Hvilke utfordringer stiller nytt geopolitisk regime for forvaltningen av oljefondet?

ECN 222,
8 April 2026

Knut N. Kjær

1. The Weaponized World Economy

2. The Fund

Emergence of a New Geopolitical Regime

Rule of law & Respect for Sovereignty

Multilateral institutions and agreements (The Bretton Woods legacy; IMF, World Bank, GATT/WTO, WHO etc)

Dominated by the US, the leading military and economic power. “The Global Policeman”

US has alliances with more than 70 countries

Independent central banks

United Nations, Article 2 (4) *provides that ‘all Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the purposes of the United Nation*
The Helsinki Final Act 1975, upholds principles such as independence, sovereignty, and territorial integrity

Might gives right & Transactional

The World dominated by a few large powers, three autocratic leaders: Trump, Xi & Putin

“America First”: Mercantilist mindset

US willing to attach allied countries (?)

“Monetize its hegemonic power”. Use of military and economic power to maximize short-term gains. Tariff Threats. Coercive Trade Policies and “Submission Deals” (for example EU, Japan, South Korea)

Blatant corruption. Business serves the purpose of the state and its ruler

“The strong do what they have to do and the weak accept what they have to accept” *(Thucydides, 472-400BC)*

This doctrine has dominated international affairs throughout most of human history Example: Chinas system as surrounded by tributary/vassal states

From US self-restraint and provisions of public goods To a system where power substitutes for legal authority "Who has most leverage?"

The post-1945 rules-based order rested on a specific bargain:

The United States, as the dominant power, accepted constraints on its own unilateral behavior — embedding itself in multilateral institutions (the UN, IMF, World Bank, WTO, NATO),

Accepting treaty obligations that bound its own conduct, and providing public goods (reserve currency, security guarantees, open markets)

In exchange for other countries' acquiescence to US leadership

The new era of weaponized interdependence:

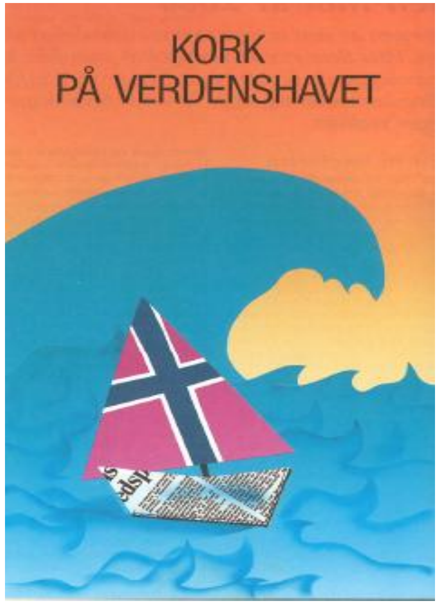
The infrastructure of globalization — financial messaging networks, semiconductor supply chains, rare earth processing, and digital platforms — has been repurposed as a battlefield of strategic competition

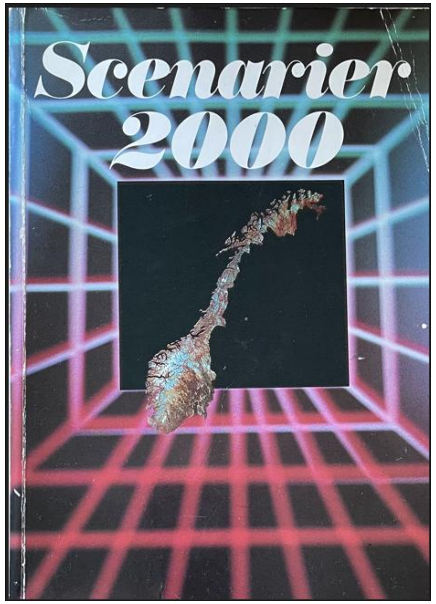
A transactional system in which economic and military power substitutes for legal authority. This shift, accelerated by the second Trump administration's 'America First' doctrine, China's rapid construction of its own coercive toolkit, and the proliferation of economic weapons to other actors, represents a structural transformation that, once underway, is difficult to reverse.

Think about it

What are the long-term implications of the shift toward **weaponized economic interdependence** for global growth trajectories and inflationary pressures?

For a small open economy, totally reliant on the international order (for security, trade, pandemic preparedness etc): is it fiscally prudent to derive **25–30% of public spending** from a sovereign wealth fund exposed to global market volatility?





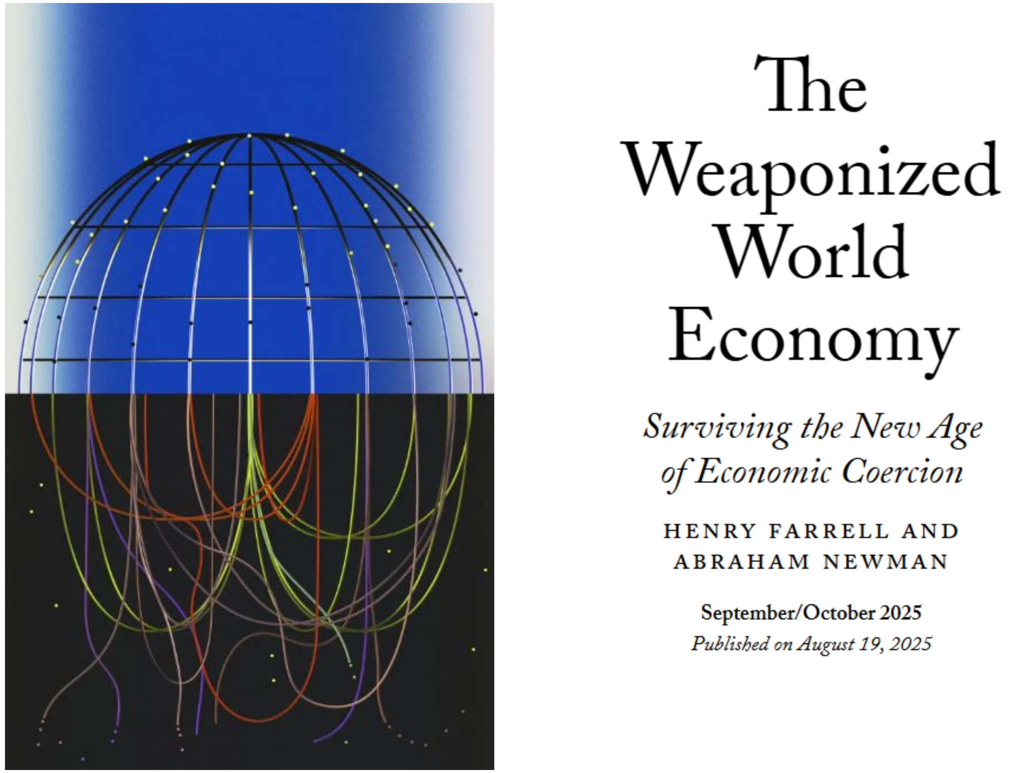
“The Rise of the Economic Security State”
Blurring the lines between economic power and national security

The global political economy has entered a "new age of economic coercion," where economic and technological interdependence, once seen as a guarantor of peace, has become weaponized

The United States, through actions initiated by the first Trump administration and continued by the Biden administration, has increasingly used economic tools like sanctions, supply chain attacks, and export controls to achieve strategic objectives against rivals like China and Russia, and even to exert leverage over allies

This weaponization has led to a fundamental reshaping of international relations, blurring the lines between economic power and national security, and compelling other nations to seek self-reliance and build alternative "stacks" to reduce their vulnerability to U.S. coercion

The U.S. faces a critical choice: continue a path of aggressive coercion that risks alienating allies and undermining global stability, or recalibrate its strategy to build institutional capabilities and strengthen its global position through cooperation and a more restrained approach



[The Rise of the Economic Security State | Foreign Affairs]

[The Weaponized World Economy: Surviving the New Age of Economic Coercion]

(Appendix: The Weaponized World Economy)

The infrastructure of globalization, built on US-centered technological and financial networks, has become a dual-use system: it simultaneously generates economic gains and provides governments with instruments of coercion

United States has over two decades following the 9/11 attacks, systematically exploited chokepoints in global finance (SWIFT, dollar clearing), technology (semiconductor design software, internet platforms), and information flows to impose its will on adversaries and allies alike

The first Trump administration weaponized export controls against Huawei; the Biden administration escalated semiconductor restrictions against Russia and China. The result was a 'relentless, never-ending' system of sanctions and controls that became, in one former official's words, 'out of control.’

The pivotal event of 2025 was the US-China 'framework deal' of June, which the authors describe as the true opening of the age of weaponized interdependence. The United States was forced to concede on semiconductor export controls — restoring Nvidia's ability to sell H20 chips in China and allowing firms like Synopsys and Cadence to resume technology sales — in exchange for China easing restrictions on rare earth minerals that were crippling the American auto industry.

This mutual vulnerability demonstrates that economic weapons are proliferating just as nuclear weapons did, requiring new strategic doctrines.

The article identifies three distinct trajectories:

China, which has built a comprehensive counter-stack (export control laws, CIPS payment system, rare earth leverage, domestic semiconductor ecosystem); Europe, which has the institutional potential but lacks the machinery to act (the Anti-Coercion Instrument remains unused, the 'EACO principle' — Europe Always Chickens Out — prevails); and the United States, which is uniquely self-sabotaging by gutting the very institutions (OFAC, BIS, the NSC) that made its economic weapons effective. The authors conclude with a call for the US to move toward détente and arms control in the economic domain, as it did in the nuclear era.

(Appendix: A Theory of Economic Coercion and Fragmentation)

Based on a general equilibrium model of the world economy with input-output linkages, production externalities, and strategic complementarities:

The same mechanisms that generate gains from international integration — economies of scale, specialization, and network effects — also create instruments of coercion.

Consider global payment systems: a single dominant network is efficient because it coordinates all participants and fully realizes economies of scale. But this efficiency also makes alternative systems poor substitutes. A country that controls the dominant system (as the US does with SWIFT and dollar clearing) can threaten to suspend access, forcing targeted entities to comply or face exclusion from the global economy

The hegemon's optimal strategy is to deliberately over-integrate the global system — 'hyper-globalization' — to reduce the attractiveness of alternatives and maximize coercive leverage

Countries anticipating this threat have incentives to build domestic alternatives, but uncoordinated pursuit of such 'anti-coercion policies' leads to a 'fragmentation doom loop': as each country defects from the integrated system, the system becomes less attractive to all others, incentivizing further defection. The resulting fragmentation is Pareto-inefficient — every country would have been better off in a world without hegemonic coercion and without anti-coercion responses.

A key empirical finding is that US geoeconomic power rests primarily on financial services, while Chinese power rests primarily on manufacturing. Power increases disproportionately as the hegemon approaches controlling the entire supply of a sector. The difference between controlling 95% and 85% of global financial services is enormous — that extra 10% offers a viable alternative for medium-sized economies. This explains why even a modest BRICS alternative financial architecture (capturing 10-15% of global financial services) could dramatically reduce US coercive power.

The paper introduces a general equilibrium model in which the same mechanisms that generate gains from economic integration — external economies of scale, specialization, and network complementarities — also concentrate power in the hands of a dominant hegemon

A Theory of Economic Coercion and Fragmentation

Christopher Clayton* Matteo Maggiori† Jesse Schreger‡

April 2025

Abstract

Hegemonic powers, like the United States and China, exert influence on other countries by threatening the suspension or alteration of financial and trade relationships. Mechanisms that generate gains from integration, such as external economies of scale and specialization, also increase the hegemon's power because in equilibrium they make other relationships poor substitutes for those with a global hegemon. Other countries can implement economic security policies to shape their economies in order to insulate themselves from undue foreign pressure. Countries considering these policies face a tradeoff between gains from trade and economic security. While an individual country can make itself better off, uncoordinated attempts by multiple countries to limit their dependency on the hegemon via economic security policies lead to inefficient fragmentation of the global financial and trade system. We study financial services as a leading application both as tools of coercion and an industry with strong strategic complementarities. We estimate that U.S. geoeconomic power relies on financial services, while Chinese power relies on manufacturing. Since power is nonlinear and increases disproportionally as the hegemon approaches controlling the entire supply of a sectoral input, we estimate that much economic security could be achieved with little overall fragmentation by diversifying the input sources of key sectors controlled by the hegemons.

Keywords: Geoeconomics, Geopolitics, Anti-Coercion Policy, Industrial Policy, Economic Security, Economic Statecraft, Payment Systems, Dollar Diplomacy.
JEL Codes: F02, F05, F12, F15, F33, F36, F38, P43, P45.

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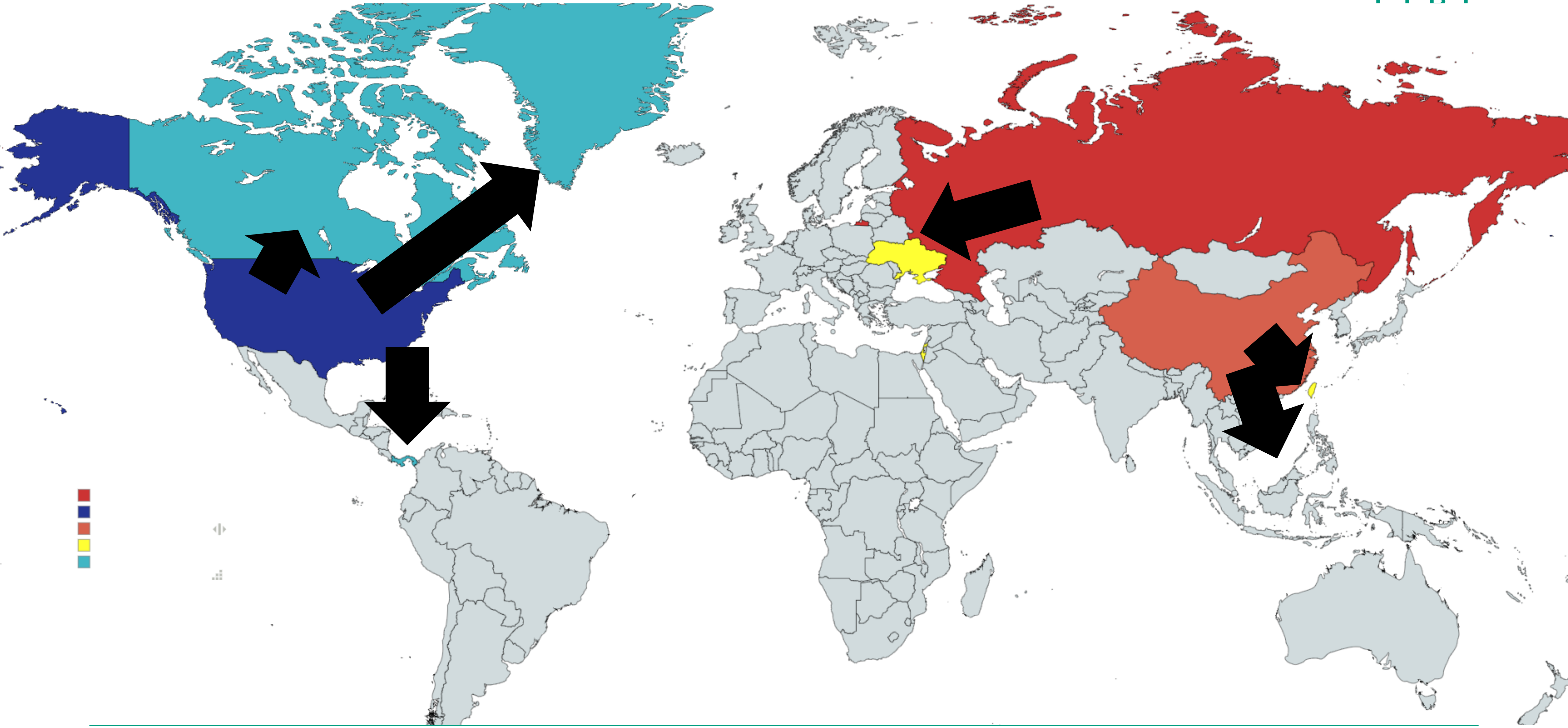
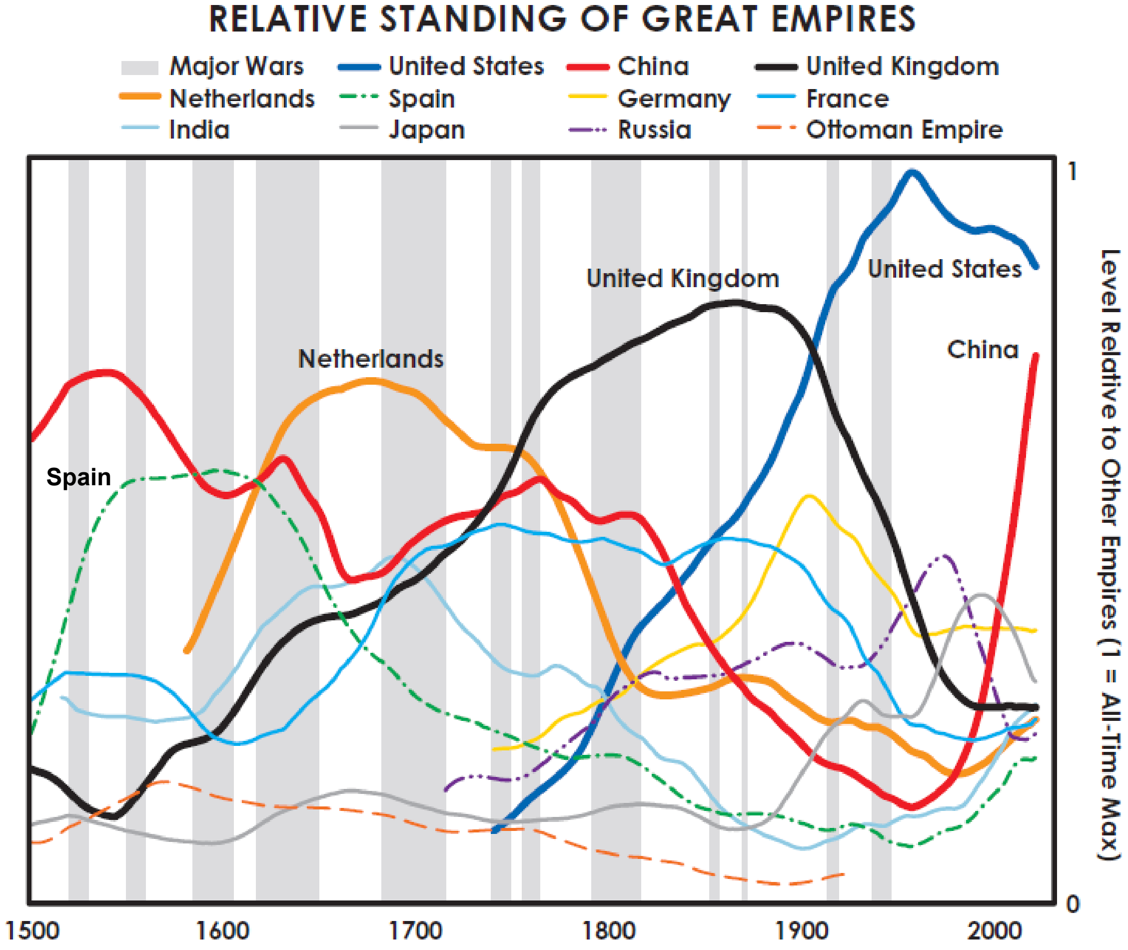
We thank Pol Antràs, David Atkin, Javier Bianchi, Fernando Broner, Doug Diamond, Alessandro Dovis, Maryam Farboodi, Jesús Fernández-Villaverde, Jeff Frieden, Réka Juhász, Guido Lorenzoni, Alberto Martin, Pablo Ottonello, Diego Perez, Stephen Redding, Ricardo Reis, Andres Rodriguez-Clare, Peter Schott, Alp Simsek, Christoph Trebesch, Adrien Verdelhan, and Ivan Werning for useful comments. We thank Chiara Bargellesi, Max Guo, Hanson Ho, Ziwen Sun, and Yicheng Yang for excellent research assistance. We acknowledge funding by the Smith Richardson Foundation.

https://cowles.yale.edu/sites/default/files/2025-05/cms_fragmentation.pdf

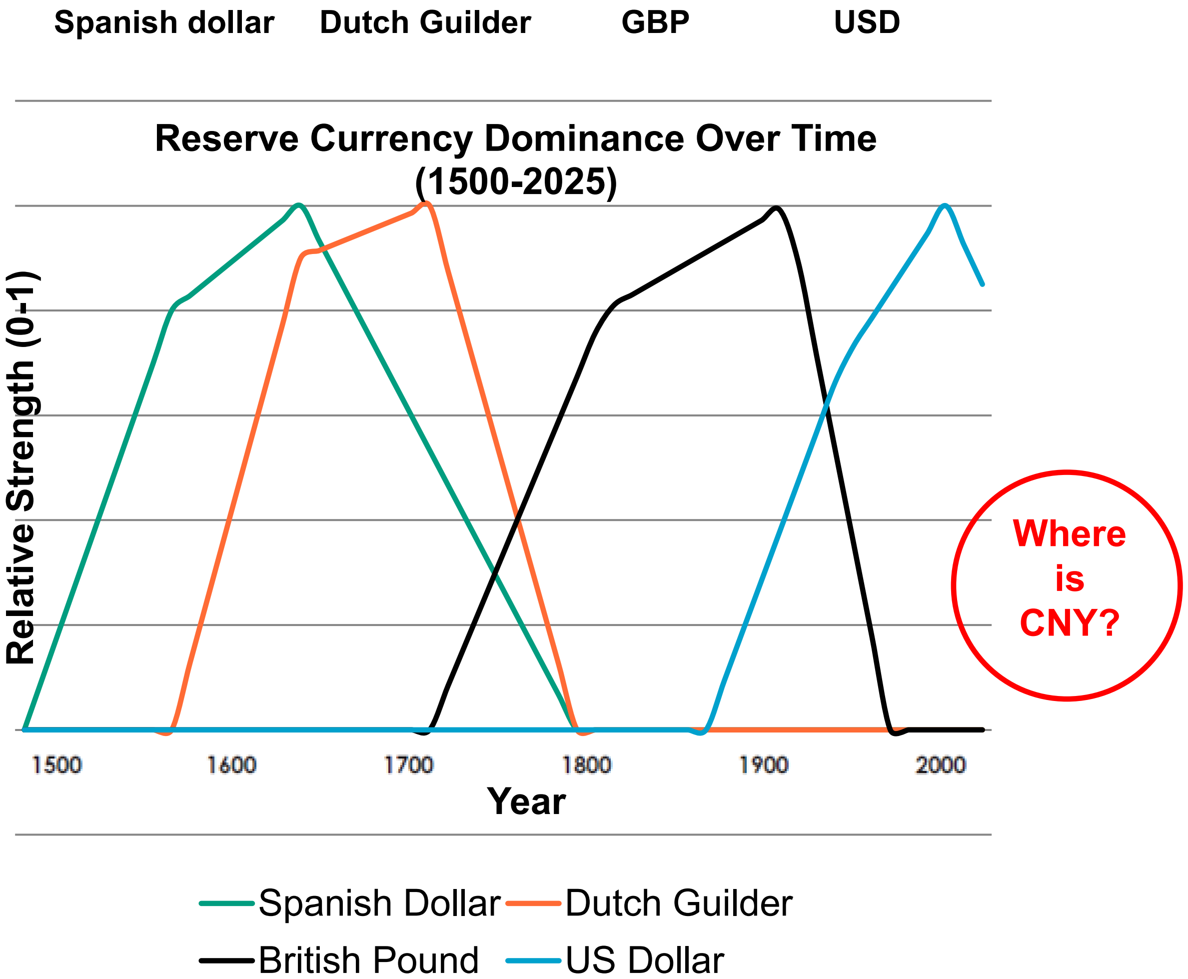
Territorial ambitions of current great powers



The Last 500 Years: Imperial Power and Global Monetary Dominance Go Hand in Hand



[Principles for Dealing with the Changing World Order: Why Nations Succeed and Fail: Dalio, Ray: 9781982160272: Amazon.com: Books]



What the new US policy aims to fix
Geopolitical, economic and financial objectives

A public debt spiral that may come out of control:
Reduce the public budget deficit
Refinancing the debt to longer maturity (without increasing the interest rate…)

Regain capabilities to build military hardware; as of now the geopolitical rival China is way ahead:
Move manufacturing technology and production ”back” to US

Create job-opportunities for non-college graduated workers, preferably in manufacturing (back to the “good old days”)

Reduce risk of “imperial overstretch” – narrow where in the world US will and can project power

The beautiful solution to all problems: The Mara-a-Lago accord:

Get allied countries to pay for the US security umbrella

Get their help to reduce the value of the dollar

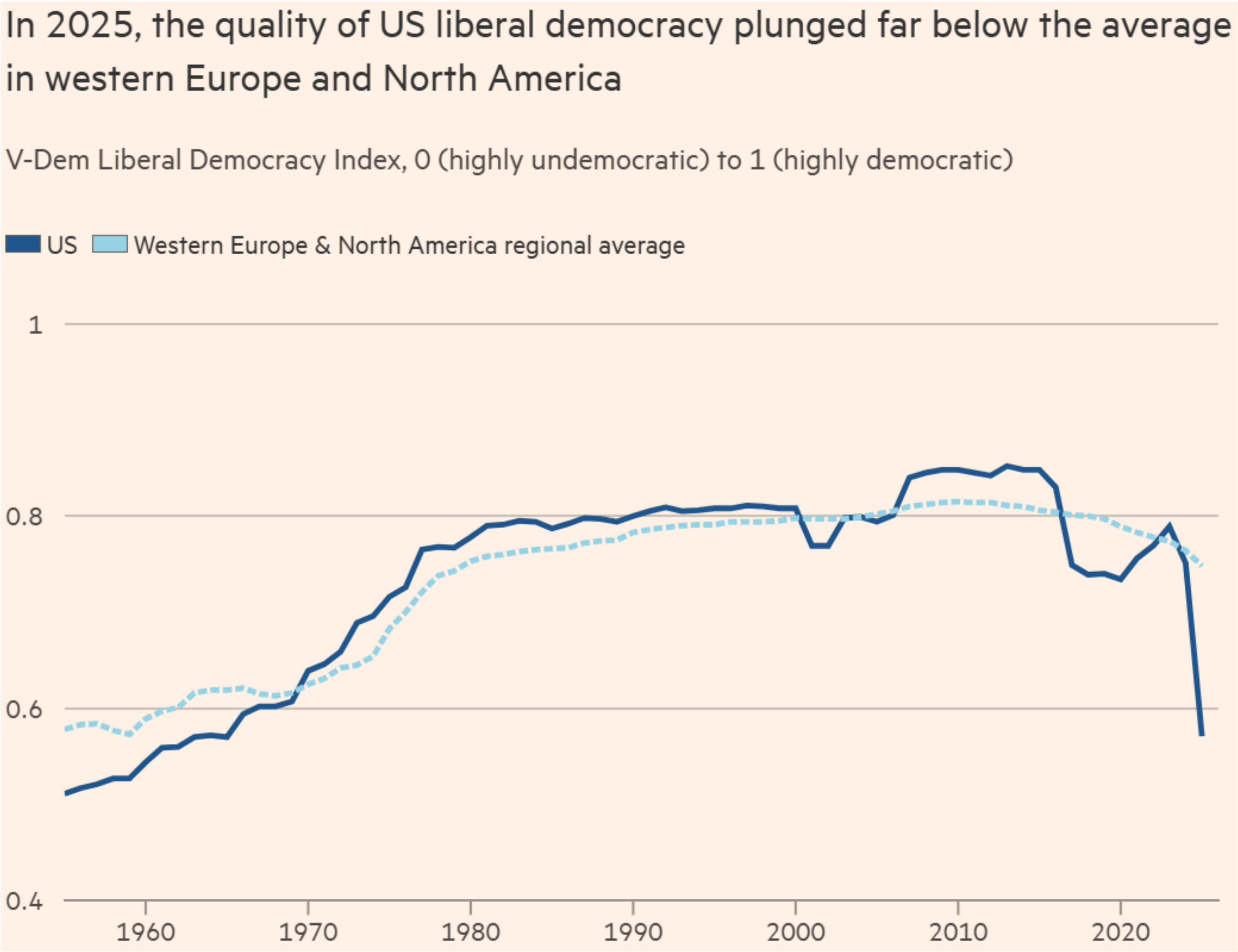
While also accepting to contribute to the refinancing of US debt

