

# American Economic Coercion and Elite Re-Globalization\*

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December 5, 2025

**Word count:** 10,090

## 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 48% 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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\*The project received excellent feedback from Daniel Berliner, Abraham Newman, Sojun Park, and from audiences at Oxford University, the 2024 European Political Science Association, and the 2024 Copenhagen Business School – Princeton Money in Politics Conference.

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The global economic elite, individuals who rely on multiple jurisdictions for revenue and wealth protection, have been among the biggest winners from the latest era of globalization (Cooley and Sharman, 2017; Krčmaric, Nelson, and Roberts, 2023). But that era seems to be at an end. Can elites adapt to a world where the trading order is failing and the hegemon is willing to coerce any perceived adversary? International relations scholars have shown that international legal arrangements not only aid economic elites in conducting transnational business; they also support the jurisdictional basis of economic coercion (Kalyanpur and Newman, 2019), allowing the United States to “weaponize interdependence” through global economic networks. At the same time, comparative political economy scholarship on economic and political elites’ wealth protection strategies (Cooley and Sharman, 2017; Logvinenko, 2021) shows that offshore finance—arguably, the central pillar to amassing wealth over the last three decades—is not simply a means to mitigate taxes but also a potential instrument of political survival.

We argue that acts of economic coercion that target 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.

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 (Bach and Newman, 2010; Putnam, 2016). No legal export is as controversial as US anti-corruption regulations (Bixby, 2010). One of the first countries to outlaw bribing of foreign government officials by its 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 (Brewster, 2017). The legislation has led to monumental cases like the 2008 \$1.6 billion corruption investigation against German conglomerate Siemens and the 2020 \$2 billion case against Airbus for bribing government officials including in China (Woll, 2023).

We test our argument in the context of the US FCPA enforcement. 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, corrupt transactions are generally exposed to US jurisdiction. These connections enable FCPA enforcement against foreign bribery and alert foreign kleptocrats to the US risk. With FCPA actions often come the seizure of corrupt funds and potential domestic anti-corruption actions. Since the US consistently returns to investigate corruption in a country after its first FCPA action, domestic elites fear that the bribes which buttress their economic empires may come under investigation and their assets may be seized. To minimize these risks, they obfuscate their wealth and move it beyond US reach by incorporating it into 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, we estimate the effect of the first FCPA action targeting bribery in a given country on offshore financial outflows from that country.

Against our logic, foreign elites may simply not find the US threatening, as most political economy models implicitly assume, and not change their offshoring behavior. Alternatively, they may fear US coercion and judge the system as effectively governed, forcing them to *reduce* their international exposure and offshore incorporations. Instead, we find evidence in favor of our hypotheses: the first FCPA enforcement in a jurisdiction increases the number of outgoing offshore financial incorporations by a staggering 48% in just five years. This could be driven by elites trying to 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, which would mandate the haven to cooperate with US authorities. 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) if it reduces the prospects of US reach.

Our findings carry direct policy implications for existing tools of economic coercion. 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 supply of bribes.<sup>1</sup> In fact we show that, long before the FEPA, the FCPA has affected the behavior of foreign bribe-takers and kleptocrats. This is particularly relevant after President Trump's decision to redirect FCPA enforcement priorities. Not only will the FCPA risk weaponization under the new regime (Crippa, Malesky, and Picci, 2025). According to the June 2025 revised FCPA enforcement guidelines, the Department of Justice is exploring the possibility of jointly enforcing the FCPA and the FEPA.<sup>2</sup> This could intensify the fear factor of FCPA enforcement actions, going further.

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 (Esberg and Perlman, 2023; Mahdavi, 2020). 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. 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 (Roberts, Choer Moraes, and Ferguson, 2019; Drezner, Farrell, and Newman, 2021). 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 reign 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 likely have marginal returns. 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 re-globalize.

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<sup>1</sup> Mengqi Sun, "U.S. Prosecutors Can Charge Foreign Officials With Bribery Under New Provision." *The Wall Street Journal*. January 2, 2024

<sup>2</sup> Guidelines for Investigations and Enforcement of the Foreign Corrupt Practices Act (FCPA), *Office of the Deputy Attorney General*. 9 June, 2025. <https://www.justice.gov/dag/media/1403031/dl>.

## **Elite Wealth Protection Strategies**

We start from the premise that economic elites seek to maximize their incomes. While they can 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 (Ang, 2020). Others participate in “grand” corruption where the purpose of political purchases is to obtain direct rents from the state via government contracts (Dawisha, 2015; Malesky, Gueorguiev, and Jensen, 2015). Across these strategies, corruption works as a “tool of government” (Picci, 2024): it guarantees elite support of a political regime. 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 (Krcmaric, Nelson, and Roberts, 2023; Szakonyi, 2018; Hou, 2019). Economic elites further spend considerable effort guarding their wealth (Beckert, 2022; Winters, 2011). They lobby to lower taxes and, at the extremes, fight for the rule of law and democratization to mitigate the risks from state expropriation (Page, Seawright, and Lacombe, 2018; Albertus and Menaldo, 2018).

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 (Markus, 2007; Johns and Wellhausen, 2016) and list their companies abroad to gain access to foreign legal protections, with the added benefit of laundering ill-gotten gains (Cooley and Sharman, 2017; Logvinenko, 2021). Bribery has also become increasingly transnational, typically involving firms and officials from different nationalities with funds passing through webs of foreign bank accounts (Cheng-Matsuno and Berliner, 2023). Examples include massive operations, like the infamous Lava Jato, or single transfers (Vilaca, Morucci, and Paniagua, 2023)—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 (Klebnikov, 2000).

Offshore financial havens are central to these transnational protection strategies. The 0.01% of the income distribution owns roughly 50% of offshore wealth (Alstadsæter, Johannessen, and Zucman, 2018). Money is sent to places like the British Virgin Islands, Mauritius, and Cyprus for income generation and

wealth preservation. Much like multinational 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 (Ledyayeva et al., 2015; Binder, 2023). Offshore havens are also crucial to protect wealth from risks of expropriation (Bayer et al., 2020) or sudden political changes (Earle et al., 2019; Kubinec, Morse, and Pandya, 2023). Elites even offshore their wealth to ensure that they will be legally treated as a foreigner in their own state, for instance by recurring to the Investor-State Dispute Settlement process (Kalyanpur and Thrall, 2021).

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 (Findley, Nielson, and Sharman, 2014). 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**

We do not deny that the primary impetus for offshoring income is usually tax avoidance. But the scholarship synthesized above implicitly assumes that offshoring is a tactic to protect an elite from predation by their home government. Nonetheless, the same forces of global finance raise the potential of alternate state-initiated risks to 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 (Farrell and Newman, 2019). Buried within these important developments on the scholarship on economic statecraft is that individuals, and their offshore wealth, are becoming crucial targets for a range of US foreign policy prerogatives (Drezner, 2011).

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 projects, but the bulk are for broader goals stemming from corruption and human rights abuses (Nephew, 2017). 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 a host of 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 (Booth, 2020).

## 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 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 (Beck, Maher, and Tschoegl, 1991). 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 (Carr and Outhwaite, 2008).

The passage of the OECD-ABC was *the* pivotal step in the global fight against bribery which levelled the playing field of international competition. Not only did it subject non-US firms to the same anti-bribery regulations. As legal scholar Sarah Routh argues (2018, 631), the OECD ABC also centralized authority with the United States:<sup>3</sup>

“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 (Routh, 2018; Tomashhevskiy, 2021). Since then, companies trading on US exchanges need to follow more stringent reporting standards

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<sup>3</sup> For a similar argument, see Brewster (2017).

and would inevitably be 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 investigating the provision of false information regarding the company's FCPA compliance program (Wilson, 2013, 243-244).

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 FCPA terms. 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 (Wilson, 2013, 245). Luxembourg-based Tenaris was also charged that year with the primary link being a single correspondent bank transaction worth just over \$32,000 (Wilson, 2013, 246).

Kleptocrats have a lot to fear from American anti-corruption toolkit. The US has a range of tools to tackle government corruption that it can enforce in conjunction with the FCPA. The US has charged dozens of politicians for money laundering, and in many instances these have directly stemmed from information gleaned through FCPA 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.<sup>4</sup> This was despite the fact that the FCPA case against the insurance company was dropped.<sup>5</sup> Those sums pale in comparison to the money laundering charges against Uzbekistan's Gulnara Karimova, who sat at the center of a telecommunication scandal involving multiple FCPA cases. The former official and daughter of the Uzbek ruler, Gulnara, was not only indicted.<sup>6</sup> Switzerland and

<sup>4</sup> "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>.

<sup>5</sup> Letter to Mr. Siegel. US Department of Justice. Aug 23, 2018. <https://www.justice.gov/criminal/criminal-fraud/page/file/1089626/dl?inline>.

<sup>6</sup> "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>.

Belgium each returned more than \$100 million of personal ill-gotten gains from the kleptocrat.<sup>7</sup>

On top of this creeping and, from a foreign elite's vantage point, threatening expansion of authority, virtually no limits are put in place to check the DOJ as it brings claims. Very few individuals or corporations have challenged the DOJ jurisdictional purview, leading to an absence of clear legal precedent (Routh, 2018, 628). 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."

The logic here echoes the recent scholarship on weaponized interdependence. America's nodal position in the global financial architecture, coupled with ambiguous domestic law, allows US bureaucrats to claim authority over and, thereby, coerce foreign elites if they so choose. While other countries now have domestic regulations that allow them to investigate foreign bribery too, they lack the central position of the US in the anti-corruption enforcement network and thus show only modest levels of enforcement (Jensen and Malesky, 2018). More importantly, elites will 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 like the US.

