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State transformations in the global political economy:

The rise of transnational state capital in the 21st century

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Introduction

1. Thinking about states, thinking about markets

States and markets are two separate aspects of social life - or are they? International Political Economy (IPE) and International Relations (IR) have a long history of emphasizing their distinctiveness, their similarities, or aspects which are intertwined, often at the same time (Gilpin, 1987; Helleiner, 1994; Katzenstein, 1978; Keohane & Nye, 1977; Milner, 1988; Palan et al., 1996; Schwartz, 2018; Stopford et al., 1991; Strange, 1988; Underhill, 2000; van Apeldoorn et al., 2012). At the beginning of the 21st century, this feature of modern-day international capitalism is not likely to go away, as new and ever more cross-border forms of interaction and interdependence add new facets to an already complex global social fabric. Increasing complexity, i.e. the emergence of qualitatively new phenomena out of the interplay of underlying entities, poses new challenges to the interactions of states, markets, and their effects on international politics. One crucial new phenomenon of the last two decades is the rise of what has often been dubbed “state capitalism”¹. The idea behind the concept suggests that the early 21st century saw the rise, at first slow and then accelerated since around 2008, of state-led economies and economic practices in the global system. States like China, Russia, or many (South-) East Asian and Gulf states performed well in macroeconomic terms and were soon perceived as new dynamic growth centers in the global economy. Some of those economies shared a similar state-permeated growth model (Nölke et al., 2015) or were in charge of large state-owned investment vehicles entering the global economy at the time (Clark et al., 2013). “State capitalism” soon became a buzzword, but also a convenient term for summarizing these trends. For students of IPE and IR, one question became central: if state capitalism is on the rise, what are its consequences for international politics? The early 21st century was still a very much unipolar period of world politics, centered around an ideal-typical liberal market democracy epitomized for many by the US. The rise of state-controlled, often authoritarian economic powerhouses posed a genuine ideational, and in some respects also material challenge to this unipolar imagination.

The empirically rigorous study of the consequences of the rise of state capitalism for international politics still represents a crucial gap in IR and IPE research. To fill it, some observers were quick to point out that this rise signals “the end of the free market” (and with it, liberal market democracies), in a

¹ Alternative terminologies are “political capitalism” (H. M. Schwartz, 2012), “state-led capitalism” (Lane, 2008), “state-led market economies” (Lambin, 2014), or “State Capitalism 3.0” (Nölke, 2014b).

coming “war between states and corporations” (Bremmer, 2010). Others were less emphatic, but still identified a “great trade-off” between national security and (sovereign) investment (Cohen, 2009) provoked by the rise of state capitalism. The “visible hand” of the state stood ready to interfere when the Global Financial Crisis (GFC) hit the Western liberal economies hardest (The Economist, 2012). The rise of state capitalism, it seemed, brought back the long-neglected question of state power that was about to recapture ground that had for a long time belonged to “the market” in international studies. In the battle of states versus markets, states appeared to have been boosted by the crisis of neoliberal globalization in general, and the Great Recession in particular. And even today, state capitalism remains part and parcel of discussions about the prospects of a Chinese hegemony or a new American protectionism. From this vantage point, the rise of state capitalism appears as yet another instance of the same old political economy tug of war between two entities - states and markets. For international politics, this tug of war implies a conflict between “state capitalism” on the one hand, and a variant of “liberal capitalism” on the other about the future configuration of world order.

Albeit producing thought-provoking analyses of the rise of state capitalism, the existing literature did not scrutinize this alleged rise in an empirical and systematized way. In this thesis, I provide such a systematic, data-driven analysis on a global scale. Through this analysis, I challenge the described “states versus markets” reading of the rise of state capitalism in the last two decades. I argue that an interpretation of state capitalism as a “comeback of the state”, representing a counter-movement to neoliberal globalization, is inaccurate. Instead, I propose to explain the rise of *state-owned capital* in the global economy as a direct consequence of the successes of neoliberal globalization. More concretely, it was neoliberal globalization that created the conditions under which state capital could first transform, and then finally leave the iron cage of the domestic economy in order to transnationalize and compete within the global political economy at the beginning of the 21st century. This alternative explanation creates clearer and empirically traceable consequences for international politics, as I show in the following chapters. Instead of a state-comeback *against* markets, we can observe a rise of states as owners *within* those global markets. This implies a crucial difference in understanding the consequences of the rise of state capital for international politics: it is not the geopolitical battle between rising state capitalists and the liberal West that shape international relations as a result, but rather the geoeconomic competition for relative gains in the global economy.

The following chapters constitute an attempt to substantiate these ideas conceptually and empirically. In order to lay out their coherence and working logic, the remainder of this introduction first discusses the research gap in the literature in order to locate the contribution of this thesis. Afterwards, I describe how each of the thesis chapters addresses one sub-question of the main research question. In doing so, I also explain the main concepts with which I work in this thesis and which return in each of the

different chapters. In a next step, I explain the main methodological choices that guide the empirical work in this thesis. After this, a summary of the main findings of this study follows, before I outline, in a last step, how the work accomplished in this thesis speaks to different literatures in IR and IPE and with regard to the rise of transnational state capital. The conclusion at the end of this thesis summarizes the study; discusses open research questions; presents a short note on policy suggestions; and contains a normative reflection of the implications of this study.

