U.S.-based corporations with appreciable levels of foreign ownership must be prevented from spending money from their corporate treasuries to sway U.S. elections. As discussed in a new Center for American Progress report, a U.S. corporation is “foreign influenced” and should be prohibited from election-related spending if it meets one of the following criteria:

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

Facts
• Federal law—and judicial decisions interpreting that law—make clear that foreigners are barred from spending money to influence U.S. elections. This is true whether foreigners attempt to influence U.S. elections in their personal capacity or through a corporation.
• Foreign investors own increasing shares of U.S. corporate stock, growing from only 5 percent in 1982 to approximately 35 percent in 2017.
• 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. Much of this spending is through dark money channels that opened after the U.S. Supreme Court’s misguided 2010 decision in Citizens United v. Federal Election Commission.
• Many foreign-influenced U.S. corporations are wholly owned subsidiaries of foreign corporations, such as BP and Shell Oil. Other U.S. corporations are partially foreign-owned. For example, approximately 10 percent of U.S.-based Uber is owned by Saudi Arabia. Uber has spent tens of millions of dollars in recent years to influence elections and ballot measures that would help the company’s bottom line.
• Foreign interests can easily diverge from U.S. interests, for example, in the areas of tax, trade, investment, and labor law. Corporate directors and managers view themselves as accountable to their shareholders, including foreign shareholders.
As the former CEO of U.S.-based Exxon Mobil Corp. starkly stated, “I’m not a U.S. company and I don’t make decisions based on what’s good for the U.S.”

- CAP’s proposed foreign ownership thresholds would prevent foreign-influenced U.S. corporations from spending money to shape the outcomes of elections or ballot measures. Of 111 corporations 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.

- Corporate governance experts and regulators agree that these thresholds capture the level of ownership necessary to influence corporate decisions. Even the conservative former chairman of the U.S. House Committee on Financial Services, Rep. Jeb Hensarling (R-TX), and the Business Roundtable concur that 1 percent is a threshold at which a single shareholder is able to influence corporate decisions.

With billions of dollars in unaccountable dark money being spent in U.S. elections and voters demanding bold solutions to protect their voices in our democracy, lawmakers should take action to ensure that corporate CEOs who are accountable to their foreign investors are not influencing our elections.

Michael Sozan is a senior fellow on the Democracy and Government Reform team at the Center for American Progress.

Endnotes