### Bureaucratic Drivers of FCPA Cases

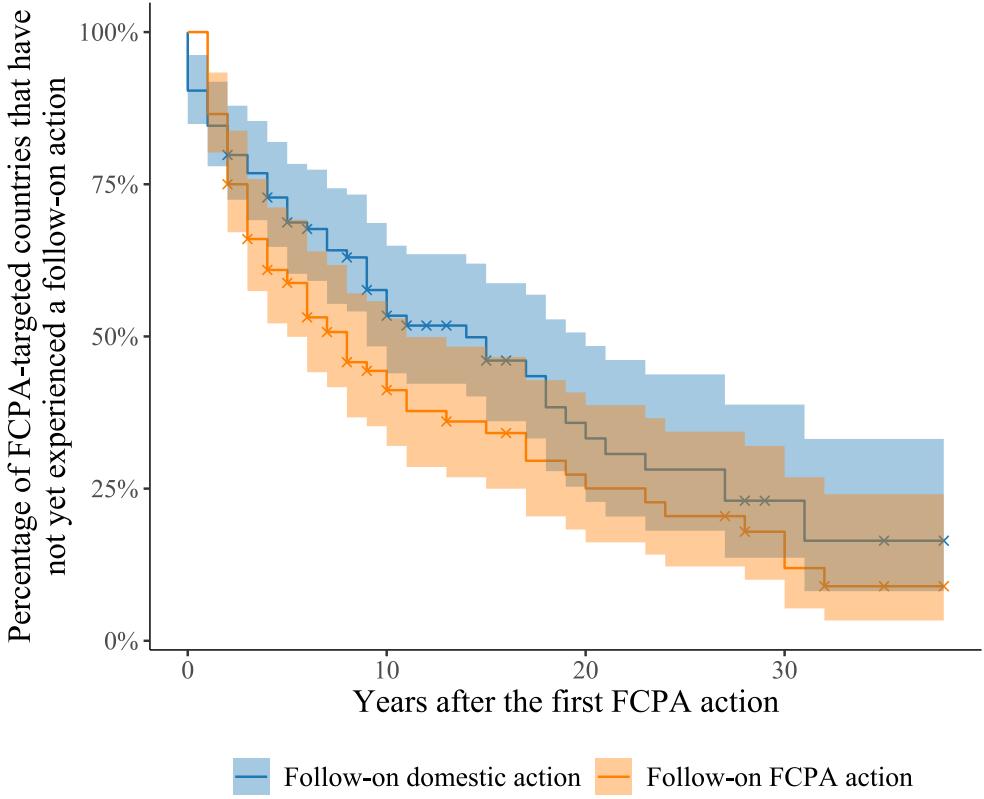
Given such broad jurisdictional latitude, how do the SEC and DOJ choose their targets? This is an important question to address in order to understand to what extent the FCPA induces fear into foreign kleptocrats. Evidence suggests that former country targets have a higher risk of being targeted again. Across quantitative studies on the determinants of FCPA cases, previous enforcement actions against a country are regularly one of the strongest predictors of *future* enforcement.<sup>8</sup> In the appendix, we replicate these analyses with our data. 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 (Table A.1).

A descriptive look at our data also confirms that an FCPA case likely induces fear of expropriation for domestic kleptocrats. In Figure 1, we plot the Kaplan-Meier<sup>9</sup> rate of survival from a follow-on FCPA case

<sup>7</sup> "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/>.

<sup>8</sup> See Tomashevskiy (2021). Crippa, Malesky, and Picci (2025) offer firm-level evidence of this.

<sup>9</sup> In Appendix Figure A.3, we repeat the analysis with a Cox proportional hazard model and covariate adjustment.



**FIGURE 1:** Kaplan-Meier survival rate of FCPA target countries from a follow-on FCPA or domestic case

for countries that have been targeted with a first FCPA action (orange line). 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 Figure A.2. FCPA actions also translate into a higher risk of domestic anti-corruption activity, albeit to a lower extent. We plot, as a blue line, the Kaplan-Meier rate of survival from a follow-on anti-corruption action initiated by *domestic* authorities. 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%. In the Appendix, we show that any FCPA action for bribery occurring in a country increases the probability that authorities of that country will start their own anti-corruption enforcement by about 0.04 (Table A.2).<sup>10</sup>

<sup>10</sup> This differs from the analysis made by Kaczmarek and Newman (2011) or Acorn and Allen (2024), who consider the effect of an FCPA action on anti-corruption enforcement by the countries who headquartered targeted firms.

What explains such rates of repetition 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, following the first. 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 obfuscate. All of these factors make it more likely that past targets will be targeted again ([Crippa, Malesky, and Picci, 2025](#)). This is echoed in the DOJ and SEC list of factors that can trigger charges: "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). The DOJ also 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 ([Yockey, 2012](#), 694). One FCPA practitioner confirms that these sweeps "... explicitly encourage companies to volunteer incriminating information about competitors ... Inevitably, industry sweeps become organic and evolve, with government investigators using information from one company as the basis for additional requests to others." ([Koehler, 2014](#), 694). Tomashevskiy's ([2021](#), 391) interviews with the DOJ further corroborate the importance of such inter-firm snitching.

Such information returns to scale from past FCPA actions exist at the level of the country of criminal offense, too. Through the investigative process, US authorities will be forced to learn a great deal about the target's business environment. Even if they were only trying to learn about the specific instance of bribery that initiated the investigation, they would likely uncover, or at least be in a position to learn, a host of other corrupt activity by the local economic elite. By investigating bribery in a jurisdiction US authorities also learn how to navigate (or coerce) the local bureaucracy and work with local authorities. Cross-country cooperation has become critical to any successful investigation. "In 2010, the former chief of the DOJ's FCPA unit stated that a priority of his while at the DOJ was 'forging relationships with foreign prosecutors and regulators who were tackling foreign bribery cases and collaborating with them' in building a network of prosecutors." ([Koehler, 2014](#), 694). In 2013, he went on to say that a critical part of their 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.” ([Koehler, 2014](#), 694). Successfully completing a case in a country, then, both increases the odds of another act of corruption being found and further increases the odds of a future victory. This combination nicely aligns with the incentives of the DOJ. 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.

Collectively, these factors are likely to condition where future FCPA cases will occur: past FCPA actions in a country are likely to be followed up by new actions in the same country. Consequently, this will affect how those new potential targets are likely to respond.

### **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 and undermine US attempts at economic coercion when there is money to be made ([Barry and Kleinberg, 2015](#); [Kavakli, Marcolongo, and Zambiasi, 2023](#)). 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 instead to buttress their existing corrupt activities and/or avoid further US coercion.

We assume that the vast majority of economic elites have some exposure to US jurisdiction in general and to the FCPA specifically given the perpetual broadening interpretation of jurisdiction. Elites raise funds through the US financial markets and invest their 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 both the real estate markets of New York and Miami and the lax tax structures of South Dakota and Wyoming to guard their wealth ([Findley, Nielson, and Sharman, 2014](#); [Michel, 2021](#)). Moreover, much of their trade, and likely corrupt activities, are denominated in the US dollar given its reserve and settlement currency status, which America repeatedly uses to extend its jurisdiction ([Cobham and Jansky, 2020](#)).

We expect that an FCPA enforcement by the US in a country alerts local elites to 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. As noted in the previous section, FCPA cases involve substantial transaction costs, which creates incentives for American authorities to build on prior knowledge when selecting future cases. Our wager is that elites are aware of these transaction costs, the potential informational spillovers, and come to fear new enforcement actions. Following an FCPA action, they recognize that they are in a more precarious position. Individuals will therefore seek out new protections and, as previous literature indicates, they may begin viewing the offshore as an important part of their response strategy. 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.*

As discussed above, the US only gained the possibility to enforce the FCPA extraterritorially after 1997, with the ratification of the ABC. We thus expect the effect of FCPA enforcement before the 1997 to induce weaker fear in foreign kleptocrats and thus yield smaller capital flights.

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

But where should foreign kleptocrats send capital? By combining weaponized interdependence and the literature on wealth protection strategies, our framework offers specific expectations.

### Offshoring Far From US Reach

Offshore financial havens differ in terms of their jurisdictional exposure to US extraterritorial coercion. Most scholarship expects elites would offshore in havens that share a bilateral tax treaty with their home state as it would maximize their incomes ([Arel-Bundock, 2017](#)). But when trying to avoid economic coercion, this 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, in fact, jurisdictional exposure creates the possibility of economic coercion ([Kalyanpur and Newman, 2019](#)). 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 ([Kaczmarek and Newman, 2011](#)).

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 tax haven cooperates with the global sheriff is all broadly public knowledge as it takes the form of international treaties. As elites are searching for means to avoid the tracking, freezing, or seizing of their wealth, they and their legal teams will actively prioritize moving money to "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 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 3 (H3).** *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/jurisdictional argument for where we expect kleptocrats would offshore their wealth, following economic coercion. Here, we derive further expectations by using a distinction commonly employed in the literature on transnational wealth protection. There is a common misconception about tax havens: the money does not always stay stagnant. [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 dense tax treaty ties, enroute to other locations. While the primary win from using the offshore world is likely to be minimizing one's tax burden, shell companies are routinely used to obfuscate the nature of one's business and work as conduit for illicit activity elsewhere. More specifically they are often used as a way to make the trail of money for a corrupt action more difficult to trace ([Findley, Nielson, and Sharman, 2014](#)). A quick scan of virtually any FCPA action will find details on how a firm used a company in a notorious island nation

to route the money they paid. Econometric evidence further backs this up. Some 397 publicly traded firms were found to be listed as using shell companies tied to corrupt activity in the Panama Papers.

The flip-side of a conduit haven is a sink: jurisdictions where money is transferred to and where it sits idle ([Garcia-Bernardo et al., 2017](#)). 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 generally stronger secrecy protections. While secrecy may prove valuable when concealing a corruption transaction, it could arguably be more valuable for protecting the gains from previous corrupt activity.

Conduits can be valuable places for corrupt activity to continue undisturbed. While FCPA enforcement in a country alerts local elites to the risks that their otherwise empowering global portfolios create, kleptocrats may not be ready to give up on corruption. In the same way as Ukrainian plutocrats made their business deals more complicated following the Orange Revolution ([Earle et al., 2019](#)), elites may take on new and more complex methods of structuring the sending and receiving of payments through jurisdictions that provide strong secrecy. In other words, their use of conduit havens should increase if their primary motive is to keep the gains from corruption flowing.

**Hypothesis 4a (H4a).** *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.*

By contrast, elites whose wealth is threatened by economic coercion (FCPA enforcement) might fear that conduits continue to 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. If coercion targets kleptocrats, these individuals might fear that conduits generate more risk than assurances. In this case, elites threatened by an FCPA action might decide to instead stash corrupt capital in foreign offshore sinks. This would enable the individual to avoid their biggest fear: losing their wealth and elite status. 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 4b (H4b).** *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. They move their 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 but using 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 combine two main data sources. First, we retrieve offshore wealth incorporation data from [Kalyanpur and Thrall \(2021\)](#). These data organize information leaked from the International Consortium of Investigative Journalists (ICIJ) on more than 275,000 offshore legal entities used by economic elites from 196 countries to incorporate their wealth in 44 offshore economies. Second, we obtain data on US FCPA enforcement from [Crippa \(2021\)](#) who also arranged information from a repository of anti-bribery textual documents<sup>11</sup> in a tabular format.

We start from the panel of 8,583 country-dyads observed over 38 years (between 1980 and 2017) from [Kalyanpur and Thrall \(2021\)](#). This dataset of directed country-dyads is composed of sender countries (*home*) where the elite’s wealth originates from and receiver offshore countries (*haven*) where such wealth is incorporated. As we are interested in extraterritorial US action, we discard observations where either the home country or the haven is the US itself. Home countries thus include a total of 195 countries and havens include the 43 offshore jurisdictions reported in the ICIJ data. Using the offshore leaks provides us a broad and quasi-random sample: as they were a result of unexpected actions by whistleblowers and civil society groups, there should be no concerns that FCPA actions impact the data availability. There are, however, inevitable limitations to the data. The releases from the ICIJ do not include specific wealth amounts and instead only report numbers of offshore incorporations. In other words, we can see how wealth structures evolve after the FCPA but not the size of the associated flows.

Our main hypotheses concerns the outflows of wealth from locations that are targeted by an FCPA

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<sup>11</sup> See: <https://www.traceinternational.org/resources-compendium>.

action, regardless of characteristics of the receiving financial haven. We thus collapse this dyadic dataset at the home country-year level ( $N = 195$  home countries  $\times 38$  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.

