Nation-States as Investors in a Globalized World[1]

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Abstract

The article deals with problems of an inception and existence of sovereign wealth funds in a present world, with their size, types and goals. These funds do not present an economic problem, but they invoke fears concerning a national security and a state sovereignty in case of their entrance into the sensitive industries as a defence industry, energy, an infrastructure etc. in host countries. So there is an effort to establish an international regime of this fund performance which would increase especially their transparency and accountability. Except from it there is discussed the existence of these fund as one form of an external imbalance manifestation and also the manifestation of a changing hegemony in today's world from developed countries in favour of Asiatic states.

Keywords: *sovereign wealth funds, external imbalance, regulation, national security*

JEL Classification: F21, F36, F52, F55, F59

Introduction

The role of nation-states is often discussed in connection with globalization processes, especially the problem of the clash between globalizing markets and nation-states, which were previously bounded by territory. This clash between the market and the state, sometimes interpreted as a clash between economics and politics, invokes a lot of tensions, as well as considerations of the common coordination and the collective action of nation-states, even considerations of the shift of political power to the regional, or even to the global level. A political

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space would comply better with an economic one in this case. From the economic point of view there are a lot of new phenomena in the period of globalization, which ask new solutions and concerns about future world development. Sovereign wealth funds (SWFs) have become such a phenomenon at the beginning of the 21st century and especially market developed states are worried about them. The target of the article is to point out sovereign wealth funds as a qualitatively new phenomenon which is arising in a connection with state interventions into the economy. The article also aims to show global imbalances like one of reasons for SWF emergence, and also to describe main trends in this realm – as for the target, and domestic countries, types of SWF assets, or the SWF regulation.

Sovereign wealth funds are investment funds which are owned by nation-states and which create financial assets in foreign exchange in a form of shares, bonds, real estates etc. States can have these assets as a consequence of their balance of payment surpluses, foreign exchange operations, privatization revenues, raw material exports, and fiscal surpluses (SWFI, 2010). On the other hand sovereign funds are not created e.g. by foreign exchange reserves of central banks for intervention purposes, by enterprises owned by the state in a traditional sense, by employee pension funds etc. (SWFI, 2010). Table A in Appendix A shows the ranking of SWFs according to SWF Institute data. By the types of resources more than a half – concretely 56% of these funds – create the funds which were founded in a consequence with oil and gas export by countries and the remaining SWFs – 44% fall on the funds which were created on the basis of other non-commodity resources. SWF home countries are the United Arab Emirates (Abu Dhabi, Dubai), Norway, China, Singapore, Kuwait, Russia etc. Sovereign wealth funds invest mostly in the market developed countries, especially in the U.S.A, the United Kingdom, Germany, France, Switzerland and Canada. There is also often used the comparison with the world exchange reserves to illustrate volumes of these funds. The total world exchange reserves are estimated to be 10 trillion USD (IMF, 2012a), the sum of resources in sovereign wealth funds is about 5 trillion USD (Table A in Appendix A), and so it stands about the half of the world foreign exchange reserves.

1. Global Imbalances and Their Connections with SWF Inception

Global imbalances are one reason of the SWF creation in the contemporary world. Table 1 shows current account surpluses of countries with the biggest SWFs.

It is possible to see the first reason partly in the long-term oil and gas price increase. It is becoming for many countries – the United Arab Emirates, Kuwait,

Norway, Saudi Arabia, Russia, Libya and other – the important source of the resources ploughed into these funds. In this sense there is not to await the principal change because oil remains the basic strategic raw material for the industry and transport and the steep economic growth in big countries such as China, India, Brazil, Russia and other ones accelerates its prices. The diversion from oil would bring probably only the revolutionary invention of another production and transport way which would fundamentally change the general conditions and the power constellation in the present world and which is not probably on the horizon.

