

The Persistence of American Economic Power in  
Global Capitalism:  
From the 1960s into the Twenty-First Century

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## **Abstract**

This dissertation intervenes in the more than four decades-long debate on the decline or persistence of American economic power. It argues that we cannot move forward without reconceptualizing the nature of economic power in global capitalism, especially by moving beyond national accounts (such as GDP). Too many commentators from across the diversity of perspectives assume that the relative rise and decline of national accounts approximates the relative rise and decline of national economic power. In contrast, this dissertation argues that in the era of globalization, national accounts are an inadequate measure of national economic power. Rather, we must investigate the transnational corporations themselves in order to encompass their transnational operations, and analyze the matrix of inter-linkages now characteristic of global capitalism in general, and American power in particular.

Therefore, this dissertation draws upon extensive original empirical research, including the following: 1) the first aggregation of the national sales-shares of the world's top 200 corporations from 1957 to 2013; 2) the first aggregation of the national profit-shares of the world's top 2,000 corporations across 25 broad sectors from 2006 to 2013; 3) the first aggregation of the top 50 national acquirers and targets of all cross-border mergers and acquisitions worth \$1 million or more from 1980 to 2012; and 4) the first national aggregation of the ownership structures of the world's top 500 corporations.

The results from this empirical research, among others, will illuminate a number of facets concerning contemporary global capitalism. First, the nationality of capital remains very relevant despite several decades of intensifying globalization at the turn of the twentieth century. Following from this, the persistence of *American* economic power from the 1960s into the twenty-first century is astounding, particularly at the technological frontier. Indeed, in advanced technology and even Wall Street, American dominance has actually *increased* since the 2008-2009 global financial crisis. There are no foreseeable contenders, including China. Therefore, this dissertation will demonstrate that far from relative American decline, in certain respects American economic power has never been stronger — and will conclude with a number of important implications from this analysis concerning the future of world order.

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## **Introduction: From *After Hegemony* to China's Eclipse**

With the post-World War II reconstruction and revival of Western Europe and Japan by the 1960s, a mounting United States balance of payments deficit and the consequent end of the dollar-gold standard in 1971, the Organization of Petroleum Exporting Countries (OPEC) oil shocks and persistent stagflation, among other factors — it seemed to many by the late 1970s that the post-war economic hegemony of the United States was declining. By the 1980s, Robert Keohane could conceptualize world order *After Hegemony* (1984). Some observers announced the return of multilateralism, with especially the five great powers of Britain, France, Germany, Japan, and the United States; others feared the breakdown of world order and systemic chaos. Meanwhile, some pointed to the rise of giant and powerful non-state actors — ‘multinational corporations’ — which were either heralding a new era of international integration or posing a new threat to the sovereignty of nation-states. By the late 1980s, many saw the ever-onward rise of Japan as the final nail in the coffin of American power.<sup>1</sup>

The view of US ‘declinism’ dramatically reversed in the 1990s. With Japan’s market crash in 1990 and subsequent stagnation, the collapse of the Soviet Union in 1991, continued ‘Eurosclerosis’ coupled with the resurgence of the American economy on the wave of an ‘information-technology (IT) revolution’, conventional wisdom characterized the world as ‘unipolar’, with the United States as the world’s

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<sup>1</sup> I shall explore the literature more deeply, with citations, in Chapters One and Two.

only superpower.<sup>2</sup> At the same time, the parallel discourse of ‘globalization’ exploded, with many conceptualizing the emergence of giant corporations as challenging the very concept of national power and the nation-state as a unit in the global political economy. With the 2002 release of the US National Security Strategy of ‘pre-emptive war’ and its implementation in the 2003 US-led invasion of Iraq — historical analogies harkened to the age of imperial Rome, as many now saw the United States as global ‘Empire’, bent on world democratization or domination, depending on the author’s view.

In the second half of the 2000s a second wave of declinism emerged. As the wars in Afghanistan and Iraq dragged on, coupled with the rise of the ‘BRICs’ (Brazil, Russia, India, China) and most of all China, topped by the greatest financial crisis since 1929 emanating from the United States itself — many concluded that the ‘American century’ was finished once and for all. If the prognostications of Japan as the next superpower proved unfounded, this time it would be different, with China’s imminent *Eclipse of the United States* (Subramanian 2011). But is it really possible for the structural underpinnings of American power in world order to flip-flop so wildly over the decades, especially in the first decade of the twenty-first century, from supposedly the most powerful empire the world had ever seen to being eclipsed in the shadow of the rise of China?

The vast majority of analysts equate national accounts with national power in the global political economy. That is, most draw upon a range of indicators, most

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<sup>2</sup> US Secretary of State Madeline Albright famously described the United States as the world’s “indispensable nation”; in 1998 the French foreign minister Védrine preferred “hyperpower”.



of all gross domestic product (GDP), but also balance of payments, national debt, world share of manufacturing, productivity, and so on, all relating to national accounts. The common assumption is that the greater a nation's share of national accounts relative to the rest of the world, the greater its world power. This logic may have applied in the era before globalization, when both production and finance were largely nationally contained. But beginning in the 1960s (or re-emerging from the pre-war period), both production and finance began to internationalize, especially American capital in Canada and Western Europe. By the 1990s, global capitalism had reached virtually the entire planet, with giant corporations operating around the world. In regards to national economic power, there were three possible implications from the globalization of capital: 1) national accounts could underestimate power, since a nation could lay claim on activities occurring outside of its borders; 2) national accounts could overestimate power, since foreign capital could lay claim on activities occurring within a nation's borders; and 3) the very concept of national power may now be obsolete, or at least transformed.

Nevertheless, many analysts assumed that great powers in history are bound by cyclical patterns of rise and decline. This assumption seemed to negate the necessity (in the mind of the author) to conduct serious empirical research: the details were assumed to be epiphenomenal to the grand laws of history. This ignored the possibility that American hegemony in the post-war period could be qualitatively distinct from the British Empire of the nineteenth century, much less ancient Rome — which would require a deeper empirical investigation than merely relying on historical analogies and cyclical patterns of empires past. This study takes

power *relations* seriously, including relations between states, which are embedded in wider social relations. By contrast, partly stemming from the common methodological and theoretical equalization of national accounts and national power, too many analysts have a mechanical worldview of national power, involving a conceptualization of states interacting as billiard balls on a table, as self-contained units jostling for position in a zero-sum game.<sup>3</sup>

The following six chapters will theoretically and empirically address the debate on the decline or persistence of American economic power. Chapter One grapples with the theorization of American economic power not so much through an extensive literature review as an explication of the three main problems in the literature — the interpretation of national accounts, the broader conceptualization of national economic power, and over-determination by historical cycles of rise and decline. I shall then build on alternative theoretical contributions to construct a conceptualization of American economic power in the global political economy, which allows an exploration of the nature and trajectory of corporate power to investigate US decline or persistence. Chapter Two will then explore the key issues regarding the globalization of capital and national economic power. I shall first excavate several authors from the 1960s and 1970s who argued that increasing American foreign direct investment would increase American economic power abroad. We shall argue this still has relevance almost half a century later, despite those who contend the globalization of capital has increasingly rendered nationality itself meaningless.

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<sup>3</sup> This metaphor of billiard balls on a table is borrowed from Eric Wolf (1982: 6).

After laying the theoretical foundations in the first two chapters, Chapter Three will then empirically investigate the trajectory of national accounts and corporate power since the 1950s. To what extent has American economic power declined relative to the rest of the world, if at all? How do we measure this? What are key methodological issues relating to this measurement, and how can we compensate for the unavailability of much data in the immediate post-war period? Chapter Four will then begin a deeper analysis of US corporate power in the twenty-first century, armed with far greater availability of both quantitative and qualitative sources. We shall investigate the world's top 2000 corporations as ranked by the *Forbes Global 2000*, using a composite index of assets, profit, market value, and sales. We shall see that while there has been relative American decline in certain sectors, American capital still dominates across a vast slew of industries and services, and some — most strikingly Wall Street, and also Silicon Valley — have actually *increased* their dominance, including since the 2008-2009 global financial crisis.

Chapter Five will then empirically investigate the nature of global investment and ownership in the twenty-first century, and interrogate to what extent capital can still be said to have a nationality. This will involve investigating not only mergers and acquisitions, the most common form of foreign direct investment, but also attempting to ascertain portfolio investment, the nationality (if any) of the locus of control of the world's most transnationalized corporations, and the national identities of the world's capitalists themselves. I shall argue that all this empirical

evidence points to the continued relevance of the nationality of capital, and to the dominance of American ownership not only at home but also abroad.

Lastly, Chapter Six will delve deeper into the supposed Chinese challenge to US economic dominance. There is no doubt that the rise of China has been spectacular, but if it is true that national accounts no longer adequately reflect national economic power, then it behooves us to investigate the real nature of the Chinese political economy. In what way has China risen, in which sectors, and what is the nature of Chinese capital? What will become clear is that there are a number of serious structural limits on the rise of a China-centered regional order to become decoupled from the American-centered capitalist world order. While the twenty-first century may see the center of gravity in global capitalism shift from the Atlantic to the Pacific Ocean (albeit this is by no means certain, as we shall see), the United States is the anchor of both for the foreseeable future.<sup>4</sup>

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<sup>4</sup> It should be stressed that this study is limited to the political economy of national power in world order. For an all-encompassing study on American power, one would need to discuss geopolitics, the military, diplomatic alliances, trade agreements, as well as culture, ideology and nationalism, among other facets. I return to this point in the Conclusion. See also Starrs 2013 and 2014b.

# Chapter One: Theorizing American Economic Power —

## Decline or Persistence?

The academic literature on the decline or persistence of American power now spans four decades, and we can broadly identify two waves of declinism, first in the 1970s and 1980s, and the second wave post-2008, punctuated by a resurgence of American power in the mid-1990s and early 2000s.<sup>5</sup> Few declinists in the second wave pay serious attention to the arguments and evidence used in the first wave (even when the same author is contributing more than twenty years later, such as Kennedy 1988 and Kennedy 2011). But with the benefit of hindsight, it will be useful to identify what has changed since the 1980s, what has endured, and ultimately, why the conventional wisdom of the first wave of declinism could not foresee the sea change in conventional wisdom of the 1990s. To the end of securing a deeper understanding of American economic power, and a more robust methodology for empirically assessing its decline or persistence in world order, this chapter discusses key themes that recur in the majority of the literature on the decline or persistence of American power across both waves of declinism, organized in three parts: 1) National Accounts and Beyond; 2) Imperial Overstretch and Global Finance; and 3) The Rise and Decline of Empires.

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<sup>5</sup> By contrast, in the late 1980s Samuel Huntington identified five waves of what he called American “declinism” (possibly coining the term) in the post-World War II period, beginning with the 1957 Soviet launch of Sputnik (1988: 94). Robert Lieber took declinism back even further, to the beginnings of the Republic in the eighteenth century vis-à-vis Great Britain (2012: 13). For excellent reviews of the debate over the decades, see Cox 2001, Albo 2003, Saull 2012.

## **I. National Accounts and Beyond**

Much discussion on the decline or persistence of American economic power essentially entails debating divergent interpretations of various national accounts, especially their historical and projected trendlines. Virtually all analysts rely upon gross domestic product (GDP) as their primary criterion for assessing shifting power relations, and numerous scholars also draw upon a variety of other national accounts such as balance of trade and payments, world share of manufacturing and exports, productivity, military spending, national debt, reserve currency status, and so on. The most common assumption in this methodology is what some have called the 'power-as-resources' approach (Baldwin 1989, Nye 2011), driven by the belief that one can gauge a nation's power by assessing its 'command over resources', determined by the size of its national accounts relative to the world. Note that this is always relative. Even if a nation is expanding its command over resources (as measured by GDP), if another nation is expanding its resources faster, then the slower growing nation is thought to be undergoing relative decline. The GDP of the United States has continued to expand throughout this entire period since the 1970s, but other nations have expanded faster and concomitantly increased their share of world resources.

Following this logic, many scholars beginning in the 1970s simply took it for granted that whatever preponderance of American economic power existed in the immediate post-war period had declined relative to the resurgence of Western Europe and Japan. In fact, an entire debate arose on the assumption that American hegemony had already ended either in the late 1960s or early 1970s, what would

become 'Hegemonic Stability Theory'. Beginning with Charles Kindleberger's *The World in Great Depression, 1929-1939* (1973), a number of scholars debated whether the end of American hegemony by the 1970s would also mean the end of the liberal international economic order and the beginning of world systemic breakdown as in the 1930s, without a hegemonic stabilizer (Rosecrance 1976, Keohane 1980, Ruggie 1982, Snidal 1985, Eichengreen 1987). Scholars who were critical of the liberal international economic order (and of capitalism more generally) often also accepted that American hegemony ended with the re-emergence of Western Europe and Japan (Mandel 1970, Cox 1981, 1983, 1987, Amin, Arrighi, Frank, and Wallerstein 1982). Very few of these authors felt the need to actually investigate the various national accounts to demonstrate relative American decline; the power-as-resources approach simply assumed that the economic rise of others by the 1970s concomitantly indicated the decline of American economic power.

One notable exception in the First Wave of declinism that took seriously the need to systematically analyze the various national accounts was Robert Keohane's *After Hegemony: Cooperation and Discord in the World Political Economy* (1984). As his title suggested, Keohane believed that American hegemony was certainly over by the early 1980s. And following conventional wisdom, his primary reason was the reconstruction and revival of Western Europe and Japan as measured by national accounts, marking the end of American preponderance and consequently the beginnings of a 'multipolar' world. Keohane employed a classic power-as-resources

approach conceptualizing the waxing and waning of national power as a function of rising and declining national accounts relative to the rest of the world.<sup>6</sup>

What set Keohane apart was that he actually conducted empirical research and was clear on his criteria of power as he specified four conditions under which a country must maintain preponderance over all others in order to be considered hegemonic. These four conditions were: the “country must have access to crucial raw materials, control major sources of capital, maintain a large market for imports, and hold comparative advantages in goods with high value added, yielding relatively high wages and profits” (1984: 33-34). It was clear to Keohane that across most of the indicators he employed to investigate these conditions — from national accounts such as GDP and balance of trade to petroleum production — the United States declined precipitously relative to Western Europe and Japan from the 1950s onwards (1984: 197-199). This decline would be to such an extent that, Keohane asserted: “Whichever date between 1963 and 1971 were chosen, it would still be clear that one of the most important features of American hegemony was its brevity” (1984: 139).<sup>7</sup> 1971, of course, was the year President Nixon unilaterally announced that the United States would no longer respect the gold standard, causing the first major disruption in the post-war monetary order. During the First

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<sup>6</sup> Keohane also discussed a Gramscian conception of hegemony based upon the consent of lesser powers to accept the leadership of a hegemon due to a perceived general interest in maintaining global capitalism, “as opposed to socialism or a pattern of semi-autarchic national capitalisms” (1984: 137). When it came to empirically investigating the supposed end of American hegemony, however, Keohane reverted to a pure power-as-resources approach.

<sup>7</sup> Two decades later, in a new preface to the second edition of *After Hegemony* (2005), Keohane exclaimed: “‘After hegemony’, indeed! The title of my book seems quaintly out of touch with contemporary reality” (ix).



Wave of declinism, this was often regarded either as American hegemony's first or final death knell, depending on the author, and concomitantly, as President Nixon himself declared in 1971, the return of Britain, France, West Germany, and Japan as great powers in a supposedly multipolar world.

During the Second Wave of American declinism two decades later, attention on the relative rise of others shifted from Western Europe and Japan to certain 'emerging markets', especially Brazil, Russia, India, and China (collectively known as the 'BRICs') — but most of all China. Nevertheless, even as the actors changed vis-à-vis the United States and with greater historical hindsight, the methodology remained the same: inferring the decline of US national economic power from a reading of its national accounts. Christopher Layne in *This Time It's Real: The End of Unipolarity and the Pax Americana* (2012) even asserted that declinists in the First Wave were eerily prescient. For Layne, the "Great Recession has underscored the reality of US decline, and only 'denialists' can...bury their heads in the sand and maintain otherwise" (2012: 204). For empirical evidence, drawing upon Gilpin (1981) and Kennedy (1988) and in keeping with the power-as-resources approach, Layne argued that the "two most important indicators of whether new great powers are rising are relative growth rates and shares of world GDP" (2012: 204). Layne also cited other national accounts, such as global share of manufacturing value-added, balance of payments, and debt-to-GDP ratio (2012: 204, 207-208). Based on these indicators, according to Layne, the "evidence that the international system is rapidly becoming multipolar — and that, consequently, America's relative power is declining — is now impossible to deny, and China is Exhibit A for the shift in the

world's center of economic and geopolitical gravity" (2012: 205). As a consequence, according to Layne: "China's rise signals unipolarity's end" (2012: 204).

Despite Layne's certitude, there are a number of problems with the power-as-resources approach itself, and with any methodology that unproblematically employs national accounts in the age of globalization. One is the problem of proper benchmarking. All throughout the 1970s and 1980s during the First Wave of declinism, the United States continued to have by far the world's largest GDP, even if its relative world share decreased from 1950. Moreover, across Keohane's four conditions mentioned above — that a "country must have access to crucial raw materials, control major sources of capital, maintain a large market for imports, and hold comparative advantages in goods with high value added, yielding relatively high wages and profits" (1984: 33-34) — the United States continued to be preponderant in all four (and in certain respects, such as its "large market for imports", its preponderance expanded greatly since the 1960s).

In fact, as Samuel Huntington pointed out in *The U.S. — Decline or Renewal?* (1988), the relative decline of American GDP actually ended in the late 1960s, after which America's share of world GDP hovered between 20-25% until the time of his writing.<sup>8</sup> Huntington also noted that throughout this period, despite the rapid rise of especially Japan, the United States' share of world GDP was still more than double any other single country:

[I]f 'hegemony' means having 40 percent or more of world economic activity (a percentage Britain never remotely approximated during its hegemonic years), American hegemony disappeared long ago. If hegemony means producing 20 to

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<sup>8</sup> The American share of world GDP over twenty years later, in 2012, is 22%.

25 percent of the world product and twice as much as any other individual country, American hegemony looks quite secure (1988: 84).

Of course, Huntington's 20-25% cut-off is arbitrary (as is 40% or any other demarcation), and finding a universally accepted benchmark for assessing preponderance over resources is likely not possible: too much is in the eye of the beholder. I return to this problem in Chapter Four. Regardless, if one's benchmark for what constitutes an end to hegemony or unipolarity is not even mentioned, as in Keohane (1984), Calleo (1987), Layne (2012), and so many others, then for as long as the United States remains first across a range of national accounts (especially GDP), the declinist power-as-resources argument, on its own terms, remains ambiguous and unfalsifiable.

More importantly, whatever one's position on an appropriate benchmark, recent history suggests that there is no guarantee that equalization with American national accounts (even GDP) relative to the world automatically leads to an equalization of economic power. That is, by the 1990s Western European accounts collectively caught up with and in certain aggregates (such as GDP and share of world trade) in some years even surpassed American national accounts, and yet many commentators during this period characterized the United States as the world's only superpower (both in military *and* economic terms). Likewise, hardly anyone post-2008 argues that the European Union seriously challenges American hegemony simply because their respective GDPs are roughly par — even if this would be the logical conclusion of the power-as-resources approach. In other words, there is a contradiction between conceptualizing the capitalist reconstruction and

revival of Western Europe and Japan by the 1970s as the beginnings of a multipolar world, and then characterizing the 1990s as unipolar even as Western Europe and Japan continued to expand and compete head-to-head with American capital across a slew of advanced industrial sectors. Especially with the greater historical hindsight we now have after the First Wave, it is incumbent upon declinists in the Second Wave to justify why the reconstruction and revival of Western Europe and Japan supposedly threatened American hegemony in the 1970s but did not in fact do so in the 1990s and early 2000s when the United States was supposedly unrivalled, according to conventional wisdom.

The Western European and Japanese experience in the shadow of American unipolarity suggests that there must be more to the assessment of global economic power than comparing national accounts. Facing up to this should lead to also acknowledging the possibility that even if China's GDP surpasses the United States' sometime by the middle of the twenty-first century (which is by no means certain, as we shall see), it would not necessarily be axiomatic that China would be able to challenge American economic power. Unfortunately, few declinists acknowledge this possibility, and instead put their full faith in the power-as-resources approach and axiomatically treat the rise of other countries as sufficient evidence of declining American economic power. This does not mean that national accounts are no longer important (as we shall see in Chapter Three), but it does mean we must broaden our methodology beyond a singular focus on the power-as-resources approach.

Susan Strange made an early attempt to expand our methodological approach to assessing US national economic power. In *The Persistent Myth of Lost*

*Hegemony* (1987), Strange made a distinction between relational, behavioral conceptions of power on the one hand, and structural power on the other. She argued that too many declinists focused on the former and ignored the latter. Strange defined structural power as “the power to choose and to shape the structures of the global political economy within which other states, their political institutions, their economic enterprises, and (not least) their professional people have to operate” (1987: 565). Strange identified four primary structures within which an actor could have power, in organizational units of whatever size, from the family to the global political economy: security, production, finance, and knowledge.

Thus, according to Strange, those “able to exercise control over — that is, to threaten or to defend, to deny or to increase — other people’s security from violence”, have power over the security structure. Those “able to control the system of production of goods and services” have power over the production structure. And “those able to determine the structure of finance and credit” have power over the finance structure. Finally, “those who have most influence over knowledge, whether it is technical knowledge, religious knowledge, or leadership in ideas, and who control or influence the acquisition, communication, and storage of knowledge and information”, have power over the knowledge structure (1987: 565). In regards to the latter, for Strange, the most important kind of knowledge in global capitalism, and “most sought after by those who pursue power or wealth, military or corporate leadership, is technology — the technology of new materials as well as new processes, new products, and new systems of collecting, storing, and retrieving information and new systems of communication” (1987: 570). And importantly,

Strange argued that these four structures were symbiotic: The more power an actor commands across all four, the more mutually reinforcing they become.

And it was clear to Strange in the late 1980s that neither Europe nor Japan even began to approach the combined American pre-eminence across all four structures. In fact, due to her belief in the symbiotic nature of how all four structures inter-relate, Strange asserted that since Europe and Japan were so far behind the United States in the security structure, this alone would prevent them from challenging American preponderance in the other structures (1987: 571). Whether or not one accepts this argument, the important point is that the United States garners unprecedented power from its preponderance across a wide range of indicators, categories, and structures — what the George W. Bush administration would refer to as “full-spectrum dominance”. Following from this, the United States has the greatest capacity to offset or counter-balance decline in one facet of power with ascendancy in another, a dynamic distribution that leads to a unique and multifarious spectrum and depth of power.

In a less systematic but more wide-ranging way, this was also the opinion of Huntington (1988). He argued that those countries with power in only one particular dimension were more vulnerable than those with multiple dimensions of power. For example, the power of OPEC would fall when world oil prices fell or non-OPEC members made significant oil discoveries, Soviet power would be challenged by the Reagan military build-up, and Japanese economic power would decline with the rise of the Newly Industrializing Countries (NICs) of East Asia. Huntington also pointed out that the power of a country in one or more areas does not necessarily

translate into power in other areas. The Soviet Union never challenged the US in international finance, and Japan never held sway over the global military balance (at least in the post-war period). By contrast, Huntington opined, “the United States ranks extraordinarily high in almost all the major sources of national power: population size and education, natural resources, economic development, social cohesion, political stability, military strength, ideological appeal, diplomatic alliances, technological advancement” (1988: 91). And since the United States was far from a ‘one-trick pony’, any rising power would have to challenge the United States across multiple arenas before it could be considered a serious contender.

One key question for the early twenty-first century, then, is whether the rise of ‘emerging markets’ and China in particular is finally challenging this American ‘full-spectrum dominance’, whether simultaneously across Strange’s four structures or Huntington’s hodgepodge of indicators. Note, however, that even if Strange and Huntington went beyond national accounts to encompass more indicators of power, their conceptualization was still ultimately determined by adding up resources across their diverse range of categories. The waxing and waning of power is still represented by the rise and decline of indicators, even if broader than most who focus exclusively on national accounts. This empiricist focus imparts an undue automaticity to the waxing and waning of power relationships, without paying sufficient attention to the relationships themselves. This still treats nations as self-contained units jostling for position in a zero-sum game. Hence, even if more sophisticated than many empiricists, Strange and Huntington still essentially offered

a neo-mechanical power-as-resources approach, and therefore an incomplete conceptualization of global power.

Another contrarian in the First Wave that also touched upon the incompleteness of the power-as-resources approach was Bruce Russett, in *The Mysterious Case of Vanishing Hegemony: Or, is Mark Twain Really Dead?* (1985). Russett made what he claimed to be a “crucial distinction between power base and power as control over outcomes” (1985: 207). He reminded us that there was not necessarily a linear relationship between the two. That is, a decline in power resources did not necessarily automatically lead to a decline in the capacity to shape desired outcomes. The problem, however, is that it is relatively easy to operationalize the power-as-resources approach, as one simply has to select a range of indicators and empirically investigate them over time. But the realm of power over outcomes involves counterfactuals, nonlinear relationships, and imprecise measures.

For Russett, the most important outcome and measure of American economic power in world order were the various processes and regimes that propelled an expanding liberal international economic order. He argued that this expanding liberal order was by no means inevitable in the post-war period, and represented substantial and enduring achievements of American hegemony, “even at a time of discernible decline in standard indicators of the American power base” (1985: 218). And for Russett, one of the most important outcomes of American power was the continued expansion of world trade through the 1970s and 1980s, despite much talk and threats of rising protectionism and hegemonic instability. Moreover, at the



time of his writing, he claimed, “Progress in opening up the best-protected capitalist economy outside the United States, that of Japan, continues to creep forward” (1985: 220), even if Japan was also rapidly expanding aspects of its own power resources. In other words, the world was becoming more and more open to foreign business — a prime goal of American hegemony after World War II — to the great benefit of American business investing and operating abroad since it continued to remain the preeminent capitalist power.

Similarly, Joseph Nye’s *Bound to Lead: The Changing Nature of American Power* (1990), made a distinction between simply adding up resources that potentially lead to power and evaluating the capacity to actually convert those resources into desired outcomes, or what he called the problem of “power conversion”. Nye argued, “Power conversion is the capacity to convert potential power, as measured by resources, to realized power, as measured by the changed behavior of others. Thus, one has to know about a country’s skill at power conversion as well as its possession of power resources to predict outcomes correctly” (1990: 27). This is because different countries have different capacities to convert specific resources into power over others, and of course these capacities may change over time. Furthermore, an emphasis on power conversion forces us to also scrutinize the capacities of those at the receiving end to resist power. Power is always manifested as a relationship between at least two entities, a crucial point that is all too often forgotten in the debate on American economic power, in the assumption that one merely has to add up resources. As a result, it is not only

inadequate to evaluate potential power resources decontextualized from specific relationships, but it can even be misleading.

For example, it is often taken as axiomatic that American hegemony was at its height in the immediate post-World War II period, simply because the United States clearly had a global preponderance of economic resources as measured by national accounts. But as Nye argued, the United States did not have anywhere near the power over desired outcomes in the early post-war years that many analysts seem to assume from the preponderance of American economic and military resources. In the late 1940s, the United States had an economy three times larger than that of the Union of Soviet Socialist Republics in addition to a nuclear monopoly, and yet “the Soviet Union was able to hold a large part of Europe and Asia from American control...Certainly American and European leaders did not feel that there was a predominance of Western power. To the contrary, contemporary accounts depict great anxiety about a precarious balance” (1990: 71). Furthermore, the US-backed Kuomintang ‘lost’ China in 1949 to the Chinese Communist Party forces and the US could only achieve a stalemate on the Korean peninsula in 1953. In regards to Western Europe, when the US was the world’s largest creditor and implemented an unprecedented aid program — dubbed the ‘Marshall Plan’ — the US still could not, for example, garner enough European support for an International Trade Organization nor pressure France and West Germany to eliminate or even reduce their massive agricultural subsidies and protectionism (1990: 91).<sup>9</sup> On top of

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<sup>9</sup> The United States could only finally achieve the creation of what would be called the World Trade Organization in 1995 after almost half a century of gradual trade liberalization through the General Agreement on Tariffs and Trade and other

all this, as Nye pointed out, “Ironically, the decline of US power [resources] was steepest from 1950 to 1973, the period often identified as the ‘period of American hegemony’...American decline [in resources] has been much more difficult to discern from 1973 to the present [1990], which is often labeled the period of US decline” (1990: 73). Rather, as Huntington demonstrated above (1988: 82), the American share of world GDP remained steady between approximately a quarter and a fifth from the late 1960s onwards.

Conversely, as Western Europe and Japan recovered from total war and grew rapidly by the 1960s, as mentioned above, it is often taken as equally axiomatic that as American economic preponderance declined relative to the world, so too did American hegemony. But if we broaden our investigation from power resources to power over outcomes, a different assessment of economic hegemony is possible. In fact, as Nye argued, “If hegemonic economic behavior is the ability to change the rules of the international game, then 1971 did not mark the end of US economic hegemony. If hegemonic economic behavior means forcing openness on other states, then the United States did not have great hegemony before 1971” (1990: 94). In 1971, of course, US President Richard Nixon unilaterally ended the dollar-gold standard, a demarcation that many scholars took to represent the end of American hegemony. For Nye, this marked the opposite: “1971 did not mean that the world had returned to economic multipolarity...The facts [*sic*] that [the US] could change the rules of the game when it felt pinched and that other nations chose to hold dollars after the gold window was closed indicate that the United States still

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venues, and still cannot reduce, let alone eliminate, the European Union’s Common Agricultural Policy of subsidies and protectionism.

possessed unparalleled economic strength” (1990: 94). We return to the importance of the dollar standard for American economic power in the next section. The point for now is that focusing exclusively on power resources in order to judge American economic power is not only inadequate, but can possibly be misleading. At the very least, we must make a distinction between power resources and power conversion, the latter of which forces us to examine the actual historical record of shaping desired outcomes. And one does not have to accept Nye’s proposition that American hegemony in the 1970s may have *increased* relative to the 1950s in order to accept that American economic hegemony was not seriously threatened in the 1970s.

Above all, we must question the very efficacy of national accounts as a representation of national economic power in the context of globalization. Indeed, Dick Bryan marveled how Keynesian national accounts were still used decades after Keynesianism itself had been discredited by mainstream economics and replaced with neoliberalism (2001: 64). For Bryan, the specific nature of globalization put in question the Keynesian conceptualization of the nation-state as an economic unit.<sup>10</sup> For example, foreign direct investment (FDI) “is conceived in national accounting as one nation investing in another” (2001: 66), but much FDI is simply one transnational corporation (TNC) transferring assets from one affiliate to another, which happen to be separated by a national border. The same is true for international trade, as according to an OECD report, “in 2009, [intra-firm trade]

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<sup>10</sup> Bryan believed that despite their flawed assumptions and methodology in light of globalization, national accounts were still employed by elites as a mechanism to transfer the costs of “national competitiveness” and the “national debt” onto labor (through for example austerity measures), which is still most effective when organized nationally (2001: 70-71).

accounted for 48% of US goods imports and about 30% of US goods exports” (Lanz and Miroudot 2011: 5). The discrepancy for national accounting can be substantial.<sup>11</sup>

One of the most important facets of globalization for which national accounts fail to ‘account’, is the rise of transnational modular production networks. There have been a number of important research projects on the changing nature of production in the last decade or two of the twentieth century, notably by scholars associated with the Massachusetts Institute of Technology’s Industrial Performance Center (Sturgeon 2002, Steinfeld 2004, Berger 2006; see also Nolan, Zhang, and Liu 2008, Marsh 2012). Sturgeon’s *Modular Production Networks: A New American Model of Industrial Organization* argued that, as the title suggested, American corporations were pioneering a new model of production taking clear shape by the 1990s (2002: 454). This model took the logic of outsourcing to its highest level as lead corporations split their entire operations into modules and divested and outsourced all “non-core functions”, especially low value modules such as final assembly. Final assembly is low value because it is more easily replicable (than, for example, maintaining a brand) thereby allowing many firms to compete, often by cost-cutting. The lead TNCs then specialize only in those “areas...perceived as being essential to the formation of competitive advantage, especially product innovation,

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<sup>11</sup> Bryan drew upon DeAnne Julius (1990: 81) who “‘reworked’ the US trade balance for the year 1986. The standard accounts, based on the national residence of production, showed a deficit of \$US 144.4 billion. When data are recalculated on the basis of national ownership of production, US companies’ global operations show a trade surplus of \$US 56.7 billion” (Bryan 2001: 67). Bryan questioned Julius ascribing American ownership to the production of TNCs outside of the United States (2001: 67-68), but we shall return to this problem in Chapter Two.

marketing and other activities related to brand development. Once ‘deverticalized’ in this manner, such ‘virtual corporations’...use specialized suppliers to provide all ‘non-core’ functions. By divesting non-core functions, lead firms can more quickly reap value from innovations while spreading risk in volatile markets” (2002: 452). And design is high value because the costs of entry are much higher with far fewer firms being able to compete than in final assembly, as for example innovation requires large expenditures in research and development (R&D) over the long-term with high risks of failure, and proprietary knowledge and skills are legally protected preventing easy replication. Concomitantly, a number of American (and now Taiwanese) contract manufacturing firms especially in electronics arose that specialized solely in manufacturing for the lead corporations. These created highly flexible networks.

For example, Apple sold all its manufacturing plants in the United States by the late 1990s. Sturgeon explained (2002: 457-458):

According to Apple’s CEO, the company’s strategy was to outsource production to companies such as SCI and other contract manufacturers in order to reduce Apple’s manufacturing overhead and inventory carrying costs while concentrating the its [*sic*] resources more intensively on product design and marketing...The sale provided Apple with the ability to alter the volume of its production upward or downward at very short notice without installing or idling any of its own plant and equipment. Of particular interest to Apple’s management was the improved ‘upside flexibility’ — the ability to quickly ramp production volumes upward to meet unexpected surges in demand — that the deal with SCI provided.

Contractors like SCI focus all their resources on manufacturing, from conducting R&D on manufacturing design and process to pursuing a marketing strategy intent on signing a great diversity of assembly contracts from multiple sectors ranging

from electronics to pharmaceuticals, from apparel to brewing, and so on, often for lead competitors simultaneously (2002: 458, 468). This allows greater flexibility and larger economies of scale than are available to the leading firms. In this way, a mutually beneficial division of labor emerged across the modules from low to high value-added. Contractors developed “*generic* manufacturing capacity and services...[most using] highly automated production systems (apparel assembly is a major exception) that can be programmed and re-programmed on short notice to produce a wide variety of products” (2002: 467, *emphasis in original*). And lead innovating firms would specialize in the highest value modules related to “product-level innovation, such as product strategy, definition, development, design and marketing” (2002: 466).

These modular production networks are transnational, as virtually all crisscross many borders. The epitome of this new American ‘lean and mean’ corporation organized around transnational modular production networks, according to Sturgeon, is “Cisco Systems, a Silicon Valley-based company that designs and sells high-performance switches for data communications, [which] gained a wide market share lead with very little internal manufacturing capacity [since its creation], depending instead on a worldwide network of highly proficient contract manufacturers for nearly all of its core manufacturing” (2002: 466). Sturgeon argued that this new American industrial organization model, fully emerged by the 1990s, allowed American corporations to reassert dominance over

Japanese competitors in key manufacturing sectors.<sup>12</sup> National accounts could not account for this increasing American competitiveness, however, as the United States continued to have a trade deficit with Japan, and East Asia more broadly.

What are the implications of transnational modular production networks for underpinning national economic power? Most crucially, their emergence forces us to re-evaluate the meaning of national accounts for the power-as-resources approach. The vast majority of those who argue for American economic decline, from the 1970s to the present, as well as many who argue for the persistence of American economic power, continue to unproblematically draw upon national accounts as if we still live in an era of nationally contained capital. That is, in the 1950s, for example, corporations home-based in a particular country operated predominantly within the boundaries of that country, so it made sense to treat the weight of a country's GDP as roughly equivalent to the weight of the corporations home-based within that country relative to the world. If Japan's GDP was rapidly rising, one could surmise that Japanese corporations were also rapidly rising (as indeed they were). But beginning in the 1960s with the deeper expansion of American corporations into the domestic markets of Canada and Western Europe and by the 1990s encompassing the top corporations from many countries expanding globally, this equivalency between the relative weights of a nation's GDP

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<sup>12</sup> Sturgeon maintained this was especially true in electronics, as "US electronics firms have now reasserted their control over product definition and design, and continue to lead the higher-value segments of the electronics industry...[which allow] US electronics firms to control much of the innovative trajectory of the industry, and to reap the lion's share of the rewards (and penalties) associated with the emergence of entirely new application 'spaces', such as the Internet and e-commerce" (2002: 453-454). More than a decade after Sturgeon wrote this, his words ring even truer, as we shall see in Chapters Four and Six.



and of the corporations domiciled in that nation begins to break down. Thus, even if American GDP relative to the world is in decline, or the American trade deficit continues to deepen, this does not necessarily imply that American corporations are in decline. Conversely, even if Chinese GDP is rapidly rising, this does not necessarily imply that Chinese corporations are rapidly increasing their global competitiveness. Rather, in the age of globalization we must move beyond national accounts and empirically investigate the transnational corporations themselves, in order to encompass their transnational operations, including their transnational modular production networks.

## **II: Imperial Overstretch and Global Finance**

The term 'imperial overstretch' was popularized by Paul Kennedy's *The Rise and Fall of the Great Powers* (1988), an international bestseller with over two million copies sold. Kennedy captured the zeitgeist of 1980s American declinism, especially concerning relative economic decline vis-à-vis the rise of Japan. Drawing upon the by-now familiar catalogue of national accounts, Kennedy asserted that, "given the worldwide array of military liabilities which the United States has assumed since 1945, its capacity to carry those burdens is obviously less than it was several decades ago, when its share of global manufacturing and GNP was much larger...its balance of payments was far healthier, the government budget was also in balance, and it was not so heavily in debt to the rest of the world" (1988: 684). Primarily for these reasons, Kennedy concluded, "the only answer to the question increasingly

debated by the public [in the 1980s] of whether the United States can preserve its existing position is ‘no’” (1988: 689).<sup>13</sup>

Twenty years later, with the American debt and deficit continually breaking its own record virtually every year throughout both the George W. Bush and Barack Obama administrations, various versions of imperial overstretch re-emerged (Bello 2005, Calleo 2009, Layne 2012). Others, however, while seeing the same symptoms, preferred to conceptualize increasing ‘fiscal overstretch’. That is, while they agreed that the expanding American debt and deficit was unsustainable, they argued that the causes were domestic, rather than external overstretch. A prominent exponent of the latter was Niall Ferguson’s *Colossus: The Rise and Fall of the American Empire* (2005). Indeed, far from external overstretch, Ferguson marveled at how the US could topple three governments — in Serbia, Afghanistan, and Iraq — within four years (1999-2003) at relatively small cost (less than 4% of GDP): “no mean achievement by the standards of any past global empire...What makes this so remarkable is that it comes little more than a decade after a wave of anxiety about American decline” (2005: 261).

Nevertheless, Ferguson believed that the United States would still face inevitable retrenchment due to fiscal overstretch. This was because the real danger, according to Ferguson, was domestic: “the American economy has come to rely to a greater extent than at any time in its history on consumption and credit — both

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<sup>13</sup> According to a personal communication between Kennedy and Michael Cox (Cox 2001: 338, note 78), imperial overstretch leading to a multipolar world would be fulfilled by around 2010. And despite Kennedy’s about-face a decade later marveling at American supremacy (1999, 2002), he would feel vindicated in his predictions of a multipolar world another decade thence (2011). See also Gilpin 1987 and Calleo 1987 for similar prognostications of imperial overstretch.

public and private” (2005: 267). Most of all, he argued, “The true feet of clay of the American Colossus are the impending fiscal crises of the systems of Medicare and Social Security” (2005: 28), especially with increasingly aging demographics. Thus, Ferguson characterized an over-consuming, over-entitled, aging, and inward-looking American population that “would rather consume than conquer. They would rather build shopping malls than nations...Consequently, and very regrettably, it is quite conceivable that their empire could unravel as swiftly as the equally ‘anti-imperial’ empire that was the Soviet Union” (2005: 29). This was apparently the case even if, according to Ferguson, “by most conventional measures of power — economic, military and cultural — there has never been an empire mightier than the United States today” (2005: 289). Ferguson did not explain how an empire could be described as both the ‘mightiest ever’ and also highly vulnerable to collapse. This was in fact a common contradiction shared by others, especially in the years surrounding the invasion of Iraq (Ignatiev 2002, Bello 2005, Foster 2006).

Furthermore, unlike many proponents of imperial overstretch, Ferguson did not believe that other powers would necessarily arise to challenge the United States, nor did he assume that the world would necessarily become multipolar. Rather, he asserted, “the alternative to unipolarity...could be apolarity — a global vacuum of power. And far more dangerous forces than rival great powers would benefit from such a not-so-new world disorder” (2005: xviii); presumably Jihadi-inspired terrorists. This was because potential state rivals, according to Ferguson, suffered their own fiscal overstretch due to similar causes, especially a declining birth rate leading to what he called “demographic graying”. In fact, Ferguson argued that the

future of the United States could already be seen in “the fate that has overtaken Japan and the European Union; once economic titans, they are now senescent societies and strategic dwarfs. Nor will China be exempt from demographic ‘graying’” (2005: 296). Hence, Ferguson did not place much weight on the ongoing American capacity to counter-act ‘demographic graying’ by accepting new immigrants as it so often has done in the past.

Perhaps most importantly, Ferguson did not regard the international role of the US dollar and Treasury Securities in global finance as leading to any unique long-term capacity for the US to sustain its balance of payments deficit and/or debt. Indeed, virtually all declinists share this disregard. There is a broad consensus among declinists that the nature of the American financial accounts is no different from, for example, Mexico’s. Thus, if the Mexican national deficit coupled with mounting national debt continued to expand year after year, it would be widely assumed that sooner or later international creditors would lose confidence in Mexico’s capacity to repay its debt, thereby leading to capital flight, currency devaluation, financial crisis, and recession or worse. In this way many assume (especially but not exclusively declinists) that the same would eventually happen to the United States. For example, Stephen Gill has argued: “Whilst the USA has consistently pressed for freer capital mobility to facilitate inflows of capital into the USA, thus helping to fund its balance of payments deficits, its leaders may soon come to realize that this is a double-edged sword: a crisis of confidence in the US economy

could reverse these flows very rapidly indeed, with the US hoist on its own petard” (2004: 34).<sup>14</sup>

A number of other commentators, however, fundamentally disagree with this interpretation of the American financial accounts. Instead, they argue that precisely because of the particular role of the US dollar as world reserve and transactions currency and the US Treasury Bill as the world’s safe haven asset, the US state garners extraordinary and unique power from these two conditions. Perhaps one of the earliest to point out the qualitatively different implications of American financial accounts in world order was Michael Hudson’s *Super Imperialism: The Economic Strategy of American Empire* (1972). Hudson provided one of the first accounts concerning the far-reaching ramifications for world order of the burgeoning United States balance of payments deficits and its subsequent debtor status by the late 1960s. Due to the novelty and continued relevance of his insights, he is worth quoting at length. He argued that while the US state learned after World War I that being an international creditor afforded great power over debtors (1972: 36):

What the United States had not learned...but is now in the process of learning [in the late 1960s and early 1970s], was that as borrower instead of lender... a strong industrial nation could exercise even greater force in the world of nations than a solvent creditor country could exercise through its overwhelming creditor status. What... alone was needed, was an appropriate organization of the world monetary system, such that acknowledgement of bankruptcy of the financial imperialist power [i.e. the United States] would bankrupt simultaneously the central banks of its principal creditors...The curiously institutionalized role of the United States indebtedness in the world’s power structure is among the most notable yet least noted of recent events of world significance.

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<sup>14</sup> This is in contrast to Gill and David Law’s (1988) earlier insights on the capacity of what they called ‘organic alliances’ (i.e. between Europe and the US) to withstand this or that particular rupture due to their deeper structural integration.

Indeed, one could argue that this power of indebtedness is still not widely understood four decades after Hudson originally took note, as so many commentators regard the US debtor status as indicative of weakness and/or vulnerability.

Rather than weakness, as Hudson explained, the United States developed a unique capacity shared by no other: The more the United States ran a balance of payments deficit, the more US dollars flooded the world, much of which would then end up in foreign central banks (usually since local firms engaging in international trade would exchange their dollars with their central bank for local currency). If the central banks refused to buy more dollars, then the value of the dollar would decline, aiding American and harming local exporters, as well as destroying the value of dollars those central banks already held. Worst-case scenario would be a collapse in the dollar and mutual bankruptcy, but as the other advanced capitalist powers (especially West Germany and Japan) depended more on international trade than the US, this was not seen as an option because a collapse in the world monetary system would affect their own exporters severely. Most of these dollars would then be recycled back into the US, largely as foreign central banks invested in US government debt (safer than corporate bonds and equities, as well as the asset most endorsed by the US government itself). In this way, the United States could suck in the world's savings simply by running a balance of payments deficit.

As a consequence, Hudson asserted, the United States effectively had “succeeded in forcing other countries to pay for its wars [and domestic programs], something never before accomplished by any nation in history” (1972: 230). While

domestic financial sources are arguably more important for the American state, as we shall see below, the broader point is that American financial accounts are qualitatively unique in world order, and have power implications different from any other nation's financial accounts. This uniquely dominant position at the center of global finance can continue for as long as the US dollar remains the main international reserve currency and primary currency for international payments in trade and finance (underpinned by other factors, such as the unique depth of the American domestic financial market and attractiveness of the United States for inward FDI); features of the world financial system that continue to this day, despite — or perhaps because of — decades of waves of financial tumult.

While Hudson predominantly emphasized how relations between world central banks and the US debt and dollar inordinately benefit the US state, Peter Gowan's *The Global Gamble: Washington's Faustian Bid for World Dominance* (1999), emphasized the symbiotic relationship between the US dollar and American private sector financial services firms, what he called the 'Dollar-Wall Street Regime' (including London, center of the Euro-dollar market and home to many Wall Street subsidiaries). As Hudson described how world central banks accumulated dollars and recycled them into American government debt, Gowan pointed out that these dollars would then be placed back in the American financial system (including its London offshoot). According to Gowan, this "greatly boosted the size and turnover in the Anglo-American financial markets. At the same time, there was feedback the other way. The strength of Wall Street, as a financial centre, reinforced the dominance of the dollar: for anyone wanting to borrow or lend money, the size and

strength of a financial system is a very important factor” (1999: 24-25). This is because, for example, the higher the volume of trading the easier it is to quickly buy and sell, and the greater the opportunities to diversify risk, and to respond to rapidly changing conditions and opportunities. Nevertheless, Gowan postulated that a “serious American financial crisis could turn the Dollar-Wall Street Regime into its opposite: there could be a flight from US Treasury bonds, prompting a flight from the dollar feeding back into a really serious US foreign debt crisis: if something happened to produce a drying up of US financial markets for foreign borrowers, the latter might dump the Treasury bonds they had been using as a safe haven for their dollar reserves” (1999: 73). Therefore, despite Gowan’s insights on the unique depth of the American financial system, he concluded that this system, what he called America’s ‘global gamble’ since the 1970s in response to the rise of Western Europe and Japan, is ultimately “unsustainable” (1999: 124).

What is missing from both Hudson and Gowan is that a further bolster to the size and liquidity of the American financial system — and thus a vital factor behind its role in global finance — stems from the financial integration of the American population itself. This was an important insight from Leonard Seabrooke’s *U.S. Power in International Finance: The Victory of Dividends* (2001). In this regard, Seabrooke further clarified the contours of what the United States had achieved beginning in the 1960s. During the gold standard era (and more broadly during the age of mercantilism), it was widely understood that the greater a nation-state’s accumulation of reserves, or savings, the greater that nation-state’s power, or financial autonomy. But after the evolution towards a pure dollar standard, *de facto*



by the late 1960s and *de jure* in 1971, the nature of financial power changed for the United States, the sole legitimate printer of US dollars. What became more important was not having the world's greatest accumulation of savings, but having the greatest *access* to the world's savings. Why save if you can perennially tap others' savings? Or as Seabrooke argued, "Two points about power in finance must...be outlined: i) *access to resources rather than command of resources is more important*; and, consequently, ii) *the ability to shape preferences is more important than an accumulation of resources*" (2001: 17, *emphasis in original*). In terms of the second point, the key induced preference of course is for world central banks to hold US dollars and Treasury bills.

The capacity of the US state to suck in the world's savings was already explained above, but Seabrooke's contribution was to emphasize how the United States has been at the forefront of the progression towards the expansion and deepening of "direct financing" since the 1960s, which "refers to greater trading on debt and equity markets by investors *and* intermediaries [such as banks]. It also refers to the process of securitization in financial markets" (2001: xi, *emphasis in original*). Many declinists note as a weakness that the American population is one of the most heavily indebted in the world, but for Seabrooke, "personal, corporate and public indebtedness has led to greater financial innovation and to the greater socialization of finance. US structural power in international finance has benefitted as a consequence" (2001: 17). This is especially the case as the American middle class has been increasingly embedded into direct financing, from 10% of "adult Americans involved in the stock market" in 1960 to 40% by 2000, vastly expanding

the pool of credit to which both the US state and American firms have access (2001: 18).

An example of the advantages of this extraordinary financial depth was seen in the early 1990s after the Japanese stock market crash, as Japanese investors retrenched from the US back to their home market. According to Seabrooke (2001: 148, *emphasis in original*):

Due to the *interactive embeddedness* between Washington and Wall Street this was not a problem. US commercial banks increased their demand for US Treasury securities elevenfold. Washington was able to call upon Wall Street for support that would help augment their structural power in international finance. Indeed, as part of the financial reforms of the period, holdings of US government securities lessened the riskiness of banks (also in accordance with the Basle Accord). Washington was able to call upon the unique depth and complexity of the US domestic financial system.

And for as long as the world's wealthiest and one of the largest national populations continues to be heavily socialized into finance, through mortgages and insurance, mutual and pension funds, automobile and student loans, credit card debt, and so on, the American state and firms will continue to have the greatest access to credit from domestic sources — in addition to the US state being able to tap the world's central bank savings.

This uniquely immense size, depth, and liquidity of the American financial system is also a prime reason why global capitalists continue to treat American debt as the world's safe haven asset. But beyond any particular financial indicator, there is a wider rationale for global investor confidence in the United States that many declinists miss, especially those without a class analysis. That is, a major source of global confidence in American debt stems from the widely held belief that the American state harbors both the greatest capacity *and* willingness to protect

capitalist class interests, private property, and global capitalism itself, from both the far right and left (as well as other threats, such as Jihadi-inspired terrorism), and from the inevitable financial crises of an increasingly liberalized global finance. This involves, but is not limited to, the belief that the US state is both the least likely to expropriate foreign capital in the US itself, and has the greatest capacity and willingness to protect against the expropriation of foreign capital abroad. More generally, the United States is seen as the bastion and defender of liberal internationalism and private property — crucial conditions for a globalizing capitalism.

By contrast, state-owned capitalism is still prominent in the EU, especially in France and Italy, and East Asia is the world's bastion of nationally protected state-owned capitalism. State capitalism has also been resurgent in the twenty-first century across various emerging markets, not least the BRICs. While much less autarchic than the state capitalisms of the 1950s and 1960s (whether in the Soviet bloc or in import-substitution industrializing Latin America), the twenty-first century integration of the BRICs into global capitalism is primarily oriented through the lens of nationally state-directed capital (especially in Brazil, China, and Russia). We shall see this in subsequent chapters, but the point here is that relative to other large political economies, private owners of global capital continue to place most confidence in the United States to uphold a liberal international order in the interests of the global (private) capitalist class vis-à-vis all manner of threats, from national expropriations to financial crises, from the protection of private property to encouraging other nations to liberalize via, for example, International Monetary

Fund (IMF) loan conditionality, from protecting oil fields in the Middle East to the sea lanes of Asia. No other state approaches this role as guarantor and promoter of a more or less liberal global capitalism, which is a key factor why global investors continue to view American debt as the world's safe haven asset.<sup>15</sup>

Following from all of the above factors, what is crucially important to note, then, is what Leo Panitch and Martijn Konings have argued in their edited volume *American Empire and the Political Economy of Global Finance* (2009a), that the US state must be seen as embedded in the very sinews of global finance. This is in contrast to the majority of scholars in international political economy (IPE) and international relations (IR) who still posit a dichotomy between state and finance, even if symbiotically inter-related. As Panitch and Konings argued, we must “emphasize that the relations between financial globalization and the US state are internal and mutually constitutive. The global financial markets and the American state are not separate entities, to be articulated only after their respective constitution. Rather, they are connected through a dense web of organic institutional linkages” (Panitch and Konings 2009b: 2). Thus, we need to enunciate “what institutions, techniques and relations are embedded in the very constitution of the international economy that reflect US power and bias its operation in favour of the US...i.e. the historical sources and institutional basis of the US's privileged relationship to processes of financial globalization” (2009b: 6). For these reasons, we must recognize that American finance is qualitatively unique in world history,

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<sup>15</sup> Note that this role only became institutionalized in the 1980s, after some initial resistance over the American ‘super-exorbitant privilege’ in the 1970s, especially from France and West Germany. See Sarai 2009.

and its evolution as such must be analyzed historically in order to be properly understood.<sup>16</sup> We certainly cannot interpret American financial accounts as having equal significance to any other nation, as many declinists are wont to do. The transformation of the United States from being the world's greatest creditor to the world's greatest debtor has not at all meant that the United States transformed from being the world's most powerful nation to the world's weakest.

In summary, it is important to see the vital interconnections between all these mutually reinforcing relationships, between the US dollar and debt, world central banks, international financiers and traders, Wall Street firms, corporations with transnational operations, the extraordinary depth and liquidity of American finance, and so on — far too often they are analyzed separately and ahistorically, and thereby one or another link in the web surmised to be too easily breakable or replaceable. For example, replacing the dollar as international reserve currency is a nonstarter while the most important internationally traded goods and services — such as oil or bank loans — continue to be traded in dollars, or without a non-dollar financial center to challenge the dominance of Wall Street; or for that matter without a government bond market to challenge the size, depth, and liquidity of the US Treasury market. Nor is it likely that another currency issuer could supplant the United States without being a credible guarantor of a liberal global capitalism, including militarily. In any case, we shall see in subsequent chapters the continued dominance of American capital itself, and it is unlikely that American corporations would willingly forgo the advantages of having their home currency as world

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<sup>16</sup> For such historical analyses, see Panitch and Konings 2009a, Konings 2011, Panitch and Gindin 2012.

reserve currency. And yet so many scholars ignore all these symbiotic relationships and prophesize any number of conditions that could cause a collapse of the dollar “with the US hoist on its own petard”, as Stephen Gill put it above (2004: 34).

But since global investors, traders, and central bankers will not replace the “Dollar-Wall Street Regime” (if we want to call it that) with a void — especially in times of high uncertainty such as during a financial crisis — one must specify which alternative system is available to take its place. If there is to be ‘dollar flight’, then where is the destination of this flight? If none is on the horizon, then it follows that the “Dollar-Wall Street Regime” will likely not be replaced. Without an alternative system towards which to fly, if the choice is between the “Dollar-Wall Street Regime” and world financial meltdown, then global investors, Wall Street, foreign traders, transnational corporations, and especially central banks, will most likely choose the former. Indeed, in the absence of a competing alternative global financial system, it is in the interests of investors around the world to avoid disruption in this American-centered global financial order, much less collapse.

This is a crucial point that many declinists miss. For the most part (with some exceptions), the United States does not compel others to hold US debt; others choose to do so, for all of the reasons above. Of course, this is partly due to how the United States has been able to structure global finance to induce global preference for its own debt. Accordingly, global finance is structured in such a way that it is in the interests of large foreign holders of American debt and dollars (especially central banks, which desire stability) to do what it takes to strengthen this system in times of instability, and least of all challenge it. Moreover, American citizens

represent by far the largest share of ‘global investors’, as we shall see in Chapter Five. It is unlikely that American citizens resident in the United States would irreversibly shift the majority of their assets to non-US investments. In fact, in times of crisis investors tend to shift their assets back home, including American investors during 2008-2009 despite the crisis emanating from the United States itself (Alloway 2010, Capgemini and Merrill Lynch 2010: 19). And again, there has to be an already existing credible alternative. If investors pull out of an asset class *en masse*, they are investing in another, and there must be global consensus that this alternative investment is safer and fulfills the above functions in a manner superior to the United States. There is no such contrarian global consensus on the horizon, not even between emerging markets let alone the advanced capitalist powers.

This does not mean that other actors will never attempt to build an alternative financial system, but it does mean that the structural constraints against any serious global contender are severe, as so many powerful actors around the globe have a stake in the smooth operation of the status quo financial order. For example, even if an actor such as the Chinese state seriously developed an alternative system to supplant the US dollar (for which there is very little evidence, as we shall see in Chapter Six), there is still the issue of convincing the rest of the world that its financial order would be superior to that of the United States — no small feat considering all of the above factors, not least the dominance of American investors themselves. This is apart from the fact that global finance today is more American-centered than ever, as we shall see in Chapter Five, to the extent that it is impossible to even conceive of global finance without understanding the role of

American finance as its bedrock. Hence, we must avoid so easily, speculatively, and offhandedly predicting the collapse of the American financial order (which would be tantamount to the collapse of global finance) — let alone tingeing its collapse with inevitability, as so many declinists are wont to do. This brings us to the broader methodological problem of avoiding an historical determinism based on cyclical patterns of rise and decline.

### **III. The Rise and Decline of Empires**

A number of analysts argue that a common conundrum has underpinned the historical rise and decline of empires: a dominant power must focus on military expenditures at the expense of its economy, allowing rising powers that focus on their economy to catch up and eventually surpass the dominant power. For example, Immanuel Wallerstein, from the perspective of his “world-systems theory”, explicitly searched for long-term historical patterns, often thought to be cyclical, spanning centuries. Wallerstein has long situated what he viewed as American decline from the late 1960s onwards in the context of a centuries-long cycle of the rise and decline of empires past. Wallerstein was a contributor to the first wave of declinism (Wallerstein 1982), and was unyielding on this even during the ‘American Empire’ phase of conventional wisdom in the early 2000s, when he still held “that U.S. decline in the world-system is structural, and is not the result merely of errors in policy committed by previous U.S. governments. *It cannot be reversed*” (2003: 306, *emphasis added*). This was because, according to Wallerstein, a structural logic has propelled the rise and decline of previous powers, and the United States cannot



escape the shackles of history nor the logic of the world-system. For Wallerstein, this logic was simple: “The dominant power concentrates (to its detriment) on the military; the candidate for successor concentrates on the economy. The latter has always paid off, handsomely. It did for the United States. Why should it not pay off for Japan as well, perhaps in alliance with China?” (2003: 26).

This was also the context in which Paul Kennedy placed his ‘imperial overstretch’, as a centuries-long cycle of rise and decline. That is, Kennedy claimed that there is a “conundrum which has exercised strategists and economists and political leaders from classical times onward”, that to be a Great Power one must be dominant militarily, and to be dominant militarily one must have a “flourishing economic base...Yet by going to war, or by devoting a large share of the nation’s ‘manufacturing power’ to expenditures upon ‘unproductive’ armaments, one runs the risk of eroding the national economic base, especially vis-à-vis states which are concentrating a greater share of their income upon productive investment for long-term growth” (1988: 697). Primary examples of the latter in modern history, according to Kennedy, were “Britain in the 1860s, the United States in the 1890s, Japan today [in the 1980s]” (1988: xxv).

This supposed dilemma of dominance is founded upon a false dichotomy of ‘productive investment in the economy’ versus ‘unproductive investment in the military’. But this compartmentalization does not hold water since at least the invention of the wheel roughly four thousand years ago (which was used in the war-chariot), as there have been countless spillovers from military to civilian technology over the millennia. And certainly what has been characterized as the American

military-industrial complex has been the *sine qua non* for many of the most important technological advancements in the post-war period, from aerospace to the Internet, from containerization to mobile telecommunications, from the semiconductor to global positioning system (GPS), and so much more. Silicon Valley would be but a shadow of itself were it not for military-derived research and development funding, including to Stanford University, coupled with the US military serving as a vital consumer of high risk, high-end new technology (Tirman 1984, Chomsky 1994, Mitchell and Schoeffel 2002, Lécuyer 2006, Mazzucato 2013).

Moreover, neither Kennedy nor Wallerstein explained why this alleged dilemma of dominance, and such historical patterns in general, could not be changed, especially by the most powerful actors in the system. Adherence to this cyclical understanding of rise and decline, and the grand historical narratives it inspires, often leads to the belief in the inexorability of decline. This approach tends to foreclose the possibility of changing patterns in world order due to the agency of powerful actors and/or historical conjunctures. For example, similar to Wallerstein (see also Gunder Frank 1998), Giovanni Arrighi purported to discover cyclical patterns in history, which arguably led him to misconceptualize the present (and possible futures). Arrighi's last major work, *Adam Smith in Beijing: Lineages of the Twenty-First Century* (2007), claimed to identify a pattern of decline, brief revival, and terminal decline common to both British and American world power, separated by a century or so. Hence, Arrighi argued (2007: 193):

As in Britain's case at a comparable stage of relative decline, escalating US current-account deficits reflect a deterioration in the competitive position of American business at home and abroad. And as in Britain's case [in the Edwardian *belle époque*], though [the latter] less successfully, US capital has

partially countered this deterioration [in the 1980s and 1990s] by specializing in global financial intermediation. Unlike Britain, however, the US has no territorial empire from which to extract the resources needed to retain its politico-military preeminence in an increasingly competitive world.

Therefore, even if “for about twenty years, an escalating foreign debt enabled the United States to turn the deteriorating crisis of the 1970s into a *belle époque* wholly comparable to, and in some respects far more spectacular, than Britain’s Edwardian era” (2007: 146) — according to Arrighi — American hegemony was still doomed to the British fate of terminal decline.

Arrighi identified a number of reasons, including the Iraq war, but the most important was the alleged decline of American capital, especially in the face of the rise of East Asian capital — for Arrighi comparable to the relative decline of British capital in the face of the rise of American and German capital at the beginning of the twentieth century. In the passage above, however, Arrighi did not explain why current account deficits were apparently a better indicator of the strength or weakness of American capital than an investigation of the strength or weakness of American capital itself (in other words, inspecting American corporations themselves, as we shall do in Chapters Three and Four). And of course, like so many others who relied on national accounts, Arrighi ignored the implications of transnational modular production networks, which are especially crucial for understanding the East Asian political economy, as we shall see in Chapter Six.<sup>17</sup>

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<sup>17</sup> See also Robert Brenner’s (1998, 2002, 2006) empirical analysis of what he claimed to be a *Western* (including Japanese), rather than merely American, persistent economic downturn in the late twentieth century. Brenner drew upon national accounts, especially what he saw as a declining rate of profit in the

Some observers might grant a quantitative difference in the scale of American preponderance of economic power compared to the earlier British hegemony, but few regard the transition as rendering the United States a qualitatively unique kind of power in the history of world order. In contrast, Leo Panitch and Sam Gindin's *The Making of Global Capitalism: The Political Economy of American Empire* (2012), argued that "something much more distinctive had emerged than Pax America replacing Pax Britannica. The American state...increasingly took responsibility for creating the political and juridical conditions for the general extension and reproduction of capitalism internationally" (2012: 6). By the immediate post-war period, they argued, "The creation of stable conditions for globalized capital accumulation, which Britain had been unable to achieve (indeed hardly even to contemplate) in the nineteenth century, was now accomplished by the American informal empire, which succeeded in integrating all the other capitalist powers into an effective system of coordination under its aegis" (2012: 7-8).

We must move far beyond historical analogies of rise and decline and national accounts to understand the emergence and staying power of the American-centered world order in the post-war period. Indeed, as Panitch and Gindin (2012) pointed out, the United States was already the leading industrial and financial power in the aftermath of World War I, but the institutional capacity to underpin world order stems from much more than merely having a preponderance in national accounts. Panitch and Gindin added, nor is "willingness to lead" (Kindleberger 1973, manufacturing sector, driven primarily by 'overaccumulation'. Like Arrighi, Brenner did not investigate the corporations themselves; see also David Harvey 2005.

Keohane 1984) sufficient, as “despite the internationalist inclinations of many Republicans as well as Democrats in office, it was only through the crucible of the 1930s and 1940s...that the American state developed sufficient institutional capacity to take the helm in a project for making capitalism global” (2012: 7). This process involved a number of developments, from the deeper capitalist integration of the American working class beginning in the 1930s as consumers and homeowners (and later also as debtors), providing great strength to American business and the state (2012: 10). Moreover, by the 1940s, Panitch and Gindin argued, “The US state now had a central bank, a largely merit-based professional civil service, a well-staffed Treasury, and a broad range of economic and financial regulatory agencies; and with US entry into the war it would also quickly establish an unrivaled, and permanent, military-industrial complex” (2012: 63). Also important, “for which there was no historical precedent, was the extent to which US governments supported the revival of potential economic competitors — through low-interest loans, direct grants, technological assistance, and favorable trading relations — so that they could sell their products to the US. A pattern was thereby set for the economic integration of all the leading capitalist countries, and continues to this day” (2012: 10). This integration between the great powers was especially aided by the expansion of FDI, as we shall see in the next chapter.

By the 1970s, during the first major structural crisis of the post-war period, the nature of American hegemony was revealed in the extensive coordination between the major capitalist powers, from the creation of the G5 (and later G7) to the Trilateral Commission (Panitch and Gindin 2012: 2, 14). There were of course

diplomatic rows, in particular between France, West Germany, and the United States, and the US also struck off on its own (most obviously in unilaterally ending the gold standard), but there was never any serious threat of a return to the inter-imperial rivalry of the first half of the twentieth century that led to two world wars and the Great Depression. In fact, the 1970s crisis, and particularly the soaring American balance of payments deficit, arguably made the other capitalist powers even more dependent on the dollar and on American financial management (Panitch and Gindin 2012: 147). And the transformations in the American political economy during the 1970s (“the new age of finance, the restructuring of manufacturing, the explosion of high-tech, the ubiquity of business services, and the profound weakening of working-class organization and labor identity”) not only paved the path for the rejuvenation of American capital, but also for the deepening of global capitalism in the latter decades of the twentieth century (2012: 192).

Hence the United States, with the US Federal Reserve and Treasury leading the way, in conjunction with the IMF and World Bank, as well as the G7, Trilateral Commission, and so on, not to mention an army of business interests from Chambers of Commerce and giant transnational corporations to legions of accounting, consulting, financial advising, and legal firms — all increased pressure for greater liberalization and globalization of capital around the world (Panitch and Gindin 2012: 192-193), on terms that would create a ‘level playing field’ for global capital (and I would add, in particular for American capital). Panitch and Gindin argued, as increasing financial globalization from the 1980s led to increasing

financial volatility and crises, other capitalist powers came to depend even more on the United State as “firefighter-in-chief” to contain these crises (2012: 248-271).

This was the case even as the greatest financial crisis since 1929 emanated from the United States itself, with the Federal Reserve back-stopping the global financial system, by both extending lines of credit to major foreign private and central banks during the 2008 Wall Street Crash, and subsequently with successive waves of quantitative easing (QE). Dispelling any notions of the former Third World decoupling from the American system, the mere mention of potential future tapering of QE3 by Federal Reserve Chairperson Ben Bernanke in May 2013 led to a rout of EM financial markets and currencies that summer and again at the beginning of 2014. Also striking, while the crisis of the 1970s institutionalized a greater role in coordinating the world system for the other capitalist powers in the form of the G7 and so on, similar calls for increasing the role of emerging markets (EMs) post-2008 have largely failed. While new life was breathed into the G20 in 2008, and the G8 announced at the 2009 G20 London meeting that it would disband, the G8 (and importantly, the G7 Finance Ministers) continue to meet annually in 2014, and the G20 has largely devolved into a photo opportunity for world leaders. Moreover, initial pledges made by the West in 2010 to reform the voting rights in the IMF in order to accommodate a greater role for the BRICs have since been shot down by the US Congress in 2013. Similarly, calls to reform the UN Security Council have gone nowhere. Indeed, far from a fundamental shift in world order post-2008, the West is closing ranks and deepening their integration around two major trade agreements: the Trans-Pacific Partnership and the Trans-Atlantic Trade and

Investment Partnership. Regardless, even if certain EMs become successful in playing a greater role in coordinating global capitalism, the broader point is that there are far greater rewards for the ruling classes of EMs to integrate with the American-centered world order than to seriously challenge it.