2. The research gap

During the last two decades, we witnessed two phases of increased public and scholarly attention regarding the rise of state capital(ism) and its effects on international politics. The first took place around the GFC and subsequent Great Recession, when both emerging market investment vehicles and large-scale bailouts and nationalizations in developed economies became relevant factors within international politics (van Apeldoorn et al., 2012). The second phase of attention began around the early phase of the Trump administration in 2017 and 2018, when the US-China trade wars as well as a heightened scrutiny of the EU towards Chinese investment gathered pace. During both waves, media coverage and academic literature on the topic proliferated. Both phases of attention hence indicate the relevance of the topic for a broader audience interested in international politics, as well as for academic research. As I argue here, this interest in the global political implications was not met with sufficient systematic and empirical research, but remained either speculative or on the level of domestic politics and firm-level research. The two gaps I identify and attempt to fill in this thesis, serve to build a basis for the study of the consequences of the rise of state capital(ism) for international politics.

To this end, I locate the different literatures speaking to the topic within three distinct fields: International Business and Finance (IBF), Comparative Capitalisms (CC), and International Political Economy (IPE). This distinction is explained in more detail in Chapter 3, and is also corroborated by similar approaches in the existing literature on the topic (Alami & Dixon, 2020a). The logic of this distinction follows the focus of the respective fields. IBF studies are concerned with the firm-level drivers and consequences of the rise of state capitalism, mostly in the form of state ownership of (multinational) firms (Cuervo-Cazurra et al., 2014). With regard to the rise of state capital and its effects on international politics, the IBF-literature scrutinizes different firm strategies of internationalization (Liang et al., 2015). The CC-literature is concerned with the role of the institutional setup and growth models of statist economies as analytical units (Nölke et al., 2019). Studies from the field analyze the institutional complementarities and domestic state-business relations that encourage and facilitate the rise of state capital in the global economy (Clifton et al., 2014; Nölke et al., 2015). Finally, the IPE-literature is concerned with the global political economy as the relevant analytical unit and studies the

rise of statist economies and practices within it (Haberly & Wójcik, 2017). The analytical focus here is on the effects of the rise of state capital, on questions of global power relations, global order, and systemic change (van Apeldoorn et al., 2012).

All three literatures provide important insights and building blocks for the conceptual and empirical work within this thesis (see also the discussion of this in Chapter 3). Furthermore, all three describe different important aspects of the internationalization of state capital on different levels. At the same time, there has been a shortcoming to lay out and synthesize, from these insights, the effects of this rise of state capital for international politics. I locate this research gap as being part of the IPE-literature, as it is the field which explicitly deals with the systemic ramifications of the rise of state capital.

The best-known discussions in this respect were early arguments relating to the rise of sovereign wealth funds (SWFs) during the Great Recession and their geopolitical significance. Some scholars regarded SWFs as posing at least a perceived threat to national security (Cohen, 2009), while others qualified the political relevance of these investment vehicles (Drezner, 2008) or dismissed outright their geopolitical significance (Kirshner, 2009). The discussion on the systemic implications of SWFs, as novel state-owned players in the global political economy, remained therefore locked into the dichotomy of whether they constitute a geopolitical threat or are merely profit-maximizing entities like other economic actors (Shih, 2009). A similar discussion pattern can be observed with regard to the role of state-owned enterprises (SOEs) as on the one hand serving state interests and on the other hand adhering to market imperatives - a dichotomy that is particularly often found when it comes to Chinese transnational SOEs (de Graaff, 2014; Gonzalez-Vicente, 2012; Meckling et al., 2015). Although there have been attempts to overcome this dichotomy, the IPE-perspective has been lacking a systematic, empirically saturated analysis of the global consequences of state capital internationalization. Work from other angles that would speak to this problem has also been inconclusive: some IBF-studies for example, find that SOEs behave in ways similar to their private counterparts when they engage in M&A-deals (Florio et al., 2018), while others found that in the case of cross-border M&As, majority-owned SOEs display political objectives that private firms do not (Clò et al., 2017).

The IPE-literature on the consequences of the rise of transnational state capital thus displays two gaps: first, it is inconclusive with regard to the question of whether state capital exhibits clearly more “political” traits compared to their private counterparts. Second, existing studies usually only take into account one specific form of state capital, for example in the form of SOEs, SWFs, or other investment vehicles such as state-owned development banks, which limits their explanatory power to this specific vehicle. This thesis speaks to and attempts to fill both gaps. As for the first gap, I concur with accounts like Jones & Zou (2017) which argue that in light of inconclusive evidence, both alternatives need to be

accommodated conceptually. This means in fact that state capital is exhibiting both a “commercial” and a “political” nature, which needs to be substantiated through relevant research. The following chapters, and especially Chapter 4, are an attempt to overcome this dichotomy and to integrate both logics into a geoeconomic reading of foreign state investment. The second gap is approached by setting up and analyzing a large-scale, firm-level, and comprehensive dataset on transnational state ownership that overcomes the narrow focus on one particular form of foreign state investment. This approach takes into account all the possible investment outreach by states as owners that ends in equity investment overseas, and hence creates the ownership ties that are the empirical basis for this study.

