State transformations in the global political economy:
The rise of transnational state capital in the 21st century
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Chapter 4: Foreign state investment and international politics: mapping the geoeconomic consequences of the rise of transnational state capital

Abstract

What are the consequences of the rise of foreign state-led investment for international politics? Existing studies employ a “geopolitical” perspective, where cross-border state investment creates state-to-state ties driven by political motivations of the investing state. I challenge this reading by analyzing the systemic consequences of this rise. Drawing on arguments from complexity studies, I argue that foreign state investment creates system-level patterns that are being overlooked from a geopolitical perspective. Those patterns have consequences for international relations: similar investment behavior puts states into clusters which carry the potential of geoeconomic competition and conflict. I analyze the effects of this, for the first time, using the largest dataset on foreign state investment. This approach differs from existing studies by focusing on the consequences of foreign state investment rather than on the (hardly testable) investment motivations of states. Empirically, I show how foreign state investment is highly concentrated within Europe, Northern America and Eastern Asia, and among a few powerful states as owners. It is especially European geo-industrial clusters that form the hotspots of such competitive dynamics. In sum, I contribute conceptually and empirically to a better understanding of the increasing presence of states as owners in the global economy, and its consequences for international politics. Conceptually, the chapter ties together the concepts of a competing state (employed in Chapter 3) and a transnational agency space (employed in Chapter 2) into an analysis of the agency and structure side of foreign state investment.
1. Foreign state investment and international politics

In early 2020, the Norwegian Sovereign Wealth Fund (SWF) announced a record return on its global investments of an astonishing 20% for 2019. At that moment, it held more than $ 1.1 bn. in assets under management and owned about 1.5% of all globally listed stocks (CNBC, 2020). But Norway is not the only state owning and steering massive amounts of capital in the global economy. The largest outwards FDI transaction ever coming out of China - a $ 40 billion takeover of Swiss Syngenta in 2017 - has been conducted by Chinese state-owned ChemChina, as has the largest FDI transaction into India by Russian state-owned Rosneft in the same year (taking over Essar Oil). A large number of SWFs from the Middle East and many other powerful transnational state-owned enterprises (SOEs) from South-Eastern Asia and Europe bring into clearer focus the fact that states have risen as major owners and investors in the global economy. States are today more than ever involved in acquiring foreign firms, setting up state-owned subsidiaries abroad, or portfolio investment in global financial markets. Beyond economic consequences, this development begs a crucial question for scholars of international relations: what are the possible consequences for international politics, if resource-rich states rise as large-scale owners and investors in the global political economy? Some observers argue that this brings back geopolitical questions: the Chinese state-led mega-project of a “Belt and Road Initiative” (BRI) (Ferdinand, 2016) or the state-owned Nord Stream 2 project strengthening Russia’s grip on the European gas supply (Goldthau, 2016) are often-cited examples of state capital internationalization with a geopolitical subtext. State investment appears here as the projection of state power abroad, especially from authoritarian regimes (Carney, 2018).

Quite apart from such prominent cases however, recent research demonstrates that transnational state capital is a much broader phenomenon than the focus on these attention-grabbing projects and their geopolitical aspects suggests (Haberly & Wójcik, 2017). Geopolitics play only a subordinate role when Sovereign Wealth Fund (SWF) investment from Saudi Arabia or Norway flows into the East Asian real estate and construction industry; or when foreign SOEs buy up large parts of British railways. These capital movements are not primarily geopolitical gambits, but rather strategies of states as owners to reap the financial rewards and various other benefits of a globalized economy. They can however also produce critical consequences for international politics: the case of British railways was soon politicized and portrayed as German, French, and Dutch SOEs competing to prey on a formerly state-owned sector in Britain (The Guardian, 2014). Similarly, the large-scale takeover of the agrochemical giant Syngenta by state-owned ChemChina has been discussed in the light of growing consolidation and harsher competition in the global seed business (OECD, 2018), provoking reactions ranging from the EU

These and many other cases exemplify the rise of foreign state investment as affecting international politics in ways that often fly under the radar of scholarly attention. While state capital is at times involved in the grand geopolitical projects of our time (like the BRI), its lionshare is located beyond these cases. The competition that states as owners engage in outside their own borders for return on investment, technological dominance, or industrial development is a key feature of contemporary international relations, because it reflects the ability of a handful resource-rich states to reap the benefits of a globalized economy. In this chapter, I argue that a systematic study of how and where states invest in the global economy uncovers important patterns and potential opportunity structures of competition and conflict between powerful states as owners. Even where we do not yet have anecdotal evidence, as we have for the cases mentioned above, these opportunity structures bring states as owners together in their search for investment opportunities, thus producing the possibility of competition and conflict. A prime task for International Political Economy (IPE) research is to characterize and uncover these opportunity structures, as this chapter seeks to do.

The race in which states engage for investment targets in the global economy I describe as geoeconomic competition, in order to distinguish it from the geopolitical alternative reading. A geopolitical perspective, here understood as cross-border projection of state power (Markowitz & Fariss, 2018), would presume that states employ equity investment as one of the tools at their disposal in order to realize national interests outside their own jurisdiction. As I demonstrate in the following, this reading is theoretically and empirically problematic, because it assumes states to be unitary, rational actors that operate in an environment of known risk. Instead, I propose to take into account the “polymorphic” (Alami & Dixon, 2020a) nature of state investment and understand it as taking place in an environment of uncertainty, where different states as owners are competing for economic goals on the basis of limited information. I distinguish these goals later on the basis of the different investment strategies that states engage in, ranging from pure financial interest to more controlling strategies. I hence do not understand geoeconomic competition to be a simple projection of state power through economic means. Rather I understand it as the employment of state power and state resources to reach cross-border economic goals, operating within an environment that states as economic actors are not able to fully decipher. Consequently, a potential “clash” of different states intending to realize their interests in this environment is a relevant phenomenon for scholars of international politics.

To illustrate the plausibility to these arguments, I conduct a study on the basis of the largest existing dataset on cross-border ownership ties. A major gap in the existing scholarship on foreign state
investment has been a major lack of adequate data, especially on the firm-level. Relevant studies thus often turned to either country-or vehicle (SOE or SWF)-specific data, case studies, or theoretical reflections based on anecdotal evidence. This chapter adds an essential aspect to this scholarly body, by employing state ownership data on a global scale and coverage. By combining this fine-grained firm-level data with geographical information from the UN geoscheme (UNSD, 2019), I construct a set of geo-industrial clusters that represent opportunity structures of geoeconomic competition. The analysis focuses on the most competitive and relevant clusters for an illustration of the evolving investment dynamics. This represents the first large-scale study of the consequences of foreign state investment for international politics.

The chapter delivers a specific set of conceptual and empirical contributions. Conceptually, I draw on arguments from a political economy of complex interdependence (Oatley, 2019) to develop a framework for analyzing state-led geoeconomic competition. This framework allows for a move beyond “variables-based” towards “pattern-based” (Oatley, 2017) research of state investment behavior that avoids the pitfalls of a geopolitical reading. I demonstrate how this conceptual innovation opens up the possibility of comprehensively studying the rise of states as global owners and its possible international political reverberations. Empirically, the chapter engages in a mapping of contemporary foreign state investment in geo-industrial clusters, in which different states as owners face potential competition and conflict for limited investment targets. As the analysis shows, it is a handful of powerful states and a handful of attractive investment targets that form the vast majority of this phenomenon. The conducted study represents an important stepping stone for a better understanding of the phenomenon of state-led geoeconomic competition and allows future research to build on the framework established in this chapter. Taken together, both contributions shed light on a hitherto under-researched, but pivotal phenomenon of the contemporary global political economy, which signifies a major transformation of state power through geoeconomic competition.

