Global Public Goods and Investment Obstacles:
A Survey of the Long-Term Institutional Perceptions[1]

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Abstract

In an era of globalized governance, long-term investors are one of several actors who can provide global public goods. It is thus important to understand what factors constrain cross-border investments, and whether long-term investing is associated with public policy objectives. To begin answering these questions, funds traditionally associated with long-term investing were surveyed. Results indicate that foreign policy factors were most likely to decrease cross-border investment, and long-term investing was associated with intergenerational objectives. These findings emphasize the importance of creating a facilitative policy environment and suggest that long-term investors can contribute to the provision of global public goods.

Using long-term investment to further economic development and inter-generational welfare is not a new idea. In the last few decades, however, it has acquired a new hue. Due to its time-horizon and lower concern with interim asset price movements, long-term investment is increasingly identified as a tool for addressing public policy-objectives that were once considered the province of nation-states. Investors emerge as one of several actors who can contribute to global social equity and stability. Through, for instance, countercyclical investing and funding environmentally sustainable technology innovations, investors can facilitate the reduction of banking, climate, energy, and development crises.

The provision of such global public goods does not necessarily require investors to be motivated by an overriding concern for issues such as sustainable and equitable development. Looming crises such as climate change and continuing financial instability have important and, as shown by the fallout from the Great Recession, devastating impacts on investment performance and the socio-political stability of fund host countries. The negative consequences that result from ignoring these challenges raise the stakes for investors. It also means there is a greater possibility that long-term investors can leverage the advantage of their investment horizon and play critical roles in facilitating the provision of certain global public goods.

In order to mobilize long-term investment to confront these challenges, several critical issues need to be addressed. Long-term investing may be more effective at producing global public goods bearing certain attributes. Once the proper domain of this type of investing is identified, long-term investors can vary in terms of their willingness and organizational capacity to fund these objectives. If there is a desire to contribute to the provision of global public goods, investors may still be limited by the existing stock of financial instruments and investment products.

Before these queries can be settled, however, two fundamental issues need to be resolved. First, in an era of globalized financial markets and the uneven distribution of asset ownership, it is highly unlikely that domestic investment alone is sufficient for facilitating the provision of global public goods. Cross-border investment is thus essential. As a result, various regulatory, organizational, or investment climate factors can constrain the likelihood that funds make investments in other countries. It is essential to understand how investors perceive these different constraints and how various barriers impact investment decisions. The second issue is how investors conceptualize long-term investing. As noted by the World Economic Forum, this investment strategy is defined as much by "an attitude" or "style" as it is by holding assets for an indefinite period of time (2011). It is thus crucial to research what objectives are associated with this investment approach and whether they are conducive to the provision of global public goods.

While researchers have examined several potential obstacles and explored how they shape cross-border investment, the myriad of variables means most studies have focused on a limited number of factors. An understanding of the relative importance of such factors in investment decisions has, inadvertently, been sidelined. In an attempt to address this problem, investment funds traditionally identified as long-term investors were invited to respond to a web-based surveyed. They were asked to identify and rank the factors decreasing the likelihood they would invest in another country. In addition, they were asked about the mechanisms they utilized to address each factor, and their satisfaction with the different strategies they deployed. Finally, the funds were asked what objectives they associated with long-term investing.

The results of this exploratory survey indicate that foreign policy factors, as opposed to organizational and investment climate issues, had the greatest likelihood of decreasing the possibility a fund would make cross-border investments. Investors were, moreover, not fully satisfied with the strategies they use to address all potential obstacle categories. Specifically, increasing transparency was seen as a relatively successful strategy, while they expressed a more ambivalent opinion about co-investing and using external managers. Finally, the survey revealed that respondents associated long-term investing with increasing or storing wealth for future generations. For some of the funds, moreover, this objective was seen to be compatible with the maximization of portfolio financial performance. This finding suggests the latent potential, at the very least, for long-term investors to be important contributors to the provision of global public goods.

