# CONTENTS

*Acknowledgments* vii

*Prologue* xi

Introduction: Spiderweb Capitalism  1

1 Social Spiders’ Tangled Webs  22

2 Spinning New Investment Deals  54

3 Varieties of Corruption and Bribery  90

4 Tax Strategies of Global Elites  125

5 Impunity in Stealth Webs  148

6 Moral Dilemmas and Regimes of Justification  169

7 The Exit: Feast and Famine  187

Conclusion: Unraveling Chaotic and Tangled Webs  211

*Methodological Appendix: The Gendered Paradox of Studying Elites*  223

*Notes*  241

*References*  251

*Index*  261
Introduction

SPIDERWEB CAPITALISM

In 2016, an anonymous source leaked 11.5 million financial documents commonly known as the Panama Papers. These pages, which had been kept from the public eye by attorney-client privilege, connected over 140 ultra-wealthy individuals—including Vladimir Putin, the King of Saudi Arabia, and China’s top leader Xi Jinping—across 50 countries to offshore companies in 21 tax havens, such as the Cayman Islands, Panama, and the British Virgin Islands, to name a few. The 2015 investigation of the 1Malaysia Development Berhad [1MDB] company revealed that $4.5 billion of Malaysian public pension funds had been siphoned off into the personal accounts of the country’s former Prime Minister, Najib Razak, and the Malaysian financier, Taek Jho Low. This was not a self-contained event that occurred somewhere “over there” in a small Southeast Asian country. During an investigation into 1MDB, Goldman Sachs, headquartered in New York and one of the largest global financial institutions, admitted to conspiring in a scheme to pay over $1 billion in bribes to officials in Malaysia and Abu Dhabi to obtain lucrative business deals. This fraud not only involved conspirators from the United States but also had impacts on its politics, as Low channeled the funds into the accounts of his associates, including the Haitian-American rapper Pras Michél, who funneled the money into two Super PACs, “Black Men Vote” and “Trump Victory,” to lobby US Presidents Obama and Trump.
Such offshore scandals provide a glimpse into the deep, intertwining web of licit and illicit markets, and reveal the extent to which global finance structures have produced an economic “black hole,” wherein a very small group of privileged political and economic elites move and manage money through offshore shell corporations. These are paper companies without active business operations that are set up solely for the purpose of holding funds, managing another entity’s financial transactions, legally reducing tax liabilities, and obscuring the true owner of an asset onshore.4 Journalists and scholars alike have attempted to chart these complex networks in the wake of various scandals, but the players are notoriously difficult to track. In Spiderweb Capitalism, I uncover the mechanics behind the invisible, mundane networks of people connected through hidden and complex webs—lawyers, accountants, company secretaries, and fixers—who facilitate illicit activities by conducting transactions across multiple sovereignties. Through a close examination of the emerging markets of Vietnam and Myanmar, I illustrate how offshore entities are used to connect economic elites from around the world with political elites and their brokers from less developed economies in hidden networks of global capitalism.

This book centers on one primary question. How do global elites capitalize on risky frontier markets? The answer, as I will show, is by playing in the gray. To theorize the process of playing in the gray, the goal of this book is threefold: (1) to uncover the structure of the networks, which I refer to as spiderweb capitalism, (2) to examine the people who make and move money around the world through offshore vehicles, and (3) to reveal how elites finesse the gray space between legal and illegal practices to establish significant social and political connections that allow them to exploit new frontiers.

Uncovering the Puzzle

To tell this story, I begin in two countries—Vietnam and Myanmar—that attract the kinds of investors looking for high risk and high returns. This group of investors draws on old strategies developed in the West and uses them to front-run the political and legal systems in frontier markets with weaker regulatory structures.

In April 2016, with support from the Fulbright Global Scholars program and the Social Science Research Council, I packed my bags and moved to Southeast Asia, where I planned to make Ho Chi Minh City (HCMC), Vietnam, and Yangon, Myanmar, my home bases for the next eighteen months. And then, more quickly than I could have imagined, my plans changed
dramatically. As I followed the data, I discovered a much larger puzzle that tied HCMC and Yangon to Hong Kong and Singapore and then stretched even farther, connecting them to a broader system of offshoring.

Having spent over ten years in and outside of Vietnam carrying out research for my first book, *Dealing in Desire*, I had made several connections that would be vital to the discoveries for this second book. I included Myanmar because several of my former contacts had moved to Yangon and set up offices there, looking to expand into an even newer frontier, and their move helped facilitate my engagement with Myanmar. From there, I was introduced to Xuan Liu, the CEO of an asset management firm with offices in Vietnam, Myanmar, Hong Kong, and Singapore. Xuan took me under his wing as his personal assistant and graciously taught me a great deal about both Vietnam’s and Myanmar’s foreign investment climate. The time I spent in Xuan’s office was critical, because the job taught me how to speak in a new technical financial language which, in turn, helped me identify relevant questions to ask investors.

My early days of working in the firm also aided my understanding of the politics in what anthropology professor Karen Ho calls the “front office” and the “back office.” By following Xuan around, I was able to witness the front-office work he carried out, which, for the most part, involved relational work with potential investors and state officials outside the firm. Xuan relied on employees in the back office to deal with the technical work of executing the deals he had sourced. Xuan introduced me to his team as a researcher interested in studying foreign investment in Southeast Asia and as an assistant who would help with whatever he needed at the moment. I signed a nondisclosure agreement (NDA), with the plan that anything I would write about the firm I would first run by the relevant parties within the firm. After this, Xuan introduced me to his management team, which meant I now had access to the back office.

While I gained some understanding by completing low-level tasks in the back office, I learned the most during the semi-structured interviews I conducted outside of the office. These meetings took place with office employees during their lunch breaks and over happy hours at nearby bars. And the person to whom I owe a great deal of gratitude was a lawyer, Tuyen, who served as the firm’s in-house counsel. Tuyen was born in Vietnam but had spent many years living abroad in Canada and spoke fluent English.

During our first lunch meeting Tuyen asked me if I knew what a special purpose vehicle or holding company was. I did not. As I would later uncover, these were the keys to unlocking so many of my questions about how his
firm helps global elites exploit frontier markets. A special purpose vehicle, he explained, is a paper company set up offshore—for his businesses, “offshore” meant Hong Kong or Singapore. That paper company is a holding company, whose primary purpose is to own the subsidiary company onshore in Vietnam or Myanmar. Since all of this was new to me, I asked him to explain it to me in laymen’s terms. He gave me this example.

Ultra-high-net-worth individuals (UHNWIs) have investments all around the world. They are often wary of going into risky markets with high levels of corruption because that could have both criminal and reputational repercussions. So they make investments in a special purpose vehicle or holding company set up in Singapore or Hong Kong. That paper company in Hong Kong or Singapore would then turn around and, on paper, own a stake in local firms with actual business operations in Vietnam or Myanmar, but no one would know that the UHNWI had an investment in Vietnam or Myanmar. If something were to go wrong with an investment onshore, there is a legal firewall with the offshore vehicle that protects all of their other assets. For example, if they get issued a back tax by the Vietnamese state, the state cannot put a lien on other investments they have in South Korea, Thailand, or Romania. Each investment has its own paper company that keeps all their investments separate from one another. These practices are technically legal, but they are gray and purposefully opaque. Offshore companies are incorporated in a jurisdiction other than where the beneficial owner resides or where the business operations take place, making them hard to locate and trace.

After six months of living in Vietnam and Myanmar, the data led me to Singapore and Hong Kong, where I was flush with the contact information of lawyers, bankers, company secretaries, accountants, and fund managers who were based there but who specialized in onshore investments in Vietnam and Myanmar. The shift to include four countries in my project design felt overwhelming, but once I got to Hong Kong and Singapore, a whole other world opened up to me. The relocation led to many more interviews, in which I learned that the parent companies in Hong Kong and Singapore were part of a much larger group of shell companies incorporated in the British Virgin Islands (BVI), Panama, the Cayman Islands, Samoa, and Seychelles. This first view of spiderweb capitalism was incredibly daunting. I had to find a way to follow the story as it was unfolding before me, and as I would come to learn, few people could trace these massive webs.

