

# Informational Lobbying and Commercial Diplomacy\*

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## Abstract

Variation across states' bilateral diplomatic relationships tends to be large and poorly explained by leaders' preferences alone. What are the sources of bilateral foreign policy? I argue that the foreign policy issues prioritized by specific embassies are influenced by their diplomats' sources of information. For evidence, I study the proliferation of foreign branches of the American Chamber of Commerce (AmChams)—private interest groups composed of U.S. firms that are operating in specific host states—over the 20th and early 21st centuries. AmChams became key sources of information for U.S. embassies, particularly on issues of relevance to the private sector (such as tax, trade, and investment regulations). Using novel text data from approximately 1,500 oral history interviews with former diplomats—covering 166 states and comprising over 34M words—I show that the opening of a new AmCham branch causes a shift in diplomatic attention towards economic and commercial policy at the bilateral level. These results identify a new avenue through which interest groups can influence foreign policy, help explain the proliferation of pro-business international agreements over the past several decades, and contribute to the growing literature on diplomacy in the international political economy.

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# 1 Introduction

Despite the proliferation of international organizations and other fora for multilateral diplomacy over the post-war era, the vast majority of interstate relations continue to occur at the bilateral level. While bilateral diplomacy is a key issue for leaders, who often spend as much as one-third of their terms conducting visits with their foreign counterparts ([Malis and Smith, 2021](#)), they are unable to monitor all of their state's diplomatic relationships simultaneously. For this reason, most states delegate the maintenance of bilateral affairs to diplomats stationed in foreign embassies; over 8,000 embassies are currently in operation worldwide ([Bayer, 2006](#)). Regardless of whether their host state is a priority for the leader, diplomats continue to work on issues such as trade and investment promotion, immigration and consular policy, security coordination, and the negotiation of bilateral treaties and accords. Yet despite the primacy of delegated diplomacy in international relations, and the fact that diplomats tend to be agents with substantial authority over which issues and policy areas to pursue ([Kopp and Naland, 2017](#)), relatively little work seeks to explain variation in the content of diplomacy across partners and time. Where does on-the-ground, bilateral foreign policy come from?

I argue that the content of bilateral diplomacy is shaped by the sources from which diplomats receive information about their host states. Diplomats are bidirectional messengers; they are tasked not only with communicating their home state's preferences to the host state, but also with collecting new information about their host state and transmitting it back to the home government alongside policy recommendations ([Malis, 2021](#)). The sources from which diplomats collect this information will naturally influence their perception of the most pressing issues in the bilateral relationship, their preferred solutions, and their allocation of effort across different issue areas. Knowing this, host state interest groups seek access to diplomats in order to communicate information about the problem areas of greatest interest to themselves, hoping to shift diplomatic attention towards their preferred issues.<sup>1</sup> I ar-

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<sup>1</sup>For example, the Egyptian advocacy organization NCCPIM & TIP engaged in a large awareness-raising

gue that this process of *bottom-up* foreign policy influence is akin to informational lobbying (Hall and Deardorff, 2006), in which special interests provide policy-relevant information that subsidizes diplomatic action on certain issues relative to others.

I focus in particular on explaining variation in commercial diplomacy, defined broadly as any action or intervention that diplomats engage in with the goal of supporting the commercial interests of their home states' firms operating abroad (Gertz, 2018, p. 95); examples include export and investment promotion, the settlement of commercial disputes, and the negotiation of economic treaties. Commercial diplomacy is an important case for three distinct reasons. First, it constitutes one of the main ways that liberal market economies actively intervene to promote the foreign expansion of their firms, and several analyses have demonstrated that diplomats are effective trade and investment promoters (Ahmed and Slaski, 2022; Malis, 2021; Moons and van Bergeijk, 2017; Munch and Schaur, 2018). Second, as evidenced by the rapid but uneven growth of bilateral economic treaty networks over the late 20th and early 21st centuries (Barthel and Neumayer, 2012; Elkins, Guzman and Simmons, 2006; Thrall, 2021), there is a great degree of within-state, across-partner variation in commercial diplomacy. Finally, while several studies demonstrate the effect of commercial diplomacy on international business, the impact of interest group lobbying on the *allocation* of commercial diplomacy has received little attention in the literature.<sup>2</sup>

I use original data on the proliferation of foreign branches of the U.S. Chamber of Commerce (hereafter “AmChams”) to study the effect of informational lobbying on U.S. diplomacy at the bilateral level. AmChams are interest groups composed of U.S. firms operating in particular host states, such as Mexico or Japan; over 130 states currently have an AmCham branch, with the vast majority having begun operations after 1980. Their key purpose is to engage in advocacy for pro-business (specifically, pro-*American* business) policies at both

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campaign regarding human trafficking in Egypt, including organizing workshops for diplomats stationed in Egypt. The U.S. State Department later provided \$1.5m in funding for an anti-human trafficking project in Egypt. See <https://www.nccpimandtip.gov.eg/en/Awareness/1> and <https://eg.usembassy.gov/u-s-embassy-presents-trafficking-in-persons-hero-award-to-reda-shoukry-of-the-al-shehab-institute/>.

<sup>2</sup>Noteable exceptions include Manger (2012) on trade negotiations and Maurer (2013) on historical commercial diplomacy.

domestic and bilateral levels. AmChams historically have had a close relationship with U.S. diplomats, so much so that an Embassy’s Ambassador and Economic Officer are customarily appointed as honorary members of the local AmCham board. The opening of a new AmCham in a state therefore gives firms increased access to high-ranking foreign policy officials, allowing them to engage in informational lobbying, and increases the proportion of the embassy’s information that is provided by business interests.

To measure foreign policy attention at the bilateral level over time, I draw on a unique source of data: oral history interviews. The Association for Diplomatic Study and Training (ADST), a branch of the U.S. State Department’s Foreign Service Institute, has conducted thousands of highly detailed interviews with retired diplomats; these interviews span the length of the diplomats’ careers, and primarily consist of the diplomats recounting the main problems, topics, and events that occurred in each of their positions. These interviews provide insight into foreign policymaking at a much more fine-grained level than the public is typically given access to, and the fact that the interviewed diplomats are retired allows them to speak much more candidly than they could have during their careers. I process these interviews into a large (34M+ words) text dataset and use modern natural language processing techniques to generate measures of economic/business language at the interview (and country-year) level.

The results of fixed effects regressions and [Imai, Kim and Wang \(2020\)](#)’s PanelMatch estimator broadly support my theory: after a new AmCham branch opens, diplomats in that state use significantly more economic/business language than those in other states that are comparable on several political and economic dimensions. Further, I leverage the fact that diplomats typically rotate to several different states over the course of their careers, as well as rich diplomat-level covariates provided by ADST, to conduct a *within-diplomat* analysis. I find that the same diplomats tend to focus on business issues significantly more when stationed in a country with an AmCham than they do when stationed in a country without one. As a validity check, I also find that the effect is driven primarily by economic

officers and ambassadors—the two types of diplomat who are typically appointed to the AmCham board, and thus the primary targets of informational lobbying.

These results provide novel micro-evidence on the role of firms and business associations as foreign economic policy-*makers*, rather than simply foreign economic policy-*takers*, contributing to the long and rich literature on the relationship between globalization and foreign policy (Gilpin, 1975; Moran, 1978; Strange, 1992; Farrell and Newman, 2019). Importantly, this evidence is not limited to one specific policy issue, such as trade or investment, but instead applies to foreign economic policy broadly construed. Further, I show that business interests can successfully influence diplomacy without engaging in coercive or *quid pro quo* lobbying, but rather by simply providing a high volume of information that lowers the cost to diplomats of pursuing commercial issues.

While my focus is on economic policy, the ADST oral histories data could be used similarly to study a wide range of U.S. foreign policy topics at a fine-grained, bilateral level. More generally, my approach to creating longitudinal data using oral history interviews could easily be expanded to a wide range of other organizations and research areas. In particular, many government offices and international organizations maintain oral history collections: examples include the Department of Defense,<sup>3</sup> the Federal Reserve,<sup>4</sup> the Census Bureau,<sup>5</sup> and the United Nations.<sup>6</sup> Oral histories are excellent sources of text data because they tend to be methodical, comprehensive, and chronological; they are particularly useful for gaining insight into the internal operations of otherwise opaque organizations.

Despite consisting of a large number<sup>7</sup> of highly sophisticated bureaucrats who are given substantial autonomy over the conduct of bilateral foreign policy, diplomats' roles in global governance, commerce, and cooperation have until recently received relatively little scholarly attention. I contribute to a growing body of research that studies diplomats as actors of in-

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<sup>3</sup>See <https://history.defense.gov/Historical-Sources/Oral-History-Transcript-3/>.

<sup>4</sup>See <https://www.federalreserve.gov/aboutthefed/centennial/federal-reserve-oral-history-interviews.htm>.

<sup>5</sup>See [https://www.census.gov/history/www/reference/oral\\_histories/](https://www.census.gov/history/www/reference/oral_histories/).

<sup>6</sup>See [https://oralhistoryportal.library.columbia.edu/document.php?id=ldpd\\_9050863](https://oralhistoryportal.library.columbia.edu/document.php?id=ldpd_9050863).