There are two main lacunae, then, in analyses underpinned by historical analogies of the rise and decline of empires past: a failure both to understand how globalization transforms how we must conceptualize and evaluate economic power in world order, and to acknowledge the agency and capacity of the United States to change and/or shape the nature and structure of the world system. Both of these factors are crucial for understanding the decline or persistence of American economic power, and both are foreclosed if we assume that historical patterns of rise and decline are inexorable. Moreover, these factors compel us to more seriously investigate both historically and empirically the evolution of the world system itself. In this vein, it is incumbent upon us to analyze in greater depth two potential disjunctures in the future of world order: 1) Is globalization rendering the nation-state and the nationality of capital increasingly obsolete? Is the concept of 'national economic power' itself an increasing anachronism in the age of globalization?; and 2) Is the rise of China (perhaps in conjunction with the BRICs) creating the structural conditions for an alternative world (or at least regional) order? What is the likelihood for the center of gravity in global capitalism to re-orbit from the United States to China in the foreseeable future? While the multi-dimensional understanding of American power developed in this chapter should prevent us from too hastily prognosticating a fundamental rupture in world order from this



particular financial crisis or that particular diplomatic row (not to mention relative decline in one national account or another), a deeper understanding of American power also allows us to take more seriously what would indeed be necessary for such a rupture. Towards this goal, Chapter Two turns to the first set of questions above, on the globalization of capital and its implication on national economic power.

## Chapter Two: Global Capital and National Economic Power

Globalization was one of the most used and abused buzzwords of the 1990s (and arguably still in the early twenty-first century). One of the most oft-heard pronouncements was that the nation-state was being bypassed by giant globally footloose corporations and unprecedented financial flows. Nation-states were supposedly overwhelmed by amorphous 'market forces' with no center and no nationality, whose power was essentially unchallengeable, battering down any and all barriers to profit-making. All nations could do in the face of 'the market' was to provide the best conditions possible to attract global capital in order to boost domestic employment and technology.

The origins of this discourse goes back to the 1960s, with the re-emergence of American foreign direct investment (FDI) in Canada and Western Europe. Stephen Hymer was one of the first political economists to analyze the increasing power of American corporations abroad (in his Ph.D. dissertation at the Massachusetts Institute of Technology (MIT), defended in 1960 but only posthumously published in 1976 as *The International Operations of National Firms: A Study of Direct Foreign Investment*). This spurred a number of other studies, especially in Hymer's native country Canada, as well as France, concerned about the American takeover of indigenous technological development, and corporate decision-making being transferred to headquarters in the US. We shall discuss this literature in Section I of this chapter.

But already by the late 1960s, Hymer's Ph.D. supervisor at MIT, Charles Kindleberger in *American Business Abroad*, presaged the globalization discourse of the 1990s (1969: 207-208):

The nation-state is just about through as an economic unit. General De Gaulle [of France] is unaware of it as yet, and so are the Congress of the United States and right-wing know-nothings in all countries. Tariff policy is virtually useless, despite the last-gasp struggles of the protectionists to keep out Japanese steel, Danish cheese, Middle East oil, Brazilian powdered coffee, and of the [Lyndon] Johnson administration to get the American public to stop going abroad. Monetary policy is in the process of being internationalized. The world is too small. It is too easy to get about. Two-hundred-thousand-ton tank and ore carriers and containerization (to use an ugly hybrid), airbuses, and the like will not permit sovereign independence of the nation-state in economic affairs.

As we shall see in the second section of this chapter, this understanding of increasingly global corporate operations leading to a direct challenge to the nation-state as a coherent and meaningful unit in the global political economy was common in the 1990s. Kindleberger was also prescient in claiming that an emerging "cadre of international executives", concerned only with "the aggrandizement of the corporation, and of their own incomes and stock options...will overwhelm any tendency in the multinational corporation for separate subsidiaries to behave like national corporations" (1969: 210). Kindleberger's notion of an emerging 'cadre of international executives' presaged the theme of the third section of this chapter, which emerged by the late 1990s, on the rise of a so-called 'transnational capitalist class'.

There were numerous scholars who disputed these claims on the increasing irrelevance of the nationality of capital and of the nation-state itself. This will be the subject of Section IV of this chapter, including the lack of clarity in the literature on

the relationship between state and capital. Many globalization theorists assume (usually implicitly) that there is no necessary relationship between the two, and that the latter can simply unmoor from the former if it so desires. Others argue that there is a necessary, symbiotic relationship between state and capital, and argue (in different ways) that capital cannot exist without the state (Nitzan and Bichler 2009, Panitch and Gindin 2012, Starrs 2014a). This has obvious negative implications on the alleged capacity for capital to float above and/or challenge the very existence of states, as we shall see.

Another debate is on the relevant criteria for discerning the importance or irrelevance of the nationality of capital. Often those who argue that capital is nationless employ different criteria from those who argue that capital is still nationally embedded. The criteria usually involve different assumptions on how to identify the locus of corporate control (*i.e.* the debate on the separation of ownership and control), among other factors. Building on Sections II-IV, Section V summarizes and discusses key points regarding which criteria are the most important. This will guide the empirical investigation in subsequent chapters.

### **I. Foreign Direct Investment in the Post-War Period**

There was certainly American foreign direct investment in various parts of East Asia, Europe, and throughout the Western Hemisphere before World War II, stretching back to the nineteenth century. But the international conditions were not ripe for FDI to really take off until the late 1950s and early 1960s, reaching to such an extent that it had qualitatively different implications than in previous times. Jean-

Jacques Servan-Schreiber's *The American Challenge* (1968) became one of the most best-selling non-fiction books in post-war France, sparking a wider debate in Europe.<sup>18</sup> Servan-Schreiber contended that it was giant American corporations that drew upon their experience consolidating their massive home market to establish their dominant positions in the European Common Market, leaving European firms in the dust: "The Common Market has become a new Far West for American businessmen. Their investments do not so much involve a transfer of capital, as an actual *seizure of power* within the European economy" (1968: 11, *emphasis in original*).

For Servan-Schreiber, the most important manifestation of this 'seizure of power' was not readily revealed by statistics or FDI itself. American corporations came to dominate advanced technology sectors in Europe, thereby transferring decision-making power over the most important issues from Europe to headquarters located in the United States (1968: 43):

What is most productive and decisive in the modern economy is the combination of the research factor with an industrial infrastructure, effective means of finance, and a large sales organization. The home office of a giant corporation coordinates all of these. This means that even if American investors allow more research to be carried on in Europe, the basic source of profit for the corporations, and of technological development for the nations concerned, would still be where the decisions are made — the home office in the United States.

Therefore, he warned that if Europe "continue[s] to allow the major decisions about industrial innovation and technological creativity — decisions which directly affect [European] lives — to be made in Washington, New York, Cambridge, Detroit,

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<sup>18</sup> Originally published in French as *Le Défi Américain* a year earlier.

Seattle, and Houston, there is a real danger that Europe may forever be confined to second place. [Europe] may not be able to build one of those giant industrial-intellectual complexes on which a technologically creative society depends” (1968: 28).

Kari Levitt set out comparable concerns for Canada in *Silent Surrender: The Multinational Corporation in Canada* (1970), although in her case at times it was more of a eulogy than a forewarning. Similar to Servan-Schreiber, Levitt argued (1970: 38-39):

The basic decisions on investment and expansion of Canadian industry are made in New York, Detroit, or Chicago, not in Toronto or Montreal. The satellitic status of Canada is reinforced, as in the old mercantile system, by the network of exclusivist favours, preferences and privileges negotiated from a position of weakness *vis-à-vis* the United States. The vulnerability of Canada to changes in American tariffs, quotas, credit conditions, defence orders and capital movements increases as commercial exports by Canadian-controlled enterprise are replaced by inter-company transfer and politically negotiated barter deals.

Consequently, according to Levitt, “economic integration with the United States, in the context of an economy dominated by branch plants and subsidiaries, will weaken internal integration within Canada, will perpetuate the ‘technology gap’, and deprive [Canada] of the ‘dynamic comparative advantage’ accruing to indigenous technological advance and innovation” (1970: 32-33). Although perhaps already too late, she argued that a middle-sized political economy such as Canada should follow the examples of the Scandinavian countries and Switzerland, protecting and promoting indigenous specialization in a few advanced technology sectors (1970: 107). Otherwise, she argued, because a “branch-plant economy dependent on imported technology is assured of a perpetual technological backwardness *vis-à-vis*

the metropolis” (1970: 106), it “destroys the mobilizational basis of indigenous entrepreneurship. Direct investment produces growth, but not development” (1970: 107).

By the early 1970s, Raymond Aron in *The Imperial Republic: The United States and the World 1945-1973* (1974), warned his French compatriots that Europe could become like Canada, which he considered to be “an economic colony of the United States” (1974: 217). On the one hand he argued that Canada proved that not all hosts of American FDI became like “the small Central American republics, crushed beneath the weight of a corporation more powerful than each of them” and subjected to the cycle of underdevelopment, since the Canadian standard of living approached that of the United States — but on the other hand he stressed that “European countries should [not] complacently contemplate a fate comparable to that of Canada” (1974: 217). Aron stated this was because, in parallel with Servan-Schreiber and Levitt above, “though the accumulation of American capital in Europe might equalize the standards of living on both sides of the Atlantic, its indefinite accumulation would impose American-made decisions on so many branches of industry, would subject so many managers to orders from foreign directors, and would deprive so many research workers of the chance to provide their native countries with the benefits of the patents produced by their labors” (1974: 218). In short, Europe would lose its sovereignty and become a dependency; if still a wealthy one, a dependency nonetheless.

Nicos Poulantzas’ *Classes in Contemporary Capitalism* (1975) offered a more nuanced, if abstract, theorization of the effects of American FDI in Europe.

Employing the lens of class analysis, as his title suggested (and unlike the others mentioned so far), Poulantzas argued that American FDI in Europe did not just lead to a European technological dependency on the United States, but something much deeper (1975: 47):

The United States hegemony is not in fact analogous to that of one metropolis over others in the previous phases, and it does not differ from this in a merely 'quantitative' way. Rather it has been achieved by establishing relations of production characteristic of American monopoly capitalism within the other metropolises...it similarly implies the extended reproduction within them of the political and ideological conditions for this development of American imperialism.

Thus, according to Poulantzas, American FDI could change the very social relations surrounding production in a target society, and integrate that society into the American-led project of global capitalism. And in contrast to what some critical scholars (such as Mandel 1975) believed in the 1970s was a return to the 'inter-imperial rivalry' of the first half of the twentieth century, Poulantzas instead argued that "with Europe coming to reoccupy the place of a secondary imperialism" (1978: 86), the "question for [European capitalists]...is rather to reorganize a hegemony that they still accept...what the battle is actually over is the share of the cake" (1978: 86, 87).

In the first decade of the twenty-first century, picking up where Poulantzas left off and moving beyond, Leo Panitch and Sam Gindin contributed a pair of compelling essays, *Global Capitalism and American Empire* (2003) and *Finance and*



*American Empire* (2004).<sup>19</sup> They argued that what was unique about what they called ‘American Empire’ from all previous empires was that “*the densest imperial networks and institutional linkages, which had earlier run north-south between imperial states and their formal or informal colonies, now came to run between the US and the other major capitalist states*” (2003: 13, *emphasis in original*). And one of the most important avenues towards deepening these ‘networks and linkages’ was via foreign direct investment, because, according to Panitch and Gindin, “Unlike trade, American FDI directly affected the class structures and state formations of the other core countries” (2003: 19). They elaborated (2004: 54):

Perhaps most important, the form that capitalist integration had by now taken affected the social formations of all advanced capitalist states, so that, even while economic competition among the advanced capitalist states returned, any revival of inter-imperial rivalry was foreclosed. Taking Germany as an example, the trade patterns in place by the late 1950s were themselves a factor in limiting protectionism, but even more important the penetration of American direct investment affected (among other things) the nature of German capital — not just directly (GM, Ford, IBM) but also via suppliers, banks and customers. This was reinforced by German firms’ consequent need to establish a countervailing presence in the US, all of which tended to create cross-border networks of finance and integrated production.

For Panitch and Gindin, this did not mean that a transnational capitalist class arose from these “cross-border networks” as some have postulated (as we shall see in the next section), “but something more complex. The capitalist class of each country retained its distinctiveness, but both the capital historically rooted there and the foreign capital that established itself alongside it now depended on each other’s states, and especially on the American state, to expand and manage the capitalist

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<sup>19</sup> With origins in Panitch 1981, 2000, morphing into a much larger project with Sam Gindin (Panitch and Gindin 2003, 2004, 2005), culminating in Panitch and Gindin 2012, as we saw in the previous chapter.

order” (2004: 54). It is this alignment of capitalist class interest in each advanced capitalist country that explains the endurance of ‘American Empire’, as the rewards of alignment (increased stability and profit for all, even if unevenly distributed) outweigh the pitfalls of decoupling (far greater instability both vis-à-vis other capitalist powers *and* their subordinate classes within their social formations).

And it is for this reason that as Western Europe and Japan recovered from total war, and as American power was being recalibrated by the 1970s, “what provided the American state the time and political space to renew its global ambitions — was that by the time of the crisis of the early seventies American ideological and material penetration of, and integration with, Europe and Japan was sufficiently strong to rule out any retreat from the international economy or any fundamental challenge to the leadership of the American state” (2003: 19). This cannot be stressed enough, since “the American penetration of the other developed capitalist countries, and the dense institutional linkages that had evolved between them and the US...determined that inter-state tensions were limited to renegotiating the terms of the imperial relationship, not questioning its essence” (2004: 59). Many scholars, as we have seen, predict the sinews of the American-centered order could be easily ripped apart by relative decline in this or that national account leading to financial crises. By contrast, Panitch and Gindin argued, “In contrast to the old paradigm of inter-imperial rivalry, the nature of the current integration into the American empire means that a crisis of the dollar would not be an ‘American’ crisis that might be ‘good’ for Europe or Asia, but a crisis of the system as a whole, involving severe dangers for all” (2004: 73). A few years after writing this, of course,

the largest global financial crisis since the Great Depression would emanate from the United States itself, which provides an excellent test case that we will examine in Chapter Five.

## **II. Transnational, Multinational, or Supranational Corporations?**

The vast growth of FDI by the late 1990s (including within the United States itself from corporations and investors headquartered in other countries) shifted the focus from US corporate power over other nation-states to global capital's power over all states (including the US). Before we review some of the illustrative literature, it would be first useful to clarify our terms. 'Transnational' and 'multinational corporations' are often used interchangeably by many authors, but they refer to two different things (see Gilpin 1975). 'Multinational' corporations have 'many' nationalities (or at least more than one), determined by the locations of their headquarters and/or legal domiciles. The relatively few examples involve mainly binational firms, such as the British/Dutch Royal Dutch Shell and Unilever, with headquarters in both Britain and the Netherlands, as well as two mining corporations, the British/Australian Rio Tinto and British/South African Anglo-American. There is also the multinational British/Dutch/German/French aerospace corporation EADS (maker of Airbus planes). By contrast, a 'transnational' corporation has only one nationality, with only one headquarters and/or legal domicile, but operates 'across' different nations (again, at least more than one). As we shall see, numerous authors argue that certain corporations have become 'nation-less', with no clear nationality at all. To avoid confusion and distinguish

between these different relationships to nations, I shall refer to supposedly nation-less corporations as 'supranational' — that is, corporations that are 'above' any particular nation.

Robert Reich's influential *The Work of Nations: Preparing Ourselves for 21<sup>st</sup> Century Capitalism* was typical of the emerging 1990s zeitgeist on globalization (1991: 8):

As almost every factor of production — money, technology, factories, and equipment — moves effortlessly across borders, the very idea of an American economy is becoming meaningless, as are the notions of an American corporation, American capital, American products, and American technology. A similar transformation is affecting every other nation, some faster and more profoundly than others; witness Europe, hurtling towards economic union...There is no longer any reason for the United States — or for any other nation — to protect, subsidize, or otherwise support its corporations above all others, as some have argued...Corporations and investors now scour the world for profitable opportunities. They are becoming disconnected from their home nations.

For Reich, all that remained relatively immobile within nation-states were “the people who comprise a nation”, but this too was rapidly changing. Reich argued that globalization would “tear at the ties binding citizens together — bestowing ever greater wealth on the most skilled and insightful, while consigning the less skilled to a declining standard of living. As borders become ever more meaningless in economic terms, those citizens best positioned to thrive in the world market are tempted to slip the bonds of national allegiance, and by so doing disengage themselves from their less favored fellows” (1991: 3). Therefore, in the face of these impersonal and irresistible global forces supposedly sweeping every nation, all people could do to ensure they would not become one of the “less favored fellows”, was to arm themselves with the most advanced knowledge and skills, or even better

be at the forefront of developing the most advanced knowledge and skills. In addition, note the apparent dissolution of class relations in society.

Reich believed that the nature of the corporation itself was changing, such that the “most skilled and insightful people” were becoming more important than the dominant shareholders and executives of the corporation, thereby seemingly eliminating class and concomitantly contributing to the irrelevance of nationality. Reich made a distinction between what he described as the centralized high-volume multinational corporation (MNC) of the previous era, and the high-value decentralized enterprise of the current era. According to Reich, the “old American multinational corporation was controlled from its American headquarters... Ownership and control were indisputably American...And regardless of how much of the final product was made abroad, the most complicated work — design and fabrication of the most intricate parts, and strategic planning, financing, and marketing — was done in the United States, by Americans” (1991: 110). By contrast, Reich argued that with increased competition and the globalization of information technologies, corporations then changed their overall strategies from the high-volume but low-margin production of the past to focusing on high-value advanced knowledge-based components and services, whilst collaborating with other such highly specialized firms in horizontal, web-like networks. In this way, according to Reich (1991: 148):

The shift from high volume to high value...bears upon the issue of foreign ownership and control...[since], whatever degree of power resided in ownership and control of the high-volume firm has been substantially diminished in the high-value enterprise. Because the high-value enterprise is based on insights, the highest returns and the greatest leverage belong to skilled people within the web (including key licensees, partners, or

subcontractors) rather than to shareholders or executives occupying the formal positions of authority. Top executives may play an important role in organizing the overall web, of course, but most key decisions occur at lower and more decentralized points...Whoever in the web possesses the most valuable skills and insights will receive the largest rewards, whether in the form of salaries, bonuses, licensing fees, or partnership shares.

Reich did not provide any evidence that the “most skilled and insightful” in these enterprise networks were getting larger salaries than the chief executive officers (CEOs) of the world’s top corporations, nor whether they were receiving more “rewards” than the dominant shareholders. In any case, we shall see in Chapter Four that the world’s top transnational corporations, rather than smaller licensees or subcontractors, accrue the most profit, and in Chapter Five that the richest people in the world are indeed the dominant shareholders and executive management of these top TNCs.

Reich was clearly influenced by Kenichi Ohmae’s *The Borderless World: Power and Strategy in the Interlinked Economy* (1990), which had proclaimed, “sooner than most people think, our belief in the ‘nationality’ of most corporations will seem quaint. It is already out of date” (1990: 10). Ohmae then posed a series of questions to make his point concerning ambiguity:

Is IBM Japan an American or a Japanese company? Its work force of 20,000 is Japanese, but its equity holders are American. Even so, over the past decade IBM Japan has provided, on average, three times more tax revenue to the Japanese government than has Fujitsu. What is its nationality?...Sony has facilities in Dothan, Alabama, from which it sends audiotapes and videotapes to Europe. What is the nationality of these products or of the operation that makes them?

Ohmae then immediately tempered his claims: “Most companies in the Triad [of Europe, Japan, and North America] are still financed by local debt and equity and

serve local markets with locally made goods produced by local workers. For them, nationality still has meaning. But for a growing population of firms that serve global markets or face global competition, nationality will disappear” (1990: 10). Hence, not only did Ohmae believe that expanding transnational operations automatically rendered the nationality of corporations increasingly meaningless, he predicted that what was the exception at that time — corporations operating truly globally — will become the norm in the face of the inevitable forward march of globalization.

Five years later, Ohmae in *The End of the Nation-State: The Rise of Regional Economies* (1995), contended, “nation states have become unnatural, even impossible, business units in a global economy” (1995: 5), and that subsequently what he called “region-states” had taken their place. This is because what he called the “four I’s” — investment, industry, information technology, and individual consumers — had globalized. Ohmae concluded (1995: 5):

If the unfettered movement of these I’s makes the middleman role of nation states obsolete, the qualifications needed to sit at the global table and pull in global solutions begin to correspond not to the artificial political borders of countries, but to the more focused geographical units — Hong Kong, for example, and the adjacent stretch of southern China, or the Kansai region around Osaka, or Catalonia — where real work gets done and real markets flourish. I call these units ‘region states’.

Note that in Ohmae’s conceptualization, state and capital appear totally decoupled and separate, akin to the bifurcation in neoclassical economics of politics and economics into mutually exclusive spheres. There is no acknowledgement of any necessary relationship whatsoever between state and capital — not even an acknowledgement that the state must uphold private property rights (which is the primary role most neoclassical economists prescribe to the state).

It was a surprising measure of this consensus on the diffusion of power that, in one of her last studies, *The Retreat of the State: The Diffusion of Power in the World Economy* (1996), Susan Strange offered a parallel, albeit less extravagant than Ohmae's, understanding of the relationship between state and capital. She argued "that the impersonal forces of world markets, integrated over the postwar period more by private enterprise in finance, industry and trade than by the cooperative decisions of governments, are now more powerful than the states to whom ultimate political authority over society and economy is supposed to belong" (1996: 4). Moreover, Strange explained, "Where states were once the master of markets, now it is the markets which, on many crucial issues, are the masters over the governments of states. And the declining authority of states is reflected in a growing diffusion of authority to other institutions and associations, and to local and regional bodies" (1996: 4).

Like Ohmae, then, Strange saw a diffusion of power away from centralized nation-states towards decentralized regional and local bodies, and saw centralized state power as no match for global capital in regards to the most important question for her in political economy: 'who gets what?' (1996: x). Also like Ohmae, she argued every government "large and small, strong and weak, has been weakened as a result of technological and financial change and of the accelerated integration of national economies into one single global market economy. Their failure to manage the national economy...can [not] be blamed on...governments. They are, simply, the victims of the market economy" (1996: 14). Unlike Ohmae, however, Strange made a partial exception for the United States, which she argued maintained more



structural power than any other state, especially in the security structure. Even the United States, however, according to Strange, in “using its structural power to lock European, Latin American and now Asian and African economies into an open world market economy, certainly intended to reap benefits and new opportunities for American business. What its policymakers did not fully intend...was the enhanced power that this would give to markets over governments, including their own” (1996: 29).

Also noteworthy, Michael Hardt and Antonio Negri’s *Empire* (which became a *New York Times* bestseller) accepted the by then established opinion that the “primary factors of production and exchange — money, technology, people, and goods — move with increasing ease across national boundaries; hence the nation-state has less and less power to regulate these flows and impose its authority over the economy” (2000: xi). But while Hardt and Negri stipulated that the sovereignty of nation-states was therefore declining, they argued that sovereignty itself was not declining, but was being transformed: “Our basic hypothesis is that sovereignty has taken a new form, composed of a series of national and supranational organisms united under a single logic of rule. This new global form of sovereignty is what we call Empire” (2000: xii). In this way, they declared that sovereignty was “a *decentered and deterritorializing* apparatus of rule that progressively incorporates the entire global realm within its open, expanding frontiers” (2000: xii, *emphasis in original*) — teleology *par excellence*.

It then follows, according to Hardt and Negri, that the “*United States does not, and indeed no nation-state can today, form the center of an imperialist project*”.

Nevertheless, Hardt and Negri observed, “The United States does indeed occupy a privileged position in Empire, but this privilege derives not from” the centralized and territorial logic of “the old European imperialist powers”, but from the decentralized and pluralist logic of the United States constitution. That is, for Hardt and Negri, the “ideological founders of the United States...believed they were creating on the other side of the Atlantic a new Empire with open, expanding frontiers, where power would be effectively distributed in networks. This imperial idea has survived and matured throughout the history of the United States constitution and has emerged now on a global scale in its fully realized form” (2000: xii-xiv, *emphasis in original*). In this way, Hardt and Negri washed away any remnants of countervailing national forces, and replaced national social formations with ‘Empire’ and the ‘Multitude’.

Albeit with a far less amorphous conception of capital, throughout the first decade of the twenty-first century, Jonathan Nitzan and Shimshon Bichler also argued that the nationality of capital was increasingly meaningless. In the context of their much wider project of conceptualizing “capital as power” (2009), Nitzan and Bichler argued that one of the mechanisms the world’s top corporations (what they called “dominant capital”) employ to increase their power is via mergers and acquisitions and foreign direct investment, as an individual corporation expands its ownership of the entire global capitalist pie. In the post-war period, at the heart of this story were the top corporations home-based in the United States. For as Nitzan and Bichler claimed, “Based on this interpretation [of foreign ownership conferring differential power], the power of U.S.-based foreign investors rose exponentially

over the past half century” (Nitzan and Bichler 2002: 63). Consequently, they argued that this “cumulative (albeit irregular) build-up of international investment has probably contributed greatly to the differential accumulation of U.S. dominant capital” (2002: 64).

Yet Nitzan and Bichler also claimed that by the beginning of the twenty-first century the category of ‘American dominant capital’ was no longer meaningful. This was partly because of rising competition from top corporations all over the world and hence the declining American share of the global pie (see Bichler and Nitzan 2009: Figure 3), but, more importantly, because (Nitzan and Bichler 2006: 66, 68):

[W]ith capital flowing in all directions, the main consequence has been to transform dominant capital itself into a progressively global entity. State officials continue to think in aggregate terms, talking in public about the ‘national interest’ and in private about their ‘own’ capitalists. But this ‘nationalist’ emphasis is increasingly out of touch with the changing reality...[as] those who accumulate...can no longer be easily classified as ‘American’, ‘European’, ‘Brazilian’, or ‘South Korean’.

If true, these claims on the globalization of ownership would have wide-ranging implications on how we should conceptualize power in world order, and are fortunately amenable to empirical investigation. Unfortunately, like others, Nitzan and Bichler did not offer any evidence on the supposed national diffusion of corporate ownership structures. The globalization of corporate ownership was simply asserted and assumed, as progressing in lock step with the globalization of corporate operations, the latter of which was clearly visible. Like all of the above globalization theorists, no serious attention was paid to the actions of contradictory

forces and their feasibility in disrupting or reversing the forward motion of globalization.<sup>20</sup>

### **III. The Transnational Capitalist Class**

An emerging group of scholars have taken some of the theorizations in the preceding section to their logical conclusion, that with the increasing globalization of corporations (or ‘capital’ and/or the ‘market’) and the diminishing capacity for the nation-state to do anything about it, there is an emerging transnational capitalist class rising above and beyond the nation-state. Leslie Sklair provided one of the leading contributions, in the appropriately titled *The Transnational Capitalist Class* (2001). Globalization for Sklair was not driven by amorphous, decentralized forces but by “identifiable groups of people working in identifiable organizations” (2001: x). The goals of the transnational capitalist class (TCC) — “composed of corporate executives, globalizing bureaucrats and politicians, globalizing professionals, and consumerist elites” — were “the establishment of a borderless global economy, the complete denationalization of all corporate procedures and activities, and the eradication of economic nationalism”. He stressed that none of these goals were yet accomplished, and were all still processes in motion: “The *global* is the goal, while the *transnational*, transcending nation-states in an international system in some respects but still having to cope with them in others, is the reality” (2001: 3-4, *emphasis in original*). Note that Sklair’s empirical research predominantly encompassed only one of his “four fractions” in the TCC — “corporate executives” —

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<sup>20</sup> For an extended critique of Nitzan and Bichler’s impoverished state theory, see Starrs 2014a.

and he provided no evidence that there existed any bureaucrat or politician that strove to 'de-nationalize' their respective governments. Nor did he consider that the very existence of capital might depend on the state in myriad ways.

Sklair was careful to stress what he saw as the distinction between 'globalizing' and 'global' corporations. The former are "those consciously denationalizing from their domestic origins in the course of developing genuinely global strategies of operation" (2001: 48). For Sklair, the crux of the matter of discerning the rise of a TCC is whether transnational corporations exist that are demonstrably globalizing, as "[o]nly then can they provide the material and ideological basis for transnational class action" (2001: 49). Sklair believed that the ultimate litmus test for the existence of globalizing transnational corporations was whether one could find TNCs whose strategies and practices were driven by global rather than national interests. As Sklair admitted: "Clearly, it would be very difficult to sustain the claim that TNCs are globalizing if most of these corporations and those who own and control them do identify themselves and their businesses primarily in nationalist terms and if systematic national differences between them really did explain concrete outcomes" (2001: 50).

Yet Sklair did not provide any serious discussion on what possible policies and mechanisms states had to control or shape — let alone reverse — the 'globalizing' of TNCs. Indeed, the primary role for nation-states in Sklair's view was already decided by the TCC (2001: 113-114):

[I]t is through the quest for national competitiveness that the insertion of the nation-state into the global capitalist system is handled by the transnational capitalist class...Globalizing politicians create the political conditions for diverting state support of various types (financial, fiscal, resources,

infrastructure, ideological) towards the major corporations operating within state borders under the slogan of 'national competitiveness'. Such support represents direct and indirect subsidies to the transnational capitalist class and...often involves state regulation in the interests of the major corporations.

Note Sklair assumed that states subsidized and generally treated corporations equally, irrespective of whether they were 'domestic' or 'foreign'. Also, Sklair did not explain why globalizing TNCs would want to 'escape' the dominion of nation-states in the first place, if they received such 'direct and indirect subsidies' and beneficial state regulations.

And while he acknowledged the "conventional critique of the idea of the global corporation is that corporations are not global because most of them still have an identifiable home country and are owned and controlled largely by co-nationals" (2001: 142), he rejected this counter-argument. Empirically, he granted, "the ownership and control of huge corporations with facilities in hundreds or even thousands of locations is likely to be extremely complicated" (2001: 142). But Sklair neither conducted nor drew upon any investigation of this complicated matter. Instead, Sklair asserted, the "fact that BT, IBM, and Toyota have few if any 'foreigners' on their boards tells us more about logistics in the world of leading business people than it does about who owns and controls the main pillars of the global economy" (2001:142). But without conducting or drawing upon any empirical investigation on corporate ownership structures, Sklair was left with simple guesswork as to who actually owns the world's top corporations.

Moreover, Sklair recognized, "The theory of the effective and strong developmental state dictates that corporations will act in the interests of their home

states (as defined by those who control the state) even when this is against the commercial interests of these corporations. Under such conditions, a transnational capitalist class is very unlikely to emerge” (2001: 53). Sklair was confident, however, that Chalmers Johnson’s (1982) analysis on the developmental state was losing relevance in Japan.<sup>21</sup> He proclaimed, “When the Toyota Annual Report for 1996 declared ‘Globalize Everything’ it expressed a sentiment widespread among major corporations, domiciled in Japan and all over the world” (2001: 53). Sklair reported that according to his interviews with managers at Mitsubishi and Mitsui, both ‘Japanese’ corporations were trying to shed their national identity in order to globalize (2001: 52-53). Sklair’s interviews with Japanese managers, however, were not conducted in Japan itself, but in international subsidiaries in “Australia, Ireland, Hong Kong, the USA, and Mexico” (2001: 78, note 19). Sklair did not comment on whether it should be taken for granted that foreign corporate managers residing in foreign lands would claim to prefer renouncing their ‘foreignness’ in order to be treated equally as local corporations.

In addition, a number of Northeast Asian specialists (Samuels 1994, Cumings 1999, Johnson 1999, Murphy 2000, 2010) have noted how Japanese elites often consciously attempt to portray their corporations and their state as moving away from the old developmental state model while maintaining the status quo, so as to diminish foreign (and particularly American) pressure to change. Japanese elites especially wish to deflect American pressure to liberalize the Japanese political

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<sup>21</sup> Sklair claimed (2001: 51): “By the 1980s...MITI’s [the Japanese Ministry of International Trade and Industry] influence began to wane and by the time of the crisis of the 1990s, as Callon (1995) convincingly argues, it appears to have been quite marginalized (see also Tsuru 1993)”.

economy and allow greater foreign participation. The broader question in relation to Sklair is how seriously should we take corporate public relations campaigns, documents, and statements, whose very purpose is to distort information in order to shape perceptions? Should we accept that corporations are globalizing simply because their managers say so?

William Robinson's *A Theory of Global Capitalism: Production, Class, and State in a Transnational World* (2004) relied less on corporate propaganda and interviews than Sklair, and more on what he identified as structural logics, drawing upon a Marxist theoretical framework. Most important for Robinson was the increasing globalization of production since the 1970s (2004: 10-11):

[B]y the late twentieth century the process of producing a car had become decentralized and fragmented, with numerous different phases of production dispersed around the world. Individual parts are often manufactured in many different countries, assembly may occur in several countries, and management may be coordinated from a central computer terminal unconnected to actual production sites...Auto production processes have become so transnationalized that the final products can no longer be considered 'national' products in any meaningful way.

This increasing decentralization and fragmentation of production had paradoxically developed concurrently with "the unprecedented concentration and centralization of worldwide economic management, control, and decision-making power in transnational capital and its agents" (2004: 11).

More generally, Robinson argued, "as the entire circuit [of capital] becomes transnationalized, so too do classes, political processes, states, and cultural-ideological processes...The locus of class and group relations in the new epoch is not the nation-state but the global system" (2004: 39). This is structural determinism



*par excellence* — the belief that if the ‘economy’ transnationalizes, then automatically so must everything else. Robinson claimed that all “dualist construct[s] that posit...separate logics for a globalizing economic system and a nation-state-based political system... is untenable if we are to maintain that material conditions, in particular the process of production, are central to political development and that classes are grounded in real economic production relations” (2004: 46). Robinson did not consider whether the increasing “concentration and centralization” of corporate power despite the increasing transnationalization of their operations, could be the basis for the endurance of national economic power.

Robinson complemented his theoretical argument with some empirical indicators. Drawing upon the United Nations Conference on Trade and Development’s (UNCTAD) ‘transnationality index’ (to be explored in Chapter Five), among others, he noted “the expansion of FDI, cross-national M&As, strategic alliances, and interlocking transnational directorates, as well as worldwide subcontracting and outsourcing, the extension of free-enterprise zones, and a number of other new economic forms associated with the global economy” (2004: 54). Despite the importance he laid on production, however, he did not pay any significant attention to the world’s top corporations themselves, instead focusing mainly on aggregate indicators. And while he placed much importance on corporate ownership structures, he did not provide any data on them.<sup>22</sup> Hence, like Nitzan and

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<sup>22</sup> Robinson asserted (2004: 131): “Even if the argument could be made that...capital still has a territorial dimension and world politics still has a geopolitical content — the fact remains that those investors originate from many countries. Capitalists with investments in the territory of the United States, for instance, carry passports from Germany, France, Saudi Arabia,

Bichler (2006), Sklair (2001), and others, Robinson could not know whether corporate ownership is highly nationally dispersed or highly nationally concentrated.<sup>23</sup>

Following from his economic determinism, Robinson proclaimed that with the increasing transnationalization of production, the apparatuses of an incipient 'transnational state' (TNS) have been emerging since the 1970s. Globalizing elites in economic forums such as the IMF, World Bank and its associated regional banks, the WTO, and so on, collaborating with globalizing elites in political forums such as the G7 and G20, the UN, OECD, EU, Conference on Security and Cooperation in Europe, and so on, were creating a TNS to serve the interests of the TCC. This included the United States itself, according to Robinson, due to the specific post-war development of global capitalism, in which "the concentration of resources and coercive powers within the U.S. national state allows it to play a leadership role *on behalf of a transnational elite*" (2004: 135, *emphasis in original*). Hence, Robinson argues, the "beneficiaries of U.S. military action around the world are not U.S. but transnational capitalist groups" (2004: 139). In this way, Robinson ignored any persistent traces of geopolitics, nationalism and/or regionalism in this globalizing process.

Indeed, Robinson's conceptualization of globalization, like that of Sklair and many others who believe that American products and practices are globalizing such

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Mexico, Japan, Brazil, Korea, and numerous other countries, and the U.S. national state protects and promotes their investments".

<sup>23</sup> Indeed, Robinson did not even provide any empirical investigation of "interlocking transnational directorates", which others have, such as William Carroll (2009, 2010) below.

that they are no longer 'American', but have become 'global' or 'universal', is paradoxically quite parochial. The following pronouncements by Robinson are common in globalization discourse (2004: 31): "The cultural icons Coca Cola, Mickey Mouse, Big Macs, Nike, and so on, are symbolic of the real material domination of TNCs. A superficially convergent culture emerges in which certain industries — entertainment, fashion, tourism, the visual media, sports, popular music, and the cult of celebrities — are crucial" (2004: 31). Or more pointedly, Robinson claimed, "The global cultural icons symbolize the domination of a particular corporate capitalist culture. Here, the Disneyfication or Coca-colonization of cultural life is the outcome of the homogenizing tendencies of a universal market ideology" (2004: 32). Yet these examples are all strikingly American in origin — and are certainly perceived as such by vast swathes of the planet's population — to which we could of course add many more, such as the Chicago Bulls and New York Yankees, gangsta rap, Hollywood, Kim Kardashian, Michael Jackson, Michael Jordan, 'California surfing', 'New York-style pizza', 'Wild West cowboy', and so many more.

Similarly, Sklair recounted how Rupert Murdoch, CEO of NewsCorp, changed his citizenship from Australian to American in order for NewsCorp to be treated as an American corporation in the United States. Sklair marveled at how some capitalists "go to the length of changing passports to globalize" (2001: 59). Sklair did not give any significance to the fact that Murdoch chose an *American* passport to "globalize", rather than, for example, a Japanese or a Saudi passport. In the first place, Murdoch would not have been able to change his citizenship to Japanese or Saudi, which speaks to their exclusivist ethno-centric (and in the latter case

religious) forms of identity, as well as to the relative openness of and precisely universalist (or liberal internationalist) American identity-formation. And certainly Murdoch becoming an American citizen does not thereby give him equal access to the Chinese Communist Party as Xinhua News — nor even local treatment in the Canadian media sector (despite NAFTA). Hence, this equalization between ‘Americanization’ and ‘globalization’ can only be achieved by ignoring enduring national differences, both culturally and in terms of national policy frameworks.

#### **IV. National Corporations with Transnational Operations**

Already beginning in the early 1990s, a number of observers have questioned the supposed rise of supranational corporations in the age of globalization. Yao-Su Hu in *Global or Stateless Corporations are National Firms with International Operations*, partly drawing upon Hymer, critiqued those who argued that TNCs were becoming global corporations (1992: 108):

First, stateless operations do not necessarily mean stateless corporations; in addition to the geographical spread of the group’s operations, there are other criteria that need to be considered before one can consider the group to be stateless — criteria such as the ownership, control, top management, and legal nationality of the group and its components. Second, it does not necessarily follow from the fact that operations cross national boundaries that the nations are of equal importance to the group or that there is no geographical center of gravity.

Hu suggested five criteria should be used to judge whether a corporation has a nationality or is truly ‘global’. These are: 1) “In which nation or nations is the bulk of the corporation’s assets and people located?”; 2) “By whom are the local subsidiaries owned and controlled, and in which nation is the parent company

owned and controlled?"; 3) "What is the nationality of the senior positions (executive and board posts) at the parent company, and what is the nationality of the most important decision makers at the subsidiaries in host nations?"; 4) "What is the legal nationality of the parent company? To whom would the group as a whole turn to for diplomatic protection and political support in case of need?"; and 5) "Which is the nation where tax authorities can, if they choose to do so, tax the group on its worldwide earnings rather than merely its local earnings?" (1992: 121). Hu did not offer systematic empirical evidence on the world's top corporations across these five criteria; he merely took for granted, given an enunciation of each criteria, that most readers would realize that for the vast majority of firms, a single nationality was very clear.<sup>24</sup>

The exceptions, according to Hu, were some "firms from small nations, for whom the home nation accounts for a small percentage of total assets and operations; however, companies such as Nestlé, Philips, and Ericsson satisfy all the other criteria for being Swiss, Dutch, or Swedish, and it is noteworthy that the Swiss, Dutch, or Swedes have no doubt in their minds as to the national character of these enterprises" (1992: 122). Apart from these few exceptions (binational firms like ABB, Shell, and Unilever, and some TNCs from small countries), the greatest share of a corporation's assets will be in a single country, especially its high-value assets such as R&D facilities. And "since governments, civic and business associations,

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<sup>24</sup> Moreover, Hu stressed, "In legal terminology, there is no such thing as a multinational or global company...Companies can only be formed under national law, and they acquire the nationality, citizenship, or domicile of the country under whose law they are incorporated" (1992: 115).

labor unions, and pressure groups are organized and act most effectively within the limits of the nation, the global firm is more susceptible to pressure, persuasion, or requests for cooperation coming from the home nation than from any other country” (1992: 110-111). In addition, as Servan-Schreiber (1968), Levitt (1970), and Aron (1974) observed decades before, Hu pointed out that as a result of foreign ownership, “the subsidiary’s profits accrue to the parent, an entity located in another nation. These profits represent a continuing foreign liability for the host country, and these liabilities increase over time through the reinvestment of earnings” (1992: 112).

Partly drawing upon Hu’s criteria, Winfried Ruigrok and Rob Van Tulder’s *The Logic of International Restructuring* (1995) investigated the nationality of the world’s top 100 TNCs ranked by UNCTAD. In their analysis, they concluded (1995: 159):

Of the largest one hundred core firms in the world, not one is truly ‘global’, ‘footloose’ or ‘borderless’. There is however a hierarchy in the internationalisation of functional areas of management: around forty firms generate at least half of their sales abroad; less than twenty maintain at least half of their production facilities abroad; with very few exceptions, executive boards and management styles remain solidly national in their outlook; with even fewer exceptions, R&D remains firmly under domestic control; and most companies appear to think of a globalisation of corporate finances as too uncertain.

This conclusion fits with their broader conceptualization of “core industrial complexes” — an integration of state and capital within nations rather than their separation — around which global capitalist competition revolved and was being restructured (195: 164). The exceptions to this national concentration of industrial complexes, according to Ruigrok and Van Tulder, were TNCs from countries such as

the Netherlands, Sweden, and Switzerland that felt the most pressure to transnationalize due to their small domestic markets and their requirement for more sophisticated and diverse supply networks (1995: 160). Also, they claimed that because these countries were dominated by a relatively small group of very large firms, it was easier for labor to unionize and bargain across sectors; hence, firms used transnational exit as a bargaining tool (1995: 160-161). Nevertheless, Ruigrok and Van Tulder argued, “In spite of these factors spurring the internationalisation of core firms from small industrial systems, many of them still remain remarkably national in at least three respects”: 1) domestic banks continue to play the dominant role in their financing; 2) they still conduct the majority of their R&D at home; and 3) with some exceptions (mainly the binational firms), they still have few non-nationals on their corporate boards (1995: 161-2).

Paul Doremus, William Keller, Louis Pauly, and Simon Reich’s *The Myth of the Global Corporation* (1998) also conducted comprehensive empirical research, on corporations domiciled in Germany, Japan, and the United States. They also concluded, “The global corporation, adrift from its national political moorings and roaming an increasingly borderless world market, is a myth”. Not only do states charter MNCs, but “enduring national political structures continue to shape the operations that most decisively determine the futures of those corporations — their internal governance and long-term financing operations, their research and development (R&D) programs, and their direct investment and intrafirm trading strategies” (1998: 3-4). This was especially the case for divergent national innovation systems. As Doremus *et al* explained (1998: 60-61):

Mainly by design but sometimes by accident, governments deeply affect the innovation strategies and capabilities of firms. The policy inclination is often transmitted through indirect channels, such as tax rules, laws on intellectual property rights, antitrust and competition regimes, official procurement practices, and funding for education, science, transportation and communication infrastructures. Governments also use a number of policy mechanisms that directly affect the innovative capabilities of firms. They fund specific R&D programs, for example, set up public laboratories that cooperate with industry, and provide various forms of programmatic guidance associated with military and civil objectives.

The implication of this was that all advanced capitalist states have an industrial policy, whether explicitly as in Japan's 'technonationalism' or implicitly in the case of the United States' military-industrial complex. Far from being helpless in the face of globalizing corporations, states shaped their future. Indeed, Doremus *et al* pointed out that this is taken for granted in many nations (especially in East Asia, but also in continental Europe), and they suggest, "the difficulty the leaders of American MNCs often seem to have with the notion of national corporate identity seems peculiarly and typically American...The global corporation is mainly an American myth" (1998: 143).

William Carroll's *The Making of a Transnational Capitalist Class: Corporate Power in the 21<sup>st</sup> Century*, observed that Robinson's and Sklair's "prodigious writings on the ascendance of a transnational capitalist class rely primarily on aggregated statistical evidence, supplemented by citation of instances of transnational corporate mergers and quotations of corporate CEOs, rather than on sociological analysis of class organization" (2010: 44). Carroll himself (sometimes with co-authors, such as Carroll and Fennema 2002, Carroll and Klassen 2010) conducted extensive empirical research on one crucial aspect of the argument for a TCC:



transnationally interlocking corporate board memberships. First, Carroll presented data from 1976 and 1996 on transnational inter-locking directorships in 176 leading corporations (2010: 33, drawn from Carroll and Fennema 2002).

Transnational links in these 176 corporations only increased from 84 to 88 from 1976 to 1996, and all the (very modest) gains occurred in Western Europe (2010: 33-34). Thus, as in 1976, transnational interlocking corporate board memberships remained predominantly centered on the northeastern coast of the United States and northwestern Europe in 1996.

In other words, even “southern Europe and western North America, let alone Asia, Latin America and Africa”, remained on the margins of transnational networks (2010: 76). This was also borne out in cross-border corporate board interlockings by city, as most transnationally interlocked corporations were headquartered in (by descending order) London, New York, Paris, Zurich, Frankfurt, and Munich (2010: 63). Carroll observed, “Tokyo, a principal global city in most analyses, is quite peripheral to the network...Other American cities [even Chicago and Los Angeles] have rather little involvement with the transnational network, but Montreal, a second- or third-tier city by most accounts, is particularly prominent by virtue of its ties to continental Europe [mainly Paris, also Brussels]” (2010: 75). Carroll concluded concerning the data from 1996: “All this suggests that *the transnational network is a kind of superstructure that rests upon rather resilient national bases...we find that corporate governance still takes place predominantly within national frameworks. This also explains why it proved so difficult to create a European legal*

framework for corporate ownership and governance” (2010: 33-34, *emphasis in original*).

Carroll updated his data from 1996 to 2004, expanding his sample to the top 500 corporations in the world. Contrary to what those who argued for the rise of a TCC might suspect, Carroll revealed that the number of transnationally interlocking corporate directors actually declined from 837 to 736 in the top 500 corporations in the world from 1996 to 2004 (2009: 51). Furthermore, most of the transnational links remained concentrated in Western Europe. Carroll reported (2009: 53, *emphasis in original*):

As of year end 2004, most firms based in North America continue to have no transnational linkers on their boards, and only very rarely does a company have more than a single such director... Meanwhile, in Europe it is not unusual for a major corporate directorate to have two, three, or more such cosmopolitans — the mean being 1.9. Indeed, *European boards are becoming stocked with such transnational linkers*. Fully 75.6 per cent of G500 firms based in six major European countries (France, Germany, the Netherlands, Switzerland, Italy, and Belgium) participate in transnational interlocking. In contrast, only 6.1 per cent of Japanese-based firms and 39.4 per cent of US-based firms do.

Clearly, then, what transnational capitalist inter-locking there exists in the early twenty-first century is predominantly “*the consolidation of a Western-European corporate elite*, entailing a proliferation of ties across [Western] European borders” (2009: 55, *emphasis in original*). But as Carroll cautioned, the “consolidation of a [Western] European business community should not be read as a mere instance of TCC formation. Politically, the project of European integration is less about relinquishing national sovereignty than it is about consolidating monetary and financial integration and accelerating neoliberal restructuring” (2009: 58).

Finally, Carroll observed from his research that the capitalist classes of Brazil, China, India, and South Korea, among many others, have their own exclusive corporate interlockings that are not at all integrated with the Triad transnational networks (2009: 59). Moreover, Carroll observed that the number of binational firms (such as ABB, Shell, and Unilever) has actually declined since the 1970s, and “[d]ifficulties that dogged the most illustrious binational merger of the 1990s — Daimler-Chrysler — make a similar point” (2010: 18). Carroll concludes, if interlocking corporate networks predominantly coalesce around “separate national components...there is no transnational corporate community even if most corporate executives can be shown to have a global vision and even if they would like to create a transnational corporate community” (2010: 20).

#### **V. Criteria for the Nationality of Capital and Economic Power**

We have seen that different authors have different criteria for the nationality of capital, from the globalizing strategies of managers to the nationality of owners, from the globalization of production to the national concentration of key corporate functions, such as financing and R&D, from the nationality of members of the board of directors to the corporation’s legal tax domicile, among others. The range and selection of criteria partly depends on one’s conception of the relationship between state and capital. Most globalization theorists assume that corporations are in no way structurally bound to or embedded in nation-states, and can cast off relations and roam the world for the best concessions at will. Others take states seriously, and acknowledge the myriad policies that states use to shape, or at least deeply

influence, the structure and future of corporations domiciled within their territories. This is of course especially the case for the literature on the East Asian developmental state (Amsden 1989, 2001, Samuels 1994, Cummings 1999, Johnson 1999, Woo-Cummings 1999), but Doremus *et al* (1998) have demonstrated that industrial policy is also relevant for Germany and the United States.

Even more important (or at least more explicit, since many authors' state theory is underexplored), for most authors the crux of whether corporate nationality still matters is whether one can discern a national concentration in the locus of control within a corporation. One's criteria for establishing this locus of control, however, will partly depend on one's position in the longstanding debate on whether there is a separation between ownership and control in the modern corporation. Ever since the publication of Adolf Berle and Gardner Means' *The Modern Corporation and Private Property* (1932), it was commonly assumed, especially in the United States, that the diffusion of ownership rendered management more in control of corporations than owners. This view was especially popular in the post-war period, as power was supposedly transferred from the capitalist class to middle class managers, or the "technostructure" (Galbraith 1967).<sup>25</sup> In regards to the latter, Reich's "skilled and talented" mentioned above, was a 1990s variant of this.

There were a number of critiques of the Berle and Means (1932) thesis beginning in the 1950s, some by returning to their original study and questioning

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<sup>25</sup> It was a mark of conventional wisdom that even some of those who employed class analysis still believed that there were no dominant owners in control of corporations (Baran and Sweezy 1966).

their methodology, others by updating the data and concluding that irrespective of its relevance in the 1930s, the separation between ownership and control is not relevant today. Maurice Zeitlin's *Corporate Ownership and Control: The Large Corporation and the Capitalist Class* (1974) returned to Berle and Means' original data and their assertion that 43 out of the top 200 corporations in the United States were under management as opposed to owner control. Analyzing the data and a number of subsequent corrections made by other authors (especially Perlo 1957), Zeitlin concluded that 40 of the 43 corporations "were under the control of identifiable ownership interests, leaving only three industrial corporations on the original Berle and Means list for which other investigators did not locate definite control centers" (1974: 1084). In other words, upon subsequent inspection, only 1.5% of the top 200 corporations in Berle and Means' sample (as opposed to their claim of 22%) could conceivably be considered as under management as opposed to owner control. Zeitlin remarked: "the 'separation of ownership and control' may well be one of those rather critical, widely accepted, pseudofacts with which all sciences occasionally have found themselves burdened and bedeviled" (1974: 1107). In fact, according to Donald Farrar and Lance Girton's *Institutional Investors and Concentration of Financial Power: Berle and Means Revisited*, in a 1968 interview Adolf Berle himself moved away from his 1932 thesis, and argued that institutional investors were increasingly crowding out management over control of corporations (1981: 370).<sup>26</sup>

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<sup>26</sup> David Kotz's *Bank Control of Large Corporations in the United States* (1978) showed that at least 80 of the top 200 non-financial corporations were controlled by a financial institution.

Taking a different approach, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer's *Corporate Ownership Around the World* (1999) challenged Berle and Means by extensively updating the data for the end of the twentieth century. They investigated the ownership structures of the top 20 publicly held corporations in the richest 27 countries in the world, and used the cut-off of 10% ownership or more to indicate control (Berle and Means used 20%). They concluded that at the end of the twentieth century, "only 24 percent of the large companies in rich countries are widely held, compared to 35 percent that are family-controlled, 20 percent are State-controlled, and 21 percent are in the three residual categories [*i.e.*, with no one structure predominant]" (1999: 496). Thus, the most common corporate structure is still family ownership even for the world's top corporations, and "the image of the Berle and Means corporation [widely-held and management controlled] as the dominant ownership structure in the world is misleading" (1999: 491).

Regardless of the validity of either position, if one believes that management is in control of corporations due to diffuse ownership, then one's criteria for the nationality of capital will center upon the nationality of the members of the board of directors (such as Ruigrok and Van Tulder 1995 and Carroll 2010). By contrast, if one believes that dominant owners are in control, then the nationality of the ownership structures of the world's top corporations will be more important (Nitzan and Bichler 2009). The most crucial factors that require investigation, then, are the nationality of the members of the board of directors of the world's most

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transnationalized corporations and the nationality of their shareholders, especially their dominant owners.

A decade or more after the evidence presented by the studies discussed in this chapter, including after the 2008-2009 global financial crisis, if we can still find national concentration in either the board of directors and/or the ownership structures of the world's most transnationalized corporations, then this strongly suggests that the nationality of even the top TNCs is still highly relevant. It would then follow that national economic power persists in the age of global capitalism. This will be strongly substantiated by an empirical investigation into the locus of corporate control in the early twenty-first century offered in Chapter Five. But this will be best appreciated once set in the context of an historical-empirical analysis of the relationship between corporate power and national economic power over the seven decades since the end of World War Two. This will be presented in the next two chapters, including an extensive analysis of the world's top 200 corporations from the late 1950s onwards in Chapter Three, and in Chapter Four the world's top 2000 corporations across twenty-five sectors in the early twenty-first century (see also Appendix B for methodology).

## **Chapter Three: National Accounts and Corporate Power Since the 1950s**

We have seen that with the rise of corporate globalization, especially of transnational modular production networks and foreign direct investment, analyses that equate national economic power with national accounts as indicative of a nation's command over resources relative to the rest of the world, are now highly problematic. We must investigate the world's top corporations themselves, which surprisingly few theorists of national economic power do. Whether in the era of nationally contained capital or globalization, when we speak of 'economic activity' in a capitalist society we are clearly at least partially referring to the activities of corporations, whether or not in symbiosis with state power (depending on one's state theory). Corporations are the predominant capitalist agents that produce, consume, trade, and account for the activity measured by national accounts: corporate power is an essential component of national economic power.

Hence, any analysis of national economic power, including before globalization took off, that focuses exclusively on national accounts at the expense of nationally-based corporations is necessarily incomplete at best, and possibly misleading. On the other hand, this does not mean that national accounts can be ignored. National accounts are still important for gauging the weight of a national political economy in the global political economy. What we can no longer assume in the age of globalization is that the profit from economic activity within a nation accrues predominantly to domestic owners of capital instead of foreign owners. This makes it all the more important that we combine an analysis of national accounts



with an analysis of corporate power in order to understand national economic power. This is the objective of this chapter for the more than six decades after the immediate post-World War II period, and is organized in two parts: 1) National Accounts Since the 1950s; and 2) Corporate Rankings Since the 1950s. We shall see that these two sets of data have stark differences in their implications for national economic power. By certain key national account indicators, the United States has declined relative to the rest of the world since the 1950s (albeit the extent of the fall has often been exaggerated, as American preponderance persisted throughout). Nevertheless, once we move beyond aggregate national accounts, we shall see that American corporations continue to dominate global capital, especially in advanced technology.

### **I. National Accounts Since the 1950s**

As we saw in Chapter One, the most important national account measure for the vast majority of observers is gross domestic product (GDP). But if we want to observe long-term trends in the post-war period, charting GDP — not to mention other indicators — is not as straightforward as it might seem. First of all, there is a lack of comprehensive annual data before the 1960s. While the United States Bureau of Economic Analysis begins estimating *US* GDP from 1929 onwards, most inter-governmental organizations begin their *world* GDP accounts in the 1960s or 1970s.<sup>27</sup> Perhaps this is why claims that the US share of world GDP in the immediate

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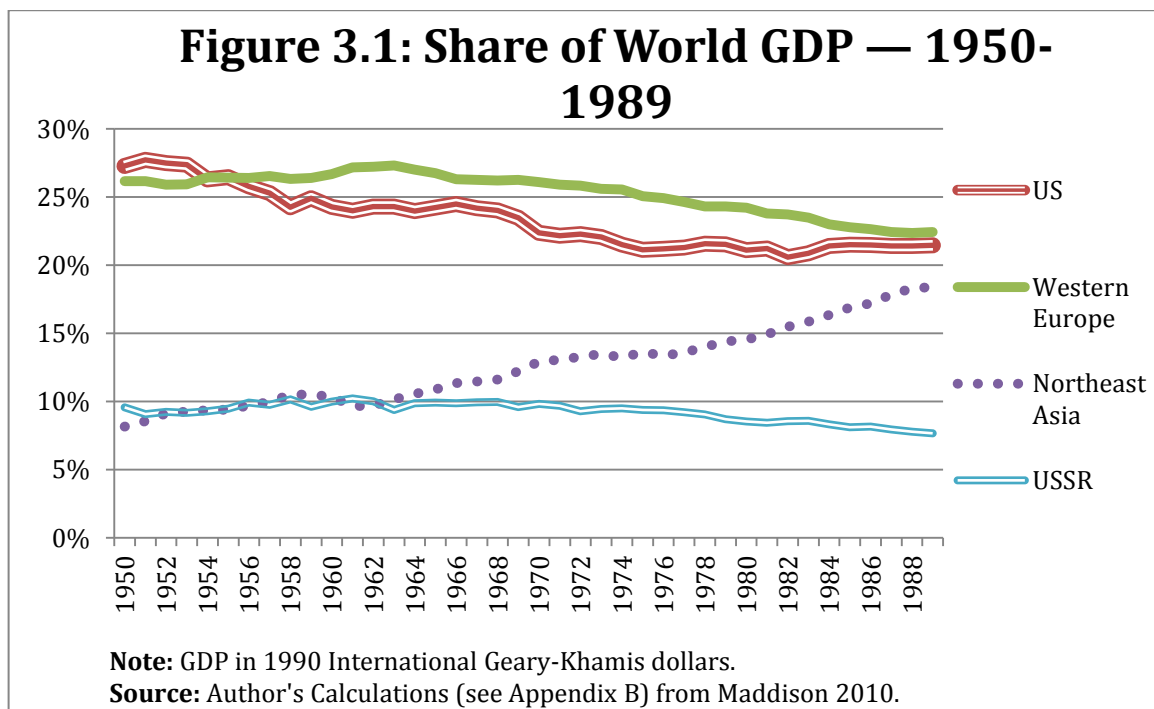
<sup>27</sup> These intergovernmental organizations include the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the United Nations, and the World Bank.

aftermath of the Second World War have ranged widely from just over a quarter (Maddison 2010) to a third (Nye 1990) to two-fifths (Gilpin 1987: 344, Kennedy 1988: 690) to the oft-heard 'half' — quite a large discrepancy.

The most impressive long-term historical estimates of world GDP were calculated by Angus Maddison (2010), stretching over two millennia. Without getting into the methodological quagmire of estimating the GDPs of the ancient and modern worlds using a single inflation-adjusted currency (that is, in constant '1990 International Geary-Khamis dollars'), Figure 3.1 presents Maddison's GDP estimates from 1950 to 1989. This is useful to remind ourselves that the Soviet Union had, after the US, the second largest share of world GDP throughout this entire period, up until Japan finally surpassed the USSR in 1987. Western Europe's share of world GDP already surpassed the United States in 1954 and stayed consistently ahead until their respective shares virtually equalized through the course of the 1980s. But relative to the increased shares of Northeast Asia were the declining shares experienced by the USSR and Western Europe, as well as the US.

Apart from a relative decline in the late 1950s and again in the late 1960s, the American share of world GDP was remarkably steady in inflation-adjusted terms — especially considering all the proclamations in the 1980s of American decline. Over the two decades from 1970 to 1989, the American share of world GDP declined from 22.4% to 21.4% — a single percentage point. This confirms those who argued at the time that American decline even in the indicator most enthusiastically employed by declinists — GDP — was highly exaggerated (Russett 1985, Strange 1987, Huntington 1988, Nye 1990). By contrast, it was Western Europe in these two

decades of supposed American decline whose share fell from 26.1% to 22.4% of the world's GDP (and even at its height, the relative gulf between Western Europe and the United States never reached more than a few percentage points of world GDP). Rather, the big change in this period, of course, was the rise of Japan in Northeast Asia. But at least by the 1980s, this does not seem to have been at the expense of the United States.



Maddison's adjustment for inflation and purchasing power parity (PPP) in his GDP estimates may be misleading, however, in regards to discerning shifting economic power relationships. This is partly because inflation can be a tool of power (Nitzan and Bichler 2009), for example by effectively reducing national debt or increasing differential profit for individual corporations. Also, despite the common

nomenclature of ‘real’ as opposed to nominal value, a currency expressed in ‘real’ terms is not actually real, in that it is not used in the real world. No one trades in ‘inflation-’ or for that matter ‘PPP-adjusted’ dollars; rather, trade is conducted according to nominal values, or through financial derivative instruments based on nominal values. Moreover, since the vast majority of trade and financial transactions are conducted in nominal *United States* dollars, both inflation- and PPP-adjusted dollars are irrelevant to considerations of relative world economic power as command over resources. Every nation that wishes to engage in global trade and finance must stockpile US dollars (the exception of course is the United States, which only requires *access* to US dollars).<sup>28</sup>

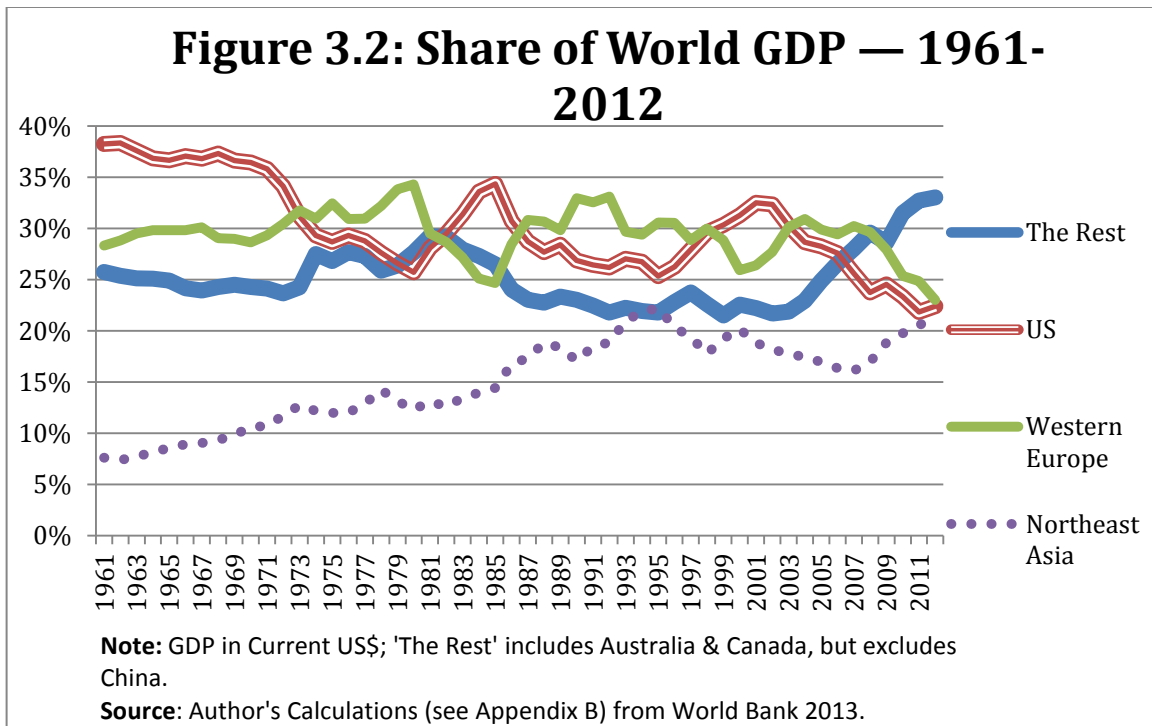
The dataset in current nominal US dollars from the World Bank, which does not use PPP and begins in 1961, tells a different story, as seen in Figure 3.2. The American share of world GDP was much higher in the 1960s — over 35% versus less than 25% for Maddison — and Western Europe surpassed the United States two decades later, in 1973. In nominal terms, there is certainly a case to be made for relative American decline, as overwhelming American predominance ended in the

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<sup>28</sup> Moreover, PPP is founded upon the ‘law of one price’ in neoclassical economics, which assumes that all prices free from ‘distortions’ will converge to one. This assumption not only depends on perfect information and perfect competition, two conditions which have never existed in human history, but it also assumes that class struggle and geopolitics do not exist. See also the myriad problems outlined in the 2011 summary report of the International Comparison Program, especially Chapter 5: Reliability and Limitations of PPPs and Real Expenditures (World Bank 2014: 21-27). The report, for example, cautions that PPP comparisons between countries that are either geographically distant and/or divergent in economic development are less meaningful (2014: 23). Note that a number of declinists in the Second Wave, especially those that focus on the rise of emerging markets (Subramanian 2011, Mahbubani 2013), employ PPP-adjusted GDP figures to make precisely such comparisons on both accounts, namely between China and the United States.

early 1970s, coupled with the revival of Western Europe. Nevertheless, there is also greater fluctuation than in Maddison's estimates, as the US and Western Europe surpassed each other another four times over the next four decades. Moreover, the United States temporarily regained its predominance in the mid-1980s and again at the turn of the century. Yet despite this greater fluctuation, the American share still remained within a consistent band between 25% and 35% over four decades.

Therefore, while more ambiguous than Maddison's data, a case could still be made that the United States effectively stopped its declining share of world GDP after the 1970s, and many First Wave declinists missed the relative resurgence of American GDP in the 1980s. And finally, note that the alternating rise and decline of Western Europe and the US fluctuated inversely over the decades, which goes against those who argued that the West was facing collective decline. The World Bank data show that the US share of world GDP finally dipped below 25% after the 2007-2008 financial crisis. It is this much more recent period, corresponding to the Second Wave of declinism, that may portend an epochal shift in the weight of American GDP relative to Northeast Asia and especially China, a period in which we shall delve much deeper in subsequent chapters.

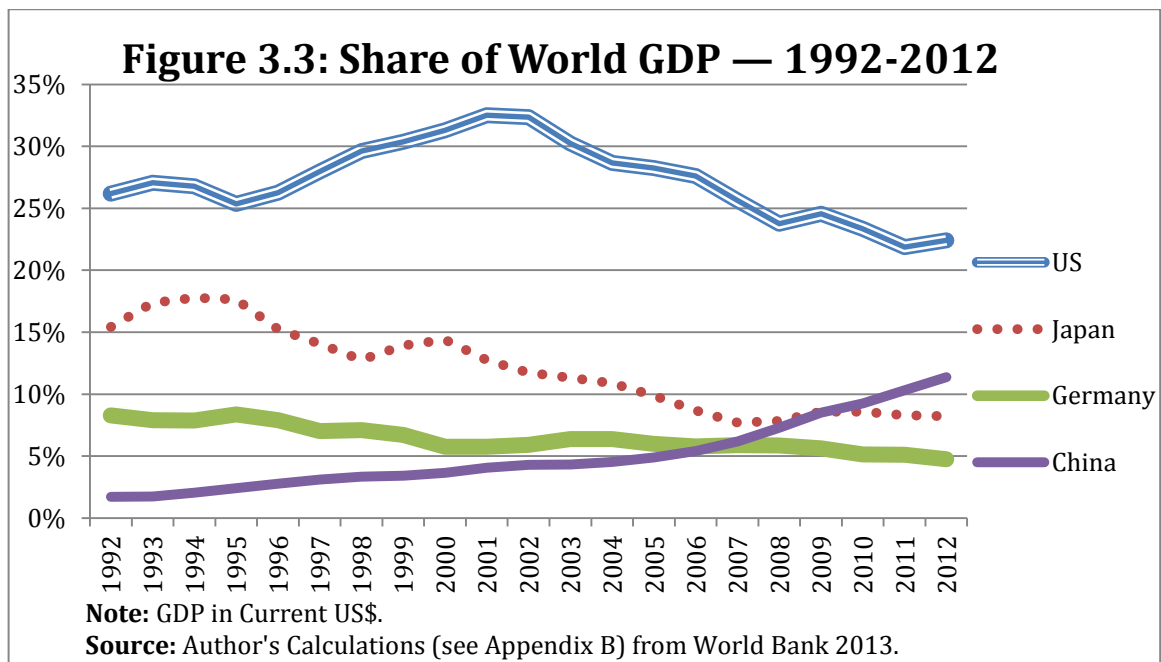


A severe problem with both the World Bank and Maddison's data is how to interpret regional groupings. It is unclear whether the EEC/EU should be treated as a coherent bloc and whether we should compare the entire GDP of Western Europe with the United States. Moreover, as some European observers have pointed out (Servan-Schreiber 1968, Aron 1974), in regards to economic union, it was first and foremost American firms that used their experience in the massive American continental market to take advantage of increasing economic integration in Western Europe from the 1950s onwards. In other words, European integration has no doubt benefited much of European capital, but this has not at all been at the expense of American capital. In fact, it is sometimes the other way around, as American capital has been adept at playing member-states against each other in order to secure concessions such as tax breaks and lower wages. European member-states and their

nationally-based corporations also, of course, compete against each other, and national accounts within the EEC/EU are far from irrelevant in their national discourses. In fact, arguably one of the key impetuses for increasing European integration over the decades was the uneasiness of French elites as they watched German success on national account measures propel ever forward. If it is more appropriate to compare American national accounts with those of individual European countries, then it is certainly true for Northeast Asia, which is far more divided.

