# A Strategic Investment Fund for America

## A Proposal for a United States Sovereign Wealth Fund

Laurence Wilse-Samson

December 2025

**Abstract**

This white paper proposes a comprehensive architecture for a United States sovereign wealth fund—the United States Strategic Investment Fund—designed to advance American economic and national security interests while maintaining the highest standards of governance and transparency. The proposal addresses the central challenges of funding despite persistent fiscal deficits, governance that insulates against politicization, and investment strategy that balances strategic and financial objectives. Drawing on extensive analysis of global sovereign wealth funds and the Santiago Principles framework, this paper recommends a dual-account structure, phased funding approach beginning with congressional appropriation, and an independent governance architecture modeled on best practices from Norway, Singapore, Australia, and New Zealand.

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*Laurence Wilse-Samson December 2025*

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## How to Read This Paper

This white paper serves multiple audiences. Use this guide to navigate to the sections most relevant to your needs:

**For Policymakers and Senior Officials** (30-45 minutes)

- Start with Section I (Executive Summary)
- Review Section V (Governance Structure)
- Read Section X (Explicit Reservations and Design Responses)
- Skim Section XI (Implementation Roadmap)

**For Legislative Staff** (2-3 hours)

- Full read of Sections I, V, VIII (Congressional Authorization), and X
- Review Appendix D (Draft Enabling Legislation Outline)
- Reference Appendix A (Santiago Principles) as needed

**For Researchers and Academics** (Full paper)

- Complete read recommended
- Appendices B and C provide detailed comparative data
- References section includes extensive academic literature

**For Journalists and General Interest** (20-30 minutes)

- Section I (Executive Summary) and Section II (Introduction)

- Section IX (International Comparisons) for context
- Table 5 (Reservation-Response Matrix) in Section X

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## I. Executive Summary

### Proposal at a Glance

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╔═══════════════════════════════════════════════════════════════════════╗
║            UNITED STATES STRATEGIC INVESTMENT FUND (USSIF)            ║
╠═══════════════════════════════════════════════════════════════════════╣
║                                                                       ║
║   TARGET SIZE        $300-500B (Year 10) → $500B-$1T (Year 30)       ║
║   INITIAL FUNDING    $50 billion congressional appropriation          ║
║   STRUCTURE          Dual-account (Strategic 60% / Domestic 40%)     ║
║   GOVERNANCE         9-member board with independent majority         ║
║   LEGAL BASIS        Congressional statute (not executive order)      ║
║   COMPLIANCE         Full Santiago Principles adherence               ║
║                                                                       ║
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### The Case for a US Sovereign Wealth Fund

The United States faces a new era of economic statecraft in which strategic capital deployment has become a critical tool of geopolitical competition. China has invested over $1 trillion through the Belt and Road Initiative. Gulf states and Singapore leverage sovereign wealth to advance national interests globally. Meanwhile, the US relies on private capital markets and fragmented government programs that, while valuable, lack the scale, flexibility, and long-term orientation that sovereign wealth funds provide.

In February 2025, President Trump signed an executive order directing development of a plan for a US sovereign wealth fund—building on work quietly begun during the Biden administration. The bipartisan interest reflects recognition that new tools are needed. But whether a US SWF succeeds or fails depends entirely on design.

This white paper proposes a comprehensive architecture for a **United States Strategic Investment Fund** that addresses the central challenges: funding despite fiscal deficits, governance that insulates against politicization, and investment strategy that balances strategic and financial objectives.

### Key Recommendations

#### 1. Dual-Mandate Structure

The fund should pursue two distinct objectives through separate accounts:

- **Strategic Investment Account (60% of AUM)**: International investments advancing US economic and national security—critical minerals, supply chain resilience, technology, and allied-nation infrastructure
- **Domestic Development Account (40% of AUM)**: Catalyzing private investment in US infrastructure and critical industries through co-investment

This separation enables clear accountability and prevents domestic political pressure from overwhelming strategic objectives.

**2. Phased Funding Approach**

Acknowledging that the US lacks the surpluses that typically fund SWFs:

- **Phase 1 (Years 1-5)**: Congressional appropriation of $50 billion initially, plus $10-15 billion annually
- **Phase 2 (Years 3+)**: Dedicated revenues from mineral royalties, spectrum auctions, and asset dispositions
- **Phase 3 (Years 5+)**: Strategic federal asset monetization

**Target AUM**: $300-500 billion by Year 10; $500 billion to $1 trillion by Year 30

**3. Independent Governance Architecture**

The heart of the proposal—designed to prevent politicization:

- **Nine-member board**: 4 independent directors (majority), 2 congressional appointees, 3 ex-officio (limited voting)
- **Seven-year staggered terms** spanning political cycles
- **Professional qualifications** required for independent directors
- **Investment committee independence** with fiduciary duties
- **CEO selected by independent directors**, not political appointees

**4. Santiago Principles Compliance**

Full commitment to the 24 internationally-recognized principles for SWF governance, with IFSWF membership and annual compliance reporting.

**5. Congressional Statute, Not Executive Order**

The fund must be created by act of Congress providing: - Constitutional-level protection for fund assets - Clear mandate and investment parameters - Oversight mechanisms (GAO, Inspector General, congressional reporting) - 10-year sunset requiring reauthorization

**Addressing Key Concerns**

| Concern | Design Response |
|---|---|
| **Politicization** | Independent board majority; statutory prohibitions; fiduciary duties |
| **Deficit funding** | Phased approach; dedicated revenues; demonstrated returns before scaling |
| **Market distortion** | Size limits; gradual deployment; co-investment requirements |
| **Mission creep** | Dual-account separation; statutory mandate; sunset provisions |
| **Geopolitical blowback** | Minority stakes only; allied coordination; Santiago compliance |
| **Corruption risk** | Multiple oversight layers; transparency; whistleblower protections |

**Implementation Timeline**

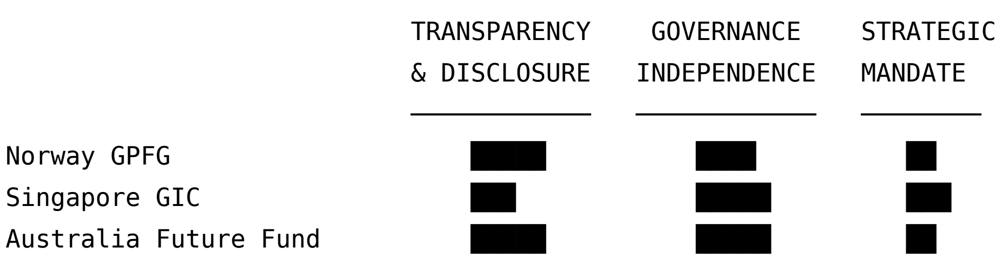
- **Year 1**: Congressional authorization; board appointment; $50B initial capitalization
- **Years 2-3**: Staff build-out; first investments; operational establishment
- **Years 4-5**: Scale to $130-150B; dedicated revenue streams activated
- **Years 6-10**: Maturation to $300-500B; first reauthorization
- **Year 30**: Target $500B-$1T AUM

**The Bottom Line**

A well-designed US sovereign wealth fund could fill a genuine gap in America's economic statecraft toolkit—competing with Chinese capital, securing critical supply chains, catalyzing infrastructure investment, and generating long-term returns. But design is destiny. This paper provides a blueprint for a fund that maximizes strategic value while minimizing the politicization risks that have undermined sovereign investment vehicles elsewhere.

The question is not whether the US *can* create an effective sovereign wealth fund—it clearly can. The question is whether political will exists to create one *wisely*, with the governance discipline that such an institution requires. The stakes are high, and the window for action may be limited.

**How This Proposal Compares to Global Best Practices**



```
New Zealand Super      █████      █████      ██
China CIC              ██         ██         █████
Saudi Arabia PIF       █          ██         █████
                       ─────      ─────      ─────
PROPOSED US SWF        █████      █████      ████

█ = Low  ██ = Moderate  ███ = Above Average  ████ = High  █████ = Highest
```

The proposed USSIF is designed to combine the transparency of Norway, the governance independence of Singapore and the Westminster models, and the strategic flexibility of development-oriented funds—while avoiding the politicization risks that have undermined funds in less democratic contexts.

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## II. Introduction: Why Now?

### The Current Moment

On February 3, 2025, President Donald Trump signed an executive order directing the Treasury and Commerce Secretaries to develop a comprehensive plan for establishing the first-ever United States Sovereign Wealth Fund within 90 days. The order called for the fund to "maximize the stewardship of our national wealth" and promote fiscal sustainability while lessening "the burden of taxes on American families and small businesses."[1] This executive action brought to the forefront a concept that had been quietly developing across partisan lines: the idea that the United States needs new financial tools to compete in an era of intensifying geopolitical competition.

The proposal did not emerge from a vacuum. During 2024, the Biden administration had been quietly developing a similar concept, led by Daleep Singh, the Deputy National Security Advisor for International Economics. As Singh observed, "We're in this really intense geopolitical competition that's playing out through economics."[2] The thinking was that such a fund could catalyze investment in critical industries where private capital alone was insufficient but which were nonetheless vital for national security.

### The Geopolitical Imperative

The case for a US sovereign wealth fund rests fundamentally on a recognition that the landscape of global economic competition has shifted. China's Belt and Road Initiative has deployed an estimated $1 trillion in strategic investments across more than 140 countries, creating infrastructure dependencies and securing access to critical resources.[3] Saudi Arabia's Public Investment Fund ($925 billion in assets) has become a major player in global technology and entertainment investments.

[1] The White House, "Fact Sheet: President Donald J. Trump Orders Plan for a United States Sovereign Wealth Fund," February 2025.
[2] NPR, "What is a sovereign wealth fund and why does President Trump want one?" February 10, 2025.
[3] Council on Foreign Relations, China's Belt and Road Initiative data.

Singapore's GIC and Temasek together manage over $1 trillion in assets that advance Singapore's strategic interests worldwide.

Meanwhile, the United States has relied primarily on private capital markets and a patchwork of government programs—the Development Finance Corporation (DFC), the Export-Import Bank, targeted legislation like the CHIPS Act—to pursue strategic economic objectives. While these tools have value, they lack the flexibility, scale, and long-term orientation that sovereign wealth funds provide. The DFC, for instance, is capped at $60 billion in exposure and is designed primarily for development finance in emerging markets, not for competing with Chinese capital in strategic sectors globally.

### Why Existing Tools Are Insufficient

The limitations of current US government investment vehicles are instructive:

**The Development Finance Corporation (DFC)**: Formed in 2019 by merging OPIC with USAID's credit programs, the DFC has an exposure cap of $60 billion and is explicitly focused on development outcomes in low and middle-income countries. It cannot make strategic investments in allied nations' infrastructure or compete with SWFs in global technology acquisitions.

**The Export-Import Bank**: Designed to support US exports through financing and insurance, Ex-Im Bank does not make equity investments or pursue strategic acquisitions unrelated to US export promotion.

**The CHIPS Act**: While important for semiconductor manufacturing, this legislation provides grants and tax credits rather than equity investments, and is limited to a single sector.

**Private Capital**: While US private capital markets remain the world's deepest, private investors are structurally unable to incorporate national strategic value into investment decisions. A private equity fund cannot accept below-market returns because an investment secures a critical mineral supply chain.

### The Question of Design

The case for *some* form of sovereign investment vehicle is increasingly bipartisan. The harder questions concern design: How would such a fund be financed given persistent US budget deficits? How could it be insulated from the political pressures that have plagued state-owned investment vehicles elsewhere? What should it invest in, and how should success be measured?

These questions have generated significant skepticism. As the Center for Global Development warned, "Don't Go Chasing Sovereign Wealth Funds"—arguing that the US should instead strengthen existing development finance tools rather than creating a new institution.[4] The Carnegie Endowment has highlighted the "high stakes and serious risks" of the proposal,

[4] Center for Global Development, "Don't Go Chasing Sovereign Wealth Funds: Stick with Development Finance Corporations," 2025.

particularly the danger that investments could be driven by political rather than commercial logic.[5]

This white paper takes these critiques seriously. It argues that a well-designed US sovereign wealth fund could address genuine gaps in America's economic statecraft toolkit—but only if its architecture incorporates robust safeguards against the politicization risks that have undermined sovereign investment vehicles elsewhere. The proposal that follows attempts to thread this needle, drawing on decades of international experience and academic research on sovereign wealth fund governance.