The financial professionals who set up these vehicles were so specialized in their respective domains that they knew very little about how the entity they had set up or controlled was connected to the parent companies abroad. In fact, as one lawyer explained to me, “Not knowing what happens above
in BVI or Panama or how bribes are carried out in Vietnam or in Myanmar creates legal firewalls around them so that no one person is implicated in the whole process.” By following the narratives, I came to realize that the investments in Vietnam and Myanmar were not isolated within those countries. Ownership and investment vehicles did not move from Country A to Country B. Rather, they were embedded in a global network of subsidiaries where only a tiny number of people had complete access to the full picture of capital ownership structures between country A and Countries C through F in a web-like supersystem. As a result, my entire ethnographic research puzzle grew much larger in scope.

I started to wonder: Who were the different specialists involved with constructing various parts of these financial webs? What roles did financial professionals working on small parts of the larger portfolios play in setting up these structures? How were small markets like Vietnam and Myanmar interconnected in a broader ecosystem of global capitalism? The professor in me wanted to know why we as scholars have failed to capture this story. The answers to these smaller questions are critical to understanding the art of playing in the gray. Because, as it turns out, there are a group of ultra-rich elites who hide behind multiple layers of highly specialized financial professionals that know exactly how the money moves. The chairmen, as Alan and Xuan both call them, employ C-suite executives, asset managers, private wealth managers, bankers, lawyers, accountants, company secretaries, fixers, and nominees. All these specialists together make markets by setting up obscure webs of capital networks through offshore funds, enabling them to move money around the world without having to abide by the rules of any one sovereignty.

Spiderweb Capitalism and Playing in the Gray

Spiderweb capitalism is a system which features a complex web of subsidiaries that are interconnected across multiple sovereignties and are virtually impossible to identify. Offshore financial centers have enabled both economic and political elites—who in less developed economies are often one and the same—to secure exclusive and quasi-legal opportunities for the private accumulation of wealth. The web is so complex and involves so many layers and actors that it becomes challenging to trace. Every strand of the web is connected by networks of financial, legal, executive, and public relations professionals all of whom are all hidden from one another as they purposefully obfuscate their relations with other parts of the web. The big spiders are the UHNWIs who control the web. But those spiders use “agents” or “fixers” to cover close connections to transactions that would be considered “dirty” or
corrupt. Those agents are smaller spiders who provide the connective silk between massive global webs and smaller ones on new frontiers. The smaller spiders are high-net-worth individuals (HNWIs) who are highly compensated to carry out the groundwork in building out these capital webs on behalf of UHNWIs. I argue that spiderweb capitalism explains the heretofore puzzling and rapid rise of foreign capital in markets with low levels of trust and cooperation, using complex structures of offshore investment vehicles.

But mapping out a picture of the web is simply not enough. I then dig deeper to understand how this web gets constructed in the first place. The strategies, I argue, involve a meticulous endeavor of playing in the gray, which involves exploiting the gray area between legal/illegal, developed/undeveloped, clean/corrupt, democratic states/predatory states. The gray space between these dichotomies is key to deepening our understanding of a paradox in investment: international financial institutions and global governance bodies have bought the economic mantra that development can only occur in economies with strong rule of law, which makes investment safe for international capital—yet this is a case where economic growth is sustained under weak rule of law.

By mapping the structure and uncovering the people and processes that create this web, I illustrate how global capital is increasingly untethered from single nation-states as rich people and their financial advisors use offshore structures to gain access to investments, procure business licenses, and then sanitize gray money for investment on global stock exchanges. The goal of this book is to provide a window into the complex networks created by financial professionals who move money across borders, shift legal geographies through offshore vehicles (“enabl[ing] economic elites to select the legal spaces that will govern their own transactions”), forge interpersonal ties with political elites, and make money out of playing in legal, financial, and political gray zones.

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**Barriers to Unraveling Spiderweb Capitalism**

This ethnographic journey to study both the architecture and the people involved in spiderweb capitalism has led me to question why we have not uncovered capital markets as interconnected in this way before. While the frontier markets are certainly new areas for spiders to expand their webs, the strategies have been in use since the late 1800s. Three important barriers...
have limited our ability to study and theorize these webs: (1) those who are interested in offshore finance only study one piece of the puzzle; (2) our overreliance on economists who primarily use quantitative and network tools limits a deeper analysis of how real people make markets in messy, irrational, and unpredictable ways; and (3) powerful institutions, by virtue of being powerful, are intimidating to study—and costly in time and resources, as these individuals are exceptionally hard to access.9

Let me start with the problem among scholars. Just as financial professionals are specialized, so too are academics. Legal scholars focus primarily on the role of lawyers in writing legal code and shifting legal geographies.10 Economists often imagine that developed markets are rational and operate with a clear set of rules, regulations, and legal systems, “as elites demand some sort of organization of enduring and stable prestige.”11 In contrast, undeveloped markets feature widespread corruption, where tactics of sabotage are “used to secure some special advantage or preference.”12 To the extent that they examine the world of offshoring, economists focus on taxation and profit-shifting methods.13 Political scientists and sociologists have not been able to develop a way of looking at financial markets outside of a lens of nation-states—or First World/Third World, Global North/South.14

The lack of a truly interdisciplinary approach means that we are not only focusing too much on one piece of this larger puzzle, but we are also looking in the wrong places. Virtually no scholar links the roles of lawyers, bankers, wealth managers, accountants, fixers, and company secretaries, who all play smaller roles within the larger web of investments, outside of a First/Third World or a global cities lens. The kinds of cross-country comparisons advanced by political scientists further eclipse our ability to look at how these states are in fact interconnected through offshore webs.

Sociologist Saskia Sassen shifted the lens away from nation-states to a focus on global cities as a result of the growth of global markets for finance and the reduced role of governments in regulating international economic activity.15 New York, London, Tokyo, Frankfurt, and Paris emerged as key geographic sites known for their concentrated command points in organizing the world economy.16 Cities, Sassen argues, serve as important nodes and command posts for the coordination of highly specialized financial markets that are crucial for fueling the expansion of global markets.17 Unlike nation-states that compete with each other, these cities constitute a system that ultimately contributes to the growth of developed nations. What is most powerful about Sassen’s framework is the attention to other spatial units and scales in a context of privatization and deregulation.18
We tend to study finance and capital either within a single state, or as they flow across states, because historically this was what mattered. To the extent that countries extracted wealth from other countries, this was largely carried out through political dominance and colonialism. But since the 1990s, globalization allowed the proliferation of companies to operate on a global scale to maximize profits, and the creation of offshore accounting allowed global elites in a variety of businesses to employ financial professionals to help set up legal structures across the globe. Consequently, the state-based model for understanding economic flows now appears partial at best. The approach I take in this book makes legible the complex web of financial elites who hide behind thick webs in a labyrinth of what Robert Reich calls “paper entrepreneurialism.” This arrangement gives financial agents in New York or London the ability to carve out legal and financial spaces offshore that are unaccounted for by both state regulatory bodies and academic research.

The second barrier to uncovering webs of capital has to do with our over-reliance on economists for the answers. Even economists themselves know and rightly state that there are “systematic inconsistencies in international financial statistics because there are more liabilities than financial assets reported” in global cities where the world’s financial centers dominate. In his book *The Hidden Wealth of Nations* economist Gabriel Zucman argues that 8 percent of the world’s financial wealth is held offshore, which costs states $200 billion in lost tax. Nicholas Shaxson argues that over half of all bank assets, one-third of foreign direct investments, and 85 percent of international banking is routed offshore. Ronen Palan and others similarly invoke the invisibility of offshore funds by articulating how offshore jurisdictions allow U/HNWI’s and multinational corporations (MNCs) to be “elsewhere” and “ideally nowhere” through legal spaces that are created to bypass regulations. Economic sociologist Cristobal Young draws inspiration from astrophysics and refers to the large amounts of money that wealthy elites place offshore as “black holes” that “[create] anomalies in international financial accounting statistics.” Just as black holes distort light and gravity in ways astronomers can detect, tax havens distort international accounting statistics in ways that leave a visible trace of their existence and size. But, it is not enough to know that there is money missing somewhere out there in a black hole. We must find ways to understand the context and structural conditions that enable these massive gaps in accounting by looking at how real people finesse these markets.

Lastly, conventional wisdom on how the economy works has failed to account for this transformation, because few scholars have the time, training,
and resources to explore global finance at its current scale. As I elaborate in the methodological appendix, this kind of research is costly and requires a massive investment of time and energy to travel around the world, trying to recruit willing research participants who will speak candidly about their practices.

