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Sovereign Wealth in Abu Dhabi

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Abstract

By the turn of the century, oil had already made the tiny emirate of Abu Dhabi rich beyond anyone's wildest dreams. A sovereign wealth fund, the Abu Dhabi Investment Authority (ADIA), has invested extra oil revenues abroad for more than thirty years and amassed a still-growing portfolio worth approximately \$750–900 billion. ADIA is widely believed to be the world's largest sovereign wealth fund – indeed the world's largest institutional investor. But Abu Dhabi is not yet a “developed” economy. So, in 2002, the Mubadala Development Company was established as a government-owned investment vehicle. Unlike ADIA's mandate to build and manage a financial portfolio, Mubadala's charge was to develop Abu Dhabi. According to some observers, ADIA was a “sovereign savings fund,” while Mubadala was a government-owned investment firm. Mubadala is supposed to invest the wealth of the emirate in activities that would diversify the economy away from energy and into industry and services. Although each Mubadala investment is supposed to earn large returns, the strategy balances financial against

“strategic” returns. ADIA and Mubadala are the institutional architecture to manage the wealth of the Abu Dhabi sovereign.

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