### Structure of This Paper

The remainder of this paper proceeds as follows:

- **Section III** provides a taxonomy of sovereign wealth funds globally and examines the current landscape, including lessons from US state-level funds.
- **Section IV** confronts the fundamental funding challenge head-on, proposing a phased approach that acknowledges the US does not have the budget surpluses that typically fund SWFs.
- **Section V** presents the governance architecture—the heart of the proposal—designed to insulate investment decisions from political interference.
- **Section VI** outlines the proposed dual-account investment strategy, separating strategic international investments from domestic development investments.
- **Section VII** analyzes potential impacts on asset markets, fiscal policy, and geopolitics.
- **Section VIII** examines the congressional authorization pathway and constitutional considerations.
- **Section IX** draws lessons from international comparisons—both successes and failures.
- **Section X** explicitly addresses reservations and explains how design choices respond to each concern.
- **Section XI** provides an implementation roadmap from authorization through thirty-year targets.
- **Section XII** concludes with a call to action.

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## III. What is a Sovereign Wealth Fund? Taxonomy and Global Landscape

### Defining Sovereign Wealth Funds

A sovereign wealth fund is a state-owned investment fund that manages government assets for macroeconomic purposes. The International Monetary Fund defines SWFs as "special purpose investment funds or arrangements, owned by the general government," which hold, manage, or

[5] Carnegie Endowment for International Peace, "Trump's Sovereign Wealth Fund Brings High Stakes and Serious Risks," April 2025.

administer assets to achieve financial objectives and employ investment strategies that include investing in foreign financial assets.[6]

This definition distinguishes SWFs from several related entities:

- **Foreign exchange reserves** held by central banks for monetary policy and balance of payments purposes
- **State-owned enterprises** (SOEs) that conduct commercial operations
- **Government pension funds** that manage contributions for specific beneficiaries
- **Fiscal stabilization accounts** that simply hold cash reserves

The key distinguishing features of SWFs are their (1) state ownership, (2) investment mandate extending beyond traditional reserve management, (3) macroeconomic policy purpose, and (4) typically long-term investment horizon.

### IMF Taxonomy: Five Types of Funds

The International Monetary Fund distinguishes five broad categories of sovereign wealth funds, each with different objectives and corresponding investment strategies:[7]

**1. Stabilization Funds** Designed to insulate government budgets and economies from commodity price volatility. These funds accumulate assets when commodity prices are high and disburse them when prices fall. Examples include Russia's National Welfare Fund and Chile's Economic and Social Stabilization Fund.

*Investment Characteristics*: Typically conservative, emphasizing liquidity and capital preservation given potential near-term drawdown needs.

**2. Savings Funds (Intergenerational)** Designed to transform finite resource wealth (typically oil and gas) into a permanent financial endowment for future generations. The paradigmatic example is Norway's Government Pension Fund Global.

*Investment Characteristics*: Long investment horizon permits higher risk tolerance, diversified global portfolios including significant equity allocations.

**3. Pension Reserve Funds** Established to accumulate assets to meet identified future liabilities, typically unfunded government pension obligations. Examples include Australia's Future Fund and New Zealand's Superannuation Fund.

*Investment Characteristics*: Asset-liability matching considerations; investment horizon defined by timing of anticipated liabilities.

**4. Reserve Investment Corporations** Created to enhance returns on excess foreign exchange reserves beyond what central banks require for liquidity purposes. Examples include China Investment Corporation (for a portion of its mandate) and Korea Investment Corporation.

[6] International Monetary Fund, *Setting up a Sovereign Wealth Fund: Some Policy and Operational Considerations*, WP/09/179, August 2009.

[7] IMF, *Global Financial Stability Report*, October 2007, Annex 1.2.

*Investment Characteristics*: Broader mandate than traditional reserve management but still connected to foreign exchange reserve origins.

**5. Development/Strategic Funds** Designed to finance domestic development projects or advance national strategic objectives. Examples include Singapore's Temasek Holdings (in its domestic orientation), Malaysia's Khazanah, and increasingly, funds like Saudi Arabia's Public Investment Fund.

*Investment Characteristics*: May accept below-market returns for strategic value; often include significant domestic investments.

### The Global Landscape: Scale and Distribution

Sovereign wealth funds have grown dramatically over the past two decades. From an estimated $500 billion in 1990, global SWF assets reached approximately $2-3 trillion by 2007 and have since expanded to over $12 trillion in 2025.[8]

**Table 1: Top 10 Sovereign Wealth Funds by Assets Under Management (2025)**

| Rank | Fund | Country | AUM ($B) | Primary Type |
|---|---|---|---|---|
| 1 | Government Pension Fund Global | Norway | ~1,700 | Savings |
| 2 | China Investment Corporation | China | ~1,350 | Reserve Investment |
| 3 | Abu Dhabi Investment Authority | UAE | ~990 | Savings |
| 4 | Kuwait Investment Authority | Kuwait | ~920 | Savings |
| 5 | GIC Private Limited | Singapore | ~770 | Reserve Investment |
| 6 | Public Investment Fund | Saudi Arabia | ~930 | Development/Strategic |
| 7 | Hong Kong Monetary Authority | Hong Kong | ~510 | Reserve Investment |

[8] Sovereign Wealth Fund Institute global rankings; author estimates.

| Rank | Fund | Country | AUM ($B) | Primary Type |
|---|---|---|---|---|
| 8 | Temasek Holdings | Singapore | ~380 | Development/Strategic |
| 9 | Qatar Investment Authority | Qatar | ~475 | Savings |
| 10 | National Council for Social Security Fund | China | ~450 | Pension Reserve |

*Sources: Sovereign Wealth Fund Institute, Global SWF, fund annual reports*

The distribution of SWF assets reflects their origins. Approximately 60% of global SWF assets derive from oil and gas revenues, concentrated in the Middle East (Gulf Cooperation Council countries), Norway, and Russia. Another 35% derives from trade surpluses and foreign exchange reserve accumulation, primarily in East Asia (China, Singapore, Hong Kong, South Korea). The remainder comes from fiscal surpluses, privatization proceeds, and other sources.

### Growth Trends and Projections

The growth of sovereign wealth funds has been remarkable. Simon Johnson, then IMF Chief Economist, observed in 2007 that based on current account trajectories, global SWF assets could reach $10 trillion by 2012.[9] While that specific timeline proved optimistic, the directional projection was correct—assets have continued to grow substantially.

Several factors drive continued SWF growth:

1. **Persistent current account surpluses** in commodity exporters and major Asian economies
2. **Transfer of "excess" reserves** from central banks seeking higher returns
3. **Demonstration effects** as countries observe peers benefiting from SWF structures
4. **Recognition of SWFs as tools** for intergenerational savings, strategic investment, and economic statecraft

More than 90 SWFs now exist globally, with over half established since 2000. Recent entrants include funds in Turkey, Ireland, Senegal, and Mongolia, suggesting the model continues to spread.

**Recent Developments (2020-2025)**: The COVID-19 pandemic significantly affected SWF operations, validating the stabilization function. According to Global SWF and IFSWF analyses, many

[9] Simon Johnson, "The Rise of Sovereign Wealth Funds," *Finance & Development*, September 2007.

SWFs—particularly those in commodity-dependent economies—drew down assets to support government finances during the crisis, demonstrating the buffer role these funds can play. Simultaneously, the pandemic accelerated several investment trends: increased allocation to technology and healthcare; greater focus on ESG considerations; and heightened interest in domestic economic resilience. The post-2021 energy price surge restored assets for many oil-funded SWFs, with Norway's GPFG crossing $1.5 trillion in 2023 despite significant divestments from Russian assets following the Ukraine invasion. The IFSWF's 2024 Annual Review reported that member funds increasingly prioritize climate transition investments and operational resilience, reflecting evolving best practices in the sector.

**US State-Level Funds: Domestic Experience**

The United States has significant experience with sovereign-type investment funds at the state level, providing valuable lessons for federal fund design.

**Alaska Permanent Fund** Established in 1976, the Alaska Permanent Fund receives at least 25% of the state's mineral royalties and related revenues. With approximately $80 billion in assets, it is one of the largest SWFs based in the United States. The fund famously distributes annual dividends to Alaska residents—the Permanent Fund Dividend—creating direct citizen connection to oil wealth. The fund invests globally across public equities, fixed income, private equity, real estate, and infrastructure.

*Key Lessons*: Constitutional protection of principal; transparent governance; citizen dividend creates political constituency for preservation; professional management through Alaska Permanent Fund Corporation.

**Texas Permanent School Fund** Established in 1854, the Texas Permanent School Fund holds approximately $50 billion in assets derived from lands and mineral rights set aside for public education. It distributes income to school districts while preserving principal.

*Key Lessons*: Long history of successful management; clear beneficiary (public schools); constitutional protection; professional investment management.

**New Mexico State Investment Council** Manages approximately $40 billion including the Land Grant Permanent Fund and Severance Tax Permanent Fund, derived from oil, gas, and mineral revenues.

*Key Lessons*: Multiple funds with different purposes; significant allocation to alternatives including private equity and real estate.

These state-level experiences demonstrate that SWF-like structures can function effectively within the US legal and political context. However, they also reveal vulnerabilities: the Alaska Permanent Fund has faced periodic political pressure to increase dividends at the expense of savings, and some state funds have been criticized for insufficiently rigorous governance.

### What the Literature Tells Us

Academic research on sovereign wealth funds has expanded dramatically since the mid-2000s. Key findings relevant to US SWF design include:

**On Governance and Performance**: Aizenman and Glick found that SWF governance quality is positively associated with institutional quality in the home country but varies significantly even within similar political systems.[10] This suggests that institutional design choices—not just national characteristics—matter substantially for fund governance.

**On Investment Behavior**: Research by Bernstein, Lerner, and Schoar found that SWFs with significant government involvement in their management tend to invest at higher valuations and achieve lower returns than those with more professional, independent management—suggesting politicization has real costs.[11]

**On Market Impact**: Studies have generally found that SWF investments do not systematically destabilize target markets, though very large investments can create short-term price pressure. The long-term, patient capital that SWFs provide may actually stabilize markets during periods of stress.[12]

**On Transparency**: Ted Truman's SWF scoreboard found substantial variation in transparency and governance practices, with newer funds not necessarily scoring higher than older ones—suggesting that best practices are not automatically adopted.[13]

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## IV. The Fundamental Challenge: Funding a US SWF

### The Deficit Problem

The most fundamental obstacle to establishing a US sovereign wealth fund is that the United States lacks the budget or current account surpluses that typically fund such vehicles. Norway's Government Pension Fund Global is financed by oil revenues that consistently exceed government expenditure. Singapore's funds derive from persistent trade surpluses. The United States, by contrast, has run fiscal deficits for 50 of the past 55 years.

The numbers are stark: - **FY2025 federal deficit**: Approximately $1.15 trillion - **National debt**: Over $36 trillion - **Current account deficit**: Approximately $800 billion annually

As expert Adnan Mazarei observed, "It is not very clear how they are going to finance this."[14] Unlike commodity exporters with excess revenues to save, the United States would need to either

[10] Joshua Aizenman and Reuven Glick, "Sovereign Wealth Funds: Stylized Facts about their Determinants and Governance," NBER Working Paper 14562, 2008.

[11] Shai Bernstein, Josh Lerner, and Antoinette Schoar, "The Investment Strategies of Sovereign Wealth Funds," *Journal of Economic Perspectives*, 2013.

[12] IMF, *Global Financial Stability Report*, various years.

[13] Edwin M. Truman, *Sovereign Wealth Funds: Threat or Salvation?*, Peterson Institute for International Economics, 2010.

[14] *Foreign Policy*, "What Trump's Sovereign Wealth Fund Proposal Means for the U.S. and the World," February 6, 2025.

appropriate new funds (increasing deficits), redirect existing revenues, or monetize federal assets.

This reality demands intellectual honesty. A US sovereign wealth fund cannot be created by pretending the fiscal situation is different from what it is. Any credible proposal must address funding directly and acknowledge the trade-offs involved.

### The False Promise of Tariff Funding

The Trump administration's executive order hinted at using tariff revenues to fund the SWF. This approach faces serious limitations:

**Volatility**: Tariff revenues fluctuate significantly based on trade volumes, economic conditions, and trade policy. They are not a stable funding source.

**Trade-offs**: Higher tariffs to fund an SWF would raise consumer prices and invite retaliation, potentially undermining the very economic security objectives the fund is meant to advance.

