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This blog post discusses the activities, outreach and role of the Qatar Investment Authority (QIA) that recently drew global attention by enabling the most expensive football player transfer in history. Besides the 222 Mio. € investment in Brazilian superstar Neymar, the QIA is very active as an investment fund around the world. The interesting and hardly studied aspect about the QIA is its status as wholly state-owned entity participating in global capitalism. CORPNET is able to track these activities on a global scale by looking at fine-grained ownership data. This investigation of cross-border state ownership networks goes beyond Sovereign Wealth Funds and can be extended to any state-owned entity around the world.

From Paris with love

The football world was shaken this summer, when the 25-year old Neymar da Silva Santos Júnior—known as *Neymar*—decided to leave his former club FC Barcelona to join Paris St. Germain (PSG) in France. The so-called “sheik-club”, since owned by the state-owned Qatar Investment Authority (QIA), paid a tremendous 222 Million Euros to Barcelona to get a single player out of his contract originally lasting until 2021. Although this raised concerns about staggering prices within the system of European football itself, less attention was payed to the origin of the landmark investment: Who is the Qatari Sovereign Wealth Fund (SWF) that was easily able to inject 222 Million Euros into the system? Going beyond the world of football, this indicates a highly controversial and contested issue of International Political Economy that CORPNET is exploring: the rise of state capital in the global economy. In this blog post, we sketch three questions that are central to understanding the QIA as an example of sovereign investment from a political economy perspective: first, what kind of actor is the QIA that invested billions of Euros in, amongst others, an European football club since 2012 with the recent developments just being the tip of the iceberg? Second, why does the QIA invest the way it does, or: what are possible motives for this kind of activity? Third, what role does the fund play in global capitalism? Within CORPNET, we are able to approach these questions with fine-grained ownership data.

SWFs in the Global Economy

Besides paying 200 million Euros to Barcelona, PSG provided Neymar with a contract that guarantees him a yearly gross salary of 90 million Euro[1]—which is the dimension of the highest paid CEO form the S&P 500 list (Thomas Rutledge from Charter Communications[2]). This indicates that global football has arrived in the realm of big business, although it did not so by chance: in the last decade or so, large-scale investors flooded the industry with large amounts of money, and in the case of Paris St. Germain even “state” money. Among the top 20 investors in European football, QIA thus takes a special role, since it is the only fully state-owned investment vehicle[3]. Besides football, the QIA is also invested in European banks and financial services, such as Barclays and Credit Suisse; in real estate (including the Empire State Building) and owns an abundance of assets in London, from the department store Harrods, the Shard, as well as Hsbc’s global headquarters. It also heads and founded the global media giant, Al Jazeera. So, what kind of actor is the Qatari Sovereign Wealth Fund (SWF) exactly and how does it operate on a global scale?

As a SWF, the QIA is a type of investment vehicle that gained quite some attention over the last years, as banks and hedge funds came under (financial and political pressure) during the global financial crisis. SWFs provided financial investments to a series to US firms trapped in liquidity problems during the crisis years and they are by now a non-negligible actor in global finance: SWFs held Assets under Management (AuM) of more than 7.300 billion $ in mid-2016, which by far exceeds Hedge Funds (less than 3.000 billion $ AuM in 2016). Although there is a variety of SWFs around the world, two minimum criteria are defining them: they are fully state-owned and have no real liabilities, which makes them a distinct investment fund type (Bortolotti, Fotak and Megginson 2015). Furthermore, SWFs differ along several lines like their (political) objective, their way of functioning, relation towards national sovereignty of their home states and the legitimacy role they play there. One of the main drivers of SWF creation in the last years was the search for a strategy to avoid the consequences of accumulating large sums of foreign exchange reserves through the sale of abundant natural resources, like in the Qatari or Norwegian case.

The lack of liabilities differentiates SWF from in some respects similar vehicles like pension funds and gives them more economic power: since they are not obliged to anyone but their owner (which is their home state), they enjoy the advantage of not being dependent on third parties. Consequently, SWFs are rather unique constructs in global finance; also because they enable nation states to participate in the global economy, i.e. making the state an actor in transnational capitalism. SWFs can thus be seen as an instrument of integrating states into the realm of global finance with different strategies.

