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Abstract

The idea that China, once the center of world revolutionary passion, should lead global capitalism is as unexpected as it is ironic. But the emergence of the transnational capitalist class (TCC) has promoted a multi-centric world order where "everything solid melts into air." Disappearing is the dominant position of the US, further undercut by the erratic nationalism of President Trump. With the US acting as if globalization is the unwanted step-child of its hegemonic power, the guardianship of transnational capital has fallen to the Chinese.

Keywords

China Foreign Policy, US Foreign Policy, Rise of China, Transnational Capitalist Class

Introduction

The idea that China, once the center of world revolutionary passion, should lead global capitalism is as unexpected as it is ironic. But the emergence of the transnational capitalist class (TCC) has promoted a multi-centric world order where "everything solid melts into air." Disappearing is the dominant position of the US, further undercut by the erratic nationalism of President Trump. With the US acting as if globalization is the unwanted step-child of its hegemonic power, the guardianship of transnational capital has fallen to the Chinese.

Under the tutelage of Deng Xiaoping, China became a vessel for foreign direct investment becoming the manufacturing workshop of the world. The Communist Party (CCP) leadership adopted the view that modernization and development could only take place if China integrated with global markets. As foreign capital flooded into the coast, land reform sent millions of former socialist peasants to work in the world's sweatshops. Under Jiang Zemin further reforms shut thousands of state-owned enterprises (SOEs) resulting in 30 million unemployed workers now ready for employment at FoxCom, Honda, and Walmart. Consequently, under state engineering manufacturing and finance began to merge with transnational capital, creating a private sector capitalist class, as well as a statist transnational capitalist class.

The Chinese TCC has been cautious in taking on the role of world leadership. But as China grew to the second largest world economy the CCP wanted to step-up the value chain ladder, develop a consumer middle class, and take the lead in key technologies such as robots, electric cars, green energy, and semi-conductors. With capital accumulation bulging out of the pockets of state banks and their sovereign wealth fund, President Xi's call for "outward bound" investments opened a new door for accumulation. No longer would China simply be a platform for foreign investments, but a global power taking the lead on foreign direct investments (FDI), and sending their capital into the markets of the world. China also faced the problem of saturated home markets, typical of developed capitalist economies. With a massive infrastructure nearly completed, the need for steel, cement, coal, and other basic industrial goods has shrunk, and the giants of manufacturing now overproduce their once sought after commodities. Turning abroad responds to their need for growth and accumulation.

All this comes along at a time of US retreats, not of the US TCC, but in terms of state political leadership. With TCC hegemony taking hold in the 1980s neo-liberal policies enforced austerity for the working class, while the rich got ever more. Ripping apart of the New Deal safety net in the US, the Keynesian social compromise in Europe and the Iron Rice Bowl in China, the TCC have seen their wealth and power expand like an exploding sun. A populist political reaction has been slowly boiling underneath, taking both right and left forms. In the US this was represented by the Bernie Sanders campaign, as well as Trump.

The problem confronting the TCC is maintaining political legitimacy for their rule. Unlike the major hegemonic blocs of the twentieth century, Keynesianism, Communism, and Fascism, neo-liberal globalization lacks a mass social base outside its elite consensus and limited middle-class support. Although transnational hegemony consolidated, it still has to constantly battle the remaining relationships, ideology, and culture of the nation-centric international system. As Karl Marx wrote:

> *Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living. And just as they seem to be occupied with revolutionizing themselves and things, creating something that did not exist before, precisely in such epochs of revolutionary crisis they anxiously conjure up the spirits of the past to their service, borrowing from them names, battle slogans, and costumes in order to present this new scene in world history in time-honored disguise and borrowed language*.[1]

Marx's insights are relevant today, where the central contradiction is the struggle between the nation-centric system with its Keynesian social contract, and transnational capitalism with its neo-liberal rearrangement of society. The TCC works to reengineer governance, economic institutions, culture, and ideology, but "under circumstances existing already, given and transmitted from the past." The new order is in constant conflict with the old, which struggles to reassert itself to define the future. Never developing a large and mobilized social base neo-liberal globalization has been open to political challenges. Such challenges intensify as the environmental crisis unfolds, and the economic crisis continues to produce greater inequality. Global capitalism is ever evolving under such pressure. Responding to nation-centric challenges the TCC will use nationalist "battle slogans, costumes…and borrowed language" to disguise globalization. And so we get Donald Trump.

State actors are at the spear point of this contradiction. On the one hand they pass law after law pushing neo-liberal reforms, and promote regulations that expand and protect TCC economic imperatives. On the other hand they must protect political legitimacy for the system, and contend with all the old relationships from the past Keynesian hegemonic bloc and nationalist orientation. This creates space

[1] See https://www.goodreads.com/quotes/114782-men-make-their-own-history-but-they-do-not-make.

for oppositional political movements to win concessions when the political balance of forces move in their direction.