**Magnitude**: Even at elevated levels, tariff revenues (approximately $80-100 billion annually in high-tariff scenarios) would take many years to build a fund of meaningful scale.

**Circularity**: If tariffs harm economic growth, they may reduce other tax revenues, providing no net fiscal benefit.

Tariff revenues could be *one component* of a diversified funding strategy but should not be the primary mechanism.

### Proposed Funding Mechanism: A Phased Approach

**Figure 4: Phased Funding Strategy**

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┌────────────────────────────────────────────────────────────────────────┐
│                    FUNDING SOURCES OVER TIME                           │
└────────────────────────────────────────────────────────────────────────┘

PHASE 1 (Years 1-5)          PHASE 2 (Years 3+)          PHASE 3 (Years 5+)
Congressional                 + Dedicated                  + Asset
Appropriations                Revenues                     Monetization

    ████████████                 ████████████                 ████████████
    ████████████                 ████████████                 ████████████
    ████████████                 ░░░░░░░░░░░░                 ████████████
    ████████████                 ░░░░░░░░░░░░                 ░░░░░░░░░░░░
                                 ░░░░░░░░░░░░                 ░░░░░░░░░░░░
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                                                              ▒▒▒▒▒▒▒▒▒▒▒▒
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█ = Appropriations    ░ = Dedicated Revenues    ▓ = Asset Monetization

Note: Bar heights are illustrative of the evolving funding mix over time.
      Exact proportions will depend on policy choices and market conditions.

┌───────────────────┐   ┌───────────────────────┐   ┌───────────────────────┐
│ PHASE 1           │   │ PHASE 2               │   │ PHASE 3               │
│ Years 1-5         │   │ Years 3+              │   │ Years 5+              │
├───────────────────┤   ├───────────────────────┤   ├───────────────────────┤
│ • $50B initial    │   │ • Mineral royalties   │   │ • SPR partial         │
│   appropriation   │   │   ($3-7B/yr)          │   │   transfer            │
│ • $10-15B annual  │   │ • Spectrum auctions   │   │ • Federal real        │
│   contributions   │   │   ($2-10B/yr)         │   │   property            │
│                   │   │ • Asset dispositions  │   │ • Infrastructure      │
│                   │   │   ($5-10B/yr)         │   │   concessions         │
└───────────────────┘   └───────────────────────┘   └───────────────────────┘
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This paper proposes a phased funding strategy that begins with manageable appropriations and builds toward diversified funding sources over time.

**Phase 1: Congressional Appropriation (Years 1-5)** **Initial Appropriation: $50 billion**

The fund should begin with a direct congressional appropriation of $50 billion. This is large enough to be meaningful—roughly the size of Korea Investment Corporation at its founding—but small enough to be fiscally manageable.

Precedents exist for such appropriations: - Australia's Future Fund was capitalized with approximately A$60 billion in initial contributions. - The US Treasury regularly makes capital contributions to multilateral development banks. - Emergency appropriations during crises (TARP, COVID relief) have been far larger.

A $50 billion appropriation represents approximately 1% of annual federal spending and less than 5% of the annual deficit. While not costless, it is within the range of discretionary spending decisions Congress makes regularly.

**Annual Contributions: $10-15 billion**

Following the initial appropriation, Congress should authorize ongoing annual contributions of $10-15 billion, subject to appropriations. This steady inflow would allow the fund to grow while limiting fiscal impact in any single year.

**Phase 2: Dedicated Revenue Streams (Years 3+)** As the fund establishes its operations and demonstrates effective management, additional funding sources should be activated:

**Federal Mineral Royalties and Oil/Gas Lease Revenues**

The federal government receives approximately $10-15 billion annually in mineral royalties and lease revenues from federal lands. A portion of these revenues—perhaps 25-50%—could be dedicated to the SWF, directly linking the fund to resource extraction in a manner analogous to Alaska's Permanent Fund or Norway's petroleum fund.

*Projected contribution*: $3-7 billion annually

**Spectrum Auction Proceeds**

Federal Communications Commission spectrum auctions have generated over $200 billion historically, with significant individual auctions exceeding $40 billion. Rather than depositing these proceeds into general revenues, a portion could fund the SWF.

*Projected contribution*: Highly variable; $2-10 billion annually when auctions occur

**Federal Real Estate Disposition**

The federal government owns hundreds of billions of dollars in real estate, much of it underutilized. Proceeds from strategic dispositions could fund the SWF.

*Projected contribution*: Variable; potentially $5-10 billion annually

**Phase 3: Asset Monetization Options (Years 5+)** The federal government holds approximately $5.7 trillion in direct financial assets, according to the White House fact sheet. While much of this is not readily transferable (e.g., student loan portfolios, mortgage guarantees), creative structures could allow portions to be monetized or transferred:

**Strategic Petroleum Reserve (Partial)**

The SPR holds approximately 400 million barrels of oil worth roughly $30-35 billion at current prices. A partial transfer—perhaps 100 million barrels—could provide one-time funding while maintaining strategic reserve capacity.

**Federal Real Property Transfers**

Underutilized federal properties, particularly in high-value real estate markets, could be transferred to the SWF for professional management and potential disposition.

**Infrastructure Concession Revenues**

Existing federal infrastructure (highways, airports) could generate concession revenues that flow to the SWF, creating an ongoing income stream.

### Fiscal Sustainability Analysis

Any honest assessment must acknowledge that funding an SWF from deficit-financed appropriations effectively borrows at the federal borrowing rate to invest at the SWF's expected return rate. This is economically sensible only if:

1. The SWF's expected returns exceed federal borrowing costs

2. The strategic value of investments justifies any return gap
3. Governance is sufficient to prevent value destruction through politicized investments

**Current Interest Rate Environment**

With 10-year Treasury yields around 4.5-5% (as of late 2025), and SWF expected returns typically in the 6-8% range for diversified portfolios, the spread is modest but positive. However, this spread can narrow or reverse depending on market conditions.

**The Case for Proceeding Despite Fiscal Constraints**

Several arguments support proceeding despite the fiscal reality:

1. **Strategic returns are not fully captured in financial returns**: An investment that secures critical mineral supply chains may be worth accepting below-market financial returns.

2. **Long-term compounding**: Even modest positive spreads compound significantly over decades.

3. **Discipline effects**: A dedicated fund with clear governance may be more fiscally disciplined than alternative uses of federal resources.

4. **Optionality**: Building institutional capacity now positions the US for future opportunities.

5. **Competitive necessity**: Other nations are deploying strategic capital regardless of US fiscal constraints.

**Summary: Funding Trajectory**

**Table 2: Projected Funding Pathway**

| Period | Primary Funding Source | Annual Contribution | Cumulative AUM Target |
|---|---|---|---|
| Years 1-2 | Congressional appropriation | \$50B initial + \$10B/year | \$70 billion |
| Years 3-5 | Appropriations + dedicated revenues | \$15-20B/year | \$130-150 billion |
| Years 6-10 | Diversified (above + asset monetization) | \$20-30B/year | \$300-500 billion |
| Years 11-30 | Primarily investment returns + ongoing flows | Varies | \$500B - \$1 trillion |

*Note: Figures assume 6% average annual returns on invested capital; actual outcomes will vary based on investment performance and policy choices.*

## V. Governance Structure: Insulating Against Politicization

### The Central Challenge

If funding is the most obvious challenge for a US SWF, governance is the most important. The history of state-owned investment vehicles is littered with examples of political interference, corruption, and value destruction. Malaysia's 1MDB scandal, Libya Investment Authority's post-Gaddafi chaos, and countless examples of state enterprises becoming vehicles for patronage all illustrate the risks.

In the US context, the danger is less outright corruption than politicization—investment decisions made to reward political allies, punish opponents, or achieve short-term political objectives rather than long-term value creation. The suggestion that a US SWF might be used to purchase TikTok immediately raised red flags about political rather than commercial motivation.[15]

As Ted Truman observed in his research on SWF governance, the Santiago Principles and associated reforms have "demystified" SWF operations and improved practices, but "the whole process... is sort of in stasis," with newer funds not necessarily adopting best practices.[16]

Designing governance that can withstand American political pressures—the most intense and sophisticated in the world—requires exceptional care.

### The Politicization Risk: Forms and Manifestations

Political interference in SWF operations can take multiple forms:

**Investment Direction**: Political actors pressuring the fund to invest in favored companies, sectors, or regions, or to divest from disfavored ones.

**Hiring and Patronage**: Appointments based on political loyalty rather than professional competence.

**Performance Pressure**: Political expectations for returns that exceed realistic possibilities, or tolerance for losses on politically motivated investments.

**Withdrawal Demands**: Pressure to distribute fund assets for current consumption rather than preserving capital.

**Foreign Policy Instrumentalization**: Using investment decisions as tools of diplomacy or punishment.

**Election Cycle Effects**: Short-term decision-making aligned with electoral calendars rather than long-term investment horizons.

Each of these risks requires specific structural countermeasures.

[15] Multiple news sources reported White House interest in SWF purchasing TikTok, raising immediate politicization concerns.

[16] Ted Truman interview, The Fletcher School Sovereign Wealth Fund Initiative, March 2012.

**Proposed Governance Architecture**

**Figure 1: USSIF Governance Structure**

```
┌─────────────────────────────────────┐
│            U.S. CONGRESS            │
│  (Oversight, Appropriations, GAO)   │
└──────────────────┬──────────────────┘
                   │
┌──────────────────▼──────────────────┐
│         BOARD OF DIRECTORS          │
│             (9 Members)             │
├─────────────────────────────────────┤
│                                     │
│  ┌─────────────────────────────┐    │
│  │   INDEPENDENT DIRECTORS     │    │
│  │   (4) - Voting Majority     │    │
│  │   • 15+ yrs investment exp  │    │
│  │   • 7-year staggered terms  │    │
│  │   • Select Chair & CEO      │    │
│  └─────────────────────────────┘    │
│                                     │
│  ┌──────────────┐ ┌──────────────┐  │
│  │CONGRESSIONAL │ │  EX-OFFICIO  │  │
│  │ APPOINTEES   │ │   MEMBERS    │  │
│  │    (2)       │ │     (3)      │  │
│  │ • Bipartisan │ │ • Treasury   │  │
│  │ • 6-yr terms │ │ • Commerce   │  │
│  │              │ │ • NEC Dir.   │  │
│  │              │ │ (Non-voting  │  │
│  │              │ │  on invest.) │  │
│  └──────────────┘ └──────────────┘  │
└──────────────────┬──────────────────┘
                   │
┌──────────────────▼──────────────────┐
│       CHIEF EXECUTIVE OFFICER       │
│  (Selected by Independent Directors)│
│            5-year term              │
└──────────────────┬──────────────────┘
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      ┌────────────┼────────────┐
      │            │            │
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┌──────────▼─────────┐  ┌──────────▼─────────┐  ┌──────────▼─────────┐
│        CIO         │  │    INVESTMENT      │  │    INSPECTOR       │
│  Chief Investment  │  │     COMMITTEE      │  │     GENERAL        │
│      Officer       │  │  (Senior Staff)    │  │   (Independent)    │
└────────────────────┘  └────────────────────┘  └────────────────────┘
```

**1. Legal Foundation: Congressional Statute, Not Executive Order** The SWF must be established by act of Congress, not merely executive order. An executive-created fund could be dissolved or restructured by subsequent administrations, undermining the long-term commitment essential to SWF success.

The enabling statute should:

- **Create an independent federally chartered corporation**, analogous to the Federal Reserve System, FDIC, or Federal Home Loan Banks
- **Establish constitutional-level protection** for fund assets against appropriation for other purposes
- **Define the fund's mandate** with sufficient specificity to guide investment decisions while allowing professional discretion
- **Specify governance structures** in law to prevent administrative manipulation
- **Require supermajorities** for subsequent modification of core provisions

**2. Board Structure: Independence Through Design** **Nine-Member Board of Directors**

The board should comprise nine members with staggered seven-year terms:

**Ex-Officio Members (3, non-voting or limited voting)**: - Secretary of the Treasury (or designee) - Secretary of Commerce (or designee) - National Economic Council Director (or designee)

These ex-officio members provide connectivity to administration policy without controlling investment decisions. Their voting rights should be limited to strategic direction setting, not individual investment approval.

**Congressional Appointees (2)**: - One appointed by Senate majority/minority leaders jointly - One appointed by House Speaker/minority leader jointly

Requiring joint appointment ensures bipartisan representation and prevents either party from capturing these seats.

