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The Money Laundry: Regulating Criminal Finance in the Global EconomyBy Sharman, J. C. Ithaca, N.Y.: Cornell University Press, 2011.

The world is composed of many different types of nation-states, ranging from large federations to minute island nations, each of them having their own unique socio-economic features and requirements in the financial sector. So why should they all adopt the exact same model of Anti-Money Laundering (AML) policies as the Global North? Why do small nations like Nauru, Vanuatu, St. Kitts and Nevis, Barbados, Mauritius, among others, adopt AML policies which are replicas of that of the USA and other OECD nations, despite these nations having completely different social and financial problems? And lastly, why does a nation like Nauru, which has no financial sector at all, but has a plethora of other problems such as “90 percent unemployment” (Sharman, 2011, p. 1) and “a debt of more than 1600 percent of gross domestic product” (ibid.) prioritises to protect its non-existent financial sector by implementing costly AML policies over addressing its other existing socio-economic issues?

To address these questions, Dr. Jason Campbell Sharman, Professor of International Relations, University of Cambridge, wrote his book “The Money Laundry: Regulating Criminal Finance in the Global Economy” in 2011, which was published by the Cornell University Press.

The author begins the book by clarifying to the reader and to the people who are generally unaware of either global finance or the world of criminal finance, about what money laundering implies, its different scales and dimensions. Following this, he introduces the readers to the concept of anti-money laundering regimes, how global anti-money laundering regimes have shaped up and how they function. Then, Sharman proceeds to answer the above-mentioned questions under the umbrella of two broader questions. Firstly, do anti-money laundering polices work? And secondly, which factors lead to the diffusion of the standardised AML policies of the OECD nations into smaller developing states?

Sharman uses a multi-pronged methodology for this book. This includes research from secondary sources as well as extensive field work through relevant organizations and sectors. There are five key methods which he uses in this book. He clustered the first five methods as “An Indirect Test of Effectiveness” (Sharman, 2011, p. 37), he coined the final method as “A Direct Test of Effectiveness” (Sharman, 2011, p. 68).

Firstly, Sharman analyses the available reports from international organizations, which formulates and enforces AML polices on nations and then he evaluates these nations based on the standard of AML performance set by these organizations themselves, such as the Financial Action Task Force's (FATF) 40+9 Recommendations. In this phase, he not only studied reports by international organisations, but also reports from national institutions and available secondary literature. Secondly, Sharman interacted with and took interviews of officials from several international organization such as the FATF, IMF, World Bank, United Nations Office on Drugs and Crime, Egmont Group, OECD, Asian Development Bank, Caribbean Action Task Force etc. The third method is the active participation in the plenary meeting sessions of the FATF, Asia Pacific Group on Money Laundering (APGML), and the Council of Europe's AML body, as well as the workshops of the Asia Pacific Economic Cooperation and the Pacific Island Forum. The fifth method is Sharman's own involvement in projects to assess the developing world's AML standards, particularly while working for the Commonwealth, World Bank, APGML, FATF and the Asian Development Bank. The final and the most important method is Sharman's personal involvement in the world of money laundering. This is the direct-testing method. The author got this idea from the authors of the 2009 book "Half the Sky", S. WuDunn and N. Kristof, where both of them started to purchase slaves in order to expose the loopholes in the anti-slavery laws. Similarly, Sharman started to solicit offers for anonymous shell companies with banks in order to check how many transnational banks are following the rules to maintain transparency in the financial sector, and is keeping an accurate record of its client under the "Know Your Customer" (Sharman, 2011, p. 71) mandate. Using these direct and indirect methods of effectiveness, Sharman has tried to answer the first question that whether AML policies are effective or not; and if they are not, then to what extent.

To answer the second question, which is regarding the reasons for the diffusion of the AML policies, Sharman has given three key arguments. The first argument is that small developing nations adopt these costly AML policies not because of its effectiveness, but to maintain its image and credibility in the global financial community, to avoid friction with the countries of the OECD, and to be able to enter into transactions with international financial institutions or access the financial markets of the countries of the global north. In short, the AML policies serves a more symbolic than practical purpose for these small developing nations. The second argument is regarding the role of the FATF and its International Co-operation Review Group which uses Blacklisting as a deterrent for all nations to adopt the AML policies set by the FATF. Unlike the IMF and the World Bank, the FATF can act upon nations which are not its members. Sharman also pointed out about the growing frustrations of the OECD over the off-shore financial centres like Lichtenstein and Cayman Islands and hence the increased targeting of these nations by the OECD through the FATF Blacklisting. Although Blacklisting was not legally binding, Sharman argued that their financial and economic consequences were so harsh, that it became very coercive in nature nonetheless. The third and last argument is that socialization of AML policies by the FATF in different regions and the creation of nine FATF-Style Regional Bodies, universal standardization of FATF's AML policy recommendations and standards, and the growing competition among smaller developing states in the wake of the Global Financial Crisis of 2008 to improve their credibility for seeking financial assistance from foreign banks, have led to the global diffusion of AML policies.

Three primary critiques of the book's conclusion can be pointed out. Firstly, the author has not provided any viable policy alternatives to the existing universal AML regimes, that can be suitable to the economic and financial sectors of the smaller developing nations specifically, while not being a burden on their national spending. The author has also not clarified how different AML standards and policies co-exist among different nations, under the same global AML regime. Secondly, it is recommended in the book that for AML policies to be effective, it should target secrecy, target corruption, maintain transparency in the financial sector. However, these points are a bit self-contradictory from the author as he himself has mentioned in several parts of the book that the current AML regimes already seek to establish transparency in the international financial sector and there already exist international organisations such as the Egmont Group, where the Financial Intelligence Units of over 160 nations share information on Anti-Money Laundering with each other. Therefore, it seems that the author is suggesting the same measures which are currently existing. Thirdly the author has mentioned that the NGOs and civil society organizations, like "Global Witness" (Sharman, 2011, p. 179) should take-up a major role in holding the OECD countries accountable for non-compliance of their own AML policies. However, considering the fact, most of the OECD countries, particularly those who are in G-7, are the ones who takes the charge of forming global AML policies, diffusing them internationally, reviewing nations for Blacklisting, and holds considerable influence at the FATF, the author has not clarified to the readers how much this recommendation can be feasible in reality.

Despite these shortcomings, this book is highly recommended to not only those who want to research about money-laundering, tax havens and transnational criminal finances, but also to those who are new to the discipline of global political economy of finance or are unaware of global anti-money laundering regimes, its nuances and dynamics. It is because, this book is very unique in this discipline as it includes the author's direct-testing method through his involvement in money laundering, it is very comprehensive as it includes the authors decades long experiences of doing fieldworks and projects in Anti-Money Laundering policies, it is very detailed as it includes case studies of not only smaller developing nations but also the developed nations, it contains the author’s personal experiences of attending plenary sessions of relevant international organizations; and lastly, this book introduces the concept of money laundering, anti-money maundering, anonymous shell companies, blacklisting, offshore financial centres and other such related concepts to those readers who are uninformed about these.