002). The core obligation of the ABC is in Article 1, which requires states to enact criminal prohibitions against the payment of bribes to foreign public officials to obtain a business advantage. As a treaty that binds the wealthy OECD countries that are the source of much of the world's foreign direct investment and trade, many see promise in the ABC to "turn off the spigot" of bribery in international business (Pieth and Labelle, 2012).

But while foreign bribery laws are common today, the presence of these laws has not consistently translated into enforcement. In fact, scholars have noted a widespread lack of enforcement of prohibitions against bribery in international business (see e.g., Gilbert and Sharman, 2014). As Brewster and Dryden (2018, 239) write, "under-enforcement has become the state of affairs."

Data collected by the OECD on foreign bribery enforcement illustrates this general "under-enforcement"; further, this data also shows inconsistent enforcement across the OECD, with some countries, notably the US, regularly completing dozens of enforcement actions in a year while others complete only a few or even none. Particularly in the early years of the ABC's operation, enforcement outside of the US was infrequent. By 2009, a decade into the Convention's operation, only 10 of the 34 original signatory states other than the US had completed a single foreign bribery case. Even now, more than two-decades into the Convention's operation, 8 of the original signatories have yet to complete an enforcement action, while many others have persistently low enforcement frequencies.

In some ways, lackluster enforcement of foreign bribery laws is not surprising. Prosecutions of complex economic crimes are generally challenging for law enforcement. For foreign bribery—a crime that by definition has a cross-border component—investigating and prosecuting these cases can be particularly costly in time and resources. What's more, states may not see immediate interests in bringing these cases. While states undertook to criminalize foreign bribery by signing the ABC, there are still short-term economic incentives that encourage states not to prosecute their national businesses. Brewster (2014, 96) argues that even with the ABC in place "each state has an incentive to defect if other states are enforcing a ban on corruption" to allow its corporations to win competitive and lucrative foreign business opportunities.

It's with this context in mind that scholars have explored what might propel states to move from the adoption of foreign bribery laws to their enforcement.[1] One argument

[1] On the varied ways OECD countries have implemented their obligations under the Anti-Bribery Convention see Acorn 2018

that has emerged is that US prosecutions of foreigners can propel enforcement in the defendant's home country—the "spillover hypothesis." Kaczmarek and Newman (2011) find empirical support for this hypothesis, arguing that an FCPA prosecution of a foreign corporation makes it more likely that the corporation's home state will enforce its laws against foreign bribery. US prosecutions of foreign corporations are possible given the FCPA's expansive jurisdiction. The FCPA not only allows prosecutions of American businesses, but also allows prosecutions of foreign corporations in certain circumstances, including if they trade on US stock exchanges.

In introducing the spillover hypothesis, Kaczmarek and Newman point to two motivating examples: Germany and the United Kingdom. As they note, both countries are original signatories to the ABC; but, both countries only began enforcing their foreign bribery laws after US authorities began FCPA cases against a British firm (BAE Systems) and a German firm (Daimler AG) (Kaczmarek and Newman, 2011, 753-56).

Kaczmarek and Newman test the spillover hypothesis quantitatively on data they compiled from 1998–2008 of FCPA enforcement actions against foreign corporations and enforcement of foreign bribery laws by the original OECD signatories to the ABC (Kaczmarek and Newman, 2011, 757). Using a discrete event history analysis, Kaczmarek and Newman find US prosecutions of foreign corporations have "a positive and statistically significant association with a country's likelihood of enforcing their own national [foreign bribery] laws" (p. 760). They estimate that an FCPA prosecution against a foreign corporation will increase the odds of the corporation's home country enforcing its foreign bribery laws by over twenty times. The authors argue that US prosecutions "unsettle weak enforcement equilibrium" in the home state by increasing the costs and uncertainty of maintaining a weak enforcement regime (p. 750). Specifically, the authors point to three mechanisms through which FCPA prosecutions of a foreign corporation could destabilize a low enforcement equilibrium (p. 750). First, US prosecutions could alert firms in the country to the risk of punishment (Griffith and Lee, 2019). Second, they could generate institutional support and resources for

foreign bribery enforcement in the home country. Third, by drawing attention to instances of foreign bribery and the lack of enforcement in that country, such US prosecutions could even generate support for opposition parties and impact electoral outcomes. But, as we discuss in greater detail in the next section, recent literature has cast some doubt on these mechanisms, with some suggesting that FCPA enforcement could even decrease home country enforcement if local regulators see benefits in either free-riding off of US law enforcement or delegating low-salience or unpopular enforcement actions to the US (e.g., Davis, 2010; Brewster, 2014).

While Kaczmarek and Newman's article is the only empirical examination of the spillover hypothesis of which we are aware, the logic of the argument remains prominent in scholarship. Spahn (2012, 42), for instance, argues that the US prosecutes foreign defendants for FCPA violations "to strengthen, or pressure...jurisdictions perceived as lagging, unable, or unwilling to prosecute their own national champions." Similarly, Verdier (2020, 36) describes the influence of US FCPA enforcement as follows: "by enforcing its laws against foreign firms, the United States was able to overcome a first-mover disadvantage and prompt a shift toward stronger anticorruption enforcement worldwide." Hock (2019, 4, 8) also argues that FCPA enforcement can "incentivize non-US jurisdictions to step forward with their own anti-bribery enforcement." Yet, despite increases in US enforcement against foreign corporations over the last two decades, many OECD countries remain stuck within a low-enforcement equilibrium (Brewster and Dryden, 2018). Coupled with the theoretical and methodological reasons we set out next, this motivates us to revisit the spillover hypothesis.

3 Why Re-Examine? The Potential Limits of Spillover

More than twenty years after the creation of the ABC and twelve years after Kaczmarek and Newman's article was published, revisiting the spillover hypothesis provides an opportunity to reconsider the role of US FCPA prosecutions in foreign bribery enforcement in

other countries. Here we discuss the theoretical reasons that motivate us to re-examine the spillover hypothesis and how we test it.

First, there is good reason to suspect some underlying common factor attracts both US and home country prosecutors. The factors that make an FCPA enforcement action against a corporation of a particular country more likely are also the same factors that make foreign bribery enforcement by that country more likely. To begin to address this, we consider a variable overlooked in earlier research: the exposure of a country's businesses to corruption globally. As noted above, both Germany and the UK completed their first foreign bribery enforcement actions following US FCPA prosecutions of German and British corporations, in 2005 and 2008, respectively. However, Germany and the UK are also leading OECD economies, with significant integration into international markets that likely brings exposure to corruption, instances of foreign bribery, and, therefore, greater opportunities for enforcement by German and British authorities. All of which is to say, the UK and Germany may well have been likely to attract the attention of US prosecutors and enforce their own foreign bribery laws given their relatively high exposure to corruption globally.

Second, revisiting the spillover hypothesis allows us to examine transnational anti-corruption enforcement as an ongoing process. Kaczmarek and Newman analyzed the impact of a US FCPA prosecution of a foreign corporation only on initial enforcement in the corporation's home country. Under their theory, once the home state enforces its foreign bribery law, its weak enforcement equilibrium is unsettled. But what happens after that initial enforcement action? A key untested empirical implication of the spillover hypothesis is that a country should maintain a higher level of enforcement after a US FCPA prosecution has broken the country's low enforcement equilibrium. With the addition of more than a decade of data and our alternative modelling strategy, we can now test this observable implication of the spillover hypothesis.

There are additional compelling reasons to look beyond initial enforcement of foreign bribery laws in the defendants' home states besides the spillover hypothesis. Examining

home country enforcement over time is substantively important to international foreign bribery law. The ABC and subsequent OECD recommendations indicate that repeated enforcement is needed to combat bribery in international business. The Anti-Bribery Convention directs states to punish foreign bribery "by effective, proportionate and dissuasive criminal penalties" (Article 3(1)). The OECD's 2009 Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, negotiated and agreed to by the ABC states parties, declares that "vigorous" enforcement of foreign bribery laws is central to the Convention's implementation.

