

# CRS Report for Congress

## Sovereign Wealth Funds: Background and Policy Issues for Congress

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# Sovereign Wealth Funds: Background and Policy Issues for Congress

## Summary

Sovereign wealth funds (SWFs) are investment funds owned and managed by national governments. Such funds currently manage between \$1.9 and \$2.9 trillion and are expected to grow to over \$12 trillion by 2015. This is due to the rapid growth of commodity prices and large trade surpluses in several emerging market economies. During the second half of 2007, interest in SWFs increased as Asian and Middle Eastern SWFs, fueled by surging foreign exchange reserves, invested large sums of capital in U.S. and other Western companies.

Policy makers in the United States have raised two broad policy concerns about SWFs: (1) their lack of transparency and (2) their possible misuse for political or other non-commercial goals. The Senate Banking Committee held hearings on SWFs in November 2007. Additional congressional hearings are expected in 2008.

SWFs pose a complex challenge for policy makers. On one hand, SWFs are long-term investment vehicles looking beyond quarterly results and therefore serve as stable funding sources during financial turbulence. On the other hand, however, there are operational concerns stemming from government control (i.e., lack of transparency and possible non-commercial investment goals). Without transparency, it is difficult to attain a clear picture of SWF investment activity. A lack of SWF transparency can also obscure governance and risk-management problems within SWFs.

Many are also concerned that countries will use SWFs to support what one analyst has called “state capitalism,” using government-controlled assets to secure stakes around the world in strategic areas such as telecommunications, energy and mineral resources, and financial services, among other sectors.

In response to these concerns, many analysts and policy makers are evaluating the operations of existing SWFs and are looking to the international financial institutions such as the International Monetary Fund, World Bank, and the Organization for Economic Cooperation and Development to establish guidelines for SWF operations. All of these institutions are currently developing proposals that will be deliberated during 2008. This report will be updated as events warrant.

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# Sovereign Wealth Funds: Background and Policy Issues for Congress

## Introduction

Sovereign Wealth Funds (SWFs) are investment funds owned and managed by national governments. Originally created in the 1950s by oil and resource-producing countries to help stabilize their economies against fluctuating commodity prices, and to provide a source of wealth for future generations, they have proliferated considerably in recent years. Although their lack of transparency makes estimating SWF investment levels difficult, it is estimated that they currently manage between \$1.9 and \$2.9 trillion.<sup>1</sup> Estimates of their growth over the next several years vary, with the consensus hovering around Morgan Stanley's projection of \$12 trillion by 2015.<sup>2</sup>

SWFs can be funded through a variety of means, including profits from the sale of commodities (such as oil) or a current account surplus. SWFs can be established to serve several different objectives. These may include diversifying national assets, stabilizing the domestic economy against volatile commodity prices, saving for future generations, getting a better return on investment than traditional foreign exchange reserves, and promoting political or strategic interests.

During the second half of 2007, Asian and Middle Eastern SWFs, fueled by surging foreign exchange reserves, invested large sums of capital in the United States and other developed countries. While SWFs are invested broadly throughout Western markets, investments have been particularly concentrated in financial institutions. Following losses stemming from the August 2007 U.S. sub-prime mortgage crisis, many financial institutions sought large investments from foreign SWFs and other large institutional investors.<sup>3</sup> According to Dealogic, a financial data provider, SWFs invested \$37.9 billion in U.S. financial institutions in 2007, 63% of their total activity.<sup>4</sup>

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<sup>1</sup> All figures are in U.S. dollars.

<sup>2</sup> Stephen Jen, "Currencies: How Big Can Sovereign Wealth Funds Be by 2015," *Morgan Stanley Global Research*, May 3, 2007.

<sup>3</sup> Peter Goodman and Louise Story, "Overseas Investors Buy Aggressively in the United States," *New York Times*, January 20, 2008.

<sup>4</sup> David Rothnie, "Sovereign wealth spending on banks exceeds \$50bn," *Financial News Online*, January 14, 2008, at [<http://www.financialnews-us.com/?page=ushome&contentid=2449561453>].

The dramatic recent increase in SWF activity has raised concerns about this relatively unexamined class of international investors. This report provides background on SWFs, including what countries operate SWFs and the size of the SWF market, and discusses two broad areas of concern to Members of Congress and the international financial community:

- governance and transparency-related issues, and
- possible non-commercial investment goals, including the potential use of government-controlled investment vehicles to attain global strategic and political goals.

Some U.S. policy makers stress that their concerns about SWFs are not meant to undermine the U.S. commitment to open investment. They maintain that the United States is one of the most open economies in the world and note that foreign investment in the United States provides many benefits, including lower interest rates, increased employment, productivity, and access to capital for American enterprise. Indeed, for countries such as the United States, which have both a high national budget deficit and historically low levels of public savings, foreign investment has been crucial.<sup>5</sup>

## Background

The rising profile of SWFs is a direct consequence of the massive accumulation of global foreign reserve assets over the past decade. While reserve accumulation has occurred in many emerging market economies, it has been especially sharp among oil producers and Asian countries that have large trade-surpluses with the United States and other developed countries. In these countries, reserves have swelled to levels far in excess of the amount needed for balance of payments support, thus presenting an opportunity for foreign exchange reserve managers to maximize returns.

Foreign exchange reserves are traditionally invested in low-risk assets such as U.S. Treasury bills, but their recent growth has seen an increasing shift of excess reserves to higher-risk, higher-return investments. In contrast to traditional foreign exchange reserves, SWFs invest in a much broader array of assets, including stocks, bonds, fixed assets, commodities, derivatives, and alternative investments such as real estate and hedge funds. Like private hedge funds and government pension funds, SWFs often rely on outside expertise and professional fund managers.<sup>6</sup>

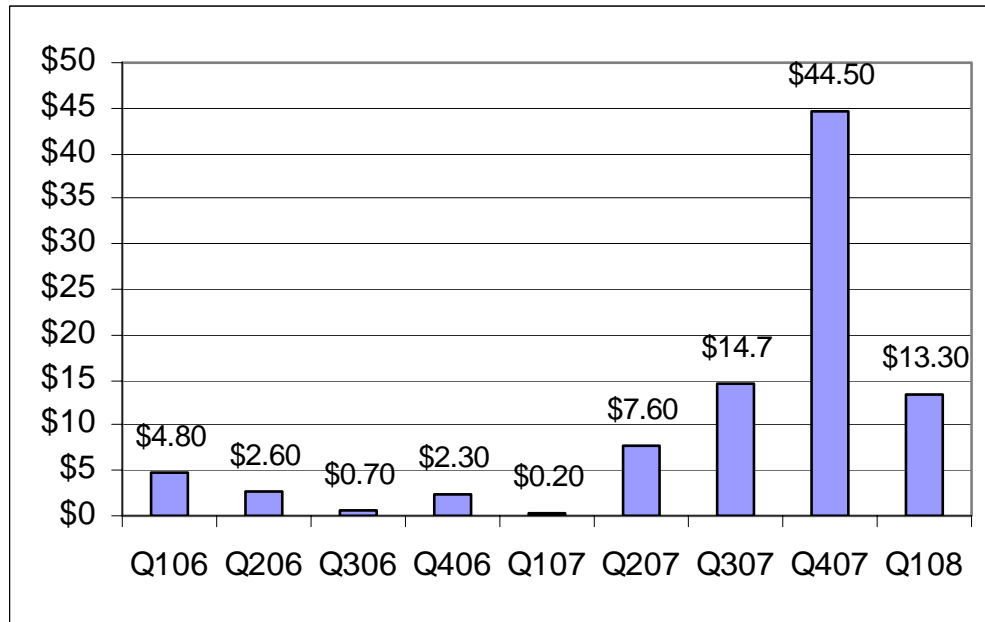
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<sup>5</sup> For more information on foreign investment in the U.S. economy, see CRS Report RS21857, *Foreign Direct Investment in the United States: An Economic Analysis*, and CRS Report RL32964, *The United States as a Net Debtor Nation: Overview of the International Investment Position*, both by James K. Jackson.

