GLOBAL FINANCIAL CRISIS AND THE CHANGING GEOGRAPHY AND INDUSTRIAL COMPOSITION OF LARGE, LISTED COMPANIES: EVIDENCE ON CHINA'S ASCENT

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Abstract

Purpose – This paper examines the GFC's impact on the rate of change in the global economic and financial landscapes, particularly China's global financial influence. In doing so it fills a gap in the literature. While growth in China's economic and financial resources and influence are recognised, analysis of China's global share of large, listed (and effectively multinational) corporations is limited. Globalization is frequently linked to the growth of these large, listed corporations, which are important due to their dominance in determining FDI and trade flows, and their potential to exert political and economic power. China has focused on establishing such a set of large, internationally-competitive enterprises as part of its enterprise reform process.

Design/methodology/approach – This paper summarises established views in the international political economy literature (often expressed in the media) that we are entering an Asian era in which China's global economic and financial control has grown to compete with that of the United States and European Union. It then presents stylised facts on changes in the geographic origin (control) and industry distribution of large (Top 1000) listed companies over the periods immediately preceding, covering, and following the GFC (2005 to 2011). This is done against measures of the relative economic and financial positions of major regions and countries, including China, over 1999 to 2011. This establishes trends in relative financial and economic importance against which more recent changes associated with the GFC may be evaluated.

Findings – The East Asian/Pacific region's share of global equity market capitalisation has grown significantly over the 2000s. However, China's gains are relatively minor given the significant outperformance of its stock market relative to major western markets. Additionally, rather than accelerating an economic and financial shift from North America, the data suggests that the GFC may have stabilised or improved its relative position, having impacted heavily on other regions/countries. This is especially with respect to the relative decline in value of equity in major markets that occurred during 2008. While the GFC's impact on China's share of large, listed companies appears to be positive, China still holds a relatively small share of the total, for which a relative lack of industrial diversification is observed. This is despite significant listings of large state-owned enterprises (particularly banks), and relatively rapid growth in China's economy.

Research limitations/implications – Limitations in the analysis exist due to a focus on the largest 1000 listed companies as measured by asset value and market capitalisation. Additionally, use of the U.S. dollar as the benchmark currency for valuation leads to exchange rate imposed distortions. Future research should analyse the impact of shifts in exchange rates on conclusions re China's emerging economic and financial influence under alternative measures of company size.

Social implications – This paper contributes to the debate on the rise of China and decline of the North Atlantic economies. It suggests that the international political economy literature (and press) is potentially overstating the rapidity of China's rise in financial influence, and that western fears of China's current global financial power may be overstated.

Keywords: global financial crisis; multinational corporations; globalisation; China.

1. INTRODUCTION

The objectives of this paper are to provide an empirical overview of and insight into the extent to which the global financial crisis (GFC) has altered the rate of change in the global economic and financial landscapes, particularly as these apply to the relative global position of China (and, more generally, East Asia). In doing so it will also address the fact that, while the growth in China's (and East Asia's) economic and financial resources and influence are well recognised, there has been less focus on East Asian, and

particularly Chinese, control of large corporations as a result of globalization. These large enterprises are, frequently, multinational in terms of either their activities or economic and financial impacts, and are important due to their global dominance in determining both foreign direct investment (FDI) and trade flows.

To achieve its objectives this paper presents data and discussion on changes in the geographic origin (control) and industry distribution of large (Top 1000) listed companies over the period from 2005 to 2011. That is, the time period immediately preceding the GFC, the time period often associated with the GFC, and the period to 2011 over which the European credit crisis and the great recession have continued to impact global financial markets and economic activity. This is done against a backdrop of measures of the relative economic and financial position (being GDP and total market capitalization, respectively) of major regions and countries. Presentation and discussion of this data, which covers the 1999 to 2011 time period, begins the discussion and establishes the bases on which more recent trends are built.[2]

2. THE RISE OF CHINA AND (RETURN) OF EAST ASIAN ECONOMIC POWER

It is now commonplace to recognise the presence of a significant (and even accelerating) shift of global economic power to Asia, particularly China, and thus East Asia and the Pacific, as part of the process of globalization. Often discussed are shares in the value of global output (GDP or GNI) produced within countries and regions. At the same time there is (perhaps incorrectly) acceptance of the decline of North America in terms of its economic and political influence. This is particularly in the East Asian region as a result of the decline in the United States (U.S.) share of global GDP and the rise in the presence of China (Breslin, 2009).

Although appearing rapid to many, China's gains in global economic position cannot be viewed as a sudden phenomenon. Rather they are a longer-term consequence of a gradual process of modernisation in China and the internationalisation of its economy. Thus these gains reflect (amongst other factors): a rise in China's industrial competitiveness through the 1980s and 1990s associated with industrial reform (Zhao and Zhang, 2007); the opening of competition against state-owned enterprises (Imai, 2000); large inflows of FDI (Huang, 2003); and commercialisation of its banking system (McIver, 2009).

Figure 1 provides evidence of the shifting global shares of GDP (as measured in current U.S. dollars). The share of global GDP sourced out of North America (and thus largely the U.S.) has declined considerably since the early 2000s (by around 11 per cent). However, rather than fall more rapidly as a result of the GFC, it would appear that the North American share of GDP at first stabilised before continuing along its previous downwards trend.

Figure 1 also illustrates that much of the overall decline in the value of North America's (and the U.S.'s) share of global output over the 2000s can be explained by rises in output in the rest of the world (Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa) and, in particular, an increase in the share of global GDP provided by Europe and Central Asia. However, over much of the period associated with the GFC, the global share of GDP of Europe and Central Asia fell, while that of the rest of the world grew or stabilised. Finally, although the share of world income generated in the East Asian-Pacific region has grown relatively strongly throughout the late 2000s, it initially declined between 2001 and 2007 before growing strongly for the remainder of the period under analysis.

What consideration of regional values of GDP shares obscures is that, in the case of China, the size of its rapidly growing economy supports the claim of its growing regional and global significance. Measured under purchasing power parity (PPP) assumptions, China's economy was the second largest in the world behind that of the United States by 2003 (Costin, 2008). By conventional measures, China had become the world's sixth largest economy by 2003, fourth largest by 2005 (Costin, 2008), and second largest by 2010 (Hout and Ghemawat, 2010).

[2] See Appendix A for discussion of the sources of data.