**Independent Directors (4)**: - Appointed by the President with Senate confirmation - Seven-year terms, staggered - Strict qualifications: minimum 15 years of institutional investment experience; no political party office within past 10 years; no lobbying within past 5 years - Once appointed, removable only for cause (malfeasance, incapacity)

The four independent directors should comprise the majority needed for investment decisions, ensuring professional rather than political control.

**Board Governance Provisions**: - Chair selected by independent directors from among themselves - Supermajority (6 of 9) required for: changes to investment policy statement, CEO selection/removal, investments exceeding 1% of AUM - Simple majority sufficient for: routine investment approvals within guidelines, operational matters - Detailed conflict of interest provisions with mandatory recusal and disclosure

**3. Executive Management: Professional Leadership** **Chief Executive Officer / Executive Director**

- Selected by the independent directors (not the full board)
- Five-year term, renewable once
- Compensation benchmarked to major pension fund CIOs (typically $1-3 million annually)
- Removable only by supermajority of independent directors

**Chief Investment Officer**

- Selected by CEO with board approval
- Leads investment committee and professional staff
- Compensation competitive with private sector asset management

**Professional Staff**

- Staffing ratio approximately 1-2 investment professionals per $1 billion AUM
- At $100 billion AUM, approximately 100-200 professional staff
- Competitive compensation necessary to attract talent from private sector
- Clear separation from civil service to enable flexible hiring

**4. Investment Committee Independence** A separate Investment Committee should be established within the professional staff, with:

- Authority to approve investments within board-established guidelines
- Fiduciary duty to the fund, not to political actors
- Clear delegations of authority specifying which investments require board approval
- Documented investment processes with committee minutes

**5. Santiago Principles Compliance** The fund should commit to full compliance with the Santiago Principles—the 24 Generally Accepted Principles and Practices (GAPP) developed by the International Working Group of Sovereign Wealth Funds in 2008. Key principles include:

- **GAPP 1**: Clear legal framework for SWF operations
- **GAPP 4**: Clear policies, rules, and procedures for funding and withdrawal
- **GAPP 6**: Governance framework providing clear separation of functions
- **GAPP 15**: Investment decisions aimed at maximizing risk-adjusted financial returns consistent with investment policy

- **GAPP 19**: No investment based on non-public government information (to avoid unfair advantage)
- **GAPP 22**: Annual report with investment results and independent audit

The fund should seek membership in the International Forum of Sovereign Wealth Funds (IFSWF) and submit to peer review processes.

#### Accountability Mechanisms

Insulation from political control must be balanced with democratic accountability. The fund invests public resources and must answer to the public.

**Congressional Reporting**: - Comprehensive annual report to Congress - Semi-annual testimony by CEO before relevant committees - Notification within 30 days for investments exceeding 1% of AUM

**Audit and Oversight**: - Annual independent financial audit by major accounting firm - GAO audit authority for compliance and performance reviews - Independent Inspector General with full access to fund records

**Transparency and Disclosure**: - Quarterly disclosure of aggregate portfolio allocation - Annual disclosure of investments by sector, geography, and asset class - Delayed disclosure (6-12 months) of specific investments to prevent front-running - Public investment principles statement addressing ESG, national security, and ethical considerations

#### Explicit Anti-Politicization Provisions

The enabling statute should include explicit prohibitions:

1. **No investment decisions based on political affiliation** of company management, employees, or owners
2. **No divestment mandates** based on political controversies without formal board determination that continued investment creates material reputational or legal risk
3. **No involvement of political staff** (White House, campaign, party) in investment deliberations
4. **No coordination with enforcement** actions—fund investments shall not be used as leverage in DOJ, SEC, or other enforcement matters
5. **Whistleblower protections** for fund employees reporting political interference

#### Comparative Governance Structures

**Table 3: Governance Comparison**

| Element | Norway GPFG | Singapore GIC | Proposed US SWF |
|---|---|---|---|
| Board Selection | Ministry of Finance | Government | Mixed (exec, congressional, independent) |
| Investment Authority | Norges Bank Investment Mgmt | GIC Management | Professional staff within board guidelines |
| Ethical Guidelines | Extensive public exclusion list | Internal guidelines | Public principles with delayed specifics |
| Transparency | Highest globally | Moderate | High (with appropriate lags) |
| Political Insulation | Ministry sets policy, NBIM executes | High operational independence | Structural independence via board design |

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## VI. Investment Strategy: The Dual-Account Structure

### Rationale for Dual Structure

**Figure 2: Dual-Account Investment Structure**

```
┌─────────────────────────────────────────────────────────────┐
│              UNITED STATES STRATEGIC INVESTMENT FUND        │
│                      Total AUM Target                       │
└─────────────────────────────────────────────────────────────┘
                            │
                            │
          ┌─────────────────┴─────────────────┐
          │                                   │
          ▼                                   ▼
┌────────────────────────────┐  ┌────────────────────────────┐
│  STRATEGIC INVESTMENT ACCOUNT │  │  DOMESTIC DEVELOPMENT ACCOUNT │
│            (60%)           │  │            (40%)           │
├────────────────────────────┤  ├────────────────────────────┤
│                            │  │                            │
│ MANDATE                    │  │ MANDATE                    │
│ Advance US economic & national │  │ Catalyze private investment in │
│ security through international │  │ US infrastructure & critical │
│ strategic investments      │  │ industries                 │
│                            │  │                            │
├────────────────────────────┤  ├────────────────────────────┤
│                            │  │                            │
│ FOCUS AREAS                │  │ FOCUS AREAS                │
```

```
│  • Critical minerals & supply    │   │  • Transportation infrastructure  │
│    chain resilience              │   │  • Energy grid modernization      │
│  • Semiconductor & advanced tech │   │  • Domestic manufacturing         │
│  • Energy security infrastructure│   │  • Workforce development          │
│  • Allied nation infrastructure  │   │                                   │
│                                  │   │                                   │
├──────────────────────────────────┤   ├───────────────────────────────────┤
│                                  │   │                                   │
│  RETURN TARGET                   │   │  RETURN TARGET                    │
│  Risk-adjusted returns above     │   │  Modest positive real returns     │
│  risk-free rate; strategic value │   │  (2-4% above inflation);          │
│  may justify below-market returns│   │  social/economic multipliers      │
│                                  │   │                                   │
├──────────────────────────────────┤   ├───────────────────────────────────┤
│                                  │   │                                   │
│  KEY CONSTRAINTS                 │   │  KEY CONSTRAINTS                  │
│  • 70%+ international allocation │   │  • 100% domestic                  │
│  • Minority stakes only          │   │  • 50%+ private co-investment     │
│  • 1% max single investment      │   │  • Davis-Bacon labor standards    │
│                                  │   │                                   │
└──────────────────────────────────┘   └───────────────────────────────────┘
```

A US sovereign wealth fund must serve two distinct objectives that, while complementary, require different investment approaches:

1. **Strategic/Geopolitical**: Advancing US national and economic security through international investments that compete with Chinese capital and secure critical supply chains

2. **Domestic Development**: Catalyzing investment in US infrastructure and critical industries where private capital is insufficient

Combining these mandates in a single undifferentiated portfolio would create accountability confusion and risk political pressure to favor domestic investments regardless of return potential. Instead, this paper proposes a **dual-account structure** with clear separation:

- **Account 1: Strategic Investment Account** (60% of initial AUM)
- **Account 2: Domestic Development Account** (40% of initial AUM)

This structure is modeled partly on Singapore's dual-fund approach (GIC for global portfolio management, Temasek for strategic holdings) and the CFR proposal's recommended dual-account framework.[17]

[17] Council on Foreign Relations, "Sovereign Funds and American Investment Strategy: How to Responsibly Create a U.S. Strategic Investment Fund," 2025.

**Account 1: Strategic Investment Account**

**Mandate**: Advance US national and economic security through strategic investments globally, with an emphasis on competing with Chinese capital deployment and securing critical supply chains.

**Investment Focus Areas** **Critical Minerals and Supply Chain Resilience** - Mining and processing operations for lithium, cobalt, rare earth elements, and other critical minerals - Geographic diversification away from Chinese-dominated supply chains - Co-investments with allied nation mining companies and sovereign funds

**Semiconductor and Advanced Technology** - Equity stakes in non-US semiconductor manufacturing expansion - AI and quantum computing infrastructure - Technology companies in allied nations where US investment strengthens ties

**Energy Security Infrastructure** - LNG export terminals and shipping - Renewable energy supply chains (solar, wind, battery manufacturing) - Nuclear energy infrastructure and fuel cycle

**Allied Nation Infrastructure** - Ports, rail, and telecommunications in strategic locations (countering BRI) - Co-financing with Japanese, Korean, European, and Australian partners - Focus on Indo-Pacific, Africa, and Latin America

**Investment Parameters**

| Parameter | Specification |
|---|---|
| Geographic Allocation | Primarily international (70%+ of Account 1) |
| Domestic Investments | Limited to supply chain security (30% cap) |
| Instrument Types | Equity stakes, debt instruments, project finance, joint ventures |
| Maximum Single Investment | 1% of total fund AUM |
| Majority Stakes | Prohibited in foreign companies |
| Minimum Holding Period | 5 years (except for risk management) |
| Currency Hedging | Discretionary within risk limits |

**Return Expectations and Strategic Value** Account 1 investments should target **risk-adjusted financial returns above the risk-free rate**, but the mandate explicitly permits accepting below-market returns when strategic value is substantial. This requires clear frameworks for assessing and documenting strategic value:

**Strategic Value Criteria**: 1. Supply chain security impact (reducing dependence on adversary nations) 2. Alliance strengthening (deepening economic ties with key partners) 3. Technology access (securing advanced technology supply) 4. Countervailing capacity (denying strategic assets to competitors)

Investments may proceed with expected returns below private market alternatives when strategic value is documented and approved by the board. However, the fund should never make investments with negative expected returns unless in extraordinary circumstances with board supermajority approval.

**Benchmarking**: Account 1 performance should be benchmarked against a custom index reflecting its strategic mandate, not a pure market benchmark. Annual reports should separately disclose financial returns and strategic value metrics.

#### Account 2: Domestic Development Account

**Mandate**: Catalyze private investment in US infrastructure and critical industries, addressing market failures where private capital is insufficient despite positive social returns.

**Investment Focus Areas** **Transportation Infrastructure** - Port modernization and expansion - Rail network improvements (freight and passenger) - Airport infrastructure - Highway and bridge reconstruction (through innovative financing structures)

**Energy Grid Modernization** - Transmission line expansion - Grid storage facilities - Smart grid technology deployment

**Domestic Manufacturing** - Semiconductor fabrication facilities (complementing CHIPS Act) - Critical mineral processing plants - Pharmaceutical and medical device manufacturing

**Workforce Development Facilities** - Technical training centers - Community college infrastructure - Research facilities at public universities

**Investment Parameters**

| Parameter | Specification |
|---|---|
| Geographic Allocation | Exclusively domestic |
| Co-Investment Requirements | Minimum 50% private capital for most investments |
| Instrument Types | Infrastructure debt, project finance, equity, guarantees |
| Maximum Single Investment | 2% of Account 2 AUM |
| Geographic Distribution | Board shall consider regional balance |
| Labor Standards | Davis-Bacon prevailing wage requirements apply |

**Return Expectations** Account 2 investments should target **modest positive real returns** (2-4% above inflation), accepting that social returns and economic multiplier effects may exceed financial returns. This account is explicitly a development finance vehicle, not a pure return-maximizing investment pool.