The following charts (still using World Bank data) will eschew regional groupings and present only national accounts. Figure 3.3 highlights the changes in GDP over the last few decades for the most important nation-states in contemporary global capitalism. The relative world share of American GDP fell 33% from a high of 32.5% in 2001 to a low of 21.9% in 2011, before increasing to 22.4% in 2012, the deepest relative contraction in the American share of world GDP in the post-war era in nominal terms. The second deepest was the slide from 36% in 1971 to 26% in 1980 (see Figure 3.2). Note, however, the even deeper 57% relative slump of Japan, from a high of 17.8% in 1994 to a low of 7.7% in 2007, before climbing back to 8.2% by 2012. By contrast to the United States and Japan, the German share of world GDP remained relatively stable during the first decade of the twenty-first century, falling a single percentage point from 5.7% in 2000 to 4.7% in 2012 (albeit this is still an 18% decline). Germany's larger relative fall occurred in the second half of the 1990s, from 8.4% in 1995 to 5.7% in 2000.

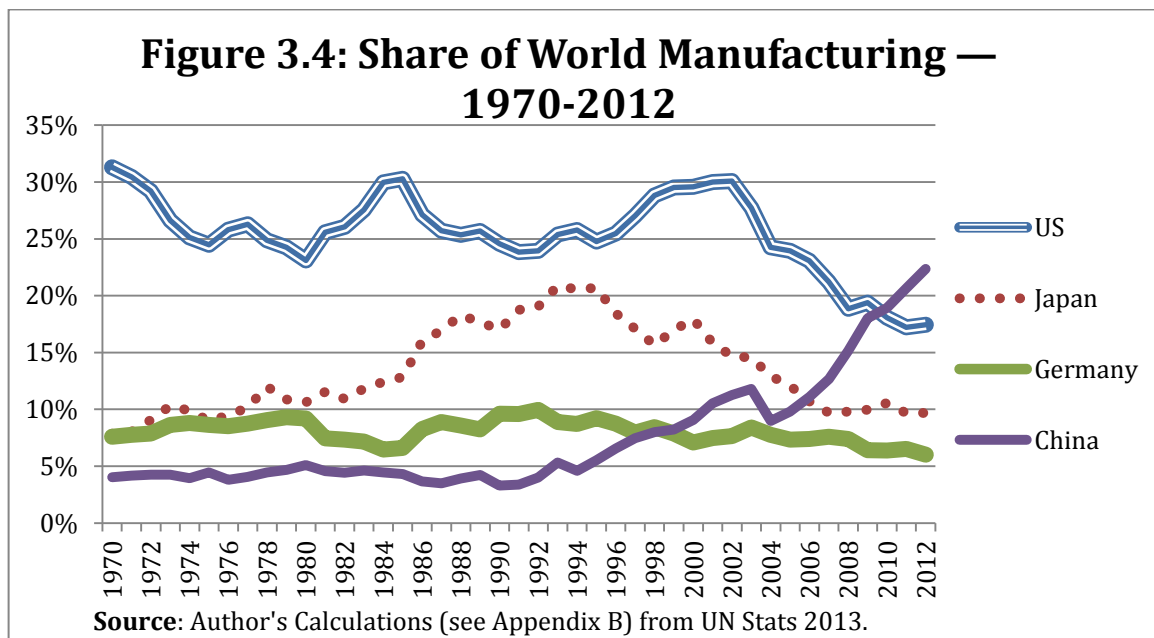
China's share of world GDP rose 165% over eleven years from 1.7% in 1993 to 4.5% in 2004, then at an even faster rate of 155% over the next eight years to 11.4% in 2012. Nevertheless, despite this extraordinary growth of 571% over two decades, China's share of world GDP in 2012 at 11% was still less than half of the US share at 24%. This was roughly the same proportion as the USSR's share of world GDP in the early 1970s vis-à-vis the US share (see Figure 3.1). By contrast, Japan's share of world GDP attained a peak of 70% of the American world share in 1995.



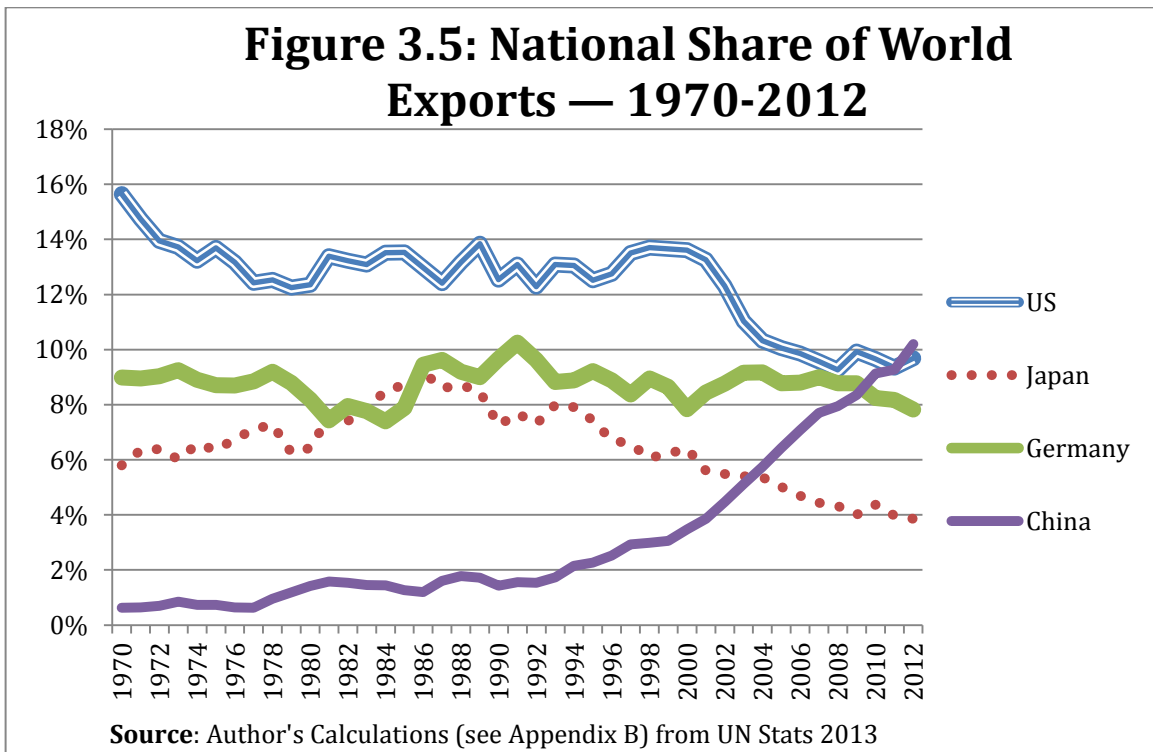
If we look at national shares of world manufacturing, however, then China's relative rise is even more spectacular, as seen in Figure 3.4. China's share of world manufacturing, from 3.3% of the world in 1990 to 22.4% in 2012, expanded at a similar rate as its GDP, by 579%, and by 2010 China knocked the United States off its reign as the leading manufacturing power for over a century. Despite consistently



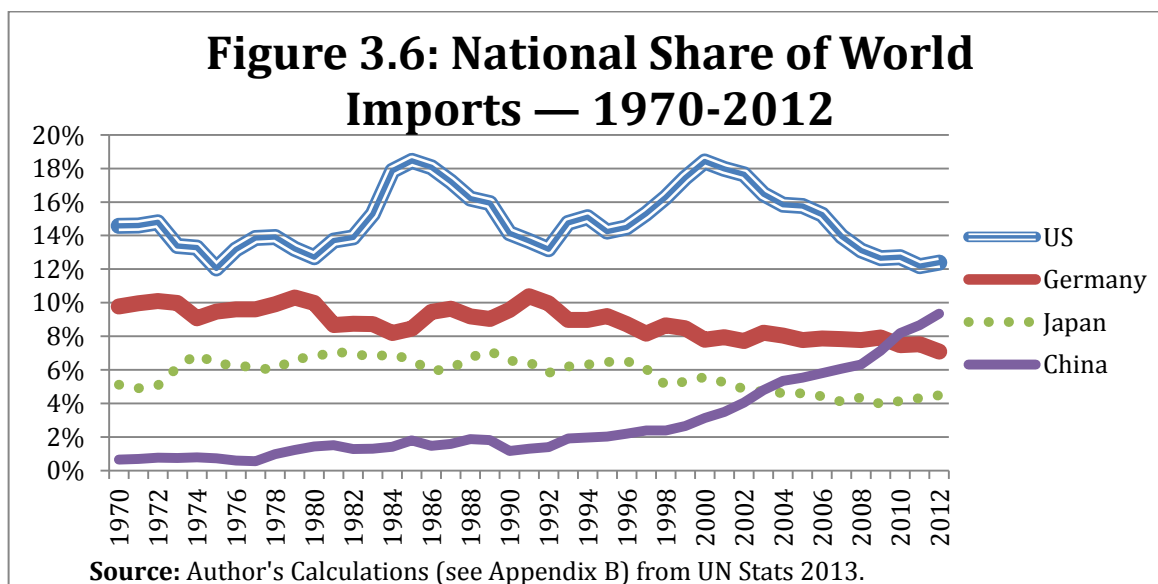
ranging between 30% and 25% over the last three decades of the twentieth century, the American share of world manufacturing fell from 30.1% in 2002 to 17.4% in 2012. The Japanese share fell even further — from a peak of 20.9% of the world in 1993 to 9.7% by 2012. By contrast, the German share remained remarkably stable over the past forty years, declining from 7.6% in 1970 to 6.0% in 2012. But note that despite decades of globalization, these four nations represent an astounding geographic concentration of the world’s manufacturing activity, at a combined 55.5% of the world’s manufacturing value. This was more than the 50.5% combined world share of the top four manufacturing nations in the capitalist world in 1970 — that is, the US, Japan, Germany, and the United Kingdom (in that order, excluding the USSR’s 19.7%). This contradicts those analysts who argue that the ‘world is flat’ (Friedman 2005, Friedman and Mandelbaum 2011), that production in the age of globalization has widely dispersed around the world.



A similar narrative can be told in relation to national shares of the world's trade. Figure 3.5 reveals that the American share of world exports remained relatively stable in the final twenty-five years of the twentieth century, before descending from 13.6% of world exports in 2000 to 9.7% in 2012. Once again, the Japanese share plunged even further, from a peak of 8% in 1993 to 3.9% by 2012. And the German share remained remarkably steady over the past forty years, falling somewhat from 9% in 1970 to 7.8% in 2012. Similar to its world share of GDP and manufacturing, the Chinese share of global exports expanded 580% over the twenty years, from 1.5% in 1992 to 10.2% in 2012, that year surpassing the United States for the first time to become the world's largest exporter.



As for world imports, Figure 3.6 reveals that the American share remains the largest in the world, and in fact — if we disregard the two peaks in the mid-1980s and at the turn of the century — the American share has remained quite steady. In this forty-year period, the low point for the American share of world imports was in 1975 at 12.1%. This was almost matched in 2011 at 12.2%, before rising ever so slightly to 12.4% by 2012. While the latter is a sizable decline of one third from its two peaks of 18.5% in 1985 and 18.4% in 2000, this is only a 15% decline from its proportion of 14.6% of world imports in 1970. Following from this, the 564% relative rise of Chinese imports from 1992 to 2012 does not appear to have been at the expense of the American share, which declined only 6% in the same period (from 13.2% in 1992 to 12.4% in 2012). The same could be said for the Japanese share of world imports, which — despite its relative halving in world shares of GDP, manufacturing, and exports — fell ‘only’ from 6.5% in 1996 to 4.5% in 2012. And the German share fell only gradually, from 9.8% in 1970 to 7.1% in 2012.



A number of observations can be made, then, concerning the national accounts of the largest national economies since the 1950s. The American share of world GDP suffered two downturns: one in the immediate post-war period up until the early 1970s at the latest (depending on whether one adjusts for inflation), and the other in the first decade of the twenty-first century. It is after this latter period of relative decline that another country, China, finally seriously challenges the United States — at least in manufacturing and trade, less so in GDP. On the other hand, the American share of world GDP in nominal terms remained within a relatively narrow range of 25% and 35% over the three decades from the mid-1970s to the mid-2000s. This experience of the diminishing relative US share, stabilization, and then further diminishing is repeated with world manufacturing and exports, but to a much lesser extent with imports, the US share of which remained relatively steady since 1970. The Japanese shares of world GDP, manufacturing, and exports experienced a rapid rise from the 1960s to the mid-1990s, and then a precipitous slump by roughly a half by 2012. The Japanese share of world imports, however, remained remarkably steady from 1970 to 2012. The German shares of GDP, manufacturing, exports, and imports were also steady, with only a relatively slight reduction over the decades.

And of course, the past twenty years have witnessed the extraordinary rise of China, most significantly in world shares of manufacturing and exports, which surpassed the relative world shares (in nominal terms) of the United States in 2010 and 2012, respectively. As of 2012, the United States, however, was still the largest net trader, at 22.1% of the world's trade (exports and imports combined), while

China's share was 19.5%; albeit momentum is clearly with the latter. Perhaps ironically given its predominant attention, the least impressive relative rise of these Chinese national accounts is its world share of GDP, attaining only 49% of the American share by 2012. In any case, based on the criteria of national accounts employed by the vast majority of scholars in the literature on American decline, the case is much more compelling in the early twenty-first century than it was in the 1980s, with emerging China as the only serious contender to topple the United States from its predominant world share of national accounts.

Apart from insufficient data and the issue of how to account for divergent rates of inflation, however, another serious problem in charting these long-term trends is how to deal with currency fluctuations beginning in 1973 (when many of the world's major currencies were allowed to float). Figure 3.7 displays the US Federal Reserve's annual trade-weighted US dollar index, beginning in March 1973. This index accounts for the fluctuations of the US dollar against a basket of currencies of the United States' largest trade partners, weighted by their size and adjusted periodically.<sup>29</sup> Over the past forty years, the US dollar index depreciated to its lowest point in 2011 at 70.8, before rising to 76.1 by 2013; a 29% (2011) to 25% (2013) decline over forty years. Note the two peaks, however, which correspond to the two peaks seen in the American shares of world GDP (Figure 3.3), manufacturing (Figure 3.4), and imports (Figure 3.6), but not exports (Figure 3.5), which suggests that American exporters compete less on price than on their

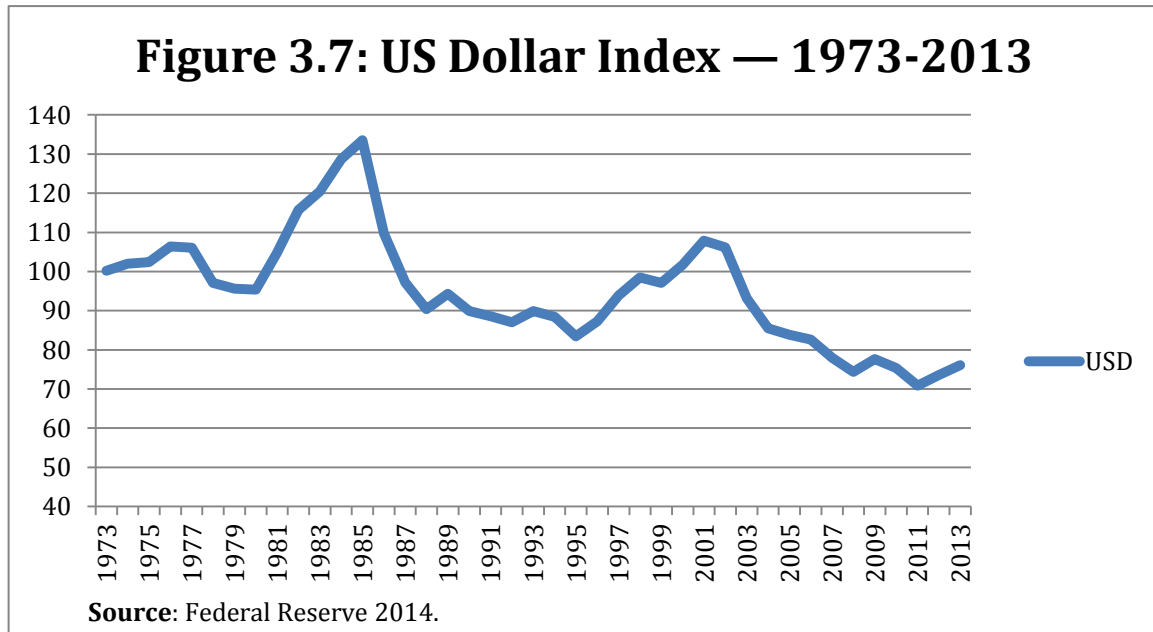
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<sup>29</sup> In 2014 the basket included the currencies of: Argentina, Australia, Brazil, Canada, Chile, China, Colombia, the Euro, Hong Kong, India, Indonesia, Israel, Japan, Malaysia, Mexico, Philippines, Russia, Saudi Arabia, Singapore, South Korea, Sweden, Switzerland, Taiwan, Thailand, UK, and Venezuela (Federal Reserve 2014).

advanced knowledge and technology (more on this in subsequent chapters). In regards to the most recent peak, the US dollar index decreased from 107.9 in 2001 to 70.8 in 2011, before rising 7% by 2013. This 34% depreciation mirrors the 33% slump in the US share of world GDP from 2001 to 2011, the 30% decline in world exports, and the 32% decline in world imports. The concurrent relative fall in the American share of world manufacturing, however, is deeper, at 43% — more on this below.

What are the economic power implications of these parallel declines? They suggest that the *actual American shares of the world production of goods and services and international trade remained steady, with the shares in nominal terms only falling due to currency fluctuations*. This does not imply that currency fluctuations are not important or ‘real’ in their effects, since a devalued currency has both positive and negative consequences for various competing actors (for example, a devaluation can be positive for exporters but negative for importers, as well as both positive and negative for American debt). But when considering the much broader factors and relationships that encompass economic power relations between nation-states, especially if our conceptualization of national economic power is ‘command over resources’ as represented by national accounts, then a ‘decline’ due to currency fluctuation seems less dramatic than a relative downturn in the actual production of goods and services and their international trade. This is partly because a reversal in this ‘decline’ can be triggered by the mere appreciation of the US dollar (or conversely, the devaluation of other currencies), rather than the actual ramping up

of the production of goods and services in the US territory — a far more complex and difficult process.



In addition, since currencies fluctuate, there is no reason to believe that the US dollar will never again appreciate. In fact, as we have seen in Figure 3.7, the US dollar index has already appreciated 7% from 2011 to 2013. Moreover, the US government has orchestrated appreciations in the past: most dramatically when the Federal Reserve boosted interest rates beginning in 1979 (the ‘Volcker shock’), and to a lesser extent with the ‘reverse Plaza Accord’ of 1995. The United States has also orchestrated steep devaluations, namely the Plaza Accord of 1985. In any case, in regards to the post-2008 financial crisis era, many analysts believe that the value of the US dollar has been kept low due to the massive bouts of Federal Reserve stimuli known as ‘quantitative easing’. The Federal Reserve has begun the gradual process

of tapering the third phase of quantitative easing (QE3) in December 2013, and the consensus is that the value of the dollar will again rise (which it already has in large part because of the eurozone crisis, 2011-2012). As the US dollar appreciates, this will automatically boost the world shares of American GDP, manufacturing, trade, and so on.

As for China, Figure 3.8 shows the value of the Chinese yuan against the US dollar from 1993 to 2013. After the yuan was depegged in 2005, it appreciated 25% against the dollar by 2013. This partly (but obviously not entirely) explains the acceleration in the growth of the Chinese share of world GDP from the mid-2000s (mirrored in the acceleration in manufacturing). That is, in the eight-year period before the depegging (1997-2004), the Chinese share of world GDP increased by 45%, and in the eight-year period after the depegging (2005-2012) it increased by 133%. While yuan appreciation provides a boost to GDP growth, then, it has the opposite effect on export growth, which increased 113% from 1998 to 2005 but 'only' 44% from 2006 to 2012. Hence yuan appreciation clearly negatively impacts China's export-driven growth model, even as it has inflated China's share of world manufacturing value.<sup>30</sup> The central issue of rebalancing China's economic model from export- and investment- to consumption-driven growth will be addressed in Chapter Six.

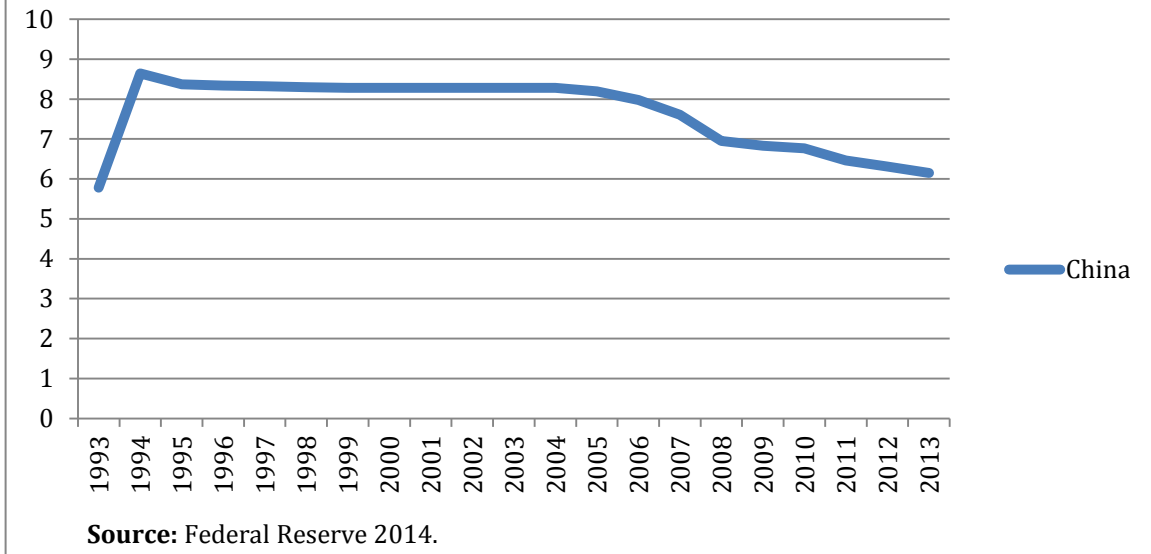
But for now, note that the world manufacturing shares of the United States and China move inversely, as the American share halved from 2002 to 2011 (after

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<sup>30</sup> Indeed, we shall see in Chapter Six that China faces severe overcapacity issues.



**Figure 3.8: China Yuan vs. US\$1— 1993-2013**



which it improved) and the Chinese share doubled from 2005 to 2011 (see Figure 3.4). Furthermore, unlike the American shares of GDP and trade, the American share of world manufacturing falls more (43%) from 2002 to 2011 than can be accounted for by the devaluation of the US dollar (34%). This is in keeping with the fact that some manufacturing has moved from the United States to other territories, most of all China: in other words, globalization. Notably, the Japanese share of world manufacturing began to fall significantly from 1995, the exact year that the Chinese share began to take off (albeit the Japanese share stabilizes a decade later, while the Chinese share continues to rise). The transfer of much Japanese manufacturing to regional production networks in East Asia, and especially to China, is well known (Cumings 1987, Bernard and Ravenhill 1995, Hatch and Yamamura 1996, Borrus, Ernst, and Haggard 2000, Yusuf, Altaf, and Nabeshima 2004, Pempel 2005, Ernst 2006, Katzenstein and Shiraishi 2006).

Be that as it may, it is impossible to know what proportion of the relative decline of American and Japanese manufacturing is a result of production shifting to China, and/or globalization more broadly, merely by inspecting these national accounts. Rather, we must investigate the corporations themselves. This is especially important if we want to discern shifting power relationships, as national accounts do not tell us whether *control* over production has actually shifted to Chinese firms in China, even if some manufacturing activity undoubtedly has. In other words, in the context of massive foreign direct investment, we cannot know merely from inspecting national accounts to what extent Chinese versus foreign corporations control and/or profit from production within the national territory of China. This of course is also true for all countries. Hence, we now begin to investigate the world's top corporations since the 1950s.

## **II. Corporate Rankings Since the 1950s**

Charting corporate power since the 1950s is even more fraught with problems than charting national accounts. This is the case even if one only charts the world's top corporations, out of hundreds of thousands around the world (as opposed to the no more than two hundred nation-states, depending on the decade). To begin, which indicator or indicators should we use? In the early twenty-first century, there are a vast number and range of financial analysts around the world who chart the minutiae of corporate power and global capitalist competition. Many analyze a slew of indicators, most commonly assets, capital expenditure (capex), debt, dividend yield, employees, market-share, market value, price/earnings ratio, price/equity

ratio, profit, profit margin, and sales. Those with a longer-term view often also investigate more qualitative aspects of corporate competitiveness and longevity, such as brand power, corporate governance, innovative capacity, political connections and/or risk, among others. One also has to account for investor hype, sentiment, and herd behavior, which can drive the market capitalization (and affect other indicators) of a firm or sector or even an entire nation for better or worse, irrespective of any particular indicator(s) or 'fundamentals'.

For long-term historical corporate data since the 1950s, our choice of indicators is severely constrained by availability. Unlike national accounts, there are no intergovernmental organizations that compile lists of the various indicators of the world's corporations, much less rank them.<sup>31</sup> As for private sources, the vast majority of financial analysts are forward-looking, and are interested in historical corporate data only insofar as they are useful for predicting future trends. For this reason, generally speaking, the deeper in the past the corporate data, the less significant it is for forecasting the future, and as a result the less available it is. Indeed, it is difficult to find databases on *global* corporate indicators (as opposed to national accounts) stretching back to the 1980s, let alone earlier. Comprehensive global corporate rankings only begin in the 1990s, while the most comprehensive annual ranking, the *Forbes Global 2000*, begins only in 2003.

Collecting a variety of important historical corporate data would involve accessing corporate archives around the world, which poses immense problems. First of all, countless corporations from the 1950s and 1960s around the world no

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<sup>31</sup> One partial exception is UNCTAD's list of the top 100 TNCs, which I shall draw upon in Chapter Five, but is too narrowly conceived for our present purposes.

longer exist, whether due to bankruptcy or mergers and acquisitions (M&As). Second, even if numerous corporations (and their complete archives) have survived over the decades, one would be faced with the reality that many companies did not publicly release annual financial statements until the 1990s. This is especially the case for state-owned enterprises before the wave of semi- or full privatizations beginning in the 1980s. And of course, few privately-held firms release comprehensive annual financial reports even today. In any case, even for those corporations from which it is possible to attain historical financial reports, there were vastly different accounting standards around the world, especially for calculating profit, which renders any historical cross-country comparisons problematic.

Nevertheless, there have been some herculean efforts in academia and the private sector to solicit financial data from a sample of corporations around the world beginning in the 1950s, long before the age of the Internet (after which it is much easier as virtually all publicly-listed corporations now release financial data online). It should be stressed however that these efforts were focused primarily on publicly-listed corporations, and only the highest ranked ones.<sup>32</sup> Again, this is because most private firms do not release systematic annual financial information, whereas publicly-held firms listed on stock exchanges in the US, Western Europe, and Japan are required to do so by law. Thus, to compile a ranking from the 1950s onwards of the world's top private firms would be impossible without

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<sup>32</sup> There are, however, some rankings available for American-based privately-held firms, such as the *Forbes America's Largest Private Companies* by revenues (which includes many estimates by *Forbes* of specific corporate revenues in lieu of these corporations themselves providing this information).

unprecedented access to insider information around the world. Any world corporate ranking, then, even in the early twenty-first century let alone in the 1950s, will necessarily be incomplete without privately-held firms. Moreover, particularly in the early decades of the post-war period, any world corporate ranking would probably be biased towards Anglo-American firms, since their data is generally easier to seek and collect, due to their usually greater commitment to financial transparency to shareholders, as well as sharing a common language (on both counts, especially as opposed to East Asia).

The best source with adequate historical coverage of publicly-held industrial corporations is *Fortune Magazine*, author of the *Fortune 500*, which began in 1955 (its ranking of the top 50 American commercial banks began in 1956). The *Fortune 500* has a number of limitations for our purposes: 1) it ranks corporations only by sales (even if a variety of other indicators are included over the decades, with number of employees and profit being the most consistently included); 2) its ranking is limited to industrial corporations in the manufacturing and mining sectors (thereby excluding banking, insurance, retail, telecommunications, transportation, utilities, and other services); and, least importantly, 3) it ranks only American firms. But *Fortune's* international ranking began in 1957, as “the first roster ever compiled of the 100 largest foreign industrial corporations” by sales (*Fortune* 1957: 1). In 1963 this list was expanded to the top 200 non-American industrial corporations by sales. In 1969 *Fortune* began ranking the top 50 non-American commercial banks by assets (its ranking of the top 50 American commercial banks began in 1956). There were other changes and expansions over

the decades, but it was not until 1995 that *Fortune* finally began a ranking of the world's top 500 corporations (both American and non-American) across all sectors (both industrial and services): the *Fortune Global 500*.<sup>33</sup>

In regards to the first limitation above, corporate rankings by profit would be more desirable than sales (of course, it would be even more desirable to have both). This is because in the long-term, corporate success is based more on profitability rather than sales. Profit, after all, is a core organizing principle for the accumulation of capital, and the key engine of wealth for capitalist power. It is profit that drives capitalism forward, and sales without profit usually leads to bankruptcy, at least in the long-term. Thus, a corporation with smaller sales but with higher profit than another corporation will usually be seen as more important by investors (and one reason why profit margin is an important indicator, as we shall see in the next chapter, as it relates to the premium a firm can charge stemming from its advanced knowledge and/or technology). Yet despite the greater importance of profit, we are constrained by what data is available, and *Fortune* only ranks corporations by sales. While they do also present each firm's profit, the ranking of corporations by profit and sales is often quite different. Since many firms have large sales but small profit, and vice versa, we cannot discern the ranking by profit from the ranking by sales (especially since our ranking of the top non-American firms is limited to a relatively small sample of two hundred).

In any case, whatever metrics are available, another serious problem concerns the vastly different accounting standards and disclosure regulations

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<sup>33</sup> This should not be confused with the continued annual publication of the *Fortune 500*, which still ranks only the top American firms.

around the world, and even within a single country, throughout the entire post-war period right up until the present day (even if there has been increasing global standardization since the 1980s). This throws into question the commensurability of corporate data from different countries, and the discrepancies are complex and multifarious. *Fortune* regularly included lengthy expositions on its diverse methodological problems and choices, especially from 1957 to the 1970s. For example, here is an excerpt from the very first international ranking in 1957

(*Fortune* 1957: 20):

Since there is no international SEC [Securities and Exchange Commission] to require uniform accounting procedures or full disclosure of financial data, corporate methods of determining sales, assets, and profits vary widely from country to country — and even within each country...In some European countries, even respected firms may keep three sets of books — one for management, one for the tax collector, and a third for the stockholders. Only the last figures are published...It should also be remembered that the earnings of foreign firms are often understated — first, by depreciation charges several times higher than in the U.S., and even more by deductions for certain kinds of reserve accounts that have no parallel in U.S. accountancy (e.g., reserves against inventory losses stemming from currency revaluation, or against taxes due only if the company sells properties it fully intends to keep). In some countries — e.g., Germany — companies report as profit only that portion of earnings they decide to pay to shareholders. In Germany, also, companies may lend part of their pretax earnings to certain designated public and private industries, and these leased-out earnings are not reported — or taxable — until the loans are repaid. In Britain, net profits are reported after deduction of a 42.5 per cent withholding tax on stockholders' dividend income...Although these discrepancies in accounting procedures make any close comparisons between the various firms risky, this foreign list represents the first serious attempt to compile an international directory of business bigness and, as such, should prove useful to businessman both here and abroad.

Other discrepancies involve including the consolidated sales of some firms, but not others, and quoting the data for Canadian firms in Canadian dollars, while converting all other foreign firms' data into US dollars. In addition, *Fortune* conducts their own estimates of sales for many firms that do not divulge financial data but

that *Fortune* suspects should be in the ranking. In the inaugural 1957 *International 100* ranking, *Fortune's* guesswork accounted for a very high proportion of the list: forty of the one hundred firms (*Fortune* 1957: 20).

Myriad other methodological problems and choices were revealed over the decades, and while *Fortune's* efforts were herculean, they were not always consistent. The following are only a sample. In 1961, *Fortune* stated that it “deducted excise and sales taxes from sales figures wherever available data made this possible, and where it could be done without affecting comparisons with other companies in the same industry” (*Fortune* 1961: 130). *Fortune* then states, “Sales taxes were not deducted from the 1960 sales figures of German, French, Italian, and Swedish automobile companies, because industry comparisons would have been made more difficult (although *Fortune* did deduct sales taxes from some of their 1959 figures, published last year)” (1961: 130-131). In 1963, *Fortune* pointed out, “European companies customarily understate earnings. Many normally channel funds into reserve accounts — which can be drawn upon when the company has a poor year. This practice explains why reported losses on this list have been very uncommon” (1963: 142). In 1966, *Fortune* claimed that German corporations appeared higher on the list than they otherwise would be if they were not “required by law to include turnover taxes in their totals”, unlike other countries (1966: 150). In 1971, *Fortune* cautioned that it “requests that consolidated accounts include data only from subsidiaries that are more than 50 percent owned, but not all companies are both willing and able to provide information on this basis” (1971: 150). This implies that some foreign firms’ sales are underestimated.



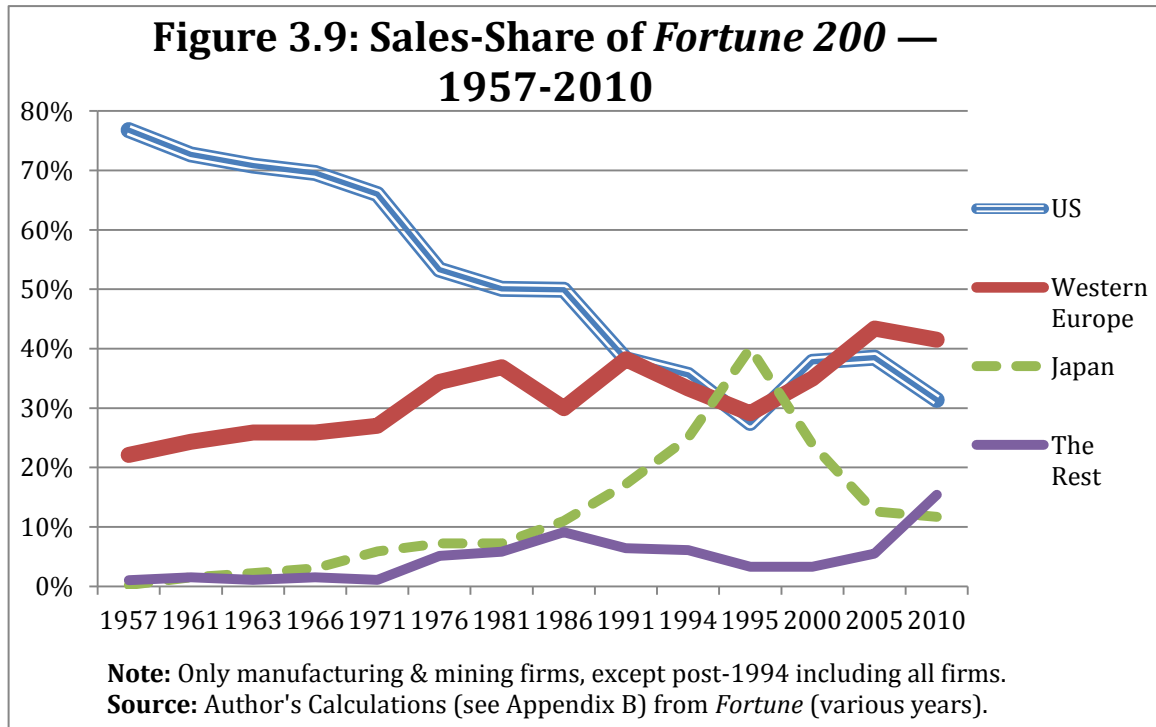
In 1976, *Fortune* admitted another problem that continues to this day: different financial reporting seasons in different nations (sometimes even in a single nation). Without listing their respective countries, *Fortune* revealed divergent fiscal year-ends that spanned almost the entire calendar year in 1975: March 31, June 30, July 31, September 30, October 31, November 20, December 31 (1976: 233). This inevitably skews any cross-country analyses of corporate indicators, sometimes significantly, especially if there are large currency fluctuations in a single year. This refers to another problem, shared with national accounts above: how to deal with currency fluctuations, and especially their power implications. For example, as we shall see below, 1994 and 1995 were especially distorted years for Japanese firms. In 1994, *Fortune* proclaimed, "Because of yen appreciation, sales of 94 Japanese companies [on the *Global 500* list] went up in dollars, down in yen" (1994: 143). Similarly, in 1995 *Fortune* pronounced, "Japanese companies' rankings were boosted by the yen's dramatic ascent; 38 companies that actually had revenue decreases in yen registered increases when their results were expressed in dollars for our list. Japanese companies on the list are, in fact, awash in red ink" (1995: 136). Rapid currency appreciation may provide a brief 'sugar rush', but whatever benefits may accrue are often medium-term at best.

Also note that while *Fortune* considers these myriad non-American differences as discrepancies relative to the standards of the United States, standards and regulations also of course have changed in the United States over the decades. Sometimes these changes have resulted in large shifts in the world's rankings. For example, in 1995 *Fortune* explained, "Since 1991, profits of U.S. (and some foreign)

companies have been skewed by the Financial Accounting Standards Board's Statement 106, which compels companies to deduct accumulated health care liabilities owed retirees" (1995: 138). This change in accounting standards wiped out \$20.9 billion from General Motors' earnings (1995: 139). In short, all of these methodological quandaries require us to interpret any global corporate rankings based on whatever indicator, especially one spanning decades, with a very large grain of salt.

Nevertheless, with all these caveats in mind, it is still worthwhile to delineate the long-term historical trends of the world's top corporations. For the years 1957 to 1994, I have pieced together from the *Fortune 500* and the *International 200* (*International 100* until 1963) a list of the world's top 200 industrial corporations by sales, representing the pinnacle of global capitalism. I then combined this list with the top 200 corporations from the *Fortune Global 500* from 1995 onwards, to construct a list of the world's top 200 corporations from 1957 to 2013 by sales — from hereon referred to as the *Fortune 200* (for more on methodology, see Appendix B). Figure 3.9 presents the sales-share within this list of the world's top 200 corporations, organized into four geographic groupings. In 1957, the combined sales of firms based in the United States accounted for 77% of the combined sales of the top 200 industrial corporations in the world. Of course, this figure is undoubtedly exaggerated due to the numerous caveats above, but the impression of overwhelming American strength relative to the rest of the world in this period is probably correct. In 1957, only a single Japanese firm made the world's top 200 list, Yawata Iron and Steel at number 183, and only four firms (notably all based in

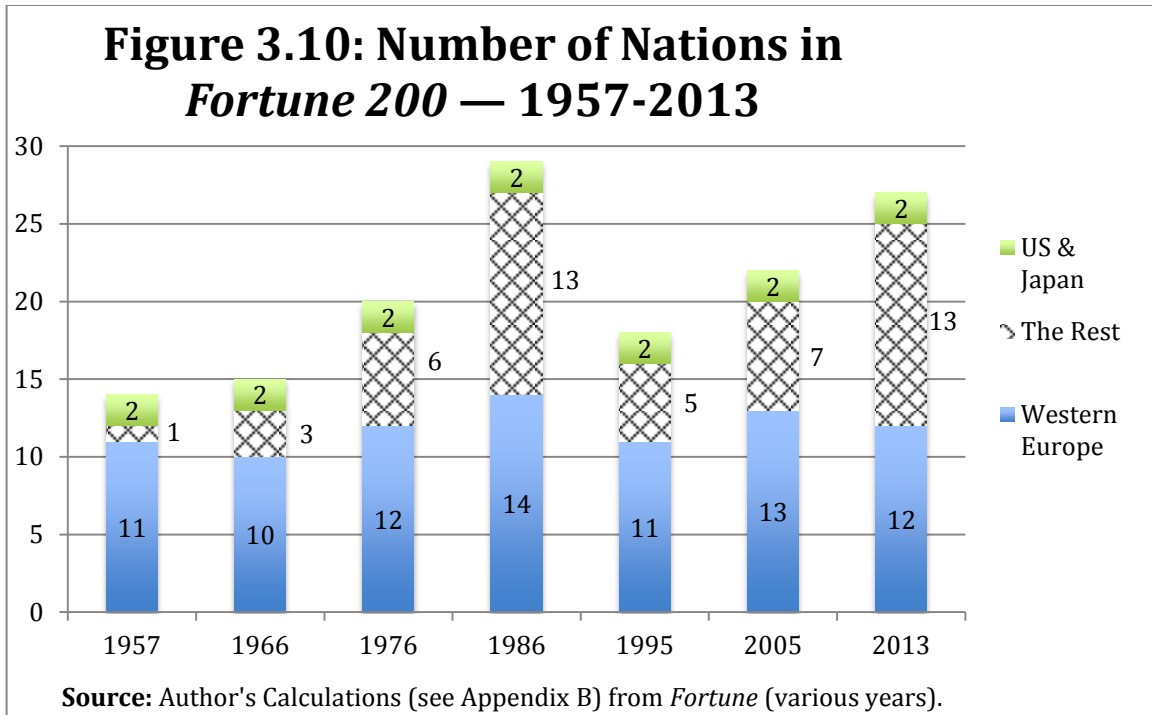
Canada) constituted 'The Rest', representing all other countries outside Japan, Western Europe, and the United States.



Following from this, the long-term aggregate national trend since the 1950s is clear: a gradual fall over forty years in the relative *aggregate* dominance of American corporations by sales, from the 1950s to the mid-1990s, after which there is a relative stabilization at between 30% and 40% of world sales. More dramatic is the rise after 1957 and then the collapse after 1995 of the Japanese sales-share (but note the effect of yen appreciation mentioned above). 'The Rest' rose substantially in the 1970s and early 1980s, largely propelled by national oil firms due to the OPEC price shocks, but the most spectacular period of the rise of the rest is only from the mid-2000s — again, largely as a result of national oil state-owned enterprises

(SOEs), especially from China and Russia. By contrast, the Western European share remained relatively steady over the past half century, rising to 30% by the early 1970s, and then roughly stabilizing between 30% and 40% over the next forty years, comfortably surpassing for the first time the US share in the mid-2000s (note the caveat above in regards to national accounts, however, in regards to treating Western Europe as a coherent economic bloc).

Besides all the caveats concerning discrepancies in accounting standards and so on, and as with national accounts, the economic power implications of the relative American fall in aggregate sales-share may not be as straightforward as it first appears. This is for a number of reasons. First, another clear trend since the 1950s is the increase of many corporations from various nations over the decades since 1957 (Figure 3.10). In 1957 there were 14 nations represented in the world's top 200 corporations by sales, which expanded to 29 nations by 1986, before declining to 18 in 1995 and again climbing to 27 nations in 2013. The biggest geographic expansion, unsurprisingly, is throughout 'The Rest': corporations from only one nation (Canada) in 1957 to 13 by 1986, before declining and then returning to 13 by 2013. The number of Western European nations represented in the *Fortune 200* has barely changed over the past half-century, from 11 in 1957 to 14 in 1986 and 12 in 2013 (these numbers double count the nationality of binational firms — such as the British/Dutch firm Royal Dutch Shell or the British/Italian firm Dunlop Pirelli Union).



Notably, considering the explosion in the number of nation-states around the world since the 1950s, and to a lesser extent the capitalist opening of Eastern Europe in the 1990s, a doubling in the number of nations represented in the *Fortune 200* from 14 in 1957 to 27 by 2013 still indicates an extraordinary degree of geographic concentration in the nationalities of the world's top corporations. Moreover, the apex of globalization so far — at least in terms of the geographic diversity of the nationalities of the world's top 200 corporations by sales — seems to have been in the 1980s, rather than in the first decade of the twenty-first century.

As can be seen in Table 3.1, China had no firms in 1986 and 25 by 2013: this is the single cause for the more than doubling of the number of firms based in 'The Rest', from 22 in 1986 to 47 in 2013. It should be stressed however that these Chinese firms did not suddenly appear in the 1990s and 2000s. Most of the top

Chinese SOEs were heavily restructured in the 1990s and only listed on stock exchanges in the 2000s. Hence, in world league tables China suddenly appears in the mid-2000s, even as the vast majority of its top corporations today are direct descendants from the Maoist era, and some even from before the 1949 Communist Revolution (such as the Bank of China, founded in 1912). These industrial predecessors were not insignificant, for as we saw in Figure 3.4 above, the Chinese share of world manufacturing in the 1970s ranged between 4% and 5%, which was already larger than any single European country except Germany. But since these industrial enterprises were not organized around capitalist principles, *Fortune* did not bother ranking them. Be that as it may, this qualification should temper the sudden appearance of Chinese corporations in *Fortune's* rankings in the mid-2000s, and by implication the explosive rise of 'The Rest' from 2005.

**Table 3.1: Nations of 'The Rest' Ranked By Number of Firms in *Fortune 200* — 1957-2013**

Rank	1957 (# of Firms)	1966 (# of Firms)	1976 (# of Firms)	1986 (# of Firms)	1995 (# of Firms)	2005 (# of Firms)	2013 (# of Firms)
1	Canada 4	Canada 4	Canada 6	Canada 6	ROK 4	ROK 4	China 25
2		Oz 1	Iran 1	ROK 5	Mexico 1	China 3	ROK 4
3		Mexico 1	Brazil 1	Mexico 1	Ven 1	Russia 2	Russia 3
4			Mexico 1	Brazil 1	Brazil 1	Mexico 1	Oz 3
5			Algeria 1	Kuwait 1	Canada 1	Brazil 1	Mexico 2
6			Oz 1	Venez 1		Malay 1	India 2
7				Indo 1		India 1	HK 2
8				India 1			Brazil 1
9				Turkey 1			Taiwan 1
10				S Africa 1			Venez 1
11				Oz 1			Malay 1
12				Taiwan 1			Thai 1
13				Arg 1			Indo 1
<b>Total Firms</b>	<b>4</b>	<b>6</b>	<b>11</b>	<b>22</b>	<b>8</b>	<b>13</b>	<b>47</b>

<b>US Firms</b>	145	118	100	86	56	75	58
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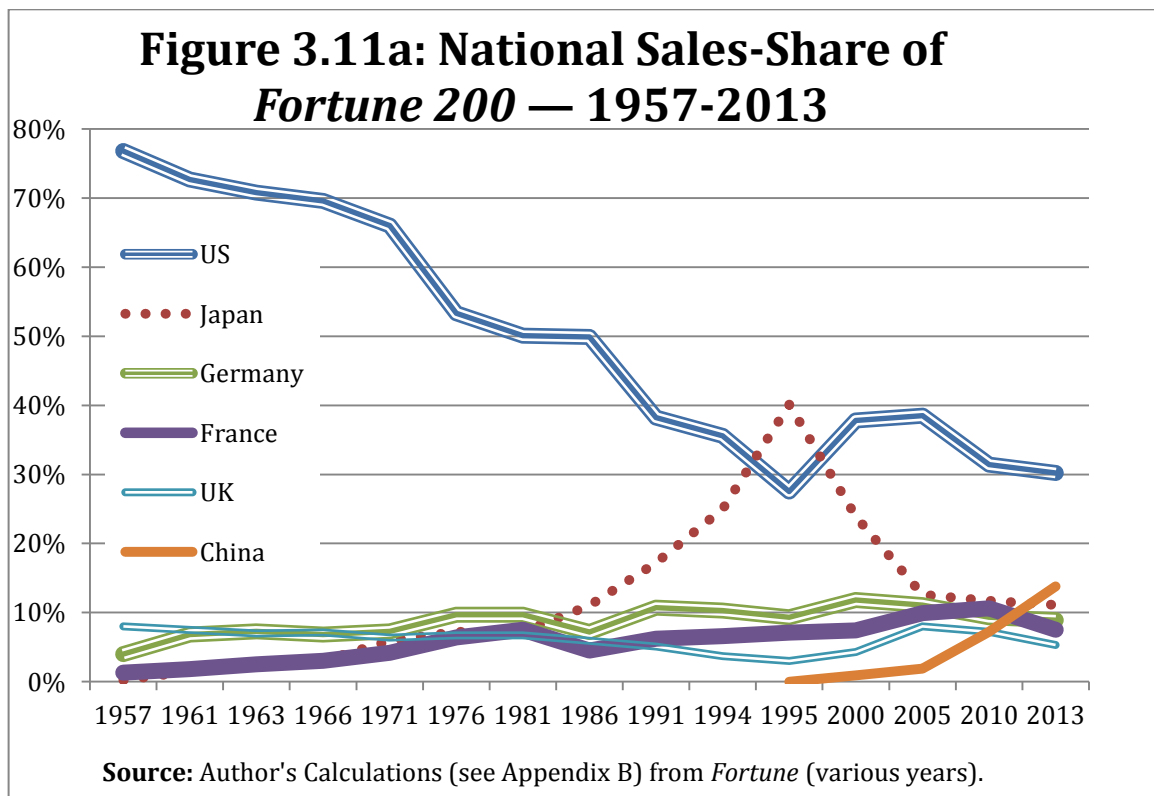
**Note:** Ties between nations are broken by sales-share; see Table A.1 in the Appendix A for country abbreviations.

**Source:** Author's Calculations (see Appendix B) from *Fortune* (various years).

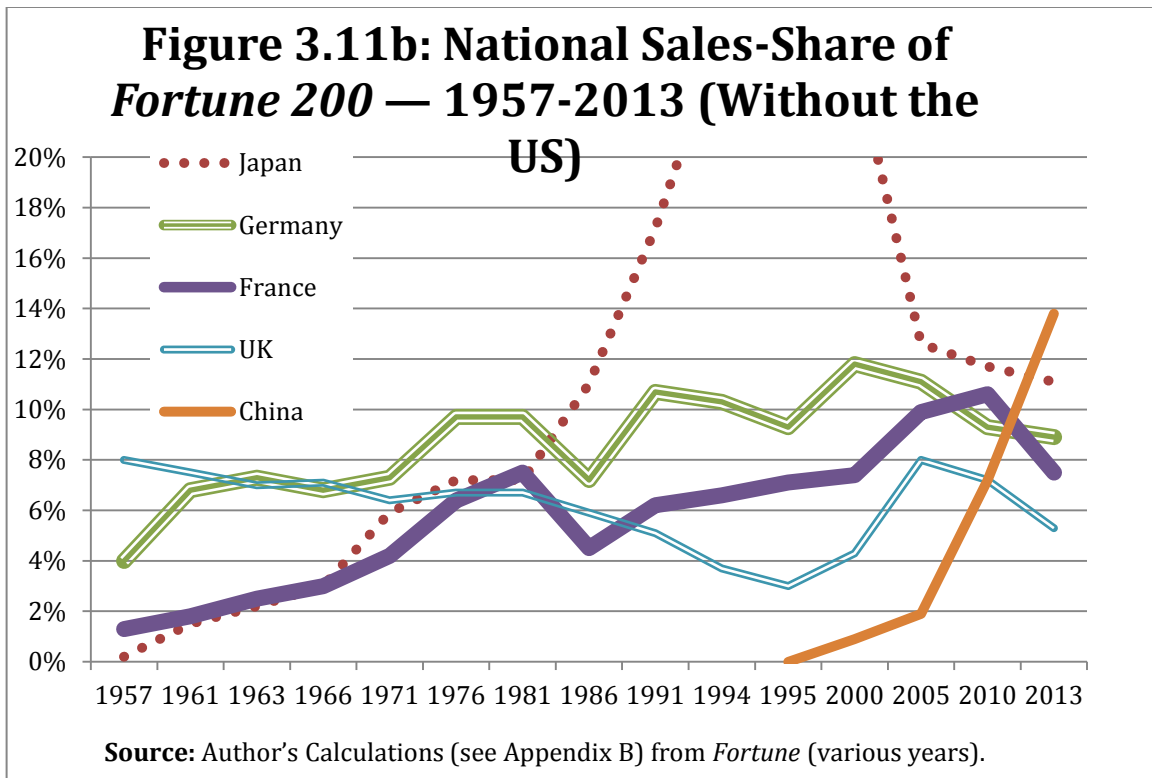
Note also that Canadian corporations disappeared from the list after 1986 and the number of South Korean (ROK) corporations fell from five to four. Further note that a number of the firms from 'emerging markets' in 2013 were already prominent by the 1970s and 1980s, such as Petrobras from Brazil (in the global top 200 continuously since the 1970s), Indian Oil, Pertamina from Indonesia, Pemex from Mexico, and PDVSA from Venezuela — all are national oil and gas SOEs, and all have been in the top 200 continuously for at least the last three decades. Hence, recent claims (Khanna 2009, Pieterse 2011, Zakaria 2011, Mahbubani 2013, Chattopadhyay 2014) concerning the rise of corporations from the former 'Third World' as marking an epochal shift in the early twenty-first century is (at least so far) exaggerated, with the exception of China.

In any case, in regards to shifting world economic power relations, it is unclear whether a doubling in the number of countries represented since the 1950s, and the inevitable relative fall of the American share as a result, actually indicates declining American corporate power. This is especially the case since only very briefly has any other single national share surpassed that of the United States: Japan in 1994-1995. As mentioned above, however, much of the rise (and then collapse) of the Japanese share in the 1990s was driven by the 'sugar rush' of yen appreciation and then devaluation with the reverse-Plaza Accord of 1995. Apart from Japan and despite the precipitous relative aggregate fall of the American sales-share since the

1950s, no other national share has approached even half of the American share, as we can see in Figure 3.11a — with the crucial and only very recent exception of China, which has reached 46% of the American share by 2013. This apparent ‘glass ceiling’ on the second-highest national share (it is too early to say whether or to what extent China can breach it) suggests that the top non-American corporations compete more amongst themselves for second, third, and fourth place (see Figure 3.11b for a clearer view), without directly challenging the primacy of the United States (again, with the brief exception of Japan in 1994-1995). Indeed, the more competitors there are for second, third, and fourth place (and so on down the list), the more difficult it is for any one of these competitors to break free from the scrum and begin to surmount the still very large lead of the US.







Moreover, an increase in the number of nations involved in capitalist competition could actually bolster American economic power if corporations from emerging markets concentrated in non-competing, and perhaps even complementary, sectors. This would especially be the case if American corporations remained at the technological frontier, as they could then increase sales of their vital technology to firms in other, non-competing, sectors (something we cannot determine merely by inspecting the aggregate data). For example, the rise of PetroChina does not directly challenge General Electric because they are in different sectors, and PetroChina's rise may actually benefit General Electric if the latter can sell its heavy machinery and equipment to PetroChina. Or for that matter, the rise of PetroChina may not even challenge the American corporation ExxonMobil (two of

the world's top firms in the same sector, oil and gas), if the sector itself has massively expanded, creating new opportunities for all (which the oil and gas sector certainly has since the 1970s). Therefore, we must disaggregate the aggregate corporate data and investigate the sectors themselves in order to more accurately ascertain whether or not (or in which sector) American capital has actually declined relative to the rest of the world since the 1950s.

For these reasons, we must dig deeper. Table 3.2 displays the top 20 firms from the same years as Figures 3.10-3.11 and Table 3.1. We can begin to see more clearly the industrial structure of global capitalism and in what ways it has changed since the 1950s, and what has remained the same. The changing structure of global capitalism can be seen in the shifting importance of various sectors over the decades, whether because of technological change, consolidation, or some other reason. For example, in 1957 two American firms in the meatpacking industry were the number 10 and 17 corporations in the world by sales. The meatpacking sector has by now long since disappeared from the pinnacle of global capitalism, due to consolidation in the food processing sector by giant agribusiness corporations. This does not mean, however, that the US has declined in meatpacking or in food processing more generally, as the top 3 agribusiness corporations in 2013 are all American (Cargill, Archer Daniels Midland, and Bunge). Rather, it simply means that the meatpacking industry has been subsumed by much larger agribusiness corporations, which themselves are no longer at the very top of global corporations because of the increasing importance (in terms of sales) of other sectors, namely oil and gas, as well as advanced information technology.

Perhaps the most significant change in the industrial structure of global capitalism judged by sales over the past half-century, then, is the increasing importance of the oil and gas sector. This sector was already the most represented in 1957, with seven of the top 20 firms, and has only deepened with twelve of the top 20 by 2013 — including an astounding five of the top 5. And, as stated above, the rise of The Rest is in large part the rise of their national oil SOEs, as all four firms in the top 20 from emerging markets are national oil champions. Therein lies a problem, however: how should we account for the period when these national oil champions were non-capitalist and/or fully state-owned enterprises? Indeed, all of the top oil and gas behemoths from China and Russia today are directly descended from their respective Ministries of Petroleum in the Maoist and Soviet era. And we have seen from the national accounts above that both Soviet and Chinese manufacturing was far from insignificant in the Communist era. For example, as seen in Figure 3.4, the USSR's share of world manufacturing (including the oil and gas sector) in 1970 was 19.7% (the second largest in the world, after the United States), and China's share was 4.0% (the fifth largest in the world, larger than any European country except Germany). It is likely, then, that both the aggregate relative sales-share and individual corporate rankings of Western oil and gas firms (as well as industrial firms more broadly, especially in Aerospace and Defense, and Heavy Machinery) is distorted upwards, due to missing (and/or incommensurable) data from the former Communist world.

**Table 3.2: Top 20 Firms by Sales — 1957-2013**

Rank	1957 (Nation)	1966 (Nation)	1976 (Nation)	1986 (Nation)	1995 (Nation)	2005 (Nation)	2013 (Nation)
1.	General Motors (US)	General Motors (US)	Exxon (US)	General Motors (US)	Mitsubishi (J)	Wal-Mart Stores (US)	Royal Dutch Shell (UK/Ne)
2.	Standard Oil-NJ (US)	Ford Motor (US)	General Motors (US)	Exxon (US)	Mitsui (J)	BP (UK)	Exxon Mobil (US)
3.	Royal Dutch-Shell (UK/Ne)	Standard Oil-NJ (US)	Royal Dutch/Shell (UK/Ne)	Royal Dutch/Shell (UK/Ne)	Itochu (J)	Exxon Mobil (US)	Sinopec (China)
4.	Unilever (UK/Ne)	Royal Dutch/Shell (UK/Ne)	Texaco (US)	Mobil (US)	Sumitomo (J)	Royal Dutch/Shell (UK/Ne)	China National Petroleum
5.	Ford Motor (US)	General Electric (US)	Ford Motor (US)	BP (UK)	General Motors (US)	General Motors (US)	BP (UK)
6.	US Steel (US)	Chrysler (US)	Mobil Oil (US)	Ford Motor (US)	Marubeni (J)	Daimler Chrysler (De)	Toyota Motor (J)
7.	General Electric (US)	Unilever (UK/Ne)	National Iranian Oil	IBM (US)	Ford Motor (US)	Toyota Motor (J)	Volkswagen (De)
8.	Socony Mobil Oil (US)	Socony Mobil Oil (US)	BP (UK)	Texaco (US)	Exxon (US)	Ford Motor (US)	Total (Fr)
9.	Chrysler (US)	US Steel (US)	Standard Oil of California (US)	Chevron (US)	Nissho Iwai (J)	General Electric (US)	Chevron (US)
10.	Swift (US)	Texaco (US)	Unilever (UK/Ne)	AT&T (US)	Royal Dutch/Shell (UK/Ne)	Total (Fr)	Samsung Electronics (ROK)
11.	Imperial Tobacco (UK)	IBM (US)	IBM (US)	Du Pont (US)	Toyota Motor (J)	ChevronTexaco (US)	Phillips 66 (US)
12.	Western Electric (US)	Gulf Oil (US)	Gulf Oil (US)	General Electric (US)	Wal-Mart Stores (US)	ConocoPhillips (US)	ENI (It)
13.	Gulf Oil (US)	Western Electric	General Electric	Standard Oil-Ind	Hitachi (J)	AXA (Fr)	Apple (US)

	(US)	(US)	(US)				
14.	Bethlehem Steel (US)	Du Pont (US)	Chrysler (US)	IRI (It)	Nippon Life Insurance (J)	Allianz (De)	Gazprom (Russia)
15.	Texas (US)	Swift (US)	ITT (US)	Toyota Motor (J)	AT&T (US)	Volkswagen (De)	General Motors (US)
16.	British Petroleum (UK)	Bethlehem Steel (US)	Philips (Ne)	ENI (It)	NTT (J)	Citigroup (US)	Daimler (De)
17.	Armour (US)	Shell Oil (UK)	Standard Oil-Ind (US)	Atlantic Richfield (US)	Matsushita Electric Industrial (J)	ING Group (Ne)	General Electric (US)
18.	Standard Oil-Ind (US)	Standard Oil-Ind (US)	Cie Française des Pétroles (Fr)	Unilever (UK/Ne)	Tomen (J)	NTT (J)	Petrobras (Brazil)
19.	Du Pont (E.I.) de Nemours (US)	National Coal Board (UK)	Nippon Steel (J)	Chrysler (US)	General Electric (US)	AIG (US)	Valero Energy (US)
20.	Shell Oil (UK)	Standard Oil of California (US)	August Thyssen-Hutte (De)	Matsushita Electric Industrial (J)	Daimler-Benz (De)	IBM (US)	Ford Motor (US)
	<b>US Firms: 15</b>	<b>US Firms: 16</b>	<b>US Firms: 12</b>	<b>US Firms: 13</b>	<b>US Firms: 6</b>	<b>US Firms: 10</b>	<b>US Firms: 8</b>
	<b>US Sales: 78%</b>	<b>US Sales: 87%</b>	<b>US Sales: 67%</b>	<b>US Sales: 70%</b>	<b>US Sales: 28%</b>	<b>US Sales: 51%</b>	<b>US Sales: 31%</b>

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Author's Calculations (see Appendix B) from *Fortune* (various years).

Regardless, it is unclear whether this contemporary rise in the early twenty-first century of formerly Third World national oil champions should be interpreted as a serious challenge to American corporate power in oil and gas (let alone other sectors). First of all, American oil corporations have always shared dominance with others, namely British Petroleum and Royal Dutch Shell (the original 'Seven Sisters'). Second, aggregate corporate data conceal the effects of consolidation, as none of the American oil firms in the top 20 in 1957 have been knocked out of the top 20 in 2013 because they have been out-competed by national oil champions from emerging markets. Rather, they have disappeared from the list because of mergers and acquisitions by even bigger American behemoths that are all still in the top 20 fifty years later.<sup>34</sup> Indeed, there are even two additional American oil corporations in the top 20 in 2013: Phillips 66 and Valero Energy (in addition to all the contemporary iterations of all American oil firms from the 1957 list). Unless we dig deeper beyond the aggregate data, then, we may miss that far from relative American decline in the oil and gas sector, there are even more American oil and gas firms (if we account for acquired subsidiaries) in the global top 20 in 2013 than there were in 1957. This also suggests that the rise of the rest does not necessarily lead to the decline of incumbents if the sector as a whole has massively expanded, as the oil and gas sector certainly has over the decades — especially after the two periods of rapid oil price inflation in the 1970s and 2000s.

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<sup>34</sup> In 2013, Exxon Mobil is the consolidation of Standard Oil of New Jersey, Socony Mobil Oil, and Standard Oil of Indiana; Chevron is the consolidation of Gulf Oil and Texas Oil (in addition to Standard Oil of California from the 1966 list).

Another sector that has increased in importance over the past half-century is automobiles. Like oil and gas, the automobile sector was already important in 1957 (with three auto firms in the top 20, including two in the top 5), and this has only increased to five auto firms by 2013 (albeit the oil and gas sector has kicked the auto firms out of the top 5). Note also that the decades-long dominance of American auto firms has ended by the twenty-first century: General Motors and Ford now have to compete with Toyota, Volkswagen, and Daimler (and Chrysler has dropped from *Fortune's* rankings, as it is no longer publicly listed, having been acquired by Daimler and now Fiat). Nevertheless, it is not entirely accurate to interpret aggregate relative American decline in the auto sector as the crumbling of American competitiveness, as General Motors and Ford are still in the global top 20 by sales, after a run of over half a century. Rather, it is more accurate to conceptualize American dominance as now being shared with Germany and Japan, as these three nations collectively dominate the global automobile market (as we shall see more clearly in Chapter Four). Thus, we must investigate changes in the various sectors in order to more accurately assess whether American capital has faced relative decline since the 1950s.

In this vein, Table 3.3 presents a further disaggregation of the world's top corporations by ten key sectors since the 1950s (even if their relative importance has shifted over the decades): 1) Aerospace and Defense; 2) Automobiles and Parts; 3) Chemicals; 4) Consumer Electronics; 5) Food, Beverages and Tobacco; 6) Forestry, Metals and Mining; 7) General Industrials and Heavy Machinery; 8) Information Technology Hardware; 9) Oil and Gas; and 10) Pharmaceuticals. Other

key sectors, like Semiconductors and Computer Software, did not exist in the 1950s so will be discussed in the next chapter.

Note that some firms straddle different sectors, and are placed in the sector that represents the highest proportion of their sales. For example, Hitachi is in General Industrials and Heavy Machinery, though it also sells consumer electronics, among other products. A number of the firms in Consumer Electronics also sell information technology hardware, such as Panasonic, Samsung, Sony, and Toshiba. Thyssen-Krupp is classified by *Fortune* as Chemicals, albeit it is also a major steel-maker; United Technologies is classified as General Industrials, albeit it could also be listed in Aerospace & Defense (the *Forbes* rankings, as we shall see in the next chapter, classifies both Thyssen-Krupp and United Technologies as Conglomerates). Further note that since *Fortune* only sporadically presented each firm's sectoral classification over the decades, sometimes I have had to rely on the assumption that a firm's sectoral classification generally remains consistent over the decades in order to construct Table 3.3, even if this is not always the case.

Nevertheless, keeping these caveats in mind, we can see that of the ten selected sectors that have maintained prominence over this fifty-year period from 1963 to 2013 (the *International 100* list from 1957-1962 is too small of a sample to draw upon, so we must begin in 1963), the number of US firms has fallen in six sectors (Aerospace and Defense; Automobiles and Parts; Chemicals; Consumer Electronics; Forestry, Metals, and Mining; and Oil and Gas), has remained steady in two (Food, Beverages and Tobacco; General Industrials and Heavy Machinery), and



has increased its share in two (Information Technology Hardware and Pharmaceuticals).

Of the six sectors where the number of US firms has fallen, two should be especially noted: Consumer Electronics and Forestry, Metals and Mining. The former sector is one of the first during the post-war period in which American competitiveness has dissipated in terms of sales — in large part due to the rise of Japan, and then by the 1990s the rise of South Korea and Taiwan. By 2013, all of the top 5 firms by sales are from these three Northeast Asian nations, at the expense of both the US and Western Europe (in particular France and the Netherlands). The three American firms on the 1963 list have all disappeared for different reasons: Radio Corporation of America was acquired by General Electric in 1986, Eastman Kodak declined and finally went bankrupt in 2012, and the sewing machine manufacturer Singer has been acquired by a number of firms over the decades, and in 2013 is privately owned by the American private equity firm Kohlberg & Co. (hence is no longer on *Fortune's* lists).

Also, General Electric (which has never been anything other than the number one industrial conglomerate across the entire post-war period, including in the present) has divested numerous product lines in its consumer electronics division over the decades as these consumer products became highly commoditized and therefore far less profitable (in large part due to increasing competition from Northeast Asia, but also technological change — not to mention GE's own success in saturating its markets), from low technology kitchen appliances to radios and televisions. In other words, the American decline in Consumer Electronics ran

parallel to the declining significance of the Consumer Electronics sector itself, in terms of its position at the frontier of advanced technology (and hence also in profitability). Following from this, as we shall see in the next chapter, while Northeast Asian firms now dominate in the sales of consumer electronics, they all struggle with profitability (except Samsung, which is a leader in the still profitable smartphones business).