<sup>6</sup> Stephen Jen, "Economics: How Much Assets Could SWFs Farm Out?" *Morgan Stanley Global Research*, January 10, 2008.

Two key forces drove interest in SWFs during the second half of 2007: (1) the introduction of new funds and (2) major acquisitions by existing SWFs following large losses by Western financial institutions from the U.S. sub-prime mortgage crisis. Many point to the September 29, 2007, launch of the new China Investment Corporation, Ltd. (CIC), with \$200 billion of capital as a catalyst of the initial Western interest in SWFs.<sup>7</sup> In addition to the introduction of the CIC, several Middle Eastern and Asian SWFs have recently announced or completed large deals, with a focus on multinational financial institutions following the market turmoil in the second half of 2007. During the fourth quarter of 2007, Morgan Stanley estimates that SWFs invested \$44.5 billion in Western financial institutions (**Figure 1**). Presumably, as long-term investors, SWFs see these investments as currently undervalued. In addition, many emerging market countries are looking to boost their own domestic financial institutions, which would likely be facilitated by the transfer of knowledge gained from major investments in more experienced Western financial institutions.

**Figure 1. SWF Investments in Western Financial Institutions (\$ billions)**



**Source:** Morgan Stanley.

Large recent deals include the following:

- On September 20, 2007, the Mubadala Development Company, which is owned by the government of Abu Dhabi, announced a deal to buy a 7.5% stake in the Carlyle Group, a U.S. buyout investment firm, for \$1.35 billion.<sup>8</sup>

<sup>7</sup> See CRS Report 34337, *China's Sovereign Wealth Fund*, by Michael F. Martin.

<sup>8</sup> Thomas Heath, "Government of Abu Dhabi Buys Stake in Carlyle," *Washington Post*, (continued...)

- On November 26, 2007, the Abu Dhabi Investment Authority (ADIA), the world's largest SWF, announced a deal to buy a 4.9% stake in Citigroup for \$7.5 billion.<sup>9</sup>
- On December 10, 2007, UBS AG, a Swiss bank, announced that the Government of Singapore Investment Corporation is investing \$9.75 billion for a 9% stake, while a Saudi investor is investing \$1.77 billion to UBS AG.<sup>10</sup>
- On December 19, 2007, Morgan Stanley, a U.S.-based investment bank, announced that the China Investment Corporation would invest \$5 billion for a 9.9% share.<sup>11</sup>
- On December 24, 2007, Merrill Lynch announced a \$6.2 billion private placement from Singapore's Temasek and New York-based Davis Selected Advisors. Temasek is expected to invest \$4.4 billion in Merrill Lynch common stock, with the option to buy an additional \$600 million in stock by March 2008.<sup>12</sup>
- On January 15, 2008, Citibank announced that it is receiving \$14.5 billion from investors including the governments of Singapore and Kuwait, former Chairman Sanford Weill, and Saudi Prince Alwaleed bin Talal. On the same day, Merrill Lynch announced that it is to receive \$6.6 billion from a group led by Tokyo-based Mizuho Financial Group Inc., the Kuwait Investment Authority, and the Korean Investment Corp.<sup>13</sup>

Several international bodies, including the IMF, the U.S. Treasury, and the European Central Bank have drawn attention to the positive impact that this SWF investment appears to have exerted so far by providing liquidity and stability during

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<sup>8</sup> (...continued)

September 21, 2007.

<sup>9</sup> "Citi to Sell \$7.5 Billion of Equity Units to the Abu Dhabi Investment Authority," Business Wire, November 27, 2007, at [<http://online.wsj.com/public/article/PR-CO-20071126-908539.html?mod=crnews>].

<sup>10</sup> "Sovereign Wealth Funds bet on Banks," *Associated Press*, December 10, 2007, at [[http://biz.yahoo.com/ap/071210/soverign\\_wealth\\_funds\\_glance.html?.v=1](http://biz.yahoo.com/ap/071210/soverign_wealth_funds_glance.html?.v=1)].

<sup>11</sup> Chris Oliver, "Details of CIC's stake in Morgan Stanley Revealed," MarketWatch, December 24, 2007, at [<http://www.marketwatch.com/news/story/details-cics-stake-morgan-stanley/story.aspx?guid=%7B6175589F-C8D1-49AE-8FA4-EB61BF8F7AC2%7D>].

<sup>12</sup> "Merrill Lynch Will Sell Stake to Temasek Holdings," *Reuters*, December 25, 2007, at [<http://www.cnn.com/id/22395384/>].

<sup>13</sup> Yalman Onaran, "Citigroup, Merrill Receive \$21 Billion From Investors," *Reuters*, January 15, 2007, at [<http://www.bloomberg.com/apps/news?pid=20601087&sid=anjGW hqi0PSE&refer=home>].

the U.S. sub-prime mortgage crisis that began during the summer of 2007.<sup>14</sup> In its December 2007 six-month Financial Stability Review, the European Central Bank wrote:

As SWFs, in particular those that put the emphasis on savings for future generations, are likely to have a long-term horizon for their investments, they may also contribute to the broadening of the long-term investor base for risky assets, such as equities, corporate bonds, emerging market assets, private equity and real estate. In this regard, such funds could become a more stable investor base for risky assets in certain markets. In addition, provided that the investments of such funds are driven entirely by risk and return considerations, SWFs may contribute to a more efficient allocation and diversification of risk at the global level.<sup>15</sup>

While SWFs represent a small percentage of all investment classes globally, their rapid and projected growth could increase demand for riskier assets, including equities and bonds. Deutsche Bank estimates that future SWF asset allocation could lead to a gross capital inflow of over \$1 trillion into global equity markets and \$1.5 trillion into global debt markets over the coming five years.<sup>16</sup> Merrill Lynch, using more aggressive assumptions, estimates that \$3.1 to \$6 trillion is likely to be invested in riskier assets by SWFs in the next five years.<sup>17</sup>

## What Are Sovereign Wealth Funds (SWFs)?

While the term “Sovereign Wealth Fund” was coined only recently, SWFs have a more than 50-year history, with the first fund established by Kuwait in 1953.<sup>18</sup> There is no universally agreed upon definition of SWFs. The U.S. Treasury Department narrowly defines SWFs as “a government investment vehicle which is funded by foreign exchange assets, and which manages those assets separately from the official reserves of the monetary authorities (the Central Bank and reserve-related functions of the Finance Ministry).”<sup>19</sup> The U.S. Treasury Department’s definition is meant primarily to distinguish SWF investment from official reserves managed by

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<sup>14</sup> For more information on the sub-prime crisis, see CRS Report RL34182, *Financial Crisis? The Liquidity Crunch of August 2007*, by Darryl E. Getter, Mark Jickling, Marc Labonte, and Edward Vincent Murphy.

