Kimberly Kay Hoang

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**SPEAKERS**

John Torpey, Kimberly Kay Hoang

**John Torpey** 00:04

Welcome to International Horizons, a podcast of the Ralph Bunche Institute for International Studies that bring scholarly and diplomatic expertise to bear on our understanding of a wide range of international issues. My name is John Torpey, and I'm Director of the Ralph Bunche Institute at the Graduate Center of the City University of New York.

**John Torpey** 00:25

Today we discuss contemporary perceptions of Asia and of Asians in the post pandemic world with Kimberly Kay Hoang, Associate Professor of Sociology and Director of the Institute for Global Studies at the University of Chicago. She's author of the award winning book, "*Dealing in Desire: Asian Ascendancy, Western Decline, and the Hidden Currencies of Global Sex Work*", and has a book forthcoming from Princeton University Press, called "*Playing in the Gray: Offshoring and Foreign Investments in Frontier Markets*". Thanks so much for taking the time to be with us today, Kimberly Hoang.

**Kimberly Kay Hoang** 01:07

Thank you. It's great to be here. And thank you for having me on your podcast today.

**John Torpey** 01:11

Sure. Great to have you with us. Thanks so much. So your first book "Dealing in Desire" looks at sex work in the context of, as you say in the subtitle, Asian ascendancy and Western decline. But I would say many people would argue that the US, at least, and perhaps the West, more generally, have certain important advantages in the global markets and in the geopolitical competition in the world that shields us from decline. How do we know that the West is declining and Asia is rising?

**Kimberly Kay Hoang** 01:48

Yeah, I think that's a great question. And it's one that many people often talk about. I think it's polemic. And it's part of a debate. But the way that I see it is there's been a pretty significant shift in the, I would say, geopolitical order and global economic order.

**Kimberly Kay Hoang** 02:08

And so I'll start with the global economic order. When I started the research for "Dealing in Desire" in 2005-2006, I wasn't really looking for a story of Asian ascendancy or Western decline. It's a story that I fell stumbled in on as I was collecting data for the research for the book. And when I think about the data, and when I draw on the data from that time, the signals for me was really thinking about where the foreign direct investment was coming into in smaller countries within Southeast Asia.

**Kimberly Kay Hoang** 02:44

And what I noticed was that I had assumed that most of the foreign investment coming in to Vietnam, for example, was coming from the United States or Western countries; when in reality, it was coming from South Korea, Japan, Taiwan, Malaysia, Singapore, Hong Kong. And it made me really begin to think about this sort of the shift in this global order. And I would say, it took me about four years to publish those words, Asian ascendancy and Western decline in it. And now, I think, more people have accepted that that we're seeing a shift here.

**Kimberly Kay Hoang** 03:23

Other places where I would say that we're seeing the shift is, you know, the World Bank reported that Asian stock markets account for 32% of global market capitalization, which is ahead of the US, at 30%, in Europe at 25%. And at the same time, developing economies are seeing growth rates that are more than double that of mature markets. And so I really think that that represents a significant shift.

**Kimberly Kay Hoang** 03:51

And I would say, from where I am situated between, kind of occupying a life between the United States and and Asia, Southeast Asia, in particular-- one of the things that I and my family lives in a, I would say, more rural part of California, which is Bakersfield, California-- and there I kind of see this lens of the anxieties around the rise of Asia, in particular around China, both in Southeast Asia and in more rural places within the United States.

**Kimberly Kay Hoang** 04:25

And I think it's something that Americans, when I think about the January 6 insurrection, much of that is, I think, a consequence of many Americans feeling left out of this changing global order. And a changing global order where they're left out of this particular kind of economic shift.

**Kimberly Kay Hoang** 04:52

I also think of cryptocurrencies, which I've gotten into more recently. And thinking about where a lot of that is being driven by third world economies, or once "third world economies." And so when you look at cryptocurrencies in particular, there's this new kind of rhetoric. Particularly, when you're following certain kinds of coins being pumped in the market, there's the sense on the US side like, "Okay, wait until Asia wakes up. When Asia wakes up, all of this is going to start trading, and you're going to see a lot more market activity."