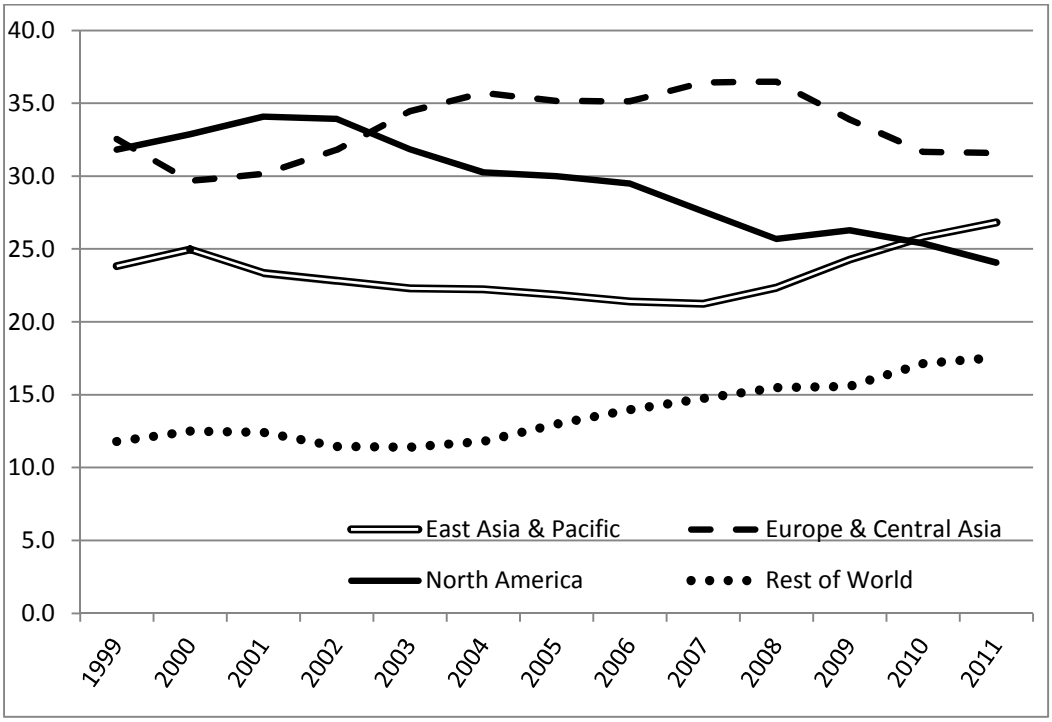

Figure 1. Regional Shares of GDP (% of World total, current U.S. dollars)
Source: World Bank, World Development Indicators; author's calculations.

Figure 2 provides a more detailed breakdown of shares in world GDP sourced within the East Asian-Pacific region. What the relative stability of the East Asian-Pacific share of world GDP over the early-to-mid 2000s hides is a substantial shift in relative economic position of number of major economies and groups of economies within the region. There has been considerable growth in the share of global GDP produced by China and a significant decline in the share of world income provided by Japan, a set of features that have been followed relatively consistently throughout the 2000s. Japan, in particular, has suffered a significant decline in terms of its share of world GDP, with this share falling from over 14 per cent in 2000 to just over eight per cent by 2011. China, on the other hand, has enjoyed significant growth in its share of world GDP, reaching a point where its value of output is essentially on par with Japan, from just under four per cent in 2000 to over ten per cent by 2011, thus raising its economic (and potentially political) significance both within the region, as a direct competitor with Japan, and globally.

Clearly some of the above changes in shares of global output in Figures 1 and 2 can be explained through consideration of changes in the value of the U.S. dollar against other major currencies, particularly the Euro, the Yen and the Remimbi (Figure 3). Indeed, some of the changes in the global share of GDP provided within Europe and Central Asia strongly reflect shifts in exchange rates relative to the U.S. dollar (i.e. may largely reflect changes in the value of the Euro against the U.S. dollar). This is particularly the case for the fall in share during the early 2000s, at which time the Euro weakened considerably against the U.S. dollar (Figure 3). The increase in the Euro-U.S. dollar rate by the end of 2009, to levels achieved around late 2007, would also explain some of the decline in the Europe and Central Asian share of global GDP observed during this latter period.

While influenced by currency movements, Japan's share of global output has declined despite a general strengthening of the Yen against the U.S. dollar since the early 2000s. However, the relative stability of the Chinese Remimbi-U.S. dollar in the period to 2005 and that from mid-2008 to mid-2010 (Figure 3), suggests that much of China's recent gain in global income share is due to its relatively rapid real growth in GDP rather than simply the influence of changes in the value of its currency. Thus real, rather than purely financial, factors are behind the perceived rapid growth in China's economic significance.

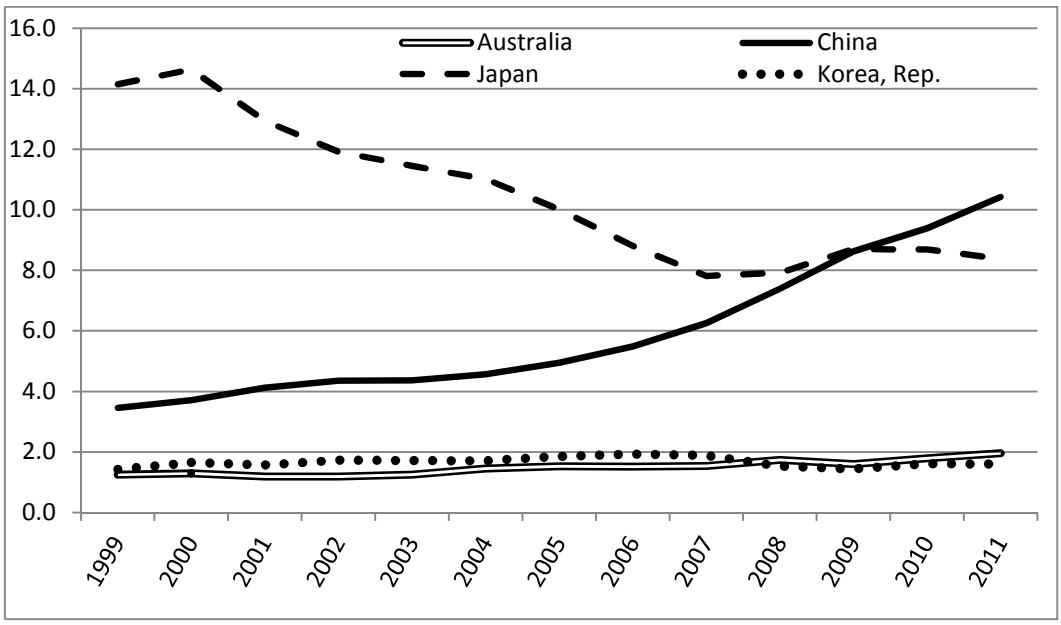

Figure 2. GDP within the East Asian-Pacific region, selected countries
(% of World total, current U.S. dollars)
Source: World Bank, World Development Indicators; author's calculations.