<sup>15</sup> Financial Stability Review, *European Central Bank*, December 2007, at [<http://www.ecb.int/pub/pdf/other/financialstabilityreview200712en.pdf>].

<sup>16</sup> Steffen Kern, “Sovereign Wealth Funds - State Investments on the Rise,” *Deutsche Bank Research*, September 10, 2007.

<sup>17</sup> Alex Patelis, “The Overflowing Bathtub, the running tap and SWFs,” *Merrill Lynch Economic Analysis*, October 6, 2007.

<sup>18</sup> For the first use of the term Sovereign Wealth Fund, see Andrew Rozanov, “Who Holds the Wealth of Nations,” *State Street Global Advisors*, August 2005, at [[http://www.ssga.com/library/esps/Who\\_Holds\\_Wealth\\_of\\_Nations\\_Andrew\\_Rozanov\\_8.15.05REVCCRI1145995576.pdf](http://www.ssga.com/library/esps/Who_Holds_Wealth_of_Nations_Andrew_Rozanov_8.15.05REVCCRI1145995576.pdf)].

<sup>19</sup> “Report to Congress on International Economic and Exchange Rate Policies,” Department of the Treasury, December 2007, at [<http://www.treas.gov/offices/international-affairs/economic-exchange-rates/>].



a country's central bank. Because the primary goals of official foreign reserves are liquidity and security, the investment horizon for these for reserves is short.

Some observers provide a more detailed definition of SWFs. Stephen Jen, a currency analyst at Morgan Stanley, expands on the Treasury definition to provide a broader understanding of SWFs and how they differ from official foreign reserves and other government-sponsored funds. According to Jen, there are five key traits of SWFs. They are (1) sovereign government entities with (2) high foreign currency exposures, (3) no explicit liabilities (such as a national state pension fund), (4) high-risk tolerances, and (5) long investment horizons.<sup>20</sup>

The IMF divides SWFs into several categories based on their stated goals. In practice, however, many SWFs combine elements of the following three categories. The three primary types of SWFs, according to the IMF, are as follows:

**(1) Stabilization funds** — Volatile international market prices are a primary concern for resource- and commodity-intensive economies. Some commodities face price fluctuations of an average of 20%-25% per year. To mitigate this volatility, several countries have established funds to sterilize capital inflows<sup>21</sup> and stabilize fiscal revenues. Because stabilization funds serve a more immediate function than long-term savings funds, they tend to be more conservative in their investment decisions, focusing on fixed income rather than equity investments.<sup>22</sup> Examples include Russia's Stabilization Fund of the Russian Federation and Kazakhstan's National Oil Fund.

**(2) Savings funds** — Savings funds are intended to share wealth across generations. For countries rich in natural resources, savings funds convert non-renewable natural resources into a diversified portfolio of international financial assets to provide for future generations or other long-term objectives. According to the IMF, while newer oil funds predominantly focus on stabilization objectives, the recent increase in oil prices has allowed SWFs to emphasize savings objectives. Because savings funds have longer investment horizons than pure stabilization funds, they invest in a broader range of assets, including bonds and equities, as well as other forms of alternative investments, such as real estate, private equity, hedge funds, and commodities. Examples include the Abu Dhabi Investment Authority, Kuwait Investment Authority, Singapore's Government Investment Corporation, and the China Investment Corporation.

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<sup>20</sup> Stephen Jen, "Currencies: The Definition of a Sovereign Wealth Fund," *Morgan Stanley Research*, October 25, 2007.

<sup>21</sup> Currency sterilization is a form of monetary action in which a country's central bank attempts to insulate itself from the foreign exchange market to counteract the effects of a changing monetary base by selling or buying the domestic currency in the foreign exchange market to stabilize the value of the domestic currency. For more information, see Jang-Yung Lee, "Sterilizing Capital Inflows," International Monetary Fund, 199, at [<http://www.imf.org/external/pubs/ft/issues7/issue7.pdf>].

<sup>22</sup> Rachel Ziemba, "Responses to Sovereign Wealth Funds: Are 'Draconian' Measures on the Way?," *RGE Monitor*, November 2007.

**(3) Reserve investment corporations** — Reserve investment corporations are funds established to reduce the opportunity cost of holding excess foreign reserves or to pursue investment policies with higher returns. Reserve investment corporations adapt more aggressive investment strategies, including taking direct equity stakes. In some cases, reserve investment corporations seek representation on management boards and assume voting shares. These funds typically seek higher returns than other SWFs and use leverage (i.e., debt) in their investments. Historically, these vehicles tend to be more secretive than other SWFs that are primarily portfolio investors.<sup>23</sup> Examples of such funds are Singapore’s Temasek, Qatar’s Investment Authority, and Abu Dhabi’s Mudabala.<sup>24</sup>

Among funds, there are substantial differences in risk-return profiles, investment horizons, asset allocation, eligible instruments, risk tolerances, and constraints.<sup>25</sup> Because each fund is different and has varying goals and objectives, it is difficult to generalize about the investment strategies of SWFs as a class. For example, an oil-exporting economy may initially establish a SWF for stabilization purposes. However, if the assets under management by the SWF grow to exceed the levels needed for stabilization, the country may either change the priorities and investment strategy of the fund or establish a separate fund with a more aggressive investment approach. Thus, several countries have multiple sovereign wealth funds. For example, the United Arab Emirates’s primary fund, the Abu Dhabi Investment Authority (ADIA), was established in 1974 to invest surplus cash in assets that provide steady gains and returns over a long time-horizon using a portfolio investment strategy. In 2002, the United Arab Emirates established Mubadala Development to pursue direct investment projects targeted at higher returns.

## What Countries Operate SWFs?

The first SWF was established by Kuwait in 1953 as a means to help stabilize the economy from fluctuating oil prices.<sup>26</sup> In 1956 the Gilbert Islands (now Kiribati) established the Revenue Equalization Reserve Fund to manage profits from phosphate mining. Following Kuwait and Kiribati, the next major SWFs were created in the 1970s in the wake of the oil shock. The most recent wave began in the 1990s with the Norway Government Pension Fund-Global in 1990 and continues to

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<sup>23</sup> Similar entities to SWFs that raise many of the same concerns are state-backed companies engaged in foreign acquisitions. For example, in 2005 an attempt by the China National Offshore Oil Cooperation (CNOOC) to purchase the U.S. energy company Unocal raised substantial congressional concerns and was eventually abandoned. For more information on the CNOOC case, see CRS Report RL33093, *China and the CNOOC Bid for Unocal: Issues for Congress*, by Dick K. Nanto, James K. Jackson, Wayne M. Morrison, and Lawrence Kumins.

<sup>24</sup> “Global Financial Stability Report: September 2007,” *International Monetary Fund*, September 2007.

