CHAPTER 7

Data and Analysis of Chinese Ascendancy

Abstract This chapter focuses on contemporary empirical data and through many graphs and comparative macro-economic tools shows how China’s political economy is set to surpass that of the USA in the very near future. It argues, among others, that China’s comparative strength does not simply lie in its importance in world trade of manufacturing produce and the surplus it generates. The crucial strategic substratum of China’s ascendance has been the role of the Chinese state in guiding the country’s development inside and outside China proper. Further, the Chinese state controls the production of rare earth elements (europium, gadolinium, dysprosium, terbium etc.), which allow China to bid for a monopolistic position in global political economy undermining head-on America’s primacy in digitisation, nanotechnology, biotechnology, electronics and cyber-security.

Keywords Chinese state · Rear Earth Elements · Multinational/transnational corporations · USA · China · Neo-liberal globalisation

With regards to Chinese corporations, we sourced data from The Shanghai Shenzhen CSI 300 Index, a market capitalisation-weighted stock market index that tracks the performance of the top 300 A-shares.
stocks traded in the Shanghai and Shenzhen stock exchanges. We have filtered the index to select both financial and non-financial corporations. As regards the USA, we used the S & P 500, a market capitalisation-weighted index of the 500 largest US publicly traded companies, and we filtered the relevant TNCs on the basis of the same criteria – financial/non-financial. We have used these two sources to compare them with the Forbes Global 2000 list for past years.

Our findings indicate that China’s corporations, both financial and non-financial, have since 2003 been on a continuous rising path in their sheer numbers as publicly traded companies, whereas the USA’s record shows a slow and protracted decline of its listed corporations, including the add-up metrics used by all the indices of the Forbes Global 2000: sales, profits, assets and market value (see Table 7.1).

Interestingly, the Industrial and Commercial Bank of China (ICBC) has been taking up the top spot on the Forbes list for seven years in a row (2013–2019). This is a state-owned bank with over $4 trillion in assets employing nearly half a million people. All of China’s major banks have made the top ten and three of them figure in the first five. However, one should factor in the low taxation regime in the USA, which soars up company revenues. JP Morgan Chase, for example, climbed up to the second spot due to rising profits thanks in part to major tax cuts by the Trump administration. Of the 61 countries represented on the 2019 Forbes list, the United States is home to the largest number, 575 companies. China and Hong Kong were next with 309, followed by Japan with

### Table 7.1 List of top five global corporations

| Company value | Country       | Sales | Profits | Assets    | Market value |
|---------------|---------------|-------|---------|-----------|--------------|
| ICBC          | China         | 179.9 | 45.2    | 4,034.5   | 305.1        |
| JP Morgan Chase| USA           | 132.9 | 37.2    | 2,737.2   | 368.5        |
| China Construction Bank | China | 150.3 | 45.2    | 3,382.4   | 225          |
| Agricultural Bank of China | China | 137.5 | 30.9    | 3,293.1   | 197          |
| Bank of America | USA         | 111.9 | 28.5    | 2,377.2   | 287.3        |

*Forbes Global 2000* top five publicly traded companies in Sbn, 2019

*Add-up of assets according to sales, profits, assets and market value*

| Country       | Sales | Profits | Assets    | Market value |
|---------------|-------|---------|-----------|--------------|
| China         | 467.7 | 114.9   | 10,711.0  | 717.1        |
| USA           | 224.8 | 61.2    | 5,114.4   | 655.8        |
Graph 7.1  USA vs China: Number of publicity traded companies, 2003–2019
(Source Own elaboration of data from Shanghai Shenzhen CSI 300; S & P 500; Forbes Global 2000)

223. As we can see from the graph, the breakdown looks very different than it did when Forbes first published the “Global 2000” in 2003.

