

American Economic Coercion and Elite Re-Globalization*

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Abstract

What are the political consequences of US economic coercion? While policymakers focus on creating geopolitically diversified supply-chains, we argue that foreign economic elites have long been buttressing themselves from American economic statecraft. Analyzing the enforcement of the US Foreign Corrupt Practices Act (FCPA), we argue that elites respond to American coercion by moving their money to offshore financial centers as they seek to maintain their corrupt practices and place themselves out of the hegemon's reach. We test our argument using data on nearly 275,000 offshore incorporations from 1980 to 2017. The number of offshore transactions originating from a country increases by 47% after that country has been the target of the FCPA. More specifically, elites actively move money to havens that are less likely to cooperate with US investigators in the future. These findings have implications for the anti-bribery regime, debates on weaponized interdependence, and US foreign policy.

Keywords: economic statecraft; offshore finance; corruption; extraterritoriality; global governance

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International Relations scholarship largely considers the global economic elite—individuals who rely on multiple jurisdictions for revenue and wealth protection—as among the biggest winners of the latest era of globalization.¹ They are implicitly deemed either above or as orchestrators of geopolitics. We contest this view by building on an emerging body of scholarship that illustrates how financial integration and international legal arrangements not only empower economic elites to conduct transnational business, but also support the jurisdictional basis of external economic coercion against them.² This allows countries who exercise extraterritorial prerogatives, such as the United States, to pose a threat to these individuals’ fortunes by “weaponizing interdependence.” We show that elites respond to concerns of (American) jurisdictional overreach by seeking out offshore protections.

We argue that initial acts of economic coercion targeting an elites’ home country alert those individuals to foreign threats to their wealth. Falling into the cross-hairs of an unrestrained hegemon, even as collateral damage, could undermine an individual’s existing riches, future revenue, and, thereby, status. Rather than reducing their global financial exposure, we claim that elites attempt to “re-globalize” by moving their wealth towards offshore jurisdictions which can offer the highest protection from future economic coercion. We thus offer a middle ground between views that see elites as either winners of financial globalization or targets of economic coercion. We illustrate that global economic elites respond to economic coercion by continuing to use the tools of globalization to protect their wealth, but via an increasingly curtailed and costly set of options: they optimize for protection over profits.

Although most observers think of sanctions as the bedrock of extraterritorial action, the US has used its market size to export a range of laws from banking or pharmaceutical regulations to anti-trust policy.³ Perhaps no legal export is as controversial as US anti-corruption regulations.⁴ One of the first countries to outlaw bribing of foreign government officials by its multinational companies (MNCs) with the 1977 Foreign Corrupt Practices Act (FCPA), the US extended its reach in the early 2000s after the ratification of an OECD Anti-Bribery Convention (OECD ABC), charging US and non-US multinationals with economic ties to America for transnational corruption.⁵ The legislation has led to monumental cases like 2008’s \$1.6

¹ Cooley and Sharman (2017); Hoang (2022); Binder (2023); Atal et al. (2026).

² Crasnic, Kalyanpur, and Newman (2017); Drezner (2011); Logvinenko (2021); Kalyanpur (2026a).

³ Bach and Newman (2010); Putnam (2016).

⁴ Bixby (2010).

⁵ Brewster (2017).

billion corruption investigation against German conglomerate Siemens and the 2020 \$2 billion case against Airbus for bribing government officials including in China.⁶

We argue that extraterritorial action, such as FCPA enforcement, alerts foreign elites to the risk of external economic coercion. After US FCPA enforcement, foreign kleptocratic elites (i.e., public officials, leaders, entrepreneurs, and political and economic actors who receive or facilitate bribes) begin to fear for their economic fortunes. Given the centrality of the dollar to international trade, and the importance of New York to global finance, these elites' corrupt transactions are typically exposed to US jurisdiction. These connections enable FCPA enforcement against foreign bribery and alert foreign kleptocrats to the US risk. With FCPA actions, seizure of corrupt funds linked to elites' fortunes often follows. Moreover, the US consistently returns to investigate corruption in a country after its first FCPA action, a phenomenon which we explain in light of the diminishing cost of acquiring information on corrupt transactions required for new FCPA cases in a given country. Domestic elites thus fear that the bribes which buttress their economic empires may come under future investigation and their assets may be seized. In addition, we argue that FCPA actions increase the potential for follow-on *domestic* anti-corruption actions. Such activation of domestic enforcement cumulates with the international threat of seizure of corrupt funds. To minimize these risks, elites obfuscate their wealth and move it beyond US reach by incorporating in offshore tax havens where US reach is minimal.

To assess these claims, we use data from the range of leaks on offshore financial incorporations released by the International Consortium of Investigative Journalists (ICIJ). Most famous for the "Panama Papers," the compiled data across all their different investigations gives us unprecedented details on offshoring destinations. Using a generalized synthetic control design,⁷ we estimate the effect of the first FCPA action targeting bribery in a given country on offshore financial outflows from that country.

FCPA enforcement in a jurisdiction increases the number of outgoing offshore financial incorporations by 47.05% in just five years. This could be driven by elites trying to simply obfuscate their future corrupt activity or to avoid US government reach. The results clearly indicate that fear of future enforcement is driving capital flight: elites send their money to havens that are *not* part of the OECD ABC and are thereby not bound to cooperate with the US. Furthermore, we find that elites tend to stash wealth in financial havens

⁶ Woll (2023).

⁷ Xu (2017).

that scholars would consider “sinks,” i.e. offshore destinations useful to protect capital, rather than to reroute it for future illicit activity. In fact, we find insignificant flows to “conduits” (havens that would facilitate such rerouting) in response to FCPA actions. We further assess whether elites still prioritize tax avoidance when choosing where to send their money after an FCPA action and show that, in fact, elites are willing to give up methods that would increase their income (via tax avoidance or low-supervision) if it reduces the prospects of US anti-corruption reach.

Additional mechanism tests show that FCPA actions increase the risk of a domestic follow-on anti-corruption action in the very target country, reinforcing the external threat. This mechanism, and the above results, are surprising given the history of the anti-corruption legalization.⁸ The FCPA has been designed to target the behavior of bribe exporters, with the idea that affecting the behavior of foreign kleptocrats was both economically ineffective and politically controversial. We show that not only has the US found ways to expand its reach under the ABC to affect behavior of foreign kleptocrats. It has also incentivized foreign governments to enforce their own anti-corruption laws, in relation to the matters raised by the US.

Our findings carry direct policy implications for existing anti-corruption tools. In December 2023, President Biden signed the Foreign Extortion Prevention Act (FEPA) into law, which explicitly targets foreign bribe-demand by prohibiting foreign officials from extorting bribes by firms under US jurisdiction. For many, the FEPA fills a gap left open since 1977 with the passage of the FCPA, which technically only criminalizes the bribe payments by American affiliated exporters.⁹ In fact we show that, long before the FEPA, the FCPA has affected the behavior of foreign kleptocrats, with anti-corruption effects that stretch beyond its legal scope. These implications are also relevant when considering President Trump’s decision to first suspend and then reshape FCPA enforcement in 2025. Recent work has documented that the FCPA suspension created market confidence in corrupt suppliers.¹⁰ Our results suggest that the decision could also benefit foreign kleptocrats’ fortunes, reversing the effects we documented and thus limiting elites’ need to conceal illicit funds offshore. The undoing of the FCPA could thus have far more important implications for corrupt economies than previously acknowledged. These concerns provide additional motivation in support of recent Congressional initiatives to protect the Act from future political decisions that would undermine

⁸ Abbott and Snidal (2002).

⁹ “U.S. Prosecutors Can Charge Foreign Officials With Bribery Under New Provision.” *The Wall Street Journal*. January 2, 2024. <https://www.wsj.com/articles/u-s-prosecutors-can-charge-foreign-officials-with-bribery-under-new-provision-ec3a4dfc>.

¹⁰ Crippa, Malesky, and Picci (2025).

its enforcement.¹¹

Beyond contributing to debates on bribery and anti-corruption, the manuscript indicates the need for comparative political economy scholarship to expand the range of threats to property that form the basis for many core models of political development. An elite's home government is generally taken as the primary actor to fear, through expropriation, taxation, or regulation.¹² But our findings point to how globalization means that elites fear at least one other sheriff—the United States—and actively take measures to ensure they cannot be easy prey. We also illustrate that such external threat to elites' fortunes may activate domestic political conflict via increasing enforcement at home. How elites manage the competing or coordinated threats from both their home government and foreign states is going to become an increasingly important research question as countries and their elites are forced to make trade-offs between the United States and China in a time of derisking.

Finally, the paper speaks to current debates on the consequences of weaponized interdependence.¹³ Going after the offshore wealth of elites has become core to US economic statecraft, used to tackle issues ranging from human rights violations to kleptocracy to aiding war efforts. While the US has some free rein to put in place these types of measures, and has been mimicked by a range of other major economic powers, our findings indicate that these tools have effects but marginal returns. This mirrors how scholars of conventional economic sanctions consider the diminishing value of weaponizing the dollar.¹⁴ Here, elites are not just diminishing the grounds of coercion, but also planning for its consequences, albeit within a curtailed set of options. Elites recognize the threats of extraterritorial actions and actively diversify away from jurisdictions that could leave them in positions vulnerable to coercion. They do not stop themselves from reaping globalization gains (e.g., tax avoidance or rule of law of safe havens). They do not de-globalize. They are willing to keep costly exit options open. They re-globalize.

¹¹ We refer to the “FCPA Reinforcement Act,” a bill introduced in March 2026 by a group of 14 Democratic senators: <https://www.foreign.senate.gov/press/dem/release/shaheen-warren-whitehouse-kim-durbinand-colleagues-introduce-legislation-to-reinforce-foreign-corrupt-practices-act-counteracting-trumps-narrowed-enforcement-of-landmark-anti-bribery-law>.

¹² Esberg and Perlman (2023); Mahdavi (2020).

¹³ Roberts, Choer Moraes, and Ferguson (2019); Drezner, Farrell, and Newman (2021).

¹⁴ McDowell (2023); Tan (2025).

Elite Wealth Protection Strategies

We start from the premise that economic elites seek to maximize their incomes. While they often do so by expanding market shares and diversifying into alternate industries, elites also employ a range of non-market strategies, including corruption. Some elites seek to use their political influence to offer “access” corruption, providing information to sustain the economic endeavors of domestic or foreign firms or bending laws in their favor. Others participate in “grand” corruption where the purpose of political purchases is to obtain direct rents from the state via government contracts.¹⁵ Across these strategies, corruption works as a “tool of government”: it buttresses elite support of a political regime.¹⁶ In recent years, there has even been a groundswell of businessmen winning political office, from Ukraine to the United States, with tangible consequences for their revenue streams.¹⁷ Economic elites further spend considerable effort guarding their wealth.¹⁸ They lobby to lower taxes and, at the extremes, fight for the rule of law and democratization to mitigate the risks from state expropriation.¹⁹

As most countries have liberalized capital accounts, the methods elites use to protect their income and wealth have transnationalized. Wealthy elites team up with multinationals to increase the costs of government targeting and list their companies abroad to gain access to foreign legal protections, with the added benefit of laundering ill-gotten gains.²⁰ Bribery has also become increasingly transnational, typically involving firms and officials from different nationalities with funds passing through webs of foreign bank accounts.²¹ Examples include massive operations, like the infamous Lava Jato, or single transfers—the “Godfather of the Kremlin,” Boris Berezovsky, filled up Boris Yeltsin’s Swiss bank accounts to make it look like the beleaguered president’s biography was becoming a bestseller.²²

Offshore financial havens are central to these transnational protection strategies. The 0.01% of the income distribution owns roughly 50% of offshore wealth.²³ Money is sent to places like the British Virgin Islands, Mauritius, and Cyprus for income generation and wealth preservation. Much like multinational

¹⁵ Ang (2020); Dawisha (2015); Malesky, Gueorguiev, and Jensen (2015).

¹⁶ Picci (2024).

¹⁷ Krcmaric, Nelson, and Roberts (2023); Szakonyi (2018); Hou (2019).

¹⁸ Beckert (2022); Winters (2011); Kalyanpur (2026a).

¹⁹ Page, Seawright, and Lacombe (2018); Albertus and Menaldo (2018).

²⁰ Markus (2007); Johns and Wellhausen (2016); Cooley and Sharman (2017); Logvinenko (2021).

²¹ Cheng-Matsuno and Berliner (2023); Kalyanpur (2026a).

²² Vilaca, Morucci, and Paniagua (2023); Klebnikov (2000).

²³ Alstadsæter, Johannesen, and Zucman (2018).

corporations, elites can use tax havens to minimize their tax burdens, “roundtripping” money back home to lock in the lower tax rates nominally promised to MNCs.²⁴ Offshore havens are also crucial to protect wealth from risks of expropriation or sudden political changes.²⁵ Elites even offshore their wealth to ensure that they will be legally treated as a foreigner in their own state, often to gain access to the Investor-State Dispute Settlement process.²⁶

Undergirding these tactics is the fact that, when money is moved into havens through a web of shell companies, tracking down that money becomes near impossible.²⁷ Anyone trying to access that money would require the legal cooperation of the haven’s government, which has strong incentives to protect elites to ensure that its financial haven business model is left intact.

When Threats Globalize

Financial globalization and its legal infrastructure thus create opportunities for elites to offshore in order to preserve or increase wealth, including via tax avoidance. But the scholarship synthesized above posits that offshoring is a tactic to protect an elite from predation *by their home government*. Nonetheless, the very forces of global finance raise the potential of *external* state-initiated risks for elites.

We argue that, under financial integration, it is no longer just the home state, but also the United States that elites fear. The hegemon has used its market size and focal position in international economic networks to export a host of its regulations. Seminal scholarship on weaponized interdependence analyzes how the US claims jurisdiction over the nodes of the global economy, and uses that authority to cut off adversaries from the system.²⁸ Buried within these important developments in the scholarship on economic statecraft is that individuals, and their offshore wealth, are becoming crucial targets for a range of US foreign policy prerogatives.²⁹

A substantial proportion of the wave of targeted sanctions is directed at political and economic elites whose travel is restricted and assets are frozen. Some of these are for conventional cooperation in military

²⁴ Ledyeva et al. (2015); Binder (2023).

²⁵ Bayer et al. (2020); Earle et al. (2019); Kubinec, Morse, and Pandya (2023).

²⁶ Kalyanpur and Thrall (2021).

²⁷ Findley, Nielson, and Sharman (2014).

²⁸ Farrell and Newman (2019).

²⁹ Drezner (2011); Kalyanpur (2026b).

projects, but the bulk are for broader goals like tackling corruption and human rights abuses.³⁰ The response to the Russian invasion of Ukraine was a stark reminder of the integration of foreign economic elites into the American and European financial systems, as several countries froze the assets of plutocrats linked to the Kremlin. The US and nearly 30 other jurisdictions even passed the Magnitsky Act to freeze and seize the assets of individuals they deemed guilty of kleptocratic behavior.³¹

Our argument, which we develop below in the case of anti-corruption, is that similar external threats to elites' wealth increase their willingness to offshore. This occurs because economic coercion based on law enforcement (such as anti-corruption) benefits from *informational returns to scale*, meaning that past enforcements likely uncover additional misconduct, making future enforcement more likely and thus establishing a credible threat to wealth. An additional mechanism, specific to our case, is that external threats activate domestic coercion, due to the provision of such information to domestic enforcers (who are also under pressure of the international community). We expect that domestic economic and political elites who receive or facilitate bribes reshape their behavior in accordance, seeking transnational shelter from the threat.³²

America's Anti-Corruption Toolkit

From the point of view of a foreign kleptocrat, the earliest and most consequential of US extraterritorial rules is the Foreign Corrupt Practices Act (FCPA). Originally passed in 1977 as a response to a bevy of Watergate-linked scandals involving American firms operating abroad, the FCPA made it illegal for US companies to bribe foreign government officials. Jointly administered by the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC), the FCPA is a notorious piece of law. Many in the US political establishment argued that it disadvantaged its firms vs foreign companies still allowed to engage in bribery.³³ Those concerns partly spurred the US to usher the OECD into passing the Anti-Bribery Convention (ABC) in 1997 that de facto makes signatory governments follow the same procedures as the FCPA.³⁴

The passage of the ABC was *the* pivotal step in the global fight against bribery, leveling the playing field

³⁰ Nephew (2017).

³¹ Booth (2020).

³² Throughout, we do not distinguish whether local kleptocrats are on the receiving or sending end of local corruption, as elites are likely to occupy both positions in emerging markets where corruption occurs.

³³ Beck, Maher, and Tschoegl (1991).

³⁴ Carr and Outhwaite (2008).

of international competition. Not only did it subject non-US firms to the same anti-bribery regulations, as legal scholar Sarah Routh argues, the OECD ABC also centralized authority with the US:³⁵

“The treaty also stated that any jurisdiction governed by these pieces of legislation should be interpreted broadly so that no physical connection to the prosecuting country shall be required. Accordingly, for the United States, this treaty served the dual purposes of criminalizing foreign bribery on an international scale as well as ensuring that US corporations were ostensibly on the same legal playing field as their competitors”

The passage of the ABC further led the US to amend its national legislation to cover persons and companies with some economic ties to its market, independent of their nationality.³⁶ Since then, companies trading on US exchanges need to follow stringent reporting standards and are subject to the FCPA. These changes were the basis for German company Daimler paying nearly \$100 million to settle a case while British defense mammoth BAE paid \$400 million to resolve a claim regarding the company’s FCPA compliance program.³⁷

Critically, section 78dd-3 of the amended legislation also allowed for any (domestic or foreign) individual or corporation using American means of commerce—such as mail or US correspondent bank accounts, which are the backbone to any global dollar transfer—to be investigated under the FCPA. These amendments ushered in an era where deals with tenuous, indirect links to the United States became common matters of FCPA investigation. In 2011, Japanese construction firm JGC paid \$200 million to settle FCPA claims regarding millions of US dollars paid in bribes to Nigerian public officials for a liquefied gas plant project in the Niger delta. JGC was not publicly traded in the US: the basis for jurisdiction was the use of correspondent bank accounts—*de facto* transacting in the dollar. Luxembourg-based Tenaris was also charged that year with the primary link being a single correspondent bank transaction worth just over \$32,000.³⁸

³⁵ Routh (2018, 631). See also Brewster (2017).

³⁶ Routh (2018); Tomashevskiy (2021).

³⁷ Wilson (2013, 243-244).

³⁸ Wilson (2013, 245-246).

Conventional Drivers of FCPA Enforcement

At a surface level, US authorities should use their broad FCPA jurisdictional power to prioritize clear instances of corruption by American(-linked) firms, whenever there is credible evidence regarding bribery of a foreign official. If we assume that firms are more likely to bribe in countries where corruption is high, we should then expect the clearest driver of FCPA cases to be the amount of foreign direct investment (FDI) from American firms in countries with weak governance or high corruption levels. There is some statistical support for this functional reading.³⁹ But several notable studies point to, and real-world empirical examples suggest, the political basis of both investigation and enforcement. Empirical studies on these determinants offer conflicting results.

In addition to a functional logic, the probability of FCPA enforcement could be higher where countries are more corrupt (regardless of the exposure of US firms) or have weaker governance—what Davis (2011) calls *altruism*. Empirical studies have provided only limited evidence for this driver.⁴⁰ Additionally, law scholarship stresses the importance of international cooperation with foreign prosecuting bodies, for instance under the OECD ABC.⁴¹ Qualitative work on the process behind case selection and case success finds similar patterns.⁴² At the same time, a country having signed up to the Convention substantially increases the odds of their own enforcement,⁴³ which might motivate US enforcers to stand down (although results in our Appendix A do not suggest as much).

There is also limited evidence in favor of the frequent European critique⁴⁴ that the US investigates foreign firms that compete heavily with American corporates in the same market. Fines on foreign firms tend to be higher than on American ones, but on the whole the size of a charge is highly correlated with the size of the bribes paid,⁴⁵ and US prosecutors might simply enforce the FCPA only against the most egregious non-US bribers.

While some questioned that geopolitical or foreign policy motives drive American action, Tomashevskiy (2021) finds consistent evidence that prosecutions become more likely when the *host* of bribery is a geopo-

³⁹ Choi and Davis (2014); McLean (2011).

⁴⁰ Choi and Davis (2014).

⁴¹ Choi and Davis (2014); Davis (2015).

⁴² Brewster (2017).

⁴³ Jensen and Malesky (2018).

⁴⁴ As in the memoir by former Alstom senior executive Pierucci (2019).

⁴⁵ Choi and Davis (2014).

litical adversary. The reverse can also be true. When investigating Britain’s BAE Systems for violating the FCPA in Saudi Arabia, US authorities preserved the special relationship with the UK by accepting a plea deal where the company was charged for false statements, but not bribery, which would have resulted in a debarment from future defense contracts in the US and Europe.⁴⁶

Informational Returns to Scale of FCPA Actions

We do not deny the potential political drivers of an initial FCPA enforcement. But one of the consistent findings of quantitative studies examining the FCPA is the importance of previous enforcement actions against a country: previous enforcement in a country regularly predicts *future* enforcement in the same country.⁴⁷ In the appendix, we replicate the above analyses with our data. We account for the conventional drivers listed above, alongside the number of past FCPA enforcement actions. We find that any previous FCPA action for corruption in a given country is associated with a 0.10 increase in the probability of the US opening a new FCPA case in that very country, a substantially higher effect than that of any of the other determinants, including the level of corruption (Appendix A).

A descriptive look at our data also confirms that an initial FCPA case increases the chances of a follow-on FCPA case, likely inducing fear of expropriation among domestic kleptocrats. In Figure 1, we plot the Kaplan-Meier⁴⁸ rate of survival from a follow-on FCPA case for countries that have been targeted with a first FCPA action. Within five years of the first FCPA action, about 40% of the targeted countries have already experienced a follow-on action. By ten years time, 60% of FCPA targets have experienced a subsequent FCPA enforcement. And with every FCPA action in a country, the time it takes to the next action in the same country drops, as we illustrate in Appendix A.

What explains such rates of recurrence of FCPA cases, even when holding constant levels of corruption? We argue that these patterns are induced by the diminishing cost of information for a new FCPA case in the same country. We call these the *informational returns to scale* of an FCPA action. In any FCPA case, US authorities need to invest in learning the details of a company’s business practices, track down the flows of money and where they end up, and substantially document practices that players take great pains to

⁴⁶ For an analysis, see: <https://www.hugheshubbard.com/news-insights/insights/fcpa-alert-u-s-and-u-k-authorities-reach-ground-breaking-settlement-with-bae-systems>.

⁴⁷ See Tomashevskiy (2021). Crippa, Malesky, and Picci (2025) offer firm-level evidence of this.

⁴⁸ In Appendix A, we repeat the analysis with a Cox proportional hazard model and covariate adjustment.

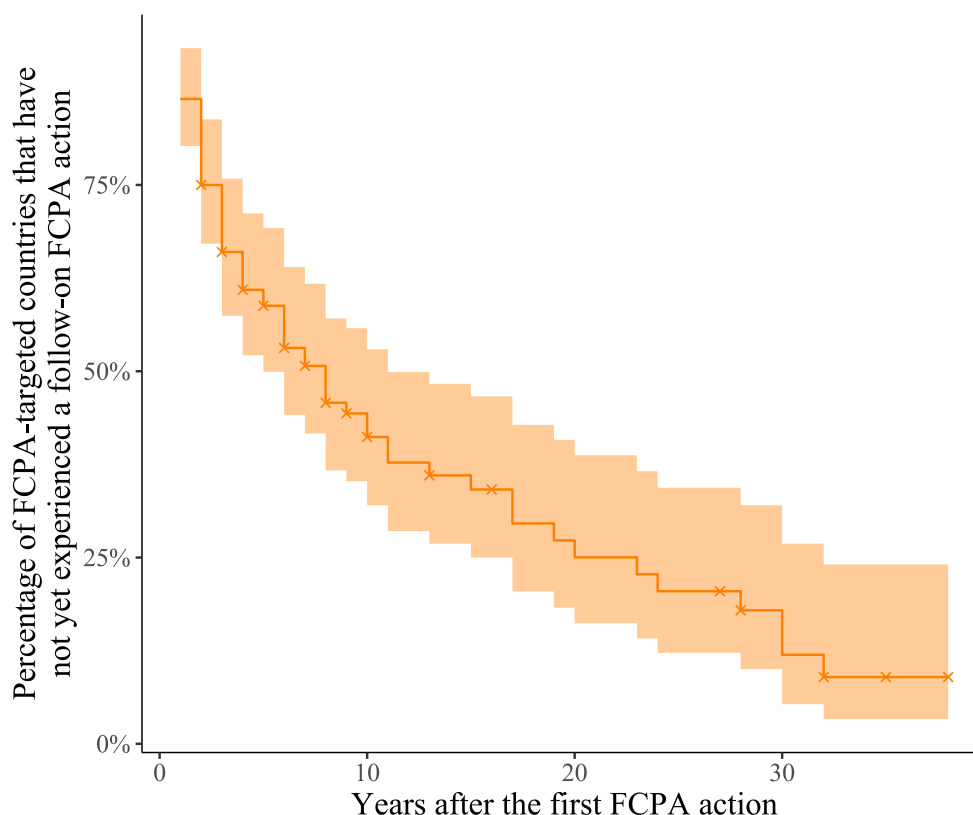


FIGURE 1: Countries that experience a first FCPA action have a 40% (60%) probability of experiencing a follow-on FCPA action within 5 (10) years

Notes: Kaplan-Meier survival rate of FCPA target countries from a follow-on FCPA case after the first one

obfuscate. All of these factors make it more likely that past targets will be targeted again.