Table 1

Current Account Surplus of Countries with the Biggest SWFs

	2007	2008	2009	2010	2011	2012
Norway (bill. USD)	49.0	72.4	40.5	51.9	70.6	74.3
Norway (% GDP)	12.5	16.0	10.8	12.4	14.6	14.8
Singapore (bill. USD)	45.8	26.3	30.1	55.5	57.0	58.9
Singapore (% GDP)	25.8	13.9	16.2	24.4	21.9	21.8
Kuwait (bill. USD)	42.9	60.2	25.9	36.9	73.9	93.3
Kuwait (% GDP)	36.8	40.9	24.4	29.6	41.8	46.2
Russia (bill. USD)	77.0	103.7	49.5	70.0	101.1	96.4
Russia (% GDP)	6.0	6.2	4.1	4.7	5.5	4.8
Saudi Arabia (bill. USD)	93.5	132.5	21	66.9	141.1	181.9
Saudi Arabia (% GDP)	24.3	27.8	5.6	14.8	24.4	27.9
United Arab Emirates (bill. USD)	17.7	24.8	9.1	9.1	33.3	37.0
United Arab Emirates (% GDP)	6.9	7.9	3.4	3.0	9.2	10.3
China (bill. USD)	359. 9	412. 4	261.0	305.3	201.0	181.7
China (% GDP)	10.1	9.1	5.2	5.1	2.8	2.3

Source: IMF (2012b) rounded, for the year 2012 estimation.

The permanent current account deficits of many developed countries are other long-term imbalances which find its manifestation in sovereign fund existence. These deficits prove in the high trade surpluses, especially of Asiatic states (Table 1). The current account deficit of the U.S.A. has been mentioned most frequently. It has been persisting from the 80th and in a period 1999 – 2009 it amounted to between –6% GDP in 2005 and 2006 to –3.2% GDP in 1999 (OECD, 2010).[2] On the contrary the current account deficits of developed countries signify capital exports from surplus countries. One form of these flows is the SWF origin. The suggested examples of the important oil country SWFs, of the Asiatic trade giants and of the host countries like the U.S.A., the United

[2] Similarly other developed states have the deficits of their current account: the United Kingdom (in the same period between –3, 3% GDP to –1, 6% GDP), Australia (between –6, 1% GDP to –1, 9% GDP), Iceland (between –14, 5% GDP to –3, 8% GDP), Italy (between –3, 4% GDP to –0, 1% GDP) etc. Hnát (2010, p. 2) stresses that the deficit side is occupied predominantly by the U.S.A. today, on the other hand the surplus side is created mainly by five countries: Japan, China, Germany, Saudi Arabia and Russia.

Kingdom and other ones evoke the question about the often discussed changing hegemony in the present world from the U.S.A. towards Asia. The United States had similarly current account surpluses and it gained economic and political influence because of economic aid and loans to European and other countries in the 50th and 60th. Capital has traditionally flown from the core to the periphery. Nowadays it is typical that capital is flowing in an opposite direction, from the periphery to the core, also in a form of SWFs.[3] Further more these capital movements do not increase country indebtedness of target countries, and they can be viewed more positively than loans.

The SWF phenomenon has also interesting implications to the nation-state role. Whilst after the World War II the world performed according to the Keynesian formulas, from the 80th it has been moving towards market liberalism. The emerged imbalances, which have economic and political causes, have resulted – among others – in the SWF origin and also in the phenomenon of state capitalism. This one is defined (Lyons, 2007, p. 5) like using government controlled funds with the goal to acquire firm strategic shares in the world. Nation-states figure in the property structure now, not only private actors as a consequence of the SWF entrance. The previous state interventions were always inside the state. The nation-state influenced the economic subjects on its own territory. *The nation-state can enter the economic subjects outside the nation-state territory now. The "trans-state capitalism" is emerging and we consider it for the fundamentally new phenomenon.* Except from national security questions it is also necessary to consider which economic impacts of this phenomenon could arise. Will the nation-state be able to perform its functions adequately effectively in case of firm decisions? Will this trans-state capitalism not suffer from any negatives of the state property? Or is it possible to view the nation-state activities in investments like public goods (Kern, 2007) while the sovereign wealth fund regulates the market to prevent big fluctuations and failures in case of a stabilization function, or due to its intergeneration transfer? It is also possibly to consider the problem in another way. The nation-state figured in Keynesian approaches like the actor which stimulated the demand, or which made the demand itself by state orders. At the same time from the World War II to the 70th of the 20th century it was the owner of e.g. infrastructure firms (so-called natural monopolies). From the 80th of the 20th century it is coming to deregulation, state minimization and to privatization of state companies. The demand stimulated by the state is offset by the expansion of private credit activities. At the turn from the 20th to the 21st century the state is coming back into the play, at this time in another way. It becomes an owner, or co-owner in firms which are

