A fair deal, exchanging knowledge for money

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Introduction

The activity of Sovereign Wealth Funds (SWFs) in the international arena of Mergers and Acquisitions (M&A) has dwarfed hedge funds by comparison. When the USA, Germany or Japan blocks an anticipated transaction involving a port, airport or energy plant because it is related to a SWF owned by Abu Dhabi, China, or Russia, the arguments used will usually include a discussion about lack of transparency, financial stability and national security. The cultural and political differences between the countries will be at play too, but the most obvious contrast could be roughly described as a division between countries that have an abundance of wealth on the one hand, and countries that have an abundance of technology on the other.

A description of some of the issues involved in the discussion surrounding several SWFs in the Middle East, shows that there are many intertwined elements at play, including some fundamental cultural, political, developmental and legal differences. The largest SWFs in the world today are held by developing countries in the Middle and Far East, and the countries that can offer the world the most advanced know-how and technology are developed, usually Western, countries. The financial crisis and worries about an upcoming global recession has accelerated a change of balance in the global economy, with discussions about transparency and protectionism and the position of the US Dollar (USD) forming part of the discussion. This article aims to inform the reader of the main issues one must be aware of with regards to SWFs, and gives a short account of these topics in the following order:

1. the background of SWFs, with a special focus on some Middle East SWFs;
2. the discussion about the transparency of SWFs goes hand in hand with the tendency towards protectionism. A short side step is made to hedge funds where parallels could be drawn;
3. how, even though the financial crisis has affected them, SWFs will continue their foreign investments with a greater focus on a higher return;
4. an illustration of efforts made by several institutions that support the exchange of know-how and liquidity, helping to close the gap between the different fronts; and finally,
5. concluding remarks.

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The background of SWFs

SWFs are government-owned investment funds whose purpose is to hold or manage surplus assets. Many commodity exporting – usually developing – countries have set up SWFs from current account surpluses of foreign exchange reserve build-ups.[1] The foreign currency is generally provided by the commodity importing countries. The largest importers of commodities in the world are developed Western countries, with an industrial or post-industrial past. These countries generally build up deficits in return. For several years now, the US has been the leading developed country accumulating deficits, currently owing the world as much as USD 1.8 trillion.[2]

Although more than half of the SWFs that exist today were established after 2000, in July 2008 their estimated collective wealth was in excess of USD 2.5 trillion, approximately EUR 1.9 trillion. These estimates exclude the traditional foreign exchange reserves held by these countries.[3] Three out of the five SWFs estimated to be the largest in the world, are owned by oil exporting countries of the Gulf Cooperation Council (GCC), namely, the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA) and Kuwait, which own the Abu Dhabi Investment Authority and Council (ADIA and ADIC), the Saudi Arabian Monetary Authority (SAMA), the KSA-owned General Organisation for Social Insurance (GOSI) and its recently set up Hassana Investment Company (HIC),[4] and the Kuwait Investment Authority (KIA). The other largest notable SWFs are Norway's Government Pension Fund, the China Investment Corporation and Singapore's Temasek Holdings and Government Investment Corporation. Until mid 2008 ADIA was estimated to be the largest SWF in the world, holding assets estimated to be worth well over USD 400 billion, with SAMA being the new leader in the first quarter of 2009 with assets of over USD 500 billion.

1. Peter Kunzel, Sovereign Wealth Funds: Current standards, practices and reforms, International Monetary Fund presentation on 5 November 2008.
2. Jeremy Pelofsky, US Congress budget office sees $1.8 trillion deficit, 20 March 2009, also available on <www.reuters.com/article/bondsNews/idUSN2049806720090320>.
3. Roland Beck & Michael Fidora, The impact of Sovereign Wealth Funds on global financial markets, European Central Bank, Occasional Paper Series No. 91/July 2008, p. 8.
4. Andrew England, Saudis set up stock market investment fund, Financial Times 24 March 2009, p. 3.