Qualitative evidence suggests that informational returns to scale from FCPA actions persist. The DOJ’s and SEC’s list of official factors that can trigger charges echoes the diminishing cost of information for a new case.⁴⁹ The DOJ even encourages firms to voluntarily report on their competitors’ wrongdoings via “sweep letters” with the implicit threat that lack of cooperation would mean you are the one that will be served with a subpoena next.⁵⁰ One FCPA practitioner explains that these sweeps “... explicitly encourage companies to volunteer incriminating information about competitors ... Inevitably, industry sweeps become

⁴⁹ The list includes “tips from informants or whistleblowers; information developed in other investigations; self-reports or public disclosures by companies; referrals from other offices or agencies; public sources, such as media reports and trade publications; and proactive investigative techniques, including risk-based initiatives” ([Criminal Division of the U.S. DOJ and the Enforcement Division of the U.S. SEC, 2020, 54](#)).

⁵⁰ Yockey (2012, 694).

organic and evolve, with government investigators using information from one company as the basis for additional requests to others.”⁵¹ Tomashevskiy’s (2021, 391) interviews with the DOJ further corroborate the importance of such inter-firm snitching.

FCPA authorities also benefit from informational returns to scale in the country of criminal offense. Through the investigative process, US authorities learn a great deal about the target’s business environment. Even if they were only trying to learn about the specific instance of bribery under investigation, they would likely uncover a host of other corrupt activity by the local economic elite. Moreover, by investigating bribery in a jurisdiction, US authorities also learn how to cooperate with (or coerce) the local bureaucracy and work with local authorities. Cross-country cooperation is critical to any successful FCPA investigation, as it provides access to the necessary information.⁵² As reported by Koehler (2014, 694), a priority of a (former) chief of the FCPA unit at the DOJ was “forging relationships with foreign prosecutors and regulators who were tackling foreign bribery cases and collaborating with them” to construct networks of prosecutors. The same person later stated that a critical part of success in FCPA actions is “the continuing and encouraging rise in cross-border cooperation, and the increasing efforts of our foreign law enforcement partners to hold individual perpetrators accountable.”

Successfully completing a case in a country, then, increases the availability of information, improving the odds of another act of corruption being found and of a future victory. This combination nicely aligns with the incentives of the DOJ staff. The desire for prosecutors to have big wins, while racking up the fewest losses, has become the surest path to internal promotion, as detailed by journalist Jesse Eisinger (2017). This culture had become so rampant that it forced James Comey, when he took over the department, to famously label these prosecutors with no losses as members of “the chickenshit club”: the lawyers strongly prefer working on cases that are the most efficient and least likely to blemish their records. Moreover, there is high demand in the corporate sector (where the DOJ lawyers tend to “revolve” to) for expertise in complex, cross-border investigative work.⁵³

Collectively, informational returns to scale condition where future FCPA cases will occur and thus create a threat to local elites. Past FCPA actions in a country are likely to be followed up by new actions in the same

⁵¹ Koehler (2014, 694).

⁵² Brewster (2017).

⁵³ Brewster and Buell (2017).

country due to informational returns from past cases and economies of scale. We argue that this dynamic affects how elites in target countries are likely to respond.

Elite fear is thus our theorized mechanism by which FCPA enforcement incentivizes offshoring. To sustain this fear, FCPA enforcers exploit ties with local authorities and corporate entities, allowing them to acquire useful information beyond the direct remit of a case. This informational logic connects our argument to the international political economy literature on soft law and focal points. Even when international rules are not fully binding, they can provide focal points that facilitate coordination among regulators and corporate actors, creating networks of cooperation that extend beyond formal legal obligations.⁵⁴ Such transnational coalitions can help regulators acquire and share information across jurisdictions, even when the actors involved are not bound by the same domestic laws. Our scholarship illustrates how these networks can strengthen the enforcement of domestic law across borders, and how even latent power reshapes elites' wealth protection strategies.

Why and Where Foreign Elites Hide From the Hegemon

Academic and journalistic work on economic sanctions illustrate that firms often set up subsidiaries abroad to obfuscate their trade patterns, undermining US attempts at economic coercion while making a profit.⁵⁵ We make a related but distinct argument. We expect that economic elites will set-up offshore not just to complicate their trade routes via conduit states, but also to buttress their existing corrupt activities and avoid further US coercion.

Given the informational returns to scale of FCPA actions highlighted above, we claim that foreign economic elites are concerned that past FCPA cases could uncover their illicit deals. Given the US's broadening interpretation of jurisdiction, the vast majority of foreign economic elites are likely exposed to the FCPA threat. Elites raise funds through the US financial markets and invest money in its deep pool of safe assets. America has also become an important and safe tax haven in its own right, with economic elites using the real estate markets of New York or Miami and the lax tax structures of South Dakota or Wyoming to guard their wealth.⁵⁶ Moreover, much of their trade, and likely corrupt activities, are denominated in the US dollar

⁵⁴ Newman and Posner (2018); Young (2012).

⁵⁵ Barry and Kleinberg (2015); Kavakli, Marcolongo, and Zambiasi (2023).

⁵⁶ Findley, Nielson, and Sharman (2014); Michel (2021).

given its reserve and settlement currency status, which America repeatedly uses to extend jurisdiction.⁵⁷

On top of the creeping and (from a foreign elite's viewpoint) threatening expansion of FCPA authority, virtually no limits are put in place to check the DOJ as it brings claims. Very few individuals or corporations challenge the DOJ jurisdictional purview, leading to an absence of clear legal precedent.⁵⁸ As Wilson (2013, 240) summarizes: "The DOJ essentially controls the disposition of the FCPA cases they initiate and impose their own extremely broad interpretation of the FCPA's provisions. Settlements receive little judicial oversight. In light of this, federal prosecutors in FCPA cases yield immense power." After an FCPA case, foreign elites are then likely to be concerned with becoming embroiled in future enforcement.

Moreover, FCPA cases often *explicitly* target foreign political elites. Since the early 2010s, the DOJ has launched an anti-kleptocracy initiative in conjunction with FCPA enforcement.⁵⁹ The US has then charged dozens of politicians for money laundering, often with evidence directly derived from bribery investigations. Donville Inniss, a former member of parliament and Minister of Industry in Barbados, was charged for money laundering based on an initial investigation into bribes from an insurance company. Inniss became a US resident and attempted to bring in the illicitly gained \$36,000 through a dental company front.⁶⁰ Those sums pale in comparison to the charges against Uzbekistan's Gulnara Karimova, former official and daughter of the Uzbek ruler, who sat at the center of a telecommunication scandal involving multiple FCPA cases. Gulnara was not only indicted.⁶¹ Switzerland and Belgium each also returned more than \$100 million of ill-gotten gains from the kleptocrat.⁶²

These examples echo the logic of scholarship on weaponized interdependence. America's nodal position in the global financial architecture, coupled with ambiguous domestic law and cooperation by foreign countries under an international regime, allows US authorities to coerce foreign elites, if they so choose. While other countries now have domestic regulations that allow them to investigate foreign bribery, too, they lack

⁵⁷ Cobham and Janský (2020).

⁵⁸ Routh (2018, 628).

⁵⁹ Brewster and Buell (2017).

⁶⁰ "Former Member of Barbados Parliament and Minister of Industry Charged with Laundering Bribes from Barbadian Insurance Company." *US Department of Justice*. Aug 6, 2018. <https://www.justice.gov/archives/opa/pr/former-member-barbados-parliament-and-minister-industry-charged-laundering-bribes-barbadian>.

⁶¹ "Mobile Telesystems PJSC and Its Uzbek Subsidiary Enter into Resolutions of \$850 Million with the Department of Justice for Paying Bribes in Uzbekistan." *US Department of Justice*. Mar 7, 2019. <https://www.justice.gov/archives/opa/pr/mobile-telesystems-pjsc-and-its-uzbek-subsidiary-enter-resolutions-850-million-department>.

⁶² "Swiss Agree to Return \$131 Million to Uzbekistan Via UN Trust Fund." *The Diplomat*. Aug 17, 2022. <https://thediplomat.com/2022/08/swiss-agree-to-return-131-million-to-uzbekistan-via-un-trust-fund/>.

the central position of the US in the anti-corruption enforcement network and thus show only modest levels of enforcement.⁶³ More importantly, elites will likely fear those other countries far less since no state has the ability to (1) claim jurisdiction or (2) credibly cut off elites from the global financial system in a fashion rivaling the US.

We expect that an FCPA enforcement in a country alerts local elites, signalling the risks that their otherwise empowering global portfolios create. Elites begin to fear that they (or their business partners) could be a future DOJ target, either via the FCPA itself or through America's broader anti-corruption toolbox. As noted above, FCPA cases involve substantial transaction costs, creating incentives for American authorities to build on prior information when selecting future cases. Our wager is that elites are aware of these transactions costs and potential informational spillovers, leading them to fear new enforcement actions.

While FCPA cases do originate headlines in the US, they largely recede into the background of American politics. By contrast, these cases are often focal points in domestic political debate and contestation abroad, as they regularly involve key members of the government apparatus. Examples include the aforementioned Karimova affair in Uzbekistan, the Lava Jato scandal (which originated in Brazil and extended across several countries in Latin America), and the 1MDB fraud in Malaysia (involving Low Taek Jho, former financial adviser to Malaysian Prime Minister Razak). In all these instances, FCPA cases triggered domestic political change and the fall of presidents or (prime) ministers.

Domestic political consequences existed even for earlier allegations of foreign bribery, e.g. those involving the Lockheed Corporation in the 1970s, which forced Italian President Sergio Leone and Japanese Prime Minister Kakuei Tanaka to resign amid public outrage.⁶⁴ Even less noteworthy cases ranging in the low millions (rather than billions) of dollars can cause serious political fallout. For instance, the trusted son-in-law of Nursultan Nazarbayev, former President of Kazakhstan, was removed after escalating political conflict linked to criminal accusations including bribery. In most countries, the economic and political elite networks are dense. We expect that news of an investigation, and an eventually successful enforcement, spread efficiently through these social networks.

An FCPA action thus signals to elites that their fortunes are vulnerable to future US-led anti-corruption. This is true for both traditional economic elites (who might fear a future FCPA action) or political elites (who

⁶³ Jensen and Malesky (2018).

⁶⁴ Koehler (2014).

may fear future FCPA *and* anti-money laundering charges). Under such threat, individuals will therefore seek out protections via the offshore world, as the literature on domestic political risk indicates. We thus expect capital flight due to increased perceived enforcement risk and disruption of existing or potential corruption schemes. This yields our first testable implication.

Hypothesis 1 (H1). *Offshore capital flight from a country increases following the initiation of an FCPA case implicating that country.*

An important scope condition, discussed above, is the jurisdictional expansion of American authority. The US only gained the power to effectively enforce the FCPA extraterritorially after 1997, with the ratification of the ABC. We thus expect the effect of FCPA enforcement after (before) 1997 to induce stronger (weaker) fear in foreign kleptocrats and thus induce more (less) capital flights.

Hypothesis 2 (H2). *Wealth offshoring in response to FCPA enforcement is stronger after the 1997 expansion of US anti-corruption jurisdiction.*

The Activation of Domestic Anti-Corruption Action

In addition to fearing the return of FCPA enforcers, who would uncover corrupt deals, an additional mechanism whereby foreign elites respond to US coercion is via the activation of domestic anti-corruption enforcement. When studying ABC enforcement, [Kaczmarek and Newman \(2011\)](#) find that domestic anti-corruption laws are nearly 20 times more likely to be enforced once a company *from* a given jurisdiction is implicated in an FCPA action for bribery elsewhere. They posit three interrelated mechanisms: (1) firms begin operating under more uncertain environments, (2) civil society groups are empowered by the US' lead to pressure the government, (3) while opposition parties may exert more pressure on the ruling government, by using a failure to enforce corruption as an electoral cudgel.

We posit that a similar mechanism (activation of domestic anti-corruption enforcement) exists for the *hosts* of the corrupt activity (not just the home governments of the bribe-payer MNC). Figure 2 shows that host governments become substantially more likely to initiate their own anti-bribery case against the bribe receiver of an FCPA action, once an FCPA case has started in their jurisdiction. We plot, as a blue line, the Kaplan-Meier rate of survival from a follow-on anti-corruption action initiated by *domestic* authorities

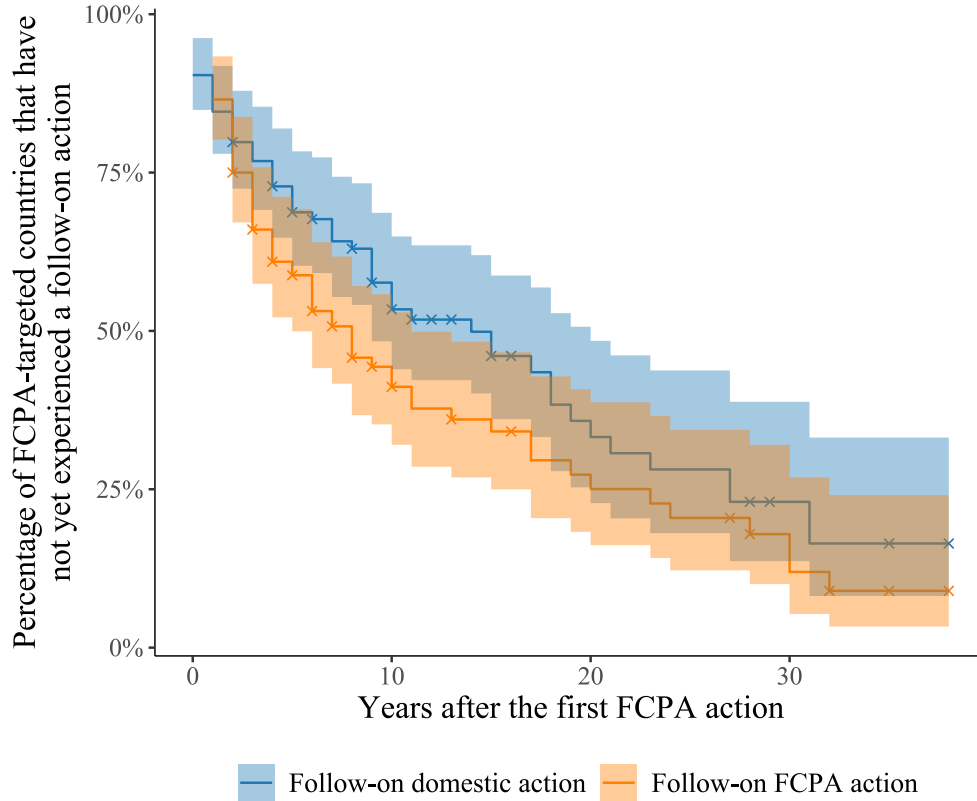


FIGURE 2: Countries that experience a first FCPA action have a 30% (45%) probability of experiencing a follow-on domestic anti-corruption action within 5 (10) years

Notes: Kaplan-Meier survival rate of FCPA target countries from a follow-on FCPA or domestic case

(for comparison, we also report in orange the survival rate for follow-on FCPA actions from Figure 1). Within five years after the first FCPA action, 30% of the targeted countries experience a follow-on domestic anti-corruption enforcement. By ten years, this percentage has increased to 45%. Although a follow-on FCPA case is a more likely outcome, these data indicate the activation of a substantive domestic threat for local kleptocrats. In Appendix A, indeed, we show that any FCPA action against a country increases the probability that authorities of that country will start their own anti-corruption enforcement by about 0.04.

The mechanisms that Kaczmarek and Newman outline are likely to be at play here, too. A scandal might compel the government to take action due to pressure from the international community or the opposition, or in order to re-establish/preserve legitimacy of the ruler. No ruler, be it democratic or autocratic, wants to

look weak against tackling corruption, especially if it is taking place within their own government.⁶⁵ Elites are likely to be aware of such pressures on their home government. Moreover, cooperation established between US and local authorities can provide information in both directions, facilitating access to evidence to build domestic anti-corruption proceedings. This combined pressure incentivizes elites to obfuscate and hide their corrupt practices overseas. We thus expect the FCPA-induced offshoring effect to be stronger in instances where the domestic government also initiates its own anti-corruption action.

Hypothesis 3 (H3). *Wealth offshoring in response to FCPA enforcement is stronger in cases when the host government initiates its own anti-corruption proceedings.*

But where should kleptocrats send capital? We develop our expectations by combining the logic of weaponized interdependence and the literature on wealth protection strategies.

Offshoring Far From US Reach

Offshore financial havens differ in terms of their jurisdictional exposure to US coercion. Most scholarship expects elites would offshore in havens that share a tax treaty with their home state, as that would maximize income.⁶⁶ But, when escaping economic coercion, that may not be the optimal strategy. A more important dimension conditioning where elites send their money is a haven's position under the hegemon's coercive jurisdiction. According to the literature on weaponized interdependence, jurisdictional exposure creates the possibility of economic coercion.⁶⁷ In the international anti-bribery regime, in particular, some havens are signatories of the OECD ABC, which mandates them to cooperate and, more specifically, share relevant information with an American investigation.⁶⁸

We draw the implications for elites' capital flight responses to economic coercion. We expect that, recognizing the jurisdictional risk represented by the US potential reach, elites will choose havens that are outside of the OECD ABC membership. Whether a haven cooperates with the global sheriff is all broadly public knowledge as it takes the form of international treaties. As elites search for means to avoid the tracking, freezing, or seizing of their wealth, they and their legal teams will prioritize moving money to

⁶⁵ Picci (2024).

⁶⁶ Arel-Bundock (2017).

⁶⁷ Kalyanpur and Newman (2019).

⁶⁸ Kaczmarek and Newman (2011).

“ungoverned” jurisdictions that do not (yet) cooperate with the hegemon. Karimova’s plight, referenced in the previous section, shows the dangers of picking cooperative havens. Instead of just focusing on the economic returns that financial havens offer through “transfer pricing,” we thus distinguish the political and legal gains they offer as a place to facilitate corruption and move assets outside of the remits of mandated cooperation with the US.

Hypothesis 4 (H4). *Wealth offshoring in response to FCPA enforcement is stronger towards havens that have not ratified the OECD ABC.*

Offshoring in a Conduit for Corruption or an Unreachable Sink

The previous hypothesis clarifies a legal argument for the destination of offshore wealth incorporation following economic coercion. Not all tax havens are created equally, nor do they engage in international cooperation in the same fashion.⁶⁹ Here, we derive further expectations by using a distinction commonly employed in the literature on transnational wealth protection. [Garcia-Bernardo et al. \(2017\)](#) analyze the corporate structure of 71,000 firms, dividing up the offshore world into two categories: “conduits” and “sinks.”

Conduits are jurisdictions that money tends to pass through, usually as a function of their tax treaty ties, enroute to other locations. While the primary win from using the offshore world is to minimize one’s tax burden, shell companies generated in conduits are also used to obfuscate the nature of one’s business, allowing illicit activity elsewhere.⁷⁰ A quick scan of virtually any FCPA action will find details on how a firm used a shell company to route bribery. Conduits can thus be valuable destinations for corrupt activity to proliferate. While FCPA enforcement alerts local elites, kleptocrats may make their corrupt deals more complex through conduits, much like Ukrainian plutocrats made their business deals more complicated following the Orange Revolution.⁷¹ In other words, the use of conduit havens should increase if elites’ primary motive is to keep the gains from corruption flowing.

Hypothesis 5a (H5a). *When offshoring in response to an FCPA action, elites are more likely to send their money to “conduits” if they seek to generate new corrupt activities.*

⁶⁹ [Crasnic \(2022\)](#).

⁷⁰ [Findley, Nielson, and Sharman \(2014\)](#).

⁷¹ [Earle et al. \(2019\)](#).

The flip-side of a conduit haven is a sink: an offshore jurisdiction where money sits idle. Rather than gaining prominence as a function of their connections to other financial centres, tax treaties, or general integration with global economic activity, sinks gain their utility from their limited connections and stronger secrecy protections. Secrecy could arguably be particularly valuable for *protecting* the gains from previous corrupt activity. Elites whose wealth is threatened by economic coercion might fear that conduits expose their wealth to further risk of coercion. After all, the premise of weaponized interdependence is precisely that international economic networks create vulnerabilities that states can exploit for coercive purposes. In this case, elites threatened by an FCPA action might decide to stash corrupt capital in foreign offshore sinks. Seizing foreign elites' corrupt wealth becomes more complicated for American authorities if they cannot locate that money, or the individual has cut back their American dependence. If such protection is the primary motive for elites, they should become more likely to send their money to sinks (rather than conduits) when the risks of an FCPA case heightens.

Hypothesis 5b (H5b). *When offshoring in response to an FCPA action, elites are more likely to send their money to “sinks” if they seek to protect their existing wealth.*

In sum, we argue that economic elites are likely to fear the hegemon once it starts investigating activity in their home jurisdiction. Rather than retrench, elites rewire, moving money to havens that are least likely to fall under the jurisdictional reach of the US. They could choose such havens as an offensive strategy (to continue facilitating their corruption via new routes) or defensively (by keeping their money sitting in havens to avoid the networked power of the United States).

Data and research design

To study the effect of US economic coercion (via FCPA enforcement) on offshore wealth incorporation, we retrieve data on more than 275,000 offshore legal entities used by economic elites from 196 countries to incorporate their wealth in 44 offshore economies (8,583 directed country-dyads observed between 1980 and 2017). Incorporations have all been leaked from the International Consortium of Investigative Journalists (ICIJ). Dyads include sender countries (*home*) where the elite's wealth originates and receiver offshore countries (*haven*) where wealth is incorporated. As we are interested in extraterritorial US action, we discard observations where either the home or the haven is the US itself, resulting in 195 homes and 43 havens.

Offshore wealth incorporation typically occurs out of (researchers') sight. Leaked data, such as ours, offer a window to observe such phenomenon but necessarily only illuminate a portion of the offshore world. Given that these leaked documents originated from several different jurisdictions, as a result of whistleblowers', civil society groups', and investigative journalists' activity, we consider them as a quasi-random sample of wealth incorporation transactions, with respect to our research question. Most importantly, information was not leaked in connection with FCPA enforcement, so there should be no concerns that FCPA actions mechanically increase the probability to observe a transaction. There are, however, inevitable limitations to the data. The releases from the ICIJ do not include specific wealth amounts, instead only reporting the *number* of offshore incorporations. In other words, we can see how wealth structures evolve after the FCPA but not the size of the associated flows.

Hypotheses **H1–H3** concern the outflows of wealth from locations that are targeted by an FCPA action, regardless of characteristics of the receiving financial haven. We thus collapse the ICIJ dyadic dataset at the home country-year level ($N = 195 \text{ home countries} \times 38 \text{ years} = 7,410$) and sum up the total number of offshore incorporations in financial havens originating from the sender-end of the directed dyads. This procedure yields our first dependent variable: a count of the total number of offshore wealth incorporations originating from the home state and directed to *any* haven in a given year. We use this variable to test for our argument that elites' offshore incorporation increases following the first FCPA enforcement action in a given country (**H1**). We test our hypothesis that the effect increases with US jurisdictional expansion (**H2**) by aggregating the detected effect in a pre- and a post-1997 time period, with the expectation that countries experiencing FCPA enforcement in the latter should experience stronger effects given the adoption of the OECD ABC and the expansion of US jurisdiction. With information on anti-bribery actions, described below, we further assess how post-FCPA offshoring shifts if the host government enforces its own domestic laws (**H3**).