[3] Hildebrand (2007, on line, p. 4) cites in detail the literature overview to these problems.

on the territory of other nation-states, possibly on its own territory. Because the state represents a relatively stable reliable investor the SWF firm entrance is understood like the stabling element and is welcome by other market participants.4 The only fears in the literature (Hildebrand, 2007 and others) are in this connection that SWFs represent the relatively big market actor and its entrance represents the possibility to influence the market price. The SWF could be also viewed like less risky. It could displace private funds and this state intervention could disturb free competition. Let us only theoretically imagine that one sovereign wealth fund would gradually acquire key firms inclusive the infrastructure ones on the territory of another nation-state. Which impacts will it bring? Will the SWF home country also keep acting only like an economic actor, or will it take over also other nation-state functions? Will the state sovereignty remain in the host country?

Table 2

Democracy Index

Country	Score	Type
Norway	9.80	full democracy
Singapore	5.89	hybrid regime
Russia	5.25	autoritative regime
Kuwait	3.88	autoritative regime
China	3.14	autoritative regime
U. A. E.	2.52	autoritative regime
Saudi Arabia	1.84	autoritative regime

Source: EIU (2010).

Let us look at the SWFs with assets under management more than 100 billion USD and its home countries. We can see that they are countries with “the strong state.” Table 2 shows that the authoritative regimes are mostly concerned, except from Norway which is the strong social state. E. g. France has established its SWF – Strategic Investment Authority in 2008. France has also state capitalism and patriotism tradition. These fund assets amount 28 billion USD now and they should stabilize small and medium enterprises in France and also the SWF owns the main French companies (Fiechter, 2010). The example of China is significant. It does not allow free capital movements. China (and other Asian surplus countries) does not have developed capital markets and the quality bank system, and the portfolio capital is out flowing from the country to use the developed capital markets of other countries (e.g. of the U.S.A.). We can speculate that comparable private funds could function here if there would be above mentioned

[4] As Michl (2008) states the US Dollar appreciated in the reaction to the SWF Abu Dhabi Investment Authority entrance.

attributes present. The possibility of free capital trade would be however suggested. The growing foreign currency reserves lead to the situation that the amount of them is sufficient to the purpose the reserves should serve for.[5] The foreign currency exchange into the domestic currency would cause the undesirable domestic currency appreciation,[6] and so export, production and employment worsening, Countries with high foreign currency reserves are also afraid of the American dollar depreciation. The SWF enter of these countries present the possibility to increase the value of assets for future expenditures. It is also possible to consider that if the imbalance reasons pass away the resources of these SWFs drop. We mean especially the question of the exchange rate regime of surplus countries (Table 3). China and other countries use the fixed (or some form of fixed) undervalued exchange rate which stimulates exports. If they would change exchange rate policies the foreign currency reserves would drop.

T a b l e 3
Exchange Rate Type

Country	Exchange rate type
China	crawl – like arrangement
Singapore	other managed arrangement
Saudi Arabia	conventional peg (USD)
UAE	conventional peg (USD)
Russia	other managed arrangement
Kuwait	conventional peg (currency basket)
Norway	free floating

Source: IMF (2011).

2. Trends in SWFs

The Kuwait Investment Authority arose in Kuwait in 1953. Other sovereign wealth funds were founded in the 70th and also in the turn of the 20th and the 21st century. Why are these funds evoking discussions only at the beginning of the 21st century? The fears started after the Chinese and Russian SWF establishment, and also because earlier the sovereign wealth funds bought mainly state bonds, or they deposited resources in banks as the relatively sure investments from the view of the funds and as desirable resources of finance from the view of nation-states. At present their interest shifts towards the possibilities to enter important world firms and banks (Michl, 2008; Kern, 2007). In this connection the most discussed case was the case when the Dubai Company the Dubai Ports World

[5] The foreign currency reserves should cover 3 – 4 month imports of the country.