**Metrics**: In addition to financial returns, Account 2 should track: - Jobs created or supported - Private capital mobilized (leverage ratio) - Infrastructure capacity added (specific to sector) - Geographic distribution of investments

### Asset Allocation Framework

**Strategic Asset Allocation Process** The board should establish strategic asset allocation (SAA) targets for each account, reviewed annually. A sample initial allocation:

**Account 1: Strategic Investment Account**

| Asset Class | Target Allocation | Range |
|---|---|---|
| Public Equities (international) | 30% | 20-40% |
| Private Equity / Direct Investments | 35% | 25-45% |
| Infrastructure (international) | 20% | 15-30% |
| Fixed Income / Cash | 15% | 10-25% |

**Account 2: Domestic Development Account**

| Asset Class | Target Allocation | Range |
|---|---|---|
| Infrastructure Debt | 40% | 30-50% |
| Project Finance Equity | 30% | 20-40% |
| Real Assets (facilities) | 20% | 15-30% |
| Cash / Liquidity | 10% | 5-15% |

### Rebalancing and Liquidity

- Quarterly rebalancing toward SAA targets
- Annual comprehensive SAA review
- Liquidity reserves maintained for operational needs and opportunistic investments
- No leverage at the fund level (individual project finance may include leverage)

### Risk Management

- Comprehensive risk management framework including market, credit, operational, and geopolitical risk
- Value-at-Risk (VaR) and stress testing
- Currency risk management within limits
- Country concentration limits
- Sector concentration limits

- Counterparty exposure limits

**Prohibited and Restricted Investments**

The investment policy statement should specify:

**Prohibited**: - Investments in sanctioned entities or countries - Investments in companies majority-owned by adversary-nation governments - Weapons systems manufacturers (potential exception for allied nations) - Gambling, tobacco (reflecting US government restrictions)

**Restricted (requiring board approval)**: - Media and telecommunications (political sensitivity) - Financial institutions (systemic risk implications) - Investments in countries without bilateral investment treaties

**ESG Considerations**: - Negative screen for severe environmental or human rights violations - Positive consideration for climate transition investments - Governance standards for direct investments - Annual ESG report

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## VII. Potential Impacts and Risks

### Asset Market Impacts

**Will a US SWF Move Markets?** A commonly raised concern is that a large US sovereign wealth fund could distort asset markets. This concern merits careful analysis.

**Context and Scale**

The proposed fund would start at $50-70 billion and grow to perhaps $300-500 billion over a decade. For context: - US equity market capitalization: ~$50 trillion - Global equity market capitalization: ~$110 trillion - US bond market: ~$50 trillion - Annual US pension fund flows: ~$500+ billion

At even $500 billion in assets, the US SWF would represent approximately 1% of the US equity market—meaningful but not dominant. For comparison, Norway's GPFG holds approximately 1.5% of global public equities and has not demonstrably distorted markets.

**Deployment Strategy**

Market impact can be minimized through: - **Gradual deployment**: Investing over years, not months - **Diversification**: Spreading investments across sectors, geographies, and asset classes - **Passive approaches**: For liquid markets, using index-like strategies that minimize individual stock impact - **Direct investments**: For private markets, bilateral negotiations without public market impact

**Research Evidence**

Academic research generally finds that SWF investments do not systematically destabilize markets. Kotter and Lel found that SWF investments are associated with positive announcement returns but no negative long-term effects.[18] The patient, long-term capital that SWFs provide may actually stabilize markets during periods of stress, as SWFs can buy when short-term investors are selling.

### Fiscal Impacts

**Effect on Deficit and Debt** As analyzed in Section IV, funding an SWF from appropriations increases near-term deficits. The fiscal impact depends critically on:

1. **Investment returns vs. borrowing costs**: If the SWF earns returns above the federal borrowing rate, the long-term fiscal impact is positive.
2. **Opportunity cost**: What would the appropriated funds otherwise have been used for? If the alternative is other spending or tax cuts, the fiscal impact is neutral.
3. **Asset monetization**: If federal assets are transferred rather than sold, there is no immediate fiscal impact, but future asset income is redirected.

**Central Estimate**: An initial $50 billion appropriation adds ~$50 billion to the national debt (~0.14% of GDP). Annual contributions of $10-15 billion add ~$10-15 billion to annual deficits (~0.04-0.05% of GDP). Over 30 years, assuming 6% average returns and continued contributions, the fund would be self-sustaining and potentially provide net returns to the federal government.

**Crowding Out Concerns** A related concern is that federal investment through an SWF might "crowd out" private investment. This risk is mitigated by:

- **Focus on market failures**: Account 2 explicitly targets areas where private capital is insufficient
- **Co-investment requirements**: Mandating private capital participation ensures additionality
- **International focus**: Account 1 primarily invests abroad, not competing with domestic private capital
- **Scale**: Relative to US capital markets, SWF investments are marginal

### Geopolitical Considerations

**Reciprocity Concerns** If the US creates a sovereign wealth fund, will it face the same barriers it has historically imposed on other SWFs? The US has used CFIUS (Committee on Foreign Investment in the United States) to restrict SWF investments deemed national security risks. Creating a US SWF could invite reciprocal treatment.

**Mitigation strategies**: - **Minority stakes**: By limiting investments to minority positions, the US SWF reduces target country concerns - **Allied coordination**: Co-investing with allied nation SWFs demonstrates commercial rather than adversarial intent - **Transparency**: High transparency reduces fears of hidden agendas - **Santiago Principles compliance**: Demonstrates commitment to commercial, not political, investment

[18] Jason Kotter and Ugur Lel, "Friends or Foes? Target Selection Decisions of Sovereign Wealth Funds and Their Consequences," *Journal of Financial Economics*, 2011.

**CFIUS Implications** The existence of a US SWF does not change CFIUS authorities or procedures for foreign investment into the US. However, it does create potential awkwardness—the US would be deploying capital abroad while restricting foreign capital at home.

This tension is not unique to SWFs; US companies invest globally while the US regulates inward investment. The key is consistency: the US SWF should accept the same restrictions abroad that the US applies to foreign SWFs at home.

**Allied Nation Coordination** A well-designed US SWF could strengthen alliances by: - **Co-investing with allied SWFs** in strategic projects - **Providing counter-BRI alternatives** that allied nations can support - **Deepening economic integration** through shared investments - **Creating multilateral investment platforms** for coordinated capital deployment

**Political Economy Risks**

**Political Capture Scenarios** The governance structure proposed in Section V is designed to prevent political capture, but risks remain:

**Risk**: A future administration stacks the board with loyalists through the appointment process. **Mitigation**: Staggered terms, Senate confirmation, professional qualification requirements, and independent director majority.

**Risk**: Congress pressures the fund to invest in politically favored projects or regions. **Mitigation**: Clear mandate in statute, fiduciary duty provisions, and prohibition on earmarking.

**Risk**: The fund is used as a foreign policy tool to reward or punish countries. **Mitigation**: Investment committee independence, documented investment processes, and prohibition on non-commercial criteria.

**Election Cycle Pressures** SWFs are inherently long-term vehicles, but American politics operates on short cycles. Risks include: - Pressure to show short-term gains before elections - Pressure to avoid losses that could be politically embarrassing - Campaigns targeting fund investments for political purposes

**Mitigation**: Term lengths that span election cycles, delayed disclosure to prevent politicization of individual investments, and clear communication that SWF returns fluctuate over time.

**Mission Creep** Over time, successful funds often face pressure to expand their mandates. The Alaska Permanent Fund has faced repeated proposals to increase dividends, divert funds to state operations, or take on new objectives.

**Mitigation**: Clear mandate in statute, dual-account structure that cabins different objectives, and sunset/reauthorization provisions that force explicit decisions about scope changes.

## VIII. Congressional Authorization Pathway

### Constitutional Considerations

Establishing a sovereign wealth fund raises several constitutional questions that Congress must address in enabling legislation.

**Appropriations Clause** Article I, Section 9, Clause 7 provides: "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law." Any SWF capitalization requires explicit congressional appropriation. The executive cannot unilaterally transfer Treasury funds or federal assets to an SWF without statutory authorization.

**Implication**: The February 2025 executive order can direct planning but cannot itself create or fund an SWF. Congressional action is required.

**Necessary and Proper Clause** Congress has broad authority under Article I, Section 8, Clause 18 to create instrumentalities necessary for executing its enumerated powers. Historically, Congress has created numerous financial instrumentalities: the First and Second Banks of the United States, the Federal Reserve System, the Export-Import Bank, the Reconstruction Finance Corporation, and the Development Finance Corporation.

An SWF fits comfortably within this tradition. Congress's powers over commerce, taxation, and spending provide ample constitutional foundation.

**Non-Delegation Concerns** An SWF necessarily delegates significant investment discretion to professional managers. The Supreme Court's non-delegation doctrine requires that Congress provide an "intelligible principle" to guide agency discretion.

**Implication**: The enabling statute must define the SWF's mandate with sufficient specificity to satisfy non-delegation requirements, while allowing professional flexibility in implementation.

### Required Legislation: Key Elements

An SWF enabling statute should include the following components:

#### 1. Establishment and Purpose

- Create the "United States Strategic Investment Fund" as an independent federally chartered corporation
- State purposes: (a) enhance US economic and national security through strategic investments; (b) catalyze domestic infrastructure and critical industry investment; (c) generate long-term returns for the American people
- Define relationship to existing agencies (Treasury, Commerce, DFC)

**2. Governance**

- Board composition, qualifications, terms, appointment process
- Board powers and responsibilities
- CEO/CIO selection and authority
- Fiduciary duties and standards of conduct
- Conflict of interest provisions

**3. Funding**

- Initial appropriation authorization
- Ongoing annual contribution authorization
- Dedicated revenue stream designations
- Asset transfer authorities
- Prohibition on fund assets being appropriated for other purposes

**4. Investment Authorities and Limits**

- Dual-account structure
- Investment parameters for each account
- Prohibited and restricted investments
- Maximum concentration limits
- Foreign investment authorities

**5. Oversight and Accountability**

- Reporting requirements (annual, semi-annual, event-driven)
- GAO audit authority
- Inspector General provisions
- Whistleblower protections
- Congressional notification requirements

**6. Sunset and Reauthorization**

- 10-year reauthorization requirement
- Review process before each reauthorization
- Orderly wind-down provisions if not reauthorized

**Committee Jurisdiction**

SWF legislation would likely be referred to:

**Senate**: - Banking, Housing, and Urban Affairs (primary) - Finance (tax and revenue provisions) - Foreign Relations (international investment authorities) - Armed Services (national security dimensions)

**House**: - Financial Services (primary) - Ways and Means (tax and revenue provisions) - Foreign Affairs (international investment authorities) - Armed Services (national security dimensions)

Multi-committee jurisdiction complicates passage but ensures comprehensive review.

### Political Feasibility Assessment

**Bipartisan Interest** The SWF concept has attracted interest across party lines: - **Trump administration**: Executive order directing planning - **Biden administration**: Quiet development of similar concept under Daleep Singh - **Congressional interest**: Bipartisan support for strategic competition with China

The framing that resonates with both parties emphasizes: - Competing with China (appeals to both parties' China hawks) - Infrastructure investment (Democratic priority) - Private-sector leverage and market-based approaches (Republican priority) - Long-term fiscal responsibility through investment returns

**Potential Opposition** Opponents may include: - **Fiscal conservatives** concerned about deficit financing - **Free-market advocates** skeptical of government investment - **Privacy/civil liberties advocates** concerned about government stakes in companies - **Specific interests** opposed to investments in particular sectors

**Path to Passage** A realistic path to passage might include: 1. **Treasury/Commerce report** (per executive order) providing detailed proposal 2. **Hearings** in relevant committees with expert testimony 3. **Bipartisan working group** to develop compromise legislation 4. **Attachment to larger bill** (e.g., NDAA, appropriations) to ensure passage 5. **10-year sunset** to address concerns about permanence

### Relationship to Existing Institutions

The SWF must be designed to complement, not duplicate, existing institutions:

**Development Finance Corporation (DFC)**: - DFC focuses on development impact in emerging markets - SWF Account 1 focuses on strategic/commercial value globally - Coordination agreement to prevent duplication and leverage synergies - Potential co-investment on aligned projects

**Export-Import Bank**: - Ex-Im supports US exports through financing - SWF makes equity investments not tied to exports - Complementary mandates, minimal overlap

**CHIPS Act Entities**: - CHIPS provides grants for domestic semiconductor manufacturing - SWF Account 2 could make complementary equity investments - Potential coordination on supply chain projects

**Treasury/Federal Reserve**: - Clear separation from monetary policy and reserve management - Information sharing on macroeconomic conditions - SWF operates independently of exchange rate considerations

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## IX. International Comparisons and Lessons

### Norway's Government Pension Fund Global: The Gold Standard

Norway's GPFG, the world's largest sovereign wealth fund at approximately $1.7 trillion, is widely considered the benchmark for SWF governance and transparency.