On a conceptual note, the phenomenon of geoeconomic competition brings together the two key concepts as laid out in Chapter 1 of this thesis. Geoeconomic competition is, in this regard, one central effect of the rise of the competing state for international politics. The chapter also engages in empirically substantiating the notion of a transnational agency space, by describing the geo-industrial clusters into which the competing state invests capital. Both concepts, taken together, illuminate the working logic of geoeconomic competition, namely its origins (the rise of the competing state) and destinations (the transnational agency space).

In the following, I first discuss the analytical problems of the prevalent geopolitical view on foreign state investment and how a geoeconomic competition perspective, building on arguments from complexity-
research in IPE, can provide a workable alternative. After re-conceptualizing foreign state investment on that basis, I apply the delineated geoeconomic framework to the largest existing dataset on cross-border state ownership. Finally, I discuss the results in the light of recent developments in the global political economy and conclude by proposing avenues for further research, that can build on the descriptive study conducted in this chapter.

2. The geoeconomic dimension of foreign state investment

2.1 Rising foreign state investment and its (problematic) geopolitical framing

The rise of different forms of foreign state investment in the last two decades has often been framed in what I call a geopolitical reading of this type of investment. Early studies that were interested in the effect of foreign state investment on international politics asked different versions of a simple question: is foreign state investment inherently a (geo)political instrument, employed to project economic or political power abroad - or is it “just” an economic phenomenon, not very different from its private counterparts? This somewhat stylized discussion gained traction with the appearance of SWFs on the global scene during the Global Financial Crisis (Helleiner, 2009; Kirshner, 2009; for an opposing view see Cohen, 2009), and extended soon to other state instruments such as SOEs (Sultan Balbuena, 2016; Meckling et al., 2015; Jones & Zou, 2017). This discussion remains alive and well in international politics as a globally increasing number of SOEs (Kwiatkowski & Augustynowicz, 2015), a continuing rise of assets under management by SWFs (Katsomitros, 2019), and a heightened political scrutiny towards foreign state investment (Brunsden & Peel, 2019), exemplify.

For a decade, the standoff between proponents and opponents of the geopolitical hypothesis has remained locked firmly in place (Alami & Dixon, 2020b). This has been partly due to the fact that each foreign state investment transaction is unique in its own way, regarding for example the regime type of the investing state, the specific investment vehicle chosen for the deal, the political and economic motivations of sender and target, the regulatory framework of the target jurisdictions, and many more. This complicates a straightforward answer to the raised geopolitical question. At the same time, the conceptual and empirical tools used to frame and address the question have not been seriously developed in the last years, even though the ongoing nature of the discussion among scholars and practitioners indicates that the question of how foreign state investment impacts international politics is a crucial one. My proposal is to move beyond the stalled geopolitical discussions and towards a more nuanced, empirically saturated analysis.

To this end, I develop in this section a complexity-centered framework that provides a sound basis for thinking about the ramifications of foreign state investment on international politics. I argue that these
ramifications should be studied as *patterns resulting out of state behavior under limited rationality* rather than as the manifestation of perfectly rational preference maximization by states as owners. By studying the patterns states create as owners in the global political economy, we gain a systematic picture of state behavior beyond trying to understand hardly identifiable intentions and motivations of sovereign investors and investment agencies. I frame the resulting patterns of foreign state investment as *geoeconomic competition* rather than as a geopolitical game for relative gains: states as owners do not aim to target other states, but regions, industries, sectors, or firms for economic gains. The empirical results indicate that this investment outreach is concentrated within specific clusters worldwide, in which different states as owners compete for relative gains. The focus on other states as targets in Chapters 2 and 3 serve as an analytical simplification to illustrate the strategies and position of different states as senders and as targets of state investment. The following analysis differentiates and nuances these analytical choices in order to further scrutinize the behavior of states as owners in the global political economy.

To illustrate the benefits of this geoeconomic perspective, I contrast it with the aforementioned geopolitical reading of foreign state investment. This reading makes two main assumptions: first, the investing state should be treated as intentional, rational, and unitary actor in the global political economy. Cross-border investment is thus the attempt of states to realize their economic or political goals outside their own jurisdiction. Second, this “outside”, i.e. the global political economy dimension of foreign state investment, is a space populated by other states. Hence, state investment is a dyadic game: all investment going out of a state “lands” in another state and binds them together in a dyad. Both assumptions, I argue, lead to a conceptualization of foreign state investment as being geopolitical: a state employs economic means to penetrate the economy of another state in order to realize its specific interest. Geopolitics becomes the main driving force and consequence of foreign state investment.
Although the delineation of the geopolitical position is quite ideal-typical, core elements of the described position can be found in existing research, for example when studies understand SOEs as extended arms of their respective governments (for example Bass & Chakrabarty, 2014) or characterize SWFs as geopolitical tools (Braunstein, 2018). In a similar manner, a large part of the public discussion revolves around geopolitical questions that are bolstered by such a reading. The intellectual roots of both assumptions are to be found in the Open Economy Politics (OEP) paradigm that has been the dominant mainstream approach within International Political Economy (IPE) since the late 1980s (Lake, 2009). The state-as-unitary-actor assumption can be derived from OEP’s “bottom-up” approach in determining a state’s stance on specific international policy issues:

Figure 1: Illustration of the geopolitical perspective. Each node is a state as owner, each tie represents total investment into another state. Node size approximates total investment by a state, tie thickness approximates amount of the respective investment into a state.
“Analysis within OEP proceeds from the most micro- to the most macro-level in a linear and orderly fashion, reflecting an implicit uni-directional conception of politics as flowing up from individuals to interstate bargaining.”

(Lake, 2009, 225)

After the diverging interests of different societal groups and forces are determined and brought together in domestic institutions, governments translate this into a foreign policy stance and bargain with other states for outcomes on the specific topic. States are thereby “[r]ational maximizers in [an] environment of known risk” (Oatley, 2019, 4), which undergirds the geopolitical reading of states as unitary, rational actors.

The second assumption of the geopolitical position follows from the first. If states are such rational maximizers, analytically, the global political economy is to be treated as a finite number of inter-state relations. Bargaining can lead to the institutionalization of these relations, in which case international institutions also populate this international space. The international political economy is hence a mechanical, decomposable system (ibid.): the different inter-state relations can be analytically separated and analyzed. The geopolitical reading follows this logic by assuming that foreign state investment creates ties between states. Consequences for international politics arise out of these direct ties: if state A reaches into state B via state-led investment, it is this direct relation that is potentially politically relevant. The international dimension of the phenomenon therefore consists of the sum of those relations which can be mechanically decomposed and analyzed.

As suggested below, important systemic dynamics of foreign state investment are being largely excluded from this angle. I argue that a geoeconomic perspective, drawing on a political economy of complexity, can shed light on these overlooked issues and provide an empirically viable way to think about the reverberations of foreign state investment for international politics.