We obtain a series of additional dependent variables that take into account characteristics of the receiving-end of offshore flows to test hypotheses **H3**, **H4a**, and **H4b**. 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.<sup>12</sup> When confronted with the need for moving wealth offshore, elites will preferably target havens that do not cooperate with US anti-bribery actions: OECD ABC non-ratifiers. To test **H4a** and **H4b**, 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 (Garcia-Bernardo et al., 2017). 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.

We merge these variables with information on FCPA enforcement. From the global dataset on anti-bribery actions in Crippa (2021), we keep only FCPA action data. We also discard observations included in the dataset that refer to FCPA cases that were acquitted or closed with no action.<sup>13</sup> From this data, we code

<sup>12</sup> 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, Ireland, Luxembourg, the Netherlands, New Zealand, the United Kingdom, and its overseas territories (OT) and crown dependencies (CD). In Appendix Figure H.1, we exploit the staggered timing of adoption of the ABC for UK OT and CD as a further source of exogenous variation for a robustness test.

<sup>13</sup> We exclude cases reporting any of the following outcome categories: “Acquittal/Dismissal,” “Declination,” “Dropped,” “No Action.” We use these cases for a placebo test in Figure C.3.

the first year the FCPA was enforced for bribery occurring in each home country, if ever (this is the country “treatment” in our setup). In the appendix we report the treatment timing for each of the 105 countries that have been targets of an FCPA action (Figure A.1). 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).<sup>14</sup> Moreover we stress that, unlike in some sources which code the nationality of an FCPA case as that of the bribe-payer firm,<sup>15</sup> we are interested in the nationality of the bribe-taker public officials.

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 “treatment” is staggered 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 (Goodman-Bacon, 2021; Roth et al., 2023). 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 very likely no untreated country in our panel can 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. Thus, non-targets of the FCPA would constitute a poor comparison for FCPA targets in a typical difference-in-differences setting.

We obviate to this problem by applying the generalized synthetic control (GSC) method proposed by Xu (2017) to our panel. The method allows us to estimate one synthetic version of each FCPA target country, representing how the country would have looked like, absent US anti-bribery enforcement. GSC does that by

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<sup>14</sup> In the Appendix we find similar results when using FCPA Clearinghouse data (Figure E.1).

<sup>15</sup> E.g., this is the case for the *Corporate Prosecution Registry*: <https://corporate-prosecution-registry.com>.

estimating a synthetic counterfactual having an outcome variable that is as similar to the target as possible, before the treatment. This method is also robust to the problems of staggered treatments and heterogeneous effects. It uses a series of interactive fixed effects to draw on information from untreated observations and synthesize counterfactual units, using cross-validation to estimate a varying number of latent factors that best model pre-treatment unobservable features of the panel. It then averages the resulting individual treatment effects to retrieve an ATT.

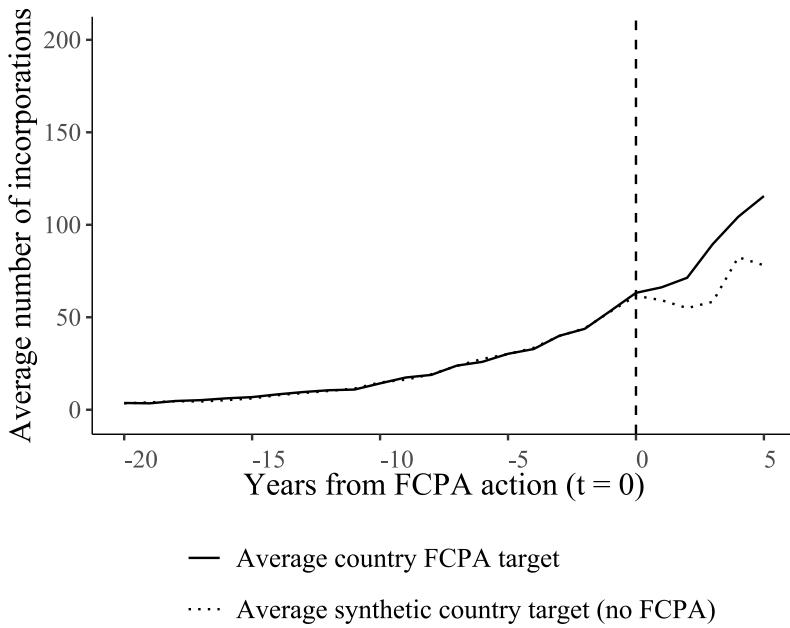
In our application of the GSC, we adopt a two-way fixed effect specification to remove all time-invariant differences between countries and country-invariant differences between years. We also include four control variables to improve the quality of the pre-treatment match: the level of democracy of a country, its GDP per capita, a V-DEM measure for whether the country has “transparent laws with predictable enforcement” ([Coppedge et al., 2023](#)), and a measure of the percentage of agreement between a given country’s voting at the UN General Assembly and the US voting ([Bailey, Strezhnev, and Voeten, 2017](#)). The latter control variable is particularly relevant to address the potential concern that geopolitical reasons simultaneously affect FCPA enforcement (see [Tomashevskiy, 2021](#)) and propensity to offshore wealth.<sup>16</sup>

## Results

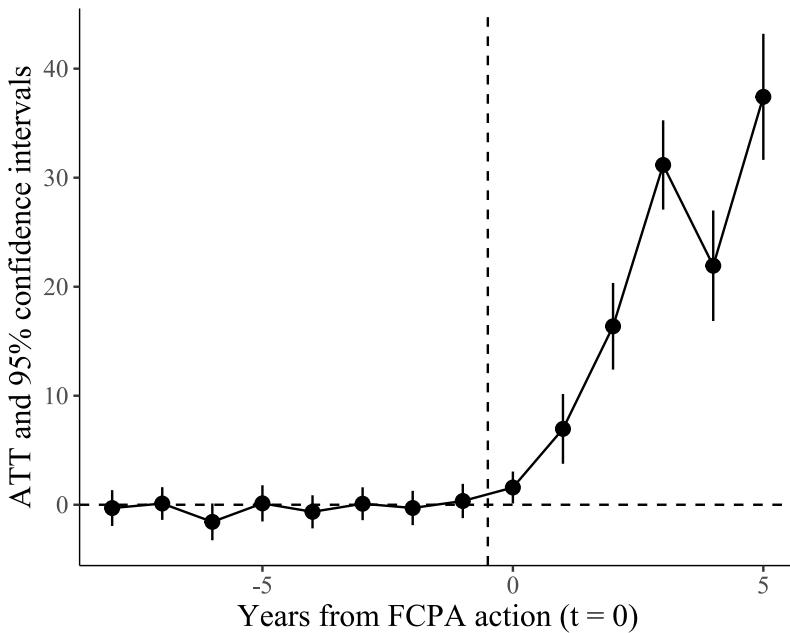
Figure 2 reports our results relative to our main dependent variable: total number of offshore wealth incorporations. We present average trends between treated and synthetic control units (top panel) as well as estimated dynamic effects (bottom). Before treatment, trends of offshore wealth incorporation 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 a staggering 48% higher than the synthetic counterfactual: on this year, the average number of outgoing offshore incorporations from FCPA targets is 115.52, i.e. there are on average 37.41 additional offshore transactions with respect to the synthetic counterfactual on the same year (78.11).

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<sup>16</sup> We also remove treated countries that do not have at least seven pre-treatment observed time-points, as this produces significantly more similar treated and synthetic counterfactuals pre-treatment. Finally, we use cross-validation to determine the optimal number of latent factors in our panel between 0 and 5. 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 bootstrap iterations.



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

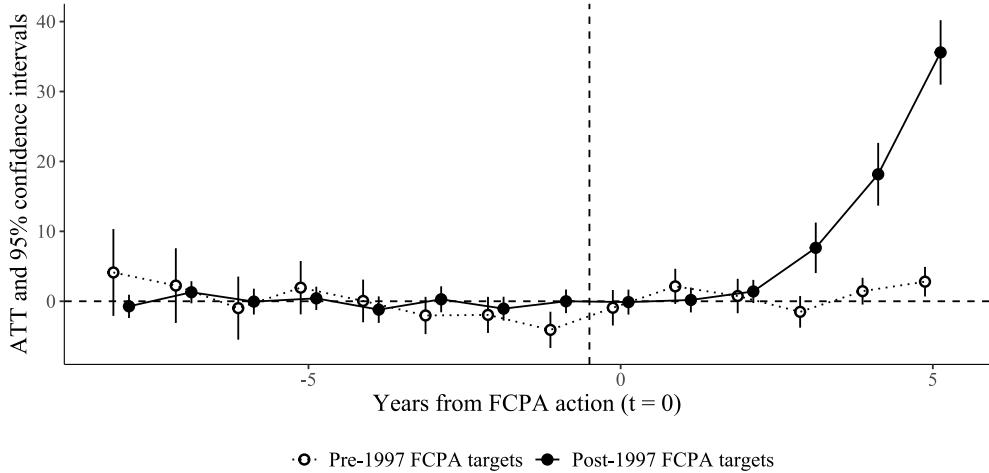


(b) Average effect of an FCPA action on target countries' offshore wealth incorporations

**FIGURE 2:** The number of offshore wealth incorporations increases by 48% in five years over the (synthetic) counterfactual after the first US FCPA action. Results from a generalized synthetic control method from [Xu \(2017\)](#).

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). Elites see themselves as potentially coming under attack from the US. By contrast, when we *only* analyze unsuccessful FCPA cases (those that are reported as an “Acquittal/Dismissal,” “Declination,” “Dropped,” or “No Action”), we find no effects on offshore incorporations (Figure C.3). In the absence of regulators building up potential returns to scale with enforcement, elites do not expect to need to alter their behavior.

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 aggregate results from Figure 2 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 3 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 3:** The number of offshore wealth incorporations increases more significantly for countries receiving their first FCPA action after 1997. Results aggregate individual estimates from Figure 2.

These findings support two key predictions from our argument. The 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, consistently with the logic of weaponized interdependence (Kalyanpur and Newman, 2019). 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 (Brewster, 2017; Kaczmarek and Newman, 2011).

In the appendix, we extensively test the robustness of our findings. We show that results are very similar when we do not include any covariate adjustment and just employ the outcome variable to determine synthetic counterfactuals. Next, we perform two placebo tests: 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; and another where we use dropped FCPA cases to determine the treatment assignment schedule. Second, we estimate ATTs using seven alternative staggered-treatment estimators,<sup>17</sup> PanelMatch (Imai, Kim, and Wang, 2023), and a matrix completion method for estimating a fixed effects counterfactual model (Liu, Wang, and Xu, 2024). Next, we probe the validity of our coding of the FCPA treatment schedule. We validate our results when using Stanford FCPA Clearinghouse enforcement data. Finally, we perform a jackknife analysis to leave one haven out each time and show that our findings are not significantly driven by any single haven. Even if we exclude the three havens which are responsible for most of the detected effect (Bermuda, British Virgin Islands, and Malta), our estimates are still positive and statistically significant.

## Where to Hide Money?

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

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<sup>17</sup> We use estimators 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) alongside a traditional TWFE.