**Kimberly Kay Hoang** 05:27

And recently, actually...President Trump really started to signal this, I think, and captured a lot of American anxieties around the rise of China and the loss of American jobs. But I think President Biden more recently, had said, after this conversation he had with with Xi Jinping, "we better watch out because China is in making all of these investments in technology and manufacturing in all of these areas that this is not something that we can no longer just stand on our laurels on and assume that this isn't something that serves as a particular kind of threat to the United States."

**John Torpey** 06:15

Interesting. Can I intervene to just say a couple things? I mean, so you've kind of referenced two things I really want to explore. One is the relationship between the United States and China. And the other is between is the relationship between China and its near abroad. One of whose chief representatives is the Japanese leaders in Washington today for the first in person meeting, I believe, with President Biden since he took office. [The first] in person meeting of a foreign head of state. So those are two different issues, which I think are very important.

**John Torpey** 06:51

And I'd like to explore with you. So, the United States has just recently declared in its annual threat assessment that China is the greatest threat to our national security now. And Tom Friedman, The New York Times columnist has similarly suggested that we're on sort of the cusp of a cold war with China. There's obviously much talk about these kinds of things.

**John Torpey** 07:17

And as you say, Biden did in this recent speech, or in these recent remarks, sort of emphasize the centrality of technology in this competition. But I mean, not so long ago, China was our kind of frenemy, right? I mean, they were sort of this notion of "Chimerica" that Neil Ferguson articulated.

**John Torpey** 07:40

And, in certain respects, it's not clear that that's all altogether gone. I mean, another author, who has been writing about these issues, Ryan Haas, refers to what he calls competitive interdependence; which sounds a lot less scary than enemy, competitor, those kinds of phrases. So I wonder what you would say about how the United States is thinking about this relationship, and whether we're headed in the right direction in that sense.

**Kimberly Kay Hoang** 08:12

I think it's very hard today to divorce the political sphere from the economic sphere. And this is something that sociologists, and economic sociologists in particular have been saying, for a long time. We used to imagine that the US represents a certain kind of Western democracy, where the political sphere regulates the economic sphere. And here I'm thinking of the Washington Consensus versus the Beijing Consensus as examples where the Beijing Consensus represents a much more top down authoritarian state.

**Kimberly Kay Hoang** 08:51

But in today, I think that in the global order that we live in now, it's very hard to divorce the two. And what I mean by that is, so on the one hand, there's definitely a political rhetoric of China is a threat to the United States, and this cold war is not going to be a "a hot war of missiles" and whatever; it's a technology war.

**Kimberly Kay Hoang** 09:16

And on the other hand, when I think about that, and we think about these recent kind of hearings, where the US had asked major sort of leaders in the technology industry to speak out about China, so many of them were reluctant and extremely hesitant to be critical of China. And that says a lot about the ways in which the political and economic sphere overlap in both places.

**Kimberly Kay Hoang** 09:48

So I am here thinking of big companies that are there, like Apple, Facebook, even. If you look at sort of Zuckerberg and many of these major leaders, they're very, very, very careful in their way they speak out, the way that they talk about China. And so if it was true that the US was a leader in the world, I don't think people would speak out with such hesitancy the way they do today.

**Kimberly Kay Hoang** 10:20

And so on the one hand I think that Ryan Haas who you referenced, I also read a lot of his stuff, too, I think he is right in saying that it's this interdependent relationship. And, China's emergence as the sort of global rule maker is far more of a threat to the US being a global rule maker.

**Kimberly Kay Hoang** 10:26

When I think about the Obama administration in the Trans-Pacific Trade Partnership that he was working really hard to put together, the front page of the Trans-Pacific Trade Partnership literally stated, "if we don't write the rules of the road for the rest of the world, somebody else will." And I think in the background of that "somebody else will", it was China.

