

The Myth of Deglobalization: Multinational Corporations in an Era of Growing Geopolitical Rivalries

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Abstract

Globalization is past its peak, we are told. The rise of populist anti-globalization movements and the return of geopolitical rivalries among great powers in the 2010s has put an end to free-wheeling corporate global capitalism. Or has it? This article summons available data on cross-border corporate investments at the level of countries (balance of payments), firms (subsidiaries and affiliates), and corporate managers (industry surveys). It pays special attention to the period between 2015 and 2021, which spans the election of President Trump and the outbreak of the Covid-19 pandemic that have unsettled global politics. We analyze global patterns in foreign direct investment positions and in particular the evolution of investments by US corporations in China, arguably a “most likely case” for deglobalization. Our analyses find no evidence that economic cross-border integration is in decline. The global allocation of corporate investments across the world’s major economic regions has remained stable. US corporations have not notably reduced their global activities. If anything, their aggregate investment position in China has increased during the Trump administration’s trade war. Overall, the results cast empirical doubts on prominent narratives about the state of the global economy. Geoeconomic transformations in world economic infrastructures may well be underway, but they are better understood as new and adapted forms of internationalization rather than the end of globalization.

Keywords

decoupling; deglobalization; derisking; foreign direct investment; geoeconomics; multinational corporations

1. Introduction

Political forces critical of economic globalization have been on the rise over the past decade (Bisbee et al., 2020; Milner, 2021; Walter, 2021). Inward-looking economic strategies are spreading rapidly (Bauerle Danzman & Meunier, 2023; Meunier & Nicolaidis, 2019), and the American-led liberal international order is said to be in crisis (Lake et al., 2021; Trubowitz & Burgoon, 2020). Accordingly, many analysts have suggested that we have entered a period of “deglobalization” in which multinational corporations (MNCs) are in retreat as states reassert their control and production networks are being reshored. While there has been a lot of talk about supposed deglobalizing trends in the world economy, there is a lack of conceptual clarity of what deglobalization actually means, as well as a dearth of empirical analyses evaluating the extent to which related dynamics are materializing (cf. Drezner, 2023; Grosse et al., 2022).

Against this backdrop, this study combines statistical analysis of foreign direct investments (FDI) and corporate ownership networks data with insights from surveys of corporate managers to contribute to a better understanding of the material impact of the geoeconomic turn examined in this thematic issue, and its implications for the possible future trajectory of the global economy in an age of renewed inter-state rivalries. The study analyses the evolution of the territorial organization of global production networks through a systematic examination of global FDI patterns and the subsidiary structures of several thousand US corporations during the 2015–2021 period. We pay particular attention to the FDI relations between the US and China, which arguably constitute a “most likely case” of deglobalization.

At odds with prevailing discourses, it appears that Western MNCs have further increased their presence in China during this first stage of the US–China trade “war.” We also find no evidence that US corporations have significantly re-shored corporate structures. Our findings from the case of FDI align with existing studies analyzing international trade flows over the same period, which also indicate stable or further increasing cross-border economic exchanges rather than a decline (Bown, 2023; Fajgelbaum et al., 2021; Goldberg & Reed, 2023). Together, the assembled data points suggest a notable gap between what states say and what firms actually do on the ground. Of course, it remains possible that Western decoupling from China will still happen in the future. But decoupling is distinct from deglobalization and could be a long and possibly more complicated process than imagined by many policymakers and geopolitical consultants in Western capitals. At the same time, the findings also raise bigger questions about states’ actual grasp over corporate globalization and their capacity to steer it in their desired direction.

2. What Do We Talk About When We Talk About Deglobalization?

2.1. Discourses of (Hyper-)Globalization

The collapse of the world economy in the inter-war period was followed by a rapid rebound and deepening of international economic integration after the end of the Second Cold War. The expansion of MNCs lies at the heart of these developments (Baldwin, 2016; Frieden, 2020). The roots of MNCs go back centuries, but their most significant expansion occurred in the 1950s–1980s (Jones, 2005)—a period of profound geopolitical conflict in the form of the Cold War. In this sense, geopolitics stood central to MNCs’ rise to global power (Gilpin, 1975). The consolidation and deepening of global production networks in the 1990s–2000s (Baldwin, 2016; Rodrik, 2011), in contrast, played out in a context in which governments’

economic concerns had, at least discursively, become largely detached from their security considerations. Political commitment to the principles of international cooperation and open economies was largely taken for granted (Trubowitz & Burgoon, 2020).

The expansion of the world economy in the 1990s and 2000s, in retrospect, was frequently described as an era of hyper-globalization (Rodrik, 2011), underpinned by material as well as discursive developments. Although the importance of international trade and investment as a share of global economic output grew rapidly during this period, they remained more constrained than globalization discourses prominent in the 1990s and 2000s could have made one believe (Cameron & Palan, 2004; Linsi, 2020). To an important extent, descriptions of MNCs as “globally footloose” organizations and of the world economy as “one global market” (e.g., Ohmae, 1990; Reich, 1992; Stopford et al., 1991) remained economic imaginaries rather than accurate descriptions of material realities (Cameron & Palan, 2004; Linsi, 2022). Even though MNCs undeniably did expand their transnational networks and operations, their organization remained tied to a regional (instead of truly global) spatial logic (Doremus et al., 1999; Rugman, 2005). Rather than imposing themselves upon the state (as many globalization narratives claimed), their expansion occurred in co-evolution with the state (van Apeldoorn, 2002; van Apeldoorn et al., 2012).

