

‘Follow the Money’: tracking the diffusion of the American anti-money laundering policy in Latin America (1990s-2000s)

“Seguindo o dinheiro”: a difusão das políticas de combate à lavagem de dinheiro dos Estados Unidos na América Latina (1990s-2000s)

DOI: <https://doi.org/10.22456/2178-8839.129946>

Mariana Medeiros Bernussi

IBMEC-SP, São Paulo, Brasil
mabernussi@gmail.com 

Priscila Villela

PUC-SP, São Paulo, Brasil
pvillela@pucsp.br 

Lívia Jardimovsky Debatin

PPGRI San Tiago Dantas (UNESP/UNICAMP/PUC-SP), São Paulo, Brasil
liviajdebatin@gmail.com 

Abstract

Given the wide reach of transnational crimes and the illegal flow of money, policing at an international level has become a new frontier for authorities who aim to control these threats. The United States has taken the center stage in this effort ever since the proclamation of the War on Drugs and the continuing War on Terror by promoting the ‘Follow the Money’ principle as a fundamental strategy to be adopted worldwide. The main goal of this paper is to identify the US efforts to formulate and expand the anti-money laundering agenda and policies to Latin America, from the 1990s to the 2000s, mobilizing the policy diffusion approach. By incorporating this thinking tool, we also aim to highlight the United States hegemonic position when establishing agendas and priorities internationally. Therefore, based on a qualitative design, we trace US official documents describing strategies, practices and policies aimed at promoting anti-money laundering policies in Latin American institutions through coercion, competition, learning and emulation mechanisms. As a result, by promoting training events and formulating evaluation mechanisms, the US has stimulated Latin American countries to elaborate their own law enforcement efforts inspired by these same paradigms, indicating that the US uses these anti-money laundering instruments to promote its policy agenda internationally.

Keywords: Money laundering; Policy diffusion; War on Drugs; War on Terror; United States of America; Latin America.

Resumo

Diante do alcance dos crimes transnacionais e do fluxo ilegal de dinheiro, o policiamento internacional se tornou uma nova fronteira para as autoridades com o objetivo de controlar tais ameaças. Os Estados Unidos assumiram o protagonismo nesse esforço, desde a declaração da Guerra às Drogas e da Guerra ao Terror, ao promover o princípio de “seguir o dinheiro” como estratégia fundamental a ser adotada mundialmente. O principal objetivo deste artigo, é identificar os esforços dos EUA na formulação e expansão da agenda e das políticas de combate à lavagem de dinheiro para a América Latina, dos anos 1990 aos anos 2000, a partir da abordagem de *policy diffusion*. Ao incorporar essa ferramenta analítica, procuramos evidenciar a posição hegemônica dos EUA no estabelecimento de agendas e prioridades internacionalmente. Para tanto, baseando-se em uma metodologia qualitativa, utilizamos documentos oficiais norte-americanos que descrevem estratégias, práticas e políticas destinadas a promover estas políticas em instituições latino-americanas por meio de mecanismos de coerção, competição, aprendizado e emulação. Como resultado, ao promover treinamentos e formular instrumentos de avaliação, os EUA têm estimulado os países latino-americanos a elaborar seus próprios mecanismos de aplicação da lei inspirados nesses mesmos paradigmas, indicando que os EUA se utilizam desses mecanismos de prevenção à lavagem de dinheiro para promover sua agenda política internacionalmente.

Palavras-chave: Lavagem de dinheiro; *Policy diffusion*; Guerra às Drogas; Guerra ao Terror; Estados Unidos; América Latina.

Received: 03 February 2023

Accepted: 16 May 2023

Conflicts of interest: Authors did not report potential conflicts of interest



Introduction

The United States has taken center stage all over the globe in fighting transnational crimes ever since the 1990s, when the so-called 'War on Drugs' became its main front and the 'Follow the Money' principle emerged as a fundamental strategy that was adopted worldwide, once the flow of cash often led to the criminal organizations under investigation (USA, 2004). Given the wide reach of transnational crimes and the flow of money, the internationalization of these instruments has become a new and important frontier for the United States since then (NADELMANN, 1993; BOWLING, 2009), resulting in the internationalization of law enforcement agencies as well as the promotion of bilateral and multilateral tool as diffusion mechanisms.

Since the diffusion of the War on Drugs, specially through the 1990s, the anti-money laundering (AML) *modus operandi* was also expanded through monitoring and evaluation programs as well as providing assistance and training to foreign law enforcement agencies. As part of this endeavor, the US has promoted normative criminalizing models in different countries, particularly in the Global South. Latin America has been one of the most important destinations of these efforts, since it concentrates the largest drug-producing countries for the US market (USA, 2021). For that reason, the US has invested in law enforcement cooperation with governments in the region, eventually influencing their institutions and security agendas (ANDREAS; NADELMANN, 2006).

After 9/11, terrorism emerged as a 'new threat' that reinforced and redefined the focus of the international law enforcement apparatus. In Latin America, the concern with so-called 'narco-terrorists' groups and the fear that organized crime organizations have become a 'safe haven' for terrorists brought the War on Terror agenda to US cooperation with the region through the 2000s (FERREIRA, 2012). Since then, most Latin American countries have implemented laws, principles and institutions that reflect the US financial crimes control paradigm.

There is a substantial amount of literature dedicated to comprehending the role of the US in diffusing the War on Drugs worldwide, especially in Latin American countries (ANDREAS; NADELMANN, 2006; DOUGLAS *et al.*, 2015; RODRIGUES; LABATE, 2016). Some of these articles point to the importance of AML efforts, but without any focus on that aspect whatsoever. In the realm of counterterrorism studies, money laundering is associated directly with tracking and dismantling the financing of these groups and is not evaluated based on its own specificity (RAPHAELI, 2003; BARBER, 2011).

On the other hand, studies that focus on AML policies at a transnational level tend to assume a problem-solving approach (SHEPTYCKI, 2000; LEVITT, 2011), which means they seek to find solutions and elaborate strategies related to the practical issue of terrorism financing. They are associated with various public bodies and think tanks that commission their studies (JENKINS, 2006; MILLAR; ROSAND, 2006) and, since these publications are outside the International Studies field, they usually lean towards criminology or economic studies (ROMANIUK, 2014; LONG *et al.*, 2018), and thus lack a critical understanding of the international power dynamics intertwined with the circulation of AML control policies.