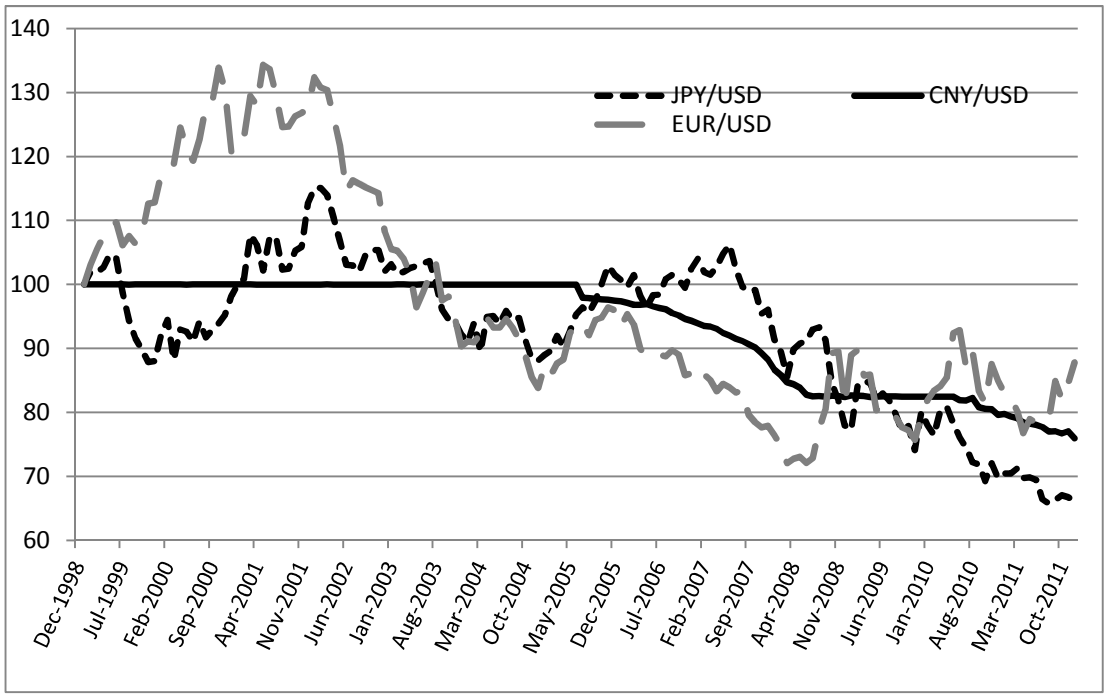

Figure 3: Major currencies against USD (Jan 1999 = 100)
Source: Datastream; author's calculations.

3. CHANGES IN THE GLOBAL FINANCIAL LANDSCAPE

When considering financial development, a number of measures are, potentially, available. These include: bank deposits to GDP, stock market capitalization to GDP, and public bond market capitalization to GDP. However, consistent with the later discussion of large listed companies, the focus in this section will be on market capitalisation.

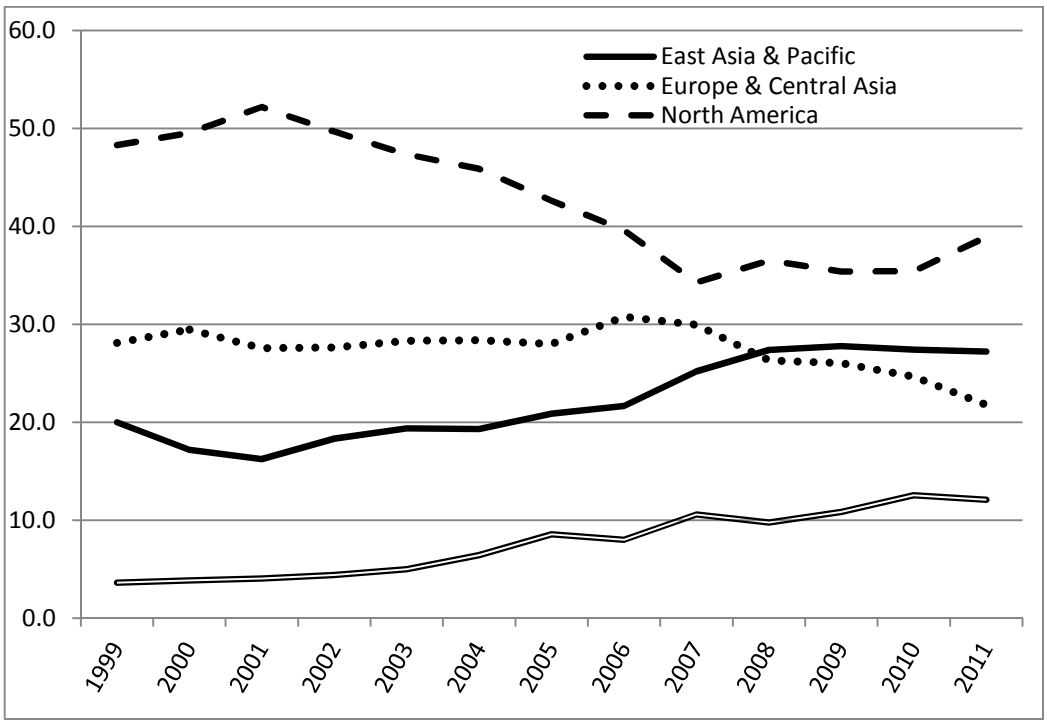

Figure 4. Market capitalization of listed companies (% World total, current U.S. dollars)
Source: World Bank, World Development Indicators; author's calculations.