**Kimberly Kay Hoang** 11:08

And I think under the Obama administration, it was more of a frenemy kind of relationship. And then Trump came into office and kind of fueled those flames that now we're starting to see much more bipartisan sort of alliances around this kind of looming threat of China. And what does that mean?

**Kimberly Kay Hoang** 11:31

And I also will say this, too: it affects the academic sphere, right? There are so many academics now that are afraid to teach classes that raise critiques around China, because now that is a crime under their new national security law. And so the idea that one country can have a national security law that affects all of us in a way that people are sort of tiptoeing around and trying to figure out what that means, says a lot about where the US is in relation to China right now.

**Kimberly Kay Hoang** 12:09

And the other thing I will say to you in terms of --that goes back to and it's hard for me to divorce the two parts of the question that you're referring to-- but when I think about China's influence in the broader world, it's not just the "One Belt-One Road", but it's all of the sort of loans that China is making. Ching Kwan Lee has talked about this in her book; her fantastic books like "The Specter of Global China". And I think she might be someone you would consider having on this podcast; you can really go deeper into this. But, you know, there's a difference between private capital making investments in the region and state capital that makes investments in less developed economies in Africa -various parts of Africa and Southeast Asia.

**John Torpey** 12:56

Tell us about that. This is obviously another major point, I think that people are debating, discussing, concerned about is, it seems to me, historically unprecedented for China to have such significant relations with such distant parts of the world. I mean, of course, there was the Silk Road historically, and Chinese influence in so to speak again, this sort of near abroad. But now it's in Africa, it's in Latin America.

**John Torpey** 13:25

And, I think they're diverging views about how to perceive this. Obviously, it's driven at some level simply by the need for certain kinds of raw materials and minerals and things like that. But how do you kind of evaluate what China is doing? And I mean, is it a neo-colonial kind of relationship? Or is it really just kind of debt colonialism? What exactly is it?

**Kimberly Kay Hoang** 13:53

I think that's a great question and it's one that's very hard to answer. Ching Kwan Lee, who's a professor at UCLA, would say, "it's not a neo-colonial relationship". And she's very clear about that in her research. I think it's hard. It's hard, because there was an informal conversation. I was listening to the head of the World Bank speak about China in a, I would say, closed door, informal space. And one of the things that he said, that I thought was really powerful, is that when the World Bank gives out loans to the rest of developing countries, there's a certain sense that we know where those loans are, what the loans are, how the loans are structured, there's a kind of openness and transparency.

**Kimberly Kay Hoang** 14:43

And one of the things he says is that it's very clear that China is becoming one of the biggest lenders to less developed countries around the world, but we have no way of knowing. There's not an openness around the data, there's not an open sense of transparency. It's very difficult to measure.

**Kimberly Kay Hoang** 15:00

But when I think about the somebody who's in that position, who's in a senior role in the World Bank saying something like that, it is a moment to sort of take a step back and kind of think about this with caution. What does that mean? And not to say is Western forms of economic colonialism or neocolonialism better than Chinese forms? There isn't really an answer for that.

**Kimberly Kay Hoang** 15:26

But I do think that a lot of different countries in the world, less developed economies, can see themselves as having to figure out how to negotiate relations with both China, I would say, not just China, but China, Russia, and the United States. And Southeast Asia, which is a region that I focus on in particular, very much so has to think about those. They're getting financing from China, but they're also getting financing from the United States.

**Kimberly Kay Hoang** 15:55

And so how can both of those funds simultaneously exist in these less developed economies. This is getting more, I think a bit too academese, but what I argue is in an article that I published in the American Sociological Review, which is titled "Risky Investments" is that what you start to see are heterogeneous state market relationships within Southeast Asia, that enable for them to simultaneously attract capital from China, but also, kind of make nods to ideas of transparency and democracy and take money from US and private investors; institutional investors from the West is what I would say.

