Houston, 29 October 2009

As global organizations struggle to regain to their footing, they are finding some comfort in the wealth of other, foreign governments -- those willing to invest essential resources in their enterprises. But such capital is a double-edged sword and one that some fear could ultimately harm a nation's economic and political good.

As the prominence of "sovereign wealth funds" grows, they will be required to show increasing levels of transparency. But such oversight should not end up tempering free trade and commerce. Those cash-rich investors are pumping capital into the American economy -- money that will invariably make its way into utility-type enterprises. While real national security concerns exist, foreign direct investment is ushering in new business opportunities and linking global economic interests.

"Sovereign wealth funds are not inherently 'good' or 'bad,'" says Jon Lukomnik, program director for the IRCC Institute, a corporate governance group in New York City. "But, their massive size draws attention and enables the funds to move markets and affect economies. Adoption of the 'Santiago Principles' last October signaled a recognition by the funds that there was a need to demystify and reassure the global capital markets through increased disclosure and transparency."

Altogether, such funds are reported to hold about $3 trillion in assets. The institute, which sponsored a study into how these funds were behaving, says that the 10 largest ones comprise $2.2 trillion of that total and that they have a relative high degree of transparency. Some smaller ones, however, have yet to adopt "meaningful initiatives." A year ago, the large funds adopted the "Santiago Principles" to help alleviate suspicion and criticism surrounding their cross-border activities.

Some funds were originally launched as the privatization management arms of their respective governments, while others were founded by the central banks to invest part of their foreign reserve surpluses. Certain funds aim to maintain the country's wealth for the next generations, the institute adds, while others serve as economic stabilization funds.

The group analyzed the funds from Abu Dhabi, Australia, China, Singapore, Kuwait, Libya, Russia and Qatar.

While proponents of such "free trade" say that the sharing of capital spreads global goodwill and advances critical technologies, critics argue that the governments from which those investment dollars come are often hostile to Western interests. Specifically, U.S. energy assets are appealing to them because they are steady revenue producers, which permit them to easily pay down their newly acquired debt.

"The Middle East countries are politically unstable, ruled by dictators and subject to literally overnight swings from 'friendly' to 'unfriendly,'" says analyst Keith Bowers.

Increase Transparency

Simply, sovereign wealth funds are government-run investment bureaus that allocate the riches of an entire nation into industries around the globe. Many of those nations have oil-related wealth and want to use that money to diversify their wealth. While such funds do seek to earn respectable returns, they also relish the opportunity to establish ties with prominent western businesses -- entities that can then re-invest their earnings and share their technological prowess.

In the United States, sovereign wealth funds are already prevented from owning more than 10 percent of vital industries that include defense. Regulations also place limits in other industries such as transportation, banking and utilities. While such funds are passive investors, they are participating in banking institutions that are vested throughout the utility sphere.

Take Libya, which this country considers to be a rogue nation but which has interests in Europe and especially Italy: It has a $65 billion sovereign wealth fund and more than half of that money is in cash. According to Libyan officials, it is in talks to buy even larger stakes in some European utilities.

And if not Libya, then it will be some other nation. With the help of sovereign wealth funds, European utilities are buying upstream oil and gas assets in the North Seas as a way to hedge against higher energy prices.

Utilities such as Germany's E.ON, France's EDF and the UK's Centrica are collaborating with Abu Dhabi and China on upstream assets in the North Sea. Goetz Wehberg from A.T. Kearney's global utilities practice says that sovereign wealth fund's influence is big and getting bigger, noting that utilities require ever-larger pools of money.

While the situation may not be ideal, advocates say that companies are hard-pressed to reject the capital and particularly in today's economic climate. They therefore say that the objective is to not to impede commerce but rather to make it above-board. Case in point: Norway, whose oil revenues are streaming into Central Asia, Latin America and Africa and which follows strict guidelines when it comes to transparency and accountability.

"Sovereign wealth funds have an important role to play in international financial markets and should be made welcome," says Peter Montagnon, chair of the International Corporate Governance Network. "As investors seeking to generate returns for their populations over the longer term, sovereign wealth funds share the economic objectives of traditional long-term institutional investors."

Future transactions will involve non-traditional entities. It then becomes the job of regulators to assure that such deals meet critical thresholds such as those involving fair competition and national security. It means being responsible and improving the level of transparency so that investors know that their interests are being served.

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