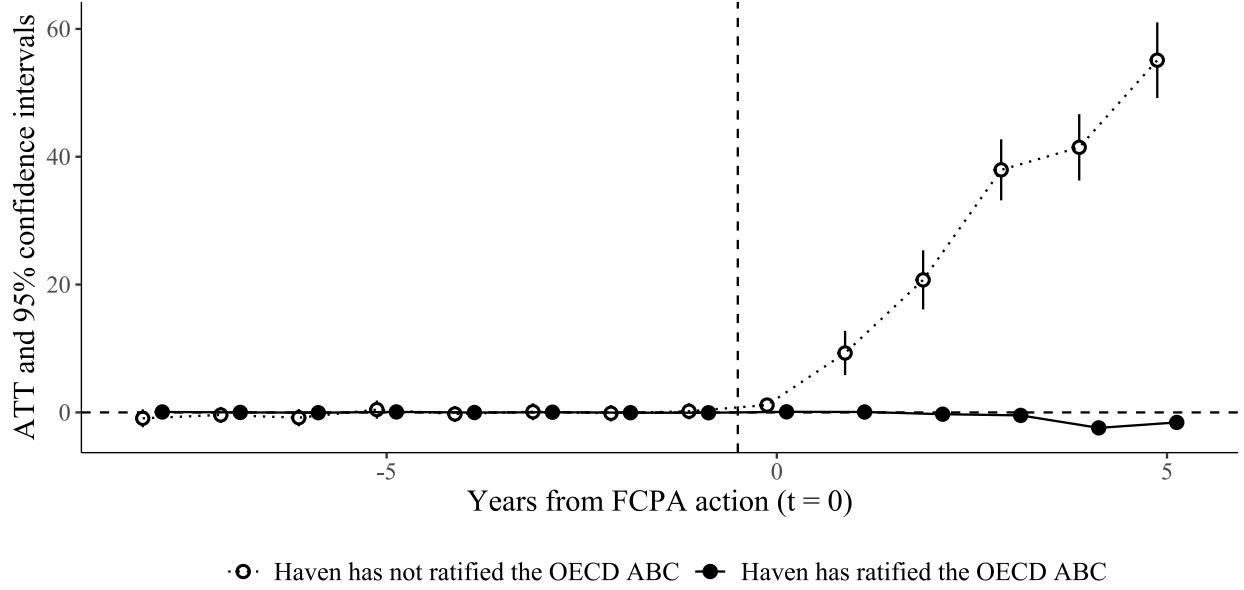
tionally as distant from the enforcement threat (the US) as possible. We provide evidence for this hypothesis (**H3**) primarily by leveraging the fact that havens under the OECD ABC are more at risk of future FCPA actions.

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 (Cooley and Sharman, 2017). 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.<sup>18</sup> We consider this staggered timing to code whether the OECD ABC extends to UK overseas territories and crown dependencies.

Figure 4 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 trend. 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 the appendix, we offer tests to probe the robustness of this heterogeneous effect. Our argument on the ABC heterogeneous effect builds on the weaponized interdependence idea that jurisdictional expansion favors economic coercion (Kalyanpur and Newman, 2019). But other anti-bribery fear factors might make havens more or less appealing for kleptocrats attempting to conceal corrupt deals. Rather than distinguishing

<sup>18</sup> 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 4:** 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. Results from a generalized synthetic control method from [Xu \(2017\)](#).

between havens that have and have not ratified the OECD ABC, we categorize havens based on whether, at a given point in time, 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. We also stress that this group of havens overlaps minimally with OECD ABC signatories.<sup>19</sup> 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, consistently with our logic. We also perform a test focusing only on havens under the UK jurisdiction (crown dependencies or overseas 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 those crown dependencies and overseas territories that are *outside* of the ABC remit. We, then, test a further alternative explanation: that non-ABC havens also

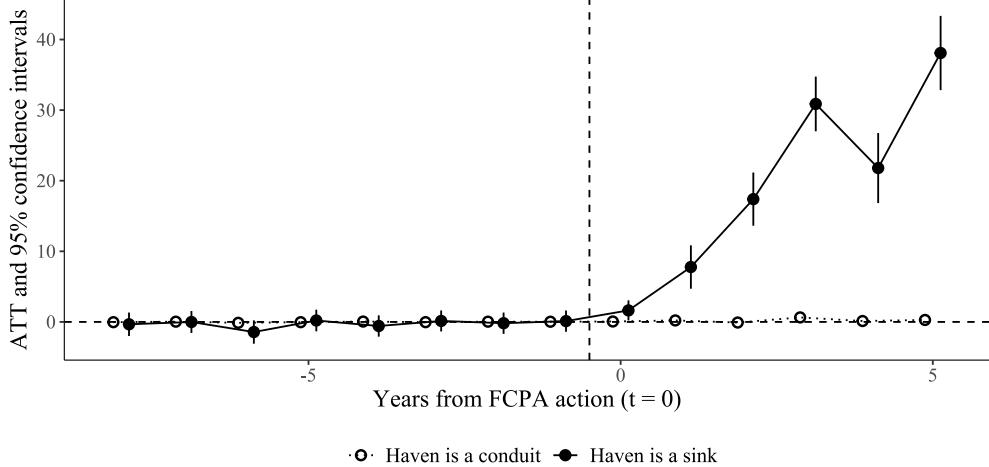
<sup>19</sup> Out of 43 havens in our data, 21 were never subject to an FCPA action nor have they ever ratified the OECD ABC; 3 have experienced both; off the diagonal, we have 11 havens that have been target of an FCPA action at least once but have not ratified the OECD ABC and 8 havens that have ratified the OECD ABC without ever being target of the FCPA.

offer low financial supervision, which could make them attractive regardless of their ABC status ([Cilizoglu and Estancona, 2025](#)). 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 creation of new corruption conduits or wealth preservation via sinks). We replicate our analysis using our counts of offshore incorporations towards conduits and sinks in Figure 5. 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 **H4b** and 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 preserving kleptocrats' existing wealth out of reach of US prosecutors. In appendix, 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 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.

## 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



**FIGURE 5:** The number of offshore wealth incorporation transactions increases, after the first US FCPA action, only towards havens that are classified as ‘sink’ (not towards ‘conduits’). Results from a generalized synthetic control method from [Xu \(2017\)](#).

to protect their wealth while in other instances elites effectively 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 any potential fears inflicted by the hegemon.

When the United States 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. While the data does not allow us to directly measure the size of the flows, FCPA enforcement substantively impacts the structures of global wealth protection: transfers appear to be less concerned with maintaining the corrupt deals that elites often use to grow their incomes and instead focused on keeping wealth out of the reach of the “global sheriff.” The findings indicate that scholars need to begin incorporating concerns around extraterritorial action into our core models of political economy, especially under conditions where the demands of one’s home government and that of the United States may diverge.

This paper takes inspiration from the development of the research agenda on tax havens. While schol-

ars initially focused on why some states choose to facilitate avoidance and evasion (Crasnic, 2022; Palan, 2002), a reciprocal literature focuses on the demand-side, i.e., why do elites from some countries move their money abroad more frequently, how do they choose their enablers, and, most recently, what are the domestic political determinants of an individual's wealth structure (Earle et al., 2019; Kalyanpur and Thrall, 2021; Kubinec, Morse, and Pandya, 2023). 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 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. At one-level our findings are encouraging: financial flows do not appear to be targeted at havens that are frequently used to route and conceal illicit flows. More damaging, 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. This "leakage" has received important recent attention on bribery at the domestic level (Chapman et al., 2021), but we provide a complementary transnational pathway driving wealth protection rather than income generation. The obvious but optimistic solution is for states to take a more multilateral approach. Assuming the US continues its extraterritorial endeavors—which seems to be the way forward under the current Trump administration albeit under stronger possible weaponization (Crippa, Malesky, and Picci, 2025)—an alternative method to curtail the gains and use of safe havens would be for the DOJ and the SEC to expand its range of proceedings. Rather than investigate repeated instances of corruption in the same jurisdiction, they could investigate bribery with ties to havens that have yet to come under their scrutiny.

Most importantly, the paper has critical implications for understanding US economic coercion. The results indicate that rather than heading into an era of de-globalization, elites have already been charting a path of re-globalization that subverts the economics 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 reach of the dollar may be curtailed by how elites are responding to its weaponization.

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# American Economic Coercion and Elite Re-Globalization

## SUPPLEMENTARY MATERIALS

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## A Description and determinants of FCPA enforcement

### A.1 FCPA actions: treatment schedules and cohorts

Figure A.1 reports the first year of enforcement of an FCPA action for corruption occurring in a given country. A dashed vertical line indicates the adoption of the OECD Anti-Bribery Convention (1997).

### 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*. To remove country and year idiosyncrasies, we fit fixed effects at these levels. Standard errors are clustered at the country level.

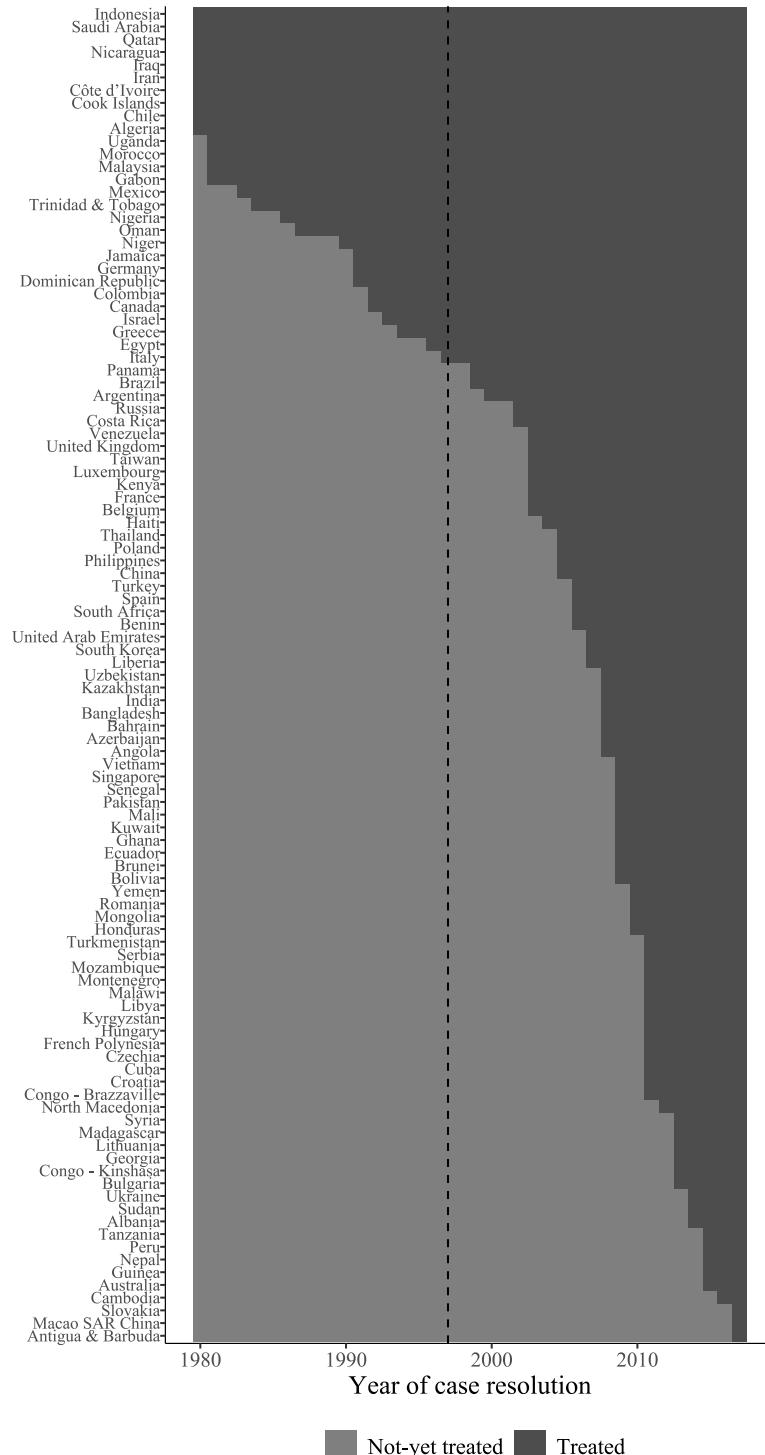
Results, presented in Table A.1 show that the number of past FCPA cases is constantly a significant and positive determinant of a new FCPA case. Any past FCPA case experienced by a country increases the probability of a future, new FCPA case by about 0.10. This is a substantive effect unmatched by any of the other determinants *including the level of corruption*. That is: 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.