Scholarship on criminal law theory similarly points us to look beyond a country's first foreign bribery enforcement action. Deterrence scholars have long argued that criminal prohibitions will only be dissuasive if the costs of crime outweigh its benefits. Key to the costs of crime are both the probability of detection and the sanctions for wrongdoing (Becker, 1968). A corporation observing that a criminal prohibition has been applied once may still engage in wrongdoing, particularly when the benefits of crime, like foreign bribery, can be high. To illustrate this point, consider companies like Halliburton that have repeatedly been sanctioned under the FCPA. Even after facing foreign bribery penalties once, Halliburton, and at least 19 other companies, have gone on to break foreign bribery laws again. In short, insofar as corruption and its opportunities for short-term gains remain prevalent in global business, repeated enforcement of foreign bribery laws is likely needed to change corporate behavior.

Even more, focusing on home country enforcement over time allows us to more fully consider how FCPA enforcement actions against foreign corporations can influence cooperation among national enforcement authorities. Growing scholarship on "institutional multiplicity" recognizes the presence of multiple enforcement authorities in anti-corruption efforts—including authorities in the defendant's home country and U.S. prosecutors (Carson and Prado, 2016). That is, there is overlapping authority in foreign bribery enforcement beyond the first enforcement action in a defendant's home country: in subsequent instances

where allegations of foreign bribery arise, home country authorities must continue to decide whether to exercise their authority to prosecute—mindful that US authorities may or may not decide to act.

As a result, we should anticipate ongoing interactions and multiple potential dynamics between national enforcement authorities, only one of which is spillover. For instance, enforcement authorities in the US and the corporation's home country could develop a dynamic of collaboration, where they share information, work together, and may even jointly settle foreign bribery cases (Prado and Carson, 2016). A dynamic of delegation could also emerge, where foreign authorities stand down and let US prosecutors cover the field (Davis, 2010); or, we could even see an imperialistic dynamic, if US prosecutors pursue cases against foreign defendants when authorities in the home country determine that a prosecution is not warranted (Davis, Jorge and Machado, 2015, 668). In sum, it is only by looking beyond initial foreign bribery enforcement in the home country that we can begin to capture these ongoing interactions and dynamics of transnational law enforcement.

Finally, revisiting this earlier research provides an opportunity to reconsider some of the other methodological choices made in previous research, which we now discuss.

4 Data & Methods

We test the spillover hypothesis using a conditional frailty Cox model (Box-Steffensmeier, De Boef and Joyce, 2007). This approach enables us to model foreign bribery enforcement actions as an ongoing process, in addition to allowing the rate of enforcement to vary as countries enforce their foreign bribery laws more. Our sample runs from 1999 (the first year the ABC entered into force) to 2018 and includes the 29 OECD member states that are original signatories of the ABC. Countries enter the sample either the year in which they become subject to the ABC or the year their implementing legislation enters into force, whichever is earlier. We next discuss our data before elaborating on our modeling decisions.

4.1 OECD Home Country Enforcement

We compile foreign bribery enforcement data from country monitoring reports as well as yearly statistical reports that are collected and published by the OECD's Working Group on Bribery in International Business Transactions ("Working Group"). As part of the ABC monitoring process, representatives from the Working Group and selected member states conduct on-site visits and interview relevant law enforcement authorities and policymakers. The Working Group also requests information from the country under review on a variety of topics related to its implementation of the Convention. These reviews are thus not only a thorough representation of cross-national implementation of the ABC, but also carry real costs for the countries under review (Jensen and Malesky, 2018). Because we rely on official data that has been either reported to the OECD by states themselves or collected by the Working Group during the monitoring process, portions of our data differ from those used in prior work, which relied on unofficial reports compiled by Transparency International.

Following OECD practice, we include in our home country enforcement data any criminal foreign bribery cases that have reached a final disposition. This includes foreign bribery cases that were resolved through a plea bargain, deferred prosecution agreement, or trial, even if it led to an acquittal or is being appealed. Such a broad definition is appropriate for our purposes because we are interested in assessing the ability and willingness of national authorities to enforce their foreign bribery laws. An acquittal, while in some sense a "failed" enforcement action, nevertheless demonstrates the ability of the local enforcement agency to identify, investigate and prosecute foreign bribery cases. We assign a 1 for every year in which a given country brings a criminal case related to its foreign bribery laws to a final disposition and a 0 otherwise.

We code this variable in "enforcement-years" rather than yearly case counts because our goal is to measure patterns of enforcement over time. Case counts can be highly misleading. If we were to look only at the number of foreign bribery actions brought to completion, Hungary would come across as an active enforcer with over two dozen enforcement actions. All

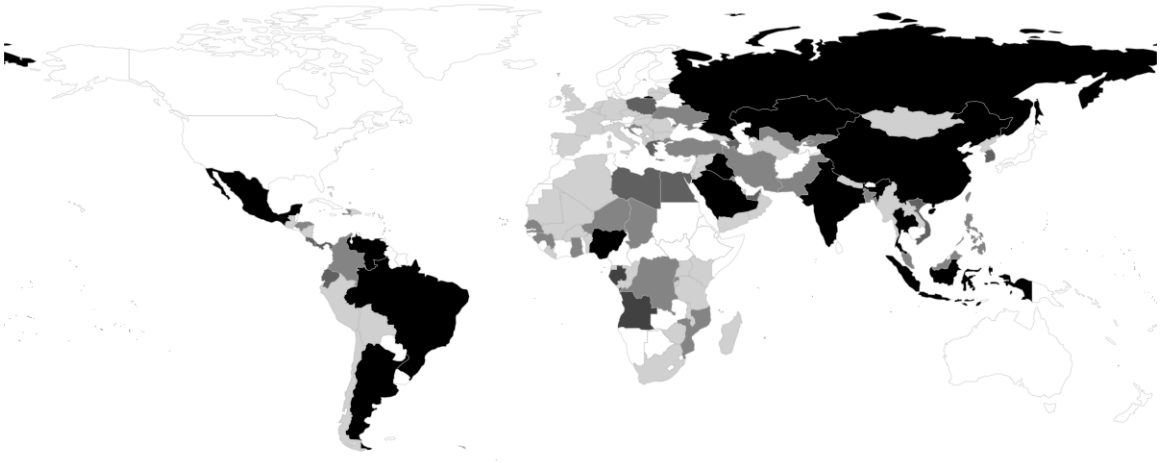
of these actions, however, came out of a single investigation, concluded in a single year, the Magyar Telekom case. For comparison, Finland has only completed a handful of cases (some of which led to acquittals) but nevertheless initiates enforcement actions on a near yearly basis. We therefore code Hungary as a 1 in 2008—the year in which the enforcement actions stemming from that investigation concluded—and a 0 thereafter, while Finland receives a 1 for each year during which it completed a new enforcement action. Because the goal of the ABC is to promote regular enforcement over time, we believe that Finland's enforcement record is more in line with the Anti-Bribery Convention. We therefore constructed a coding rule that best reflects that substantive determination. This coding strategy also helps to account for differences between jurisdictions if the type of enforcement actions they tend to pursue vary in cost or intensity.[2] A complete breakdown of our coding decisions and sources can be found in Appendix B.

