

The Causes of Compliance in International Relations:
Evidence from a Field Experiment on Financial Transparency*

Michael Findley,[†] Daniel Nielson,[†] and Jason Sharman[‡]

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[†]Department of Political Science
Brigham Young University
mikefindley@byu.edu
dan_nielson@byu.edu

[‡]Centre for Governance and Public Policy
Griffith University
j.sharman@griffith.edu.au

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Abstract

Observational studies of compliance with international law have produced mixed findings and been plagued by methodological challenges that might be addressed through random assignment to treatment and control groups. But potential field experiments manipulating sovereign governments would likely prove both impractical and unethical. In many IR realms, however, the actors who comply or not with international standards are ordinary firms and citizens, who can be studied ethically and practically using field experiments. The present study examines compliance with international standards that require full identity disclosure when incorporating a business. Without such disclosure, individuals are able to form anonymous “shell” corporations that can hide corruption, organized crime, and the financing of terrorism. Thus, this particular area of IR, while not focused directly on the behavior of national governments, nonetheless proves important globally. We assess the causes of compliance with international financial transparency standards through random assignment of incorporation services – firms that specialize in setting up companies – to a variety of treatment and control conditions. We create two samples of incorporation services providers, one consisting solely of U.S. providers and one of service providers from over 140 countries. Using aliases and posing as consultants seeking incorporation, we vary the information given to incorporation services regarding commitment to international transparency standards, along with associated mechanisms of enforcement. We also vary the requester’s rationale for raising international law: concern for legal consequences, as in rationalism, vs. an interest in behaving appropriately, à la constructivism. We finally invoke suspicions of terrorist activity or corrupt intentions. This allows us to assess the causal effects of information about international law on incorporation services’ decision to require or not documents that fully disclose the identity of applicants.

Introduction

In 2002 the government of Kenya invited bids to replace its antiquated passport system. A French firm privately bid €6 million, but the Kenyan government secretly awarded the contract to a British firm, Anglo-Leasing Finance, which had tendered €30 million. Upon the acceptance of its bid, Anglo-Leasing promptly subcontracted the work to its French competitor for €6 million. A low-level government official leaked word of the transaction to the press, which provoked great public outcry and recriminations in both Britain and Kenya. Upon scrutiny, it turned out that the contracting firm, Anglo-Leasing, was merely a postal address in Liverpool; it was an anonymous “shell” corporation. The investigation effectively stopped when the identities of the corporation’s owners could not be uncovered and despite international standards that all companies should be able to be traced to the real person in control. Dubbed “Anglo-Fleecing” by the press, this scandal provides merely one of many possible anecdotes underscoring the harm engendered by the lack of financial transparency and the non-compliance with international standards of disclosure (Wrong 2009; Kenya National Audit Office 2006).

Such provocative stories prompt inquiry into the causes of adherence to international agreements – and specifically to the standards requiring identity disclosure when forming companies – to which nearly every country has agreed. Appropriately, the general subject of compliance has received prominent scholarly attention (see Chayes and Chayes 1993; Downs, et al. 1996; Simmons 2000; Raustiala and Slaughter 2002). These studies suggest some conditions under which international compliance is more or less likely, including accession to international agreements and regional proximity to other complying countries (Simmons 2000). It may also be the case that treaty commitments are endogenous to compliance, however, and thus subject to strong selection effects (Downs, et al. 1996; Simmons 1998; Von Stein 2005). Like many observational studies, prior research on compliance suffers from important limitations: analysts cannot assess the effects of unobservable

factors that lead to selection effects and in other ways confound attempts to credibly establish causality (see Von Stein 2005).

Other fields have addressed such problems by employing experiments using random assignment to treatment and control conditions. If carried out correctly, any difference in outcomes between groups can be causally attributed to the intervention, because the randomization process balances, and therefore neutralizes, the effects of all other observable as well as unobservable factors. This approach has achieved prominent success in fields such as the political economy of development, where the units of analysis are ordinary individuals who can be effectively treated as research subjects in experiments (Levitt and List 2009; Humphreys and Weinstein 2009). The problem in conventional international relations is clear: the objects of inquiry are typically sovereign governments, which are much more difficult to manipulate both practically and ethically.

Yet in many important areas of IR, including financial transparency, governments are not the main locus of compliance with international standards. Instead, important realist and liberal institutionalist contributions agree that ordinary citizens and firms make the specific decisions that ultimately aggregate to a pattern of compliance or violation (e.g Drezner 2007: 13; Keohane et al. 1993: 16). For example, individual firms – not governments – comply or not with the anti-dumping provisions of trade agreements when they price and sell their goods abroad. Individual military officers, policepersons, and wardens make decisions to respect or violate the human rights of their prisoners. And firms and private individuals choose whether or not to emit pollutants, poach endangered species, or destroy troves of biodiversity in violation of international environmental agreements. For example, in one of the seminal works on international compliance, Downs et al. (1996) cite international maritime regimes in which the key behavior being regulated consists of the maintenance of oil tankers, which falls clearly outside the everyday routines of national governments.

To be sure, all of these decisions occur under the auspices of international laws, standards, and norms established by sovereign governments often acting jointly through international organizations. And governments play vital roles in enacting and enforcing the domestic laws that instantiate international agreements. We merely raise this point to emphasize that research may uncover important insights into actual compliance with international law, as opposed to mere pro forma ratification, by studying the agents who choose to comply or not.

In this project we focus on one such area of IR that has powerful implications for outcomes in security and political economy: international incorporation. When an individual seeks to legally incorporate a business, international standards require incorporation services – for-profit firms that specialize in setting up legal businesses for others – to obtain a notarized copy of the individual’s passport and some document that links the individual to a specific place of residence, such as a land-line telephone or electricity bill. Yet prior scholarship has suggested that such standards are quite variably enforced across and within host countries (Sharman 2010). Non-compliance with financial transparency standards enables the formation of “shell” corporations that cannot be traced to identifiable individuals, which in turn facilitates corruption, money laundering, organized crime, and even terrorism. Many of the most scurrilous, tainted, and threatening activities in the world happen behind the fronts of such shells (Schott 2006; World Bank 2010). Learning about the causes of compliance with standards of financial transparency may aid governments in their campaign to end the easy establishment of anonymous corporations. In turn, enabling governments to link shell companies with their real owners would provide a major boost in combating a range of serious financial crimes.