**Kimberly Kay Hoang** 16:41

And the way that I would describe it is that early-stage investors, in the region of Southeast Asia, come from more developed emerging economies in that region. So, Greenfield Brownfield investors that are working directly with state-owned enterprises come from China, Hong Kong, South Korea, Malaysia, Singapore, but their idea of an exit strategy are institutional investors who are coming from Western nations or Japan.

**Kimberly Kay Hoang** 17:14

But what that means is that by the time that those Western nations enter the market, they expect for local firms to go through a process of professionalizing. That is, you know, having clear tax structures put in place, putting together a proper board, bringing in professional tax consultants, law firms that do this, and accounting firms that do this. And their exit strategy are Western investors.

**Kimberly Kay Hoang** 17:45

So I think it's true to say that, is it really about the declining significance of the West? Ultimately, no, because the West is the final exit for many of these other economies around the world. However, do I think that the 21st century may be China's century? It's starting to look that way. And, and I think time will tell which way this turns and I think it's going to require a lot for the US to continue to hold its position.

**Kimberly Kay Hoang** 18:19

But we're starting to see, and what I also am beginning to feel, is what is beginning to look like an early stage of a financial revolution with the rise of cryptocurrencies. Because it means now the US dollar, if cryptocurrencies rise in the way that they are, which is primarily being pumped by China and East and Southeast Asia right now, that means that it's really putting a test to the dominance of the US dollar around the world as the primary fiat currency, which all other dollars are pegged to.

**Kimberly Kay Hoang** 18:54

So I think that there's multiple extremes. On the one end, you have folks on Wall Street, who would say "there's no way that the US dollar is going to crumble the way that it has." Because, you know, you need to have a state, you need to have a military, you need to have all of these things backing that dollar. And on the other hand, what we're saying is, that doesn't seem like these cryptocurrencies are going anywhere. And many of these countries that did not have faith in their own political institutions and their own financial institutions, have leapfrogged local banks, and gone straight into digital currencies.

**Kimberly Kay Hoang** 19:29

And, I think of Vietnam as one example. Vietnam just two or three days ago, I was reading in the newspaper, that two of their big banks just adopted a blockchain technology that is backed by Ripple XRP. And my first thought in reading those articles was, wow, if the if Vietnam is doing this, it almost seems like they're just leap frogging, going from having a whole population of people that are unbanked, to being banked on digital currencies, rather than being banked, you know, in a bank where people are worried about a run on banks.

**Kimberly Kay Hoang** 20:05

And what it what makes cryptocurrencies, I think, especially frightening, I would say, is that it's not like the stock market where you have to have citizenship in order to trade on it. Anybody around the world can be trading on this. And when you watch that market --I have a five month old child right now. She was born in November. And I remember the early days of just taking care of her in the early nights when the United States is asleep and Asia is awake-- and I just remember looking at this and watching the volume of trades happening, and thinking to myself: "oh, my goodness, should Americans be worried the way that Asians [are]?"

**Kimberly Kay Hoang** 20:55

I think of my parents who are refugees from Vietnam, and I was living in Southeast Asia at the time when there was a run on banks in India. I was in India when there was this currency crisis. And in Myanmar in middle of a currency crisis. And when you live there, and you're in it, I remember being in India, and watching people stand in line around the banks trying to go and cash in. And we're seeing this now in Myanmar with the current tensions that are happening there.

**Kimberly Kay Hoang** 21:22

And in those kinds of states, where people have very little faith in their political institutions to back the financial institutions, what you're seeing is sort of locals are leapfrogging banks as we know it and going straight to digital currencies. And so that's very nerve wracking because, to me as an American citizen, I think most people in Asia would say "it's our time now, ride the wave."

