

The financialisation of primary sector MNEs

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Abstract

Since the 1990s, three major developments occurred within the primary sector. First, in a rather short time period, resource prices have displayed major changes. During the 1990s, price indices for food, metals and energy resources were more or less stable. Things changed at the dawn of the new millennium and prices peaked around 2008. After the outbreak the financial and economic crisis, prices dropped and have shown a rather volatile path since then. Second, in the same period, state-owned-enterprises and parastatals emerged to become global players. Mainly, companies from the so-called BRICS (e.g. PetroChina, Gazprom, Petrobras) assumed leading roles. Third, a concentration of capital and market power occurred due to multiple mergers and acquisitions (M&A). These multinational enterprises (MNEs) are listed as some of the biggest companies worldwide. Within their respective commodity chains, they hold dominant and defining positions.

To understand and analyse these developments, a framework that draws on Marxist political economy is elaborated. By combining the debate on rent theory with the discussion on financialisation, that is, capital accumulation based on fictitious capital, the following arguments can be made. On the one hand, M&As are partially a response to the increasing influence of financial actors on natural resource markets. Simultaneously, the financial sector induced a change in the corporate governance of MNEs towards the principle of shareholder value. Moreover, the conflict between extractive companies and natural resource owners (that is, nation states) over the distribution of rents gained weight due to increasing prices. Strategic M&A allowed MNEs to enhance their bargaining position and secure access to resource reserves. On the other hand, it is characteristic of the companies embedded in the primary sector to follow a mixed accumulation strategy based on both the accumulation of fictitious capital

(rent appropriation) and productive capital. Precisely, the access to, and control over, pseudo-commodities define the long-term success of these enterprises. By means of M&A, this access and control are secured, an outcome which supports the ability of MNEs to generate revenue based on rents. Therefore, recent developments in natural resource industries are only partially induced by a general, macroeconomic financialisation.

Keywords: Natural resources; Mining; Oil; Food; Primary sector; MNE; Financialisation; Rent theory; Critical political economy.

1. Introduction

Since the 1990s three distinct developments could be observed within the primary sector.¹ First, within a relative short time period resource prices display remarkable developments. Whereas cheap prices for crude oil, metals and food characterise the 1990s, they experienced steep increases at the beginning of the new millennium. Second, the dominance of private multinational enterprises (MNEs) eroded due to the emergence (or renaissance) of parastatal or state-owned enterprises. Especially the parastatal or state-owned companies of the so-called BRICS (Brazil, Russia, India, China, and South Africa) claimed their spot as global players (e.g. PetroChina, Gazprom, Petrobras). Third, the already oligopolistic industry structures were further consolidated by waves of capital concentration. These industries are dominated by a small number of big MNEs, which according to Forbes (2015a) account to some of the biggest companies worldwide. This concentration of capital and market power since 1990 was enabled by mergers and acquisitions (M&As). ExxonMobil is the result of a mega-merger between Exxon and Mobil in 1999 (ExxonMobil, 2015), Nestlé acquired since 2000 multiple companies such as Ralston Purina (animal food), Schöller-Holding (ice-cream) and Wagner (Nestlé, 2015), and BHP Billiton was a result of a merger between Billiton and BHP in 2001 (BHP Billiton, 2015).

Existing studies of resource extracting industries deal with different aspects of these developments. While doing so they highlight that the production activities and policy of MNEs create economic interdependences on three distinct spatial levels (cf. Richardson and Weszkalnys, 2014:9-12). Firstly, on local societies the exploitation of natural resources can have both positive and

¹ This paper uses "primary sector" as a general term, which covers extractive industries and agriculture. The focus of this paper is, however, on MNEs within the global production networks of crude oil, metals, and food and beverages. As a result, the discussed MNEs are not necessarily part of the primary sector, in a strict sense.

negative effects (Obeng-Odoom, 2018; Goyal, 2018; Claudio and Lyons, 2019; Smet and Seiwald, 2014). On the one hand, employment opportunities and infrastructure can be created, whereas on the other hand environmental impact can severely harm the conditions of living and conflicts concerning the distribution of benefits can surface. Secondly, for nation states, which are in most cases the owners of natural resource reserves, income can be generated through taxes, licences and fees. In addition, nation-states can formulate development policies based on their ownership of natural resources. At the same time, without State support MNEs cannot unfold their extractive activities. This relation between nation states and MNEs is conflictual and highly complex as amongst others Eberhardt and Olivet (2018), Obeng-Odoom (2019), Oshionebo (2018) as well as Sacher and Cooney (2019) illustrate. Thirdly, Richardson and Weszkalnys (2014:14) point out that natural resources are ‘constantly in the making’. Natural resources are the result of social interaction and relations. From this perspective the important role of MNEs for the commodification of nature is highlighted. By means of Luxemburg’s critique of capital accumulation, Bond (2019) discusses the capitalist/non-capitalist interaction between MNEs and African societies.