With respect to the major economic regions identified initially in Figure 1, Figure 4 highlights a significant decline in the global share of equity assets held in the North American region to 2007 (as measured by market capitalisation). However, unlike GDP, this is not been impacted as greatly by growth in the value and global share of European and Central Asian equity markets, which has been relatively stable and even declined over the period under consideration. Most significant is the apparent rise in the share of market capitalisation held within the East Asian-Pacific region to 2007 and in the rest of the world over the full time period (Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa).

What is clear from the data presented in Figure 4 is the impact of the global financial crisis of 2007 to 2008 and the post-GFC credit crisis on the North American share of global equity market capitalisation. Following partial recovery in 2008, the pattern of gradual decline in the North American share of global market capitalisation appears to have been broken to some extent by the GFC. The data of 2007 to 2009 suggest that the U.S. share of global market capitalisation stabilised rather than declining more rapidly as a result of the GFC, while 2010 and 2011 have seen the U.S. share of global market capitalization grow. This would be consistent with the outperformance of the U.S. equity market as compared to those of Japan and the major European economies over the 2008 to 2011 period (see Figure 6).

In following the country grouping of Figure 2, Figure 5 highlights that within the Asian-Pacific region there have been greater changes in financial asset shares than those observed with GDP. Japan's share of global equity market capitalisation declined, although not consistently in level or rate, until 2007. More recently it has stabilised at around eight per cent. More impressive than in the case of GDP, has been the rise in China's share of global equity market capitalisation, particularly in the 2005 to 2007 period (Figure 5). However, post 2007 China's share of global market capitalization has been highly volatile, similar to that of Japan.

As with the shifts in global shares of GDP, it is necessary to consider the impact of exchange rates changes on regional and country shares of global equity market capitalisation. In the case of the European & Central Asia region, consideration of changes in the value of major global stock indices (Figure 6), suggests that shifts in index values are likely to dominate (e.g. as reflected in the Euro STOXX). This is also apparent in the case of Japan (TOPIX).

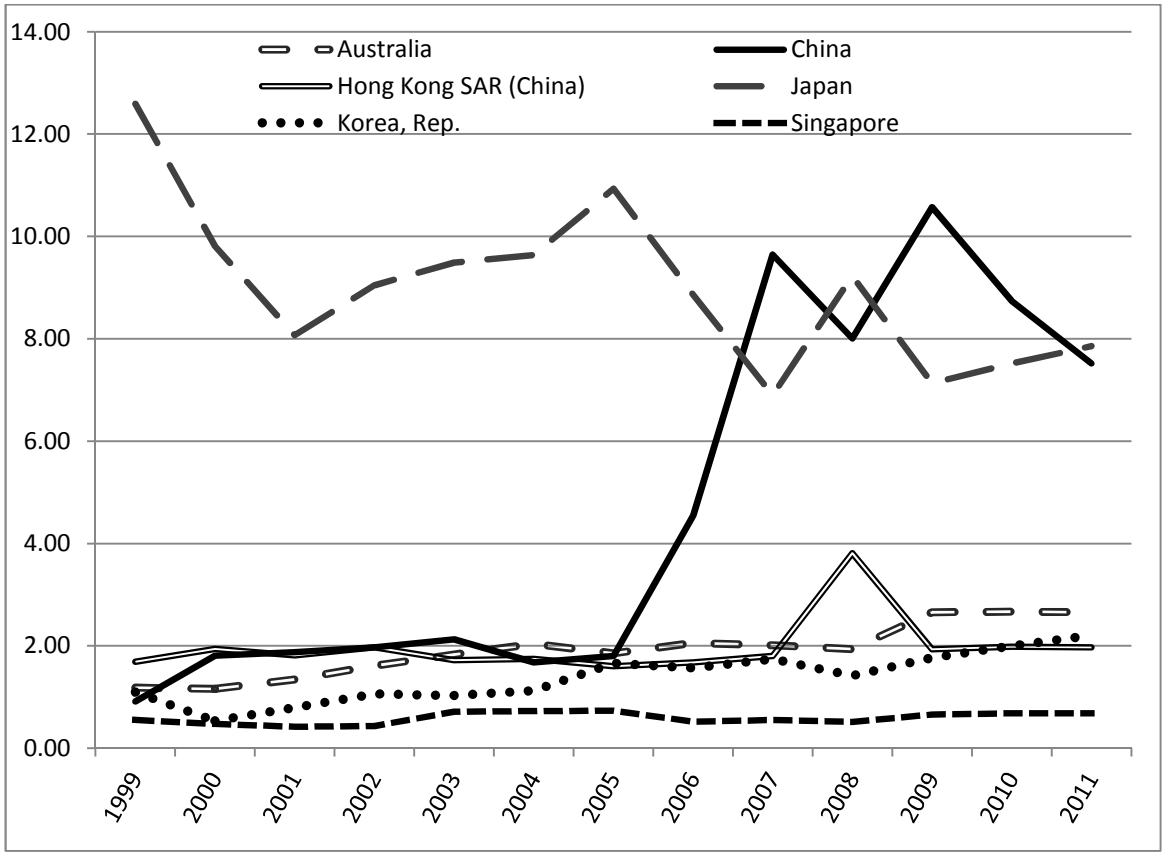

Figure 5: Market capitalization of listed companies within the East Asian-Pacific region
(% of World total, current U.S. dollars)
Source: World Bank, World Development Indicators; author's calculations.

With respect to China, the relatively rapid increase in the value of the Remimbi to the U.S. dollar over the 2005 to 2007 period must be credited with some of the contemporaneously observed gain in the U.S. dollar value of China's global share of market capitalisation. However, given the significant (although not consistent) increase in the value of its major market index since the late 1990s (Shanghai SE), and the relative stagnation of the major western markets, the increase in China's global share of equity valuation would appear to be based largely on the relatively rapid growth of its equity markets. This relates to the significant financial deepening that has occurred in the Chinese equity markets as a result of the listing of former state-owned enterprises and strong growth in its GDP over the GFC and post-GFC periods.

4. GLOBALISATION, THE GEOGRAPHIC DISTRIBUTION OF CONTROL OF LARGE LISTED COMPANIES, AND THE GFC

4.1 Globalisation and the rise of large multinational companies

The recent shift of economic and (potentially) financial power towards China, especially within Asia (as per Figures 2 and 5), is a trend that is expected to continue over the next two decades. While this expected shift in influence includes the continued movement of company headquarters to China (Hong Kong, Shanghai, etc.) (Albrecht, 2005), inwards foreign direct investment (FDI) to China may not be the major driving force. Given sizeable trade surpluses and a high savings rate, China is itself playing an increasingly important role as a source of finance both within the Asian region and globally (Breslin, 2009). China's growing financial power is apparent in both the rise in China's role as an international creditor, particularly of USD assets (Chin and Helleiner, 2008), and the growth in its role as a source of FDI (Zhang, 2009; Iksoo, 2009). It is also apparent from the growth in the relative global importance of its equity markets as highlighted in Figure 5.