<sup>7</sup>In 2020, the U.S. alone employed over 15,000 foreign service officers; see <https://afsa.org/foreign-service-numbers>.

terest in international relations (Gertz, 2018; Goldsmith, Horiuchi and Matush, 2021; Malis, 2021; Myrick and Weinstein, 2022; Poulsen and Aisbett, 2016). In particular, I demonstrate that the presence of business interest groups in diplomats’ host states leads them to place greater focus on commercial diplomacy. An important implication is that diplomats, as agents, have enough autonomy from their principals (and/or influence with them) that their behavior can be profitably affected by lobbying. Diplomats’ influence on foreign policy at the bilateral level is a frontier for international relations research, particularly in light of recent upticks in ambassadorial vacancies (Malis, 2021) and the appointment of underqualified campaign donors to diplomatic posts (Scoville, 2019).

## 2 Explaining Diplomacy

What determines the content of states’ diplomatic affairs, particularly at the bilateral level? Existing literature on this question falls into two broad categories: first, *top-down* explanations that focus on leaders’ broader foreign policy agendas, state-level political institutions, or macroeconomic conditions. Second, *bottom-up* theories that center the demand for certain types of diplomatic engagement among interest groups, firms, and other non-state actors. In this section, I discuss both groups with a substantive focus on commercial diplomacy.

### 2.1 Diplomacy from the Top Down

At the highest level, states’ diplomatic focus may be affected by events or processes that affect the entire international system; the argument that the system-level balance of military capabilities affects individual states’ propensity to wage war or keep peace, for example, has a long history in international relations theory (Waltz, 1959). This holds particularly true for commercial diplomacy, given that global business is particularly sensitive to macroeconomic conditions. Factors such as global recessions (Mansfield, 1998) and high U.S. interest rates

([Betz and Kerner, 2016](#)) have been shown to increase the probability that states form trade and investment treaties with one another, as the need to attract capital becomes even more critical under these conditions. State-level political institutions—in particular, regime type—have also been identified as robust predictors of diplomatic engagement in areas such as treaty-making ([Mansfield, Milner and Rosendorff, 2002](#)) and immigration policy ([Breunig, Xun and Luedtke, 2012](#)).

Across states, foreign policy is typically the domain of the executive. Accordingly, many studies explain variation in foreign policymaking from the “supply side:” diplomats carry out the agendas that their leaders (or, more generally, their unitary actor governments) want. On the former point, the influence of leaders’ personal ideologies and belief systems has been documented across a wide range of foreign policy domains, including national security ([Saunders, 2014](#)) and diplomacy ([Farrow, 2018](#)) among others.<sup>8</sup> In the U.S. context, for example, a key role of the Secretary of State is to communicate the President’s foreign policy agenda to the public (often in the pages of *Foreign Policy*) with the implication being that new leaders bring with them new strategies and preferences (see e.g. [Christopher, 1995](#); [Powell, 2005](#)). These preferences directly affect diplomatic engagement: for example, recent evidence suggests that leadership turnover in the U.S. and Canada often leads to the breakdown of trade negotiations ([Konken, 2021](#)).

While systemic conditions, political institutions, and leaders’ ideological orientations may explain differences in states’ aggregate foreign policy agendas, these factors do not generate robust predictions about variation in diplomacy at the bilateral level. To explain bilateral foreign policy, top-down studies can be roughly sorted into functionalist and diffusion-based accounts. Functionalists argue that unitary state actors engage most deeply with partners that share compatible institutions, such as labor markets ([Peters, 2019](#)) or regime types ([Baccini, 2014](#)). Diffusion-based arguments typically assume that leaders engage in bilateral foreign policy as a form of (economic, status, etc) competition with their rivals; when a

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<sup>8</sup>See [Saunders \(2022\)](#) for a detailed review of recent literature on elites in foreign policy.

state's rival deepens their relationship with some third state, that state's leader will have an incentive to do the same in order to remain competitive. Versions of this argument have been applied to explain variation in bilateral investment (Elkins, Guzman and Simmons, 2006), trade (Baldwin and Jaimovich, 2012), taxation (Barthel and Neumayer, 2012), and environmental (Davies and Naughton, 2014) institutions.

## 2.2 Diplomacy from the Bottom Up

Though foreign policy may be the domain of the executive, it has long been acknowledged that diplomacy has a two-level structure: international bargaining, for example, is affected both by the partner states' preferences as well as their need to secure domestic approval for any resulting deal (Milner, 1997; Putnam, 1988). Accordingly, another set of studies looks for evidence that subnational actors—such as firms, interest groups, or the general public—exert either direct or indirect influence on states' foreign policymaking.

One reasonable argument is that leaders' diplomatic agendas are constrained by public opinion; take unfavorable actions, and risk being voted out of office. While some evidence of a foreign policy “electoral connection” exists in the realm of conflict (Aldrich et al., 2006), there is little evidence that voters respond strongly to foreign economic policy choice;<sup>9</sup> even on trade policy, arguably the most salient foreign economic issue area, mass publics generally lack coherent opinions and struggle to understand how trade personally affects them (Guisinger, 2017; Rho and Tomz, 2017). Tellingly, Jacobs and Page (2005) find that the foreign economic policy positions of U.S. congresspeople are most closely aligned with the preferences of business elites, as opposed to those of labor representatives, foreign policy experts, or the general public.

Foreign policy creates domestic losers and winners; export promotion, security alliances, and economic sanctions (among others) benefit certain groups at the expense of others. Interest groups therefore have incentives to influence states' diplomatic agendas in a way

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<sup>9</sup>Voters may respond to the domestic economic *effects* of foreign economic policies, but there is little evidence of their ability to connect economic conditions to specific policies.



that benefits them relative to their competitors. In the U.S. context, we know that firms frequently lobby Congress on foreign policy and that multinational firms are more likely to do so (Kim and Milner, 2020). On commercial issues, a large literature examines corporate lobbying on trade, demonstrating that firms and business groups affect the creation and design of preferential trade agreements (Manger, 2005, 2012), tariff rates (Kim, 2017), and even tariff category classifications (Mangini, N.d.). Outside of trade, Gertz (2018) uses evidence from ambassadorial vacancies to indirectly show that firms petition embassies for assistance in resolving international investment disputes without resulting to costly litigation.

Three main shortcomings in past work preclude a more complete understanding of the sources of bilateral diplomacy. First, due in large part to the classified nature of diplomatic affairs, almost all extant work has theorized and studied selected *outputs* of diplomacy (such as treaties) rather than the *inputs*—e.g., the distribution of diplomats’ time and effort across issues. Second, and perhaps relatedly, diplomats themselves are given little agency in most theoretical accounts of bilateral foreign policy. This omission leads scholars to overlook several important sources of influence that are applied in diplomats’ host states, focusing solely on home state processes such as foreign policy lobbying in domestic legislatures. Third, what theories of interest group foreign policy influence do exist tend to be fairly domain specific. In the following section, I address each of these issues by constructing a theory of interest group influence on bilateral diplomacy through informational lobbying.

### 3 Informational Lobbying and Diplomacy

While the conveyance of their home government’s preferences to their host government is one crucial role for the diplomat (Lindsey, 2017), I focus on two other important roles: diplomats as collectors of information, and diplomats as policy advocates within their own governments. In brief, I argue that time- and resource-constrained diplomats—tasked with staying abreast of on-the-ground political, economic, and social developments in their host

states—typically receive much of their information from host state organizations that can be thought of as interest groups. Interest groups communicate private information about issues that, if addressed, would disproportionately benefit their members; diplomats who receive more of their information from an interest group will be more likely to view that group’s issues as important. These views translate to action in two ways: first, diplomats often have autonomy to pursue specific policies of their own choosing under broad mandates. Second, diplomats can advocate upwards, petitioning foreign ministers and leaders to take specific actions in the bilateral relationship.

### 3.1 Informational Lobbying

According to former U.S. Secretary of State George P. Schultz, “[G]ood diplomacy relies on accurate information that is relevant. The job of sifting out what is critical is crucial. So is the process of analysis of what the information means... The person on the spot, respected and well-connected, comfortable linguistically, can make essential contributions.”<sup>10</sup> Information gathering, both for immediate operational use and for transmission back to the home government, is a constant requirement for diplomats; U.S. diplomats alone send 10,000 communiqués (or “cables”) to Washington each day.<sup>11</sup> Further, as Schultz’s quote indicates, collecting intelligence requires developing connections with local informants.

From a diplomat’s perspective, the ideal informants are those who have valuable (e.g., private) information and incentive to communicate it honestly. The latter can be achieved by selecting informants who are likely to hold similar preferences to the embassy, and thus have little to gain from sabotaging their operations. However, providing information to diplomats is not costless, and informants would not do so unless they expected to benefit in some way. I argue that informants will therefore provide diplomats with information that they believe is likely to spur action on a shared (foreign) policy interest, winning them private benefits

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<sup>10</sup>Keynote address to USIP Virtual Diplomacy Conference, 1997. See <https://www.usip.org/sites/default/files/Diplomacy-in-the-Information-Age.pdf>.