Paradoxically, now that the neoliberal pro-globalization consensus of the 1990s and 2000s seems to be unravelling, the disconnect between discursive and material developments in the world economy may be moving to the other extreme. Over the past years, growing tensions between the US and China, in particular, have led to a gradual (re-)securitization of economic policy discourses, as narratives about the need to “decouple” or “derisk” the world’s largest two economies have taken a hold in global economic policy circles (Babic, 2021; Bauerle Danzman & Meunier, 2024; Gertz, 2021; Meunier & Nicolaidis, 2019). While the strategies proposed by different actors vary, they share a renewed emphasis on geoeconomics, understood as an increased “securitization of economic policy and economization of strategic policy” (Wesley, 2016, p. 4). French President Emmanuel Macron has called to “take back control of our supply chains” (Macron, 2023); US President Joe Biden vowed to “rebuild domestic manufacturing capacity” (Biden, 2021); and the Chinese Communist Party’s dual circulation strategy emphasizes the need for greater economic self-sufficiency (The People’s Government of Fujian Province, 2020). In response, there has been an uptake of alarmist accounts in public commentary and financial news of the apparently imminent “collapse” (Zeihan, 2022), “end” (Posen, 2022), or “death” (Manners-Bell, 2023) of globalization.

2.2. Scenarios of De- and Re-Globalization

Against this backdrop, this article forwards three arguments: Firstly, discourses about the supposed end of globalization lack conceptual clarity. Concepts such as “deglobalization,” “decoupling,” or “derisking” are often used interchangeably, but in fact refer to rather different scenarios, some of which are more compatible with continued globalization than others. To the extent that *deglobalization* represents the counter-movement to globalization, we propose to operationalize it as net decreases in volumes of cross-border trade and investments as a share of world GDP. It thus only occurs when the relative importance of cross-border activities in the global economy as a whole declines. *Decoupling*, in contrast, captures decreases in trade and investment between certain economic blocs, most importantly the “West” (predominantly the US and Europe) and China. To the extent that it is happening, a growing (re-)bifurcation of the world economy may lead to less economic exchanges between, but also a deepening of exchanges

within the emerging blocs (Linsi, 2021). In that sense, decoupling is theoretically not incompatible with more globalization in the aggregate (cf. Smith, 2023). *Derisking*, finally, refers to attempts to reconfigure productive and financial networks to make them more resilient to geopolitical or environmental shocks (Fajgelbaum et al., 2021; Jerzyniak, 2024). To the extent that it revolves around greater geographical diversification—or the duplication of supply chains in parallel regions—to avoid over-reliance on suppliers in any one potential bottleneck zone, derisking should in principle entail more rather than less globalization overall. In other words, the global economy can adapt to growing geopolitical pressures in a variety of ways and they do not necessarily imply decreases in cross-border activities at the aggregate level.

Secondly, the article argues and empirically shows that deglobalization proper has so far not materialized—and that we should be wary of “false necessities” (Herrigel, 2020) promoted by deglobalization narratives. Historically speaking, the collapse of the first “golden” era of globalization in the early 20th century surely serves as a useful reminder that deglobalization is a possibility (Frieden, 2020). At the same time, webs of cross-border economic interdependence today are deeper and more complex than they were 100 years ago. As the “opportunity costs of closure” (Frieden & Rogowski, 1996) have grown, political willingness to prevent the collapse of the world economy may be stronger too. Although a major direct military confrontation between the world’s great powers is not unthinkable, there are also reasons to be hopeful that it can still be avoided (Christensen et al., 2022). Barring the realization of such catastrophic scenarios, corporate globalization may very well continue to flourish in the years to come.

Thirdly, although deglobalization is a misleading description of the current state of the global economy, this is not to deny that important transformations in the world economy may be underway. Persisting changes in widely shared intersubjective beliefs normally do have consequences, not least because they can be partly self-fulfilling (Cameron & Palan, 2004; Drezner, 2023). Yet, the material implications of ideational shifts are oftentimes more nuanced and complex than the discourses themselves suggest (Oatley, 2019). This general observation also appears to apply to this case. As we will show, MNCs are in the process of adapting their strategies to a context in which geopolitical dynamics are again becoming more central to their operations. The nature of these responses, however, is multi-layered, strategic, and sophisticated (cf. Butollo et al., 2024). *Re-globalization* rather than de-globalization, we suggest, is therefore a more meaningful and accurate description of the dynamics currently transforming the global political economy.

2.3. Objectives

At the time of writing, a bit more than seven years have passed since the election of President Trump and the Brexit referendum in 2016; five years since the escalation of the US–China trade “war” in 2018; and close to four years since the outbreak of the Covid pandemic. Although it is still too early to study the long-term consequences of these upheavals, enough data is gradually becoming available to evaluate the shorter-term implications of these shifts. Analyses of these early trends are paramount, not least because they are bound to lay the foundations for how geoeconomic rivalries are going to play out in the decades ahead.