The two described research gaps are also related. Understanding the nature of foreign state investment in the international system requires a holistic account based on data that is as comprehensive as possible in order to explore its different dimensions. Taken together therefore, both gaps are important puzzle pieces needed in order to produce empirically saturated knowledge, and assess the effects of the rise of transnational state capital on international politics. The following research questions will substantiate and clarify the project of closing these gaps.

3. Research questions

The overall question this thesis seeks to explore is the following:

RQ: *What are the consequences of the rise of transnational state capital for international politics?*

In its breadth, the research question indicates that few studies on the subject have taken a comprehensive perspective on the rise of transnational state capital and its effects on international politics. This includes the fact that this study, for the first time, uses *all* types of foreign state-led equity investment as the basis for studying the rise of transnational state capital. Previous studies sought to isolate the effects of one specific investment form, like SWFs or SOEs, and very few studies have attempted to study state-led cross-border investment on the basis of extensive firm-level data. This thesis fills this crucial gap.

In order to designate the role of each of the chapters of this dissertation in answering the overall research question, each of them addresses a relevant sub-question.

SQ1: *What is (transnational) state capital?*² (Chapter 1)

Chapter 1 addresses this central question for the entire dissertation. This outlining is not only a matter of definition, as there are various competing interpretations of the concept(s) of state capitalism and state capital in the literature. As I demonstrate in this chapter, the “rise” of state capitalism can be understood in at least two major ways: either as the ideational and material rise of economies that embrace a state-permeated growth model (Nölke et al., 2015) or as the successful transnationalization of state-owned capital (Haberly & Wójcik, 2017). While both interpretations are related (state capital often originates from state-permeated economies), they differ considerably in their analytical focus. The growth model perspective takes the domestic economy as the relevant analytical unit, whereas the transnational capital perspective takes the global political economy as its reference point. The chapter first evaluates different measures for both alternatives. The results support the thesis that an actual “rise” only took place with regard to the transnational capital perspective. Based on this insight, I conceptualize transnational state capital as cross-border ownership ties and do not discriminate between different investment vehicles in order to cover as much ground as possible. This conceptualization allows me to measure transnational state capital as precisely and comprehensively as possible.

After this conceptualization, I locate the rise of transnational state capital historically within different waves of statist expansion since the 19th century. This allows me to add more substance to a technical concept and embed the phenomenon of transnational state capital into larger structural changes of the global political economy in the last century.

I describe these structures, which allowed transnational state capital to rise, subsequently. Neoliberal globalization, I propose, created a series of opportunity structures for transnational economic engagement which I summarize in the concept of the *transnational agency space*. This space enabled state capital to enter the global economy and compete with other economic actors for relative gains. This move into the transnational agency space also changed the working logic of the neoliberal competition state (Cerny, 1990, 1997; Genschel & Seelkopf, 2015; Jessop, 2002). I argue that the rise of state capital and the accompanying changing logics of sovereignty in the global political economy

² In this thesis, I use “transnational state capital” in principle synonymously with “cross-border/foreign state investment”. Both describe the same phenomenon, albeit with a different emphasis. The former is a rather *substantial* term - it describes the “thing” or relation which is transnational state capital - while the latter describes the *process* of investing state capital in another jurisdiction.

transformed the competition into a *competing state*. I outline the contours of this novel state form in the remainder of the chapter.

Taken together, chapter one develops central concepts and arguments for the rest of the thesis. It introduces the two key concepts of transnational agency space and a competing state, and provides a historically and empirically substantiated case for studying the rise of transnational state capital. The answer to sub-question one is thus that transnational state capital is the historically particular form in which states enter the global political economy as corporate owners. They are able to do so due to the transnational agency space created through neoliberal globalization. This development transforms the neoliberal competition state into a post-neoliberal competing state that vies for global investment opportunities and other economic goals.

SQ 2: How does the rise of transnational state-owned corporations affect the relations between states and corporations? (Chapter 2)

Once the rise of transnational state capital is described, the thesis moves on to the realm of international politics. Chapter 2 conceptualizes and empirically illustrates, how states and corporations interact with each other in a globalized world. The chapter serves to outline the power dimension of this interaction and to elevate corporations as juxtaposed actors in the international system. The chosen empirical example - transnational state-owned enterprises - sets the stage for the empirical work conducted in the second half of the dissertation. The other important function of the chapter is to outline the conceptual and empirical dimensions of the concept of the transnational agency space. This is done by describing the power relations in which states and corporations find themselves, in a transnational space, which serves as the non-geographical arena in which both can exercise these power strategies.

