The wheel of fortune is turning for the Global Champions

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Financial news is, like news in general, a distorting mirror. Public attention focuses on crises like those at Northern Rock or Bear Stearns, and more rarely on great success stories such as Google and ArcelorMittal. But most other developments take place in silence.

To put economic change in perspective and catch a glimpse of the bigger picture, it is useful to look beyond the headlines. One way of doing this is to observe the top players in the global business hierarchy.

Global rankings by market capitalisation give a good indication of which companies are dominant at a given time. The image is not undistorted, because of local stock exchange bubbles, exchange rate fluctuations, and, even more significantly, because some large companies are not publicly listed, such as France's railways and savings banks, Japan Post, or most state-owned oil giants.

Even so, most large groups with international operations are listed, and their market value remains the most relevant publicly available indicator for comparing different countries and sectors.

The following numbers are based on the FT Global 500 ranking of the world's largest listed companies by market capitalisation, measured in US dollars since 1998 by the *Financial Times*.

This list, which changes a bit at each new ranking, paints a picture of a global landscape that changes at breakneck speed.

Most remarkable is how quickly the elite of the world's companies has become multipolar. Just five years ago, at the end of March 2003, the world outside Europe, the US and Canada represented less than 13 percent of the Top 500's aggregate capitalisation.

Now, at the end of March 2008, this share exceeds 28 percent, in spite of Japanese stagnation, undervalued currencies in Asia and the Gulf countries, and the recent deflation of the Indian and Chinese stock exchange bubbles.

Emerging countries have increased their share dramatically, from 2 percent of the total in 1998 to 20 percent now. China and Hong Kong represent less than half of that share; Brazil, India and Russia, which together had only three companies in the top 500 in 1998, today have 35, representing 7 percent of total value.

A year ago, all top five global groups were still American: ExxonMobil, GE, Microsoft, Citi and AT&T. Today, only two remain (ExxonMobil and GE), now joined by PetroChina, Gazprom and China Mobile.

The reason is obviously the strong growth of emerging countries, combined with their accelerated adoption of the large listed company model (some of them still state-controlled, like Gazprom and most Chinese giants), which until recently had been the preserve of the West and Japan.

Some of the growth stories are breathtaking. Reliance Communications, the Indian mobile operator, started up in 1999. At the end of March 2008, post-Indian stock bubble, it was worth more than $26 billion.

This catch-up dynamic is far from over. It is reasonable to expect that Asia (currently 20 percent of the top 500's total value, from 10 percent in 2003) will overtake either Europe (33 percent, not counting Russia) or North America (40 percent), and perhaps both, in the first half of the next decade. 'Emerging multinationals' can still be seen as exotic, but clearly they are no longer marginal.

Beside the geographical aspects, a sector analysis also reveals many changes.

The relative weight of financial services (excluding insurance) had increased from 14.5 percent of the Top 500's aggregate capitalisation in 1998 to more than 24 percent in late June 2007, though the financial crisis brought it back to just over 18 percent by late March 2008. More than a quarter now comes from emerging countries, whose large financial firms together weigh heavier than America's.

Non-food commodities (oil, gas and mining companies), of which two-fifths now hail from emerging countries, increased their share from less than 7 percent of the total in 1998, when the oil price was low, to 18 percent in March 2008.

US players remain dominant among business service companies (68 percent of the sector's total value, including the top three: Microsoft, IBM and Oracle) and in life sciences (61 percent), a sector whose relative weight has declined in the last ten years.

Emerging countries are overrepresented in telecoms (38 percent of aggregate capitalisation) but feature poorly in other, less regulated, consumer-oriented segments such as food, leisure and retail, in which Westerners have captured a larger part of the growth.

Europeans dominate in utilities, a sector that is fragmented in the US and not yet privatised in China. EDF is the world leader.

On the face of it, the numbers appear reassuring for Europe. The old continent's relative share has been stable at slightly under a third of the top 500's total market value, whereas the United States' has slumped from 57 percent in March 2003 to 36 percent in March 2008, a decline that is only partly accounted for by exchange rate movements.

France in particular seems to be doing well, moving from 3.9 percent in 1998 to 4.7 percent in 2003 and 6.6 percent in March 2008 (including 0.8 percent for EDF and GDF, which were not listed in 2003). The French have reasons to be proud of their 'champions'. But they should not be too complacent.

As this column noted last month, Europeans (and the French) are less successful than others in spurring the emergence of new large companies. Their large groups resemble powerful oaks under which nothing else grows.

But having a capacity for renewal will be essential as the young giants from emerging countries gradually expand into the same markets as ours.

The pecking order of the world's most powerful companies is changing so quickly that past success can only be seen as encouragement, not a guarantee, for the future.

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