The QIA: State money and Transnational Capitalism

> *Qatar's fund, however, is the champion of a much more active role of SWFs, making fewer, large, and visible investments both in equities and, even more, in iconic real-estate deals—and even playing the part of the dealmaker, as in the recent Glencore acquisition of Xstrata*

> *(Bortolotti, Fotak and Megginson 2015, 312)*

Compared to other, more "passive" SWFs (like the Norwegian one), the QIA seems to have a very proactive role in extending its business activities. This is not least rooted in the fund being closely tied to the Qatari political elite and economy: it was funded by the state in 2005, is controlled by Qatar's al-Thani ruling family and, according to its self-description, is "closely coordinated with the domestic fiscal and monetary authorities" (QIA 2017) with regard to crucial investments.

The fund's activism can be recognized in its global outreach:

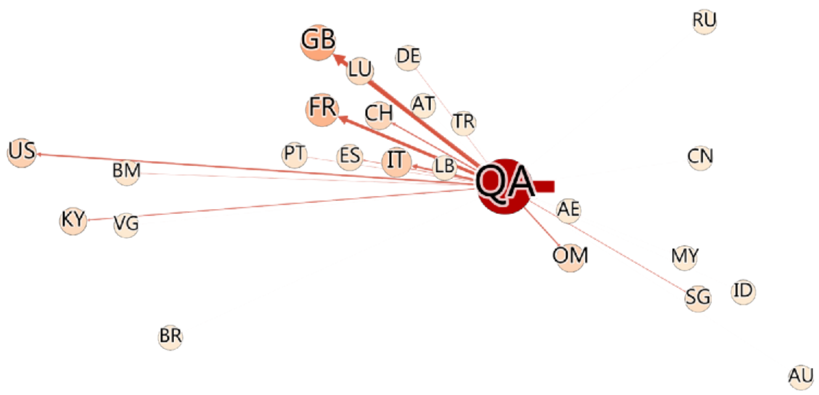

Fig. 1: Ownership ties of the QIA globally. Tie thickness represents the number of owned firms. Node size and color represents the weighted indegree.

Target country	Number of ownership ties
Qatar	38
UK	14
France	11
Italy	7
USA	6
Oman	5
Switzerland	5
Cayman Islands	4
Luxemburg	4
Singapore Spain	3

Table: Top 10 destinations of QIA investment

To cover the whole investment activity of the QIA, we also took into account the investment of its fully owned subsidiary Qatar Holding LLC (QH), which is responsible for such high-profile investment as in Volkswagen, the London Stock Exchange or Glencore. The resulting ownership structure is the combination of the QIA and the QH activities (and they are summarized as QIA investment).

The QIA invests around the world, whereby the top destinations of its activities are the core parts of Anglo-America—the US and UK—as well as core Europe (especially France, but also other countries like Germany, Switzerland, Spain and Italy). A weighting of the ownership ties is difficult, since we often don't have complete information on either the size of the ownership share in a corporation or the sum of revenues of the target companies. For those that we have information on, Volkswagen (Germany, 17% ownership stake), Shell (Netherlands, 0,4%) , Glencore (UK, 8,49%), Total (France, 4,8%), Siemens (Germany, 3,27%), Rosneft (Russia, 18,92%) and the Agricultural Bank of China (0,7%, China) are the most significant in terms of operating revenue. This shows that the QIA is not hesitant of high-profile investment in European and American multinationals and thus can be described as an activist, globally oriented SWF.

Looking at the Qatari state investment besides the QIA activities, we don't find relevant high-profile investments, but rather smaller acquisitions that aim for higher, majority, or full ownership. This strengthens the impression of the QIA as the hallmark of Qatari integration into transnational capitalism. The acquisition of PSG, the role in the Glencore and Xstrata merger, the strong focus on the UK and other European countries as investment targets and also the use of hubs of the global financial system like offshore financial centers (here the Cayman Islands) indicate that the QIA is eager to establish the Qatari state as an important actor in global finance.

Challenging the Washington Consensus?

For some observers, the growth of SWFs—and "State Capitalism" in general—appears to mark an ideological and practical reversal of neoliberal free-market practices. This development gets stylized as the rise of alleged representatives of the "Beijing consensus" (Ramo 2003) opposing the principles of Washington Consensus politics. Most often, these oppositions are illustrated with the differing role of the state in the economy: state ownership and state control of large strategical firms and sectors, the intertwining of state and corporate elites and the otherwise promotion of (multi)national champions is seen as contradicting the structural features of neoliberal globalization (see e.g. Bremmer 2010; Kurlantzick 2016).