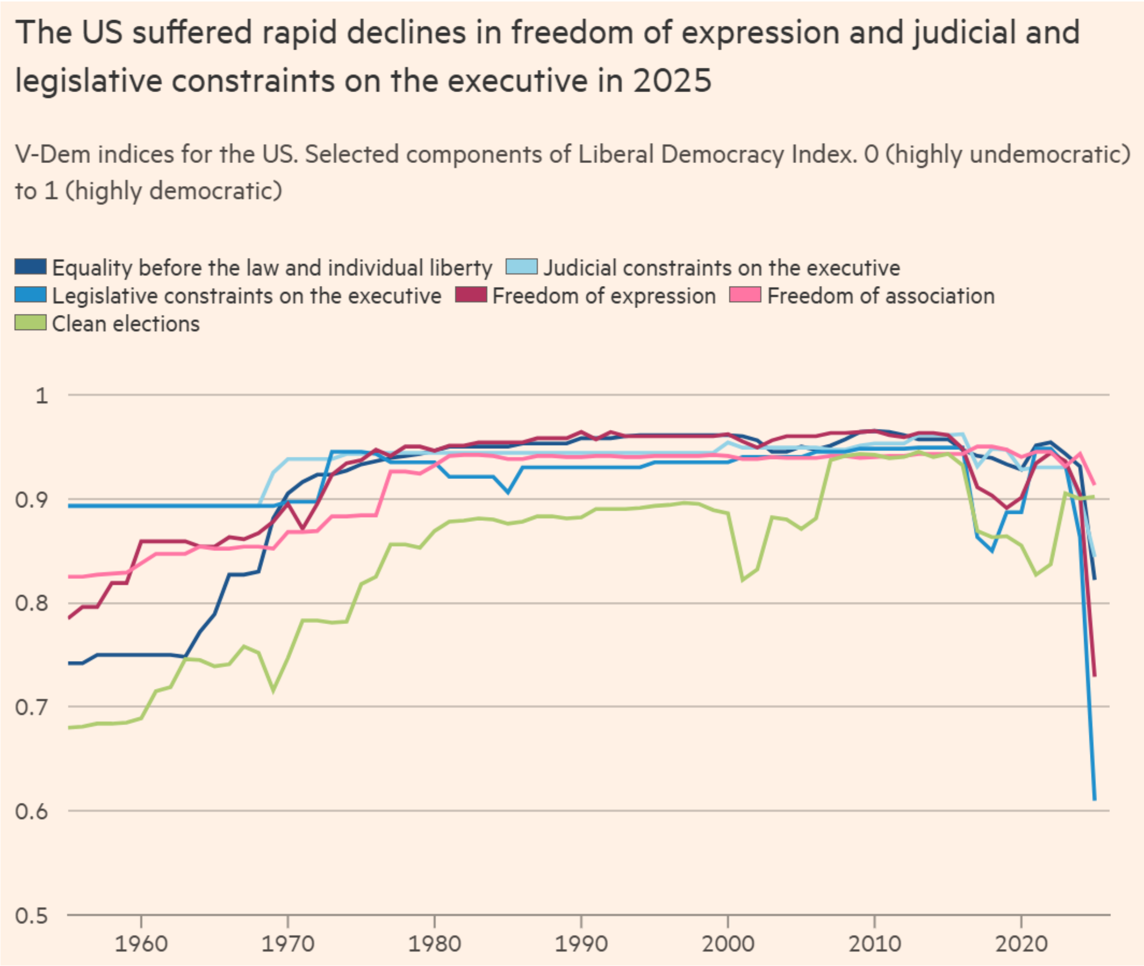
Two of the policy inconsistencies:

The Trump administration has efficiently eliminated the remaining trust in the US security umbrella (aggressive land-grab rhetorics against NATO allies Denmark and Canada, Trump showing admiration for Putin (dictator) while treating Ukraine’s president Zelensky (democratically elected) badly etc

Over a short period of time the administration has heightened the uncertainty regarding the willingness and ability of the US to service its debt in an orderly fashion: Increases the risk premium investors require to hold US debt

US turned dramatically less democratic in 2025. What are the geopolitical, economic and financial implications?





Martin Wolf, Financial Times 25th March 2026

https://www.ft.com/content/c4c1dc52-4e85-4eba-9ba3-e704a0827558?syn-25a6b1a6=1


SEAL OF THE PRESIDENT OF THE UNITED STATES
Reciprocal Tariffs
Country
Tariffs Charged to the U.S.A.
U.S.A. Discounted Reciprocal Tariffs
China
European Union
Vietnam
Taiwan
Japan
India
South Korea
Thailand
Switzerland
Indonesia
Malaysia
Cambodia
United Kingdom
South Africa
Brazil
Bangladesh
Singapore
Israel
Philippines
Chile
Australia
Pakistan
Turkey
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29%
10%
44%
10%

US: The excessive costs of its policy failure
Tariffs attack the symptoms. Not the root causes

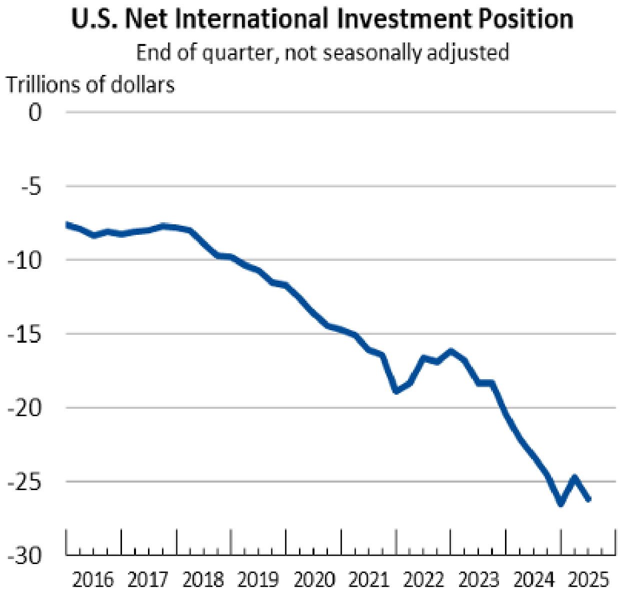
The Symptom

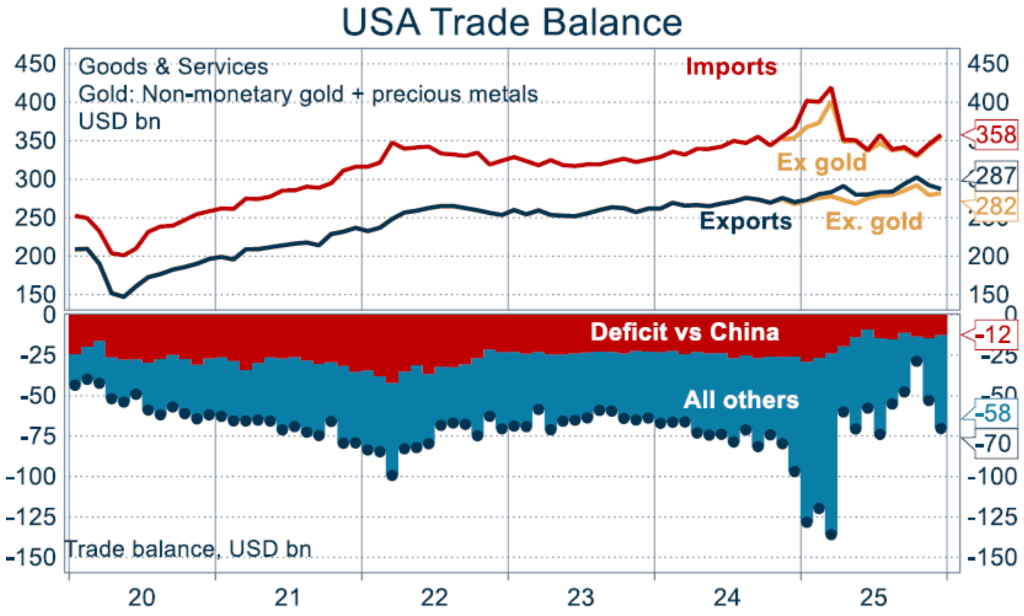
A pillar in the Trump-administration policy is aggressive trade policy / war against all other nations. Mercantilist mindset

Major problems to be fixed:

Take down the large trade deficit,

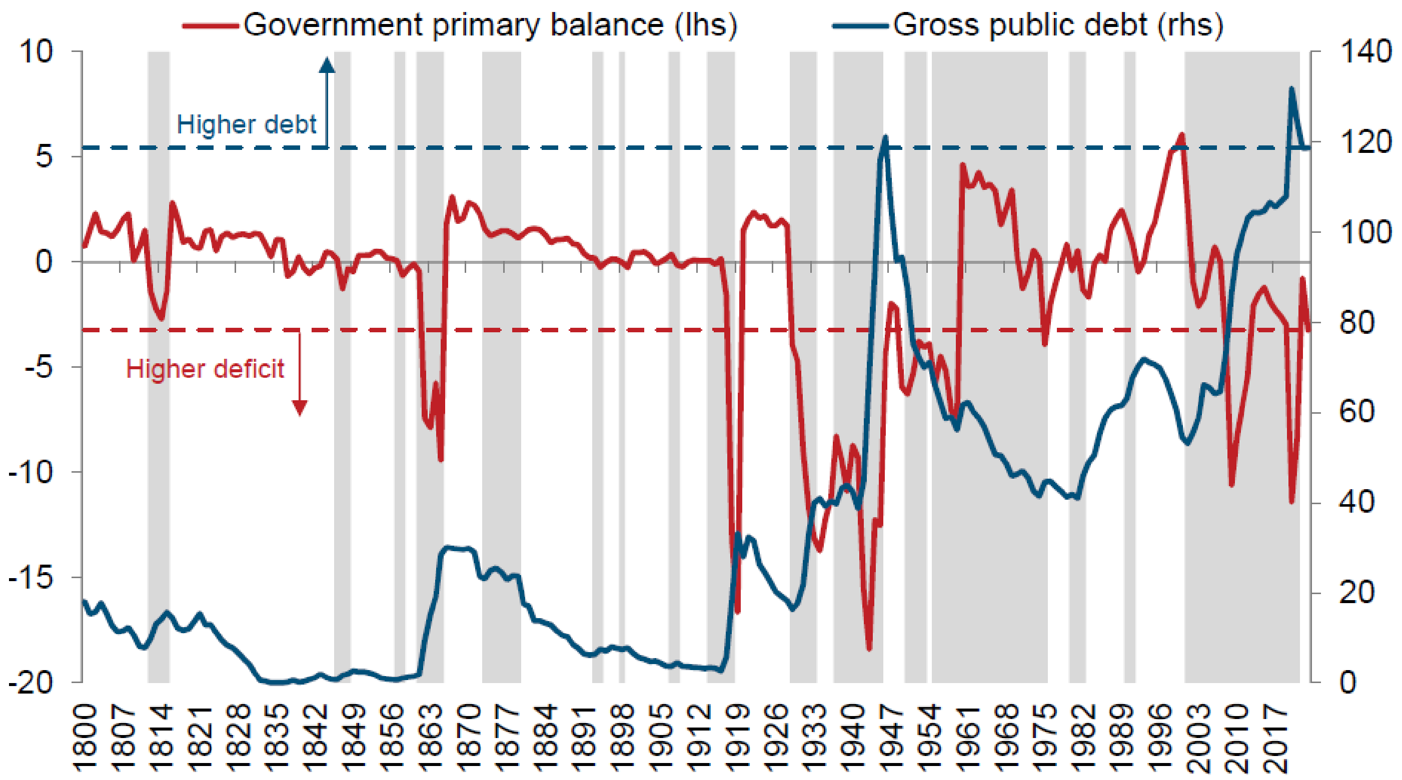
Stop the bleeding of asset-ownership (increasing share of assets in the US owned by foreigners),
Increase government revenues,
Return good paying jobs to the US,
Strengthen the industrial cluster (ability to produce military hardware,
Less dependence on imported materials and technology)
etc





The Root Cause of US structural economic problems: Spending beyond its means. Persistent large budget deficit Exceptionally high Consumption to GDP ratio "The Empire of Consumption"

The US deficit and debt are at their highest levels outside of crisis periods...
US government primary balance (lhs) and gross public debt (rhs) as % of GDP (data through 2023)



Household consumption share of GDP	
US	67.9
UK	61.1
France	53.4
Germany	50.0
China	39.1

- https://www.theglobaleconomy.com/rankings/household_consumption/* Goldman Sachs

Economics 101 on the key drivers of Balance of trade deficit

The logical fallacy of blaming other countries for own trade balance deficit:

A systematically large trade balance deficit – like that of the US – is primely caused by:

Low national saving relative to investment: US consumes more than it invests (too low private saving ratio, too high public budget deficit)

also driving trade balance deficit: Strong US dollar (dollar is a global reserve currency, demand for US assets), structure of a consumption-oriented economy (next page)

The National Saving and Investment Identity

Supply of financial capital = Demand for financial capital

$S + (M - X) = I + (G - T)$

Trade deficit = Domestic investment - Private domestic savings - Public domestic savings

$(M – X) = (I – S) - (T - G)$

S is private savings, T is taxes, G is government spending, M is imports, X is exports, and I is investment

Trade Balances in China and the US Are Largely Driven by Domestic Macro Forces

Worries that China's external surpluses result from industrial policies reflect an incomplete view

https://www.imf.org/en/Blogs/Articles/2024/09/12/trade-balances-in-china-and-the-us-are-largely-driven-by-domestic-macro-forces

Other denials and/or Conspiration theories:

Climate change
Vaccines
Trade as a Zero sum game –Those with surplus do us harm

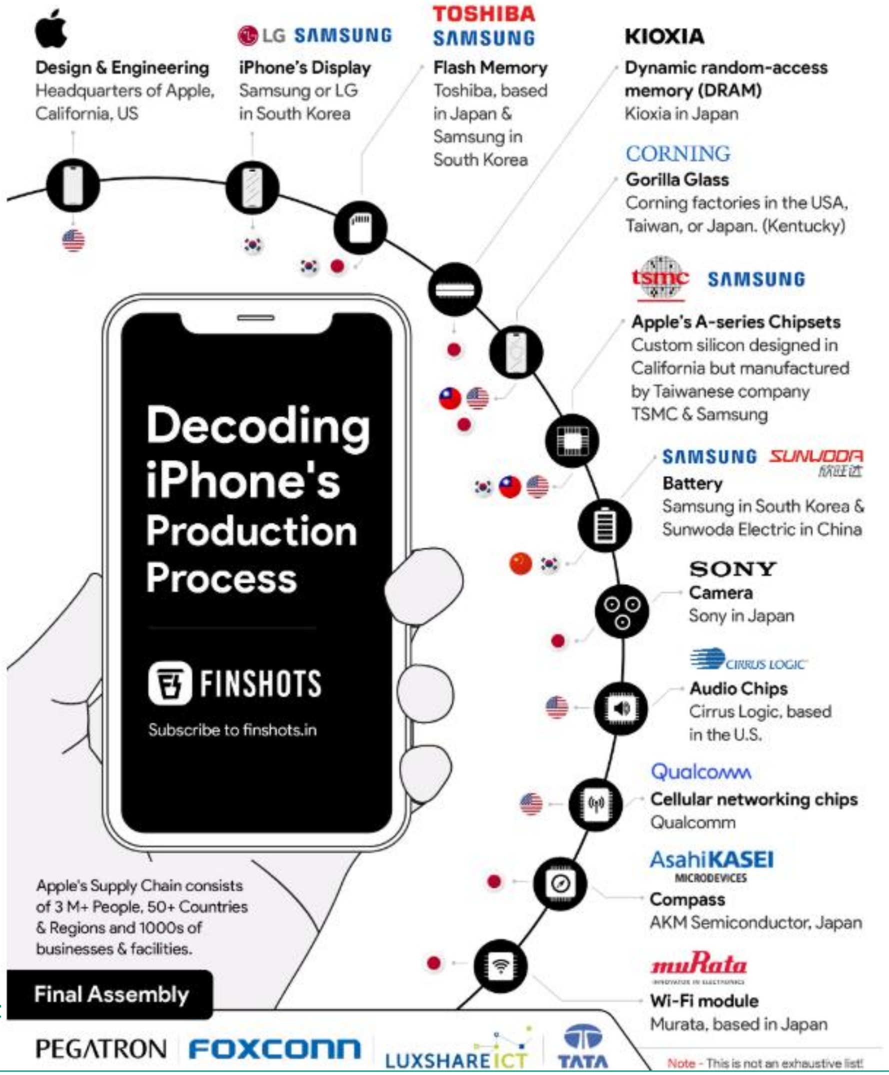
Modern trade theory – There are complex global ecosystems – not countries

"No country in the world can make an iPhone" *)

According to Apple: Thousands of businesses and millions of people in more than 50 countries and regions are part of our supply chain, contributing their skills, talents, and efforts to help build, deliver, repair, and recycle our products
https://www.apple.com/supply-chain/

Japan: Flash memory from Kioxia and Sony, image sensors from Sony
Korea: Display from Samsung and LG
USA: Corning Gorilla Glass from Apple factories in Kentucky; Wireless chips from Qualcom and Broadcom, The A18 and A18 Pro chips designed in California, but
Taiwan: produce the chips at TSMC
Switzerland: Track orientation by STMicroelectronics
Germany: Sensors from TRUMPF
China: The assembly powerhouse for the iPhone. Supplies also key materials, as rare earth
India: Has taken over some of the assembly (risk management by Apple)

https://applescoop.org/story/inside-apples-supply-chain-how-are-iphones-
Decoding iPhone's Production Process



Instead (of countries), there is a global web of commercial, manufacturing, services and trading "ecosystems,"

There is an automobile ecosystem. There's an A.I. ecosystem. There's a smartphone ecosystem. There's a drug development ecosystem. There is the chip-making ecosystem. And the people, parts and knowledge that make up those ecosystems all move back and forth across many economies *)

*) Professor Eric Beinhocker, Oxford University, quoted here
https://www.nytimes.com/2025/02/18/opinion/trump-tariffs-economy.html

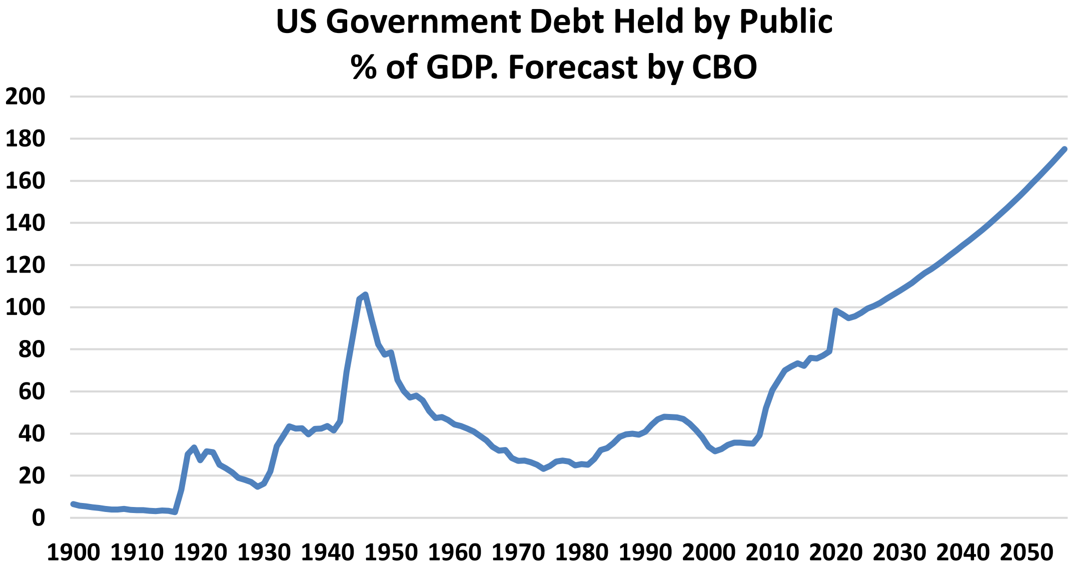
The #1 Cost of the US policy failures:
Increasing debt servicing burden. Escalating deficits and debt

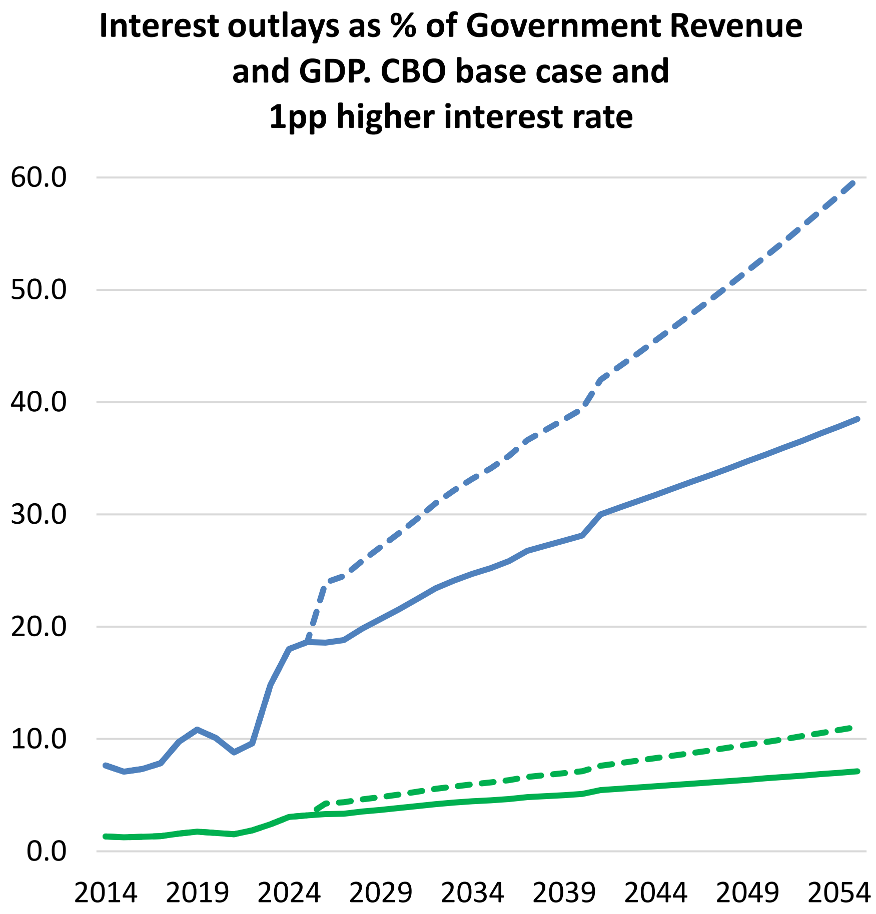
The privilege of being the global reserve currency is not given forever

The Trump administration's attack on Fed and other institutions undermine investor confidence

The attack on allies drives risk-mitigation out of US assets

The marginal buyer of US treasuries are hedge funds



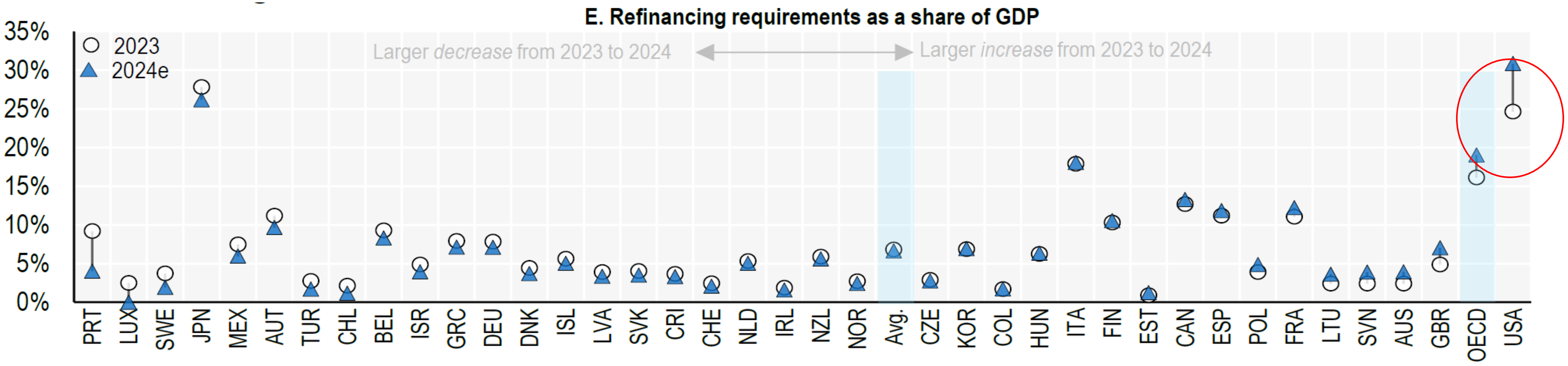


CBO: Congressional Budget Office, February 2026 and own estimate on the effect of higher interest rates

Base case by the Congressional Budget Office, February 2026
https://www.cbo.gov/publication/61882