<sup>25</sup> For more information on the challenges of establishing a SWF, see Andrew Rozanov, “Sovereign Wealth Funds: Defining Liabilities,” *State Street Global Advisors*, May 2007.

<sup>26</sup> The first Kuwaiti SWF was called the Kuwait Investment Board. It was later acquired by a separate fund, the Kuwait Investment Authority, which was founded in 1960.

this day. In the last five years, funds have been established by China, Iran, Russia, Qatar, and the United Arab Emirates.

As noted previously, the recent growth of SWFs is a consequence of rapid growth in emerging market reserves driven by (1) the impact of rising oil prices for Middle Eastern economies and (2) large trade surpluses, net foreign direct investment flows, and high savings rates among Asian economies. Reserve accumulation has been especially sharp in the case of China, where there has been extensive intervention in the foreign exchange markets to limit the yuan's appreciation against the dollar.<sup>27</sup>

Analysts estimate that foreign assets held by sovereign nations currently exceed \$5 trillion and are, as the growing U.S. current account imbalance would indicate, increasing at a significantly more rapid rate in emerging market countries with high savings rates than in the industrialized countries. **Table 1** provides information on the 10 largest holders of foreign reserves (as of the end of 2006) and five additional countries that have large SWFs.

**Table 1. Foreign Exchange Reserves and Current Account Balances**

<b>Foreign Exchange Reserves</b>					
	<b>2006 (USD Billions)</b>	<b>Change '01-'06 (Percent)</b>	<b>Share of GDP 2006 (Percent)</b>	<b>Reserves/GDP (Percent)</b>	<b>Current Account/GDP 2002-2006 (Percent)</b>
China <sup>S</sup>	1,066	403	41	8.6	5.5
Japan	875	126	20	2.2	3.5
Russia <sup>SR</sup>	295	807	30	8.4	9.7
Taiwan	266	118	75	8.9	7.1
Korea <sup>SR</sup>	238	133	27	3.9	1.9
India	170	276	19	3.7	-0.3
Singapore <sup>SR</sup>	136	81	103	11.3	22.5
Hong Kong	133	20	70	2.6	9.9
Brazil	86	139	8	1.4	1.0
Malaysia <sup>S</sup>	82	185	54	8.9	13.3
Algeria <sup>S</sup>	78	333	68	14.0	17.2
Norway <sup>S</sup>	56	153	17	2.6	14.3
United Arab Emirates <sup>S</sup>	28	98	16	2.4	12.3
Kuwait <sup>S</sup>	12	32	13	0.9	32.9
Qatar <sup>S</sup>	5	346	10	2.4	20.0

**Source:** Peterson Institute for International Economics

**Notes:** S = has one or more sovereign wealth funds; R = reserves include sovereign wealth fund in whole or in part.

<sup>27</sup> CRS Report RL32165, *China's Currency: Economic Issues and Options for U.S. Trade Policy*, by Wayne M. Morrison and Marc Labonte.

**Middle East.** The Middle East region is currently experiencing a substantial economic boom due to record high oil prices. The value of oil and gas exports from the Middle East was approximately \$650 billion in 2007 and is expected to rise to almost \$750 billion in 2008. Because these countries either largely control or heavily tax oil production, government revenue from oil and gas is now estimated at \$510 billion for 2007, and will likely rise above \$580 billion in 2008.<sup>28</sup> According to RGE Monitor, between 2002 and 2007, the Gulf Cooperation Council (GCC) countries (excluding Saudi Arabia) transferred over \$300 billion to their SWFs.<sup>29</sup>

Like other GCC countries, Saudi Arabia, as the world's largest producer and exporter of oil, has benefitted from increasing oil revenues in recent years. Although Saudi Arabia has not formally established a SWF, its central bank holds a significant amount of international investments outside of traditional foreign reserves, and thus is not reflected on the previous chart. Separately, the Saudi central bank controls an estimated \$320 billion in foreign assets, with "additional reserves that are not made public for national security reasons."<sup>30</sup> In December 2007, Saudi Arabia announced plans to establish a sovereign wealth fund likely to be the world's largest. According to the *Financial Times*, the proposed Saudi fund would dwarf the world's largest SWF, the United Arab Emirates' Abu Dhabi Investment Authority (ADIA).<sup>31</sup> The effort is likely to be spearheaded by the government's Public Investment Fund, which has a mandate to invest only within Saudi Arabia.

**Asia.** Among Asian economies, the expansion of reserves has been even more dramatic. By 2006, Asia held 54% of the then \$4.2 trillion of worldwide reserves, more than the global total 10 years earlier.<sup>32</sup> Asian reserve accumulation is largely the result of persistent and sustained current account surpluses with the United States and other Western countries.<sup>33</sup> Following the 1998 Asian financial crisis, many Asian economies began accumulating large amounts of reserves to provide adequate insurance against any future currency fluctuations or macroeconomic insecurity.<sup>34</sup> Two additional factors motivate Asian reserve accumulation. First, several countries

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<sup>28</sup> Regional Economic Outlook: Middle East and Central Asia, *International Monetary Fund*, October 2007. Included oil exporters are Algeria, Azerbaijan, Bahrain, Iran, Iraq, Kazakhstan, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Syria, Turkmenistan, and the United Arab Emirates.

<sup>29</sup> Brad Setser and Rachel Ziemba, "Understanding the New Financial Superpower — The Management of GCC Official Foreign Assets," *RGE Monitor*, January 2008. Member countries of the GCC are: Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, and the United Arab Emirates.

<sup>30</sup> Nawaf Obaid, "Assessing Saudi Power," *Middle East Times*, November 13, 2007.

<sup>31</sup> Henny Sender and David Wighton, "Saudis Plan Huge Sovereign Wealth Fund," *Financial Times*, December 21, 2007.

<sup>32</sup> Steffen Kern, "Sovereign Wealth Funds-State Investments on the Rise," *Deutsche Bank Research*, September 10, 2007.

<sup>33</sup> Joshua Aizenman, "Large Hoarding of International Reserves and the Emerging Global Economic Architecture," *National Bureau of Economic Research Working Paper 13277*, July 2007.

<sup>34</sup> For more information on the Asian Financial Crisis, see CRS Report 98-434 E, *The Asian (Global?) Financial Crisis, the IMF, and Japan: Economic Issues*, by Dick K. Nanto.