The study’s focus is on the evolution of FDI positions and the underlying structure of MNCs’ networks of subsidiaries and affiliates. For that purpose, the project collects and analyses data from the IMF’s Coordinated Direct Investment Survey, the US Bureau of Economic Analysis, Bureau van Dijk’s Orbis database, as well as surveys conducted by the American Chamber of Commerce. The main objective of the research is to assess

key trends in the territorial organization of global production during the growing backlash against globalization in the 2015–2021 time window.

Along with international trade, portfolio capital, technology, and migration flows, FDIs constitute only one dimension of economic globalization. Yet at the same time, the structures of MNCs are a central factor underpinning many of these other aspects of globalization. They also remain relatively understudied compared to international trade where deglobalization claims have already been effectively challenged in existing empirical work (e.g., Bown, 2023; Fajgelbaum et al., 2021; Goldberg & Reed, 2023).

In the first step, our empirical analyses focus on global patterns (Sub-section 3.1). Subsequently, we zoom in on US direct investments in China (Sub-section 3.2). Together, the US and China account for over 40% of the global nominal GDP (World Bank, 2024). Their bilateral relationship lies at the heart of global economic tensions, and thus arguably the level of analysis at which deglobalization would be most readily visible, if it is materializing. Moreover, it has been argued (Smith, 2023) that FDIs, more so than trade, are also the aspect of the global economy in which deglobalization dynamics should become detectable first. In these regards, the analysis of US–China FDI can also be seen as a “most likely case” of deglobalization. In other words, if deglobalization is not happening (yet) in this particular case, it is also unlikely to have materialized in most other parts of the world economy.

3. FDI Data

We start our analysis with an examination of global patterns in FDI data. The measurement of FDI faces many challenges, not least the difficulty in distinguishing between “real” and “financial” FDI (Beugelsdijk et al., 2010; Casella et al., 2023; Damgaard et al., 2019; Kerner, 2014; Linsi, 2018). On the other hand, unlike firm-level data, they are designed to estimate the entire universe of investment positions between countries and their compilation is based on detailed transparent methodologies. Although FDI point estimates should not be taken at face value, they can serve as useful indicators of broad trends in the world economy.

3.1. Global Allocation of FDI

To map the global picture of FDI, we rely on data from the IMF’s Coordinated Direct Investment Survey. The dataset provides all available estimates of country-by-country direct investment positions. At the time of conducting the analysis (July 2023), country-by-country Coordinated Direct Investment Survey data is available for the years 2009–2021. We focus in particular on the years 2015–2021. Unless noted otherwise, we work with period-median values of estimated FDI. We first examine the relative allocation of FDI in the economic regions accounting for the largest shares of global FDI flows.

Our analysis of the big picture of the global distribution of FDI, summarized in Appendix A of the Supplementary File, shows that the US, Europe, China, and Japan are the main senders and receivers of FDI in the global economy. To evaluate whether there have been important changes in the global structure of FDI during the 2016–2020 Trump Presidency, we compare the relative allocation of FDI positions in 2015 and 2021 across six economic areas: the US, Europe (excluding tax havens/special-purpose entity [SPE] conduits), Japan, China (including Hong Kong), tax havens/SPE conduits (as defined in Appendix A of the Supplementary File), and the “rest of the world.” For each of these regions (in rows in Table 1) we then

calculate the relative size of its investment position in each of the other five regions (in columns in Table 1) as a share of the (row) region's total outward FDI position (inferred from inward FDI mirror data), in 2015 and 2021.

The analysis yields several interesting insights. Firstly, it corroborates that a large share of global FDIs are formally owned by legal entities in tax haven jurisdictions. The practice appears to be particularly widespread among US corporations, for which more than half of all registered foreign investments are channelled through SPE conduits. Secondly, the analysis indicates that, in the bigger picture, the global market for FDI is still strongly dominated by North-Atlantic relationships. The US and Europe remain the most important senders and receivers of FDI in the early 21st century. In comparison, China is still a relatively small player in global markets for FDI. Thirdly, Japanese companies' foreign investments are concentrated more in the US than in Europe, while Chinese companies are somewhat more strongly invested in Europe than the US (assuming that there are no systematic differences in flows channelled through SPEs). At the same time, the corporate structures of Chinese companies appear to be geographically more diversified than those of the triad US–Europe–Japan, for which the residual category “rest of the world” accounts for a significantly smaller share than it does for Chinese companies. Lastly, and most importantly for our analysis, the cross-tabulation does not indicate that the US–China trade war had a major impact on the geographic structures of MNCs. In relative terms, the allocation of Chinese investments in Europe and the US is fairly stable over the 2015–2021 period. US investments in China have marginally decreased in relative terms (from 0.028 to 0.024)—yet increased in absolute volumes (see Sub-section 3.2)—while they have grown notably for European companies in China.

The remainder of this article digs deeper into this apparent lack of response on behalf of Western MNCs to deglobalization pressures. Given their centrality to this debate, our analysis pays special attention to US corporations and their investment positions in China.