In regards to Forestry, Metals and Mining, as with Consumer Electronics, American decline over the five decades marks the shift of the most important segment in this sector — steel production — from the United States and Western Europe (in particular Italy, Germany, and the UK) to Northeast Asia (this time including China). The one European-based exception is also the world's top steel producer, ArcelorMittal (which acquired Bethlehem Steel in 2005). Once again, however, while steel is still an essential metal for advanced capital, steel is no longer nearly as profitable as it once was in the 1950s and 1960s, especially relative to other sectors, due to increasing competition, commoditization, and by now global overcapacity. We can detect this from Table 3.2, as steel firms populated the global top 20 lists from the 1950s until they were bumped off by the 1980s. And this decreasing importance is especially the case for the production of cans, as the process has become highly commoditized. Hence, the fall from the top 5 in the Forestry, Metals and Mining sector of American Can and Continental Can (numbers 4 and 5, respectively, in Table 3.3) by the 1970s is more a reflection of advancing technologies in other sectors as well as the mass consumerization of canned food

**Table 3.3: Top 5 Firms By Sales in Ten Key Advanced Industrialized Sectors — 1963-2013**

Sector	1963 (Nation)	1973 (Nation)	1983 (Nation)	1993 (Nation)	2003 (Nation)	2013 (Nation)
<b>Aerospace &amp; Defense</b>						
1.	General Dynamics (US)	McDonnell Douglas (US)	Boeing (US)	Boeing (US)	Boeing (US)	Boeing (US)
2.	Boeing (US)	Litton Industries (US)	Rockwell International (US)	British Aerospace (UK)	EADS (Ne)	EADS (Ne)
3.	Lockheed Aircraft (US)	Lockheed Aircraft (US)	McDonnell Douglas (US)	McDonnell Douglas (US)	Lockheed Martin (US)	Aviation Industry Corp of China
4.	North American Aviation (US)	Boeing (US)	General Dynamics (US)	Allied-Signal (US)	Northrop Grumman (US)	Lockheed Martin (US)
5.	Martin Marietta (US)	North American Rockwell (US)	Lockheed (US)	Lockheed (US)	Raytheon (US)	General Dynamics (US)
<b>Automobiles &amp; Parts</b>						
1.	General Motors (US)	GM (US)	GM (US)	GM (US)	GM (US)	Toyota Motor (J)
2.	Ford Motor (US)	Ford (US)	Ford (US)	Ford (US)	Ford (US)	Volkswagen (De)
3.	Chrysler (US)	Chrysler (US)	Nissan Motor (J)	Toyota Motor (J)	Daimler Chrysler (De)	GM (US)
4.	Volkswagen (De)	Volkswagen (De)	Daimler-Benz (De)	Daimler-Benz (De)	Toyota Motor (J)	Daimler (De)
5.	Goodyear Tire & Rubber (US)	Toyota Motor (J)	Renault (Fr)	Volkswagen (De)	Volkswagen (De)	Ford Motor (US)
<b>Chemicals</b>						
1.	Du Pont (US)	Du Pont (US)	Du Pont (US)	Du Pont (US)	Thyssen Krupp (De)	BASF (De)
2.	Union Carbide (US)	ICI (UK)	Hoechst (De)	Hoechst (De)	BASF (De)	Sinochem Group (Chi)
3.	Imperial	Farbwerke	Bayer (De)	BASF (De)	Bayer (De)	Thyssen Krupp (De)

	Chemical (UK)	Hoechst (De)				
4.	Monsanto Chemical (US)	BASF (De)	BASF (De)	Bayer (De)	Dow Chemical (US)	Dow Chemical (US)
5.	Bayer (De)	Union Carbide (US)	ICI (UK)	ICI (UK)	Du Pont (US)	Bayer (De)
<b>Consumer Electronics</b>						
1.	Radio Corp of America (US)	Philips (Ne)	Philips (Ne)	Panasonic (J)	Sony (J)	Samsung (ROK)
2.	Philips (Ne)	Radio Corp of America (US)	Matsushita Electric Industrial (J)	Samsung (ROK)	Matsushita Electric Ind (J)	Hon Hai Precision Ind (Tai)
3.	Eastman Kodak (US)	Eastman Kodak (US)	Eastman Kodak (US)	Toshiba (J)	Samsung (ROK)	Panasonic (J)
4.	Tokyo Shibaura Electric (J)	Matsushita Electric Industrial (J)	Toshiba (J)	Philips (Ne)	Philips (Ne)	Sony (J)
5.	Singer (US)	Tokyo Shibaura Electric (J)	Generale d'Electricite (Fr)	Sony (J)	Mitsubishi Electric (J)	Toshiba (J)
<b>Food, Beverages &amp; Tobacco</b>						
1.	Unilever (UK/Ne)	Unilever (UK/Ne)	BAT (UK)	Philip Morris (US)	Altria Group (US)	Nestlé (Swis)
2.	Swift (US)	Nestlé (Swis)	Nestlé (Swis)	Unilever (UK/Ne)	Nestlé Swis	Kroger (US)
3.	Armour (US)	Swift (US)	RJ Reynolds (US)	Nestlé (Swis)	Conagra Foods (US)	Archer Daniels Midland (US)
4.	Nestlé (Swis)	Kraftco (US)	Dart & Kraft (US)	PepsiCo (US)	PepsiCo (US)	Unilever (UK/Ne)
5.	National Dairy Products (US)	British American Tobacco (UK)	Philip Morris (US)	Conagra (US)	Archer Daniels Midland (US)	PepsiCo (US)
<b>Forestry, Metals &amp; Mining</b>						
1.	US Steel (US)	US Steel (US)	IRI (It)	IRI (It)	International Paper	Arcelor Mittal (Lux)

					(US)	
2.	National Coal Board (UK)	Nippon Steel (J)	US Steel (US)	Nippon Steel (J)	Arcelor (Lux)	BHP Billiton (Oz)
3.	Bethlehem Steel (US)	British Steel (UK)	Nippon Steel (J)	Thyssen (De)	Nippon Steel (J)	POSCO (ROK)
4.	Continental Can (US)	Bethlehem Steel (US)	Thyssen (De)	Usinor-Sacilor	Alcoa (US)	Shenhua Group (Chi)
5.	American Can (US)	August Thyssen-Hutte (De)	Canadian Pacific (Can)	Metallgesellschaft (De)	Weyerhaeuser (US)	Nippon Steel & Sumitomo Metal (J)
	<b>1963 (Nation)</b>	<b>1973 (Nation)</b>	<b>1983 (Nation)</b>	<b>1993 (Nation)</b>	<b>2003 (Nation)</b>	<b>2013 (Nation)</b>
<b>General Industrials, Heavy Machinery &amp; Electrical Equipment</b>						
1.	General Electric (US)	GE (US)	GE (US)	GE (US)	GE (US)	GE (US)
2.	Westinghouse Electric (US)	ITT (US)	Siemens (De)	Hitachi (J)	Siemens (De)	Siemens (De)
3.	International Harvester (US)	Westinghouse Electric (US)	Hitachi (J)	Siemens (De)	Hitachi (J)	Hitachi (J)
4.	Siemens (De)	Siemens (De)	ITT (US)	ABB (Swis)	United Technologies (US)	United Technologies (US)
5.	ITT (US)	Hitachi (J)	United Technologies (US)	Alcatel Alsthom (Fr)	ABB (Swis)	Norinco (China)
<b>Information Technology Hardware</b>						
1.	Western Electric (US)	IBM (US)	IBM (US)	IBM (US)	IBM (US)	Apple (US)
2.	IBM (US)	Western Electric (US)	Western Electric (US)	NEC (J)	HP (US)	HP (US)
3.	Sperry Rand (US)	AEG-Telefunken (De)	Xerox (US)	Fujitsu (J)	Dell (US)	IBM (US)
4.	National Cash	Xerox (US)	Nippon Electric (J)	Xerox (US)	Olivetti (It)	Dell (US)

Register (US)						
5.	Olivetti (It)	Nippon Electric (J)	AEG-Telefunken (De)	Hewlett-Packard (US)	Nokia (Fin)	Intel (US)
	1963 (Nation)	1973 (Nation)	1983 (Nation)	1993 (Nation)	2003 (Nation)	2013 (Nation)
<b>Oil &amp; Gas</b>						
1.	Standard Oil-NJ (US)	Exxon (US)	Exxon (US)	Exxon (US)	ExxonMobil (US)	Royal Dutch Shell (US)
2.	Royal Dutch Shell (UK/Ne)	Royal Dutch Shell (UK/Ne)	Royal Dutch Shell (UK/Ne)	Royal Dutch Shell (UK/Ne)	Royal Dutch Shell (UK/Ne)	ExxonMobil (US)
3.	Socony Mobil Oil (US)	Mobil Oil (US)	Mobil (US)	BP (UK)	BP (UK)	Sinopec Group (Chi)
4.	Texaco (US)	Texaco (US)	BP (UK)	Mobil (US)	Total (Fr)	China National Petroleum
5.	Gulf Oil (US)	Gulf Oil (US)	Texaco (US)	ENI (US)	Chevron Texaco (US)	BP (UK)
<b>Pharmaceuticals</b>						
1.	Procter & Gamble (US)	Procter & Gamble (US)	Procter & Gamble (US)	Procter & Gamble (US)	McKesson (US)	McKesson (US)
2.	Pfizer (US)	Ciba-Geigy (Swis)	Ciba-Geigy (Swis)	Johnson & Johnson (US)	Merck (US)	Procter & Gamble (US)
3.	Hoffman-La Roche (Swis)	Johnson & Johnson (US)	Johnson & Johnson (US)	Bristol-Myers Squibb (US)	Johnson & Johnson (US)	Amerisource Bergen (US)
4.	Johnson & Johnson (US)	Hoffman-La Roche (Swis)	Roche/Sapac (Swis)	Sandoz (Swis)	Pfizer (US)	Johnson & Johnson (US)
5.	Rexall Drug & Chemical (US)	Bristol-Myers (US)	Bristol-Myers (US)	Merck (US)	GlaxoSmithKline (UK)	Pfizer (US)

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Author's Calculations (see Appendix B) from *Fortune* (various years).

and beverages, rather than any indication of the industrial decline of the United States.

In the other four sectors where the number of US corporations fell, surmising American economic decline over the past half-century is even more ambiguous upon further inspection. I have already discussed Oil and Gas and Automobiles and Parts. Similar to Oil and Gas, there has also been much consolidation in the Aerospace and Defense sector over the decades. For this reason, the two American firms in the top 5 in 1963 that are no longer on the list in 2013 have been merged or acquired by two American firms that have remained on the list over the five decades: Lockheed merged with Martin Marietta in 1995 and Boeing acquired North American Aviation in 1996. And as we shall see in the next chapter, American firms continue to dominate in terms of profits as opposed to sales. In any case, in regards to sales, Boeing has remained in the top spot throughout the late twentieth and early twenty-first centuries. On the other hand, there is a greater case to be made for relative American decline in the Chemicals sector, especially as Germany regained its pre-war leadership by the 1970s and 1980s. Even still, Dow Chemical (which acquired Union Carbide in 2001) and Dupont (number 7 in 2013) continue to be globally competitive in the early twenty-first century — unlike, for example, American firms in Consumer Electronics (with one notable exception that straddles different sectors: Apple).

There has also been much consolidation in Food, Beverages and Tobacco over the decades, and none of the three American firms in the top 5 in 1963 exist today. Swift, Armour, and National Dairy Products have all been split and acquired

by various firms, and none of these acquiring firms are in the top 5 in 2013 as the corporate landscape in this sector has changed dramatically since 1963.

Nevertheless, there continue to be three American firms in the top 5 in 2013, so in this regard American capital has held steady relative to the world, despite much turbulence within American capital (as evidenced by the diversity of American firms in the top 5 since the 1960s). Thus, various American firms since 1963 have shared global leadership of sales in Food, Beverages and Tobacco with the two non-American firms that have been global leaders throughout most of the twentieth century: Nestlé and Unilever.

As for General Industrials and Heavy Machinery, unlike any other of these ten crucial industrial sectors for advanced capital (albeit General Motors in Automobiles and Parts comes close), one American corporation has extraordinarily remained at the peak throughout the entire period: General Electric. This is despite increasing competition from France, Germany, Japan, and Sweden/Switzerland over the decades. The other American firms from the 1963 list, however, have been replaced for various reasons by the 1980s. Westinghouse Electric was split and sold to a number of companies from the 1980s onwards, most importantly CBS and Toshiba; International Harvester shared a similar fate. ITT still exists today (in a much divested form) but is no longer competitive enough to make the *Fortune Global 500*. Instead, the American firms Caterpillar and United Technologies make the top 5 in 2013.

In Information Technology (IT) Hardware and Pharmaceuticals — two sectors that have continued to advance the technological frontier throughout this



entire period (as opposed to, for example, the declining significance in sales-share of Chemicals; Consumer Electronics; Food, Beverages and Tobacco; and Forestry, Metals and Mining) — American firms have actually increased their global dominance. In IT Hardware, Japan and Western Europe (namely Finland, Germany, and Italy) broke into the top 5 from the beginning of the period covered in this study until the early 2000s. This competition was then obliterated by 2013, as all five of the top 5 firms are now American for the first time. The same can be said of the Pharmaceuticals sector, in which all five of the top 5 in 2013 are now American firms, knocking off most prominently the Swiss but also the British over the decades.

In short, while Figure 3.9 (on page 118) reveals the aggregate relative American sales-share of the *Fortune 200* dramatically falling by more than one half since the 1950s, Table 3.3 demonstrates that if we disaggregate this sales-share by investigating the rankings of the individual corporations and the various sectors, then a totally different interpretation emerges: in many of the most advanced sectors, American corporations either continue to dominate or have even increased their dominance, despite the doubling of the number of nations whose corporations are represented in the *Fortune 200*. Considering all the upheavals since the 1950s, this is surely remarkable, and certainly cannot be gleaned from focusing exclusively on the aggregate data as in Figure 3.9 (or for that matter, from aggregate national accounts). And the converse of this continuing American advancement of the technological frontier is that in some of those sectors (such as Consumer Electronics and Forestry, Metals and Mining) that are of declining importance as drivers of both

advanced technology and profitability (the two are symbiotic), the relative American corporate presence has also declined.

Deeper investigation of the post-war period also uncovers a number of interesting propositions concerning 'The Rest'. Much of the rise of the rest to the pinnacle of global capitalism is the result of a single sector: oil and gas. There have been two periods, corresponding to the two periods of rapid oil price inflation since the 1950s: 1) in the 1970s and 1980s; and 2) in the twenty-first century. There is one crucial difference, however, between these two periods: the extraordinary rise of China, which was absent in the first period, and the central driving force in the second. Indeed, in terms of the world's top 200 corporations by sales, the much larger expansion of 'The Rest' in the second period is due virtually entirely to the rise of China. Also, by the second decade of the twenty-first century, China has already surpassed the United States in world share of manufacturing and exports (at least in nominal terms). In the broad sweep of the post-war period since the 1950s, then, this second phase of the rise of the rest in the early twenty-first century is much more compelling in regards to potentially challenging the West, which is empirically convenient since there is far more data available for the twenty-first century than ever before.

To be fair, those who contributed to conventional wisdom in the First Wave of declinism in the 1980s, of course, focused more on the resurgence of Japan and Western Europe as indicating the relative decline of the United States (albeit some also referred to the rise of the rest, especially the non-aligned movement and OPEC). After its post-war recovery, the aggregate Western European challenge to the United

States as measured by the number of their corporations in the *Fortune 200* has ebbed and flowed over the decades since the 1970s, and by the first decade of the twenty-first century has declined in a number of sectors, either because of the rise of East Asia or the resurgence of the United States (for example, in Consumer Electronics; Forestry, Metals and Mining; General Industrials and Heavy Machinery; Information Technology Hardware; and Pharmaceuticals). Western European (especially British/Dutch, German, and Swiss) corporations still remain competitive, however, in certain industrial sectors, such as: Automobiles and Parts; Chemicals; Food, Beverages, and Tobacco; and Oil and Gas. American corporations must share dominance in these sectors with European firms, which in any case has always been true throughout the twentieth century in certain sectors: Chemicals; Food, Beverages and Tobacco; and Oil and Gas — hence this cannot be taken as representing ‘American decline’.

The evidence for the rise of Japan as challenging American capital in the 1980s was perhaps more convincing than the European challenge, since in some sectors (such as Consumer Electronics) Japanese corporations actually *replaced* American firms at the pinnacle, rather than merely shared dominance with them. But note that the rise of Japan was fairly concentrated in a few key industrial sectors, and never challenged American capital in other key industrial sectors, such as Aerospace and Defense; Chemicals; Food, Beverages and Tobacco; and Oil and Gas. Besides, the Japanese challenge in Information Technology Hardware was obliterated by the beginning of the twenty-first century. Of course, more generally, the Japanese challenge dissipated after the mid-1990s (albeit Japan continues to be

one of the most important industrial powers). One proposition that can be gleaned from these tables that will require further investigation in subsequent chapters is that as American corporations advanced the technological frontier (such as from analogue to digital, or the increasing importance of computer software versus hardware, both in the late twentieth century), challengers to American dominance at the technological frontier (namely the Japanese) could not keep up and fell by the wayside. This is also a reminder that linear projections of American decline have failed in the past, partly because many underestimate the fundamental advantages, capacities, and power of American capital. Bearing in mind the importance of sectoral and disaggregate analysis over aggregate data, then, and armed with the far greater availability of data, let us now inspect global capital more deeply in the early twenty-first century.

## Chapter Four: Corporate Power in the Twenty-First Century

The 2008-2009 global financial crisis set off a tide of prognostications of American decline and even the end of capitalism itself, or at least of its neoliberal phase.<sup>35</sup> Concomitantly, particularly from 2009-2011, many analysts proclaimed the continued rise of the BRICs, and most of all China as finally ending the centuries-long era of Western world domination (Khanna 2009, Kennedy 2011, Pieterse 2011, Prestowitz 2011, Subramanian 2011, Zakaria 2011, Mahbubani 2013). With the end of the 'commodities supercycle' (the decade-long rise in raw materials prices), the slowdown of emerging markets, including China, coupled with (an uneven) recovery in the West, by 2013 many of the more extravagant claims concerning the end of the Western world, not to mention global capitalism itself, were quietly forgotten. Nevertheless, the long-term trajectory and potential of emerging markets, in particular China, remains compelling, and many analysts assume that the 'Rest' will indeed surpass the West sometime this century. The vast majority, of course, rely on national accounts for their prognostications. This chapter will take a much deeper look into this question by examining the nature of the distribution of corporate power in the early twenty-first century, in three parts: 1) Profit-Share in the *Forbes Global 2000*; 2) Disaggregating Sectors with Supposed Aggregate American Decline; and 3) Innovation and Research and Development.

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<sup>35</sup> See *The Future of Capitalism* series in *The Financial Times* (FT.com 2009) for a variety of leading commentators on this question, such as Alan Greenspan, Paul Kennedy, Henry Paulson, Amartya Sen, and Martin Wolf.

But first a note on the appropriate benchmark for corporate dominance in the twenty-first century. What share of whatever aggregate indicator should we use to indicate ‘dominance’? Most analysts agree that the American share of world GDP in 1950 was ‘dominant’, but as we saw in the previous chapter, the actual American share used by analysts ranges from 25% to 50% of the world. As a compromise, I shall take the halfway point — 38% — as marking ‘dominance’ in whatever aggregate indicator. Note, however, that this is a very stringent benchmark to maintain in the twenty-first century,<sup>36</sup> for as we have seen in the previous chapter, an increase in the number of competitors can reduce the preponderant share necessary to maintain dominance — and there certainly has been a massive increase in the number of actors since 1950.<sup>37</sup> Again, relative aggregate American decline due to an increasing number of nations represented could actually indicate an *increase* in American corporate power if others are rising in non-competing sectors, which bolsters those American firms at the technological frontier.

Moreover, it is important to consider the extent of the lead between the number one and two shares. If the United States is number one at 40% of the world’s GDP (or whatever other indicator) while the number two country has 20%, this would be less dominance than if the number two country had only 10%. Similarly, if the American share of world GDP declines from 40% to 30% and the

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<sup>36</sup> By contrast, the US Department of Justice uses a Herfindahl-Hirschman Index of ‘only’ 25% or above to investigate whether a market has ‘excessive’ concentration.

<sup>37</sup> It is also unclear whether our benchmark for dominance should be from a particular historical conjuncture in 1950, when the United States boomed as a result of war production during World War II while the rest of the advanced capitalist nations lay in utter devastation. This gulf was not only inevitably unsustainable, but it was US foreign policy to reconstruct and revive Western Europe and Japan.

number two country in the world declines from 20% to 10%, is this really a decline in American dominance? In the first instance the American share is double its nearest competitor, and in the second instance triple. Thus, differentially, the American share has arguably increased despite this 'decline'.

### **I. Profit-Share in the *Forbes Global 2000***

There are several useful corporate rankings for the twenty-first century (such as the *Fortune Global 500*, the *Financial Times 500*, and the *S&P 500*), but the *Forbes Global 2000* is the most comprehensive (the world's top 2,000 corporations versus 500). It ranks corporations by five measures: Assets, Market Value, Profit, Sales, and a composite index of all four. The latter is especially useful, as it smoothens short-term fluctuations in any one indicator (profit and market value can be especially volatile). Note, however, that as with the other corporate rankings, the *Forbes Global 2000* only ranks the world's publicly-listed corporations. Fortunately, unlike prior to the 1990s, this includes the world's largest state-owned enterprises, many of which have been partially floated on stock exchanges for private (both domestic and foreign) investors.

For this study, I aggregate the national profit-share in each sector of the world's top 2,000 corporations ranked by *Forbes'* composite index (of assets, market value, profit, and sales). *Forbes* changed its industrial classification system in 2011, from classifying 27 sectors before 2011 to 80 sectors since 2011. To facilitate analysis and make annual comparisons meaningful, I have condensed these into 25 broader sectors (see Appendix B for more on methodology). And I have aggregated

national profit-share because, as explained in Chapter Three, profit is the best indicator of economic power (see also Nitzan and Bichler 2009). By the twenty-first century, cross-country profit comparisons are also more reliable, mainly due to converging global accountancy standards and increasing pressure to protect 'shareholder value'. Global standards have converged particularly since the 1990s, as American accounting, consulting, and financial advisory firms — as well as the US state, among others — pushed more or less successfully for convergence (see Sablowski 2008, Panitch and Gindin 2012).<sup>38</sup>

Table 4.1 presents the national profit-shares of the top 2,000 publicly-listed corporations in the world across twenty-five broad sectors, in the years 2006, 2007, 2010, 2012, and 2013.<sup>39</sup> This time-span offers a view of the world's top 2,000 corporations three years before and after the 2008-2009 global financial and economic crisis, for a total span of eight years. Thus, if it is true that this period marks a tectonic shift of global capitalism from the West to the East and South, then there should be rapid corporate decline and ascent, respectively, visible in Table 4.1 across the various sectors. We can see, however, that while this is true for certain sectors, overall, the extraordinary dominance of American capital endures. There are thirteen sectors in which American corporate dominance (38% or above) persists from 2006 to 2013: Aerospace & Defense; Business & Personal Services; Casinos, Hotels & Restaurants; Computer Hardware & Software; Conglomerates; Electronics; Financial Services; Food, Beverages & Tobacco; Healthcare Equipment

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<sup>38</sup> International discrepancies in standards nevertheless remain, including in reporting seasons.

<sup>39</sup> The list is released in late April, and refers to the past fiscal year up until March 31. Hence, the 2010 list covers most of 2009.



& Services; Heavy Machinery; Media; Pharmaceuticals & Personal Care; and Retail. Moreover, American corporations lead, with the number one profit-share, in a further five sectors: Chemicals; Insurance; Oil & Gas; Transportation; and Utilities.

Therefore, American corporations account for the leading profit-share in eighteen of the twenty-five sectors — no other nation even begins to approach such diverse preponderance. Chinese firms are the closest, with a leading profit-share in three sectors (five if we include Hong Kong's Real Estate and Telecommunications): Banking; Construction; and Forestry, Metals & Mining. Chinese firms dominate in one sector (Real Estate) if we include Hong Kong, albeit the Chinese share in Banking and Construction approach dominance, especially the former (32% in Banking, more than double the second-placed American share). There are only two other nations in 2013 that have a leading share of corporations in a sector: Germany in Auto, Truck & Parts and Japan in Trading Companies, dominating both their respective sectors. In this way, at the pinnacle of global capitalism in 2013, the number of nations with corporations that have a leading profit-share in one or more of the twenty-five sectors (China, Germany, Japan, and most of all the United States) is still a very exclusive club with only four members. The nations with corporations that dominate a single sector form an even more exclusive club, with Germany and Japan dominating one each, and the United States dominating an astounding thirteen sectors in 2013.

**Table 4.1: National Sectoral Profit-Share of Top 2000 Corporations — 2006, 2007, 2010, 2012, 2013**

<i>Sector</i>	<i>Year</i>	<i>Number of Firms/ Nations</i>	<i>Total Profit (\$bn)</i>	<i>#1 Profit-Share (%)</i>	<i>#2 Profit-Share (%)</i>	<i>#3 Profit-Share (%)</i>	<i>Notes on China</i>
<b>Aerospace &amp; Defense</b>	2006	17/7	14.7	US 66	UK 11	Netherlands 10	Zero
	2007	19/8	20.7	US 55	UK 25	Netherlands 9	Zero
	2010	18/7	21.3	US 65	UK 18	France 7	Zero
	2012	20/8	25.1	US 67	UK 13	France 7	Zero
	2013	19/7	25.9	US 54	UK 21	France 14	Zero
<b>Auto, Truck &amp; Motorcycle</b>	2006	45/12	56.5	Japan 47	Germany 17	US 13	#9 @ 0.6%
	2007	41/11	54.2	Japan 50	Germany 21	France 9	#9 @ 0.6%
	2010	19/8	9.78	US 42	Japan 17	South Korea 16	#4 @ 9%
	2012	53/13	129.3	Germany 29	US 26	Japan 18	#6 @ 4%
	2013	54/14	124.7	Germany 45	Japan 16	US 14	#5 @ 5%
<b>Banking</b>	2006	293/ 26	296.5	US 34	UK 13	Japan 7	#10 @ 2%
	2007	295/46	383.1	US 28	UK 15	Japan 8	#6 @ 4.3%
	2010	172/47	281.8	China 19	US 14	UK 10	See #1
	2012	264/ 54	443.5	China 24	US 15	Japan 6	See #1
	2013	267/53	501.9	China 32	US 15	Japan 7	See #1
<b>Business &amp; Personal Services</b>	2006	49/12	17.6	US 53	Japan 12	UK 7	Zero
	2007	56/12	25.8	US 46	Japan 21	UK 8	Zero
	2010	42/14	17.8	US 41	Japan 14	UK 14	#13 @ 1%
	2012	34/10	18	US 44	Switzerland 15	UK 8	Zero
	2013	41/9	20.1	US 54	UK 9	Switzerland 8	Zero
<b>Casinos, Hotels &amp; Restaurants</b>	2006	31/11	16.3	US 46	UK 18	Panama/ UK 14	Zero
	2007	31/12	22.5	US 52	UK 16	Panama 10	Zero
	2010	16/10	11.5	US 50	Panama 16	Germany 9	Zero
	2012	25/11	23.7	US 64	Hong Kong 7	Panama 7	#6 @ 2%
	2013	25/10	23	US 56	Hong Kong 12	UK 9	#7 @ 3%

<b>Chemicals</b>	2006	59/18	39.9	US 31	Japan 13	Germany 12	#14 @ 1.5%
	2007	53/17	43.2	US 31	Germany 15	Japan 12	Zero
	2010	52/19	34.6	US 27	Germany 18	Saudi Arabia 8	#15 @ 1.8%
	2012	66/19	79.1	US 25	Germany 19	Saudi Arabia 12	Zero
	2013	65/23	73.9	US 25	Germany 18	Saudi Arabia 10	#21 @ 0.5%
<b>Computer Hardware &amp; Software</b>	2006	68/12	85.2	US 70	South Korea 14	Taiwan 7	Zero
	2007	80/14	96.8	US 70	South Korea 10	Taiwan 7	#14 @ 0.02%
	2010	59/14	96.1	US 79	Taiwan 5	South Korea 5	#9 @ 0.07%
	2012	78/19	186	US 74	South Korea 6	Taiwan 5	#6 @ 2%
	2013	72/14	193.6	US 72	South Korea 11	Taiwan 4	#4 @ 2%
<b>Conglomerates</b>	2006	31/15	50.2	US 57	Bermuda 8	Netherlands 7	Zero
	2007	41/17	72.7	US 50	Netherlands 10	Hong Kong 10	Zero
	2010	39/17	53.1	US 45	Hong Kong 13	Germany 7	Zero
	2012	30/14	66.8	US 43	Hong Kong 23	Germany 13	Zero
	2013	38/18	64.3	US 48	Hong Kong 12	Germany 9	Zero
<b>Construction</b>	2006	66/20	35.12	US 34	France 15	UK 10	Zero
	2007	78/23	43.3	France 18	US 17	Spain 16	#19 @ 0.6%
	2010	73/29	35.7	Spain 16	France 16	China 9	See #3
	2012	64/24	37.6	China 22	France 18	Japan 11	See #1
	2013	69/23	37	China 28	France 15	US 10	See #1
<b>Electronics</b>	2006	62/10	35.1	US 48	Japan 25	Sweden 7	Zero
	2007	50/11	41.6	US 39	Japan 22	Finland 14	Zero
	2010	41/9	27.1	US 48	Japan 18	Taiwan 16	#7 @ 1.9%
	2012	57/13	57.8	US 39	Japan 29	Taiwan 10	#4 @ 4%
	2013	49/12	51.8	US 33	Taiwan 25	Japan 23	#6 @ 3%
<b>Financial Services</b>	2006	154/ 27	139.9	US 45	Switzerland 11	Netherlands 10	Zero
	2007	119/25	156.6	US 47	Switzerland 12	UK 6	#25 @ 0.02%
	2010	91/30	87.2	US 52	Sweden 11	Switzerland 11	#5 @ 3%
	2012	95/27	100.9	US 53	South Korea 8	Switzerland 6	#4 @ 4%

	2013	87/26	106	US 66	South Korea 6	Sweden 5	#6 @ 2%
<b>Food, Beverages &amp; Tobacco</b>	2006	72/21	68.9	US 49	UK 15	Switzerland 9	Zero
	2007	66/23	82.6	US 43	UK 18	Netherlands 10	#20 @ 0.3%
	2010	82/31	92.6	US 42	UK 11	Switzerland 11	#10 @ 1.9%
	2012	85/28	112.1	US 43	UK 12	Switzerland 9	#7 @ 3%
	2013	88/27	122.9	US 39	UK 13	Switzerland 10	#6 @ 5.3%
<b>Forestry, Metals &amp; Mining</b>	2006	99/30	84.6	US 13	Japan 9	Russia 8	#11 @ 5%
	2007	107/27	116.6	UK 14	US 14	Australia 11	#8 @ 5.5%
	2010	109/28	87	China 15	UK 15	Brazil 10	See #1
	2012	117/ 32	172.2	Australia 17	Brazil 13	China 11	See #3
	2013	92/26	97.4	China 20	Australia 19	India 8	See #1
<b>Healthcare Equipment &amp; Services</b>	2006	53/7	31.2	US 89	Sweden 4	UK 2	Zero
	2007	45/6	31.8	US 89	Japan 3	UK 2	Zero
	2010	43/9	34.2	US 86	Switzerland 3	Ireland 2.7	#8 @ 0.3%
	2012	39/9	39.5	US 84	Ireland 5	Germany 4	Zero
	2013	40/8	50.7	US 89	Ireland 4	Germany 2	Zero
<b>Heavy Machinery</b>	2006	63/16	29	US 39	Sweden 21	Japan 16	#8 @ 1.5%
	2007	53/12	36	US 39	Sweden 20	Japan 17	#8 @ 1.6%
	2010	61/15	28	US 21	Switzerland 16	Japan 14	#4 @ 12%
	2012	68/13	62.7	US 37	Japan 14	Sweden 12	#4 @ 11%
	2013	64/15	56.1	US 39	Japan 15	Sweden 13	#4 @ 11%
<b>Insurance</b>	2006	98/20	89	US 53	Germany 7	Switzerland 7	#12 @ 1.4%
	2007	112	146.2	US 41	Netherlands 9	Germany 8	#10 @ 1.2%
	2010	95/22	76.3	US 27	Germany 13	Bermuda 12	#7 @ 4.4%
	2012	85/22	107	US 41	China 10	Switzerland 9	See #2
	2013	99/25	108.6	US 25	Switzerland 11	Germany 11	#5 @ 7%
<b>Media</b>	2006	55/15	32.2	US 59	UK 10	Japan 6	Zero
	2007	49/14	48.4	US 60	UK 12	France 11	Zero
	2010	41/14	38.5	US 69	France 8	Canada 4	Zero

	2012	37/9	44.5	US 67	France 11	UK 6	Zero
	2013	39/10	48.8	US 69	UK 11	Canada 6	Zero
<b>Oil &amp; Gas</b>	2006	102/ 31	277.9	US 38	Netherlands 10	UK 9	#4 @ 6%
	2007	116/32	340.3	US 36	Russia 9	Netherlands 9	#5 @ 6.3%
	2010	95/32	254.2	Russia 21	US 19	UK 9	#4 @ 8.5%
	2012	123/ 35	454.1	US 28	Russia 17	UK 9	#5 @ 7%
	2013	115/32	410.4	US 30	Russia 21	China 7	See #3
<b>Pharmaceuticals &amp; Personal Care</b>	2006	37/10	82.2	US 51	UK 15	Switzerland 12	Zero
	2007	56/15	123.9	US 54	France 7	Germany 3	Zero
	2010	68/19	153.4	US 58	UK 12	Switzerland 11	#16 @ 0.01%
	2012	69/19	148	US 49	UK 14	Switzerland 13	#12 @ 0.4%
	2013	70/18	145.9	US 53	Switzerland 14	UK 12	#10 @ 0.6%
<b>Real Estate</b>	2006	N/A	N/A	N/A	N/A	N/A	N/A
	2007	49/9	39.1	Hong Kong 29	US 22	Australia 16	Zero
	2010	35/7	14.7	Hong Kong 42	China 20	Japan 13	See #2
	2012	72/15	64.6	Hong Kong 37	China 14	US 14	See #2
	2013	80/15	71.9	Hong Kong 34	China 19	US 18	See #2
<b>Retail</b>	2006	122/ 19	76.6	US 68	UK 11	Japan 4	Zero
	2007	115/22	88.2	US 61	UK 11	Japan 7	Zero
	2010	108/24	81.6	US 61	UK 8	Canada 3	#21 @ 0.3%
	2012	116/ 26	114	US 55	UK 8	Japan 4	#15 @ 1%
	2013	119/26	121.9	US 54	UK 9	France 5	#10 @ 1.6%
<b>Telecommunications</b>	2006	62/37	98.5	US 21	Japan 9	Hong Kong 7	#9 @ 2%
	2007	62/35	105.2	US 18	Hong Kong 9	Spain 8	#9 @ 3.3%
	2010	69/41	128.3	Hong Kong 17	US 14	Spain 8	#41 @ 0.1%
	2012	59/38	133.9	Hong Kong 15	UK 11	Japan 9	#16 @ 2%
	2013	62/36	130.9	Hong Kong 16	UK 11	US 11	#8 @ 3%
<b>Trading Companies</b>	2006	23/ 7	7.5	Japan 74	UK 14	South Korea 7	#6 @ 1%
	2007	20/6	10.9	Japan 84	UK 9	South Korea 4	#5 @ 0.4%

	2010	20/6	13	Japan 90	South Korea 5	Hong Kong 2	#4 @ 1%
	2012	16/5	18.5	Japan 87	Hong Kong & South Korea 4 (each)	India 3	#5 @ 2%
	2013	17/6	22.8	Japan 89	South Korea 4	Hong Kong 3	#4 @ 2.1%
<b>Transportation</b>	2006	73/25	46.8	US 27	Japan 15	Denmark 10	#10 @ 1.5%
	2007	75/26	47.8	US 31	Japan 14	Denmark 7	#7 @ 5.1%
	2010	62/26	33.4	Japan 22	US 21	China 12	See #3
	2012	63/22	50.9	US 31	Japan 14	China 12	See #3
	2013	62/22	50	US 27	Japan 16	China 8	See #3
<b>Utilities</b>	2006	109/ 23	85.5	US 31	Germany 15	Japan 9	#11 @ 1.5%
	2007	112/23	116.9	US 28	UK 12	France 11	#15 @ 1.1%
	2010	104/24	115.5	US 28	Germany 16	France 11	#18 @ 0.7%
	2012	99/27	98.4	US 27	France 9	UK 9	#10 @ 4%
	2013	93/26	86.9	US 26	France 8	Spain 8	#9 @ 4.5%

**Source:** Author's Calculations (see Appendix B) from *Forbes Global 2000* (2006, 2007, 2010, 2012, 2013).

Nevertheless, there have been sizable fluctuations over the eight years from 2006 to 2013 — most notably in regards to China and the United States. In 2006, Chinese firms had no leading profit-share in any sector other than Hong Kong in Real Estate, but eight years later this expanded to five sectors. The extraordinary rise of China will be discussed in greater detail in Chapter Six, but note for now the unusual discrepancy between Chinese profit-shares and national accounts. In Auto, Truck & Parts, for example, China became the largest domestic market for automobiles in the world (by volume) in 2009, yet the Chinese profit-share in 2013 is only 5%. While this is exponential growth from the 0.6% share in 2006 and 2007, not only has there been a decline from 9% in 2010 (confounding linear growth projections so common to many analyses), but on historical patterns one might have expected Chinese corporations to have the leading profit-share to match China's primacy in national accounts. While there has been great fluctuation over the years in this sector, the leading spot has rotated between Japan, the United States, and Germany. Their collective grip on the global auto sector remains firm. In the age of globalization, the fact that China has the largest domestic market in the world in automobiles does not at all indicate that Chinese firms are world leaders in automobiles — contra the earlier revival and rise of the national auto markets of West Germany, Japan, and South Korea.

Similarly, China has become the largest domestic market for personal computers in the world since 2011, yet the Chinese profit-share is an insubstantial 3% compared to the American share of 84%, even if the former is second largest in the world. Again, in the era when national accounts were less problematic, we

would expect Chinese firms to have a significant profit-share in Computer Hardware & Software, and yet the American share is twenty-eight times larger in 2013. Indeed, note the more than doubling in the total profit of the sector itself over these eight years, from \$49.9 billion to \$138.1 billion, and how the American profit-share has remained remarkably steady throughout (between 84% and 85% over eight years). This indicates that the emerging importance in Computer Hardware & Software of other nations such as China and India has not only *not* been at the expense of American corporations, but, due to their dominance, American corporations have been in a prime position to expand with their rise. In other words, the rise of others does not at all necessarily challenge American dominance at the technological frontier, and may instead lead to the expansion of American dominance into new national markets, thereby boosting American profit. This will especially be the case as Chinese firms remain in commoditized and low-margin segments of advanced technology (such as Lenovo in PCs). We shall delve deeper into the future prospects of Chinese Computer Hardware & Software firms, such as Baidu and Lenovo, in Chapter Six.

There are a number of other sectors in which a similar case can be made. Despite China being the largest electronics exporter in the world since 2004, a decade later the Chinese profit-share is still only 1.5%, versus the American dominance of 38%. Northeast Asia has certainly risen in electronics, as South Korea, Taiwan, and Japan have profit-shares of 23%, 18%, and 12%, respectively (for a total of 53%), but China is still largely used as a final assembly and export platform for transnational capital, as we shall see in greater detail in Chapter Six. Also,



despite having to feed and quench the thirst of almost a fifth of the world's population, in Food, Beverages & Tobacco the Chinese profit-share is 5.3% while American corporations dominate at 39%. Moreover, despite having the largest consumer market in the world by population, the Chinese profit-share in Retail is only 1.6%, while American corporations dominate at 54%. Clearly then, there is no necessary correlation between the rise of Chinese national accounts and the rising competitiveness of Chinese capital. In order to determine the latter, we need to investigate more deeply, including into the market-shares of foreign capital within China itself, which we shall do in Chapter Six.

These qualifications are not to deny China's extraordinary rise as an industrial power in the span of a mere two decades or so. China has already surpassed every nation other than the United States in terms of the number of sectors in which Chinese firms have a leading profit-share at the pinnacle of global capitalism. And in addition to the five sectors mentioned above (Banking; Construction; Forestry, Metals & Mining; Real Estate; and Telecommunications), Chinese firms also have significant profit-shares in: Casinos, Hotels & Restaurants; Heavy Machinery; Insurance; Oil & Gas; and Transportation.<sup>40</sup> It is mainly in these sectors, then, that the extraordinary rise of China's national accounts has propelled

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<sup>40</sup> Hong Kong's 12% profit-share in Casinos, Hotels & Restaurants is largely because of Macau, the largest gambling center in the world. In 2013, a single casino, Sands Macau (owned by US billionaire Sheldon Adelson) raked in more sales than all the casinos on the Las Vegas strip combined (Sevastopulo 2014). Note that Hong Kong also has the number two share in Conglomerates, but these Hong Kong firms originated in the British colonial period, and were already strong before the rise of China in the 1990s. For example, Hutchison Whampoa, founded in 1863, has the largest market-share in European pharmacies (Lex Team 2014b). Hence I do not count them as part of 'the rise of China', even if they have no doubt also benefitted from this rise.

the extraordinary rise of Chinese corporations up the ranks of the *Forbes Global 2000*. In all of these sectors, with the notable exception of Oil & Gas, the bulk of the operations of the largest Chinese firms are contained within Greater China (the Mainland plus Hong Kong and Macau). They are also predominantly heavily protected and subsidized state-owned enterprises (except the Hong Kong-based firms in Casinos and Real Estate). It remains to be seen whether these nationally protected behemoth state-owned enterprises (SOEs) can use their domestic base as a springboard from which to compete internationally, following in the footsteps of Japanese and South Korean corporations decades earlier. One crucial factor will be whether these Chinese SOEs can innovate at the technological frontier and build globally competitive brands, which will be discussed below.

As for the United States, at first glance there has been an extensive aggregate fall in American corporate profit-shares during this eight-year period across eleven sectors: Auto, Truck & Parts; Banking; Chemicals; Construction; Electronics; Food, Beverages & Tobacco; Forestry, Metals & Mining; Insurance; Oil & Gas; Retail; and Telecommunications. We shall discuss each of these eleven sectors in greater detail in the next section, in order to determine to what extent there has been actual American corporate decline. Nonetheless, note that there has also been American ascendancy in four sectors: Financial Services; Heavy Machinery; Media; and Utilities. The most striking is Financial Services, as the American profit-share increased from 45% in 2006 to 66% in 2013 — despite the 2008 Wall Street crash. Obviously some Wall Street firms collapsed, such as Bear Stearns and Lehman Brothers, but others have consolidated and expanded, as we shall see below. In any

case, with American predominance across such a vast range of sectors there are bound to be short- to medium-term fluctuations with varying causes, from corporate divestitures to M&As, from stock market de-listings to IPOs, and so on. We must dig deeper in order to determine whether American capital in whatever sector is actually declining because of rising competition from other nations.

Table 4.2 presents a wider view of shifting national corporate power from 2006 to 2013, as it shows the number of sectors in which each nation has a top 3 presence. Again, there is no other nation that approaches the dominance of the United States, with a top 3 presence in twenty-four and twenty-three of the twenty-five sectors in 2006 and 2013, respectively. Indeed, American dominance vis-à-vis the number two spot has only widened over the eight years due to the further decline of Japan, even if we combine China and Hong Kong for a total of twelve sectors in 2013. The one sector in which American firms have no presence in both 2006 and 2013 is Trading Companies, a sector largely comprising an enterprise-type peculiar to Japan, the *sogo shosha* (trading companies) — hence Japanese dominance at 74% in 2006 and 89% in 2013. This sector, however, at a total profit of \$22.8 billion in 2013, is the second smallest: above Business & Personal Services (\$20.1 billion) and slightly below Casinos, Hotels & Restaurants (\$23 billion). The sector in which American firms lost their top 3 presence since 2006 is Forestry, Metals & Mining. This sector will be explored in greater depth in the next section along with the other sectors of supposed American decline.

The other main point that confirms the above discussion is the extraordinary rise of China, from having no top 3 presence in 2006 to a presence in seven sectors

by 2013. One important point to note, however, which can be seen more clearly in Table 4.2 than Table 4.1, is that the rise of China has been much more at the expense of European and Japanese capital than American. Western Europe (including Switzerland) had a collective top 3 presence in twenty-one sectors in 2006, which declined to seventeen in 2013 (six less sectors than the United States, despite Western Europe having a larger GDP). Note the diversity of fluctuations within Western Europe, however, as the German, Swiss, and Swedish shares remained steady at five, four, and two sectors, respectively, the French share increased from one to four, the British share declined from twelve to eight, and the Danish and Dutch shares vanished from the top 3. In addition, the Japanese top 3 presence collapsed by almost two-thirds, from fourteen to five sectors over these eight years.

**Table 4.2: Nations with a Top 3 Presence Across 25 Sectors in the *Forbes Global 2000* — 2006, 2013**

<b>2006 (Number of Sectors/25)</b>		<b>2013 (Number of Sectors/25)</b>	
<b>1.</b>	US (24)	<b>1.</b>	US (23)
<b>2.</b>	Japan (14)	<b>2.</b>	UK (8)
<b>3.</b>	UK (12)	<b>3.</b>	China (7) — 0 in 2006
<b>4.</b>	Germany (5)	<b>4.</b>	Germany (5); Hong Kong (5); Japan (5)
<b>5.</b>	Netherlands (4)	<b>5.</b>	France (4); Switzerland (4)
<b>6.</b>	Switzerland (4)	<b>6.</b>	South Korea (3)
<b>7.</b>	South Korea (2)	<b>7.</b>	India (2); Sweden (2)
<b>8.</b>	Sweden (2)	<b>8.</b>	Australia (1); Canada (1); Ireland (1); Russia (1); Saudi Arabia (1); Spain (1); Taiwan (1)
<b>9.</b>	Bermuda (1); Denmark (1); France (1); Hong Kong (1); Panama/UK (1); Russia (1)		
<b>Total Nations: 14</b>		<b>Total Nations: 18</b>	

**Source:** Author's Calculations (see Appendix B) from *Forbes Global 2000* (2006, 2013).

We can also see from the birds-eye view of Table 4.2 that China stands out among all the so-called ‘emerging markets’ and ‘BRICs’. The natural resource ‘commodities supercycle’ has propelled the rise of Australian (Forestry, Metals & Mining), Indian (Forestry, Metals & Mining), Russian (Oil & Gas), and Saudi Arabian (Chemicals) corporations, and to a lesser extent Brazilian (since they have dropped out of the top 3 in Forestry, Metals & Mining in 2013), but only India has a presence in an additional sector, Computer Hardware & Software at 3% (on par with China’s share), while China alone has corporations collectively leading across an array of industrial sectors at the pinnacle of global capitalism. In regards to East Asia more broadly, because of the decline of Japan, the number of sectors represented — fifteen — has remained steady over the eight years, despite the rise of Hong Kong, South Korea, Taiwan, and most of all China. Thus, while dynamism has shifted within East Asia between 2006 and 2013, the region as a whole still lags behind Western Europe with seventeen sectors, and of course the United States with twenty-three — despite the Triad’s rough equalization in world shares of GDP by 2012 (see Figure 3.2).

Furthermore, note the increased number of nations represented with corporations at the pinnacle of global capitalism, from fourteen in 2006 to eighteen in 2013. Again, however, this rise of others has not been at the expense of the American presence in the top 3 profit-shares across by far the greatest expanse of sectors — with the exception of Forestry, Metals & Mining. Nor for that matter has the rise of others been at the expense of the various German (Auto, Truck & Parts; Chemicals; Conglomerates; Healthcare Equipment & Services; Insurance), Swiss

(Business & Personal Services; Food, Beverages & Tobacco; Insurance; Pharmaceuticals & Personal Care), or Swedish (Financial Services; Heavy Machinery) corporations measured by profit-shares. And it remains to be seen whether 'Abenomics', initiated in early 2013, can reverse Japan's precipitous corporate decline over the past two decades.

And finally, it should also be stressed that not all twenty-five sectors carry the same weight in global capitalism. Table 4.3 presents the twenty-five sectors in order of total profit in 2013, from highest to lowest. By far the most significant in terms of total profit are Banking and Oil & Gas. These two sectors, coupled with Forestry, Metals & Mining, also happen to be the sectors in which the rise of the BRICs has been most prominent. This is especially the case for Banking, where five Chinese banks (Industrial and Commercial Bank of China, Bank of China, China Construction Bank, Agricultural Bank of China, and Bank of Communications), all SOEs, have shot up the ranks of the *Forbes Global 2000*. But we can see that this rise of the BRICs is fairly limited to certain sectors that are heavily nationally protected, including in the West (Telecommunications and Utilities are other examples). Generally speaking, those sectors that are more open to foreign competition remain dominated by American and/or Western European capital. And from Table 4.3 it is easy to see that American corporate dominance is particularly strong at the technological frontier, albeit not all of these sectors have high total profit: Pharmaceuticals & Personal Care with a total profit of \$146 billion (the third largest) and an American corporate share of 53%, Computer Hardware & Software with a total profit of \$138 billion (the fourth largest) and an American corporate

share of 84%, Electronics with an American corporate share of 38%, Healthcare Equipment & Services (a sizable sector of \$51 billion) with an American corporate profit-share of 89%, and an American corporate share of 54% in Aerospace & Defense. But what of those sectors that have supposedly witnessed American relative decline? To this we now turn.

## **II. Disaggregating Sectors with Supposed American Decline**

There has been a downturn in the aggregate profit-shares of US corporations from 2006 to 2013 in eleven sectors, but as in Chapter Three, it is necessary to disaggregate the aggregate in order to not be misled. Also, the extent of this American downturn varies from sector to sector, with the smallest decrease being six percentage points in Chemicals and the largest being falls of more than half in Auto, Truck & Parts, Banking, and Insurance. There has also been the eight-percentage point fall in Oil & Gas coupled with the doubling of the second-placed national profit-share (Russia's). These falls are somewhat tempered by the fact that the American dollar depreciated 14% from 2006 to 2011, before appreciating 7% by 2013, as seen in Figure 3.7. Be that as it may, I shall first discuss those sectors in which the supposed American relative decline is least convincing, and end with those sectors in which supposed relative American decline seems most apparent (but is nevertheless not absolute, as we shall see).

**Table 4.3: 25 Sectors Ranked By Profit in the *Forbes Global 2000* with Their Top 3 National Profit-Shares — 2013**

<b>Sector</b>	<b>Number of Firms/ Nations</b>	<b>Total Profit (\$bn)</b>	<b>#1 Profit-Share (%)</b>	<b>#2 Profit-Share (%)</b>	<b>#3 Profit-Share (%)</b>	<b>Notes on China</b>
<b>Banking</b>	267/53	501.9	China 32	US 15	Japan 7	See #1
<b>Oil &amp; Gas</b>	115/32	410.4	US 30	Russia 21	China 7	See #3
<b>Pharmaceuticals &amp; Personal Care</b>	70/18	145.9	US 53	Swiss 14	UK 12	#10 @ 0.6%
<b>Computer Hardware &amp; Software</b>	51/12	138.1	US 84	China 3	India 3	See #2
<b>Telecommunications</b>	62/36	130.9	HK 16	UK 11	US 11	#8 @ 3%
<b>Auto, Truck &amp; Parts</b>	54/14	124.7	Germany 45	Japan 16	US 14	#5 @ 5%
<b>Food, Beverages &amp; Tobacco</b>	88/27	122.9	US 39	UK 13	Switzerland 10	#6 @ 5.3%
<b>Retail</b>	119/26	121.9	US 54	UK 9	France 5	#10 @ 1.6%
<b>Insurance</b>	99/25	108.6	US 25	Swiss 11	Germany 11	#5 @ 7%
<b>Electronics</b>	70/14	107.3	US 38	ROK 23	Taiwan 18	#7 @ 1.5%
<b>Financial Services</b>	87/26	106	US 66	ROK 6	Sweden 5	#6 @ 2%
<b>Forestry, Metals &amp; Mining</b>	92/26	97.4	China 20	Australia 19	India 8	See #1
<b>Utilities</b>	93/26	86.9	US 26	France 8	Spain 8	#9 @ 4.5%
<b>Chemicals</b>	65/23	73.9	US 25	Germany 18	Saudi Arabia 10	#21 @ 0.5%
<b>Real Estate</b>	80/15	71.9	HK 34	China 19	US 18	See #2
<b>Conglomerates</b>	38/18	64.3	US 48	HK 12	Germany 9	Zero
<b>Heavy Machinery</b>	64/15	56.1	US 39	Japan 15	Sweden 13	#4 @ 11%
<b>Healthcare Equipment &amp; Services</b>	40/8	50.7	US 89	Ireland 4	Germany 2	Zero
<b>Transportation</b>	62/22	50	US 27	Japan 16	China 8	See #3
<b>Media</b>	39/10	48.8	US 69	UK 11	Canada 6	Zero
<b>Construction</b>	69/23	37	China 28	France 15	US 10	See #1
<b>Aerospace &amp; Defense</b>	19/7	25.9	US 54	UK 21	France 14	Zero
<b>Casinos, Hotels &amp; Restaurants</b>	25/10	23	US 56	HK 12	UK 9	#7 @ 3%
<b>Trading Companies</b>	17/6	22.8	Japan 89	ROK 4	Hong Kong 3	#4 @ 2.1%
<b>Business &amp; Personal Services</b>	41/9	20.1	US 54	UK 9	Switzerland 8	Zero

**Note:** 'HK' is Hong Kong; 'ROK' is South Korea.

**Source:** Author's Calculations (see Appendix B) from *Forbes Global 2000* (2013).



In Food, Beverages & Tobacco, the American profit-share fell from 49% in 2006 to 39% in 2013 (see Table 4.1). Much of this can basically be explained by two factors in the Beverages sub-sector (the largest of the three in Food, Beverages & Tobacco). First, the Belgian beer brewer InBev acquired the American brewer Anheuser-Busch in 2008, creating the new firm Anheuser-Busch InBev, with headquarters in Belgium. In this way, one of the top American firms in Food, Beverages & Tobacco — brewer of Budweiser and Michelob — was eliminated from the *Forbes Global 2000* list, thereby decreasing the aggregate American profit-share (and increasing the Belgian share), even if of course Anheuser-Busch's operations in the United States remained.

Second, note the increased Chinese profit-share from zero in 2006 to 5.3% by 2013. This marks the rise of especially two Chinese firms: Kweichow Moutai and Wuliangye Yibin, with a combined profit of \$3.1 billion in 2013, representing 48% of the Chinese profit-share in Food, Beverages & Tobacco. Kweichow Moutai is a brand of *baiju* liquor (distilled from fermented sorghum) from the town of Maotai in southwestern China. It is safe to assume that Kweichow Moutai is not a competitive threat to American capital in the sub-sector of Beverages, even if its rise necessarily decreases the aggregate American profit-share. The same can be said for Wuliangye Yibin, another distiller of *baiju*. In any case, Table 4.4 presents the top 5 firms by profit in the Food, Beverages & Tobacco sector in 2006 and 2013. We can see that the number of American firms (three) in the top 5 has not changed. The number one firm in 2006, Altria Group, divested Philip Morris in 2008, the latter of which is number three in 2013. Coca Cola has moved from fourth to second highest profit in

this period. Given all of this, the implication of American aggregate downturn is ambiguous at best, and there is a case to be made that American capital in Food, Beverages & Tobacco has not declined at all.

**Table 4.4: Top 5 Firms in Food, Beverages & Tobacco and Retail — 2006, 2013**

<i>Sector</i>	<i>Year</i>	<i>#1 (Nation) % of Total Profit</i>	<i>#2 (Nation) % of Total Profit</i>	<i>#3 (Nation) % of Total Profit</i>	<i>#4 (Nation) % of Total Profit</i>	<i>#5 (Nation) % of Total Profit</i>
<b>Food, Beverages &amp; Tobacco</b>	2006	Altria Group (US) 15	Nestlé (Swis) 9	Unilever (Ne/UK) 7	Coca Cola (US) 7	PepsiCo (US) 6
	2013	Nestlé (Swis) 9.4	Coca Cola (US) 7.3	Philip Morris (US) 7.2	Anheuser-Busch InBev (Bel) 5.9	PepsiCo (US) 5
	2013	Wal-Mart (US) 15	Home Depot (US) 8	Lowe's Cos (US) 4	Tesco (US) 3	Target (US) 3
<b>Retail</b>	2006	Wal-Mart (US) 13.9	Home Depot (US) 3.7	Tesco (UK) 3.7	CVS (US) 3.2	Target (US) 2.5
	2013					

**Source:** Author's Calculations (see Appendix B) from *Forbes Global 2000* (2006, 2013).

Similarly, Table 4.4 also displays the top 5 firms by profit-share in 2006 and 2013 in the Retail sector. Despite aggregate American decrease from 68% in 2006 to 54% by 2013, we can see that four of the top 5 firms remain American, and the number one firm — Wal-Mart — has considerably increased its profit from \$11.2 billion to \$17 billion eight years later. Apart from currency fluctuations, then, an important cause for the aggregate decrease in American profit-share in Retail is the

expansion in the number of nations represented in the *Forbes Global 2000* in this sector, from nineteen in 2006 to twenty-six in 2013. These additional nations are: China, the Netherlands, the Philippines, Portugal, Russia, Thailand, and Turkey. None have a profit-share larger than 1.6% (China's), which can hardly be seen as a challenge to American dominance at 54%. Again, however, their mere rise automatically dilutes the aggregate American share, even if American firms remain the world's top corporations in Retail. Wal-Mart's profit-share alone in 2013 accounts for 14% of the \$122 billion global profit in Retail. Therefore, it is inaccurate to argue that the rise of others in Retail is leading to the decline of American capital; more often than not, their rise actually presents increased opportunities for American capital (especially for the global supply chains of CVS, Home Depot, Target, and Wal-Mart).

Table 4.5 presents a more encompassing swath of the Chemicals sector, revealing the top 10 firms by profit, sales, and market value in 2006 and 2013. We have seen in Chapter Three that American capital lost its dominance in Chemicals already by the 1970s, as especially the German firms BASF and Bayer regained their pre-World War II ascendancy — which can be seen in Table 4.5. Nevertheless, Dow Chemical and Du Pont are still globally competitive corporations in the Chemicals sector, as is Monsanto, especially depending on which metric one uses (in 2013 Dow Chemical is second in the world by sales, and Du Pont is fifth by market value, while Monsanto is fourth). Also note that the American firm Lyondell Chemical (number six by sales in 2006) was acquired by the Dutch firm Basell Polyolefins in 2007 to create Lyondell Basell (the number four firm by profit in 2013), thereby eliminating

its profit from the American share (and adding it to the Dutch). More generally, we can see in Table 4.5 that the Chemicals sector has a fairly large number of national competitors vying for the peak (especially relative to the Retail sector, which is dominated by American firms at the summit), and that most of the large Western European nations each have at least one major corporation in the Chemicals sector (with Germany specializing in the most). And since the 1970s oil shocks, Saudi Arabia, Qatar, and others have diversified into petrochemicals. Moreover, an important component of the industrial rise of Northeast Asia has been the rise of their firms in Chemicals — except China, whose profit-share declined from 1.8% in 2010 to zero in 2013 (again, confounding linear projections). Despite the rise of all these nations in the Chemicals sector since the 1970s, however, American corporations continue to account for the leading aggregate profit-share in the world.

We now turn to the Electronics sector, revealed in Table 4.6. Unlike in the Chemicals sector, many of the top firms in Electronics do not actually compete against each other, and in fact some drive each other's profits. For example, the American firm Qualcomm (number three by market value in 2013) is the world's leading microchip maker for mobile phones. Thus, the more smartphones Samsung (number one on all three metrics in 2013) or Nokia (number seven by sales) sell, the more microchips Qualcomm sells. Also, Hon Hai Precision Industry (number two by sales) is a final assembly contractor for many firms, including Cisco, NEC, Nokia, and Toshiba (all in the top 10 in Table 4.6), and Hon Hai does not design its own branded products that compete with its customers. Thus, the more electronics Hon Hai sells, the more these other firms are able to sell. For these reasons, many firms

**Table 4.5: Top 10 TNCs in the Chemicals Sector by Profit, Sales, and Market Value — 2006, 2013**

<b>2006 (Nation) Profit \$bn</b>	<b>2006 (Nation) Sales \$bn</b>	<b>2006 (Nation) Market Value \$bn</b>	<b>2013 (Nation) Profit \$bn</b>	<b>2013 (Nation) Sales \$bn</b>	<b>2013 (Nation) Market Value \$bn</b>
1. Dow Chemical (US) 4.5	BASF (De) 50.5	Saudi Basic Inds 184.73	Saudi Basic Inds 6.6	BASF (De) 103.9	BASF (De) 90.1
2. Saudi Basic Inds 3.8	Dow Chemical (US) 46.3	Dow Chemical (US) 41.62	BASF (De) 6.4	Dow Chemical (US) 56.8	Bayer (De) 84.9
3. BASF (De) 3.6	Bayer (De) 40.4	BASF (De) 38.85	Bayer (De) 3.2	Bayer (De) 52.5	Saudi Basic Inds 74.8
4. Du Pont (US) 2.1	Du Pont (US) 28.5	Du Pont (US) 37	Lyondell Basell (Ne) 2.9	Saudi Basic Inds 50.4	Monsanto (US) 55.9
5. Nan Ya Plastic (Tai) 1.4	Mitsubishi Chemical (J) 20.3	Bayer (De) 31.41	Sasol (S Afr) 2.9	Lyondell Basell Inds (Ne) 46.4	Du Pont (US) 46.6
6. Formosa Chems & Fibre (Tai) 1.3	Lyondell Chemical (US) 18.6	Shin-Etsu Chemical (J) 23.1	Du Pont (US) 2.8	Mitsubishi Chemical (J) 38.8	Lyondell Basell Inds (Ne) 46.4
7. Akzo Nobel (Ne) 1.1	Saudi Basic Inds 18.3	Monsanto (US) 22.6	Monsanto (US) 2.3	Du Pont (US) 35.3	Dow Chemical (US) 40.7
8. Formosa Plastics (Tai) 1.1	Akzo Novwl (Ne) 15.4	Air Liquide (Fr) 21.6	Inds Qatar 2.3	Sumitomo Chemical (J) 23.5	Syngenta (Swis) 40.1
9. Air Liquide (Fr) 1.1	Degussa (De) 15.3	Praxair (US) 17.4	Air Liquide (Fr) 2.1	LG Chem (ROK) 21.9	Air Liquide (Fr) 39.3
10. Solvay (Bel) 0.9	Asahi Kasei (J) 12.9	Syngenta (Swis) 14.9	Potash of Saskatchewan (Can) 2.1	Sasol (S Afr) 20.8	Potash of Saskatchewan (Can) 35.3

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2006, 2013).

in Electronics do not engage in zero-sum competition against each other, and often in fact are complementary and share in the profits (albeit unevenly) along different modules of the value-chain.

All of this is to say that an aggregate American profit-share decrease in Electronics from 50% in 2006 to 38% in 2013 does not necessarily indicate the decline of American capital vis-à-vis the rise of others. In certain instances it is in fact the opposite. For example, the extraordinary rise and dominance of Samsung Electronics by 2013, driven by its smartphones, has also partially propelled the rise of the American firms Qualcomm and Corning (maker of the specialized glass used in liquid crystal displays on smartphone screens), ranked numbers five and nine, respectively, by profit in 2013. Indeed, even Apple, Samsung's arch nemesis competitor, is also Samsung's largest customer. Apple is classified in Computer Hardware & Software (because much of its profits come from software), even if it directly competes with Samsung in smartphones and tablets (albeit not in their all-important operating systems, upon which Samsung relies on Google). If Apple were classified in Electronics, it would out-rank Samsung by a long shot (except in sales): in 2013, Apple's profits, sales, and market value are \$41.7 billion, \$164.7 billion, and \$416.6 billion, respectively, versus \$21.7 billion (almost half of Apple's), \$187.8 billion, and \$174.4 billion (42% of Apple's), respectively.

From the vantage point of the 1960s, it is of course significant that Samsung is now a serious competitor for certain American firms, but it is not as simple as to conclude that American capital has therefore suffered relative decline, since other American firms have also benefitted from the rise of Samsung (including creating

new opportunities for Apple itself, its arch nemesis). In any case, we can see in Table 4.6 that by both profit and sales, there is one more American firm in the top 5 in 2013 than there was in 2006 (and the same number in market value). This hardly indicates the decline of American capital's predominance in Electronics. Rather, Electronics is a highly dynamic sector as the latest technologies wax and wane within a relatively brief time-frame compared to most other sectors, resulting in high fluctuations in the various aggregate national shares, requiring greater complexity in our analysis than the assumption of zero-sum competition implies.

As for the Oil & Gas sector, there is both long-term stability and medium-term fluctuation. While there has been much consolidation over the decades (as we saw in Chapter Three), the original oil majors remain world leaders, and are especially dominant in terms of technology (Grindell and Armstrong 2012, Crooks 2014a, Hornby and Crooks 2014, Petraeus and Bremmer 2014). What has changed since the 1970s is the far greater number of national oil champions from around the world that are fully or partially listed on stock markets, thus becoming a part of *Forbes'* sample. As mentioned in the previous chapter, there have been two waves of sharp oil price inflation — in the 1970s and 2000s — and during both waves many national oil champions from the 'Rest' rose up the ranks of the world's top corporations. In this second wave, China and Russia have been most prominent, as we can see in Table 4.7. Since the middle of the 2000s, both PetroChina (descended from the Ministry of Petroleum during the Mao period) and Gazprom (the former Soviet Ministry of Gas Industry) have remained firmly in the global top 10 across

**Table 4.6: Top 10 TNCs in the Electronics Sector by Profit, Sales, and Market Value — 2006, 2013**

	<b>2006 (Nation) Profit \$bn</b>	<b>2006 (Nation) Sales \$bn</b>	<b>2006 (Nation) Market Value \$bn</b>	<b>2013 (Nation) Profit \$bn</b>	<b>2013 (Nation) Sales \$bn</b>	<b>2013 (Nation) Market Value \$bn</b>
<b>1.</b>	Samsung Electronics (ROK) 10.4	Samsung Electronics (ROK) 79.2	Cisco (US) 124.5	Samsung Electronics (ROK) 21.7	Samsung Electronics (ROK) 187.8	Samsung Electronics (ROK) 174.4
<b>2.</b>	Intel (US) 8.7	Toshiba (J) 54.5	Intel (US) 121.2	Intel (US) 11	Hon Hai (Tai) 132.1	Cisco (US) 116.9
<b>3.</b>	Cisco (US) 5.6	NEC (J) 45.3	Samsung (ROK) 104.2	Hon Hai (Tai) 10.7	Hitachi (J) 116.8	Qualcomm (US) 111.6
<b>4.</b>	Motorola (US) 4.6	Fujitsu (J) 44.4	Nokia (Fin) 78.1	Cisco (US) 9.3	Toshiba (J) 73.7	Intel (US) 105.7
<b>5.</b>	Nokia (Fin) 4.3	LG (ROK) 44	Qualcomm (US) 77.8	Qualcomm (US) 6.6	Intel (US) 53.3	Taiwan Semiconductor 89.9
<b>6.</b>	Agilent Technologies (US) 3	Nokia (Fin) 40.4	LM Ericsson (Swe) 54.1	Taiwan Semiconductor 5.7	Cisco (US) 47.3	Ericsson (Swe) 44.1
<b>7.</b>	LM Ericsson (Swe) 3.1	Intel (US) 38.8	Motorola (US) 52.8	Hitachi (J) 4.2	Nokia (Fin) 39.8	Texas Instruments (US) 38.8
<b>8.</b>	Taiwan Semiconductor 2.9	Motorola (US) 36.8	Texas Instruments (US) 48.5	Texas Instruments (US) 1.8	Ingram Micro (US) 37.8	Hon Hai (Tai) 32.1
<b>9.</b>	Texas Instruments (US) 2.3	Ingram Micro (US) 28.8	Sony (J) 47.8	Corning (US) 1.7	NEC (J) 36.7	ASML (Ne) 28.9
<b>10.</b>	Qualcomm (US) 2.3	Cisco (US) 26	Taiwan Semiconductor 46.4	ASML (Ne) 1.5	Ericsson (Swe) 35	Hitachi (J) 28.5

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2006, 2013).



various metrics, and to a lesser extent Sinopec, while Lukoil and Rosneft drift in and out over the years.