4.2 Measuring Exposure to Corruption

The relationship between FCPA prosecutions of foreign corporations and OECD home country enforcement reported in earlier research (Kaczmarek and Newman, 2011) is likely subject to omitted variable bias as whatever factors increase the odds of an FCPA enforcement action are also very likely to increase the odds of home country enforcement. In particular, we argue that we should expect higher enforcement levels against firms of a given country by both the US *and* the home country when that country's firms are more exposed to corruption from their global trading partners. Failing to adjust for underlying corruption exposure may generate a spurious correlation between US and home country enforcement.

Existing scholarship supports our assertion that foreign bribery enforcement follows exposure to corruption globally. Research has found that the location of illicit payments to foreign officials in FCPA enforcement actions tend to cluster in countries with relatively high levels of corruption (Lippitt, 2013; Choi and Davis, 2014). To demonstrate this, we plot

[2] In Appendix E.5, we find our results are robust to an alternative measure of enforcement that accounts for differences in the frequency, importance, and methods of enforcement between countries.



Note: Darker shading indicates more enforcement actions. Data are derived from the Foreign Corrupt Practices Act Clearinghouse run by Stanford Law School and Sullivan & Cromwell LLP (https://fcpa.stanford.edu).

Figure 1: Distribution of Illicit Payments Subject to FCPA Enforcement Actions, 1995–2018

the cumulative number of illicit payments subject to FCPA enforcement actions per country from 1995–2018 in Figure 1. Given the expansive nature of FCPA enforcement against US and non-US firms alike, the law in a firm's home jurisdiction is just one source of legal risk when a firm does business in countries with significant corruption. For example, early scholarship on the FCPA and ABC found modest declines in both trade and investment from OECD countries to countries with high levels of corruption after the introduction of the ABC, even though enforcement is uneven across the OECD (Cuervo-Cazurra, 2008; D'Souza, 2012). And Christensen, Maffett and Rauter (2022) find that after an increase in FCPA enforcement in the early 2000s, corporations from across the OECD that are subject to the FCPA responded to the added risk of US enforcement by increasing internal control resources when acquiring companies in corrupt regimes.

To capture this underlying risk, we include in our analysis *Corruption Exposure*, which we define as the log of the yearly value of a country's exports to countries with heightened risks of corruption. This strategy is similar to that used by Escresa and Picci (2017, 213) who

assume that the number of commercial transactions—and thus opportunities for corrupt dealings—are proportional to bilateral trade flows. While this assumption is not perfect, we nevertheless believe that trade flows are a reliable proxy of risks for corruption. We assess the level of corruption in importing countries using the Corruption Index reported in the PRS Group's International Country Risk Guide ("ICRG"). Any country with a yearly average at or below the Corruption Index's midpoint (3) is included in the set of high-risk countries for that year. We then sum the value of exports from each OECD country to all countries in this set every year. Export data is taken from the IMF Direction of Trade Statistics. We plot each country's corruption exposure in Figure 2.

4.3 FCPA Enforcement Against Foreign Corporations

We obtained data on FCPA enforcement actions from the FCPA Clearinghouse maintained by Stanford Law School. We focus on prosecutions against firms incorporated outside of the US; this means that we include foreign subsidiaries of US parent companies only when the subsidiary itself is a named defendant. We estimate the model using both the earliest known start date of an investigation and the date an enforcement action was resolved. To identify an investigation start date, we searched company filings with the Securities and Exchange Commission for the date on which the defendant first publicly disclosed that they were subject to an FCPA investigation.

Outside of our inclusion of corruption exposure, we replicate the choice of covariates presented in Kaczmarek and Newman (2011, see 758-9). Summary statistics and sources are given in Table A1.

4.4 Home Enforcement as a Repeat-event

Prior research has estimated the time to first ABC enforcement only (Kaczmarek and Newman, 2011). Building off of our theoretical concerns noted in Section 3, this modelling decision has at least two drawbacks. First, countries may differ in their propensity to enforce

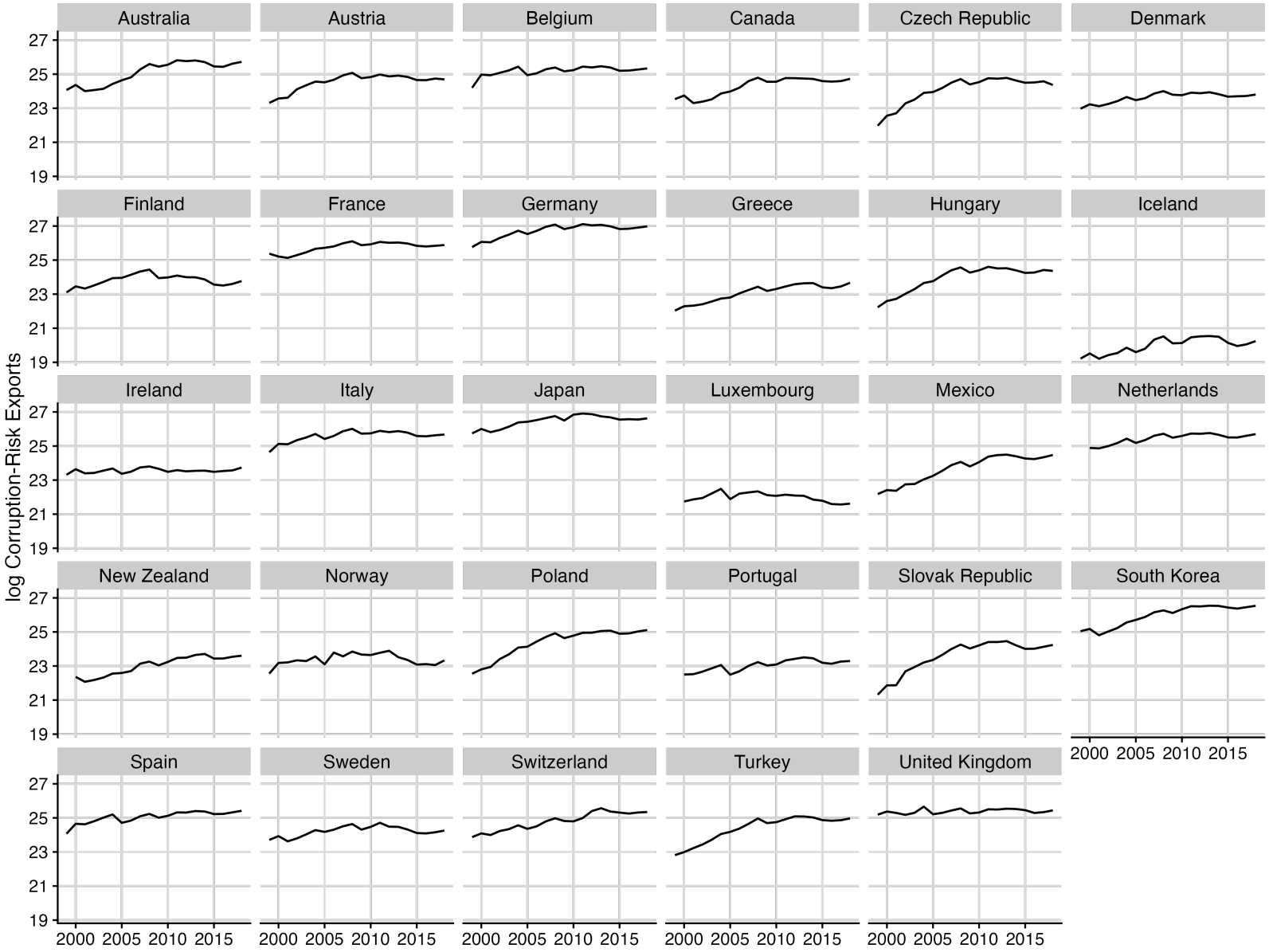


Figure 2: Corrupt Trade Exposure

even within the subset of countries that enforce at all. For example, focusing only on initial enforcement would treat Germany (which enforces essentially every single year) as similar to Hungary (which has only enforced in one year) simply because their initial enforcement actions were close together in time (2005 and 2008, respectively). Incorporating subsequent enforcement data allows us to discriminate between consistent enforcers and one-off enforcers. And because we do not discard data after initial enforcement, we increase our sample size by roughly 40%. Second, the estimates presented in Kaczmarek and Newman (2011) can tell us something about enforcement propensity over time only under the assumption that time to initial enforcement is representative of subsequent enforcement patterns. We present evidence below in our analysis of foreign bribery enforcement as a repeated event that this assumption may be unwarranted.