[6] It is probably that the amount of 5 trillion USD – the half of the world foreign currency reserves – could influence the exchange rate.

intended to enter the company P&O (the Peninsular and Oriental Steam Navigation Company). The Dubai government owns the Dubai Company. The company P&O is the fourth largest world operator and is engaged in the important ports in the U.S.A. The intended, but not finally carried out entrance of Dubai in the company P&O was understood as a danger for national security of the U.S.A. It has also evoked general discussions about the protection of this security as a consequence of this sovereign wealth fund existence (Kern, 2007). In 2004 the Chinese Company Lenovo Group took over the share 1.75 billion USD in the company IBM in the field of computer business in the same way. In 2007 the company Delta Two – owned by Qatar – raised its share from 7.6% to 25% in the company J Sainsbury plc, Chinese state companies invest in Africa in mining, quarrying and oil industry and also in telecommunications etc. (Kern, 2007). The sovereign wealth funds were engaged also during the world financial and economic crisis. These ones entered the endangered reputable banks, acquired their shares and helped to protect them against fails. The sovereign wealth funds Abu Dhabi Investment Authority, the Government of Singapore Investment Corporation and the Kuwait Investment Authority entered[7] the Citigroup and acquired 4.9%, 3.7% and 1.6% of the share in the Citigroup. The Kuwait Investment Authority, the Korean Investment Authority and the Temasek Holdings entered the company Merrill Lynch and acquired 3%, 3% and 9.4%,[8] the China Investment Corporation acquired the share 9.9% in the company Morgan Stanley, the Temasek Holdings acquired the share 1.8% in Barclays PLC, the Qatar Investment Authority in Credit Suisse 1% and the Government of Singapore Investment Corporation and the Saudi Arabian Monetary Agency acquired in UBS 9.8% and 2% (SWFI, 2008). The world financial and economic crisis impacted the investments of sovereign wealth funds in two ways: at first sovereign wealth funds of individual countries left finance a little because this field was the cause of the crisis itself, but this one has been still their domain at present. Secondly the value of assets under the SWF management fell significantly as a consequence of the growth rate decline in real economies, according to estimations for about 25 – 30%[9] (UNCTAD, 2009, pp. 27 – 28). Even more some SWFs came back from abroad to help to domestic companies and banks and also to avert the takeover of domestic firms by foreign firms and countries (UNCTAD, 2009, p. 28). The SWF investments grew and amounted

[7] This figure and the following ones are from the period March 2007 – April 2008 as SWFI (2008) states.

[8] The World Investment Report 2009 (UNCTAD, 2009, p. 27) states that only in the year 2008 the Temasek Holdings acquired even the share 11% in the company Merrill Lynch.

[9] E.g. in the end of 2008 the value of assets under the Abu Dhabi Investment Authority amounted to 875 billion USD – compare with the figure in Table A in Appendix A (Kern, 2007, p. 3).

at the end of 2009 3.9 trillion USD (UNCTAD, 2009, p. 27). The SWF foreign direct investment amounted 26.5 billion USD. In 2012 statistics show steep decline of SWF FDI. Foreign direct investments were only about 10 billion USD (UNCTAD, 2011, pp. 14 – 16). The reason was that in this year the Persian Gulf countries almost did not invest because oil price declined (UNCTAD, 2011, pp. 14 – 16).

The indisputable trend which can be quantified is the growth of assets under SWF management. In the last 6 years we can see (Table 4) the twofold increase of assets in SWFs; from about 2 to 5 trillion USD. If this trend would continue we can await the growth of SWF relative significance. For comparison: the world market capitalization was about 48 trillion USD in the half of 2012. Also the single sovereign wealth funds show the relative high growth: Government Pension Fund grew for 62% from the year 2007 to the half of the year 2012, Saudi Arabia Monetary Authority for 54%, Kuwait Investment Authority for 72% etc. (Sedláček, 2010; SWF, 2012).

Table 4

Total Size of SWFs (in trillion USD)

	2007	2009	2010	2011	2012
SWFs total	2 – 3	3.9	4.2	4.8	5.0

Source: Sedláček (2010); SWF (2012); SWFI (2012); UNCTAD (2009), rounded.