Nevertheless, it is not necessarily the case that these SOEs directly challenge the likes of BP, Chevron, ExxonMobil, and Shell. The latter are truly global in their operations, including all four with operations in China and Russia themselves. By contrast, the operations of the Russian SOEs are predominantly contained within Russia and its neighbors. And while the Chinese SOEs are increasingly expanding their explorations in especially Africa, Canada, and Latin America — and thus increasingly brushing up with the oil majors — the majority of their operations remain in China, and it is still too early to predict whether the Chinese SOEs can catch up with the oil majors' technology and knowledge (not to mention political and military connections with the United States and around the world). In any case, while there was a collapse by half in the aggregate American corporate profit-share from 2006 to 2010 and Russia took the number one spot (see Table 4.1), the American corporate share has since recovered by almost two-thirds in 2013 and regained the leading share by a comfortable margin. Moreover, the Chinese corporate share reached a peak in 2010 of 8.5%, albeit the decrease to 7% still moved its ranking to third in the world in 2013 because of the UK's steeper decline due to British Petroleum's cleanup and legal conflicts in the aftermath of the 2010 Deepwater Horizon oil spill in the Gulf of Mexico (Crooks 2014b). Be that as it may, Table 4.7 reveals that ExxonMobil continues its more than one century reign (via its various iterations beginning with Standard Oil in 1870) at the top of the global oil

**Table 4.7: Top 10 TNCs in the Oil & Gas Sector by Profit, Sales, and Market Value — 2006, 2013**

	<b>2006 (Nation) Profit \$bn</b>	<b>2006 (Nation) Sales \$bn</b>	<b>2006 (Nation) Market Value \$bn</b>	<b>2013 (Nation) Profit \$bn</b>	<b>2013 (Nation) Sales \$bn</b>	<b>2013 (Nation) Market Value \$bn</b>
<b>1.</b>	ExxonMobil (US) 36.1	ExxonMobil (US) 328.2	ExxonMobil (US) 362.5	ExxonMobil (US) 44.9	Royal Dutch Shell (Ne) 467.2	ExxonMobil (US) 400.4
<b>2.</b>	Royal Dutch Shell (Ne) 25.3	Royal Dutch Shell (Ne) 306.7	BP (UK) 225.9	Gazprom (Ru) 40.6	ExxonMobil (US) 420.7	PetroChina 261.2
<b>3.</b>	BP (UK) 22.6	BP (UK) 249.5	Royal Dutch Shell (Ne) 203.5	Royal Dutch Shell (Ne) 26.6	Sinopec (Chi) 411.7	Chevron (US) 232.5
<b>4.</b>	Total (Fr) 14.5	Chevron (US) 184.9	Gazprom (Ru) 184.4	Chevron (US) 26.2	BP (UK) 370.9	Royal Dutch Shell (Ne) 213.1
<b>5.</b>	Chevron (US) 14.1	ConocoPhillips (US) 162.4	PetroChina 172.2	PetroChina 18.3	PetroChina 308.9	BP (UK) 130.4
<b>6.</b>	ConocoPhillips (US) 13.6	Total (Fr) 144.9	Total (Fr) 154.7	Total (Fr) 14.1	Chevron (US) 222.6	Petrobras (Br) 120.7
<b>7.</b>	PetroChina 12.4	ENI (It) 83.1	Chevron (US) 126.8	Statoil (Nor) 12.4	Phillips 66 (US) 166.1	Ecopetrol (Col) 116.2
<b>8.</b>	Petrobras (Br) 10.2	Valero Energy (US) 82.2	ENI (It) 114.4	BP (UK) 11.6	ENI (It) 163.7	Total (Fr) 115.5
<b>9.</b>	ENI (It) 9.9	Sinopec (Chi) 70.3	Petrobras (Br) 99.8	Rosneft (Ru) 11.2	Petrobras (Br) 144.1	Gazprom (Ru) 111.4
<b>10.</b>	Gazprom (Ru) 7.2	Petrobras (Br) 58.4	ConocoPhillips (US) 84	Lukoil (Ru) 11	Gazprom (Ru) 144	Sinopec (Chi) 106.9

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2006, 2013).

industry, especially by market value (35% higher than the second-placed PetroChina).

While it is significant for global capitalism that there are by now many more oil corporations from around the world compared to the era of the ‘Seven Sisters’ before the 1970s, the 115 firms from 32 nations in the Oil & Gas sector in 2013 reflect more the greater expansion of the global pie via oil price inflation than they do an increasing challenge to the original oil majors — the latter of which continue to populate the global top 10, as we can see in Table 4.7. And of course, this massive expansion (and liberalization) of the global pie in the Oil & Gas sector over the past few decades also benefits the original American and Western European oil majors, through increased operations in formerly closed or unexplored territories (including in China and Russia), and their profits have continued to grow through the 2000s. Thus, the expansion of national oil champions from many formerly ‘Third World’ nations does not at all necessarily indicate the decline of American capital in Oil & Gas, even if their aggregate profit-share relative to the rest of the world has inevitably decreased due to the rise of others. In addition, the United States is currently undergoing an energy transformation via technological advancements in ‘fracking’ shale oil, inducing a revival in American small- and medium-sized enterprises in the Oil & Gas sector. This is partially reflected in the increased American profit-share since 2010 (Table 4.1). Indeed, far from American decline, some analysts are predicting a re-ordering of the global oil industry, and geopolitics more generally, in favor of the United States over the next decade or so (Crooks 2013b, Petraeus and Bremmer 2014).

Moving on to Auto, Truck & Parts, there has been much global turbulence between 2006 and 2013, with total *Forbes Global 2000* profit in this sector plunging from \$54.2 billion to \$9.78 billion in 2010, then surging by over ten times to \$124.7 billion in 2013 (albeit this marks a decline of almost \$5 billion since 2012). Meanwhile, the dominant profit-share rotated from Japan's 50% in 2007 to the United States' 42% in 2010 to Germany's 45% in 2013. Taking the longer view in Table 4.8, we can see that the French auto firms Peugeot and Renault, as well as the Italian Fiat, dropped off the top 10 list in the aftermath of the 2008-2009 global financial crisis. The Japanese firms Toyota, Nissan, and Honda have also declined by profit ranking, albeit still remain firm in the top ten. By contrast, the South Korean firm Hyundai rose up the ranks, especially in profit. The biggest gains, however, were made by the German firms — especially Volkswagen, with by far the largest profit among the top ten global auto firms in 2013, albeit Volkswagen still significantly trails Toyota by market value. Note that Porsche's second-highest profit in 2013 of \$10.3 billion (despite sales of 'only' \$5.2 billion) is entirely due to a one-off event, the acquisition by Volkswagen of Porsche for €4.5 billion (Bryant 2012).

General Motors (GM) and Ford's global dominance already began to be challenged in the 1970s with the revival and expansion of the German and Japanese auto sectors, and certainly by the 1990s their top positions could no longer be taken for granted. Nevertheless, as mentioned in the previous chapter, both GM and Ford remain globally competitive in the top 5, as we can see in Table 4.8, even if both have undergone extensive restructuring, especially General Motors. In fact, GM's

**Table 4.8: Top 10 TNCs in the Auto, Truck & Parts Sector by Profit, Sales, and Market Value — 2006, 2013**

	<b>2006 (Nation) Profit \$bn</b>	<b>2006 (Nation) Sales \$bn</b>	<b>2006 (Nation) Market Value \$bn</b>	<b>2013 (Nation) Profit \$bn</b>	<b>2013 (Nation) Sales \$bn</b>	<b>2013 (Nation) Market Value \$bn</b>
<b>1.</b>	Toyota (J) 10.9	GM (US) 192.6	Toyota (J) 175.5	Volkswagen (De) 28.6	Volkswagen (De) 254	Toyota (J) 167.4
<b>2.</b>	Renault (Fr) 4.8	Ford (US) 178.1	DaimlerChrysler (De) 56.5	Porsche (De) 10.3	Toyota (J) 224.5	Volkswagen (De) 94.4
<b>3.</b>	Nissan (J) 4.8	DaimlerChrysler (De) 177	Honda (J) 54.7	Daimler (De) 8	GM (US) 152.3	Honda (J) 72.4
<b>4.</b>	Honda (J) 4.5	Toyota (J) 173.1	Nissan (J) 47.3	Hyundai (ROK) 7.6	Daimler (De) 150.8	Daimler (De) 64.1
<b>5.</b>	DaimlerChrysler (De) 3.4	Volkswagen (De) 112.6	BMW (De) 32.4	BMW (De) 6.6	Ford (US) 134.3	BMW (De) 60
<b>6.</b>	BMW (De) 3	Honda (J) 80.7	Denso (J) 30.5	GM (US) 6.2	Nissan (J) 113.7	Ford (US) 51.8
<b>7.</b>	Ford (US) 2.3	Nissan (J) 80	Volkswagen (De) 26.9	Ford (US) 5.7	BMW (De) 98.8	Nissan (J) 43.4
<b>8.</b>	Hyundai (ROK) 1.6	Peugeot (Fr) 66.5	Renault (Fr) 26.4	Nissan (J) 4.1	Honda (J) 96	Hyundai (ROK) 41.5
<b>9.</b>	Bridgestone (J) 1.5	Fiat (It) 63.1	Hyundai (ROK) 19.7	Toyota (J) 3.4	Hyundai (ROK) 75	GM (US) 38.5
<b>10.</b>	Volkswagen (De) 1.3	BMW (De) 60.2	Bridgestone (J) 15.4	Kia (ROK) 3.4	SAIC (Chi) 75	Denso (J) 34.9

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2006, 2013).

difficulties pre-date the 2008 Wall Street crash (unlike, for example, the French and Japanese firms), as GM suffered a loss of \$10.6 billion in 2006. With a massive multi-government bailout, wage suppression and worker benefits cutbacks, and extensive divestitures and restructurings from 2009 onwards, GM is once again profitable, and rising up the ranks. In other words, while American corporations certainly no longer dominate the global auto sector as in the 1950s and 1960s, they still remain globally strong, collectively sharing world dominance with German and Japanese firms, despite much recent turbulence post-2008. The rise of emerging markets, especially China and India, has so far not dented this collective dominance by American, German, and Japanese auto firms. In fact, foreign firms have a combined 77% market-share in the Chinese auto market (Mitchell 2014), as we shall see in Chapter Six. Also, the Japanese carmaker Suzuki in its joint venture with Maruti has a 50% share by sales in the Indian auto market in 2013 (Dehko 2014). Once again, in light of globalization and liberalization, the rise of others can present increased market opportunities rather than the more commonly assumed increased competitive challenges.

Table 4.9 reveals the expansive national diversity in the Forestry, Metals & Mining top 10 compared to many other sectors, and a high degree of dynamism between firms (except for BHP Billiton, which remains first in profit and market value in 2006 and 2013). The fall in the aggregate American profit-share from the top spot in 2006 to dropping out of the top 3 by 2010 (Table 4.1) reveals how American capital in this sector has suffered severely from the Great Recession. In 2013, many of the top American firms in Forestry, Metals & Mining are still

recording annual losses, such as \$2.4 billion from Alpha Natural Resources, \$900 million from Cliffs Natural Resources, \$600 million from Peabody Energy, and \$100 million from the former titan, US Steel. Of course, it is not only American capital in this sector that continues to reel from recession, as the European firms ArcelorMittal, Rio Tinto, and Anglo American record losses of \$3.7 billion, \$3 billion, and \$1.5 billion, respectively, in 2013. Furthermore, as the so-called 'commodities supercycle' peaked around 2011 (Terazono 2012, Authers 2013, Farchy and Blas 2013), coupled with crippling overcapacity in China (Anderlini 2013b, Lex Team 2013b), even many firms in the emerging markets suffered losses in 2013, from the Brazilian firm Usiminas (\$300 million) to the Chinese firms Aluminum Corp of China (\$1.3 billion), Angang Steel (\$700 million), and Maanshan Iron & Steel (\$600 million), to the Russian firms Magnitogorsk Iron & Steel (\$100 million) and UC Rusal (\$100 million). What accounts for the almost doubling of the Chinese profit-share from 11% in 2012 to 20% in 2013, then, is the decline of others coupled with the continued strength of the Chinese coal industry, especially China Shenhua Energy (profit of \$7.7 billion), China Coal Energy (profit of \$1.5 billion), Inner Mongolia Yitai (\$1 billion), and Yanzhou Coal Mining (\$1 billion) — all four of which collectively account for more than 11% of the total profit in Forestry, Metals & Mining. These Chinese coal firms, however, mainly fuel the Chinese industrial machine, and should not be viewed as a competitive threat to American, European, and Japanese capital, even if their rise necessarily decreases Western capital's profit-shares.<sup>41</sup>

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<sup>41</sup> The continued expansion of the Chinese coal industry is, however, a threat to the global environment!

Nevertheless, despite relative American contraction in aggregate profit-share, some American firms have actually moved up the ranks during this tumultuous and dynamic period. In 2006 there were zero American firms in the top 10 by profit, and in 2013 there are two (Freeport-McMoRan Copper at number five and Newmont Mining at number nine). Furthermore, in the subsector of Paper & Paper Products, American firms have the leading profit-share of 37% in 2013. The reason why the American firm International Paper (number nine with sales of \$24.1 billion in 2006) dropped out of the top 10 with sales of \$27.8 billion in 2013 is simply because those in other subsectors, such as iron ore mining (BHP Billiton, Rio Tinto, and Vale), made much greater sales largely due to significantly higher iron ore prices than in 2006. This is also the case for the American firm Alcoa, with sales of \$26.2 billion in 2006 (number seven) and \$23.7 billion in 2013 (dropping out of the top 10), rather than the decline of Alcoa *per se*. In fact, firms like Alcoa demonstrate that American capital remains at the technological frontier even in Forestry, Metals & Mining, as for example Alcoa has “patented 95% of all aerospace alloys ever created”, and its Davenport, Iowa manufacturing plant “remains the only facility [in the world] that can manufacture airplane wings as a monolithic structure...and today produces wings for almost all planes made by Airbus, Boeing, Bombardier and Embraer” (Alcoa.com 2011).

The Insurance sector has also seen much fluctuation in the eight-year period under review (see Table 4.1). The American aggregate corporate profit-share fell from 53% in 2006 to 27% by 2010, then surged to 41% in 2012 before falling back to 25% a year later in 2013. During the 2008-2009 global financial crisis, the total



**Table 4.9: Top 10 TNCs in the Forestry, Metals & Mining Sector by Profit, Sales, and Market Value — 2006, 2013**

	<b>2006 (Nation) Profit \$bn</b>	<b>2006 (Nation) Sales \$bn</b>	<b>2006 (Nation) Market Value \$bn</b>	<b>2013 (Nation) Profit \$bn</b>	<b>2013 (Nation) Sales \$bn</b>	<b>2013 (Nation) Market Value \$bn</b>
<b>1.</b>	BHP Billiton (Oz/UK) 6.1	Thyssen Krupp (De) 50.6	BHP Billiton (Oz/UK) 109.1	BHP Billiton (Oz) 15.4	Glencore International (Swis) 214.4	BHP Billiton (Oz) 184.7
<b>2.</b>	Rio Tinto (UK/Oz) 5	Arcelor (Lux) 39	Rio Tinto (UK/Oz) 74.5	China Shenhua Energy 7.7	ArcelorMittal (Lux) 84.2	Rio Tinto (UK) 98.5
<b>3.</b>	Arcelor (Lux) 4.5	Nippon Steel (J) 31.6	Anglo American (UK) 55.7	Vale (Br) 4.8	BHP Billiton (Oz) 72.2	Vale (Br) 92.7
<b>4.</b>	POSCO (ROK) 3.7	BHP Billiton (Oz/UK) 29.8	Vale (Br) 53.2	Norilsk Nickel (Ru) 3.3	POSCO (ROK) 56.5	China Shenhua Energy 70.8
<b>5.</b>	Anglo American (UK) 3.3	Anglo American (UK) 27.9	China Shenhua Energy 27.5	Freeport-McMoRan Copper (US) 3	Rio Tinto (UK) 51	Xstrata (Swis) 52.1
<b>6.</b>	Mittal Steel (Ne) 3.2	Mittal Steel (Ne) 26.9	Nippon Steel (J) 27.2	Coal India 2.9	Nippon Steel & Sumitomo Metal (J) 49.4	Glencore International (Swis) 41.7
<b>7.</b>	Vale (Br) 2.4	Alcoa (US) 26.2	Alcoa (US) 25.5	Grupo Mexico 2.4	Vale (Br) 45.7	Coal India 37.4
<b>8.</b>	Nippon Steel (J) 2.1	JFE (J) 26.2	Mittal Steel (Ne) 24.1	POSCO (ROK) 2.2	China Shenhua Energy 39.7	Norilsk Nickel (Ru) 32.9
<b>9.</b>	Norilsk Nickel (Ru) 1.9	International Paper (US) 24.1	Newmont Mining (US) 23.6	Newmont Mining (US) 1.8	JFE (J) 38.3	Anglo American (UK) 39.9
<b>10.</b>	<b>Novolipetsk Steel (Ru) 1.8</b>	POSCO (ROK) 23.2	Barrick Gold (Can) 22.7	First Quantum Mining (Can) 1.8	Baoshan Iron & Steel (Chi) 35.4	Grupo Mexico 32.3

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2006, 2013).

profit in the Insurance sector fell from \$146.2 billion in 2007 to \$76.3 billion in 2010. After this, two American firms, American International Group (AIG) and MetLife, amassed the first and second highest profit in the Insurance sector (Table 4.10), of \$17.8 billion and \$7 billion in 2012, respectively — collectively accounting for 23% of the total global profit. But a year later, AIG's profit ranking fell from first to ninth, while MetLife dropped out of the top 10 by profit.

These changes can be explained by a number of circumstances, none of which are permanent. AIG's profit in 2012 was inflated by a number of divestitures as part of its post-2008 US government-directed restructuring, such as proceeds of \$6.45 billion from the winding down of its stake in the Hong Kong insurer AIA, ending a relationship that began in 1919 (Noble 2012). Moreover, AIG's 2013 profit was hit by a \$4 billion loss in the fourth quarter of 2012 due to superstorm Sandy and a loss on its divestiture of International Lease Finance Corporation (Braithwaite 2013). These losses are due to one-off events, and it is likely that AIG will continue to slowly but gradually rebuild its core business, as it has bought back all of its government-owned shares by December 2012, and even netted the US Treasury a profit of \$23 billion from its record \$182 billion bailout (Noble 2012). MetLife is a separate case, as it is the only insurer in the United States to be considered a bank holding company and thus subject to increased regulation as a 'systemically important financial institution' (Demos 2012). For this reason, MetLife has been restructuring and divesting various assets, leading to fluctuating profit. Also, its core business in life assurance (as opposed to accident and health insurance) is

**Table 4.10: Top 10 TNCs in the Insurance Sector by Profit, Sales, and Market Value — 2006, 2013**

	<b>2006 (Nation) Profit \$bn</b>	<b>2006 (Nation) Sales \$bn</b>	<b>2006 (Nation) Market Value \$bn</b>	<b>2013 (Nation) Profit \$bn</b>	<b>2013 (Nation) Sales \$bn</b>	<b>2013 (Nation) Market Value \$bn</b>
<b>1.</b>	AIG (US) 11.9	Allianz (De) 124.4	AIG (US) 172.2	Allianz (De) 6.8	AXA (Fr) 147.5	China Life Insurance 79.9
<b>2.</b>	MetLife (US) 4.7	AXA (Fr) 115.2	AXA (Fr) 66.1	AXA (Fr) 5.3	Allianz (De) 140.3	Allianz (De) 66.4
<b>3.</b>	Prudential Fin. (US) 3.5	AIG (US) 107	Allianz (De) 65.6	ING (Ne) 5.1	Generali (It) 116.7	AIG (US) 57.5
<b>4.</b>	AXA (Fr) 3.4	Generali (It) 89	Manulife Fin. (Can) 50.5	Swiss Re 4.3	Munich Re (De) 88	Ping An Insurance (Chi) 57
<b>5.</b>	Allianz (De) 3	Aviva (UK) 75.6	Generali (It) 45.5	Munich Re (De) 4.2	Zurich Insurance (Swis) 70.4	AIA (HK) 53.5
<b>6.</b>	Manulife Fin. (Can) 2.8	Zurich Fin. (Swis) 64.9	Prudential Fin. (US) 39.7	Zurich Insurance (Swis) 3.9	Aviva (UK) 69	AXA (Fr) 45.3
<b>7.</b>	Zurich Fin. (Swis) 2.8	Munich Re (De) 62.1	MetLife (US) 37.9	Prudential (UK) 3.6	MetLife (US) 68.2	Prudential (UK) 44.7
<b>8.</b>	Munich Re (De) 2.5	Legal & General (UK) 52.5	Allstate (US) 35.4	AIA (HK) 3	AIG (US) 65.7	MetLife (US) 44
<b>9.</b>	Hartford Fin. (US) 2.3	Prudential (UK) 49.2	Millea (J) 35.1	AIG (US) 3.4	Dai-Ichi Life Insurance (J) 56.5	Zurich Insurance (Swis) 41.8
<b>10.</b>	<b>Aegon (Ne) 2.3</b>	Aegon (Ne) 46.4	Zurich Fin. (Swis) 34	Ping An Ins. (Chi) 3.2	Aegon (Ne) 55.2	Munich Re (De) 34.9

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2006, 2013).

particularly hit hard by continued low interest rates (Alloway 2012, Makan and Gray 2012). These conditions are also not permanent.

In the meantime, however, as AIG and MetLife restructure and have fallen from their top spots, a number of European insurance companies have taken their place by profit measures. In 2013, all seven of the top 7 by profit are based in Western Europe, with German and Swiss firms leading the rankings. Chinese firms have also risen, especially in terms of market value. Note, however, that the aggregate Chinese profit-share in Insurance fell from 10% in 2012 (second place) to 7% in 2013 (fifth place), yet again confounding linear projections of growth. Regardless, in 2013 the number one insurance company by market value in the world is the SOE China Life Insurance.<sup>42</sup> The fourth firm by market value is another Chinese firm, Ping An Insurance. These two firms dominate the Mainland China insurance sector, which is largely closed to foreign competitors, and they do not directly compete with American and European insurance companies in Europe or North America. By contrast, the fifth firm by market value AIA should be seen as a specifically Hong Kong firm (rather than Greater Chinese) as its main markets are in Hong Kong, Thailand, Singapore, and South Korea, not Mainland China (Noble 2013). Thus, AIA *does* compete with North American and European insurance firms in East Asia. In any case, what is clear is that the Insurance sector remains dynamic, and even if the United States loses its dominance in aggregate profit-share in the long-term (which is by no means certain), there is no clear contender to take its

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<sup>42</sup> Interestingly, this firm has the same origins as AIG and the Hong Kong-based AIA in the founding of American Asiatic Underwriters in 1919 in Shanghai by the American Cornelius Starr — the Chinese assets of which were nationalized by the Communist Party in 1949.

place from the wide field of competitors; only a greater geographic dispersion and number of nations with competitive firms.

As for Banking, this sector was at the epicenter of the 2008-2009 global financial crisis more than any other, causing significant transformation in the corporate landscape of Europe and the United States. Numerous banks failed, and many were nationalized or acquired at fire-sale prices by other financial firms. Many of the top banks in 2006 revealed in Table 4.11 no longer exist in their previous form, namely ABN-Amro (nationalized by the Dutch government), HBOS (acquired by Lloyds Banking Group), Lloyds TSB (nationalized by the British government), Royal Bank of Scotland (also nationalized by the British government), and Wachovia (acquired by Wells Fargo). Banking also happens to be the sector in which the rise of China is most prominent, expanding its profit-share from 2% to 32% in just eight years, in the sector with the largest total profit — \$502 billion — of all twenty-five sectors in 2013. At half a trillion dollars, the total 2013 profit in Banking is not only substantially larger than the peak total profit of \$383 billion in 2007, but is also larger than the total profit of the smallest eleven sectors combined in the *Forbes Global 2000* (see Table 4.3): Aerospace & Defense; Business & Personal Services; Casinos, Hotels & Restaurants; Conglomerates; Construction; Healthcare Equipment & Services; Heavy Machinery; Real Estate; and Transportation. In addition, the Banking sector has also seen the greatest increase in the number of nations represented, doubling from 26 in 2006 to 54 and 53 in 2012 and 2013, respectively. This is considerably greater than the sectors with the second and third highest

number of nations represented in 2013, Telecommunications with 36 and Oil & Gas with 32, respectively.

Therefore, given its weight and significant transformations, Banking is the sector that most deserves the characterization of having undergone tectonic shifts in global capitalism between 2006 and 2013. From zero banks in the top 10 by profit in 2006 to five, including four of the top 4, in 2013, the rise of the behemoth Chinese SOEs has been astronomic. The number one ranked Industrial and Commercial Bank of China towers above the rest across all three metrics as Citigroup once did eight years prior. I shall delve deeper into the nature of these Chinese banks in Chapter Six, and argue that they do not pose a competitive challenge to Western banks since they are almost entirely nationally contained. They do not compete with the likes of HSBC and Citigroup, which have truly global operations across the slew of financial activities.

As for the North Atlantic banks, in 2013 many are still in the process of restructuring, adjusting to new regulations, and suffering the aftershocks of both the 2008-2009 global financial crisis and the 2011-2012 eurozone crisis. Nevertheless, while the dust has yet to settle, some winners and losers are clear. HSBC, JPMorgan Chase, and Wells Fargo have not only survived the twin crises but have grown over the eight years, especially JPMorgan Chase and Wells Fargo by both profit and market value. Most of the rest have fallen, especially European banks, with the exception of BNP Paribas and Banco Santander by sales. Citigroup and Bank of America have tumbled as a result of the twin crises, yet are still seventh and eighth by market value in 2013, suggesting that investors are confident they will recover.

**Table 4.11: Top 10 TNCs in the Banking Sector by Profit, Sales, and Market Value — 2006, 2013**

<i>2006 (Nation) Profit \$bn</i>	<i>2006 (Nation) Sales \$bn</i>	<i>2006 (Nation) Market Value \$bn</i>	<i>2013 (Nation) Profit \$bn</i>	<i>2013 (Nation) Sales \$bn</i>	<i>2013 (Nation) Market Value \$bn</i>
1. Citigroup (US) 24.6	Citigroup (US) 120.32	Citigroup (US) 230.9	ICBC (Chi) 37.8	ICBC (Chi) 134.8	ICBC (Chi) 237.3
2. Bank of America 16.5	Bank of America 85.4	HSBC (UK) 193.3	Bank of China 22.1	BNP Paribas (Fr) 126.2	China Construction Bank 202
3. HSBC (UK) 12.4	Credit Agricole (Fr) 81.1	Bank of America 184.2	China Construction Bank 30.6	China Constru- ction Bank 113.1	HSBC (UK) 201.3
4. Royal Bank of Scotland (UK) 8.7	JPMorgan Chase (US) 79.9	JPMorgan Chase (US) 144.1	Agricultural Bank of China 23	Banco Santan-der (Sp) 108.8	Wells Fargo (US) 201.3
5. Banco Santan- der (Sp) 8.5	HSBC (UK) 76.4	Mitsubishi UFJ Financial (J) 143	JPMorgan Chase (US) 21.3	JPMorgan Chase (US) 108.2	JPMorgan Chase (US) 191.4
6. JPMorgan Chase (US) 8.5	BNP Paribas (Fr) 60.9	Wells Fargo (US) 107.8	Wells Fargo (US) 18.9	HSBC (UK) 104.9	Agricultural Bank of China 150.8
7. Wells Fargo (US) 7.7	Royal Bank of Scotland 55.1	Royal Bank of Scotland 106.4	HSBC (UK) 14.3	Agricultural Bank of China 103	Citigroup (US) 143.6
8. Wachovia (US) 6.6	Lloyds TSB 52.4	China Constru- ction Bank 105	Mitsubishi UFJ Financial 11.9	Bank of America 100.1	Bank of America 135.5
9. BNP Paribas (Fr) 6.3	HBOS (UK) 51.7	Mizuho Fin. (J) 93.8	Sberbank (Ru) 10.8	Bank of China 98.1	Bank of China 131.7
10. <b>Barclays (UK)</b> <b>5.9</b>	ABN-Amro (Ne) 50	Banco Santander (Sp) 91.3	Bank of Comm- unications (Chi) 9.4	Wells Fargo (US) 91.2	Commonwealth Bank (Oz) 117.5

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2006, 2013).

In the medium-term, however, it is unlikely that Citigroup will regain its towering profit and sales immediately before the 2008 Wall Street crisis, partly because Citigroup continues extensive retrenchment and divestiture of its colossal assets sprawled across the globe (Braithwaite, Hall, and Foley 2013). Many analysts believe that Citigroup not only became ‘too big to fail and too big to jail’, but also too big to manage.<sup>43</sup> When measured against the continental European banks, then, especially by market value, the top 4 American commercial banks (JPMorgan Chase, Wells Fargo, Citigroup, and Bank of America) have come out of the crisis stronger. Of course, Wall Street financial services firms have come out of the crisis *much* stronger, increasing their aggregate profit-share from 47% in 2007 to 66% in 2013, as we saw in Table 4.1. Finally, note from Table 4.11 that rounding out the top ten in 2013 are two banks from commodity exporters, Sberbank from Russia and Commonwealth Bank from Australia, that take large deposits from their national export earnings.

And finally, Table 4.12 presents the last two sectors with aggregate American decrease in corporate performance by profit-share: Construction and Telecommunications. Relative American corporate decline appears clear in these two sectors, albeit fluctuations will likely continue in the medium-term. In Construction, the American housing boom in the opening decade of the twenty-first century translated into a 34% profit-share for American construction firms, and the

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<sup>43</sup> Even Sandy Weill, the former CEO of Citigroup in the 1990s that accelerated its massive global expansion, creating the first ‘global financial supermarket’, and was a major proponent for the 1999 repeal of the Glass-Steagall Act, said in 2012 that Citigroup had grown too big to manage and should be broken up, while the Glass-Steagall Act should be restored (Benoit 2012, Braithwaite and Nasiripour 2012, FT Editorial 2012).



subsequent subprime mortgage crisis and housing bust beginning in 2007 — the spark for the global financial crisis one year later — drove the American corporate profit-share out of the top 3. In the meantime, the Chinese state response to the global financial crisis was the second-largest stimulus in the world, much of which was funneled (through the SOE banks) into massive infrastructure projects, thrusting the profits of three Chinese construction SOEs into the top 5. As with Banking, the Chinese profit-share will likely suffer some relative decline in the medium-term, as the Chinese state attempts to veer its growth model from investment to consumption (more on this in Chapter Six). By contrast, throughout these tectonic shifts, and surprisingly considering the eurozone recession, the French corporate profit-share has remained relatively steady, the second largest share at 15% in both 2006 and 2013 (see Table 4.1). Moreover, note that the American corporate profit-share has regained some lost ground by 2013, with the third largest profit-share of 10%. Regardless, with the Chinese growth model still heavily investment-driven and the plethora of challenges involved in fundamentally transforming the nature of its political economy, the Chinese profit-share in Construction will likely continue to be the world’s number one into the foreseeable future.

**Table 4.12: Top 5 Firms in Construction & Telecommunications — 2006, 2013**

<i>Sector</i>	<i>Year</i>	<i>#1 (Nation) % of Total Profit</i>	<i>#2 (Nation) % of Total Profit</i>	<i>#3 (Nation) % of Total Profit</i>	<i>#4 (Nation) % of Total Profit</i>	<i>#5 (Nation) % of Total Profit</i>
<b>Con- stru-</b>	2010	Cemex (Mex) 6	DR Horton (US) 4.4	Pulte Homes (US)	Saint-Gobain (Fr) 4.2	Lennar (US) 3.9

cti- on	0			4.2		
	6					
	2	Vinci (Fr) 6.8	China State Constructi- on 5.9	China Comm- unications 5.1	OHL Group (Sp) 3.5	China Railway Construction 3.5
Tele- com	2	Verizon (US) 8	France Telecom 7	NTT (J) 7	Deutsche Telekom 6	China Mobile (HK) 5
	0					
	6					
	2	China Mobile (HK) 15.7	Vodafone (UK) 8.5	AT&T (US) 5.6	América Móvil (Mex) 5.4	NT&T (J) 4.3
	0					
	1					
	3					

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Author's Calculations (see Appendix B) from *Forbes Global 2000* (2006, 2013).

As for Telecommunications, the rise of China is here to stay and consequently so too is the unambiguous loss of relative aggregate American corporate predominance (especially the decline of AT&T's global dominance throughout much of the twentieth century). China Mobile, listed in Hong Kong but with its main operations in the Mainland, has more than 750,000 subscribers, and China overall has over one billion mobile phone users, up from a few hundred thousand only a decade ago (Flannery 2012, Minto 2014). China Mobile was already in fifth place in 2006, and will likely remain near or at the summit of global profit in the Telecommunications sector into the foreseeable future. For this reason, the American aggregate profit-share of 21% in 2006, more than double its nearest competitor Japan with 9%, will likely not be achieved again. This is not to suggest, however, that the American share will never again be number one. In 2013, the American profit-share is almost on par with the second-placed British share of 11%,

despite one of the largest American telecom firms, Sprint Nextel, suffering a mammoth loss of \$4.3 billion that year. There is little reason to believe that this loss cannot be reversed, and as Sprint and others recover (such as Verizon Communications, with 'only' \$900 million in profit compared to \$8 billion in 2006), then so too will the aggregate American corporate profit-share.

Nevertheless, what is clear is that the more than half-century long dominance of AT&T is long over. The world market in Telecommunications is too fragmented and geographically dispersed (with the second highest number of nations represented, at 36) for that degree of predominance to occur again, even with China Mobile. On the other hand, while the Hong Kong/Chinese, British, and American corporations will likely all continue to be world leaders in terms of profit-shares in the Telecommunications sector into the foreseeable future (with no one firm ever again dominating alone), it is important to note that in the Electronics subsector of Communications Equipment upon which firms in Telecommunications depend, the American profit-share in 2013 was 70%.<sup>44</sup> Moreover, the rise of the Chinese Telecommunications sector also of course provides immense opportunities for American firms in related sectors. Apple's distribution deal with China Mobile in

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<sup>44</sup> Note, however, that 2013 was a particularly bad year for non-US firms in Communications Equipment: the Chinese firm ZTE suffered a loss of \$400 million, the Canadian firm Research in Motion lost \$600 million, the French Alcatel-Lucent lost \$1.8 billion, and the former Finnish titan Nokia lost \$4.1 billion. In 2012, the American profit-share was a more representative but still dominant 64%, with the American firm Cisco the persistent world leader, and the Chinese profit-share a measly 2%. In 2013, if we include the privately held Chinese firm Huawei (not ranked by *Forbes*) with an unaudited profit of \$2.5 billion in the calendar-year 2012 (Yee 2013), then the American profit-share would be 70% and the Chinese profit-share would be 1.4% (as opposed to zero without Huawei).

January 2014 is a prime example, for the first time giving Apple access to China Mobile's 763,000 users (Minto 2014).

In short, once we get into the nitty-gritty of each sector, it is misleading to unambiguously ascribe the label 'decline' upon American capital. At the very least, given dynamism in each sector, one must avoid linear projections of *terminal* decline. American capital has by far the most diverse and expansive presence across the full gamut of sectors in global capitalism, which in itself is an immense source of strength vis-à-vis other nations with corporations that rise in a limited number of sectors. The success of manufacturing firms such as Toyota and Samsung does not at all correlate with a generalized success in all or even most sectors for Japanese or South Korean capital, respectively. This leadership across a vast swath of sectors is uniquely characteristic of American capital. And this diversity and breadth — especially as advanced technology breaks down the barriers between sectors — creates new opportunities and synergies for firms in different sectors. Hence, supposed relative decline in one sector may actually be a boon to firms in another in the age of globalization and as long as American capital remains dominant at the technological frontier. For example, the rise of the Chinese market in Telecommunications necessarily reduces the relative American corporate profit-share, but this same rise presents increased opportunities and profits for the likes of Apple, Cisco, Google Android, and Qualcomm, even if this is not the case for AT&T and Verizon (both of which are American firms in Telecommunications). Be that as it may, the rise of China Mobile in China (and consequently the inevitable relative decrease in aggregate American corporate profit-share) does not at all challenge

American capital in Telecommunications since China Mobile does not operate in the United States. Indeed, in regards to the rise of China, this is the case in most other sectors (such as Banking; Construction; Chinese coal SOEs in Forestry, Metals & Mining; Insurance; Real Estate; and Utilities), as Chinese SOEs, for the most part, do not compete within North America or Europe, and are largely contained within Chinese borders (with the exception of SOEs in Oil & Gas).

Also, considering the expansive diversity of American capital, there will inevitably be short- to medium-term fluctuations given dynamism, financial crises, increased competition from more nations, and the ebb and flow of technological breakthroughs and their uneven applications within and across various sectors. For this reason, we must be cautious drawing long-term conclusions from short- and medium-term fluctuations. And while the relative American profit-share has fallen since 2008 in Banking, Construction, Forestry, Metals & Mining, and Insurance, a closer look into each sector reveals the continued strength of many American firms, and there is little reason to believe that whatever profit declines have occurred as a result of the global financial crisis will be permanent. In any case, these conditions can only be ascertained by investigating the actual corporations themselves in each sector, as we have done in this section. Relying solely on aggregate data leads to an incomplete and even misleading picture of the state and endurance of American capital. Also, in order to address future capacities, we need to investigate which nations' firms are the most innovative, which brings us to the next section.

### **III. Innovation and Research & Development**

An essential component of assessing the future prospects for technological advancement and innovation for any nation is investment in R&D. There are of course many other factors involved in advancing the technological frontier, but at the bare minimum there can be no R&D without R&D spending. Therefore, we now turn to corporate and national R&D spending, in order to assess possible future trends in global capitalism. Namely, will the US be able to sustain its edge in innovation into the foreseeable future, or are there prospects for China to challenge the United States? We begin with Table 4.13, the national share of the top 500 firms by R&D spending in 2010, compiled and converted into euros by the European Union Commission (2012). Firms from the United States have a clear lead, in both national share of R&D spending (35%) and number of firms in the top 500 (33%). Moreover, Japanese firms continue to account for the second largest national R&D spenders at 22%, more than double the German share, the third highest at 11%. While China and Hong Kong combined surpassed many countries to make it into the top ten by 2010, they still have a long way to go before they rival German or Japanese spending, much less American.

**Table 4.13: National Share of Top 500 Firms By R&D Spending — 2010**

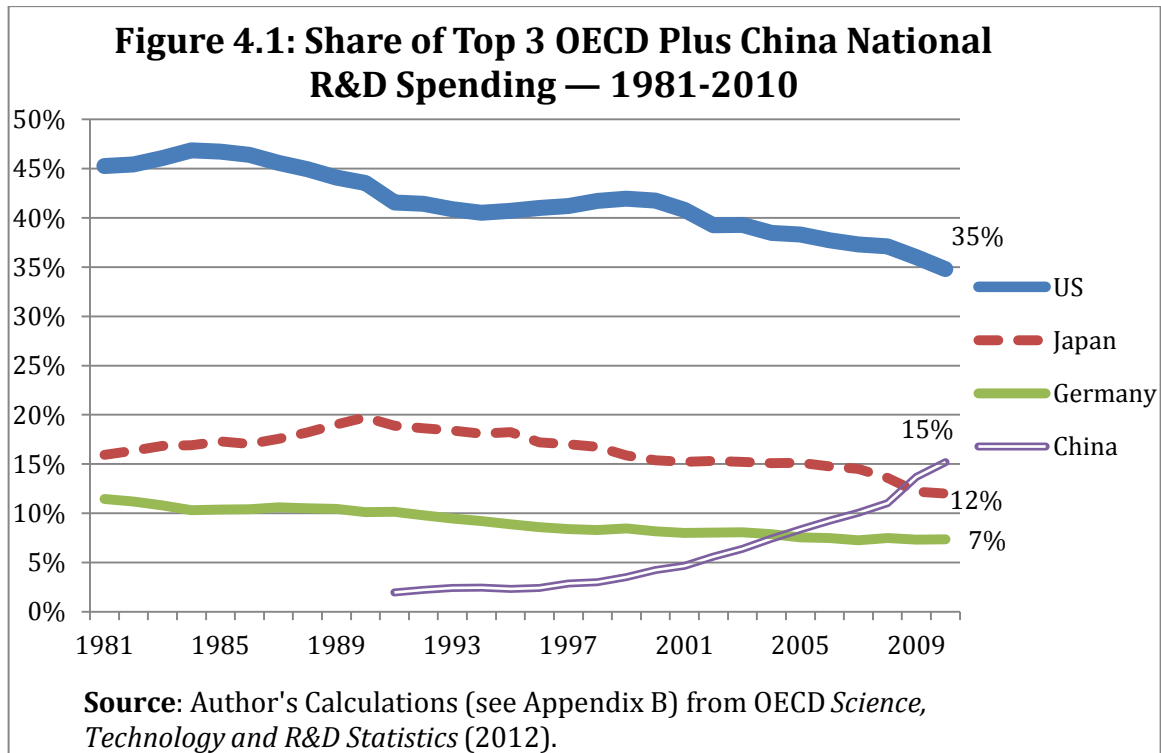
	<b>Nation</b>	<b>R&amp;D Spending (€mn)</b>	<b>% of Total Spending</b>	<b>Firms</b>	<b>% of Total Firms</b>
<b>1.</b>	US	139,862	35	163	33
<b>2.</b>	Japan	87,885	22	105	21
<b>3.</b>	Germany	41,999	11	40	8
<b>4.</b>	France	22,616	5.7	33	6.6
<b>5.</b>	Switzerland	18,792	4.7	14	2.8
<b>6.</b>	UK	16,616	4.2	26	5.2

7.	South Korea	12,403	3.1	11	2.2
8.	Netherlands	8,766	2.2	11	2.2
9.	China & Hong Kong	7,766	2	15	3
10.	Sweden	5,830	1.5	7	1.4
11.	Italy	5,603	1.4	8	1.6
12.	Taiwan	5,322	1.3	17	3.4
13.	Finland	5,085	1.3	2	0.04
14.	Denmark	2,788	0.7	7	1.4
15.	Spain	2,749	0.7	4	0.08
16.	Australia	1,908	0.5	5	1
17.	Ireland	1,785	0.5	6	1.2
18.	Brazil	1,394	0.4	2	0.04
19.	Canada	1,324	0.3	3	0.06
20.	Bermuda	1,252	0.3	2	0.04
21.	Belgium	1,184	0.03	4	0.08
22.	Israel	870	0.02	2	0.04
23.	India	822	0.02	4	0.08
24.	Russia	590	0.02	1	0.02
25.	Norway	476	0.01	2	0.04
26.	Luxembourg	452	0.01	2	0.04
27.	Singapore	209	0.01	1	0.02
28.	Portugal	200	0.01	1	0.02
29.	Cayman Islands	191	0.01	1	0.02
30.	Liechtenstein	189	0.01	1	0.02

**Source:** Author's Calculations (see Appendix B) from *EU Commission* (2012).

Figure 4.1 displays the top three national R&D spenders (total public and private sector combined), in the OECD plus China, from 1981 to 2010. The American share has slowly declined over the three decades, but remains the number one spender with 35% of the total in 2010. Note that the American share has decreased by 13% since 2001, while the US dollar has devalued over a quarter in the same period. And we can see that for Japan, corporate R&D spending (22% from Table 4.13) is proportionately more important than government R&D spending (12% in Figure 4.1). What is most surprising, however, is China's exponential rise in total R&D spending, surpassing German spending in 2004 and Japanese spending by

2008 to become the second highest R&D spender in the world. Unlike most other national R&D spenders, then, Chinese R&D is predominantly state-funded and – directed, since the combined China and Hong Kong corporate R&D spending from Table 4.13 was only 2%.



R&D spending is of course the *sine qua non* of R&D, but how well can each nation commercialize its R&D results in the form of intellectual property rights via patents? Figure 4.2 investigates the top three nations with the most Triadic patents registered plus China, from 1985 to 2010. A patent is ‘Triadic’ when it is simultaneously registered in the Europe Patent Office, Japan Patent Office, and the United States Patent and Trademark Office. The OECD argues that this triple registration indicates the relative importance of these patents to their inventors, in



an attempt to weed out the plethora of spurious patents that are filed every year (OECD 2013: 154). The American share has steadily declined since the early 1990s, while the Japanese share has increased, albeit erratically, surpassing the United States for the second time in the wake of the global financial crisis. There are no contenders to the American and Japanese shares. The Chinese share of Triadic patent filings is abysmal, at 1.79% in 2010, despite China being the second highest R&D spender in the world at 15%. In any case, even if China can catch up with German patent filings (12%) some time in the future, it is likely that the Japanese and American dominance of Triadic patent filings (a combined 60%) will continue into the foreseeable future, considering that American and Japanese firms dominate corporate R&D spending, as we saw in Table 4.13.

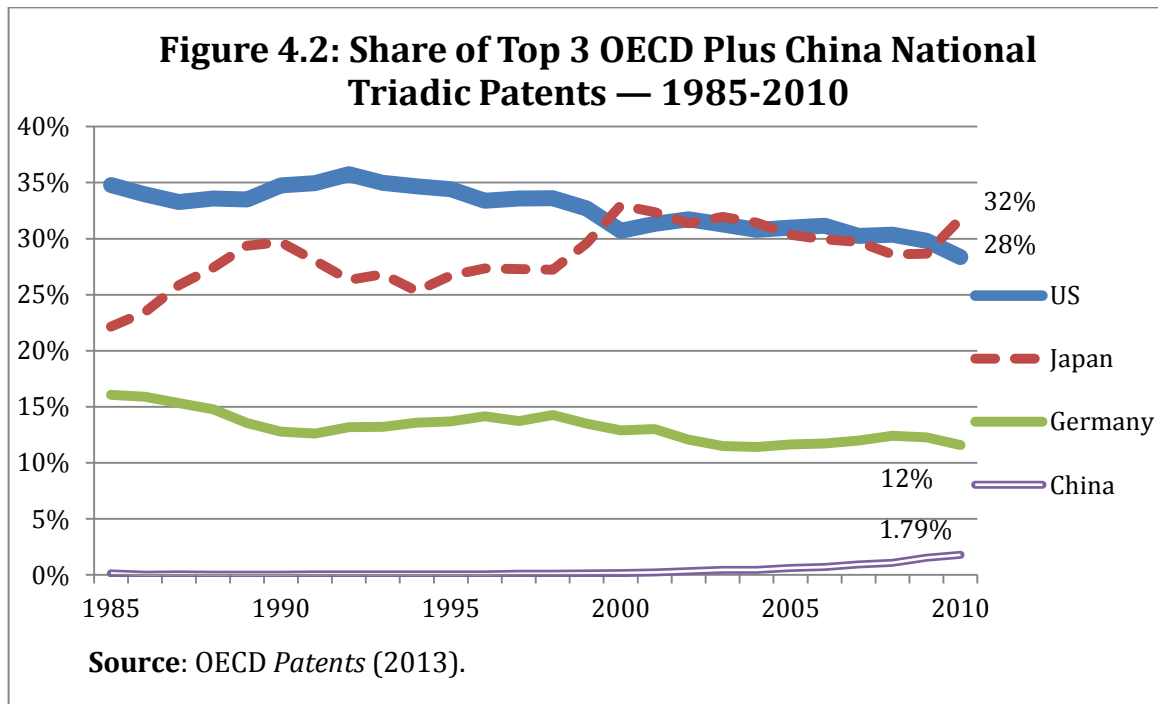


Table 4.14 reveals the top ten national shares of patents granted by the United States Patent and Trademark Office, representing the most important consumer market in the world. Parallel to the relative American decrease in annual Triadic patents granted, the share of total patents granted by the US Patent Office to American firms fell from 62% in 1980 to 50% in 2010 (albeit the sharpest fall occurred in the 1980s, from 62% to 53% by 1990). On the other hand, within this decreasing aggregate American corporate share of total patents granted by the US Patent Office, Californian firms (namely based in Silicon Valley) have increased their patents granted over the same period, from 8.6% of the total to 12.3% by 2010 — more than double the aggregate corporate share of any other nation except Japan. And in line with Japanese firms' increasing Triadic patents, they have increased their patents granted in the United States from 11% in 1980 to 19% in 2010, as the third-placed German share has declined from 8.9% in 1980 to 5.6% in 2010. Thus, in 2010, American and Japanese firms are again in a league of their own, as also demonstrated by Tables 4.13, 4.14, and Figure 4.2. Chinese firms have certainly risen, from collectively accounting for a share of zero in 1980 to 1.35% in 2010, with much of the rise occurring since the middle 2000s, though it remains unclear whether Chinese firms will be able to catch up with firms from Canada, France, and Britain, let alone from South Korea and Taiwan. Note that the South Korean and Taiwanese firms' shares of patent grants have exploded even more than the Chinese firms' over the three decades, from 0.01% and 0.1% in the 1980s, to 5.1% and 3.9%, respectively, by 2010. And if we combine the firms from China and Hong Kong, then

their share of patents granted is on par with firms based in Minnesota, the US state representing the ninth most patents granted in 2010.

**Table 4.14: National Share of Patents Granted By US Patent Office — 1980-2010**

2010 Rank		1980 (%)	1990 (%)	2000 (%)	2010 (%)
1.	United States	62	53	55	50
	1. California	— 8.6	— 8	— 11	— 12
	2. New York	— 5.6	— 4.6	— 4	— 3.3
	3. Texas	— 2.9	— 3.2	— 3.9	— 3.2
	9. Minnesota (Equal to China & HK Combined in 2010)				— 1.64
2.	Japan	11	21	19	19
3.	Germany	8.9	7.9	6.2	5.6
4.	South Korea	0.01	0.3	2	5
5.	Taiwan	0.1	0.9	3.3	3.9
6.	Canada	1.8	2.1	2.2	2.3
7.	France	3.3	3.1	2.4	2.1
8.	Britain	3.8	3	2.3	2.1
9.	China	0	0.05	0.09	1.35
	Hong Kong	0.07	0.15	0.3	0.3
	China & HK	0.07	0.2	0.4	1.64
10.	Italy	1.3	1.5	1.1	0.92

**Note:** ‘Patents’ is all ‘invention’, ‘design’, and ‘plant patents’ combined.

**Source:** Author’s Calculations (see Appendix B) from United States Patent and Trademark Office (2012).

It seems clear, then, from all this R&D spending and patent data, that while Chinese firms have certainly risen from the depths of the Third World, especially in the opening decade of the twenty-first century, and have pushed far beyond, for example, Indian, Russian, Brazilian, and Mexican firms, with their US patent grants accounting for 0.5%, 0.1%, 0.09%, and 0.05%, respectively, of total patents granted in 2010, it also seems clear that two nations hold a tight grip at the pinnacle of innovation advancing the world technological frontier: Japan and the United States. For even if Japan’s ‘economic miracle’ has since stalled from the 1990s, there are

still no serious challengers to Japan's 'technonationalist' political economy (Samuels 1994), except of course from the United States itself, which remains globally dominant in the twenty-first century, after seven decades of advancing the technological frontier. But there will still be those who insist that TNCs can no longer be classified as 'American' or 'Japanese', when their operations are global. To this issue we now turn.

## **Chapter Five: Global Investment, Ownership, and Control in the Twenty-First Century**

At the broadest level, there are two kinds of cross-border investment conducted by firms: portfolio and foreign direct investment (FDI). Portfolio investment is when a firm buys less than 10% of the shares of another firm. Foreign direct investment can be divided into greenfield investment and mergers and acquisitions (M&As).

Greenfield investment is when a firm invests in another country to establish a new facility or subsidiary. An acquisition is when a firm buys 10% or more of the shares of another firm, and a merger is when two firms merge more or less equally. Note that mergers and acquisitions between two firms can be either domestic or cross-border, whereas the term 'greenfield investment' refers only to FDI. It is common parlance to lump mergers and acquisitions together, but more than 97% of M&As involve acquisitions, with less than 3% being mergers (UNCTAD 2000: 14).

Moreover, M&As account for more than four-fifths of FDI, with less than 20% being greenfield investment (UNCTAD 2000: 14). Thus, it is conventional to simply treat FDI as the cross-border investment of 10% or more by a firm in another firm's shares, in contradistinction to portfolio investment, which is less than 10%. Another distinction is that firms in all sectors conduct FDI, whereas portfolio investment is predominantly conducted by financial firms.<sup>45</sup> Thus, FDI covers a wide range of

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<sup>45</sup> Numerous non-financial firms, however, also have divisions devoted to financial activities (and thus conduct portfolio investment), such as GE Capital, a subsidiary of

corporate activities, from a joint venture between General Motors and Shanghai Automotive Industry Corporation, Intel opening a new production facility in Ireland, Rolls-Royce opening a new R&D facility in Singapore, Fiat acquiring a controlling stake in Chrysler, the private equity fund Lone Star acquiring Korean Exchange Bank, the merger of Anheuser Busch and InBev, and so on.

A further complication is that the definitional dividing line between portfolio investment and FDI has moved downwards over the decades. This is because the dividing line is supposed to demarcate the point at which the purchase of shares in a firm leads to at least partial control of that firm. As firms issue more and more shares, and ownership becomes increasingly diluted and dispersed, it is conventionally thought that fewer shares are needed to increase control over a firm. Stephen Hymer explained that the US Commerce Department regarded a firm as being American-controlled if an American shareholder had 25% or more of the shares, or if all American shareholders combined held 50% or more even if no one individual held 25% (1976: 1). In 1932 Berle and Means used the cut-off of 20% or more shares owned as indicating control in a corporation, whereas by the late twentieth century it has generally been 10%. Maurice Zeitlin, however, mentioned that the Patnam Report (1968: 91) to the US Congress “concluded that effective control could be assured with even *less* than a 5% holding, ‘especially in very large corporations whose stock is widely held’” (Zeitlin 1974: 1087).

Whatever demarcation for control we use (25%, 20%, 10%, 5%, or any other), is therefore an *a priori* assumption that requires investigation in each firm.

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General Electric (and source of up to 50% of GE’s profit in 2013, despite GE often being characterized as a non-financial firm).

For example, Bill Gates' share ownership of Microsoft has declined from over 25% in the early 1990s to less than 5% in 2013, but major strategic and management decisions must still get his personal approval (Waters and Foley 2013, Waters 2014). Moreover, since the 1980s, so-called 'activist investors' (mainly hedge funds) are often able to affect significant change in a firm with only 1-3% ownership (FT Editorial 2013, Jones 2013a, Jones 2013b, Sullivan 2013, Butler 2014). Therefore, in reality, as with any power relationship, control cannot be assumed *a priori* based on a demarcation line of shares owned; only *a posteriori*. There are many intervening conditions, one of which is different corporate governance structures around the world. In Japan, for example, management generally has much greater control over a corporation than its shareholders, and so American activist investors since the 1980s have often failed in their agitation for change in Japanese corporate boards and/or strategy (Nakamoto and Burgess 2008, McLannahan 2013, Saigol 2013). An example in 2012 was Dan Loeb's failed agitation of Sony's board of directors to spin-off its music business in order to improve profitability and 'shareholder value' (Lex Team 2013a, Soble and Garrahan 2013).

In regards to investment, there are a number of facets we must investigate, but as with any corporate indicator we are limited by the availability of data, especially from prior to the 1980s. There are three main databases that gather data on M&As, accounting for the bulk of FDI: *Bloomberg Professional*, *Dealogic*, and *Thomson Reuters*. The latter is the most comprehensive, with the most relevant of its data collection beginning in the late 1970s. As for portfolio investment, there is no database that directly tracks and/or ranks the world's largest portfolio investments

by firm. We must do this indirectly, and for this study I compile a list of the ownership structures of the world's top 500 corporations as ranked by the *Forbes Global 2000*. I use *Bloomberg Professional* for the ownership structures and compile two sets of indicators for each of the top 500 corporations: 1) the top 10 owners of each corporation, whether an individual, family trust, investment firm (including sovereign wealth funds), holding company, government (usually a Central Bank, the Executive, or a Ministry), and any other investor-type; and 2) the top 4 combined national ownership shares of each corporation. This data will also of course allow us to investigate the nationality of the dominant owners of the world's top corporations.

As mentioned in Chapter Two, not everyone accepts that dominant owners are in control of corporations (hence the long-standing ownership versus control debate), or that the nationality of ownership is sufficient criteria for the 'nationality' of capital, so in this chapter I also compile a list of the nationality of each member of the boards of directors of each top transnational corporation. Most of this data can be gleaned from corporate annual reports and corporate webpages. The same difficulty explained in Chapter Three applies here regarding seeking access to corporate annual reports from before the Internet age, so I provide only a snapshot of 2012-2014. Nevertheless, if the burgeoning transnational capitalist class thesis is correct, then we would expect multinational boards for the world's most transnationalized corporations in 2014 (and/or national dispersion in their ownership structures), roughly two decades after the literature on the rise of a transnational capitalist class emerged. By contrast, if there is still high national



concentration for indicators on both sides of the ownership versus control debate, this strongly suggests that the nationality of capital still very much matters.

The rest of this chapter is divided into four parts: 1) Mergers and Acquisitions, detailing which corporate nationalities engage in the most cross-border M&As as both acquirers and targets since the early 1980s; 2) Nationality of Corporate Board Members, of the top transnational corporations as ranked by UNCTAD; 3) Nationality of Corporate Ownership, encompassing both portfolio and M&A investment in the world's top corporations as ranked by the *Forbes Global 2000*; and 4) The Nationality of the World's Capitalists, both billionaires and millionaires, as the world's dominant investors and owners of capital. Too many analyses of national power remain institutional and abstract; this last section will remind us that at the heart of all power relationships are human beings. Therefore, all four of these components combined will delineate the national contours of capitalist power via investment, ownership, and control in the early twenty-first century. We shall see that capital and capitalists are still very much nationally concentrated, and most of all in the United States.

### **I. Mergers and Acquisitions**

In the *Thomson Reuters* database, every M&A deal involves an acquiring firm and a target firm, irrespective of whether a particular deal is a merger or an acquisition. This is a methodological choice by *Thomson Reuters*, based on the assumption that even in a merger between two ostensibly 'equal' firms there will always be one firm that initiates the deal (the 'acquirer'), and thus the other is considered the 'target'.

This binary classification makes it possible to aggregate the nationality (by legal domicile) of acquirers and targets in all cross-border M&A deals worth \$1 million or more (*Thomson Reuters* does not collect similar information on deals worth less than \$1 million). Using this classification system in their database, we can then rank the top acquiring and target nations by total value of all cross-border M&A deals worth \$1 million or more. In other words, we can see which nations have firms domiciled in their territory that conduct the most cross-border M&As in the world. We can also see which are the most common target nations for these top acquirers.

Table 5.1 offers a sample of this data for the years 2001 to 2012 — a time frame that smooths out any annual fluctuations, which can sometimes be dramatic due to occasional ‘mega-deals’ worth tens of billions of dollars. Thus, Table 5.1 presents the top 50 national acquirers by total deal value, as well as their top 3 national targets. We can see that between these years, American firms have collectively acquired almost \$2 trillion dollars in combined cross-border M&A targets around the world, more than the next two largest national acquirers combined. The number one national target for American firms is across the Atlantic, with British-domiciled firms accounting for 21% of all cross-border targets for American firms. Note that British-domiciled firms include subsidiaries of American firms that are based in Britain (from GM-owned Opel and Vauxhall automobile plants in Luton and Ellesmere Port, England, to Wall Street subsidiaries in London). Canadian-domiciled firms (again, including subsidiaries of American firms based in Canada, of which there are many) account for the second largest share of cross-border M&A targets for American firms, at 14%, and German-domiciled firms

account for the third highest share, at 8%. Thus, despite globalization and acquisitions by American firms around the world (as we shall see in Table 5.3), more than two-fifths (43%) of the almost \$2 trillion in cross-border M&A deals by American firms between 2001 and 2012 involve targets in only three nations: Britain, Canada, and Germany. The significance of this will become apparent below in the context of both investment linkages and asymmetric interdependence.

**Table 5.1: Top 3 National Targets of the Top 50 National Acquirers of Cross-Border M&As ≥\$1 Million — 2001-2012**

	<b>Acquirer Nation</b>	<b>#1 Target, %</b>	<b>#2 Target, %</b>	<b>#3 Target, %</b>	<b>Total Value, \$mn</b>
1.	United States	UK 21	Can 14	De 8	1,996,121
2.	United Kingdom	US 32	Ne 9	Spa 6	1,269,206
3.	France	US 21	Italy 9	Ne 9	672,727
4.	Germany	US 20	Spa 16	UK 15	604,422
5.	Canada	US 59	Oz 12	UK 7	493,880
6.	Australia	UK 57	US 20	NZ 5	475,761
7.	Spain	UK 28	Fr 16	US 15	431,728
8.	Switzerland	US 38	UK 24	Canada 9	409,345
9.	Netherlands	UK 35	US 25	Lux 11	375,681
10.	Japan	US 39	UK 7	Oz 7	299,313
11.	China	US 17	Oz 14	HK 11	295,980
12.	Hong Kong	China 83	Oz 10	UK 6	248,260
13.	Italy	Spain 29	De 15	US 13	214,130
14.	Singapore	Oz 19	US 15	HK 14	194,153
15.	Belgium	US 33	Ne 11	Mex 10	192,144
16.	United Arab Emirates	UK 15	Spain 15	US 15	180,978
17.	Sweden	US 20	Ne 10	Finland 10	147,026
18.	Luxembourg	Swis 14	S Africa 9	Russia 8	126,497
19.	Russia	Ukraine 14	Canada 12	US 12	115,636
20.	Brazil	Canada 30	UK 16	US 13	102,995
21.	India	US 16	Nigeria 13	S Africa 12	101,011
22.	Norway	US 27	Sweden 16	Brazil 10	87,857
23.	South Korea	US 37	Canada 8	Oz 8	77,900
24.	Austria	Hung 26	De 14	Romania 11	76,010
25.	Bermuda	US 53	Russia 8	UK 6	73,997
26.	Qatar	UK 47	De 14	Kuwait 8	71,939

27.	Guernsey	UK 44	De 17	Sweden 9	69,850
28.	South Africa	India 14	UK 14	Canada 12	64,743
29.	Finland	Sweden 21	US 19	De 15	60,601
30.	Mexico	US 30	Oz 24	Brazil 13	60,533
31.	Israel	US 65	De 10	UK 9	59,909
32.	Ireland	UK 35	US 25	Ne 12	59,065
33.	Malaysia	Sing 24	Oz 13	India 9	55,920
34.	Jersey	UK 54	Russia 14	US 11	43,328
35.	Denmark	De 25	UK 20	US 20	40,690
36.	Saudi Arabia	US 37	UAE 13	Malay 10	35,373
37.	Kuwait	US 38	Ne 11	Iraq 5	31,150
38.	Greece	Cyprus 40	Turkey 22	Norway 9	30,213
39.	Iceland	UK 19	DK 17	Ne 16	29,870
40.	British Virgin Islands	Sing 35	HK 14	US 12	29,670
41.	New Zealand	US 59	Oz 25	Swis 8	29,391
42.	Thailand	China 36	Sing 15	UK 10	28,111
43.	Kazakhstan	Russia 66	UK 10	Turkey 9	27,477
44.	Cayman Islands	UK 26	De 17	Japan 17	26,430
45.	Portugal	Brazil 35	Spain 30	US 18	23,216
46.	Chile	Brazil 50	Colom 25	Peru 8	22,841
47.	Colombia	Mexico 19	Chile 14	Panama 14	19,989
48.	Argentina	US 39	Brazil 26	Mexico 22	15,975
49.	Taiwan	US 28	China 28	Japan 17	14,759
50.	Egypt	France 31	Italy 20	HK 10	13,326

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Author's Calculations (see Appendix B) from *Thomson Reuters SDC Platinum*.

British-domiciled firms are the second greatest acquirers so far in the twenty-first century, with \$1.269 trillion dollars in cross-border M&A deals, almost double the third greatest national acquirer, France. We can see that British-domiciled firms are much more interested in acquiring targets based in the United States (accounting for 32% of all their cross-border deals) than in any single European nation, despite decades of ever deeper integration in the European Community/European Union. Dutch firms are the second most popular targets (at 9%) for British-domiciled firms, in keeping with the centuries long bilateral

investment relationship between Britain and the Netherlands. Indeed, some of the most prominent binational firms are British/Dutch (with headquarters in both countries), most notably Royal Dutch Shell and Unilever.

The United States is also the most popular national target for acquiring firms domiciled in a slew of other nations, in descending order of total value: France, Germany, Canada, Switzerland, Japan, China, Belgium, Sweden, India, Norway, South Korea, Bermuda, Mexico, Israel, Saudi Arabia, Kuwait, New Zealand, Argentina, and Taiwan. Thus, apart from Canada and Mexico, clearly geographic proximity is much less important for determining a firm's foreign investment targets. What is more important for many firms around the world is to invest specifically in the United States, both the central consumer and financial market of global capitalism and its ultimate guarantor.

Furthermore, many African, Middle Eastern, and Eurasian investors are known to invest in the United States through the United Kingdom (London) first, which partially explains Britain's enormous foreign investment relative to the size of its national political economy (64% of the total value of American cross-border M&As despite Britain's GDP being 15% of the United States' in 2012). The United Kingdom is the number one target for American firms, as already mentioned, and also for firms domiciled in: Australia, Spain, the Netherlands, United Arab Emirates, Qatar, Guernsey, Ireland, Jersey, Iceland, and the Cayman Islands. Guernsey, Jersey, and the Cayman Islands are of course all tax havens that channel the investments of those who wish greater anonymity and less oversight — in addition to lower taxes. Both Mainland Chinese and Taiwanese investors, for example, are particularly

known to use the Cayman Islands to channel their investments to other nations (Ball and Guardian US Interactive Team 2014). In any case, the United States and United Kingdom are by far the most popular national targets, accounting for the number one national destination for thirty-one of the top 50 national acquirers in the world, including eleven of the top 11.

In fact, Anglo-America more broadly is the clear dominant leader in terms of being the most attractive target for cross-border M&As for global capital. This is not only the case for Western Europe, but also for East Asia. Despite much literature on Japan- and China-centered production networks, Chinese, Japanese, and South Korean firms have conducted more M&As in Anglo-America (including Australia and Canada) in the twenty-first century than in East Asia. The exception is Taiwan, mainly due to its electronics contractors such as Hon Hai Precision Industry with over a million workers in China. Hon Hai's main customers, however, are Western, and particularly American, TNCs, most of all Apple (accounting for an estimated half of Hon Hai's sales — Luk 2013). We shall go into greater depth concerning these networks in Chapter Six. The point for now is to emphasize that despite much attention on East Asian production networks, Northeast Asian production networks involving North America are also vitally important, as for example both Japanese and South Korean auto firms have production facilities in the United States and Canada. All top 3 M&A targets for Japanese and South Korean firms are in Anglo-America. And surprisingly, in the twenty-first century so far the United States and Australia are both more important M&A targets for Chinese firms than even Hong Kong — the latter of which is generally thought to be China's window to the world.

Hong Kong is certainly still the world's window into China, as 83% of Hong Kong's cross-border M&As are conducted in China. Moreover, note that Singapore also has greater investment linkages in Anglo-America than in East Asia, even if this is not the case for Malaysia and Thailand (Malaysia's most important target after Singapore is Australia, and Thailand's third most important target after China and Singapore is the United Kingdom).

