

MEET OUR NEW SOVEREIGN WEALTH FUND OVERLORD

The NYT offers us a much-needed look at our new sovereign wealth fund overlord, the Abu Dhabi Investment Authority (ADIA), the guys who just bought a big chunk of Citibank.

Abu Dhabi has about 9 percent of the world's oil and 0.02 percent of its population. The result is a surfeit of petrodollars, much of which is funneled into a secretive, government-controlled investment fund that is helping to shift the balance of power in the financial world.

After decades in the shadows, the fund, the Abu Dhabi Investment Authority, is turning heads on Wall Street and in Washington by making high-profile investments in the United States and elsewhere.

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[ADIA's \$650 to \$700 billion in] riches, coupled with the more aggressive stance being taken by ADIA and other sovereign funds, has raised concern that these investors will wield their wealth for political as well as financial reasons.

ADIA's secrecy is also drawing scrutiny. The fund has no internal communications department, although it says it is in the process of setting one up. When sovereign fund leaders from around the world descended on Davos, Switzerland, last month for the World Economic Forum, no one from ADIA saw fit to show up.

Unfortunately, the article kind of reads like the NYT's Vicki Iseman article on McCain—it reflects unease, but doesn't state clearly the

reason for the unease. Big money, secrecy, what's wrong with that, if they want to bail our biggest banks out of the shitpile, right?

One place to start might be to further develop the connection between the al-Nahyan family and their past involvement in secret big money ventures, BCCI.

The fund's chairman is Sheik Khalifa bin Zayed al-Nahyan, the president of the United Arab Emirates and the ruler of Abu Dhabi. He has a cautious and reserved disposition and does not take an active role in ADIA. When Citigroup's chairman, Robert E. Rubin, traveled to Abu Dhabi last November, his courtesy call was made to Sheik Mohammed bin Zayed al-Nahyan, crown prince of Abu Dhabi and the point person for the United States-Abu Dhabi relationship.

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One view is that ADIA's penchant for secrecy stems from its experience during the scandal at the Bank of Credit and Commerce International in the early 1990s, during which ADIA is said to have lost hundreds of millions of dollars. The al-Nahyan family became embroiled in regulatory investigations, although no charges were ever brought against them.

But people who worked at ADIA from its earliest days in the late 1970s and 1980s say that the fund's reticence dates to its formation. Some see this as a reflection of Abu Dhabi's small size, insular culture and geographical vulnerability, a sense that the less that is known about the specifics of ADIA's hoard, the better.

Khalifa's father, Sheikh Zayed, largely bankrolled the corrupt network of banking and money laundering known as BCCI. He also served as a front for at least one of BCCI's successful

attempts to illegally buy American banks (and bankrolled another). When BCCI started to fall apart, Zayed's attempt to stave off financial losses and embarrassment persuaded the Bank of England to hold off on shutting it down.

Now, Zayed was not the mastermind of BCCI, and as the NYT article notes, he lost buckets of money when it collapsed. But his wealth—and a secrecy excused by comments about Abu Dhabi's natural reticence, much like the one the NYT repeats here—made it possible. ADIA is accomplishing openly now what it accomplished through secrecy in the 1980s (admittedly, it can do so largely because of our banks' own cupidity for more shitpile), but we still know very little about the who or why or what.

To some degree, this is no different than Japanese companies buying us up in the 1990s and then Chinese and now Middle Eastern. But given the history, it does deserve a wary approach.