If we follow the direction of the biggest SWF assets,[10] Table 5 shows the high orientation towards the U.S.A.: Abu Dhabi Investment Authority (ADIA) declares 35% as minimum (the least from assessed funds) and the Kuwait Investment Authority 86% as maximum (the most from the assessed funds) of investment intensions in the United States. Other funds are moving between these figures. The important destination is also Europe from 10% (ADIA) to 53.3% (Norwegian Government Pension Fund) and Asia: from 10% (ADIA) to 45% (Government of Singapore Investment Corporation). The Investments in Africa is surprisingly low as for the Chinese SWFs and on the other hand the investment flows of Chinese SWFs into the domestic economy are very high (50% China Investment Corporation to 93, 3% Chinese National Social Security Fund).

[10] Abu Dhabi Investment Authority, Government Pension Fund, Kuwait Investment Authority, Government of Singapore Investment Corporation, Temasek Holdings, China Investment Corporation, National Social Security Fund, national Welfare Fund, Qatar Investment Authority.

The transparency of single funds is not the same (s. Linaburg – Maduell Transparency Index in Table A Appendix A). Some SWFs state only range of minimum and maximum of their investment intensions.

T a b l e 5

Destination Territories of SWFs (in% of SWF assets)

	Min*		Max**	
Europe	10.25	China Investment Corporation	53.3	Government Pension Fund (Norway)
U.S.A.	35	Abu Dhabi Investment Authority	86	Kuwait Investment Authority
Asia	10	Abu Dhabi Investment Authority	45	Government of Singapore Investment Corporation
Africa	0.9	China Investment Corporation	less than 2	Government of Singapore Investment Corporation
Australia	3	Government of Singapore Investment Corporation	12	Temasek Holdings
Domestic economy	50	China Investment Corporation	93.3	National Social Security Fund (China)

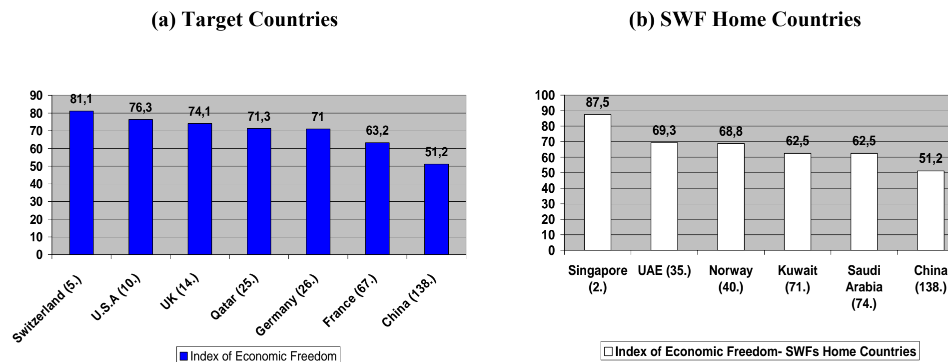
Note: * Declared minimum of investment activities; ** Declared maximum of investment activities.

Source: Data Monitor (2011).

Graph 1 (a, b) shows that target countries for SWF investments are unambiguously countries with the highest level of economic freedom.[11]

G r a p h 1 a, b:

Index of Economic Freedom



Note: Ranking between 179 assessed countries is in brackets.

Source: Heritage Foundation (2012).

It is given by the lowest risk rate of target countries, by the quality of local capital markets and also by the highest investment effectiveness which is caused by the great number of market actors. On the other hand SWF home countries, except from Singapore, belong to the countries with relatively lower economic freedom. In this sense the home state acts as the market behaving subject with really global resource allocation. As for economic goals of the sovereign wealth funds there is the consensus in the literature (Siebert, 2009; Kern, 2007; Truman, 2007 and others) that there are no objections against SWFs like investors. But

[11] We abstract away from China because Chinese SWFs invest just into China again.

there are controversies on the contrary in the fact that nation-states could follow other than economic goals, but strategic military political ones by means of sovereign wealth funds. The entrance of SWFs in the branches connected with national defence, energy, public and private infrastructure (transport nets, gas and electricity nets, ports, airports, railways, telecommunications), banking, media, in the branches connected with the top know how and with raw materials is the most formidable.