We address this question through the use of a field experiment where the outcome of interest is whether an incorporation service requires the identity disclosure of an applicant, refuses service, or offers incorporation without demanding disclosure documents. In our experiment we will randomly

assign various information treatments to 1,400 of these incorporation services worldwide. E-mails from aliases posing as consultants and containing various treatments will be sent to each service provider. All emails request anonymous incorporation. The outcome of interest is whether or not the services demand identifying documents.

The subjects will be randomly assigned to one of nine treatment conditions:

1. International Standards

The email will reference the Financial Action Task Force and its requirements for information disclosure.

2. Enforcement

The email will (1) reference the Financial Action Task Force and (2) *for the U.S. sample only* (roughly 400 firms) will mention that the IRS can enforce FATF regulations.

3. Non-corrupt country

The email will originate from an alias based in one of eight countries (Denmark, New Zealand, Finland, Sweden, Netherlands, Australia, Norway, Austria) which are ranked at the top of the list of transparent nations that effectively control corruption.

4. Hegemon

The email will originate from the United States.

5. Constructivism

The email will (1) mention the Financial Action Task Force and (2) invoke norms of appropriateness, expressing an interest in "doing the right thing as reputable businessmen."

6. Rationalism

The email will (1) mention the Financial Action Task Force and (2) reference possible legal consequences of violating international law (to parallel the enforcement treatment in the U.S. sample above).

7. Financial Incentive

The email will offer to pay a premium for anonymous incorporation.

8. Corruption

The email will originate from a government consultant working in one of eight countries ranked high in corruption: Equatorial Guinea, Guinea Bissau, Guinea, Papua New Guinea,

Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan (which we collectively refer to as “Guineastan”).

9. Terrorism

The email will originate from a citizen of Lebanon, Pakistan, Palestine, or Yemen living in Saudi Arabia and consulting for a Muslim charity.

In what follows we explain the significance of this research by developing the importance of international financial transparency, explore the literature on shell corporations, derive core hypotheses from IR theory, and describe the research design.

Compliance with International Financial Transparency Standards

Compliance occurs when “the actual behavior of a given subject conforms to prescribed behavior, and noncompliance or violation occurs when actual behavior departs significantly from prescribed behavior” (Young 1979). Generally, prior scholarship has concluded that the legalization of international organizations has created some international codes of conduct with varying degrees of rigor. Some agreements obligate states in precise legal ways where governments delegate interpretation and/or enforcement to an independent body, or “hard law” (Abbott and Snidal 2000) whereas other accords outline (purportedly) weaker standards of conduct – “soft law” – that are either less precise or less independently enforced (Abbott and Snidal 2000). The governance of financial transparency relating to company ownership is covered by both hard and soft law standards.

Several bodies have been set up to promote international financial transparency that the widespread existence of shell corporations undermines. The Financial Action Task Force (FATF) is an inter-governmental organization that both sets and monitors enforcement of regulations to counter money laundering and terrorist financing. Hosted by, but formally independent of, the Organization for Economic Cooperation and Development (OECD), the FATF has published 49 guidelines that

countries should follow to avoid harboring unsavory financial activity within their borders (FATF 2003). Specifically, we quote Recommendations 5 and 33 here:

“Financial institutions should undertake customer due diligence measures, including identifying and verifying the identity of their customers, when:

- establishing business relations;
- carrying out occasional transactions: *(i)* above the applicable designated threshold; or *(ii)* that are wire transfers in the circumstances covered by the Interpretative Note to Special Recommendation VII;
- there is a suspicion of money laundering or terrorist financing; or
- the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data” (FATF 2010).

Later, Recommendation 5 explicitly enjoins the identification of “the customer and verifying that customer’s identity using reliable, independent source documents, data or information” (FATF 2010). Recommendation 33 states: “Countries should take measures to prevent the unlawful use of legal persons [i.e., companies] by money launderers. Countries should ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal persons that can be obtained or accessed in a timely fashion by competent authorities” (FATF 2010).

The FATF has enjoyed great success in diffusing the Recommendations, as 180 countries have committed to follow its standards. Hold-outs have been publicly blacklisted in a manner that has persuaded otherwise recalcitrant states to pay domestic regulatory costs rather than suffer damage to their reputations and possible disinvestment (Drezner 2007: 142-145; Sharman 2009). In this case, soft law standards may actually be more binding in practice than hard law treaty provisions. As of October 2010, the 36 FATF members include the United States and the other OECD countries, but the membership also extends to Argentina, Brazil, China, Hong Kong, India, Russia, Singapore, and South Africa. The FATF’s regulations have achieved considerable legitimacy worldwide in promoting financial transparency, gaining endorsement from the UN Security Council (Resolution 1617) and G20, among many others (G20 2008).

Beyond the FATF, the UN has adopted two notable hard law conventions that require identity disclosure of corporate owners, both of which have been ratified by most UN members. The UN Convention against Transnational Organized Crime (UNTOC), for example, commits member states to require identity disclosure for business dealings. In particular, Article 7 states that parties “shall emphasize requirements for customer identification” (UN Office on Drugs and Crime 2004, 9). UNTOC quickly gathered 146 signatures out of 178 countries; 125 states subsequently ratified the convention and 30 others acceded by signing and ratifying simultaneously.

Similarly, the International Convention for the Suppression of the Financing of Terrorism has 173 parties with only four additional states having signed but not ratified. Specifically, Article 18 focuses on combating anonymous corporations and explicitly obliges parties to enforce domestic legislation requiring businesses to obtain “information concerning the customer’s name, legal form, address, directors and provisions regulating the power to bind the [corporate] entity” (United Nations 2010).

These various recommendations and treaty provisions comprise the international standards on financial transparency; as noted, given that the FATF has engaged in robust monitoring and enforcement, the soft law provisions may be more consequential than the UN’s hard law treaties. Despite these provisions, preliminary evidence suggests that in practice the international regulations governing corporate transparency may be breached with some regularity (Sharman 2010). However, the precise extent of such breaches is difficult to ascertain, as, especially, are the causes of compliance.

The Compliance Literature

Much attention has focused on the levels and causes of state compliance with international agreements. In their foundational article, which reflects the arguments of a much larger group of

international law scholars (e.g., Henkin 1979), Chayes and Chayes (1993) conclude that compliance with international standards is the norm. Noncompliance arises as a result of ambiguities in agreements and treaties, as well as administrative shortcomings, as opposed to deliberate attempts to defy such standards. Responding to the optimism of this “managerial” school, Downs, et al (1996) brought to light the nontrivial challenges posed by endogeneity and selection problems. Compliance with international standards might be high precisely because states agreed to those standards where compliance proves easiest (Raustiala and Slaughter 2002; Drezner 2007). If this is so, selection effects – and not the inherent constraining power of international law – explain compliance.