In 2003 the United States contributed 776 companies while China and Hong Kong had just 43. By comparison, Graph 7.1 shows China’s constant upgrading on the list, as in 2014 the USA contributed 564 companies while China and Hong Kong 207. Thus, without taking into account the low taxation regime in the USA, from 2014 to 2019 China added up 102 publicly-traded corporations to the USA’s 11. Our findings are similar when we filter our research with the number of non-financial corporations at regional and country levels. We have cross-checked the aforementioned three databases with regards to the growth rate of non-financial TNCs (both for their revenue and gross profit), as well as the average gross revenue for them in the last financial year (2019). As we can see from the graphs, although European TNCs/MNCs recorded the highest average revenue for 2019, followed by the US and then Japan, Chinese non-financial TNCs/MNCs (including Hong Kong and Taiwanese firms) recorded the fastest year-on-year revenue and gross profit growth. At this rate, it will not be long before average revenues
Graph 7.2  Gross revenue for the last financial year (2019) plus year-on-year percentage rate of change of revenue and gross profit; regional level data (Source: Own elaboration of data from Shanghai Shenzhen CSI 300; S & P 500; Forbes Global 2000)

from these firms surpass those from the other regional non-financial TNCs/MNCs. At country level, Chinese TNCs/MNCs recorded the second highest average revenue in the last fiscal year (2019) and the highest year-on-year growth of gross revenue (Graphs 7.2 and 7.3).

It is also important to note that the arguments that China as a vehicle for America’s globalisation project, disregard the structure and composition of China’s exports in a historical perspective. In Graphs 7.4 and 7.5 we compare China’s top 10 export of goods to the world in 1992 and 2018, and we see a clear shift from mainly peripheral goods in 1992 to mostly core-strategic products in 2018. This is a glaring oversight made by writers supporting China’s economic subordination to US-led globalisation project, inasmuch as they fail to factor in China’s control over a number of geological resources, such as rare earth elements (REEs) (Graphs 7.6 and 7.7).
Graph 7.3  Country level data (Source Own elaboration of data from Shanghai Shenzhen CSI 300; S & P 500; Forbes Global 2000)

Graph 7.4  China’s top 10 exports of goods to the world in 1992 ($bn) (Source Authors’ own analysis based on data from UN Comtrade database. Available at https://comtrade.un.org/labs/dit-trade-vis/?reporter=826&type=C&year=2018&flow=2&commodity)

1 Among others, Sean K. Starrs (2019), op. cit., p. 187, who says: “The majority of exports by Private Owned Chinese Enterprises remain in low-value exports, such as clothing and cheap consumer goods”. No empirical evidence supports such claim.
Graph 7.5 China top 10 export of goods to the world in 2018 ($bn) (Source: Authors’ own analysis based on data from UN Comtrade database. Available at https://comtrade.un.org/labs/dit-trade-vis/?reporter=826&type=C&year=2018&flow=2&commodity)

Graph 7.6 China vs USA net export ($m, 1980–2018) (Source: Authors’ own analysis based on data from Bloomberg trade statistics database)

In this respect, China’s comparative strength does not simply lie in its importance in world trade of manufacturing produce and the surplus it generates. The crucial strategic substratum of this shift from peripheral to core products over the last three decades rests in the fact that the component parts of micro-chips and electronic equipment are
derivatives of *rare earth elements* (europium, gadolinium, dysprosium, terbium etc.), which allow China to bid for a monopolistic position in global political economy undermining head-on America’s primacy in digitisation, nanotechnology, biotechnology, electronics and cyber-security. Herein lies America’s fear of Huawei and other high-tech Chinese giants. US and foreign firms exporting electronics and other core commodities from China are depending on China’s *political* control of these geological resources. Further, REEs give China a steady edge in the sectors of consumer electronics, green technology and even military technology. Often, these resources, as well as the production and distribution processes are controlled by China’s SOEs.² Data we revisited again for