**Kimberly Kay Hoang** 21:47

And, there are many blockchain technology conferences that are being held by Binance and a number of other platforms in Southeast Asia. And when I look at those kinds of conferences, the first thing they all say is Southeast Asia, East and Southeast Asia, is leading the kind of rise of these digital currencies.

**Kimberly Kay Hoang** 22:11

So you know, is it highly volatile? Yes. Is it completely speculative? Absolutely. Could it crash tomorrow? 100%. Do I have an answer of which way the world is turning? No, but I think these are small indicators of which way the world is turning. And I will say having spent a lot of time in Bakersfield, California, where there is literally no industry; there's no economy that's propping up that area. I also feel an enormous sense of empathy for people who feel like they have been [left], outside of the economy, who feel they're not benefiting from this shifting geopolitical order.

**Kimberly Kay Hoang** 22:20

And I think that there's a reason why it was so easy for President Trump to fan the flames of this anti-China rhetoric, because many, many people who are not part of the coastal elites, very much feel outside of this, I would say, 1/3 world, which is the wealthy of the US, the wealthy of China, the wealthy of the rest of the world. And two thirds world, which makes up everyone else, including poor Americans in the United States.

**John Torpey** 23:26

Interesting, really fascinating. So, there's the kind of economic side of the China relationship with these other countries in its near abroad. But I guess, I'd be curious what you would say about China's military role and military dominance in the region. The United States basically has just reaffirmed a defense budget the size of the Trump defense budget. It's not, the shifting administration hasn't made any real dent in that.

**John Torpey** 24:01

And then, of course, we spend three times as much as everybody else combined, or something like that. I mean, an enormous amount of money on our military, and even compared to China. But in its neighborhood, China's obviously the big foot. One of the issues that's being discussed today with the Japanese Prime Minister is precisely the relationship between the United States and this quad group of countries.

**John Torpey** 24:01

And what I read suggested that Japan has to be very concerned, very careful about how it relates to these two. What is kind of, in effect, a Western or US dominated group of countries relative to China because they're so heavily reliant on their trade with China. So again, it gets back to your point, I guess, about the inseparability of politics and economics in certain aspects. But how would you see the development also of China's relationship with Taiwan?

**Kimberly Kay Hoang** 25:08

I think that from the time that I've spent in Southeast Asia, many of the smaller countries in the region are very nervous. And I think that if you see Singapore, Malaysia, small countries like Japan, they know where they're situated. And there's a certain tension and nervousness you can feel in the air when you're in those places.

**Kimberly Kay Hoang** 25:38

What is happening in Hong Kong right now, might signal what may happen, it's almost forecasting Taiwan's future, potentially forecasting Singapore's future, potentially forecasting these smaller countries in the region's future. And I think, that's very scary to many people in ways that many people don't feel comfortable speaking out and saying so directly.

**Kimberly Kay Hoang** 26:06

But the other piece of it is that given sort of the location, the physical location, of these countries in relation to China, everyone there is afraid of a war, right? Because that will have ripple effects for all of these other smaller countries and within the region. And so a lot of those smaller countries feel like they have to straddle the space in between the United States and China and not just that, [there's] Russia as well.

**Kimberly Kay Hoang** 26:35

And so, I when I think about Myanmar right now, and what's happening in Myanmar, what is really for me so important to pay attention to is: Is the United States going to go in and do something? Because if they don't, I think it's a signal to China that, because of Myanmar's sort of physical location as this corridor between China and India that there is this informal influence of China backing the military regime in Myanmar.

**Kimberly Kay Hoang** 27:10

And so, it's a question of: is Myanmar today's version of what Vietnam was, where we're going to see these geopolitical relations play out? Or will the United States determine that Myanmar is just too small of a country, even though it's actually physically quite large, to actually risk doing something? And going in and doing something. The same is true with Hong Kong in some senses.