Building on rationalist insights about compliance motivations, Simmons (2000) in turn responded with a defense of compliance. Empirically, she focused on conventions proscribing currency restrictions. She addressed the potential endogeneity and selection problems theoretically, and she also attempted an empirical correction. Simmons posits that international standards indeed encourage compliance, but the effect is due to reputational issues that states will face should they renege on an agreement. Using observable variables to reduce the problem of non-random selection, Simmons concludes that reputational factors do motivate compliance to agreements against currency restrictions, especially when other countries in a similar geographic region also commit to and comply with legal standards. Thus, in spite of arguments about the weakness of international law, nations essentially respond to the social and economic pressure created by the actions of neighboring countries and often adhere to such standards.

Taking strong issue with Simmons’ alleged neglect of selection bias, Von Stein (2005) examines the same set of conventions against currency controls and finds that countries began to comply with international standards long before they acceded to international agreements. Indeed, Von Stein’s re-analysis suggests that countries that sign on to international treaties are fundamentally different than those that refrain from signing, which suggests selection bias. Apparently, many unobservable

factors conditioned states toward international compliance, and states acceded to international agreements only after they underwent this alteration. The Von Stein work is compelling, but it leaves the question of the *actual* causes of compliance to international standards vague, unresolved, and, of course, unobserved.

As the debate between Simmons and Von Stein illustrates, much of the controversy about the causes of compliance turns on the issues of endogeneity and selection bias. And yet all extant studies rely exclusively on conceptual arguments or tests using observational data that develop increasingly complex estimators to solve the methodological problems. While not a panacea, field experiments may allow better evaluation of the causes of compliance. Indeed, Von Stein (2005, 612) laments the inability to use experiments to tease out cause and effect in international relations. The implication: if only they could be employed, randomized trials might answer unresolved questions.

New research on compliance with international financial standards offers an exciting possibility to use field experiments to address these pending issues of causality in international compliance. Sharman (2010) employs what he calls an audit study approach (more generally, see Neumark 2010), in which he sent email inquiries, provided financial information, visited countries, and took all steps – legally, in his own name, and without any hint of fraud, we must emphasize – to establish corporations in several countries abroad. These observations allowed him to precisely determine which of the contacted incorporation services complied with international transparency standards.

Sharman found that forming anonymous corporations clearly in defiance of international standards is much easier than is generally supposed. He further introduced the possibility that more powerful countries, such as the United States and the United Kingdom, are the main culprits: they do not enforce international financial standards within their own borders, despite being active in pressing others countries to adhere both unilaterally in diplomacy and collectively through organizations like the FATF. He also found that traditional “tax haven” countries had greater requirements for

documentation linking actual identities to proposed companies in the process of incorporation than did more-developed countries, making them less likely to be in violation of international law. However, this study is limited by some important shortcomings. The first is the small sample size: only 54 providers contacted with 45 valid replies. Second, there is no separation between control and treatment groups, and likewise no random assignment. As such, it is impossible to tell what causes compliance and non-compliance. The current study addresses these shortcomings and takes a logical next step in this research stream by employing a larger sample size and assigning control and treatment conditions randomly.

Sample

The experiment will be carried out on a large sample ($N > 1400$) of incorporation services worldwide. We divide the experiment into two major subsets. In the first, we focus explicitly on a large sample of incorporation providers in the U.S. ($N > 400$). Focusing on a single host country enables us to hold constant many cross-national factors that may otherwise confound the results. This choice also makes sense in policy terms. More companies are formed in the United States than in any other country – approximately 2 million every year (Levin 2009), compared with 360,000 annually in the United Kingdom (Companies House Annual Report 2010). There are also sharply differing views of the degree to which the United States is in compliance with international rules on corporate transparency. While the US government, especially under the Obama administration, has been strongly critical of allegedly under-regulated “offshore secrecy jurisdictions,” some studies have shown the United States itself is one of the worst offenders in providing anonymous shell companies, no questions asked (Sharman 2010; World Bank 2010).

In the second subset, we direct queries to service providers in a large sample of service providers in various locales around the globe ($N > 1000$). In no case will the sample size in any one country be

large enough for us to draw conclusions about state compliance that are comparable to the U.S. sample. However, this facet of the experiment will allow us to evaluate the factors that encourage international actors from a variety of countries to comply with international standards.

All data collection and correspondence will take place in the winter of 2011. A sampling frame for incorporation services does not exist. We have therefore built a non-random frame from available information, which had not been catalogued or organized previously in a systematic way. Some providers exist mainly as Internet entities. Others are long-established traditional companies that provide assistance to specialized law firms offering incorporation as one of several services. Regardless, each service offers to incorporate new businesses within a specified range of countries on behalf of a client – for a fee, of course, usually ranging between \$1000 and \$3000.

We identified incorporation services using relatively simple yet systematic Internet searching techniques. Primarily using the Google search engine and lists provided by state attorneys general, we compiled data on U.S. incorporation services. For the international sample, we relied almost exclusively on Google searches. Also, data was taken from government and commercial listings. With such an enormous market and the possibility of underground markets, we deem it impossible to collect 100 percent of service providers. However, with extensive searching and recording, we feel confident that we have gathered a large portion of the market. We have at least collected data on the most accessible portions of the market, which are likely to receive the most traffic and incorporate the most firms. While recognizing the limitations, we posit that these data provide a reasonably accurate portrayal of the incorporation-service population.

Duplication of correspondence to service providers is a notable concern. Many services go by multiple titles or are closely affiliated with other providers. Sending two emails to the same provider could both bias our sample and create detection issues. Great care was taken to cross-check these services to verify, to the best of our knowledge, that providers would not receive multiple

treatments to dampen the validity of their response. Since treatments were to be distributed by email, service providers without email addresses or contact boxes on a web page were eliminated.

We collected information on service names, contact information, contact individuals, locations, service areas, service costs, and so forth.¹ To reduce bias in the selection of incorporation services, we avoided commercially-sponsored links within the search engine, instead focusing on the most relevant search returns. We used a variety of standardized search terms to ensure a comprehensive selection of services from each nation in the sample. The final result is a large sample population of incorporation services that is broadly representative of global incorporation services while not necessarily randomly sampled. Given this limitation, any future inferences will be limited to the set of incorporation services that have a presence on the Internet. Treatment randomization, with blocking on base country, state/province in the U.S., whether there are multiple base countries, offshore options, and type of company, will occur within this non-random sample of subjects.