The harmonization of the norms dedicated to the ALM efforts are recognized, but attributed to the need for articulated solutions to a problem shared among States, without consideration of the power relations in the definition of the problem and its solutions (HÜLSSE, 2007). Although some authors recognize US global preeminence (ZARATE, 2013; KING; WALKER; GURULÉ, 2018), they don't invest in understanding how that influence on other countries' law enforcement is used and which are its political reverberations.

In this paper, we seek to analyze the paths through which the US AML policies and norms traveled to Latin America. Hence, our hypothesis is that the War on Drugs and the War on Terror as turning points in facilitating and creating the condition for the promotion and dissemination of the US anti-money laundering agenda to Latin American countries, especially in partner countries in which the influential hegemonic presence of the United States was well established and where international initiatives to combat drugs and narco-terrorists were directed.

We focus on international AML efforts, applying policy diffusion methodological tools, targeting actors, institutions and processes that transcend traditional borders. This approach helps us identify agents, the *locus* of interaction, and the strategies and mechanisms mobilized by US authorities to promote their own policy solutions in Latin America. In the literature, we have identified diffusion strategies that involve emulation, learning, competition and coercion promoted by the US in its bilateral and multilateral relations (STONE *et al.*, 2020). We will focus on Latin America, the territorial and political space where the US has historically exerted relevant political influence. This region has also been the main focus of the US international anti-drug and transnational crime control efforts, which have given priority to the AML agenda.

We seek to identify how the United States has formulated the problem of money laundering as a global issue, and also how it has played a leading role in offering political solutions to this problem and has disseminated them internationally, specifically in Latin America. We seek to contribute to the literature in two ways. We will do this first by problematizing how the US, in its hegemonic position, has formulated this problem and its responses as a global one. Secondly, we will identify the tools politically mobilized to diffuse AML policies globally, such as the promotion of socialization spaces with law enforcement professionals through training programs and the evaluation of local laws, policies and AML compliance, and examine the institutionalization of global governance tools aimed at harmonizing local norms.

Diffusion strategies (based on coercion, learning and emulation mechanisms), such as evaluation systems, assistance programs or police training initiatives, were formulated with the intention that AML policies are harmonized among Latin American perceptions, ensuring that they reflect US paradigms and objectives. Although we focus specifically on the time frame between the 1990s and the 2000s, we understand that this process under investigation has long lasting reflections.

We conducted this research based on a qualitative analysis of government documents, accessed through publications made available to US state agencies or accessed by the press or Wikileaks platform. Our investigation focused especially on reports entitled "International Narcotics Control Strategy Reports (INCSRs): Money Laundering and Financial Crimes", which are the product of the US evaluation process of how foreign governments address money laundering. Most of the data analyzed is fragmented, appearing in various government documents with distinct clarity and depth, which makes systematization efforts difficult and unclear. Although we have focused on reports published between the 1990s and the 2000s – a period when the US efforts to disseminate two mechanisms of AML were more assertive – our research aims to comprehend long and winding processes, which eventually led us to temporarily diversified evidence.

Following this introduction, this paper will be divided into three sections. The first one will address the analytical framework for policy diffusion proposed by the literature. The second part will focus on the birth of the anti-money laundering agenda in the US and its cornerstones which have fostered the diffusion of a specific set of AML practices, in association with the agendas of the War on Drugs and the War on Terror. Finally, we will present the bulk of evidence that we have used to reach this conclusion featuring documents that demonstrate this diffusion throughout Latin America.

Global policy diffusion: the locus of interactions and transfers

The international diffusion of public policies is a phenomenon of a transnational nature that, put very simply, occurs: "when government policy decisions in a given country are systematically conditioned by prior choices made in other countries" (SIMMONS *et al.*, 2008, p. 7). This means that political instruments and ideas can be transferred from one nation to another, i.e. public policies are not only determined by domestic characteristics, but also by the characteristics of other nations whose policies circulate beyond their borders through agents of diffusion – government representatives,

members of the bureaucracy, international organizations and think tanks –, promoting policy models and good practices (OLIVEIRA; PAL, 2018).

The analytical framework of policy diffusion is based on the model proposed by Dolowitz and Marsh (2000), which states that an analysis of policy diffusion involves: the identification of the main agents and the reasons why they engage in these processes; what is diffused (objectives, political instruments or programs, institutions, ideas, lessons); the direction of diffusion (if it comes from international, national or local spaces); the different types of diffusion; what restricts or eases the process; and how diffusion is related to the success or failure of these policies (DOLOWITZ; MARSH, 2000). Given that our interest is the diffusion process of AML policies to Latin America, we intend to identify three aspects: what is diffused, its direction, and the types of diffusion, specifically the strategies that were used. Hence, we won't analyze the specifics of how these policies were translated/implemented in each country, nor evaluate their results or the policies' success/failures.

The identification of the agents of diffusion is central to our research. According to the terminology proposed by Graham, Shipan and Volden (2013), as external players, “those in government who may diffuse policies” (GRAHAM; SHIPAN; VOLDEN, 2013, p. 12), we have the US government and its bureaucracies, such as the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), the Financial Crimes Enforcement Network (FinCEN), the Department of the Treasury, and the Department of Justice. Besides them, there are international institutions such as the Financial Action Task Force (FATF) and the United Nations (UN), which are considered go-between agents, “i.e., those who act across multiple governments” (Ibidem) and are equally important to the diffusion process, especially regarding the spread of knowledge, norms and policies.