The activities of these MNEs interconnect these three different spatial levels. Nonetheless, they are not all-powerful. They are subject to economic and social developments, which they cannot control or direct. One example of such a development is the rise in importance of financial capital since the 1970s for the global economy. The financialisation of the global economy did not pass by the primary sector MNEs unnoticed. The influence of financial investments on commodity prices is intensively studied (e.g., Ederer *et al.*, 2013: 8-14; Baffes and Haniotis 2010). Simultaneously, corporate shares of MNEs offer attractive investments opportunities for financial capital.

The present paper contrasts with these existing approaches in two respects. First, it does not discuss the effect of primary sector MNEs on development policies, state power, local economies or local societies. Nor does it address environmental or competitive issues. Second, it does not focus on the financialisation of commodities. This paper, however, builds on the insights offered by these debates to analyse the reaction of primary sector MNEs to these developments and with a special focus on the role of M&A. By combining two different strands of academic debate and by centring on MNEs, it develops a theoretical framework that bridges the current gap between the interaction between humankind and nature as treated by rent theory in the tradition of Marxist political economy and the financialisation debate. This approach is

useful because it uncovers conflicting and complementary interests of capital accumulation between primary sector MNEs and financial capital.

Based on this approach, the paper argues that increased financialisation affects primary sector MNEs on two levels, which are in conformity with the accumulation of capital by rent appropriation. The change of corporate governance towards shareholder value induces a revaluation of rent as fictitious capital. Moreover, financial speculation with commodities fuels the distributional conflict between resource owners and MNEs, which is the core of rent appropriation. Nonetheless, M&As cannot be regarded as the outcome of increased financialisation, but is idiosyncratic to primary sector MNEs. The next section offers a descriptive analysis of the main developments within the primary sector. Whereas this section offers a historical context and a discussion of recent price developments, it also highlights the complexity of organisational structures, macroeconomics and financial capital. This raises the question which perspective appropriately considers this complexity. Section two addresses this issue and argues that MNEs fulfil a central role. The discussion of industry structures highlights the central role of primary sector MNEs as global players. To understand this pivotal position of MNEs, the third section introduces the Marxist political economic concept of rent. Based on this concept of rent, the conflict and power balance between MNEs and natural resource owners is analysed. This analysis offers the possibility to integrate the current debate on financialisation. The last section starts by defining financialisation from a Marxist perspective. Consequently, it focuses on the accumulation logic of financial capital and its implementation for the respective MNEs.

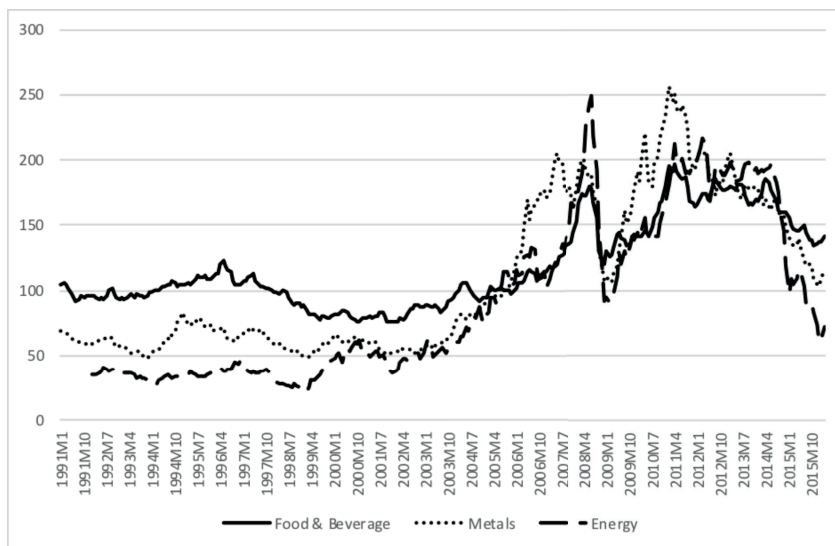
2. Price developments of resources since the 1990s