Before randomly assigning our treatment and control conditions, we administer a “blocking” procedure on the dataset to improve the sample design. Blocking is a technique that places our units of analysis into groups that are similar to one another. In such a situation, our experiment will better compare “like with like” and improve our ability to draw inferences from observed effects. Blocking is performed by taking covariates that are expected to influence the outcome of interest and using them to create natural groupings in the sample. Specifically, in the U.S. sample, blocking strata are formed by (1) state grouping and (2) incorporation service type. The state groupings were created by first taking the four states with the highest number of observations per state - California, Nevada, Delaware, and Maine – and making them into their own stratum. The rest of the states were divided according to the Beacon Hill Institute’s State Competitiveness Report (2010). Specifically, we used the measure for “Business Incubation,” which captures a number of factors relating to the ease of

¹ After being coded, all specifying data on individual services is deleted

setting up new businesses in a given state. We determined that this is the most relevant available measure for differentiating between the ease of creating a business in different states. The scale was divided into low, medium, and high “friendliness” levels, and remaining states were placed in one of these three groupings. The seven resulting strata divided states into fairly homogenous categories by state incorporation practices. We expect that services within these various groupings will have largely similar characteristics due to fairly uniform state business regulations. Clearly, states like Maine and Delaware are outliers in their business practices, qualifying them for individual stratum. The incorporation service type variable is a binary variable for either a law firm (1) or an incorporation or business support service (2). We presume that providers within each of these classes will act somewhat similarly, justifying the inclusion of this covariate as a blocking criterion.

For the international sample, we use (1) country grouping, (2) type of incorporation service, and (3) whether a service works internationally or domestically to perform the blocking. Similar to the state groupings, the country groupings are created by first separating OECD and tax haven countries (as defined by the World Bank) into their own stratum. We expect that these nations will have notably different incorporation practices from other countries that will be fairly uniform among included domiciles. For the remaining nations in the sample, three additional strata are created according to the World Bank’s Ease of Doing Business index (2011); with subsets for high, medium, and low “friendliness” to business. Again, we presume that countries which fall into similar ease-of-business groups should have fairly homogenous business practices. The service type variable here is identical to the one used for the U.S. sample. The binary variable for international work is added here because many of these providers are geared to work in multiple nations while others are solely focused on domestic incorporation. We presume that these types of providers may respond differently to our requests and deem the covariate critical enough to warrant inclusion in the block design. Care was taken to ensure theoretical balance among the statistical blocks, and the Coarsened Exact Matching

program in Stata was used to generate statistical blocks (Blackwell et al. 2009). Within each blocking stratum, we randomly assigned a treatment or control condition using random number generation code in Stata.² We then randomly assigned an alias (and country of origin), the text of the email, and the subject line of the email. Each treatment condition, alias, email text, and subject line was given a unique integer as an identifier, and these integers were randomly assigned within blocks for each respective condition. The tables below outline each blocking strata and the number of observations assigned to each one. Notably omitted is a discussion of balance statistics for the blocking strata. Unfortunately, the nature of our data is such that the current dataset has no quantifiable variables with which to evaluate the homogeneity of the observations within blocks as well as heterogeneity between blocks. Our data consist of service names, countries of origin, contact information, and similarly non-quantitative data. While we have created and coded a number of binary variables and identification numbers, there are no subsets in the data that are sufficient for balance analysis. While a quantitative balance test would be preferable, our blocking criteria are theoretically sound and we have deemed them sufficient for creating relatively homogeneous experimental blocks.

Figure 1: International sample blocking strata

cem_strata	Freq.	Percent	Cum.
1	181	15.64	15.64
2	107	9.25	24.89
3	15	1.30	26.19
4	105	9.08	35.26
5	264	22.82	58.08
6	72	6.22	64.30
7	74	6.40	70.70
8	142	12.27	82.97
9	22	1.90	84.87
10	175	15.13	100.00
Total	1,157	100.00	

Figure 2: U.S. sample blocking strata

² For example, treatment conditions for the US sample (including one control and four treatment codes, labeled 1-5) were randomly assigned using the following Stata code: “replace treatment = 1+int((5-1+1)*runiform()) if cem_strata==1” within each blocking strata (“cem_strata”)

cem_strata	Freq.	Percent	Cum.
1	45	12.50	12.50
2	15	4.17	16.67
3	44	12.22	28.89
4	16	4.44	33.33
5	37	10.28	43.61
6	15	4.17	47.78
7	27	7.50	55.28
8	16	4.44	59.72
9	49	13.61	73.33
10	22	6.11	79.44
11	42	11.67	91.11
12	9	2.50	93.61
13	15	4.17	97.78
14	8	2.22	100.00
Total	360	100.00	

Before proceeding with the study, we also performed a preliminary power analysis to ascertain the probable statistical power of our experiment. We found that our power was somewhat lower than the typical norm of .8 due to our sample size and number of treatments. While not ideal, our exhaustive search for incorporation services had maximized our sample potential, and we decided to proceed. Also, since each treatment condition was deemed important, and since the potential for detection may preclude follow-up studies, we determined to continue with the set number of treatments. Despite our fairly low projected power, each treatment condition still contained upwards of 100 observations, greatly exceeding observations levels for comparable psychological studies.

Treatments

The experiment will be conducted entirely via e-mail, with incorporation services receiving the control letter or one of nine treatment e-mails. Examples of each are included as an appendix. Each email is from a purported consultant who expresses a desire to form an offshore corporation to enhance confidentiality while limiting legal liability and tax payments. While legitimate consultancy arrangements are widespread, consultancy fees are a common alibi for funds derived from criminal activities (Sharman 2010: 2-4).

All emails will be sent under aliases; researchers created fictitious identities based on the most common names in each of the countries identified in the letters to use with the correspondence (see

Bertrand and Mullainathan 2004; Neumark 2010).³ While deception should be avoided when possible in research, the risk of possible future legal repercussions – despite the fact that no laws, soft or hard, will be violated in the study – for researchers using their actual names outweighed concerns about the mild deception involved. Furthermore, this low level of deception should help to create an environment in which subjects behave most naturally, which is an essential motivation for field experiments (see Singleton et al 1985, 452). And this is especially so where the behavior of subjects may be inappropriate. Names were carefully vetted to insure that no extraordinary connotation would be applied to any alias. Twenty-one aliases with associated email accounts were created; each corresponded to one of the countries used in the experiment.