<sup>11</sup>See Alan Greenblatt, “Diplomatic Cables: The Ties That Bind Foreign Policy”, *NPR*, 02 December 2010.

while furthering the embassy’s national interests. This situation closely mirrors the type of informational lobbying described by [Hall and Deardorff \(2006\)](#): interest groups provide information in order to *subsidize* action on the part of government officials (in this case, diplomats) that are already inclined to support their cause.

An illustrative example comes from Nadia Tongour, an American diplomat, speaking on her experience in Rio de Janeiro from 1994-1997: “I don’t think you could say that there were major crises in our relationship with Brazil at that time. To be sure there were various pressures, including from environmental groups and NGOs to take a strong stand on developments in the Amazon or on human rights issues. On the latter, we really did try. I personally met with a lot of NGOs who frequently came in and provided invaluable information on human rights abuses in Brazil.”<sup>12</sup> While domestic interest groups did not need to persuade diplomats that human rights issues were important—promoting human rights in Latin America has long been on the U.S. foreign policy agenda—the goal of the informational lobbying was to provide intelligence that would make pursuing human rights issues less costly for the embassy, in hopes that they would in turn make it a larger part of their agenda. Anecdotal evidence suggests that such lobbying does affect diplomatic effort; John Bushnell, former Assistant Secretary of State for Inter-American Affairs, admitted that most of the U.S. State Department’s work on human rights in Latin America focused on the countries “where there were domestic political pressures driven principally by the NGOs and exiles instead of on the countries with the worse human rights and much less sign of improvement.”<sup>13</sup>

### 3.2 Diplomats as Autonomous Agents

In order for the lobbying efforts of host state interest groups to affect bilateral relations, diplomats must be able to act on the information that they receive. I argue that they do

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<sup>12</sup>Association for Diplomatic Studies and Training oral history interview, conducted by Charles Stuart Kennedy, 15 November 2007. See <https://adst.org/OH%20TOCs/Tongour,%20Nadia.toc.pdf>

<sup>13</sup>Association for Diplomatic Studies and Training oral history interview, conducted by John Harter, 19 December 1997. See <https://adst.org/OH%20TOCs/Bushnell,%20John%20A.toc.pdf>

so in two ways: first, by autonomously dedicating more attention to the issue being lobbied without first pursuing higher authorization. Second, diplomats can repackaging the information and transmit it back to their home government along with policy recommendations, playing an advisory role for higher-level foreign policymaking.

Diplomats are bureaucrats with long leashes; they are given broad mandates, but also substantial autonomy over how to fulfill those mandates.<sup>14</sup> This creates slack that allows diplomats to change their approach to a policy issue—or to shift their allocation of time among different issues—without requiring higher authorization. For example, former U.S. Ambassador to Colombia Charles Gillespie, Jr. recounts a shift in attention towards intellectual property rights protection: “Jack Valenti, the President of the Motion Picture Exporters’ Association, came to Colombia several times to discuss this matter. He stayed with me at the Embassy residence. We would go in to see Colombian Government officials on this matter... we were able actually to develop some cooperative efforts with the U.S. Patent Office to send people down to Colombia to move this issue along.”<sup>15</sup> Given that intellectual property rights violations are a barrier to U.S. exports and investment—and U.S. diplomats are given a broad mandate to open and expand markets for American exports<sup>16</sup>—Ambassador Gillespie Jr. was able to act independently on information received from the trade organization.

Even for those issues on which they cannot act independently, diplomats can also influence bilateral foreign policy through the reports that they send back to their home government. A defining feature of the diplomatic cable is that it contains not only information, but also analysis and practical policy recommendations (Kopp and Naland, 2017). Leaders and foreign affairs ministers place substantial weight on diplomatic reporting when formulating bilateral foreign policy, and diplomats are known to be fierce advocates for policies that

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<sup>14</sup>In its 2010 Quadrennial Diplomacy and Development Review, the U.S. State Department likened the role of an ambassador within an embassy to that of a CEO within a firm.

<sup>15</sup>Association for Diplomatic Studies and Training oral history interview, conducted by Charles Stuart Kennedy, 19 September 1995. See <https://adst.org/OH%20TOCs/Gillespie-Charles-Anthony-Jr..pdf>.

<sup>16</sup>See Foreign Affairs Manual, 2 FAM 113.1.

they feel will strengthen bilateral relations (Halperin, Clapp and Kanter, 2006). In one case, former U.S. Ambassador to Guinea William Attwood directly (and successfully) petitioned President John F. Kennedy to approve his proposed plan to fund the construction of an aluminum plant in order to combat Soviet influence in Guinea (Attwood, 1967). Interest group influence can therefore filter up to the highest levels of government through diplomats’ advocacy, affecting high-level foreign policy decisions that in turn drive diplomatic attention; in other words, diplomats are skilled at managing upwards.

Diplomats need to collect information about their host states in order to do their jobs successfully; interest groups that are aligned with the embassy provide information about their own pet issues, seeking to subsidize diplomatic attention to these issues. Having received information, diplomats can either act on it directly under broad mandates or they can pass it along to their superiors alongside recommendations for particular policy responses. I focus here on one observable implication of this theory: the entrance of new interest groups to a host country should change the distribution of information received by diplomats in that country, which in turn should drive diplomatic attention towards the interest groups’ preferred issues. In the following section, I introduce the context in which I will evaluate this prediction: the proliferation of foreign branches of the U.S. Chamber of Commerce.

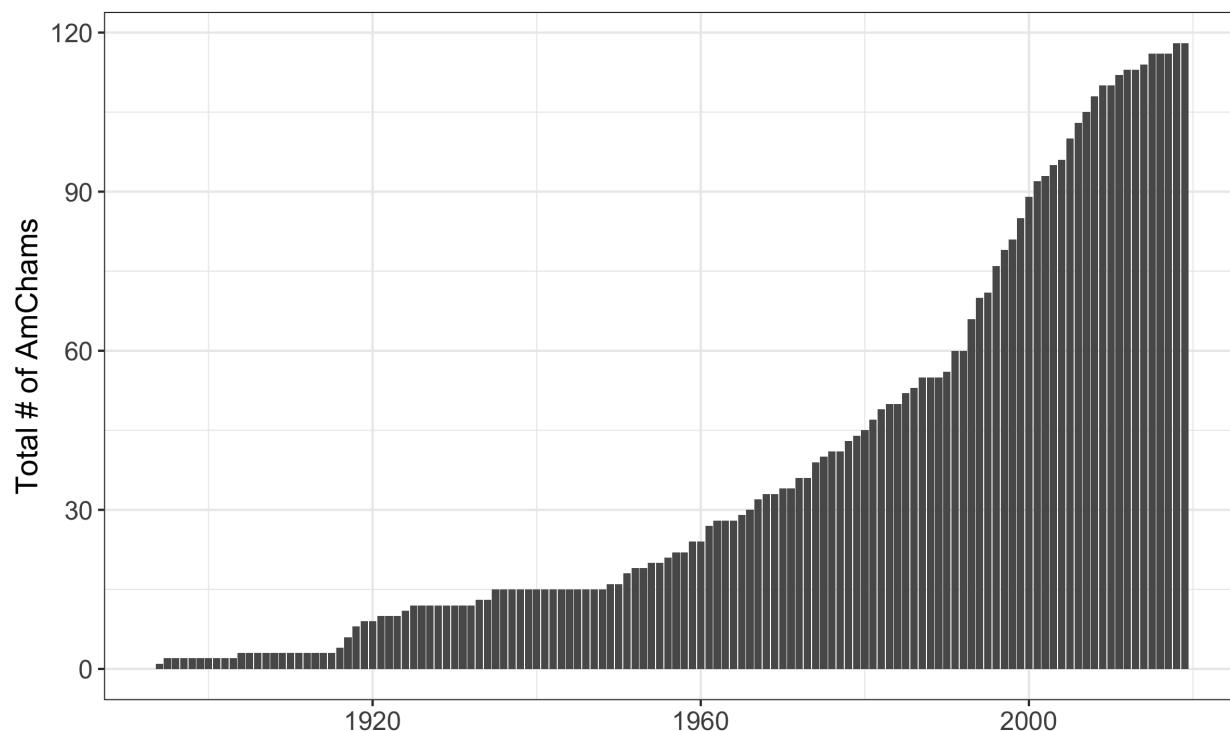
## 4 Setting: AmChams and U.S. Commercial Diplomacy

I focus on the expansion of a particularly influential interest group—the U.S. Chamber of Commerce—into new foreign markets over the 20th and 21st centuries. The U.S. Chamber of Commerce is the premier organization dedicated to the advancement of the policy interests of American firms; it has historically maintained close relationships with federal agencies (Werking, 1978), and it presently spends more on lobbying than any other organization in the country.<sup>17</sup> In addition to its U.S. presence, groups of firms operating abroad may decide to form a bilateral Chamber of Commerce (hereafter, an “AmCham”) in order to focus on

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<sup>17</sup>See <https://www.opensecrets.org/federal-lobbying/top-spenders>.

Figure 1: **Proliferation of foreign branches of the U.S. Chamber of Commerce, 1894-2019.**



issues of relevance to the American business community in specific host states. Original data presented in Figure 1 shows that these AmChams, loose affiliates of the U.S. Chamber,<sup>18</sup> have proliferated widely since the mid-20th century; the number of states with an operating AmCham tripled between 1960 and 2000.