3.2. US–China FDI Relations

To analyze patterns in direct investments by US MNCs we work with data made available by the US Bureau of Economic Analysis. In addition to conventional FDI figures, the US Bureau of Economic Analysis also produces

Table 1. Relative shares of investment positions in the global economy.

Year	US		Europe (excluding tax havens)		Japan		China (including Hong Kong)		Tax havens		Rest of the world	
	2015	2021	2015	2021	2015	2021	2015	2021	2015	2021	2015	2021
US			0.15	0.19	0.01	0.01	0.03	0.02	0.57	0.54	0.23	0.23
Europe (excluding tax havens)	0.25	0.24			0.01	0.01	0.03	0.06	0.47	0.45	0.24	0.24
Japan	0.33	0.36	0.10	0.11			0.15	0.13	0.15	0.15	0.27	0.24
China (including Hong Kong)	0.06	0.07	0.10	0.09	0.02	0.03			0.42	0.41	0.40	0.41

Notes: Positions held by row region in column region; Ratios indicate shares as a percentage of row region's total positions in the world; Based on inward FDI stock data (mirror); Rows sum to 1, excluding rounding errors. Source: Own calculations, based on Coordinated Direct Investment Survey (International Monetary Fund, 2023).

bilateral FDI estimates on a sectoral level that separates out SPE FDI. We downloaded the data in July 2023 when official estimates up to 2021 were available (2022 figures are provisional).

3.2.1. Aggregate US Outward FDI

Before delving deeper into the China-US relationship, we analyze the evolution of the aggregate outward FDI position of all US companies over the past two decades. To the extent that the deglobalization scenario is accurate, we would expect the aggregate outward FDI position held by US companies to have decreased over the 2015–2021 period. The statistics, plotted in Figure 1, indicate that there was indeed a slight fall in total outward FDI after 2017. However, this decline seems to be driven primarily by a fall in SPE FDI, which is likely related to the controversial tax inversion deal implemented by the Trump administration in 2017. If we zoom in on the outward FDI stock excluding SPE FDI (purple bars in Figure 1), it has steadily increased throughout the period at roughly the same pace as US GDP. In absolute terms, the non-SPE FDI stock held by US corporations grew from \$2.6 trillion in 2015 to \$3.0 trillion in 2021 and \$3.1 trillion in 2022 (total FDI from \$5.3 to \$6.1 and \$6.4 trillion). In relative terms, the non-SPE outward FDI stock is fairly stable, hovering around 14% of the US GDP since 2008. US corporations thus do not appear to have notably reduced their holdings overseas over the past years. While there is some indication of stabilization or saturation (“slowbalization”) in total US outward FDI, contrary to deglobalization scenarios, we observe no evident decline.