This chapter starts off with the observation that the study of international politics, be it within the discipline of International Relations (IR) or outside it, still struggles to integrate global corporations as serious power players in its analyses. The two presented paradigms - the "classical", mostly realist school and the transnational capitalism school - each emphasize the primacy of either states or corporations in the international system. Our conceptualization reconciles both positions in order to create a power-oriented framework for the study of international politics.

The result is a realistic, juxtaposed framework that puts the analytical focus on the actors and their relations in the international system. This represents an important departure from the literature on state capitalism that often focuses on statist economies and less on states and corporations as

juxtaposed actors. To locate and study the rise of transnational state capital in the international system, this actor-relations-focus is indispensable. As a direct consequence of this conceptual re-thinking, the chapter shifts the analytical focus away from a “classical” IPE-perspective of states and *markets*, towards a perspective emphasizing the relations between states and *corporations*. Instead of the abstract focus on global markets, the concrete empirical study of global power relations needs to take into account corporations as actors. The arena where these power relations are played out is the transnational agency space described in chapter one.

To illustrate this approach, the chapter outlines for the first time the global network of transnational state-owned enterprises and discusses some of the implications for international politics. Different from the following chapters, this empirical exercise is limited to majority-owned enterprises and hence based on a subsample of the data gathered for this project. Focusing on majority-owned firms, we explore some of the geopolitical and security-related implications from the analysis. I refine this focus in the subsequent chapters to incorporate further layers and more data in the study of the rise of transnational state capital.

While Chapter 1 developed the conceptual aspects pertaining to transnational state capital, Chapter 2 hence develops the complementary conceptual aspects of international politics. Taken together, both chapters lay the conceptual groundwork for studying the effects of the rise of transnational state capital for international politics. Thus, sub-question two is thus answered by describing and empirically illustrating the juxtaposition between states and corporations as actors in the international system. The rise of transnational state capital affects the relations between both, as we demonstrate by moving away from a realist, state-centered perspective, towards a more realistic conceptualization of state and corporate power. The new presence of (state-owned) global corporations urges us to rethink and nuance the primacy of the state in international politics.

SQ 3: *Which strategies do states apply when they rise as owners?* (Chapter 3)

After both central elements are described - transnational state capital and the realm of international politics – sub-question three addresses the agency-side of states as global investors. Importantly, this chapter also serves as an illustration of the other main concept from Chapter 1, namely the competing state. Chapter 3, for the first time, conceptually and empirically delineates the different strategies employed by the competing state. To explore this agency-side of states as global investors, we embed the rise of transnational state capital in the three relevant literatures on statist internationalization and argue for a conceptualization based on elements from all three. We conceptualize ownership ties as

the relevant unit of analysis; explain the differing strategic significance of differing ownership levels; and derive operating revenue as an appropriate measurement for weighting those ties.

The creation of the underlying cross-border state ownership dataset (also used in the following chapter), constitutes one of the main parts of work for this chapter. The novel methodological and technical work on this is more comprehensively described in section four, as well as in the appendices of Chapters 3 and 4. The result is the largest cross-border state ownership dataset of this type to date. Based on this data, we then conduct an empirical analysis into the different strategies that states employ as global owners. This yields a set of seven different strategic types on the continuum between controlling and financial strategies. We conceptualize different strategies theoretically and then empirically assign each investing state in our sample one of those strategies (see appendix). Further analysis classifies states as senders or targets of state capital and establishes the top global owners and targets, based on our sample. The subsequent closer discussion of some of the main results adds further substance to the delineated strategies and provides an additional qualitative perspective on the results.

The chapter shows how both opposing strategies of state capital transnationalization are present in the top ranking of states as owners (China and its control strategy as well as Norway and its financial strategy). The findings of this chapter illustrate how foreign state investment is a much broader and variegated phenomenon in the global political economy than limited studies (for example on the basis of only SWF or SOE data), would suggest. To answer the sub-question, the chapter delineates in total seven different strategies and allocates them empirically to each state in the sample. A discussion of some of the most relevant findings illustrates the usefulness of our approach for the study of foreign state investment. It also shows that the rise of transnational state capital takes places in various forms and hence how states apply different strategies to enter the transnational agency space. This constitutes the first empirically saturated description of the concept of the competing state.

SQ 4: *What are the consequences of different state capital investment strategies?* (Chapter 4)

Sub-question four addresses the other side of foreign state investment, namely its targets. By doing so, it finally ties together the analytical concepts of a transnational agency space (Chapter 2) and the competing state (Chapter 3) in order to analyze their interplay and its consequences for international politics. The sender-side thereby describes the competing state and its strategies, whereas the target-side constitutes an empirical analysis of one aspect of the transnational agency space.