**Kimberly Kay Hoang** 27:38

I think watching sort of what's happening, as I was watching what was happening in Hong Kong, and much of this is contextual, at the same time we're witnessing this capital insurrection of January 6th, I can't help but think, "okay, the capital insurrection is now going to be a distraction". We're now distracted with our own politics and getting our own things together, that there's no space anymore to actually think about how the US might intervene in some of the geopolitics that are happening in other countries around the world.

**Kimberly Kay Hoang** 28:15

And that is where, in some ways, you could imagine China taking a step back and saying, "Okay, if the US isn't going to do anything, we're gonna go in more." And the reason why I say that is because when the United States, when President Trump kind of pulled the US out of the Trans-Pacific Trade Partnership, all of those countries renegotiated a similar trade partnership with China.

**Kimberly Kay Hoang** 28:42

So it's not going away. And that's one thing that I have to say. I was living in Southeast Asia at the time in the 2016 elections when Americans were really nervous about the Trans-Pacific Trade Partnership. And I just kept thinking, "how has it been that this rhetoric 'Make America Great Again' --not that I'm a kind of proponent of American sort of forms of neocolonialism-- but actually the TPP was exactly that. But somehow the rhetoric got spun, where it was like, "bring jobs back to America," "Make America Great Again," and this sense of protectionism without a recognition that all our economies are so deeply intertwined at this point.

**Kimberly Kay Hoang** 29:32

And I will say this too, and which is what I say when I give talks at other places: even when Trump pulled out of the TPP the first Southeast Asian president to make a visit to the United States was from Vietnam. Even though the US had longer strategic relations with Philippines and Thailand. And President Trump made multiple visits to Vietnam. And if that small country is place where he's paying attention to, even on the sort of far right, it says something about the sort of looming threat of China in the background; in terms of their economic and geopolitical dominance in that region of the world.

**John Torpey** 30:15

Right. I think it's fair to say there were many contradictions of Trump's foreign and other policies. And much incoherence, I suppose.

**John Torpey** 30:25

So you've referenced a couple times now the January 6th Capitol Hill riots or whatever exactly they were, and our relationship with China and elsewhere. I think the Trump presidency was seen in China, and in Russia, as a great sort of advantage for them, really. Because the United States was so preoccupied with itself and its own problems. And that all got worse after George Floyd was killed, and the streets were in flames, or at least, in an uproar. And, I think the Chinese and Russian leadership's look at this and said, "this is great for us, because, they're too busy with their own problems to really do anything with the rest of the world."

**John Torpey** 31:18

But more recently, we've had another unfortunate, tragic incident in Atlanta that involved six Asian or Asian American women victims. And I'm sort of curious, how that is perceived and thought about in Southeast Asia? Or in Asia more generally, the parts of Asia that you know well.

**John Torpey** 31:43

I mean, is this the sort of thing where people say, "the place is uncivilized and dangerous and we're not going to go there anymore"? Or is the attraction --for whom it's an attraction-- that's just still too overwhelming and won't really make any difference in terms of how they think about possible migration or immigration here?

**Kimberly Kay Hoang** 32:08

That's a really great question and I think it's important to answer it in two parts. I think that for the global elite, and that's a group of people that I've been studying for my second book, which are sort of ultra high net worth individuals and high net worth individuals globally, so from China and Southeast Asia, I don't see them as concerned about coming to the United States, or spending time in the United States, because the parts of the United States that they spend time in are parts of the, in many ways it's kind of a protected version of the US that they enter. And so they don't see a lot of what is happening, quite literally on the streets.

**Kimberly Kay Hoang** 32:59

I will say that the rise in violence against elderly Chinese Americans, and Asian Americans, in particular, has really given people a lot of pause and concern. And what we're starting to see is a decline in Chinese investment in the US, which is, for better or for worse. I think about under the Obama administration and the EB-5 visa program, the real estate market in the United States was very much propped up by China and Chinese investors, and many of those investors and under the Trump administration have pulled their money out.