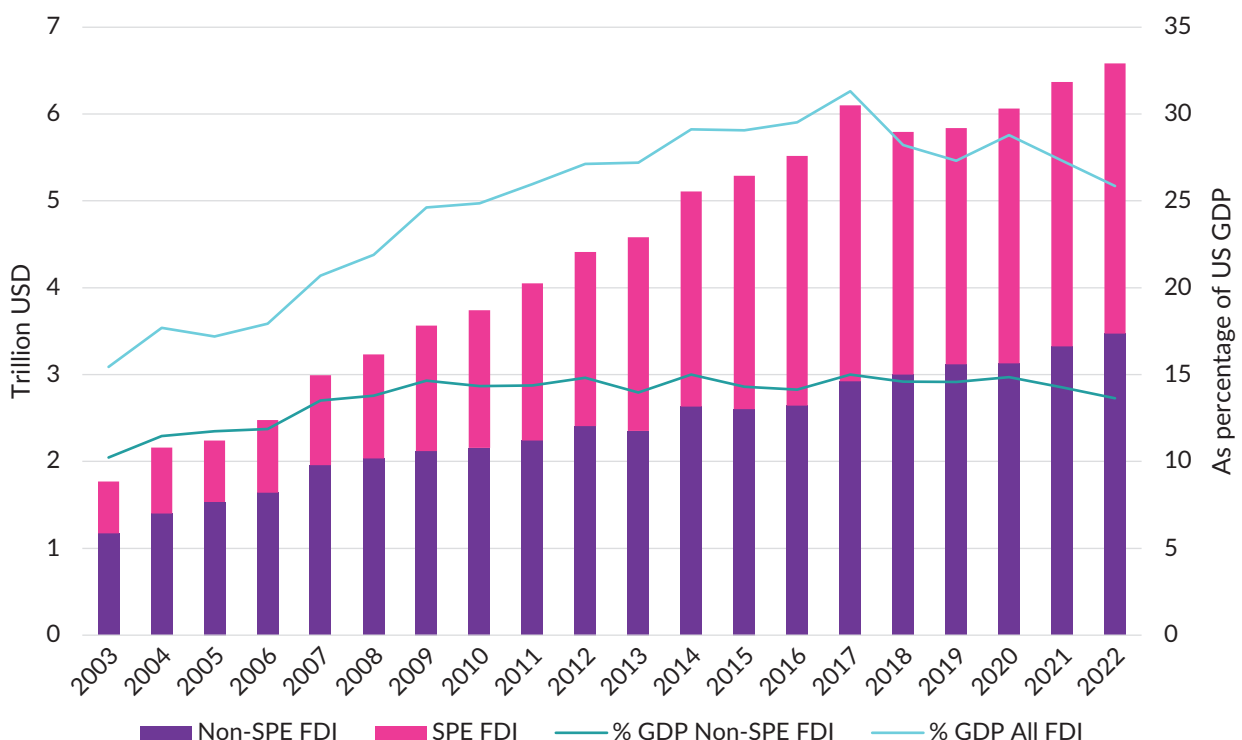


Figure 1. Evolution of aggregate outward FDI position held by US corporations. Notes: Investment position at estimated historical cost; Figures for 2022 are provisional estimates. Source: Own calculations based on data from the US Bureau of Economic Analysis (2023).

3.2.2. US–China FDI

Next, we zoom into the US–China FDI positions. The left panel in Figure 2 shows the evolution of the US FDI stock in China (including Hong Kong) in absolute levels; the right panel indicates the evolution of sectoral shares in relative terms. At odds with decoupling narratives, the US Bureau of Economic Analysis’s data indicates that, at historical cost, the total US direct investment position in China and Hong Kong grew by about \$47 billion between 2015 and 2021—from \$162 to \$208 billion. In terms of sectoral shares, there appears to be a contraction of US FDI in the Chinese information sector (including media, film and music, telecommunications, and IT services industries; see US Bureau of Economic Analysis, 2022). Otherwise, sectoral patterns are fairly stable over the period presented.

Somewhat surprisingly against the background of rapidly growing geoeconomic tensions in government discourses during the Trump Presidency, the analyses presented so far indicate that (a) corporate investments across the major regions have remained fairly stable, (b) US corporations have not notably re-shored production to their home market, and (c) have, in absolute terms, further increased their exposure to China. In contrast, as detailed in Appendix B of the Supplementary File, Chinese investments in the US are still small in comparison to US investments in China and have stagnated over the past few years. In the sections that follow we shift the level of analysis from countries (balance of payments) to the firms who are behind the FDI data presented so far. Firm-level data is valuable because it sheds light on the actors actually “doing” FDI, as well as circumventing some of the measurement problems with tax haven FDI (Linsi, 2018; Linsi & Mügge, 2019). Our focus remains on the activities of US MNCs in China.

4. Firm-Level Ownership Data

Our analysis of firm-level ownership positions relies on data made available in Bureau van Dijk’s Orbis database. We initially collected the data for a list of more than 7,000 large multinational enterprises, which have been estimated to control more than 50% of global GDP (ter Burg et al., 2022) in 2015 and 2021. The dataset, which includes 2,484 US-based multinationals, was downloaded in December 2021.

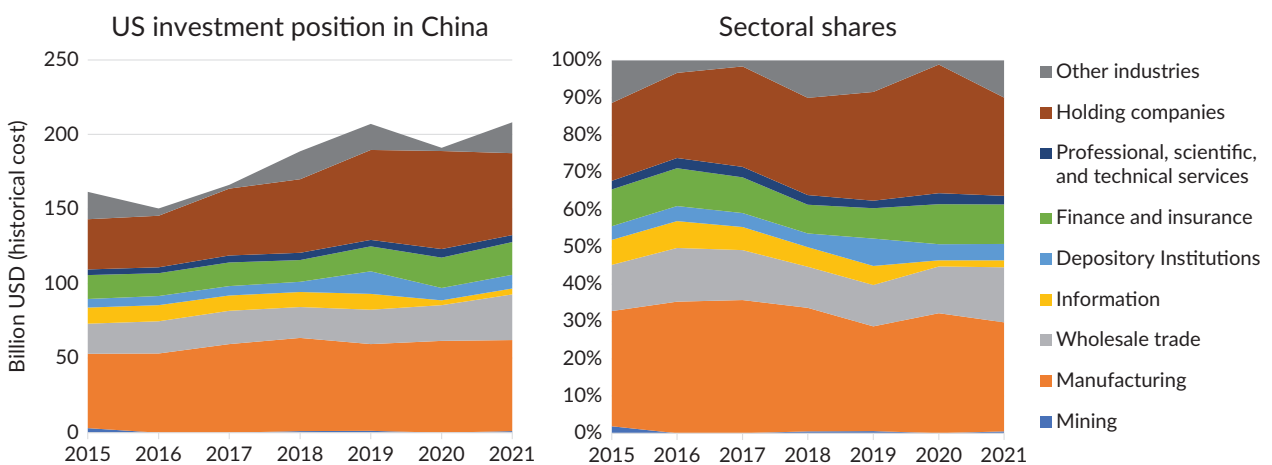


Figure 2. US FDI position in China (including Hong Kong) 2015–2021. Source: Own calculations, based on data from the US Bureau of Economic Analysis (2023).

Based on the information in Orbis, we created a dataset that codes, for each multinational company in the dataset, the number of (a) subsidiaries (ownership stake of at least 50%), (b) affiliates (ownership stake between 10% and 50%), and (c) minority stakes (ownership stake less than 10%) it holds in a country.