This book draws on tools from sociology, anthropology, geography, law, and economics to make sense of spiderweb capitalism and the art of playing in the gray. In this kaleidoscope, the primary focus of the book might differ depending on the disciplinary lens of an engaged reader.

I argue, however, that binaries between First/Third World, developed/undeveloped, or clean/corrupt prevent us from seeing how corrupt or gray transactions in frontier markets are deeply interconnected with mature markets in democratic societies.27 The glue that connects all of these is the special purpose vehicles and holding companies used by global elites that supersede any one sovereign nation. Offshore financial centers cater to sovereignities and wealthy individuals alike, as they simultaneously undermine some states while relying on other states to help protect the very capital that HNWIs accumulate.

For a sociologist or an anthropologist, the goal of this book is to give global capital a face by showing how real people construct this spiderweb. This is distinct from most accounts of global capital flows by economists, sociologists, and anthropologists. Economists often treat capital as something that is highly abstract and only moves around through a set of computers and algorithms, paying little attention to how the people who make markets are connected to one another.28 Economic sociologists in theory should have a better account of global capitalism; they focus overwhelmingly on how people behave in markets—usually in one isolated corporation or firm—rather than on how they make markets. Similarly, an important body of work by cultural sociologists focuses on how the wealthy make sense of their wealth, their anxieties of affluence, only after they have made that money.29 Lastly, anthropologists primarily focus on the consequences of global capitalism—specifically, what happens after foreign investments enters a nation and how that affects the local people, country, etc.30

Rather than focus on effects or consequences, this book draws inspiration from C. Wright Mills, a prominent twentieth-century sociologist who focused instead on how global elites make their money and the ways that they make meaning out of the moral dilemmas they face by having to play in the gray.31

At the level of practice, a law and economics lens scrutinizes the friction between dichotomies of legal/illegal, private/public, corrupt/clean to
argue that these in fact co-constitute each other. There is no neat dichotomy between legal and illegal, licit and illicit. The illegal and the illicit facilitate legal and licit market making. As Hannah Appel contends, offshore structures serve as containers for both capital origination in frontier markets and the process of making the illegal life of capital legal in an entangled series of circuits that are impossible to capture quantitatively.

I argue that people make markets through tactics of both sabotage and coordination in small intimate networks where the legal/illegal, the moral/immoral, and the licit/illicit are in fact deeply interconnected, as the illegal facilitates the legal market making. By analyzing how corruption actually facilitates economic transactions in frontier markets and how that capital gets cleaned up in offshore structures and as it graduates to the public on global stock exchanges, I show how these two opposing economies, when woven together through a complicated chain of shell companies, ultimately end up as one unified system of capitalism.

To begin, we’ll start by examining frontier markets, which illustrate how most capital accumulation takes off through a set of transactions that are often considered corrupt and dirty. Here, from the ground level up, entrepreneurs pushing to grow large and fast enough to attract foreign investors work to maximize their accumulation of profits through tax evasion in a complex web of bribes paid out to state officials. As small firms mature, they graduate to global stock exchanges by undergoing a process of professionalization. Concurrently, capital that was once paid out in the form of bribes is usually sanitized through legal structures in a network of shell companies in offshore financial centers. Rather than sitting idle, that money is often invested in mature markets around the world through a set of designated nominees.

**Global Ethnography**

This book marries ethnographic approaches with network approaches to both map out the networked institutions and describe the very content that flows through that network. By using ethnography as a tool to zoom both in and out, it becomes possible to connect the complementary interests of market actors across multiple states that appear to be at odds with one another. By carrying out a global ethnography, *Spiderweb Capitalism* brings together perspectives on offshore financial centers, shadow banking, law and legal contracts, and foreign investments in frontier and emerging markets into one place by mapping out the ways that these systems work in concert.
with one another. Moving across scales, Spiderweb Capitalism reveals how these markets depend on particular relationships to the state (in the space between the licit and the illicit), and how other individuals on the ground negotiate moral dilemmas around drugs, sex/infidelity, and bribery to get inside access to the most lucrative deals.

Data collected for the book project maps a global network of financial elites throughout the world. For eighteen months during 2016–2017 I traveled over 350,000 miles, following the ownership of global capital from offshore accounts in places like the British Virgin Islands, Cayman Islands, Samoa, and Panama to special purpose vehicles or holding companies in Singapore and Hong Kong, before being invested onshore in Vietnam and Myanmar. In addition to making Yangon, Ho Chi Minh City (HCMC), Singapore, and Hong Kong my home bases, I also took several trips across the globe to follow representatives of local firms as they traveled with sell sheets to raise private investment capital, as well as “money movers” who were sourcing investment deals and deploying capital. In this way, this project provides a model for investigating field sites that are not always “grounded.” What I had was almost literally a view from “up in the air,” whether that was on an airplane or on the top floor of a hotel or an office building. On the ground, I was often part of an entourage that visited investment sites through curated tours in a caravan of tinted windows with security escorts. Like the foreign investors, we did not get to see or learn anything deep about what was happening to the communities around us outside the cars.

In total, I interviewed over 300 individuals, including UHNWIs and the people who manage their money, such as private wealth managers, fund managers, chairpersons, local entrepreneurs, C-suite executives, lawyers, bankers, and company secretaries. As I traveled between global cities and localized investment zones with UHNWIs and their financial professionals, I came to understand that for the super-rich investors in my study, the world is not divided into countries—rather, just rich parts and poor parts where they make their investments. Yet those who study elites who are global in scope do not often empirically parse out the social strata among the wealthy. It is important to differentiate between the UHNWIs and the descending hierarchy of highly compensated financial professionals (HNWIs) who manage their money—the world’s top 0.1 percent and the further stratified 1–10 percent, respectively.

This book makes a clear distinction between the dominant spiders (UHNWIs), who make up the 0.1 percent, and their subordinate associates, who for the purposes of this book are among the top 1–10 percent.
Subordinate spiders in the 1–4 percent are HNWIs who serve as asset managers, fund managers, lawyers, and bankers. There are also a group of subordinate spiders who are part of a professional and managerial class, who make up the 5–10 percent. This group includes accountants, company secretaries, and others who also play an important role in building out these capital webs. The key distinction between dominant and subordinate spiders has to do with ownership of capital as well as the individual’s relational position and role in the network. Dominant spiders have greater network centrality and, if they wanted to, could see more parts of the capital web. However, they employ subordinate spiders who have lesser network centrality but who offer specialized services to dominant spiders to bear and mitigate the risk. Subordinate spiders see parts of the network, but never have a full view of the web.

In today’s world of widening economic inequality, the winner takes all. In 2021, *Forbes* magazine defined ultra-high-net-worth individuals (UHNWI) as people with liquid assets (“money held in bank or brokerage accounts”) of at least $30 million; and high-net-worth individuals (HNWI) are defined as people with liquid assets of between $1 million and $30 million. The obsession with widening inequality has captured the public imagination. The *New York Times*, *Wall Street Journal*, and *CNN* provide interactive features for people to insert their income to discover their rank and percentile. In October of 2018, the Economic Policy Institute published a study showing that the top 0.01 percent earned $2,756,865 a year, making the average among the top 1 percent roughly $719,000 a year, while those in the top 5 percent averaged $300,000 (see Table 1). Those in the lower half of the top 10 percent made roughly $118,000 a year as part of a professional and managerial class. These differences are significant among the group of elites for a few reasons. The 0.1 percent come “not just [from] the obvious centers of New York, San Francisco, and London, but also [from] emerging metropolises like Mumbai, Moscow, and Shanghai.” While *Forbes* magazine notoriously creates lists of the world’s billionaires, in the twenty-first century the majority no longer come from the Western hemisphere (see Map 1).