There is currently a consensus within the literature that the mechanisms of policy diffusion include: emulation (also expressed as socialization), learning, competition and coercion (DOLOWITZ; MARSH, 2000; GRAHAM; SHIPAN; VOLDEN, 2013; STONE, 2020). Emulation is the socialization of a public policy deemed to be successful, and the presentation of its norms and rules, which aim to legitimize a governmental program, to change preferences or even create a good impression overall. Learning is an expected and natural process when a government implements a policy that stems from the lessons of others, like a laboratory, where decision makers have problems to solve. Competition is associated with the search for innovation in public policy, which makes a specific region more attractive to others, mostly investors. Lastly, coercion is linked to an imposition, whether it's forced or not, in which an administration imposes its preferred policy on the potential adopter. Since coercive strategies aim to change or impose the adoption of policies, “asymmetries of power are an important aspect of coercion in policy diffusion processes” (GRAHAM; SHIPAN; VOLDEN, 2013, p. 20).

These mechanisms of diffusion may be complementary and interrelated. There is a continuum in these strategies, insofar as consensus and coercion are mutually reinforcing (COX, 1981; DOLOWITZ; MARSH, 2000) and they all indicate power dynamics. According to Sharman (2008), the diffusion of AML policy across the globe since the 1990s was not voluntary, but rather based on power dynamics. There was a power play that has guided the process of diffusion, determining the direction in which these processes have taken place – from developed nations to undeveloped ones (SHARMAN, 2008) or, more specifically, from the US to Latin America.

As a hegemonic power with great resources, the US government and its agencies made use of their ability to spread policing and crime control discourses, agendas and practices internationally (ANDREAS; NADELMANN, 2006). We identified in this research that the War on Drugs and the War on Terror promoted by the US in Latin America were the most fundamental catalyst for these efforts. In turn, policy diffusion is also a strategy to disseminate state knowledge, which is considered to be a key element in the exercise of international hegemonic power (DEZALAY; GARTH, 2011). Therefore, the present paper seeks to understand how the US defines and disseminates the AML agenda throughout Latin America.

The emergence of the money laundering agenda and its diffusion

Many mechanisms that constitute the crime control governance spectrum at a transnational level refer to activities that were not even prohibited anywhere else in the world a century or a few decades ago, such as money laundering (SHARMAN, 2008). Through a review of the AML agenda, we aim to demonstrate that the US has formulated the problem in question and has also identified what it thinks are the best solutions to respond to it, disseminating this consolidated agenda abroad (EDWARDS; GILL, 2002). While most researchers analyze initiatives developed at a multilateral level in order to respond to what has been considered a rising common threat (ROMANUIK, 2010; VLCEK, 2017; SOTANDE, 2018), we will focus on the US's leading role in defining this agenda on a global level (ANDREAS; NADELMANN, 2006).

As Robert Cox (1981) asserts, interstate institutions reflect power dynamics at the international level, where a hegemonic actor imposes its own interests through material and ideological tools. Assuming this premise, we argue that the policies to be diffused internationally reflect a larger set of political and economic interests derived from the main global powers, specifically those that are capable of influencing the international system as a whole (ANDREAS; NADELMANN, 2006).

The development of the War on Drugs at the global level has brought the issue of financial crimes to the center of the debate (REUTER; LEVI, 2006; SHARMAN, 2008). Law enforcement experts realized that the resources accumulated by drug traffickers and other criminals could be introduced into the legal economy through laundering strategies which were used to hide their origin. In order to stop this cash from meeting its recipients, authorities formulated a strategy known as 'Follow the Money', which consists of investigating the financial trail left by the activities of raising, storing, and transferring money within the global financial system (LEVITT, 2011). By tracing these financial footprints, investigators and authorities aimed to drain the criminals' resources, thus reducing their ability to commit more felonies (BERNUSSI, 2020).

Latin America has always been an important arena for US transnational crime control, given that this region contains drug producers whose main market is the American consumer. Following the money is not only an efficient strategy to find criminal leaders, it also helps by bleeding dry the wealth generated from these activities. From the point of view of the US government,

Money laundering poses international and national security threats through corruption of officials and legal systems, undermines free enterprise by crowding out the private sector, and threatens the financial stability of countries and the international free flow of capital. Undeniably, the revenue produced by some narcotics-trafficking organizations can far exceed the funding available to the law enforcement and security services of some countries (USA, 2005).

Over the years, the 'Follow the Money' doctrine became a central strategy in other agendas as well, especially the War on Terror (BERNUSSI, 2020). According to the US government,

Today [in reference to events after 9/11] the world is a riskier place for criminals to launder their ill-gotten gains and for terrorists to finance their operations than it was a year ago. This progress is largely the result of intensified international efforts to combat terrorist financing that followed the September 11 attacks. While money laundering and terrorist financing are not identical phenomena, the legal, regulatory and enforcement tool kit necessary to combat both are virtually the same (USA, 2003).

The rising importance of financial control over criminal activities can be seen in the formation of organizations, norms and budget allocations, and this agenda has gained autonomy, not only under the War on Drugs umbrella, but also within the terrorism and corruption agendas.

US authorities have identified, analyzed, and formulated responses to the problem of transnational financial crimes. This process began in 1970 when the US Congress approved the Bank Secrecy Act (BSA), that determined that banks

are obliged to keep records of every bank transaction for five years and fill in a form to inform the Federal Reserve System (FED) of any transaction over 10 thousand dollars which is considered suspicious or unusual. The focus was to find and interrupt the flow of large amounts of money generated from drug trafficking (ECKBERT, 2008). This standard will later become a reference for related experiences in other countries of the world (SHARMAN, 2008).

In 1986, the US Congress approved the Money Laundering Control Act, which made money laundering a federal offense. Two years later, the new Anti-Drug Abuse Act (1988) established, with the same intent, an identity verification process for those who make cash purchases over 3 thousand dollars. By the agency of US influence, this became an agenda during the negotiations leading up to the signing of the UN Vienna Convention in 1988. The Convention represented a set of ideas about how to control financial crimes which became international recommendations about which procedures should be adopted by local agents, such as the police, judicial and financial systems. Hence, the Convention offered a legal basis for the US to pressure more resistant countries to incorporate these guidelines into their legal landscape, using both emulation and coercion mechanisms.

In 1986, through the Anti-Drug Abuse Act, the government approved a certification mechanism for anti-drug policies to be implemented worldwide, which was published annually in the International Narcotics Control Strategy Report. Through it, US authorities evaluated, recommended and punished countries according to its criteria. Among these metrics there was a section dedicated entirely to anti-financial crime efforts. This assessment determined the subsidies and cooperation with each evaluated country, and decertification had costly repercussions, especially for undeveloped countries (VILLELA, 2021).