We obtain a series of additional dependent variables that take into account characteristics of the receiving-end of offshore flows to test hypotheses **H4**, **H5a**, and **H5b**. We measure the number of offshore wealth incorporations directed, in any year, from the home state towards havens that have ratified the OECD ABC and those that have not.⁷² When confronted with the need for moving wealth offshore, elites should prefer-

⁷² Because havens (the receiving end of dyadic offshore flows) join the OECD ABC at staggered times, we resort to this aggregated dependent variables as opposed to modelling yearly dyadic flows. Havens that have ratified the OECD ABC are Costa Rica, Ire-

ably target havens that do not cooperate with US anti-bribery actions: OECD ABC non-ratifiers (**H4**). To test **H5a** and **H5b**, we also count the number of yearly transactions towards havens that are characterized as conduits—destinations that can be purposed to redirect illicit financial flows elsewhere—vs sinks—safe havens for stashing ill-gotten gains. We classify as conduits the five havens that see the largest *outflows* of offshore transactions in our data: the UK, Hong Kong, Jersey, Panama, and Singapore. Together, they account for more than half (56%) of all *outgoing* offshore transactions originating from financial havens from ICIJ data (Appendix J).

We merge these variables with information on FCPA enforcement from Crippa (2021), who generated a global dataset of anti-bribery actions from a repository of anti-bribery textual documents⁷³ in a tabular format. From this dataset, we primarily obtain information on FCPA actions. Because our argument is premised on the informational returns to scale from past FCPA actions, we discard observations that refer to FCPA cases that were acquitted or closed with no action, as these cases arguably did not provide FCPA authorities with access to crucial information.⁷⁴ In Appendix D, we leverage these cases in an important placebo test which backs up our informational mechanism. We code the first year the FCPA was enforced for bribery occurring in each home country, if ever (this is the country “treatment” in our setup).⁷⁵ In Appendix A, we report the treatment timing for each of the 105 countries that have been targets of an FCPA action. This data source is convenient because, unlike in sources which code the nationality of an FCPA case as that of the bribe-payer firm,⁷⁶ we are interested in the nationality of the bribe-taker public officials. From our data source, we are also able to measure if/when a given foreign country targeted by an FCPA action follows the FCPA case with their own domestic anti-corruption action on the same misconduct.

We use our panel dataset to estimate the average treatment effect on the treated countries (ATT) for FCPA enforcement on offshore wealth incorporation. In our setting, the FCPA “treatment” is staggered

land, Luxembourg, the Netherlands, New Zealand, the United Kingdom, and its overseas territories (OT) or crown dependencies (CD). In Appendix H, we zoom in on the UK case, exploiting the staggered timing of adoption of the ABC for UK OT and CD as a further source of exogenous variation for a robustness test.

⁷³ See: <https://www.traceinternational.org/resources-compendium>.

⁷⁴ We exclude cases reporting any of the following outcome categories: “Acquittal/Dismissal,” “Declination,” “Dropped,” “No Action.”

⁷⁵ We code the year of enforcement as the first time a company reports an investigation in its official SEC filings (typically, 6-K or 10-K) or when the DOJ or SEC first announce an investigation (whichever comes first). This leads us to code the year of enforcement as an earlier date than some other well-known datasets (like the Stanford FCPA Clearinghouse). In Appendix C, we find similar results when using FCPA Clearinghouse data.

⁷⁶ As in the *Corporate Prosecution Registry*: <https://corporate-prosecution-registry.com>.

across countries. A large recent body of work indicates that, in staggered-treatment settings, a traditional two-way fixed effect (TWFE) design with ordinary least square (OLS) can retrieve biased ATT estimates. TWFE operates “forbidden” comparisons between groups treated at different times, wrongly averages heterogeneous ATTs for units treated in different years, and attributes negative weights to such constitutive terms.⁷⁷ Several estimators have been proposed to overcome these limitations but the literature still has not settled on a favored solution.

An additional problem, specific to our setting, is that no untreated country in our panel can likely serve as a plausible counterfactual for targets of FCPA actions. Countries that are targets of the FCPA likely display pre-existing patterns of offshore wealth incorporation that fundamentally differ from those of countries that are never involved in anti-bribery actions. Countries where bribes are common are, in fact, likely to have elites with corrupt wealth, incentives, and means to stash their finance offshore even regardless of an anti-bribery action. That is, the over-time trends in offshore wealth incorporations likely differ between the two groups, well before an FCPA case, due to unobservable (time-varying) confounders. Thus, the trends of offshore incorporations by non-FCPA targets would constitute a poor comparison for those of FCPA targets, in a typical difference-in-differences setting, causing the “parallel trends” assumption to fail.

We obviate this problem by adopting the generalized synthetic control (GSC) method proposed by [Xu \(2017\)](#). The method allows us to estimate one synthetic version of each FCPA target country (treated), representing how the country would have looked like, absent US anti-bribery enforcement. This design aims to address the above problem of unobserved time-varying confounders semi-parametrically, i.e. without imposing specific time trends but just assuming that outcomes follow a low-dimensional latent factor structure. Under the hood, GSC proceeds in three stages. First, it estimates an interactive fixed-effect model using only control countries (those that have not or not yet been FCPA targets) to recover a set of latent “factors” (unobserved country-invariant and time-varying components). The number of factors is selected via cross-validation as a number between zero and five (in our case, the design selects three latent factors). Second, it estimates how each treated country loads onto these factors, yielding country-specific “factor loadings” (i.e., sensitivities to the latent factors). Finally, it uses the estimated factors and loadings to predict each treated country’s counterfactual outcome path in the absence of treatment. Once unit-specific counterfactuals are

⁷⁷ [Goodman-Bacon \(2021\)](#); [Roth et al. \(2023\)](#).

imputed, the design averages the resulting individual treatment effects to retrieve global or dynamic ATTs (or heterogeneous treatment effects by unit or time characteristics). Conveniently for us, by imputing counterfactuals via control observations only, the GSC is also robust to the problems of staggered treatments and heterogeneous effects.

In our application of the GSC, we adopt a two-way fixed effect specification to remove all time-invariant differences between countries and country-invariant differences between years. We also include seven controls to account for potential confounders that impact simultaneously FCPA enforcement and trends in offshore incorporation activity (but show in Appendix C robustness to all combinations of such controls). First, a V-DEM index capturing how pervasive political corruption is in a country, which could simultaneously increase odds of FCPA enforcement and outflows of offshore incorporations. Second, a dichotomous measure capturing whether a country is a democracy in a given year,⁷⁸ as less democratic countries might have richer elites with stronger possibilities to offshore resources (which, in turn, might make them more likely FCPA targets). For similar reasons, we control for a V-DEM measure for whether the country has “transparent laws with predictable enforcement”,⁷⁹ capturing the strength of domestic legal threats to elites’ wealth. Next, we control for countries’ logged GDP per capita, to account for the effects of wealth on elites’ richness and offshore incorporations which, in turn, might favor FCPA enforcement. Our fifth control is a measure of the percentage of agreement between a country’s voting at the UN General Assembly and the US,⁸⁰ to address the concern that geopolitics affect FCPA enforcement⁸¹ and propensity to offshore. Similarly, we include two final control variables to account for political stability: the number of successful coup attempts in a given country-year (from V-DEM); and a binary for whether a populist party figures as a senior or junior partner in the government of a country in a given year,⁸² as both might incentivize capital flight (especially for anti-globalist populist parties) and might, consequently, increase the likelihood of FCPA actions.⁸³

With a GSC, identification relies on the assumption that, absent an FCPA action, offshore incorporation outcomes for all countries can be represented as a linear combination of a finite number of unobserved

⁷⁸ Boix, Miller, and Rosato (2013).

⁷⁹ Coppedge et al. (2023).

⁸⁰ Bailey, Strezhnev, and Voeten (2017).

⁸¹ Tomashevskiy (2021).

⁸² From V-Party (Lindberg et al., 2022).

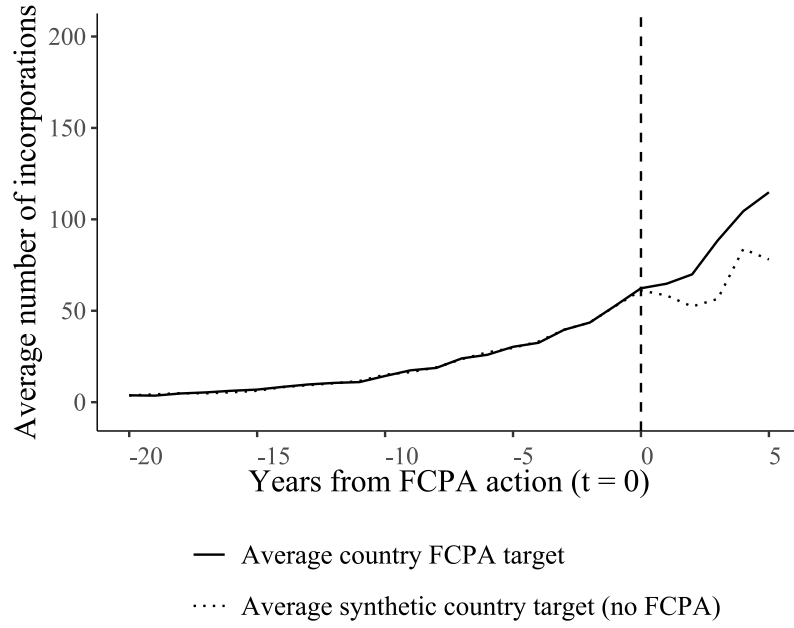
⁸³ To improve the quality of our estimation, we employ the expectation maximization algorithm by Gobillon and Magnac (2016). Standard errors are estimated with 1,000 parametric bootstrap iterations.

common factors with country-specific loadings (plus covariates), and that this factor structure (estimated from control countries' data) also applies to treated countries. In practice, threat to identification can occur in case of contemporary events that are unaccounted for by the included covariates, the latent factors (and their loadings), the fixed effects, and that systematically occur at the same staggered time as FCPA enforcement actions and only in those FCPA target countries. Given the set of included covariates, we are fairly confident that such threats to identification should not systematically co-occur with FCPA actions. An additional threat to inference would come from little common support of outcome data between the treatment and control countries, which would lead the estimated factors to poorly load on treated countries, yielding severe extrapolations. We offer diagnostics to rule out this concern in Appendix B. Finally, [Xu \(2017\)](#) recommends making sure that at least 40 control units contribute to the counterfactual (they are 55 in our main analysis) and that treated observations have about 10 pre-treatment periods as a minimum. We follow the author's recommendation and exclude from our estimation altogether all treated countries that have less than 7 pre-treatment observation periods.⁸⁴ Almost all remaining treated countries have at least 10 pre-treatment periods (except Niger, which has 9 pre-treatment periods).

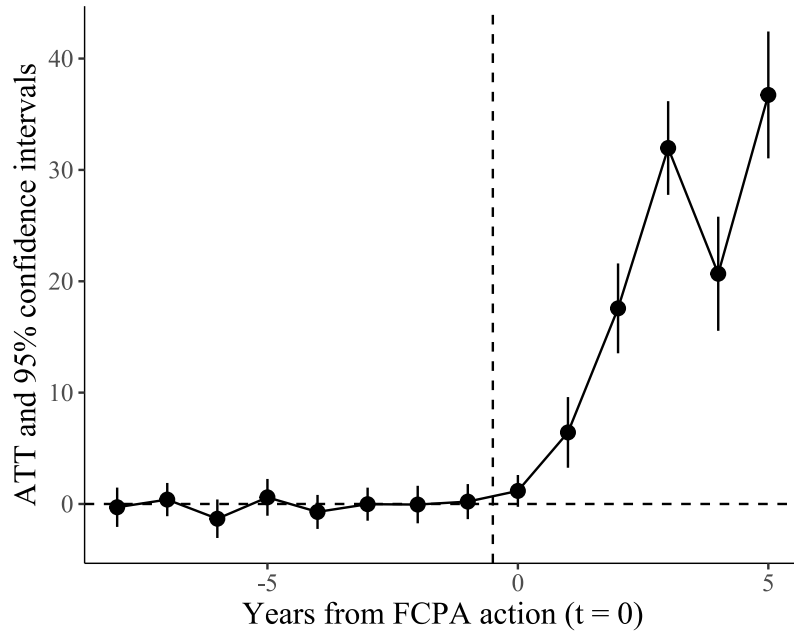
Results

Figure 3 reports our results relative to our main dependent variable: total number of offshore wealth incorporations. We present average trends between treated and synthetic control units (top panel) as well as estimated dynamic effects (bottom). Before treatment, trends of offshore wealth incorporation by treated and synthetic control countries run extremely close, a feature which reassures that the synthetic counterfactual procedure generates control units that are sufficiently similar to the treated ones before treatment. After the first FCPA enforcement action, we observe a sustained and significant increase in the number of offshore incorporations. Just five years after the first FCPA action, the number of observed offshore wealth incorporations is 47.05% higher than the synthetic counterfactual: on this year, the average number of outgoing offshore incorporations from FCPA targets is 114.80, i.e. there are on average 36.73 additional offshore

⁸⁴ Thus, our main model excludes 15 countries from the treatment group that were treated before 1986: Algeria, Chile, Côte d'Ivoire, Gabon, Indonesia, Iran, Iraq, Malaysia, Mexico, Morocco, Nicaragua, Nigeria, Oman, Trinidad & Tobago, and Uganda. And 3 countries treated in the 2000s, but who have missing values in some of the covariates for earlier observations, rendering their effective pre-treatment period of observation shorter (Bahrain, Montenegro, United Arab Emirates). The latter group is included in models in Appendix C that vary covariate inclusion (or that exclude covariates altogether).



(a) Average trends of offshore wealth incorporation by treated and (synthetic) control countries target of FCPA action



(b) Average effect of an FCPA action on target countries' offshore wealth incorporations

FIGURE 3: The number of offshore wealth incorporations increases by 47.05% in five years over the (synthetic) counterfactual after the first US FCPA action.

Notes: Results from a generalized synthetic control method from [Xu \(2017\)](#).

transactions with respect to the synthetic counterfactual on the same year (78.07).

These sustained effects offer evidence to support **H1** and fit with the logic that returns to scale of enforcement instill fear in the domestic economic elite. Once the first FCPA case is brought forward it can take some years for the next to come about, but more often than not that case does arrive (as evidenced by the survival curves in Figure 1 and by the analysis in Appendix A).

Consistent with our **H2**, moreover, we find that these effects are much stronger (statistically significantly so) for countries that were targeted by the FCPA after the ratification of the OECD ABC (1997). To show this, we disaggregate results from Figure 3 distinguishing whether the country was treated with its first FCPA action before or after 1997 (included). We aggregate individual GSC effects using the procedure recommended by Xu (2017) for estimating sub-group treatment effects. Figure 4 reports the resulting dynamic ATTs. Cohorts treated before 1997 do not experience a significant effect, returning negligible and insignificant estimates. Those treated after this date, instead, experience a stronger and sustained over-time effect.

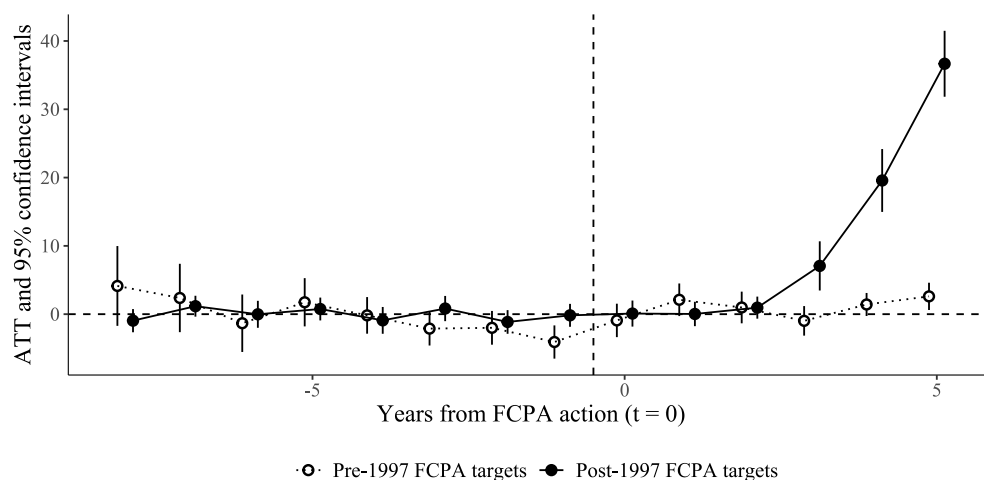


FIGURE 4: The number of offshore wealth incorporations increases more significantly for countries receiving their first FCPA action after 1997.

Notes: Results disaggregate estimates presented in Figure 3 based on the year of the FCPA action.

These findings support two key predictions from our argument. US extraterritorial enforcement (of the FCPA) alerts local elites of the American threat to their wealth, leading them to increase their offshoring towards financial havens. Such effect is particularly strong following expansion of the US jurisdiction, con-

sistent with the logic of weaponized interdependence.⁸⁵ In our case, jurisdictional expansion is determined by the 1997 ratification of the OECD ABC, which represented a turning point for US authorities to expand the reach of the FCPA.⁸⁶

Mechanism: FCPA actions activate domestic enforcement

Here, we test our domestic mechanism hypothesis **H3**, stating that the effects of FCPA enforcement on offshore wealth incorporation are stronger in cases when an FCPA action activates domestic anti-corruption enforcement. In order to test this, we disaggregate the country effects from our main analysis similarly to what we did above. We distinguish treated countries in three categories: countries that launched a follow-on anti-corruption domestic action after the initial FCPA case; those that did not; and countries who were themselves signatories of the ABC at the time of the FCPA action, a category we consider distinct from the others given that territorial obligations under the ABC would *require* them to cooperate with FCPA enforcers and initiate domestic proceedings.

We report results in Figure 5. Confirming **H3**, we find that the capital flight effect, following an FCPA action, is driven by cases in which target countries themselves follow the FCPA enforcement with their own domestic proceedings on the same case. Cases without such enforcement show a modest *negative* trend, instead (although insignificant until year 3). We find a modest positive effect, albeit significantly delayed, for ABC countries. This noisier effect is likely due to the fact that only 11 countries feature in this group (as opposed to 43 and 21 for countries with and without domestic enforcement, respectively). In Appendix F, we further unpack the effect for treated countries that follow the FCPA case with their own domestic proceedings, distinguishing among treated countries based on *when* such follow-on action occurs (as a proxy for the readiness of a country to activate its domestic anti-corruption capacity). We find that the effect is largely driven by countries who followed-on with domestic anti-corruption proceedings within 5 years or, less so, within 5 and 10 years of the initial FCPA case.

Readers might wonder whether the activation of domestic enforcement undermines our claim that kleptocrats respond to a *foreign* threat. We raise three counterarguments, that underscore the importance of the external threat. First, we estimate capital flight effects of the FCPA enforcement, not the *domestic* one, even

⁸⁵ Kalyanpur and Newman (2019).

⁸⁶ Brewster (2017); Kaczmarek and Newman (2011).

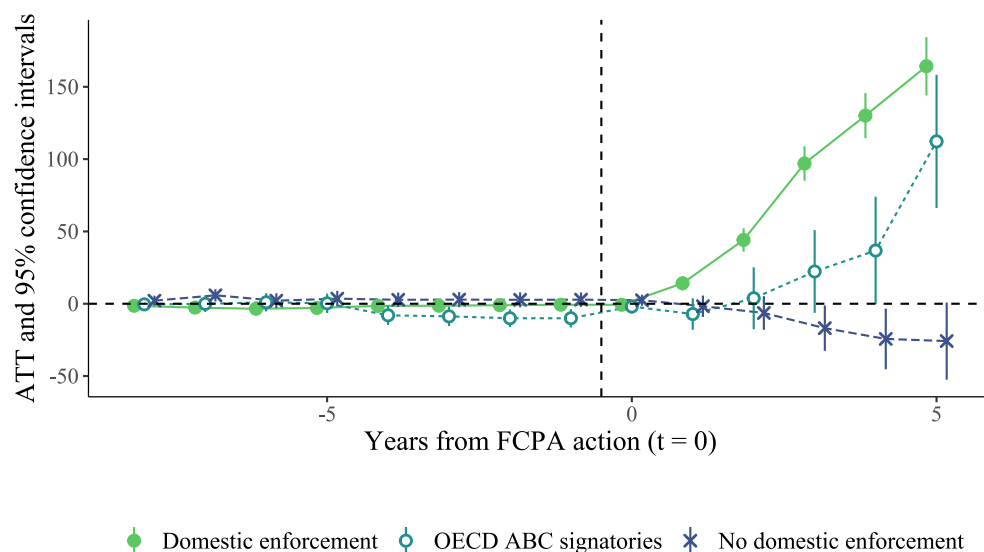


FIGURE 5: The number of offshore wealth incorporations increases more significantly for countries that have initiated their own domestic enforcement.

Notes: Results disaggregate estimates presented in Figure 3 based on whether the FCPA target follows on with a domestic anti-corruption enforcement.

though domestic readiness to enforce anti-corruption laws is, here, a moderator. That is, the timing we study is that of the FCPA action, which is typically followed by domestic proceedings only after some years (see Appendix A). Second, the crucial event that sets in motion the chain of threats to expropriation is the FCPA enforcement, which is often what provides local authorities with evidence and information necessary for domestic enforcement.⁸⁷ Finally, illicit flows tend to overwhelmingly be directed towards havens outside of the ABC (a finding we introduce in the next section). This pattern is understandable only in light of the FCPA threat, not the domestic one, given that about 86% of the targets of the FCPA that initiate their follow-on anti-corruption proceedings are *not* members of the ABC at the time of the case, being mostly *hosts* of corruption. If the threat was primarily domestic, elites would have no reason to avoid incorporation in ABC havens, given that domestic authorities do not benefit from cooperation with these countries.

Besides the activation of domestic anti-corruption, our main mechanism is the fact that FCPA actions create informational returns to scale to US prosecutors. This mechanism makes it easier to initiate future FCPA cases and generates a fear factor among local elites, ultimately inciting capital flight. In the above

⁸⁷ Davis (2011).

sections, and in Appendix A, we provided ample evidence that past FCPA cases beget future ones, supporting this mechanism. In Appendix D, we also provide a placebo test which further supports this mechanism. We find that capital flight effects disappear when we substitute our FCPA treatment schedule with the FCPA cases that have been declined, dismissed, dropped, or that resulted in no action. Consistent with our argument, these failed cases should not incite local elites to offshore their wealth at significantly higher rates because lack of a successful outcome means US authorities likely did not manage to acquire the informational spillovers (and returns to scale) that would allow them to enforce again the FCPA in the future. In such cases, the fear factor does not ignite.

In Appendix C, we also extensively test the robustness of our findings. We show that results are not driven by issues of zero-inflation in the distribution of our outcome variable. We show that results are robust to excluding three treated countries with extremely high levels of offshore incorporations, unmatched by control ones. We perform a jackknife analysis which shows that our findings are not significantly driven by any single haven. Effects hold even when excluding the three havens responsible for most of the detected effect (British Virgin Islands, Malta, and Seychelles). Next, we validate our results with Stanford FCPA Clearinghouse enforcement data. We continue by showing that results do not hinge on covariate adjustment: we find similar estimates when we do not include any covariates and for all combinations of the included covariates. In Appendix D, we perform two placebo tests: the aforementioned test using unsuccessful FCPA cases and one where we randomly shuffle countries' FCPA treatment status (and timing) and obtain insignificant results, which reassures us that our findings are not an artifact of the GSC design. Finally, in Appendix E we estimate ATTs using six alternative staggered-treatment estimators,⁸⁸ `PanelMatch`,⁸⁹ and a matrix completion method for estimating a fixed effects counterfactual model.⁹⁰

Where to Hide Money?

The sizeable, robust, and sustained effects we estimated lend support for our hypotheses **H1**, **H2**, and **H3**: the exercise of US power via FCPA enforcement leads elites to move their wealth offshore, increasingly so as the US expands its jurisdiction and combined with domestic threats. Economic coercion does not lead

⁸⁸ We use estimators by [Borusyak, Jaravel, and Spiess \(2024\)](#), [Callaway and Sant'Anna \(2021\)](#), [Gardner \(2022\)](#), [Sun and Abraham \(2021\)](#), and [Wooldridge \(2021\)](#) alongside a traditional TWFE.

⁸⁹ [Imai, Kim, and Wang \(2023\)](#).

⁹⁰ [Liu, Wang, and Xu \(2024\)](#).

elites to retreat. Instead, they re-globalize their wealth structures. But where is illicit finance directed to? In order to answer this question, we now turn to our additional dependent variables.

First we show that, when choosing where to offshore wealth, elites favor destinations that are jurisdictionally distant from the enforcement threat (the US). We provide evidence for this hypothesis (**H4**) primarily by leveraging the fact that havens under the OECD ABC are more at risk of collaborating with future FCPA actions.