AmChams’ primary goal is to engage in policy advocacy on behalf of their dues-paying member firms. Since their members are almost exclusively U.S. firms operating in particular states, their advocacy tends to focus on issues of relevance either to bilateral flows of goods/capital/people or to discrimination against foreign firms operating in the host state. For example, securing bilateral economic agreements tends to be a key issue; AmCham Croatia operates a task force (members include each of the “Big Four” accounting firms)

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<sup>18</sup>It is important to note that each AmCham operates autonomously from the U.S. Chamber; the latter has no authority over the former, and the association between the two is primarily intended to reflect their shared mission.

dedicated to lobbying for a bilateral tax treaty between Croatia and the United States.<sup>19</sup> The protection of intellectual property rights is another key concern for U.S. firms, and many AmChams (like those in Greece<sup>20</sup> and Venezuela<sup>21</sup>) have special committees dedicated to identifying IP violations and petitioning for redress. AmChams also engage in advocacy on a wide variety of country-specific policy issues, such as changes to the value added tax policy on international school tuition in Norway.<sup>22</sup>

Diplomats stationed in U.S. Embassies are some of the most important targets of AmChams' advocacy efforts, so much so that the local embassy's Ambassador and highest-ranking economic/commercial officer are customarily made honorary members of the AmCham board and invited to attend regular programming. The close working relationship can be understood from the standpoint of informational lobbying; AmChams collect valuable information about barriers to U.S. business in the host state, transmit it to diplomats who share the goal of increasing market access for U.S. firms, and therefore catalyze greater diplomatic attention towards commercial issues. For example, former U.S. Ambassador to Poland Nicholas Rey recalls: "[AmCham Poland] was very active and I tried to stay heavily involved... The Chamber was effective as a lobbying force for change in government policy. For example, the Embassy and I worked with the Chamber on getting Poland's new energy law changed in 1996."<sup>23</sup>

AmChams are influential interest groups that advocate for the commercial interests of U.S. firms operating abroad, they have substantial access to U.S. embassies, and dozens of new branches opened since the mid-20th century. My theory predicts that, in states where a new AmCham has opened, diplomats stationed in that state will receive more of their information from the business community and will therefore shift their attention in

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<sup>19</sup>See <https://www.amcham.hr/en/double-taxation-task-force-a326>.

<sup>20</sup>See <https://www.amcham.gr/committees/#1551879778935-71c25286-4724>.

<sup>21</sup>See <https://www.venamcham.org/comites-venamcham/>.

<sup>22</sup>See <https://amcham.no/wp-content/uploads/2020/10/A-Call-for-Stable-and-Predicable-Conditions-VAT-Compensation-for-International-Schools-October-2020.pdf>.

<sup>23</sup>Association for Diplomatic Studies and Training oral history interview, conducted by Charles Stuart Kennedy, 05 September 2002. See [https://adst.org/OH%20TOCs/Rey-Nicholas-A.toc\\_.pdf](https://adst.org/OH%20TOCs/Rey-Nicholas-A.toc_.pdf).

the direction of commercial diplomacy. In the following section, I introduce my measure of commercial diplomacy and discuss the research design.

## 5 Research Design

### 5.1 Measuring Diplomatic Attention through Oral Histories

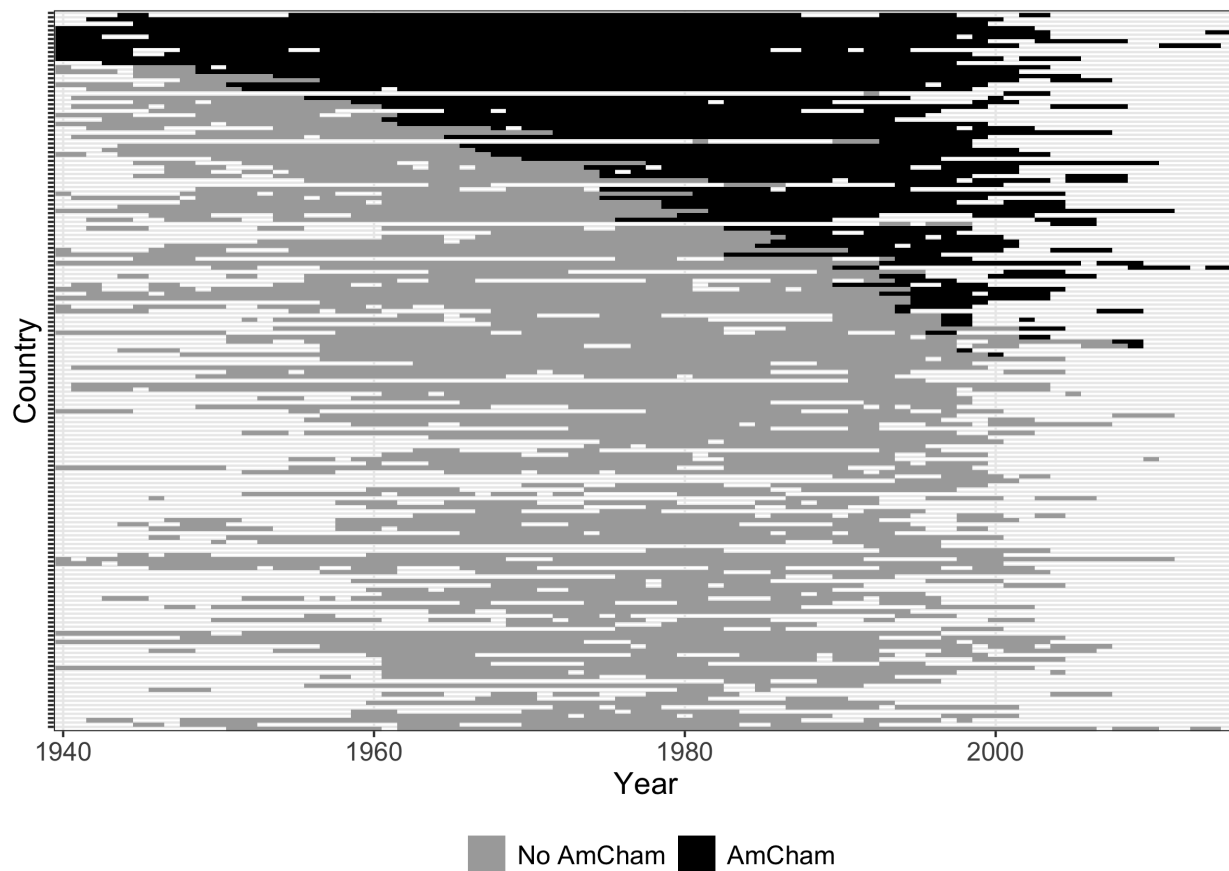
In order to evaluate the predictions of my theory, I need a measure of the extent to which diplomats worked on commercial issues in specific host states over time. The primary barrier to creating such a measure is the classified nature of diplomatic affairs; while we may occasionally observe select outputs of diplomacy (such as treaties), the actions that produced them (e.g., negotiations) are not typically visible to the public. To overcome this obstacle, I turn to a novel form of text data: oral history interviews with retired diplomats.

Oral histories are interviews in which the interviewee is asked to recount past events to the best of their recollection, often to preserve some record of historical events that weren't otherwise chronicled; they tend to be relatively structured and proceed in chronological order. The Association for Diplomatic Studies and Training (ADST), a nonprofit associated with the Foreign Service Institute, has conducted over 2,000 oral history interviews with retired diplomats since 1984. The interviews cover each posting that a diplomat held during their career, in which they recount the key concerns and issues that their embassy was facing. Crucially, the fact that the interviewed diplomats are retired means that they can speak openly about behind-the-scenes diplomatic affairs from years past. The ADST oral histories present an unprecedented opportunity to examine the allocation of diplomatic time and effort across different issues, as well as how these allocations shift across host states and over time.

To turn these oral histories into data, I begin by collecting text from ADST's Country Readers, large documents that extract all interview segments that discuss postings in specific countries and compile them in chronological order. I then split the readers into their



Figure 2: Sample composition and treatment assignment over time.