Trump seized upon this space to “conjure up the spirits of the past” with his “Make America Great Again” campaign. Cloaking the true character of his regime Trump uses the “battle slogans” and “borrowed language” of nationalism, while surrounding himself with globalist elites from Wall Street. The TCC remain in Trump’s power bloc, but in an uncomfortable and unstable alliance with the alt-right and Christian fundamentalists.[2] Financial elites salivate over the promise of lower taxes and repeal of the Dodd-Frank Act. Nonetheless, from time-to-time the nationalist beast must be fed. The TCC now has a mass base, but one they don’t really want. The major concession was dropping out of the Trans-Pacific Partnership, but both the Republicans and Democrats realized they couldn’t afford to push it any further. Withdrawing from the Paris Climate Agreement wasn't so much an act of nationalism, as a gift to Trump’s fossil fuel friends who are a major part of the TCC sector. What is left is faux-populism and attacks against immigrants, Muslims, and appeals to racial divisions. His erratic personal style, his need to compromise with nationalist demands, and the influence of the alt-right in his administration has resulted in a steep loss of US influence around the world. But the debilitating wars in the Middle East and the turtle pace recovery from the 2007 crash had undermined US leadership well before Trump ever entered the White House.

Trump's power bloc is far from a new hegemonic bloc that unites all sectors of the capitalist class behind a dominant ideology and political project. The neo-Keynesian TCC are a solid opposition within the Democratic Party. Green capitalists that span the political spectrum have a different strategic vision based in market environmentalism. And Trump has alienated even those TCC representatives who were willing to work on various high profile corporate committees.

But splits within the TCC have been evident ever since the 1997 Asian crash.[3] The social fallout from that crisis caused some major economists, such as Paul Krugman and Joseph Stiglitz, to move to the left and break with neo-liberalism. Centrists such as Lawrence Summers and Christine Lagarde began to call for structural restraints on widely speculative capital, and now talk of "inclusive capitalism." But still a large section of the TCC, mainly based in finance, remain committed to the most extreme forms of neo-liberal austerity and maximum freedom for the movement of capital. George Soros has labeled this fraction "market fundamentalist," and this sector forms a key pillar in Trump's power bloc.

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[2] Harris, Jerry, Davidson, Carl, Fletcher Jr., Bill, and Harris, Paul. (2017). “Trump and American Fascism.” *International Critical Thought.*

[3] Robinson, William, Harris, Jerry. (2000). "Towards a Global Ruling Class: globalization and the Transnational Capitalist Class." *Science and Society,* Vol. 64, NO. 1. Pp. 11-54.

Trump's policies are an attempt to re-implement the Washington Consensus in its most fundamentalist neo-liberal form. These include major tax breaks for the rich, attacks on labor and social services, deregulation of finance and energy, privatization of the infrastructure, and charter schools to undermine public education. All of these are cherished goals of the original TCC project as it emerged under Reagan and Thatcher, and were consistently pursued at the WTO and IMF. Trump's cabinet is a shrewdly built alliance between market fundamentalist and the theocratic Right, with major economic and commerce positions given to the TCC, and positions over social issues conceded to the reactionary Christian wing of the Republican Party. From the TCC we have CEO Rex Tillerson from Exxon-Mobile as Secretary of State, billionaire and former Goldman Sachs partner Steven Mnuchin at Treasury, president of Goldman Sachs Gary Cohn as head of the Council of Economic Advisors, Scott Pruitt representing the fossil fuel TCC at the EPA, and private equity billionaire Wilbur Ross as Commerce Secretary. On the theocratic Right we have Vice-President Pence, Attorney General Jeff Sessions, Housing and Urban Development under Ben Carson, Tom Price as (ex)Secretary of Health and Human Services, and Betsy DeVos at the Department of Education.

Trump himself is deeply involved in transnational capitalism with investments in twenty countries including: Argentina, Azerbaijan, Bermuda, Brazil, Canada, China, Dominican Republic, Germany, India, Indonesia, Ireland, Panama, Philippines, Qatar, Saudi Arabia, Scotland, St. Martin, South Korea, Turkey, the UAE, and Uruguay. All these investments and deals create deep ties to the TCC in both the global north and south.

The problem for TCC market fundamentalists is that Trump's victory brought to power the nationalist, racist base that had been growing inside the Republican Party ever since Nixon's Southern strategy. Although losing their presidential campaigns, John McCain and Mitt Romney had kept this base in check and continued TCC leadership within the party. But Trump's victory shifted the power bloc. To win the White House the populist right-wing base had to be fully unleashed, and now concessions have to be made. Consequently Trump's continual racist, confrontational, and nationalist tweets and rallies contradict the multicultural and cosmopolitan culture necessary for globalization. This continual tension in the ruling power bloc undermines TCC hegemony to the point that space has opened for alternative global leadership to oversee the institutional governance structures of global capitalism.

The US and the UK were the first countries where the TCC applied neo-liberalism in its most naked form under Reagan and Thatcher. Deindustrialization and attacks on the social contract were deep and broad, and the hegemonic position of finance capital strong. It’s no wonder that populous reactions undercutting the legitimacy of TCC political rule would explode in the most disruptive manner, having greater ramifications than those in other EU countries, Canada, or Australia.

On basic transnational economic questions the US and UK constituted a core TCC alliance that provided stable global governance. With the largest financial centers in the world situated in London and New York, powerful fossil fuel interests in both countries, imperialist militaries, and long historic ties the UK and US TCC factions had enormous influence on structuring transnational state institutions, trade pacts, and neo-liberal social policies. Now the weakened position of the US/UK TCC as consequence of the Brexit vote, Jeremy Corbyn, Donald Trump, and Bernie Sanders has resulted in a necessary retreat from leadership. Political elites representing their interests are having considerable difficulty using their national state apparatus to control global governance. The balance of forces have changed. Under these circumstances the Chinese state TCC has stepped into the void, emerging to take a stronger role in promoting and organizing the global capitalist economy.