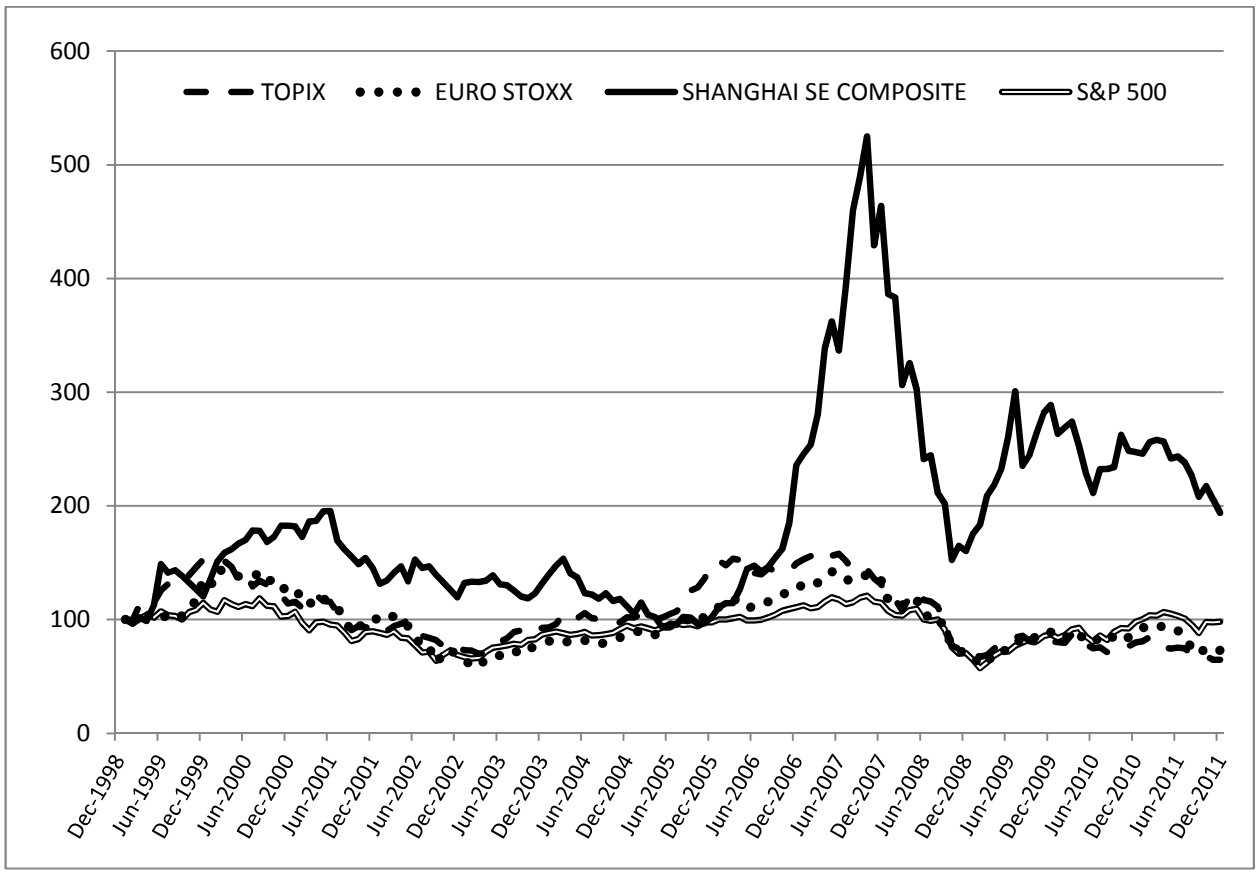

Figure 6. Major share price indices (Jan 1999 = 100)
Source: Underlying data derived from Datastream; author's calculations.

A link is often made between the process of globalization and the growth of large multinational corporations (de la Dehesa, 2006). China's rise has also been asserted to be the beginning of a 'new phase' of globalization (Henderson, 2008). Thus, it would be expected that China's (and, more generally, East Asia's) growth in economic and financial power would be associated with an increase in the proportion of large (and, at least through their economic impact) multinational companies resident within its borders. For example, throughout its process of economic reform, China has focused on establishing a set of large, internationally-competitive enterprises (this has recently included tying inwards FDI to its development policy (see Hout and Ghemawat, 2010, on technology transfer). However, China's success in achieving its objectives against a moving (and improving) set of leading firms has previously been questioned (Nolan, 2002), with few of the world's top 1250 firms having been identified as residing in China and other high growth emerging markets (Nolan, 2010).

The interest in large, listed multinational companies reflects a variety of factors relating to their potential to exert political and economic power, and that this may be to the detriment of the developing world. In terms of economic and financial factors, the basis for this interest includes: the growth in financial power of multinational companies relative to governments (Farrell, 2008); that the shareholders of multinationals, and therefore the primary beneficiaries of profits generated, predominantly reside in high-income economies (Nolan, 2010); the dominance of multinationals in terms of control of FDI flows (del la Dehesa, 2006); and their dominance in the area of research and development and thus technical progress (Nolan, 2010).

Although the data presented in Figures 2 and 5 highlight the growing importance of China within the global economic and financial environments, based on GDP and equity market capitalisation, it is not apparent that China has to this point gained significantly in its share of control of these large multinational corporations. As noted, this focus on large corporations reflects their political and economic significance in determining both world trade and global capital flows. Thus for China's position in the global economy to be cemented, we would expect to see a significant increase in its share of the world's largest companies.

4.2 Globalisation and the impact of the GFC

The economic and financial processes of globalization are usually seen as occurring gradually. However, there are concerns that the global financial crisis (GFC) may have altered the pace at which each process evolves (Burrows and Harris, 2009). This includes the rate at which the progressive shift of economic and political power towards Asia, particularly China, is occurring (Overholt, 2010). To some extent these concerns reflect perceptions of the GFC as largely a North Atlantic phenomenon. Thus the GFC is viewed as weakening both the United States and Europe (particularly the United Kingdom) as global financial centres (Nesvetailova and Palan, 2008). That this event may add to China's perceived gains from globalization is also reflected in the tensions created by the large trade imbalances between the United States and China (Bowles and Wang, 2008).