The historical context of the more recent price developments is mainly defined by an important wave of de-colonialization after the Second World War. This created a formal divide between extractive and producing companies from the Global North on the one hand and resource owners, which were mainly nation-states from the Global South, on the other (UNCTAD, 2007:88, 2009:105-106). It is exactly within this context that academic debates about unequal exchange (Raffer, 1987), the world systems approach (Hopkins and Wallerstein, 1977), and the Prebisch-Singer hypothesis (Prebisch, 1950) emerged. In the 1970s and 1980s, the crisis of Fordism and its aftermath had a marked impact on the global economy. In the Global North this crisis took the form of a relative reduction in the output of productive industries, increasing inflation, a general recession and

increasing unemployment. In its wake, an economic system emerged, which is dominated by financial capital (Bond, 2010). Countries of the Global South faced at the same time a debt crisis. Whereas they were in the 1970s flooded with credit from private financial institutions, the increase in the US-Dollar's interest rate at the beginning of the 1980s caused Mexico to default. Other countries followed suit (Todaro and Smith, 2009:674-679).

Regarded from this historic background it is not surprising that for all three natural resource groups, which are considered in this paper, prices in the beginning of the 1990s were on a low level. Figure 1 displays price index developments for Food and Beverages, Metals, and Fuel (Energy) since January 1991. During the 1990s price indices were constant or even slightly decreasing. This changes at the dawn of the new millennium, when prices soared until the outburst of the financial and economic crisis in the summer of 2008. The food and beverage price index was 1.7 times higher in July 2008 than in January 1991. At the same time the metals price index increased by 274%. The fuel (i.e. crude oil, natural gas and coal) price index reached in the summer of 2008 711% of its value in January 1992. Developments in the wake of the financial and economic crises were fairly volatile. After a sharp drop of the price indices, a second boom occurred in the spring of 2011, which was followed by a trend of decreasing prices.

FIGURE 1: COMMODITY PRICE INDICES



Source: IMF, 2016

Within the economic profession, these price developments attracted quite some attention, as various extensive reviews (e.g., Ederer *et al.*, 2013: 8-14; Baffes and Haniotis, 2010) show. Besides general demand and supply particularities, price developments were influenced by both the overall macroeconomic environment and financial transactions based on derivatives (Helbling *et al.*, 2008:11-13; Humphrey, 2010:2-7; Baffes and Haniotis, 2010:3-4; Ederer *et al.*, 2013:8-9).

The global economy recovered relatively quickly after the dotcom-crisis and the financial crises at the end of the 1990s (Asia, Russia, Argentina). Economic growth until 2008 induced increased demand for resources and was accompanied by a resource intensive industrialisation of the BRICS countries. In addition, increasing production of bio-fuel did not only push prices for wheat, soy, maize and palm oil, but also offered non-food uses for agricultural products (IMF, 2008:97-98).

This increased resource demand faced at the same time a constrained supply. The previous period of low resource prices created incentives for extracting companies to reduce production costs in order to increase capital productivity. Accordingly, little to no investments were made in new production capacities. When demand started picking up production could not be increased accordingly. Moreover, investments in new resource reserves by this capital-intensive industry are characterised by a significant time gap. Around 2006, the food and beverage sector faced also bad weather periods (e.g. drought damage in Australia, eastern Europe and northern Africa). According to the IMF (2008:96-97) these weather shocks reduced the global supply of wheat and rapeseed significantly.

As a response to the dotcom-crisis, the US Federal Reserve followed a monetary policy of low interest rates. One result of this expansive monetary policy was a relative devaluation of the US-Dollar vis-à-vis other currencies. Given that natural resources are priced in US-Dollars, this price policy also induced a price increase.