By asset type investments into equities prevail. Minimum – 30% of investment intensions – Chinese National Social Security Fund declares into domestic equities and 48% ADIA into foreign equities; maximum ADIA and Temasek Holdings 78%. China Investment Corporation invests into bonds relatively the least (7.6%) and on the contrary Norwegian Government Pension Fund invests the most (39.7%).[12] Other types of assets are e.g. real estate and other alternative assets. We consider the prevailing investment into equities for the more market way than buying bonds. Then companies are not indebted by the SWF entrance and SWFs also as a shareholder get the possibility to participate in management; the shares use to be connected with higher profitability, but also with a higher risk.

T a b l e 6

Asset Types of SWFs (in %)

	Min*		**Max****	
Equities	 30 48	National Social Security Fund (China) – domestic Abu Dhabi Investment Authority	78	Abu Dhabi Investment Authority Temasek Holdings
Bonds	7.6	China Investment Corporation	39.7	Government Pension Fund (Norway)
Bank deposits	0	Abu Dhabi Investment Authority	5.6	China Investment Corporation
Other	0.1	Government Pension Fund – Global (Norway)	45	Abu Dhabi Investment Authority

Note: * Declared minimum of investment activities; ** Declared maximum of investment activities.
Source: Data Monitor (2011).

Literature states, that SWFs are rather passive investors which invest in the long-term horizon (IMF, 2008). The prevailing majority of investments are portfolio investments (e.g. entrances into financial institutions). UNCTAD (2012) states that the share of direct investments in assets under management is less than 5% and created less than 1% of global FDI stocks in 2011. The cumulative flows rose from 11.8 billion USD to 109.4 billion USD between 2005 and 2011, it means almost ten times (UNCTAD, 2012). The future development will show if it is the long-term trend.

[12] As UNCTAD (2011) states, funds which invested into bonds, were not touched by the crisis at all, whilst SWFs, which invested into shares, suffered the big investment looses.

3. Is It Necessary to Regulate the SWFs?

States found their funds for different reasons; they should help to stabilize the economies which are exporters of raw material, especially of oil and gas, because their prices fluctuate very much, the goal can be also the intergeneration transfer when states – nowadays rich in raw materials – intend to invest the present wealth. It ought to be the contribution also for future generations when raw material resources will be exhausted; other goal can be portfolio diversification, and also preparation for population aging, or profit optimization.

Anyway is the entrance of SWFs a danger for national security and sovereignty of nation-states in which they are coming? If other state enters the defence industry, or energy by means of its sovereign wealth fund, can it start to influence the firm, or branch decisions in favour of its own? Will it follow rather than the economic, its strategic political power goals? And can the host country prevent and e.g. forbid the entrance of SWFs of another country into individual branches? Even though theorists advise to keep free market forces and market liberalism[13] even in the case of SWFs and do not divert to protectionism, because all these considerations about the political background of nation-state investments by means of SWFs are only theoretical and there has never been evidence about other than economic goals. But stable financial markets are considered to be global public goods (Dieter, 2004, p. 27), and so the global regulation of them is justified on the one hand side.[14] On the other hand the strong regulation of SWFs could lead e.g. to asset outflow to other capital markets etc. But if the states would allocate more and more resources into SWFs, they could become big market actors and influence the market for their own benefit *(market maker).* They could mount assets simpler compared with current private actors (e.g. by means of directive decision, by raw material price increase due to lower supply etc.), and the motivation of profit should not be the only one.

There is no multilateral approach to the SWFs as for *target countries*. The OECD countries accepted in 2008 *OECD Declaration on Sovereign Wealth Fund and Recipient Country Policies.* They bound not (OECD, 2008, p. 2) *to erect protectionist barriers to foreign investment, not to discriminate among investors in like circumstances, and additional restrictions in recipient countries should only be considered if generally used policies are inadequate to address legitimate*

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[13] Siebert (2009, p. 107) states as the possibility not to connect the capital property with voting shares in firm decisions in the case of the entrance into the sensitive firms.