Furthermore, the text of 33 unique emails were created and randomly assigned to each observation. In other words, each email was written according to the same criteria, but was infused with different language, style, grammar, and so forth to ensure uniqueness. This strategy both minimized the potential for detection and mitigated the outlier effects of any one email text. For example, the criteria required that the letter state that the alias worked as a consultant, that s/he wanted to incorporate for tax and liability purposes, and that confidential incorporation was desired. Each email was carefully reviewed to ensure that no details were presented disproportionately, thereby biasing treatment effects and creating potential outliers. Despite the similarities, each email was deemed diverse enough to limit detection potential if one service were to receive two of our experimental emails. Furthermore, the strategy allowed us to “minimize our maximum regret” by allowing us to control for email effects in our final analysis, lessening the potential that a differently worded email might evince strong fixed effects and reduce the experiment’s power. In each case, incorporation service observations were randomly assigned a country and alias, then an email text, then a treatment or control condition.

³ Each email address took the form of the alias plus a Gmail extension as in the following example: “alias@gmail.com”.

An advantage of our design is that it ameliorates the external validity problems that have limited the value of laboratory experiments, and in some cases field experiments also. For while experiments provide a uniquely powerful means to get at causal effects (strong internal validity), critics have questioned the external validity of such exercises. For example, Levitt and List (2007) show that in many cases the knowledge that subjects are being scrutinized in the laboratory, and the self-selection of volunteers for experiments, creates strong limits on the ability to generalize to the wider world. This study obviates these dangers: subjects do not know they are being scrutinized, and they do not self-select into the experiment. This advance is especially important because, to the extent that experiments have been used in international relations at all, they are nearly all laboratory experiments (for excellent exceptions, see Hyde 2007, 2010).

Furthermore, our study has strong external validity even by the higher standards of field experiments. Thus when Cohen and Dupas (2007) argued that their experiment in Western Kenya proves that free distribution of mosquito nets prevents malaria better than selling the nets, critics challenged the notion of extrapolating from findings in one region of one country to the developing world as a whole (Deaton 2007; Rodrik 2008). Though there is no definitive count of company formation agents in the United States, Delaware, the fourth-largest company formation jurisdiction accounting for one-sixth of US incorporations (GAO 2006: 12), has 114 registered agents (<http://corp.delaware.gov/agents/agts.shtml>), indicating that our sample of 400 represents a non-trivial proportion of the national total. Relying on the internet and email obviously transcends geographical limitations.

To address a final critique of field experiments, rather than only being a policy study of “what works,” our project is also dedicated to shedding light on important theoretical questions, namely in terms of the compliance literature in international relations. Whether and why international rules are followed or flouted are fundamental questions that go to the heart of major theoretical disputes in

the discipline. Thus the paper attempts to improve the practice of field experiments generally, as opposed to simply arbitraging techniques previously used elsewhere.

Each treatment poses a situation to service providers requiring a decision to comply with international financial transparency standards or not. We explain controls and treatments for each subset of the experiment in turn. In subset one, the U.S.-only sample, the control condition is a general inquiry from a consultant. He purports to be based from one of several corruption-prone countries (Equatorial Guinea, Guinea Bissau, Guinea, Papua New Guinea, Kyrgyzstan, Tajikistan, Turkmenistan, or Uzbekistan). He seeks to safeguard confidentiality and limit tax and legal liability by incorporating. The first treatment is identical to the control but additionally invokes international standards by noting that the United States is a member of the inter-governmental Financial Action Task Force, which combats money laundering and terrorism. To the first treatment, the second treatment adds that the Internal Revenue Service can enforce the FATF provisions. The third treatment originates from an alias purportedly based in Denmark, New Zealand, Finland, Sweden, Netherlands, Australia, Norway, or Austria, which Transparency International lists as among the countries with the lowest perceived corruption. This allows a baseline assessment of the effects of country of origin on incorporation service responses.

Treatment four, the last for the strictly-U.S. sample, invokes suspicions of terrorist activity. In order to create a credible image of terrorism, this treatment employs three major “triggers” that should lead recipient services to be wary of possible terrorism. Namely, these are the region of origin, the ethnicity of the name, and the purported type of consulting performed. Following 9-11, in the eyes of many the Middle East has become synonymous with global terror; thus, by mentioning that the “consultant” resides in Saudi Arabia, this prejudice should be primed. To strengthen the effect, we further clarify that the letter-writer is a national of either Lebanon, Palestine, Pakistan, or Yemen who merely resides in Saudi Arabia. We specifically choose these four countries because they are

included in Pape's exhaustive list of countries experiencing terrorist activities historically (2005). We expect to increase the probability that service providers suspect possible terrorist activity by drawing on countries where acts of terrorism are most common. The duality of countries conveniently adds a layer of intrigue that should heighten the sense of suspicion for the service provider. To invoke Arabic ethnicity and further provoke terrorist stereotyping, all letters were addressed with a Middle-Eastern sounding alias. While these Islamic names are found globally, framing them in connection to other terrorism "cues" heightens the probability that the email will be perceived as connected with terrorism.

Lastly, the treatment indicates that the alias consultant works for Islamic charities. Many banking officials indicate that charities, and particularly Islamic charities, are among the riskiest of financial clients. In our attempt to "raise alarms" as much as possible, this detail reinforces the treatment email's connection to "terrorism." Admittedly, we are using four individual alterations to create one treatment effect. We realize that this means we will be unable to conclude which specific "trigger" causes our terrorism treatment effect (if any), but we still prefer to ensure that enough similar cues are included in the letter to communicate our terrorist-suspicion treatment effect to any recipient.

A number of hypotheses are associated with each of these treatments. The expectation of the first treatment is that service providers should be somewhat more likely to follow international standards when they receive a prompt about the existence of these standards (H1), than when they do not receive the prompt. The second hypothesis is that providers will be more likely to comply when they are informed that international standards are enforced by domestic agencies, which can apply meaningful penalties (H2), than when they are only prompted about international standards. This is broadly consistent with a realist view that compliance with international standards will only occur when backed up with state power. The third expectation is that service providers will be more

likely to allow anonymous incorporation to a client from an explicitly non-corrupt country as opposed to a potential client from a clearly corrupt nation (H3). Finally, our fourth expectation is that providers in the United States will be far less likely to allow any client associated with global terror to incorporate without disclosing identification (H4). We expect the most significant treatment effects from H4, and suspect that the previous three treatments will garner much less substantial or statistically insignificant effects.