With respect to the influence of financial capital, it should be noted that natural resources are regarded since the mid-1990s as alternative assets. The pioneers of this development were hedge funds, which lost, however soon interest. Since 2003, institutional investors (e.g. pension funds, insurance companies) discovered resources, due to resource index funds, as alternative assets. The estimated volume of investments in resource index funds boomed subsequently (2002: 8 billion USD, 2004: 55 billion USD, 2006: 105 billion USD, 2005: 200 billion USD; Humphreys, 2010:7-8). The impact of these financial capital

investments on resource price developments is subject to an academic debate (cf. Ederer *et al.*, 2013; Baffes and Haniotis, 2010). Nonetheless, regarding the volume of these investments it is safe to assume that they had an influence.

This brief discussion of price developments shows that, besides the macroeconomic environment (e.g. economic growth, US monetary policy), one cannot neglect the importance of structural organisation at a sectoral level as well as the role of financial capital and financial markets. For this reason, the following section sheds light on the organisational structure by means of the concept of Global Production Networks (GPN), which allows an analysis of productive activities.

3. Organisational structures

The Forbes list of ‘The World’s Biggest Public Companies’ shows that some of the 1000 biggest companies are multinational enterprises (MNEs) with activities linked to natural resources. Within the fuel GPN, the leading companies are ExxonMobil (rank 7), PetroChina (8), Royal Dutch Shell (13), Chevron (16), Sinopec (24), Gazprom (27), Total (35), BP (41), Rosneft (59) and ConocoPhillips (89). Within the metals GPN BHP Billiton (50), Rio Tinto (105), Glencore (110) and China Shenhua Energy (127) should be mentioned. The activities of Wal-Mart (16), Nestlé (30), Mondelez International (188) and Sime Darby (709) are in turn related to the food and beverage GPN (Forbes 2015a). In general, it can be stated that these GPN are characterised by the presence of dominant MNEs (UNCTAD, 2007:108-116, 2009:105-128; Dicken, 2011:288-291).

Nonetheless, it is fruitful to take a closer look at the organisation of each GPN’s value chain. This allows a more fundamental discussion of the role of MNEs and explains their power within the respective GPN. The activities within the metals GPN can be divided into two different types (UNCTAD, 2012:5). First, there are extractive activities, which envelop exploration, development and mining. The second type are processing activities such as mineral processing, smelting and refining, as well as value addition. MNEs, embedded in the metals GPN, cover and control with their activities as rule-of-thumb the whole production chain. Moreover, the already existing concentration of power and capital has been further intensified since the 1990s by means of M&A. At the same time, the exploration of new resource reserves is outsourced to a junior sector, comprising small, risk-taking companies (UNCTAD, 2007:108-110; PWC, 2011a:5). In addition, a trend towards vertical integration could be observed. Downstream companies secure their access to resource reserves and become more autonomous by means

of M&A. Companies from the metals sector increasingly expand their activities through M&A with infrastructure companies (e.g. transport). One example is the acquisition of Xstrata by the resource trader Glencore (Jamasmie, 2013; PWC, 2011b).

The supply chain of the oil and gas GPN is commonly divided into three components: upstream, midstream and downstream (UNCTAD, 2012:3). Similar to the metals sector, the upstream component envelops exploration, development and production. Whereas midstream describes transportation and storage, the downstream component exists of refining, processing and marketing. Although parastatal and state-owned enterprises (e.g. Saudi Aramco, Gazprom, NIOC) control the upstream component, the role of independent junior enterprises as well as private MNEs (e.g. ExxonMobil, BP) cannot be neglected. The downstream section is still firmly controlled by private MNEs, though parastatal and state-owned enterprises try to penetrate this segment (cf. Le Billon and Bridge, 2016). Since the 1990s the fuel GPN faced a wave of M&A (UNCTAD, 2007:113-116).

The food and beverage GPN is markedly different from the previous two GPN in which MNEs cover multiple or even all activities of the supply chain. Within this GPN, MNEs cover only distinct segments of the supply chain, which makes this GPN highly interesting and complex (UNCTAD, 2009:105-128). In the segment of strategic inputs, e.g. seeds, pesticides and fertilisers, MNEs such as BASF, Bayer, Monsanto and Dow Chemical Company have a dominant market position. A large number of commercial farms cover the production segment, i.e. farming, although some MNEs (e.g. Dole Food Company, Fresh Del Monte Produce and Sime Darby) are active in this segment. These MNEs dwarf, however, in direct comparison with MNEs of the upstream or downstream segments. Important downstream segments are processing (e.g. Nestlé, Anheuser-Busch InBev, Kraft foods) and retailing (e.g. Wal-Mart, Metro, Carrefour). These downstream MNEs do not only influence farming directly through their own production, but also indirectly by means of contracts as well as the implementation of product and quality standards. Once again, a wave of capital consolidation in the food and beverage GPN occurred by means of M&A (e.g. Bayer's acquisition of Monsanto). In addition, 'new' investors advanced into this GPN. These investors are quite diverse ranging from countries of the Global South (cf. food security), MNEs such as Daewoo Logistics and ExxonMobil as well as private and sovereign wealth funds.