The importance of Anglo-America extends to nations in other regions as well. Canada is a more important M&A destination for Swiss firms than any European nation other than Britain. In this way, Switzerland is much more integrated via investment linkages in Anglo-America (more than two-thirds of its foreign M&As) than with its neighbors in Europe, despite having shared linguistic roots with Austria, Germany, France, and Italy. Similarly, Brazil by the same measure is much more integrated with Anglo-America (more than half of its cross-border M&As) than with its neighbors in Latin America. This is only partly due to the Brazilian firm Vale's large investments in Canada's natural resource sector. Even Russian firms (despite Russian President Putin's attempt to create/revive a 'Eurasian Union'), apart from their number one target Ukraine (by no means overwhelming, with a share of 14%), acquire more in Canada and the United States, at 12% each, than in any other single Eurasian nation. In sum, it is clear that Anglo-America sits at the center of global M&A linkages in the twenty-first century. This should not be taken for granted, although there are also numerous alternative destinations for

increasing investment linkages, from Western Europe to East Asia, from the BRICs to other emerging markets in the Global South.<sup>46</sup>

Why is the centrality of Anglo-America, and more specifically the United States, significant? As we saw in Chapter One, Panitch and Gindin (2012) argue that in the post-war period the deepest investment linkages involving the major capitalist powers are between each other, rather than within their respective (pre-1945) spheres of influence. This marks a fundamental rupture in the history of world order that counter-acts the tendency towards 'inter-imperial rivalry' that characterized the nineteenth century, which ultimately ended in two world wars and the Great Depression. This is because these deepening investment linkages lead to a structural alignment of capitalist interests in maintaining, deepening, and expanding global capitalism, centered upon the United States. We can see this in the importance firms in America's closest allies (Canada, Britain, France, Germany, Japan, South Korea) place on M&A linkages with the United States, and thus the importance for these firms of an expanding American pie. But this is also true for many other nations around the world, including the mighty BRICs, which so many commentators lump together as a challenge to the American-centered world order. This is despite each BRIC being more invested in the United States than they are in each other. And while the rise of China has re-orbited some investment in East Asia (especially from Hong Kong, Taiwan, and Thailand) towards itself, each of the largest nations are still more invested in the United States (and Anglo-America more

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<sup>46</sup> Some nations prefer to maintain their centuries-long colonial/imperial relationships, such as Austrian firms' number one investment target, Hungary, and Portuguese firms' number one target, Brazil.



broadly) than in each other, including China itself. And of course many of the investment linkages with China must be placed in the broader context of the world's transnational corporations using China for final assembly and as an export platform to Western Europe and the United States (more on this in Chapter Six). In short, being at the center of global cross-border M&A linkages is one very significant facet underpinning the endurance of American predominance in global capitalism.

What is important to stress, however, is the asymmetric interdependence between these nations and the United States, and hence asymmetric power. While the United States plays such a vital role for firms domiciled in scores of countries across the globe in their foreign investment linkages (as Table 5.1 reveals), for only a handful of nations is their share of total M&As in the United States more than one percent. Table 5.2 reveals that while the total foreign share of all M&As (domestic and foreign acquirer combined) worth \$1 million or more in the United States has increased from 11% in the 1980s to 19% after the global financial crisis, the US has decreased its reliance on any single foreign nationality for inward investment, from more than 3% in the 1980s and 1990s (with a high of 4.6% in 1995-2000 from Britain) to less than 3% in the twenty-first century (with a high of 2.7% from Canada in 2007-2012). Moreover, all seven of the foreign nationalities in the latest period with a share of one percent or more are solid allies of the United States (or at least in Switzerland's case, clearly deeply integrated in American-centered global capitalism), reinforcing the centrality of the United States in global investment and the deep structural interest of the major capitalist powers in maintaining the American-centered world order.

**Table 5.2: Top 10 National Acquirers in the United States of M&As ≥\$1 Million — 1983-2012**

	1983-1988, %	1989-1994, %	1995-2000, %	2001-2006, %	2007-2012, %
1.	US 89	US 86	US 86	US 88	US 81
2.	UK 3.1	UK 3.9	UK 4.6	UK 2.4	Canada 2.7
3.	Canada 2.4	France 2	De 1.8	Canada 2	UK 2.5
4.	Japan 1.1	Japan 1.9	Bermuda 1.4	France 1.2	Swis 1.7
5.	France 0.7	Canada 1.1	Canada 1.3	De 0.9	Japan 1.5
6.	Oz 0.7	Swis 1	France 1.2	Oz 0.8	France 1.1
7.	Ne 0.6	De 0.5	Ne 1.1	Swis 0.7	De 1
8.	Swis 0.5	Ne 0.4	Swis 0.5	Ne 0.5	Ne 1
9.	Italy 0.3	Oz 0.3	Japan 0.4	Bermuda 0.4	Belgium 0.9
10.	De 0.3	Mexico 0.3	Oz 0.4	China 0.3	Oz 0.8
<b>Total Value, \$mn</b>	2,210,326	1,844,473	8,161,324	5,901,287	6,639,292

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Author's Calculations (see Appendix B) from *Thomson Reuters SDC Platinum*.

Thus, we have demonstrated that in the twenty-first century the United States, and Anglo-America more broadly, sits at the center of global M&A linkages not only for its closest allies, but also for many others, including the BRICs. We have also seen that American centrality in global investment is asymmetric, as foreign M&As by any nation remains a very small proportion of total M&As in the United States. In other words, there is asymmetric interdependence, hence asymmetric power. To deepen this point, we now turn to the top 50 target nations for global M&As between 2001 and 2012, and their top 3 national acquirers, revealed in Table 5.3. Unsurprisingly, considering that so many nations conduct their largest share of outward cross-border M&As in the United States (as we saw in Table 5.1), the United States is the largest target in the world for cross-border M&As, with a total value of again almost \$2 trillion. And considering that the greatest national

acquirers in the world are American firms, and that the largest national shares of American outward M&As are in the United Kingdom (21%) and Canada (14%), it is unsurprising that the second and third largest M&A targets in the world are the United Kingdom and Canada, respectively.

**Table 5.3: Top 3 National Acquirers of Top 50 National Targets of Cross-Border M&As ≥\$1 Million — 2001-2012**

	Target Nation	#1 Acquirer, %	#2 Acquirer, %	#3 Acquirer, %	Total Value, \$mn
1.	United States	UK 15	Canada 15	Switzerland 8	1,989,862
2.	United Kingdom	US 28	Oz 16	Ne 9	1,654,323
3.	Canada	US 48	UK 10	Swis 6	592,492
4.	Netherlands	UK 38	US 23	France 11	573,732
5.	Germany	US 35	UK 13	France 10	503,557
6.	Australia	US 25	Canada 14	UK 11	469,651
7.	Spain	De 24	UK 23	Italy 16	395,949
8.	France	US 23	Spain 18	UK 15	385,949
9.	Italy	Fr 22	Spain 15	US 12	312,152
10.	China	HK 44	US 20	Sing 8	281,224
11.	Switzerland	US 31	De 12	Fr 9	228,638
12.	Sweden	Fr 27	US 16	UK 14	221,069
13.	Brazil	US 12	China 10	Spain 10	205,069
14.	Russia	UK 14	Cyprus 13	Kazakhstan 10	181,522
15.	Hong Kong	UK 25	China 20	Sing 17	159,450
16.	Belgium	Fr 30	UK 24	US 18	146,920
17.	India	UK 28	US 20	Japan 9	139,748
18.	Japan	US 42	UK 13	De 6	120,618
19.	Luxembourg	Ne 35	US 18	UK 12	116,994
20.	Mexico	US 32	Belgium 19	Spain 14	105,893
21.	Singapore	Malay 13	Japan 10	Brit VI 10	104,674
22.	Norway	US 23	UK 16	Sweden 12	102,240
23.	Turkey	UK 18	US 9	Russia 7	99,954
24.	Denmark	UK 27	US 21	Sweden 16	89,627
25.	South Korea	US 48	HK 5	Japan 4	85,985
26.	South Africa	UK 30	India 15	China 11	79,322
27.	Indonesia	Sing 34	UK 15	Japan 8	65,016
28.	Ireland	US 36	UK 30	De 13	64,454
29.	Poland	De 17	Fr 15	UK 11	62,551
30.	Chile	US 19	Canada 19	Japan 17	61,408

31.	Portugal	Brazil 24	Spain 16	Austria 10	53,292
32.	Finland	Sweden 29	UK 12	DK 11	53,242
33.	Bermuda	UK 49	US 27	India 6	51,875
34.	Austria	De 26	US 15	UK 12	51,048
35.	Egypt	Fr 46	UAE 8	Swis 6	50,082
36.	Argentina	Spain 38	Brazil 17	China 12	50,069
37.	Greece	US 17	Cyprus 16	De 13	48,973
38.	Czech Republic	UK 13	De 13	Italy 12	48,118
39.	New Zealand	Oz 55	HK 9	US 9	41,786
40.	Taiwan	US 44	HK 16	Japan 9	41,048
41.	Colombia	UK 21	Chile 15	Swis 14	37,969
42.	Malaysia	Sing 18	HK 14	Japan 12	35,645
43.	Israel	US 58	UK 7	Oz 6	32,232
44.	Kazakhstan	India 22	China 19	Russia 8	27,016
45.	Cyprus	Greece 54	Norway 11	Russia 8	22,369
46.	Kuwait	UAE 64	Qatar 26	Canada 2	21,723
47.	Philippines	Japan 38	US 20	Ne 10	19,096
48.	Thailand	Sing 37	Japan 10	Malay 9	18,252
49.	UAE	Saudi 38	Qatar 15	India 5	12,529
50.	Guernsey	US 43	Brazil 28	UK 12	8,945

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Author's calculations (see Appendix B) from *Thomson Reuters SDC Platinum*.

What is less obvious, however, is that American firms play such a significant role in many other nation-states as well. That is, American firms are also (apart from the UK and Canada) the greatest acquirers in the following top 50 national M&A targets in the world, with the American share in parentheses: Germany (35%), Australia (25%), France (23%), Switzerland (31%), Brazil (12%), Japan (42%), Mexico (32%), Norway (23%), South Korea (48%), Ireland (36%), Chile (19%), Greece (17%), Taiwan (44%), Israel (58%), and Guernsey (43%). Note the particularly dominant shares in Japan, South Korea, and Taiwan — all over two-fifths. American firms are by far the most significant national acquirers in Northeast Asia, a point to which we shall return in Chapter Six. In addition, American firms

have a number two or three presence in: the Netherlands (23%), Italy (12%), China (20%), Sweden (16%), Belgium (18%), India (20%), Luxembourg (18%), Turkey (9%), Denmark (21%), Bermuda (27%), Austria (15%), New Zealand (9%), and the Philippines (20%). In short, American acquirers have a combined top 3 share in thirty of the top 50 national M&A targets in the twenty-first century. Thus, while more than one-third of outward M&As by American firms are conducted in Britain and Canada (see Table 5.1), the global weight of American foreign investment is so large that American capital still accounts for one of the largest sources of inward M&As across a slew of the world's most important target nations for global investment.

British firms are also very significant national acquirers in the world's top 50 national M&A targets, accounting for the number one share not only in the United States, but also in: the Netherlands (38%), Russia (14%), Hong Kong (25%), India (28%), Turkey (18%), Denmark (27%), South Africa (30%), Bermuda (49%), Czech Republic (13%), and Colombia (21%) — the leading share in eleven nations, versus seventeen for American firms. More broadly, British acquirers have a top 3 presence in twenty-eight of the top 50 target nations. If we include Canada's 2% share in Kuwait, then Anglo-American firms have a top 3 presence in forty-one of the top 50 national M&A targets so far in the twenty-first century. Anglo-America, and most of all the United States, is at the global center of both inward and outward cross-border mergers and acquisitions in the twenty-first century.

But is the significance of American foreign investment for the world's most important target nations declining over the decades vis-à-vis the rise of others,

including Western Europe and East Asia? While it is clear that American firms are the most important cross-border investors in the twenty-first century so far, it is possible that the American share has declined over the decades and it continues to be the leading share merely because it was so dominant in the past. To investigate further, Table 5.4 reveals the American share of cross-border M&As in the top 10 most important target nations (excluding the US) since the early 1980s (before global cross-border M&As exploded in the mid-1990s). We can see that in seven of the top ten target nations, the American share has either increased or remained the largest. In the remaining three nations — the Netherlands, Spain, and Italy — there has been greater fluctuation over the three decades, with no clear long-term trend. In any case, what is clear is that one cannot argue that the American share was more dominant in the 1980s and has since broadly declined in the era of globalization. In fact, in the UK, Canada, Germany, Spain, France, China, and Switzerland, the opposite is true: the American share has broadly *increased* since the early 1980s. It then follows that American firms have been the greatest benefactors of the globalization of investment, particularly M&As, since the 1980s. This is the case even as foreign firms from a plethora of nations have also greatly benefitted from investing in the United States in the twenty-first century.

**Table 5.4: US Share in Top 10 Non-US National Targets in Cross-Border M&As ≥\$1 Million — 1983-2012**

<b>Top 10 Non-US National Targets</b>	<b>1983-1988, % (Rank)</b>	<b>1989-1994, % (Rank)</b>	<b>1995-2000, % (Rank)</b>	<b>2001-2006, % (Rank)</b>	<b>2007-2012, % (Rank)</b>
<b>1. UK</b>	17 (#2)	33 (#1)	35 (#1)	26 (#1)	30 (#1)
<b>2. Canada</b>	39 (#1)	49 (#1)	51 (#1)	54 (#1)	44 (#1)

<b>3. Netherlands</b>	51 (#1)	17 (#3)	16 (#3)	43 (#1)	15 (#2)
<b>4. Germany</b>	27 (#1)	19 (#2)	10 (#3)	40 (#1)	28 (#1)
<b>5. Australia</b>	36 (#1)	28 (#1)	35 (#1)	29 (#1)	23 (#1)
<b>6. Spain</b>	3 (#9)	7 (#4)	11 (#2)	6 (#5)	7 (#5)
<b>7. France</b>	17 (#2)	16 (#2)	17 (#3)	20 (#1)	26 (#1)
<b>8. Italy</b>	16 (#4)	20 (#2)	14 (#2)	9 (#5)	15 (#3)
<b>9. China</b>	0	7 (#4)	4 (#2)	34 (#1)	13 (#2)
<b>10. Switzerland</b>	14 (#2)	20 (#1)	22 (#1)	19 (#1)	39 (#1)

**Source:** Author's Calculations (see Appendix B) from *Thomson Reuters SDC Platinum*.

But after several decades of trillions of dollars worth of cross-border mergers and acquisitions, including joint-ventures, take-overs, expanded transnational production networks — not to mention other facets of corporate globalization — does it any longer make sense to designate each transnational corporation with a single nationality? How are American-domiciled transnational corporations really 'American' if their operations are now so global? The next two sections will address these questions, first by investigating the nationalities of members of the board of directors of the most transnationalized corporations, and then the ownership structures of the world's top TNCs.

## **II. The Nationality of Corporate Board Members**

Chapter Three presented the *Fortune 200*, the world's top 200 industrial corporations by sales, and Chapter Four presented the *Forbes Global 2000*, the top 2000 publicly listed corporations in the world ranked by a composite index of assets, market value, profit, and sales. In this section, I shall present different rankings based on alternative indicators that are used to measure the world's most *transnationalized* corporations. Using these measures, if there is a high proportion

of members on the board of directors with the same nationality as the legal domicile of the world's most transnationalized corporations, then — according to the criteria of certain authors presented in Chapter Two — this would bolster the hypothesis that the nationality of capital still matters even for the most transnationalized corporations in the world. By contrast, if there is a great diversity of nationalities on the board of directors, or at least no disproportionate concentration of the nationality of the corporation's legal domicile, then this would further the hypothesis, according to this criteria, that the world's most transnational corporations are indeed becoming nationless, or supranational, if they are not already.

But first, how do we rank corporations by their degree of transnationalization? The most authoritative and comprehensive source for rankings of corporations by their transnationality is the annual *World Investment Report*, published by the United Nations Conference on Trade and Development (UNCTAD) since 1991. Over the years, UNCTAD has discussed and employed several methodologies and gathered a range of indicators, including those specific to certain sectors, to rank various aspects of corporate transnationality. The most useful measure that UNCTAD has devised is what it calls the 'transnationality index' (TNI), albeit they only use this measure for non-financial corporations. The TNI is constructed as an equally weighted average of three ratios for each TNC: 1) foreign assets to total assets; 2) foreign employees to total employees; and 3) foreign sales to total sales. Unfortunately, however, in the actual rankings of the world's top 100 non-financial TNCs published annually by UNCTAD, the TNCs are ranked by size of



foreign assets, not TNI. For this reason, I have compiled a ranking of the top 20 non-financial TNCs by TNI from this list of the top 100 by foreign assets. I discuss other rankings, such as for financial TNCs, below.

First note that the average TNI of the top 100 non-financial TNCs has steadily increased from 47% in 1993 to 67% in 2011, as seen in Table 5.5. That is, in 1993, the top 100 non-financial TNCs by foreign assets had an average of just under half of their assets, sales, and employees spread across countries other than their legal domicile. In other words, on average slightly over half of their assets, sales, and employees remained in their national domicile. Almost two decades later, and the average TNI increased to two-thirds. Put another way, on average only a third of the top TNCs' assets, sales, and employees remain in their domicile by the second decade of the twenty-first century, while the rest of their assets, sales, and employees is spread around the world. Also, while there has been fluctuation in the highest and lowest TNI of the top 100 non-financial TNCs by total foreign assets, the lowest TNI is now above one fifth, and the highest has consistently been above 90%. This increasing TNI, both its average and its lowest proportion, reveals that the operations of the top TNCs have indeed become more transnationalized in the age of globalization.

**Table 5.5: Transnationality Index of the Top 100 Non-Financial TNCs by Foreign Assets — 1993-2011**

<b>TNI</b>	<b>1993</b>	<b>1998</b>	<b>2003</b>	<b>2008</b>	<b>2011</b>
<b>Average</b>	47%	54%	56%	63%	67%
<b>Highest</b>	92%	95%	98%	93%	97%
<b>Lowest</b>	16%	14%	7%	21%	23%

**Source:** UNCTAD *World Investment Report* (1995, 2000, 2005, 2010, 2012).

The next two tables take a closer look at the most transnationalized TNCs, with the top 20 by TNI in 2012 presented in Table 5.6 and the top 20 by total foreign assets presented in Table 5.7 (only four TNCs are in both tables). Table 5.6 shows that of the top 20 TNCs by TNI, sixteen are domiciled in Western Europe, and only one each from Asia, the Middle East (Israel), and the United States, with an additional TNC from Canada. The nationality with the most transnationalized TNCs by TNI is Britain, with seven TNCs in the top 20, followed by three from Switzerland. Using the sectoral classification from Chapter Four, there is a fairly broad cross-section of nine sectors represented, in order of prevalence with the number of TNCs in parentheses: Food, Beverages & Tobacco (5), Forestry, Metals & Mining (4), Electronics (2), Heavy Machinery (2), Media (2), Pharmaceuticals & Personal Care (2), Chemicals (1), Oil & Gas (1), and Telecommunications (1).

**Table 5.6: Top 20 Non-Financial TNCs By Transnationality Index (TNI) — 2012**

<b>TNC (<i>Forbes Global 2000</i> Rank)</b>	<b>Nat- ion</b>	<b>Foreign/ Total Assets (\$bn)</b>	<b>Foreign/ Total Sales (\$bn)</b>	<b>Foreign/ Total Employment</b>	<b>TNI (%)</b>
1. Nestlé	Swiss	132.7/138.2	96.9/98.5	328,816/339,000	97.1
2. Anglo American	UK	75.5/79.4	26.8/28.8	100,000/106,000	94.7
3. Xstrata	Swiss	79.8/83.1	28.5/31.6	41,163/43,323	93.7
4. Anheuser-Busch InBev	Bel	115.9/122.6	36.0/39.8	109,566/117,632	92.8
5. ABB	Swiss	40.7/49.1	38.6/39.3	138,172/146,100	91.9
6. ArcelorMittal	Lux	112.2/114.6	84/84.2	185,319/244,890	91.1
7. Linde	De	42.1/44.3	18/19.6	52,918/61,965	90.7
8. Vodafone	UK	199/217	62.1/70.2	78,599/86,373	90.4
9. Schneider Electric	Fr	43.5/47.8	28.4/30.8	132,574/152,384	90.1
10. WPP	UK	34.9/40.2	14.4/16.4	103,077/114,490	88.1
11. Barrick Gold	Can	45.3/47.3	14/14.5	18,653/26,140	87.9
12. SABMiller	UK	55.9/56.3	28.7/34.5	57,049/71,144	87.6
13. Philips	Ne	36/39	31/31.9	86,525/118,087	87.6

Electronics					
14. AstraZeneca	UK	41.2/53.5	27.3/28	46,492/53,500	87.2
15. Pernod-Ricard	Fr	30.5/35.7	10/11	15,594/18,307	87.1
16. Unilever	UK	54.6/61	60.8/66	137,000/172,000	87.1
17. Liberty Global	US	38.3/38.3	10.2/10.3	12,951/22,000	85.8
18. Teva	Isr	37.4/50.6	19.7/20.3	38,551/45,948	84.9
Pharmaceutical Inds					
19. BG Group	UK	57.3/65.2	15.9/18.9	4,702/5,713	84.7
20. Hon Hai	Tai	65.5/70.4	128.7/132.4	810,993/ 1,290,000	84.3
Precision Industries					

**Note:** TNI is the average of three ratios: foreign/total assets, foreign/total sales, and foreign/total employment; see Table A.1 in Appendix A for country abbreviations.

**Source:** UNCTAD *WIR* 2013; *Forbes Global 2000* (2012).

A rather different list is constructed when we compile the top 20 non-financial TNCs by foreign assets, as seen in Table 5.7. There is a greater dispersion of nationalities represented, with five nations having three TNCs each: Germany, France, Japan, the US, and the UK. Italy has two TNCs, and Belgium, Luxembourg and Switzerland have one each. The sectors represented are also different, with Oil & Gas making the biggest appearance (6), then Utilities (4), Auto, Truck & Parts (3), Conglomerates (2), Food, Beverages & Tobacco (2), Forestry, Metals & Mining (1), Telecommunications (1), and Trading Companies (1).

**Table 5.7: Top 20 Non-Financial TNCs By Foreign Assets — 2012**

TNC ( <i>Forbes Global 2000</i> Rank)	Nation	Foreign/ Total Assets (\$bn)	Foreign/ Total Sales (\$bn)	Foreign/Total Employment (thousands)	TNI (%)
1. General Electric	US	338.2/685.3	75.6/144.8	171,000/305,000	52.5
2. Royal Dutch Shell	UK	307.9/360.3	282.9/467.2	73,000/87,000	76.6
3. BP	UK	270.3/300.2	300.2/375.6	69,853/85,700	83.8
4. Toyota Motor	J	233.2/376.8	170.5/265.8	126,536/333,498	54.7
5. Total	Fr	214.5/227.1	180.4/234.3	62,123/97,126	78.5
6. ExxonMobil	US	214.4/333.8	301.8/420.7	46,361/76,900	65.4

7. Vodafone	UK	199/217	62.1/70.2	78,599/86,373	90.4
8. GDF Suez	Fr	175.1/271.6	78.6/124.7	110,308/219,330	59.2
9. Chevron	US	158.9/233	132.7/222.6	31,508/62,000	59.5
10. Volkswagen Group	De	158.1/409.3	199.1/247.6	296,000/533,469	58.2
11. ENI	It	133/185	86/164	51/78	63
12. Nestlé	Swis	132.7/138.2	96.9/98.5	328,816/339,000	97.1
13. Enel (Utilities)	It	132/227	66/109	38/74	57
14. E.On (Utilities)	De	128/186	118/170	41/72	65
15. Anheuser-Busch InBev	Bel	115.9/122.6	36.0/39.8	109,566/117,632	92.8
16. ArcelorMittal	Lux	112.2/114.6	84/84.2	185,319/244,890	91.1
17. Siemens	De	112/139	87/102	250/369	78
18. Honda	J	110/145	96/119	119/187	73
19. Mitsubishi	J	110/153	49/243	19/63	41
20. EDF	Fr	103/331	39/93	30/155	31

**Note:** TNI is the average of three ratios: foreign/total assets, foreign/total sales, and foreign/total employment; see Table A.1 in Appendix A for country abbreviations.

**Source:** UNCTAD *WIR* 2013; *Forbes Global 2000* (2012).

Using the rankings from these two tables, we now present the nationalities of the corporate board members of the top TNCs in Tables 5.8 and 5.9. Both tables reveal the ratio of foreign corporate board members to total members for each TNC, as well as the nationality of each corporate board member, with Chair and Chief Executive Officer (CEO) highlighted.<sup>47</sup> In regards to the top 20 TNCs by TNI, Table 5.8 shows that there are eight TNCs with more than half of their corporate board members with citizenship other than the nationality of the TNC's domicile, in descending order with proportion of foreign members to total members in parentheses: ABB (88%), (Glencore)Xstrata (86%), ArcelorMittal (82%), WPP (73%), AnheuserBusch InBev (64%), Nestlé (63%), Anglo American (58%), and

<sup>47</sup> A 'foreign corporate board member' is defined as someone who has citizenship other than the TNC's national domicile.

Vodafone (54%). All three of the TNCs with more than 80% of their board members being foreign, as well as AnheuserBusch InBev, are the result of cross-border mergers (which always involve some board members from both of the two firms joining the board of the new, merged, firm). ABB, the creation of a merger in 1988 between the Swedish firm ASEA and the Swiss firm Brown, Boveri & Cie, has the most nationally diverse board, with two Swedes and only one member each from Brazil, China, Germany, France, Switzerland, and the United States.<sup>48</sup> Close behind ABB is GlencoreXstrata, a merger of two Swiss firms in 2013, with three American board members and one each from Australia, Germany, Switzerland (the CEO, with two other citizenships: Israel and South Africa), and the UK.

**Table 5.8: Board Member Nationalities of the Top 20 Non-Financial TNCs By TNI — 2012**

<b>TNC (<i>Forbes Global 2000</i> Rank)</b>	<b>Nat- ion</b>	<b>Foreign/Total Members; % Foreign</b>	<b>Nationalities on Board</b>
1. Nestlé	Swiss	17/27; 63%	Chair Aus, CEO Bel; Swis 8, Fr 4, US/Swiss 1, India 2, Ne 1, US 4, China 1, Aus 1, Bel 2, De/Swiss 1, Spa 2
2. Anglo American	UK/ S Afri	14/24; 58%	Chair UK, CEO Oz; Fr 3, UK 4, HK 1, S Afr 5, US 2, UK/US 1, Lesotho 1, Oz 3, Ire 2, Br 1, Zambia 1
3. (Glencore) Xstrata	Swiss	6/7; 86%	Chair UK, CEO Swiss/S Afr/ Isr; Oz 1, De 1, US 3, UK 1, S/S/I 1
4. Anheuser-Busch InBev	Bel	7/11; 64%	CEO Ne; Ne 2, Fr 1, Bel 4, Bra 4
5. ABB	Swiss	7/8; 88%	Chair De, CEO US; Br 1, US 2, Swiss 1, Fr 1, Swe 2, China 1, De 1
6. ArcelorMittal	Lux	9/11; 82%	Chair & CEO India; India 3, US 3, Can 1, Lux

<sup>48</sup> One of the Swedes, however, is Jacob Wallenberg of the Wallenberg family, the wealthiest in Sweden with extensive ownership and board membership of both currently and formerly Swedish-based firms (such as Marcus Wallenberg on AstraZeneca's board) — thus maintaining this Swedish connection.

			2, Fr 1, Swiss 1
7. Linde	De	2/16; 13%	Chair De, CEO De; It 1, De 14, India 1
8. Vodafone	UK	7/13; 54%	Chair Ne/De, CEO It 1; UK 6, US 2, Ghana 1, Fr 1, Bel 1, Ne/De 1, It 1
9. Schneider Electric	Fr	5/16; 31%	Chair & CEO Fr; Fr 11, US 3, De 1, Swiss 1
10. WPP	UK	11/15; 73%	Chair US, CEO UK; UK 4, Br 1, Fr/Swiss 1, US 6, Isr/US 1, China 2
11. Philips Electronics	Ne	5/10; 50%	Chair & CEO Ne; Ne 5, US 3, It/Fr 1, Kenya 1
12. Barrick Gold	Can	7/15; 47%	Chair Can, CEO Can; Can 8, US 4, Dominican Republic 1, UK 1, Swiss 1
13. SABMiller	UK	8/16; 50%	CEO S Afr, Chair S Afr; S Afr 2, UK 8, US 3, Zambia 1, Colo/US 2
14. AstraZeneca	UK	6/12; 50%	Chair Swe, CEO Fr; Swe 2, Fr 3, UK 6, US 1
15. Pernod-Ricard	Fr	4/14; 29%	Chair Fr, CEO Fr; Fr 10, Spa 1, De 1, UK 1, Swe 1
16. Unilever	UK	5/12; 42%	CEO Ne, Chair Swe; Ne 4, Swe 1, US 2, UK/US 1, India 1, S Afr 1, UK 2
17. Liberty Global	US	2/12; 17%	Chair US, CEO US; US 10, UK 2
18. Teva Pharmaceutical	Isr	4/16; 25%	Chair US; Isr 11, It 1, US 3, Isr/US 1
19. BG Group	UK	4/14; 29%	Chair UK, CEO UK; UK 10, NZ 1, Bra 1, De 1, Malay 1
20. Hon Hai Precision Industries	Tai	0/9; 0%	Chair, CEO & Founder Taiwan; Taiwan 9

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Annual Reports (2012 or 2013) from respective corporate homepages; Google Searches.

These two TNCs — ABB and GlencoreXstrata — are the top candidates for most transnationalized in the world (according to this criteria), as their boards of directors comprise of the most nationalities that are foreign to the original nationalities of their pre-merged firms. Each board also has at least three continents represented. By contrast, even though 82% of the board members of ArcelorMittal are ‘foreign’ to its domicile Luxembourg, there is still a concentration of nationalities

from their pre-merged firms. The steel firm Mittal was founded by the Indian Lakshmi Mittal (who is still the Chair, CEO, and largest owner of ArcelorMittal, and his daughter Vanisha Mittal is also a board member), which merged with the American firm International Steel in 2004, and then conducted a takeover of Arcelor in 2006 to form ArcelorMittal. Arcelor was headquartered in Luxembourg and itself was a merger of Aceralia (Spain), Arbed (Luxembourg), and Usinor (France) in 2002. This corporate history explains the national concentration towards India and the United States (with three board members each), Luxembourg (with two members, including Prince Guillaume de Luxembourg), and France. There is also a Canadian and Swiss member of ArcelorMittal's board of directors. While this is a multinational mix, the majority of the members are a product of ArcelorMittal's corporate history in specific nations, whereas the members of ABB and GlencoreXstrata reflects a greater diffusion that is less related to its corporate roots in specific nations.

Like ArcelorMittal, the board members of the British advertising agency WPP can also be predominantly traced to its corporate history rooted in specific nations, even though 73% of its board members are 'foreign'. WPP has acquired a string of American advertising firms since the 1980s (e.g., Grey, JWT, Ogilvy & Maher), with the most notable being the \$5.7 billion takeover of Young & Rubicam in 2000, at the time the largest acquisition in the global advertising sector. This explains why there are more American members (six, or seven if we include a dual national American Israeli) on WPP's board than there are British (four, albeit the CEO is still the founder of WPP's modern iteration since 1986, the British national Martin Sorrell).

If we consider WPP a binational British/American firm, then 'only' 27% of its board members are foreign.

In this way, there are really only two TNCs that qualify, according to this criterion, as the least rooted in the specific nations of its corporate history, and in this sense could be truly characterized as being transnationally footloose with no particular strong nationality. By contrast, the other TNCs in the top 20 are striking for the continued national embeddedness via its corporate board members, despite their operations having long since expanded globally. The number one TNC in the world by TNI, Nestlé, despite having only 4% of its assets, 2% of its sales, and 3% of its employees in Switzerland, still has 43% of its board members from Switzerland. The number seven firm Linde, with only 2% of its assets, 10% of its sales, and 15% of its employees in Germany, still has 81% of its board members from Germany. Most strikingly of all, the number twenty TNC by TNI, Hon Hai Precision Industry, despite having on average 16% of its assets, sales, and employees in Taiwan — and factories in Brazil, China, Czech Republic (its second largest exporter), Hungary, India, Japan (in a joint-venture with Sharp), Malaysia, Mexico, Slovakia, and the United States — 100% of its board members are from Taiwan, including the founder, Chair, CEO, and largest shareholder, Terry Gou. In sum, the average proportion of foreign membership of the boards of directors of the top 20 TNCs by TNI in the world is 48%, while the average TNI is 89%. In other words, despite having on average only 11% of their assets, sales, and employees in their national domicile, on average more than half of the board members of these most transnationalized corporations in the world originate from their national domicile.



As for the top 20 TNCs by total foreign assets, Table 5.9 presents the nationality of the members of their board of directors. The national concentration is even more striking. The TNC with the largest foreign assets in the world, General Electric, with operations in over 140 countries, has only a single non-US citizen on its seventeen-member board of directors (a Canadian). In fact, four of the top 20 TNCs in the world by foreign assets have not one single foreigner on their board of directors: Chevron, ENI, Honda, and Mitsubishi. Another five TNCs (including GE) have only one foreign board member (Toyota, ExxonMobil, Enel, and EDF), while Siemens, with a massive twenty-seven member board of directors, has only two foreign members. As for Toyota, the American Mark Hogan was appointed to its board of directors in March 2013 — the first time a non-Japanese citizen was appointed to the board of one of the most global corporations in the world. The three TNCs with the most foreign board members are also in the top 20 by TNI: Nestlé, Anheuser-Busch InBev, and ArcelorMittal. On average, for the top 20 TNCs in the world by foreign assets, 25% of their board members are foreign (if we take out Nestlé, Anheuser-Busch InBev, and ArcelorMittal, then 18%). Generally, speaking, TNCs from Britain and the smaller European nations tend to have more international board of directors, while German, French, and Italian TNCs remain majority national, and American and Japanese are the most national (with Japanese TNCs, almost entirely national).

**Table 5.9: Board Member Nationalities of the Top 20 Non-Financial TNCs By Foreign Assets — 2012**

TNC ( <i>Forbes Global 2000</i> Rank)	Nation	Foreign/Total Members; % Foreign	Nationalities on Board
1. General Electric	US	1/17; 6%	Chair & CEO US; US 14, Can 1, Ne/US 1, Can/US 1
2. Royal Dutch Shell	UK/Ne	5/12; 42%	Chair Fin, Swis 1; Ne 4, UK 3, Swis 2, Fin 1, US 2
3. BP	UK	8/14; 57%	Chair Swe, CEO US; US 5, Swe 1, UK 6, S Afr 1, Ne 1
4. Toyota Motor	J	1/16; 6%	Chair J, CEO J; J 15, US 1
5. Total	Fr	4/14; 29%	Chair & CEO Fr; Fr 10, Swe 1, Can 1, Swis 1, Bel 1
6. ExxonMobil	US	1/13; 8%	Chair & CEO US; US 12, Oz 1
7. Vodafone	UK	5/13; 38%	Chair UK, CEO It; UK 8, It 1, Fr 2, Ghana 1, Bel 1
8. GDF Suez	Fr	4/11; 36%	Chair & CEO Fr; Fr 7, Bel 1, De 1, Can 1, UK 1
9. Chevron	US	0/11; 0%	Chair & CEO US; US 11
10. Volkswagen Group	De	4/20; 20%	Chair Aus; Aus 1, De 16, Swe 1, Qat 2
11. ENI	It	0/9; 0%	Chair It, CEO It; It 9
12. Nestlé	Swis	17/27; 63%	Chair Aus, CEO Bel; Swis 8, Fr 4, US/Swiss 1, India 2, Ne 1, US 4, China 1, Aus 1, Bel 2, De/Swiss 1, Spa 2
13. Enel	It	1/9	Chair It, CEO It; It 8, Sp 1
14. E.On	De	5/18; 28%	Chair & CEO De; De 13, Nor 1, UK/NZ 1, Ne 2, Romania 1
15. Anheuser-Busch InBev	Bel	7/11; 64%	CEO Ne; Ne 2, Fr 1, Bel 4, Bra 4
16. ArcelorMittal	Lux	9/11; 82%	Chairman & CEO India; India 3, US 3, Can 1, Lux 2, Fr 1, Swiss 1
17. Siemens	De	2/27; 7%	Chair De, CEO De; De 25, Turk 1, Fr 1
18. Honda	J	0/12; 0%	Chair J, CEO J; J 12
19. Mitsubishi	J	0/14; 0%	Chair J, CEO J; J 14
20. EDF	Fr	1/8; 13%	CEO Fr, Chair Fr; Fr 7, It 1

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Annual Reports (2012 or 2013) from respective corporate homepages; Google Searches.

We now turn to financial TNCs. In part due to unavailability of data, UNCTAD has a rather different ranking for the world's most transnationalized financial TNCs: the geographic spread index (GSI). The GSI of a financial firm is the "square root of the internationalization index multiplied by the number of host countries" in which the firm operates; the internationalization index is "the number of foreign affiliates divided by the number of all affiliates" of that firm (UNCTAD *WIR 2013*: Online Annex Table 30). An affiliate is defined as a firm that is majority-owned (50% or more) by its parent. Thus, unlike the TNI, a high GSI for a financial firm depends on that firm having a large number of foreign affiliates. If a financial firm has very few foreign affiliates but nevertheless operates in scores of countries on six continents, it will still have a low GSI. In this way, UNCTAD's ranking by GSI tends to favor those financial firms that conduct many cross-border M&As, namely commercial banks and insurance companies, at the expense of those that engage mainly in portfolio investment, such as investment firms. I discuss investment firms in the next section.

Table 5.10 presents the top 20 financial TNCs by GSI. We can see that there is wide divergence in the indicators of the top 20 TNCs. For example, the TNC that operates in the most countries, Citigroup, has 74 host nations, while the TNC in the top 20 with the smallest number of host nations, Royal Bank of Canada, operates in only 26 countries. There is even greater divergence in the number of foreign affiliates, from Deutsche Bank's 1,031 foreign affiliates to Nomura's 114. It follows that the spread in GSI is also very wide, from the highest, Allianz's 73, to the lowest, Nomura's 45 — much wider than the spread in the TNI of the top 20 non-financial TNCs, from Nestlé's 97 to Hon Hai's 84. This suggests that the vast majority of the

world's banks — the largest sector by total profit and number of nations and firms in the *Forbes Global 2000* as we saw in Chapter Four— are relatively nationally contained in their operations. Table 5.10 shows that only nine banks (Citigroup, BNP Paribas, HSBC, Deutsche Bank, Société Générale, Unicredit, Standard Chartered, Credit Suisse, and UBS) and five insurance companies (Allianz, Assicurazioni Generali, AXA, Zurich Insurance, and Munich Reinsurance) in the world have a GSI of more than half. Also note that the majority of the top 20 are European (fifteen TNCs, with France having the most with four TNCs), while Canada and the US have two each, and Asia (Japan) has only one. The most transnationalized financial TNCs by GSI are by far European. Société Générale

**Table 5.10: Top 20 Financial TNCs By Geographical Spread Index (GSI) — 2012**

<b>Financial TNC (<i>Forbes Global 2000</i> Rank)</b>	<b>Nation</b>	<b>GSI</b>	<b>Foreign/ Total Affiliates</b>	<b>II*</b>	<b>Host Countries</b>
1. Allianz	De	72.8	585/717	81.6	65
2. Citigroup	US	72.4	595/840	70.8	74
3. BNP Paribas	Fr	71.2	723/984	73.5	69
4. Assicurazioni Generali	It	68.5	436/493	88.4	53
5. HSBC	UK	68.3	746/1040	71.7	65
6. Deutsche Bank	De	65.9	1031/1331	77.5	56
7. Société Générale	Fr	65.0	386/557	69.3	61
8. Unicredit	It	64.1	861/922	93.4	44
9. AXA	Fr	58.3	515/606	85.0	40
10. Standard Chartered	UK	57.4	153/209	73.2	45
11. Credit Suisse	Swis	56.4	231/261	88.5	36
12. Zurich Insurance	Swis	54.8	318/328	97	31
13. UBS	Swis	53.1	279/494	56.5	50
14. Munich Reinsurance	De	52.9	272/525	51.8	54
15. ING	Ne	49.6	327/585	55.9	44
16. Bank of Nova Scotia	Can	49	108/135	80	30
17. Morgan Stanley	US	48.7	163/220	74.1	32
18. Credit Agricole	Fr	48.5	229/418	54.8	43
19. Royal Bank of Canada	Can	46.7	129/154	83.8	26

20. Nomura	J	44.9	114/153	74.5	27
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\* Internationalization Index

**Note:** GSI is the square root of the Internationalization Index (II) multiplied by the number of host countries. II is the ratio of foreign/total affiliates. See Table A.1 in Appendix A for country abbreviations.

**Source:** UNCTAD *WIR* 2013; *Forbes Global 2000* (2013).

Table 5.11 presents the nationalities of the boards of directors of these top 20 financial TNCs by GSI. There are only three TNCs with more than half of their boards comprising of foreign members, and all are Swiss: Credit Suisse with 64% of its board from outside Switzerland, Zurich Insurance with 60% of its board being non-Swiss, and Union Bank of Switzerland (UBS) with 58% of its board non-Swiss. The average foreign board membership in the top 20 financial TNCs is 31%. In other words, on average more than two-thirds of the boards of directors of the most transnationalized financial TNCs in the world have the same nationality as the TNC's domicile. This is startling since the average number of host countries in which the top 20 have foreign affiliates is 47 — clearly there is a high concentration of corporate control from the national headquarters of their global operations involving on average 410 foreign affiliates. This is especially the case for Asian and North American financial TNCs, with roughly three-quarters or more of their board members hailing from their national base (in Nomura's case, 100%), including 85% for Citigroup, despite owning 595 foreign affiliates operating in 74 countries and with the second highest GSI in the world. Therefore, judging from the criterion of corporate board nationality, almost all financial TNCs are 'national firms with international operations'.

**Table 5.11: Board Member Nationalities of the Top 20 Financial TNCs By GSI — 2012**

<b>TNC (<i>Forbes Global 2000</i> Rank)</b>	<b>Nat- ion</b>	<b>Foreign/Total Members; % Foreign</b>	<b>Nationalities on Board</b>
1. Allianz	De	5/12; 42%	Chair De; De 7, DK 1, Fr 2, It 1, UK 1
2. Citigroup	US	2/13; 15%	CEO US; US 11, Mex 1, Swis/Aus 1
3. BNP Paribas	Fr	4/16; 25%	Chair Fr & CEO Fr; Fr 12, Bel 2, De 1, UK 1
4. Assicurazioni Generali	It	1/11; 9%	Chair It & CEO It; It 10, Fr 1
5. HSBC	UK	7/19; 37%	Chair UK & CEO UK; UK 12, De 1, HK 2, Swis 1, US 2, US/Isr 1
6. Deutsche Bank	De	6/21; 29%	Chair Aus; De 15, Aus 2, Can 1, UK 2, US 1
7. Societe Generale	Fr	6/16; 38%	Chair & CEO Fr; Fr 10, It 1, J 1, Ne 1, Spa 1, UK 1, UK/US 1
8. Unicredit	It	7/19; 37%	Chair It, CEO It; It 12, Aus 1, De 2, Fr 1, Pol 1, UAE 1, UK 1
9. AXA	Fr	5/16; 31%	Chair & CEO Fr; Fr 11, De 3, Sing 1, US/UK 1
10. Standard Chartered	UK	7/20; 35%	Chair UK, CEO UK; UK 13, De 1, India 3, ROK 1, Swe 1, US 1
11. Credit Suisse	Swis	9/14; 64%	Chair Swis, CEO US; Swis 5, Aus 1, Fr 1, Ne 1, Qat 1, Sing 1, UK 1, US 3
12. Zurich Insurance	Swis	6/10; 60%	Chair Ne, CEO Swis; Swis 4, Ne 1, Sp 1, UK 2, US 2
13. UBS	Swis	6/12; 50%	Chair De, CEO Swis; Swis 6, Bel 1, Can 1, De 1 HK 1, UK 1, US 1
14. Munich Reinsurance	De	1/8; 13%	Chair De; De 7, Is 1
15. ING	Ne	4/11; 36%	CEO Ne; Ne 7, Ir 1, Fr 1, Sp 1, US 1
16. Bank of Nova Scotia	Can	5/15; 33%	CEO Can; Can 10, Mex 1, Sing 1, US 3
17. Morgan Stanley	US	4/15; 27%	CEO Oz; US 11, J 2, Oz 1, UK 1
18. Credit Agricole	Fr	1/22; 5%	Chair Fr, CEO Fr; Fr 21, It 1
19. Royal Bank of Canada	Can	3/14; 21%	Chair Can, CEO Can; Can 11, US 3
20. Nomura	J	0/12; 0%	Chair J, CEO J; J 12

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** Annual Reports (2012 or 2013) from respective corporate homepages; Google Searches.

### **III. The Nationality of Corporate Ownership**

Investigating corporate ownership — especially as it relates to corporate control — is much more complicated than the nationality of corporate board members. One major problem is that there are many different types of owners, from individuals and families to governments, from trusts and charitable foundations to insurance companies, from banks and investment firms to nonfinancial corporations and holding companies, among others. Some owners are active, in that they seek to influence corporate management and/or become a member of an executive committee or the board of directors (whether in person or through proxy) to affect corporate decision-making and control. Other owners are passive, in that rather than seeking to directly influence management if they disagree with the corporation's strategy or rate of return, they will simply divest their shareholdings.<sup>49</sup> These multiple types of owners are complicated by the fact that some corporations issue different types of shares with different voting rights. Berkshire Hathaway, number nine on the 2013 *Forbes Global 2000* list, is an extreme example, with a two-tier ownership structure of A shares and B shares, with one A share having ten thousand times the voting rights of one B share. Such two-tier ownership structures are to ensure the control of certain long-term owners; in Berkshire Hathaway's case, namely Warren Buffet (Chairperson, President, CEO, and largest shareholder) and Charlie Munger (Vice-Chairperson).

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<sup>49</sup> Passive investors can exert indirect control, however, as the mere potential for exit is often sufficient pressure to ensure that the board of directors maintain 'shareholder value'; in other words, an above-average rate of return.

Another problem is that shareholdings of most corporations change frequently, as shares are bought and sold daily (and with the rise of high frequency trading, even by nanosecond). Generally speaking, however, the shares of a corporation's top owners are relatively stable. A government stake is often held for years, and institutional investors also often have a long-term investment horizon. Nevertheless, every once in a while there will be a large acquisition or divestiture that noticeably alters the ownership structure of a corporation. Therefore, any list of corporate shareholders can only be a snapshot of a particular moment, and how stable this moment is varies firm by firm. But for the majority of the world's top corporations, we can assume that the major shareholdings change infrequently enough to provide a useful snapshot.

While there are still many family- and state-owned enterprises amongst the world's top publicly listed corporations, the most ubiquitous shareholder of the *Forbes Global 2000* is the investment firm, whether an institutional investor such as a mutual or pension fund, a hedge fund, the wealth management division of a bank or insurance company, or some other asset manager. For example, JPMorgan Chase is the number one ranked American-domiciled corporation in the 2013 *Forbes Global 2000*. Its top 10 owners are (with shares owned in parentheses): 1) Blackrock (6.5%); 2) Vanguard (4.8%); 3) State Street (4.6%); 4) Wellington Management (2.7%); 5) Fidelity (2.4%); 6) Capital Group (2.2%); 7) T Rowe Price (2.2%); 8) Northern Trust (1.6%); 9) Bank of New York Mellon (1.5%); and 10) Sun Life Financial (1.4%). All top nine of these shareholders are American asset managers, and the tenth is a Canadian insurance company. These asset managers are



‘registered owners’ of JPMorgan Chase, and collect dividends and vote (according to their proportion of share ownership) in the name of their ‘beneficial owners’ — the ultimate owners of the shares that are managed by these investment firms.<sup>50</sup> Of course, asset managers at the top investment firms are often themselves very wealthy, especially at the top private equity firms — in plentiful instances far wealthier than the clients whose wealth they manage.<sup>51</sup> Indeed, as we shall see in the next section, by far the most common profession for millionaires and billionaires is financial services. And since many of these asset managers invest their own wealth alongside investments for their clients, the line between registered and beneficial owner is often blurred.

In any case, in order to directly and precisely identify the nationality of these beneficial owners, one would need access to the client lists of these investment firms. Such lists are protected by client confidentiality agreements, and are inaccessible to anyone without insider information. Nevertheless, there are indirect ways to approximate the aggregate national identities of the beneficial owners of the world’s top corporations registered by asset managers. For example, *Boston Consulting Group* has done research on the top offshore asset managers (excluding life insurance and pension funds) in the world. Offshore assets are “defined as assets booked in a country where the investor has no legal residence or tax domicile” (*Boston Consulting Group* 2013: 21). Table 5.12 presents the most relevant findings.

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<sup>50</sup> For an explanation of the difference, see Securities and Exchange Commission (2014).

<sup>51</sup> In 2013, for example, Leon Black, founder of Apollo Group, made \$546 million, Stephen Schwarzman of Blackstone made \$374.5 million, David Rubenstein and Daniel d’Aniello, co-founders of Carlyle, shared \$750 million, and Henry Kravis and George Roberts of KKR made \$150 million each (Chassany 2014).

We can see that foreigners own 63% of the assets managed by Swiss investment firms. Thus, when a Swiss asset manager such as Credit Suisse or UBS owns shares in a corporation, we must assume that the majority of the beneficial owners are *not* Swiss nationals. We must also assume that the shareholdings of British registered owners such as HSBC and Legal & General Group do not equal the shareholdings of British beneficial owners in a one-to-one ratio, as foreigners own almost a quarter of assets managed by British firms.

**Table 5.12: Top Offshore Wealth Managers by Country — 2012**

Country	Offshore Assets	Total AuM	Offshore/Total AuM
1. Switzerland	\$2.2 trillion	\$3.5 trillion	63%
2. Channel Islands & Dublin	\$1.1 trillion	\$1.4 trillion*	~82%
3. United Kingdom	\$0.9 trillion	\$3.9 trillion	24%
4. Singapore	\$0.8 trillion	\$1.2 trillion	68%
5. United States	\$0.7 trillion	\$30 trillion	2%
6. Luxembourg	\$0.6 trillion	\$0.6 trillion*	~100%
7. Hong Kong	\$0.4 trillion	\$2.1 trillion	20%

\*Total AuM for Channel Islands and Luxembourg are estimates.

**Note:** “Offshore wealth, defined as assets booked in a country where the investor has no legal residence or tax domicile” (*Boston Consulting Group* 2013: 21). ‘AuM’ is ‘Assets under Management’ held by firms domiciled in that country, excluding life insurance and pension funds.

**Source:** *Boston Consulting Group* 2013: 21.

By contrast, American residents ultimately own virtually all — an astounding 98% — of the \$30 trillion in assets managed by American investment firms in 2012, according to *Boston Consulting Group*. Note, however, that this is a national aggregate, which says nothing about the offshore holdings of specific investment firms. The proportion of offshore assets booked by the top American investment firms is likely higher than 2%, but we cannot know the precise share of foreign

wealth due to client confidentiality. The most we can say is that of the \$700 billion of foreign clients' wealth managed by American firms in 2012, it is likely that the bulk of this foreign wealth is managed by the following top American asset managers with a high number of foreign affiliates: 1) State Street (AuM of \$2.1 trillion) with 88 foreign affiliates in 18 countries; 2) JPMorgan Chase (AuM of \$1.4 trillion) with 219 foreign affiliates in 33 countries; 3) Bank of New York Mellon (AuM of \$1.4 trillion) with 139 foreign affiliates in 18 countries; and 4) Goldman Sachs (AuM \$854 billion) with 205 foreign affiliates in 27 countries.<sup>52</sup> Nevertheless, despite the lack of precision with specific firms, Table 5.12 amply reveals that American residents ultimately own the vast majority of the aggregate wealth managed by American asset managers.

Having established that the vast majority of the assets managed by American investment firms are indeed ultimately owned by American residents, we now turn to the national ownership structures of the world's top corporations. To return to the JPMorgan Chase example above, recall that the nine largest shareholders are all American investment firms, and the tenth largest is a Canadian insurance company. In this way, *Bloomberg Professional* aggregates the national ownership shares of all shareholdings by domicile. In JPMorgan's case, the top four national owners are, with aggregate national shares in parentheses: 1) American (82.7%); 2) British (5%); 3) Canadian (2.4%); and 4) Japanese (1.5%). Thus, based on the criterion of the nationality of ownership, JPMorgan Chase, with 83% American ownership, is

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<sup>52</sup> Assets under management rankings from Towers Watson 2013: 23; foreign affiliates and number of host countries data from UNCTAD 2013: Web Table 30.

overwhelmingly an American firm — despite having 219 foreign affiliates spread across 33 countries.

In this way, we can organize the top corporations by national domicile from the *Forbes Global 2000* list and compile their national ownership structures using the *Bloomberg Professional* database. We begin with the top 25 American corporations in Table 5.13, which reveals that American shareholders are unequivocally the dominant owners of the top American corporations, at an average of 86% ownership of all outstanding shares.<sup>53</sup> The next three most prevalent national owners of the top 25 American corporations are all citizens of close American allies: 1) British owners with an aggregate average of 4.6%; 2) Canadian owners with 2.1%; and 3) Japanese with 1.5%. While almost a quarter of the assets managed by British firms are ultimately owned by non-British investors (as we saw in Table 5.12), since Canada and Japan are both very insignificant offshore wealth managers, we can assume that the shareholdings of Canadian and Japanese investment firms are ultimately owned by Canadian and Japanese nationals, respectively. Incidentally, note that not all of the top shareholders of these American corporations are investment firms. For example, Wal-Mart is the world's largest family-owned enterprise. The four children of founder Sam Walton (now deceased) collectively own 49% of Wal-Mart, with a combined net worth of \$144.5 billion (*Forbes.com Billionaires* 2014).

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<sup>53</sup> While a sample of 25 corporations is miniscule compared to hundreds of thousands, I assume that if the top 25 corporations have nationally concentrated ownership structures, then so too will the rest, since the top corporations represent the most important shareholdings for global investors (generally speaking, for having the best balance of high rate of return and lowest risk).

**Table 5.13: Top 4 National Owners of Top 25 US Corporations — 2011**

<b>US Rank (World)</b>	<b>Corporation</b>	<b>#1 Owner</b>	<b>#2 Owner</b>	<b>#3 Owner</b>	<b>#4 Owner</b>
1. (1)	Exxon Mobil	US 84.3	UK 4.4	J 2.4	Can 1.8
2. (2)	JPMorgan Chase	US 83.2	UK 5	Can 2.5	J 1.7
3. (3)	General Electric	US 85.4	UK 4.2	J 2.1	Can 1.8
4. (8)	Berkshire Hathaway	US 89	UK 3.9	Can 1.8	J 1.5
5. (9)	Wells Fargo	US 86	UK 4.6	Can 2.4	J 1.4
6. (12)	Chevron	US 85.4	UK 4.4	J 1.9	Can 1.6
7. (14)	Citigroup	US 76.1	Sing 5.5	UK 5.4	Can 2.2
8. (16)	Wal-Mart	US 93.9	UK 2.2	Can 1	J 0.8
9. (22)	Apple	US 84.8	UK 4.5	J 1.8	Can 1.7
10. (27)	ConocoPhillips	US 86.5	UK 3.8	J 1.8	Can 1.7
11. (32)	IBM	US 85.6	UK 3.8	J 1.9	Can 1.7
12. (33)	AT&T	US 85.6	UK 4	J 2.1	Can 2
13. (34)	Pfizer	US 82.3	UK 5.9	Can 2.4	J 1.8
14. (35)	Proctor & Gamble	US 84.7	UK 4.6	Can 2.4	J 2
15. (38)	AIG	US 95.2	Can 1.3	UK 1.2	Ire 1
16. (42)	Microsoft	US 85	UK 4.2	Can 2.8	J 1.4
17. (44)	Ford Motor	US 87.4	UK 3.4	J 2	Can 1.5
18. (55)	MetLife	US 87.5	UK 2.1	Can 1.9	De 1.6
19. (57)	Johnson & Johnson	US 83.1	UK 5.5	Can 2.9	J 1.8
20. (63)	General Motors	US 81.8	Can 12.4	China 1	UK 0.8
21. (66)	Verizon Communications	US 85.4	UK 5	J 2.1	Can 1.7
22. (67)	Hewlett-Packard	US 85.1	UK 4.7	Can 2	J 1.7
23. (77)	Goldman Sachs Group	US 87.6	UK 3.6	Can 1.6	J 1.5
24. (80)	Merck & Co	US 86.6	UK 4.3	Can 1.8	J 1.7
25. (81)	Comcast	US 85.6	UK 4	Can 2.9	J 1.4
<b>Average National Ownership</b>		US 86.1	UK 4.6	Can 2.1	J 1.5

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2011) for rankings; *Bloomberg Professional* (June 2011) for ownership.

Table 5.14 presents the ownership structures of the top 25 European corporations. The concentration of the number one national owner for most of the top European corporations is much less than for American corporations, and not necessarily the same as the firm's domicile. In fact, astonishingly, the number one combined national owner of the top 25 European corporations is not European, but

American. American shareholders collectively own, on average, 24% of the top European corporations. And as with M&A linkages discussed above, note the asymmetry: While the average aggregate foreign ownership of the top 25 American corporations is roughly 14% (Table 5.13), American ownership by itself (let alone total foreign ownership) is more than 20% in most of the top 25 European corporations, and over 40% in Allianz, Nestlé, and UBS. This is especially startling when contrasted with the fact that most foreign nationals' aggregate ownership of the top American corporations is less than 1% each. Therefore, American ownership of European capital is far more than European ownership of American capital.

**Table 5.14: Top 4 National Owners of Top 25 European Corporations — 2011**

<b>Euro Rank (World)</b>	<b>Corporation</b>	<b>Home</b>	<b>#1 Owner</b>	<b>#2 Owner</b>	<b>#3 Owner</b>	<b>#4 Owner</b>
<b>1. (4)</b>	Royal Dutch Shell	Ne	UK 36	US 32.3	Lux 4	China 3.3
<b>2. (6)</b>	HSBC Holdings	UK	UK 37.5	US 35.4	Nor 3.9	Lux 3.2
<b>3. (11)</b>	BP	UK	UK 46.6	US 25.8	Nor 3	Ire 2.6
<b>4. (17)</b>	Volkswagen Group	De	De 80.1	Qat 18.6	US 0.6	Lux 0.3
<b>5. (18)</b>	Total	Fr	Fr 42	US 21.4	Bel 13.3	Lux 5
<b>6. (20)</b>	BNP Paribas	Fr	Fr 30.5	Bel 26.6	US 21.8	Lux 10.4
<b>7. (23)</b>	Banco Santander	Spa	US 33.5	Fr 16.7	UK 11.9	Swis 11.6
<b>8. (28)</b>	Vodafone	UK	UK 43.2	US 30	Lux 3.5	Nor 3
<b>9. (29)</b>	ENI	Italy	Italy 70.9	US 11.2	Fr 5.5	UK 3.7
<b>10. (37)</b>	Daimler	De	US 26.5	UK 19.3	De 15.6	Kuw 11.7
<b>11. (39)</b>	ING Group	Ne	Unk 60.6	UK 14.9	US 11	Lux 4.9
<b>12. (40)</b>	Nestlé	Swis	US 42.5	Swis 21.9	Unk 17.7	Lux 4.9
<b>13. (41)</b>	Statoil	Nor	Nor 79.3	US 9.8	Lux 3.4	UK 3.1
<b>14. (45)</b>	AXA Group	Fr	Fr 61.9	US 20.7	Lux 5.2	UK 3.4
<b>15. (48)</b>	GDF Suez	Fr	Fr 66.3	US 18	Bel 9.4	Lux 3
<b>16. (50)</b>	Allianz	De	US 44.9	De 20.1	Fr 15.4	Lux 9.3
<b>17. (51)</b>	Siemens	De	De 34.9	US 21	UK 12.2	Qat 9.6
<b>18. (52)</b>	Deutsche Bank	De	US 34.5	De 24.2	UK 13.4	Swis 9.9
<b>19. (53)</b>	Barclays	UK	UK 32.1	US 21.9	Unk 15	Qat 12.4
<b>20. (58)</b>	Telefónica	Spa	Spa 41.2	UK 14.8	US 14.4	Fr 13.9

<b>21. (61)</b>	BMW Group	De	De 73.7	US 18.8	Lux 2.8	Fr 1.2
<b>22. (62)</b>	Novartis	Swis	Swis 42.3	US 36.5	Lux 6.4	UK 3.8
<b>23. (69)</b>	Rio Tinto	UK	UK 45.4	US 24.1	Sing 12.3	Fr 4.8
<b>24. (72)</b>	UBS	Swis	US 43.7	Sing 15.4	Swis 13.9	Nor 7.3
<b>25. (73)</b>	EDF	Fr	Fr 98.5	US 0.7	Lux 0.3	Ire 0.2
<b>Average National Ownership</b>			US 24.4	Fr 16	De 13.4	UK 10.7

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2011) for rankings; *Bloomberg Professional* (June 2011) for ownership.

Acknowledgment of this asymmetry in trans-Atlantic corporate ownership is missing from most analyses of globalization. While many observers recognize that the revival of the globalization of investment was initiated by American firms investing in Western Europe (and Canada) beginning in the 1960s, the vast majority assume that the ensuing decades of trans-Atlantic portfolio investment crisscrossing in both directions has resulted in nationally diffused ownership structures of the world's top transnational corporations. Numerous observers assume that there is no longer any significant national concentration in ownership (let alone concentration in American ownership). A more accurate depiction, however, is that rather than the globalization of investment leading to 'nationless' ownership structures, trans-Atlantic investment has resulted in the increasing Americanization of European corporate ownership. This has major implications for American hegemony and power in global capitalism, as we shall discuss below.

In any case, based on the criterion of the nationality of ownership, some of the top European corporations have relatively diffused national ownership, while others still have highly nationally concentrated shareholdings. The French utilities corporation EDF and the Norwegian oil firm Statoil are both state-owned

enterprises, and have 98.5% French and 79.3% Norwegian ownership, respectively. BMW is 46% owned by three members of the Quandt family. Some TNCs, however, have roughly even shareholdings between the first and second national owners, such as the 36% British and 32% American aggregate shareholdings of Royal Dutch Shell, 38% British and 35% American ownership of HSBC, and 42% Swiss and 37% American ownership of Novartis. By the criterion of the nationality of ownership, these three firms would be candidates for being British/American and Swiss/American binational corporations. And other European TNCs would be candidates for having a single nationality — but not of their domicile. American shareholders collectively dominate Nestlé and UBS with 43% and 44% American ownership, respectively — more than double the Swiss ownership in the first instance and more than triple the Swiss ownership in the second. Hence, Nestlé and UBS are both strong candidates for being American firms based on the nationality of ownership, despite their deep historical roots in Switzerland.

The top Japanese TNCs, however, are still owned predominantly by Japanese shareholders at an average of 80% as we can see in Table 5.15, albeit this is slightly less concentration than American ownership of American TNCs. Also, American shareholders account for the largest foreign share at an average of 14% — and note that all Australian shares recorded in Table 5.15, reaching as much as 5.3% each in Hitachi (#9) and Sumitomo Mitsui Financial (#5), are owned by State Street Australia, a wholly-owned subsidiary of the Wall Street firm State Street. Thus, whether or not we combine the American and Australian shares, the former is by far the largest foreign owner of the top Japanese corporations. This is in part due to the



success of the Clinton Administration in the 1990s, especially the actions of US Treasury Secretary Robert Rubin in pressuring Japan to open its capital markets (Rubin and Weisberg 2003), and is a broader reflection of the post-war alliance between Japan and its only ally, the United States. But note the asymmetry, as Americans own much more of Japanese capital than Japanese own American (the latter of which is on average 1.5% of the top 25 American TNCs: Table 5.13). Nevertheless, Japanese corporations are still unequivocally Japanese, based on the nationality of ownership (with the possible exception of Nissan, which might be considered French/Japanese).

**Table 5.15: Top 4 National Owners of Top 25 Japanese Corporations — 2011**

<b>J Rank (World)</b>	<b>Corporation</b>	<b>#1 Owner</b>	<b>#2 Owner</b>	<b>#3 Owner</b>	<b>#4 Owner</b>
1. (25)	Toyota Motor	J 78	US 15.9	Oz 2.5	Lux 1
2. (36)	Mitsubishi UFJ Financial	J 70.4	US 17	Oz 5	Lux 2.2
3. (46)	NTT	J 91	US 5.6	Oz 1	Lux 0.9
4. (59)	Honda Motor	J 67.6	US 24.8	Oz 3.2	Lux 1.2
5. (64)	Sumitomo Mitsui Financial	J 67.5	US 18.6	Oz 5.3	UK 2.6
6. (86)	Nissan Motor	Fr 57.1	J 22.9	US 7.2	UK 4.7
7. (95)	Mitsubishi Corp	J 77.9	US 12.5	Oz 3.9	Lux 1.7
8. (98)	Mizuho Financial	J 81.7	Oz 6.2	US 6	UK 1.8
9. (129)	Hitachi	J 61.4	US 28.6	Oz 5.3	Lux 1.4
10. (133)	Mitsui & Co	J 78.2	US 7.9	Oz 4	Sing 2.9
11. (149)	Canon	J 55.9	US 34.1	Oz 3.8	Lux 1.6
12. (176)	JX Holdings	J 76.2	US 9.9	Oz 4.4	Sing 3.1
13. (189)	Softbank	J 54	US 35.8	Oz 2.5	UK 2.3
14. (191)	KDDI	J 77.9	US 18.8	Lux 1.2	UK 0.4
15. (199)	Sumitomo Corp	J 71	US 18.4	Oz 3.8	Lux 2.1
16. (205)	Toshiba	J 84.5	US 5.5	Oz 5	UK 1.3
17. (215)	Japan Tobacco	J 78.4	US 16.6	Sing 1.6	UK 1.4
18. (216)	Itochu	J 63.5	US 24.2	Oz 3.9	Lux 2
19. (225)	Panasonic	J 76.3	US 15.5	Oz 3.6	UK 2.3
20. (232)	Seven & I Holdings	J 73.3	US 15.1	Oz 4.1	Lux 2

21. (233)	Denso	J 82	De 7.5	US 5.7	Oz 1.8
22. (242)	Tokio Marine Holdings	J 69.7	US 21	Oz 3.7	UK 1.3
23. (261)	Kansai Electric Power	J 88.1	US 4.8	Oz 4	Lux 0.8
24. (264)	Nippon Steel	J 87.2	ROK 5.2	US 3.2	Oz 2.4
25. (266)	East Japan Railway	J 79	US 7.7	Oz 4.5	UK 2.4
<b>Average National Ownership</b>		J 80.3	US 14.2	Oz 3.2	UK 0.8

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2011) for rankings; *Bloomberg Professional* (June 2011) for ownership.

Table 5.16 reveals that American ownership of the top 25 from the rest of the world excluding China is a mixed bag, ranging from the dominant national owner of the Australian-domiciled BHP Billiton (#7) with a 69% share, as opposed to 12% Australian ownership, to less than 1% of the Russian-domiciled Rosneft (#13), with 99% Russian ownership. Lying in between is the 36% American ownership of Gazprom (#2), versus 64% Russian, and the 28% American ownership of Samsung Electronics (#3), versus 63% Korean. And while aggregate national ownership for most Brazilian firms is unavailable in *Bloomberg Professional*, American firms are often some of the largest individual owners, such as Capital Group with a 6% stake in Banco Bradesco and Blackrock with 3%, 7%, and 11% stakes in Vale, Petrobras-Petróleo Brasil, and Itaú Unibanco Holding respectively (*Forbes Global 2000* for rankings; *Bloomberg Professional* for ownership). On the whole, for most transnational corporations based outside Europe, there is still a high concentration of ownership from the TNC's national domicile, especially, of course, for the various state-owned enterprises based in emerging markets. The notable exceptions stem from high American ownership in certain Australian and Canadian TNCs, such as BHP Billiton, National Australia Bank, and Suncor Energy — albeit both Australia

and Canada also have top TNCs with dominant Australian and Canadian ownership, respectively. As for the top Chinese corporations, their ownership structures are more complicated, with dual share listings in Shanghai or Shenzhen and Hong Kong. Only the latter shares are open to foreign capital. I shall discuss Chinese corporations in the next chapter. Suffice to say here that the vast majority of the top Chinese corporations are state-owned enterprises, and are unequivocally Chinese.