**Key Features**: - **Funding**: 100% from petroleum revenues; Norway runs consistent fiscal surpluses - **Governance**: Ministry of Finance sets policy; Norges Bank Investment Management executes - **Investment**: Almost entirely international (>95%); no domestic investments except small real estate allocation - **Transparency**: Highest globally; publishes complete holdings list annually - **Ethics**: Public exclusion list based on ethical guidelines; divests from controversial weapons, environmental damage, etc. - **Returns**: Long-term returns averaging ~6% annually

**Lessons for US SWF**: - Clear separation between policy (ministry) and execution (professional management) works - Transparency builds public trust and political sustainability - Ethical guidelines can be implemented without sacrificing returns - Long-term orientation requires insulation from short-term political pressures

**What Doesn't Transfer**: - Norway's oil surplus funding model is unavailable to the US - Norway's small size makes complete international focus feasible; US SWF has domestic obligations - Norway's political culture of consensus differs from American polarization

### Singapore: GIC and Temasek Dual Model

Singapore operates two major sovereign investment vehicles with distinct mandates.

**GIC Private Limited (~$770 billion)**: - Manages Singapore's foreign exchange reserves for long-term returns - Purely financial mandate; no strategic or development objectives - Global portfolio; no domestic investments - Professional management with high operational independence - Moderate transparency (publishes portfolio allocation, not individual holdings)

**Temasek Holdings (~$380 billion)**: - Strategic investment company; originally consolidated Singapore state enterprises - Mandate includes strategic value and nation-building alongside returns - Significant domestic and regional investments - More active ownership approach; takes board seats - Higher transparency than GIC (publishes more detailed portfolio information)

**Lessons for US SWF**: - Dual-fund/dual-account model can work effectively - Different mandates require different investment approaches and accountability frameworks - Both funds demonstrate that professional management can coexist with government ownership - Strategic investments can generate strong returns when professionally managed

**Singapore's Governance Approach**: - Both funds have constitutional protection against political interference - President holds ultimate approval over key appointments and reserve drawdowns

- Professional compensation attracts talent from private sector - Clear separation between government policy and investment operations

#### China's State Capital Ecosystem: Beyond Traditional SWFs

China's approach to sovereign investment extends far beyond CIC ($1.35 trillion). As Zongyuan Zoe Liu argues in *Sovereign Funds: How the Communist Party of China Finances Its Global Ambitions* (Harvard, 2023), China has developed a distinctive model of "sovereign leveraged funds"—state-backed investment vehicles that combine government capital with borrowed funds and operate with explicitly strategic mandates that blur the line between commercial and geopolitical objectives.[19]

**The Chinese Ecosystem**: - **CIC**: Traditional SWF managing foreign exchange reserves (~$1.35 trillion) - **China Development Bank and Export-Import Bank**: Policy banks deploying over $500 billion in Belt and Road lending - **SAFE**: State Administration of Foreign Exchange managing reserves and operating investment subsidiaries - **Silk Road Fund**: Dedicated BRI investment vehicle ($40 billion initial capitalization) - **AIIB and NDB**: Multilateral development banks with Chinese leadership

This ecosystem allows China to deploy capital across a spectrum from purely commercial to overtly strategic, with different vehicles serving different purposes. The integration of these vehicles gives China substantial advantages in speed, scale, and coordination that the fragmented US approach cannot match.

**Implications for US SWF Design**: - CIC's lower governance standards invite suspicion and host-country resistance - However, China's ability to coordinate across multiple vehicles is strategically effective - US SWF should maintain clear separation from strategic agencies but have coordination mechanisms - A US SWF would face similar scrutiny that Chinese vehicles face in Western markets

**Competitive Dynamics**: - A US SWF would directly compete with Chinese state capital for strategic assets - Brad Setser of the Council on Foreign Relations notes that without comparable tools, the US relies on regulatory barriers (CFIUS) rather than competing capital - Co-investment with allied SWFs (Norway, Singapore, Gulf states, Australia) could create a counterbalancing coalition - The goal should be offering recipient countries alternatives to Chinese financing, not merely blocking Chinese investment

#### Failed/Troubled Examples: What to Avoid

**Libya Investment Authority**: - During Gaddafi era, served as vehicle for regime patronage and political objectives - Post-Gaddafi, assets frozen and disputed; governance collapse - Lesson: Governance must be robust enough to survive political transitions

**1MDB (Malaysia)**: - Created as development fund in 2009; collapsed in corruption scandal by

[19] Zongyuan Zoe Liu, *Sovereign Funds: How the Communist Party of China Finances Its Global Ambitions* (Harvard University Press, 2023).

2015 - Over $4.5 billion embezzled by officials and associates - Lesson: Development mandate is especially vulnerable to abuse; requires exceptional oversight

**Venezuela's FONDEN**: - Created to invest oil surplus; became vehicle for off-budget government spending - Billions unaccounted for; complete lack of transparency - Lesson: Fiscal rules and transparency requirements are essential

**Common Failure Patterns**: 1. Weak governance and oversight 2. Development or strategic mandates used to justify non-commercial decisions 3. Lack of transparency enabling corruption 4. Political transitions leading to asset seizure or misuse 5. Fiscal pressure leading to drawdowns that undermine long-term mission

**Comparative Governance Summary**

**Table 4: International Governance Comparison**

| Element | Norway | Singapore (GIC) | Singapore (Temasek) | China (CIC) | Proposed US |
|---|---|---|---|---|---|
| Legal Foundation | Act of Parliament | Constitution | Companies Act | State Council | Congressional statute |
| Board Independence | Moderate | High | High | Low | High (by design) |
| Political Insulation | High | Very High | Very High | Low | High (by design) |
| Transparency | Highest | Moderate | Moderate-High | Low | High |
| Ethics/ESG Policy | Extensive | Internal | Published | Limited | Published |
| Santiago Compliance | Yes (voluntary) | Yes | No (opted out) | Yes | Yes (committed) |

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## X. Explicit Reservations and Design Responses

This section directly addresses the most serious reservations about a US sovereign wealth fund and explains how the proposed design responds to each concern.

**Reservation 1: Politicization Risk**

**The Concern**: Government control of investment decisions inevitably leads to political rather than commercial decision-making. Investment choices will be made to reward allies, punish opponents, or achieve short-term political objectives.

**Design Response**: - **Independent board structure**: Four of nine directors are independent with professional qualifications and seven-year terms - **Investment committee independence**: Professional staff make day-to-day investment decisions within board guidelines - **Explicit prohibitions**: Statutory prohibition on political criteria in investment decisions - **Fiduciary duty**: Legal obligation to act in fund's interest, not political interest - **Transparency and disclosure**: Public scrutiny deters political interference - **Whistleblower protections**: Staff can report interference without retaliation - **Supermajority requirements**: Major decisions require 6 of 9 board votes

**Residual Risk**: No design can completely eliminate political risk in a democracy. The goal is to make politicization difficult, detectable, and costly. Some political accountability is appropriate—this is public money.

**Reservation 2: Deficit Funding**

**The Concern**: The US runs persistent deficits; funding an SWF would simply borrow money to invest, creating negative carry if borrowing costs exceed returns.

**Design Response**: - **Phased approach**: Start with manageable appropriation ($50B), demonstrate returns before scaling - **Dedicated revenues**: Mineral royalties, spectrum auctions, and asset sales provide non-deficit funding - **Return targeting**: Investment strategy designed to exceed federal borrowing costs - **Strategic value accounting**: Some investments justify below-market returns through strategic value - **Fiscal transparency**: Annual reporting on all fiscal impacts - **Sunset provisions**: 10-year reauthorization forces regular fiscal assessment

**Residual Risk**: Investment returns are uncertain; borrowing costs may rise. The case rests partly on strategic value that is difficult to quantify. Congress should proceed with eyes open about fiscal implications.

**Reservation 3: Market Distortion**

**The Concern**: A large government investor could distort asset prices, crowd out private capital, and create unfair advantages.

**Design Response**: - **Size limits**: Even at $500B, fund would be ~1% of US equity markets - **Gradual deployment**: Multi-year investment deployment limits market impact - **Diversification**: No concentration in individual securities - **Co-investment focus**: Account 2 requires majority private capital - **Minority stakes**: Prohibition on controlling positions - **No material non-public information**: Statutory prohibition on using government information for trading

**Residual Risk**: Any large investor affects markets at the margin. The impact is likely modest given scale relative to total markets.

**Reservation 4: Mission Creep**

**The Concern**: Over time, the fund will be pressured to take on additional mandates, eventually becoming a vehicle for whatever spending priorities emerge.

**Design Response**: - **Dual-account structure**: Clear separation of mandates with distinct accountability - **Statutory mandate**: Purposes defined in legislation, not regulation - **Sunset provisions**: 10-year reauthorization provides checkpoint for scope assessment - **Board independence**: Professional directors can resist inappropriate expansion - **Withdrawal rules**: Clear fiscal rules limiting drawdowns

**Residual Risk**: Political pressure is persistent. Success in resisting mission creep depends on building a culture of mandate discipline and public understanding of fund purposes.

**Reservation 5: Geopolitical Blowback**

**The Concern**: Other countries will restrict US SWF investments, claiming national security concerns just as the US has restricted their investments.

**Design Response**: - **Minority stakes only**: Reduces target-country concerns about control - **Santiago Principles compliance**: Demonstrates commercial intent - **Allied coordination**: Co-investing with friendly nations builds legitimacy - **Transparency**: Open about objectives and decision criteria - **Acceptance of reciprocity**: US should accept the restrictions it would face as reasonable

**Residual Risk**: Some countries will restrict US investment regardless of design. China and Russia are unlikely to welcome US strategic investment. The response is to focus on countries where US investment is welcome.

**Reservation 6: Corruption and Mismanagement**

**The Concern**: Large pools of government money attract corruption; SWFs elsewhere have been vehicles for massive fraud (e.g., 1MDB).

**Design Response**: - **Professional management**: Competitive compensation attracts competent managers - **Multiple oversight layers**: Board, GAO, Inspector General, congressional oversight - **Transparency**: Harder to steal when investments are disclosed - **Conflict of interest rules**: Strict provisions preventing self-dealing - **Whistleblower protections**: Internal reporting mechanisms - **Criminal penalties**: Existing federal fraud and corruption statutes apply

**Residual Risk**: No system is fraud-proof. The design makes large-scale fraud very difficult but cannot prevent all misconduct.

**Summary: Risk-Mitigation Matrix**

**Table 5: Reservation-Response Matrix**

| Reservation | Primary Mitigation | Secondary Mitigation | Residual Risk Level |
|---|---|---|---|
| Politicization | Board independence | Statutory prohibitions | Moderate |
| Deficit funding | Phased approach | Dedicated revenues | Moderate |
| Market distortion | Size limits | Gradual deployment | Low |
| Mission creep | Dual accounts | Sunset provisions | Moderate |
| Geopolitical blowback | Minority stakes | Allied coordination | Moderate |
| Corruption | Multiple oversight | Transparency | Low |

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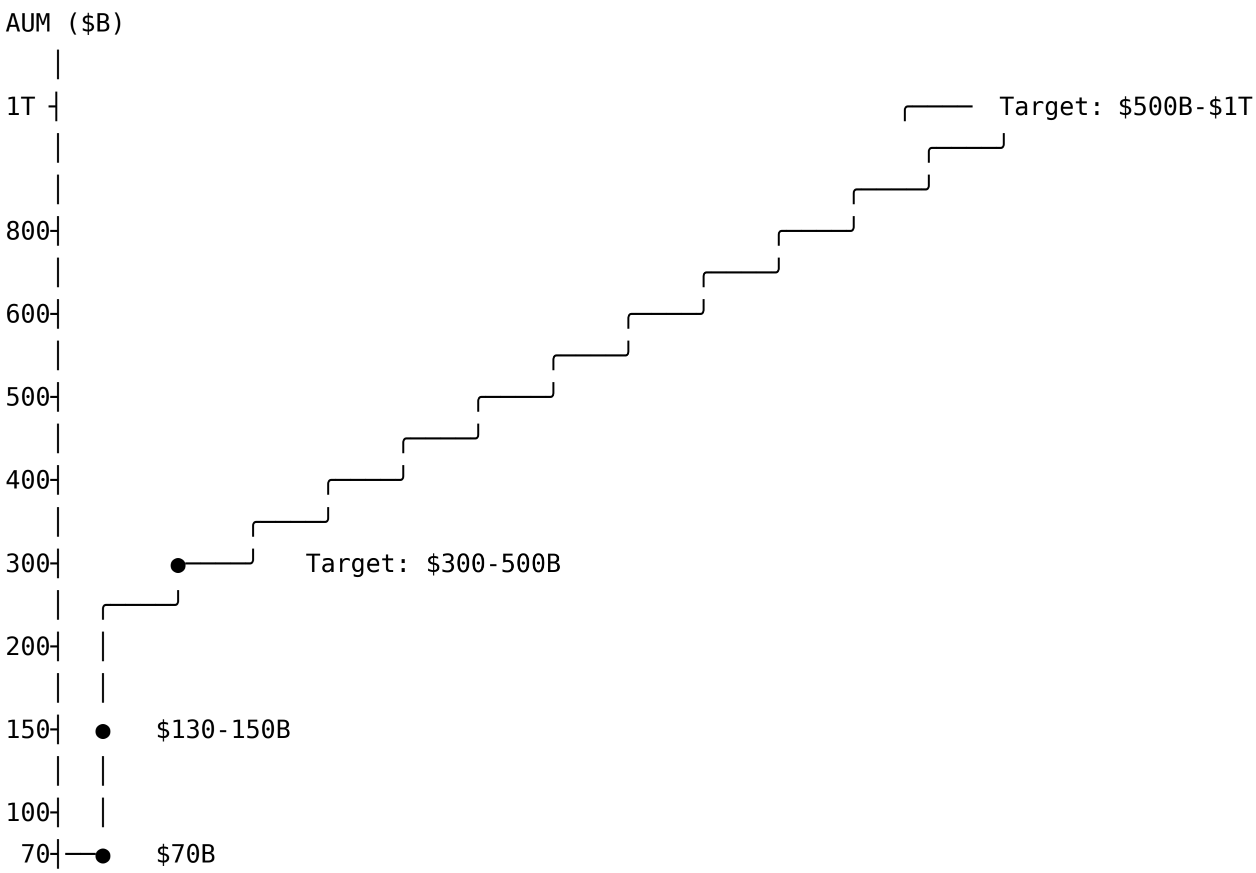
## XI. Implementation Roadmap