Against the view that the GFC is mainly a North Atlantic phenomenon, is acknowledgement of the widespread impact of the GFC outside Western Europe and North America (Wade, 2009). This includes the significant economic impact on China of the GFC (Wang, 2009), with China's real economy being particularly sensitive to global economic downturns due to its heavy reliance on exports (Palley, 2006; Breslin, 2009). Additionally, as a major creditor, China has faced significant financial costs throughout the GFC through the need to sterilize the impact of U.S. dollar accumulation and capital losses on these U.S. dollar holdings (Chin and Helleiner, 2008). However, as already noted, China has still been able to make significant economic and financial progress throughout the period associated with the GFC (Figures 2 and 5).

4.3 The geographical distribution of large listed companies and the GFC

As argued above, the growth in China's (and East Asia's) economic and financial significance may be expected to be reflected in the proportion of large listed companies resident in China (and the East Asian-Pacific region generally). (This would especially be the case given the size of many of the initial public offerings associated with the listing of large former state-owned enterprises). Tables 1 and 2 present data on these large companies, as proxied by the global Top 1,000 listed companies (based on the U.S. dollar value of assets). Table 1 is based on the percentage share by number within the Top 1,000. Table 2 is based on the percentage share of the value of assets held by the Top 1,000 companies, a measure that is more likely to capture the economic and financial significance of these companies.

Table 1

Region/Country distribution of Top 1,000 listed companies* (% of Total Companies)

Region/Country	2005	2006	2007	2008	2009	2010	2011
East Asia & Pacific	30.6	28.8	29.4	29.9	29.3	30.7	31.7
Australia	1.2	1.3	1.5	1.7	1.6	1.4	1.8
China	2.0	2.1	2.6	3.2	3.5	4.0	4.3
Japan	18.4	16.3	16.3	16.0	15.5	15.8	16.1
Europe & Central Asia	30.5	32.4	33.1	32.4	31.3	30.7	30.0
Euro area	19.0	17.5	20.6	20.4	19.4	19.7	19.1
Latin America & Caribbean	1.4	1.6	1.6	1.9	2.3	2.7	2.9
Middle East & North Africa	3.4	4.1	4.7	5.2	5.3	5.4	5.0
North America	31.7	30.4	28.4	27.3	28.8	26.5	27.4
United States	27.0	26.1	24.3	23.6	24.7	22.5	23.2
South Asia (India)	1.4	1.6	1.8	2.3	2.0	3.0	2.0
Sub-Saharan Africa	1.0	1.1	1.0	1.0	1.0	1.0	1.0
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Source: OSIRIS; author's calculations; * based on U.S. dollar value of assets.*

It is apparent that there has been growth in the proportion of large companies domiciled in China (and to some extent East Asia) over the period since 2005. Consistent with the view of Nolan (2010), China's share of these large companies is still well below its shares of world GDP and equity market capitalisation. Additionally, although China has made greater gains than other regions/countries in share over the period

associated with the GFC, these gains are still broadly comparable to those made by the Latin America & Caribbean region.

However, as revealed in Table 2, a focus on the proportion of the Top 1,000 companies domiciled in China may be misplaced. Growth in China's share of the Top 1,000 companies' assets is more consistent with growth in its shares of global output (GDP) and global stock market capitalization and suggestive of the potential growth in its global influence. The share in the global value of assets held by Chinese companies in the Top 1,000 is has increased at a level commensurate with China's growth in share of global GDP. This reflects the very large size (at least in accounting terms) of some of China's relatively recent listings of former state-owned enterprises (e.g. the four large national state-owned commercial banks), and the intent of its industrial policy with its focus on creating large, globally competitive companies. This is suggestive that China's economic and financial influence, or perceptions of this influence, may more likely be a result of the absolute size of each of its largest listed companies than from the number domiciled within its borders.

Table 2

Region/Country distribution of Top 1,000 listed companies (% of Total Assets*)

Region/Country	2005	2006	2007	2008	2009	2010	2011
East Asia & Pacific	23.2	21.2	21.4	23.4	25.0	27.5	29.1
Australia	1.5	1.6	1.8	1.9	2.1	2.2	2.5
China	4.2	4.3	4.5	5.9	7.1	7.9	9.4
Japan	13.8	11.5	11.4	11.8	11.7	13.0	12.8
Europe & Central Asia	45.9	49.3	50.9	48.9	46.4	41.7	40.3
Euro area	28.4	27.1	31.6	30.2	28.6	25.4	24.1
Latin America & Caribbean	0.7	0.9	1.1	1.3	1.7	2.0	2.1
Middle East & North Africa	1.0	1.2	1.4	1.6	1.6	1.7	1.6
North America	27.9	26.1	23.8	23.4	23.8	25.3	25.4
United States	24.4	23.3	20.9	20.8	20.9	22.2	22.1
South Asia (India)	0.6	0.6	0.8	0.8	0.9	1.2	1.0
Sub-Saharan Africa	0.6	0.6	0.6	0.5	0.6	0.6	0.5
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Source: OSIRIS; the author's calculations; * based on U.S. dollar value of assets.*

With respect to the U.S., the advent of the GFC and associated corporate failures saw a significant decline in the share of U.S.-based companies in the global Top 1,000, from 27 per cent in 2005 to 24.3 per cent in 2007 and 23.6 per cent in 2008. However, since 2008 the rate of decline has been relatively slow, with only a small further reduction to 23.2 per cent by 2011. Again, a focus on the number of companies in the Top 1,000 may obscure from some important details, and in doing so exaggerate the impact on the financial and economic power of U.S.-based listed corporations. While the U.S. has a reduced share of the Top 1,000 companies domiciled within its borders, the value of assets under control of these companies has actually increased from the low achieved in 2008 of 20.8 per cent, at the height of the GFC, to 22.1 per cent as of 2011.

