



**China Analysis 93**  
**October 2011**  
**[www.chinapolitik.de](http://www.chinapolitik.de)**

---

**The Limits of Policy Diffusion:  
Introducing International Norms of Anti-Money  
Laundering into China's Legal System (abstract)\***

*\*The full version can be found in print and online in the journal  
Governance, Vol.24, No.4, October 2011, 639-664.*

---

**Sebastian Heilmann**  
and  
**Nicole SchulteKulmann**

Trier University  
Research Group on the Political Economy of China

E-mail: [china\\_analysis@chinapolitik.de](mailto:china_analysis@chinapolitik.de)

# The Limits of Policy Diffusion: Introducing International Norms of Anti-Money Laundering into China's Legal System

SEBASTIAN HEILMANN\* and NICOLE SCHULTE-KULKMANN\*

*This article examines the contribution of policy diffusion to create a regulatory system against money laundering in China. A two-level analysis of transnational interactions and domestic law making shows how Communist Party prerogatives shape the insertion of multilateral norms into the legal system. In a contentious process of local accommodation, transnationally engaged technocratic bodies, turf-conscious bureaucracies, and powerful party organs struggle to reconcile the goals of promoting global economic expansion, gaining international recognition, and absorbing innovative regulatory tools while preserving tight domestic control. In effect, Chinese policymakers try to utilize policy diffusion as a mechanism for negotiating and promoting the nation's global rise. Yet, when it comes to implementation, global regulatory standards are weakened or even neutralized through discretionary enforcement. The depth and robustness of normative assimilation therefore remain uncertain.*

The transfer of policy programs and regulatory standards across national boundaries has become the subject of intense research efforts in political science. Domestic policy decisions are systematically examined for their links with prior policy choices made in other countries, international organizations, or multilateral agreements (Simmons, Dobbin, and Garrett 2006, 787–788). The interplay between international standard setting and the transfer of such standards into national contexts is, however, scrutinized through very different analytical approaches. Studies in the political economy of global governance typically focus on aggregate data and uncoordinated macroprocesses (such as the global proliferation of basic institutions of markets and democracy during the past three decades) and attribute wave-like, cross-national institutional or policy changes to the shifting incentives and constraints of the international political economy.<sup>1</sup>

From a different angle, microprocessual studies in policy diffusion focus on the concrete procedures through which the transfer of policies is undertaken and attribute variation in the outcomes to the specific mechanisms of transnational and domestic interaction that can be found in diverse settings.<sup>2</sup> From this perspective, the formal import and introduction of

\*Trier University, Research Group on the Political Economy of China

*Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 24, No. 4, October 2011 (pp. 639–664).

© 2011 Wiley Periodicals, Inc.

institutions and policies from abroad are not sufficient to make a valid statement on causal mechanisms and outcomes. Rather, the local accommodation of global norms should be understood as a contentious and open-ended process: Local agents may reconstruct the imported norms to ensure a better fit with preexisting domestic norm hierarchies and institutional arrangements (Acharya 2004, 253, 269), thus making normative assimilation in administrative and judicial practice an incomplete and uncertain, potentially even reversible, enterprise. Such limitations and variations in norm diffusion on the ground tend to elude the radar screen of macroprocessual studies of global governance.

This article therefore pursues a microprocessual framework to analyze the regulatory efforts, which have unfolded in the People's Republic of China (PRC) in response to the requirements of the international anti-money laundering (AML) regime. In a two-level analysis, it traces transnational and domestic interactions and actors that attempt to promote, coordinate, and shape the diffusion of regulatory norms in a politically particularly sensitive and economically important policy arena. At the outset, we briefly discuss the state of research on China's participation in international trade and investment regimes, and we outline China's belated, yet swift, inclusion in the international AML regime. The following sections then examine in detail how four major mechanisms of policy diffusion—transnational communication, political imposition, international legal harmonization, and regulatory competition—affected the adjustment of the Chinese AML system to international standards. As such a transnational focus may overestimate the role of outside forces and non-Chinese actors, we then turn to an inside out, domestically oriented control study that focuses on the role of Chinese actors and institutions. Subsequently, we examine the limits to international policy diffusion and indications of tactical adaptation that we find in the policy process surrounding the introduction of new AML standards. We conclude that Chinese policymakers are involved in a contentious process to reconcile the goals of promoting global economic expansion, gaining international recognition, and absorbing innovative regulatory tools while preserving tight domestic control. In the realm of AML, policy diffusion was successfully employed as a mechanism for supporting China's global standing, while subsequent enforcement of novel regulatory standards remained extremely feeble. Although transnationally engaged technocratic bodies maintain an interest in more consistent commitments to the global standards, progressive normative assimilation remains highly uncertain as AML touches a core prerogative of Communist Party control.

This is an article abstract only. The full version can be found at <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0491.2011.01543.x/abstract>