The chapter first problematizes the “geopolitical” understanding underlying many analyses of foreign state investment. Based on arguments from complexity-oriented analyses in Political Economy

research, I suggest moving towards a geoeconomic framework for analysis in order to overcome the pitfalls of the geo-political perspective. This speaks to the conceptualization of the transnational agency space in Chapter 1: states do not primarily seek to enter other jurisdictions when they transnationalize their investment, but they rather move capital into the global political economy. Within this space, they compete with other forces for relative economic gains. The geoeconomic perspective substantiates this conceptual argument empirically. This step also constitutes a differentiation and nuancing of the perspective of Chapters 2 and 3: while those two chapters relied on state-to-state ownership ties in order to clarify the strategic side of foreign state investment, Chapter 4 problematizes this idea for the investment targets. Instead of other states, I conceptualize the targets of foreign state investment as geo-industrial clusters in the global economy. Based on state ownership and geographical data, I construct those clusters in which states as owners invest across the world. In order to qualify the intensity of competition within those clusters, I apply a set of different thresholds and measures. The result is a set of powerful states as owners (in total 20) and a set of high-value clusters as targets (in total 31) that form the core of the empirical analysis.

This analysis demonstrates where transnational state capital is highly concentrated in the global political economy. Those clusters are the global hotspots of state-led foreign investment, where states as owners could potentially clash over investment targets. I pick out the nine most competitive clusters in order to conduct a closer analysis of those hotspots. One of the main results of the analysis shows that “controlling” state investment strategies target mainly Europe - as opposed to Northern America and Eastern Asia, which are also high-value targets, but mostly for financial (i.e. portfolio) investment. This finding suggests that the intensity of competition is particularly high in Europe, as the “grip” of foreign states as owners is higher for controlling investment types. This is especially relevant in the light of the already developing politicization of foreign (state-led) investment in Europe and the protectionist steps taken by the European Union as part of this development (Espinoza, 2020).

Sub-question four is thus answered through a conceptual and an empirical analysis that explains the logic behind geoeconomic foreign state investment. The consequences of the different strategies employed by states as global owners are not geopolitical battles, but reflect rather geoeconomic competition within different geo-industrial clusters worldwide. The different strategies also lead to different effects on different geographical areas: while foreign state investment is also heavily present in Northern America, Eastern Asia, and Latin America, the politically sensitive controlling investment strategies of states are aimed at Europe in general. I describe the evolving geography of foreign state investment as the creation of *opportunity structures* for competition and conflict in the international system. This means that in some of the described hotspots we can already see conflicts developing in

the wake of the rise of foreign state investment, while others are still not very politicized. All of them, however, do represent potential sources of international conflict for the future.

4. Methodological considerations

Since this is a paper-based (cumulative) thesis, its methodological and research design aspects are described in detail in the respective chapters. As an overall guideline, the project has a descriptive aim: it seeks to describe and analyze the different strategies and consequences of the rise of transnational state capital. To this end I apply historical (Chapter 1), theoretical (Chapters 1 and 2), conceptual (Chapters 1, 2, 4) and empirical (Chapters 2 to 4) arguments throughout the thesis. Since all chapters represent independent paper projects, there are no clear distinctions between conceptual and empirical chapters, except for Chapter 1. Chapter 1 elaborates the key concepts of the thesis and sets the historical and disciplinary stage for the subsequent chapters, thus drawing less on original empirical work than the following three chapters.

The main empirical material employed in the thesis is quantitative, firm-level data from Bureau van Dijk's ORBIS database. The ORBIS data provides both ownership and financial information on the targets of state investment. As the ORBIS raw data is incomplete and the data quality varies for different aspects (for example for different firm size indicators), I did extensive cleaning and aggregating work that is documented in detail in the appendixes of Chapters 3 and 4. I built the largest dataset on cross-border ownership relations to date, initially containing over one million state ownership relations worldwide. The filtering for transnational relations gives us over 100.000 ties that serve as the basis for further analysis. After rigorous cleaning and the application of further thresholds, I use a sample of over 20.000 of the largest and most valuable cross-border ownership ties to conduct the analyses in Chapters 3 and 4. This creation of a novel dataset constitutes one of the key contributions offered by this thesis, but it also allows future research to build on both the available aggregated data and the methodological innovations involved in creating the dataset. In methodological hindsight, I develop a novel approach to measuring state investment in the global economy that is based on the idea of cross-border ownership ties, as similarly employed in landmark studies such as Vitali et al. (2011) and Garcia-Bernardo et al. (2017). To develop a calculated measure which can also be easily replicated by future studies, I introduce two elements. The first is to "slice" the ownership tie according to the level of ownership a state holds in a firm. For the empirical analysis, I mainly use the 10% (portfolio) and 50.01% (majority ownership) thresholds. The second element is to "weight" the ownership tie, by assigning a value to a certain ownership level, dependent on the value of the target firm. As is extensively discussed in Chapter 3, the most adequate firm value (or size) indicator is operating revenue. Taken together,

these methodological choices result in a prudent, easily replicable approach to measuring the rise of transnational state capital that is firmly embedded in the respective literatures.