What Map 1 begins to hint at is the emergence of wealth in Russia, East and Southeast Asia, and the Middle East. At the same time, the numbers that *Forbes* lists here are likely the most conservative. While Forbes works diligently to cover the richest individuals in the world, they often miss a large number of wealthy elites, particularly those from politically contentious countries who do not want their wealth displayed to the public. People living in in post-communist countries with less-stable governments,
<table>
<thead>
<tr>
<th>Wage group</th>
<th>Average annual wages (2017 dollars)</th>
<th>Percent change</th>
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<tr>
<td>Bottom 90%</td>
<td>$29,608</td>
<td>$34,542</td>
<td>$34,332</td>
</tr>
<tr>
<td>Top 90th to 99th</td>
<td>$96,843</td>
<td>$140,739</td>
<td>$140,573</td>
</tr>
<tr>
<td>90%–95%</td>
<td>$82,122</td>
<td>$110,096</td>
<td>$111,127</td>
</tr>
<tr>
<td>95%–99%</td>
<td>$115,245</td>
<td>$179,043</td>
<td>$176,932</td>
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<tr>
<td>Upper 5%</td>
<td>$148,063</td>
<td>$286,352</td>
<td>$262,307</td>
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<tr>
<td>Upper 1%</td>
<td>$279,336</td>
<td>$715,886</td>
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<tr>
<td>99.0%–99.9%</td>
<td>$241,260</td>
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<tr>
<td>99.9%–100%</td>
<td>$622,018</td>
<td>$2,876,667</td>
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</tr>
<tr>
<td>Average</td>
<td>$38,161</td>
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</tbody>
</table>
like Russia, China, or Vietnam, often worry that their governments could turn on them at any moment to expropriate their assets. What is clear is that owners of capital are no longer concentrated in First World nations. Moreover, politically exposed people (PEPs)—individuals in high-profile political roles, their immediate families, and their close associates—often operate behind highly compensated private wealth managers and asset managers who invest money on their behalf.

The investment deals I studied range between USD$200,000 and $450 million and represent such sectors as real estate, manufacturing, mining, technology, the service sector, and trade. A main reason investments cross such diverse sectors of the economy is that for most investors, access has less to do with expertise than with relational networks. Political relations matter for all sorts of deal brokering, and once a deal is complete, firms will hire the appropriate strategic executives to execute the day-to-day operations of running the actual business (such as managing staff and running local operations).

Importantly, this book draws on composite cases, as I purposefully do not trace a single deal from beginning to end as a way to protect my research subjects and guarantee their anonymity. After conducting interviews in Vietnam and Myanmar, I asked those key informants to introduce me to the financial professionals who helped them set up their structures in Hong Kong and Singapore. Once I got to Hong Kong and Singapore through a series of referrals, I asked those individuals about their experience working on projects in Vietnam and Myanmar that were not connected to the case I studied on the ground. In each interview, I told every interviewee that I was not interested in them as part of a case study; I was interested in identifying and fleshing out the broader patterns and practices that had been shared by several other interviewees.

This method fundamentally shifts the paradigm through which to analyze the global economy’s architecture and geography by linking a set of economic relationships onshore to legal structures and foreign investors offshore. This is akin to having six different puzzles. They all have unique patterns, but the pieces themselves are the same, so by taking a few pieces from each puzzle we can reconstruct the whole picture while simultaneously blurring out individual players.

In his seminal work on the power elite, C. Wright Mills described a group of elites who were members of a socially closed subgroup that had a self-aware, corporatist social identity and a shared sense of connection with each other.\textsuperscript{41} They knew of each other, and they protected each other. There was \textit{Klasse für sich}—a self-aware inner circle of the upper classes that looked out for and protected itself. They closed others off from themselves and each
other. And, as Mills explained, you could “find” them when you wanted to. They were reliably found at Country Club A, or they were listed as donors on the concert programs of the local symphony.

*Spiderweb Capitalism* is a story of a new sort of social grouping that is composed of financial actors who keep their actions secret not only from the public, but also from each other. They have highly compensated “agents” or “fixers” to cover their tracks for them. They do not seem to have a sense of social cohesion. They might have orgies and other secretive get-togethers in an effort to try to establish mutual trust, or at least mutual hostage, but they don’t know whether someone out there is going to pull out a camera. To put it another way, there doesn’t seem to be a “code” that serves as a basis of social solidarity.42

**My Dealings in the Gray**

Uncovering black holes starts with examining the relationships, networks, and market-making on the ground. After three months of working as Xuan’s personal assistant, I found myself in a situation that was legally and morally ambiguous, or as I would later theorize it: *playing in the gray*. Having access to private meetings and exchanges among the CEOs, government officials, advisors, and foreign investors thrust me into the very world that I wanted to study. It also meant, however, that I was privy to dealings that were common practice in Vietnam. As a US citizen, this could potentially make me an accessory to criminal activity under the Foreign Corrupt Practices Act (FCPA). After consulting with lawyers at the University of Chicago, I learned that I should neither witness nor be part of any deal-making activity that might be illegal under the FCPA.

It was not always clear—and not just to me—what was legal or illegal. Indeed, many activities fell in the gray area of the law. Sometimes bribes in Vietnam were more implicit than explicit. For example, a firm might hire a consultant to help deal with government relations. The said employee might have close government ties, such as a family member or a friend, who would be crucial for gaining access to information and effectively navigating the complex regulatory terrain. Was that consultant’s salary a bribe? In Vietnam the answer would be “no,” because the person would bring much-needed access to vital information to the office. In the US context, however, the answer would be “yes,” as demonstrated by the case in which US authorities brought criminal charges against JPMorgan Chase in Hong Kong for what the bank internally dubbed the “Sons and Daughters Program.” In the end,
JPMorgan Chase agreed to pay USD$264 million “to settle charges that bank employees in Hong Kong ran a scheme to bribe Chinese officials [by hiring] friends and relatives of Chinese government leaders in exchange for investment banking business.”

Ethical dilemmas like those in the field and the debates that were ensuing in the academy about studying illicit activity ultimately led me to leave Xuan’s firm. This came with some serious methodological limitations. I could never witness interactions firsthand, for example, and if an investee company had two or three sets of book—common practice in both Vietnam and Myanmar—I could not look at them.

Upon seeking legal advice from several lawyers, both at the University of Chicago and in Southeast Asia, I was told that I would not be mandated to report what people said to me in confidence during my interviews with them outside of the deals. Still, I ultimately decided not to write about Xuan Liu or anyone in that firm, because it would be too challenging to protect their anonymity and adhere to the NDA that I signed. The time I spent there, however, gave me the lay of the land and I used that information to identify the key individuals whom I recruited for interviews. Because I did not want to give up on this project altogether, I decided to carry out interviews and limit my ethnography to traveling with research subjects as they were raising money all over the world and as they were sourcing deals to deploy that capital in Vietnam and Myanmar. During the travels, I did not sit in on any meetings. Instead, I spent long plane rides, breakfasts, and after-hour drinks following up with my research participants as they recounted the events that had transpired that day. As an aside, I am not sure that staying in the firm would have made methodological sense, because I could not get close to the deal-brokering process from the back office, where activities were slow, mundane, and technical and could not teach me much about the people or relational work I was interested in studying.

While I left that firm, I faced several challenges with identifying the new set of key players in the market. Both Vietnam and Myanmar had undergone massive transformations, which meant that there were a new set of people with ties to the new regimes with access to sweetheart deals. For example, in Vietnam, there was a new prime minister, and with him came a new group of underlings who dominated several sectors of the economy. As new players in the market rose to the top of highly regulated economic sectors, old ones were going to jail on charges of corruption, and everyone in between was trying to figure out how to protect themselves and develop relations with the new political power players. As one interviewee put it, “They were
all trying to figure out how to kiss up to the new person in power.” At the same time, Myanmar had just elected Aung San Suu Kyi, the leader of the National League for Democracy and the first incumbent State Counselor (equivalent to prime minister), and the country was buzzing with excitement from foreign investors looking to establish themselves on this new frontier, where they hoped that the old crony way of doing business would give way to a democratic and transparent business climate.

With the generous help of three University of Chicago undergraduate research assistants, we combed through newspapers, magazines, and LinkedIn for contact information of potential research subjects. I also employed “snowball sampling”—in which I asked research participants to assist in identifying other potential interviewees and to make important introductions—from the contacts that I had made working inside the asset management firm for a short time. I spent three months interviewing everyone I could in Vietnam, including fund managers, private wealth managers in family offices, decision makers from inside corporate firms, lawyers, accountants, bankers, and anyone else working on different aspects of the deal-making process. In the interviews, without looking for it, offshoring kept coming up over and over again. In the first 100 interviews, nearly 80 percent of interviewees used the same language as Tuyen, referring to special purpose vehicles and holding companies to describe the structuring of their investments offshore in Hong Kong and Singapore through a complex subsidiary chain. That preliminary research laid the groundwork for me to identify the appropriate research questions and eventually create the framework for the research puzzle that this book works through.