The concentration of power within these GPN can be interpreted as the result of two specific characteristics. First, MNEs cover substantial segments of their supply chain and control those activities, which allow for value creation and distribution. This enables them to accumulate power and capital, which in turn offers them further control opportunities within their supply chain. Second, these GPN are defined by some segments, which are highly capital intensive (e.g. research & development, distribution networks, mines). Only companies with the necessary access to capital can afford such investments, which creates a structural barrier and protects MNEs. In the following section rent theory is applied to deepen the analysis of MNEs.

4. Rent theory

In order to discuss the previously described developments, which are at first sight diverse and complex, this paper needs a conceptualisation of natural resources in capitalism. Rent theory provides one key mechanism for doing so. As argued by Cyrus Bina (2006:5-8), the rent concept facilitates a structured analysis. Within the tradition of critical political economy the relationship between nature and society is conceptualised by means of rent theory. In contradiction to other economic schools, critical political economy regards nature as not only the outcome, but also the subject of social as well as economic relationships (Sheppard and Barnes, 1990:104-136; Collins, 2017).

The critical rent debate, which emerged somewhere in the 1970s, addressed the applicability of Marx's agricultural rent to other economic context. Besides a theoretical discussion on the position of rent in Marxist economics (e.g. Fine, 1979), one strand in this debate focussed on the treatment of the built environment in an urban context (e.g. Harvey, 1974:240, 1984:330, 2012:90; Ball, 1985; Haila, 1990; Jäger, 2003; Smet, 2016). Another line of argument developed with respect to nature and natural resources (e.g. Sheppard and Barnes, 1990:135; Fine, 1994; Felli, 2014; Andreucci *et al.*, 2017; Collins, 2017). Building on the insights of these debates, this paper defines rent as revenue appropriated through the property title over a pseudo-commodity. Despite this rather simple definition, some important aspects are implied. First, without the institution of property titles rent cannot exist. Only ownership rights enable the exclusion of others from the pseudo-commodity's use value. Or to put it in the words of Collings (2017:154) "[...] the generation and distribution of rents presupposes a system of property rights." This highlights the social embeddedness of rent relations. Second, since someone is willing to provide a monetary transfer for

this property title, the pseudo-commodity has an exchange value. Simultaneously, the willingness to pay can be traced back on the pseudo-commodity's use value. This use value can rely on "conditions or elements of production" or "instrument or means of production" (Harvey, 1984:334). Consequently, the exchange value is based on expected future revenues generated through its use value. Third, the term pseudo-commodity is used in an analogous manner as Felli (2014) and Adreucci *et al.* (2017) to point out that what is covered by the property title is not (or only partly) the result of a production process. Some examples of pseudo-commodities are minerals such as ores and crude oil reserves. Sheppard and Barnes (1990:106) make a similar claim with respect to natural resources, when they point out the lack of (re)production costs.

It is generally accepted that four categories of rent can be distinguished: Differential Rent 1, Differential Rent 2, Monopoly Rent and Absolute Rent. This distinction is, however, theoretical and helps 'to distinguish various forms of functional logics of rent and behaviour of diverse social actors' (Jäger, 2003:240). Although it is important to be aware of this distinction, these categories are secondary to the argumentation of this paper. Therefore, they will not be further discussed. The rent relation presents itself thus as ownership right over pseudo-commodities, which implies that there is a process of creating a property title over use values, and a process of appropriating revenue. Both processes are socially mediated and thus institutionally embedded. Therefore, rent is more than the quantitative distribution of realized surplus value, but a qualitative different relation, with its own specific characteristics and dynamics.