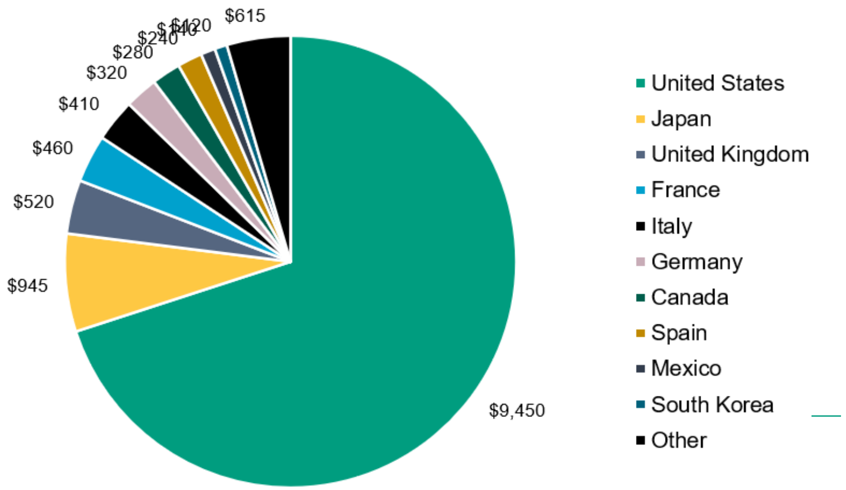
Highest refinancing requirements among OECD members

US has the highest public refinancing requirements as share of GDP among the OECD countries: USD 10.5 trillion annually (2/3 of all refinancing in the OECD area)

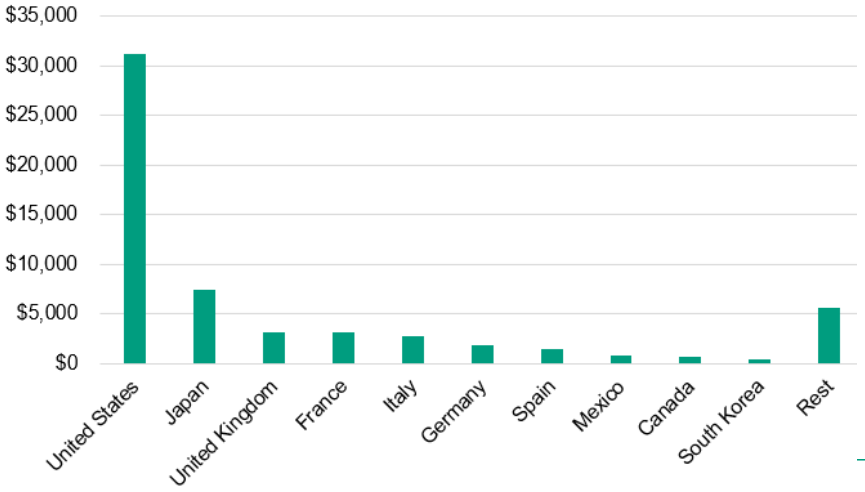


https://www.oecd.org/en/publications/global-debt-report-2025_8ee42b13-en/full-report.html

OECD countries debt refinancing requirements 2025, USD bn



Net government debt in the OECD area, 2025, USD bn

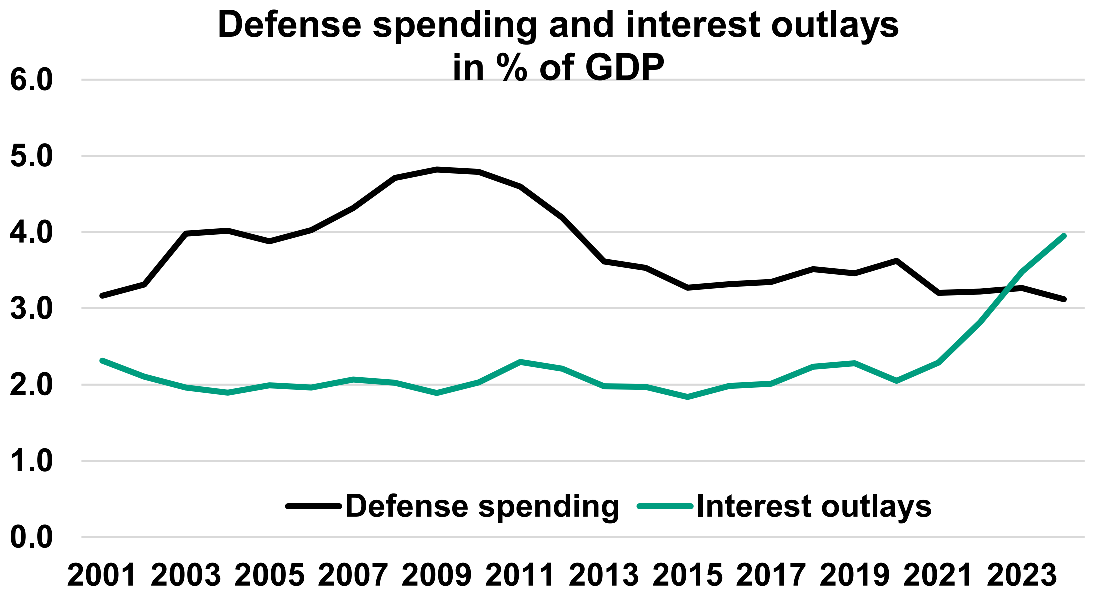


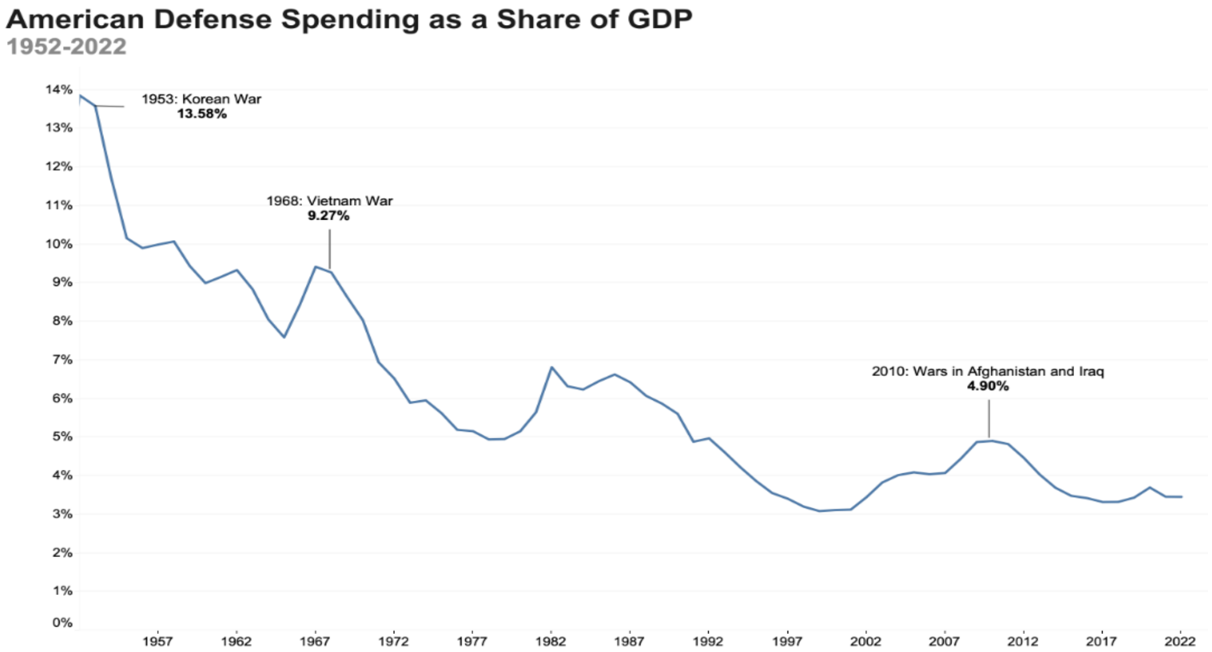
Current account balance, 2024, USD bn

Total	-1130
Goods	-1220
Services	298
Primary income	10
Secondary Income	-207

https://www.bea.gov/news/2025/us-international-transactions-4th-quarter-and-year-2024

What happens to a hegemonic power when it must spend more on debt servicing than it can spend on its military?





Ferguson's Law: Debt Service, Military Spending, and the Fiscal Limits of Power

Are there financial determinants of great-power decline and fall? This paper proposes "Ferguson's Law," which states that any great power that spends more on debt servicing than on defense risks ceasing to be a great power.

This is because the debt burden draws scarce resources towards itself, reducing the amount available for national security, and leaving the power increasingly vulnerable to military challenge. Using historical case studies that are analogous to the situation of the modern United States as the dominant global power, the paper shows that it is very rare but not unprecedented for a great power to return to the right side of the Ferguson limit.

Adam Ferguson, 1723-1816, Scottish philosopher and historian. Key work: *Essay on the History of Civil Society*

https://www.hoover.org/research/fergusons-law-debt-service-military-spending-and-fiscal-limits-power?utm_source=chatgpt.com

EU surrendered to US over trade tariffs. Why?

EU accepted a 15% tariff on exports to US while conceding zero tariffs on US imports and to provide preferential market access for a wide range of US seafood and agricultural goods

European Union intends to procure US liquified natural gas, oil, and nuclear energy products with an expected offtake valued at $750 billion through 2028. In addition, the European Union intends to purchase at least $40 billion worth of US AI chips for its computing centre

US threatens with new sanctions if EU is enforcing the Digital Services Act

Exclusive: Trump administration weighs sanctions on officials implementing EU tech law, sources say

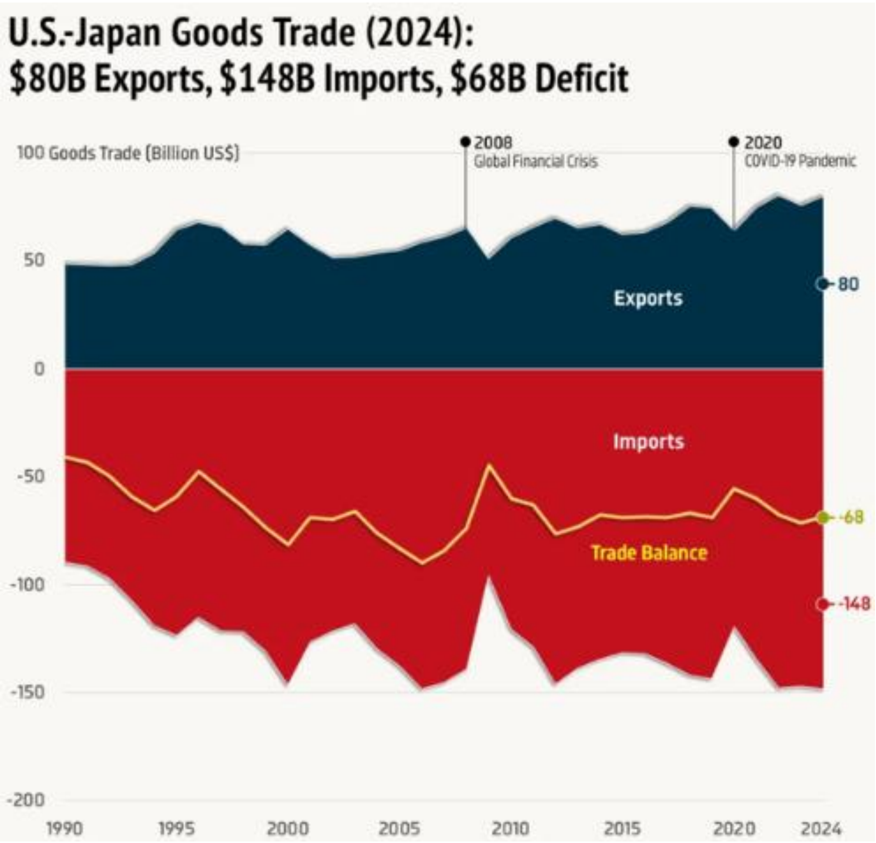
[Exclusive: Trump administration weighs sanctions on officials implementing EU tech law, sources say | Reuters]

Japan got a trade deal. And must invest USD 550 bn in the US

Japanese exports will be subject to a 15 percent tariff, reduced from the 25 percent tariff rate threatened in July

Japanese automobile exports will instead receive 15 percent tariffs, including a preexisting tariff of 2.5 percent.

In exchange for these tariff reductions, Japan will invest $550 billion in the United States,
in areas important to economic security, such as semiconductors, pharmaceuticals, steel, shipbuilding, critical minerals, energy, automobiles, and AI technologies



Donald Trump to direct Japan's $550bn investment in US after deal with Tokyo

President will pick which projects receive capital, according to unpublished memo

https://www.ft.com/content/ba944ada-608d-4265-abef-48939dd56197

Assessing the U.S.-Japan Trade Deal Announcement

U.S.-Japan Trade Deal, 'Mission Accomplished' (SPX) | Seeking Alpha

South Korea under pressure. Must invest USD 350bn “up front”

Why U.S.’s Trade Pact With South Korea Has Gotten Messier

White House looks to fine-tune deal with Seoul after Trump announced $350 billion agreement in July

US Commerce Secretary Howard Lutnick (left) holds a tariff meeting with senior Korean offficials in Washington, D.C., on July 29, 2025 (Courtesy of Finance Ministry)

Trump says S.Korea’s $350 bn US investment ‘up front’ as Lutnick asks Seoul to pay more

Seoul officials complain that the White House is moving the goal posts before reaching a final deal, the WSJ reports

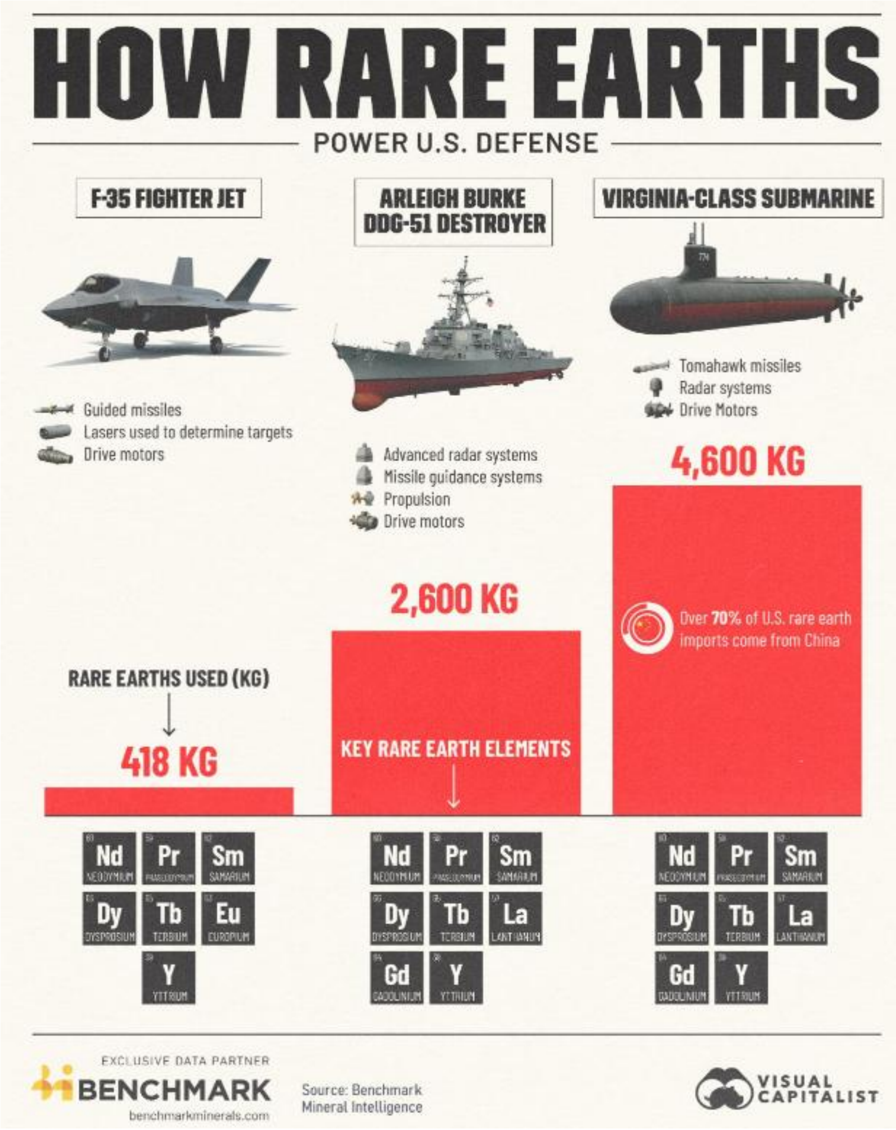
Lutnick, in recent conversations with South Korean officials, has discussed with Seoul the idea of slightly increasing the $350 billion they had previously guaranteed to the U.S. in July and suggested the final tally could get a bit closer to the $550 billion pledged by Japan, according to people familiar with the discussions, including an adviser to South Korea’s government.

The commerce secretary has privately told South Korean officials the administration is looking for more of the funding to be provided in cash rather than loans, said some of the people, including a U.S. official.

The fate of the Trump administration’s trade pact with South Korea represents a key barometer for the U.S.’s broader tariff dealmaking with dozens of countries. Many of those deals, including the one with Seoul, have been verbal, not signed, agreements

Trump says S.Korea’s $350 bn US investment ‘up front’ as Lutnick asks Seoul to pay more - KED Global
Exclusive | Why U.S.’s Trade Pact With South Korea Has Gotten Messier - WSJ

But US can't roll over China as it has weaponized critical minerals



China's latest export controls on rare earth elements causing chaos in car supply chain: report

Carmakers battle to find supplies of rare earths as China tightens its grip

[Rare Earth in defense industry : r/Infographics](#)
[China's Rare Earth Siege: Beijing Exposes Pentagon's Dependency, Disrupts U.S. War Machine| TN World](#)
[China's latest export controls on rare earth elements causing chaos in car supply chain: report](#)

A Point of No Return for Europe: Greenland

July 2025: EU surrendered to US

EU accepted a 15% tariff on exports to US while conceding zero tariffs on US imports and to provide preferential market access for a wide range of US seafood and agricultural goods

European Union intends to procure US liquified natural gas, oil, and nuclear energy products with an expected offtake valued at $750 billion through 2028. In addition, the European Union intends to purchase at least $40 billion worth of US AI chips for its computing centre

Appeasement and flattery has not worked
EU is now pushing back

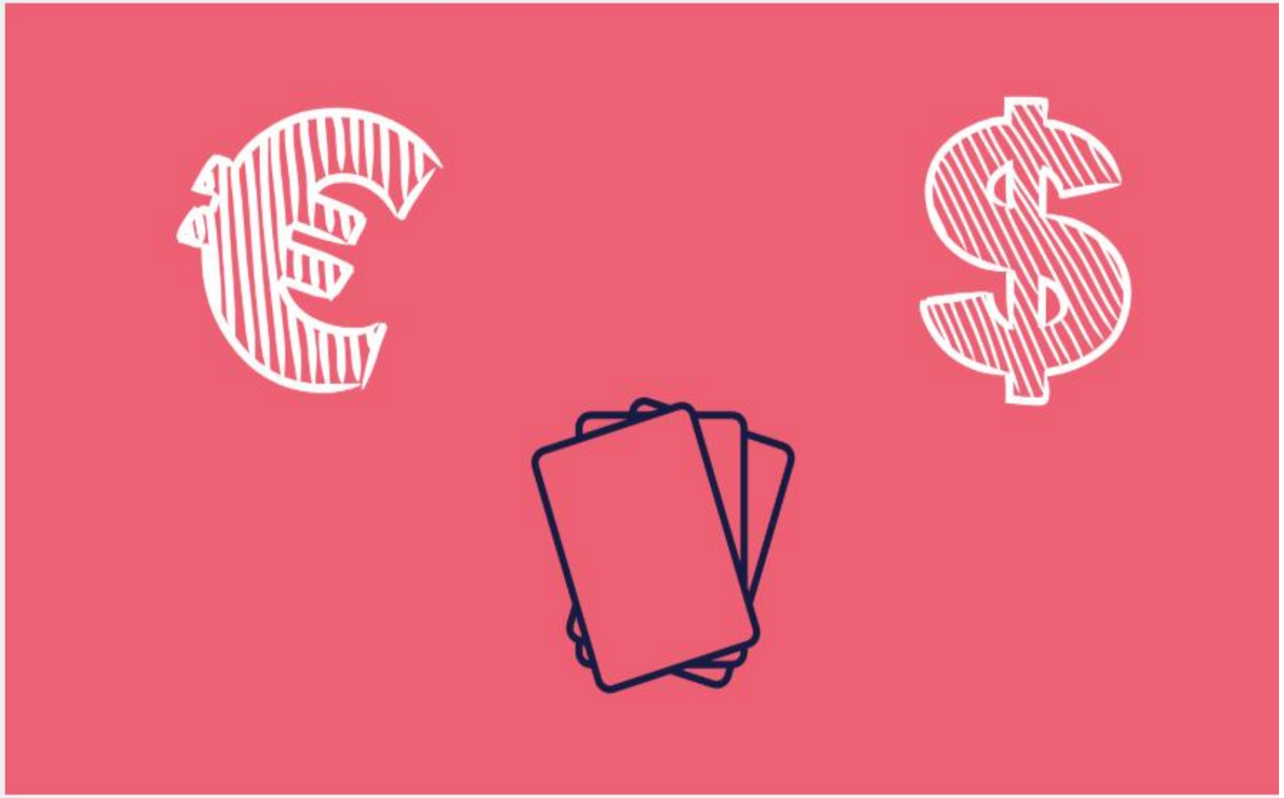
Credible commitments and tripwires are the strategic concepts of Thomas Schelling, the Nobel-winning economist and national security thinker

Mr. Schelling’s ideas shaped America’s nuclear strategy in the Cold War.

Such ideas may have motivated the eight European countries that ran a small military exercise in Greenland last week.

They certainly didn’t think their brief expedition could defend a huge territory against an American military incursion.

Instead, **they were creating what Mr. Schelling called a** .



12. February 2026 / PHILIPPA SIGL-GLÖCKNER / Papers

Europe's Trump Cards

2 min Lesezeit

Philippa Sigl-Glöckner, Mediha Inan, Aurora Li, Maximilian Paleschke, Janek Steitz, Sven von Wangenheim

Leverage requires asymmetric dependencies: the ability to hurt someone without hurting yourself proportionately.

Europe has more cards than it thinks. We control 80% of US uranium imports. Siemens dominates the turbines US data centres desperately need. Our USD 10 trillion consumer market is indispensable for US tech valuations. And from 2027, the LNG market flips to a buyer's market.

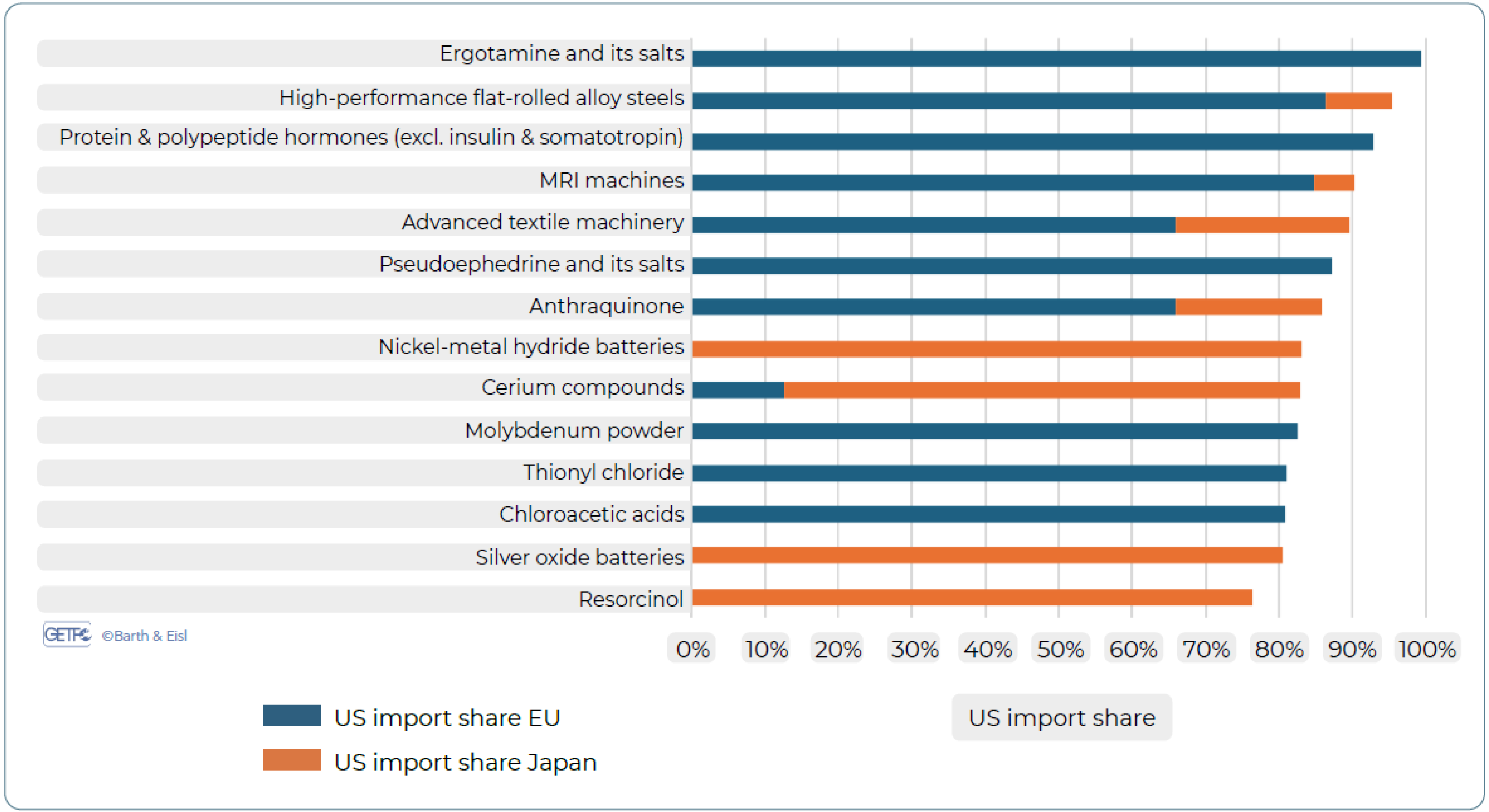
The US position is fragile. Treasury demand depends on London hedge funds. Tech stocks—and American retirement savings—depend on access to European consumers. LNG exporters need Europe's premium prices.

But Europe struggles to play its cards. The tools exist (like the Anti-Coercion Instrument), but using them requires political decisions that create winners and losers. Without pre-negotiated deals on burden-sharing, member states will block action—and adversaries know it.

The fix: Transparent horse trading before crises, not during them. And include the UK—London is too important to leave out over Brexit.