However, by looking exemplary at the functioning and structure of the QIA as an instance of a state-owned investment vehicle, this opposition is rather questionable. We see that the QIA itself is very interested in integrating into networks of global finance and economy by investing in high-profile targets around the world. As other observers have suggested, the rise of sovereign investment in the world economy has thus to be understood better in terms of "a state-adaptive strategy under contemporary conditions of globalization and financialization" (Haberly 2011, 1833). We describe this development as the rise of the state as an (economic) actor in the global economy and understand it as a process closely tied to the rules and structures of transnational capitalism. This can also be recognized in phenomena such as the willful attraction of SWF investment as "patient capital" in core European countries (Thatcher and Landas 2016). All of this indicates that the outworn "states" versus "markets" discussion does not integrate phenomena such as transnationalization of state capital and that we need better concepts and empirical strategies to investigate this important shift comprehensively. As a recent study on Chinese state-owned oil multinationals has shown, SWFs are only one way of “statist” integration into the global economy (de Graaff and van Apeldoorn 2017). CORPNET also investigates the extent, to which these state-owned enterprises (SOEs) are transnationalizing (see Fig. 2).

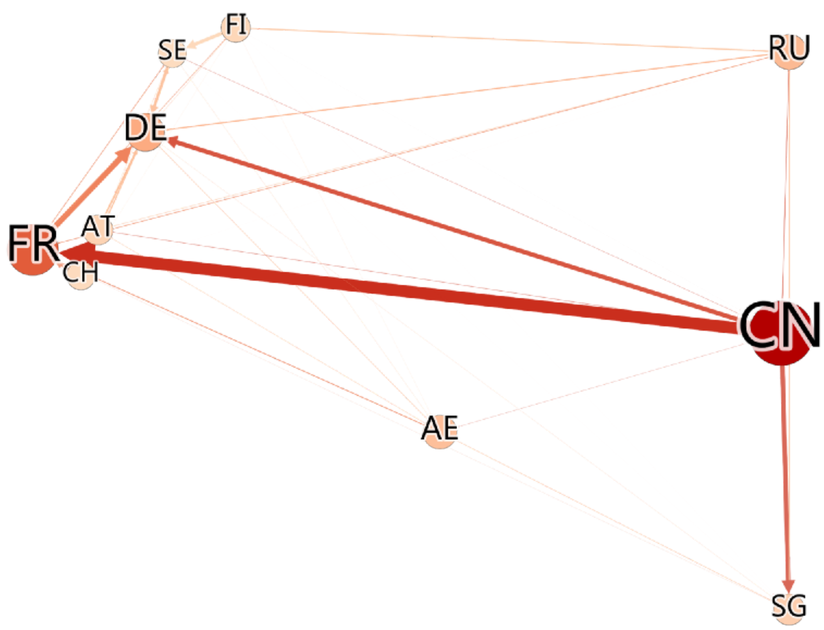

Fig. 2: Ownership ties between the ten largest states as transnational owners globally. Ties represent SOEs that are owned cross-border, are more than 50% state-owned and have a revenue of at least 1 Mio. US-$. The thickness of the ties represents the number of firms. The size and color of the node represent the weighted outdegree within the ***whole*** *network (i.e. not only the depicted top 10 nodes). Qatar is the 13th-largest owner in this list (not depicted).*

Taken together, global actors like the QIA are not only about to re-define national sovereignty and development models, but also global economic power relations. CORPNET is tracking these changes with fine-grained ownership data, not only taking into account SWFs, but all kinds of state investment. Within this field, the development of transnational state ownership (as in the case of the QIA) is especially important in order to understand changes in transnational capitalism.

Interested in learning more about the CORPNET group? Do feel free to contact us!

This blog post was written by Milan Babic, PhD candidate in the CORPNET group at the University of Amsterdam and Katie-Ann Wilson, MA student of International Political Economy at King's College London

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[1] See https://www.forbes.com/sites/christinasettimi/2017/08/03/neymar-set-to-eclipse-messi-and-ronaldo-and-become-the-worlds-highest-paid-soccer-player/#58139bd81912.

[2] See https://apnews.com/c9989f28f153457fb66f440222363a0c/Only-on-AP:-CEO-pay-climbed-faster-last-year,-up-8.5-percent.

[3] For a list of the top 20, see https://www.sponsors.de/top-20-investoren-europas-fussball.