**Figure 3: Implementation Timeline and AUM Growth**



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    1    2    3    4    5    6    7    8    9   10   15   20   25  30
                                                                  Year

    |◄────────────────►|◄───────────────────────►|◄───────────────────────►|
      LAUNCH &            SCALE & MATURATION           LONG-TERM
     BUILD-OUT                                         OPERATIONS

    ┌─────────────────┐ ┌───────────────────────┐ ┌─────────────────────┐
    │ • Authorization│ │ • Full operations     │ │ • Self-sustaining   │
    │ • $50B initial │ │ • Dedicated revenues  │ │ • Investment-driven│
    │ • Board seated │ │ • First reauthorize   │ │   growth            │
    │ • First invest │ │ • 100-150 staff       │ │ • Mature platform   │
    └─────────────────┘ └───────────────────────┘ └─────────────────────┘
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**Year 1: Authorization and Establishment**

**Q1-Q2: Congressional Action** - Treasury/Commerce deliver 90-day report to President - Administration submits legislative proposal - Committee hearings in both chambers - Markup and floor consideration - Enactment of enabling legislation

**Q3: Initial Setup** - President nominates board members - Senate confirmation process - Initial board convenes - Interim CEO designated

**Q4: Organizational Foundation** - Permanent CEO selected - Key staff recruitment begins - Initial investment policy statement drafted - Operational infrastructure established - Initial $50 billion appropriation disbursed

**Years 2-3: Operational Launch**

**Staffing and Capacity** - Build investment team to 50-75 professionals - Establish offices (likely Washington DC for policy, New York for investments) - Implement investment systems and processes - Develop external manager relationships

**Investment Policy** - Board adopts final investment policy statement - Strategic asset allocation established - Account structures operationalized - First investments made (likely passive/indexed initially)

**First Investments** - Account 1: Initial deployments in liquid international markets - Account 2: First infrastructure co-investments identified - Build relationships with allied nation SWFs - Establish co-investment frameworks

**Milestones**: - First annual report to Congress - Initial IFSWF engagement - Santiago Principles self-assessment

**Years 4-5: Scale and Refinement**

**Funding Growth** - Annual appropriations of $10-15 billion - Dedicated revenue streams activated (mineral royalties, spectrum) - Asset monetization options evaluated

**Investment Expansion** - Account 1: First direct investments in strategic assets - Account 2: Major infrastructure project financings - Staff grows to 100-150 professionals - External manager allocations diversified

**Target AUM**: $130-150 billion

**Governance Refinement** - First board term expirations; staggered succession begins - Investment policy statement updated based on experience - Lessons learned incorporated

**Years 6-10: Maturation**

**Funding Diversification** - Asset transfers from federal holdings - Sustainable funding model established - Reduced reliance on annual appropriations

**Investment Sophistication** - Full range of asset classes deployed - Significant strategic investments completed - Co-investment partnerships institutionalized - Strong track record established

**Target AUM**: $300-500 billion

**First Reauthorization (Year 10)** - Comprehensive congressional review - Performance assessment - Mandate adjustments if needed - Next 10-year authorization

**Years 11-30: Long-Term Operations**

**Self-Sustaining Growth** - Investment returns drive asset growth - Ongoing but reduced appropriations - Mature operational infrastructure - Established global presence

**Target AUM (Year 30)**: $500 billion - $1 trillion

**Potential Evolution**: - Mandate refinement based on experience - Possible spin-out of specialized vehicles - Enhanced international coordination - Generational leadership transition

**Key Performance Indicators by Phase**

**Table 6: Implementation KPIs**

| Phase | Financial KPIs | Operational KPIs | Strategic KPIs |
|---|---|---|---|
| Years 1-3 | Return vs. benchmark | Staff build-out | First investments made |
| Years 4-5 | Absolute returns | Full operational capacity | Co-investment partnerships |

| Phase | Financial KPIs | Operational KPIs | Strategic KPIs |
|---|---|---|---|
| Years 6-10 | Risk-adjusted returns | Cost efficiency | Strategic assets secured |
| Years 11-30 | Long-term compound returns | Organizational sustainability | Mission achievement |

## XII. Conclusion

### The Strategic Imperative

The United States faces a transformed global economic landscape in which strategic capital deployment has become a critical instrument of statecraft. China deploys over $1 trillion through the Belt and Road Initiative. Gulf states leverage hundreds of billions in sovereign wealth for strategic positioning. Meanwhile, the United States has relied primarily on private markets and a patchwork of government programs that, while valuable, are insufficient for the scale of competition.

A well-designed US sovereign wealth fund could address this gap—not by replacing private capital, but by complementing it with patient, strategic, government-backed investment where private markets fall short. The fund could secure critical supply chains, strengthen alliances through co-investment, catalyze domestic infrastructure development, and generate long-term returns for the American people.

### The Design Imperative

But the case for a US SWF stands or falls on design. Poorly designed, a sovereign wealth fund could become a vehicle for political patronage, market distortion, and fiscal irresponsibility. The history of state-owned investment vehicles includes too many cautionary tales to proceed without robust safeguards.

This paper has proposed an architecture designed to maximize the benefits of sovereign investment while minimizing the risks:

- **Independent governance** that insulates investment decisions from political pressure
- **Dual-account structure** that separates strategic and development mandates with clear accountability
- **Phased funding** that acknowledges fiscal constraints and builds capacity before scale
- **Transparency and oversight** that enables democratic accountability without politicization
- **Santiago Principles compliance** that demonstrates commitment to international best practices

### The Path Forward

The February 2025 executive order has placed sovereign wealth fund design on the national agenda. The question is no longer whether to consider an SWF, but how to design one that serves America's interests while avoiding the pitfalls that have undermined such vehicles elsewhere.

Congress should move deliberately but purposefully:

1. **Hold hearings** that surface the full range of design considerations
2. **Build bipartisan consensus** around core governance principles
3. **Enact enabling legislation** that provides strong legal foundation
4. **Appropriate initial funding** sufficient to demonstrate proof of concept
5. **Appoint independent leadership** with professional qualifications
6. **Establish oversight mechanisms** that ensure accountability without micromanagement

The window for action may be limited. As other nations expand their strategic investment capabilities, delay has costs. But haste also has costs if it results in a poorly designed fund that fails to achieve its objectives or, worse, becomes a vehicle for the very problems it was meant to solve.

The proposal outlined in this paper attempts to chart a responsible path—one that takes seriously both the opportunities and the risks, draws on decades of international experience, and offers a concrete blueprint for implementation. The United States has the capability to create a world-class sovereign investment vehicle. Whether it has the political will to do so wisely remains to be seen.

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## Appendices

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### Appendix A: Santiago Principles Summary

The Santiago Principles—formally the "Generally Accepted Principles and Practices" (GAPP)—were developed in 2008 by the International Working Group of Sovereign Wealth Funds (IWG), representing 26 SWFs with combined assets of approximately $2.3 trillion. These 24 principles establish voluntary standards for SWF governance, transparency, and accountability. A US SWF should commit to full compliance.

#### Part I: Legal Framework, Objectives, and Coordination with Macroeconomic Policies

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 1** | The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s). | Congressional enabling statute creating independent federally chartered corporation; clear legal foundation in legislation rather than executive order |
| **GAPP 1.1** | The legal framework should ensure legal soundness of the SWF and its transactions. | Statute should address sovereign immunity, contractual authority, standing to sue and be sued |
| **GAPP 1.2** | The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed. | Full public disclosure of enabling legislation, organizational structure, and relationships with Treasury, Commerce, and other agencies |
| **GAPP 2** | The policy purpose of the SWF should be clearly defined and publicly disclosed. | Dual mandate clearly articulated: (1) strategic international investment for national/economic security; (2) domestic infrastructure and critical industry development |
| **GAPP 3** | Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities. | Coordination agreements with Treasury and Federal Reserve; ex-officio Treasury representation on board; clear separation from monetary policy |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 4** | There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations. | Statutory fiscal rules governing contributions, withdrawals, and spending; published investment policy statement; clear appropriations process |
| **GAPP 4.1** | The source of SWF funding should be publicly disclosed. | Annual disclosure of funding sources: congressional appropriations, dedicated revenues (mineral royalties, spectrum auctions), asset transfers |
| **GAPP 4.2** | The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed. | Statutory withdrawal restrictions; supermajority board approval for distributions; congressional notification requirements |

**Part II: Institutional Framework and Governance Structure**

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 5** | The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets. | Quarterly reporting to Treasury; data provided to OMB for federal financial reporting; integration with national accounts |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 6** | The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives. | Nine-member board with clear division: owner (ex-officio members), governing body (full board), management (CEO/CIO and staff); fiduciary duties codified |
| **GAPP 7** | The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations. | Congress sets objectives in statute; President nominates board members with Senate confirmation; congressional oversight through reporting, hearings, GAO audits |
| **GAPP 8** | The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions. | Statutory fiduciary duty; board authority over investment policy, CEO selection, major investments; professional qualification requirements for independent directors |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 9** | The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities. | CEO selected by independent board members; investment committee independence; clear delegations of authority; compensation competitive with private sector |
| **GAPP 10** | The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement. | Enabling statute specifies: board accountability to Congress, management accountability to board, staff accountability to management; annual performance reviews |
| **GAPP 11** | An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely manner and in accordance with recognized international or national accounting standards in a consistent manner. | Annual report within 90 days of fiscal year end; GAAP-compliant financial statements; independent audit by major accounting firm |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 12** | The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner. | Annual independent financial audit; GAO performance audit authority; Inspector General with full access |
| **GAPP 13** | Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff. | Published code of conduct; conflict of interest policies; annual ethics training; financial disclosure requirements for senior officials |
| **GAPP 14** | Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures. | Competitive procurement for external managers; performance-based contracts; prohibition on political considerations in vendor selection |
| **GAPP 15** | SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate. | Compliance with all host-country securities laws, disclosure requirements, and investment restrictions; CFIUS-equivalent clearance respected abroad |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 16** | The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed. | Public disclosure of board composition, selection process, terms, and authorities; organizational chart; management reporting lines |
| **GAPP 17** | Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries. | Quarterly aggregate portfolio disclosure; annual detailed disclosure (with appropriate lags); performance reporting against benchmarks |