Literature Review

Researchers have identified a myriad of factors decreasing the likelihood of cross-border investments. State based regulations are one important factor. The lack of a bilateral investment treaty can potentially signal to foreign long-term investors that their rights may not be protected. Regulatory uncertainty surrounding a variety of issues, from investor rights to taxation, can hinder cross-border investment (West et. al. 2011). Double taxation and the varied application of tax policy to different investor classes also matters (Fleisher 2009, Cui 2009). Foreign investment in sectors considered to be nationally strategic can be subject to formal review and, in some cases, blocked or subject to additional restrictions (Balin 2010, Bhattacharjee 2009, Chalamish 2009, Kimmett 2008, Massot 2011, West et. al. 2011). State authority and policy autonomy may have been reconfigured by global finance (Dombrowski 1998, Helleiner 1994, Walter 2005, Vogel 1996), but these institutions remain important actors who can direct and shape investment flows.

Organizational factors have also been identified as significant. Given the commitment entailed by a long-term time-horizon, performing the necessary due diligence and successfully managing this type of investment requires a specific form of expertise. Finding such talent, including external managers, can be a challenge for long-term investors such as sovereign wealth funds (Scott 2011, WEF 2011). Even if the individuals possessing such expertise are found, principal-agent problems complicate matters (WEF 2011). Another strategy besides external managers is the use of co-investing. Besides the issue of aligning strategic objectives, funds may lack established connections in their own or the recipient country. Given the importance of social and firm networks in economic activity (Granovetter 1992, Uzzi 1996), the absence of inter-firm relations can have a negative impact on long-term investment. Finally organizational constraints, such as geographical and sectoral risk limits, can also operate as barriers (WEF 2011).

Investment climate factors can also influence cross-border investment flows. The beneficiaries, such as pensioners and the domestic public, can attract negative public attention and make the achievement of long-term objectives more difficult (Clark and Monk 2011, Hong 2010, West et. al. 2011). Some long-term investors, particularly government-owned investment vehicles such as sovereign wealth funds, are directly associated with a particular country. If the public in the recipient country contains unfavorable perceptions of the host country or suspicion about the objectives of the owners, regardless of whether it is warranted, cross-border investment can be impeded. This may take the form of a withdrawal of investment, as in the case of Dubai Ports World's possible takeover of operations at U.S. ports, or the curtailment of investor rights. The mechanisms used to accomplish these ends vary in terms of their formal organization, i.e. from investment review boards to informal suasion through comments by government officials.

Researchers have thus identified a variety of factors that can limit cross-border investment. In arguing for the importance of a particular factor, scholars compare their specific point of focus with other variables. This occurs by contrasting the findings with past research, or designing the analysis in such a manner that the relative importance of variables can be quantitatively measured. The resulting analysis only examines, therefore, a limited number of variables. A related issue concerns the methods traditionally employed. Besides being quantitative, much of the research uses external measures of how a particular factor will curtail a fund investing in another country. It may, for instance, develop a correlation between foreign direct investment flows and the existence of bilateral investment treaties. Together these approaches have produced important insights, but research that considers a larger number of variables and captures investor perceptions of the relative importance of various barriers to cross-border investing is needed. A survey of investment funds was designed to address these issues.

Research Design

Between August 2011 and December 2012, invitations to participate in a web-based survey were sent to senior management at funds traditionally associated with long-term investing (N=64, response rate was 25 percent). The individuals were selected based on their organizational responsibilities for asset allocation. Among the submitted surveys, some participants did not answer each question. The partially completed surveys were not discarded because the questions and their components were not interrelated in that one response was dependent upon another. As a result, non-responses were excluded from the results for the particular question or item (results are reported in percentages instead of fractions to facilitate comparison). Even though respondents bypassed questions, the average response rate per question was 89 percent.

Due to the exploratory nature of the study, snow-ball sampling was the primary method used to identify potential participants. The researchers relied upon the industry connections of the Sovereign Wealth Fund Research Initiative (SWFRI). The SWFRI is focused on bridging the gap between academics, policy makers, and fund managers in order to address current social, economic and environmental challenges. While the SWFRI is particularly interested in sovereign wealth funds,[2] it has developed connections with a variety of long-term investors due to its focus on the provision of global public goods through investing. The SWFRI industry contacts constituted the main group of funds invited to participate in the survey.