We adopt a gap-time structure to model enforcement as an ongoing process and include all instances of ABC enforcement-years. This means that rather than only estimating the time to *initial* enforcement, we estimate the time between *all* enforcement actions. If a low enforcement equilibrium is broken by FCPA enforcement, we should witness a sustained decrease in the time between enforcement actions in the defendant's home country. Further, our approach provides us the flexibility to adjust for changes in the baseline hazard conditional on enforcement history. To capture this process, we allow the baseline hazard to shift by stratifying the model on prior enforcement levels.

Finally, there may be some unobserved, time-invariant country-level factors that make some countries more prone to enforce than others. To help reduce bias induced by within-country correlation, we include country-level random effects (or "frailty") terms. In summary, we estimate a stratified Cox model with country-level frailties. Our specification takes the following form:

$$\lambda_{ik}(t) = \lambda_{0k}(t - t_{k-1})e^{\beta_1 \text{FCPA} + \beta_2 \text{Corr. Exp.} + \beta_p \mathbf{X} + \omega_i}$$

Event type:	**DV:** ABC Enforcement					
	Single	Repeat				
	(1)	(2)	(3)	(4)	(5)	(6)
FCPA	1.51**			0.23	0.33	0.25
	(0.60)			(0.34)	(0.33)	(0.33)
$FCPA_{k=0}$		1.07**	0.46			
		(0.51)	(0.54)			
$FCPA_{k\geq 1}$		0.59	0.42			
		(0.37)	(0.38)			
Corruption Exposure			0.55***	0.58***	0.56***	0.43**
			(0.14)	(0.16)	(0.14)	(0.21)
Non-Corruption Exposure						0.26
						(0.25)
Strata	N/A	$\{0, \geq 1\}$	$\{0, \geq 1\}$	k	None	k
Controls	✓	✓	✓	✓	✓	✓
Enforcement Years	18	87	87	87	87	87
Countries	29	29	29	29	29	29
Observations	397	560	560	560	560	560
Log Likelihood	−44.60	−305.78	−298.53	−161.65	−311.34	−161.12

Note: $^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Table presents the estimated coefficients from gap-time, conditional frailty Cox proportional hazard models (Columns 2-6). The "Single" event-type drops all observations after a country enforces its law for the first time (Column 1). All models include country-level frailty terms. Table C1 reports the full results. Results from logit regressions are found in Table E4. More information on our measure of corruption exposure, including results using alternative trade data, can be found in Appendix D.

Table 1: Main Results

λ_{0k} represents the baseline hazard that varies by enforcement action k using a gap time structure, i.e. $(t - t_{k-1})$. $\mathbf{X}$ is a vector of time-varying covariates and β_p is a vector of coefficients; ω_i represents a vector of country-level frailty terms.

5 Analysis

Column 1 from Table 1 reports the results from our reanalysis of Kaczmarek and Newman using our updated and corrected data. In this baseline specification, we follow their approach by modelling enforcement of foreign bribery laws as a single, non-recurring event

(i.e., countries drop out of the dataset after their first enforcement action). With this setup, we replicate their main finding: US FCPA enforcement is positively associated with a country's *first* home enforcement action. Our model's estimated effect size, however, is highly attenuated by comparison. Kaczmarek and Newman report an increase in the probability of enforcement after a corporation from a particular country has been subject to an FCPA enforcement action by a factor of over twenty. We instead estimate a more modest 4.5 times ($= e^{1.51}$) increase over the base rate in the odds of initial home enforcement conditional on FCPA enforcement.

Next, we examine variation of ABC enforcement over time. To do that, we estimate our gap-time model and stratify the model on whether a country has enforced its foreign bribery laws or not. This allows for the baseline hazard rate to vary between countries that have not enforced before and those that have. By interacting the FCPA indicator with the stratum indicator, we also estimate the effect of FCPA enforcement conditional on whether a country has previously enforced. Column 2 shows that the change in the probability of initial home country enforcement after FCPA enforcement decreases further to about 2.92 times ($= e^{1.07}$) or roughly 22% the magnitude of Kaczmarek and Newman's estimate. What's more, when we look at countries that have already enforced, given by the coefficient on $\text{FCPA}_{k\geq 1}$, the coefficient falls further in magnitude and is no longer statistically distinguishable from zero. These estimates indicate that while FCPA enforcement may increase the odds of short-term or one-off enforcement in other countries, it has little lasting power.

Finally, we estimate our preferred model that examines foreign bribery enforcement as an ongoing process while also adjusting for an important confounding factor: a country's level of exposure to corrupt trade. Adjusting for this causes the estimated coefficients on FCPA enforcement to become statistically and substantively insignificant. The estimated magnitudes of the FCPA coefficients fall to 0.46 ($k = 0$) and 0.42 ($k \geq 1$), though these estimates are indistinguishable from zero. We see, however, that the coefficient on *Corruption Exposure* is highly significant. A log-point increase in Corruption Exposure is associated

with an increase in the odds of enforcement by nearly 1.7x ($= e^{0.55}$).

Because we find no statistical difference between the FCPA estimates across strata in Model 3, we re-estimate the model without the interaction term in the remaining models. In Model 4, we stratify by every enforcement action (i.e., rather than a strata for $k = 0$ or $k \geq 1$, we include strata for all k). The results are largely unchanged for the *Corruption Exposure* variable. Model 5 presents the results for an unstratified model. Again, the substantive results remain unaffected. The decreased model fitness of Model 5 relative to the stratified models suggests that the baseline hazard does vary across levels of enforcement history. To ensure that the confounding factor is exposure to corruption and not merely increased trade in general, we add a term in Model 6 equal to the log of the trade to countries that are above the corruption threshold used to generate *Corruption Exposure*. We can see in that model that the FCPA coefficient is still insignificant, while the coefficient on *Corruption Exposure* remains statistically significant at the .05 level and is of a similar magnitude to the other specifications. In contrast, *Non-corruption Exposure* is not predictive of enforcement. All told, after adjusting for exposure to corruption, we find no difference in prosecutorial activity between countries whose corporations have been subject to FCPA enforcement actions and those that have not. The magnitude of our estimated coefficient is significantly less than that estimated by Kaczmarek and Newman (2011, p. 763, see Table 2, Column 2).[3]

These results are robust to alternative data and model specifications. As shown in Table E3, the results hold when only including data on *completed* FCPA actions. In Table D2 we present results of a similar analysis using trade only in the extractive sector, which the OECD has deemed to be the sector most prone to foreign bribery. We also fail to find an association between FCPA enforcement against foreign corporations and the corporation's home country being classified as a significant or active enforcer by Transparency International (see Table E5). TI classifies countries as active enforcers based on their assessment of the intensity and importance of anti-bribery investigations across OECD countries. Including

[3]Figure C1 plots the estimated change in hazard rates after FCPA enforcement from Kaczmarek and Newman and the models presented here.

this measure can thus help alleviate concerns that our classification of enforcement-years overlooks substantive differences in how countries enforce their anti-bribery laws. In summary, we find little evidence to suggest that FCPA prosecutions can increase other countries' propensity to enforce their foreign bribery laws.