The “Name and Shame” strategy can be considered a coercion policy toward uncooperative nations, which were then considered to be unreliable in terms of business and international cooperation as a whole. As a hegemonic power and the biggest provider of financial aid, the US was able to pressure foreign governments to fall in line with their ideas and methods. Furthermore, it is undeniable that the certification process generated competition among Latin American countries, stimulating them to adopt these policies to not only avoid retaliation or too costly consequences (the coercion mechanism), but also make themselves attractive to global investors (the competition mechanism).

An evaluation and punishment apparatus also became common in multilateral organizations. The first step towards the institutionalization of a body of this nature was the adoption of the ‘Basel core principles’ (1988) by the heads of most relevant central banks. Its goal was to protect the banking system from being used as an instrument for money laundering. Also noteworthy was the participation of US banking supervisory authorities, which already had regulation applicable to this subject and wished to have it applied not only internally, but also internationally through the adoption of these rules by other countries (BERNUSSI, 2020).

In 1989, during the 15th G7 summit, the FATF was created as an intergovernmental entity with the purpose of expanding vigilance regarding the international financial system as a way of combating these types of crimes. Since then, it has become the most relevant international organization dedicated to diffusing anti-financial crime policies worldwide (SHERMAN, 2008). Therefore, FATF is a go-between agent that acts fundamentally as a space where its members can socialize policies and ideas. It is also a potential locus for learning, because the FATF regularly publishes the countries' Mutual Evaluation Reports, which reveal not only successful policies but also policy failures.

It is also possible to identify the mechanism of coercion used by the FATF to diffuse its 40 Special Recommendations, established in April 1990, according to which countries should identify their national vulnerabilities and then adopt measures to protect the international financial system (BERNUSSI, 2020). This has become a global normative model, since the FATF Recommendations encompass the national adoption of AML criminal laws and law enforcement agencies, a rigorous assessment of national police and judicial systems, surveillance and data retention systems, regulations to the financial services industry and the establishment of international police cooperation agreements (FATF, 1990).

The US has played a leading role as a member of FATF, not only during its first years, when the country was the leader of the legal questions working group for AML efforts responsible for indicating a set of recommendations on how to improve national legal systems (FATF, 1990), but also when the FATF adopted the 9/11 Commission recommendations to counter terrorism financing (JACKSON, 2017). In October 2001, a month after the attacks on the World Trade Center and also when the US invaded Afghanistan, the FATF published its 40 + 8 Special Recommendations, expanding its scope to include financial measures to counter terrorism and the proliferation of weapons of mass destruction (BERNUSSI, 2020).

In 1995, President Clinton took advantage of the UN’s 50th anniversary to deliver a statement alerting the international community about the importance of fighting organized crime, mainly drug trafficking and money laundering. According to Sheptycki (2000), it was also directed at his domestic audience within the US Congress. This is why, during the same period in 1996, FinCEN became the administrator of the BSA charged with identifying, reporting, and stopping the incoming flux of large sums of money generated through illegal practices. This statement also indicates that the Clinton administration understood his speech to be an opportunity to diffuse a domestic concern on an international level (SHEPTYCKI, 2000).

As a result, the US has become a global leader in combating financial crime, formulating the problem and its solutions internationally. When joining the FATF, for example, new members had to commit to the adoption of a set of norms already previously agreed, giving global projection to an institution that was originally European and American. Many of these normative models and investigative techniques have been offered to, and even adopted by, Latin American governmental and policing authorities, as it will be further demonstrated in the following section (NADELMANN, 1993). In Levi and Reuter’s analysis (2006), this model has been globally recognized due not only to its pioneering characteristics, but also the United States’ central role in international finance supported by the dollar standard and its hegemonic position, which reinforce emulation, learning and coercion mechanisms.

Strategies and key initiatives

This section is dedicated to identifying the main AML policy diffusion initiatives formulated in the US and applied in Latin American countries, as well as the agencies and mechanisms involved in that effort. In advance, we indicate that promoting training events – as a means for learning and emulation – and formulating evaluation mechanisms – as a strategy to promote coercion and competition – are the two most relevant mechanisms identified in our research. The following table synthesizes the mechanisms, actors and strategies used by the United States to diffuse its policies in Latin America and provides the reader with a solid systematization of the initiatives that we shall address in this section of the paper.

Table 1 – United States diffusion mechanisms, strategies and actors

Mechanism	Strategy	Policy	Key Actor	Recipient
Coercion and Competition	Blacklisting	Certification Process	DEA and State Department	Drug producer and route countries
Coercion and Competition	Risk Evaluation and Blacklisting	Mutual Evaluation Reports	FAFT	FAFT Members
Learning	Training Programs	Conferences, Training sessions and Teaching handouts.	DEA, FBI, Treasure Department, FinCen.	Latin American policing and justice professionals
Coercion	Exporting law/norms models	Diplomatic Pressure	Multilateral or bilateral diplomatic relations	Latin American governments
Emulation	“Best Practices” model	Political and economic benefits or costs	Government, companies, multilateral agencies	Latin Americans countries

Source: The table was developed by the authors based on the paper's findings.

We identified the US main government actors involved in the diffusion of the AML control agenda internationally. In addition to the own US government (the administrations) and the Department of State – responsible for formulating and applying the government's foreign policy – many law enforcement agencies have also articulated with their foreign peers diffusing the AML agenda and solutions. This has included the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), Customs and Border Protection (CBP), the Treasury Department, the Internal Revenue Service (IRS) and even the Financial Crimes Enforcement Network (FinCEN).

Through bilateral treaties, US law enforcement agencies have provided training and technical assistance on AML to their counterparts around the globe. They have sought to give financial investigators, bank regulators and prosecutors the tools to recognize, investigate, and prosecute these crimes. All the training sessions organized by US police agencies from the 1900s to the 2000s have been aimed at the “development of capacity-building programs aimed at reinforcing the institutions of our foreign allies to combat money laundering and terrorist financing” (USA, 2005, p. 1). These efforts were sought to promote the socialization of technical and specialized knowledge, stimulating the learning of codes of conduct and the assimilation of recommended practices in local institutions, ultimately resulting in the making of convergent policies, a very efficient way of exerting power at an international level (USA, 2006).