While the funds were invited based on their belonging to fund classifications traditionally associated with long-term investing, the survey also gathered information on how each organization self-identified. Some of the funds did not indicate an identity (12.5%). The remaining participants, however, fell into four categories (percentage of total respondents): sovereign wealth funds (37.5%); pension funds (25%); development banks (18.8%); and private equity (6.2%). In analyzing the impact of fund category on the survey results, the self-reported designations were used.

Besides the exploratory nature of the research, the SWFRI industry connections were crucial in shaping the survey instrument. They enabled the research team to simultaneously explore several issues relating to cross-border investment obstacles. While the objectives of the project and the sample size limit the generalizability of the findings, the survey provides an initial and important indication about four core issues. First it reveals information about how funds perceive the relative importance of different factors in decreasing the likelihood of making cross-border investments. Second, the strategies used to counteract barriers to investing in another country were also examined. Third, the funds were queried about whether they perceived various strategies, such as transparency or co-investing, as having a positive or negative impact on the realization of investment objectives. Fourth, the survey also asked funds what attributes they associated with long-term investing. Together these components reveal the relative importance of various obstacles to long-term investing, and provide a foundation for further exploration of how these barriers impact the possible provision of global public goods through investment.

Findings

Constraints and their Relative Importance

Based on the investment obstacles literature, twenty different issues were identified as factors that could decrease the likelihood a fund would make cross-border investments. These individual elements were grouped under the broad categories of foreign policy (FP), organizational (O), and investment climate (IC) factors (see Table 1). Besides providing a list of these factors, the respondents were also given space to identify additional elements that may curtail cross-border investment. The only other additional issue listed was the "potential attractiveness of investment in other country," and thus suggests that the survey instrument captured the most commonly identified obstacles.

Table 1: Foreign Policy (FO), Organizational (O), and Investment Climate (IC) Factors

Type	*Item*	*Factor*
FP	A	Unfavorable tax treatment focused on your fund type
FP	B	Corporate taxation uncertainty
FP	C	Financial regulation uncertainty
FP	D	Sector-specific regulations
FP	E	Fund's host country does not have bilateral investment treaty with other country
FP	F	Cross-sector investment review policies
FP	G	Sector-specific investment review policies
FP	H	Non-transparent investment review policies
FP	I	Foreign sovereign immunity laws
O	J	Infrequent interactions with major financial firms in other country
O	K	No previous investment experience in other country
O	L	Shortage of internal investment managers with knowledge of other country
O	M	Shortage of internal investment managers with sector-specific knowledge
O	N	Sector-specific internal risk limits
O	O	Geographically specific internal risk limits
IC	P	Unfavorable public perception of your fund class in other country
IC	Q	Unfavorable public perception in other country about investments origination from your country
IC	R	How the other country manages its government debt levels
IC	S	Domestic public reacts negatively to short-term investment losses
IC	T	Unfavorable comments by government officials in other country about foreign investments

Using a Likert scale (strong agree, agree, neutral, disagree, strongly disagree), the respondents were first asked whether a factor decreased the possibility their fund would invest in another country. The results indicate (see Table 2) that two factors (C and T) had the greatest likelihood of negatively impacting cross-border investment (summation percentage of agree/strongly agreed in parentheses): "financial regulation uncertainty" (80.0%), and "unfavorable comments by government officials in recipient country" (73.3%). Following these elements, almost two-thirds

(64.3%) of the funds agree/strongly agree that “unfavorable tax treatment of your fund type” (A) and “non-transparent investment review policies” (H), would reduce the possibility that their fund would invest in another country. Not-only did the four factors elicit the strongest consensus among the funds, but “financial regulation uncertainty” and “non-transparent investment review policies” were the two factors that elicited the strongest agreement (26.7% and 21.4%, respectively, strongly agree) for this portion of the survey.