Transnational corporations (TNCs) are largely free of having to maintain political legitimacy. Although viewed with mistrust and anger by the working class, TNCs pursue their economic goals relying on their political representatives to deal with populous outrage. We can compare the decline of the US to the rise of China, but we need to keep in mind that the TCC is integrated when it comes to manufacturing and finance. Nevertheless, state political actors and transnational bureaucrats can represent different visions over how globalization should be carried out as a result of historic differences and inherited inequalities. This is particularly sharp when it comes to China and other TCC factions from the global South. Consequently, the US "empire" under Trump is a complex mix of TCC integration, competition over transnational governance structures, overlaid with concessions to a nationalist base. Nevertheless, the overall project of a borderless free world for global capitalism remains the constant for all TCC fractions. Between 2001 and 2015 there have been 1,536 changes in national investment laws covering hundreds of countries. Of those, 1,202 have liberalized policies opening up borders to greater flows of transnational capital. China has been no exception. The United Nations Conference on Trade and Development (UNCTAD) reports that: "*China* and *India*—were the most active in opening up various industries to foreign investors."[4] (italicized in the original)

Chinese and US Investments

Some basic statistics reveal the immense size of the integrated globalized economy. In 2016 the inward stock of FDI totaled $27 trillion;[5] foreign affiliates of TNCs had

[4] UNCTAD. (2016). *World Investment Report 2016*. UN Publications Geneva. Pp. 104-105.
[5] UNCTAD. (2017). *World Investment Report 2017*. UN Publications Geneva. Pg. 26

total assets of $113 trillion, sales of $38 trillion, value added of $8 trillion, exports of $7 trillion, and employment of 82 million workers.[6]

In 2016 among the 100 largest, non-financial TNCs foreign assets made up 62 percent of their total assets, 64 percent of their total sales, and 57 percent of their total employment.[7] With such deeply integrated cross-border activity assigning strict national identities results in a false picture of how global capitalism functions. Immersion in transnational circuits of accumulation is the key characteristic that defines the dominant sector of the capitalist class. And when it comes to moving money offshore the Chinese TCC is no different from other factions. Between 2010-2014 Chinese and Hong Kong capitalists moved $193 billion into the British Virgin Islands and Cayman Islands, 43 percent of the total during those years.[8]

State-owned enterprises dominate significant sections of the Chinese economy. And many of these SOEs have a huge global footprint. China has nine of the world's 13 largest financial SOEs. Financial institutions are the heart of global capitalism, taking in and pumping out investments through the veins of worldwide accumulation. From a nation-centric viewpoint these would appear to be national champions in competition with US, Japanese, EU, and other national corporations. But when we view the actual percent of Chinese state ownership the role of transnational capital becomes apparent.

Table 1: China's Largest State Financial Institutions[9]

SOE & World Rank	State Ownership (%)	Assets (US trillions)	Employment
#1. Industrial & Commercial Bank of China (ICBC)	34.6	3.4	433,346
#2. China Construction Bank Corp	57.0	2.8	369,183
#3. Agricultural Bank of China Ltd	40.0	2.7	503,082
#5. Bank of China	64.0	2.6	310,042
#6. Bank of Communications	26.5	1.1	89,269
#8. China Merchants Bank	26.8	0.843	31,120
#9. Shanghai Pudong Development Bank	20.0	0.777	48,427
#10. Ping An Insurance	32.2	0.734	300,000
#13. China Life Insurance	100.0	0.466	98,823

Chinese SOEs have accepted investments from global financial institutions as a means to integrate with the TCC. BlackRock as the largest investment firm in the

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6 Ibid. Table 1.4
7 UNCTAD. *World Investment Report 2017*. UN Publications Geneva. Pg. 29, Table 1.5.
8 UNCTAD. *World Investment Report 2016*. UN Publications Geneva. Pg. 34, Figure 1.22.
9 UNCTAD. (2017). *World Investment Report 2017*. UN Publications Geneva. Pg. 34, Table 1.7.

world is a good example. BlackRock has investments that include: Bank of China, ICBC, China Construction Bank, China Life Insurance, China Pacific Insurance, CITIC, SINOPEC, PetroChina, China Railway Construction Corporation, China Rail Engineering General Corporation, China Telecommunications, and China Communications Construction Corporation. Other financial institutions with similar investments include: Fidelity, HSBC, JP Morgan, State Street, Vanguard, UBS, Invesco, Barclays, Deutsch Bank, BNP Paribas, and many others. Such investments create a web of common interests among different sections of the TCC.[10] So for example, when China Communications Construction Corporation builds a port in Brazil its transnational investors also profit. The same is true when ICBC provides Petrobras and Vale with $6 billion in loans, or the Bank of China sends $480 million to Ecuador, a percent of the interest payments flow to BlackRock and other financial TNCs.

Significant amounts of capital have moved in the opposite direction as well, from China to the US. CIC, China's $300 billion sovereign wealth fund has invested in the following US companies: AIG, Apple, Bank of America, Blackstone, Citigroup, Coca-Cola, Johnson & Johnson, Morgan Stanley, Motorola, News Corp, and Visa. Overall CIC has equity stakes in more than 60 US corporations.[11] As of 2016 Chinese SOEs and private TNCs had invested $109 billion in the US. The three largest areas of investments were energy, information communication technology, and real estate and hospitality.