- https://dezernatzukunft.org/en/europes-trump-cards/

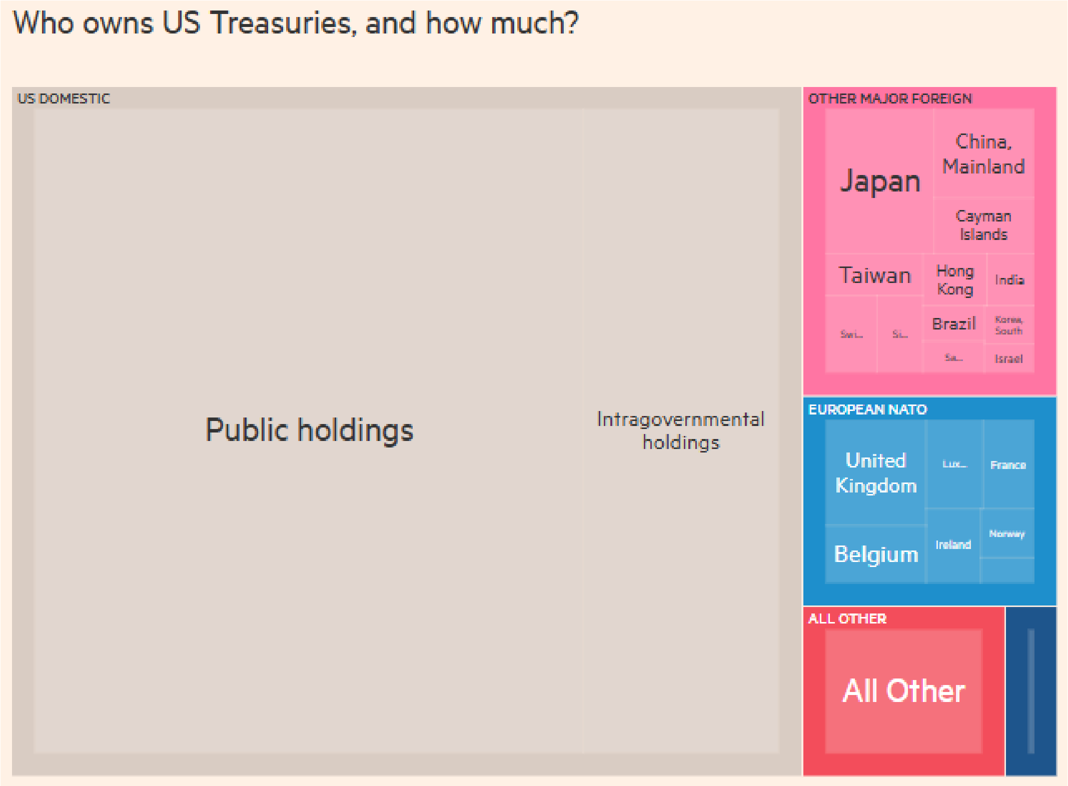
A geopolitical coalition between the EU and Japan can increase geoeconomic leverage towards the USA

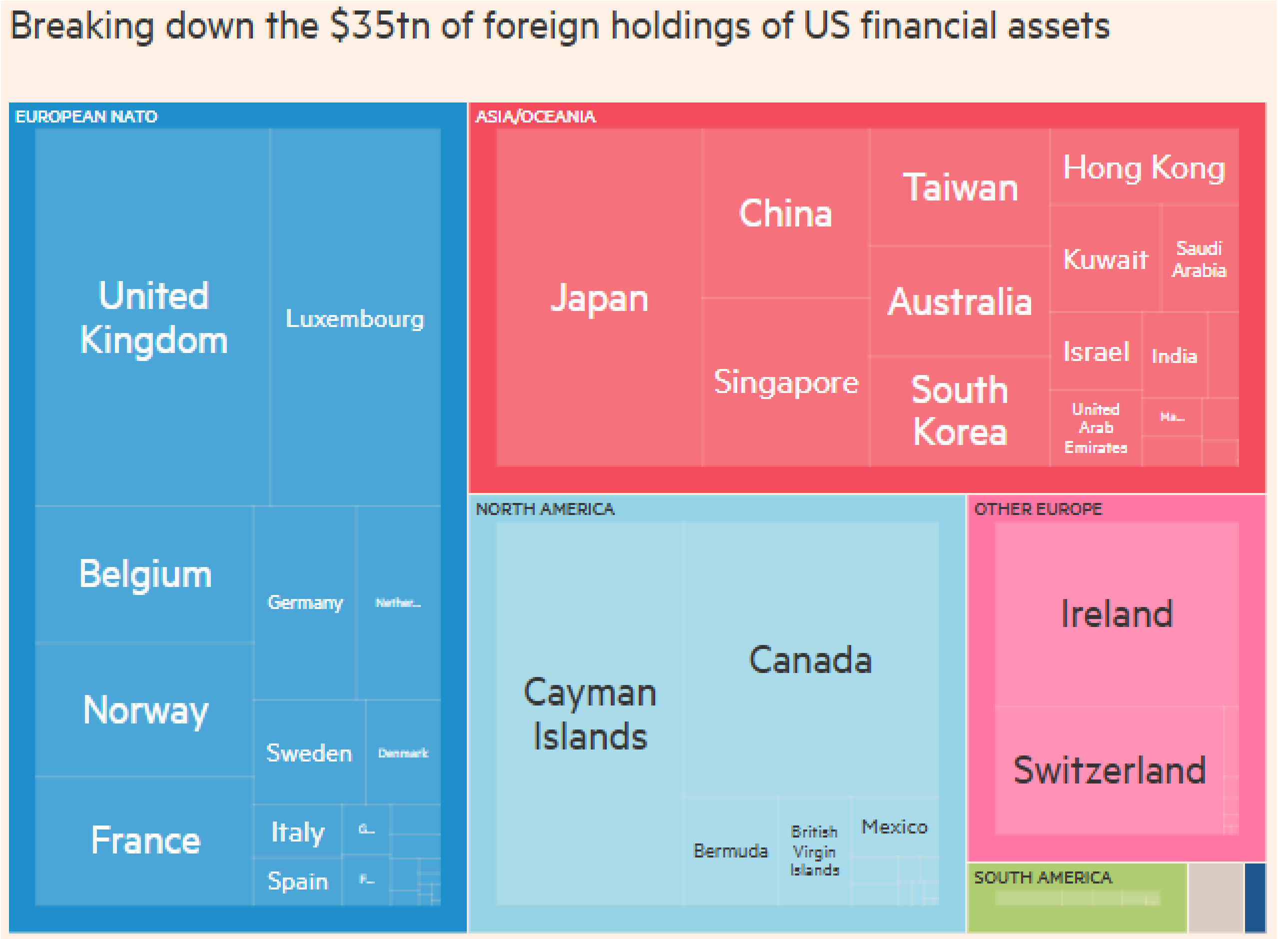


The blue bar represents the EU leverage towards the US, and the orange bar represents the increase in leverage by building a geopolitical coalition with Japan. For all of these products export shares of the EU and Japan combined are bigger than 60%.

- https://www.geostrategic-europe.org/publications/relearning-the-language-of-power

The massive financial power of Europe: Owns $12.6 bn financial assets in US





- https://www.ft.com/content/beeaf869-ca12-4178-95a1-bfb69ee27ae4

The strategic imperative of China: Secure access to energy, food and water

<u>Chinese vulnerability</u>

<u>Energy</u> (oil, gas) – long transport routes
<u>Water</u>
<u>Food</u> (only 65% self-sufficiency rate)

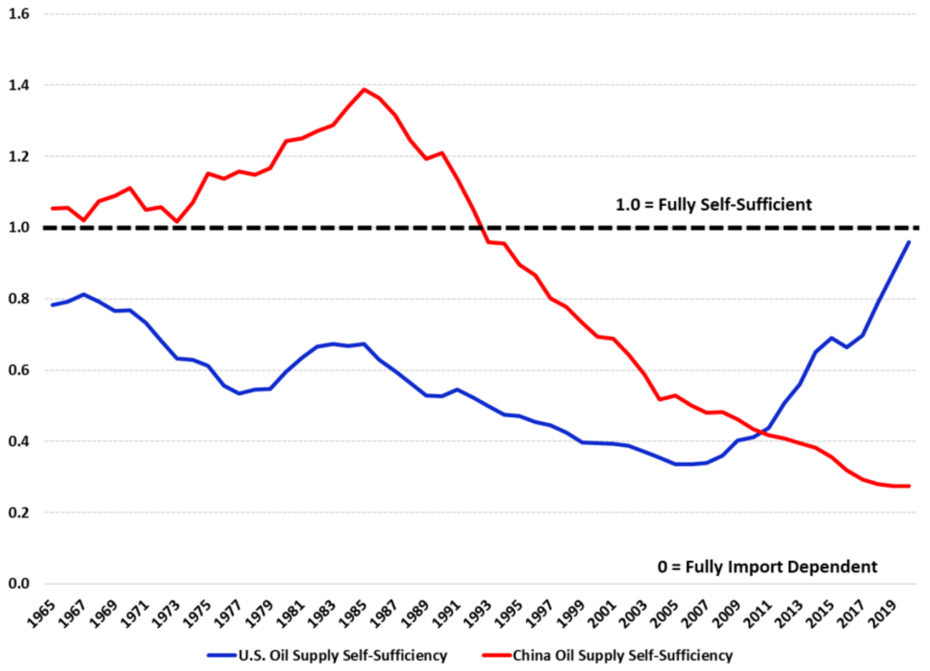
China is already very negatively impacted by the global warming: Droughts, lack of water

US has plentiful of energy, water and food

Europe lacks energy

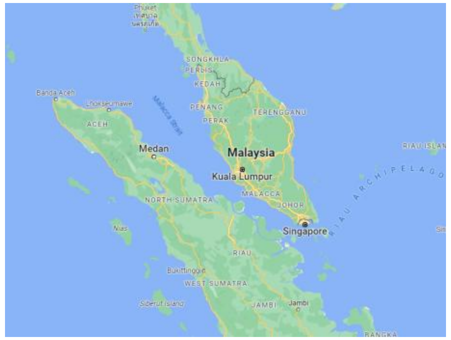
Crude Oil Self-Sufficiency of China and U.S. (Production ÷ Consumption)

1.0 = fully self-sufficient, 0 = fully import dependent



Most Chinese imported energy comes through the Malacca Strait – only 2 miles across

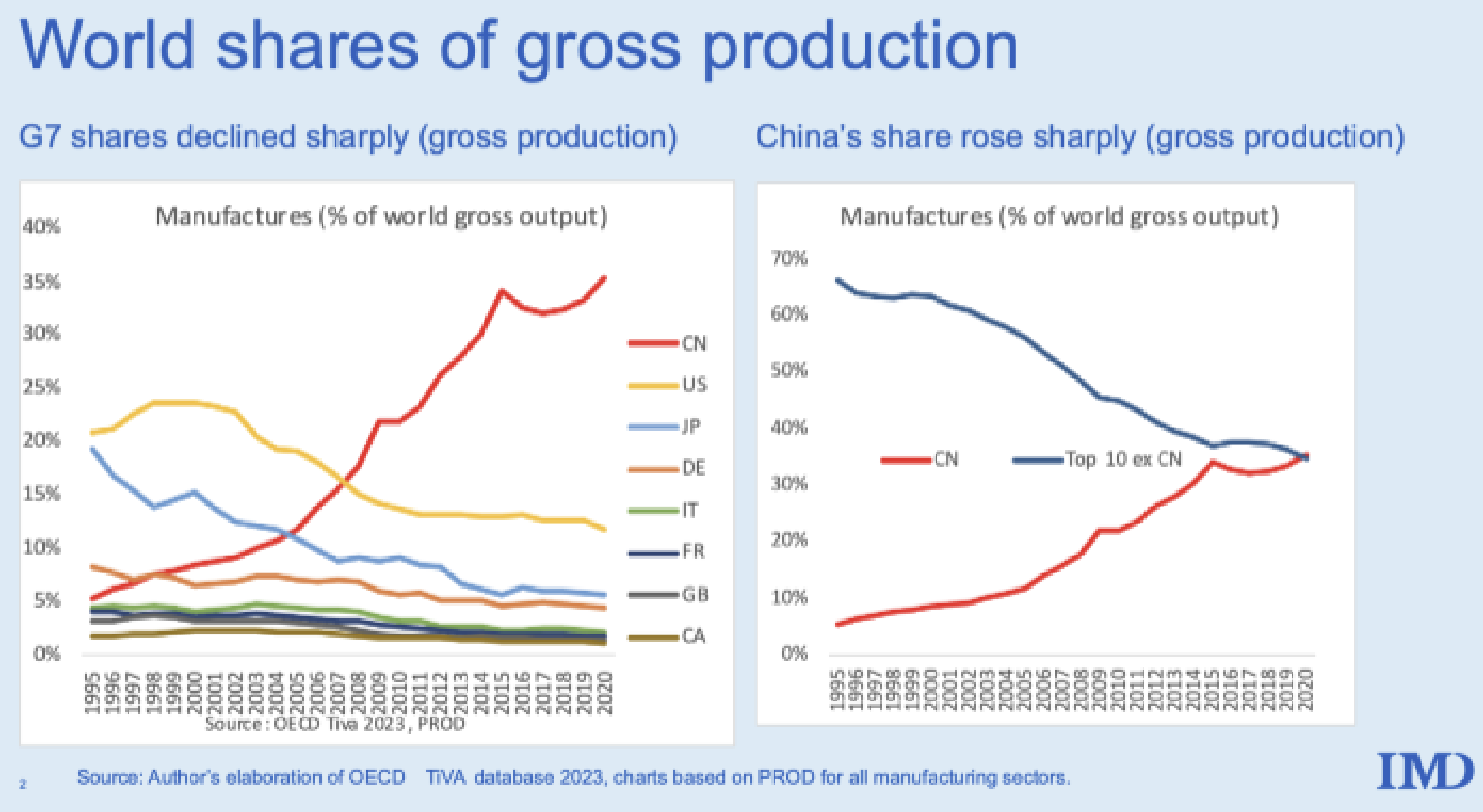
The Malacca Strait dilemma

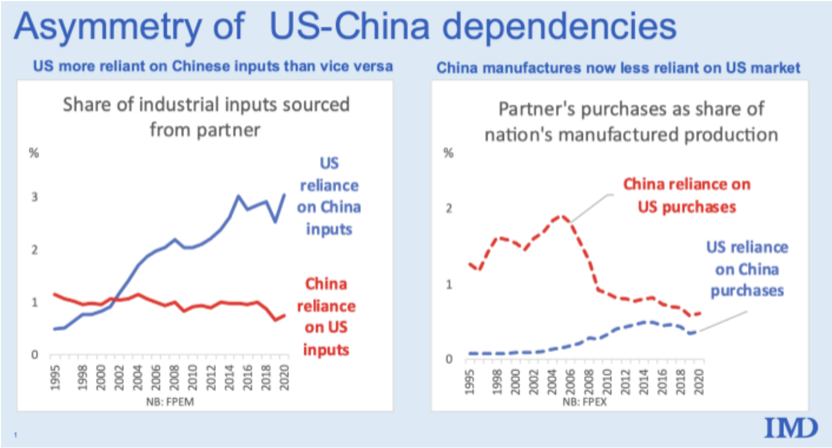


China will need the water and food from Siberia

https://www.paragkhanna.com/maps-page/
https://www.bakerinstitute.org/research/testimony-chinas-energy-import-dependency-potential-impacts-on-sourcing-practices-infrastructure-dec

China is the sole manufacturing superpower of the world
Exploited the WTO membership





https://cepr.org/voxeu/columns/china-worlds-sole-manufacturing-superpower-line-sketch-rise

China – Solving its fundamental economic problem by exporting more
The growth model is broken

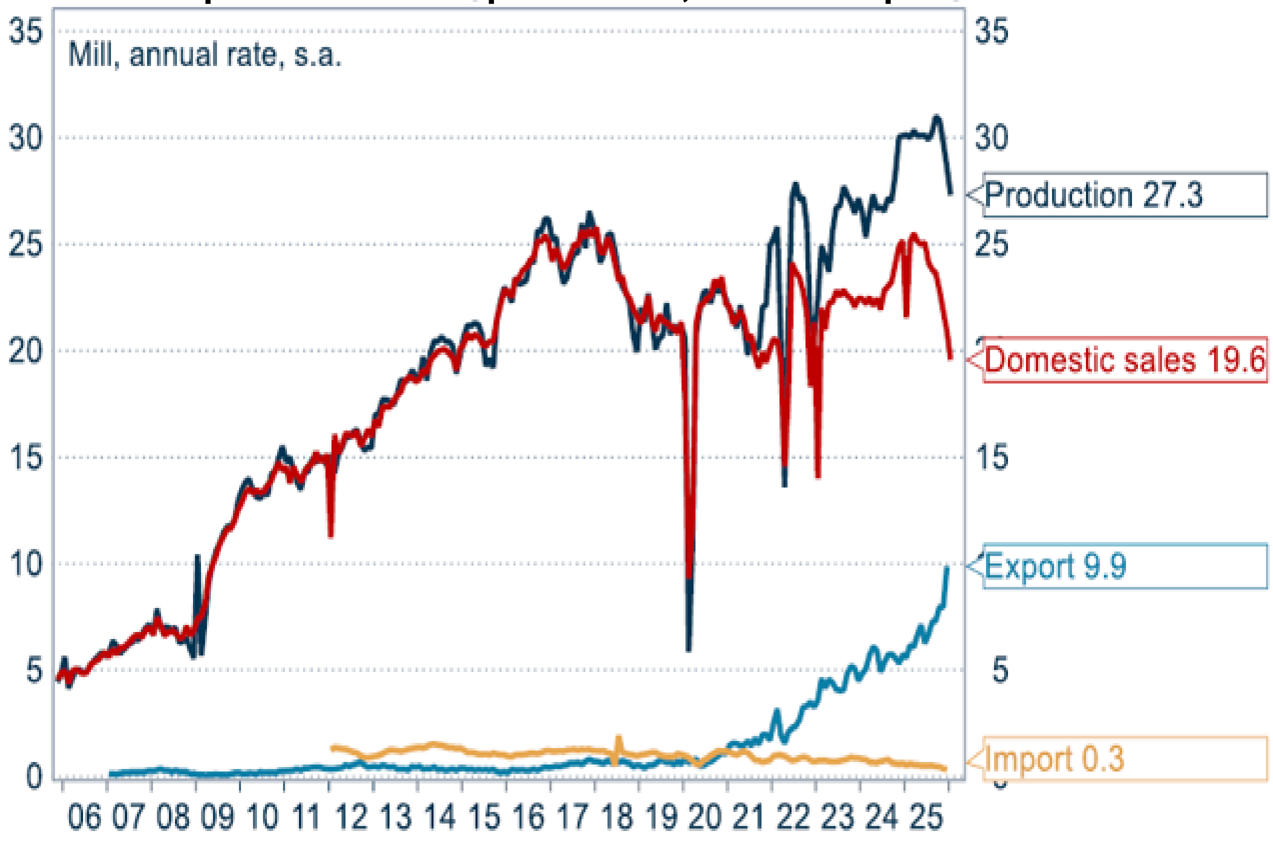
The Chinese economic model is fundamentally in dis-equilibrium

Too little internal demand – too dependent upon exporting

The double-down on exports create:

- High risk of disruptions (trade policy counter attacks)
- Generally low profitability ("dumping products", a large portion of business exporting sectors are loss-making)

Example: China Auto production, sales & exports



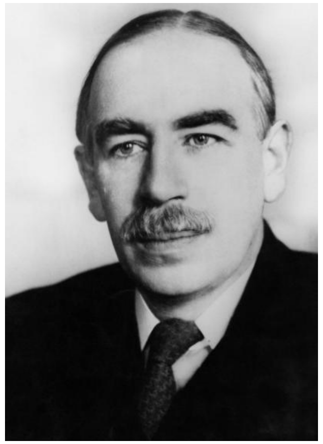
China has been suppressing private consumption. Now it fails to turn it into a growth engine

The obvious candidate for increasing domestic demand is private consumption, when other sources as infrastructure and housing construction are no longer works)

Though there are questions on the CCP's willingness to "empower consumers" as well as the consumer's ability and willingness to increase their spending due to lack of social security net

China's mercantilist model is n breach with the Bretton Woods intentions for global free trade

The Chinese export-mercantilist policy is against the basic principles of the 1944 Bretton-Woods plans for a world free trade system (as framed by John M. Keynes)



Keynes's insight was that a country which persistently suppresses domestic consumption to accumulate export surpluses effectively **exports its unemployment to its trading partners, destabilizing the global economy**

WHY IS CONSUMPTION SO LOW?

Weak social safety net

No universal pension/healthcare → precautionary saving; households save ~33% of income

Income skewed from households

State & corporate sectors capture outsized share; household income share of GDP is low

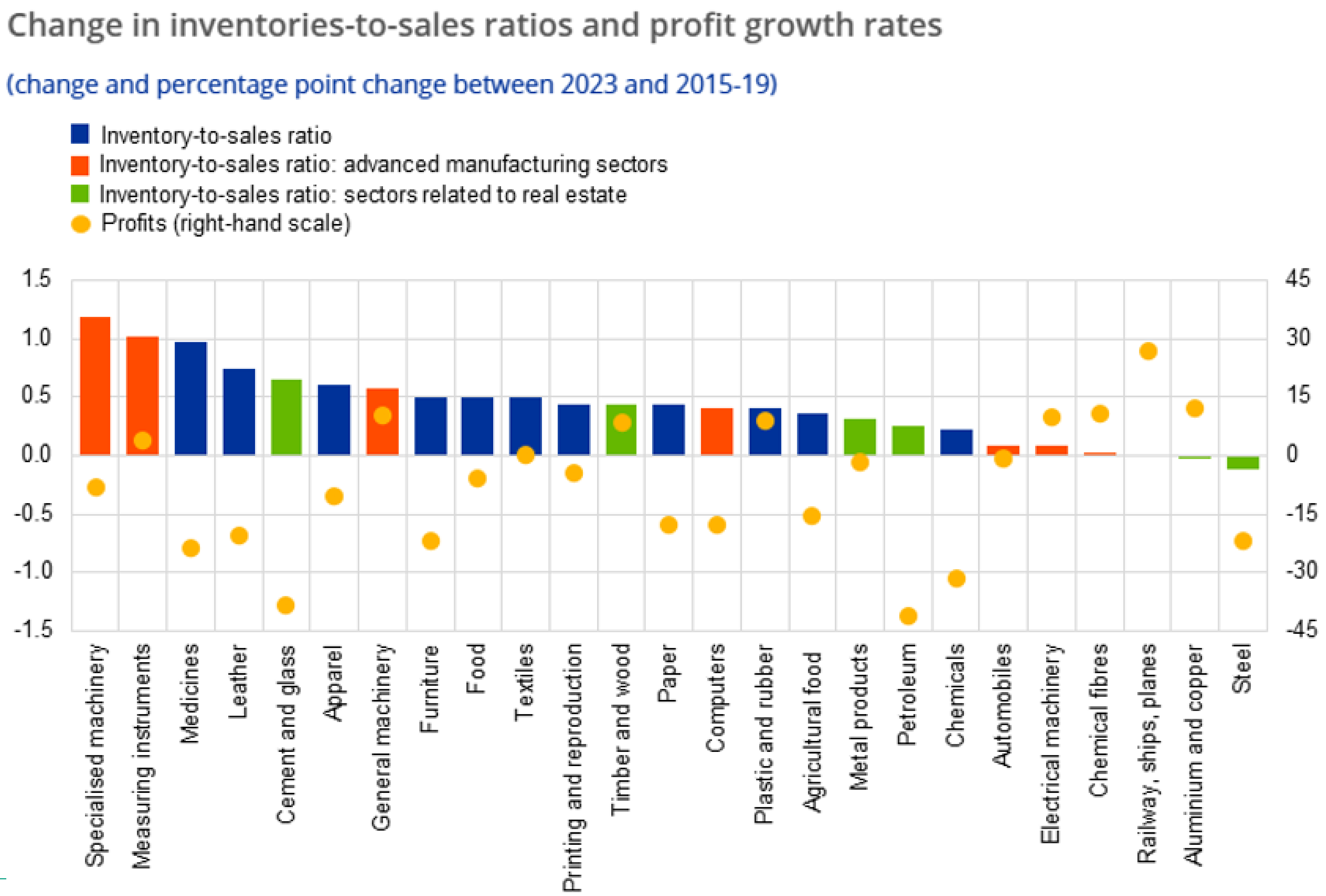
Property wealth trap

Post-2021 property crash destroyed household balance sheets; confidence collapsed

CCP reluctance

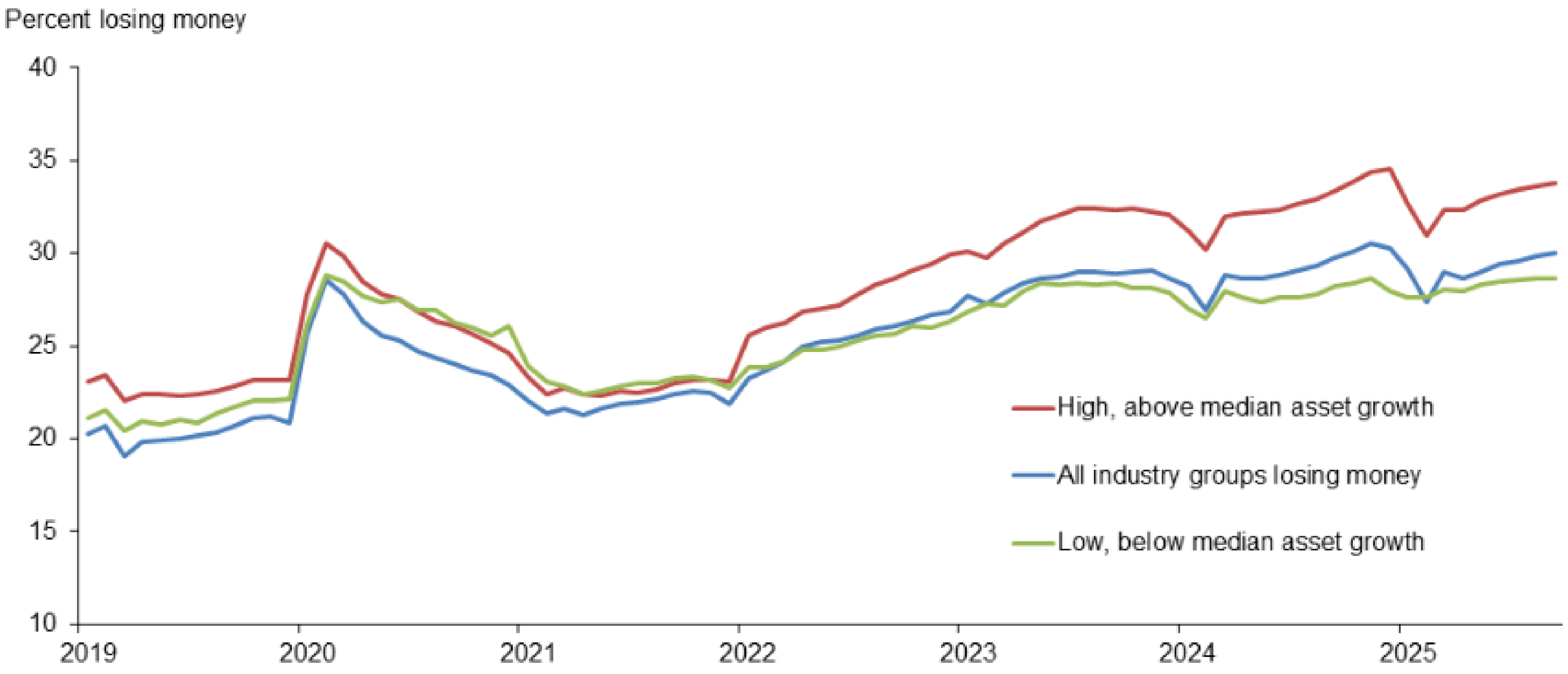
Redistribution would reduce state/Party control over capital allocation