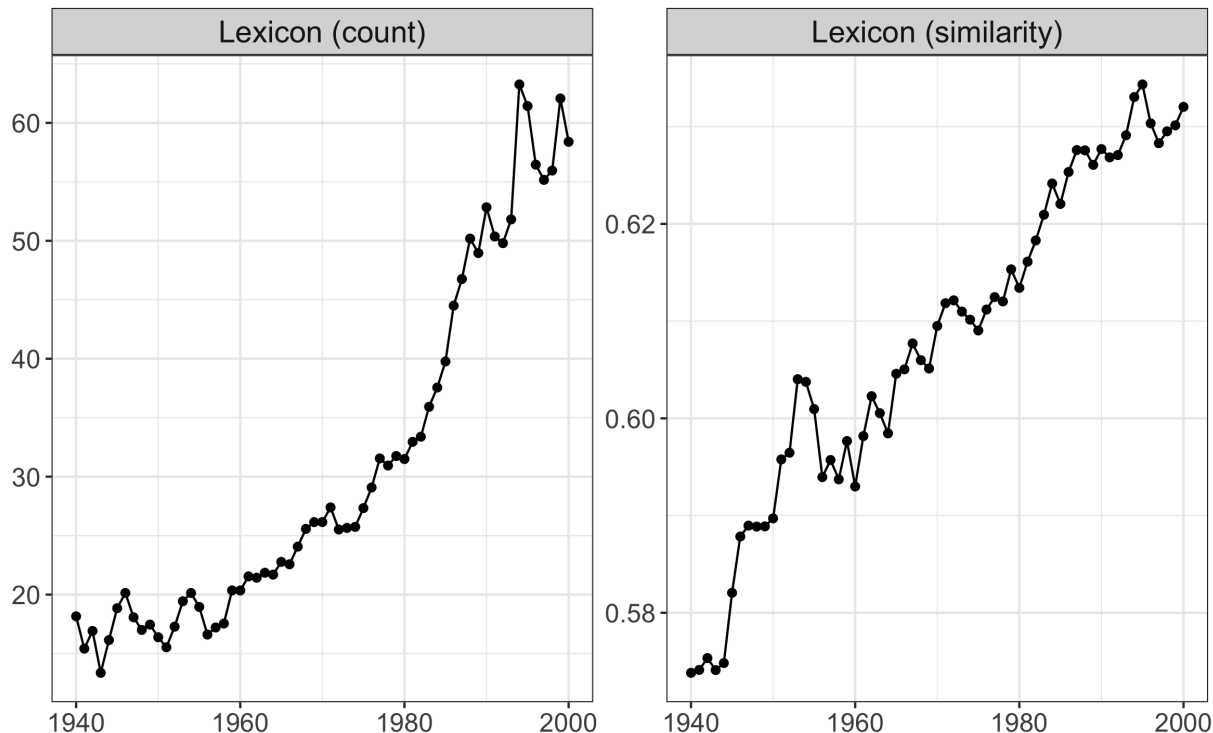


Note that each row represents a unique country. White cells indicate that a country-year combination is not covered by the data.

constitutive interview segments, creating a dataset in which the unit of observation is the officer-posting (for example, a Political Officer discussing his experience in India from 1973-1975); there are 8,005 of these officer-posting segments drawn from 1,480 interviews, with an average length of approximately 4,300 words per segment. Figure 2 demonstrates the breadth of countries and years that are covered by the oral histories data.

Using the text from the ADST interviews, I create two different measures of attention to commercial issues. Both measures make use of word embeddings, which represent words as real-valued vectors based on the other words that tend to appear around them in natural

Figure 3: **Across both measures, attention to commercial diplomacy has increased over time.** Both facets plot yearly averages across all interviews.



language; two words with similar vectors are likely semantically similar. An advantage of the embedding model is that—since vectors for multiple words can be averaged—documents of any length can be “embedded” in the same vector space and compared to one another using standard distance metrics from linear algebra. I draw my embeddings from [Pennington, Socher and Manning \(2014\)](#)’s GloVe model, which was trained on a massive (>6B word) corpus of Wikipedia and news articles.<sup>24</sup>

First, I simply count the number of commerce/business-related words that appear in each interview segment. To compile a list of business-related words, I begin by selecting ten words that I know to be used frequently in the context of commercial diplomacy.<sup>25</sup> I then average the word embedding vectors for each of these ten initial words, creating a single

<sup>24</sup>While it is possible to create custom embeddings, [Rodriguez and Spirling \(2022\)](#) find that pretrained models perform very similarly in a range of tasks. Following their advice, I use the model with a 6-word window and 300-dimensional vectors.

<sup>25</sup>The words are: business, company, trade, commerce, investment, manufacturing, industry, taxation, economy, and economic.

vector that captures commerce-specific language. I next identify the 100 words in the set of pretrained embeddings that have the highest cosine similarity to this commerce-specific vector, essentially automating the selection of business-related words in order to minimize arbitrariness.<sup>26</sup> I label these words my commercial diplomacy lexicon, and create my first dependent variable by counting the number of times these words are used in each interview segment.

To create the second measure, I follow [Ash, Chen and Naidu \(2022\)](#) in noting that word embeddings can be used to calculate the position of entire documents in vector space. Drawing on methods developed by [Rodriguez, Spirling and Stewart \(2021\)](#), I first compute the interview segment-specific vector for all interview segments, applying the SIF-reweighting suggested by [Arora, Liang and Ma \(2017\)](#). I then calculate the cosine similarity (bounded between 0 and 1) between the segment-specific vectors and the average vector of the commercial diplomacy lexicon. This method generates a smooth, continuous outcome measure that takes into account the fact that some interview segments may still be related to commercial issues even if they do not frequently use the terms in the lexicon. As [Figure 3](#) shows, both measures indicate that attention to commercial diplomacy has increased substantially over the sample period.

I take various steps to validate the claim that these measures capture actual commercial diplomacy. First, [Table 1](#) shows that diplomats becoming economic officers or ambassadors—the two positions within embassies that focus most closely on commercial issues—is strongly and positively associated with both outcome measures. Second, I follow [Ash, Chen and Naidu \(2022\)](#) in calculating both measures at a disaggregated (in this case, paragraph) level and excerpting paragraphs with particularly high scores in order to demonstrate that the measures capture actual discussion of commercial diplomacy. The paragraphs, which can be read in [Section A.2](#), clearly contain discussion of diplomatic action on commercial issues. Third, I benchmark my measures against the universe of declassified U.S. diplomatic cables

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<sup>26</sup>I do, however, remove words such as “development” that may have a non-commercial meaning in a diplomatic context. The full lexicon can be seen in appendix [Section A.1](#).

available through the Central Foreign Policy File. While these cables could be considered the gold standard of measuring bilateral diplomacy, they are only available for a narrow timespan (1973-1979); in Figure A.1 I show that both of my commercial diplomacy measures are strong predictors of cable traffic on commercial issues at the country-year level, but not other types of issues (such as consular or military).

## 5.2 Estimation and Identification

My inferential goal is to estimate the effect of a new AmCham branch in a country on the extent to which diplomats posted in that country focus on commercial issues. To do so, I adopt two different research designs; first, I aggregate the measures of commercial diplomacy up to the country-year level<sup>27</sup> and use Imai, Kim and Wang (2020)’s PanelMatch estimator to account for the staggered assignment of treatment (e.g., new AmChams opening). The basic intuition of PanelMatch is that, when identifying a proper comparison group for a unit  $i$  that receives treatment at time  $t$ , we want to select units were not treated at time  $t$  and that share similar treatment and covariate *histories* as  $i$ . After identifying an appropriate comparison group for each treated country-year, the following estimator is applied:

$$\hat{\delta}(F, L) = \underbrace{\frac{1}{\sum_{i=1}^N \sum_{t=L+1}^{T-F} D_{it}} \sum_{i=1}^N \sum_{t=L+1}^{T-F} D_{it}}_{\text{Average over all treated observations}} \underbrace{\left\{ (Y_{i,t+F} - Y_{i,t-1}) - \sum_{i' \in M_{it}} w_{it}^{i'} (Y_{i',t+F} - Y_{i',t-1}) \right\}}_{\text{Treated observation-specific diff-in-diff estimate}}$$

I match on several covariates that may potentially drive both the opening of an AmCham branch and an embassy’s focus on commercial diplomacy: host state GDP and GDP growth; whether or not the host state is a democracy; the presence of a militarized interstate dispute between the U.S. and the host state; the presence of a bilateral investment treaty between the U.S. and the host state; bilateral trade flows (exports and imports) between the U.S. and the host state; and the proportion of interviewees for each country-year that held the position of

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<sup>27</sup>For more detail on the aggregation procedure, see appendix Section A.4.

ambassador or economic officer, to ensure results aren't driven by sample selection. I report results for two different types of comparison group refinements (propensity score weighting and Mahalanobis matching) across three pre-treatment and fifteen post-treatment periods.

The primary threat to identification for the country-year design is the possibility that AmChams are formed *after* the U.S. government has decided to invest more resources in specific bilateral economic relationships, such that both AmCham formation and diplomatic attention to commercial issues are driven by a shift in national foreign policy focus. I argue that this is unlikely given the costs inherent in collective action: organizing and joining an AmCham is costly for firms, who must not only pay membership dues but must also accept less particularistic policy concessions than they might want were they to be lobbying on their own. Rationally, firms should only create and join an AmCham when they believe that doing so is necessary to achieve their desired policy outcomes; an increase in national interest towards promoting business interests in a particular host state should reduce the effort necessary to lobby for pro-business policies, likewise reducing the incentive to lobby collectively through an AmCham.

Second, I leverage the fact that most diplomats are rotated through multiple different countries over the course of their careers to estimate the within-diplomat effect of being rotated to a country that has an AmCham branch. To do so, I treat the officer-posting as my unit of analysis; because most postings span multiple years, I measure all covariates as of the last year of the posting.<sup>28</sup> Using the same covariates listed above—except for that the ambassador and economic officer variables are now measured as dummies rather than proportions—I estimate OLS models of the following form:

$$Y_{dt} = \delta D_{dt} + \beta X_{dt} + \alpha_d + \gamma_t + \epsilon_{dt}$$

Individual diplomats are indexed by  $d$ , and the final year of their posting is indexed by

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<sup>28</sup>As a result, diplomats are considered to be treated if an AmCham opened at any point during their posting. While I would ideally be able to disaggregate interview segments at the yearly level, this is not possible for most interviews.