But these are not strictly "Chinese" investments, since US and other foreign investors hold stock in these TNCs. A good example is Shuanghui's $4.7 billion acquisition of Smithfield Foods. US private equity firm CDH holds 34 percent of Shuanghui's stock, Goldman Sachs five percent, and three percent is held by Tamasek, Singapore's sovereign wealth fund. The Chinese private equity corporation New Horizon Capital also has five percent, but their partners are Tamasek and SBI Group from Japan. The acquisition was arranged by an offshore entity in the Cayman Islands, set-up by Shuanghui with help from Morgan Stanley.[12]

To deepen our understanding of the transnational character FDI and foreign affiliates we can turn to a study by UNCTAD. The study looked at 4.5 million corporations starting from local direct ownership of foreign affiliates, up through the hierarchy to ultimate ownership. Such a method considers the growth of transnational production, the links between value chains and the integration of the

[10] Harris, Jerry. (2016). *Global Capitalism and the Crisis of Democracy*. Clarity Press, Atlanta.
[11] Harris, Jerry. Edited by Murray, Georgina and Scott, John. (2012). "Outward bound: transnational capitalism in China." In *Financial Elites and Transnational Business: Who rules the World?* Edward Elgar Publishing Limited. Cheltenham, UK. Pp. 220-241.
[12] Harris, Jerry. (2016). *Global Capitalism and the Crisis of Democracy*. Clarity Press. Atlanta, Pg. 205.

world economy, and how all this is reflected in corporate structures. The UNCTAD reports that:

> *Firms, and especially affiliates of multination enterprises (MNEs) are often controlled through hierarchical webs of ownership involving a multitude of entities. More than 40 per cent of foreign affiliates are owned through complex vertical chains with multiple cross-border links involving on average three jurisdictions. Corporate nationality, and with it the nationality of investors in and owners of foreign affiliates, is becoming increasingly blurred*.[13]

The 100 largest TNCs have an average of 549 affiliates over a network of 56 countries with 19 holding companies Among these, 52 percent of the foreign affiliates had financial institutions as their ultimate owners, 12 percent were owned by SOEs, and individuals or families owned 18 percent. The larger the corporation the more complex the ownership structure becomes. For example, 53 of the top 100 have a mismatch between the direct and ultimate ownership of 82 percent.[14]

Mismatch between the direct and ultimate owner can take three basic forms: 1) domestic direct owner and foreign ultimate owner, 2) foreign direct owner and foreign ultimate owner (of different countries), and 3) foreign direct ownership and domestic ultimate ownership. Looking at mismatch by industry we see mining with 57 percent; accommodation and food services 55 percent; electricity 54 percent; financial services 49 percent; manufacturing at 47 percent; information and communication 40 percent; construction 40 percent; and wholesale and retail at 34 percent.[15]

As UNCTAD explains,

> *Investor nationality is not what it seems…ownership and control are sometimes extremely dispersed—affiliates are owned by direct and indirect shareholders within the same MNE spread across on average three jurisdictions…even minority ownership stakes can be sufficient to exercise control, through the use of cross-shareholdings, preferential shares or voting blocs. And there are non-equity forms of control (such as contracts and licensing agreements, or control over key inputs, distribution channels, brands, patents trademarks, etc.) that cannot be deduced from company*

[13] UNCTAD. (2017). *World Investment Report 2016*. UN Publications Geneva. Pg. 138.
[14] Ibid. Pp. 145, 149, 165.
[15] Ibid. Pg. 171.

shareholder registers and often remain indivisible to investment authorities and regulators.[16]

Consequently, when looking at national figures we need to remember FDI most often consist of a consortium of global investors, although notated by the national identity of the lead TNC. National competition occurs, but the character of that competition is over constructing the institutions of a common global project, not competition between opposing national economies. All states under the hegemony of the TCC see globalization and national development as strategically linked, with deeper transnational integration as their common goal. But state actors, often driven by internal political pressure, may clash over leadership roles in transnational governance and economic institutions. In other words, the *transnational state* is an arena for competition, just like ruling class conflicts over the political direction of national states since the inception of the system. Other important actors are elite think tanks that bring together business, political and cultural elites from different countries.[17] Such think tanks develop strategic policies based on their political/economic views on questions of transnational importance, not on nation-centric concerns, Therefore, it's important to understand the difference between competition over global governance, and those over market rivalries that mainly exist between different blocks of TNCs consisting of a variety of national investors.

This applies to US and Chinese statistical data. What we see is the leading role of Chinese and US corporations in organizing global capital, rather than direct national competition. At the end of 2016 China’s outbound capital ranked number two, just behind the US. China and Hong Kong combined for outbound FDI of $245 billion, and the US registered $299 billion.[18] It’s clear that both countries are playing a key role in the circulation of global capital. In Table 2 we can see how much total stock China and the US holds by region. These figures should reflect the advantage of US investments because of the much longer history of FDI by US TNCs. Nevertheless, China is rapidly catching up, this is evident in announced greenfield investments, which reveal future FDI in new infrastructure, mining, and manufacturing facilities.

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[16] Ibid. Pg. 196.