On a further methodological note, I aggregate the state-owned senders of transnational state capital at the state level. This implies that the ownership ties I construct have the general form of originating in a state and targeting a firm (sometimes in another state, or in another region, or industry, depending on the chapter). This choice to aggregate the state-owned senders - be they SOEs, SWFs, or other vehicles - at the level of the nation-state is not self-evident. After all, different vehicles in different jurisdictions do not all have the same relationship to their respective owner-state. Being aware of the multiplicity of state-firm relations in different contexts, I chose to treat all state-owned vehicles as being ultimately owned by their respective state as owner. Besides following existing research on this issue (such as Carney, 2018), I provide two key reasons for this choice. First, all entities that are aggregated have an ownership-relation to their respective state as owner. This is true despite the varying degrees to which some states can and do actually exercise this type of control. In order to account for the varying degrees to which each of those state-firm relations is unique, I apply a set of theoretical considerations that lead to conceptual restraint in different parts of the thesis, such as the description of overall strategic *orientations* of states as owners, in Chapter 3. These and other measures are discussed in depth in Chapter 4, where I delineate different approaches to the question of state ownership and control. Second, I only ascribe corporate control to a state, if the investing company is majority-owned by its respective state. This means that stakes lower than 50.01% are not further followed after the first consecutive investment³. This ensures that the controlling aspect of state ownership through majority-investment is preserved. Following ownership chains until the end, even with low ownership percentages, would defeat the purpose of measuring state control and influence over its investment. Through this methodological choice, it becomes plausible to claim that the aggregation of ownership ties at the state level also actually captures state-controlled ties and not “dead ends” in long ownership chains.

The main empirical work in this thesis is built on these aggregated ownership ties. Chapter 2 uses a slightly different variant of those ties, since it only takes into account the majority-owned SOEs and not lower levels of investment (such as portfolio investment). However, the principle idea of ownership ties

³ This means that if state-owned company B is majority-owned by state A, the consecutive minority-investment from B into company C, is still counted as state ownership tie, but any further investments by C into a company D (and so on) are not. If the investment from B into C would be a majority-stake, then the C-D investment would be counted as state investment - until it reaches a non-majority stake and stops (see above). See Chapter 3 for a more detailed discussion.

stays the same. With this methodological approach, I ensure a coherent data-basis throughout the different paper projects constituting this thesis.

5. Main results and findings

Overall, the four chapters of this thesis describe the various conceptual and empirical implications of the rise of transnational state capital and illustrate some of the consequences for international politics. I want to highlight three conceptual results and three empirical findings that summarize the scope of the project in a comprehensive way.

The first conceptual result concerns the idea of a *transnational agency space* as laid out in Chapter 1. The concept was introduced to support the argument of the rise of state capital as a transnational phenomenon in its own right and to demarcate the analytical differences of this approach vis-à-vis the idea of a rise of statist economies. While different literatures from geography and sociology developed various ideas and concepts of different transnational spaces, IPE has so far mainly relied on relational aspects of globalization. This means that transnational interactions are mostly depicted as cross-border, inter-national interactions, which do not really require the idea of a transnational agency space. In this dissertation, I also employ different relational ideas about foreign state investment and state strategies, but embed these in the novel conceptual idea of a transnational agency space. This notion is critical to understanding how it became possible for states to use the opportunity structures of a globalized political economy as economic owners; and how this in turn creates reverberations for international politics.

The second conceptual result is the delineation and empirical substantiation of the state form of the *competing state*. The globalization literature of the 1990s and 2000s described the rise of the competition state as the political response of governments to the pressures of neoliberal globalization. From this perspective, nation states still played a crucial role within global capitalism, but only insofar as they were able to transform their economies and societies to adapt to the pressures of neoliberal globalization. The competition state was hence depicted as a rather passive, reactive actor that subjugated itself to this pressure. In this thesis, I take up this idea and develop it further to locate the rise of transnational state capital within globalization. The result is a reformulation of the competition state thesis into the competing state concept for the 21st century. States that employ a statist development model, and especially state-owned tools and vehicles that engage with the global economy, use the transnational agency space created by globalization, rather than being subjected to global pressures. The competing state is a much more active and acting entity than the competition state, as it actively transforms state ownership and state-led investment forms to compete on a global scale. This description is of course ideal-typical, as nation states can (and often are) both pressured and

also enabled to some extent, by the constraints and opportunities of globalization. The competing state concept is devised to describe a phenomenon that so far lacked a coherent description and elaboration in IPE and IR literature, although for quite some time, many emerging economies and other states had already been interacting in a more proactive way with globalized opportunity structures.

The third conceptual result concerns the critique of the geopolitical hypothesis and the elaboration of the *geoeconomic* aspects of foreign state investment. The wide-spread notion that state-owned vehicles are mainly used to further foreign policy goals has been already criticized, for example when SWFs became prominent global players during the Great Recession (Helleiner, 2009). However, this critique often only incorporated specific types of investment vehicles (like SWFs or SOEs) and did also not go a long way in scrutinizing an alternative to this geopolitical assumption. The work conducted in this thesis, on the *geoeconomic* dimension of foreign state investment, attempts to fill this gap by proposing a reading of state investment behavior that pays attention to both its sovereign as well as its economic logics. I conceptualize foreign state investment as driven by economic rationale - return on investment, acquisition of technology, recycling of surplus revenues, for example - but by states as owners and senders of this investment. This means that, different from other conceptualizations of *geoeconomics*, I do not regard foreign state investment necessarily as cross-border projection of state power abroad. Instead, powerful states employ their abilities, which can be based on large excess resources or the ownership of investment vehicles, to participate in and reap the benefits of global markets. *Geo-economic* competition is the indirect political consequence of the rise of the competing state in the transnational agency space created by globalization.