SWFs are a highly idiosyncratic group. Their legal forms vary as they could be established under public or private law. Under public law they could be established under a specific constitutive law as a separate legal entity, or have no separate legal identity and be managed through the Ministry of Finance or Central Bank of the government that owns them. Alternatively, some SWFs are established under private law as a corporation, are run by a board of directors and governed by company law. Their sources of capital, mandates and investment policies also differ. Generally, however, SWFs could be said to have been established with (any of) the following aims:

1. to stabilize the wealth accumulated from non-renewable resources, insulating the country's economy against commodity price fluctuations;
2. to save funds for future generations through converting assets into a more diversified portfolio of assets;
3. to develop funds for socio-economic projects; or
4. to create pension reserve funds.[5]

The USD

A relevant factor for many SWFs is that the USD, despite its heavy fluctuations and the weak US economy, is still by far the major international reserve currency, with China in the lead holding an estimated USD 2 trillion. The International Monetary Fund (IMF) has created an alternative unit of account called Special Drawing Rights (SDR). The SDR was initially pegged to the USD when it was created in 1969, but is currently based on a basket of currencies including the USD, Euro, Pound Sterling and the Yen.[6] The SDR, being more varied, could arguably offer a viable more stable alternative as a reserve currency to the USD. The USD is also the currency most commodities, and especially oil, are pegged to.[7] Furthermore, most of the oil exporting countries have their currencies pegged to the USD, Kuwait being the only exception.[8] The KSA Riyal, for example, has been pegged to the USD since 1986 at a fixed exchange rate of 3.75 Riyals to one USD. Most of the GCC SWFs have also invested heavily in USD denominated Treasury Bills, with, for instance, an estimated 80% of the USD 500 billion fund held by SAMA invested in USD fixed income securities. This means that fluctuations in the USD will not only have a direct affect on the oil price, but affects the income of the GCC states and their SWFs as well. In fact, every time the USD takes a plunge, the inflation rate in the GCC states rises and the value of the SWFs drops against other currencies such as the Euro. This means that the currency denomination of a country will affect whether it will be attractive for SWFs to invest in it. Currently the most attractive regions for Middle East SWF investments appear to be Brazil, China and Central America.[9] The special relationship between the US as borrower and China and the Middle East countries as lenders must be emphasized here too however, as it undoubtedly has implications for the interdependent relationship of the US and these countries.[10]

The rise of Islamic finance

Malaysia created the world's first *Sharia* compliant Islamic interbank money market in 1994. Since then, and especially during the recent credit crisis, there has been an immense global growth of demand for Islamic banking and its products due to the fact that these institutions have appeared to suffer less from the effects of the credit crisis than their more traditional banking counterparts.[11] The GCC countries are the largest base for Islamic banking business, accounting for 80% of the business worldwide. Islamic finance being a topic that, until a few years ago, was on the periphery of the global financial market, has now grown to a scale that has made it necessary for any globally significant bank or financial institution to get to grips with the basics of Islamic finance.

The difficulty with Islamic finance is that it is based on *Sharia*, which is not a unanimous concept, but is interpreted differently by the (four) different Islamic schools of thought. Nonetheless, the core principle of Islamic banking could be said to be the sharing of profit and loss by the financier, meaning that banks, instead of having a guaranteed set return in the form of interest on money lent, will have to share the entrepreneurs' risk of loss in some form. This does not mean that Islamic banking will be less fruitful to the banks than the non-Islamic banking formulae, but the underlying principles upon which the products are based are fundamentally different. Islamic banking is further restricted to deals acceptable to the faith, which exclude, for example, those involving trading in alcohol for consumption.

One would expect that *Sharia* rules would affect the investment choices that Middle East SWFs make. Interestingly, though, the investment policies of the Middle East SWFs are motivated by purely secular considerations that primarily focus on good returns on investment and the stability of these returns. The growth of Islamic banking and finance is therefore not (directly) related to the growth of these funds.

Transparency and protectionism

During a meeting of SWFs at the IMF in April 2008, an International Working Group of Sovereign Wealth Funds (IWG) was set up, with the mandate to identify and address national concerns with regards to SWFs. Within that context, the IWG

5. Sovereign Wealth Funds – A work agenda, International Monetary Fund paper, 29 February 2008.
6. See <www.imf.org>.
7. Katie Hunt, Will the US Dollar remain king? BBC News 26 March 2009, also available on <newsvote.bbc.co.uk>.
8. Business Intelligence Middle East, Saudi Arabia reasserts its peg to the dollar and confidence in US economy, 25 March 2009, posted on <www.bi-me.com>.
9. Sundeep Tucker, Sovereign Wealth Funds set to revive investing, Financial Times 16 February 2009, see <www.ft.com/cms/s/0/d112c57e-fc51-11dd-aed8-000077b07658.html>.
10. Brad W. Setser, Sovereign wealth and sovereign power, a Council on Foreign Relations Report number 37, September 2008, p. 42.
11. Nadim Kawach, Islamic banking best option during crisis, say experts, 30 March 2009. Available on <www.zawya.com/Story.cfm/sidZA-WYA20090330073502/Islamic banking best option during crisis, say experts/>.