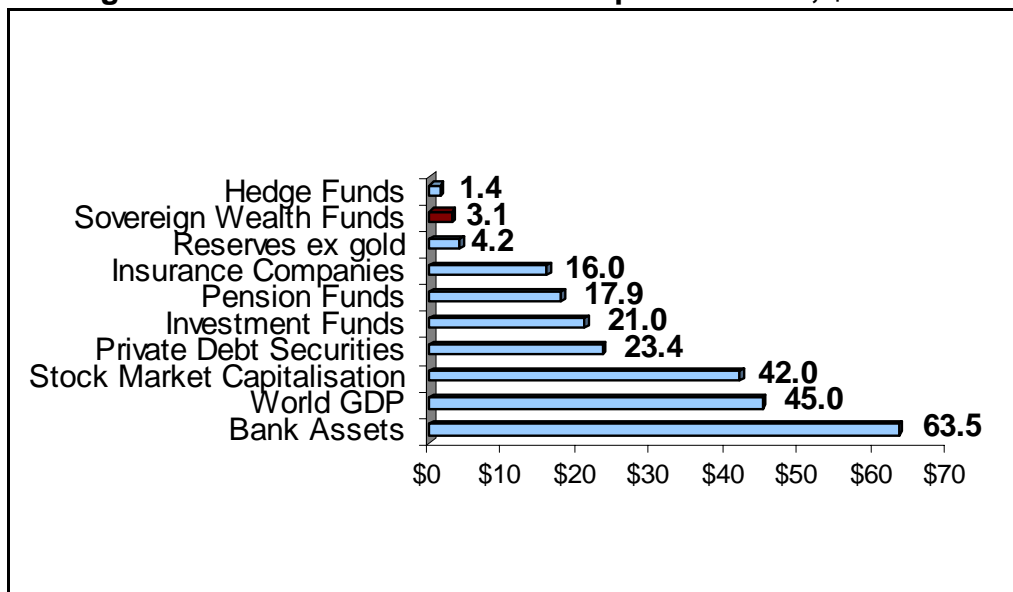
have pursued an export-led growth strategy targeted at the United States involving significant market intervention (especially by China) to maintain a stable undervalued exchange rate.<sup>35</sup> Second, many Asian emerging market economies have financial markets that are not developed enough to absorb the traditionally high levels of private savings seen in Asia.<sup>36</sup>

## The Size of SWFs

It is difficult to accurately measure the amount of assets under management by SWFs because many funds do not disclose much information about their operations and assets. The funds believed to be the largest do not disclose their size, investment strategies, or current holdings. Estimates for the size of the largest fund, the United Arab Emirates' ADIA, for example, range widely between \$500 and \$900 billion. Reportedly, ADIA has achieved a 20% rate of return for many years and rarely considers deals less than \$100 million.<sup>37</sup>

Official and private sector analysts estimate that there is between \$1.9 and \$2.9 trillion under management by SWFs. This is significantly smaller than other investment classes (**Figure 2**).

**Figure 2. Global Asset Volume Comparison 2005, \$ Trillion**



Source: Deutsche Bank.

<sup>35</sup> “New paradigm changes currency rules,” *Oxford Analytica*, January 17, 2008.

<sup>36</sup> Euro riding high as an international reserve currency, *Deutsche Bank Research*, May 4, 2007.

<sup>37</sup> Henny Sender, Live at Apollo (Management): Plan to Cash In, Limit Scrutiny, *Wall Street Journal*, July 17, 2007.

Morgan Stanley estimates that if foreign reserves continue to increase at a current pace, they could grow to \$12 trillion by 2015.<sup>38</sup> Several factors could weaken these growth projections, including a cyclical economic downturn, a reduction in oil prices, or a weakening of competitiveness in Asian exporting economies. On the contrary, given the rapid increase in emerging market foreign exchange reserves, if countries decide to increase transfers from official reserves to SWFs, projected figures could be substantially higher. SWFs financed by oil and gas exports are estimated to account for around two thirds of SWFs by amount invested. Asian funds financed by current account surpluses make up the rest.<sup>39</sup> **Table 2** provides a list of the largest funds.

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<sup>38</sup> Stephen Jen, "Currencies: How Big Can Sovereign Wealth Funds Be by 2015," *Morgan Stanley Global Research*, May 3, 2007.

<sup>39</sup> Stephen Jen, "How Big Could Sovereign Wealth Funds Be by 2015," *Morgan Stanley Perspectives*, May 3, 2007.

**Table 2. Large Sovereign Wealth Funds**

Country	Name	Date Est.	Current Size (\$ billions)	Source of Funds
United Arab Emirates	Abu Dhabi Investment Authority and Corporation	1976	500-875	Oil
	Mubadala Development Company	2002	10	Oil
	Isithmar	2003	4	Oil
Norway	Government Pension Fund — Global	1990	329	Oil
Singapore	Government of Singapore Investment Corporation	1981	100-330	Other
	Temasek Holding	1974	108	Other
Kuwait	Kuwait Investment Authority	1960	213	Oil
Russia	Stabilization Fund of the Russian Federation	2004	141	Oil
China	China Investment Corporation	2007	200	Other
Qatar	Qatar Investment Authority	2005	50	Oil
Australia	Future Fund	2006	49	Other
Algeria	Revenue Regulation Fund	2000	43	Oil
United States	Alaska Permanent Fund	1976	40	Oil
Brunei	Brunei Investment Agency	1983	30	Oil
Korea	Korea Investment Corporation	2005	20	Other
Kazakhstan	National Oil Fund	2000	19	Oil, Gas
Malaysia	Khazanah Nasional	1993	18	Other
Venezuela	National Development Fund	2005	15	Oil
	Macroeconomic Stabilization Fund	1998	1	Oil
Canada	Alberta Heritage Savings Trust Fund	1976	15	Oil
Chile	Economic and Social Stabilization Fund	2006	10	Other
New Zealand	Superannuation Fund	2001	10	Other
Iran	Oil Stabilization Fund	2000	9	Oil

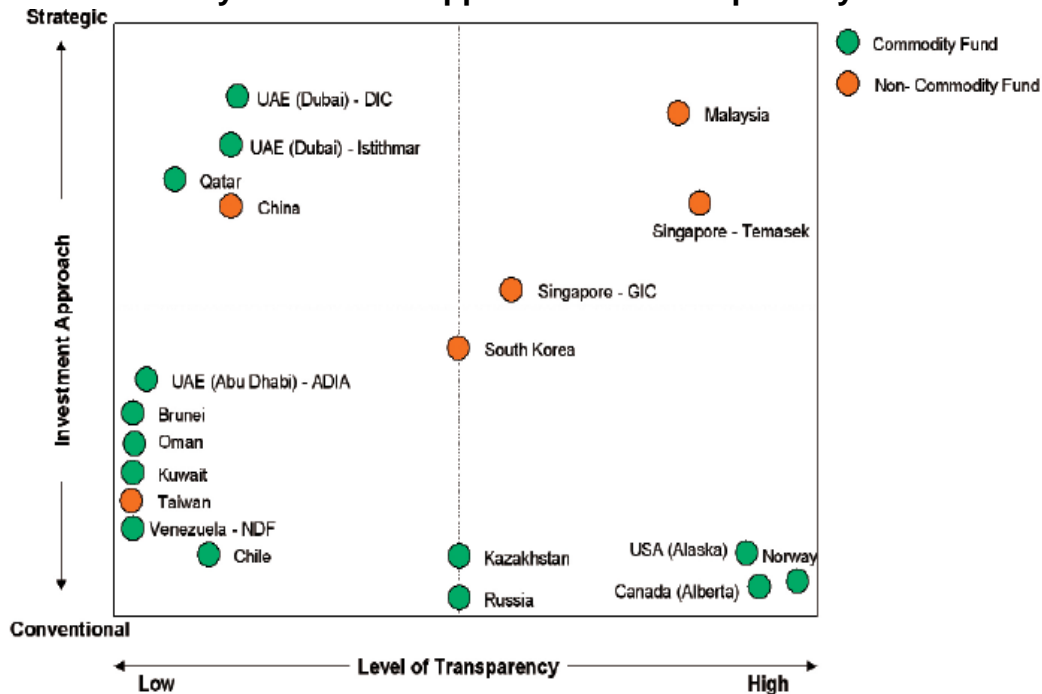
Source: Peterson Institute for International Economics

## Policy Issues for Congress

The government control of SWFs has raised two broad policy concerns, namely (1) the lack of SWF transparency and (2) the potential use of SWF capital for strategic or political (i.e., non-commercial) purposes. These concerns as applied to specific SWFs are mapped in **Figure 3**. The X axis illustrates fund transparency, or levels of disclosure. The Y axis measures the active, or strategic, nature of their stated (or perceived) investment philosophy. For example, the funds of Norway, Alaska, and Alberta, Canada, are conventionally invested in a wide range of investments and are highly transparent. Malaysia's SWF and Singapore's Temasek, while also highly transparent, pursue a more strategic approach to their investments,

targeting various industries that are of interest to their respective governments. The funds in the upper-left quadrant are of most concern to Western policy makers. These are the funds that disclose the least information about their funds and are the most strategic in their investment philosophy.