In the international sample, the alias consultant makes an inquiry that is identical to the one in the U.S. control condition. In this case, however, the researcher purports to be from one of the basket of low-corruption countries discussed in treatment three above (Denmark, New Zealand, Finland, Sweden, Netherlands, Australia, Norway, or Austria), instead of from a “Guineastan” nation. Prior evidence suggests that U.S. incorporators are probably inclined to offer anonymous incorporation to the bulk of their clients; however, we presume that providers worldwide may exercise more discretion. So, we posit that sending the control emails from one of the world’s least-corrupt nations may raise fewer “red flags,” as it were, and increase our likelihood of seeing effects from the various treatments. The first international treatment is nearly identical to the first treatment in the U.S. sample and invokes the regulatory power of the FATF. In a similar manner, we hypothesize that service providers worldwide should be somewhat more likely to follow international standards when they receive a prompt about the existence of these standards (H5). The second treatment is identical to the control, but it lists the United States as its country of origin instead of the non-corrupt basket of countries. In this case, we are evaluating the difference that a request from the U.S. as the global hegemon has on service’s likelihood of allowing anonymous incorporation. We expect that most providers will be less likely to accept anonymous incorporation from hegemon-based clients and also predict that this treatment will garner some of our most significant results (H6).

The seventh and eighth treatments similarly reference the FATF, but they also offer rationales for raising the question of international law, mapping to different approaches core to the international relations literature. These treatments probe how incorporation services respond to rationalist or normative references to international standards. The treatment and matching hypothesis (H7) is designed to tap a constructivist logic of appropriateness. According to this view, actors engage in ethical reasoning to ensure their behavior conforms with generally shared conceptions of appropriate conduct. Thus H7 maintains that service providers will be more likely to comply, relative to the control condition but not necessarily compared to treatments one and two, if they are provided with cues about the appropriate course of action to preserve their self-esteem and reputation for propriety.

The next treatment substitutes an explicitly rationalist logic of consequences whereby non-compliance runs the risk of costly punishment. Hypothesis eight thus explains compliance as a cost-benefit calculation by service providers seeking to avoid sanctions (H8), and we expect that compliance should increase relative to the control, but are agnostic about whether compliance should be higher or lower than other conditions. Aside from variation among the treatments and control, the absolute level of compliance will also provide valuable information on the effectiveness of international standards on corporate transparency, and thus the likelihood of progress in the fight against money laundering, corruption, and the financing of terrorism. Thus, for both the constructivist and the rationalist treatments, we may collapse these specific treatment conditions into a larger evaluation of FATF effectiveness. Since each treatment references the FATF in conjunction with its other theoretical language, we retain the option of compiling treatments seven and eight with treatment five in the international sample. This will allow a broader test of the effects of invoking the FATF on compliance relative to the control. Should our theoretical treatment conditions provide a null effect, we may still retain these observations for a key facet of our analysis.

The remaining treatments in the international sample follow a less theoretical bent, but they drive at key issues that should influence incorporator's willingness to invoke international law. The first of these is identical to the control, but it suggests that the consultant is "willing to pay a premium" for anonymous incorporation. Risk-averse subjects may only be willing to offer anonymity if they believe that the rewards for offering anonymity outweigh the costs. This treatment tests the extent to which the promise of monetary compensation is able to persuade people to bear the risks of punishment for disregarding company policies or from violating the legal requirements.

On one dimension this could be viewed as the test of the power of a type of bribe, however, the subjects in this study are private individuals or corporations. The traditional definition of corruption and bribery focuses on interaction government officials taking money (see Triesman 2000). In our case, this treatment would be more analogous to promising a large payment to a potentially ambivalent accomplice before the commission of a legal infraction. In both cases, a payment is offered to dissuade an actor from complying with legal requirements. In other words, this question asks if non-compliance with FATF standards can be bought. We presume that this offer to pay a premium will garner more positive offers for anonymous service (H9), and we expect fairly significant results from this treatment.

The next treatment invokes hints of corrupt intentions by changing the base country in the control letter back to "Guineastan" and explaining that the consultant focuses on "government procurement" for his services. As noted, the "Guineastan" nations are all in the lowest quintile of corrupt nations around the globe. Furthermore, activities related to "government procurement" or something similar are often associated with corrupt intentions. This combination should give the recipient of such a request more reason to pause due to the perceived risk of corruption. As with the terrorism treatment, we realize the lost ability to determine which specific change allows for a treat-

ment effect, but the anticipated benefits are stronger. We expect that global services will be somewhat less likely to offer incorporation to these aliases (H10).

Finally, we apply the terrorism treatment, now in an international setting, but with identical attributes. We again expect that countries worldwide will be significantly less likely to offer incorporation to a client suspected of terrorist intentions (H11).

The other consultant aliases created for our exercise hail from a variety of countries and are chosen for (1) their rank on Transparency International's Corruption Perceptions Index (CPI) or (2) their perceived relationship to international terror. In each case, using a basket of countries guards against idiosyncratic confounding associations that may be held in relation to one particular country (like Nigeria with email scams). In the case of the corrupt-country basket, the countries have both low public recognition in the United States and are highly prone to corruption according to the CPI. If these countries are known at all to service providers, it should be for their vulnerability to corruption, as even the most cursory due diligence would reveal. We randomly assign each approach to one of eight countries, four Central Asian republics (Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan), and four Guineas (Guinea, Guinea-Bissau, Equatorial Guinea and Papua New Guinea). For shorthand, we refer to this basket of countries as "Guineastan." All are located in the bottom quintile of the CPI, Papua New Guinea being highest ranked at 154 out of 180 countries. The logic of choosing countries perceived to be vulnerable to corruption is that, although international standards specify that all those forming companies should be required to produce identification, providers should be even more wary of customers in corruption-prone countries.

Practically, if New Zealanders and Danes (with CPI rankings of 1 and 2 respectively) can form companies without proving their identity, this may not result in much risk of financial crime. This is emphatically not the case in very corruption-prone countries, where anonymous shell companies are the most common means of laundering funds (World Bank 2010). If US providers are content to

supply shell companies to nationals of these countries without proof of identity, this would indicate a grievous failing in the international rules in the very country that has done most to design and impose them.