The Rise of East and Southeast Asia

The turn to Southeast Asia quickly reveals that old paradigms, like “First World/Third World” and “Global North/Global South,” are no longer useful for framing the global economy. Over the last twenty years, we have witnessed dramatic changes in global financial flows that raise important questions about the simultaneous rise of East and Southeast Asia and the waning economic dominance of the United States and Western Europe.

For instance, during the 1980s and 1990s, New York, London, and Tokyo solidified their positions as leading financial centers and dominated much of the global economy by managing disproportionate shares of the financial industry and vast numbers of financial transactions.

The global financial meltdown of 2008, however, dealt a reversal of fortune to these cities, and Singapore, Shanghai, Hong Kong, and Seoul began
to emerge as new centers of global finance.\textsuperscript{47} As Aihwa Ong, Rem Koolhaas, and others note, Asian economies have since skyrocketed, with dramatic capital increases.\textsuperscript{48} Long-term postwar growth, combined with the ascent of a global capitalist class, has changed the dynamics of intra-regional investment since 2000: whereas foreign direct investment (FDI) in Southeast Asia used to come largely from the United States and Western Europe, it now increasingly originates within East Asia.\textsuperscript{49}

In 2012, the World Bank reported that East Asia accounted for 32 percent of global market capitalization, ahead of the United States at 30 percent and Europe at 25 percent.\textsuperscript{50} By 2011 there were more millionaires in Asia than in the United States or Europe.\textsuperscript{51} Concomitant with the economic rise of countries in East and Southeast Asia following the 2008 global financial crisis, formerly dominant Western countries experienced economic declines that persist today; in October 2014, for example, European banking authorities announced that twenty-four European banks had failed financial stress tests.\textsuperscript{52}

Compared to the United States and Europe, China and Southeast Asia, in particular, have been experiencing record growth rates, thus overtaking the hegemony of the West in these emerging and frontier markets. Emerging markets are poised to become the most important markets of the twenty-first century.\textsuperscript{53} Found in developing countries with rapid industrialization and increasing integration into the global economy, emerging markets are experiencing growth rates more than double those of advanced economies.\textsuperscript{54} As a result, the concentration of global capital in the hands of a select few means that the world is now divided between HNWIs and poor people across developed, emerging, and frontier markets around the world. Or, as Esteva, Prakash, and Mohanty prudently dub it, \textit{One-Third World} versus \textit{Two-Thirds World}, where the rich and poor coexist in many countries, transcending national borders.\textsuperscript{55}

\textbf{Overview of the Book}

\textit{Spiderweb Capitalism} develops over three parts. The first part of the book starts by drawing out a new picture of global capital flows by tracing the “social spiders’” web. The second part zooms in on the people and institutions to reveal how financial elites (owners of capital) syndicate risk by employing a group of financial professionals to do the work of \textit{playing in the gray} on their behalf. The primary argument here is that economic growth in less-developed economies is a consequence of tightly embedded relations between economic elites (local and foreign investors) and political elites that result in varieties of corruption and an assortment of tax structures
that enable global elites to finesse these markets with impunity. Finally, the third part zooms in close on individuals working on the ground in these new frontiers who must carry out the work involved in all these transactions, and the moral dilemmas they confront as they navigate playing in the gray. These chapters are intensely relational and geared towards understanding how real people confront a set of moral dilemmas, justify their actions as they work their way through those dilemmas, and experience the life-altering consequences as they reap huge profits or experience massive losses as a result of playing in the gray.

In “Social Spiders’ Tangled Webs” (chapter 1) I develop the concept of spiderweb capitalism as a metaphor for the complex network of offshore shell companies that adept players in the gray finesse. Using the analogy of social spiders, I provide a picture of how the web gets constructed, differentiating between dominant spiders (UHNWIs) and subordinate spiders (HNWIs). I use the cases of Vietnam and Myanmar to describe the variegated ways capital moves from offshore funds before arriving onshore in emerging and frontier markets for investment. What makes this different from social networks or professional ecologies is the distinctively global structure of this web, which supersedes sovereign nations.

Zooming in on people and institutions, “Spinning New Investment Deals” (chapter 2) gives global capital a face by focusing on people who work in coordination with each other to put deals together. There is a group of people who own capital and are looking to make money with it, and another group of people who put the capital to work by sourcing deals on behalf of capital owners. Those sourcing deals find local enterprises that are looking for exit opportunities to cash out their entrepreneurial endeavors. This chapter connects the dots to show how they come together. I illustrate how economic elites leverage relationships and social networks to raise capital for markets with scant data and very few facts.

“Varieties of Corruption and Bribery” (chapter 3) answers the question: “How do global elites exploit frontier markets?” by providing a continuum of how they play in the gray through multiple strategies of obfuscation which result in varieties of corruption. I lay out an argument about how licit and illicit activity co-constitute each other, particularly in the embedded ties that bind key political officials and economic elites (local and foreign investors) who are there to try to get inside access to the market. By unpacking the intersection of illegal and legal activities, I illustrate the ways investors obfuscate bribes to political elites to make the argument that illicit activity shapes licit investments. “Tax Strategies of Global Elites” (chapter 4) is
an illustrative account of how global elites play in the gray through varied structures of taxation. The point here is to also show a continuum that coexists in the same market: early-stage investors tend to engage in tax evasion practices before graduating to tax avoidance through legal transfer pricing practices that enable them to shift profits offshore, where there is a much lower tax burden.

“Impunity in Stealth Webs” (chapter 5) differentiates between the 0.1 percent (UHNWIs, owners of capital) and the 1–10 percent (HNWIs, custodians of capital) to illustrate how UHNWIs operate with near impunity by syndicating risk to highly compensated financial professionals who construct legal barriers for the owners and shoulder all of the criminal risks associated with playing in legal gray zones.

Digging deeper into the people and the personal, “Moral Dilemmas and Regimes of Justification” (chapter 6) examines the moral dilemmas that individual investors confront as they navigate their unique place in the spiderweb. In an effort to humanize capital flows, this chapter engages the sociological literature on moral markets to examine how individuals construct morality or a sense of business ethics in a quasi-legal world where illicit and licit activity co-constitute each other. I illustrate how a group of individuals develop their moral regimes of justification to articulate the different ways that they must adjust their own moral compass in finessing these markets.

“The Exit: Feast and Famine” (chapter 7) reveals what happens to an individual after a successful exit from the market and then closely examines three specific cases in which individuals lost a great deal of money—resulting from, respectively, a government ousting; theft by a foreign partner; and a hostile takeover by local partners.

Spiderweb Capitalism’s conclusion outlines its policy implications and weighs in on debates related to global inequality, taxation, and the embeddedness of the political and economic spheres. It engages with the question of how to unravel chaotic and tangled webs, and invites public debate about how to create a system in which political and economic elites are not regulating their own quasi-illicit behaviors.