Regarding the empirical findings, the *first* concerns the core descriptive work of this thesis and its methodological derivation. This relates to the large amount of firm-and country-level data presented and discussed within the empirical chapters, but also the data made available in the appendixes and in online repositories (see Chapters 3 and 4). The provision of the total in- and outflows of state capital for each state, their different strategic orientations, the geographical and industrial data as well as the network data provided, represent information on which further research can build. At the same time, while this thesis project for the first time describes and analyzes all available global state ownership data, it also lays the groundwork for future engagement with the state's grip on global markets through carefully describing the steps and methods employed to create this large dataset. Although the data is just a snapshot of a specific point in time, and therefore needs to be updated at some time in the future, the thesis gives a clear and comprehensible method of creating state ownership ties from the underlying firm-level data. As described in section four of this introduction, the methodological innovations regarding cross-border state ownership ties can easily be replicated, modified, and applied

to different data and in different circumstances. This represents a key empirical and methodological contribution to the field.

The *second* empirical finding relates to the strategies that states employ in the global political economy when transnationalizing their investment. The literature on state strategies in the global political economy has usually been focused on state strategies that concerned the competition state - i.e. strategies of deregulation, investment attraction, or other means of increasing international competitiveness. This thesis outlines systematically and comprehensively the proactive strategies of the competing state (see Chapter 1). These are, as is described in Chapters 3 and 4, located between the two ideal types of controlling and financial logics of cross-border investment. By conceptualizing and applying this approach to the underlying data, I add even more empirical substance to ongoing discussions about the nature of foreign state investment. As discussed in Chapter 3, controlling strategies can be associated with a more assertive investment orientation by states, aimed at closely governing the invested firms abroad and eventually profiting from know-how or technology transfer (amongst others). Financial strategies, however, imply a motive to reap returns mainly on investment and are thus, by their nature, different to controlling strategies. By attributing these strategic orientations to different states (Chapter 3); and by outlining the consequences of these applied strategies (Chapter 4), I provide a set of empirical findings that further develop and refine the discussions about state strategies in international politics.

The *third* major empirical finding, is the geo-industrial analysis conducted in Chapter 4. By combining the largest dataset on foreign state investment with geodata by the UN, I provide a geographical analysis that goes beyond the inter-state analyses usually conducted in the literature. By focusing on state-to-state investment ties, existing analyses often tend to focus on one or several states as senders or as targets of foreign state investment. While these analyses have analytical value, they usually do not depict the systematic implications of this phenomenon. An often-analyzed case in this respect is China, as the main “statist” economy and sender of state capital in the world. However, as my analysis demonstrates, while China may be important, it is not the only source of foreign state investment. Embedding these activities in the broader network of foreign state investment, and analyzing the targets of state capital from a geo-industrial vantage point, allows me to give a fuller picture of state investment activity in the global economy. The concrete empirical findings, such as the centrality of Europe as a strategic investment target, and the role of particular industries as attractive destinations for state capital, flow from this approach (see Chapter 4). The state strategies delineated above find their targets in these geo-industrial clusters and complement the sender-analysis conducted in the first part of the thesis. To my knowledge, this is the first systematic and comprehensive analysis of state investment targets beyond the state level.

6. Contributions to the literature

The dissertation speaks to various literatures in IR and IPE. Each chapter contains a literature section, which embeds the respective chapter topic in the subject-specific literatures. On a general note, this dissertation can be understood as a contribution to a broader literature that aims to better understand state transformation(s) in the global political economy (Hameiri & Jones, 2016), the associated changing state strategies in this setting (Palan et al., 1996), and the consequences of these developments for international politics (Strange, 1991). The different parts of this dissertation thereby cover different aspects of this undertaking:

- The first chapter aims to situate one of the core state transformations of the last 20 years (Leibfried et al., 2015) in historical, methodological, and literature-wise hindsight. It develops a perspective to think beyond the competition-state discussion in times of rising global rivalries and the crisis of neoliberal globalization (Cerny, 1990, 1997, 2010; Fougner, 2006; Genschel & Seelkopf, 2015; Hirsch, 1995; Jessop, 2002). Issues of state transformation have recently been put back on the research agenda of IR and IPE (Helleiner, 2015). As Hameiri and Jones (2016) have argued, new powers are rising in the international system through an uneven process of transforming statehood. Many of these powers (such as China or Russia) are pursuing strategies of decentralized and fragmented state capital transnationalization as “quasi-market actors” (ibid., 73), thus transforming state sovereignty and increasingly the international system. This dissertation fills some of the empirical gaps in this discussion, as the subsequent chapters demonstrate.