We replicate our analysis by estimating the effect of an FCPA action on offshore incorporation directed towards havens in and out of the OECD ABC. When considering havens that are under the jurisdiction of the OECD ABC, we carefully consider the status of the UK's crown dependencies and overseas territories which figure heavily in the list of our havens. The status of the OECD ABC in these territories has been subject to heavy discussions since at least 1999 between the OECD Working Group on Bribery and the UK Government. As these territories are under its jurisdiction, the UK alone has the authority to ratify treaties on their behalf. This has led the OECD Working Group on Bribery to repeatedly request that the UK extends its jurisdiction over these territories, which are key nodes of transnational corruption networks.⁹¹ However, the UK's general practice has been to devolve decisions to ratify and implement the OECD ABC to the territories themselves, which they eventually did at staggered times.⁹² We consider this staggered timing to code whether the OECD ABC extends to UK overseas territories and crown dependencies in a given year.

Figure 6 reports our findings. Again, GSC yields negligible pre-treatment differences between treated and synthetic counterfactual countries. After treatment, however, we observe a significant increase in the number of offshore wealth incorporations directed towards financial havens that are outside of the OECD ABC. Instead, offshore flows directed towards havens in the OECD ABC display a clear, albeit small, *negative* post-treatment effect. These effects are statistically distinguishable from each other with a level of significance of 0.05 as evidenced by the fact that dynamic ATTs for these two groups do not overlap.

In Appendix G, we offer tests to probe the robustness of this heterogeneous effect. Our argument on

⁹¹ Cooley and Sharman (2017).

⁹² Of the crown dependencies, the Isle of Man, Guernsey, and Jersey ratified the Convention in 2001, 2009, and 2009 respectively. Of the overseas territories, Cayman Islands, Gibraltar, and the British Virgin Islands ratified the Convention in 2010, 2013, and 2013 respectively. At the time of writing, Bermuda, Anguilla and Montserrat, Turks & Caicos, and other territories in the Southern Oceans have not yet ratified the OECD ABC. More information can be found by consulting the 2023 final recommendations by the OECD Working Group on Bribery relative to phase 4 of the enforcement monitoring of the Convention: [https://one.oecd.org/document/DAF/WGB\(2023\)38/FINAL/en/pdf](https://one.oecd.org/document/DAF/WGB(2023)38/FINAL/en/pdf).

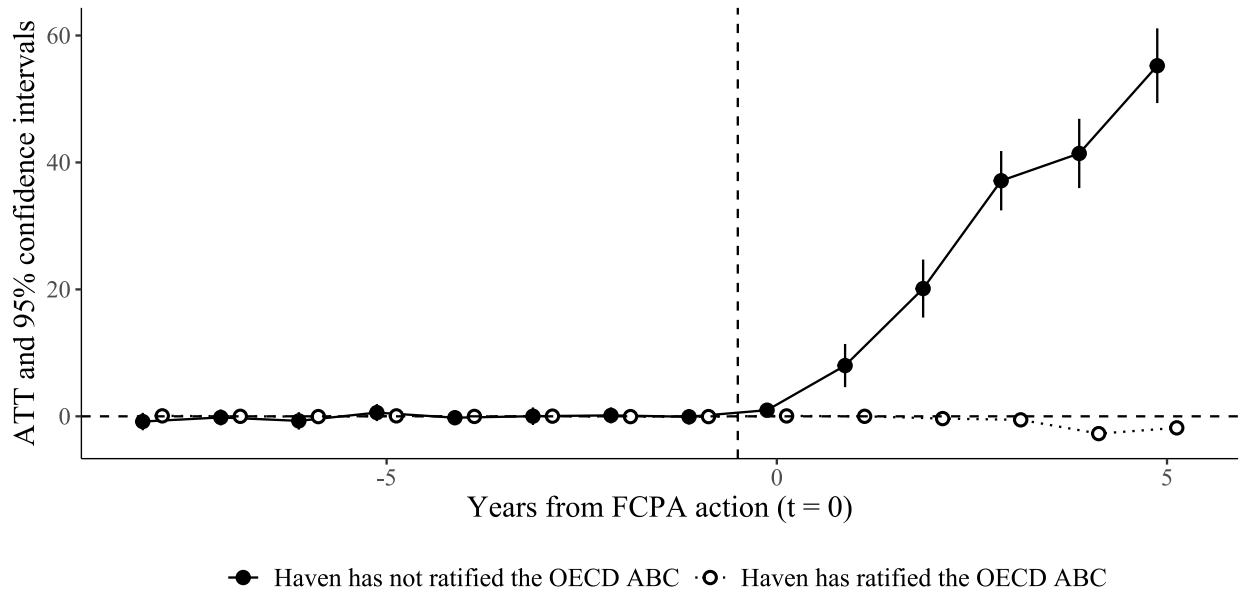


FIGURE 6: The number of offshore wealth incorporations increases, after the first US FCPA action, mainly towards havens that do not cooperate with the US under the OECD Anti-Bribery Convention.

Notes: Results from a generalized synthetic control method from [Xu \(2017\)](#).

the ABC heterogeneous effect builds on the weaponized interdependence idea that jurisdictional expansion favors economic coercion.⁹³ But other anti-bribery fear factors might make havens more or less appealing for kleptocrats attempting to conceal corrupt deals. Rather than distinguishing between havens that have and have not ratified the OECD ABC, we categorize them based on whether, in a given year, they have been themselves target of at least one FCPA action in the past. Following our fear-factor logic, havens who themselves have been subject to the FCPA should likely alert elites of the possibility of a future action. Importantly, moreover, this group of havens does not overlap exactly with OECD ABC signatories.⁹⁴ We count the number of offshore wealth incorporations directed towards each group. We find a stronger effect for offshore incorporations headed towards havens that have not been subject to an FCPA action in the past, consistent with our logic.

In Appendix H, we focus only on havens under the UK jurisdiction (crown dependencies or overseas

⁹³ [Kalyanpur and Newman \(2019\)](#).

⁹⁴ Out of 43 havens in our data, 21 were never subject to an FCPA action nor have they ever ratified the OECD ABC; 3 have experienced both; off the diagonal, we have 11 havens that have been target of an FCPA action at least once but have never ratified the OECD ABC and 8 havens that have ratified the OECD ABC without ever being target of the FCPA.

territories). We leverage their different timings of ratification of the OECD ABC as a further source of plausibly exogenous variation. We find that, even when zooming in on offshore financial incorporations directed exclusively towards havens under the UK jurisdiction, capital flight in response to the FCPA is primarily headed towards UK dependencies and territories that are *outside* of the ABC remit.

In Appendix I, we test against further alternative explanations. In particular, that non-ABC havens also offer low financial supervision, which could make them attractive regardless of their ABC status.⁹⁵ In fact, we find that offshore incorporations towards low-supervision ABC havens slightly *decrease* following an FCPA action, a counterintuitive result if one assumes that kleptocrats only care about low-supervision jurisdictions, but that is perfectly explainable under our theory. In response to an FCPA enforcement, kleptocrats consider jurisdictional exposure to future FCPA actions (i.e., ABC ratification) and they attempt to *reduce* it.

Finally, we investigate whether elites primarily offshore to a conduit or a sink, in order to understand what type of motivation informs capital flights in response to FCPA enforcement: income generation via new corruption conduits (**H5a**) or wealth preservation via sinks (**H5b**). We replicate our analysis using our counts of offshore incorporations towards conduits and sinks in Figure 7. We find that, post-treatment, offshore flows increase overwhelmingly towards sinks, rather than conduits, with effect differences that are statistically significant at a 0.05 level, as indicated by the lack of overlap. The GSC still achieves negligible pre-treatment differences between treated and synthetic counterfactual countries, as shown by the pre-treatment insignificant estimates. These findings lend support to hypothesis **H5b** and against **H5a**. They confirm the weaponized interdependence premise that economic coercion will lead kleptocrats to favor offshoring towards havens that reduce their exposure to the international financial system. It seems that capital flight in response to US anti-corruption actions is thus primarily aimed at keeping kleptocrats' existing wealth out of reach of US prosecutors, rather than rerouting corruption via new channels. In Appendix J, we also offer an alternative test that provides evidence against the presumption that offshore wealth incorporations are primarily aimed at rerouting wealth via a “conduit” and back into the home country.

In Appendix I, we further investigate elites' capital flights motive in response to an FCPA action and rule out an important alternative explanation: that capital flight simply occurs as a way to evade taxes, not

⁹⁵ [Cilizoglu and Estancona \(2025\)](#).

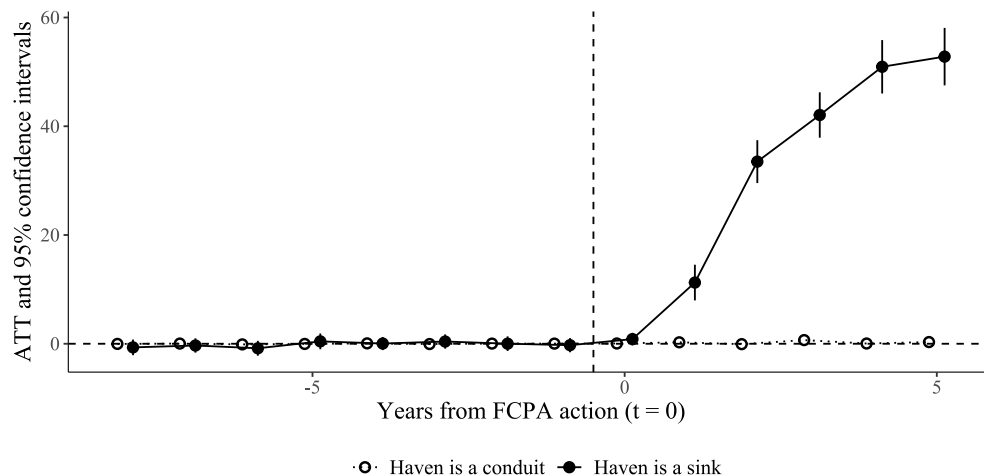


FIGURE 7: The number of offshore wealth incorporation transactions increases, after the first US FCPA action, only towards havens that are classified as ‘sinks’ (not towards ‘conduits’).

Notes: Results from a generalized synthetic control method from [Xu \(2017\)](#).

to shield from US economic coercion. We replicate our GSC model for wealth incorporations in response to an FCPA action towards havens that have or have not signed a bilateral tax treaty (BTT) with the home state. We find that, in fact, incorporations increases towards havens *without* such BTTs in place, a clear sign that capital flight in response to an FCPA action is not primarily aimed at evading taxes.

The FCPA in a Broader Coercive Context

Readers may wonder whether our argument and results imply that (anti-corruption) sanctions are effective (given that they change corrupt elites’ behavior), or not (given that elites find safety via offshore havens). We see our results in line with the literature on economic sanctions which largely shows their effectiveness,⁹⁶ albeit returns are diminishing given that elites can implement defense strategies.⁹⁷ Needing to alter financial routes is not cost-free. Not only does it require that elites establish new partnerships, it often also causes the loss of beneficial gains (e.g., those provided by low-supervision jurisdiction or bilateral tax treaties, see our results in Appendix I). In other words, economic coercion works insofar as it inflicts substantial costs that limit the sustainability of the sanctioned behavior, forcing it to change.

US anti-corruption enforcement is likely effective because it meets two important conditions previously

⁹⁶ [Drezner \(2024\)](#); [Cilizoglu and Estancona \(2025\)](#).

⁹⁷ [McDowell \(2023\)](#); [Tan \(2025\)](#).

identified as facilitating sanction effectiveness: it involves costly and credible sanctions and is supported by multilateral cooperation.⁹⁸ Indeed, here a strong domestic legal mandate (the FCPA) is enforced by a country with prosecutorial capacity built over decades (the US), under a legally-binding international regime (the OECD ABC). These scope conditions might make ours a most-likely case for economic coercion to be effective, a case that provides an upper bound of coercive effectiveness.

We stress, however, that the key mechanism in our theory is *informational*: an existing enforcement *credibly signals* to local elites that the external threat has potential access to further compromising information that might involve them. This resembles the mechanism of studies of economic coercion that find effectiveness even in weaker contexts. When studying the (non-legally binding) Financial Action Task Force (FATF), for instance, [Morse \(2019\)](#) finds that market actors pull money out of FATF-blacklisted countries, taking such ratings as revealing credible private information on the country context.

What is needed for information to generate such threat, in our case or in weaker contexts, is the *credibility* of the threat supported by the informational mechanism. Research has shown that credible sanctions have spillover effects, as economic actors over-comply: investors preemptively pull money out of the neighbors of sanctioned countries and disinvest from firms connected to sanction targets.⁹⁹ We see a similar logic in our case. Even when elites are unlikely to know the information content the US may have uncovered during an initial FCPA case (and whether/when a follow-on case against them will happen), the threat is credible enough to change their behavior.

The above scholarship examines how investors respond to conventional sanctions, but targets often respond via offshoring to obfuscate their trade patterns. Some take these actions via “decoupling,” given the long-term nature of rivalry that triggers economic sanctions. The conventional sanctions parallel to our FCPA focus, then, is less the response to the imposition of economic sanctions and more how elites respond when the US decides to enforce rules against sanctions busting. Designating an entity on the sanctions list requires relatively limited bureaucratic effort. By contrast, prosecuting violations likely involves a similar informational returns to scale logic as the one which supports our argument and findings. The clearest parallel in economic statecraft is thus possibly the Magnitsky Act, which the US and several other signatories have used in order to sanction those deemed as violating human rights, often with a focus on corruption.

⁹⁸ Drezner (2024, 12).

⁹⁹ [Newman and Zhang \(2024\)](#); [Crippa, Kalyanpur, and Newman \(2026\)](#).

Similar actions have a global mandate and require a credible cause.

Concluding remarks

Are economic elites afraid of the state? Comparative political economy scholarship is caught between two views. Some scholars have found that elites are on a constant search for formal and informal institutions to protect their wealth, while in other instances they capture the state. Similarly, international political economy scholarship on foreign direct investment diverges between analyses of MNCs constantly attempting to mitigate the obsolescing bargain, avoiding the pitfalls of direct and indirect expropriation, and illustrations of the “race to the bottom.” In this manuscript we move beyond considering the threats that constrained domestic governments or asset-hungry host states pose to capital, and instead focus on potential fears inflicted by an external threat (the US).

When the US investigates corruption in a foreign jurisdiction, we find that elites from that jurisdiction quickly and substantively move their money abroad. Using data on 275,000 offshore incorporations, we illustrate that flows are directed to tax havens that have uncooperative relationships with the US. We also find that flows are primarily aimed at keeping corrupt gains out of US reach, rather than rerouting corruption via more complex schemes, as indicated by the prevalence of “sinks” (vs “conduits”) as destinations of offshore wealth. FCPA enforcement impacts the structures of global wealth protection. Transfers follow an information returns to scale logic and are buttressed by the propensity of host governments to take up the anti-corruption issue themselves. The findings indicate that scholars need to incorporate concerns around extraterritorial action (and foreign threats) into our core models of political economy, especially under conditions where domestic laws may be activated by United States action.

This paper takes inspiration from the development of the research agenda on tax havens. While scholars initially focused on why some states choose to facilitate avoidance and evasion,¹⁰⁰ a related literature focuses on the demand-side, i.e., why do elites from some countries move money abroad, how do they choose their enablers, and, most recently, what are the domestic political determinants of an individual’s wealth structure.¹⁰¹ Our analysis contributes to these demand factors by showing the *international* political determinants of offshoring. We hope this inspires future work to examine the effects of how international

¹⁰⁰Crasnic (2022); Palan (2002).

¹⁰¹Earle et al. (2019); Kalyanpur and Thrall (2021); Kubinec, Morse, and Pandya (2023); Kalyanpur (2026b).

structures interact with individual-level threats such as how a specific elite's relationship with the US or their home government influences offshoring behavior after episodes of economic statecraft.

Our analysis has direct implications for tackling corruption. The anti-corruption regime has been lauded for its widespread endorsement and, over the years, growing enforcement.¹⁰² At one-level our findings are encouraging: financial flows are not targeted at havens that are frequently used to route and conceal illicit flows.¹⁰³ More damaging, however, incorporations after an FCPA action are concentrated in havens that have not signed up to international anti-corruption efforts, and are thereby under no obligation to share information on the assets stashed within the jurisdiction.

Much like in the taxation regime, more enforcement against one set of actors enriches governments not party to the higher standards. Scholarship on domestic bribery has recently documented such leakage.¹⁰⁴ We provide a complementary transnational pathway driving wealth protection, rather than income generation. The obvious solution is for states to take a more multilateral approach. This solution might however appear optimistic, in current times.

At the time of writing, the FCPA is arguably in its darkest hour. After suspending its enforcement in February 2025, the Trump Administration has brought the law back in force. However, it is currently unclear whether, under revised enforcement guidelines of late 2025, we will see lax enforcement or an explicit weaponization of the FCPA against foreign competitors of US firms.¹⁰⁵ Either way, our analysis yields important implications. If the future of the FCPA holds lax enforcement, our results suggest that this might benefit foreign kleptocrats: undermining the credibility of the US anti-bribery threat would likely disincentivize them from taking costly measures to FCPA-proof their wealth. In case of outright weaponization, instead, responses might be more complex. On the one hand, weaponization could undercut the domestic cooperation effect, reducing a component of the threat. On the other hand, the target country's competition with American firms and/or conflict with political goals of the US Administration might increase the credibility of the FCPA threat, especially when coupled with America's broad anti-corruption arsenal.

Most importantly, the paper has critical implications for how the global economy is likely to be struc-

¹⁰²Jensen and Malesky (2018).

¹⁰³Findley, Nielson, and Sharman (2014).

¹⁰⁴Chapman et al. (2021); Crippa, Malesky, and Picci (2026).

¹⁰⁵Or a combination of both, see: "How Washington is Weaponizing Anticorruption Law." *Foreign Affairs*. February 26, 2026: <https://www.foreignaffairs.com/united-states/how-washington-weaponizing-anticorruption-law>.

tured going forward. The results indicate that elites have already been charting a path of re-globalization subverting the economic sanctions that serve as America's primary foreign policy tool. Weaponized interdependence is now the language and toolkit of the global economy. As the European Union has shown with its response to the Russian Invasion of Ukraine and China illustrates with the repeated sanctioning of its neighbors, extraterritorial coercion is set to only heighten. Although the network factors that undergird US hegemony, such as the dollar acting as the reserve currency, appear to be under only limited threat, the intended consequences of coercion may be curtailed by how even elites not directly party to an action respond to weaponization.

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American Economic Coercion and Elite Re-Globalization

ONLINE APPENDIX

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September 9, 2026

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A Description and determinants of FCPA enforcement

A.1 FCPA actions: description and treatment schedule

We begin our description of patterns in the FCPA “treatment” by reporting the overall number of FCPA actions over time. Given that, in our analysis, we are interested in FCPA cases with respect to the country where corruption occurs (as opposed to the headquarter of the bribe-paying firm), here we count and report the number of distinct FCPA actions for corruption occurring in a specific country. We call this the “target” country. As such, the figures reported here might vary slightly from those reported by other sources that count number of cases focusing on the headquarter of the bribe-paying firm (e.g., the FCPA Clearinghouse).

We report the total count of FCPA cases over time in Figure A.1, distinguishing between cases in new country targets (dark grey) vs those in countries that have already been targeted in the past (light grey). The picture shows a clear increase in FCPA enforcement since the end of the 1990s, after the adoption of the OECD Anti-Bribery Convention (1997). Other studies have made the same observation (Brewster, 2017).

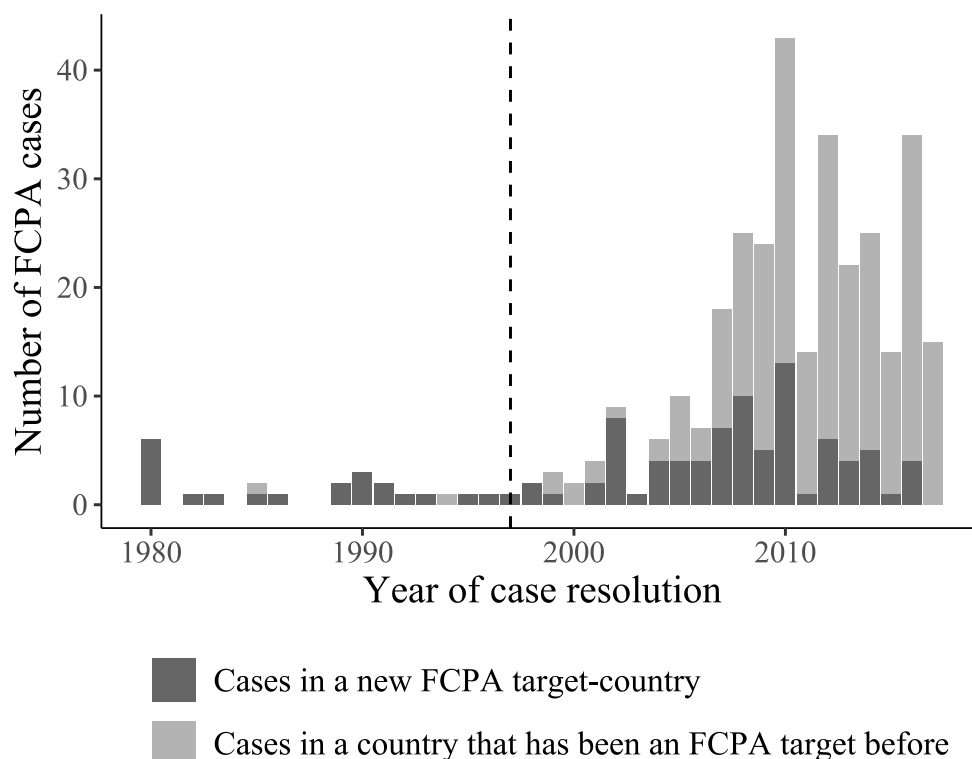


FIGURE A.1: Number of FCPA actions over time, distinguishing between cases involving a new FCPA target-country or an old one. The dashed vertical line represents the adoption of the OECD Anti-Bribery Convention (1997). Data from Crippa (2021).

We make two additional observations. First, we note that FCPA enforcers add *new* countries in the mix of targets, over time. Figure A.2 further visualizes this phenomenon by reporting the first year of FCPA enforcement for corruption in a given target country (the “treatment schedule”). A dashed vertical line, again, indicates the adoption of the OECD Anti-Bribery Convention (1997).

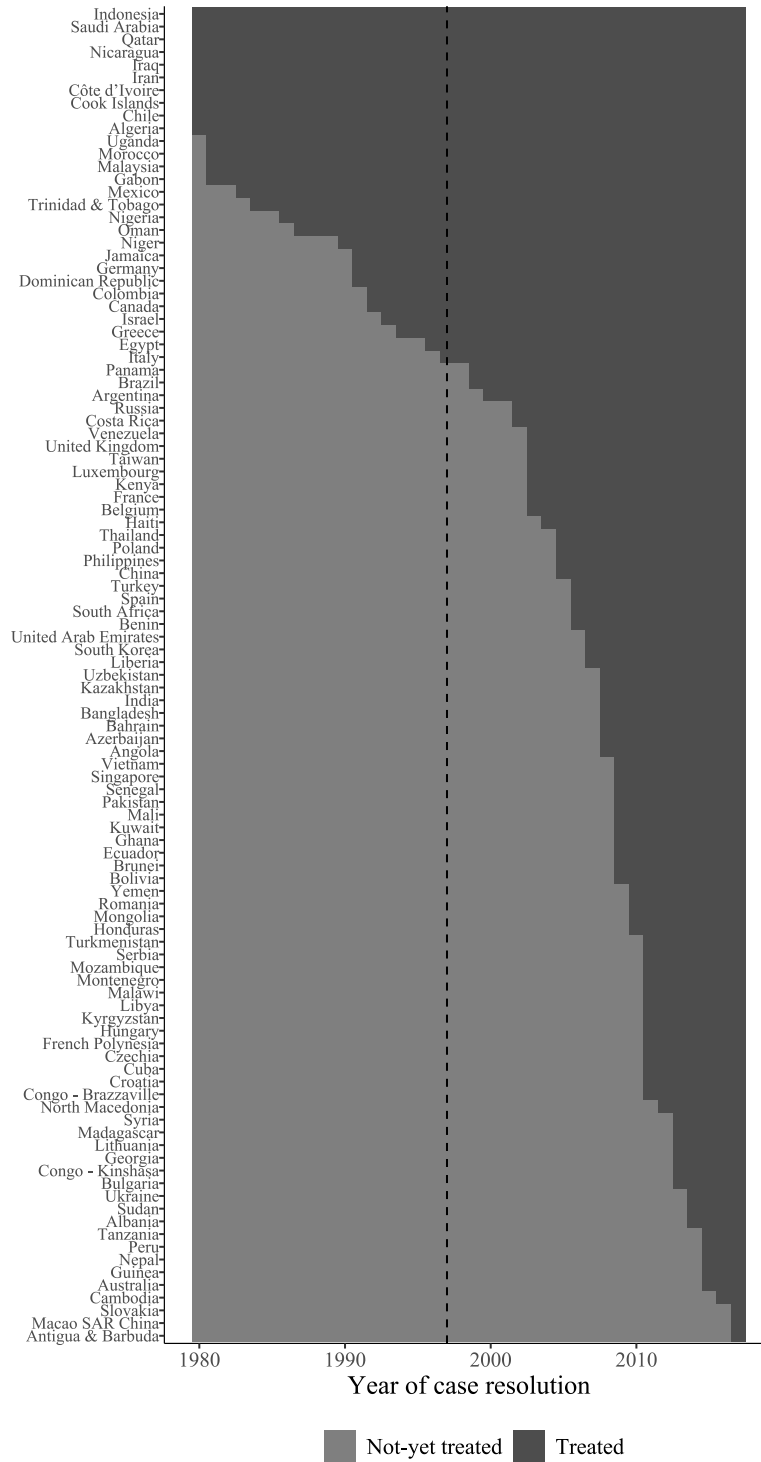


FIGURE A.2: Treatment schedule of countries that have been FCPA target before the end of our panel (2017). The figure represents the first time a country has been target of an FCPA enforcement action. The dashed vertical line represents the adoption of the OECD Anti-Bribery Convention (1997). Data from [Crippa \(2021\)](#).