This robustness in the value of assets held by U.S.-based large listed companies reflects, amongst other factors, the diversification of the U.S. in terms of industrial structure (Table 4). In particular, the U.S. was not as overweight on financial sector companies (banks, diversified financials and insurance) as was the global Top 1,000 at the start of the GFC (Tables 3 and 4). At the same time, the U.S. was relatively overweight in consumer staples, health care, information technology, and utilities, which may be less effected by economic downturns. Indeed, we can observe that as a percentage most of the fall in the U.S. share of the global Top 1,000 occurred at the start of the GFC in 2007. Thus, the decline in the U.S. of its share of the global Top 1,000 preceded the fall in share of these large, listed companies in, for example, the Euro area by one year. This reflects the earlier emergence in the U.S. of the credit crisis, and the early collapse and acquisition of a number of U.S. controlled companies in the financial and consumer durable industry sectors.

Table 3

Industry composition of Global Top 1,000 listed companies* (% of Total Companies)

Industry	2005	2006	2007	2008	2009	2010	2011
Energy	5.2	5.6	5.6	5.8	6.3	6.1	6.4
Materials	5.5	5.2	5.2	5.4	5.1	5.0	5.1
Capital Goods	11.1	10.9	11.0	10.7	10.0	10.1	9.9
Consumer Discretionary	8.0	7.4	6.6	6.0	6.3	5.7	5.8
Consumer Staples	5.2	4.9	4.5	4.7	4.5	4.5	4.3
Health Care	2.6	2.9	2.7	2.7	2.7	2.7	2.9
Banks	30.2	31.2	32.2	33.0	32.9	33.3	33.1
Diversified Financials	6.7	7.2	7.4	7.4	7.6	7.9	7.8
Insurance	7.6	7.4	7.5	7.9	8.2	8.3	7.6
Real Estate	2.7	3.2	3.4	2.8	2.6	2.5	3.1
Information Technology	4.1	3.9	3.6	3.5	3.5	3.6	3.6
Telecommunication Services	3.7	3.5	3.6	3.6	3.7	3.6	3.6
Utilities	7.4	6.7	6.7	6.5	6.6	6.7	6.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Source: OSIRIS; author's calculations; * based on U.S. dollar value of assets.*

Table 4

Industry composition of U.S. Domiciled Global Top 1,000 listed companies* (% of Total)

Industry	2005	2006	2007	2008	2009	2010	2011
Energy	5.9	6.1	6.2	7.2	8.1	8.4	8.6
Materials	1.9	1.9	2.1	2.5	2.4	2.7	2.6
Capital Goods	11.1	10.7	10.7	10.2	9.7	9.8	9.5
Consumer Discretionary	12.6	12.3	11.1	11.0	10.9	10.2	10.3
Consumer Staples	7.8	7.7	7.4	7.2	6.1	5.3	5.2
Health Care	5.9	6.5	6.6	7.2	6.9	7.1	7.3
Banks	12.2	12.3	12.3	11.4	11.7	10.2	10.8
Diversified Financials	9.6	11.1	11.9	12.3	13.0	14.2	13.4
Insurance	10.4	10.3	10.7	10.2	10.9	10.7	10.3
Real Estate	2.6	2.3	2.9	2.1	2.0	1.8	2.6
Information Technology	7.8	7.3	6.6	6.8	6.9	7.6	7.3
Telecommunication Services	1.1	1.1	1.2	1.3	1.6	1.8	1.7
Utilities	11.1	10.3	10.3	10.6	9.7	10.2	10.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number	270	261	243	236	247	225	232

*Source: OSIRIS; author's calculations; * based on U.S. dollar value of assets.*

While hosting an increasing number of the global Top 1,000 listed companies (Table 1), it is apparent that the rapid growth in China's position reflects the start from a small initial base. Additionally, China still lacks the industrial diversification attained by the U.S., potentially concentrating its global influence to a more limited range of industries than suggested in its growth in economic power (Table 5). This is reflected in the concentration of China's share of the Top 1,000 companies in the energy, materials, capital goods, utilities and, particularly, banking sectors.

With respect to the value of assets held in the Top 1,000 listed companies controlled within specific regions/countries, it is apparent that following an initially large jump at the start of the GFC in 2007 the rate

of decline of assets under North American (especially U.S.) control has progressed at a relatively slow and steady pace (Table 2). This decline has been exceeded in absolute level (percentage) by the gain in China's (and the East Asian-Pacific's) share of Top 1,000 assets, reflecting that some of this gain has been at the expense of the share of Top 1,000 companies in the European & Central Asia and Sub-Saharan Africa regions.

Table 5

Industry composition of Chinese Domiciled Global Top 1,000 listed companies* (% of Total)

Industry	2005	2006	2007	2008	2009	2010	2011
Energy	15.0	14.3	11.5	9.4	8.6	7.5	9.3
Materials	5.0	4.8	3.8	6.3	5.7	5.0	9.3
Capital Goods	10.0	14.3	23.1	18.8	17.1	20.0	20.9
Consumer Discretionary	0.0	0.0	0.0	0.0	2.9	2.5	2.3
Consumer Staples	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	45.0	42.9	34.6	37.5	40.0	35.0	32.6
Diversified Financials	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance	10.0	9.5	11.5	12.5	11.4	10.0	7.0
Real Estate	0.0	0.0	0.0	3.1	2.9	5.0	4.7
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Telecommunication Services	10.0	9.5	7.7	6.3	5.7	5.0	4.7
Utilities	5.0	4.8	7.7	6.3	5.7	10.0	9.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number	20	21	26	32	35	40	43

*Source: OSIRIS; author's calculations; * based on U.S. dollar value of assets.*

Table 6

Region/Country distribution of Top 1,000 listed companies*
(% of Total Market Capitalisation)**

Region/Country	2005	2006	2007	2008	2009	2010	2011
East Asia & Pacific	20.1	19.7	16.3	18.5	20.2	20.3	20.9
Australia	1.5	1.5	1.7	2.5	2.3	2.2	2.9
China	0.4	1.3	2.0	2.3	3.1	2.9	2.7
Japan	13.3	11.4	7.2	8.3	8.5	7.8	8.2
Europe & Central Asia	32.1	35.3	36.8	34.7	35.2	32.5	29.0
Euro area	18.0	18.6	21.9	20.4	19.9	16.4	14.2
Latin America & Caribbean	0.5	0.6	1.1	0.9	2.1	2.2	2.0
Middle East & North Africa	2.7	1.4	8.4	2.0	2.2	2.2	1.9
North America	43.8	42.1	36.3	42.3	38.7	40.3	44.8
United States	40.7	39.1	33.1	39.1	35.0	36.0	40.5
South Asia	0.4	0.5	0.6	1.1	1.0	1.9	0.8
Sub-Saharan Africa	0.4	0.5	0.4	0.6	0.5	0.6	0.6
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Source: OSIRIS; author's calculations; * U.S. dollar value of assets; ** some missing values for market capitalisation.*