### 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 generates 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.

### A.4 Repeated FCPA enforcement in a target country

In Figure A.2 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. And so on. As discussed in the main text, this is because 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.



**FIGURE A.1:** 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 \(2021\)](#).

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

	Outcome: FCPA case (binary)					
	(1)	(2)	(3)	(4)	(5)	(6)
Previous FCPA cases (count)	0.101*** (0.005)	0.100*** (0.006)	0.100*** (0.006)	0.100*** (0.006)	0.100*** (0.006)	0.114*** (0.006)
GDP (US\$, trillions)		0.003 (0.009)	0.005 (0.008)	0.006 (0.008)	0.005 (0.008)	0.009 (0.011)
FDI (US\$, trillions)			-0.043 (0.147)	-0.043 (0.147)	-0.048 (0.154)	-0.094 (0.131)
Corruption (V-DEM)				0.001 (0.028)	0.008 (0.028)	0.041 (0.027)
Agreement with US (UNGA)					0.003 (0.048)	0.010 (0.044)
Democracy						-0.002 (0.009)
Num.Obs.	7410	6433	5916	5340	5188	4892
R2	0.351	0.348	0.349	0.352	0.352	0.345
R2 Adj.	0.330	0.325	0.325	0.327	0.328	0.319
Std.Errors	by: country	by: country	by: country	by: country	by: country	by: country
FE: country	X	X	X	X	X	X
FE: year	X	X	X	X	X	X

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

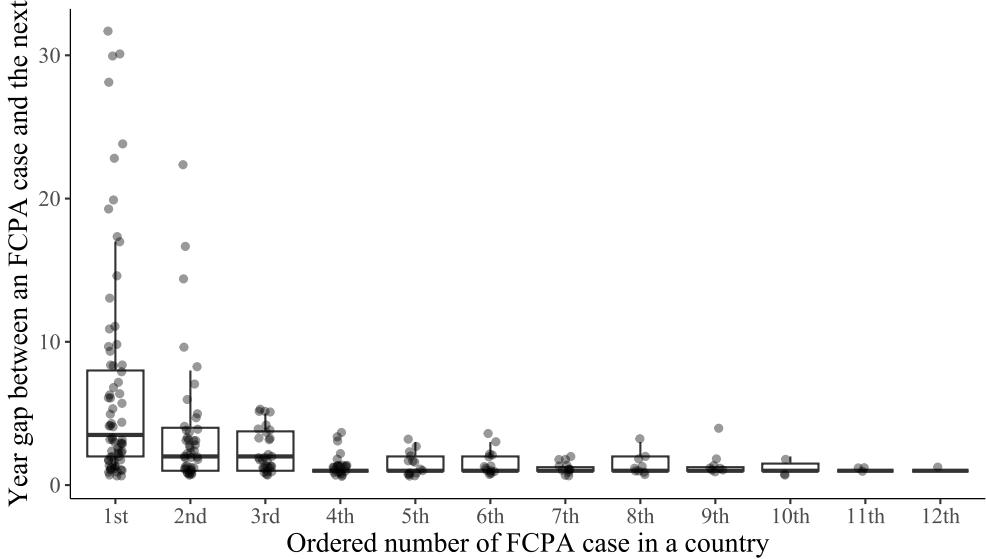
The considered dataset is a balanced panel of country-year observations extending from 1980 to 2017. Linear models estimated with ordinary least squares and fixed effects at the country and year-levels. Outcome variable is a binary for whether a new FCPA case is enforced for corruption occurring in a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

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

	Outcome: Domestic anti-bribery case (binary)					
	(1)	(2)	(3)	(4)	(5)	(6)
Previous FCPA cases (count)	0.052*** (0.008)	0.045*** (0.009)	0.045*** (0.009)	0.043*** (0.009)	0.044*** (0.009)	0.040*** (0.010)
GDP (US\$, trillions)		0.052** (0.020)	0.052* (0.021)	0.053** (0.020)	0.052** (0.020)	0.064* (0.025)
FDI (US\$, trillions)			-0.042 (0.175)	-0.063 (0.174)	-0.080 (0.172)	-0.035 (0.161)
Corruption (V-DEM)				-0.043 (0.038)	-0.028 (0.038)	-0.020 (0.036)
Agreement with US (UNGA)					0.145+ (0.081)	0.130 (0.079)
Democracy						0.004 (0.008)
Num.Obs.	7410	6433	5916	5340	5188	4892
R2	0.235	0.243	0.247	0.249	0.257	0.241
R2 Adj.	0.210	0.216	0.219	0.221	0.229	0.210
Std.Errors	by: country	by: country	by: country	by: country	by: country	by: country
FE: country	X	X	X	X	X	X
FE: year	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.



**FIGURE A.2:** Year gap between an FCPA case for corruption occurring in a country and the next

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

In Figure A.3, we replicate our Kaplan-Meier descriptive analysis of Figure 1 but draw the survival curves from a Cox Proportional Hazard model where we control for all covariates included in the most complete models of Tables A.1 and A.2 (*GDP*, *FDI*, *Corruption*, *Agreement with US*, and *Democracy*). We find lower survival rates to those described in the main text at 5 and 10 years from the first FCPA action, when adding these control variables. When holding constant those covariates, the percentage of survival from a follow-on FCPA action is at 55% after five years of the first FCPA action and is only 34% after ten years. When looking at domestic follow-on actions, five and ten years survival percentages are 59% and 39%, respectively, from these Cox Proportional Hazard models with covariate adjustment.

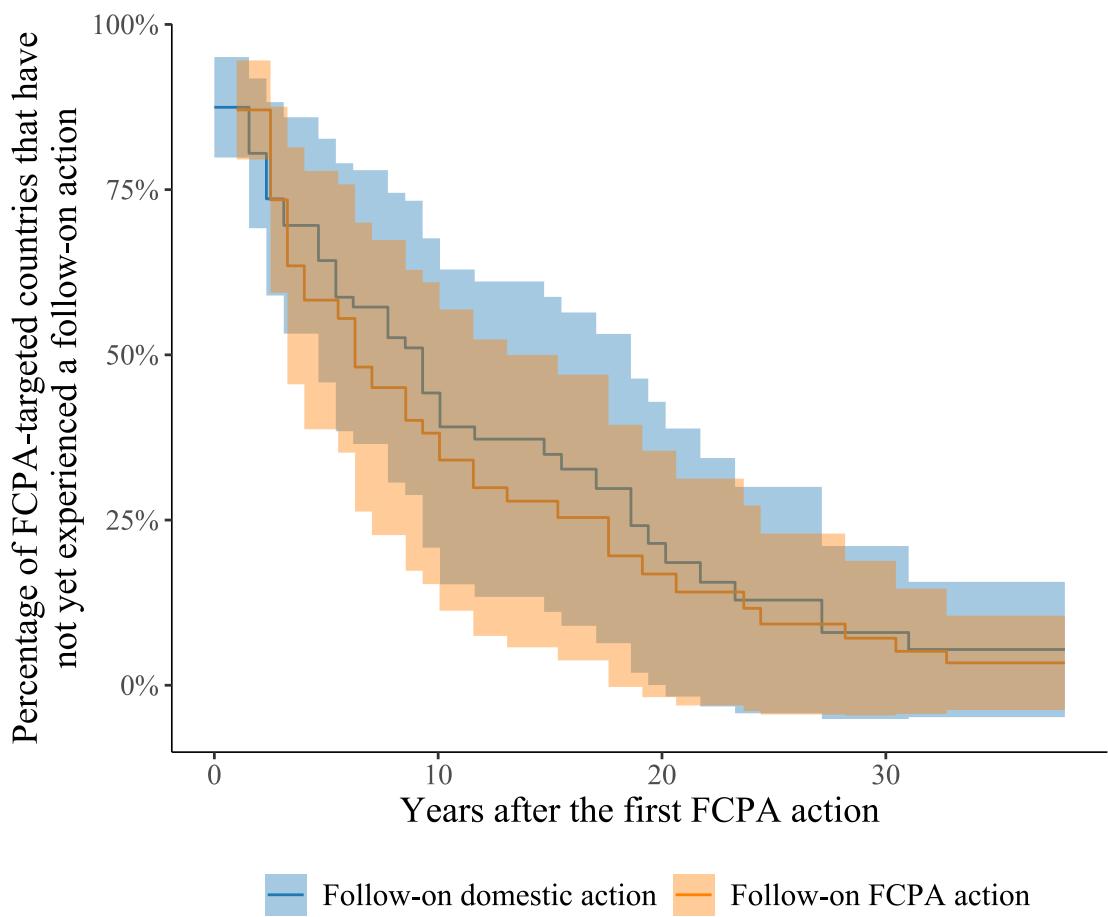
### B No covariate adjustment

We show that our results are robust to the exclusion of the four covariates employed to synthesize counterfactuals. When we replicate the main procedure followed in Figure 2 without covariate adjustment, we obtain the very similar (albeit slightly noisier) results reported in Figure B.1.