set up a framework of generally accepted principles and practices that reflect appropriate governance, accountability and investment practices for all SWFs. The IWG finalized and delivered these principles called the Generally Accepted Principles and Practices (GAPP), also known as the 'Santiago Principles', in October 2008.[12]

In the meantime, the US, UK and German governments were setting up protectionist measures to intervene in potential M&A deals that could affect their countries' national security,[13] and the EU and the Dutch parliaments were having meetings at which the mention of lack of SWF transparency was often discussed within the same context as discussions relating to national security. In a paper analysing SWFs submitted to the Dutch parliament on 15 February 2008, the strategic Dutch sectors were identified as: energy, postal services, electronic communication, waterworks and waterworks authorities, transport, the media and the financial sector.[14] The list is not exhaustive. It only aims to give a primary indication of what sectors the Dutch government considers to be of prime importance. Further, the same study states that the impact of a take-over by a foreign entity could be relevant, depending on the following elements:

1. to what extent that party gains control in a company;
2. the type of product or production facility it runs, for example, sensitive know-how, national security; and
3. can the capacities easily be substituted from the market, for example, does the target hold a dominant position?[15]

Similar assessments of the sensitivity of the various sectors were made in the post-Thatcher era in the UK during which the Conservative Party encouraged a serious move towards privatisation,[16] and after 11 September 2001, when the world became painfully aware of how a terrorist attack could paralyze a major metropolitan city.[17]

In December 2008, a discussion about SWFs in the Dutch parliament concluded that the government did not have enough legislative measures in place to be able to intervene if it felt that an important or strategic company was about to be taken over by a potentially unfriendly SWF.[18] The final remarks made then, were that although SWFs were hard hit by their recent losses and the credit crisis, they were expected to recover within the foreseeable future. The Dutch government planned to have better intervention options in place before SWFs recovered.

12. The full report is available online on: <www.iwg-swf.org/pubs/gapplist.htm>.
13. Position statement by the members of parliament with regards to SWFs, Kamerstukken II 2007/08, 31 350, nr. 1.
14. SWFs, a letter from the Ministers of Finance and Economic Affairs, sent to the Dutch parliament on 15 February 2008, Kamerstukken II 2007/08, 31 350, nr. 1, p. 24.
15. Letter of the Ministers in footnote 16, p. 23.
16. Larry Elliott & Jill Treanor, A whole world sold on sell-offs, The Guardian 22 November 2000.
17. Understanding the privatization of national security, conference summary of the conference held on 11 and 12 May 2006, The McCormick Tribune Foundation.
18. Letter dated 3 December 2008, BFB/U2008-1761M.

Europe split on protectionism

The protective legislation has not been prepared by the Dutch government as yet, and the discussions about SWFs transparency and protectionism seem to have been put on hold temporarily as the outcome of the April 2009 discussions at the G20 Summit in London become clear. Perhaps the large bail-outs some of the EU governments are faced with, resulting in the UK and the Netherlands needing to (partially) nationalize some of their own large banks, the very institutions that symbolize capitalist freedom, have made some countries realize that foreign funds might be an advantage in these times. With no one being able to predict the scale of the problem, EU members might have doubts about whether Europe can save its own members without foreign funding.

The views on protectionism have therefore softened in some European countries, and while the slide down the slippery slope of a potential global recession has made a start, company valuations are sinking irrespective of the sensitivity of the sector they belong to. The heavy representation of the financial sector that has been profoundly affected by the financial crisis in London and even more so in the Netherlands, might clarify the difference in their tone when compared to that of France and Germany. The European governments are now split in their positions with regards to setting up protectionist measures. Some are more hesitant about grasping the double-edged sword of protectionism, because they are well aware that if they do not have the funds necessary to step in and save a strategically important company or sector that starts collapsing, they would rather see a SWF (transparent or not) step in and save it, than risk seeing it go bankrupt.