**Kimberly Kay Hoang** 33:40

And so we're starting to see a sense of stagnation in real estate, property prices and values, which in some ways could say is good for Americans, because it makes the market more affordable, where you don't have just cash buyers coming in, particularly in California, flooding the market.

**Kimberly Kay Hoang** 33:58

And the other thing I will say just from an academic side of things: there was a time when American universities really did a lot to try to attract international students, particularly those from China because they were paying out of state tuition. They were paying much higher tuition dollars. And I remember traveling to give talks at many of these kind of places in middle parts of America, like Idaho and Iowa and Kentucky where you would see a huge body of international students from China and universities doing a lot to cater to them.

**Kimberly Kay Hoang** 34:34

Now, today, when I speak with parents about the possibility of sending their child abroad, the United States is one of the fewer countries that they're interested in, and they're looking towards Europe and Australia. And I would even say that Singapore and Hong Kong. National University of Singapore has been rising in their ranks. And Hong Kong University has also been rising in their ranks as elite to international recognizable universities.

**Kimberly Kay Hoang** 35:03

And the thing that most of those parents cite is one sort of the growing anti-Asian sentiments, but the other is gun violence in the United States. And I hear many parents say to me that, "I don't want to send my kid there because the thought of them being shot and killed from some kind of mass shooting or some kind of gun violence situation is very, very, very nerve wracking."

**Kimberly Kay Hoang** 35:32

And that is surprising to me given that the US used to be a leader, I mean, very much I would say, a leader in higher education. And everybody, elites and non elites from around the world, were sending their kids to be educated in American universities. That was once seen as a prestigious thing. And I think we're starting to see the declining significance of that even across the board.

**John Torpey** 36:00

Just anecdotally, my dissertation 30 plus years ago, was about the collapse of communism in East Germany. And I got to know one of the leading dissidents in the country who had spent time in the GDR's jails. She had got herself an invitation to a meeting in Detroit, and she was terrified about going because she saw the United States as this place that was just awash in guns, which of course it is. So it's not exactly a novel perception, of course, and a sad truth. But the reality is that that's the reality.

**John Torpey** 36:38

So I think you've been kind of hinting at this a little bit throughout your remarks. But I did want to ask you, I don't exactly know where it stands, but did want to ask you what you've been finding in this book that you're finishing or near finished, or I'm not exactly sure where it's at. But it has to do, as you say, with foreign investment in Southeast Asia. So be interested to know what you've been finding? What should we know about what's going on in the region?

**Kimberly Kay Hoang** 37:05

Yeah. So the book is titled "Playing in the Gray: Offshoring and Foreign Investment in Frontier Markets". And when I started the research for the book, I was really interested in a question of how do US and Chinese investors compete in the region, in Southeast Asia. And what I was really curious at the time was sort of, particularly, how do US investors who are constrained by the Foreign Corrupt Practices Act, compete with investors from other parts of the world who don't have those same foreign bribery laws that they have to adhere to?

**Kimberly Kay Hoang** 37:42

And when I got there, I've interviewed over 300 individuals, and these are sort of high-net-worth individuals ultra-high-net-worth individuals and the financial professionals that manage their money. So bankers, lawyers, companies, secretaries, accountants, so on and so forth. Financial, private wealth managers.

**Kimberly Kay Hoang** 38:06

What I realized is that in those economies, the investment is not foreign direct investment the way we imagine it. There's a there's a pie chart in my first book, where I look at foreign direct investment going from nation A to nation B; so the United States to Vietnam, Hong Kong to Vietnam. And what I missed when I was doing that research was that actually 30% of it comes through offshore sites, which are Hong Kong, Singapore, and the British Virgin Islands.

**Kimberly Kay Hoang** 38:40

So when you look at that pie chart, I think I have a figure something like 3% of foreign direct investment going into Vietnam is coming from China and 8% is coming to the United States. Well, what I missed, and what I think a lot of economists miss, when you're just slowly looking at these statistics is actually that there is this wide offshore structure where investment goes to Hong Kong or Singapore, which are these offshore sites that before they're invested onshore in Vietnam, or Myanmar.