$t$ . I also test for potential heterogeneity by officer position: since economic officers and ambassadors are the diplomats who interact most directly with AmChams, it is plausible that we should see the strongest effects among these groups.

## 6 Results

### 6.1 Main Results: Country-Year Analysis

Figure 4: After a new AmCham opens, diplomats posted in the same country increase their focus on commercial issues.

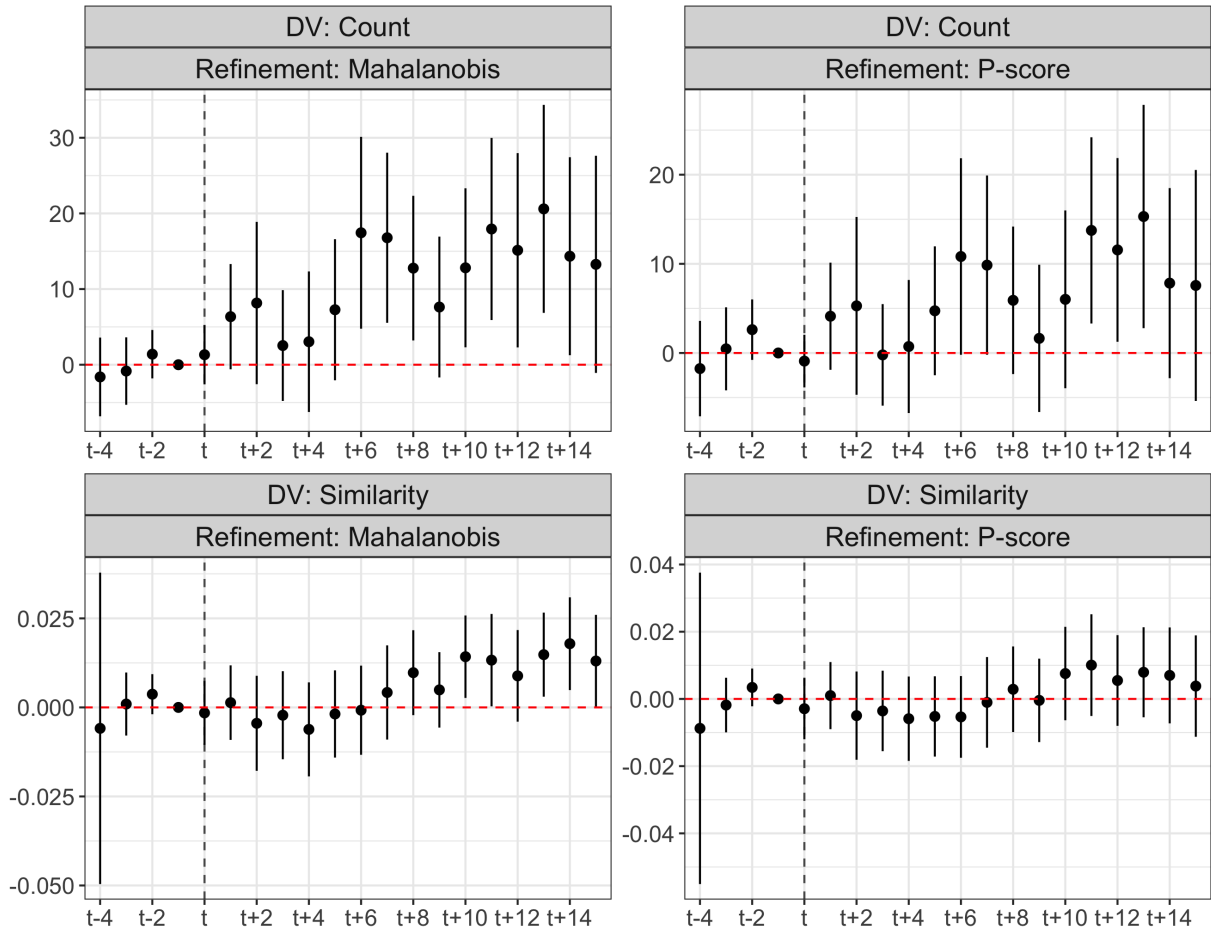


Figure 4 presents the PanelMatch estimates for both outcome measures and both methods for constructing counterfactual groups. Across three of the four outcome-refinement

pairs, the models indicate that diplomats do indeed increase their attention to commercial issues after an AmCham is opened in their state. The effects are fairly large in magnitude, reaching a maximum of 0.41 standard deviations for the similarity outcome and 0.58 standard deviations for the count outcome, and they appear to be persistent rather than transitory.

Two aspects of the results in particular should inspire confidence in their validity. First, there are no significant differences nor obvious trends in the pre-treatment periods across any of the models, indicating that the results are unlikely to be driven by the selection of inappropriate counterfactual units. Second, note that the effect does not appear until several years after the AmCham branch is created. This is consistent with the informational lobbying mechanism; in addition to the time required to build the organization internally (hiring staff, attracting member firms, etc), it takes time for new AmChams to build a relationship with their local embassy and become key informants. However, once the relationship is developed, the stream of information is consistent; this accords with the demonstrated persistence of the effect once it does appear. Were we to instead observe an immediate impact of new AmChams on commercial diplomacy, it might raise the concern that new AmCham branches are merely an auxiliary effect of some larger shock (removal of trade barriers, for example) that also drives diplomatic attention.

## 6.2 Main Results: Within-Diplomat Analysis

The results presented in Figure 4 demonstrate that, at the country-year level, new AmCham branches drive increased diplomatic focus on commercial issues. Due to the structure of diplomatic careers, I am also able to test the theory using a different source of variation: the regular rotation of diplomats to embassies in different countries over the course of their service. Rotation is a key aspect of the U.S. foreign service, and the prevailing norm is to assign diplomats to new posts every three years (Malis, 2021). In the ADST data, the median posting length is indeed three years; over an average career length of approximately

Table 1: **Diplomats increase their focus on commercial issues when rotated to a host state with an active AmCham.** The effect is driven by Ambassadors and Economic Officers, who have the most direct contact with the Chamber.

DV:	Lexicon (Count)			Lexicon (Similarity)		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
AmCham	2.889*** (0.955)	2.065 (1.364)	-1.373 (1.536)	0.014*** (0.001)	0.007*** (0.001)	0.002 (0.002)
Economic Officer		21.854*** (2.383)	22.112*** (2.879)		0.034*** (0.002)	0.030*** (0.003)
Ambassador		20.899*** (3.302)	15.521*** (2.283)		0.005** (0.003)	0.011*** (0.003)
AmCham $\times$ EconOff			4.603 (3.994)			0.013*** (0.004)
AmCham $\times$ Ambassador			24.836*** (8.491)			-0.006 (0.005)
Controls	No	Yes	Yes	No	Yes	Yes
Diplomat FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Num.Obs.	7,924	6,823	5,925	7,924	6,823	5,925
R2	0.465	0.495	0.517	0.591	0.637	0.660

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

22 years, the median diplomat works in five different host states. I can therefore estimate the *within*-diplomat effect of being rotated from a host state without an AmCham branch to a host state that has an active AmCham.

Table 1 presents the results of six OLS models, with robust standard errors clustered on the diplomat; the unit of analysis is the diplomat-posting, and the year fixed effects capture the final year of each posting. First, note that even after adjusting for unobserved heterogeneity at the individual level, the results strongly suggest that diplomats focus more on commercial issues when rotated to a host state with an AmCham branch. The effect is robust to the inclusion of controls,<sup>29</sup> though it is less precisely estimated for the count-based outcome measure.

Models 3 and 6 provide another test of the informational mechanism; since ambassadors

<sup>29</sup>The full set of controls is listed in the previous section.



and economic officers are the two types of diplomats that work most closely with AmChams (and who receive honorary appointments to the board), we would expect them to shift towards commercial issues more strongly than other types of diplomats when rotated to a host state with an active AmCham. The results bear out this expectation: the interaction term for economic officers is positive for both outcome measures and significant for the similarity-based measure, and the interaction term for ambassadors is positive and significant for the count-based measure. Reassuringly, the significant interaction term coefficients are very similar in magnitude to the respective country-year level PanelMatch estimates presented in Figure 4.

### 6.3 Robustness and alternative explanations

Oral history interviews require interviewees to recount events from the entirety of their careers; for retired diplomats, this sometimes involves describing embassy affairs decades after they occurred. This raises a perennial concern with oral histories, namely that memories of the distant past may be less accurate than memories of more recent events (Hoffman and Hoffman, 1994). If this was indeed the case in the ADST data, it might reduce the precision of my estimates and potentially introduce bias if diplomats are more likely to forget about certain types of events. To account for this issue, I first construct a set of diplomat-posting specific weights as follows:

$$\omega_{dt} = \frac{1}{[\text{year of } d\text{'s interview}] - [\text{last year of posting } t] + 1}$$

I then reestimate the models from Table 1 using these weights (which take values from 1 to  $\epsilon > 0$ ). The intuition is that, if interview segments discussing events that occurred more recently contain higher-quality information, these segments should be given greater influence over model estimates. As table B.1 shows, all results are robust to this approach.