The US government has been able to form and sustain a network of money laundering specialists, from judges to politicians, all around the globe through direct personal interactions including training using its own standards. By penetrating local law enforcement agencies and establishing relationships with their key players, US agents have sought to build intimate bonds of trust that have ended up influencing the ideas, practices, technologies and organizational patterns of a select group of officers who have become diffusion agents within their own organizations (VILLELA, 2021), and this activity is also identifiable among the policy diffusion categories as emulation.

During the 1990s, the DEA created Sensitive Investigative Units (SIUs) to identify and train foreign law enforcement officers who conduct anti-drug operations working on sensitive bilateral investigations. Through their specialized agency, and the International Money Laundering and Asset Forfeiture Program, these SIUs have offered training to authorities from Bolivia, Brazil, Colombia, the Dominican Republic, Ecuador, Guatemala, Mexico and Peru (USA, 2007). In 1991, the Justice Department also established the Prosecutorial Development, Assistance and Training Program (OPDAT), to promote foreign justice system reforms according to US norms and standards, by deploying prosecutors in US embassies who serve as advisors to local professionals and enhancing cooperation. OPDAT was a key player in the reform of the justice sector in Plan Colombia and in the anti-governmental corruption reforms in Mexico, for example (USA, 2003).

These training programs are usually carried out within local institutions, at the FBI's National Academy in Virginia, or at International Law Enforcement Academies (ILEAs). ILEAs were funded in 1995 specifically to promote international cooperation between law enforcement agents and to guarantee “the defense of the interests of the US in a multilateral forum, applying global standards of governmental capacity to combat transnational criminal activity” (ILEA, 2022, p. 1). These training sessions have aimed to form a transnational network of trust so that police forces in various countries can keep in touch, sharing knowledge and intelligence, as well as promoting a rapprochement among their respective institutions, all under US leadership. In 2003, around 40 officials representing 17 Latin American countries traveled to the National Academy to participate in the Latin-American Law Enforcement Executive Development Seminar, which included AML investigations (USA, 2003).

The FBI International Training and Assistance Unit (ITAU) was created in 1993 to promote multilateral cooperation among US allies via training offered by FBI instructors specialized in financial crime investigations. In 2010, the FBI offered training sessions to 37 students from Argentina, Belize, Brazil, Chile, Costa Rica, the Dominican Republic, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Spain, Uruguay and Venezuela in the Latin American Law Enforcement Executive Development Seminar (USA, 2010).

During the 1990s, the Treasury Department also became involved in the AML agenda, establishing the Office of Technical Assistance (OTA). The OTA's main goal is to diffuse anti-money crime policies to host countries by providing technical assistance. For instance, in 2009, the OTA working with the OPDAT and the Internal Revenue Service coordinated a money laundering prevention course for 42 Paraguayan officers, including prosecutors, judges, investigators, and analysts from tax and customs investigative units (USA, 2009).

The FinCEN has also hosted many international training sessions with foreign police agents since its creation in 1990, which have included technical analysis and support involving authorities from Latin America. In 2004, addressing the security challenges in South America's tri-border region (Argentina, Brazil, and Paraguay), FinCEN offered a US Financial Intelligence Unit (FIU) Conference in Buenos Aires, where American officers provided training to Latin American officers. In 2005, FinCEN offered a training program for over 25 analysts from seven countries in South and Central America and the Caribbean, including Argentina, Chile, Costa Rica, the Dominican Republic, Panama, Peru and Venezuela (USA, 2004; 2005).

As US governmental reports reveal, such initiatives aimed to influence, train and pressure foreign authorities to assume the agendas and policy responses promoted by US authorities (USA, 1997-2010). As a response, from the 1990s through the 2000s, many Latin American countries approved bills criminalizing money laundering and established specialized agencies aimed at combating it, emulating the US models. Colombia and Chile criminalized money laundering in 1995, Brazil in 1998, Argentina in 2000, Ecuador in 2010, and Mexico in 2012. Inspired by the FinCEN, many Latin American countries have created correlated agencies such as the *Unidad de Información Financiera* in Argentina, the *Unidad de Investigaciones Financieras* in Bolivia, *Unidad de Inteligencia Financiera* in Peru, the *Conselho de Controle de Atividades Financeiras* in Brazil, the *Unidad de Análisis Financiero* in Chile and the *Unidad de Información y Análisis Financiero* in Colombia.

In 1995, the Brazilian Justice Ministry created a commission to elaborate a bill on money laundering. Aiming to influence the passing of this legislation, in 1997 the DEA organized a conference on this subject in Brasília, conducted by the IRS with participants from all over South America (USA, 1997). On this occasion, police officers, prosecutors and other Brazilian authorities visited the US in order to closely observe the model employed by task forces combating financial crimes, and the US shared military and defense analysis in order to provide a regional view of the threat posed by international drug trafficking (USA, 1997). In 1998, money laundering was criminalized in Brazil as a direct result of pressure from the US government. The Brazilian case is an expression of the US strategy in disseminating its standards in Latin America, encountering more or less local support and resistance.

The Brazilian law was based directly on the Bank Secrecy Act of 1970, and can easily be observed by the fact that the threshold for filling a form and informing the Central Bank of these banking activities was the same corresponding value, R\$ 10,000. This is an example of policy diffusion which involved an active effort by US authorities to pressure Brazilian authorities to criminalize money laundering, while presenting a successful model that could be emulated by Brazilian norms. Even though it was not a voluntary process, and was based on a verticalized power dynamic, the US was able to successfully socialize the idea that, by adopting these AML mechanisms, the country would be looked at as a modern and secure country for business. As an award for this initiative, Brazil was invited to become an FATF member, even though later on there was pressure for the country and its neighbors to also criminalize terrorist financing, as part of the adoption of the 40 + 8 Special Recommendations by FATF members (USA, 2005).