If SWFs were looking to invest in strategically sensitive sectors in developed countries, the current financial climate could be said to offer prime investment opportunities with an abundance of good bargains. This is highly improbable, however, as SWFs aim to get better returns, which are highly unlikely as long as valuations are falling, and incidents such as the Dubai Ports saga in the US in 2006 and 2007 will not easily be forgotten by SWFs.[19]

Political differences

An important point that needs to be made in order to clarify some of the general underlying differences of approach between the governments that own the largest SWFs and the governments of the Western or developed countries, are the fundamental differences between their political structures. Transparency is a concept that has been developed by democratic countries, reflecting ideals of Western democratic standards, including for example, concepts such as accountability. The majority of GCC states have a different political set-up, which has affected the way their SWFs function and the way they are structured. Concerns about transparency of Middle East SWFs cannot be treated as completely independent from the way democratic

19. Dubai eyes US shores, 19 November 2007, <www.propertyadvicedubai.com/dubai-news/2007/11/dubai-eyes-us-shores.html>.

countries view their undemocratic Middle East counterparts. It is the fear about how the political interest of these governments may affect the decisions of SWFs that is being discussed in European parliaments. An important consideration that could limit the extent to which Middle East SWFs want to achieve transparency, is that transparency could affect their freedom to follow secular investment strategies that focus on dividend return, considering that the societies they are investing for are predominantly Islamic. Middle East SWFs have, however, recently recorded improving scores on transparency and openness.[20]

In contrast, the tendency towards nationalization and protectionism in the developed Western economies could be seen as an ironical development, seeing as the possibilities for foreign investments in some of the most conservative countries in the Middle East have improved significantly in the past decade. An example is that KSA has set up the Saudi Arabian General Investment Agency (SAGIA) to actively advise and aid foreign investors in their endeavours to participate in the KSA economy. Another clear strategic change is that a company can now be set up and be registered in the KSA with 100% foreign shareholding. Foreign shareholders used to be required to join forces with local participants, an issue that kept many foreign investors from venturing into the country with their capital in the past.[21]

Some similar discussions surrounding hedge funds

In 2002 hedge funds (dubbed unregulated investment vehicles) were on the rise and attracted debates about the transparency of their investment portfolios. Hedge funds were not regulated by the financial market and were free to engage in activities that are off limits for regulated investors, such as short selling stocks. Hedge funds also attracted a lot of negative attention for their lack of transparency. Their importance on a global scale has dwindled significantly in 2008, after the collapse of two highly leveraged Bear Stearns hedge funds, which marked the beginning of the collapse of the subprime-backed collateralized debt obligations. The prognosis for the growth of hedge funds in 2009 is negative.[22]

Although many have been looking for the scapegoat in light of the vastness of the financial crisis, neither hedge funds nor SWFs can be blamed.[23] The arguments that they constitute a danger for the stability of the financial markets due to their fast growth and lack of transparency has proven to be a fallacy. As it turned out, it was transparent organisations (the banks) that were selling products that lacked transparency that ended up causing the financial crisis.

The financial crisis has affected all, but SWFs will continue foreign investment with a greater focus on high returns

It was to be expected that the largest Middle East SWFs would look inward during the first quarter of 2009. Their collective aim could be said to be hedging against political and economic instability in the GCC area, diversifying by making foreign high yield investments, they tend to move away from investing in the oil sector and in oil correlated products, as their own economies are strongly affected by that commodity. They also suffered heavy losses in the financial crisis, with the most obvious examples being the investments made in failing financial institutions, such as ADIA and KIA's investment for more than USD 10 billion in the ailing US Bank Citigroup.[24]

The recent instability in the developed countries has taken SWFs by surprise and slowed down their foreign investments significantly. They spent the first three months of 2009 in cautious contemplation of what has been happening in the global arena, investing in their own economies in the meantime while the expected rate of return for investments in the US and Europe have dropped and their own economies required stabilizing measures and financial support to cushion the affects of the financial crisis. A recent survey of SWFs found that they would stay cautious as long as company valuations were expected to continue to fall. Before any serious SWF activity can be expected, the company valuations in the US and Europe will have to be scraping the bottom of the barrel.[25]

On the local front, the government of KSA has stated in as many words that it will keep the immense investments planned in building the new industrial cities, such as the King Abdullah City, which is due to be completed in 2020, on track; and within the original plans that propagated the use of sustainable design and using renewable energy sources with very low environmental impact, hence, keeping the market liquidity in the Kingdom high in the process.[26] A key player in the KSA economy, Aramco, has stated that it will stick to its budget for investment plans as projected, estimated at spending over USD 60 billion over the next five years.