[17] Carroll, William K. (2010) *The Making of a Transnational Capitalist Class*. Zed Books. London and New York.

[18] UNCTAD. (2017). World Investment Report 2017. UN Publications Geneva. Pg. 14, Figure 1.14.

Table 2: Chinese and US FDI by Region

Region & Country	Year	Total FDI Stock (US billions)	Announced Greenfield Development (US billions)
Africa: US[19]	2015	64	3.6
Africa: China[20]	2015	35	36.1
Asia: US[21]	2015	533	49.5
Asia: China[22]	2015	1.373	44.2
Latin Am: US[23]	2016	224	21.6 (includes Canada)
Latin Am: China[24]	2016	50	2.7
Least Developed Countries: US[25]	2016	7	3.4
Least Developed Countries: China[26]	2016	31	14.0
Transition Economies: US[27]	2015	10	0.959
Transition Economies: China[28]	2015	23	5.1

Another insight into China's growing role in global capitalism is their percent of total FDI in individual countries. Although just before the big surge of Chinese outbound capital, a worldwide study by Gregor Alsch, Josh Keller, and K.K. Rebecca Lai over the years 2005-2013 is revealing. Following are some results for the proportion of Chinese FDI by region and selected countries (all numbers in percent).[29]

[19] Ibid. Pp.44-45.
[20] Ibid.
[21] Ibid Pp.49-50.
[22] Ibid.
[23] Ibid. Pp. 57-58.
[24] Llorent & Cuenca. (2016). *Special Report: China's Contribution to the renewal of the Latin American economic model*. developing ideas, Madrid. March.
[25] UNCTAD. (2017). World Investment Report 2017. UN Publications Geneva. Pp. 78-79.
[26] Ibid.
[27] Ibid. Pp. 64-65.
[28] Ibid.
[29] Alsch, Gregor, Keller, Josh, and Lai, K.K. Rebecca. (2015). "The World According to China." https://www.nytimes.com/interactive/2015/07/24/business/international/the-world-according-to-china-investment-maps.html.

> **Africa:** Cameroon 35, Chad 33, Congo 31, Ethiopia 4, Guinea 69, Kenya 7, Mauritius 21, Mozambique 22, Nigeria 12, Niger 53, South Africa 16, Tanzania 19, Uganda 28, Zambia 16, Zimbabwe 82.
>
> **Asia**: Australia 16, Brunei 39, Cambodia 10, India 1, Indonesia 12, Japan 3, North Korea 93, South Korea 3, Sri Lanka 27, Vietnam 2.
>
> **Eurasia:** Tajikistan 22, Kazakhstan 15, Mongolia 11, Russia 4.
>
> **Europe:** France 3, Greece 20, Germany 1, Portugal 9, UK 2.
>
> **Latin America:** Argentina 11, Brazil 7, Ecuador 57, Peru 15, Venezuela 12.
>
> **Middle East:** Afghanistan 79, Egypt 8, Iran 13, Iraq 38, Pakistan 7, Turkey 2, Syria 30, Yemen 19.

What immediately stands out is China's strong position in Africa. But the big surprise is China's large share of investments in Afghanistan, Iraq, and Syria. Such figures are hard to explain if these wars are understood as efforts to secure an exclusive US empire. An alternative explanation is to see US military action as attempts to stabilize and secure the Middle East for global capitalism.

The Chinese Path to Leadership

China has taken a number of distinct steps in its emergence as a leader of global capitalism. Some of the most significant were the creation of the BRICs bank, the Asian Infrastructure Investment Bank, the promotion of the Regional Comprehensive Economic Partnership, and the strategic economic plan for the One Belt One Road (OBOR).

The Brics Bank, now known as the New Development Bank (NDB), was first proposed by India in 2012. Set up with a reserve of $100 billion, with each member (China, Brazil, India, Russian, and South Africa), having equal voting rights. Headquartered in Shanghai the bank's priority has become promoting renewable energy. In 2016 seven such projects were approved for $3.6 billion, with all loans going to member states. The importance of NDB was underlined by Nobel Prize economist Joseph Stiglitz who stated the founding marks a "fundamental change in global economic and political power."[30] The NDB was a coming out party for the rapidly emerging economies of former colonial countries and socialist states. It was

[30] See https://en.wikipedia.org/wiki/New_Development_Bank.

a statement that globalization was not going to proceed as a Western project, but as a transnational endeavor in which new political and economic parity was expected. In 2016 the BRICS accounted for 22 percent of the world GDP, and held outward stock of $2.1 trillion, or 8 percent of the world's total. The BRICs also represent a strong statist TCC sector. There are close to 1500 state-owned TNCs in the world, holding 86,000 foreign affiliates. These include 15 of the top 100 global TNCs. Among the BRICs China has 257 state-owned TNCs, India 61, South Africa 55, Russia 51, and Brazil 12, all together about 29 percent of the total.[31] Although the BRIC bank may rebalance some historic disparities between the West and emerging Southern economies, it's a rebalancing of the TCC, not some socialist undermining of capitalism. Proposed the same year as the BRICs bank the Regional Comprehensive Economic Partnership (RCEP) was launched at the ASEAN Summit in Cambodia as a free-trade zone. With the withdrawal of the US from the Trans-Pacific Partnership, the statist TCC from China have touted the RCEP alternative with great fanfare. The pact would include 16 members and encompass seven of the 12 countries from the failed TPP. These include: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Lao, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, South Korea, and Vietnam. In addition, when visiting Latin America Chinese President Xi Jinping was quick to invite Chile and Peru to join. Both countries had been part of the TPP negotiations. As the state-run news agency *Xinhua* declared, Xi is an "ardent champion of globalization."[32]