One last point to consider is what our findings indicate about the mechanisms of influence in transnational law enforcement. Previous research pointed to three pathways through which US FCPA prosecutions of foreigners could spur increased foreign bribery enforcement in home countries: raising awareness of the risks of punishment, increasing attention to the crime and support for home country enforcement, and influencing electoral outcomes to favor opposition parties. The mechanisms reflect an assumption that FCPA prosecutions of foreign corporations will have a positive impact on home country enforcement, operating to destabilize low enforcement equilibria. But our results suggest this need not be the case. Instead, some of the proposed mechanisms could actually stall or prevent home country enforcement, for instance if increased attention mobilized domestic support to protect national champions or opposition to using public resources to punish bribery in other countries. Further, our findings suggest that other mechanisms may be at play. For instance, the US's expansive enforcement of the FCPA may serve as an institutional substitute for local foreign bribery enforcement. That is, FCPA prosecutions of foreign corporations can fill in for the absence of political will or effective local institutions to prosecute foreign bribery in other countries (Davis, 2010; Davis, Jorge and Machado, 2015); or, other countries may simply delegate these complex and costly case to experienced US investigators and prosecutors. In short, our findings leave open the possibility that FCPA prosecutions of foreign corporations influence home countries in ways unexpected by previous research, or that other mechanisms account for the null results presented here. As we turn to discuss now in the conclusion, closer attention to relevant mechanisms is one of several promising directions for future research.

6 Conclusion & Next Steps

In this article, we have examined one area of transnational law enforcement: foreign bribery law. In contrast to earlier research finding that US FCPA prosecutions of foreign corporations can propel home states to enforce their foreign bribery laws, we find limited support for such an enforcement "spillover." Still, while our findings suggest a more cautious conclusion about the role of US prosecutions in other states' foreign bribery enforcement, we nonetheless see potential for further research in this area. Here we set out three research directions, before ending with a discussion of policy implications.

First, as suggested above, there is much that we do not know about the mechanisms of how FCPA prosecutions of foreigners could influence foreign bribery enforcement in other countries. Future research would be well-served by investigating this, particularly through case studies of US FCPA prosecutions of foreign corporations and interviews with law enforcement and anti-foreign bribery professionals in the corporation's home country. Such research could open up the "black box" of prosecutorial decision-making and help us better understand if and how an American prosecution of a foreign corporation has relevance to the home country's foreign bribery enforcement. In addition, this line of research could examine a host of other potential channels through which FCPA enforcement against foreigners could increase (or decrease) enforcement in home countries—be it variation in legislation, enforcement practices, judicial decisions, and so on—and could also begin to explore the broader question of what drives foreign bribery enforcement generally.

A second promising avenue for future research lies in broadening what we conceptualize as "spillover" and shifting the dependent variable to look beyond home country enforcement. Research should consider whether FCPA prosecutions of foreign corporations influence home countries in ways that do not immediately relate to enforcement frequencies. US prosecutions of foreign corporations may spread American law to other countries, for instance, potentially helping account for the diffusion of deferred prosecution agreements, which were pioneered in the US and are now common in many other OECD states (Acorn,

2021; Brewster and Ortiz, 2020; Ivory and Søreide, 2020). Future research should also consider possibilities for spillover beyond state actors and whether FCPA prosecutions of foreign corporations alter the behavior of private actors, such as by propelling businesses in the home country to strengthen their anti-bribery policies or self-report wrongdoing.

Another direction for future research is to consider FCPA prosecutions of foreign corporations alongside other expansive applications of US law. While the FCPA is notable for its far-reaching jurisdiction, it is not the only area where the US deploys its law and legal system to govern conduct outside of its borders. Scholars have described the "long arm" of American law in several contexts, including other areas of criminal law and securities law (Koh, 2019; Verdier, 2020) and human rights law (Beale, 2018). This creates opportunities for researchers to examine potential "spillover" effects in these areas as well. Even more, examining FCPA prosecutions among this broader class of far-reaching applications of US law highlights law's potential role as a foreign policy instrument. US FCPA prosecutions of foreign corporations may be instances of "weaponized interdependence" (Farrell and Newman, 2019), where the US leverages its centrality in global markets to police conduct abroad and exert American influence. This raises important unexplored questions concerning the expansive application of the FCPA, such as the strategic determinants of when the US pursues FCPA cases against foreign corporations as well as the consequences of these actions, including for foreign relations, international law, and even norms of territoriality and the legitimate reach of national law.

Finally, the findings from this article have important policy implications both for debates over the desirability of the expansive application of the FCPA (see e.g., Barkow and Perry, 2014) and the persistent enforcement challenges under the ABC. Our research indicates there is insufficient evidence to justify FCPA prosecutions of foreign corporations on the grounds that they will spread enforcement to other countries. However, this is not the only rationale for FCPA prosecutions of foreign corporations. These US prosecutions may well be identifying and punishing instances of bribery in international business that

would otherwise go unnoticed. What's more, if part of what helps to explain the absence of a spillover effect is delegation—that some OECD countries are simply allowing the US to cover the field in policing bribery in international business—this indicates an ongoing need for US FCPA prosecutions of foreign corporations. It also suggests that organizations like the OECD and Transparency International that monitor implementation of the ABC, may need to re-think what under-enforcement looks like, and whether deferring to US enforcement is an acceptable implementation of the OECD Anti-Bribery Convention.

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Appendix

Table of Contents

A Summary Statistics and Data Sources

Variable	Mean	SD	Min	Max	Source
Home Enforcement	0.16	0.36	0.00	1.00	OECD
FCPA	0.35	0.48	0.00	1.00	Foreign Corrupt Practices Act Clearinghouse
log Corruption Exposure	24.22	1.47	19.21	27.11	IMF Direction of Trade Statistics and ICRG
log Non-Corruption Exposure	25.11	1.28	21.19	27.60	IMF Direction of Trade Statistics and ICRG
Total Trade / GDP	91.42	56.89	18.35	408.36	World Bank, World Development Indicators
FDI Stock / GDP	46.61	59.82	0.16	415.15	UNCTAD
OECD Emulation	31.38	21.89	0.00	67.86	OECD
OECD Monitoring 2	0.67	0.47	0.00	1.00	OECD
OECD Monitoring 3	0.32	0.47	0.00	1.00	OECD
log GDP per capita	10.42	0.62	8.95	11.63	World Bank, World Development Indicators
CPI	2.87	5.12	-4.48	64.87	World Bank, World Development Indicators
% Protestant	26.30	33.16	0.00	97.80	La Porta et al. (1999)
Common Law	0.17	0.38	0.00	1.00	La Porta et al. (1999)
Transition Economy	0.11	0.31	0.00	1.00	CIA World Factbook

Table A1: Descriptive Statistics and Sources

B OECD Home Enforcement Data

Home enforcement data was collected from various OECD sources including annual enforcement data collected by the OECD's Working Group on Bribery ("WGB Data") as well as individual country reports, given below according to the peer review phase in which the action is cited. In the table below, we provide citations for each year during which a country enforced the Anti-Bribery Convention (i.e., a case reached a final disposition). Where available we also include the case name or name of defendant.