2.2 A complexity-centered alternative: state-led geoeconomic competition

Complexity-centered perspectives have a recent history of proposing alternative accounts to those and a host of other aspects of OEP (see for example Oatley, 2011; Bauerle Danzman et al., 2017; Drezner & McNamara, 2013; Oatley, 2017; Walter, 2016). I will not repeat those general criticisms here, but limit myself to the two discussed assumptions of the geopolitical reading. This discussion forms the basis for the subsequently described, alternative geoeconomic perspective.
The state-as-unitary-actor assumption is, from a complexity-perspective, an unrealistic reduction of the convoluted reality of foreign state investment. Foreign state investment is usually dispersed among different entities such as SOEs, SWFs and others, which increases the likelihood of principal-agent conflicts (Zhang, 2016); poses varying degrees of difficulty for different vehicles to enter a foreign jurisdiction26; or makes it hard to centralize control over foreign state investment if being dispersed among different vehicles. All of these points fundamentally challenge the idea that foreign state investment can simply be conceptualized as the fully intentional creation of direct investment ties from one state into others. Rather, multiple entities and stakeholders influence the realization of these ties in the name of a state as owner. What we thus dub foreign “state” investment is de facto shaped by a variety of forces, often even within the same state entity (see for example Jones & Zou, 2017; Ma & Peverelli, 2019). So, while we can still speak of states as global owners, a complexity-centered account qualifies this in terms of how rational and unitary a state’s actions can actually be in the global political economy.

Likewise, a complexity-approach offers a different understanding of the nature of the global political economy dimension of foreign state investment. Inter-state bargaining or institutionalization is almost absent when it comes to foreign state investment27. And so, instead of being part of a mechanical and decomposable inter-national space, foreign state investment is integrated into different cross-border economic networks; plays a part in portfolio investment and global finance; or is used for purposes of different types of FDI-investment (Haberly & Wójcik, 2017). The straightforward assumption of the geopolitical reading, where foreign state investment is an inter-state phenomenon, is hard to sustain here. Rather, complexity-accounts stress that the systems or networks that make up the global political economy - financial ecologies, trade networks, cross-border regulatory infrastructures, etc. - are the relevant structures influencing the behavior of the involved agents. Those systems are also multi-dimensional and cross-border phenomena and not restricted to the international space that OEP puts forward (Crasnic et al., 2017). As an example, internationalizing SOEs are often not owned by the central, but by local governments (Li et al., 2018). The ties those state-owned entities establish with transnational targets create cross-border economic interdependencies that often unlink state power from its immediate territoriality (Newman & Posner, 2011). Importantly, those targets are not always

26 In general, it can be assumed that the investment behavior of a SWF that typically invests in smaller stakes of publicly listed companies has less entry problems in foreign jurisdictions than a SOE that sets up a whole subsidiary under the control of a foreign state in this jurisdiction.

27 The IMF-initiated Santiago Principles that concern best practice in SWF investment (IWG, 2008) or the inclusion of SOEs in International Investment Agreements (IAAs) (Mendenhall, 2016) are some of the rare instances of institutionalization. However, those cover only a fragment of the total global volume of state-led foreign investment.
other states, but firms, industries, sectors or regions. The takeover of Syngenta by ChemChina, for example, is not an attempt by the Chinese state to establish a presence in Switzerland, but to benefit from the technological know-how of the target firm that happens to be located in Switzerland.

Complexity-centered approaches thus understand the global political economy as a system consisting of a variety of relationships between actors crossing various levels, from the local to the transnational (Oatley, 2019, 5). Those relationships are often networks or network-like structures that are created and reinforced by the behavior of the involved actors. States, as economic owners, do not have the capacity to oversee and fully control the plethora of these different relationships, let alone fully realize and maintain all of the investment ties they seek to establish. More realistically, they act as intentional, but limited actors in an environment of fundamental uncertainty and constant change (ibid., 8). Table 1 summarizes this comparison between the geopolitical and the geoeconomic, complexity-centered approach.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Conceptualization of State (Sender)</th>
<th>Conceptualization of Targets</th>
<th>Status of Global Political Economy</th>
<th>Nature of international competition/conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geopolitical (OEP)</td>
<td>Unitary: State decides and acts rationally as global owner</td>
<td>Other states</td>
<td>International: Space of dyadic inter-state relations</td>
<td>Direct: States vs. states</td>
</tr>
<tr>
<td>Geoeconomic (complexity)</td>
<td>Ultimate but limited owner: State is not perfectly capable to decipher environment and act fully rational</td>
<td>Industries, sectors, companies or regions</td>
<td>Transnational: Multiple network structures as part of complex system</td>
<td>Indirect: States as owners compete for same targets</td>
</tr>
</tbody>
</table>

Table 1: Comparing the geopolitical and geoeconomic approaches to transnational state investment.

2.3 Re-conceptualizing the consequences of foreign state investment

Based on this complexity-centered critique of a geopolitical reading, I conceptualize foreign state investment as follows. First, the investing state is conceptualized as the sum of state-owned entities investing in other firms outside their own borders and hence creating ownership ties to these targets - regardless of the type of investment vehicle. While SWFs, for example, create lower ownership stakes in foreign companies, internationalizing SOEs tend to acquire or set up whole or majority-owned
companies outside a state’s borders. In both cases, an ownership tie is created. This means that measuring foreign state investment through ownership ties is a viable way of quantitatively studying the phenomenon at hand (Haberly & Wójcik, 2017; for ownership ties in general see Garcia-Bernardo et al., 2017; Vitali et al., 2011).

Aggregating these ownership ties at the national level gives us an idea of the overall outward strategic orientation of a state as an owner - i.e. where a state invests outside its borders and whether it does so predominantly through portfolio or majority-investment (Babić et al., 2020) (Chapter 3). I do not assume that these strategies are the frictionless realization of a fully capable, centrally planned state strategy to invest its capital cross-border. Rather, I follow the complexity-argument made above, that states as owners are rational, but limited actors in an environment that is not fully decipherable. By aggregating the ties created by different state-owned entities at the national level and assigning a strategic orientation to the investing state, I integrate the multidimensionality of state investment into a workable strategic orientation of the respective state. This goes beyond the simplicity of the geopolitical reading, where states are monolithic actors, while at the same time it provides a meaningful conceptualization of the state as a global owner. Recent research supports this conceptualization of pulling together different outward state investment types at the state level in order to explain its international political ramifications (Carney, 2018).

Second, the global political economy dimension is conceptualized not as consisting of other states, but of concrete investment targets. State entities, i.e. firms or investment funds, invest in concrete firms, not primarily in other states. This has crucial implications for the global political economy dimension of foreign state investment: instead of state-to-state ties, state investment creates different cross-border and multilevel ties across the world. This reflects the argument, described above, of an environment that is hard to decipher for the involved actors, but in which state capital is being maneuvered. At the same time, it makes the conceptualization more realistic by paying attention to the actual targets of state investment, which are not states but firms.

