Conspicuous by its absence

Norway lacks a strategy to influence how international financial regulations, though they are very important to us

An Op-Ed by Sony Kapoor, Re-Define in Aftenposten

Norway's economy is heavily exposed to events and policy shifts around the world, even more so than that of other small countries. The exposure mainly from trade and the investments of the oil fund. Yet, there is an absence of strategy on how best to manage this exposure.

Norway can only do so much against the daily travails of the oil and financial markets that it is so exposed to. However, it can have much greater influence on global and particularly European financial reform efforts that are changing how these markets work. Inexplicably, it has chosen to forgo such influence.

As part of the single market, from which Norway derives significant benefits, it is obliged to adopt most EU financial regulations into its domestic legislation. However, it has little formal influence on what form these take. Norway does have an 'observer' status in some regulatory groupings; this brings a 'voice' but no 'vote'.

This matters for at least two reasons, one relating to the domestic financial system and the other to the oil fund. When the crisis hit, Norway benefited from having regulations that were more stringent and customised to the structure of local financial markets. Now it's adopting new EU financial regulations which will significantly impact the functioning of its domestic financial markets. More important, new EU regulations will have a big effect on the investment landscape the oil fund faces.

Before this happens, has Norway considered financial reforms would best suit its needs and tracked EU policy discussions? Does it know how these differ from its view? Has it identified the most important amongst these and focused its efforts to influence EU policy? Is there a coherent strategy on how to influence EU policy through the few formal and numerous informal channels that Norway has access to? Has it tried? Or been successful?

The answer to most of these is NO!

The oil fund is one of the largest investors in the European Union's equity and bond markets but has probably had less influence on the European Union's new financial regulations than many mid-sized European banks and tiny American hedge funds. The fund has stayed away from expressing, leave alone advocating, positions on the most important regulatory changes of our times despite the fact they effect its operations substantially.

The European Commission and Parliament have both repeatedly expressed a desire to bring a longer-term perspective and more transparency into financial regulation. They view long-term investors as heroes and chafe when short-termist, opaque hedge funds and sell-side investment banks seek to water down proposed legislation through intensive lobbying. There is little, if any effective representation of the interests of the buy side, in particular long term investors, with the oil fund conspicuous by its absence.

Norwegian influence has fallen down the cracks somewhere between the politicians, the NBIM and the ministry of finance with no one clearly responsible. While it may be possible to pin inaction down to ill-preparedness up until now, allowing this to go on will look more a like dereliction of duty. Not just towards Norwegian citizens who own the fund, but towards the billions of those around the world who want a financial system that is more long-term oriented, transparent and works to support the real economy.

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