Country	Year	Source
Australia	2017	Phase 4 follow up, p. 34
	2018	Phase 4 follow up, p. 33
Belgium	2013	"EU cereals subsidies," Phase 3, p. 10
	2016	WGB Data, 2017
	2017	WGB Data, 2018
Brazil	2017	WGB Data, 2018
Bulgaria	2004	Phase 3, p. 7
Canada	2005	Phase 3, p.9
	2011	WGB Data, 2012
	2013	WGB Data, 2014
	2014	WGB Data, 2015
	2017	WGB Data, 2018
Chile	2016	Phase 4, p. 81
	2018	WGB Data, 2019
Finland	2009	"Wärstilä," Phase 4, p. 50
	2011	"Patria (Slovenia)." Phase 4, p. 49
	2013	"Instrumentarium," Phase 4, p. 48
	2013	"Patria," Phase 4, p. 49
	2014	WGB Data, 2015
	2015	WGB Data, 2016
	2016	WGB Data, 2017
France	2008	"Congolese sports," Phase 3, p. 85
	2009	"Leading group," Phase 3, p. 85
	2009	"Petrolem," Phase 3, p. 86
	2010	"Equipments import," Phase 3, p. 86
	2011	"Hydraulic drilling," Phase 3, p. 86
	2011	"Leading group," Phase. p. 85
	2013	WGB Data, 2014
	2015	WGB Data, 2016
	2017	WGB Data, 2018
	2018	WGB Data, 2019

Continued on next page

Table B1: List of OECD Home Enforcement Years

Country	Year	Source
Germany	2005	Phase 3, p. 25
	2006	Phase 3, p. 46
	2007	Phase 3, p. 25
	2008	Phase 3, p. 17
	2009	WGB Data, 2010
	2010	WGB Data, 2011
	2011	WGB Data, 2012
	2012	WGB Data, 2013
	2013	WGB Data, 2014
	2014	WGB Data, 2015
	2015	WGB Data, 2016
	2016	WGB Data, 2017
	2017	WGB Data, 2018
	2018	WGB Data, 2019
Hungary	2008	"Magyar Telekom," Phase 4, p. 9
Italy	2008	"Oil for Food," Phase 3, p. 64
	2008	"Oil company," Phase 3, p. 72
	2009	"Libyan Arms Traffickers," Phase 3, p. 66
	2010	"Pirelli," Phase 3, p. 68
	2011	"COGIM," Phase 3, p. 71
	2011	"Oil company," Phase 3, p. 72
	2014	WGB Data, 2015
	2015	WGB Data, 2016
	2017	WGB Data, 2017
	2018	WGB Data, 2018
Japan	2007	Phase 4, p. 10
	2009	Phase 4, p. 10
	2013	Phase 4, p. 10
	2014	Phase 4, p. 10
	2018	Phase 4, p. 11
Korea, Rep. of	2011	"BUSAN SHIPPING," Phase 4, p. 82
	2012	"China Eastern," Phase 4, p. 85
	2012	"Filipino Casion," Phase 4, p. 85
	2016	"CCTV," Phase 4, p. 81
	2018	"HANWHA," Phase 4, p. 81
	2018	"FELDA," Phase 4, p. 82
Luxembourg	2013	WGB Data, 2014
Netherlands	2012	"Ballast Nedam," Phase 4, p. 11
	2014	"SBM Offshore," Phase 4, p.11
	2016	"Vimpelcom," Phase 4, p. 11
	2017	"Teliasonera," Phase 4, p. 12

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Table B1: List of OECD Home Enforcement Years

Country	Year	Source
Norway	2004	"Statoil," Phase 3, p. 8
	2007	"Research Company," Phase 3, p. 9
	2011	"Norconsult," Phase 4, p. 10
	2014	"Cabu Chartering," Phase 4, p. 11
	2014	"Yara International," Phase 4
Spain	2017	WGB Data, 2018
Sweden	2004	"World Bank Case," Phase 3, p. 55
	2013	Phase 3 (2014, follow up)
	2015	WGB Data, 2016
	2016	WGB Data, 2017
Switzerland	2001	Phase 2, p. 56
	2010	Phase 3, p. 55
	2011	"Alstom Network," Phase 3, p. 56
	2014	WGB Data, 2015
	2016	WGB Data, 2017
	2018	WGB Data, 2019
Turkey	2011	"Military Supply Case," Phase 3, p. 11 + WGB Data, 2012
United Kingdom	2008	Phase 3, p. 73
	2009	Phase 3, p. 73
	2010	WGB Data, 2011
	2012	WGB Data, 2013
	2013	WGB Data, 2014
	2014	WGB Data, 2015
	2015	WGB Data, 2016
	2016	WGB Data, 2017
	2017	WGB Data, 2018
	2018	WGB Data, 2019

Table B1: List of OECD Home Enforcement Years

C Main Results

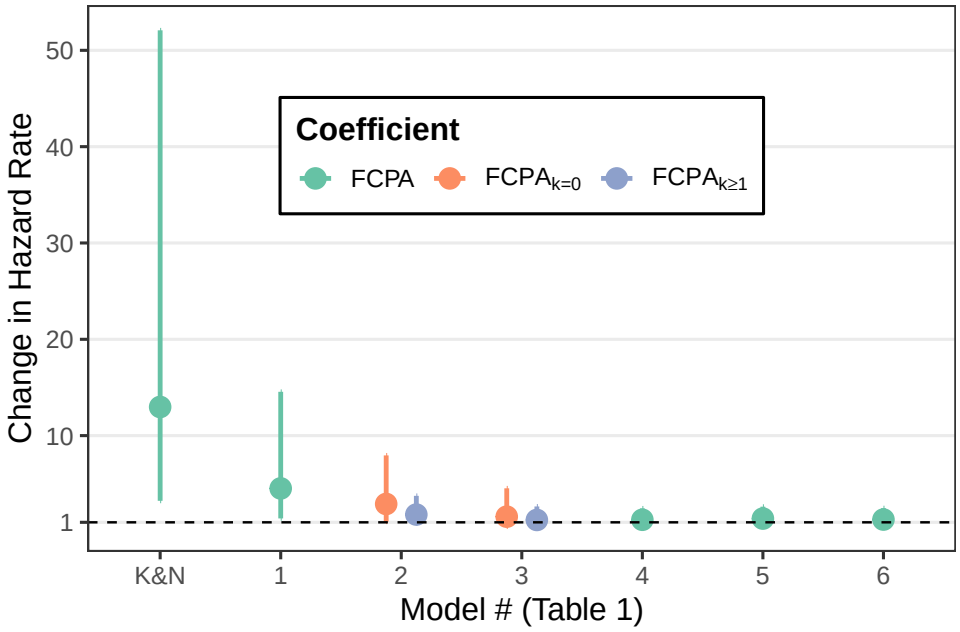
C.1 Full Table

Event type:	**DV:** ABC Enforcement					
	Single	Repeat				
	(1)	(2)	(3)	(4)	(5)	(6)
FCPA	1.51**			0.23	0.33	0.25
	(0.60)			(0.34)	(0.33)	(0.33)
$FCPA_{k=0}$		1.07**	0.46			
		(0.51)	(0.54)			
$FCPA_{k\geq 1}$		0.59	0.42			
		(0.37)	(0.38)			
Corruption Exposure			0.55***	0.58***	0.56***	0.43**
			(0.14)	(0.16)	(0.14)	(0.21)
Non-Corruption Exposure						0.26
						(0.25)
Total Trade/GDP	−0.01	−0.00	−0.00	−0.00	−0.00	−0.00
	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)
FDI Stock/GDP	0.00	0.00	−0.00	0.00	0.00	−0.00
	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
OECD Emulation	−0.28**	0.00	0.01	0.01	0.01	0.01
	(0.13)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
$\text{OECD Monitoring}_{\text{Phase 2}}$	1.15	1.06	0.80	0.72	1.50*	0.58
	(1.14)	(0.87)	(0.88)	(0.92)	(0.77)	(0.94)
$\text{OECD Monitoring}_{\text{Phase 3}}$	−0.61	0.06	−0.08	−0.16	−0.09	−0.15
	(1.39)	(0.42)	(0.43)	(0.46)	(0.43)	(0.46)
ln GDP per cap.	2.04**	0.05	0.36	0.40	0.38	0.40
	(0.94)	(0.46)	(0.50)	(0.52)	(0.50)	(0.52)
CPI	0.07	−0.01	0.04	0.06	0.02	0.06
	(0.06)	(0.07)	(0.06)	(0.05)	(0.06)	(0.06)
% Protestant	−0.01	−0.00	0.01	0.01	0.01*	0.01
	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
Common Law	−1.74**	0.14	0.45	0.53	0.49	0.46
	(0.88)	(0.32)	(0.33)	(0.35)	(0.32)	(0.35)
Transition	1.10	−1.24	−0.77	−0.74	−0.72	−0.63
	(1.49)	(1.15)	(1.17)	(1.18)	(1.16)	(1.18)
Strata	N/A	$\{0, \geq 1\}$	$\{0, \geq 1\}$	k	None	k
Enforcement Years	18	87	87	87	87	87
Countries	29	29	29	29	29	29
Observations	397	560	560	560	560	560
Log Likelihood	−44.60	−305.78	−298.53	−161.65	−311.34	−161.12