This conceptualization of the global political economy dimension also allows for empirically assessing the consequences of foreign state investment for international politics. If states as owners are investing in the global economy, they create investment ties all over the world. As discussed, these ties should not be understood as the realized intention of a unitary acting, fully rational, interest maximizing actor in global politics; but rather as the patterns different state entities create by engaging with the global economy. These patterns can give us an idea where state investment is concentrated, which states are successful in this respect, and also where these investment interests might potentially clash. Recall the example of the German, French, and Dutch states’ investment in British railways: each of the three
engagements are the result of different SOEs pushing to expand into the lucrative British railway market. After the establishment of these ties, the political discussion focused on the fact that three foreign states compete within Britain for relative gains, and that the British state itself should re-invest in its own capacities to run important infrastructures. I classify this type of phenomena under the concept of geoeconomic competition, which puts foreign state investment into a broader, and empirically more precise framework.

The following empirical analysis aims to uncover similar instances of such geoeconomic competition. To this end, I focus on geo-industrial clusters as the targets of foreign state investment. They represent the “arenas”, in which different states invest and potentially compete for economic gain. While each investment tie is unique in its connection between a state-owned entity and a target firm, it is also embedded in specific sectors and industries within specific geographical regions. In order to detect global patterns of foreign state investment behavior, these ties need to be meaningfully aggregated. A pattern-based approach, as advocated for here, takes a middle ground between the abstract targeting of other states and the isolated targeting of companies. The first would bring the analysis back to an OEP-based inter-state approach; whereas the second would undermine the notion of geoeconomic competition: it is very unlikely that two or more states would be systematically invested in exactly the same firms. It is therefore reasonable to operationalize the targets of state investment as geo-industrial clusters. The targets would thus be located in specific industries that are themselves located in specific geographical regions. If states invest in those geo-industrial clusters, they produce patterns that indicate a shared interest in similar targets - all be it for different underlying reasons. Within those clusters, geoeconomic competition can be measured accordingly. This refined conceptualization represents a conceptual advancement from Chapters 2 and 3 that helps us in further investigating the targets of foreign state investment with higher empirical precision.
Figure 2: Illustration of the geoeconomic perspective. Each node is a state as owner, each tie represents total investment into a cluster. Node size approximates total investment by a state, tie thickness approximates amount of the respective investment in this cluster.
I do not claim that all of these clusters reflect *existing* conflicts or competition between states as owners. What I am proposing is that they reflect patterns of state behavior that represent *opportunity structures* for such competition and conflict. In order for these clashes to happen, other conditions within these clusters need to be fulfilled: for example, the possible investment targets would need to be limited so that different investors are incentivized to compete for them. Another condition could be that the targets are of strategic importance, for example technology clusters that are sensitive for national security and global competitiveness of industries. While this chapter does not claim to trace those cases, it lays the groundwork for such further analyses that would study these clusters and their composition per case. In the following empirical analysis, I carve out these opportunity structures as precisely as possible by, among others, choosing different thresholds for firm and size of industry. This focuses the analysis on the largest and most valuable firms as global investment targets. Likewise, I focus on sectors that are large and relevant enough from a global economic and security perspective, like manufacturing, energy production and distribution, and others. In the discussion of the empirical results, I refer to some of the actually existing dynamic of geoeconomic competition that are reflected in the outcomes of the following analysis. Taken together, the following empirical analysis describes the structural framework of the geoeconomic competition in which states engage; and in which states as owners, and clusters as targets, are the main sites of this competition.

### 3. Data and methodological considerations

In order to uncover the main sites of this described geoeconomic competition, I employ the largest existing dataset on state ownership constructed from raw data from the comprehensive Bureau van Dijk’s ORBIS database. This dataset consists of a snapshot of initially over one million ownership relations from December 2017, in which states or state entities appear as owners. Since I am interested in the cases of foreign state investment, I reduce the dataset to those that represent transnational cases. I apply a threshold of at least $10 m. in operating revenues of the owned firm in order to filter out the main relevant targets of foreign state investment and to increase data quality. I use the operating revenue of the target firm as a firm size indicator and weigh the ownership tie by assigning to each tie a specific value\(^\text{28}\). The resulting 21,389 ties represent the sample used for this study.

Using ownership ties, instead of data on investment by specific vehicles as many studies do, has the advantage of larger coverage. By employing fine-grained, firm-level ownership data, we are able to

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\(^{28}\) For an explanation of the other data cleaning steps and methodological considerations for weighting the ownership ties, see appendix.
cover all types of ownership ties states create and that are not restricted to vehicle or industry-specific data.

In the following, I distinguish between different ownership levels the ties represent. Following Babić et al. (2020) (Chapter 3), I conceptualize portfolio investment under 10% of a firm’s ownership stakes as not amounting to corporate control. Stakes that cross the 50.01% (majority ownership) threshold, I conceptualize as controlling stakes. This differentiation is relevant for the following analysis, where the competitiveness of a cluster is dependent on the ratio between both forms of investment. If states as owners employ an outwards investment strategy that is predominantly oriented towards controlling the invested firm, I understand this as, on average, reflecting a strategic interest of this investment. Portfolio investment on the other hand reflects, on average, a financial interest in returns on investment. Aggregating the different ownership ties at the state level enables me to describe to which strategy, on average, a state as owner inclines. Competition for investment targets is therefore set to be higher in a cluster where the ratio of majority-to-portfolio stakes is higher than in another cluster, since the invested states display a higher degree of control, strategy and intent than with portfolio investment.

In order to delineate the geo-industrial clusters in the following, I use the M49 standard from the United Nations geoscheme (UNSD, 2019) to code the data for different geographical regions. This gives me 14 different regions29 which I analyze for foreign state capital inflows (see Table 2 in the next section). For the sector analysis, I use the industry classification ISO2-codes provided by the ORBIS database itself, which gives me 21 different sectors (Table 3 in the next section). By combining industrial and geographical information, I construct clusters that represent targets of foreign state investment. As an example, different states as owners such as China, Qatar, or France invest in firms that are located in Western Europe and belong to the manufacturing sector. These three states (and others) hence compete for similar targets in a limited geographical area. Whether or not the Western European manufacturing (or any other) cluster is a relevant opportunity structure for geoeconomic competition depends on a range of factors:

(a) The general investment capability and size of the invested states as owners.

(b) The overall relevance of the industry as a target of state investment.

29 Some regions were merged for practical reasons. See appendix for more information.
(c) The overall investment into this specific cluster and hence its relevance for foreign state investment.

(d) The comparability of investment stakes (i.e. if there is large or small inequality between the investors based on the size of their investment).

(e) The ratio of controlling and portfolio investment as an indicator of the degree to which states are invested strategically in the geo-industrial cluster.

In the following analysis, I control for these factors by applying different thresholds and measurements. Factor (a) is controlled for by focusing the analysis on the top 20 states as owners. Not all states possess the same ability to invest state capital around the world. Transnational state capital is in fact a highly concentrated phenomenon: the top 20 owners (which amounts to approximately 13% of the total number of cases) own more than 90% of its total global amount. The Gini-Index for the whole distribution is very high (0.91), whereas it shrinks considerably for only the top 20 states (0.49). This means that for the present analysis is not expedient to take into account all the states from the original sample (159): I would compare extremely large owners with states that display sometimes only one, small and often portfolio ownership tie. The analysis thus focuses on the most relevant and able states as owners in the global economy that possess the potential to compete geoeconomically on a perceivable scale. The top 20 global owners furthermore own at least more than 1% of total transnational state capital which I use as a cutoff-point for the subsequent analysis. I consider the states in the top 20 as owning comparable amounts of the total of foreign state capital (between 1.06% and 20.96%) and hence fulfilling the condition of being able to compete with each other in the global economy. The range of the top 20 state-as-owners is 19.9 percentage points, with China owning 20.96% and South Korea owning 1.06%, of total transnational state capital. The mean share of the top 20 is 4.6% and the standard deviation is 5.2 (interquartile range is 3.5).