Table 2: Distribution of Fund Responses (numbers in percentages)

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	-	21.4	14.3	57.1	7.1
B	7.1	14.3	50.0	14.3	14.3
C	-	20.0	-	53.3	26.7
D	-	20.0	26.7	46.7	6.7
E	-	35.7	35.7	28.6	-
F	7.1	21.4	42.9	21.4	7.1
G	7.1	7.1	42.9	28.6	14.3
H	7.1	7.1	21.4	42.9	21.4
I	-	21.4	35.7	28.6	14.3
J	-	26.7	13.3	53.3	6.7
K	-	20.0	20.0	46.7	13.3
L	-	6.7	33.3	46.7	13.3
M	-	6.7	40.0	40.0	13.3
N	-	7.1	42.9	50.0	-
O	6.7	6.7	26.7	53.3	6.7
P	-	33.3	40.0	20.0	6.7
Q	-	46.7	13.3	13.3	6.7
R	-	26.7	33.3	33.3	6.7
S	-	46.7	40.0	13.3	-
T	-	6.7	20.0	60.0	13.3

The degree of consensus around the four factors decreasing cross-border investment was consistent with the forced-choice rankings. The factor selected the most often by survey participants was “financial regulation uncertainty.” It was followed by “unfavorable comments by government officials in other country about foreign investments.” Even though this qualified as an investment climate issue, it was focused on the nation-state and how officials use informal suasion. It is thus related to foreign policy factors. The issues ranking third and fourth were "unfavorable tax treatment focused on your fund type," and "non-transparent investment review policies." When these forced choice rankings are combined with the results in Table 2, it is clear that foreign policy factors were seen as the issue most likely to decrease the likelihood a fund would invest in another country.

Elements classified as organizational issues were also important. All six of the items falling under this category were identified by at least half of the funds as decreasing the likelihood their fund would invest in another country. Four factors (J, K, L, and O) indicated the greatest level of agree/strongly agree consensus among the funds: "infrequent interactions with financial firms in other country" (60.0%), "no previous investment experience in other country" (60.0%), "shortage of internal investment managers with knowledge of other country" (60.0%), and "geographically specific internal risk limits" (60.0%). Based on these responses it would appear that social/institutional networks are important factors impacting a fund's ability to make cross-border investments, as is human capital availability.

Along with focusing on the issues constraining cross-border investments, the survey also asked respondents about the impact of foreign policy, organizational, and investment climate factors on the likelihood they would make two specific types of investments associated with long-term investing: infrastructure (see Table 3), and socially responsible investments (Table 4). Almost two-thirds of the funds agree (64.3%) that foreign policy factors would decrease the likelihood they would make infrastructure investments in another country. Socially responsible investments (SRI) did not face the same type of barriers as infrastructure. In fact there was no overwhelming agreement that foreign policy, organizational, or investment climate factors would decrease the likelihood a fund would engage in cross-border SRI.

Table 3: Distribution of Fund Responses for Infrastructure Investment (numbers in percentages)					
Type	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
FP	7.1	7.1	21.4	64.3	-
O	7.1	21.4	21.4	50.0	-
IC	-	7.1	42.9	50.0	-

Table 4: Distribution of Fund Responses for Socially Responsible Investments (numbers in percentages)					
Type	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
FP	6.7	20.0	33.3	40.0	-
O	13.3	6.7	40.0	40.0	-
IC	-	13.3	60.0	26.7	-

While no single factor appeared to overwhelmingly dissuade SRI, the responses did reveal a finding relevant to the provision of global public goods. The only item exhibiting a strong degree of consensus was more than half of the funds (60.0%) were neutral about whether investment climate factors would inhibit their engaging in SRI. One possible interpretation is that SRI is increasingly seen as a legitimate or legitimizing form of investment. If this assessment is accurate then it is possible that the contemporary investment climate will, at the very least, not hinder the provision of global public goods through investing.