Note: $^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Table presents the results from gap-time, conditional frailty Cox proportional hazard models. The "Single" event-type drops all observations after a country enforces its law for the first time. All models include country-level frailty terms.

Table C1: Full Results for Table 1

C.2 Comparison of Estimated Hazard Rates



Notes: This figure presents the exponentiated coefficients with 95% confidence intervals of the estimates reported in Column 2, Table 2 of Kaczmarek and Newman (2011, 763) ("K&N") and Models 1–6 from Table 1 above. Values above 1 indicate an increase in the risk of enforcement.

Figure C1: Comparison of hazard rates with 95% confidence intervals

D Additional Information on *Corruption Exposure* Measure

The *Corruption Exposure* variable is defined as the sum of the total value of exports (on a free on board basis) from a given country to all countries with an ICRG Corruption score below the midpoint (i.e., a value of 3 or below) for a given year. To provide some substance to this cutoff point, Table D1 lists all of the counties included in the corruption exposure group for 2014. Exports to any of these countries in the year 2014 is included in that year's *Corruption Exposure* measure and exports to all other countries are excluded. Export data are taken from the International Monetary Fund's Direction of Trade Statistics. The resulting measure for each country is plotted in Figure 2.

Country	Corruption	Country	Corruption	Country	Corruption
Albania	2.17	Guinea-Bissau	1.46	Nigeria	1.50
Algeria	2.00	Guyana	1.50	Oman	2.54
Angola	1.46	Haiti	1.00	Pakistan	2.00
Argentina	2.00	Honduras	1.62	Panama	2.00
Armenia	1.54	Hungary	3.00	Papua New G.	2.00
Azerbaijan	1.50	India	2.50	Paraguay	1.62
Bahrain	3.00	Indonesia	3.00	Peru	2.00
Bangladesh	3.00	Iran	1.50	Philippines	2.50
Belarus	1.54	Iraq	1.00	Romania	2.04
Bolivia	2.00	Italy	2.50	Russia	1.50
Brazil	2.46	Jamaica	2.00	Saudi Arabia	2.54
Brunei	2.50	Jordan	2.54	Senegal	2.50
Bulgaria	2.04	Kazakhstan	1.50	Serbia	2.00
Burkina Faso	2.04	Kenya	1.50	Sierra Leone	2.00
Cameroon	2.00	Korea, DPR	1.00	Slovakia	2.54
China	2.00	Korea, Rep. of	3.00	Somalia	1.00
Colombia	2.50	Kuwait	2.54	South Africa	2.50
Congo	1.50	Latvia	2.54	Sri Lanka	2.50
Congo, DR	1.50	Lebanon	1.50	Sudan	0.50
Costa Rica	2.54	Liberia	2.50	Suriname	2.00
Croatia	2.08	Libya	1.00	Syria	1.46
Cuba	2.50	Lithuania	2.58	Taiwan	3.00
Czech Rep.	2.54	Madagascar	2.00	Tanzania	2.00
Côte d'Ivoire	1.58	Malawi	2.00	Thailand	2.00
Domin. Rep.	1.71	Malaysia	2.50	Togo	1.54
Ecuador	2.46	Mali	1.54	Trin. & Tobago	2.00
Egypt	2.00	Mexico	1.92	Tunisia	2.50
El Salvador	2.04	Moldova	2.00	Turkey	2.04
Ethiopia	2.00	Mongolia	2.00	Uganda	1.50
Gabon	2.00	Morocco	2.04	Ukraine	1.50
Gambia	2.00	Mozambique	2.00	Venezuela	1.00
Ghana	2.54	Myanmar	1.50	Vietnam	2.50
Greece	2.04	Namibia	3.00	Yemen	1.46
Guatemala	2.00	Nicaragua	1.50	Zambia	2.50
Guinea	1.50	Niger	1.50	Zimbabwe	1.00

Table D1: List of Countries with ICRG Corruption Scores at or below 3 in 2014

D.1 Corrupt trade, extractive sector only

To help validate our corruption exposure concept, we re-construct our corruption exposure measure using trade in the extractive sector only.[4] We chose the extractive industry because the OECD found it to be the most corruption-prone sector (see OECD, 2014, 22). We obtained product-level, bilateral trade data from Gaulier and Zignago (2010).[5] Following the OECD (2014) report, we categorized each product-code (HS96) into the extractive sector within the ISIC2 classification scheme.[6] We then used the same process described in the prior sub-section to calculate each OECD country's yearly total trade in the extractive sector in which the trading partner is coded as either corrupt or not. We then replicated Model 6 from Table 1 but replaced our measure of *total* corrupt and non-corrupt trade exposure with our measures of corrupt and non-corrupt trade exposure in the extractive sector only. The results are presented in Table D2 below. As seen in the main text, we find that trade exposure within the extractive sector only is strongly predictive of foreign bribery enforcement, while our estimate for non-corrupt trade in this corruption-prone sector is near 0 and highly statistically insignificant.

	DV: ABC Enforcement		
	(1)	(2)	(3)
FCPA	0.38	0.45	0.38
	(0.34)	(0.35)	(0.35)
log Extractive trade$_{\text{Corrupt}}$	0.33**		0.32**
	(0.13)		(0.16)
log Extractive trade$_{\text{Not corrupt}}$		0.15	0.01
		(0.11)	(0.13)
	...	...	...
Controls?	Yes	Yes	Yes
Strata	k	k	k
Enforcement years	87	87	87
Countries	29	29	29
Observations	560	560	560
Log Likelihood	−165.30	−167.52	−165.30

Note: $^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Table reports coefficients from gap-time, conditional frailty Cox proportional hazard models with country-level frailty terms.

Table D2: Corruption exposure in the extractive sector only

[4] This includes economic activity related to mining, quarrying, and gas extraction, among other things.

[5] These data span 1998–2018 and are based on the United Nation's Comtrade dataset.

[6] For this we used the `concordance` R package (version 2.1.0) developed by Steven Liao, In Song Kim, Sayumi Miyano, and Hao Zhang.

E Alternative Specifications

E.1 Main Specification with Four Strata

	(1)
$\text{FCPA}_{k=0}$	0.11
	(0.58)
$\text{FCPA}_{k=1}$	0.88
	(0.73)
$\text{FCPA}_{k=2}$	−0.35
	(0.74)
$\text{FCPA}_{k=3}$	−1.03
	(0.87)
$\text{FCPA}_{k\geq 4}$	−0.22
	(0.70)
Corruption Exposure	0.77***
	(0.20)
...	...
	...
Strata	$\{0,1,2,3,\geq 4\}$
Controls	Yes
R^2	0.06
Enforcement-Years	87
Observations	560
Countries	29
Log Likelihood	-225.45

Note: $^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Table reports coefficients from gap-time, conditional frailty Cox proportional hazard models with country-level frailty terms.