**Table 5.16: Top 4 National Owners of Top 25 ‘The Rest’ (Excl. China) Corporations — 2011**

Rank (World)	Corporation	Home	#1 Owner	#2 Owner	#3 Owner	#4 Owner
1. (10)	Petrobras-Petróleo Brasil	Brazil	N/A			
2. (15)	Gazprom	Russia	Ru 63.7	US 35.7	Lux 0.2	Swe 0.2
3. (26)	Samsung Electronics	ROK	ROK 63	US 28	Lux 3.2	UK 1.6
4. (30)	Itaú Unibanco Holding	Brazil	N/A			
5. (43)	Banco Bradesco	Brazil	N/A			
6. (47)	Commonwealth Bank	Oz	Oz 59	US 24.5	Lux 3.1	Aus 2.7
7. (49)	BHP Billiton	Oz	US 68.5	Oz 11.9	Can 4	Lux 3.9
8. (54)	Banco do Brasil	Brazil	Br 91.8	US 6.3	Lux 0.7	Ire 0.2
9. (56)	Vale	Brazil	N/A			
10. (60)	Westpac Banking Group	Oz	Oz 57.9	US 26	Lux 3.8	J 2.2
11. (68)	Lukoil	Russia	Ru 73.4	US 14.1	Lux 4.6	Swe 4
12. (70)	Royal Bank of Canada	Can	Can 68	US 24.8	UK 1.8	J 1.4
13. (71)	Rosneft	Russia	Ru 99.4	US 0.3	Swe 0.1	Lux 0.1
14. (76)	National Australia Bank	Oz	US 43.4	Oz 39.5	Lux 3	UK 2
15. (79)	ANZ	Oz	Oz 59	US 23.7	Lux 3.8	UK 3.6
16. (82)	TD Bank	Can	Can 65.2	US 28	UK 2	J 1.2
17. (89)	Saudi Basic Industries	Saudi	Saudi 99.98	US 0.01	Lux 0.01	N/A
18. (90)	Sberbank	Russia	Ru 88	US 6.4	Lux 2.3	Swe 0.9
19. (92)	Bank of Nova Scotia	Can	Can 67.5	US 25.5	UK 1.6	J 1.3
20. (96)	Hyundai Motor	ROK	ROK 72.3	US 18.9	Lux 3.8	UK 1.3

21. (112)	América Móvil	Mex	Mex 80.5	US 17.5	Ire 0.7	Lux 0.5
22. (124)	Reliance Industries	India	In 86.1	US 8.9	Sing 2.2	Lux 0.9
23. (134)	Suncor Energy	Can	US 49.1	Can 42	UK 3.2	J 1.2
24. (137)	Ecopetrol	Colom	Colom 99.2	US 0.7	Lux 0.1	Swis 0.04
25. (148)	State Bank of India	India	In 95.7	US 2.4	Lux 0.6	Nor 0.4
<b>Average National Ownership (Excl. Brazil)</b>				US 22.3	Ru 16.2	Can 12.3 Oz 11.4

**Note:** See Table A.1 in Appendix A for country abbreviations.

**Source:** *Forbes Global 2000* (2011) for rankings; *Bloomberg Professional* (June 2011) for ownership.

Therefore, for the most part, the concentration in ownership of the world's top corporations aligns very closely with their national domicile — despite several decades of the globalization of investment, both portfolio and M&As. This is certainly true of the top American corporations, with an average above 85% aggregate American ownership. The primary exceptions are TNCs based in the smaller continental European countries, such as the Netherlands and Switzerland, as well as certain Anglo-American countries, namely Australia, Britain, and Canada. In virtually all of these exceptions, it is American investment firms that are the leading shareholders. Moreover, in those cases for which American ownership is not dominant, we can see from Tables 5.14 to 5.16 that American ownership is nevertheless significant for many, if not most, of the world's top corporations spread across all regions of the globe — and certainly by far the most significant of any foreign owner. Indeed, the globalization of corporate ownership since the 1990s — upon which numerous observers place much weight, as we saw in Chapter Two — has really been the Americanization of global corporate ownership. Figure 5.1 takes

a broader view, and shows that American shareholders own 46% of all outstanding shares of the top 500 corporations from the *Forbes Global 2000*. This is despite ‘only’ 33% of the top 500 TNCs being domiciled in the United States, not to mention American GDP being less than a quarter of world GDP since 2008.

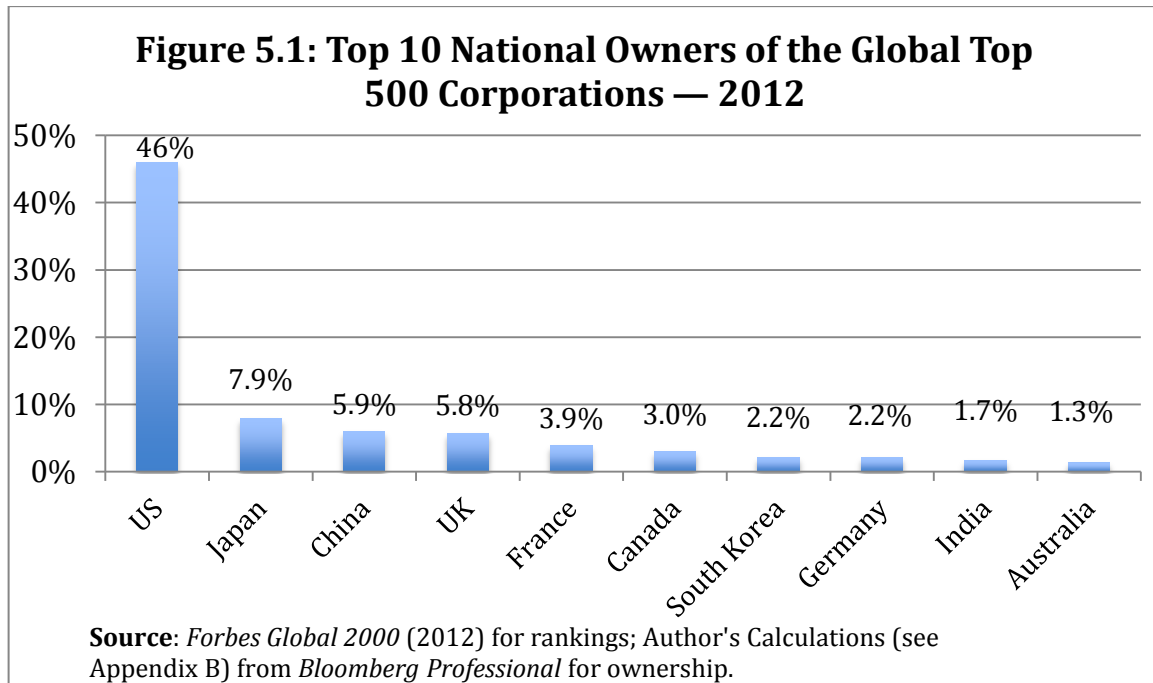


Figure 5.1 demonstrates how global American ownership has become, far more than any other nationality. This increasing Americanization of global corporate ownership also renders the debate between ownership and control somewhat beside the point in the context of globalization. No matter who controls the world's top corporations and no matter in which nations they are based, it is first and foremost American investors — as Figure 5.1 reveals — that reap the dividends. This is an aspect of American power that is virtually entirely missing in

the literature on globalization, despite being a direct result of increasing pressures for financial globalization.<sup>54</sup> Thus, while global capital in general profits from the globalization of investment and the resulting cross-border investment and ownership linkages (especially British and certain continental European investors, as well as Japanese investors in the United States), it is by far American investors that profit the most from increasing financial liberalization in global capitalism. And since American nationals overwhelmingly own the assets managed by American investment firms, it follows that American capitalists (owners of capital/ the investor class) remain by far the wealthiest in the world, as the next section will reveal. In short, the increasing globalization of investment and ownership in the last decades of the twentieth century and ongoing into the twenty-first, is steadily leading to a global political economy in which the world produces while American capitalists profit (and of course, Americans also continue to profit when America produces). This is surely even beyond the wildest dreams of the makers of the American century in the 1940s and 1950s.

#### **IV. The Nationality of the World's Capitalists**

Who are the owners of capital? One of the oldest myths in post-war America is the diffusion of corporate ownership in American society. Indeed, this myth was partly

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<sup>54</sup> Namely, the decades-long pressure from most of all the American state, but also from other states such as Britain, as well as intergovernmental organizations such as the Bank for International Settlements, IMF, OECD, World Bank, and others, for increasingly liberalized capital accounts around the world, beginning in the late 1970s and early 1980s. This was coupled with Anglo-American pressure over the decades for increasing 'shareholder rights' in especially continental Europe and Japan; in other words, prioritizing profit over other corporate goals/strategies.

started by Berle and Means (1932), as we saw in Chapter Two. In reality, according to a 2013 Pew Research Center survey, 53% of Americans own no stock whatsoever, including in retirement accounts such as pension funds (Tyson 2013). Also, stock ownership in the United States varies by income, gender, and race. More than four-fifths (84%) of those whose income is less than \$30,000 own nothing on the stock market, while 19% of those with income more than \$75,000 own no stock (which is a high proportion, considering this includes pension funds). Across white, black, and Hispanic lines, 44%, 70%, and 81%, respectively, own no stock. Moreover, 51% and 55% of men and women, respectively, own no stock.

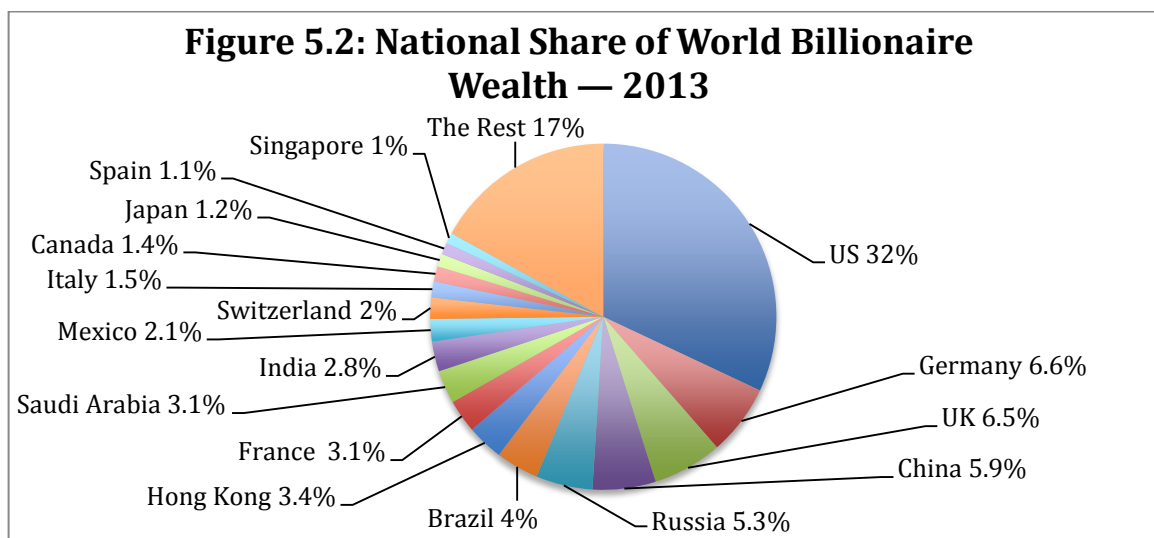
Generally speaking, of those who own stock, the wealthier the owner, the more stock he or she owns. Another Pew Research Center report, based on US Census Bureau data, revealed: “Among households with net worth of \$500,000 or more, 65% of their wealth comes from financial holdings, such as stocks, bonds and 401(k) accounts, and 17% comes from their home. Among households with net worth of less than \$500,000, just 33% of their wealth comes from financial assets and 50% comes from their home” (Fry and Taylor 2013). Moreover, of the bottom 93% of American households by net worth (defined as “the sum of all assets, such as a home, car, real property, a 401(k), stocks and other financial holdings, minus the sum of all debts, such as a mortgage, car loan, credit card debt and student loans”) — which amounts to 111 million households with a mean net worth of \$133,817 — only 13% “directly owned stocks and mutual fund shares in 2011”. By contrast, of the top 7% by net worth— 8 million American households with a mean net worth of \$3,173,895 — 59% directly owned stocks and mutual fund shares in 2011.

More broadly, both in the United States and the rest of the world, billionaires own the most stock. The *Wealth-X/UBS Billionaire Census 2013* identifies 2,170 individuals in the world with a net worth of \$1 billion or more in 2013, with a combined wealth of \$6.5 trillion (Wealth-X/UBS 2013a: 3). The average net worth of these 2,170 billionaires is \$3 billion, and the average breakdown of their wealth is as follows (Wealth-X/UBS 2013a: 21): 1) Private Holdings 42%; 2) Public Common Stock 35%; 3) Cash and Others 18%; 4) Real Estate 3%; and 5) Luxury Assets 2% (mainly yachts, planes, and art). The average billionaire owns \$1.05 billion in shares of the world's publicly listed corporations — namely, the *Forbes Global 2000*. If we combine both the shares of privately held and publicly traded firms, then the average billionaire owns \$2.32 billion in shares (77% of his or her net worth). And note that while those who theorize a 'transnational capitalist class' — not to mention the public at large — often portray billionaires as globally footloose cosmopolitans jet-setting across the planet with no particular home base, the *Wealth-X/UBS Billionaire Census* finds that “75 percent of all billionaires have the same home country as the country of their primary business” (Wealth-X/UBS 2013a: 26). This is especially true for rising Asia, as “86 percent of Chinese billionaires and 95 percent of Indian billionaires who currently have their primary business in China and India, respectively, also grew up there” (Wealth-X/UBS 2013a: 26).

Therefore, given that billionaires invest a large share of their wealth in public corporations, and given that both American corporations continue to dominate as we saw in Chapter Four, and that American investors own both American

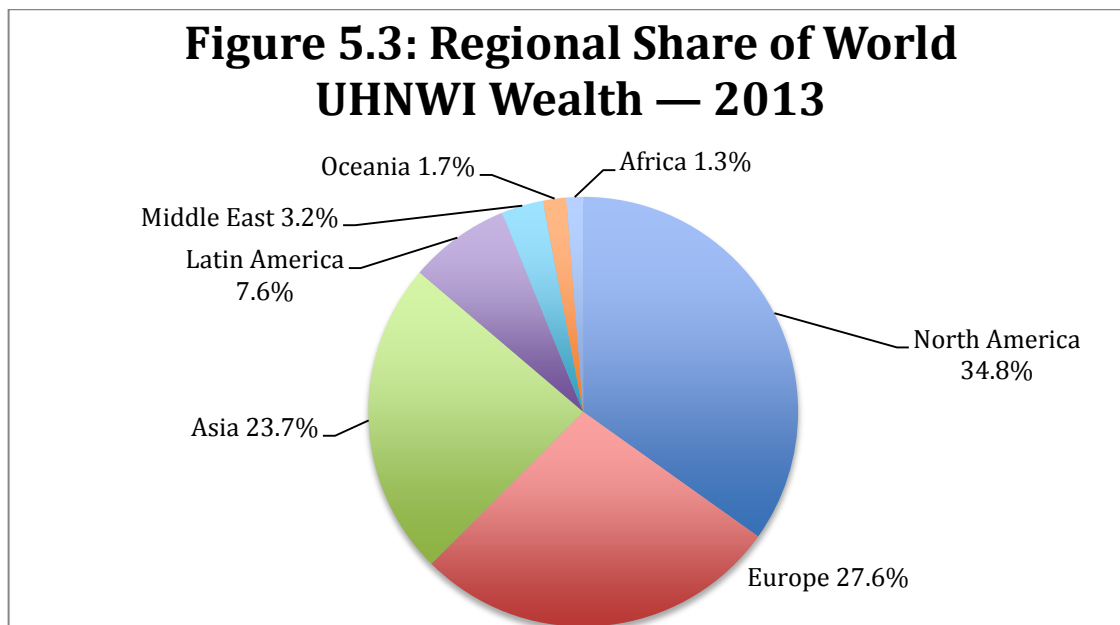


corporations and large shares of corporations domiciled in the rest of the world as we saw above — it should not be surprising that the American piece of the world billionaire wealth pie is by far the largest, as Figure 5.2 reveals. And despite China having the second largest GDP in the world, Chinese billionaires account for the fourth largest share at 5.9%, slightly below the German and British shares, at 6.6% and 6.5%, respectively. Following from this, note that size of GDP and/or population does not necessarily correlate with the share of total billionaire wealth. Hong Kong, Singapore, and Switzerland all punch above their weight by either GDP or population, as they are popular locales for billionaire abodes. Conversely, the Japanese share at 1.2% is quite low given that Japan has the third largest GDP in the world, albeit this is in large part due to the weak yen at the time this data was compiled. In any case, note the high representation of emerging markets in the global billionaire pie, which has largely been at the expense of the European and Japanese shares.



**Source:** Author's Calculations (see Appendix B) from Wealth-X/UBS 2013a.

Wealth-X/UBS also publishes the *World Ultra Wealth Report*, which analyses those with a net worth of \$30 million or more — the so-called ‘ultra high net worth’ (UHNW) individuals. In 2013 there are 199,235 such individuals in the world, including the 2,170 billionaires, with a combined net worth of \$27.8 trillion (hence the billionaires, accounting for 1.1% of the UHNW population, own 23% of the wealth). Figure 5.3 reveals that despite the GDPs of North America, Europe, and Asia being roughly par, their shares of world UHNW wealth is not, at 35%, 28%, and 24%, respectively.



**Note:** ‘UHNWI’ is Ultra High Net Worth Individual, those with net worth  $\geq$ \$30 million.  
**Source:** Wealth-X/UBS 2013b.

More interestingly (since this national and regional hierarchy of wealth should now be expected considering the above discussion), Wealth-X/UBS breaks down the most significant sources of wealth for UHNW individuals by sector —

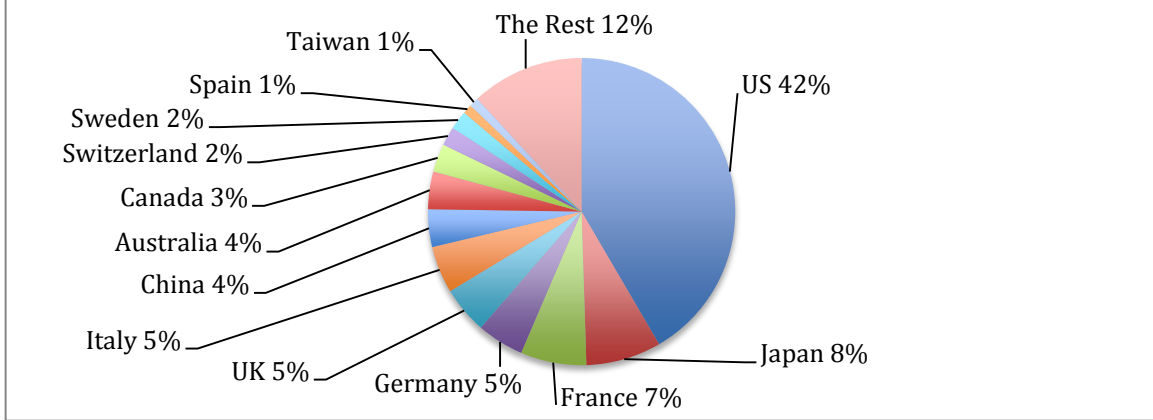
along gender lines. Thus, for male UHNW individuals, who account for 88% of the UHNW population, 70% of the population's wealth is 'self-made', while 14% is inherited, and 16% is a mixture of both (Wealth-X/UBS 2013b: 20). The five most significant sources of wealth for men by sector are as follows (Wealth-X/UBS 2013b: 20): 1) Finance, Banking, and Investment (20%); 2) Industrial Conglomerates (6.3%); 3) Manufacturing (5.5%); 4) Real Estate (4.8%); and 5) Construction and Engineering (4.3%). Therefore, by far the single most important source of wealth for those men with a net worth of \$30 million or more is Banking and Financial Services. As mentioned in the previous section, many of the senior financial advisors at the top investment firms are themselves millionaire investors — rendering the conventional distinction between asset manager and beneficial owner murky at best. Many private equity firms are both asset managers *and* owners.

As for the 23,505 women in the world with a net worth of \$30 million or more, it is considerably more likely that their wealth is inherited, at 53%, while for 33% and 14% it is 'self-made' and both, respectively (Wealth-X/UBS 2013b: 22). The five most common sources of wealth for women are different than for men: 1) Non-Profit and Social Organizations (15.2%); 2) Finance, Banking, and Investment (14.2%); 3) Textiles, Apparel, and Luxury Goods (7.6%); 4) Industrial Conglomerates (6.7%); and 5) Manufacturing (5.2%). Note that so-called 'non-profit organizations' are a source of great profit for their benefactors. The largest in the world, the Bill and Melinda Gates Foundation, has several large investments in the world's top corporations, from Berkshire Hathaway to Caterpillar, and more (*Bloomberg Professional*). In any case, note that Banking and Finance is also one of

the most important sectors for female UHNW individuals, almost as important as Non-Profit and Social Organizations. The most prominent example is Abigail Johnson, president of Fidelity Financial Services and who has a net worth of \$18.1 billion (*Forbes.com Billionaires* 2014).

And finally, I now present two sets of national rankings for the world's millionaires, the broadest category of the world's most important investors: first, based on total net worth, and second, excluding residential property value. Credit Suisse publishes the *Global Wealth Report*, and in 2013 identifies 32 million adults in the world — 0.7% of the adult population on Earth — with a net worth of more than \$1 million, for a combined total net worth of \$98.7 trillion — 41% of the world's total net wealth of \$241 trillion (Credit Suisse 2013: 22). Figure 5.4 reproduces Figure 3 in the Credit Suisse Report (2013:23). American millionaires account for a significantly higher share of the world's millionaires than American billionaires of the world's billionaires, at 42% versus 32%, respectively. This is even more the case for Japanese millionaires, which account for 8% of the world's millionaires (the second highest share) versus 1.2% of the world's billionaires (the fifteenth highest share). By contrast, China's share of the world's millionaires is 4% (the seventh highest share) while its share of the world's billionaires is 5.9% (the fourth highest share). The Russian, Brazilian, and Indian shares of the world's millionaires are less than 1% each and do not make the top 13, while their shares of the world's billionaires are 5.3% (the fifth largest), 4% (the sixth largest), and 2.8% (the tenth largest), respectively.

**Figure 5.4: National Share of World Millionaires — 2013**



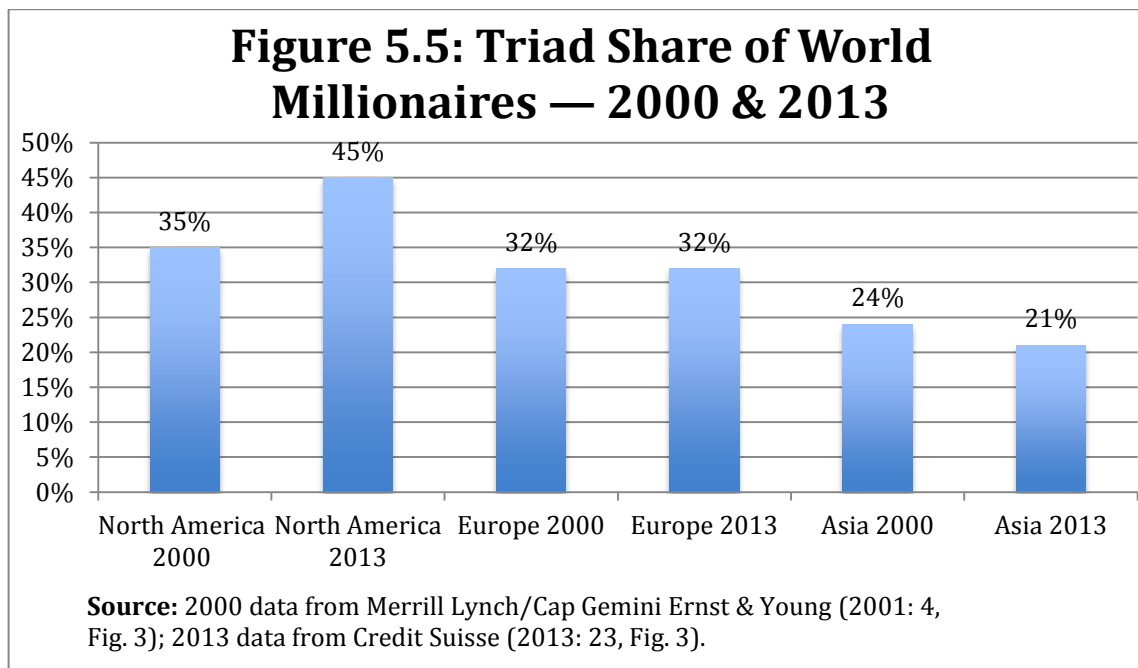
**Source:** Credit Suisse 2013: 23, Figure 3.

More broadly, the Western world (including Japan) has a much greater presence in the world's millionaire wealth than emerging markets, while the latter have a much greater share in the world's billionaire wealth (albeit the American share is by far the largest for both millionaires and billionaires). This suggests that the wealth structure of emerging markets can be characterized as an island of oligarchy in an ocean of poverty. Conversely, it also suggests that the wealth of the Western world is far deeper and more diverse. This has a number of implications, from the far greater importance of the West for consumer markets of goods produced in the emerging markets (namely, China) to the vastly deeper wealth upon which Western (and particularly American) financial services can draw, and global capital more generally. The continued depth and diversity of Western wealth also points to greater stability in their sources of wealth. In other words, much of the wealth of oligarch billionaires from emerging markets is from the export of commodities, most of all oil, as well as banking (as the export earnings are

deposited, leading to giant banks in all export-dependent countries). This relatively narrow source of wealth for a relatively small number of people is much more fragile and prone to fluctuations than the deep and diverse wealth of the West. This has far-ranging implications for the power of Western capital versus capital from emerging markets, as the latter is far more dependent on commodity prices, which are largely determined in Chicago, New York, and London. In short, while Indian, Middle Eastern, and Russian billionaire oligarchs receive much attention in the media (especially for buying property in London), leading to a general perception of the rise of the Rest at the expense of the West, in reality Western wealth remains the engine of global capitalism. The share of G5 (the United States, Japan, France, Germany, and Britain) millionaire wealth alone is two-thirds (67%) of the world, versus 49% of world billionaire wealth.

Lastly, it is important to chart change in wealth over time. Unfortunately, world wealth reports from prior to the twenty-first century are few and far between, often do not show total world wealth (only certain countries), are inconsistent in methodology, and hence unreliable. For illustrative purposes, however, Figure 5.5 compares the above data on millionaires from Credit Suisse with data from the Merrill Lynch/Cap Gemini Ernst & Young *World Wealth Report of 2001*. Note the decline of the Asian share, as the rise of China has yet to compensate for the decline of Japan. The data for North America is Canada and the US combined, and we can see that its share of world millionaires in 2013 has actually significantly increased by ten percentage points from its share at the beginning of the century. This is remarkable considering that in the same period the US dollar declined by

30% (Figure 3.7) and the world share of American GDP declined from 33% to 22% (Figure 3.2). On the other hand, considering that both American cross-border portfolio and M&As have continued apace since the dawn of the twenty-first century, globalizing American ownership of the world's top corporations, and that American corporations themselves continue to dominate as we saw in Chapter Four — then perhaps this increase in the global share of American millionaire wealth is not surprising at all.



Whether one's cut-off is \$1 billion, \$30 million, or \$1 million in total net worth, the world's dominant owners of capital continue to be primarily American, with shares of 32%, 33%, and 42%, respectively. With less than 5% of the world's population and less than a quarter of the world's GDP, the United States accounts for a third to more than two-fifths of the total net worth of the world's dominant

owners of capital, depending on one's benchmark. This continued dominance of the American capitalist class can only be understood if we consider the globalization of investment and ownership. That capitalists from around the world, and increasingly from the former Third World, also increasingly profit from financial globalization does not contradict this. In fact, it reinforces American hegemony, and is a prime cause for its endurance. As the United States continues to be the center and ultimate guarantor of global capitalism, the more capitalists from around the world that increasingly profit from deepening financial liberalization and integration into the American-centered world order — the more they support this world order. In other words, the specific nature of the rise and integration of other capitalist powers in global capitalism — far from challenging American hegemony — is leading to a deepening structural alignment of interests in maintaining and expanding American-centered global capitalism. But while capitalists from around the world profit, American capitalists profit the most. Nevertheless, with the rise of China continuing ever apace, what are the future prospects for a China-centered world order to challenge this status quo? To this we now turn.



## **Chapter Six: Limits to the Rise of a China-Centered World Order**

The literature on the rise of China is now vast and diverse, ranging from the nuanced (Steinfeld 2010) to the extravagant (Zhang, W. 2012), and from quantitative (Subramanian 2011) to qualitative (Halper 2010, Barr 2011) analyses. Some also place the rise of China in the context of the resurgence of East Asia after two centuries of Western world dominance (Frank 1998, Arrighi, Hamashita, and Seldon 2003, Arrighi 2007, Mahbubani 2013). China is an outsized political economy that attracts outsized prognostications, and we need to investigate beyond the spectacularly rising national accounts in order to ascertain the prospects for a China-centered world order, based on the contemporary nature of the Chinese political economy and its integration in global capitalism. And we have seen throughout the previous three chapters the variegated nature of the Chinese political economy, which should caution us against making sweeping generalizations and prognostications, from ruling the world (Jacques 2009) to collapse (Chang 2001).

As for this study's contribution, Chapter Three revealed that China has already surpassed the United States in world share of manufacturing and exports, but China is only at the comparative level of the Soviet Union by GDP relative to the United States in the 1970s. Chapter Four demonstrated that a number of behemoth Chinese SOEs loom large amongst the ranks of the world's top corporations, but that

Chinese firms have very little presence in certain sectors that are nevertheless vital to China's growth, namely electronics and other advanced technology. Chinese manufacturers and exporters have not surpassed American TNCs, despite China's world leading shares in manufacturing and exports by national accounts. Chapter Five has revealed that Chinese millionaires and billionaires now account for amongst the highest shares in the world, albeit Chinese ownership outside China is miniscule. Rather, China's wealth is accumulated from predominantly domestic sources that are nationally contained. And while Chinese growth has slowed since 2012, it will still be significantly faster than any country in the West, including the United States, for the foreseeable future. Hence, momentum remains with China — at least in GDP, less so in corporate growth (which has stalled in a number of sectors since 2011, and has even declined in some).

In order to understand these seemingly contradictory developments, and before we can even begin to prognosticate on whether China has both the structural capacity and willingness to superintend an alternative order, we must dig deeper into the nature of the Chinese political economy. The rest of this chapter has three sections: 1) The State-Owned Economy; 2) The Private Economy; and 3) International Trade, Investment, and Financial Linkages. The first two sections explore the two-tier nature of the Chinese political economy, and the third explores China's capitalist linkages abroad. Key questions include: What is the nature of the top Chinese corporations? What drives Chinese growth? Do trade and investment flows increasingly orbit around China, creating the structural conditions for a China-centered order? We shall conclude with a clearer understanding of the prospects

and constraints for the rise of a China-centered world, or at least regional, order to challenge or supplant the American-centered world order.

### **I. The State-Owned Economy**

The corporate rise of China has predominantly been about the rise of Chinese state-owned enterprises (SOEs). Approximately four-fifths of all listed Chinese corporations are SOEs (Webb 2012), including all thirty-four Chinese corporations in the *Forbes Global 500*, as Table 6.1 reveals. Table 6.2 organizes these thirty-four SOEs by sector, and reveals the total profit and profit-share in the respective *Forbes Global 2000* sector. By far the most prominent sector for the rise of Chinese corporations is Banking, with fourteen SOEs in the *Forbes Global 500*, accounting for 32% of the *Forbes Global 2000* Banking sector. Other prominent sectors for the top Chinese corporations are Telecommunications (18% of the *Forbes Global 2000* sector), Construction (15%), Forestry, Metals & Mining (11%), Oil & Gas (9%), and Insurance (6%). The remaining sectors with Chinese firms in the *Forbes Global 500* are Automobiles, Transportation, Real Estate, and Utilities — all under 3% profit-share of their respective *Forbes Global 2000* sectors.

**Table 6.1: Chinese Firms in the *Forbes Global 500* — 2013**

<b>(<i>Forbes Global 2000</i> Rank)</b>	<b>Firm</b>	<b>Sector</b>	<b>Profit (US\$bn)</b>
<b>1. (1)</b>	ICBC	Banking	37.8
<b>2. (2)</b>	China Construction Bank	Banking	30.6
<b>3. (8)</b>	Agricultural Bank of China	Banking	23
<b>4. (9)</b>	PetroChina	Oil & Gas	18.3
<b>5. (11)</b>	Bank of China	Banking	22.1

6. (26)	Sinopec-China Petroleum	Oil & Gas	10.1
7. (29)	China Mobile	Telecom	20.5
8. (54)	Bank of Communications	Banking	9.4
9. (83)	Ping An Insurance Group	Insurance	3.2
10. (101)	China Merchants Bank	Banking	7.3
11. (106)	China Life Insurance	Insurance	1.8
12. (107)	China Minsheng Banking	Banking	6.1
13. (111)	Cnooc	Oil & Gas	10.1
14. (115)	China Shenhua Energy	Metals & Mining	7.7
15. (125)	Shanghai Pudong Development	Banking	5.4
16. (128)	China Citic Bank	Banking	4.9
17. (139)	China Telecom	Telecom	2.4
18. (142)	Industrial Bank	Banking	4.1
19. (167)	SAIC Motor	Automobiles	3.3
20. (206)	China State Construction	Construction	2.2
21. (217)	China Unicom	Telecom	1.1
22. (226)	People's Insurance Co	Insurance	1.1
23. (240)	China Everbright Bank	Banking	2.9
24. (278)	China Pacific Insurance	Insurance	0.8
25. (280)	China Communications Construction	Construction	1.9
26. (283)	Ping An Bank	Banking	2.2
27. (314)	China Vanke	Real Estate	2
28. (316)	China Railway Construction	Construction	1.3
29. (322)	China Railway Group	Transportation	1.2
30. (370)	Baoshan Iron & Steel	Metals & Mining	1.2
31. (404)	Huaneng Power International	Utilities	0.9
32. (407)	Huaxia Bank	Banking	1.5
33. (473)	China Coal Energy	Metals & Mining	1.5
34. (488)	Bank of Beijing	Banking	1.4

Source: *Forbes Global 2000* (2013).

**Table 6.2: Sectors with Chinese Firms in the *Forbes Global 500* — 2013**

	# Chinese Firms	Total Profit (US\$bn)	Share of <i>Forbes Global 2000</i> sector
Banking	14	158.7	32%
Insurance	4	6.9	6%
Oil & Gas	3	38.5	9%
Telecommunications	3	24	18%
Construction	3	5.4	15%
Metals & Mining	3	10.4	11%
Auto	1	3.3	2.6%

<b>Real Estate</b>	1	2	1.6%
<b>Transportation</b>	1	1.2	2.4%
<b>Utilities</b>	1	0.9	1%

**Source:** *Forbes Global 2000* (2013).

The global prominence of the Chinese SOEs in Banking, Energy (Oil & Gas; Utilities; and the two coal mining firms in Metals & Mining), Construction, Transportation, Real Estate, and the other firm in Metals & Mining, Baoshan Iron & Steel, must all be seen in the context of China’s state-directed investment-driven growth model. In short, this model involves the Chinese state pumping investment into Chinese infrastructure and property development (and related energy and raw materials) through the Chinese banks.<sup>55</sup> This is the single most important source for all these SOEs’ giant profits: the most rapid national industrialization machine in history, which took off in the 1990s and accelerated in the first decade of the twenty-first century. The 2000s saw the decline of Chinese household consumption as a share of GDP from 44% in 2002 to 35% in 2008 and 34% in 2011, while the share of gross capital formation rose from 35% of GDP in 2000 to 44% in 2008 and to 48% in 2011 (World Bank 2013). Thus, this investment-driven growth model has only deepened since the 2008-2009 global financial crisis (Rachman 2010, Dickie 2011, US-China Economic and Security Review Commission 2011, Pei 2012, Rabinovitch 2012a), as the Chinese state pumped \$580 billion — the second largest stimulus in the world after the United States’ \$787 billion — through the state-

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<sup>55</sup> More broadly, on the nexus between the Chinese state’s industrial policy and its SOEs, see Sutherland 2003, Steinfeld 2004, Dyer and McGregor 2008, Huang 2008, Naughton 2011.

owned banks to predominantly state-owned infrastructure projects (Lardy 2012, Li 2012, Rabinovitch 2012a). This led to soaring profits for the above SOEs, especially the four behemoth state-owned banks: Industrial and Commercial Bank of China (ICBC), China Construction Bank, Agricultural Bank of China, and Bank of China (numbers one, two, eight, and eleven in the *Forbes Global 2000*, respectively).

Because of these soaring profits (as well as assets, sales, and market value), it may appear that these SOEs are out-competing the world's top corporations in these sectors, but this is not the case. With the exception of the Oil & Gas sector (which was discussed in Chapter Four), the vast majority of the operations of these SOEs are secluded within Chinese borders, protected from foreign competition both at home and abroad (that is, they largely do not operate abroad). This includes the behemoth Chinese banks, as only Bank of China makes UNCTAD's top 50 financial institutions by GSI in 2012. Bank of China is number 47 on the list, but this is only because of the exceptionally high proportion of its affiliates being abroad (86%), with twelve affiliates in nine countries, and only two in China. This high ratio speaks less to the extent of Bank of China's internationalization than it does to the highly concentrated domestic Chinese banking sector (which is why it only has two affiliates in China). By contrast, most of the top Western banks have hundreds of foreign affiliates in dozens of countries (see Table 5.10), and many have internationalization indices less than Bank of China simply because they have hundreds of affiliates at home as well. For example, Citigroup has 637 foreign affiliates in 79 countries and 289 affiliates at home in the United States (resulting in an internationalization index of 'only' 69%). It is not the case that Western banks

compete with Chinese banks outside China — except for serving Chinese clients' overseas operations, namely SOEs in the oil and gas sector, such as PetroChina and Sinopec (Rabinovitch 2012c). In other words, Western and Chinese banks predominantly operate in two separate spheres: outside and inside China, respectively — with the main exception being Chinese banks serving their Chinese clients' overseas operations, and to a lesser extent Western banks in China playing an advisory role. Western financial institutions are severely restricted in the range of operations they are allowed in China.

Therefore, even if the Chinese profit-share in the *Forbes Global 2000* Banking sector soared from 2% in 2006 to 32% in 2013, while the American share collapsed from 34% to 15% in the same period (see Table 4.1), because Chinese and American banks largely compete in separate 'worlds', so to speak, it is inaccurate to say that American banks have lost their world leadership to Chinese banks. China's rapid advance in Banking should not be seen as at the expense of Western banks, nor indicative of Western decline. Rather, Chinese banks have a monopoly in what is now the second largest national economy in the world, and, by virtue of their role as the Chinese state's faucet for the investment-driven growth model, they all accumulate a large share of the profit generated by this national industrialization machine. Western banks still dominate in the West, which is still the center of global finance (especially American finance, as we saw in Chapters One, Four, and Five). Also, the Chinese Communist Party (CCP) has medium-term plans to gradually liberalize the Chinese financial sector, such as relaxing the ceiling on bank deposit

interest rates, which will inevitably bring down the profits of the behemoth banks (Rabinovitch 2012b).

Moreover, many observers, including in the highest echelons of the Communist Party, believe that the Chinese investment-driven growth model is unsustainable, especially as it has been increasingly driven by credit since 2009. Total social financing (including ‘shadow banking’) as a proportion of GDP has risen from around 130% in 2008 to around 210% by 2013 (Rabinovitch 2014); from 2008 to 2013 China issued \$14 trillion in new credit (Pei 2014). There is also extensive overcapacity in many of these investment-driven sectors, such as in aluminium, cement, chemicals, coal mining, earthmovers, flatscreen televisions, shipbuilding, solar panels, and steel (Anderlini 2013b). As defaults increase — China’s first capitalist era corporate bond default occurred in March 2014, of a solar power firm (Anderlini 2014) — bank profits will decline. More broadly, if China is able to rebalance its growth model towards consumption, then the Chinese household savings rate will have to decline, which would further depress the Chinese profit-share in Banking (and simultaneously increase the American share, barring another financial crisis). And if successful, then the profit-shares of all the other investment-driven sectors in China will of course also decline (especially Construction, to a lesser extent Metals & Mining and Oil & Gas).

One prominent sector in Table 6.2 that will likely not decline, however, is Telecommunications. With over one billion mobile phone subscribers in China (Flannery 2012), and with the Chinese state likely to continue to maintain “absolute



control” over its domestic market (Rabinovitch 2012d),<sup>56</sup> China will likely lead Telecommunications into the foreseeable future. As we saw in Chapter Four, however, while the provision of telecommunications services remains one of the most heavily regulated and nationally protected (closed to foreign competition) sectors in many countries of the world — not least in China — in the advanced technology equipment and electronics used for telecommunications, American firms dominate. In 2013 the American *Forbes Global 2000* profit-share in Communications Equipment is 70% (see page 192). Within China itself, which became the largest smartphone market in the world in 2011, while Lenovo surpassed Apple at the end of 2012 in the total smartphone market, in the highest margin segment, ‘phablets’ (smartphones with screens bigger than five inches but smaller than tablets), foreign firms, led by Apple and Samsung, have a 94.5% market-share in China (Hille and Mishkin 2013). Also, Google Android obliterated Chinese competition from Alibaba, Baidu, and others in smartphone operating systems, as Google increased its market-share in China from 0.6% in 2009 to 86.4% in 2012 (Hille 2013). And the fact that Apple finally signed a network deal with China Mobile in January 2014, granting access to its 763,000 mobile subscribers, does not bode well for Chinese competition in smartphones (Minto 2014).

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<sup>56</sup> In 2006, the CCP officially announced seven sectors in China to remain under “absolute control” of the Chinese state and to serve Chinese state interests: “armaments, power generation and distribution, oil and petrochemicals, telecommunications, coal, aviation and shipping industries” (Rabinovitch 2012d); this is in addition to maintaining “relatively strong control” in “machinery, automobiles, IT, construction, iron and steel, and non-ferrous metals” (Zhao 2006). The banking sector is also entirely state-owned.

More generally, what is striking about the thirty-four Chinese corporations in the *Forbes Global 500* is that not a single one of them is a significant exporter, including SAIC (Shanghai Automotive Industry Corporation), despite China being the largest exporter in the world. Indeed, according to China Customs estimates in 2010, three-quarters of China's top 200 exporting firms are not even Chinese, but foreign-owned (Han 2010). This is totally different from the previous rise of Northeast Asia, where all the top exporters from Japan, South Korea, and Taiwan were predominantly Japanese, South Korean, and Taiwanese, respectively. Essentially, the Chinese state invests heavily in Chinese infrastructure, which, coupled with the massive Chinese labor force and lax environmental standards, creates the conditions for China to be the most attractive workshop of the world and export platform for global capital. Of course, across a slew of sectors China has also become one of the world's leading domestic markets, and numerous private Chinese firms have expanded immensely over the past decade, as we shall see in the next section. But compared to the prior rise of Japan, South Korea, and Taiwan — and considering the expansive rise of Chinese national accounts — what is most striking about the rise of China is the dearth of globally competitive behemoth Chinese exporters and/or consumer-oriented firms to match the behemoth SOEs that are largely nationally contained. This widespread weakness of indigenous Chinese capital despite a Chinese state industrial policy of protection and promotion is perhaps best epitomized in the automobile sector, as we shall see below.<sup>57</sup>

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<sup>57</sup> Another failure in industrial policy was the Chinese state's attempt to promote, protect, and subsidize Chinese mobile handset firms (Panda, Konka, and Ningbo Bird) in the early 2000s to compete against the likes of Nokia and Motorola — and

## **II. The Private Economy**

The dominance of Chinese SOEs over Chinese private firms is extraordinary: in 2011, the combined profit of the top 500 private Chinese firms (\$69.6 billion) was only slightly larger than the combined profit (\$66.9 billion) of three Chinese banks, Agricultural Bank of China, Bank of China, and China Construction Bank (Zhang, J. 2012). Nevertheless, there are a handful of private Chinese firms that are gaining traction outside of China. Table 6.3 shows that there are five private Chinese firms in the *Forbes Global 1000* — to which we should add Alibaba and Huawei, two privately held firms that would be on the list if they were publicly listed (Alibaba has plans for an IPO in 2014). Huawei and Lenovo are the most globally competitive Chinese firms so far, and will be discussed in greater detail below. Sany is China's largest manufacturer of earth moving equipment, with a 12% market-share in 2013; Caterpillar and the Japanese firm Komatsu are tied for second largest market-share at 9% each (Hagerty 2014). Globally, Caterpillar is the clear leader, with \$66 billion in sales and \$5.7 billion in profit in 2012, which is eight and four times larger than Sany's sales and profit, respectively. More broadly, American firms have the dominant profit-share (39%) in Heavy Machinery in 2013 (see Table 4.1), while China has the fourth largest share (11%), behind Japan (15%) and Sweden (13%). While China's growth in Heavy Machinery has been spectacular, from 1.6% profit-share in 2007 to 12% in 2010, the Chinese share seems to have hit a glass ceiling (11% in both 2012 and 2013) in the second decade of the twenty-first century. As we shall see below, this is a common experience for Chinese firms, as some are able

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yet by 2013, "Even in China not one of these companies is a household name today" (Anderlini 2013b).

to catch up in lower value segments, but unable to break through to the higher value modules, especially at the technological frontier (which continue to be dominated mainly by American firms, and also European and Japanese).

**Table 6.3: Private Chinese Firms in the *Forbes Global 1000* — 2013**

	<b>Firm</b>	<b>Sector</b>	<b>Profit (US\$bn)</b>
1. (591)	Tencent Holdings	Computer Services	2
2. (692)	Lenovo Group	Computer Hardware	0.5
3. (851)	Sany Heavy Industry	Heavy Machinery	1.4
4. (896)	Suning Appliance	Retail	0.8
5. (960)	Baidu	Computer Services	1.7
N/A	Huawei	Communications Equipment	2.5
N/A	Alibaba	Computer Services	1.4

**Source:** Huawei from Yee 2013; Alibaba from Lee 2012, 2013; others from *Forbes Global 2000* (2013).

Alibaba, Baidu, and Tencent are the three dominant e-commerce firms in China. Baidu is the dominant search engine, especially after Google left in 2010 (only Google's search engine left, not its Android operating system, as we saw above). Alibaba has an 80% market-share in the Chinese online retail sector, and Tencent is China's dominant gaming and social media firm (Clover 2014). Because China has the largest population of Internet users in the world, with 618 million users in 2013 (Peterson 2014), these three Chinese firms have the seventh to ninth most visited websites in the world, as seen in Table 6.4. They have surpassed all European and Japanese Internet-based firms by number of users, but the vast majority of their users are within Greater China (including Hong Kong and Taiwan). By contrast, the top American Internet-based firms are not only dominant in the United States (with its 266 million Internet users, 85% of the population), but also globally (except in

China). There is no indication that these three Chinese firms will be able to challenge these American firms outside of China in the foreseeable future.

**Table 6.4: Most Visited Websites — January 2014**

	Firm	Desktop Unique Visitors (millions) January 2014	2012-2013 Profit (US\$bn)	2013 Market Value (US\$bn)
1. (68)	Google	1221	10.7	268.4
2. (41)	Microsoft	893	15.5	234.8
3. (1071)	Facebook	856	0.1	63.5
4. (624)	Yahoo	706	3.9	24.3
5. (N/A)	Wikimedia	495	Non-Profit	N/A
6. (525)	Amazon	392	0	119
7. (N/A)	Alibaba	355	1.4	N/A
8. (960)	Baidu	343	1.7	29.7
9. (591)	Tencent	335	2	65

**Source:** Unique Visitors from Clover 2014; Profit and Market Value from *Forbes Global 2000* (2013), except Alibaba (Lee 2012, 2013).

As for Suning Appliance, this is a retail chain that sells all manner of appliances and electronics in 700 cities predominantly in China (and also Hong Kong). This has been a Chinese success story in China, especially since Best Buy (Hill 2011) and the German electronics retail firm Media Saturn (Lex Team 2014a) both gave up and left the Chinese market in 2011 and 2013, respectively. But this is hardly an indication that Chinese firms have the capacity to challenge the 54% American profit-share in Retail (Table 4.1) anytime soon (the Chinese profit-share in 2013 is 1.6%).

In short, the Chinese firms with the greatest prospects for breaking out of their domestic market and competing with Western TNCs abroad are Huawei and Lenovo. I shall compare their performance against key foreign competitors in their respective sectors, and comment upon structural difficulties they both face in

moving up the value chain and competing at the technological frontier. I also discuss in more detail the challenges of two pioneering Northeast Asia firms, Asustek (the Taiwanese inventor of the netbook) and Samsung, at advancing the technological frontier, and draw implications for China.

Huawei is the top Chinese exporter (but only 7<sup>th</sup> top exporter from China) and perhaps the most globally successful Chinese corporation so far. It has rapidly grown in the strategically important Telecommunications Equipment sector, gaining market-share by offering deep discounts compared to its competitors, and is now seen to be as good as any European vendor (Thomas 2013). Indeed, Huawei has taken advantage of the Great Recession and eurozone crisis and made deep inroads in Europe at the expense of European competitors (Fontanella-Khan 2013), as we can see in Table 6.5. We can also see that Huawei's rapid profit expansion from 2006 to 2009 has since significantly stalled, and in 2012 still has a ways to go before it can rival the global market leader Cisco (note especially the difference in profit margins), despite Cisco's Great Recession-induced decline in the same period. In fact, it is uncertain whether Huawei will be able to compete with Cisco in the foreseeable future without being able to surmount a large barrier constraining its further rapid rise: exclusion from the United States.

**Table 6.5: Huawei's Performance Versus Key Competitors — 2006-2012**

	Huawei	Ericsson	Nokia	Alcatel-Lucent	Cisco
<b>2006</b>					
<b>Profit, \$bn</b>	0.5	3.1	4.3	1.1	5.6
<b>Sales, \$bn</b>	8.5	19.1	40.4	15.5	26
<b>Margin, %</b>	6	16	10.6	7.1	21.5
<b>2009</b>					

<b>Profit, \$bn</b>	2.6	1.44	5.6	-7.3	7.5
<b>Sales, \$bn</b>	21.8	26.7	70.6	23.7	39.6
<b>Margin, %</b>	12	5.4	7.9	N/A	18.9
<b>2010</b>					
<b>Profit, \$bn</b>	2.8	0.5	1.28	-0.73	6.1
<b>Sales, \$bn</b>	24.5	28.8	58.7	21.1	35.53
<b>Margin, %</b>	11.4	0.9	2.2	N/A	17.2
<b>2011</b>					
<b>Profit, \$bn</b>	1.8	1.7	2.5	-0.4	7.6
<b>Sales, \$bn</b>	32.9	30.3	56.8	21.4	42.4
<b>Margin, %</b>	5.5	5.6	4.4	N/A	17.9
<b>2012</b>					
<b>Profit, \$bn</b>	2.5	1.8	-1.5	1.4	7
<b>Sales, \$bn</b>	35.7	32.9	50.1	19.9	44.8
<b>Margin, %</b>	7	5.5	N/A	7	15.6

**Note:** In 2006 and 2012 Huawei reported in USD; in 2009-2011 Huawei reported in CNY, author converted to USD using exchange rates from Figure 3.8; Alcatel-Lucent is only Alcatel in 2006.

**Source:** Huawei from Annual Report (2007, 2012) and Yee 2013; others from *Forbes Global 2000* (2006, 2009, 2010, 2011, 2012); 'Margin' is author's calculations (profit/sales).

Huawei has been trying to enter the all-important US market, which accounts for about a third of the global telecommunications equipment market, but has “failed to win a single network infrastructure contract with a first-tier US operator”, even as it attempts to improve its US image by for example pledging not to pursue any further business in Iran (Hille and Dyer 2011). Huawei has been faced with national security concerns from the US government, as its founder, Ren Zhengfei, was a former People's Liberation Army (PLA) officer. The main concern is that the PLA will have access to Huawei's network infrastructure in foreign countries, facilitating Chinese cyber-attacks. At least three attempted M&As in the US have been blocked by the Committee on Foreign Investment in the US (CFIUS) and the Commerce Secretary between 2008 and 2011 (Hille 2012). And in October 2012 the

US Congressional House Intelligence Committee recommended the US government and all US private firms boycott both Huawei and its smaller Chinese competitor ZTE on national security grounds (Taylor 2012). Also for this reason, Australia has formally banned Huawei from government contracts (*Associated Press* 2012).

Without a strong presence in the American market, Huawei's prospect for significant further catch-up with Cisco remains dim.<sup>58</sup> Furthermore, it remains to be seen whether Huawei can maintain its European gains as Europe slowly recovers and European firms can again access easier financing. Thus, Huawei's story is a cautionary reminder that rapid growth can slow and come up against barriers and constraints when reaching a certain threshold: "close but not too close" (Kerr 2007: 101).<sup>59</sup> Like China more broadly, its rapid growth has been spectacular, but this does not at all necessarily presage continuous growth into the distant future, or even catch-up with the world leaders.

Lenovo is another Chinese corporation that has been able to increasingly compete globally. It is now the world's leading personal computer (PC) maker by sales (certainly not by profit), and is China's most successful firm in electronics more broadly. Table 6.6 displays Lenovo's profit, sales, and profit margin (profit

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<sup>58</sup> Except in China itself, where Cisco's market-share has declined from 19% in 2010 to 12% in 2013, while Huawei's has increased from 56% to 64% in the same period (Wagstaff, Carew, Finkle 2013). After Edward Snowden's National Security Agency leaks beginning in June 2013, Cisco's sales fell by a fifth in China, and by a third and a quarter in Russia and Brazil, respectively (Lex Team 2013c) — incidentally, this is more evidence for the continued relevance of the nationality of capital.

<sup>59</sup> As David Kerr noted, "China's technological status...remain[s] 'close but not too close' to the frontier: close enough to serve the purposes of the transnational division of production; but not close enough to compromise the advantages of the technological leaders" (2007: 101).



over sales) in 2006, 2009, and 2012 versus key competitors in Computer Hardware — the two Taiwanese firms Asustek and Acer, as well as the global leaders Dell and Hewlett-Packard (HP). From having no presence in the *Forbes Global 2000* in 2006, Lenovo has now surpassed Acer and Asustek by sales (albeit not by profit with the latter). Note, however, Lenovo’s razor-thin margins even compared to Asustek, let alone Dell and HP, indicating Lenovo’s entrapment at the lowest value end of the PC market. Moreover, the PC market itself is facing declining margins as the sector becomes increasingly commoditized and more consumers are replacing their laptops with tablets — 2012 was the first year of global contraction in PC sales since 2001 (Lex Team 2012a, Waters 2012, Taylor 2013a, Waters 2013). Dell and HP continue to move into higher value enterprise and computer services markets, which IBM already did by the mid-2000s (divesting its low margin PC business to Lenovo in 2005). In 2012, IBM’s profit of \$15.9 billion is almost three times more than HP’s, and fifty-three times larger than Lenovo’s.

**Table 6.6: Lenovo’s Performance Versus Key Competitors in Computers — 2006-2012**

	Lenovo	Asustek	Acer	Dell	HP
<b>2006</b>					
<b>Profit, \$bn</b>	N/A	0.4	0.2	3.6	2.7
<b>Sales, \$bn</b>	N/A	7.9	7.1	55.9	87.9
<b>Margin, %</b>	N/A	5.1	2.8	6.4	3.1
<b>2009</b>					
<b>Profit, \$bn</b>	0.5	0.9	0.4	2.5	8.1
<b>Sales, \$bn</b>	16.4	23.3	14.3	61.1	118.7
<b>Margin, %</b>	3	3.9	2.8	4.1	6.8
<b>2012</b>					
<b>Profit, \$bn</b>	0.3	0.6	-0.2	3.5	5.9
<b>Sales, \$bn</b>	21.6	14.7	16.2	62.1	125
<b>Margin, %</b>	1.4	4.1	N/A	5.6	4.7

**Note:** In 2006, Lenovo was not ranked in *Forbes Global 2000*.

**Source:** *Forbes Global 2000* (2006, 2009, 2012). 'Margin' is author's calculations (profit/sales).

This has been especially difficult for Asustek, one of the innovators (along with Mary Jepsen of One Laptop Per Child, the MIT Media Lab, and another Taiwanese firm Quanta Computer) of the netbook in 2007 (Thompson 2009). The worldwide success of the netbook was one of the first examples of an Asian electronics contract manufacturer being able to innovate its own product under its own brand, and we can see Asustek's sales soaring as a result, from \$7.9 billion in 2006 to \$23.3 billion in 2009 (albeit its profit less so, as the netbook was a low margin commodity). In its first year by the end of 2008, Asustek sold five million networks for a 50% global market-share (Thompson 2009). And then virtually a single event destroyed the netbook: Apple's launch of its first iPad in 2010 (Lex Team 2011).<sup>60</sup> The Taiwanese computer firms have been struggling ever since (Mishkin 2012). This is another cautionary tale against linear projections, and an example of the constraints faced by low profitability firms in competing with the world's top corporations, which have great capacity to respond to competitive challenges due to their enormous R&D budgets and brand recognition.

Lenovo is responding to the long-term structural decline of profitability in the global PC market by moving into the higher margin smartphone sector (Minto 2013). Lenovo's push into smartphones will not be easy, as this sector is dominated by two firms: Samsung Electronics and Apple. In 2012 Samsung was the global

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<sup>60</sup> *The Financial Times* lists other factors as well, such as the end of the worst of the crisis in 2008-2009, as people felt they could upgrade (Lex Team 2011).

leader in smartphones (by sales) with a market-share of 30.4%, and Apple was second at 19.4% (by profit, they accounted for an over 90% world market-share); moreover, there was fierce competition for third place with Nokia at 5%, Research in Motion (RIM) at 4.7%, and HTC at 4.4% (Thomas and McCarthy 2013).<sup>61</sup> Nokia and RIM used to be the world market leaders in higher end mobile handsets throughout most of the 2000s, until Apple launched its first iPhone in 2007. Even more recently, Samsung and HTC were almost tied at second place in 2010, but by 2012 “Samsung [sold] more than six times as many phones” (Minto 2012). Whether Lenovo can replicate Samsung Electronics’ explosive growth is highly suspect. In 2012, Samsung Electronics’ profit was \$11.5 billion, over thirty-eight times larger than Lenovo’s, and its sales, at \$142.4 billion, was over six and a half times larger. This is firepower that Lenovo will be hard-pressed to challenge based on its razor-thin margins. And Samsung Electronics is of course part of the Samsung *chaebol*, which overshadows the South Korean political economy like none other. Its annual sales account for 13% of South Korea’s GDP, its market value a quarter of the Korean Stock Exchange, its exports a fifth of South Korean exports, and its capital expenditure is over \$20 billion a year (Lex Team 2012b, Mundy and Song 2012, Pilling 2012). Indeed, in early 2012 Samsung’s market value was more “than all of Japan’s blue-chip tech stocks together” (Hughes and Kirk 2012).

Even still, Samsung has yet to seriously challenge Apple’s lead in profit-share and margins. In 2012, Apple’s profit was \$33 billion (second in the world only to

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<sup>61</sup> In 2012, the global duopoly in smartphone operating systems (the ‘brain’ of the phone) was even starker: Google Android with 68.8% and Apple with 19.4% (Thomas and McCarthy 2013).

ExxonMobil), almost three times larger than Samsung's, on sales that were 'only' 90% of Samsung's. This demonstrates the power of innovation and marketing. Samsung has yet to shake its image of being the 'world's best imitator' (Fast Company 2013), or the 'world's best follower' (Hughes and Kirk 2012, Mundy 2012). Even its name, 'three stars' in Korean, is seen as copying Mitsubishi, 'three diamonds' in Japanese (Hughes and Kirk 2012). In 2010, Samsung mobile chief JK Shin circulated a memo, "Let's make something like the iPhone" (Fast Company 2013: 108). More generally, Samsung's innovation strategy revolves around improving upon others' breakthroughs, but not taking the risk to develop its own. This was certainly the judgment of the California court that ordered Samsung to pay Apple over \$1 billion in intellectual property infringement in August 2012, and it is also the opinion of global investors. The analysis of *The Financial Times* concludes, "They [Samsung] identify a potentially game-changing industry then produce innovations, rather than taking the risk of trying to change the game itself. That makes Samsung one of the world's best at what it does but not a world leader, like Google or Apple. Investors understand the difference and Samsung is priced accordingly" (Hughes and Kirk 2012).

If there is a glass ceiling even on Samsung, certainly one of the great success stories of the East Asian 'growth miracle', and currently the world's number one seller of D-RAM memory chips, liquid crystal display televisions, and smartphones, then the prospects for Lenovo to catch up with Silicon Valley are dim. Lenovo has been very successful at rapidly expanding and becoming the world's largest seller in the low margin highly commoditized PC sector based on extensive discounting, but

this does not at all necessarily imply that it can scale up the value chain, let alone compete with the global titans in the foreseeable future. At the very least, one cannot assume that growth will be continuous, with no impending constraints, as most growth projections do. Rather, the historical record suggests that after catching up to a certain threshold, growth slows significantly, and it is a different matter altogether whether a firm or a country can smash through the glass ceiling to rival the world leaders.<sup>62</sup>

A primary structural constraint that creates this glass ceiling is the nature of integration at the lower end of the global value chain, dearth of investment in R&D as we saw in Chapter Four, as well as the highly competitive and low margin nature of consumer electronics. All of these factors render it unlikely for Chinese firms to advance and compete at the technological frontier in the foreseeable future, despite their government subsidies and protection. Without world-leading innovation, or at least world-leading capacity to follow the leaders (such as Samsung), China's workshop of the world will predominantly result in 'Made in China, Profit in Triad'. And without a greater share of the profit, Chinese firms will continue to compete based on cost-cutting and razor-thin margins, a vicious cycle of low profitability that further impedes a firm's capacity for high risk and high cost innovation and R&D that are necessary to catch up to the technological frontier. Much also depends, of course, on how Japanese and South Korean, not to mention American, firms respond to increasing Chinese competition in whatever particular sector — for the world's

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<sup>62</sup> On the slowing growth of countries after a certain threshold, some scholars have called this the 'middle-income trap' (Eichengreen, Park, and Shin 2011). For the glass ceiling on EM firms to move up the value chain, see Sturgeon 2002, Steinfeld 2004, 2010, Ernst 2006, 2011, Kerr 2007, Nolan, Zhang, and Liu 2008.

top corporations are unlikely to remain sitting ducks. At the very least, these qualifications should caution us against linear projections of unimpeded growth into the distant future, as so many in the 'rise of China' literature are wont to do.

Ultimately, the future capacity for Chinese corporations to compete globally rests on their strength in the Chinese domestic consumer market, and the strength of the domestic market more generally. This has been the case for virtually all TNCs, as they have first expanded domestically before using their domestic strength as a springboard from which to compete abroad. And of course, American corporations continue to draw great advantage from the size, depth, and strength of the American economy. As for China, a slew of sectors (obviously not all) are already dominated by foreign TNCs. For example, 60% of the Internet in China runs on Dell servers (Palmer 2011). Coca Cola and Pepsi have a 55% and 32% market-share, respectively, in the Chinese carbonated soft drinks market (Rappeport 2011). Nestlé "sells two out of three cups of soluble coffee" in China and Starbucks predicts China will be its second largest market (after the United States) in 2014, already by far China's largest coffee chain (Waldmeir 2012b). Yum Brands, owner of Kentucky Fried Chicken, has a 40% share in the Chinese fast food market (with over 4,000 restaurants and opening a new one more than one a day), with McDonalds a distant second at 15% (Noble 2011, Waldmeir 2011). Wal-Mart's market-share in China is 8%, the largest in a highly fragmented domestic market of over half a million retail firms (Woke 2011). Boeing has a 50% market-share in passenger planes, while much of the rest is Airbus (Rabinovitch 2011a). For smaller private jets, Gulfstream

has a 35% market-share, Bombardier 27%, Dassault 24%, with Embraer and Boeing at 8% and 5%, respectively (Moscrop 2013).

This is in addition to the foreign dominance of phablets and smartphone operating systems mentioned above, despite the subsidies and protection accorded to domestic telecommunications firms by China's industrial policy. Perhaps most strikingly, after more than two decades of strong state protection, subsidies, and coercion of foreign firms into joint ventures and technology transfers (Chin 2010a), the combined market-share of the over 120 Chinese automobile firms continue to decline in their home market, from a peak of 31% in 2010 to 27% in 2012 (Waldmeir 2012a) to 23% in January-February 2014 (Mitchell 2014). In 2013, Ford was the fastest growing automaker in China, surpassing Toyota to become the fifth largest (Mitchell and Chilkoti 2014). But the Chinese market, since 2009 the largest in the world, is still dominated by Volkswagen and General Motors. This is a surprising failure of Chinese state industrial policy, and despite certain high-profile foreign M&As made by Chinese firms, such as Geely's purchase of Volvo from Ford in 2009. It is estimated that half of Geely's profit in 2011 was derived from state subsidies (Anderlini 2013b). This demonstrates, again, the structural constraints on Chinese firms to catch up, much less challenge, Western TNCs, particularly in advanced technology — irrespective of the intentions and practices of Chinese state industrial policy.

Moreover, many Chinese firms have yet to build the marketing capacity to compete with foreign consumer brands, even in China itself let alone abroad. In a consumer preference survey conducted from July to August 2013 reported by *The*

*Financial Times* (Davies 2013), Chinese consumers clearly expressed preference for foreign brands (even if many cannot afford them) across a wide range of sectors. For phones, 35% of respondents expressed a preference for Samsung, 32% for Apple, 12% for Nokia, and 5% for the Taiwanese firm HTC. The largest preference for a Chinese maker was Huawei, at 4%. For sports shoes, 44% preferred Nike, with the Chinese shoemaker Lining second at 16%, and Adidas third with 14%. For clothes, the Japanese firm Uniqlo, the Spanish firm Zara, and the Swedish firm H&M were the leaders, with 9%, 8%, and 6%, respectively. For automobiles, the German carmakers were clearly the most desired, with Volkswagen, BMW, Audi, and Mercedes-Benz being the most desired for 20%, 19%, 16%, and 9% of respondents, respectively. Toyota, GM's Buick, and Honda brought up the rear end (with not a single Chinese automaker), at 4%, 4%, and 3%, respectively. Note, however, that while most Chinese may aspire to a luxury German car, GM has the second largest sales in China, after Volkswagen. The same *Financial Times* article quoted another Chinese customer survey conducted in January 2013 by Credit Suisse, for the "intended purchase of foreign brands" for a number of products: 95% for watches, 91% for handsets, 90% for perfume, 86% for automobiles, 80% for soft drinks, 59% for cosmetics, 55% for sportswear, 53% for leather goods, 52% for feminine hygiene, 50% for apparel, and 25% for beer (Davies 2013). Clearly foreign TNCs will benefit if China is able to shift its growth model towards greater consumption, and in the age of globalization, the mere size of China's GDP is no indication whatsoever as to the success of Chinese firms even in their home market, let alone abroad. Rather, these questions must be empirically investigated.



Besides already intense foreign competition in many sectors within China itself, there are broader structural constraints for a fundamental shift from investment to consumption in China's state-directed growth model that impinge on private Chinese consumer firms. Some authors cite China's 'demographic graying' as a constraint, and the oft quoted, 'China will get old before it gets rich' (Ferguson 2005). There are also strong class forces that owe their power and wealth to the nature of China's export- and investment-driven growth model (such as most of China's 1.3 million US dollar millionaires in 2013, as we saw in Chapter Five), and have every motivation to maintain the status quo.<sup>63</sup> Or more broadly, as Ho-Fung Hung argued, "to create a more autonomous economic order in Asia, China would have to transform an export-oriented growth model — which has mostly benefited, and been perpetuated by, vested interests in the coastal export sectors — into one driven by domestic consumption, through a large-scale redistribution of income to the rural-agricultural sector. This will not be possible, however, without breaking the coastal urban elite's grip on power" (2009: 6). Indeed, China's growth model since the 2008-2009 global financial crisis has become even more investment- and less consumption-driven, as we saw above.

Another structural constraint on the Chinese consumer market approaching the wealth and depth of the Triad is the nature of the *hukou* (residential) system, left over from the Maoist period.<sup>64</sup> In China, a person's rural or urban residential status is still hereditary, and so the approximately 200 million rural migrants now living in

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<sup>63</sup> There are 83 billionaires in China's parliament (Anderlini 2013a), and see Ball and Guardian US Interactive Team 2014 for an analysis of the massive wealth of numerous high-ranking officials of the Chinese Communist Party.

<sup>64</sup> The following on the *hukou* is drawn from Chan 2011, 2012a, 2012b.

cities live there illegally, and do not have access to the same facilities as those with urban *hukou* status, such as healthcare, hospitals, pensions, public housing, public schools, and so on. This system has established a permanent urban underclass that has underpinned China's growth engine as workshop of the world since the 1980s. This is also a major barrier towards increasing domestic consumption as a share of GDP, and expanding the ranks of the urban consuming class. The abolishment of *hukou*, even if gradual, would likely entail large-scale social upheaval, something the CCP so far has been unwilling to risk.

### **III. International Trade, Investment, and Financial Linkages**

Aside from domestic constraints to the rise of a China-centered alternative order, are there also regional and/or global constraints? What is the nature of China's burgeoning trade and investment linkages outside its borders? We have seen in Chapter Two that some authors have argued that increasing American investment in Canada and Europe increased American power and influence in those countries (Servan-Schreiber 1968, Levitt 1970, Aron 1974), and created deepening conditions for the structural integration of their capitalist classes (Poulantzas 1975, Panitch and Gindin 2012), under the umbrella of American hegemony. Are there any indications that something similar is occurring between China and others, whether regionally or globally? To what extent is there an intra-regional trade and/or investment bloc developing, that could possibly be the basis for a future China-centered regional order? This section will address these questions by investigating

cross-border trade and investment linkages, as well as China's integration in global finance through financial advising and holdings of US Treasury Securities.