Strategies for Resolving Constraints

Besides identifying which issues decrease the likelihood a fund would invest in another country, participants were asked about the strategies they deployed to resolve each individual foreign policy, organizational, and investment climate factor. They were given eight possible options:

increase transparency; co-investing; external managers; restrict voting rights; accept outside investors; using debt; other strategies; and no strategy. Respondents were then allowed to select all the strategies they deployed to address each specific issue. The strategy selected the most often (124 times) to address the three factor classifications was "none" (i.e. no-strategy used). It was followed by "external managers" (68 times) and "increase transparency" (55). Rounding out the top five was "co-investing" (34 times) and "other strategies (30 times). Given that "other strategies" was selected the least often, it suggests that the survey instrument included the most commonly utilized strategies.

Table 5: Ranking of Strategies (Frequency)			
Rank	***Foreign Policy***	***Organizational***	***Investment Climate***
First	None (63)	None (32)	None (29)
Second	Increase Transparency (29)	External Managers (31)	Increase Transparency (18)
Third	External Managers (26)	Co-Investing (18)	External Managers (11)
Fourth	Other Strategies (12)	Other Strategies (13)	Co-Investing (6)
Fifth	Co-Investing (10)	Increase Transparency (8)	Other Strategies (5)

When the strategies are cross-tabulated with foreign policy, organizational, and investment climate factors variations emerge (Table 5). This was seen most strongly in the case of organizational factors. In this instance, "none" narrowly held the top position above "external managers." The small differential between the top-two strategies in the organizational factor category may mean that the funds were better able to respond to these types of issues. Supporting this conclusion was the top position of "external manager" for three of the six organizational factors (Table 6).

In the previous section, half or more than half of the funds identified eleven issues (agree/strongly agree) that would decrease the likelihood they would make cross-border investments. A clear question emerging from the results is which strategies did they employ to resolve the potential investment obstacles? Table 6 displays the top three responses for each of these eleven factors. Supporting the overall trends in Table 5, most of the respondents did not have a strategy for resolving foreign policy factors. Organizational issues revealed, however, that funds had a more developed "tool-kit." An external manager was the main strategy identified by respondents for addressing a majority of organizational obstacles.

Table 6: Top Three Strategies Used to Address Barriers to Cross-Border Investment

Type	***Factor***	***First***	***Second***	***Third***
FP	A	None	External Managers and Other Strategies	
FP	C	None	Increase Transparency and External Managers	
FP	D	None	Increase Transparency and External Managers	
FP	H	None	Increase Transparency	-
O	J	Co-Investing	External Managers and None	
O	K	External Managers	Co-Investing and None	
O	L	External Managers	Co-Investing	Other Strategies
O	M	External Managers	Co-Investing	None
O	N	None	Other Strategies	External Managers
O	O	None	Other Strategies	External Managers
IC	T	Increase Transparency	-	-

The impact of potential strategy characteristics on investment outcomes was also examined. Respondents were asked about the impact of transparency on performance costs and investors' ability to follow a long-term strategy. For each item more than half of the funds (60.0%) indicated that they disagree/strongly disagree that transparency "imposed performance costs" and made "following a long-term strategy more challenging." While there is debate about the merits of transparency, a majority of the funds surveyed did not indicate that it constrained their investment strategy.

Table 7: External Asset Managers as Investment Constraint (numbers in percentages)					
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
External asset managers are constrained by performance benchmarks	-	18.8	37.5	37.5	6.3
External asset managers are excessively focused on short-term performance	-	-	33.3	53.3	13.3
External asset managers take on excessive risks	6.3	12.5	50.0	31.3	-
External asset managers incur high fees	-	-	31.3	56.3	12.5
Standard market compensation practices for fund managers	7.7	7.7	38.5	46.2	-

In regards to external managers, the survey focused on four dimensions (Table 7). Respondents identified two aspects as limiting their ability to achieve investment objectives. Two-thirds of the respondents (66.7%) indicated that they agree/strongly agree that external asset managers were "excessively focused on short-term performance." A similar number of funds (68.8%) also identified external managers as "incurring high fees." It is interesting to note that none of the survey respondents selected either disagree of strongly disagree for these two items. They were either neutral or in agreement with both statements. As for the relationship between realizing investment objectives and external managers taking on "excessive risks," there was a diversity of responses. While approximately a third (31.3%) of the funds thought external managers were insufficiently risk adverse, half of the funds (50.0%) were neutral on this item. Finally, there was disagreement on the relationship between external asset managers and "performance benchmarks." Over half of the funds indicated they were either neutral (37.5%) or disagree (18.8%) with the statement that "external managers were constrained by performance benchmarks." The finding suggests that funds did not necessarily identify the use of performance benchmarks for external managers as hindering the realization of investment objectives. The final item applied to standard market compensation practices for both internal and external asset managers. In this instance, funds were somewhat divided, with a slightly greater number of funds agreeing that this issue constrained their investment strategies.