As Abu Dhabi and Dubai are part of the same country, it is logical to expect that ADIA will pump assets into its hard hit neighbouring Emirate Dubai before it will venture overseas to make any foreign investments. The best justification for GCC SWFs investing beyond their borders will have to be clear and good

20. Yazad Darasha, Gulf SWFs openness scores increase, 11 March 2009, on <www.business24-7.ae/articles/2009/3/page/03112009_503742ad01644ab2820887f28...>.
21. See <www.sagia.org.sa>.
22. The future of the global financial system, a World Economic Forum report released on 15 January 2009, p. 31-35 (<www.weforum.org/pdf/scenarios/TheFutureoftheGlobalFinancialSystem.pdf>).
23. EU motion for a resolution, number B6-0304/2008, submitted on 13 June 2008.
24. Wayne Arnold, Latest Citi bailout bypasses ADIA, The National 1 March 2009, also available on <www.thenational.ae/article/20090228/BUSINESS/344054446/0/NEWS-38k>.
25. Alex Finklestein, Hard-hit Sovereign Wealth Funds avoid further bank bailouts but expect to re-enter market by year end, 16 February 2009, <www.realestatechannel.com>.
26. Andrew England, Saudis set up stock market investment fund, Financial Times 24 March 2009, p. 3.

commercial prospects.[27] In February 2009, interviews with the major SWFs revealed that their investment decisions are made on an average of a minimum of five year investment perspectives, with dividend yields being as critical an investment criterion as capital growth. It would be logical to expect that a USD pegged SWF will not invest out of its region into a Euro country where the expected dividends are low (all of Europe currently falls in this category), and especially not if its own country still needs funds.[28]

This would imply that at this time, all of Europe would be off limits for Middle East SWFs investments. However, on 23 March 2009 it was announced that Aabar Investments (Aabar), an affiliate of the Abu Dhabi state-owned SWF International Petroleum Investment Company (IPIC), had acquired 9.3% of the shares in the prestigious German company Daimler, which owns the Mercedes-Benz brand, for approximately EUR 1.95 billion.[29] This can be explained to some extent by taking into consideration that Daimler is a world leading brand in the car industry and that Aabar was looking at the investment with a long-term return focus and aimed to develop and acquire some of the best available technology of its kind worldwide. Aabar stated in as many words that it aimed to co-operate with Daimler on the development of electric vehicles, research into new materials for the car industry, social projects in Abu Dhabi and planned to establish a training centre in Abu Dhabi to nurture young auto industry talent in the region.[30] If anything, this acquisition supports the proposition that the wealthy SWFs of the developing GCC countries will sometimes value the acquisition of global icons and know-how and technology so much, that they could decide to make investments that do not seem logical when the economics of the deal are considered. Other famous German brands such as the blue-chip company Siemens, have recently approached SWFs in the hope of receiving similar capital injections.

Falling valuations of such companies in the developed economies could be seen as a prime opportunity for SWFs to invest, given the developing countries need for know-how, and their developed counterparts need hard cash. The most efficient route to an acquisition is via a debt for equity swap, in which the SWF buys off the debts (usually to a bank) of the company in exchange of shares (in the company). In the current market conditions that could mean 'catching three birds with one stone': the SWF acquires the know-how it needs to help its home country develop, the company receives an indirect capital injection by being relieved of (a portion of) its debts, and the banks receive cash instead of having to pursue heavily leveraged companies for payment of their debt, or in a worse scenario, being faced with bankruptcies.

Institutions from both ends are making an effort to build a bridge to close the gap

The unfortunate truth is that while giant new projects such as the King Abdullah City in KSA and Masdar City in Abu Dhabi have been required to use designs that use renewable energy sources with a very low environmental impact, technology that can be provided by companies that have accumulated this know-how over a number of years, the very companies that specialized in this sector are starting to go bankrupt in the developed countries as they are squeezed by the economic crisis.[31] There are many examples of efforts being made in various countries to bridge the gap between the developing and developed worlds, aimed at bringing the regions closer to each other. Below are a few examples that illustrate this point.