At Davos Xi played the role of the newly crowned leader of globalization. *Newsweek* noted, "China could be the most powerful voice heralding the social and economic benefits of globalization, inviting countries to join free trade pacts that it hosts and organizes, and investing into developing countries to gain market access…Clearly, we are living in an upside-down world."[33] World leaders agreed, Davos World Economic Forum founder Klaus Schwab said, "In a world marked by great uncertainty and volatility the world is looking to China;" and former Swedish Primer Carl Bildt added, "There is a vacuum when it comes to global economic leadership, and Xi Jinping is clearly aiming to fill it. With some success."[34]

This was music to the ears of the Chinese TCC. According to He Yafei, Vice Minister, Overseas Chinese Affairs Office, there is a heated worldwide debate

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[31] UNCTAD. (2017). World Investment Report 2017. UN Publications Geneva. Pg. 31.

[32] Wharton Business School. (2017) "China's Global financial Integration: How Far, How Fast." http://knowledge.wharton.upenn.edu/article/chinas-global-financial-integration-far-fast/?utm_source=kw_newsletter&utm_medium=email&utm_campaign=2017-06-22.

[33] Momani, Bessma. (January 18, 2017). "Xi Jinping's Davos Speech Showed the World Has Turned Upside Down." http://www.newsweek.com/davos-2017-xi-jinping-economy-globalization-protectionism-donald-trump-543993.

[34] Barkin Noah, and Piper, Elizabeth. (January 17, 2017). "In Davos, Xi makes case for Chinese leadership role." http://www.reuters.com/article/us-davos-meeting-china/in-davos-xi-makes-case-for-chinese-leadership-role-idUSKBN15118V.

between the "deglobalization" and the "reglobalization" camps. Reglobalization lead by China seeks a "convergence," i.e. "a historical shift from Western governance to co-governance by the East and West." As he explains, "Reglobalization does not mean throwing away the current global governance system. China has repeatedly expressed its firm position that it wants to safeguard, reinforce and reform the existing governance system."[35]

Xi and the Chinese took a similar stance when the US withdrew from the World Climate Change Agreement negotiated in Paris. By affirming Chinese commitment Xi seized the reins of leadership from US political elites hampered by the Trump administration. Beyond words, China has leapt to the forefront in the production of alternative energy. Their investments into solar, wind, and electric cars now lead the world. In doing so they have firmly implanted themselves in the TCC fraction for which green capitalism is a strategic direction, and which has important support within the US and Europe.[36]

The most important initiatives for leadership are the twin projects of the OBOR and the establishment of the Asian Infrastructure Investment Bank (AIIB). This bank will play a major role in financing China's OBOR strategy to build a vast network of trade spanning Asia, Africa, the Middle East, and Europe. The AIIB sees its goal as eventually lending up to $1 trillion for building infrastructure to accommodate the globalized economy. This is the full integration of the developing world into global markets calling for the financing of roads, docks, airports, railways, dams, electronic highways and energy production. OBOR offers the most expansive vision of global capitalism and its future put forth by any country or faction of the TCC.

When China first put forth the call to establish the AIIB the Obama administration attempted to lead a worldwide boycott. This turned into a political rout when countries from every region rushed to join. First to break was the UK, their huge transnational financial sector located in London ignoring Washington's boycott. That broke the dam with Germany, France, Italy, and Norway quickly following. In Asia most of America's closest allies rushed to join the pack with South Korea and Australia leading the way. When Xi opened the founding ceremony 57 countries were present, including India, Russia, Saudi Arabia, Iran, and Israel. Membership is now at 77. Praise rolled in from the IMF, World Bank, and European Bank for Reconstruction. Although China retains the largest voting share at 26 percent, this is not enough to veto a simple majority, unlike the US veto hold over the IMF. Former managing director of the World Bank, Kevin Rafferty

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[35] Yafei, He. (January 4, 2017). "Globalization Isn't Doomed. It's Evolving, With China As A Leader." http://www.huffingtonpost.com/entry/globalization-china-leader_us_586bcee0e4b0d9a5945c8b2a.

[36] Harris, Jerry. Edited by DuRand, Cliff. (2016). "The left and the Green New Deal." In *Moving Beyond Capitalism*. Routledge. London and New York.

stated, “The United States has lost its way and is rapidly forfeiting claims to global financial, economic, political and moral leadership.”[37] Nevertheless, China has kept the door open for US participation. As AIIB President Jin Liqun said, “We have a standing invitation” for the US to join the bank.[38]

Beyond infrastructure, OBOR includes eliminating trade barriers, greater exploration and extraction of natural resources, stronger financial ties, free-trade regions, opening up services in education, culture, and health care, encouraging investments in child and elderly care, architecture, accounting and auditing, logistics, and e-commerce. Truly a borderless market for global capitalism in manufacturing, services and finance. As Wang Min, chairman of one of China’s large construction TNCs stated, “‘One Belt, One Road’ makes our internationalization strategy like a tiger with wings added.”[39]

The Western TCC has no such alternative vision of development except maintaining the present transnational status quo. But their ability to do so is being undercut by political disruptions and loss of legitimacy. Consequently, the AIIB and OBOR offer vast new markets for growth and accumulation, without which global capitalism would enter a climatic crisis. Therefore, the US and Western TCC is more than happy to join the project, essentially following Chinese leadership.