In 2008, the US Secretary of State sent a telegram offering financial support to over 50 embassies who were interested in hosting regional activities on fighting terrorism, which was embraced by the Brazilian authorities (WIKILEAKS, 2008). A telegram from 2009 later released by Wikileaks recaps a Bureau of Counterterrorism funded conference entitled 'Illicit Financial Crimes', which was given to Brazilian federal and state judges, prosecutors and law enforcement officials and other Latin American representatives to discuss this matter. The Bridge Project, as this encounter

was called, aimed to strengthen law enforcement in Brazil concerning transnational threats. The event also included a presentation by the high profile judge Sergio Moro, who had already closely worked with US officials and would later become the presiding judge in Operation 'Lava Jato' (WIKILEAKS, 2009b).

Not coincidentally, the Bridges Project is considered to be the Brazilian version of the Paraguayan Umbral Program, which has also been accused of being a tool of American foreign policy (VIANA, 2013). A 2009 telegram from the US Embassy in Asunción reveals growing pressure from the US government “to take steps as quickly as possible to comply with its international obligation to adopt comprehensive terrorist financing legislation” (WIKILEAKS, 2009a) – an easily identifiable case of policy diffusion through coercion coming from the US government, which was then followed by an initiative by the Paraguayan Secretariat for the Prevention of Money Laundering (SEPRELAD) to create a bill which criminalized terrorist financing. Considering its previous experience, Brazilian representatives provided SEPRELAD with technical assistance – and this cooperation between Latin American countries is indicative of policy diffusion that goes beyond the direct involvement of US officials, a scenario in which law enforcement officials are already trained and guided by US standards and end up passing on its methods and priorities.

The making and disclosure of 'lists' has been used as a common coercion practice among governments and international institutions to diffuse law enforcement policies. We also consider the previously mentioned "certification process" created by the US to monitor anti-drug policies around the world to be a relevant coercion mechanism, because it not only evaluates other countries policies, but also imposes economic and military sanctions on those who are not certified according to US criteria.

In 2020, Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru and Venezuela were included on the US Major List of Illicit Drug-Producing and Drug-Transit Countries, released yearly by the White House. Despite that, all of them were “certified” for “cooperating fully with the United States on drug control”. In cases of “decertification” – such as Colombia in 1996 and 1997, Bolivia in 2011 and 2012, and Venezuela since 2005 – “certain categories of US assistance may be withheld” and these countries “may be disqualified from eligibility to receive trade-related benefits, transfers of forfeited property, and US support for new or extended multilateral development bank loans” (USA, 2021, p.1). In this same evaluation list, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Curaçao, the Dominican Republic, Ecuador, El Salvador, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago and Venezuela were cited as nations “whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking” (USA, 2021, p.5). Despite this warning, no punishment is expected for these countries, except for Venezuela.

This 'Name and Shame' tactic is used to compel and expose suspicious agents involved in money laundering activities. In 1986, the Office of Foreign Asset Control (OFAC), a financial intelligence agency from the Treasury Department responsible for economic and trade sanctions in support of US national security, published the first Specially Designated Nationals (SDNs) list. Although it is a domestic roster and supposedly restricted in its jurisdiction, it has become a hurdle of access to the American financial system given the impediment of citizens, companies, and other local entities from interacting with agents on this list. As a consequence, it is considered an extra-territorial list once it applies to non-citizens acting outside of their country of origin. During the Clinton administration in 1995, banks implemented The Clinton List, a list of agents linked to narco-trafficking cartels (ECKBERT, 2008). Over time, other institutions, such as the FATF, and countries adopted this strategy in order to show commitment to the AML regulations.

The listing and evaluation strategies are relevant coercion mechanisms that aim to force nations to adopt specific financial crime policies, and they have had successful results in the cases highlighted above. Emulation and learning have been identified with training and assistance strategies, reinforcing the idea that US agencies can offer the most modern and advanced practices to better respond to the money laundering global problem. On the other hand, countries that have not easily assimilated this agenda and have not followed the same guidelines have been treated worldwide as deviant,

unreliable, unsafe terrain for investments or cooperation. This has made it very likely that they would be penalized by financial agents, which would generate capital flight that would redirect capital towards their neighbors. This can also be included under the competition type of diffusion.

In addition, the idea of emulation, as explored by policy diffusion, can be applied to analyze how the United States promotes its policies as 'best practices'. The emulation mechanism suggests that countries observe and imitate successful policies adopted by other countries. As a hegemonic power, we argue that the United States plays an important role as a model for other countries. Through their successful policies and actions, they influence other countries to emulate their practices, whether through voluntary cooperation or indirect pressure.

Additionally, the United States leveraged its political and economic influence to promote its AML policies as a requirement for accessing economic benefits, such as preferential trade agreements or financial assistance. This conditional approach, in which the United States linked the adoption of AML policies to cooperation in other areas, made its policies even more appealing and encouraged Latin American countries to emulate them.

As argued in this article, all the evidence reveals premeditated efforts taken by the US government, through its law enforcement agencies, to diffuse the AML global agenda and what it has considered the best policies to control it, always in line with its priorities and guidelines. The examples we have described also demonstrate a wide range of strategies to promote policy diffusion, including emulation, learning, competition, and coercion. All of these were made possible by the United States' hegemonic position in relation to Latin American countries, who individually have accepted, incorporated, translated, or even resisted and rejected these policies in a wide variety of ways which can be explored by future research.

Conclusions

In this research, our objective was to examine the pathways through which the United States' anti-money laundering (AML) policies and norms have spread to Latin America. We hypothesize that the War on Drugs and the War on Terror have served as pivotal moments, enabling and establishing conditions for the promotion and dissemination of the US AML agenda in Latin American countries. This phenomenon is particularly notable in partner nations where the influential hegemonic presence of the United States was firmly established and where international initiatives to combat crime related activities were directed. Bilateral agreements, capacity-building programs, and financial assistance were instrumental in promoting the adoption of US AML policies. Moreover, international organizations and initiatives spearheaded by the United States such as FAFT, also promoted the AML agenda across the region.