The second observation we draw from Figure A.1 is that there is a growing percentage of former target countries that are targeted *again* by FCPA actions (represented by the growing share of light-gray bins). Part of this is due to a mechanical effect (as FCPA enforcers extend enforcement to new targets, there are fewer and fewer new countries that can get targeted). But in the next section, we show that this repeated enforcement (and, crucially, its *pace*) correlates significantly with the number of previous actions in the same country, indicating that past FCPA enforcement actions beget future ones.

A.2 Determinants of FCPA enforcement actions

In order to understand elites' incentives at offshoring as a result of FCPA enforcement, we use our data to study the likelihood that the DOJ or SEC enforce a *new* FCPA case for corruption occurring in a country. We begin from our balanced panel dataset of 195 countries observed for 38 years (between 1980 and 2017). For any given country-year we code a binary dependent variable, *FCPA case*, measuring whether the DOJ or SEC open a new FCPA case for corruption occurring in that country in that year.

We explain our binary dependent variable in a linear probability model that features the following explanatory variables. First, the running sum of past FCPA cases that have been enforced by the DOJ or SEC for corruption in that very country (*Previous FCPA cases*). Next, we control for the *GDP* of the country, the total inward *FDI*, the level of *Corruption* as measured by V-DEM, the percentage of *Agreement with US* from UN General Assembly votes, and the level of *Democracy*. In order to account for the functional explanations of FCPA enforcement presented in the main text, we also control for whether a country has ratified the OECD ABC (binary); and we control for the interaction between the level of *Corruption* and the amount of *Inward US FDI* (drawn from the Bureau of Economic Analysis, BEA). To remove country and year idiosyncrasies, we fit fixed effects at the country and year levels. Standard errors are clustered at the country level.

Table A.1: Explaining enforcement of a new FCPA case as a function of previously enforced FCPA cases

	Outcome: FCPA case (binary)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Previous FCPA cases (count)	0.101*** (0.005)	0.100*** (0.005)	0.100*** (0.005)	0.101*** (0.005)	0.101*** (0.005)	0.113*** (0.005)	0.116*** (0.008)
GDP (US\$, trillions)		0.003 (0.008)	0.005 (0.007)	0.006 (0.007)	0.005 (0.007)	0.011 (0.009)	0.011 (0.009)
Inward FDI (US\$, trillions)			-0.048 (0.148)	-0.018 (0.155)	-0.015 (0.163)	-0.043 (0.129)	0.058 (0.185)
Corruption (V-DEM)				0.000 (0.028)	0.007 (0.028)	0.036 (0.028)	0.073 (0.135)
OECD ABC Ratification				-0.013 (0.014)	-0.015 (0.015)	-0.022 (0.013)	-0.091** (0.030)
Agreement with US (UNGA)					0.016 (0.048)	0.032 (0.045)	0.223+ (0.130)
Democracy						-0.002 (0.009)	-0.011 (0.036)
Inward US FDI (US\$, millions)							0.000 (0.000)
Inward US FDI × Corruption							-0.000 (0.000)
Num.Obs.	7410	6470	5967	5392	5228	4930	1299
R2	0.351	0.351	0.352	0.355	0.355	0.345	0.410
R2 Adj.	0.330	0.328	0.329	0.330	0.331	0.318	0.362
Std.Errors	by: country	by: country	by: country	by: country	by: country	by: country	by: country
FE: country	X	X	X	X	X	X	X
FE: year	X	X	X	X	X	X	X

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

The considered dataset is a balanced panel of country-year observations extending from 1980 to 2017. Linear models estimated with ordinary least squares and fixed effects at the country and year-levels. Outcome variable is a binary for whether a new FCPA case is enforced for corruption occurring in a country. Main explanatory variable is a running count of the number of previously enforced FCPA cases for corruption occurring in that country.

Results, presented in Table A.1 show that the number of past FCPA cases is constantly a significant and positive determinant of a new FCPA case. Any past FCPA case experienced by a country increases the probability of a future, new FCPA case by about 0.10. This is a substantive effect unmatched by any of the other determinants *including the level of corruption* or the interaction between this value and the amount of FDI coming from the US (BEA data have large amounts of missing observations, so we include this interaction only in our most complete model). That is: past FCPA actions largely beget future ones, even when accounting for conventional drivers. Previous knowledge of a country context, with the consequent availability of information, informants, and connection with local authorities, significantly reduces the transaction costs for the DOJ and SEC to enforce a future FCPA case. This is the basic evidence in support of our argument that there exist informational returns to scale from FCPA actions.

A.3 FCPA enforcement increases the risk of domestic anti-bribery enforcement

We propose a similar analysis to further back up our argument that an FCPA case cumulates an external and a domestic fear for foreign kleptocrats. We use our data to show that any previous FCPA case increases the probability that the authorities of a country will begin a domestic anti-corruption action. We replicate the analysis above but substitute the binary dependent variable for FCPA enforcement with a binary for whether domestic authorities begin a new anti-bribery enforcement. In Table A.2 we report our results: the probability of a domestic anti-bribery case increases by about 0.04 for each previous FCPA case in the same

country. It also appears that richer foreign countries have a higher likelihood to initiate an enforcement action, as do OECD ABC ratifiers.

Table A.2: Explaining enforcement of a domestic anti-bribery case as a function of previously enforced FCPA cases

	Outcome: Domestic anti-bribery case (binary)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Previous FCPA cases (count)	0.052*** (0.008)	0.044*** (0.008)	0.043*** (0.009)	0.041*** (0.008)	0.042*** (0.009)	0.037*** (0.010)	0.041* (0.019)
GDP (US\$, trillions)		0.054** (0.020)	0.054* (0.021)	0.054*** (0.016)	0.053*** (0.016)	0.066** (0.021)	0.052* (0.021)
Inward FDI (US\$, trillions)			-0.040 (0.177)	-0.208 (0.170)	-0.213 (0.169)	-0.170 (0.153)	-0.140 (0.165)
Corruption (V-DEM)				-0.036 (0.038)	-0.026 (0.039)	-0.015 (0.036)	0.148 (0.229)
OECD ABC Ratification				0.061* (0.025)	0.052* (0.024)	0.053* (0.023)	0.029 (0.038)
Agreement with US (UNGA)					0.111 (0.077)	0.097 (0.077)	0.452+ (0.263)
Democracy						0.011 (0.009)	0.058 (0.037)
Inward US FDI (US\$, millions)							0.000 (0.000)
Inward US FDI × Corruption							0.000 (0.000)
Num.Obs.	7410	6470	5967	5392	5228	4930	1299
R2	0.235	0.242	0.245	0.252	0.258	0.243	0.311
R2 Adj.	0.210	0.215	0.217	0.223	0.230	0.212	0.255
Std.Errors	by: country	by: country	by: country	by: country	by: country	by: country	by: country
FE: country	X	X	X	X	X	X	X
FE: year	X	X	X	X	X	X	X

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The considered dataset is a balanced panel of country-year observations extending from 1980 to 2017. Linear models estimated with ordinary least squares and fixed effects at the country and year-levels. Outcome variable is a binary for whether a new domestic anti-bribery case is enforced for corruption occurring in a country. Main explanatory variable is a running count of the number of previously enforced FCPA cases for corruption occurring in that country.

A.4 Repeated FCPA enforcement in a target country

In Figure A.3 we illustrate that, with each FCPA action, it takes less and less time for US prosecutors to enforce the law again in the same country. The median time it takes for US authorities to come back to the same country after the first FCPA case is just 3.5 years. But it takes just a median time of 2 years for US authorities to come back to the same country after the second FCPA case. This median time further drops with every follow-on action. As discussed in the main text, we explain this with the idea that past actions in a given country fundamentally reduce transaction costs of FCPA enforcement for the DOJ and SEC, providing the information (through tips, connections between investigations, self-reports, referrals, media publications, etc.) that facilitates law enforcement.

A.5 Survival curves with Cox proportional hazard models and covariates

In Figure A.4, we replicate our Kaplan-Meier descriptive analysis of Figure 2 (main text) but draw the survival curves from a Cox Proportional Hazard model where we control for all covariates included in models 6 of Tables A.1 and A.2 (*GDP*, *FDI*, *Corruption*, *OECD ABC Ratification*, *Agreement with US*,

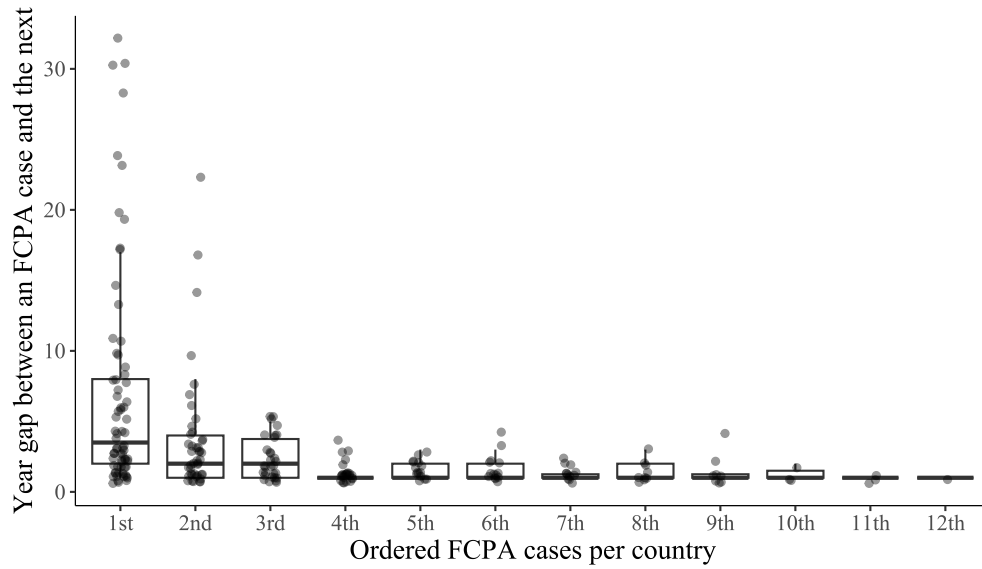


FIGURE A.3: Year gap between an FCPA case for corruption occurring in a country and the next

and *Democracy*). We do not include *US FDI* given the large number of missing values in the BEA data that provide this variable. Accounting for these covariates yields similar survival rates, with respect to those described in the main text at 5 and 10 years from the first FCPA action. When holding constant covariates, the percentage of survival from a follow-on FCPA action is at 59% after five years of the first FCPA action and is 41% after ten years. When looking at domestic follow-on actions, five and ten years survival percentages are 69% and 53%, respectively, from these Cox Proportional Hazard models with covariate adjustment.

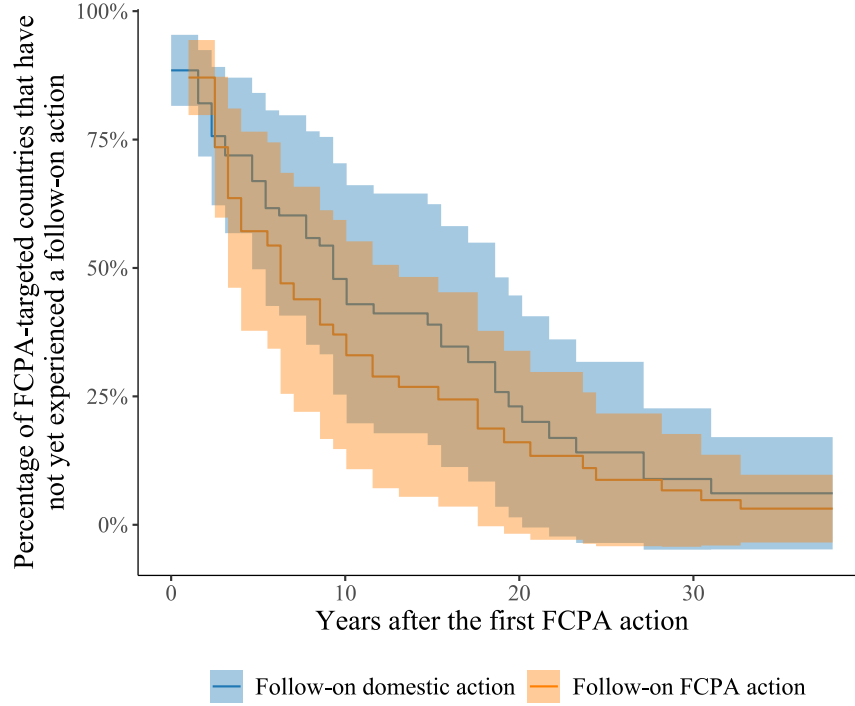


FIGURE A.4: Cox Proportional Hazard survival rate of FCPA target countries from a follow-on FCPA or domestic case

B Generalized synthetic control: Diagnostics

B.1 Outcome variable description

We begin our description of the outcome variable with a simple visual representation of the time-trends in the number of offshore incorporations (our outcome variable) for treated (green) and control countries (red). For treated countries, we visually distinguish the pre- (dashed lines) and post-treatment period (solid lines), given that treatment (the first FCPA action in that country) is staggered over time. Different countries sit at time-invariant different levels of offshore incorporations, likely driven by their level of financialization, autocracy, or power of local elites. In our GSC estimation, these differences are absorbed by the country-FE and result in different factor loadings for each country. However, they complicate visualization here. To aid the reader, we thus split countries in four panels, based on whether the maximum number of incorporations observed for a country is ≥ 300 , ≥ 50 , ≥ 10 , or < 10 .

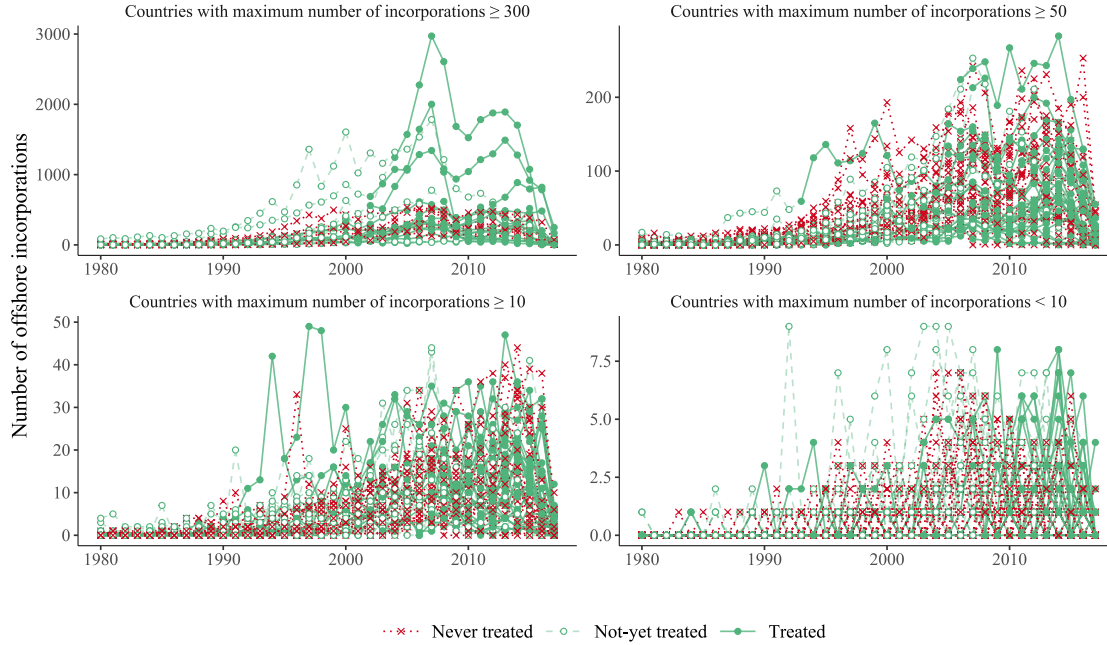


FIGURE B.1: Time trends in number of offshore incorporations. The figure distinguishes between treated (pre- and post-treatment) and control countries. Data from ICIJ leaks

Figure B.1 reports the raw values of our outcome variable, per country. We make two observations. First, we note that there is generally a good level of common support of the treated countries' outcomes, when considering the pool of control countries' data. This is evidenced by the overlap between the green dots (treated countries) and the red crosses (control countries) in the figure. This observation reassures us that the synthetic counterfactuals estimated by the generalized synthetic control (GSC) design are not severe extrapolations. The exception is represented by the three countries with the absolute highest number of offshore incorporations transactions, which are visible at the top of the first panel. These countries (in the order, China, Taiwan, and Hong Kong) are all treated at some point in time but there is no control country with a similarly high outcome level. To ensure that our results do not hinge on extrapolating synthetic counterfactuals from these extreme cases, in Figure C.2 we replicate our findings after excluding them from the GSC, and verify that our estimates hold.

The second observation we draw from our data is that zero-inflation is not likely a relevant concern with this outcome variable. Given that our variable is a count, readers might be concerned about too high a share of zeros in the panel. We raise three points against this concern. First off, we note that *none* of our 195 countries reports zero offshore incorporations for the whole of its time period of observation (1980 – 2017). Even the countries that have the highest percentages of zeros in their time-series (Sint Maarten, Suriname, and Gambia, who report a non-zero number of incorporations for just 5 over 38 time periods, i.e. 13.2% of the observations) incorporated as much as 8, 11, and 12 offshore companies spread over the 38 years. Second, and to back up these observations, we note that only 33% of the observations in our country-year panel are zeros. This is a much lower value than what is typically observed in contexts where zero-inflation is a concern (Warton, 2005). Third, we offer a robustness test in Figure C.1 to entirely dispel the concern that zero inflation might be biasing our results. We show that we estimate similar effects when we re-impute our synthetic counterfactuals after dropping from our sample all countries that have a higher percentage of

zeros than the average in the sample (33%), thus causing the percentage of zero-observations to drop to just 12%.

B.2 Estimated latent factors and their loadings

Here, we follow [Xu \(2017\)](#) and report two important pieces of evidence to diagnose the validity of our GSC design. The first is the over-time trend in the three latent factors estimated by the GSC. To recall, latent factors represent the country-invariant structure that GSC retrieves in order to impute synthetic counterfactuals, before estimating how they “load” individually on each country. By means of cross-validation, our GSC estimates that a combination of three factors yield the best prediction of countries’ outcomes. We report their time-trend in Figure B.2. The reader should keep in mind that factors are not directly interpretable, given that “they are, at best, linear transformations of the true factors” ([Xu, 2017, 71](#)). That said, by studying their over-time trend we can evaluate their substantive plausibility. We notice that all three factors, and in particular factor 2, seem to capture a growth in offshore incorporations starting from the 1990s and until roughly the mid 2000s. This is consistent with the growing financial globalization and liberalization of capital accounts. Factors 1 and 3 also seem to capture the fall in capitalization with the Great Recession, and factor 3 captures a subsequent wave of recovery.

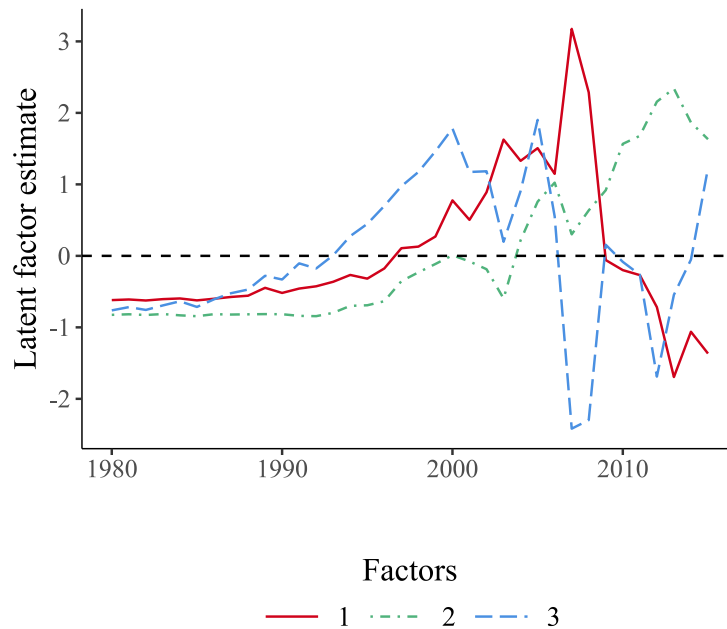


FIGURE B.2: Latent factors yielded by the GSC when estimating the main results of Figure 3 (main text)

We conclude with a last piece of diagnostics: the distribution of estimated factor loadings (i.e., how the above country-invariant factors are “weighted” for each country, to determine the synthetic counterfactuals) and their correlations. This is an important piece of diagnostics to understand whether the distributions of the three factor loadings for treated and control countries is very different, which would imply that there is little common support to impute the synthetic counterfactuals and that the GSC risks relying too heavily on extrapolation. Figure B.3 shows the results. We notice that there’s rather good common support between treatment and control units, in terms of their factor loadings. This can be seen by noticing the good

overlap between the blue and orange distributions across the diagonal of the plot, or the overlap between the treatment and control scatterplots in the bottom-left panels. This confirms the preliminary observation we made above, when evaluating raw outcomes in Figure B.1. As we noticed in that case, the top-4 countries for number of offshore incorporations figure at the extremes of the distributions, which might induce problems of extrapolation. As mentioned above, a robustness test in Figure C.2 demonstrates that our results do not hinge on these extreme cases. Finally, we notice that there is not a strong correlation between the countries' three factor loadings across the full dataset, implying that they capture different aspects of countries' latent structure determining (counterfactual) offshore incorporations.