Given the volatility of stock markets globally during this period, the decline in the North American/U.S. shares of the total market capitalisation of equity of the Top 1,000 companies (Table 6) has been less consistent than that of assets (Tables 2 and 6), although the pattern of change in this area reflects that in the U.S. equity market overall (Figures 4 and 6). Thus, while initially declining in share as a result of the GFC,

and subject to significant volatility over the 2005 to 2011 period, the U.S. listed companies in the Top 1,000 have regained (and even increased) their share in global market capitalisation of the Top 1,000 companies. However, as discussed briefly above, this observed pattern may reflect measurement problems caused by fluctuations in the value of the U.S. dollar against other major currencies to some extent (Figure 3).

As is apparent from Table 6, China's share of the market capitalisation of the Top 1,000 companies is relatively low, and broadly reflective of its share of global Top 1,000 companies by number. Thus, while its large, listed companies control a large share of the value of total assets in the Top 1,000, this is yet to be reflected in the value of these companies stocks.

5. CONCLUSIONS

As suggested at the start of this paper, the intent has been to provide an overview of selected economic and financial changes that have occurred over the period immediately preceding, associated with, and post the GFC, in order to address a few key research questions. The first was whether the GFC has accelerated the shift of economic and financial power towards China (and the Asian-Pacific region more generally), and whether this has been at the expense of the U.S. as has been suggested in some of the political economy literature analysing the GFC and its impact. The second was the impact of the GFC on the share of large multinational companies domiciled in China, an issue that has received limited attention. To this end simple data on the relative position of countries and regions has been presented capturing GDP, market capitalisation, and the value of assets, all measured at current U.S. dollar values. It is this latter feature that must be recognised as a significant limitation of this overview, and one to be addressed in a more thorough analysis of these issues in the future. It is hoped that the conclusions reached here will be of sufficient interest, and controversy, to attract such additional research.

On the first issue, of whether the GFC has accelerated the shift of economic and financial power towards China/the Asian-Pacific, and whether this has been at the 'expense' of the U.S. Much of the overall decline in the value of North American/U.S. share of global output is part of a trend that has been present over the 2000s. During this period the East Asian-Pacific share of world GDP can be seen to have been relatively stable (and even declined until 2006–2007). However, rather than accelerate the decline in the North American/U.S. share of global output, as suggested in the political economy literature, the GFC seems to have temporarily stabilised the share. Following the GFC, the U.S. decline would appear to have moved back towards its previous trend.

In the area of financial power, as approximated by the share of global equity market capitalisation, the picture is clearer. The East Asian/Pacific region has grown significantly in terms of its importance over the 2000s. However, in each case the data suggests that rather than accelerating the economic and financial shift from North America, the GFC may have acted to (at least temporarily) stabilise and even to have increased the U.S./North America's relative position. This reflects that, rather than being a North Atlantic event, the GFC was a global event which impacted more heavily on many regions outside North America than within the region, especially with respect to the relative decline in value of equity in the major economies that occurred during and post the GFC.

The above does not detract from China's economic emergence. This is part of a longer-term trend reflecting China's relatively rapid growth in GDP over the 2000s, even if it is not an event associated strongly with the GFC (although during the GFC China has maintained a strong economic performance). Indeed, it is China's strong growth, which has maintained the Asian-Pacific region's share of global output. This is in the presence of a significant decline in the share of world income provided by Japan. Thus we can see a shift of economic and financial power not, *per se*, to the Asian-Pacific region, but within the region to China (and regionally and globally away from Japan).

In the area of market capitalisation, it is clear that China has provided most of the growth in the East Asian-Pacific region's share (supported by less spectacular, but relatively strong growth in countries such as Australia). It is, however, not clear that the GFC has provided the greatest impetus for this growth, with China gaining little in its share of equity market capitalisation over this period. This is despite significant outperformance of its stock markets relative to major markets in the western world. Rather, it should most likely be seen as a direct result of the emergence and growth in the Chinese market oriented economy and financial system.

On the second matter of the impact of the GFC on the global share of large multinational companies resident in China (and expected as part of the ongoing process of globalisation). While it is apparent that

China appears to have made significant gains in share of the global Top 1,000 companies, it is also clear that it still holds a relatively small share of the total. This is even following the GFC and the North Atlantic regions' problems. Additionally, China would be expected to have gained a greater share of the global Top 1,000 listed companies over the second half of the 2000s. This is as a direct result of its continued listing of large state owned enterprises (particularly banks), and the relatively rapid growth in its economy (and relative outperformance of its stock markets). Also observed was the relative lack of industrial diversification in those of China's large list companies that were included in the Top 1,000 by U.S. dollar value of assets.

Finally, the data presented in this chapter suggests that while severe in impact, the U.S. does not appear to have had its relative global position weakened by the GFC to the extent expected by some authors (with respect to the large companies still under U.S. control). To some extent it appears that it has benefitted from the well-diversified industrial structure of those U.S.-based companies that were included in the global Top 1,000 used in this paper.

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Appendix A: Data sources

GDP and total market capitalization data for countries and regions are derived from the World Bank, World Development Indicators (http://databank.worldbank.org/). These figures are based on current U.S. dollar values.

Data on the value of assets, market capitalization, country of registration, and industry for the global Top 1,000 listed companies is derived from the Bureau van Dijk OSIRIS database. The reference to listed indicates that the company is either currently listed or was listed in the year for which data was collected.

Industry classifications are based on an aggregation into 12 industry groups (Energy, Materials, Capital Goods, Consumer Discretionary, Consumer Staples, Health Care, Banks, Diversified Financials, Insurance, Real Estate, Information Technology, Telecommunication Services, and Utilities) based on data derived at the eight-digit level based on the global industry classification standard (GICS). For consistency with the GDP and market capitalisation data, the global Top 1,000 listed companies are identified based on either the current U.S. dollar value of assets in each year. This means that the Top 1,000 by assets need not be match with a figure for market capitalisation, suggesting that these initial observations be treated with some caution.

Data on the level of major stock price indices and on the level of major exchange rates is sourced from Datastream (monthly basis).