Giving sense to this process, we made use of the policy diffusion approach, which provided the analytical tools to identify actors and strategies that allowed the United States to exert influence over Latin American policies (DOLOWITZ; MARSH, 2000). Hence, we have identified the US law enforcement agencies that have become leaders as external agents in the process of policy diffusion, because of their pioneering role in identifying the risks involved in financial crimes at a transnational level, connecting them to the War on Drugs and the War on Terror agendas. The US government has also used international institutions, such as the FATF, promoting American ideas, norms, and policies regarding AML. Unequivocally this leading role has been possible due to the United States' position as a great global power, concentrating the key economic and financial players and activities as well as the power resources to enforce its political agendas at the international level, but also due to the initiatives of the war on drugs and the war on terror, which created the conditions and constraints for the promotion and dissemination of AML agenda.

We have also noted the prestige that US agents have among law enforcement officers and authorities in Latin America, leading them to learn and emulate these practices because of their success and as well as secondary gains of cooperation, such as avoiding coercion. Using this strategy, the United States has also engaged in making lists of countries in order to reward or punish partner countries for good or bad behavior.

Hence, the diffusion of AML policies has not happened accidentally or voluntarily. This paper has focused on the political dimensions of the creation of this agenda, ranging from the definitions used concerning drug trafficking and terrorism financing to a selection of answers. Official and unclassified/confidential documents, reports and telegrams reveal that the US government, through its law enforcement agencies, has actively and intentionally formulated strategies and mobilized resources dedicated to promoting the diffusion of AML policies in Latin American countries in order to restrain the threats posed by organized transnational crimes. Providing socialization spaces with local law enforcement agents has been aimed at harmonizing crime control priorities, norms and practices, promoting training sessions for professionals in the justice and policing sector. The listing and evaluation of local policies and compliance in terms of money laundering, and the institutionalization of global governance tools aimed at harmonizing local laws were the main mechanisms used, which have been highlighted in this paper.

Considering the multiplicity of ways in which the US government has disseminated its efforts to control money laundering, the objective of this paper has been to identify the mechanisms and actors involved in this diffusion from the United States to Latin America. We intend this research could further inspire other students to investigate the spillover effect of these initiatives in the region nowadays and also to broader norms and regimes. We understand that a regional analysis sometimes obscures the richness and uniqueness of some national cases. In the case of Brazil, for example, it would be an interesting contribution to further investigate the links between former-judge Moro and US authorities in similar initiatives to those analyzed in this article. Therefore, we indicate that future papers should conduct a deeper analysis of how particular Latin American nations have accepted, transformed or resisted this effort, and evaluate the results, i.e. success stories or failures in incorporating these policies.

References

- ANDREAS, P.; NADELMANN, E. **Policing the Globe**: criminalization and crime control in international relations. Oxford: Oxford University Press, 2006.
- BARBER, S. The New Economy of Terror: The Financing of Islamist Terrorism. **Global Security Studies**, v. 2, n. 1, 2011.
- BERNUSSI, M. **O combate ao financiamento internacional do terrorismo**: regulação financeira e institucionalidade global. Doctoral thesis. Programa de Pós-graduação em Relações Internacionais San Tiago Dantas, São Paulo, 2020.
- BOWLING, B. Transnational Policing: The Globalization Thesis, a Typology and a Research Agenda. **Policing**, v. 3, n. 2, pp. 19-32, 2009.
- COX, R. W. Social Forces, States and World Orders: Beyond International Relations Theory. **Millennium**, v.10, n. 2, 126-155, 1981.
- DEZALAY, Y.; GARTH B. G. Hegemonic Battles, Professional Rivalries, and the International Division of Labor in the Market for the Import and Export of State- Governing Expertise. **International Political Sociology**, v.5, n. 3, pp. 276-293, 2011.
- DOLOWITZ, D. P.; MARSH, D. Learning from Abroad: The Role of Policy Transfer in Contemporary Policy-Making. **Governance: An International Journal of Policy and Administration**, v.13, n. 1, 5-24, 2000.
- DOUGLAS, J.W., RAUDLA, R. and HARTLEY, R.E. Shifting Constellations of Actors and Their Influence on Policy Diffusion: A Study of the Diffusion of Drug Courts. **Policy Stud J**, n. 43, pp.484-511, 2015.
- ECKBERT, S. E. The US regulatory approach to terrorist financing. In: ECKBERT, S. E.; BIERSTEKER, T. J. (Eds.). **Countering the Financing of Terrorism**. New York: Routledge, 2008.
- EDWARDS, A.; GILL, P. The Politics of ‘Transnational Organized Crime’: Discourse, Reflexivity and the Narration of ‘Threat’. **The British Journal of Politics and International Relations**, v.4, n. 2, pp. 245-270.
- FATF (FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING). **Annual Report from 1990**. Retrieved from: <http://www.fatf-gafi.org/media/fatf/documents/reports/1990%20ENG.pdf>.
- FERREIRA, M. A. Os órgãos governamentais brasileiros e a questão do terrorismo na Tríplice Fronteira: divergências de percepções e convergências nas ações. **Carta Internacional**, v.7, n. 10, pp. 102-117, 2012.
- GRAHAM, E.; SHIPAN, C.; VOLDEN, C. The Diffusion of Policy Diffusion Research in Political Science. **British Journal of Political Science**, v.43, n. 3, pp. 673-701, 2013.