Regarding (b), a similar logic applies to the destinations of state capital: some geographical areas are receiving such low levels of state investment (for example Central Asia or Northern Africa) that geoeconomic claims about these regions are hardly sustainable on the basis of the data. This does not imply that those regions are not relevant for geoeconomic or geopolitical analyses - in fact some of
them are extremely relevant in contemporary international politics - but that they are not crucial
geoeconomic competition grounds for transnational state investment. The focus of this chapter is the
geoeconomic aspects of transnational state capital rather than geoconomics or geopolitics as such. In
this sense, the analysis will focus on the most heavily invested and hence the most competitive spheres
of the global political economy.

Furthermore, the invested sectors also show a high degree of inequality: most transnational state
capital is invested in sectors like manufacturing, wholesale and retail trade, financial and insurance
activities or the energy sector in general. 98% of the total investment by the top 20 owners is in fact
concentrated in ten sectors. Sectors like education and human health are marginally present in this
regard. I therefore focus the analysis on those ten sectors which are by far the main targets of
transnationally invested state capital.

Regarding (c), I understand clusters as competitive in the following if they entail at least 10% of the
total investment in the relevant sector. This means that if a geo-industrial cluster (i.e. the combination
of geographical area and sector) receives less than 10% of the sector’s total investment (across all
geographical areas), I do not include it in the analysis. This focuses the analysis further and allows me
to carve out the core patterns on a global scale.

Factors (d) and (e) require different measures when estimating the likelihood of geoeconomic
competition in the respective clusters. For (d), I choose the Gini-coefficient of each cluster as a
measurement of the inequality between the invested states. While foreign state investment is in
general terms very unequally distributed, the differences between clusters can indicate whether a
cluster is relatively (un)equal compared to another. Of the 31 top clusters that I analyze in the following,
the lowest Gini score is 0.58, and the highest 0.88 (the mean is 0.75). I conceptualize a high Gini-
coefficient as being higher than the second tertile; whereas a low coefficient is lower than the first
tertile. This means that a coefficient of 0.64 or lower would be considered a rather low score for one of
the clusters, whereas a coefficient of more than 0.82 would be considered high.
Figure 3: The range and frequency of the Gini-coefficients of the top 31 clusters analyzed in this chapter.

The control-portfolio ratio serves as a proxy for the degree of control states as owners exhibit within this cluster. The lower this ratio, the more non-controlling foreign investment flows into the cluster, interested primarily in returns on investment. A higher ratio then proxies a situation in which several states are invested in target firms with a controlling/strategic interest, which increases the likelihood of this cluster being a potential ground for geoeconomic competition.

The following analysis applies these considerations to the underlying data in order to descriptively carve out the most relevant opportunity structures for geoeconomic competition. I first analyze and describe the aggregated data on the level of the geographical and sectoral concentration of foreign state investment. After this, I construct clusters of foreign state investment by combining the geographical and sectoral data. Within those geo-industrial clusters, I assess and discuss the degree of competition between invested states.

4. Analysis

Aggregating the total numbers of transnational state capital per geographical region as well as sector, we get the distributions displayed in Tables 2 and 3.
Table 2: Geographical distribution of total transnational state capital.

<table>
<thead>
<tr>
<th>Region</th>
<th>Inflow state capital (in USD)</th>
<th>Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>379 bn.</td>
<td>21.8</td>
</tr>
<tr>
<td>Northern America</td>
<td>284 bn.</td>
<td>16.3</td>
</tr>
<tr>
<td>Northern Europe</td>
<td>259 bn.</td>
<td>14.9</td>
</tr>
<tr>
<td>South-Eastern Asia</td>
<td>234 bn.</td>
<td>13.4</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>157 bn.</td>
<td>9</td>
</tr>
<tr>
<td>Eastern Asia</td>
<td>133 bn.</td>
<td>7.6</td>
</tr>
<tr>
<td>Australia &amp; NZ</td>
<td>111 bn.</td>
<td>6.4</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>62 bn.</td>
<td>3.6</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>36 bn.</td>
<td>2.1</td>
</tr>
<tr>
<td>Southern Asia</td>
<td>34 bn.</td>
<td>2</td>
</tr>
<tr>
<td>Western Asia</td>
<td>34 bn.</td>
<td>1.9</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>11 bn.</td>
<td>0.7</td>
</tr>
<tr>
<td>Northern Africa</td>
<td>4.6 bn.</td>
<td>0.3</td>
</tr>
<tr>
<td>Central Asia</td>
<td>2.4 bn.</td>
<td>0.1</td>
</tr>
<tr>
<td>Sector</td>
<td>Inflow state capital (in USD)</td>
<td>Percentage of total</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-----------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>414 bn.</td>
<td>23.9</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>375 bn.</td>
<td>21.6</td>
</tr>
<tr>
<td>Financial and Insurance Activities</td>
<td>233 bn.</td>
<td>13.4</td>
</tr>
<tr>
<td>Electricity and Gas</td>
<td>213 bn.</td>
<td>12.3</td>
</tr>
<tr>
<td>Transportation and Storage</td>
<td>132 bn.</td>
<td>7.6</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>148 bn.</td>
<td>6.6</td>
</tr>
<tr>
<td>Information and Communication</td>
<td>88 bn.</td>
<td>5.1</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Activities</td>
<td>63 bn.</td>
<td>3.6</td>
</tr>
<tr>
<td>Administrative and Support Service Activities</td>
<td>37 bn.</td>
<td>2.2</td>
</tr>
<tr>
<td>Construction</td>
<td>25 bn.</td>
<td>1.5</td>
</tr>
<tr>
<td>Accommodation and Food Service Activities</td>
<td>9.1 bn.</td>
<td>0.5</td>
</tr>
<tr>
<td>Real Estate Activities</td>
<td>8.8 bn.</td>
<td>0.5</td>
</tr>
<tr>
<td>Other Service Activities</td>
<td>5.6 bn.</td>
<td>0.3</td>
</tr>
<tr>
<td>Human Health and Social Work Activities</td>
<td>3.9 bn.</td>
<td>0.2</td>
</tr>
<tr>
<td>Agriculture, Forestry and</td>
<td>3.7 bn.</td>
<td>0.2</td>
</tr>
</tbody>
</table>
Table 3: Sectoral distribution of total transnational state capital.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount (bn)</th>
<th>Fraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fishing</td>
<td>2.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Water Supply</td>
<td>1.3</td>
<td>0.08</td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>0.26</td>
<td>0.02</td>
</tr>
<tr>
<td>Public Administration and Defence</td>
<td>0.08</td>
<td>0.005</td>
</tr>
<tr>
<td>Activities of Extraterritorial Organisations</td>
<td>0.01</td>
<td>0.0006</td>
</tr>
<tr>
<td>Activities of Households as Employers</td>
<td>0.003</td>
<td>0.0002</td>
</tr>
</tbody>
</table>

While Europe, taken together, receives almost half of all transnational state investment, Asia (in total) and Northern America are following with ca. 25%, respectively 16.3%. The remaining investment is scattered across the globe and, compared to the total amount, fairly low. This distribution of state capital inflows mirrors the general geographical distribution of FDI-flows with Europe, Asia and Northern America receiving the lion's share (UNCTAD, 2017, 10). This increases the convergent validity of the measurement of state capital applied in this chapter.

