



FACT SHEET

# Stopping Political Spending by Foreign-Influenced U.S. Corporations

By Michael Sozan | May 3, 2022

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Laws are needed to prevent American-based corporations with appreciable levels of foreign ownership from spending money from their corporate treasuries to sway U.S. elections or ballot initiatives. As discussed in a 2019 Center for American Progress report,<sup>1</sup> a U.S. corporation should be deemed “foreign influenced” and prohibited from election and ballot-related spending if the corporation meets one of the following criteria:

- A single foreign shareholder owns or controls 1 percent or more of the corporation’s equity.
- Multiple foreign shareholders own or control—in the aggregate—5 percent or more of the corporation’s equity.
- Any foreign entity participates in the corporation’s decision-making process about election-related spending in the United States.

This fact sheet discusses the ongoing problem of political spending by foreign-influenced U.S. corporations and emphasizes the need for lawmakers to establish foreign-ownership thresholds such as those listed above to limit such spending.

## **Political spending by foreign-influenced U.S. corporations has increased in recent years**

- Federal law—and judicial decisions interpreting that law—make clear that foreigners are forbidden from spending money to influence U.S. elections.<sup>2</sup> Yet the U.S. Supreme Court’s misguided 2010 decision in *Citizens United v. Federal Election Commission* opened up a loophole that allows foreign entities to influence U.S. elections through investments in politically active U.S.-based corporations, as then-Justice John Paul Stevens warned in his dissenting opinion in *Citizens United*.<sup>3</sup> These foreign entities can include Russian oligarchs, the Saudi royal family, European financiers, or Chinese corporate conglomerates, among others.

- Foreign investors own increasing shares of U.S. corporate stock, growing from only 5 percent in 1982 to approximately 40 percent in 2020.<sup>4</sup>
- The United States' largest corporations are spending hundreds of millions of dollars directly from their corporate treasuries to influence elections—not counting their separate corporate political action committees or personal donations by executive and employees. Much of this spending is through dark money channels that opened after *Citizens United* decision.
- In many instances, foreign-influenced U.S. corporations are wholly owned subsidiaries of foreign corporations, such as BP and Shell Oil. In other cases, U.S. corporations are partially foreign-owned. For example, Saudi Arabia has owned approximately 10 percent of U.S.-based Uber and has a seat on its board,<sup>5</sup> while American-based Lyft has seen appreciable ownership and control by Chinese and Japanese conglomerates.<sup>6</sup> In 2020, Uber and Lyft joined forces with other companies to spend a record-breaking \$200 million-plus on a ballot initiative to defeat a pro-worker California law.<sup>7</sup>
- The goals of foreign interests can easily diverge from U.S. interests—for example, in the areas of tax, trade, national security, and labor law. Corporate directors and managers view themselves as accountable to their shareholders, including foreign shareholders. As the then-CEO of U.S.-based Exxon Mobil Corp. unabashedly stated, “I’m not a U.S. company and I don’t make decisions based on what’s good for the U.S.”<sup>8</sup>

### **Momentum for foreign-ownership thresholds exists at federal, state, and local levels**

- CAP’s proposed foreign-ownership thresholds would prohibit foreign-influenced U.S. corporations from spending money to sway the outcomes of elections or ballot measures. Of the 111 corporations that CAP’s 2019 report studied among the S&P 500 stock index, 74 percent exceeded the 1 percent threshold for a single foreign owner, and 98 percent exceeded the 5 percent aggregate foreign-ownership threshold. Among smaller publicly traded corporations, only 28 percent exceeded the 5 percent aggregate foreign-ownership threshold.<sup>9</sup>
- Corporate governance experts and regulators agree that these thresholds capture the level of ownership necessary to influence corporate decision-making.<sup>10</sup> Even the conservative former chairman of the U.S. House Committee on Financial Services, then-Rep. Jeb Hensarling (R-TX), and the Business Roundtable, which represents corporate CEOs, agree that 1 percent is the threshold at which a single shareholder is able to influence corporate decisions.<sup>11</sup> This policy is also deemed constitutional by respected legal scholars and regulators.<sup>12</sup>

- There is significant momentum for this reform at the federal, state, and local levels. In Congress, Sen. Elizabeth Warren (D-MA) and Rep. Jamie Raskin (D-MD), with more than two dozen co-sponsors, have filed bills to effectuate this policy.<sup>13</sup> In 2020, Seattle passed this policy into law.<sup>14</sup> In 2022, the San Jose City Council in California voted to advance this policy.<sup>15</sup> In 2022, the New York State Senate passed this policy on a bipartisan vote, and the bill is now pending in the state Assembly.<sup>16</sup>
- This policy has become only more imperative in the wake of Russia’s war in Ukraine. Russian billionaires, including many sanctioned Russian oligarchs, own significant shares of American corporations.<sup>17</sup> For example, Russian oligarchs or billionaires have enjoyed appreciable ownership of many well-known American corporations, such as Facebook, Twitter, and Airbnb, in recent years.<sup>18</sup>
- The pro-Donald Trump rally on the morning of the January 6, 2021, insurrection was bankrolled by organizations such as the Republican Attorneys General Association (RAGA).<sup>19</sup> In recent years, many of the nation’s largest foreign-influenced corporations contributed millions of dollars to RAGA, including AT&T, Comcast, and Citigroup.<sup>20</sup>

With billions of dollars in secret dark money being spent in U.S. elections, voters are demanding commonsense solutions to protect their voices in the nation’s democracy. Lawmakers should enact reform to help ensure that corporate CEOs who are accountable to their foreign investors are not influencing U.S. elections.

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## Endnotes

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