- HÜLSSE, Rainer. Creating Demand for Global Governance: The Making of a Global Money-laundering Problem. **Global Society**, v. 21, n. 2, pp. 155-17, 2007.
- ILEA (INTERNATIONAL LAW ENFORCEMENT ACADEMY). **Our academy**, 2022. Retrieved from: <https://budapest.ilea.state.gov/our-academy>.
- JACKSON, J. K. **The Financial Action Task Force: An Overview**. Congressional Research Service Report, 2017. Retrieved from: https://www.everycrsreport.com/files/20170323_RS21904_6b6e31f6054cfee3319906575660bf58dad6ed8b.pdf.
- JENKINS, B. M. **Unconquerable nation: knowing our enemy, strengthening ourselves**. Santa Monica: RAND Corporation, 2006.
- KING, C.; WALKER, C.; GURULÉ, J. **The Palgrave Handbook of Criminal and Terrorism Financing Law**. Palgrave Macmillan, 2018.
- LEVI, M.; REUTER, P. Money Laundering. **Crime and Justice**, v.34, n. 1, pp.289–375, 2006.
- LEVITT, M. Follow the Money: Leveraging Financial Intelligence to Combat Transnational Threats. **Georgetown Journal of International Affairs**, v.12, n. 1, pp. 34-43, 2011.
- MILLAR, A.; ROSAND, E. **Allied Against Terrorism: what's needed to strengthen worldwide commitment**. New York: Century Foundation Press, 2006.
- OLIVEIRA, O. P.; PAL, L. A. Novas fronteiras e direções na pesquisa sobre transferência, difusão e circulação de políticas públicas: agentes, espaços, resistência e traduções. **Revista de Administração Pública**, v. 52, n. 2, pp. 199-220, 2018.
- RAPHAELI, N. Financing of terrorism: Sources, methods, and channels. **Terrorism and Political Violence**, v.15, n. 4, pp. 59–82, 2003.
- RODRIGUES, T.; LABATE, B. Prohibition and the War on Drugs in the Americas: An Analytical Approach. In: LABATE, C. L.; CAVNAR, C.; RODRIGUES, T. **Drug Policies and the Politics in the Americas**. Switzerland: Springer, pp. 11-32, 2016.
- ROMANUIK, P. **Multilateral Counter-Terrorism: The global politics of cooperation and contestation**. New York: Routledge, 2010.
- SIMMONS, B.; DOBBIN, F.; GARRETT, G. **The Global Diffusion of Markets and Democracy**. New York: Cambridge University Press, 2008.
- SHARMAN, J. C. Power and Discourse in Policy Diffusion: Anti-Money Laundering in Developing States. **International Studies Quarterly**, v. 52, n. 3, pp. 635–656, 2008.
- SHEPTYCKI, J. Policing the virtual launderette: money laundering and global governance. In: SHEPTYCKI, J. **Issues in Transnational Policing**. London: Routledge, pp.135-176, 2000.
- SOTANDE, E. The regime against money laundering: a call for scientific modeling. **Journal of Money Laundering Control**, v. 21, n. 4, 584-593, 2018.
- STONE, D.; OLIVEIRA, O. P.; PAL, L. A. Transnational policy transfer: the circulation of ideas, power and development models. **Policy and Society**, v. 39, n. 1, pp. 1-18, 2020.
- USA. **Bureau of International Narcotics and Law Enforcement Affairs: Money Laundering and Financial Crimes**. Washington: United States Department of State, 2021.
- USA. **International Narcotics Control Strategy Report**. Washington: United States Department of State, 1986.
- USA. **International Narcotics Control Strategy Report**. Washington: United States Department of State, 1997.
- USA. **International Narcotics Control Strategy Report**. Washington: United States Department of State, 2003, 2004, 2005, 2009, 2010.
- USA. **The Drug Enforcement Administration's International Operations: US Department of Justice Office of The Inspector General Audit Division**. Washington: United States Department of Justice, 2007.
- USA. **The US "Majors List" of Illicit Drug-Producing and Drug-Transit Countries**. Congressional Research Service, 2021. Retrieved from: https://www.everycrsreport.com/files/2021-02-25_R46695_3f0e06048b2d8b5716e0a220f41b881241ecb74a.pdf. Accessed: 07/14/2022.
- VIANA, N. Paraguai: os EUA e o impeachment. **Agência Pública**, feb. 4th, 2013. Retrieved from: <https://apublica.org/2013/02/paraguai-os-eua-impeachment/>
- VILLELA, P. **A "guerra às drogas" e a transnacionalização do policiamento estadunidense no Brasil: as relações entre a Polícia Federal e a DEA entre os anos 1990 e 2000**. Doctoral thesis. Programa de Pós-graduação em Relações Internacionais San Tiago Dantas, São Paulo, 2020.
- VILLELA, P. Transnational policing field: the relations between the DEA and the Brazilian federal police. **Lua Nova**, n.114, pp. 105-136, 2021.

VLCEK, W. Global financial governance and the informal: limits to the regulation of money. **Crime Law Soc Change**, n. 69, pp. 249–264, 2017.

WIKILEAKS. **Scene-Setter for Lugo Inauguration**. Asunción, Aug. 1, 2008. Retrieved from: https://wikileaks.org/plusd/cables/08ASUNCION535_a.html.

WIKILEAKS. **Narcotics Major List 2010 Paraguay**. Asunción, June 9th 2009a. Retrieved from: https://wikileaks.org/plusd/cables/09ASUNCION359_a.html.

WIKILE. **Brazil: illicit finance conference uses the T word successfully**. Brasília, oct. 30th, 2009b. Retrieved from: https://wikileaks.org/plusd/cables/09BRASILIA1282_a.html.

WIKILEAKS. **Za-09-0007/yaz1k Martinetti, Julio et al/ operation heart of stone case coordination meeting**. Buenos Aires, Jan. 5th, 2010. Retrieved from: https://wikileaks.org/plusd/cables/10BUENOSAIRE55_a.html.

ZARATE, J. C. **Treasury's War: The Unleashing of a New Era of Financial Warfare**. New York: PublicAffairs, 2013.

<i>Authors' Contributor Roles</i>	
<i>Mariana Medeiros Bernussi:</i>	<i>Conceptualization; Methodology; Validation; Project Administration; Resources; Investigation; Supervision; Writing (Original Draft Preparation); Writing (Review & Editing);</i>
<i>Priscila Villela:</i>	<i>Conceptualization; Methodology; Validation; Data Curation; Project Administration; Resources; Investigation; Supervision; Writing (Original Draft Preparation); Writing (Review & Editing);</i>
<i>Lívia Jardimovsky Debatin:</i>	<i>Data Curation; Visualization; Formal Analysis; Investigation; Writing (Original Draft Preparation);</i>

Information provided by the authors according to the [Taxonomy of author contributions \(CRediT\)](#)