Figure 4 shows the investment flows of the 20 largest states as owners into the above-described regions.
Figure 4: Top 20 owners and their investment of transnational state capital in different regions. The left numbers are the total investment by each state, the right the total inflows in each region (in US Dollars). The node size reflects outflows (states) and inflows (regions). The color of the edges reflects the destination (region) of the investment.

While this overview already reveals some interesting overall patterns, the first analytical step consists in identifying the geo-industrial clusters by combining both, regional and sectoral data in Figure 5.
Figure 5: Concentration of transnational state capital in different geo-industrial clusters, in percent. The percentages are to be read row-wise. Darker color indicates higher percentage of absolute investment by the respective state in the respective cluster. Each cell represents one geo-industrial cluster.
The resulting pattern reveals the core competitive clusters that are part of the analysis. Naturally, the distribution here reflects the total investment by the top 20 states as owners (factor (a) from above) with Africa and parts of Asia being less invested and Europe and North America at the other end of high investment and competition.

As described above, I include the ten largest sectors (with at least 1% of global state investment) in the analysis (factor (b)). The third threshold (c) concerns the relevance of the clusters themselves: I include all clusters that contain at least 10% of the total transnational state investment into this specific sector. This brings the number of relevant clusters to 31 in total, which represent the hotspots of global foreign state investment. A whole list of those clusters can be found in the appendix.

For the following analysis, I will focus on the most competitive of these 31 clusters. In order to determine the levels of competition in each, I filter them by their Gini-coefficient (d) and their control-portfolio ratio (e). For the former, I include all clusters that have a maximum coefficient of 0.82, which marks the third tertile of the distribution of all 31 clusters (see Figure 3). Since the distribution is skewed to the right, the average competitiveness of all 31 clusters is not very high. Analyzing the first two tertiles allows for a focus on the more competitive among the 31 clusters. For the latter, I calculate all control-portfolio ratios and exclude those that are 1 or lower. By focusing on those ratios above 1, I exclude clusters where portfolio investment represents the majority of foreign state investment. As reasoned above, the higher the share of majority-investment in a cluster, the more strategic and the more invested states as corporate owners are in this specific cluster.

Taken together, the application of all those thresholds leaves us with twelve clusters in five geographical areas that meet the specifications. In the following, I analyze eight of those twelve clusters closer by examining their internal structure and relevant investment ties. This discussion is aimed at illustrating the approach, giving an overview of the hotspots of geo-economic competition, and delineating the firm-level dynamics of foreign state investment. I limit myself here to the most competitive of these clusters for illustration purposes.

4.1 Southern Europe

Southern Europe is the first heavily invested geographical area (9% of total foreign state investment), and shaped by investment from the Arab Emirates, France, Kuwait, Azerbaijan and Libya. In the case of

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30 For space reasons, I do not look at three clusters in Northern and Western Europe and one in Latin America that exhibit a relatively low degree of competition. The first three are located in areas with enough other illustrated clusters that give a substantive overview of the area. The latter case is largely dominated by an offshore construct by Russian state-owned Rosneft into the Virgin Islands and thus represents not a real case of geo-economic competition.
Azerbaijan there is only one (large) trading company subsidiary from its state-owned oil giant SOCAR in Malta, which reflects the fact that for a few years SOCAR has been the main factor of Maltese gas supply. Libya’s investment is also limited to majority-stakes by state-owned Tamoil in Italy and a few minority stakes by its SWF. Also focused on oil firms, but more extensively, are investments from Kuwait and the Arab Emirates. The former is focused mainly on Italy as well, while the latter embraces a clear control-strategy and fully owns industrial heavyweights like subsidiaries of Borealis AG or oil firm CEPSA. The French interest in Southern Europe is visible with more than 200 investments ties that are mostly invested in the neighboring Spain, Italy and in Portugal.

![Southern European Manufacturing Cluster](image)

**Figure 6: Southern European Manufacturing Cluster.**

In the Manufacturing cluster, the Arab Emirates dominate by owning more than 41% of the total investment in the cluster with the CEPSA and Borealis ownership being located here. The strong position of Kuwait stems from its oil-related majority stakes in Italian firms and Kuwait Petroleum, which is based since the 1980s in Italy. Chinese investment covers a large range of countries (Italy, Greece, Serbia, Spain) and firms, from Pirelli to Syngenta subsidiaries. The prevailing type of ownership in this cluster is majority or full ownership as all the mentioned examples and the ratio (28.9) show. This indicates a high strategic relevance for states invested in the manufacturing cluster.
The Gini-coefficient drops further for the Financial and Service Activities cluster, where the Azerbaijani SOCAR subsidiary is located. In fact, it is this single tie that brings the ratio to its current level. Contrary to the Chinese overall strategy, its investment ties here are often portfolio, which is also reflected in the overall lower ratio of majority and portfolio investment. The French investment entails some large stakes via its CNP insurance company in Italy (as part of a cooperation with UniCredit) and Spain. In sum, the various portfolio stakes that key investors hold in this cluster reflect the less strategic but more financial interest when investing in the financial cluster.

While the last relevant Southern European cluster displays high inequality, a remarkable point is the strong position of both, France and China. Here again Chinese investment is controlling and China owns
several subsidiaries of Portuguese EDP while, among others, France is engaged in Edison (Italy). Edison is a full subsidiary of French energy giant EDF and operates across Europe, the Middle East and Africa. China’s controlling stake in one of Europe’s largest electricity producers and leader in renewable energies can be described as strategic. This cluster hence presents a strong case of geoeconomic competition for the Southern European energy market.

4.2 Northern Europe

Northern Europe is mainly shaped by inflows into the UK and its associated jurisdictions like Guernsey and Jersey that attract over 80% of the total investment into the geographical area. A substantial part of this inflow is driven by the special role of the UK as an offshore financial center (Garcia-Bernardo et al. 2017), where this jurisdiction is used to establish corporate holdings that enjoy British legal and tax-related benefits. This, for example, is reflected in the heavy usage of the UK as a destination for ChemChina, PetroChina or SinoChem subsidiaries by the Chinese state or for the setup of a large EDF-subsidiary by the French state. However, we can also detect another type of investment flow that is more focused on “real” FDI in the Transportation cluster.

Figure 9: Northern European Transportation and Storage Cluster.

These ties are mainly established by German and French transportation firms, a large number of which are actual public transport companies. Germany, for example, holds a 50%-stake in the London Overground Rail Operations and fully owns the UK-wide train operating company XC Trains Limited. Further subsidiaries of Deutsche Bahn and its logistics branch Schenker AG are located all across Northern Europe, also beyond the UK (for example in Sweden). French state-owned La Poste owns
subsidiaries of DPD across the UK and other European states; as well as it owns London United Busways and other transport services in major UK cities through Transdev.

The prevalence of majority ownership in this cluster, the relatively low Gini-coefficient and the described strong interest of both the French and German state in acquiring transportation and logistics firms, make this cluster highly competitive. Extending the argument, it is also possible to take into account the Arab Emirates’ strong interest in British container terminals, ferry and port services (such as P&O Ferries) that are part of the state’s larger strategy to acquire and hold major transportation nodes and hubs of global supply chains. In sum, the cluster reveals important characteristics of geoeconomic competition through state-owned means in a vital sector.