The impact of restricted voting rights and co-investing on investment objectives was also examined. Half of the funds (53.3%) were neutral about whether restricting voting rights "prevented investors from realizing value." Restricting voting rights was seen, however, as negatively impacting "the attainment of long-term strategic goals." Half of the funds (53.3%) indicated that the agree/strongly agree with this statement while the remaining number of funds were neutral (46.7%). None of the funds selected disagree/strongly disagree for this proposition. While restricting voting rights was not a strategy frequently utilized by the funds surveyed, it clearly was seen by respondents as having a negative impact on long-term, cross-border investing. Finally, one aspect of co-investing was examined. It focused on the ease of funds being able to find partners with "compatible strategic objectives." Half of the funds (53.3%) indicated that this issue negatively impacted their ability to attain investment goals. Together these findings suggest that while the funds have a variety of strategies to address foreign policy, organizational, and investment climate factors, they were not necessarily satisfied with the existing options.

Perceptions of Long-Term Investing

Based on the literature on long-term investing and the qualities of funds traditionally associated with this asset management strategy, ten different objectives were identified (see Table 8). Respondents attributed three objectives (C, D, and E) to long-term investors (Table 9). Over three-quarters of the funds (87.5% and 81.3%, respectively) indicated that they agree/strongly agree that long-term investor objectives include: "storing wealth for future generations of a fund's host country" (D) and "increasing wealth for future generations of a fund's host country" (E). None of the respondents selected disagree or strongly disagree for either of these objectives. These two items also had one of the highest number of funds indicate that they strongly-agree with each statement (31.3%). Thus, a quality that can be an important element facilitating the provision of global public goods was identified as a core attribute of long-term investors.

Table 8: Characteristics of Long-Term Investor Objectives	
Item	*Objective*
A	Managing and investing foreign exchange reserves
B	Stabilizing the government budget during economic cycles
C	Managing future national pension liabilities
D	Storing wealth for future generations of a fund's host country
E	Increasing wealth for future generations of a fund's host country
F	Maximization of portfolio financial performance
G	Hedge exposure to price of imports
H	Hedge exposure to commodity price volatility of exports
I	Pursue investments that facilitate domestic economic development
J	Pursue Socially Responsible Investment strategies

Table 9: Long-Term Investor Objectives: Perceived Characteristics as a Group (numbers in percentages)

Item No.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	6.3	18.8	25.0	50.0	-
B	6.3	31.3	37.5	25.0	-
C	6.3	6.3	18.8	50.0	18.8
D	-	-	12.5	56.3	31.3
E	-	-	18.8	50.0	31.3
F	6.3	18.8	31.3	37.5	6.3
G	12.5	31.3	43.8	12.5	-
H	12.5	31.3	50.0	6.3	-
I	6.7	13.3	33.3	40.0	6.67
J	20.0	20.0	26.7	33.3	-

The association of increasing and storing intergenerational wealth with long-term investing was reinforced by the investment objectives of survey respondents (Table 10). Ironically support for this attribute did not emerge from all the funds identifying this as one of their investment goals. In fact, less than a quarter (21.4% strongly agree) indicated that their own funds were oriented toward "storing wealth for future generations of a fund's host country." The association with "increasing wealth" was only a little stronger with less than a third (30.1%) selecting agree/strongly agree. The disjuncture between the survey respondents' own objectives and the qualities attributed to long-term investors as a group, suggests that intergenerational welfare in the form of wealth is perceived to be a general quality of long-term investing. It is not, in other words, derivative of funds simply extending their own objectives to the goals of this investor class.