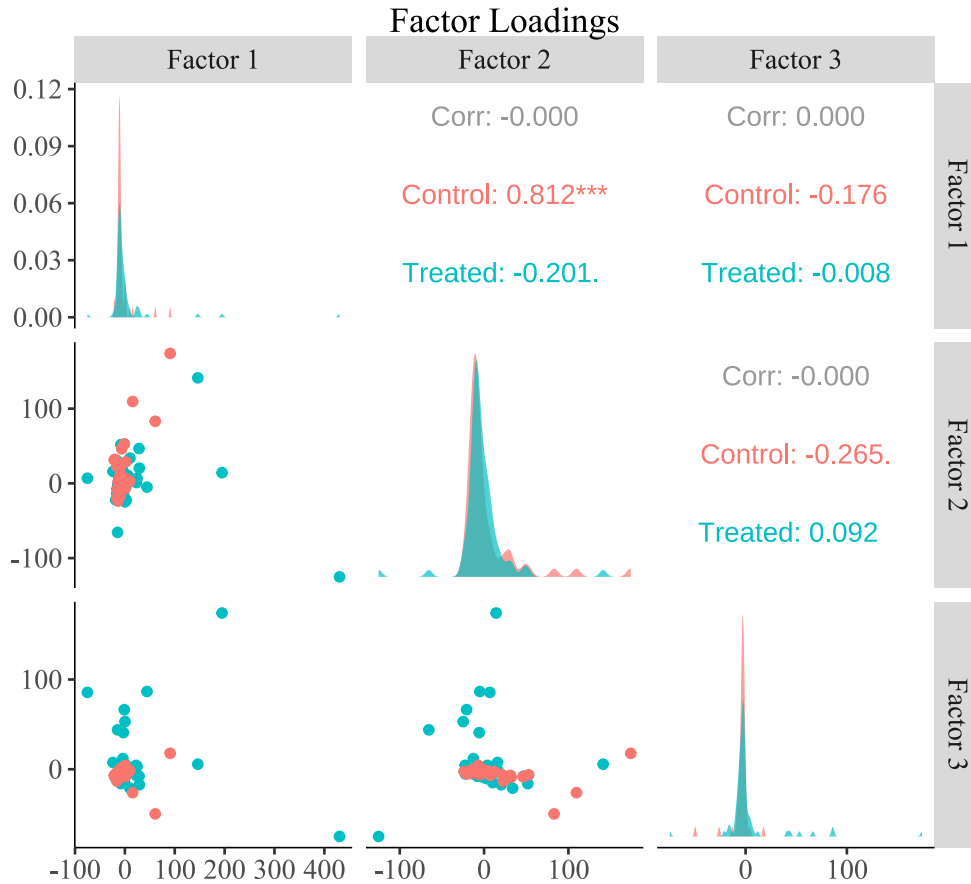


FIGURE B.3: Factor loadings yielded by the GSC when estimating the main results of Figure 3 (main text)

C Generalized synthetic control: Robustness

C.1 Drop countries with larger percentages of zero yearly incorporations

Here, we show that our results are robust to the exclusion of countries that have a relatively larger share of observations reporting exactly zero offshore incorporations, in their time series. As we noted in Section B, the zero-inflation problem does not seem severe in our panel, with only about 33% of zero-incorporation observations in the panel of 195 countries and 38 years. Here, we provide further evidence that our results are not driven by poor synthetic counterfactuals due to zero inflation.

We calculate the percentage of zeros in each country's time series and exclude from our panel all countries having a percentage of zero above the global average (33%). This causes us to consider a smaller panel of 102 countries (observed for 38 years). In this reduced panel, the percentage of observed zeros is, of course, reduced to just 12% of the observations. We then calculate GSC estimates from Figure 3 (main text) over this reduced panel. Results, reported in Figure C.1, are consistent with those presented in the main text (in fact, larger), leading us to conclude that zero inflation likely does not cause extrapolated counterfactuals in our estimation.

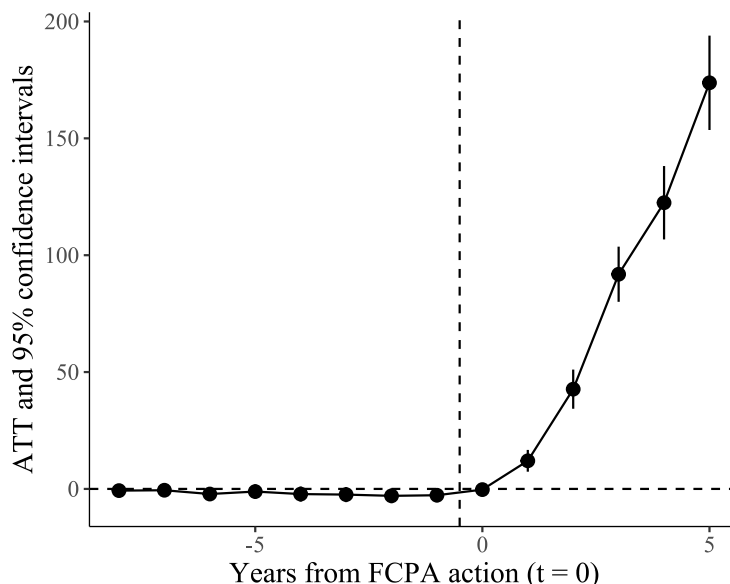


FIGURE C.1: The effect of an FCPA actions on offshore wealth incorporations when excluding countries with a percentage of observed zeros larger than 33%. Results obtained when aggregating estimates from Figure 3, main text, but excluding 93 countries with a percentage of observed zeros in the dependent variable above 33%.

C.2 Drop top-three offshore incorporators

Section B clarifies that there is good common support in the data of the outcome variable between the treatment and control group. The exception is represented by the three countries that sit at the top of the distribution of yearly offshore incorporations: China, Taiwan, and Hong Kong (the top green lines visible on the first panel of Figure B.1). There is no control country having a similar level of offshore incorporations as these ones.

To rule out the possibility that our results are driven by extrapolations of the synthetic counterfactual outcomes from these three extreme cases, here we drop these countries from the computation of GSC estimates presented in the main text. Results, reported in Figure C.2, are largely consistent with the positive effect presented in the main text.

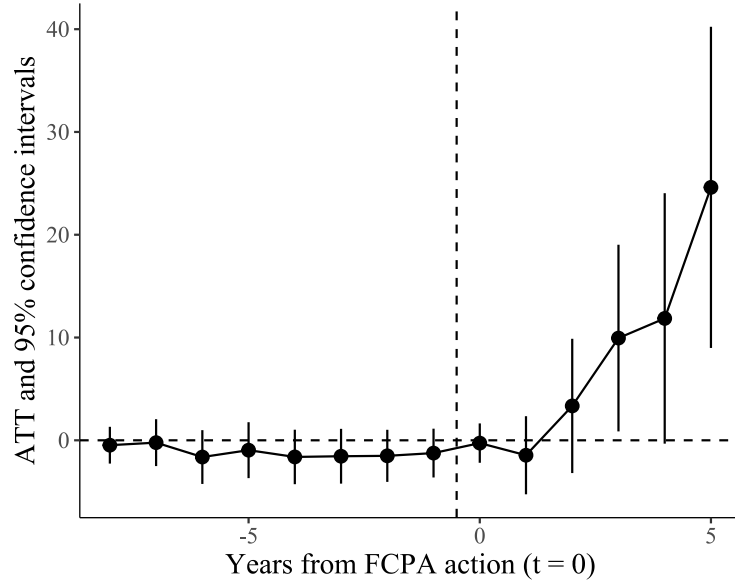


FIGURE C.2: Average effect of an FCPA action on target countries’ offshore wealth incorporations when excluding top-three offshore incorporators. Results obtained when aggregating estimates from Figure 3, main text, but excluding China, Taiwan, and Hong Kong.

C.3 Leave-one-haven-out / Leave-top-three-havens-out

We re-compute our dependent variable for the number of outgoing offshore wealth incorporations after excluding one of the havens at the time and replicate our analysis on these recomputed dependent variables. We intend this as a test for whether incorporations towards any individual haven are driving the effects documented in the main text. Figure C.3 reports the overall ATTs from this jackknife exercise alongside the ATT from our main analysis of Figure 3 (main text). Although excluding some havens (namely the British Virgin Islands, Malta, and the Seychelles, albeit to a smaller extent) significantly decreases the size of the estimated positive effect, none of these havens is in itself sufficient to fully account for the positive effect detected in our main analysis, a finding which reassures us that no single outlier is present in the data.

To complement the previous robustness check, we exclude from the data all top-three havens that, as indicated by the previous exercise, drive most of the estimated effect. We then re-compute our dependent variable for the number of outgoing offshore wealth incorporations and re-estimate our ATTs by means of the same GSC of our main text. Results, reported in Figure C.4, still indicate a positive effect in the aftermath of an FCPA action. The post-treatment effect size gets small in this very conservative test, however it is still positive and statistically significant.

C.4 Validation of treatment data

Here, we probe the validity of treatment data from Crippa (2021). We show that we can obtain similar results when using data from the Stanford FCPA Clearinghouse (FCPAC)¹ to determine the treatment schedule. The two sources differ because the FCPAC is somehow more conservative in its coding choices. It considers as enforcement actions exclusively proceedings that allege explicitly a violation of the FCPA or that are

¹ See: <https://fcpa.stanford.edu/enforcement-actions.html>.

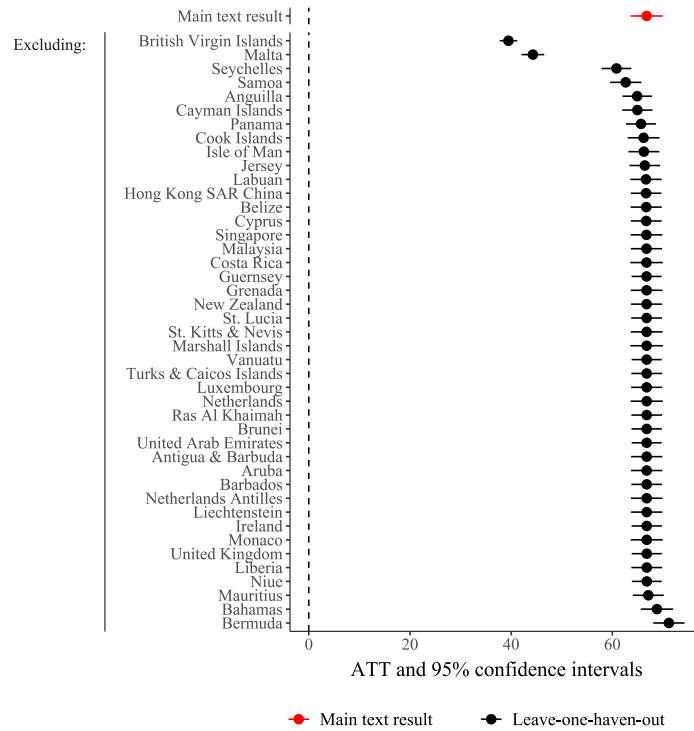
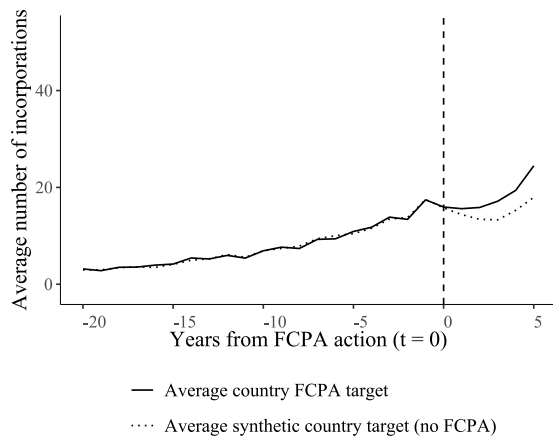
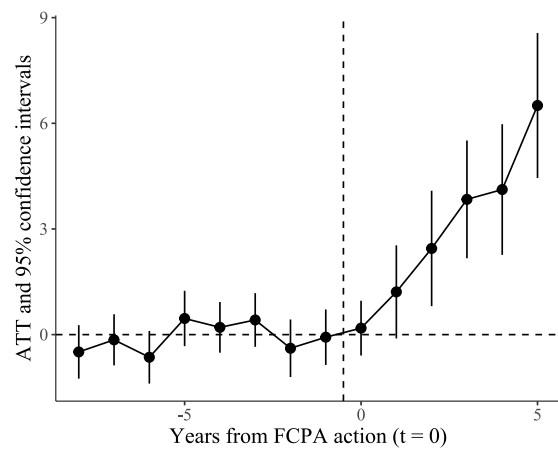


FIGURE C.3: Results from the generalized synthetic control method from [Xu \(2017\)](#) after excluding one haven at the time and re-computing the dependent variable for the number of outgoing offshore wealth incorporations.



(a) Average trends of offshore wealth incorporation by treated and (synthetic) control countries



(b) Average effect of an FCPA action on target countries' offshore wealth incorporations

FIGURE C.4: Estimates when excluding offshore transactions directed towards British Virgin Islands, Malta, and Seychelles. Results from a generalized synthetic control method from [Xu \(2017\)](#).

mentioned as an FCPA-related enforcement action by the DOJ or SEC (or both) on their website. Most importantly, it excludes “[p]roceedings that are FCPA-related but that do not allege violations of the FCPA.”² Following our theoretical framework, these cases should, instead, be considered in our main analysis, which justifies our choice to use data from Crippa (2021)—who includes them in the data as they are, in turn, based on the TRACE Compendium.³ When we repeat the procedure adopted in our main analysis, considering the FCPAC treatment schedule, we obtain results in Figure C.5, very similar (in fact, stronger) to the ones in our main text.

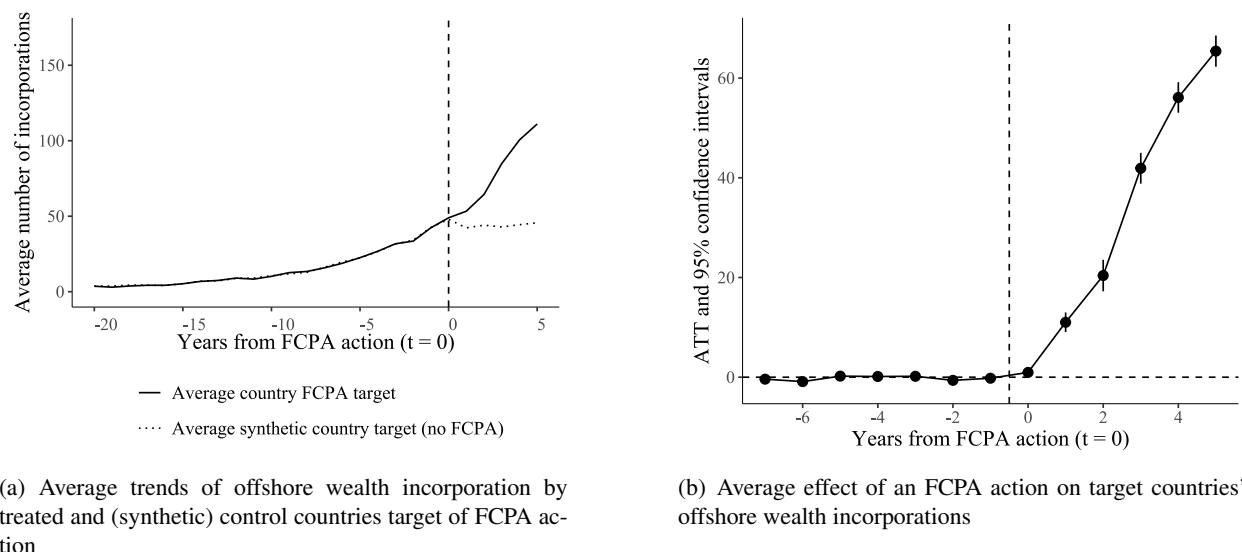


FIGURE C.5: Results from a generalized synthetic control method from Xu (2017) using FCPA enforcement data from the Stanford FCPA Clearinghouse for validation.

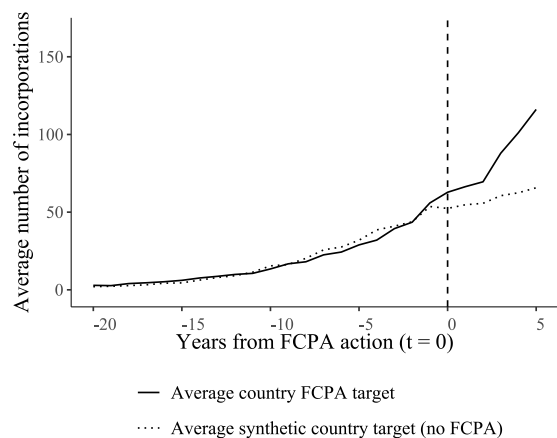
C.5 Robustness to covariate inclusion/exclusion

We show that our results are robust to the exclusion of the covariates employed to synthesize counterfactuals. When we replicate the main procedure followed in Figure 3 (main text) without covariate adjustment, we obtain the very similar (albeit slightly noisier) results reported in Figure C.6.

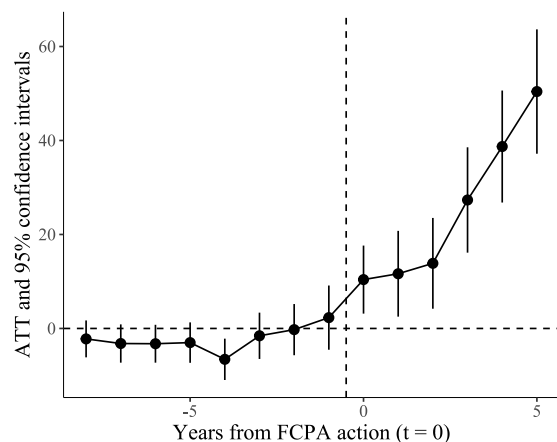
Next, we report our estimated ATT results yielded from replicating our GSC procedure over all 127 possible combinations of our seven control variables (the power set of seven possible covariates, minus the case with no covariates which is estimated above, is $2^7 - 1 = 127$). First, in Figure C.7 we report the patterns of missingness in the seven covariates, to inform the reader about the extent to which changes in the estimated ATTs can be caused by countries dropping out of the analysis due to missingness (although we make note, here, that our results are likely not dependent on such missingness, given that the no-covariate estimation in Figure C.6 includes the full panel data).

² See: <https://fcpa.stanford.edu/about-the-fcpac.html>.

³ See: <https://www.traceinternational.org/resources-compendium>.



(a) Average trends of offshore wealth incorporation by treated and (synthetic) control countries target of FCPA action without covariate adjustment



(b) Average effect of an FCPA action on target countries' offshore wealth incorporations without covariate adjustment

FIGURE C.6: The effect of FCPA actions on offshore wealth incorporations, results without covariate adjustment. Results from a generalized synthetic control method from Xu (2017).

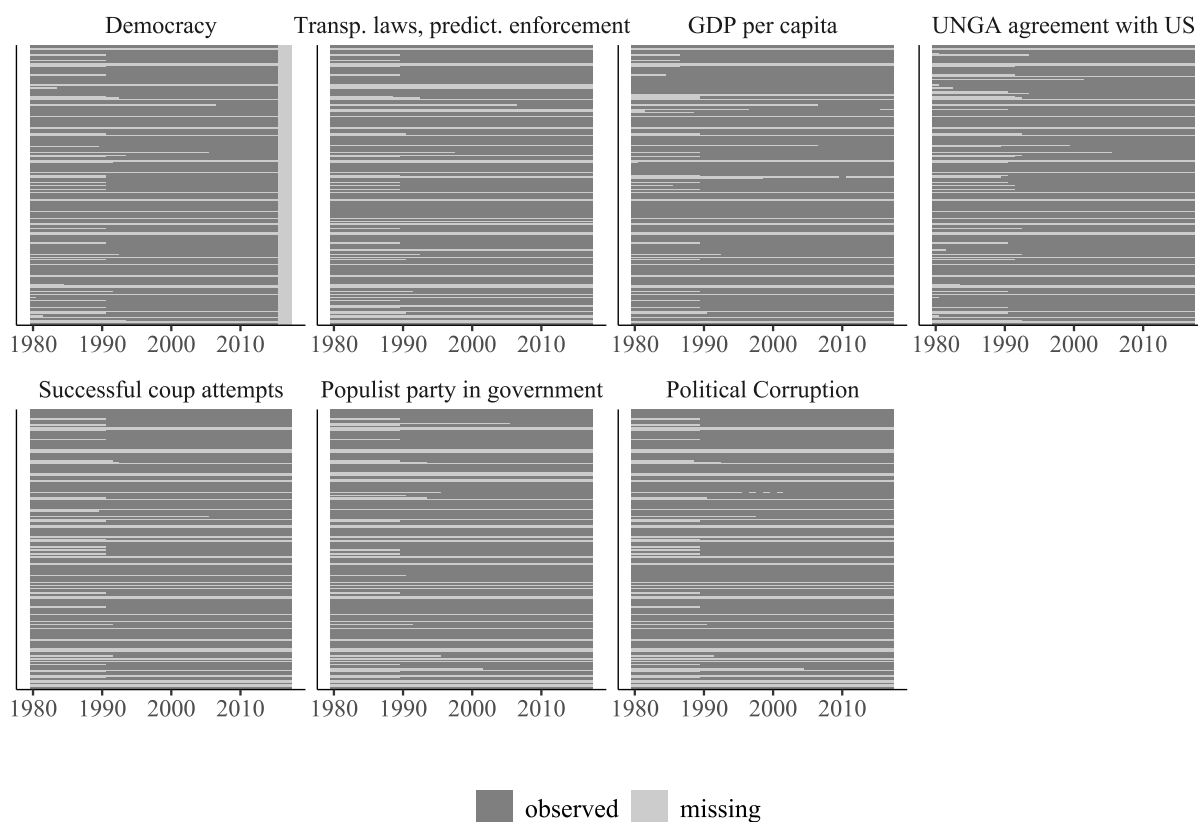


FIGURE C.7: Description of missingness in the seven covariates employed to construct the synthetic counterfactual in the main analysis.

Next, we replicate our analysis on all 127 possible combinations of the seven covariates. We report the full specification curve by means of estimated ATTs and 95% confidence intervals, sorted by ATT size, in the top panel of Figure C.8. The bottom panel reports a matrix indicating which covariates are included in every model. We color in red, in both panels, the ATT estimate and model specification from the main text. Across the specification curve, and regardless of which combination of covariates we include, we find that an FCPA enforcement yields a positive and statistically significant ATT, ranging from a minimum of +37.61 to a maximum of +67.03 incorporations, with a median estimate of 57.16 and a 2.5th–97.5th percentile range of 42.00–66.75. In the top panel, we also report as a horizontal dashed line (and shaded grey area) the estimate and 95% confidence intervals from a random effect model of the estimated ATTs from the 127 specifications (+56.71), as is normally done in a meta-analysis. Unlike in a meta-analysis, however, where datasets are usually independent on one another, here the individual studies are all run on the same data, just with a different combination of covariates. We thus simply consider this as a summary of the 127 individual ATTs.

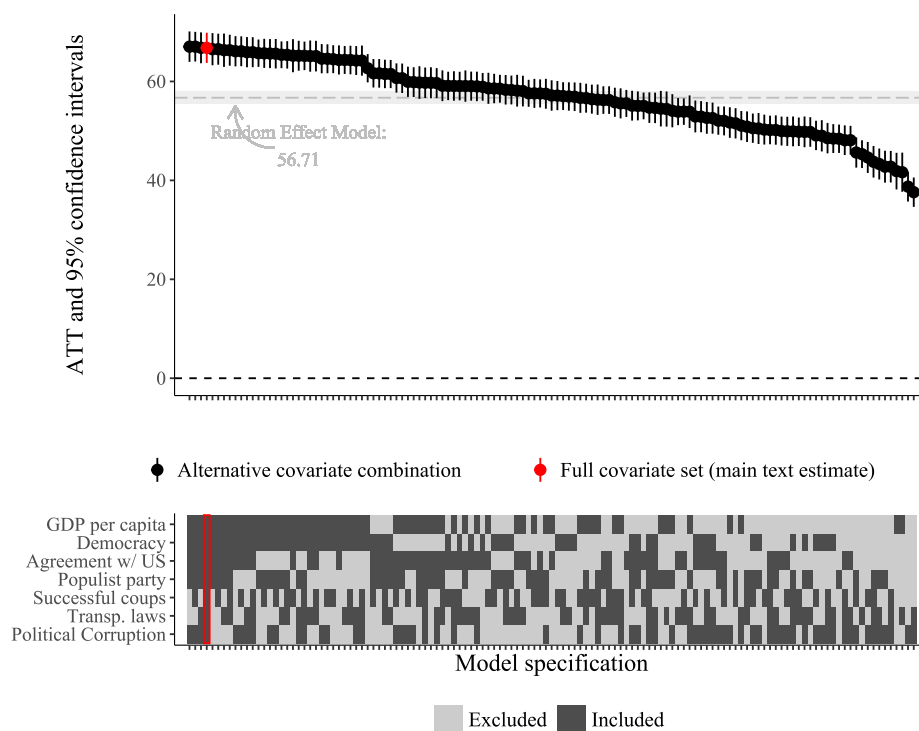


FIGURE C.8: Full specification curve of ATTs estimated applying the GSC by Xu (2017) and all combinations of the seven covariates. The top panel reports estimated ATTs, the bottom panel indicates which covariates are included/excluded. The red dot and segment report the results from the full covariate set (those in the main text), which is highlighted in red in the bottom panel.

D Generalized Synthetic Control: Placebos

D.1 Randomized treatment assignment schedule

We perform a first placebo test for our generalized synthetic control design. We randomly shuffle the treatment status (and timing) of countries included in our main analysis. Figure D.1 describes this in two panels. The left one presents the real treatment status of countries in our analysis. As the panel shows, the group of treated countries increases significantly in the aftermath of the entry into force of the OECD ABC (dashed vertical line), which gave US authorities a renewed momentum to enforce widely the FCPA (Brewster, 2017). In the right panel, instead, we report our random allocation of countries to their placebo treatment status and timing. This panel maintains the ordering of countries as in the left panel, to allow a comparison between the real and the placebo treatment assignments. Various countries that are, in reality, treated end up in the never-treated group in the right panel (and vice-versa). Many countries that are treated in reality and that are still considered as treated in the placebo allocation presented in the right panel, instead, change their treatment timing at random.