4.3 Northern America

Northern America is a unique geographical target for transnational state capital. As argued in Babić et al. (2020) (Chapter 3), Anglo-America is one of the main hubs for state investment, especially by SWFs such as in the Norwegian case. The type of investment ties is consequently overwhelmingly portfolio as the core investment targets are American stock-listed firms. On the other hand, China’s investment in the area is driven by the usage of Bermuda as an offshore financial center. While a large part of these investment ties is secretive, there is anecdotal evidence on the usage of offshore havens like Bermuda (but also British Virgin Islands or Cayman) to restructure and route Chinese investment within global finance as well as to allow for indirect financial flows into mainland China (usually through one of the offshore islands and Hong Kong, see Lupton, 2016).

Besides this, the Norwegian SWF-strategy of investing in large, publicly listed American firms is also pursued by sovereign investors like Sweden’s AP pension funds or the South Korean pension fund. Some of the other large investors like Singapore or the Arab Emirates employ a mix of those strategies, investing in the American stock market as well as making use of the offshore hubs in the area.
Most of the clusters in the area follow this general pattern like Wholesale and Retail Trade or Information and Communication: they show medium levels of competition and a very low control-to-portfolio ratio. The Mining and Quarrying cluster deviates most strongly from this general pattern by having a higher control-to-portfolio ratio (2.03) and being dominated by a single investor (China). This domination is also expressed in the relatively high Gini-coefficient. Interestingly enough, these Chinese investment ties are mostly focused on one country (Canada) and are usually majority stakes. This reflects a strong interest of Chinese oil firms in their Canadian subsidiaries or Chinese-acquired Canadian firms like oil firm Nexen Inc. Canada, as one of the largest oil producers in the world, and represents a strategic goal for Chinese SOEs. This cluster could also be a future site of geostrategic clashes between the US, that receives over 90% of Canadian oil production, and the Chinese interest.

4.4 Western Europe

Western Europe represents the most attractive geographical investment target for transnational state capital. Looking at the top investors, we can see that most of the large and well-known Chinese state-led FDI transactions are to be found here, amongst others Syngenta and a series of German manufacturing targets. The Norwegian investment profile is similar to the Northern American area with a focus on small stakes in large, publicly listed firms. The Arab Emirates follow a strategy similar to the Chinese, although on a smaller scale (investments in subsidiaries of Borealis and CEPSA are among the largest here). Other Middle Eastern owners like Qatar or Kuwait invest minority stakes in listed companies or use countries like the Netherlands and Malta as offshore financial centers (the same applies to Brazilian Petrobras and Libyan Tamoil).
Manufacturing represents thereby the largest cluster in Western Europe. With a relatively low Gini-coefficient and a control-to-portfolio ratio beyond one, it is relatively competitive. China, as the largest owner, has some of its most relevant foreign companies located here: the aforementioned Syngenta, German manufacturer KraussMaffei, several Pirelli-subsidiaries and Austrian aerospace manufacturer FACC. The Qatari investment is also huge, but consists of a much lower number of total ties and is also entirely located in non-controlling investment stakes, such as its shares in Volkswagen or Siemens. Similarly, but with a larger total number of investments, Norway is mainly engaged in German, Swiss and French large listed firms. France embraces a mixed ownership profile here with some majority or even full ownership ties to German and Dutch energy firms as well as some portfolio ties to large European multinationals.

Figure 11: Western European Manufacturing Cluster.
The further relevant Electricity and Gas cluster is shaped by Swedish Vattenfall and Russian gas-driven expansion in Europe. Both cases are quite specific: for Vattenfall, it is mainly its position on the German and Dutch energy markets that grants Sweden a dominant position in this cluster. In the Russian case, the Gazprom subsidiary Wingas controls a large part (around 20%) of the German gas market. Furthermore, some of the few wholly-owned Norwegian foreign companies can be found in this cluster such as Statkraft, which is also involved in energy trading and is based in Germany.

This and the high control-to-portfolio ratio indicate high geoeconomic relevance and competition within this cluster not only for the German, but for the European energy market.

**Figure 12**: Western European Electricity and Gas Cluster.

**Figure 13**: Western European Transportation and Storage Cluster.
The last analyzed cluster reflects again the pattern of competition we saw in the case of the UK: German and French transportation and logistics firms compete all throughout Europe, mostly by establishing cross-border subsidiaries of their national champions (Deutsche Bahn/Schenker and DPD or La Poste/Geopost). An additional aspect that did not appear in the British case is the presence of Russia, largely due to the acquisition of former PSA (France)-owned logistics multinational Gefco. This takeover made Russia a central player in the European logistics market, which, in combination with the Gazprom expansion, grants it an increasingly structural role in the largest economic area of the world.

5. Discussion
The conducted analysis can help us to shed some light on the geoeconomic implications of foreign state investment. I first discuss the specific results from the analysis and subsequently delineate the broader implications for the described theoretical framework.

As can be seen, the majority of large, globally relevant investment stakes flows into the substantial core of the global economy (Northern America, Europe and Eastern/South-Eastern Asia). However, this does not imply that the senders of these investments are restricted to this core. The first main general result of this chapter is therefore the identification and mapping of the many states as owners outside Europe and Northern America that, equally powerful, pursue different strategies of partaking in global capitalism. In many cases they are, in fact, owners that are more globalized than their European and American counterparts: Middle Eastern states such as Kuwait, Saudi Arabia, the Arab Emirates, and Qatar show a wide-ranging and diversified ownership profile that covers most of the analyzed clusters. Large European owners like France focus more on their immediate geographical area, where national champions control almost whole sectors. This finding can serve as a building block to a better understanding of the variegated nature of transnational state investment and “state capitalism” in general: states as owners do pursue different and often diverging goals, but at the same time create patterns of geoeconomic competition that might interfere with each other (as can be seen in the competitive structure of the analyzed clusters).

The second major empirical finding of this chapter is that Europe plays an exceptional role as a site of geoeconomic competition. While others like Northern America or Asia receive similar total amounts of foreign state investment, the investment into European clusters leads to higher levels of competition. This can be seen both in the generally high majority-to-portfolio ratios in European geographical areas (ranging from 2.4 in Northern Europe to 13.7 in Southern Europe) as well as in their relatively low Gini-coefficients (from 0.51 in Western Europe to 0.68 in all other parts).
Table 4: Control-to-Portfolio Ratios and Gini-Coefficients for all geographical areas. Sorted descending by total state investment.

Europe is an exceptional target for foreign state investment because it combines both factors relevant for geoeconomic competition. While other areas like Northern America are also high-volume targets, the type of investment here is primarily portfolio and thus less strategic. Other areas however, like South-Eastern Asia, with high volumes of such strategic investment do not display high levels of competition (Gini-coefficients are quite high here). Finally, areas that are overall close to the European parameters, like Australia and New Zealand, do not show the same degrees of strategic investment and competition within the respective clusters. In sum, Europe is the core competition site for foreign state investment. The analysis of the different clusters demonstrates that this is not only the case from an aggregated perspective, but that states do compete on the geo-industrial level for market shares.