Suppressed consumption.Overcapacity in Chinese export sectors



https://www.ecb.europa.eu/press/economic-bulletin/articles/2024/html/ecb.ebart202405_01~a6318ef569.en.html

30% of Chinese industrial firms operating at a loss



https://www.dallasfed.org/research/economics/2025/1230

The perils of Strongman rule

Unchecked concentration of power

Perverting of the information and incentive system

Information gets filtered on the way to the top

Denial of Truth and Science

Decision making takes place in bubbles

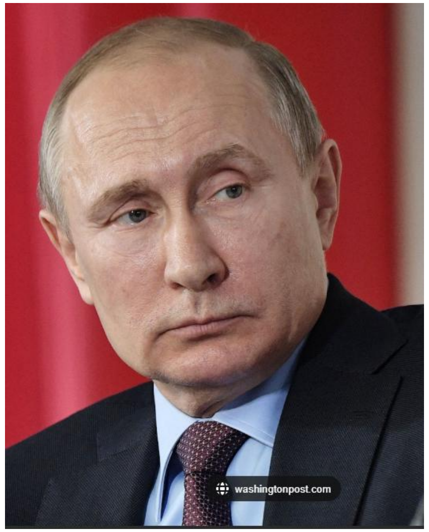
Incompetent leadership

Recruitment to senior positions based on loyalty and not merits

But Markets cannot be fooled, threatened, manipulated or bullied over time. It may hit back in ways that cannot be controlled. As with the bond vigilantes in 1993 and -94, that led to improved fiscal discipline

The Dictators and Strongman curse

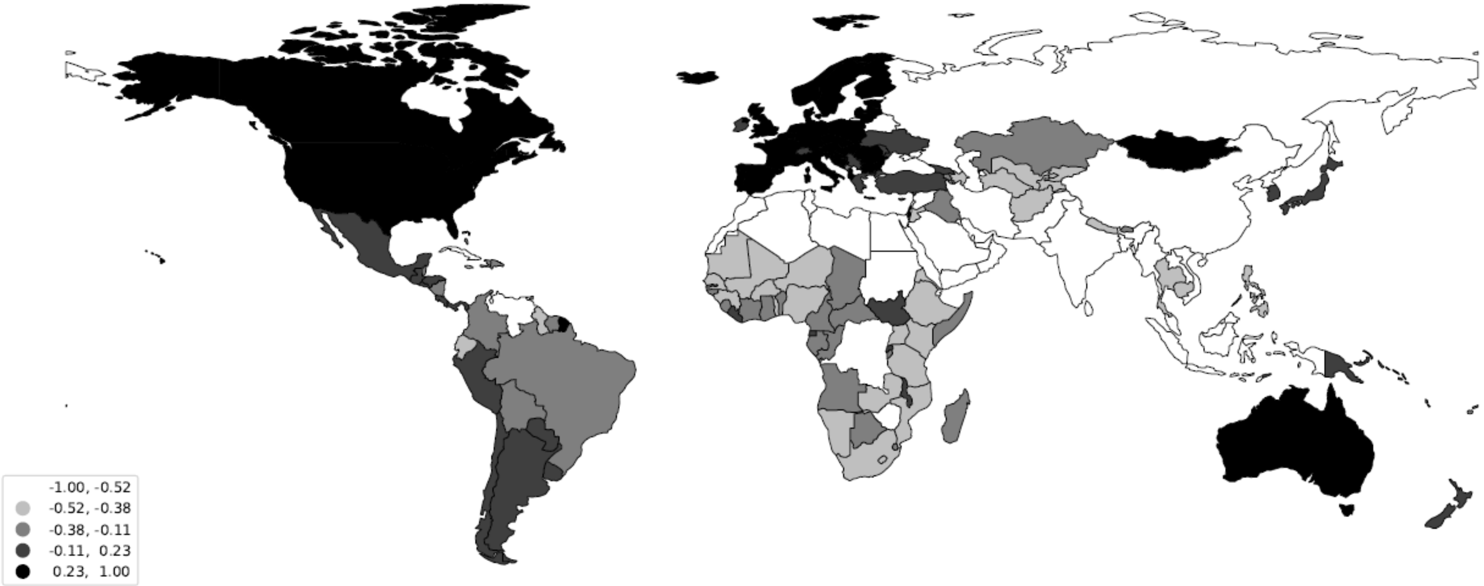
(?)



(?)

China’s importance to the global economy cannot be overestimated
Welfare loss by 12% in some regions in a decoupling scenario

Trade connection in a possibly decoupled world: Differential Foreign Policy Similarity Index. Values are normalized such that 1 represents maximum relative similarity with the U.S. and 1 represents maximum relative similarity with China



WTO analysis

First, the projected welfare losses for the global economy of a decoupling scenario can be drastic, being as large as 12% in some regions, and are largest in the lower income regions as they would benefit less from technology spillovers from richer areas.

Second, the described size and pattern of welfare effects are specific to the model with diffusion of ideas. Without diffusion of ideas the size and variation across regions of the welfare losses would be substantially smaller.

Third, a multi-sector framework exacerbates diffusion inefficiencies induced by trade costs relative to a single-sector one.

https://www.wto.org/english/res_e/reser_e/ersd202209_e.htm

Russia is at war with Europe

Russia Escalated Sabotage to Pressure U.S. and Allies on Ukraine, Study Says

Anger at Russia's covert efforts, which included targeting undersea cables, warehouses and railways, has the potential to influence European reactions to the U.S.-led push for an end to the war.

https://www.nytimes.com/2025/03/18/us/politics/russia-sabotage-attacks-europe-ukraine.html?searchResultPosition=1

European underwater fiber-optic cables

Russia is conducting an escalating and violent campaign of sabotage and subversion against European and U.S. targets in Europe led by Russian military intelligence (the GRU), according to a new CSIS database of Russian activity. The number of Russian attacks nearly tripled between 2023 and 2024. Russia's primary targets have included transportation, government, critical infrastructure, and industry, and its main weapons and tactics have included explosives, blunt or edged instruments (such as anchors), and electronic attack. Despite the increase in Russian attacks, Western countries have not developed an effective strategy to counter these attacks

Russia's Shadow War Against the West

Russia versus the rest of Europe: Small and poor

Much smaller when it comes to population size and GDP

Much lower income per capita

Totally dependent upon hydrocarbons (becoming stranded assets)

Inflation and interest rate near 20%

Much lower scores on:

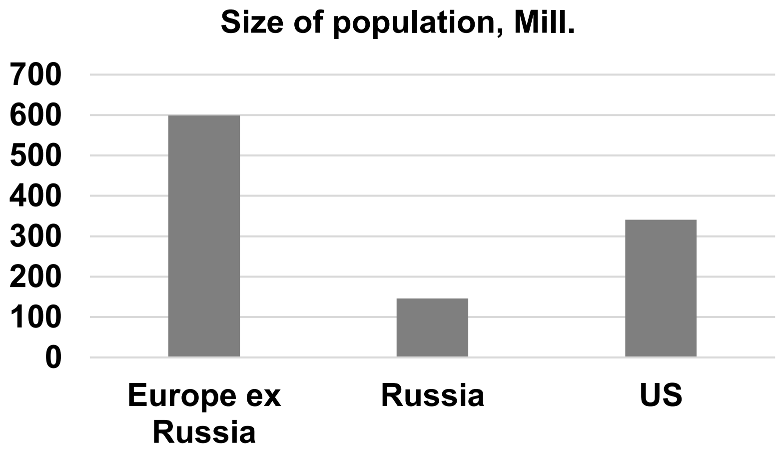
Life expectancy

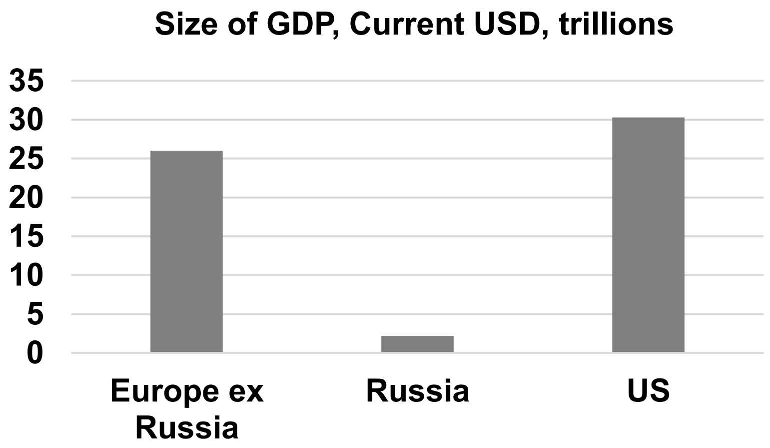
Infant mortality

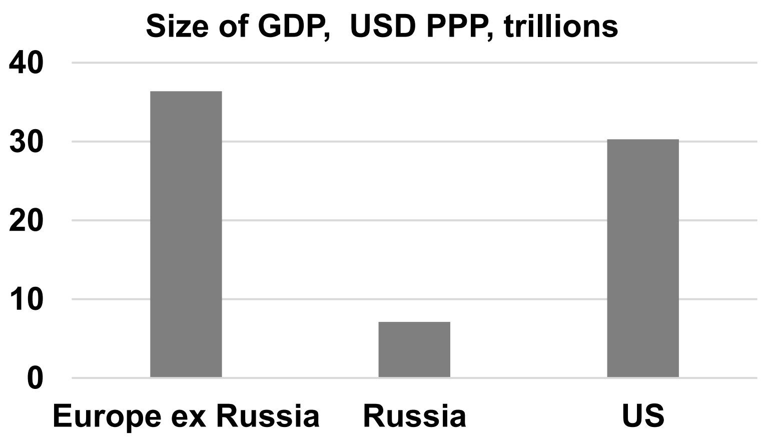
Human development

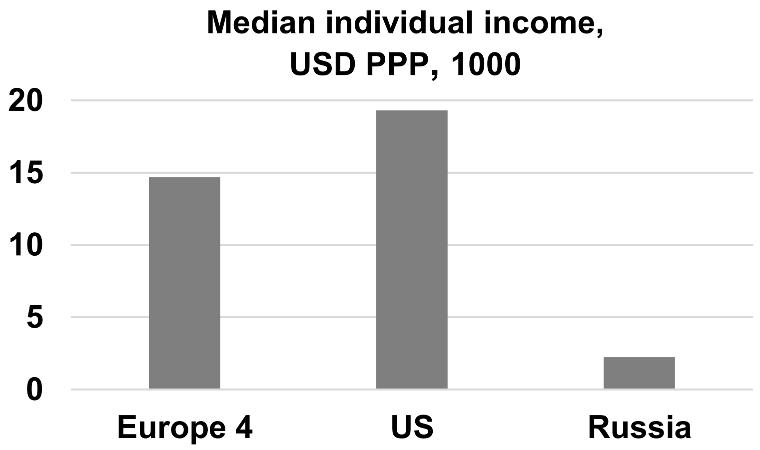
Happiness

Though high score in ability to destroy









The Norwegian Intelligence Service’s recent assessment of current security challenges

We are seeing the return of spheres of influence and a form of politics in which might makes right

International cooperation and institutions are being undermined.

For Beijing and Moscow, this is a welcome development. Both see an opportunity for ushering in a new world order, and they are cooperating closely

A more self-confident Chinese regime will take advantage of its own economic power and supply chain dominance as well as a community of authoritarian states in order to expand its global influence.

A UNITED FRONT AGAINST THE WEST

A zero sum mindset characterises both Russian and Chinese geopolitics. Both regimes argue that the United States and the West are pursuing a coordinated containment policy against their countries. Consequently, China and Russia have each identified the other as their principal partner. Their cooperation aims to bolster both countries’ military, political and economic power vis-à-vis the West, thereby reducing security-related, technological and economic vulnerability. Everything points to a strengthening of this relationship in the coming years.

https://www.etterretningstjenesten.no/publikasjoner/focus

Rising EU – China tensions on trade

Europe Faces Rising Threats From China Trade Rift

EU businesses warn of mounting trade deficits and exclusion from global rare earth negotiations as China tightens export controls and bilateral deals with the US leave Europe on the sidelines.

EU aims to improve defences against economic threats, such as China export curbs

Why European businesses are now stuck in the middle of an EU-China storm

- Highlight rising tensions between the EU and China over trade imbalances and restricted access to rare earth elements and minerals.
- Report China's $350 billion trade surplus with the EU and new export controls on key minerals disrupting European supply chains.
- Note Europe's exclusion from the US-China bilateral 'Busan truce' on export controls, reducing its influence on global mineral supply negotiations.

https://evrimagaci.org/gpt/europe-faces-rising-threats-from-china-trade-rift-519682?srsltid=AfmBOopLKtp1O2IBwTiuANVHfU8gBJNWOuMyRZBEMvCLr_wFc8wv7ewq

1. The Weaponized World Economy

2. The Fund

Think about it

70 percent of the Fund is invested in global equities, near 30% in global fixed income: Is this asset mix too risky?

Would it be better to have a significant portion of the Fund invested in Gold?

55 percent of the Fund is invested in US. Too many eggs in one basket?

How may the new geopolitical reality impact on the safety of the assets in the Fund (ownership protection)? Will Norway be vulnerable for pressure – blackmailing?

Can we continue to “teach” global companies and other countries on business ethics and ESG investing?

The Weaponized World Economy
Implications for the International Investment Framework

For institutional investors, the transition to a transactional power system creates four structural changes in the investment environment.

- Counterparty risk has become political risk. Any asset, contract, or infrastructure dependency involving US-domiciled entities now carries a non-trivial probability of disruption driven by US domestic politics rather than commercial factors.
- The rules-based framework that underpinned cross-border investment — predictable dispute resolution, respect for property rights, non-discriminatory treatment of foreign capital — is weakening precisely in the largest capital markets.
- Portfolio diversification is complicated by the fact that geopolitical fragmentation creates correlations between assets that did not previously exist: energy stocks, critical mineral producers, semiconductor companies, and financial infrastructure providers now move together in response to coercive escalation episodes.
- The governance of financial infrastructure — indices, data, proxy voting, clearing — has become a strategic question, not merely a cost optimisation exercise. Infrastructure controlled by US-domiciled entities is now subject to the same weaponization logic as SWIFT, dollar clearing, and semiconductor IP.

Geopolitics hits the Norwegian Sovereign Wealth Fund

Norway suspends $2.1tn oil fund's ethics rules to avoid selling Big Tech stakes

Jens Stoltenberg says move will avoid forced sale of shares in Amazon, Microsoft and Alphabet over their work for Israel

Finance minister Jens Stoltenberg said withdrawing from the world's biggest companies 'would undermine the purpose of the fund to be a broad, diversified global investment fund' © Carina Johansen/Bloomberg

https://www.ft.com/content/12a5ce89-25d7-4de4-82cf-abb86ffa06a2

Norway wealth fund sells Caterpillar stake over Israel allegations

World's largest wealth fund says it has excluded bulldozer maker and five Israeli banking groups on ethics grounds

US 'very troubled' by Norway fund's Caterpillar divestment over Israel

Move based on 'illegitimate claims' against construction equipment company and Israeli government, says state department

Norway wealth fund may invest in top defence firms after 21-year ban

Norway wealth fund may invest in top defence firms after 21-year ban | Reuters

Will anyone be able to take the Oil Fund?
We should think carefully about what could happen if Norway in the future participates directly or indirectly in an offensive war, led by allies.
DN, Nov 2nd 2025

How Norway jeopardised its integrity overnight

https://www.ft.com/content/f6b34e71-2b3e-43ad-99a9-558a34f56853

Vil noen kunne ta Oljefondet?

Vi bør tenke nøye gjennom hva som kan skje dersom Norge i fremtiden deltar direkte eller indirekte i en angrepskrig, ledet av allierte.

https://www.dn.no/globalt/utenrikspolitikk/sikkerhetspolitikk/finansmarkedene/vil-noen-kunne-ta-oljefondet/2-1-1894217

Ulf Sverdrup
Professor ved Handelshøyskolen BI og tidligere direktør ved Nupi

Normally long-term investors should stay the course
But now we may enter market regimes that require rethinking of how we run the investment strategy process

Long-term investor harvest risk premiums and stay the course during cycles

They write an insurance against “bad times” that short-term investors are willing to pay for

For most investors “market timing” does not pay off: Stay with your strategy and rebalance

For pension funds and public investment entities it can be hard to build the governance and competence required

But this doesn’t mean we shall enter the future “blindly”

We are possibly entering fundamental changes in geopolitical and market structures that never have happened in our lifetime

There is no “neutral” portfolio

All decisions on strategic and reference portfolios are “active” decisions

All performance analysis ex post must take into account the risk assessed at the time of the investment

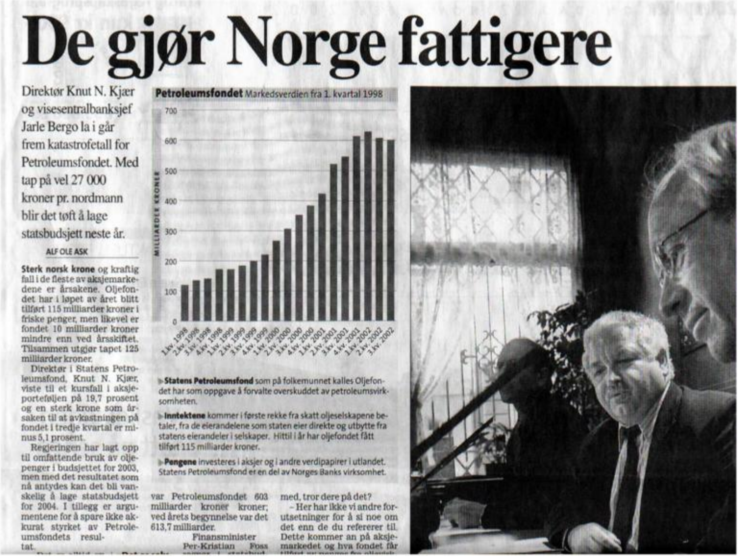
All our work on Strategic Asset Allocation must apply data that includes various geopolitical, economic and financial regimes over more than 100 years

Stø kurs, selv når det kan se farlig ut – og ikke følge flokken

Den største feilen i investeringer er å følge flokken.

Handle når det føles trygt, det vil si når det er dyrt.

Selge når man er engstelig...



De gjør Norge fattigere

Direktør Knut N. Kjær og visesentralbanksjef Jarle Bergo la i går frem katastrofetall for Petroleumsfondet. Med tap på vel 27 000 kroner pr. nordmann blir det tøft å lage statsbudsjett neste år.

ALF OLE ASK

Sterk norsk krone og kraftig fall i de fleste av aksjemarkedene er årsakene. Oljefondet har i løpet av året blitt tilført 115 milliarder kroner i friske penger, men likevel er fondet 10 milliarder kroner mindre enn ved årsskiftet. Tilsammen utgjør tapet 125 milliarder kroner.

Direktør i Statens Petroleumsfond, Knut N. Kjær, viste til et kursfall i aksjeporteføljen på 19,7 prosent og en sterk krone som årsaken til at avkastningen på fondet i tredje kvartal er minus 5,1 prosent.

Regjeringen har lagt opp til omfattende bruk av oljepenger i budsjettet for 2003, men med det resultatet som nå antydes kan det bli vanskelig å lage statsbudsjett for 2004. I tillegg er argumentene for å spare ikke akkurat styrket av Petroleumsfondets resultat.

Petroleumsfondet Markedsverdien fra 1. kvartal 1998

Statens Petroleumsfond som på folkemunnet kalles Oljefondet har som oppgave å forvalte overskuddet av petroleumsvirksomheten.

Inntektene kommer i første rekke fra skatt oljeselskapene betaler, fra de eierandelene som staten eier direkte og utbytte fra statens eierandeler i selskaper. Hittil i år har oljefondet fått tilført 115 milliarder kroner.

Pengene investeres i aksjer og i andre verdipapirer i utlandet. Statens Petroleumsfond er en del av Norges Banks virksomhet.

var Petroleumsfondet 603 milliarder kroner kroner; ved årets begynnelse var det 613,7 milliarder.

Finansminister Per-Kristian Foss

med, tror dere på det?

– Her har ikke vi andre forutsetninger for å si noe om det enn de du refererer til. Dette kommer an på aksjemarkedet og hva fondet får

2002 Årets avis Nr. 267 - Årg. 113 - Løssalg kr. 15.

Ny norsk statsråd Side 44

Glissent rundt Bogens bord. Side 22

Oljefondet satser friskt:

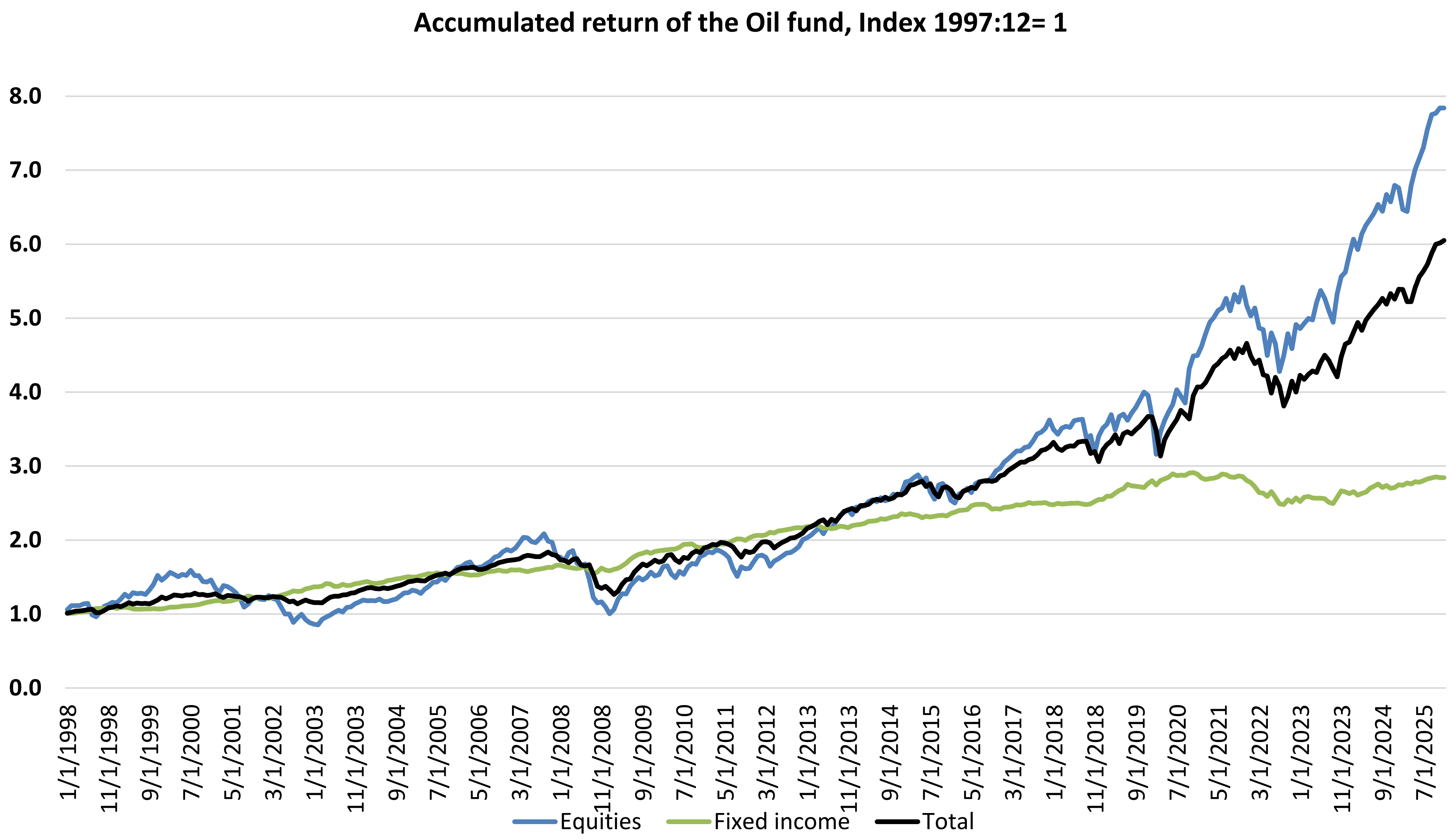
Putter «alt» i aksjer

... etter å ha tapt 40 mrd. i tredje kvartal

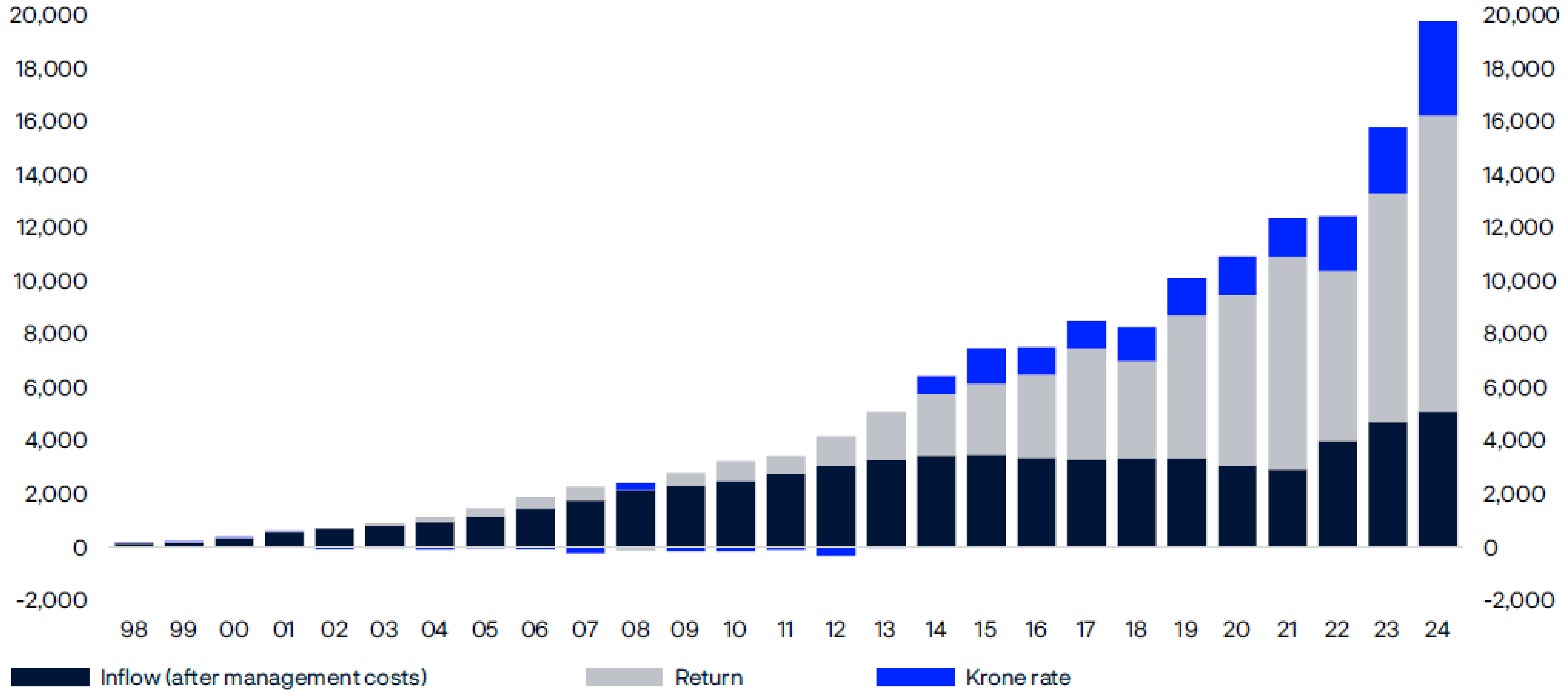
Oljefondet og leder Knut N. Kjær investerer nesten utelukkende i aksjer, til tross for sviende tap det siste året. Fondet har kjøpt aksjer for cirka 75 milliarder kroner siden halvårsskiftet. SIDE 4-6

Foto: Scanp

Return of the Oil fund since Jan 1998



For Oljefondet har det vært svært lønnsomt å holde en stor andel av porteføljen i aksjer. Alltid kjøpe mer når markedet faller (rebalansering)



The Sverdrup commission report September 2022
The Fund in a changing world. Lower expected returns, pressure on making withdrawals of public expenditures may increase

- The Fund is facing a changing world in several ways. Petroleum revenues are currently very high, but will eventually decline. The upheavals taking place in international politics and the international economy will also bring change, uncertainty and risk. Norway will face difficult dilemmas, and will also in the future need to face difficult trade-offs.
- This report analyses key developments and uncertainties. We discuss the Fund's ability to bear different types of risk, of both a financial and non-financial nature, which should be considered by those directly involved in managing the Fund, but also by politicians and the population in general. The outlook is uncertain, but several factors point to a higher likelihood that company earnings and the return on the Fund's investments will be lower than before, while the pressure to make withdrawals for the funding of public expenditure may increase.