AIIB loans will be aided by further Chinese loans from CIC, the Export-Import Banks, the Bank of China, and other financial institutions. Besides taking part in loans and debt activity, transnational corporations will obtain contracts, acquire joint ventures, and be active in design, legal, financial and technical consultancies.

The Economist Corporate Network has produced a roadmap of infrastructure projects that cover 44 of the 68 countries included in the OBOR project.[40] Pinsent Masons looked at Kenya, Tanzania, and Zimbabwe as three representative African countries. Their study found 21 on-going developments worth about $21 billion, plus another 57 projects in pre-development stage. The key infrastructure project is a $14 billion extension of Kenya’s SGR rail line. The first stage is to connect the Mombasa sea port to Nairobi, and then onto Uganda, Rwanda, and South Sudan. The China Export Import Bank has extended loans for the first leg with China Road and Bridge Corporation serving as contractor. As Pinsent Masons comments, “The SGR presents a nearly ideal fit for the African component of China’s Belt-Road

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[37] Sander, Henny, and Rabinovitch, Simon. (August 8, 2013). “Chinese bank takes early step towards IPO.” *Financial Times*.

[38] Barboza, David. (January 23, 2012). “A Loophole Poses Risks to Investors in Chinese Companies.” *The New York Times*.

[39] Bradsher, Keith. (May 14, 2017). “U.S. Firms Want In on China’s global ‘One Belt, One Road’ Spending.” *The New York Times*.

[40] Pinsent Masons. (2016). “‘One Belt One Road’ Mapping China’s main outbound route. Pinsent Masons. London. http://beltandroad.hktdc.com/en/insights/one-belt-one-road-mapping-chinas-main-outbound-route.

objectives…Construction of the line will create a strategic economic asset that further binds together the economies of East Africa internally and with the world beyond."[41]

The most important OBOR country in Central Asia is Turkey, with 38 infrastructure projects valued at $35 billion. The $28 billion Shah Deniz II gas field in Azerbaijan is another key development that will eventually link countries in an energy network bringing natural gas to China. Also proposed is a "Silk Road High-Speed Railway" starting in Xinjiang and traveling to Kazakhstan, the Kyrgyz Republic, Uzbekistan, Turkmenistan, and Iran. All told there are 27 projects outside of Turkey with investments of about $52.5 billion.[42]

Figure 1: Silk Road Economic Belt

In the Middle East Saudi Arabia and Qatar are planning huge projects, including building new cities and metro lines going into the tens of billions. Overall there are 125 ongoing and pending projects worth $445.5 billion. Egypt had the most projects with 30, and Iran with 18. China and Iran have particularly close relations with China having built roadways, industrial capacity, and purchasing oil during the US boycott. When sanctions were lifted Xi was the first foreign leader to go to Tehran, signing 17 new deals. China is also well situated in Qatar's $225

[41] Ibid. Pg. 11.
[42] Ibid. Pg. 19.

billion development plans, holding a number of engineering and water construction contracts.[43]

Eastern Europe is the furthest western region of the OBOR venture. Poland is seen as a logistical hub with seaports at Gdansk, Gdynia, Szczecin, and Swinoujscie, as well as adding routes to its transcontinental railway. In Eastern Europe there are 80 projects in the infrastructure pipeline, but almost half of these are pending. Of reporting investments, the total is $25.3 billion.[44]

Russia has turned to China as a strategic economic partner, with OBOR as an important feature. The biggest project is the massive Power of Siberia gas pipeline whose investment calls for $55 billion. This is a joint venture between Gazprom and the China National Petroleum Corporation, although Gazprom may turn to Rosneft to raise the necessary funds. Another key project is the Moscow-Kazan high speed rail link cost $16.4 billion. Russia has 35 infrastructure works under construction reaching total investments of $127 billion.[45]

OBOR plans for South Asia include most importantly India and Pakistan. In 2015 India and China signed more than $22 billion in trade and economic agreements, many of which will play well with OBOR. India has 213 new and up-coming infrastructure projects worth $83.6 billion. With India's GDP only one-fifth of China it needs serious investments in roads, rail, and airports. Pakistan, Bangladesh, and Sri Lanka have 20 projects underway, but Pakistan is the main beneficiary with $46 billion in OBOR related projects. One of the first loans was for the Thar Block II coal mine for a total of $1.2 billion.[46] Although China has become a world leader in sustainable energy, since 2013 it has tripled its involvement in coal projects in OBOR countries.

Lastly is South East Asia, these countries are involved in 130 projects with investments of $250 billion in value. The top project is high-speed rail connecting Kuala Lumpur with Singapore. Other rail plans will link China with Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand, and Vietnam tying all into a regional network. The four biggest projects are all in transportation. The largest is the Trans-Sumatra Toll Road in Indonesia for $27.7 billion, followed by the Sunda Strait Bridge also in Indonesia for $24 billion, the Ho Chi Minh City Metro System Master Plan for $23 billion, and for $21 billion the Cross Island Line in Singapore.[47]

OBOR is an opening for all TNCs including those headquartered in the US and EU. In September 2017 Krane Funds Advisors, a US asset management firm known for its China exchange-traded funds (ETFs), announced the launch of the KraneShares MSCI One Belt One Road ETF. Listed on the New York Stock

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[43] Ibid. Pp.48-49.
[44] Ibid. Pp. 32-33.
[45] Ibid. Pp. 63-65.
[46] Ibid. Pg. 3.
[47] Ibid. Pp. 80-81.