These eight countries are relatively obscure (to US and Western audiences at least), with few providers likely to have definite positive or negative associations with them. They are likely to be collectively stereotyped as distant, non-Western, developing countries. While Afghanistan, Sudan and Somalia have even worse CPI scores than our basket, they also have a higher profile, are more likely to be associated with terrorism as well as corruption, and have been under various US or international financial sanctions. Because all of our basket bar Papua New Guinea are non-Anglophone countries, we include some deliberate spelling and syntax errors in the treatments for added realism (though not in the treatment sentences).

In a similar vein, we make a basket of eight typically non-corrupt countries, including Australia and New Zealand as well as the Scandinavian nations and a few from Western Europe. This group of nations is used as a non-corrupt treatment condition in the U.S. sample and also serves as the control condition for the international sample. More well-known globally than the “Guineastan” group, these countries should typically be associated with fairly upright practices, at least to our incorporation service audience. We give them the collective moniker “Norstralia” for convenience. These countries come from the least corrupt countries ranked on the CPI index; only a few of the top ten (Switzerland and Singapore, for example) are excluded because they are associated with financial sheltering or other “tax-haven” conditions.

Coding Protocol and Analysis

Responses to the control and treatment emails will be coded in a binary fashion as compliant or non-compliant. Compliance necessitates that service providers require a certified copy of at least one

official photo identity document (passport picture page or national identification card) before supplying the customer with a company. International standards mandate that service providers should then keep this documentation on file so that the company can be traced back to its true owner by law enforcement, should the need arise. If, on the other hand, providers offer to form a company without such identity documentation, there is no way to determine who is really in control of the new corporation. The company becomes in effect anonymous and thus a perfect vehicle for engaging in a wide range of illicit activities.

Where service providers' first response to the approach email does not specify the identity documentation required (if any), the research assistants playing the IT consultant role will prompt with a standardized brief second email. When providers suggest a phone or Skype conversation, research assistants will emphasize that travel commitments make this impossible, and that communication must take place via email. When providers suggest more than one option for incorporation (e.g. a choice of a Delaware or Nevada company), the protocol is to opt for that most favored by the provider, or where no preference is indicated the first mentioned. In response to questions about tax, research assistants will state that this is being taken care of domestically.

In addition to distinguishing between "compliant" and "non-compliant" services, responses will be further parsed to add detail to our data analysis. Under the non-compliant umbrella, we will distinguish between services that make no effort to collect customer information, those who require only a non-certified non-photo document (i.e., a scanned utility bill), those who require a non-certified photo identification, and those who require both a non-certified ID and a non-certified supporting document. For the compliant services, we will code them as requiring a certified photo ID, requiring a certified ID with supporting documents, or requiring a personal visit with an original photo ID. For those who refuse assistance, we will distinguish between non-respondents, outright

refusals, and qualified refusals due to unique circumstances. Content analysis will also be performed on the text of received emails to discover relevant trends.

Once the specified information on identity documentation is obtained, research assistants will inform providers that circumstances have changed, and that they are no longer seeking to incorporate. To preserve the security of the exercise, all the correspondence will take place through specially created Gmail accounts. Proxy servers will be used to prevent service providers determining that emails in fact came from within the United States. Once the correspondence from service provider has been received, all identifying information will be deleted and subject companies will be analyzed solely using randomized identification numbers. Copies of all correspondence will be purged of identifying information and then kept on file for future reference.

Upon completion of the field study, data will first be analyzed by performing simple difference-of-means tests between each control and treatment condition, and among various sub-groups in the dataset. We have attempted to capture key covariates in the pre-randomization blocking, so the need for regression analysis will likely be minimal. However, further regression analyses may be deemed necessary once the dataset is finalized. Data will be carefully analyzed for any confounding fixed effects among conditions, and these effects will be controlled for in the final analysis.

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Appendix A

U.S. COMPLIANCE

Control

Dear **[name/company]**

I am consultant with a business seeking to incorporate a new company internationally. My co-worker and I live in **[Guineastan]**, where our company is based, but our international clientele is growing, especially in your area. Could you please inform us what your costs are like for this? Also, what are the identifying documents we would need to establish this corporation? By way of information, we are seeking to form this company confidentially.

We are hoping that by incorporating we can limit business liability and have a more favorable taxes outlook. I will be doing extensive business travel for the next few weeks so I would ask that you please contact me through email.

Sincerely,

[alias]

Treatments

1. International Standards

Dear [name/company]

I am a consultant residing in [Guineastan], and I am seeking international incorporation. Can you help me?

I have two associate at my company and we have concluded that our growing number of international clients make incorporation in your region a wise business decision. While our business is operated in [Guineastan], we are growing and it makes sense for us incorporate internationally, especially to limit liability and decrease tax.

We hope to incorporate with some confidentiality, if possible. **My internet searches show that the United States is part of the international Financial Action Task Force, which requires disclosure of identifying information. But I would rather not provide any detailed personal information if possible.**

Please inform us of what identifying documentation you require in order to form a corporation. Please also let us know how much your services will cost.

We prefer to communicate mostly through email, as business obligations make phone calls difficult to schedule.

Sincerely,

[alias]

2. Enforcement

Dear [name/company]

I am writing because I wish to set up an international corporation in conjunction with the business that I operate in [country], where I reside and work. I am a consultant, and my colleague and I are hoping to form this company in order to limit our taxes and the liability of our growing company. Many of our clients are based in other countries, including some in your area.

As a matter of inquiry, would like to know what kind of identification documents would be required for the incorporation process and how much your service will cost. For business reasons, we would prefer to keep company formation confidential. **My internet searches show that the United States is part of the international Financial Action Task Force, which requires disclosure of identifying information. I also hear that the Internal Revenue Service can enforce these requirements. But I would like to avoid providing any detailed personal information if possible.**

I hope that you can meet our needs and that this will prove to be a profitable relationship. Please contact me via email if you please due to a difficult schedule. Thank you for your assistance.

[alias]

3. Explicitly Non-corrupt Country

Dear **[name/company]**

My colleagues and I are consultant based in **[Norstralia]**, where I live and work. We do business here and internationally, we are interested in setting up an international company, and we have contacted you for assistance (as we have some clients in your area). We hope to make sure we get the best taxes rates and to avoid any potential liability. As our business is growing, we have a couple of specific needs that we would like to be met.

Of course we are interested in the cost of setting up a company through your service. But we are also concerned with keeping this process as confidential as possible. We were wondering what documentation or identification you need from us as we set this up.

I travel a lot, so I hope it is okay if we keep our communication limited to email correspondence.

Cheers,

[Alias]

4. Terrorism (U.S.)

Dear [name/company]

I would like to inquire about incorporating my business and wanted to see if you might help me.