The Commission was appointed by Royal Decree in 2021 to examine the Government Pension Fund Global (GPFG) in a long-term perspective. The Commission was asked to analyse how various international economic and political developments may affect risk and return, as well as to assess the implications of these developments for the management of the GPFG.

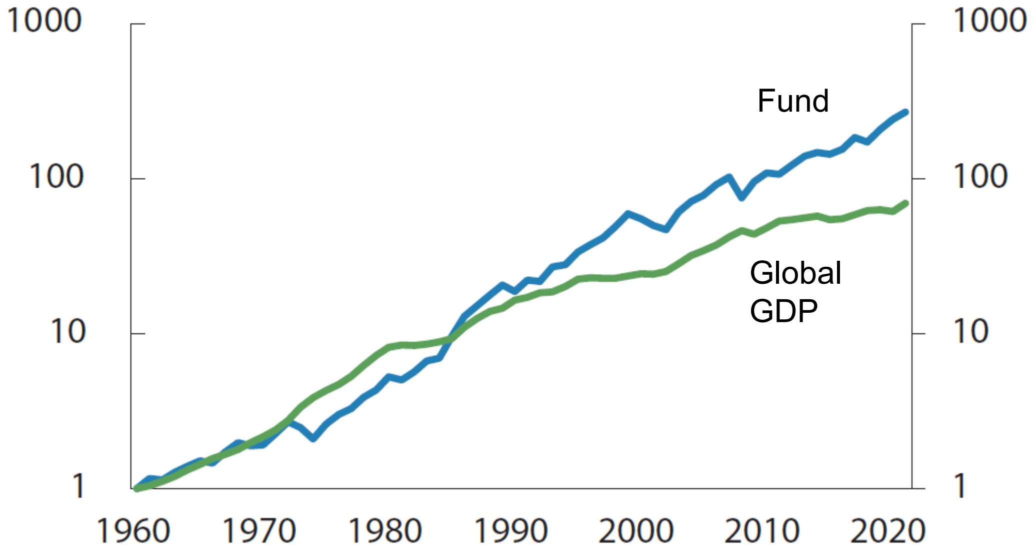
https://www.regjeringen.no/no/dokumenter/nou-2022-12/id2928618/

The Sverdrup commission: Higher financial and non-financial risks

- **Norway and the Fund are facing considerable climate risk**
- **Demographic developments affect economic development and political power**
- **A lack of consensus about continued economic integration inhibits growth**
- **Political risk is becoming more important**
- **Globalisation has been of great benefit to the world, but also brings challenges**
- **The political landscape has changed**
- **Towards a more distinct decoupling of the world**
- **Economic and financial measures are mobilised as foreign policy tools**
- **We are experiencing a mounting political desire for greater cohesion between politics and the economy**
- **Rivalry may have fundamental implications**
- **Systems of government are changing**
- **The GPFG may be faced with market access problems**

Exceptionally high returns in recent decades
Driven by one-off factors, as lower taxes and rates, globalization higher profit margins

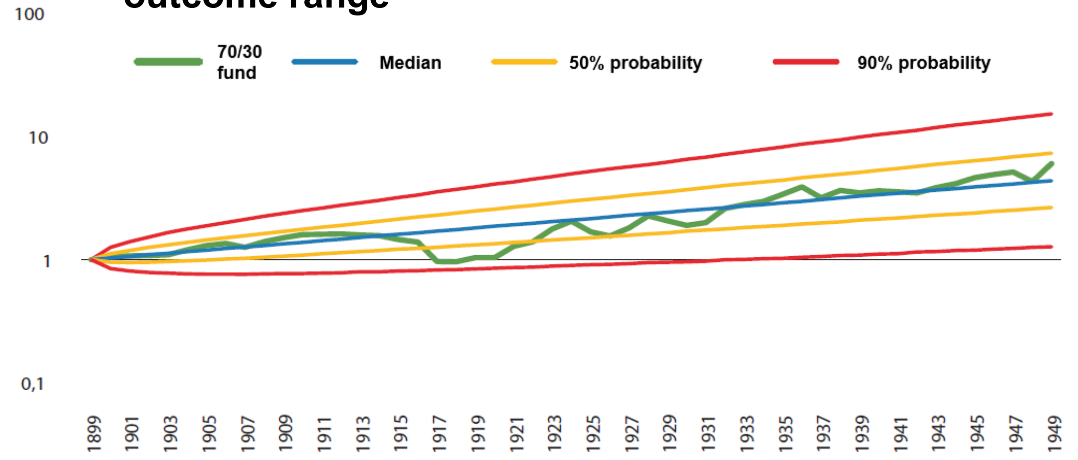
The performance of a portfolio with 70/30 allocation and global GDP since 1960, nominal USD, log scale

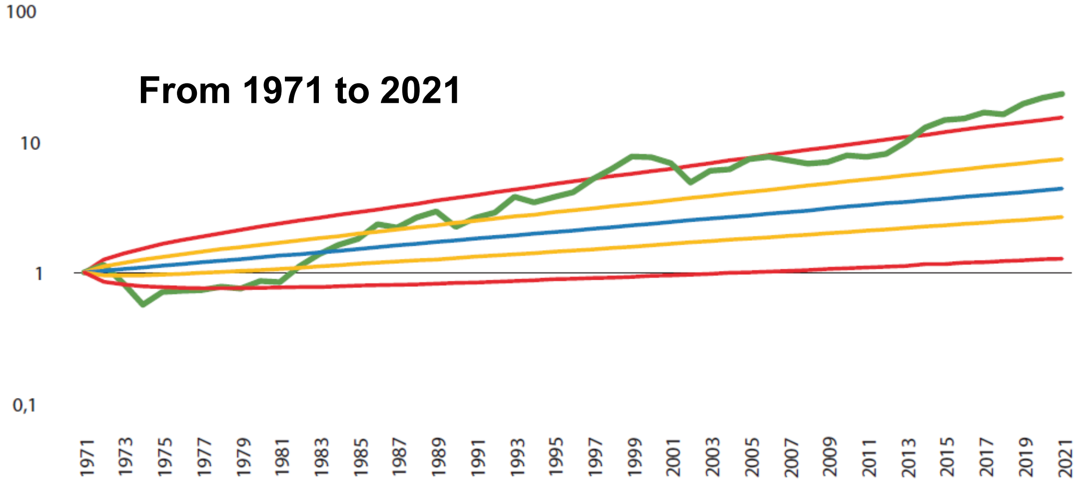


The charts are from the Sverdrup commission

https://www.regjeringen.no/no/dokumenter/nou-2022-12/id2928618/

A 70/30 fund from 1899–1949 versus simulated outcome range





Oppfølging av Sverdrup-utvalget, januar 2026

Ekspertrådet for
Statens pensjonsfond utland

RAPPORT 2025

https://www.regjeringen.no/contentassets/0787c12997794ff6aa069d897e2c7c23/rapport_ekspertradet_spu_230126_endelig.pdf

Rådets vurderinger

Investeringsstrategien som fastsettes av Finansdepartementet er avgjørende for fondets avkastning og risiko. Som vist til ovenfor er strategien blitt utviklet over tid og et resultat av en rekke avveininger og valg.

Strategien må utvikles videre og tilpasses fondets særtrekk og omgivelser. Vi deler Sverdrup-utvalgets syn og mener at regelmessige og systematiske gjennomganger av investeringsstrategien er vesentlig for en dynamisk videreutvikling av fondets investeringsstrategi. Dette er spesielt viktig nå som fondet har blitt så stort og viktig for norsk økonomi og statsfinanser.

Som ledd i å systematisere gjennomgangene, finner vi det nyttig å dele prosessen med å videreutvikle investeringsstrategien for fondet inn i seks steg:

1. Forstå formålet med fondet og hvilke uttak og innskudd som kan forventes i fremtiden.
2. Vurdere eiers risikotoleranse, med særskilt vekt på nedsiderisiko.
3. Uttrykke målene med forvaltningen og klargjøre hvilke begrensinger og rammebetingelser forvaltningen opererer under.
4. Utrykke investeringsantakelser om hvordan finansmarkedene fungerer og hvilke fortrinn og ulemper fondet har i disse markedene.
5. Identifisere den beste investeringsporteføljen gitt vurderingene i steg 1-4.
6. Operasjonalisere strategien gjennom å utforme et forvaltningsmandat til Norges Bank som ivaretar en hensiktsmessig delegering av oppgaver til banken, og som setter rammer for risiko og andre krav, inkludert krav til ansvarlig forvaltning og rapportering

   Vi mener at departementet bør gjennomgå steg 1 til 4 i 2026. Sist grunnlaget for investeringsstrategien ble gjennomgått grundig, var da aksjeandelen ble vurdert i 2017.

Oppfølging av Sverdrup-utvalget, januar 2026 (2)

Ekspertrådet for
Statens pensjonsfond utland

RAPPORT 2025

«Økte geopolitiske spenninger og usikkerhet innebærer at den politiske risikoen fondets investeringer er eksponert for i utlandet, øker. Samtidig har fondets størrelse og aktivitet bidratt til å gjøre det mer synlig, noe som forsterker den politiske risikoen ytterligere. Fondet kan i ytterste konsekvens komme til å bli gjenstand for skjerpet beskatning, regulatoriske inngrep og til og med **konfiskering**.»

https://www.regjeringen.no/contentassets/0787c12997794ff6aa069d897e2c7c23/rapport_ekspertradet_spu_230126_endelig.pdf

Example on market regimes that have caused huge losses for investors We cannot take for given that our rights as investor will be well protected in all main capital markets

Real return loss on a 60/40 portfolio over a 20-year window

Hyperinflation	Germany	1903-1923	-100%
	Austria	1903-1923	-100%
War and civil war	China	1930-1950	-100%
	Russia	1900-1918	-100%
	Japan	1928-1948	-96%
	France	1930-1950	-93%
	Italy	1928-1948	-87%
Economic depression, high inflation	Italy	1907-1927	-84%
	France	1906-1926	-75%
	Italy	1960-1980	-72%
	India	1955-1975	-66%
	Spain	1962-1982	-59%
	Germany	1929-1949	-50%
	France	1961-1981	-48%
	UK	1901-1921	-46%

War time economic controls
Rationing, production controls, wage/price controls, import or export restrictions, takeover of central bank

Regulation impacting assets
Market closures, asset price control, asset ownership restrictions, FX controls, limits on new issuance, limits on corporate profits

Decades of wealth confiscation
USA 1900, 1920
China 1940, 1960
Germany 1920
Russia 1900, 1920, 1940
Italy 1920
Japan 1940

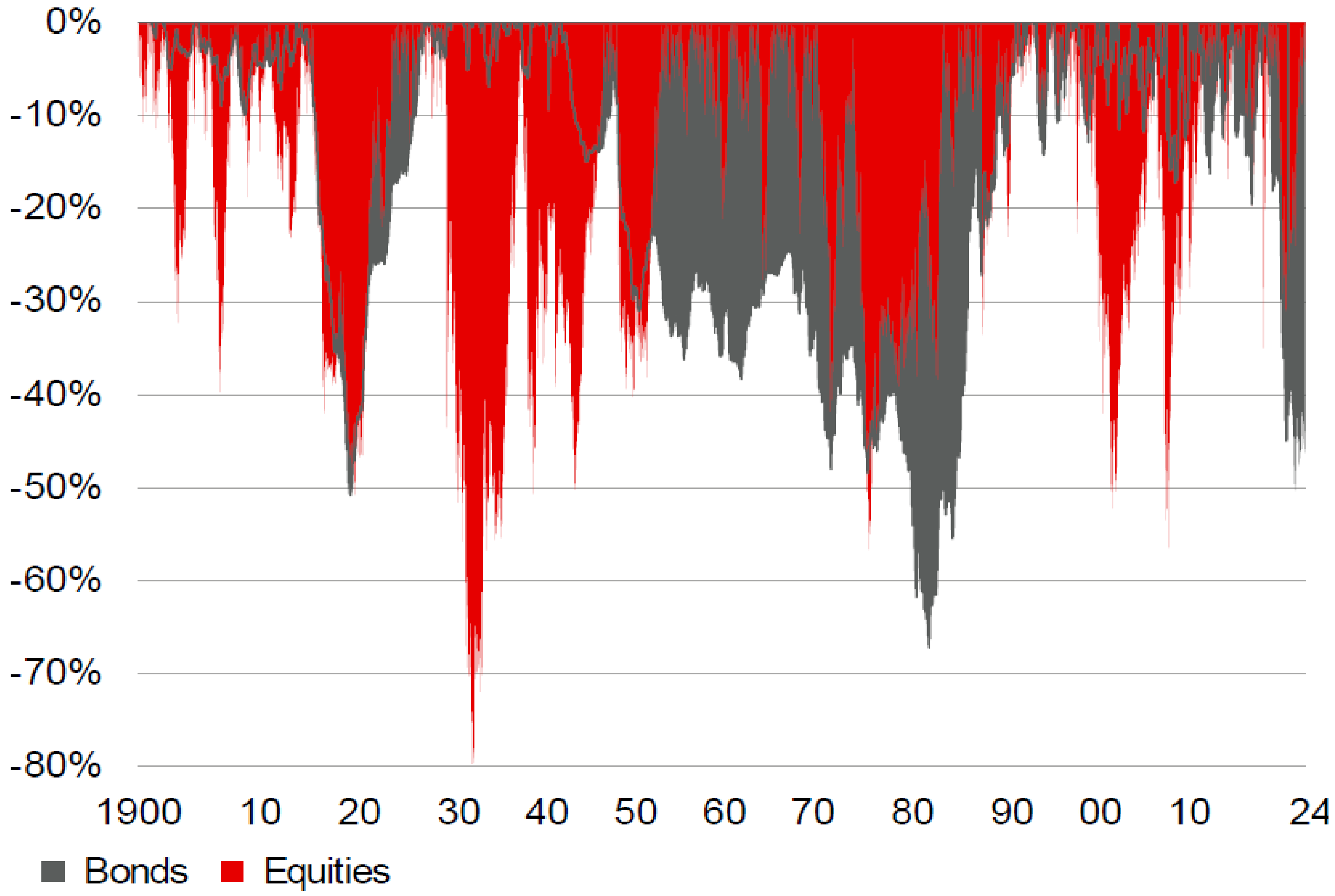
PERIODS OF STRICT/RISING CAPITAL CONTROLS

	1900	1920	1940	1960	1980	2000
UK	Yes	Yes	Yes	Yes		
USA	Yes	Yes				
China			Yes	Yes	Yes	
Germany	Yes	Yes	Yes	Yes		
France	Yes			Yes		
Russia	Yes	Yes	Yes	Yes	Yes	Yes
Austria-Hungary	Yes					
Italy		Yes				
Netherlands				Yes		
Japan		Yes		Yes		

Principles for Dealing with the Changing World Order: Why Nations Succeed and Fail: Dalio, Ray: 9781982160272: Amazon.com: Books

Risk perspective over the long haul: Long periods of large drawdowns in real value of government bonds

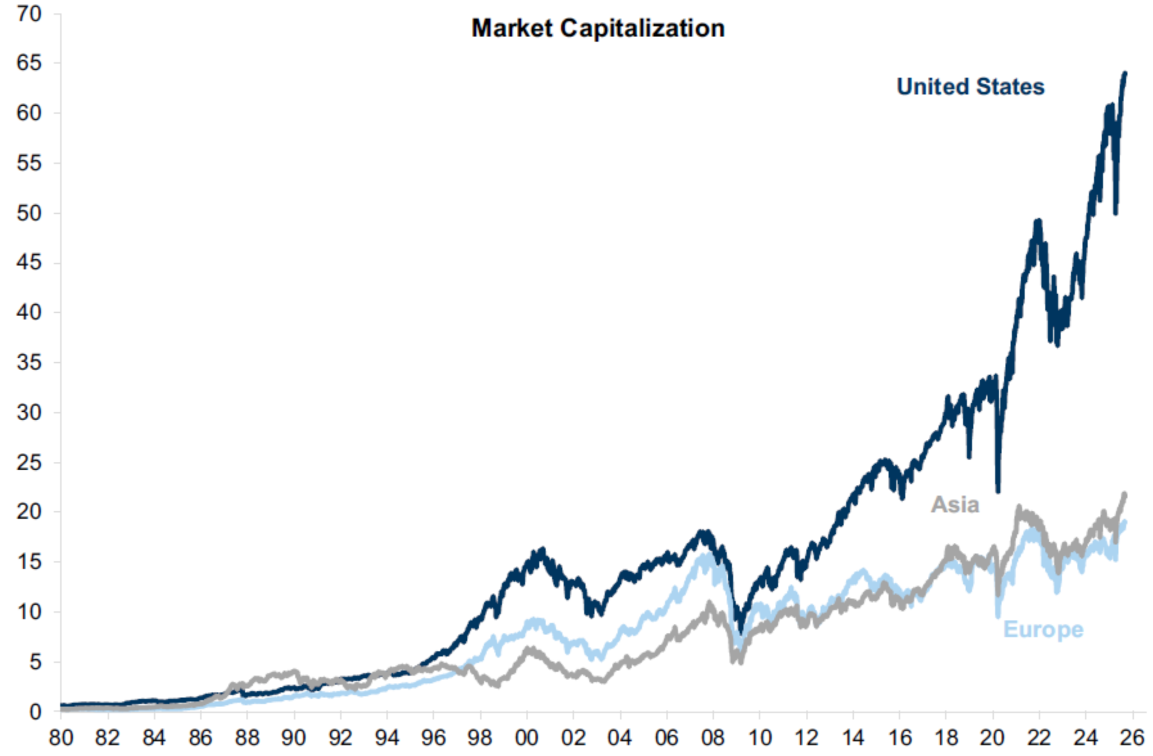
Real drawdown: US equities and bonds, 1900–2024



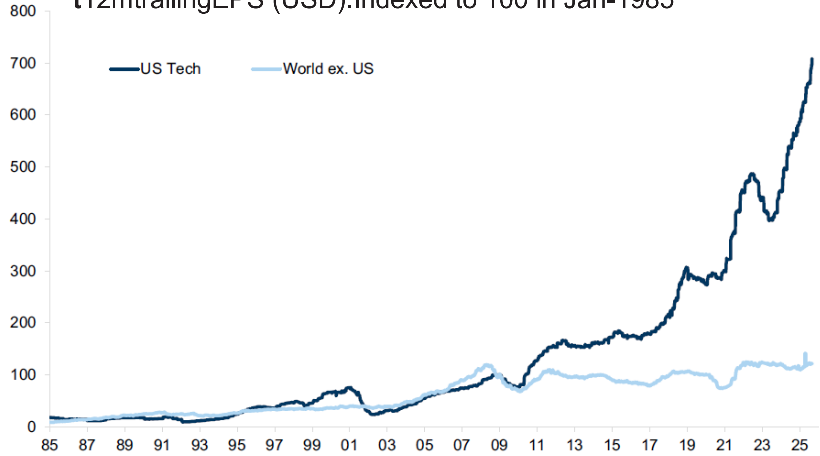
Source: UBS Global Investment Returns Yearbook 2025 by Dimson, Marsh and Staunton, the authors of "Triumph of the Optimists"

The American stock market with formidable value development
Driven by Tech & AI

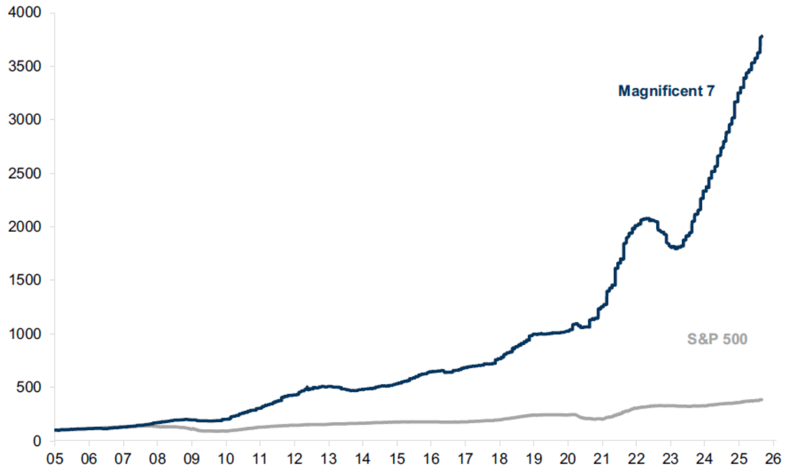
The USmarkethasconsistentlyoutperformedtherestofthew orldoverthepastdecade
Market Cap($ trillion). Asia incl. Japan



Techearningshaveoutstrippedthoseoftheglobalmarke t12mtrailingEPS (USD).Indexed to 100 in Jan-1985



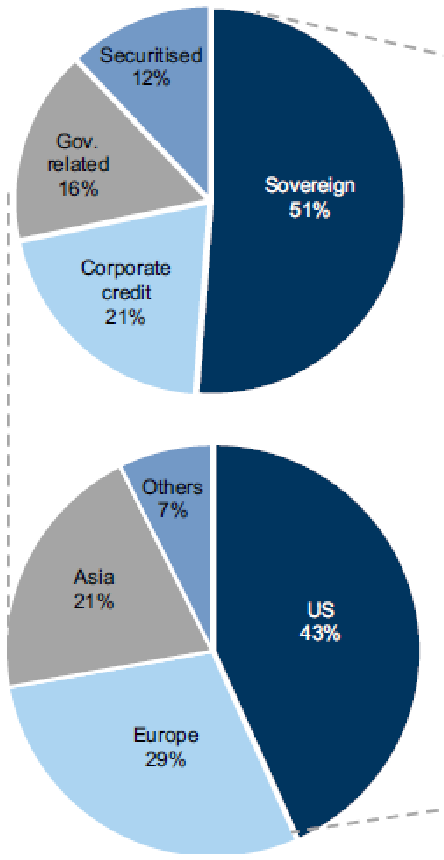
The dominance of the biggest companies in the US equity market is a function of their vastly superior earnings power over the past decade
Magnificent Seven and S&P 500, 12m trailing EPS. Indexed to 100 on Jan 2005