Exchange, the OBOR ETF holds strategic companies from participating OBOR countries. It's weighted to included enterprises from China at 44 percent, Singapore 10 percent, Malaysia 8 percent, Israel 6 percent, Russia 6 percent, Thailand 5 percent, Philippines 5 percent, India 4 percent and Poland 4 percent. Sector tilts include those expected to grow under OBOR with industrials at 40 percent, materials 24 percent, utilities 16 percent, energy 11 percent and financials at 9 percent. Noting the trillions to be invested over the next decade, CEO Jonathan Krane stated, "We believe the OBOR initiative is creating a new paradigm in global investing."[48] Under that new paradigm Krane hopes a good portion of those trillions will pour into and through KraneShares from TCC investors around the globe. Like BlackRock, KraneShares organizes capital flows into circuits of transnational accumulation, in this case helping to direct global capital into the OBOR project.

Doing further analysis we see KraneShares has ties to transnational financial networks that are even denser. In July 2017 China International Capital Corporation (CICC) acquired a majority stake in Krane Funds Advisors. CICC is one of China's most important financial TNCs. Founded in 1995 by China Construction Bank and Morgan Stanley, its shareholders include the China Sovereign Wealth Fund (CIC), a Singapore Sovereign Wealth Fund GIC, and the giant US private equity firms TPG and KKR. As noted by CICC Acting Chairman and CEO Mingjian Bi, "We are a Chinese investment bank with unique international DNA."[49] Indeed, the Chinese private and state sector TCC is well integrated with their counterparts in the US.

In terms of US-headquartered transnationals GE, which already operates 34 Chinese joint ventures worth $8 billion in revenue per year, appears to be a big winner. GE obtained OBOR orders of $2.3 billion in 2016, and is bidding for another $7 billion in 2017. It also sold $400 million worth of engineering equipment to TNCs involved in OBOR activities. HP, a logistics and freight transportation company, helped establish the China-Europe rail service connecting 16 cities in China to 15 cities in Europe.[50] Getting into the action Caterpillar has built one of the world's largest construction machinery factories in Xuzhou. And the *New York Times* notes, "Western companies are angling aggressively for a piece of the action.

[48] Krane Funds Advisors, LLC. (August 2016). "KraneShares MSCI One Belt One road ETF (Ticker: OBOr) Lists New York Stock Exchange." http://www.prnewswire.com/news-releases/kraneshares-msci-one-belt-one-road-etf-ticker-obor-lists-on-the-new-york-stock-exchange-300516322.html.

[49] Krane Funds Advisors, LLC. (July 10, 2017). "CICC to Acquire majority Stake in KraneShares." http://www.prnewswire.com/news-releases/cicc-to-acquire-majority-stake-in-kraneshares-300485098.html.

[50] Shepard, Wade. (March 12, 2017). "These 8 Companies Are Bringing The 'New Silk Road' To Life." https://www.forbes.com/sites/wadeshepard/2017/03/12/8-new-silk-road-companies-that-you-can-invest-in/#6eeafd284db9.

Citibank won a contract from Bank of China to handle a complex $3 billion bond offering last month to raise money for opening branches across Asia, Eastern Europe and East Africa."[51]

Conclusion

All the above changes point to one underlying significant shift. The Chinese state is now taking a leading role in organizing global capitalism. No longer only a recipient for FDI, but a major exporter of capital, organizing trading pacts and transnational financial institutions, as well as providing an economic vision for the future. Although conflict over governance issues continues between Chinese and US state elites, the TCC and their corporations are more than happy to participate. In this sense, it's impossible to locate an exclusive US economic "empire."

But as China's TCC helps to guide the global economy, it's doubtful they can avoid capitalism's cyclical crisis. Six African megaprojects have already been canceled, and the $100 billion Inga Hydropower Project on the Congo River is on indefinite hold. High-risk, low-return projects are a major reason why Western TNCs have been tepid in their support of infrastructure building, and the same debate is now on-going in China. China's need to export accumulated capital and overproduced goods can easily lead to an overstretched and debt-laden economy. Additionally, the environmental crisis grows more severe. The structural demands of OBOR will mean more energy burnt, more resources used, more pollution in our oceans and more carbon dioxide in our atmosphere. The onrushing troubles of climate change will pose serious obstacles to such a massive extension of global capitalism.

So far Chinese state elites have been able to guide their economy successfully past the global crisis of 2007 and into a world leading position. But with trillions of dollars invested outside of China the national and global economies are inexorably linked. As fast as capital leaps borders, in its tailwind comes bankruptcy and crisis. Just how the Chinese TCC and the Chinese working class reacts, may well determine the future of global capitalism. As strange as it seems, the Chinese Communist Party may have the fate of capitalism in its hands.

[51] Bradsher, Keith. (May 14, 2017). "U.S. Firms Want In on China's global 'One Belt, One Road' Spending." *The New York Times*.