Sovereign money: how can government bonds be properly used?

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The lecture presented by Joelle Brohier emphasized the rising importance of the role government bonds play in the current global economy and politics. In the beginning of the lecture, an overview of the government bonds history and statistics was presented and examples given of large and competent funds such as Abu Dhabi and China Investment Corp. Following, examples of the public investment funds that respond to the macroeconomic objectives such as the industrial strategies and diversification of the national GDP. The lecturer also discussed socially-responsible investments such as investing in "green" enterprises and fighting against the climate change. Sovereign investments also respond to the social ethical codes and demands. Ethical laws and regulations, such as not investing in an enterprise involved in acts that violate human rights (established by the World Pact) are adopted and practiced globally.

Government bonds investment can pose certain risks and opportunities for an enterprise. The opportunities of sovereign investments include long-term involvement of the shareholders, which can provide financing during the economical crisis or when a company faces financial difficulties. The threats include partially losing the control of the company and depending on foreign political strategies, which could be concentrated on building a strategic political image rather than on the financial gain for the company.

One such real-life example of a poorly controlled exchange was given by Claude Darmon who described his experience in Cegelec. The major shareholder became Qatari Diar that initially promised a long-term investment and prepared a big acquisition plan. However, at the end there remained no political rationale for the investment. Within just nine months after acquiring Cegelec, Qatari Diar became a minor shareholder of a prominent French company, Vinci. Thus Qatari Diar business objectives were more strategic than economic and a significant importance was given on the political image of the company rather than on its economic positioning. Furthermore, the management of the sovereign funds was not well organized and the responsible executives did not pay proper attention to the ongoing operations in the firm, offering only weak support and intervention. Finally, cultural differences such as strategic rather than economic objectives, weak social sensibility and focalization on the domestic markets rather than on the national ones, interrupted the possible successful investment.

The conclusion of the case was that one cannot ignore the importance of government bonds when trying to finance a company. In order to omit failures, the practice and management of the government bonds must be reinforced by regulations as well as progressively managed in an efficient and professional manner.