The data has important limitations, which are further described in Appendix C of the Supplementary File. At the same time, it provides rich and fine-grained information about the structure of individual companies, which makes it possible to analyze the transnational corporate structures that underlie and drive more abstract aggregate levels of FDI.

4.1. US Corporations' Investments in China

In a first step, to examine the implications of potential deglobalization at the level of US firms, we plot the share of recorded subsidiaries and affiliates as well as minority stakes owned by these companies in the US and abroad. The analyses, summarized in Appendix D of the Supplementary File, show no evidence of significant reshoring or near-shoring. On the contrary, the share of recorded subsidiaries held outside of the US relative to domestic ones appears to have increased from 2015 to 2021 among firms in our sample.

Next, we turn to ownership stakes of US firms in China. We start by plotting the relative share of US corporations' ownership positions in China as a share of all their recorded ownership positions held outside of the US. As shown in Figure D3 of the Supplementary File, for a majority of companies in the sample the share of China-based positions (both minority stakes and subsidiaries and affiliates) account for less than 20% of their non-US holdings. Overall, the share tends to be higher for subsidiaries and affiliates than minority stakes. Some outliers with a high concentration of minority stakes in China are YUM China Holdings, Assembly Biosciences, Booking Holdings, Casi Pharmaceuticals, Erin Energy, and Fluent.

Table 2 lists a subset of US companies in the Orbis sample by their relative exposure to China: their number of subsidiaries and affiliates located in China or Hong Kong as a share of their total number of recorded subsidiaries and affiliates. We further divide them into companies whose overall network structure is primarily domestically oriented (holding a majority of subsidiaries and affiliates in the US) and those that show a more clearly global orientation. We limit the sample to firms with at least one hundred recorded subsidiaries or affiliates, and at least one recorded entity in China.

The resulting two-by-two matrix illustrates a variety of cases: in the top left we observe some large US multinationals such as Hamilton Lane, United Health Group, or Berkshire Hathaway who own many subsidiaries and affiliates in the US and few in China. The bottom left lists some companies with many subsidiaries and affiliates outside of the US, but only a few in China. The top right shows companies that have a strong presence in the domestic economy, but also have a strong exposure to China (e.g., Tesla). The bottom right shows a group of companies with a global network structure that is fairly strongly concentrated in China (e.g., Equitable Holdings or Intel). Again, these are estimates derived from subsidiaries and affiliates recorded in the database and we cannot be sure if they cover the entirety of firm networks, which can be further obscured by complex legal structures (cf. Robé, 2020). Nonetheless, the tabulation showcases the variety of actors underlying aggregate FDI figures. Many large US corporations are domestically oriented, while others pursue transnational business models. Among the latter, some are strongly exposed to China, while others with significant investments outside of the US are barely present in

Table 2. Cross-tabulation of US corporations' exposure to China and Hong Kong.

	Weak presence in China and Hong Kong				Strong presence in China and Hong Kong			
	Name	Subsidiaries and affiliates in China	Subsidiaries and affiliates	Ratio	Name	Subsidiaries and affiliates in China	Subsidiaries and affiliates	Ratio
Domestically oriented (bottom 25th percentile with more than 41% of subsidiaries in the US)	Hamilton Lane Inc	3	717	0,4%	Tesla	23	129	17,8%
	United Health Group	4	918	0,4%	SVB Financial Group	55	338	16,2%
	Berkshire Hathaway	4	788	0,5%	Leggett & Platt Inc	23	178	12,9%
	Fifth Third Bancorp	3	591	0,5%	American Express	66	537	12,2%
	Blackstone Group	6	1095	0,5%	MGM Resorts International	21	181	11,6%
	Newmark Group	1	147	0,7%	Raymond James Financial	12	108	11,1%
	Fluor Corp	4	544	0,7%	Global Payments Inc	9	101	8,9%
	Hertz Global Holdings	1	118	0,8%	Campbell Soup Co	10	121	8,3%
	Heico	1	117	0,9%	Ascena Retail Group	10	132	7,5%
	Ezcorp	1	112	0,9%	Graham Holdings	25	333	7,5%
	Nelnet	1	100	1,0%	Textron Inc	11	160	6,9%
	Viacom CBS	11	945	1,2%	Ametek Inc	16	240	6,6%
	Goldman Sachs Group	11	850	1,3%	Broadcom Inc	17	258	6,6%
	Quest Diagnostics Inc	2	152	1,3%	Gamco Investors	10	153	6,5%
	Iheart Media	4	291	1,4%	Charles Schwab	14	219	6,4%

Table 2. (Cont.) Cross-tabulation of US corporations' exposure to China and Hong Kong.