It is my hope that this book, inspired by C. Wright Mills, will unravel the complex web that enables elite spiders to operate with near impunity, thereby exacerbating global inequality. By focusing on how people make markets through tactics of sabotage and coordination in small intimate networks, Spiderweb Capitalism illuminates market-making in the early twenty-first century global economy.
Abbott, Andrew, 236
accounts/auditors: as subordinate spiders, 30–31; tax certainty, offering services that strive for, 142–44
accounting practices: arm’s-length prices, calculating, 142; manipulation of, 129; multiple books, operating with, 128, 141; round-tripping, 126; theft through, 121; transfer pricing, 126, 139–42
anti-corrupters, 91–98
Anti-Fascist People’s Freedom League (AFPFL), 244n39
Appel, Hannah, 10, 236
Apple, 138–39
Asian Infrastructure Investment Bank (AIIB), 36
asset protection trusts (ATPs), 52
Aung San, 244n39
banks and banking: bankers as subordinate spiders, 31–32; “know your customer/client” (KYC) regulations, 34; setting up an account for an SPV, 162–63; weak local banking institutions and offshore banking, 49–50
Bergmann, Patrick, 236
bribes and bribery, 90–91, 122–24; to avoid enforcement of taxation, 127–28, 130; avoiding “pay to play,” 82–87; blurring practices, 107; comfort of East/Southeast Asian investors with, 40; examples of, 153–55; facilitation payments made by greasers, 91, 98–104; graft engaged in by bribers, 91; necessity of in Vietnam, 78–79, 173, 177–78; obfuscation strategies, 104; obfuscation strategies: brokerage, 112–20; obfuscation strategies: bundling, 107–12; obfuscation strategies: gift-giving, 104–7; paid through nominee accounts in OFCs, 36; rationalization of, 114–15; special purpose vehicle set up for the purpose of, 159, 162. See also corruption
BRIC (Brazil, Russia, India, and China) countries, 37
British Virgin Islands (BVI), 156–57, 159–60, 191
brokerage, 112–20. See also bribes and bribery; fixers
bundling, 107–12
Burma. See Myanmar
Burmese Freedom and Democracy Act (BFDA), 41
“Burmese Way to Socialism,” 40
Bush, George W., 41
capital: artificial flows of, 45; raising through offshore roadshows, 56–65; raising through onshore investor trips, 66–73; real people and global, 9; stealth, 155
capitalism: crony (see crony capitalism); relational, homoerotic bonding and, 78–82; spiderweb (see spiderweb capitalism)
Carlson, Jennifer, 236
Carruthers, Bruce, 185
Cayman Islands, 35, 151–52, 156
Chase Private Client, 192
China: as BRIC country, 37; Myanmar and, 218; rivalry in Southeast Asia between the United States and, 36–37, 219
CITI-Fund Administrator, 26–27
Coca-Cola, 44
Cohen, Michael, 213
Coldwell Banker (CBRE), 71
corporate secretaries as subordinate spiders, 32
Convention on the Recognition and Enforcement of Arbitral Awards (“New York Convention”), 50
coordination: experiences of in successful exits, 187, 193; making markets through, 10

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corruption, 90–91, 122–24; corruption required by, 159; ethical and methodological issues for researchers on, 226–29; at a higher level in the West, 183; steering clear of, attempts at, 91–98, 114; theft, 120–22, 182–85; in Vietnam and Myanmar, 38, 200. See also bribes and bribery Credit Suisse, 35
crony capitalism: heterogenous state-market relations and, 40; in Myanmar, 38, 40–41, 68–69, 218; transitioning from, 95, 123
cryptocurrencies, 217
Cushman & Wakefield, 219
data. See methodology
deal-broking process, 54–55, 87–89; connections between people, importance of, 65, 69 (see also homoerotic bonding); feeling and instinct, importance of, 71–73, 76–77; raising capital, 55–56; raising capital: offshore roadshows, 56–65; raising capital: onshore investor trips, 66–73; sealing the deal, 77–78; sealing the deal: avoiding sectors that require “pay to play,” 82–87; sealing the deal: relational capitalism and homoerotic bonding, 78–82; sourcing the deal, 74–77
Dealing in Desire: Asian Ascendancy, Western Decline, and the Hidden Currencies of Global Sex Work (Hoang), xiii, 3, 170, 224, 231–32
Decree No. 20/2017/ND-CP (Vietnam), 142
Delaware, 213–14
Deneault, Alain, 214
director’s resignation letter, 32–33
dispossession of the local poor, 164–67
deals: financial (see financial elites); men with political power and men with economic capital, brokering relations between, 79 (see also homoerotic bonding); political (see political elites)
emerging markets. See frontier and emerging markets
Esteva, Gustavo, 19
ethics: institutional review boards (IRBs), 226–29, 232
ethnography. See methodology
Executive Order 13310, 41
exit/exit strategies: avoiding corruption with longer investment spans, 92; of East/Southeast Asian investors, 112–13, 133; famine from, reliance on social networks during, 207–10; famine from, two experiences of, 193–205; feast and famine, socio-emotional experiences of, 205–6; feast and famine in frontier markets, 187–88, 210; feast from, loneliness/social isolation associated with, 206–7; feast from, two experiences of, 189–93; initial public offering (IPO) as the ultimate, 113; from offshore investments, 50, 52; professionalization and, 135, 143–44; typical seven-year, 30, 92, 189
facilitation payments, 91, 98–104
fall guys/people, HNWIs as, 148–49, 154–64
family offices, 29, 150, 193
Farrell, Justin, 241n9
feminist epistemology/methodology, 227, 249n4
Fiat, 139
financial elites: advantages enjoyed by non-Western compared to American and Japanese, 34–36, 47–48, 114, 157; income of the top 10%, 13; increasing numbers of outside the West and First world, 12, 15; map of the world’s richest people, 14; political elites and, 35–36; secrecy and lack of social solidarity associated with, 16. See also high-net-worth-individuals (HNWIs); ultra-high-net-worth-individuals (UHNWIs)
Fine, Gary Alan, 227
fixers: brokerage/bribery by, 36, 112, 115–20, 195; as subordinate spiders, 33
Fligstein, Neil, 28
Foreign Account Tax Compliance Act of 2010 (FATCA), 34–35, 213
Foreign Bribery Act (FBA; South Korea), 108
foreign direct investment (FDI): artificial flows of capital constituting investment webs, 44–46; competing circuits in Ho Chi Minh City, 39; flaws in the measurement of, investment flows/webs and, 42–44. See also investors/investment
Formosa corporation (Taiwan), 220
Fourcade, Marion, 171
frontier and emerging markets: close connection of political and financial elites in, 35–36; exiting from (see exit/exit strategies); institutional voids in, 54; moral maze of, 170 (see also justification; moral dilemmas); rapid growth rates in, 19; risk and investment strategy in, 26–27; Southeast Asia (see Myanmar; Southeast Asia; Vietnam)
INDEX 263

front-running, 77, 126–27, 191
fund managers: as hosts of onshore investor tours, 72–73; sealing the deal for bearish investors, role in, 82–87; sealing the deal for bullish investors, role in, 77–78; as subordinate spiders, 30

Gascoigne, Clark, 213
gendered paradox, 224, 236–40
general partners (GPs), 28, 62
general power of attorney, 33
gift-giving, 104–7
Gleckman, Howard, 139
global, conceptions of the, 216–17
global asset registry, proposal for, 214–15
global ethnography, 10–18. See also methodology
global finance: barriers to understanding, 6–10; rise of East and Southeast Asia, 18–19; untethered from nation-states, 6–8; web of licit and illicit markets in, 1–2. See also spiderweb capitalism
Goffman, Alice, 226–28
Goldman Sachs, 1, 112, 160
governance, modes of, 39–40
government officials: breakdown in relations with, 195–201; bribing (see bribes and bribery); corruption in Myanmar and, 93–95; discretion of, taxation and, 128–31; homoerotic bonding with, 78–82; low salaries for, corruption and, 98, 131; reluctance to be interviewed, 216
Grab Taxi, 144–45, 147
gray, playing in. See playing in the gray greasers, 91, 98–104

Halliday, Terence, 185, 236
Harrington, Brooke, 44, 229
Harris, Kamala, 219
Healy, Kieran, 171
high-net-worth-individuals (HNWIs), 5–6; accountants/auditors, 30–31; bankers, 31–32; bonding rituals, shouldering the burden of, 82; company secretaries, 32; definition of, 12; examples of, 25–26; as the "fall person," 149–49, 154–64; fixers (see fixers); fund managers, 30; lawyers, 31; nominees, 32–33; private wealth managers, 29–30; relations with UHNWIs (see spider relations); satisficing strategy of, 149, 150, 159, 167; as the subordinate spiders, 24, 28–29; theft by, 121–22; as white-collar slaves, 167
Ho, Karen, 3, 226