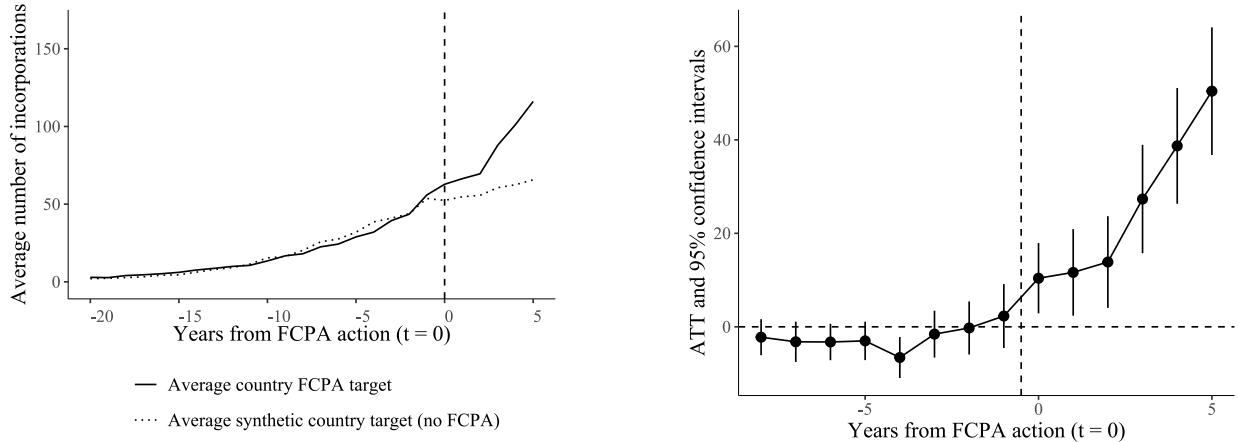
### C Placebos

#### C.1 Randomized treatment assignment schedule

We perform a placebo test for our generalized synthetic control design. We randomly shuffle the treatment status (and timing) of countries included in our main analysis. Figure C.1 reports 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



**FIGURE A.3:** Cox Proportional Hazard survival rate of FCPA target countries from a follow-on FCPA or domestic case



**FIGURE B.1:** The effect of FCPA actions on offshore wealth incorporations, results without covariate adjustment. Results from a generalized synthetic control method from [Xu \(2017\)](#).

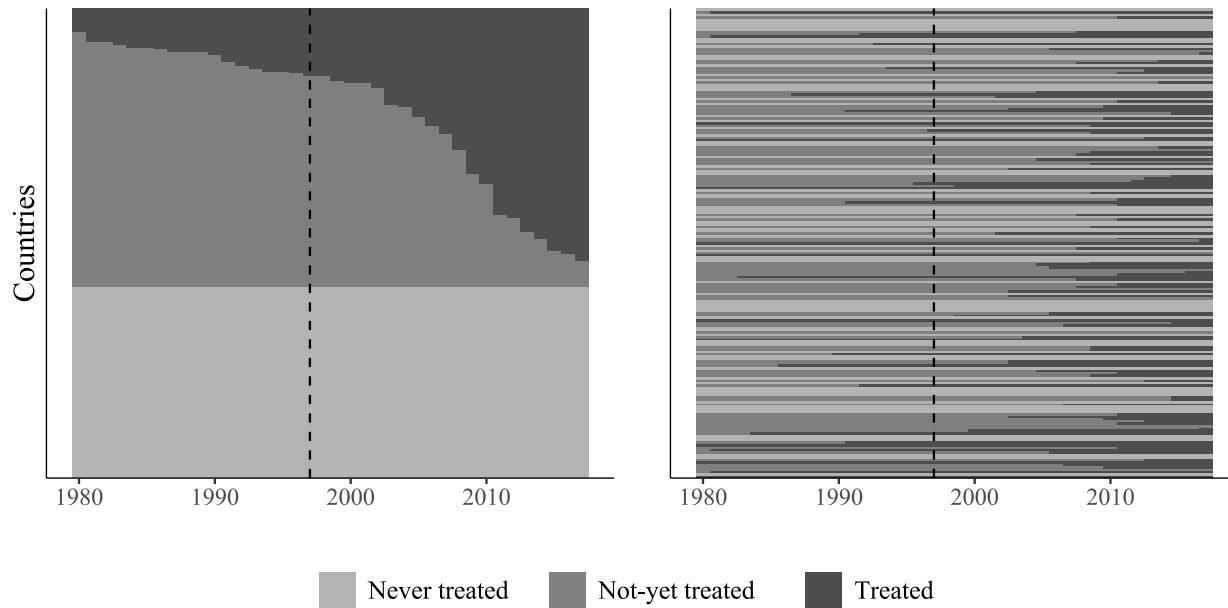
timing. This panel maintains the ordering of countries as in the left panel, to allow a comparison between the real and the placebo treatment assignments. Various countries that are, in reality, treated end up in the never-treated group in the right panel (and vice-versa). Many countries that are treated 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 C.2 reports our placebo findings, where we use the placebo data to replicate the same procedure presented in Figure 2. 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 if not for a very small *negative* trend in the post-treatment years. These confused and 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.

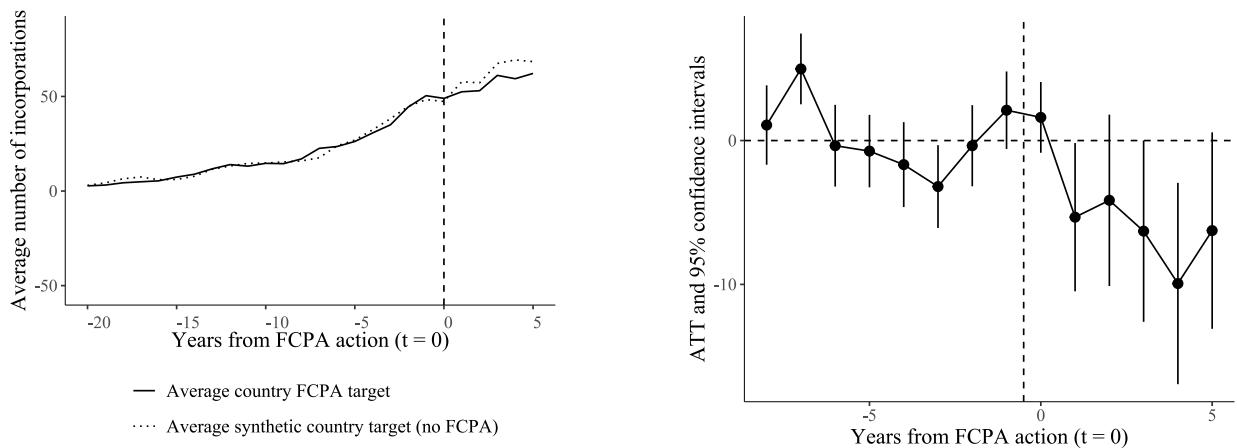
## C.2 Results from unsuccessful cases

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 again the FCPA in the future. In other words, the FCPA-caused fear factor does not ignite.

In Figure C.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

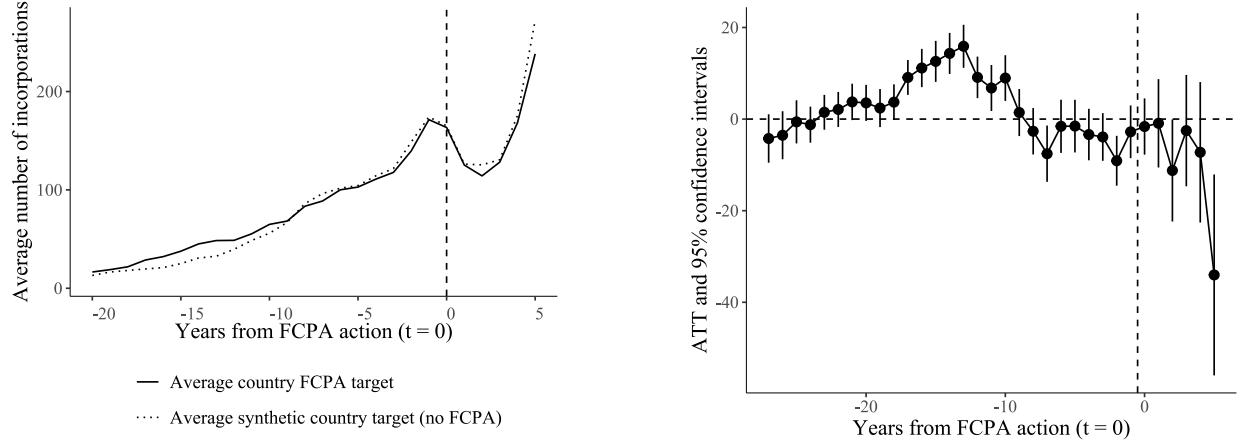


**FIGURE C.1:** The left panel of this figure reports the real treatment status and treatment timing of countries subject to an FCPA action. The right panel reports the treatment schedule for our placebo test, where status and timing have been assigned at random. The dashed line reports the year of entry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



**FIGURE C.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 \(2017\)](#).

costs still loom large.



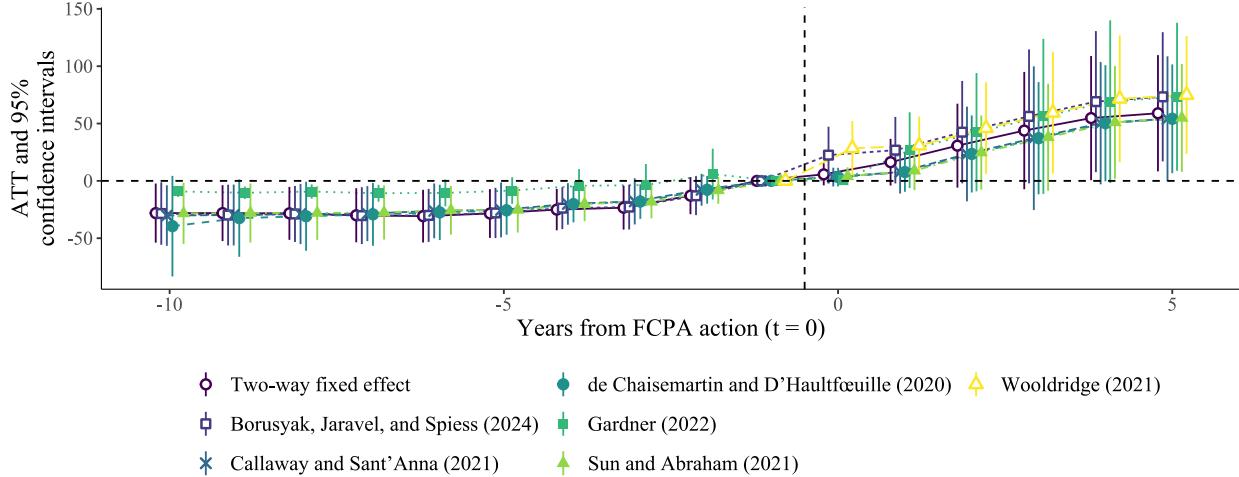
**FIGURE C.3:** Placebo test for the effect of unsuccessful FCPA actions on offshore wealth incorporations. Results from a generalized synthetic control method from [Xu \(2017\)](#)

## D Alternative estimators

### D.1 Staggered difference-in-differences estimators

Figure D.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 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.

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).



**FIGURE D.1:** The effect of the first US FCPA action on the number of offshore wealth incorporations. Results from two-way fixed effect and estimators from [Borusyak, Jaravel, and Spiess \(2024\)](#), [Callaway and Sant'Anna \(2021\)](#), [De Chaisemartin and d'Haultfoeuille \(2020\)](#), [Gardner \(2022\)](#), [Sun and Abraham \(2021\)](#), and [Wooldridge \(2021\)](#).