²We have outlined this dimension of China’s advantage resulting from RREs in our *The Fall of the US Empire* (2012), op.cit., pp. 117ff. A Council on Foreign Relations report prepared by Eugene Gholz (2014), “Rare Earth Elements and National security”, argues that the USA should not worry so much about “China’s control of 97% of rare-earth oxide production and of the processing business”, as market forces would correct this imbalance without major consequences for the economic and political security of the American state and its allies. The author brings up the Chinese embargo of REEs on
Graph 7.8 NFC shared ownership by government and the maximum proportion held—Regional level data (Source Own elaboration of data from Shanghai Shenzhen CSI 300; S & P 500; Forbes Global 2000)

the purposes of this article re-confirm and reinforce our previous findings as regards the role of the Chinese state in the participation of the total capital composition of the country, the best indicator being its involvement with Chinese corporations, especially non-financial corporations. On the contrary, Britain and the USA have the lowest state participation in the total composition of capital of non-financial corporations (NFC) at both regional and country level as shown in Graphs 7.8 and 7.9.

On average, firms in China, Hong Kong and Taiwan have had circa 41% of their total outstanding shares owned by government. In some cases, the government had outright control of the firms, with around 96% ownership of all outstanding shares of the NF-TNCs/MNCs. American and British NF-TNCs/MNCs have the least proportion of their outstanding shares in the hands of a government body. The highest Japan in 2010, which brought about no geopolitical benefits to China, as she claimed maritime rights and some disputed islands from Japan. Non-Chinese consumers of REEs, the report argued, were able to diversify promptly. However, reliance on “market forces” to act as a corrective to a state’s intention to use a strategic commodity as a geo-political weapon is rather naïve. As we shall see, Britain and the USA are very concerned about this dimension of Chinese primacy over REEs. We thank Alan Cafruny for drawing our attention to this report.
proportion of their total outstanding shares in the hands of a government body is only about 1.23%. We should also point out that Chinese authorities, being fully aware of the leading position of western corporations in high-tech sectors, launched in 2015 the “Made in China 2025” initiative. If successful, this will end reliance on western technology and upgrade China’s industrial capability and smart manufacturing.

3 Very similar to ours are the findings of the US-China Economic and Security Review Commission; see reports for the years 2017, 2018 and 2019 in https://www.uscc.gov/annual-reports/archives (accessed 10–18 March and 1–5 April 2020). This is a very important think-tank. It was created by the Congress in October 2000 with the legislative mandate “to monitor, investigate, and submit to Congress an annual report on the national security implications of the bilateral trade and economic relationship between the United States and the People’s Republic of China, and to provide recommendations, where appropriate, to Congress for legislative and administrative action”.

4 See, “Made in China 2025”, Institute for Security and Development Policy, June 2018 https://www.isdp.eu/publication/made-china-2025/ (accessed 17 April 2020). Ten key industries have been singled out for improvement: advanced IT, automated machine tools and robotics, aerospace and aeronautical equipment, ocean engineering and high-tech shipping, modern rail transport equipment, energy saving and new energy vehicles, medical devices and medicine, agricultural equipment. China, nevertheless, faces competitive constraints by the more industrialised economies of Germany and Japan; and by the low-cost manufacturers of India, Brazil and other periphery economies.
To sum up, the Great Recession changed the public policy orientation of the Chinese state. Since 2009, construction and urbanisation of western rural areas took astonishing dimensions, and these projects were mostly funded by the state. What now seems to be driving China’s growth is domestic demand and sustainable levels of labour productivity, rather than exports driven by extremely low wages. Even in the midst of the Covid-19 pandemic, China performs better than the transatlantic core.\(^5\) Moreover, as we have demonstrated above, Chinese corporations, both public and private, have intensified their involvement abroad. Western governments are now openly blocking off Chinese acquisitions of assets in their jurisdictions. We shall deal with these two issues in turn.

\(^5\)This did not leave *The Economist* unconcerned; see the Editorial of 18–24 April 2020 with the characteristic title: “Is China winning?”, p. 7.