**Figure 3. Standard Chartered Ranking of SWFs, by Investment Approach and Transparency**



Source: Standard Chartered and Oxford Analytica

## Transparency and Governance-Related Concerns

Given the recent and projected growth of SWFs, many analysts stress the need for increased transparency of SWF activity. There are no supra-national regulations or disclosure requirements for the size of SWFs, their investment strategies, or their current holdings. Unlike privately owned, nationally regulated funds, SWFs are not required to provide information to stock-holders and stake-holders. “In terms of disclosure on fund performance, investment strategy, or even basic philosophy, many [SWFs] rank below the most secretive hedge fund,” according to Gary Kleiman, a senior partner at Kleiman International Consultants, an emerging financial markets consulting group.<sup>40</sup> Of the existing national funds, only Norway’s fund is universally considered to be transparent and publically accountable.

Minimal SWF transparency masks SWF investment activity and can obscure governance and risk-management problems within the funds. This can have distressing consequences for policy makers. First, without insight into SWF activity, it is difficult to assess systemic risks or to determine whether SWFs are in fact pursuing strategic, non-commercial investment strategies (see next section). Second,

<sup>40</sup> Tony Tassell and Joanna Chung, “The \$2,500 Question,” *Financial Times*, May 25, 2007.



limited disclosure makes it difficult to assess the management and governance of the funds and therefore difficult to identify mismanagement or corruption by fund managers. Conflating this problem, many of these SWFs are established in countries that currently lack the underpinnings for good SWF governance or SWF oversight. This is of concern to policy makers, because sizable failures due to poor management, particularly if concentrated within certain sectors, could affect national or global markets.

Some analysts have tried to empirically measure the lack of SWF transparency. The Peterson Institute of International Economics (IIE) has tabulated a SWF scorecard, that among other variables, looks at transparency and accountability.<sup>41</sup> For its transparency and accountability figure, IIE scored several questions, including the following:

- Do regular reports on the investments by the SWF include the size of the fund? Information on the returns it earns?
- Do reports provide information on the types of investments? Information on the geographic location of investments? Information on the specific investments, for example, which instruments, countries, and companies? Information on the currency composition of investments?
- Is the SWF subjected to a regular audit? Is the audit published? Is the audit independent?

Consistent with **Figure 3** above, the IIE found that the largest funds (i.e., those owned by the United Arab Emirates, Qatar, Kuwait, and China) scored very low on the transparency and accountability rankings.

## Non-commercial Investment Motives

While the ostensible goal of SWF investment is long-term value creation, government control could mean that a SWF may be motivated by non-commercial considerations in its investment decisions. Felix Rohatyn, a prominent investment banker and former U.S. official, has noted that for many funds, political and commercial objectives are closely intertwined. According to Mr. Rohatyn, “they are making investments that they probably think are O.K. but not spectacular.”<sup>42</sup>

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<sup>41</sup> Edwin M. Truman, “Sovereign Wealth Fund Acquisitions and Other Foreign Government Investments in the United States: Assessing the Economic and National Security Implications,” Testimony before the Committee on Banking, Housing, and Urban Affairs United States Senate, November 14, 2007. Testimony is available at [<http://iie.com/publications/papers/truman1107.pdf>].

<sup>42</sup> Andrew Ross Sorkin, “What Money Can Buy: Influence,” *The New York Times*, January 22, 2008, at [<http://www.nytimes.com/2008/01/22/business/22sorkin.html?dlbk>].

However, for these funds, “there has to be a political objective over and above the rate of return.”<sup>43</sup>

Many U.S. policy makers are concerned that countries will use SWFs to support what one analyst has called “state capitalism,” using government-controlled assets to secure strategic stakes around the world in areas such as telecommunications, energy resources, and financial services, among other sectors.<sup>44</sup> Recent deals in the energy and finance sector suggest that securing access to natural resources and developing domestic financial markets appear to be the two primary SWF strategic objectives.<sup>45</sup>

A report by Citigroup notes that “some sovereign wealth funds invest purely to achieve financial returns and portfolio diversification while others have a broader economic or social agenda.”<sup>46</sup> Such an agenda could be benign; many countries have expressed their interest in using investments in foreign financial institutions to acquire knowledge and technology to help build their own domestic financial institutions. On the other hand, many are concerned that countries may use their SWFs to gain access to other countries’ natural resource industries or other politically sensitive sectors. Such concern is not limited to Western countries. In January 2006, one of Singapore’s SWFs, Temasek, purchased from the family of then-Prime Minister Thaksin Shinawatra a controlling stake in the Thai telecom company Shin Corporation, which included taking control of space satellites used by the Thai military. This purchase sparked a political crisis in Thailand, which eventually led to the ousting of Thaksin’s government.

## **U.S. and International Policy Responses to SWFs**

For many developed countries, SWFs are a double-edged sword that provide both benefits and risks. Many industrialized countries are struggling with how to take advantage of the additional liquidity that SWFs can provide while at the same time mitigating challenges raised by the lack of transparency and politically driven nature of some of these funds.

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<sup>43</sup> Ibid.

<sup>44</sup> Gerald Lyons, “State Capitalism: The Rise of Sovereign Wealth Funds,” *Standard Chartered*, October 15, 2007. Document is available from the author.

<sup>45</sup> Richard Portes, “Sovereign Wealth Funds,” *VOXEU*, October 17, 2007, at [<http://www.voxeu.org/index.php?q=node/636>]. See also Huw Van Stenis, “Banks & Financials: Sovereign Wealth Funds — building stakes in financials,” *Morgan Stanley Research Europe*, September 24, 2007.

<sup>46</sup> The World Economic Forum ranks the United States first in its 2007 competitiveness report. *The Global Competitiveness Report 2007-2008*, World Economic Forum, at [<http://www.gcr.weforum.org/>].