[14] Global public goods are defined as goods, resources, services and also the system of rules, or political regimes with considerable cross-border externalities. They can be produced only by means of state cooperation and collective action. The typical global public goods are international trade system (WTO principles), environment protection, where also states try to create governance (Cihelková, 2011) etc.

national security concerns. If such restrictions are arisen they must be transparent, predictable and proportional to clearly identified national security risks and subject to accountability. The EU Commission accepted *A Common European Approach to Sovereign Wealth Funds.* It states that (European Commission, 2008, p. 6 – 7) *combination of WTO and OECD rules, bilateral and sectoral agreements provides a number of international obligations framing what the EU can do. Investments by SWFs are subject to the same rules and control as any other form of investment, either foreign or domestic.* The exceptions are possible only because of security reasons. The main rule is free capital movement. *It can be regulated in two respects – Article 57 (2): The Community may adopt by qualified majority measures on the movement of capital from the third countries inclusive foreign direct investments. The Merger Regulation allows member states to appropriate measures to protect legitimate interests other than competition. Such measures must be necessary, not-discriminatory and appropriate, and also compatible with other provisions of Community law. Public security, plurality of the media and prudential rules are regarded as legitimate interests.* Other ones should be assessed case by case. The EU member state can adopt own instruments to SWFs. The main principles are opened investment surroundings, global SWF approach, proportionality and transparency.

Table 7 shows some countries which declare the reviewing measures. The size threshold, the criteria and possibly sectoral list existence are stated. These branches are reviewed.[15] The Committee on Foreign Investment in the United States (CFIUS) assesses the investment intentions in the U.S.A for example.

The International Working Group (IWG) of twenty-six sovereign wealth funds was established as for the SWF *home countries*. It created in collaboration with the IMF and accepted in October 2008 the Generally Accepted Principles and Practices, the so-called Santiago Principles. SWFs can accept these principles voluntarily. The non-existence of the SWF arrangement could hinder the investment activities of SWFs which become relatively stable and reliable partners.

In the first field the Principles[16] state that the legal framework ought to support objectives which the nation-state follows by the SWF establishment. SWFs exist in practise in three forms: as separate legal identities governed by a specific constitutive law (e.g. in Kuwait, Abu Dhabi, Qatar), as state-owned corporations

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[15] E.g. France has 11 sectors on the list: gambling and casinos, production of goods or supply of services to ensure the security of the information systems, activities carried out by firms entrusted with national defence contracts or of security clauses. FDI are restricted in audiovisual communications and media companies, in the banking and insurance sector and in the aerospace sector. Atomic energy, railway passenger transport, coal mines, gunpowder and explosives and certain postal services are not opened to investment (Fiechter, 2010).

[16] This text and the following one is based on IWG (2008).

which are governed by general company law (e.g. in Singapore, China), or they are in a form of a pool of assets without a separate legal identity and this pool is owned by the state or by the central bank (e.g. in Canada, Norway). The goal of the SWF should be clearly stated and it should be clearly stated and published how the Fund is financed. The second field in the Santiago Principles concerns institutional framework and governance structure. The owner ought to state the goals of the SWFs, to appoint the members of its governing body and to perform supervision over the SWF activities. The governing body can be in a form of a board of directors (China, Singapore), of a committee or a commission (Ireland, Korea), or of the ministry of finance (Canada, Norway, Russia). This body ought to perform the strategy of the SWF in an independent way. That means that the government of the SWF home country should not influence the fund decisions by means of its political impact which ought to increase the confidence towards the SWF entrance. The important principle is that one concerning responsibility. This responsibility must be exactly legal proclaimed. The management structure and the way of independence on the owner should be published. The third field concerns investment and risk management framework. The SWF investment policy ought to be in accordance with the stated goals, it ought to maximize returns by the adequate risk and it should not use special information or inadequate influence in a competition with private actors.

Table 7

Some Countries Reviewing Investor Entrance

Country	Sectoral List	Size Threshold	Criteria used in Review
Canada	No	No threshold for national security reviews.	National security
P. R. China	Yes	Acquisition of actual controlling rights.	State security, the state economic security.
France	Yes	33% (non EC investor) or 50% (EC investor) acquisition of voting rights, shares, or de facto controls.	Public order, public security and national defence interest (sectors)
Germany	No	Control of more than 25% in German business by entity where 25% or more shares owned by non-EU investor individually or collectively	Public order and security.
Japan	Yes	10% and over of shareholdings.	National security public order, public safety.
Korea	Yes	Not in specified sectors, but effective access of control in all other sectors	National security and public order, public hygiene or the environmental preservation Korean morals and customs.
Russia	Yes	Threshold of control apply and depend on the sector and the investor's identity	National security
United States	No	No	National security

Source: OECD (2010), adjusted.