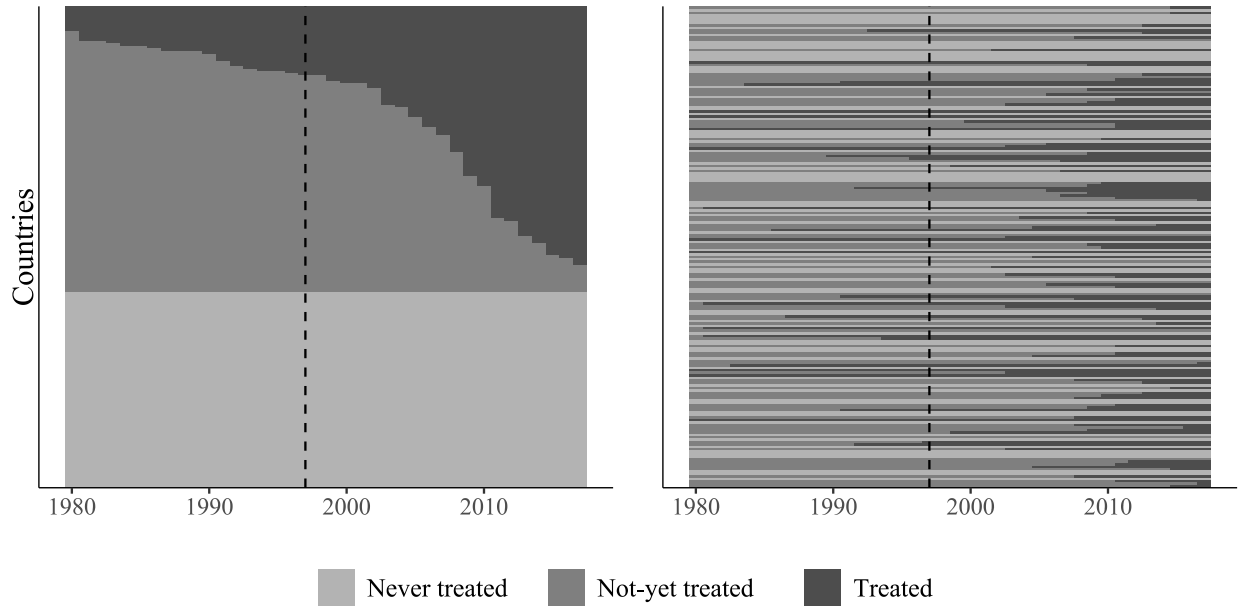
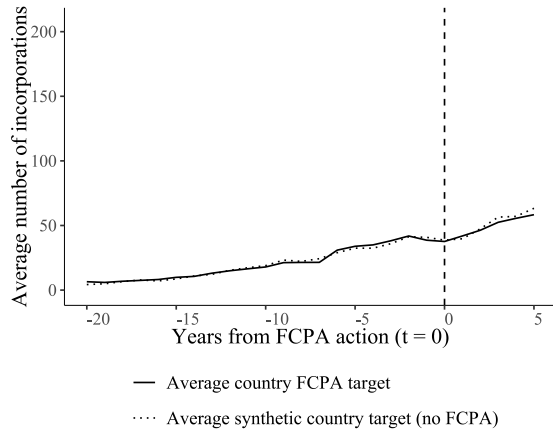
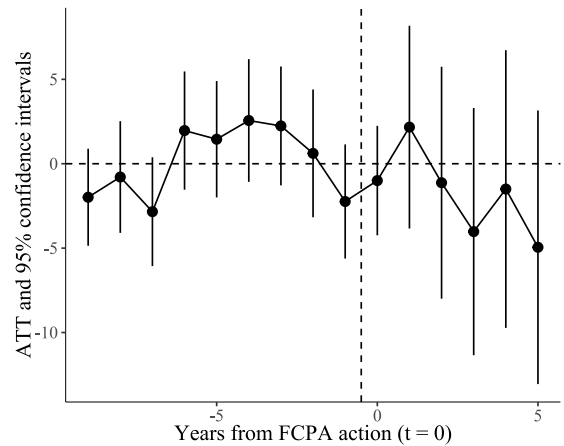


FIGURE D.1: The left panel of this figure reports the real treatment status and treatment timing of countries subject to an FCPA action. The right panel reports the treatment schedule for our placebo test, where status and timing have been assigned at random. The dashed line reports the year of entry into force of the OECD ABC (1999).

Figure D.2 reports our placebo findings, where we use the placebo data to replicate the same procedure presented in Figure 3 (main text). In this case, too, the model achieves a very similar pre-treatment match between the observed, (placebo) treated flows and the synthetic control ones, this being the goal of the design on the pre-treatment data. Post-treatment, however, we do not observe any significant effect. These null effects on a placebo treatment assignment schedule reassure us that the effects documented in the main text are not an artifact of the design, including its selected observations used to construct the synthetic control units.



(a) Placebo test: average trends of offshore wealth incorporation by treated and (synthetic) control countries target of FCPA action



(b) Placebo test: average effect of an FCPA action on target countries' offshore wealth incorporations

FIGURE D.2: Placebo test for the effect of a randomly generated schedule of FCPA actions on offshore wealth incorporations. Results from a generalized synthetic control method from [Xu \(2017\)](#).

D.2 Results from unsuccessful cases

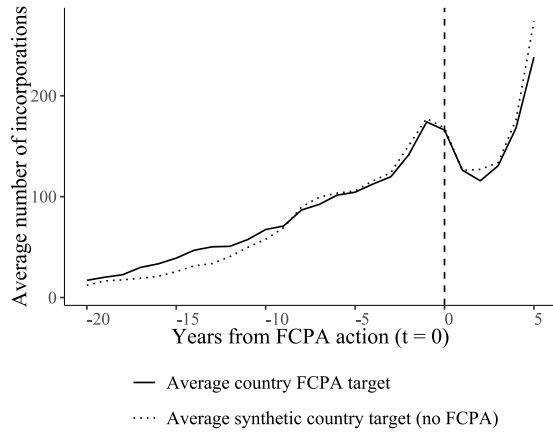
Here, we offer a further placebo test to probe our argument by redefining countries' FCPA treatment schedule after considering only FCPA cases with outcome recorded as either of: “no action,” “declination,” “acquittal/dismissal,” “dropped.” Following our argument, these cases should not incite local elites to offshore their wealth at significantly higher rates because lack of a successful enforcement outcome means US authorities did not manage to acquire the informational spillovers and returns to scale that would allow them to enforce against the FCPA in the future. In other words, the FCPA-caused fear factor does not ignite.

In Figure D.3, we present our results when replicating our GSC procedure with this alternative treatment assignment schedule. Coherently with our argument, we find that dropped, declined, acquitted/dismissed, and generally no-action FCPA cases do not manage to ignite any significantly higher levels of outgoing offshore transactions. We interpret this null effect as the lack of an FCPA fear factor due to the difficulty that US authorities would encounter in enforcing the FCPA in the future, as information barriers and transaction costs still loom large.

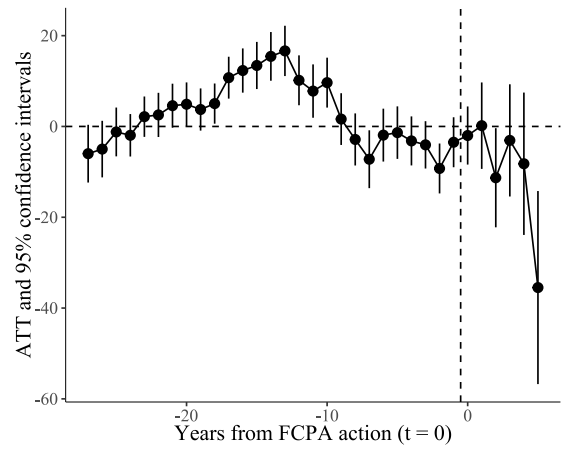
E Alternative estimators

E.1 Staggered difference-in-differences estimators

Figure E.1 reports dynamic estimates of the effect of FCPA enforcement on all outgoing offshore incorporations from treated countries when applying seven staggered difference-in-differences estimators: TWFE and those by [Borusyak, Jaravel, and Spiess \(2024\)](#), [Callaway and Sant'Anna \(2021\)](#), [De Chaisemartin and d'Haultfoeuille \(2020\)](#), [Gardner \(2022\)](#), [Sun and Abraham \(2021\)](#), and [Wooldridge \(2021\)](#). Post-treatment estimates inform us that, in the aftermath of the first FCPA enforcement action, countries experience a significantly larger volume of offshore wealth incorporation directed towards all financial havens. Across all seven estimators, we observe an increase in the number of offshore wealth incorporation from treated countries



(a) Average trends of offshore wealth incorporation by treated and (synthetic) control countries target of unsuccessful FCPA action



(b) Average effect of an unsuccessful FCPA action on target countries' offshore wealth incorporations

FIGURE D.3: Placebo test for the effect of unsuccessful FCPA actions on offshore wealth incorporations. Results from a generalized synthetic control method from [Xu \(2017\)](#)

that is statistically significant since the fourth year following the first FCPA enforcement action. Effects are sizeable. For instance, on year 5 since FCPA enforcement, we estimate that the number of offshore wealth incorporations from treated countries increases by about 55 to 75—depending on the estimator.

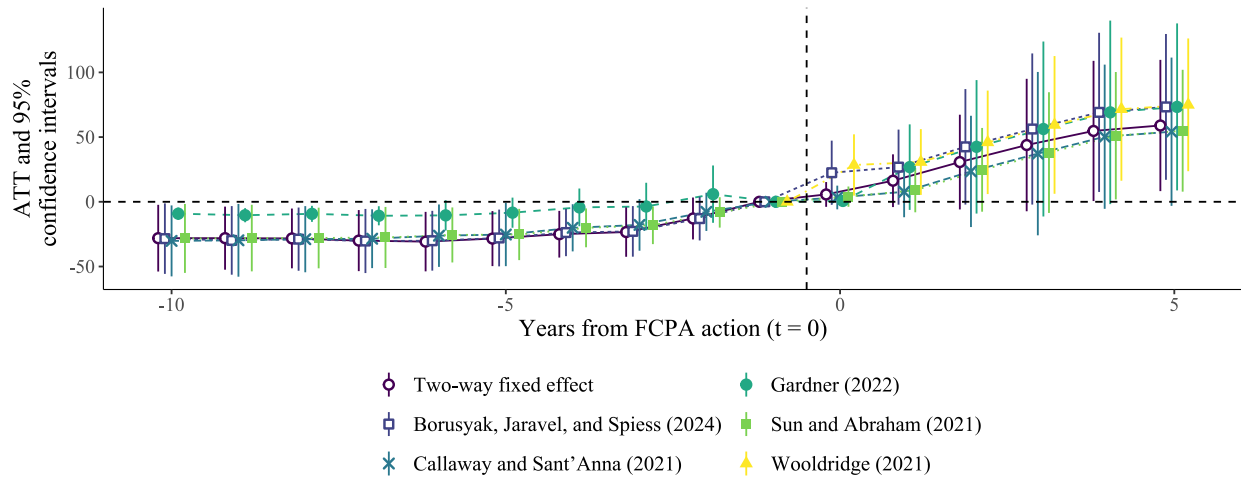


FIGURE E.1: The effect of the first US FCPA action on the number of offshore wealth incorporations, staggered difference-in-differences estimates. Results from two-way fixed effect and estimators from [Borusyak, Jaravel, and Spiess \(2024\)](#), [Callaway and Sant'Anna \(2021\)](#), [Gardner \(2022\)](#), [Sun and Abraham \(2021\)](#), and [Wooldridge \(2021\)](#).

However, pre-treatment trends of offshore wealth incorporation by treated and untreated countries appear to be already diverging when we consider the years before an FCPA action. These estimates indicate that,

on average, countries that will be treated in later time points experienced slightly *lower* levels of outgoing offshore wealth incorporations before receiving the treatment. This distance diminishes as treated countries approach treatment which suggests the parallel trends assumption might be violated in this case. This observation aligns with the expectation, reported in our main text, that FCPA targets and non-targets likely display pre-treatment diverging trends in patterns of offshore wealth incorporation. For this reason, too, we consider our generalized synthetic control our preferred method for estimating dynamic ATTs (given that it is designed so as to achieve non-diverging pre-treatment trends).

E.2 Estimates from PanelMatch (Imai, Kim, and Wang, 2023)

We show that our results are also robust to using PanelMatch, which we intend as an alternative method for selecting a suitable set of control units to reduce over-time differences among the treatment and control groups before treatment by achieving pre-treatment balance in covariates.

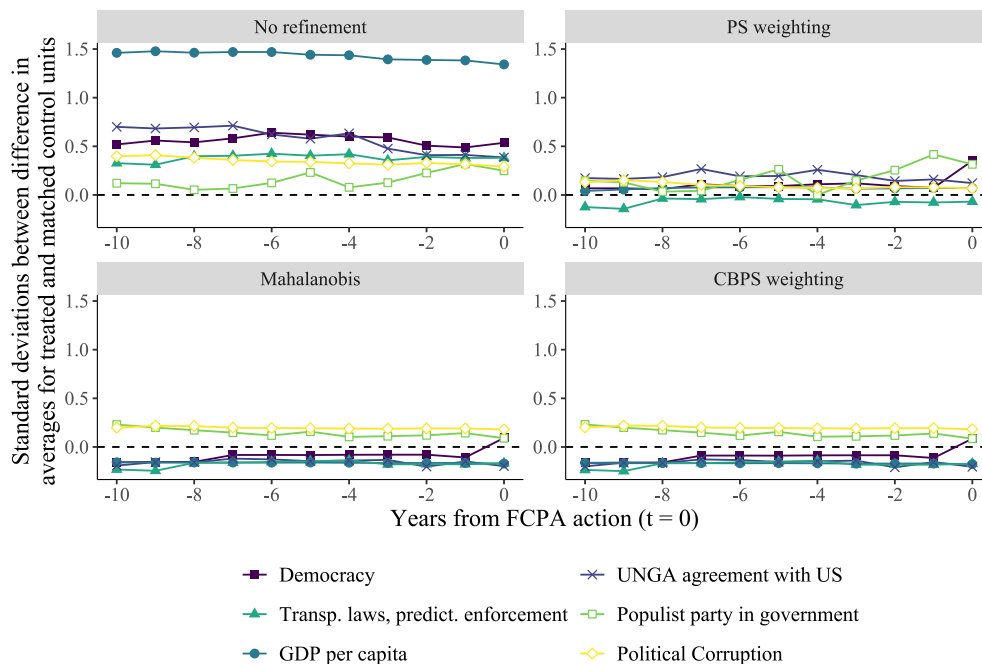


FIGURE E.2: Over-time balance in covariates among treated units and sets of matched control units achieved without any adjustment; with propensity score weighting; with Mahalanobis distance; and with covariate-balancing propensity score weighting. PanelMatch-based sets.

We create four PanelMatch groups. First, we impose no refinement method. That is, we feed all untreated units into the control group for the estimation. This is useful to illustrate the imbalance in covariates before treatment which motivates diverging pre-treatment trends illustrated in Figure E.1 and serves as a baseline for other adjustment methods. Second, we perform propensity score (PS) weighting on six of the seven covariates which we also feed into our GSC estimation.⁴ Third, we perform Mahalanobis distance matching on the same covariates. Finally, we perform covariate-balancing propensity score (CBPS) weight-

⁴ Given the large number of zeros (and, consequently, low variation) in the V-DEM variable measuring the number of successful coups, the algorithm excludes this variable.

ing (Imai and Ratkovic, 2014) on the same six variables. For all our matching procedures, we consider a lag of ten years before the treatment and match units based on the covariates and the corresponding full matrix of ten-year lags. For Mahalanobis, we match 10 control units for each treated one.

Figure E.2 reports the number of standard deviations between the over-time averages of these covariates for the treated and matched control units across the four adjustment methods, before treatment. The unrefined matched group shows significant imbalance in covariates before the treatment, with treated countries being significantly richer, with higher levels of democracy, more predictable law enforcement, with stronger geopolitical alignment to the US, more corruption, and a slightly higher probability of having populist parties in government than control units. All three refinement methods significantly reduce such differences.

We report our `PanelMatch` estimates in Figure E.3. Across all four sets, we estimate a positive ATT after the treatment. Effect sizes are comparable to those estimated with the other methods.

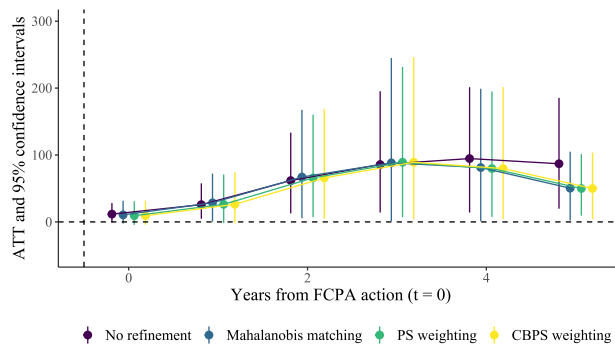


FIGURE E.3: The effect of FCPA enforcement on offshore incorporations, `PanelMatch` estimation. Estimates obtained with no refinement; with propensity score weighting; with Mahalanobis distance; and with covariate-balancing propensity score weighting.

E.3 Estimates from a matrix-completion estimator (Liu, Wang, and Xu, 2024)

We provide yet more evidence that our results are not model-dependent by showing that we can obtain similar estimates when applying one of the fixed-effect counterfactual estimators proposed by Liu, Wang, and Xu (2024). These estimators impute a counterfactual for each treated unit, in a very similar vein to the GSC proposed by Xu (2017). This family of estimators include a fixed effect models, an interactive fixed effect (like the one we adopt in our GSC method), and a matrix-completion (MC) method. The authors show interactive fixed effect and MC outperform plain fixed effects.

In order to show that our estimates are robust to an entirely different model than our interactive fixed effects procedure, we adopt here MC as a strategy to estimate counterfactual units. Similarly as in our GSC estimation, we drop units without at least seven pre-treatment observations to improve the quality of the counterfactual estimation and include the very covariates used in the main analysis.

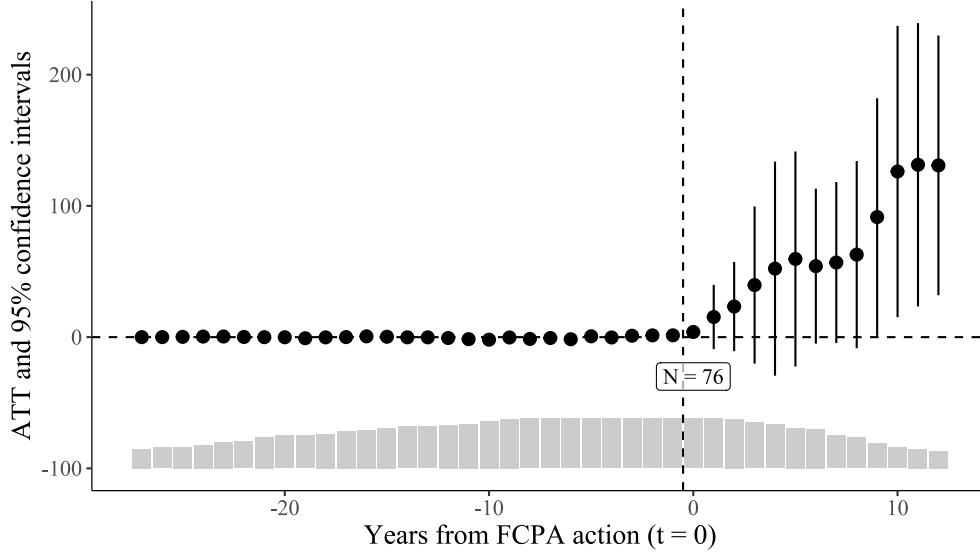


FIGURE E.4: The effect of the first US FCPA action on the number of offshore wealth incorporations. Results from a fixed effect counterfactual estimation using matrix completion (Liu, Wang, and Xu, 2024).

Figure E.4 reports our findings. MC-estimated counterfactuals are very similar to the treated units before treatment. After treatment, there is a clear upward trend in the estimated ATTs, which becomes significant after around the sixth year.

As suggested by the authors, we perform two tests for evaluating the existence of pre-treatment trends that would invalidate our post-treatment estimates. We report results in Figure E.5. Our estimates largely pass both tests. An F-test on the joint significance of the pre-treatment estimates fails at rejecting the null hypothesis of divergence from zero ($p = 0.695$), which reassures that pre-treatment trends are negligible here. Similarly, we reject the null-hypothesis of the equivalence test introduced by the authors—the “two-one-sided t ” (TOST) test—with a very small p -value ($p = 0.000$). The latter test certifies an extremely good pre-treatment fitting, as suggested by the fact that the minimum range (grey horizontal dashed lines) is well contained within the equivalence range (red horizontal dashed lines) in Figure E.5. Both tests suggest that, here, pre-treatment trends are negligible and not strong enough to invalidate our post-treatment results.

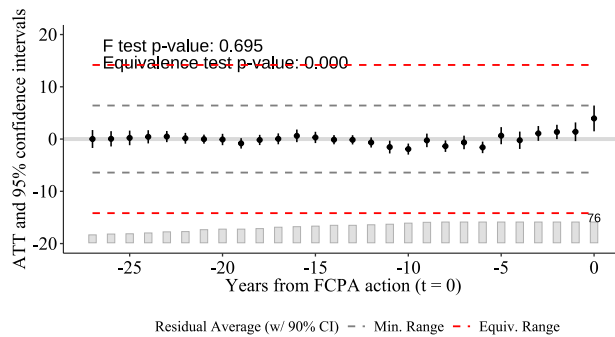


FIGURE E.5: Equivalent tests for pre-treatment estimates obtained with fixed effect counterfactual estimation using matrix completion (Liu, Wang, and Xu, 2024).

F Domestic follow-up to FCPA enforcement: Additional evidence

In Figure F.1, we replicate our main text analysis on the heterogeneous effects of FCPA actions on capital flights for non-ABC countries, based on whether the country followed on with a domestic action. Unlike in the main text, here we distinguish whether the country followed on with an action within 5 years from the initial FCPA case; within 5 and 10 years; after more than 10 years; or not at all. We take this distinction as a proxy for the readiness with which countries can enforce their own anti-corruption legislation. Consistently with our **H3**, we find that the capital flight effect in response to an FCPA action is particularly concentrated among countries that followed on with domestic anti-corruption proceedings fast (within 5 years or, less so, within 5 and 10 years). The effect is null, instead, for those that took more than 10 years to enforce the case.

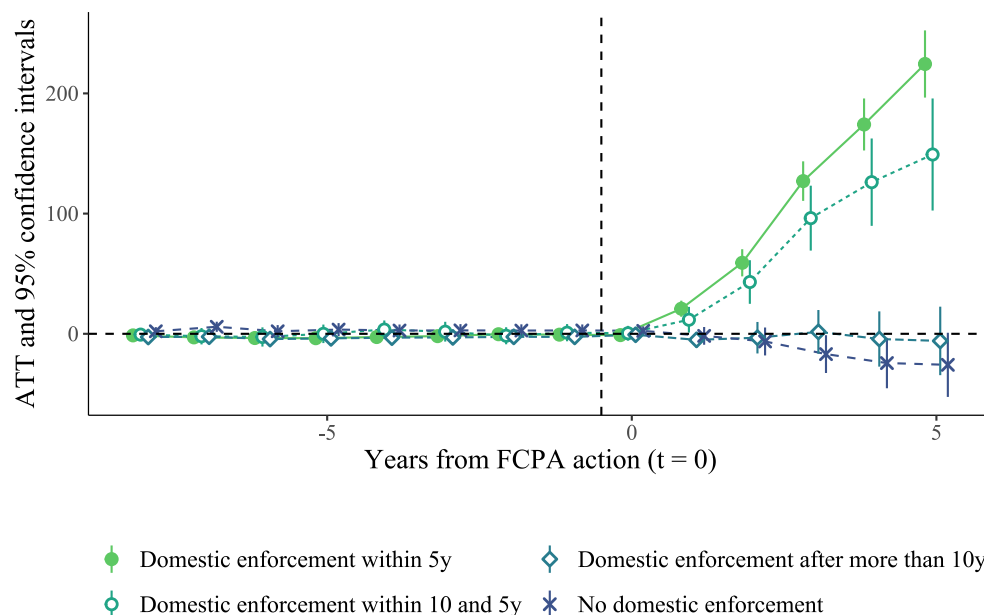


FIGURE F.1: The effect of the FCPA on offshore wealth incorporations, conditional on when country targets have initiated their own domestic enforcement (if at all). Results aggregate individual estimates from Figure 3 (main text).