An alternative explanation for the results of the within-diplomat analysis is that, rather

than transmitting actionable information, AmChams socialize diplomats into believing that commercial issues are inherently important. If this is true, diplomats who held a post in a state with an active AmCham should carry this belief with them to future posts.<sup>30</sup> To evaluate this possibility, I replicate the within-diplomat analysis with the inclusion of a variable (EVER AMCHAM) that is equal to 1 if any of the diplomat’s prior posts have been in a state with an active AmCham. The results, presented in Table B.2, provide some reassurance; prior exposure to an AmCham is far less predictive of commercial focus than present exposure, suggesting that the mechanism indeed involves direct and ongoing contact between AmChams and their local Embassies.

Finally, another alternative explanation for AmChams’ effect on commercial diplomacy is that new AmChams lead—through advocacy efforts, mobilizing member firms, matchmaking, etc—to increased bilateral trade flows between the U.S. and the host state. If this were to be the case, diplomats may simply be responding to heightened levels of economic exchange rather than turning towards commercial issues due to a change in their informational environment. To account for this possibility, I again use PanelMatch to estimate whether new AmChams increase host states’ bilateral trade with the United States.<sup>31</sup> The results, presented in Figure B.1, show that while AmChams may have a very short-run impact on bilateral trade, the effect does not persist for more than one year. It is therefore unlikely that the trade channel can explain the less immediate, but much more persistent, effects of AmChams on commercial diplomacy as presented in Figure 4.

## 7 Conclusion

In this paper, I identify an underappreciated source of influence on the content of bilateral diplomacy: informational lobbying by interest groups in the host state. By providing private information to sympathetic diplomats, interest groups can subsidize diplomatic action on the

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<sup>30</sup>Clark and Zucker (2022) show that this is the case in the setting of IMF bureaucrats and climate issues.

<sup>31</sup>Covariates include distance to U.S., dummy for prior colonial relationship with U.S., host log GDP, host GDP growth, presence of BIT with U.S., MID with U.S., and regime type.

foreign policy issues that they care about. I test the core prediction of this theory—namely, that diplomats shift their focus to issue areas that are more heavily subsidized by interest group information—using original data on the proliferation of AmChams over the last several decades, as well as a large original text dataset based on nearly 1,500 oral history interviews with former diplomats. Using both within-country and within-diplomat research designs, I demonstrate that diplomats who work in a state with an active AmCham focus more of their attention on commercial issues, and that this effect is driven by the types of diplomats that have the most interaction with AmChams. The effect is large—approximately 0.5 standard deviations, for both outcome measures—and persists over time.

In addition to predicting shifts in diplomatic attention, the framework of informational lobbying could be fruitfully applied to explain a wide variety of diplomatic outcomes of interest. For example, a large literature studies the proliferation of bilateral economic treaties, such as BITs, tax treaties, and labor agreements, over the late 20th century. Most existing studies provide supply-side theories of treatymaking, highlighting states’ strategic incentives to create new treaties; however, informational lobbying provides a robust framework for measuring and estimating the impact of *demand* for treaties among interest groups, allowing for a richer understanding of the formation of international legal regimes. Further, as evidenced by the examples presented in the theory section, diplomatic engagement on a range of non-commercial issues such as human rights protection, environmental sustainability, and development aid are likely to be influenced by the NGOs that are active in the host state.

Informational lobbying by host state interest groups affects the distribution of diplomatic effort across states, issues, and time. Is this good or bad from the perspective of a home government that wants to achieve its foreign policy objectives? On one hand, steady access to information is necessary for diplomats to do their jobs. As [Hall and Deardorff \(2006\)](#) note (in the context of legislators), since lobbying subsidizes diplomatic action on certain policy issues, it likely increases the aggregate level of diplomatic productivity. However, as exemplified

by John Bushnell’s assessment of the State Department’s human rights promotion efforts,<sup>32</sup> a reliance on interest groups as information providers may also lead to a misallocation of resources; issues of critical foreign policy importance may receive insufficient diplomatic attention where and when they lack organized representation.<sup>33</sup> Theorizing and testing the conditions under which informational lobbying is likely to either improve or deteriorate the quality of bilateral diplomacy is a promising avenue for future research.

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<sup>32</sup>See Section 3.1 above.

<sup>33</sup>[Huneus and Kim \(2021\)](#) make a similar argument in the context of domestic, firm-level lobbying.

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# Appendix

## A Commercial diplomacy measures: validation and aggregation

### A.1 Full commercial diplomacy lexicon

Table A.1: Commercial diplomacy lexicon.

business	company	enterprises	labor
industry	finance	management	corporations
economy	consumer	goods	prices
economic	markets	investors	consumers
investment	tourism	tax	downturn
sector	employment	infrastructure	transportation
trade	sales	spending	auto
businesses	economies	marketing	increased
companies	corporate	manufacturers	growing
growth	retail	expanding	costs
commerce	boost	revenues	recovery
manufacturing	technology	services	investing
firms	agriculture	analysts	imports
financial	agricultural	moreover	construction
market	product	policies	environment
export	increase	expected	interest
industries	jobs	foreign	overseas
sectors	revenue	enterprise	energy
exports	products	firm	earnings
industrial	profits	slowdown	trading
investments	commercial	increasing	improve
global	telecommunications	booming	decline
banking	demand	competitiveness	private

## A.2 Validation via paragraph-level application

To allow for a more qualitative, contextual validation of the commercial diplomacy measures, I compute them at the paragraph level for a randomly selected subset of 500 interview-segments (covering 22,566 paragraphs in total). Below, I present several paragraphs with high levels of commercial diplomacy content according to my measures, alongside some paragraphs with very low levels.

### A.2.1 High levels of commercial diplomacy

1. “We had always been actively involved in promoting American business in Indonesia. It was an essential part of my job as economic counselor when I was at the embassy in Jakarta in the early 1980s and that remained a focus of interest and attention. But, we didn’t beat the drums looking for individual companies to go into Indonesia. We didn’t really feel that was our mission. We wanted to change the environment. I took the initiative for a Memorandum of Understanding on investment between the United States and Indonesia that Secretary Shultz signed, I think on one of his trips to Jakarta. Again, it was more symbolic to demonstrate to the American business community that Indonesia was interested in foreign investment, welcomed foreign investment and to provide a basic framework of the rules of the game that were appropriate. It wasn’t anything binding. The investment environment was always difficult in Indonesia primarily because if foreign investors wanted to invest in Indonesia to serve the domestic market, they would be running head on into private interests that already were serving investment in the domestic market and the politics of that were very bad. The investors who wanted to go into Indonesia for export didn’t have so much of a problem - energy, mining, or even manufacturing for export.” (Lexicon count: 26 — Lexicon similarity: 0.84)
2. “The U.S. trade centers around the world sponsor shows, organized by sector or specific products, in order to promote the export of American goods and services. If you have a developed economy like those in Western Europe the task is fairly easy. You don’t have to do a lot of research on your own since it is readily available through the private sector,

or sometimes through World Bank or IMF sources. You normally need good statistics for market research, on the basis of which you can decide whether or not there is a good market for U.S. goods and services. There are readily available and reliable statistics on German imports and exports, for example, so finding out what a given economic sector is all about not very difficult. In a place like Iran that was not the case. What they needed, at least in my mind, was a good political or economic officer who could apply traditional Foreign Service skills to going around meeting with people in any given sector and getting a rough but informed view of what the demand for certain products or services might be. This is especially so in a country where statistics are at best unreliable, and at worst are cooked in some way to get around tariffs - or import duties. The import statistics in Iran, for example, showed more agricultural equipment imports than could possibly be used by the country, so they were actually importing something else. Automobiles, or mink coats, or something else that would have had a much higher import duty than agricultural equipment come to mind. So if you do this kind of research then the people in the Commerce Department trade promotion offices could decide whether it would be worthwhile to put on a show in this area and recruit companies to exhibit at a trade center.” (Lexicon count: 28 — Lexicon similarity: 0.85)

3. “A considerable portion of my time was spent attempting to persuade Japanese decision makers both privately and publicly to deal with issues such as capital and trade liberalization. These initiatives were individually not of earthshaking importance, but progress would largely take place only through a series of relatively minor actions that individually would not arouse serious domestic opposition within Japan. This at least would be true until the two governments were prepared to enter into major bilateral or multilateral trade negotiations. For example one of my initiatives was to persuade the Director General of the Ministry of Trade and Industry (MITI), the highest ranking civil servant in the Ministry, to agree to permit foreign firms establish wholly owned wholesale companies to enable them to distribute imported products and bypass the powerful Japanese trading companies. Now, this was deemed to be an accomplishment since one of the hurdles for foreign firms was to get their products accepted and distributed by the incredibly complex Japanese distribution system,