Phone communication is difficult due to business travel so I prefer to correspond through email.

I and a handful of colleagues run a consulting firm in **Saudi Arabia, though I am a [Middle East] national. We consult for a number of Muslim aid organizations.**

We are resident here, as well as many of our clients. But over time, our business has been expanding internationally—in fact we have been doing work in your area—and we would like to take advantage of the tax benefits and liabilities protection of incorporating internationally. We are interested to know if this service can be provided confidentially. If you could let us know how much this might cost and what documents and identification you require, that would be most helpful.

I do not want to be too bothersome to you, but I do hope that you can help me by answering my questions and letting me know my options.

Regards,

[alias]

NORMAL I.R.**Control**

Dear **[name/company]**

I am contacting you as I would like to form an international corporation for my consulting firm. I am a resident of **[Norstralia]** and have been doing some international consulting for various companies. We are now growing to a size that makes incorporation seem like a wise option. A lot of our newer business is in your region.

My two associates and I are accustomed to paying **[Norstralia]** income tax, but the rising tax rates make incorporation in another country a more economic alternative. Also, our contracts grow larger and more complicated, so reducing personal liability through incorporation seems more attractive. As I am sure you understand, business confidentiality is very important to me and my associates. We desire to incorporate as confidentially as we can. Please inform us what documentation and paperwork is required and how much these services will cost?

I would like to start the process of incorporation as soon as possible. Also, how much can we expect your fees to be?

Due to numerous professional commitments, I would prefer to communicate through email. I hope to hear from you soon.

Thank you very much,

[alias]

Treatments

1. FATF International

Dear [name/company]

I am contacting you regarding a business I am trying to set up. I am a consultant and my colleagues and I are seeking to establish an international corporation. I am a [Norstralia] resident, but I do business both locally and with some international client, including some in your region. Our business has been growing substantially, and our goal is to limit tax obligations and business liability.

We would like as much business confidentiality as possible in these early stages of formation. **My internet searches show that the international Financial Action Task Force requires disclosure of identifying information. But I would rather not provide any detailed personal information if possible.**

So, we would like to know what identifying documents will be required to establish this company. We would also like to know what start-up costs will be.

Due to my travel schedule, email will be the best way to reach me. I look forward to hearing from you soon.

Regards,
[alias]

2. Hegemony

Dear **[name/company]**

I am an international consultant living in **the United States**. My associates and I have been based in **the U.S.** for some time and we have done extensive international work, especially in your area. After looking at the specific needs of our growing company, we were feeling that it would make sense for us to expand and to set up an international company. We especially hope to limit taxes and reduce liability.

We were wondering what you require us to give in order to do this. We would like to form this corporation as privately as possible. What identifying documents will you need from us? We would also like to know what your usual prices are. We appreciate the help.

I travel a lot for my work, so I communicate best via email.

I hope to hear from you soon.

Yours,

[alias]

3. Financial Incentive

Dear [name/company]

I am a consultant living in [Norstralia] who seeks to set up an international corporation to help with my growing business. My associates and I work in [Norstralia], though we have a growing number of international clients and have begun work with clients in your area. In order to get the best tax rates and limiting liability, we have decided to set up an international company.

Right now, we would like to know more information about what identification and documents you require and how much such services cost. We all highly value our privacy and would like to do this as confidentially as possible. **I am willing to pay a premium to retain confidentiality.**

I look forward to hearing from you soon and hope that you will be able to help us. I have many business commitments and frequently travel so the best way to reach me is via email.

Thank you,

[alias]

4. Rationalism

Dear [name/company]

I am seeking information on how to incorporate an international company. I hope that you might be able to offer what I need.

I am a consultant, and my business associates and I live in [Norstralia]. Much of our business originates here, where we operate, but our company also grows quickly among international clients. Many of them are in your area. So, we feel that incorporation is a necessary option for us. We hope to limit taxes obligations and business liability.

We would like to know if you feel that you will be able to service us with a corporation. What identifying documents will you request for this transaction? We would prefer to limit disclosure as much as possible. **My internet searches show that the international Financial Action Task Force sets standards for disclosure of identifying information when forming a company. I also understand that legal penalties may follow violation of these standards. But I would like to avoid providing any detailed personal information if possible.** If you could answer these questions and also let us know about your prices, we very much appreciate it.

Thank you for the time to address our query. Business obligations make communication difficult, so we would prefer to correspond with email.

Until we speak again,
[alias]

5. Constructivism

Dear [name/company]

I am a resident of [Norstralia] and would like to inquire about your process to form international corporations. With several associates, I operate consulting firm in [Norstralia]. We deal with a growing number of international clients, many that come from your area, and would like to pursue incorporation options for liability and taxes purposes.

We are particularly concerned with keeping business interactions private; thus, we are eager to limit information disclosure as much as possible. **My internet searches show that the international Financial Action Task Force sets standards for disclosure of identifying information when forming a company and most countries have signed on to these standards. As reputable businessmen, I am sure we both want to do the right thing by the international rules. But I would like to avoid providing any detailed personal information if possible.**

Can you please inform me what your start-up costs are and what kind of identification or documents we will need to provide? We are all fairly burdened with commitments, so email communication is preferable.

Thank you in advance,

[alias]

6. Corruption

Dear [name/company]

I am consultant living in [Guineastan]. I have a business with some colleagues that is based here in [Guineastan], it has grown recently to the extent that international incorporation has now become an option that we wish to pursue, largely for taxes and liability purposes. We have several international clients, many of whom are in your region, so an out-of-country business entity would be helpful. **We focus specifically on public-sector consulting for government procurement.**

We would ideally like to form this incorporation confidentially. Would you please indicate the identifying documents we will need to provide? Can you also outline your probable costs? If possible, please respond by email, as I am out of the office with meetings frequently.

Thank you,

[alias]

7. Terrorism

Dear [name/company]

I am a consultant in need of an international corporation. I **reside in Saudi Arabia, though I am a [Middle East] national,** and I operate my business here with two associate. **We consult for a number of Muslim aid organizations.** I have contacted you because I have several international clients in your region.

Recently, our business has grown and tax have become more burdensome. Also I hope to limit my liability, and I think that incorporation is the best solution. I am eager to maintain business confidentiality and to keep the process as discrete as possible. I would specifically like to know what identifying documents you will require and what the costs will be. Due to a heavy upcoming travel schedule, the best way to reach me will be via email. I look forward to hearing from you.

Thank you in advance,

[alias]