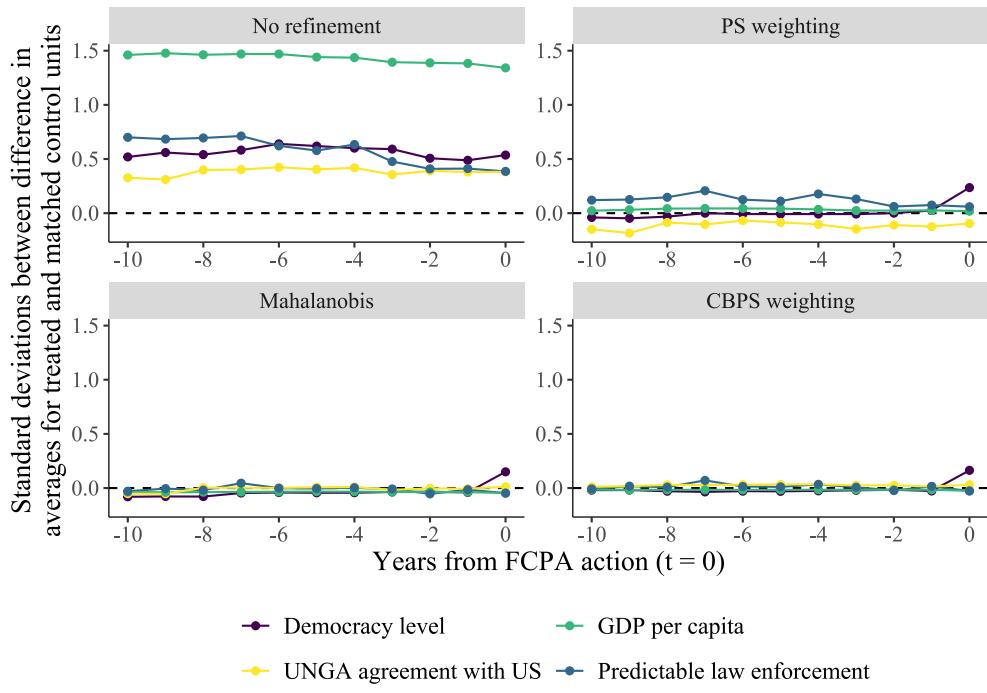
## D.2 Estimates from PanelMatch ([Imai, Kim, and Wang, 2023](#))

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.

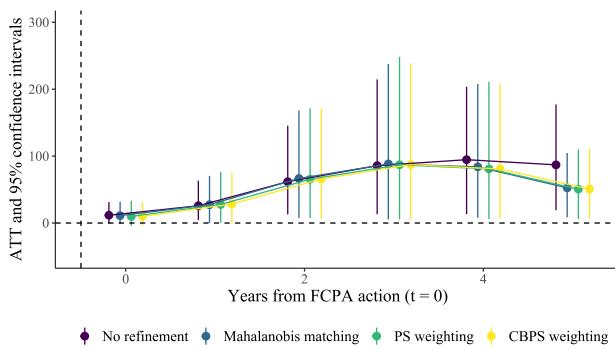
We create four PanelMatch groups. First, we impose no refinement method. That is, we feed all untreated units into the control group for the estimation. This is useful to illustrate the imbalance in covariates before treatment which motivates diverging pre-treatment trends illustrated in Figure D.1 and serves as a baseline for other adjustment methods. Second, we perform propensity score (PS) weighting on the four covariates which we also feed into our GSC estimation. Third, we perform Mahalanobis distance matching on the same covariates. Finally, we perform covariate-balancing propensity score (CBPS) weighting ([Imai and Ratkovic, 2014](#)) on the same four variables. For all our matching procedures, we consider a lag of ten years before the treatment and match units based on the four covariates and the corresponding full matrix of ten-year lags. For Mahalanobis, we match 10 control units for each treated one.

Figure D.2 reports the number of standard deviations between the over-time averages of these four 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, and with stronger geopolitical alignment to the US than control units. All three refinement methods significantly reduce such differences, however Mahalanobis and CBPS weighting matching achieve comparatively more balanced sets.

We report our PanelMatch estimates in Figure D.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 D.2:** PanelMatch estimation. 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.



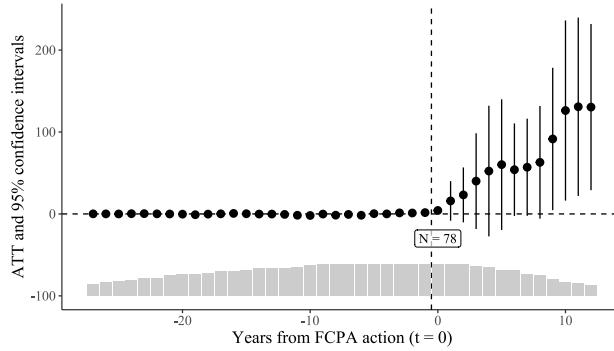
**FIGURE D.3:** PanelMatch estimation. Estimates obtained with no refinement; with propensity score weighting; with Mahalanobis distance; and with covariate-balancing propensity score weighting.

### D.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 four covariates used in the main analysis.

Figure D.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.



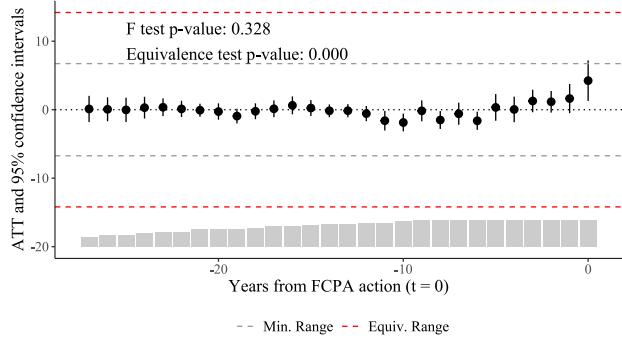
**FIGURE D.4:** The effect of the first US FCPA action on the number of offshore wealth incorporations. Results from a fixed effect counterfactual estimation using matrix completion (Liu, Wang, and Xu, 2024).

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 D.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 ( $p = 0.328$ ), 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 D.5. Both tests suggest that, here, pre-treatment trends are negligible and not strong enough to invalidate our post-treatment results.

### E Validation of treatment data by Crippa (2021)

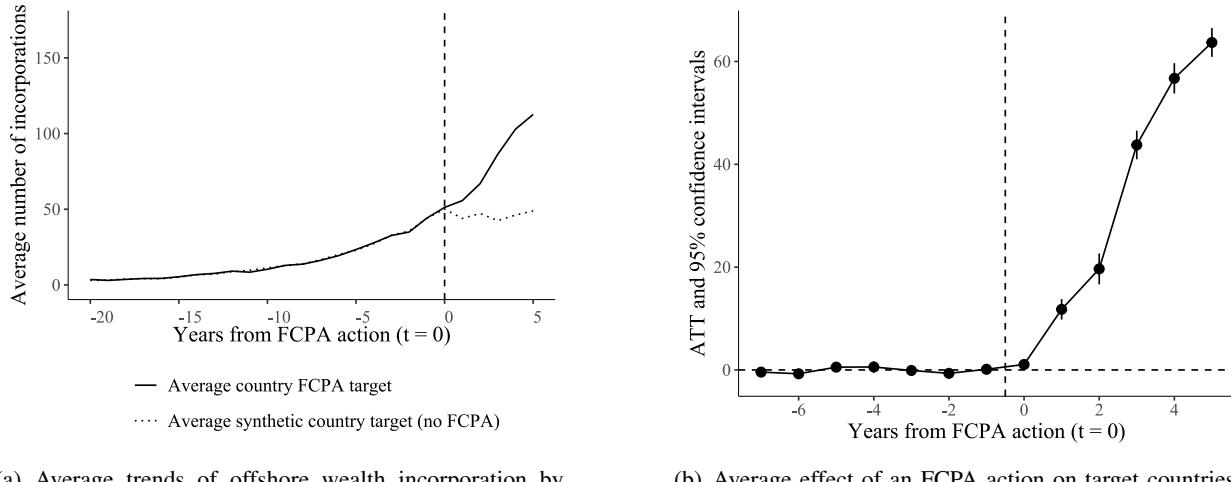
Here, we probe the validity of treatment data from Crippa (2021). We show that we can obtain similar results when using data from the Stanford FCPA Clearinghouse (FCPAC)<sup>20</sup> to determine the treatment schedule. The two sources differ because the FCPAC is somehow more conservative in its coding choices. It considers

<sup>20</sup> See: <https://fcpa.stanford.edu/enforcement-actions.html>.



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

as enforcement actions exclusively proceedings that allege explicitly a violation of the FCPA or that are 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.”<sup>21</sup> 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.<sup>22</sup> When we repeat the procedure adopted in our main analysis, considering the FCPAC treatment schedule, we obtain results in Figure E.1, very similar to the ones in our main text.



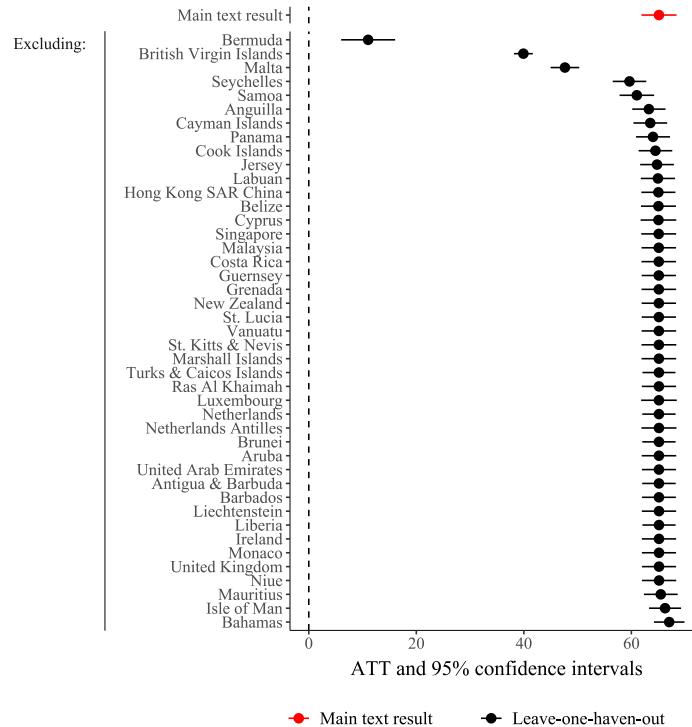
**FIGURE E.1:** The number of offshore wealth incorporations increases after the first US FCPA action. Results from a generalized synthetic control method from Xu (2017) using FCPA enforcement data from the Stanford FCPA Clearinghouse.

<sup>21</sup> See: <https://fcpa.stanford.edu/about-the-fcpac.html>.

<sup>22</sup> See: <https://www.traceinternational.org/resources-compendium>.