We begin with Table 6.7, showing the national shares of the top five export destinations in 2011 of the key nations in question: the United States, China, Japan, South Korea, and Taiwan. After decades of being America's "branch plant economy" (Levitt 1970) — indeed, after over a century of increasing integration — Canada continues to be the most important export market for the United States. Similarly, after decades, even centuries, of inter-linkages with the 'Old World', the twenty-seven members of the European Union collectively account for almost the same share as Canada. Further down the list is Mexico with the third largest share (with a still sizable 13%), and then further down are the two titans of East Asia: China (7%) and Japan (4.5%). For all the talk of the 'Pacific Century' in the United States (Cumings 2009), the world's largest political economy and second largest exporter (after China) retains its deepest export ties within the North American continent (32%) and across the Atlantic Ocean (18%). Conversely, China splits the bulk of its trade between the European Union (19%) and the United States (17%). Much of China's exports (14%) also continue to be routed through Hong Kong, as the Pearl River delta remains the beating heart of Chinese factory production.<sup>65</sup> Japan and South Korea bring up the rear end, with shares of 7.8% and 4.4%, respectively. Hence, China, the largest exporter in the world with \$1.9 trillion of exports

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<sup>65</sup> Hong Kong itself predominantly exports to China (54% of its exports), then to the EU (10%) and the US (9.4%), and Japan (3.8%) and India (2.7%) (World Trade Organization 2013).

accounting for 10.4% of the world total in 2011, directs over 60% of its exports to the Triad.

**Table 6.7: Share of Top 5 Destinations for US and Northeast Asia Exports — 2011**

Exporter	#1 (%)	#2 (%)	#3 (%)	#4 (%)	#5 (%)
<b>United States</b>	Canada 19	EU-27 18	Mexico 13	China 7	Japan 4.5
<b>China</b>	EU-27 19	US 17	HK 14	Japan 7.8	ROK 4.4
<b>Japan</b>	China 20	US 16	EU-27 12	ROK 8	Taiwan 6.2
<b>South Korea</b>	China 24	US 10	EU-27 10	Japan 7	HK 5.6
<b>Taiwan</b>	China 27	HK 13	US 12	EU-27 9.3	Japan 5.9

Source: World Trade Organization (2013).

As for the three main political economies of Northeast Asia, their most important export destination is decidedly China (whereas in the 1980s and 1990s it was the United States), ranging from a fifth in the case of Japan to over a quarter with Taiwan (probably over a third since 13% of Taiwanese exports are first routed to Hong Kong, in addition to 27% going directly to China). The United States remains an important direct export market, especially for Japan and to a lesser extent Taiwan, and South Korea splits its direct exports equally between the US and EU. Note that for Japan, its former colonies are still important export markets, and vice versa, albeit not so between South Korea and Taiwan themselves. Firms from South Korea and Taiwan are often close competitors in the same product categories, whereas both still rely on importing the highest value components from Japan, and rely on China for final assembly.

Table 6.8 reveals the national shares of the top five import origins for the US, China, and Northeast Asia. China is by far America's most important national source of imports, not surprising considering the extent of China-sourcing for all of

America’s retail giants. If Wal-Mart were a country, it would be China’s eighth largest export destination, and Wal-Mart sources goods from over twenty thousand suppliers in China, which account for over 70% of Wal-Mart’s more than \$400 billion in annual sales (Jiang 2004, Schell 2011). The European Union and North America continue to be important, however, as well as Japan with a still sizable 6% share of American imports in 2011. Collectively, China, Japan, Europe, and North America account for two thirds of American imports, still the world’s largest importer with \$2.3 trillion in 2011, 12.3% of the world total (China is second, drawing in 9.5% of the world’s imports by value). The United States, however, is not the most important source of imports for China. Rather, the European Union collectively with 12%, and the three main political economies of Northeast Asia with a combined 28%, are more important exporters to China than the United States with 7.1%. Still, the United States is a major source of imports for East Asia — in fact the largest non-East Asian source accounting for around 9% each of Japan’s, South Korea’s, and Taiwan’s imports (in addition to 7.1% of China’s imports). This is perhaps unexpected considering that so much emphasis is placed on East Asia being a global exporting powerhouse: the United States remains no slouch itself.

**Table 6.8: Share of Top 5 Import Origins for US and Northeast Asia — 2011**

<b>Importer</b>	<b>#1 (%)</b>	<b>#2 (%)</b>	<b>#3 (%)</b>	<b>#4 (%)</b>	<b>#5 (%)</b>
<b>United States</b>	China 18	EU-27 17	Canada 14	Mexico 12	Japan 6
<b>China</b>	EU-27 12	Japan 11	ROK 9.3	Taiwan 7.2	US 7.1
<b>Japan</b>	China 22	EU-27 9.4	US 9	Oz 6.6	Saudi 5.9
<b>South Korea</b>	China 17	Japan 13	EU-27 9	US 8.5	Saudi 7.1
<b>Taiwan</b>	Japan 19	China 16	US 9	EU-27 8.5	ROK 6

**Source:** World Trade Organization (2013).

Again, note how Japan figures prominently as an exporter to South Korea and even more so to Taiwan (with Japan accounting for almost a fifth of Taiwan's imports, greater even than from China), whereas neither of its two former colonies are very important exporters for Japan. This supports the general pattern of East Asian modular production networks, within which Japanese firms export the highest value components for various advanced technologies, combined with South Korean and Taiwanese lower value components, which are all then shipped to China for final assembly, and then shipped to the European Union and the United States for final consumption (Cumings 1987, Bernard and Ravenhill 1995, Hatch and Yamamura 1996, Borrus, Ernst, and Haggard 2000, Yusuf, Altaf, Nabeshima 2004, Pempel 2005, Ernst 2006, 2009, Hung 2009, Steinfeld 2010, Zhu and Kotz 2011). This has been the main engine of Northeast Asian and now Chinese growth over the past three to four decades, and continues apace several years after the 2008-2009 global financial crisis and throughout the Great Recession, as we can see in Tables 6.7 and 6.8 (so much for decoupling). Moreover, China itself is now the most important origin for especially Japanese and South Korean imports, as Japanese and South Korean firms manufacture more and more in China for their own home consumer markets. Like the 'Dollar Stores' that have sprouted all over Canada and the United States due to the rise of China, so too have "¥100 shops" in Japan in the 2000s.

The next three tables take a closer look at China's international trade. First, Table 6.9 lists China's top ten trade partners by total gross value in 2010. Looking at the European Union's individual member-states, we see that the United States is a

far more important trading partner for China than Germany, at over two and a half times (note, however, that these figures could be distorted somewhat due to China's massive re-exporting through Hong Kong). In fact, Japan, South Korea, and Taiwan are also all more important than any single European nation. Japan is the second most important trading partner for China, at more than double Germany's gross share. Also, note China's voracious appetite for Australian and Brazilian natural resources, and sizable trade with Malaysia and India. And very importantly, note how China has sizable trade deficits with the majority of its top trade partners, including Germany. By contrast, China's trade surplus with the US is massive, at over nine times greater than its surplus with India, \$181.3 billion versus \$20 billion, respectively. This accords with the proposition that Western TNCs use China as a giant final assembly and export platform: importing components from Northeast Asia, Malaysia (which itself is an export platform for especially Japanese TNCs), Western Europe, raw materials from Australia and Brazil, and exporting finished goods most of all to the United States.

**Table 6.9: China's Top Ten Trade Partners — 2010**

	<b>Nation</b>	<b>Value \$bn</b>	<b>Share of Total Gross Trade (\$2,972.8bn)</b>	<b>Trade Balance (\$bn)</b>
<b>1.</b>	United States	385.3	12.9%	181.3
<b>2.</b>	Japan	297.8	9.7%	-55.6
<b>3.</b>	Hong Kong	230.6	7.8%	206
<b>4.</b>	South Korea	207.2	7%	-69.6
<b>5.</b>	Taiwan	145.4	4.9%	-70.7
<b>6.</b>	Germany	142.4	4.8%	-6.3
<b>7.</b>	Australia	88.1	3%	-14.9
<b>8.</b>	Malaysia	74.2	2.5%	-26.6
<b>9.</b>	Brazil	62.5	2.1%	-13.7

<b>10.</b>	India	61.8	2.1%	20
	<b>Total</b>	1695.3	57%	

**Source:** US-China Business Council (2013).

Similarly, if we break down China's gross trade into the top ten export destinations and import origins, as Table 6.10 does, we can see that the United States is by far the most important national export destination for China, receiving almost a fifth of China's exports. Japan is also an important destination for Chinese exports, with a 7.7% share, and South Korea and Germany are virtually tied at 4.3% each. Taiwan does not figure in China's top ten export destinations. Taiwan very much figures, however, as a crucial origin for Chinese imports, in third place with 8.3%, extraordinary for such a small country. And note that of the top ten national import sources for China, only with the United States does China have a trade surplus (and a massive one at that). With every other top import origin — with countries representing the Asia-Pacific, Europe, Latin America, and the Middle East — China has a deficit. These widespread trade deficits with countries around the world further underscore the importance of the United States as a vital outlet for China's 'workshop of the world'. The Chinese deficit is largest with Taiwan, followed closely by South Korea, and even Malaysia and Thailand have trade surpluses with China. The latter two nations became export platforms for especially Japanese corporations in the 1980s, before the exponential rise of China as an export platform itself. Malaysia and Thailand remain substantial suppliers for the Chinese industrial machine (Malaysia also supplies raw resources), albeit not to the same extent as Japan, South Korea, and Taiwan, nor even the United States or Germany.



**Table 6.10: China's Top 10 Export & Import Partners — 2010**

	Exports to	Value	% of Total	Imports from	Value	% of Total	Balance
1.	United States	283.3	18	Japan	176.7	13	-55.6
2.	Hong Kong	218.3	14	South Korea	138.4	10	-69.6
3.	Japan	121.1	7.7	Taiwan	115.7	8.3	-70.7
4.	South Korea	68.8	4.3	United States	102	7.3	181.3
5.	Germany	68	4.3	Germany	74.3	5.3	-6.3
6.	Netherlands	49.7	3.1	Australia	60.9	4.4	-14.9
7.	India	40.9	2.6	Malaysia	50.4	3.6	-26.6
8.	United Kingdom	38.8	2.5	Brazil	39.1	2.8	-13.7
9.	Singapore	32.3	2	Thailand	33.2	2.4	-8.5
10.	Italy	31.1	2	Saudi Arabia	32.8	2.4	-10.4
<b>Top Ten Total</b>		952.3	60		823.5	59	
<b>Total</b>		1,577.9			1,394.8		

**Source:** US-China Business Council (2013).

Simply from inspecting bilateral trade statistics, then, it is clear that five general patterns emerge: 1) Japan exporting to China, South Korea, and Taiwan; 2) South Korea and Taiwan exporting to China; 3) China exporting to mainly the European Union and the United States, and to a lesser extent Japan and South Korea; 4) Japan, South Korea, and Taiwan also significantly exporting to the United States, and to a lesser extent the European Union; and finally 5) the United States itself exporting significantly to Northeast Asia, more than any other non-Asian exporter. All of these patterns corroborate the literature on regional production networks (Cumings 1987, Bernard and Ravenhill 1995, Hatch and Yamamura 1996, Borrus, Ernst, and Haggard 2000, Pempel 2005, Ernst 2006, Steinfeld 2010). It is very important to stress, however, the hierarchical nature of these transnational production networks. While it may appear from these national trade accounts that Chinese corporations are enormous global exporters, this is simply not the case. As

mentioned above, according to the Chinese General Administration of Customs, of the top 200 exporting firms from China in 2009, over three-quarters are foreign-owned, 153, up from 141 in 2008 — accounting for over \$250 billion of Chinese exports (Han 2010). Foreign firms account for an astonishing seven of the top seven exporters from China, with the top Chinese exporter being Huawei at eighth place, exporting \$7 billion worth of goods (Han 2010). Indeed, since 2012 an incredible 50% of all Chinese exports are actually exported by foreign-invested firms (Romei and Minto 2012), and in advanced technology the figure is an astounding over 90% (Beckley 2011: 43). And we have seen above (Tables 6.1 and 6.3) how the vast majority of the Chinese firms in the *Forbes Global 1000* are insignificant exporters (with the notable exceptions of Huawei and Lenovo).

To flesh out these trade statistics and the nature of these transnational production networks, I shall use the example of the largest exporter from China, the Taiwanese firm Hon Hai Precision Industry. Hon Hai is the world's largest electronics contract manufacturer (operating under the trade name Foxconn), performing final assembly for a number of the world's top advanced technology firms, such as Amazon, Cisco, Dell, Hewlett-Packard, Microsoft, Nintendo, Nokia, Sharp, and Sony (see FT.com's *In Depth: Foxconn*). By far the most important customer for Foxconn is Apple, which accounts for an estimated half of Foxconn's sales (Luk 2013). Foxconn performs final assembly for virtually all of the most important Apple products, from iPads and iPhones to desktop and laptop Macs to Apple TVs. While Foxconn has production facilities around the world (and is even the Czech Republic's second largest exporter), the vast majority of its production

occurs in China, with its over one million Chinese workers (China's largest private employer).

As a consequence, China has a virtual monopoly on the export of iPads and iPhones and, more broadly, has been the largest electronics exporter in the world since 2004 (OECD 2005). But in the era of transnational modular production networks, the fact that China is the largest exporter of finished smartphones and tablets — with the consequent overwhelming trade surplus in these goods — does not at all necessarily imply that Chinese firms are world leaders in electronics. Nor does the fact that China exports virtually all iPads and iPhones necessarily mean that Chinese firms reap the largest profit from the sale of these iPads and iPhones, or electronics more generally. In fact, it does not even mean that a Chinese firm is performing final assembly, as this example demonstrates. On the contrary, it is a *Taiwanese* firm, Hon Hai Precision Industry, that conducts final assembly of electronics such as iPads and iPhones in China, but the profit from this final assembly largely goes to Taiwanese shareholders, especially the Taiwanese billionaire founder, chair, and CEO Terry Gou.<sup>66</sup> Even still, the profit that Hon Hai Precision Industry makes from the assembly of iPads and iPhones in China is peanuts compared to the profit that Apple ultimately makes from owning the proprietary design and brand.<sup>67</sup> After all, Apple emblazons on many of its products:

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<sup>66</sup> In 2012 Hon Hai Precision Industry is 48% Taiwanese owned, 25% American, and the largest shareholder is Terry Gou with 13% (*Bloomberg Professional*).

<sup>67</sup> In 2011 Hon Hai Precision Industry's total profit was \$2.6 billion, while Apple's was almost thirteen times larger at \$33 billion (*Forbes Global 2000* 2012). In 2009, the cost of each iPhone 3G for Apple was \$179, of which the largest shares went to Toshiba (\$59.25), Infineon (\$28.85), and Samsung (\$22.96) for components, while \$6.50 went to manufacturing costs in China (namely to Foxconn). The retail price of

“Designed by Apple in California, Assembled in China”. Thus, in an era of transnational modular production networks, national trade statistics do not even begin to capture these complex networks and are an inappropriate measure of economic power. Rather, we must investigate the transnational corporations themselves in order to understand the great changes in their operations over the past several decades, and consider the implications this has on national economic power.

We now turn to investment linkages as a potential source of regional integration. With both China and Japan sitting on legendary mountains of foreign currency reserves, have they been putting their savings to good use in Northeast Asia, fomenting deeper and longer lasting capitalist inter-linkages, potentially establishing the foundation for something akin to an ‘East Asian Union’? Table 6.11 inspects whether this is so, revealing the top five cross-border targets of Chinese and Northeast Asian acquisitions over six year blocs from 1995 to 2012. Since 1995, China has been deepening its investment linkages with Anglo-America, far more than in East Asia (or any other region of the world). While only Australia featured in the top five in 1995 to 2000, by the post-2008 global financial crisis period, four out of the top five Chinese cross-border M&A targets have been in Anglo-America. Australia and Canada have been vital to China’s quest for greater national energy security (much more important, as we can see, than any country in Africa or Latin America), and China’s largest overseas investment so far is CNOOC’s \$18 billion

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the iPhone 3G was \$500, resulting in a \$321 profit for Apple (Xing and Detert 2010: 4, 7, 9). More broadly, on average for every \$1 an American consumer spends on a ‘Made in China’ good, 55 cents go to firms in the United States (Hale and Hobijn 2011: 3).

acquisition of the Canadian tar sands firm Nexen in 2012 (Gelles 2013). And the United States and Great Britain have been vital for their advanced technology, such as Wanxiang’s purchase of 123Battery in the US (Crooks 2013a), and Geely’s purchase of the iconic London ‘black top’ taxi firm Manganese Brown (Waldmeir and Brown 2013).<sup>68</sup> Anglo-America is also a vital outward M&A target for Japanese firms, most of all to the United States. There is certainly no evidence in the M&A data that Japan seeks to re-orbit its investment linkages from Anglo-America to China — in fact quite the opposite: Japan has only deepened its investment linkages with the United States in the opening decade of the twenty-first century. Greater China is a more important target for South Korean and Taiwanese M&As than it is for Japan, especially in the first few years of the twenty-first century, but overall the United States is still the most important destination, especially for South Korea in the post-2008 period.

**Table 6.11: Top 5 Foreign Targets of Northeast Asian Acquirers of M&A Deals ≥\$1 Million — 1995-2012**

Acquirer & Top Five Targets	1995-2000	2001-2006	2007-2012
<b>China</b>			
1.	Hong Kong 51%	United States 21%	Australia 16%
2.	Australia 9.6%	UK 6.4%	United States 13%
3.	Kazakhstan 9.2%	Hong Kong 5.6%	Hong Kong 11%
4.	Venezuela 6.8%	Russia 3.8%	Canada 11%
5.	Singapore 5.8%	South Korea 3.3%	UK 8.4%

<sup>68</sup> Of course, this does not mean that Anglo-America has always been welcoming Chinese capital with open arms. CNOOC’s bid for the Californian energy firm UNOCAL was rejected over much political furore by the US Congress in 2005 (Gelles, Hook, Sakoui 2012). And we have already mentioned the exclusions of Huawei and ZTE in Australia and the United States. Incidentally, this is also evidence of the continued relevance of the nationality of capital.

<b>Japan</b>			
1.	United States 46%	United States 31%	United States 40%
2.	Netherlands 18%	UK 14%	Australia 8.5%
3.	South Korea 10%	Philippines 7.9%	Switzerland 6.7%
4.	United Kingdom 4.4%	Brazil 4.8%	UK 5.7%
5.	Hong Kong 2.4	China 4.5%	India 5.4%
<b>South Korea</b>			
1.	United States 35%	China 26%	United States 40%
2.	Hong Kong 16%	Taiwan 25%	Australia 8.4%
3.	Kazakhstan 15%	Hong Kong 17%	Canada 8.4%
4.	Sri Lanka 11%	United States 8.1%	UK 7.1%
5.	UK 6.9%	New Caledonia (France) 4.5%	China 5.5%
<b>Taiwan</b>			
1.	US 34%	China 24%	United States 28%
2.	Malaysia 12%	Hong Kong 19%	China 25%
3.	Netherlands 11.5%	United States 16%	Japan 18%
4.	Singapore 9.5%	Singapore 14%	Netherlands 7.7%
5.	Thailand 7.5%	Germany 9.9%	Singapore 4.7%

**Source:** Author's Calculations (see Appendix B) from *Thomson SDC Platinum*.

Table 6.12 reveals the top five acquirers in China and Northeast Asia over the same period, from 1995 to 2012. Hong Kong firms seem to be the most important foreign acquirers in China — the data, however, is distorted from the Chinese practice of FDI ‘round-tripping’. That is, many Chinese firms open a post office box in Hong Kong from which they can become ‘Hong Kong foreign investors’ in China, in order to take advantage of tax breaks and other incentives granted by various Chinese provinces and municipalities competing for foreign capital. No one knows what the precise proportion of FDI consists of Chinese round-tripping, but estimates range from a quarter to two-fifths of all Hong Kong FDI in China is actually from Chinese firms (Chen 2011: 159). In any case, the second most important foreign investor in China since 1995 has clearly been the United States, acquiring even more

than 'Hong Kong investors' from 2001 to 2006. Singapore has also been an important investor, and to a lesser extent Japan, but note that South Korea and Taiwan never make the top five (albeit, they could be partially funneling their investments through Hong Kong). Thus, while China is an important M&A target for both South Korea and Taiwan as we saw in Table 6.11, these investments are proportionately not as important for China, especially compared to the importance of American investment.

The United States remains by far the greatest investor in Japan, even differentially increasing its share in the post-2008 period (from 1995-2000, American acquisitions were over triple the number two acquirer, and from 2007-2012, American acquisitions were over five times greater). Also, unlike in the rest of East Asia, Germany is a significant acquirer in Japan, no doubt attempting to tap into Japan's advanced innovation and technology. Furthermore, also unsurprisingly, the United States remains the most important acquirer in South Korea and Taiwan, albeit the British have made significant headway in South Korea in the post-2008 period.<sup>69</sup> In short, Western TNCs are a much more important source than China for M&A linkages in Japan and South Korea, and to a lesser extent Taiwan (which has a large share from Hong Kong).<sup>70</sup> Thus, once again we can conclude that Northeast

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<sup>69</sup> The nature of American acquisitions in South Korea, however, is perhaps different to what many expect: predominantly Wall Street, especially private equity firms, rather than blue-chip industrials — partly because of their transnational modular production networks, the latter do not acquire production assets in East Asia (with some exceptions, such as GM's acquisition of South Korea's Daewoo in 2001). For an excellent discussion, see Justin Robertson 2007, 2009, 2012.

<sup>70</sup> This is the case even if some Chinese firms channel their investments through Hong Kong, the Cayman and US Virgin Islands, and a proportion of the 'Unknown' share.

Asia, especially Japan, is more integrated via M&As with the Triad (and most of all the United States) than with China.

**Table 6.12: Top 5 Foreign Acquirers of Northeast Asian Targets of M&A Deals ≥\$1 Million — 1995-2012**

Target & Top Five Acquirers	1995-2000	2001-2006	2007-2012
<b>China</b>			
1.	Hong Kong 85%	United States 34%	Hong Kong 51%
2.	United States 4.4%	Hong Kong 31%	United States 13%
3.	Singapore 2.5%	UK 9.2%	Singapore 9.1%
4.	Japan 1.8%	Singapore 5.5%	Thailand 5.4%
5.	Australia 1%	Japan 2.8%	Japan 2.2%
<b>Japan</b>			
1.	United States 51%	United States 42%	United States 46%
2.	France 16%	UK 13%	Germany 8.9%
3.	UK 9%	Germany 6.5%	Unknown 5.9%
4.	Unknown 6.6%	Unknown 5.4%	Ireland 5.4%
5.	Germany 6%	Netherlands 4.8%	Cayman Is 5%
<b>South Korea</b>			
1.	United States 38%	United States 46%	UK 24%
2.	Japan 17%	US Virgin Is 15%	United States 24%
3.	Netherlands 10%	UK 7.4%	Hong Kong 9.6%
4.	Germany 6.4%	China 5.5%	Unknown 9.1%
5.	UK 5.9%	France 5.3%	Netherlands 7.2%
<b>Taiwan</b>			
1.	United States 37%	United States 51%	United States 37%
2.	Netherlands 23%	UAE 10%	Hong Kong 31%
3.	Japan 12%	South Korea 8.5%	Japan 15%
4.	Hong Kong 8.8%	UK 7%	Australia 3%
5.	UK 5.7%	Japan 5.3%	South Korea 2.8%

**Source:** Author's Calculations (see Appendix B) from *Thomson SDC Platinum*.

In conclusion, these deep trade and investment linkages between East Asia and Anglo-America, and to a lesser extent Western Europe, represent a structural constraint to the rise of any China-centered regional order that attempts to



challenge the American-centered world order. Indeed, China itself is more integrated by trade and investment linkages with Anglo-America than it is with East Asia. This makes sense if we understand the nature of China's integration into the transnational modular production networks of the world's top TNCs in advanced technology. In this respect, China's role in the global political economy is to serve as the world's most important workshop of the world and export platform. That many domestic sectors within China itself are becoming, or are already, the world's largest, does not contradict this. It simply means that the world's top TNCs are also taking China seriously as a domestic market.

The question for China's future is whether Chinese capital can move up the value chain to compete head-on with the world's top TNCs. There is very little evidence that the behemoth SOEs are capable of this, except of course within China itself, where in numerous sectors they operate as state-sanctioned monopolies or oligopolies. As for private Chinese firms, there are a handful that are becoming globally successful — the two most compelling being Huawei and Lenovo. But we have seen the glass ceiling that often prevents full catch-up to the technological frontier, even for massively successful firms like Samsung. Not only has American capital been at the forefront of the technological frontier for the better part of the last century, but especially since the dawn of the information-technology age in the 1960s, American capital (and Silicon Valley in particular) has continually shown the capacity for dynamism, innovation, and renewal. Unlike heavy industry and the analogue technologies of the past, the continual advancements in information-technology lead to a constantly shifting target for those who wish to catch up. One

can follow a blueprint to produce the automobile of the 1960s, but today the highest value components are its software and electronics.<sup>71</sup>

Another constraint to the rise of a China-centered order is the nature of China's integration into global finance, which is related to its integration in Anglo-American trade and investment linkages. China not only shows little sign of reducing its dependence on the monetary and financial order based on the US dollar, but has actually increased its dependence since 2008.<sup>72</sup> Despite interest rates on US Treasury Securities again and again plummeting to record lows from the latter half of 2008 onwards, and even despite the unprecedented downgrading of US government debt by the rating agency Standard & Poor's in August 2011, Figure 6.1 reveals that both China and Japan — by far the two largest foreign holders of US government debt — have massively increased their purchases.

In fact, China almost doubled its ownership of Treasury Securities in the span of seventeen months, from \$486.9 billion in February 2008 to \$939.9 billion in July 2009, and has remained comfortably above \$1 trillion since the beginning of 2010. This is all the more remarkable because during this time Chinese leaders and analysts, from former President Hu Jintao on down, publicly and vocally threatened to move away from the US dollar if the US did nothing to avert its devaluation as an 'unintended' consequence of successive waves of quantitative easing and other US

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<sup>71</sup> The technology in automobiles has advanced to such an extent that the 2011 Chevrolet Volt from General Motors, for example, has ten million lines of software code, over two million more than the most advanced passenger aircraft ever built, the Boeing 787 Dreamliner (McKinsey & Co. 2012: 87).

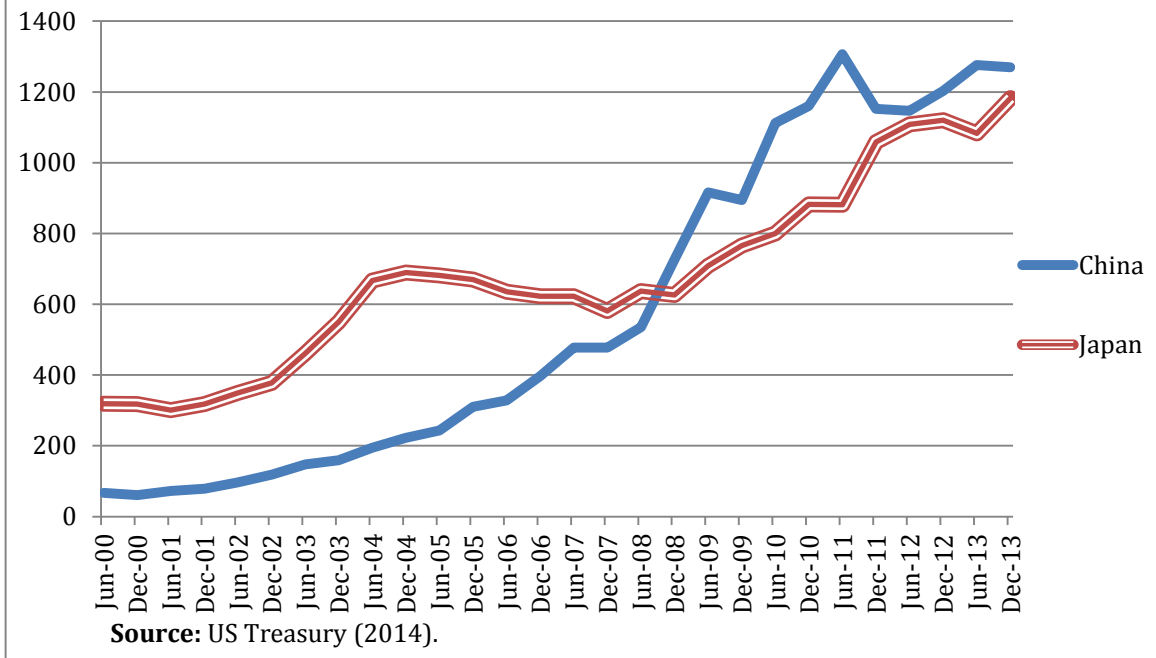
<sup>72</sup> Recall from Chapter One the nature of the American-centered financial order as outlined by Hudson 1972, Gowan 1999, Seabrooke 2001, Panitch and Konings 2009, and Panitch and Gindin 2012. In relation to China, see Chin and Helleiner 2008, Drezner 2009, Morrison and Labonte 2011.

programs and stimuli in the wake of the 2007 subprime mortgage crisis and subsequent global financial crisis. The Governor of China's Central Bank, Xiaochuan Zhou, made headlines with a speech in March 2009 at the Bank for International Settlements, calling upon the world to reform the international monetary system beyond the US dollar (Zhou 2009). These events set off a wave of commentary, especially in 2009-2011, on the supposed potential for a new financial and/or monetary order centered upon China (Chin 2010b, Chin and Thakur 2010, Subacchi and Driffill 2010, Scweller and Pu 2011). Meanwhile, China continued to purchase ever more Treasury Securities, digging itself deeper and deeper into the American-centered world order, and the US dollar continued to devalue ever more (as we saw in Figure 3.7, and in relation to the Chinese yuan in Figure 3.8), with US interest rates continuing to hit rock-bottom, and sometimes even negative.<sup>73</sup> The continued integration into the American-centered financial order, however, makes sense if we understand the nature of China's integration into global capitalism, as the premier workshop of the world and export platform for the world's top TNCs, including American TNCs, and China's resultant massive trade surplus with the United States.

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<sup>73</sup> The downward slide in Chinese purchases from June 2011 corresponds to a slowdown in Chinese export growth, largely due to the 2011-2012 eurozone crisis (Rabinovitch 2011b, Fung and Yali 2012).

**Figure 6.1: China & Japan Holdings of US T-Bills (\$bn), June 2000-December 2013**



Lastly, the dominance of American financial advisors is likely to further encourage China’s integration with global capitalism, or the ‘global market’ or the ‘liberal international economic order’ — in other words the American-centered world order. We saw in Table 4.1 that American financial services firms have increased their global profit-shares since the 2008 Wall Street crash, and this is also true in East Asia.<sup>74</sup> One of the most important (and prestigious for a firm’s reputation) sources of income for financial advisers is mergers and acquisitions, as fees can reach into the hundreds of millions of dollars for a single deal. Table 6.13 reveals the market-shares of the top 10 financial advisors on M&A deals worth \$1

<sup>74</sup> See also Robertson 2007, 2012, 2013 on the role of American financial services firms in East Asia.

million or more in the Asia-Pacific (East Asia plus Australia and New Zealand) from 1983 to 2012.

**Table 6.13: Top 10 Financial Advisors for Asia-Pacific M&A Deals ≥\$1 Million — 1983-2012**

	1983-1988 (%)	1989-1994 (%)	1995-2000 (%)	2001-2006 (%)	2007-2012 (%)
1.	Lloyds Bank (UK) 3.5	Citi (US) 8.7	Credit Suisse 16	Goldman Sachs 17	Goldman Sachs 18
2.	Rothwells (US) 2.7	Deutsche Bank (De) 7.9	UBS 13	UBS 16	UBS (Swis) 15
3.	Lazard (US) 2.7	UBS (Swis) 6.8	Goldman Sachs 13	Morgan Stanley 16	Morgan Stanley 15
4.	Macquarie (Oz) 2.7	Credit Suisse 6.7	JPMorgan 13	Citi 15	Credit Suisse 12
5.	Morgan Stanley (US) 2.6	ING (Ne) 5.6	Citi 12	JPMorgan 14	JPMorgan 11
6.	Allen & Co. (US) 2.4	JPMorgan (US) 3.8	Morgan Stanley 12	Macquarie (Oz) 9.6	Macquarie (Oz) 11
7.	Goldman Sachs (US) 2.3	Macquarie (Oz) 3.4	BoA Merrill Lynch 11	Credit Suisse 9.6	Citi 8.7
8.	Prudential Securities (US) 2.3	Barclays (UK) 3.3	Rothschild (UK) 7.8	Deutsche Bank 8.5	Deutsche Bank 8.6
9.	HSBC (UK) 2.2	HSBC (UK) 3	ING (Ne) 7.4	BoA Merrill Lynch 8.4	Lazard (US) 7.6
10.	Credit Suisse (Swis) 2.1	Rothschild (UK) 2.7	China International Capital 5.5	Lazard (US) 6.2	BoA Merrill Lynch 6.5

**Note:** ‘Asia-Pacific’ is ‘East Asia Plus Australia and New Zealand’; ‘BoA’ is ‘Bank of America’; Sum of percentages can be over 100% because firms often hire multiple advisors on a single deal. See Table A.1 in Appendix A for country abbreviations.

**Source:** Author’s Calculations (see Appendix B) from *Thomson Reuters SDC Platinum*.

The first pattern to note is the increasing concentration of financial advising market-share towards the top of the list in the Asia-Pacific over the thirty-year period. That is, the number one financial advisor in the 1983 to 1988 period advised

3.5% of all M&A deals worth \$1 million or more, whereas in the post-2008 period the tenth highest financial advisor, Bank of America Merrill Lynch, advised 6.5% of all deals. Moreover, in the latter period the number one advisor, Goldman Sachs, advised 18% of all M&A deals in the Asia-Pacific, the largest share in the entire thirty-year period. Following from this observation of increasing concentration, note that this trend has been driven first and foremost by Wall Street firms (aligning with the overall global trend of increasing American dominance in financial profit-shares, as seen in Table 4.1), and especially the meteoric rise of Goldman Sachs, from a 2.3% share in the early 1980s to 17-18% by the opening decade of the twenty-first century. Indeed, Goldman Sachs has particularly benefitted from the rise of China as it has underwritten most of the behemoth Chinese SOE IPOs since 2006, and even acquired the largest foreign stake in ICBC (the second largest IPO of all time). Furthermore, note that despite the eurozone crisis post-2008, certain European financial advisors — Union Bank of Switzerland (UBS), Credit Suisse, and Deutsche Bank — have been able to maintain their high market-shares, with Credit Suisse even expanding. The Australian firm Macquarie Group has also slightly increased its share.

Most striking of all, note how no Japanese firms, such as Nomura Securities (despite acquiring the Asian and European operations of Lehman Brothers in 2008), Mizuho Financial, or Mitsubishi-UFJ Financial (despite acquiring a 21% stake in Morgan Stanley in 2008) have ever made it into the top 10 in their own region (they have only ever made it in the top 11-20), and China International Capital only reached the top 10 (at number ten) from 1995 to 2000, after which it was

subsequently surpassed by American and European competition. It is likely that Anglo-American, Swiss, and German predominance over financial advising in the Asia-Pacific will continue into the foreseeable future, with hardly any prospects for an East Asian challenger, even in East Asia itself, let alone in global finance. This demonstrates that the Chinese profit-share in Banking in 2013 (Table 4.1) of 32% and Japan's profit-share of 7% (the third largest in the world) does not at all indicate any capacity to convert their massive profits and assets into high-value knowledge and services in global finance. In fact, not only are their massive financial firms largely nationally contained (especially China's, and more recently Japan's),<sup>75</sup> but they monopolize only certain commercial banking operations (most of all deposits and loans), while their financial expertise (*e.g.* in advising M&As) has not at all caught up with the global American and European leaders. This presents a further structural constraint to the rise of an alternative China-centered order, as without indigenous financial institutions that can compete against the North Atlantic financial firms even in their home territory, there will be more private sector pressure to integrate with global (*i.e.* American-centered) finance than to seriously challenge it.

In sum, the rise of China has been like no other. Chinese GDP expanded by almost twenty-fold from 1992 to 2012, surpassing Japan in 2010 to become the second largest national economy in the world. China has been the first country in more than a century to surpass the United States in world share of manufacturing

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<sup>75</sup> On the global retrenchment of Japanese financial firms since 2011, after failing for a quarter of a century in their attempt to internationalize, see Jenkins and Nakamoto 2012, Nakamoto 2012, Nakamoto and Jenkins 2012.

and exports. Behemoth Chinese SOEs populate the ranks of the world's top corporations across the four major indicators of assets, market value, profit, and sales. In numerous sectors, from automobiles to personal computers, from many luxury goods to mobile phones, China is now the largest domestic market in the world. And a large share of the world's millionaires and billionaires are now Chinese citizens. All of this has manifested in less than thirty years, as China only really took off in the 1990s.<sup>76</sup> It is no wonder that so many analysts predict China to become the world's next superpower, if it is not already, and why so many ring the death knell of the American century.

But upon closer inspection, especially through the lens of China being the first major political economy to begin its capitalist ascent in the era of globalization (as opposed to, for example, Japan and South Korea), there are many contradictory developments in the Chinese political economy, and its weaknesses are more striking than its strengths. China is the world's largest exporter, and yet very few of its top firms are actually exporters. China is the world's largest manufacturer, and yet the vast majority of the world's top manufacturing firms are based in North America, Western Europe, and Japan. China has the largest banks in the world, and yet they are minnows in global finance. China has deeper investment and trade linkages with Anglo-America than it does with East Asia. Chinese elites express their desire to seek alternatives to the American financial and monetary order, and yet they keep stockpiling US dollars and Treasury Securities.

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<sup>76</sup> Few note that China's world share of GDP actually declined in the 1980s (Author's Calculations from World Bank 2013).



We need to take seriously the myriad structural constraints to the rise of a China-centered regional, much less world, order to challenge or supplant the American-centered world order — in addition to the many *incentives* to integrate with the United States (namely, continued growth and wealth accumulation for the Chinese elite). To begin, whatever the rhetoric of Chinese elites, since 2008 China has only continued to further integrate into global trade, investment, and financial linkages centered upon the United States. Moreover, despite the efforts of Chinese industrial policy, there are severe constraints on the rise of indigenous Chinese firms to compete against, let alone supplant, American capital at the technological frontier. The failure of Japanese, much less South Korean and Taiwanese, capital to surpass the dominant American corporations in advanced technology should give us pause before waxing lyric on China's future potential.

Moreover, whatever the stated intentions and willingness of certain Chinese elites or firms to break free from their dependence on American capital as their final assembler and export platform, we must take this dependence seriously. Many American corporations profit from their trade and investment linkages with China, so there is no reason to believe that dominant American corporations would allow Chinese capital to challenge them. Which is to say, even if some Chinese firms express their intention to compete with global capital, this does not at all indicate that they have the capacity, and we must be wary of assuming too much independent agency for Chinese firms. At the very minimum, Chinese corporations would have to break free from the transnational modular production networks of the world's top corporations and build their own networks of value chains, while

building the capacity to innovate and captivate consumers with marketing. Huawei and Lenovo are the furthest down this path, but we have seen the glass ceiling they both face. None of this is to say that the American-centered world order is permanent and unchallengeable, for no power structure in human history has ever been permanent and unchallengeable — but it *is* to say that whatever challenges American power might face in the future, it will likely not come from China.

## **Conclusion: All for One and One for All?**

The decades-long debate on the decline or persistence of American economic power in global capitalism cannot move forward without moving beyond national accounts and a mechanical worldview of power. Whether or not it was the case in the immediate post-war period, national accounts are an inadequate measure of the political economy of national power in the age of globalization. With capital accumulation globalized in a more or less liberal international economic order, a nation can lay claim on profit-streams not only within its territory, but abroad as well. This was of course already the case in the nineteenth century, but it took a qualitatively new form by the 1960s. As Leo Panitch and Sam Gindin (2012) have argued, expanding American investment, ownership, and control in Canada and Western Europe was far deeper and stronger, and within a far more robust institutional framework of international integration based on more or less liberal capitalist principles, than the linkages between the former European powers and their colonies prior to World War I. These colonial linkages were predominantly based on trade and coercion — rather than the investment and elite consensus undergirding American hegemony in global capitalism.

By the 1990s, the United States, in coordination and consensus with its Western allies (including Japan), both state and capital, had created the conditions for the expansion and deepening of global capitalism such that giant transnational corporations could build sprawling transnational modular production networks and financial linkages the likes of which the world had never seen. The ultimate goal of

the American establishment in the 1940s — the American century (Luce 1941) — had been fulfilled half a century later beyond what American elites could have possibly imagined (with the expansion of global capitalism even into the former bastions of state communism: Russia and China). American business can now operate in almost every corner of the globe, and almost every nation to a greater or lesser extent marches to the tune of global capitalism — centered upon the United States of America.

National accounts barely even begin to account for these transformations in national power as global capitalism now straddles Earth (and beyond). Our methodology for understanding power relationships in this new era must involve investigating the nature of the transnational corporations themselves, in order to encompass their transnational operations. This is what I have done in this study, with the following key observations stemming from this investigation. First, aggregate relative American decline in the post-war period has been dramatic. The sales-share of corporate America relative to the world's top 200 industrial corporations declined from 77% in 1957 to 31% in 2010. But once we peer past the national aggregate and investigate the rankings of the top corporations themselves at the sectoral level — once we disaggregate the aggregate — a very different picture emerges: continued American dominance at the technological frontier. In fact, American dominance in pharmaceuticals and information technology hardware has actually increased since the 1960s.<sup>77</sup> Japanese corporations *did* threaten to

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<sup>77</sup> The primary exceptions are in sectors that have themselves declined in importance in terms of profitability, such as steel and commoditized consumer electronics. There are also certain sectors in which American capital must now

supplant American capital in certain sectors, but this challenge was handedly defeated by the late 1990s, especially in computer hardware and software, and the wave of innovation surrounding the expansion of the Internet that continues to permeate most advanced sectors in the twenty-first century.

Following from this, once we disaggregate the aggregate data in the post-war period, we can see that a large proportion of relative aggregate American decline has simply been the consequence of an increasing pool of nations integrating with global capitalism. As more and more nations rise and integrate with global capitalism, the relative American aggregate share will automatically decline (due to simple arithmetic). But we have to investigate the corporations themselves in order to understand the transformations occurring. Namely, the rise of others can actually expand American capital (even with simultaneous relative aggregate American decline) if it remains at the technological frontier, including in knowledge and services. In a liberal international economic order — when business can operate globally — the rise of others is not an exclusively zero-sum game. This is especially the case between the rise of China and transnational corporations, to which I shall return below. More broadly, if we overcome the mechanical worldview of power, and emphasize its multi-dimensional nature and the matrix of inter-linkages that have developed around American hegemony, then the rise and decline of national power encompasses far more than simply the rise and decline of whatever national account indicator or data.

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share dominance, such as with Germany and Japan in automobiles, with mainly Germany in chemicals, and American capital has always shared dominance with European capital in oil and gas.

Third, with the greater availability and commensurability of data, once we disaggregate the aggregate in the early twenty-first century, the depth and breadth of American sectoral dominance of the world's top 2,000 corporations is astounding. In the *Forbes Global 2000*, American capital in 2013 has a top 3 profit-share in twenty-three of the twenty-five broad sectors. Moreover, American capital has the leading profit-share in eighteen of these sectors, and dominates (if we maintain our benchmark of 38% or above from the 1950s) in an astounding thirteen sectors. There are only two other nations that dominate a single other sector: Germany and Japan, at one each. China has the second-most leading profit-shares (if we include Hong Kong), with the number one (but less than 38%) profit-share in five sectors (versus eighteen sectors for American capital). No other nation even begins to approach the expansive American presence across the summit of global capital. And American capital has actually *increased* its dominance in certain sectors since the 2008-2009 global financial crisis, from Financial Services to Computer Hardware & Software, from Heavy Machinery to Media. And of those sectors with aggregate American decline, again, once we disaggregate the aggregate, the continued strength of American capital is more striking than whatever relative decline there has been in certain sectors, such as Forestry, Metals & Mining and Telecommunications. The two sectors in which the rise of the 'Rest' has been most dramatic — Banking and Oil & Gas — American corporations, from JPMorgan Chase to ExxonMobil, remain at the pinnacle of global competition, and the rising state-owned enterprise behemoths from China and Russia do not directly challenge American capital as they largely

operate in separate spheres (especially in Banking, but increasingly less so in Oil & Gas as Chinese SOEs expand overseas).

Fourth, in regards to the nationality of capital when its operations are transnational, once we actually investigate the nationality of the locus of corporate control (whether in executive management or ownership), we can see that the national concentration of corporate power persists around the world except in certain small Western European nations such as Benelux and Switzerland. In virtually every other nation with powerful transnational corporations, their nationality remains obvious, and certainly with American TNCs. Even with the most transnationalized American corporations — such as Citigroup, ExxonMobil, and General Electric — their board of directors and ownership structures remain overwhelmingly American. In certain respects (such as nationality of the board of directors), this is even more the case for East Asian corporations, albeit American ownership of the top Japanese and South Korean corporations is greater than foreign ownership of the top American corporations. Hence, while power in the global political economy is not nationally contained, this does not at all mean that national power itself is obsolete in the age of globalization.

Following from this, once we investigate the investment patterns, especially the mergers and acquisitions and ownership structures of the world's top corporations, a striking image emerges: the Americanization of global corporate ownership. American investors own far more of global capital than any other nationality, and certainly more than foreign investors own American capital. This is an aspect of globalization that is rarely commented upon. Indeed, it is commonly

assumed that global corporate ownership, including of the top American corporations, is widely nationally dispersed.<sup>78</sup> While it is true that the ownership structures of many top European corporations are less nationally concentrated than Asian or North American corporations, what is striking is that the largest national owner of the top European corporations is often American. And American investors are also large owners of other corporations based around the world. Therefore, financial liberalization and globalization have developed to such an extent that irrespective of whether American citizens actually control a particular corporation, it is American investors more than any other foreign nationality that increasingly lay claim on its profit-stream. And insofar as corporate governance standards around the world continue to converge towards prioritizing 'shareholder value' — coupled with the broader commitment towards upholding a liberal international economic order — then opportunities for the accumulation and ownership of the American investor class will likely only increase.

In effect, what Thorstein Veblen identified as 'absentee ownership' (1923) in the early twentieth-century as a new form of capitalist power that developed in the American corporation, the United States is increasingly extending across the globe. Clearly, national accounts do not account for this. The American share of world millionaires is more than two-fifths, and this is not obvious from inspecting American national accounts, from the American share of world GDP collapsing by roughly one half over the course of the post-war period, soaring national debt and

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<sup>78</sup> This assumption of nationally diffused ownership is often the case even if the author nevertheless believes that the nationality of capital still matters, such as Jones 2006.



persistent balance of payments deficits, and so on, not to mention accounting for less than 5% of the world's population. Rather, the disproportionate share of American wealth must be understood in the context of American ownership not only of American corporations (which continue to dominate across the most advanced sectors) with operations both at home and abroad, but also of foreign corporations — and ownership of the latter is expanding.

Of course, when capital accounts are liberalized around the world and more and more corporations rely on direct financing (including even state-owned enterprises), it is not *only* American investors that profit, even if they are the nationality that profits the most. Rather, capitalists from around the world profit from their integration into global capitalism, and we have seen in Chapter Five that there are thousands of millionaires and billionaires dispersed around the world. Indeed, this is perhaps paradoxically one of the core strengths of American hegemony — precisely that it is more or less liberal and accepts (sometimes even nurtures) foreign competition. This is a qualitatively unique development in the history of power in world order. The United States has established a global system that confers potent incentives for the world's elites to integrate into the American-centered world order (in addition to dispensing disincentives should any attempt to challenge this order arise). National elites may quibble over the terms of their integration, and will certainly attempt to carve out as big a piece of the global pie as they can, but, generally speaking, global capitalists see it more in their interests to board the luxury American cruise liner than to rock it, insofar as passage is open to all. This world order based on international elite consensus, on the structural

alignment of capitalist class interest in maintaining global capitalism, deeply ensconced in a matrix of inter-linkages — establishes a much stronger and durable system of power than one merely reliant on coercion or the temporary alignment of interests (such as between the US and Soviet Union during World War II). This is hegemony in the Gramscian sense, never before achieved on the scale of world order.<sup>79</sup>

Fifth, in regards to the rise of China, following from the fourth point, the question is not so much will Chinese elites have the capacity to challenge American hegemony sometime this century (which is still an important question), but more *apropos* — why would they want to? The Chinese elite in the late 1970s and 1980s made a conscious decision to integrate with global capitalism (albeit on their own terms as much as they could), and over three decades later they have been more successful than they could have possibly imagined. The Chinese political economy is now the second largest in the world, the second largest importer, and the world's largest exporter and manufacturer, knocking the United States from its number one position that it has held since the 1890s. No one could have imagined during Chairman Mao's 'Great Proletarian Cultural Revolution' that less than half a century later China would have the fourth most billionaires in the world. And given China's spectacular rise, especially in national accounts, it is unsurprising that many think China will take over the world, if it has not already done so (Jacques 2009, Subramanian 2011). But this places too much autonomous agency on the Chinese

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<sup>79</sup> See Lacher and Germann 2012 for the argument that Britain was never hegemonic in the Gramscian sense that the United States has been in the post-war period.

elite, for what national accounts mask is the nature of their subordinate integration into global capitalism. China has become the premier workshop of the world and export platform for the world's top transnational corporations, but it is the latter that maintain control over their transnational modular production networks, and thus profit by far the most. This is not to deny that hundreds of millions of Chinese have seen their living standards improve as a result of the Chinese export- and investment-driven growth model, including thousands that have become some of the wealthiest in the world.<sup>80</sup>

Nevertheless, despite their success in the current order, *some* Chinese elites express a desire to become more independent of or decouple from the American-centered world order, so the question of China's capacity to do so must be taken seriously. At the very least (irrespective of however many trade or currency agreements China enters with other nation-states — see Parisot 2013), Chinese capital would have to develop the technological, innovative, and marketing capacity to challenge Western and/or American TNCs in at least some sectors at the technological frontier. We have seen the difficulties faced by South Korean and Taiwanese capital, which had a several decades-long head start on Chinese capital and arose in a global political economy that was more accommodative of national protection and promotion of indigenous capital through state industrial policy. By contrast, with a number of notable exceptions that are monopolized by its SOEs, China has opened its markets to foreign capital (especially in the context of its WTO

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<sup>80</sup> Hundreds of millions of Chinese, however, have not seen their living standards improve, and with Mao's 'iron rice bowl' no more, for many it is arguably worse. The rise of China has been on the backs of more than 200 million rural migrants that form an urban underclass due to the *hukou* system, as we saw in Chapter Six.

admission in 2001) across a slew of sectors much earlier than did Japan or South Korea at a similar stage of development, before indigenous capital could sufficiently compete abroad. Indeed, in a number of key sectors, such as automobiles, there is already much more intense foreign competition within the Chinese market today than there is in the Japanese and South Korean markets. The Japanese market in particular is still one of the most protected in the world, even if it is less protected than in the twentieth century.

Moreover, technology and production themselves have advanced to an extent that renders it much more challenging than before to catch up to the world leaders. During the 1960s, when South Korea planned to develop an internationally competitive auto sector, in the age of analogue technologies there was more or less a clear blueprint that they could follow, by developing industrial firms in steel, glass, rubber tires, infrastructure, and so on. But in the age of today's digital technologies, with the advancement of information technology and the modularization of production, a globally competitive auto sector must advance across a wider expanse of sectors, from software to semiconductors, from design and marketing to advanced robotics, not to mention aerodynamics and materials science — as Timothy Sturgeon (2002) asked, where should an industrial policy start? This has been one of the key problems for the Chinese auto sector. After more than two decades of strong state protection, promotion, enforced technology transfers and joint ventures with the top foreign TNCs — coupled with now the largest domestic market in the world — the combined market-share of all Chinese auto firms in their own market is less than a quarter. This is a remarkable failing of Chinese industrial

policy, especially compared to the rise of Japan and South Korea decades before. More broadly, if there is one country in the world for which it is inappropriate to gauge its economic power from national accounts, then it is China: its status as the world's manufacturing and exporting powerhouse does not at all mean that Chinese corporations are the world's most globally competitive — far from it, as we have seen. In short, American national accounts *underestimate* American economic power, while Chinese national accounts *overestimate* Chinese economic power.

And there has been no serious challenge to American financial dominance for more than a century. Wall Street, though it sparked the 2008-2009 global financial crisis (as it did the 1930s Great Depression), has come out even stronger, with its profit-share expanding from 47% in 2007 to 66% in 2013. Nevertheless, many analysts, as they did with Japan in the 1980s, point to China's mountain of US Treasury Bills (T-Bills) as evidence of China's grip on the future of the United States, with the supposed capacity to bankrupt the US if it chose to do so. Others argue that all foreign holders of American debt could dump their dollars and T-Bills if the United States does not 'get its house in order' (in response to whatever political or economic crisis of the moment). This is a deep misunderstanding of the unique and unprecedented nature and role of American power in global finance, as discussed by Hudson (1972), Panitch and Konings (2009), Panitch and Gindin (2012), and others in Chapter One. Simply put, foreign investors do not purchase T-Bills for an attractive rate of return. Rather, US government debt is the world's safe haven asset because the American state alone has both the structural capacity and willingness to be guarantor of global capitalism and the liberal international economic order.

There can be no global capitalism if the world's major powers retreat into autochthonous zones of accumulation, nor if there is world socialist revolution — and there is no other world power with the structural capacity to mitigate whatever threats arise to the stability of world order. That American capitalists benefit the most from this world order is generally speaking a small price to pay for the capitalists of the world to unite under American hegemony: all for one and one for all?

This brings us to other aspects of American power that have so far received little attention in this study due to its narrow focus on the political economy of national power: the American military and legitimating ideology. Since the global collapse and repudiation of state communism in the late 1980s and early 1990s, the most serious threats against private property and of national expropriation have diminished, but they have not been eliminated (contrary to the opinion of many globalization theorists in the 1990s). In fact, in the first decade of the twenty-first century, numerous state-owned enterprises in especially the BRICs have become far more globally prominent than ever before. And even if many SOEs are partially listed on stock exchanges and open to foreign investment, they still represent a challenge to liberal capitalism, particularly the corporate governance doctrine of prioritizing 'shareholder value'. The behemoth SOEs of especially China and Russia are essentially instruments of state power, and their priority is the fulfillment of national state goals, which, needless to say, do not always align with prioritizing an above average rate of return for shareholders. Furthermore, national expropriations (especially of natural resources) have made a comeback in Latin America in the

early twenty-first century, and anti-capitalist forces in the latter region have arguably never been stronger, especially in Venezuela.

Moreover, geopolitics, religious and ethnic conflicts, and territorial aggrandizement are far from banished to the dustbin of history despite the age of globalization, as Russia's annexation of Crimea in 2014 amply reveals (not to mention the US-led invasions of Afghanistan and Iraq post-9/11). In regards to China, by the second decade of the twenty-first century, territorial disputes have escalated to such an extent in East Asia that a number of countries have invited closer ties with the American military, from Australia to the Philippines; even Vietnam has invited the US Navy back to its ports despite millions of Indochinese being slaughtered two generations before to expel the American military from its shores. A significant factor in the renewed tension between China and many of its neighbors (especially with Japan), despite deeper regional linkages than ever before in the post-war period, is the nature of China's (and Japan's) national identity-construction, based on ethnocentric exclusivity. This is in deep contrast to the more or less liberal internationalist legitimating ideology and national identity-construction of the United States, and a primary factor why subordinate powers will likely continue to prefer to integrate with American hegemony rather than a China-centered alternative. After a two century-long hiatus, it is unlikely the nations of Northeast and Southeast Asia will wish to return to the aegis of the Middle Kingdom anytime soon. Again, it is the comparative openness of American hegemony that renders it a unique power in the history of world order.

None of these conflicts are to suggest that World War III is nigh; they are merely to point out that history is still very much in progress, and capitalists of the world will likely continue to depend on a world concentration of power to prevent the forces of the Far Right or Far Left from gaining too much traction and threatening the stability and openness required for capital accumulation. The American military and security apparatus (including the Central Intelligence Agency and National Security Agency) remain unchallenged in their global reach.<sup>81</sup> While this is often not in the interests of the world's general population (nor of the biosphere), for the world's capitalists, its role in maintaining stability in world order is vital. This includes protection of the sea-lanes — without which global capitalism could not have expanded across the globe. Hence, by both design and default, there is no other security guarantor more powerful than the United States, and there is no sign of any serious challenge to this American role in the foreseeable future.<sup>82</sup> More broadly, it is this recognition of global capitalist class interest that is missing from so many contributions on the debate concerning the decline or persistence of American economic power in world order, obviously especially from those who eschew class analysis altogether. The United States has constructed a world order that provides powerful incentives for the capitalists of the world to unite under its hegemony. We cannot understand this without understanding class relations both within nations and between them, and how in the post-war period they have developed a matrix of inter-linkages centered upon the United States.

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<sup>81</sup> Note that the massive American military-industrial complex is also a prime factor behind the continued leadership of American capital at the technological frontier.

<sup>82</sup> In part due to the capacity derived from American debt being the world's safe haven asset — a mutually reinforcing circular logic.



For these reasons, a serious threat to American economic power would be tantamount to a serious threat to global capitalism; a collapse in American debt and monetary order would simultaneously signify the collapse of global capitalism. In the absence of any serious alternatives, the capitalists of the world will unite to the best of their considerable power to prevent such a collapse from happening. And their collective interest in maintaining world order, especially in the Western world, can certainly withstand whatever diplomatic row or crisis might arise from time to time, as we have seen again and again in the post-war period. Thus, a serious threat to this order would require a serious threat to the existence of liberal capitalism itself. A serious challenge to American economic power would require an overthrow of capitalist social relations within each domestic social formation, and especially in the United States itself. Hence, a matriced, multi-dimensional, and empirically grounded analysis of American economic power, as I have attempted to present in this study, is both sobering in its recognition that the American-centered world order and its matrix of inter-linkages have never been stronger nor more expansive in the world as they are in the twenty-first century — and hopeful in its understanding of what it would require to transform this world order such that it would be truly all for one and one for all.

## Appendix A: Country Abbreviations Used in Tables

**Table A.1: Country Abbreviations Used in Tables**

Arg: Argentina	DK: Denmark	Kazakh: Kazakhstan	Pan: Panama	Swe: Sweden
Aus: Austria	Fin: Finland	Lux: Luxembourg	Pol: Poland	Swis: Switzerland
Bel: Belgium	Fr: France	Malay: Malaysia	Qat: Qatar	Tai: Taiwan
Berm: Bermuda	HK: Hong Kong	Mau: Mauritius	ROK: South Korea	Turk: Turkey
Br: Brazil	In: India	Mex: Mexico	Ru: Russia	UAE: United Arab Emirates
Can: Canada	Ire: Ireland	Ne: Netherlands	Saudi: Saudi Arabia	Unk: Unknown
Chi: China	Isr: Israel	Nor: Norway	Sing: Singapore	Ven: Venezuela
Colo: Colombia	It: Italy	NZ: New Zealand	S Afr: South Africa	VI: Virgin Islands
De: Germany	J: Japan	Oz: Australia	Spa: Spain	Zam: Zambia

## **Appendix B: Methodology Used for *Author's Calculations* in Figures and Tables**

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### **I. Figures 3.1-3.6: Shares of World GDP, Manufacturing, Exports, and Imports**

*Author's Calculations:* National shares of the world total (%) are not provided in these sources; hence I calculated them myself. For example, in Figure 3.1, to get the US share of world GDP in each year, I divided "US GDP" with "world GDP".

## **II. Figure 3.9-3.11b: Fortune 200**

*Author's Calculations:* For each year stated on the x-axis (1957, 1961, 1963, 1966, 1971, 1976, 1981, 1986, 1991, 1994, 1995, 2000, 2005, and 2010) of Figure 3.9, using the various volumes of *Fortune Magazine* (see Bibliography), I constructed an *Excel* spreadsheet with the following information: 1) Row 1 Headings: Nations; 2) Column 1: Firms (the top 200); 3) Row 2-201 & Column 2~: Sales in US\$ for each Firm organized by Nation; 4) Total Sum for each Nation; 5) Total Sum for all 200 Firms; 6) National Share of *Fortune 200* (#4 divided by #5). It is this last calculation (#6) that is presented for each year in Figure 3.9 (note that for “Western Europe” I added all national values in Western Europe, and for “The Rest” I subtracted Japan, US, and Western Europe from the Total Sum). The following is a truncated example of one (from the year 1976, with actual values) of the 14 *Excel* spreadsheets used to construct Figure 3.9:

1976	US	De	J	UK	Fr	<i>Etc.</i>
1. Exxon	44865					
2. General Motors	35725					
<b><i>Etc.</i></b>						
8. BP				17286		
<b><i>Etc.</i></b>						
18. Cie Francaise des Petroles					9146	
19. Nippon Steel			8797			
20. August Thyssen-Hutte		8765				
<b><i>Etc., for all 200 firms</i></b>						
National Total	559060	102116	75509	70803	66786	
Total Sales of <i>Fortune 200</i>	1049506	1049506	1049506	1049506	1049506	
National Sales-Share of <i>Fortune 200</i>	53.3%	9.7%	7.2%	6.7%	6.4%	

For Figure 3.10, I constructed another *Excel* spreadsheet for the year 2013 as per above, and manually counted the number of nations in each spreadsheet for each of the seven years (1957, 1966, 1976, 1986, 1995, 2005, 2013).

For Figures 3.11a & 3.11b, I used the same data as Figure 3.9, with the year 2013 added.

### **III. Figures 4.1-4.2: OECD R&D Spending and Patents**

*Author's Calculations:* National shares of the world total (%) are not provided in these sources; hence I calculated them myself by dividing each national share with the total sum.

### **IV. Figure 5.1: National Ownership**

*Author's Calculations:* Using the *Bloomberg Professional* database (see Bibliography), I made an *Excel* spreadsheet listing the top 4 national owners of each of the top 500 firms (by composite index) of the *Forbes Global 2000*. To construct Figure 5.1, I manually added the national shares of each of the 500 firms, and calculated the total average. The following is a truncated example of the *Excel* spreadsheet with actual values:

Firm	Nation	#1 Owner	#2 Owner	#3 Owner	#4 Owner
1. ICBC	China	China 97.2%	N/A	N/A	N/A
2. China Construction Bank	China	China 84.3%	HK 7.4%	Canada 4.8%	US 1.5%

3. JPMorgan Chase	US	US 82.7%	UK 5%	Can 2.4%	J 1.5%
<i>Etc.</i>					
6. HSBC Holdings	UK	US 43%	UK 28.8%	Nor 4.4%	De 3.7%
<i>Etc.</i>					
14. Volkswagen Group	De	De 74.9%	Qat 18%	Aus 2.5%	Nor 1.8%
<i>Etc.</i>					
17. Gazprom	Ru	Ru 63.4%	US 35.4%	Swe 0.3%	Swis 0.2%
<i>Etc.</i>					
21. Samsung Electronics	ROK	ROK 59.1%	US 23.3%	Unknown 6.4%	Lux 3.5%
<i>Etc., for all 500 firms</i>					
Total Average		US 46%	J 7.9%	Chi 5.9%	UK 5.8%

### **V. Figure 5.2: World Wealth**

*Author's Calculations:* National shares of the world total (%) are not provided in this source; hence I calculated them myself by dividing each national share with the total sum.

### **VI. Tables 3.1-3.3: Selected Firms and Sectors from the Fortune 200**

*Author's Calculations:* From the *Excel* spreadsheets constructed as per Section II: *Fortune 200* above.

### **VII. Table 4.1: Forbes Global 2000**

*Author's Calculations:* For each year, I manually recorded all 2,000 firms (10,000 firms in total) according to each sector classified by *Forbes* (27 sectors each for 2006, 2007, 2010, and 80 sectors each for 2012, 2013), using *Excel* spreadsheets (one spreadsheet per sector per year, for a total of 241 spreadsheets) — each spreadsheet with the same six types of data as per Section II: *Fortune 200* above

(except substituting sales with profit, and the top 200 firms with the number of firms in each sector). To construct Table 4.1, I then condensed the various sectors in the manner outlined in Table A.2 below, and recalculated the appropriate values (number of firms/nations, total profit, #1-#3 profit-shares, and notes on China) for each of the 25 sectors used in Table 4.1.

**Table A.2: Sectoral Condensation of *Forbes Global 2000* used in Chapter Four**

<b>Table 4.1 Sector</b>	<b>2006 Forbes Sectors</b>	<b>2012 Forbes Sectors</b>
<b>Aerospace &amp; Defense</b>	Aerospace & Defense	Aerospace & Defense
<b>Auto, Truck &amp; Motorcycle</b>	Consumer Durables (Only auto-related firms)	Auto & Truck Manufacturers; Auto & Truck Parts; Recreational Products (Motorcycles)
<b>Banking</b>	Banking	Major Banks; Regional Banks
<b>Business &amp; Personal Services</b>	Business Services & Supplies	Business & Personal Services; Containers & Packaging; Environmental & Waste; Rental & Leasing; Security Systems
<b>Casinos, Hotels &amp; Restaurants</b>	Hotels, Restaurants & Leisure	Casinos & Gaming; Hotels & Motels; Restaurants
<b>Chemicals</b>	Chemicals	Diversified Chemicals; Specialized Chemicals
<b>Computer Hardware &amp; Software</b>	Technology Hardware & Equipment (Only computer-related firms); Semiconductors; Software & Services	Computer Hardware; Computer Services; Computer Storage Devices; Semiconductors; Software & Programming
<b>Conglomerates</b>	Conglomerates	Conglomerates
<b>Construction</b>	Construction	Construction Materials; Construction Services
<b>Electronics</b>	Consumer Durables (Only non-auto-related firms); Technology Hardware & Equipment (Only non-computer-related firms)	Business Products & Supplies (Printers); Consumer Electronics; Household Appliances; Communications Equipment

<b>Financial Services</b>	Diversified Financials	Consumer Financial Services; Investment Services; Thrifts & Mortgage Finance
<b>Food, Beverages &amp; Tobacco</b>	Food, Drink & Tobacco	Beverages; Food Processing; Tobacco
<b>Forestry, Metals &amp; Mining</b>	Materials	Aluminum; Diversified Metals & Mining; Iron & Steel; Paper & Paper Products
<b>Healthcare Equipment &amp; Services</b>	Healthcare Equipment & Services	Healthcare Services; Managed Healthcare; Medical Equipment & Supplies; Precision Healthcare Equipment
<b>Heavy Machinery</b>	Capital Goods	Electrical Equipment; Heavy Equipment; Other Industrial Equipment
<b>Insurance</b>	Insurance	Diversified Insurance; Insurance Brokers; Life & Health Insurance; Property & Casual Insurance
<b>Media</b>	Media	Advertising; Broadcasting & Cable; Printing & Publishing
<b>Oil &amp; Gas</b>	Oil & Gas Operations	Oil & Gas Operations; Oil Services & Equipment
<b>Pharmaceuticals &amp; Personal Care</b>	Drugs & Biotechnology; Household & Personal Products (Only Personal Care-related firms)	Biotechs; Household- Personal Care; Pharmaceuticals
<b>Real Estate</b>	N/A	Real Estate
<b>Retail</b>	Food Markets; Household & Personal Products (Only Apparel & Footwear-related firms); Retailing	Apparel & Accessories; Apparel & Footwear; Computer & Electronics Retail; Department Stores; Discount Stores; Drug Retail; Food Retail; Furniture & Fixtures; Home Improvement Retail; Internet & Catalog Retail; Specialty Stores
<b>Telecommunications Services</b>	Telecommunications Services	Telecommunications Services
<b>Trading Companies</b>	Trading Companies	Trading Companies
<b>Transportation</b>	Transportation	Air Courier; Airline; Other Transportation; Railroads; Trucking
<b>Utilities</b>	Utilities	Diversified Utilities; Electric Utilities; Natural Gas Utilities



**VIII. Tables 4.2-4.4, 4.12: Selected Sectors from *Forbes Global 2000***

*Author's Calculations:* All gleaned from the *Excel* spreadsheets compiled as per Section VII: *Forbes Global 2000* above.

**IX. Tables 4.13-4.14, 5.1-5.4, 6.11-6.13: R&D Spending and Patents, M&As**

*Author's Calculations:* National shares of the total (%) are not provided in these sources; hence I calculated them myself by dividing each national share with the total sum.

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