**Kimberly Kay Hoang** 39:11

And that's important because a US investment is masked as a Singaporean investment that's actually going to Vietnam. And what's important about that is that it's modeled after this kind of offshore structure and web is very much modeled after what large American corporations have been doing for a long time, like Apple, Google. We've seen a lot of these offshore structures being critiqued in the US where many of those companies engage in transfer pricing practices where they book assets offshore in low tax jurisdictions and liabilities onshore in high tax jurisdictions.

**Kimberly Kay Hoang** 39:50

And so, the book is sort of looking at the ways in which this offshore economy, I think, is a parallel economy to what we imagine as foreign investment as going through a nation states lens or through a global cities lens, where we imagine that capital is concentrated in any one of these major global cities: New York, London, Tokyo. When actually the ownership of capital is set up through this very complex web, where ultra-high-net-worth individuals are able to choose and shift their legal jurisdictions.

**Kimberly Kay Hoang** 40:30

And that is something that I think affects the whole world in a sense that rich people can choose their tax jurisdictions. And what I argue in the book is [that this is] a bipartisan problem; we see this under both, the Trump administration, under the Obama administration, and under the Biden administration. No one is really willing to crack down on this, in part, because there's no supranational organization that can crack down on this.

**Kimberly Kay Hoang** 41:03

So you have people like Gabriel Zachmann, who's arguing that we should have some kind of global wealth registry. And part of me is thinking, "how could that possibly exist when the political sphere enables this sort of economic web to exist in the first place?" It's like asking the regulators to regulate themselves.

**John Torpey** 41:22

Sure. Do you see the Biden administration's move to try to undercut these offshore tax havens? Are they moving in this direction at all?

**Kimberly Kay Hoang** 41:36

I mean, I feel like it's a nudge in the direction, but it's not significant. And the reason why I say that is because it's not the case that the wealthy only come from the United States and Europe. If you look at any list now, Forbes list, a lot of these lists of the ultra-wealthy, we have new wealth from China, Russia, the Middle East. And all of those people don't have to adhere to those laws.

**Kimberly Kay Hoang** 42:03

And so and so one of the things I will say is when I was living in Southeast Asia, and going to some of these banks, bankers and open up offshore bank accounts, the first thing they'll ask is, do you hold a US passport? And if the answer is yes, they have to go through this whole due diligence process of "know your client," --KYC is the acronym that they refer to-- and you have to fill out all this documentation and show it on your taxes in the US.

**Kimberly Kay Hoang** 42:36

But if you're not a US citizen, the paperwork is quite thin, you don't have to adhere to any of that. And if you look at Switzerland, and Hong Kong and Singapore, which are just offshoots of the old sort of Swiss model, they can choose now to turn away US clients because there's enough capital in less developed economies like Vietnam, for example, who they can bank.

**Kimberly Kay Hoang** 43:02

And so a lot of those bankers have just turned away US clients and are now banking the rest of the world. And that is what's a bit nerve racking when I think about sort of this shifting geopolitical order too. It's also a shift in elites around the world who are using [the] old sort of US big kind of model, offshore models, that weren't used by big multinational corporations and [now] are using that. And so while the US might be regulating and cracking down on it, other countries are not. And I think that's a big tension.

**John Torpey** 43:41

Right. Fascinating. Well, obviously, there's a lot to be done on that particular front. But we're out of time and I want to thank Kimberly Hoang for sharing her insights about Asia and Asians in the world today. Remember to subscribe and rate International horizons on SoundCloud, Spotify and Apple podcasts. I want to thank Hristo Voynov for his technical assistance, and to acknowledge Duncan Mackay for sharing his song International Horizons as the theme music for our show. This is John Torpey, saying thanks very much for joining us and we look forward to having you with us for the next episode of International Horizons.