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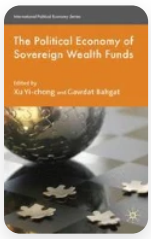

The Political Economy of Sovereign Wealth Funds

Xu Yi-chong

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Abstract

A spectre is stalking the world's governments, businesses and press: it is a spectre of a special type of fund, one that buys strategic resources around the world, hollows out companies, gobbles up financial institutions and threatens the sovereignty of the countries in whose resources and companies it invests. It is the spectre of sovereign wealth funds (SWFs) – dedicated government investment vehicles from China, Russia and the Gulf states, among others. These SWFs, critics declare, are the Trojan horse of states that generally are neither democratic nor share the traditions, political systems or legal systems of many OECD countries. They are 'the new bogeymen of global finance' (Plender 2007). To others, SWFs are no more than a financial flare, a fad that will fade quickly as the global financial crisis subsides.

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