These findings shed light on current policy-discussions about stricter regulations on state investment within the European Union (EU). The European Commission is investigating possibilities of constraining foreign state-owned enterprises interested in taking over European companies (Espinoza & Fleming,
2019). The above analysis shows for the first time, where and how states as owners enter Europe in the search for investment opportunities. By focusing on clusters rather than on the state-level, different trends within Europe become clear. The analysis delineates the hotspots of geoeconomic competition and provides an empirical base for these and further discussions about the political consequences of foreign state investment.

Consequently, more specific findings also show how these hotspots are variegated. The Southern European clusters are demonstrated to be invested in by different Middle Eastern states and China, where they compete for large oil and manufacturing firms. Thus, Southern Europe displays a remarkably high concentration of non-European owners. As recent developments have shown, China is seeking regional influence in the area, for example through successfully inviting Italy on board for its Belt and Road project (Johnson, 2019). This, as well as the long-standing cooperation between oil-rich Middle Eastern states such as Kuwait and regional players like Spain and Italy is reflected in these state investment patterns.

The Northern European area, and especially the transportation and storage cluster, has been identified as competed for by French and German SOEs. The strong focus of both owners on this cluster is unique and reveals a pattern that has been neglected in the literature so far. While the privatization of British railways, transportation structures, and logistics has been politically discussed, the takeover through other states as owners is a development that goes beyond “external” competition by non-EU states. Even within the Union, competitive dynamics by SOEs have political implications that are highlighted by the analysis.

The same patterns of competition for the transportation, storage and logistics cluster are then also relevant in Western Europe, where Russian ownership plays a crucial role. With transport and logistics being the infrastructural backbone of a globalized European and world economy, this competition will continue to be of geopolitical relevance. The Russian investment in national champions transnationally competing in energy and logistics is almost fully focused on those European markets, and is already recognized as an area of potential geopolitical clashes (Siddi, 2018).

China finally also plays the leading role in the competition within the Western European manufacturing cluster. Recently, the geoeconomic relevance of these investments also became visible in the strong opposition to Chinese FDI into Europe and demands for screening of this investment (Brunsden & Peel, 2019), especially in Germany (DW, 2018). The fact that European states and the EU itself are distancing themselves more and more from a closer integration with China and its multinationals might become a problem in the light of the already existing strong ties within Europe.
Conceptually, the empirical analysis illustrates the benefits of a complexity-centered geoeconomic approach compared to a geopolitical reading. First, the conceptualization of the investing state as the ultimate, but limited owner allows me to identify the different strategies states employ when investing cross-border. With the assumption that those strategies do not reflect an immediate realization of a perfectly rational state’s preferences, it becomes possible to aggregate the firm-level data on the state level, and to depict and compare the general strategic orientation of states as investors. This allows for a more realistic, but at the same time empirically fruitful approach to state investment strategies in the global political economy. Second, the conceptualization of targets as geo-industrial clusters makes it possible to move away from a geopolitical state-to-state investment logic into a more empirically grounded understanding of the geoeconomic dynamics of this process. The framework hence allows for an uncovering of different clusters that are hotspots for these competitive dynamics. Both points speak to the broader conceptualization efforts of Chapter 1 of this thesis: the first aspect empirically nuances the role of the competing state as sender of state capital; and the second aspect achieves the same nuance for its counterpart, the transnational agency space. By closer scrutinizing those two key concepts, the conducted analysis demonstrates their usefulness in assessing the consequences of transnational state capital for international politics.

This higher degree of nuance is also, as delineated above, an important characteristic of this pattern-based approach, allowing us to categorize and understand current and future policy debates about screening mechanisms for foreign state investment. Those discussions are generally not led on the basis of a geopolitical reasoning, but are grounded in the perception that foreign states might enter sensitive industries or gain competitive advantage through acquiring know-how in key sectors. The conceptual framework presented in this chapter and its empirical application allow for a mapping of those dynamics on a large scale, thereby putting them into a broader perspective through a better conceptualization of the actual targets of this investment.

6. Conclusion
Conventional wisdom has it that states and markets are to be treated as separate entities with their own working logic. In cases where this separation becomes obviously blurred - for example by states rising as economic owners - common explanations often nevertheless stick to these working logics. States that engage in foreign investment are hence under the general suspicion of exporting (geo)political ambitions via economic means. But, as this chapter argues, the geopolitical hypothesis comes with different conceptual and also empirical problems that are at odds with the demonstrated dynamics of foreign state investment. Instead, I propose understanding foreign state investment in terms of geoeconomic competition. A complexity-centered account pays closer attention to the
systemic effects of state capital transnationalization; and the employed wealth of empirical data demonstrates how this approach can be productively applied. With the conceptual and empirical contributions made above, this chapter seeks to fill a crucial research gap in IPE and build the basis for further research into the phenomenon of foreign state investment.

This more nuanced conceptualization of both, the senders and targets of foreign state investment, brings together the two key concepts of this thesis. The analysis of the effects of foreign state investment on competitive dynamics in the global political economy is therefore based on the notion of a competition state that employs state-owned means within the boundaries and possibilities offered by a transnational agency space. In this sense, this analysis adds further empirical material to both concepts and demonstrates their usefulness when applied in a combined setting. After Chapters 2 and 3 each illustrated one of the concepts at hand, this combined analysis demonstrates not only their conceptual, but also empirical plausibility.

The question of the consequences for international politics constitutes the umbrella for the different findings of this chapter. As can be seen, a number of the geoeconomic competition dynamics, like in the Northern European transportation cluster, are already creating tangible effects for which we have anecdotal evidence. Not only some of the broader trends, like an increased presence and competition of state entities in Western Europe, are currently being discussed at the EU level, but other, less politicized areas that represent opportunity structures for geoeconomic competition and conflict. In a world of steadily declining foreign investment flows since 2015 (UNCTAD, 2019), the ties that economic actors create and maintain can be both, desired as well as feared by the hosts of these investments. The first option has been the case for the better part of the last decades, in which states competed to attract FDI through different degrees of deregulation and specialization (Reurink & Garcia-Bernardo, 2020). The latter option is only now becoming significant on a larger scale, as states become global owners and protectionist sentiments rise in parallel on a global scale. The current state of the global political economy has been described as one of “weaponized interdependence” (Farrell & Newman, 2019), in which powerful states exploit the transnational networks and ties created by globalization. Geoeconomic competition between states as owners is one further aspect of such a world, in which consequences of globalization (here: transnational state investment ties) form the structural background for competitive and potentially conflictual developments. As has been argued in this chapter, these potential conflicts are more the effect of investment dynamics than the means of intentionally led geopolitical rivalries. They are nevertheless crucial to research in order to understand how the quest of states as owners for returns on investments, technological advancement, and other strategic goals leads to reverberations far beyond this quest.
International politics are in this sense becoming more competitive and confrontative as far as the global political economy is concerned. The dynamics described here can have significant consequences in such a world. In order to better understand these developments, more time and research are needed. The current rise of protectionism, of nationalist backlashes, and the dismantling of institutions of global economic governance means that future competition for both, attracting and sending investment, will lead to a more active role for states as regulators and as economic actors. Since we are at the beginning of this development, the research conducted in this chapter represents a first important analysis of these trends. Rapid changes currently occurring in the global political economy promise that a more prominent role of the state in economic matters will also lead to more scrutiny and research that can build on the work conducted in this chapter.