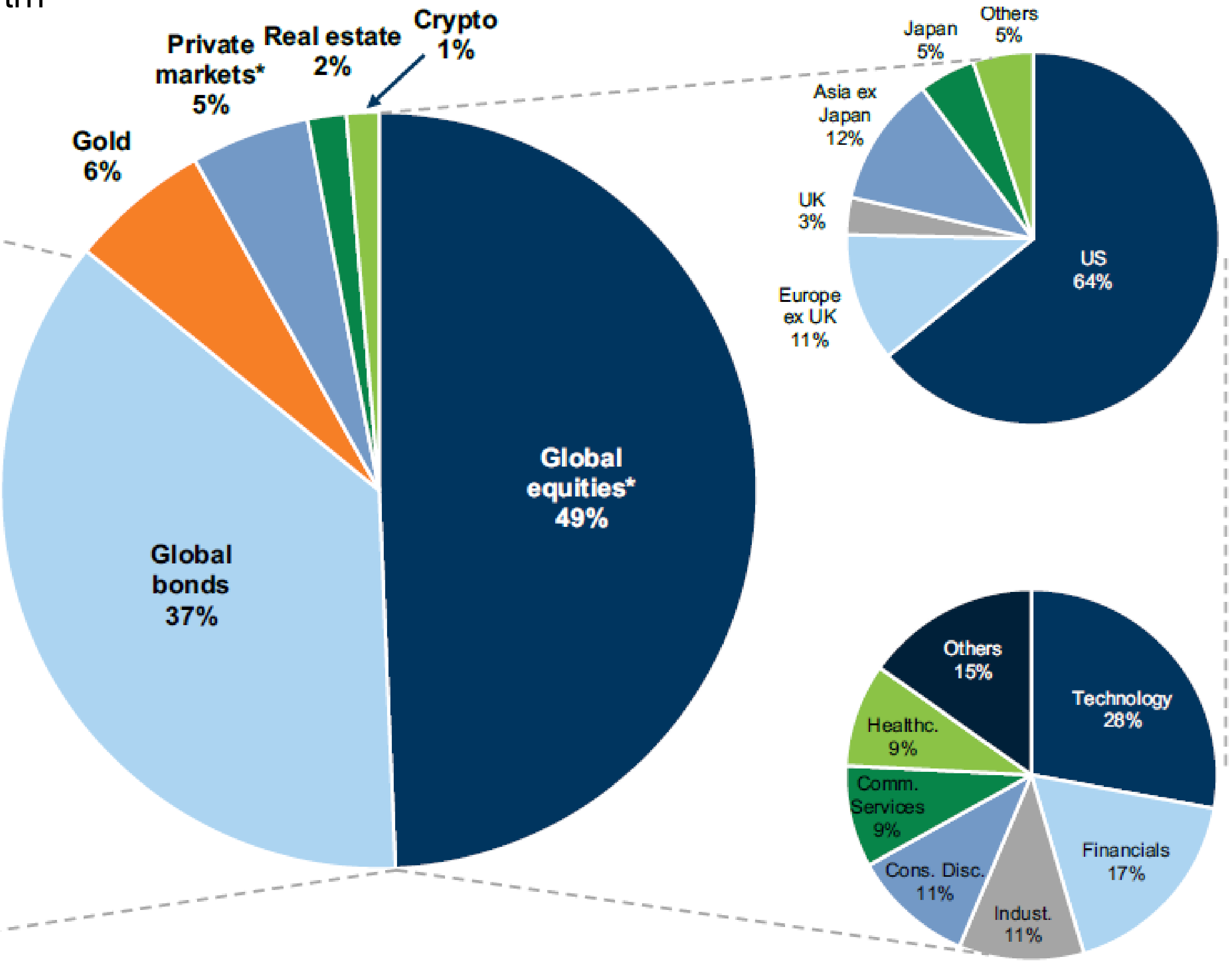


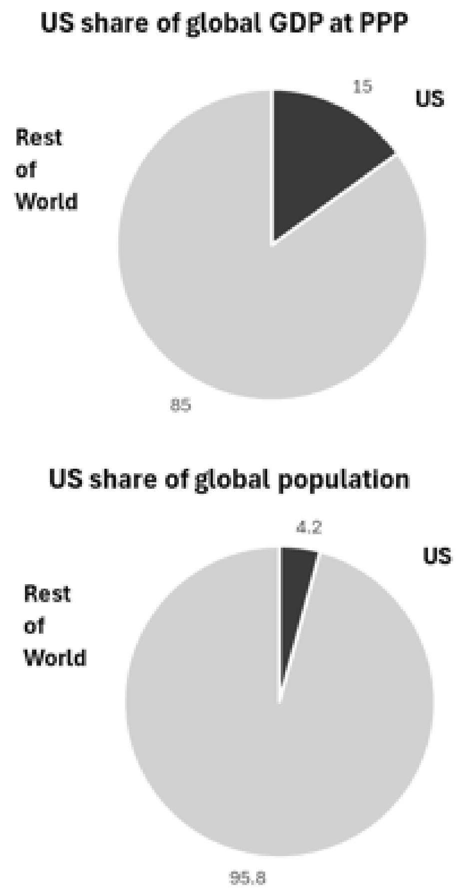
Goldman Sachs

The global market portfolio is dominated by the USA

Current coverage US $261trn assets

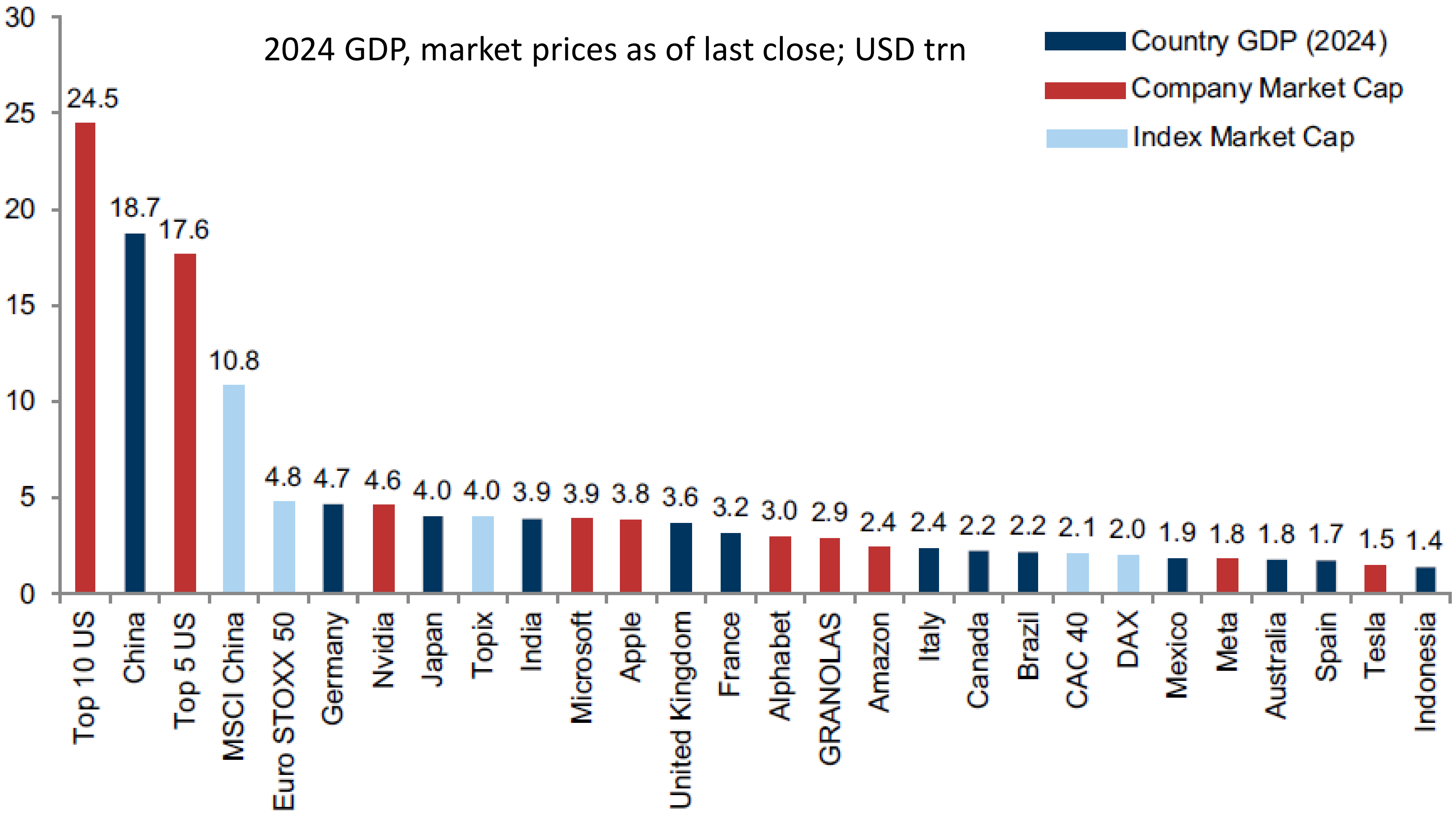






Goldman Sachs

The large American tech companies dominate the global equity market
Market value of individual companies is larger than even the GDP of large countries

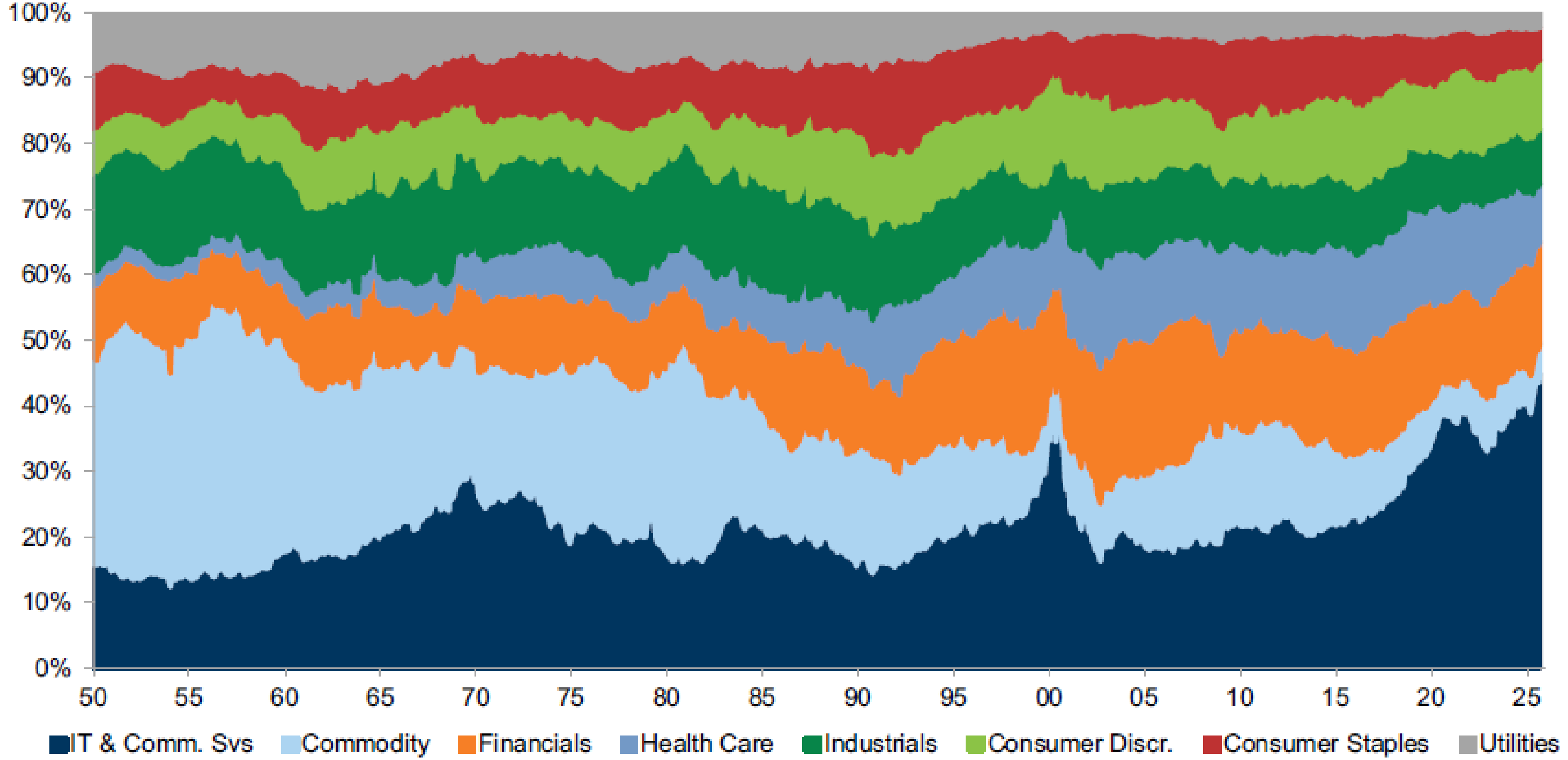


Goldman Sachs

Market cap of the 9 largest US companies corresponds to the sum of the combined market cap of the nine largest stock markets in the world combined

US tech-sector dominates the global equity market

Technology and Financials are dominant, while commodity sectors have shrunk
Relative sector weights within US equities (based on S&P 500)



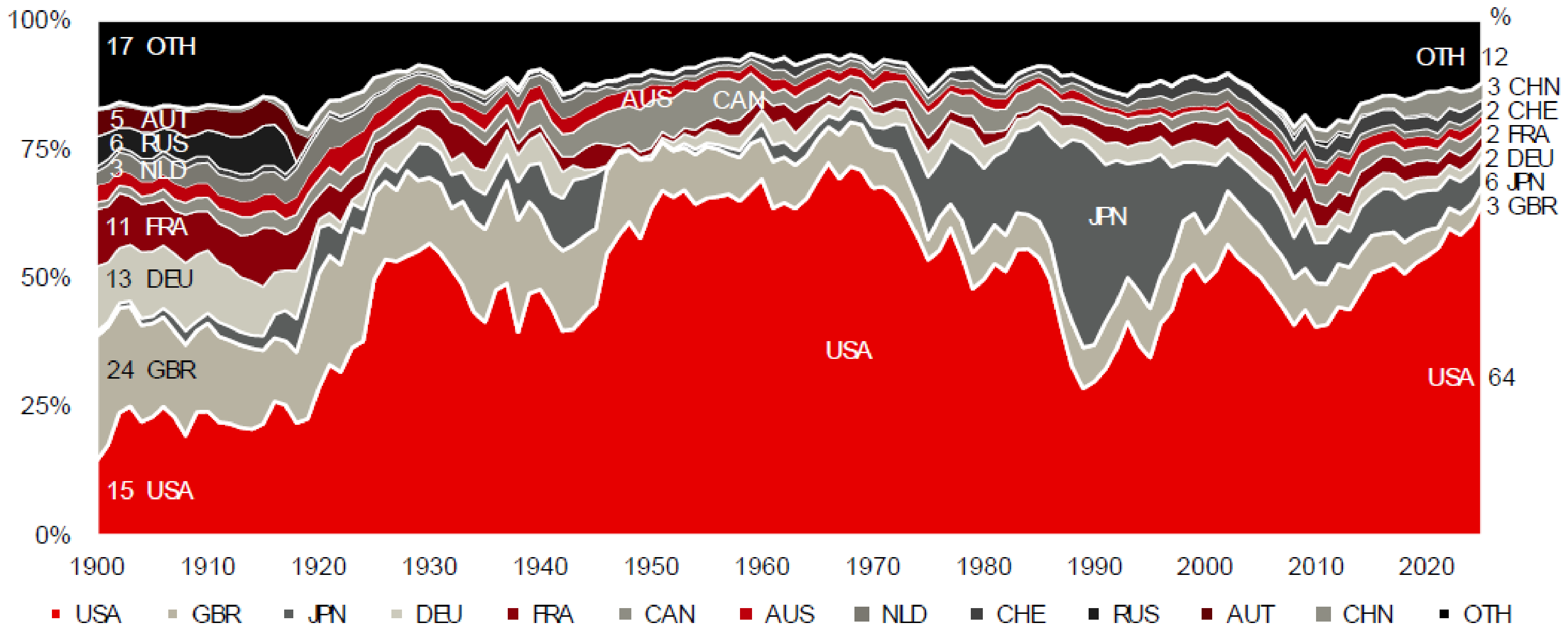
Goldman Sachs

The success bias of the US economy and markets
The long and uninterrupted period of free market capitalism in the US: Can we be sure this continues?

The 125 years of history of global equity markets is including two world wars, revolutions, cold war, financial crisis, two global pandemics etc

The data is dominated by the US market returns

The evolution of equity markets over time from end-1899 to start-2025



Source: UBS Global Investment Returns Yearbook 2025 by Dimson, Marsh and Staunton, the authors of "Triumph of the Optimists"

The Dimson, Marsh and Staunton dataset from 1900: Years of work to eliminate the survivorship bias, including countries like Austria, China and Russia

Survivorship bias = "non-success bias"

Success bias is even more serious

US asset return exhibit "success bias"

US is the dominant free market and by far the world's best-documented one. It set the standard of and influence market behaviour in all other markets

What if US itself move into another not-free market regime?

The high concentration risk in the Oil fund

Geographic

The allocation to the US is far above a broadly defined market portfolio and much higher than peers (located outside the US)

Currency

The USD exposure at 54.5% is far above peers

What can justify such high exposure to one single currency?

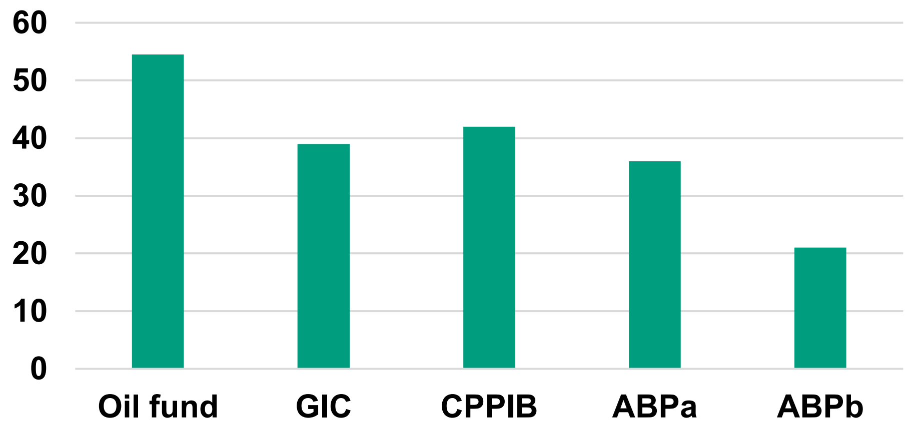
Asset Allocation

The allocation of 70% to public equity markets is an outlier

Very high exposure to single, high risk US stocks

Lacks exposure to private markets: Real estate, infrastructure, private equity

Portfolio exposure to USD, percent



b: after 50% currency hedge

The Norwegian SWF in 2012: Europe an extended domestic market for the Fund with lower risks of capital being expropriated or frozen than in other regions

“Financial protectionism is a risk in today’s global capital markets. This includes the regulation of capital flows and the taxation of capital.

In addition, there will always be a risk that the Fund’s capital could at some point be expropriated or frozen for a long period.

It may be natural to view Europe as an extended domestic market for the Fund with lower risks of this kind than in other regions.

This should not, however, prevent the start of a process of adjusting to and moving in the direction of global market weights.”


Government Pension Fund Global – strategic benchmark index for equity investments

Norge's Banks letter of 2 February 2012 to the Ministry of Finance

[Government Pension Fund Global – strategic benchmark index for equity investments | Norges Bank Investment Management]

Discussion: Why should the country factor matter for a global equity investor?

(It doesn’t in the naïve free-competition financial model)

Currency exposures, although it can be separated out, hedging comes at a cost. Very difficult for large investors, as the Fund, to hedge. International companies will have a wider currency exposure than just to one currency

Home bias, as in the case of US domestic investors have a much higher portion of their wealth in the US stock market than in the global market portfolio *due to factors as information asymmetry, perceived lower risk, Familiarity and Optimism

Political instability, as civil unrest, changes in government, or expropriation

Economic instability: Macroeconomic factors such as high inflation, unstable banking systems, and high national debt

Regulatory environment: Changes in a country's legal and regulatory framework, such as new tax laws or environmental regulations, can impact a company's costs and profitability

Weaponizing of markets, as shown in this presentation. Business, trade and financial flows have become weapons. Country flag matters

Withholding taxes on dividends paid to foreign investors. The rate of this tax can vary significantly depending on the tax treaties between the investor's home country and the company's domicile

Capital gains taxes: while some countries do not tax capital gains for foreign investors, others impose significant taxes on the sale of stocks

Estate taxes: The domicile of an investment can also have estate tax implications for individual investors.
Passive Foreign Investment Companies (PFICs): The U.S. has specific and often punitive tax rules for investments in Passive Foreign Investment Companies (PFICs), which can include foreign mutual funds.

Example

The much higher valuation of the US stock market reflects partly the higher share of successful tech companies, but also a combined country and currency factor. Capital has flown into the US equity markets due to expectation on rising USD and higher economic growth

The key choices

Assets

Allocation of the two main asset classes:

Equities – variable cashflow, ownership of the underlying production capacity, less formal protection of downside, - share in upside

Debt/deposits – fixed cashflow, protection (nominal) on the downside, no sharing in upside

Country allocation

Currency allocation

Alternative assets, as real estate, infrastructure, other private assets (equity, debt). Gold, commodities, land, swap arrangements with other countries etc)

Governance

Degree of delegation

Rebalancing rules

Risk management

Costs

Reporting etc

Process

Frequency of formal strategy reviews

Design of such processes

Possible way of running a systematic and ongoing strategy process

How to evaluate the outcome?

Key takeaways

Intellectual clarity

What is the theoretical model we base the strategy on?
Expressing assumptions explicitly – not only implicitly
(Example: How do we connect the dots from history and historical data to the future?
If our model is based on Modern Portfolio Theory (MPT) - do we understand all the constraints and are we honest in the way we communicate how the strategy is dependent on some key assumptions?)

Decision-making framework

How do we take into account the liability side?
And the possible behavioral pattern of the asset owner/decision maker (ability to stay the course also in bad times, possible self-reinforcing cycles in spending and risk-taking)

What is our methodological approach to deal with deep uncertainty?

How to we take into account new information?
(Is our approach static or dynamic? Why?)

With long-term horizon and our understanding that we are confronted with deep uncertainty - we don't know the future geopolitical, economic and financial regime - comes a key recognition:

There is no "neutral" portfolio

All decisions on reference portfolios are "active" decisions

All performance analysis ex post must take into account the risk assessed at the time of the investment

Building resilience (1)

Avoid

Overstretch of risk that may lead to pro-cyclical behavior
Negative spirals of spending above real return and sale of risky assets

Overly optimistic expectations to long-term real return

Dutch disease – a rigid and not competitive economy to face a much less benign global economic environment: Spending rule

Having a significant part of the portfolio in an asset and/or that may expose the Fund to risk mentioned below

Dilution of ownership rights (by dominant shareholders, governments)
Confiscation of assets
Withholding tax etc.
Inflation
Default
Restructuring of debt
Capital control

https://www.regjeringen.no/no/dokumenter/nou-2022-12/id2928618/

Building resilience (2)

Do

Diversify broadly, across geographies and asset classes

Keep a strong threshold for excluding country exposures from the investment universe

Limits on size of exposures incl country weights

Stay friendly with the countries that let us invest with them ☺

Set up a cycle for formal reviews of strategy that includes four-five very different scenarios, signposts and routines for updating and discussing the scenarios

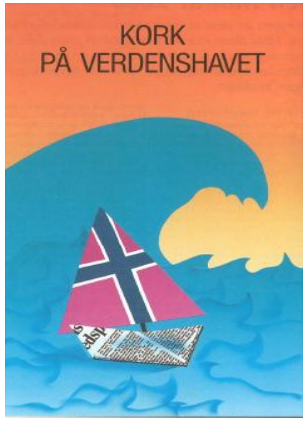
(building multidisciplinary scenarios and processes that grasp most of the complexities the Fund and Norway is facing does not mean that we become market timers ☺)

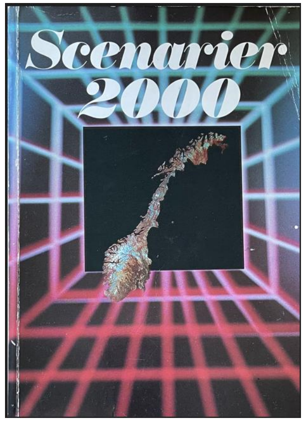
Prudence for a small, open economy

We spend on the budget more than the double of the oil revenue planned for when the Decision rule was established in 2001 (in real terms)

Are we already hit by the Resource Curse?

Do we risk weakening the economic machinery, making it less agile, robust and productive?

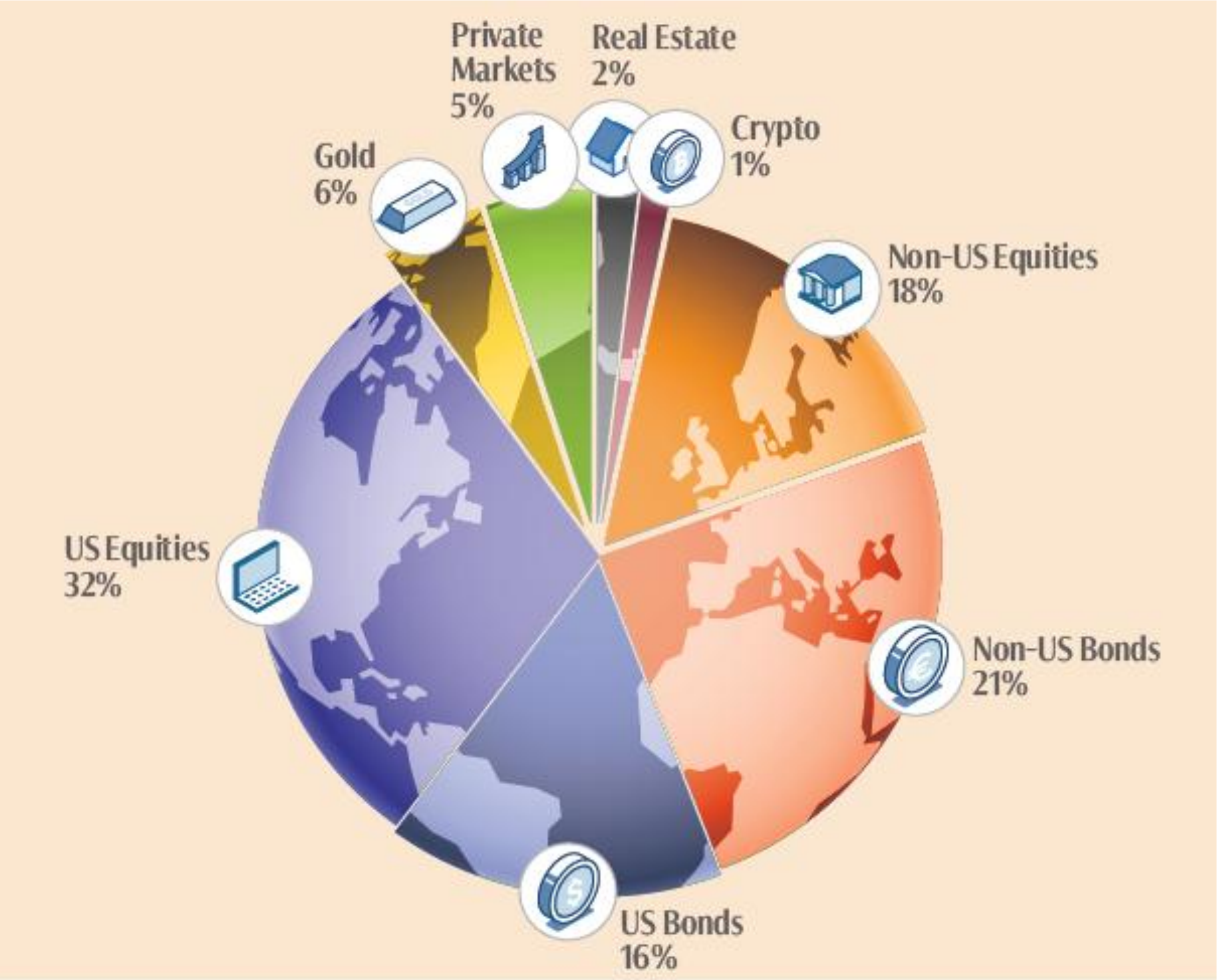




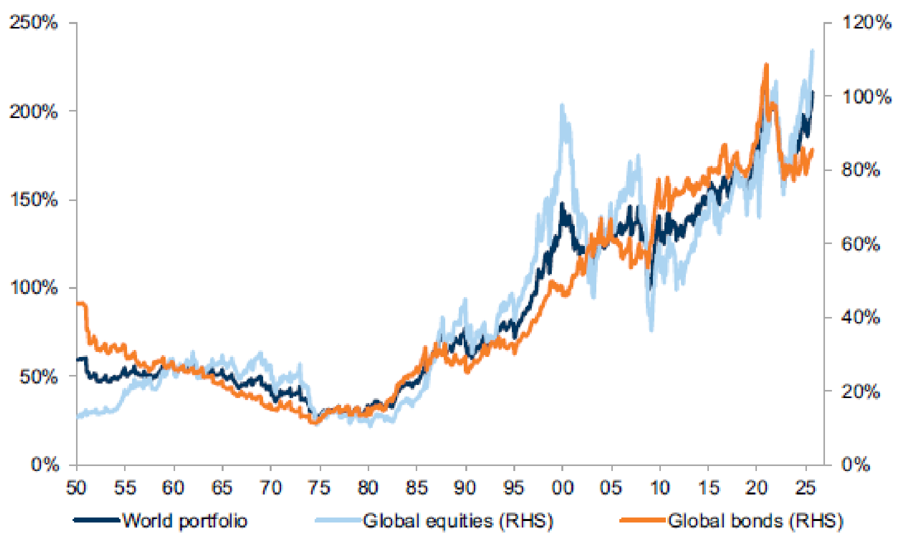
Appendix

Should we invest in Gold?