Table 10: Long-Term Investor Objectives: Characteristics of Respondent's Own Fund (numbers in percentages)

Item No.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	64.3	-	21.4	14.3	-
B	60.0	6.67	20.0	13.3	-
C	26.7	13.3	20.0	6.7	33.3
D	35.7	7.1	35.7	-	21.4
E	38.5	7.7	23.1	7.7	23.1
F	6.7	13.3	13.3	13.3	53.3
G	33.3	26.7	26.7	6.7	6.7
H	35.7	28.6	35.7	-	-
I	28.6	21.4	21.4	14.3	14.3
J	21.4	14.3	21.4	35.7	7.1

Besides the storing and increasing of intergenerational wealth, there was a strong association between national pension fund objectives and long-term investing. Over-two thirds (68.8%) of survey respondents indicated they agree/strongly agree that "managing future national pension liabilities" (C) was an objective of long-term investors. The general association of national pension funds with long-term investing was further bolstered by the funds' self-reports about their own objectives. This did not manifest, however, with the survey respondents identifying managing pension liabilities as one of their goals. Rather, less than half of the funds selected "managing future national pension liabilities" (40.0% agree/strongly agree) as one of their own objectives. Once again the attribution of this quality to long-term investors was more than a simple extension from survey participants own objectives.

Table 11: Ranking of Characteristics of Long-Term Investor Objectives (Based on Agree/Strongly Agree)	
Rank	*Objective*
1	Storing wealth for future generations of a fund's host country
2	Increasing wealth for future generations of a fund's host country
3	Managing future national pension liabilities
4	Managing and investing foreign exchange reserves
5	Pursue investments that facilitate domestic economic development
6	Maximization of portfolio financial performance
7	Pursue Socially Responsible Investment strategies
8	Stabilizing the government budget during economic cycles
9	Hedge exposure to price of imports
10	Hedge exposure to commodity price volatility of exports

"Maximization of portfolio financial performance" (F) was notably absent from the objectives associated with long-term investing (Table 11). Less than half of the funds (43.8%) indicated they agree/strongly agree that this was an attribute of long-term investors. In fact, this characteristic was ranked lower than "managing and investing foreign exchange reserves" (A) and "pursue investments that facilitate domestic economic development" (I). Each of these factors had respondents, respectively, 50.0% agree and 46.7% agree/strongly agree that these were qualities of long-term investors. The low position of portfolio financial performance maximization as an investment objective was even more striking given the self-report of the funds about their own goals. It was, in fact, the only element that produced an agree/strongly agree consensus (66.6%) regarding the funds' own investment objectives. It received, moreover, the greatest number of "strongly agree" responses than any other item on the entire survey.

The lack of overlap between the funds' own objectives and those they attributed to long-term investors as a group was interesting. Even though the survey targeted funds specifically associated with long-term investing, a small percentage of the funds aligned with the objectives attributed to this investor class. In fact only 6.3% of the funds had their objectives map onto the top three items attributed to long-term investors by all survey respondents (managing national pension fund liabilities and storing/increasing intergenerational wealth). If the threshold is lowered to funds that had any two of the top objectives as their own goals, then the percentage increases to 12.5%. The funds falling under the two-quality criteria were SWFs who selected storing and increasing wealth for future generations. If we expand the criteria to funds identifying their own objectives as overlapping with at least one of the top three items attributed to long-term investors as a group, then the percentage increases to 62.5%. With the one-quality threshold, all of the pension funds and two-thirds (66.7%) of the SWFs are included (the remaining survey respondents in this group did not self-identify their fund type). While the funds surveyed were targeted based on their association with long-term investing, clearly not all respondents possessed the qualities attributed to this investor class.

Conclusions

In an era of globalized governance, long-term investment funds emerge as one of several institutions and actors who can assist with the reduction of banking, climate, energy, and development crises. Facilitating the ability of investors to contribute to the provision of global public goods is premised upon a better understanding of two issues. First, since domestic action is insufficient, cross-border investment will be critical. A better understanding of the relative importance of the factors decreasing the likelihood that such investment occurs is thus important.