The Netherlands British Chamber of Commerce (NBCC) is an independent organisation that incorporated the Anglo-Dutch Trade Council and seeks to encourage trade between and with both countries, and in that context also encourages its members to venture into other markets.[32] In 2007 it set up a project called 'Innovations from Holland', which aims to encourage trade by introducing Dutch innovative town planners, architects and construction companies to their relevant business counterparts in other jurisdictions.[33] Although the Netherlands is a small country, it has accumulated special know-how and technology in many fields, such as the excellent ability to manage waterworks. This is an asset that has received a lot of attention in the wake of the devastating floods that hit New Orleans after hurricane Katrina in 2005. This was also a reason why Dubai chose to hire the Dutch dredging and marine contractors Van Oord for the creation of the Palm Islands of Dubai in 2007. Other examples of specialist Dutch technical know-how is the world famous KEMA-KEUR, developed by the Dutch-based company, KEMA. KEMA has provided extensive services in the Middle East as an energy consultant and as a specialist in testing and the certification of electronic innovative technology.[34]

As another example, SAGIA was set up in 2000. SAGIA's mission is to create a pro-business environment in Saudi Arabia, providing comprehensive services to foreign investors, and fostering investment opportunities in energy, transportation and knowledge-based industries.[35]

The Saudi Arabian National Oil Company, Saudi Aramco has established a New Business Development (NBD) department. The NBD's mission statement cannot be said to be purely commercial, as it also aims 'to contribute to the Kingdom's economic

27. Sundeep Tucker, Sovereign Wealth Funds set to revive investing, Financial Times 16 February 2009, <www.ft.com/cms/s/0/d112c57e-fc51-11dd-aed8-000077b07658.html>.
28. See footnote 28.
29. Daniel Schäfer, Abu Dhabi investor scoops 9% of Daimler, The Financial Times 23 March 2009.
30. Dirhams for Daimler, The Lex Column, The Financial Times 23 March 2009, p. 14.
31. Sheila McNulty, Renewables groups desperate for breath of stimulus funds, Financial Times 31 March 2009.
32. See <www.nbcc.co.uk>.
33. See <www.innovationsfromholland.com>.
34. See <www.kema.com/products_and_processes/needs/Quality_and_products.asp>.
35. See <www.sagia.org.sa>.

and social objectives', promoting new business deals which will create value for Saudi Aramco and 'will foster the development of the Kingdom (economic growth, increased private sector participation, job creation)'.[36] NBD has taken its mission seriously, as it has shown a commendably approachable attitude towards foreign companies that have queries about how best to enter the Saudi Arabian market.

A leading investment bank, Al Khabeer Merchant Finance Corporation, is a *Sharia* compliant investment bank based in Saudi Arabia and regularly quoted in the Middle East media for the opinions and views it takes. In March 2009 it prepared a study on the impact of Islamic finance outside the Islamic world, explored the challenges of introducing Islamic finance to non-Islamic economies, and encouraged building bridges between Arab and Western cultures.[37]

These are examples of institutions that are actively working to bridge the differences between the developing and developed countries. They aim to bring together the assets of technology and know-how from the developed countries with the funding from the SWFs of the developing countries, enhancing the advantages for all the parties involved. Transcending the boundaries set by jurisdictions and disciplines is necessary in order to build on this added asset, and to discover just the right link that will bring together the various parties. Financial and legal advisors must not lag behind by focusing attention on the jurisdiction they are working in without looking into what legal and financial effects a transaction has beyond the boundaries of that jurisdiction. Although it is also true that specialized knowledge of the jurisdiction of clients is based in and is essential for advising the clients properly and to nurture the basis of the relationship, one cannot help a client without understanding its business and the jurisdiction it is based in. The challenge for advisors lies in combining specialized knowledge of the local jurisdiction with a good understanding of how other worlds affect the client's business.

Concluding remarks

The financial crisis has currently slowed down the activity of Middle East SWFs and made them look inward, and focus on investing in their own government's economies. However, this is a temporary and unusual situation. Their mandate is to invest with a focus on stable good returns to create a buffer for future generations for when the oil runs out. This means that their investments target foreign, non-GCC economies. The investment choices of Middle East SWFs are also secular, a factor that could limit their move towards transparency. The complex factors involving SWFs means that anyone with a role in a transaction with or for a SWF is faced with the challenging task of understanding and staying informed about all the changes that affect them. The range of changes could include global financial, legal and political issues, such as the position of the USD, the effects of the financial crisis, transparency, and protectionism.

36. See <www.saudiaramco.com/irj/portal/anonymous?favlnk=%2FSaudiAramcoPublic%2Fdocs%2FNew+Business&ln=en>.
37. Working Paper presented at the first Business Forum on Islamic Finance in Spain; focusing on finance as a bridge between Arab and Western worlds, press release on 18 March 2009 on <www.zawya.com/printstory.cfm?storyid=ZAWYA20090318081633&l=081600090318>.