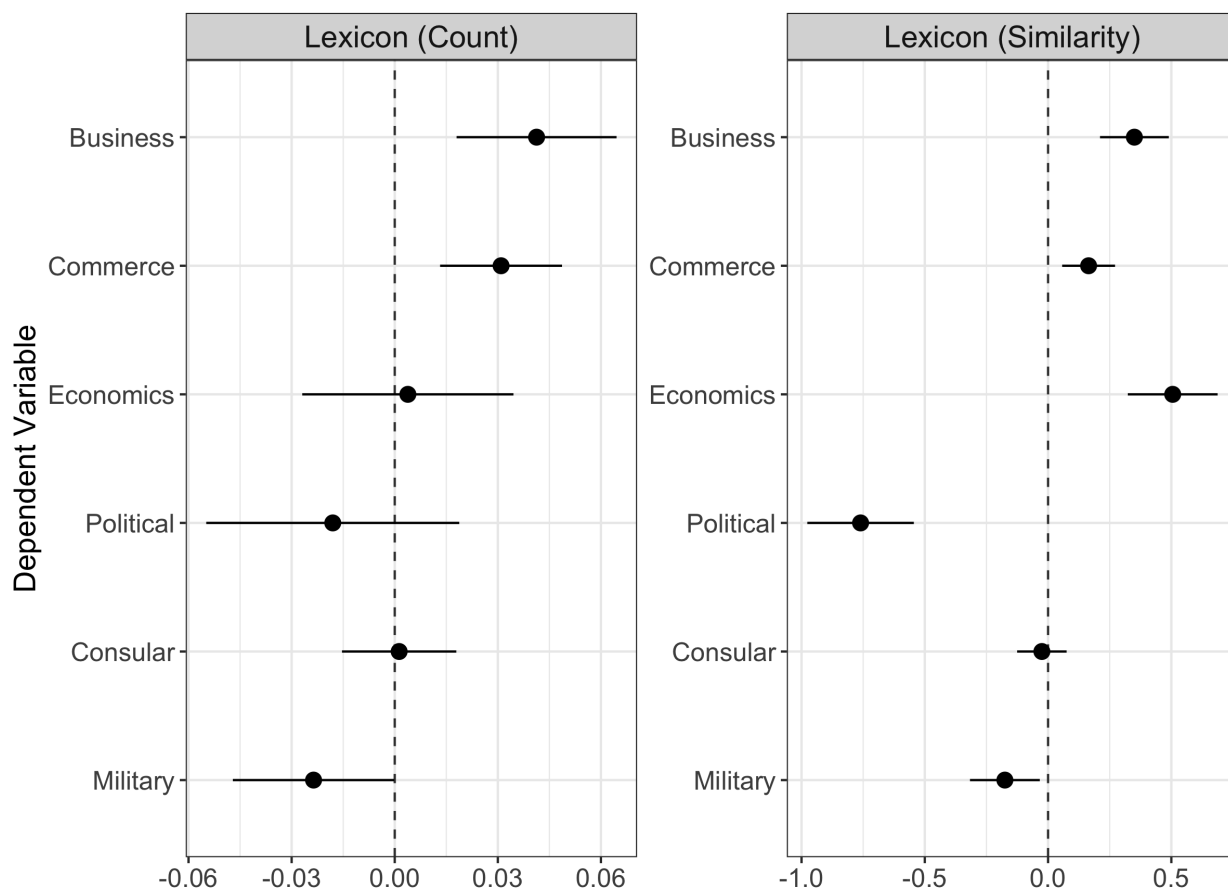
which deliberately or inadvertently favored Japanese products. In actuality, not very much was accomplished by this development. Although it enabled American firms to overcome one obstacle there were many other hurdles that thwarted American exporters. ” (Lexicon count: 15 — Lexicon similarity: 0.82)

### **A.2.2 Low levels of commercial diplomacy**

1. “I had some very excellent USIS officers who were there with me and I worked for two excellent ambassadors, Henry Byroade and Arthur Hummel. Arthur Hummel became my first ambassador who had been a former USIA officer. Later, John Reinhardt was another former USIA officer who I worked for as an ambassador.” (Lexicon count: 0 — Lexicon similarity: 0.18)
2. “On another occasion we went out to the ruins of a church, outside of Tallinn. It had been destroyed a couple of hundred years ago, I guess. When we got there, he explained that it was done by Latvians. This led him into a dissertation on the evils of the Latvians, which ended with his saying, ‘And in 1917 they fought with the Bolsheviks against us.’ Which they did. The Latvians had a rifle regiment that fought with the Bolsheviks.” (Lexicon count: 0 — Lexicon similarity: 0.21)

### A.3 Validation via comparison to cable traffic

Figure A.1: Both measures of commercial diplomacy predict cable traffic on commercial issues, but not on non-commercial issues.



The plotted coefficients are each the product of a different bivariate OLS regression; in each regression, the independent variable is the text-based commercial diplomacy measure,<sup>34</sup> and the outcome is the proportion of cables in each country-year that concern each of the topics listed on the Y-axis. All cable topics besides Commerce are determined using the State Department's TAGS system, while the Commerce topic reflects the proportion of cables that were sent from embassies to the Commerce Department.

<sup>34</sup>For ease of comparison with the similarity measure, the plotted coefficients for the Count measure reflect a 100-word increase in the lexicon.

## A.4 Aggregation to country-year level

Both of my dependent variables are measured at the officer-posting level; each posting is associated with only one country, but postings typically cover multiple years. Since I cannot disaggregate the ADST data beyond the posting level, I below describe the process for aggregating the officer-posting outcomes to the country-year level.

First, define each officer-posting outcome as  $\pi_{dsr}$ , where  $d$  is the diplomat,  $s$  is the host state, and  $r$  is a set containing each calendar year that the diplomat spent in that post. To generate the country-year measure  $\pi_{st}$ , calculate:

$$\pi_{st} = \frac{1}{D} \sum_{d=1}^D \pi_{dsr} \quad \forall r \ni t$$

In words, to aggregate to the country-year level I take the average value of the outcome measure for all diplomats that were posted in country  $s$  during year  $t$ . Note that, as a result, officer-postings that spanned multiple years will influence the outcome measures for multiple country-years. For example, consider the following three officer-postings in the same state:

$$\pi_{d=1,s=1,r=1990} \equiv \pi_1 \tag{1}$$

$$\pi_{d=2,s=1,r=1991} \equiv \pi_2 \tag{2}$$

$$\pi_{d=3,s=1,r=\{1990,1991,1992\}} \equiv \pi_3 \tag{3}$$

Country-year outcomes would then be calculated as follows:

$$\pi_{s=1,t=1990} = \frac{\pi_1 + \pi_3}{2}$$

$$\pi_{s=1,t=1991} = \frac{\pi_2 + \pi_3}{2}$$

$$\pi_{s=1,t=1992} = \pi_3$$



## B Robustness

### B.1 Addressing the fallibility of memory

Table B.1: **Results of within-diplomat analysis are robust to downweighting observations that occurred farther into the past.** All models include temporal weights.

DV:	Lexicon (Count)			Lexicon (Similarity)		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
AmCham	4.788*** (1.723)	1.798 (2.198)	-1.914 (2.209)	0.014*** (0.001)	0.005*** (0.002)	0.001 (0.002)
Economic Officer		25.046*** (3.826)	23.100*** (3.432)		0.037*** (0.003)	0.033*** (0.003)
Ambassador		25.188*** (4.058)	21.363*** (3.541)		0.010*** (0.003)	0.015*** (0.003)
AmCham $\times$ EconOff			7.261 (6.650)			0.010* (0.005)
AmCham $\times$ Ambassador			17.016* (9.547)			-0.006 (0.006)
Controls	No	Yes	Yes	No	Yes	Yes
Diplomat FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Num.Obs.	7,839	6,755	5,866	7,924	6,755	5,866
R2	0.624	0.630	0.643	0.591	0.676	0.692

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Weights were constructed as follows:

$$\omega_{dt} = \frac{1}{[\text{year of } d\text{'s interview}] - [\text{last year of posting } t] + 1}$$

The intuition is that observations for which officers discussed a posting that they held many years before the interview was conducted may contain lower quality information, and should therefore be downweighted.

## B.2 Testing for socialization effects

Table B.2: The AmCham effect does not persist after diplomats rotate on to posts that do not have active AmChams.

DV:	Lexicon (Count)			Lexicon (Similarity)		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
AmCham	3.049** (1.198)	1.151 (1.724)	-0.974 (1.685)	0.014*** (0.001)	0.003** (0.002)	0.002 (0.002)
Ever AmCham	-0.543 (1.942)	0.073 (2.459)	-0.644 (2.489)	-0.001 (0.002)	-0.001 (0.002)	-0.001 (0.003)
Economic Officer		24.268*** (2.865)	17.072*** (3.143)		0.036*** (0.003)	0.030*** (0.005)
Ambassador		23.533*** (3.547)	13.977*** (3.224)		0.009*** (0.003)	0.014*** (0.005)
AmCham $\times$ EconOff			0.405 (4.724)			0.014*** (0.005)
AmCham $\times$ Ambassador			24.115*** (8.598)			-0.005 (0.005)
Ever AmCham $\times$ EconOff			9.427* (5.096)			-0.001 (0.006)
Ever AmCham $\times$ Ambassador			2.186 (3.995)			-0.004 (0.005)
Controls	No	Yes	Yes	No	Yes	Yes
Diplomat FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Num.Obs.	7924	5925	5925	7924	5925	5925
R2	0.465	0.513	0.518	0.591	0.658	0.660

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

### B.3 Do AmChams increase bilateral trade?

Figure B.1: **New AmChams do not make a persistent impact on bilateral trade flows.** Dependent variable is the logged sum of imports + exports between the U.S. and the host state.