Ho Chi Minh City: attempted tax enforcement by, 144–45; circulation of capital in property markets of, 39
holding companies, 44; example of use of, 163; as the glue that connects the elements of global finance, 9; ownership structure, 62; as a paper company, 4
homoerotic bonding, 78–82, 173–75, 238
Hong Kong: as an offshore financial center, 35; bank account for an SPV, setting up a, 162–63; special purpose vehicles set up in, 46; wealth manager working out of, 155–64
Hong Kong and Shanghai Banking Corporation (HSBC), 34–35
Hope, Bradley, 148
Husseiny, Mohammed Badawy al, 212
impact investing, 153
impunity, operating with, 148–49, 167–68; by HNWIs, 163–64; land grabs in a parallel economy, 164–67; by UHNWIs, 149–55; wealth and, 164
independent asset managers, 35
inequality: elites and, 12–15; global asset registry, proposal for, 214–15; Occupy Wall Street protests against, 211–12; spiderweb capitalism and increasing, 220
initial public offering (IPO), 37, 113
institutional review boards (IRBs), 226–28, 232
international business corporation (IBC), 33
International Consortium of Investigative Journalists (ICIJ), 152, 212
investment tourism, 66; conferences, 66–69; highly curated tours, 69–73
investors/investment: based on feeling of market potential and intuition, 71–73, 76–77; deal-brokering process (see deal-brokering process); Japanese and Western vs. East and Southeast Asian, phases of development and, 112–15; navigating bureaucratic structures, 101–4 (see also bribes and bribery; relational work); regional (East and Southeast Asia), 108, 133–34; relations with government officials and other investors (see relational work); special purpose vehicles, attractions of, 50–51, 63 (see also special purpose vehicles (SPVs)); state officials and, shifting of blame between, 164–67; state officials and, symbiotic relationship between, 146; "tire-kickers," 78
Ireland, 139
INDEX

Jerolmack, Colin, 228
JPMorgan Chase, 16–17, 112, 155
justifications: family-oriented, 170, 175–79; moral regimes of, 171, 186; for SPV used to pay kickbacks, 162; for tax evasion, 129. See also moral dilemmas
Kidder, Jeffrey, 246n18
Kim, Hun, 39
“know your customer/client” (KYC) regulations, 34, 47–48
Koolhaas, Rem, 19
Korea, Republic of (South): corruption and bribery in, 108; jail time as sign of a successful businessman in, 178; as “next eleven” country, 37
Krippner, Greta, 236
Kyaw Win, U, 93–94
Lainer-Vos, Dan, 107
Lamont, Michelle, 170
lawyers as subordinate spiders, 31
Le, Andrew, 220
Lê, Dinh Q., 107
Leissner, Timothy, 160
limited liability corporation (LLC), 33
limited partners (LPs), 28
Liu, Sida, 236
Long, Elizabeth, 249n4
Low, Taek Jho, 1, 151, 159, 212
Lubet, Steven, 227
1Malaysia Development Berhad (1MDB) company, 1, 149–50, 160, 168, 212
Malesky, Edmund J., 39
McAdams, Doug, 28
McCulloch, Neil, 39
methodology: access to ethnographic data, 225, 231–32; anonymity, issue of, 15, 17, 228–30, 234; data analysis and presentation, 234–36; data transparency and replication, 223, 226–30; funding, 230–31; gendered paradox of research in a male-dominated world, 224, 236–40; global ethnography, 10–18; interview process/experience, xi–xiv, 15, 17–18, 232–34, 237–39; length of interview and success of investor, relationship of, 188; qualitative data/methods, 194, 223, 226–28, 249n4; research ethics, institutional review boards and, 226–29; research in the gray, 16–17; research questions, development of, 224–25, 230; snowball sampling, 18
Michél, Pras, 1
Microsoft, 44
Mills, C. Wright, 9, 15–16, 21, 24, 79, 245n6–7
Mohanthy, Chandra, 19
moral dilemmas, 169–71, 185–86; family sacrifice, framing actions as a, 170, 175–79; gentleman versus caveman, gendered relations and, 171–75; geographic boundaries to address, 179–81; justifications (see justifications); legal-moral boundaries, 183–84; moral compass pushed to the limit, exit as response to, 181–85
Morgan Stanley, 192
Mozilo, Angelo, 212
Murphy, Alexandra, 228
Myanmar: anti-corrupters in, 92–98; Aung San Suu Kyi, election of, 18; capital restrictions in, 161; China and, 218; crony capitalism in, 38, 40–41, 68–69, 92, 95; foreign direct investment (FDI), apparent sources of, 42–44; foreign direct investment (FDI), artificial flows of capital and, 42–46; foreign direct investment (FDI), the new military regime and, 218; front-running in, 127–28; institutional voids in, 54; investment in, democracy and, 38; joint venture in, attempt to set up, 161–63; military coup in, 38, 217–18; Obama's actions reaching out to, 37; off-shoring as common practice in, 159; the onshore context in, 40–41; outmigration from, 220; potential investors unfamiliar with, 160–61; professionalization in, 141; research in, 228–29; sanctions against, 41; selling to investors through onshore conferences, 66–69; sourcing the deal in, example of, 74–77
National League for Democracy (NLD), 18, 41, 95, 217
National Research Act of 1974, 227, 249n4
Nesvetailova, Anastasia, 242n27
Ne Win, 40, 244n39
“next eleven” (N-11) countries, 37
Nguyen, Tu Phuong, 39
Nhat, Nguyen Duc, 39
nominee director declaration, 32
nominees: designated, example of, 191; designation of as a means of obfuscating bribes, 110; provided as part of an incorporation package, 158; as subordinate spiders, 32–33
National League for Democracy (NLD), 18, 41, 95, 217
National Research Act of 1974, 227, 249n4
Nesvetailova, Anastasia, 242n27
Ne Win, 40, 244n39
“next eleven” (N-11) countries, 37
Nguyen, Tu Phuong, 39
Nhat, Nguyen Duc, 39
nominee director declaration, 32
nominees: designated, example of, 191; designation of as a means of obfuscating bribes, 110; provided as part of an incorporation package, 158; as subordinate spiders, 32–33
Obama, Barack, 1, 37
Obama administration, legal tax breaks for foreign companies created by, 214
Occupy Wall Street, 211–12
Ocean Bank, 38
offshore companies: in global finance, 1–2; setting up, 156–60. See also special purpose vehicles (SPVs)
offshore financial centers (OFCs): Delaware, 213–14; nation-states and, 9; new frontiers, 36–38; the shift eastward, 34–36; Switzerland, 33–34. See also Hong Kong; Singapore
offshore financial centers (OFCs), functions of: access to a wider pool of potential investors, 50–51; asset protection from lawsuits, 51–52; easier offshore exits, 52–53; offshore arbitration, 50; privacy, 46–48; tax avoidance/evasion, 48–49, 136–38; weak local banking institutions and, 49–50
O’Neal, Stanley, 212
O’Neill, Jim, 37
Ong, Aihwa, 19
Organization for Economic Cooperation and Development (OECD), common reporting standard (CRS), 214
Osburg, John, 246n1
Palan, Ronen, 8, 242n27
Panama Papers, 1, 152, 159, 212
Paradise Papers, 152
parallel economy, 164–65
Pickering, Field, 218
piggybacking, 136. See also round-tripping, tax avoidance strategy of
playing in the gray: alternative strategy for investors looking to minimize, 82–87; continuum of, 91; with impunity (see impunity, operating with); mastering the art/game of, xiv; money captured by, 73; moral considerations regarding (see justifications; moral dilemmas); offshore/minority investment with majority control, strategy for, 63–64; relative positions/roles of UHNWIs and HNWIs in, xiv, 29; scholarly research and, 16–17; taxation and (see taxation); web construction and, 6
Podesta, John, 37
Podesta Group, 37
political elites: children of, 111; financial elites and, 35–36; investor relations with (see relational work); shifting blame to foreign investors, 164–67
politically exposed people (PEPs): bribes paid through OFCs by, 36; operating behind private asset/wealth managers, 15
Potts, Shaina, 242n27
Prakash, Madhu Suri, 19
principal-agent problems, theft and, 120–22
Pritzker, J. B., 45
Pritzker, Penny, 213
privacy, 46–48
Private Placement Memorandum (PPM), 26–27
private wealth managers as subordinate spiders, 29–30
professionalization: process of, 10, 30, 92, 112; tax avoidance and, 126, 131–35; tensions between foreign and local partners over, 202–3; transfer pricing and, 140–41
public relations, 119–20, 209
Putin, Vladimir, 1, 241n1
Qubaisi, Khadem al, 212
Racketeer Influenced Corrupt Organizations Act (RICO), 40
Razak, Najib, 1, 212
regulatory opacity distinguished from regulatory transparency, 244n37
Reich, Robert, 8
relational work: breakdown in relations with onshore partners, 201–5; breakdown in relations with state officials, 195–201; breakdowns in, famine in exits due to, 193–94; bundling, mutual hostage and sabotage through, 107–12; coordination and sabotage in exiting markets, 187–88 (see also exit/exit strategies); “doing the dirty” to cement relationships, 173; front-office work as, 3; gentleman versus caveman, 171–75; gift-giving, 104–7; with government officials (see government officials); homoerotic bonding, 78–82, 173–75, 238; relationship managers, 155–56; sabotage as the result of failed, 200–201, 203–5; significance of, 65, 69, 202, 210; with tax authorities or accountants, choosing between, 132. See also bribes and bribery
research design and process. See methodology
risk: of criminal charges, brokerage strategies and, 115; investment in frontier/emerging markets and, 59–60; minimizing,
risk (continued)
65; mutual hostage-taking through homoerotic bonding to help manage,
81; rationally calculating, impossibility of, 73; syndicating as part of the process of professionalization, 135; syndicating through SPVs, 138–39, 148, 155
roadshows offshore: investment opportunities, 64–65; investor protections, 62–64; preparation and initial PowerPoint slides, 56–60; raising capital via, 55–56; selling the investment team, 60–62
Roldugin, Sergey, 241n1
Rossman, Gabriel, 104, 246n8
round-tripping, tax avoidance strategy of, 126, 136–39
sabotage: experiences of in unsuccessful exits, 187–88, 200–201, 203–5, 208; making markets through, 10
Samoa, 46, 158–59, 161–62
Sassen, Saskia, 7
“satisficing” strategy: by HNWIs, 149, 159; by a stealthy UHNWI, 150–51
Schwartz, Nelson, 221
secrecy distinguished from privacy, 47
Sedgwick, Eve, 79, 245n7, 245n9
Seychelles, 46
Sharkey, Amanda, 236
Shaxson, Nicholas, 8, 24, 243n4, 245n55
Shay, Steve, 247n12
Sherman, Rachel, 241n9
Singapore: as an offshore financial center, 35; banks in Switzerland and, relations between, 35; special purpose vehicles set up in, 46; stealth spider operating out of, 149–55
Small, Mario Luis, 205–6, 209
Southeast Asia: China–United States competition in, 36–37, 219; Myanmar (see Myanmar); Vietnam (see Vietnam)
South Korea. See Korea, Republic of (South)
special purpose vehicles (SPVs), 44, 46; advantages for investors of, 4, 50–52, 63; as the glue that connects the elements of global finance, 9; ownership structure including, 198; as a paper company set up offshore, 4; round-tripping and, 136–39; setting up, 156–60, 162; syndicating risk through, 138–39, 148
speed money. See facilitation payments
spider relations (between UHNWIs and HNWIs), xiv, 5–6; complexity of, 28–29; differentiating between dominant and subordinate spiders, 11–12, 27–28, 167; exit experiences and, 188–89, 193; HNWIs as the fall guy while UHNWIs operate with impunity, 148–49, 154–64 (see also impunity, operating with); playing in the gray and, 122–24
spiders: Anelosimus eximius, 22, 193; communal, 22; dominant (see ultra-high-net-worth-individuals (UHNWIs)); stealth, operations by, 149–55; subordinate (see high-net-worth-individuals (HNWIs)); on the US one-dollar bill, 22–23
spiderweb capitalism, 5–6, 53; bribery and corruption, 122–24 (see also bribes and bribery; corruption); conceptualization of, 24; connecting onshore investments to offshore vehicles, 42–46 (see also foreign direct investment (FDI)); deal-brokering process, 88–89 (see also deal-brokering process); nation-states, untethered from, 6–8; new social contract required for addressing the problems of, 221; playing in the gray as key to, 6 (see also playing in the gray); the prey, 220–21; reconfiguration of, recent events and, 217–19; relational connections and, 194 (see also relational work); taxation and, 145–46 (see also taxation)
spiderweb capitalism, difficulties of unraveling: barriers to unraveling, 6–10; offshore jurisdictions in the United States, 213–14; regulating the regulators, lack of mechanism for, 214–16; systemic nature of spiderweb capitalism, 211–12; theorizing “the global,” need for, 216–17
“spray and pay” business strategy, 202
Starbucks, 139
State Law and Order Restoration Council (SLORC), 41, 244n41
State Peace and Development Council (SPDC), 41
Stiglitz, Joseph, 221
subordinate spiders. See high-net-worth-individuals (HNWIs)
Suu Kyi, Aung San, 18, 38, 41, 92, 217, 244n41
Switzerland: as an offshore financial center, 33–36; banking offices in Singapore and the Cayman Islands, 35
taxation: compliance as more cumbersome than evasion, 129–30; evasion and avoidance, distinction between, 131–33; functions of offshore financial centers
(OFCs) and, 48–49; government coercion through, 196–97, 199–200; strategies of global elites, 125–26, 145–47; tax avoidance, 125; tax avoidance: methods of, 136–42; tax avoidance: professionalization and, 131–36; tax certainty, 125; tax certainty: aspirations to, 142–44; tax certainty: challenges to, 144–45; tax evasion, 125–31