	Weak presence in China and Hong Kong				Strong presence in China and Hong Kong			
	Name	Subsidiaries and affiliates in China	Subsidiaries and affiliates	Ratio	Name	Subsidiaries and affiliates in China	Subsidiaries and affiliates	Ratio
Globally oriented (top 25th percentile with more than 86% of subsidiaries outside of the US)	McKesson Corporation	1	444	0,2%	Equitable Holdings	157	179	87,7%
	Stifel Financial	4	564	0,7%	Walgreens Boots Alliance	242	278	87,0%
	Moelis & Company	5	655	0,8%	Federated Hermes	395	550	71,8%
	Resideo Technologies	1	125	0,8%	Intel	228	361	63,1%
	Principal Financial	3	291	1,0%	Booking Holdings	389	657	59,2%
	Philip Morris	3	271	1,1%	Mosaic Company	152	398	38,2%
	Digitalbridge Group	6	499	1,2%	Eastman Kodak	38	121	31,4%
	Walmart Inc	6	430	1,4%	Air Products & Chemicals	100	385	26,0%
	Delta Air Lines	6	407	1,5%	Qualcomm	79	318	24,8%
	Interpublic Group	6	396	1,5%	Diodes	33	153	21,6%
	Uber Technologies	5	306	1,6%	Autoliv	23	111	20,7%
	Sculptor Capital	4	242	1,7%	Altria Group	58	313	18,5%
	CBRE Group	9	502	1,8%	Amgen Incorporated	20	108	18,8%
	SEI Investments	9	497	1,8%	Hyster-Yale Materials	16	100	16,0%
	Genuine Parts	3	160	1,9%	Minerals Technologies	21	138	15,2%

Notes: Sample restricted to firms with at least 100 recorded subsidiaries in total and at least 1 in China. Source: Own calculations, based on Orbis data from 2021.

China. To better understand the transnational politics of geoeconomics, these apparent heterogeneities in firm network structures—and how they affect firms' perceptions of geopolitical risks—offer a productive avenue for future research (cf. Germann et al., 2024; Koencke & de Graaff, 2024).

5. What Explains the Resilience of US Investments in China Despite Political Pressures to Leave?

What may explain the divergence between growing calls by politicians in Western capitals to retreat from China, and growing corporate investments on the ground? At least four different explanations are possible. Firstly, corporate leaders may simply be ignoring these demands. Western businesses may be naively prioritizing profit growth and shareholder returns without considering the geopolitical risks accumulating on their balance sheets. Businesses are focused on profitability, and if it is financially attractive to invest in the economy of rival powers they will do so, independently of their home country's government's geoeconomic strategy. This is what we call the *geopolitical naïveté* hypothesis. Secondly, they may want to disinvest from China, but it is very difficult to do so in practice. Whereas low-cost labor can be sourced in many countries, the sophisticated ecosystem of suppliers in China, as well as its growing consumer market, currently cannot be matched by any other country (Hejazi & Blum, 2023). This is what we call the *TINA* (there is no alternative) hypothesis. Thirdly, there may simply be a *time-lag*. Maybe US firms are responding to political demands to retreat from China and they have already started to disinvest, but it takes time to unwind existing operations. US companies may thus already be leaving China; it just does not show up in the data yet. Finally, it is possible that US firms are taking geopolitical tensions into account, but that they adopt *more complex responses* than simply exiting China. Rather than winding down their Chinese operations, they may be in the process of insulating them (what some commentators label the “China for China” strategy, see Yang & Nilsson, 2023). Or they may maintain their operations in China, but simultaneously be in the process of duplicating their China operations in third countries to make their supply chains more resilient (sometimes called the “China plus one” strategy).

Dominant modes of response may of course differ, both across and within firms, in line with patterns detected in Table 2. It is plausible that the four hypotheses overlap at times. There may also be political conflict within firms about how to best respond to geopolitical uncertainty. The task of tracing down the complex mechanisms behind corporate investment decisions—and how geopolitical considerations feed into these processes—must be left to future research. Nonetheless, to at least probe these mechanisms, the remainder of this section delves deeper into the results of opinion surveys of managers of US firms operating in China, published annually by *AmCham China*, the American Chamber of Commerce in the People's Republic of China.

5.1. Insights From Industry Surveys

AmCham China is a non-governmental organization representing the interests of more than 1,000 American member companies with operations in China (AmCham China, n.d.). Every year the organization surveys its members with the results being summarized in its annual *China Business Climate Survey Report*. We review all the reports published between 2015 and 2023.

The results from the surveys do not support the *geopolitical naïveté* hypothesis. From 2019 onwards, geopolitical tensions consistently rank among the top three challenges managers identify. From 2021 onwards it is even ranked as the primary challenge (followed by “rising labor costs” and “inconsistent regulatory interpretation”) encountered when operating in China (AmCham China, 2023, p. 4). Managers also indicate that American companies in China face “increased pressure.” Yet, interestingly, twice as many respondents identified the Chinese, rather than the US, government as the primary source of hostility (66% vs. 32% in 2021; 57% vs. 26% in 2022; see AmCham China, 2023, p. 65).

At the same time, although a majority of respondents seem to agree that it has become more difficult for US companies to operate in China, surprisingly few of them are considering leaving the country. As the summary in the 2023 report puts it: “The majority of our members are not considering relocating their supply chain. Many of our member companies have been in China for decades and the majority of them continue to have a long-term commitment to the China market” (AmCham China, 2023, p. 2).