The type of state transformation described in Chapter 1 also speaks to a sub-field of state transformations, namely state internationalization (Picciotto, 1991; Zürn & Deitelhoff, 2015). Transforming sovereignty and territoriality through internationalization are critical issues for scholars of state internationalization (Clark et al., 2013). The considerations in this thesis describe a type of state internationalization which has been so far understudied, namely its rise as global corporate owner. By providing methodological guidelines on how to measure and analyze this rise, this dissertation contributes critical groundwork for a better understanding of non-traditional ways of state internationalization, and allows for further study through qualitative and quantitative work on the topic.

- The second chapter re-visits long-lasting discussions about corporate and state power in the international system and how we can not only think about their relations, but study them empirically (Eden, 1991; Fuchs & Lederer, 2007; Gilpin, 1976; May, 2015; Strange, 1991;

Vernon, 1974). This chapter aims to reconcile two estranged traditions in thinking about the role of corporate power in international politics - the realist and the transnational capitalism school - in order to describe a conceptual framework where both forces vie for gains in the international system. The empirical exploration of the case of transnational state-owned enterprises scrutinizes a critical case where both the logics of sovereignty and corporate power overlap and integrate. It picks up and continues fundamental work conducted on the changing “state-capital nexus” (van Apeldoorn et al., 2012), after the Great Recession. This chapter represents both a theoretical and a conceptual contribution to the study of state and corporate power in international politics and sets the stage for the following empirical exploration of transnational state capital.

- The third chapter presents crucial new insights for the literature on state strategies in a globalizing world (Ikenberry, 1986; Palan et al., 1996; Schwartz, 2012; Smith, 1993; Stopford et al., 1991). By setting up and analyzing the largest dataset on transnational state investment, we are able to distinguish between a range of different strategies, which states as owners employ in the global political economy. Beyond conceptual considerations and case studies, we propose a quantitative way of measuring state transnationalization strategies and their interdependence in the global network of transnational state capital. This chapter shows how states use different strategies and suggests ways of understanding both, the strategies as well as their possible effects on international politics through a data-driven approach. The study illustrates how different states can use different strategies to hedge themselves against the risks, but at the same time exploit the benefits of a globalized economy. Within this transnational agency space, the accumulation of assets and a steady return on investment are the new instruments of state power and redefined sovereignty (Clark et al., 2013). Scholars have long argued that the main rationale of sovereign investment is a sort of “autonomy maximization” (Hatton & Pistor, 2012) of domestic elites in order to shield themselves against economic or social turmoil, enabling them to survive in the shadow of great powers - or to use this autonomy for geopolitical goals (Braunstein, 2018). This chapter adds another set of strategic considerations based on a comprehensive, up-to-date global analysis of all types of foreign state investment in the global political economy.
- The fourth chapter contributes to the literature on state-market relations and the weighting of their respective logics of sovereignty and accumulation, in and beyond global finance (Helleiner, 1994; Helleiner & Lundblad, 2008; Strange, 1988; Underhill, 2000). The analysis

conducted in this chapter asks whether the cross-border outreach of states through state-owned means constitutes a geopolitical or a geoeconomic phenomenon. Both logics emphasize a different aspect of the “state-market condominium” (Underhill, 2000) constituting the global political economy. While the former suggests that foreign state investment is subject to the underlying political motivations of the owning state, the latter assumes that this type of investment is driven by the desire of states to receive returns on investment or other strategic goals (for example the acquisition of technological know-how). In this chapter I argue for the latter, the geoeconomic alternative, by analyzing and describing the geoeconomic competition states as owners engage in within geo-industrial clusters around the world. These clusters represent existing and potential areas of state conflict, where the different interests of states as owners could clash. This delineation of the international political dimension of foreign state investment attempts to integrate insights from complexity studies (Bauerle Danzman et al., 2017; Oatley, 2011, 2017, 2019), which can also help to rethink the fragmentation and transnationalization of state power in the 21st century (Hameiri & Jones, 2016). The results of the empirical analysis show that Europe in particular is a strategic area for foreign state investment, as recent research has also demonstrated for other types of FDI (Reurink & Garcia-Bernardo, 2020).

Taken together, this thesis sets out to explore and analyze the rise of transnational state capital, its effects on state transformation, and its consequences for international politics. By combining novel methodological, empirical, and conceptual insights, I contour the landscape of foreign state investment from an IPE and IR perspective. The results of this study are to be found in the different chapters constituting this project. The common theme of all the chapters is the effect of the analyzed issue for international politics. While this is a broad research question, it also leaves enough room to describe the totality of state investment in the global political economy. Thus, the contribution of this thesis lies not so much in answering a sub-field-specific research question, but tackling the description and exploration of a phenomenon that plays a central role for current distributional and political conflicts in the global political economy. The conclusion at the end of this thesis takes up some of these issues and proposes further research venues.