## F Haven jackknife results

### F.1 Leave-one-haven-out

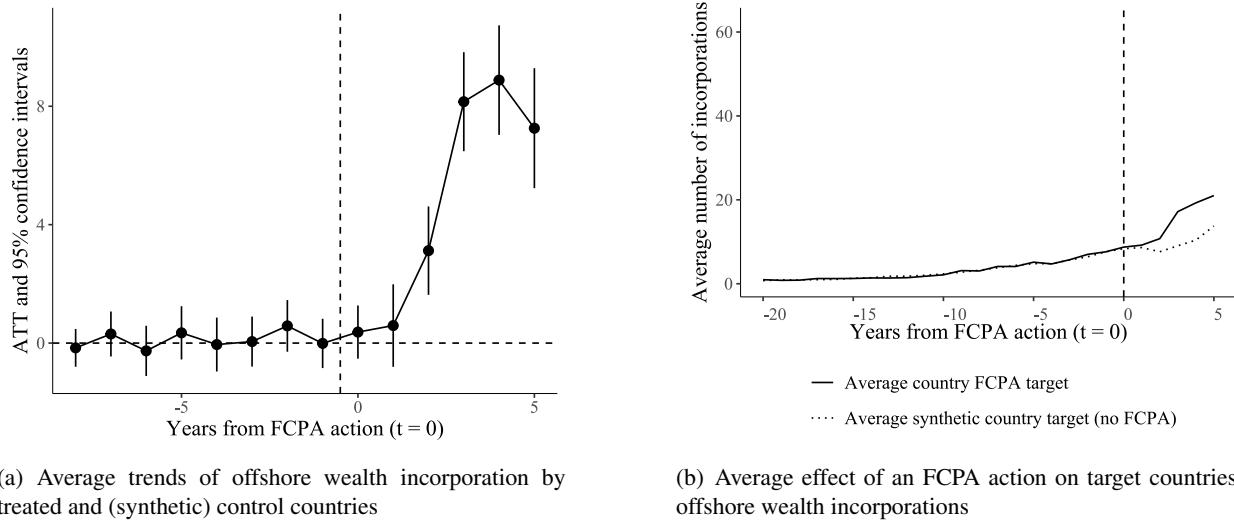


**FIGURE F.1:** Results from the generalized synthetic control method from Xu (2017) after excluding one haven at the time and re-computing the dependent variable for the number of outgoing offshore wealth incorporations.

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 F.1 reports the overall ATTs from this jackknife exercise alongside the ATT from our main analysis of Figure 2. Although excluding some havens (namely Bermuda, the British Virgin Islands, and Malta) 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.

### F.2 Leave-top-three-havens-out

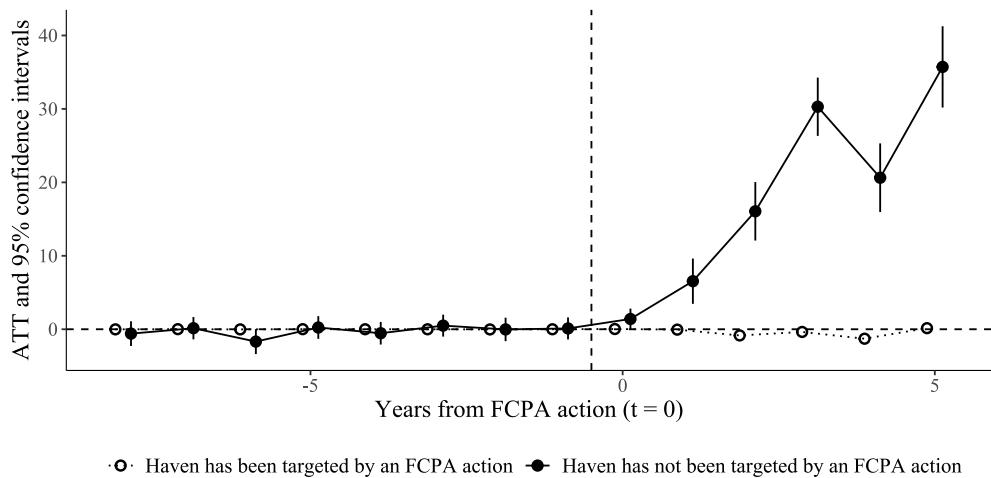
To complement the previous robustness check, we exclude from the data all top-three havens that, as indicated by the previous exercise, drive most of the estimated effect. We then re-compute our dependent variable for the number of outgoing offshore wealth incorporations and re-estimate our ATTs by means of the same GSC of our main text. Results, reported in Figure F.2, 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



**FIGURE F.2:** Estimates when excluding offshore transactions directed towards Bermuda, British Virgin Islands, and Malta. Results from a generalized synthetic control method from [Xu \(2017\)](#).

positive and statistically significant.

## G Havens subject to FCPA actions



**FIGURE G.1:** The number of offshore wealth incorporations increases more significantly towards havens that have not been involved in an FCPA action in the past, than towards havens that have been FCPA targets. 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

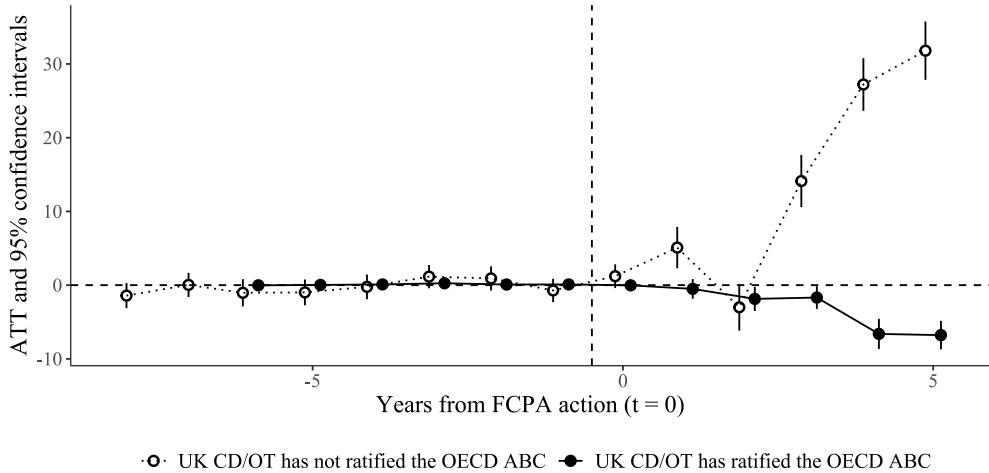
then replicate our analysis using these two variables. We report our findings in Figure G.1. Elites in countries that are targets of FCPA actions offshore their wealth significantly more towards havens that have not been targets of an FCPA action themselves rather than those that have. Differences in these effects are statistically significant at a 0.05 conventional level of significance.

## H Exploit variation in ABC adoption for UK 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). 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 number of offshore wealth incorporations increases more significantly towards UK crown dependencies and overseas territories that have not ratified the OECD ABC, than towards those that have ratified the agreement. Results from a generalized synthetic control method from [Xu \(2017\)](#).

## I 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 classification<sup>23</sup> 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.

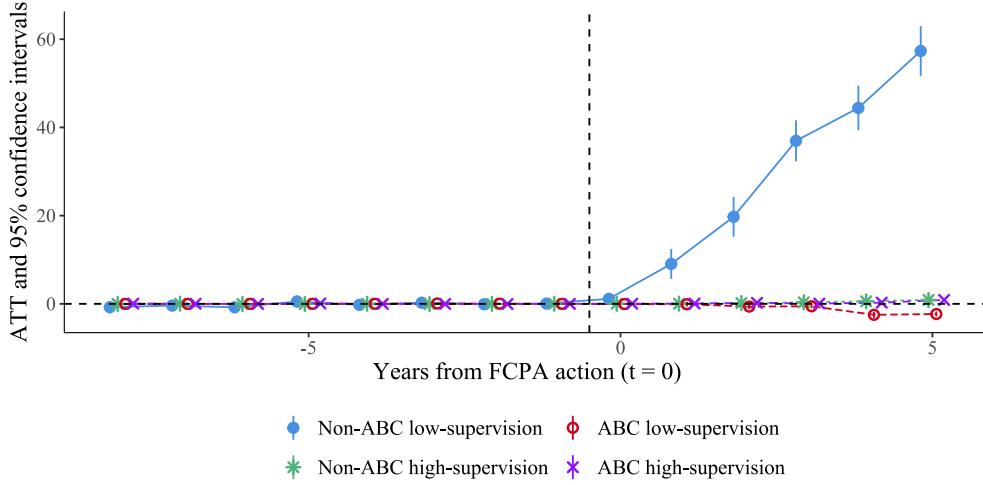
For each country, we thus compute the number of offshore incorporations directed towards four possible groups of havens: 1) low-supervision non-ABC signatories; 2) low-supervision ABC signatories; 3) high-supervision non-ABC signatories; and 4) high-supervision ABC signatories. We then replicate our 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 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.

## J 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](#)).

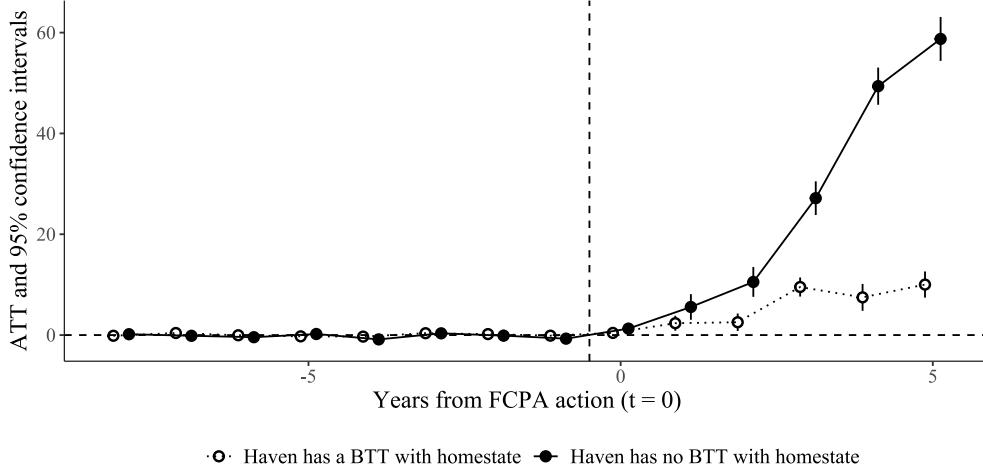
We thus repeat our GSC analysis on two count variables measuring the number of outflows financial

<sup>23</sup> See: <https://www.imf.org/external/np/mae/oshore/2000/eng/back.htm>.



**FIGURE I.1:** The number of offshore wealth incorporation transactions increases, after the first US FCPA action, only towards low-supervision non-ABC signatory havens. It decreases towards low-supervision havens that are in the ABC. Results from a generalized synthetic control method from [Xu \(2017\)](#).

incorporations towards havens that do or do not have a BTT with the home state. Results, in Figure J.1, 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 J.1:** The number of offshore wealth incorporation transactions increases, after the first US FCPA action, only towards havens that do not have a BTT with the homestate. Results from a generalized synthetic control method from [Xu \(2017\)](#).