While the proportion of respondents indicating that their company is “considering, or has already begun the process of relocating manufacturing or sourcing outside of China” (AmCham China, 2022, p. 67) has increased marginally over the years, they remain a minority. In the latest survey, only 12% of respondents indicated to have started relocation outside of China (up from 7% in 2020 and 2021, but lower than 15% and 14% recorded in 2015 and 2014, respectively; see AmCham China, 2015, 2021, 2022, 2023), with another 12% saying to be considering it but not having undertaken any active steps (AmCham China, 2023, p. 55). 74% of respondents said that they are not considering the option to leave. The commitment to stay appears somewhat weaker in the technology sector (where 70% are planning to stay), while it is strongest in the consumer goods industry (where 82% are indicating to stay; AmCham China, 2023, p. 55).

The reasons given are mostly economic. Companies indicate that it is difficult to find alternatives to China (“input costs”) and that they want to secure access to the growing consumer market, with the “growth in domestic consumption/rise of an increasingly sizable and affluent middle class” being highlighted as the most important attractions of the Chinese market to US businesses (AmCham China, 2023, p. 39). The most frequent reasons given by the minority of companies who are considering leaving are “risk management,” “rising costs, including labor,” and “COVID-19 prevention measures.” Less than half of those considering exiting mention “US-China trade tensions” or “geopolitical tensions rising” as a factor (AmCham China, 2023, p. 56). In other words, the companies who are considering exiting appear to be pushed (by conditions in the Chinese market) rather than pulled (by the US government) out.

Asked “how are tariffs and US-China trade tensions impacting your business strategy,” less than 3% responded “considering exiting the China market” or “relocating to the US,” as opposed to 7% who said by “increasing China investments.” The most frequent answers were “no impact” (44%), “delay investment decisions” (13%), and “adjusting supply chain by seeking to source components and/or assembly outside the US [China]” (11% and 10% each, 21% together; AmCham China, 2021, p. 95).

Overall, while the marginal increases over time in respondents considering relocation may indicate the existence of a *time-lag*, the phenomenon appears to be limited and, barring a direct military confrontation or other sharp escalation of US–China tensions, unlikely to increase dramatically in the years to come. Both the *TINA* (in terms of supplier ecosystem and growing consumer market) and the *complex response*

hypotheses appear relevant to explain the growing gap between political rhetoric and corporate actions. Perhaps most intriguingly, firms' apparent preference to insulate or duplicate their Chinese operations (rather than abandoning or reshoring them to the US), may imply that, somewhat counterintuitively, growing geoeconomic tensions among great powers may also end up fostering more, rather than less, corporate globalization.

6. Conclusions

This study analyses the distribution of measured global FDI and the number of recorded subsidiaries and affiliates owned by large US MNCs between 2015 (before the election of President Trump) and 2021 (aftermath of the first Trump Presidency). Data on corporate cross-border investments faces many measurement challenges and neither FDI statistics nor corporate ownership information is problem-free. Yet to the extent that we can rely on these estimates, they suggest several interesting patterns that add nuance to the current buzz about deglobalization.

Firstly, Western companies from the US and Europe still dominate global markets for FDI. Earlier research has questioned the "persistent myth of lost hegemony" (Starrs, 2013; Strange, 1987; Winecoff, 2020). Our findings corroborate that also by the early 2020s, at least in markets for FDIs, shifts in global economic power over the past decades may have been less consequential than widespread accounts of the economic decline of the West suggest. Secondly, contrary to alarmist narratives about China's penetration of the US economy, the statistics suggest that the Chinese FDI position in the US is still small (comparable in size to that held by companies from Sweden) and stagnating. In contrast, the US FDI position in China is about four times as large as the Chinese position in the US (and continues growing). Thirdly, we find no clear indications of significant decoupling or deglobalization during the political upheaval against economic globalization brought about by the 2016–2020 Trump Presidency. While investments by Chinese companies in the US remained stable, US companies' stakes in China appear to have increased throughout the period.

Together, these data points suggest a notable gap between *what states say* and *what firms do* on the ground. Of course, it remains possible that Western decoupling from China will still happen in the future, but the findings indicate that it would be a long and arguably more complicated process than it is sometimes imagined to be. At the same time, it is equally possible that, through supply chain insulation and duplication strategies, geoeconomic tensions will end up fostering more, rather than less, transborder corporate investments. In either case, the findings highlight that corporations' reactions (or the absence thereof) to governments' shifting geopolitical strategies deserve more attention in International Political Economy. After all, in many cases, governments themselves cannot directly impose economic policies. They ultimately must be implemented by firms. It is therefore not sufficient to study the geoeconomic strategies of either states or firms in isolation. It is the interaction between them that are key to improve our understanding of the current state, and possible future(s), of the global political economy.

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Conflict of Interests

The authors declare no conflict of interests.

Data Availability

The underlying data is made available on Harvard Dataverse (shareability restrictions apply to firm ownership data from Bureau van Dijk’s Orbis database, which were used under license): <https://doi.org/10.7910/DVN/CXZWMA>

Supplementary Material

Supplementary material for this article is available online in the format provided by the authors (unedited).

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