thief, 91, 120–22, 182–85, 203

transfer pricing, 126; enforcement of Decree 20 rules in Vietnam, 142–43; as a tax avoidance strategy, 136, 139–42

Trans-Pacific Partnership (TPP), 36–37, 200

Trudeau, Justin Pierre, 37

Trump, Donald, 1, 37

trust: investing time to build relationships of, 135. See also relational work

Uber Vietnam, 144–45, 147

ultra-high-net-worth-individuals (UHNWIs): corruption and, 91 (see also bribes and bribery; corruption); definition of, 12; as the dominant spiders, 5, 24, 27–28; examples of, 25–26; local professionals, reliance on, 78; operating with impunity, 148–49; relations with HNWIs (see spider relations); special purpose vehicles, use of, 4 (see also special purpose vehicles (SPVs)); as a stealth spider operating with impunity, 149–55

United States: anti-bribery laws vs. facilitation payments in, 99; China and, rivalry in Southeast Asia between, 36–37, 219; disadvantages faced by American financial elites, 34–36, 47–48, 114, 157; Myanmar, sanctions against, 41; offshore jurisdictions in, 213–14; regulation of offshore capital, 34–35, 47–48

University of Chicago: access to research subjects through association with, 231–32; funding from, 230; Social and Behavioral Sciences Institutional Review Board (IRB), 226–27, 232

U Nu, 244n39

Van Hau, Doan, 144

Venkatesh, Sudhir, 227

Vietnam: brokerage strategies, fixers, and bribes in, 114–20; corruption and bribery in, 38, 108–12, 173, 177–78, 200; famine in exits from investments in, 194–205; foreign direct investment (FDI), apparent sources of, 42–44; foreign direct investment (FDI), artificial flows of capital and, 42–46; front-running in, 127, 191; Grab Taxi/Uber Vietnam deal, tax enforcement implications of, 144–45; growth rate of, 37; heterogenous state-market relations in, 40; Ho Chi Minh City (see Ho Chi Minh City); importance of for Western nations, 37; initial public offerings (IPOs), market for, 37; institutional voids in, 54; manufacturing in, the Covid-19 crisis and, 219; moral dilemmas in, 172–79; as “next eleven” country, 37; the onshore context in, 38–40; outmigration from, 220; professionalization in, 131–33; research in, 229; selling to investors through offshore roadshows, 56–65; selling to investors through onshore highly curated trips, 69–73; taking land from the local poor in, 165–67; “Vietnamese way,” doing business the, 129, 177–78

Vu, Joseph, 142

Vu, Mimi, 219

wealth management firms: general and limited partners in, 28; investment network and strategy, examples of, 26–27, 150–64

Weber, Max, 216

Weitzman, Hal, 213

Wen Jiabao, 241n1

Wilson, Michael, 122

Wodtke, Geoff, 236

women: female-owned or -run businesses, investment in, 85–87; gendered labor in homoerotic bonding, 79–82; research in a male-dominated world, the gendered paradox of, 224, 236–40; treatment of as criteria for evaluating people, 172, 174–75

Wright, Tom, 148

Xi Jinping, 1, 241n1

Young, Al, 170

Young, Cristobal, 8

Zaloom, Caitlin, 226

Zelizer, Viviana, 245n3

Zucman, Gabriel, 8, 146, 214–17