As consequence of this definition, 'scarcity' is not regarded as something natural but as result of social interaction within capitalist production processes (Sheppard and Barnes, 1990:135; Labban, 2008:3). A share of the revenues earned by MNEs, is paid as rent to the owners of the resource reserves. This division of revenues is a fundamental conflict between producers and owners. This distributional conflict is embedded, however, in broader social and economic processes, which change the division of power between the involved parties.

One key event was the wave of de-colonialisation after the Second World War (UNCTAD, 2007:88, 2009:105-106). Within the considered GPN, companies from the Global North lost in the wake of this even their privileged access to resources of the Global South. The new, independent, sovereign nation-states reclaimed ownership of resource reserves by means of compulsory purchases for purposes of public utility and the nationalisation of production sites. During

this era capitalist property rights and relationships emerged, which enabled the appropriation of rent. This is shown for example by Bina (2006:8-16) with respect to the oil industry.

The global recession, which started in the 1970s and includes the oil crises, and its aftermath changed significantly the constellation of power between MNEs and natural resource owners. Economic growth was slow and consequently there existed an excess in supply of natural resources. This was also reflected in their prices, which were relatively low in the 1980s and 1990s. During this period natural resource reserves lost their status as strategic important assets for economic growth and a commodification of natural resources could be observed (UNCTAD, 2007:88). Accordingly economic policy with respect to natural resource reserves shifted towards privatisation, deregulation and attracting FDI. The Bretton-Woods institutions, i.e. the World Bank Group and the IMF, actively supported this policy shift by means of their infamous Structural Adjustment Programmes (Emel and Huber, 2008; Bridge and Woods, 2010). With respect to the distributional conflict, MNEs benefited from this policy shift. The price boom of the 2000s induced a re-thinking on the side of natural resource owners and these nation-states started to regard resource as important assets for their economic development and included them in their growth strategies (Jäger *et al.*, 2014; Pichler, 2014).

To understand the distributional conflict, the central role of primary sector MNEs in capitalism has to be highlighted. These MNEs provide a fundamental function by commodifying nature, i.e. they transform nature into a commodity. These commodities in turn are basic inputs for all other capitalist industries. Actual production processes would be non-existent without the direct (e.g. energy, raw material) or indirect (e.g. additives, tools, equipment) input of commodified nature. Based on this central position within capitalist production primary sector MNEs have the opportunity to realise surplus-profit, i.e. an above average return on capital investments with respect to other sectors. One precondition is, however, access to and control of natural resource reserves. This creates 'scarcity', which is the basis of the surplus-profit. When MNEs own property rights of reserves, they can keep this surplus-profit within the company. Otherwise, they face the owners of natural resource reserves, which claim by means of their property rights, i.e. rent, this surplus (Labban, 2008:13-47; Bridge and Wood, 2010).

For both the energy as well as the metals GPN the oligopolistic structure of industry organisation is the outcome of this distribution conflict. In the wake of de-colonisation and the price boom in the 2000s, resource rich countries

acted more self-confident. They were able to enforce their property rights and to curtail MNEs' access to natural resource reserves. This manifested itself in a policy of expropriation and the emergence of parastatal and state-owned enterprises. Private MNEs reacted to this with M&A. They either try to secure a strategic advantage (strategic asset seeking) or an access to (im-) material resources (resource seeking) (Kraemer and van Tulder, 2009; Dunning, 2000). Although M&A have the potential to organise production more efficient (cf. economies of scale), they improve the individual negotiation position of MNEs and increase the MNEs' natural resource reserves. The emergence of parastatal and state-owned enterprises unsettled the private MNEs' position in the respective GPN, nevertheless this development did not solve the basic conflict between rent appropriating owners and productive capital accumulating companies. The parastatal and state-owned enterprises also face the imperative of capital accumulation, which is directly linked to their access to and control of natural resource reserves (Bridge and Wood, 2010).