Table E1: Four Strata

E.2 Corruption Exposure, Strata Interaction

	(1)
FCPA	0.21
	(0.36)
Corruption Exposure$_{k=0}$	0.73***
	(0.26)
Corruption Exposure$_{k\geq 1}$	0.67***
	(0.22)
...	...
	...
Strata	$\{0, \geq 1\}$
Controls	Yes
R^2	0.06
Enforcement-Years	87
Observations	560
Countries	29

Note: $^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Table reports coefficients from gap-time, conditional frailty Cox proportional hazard models with country-level frailty terms. The effect of Corruption Exposure is allowed to vary across strata $k = 0$ and $k \geq 1$

Table E2: Interacting Corruption Exposure and Strata

E.3 Complete FCPA Investigations

In the table below, we recode the year for our FCPA enforcement action variable using the year in which the action was completed. This may be a stronger test of the spillover hypothesis as a completed enforcement action will likely engender greater political attention within the target state than the mere announcement of an investigation.

	DV: ABC Enforcement		
Event type:	Single	Repeat	
	(1)	(2)	(3)
FCPA	1.54**		0.25
	(0.66)		(0.31)
$FCPA_{k=0}$		0.94*	
		(0.53)	
$FCPA_{k\geq 1}$		0.51	
		(0.36)	
Corruption Exposure			0.56***
			(0.14)
...	...	...	...
	...	...	...
Strata	N/A	$\{0, \geq 1\}$	$\{0, \geq 1\}$
Controls	Yes	Yes	Yes
R^2	0.04	0.04	0.06
Enforcement-Years	18	87	87
Observations	397	560	560
Countries	29	29	29

Note: $^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Table reports coefficients from gap-time, conditional frailty Cox proportional hazard models with country-level frailty terms. FCPA is coded as 1 only in the year in which an investigation is completed.

Table E3: FCPA by Year of Completion

E.4 Logitistic Regressions

Event type:	**DV:** ABC Enforcement			
	Single	Repeat		
	(1)	(2)	(3)	(4)
FCPA	1.67**	1.11***	0.42	0.43
	(0.70)	(0.37)	(0.38)	(0.38)
Corruption Exposure			1.03***	0.79***
			(0.20)	(0.25)
Non-corruption Exposure				0.41
				(0.31)
Total Trade/GDP	−0.01	−0.01	0.00	0.00
	(0.01)	(0.01)	(0.01)	(0.01)
FDI Stock/GDP	0.00	0.00	−0.00	−0.00
	(0.01)	(0.00)	(0.01)	(0.01)
OECD Emulation	−0.27***	0.02	0.03	0.03
	(0.10)	(0.02)	(0.02)	(0.02)
Peer Review$_{\text{Phase 2}}$	1.57	2.10**	1.35	1.23
	(1.08)	(0.90)	(0.83)	(0.83)
Peer Review$_{\text{Phase 3}}$	−0.70	−0.04	−0.24	−0.20
	(1.26)	(0.55)	(0.59)	(0.59)
ln GDP per cap.	2.12**	0.16	0.46	0.41
	(1.05)	(0.53)	(0.66)	(0.67)
CPI	0.08*	−0.05	0.03	0.04
	(0.04)	(0.08)	(0.07)	(0.07)
% Protestant	−0.01	−0.00	0.02**	0.02**
	(0.01)	(0.01)	(0.01)	(0.01)
Common Law	−1.86*	0.25	0.76*	0.65
	(1.00)	(0.38)	(0.42)	(0.40)
Transition	1.21	−1.31	−0.84	−0.68
	(1.47)	(1.24)	(1.33)	(1.33)
Enforcement Years	18	87	87	87
Countries	29	29	29	29
Observations	397	560	560	560
Log Likelihood	−58.51	−161.80	−148.23	−147.28

Note: * p < 0.1, ** p < 0.05, *** p < 0.01. Robust standard errors in the parentheses. Table reports coefficients from logit regression. Following Kaczmarek and Newman (2011), we also include yearly cubic polynomial that is not reported.

Table E4: Main Results, Logit Regressions

E.5 Transparency International's "Active Enforcement" Classification

In this section, we present results replacing our measure of enforcement-years with data on countries classified as "active enforcers" by Transparency International ("TI"). TI classifies countries as active enforcers based on their assessment of the intensity and importance of anti-foreign bribery investigations across OECD countries. Including this measure can thus help alleviate concerns that our classification of enforcement-years overlooks substantive differences in how countries enforce their anti-foreign bribery laws.

Kaczmarek and Newman (2011) also present results from estimates in which they replace the primary outcome variable (home country enforcement) with a new outcome that is equal to 1 if the country is classified by TI as a "significant enforcer" and 0 otherwise. TI's significant enforcer (or, later, "active enforcer") classification can change from year to year. It is therefore important to also model this as an over time process: countries can lose their significant/active enforcer status if enforcement levels drop.

We re-construct these data from TI's "Progress Reports" on the ABC from 2005–2019. We have two concerns with these data. First, TI's reports are not based on official data. Second, the criteria for being considered a "significant" or "active" enforcer has changed twice since TI began issuing its Progress Reports in 2005. Initially, countries with less than 2% of world exports were considered "significant enforcers" if they had one or more foreign bribery case in a given year. For countries with a share of world exports greater than 2%, they needed to have two or more cases per year in order to be considered a significant enforcer. Later, the minimum number of cases increased by 1 for each group. And in 2013, TI began using a point system that incorporated various data including the number of concluded prosecutions, investigations, "major" cases and other enforcement indicators. Since 2013, a country is classified as an "active enforcer" if it scores above a point threshold that is determined based on its share of world exports. For details on this system see Heimann et al. (2013). We code a country as a significant/active enforcer in a given year if it was classified as such by TI in the following year's report. There were no Progress Reports issued in 2016 and 2017, so we calculated ourselves which countries TI would have considered active enforcers in this period using historical data included in the 2018 Report.[7]

We similarly estimate a gap-time Cox model with country-level frailties as well as a logit model with a third order polynomial using these data, along with the same set of controls used in the main specification. The results are presented in Table E5. We fail to find a statistically significant association between FCPA investigations and active enforcer status in any specification except the logistic regression without repeat events.

[7] In 2015 these countries are: Germany, UK, Italy, and Switzerland. In 2016 they are: Germany, UK, Italy, Switzerland, and Israel.

	DV: Active Enforcement (TI)					
Model type:	Cox PH			Logit		
Event type:	Single	Repeat		Single	Repeat	
	(1)	(2)	(3)	(4)	(5)	(6)
FCPA	0.73		0.26	1.35	0.76	0.49
	(0.78)		(0.35)	(1.02)	(0.46)	(0.49)
$\text{FCPA}_{k=0}$		0.99				
		(0.70)				
$\text{FCPA}_{k\geq 1}$		0.14				
		(0.35)				
Corruption Exposure			0.37**			0.75***
			(0.15)			(0.19)
...	...	...	...	...	...	...
	...	...	...	...	...	...
Strata	None	$\{0, \geq 1\}$	k	N/A	N/A	N/A
Controls	✓	✓	✓	✓	✓	✓
Active-Enforcement Years	14	86	86	14	86	86
Countries	29	29	29	29	29	29
Observations	369	560	560	369	560	560
Log Likelihood	−36.27	−352.08	−143.46	−37.80	−124.51	−117.89

Notes: $^{***}p < 0.01$; $^{**}p < 0.05$; $^{*}p < 0.1$. Robust standard errors reported in parentheses.

Table E5: Transparency International's Active Enforcement

F References & software used

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