The Global Market Portfolio

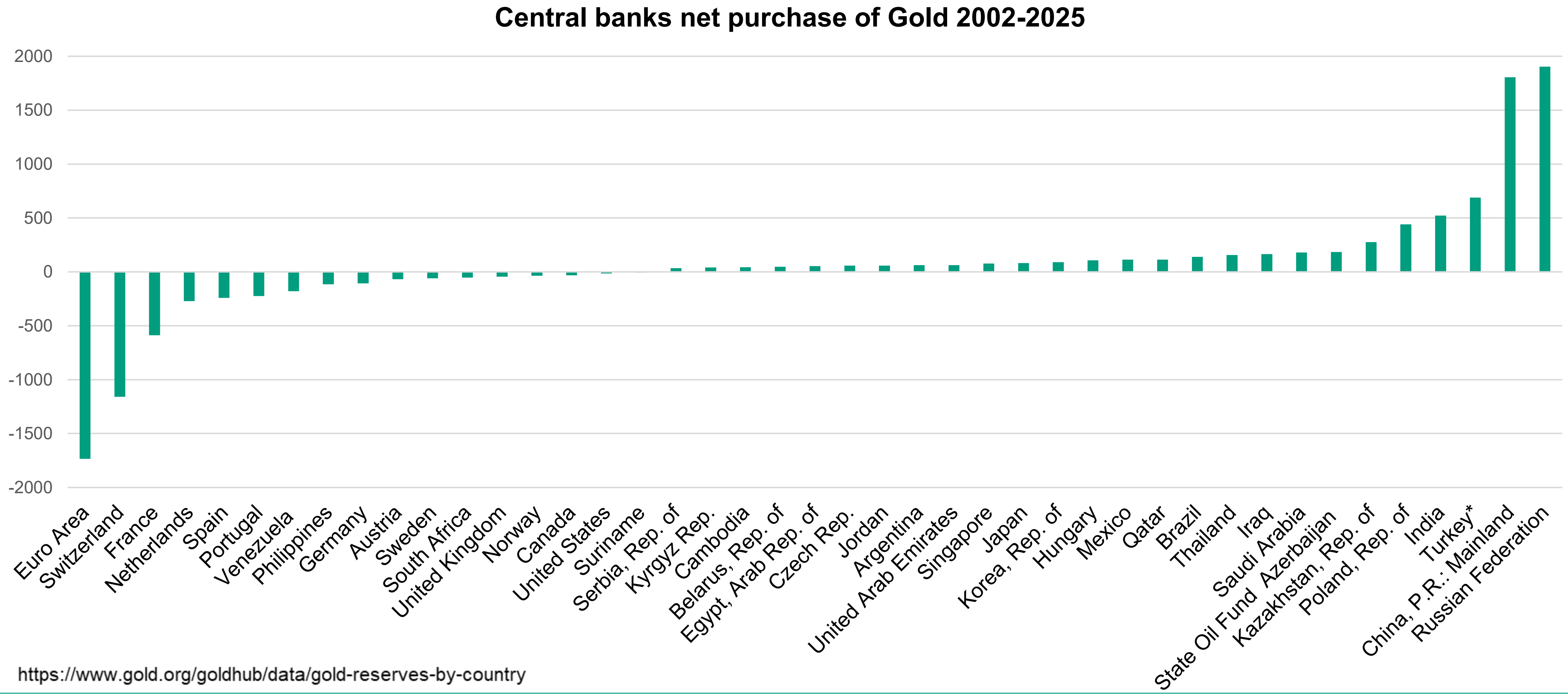


Since the 1990s, the World Portfolio has grown from 75% to over 200% of world GDP
Market values as a proportion of world GDP



Goldman Sachs

Shift in Gold accumulation from West to East. Driven by geopolitics China and Russia are the main buyer of Gold, not surprisingly Russia is now selling…



https://www.gold.org/goldhub/data/gold-reserves-by-country

Russia selling gold

[Russia starts selling gold reserves | The Bell]

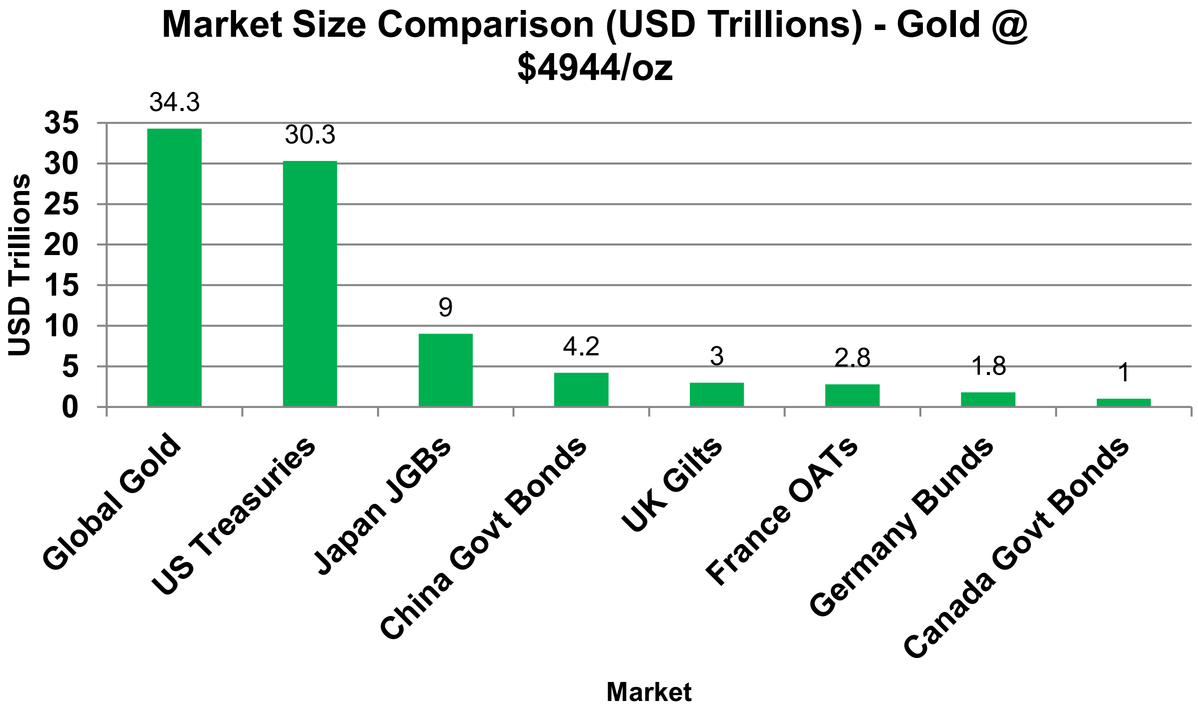
Nov 2025: “The Central Bank began its first sales of physical gold from its reserves as part of the finance ministry’s efforts to fund the budget deficit. With gold at record high levels, this is more lucrative than selling off Russia’s new reserve currency, the Chinese yuan.

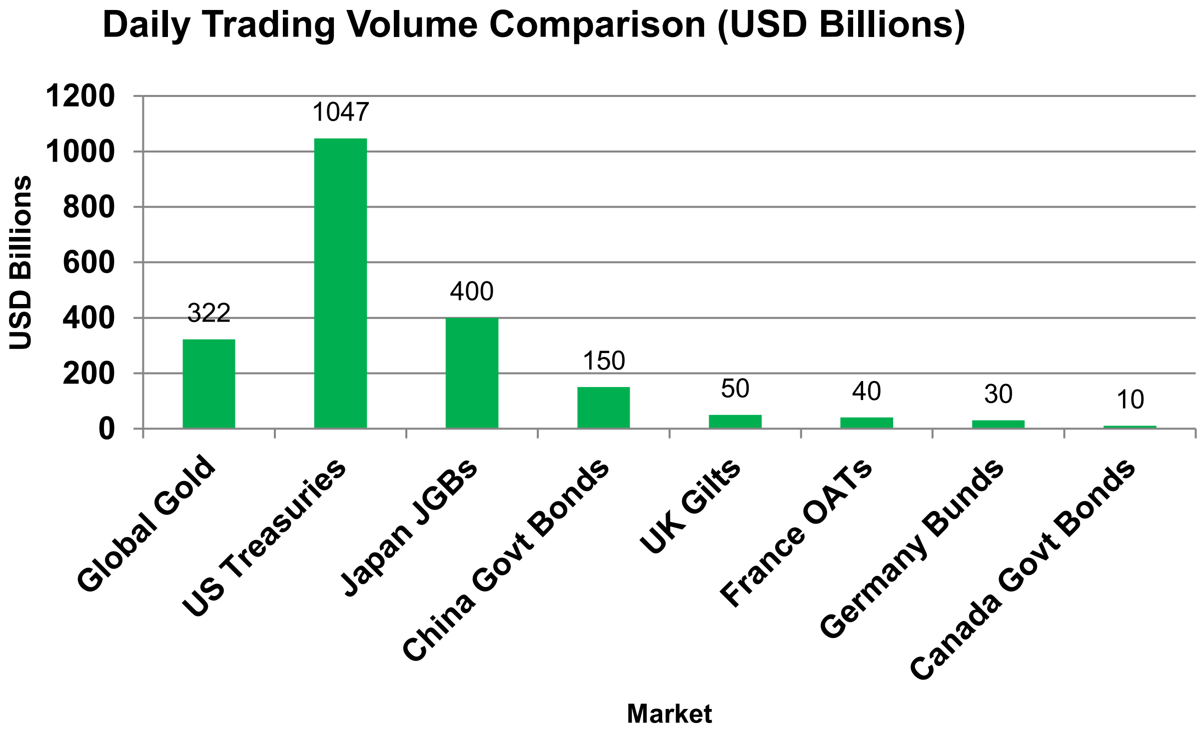
While oil export revenues are falling (which they have been throughout 2025), the finance ministry sells liquid assets from the National Welfare Fund (NWF) to raise rubles. After the invasion of Ukraine and imposition of sanctions, the Chinese yuan and gold are the last two remaining liquid assets Russia has in its arsenal.

Unlike the yuan, which the Central Bank sold on the market, all gold transactions up until now have been virtual: the government did not sell on the market, and the Central Bank kept the actual metal in its vaults.

Selling yuan, however, could create problems on both sides: it risks pushing the ruble to a level that is too strong to support the budget, while also running into weak demand, since Russian companies already hold plenty of yuan and would not be willing buyers. A telling sign of that is the government’s plan to issue Eurobonds denominated in the Chinese currency to create an outlet for the corporate stash.

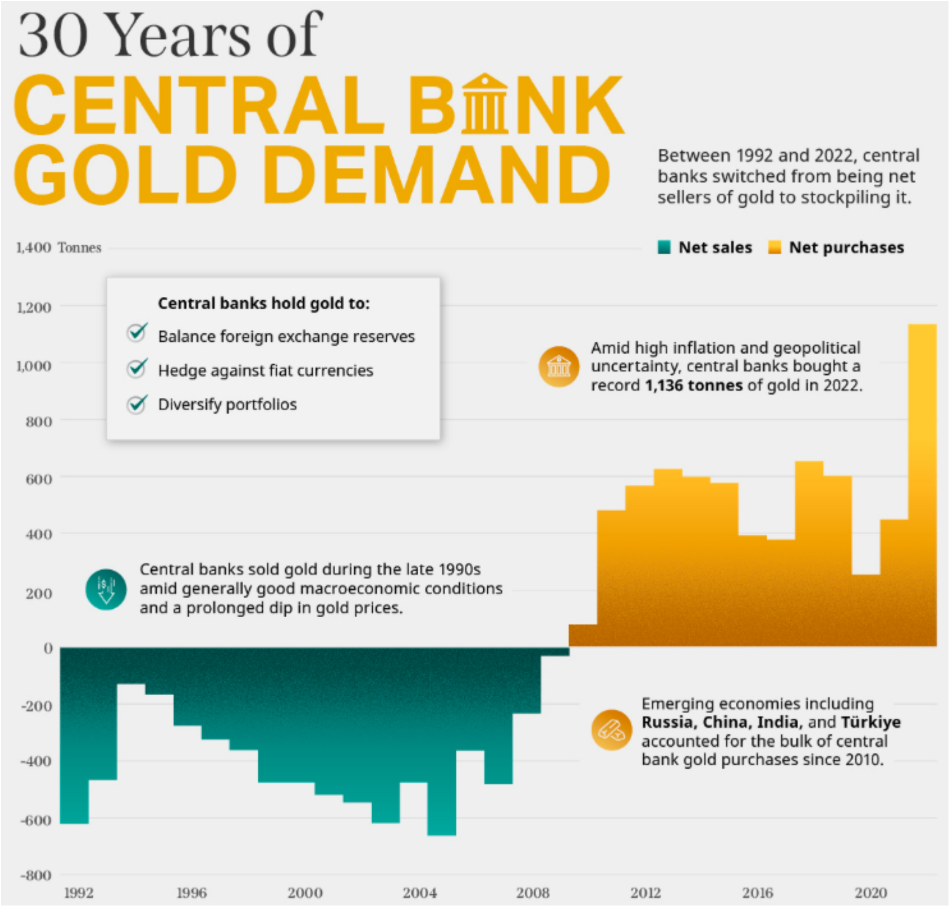
The Gold market is now larger than US Treasuries and highly liquid. “The Great Rebalancing” Global East and South powers and emerging markets seeking to insulate themselves from a fractured geopolitical environment





Central Banks holding of Gold (in tonnes) is still below the peak of 1966

Year	Era	Global CB Holdings (Tonnes)	Gold Price (USD/oz) 2025=1	% of Global GDP	% of total reserves
1926	Interwar Gold Standard	~10,500	$376	2.3%	85.0%
1936	Post-Gold Reserve Act	~13,500	$813	3.8%	91.0%
1946	Early Bretton Woods	~28,000	$577	4.1%	72.0%
1956	US Dominance	~34,500	$415	3.4%	64.0%
1966	London Gold Pool	38,350 (Historical Peak)	$347	1.9%	58.0%
1976	Floating Currency Era	~36,100	$709	2.2%	45.0%
1986	Disinflation Period	~35,500	$1,082	2.9%	35.0%
1996	The "Brown Bottom"	~33,200	$388	1.2%	21.0%
2006	Pre-GFC Stability	~30,200	$798	1.1%	10.5%
2016	Post-GFC Accumulation	~33,100	$1,679	1.6%	11.0%
2026 (Proj.)	Strategic Resilience	~37,200	$4,728	4.5%	29.3%



[Charted: 30 Years of Central Bank Gold Demand - Visual Capitalist]

Reasons to hold gold in the reserves

Inflation protection: Gold has held its value during times of significant currency decline.

Currency diversification: As a non-sovereign asset, gold can offset dollar depreciation. Negative correlation to USD

Asset class diversification: Gold price often moves independently of stocks and bonds

Crisis resilience: During systemic market stress, gold often exhibits countercyclical performance.

Supply constraints: Mining adds only about 2% to existing stock annually. This keeps inflationary pressure low.

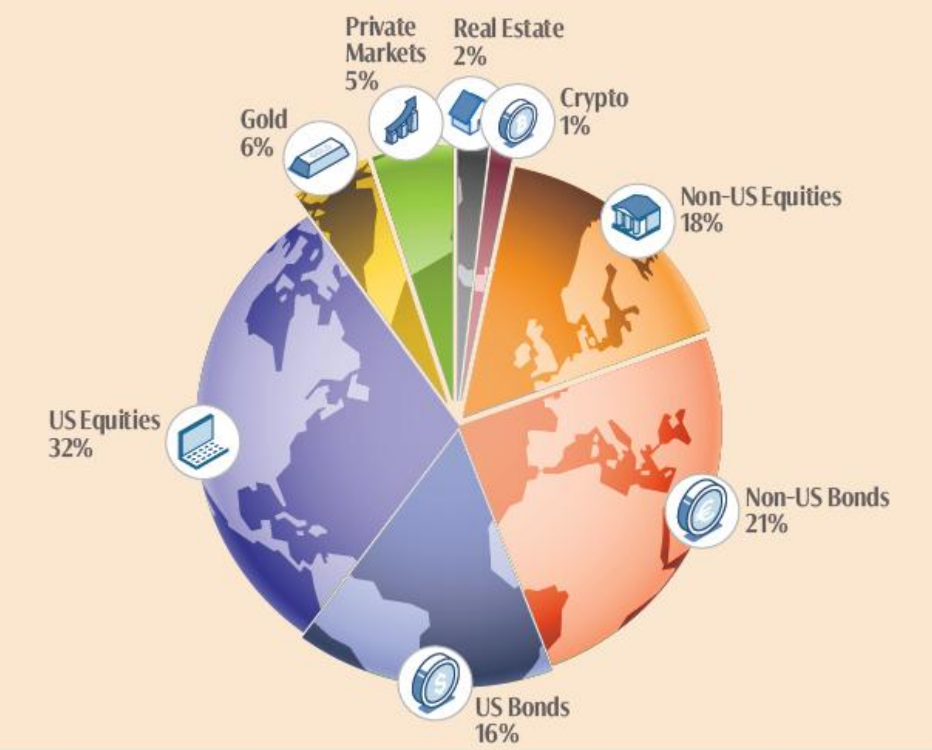
Central-bank demand: Central banks have been net buyers of gold since 2010.

Portfolio diversification: Gold's low correlation with traditional financial assets enhances portfolio efficiency.

Long-term performance: ?

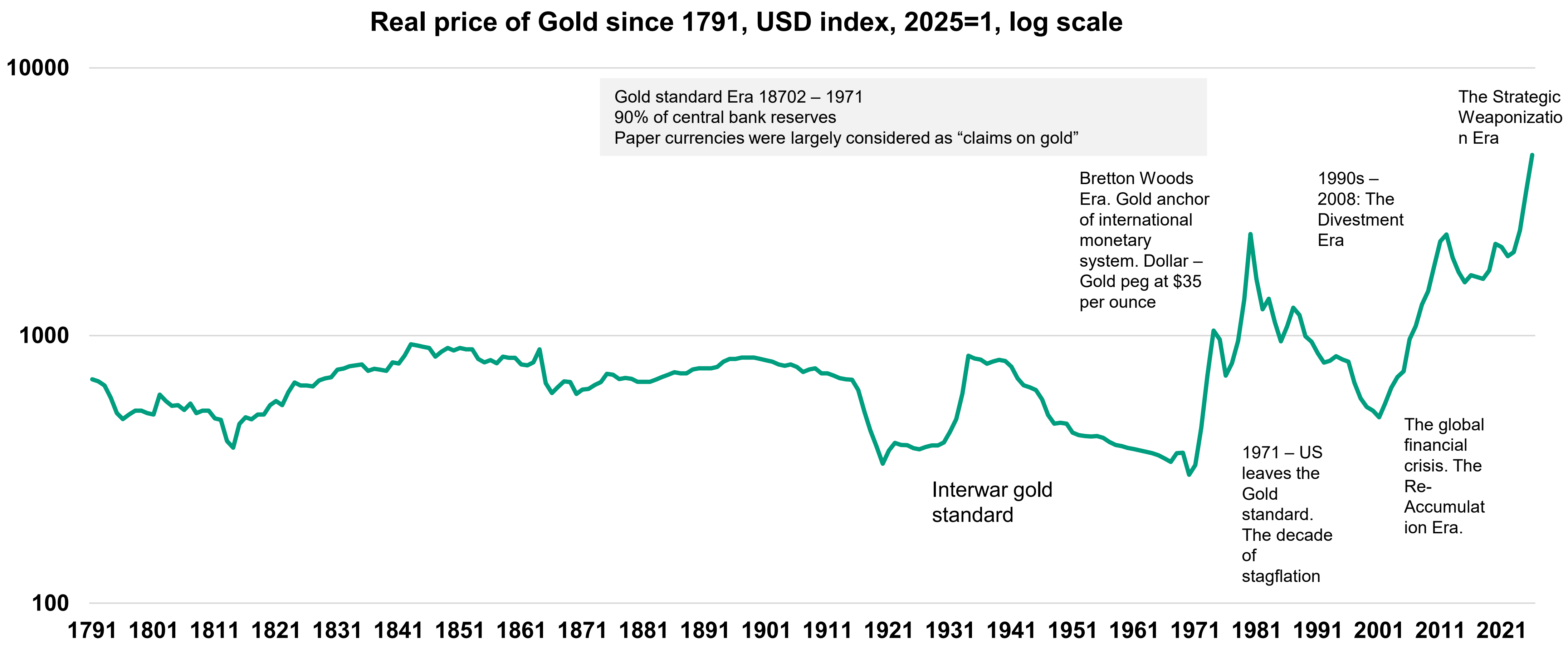
[The dynamics of gold: Performance across different market scenarios]

Gold was 6% of the global market portfolio last fall and is even higher now



Goldman Sachs

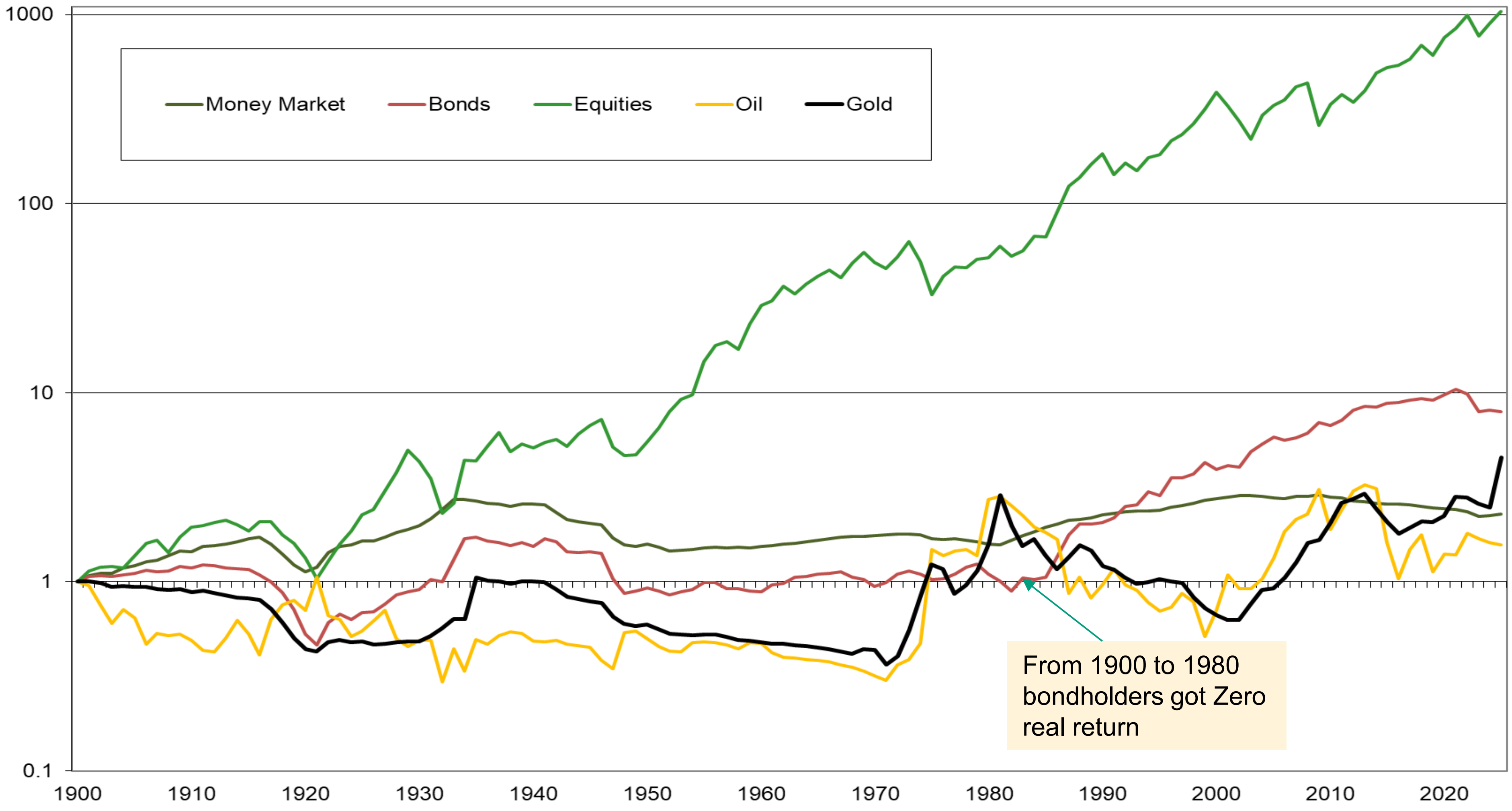
Gold returns no dividend or interest
Has lost real value over long time-periods



[Measuring Worth - Relative Worth Comparators and Data Sets]

To secure the real value, a significant portion of the portfolio must be placed in stocks. Gold is a poor alternative to equities

Real value of USD 1invested in 1900. Logscale



Equities: 1034

Bonds: 8.0

Gold: 4.5 (August 2025)

Money market: 2.3

Oil: 1.6

Based on data by Dimson, Marsh and Staunton, the authors of "Triumph of the Optimists" and my own extensions and additions

Hvorfor gir ikke Gull god realavkastning over lang tid?

Gull. Gir ingen løpende utbetaling

Gull er helt overlegen papirpenger i å holde seg i verdi over tid: Begrenset tilbud, har noe nytteverdi, godt byttemiddel

Fremmedkapital; Banklån, obligasjoner: Renter

Lånekontrakten er i nominelle termer

Rentesatsen avspeiler tilbud og etterspørsel av kapital i samfunnet, sentralbankens styringsrente og kredittmargin

Ingen oppside

Nedsiden delvis beskyttet ved at långivere har (normalt) sikkerhet i pantobjektet

Egenkapital, Aksjer: Utbytte

Aksjer gir styringsrett og tilgang til kontantstrømmen

Ingen beskyttelse av nedside

Eier all oppside

Kontrakten er nominell. Men bedrifter har ofte mulighet til å øke priser når det er generell inflasjon