## United States

The Bush Administration has been generally supportive of SWF investment, maintaining that the United States is open to foreign investment and that “money is naturally going to gravitate toward dollar-based assets because of the strength of our economy,” according to Treasury Secretary Henry Paulson Jr.<sup>47</sup> Secretary Paulson further noted, however, that “I’d like nothing more than to get more of that money. But I understand that there’s a natural fear that they’re going to buy up America.”<sup>48</sup>

The magnitude of financial impact combined with the limited transparency and potentially non-commercial investment motivations of government-sponsored entities has sparked concern among some analysts and Members of Congress. Senator Richard Shelby has requested a study from the Government Accountability Office (GAO) to ensure that SWFs are “effectively monitored,” according to a Shelby aide.<sup>49</sup> The Senate Banking Committee held hearings on SWFs on November 13, 2007. In his opening remarks, Senator Evan Bayh summarizes the two primary concerns about SWF activity in the United States:

A lack of transparency that characterizes many sovereign wealth funds undermines the theory of efficient markets at the heart of our economic system. In addition, unlike private investors, pension funds and mutual funds, government owned-entities may have interests that will take precedence over profit maximization. Just as the United States has geopolitical interests in addition to financial ones, so do other countries. Just as we value some things more than money, so do they. Why should we assume that other nations are driven purely by financial interests when we are not?<sup>50</sup>

In a December 2007 speech before the Gulf Cooperation Council in Bahrain, U.S. Deputy Treasury Secretary Robert Kimmitt said that SWF investments “may raise legitimate questions about national security” and “their scale/number and tendency toward lack of transparency raise the possibility of potentially negative impacts on global financial stability if funds operate without prudent governance and investment management standards.”<sup>51</sup> Christopher Cox, Chairman of the U.S. Securities and Exchange Commission (SEC), has raised concerns about the conflict of interest that may arise when a fund is owned and managed by the government that is legally required to regulate it. Cox has stated that in some cases, foreign

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<sup>47</sup> Steven R. Weisman, “Concern About ‘Sovereign Wealth Funds’ Spreads to Washington,” *International Herald Tribune*, August 20, 2007.

<sup>48</sup> *Ibid.*

<sup>49</sup> Christopher S. Rugaber, “Agency Investigates Sovereign Funds,” *Associated Press*, January 11, 2008, at [<http://www.forbes.com/feeds/ap/2008/01/11/ap4522903.html>].

<sup>50</sup> Senate Banking, Housing and Urban Affairs Committee Hearing on Foreign Government Investment in the United States, November 14, 2007. Transcript available from Congressional Quarterly at [<http://www.cq.com>].

<sup>51</sup> Tessa Moran, “US Treasury’s Kimmitt says sovereign wealth funds not cause for alarm,” *Forbes.com*, at [<http://www.forbes.com/markets/feeds/afx/2007/12/04/afx4403204.html>]. See also, Robert M. Kimmitt, “Public Footprints in Private Markets,” *Foreign Affairs*, January/February 2008.

governments may not be fully cooperative with insider-trading investigations. Cox also expresses concern that SWFs may be the beneficiaries of economic intelligence from national security services.

Laws exist in the United States to regulate foreign investment in the U.S. economy. Foreign investments that raise national security concerns are subject to review by the U.S. Government's Committee on Foreign Investment in the United States (CFIUS) for review.<sup>52</sup> It is unclear, however, to what extent sovereign wealth funds investments would be covered by the Exon-Florio National Security Test for Foreign Investment and thus subject to the CFIUS for review.<sup>53</sup> According to one analyst, because most SWF transactions are non-controlling, involve non-voting shares, and comprise less than a 10% stake, the current review process is not set up to review SWF investments. However, in July 2007, Congress passed the Foreign Investment Security Act of 2007 (P.L. 110-49), which among other things, enhanced the review process for non-U.S. acquisitions and added critical infrastructure and foreign government-controlled transactions to the factors for review.<sup>54</sup>

## Europe

The response to SWFs in Europe has been largely divided into two camps: countries that are considering heavier restrictions on SWF activity versus those that would like to maintain open investment principles enhanced by additional SWF transparency.

France and Germany fall primarily into the first camp. According to many, Germany has taken the most aggressive stance against SWF investment. German Chancellor Angela Merkel has stated, "with those sovereign funds we now have new and completely unknown elements in circulation. One cannot simply react as if these are completely normal funds of privately pooled capital."<sup>55</sup> Reportedly, Germany is redrafting an investment law that would allow it to block takeovers by SWFs or other large state-sponsored investment agencies.<sup>56</sup> German Chancellor Merkel has expressed particular concern that large Russian energy firms, such as Gazprom, would attempt to purchase Germany's private energy utilities.<sup>57</sup>

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<sup>52</sup> CRS Report RL33388, *The Committee on Foreign Investment in the United States (CFIUS)*, by James K. Jackson.

<sup>53</sup> CRS Report RL33312, *The Exon-Florio National Security Test for Foreign Investment*, by James K. Jackson.

<sup>54</sup> Steven Davidoff, "A Guide to Speed Dating with Sovereign Wealth Funds," *The New York Times Dealbook*, at [<http://dealbook.blogs.nytimes.com/2008/01/15/a-guide-to-speed-dating-with-sovereign-funds/?ref=business>].

<sup>55</sup> Carter Dougherty, "Europe Looks at Controls on State-Owned Investors," *International Herald Tribune*, July 13, 2007, at [<http://www.iht.com/articles/2007/07/13/business/protect.php>].

<sup>56</sup> Marcus Walker, "Germany Tinkers With Foreign-Takeovers Plan," *The Wall Street Journal*, January 14, 2008.

<sup>57</sup> *Ibid.*

A similar response has been seen in France. Just prior to a Middle East trip in early 2008, French President Nicolas Sarkozy expressed strong concerns regarding SWF investments in Europe, focusing specifically on the lack of reciprocity within the home markets of many of the largest SWF holders. According to President Sarkozy, “I don’t accept that certain sovereign wealth funds can buy anything here and our own capitalists can’t buy anything in their countries. I demand reciprocity before we open Europe’s barriers.”<sup>58</sup>

In contrast, the United Kingdom has presented, arguably, a more nuanced approach to SWFs. Alistair Darling, the U.K. Chancellor of the Exchequer, has said that as long as SWFs do not threaten national security or pursue political purposes, they should be free to invest as they please. “I intend to make the point that we welcome [SWF] investment, but I think crucially, people, companies, and sovereign wealth funds have to act on a commercial basis.”<sup>59</sup> A similar reception has been seen in Switzerland. Phillip Hildebrand, Vice Chairman of the Swiss National Bank (SNB) has stated, “the challenge [of SWFs] is to preclude an outcome where the activities of SWFs trigger policy responses in mature markets that ultimately lead us down the path of financial protectionism. A set of guidelines addressing the threat of politically-driven investment decisions and resurgent state involvement in the global economy represents the best currently available option to respond to the challenge of SWFs.”<sup>60</sup>

The response from the European Commission, has been equally nuanced. According to Charlie McCreevy, European Commissioner for Internal Market and Services:

[W]e must not allow the discussion on Sovereign Wealth Funds to be used as an excuse to raise unjustified barriers to investment and the free movement of capital. Protectionism and domestic focus is the instinctive response of some politicians.... But I do believe there are issues relating to transparency and governance that we need to engage on with certain Sovereign Wealth Funds.... We need Sovereign Wealth Funds to be transparent in their operations, preferably on the basis of an international code of best practice.<sup>61</sup>

## Multilateral

At the G7 Finance Ministers meeting in October 2007, ministers discussed SWFs for the first time, noting that they are “increasingly important participants in the international financial system and that our economies can benefit from openness

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<sup>58</sup> “Sarkozy attacks wealth funds on eve of MidEast trip,” *Reuters*, January 12, 2008, at [<http://www.reuters.com/article/oilRpt/idUSL1220023020080112>].