Conclusion

The target of the article was to point out sovereign wealth funds as a qualitatively new form of state interventions into the economy in comparison with these interventions in previous periods. We consider sovereign wealth funds to be the new globalisation phenomenon – called “trans-state capitalism.” A nation-state enters the economy of other nation-state, resp. the economic subject by means of SWFs. In this sense we showed the fact, that SWF home countries are the countries with high current account surpluses at the same time. These surpluses arise because of a lot of reasons, and the part of these surpluses is moved just into SWFs. Another important finding is the fact that home states of SWFs are mostly authoritative regimes. Their SWFs show the features of the market behaviour: they direct their asses to developed countries (U.S.A.) with the highest level of economic freedom where they use developed and quality capital markets, eventually highly developed banking systems. They mostly choose investments into equities and they get the shares in companies, inclusive potentially higher profit and risk. From the point of view of the target countries it is important that financing does not raise indebtedness. A lot of countries with current account surpluses reach these ones because of high raw material prices, resp. using under valuated fixed exchange rate. The value of assets of these funds has doubled in the last six years and reaches about the half of the world foreign currency reserves. Transition of Asiatic countries to floating would reduce assets under management of these SWFs. Any multilateral approach does not exist as for the regulation of SWFs. The Declaration concerning the attitude to SWFs arose on the OECD platform, and the European Commission has also given the document concerning the common approach to these funds. From both documents, the effort of states to save market liberalism, but on the other hand also the attempt to regulate the SWF entrance into key industrial branches is clear. Especially the national security is the most often declared interest which can limit investor entrances. The mutual collaboration of target and home countries by global rule creation would be probably optimal.

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Appendix A

Table A

SWF Ranking by Assets under Management

Country	Fund Name	Assets in bn. USD	Inception	Origin	Linaburg – Maduell Transparency Index
Abu Dhabi (SAE)	Abu Dhabi Investment Authority (ADIA)	627	1976	Oil	5
Norway	Government Pension Fund	611	1990	Oil	10
China	SAFE Investment Company	567.9**	1997	Non--Commodity	4
Saudi Arabia	SAMA Foreign Investment Holdins	532.8	n/a	Oil	4
China	China Investment Corporation	439.6	2007	Non--Commodity	7
Kuwait	Kuwait Investment Authority	296	1953	Oil	6
China Hong Kong	Hong Kong Monetary Authority Investment Portfolio	293.3	1993	Non--Commodity	8
Singapore	Government of Singapore Investment Corporation	247.5	1981	Non--Commodity	6
Singapore	Temasek Holdings	157.2	1974	Non--Commodity	10
Russia	National Welfare Fund	149.7*	2008	Oil	5
China	National Social Security Fund	134.5	2000	Non--Commodity	5
Qatar	Qatar Investment Authority	100	2005	Oil	5
Australia	Australian Future Fund	80	2006	Non--Commodity	10
UAE Dubai	Investment Corporation of Dubai	70	2006	Oil	4
Libya	Libyan Investment Authority	65	2006	Oil	1
Kazakhstan	Kazakhstan National Fund	58.2	2000	Oil	8
UAE – Abu Dhabi	International Petroleum Investment Company	70	2006	Oil	4
Algeria	Revenue Regulation Fund	56.7	2000	Oil	1
UAE – Abu Dhabi	Mubadala Development Company	48.2	2002	Oil	10
other		417.5			
	Total Oil & Gas Related	2 874.3			X
	Total Other	2 147.8			
	Total	**5 022.1**			

Note: * It includes the Oil Stabilization Fund of Russia; ** Estimation; *** All figures are from official sources, if the institutions do not issue statistics of their assets, there are figures from other available sources. Some of these figures are estimations because the market value is changing.

Source: SWFI (2012).