The constellation within the food and beverage GPN deviates from the previous analysis and should be treated separately. As already mentioned numerous, relatively small farming companies cover the segment of agricultural production (Dicken, 2011:270-300; UNCTAD, 2009:105-128). At first sight, a discussion of rent seems in this setting inappropriate, although rent theory was originally developed to analyse agricultural production. In consideration of the sheer size of the down- and upstream MNEs owners of agricultural land have a very weak bargaining position and are limited in their capacity to appropriate rent. Nevertheless the concept of rent is relevant for this GPN. Whereas for the other two GPN the control over material resources is crucial, within the food and beverage GPN immaterial resources, i.e. patents and brands, are pivotal for rent appropriation. Owners of such immaterial resources can realise surplus-profit (cf. Zeller, 2008). Consequently, it is not surprising that some of the most valuable brands originate in the food and beverage GPN. Forbes (2015b) estimated the worth of the Coca Cola brand to be 56 billion USD (rank 4), Walmart: 24.7 billion USD (rank 20), Budweiser: 22.3 billion USD (rank 25), Nescafé: 17.3 billion USD (rank 31) and Nestlé 12.2 billion USD (rank 43). Notwithstanding the fact that market seeking is an M&A motive, both resource seeking and strategic asset seeking are dominant motives. One example is the mega acquisition of SABMiller by AB InBev (Massoudi *et al.*, 2015).

Although ground rent appropriation is currently secondary, recent developments could induce a revival of this aspect within the food and beverage

GPN. The increasing investments driven by the motive of food security by new investors (nation-states from the Global South, private and sovereign wealth funds). This could change the negotiation power of landowners and revive ground rent (UNCTAD, 2009: 105-128; Smyth and Hornby, 2015).

5. Financialisation

The analysis of M&A based on rent theory covers one aspect of the company policy of MNEs, however a critical discussion of the macroeconomic setting still lacks, which is the aim of this section. In the wake of the global recession of the 1970s a ‘globalisation of capital’ (Chesnais, 2004: 220) occurred. Successive policy shifts towards the deregulation, privatisation and liberalisation of multiple economic spheres (e.g. financial industry, trade, FDI) enabled this development, which critical social sciences coined as ‘financialisation’. Since this term is used differently, a unique definition is not at hand.

This paper follows the French regulation approach (Becker, 2007; 2013; Chesnais, 2004; Serfati, 2012) with respect to the definition of financialisation. Whereas within a capitalist society multiple capital accumulation strategies exist, the French regulation approach makes a basic distinction between the accumulation of productive capital and fictitious capital (Becker, 2007:74-76). Marx (2008) introduced fictitious capital in chapter 25 of his third volume of *Capital* to discuss accumulation processes, which are no directly dependent on the production of surplus value. A main characteristic of fictitious capital is that it is a property title, which represents a financial claim on future revenues (Marx, 2008: 413). Later on, Marx (2008:482-483) is rather specific with his statement that the origin of fictitious capital does not have to be capital (e.g. state bonds). Fictitious capital comes only into existence in the moment that the property title is capitalised, i.e. it becomes a price (Marx, 2008:484). This price basically depends on the size and the sureness of these future revenues. Thus, fictitious capital is subject to changes in expectations about an intrinsic uncertain future (Marx, 2008:485). According to Becker (2013:37) financialised accumulation is at hand when financial capital assets increasingly become important, i.e. the logic of fictitious capital accumulation becomes the dominant social/economic form. The emergence of ‘finance dominated accumulation regimes’ (Chesnais, 2004) impacts also MNEs. As argued by Serfati (2012) MNEs developed corporate structures, which envelop both the accumulation logic of productive capital as well as the accumulation logic of fictitious capital.

Serfati (2012:533) distinguishes between complementary dimensions of financial capital, which are illuminating for the analysis of the financialisation of primary sector MNEs. The first dimension regards financial capital as the institutionalised financial industry. This dimension forms the core of the financialisation debate and directly influences the primary sector. As part of its accumulation strategy, financial capital invests in company shares of MNEs. Due to the economic dominant position of financial markets, a new corporate governance centred on shareholder value emerged and forced MNEs' management to comply with the accumulation logic of financial capital (Chesnais, 2004:224; Serfati, 2012:541). This follows straight from the accumulation strategy of fictitious capital (Serfati, 2012:534). In the case of MNEs shares expectations of future revenues do not only regard future dividends, but also changes in share prices. Moreover, the commodities produced by primary sector MNEs, i.e. natural resources, offer profitable investment opportunities to financial capital (Ederer *et al.*, 2013; Baffes and Haniotis, 2010).