G Havens subject to FCPA actions

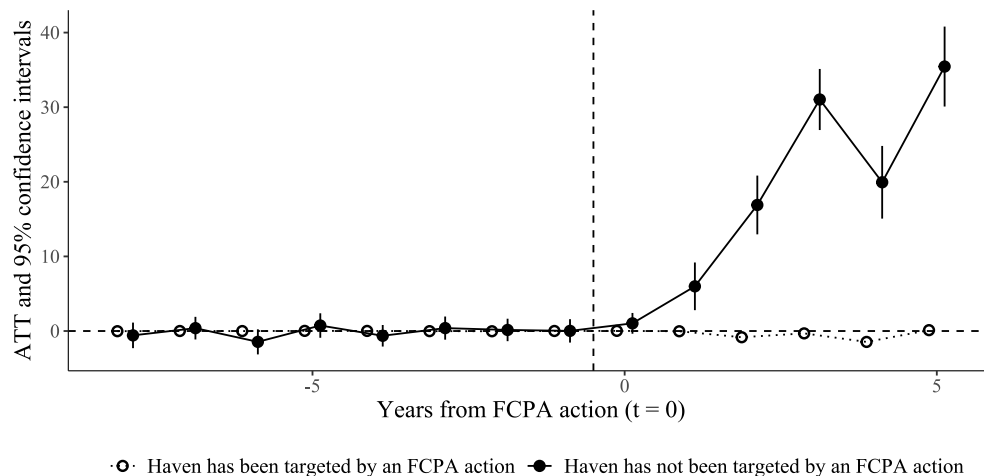


FIGURE G.1: The effect of the FCPA on the number of offshore wealth incorporations towards havens that have or have not been involved in an FCPA action in the past. Results from a generalized synthetic control method from Xu (2017).

Here, we study how offshore wealth incorporation flows respond to FCPA actions distinguishing whether the potential haven has been subject to an FCPA action itself in the past or not. We re-aggregate our offshore wealth incorporation data based on this characteristics and obtain two dependent variables of interest. We then replicate our analysis using these two variables. We report our findings in Figure G.1. Elites in countries that are targets of FCPA actions offshore their wealth significantly more towards havens that have not been targets of an FCPA action themselves rather than those that have. Differences in these effects are statistically significant at a 0.05 conventional level of significance. These results offer a confirmation of the theoretical premise behind H4.

H UK case study: Exploit variation in ABC adoption for CDs and OTs

Here, we perform a specific study of offshore wealth incorporation flows towards havens that are in the UK crown dependencies (CDs) and overseas territories (OTs), to further support H4. We leverage the exogenous variation induced by the CDs and OTs ratifying the OECD ABC at staggered times and we intend this as an additional test to study how changes in the OECD ABC membership of potential destinations for offshore wealth transactions (i.e., havens) resulted in different responses for corrupt elites seeking to offshore their wealth in the aftermath of an FCPA action. We argue this is an important test which removes sources of endogeneity at the level of the destination of offshore transactions between UK and non-UK havens.

We consider only offshore wealth transactions directed towards UK CDs and OTs. That is, we consider solely the following havens: the Isle of Man, Anguilla, Bermuda, British Virgin Islands, Cayman Islands, and Turks & Caicos. We then aggregate up offshore wealth incorporations data at the sender country-year level, based on whether the UK CD or OT destination of these flows had ratified the OECD ABC or not. We then perform our GSC estimation on these two dependent variables by studying whether FCPA actions targeting the sender country affected these flows differently.

Our findings, reported in Figure H.1, clearly indicate a positive effect of an FCPA action on offshore wealth incorporation occurring in UK CDs and OTs that have not ratified the OECD ABC. The effect is negligible and at times even *negative* when we consider CDs and OTs that have ratified the OECD ABC.

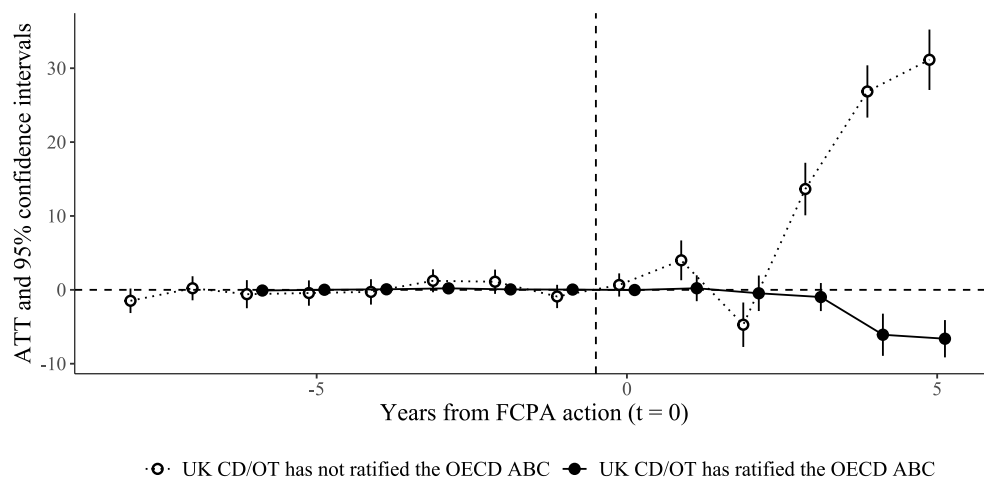


FIGURE H.1: The effect of the FCPA on the number of offshore wealth incorporations in UK crown dependencies (CD) and overseas territories (OT) that have and have not ratified the OECD ABC. Results from a generalized synthetic control method from Xu (2017).

I Ruling out alternative explanations

I.1 Are kleptocrats just offshoring to low-supervision jurisdictions?

Do elites really respond to FCPA enforcement by sending their wealth to non-ABC signatory havens, or do they just offshore to havens with low financial supervision? Here, we address this possible alternative explanation. We follow Cilizoglu and Estancona (2025) and code offshore havens in two categories: “high-supervision” and “low-supervision,” corresponding respectively to Group I and Groups II–III of the International Monetary Fund’s classification⁵ for whether an offshore jurisdiction has “a high quality of supervision, which largely adhere to international standards” (Group I); “procedures for supervision and co-operation in place, but . . . actual performance . . . below international standards, and . . . substantial room for improvement” (Group II); or “low quality of supervision, and/or non-co-operative with onshore supervisors, and with little or no attempt being made to adhere to international standards” (Group III). If non-ABC signatory havens overlap substantively with Group II and III havens, it is possible that our results truly mask kleptocrats’ preference for low-oversight, rather than for havens in or out of the anti-bribery regime.

For each country, we thus compute the number of offshore incorporations directed towards four possible groups of havens: 1) low-supervision non-ABC signatories; 2) low-supervision ABC signatories; 3) high-supervision non-ABC signatories; and 4) high-supervision ABC signatories. We then replicate our GSC analysis for these four dependent variables. Results are reported in Figure I.1. They indicate that ABC membership, more than low or high supervision, is what determines the direction of offshore flows that follow an FCPA action. As one could expect, offshore transactions towards low-supervision non-ABC

⁵ See: <https://www.imf.org/external/np/mae/oshore/2000/eng/back.htm>.

havens increase after an FCPA action. At face value, this result does not allow us to distinguish the two pushes. It could be a result of either advantage that these jurisdictions offer to kleptocrats (or both). But we also observe that flows towards low-supervision ABC havens slightly *decrease*. These havens offer the same low-supervision benefits of the former group. If kleptocrats were just looking for low-supervision jurisdictions, there would be no reason why flows towards them should decrease. We stress, instead, that this is explainable under our framework: being part of the ABC, these jurisdictions are at risk of future FCPA cooperation, so kleptocrats will *reduce* their incorporations there, following an FCPA action. This provides further evidence for our jurisdictional expectation, which is implied by the weaponized interdependence theory. As is foreseeable, finally, we observe no change in the flows directed towards high-supervision havens, whether ABC or not.

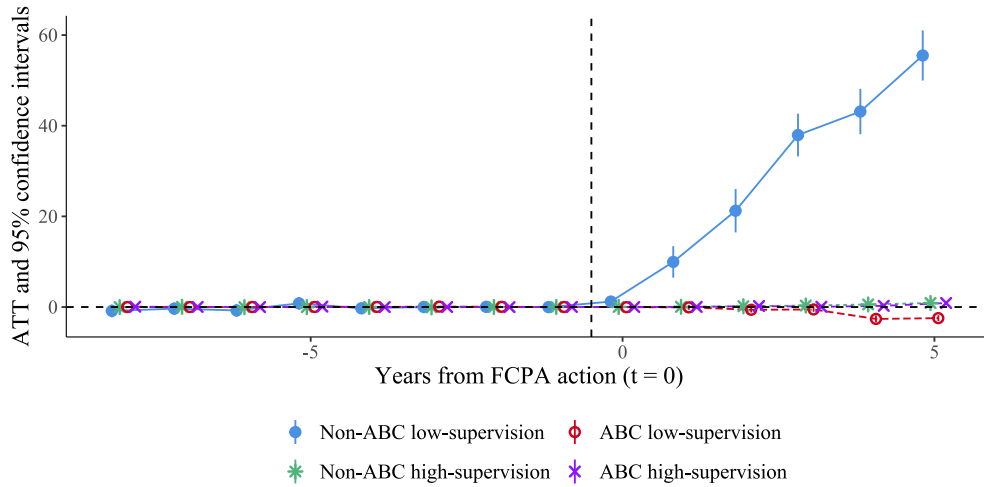


FIGURE I.1: The effect of the FCPA on the number of offshore wealth incorporation transactions towards havens with high- vs low-supervision and who are ABC vs non-ABC signatory. Results from a generalized synthetic control method from Xu (2017).

I.2 Are kleptocrats just trying to evade taxes?

Offshore wealth incorporation flows could be the result of elites simply trying to maximize their income and fortify their tax evasion rather than attempting to hide their wealth from the hegemon. Are our results just confusing tax avoidance for a response to economic coercion? We do not consider this to be a plausible possibility: in order for this to happen, the timing of FCPA enforcement in a country should be coincident with the timing of motives leading local elites to pursue tax evasion at a higher rate. Nonetheless, in this section we take this possibility seriously. To discard this counter-hypothesis, we disaggregate offshore wealth incorporation flows between those that can or cannot generate tax evasion. We distinguish between flows directed towards havens that have signed a bilateral tax treaty (BTT) with the homestate or not. If tax avoidance, and not protection from economic coercion, is the primary motive for capital flight, BTT signatory havens should be favored destination, given that they offer a favorable tax regime (Arel-Bundock, 2017).

We thus repeat our GSC analysis on two count variables measuring the number of outflows financial incorporations towards havens that do or do not have a BTT with the home state. Results, in Figure I.2, show an increase in financial incorporations towards both groups of havens but a much stronger one (and

significantly so) towards havens that have *not* signed a BTT with the home state. We take this as a clear indication that capital flight in response to FCPA actions is not primarily aimed at tax evasion.

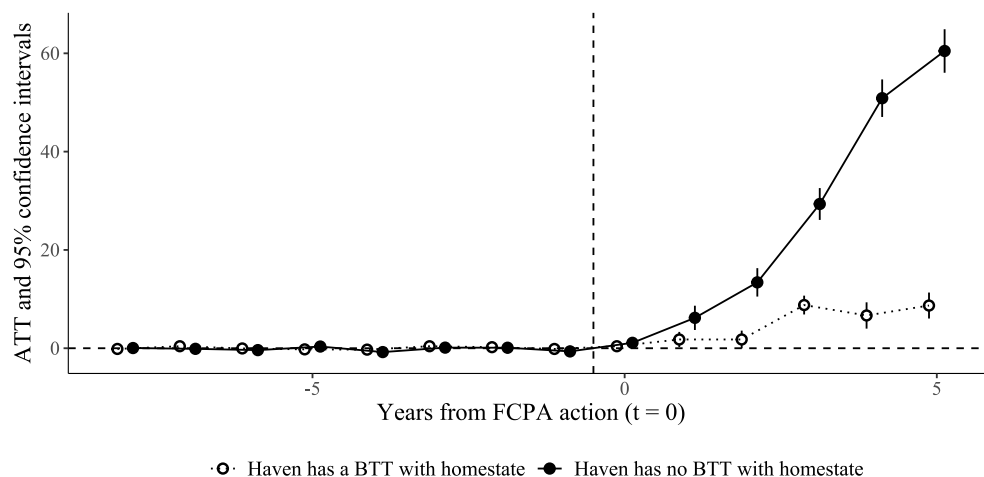


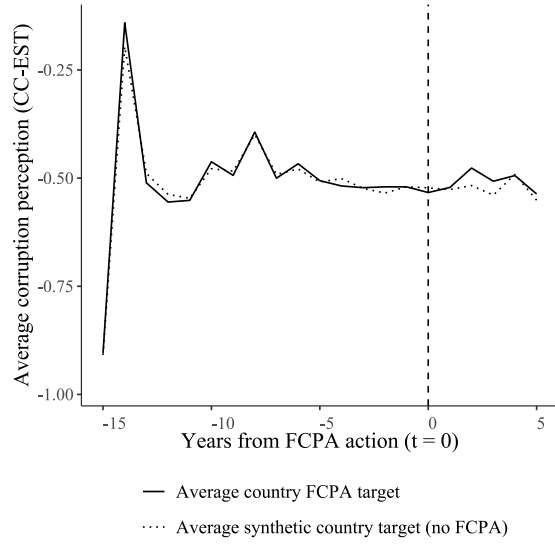
FIGURE I.2: The effect of the FCPA on the number of offshore wealth incorporation transactions towards havens that do or do not have a BTT with the homestate. Results from a generalized synthetic control method from [Xu \(2017\)](#).

I.3 Are capital flights just a result of corruption perceptions?

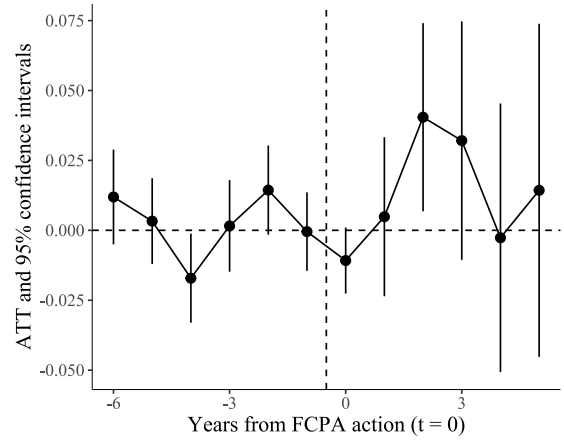
Here, we engage with one last possible alternative explanation: that capital flights following FCPA enforcement are not a response to a US threat to expropriation. Rather, that FCPA enforcement signals to elites in a given country about its level of corruption, thus causing capital flights purely as a response to corruption perceptions. Our GSC design already controls for the level of corruption of a country, but it is possible that the effects are, in fact, driven by *perceptions* of corruption.

To rule out this possibility, here we model explicitly country-level time-varying *perceptions* of corruption, after FCPA enforcement, with our GSC design. We draw on a widely used perception-based index of corruption: the World Bank’s Control of Corruption Estimate (CC-EST). Conveniently for our purposes, the World Bank builds this indicator by aggregating information from dozens of underlying sources that reflect broader perceptions of corruption by the economic and business community, including: expert assessments (e.g., from risk-rating agencies and think tanks); business surveys; commercial intelligence providers; NGO assessments. Thus, the input sources of this index likely reflect the variety of sources that elites might consume (or contribute to) when forming corruption perceptions. The CC-EST ranges from -2.5 to 2.5, with higher values indicating less corrupt countries. Unlike the V-DEM indicator, which we used above as a control variable and which is built by surveying academic experts, the CC-EST is likely a good proxy of *local* perceptions of corruption. In order to avoid the circularity of controlling for corruption while explaining corruption perceptions, we drop the V-DEM corruption index from our set of control variables for this analysis (though results are essentially the same if we include it).

Figure I.3 reports our results. We observe largely null estimates, a finding which should not come as a surprise, given that corruption perceptions are rather sticky and tend to vary between countries, rather than over-time. Substantively, and supporting our interpretation, this indicates that perceptions of corruption do not move significantly after FCPA enforcement, thus they are likely not the drivers of the capital flight we



(a) Average trends of corruption perceptions by treated and (synthetic) control countries target of FCPA action



(b) Average effect of an FCPA action on target countries' corruption perceptions

FIGURE I.3: The (null) effect of FCPA actions on local perceptions of corruption (from World Bank's Control of Corruption Estimate). Results from a generalized synthetic control method from [Xu \(2017\)](#).

observe in response to FCPA actions. This provides further confidence that the effects we document are genuinely driven by the foreign threat of wealth expropriation.

J Robustness of sink vs conduit analysis

Figure [J.1](#) reports the total number of outgoing offshore wealth incorporations originating from the financial havens in our data. We consider the top-5 havens in the list by number of outgoing offshore transactions as “conduits.”

When testing our hypotheses about whether offshore flows in response to FCPA actions are primarily targeted towards sinks or conduits (**H5a** vs **H5b**), we used the above observation to define a haven as a conduit. Although these five havens account for more than half of total outflows from havens, this definition of a conduit might be considered somewhat arbitrary. Here, we show robustness of our findings that yield evidence in support of **H5b** when employing an alternative empirical analysis, which does not require such arbitrary definition.

In order to show that offshore financial incorporations are headed primarily towards “sinks,” and that shell companies do not simply reroute offshore finance back into the home country via a foreign haven, we model *inward* number of incorporations directed into targets of FCPA actions, using the same ICIJ dyadic data and just “flipping” sender and receiver states. If offshore financial incorporations in response to FCPA actions are done just in order to reroute elite wealth back into the home country via a foreign haven, and pursue new corrupt deals via such more complex route, this should be reflected in an increase in the number of inward incorporations into the FCPA targets.

Before we present our results, we make an important caveat. This test has the advantage of not forcing us to make arbitrary choices on what haven is a “conduit” and what is a “sink,” but by design we cannot

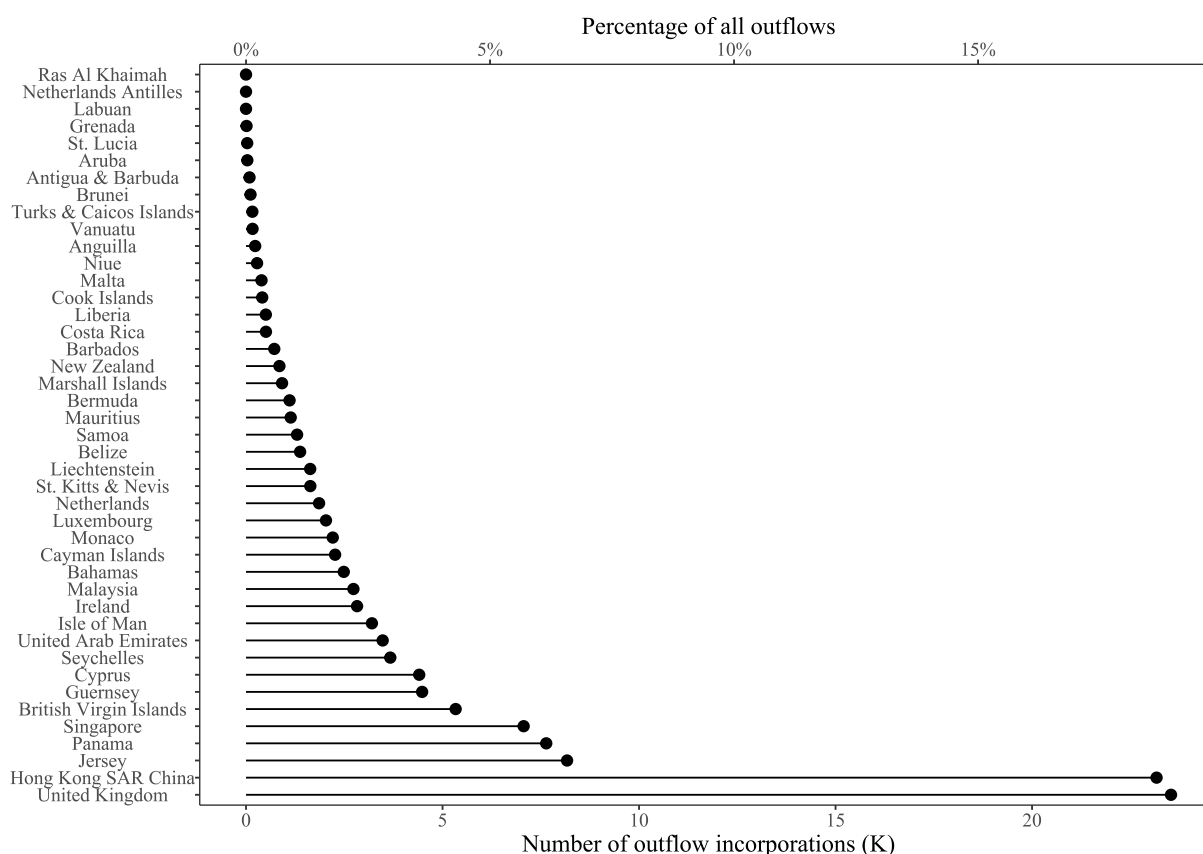


FIGURE J.1: Number of outflows incorporations for the 43 havens in the ICIJ data. The UK, Hong Kong, Jersey, Panama, and Singapore account for 56% of the total offshore transactions originating from financial havens.

perform it on the full set of 195 countries given that only a subset of 43 countries in our ICIJ data are destinations of wealth incorporations. We consider these countries. Out of them, 14 are “treated” with an FCPA action. Moreover, we exclude the coup-probability covariate because its extensive missingness and highly sparse distribution (with nearly all observed values equal to zero) resulted in numerical instability in the estimation of the generalized synthetic control model.

Net of these caveats, results from this test confirm that offshore incorporations are not primarily meant to reroute wealth back into the target country. We replicate our GSC estimation on this smaller panel and report results in Figure J.2. We observe a sharp and significant *decrease* in the inflows of incorporations into countries after they have been targeted by an FCPA action.

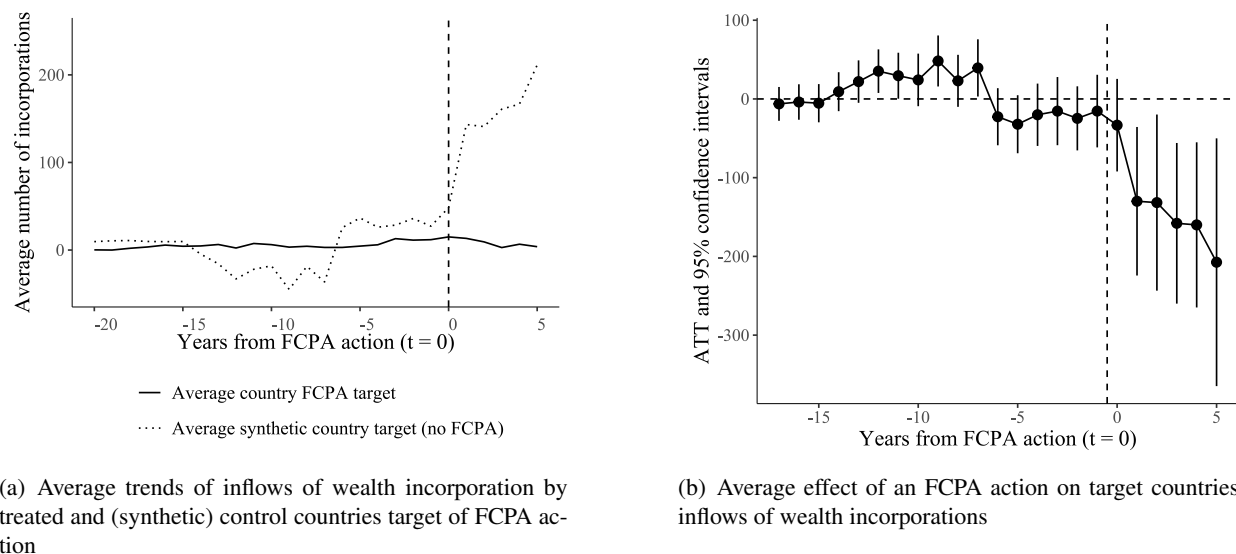


FIGURE J.2: The effect of FCPA actions on inflows wealth incorporations into the 43 havens. Results from a generalized synthetic control method from Xu (2017).

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