

Objectives, Liabilities and Externalities

In this plenary session, three representatives from leading SWFs spoke about the objectives, liabilities, and externalities their funds face as sovereign investors. Echoing the themes discussed in the conference, long-term and socially responsible investments were emphasized. The presenters also called for a regulatory framework that created incentives for long-term investment; produced open, fair, and non-discriminative policies towards cross-border SWF investments; and facilitated international cooperation among SWFs.

Augustin de Romanet, Chairman and CEO of Caisse des Depots, focused on long-term investments as a response to the current financial crisis. In the case of Caisse des Depots, the fund has a prudent framework which enables it to absorb market shocks. Drawing upon his role as Chairman of the Long-Term Investors Club, Mr. de Romanet made two proposals regarding long-term investments. The first called for creating strategies to promote international cooperation. Such collaboration, he argued, can increase investment size and mitigate obstacles to cross-border investment. Secondly, Mr. de Romanet spoke about the need for a regulatory framework that incentivizes long-term investing. This included a focus on capital requirements and designing accounting rules that adequately reflect the structure of long-term investments.

Carlos Obeid, CFO of Mubadala Development Company, presented the objectives and investment strategies of the Mubadala fund. Mubadala is an investment and development company created to facilitate the development of a diversified, globally integrated, and innovation-driven economy in Abu Dhabi. In light of these objectives, Mr. Obeid explained how the fund had a double bottom-line. Investment activities were evaluated based on their economic attractiveness, as well as their potential to advance Abu Dhabi's overall economic and sustainable development. Locally, Mubadala focuses on developing world-class industry clusters and creating synergies along an integrated value chain. In this role it acts as a venture capitalist in that Mubadala moves from being a major investor to the position of a strategic investor. At the international scale, the fund invests strategically in all key markets.

Liqun Jin, Chairman of the Board of Supervisors of the China Investment Corporation (CIC), and Chairman of International Forum of Sovereign Wealth Funds, spoke about the global role of SWFs and CIC's investment policy. He noted, in general, that a SWF's mandate guides its investment objectives, investment horizon, and asset management strategy. The fund's objectives might also consider other assets and liabilities on the government's balance sheet, and be influenced by the source of funding. Speaking about SWF externalities, Chairman Jin addressed concerns about the implications of the increasing size of SWFs. He noted that critics should focus on SWF behavior rather than their size. Chairman Jin pointed out that since the 2008 crisis SWFs have been playing a stabilizing role. They invested in critical sectors, such as infrastructure, which helps create employment and spur growth.

Chairman Jin also commented on the current Euro-zone crisis. He discussed how the recovery of Asian countries from the Asian financial crisis provides a solution. Asian governments made effective policy changes, and people manifested solidarity in the wake of the crisis. In his opinion, the way out for Euro-zone countries is to be upbeat about the future, shake off indolence, and do whatever is necessary to address the current challenges and find a long-term solution. China will take a market-based approach to assisting the Euro-zone, and will step in when the latter devises a credible debt resolution program.