A second element is whether investors associate long-term investment with objectives that facilitate the provision of global public goods. The survey was an effort to begin addressing both of these important issues. While limited in generalizability, the survey provides an initial set of direct industry perceptions.

Foreign policy issues, whether through formal regulations or informal suasion, are the factors most frequently identified by survey respondents as reducing the likelihood of cross-border investment. Regulations are clearly important for markets, as demonstrated by the 2008 financial crisis, but they need to be structured to facilitate the long-term investment central for the provision of global public goods. The other issues that respondents noted as constraining their investments were organizational factors. Even though they were not as significant as foreign policy factors, all six issues included in the survey were identified by at least half of the survey respondents as decreasing the possibility of cross-border investment. One possible solution to organizational barriers is for funds strengthen their inter-fund relations. While increased interaction is one possible solution, another might be an investment platform that facilitates funds identifying co-investors with similar objectives.

Besides providing indications of the relative significance of the different types of constraints, the research project also examined what strategies funds deployed to address each issue. The survey revealed that after the category of "no strategy," respondents tended to deploy, in descending order of importance, external managers, increasing transparency, co-investing, and other strategies. While these were the overall rankings, there were variations by factor classification. Respondents identified fewer mechanisms for addressing foreign policy and investment climate factors than organizational factors. The investment funds participating in the survey were not, however, necessarily satisfied with the available strategies. External managers were seen as excessively focused on short-term performance and as incurring high fees. Co-investing was, on the other hand, complicated by the difficulty in finding partners with compatible strategic objectives.

Finally, the survey results on perceptions of long-term investors suggest that this investment class is identified with doing more than holding assets for an extended or indefinite period of time. Their objectives are associated with storing and increasing national wealth of future generations, as well as managing national pension fund liabilities. These qualities did not represent, moreover, a mere projection of the survey respondents own objectives onto long-term investors as a group. Quite the opposite occurred. A very small percentage of the survey participants own objectives overlapped with the top three objectives associated with long-term asset allocation. This disjuncture supports a conjecture made by the WEF (2011) about long-term investing. They calculated that as much as $27 trillion of the $65 trillion assets in 2009 was potentially controlled by long-term investors. Once they included factors such as liquidity constraints and investment objectives, this figure fell to $6.5 trillion in assets. Much like the survey results, there is a gap between the funds traditionally associated with long-term investing and those who are able, or willing, to realize such an investment strategy.

Addressing this gap might simply require helping funds realize how contemporary challenges impact their portfolios. Alternatively they might require novel, or not be aware of existing, financial solutions that can be used to price climate change and facilitate counter-cyclical investing during financial crises, i.e. capital access bonds and L-Shares (Bolton and Samama 2012, Bolton et. al. 2012). While the disjuncture between the perception of long-term investors as a group and individual fund objectives was present, a few funds seemed to bridge this divide. The funds whose own objectives overlapped with at least two of those attributed to long-term investors were SWFs. Their goals were oriented toward both national intergenerational matters (in this case the increase and storing of wealth), and financial performance. While the survey results are limited in their generalizability, the merging of profit and intergenerational objectives supports the contention of scholars (Bolton et. al. 2012) that SWFs have the potential to address global public good concerns. As such they may be poised to address some of the most daunting threats in the contemporary era.

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[1] The authors would like to thank the Sovereign Wealth Funds Research Initiative and the Committee on Global Thought for their support of this project. The assistance of Robin Stephenson, Adam Robbins, and Sasha de Vogel were particularly critical in the design and implementation of the survey.
[2] Despite their diverse origins, sovereign wealth funds (SWFs) are commonly defined as government-owned special purpose investment funds (Das 2009, Monk 2009). SWFs are quite varied in terms of their origins, legal form, their source of funds, and objectives (Abedlal 2009, Monk 2009). Despite such diversity and contending definitions beyond this broad parameter, there is little dispute about the core groups of funds that fall under the SWF designation. The key question is which SWFs are in the best position to use long-term investing for the provision of global public goods.