The second dimension of financial capital is broader than the institutionalised financial industry. In principle, every capital, which is subject to the logic of fictitious capital accumulation, is financial capital (Serfati, 2012:533). In this respect, a part of the capital of MNEs has to be regarded as financial capital. Especially for primary sector MNEs this dimension cannot be neglected. Their profitableness is not only defined by their productive activities, but to a considerable extent by property titles on pseudo-commodities (e.g. resource reserves and brands), as previously argued. Based on the monopoly granted by property titles revenues in form of rents can be appropriated. At the same time, is the value of these property titles defined by the anticipated future revenues, which they could generate, i.e. these pseudo-commodities are a form of fictitious capital (Serfati, 2012:548-550).

Through combining these two dimensions of financial capital a remarkable picture of M&A emerges. Fuelled by a general, macroeconomic financialisation the central role of property titles (and in accordance also rent revenues) in the natural resource GPN was strengthened. The new corporate governance based on shareholder value shows that the performance of primary sector MNEs is subject to financialised criteria. Hence, with respect to the present trade-off between productive investments and financial investments (ergo fictitious capital accumulation) MNEs tend to prefer the latter (Serfati, 2012:543). This would also explain the emergence of junior companies, which cover the exploration of new reserves. This allows MNEs to avoid high-risk, medium-

term investments. In accordance to the logic of financial capital, MNEs secure new reserves through M&A (or licence agreements) and this becomes a mere financial transaction. Companies acquire by means of M&A other enterprises, i.e. they acquire the possibility to take possession or skim their value, surplus and property rights. Simultaneously, this process implies capital concentration, which increases the market power of the MNEs (Chesnaïs, 2004:223; Serfati, 2012:544). M&A are the interface between MNEs and the financial industry. Fictitious capital (shares and assets) become capitalised only in the course of M&A. Only at this point, the value of fictitious capital obtains a price tag and is monetarised (Serfati, 2012:532, 544). Primary sector MNEs benefit from the increased interest of the financial industry in natural resource commodities as their profits grew. Consequently, this boosted their financial liquidity, which created a further incentive for M&A.

6. Conclusion

This paper offers a complementary perspective on the ongoing debates on global natural resource and commodities politics. The vantage point of the present analysis are MNEs, which create through their activities interdependences on three distinct spatial levels (local, national, global). In the face of the price developments of natural resources since the 1990s, the oligopolistic organisation as well as the emergence of parastatal and state-owned enterprises the role of M&A is critically analysed. Moreover, this analysis is linked to the financialisation debate.

‘Financialisation’ is construed by means of the French regulation approach, i.e. it describes a shift towards a dominant accumulation logic of fictitious capital. The two dimensions of this interpretation allows complementing an analysis of the financial industry with the accumulation strategies embodied by firms.

On the one hand, primary sector MNEs react to the process of financialisation. The corporate governance of MNEs shifted towards a share-holder-value valuation. M&A offer MNEs the possibility to improve their stock prices. Simultaneously, financial industry actors favour M&A, because it comes hand in hand with a capitalisation or monetarisation of fictitious capital. Furthermore, financial industry (especially institutional investors) discovered commodities as alternative capital assets. Increased investments of the financial industry did significantly influence commodity prices, although it can be disputed that they are the main reason for price peaks. Higher prices fuelled in turn the distributional conflict between primary sector MNEs and natural resource owners. Nation-

states established parastatal and state-owned enterprises to gain control of value creation and distribution. Within this environment, M&A enabled MNEs to increase their bargaining position vis-à-vis nation-states and to retain their control over the production chain and resource reserves.

On the other hand, MNEs have a hybrid accumulation logic. Both the accumulation of productive capital as well as the accumulation of fictitious capital are key to the competitiveness of MNEs. Indeed, long-term survival of MNEs is based on their control over and access to material or immaterial pseudo-commodities. Moreover, through the social constellation of this control and access ‘scarcity’ is created and the industry as a whole can realise a surplus-profit, which is the stake of the distributional conflict. From this perspective, MNEs can increase their bargaining power and their access and control through M&A. From a critical political economic perspective, this equals accumulation of fictitious capital based on rent appropriation. Insofar, the MNEs policy of M&A cannot be interpreted exclusively as a response to financialisation. A tendency to capital and power concentration is intrinsic to natural resource GPN. Financialisation did, however, reinforce these already-present disposition.

Biographical notes

Koen Smet is Assistant Professor at the Institute for Institutional and Heterodox Economics at the WU Vienna. He has a broad academic background, which can be observed in his research topics. His research focusses on uneven development and covers international economics, urban studies, economic policy and the history of economic thought.

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