<sup>59</sup> Sumeet Desai, “Darling Says Sovereign Funds Need to Follow Rules,” *Reuters*, October 19, 2007, at [<http://uk.reuters.com/article/businessNews/idUKWBT00778720071019>].

<sup>60</sup> “Sovereign wealth funds need rules-SNB’s Hildebrand,” *Reuters*, December 18, 2007.

<sup>61</sup> Charlie McGreevey, European Commissioner for Internal Market and Services, “The Importance of Open Markets,” Speech before Council of British Chambers of Commerce in Continental Europe (COBCOE), London, January 10, 2008, at [<http://www.edubourse.com/finance/actualites.php?actu=35306>].

to SWF investment flows.” The final G7 communique for the meeting stated that the IMF, World Bank, and the OECD should explore best practices for SWFs in key areas such as institutional structure, risk management, transparency, and accountability.<sup>62</sup> Secretary of the Treasury Henry Paulson further elaborated on this in his remarks to the International Monetary and Finance Committee of the IMF:

The United States believes a multilateral approach to SWFs that maintains open investment policies is in the best interest of countries that have these funds, and countries in which they invest. The IMF is uniquely positioned to identify best practices for SWFs, building on the existing Guidelines for Foreign Exchange Reserve Management. Best practices would provide multilateral guidance to new funds on how to make sound decisions on how to structure themselves, mitigate any potential systemic risk, and help demonstrate to critics that SWFs can be constructive, responsible participants in the international financial system. Recipient countries of SWF investment also have a responsibility to maintain openness to investment and should work through the OECD to develop best practices for inward government-controlled investment.<sup>63</sup>

To address concerns related to the lack of SWF transparency, some have called for an international body, such as the IMF, to establish guidelines and monitor countries’ compliance with transparency efforts. Proponents maintain that increased transparency would limit the potential negative impact of greater SWF investment by allowing financial markets to better observe SWF activity and exercise any necessary market discipline. Edwin Truman, of the Peterson Institute for International Economics, argued during November 2007 Senate Banking Committee hearings on SWFs that

[t]he development of a set of best practices for sovereign wealth funds, and similar understandings covering other cross-border government investments, offers the most promising way to increase the accountability of these activities, which are likely to increase in relative importance over the next decade. The associated increase in transparency, which is a means to the end of greater accountability, would help to reduce the mysteries and misunderstandings surrounding these governmental activities. At the same time, the environment for them would become more stable and predictable.<sup>64</sup>

While firm IMF guidelines for the operation of SWFs could be beneficial, none of the countries concerned (i.e., the large SWF owners) are borrowers from the IMF and therefore not subject to IMF conditionality. Thus, there are no direct means by which the IMF could secure compliance with any proposed best practices. That said,

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<sup>62</sup> Statement of G-7 Finance Ministers and Central Bank Governors, October 19, 2007, at [<http://treas.gov/press/releases/hp625.htm>].

<sup>63</sup> Statement by Henry M. Paulson, Jr. Secretary of the U.S. Treasury before the International Monetary and Finance Committee, International Monetary Fund, October 20, 2007, at [<http://www.imf.org/external/am/2007/imfc/statement/eng/usa.pdf>].

<sup>64</sup> Edwin M. Truman, “Sovereign Wealth Fund Acquisitions and Other Foreign Government Investments in the United States: Assessing the Economic and National Security Implications,” Testimony before the Committee on Banking, Housing, and Urban Affairs United States Senate, November 14, 2007. Prepared testimony is available at [[http://banking.senate.gov/\\_files/111407\\_Truman.pdf](http://banking.senate.gov/_files/111407_Truman.pdf)].

most SWF owners are members of the IMF and are formally committed to a stable international monetary system. Efforts are underway to increase emerging market countries' vote and overall representation at the IMF.<sup>65</sup> As part of these efforts, countries may be willing to subject themselves to guidelines on SWF transparency.<sup>66</sup>

During the October 20 G7 finance ministers meeting, U.S. Treasury Secretary Henry Paulson hosted an outreach dinner with top SWF managers from around the world to begin the process of negotiating increased levels of SWF transparency. There appears to be some positive reception from leading SWFs. According to Dr. Tony Tan, Executive Director of Singapore's GIC:

We believe there is a case for further disclosure on the part of sovereign wealth funds in the interest of transparency. Such disclosure can include clarity on the relationship between the funds and the respective governments, their investment objectives and general strategies, and their internal governance and risk management practices.... Any guidelines on sovereign wealth funds should encourage them to operate according to commercial principles with a long-term orientation, free from political motivations. Singapore will participate in formulating a set of principles and best practices for sovereign wealth funds.<sup>67</sup>

In November 2007, the IMF convened the first of a proposed annual roundtable of sovereign asset and reserve managers. At the meeting, delegates from 28 countries discussed how best to address the policy and operational issues faced by managers of growing reserves and sovereign assets.<sup>68</sup> The IMF is preparing a report on SWFs, and the proposed SWF guidelines are scheduled to be on the agenda for the IMF's Spring 2008 meetings to be held in Washington, D.C., April 12-13, 2008.

While the IMF is working to establish guidelines for the management and operations of sovereign wealth funds, the OECD has an ongoing work program to establish a set of best practices for recipients of investments from SWFs.<sup>69</sup> These guidelines would draw on the OECD's extensive work on the treatment of foreign investment in OECD economies. OECD work will also draw on the OECD Guidelines for Corporate Governance of State Owned Enterprises (the SOE Guidelines).<sup>70</sup> The Guidelines are applicable to both SWFs and SOEs.

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<sup>65</sup> CRS Report RL33626, *International Monetary Fund: Reforming Country Representation*, by Martin A. Weiss.

<sup>66</sup> For proposals on increasing SWF transparency, see Edwin M. Truman, "Sovereign Wealth Funds: The Need for Greater Transparency and Accountability," *Peterson Institute for International Economics*, August 2007, at [<http://iie.com/publications/pb/pb07-6.pdf>].

<sup>67</sup> Cited in Huw van Steenis and Huberty Lam, "Sovereign Wealth Funds and Chinese Financials," *Morgan Stanley Research*, January 15, 2008.

<sup>68</sup> IMF Convenes First Annual Roundtable of Sovereign Asset and Reserve Managers, IMF press release No. 07/267, November 16, 2007.

<sup>69</sup> OECD Investment Newsletter, October 2007, Issue 5, at [<http://www.oecd.org/dataoecd/0/57/39534401.pdf>].

<sup>70</sup> The OECD Guidelines on Corporate Governance of State-Owned Enterprises is available (continued...)

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<sup>70</sup> (...continued)

at [[http://www.oecd.org/document/33/0,3343,en\\_2649\\_37439\\_34046561\\_1\\_1\\_1\\_37439,00.html](http://www.oecd.org/document/33/0,3343,en_2649_37439_34046561_1_1_1_37439,00.html)].