**Part III: Investment and Risk Management Framework**

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 18** | The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles. | Published investment policy statement for each account; strategic asset allocation framework; risk management policies; rebalancing rules |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 18.1** | The investment policy should guide the SWF's financial risk exposures and the possible use of leverage. | Risk limits by asset class, geography, sector, and counterparty; no leverage at fund level; stress testing framework |
| **GAPP 18.2** | The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored. | Clear external manager selection criteria; performance benchmarks; manager monitoring and termination procedures |
| **GAPP 18.3** | A description of the investment policy of the SWF should be publicly disclosed. | Full public disclosure of investment policy statement, strategic asset allocation targets, and risk parameters |
| **GAPP 19** | The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds. | Primary objective: risk-adjusted returns consistent with mandate; strategic value considerations documented separately for Account 1 |
| **GAPP 19.1** | If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed. | Published ethical investment guidelines; exclusion criteria; Account 1 strategic value framework publicly disclosed |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 19.2** | The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles. | Professional asset management standards; diversification; prudent person standard; industry best practices |
| **GAPP 20** | The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities. | Statutory prohibition on use of material non-public government information; information barriers between fund and policy agencies |
| **GAPP 21** | SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights. | Published proxy voting guidelines; voting record disclosure; engagement policy focused on financial value protection |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 22** | The SWF should have a framework that identifies, assesses, and manages the risks of its operations. | Comprehensive enterprise risk management framework; independent risk function; regular risk reporting to board |
| **GAPP 22.1** | The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function. | Real-time risk monitoring; business continuity plans; internal audit function; whistleblower mechanisms |
| **GAPP 22.2** | The general approach to the SWF's risk management framework should be publicly disclosed. | Public disclosure of risk management framework, key risk metrics (without proprietary detail), and governance of risk function |
| **GAPP 23** | The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards. | Quarterly performance reporting to Congress; annual public performance disclosure; benchmarking against appropriate indices |

| Principle | Description | US SWF Compliance Approach |
|---|---|---|
| **GAPP 24** | A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF. | Annual Santiago self-assessment; published compliance report; IFSWF membership and peer review participation |

**Implementation Assessment Framework** The proposed US SWF should establish a formal Santiago compliance program including:

1. **Annual Self-Assessment**: Board-approved review of compliance with each principle
2. **Public Disclosure**: Annual Santiago compliance report published with annual report
3. **Third-Party Verification**: Periodic external assessment by qualified reviewer
4. **IFSWF Membership**: Seek membership in International Forum of Sovereign Wealth Funds
5. **Peer Review**: Participate in IFSWF peer review processes
6. **Continuous Improvement**: Action plans for any identified compliance gaps

**Compliance Status Summary** Based on the proposed governance architecture in this white paper, a US SWF designed according to these recommendations would achieve:

| Category | Principles | Expected Compliance |
|---|---|---|
| Legal Framework (GAPP 1-4) | 6 principles | Full compliance |
| Institutional Framework (GAPP 5-17) | 13 principles | Full compliance |
| Investment & Risk Management (GAPP 18-24) | 8 principles | Full compliance |
| **Total** | **24 principles** | **Full compliance** |

The congressional statutory foundation, independent governance structure, transparency requirements, and professional management proposed in this white paper are specifically designed to achieve Santiago Principles compliance from day one of operations.

**Appendix B: Detailed Governance Comparison**

This appendix provides detailed governance comparisons across ten major sovereign wealth funds, drawing on Santiago Principles compliance assessments, Truman Scoreboard data, and fund disclosures. The comparison informs the governance design proposed for the US SWF.

**Comparative Governance Matrix** **Table B-1: Legal Foundation and Structure**

| Fund | Country | Year | AUM | Legal Basis | Org. Form |
|---|---|---|---|---|---|
| Government Pension Fund Global | Norway | 1990 | ~1,700 | Act of Parliament | Division of Norges Bank |
| GIC Private Limited | Singapore | 1981 | ~770 | Companies Act | Private company |
| Temasek Holdings | Singapore | 1974 | ~380 | Companies Act | Private holding company |
| China Investment Corporation | China | 2007 | ~1,350 | State Council auth. | State-owned enterprise |
| Abu Dhabi Investment Authority | UAE | 1976 | ~990 | Emiri decree | Autonomous institution |
| Kuwait Investment Authority | Kuwait | 1953 | ~920 | Law No. 47 (1982) | Public authority |
| Public Investment Fund | Saudi Arabia | 1971 | ~930 | Royal decree; PIF Law | Gov't investment fund |
| Australia Future Fund | Australia | 2006 | ~160 | Future Fund Act 2006 | Statutory authority |
| New Zealand Superannuation Fund | New Zealand | 2001 | ~50 | NZ Superannuation Act | Crown entity |

| Fund | Country | Year | AUM | Legal Basis | Org. Form |
|---|---|---|---|---|---|
| Alaska Permanent Fund | United States | 1976 | ~80 | Alaska Constitution | Public corporation |

**Table B-2: Board Composition and Selection**

| Fund | Size | Composition | Selection | Terms |
|---|---|---|---|---|
| Norway GPFG | 15 | Governor, Deputies, external | King in Council | 4 yrs |
| Singapore GIC | ~10 | Chairman, gov't & private | Government | N/A |
| Singapore Temasek | 13 | Majority independent | Board nomination | 3 yrs |
| China CIC | 11 | State Council appointees | State Council | N/A |
| Abu Dhabi ADIA | 9 | Royal family, officials | Emiri | N/A |
| Kuwait KIA | 8 | Finance Minister (chair) | Council of Ministers | N/A |
| Saudi Arabia PIF | 10 | Crown Prince (chair) | Royal | N/A |
| Australia Future Fund | 7 | Chair + 6 guardians | Minister/Gov-General | 5 yrs |
| New Zealand SF | 7 | Independent members | Gov-General | 5 yrs |
| Alaska PF | 6 | 4 public + 2 agency | Governor + legislature | 4 yrs |

**Table B-3: Investment Authority and Management**

| Fund | Executive | Decision Authority | External Mgrs |
|---|---|---|---|
| Norway GPFG | CEO of NBIM | Within Ministry guidelines | ~60% |
| Singapore GIC | Group CEO | Within board guidelines | Mix |
| Singapore Temasek | CEO | With board oversight | Direct |
| China CIC | President/CEO | State Council for major | Significant |
| Abu Dhabi ADIA | Managing Director | Within guidelines | ~80% |
| Kuwait KIA | Managing Director | Board delegates | Significant |

| Fund | Executive | Decision Authority | External Mgrs |
|---|---|---|---|
| Saudi Arabia PIF | Governor | With board approval | Mix |
| Australia Future Fund | CEO | Within mandate | Significant |
| New Zealand SF | CEO | Guardians delegate | Mix |
| Alaska PF | Executive Director | Board sets policy | Significant |

**Table B-4: Transparency and Disclosure Practices**

| Fund | Annual Report | Holdings | Performance | Santiago |
|---|---|---|---|---|
| Norway GPFG | Comprehensive | Full | Detailed + benchmark | Highest |
| Singapore GIC | Summary | Aggregate only | 20-yr rolling avg | Moderate |
| Singapore Temasek | Detailed | Major holdings | Annual returns | High |
| China CIC | Published | Limited | Annual returns | Moderate |
| Abu Dhabi ADIA | Published | Asset class only | Long-term | Low-Mod |
| Kuwait KIA | Not public | None | None | Low |
| Saudi Arabia PIF | Limited | Major investments | Limited | Low |
| Australia Future Fund | Comprehensive | Top 20 + allocation | Detailed + benchmark | High |
| New Zealand SF | Comprehensive | Full | Detailed + benchmark | Highest |
| Alaska PF | Comprehensive | Full | Detailed + benchmark | High |

**Santiago Compliance Analysis** Based on the Carnegie Endowment's Santiago Compliance Index methodology and subsequent updates, funds cluster into four categories:

**Tier 1: Full Compliance (>80%)** - New Zealand Superannuation Fund (~95%) - Australia Future Fund (~90%) - Norway Government Pension Fund Global (~85%) - Ireland National Pension Reserve Fund (~85%)

*Characteristics*: Full democracies; strong parliamentary oversight; comprehensive disclosure; professional management with clear independence from government.

**Tier 2: Substantial Compliance (60-80%)** - China Investment Corporation (~72%) - Singapore GIC (~68%) - Singapore Temasek (~58%) - Korea Investment Corporation (~60%) - Alaska Permanent Fund (~55%) - Azerbaijan SOFAZ (~65%)

*Characteristics*: Mix of democracies and hybrid regimes; varying disclosure levels; professional management but varying degrees of government involvement.

**Tier 3: Partial Compliance (40-60%)** - Abu Dhabi ADIA (~52%) - Russia National Wealth Fund (~50%) - Russia Reserve Fund (~48%) - Kuwait KIA (~42%)

*Characteristics*: Non-democratic governance; limited transparency; significant government involvement in investment decisions.

**Tier 4: Limited Compliance (<40%)** - Qatar Investment Authority (~38%) - Libya Investment Authority (~15%) - Various smaller funds

*Characteristics*: Authoritarian regimes; minimal disclosure; governance unclear.

**Key Governance Lessons for US SWF Design** **From Norway (Best Practice Model):** - Ethical investment guidelines publicly disclosed - Complete holdings transparency (every stock published) - Clear separation: Ministry sets policy, NBIM executes - Professional compensation attracts talent - Regular parliamentary review

**From Singapore (Dual-Fund Model):** - GIC for pure return optimization (global portfolio) - Temasek for strategic holdings (more active management) - Constitutional protection against political withdrawal - Presidential approval for reserve drawdowns - High operational independence despite government ownership

**From Australia/New Zealand (Westminster Model):** - Independent statutory authority structure - Majority independent boards - Clear mandate defined in legislation - Strong disclosure requirements - Guardians/board have fiduciary duties to beneficiaries

**From Alaska (US State Model):** - Constitutional protection of principal - Citizen dividend creates political constituency - Professional management through corporation - Investment decisions insulated from legislature - Regular performance benchmarking

**Warning Signs from Troubled Funds:** - **Kuwait KIA**: Minimal transparency despite six decades of operation; subject to domestic political controversy - **Libya LIA**: Governance collapse post-regime change; assets frozen and disputed - **1MDB (Malaysia)**: Development mandate exploited for corruption; inadequate oversight

**Proposed US SWF Position in Governance Ranking** Based on the governance architecture proposed in this white paper, a US SWF would be designed to achieve Tier 1 compliance:

| Element | Proposed US SWF | Benchmark |
|---|---|---|
| Legal Foundation | Congressional statute | Norway, Australia |
| Board Independence | 4 of 9 independent (voting majority for investments) | New Zealand, Australia |
| Professional Qualifications | Required for independent directors | Singapore GIC |
| Term Length | 7 years, staggered | Norway, New Zealand |
| Disclosure Level | High (with appropriate lags) | Norway (model) |
| Audit/Oversight | GAO + IG + independent audit | Australia |
| Santiago Commitment | Full compliance from inception | New Zealand |

**Truman Scoreboard Indicators** Edwin Truman's SWF Scoreboard, developed at the Peterson Institute for International Economics, assesses funds across four categories: Structure, Governance, Accountability/Transparency, and Behavior. As updated by Maire, Mazarei, and Truman (2021), top scores (out of 100):

1. Norway GPFG: 98
2. New Zealand SF: 94
3. Timor-Leste Petroleum Fund: 90
4. Australia Future Fund: 88
5. Chile funds: 86
6. Alaska PF: 82
7. Azerbaijan SOFAZ: 79
8. Ireland NPRF: 78
9. Singapore Temasek: 65
10. Singapore GIC: 65

The 2021 PIIE update found that while overall SWF governance has improved since the Santiago Principles were established, significant variations persist. Gulf SWFs (ADIA, KIA, QIA) typically score 35-55, with transparency and governance as primary weaknesses. Notably, even funds with lower overall scores have made improvements in specific areas, suggesting that sustained engagement with international standards does produce results over time.

**Implication**: A US SWF should target a Truman score of 90+ by emphasizing transparency and governance—areas where democratic legitimacy provides natural advantages over non-democratic SWF sponsors. Given the scrutiny a US fund would face, anything less than top-tier governance would undermine the fund's credibility and effectiveness.

**Appendix C: Federal Asset Inventory**

This appendix analyzes federal assets potentially available for SWF capitalization, drawing on Treasury financial reports, GAO studies, and agency data. The White House fact sheet accompanying the February 2025 executive order cited approximately $5.7 trillion in direct federal financial assets. This appendix examines what that figure includes and what portions might realistically be available for SWF funding.

**Category 1: Direct Financial Assets** **Table C-1: Federal Financial Assets Summary (FY2024 estimates)**

| Asset Category | Estimated Value ($B) | Transferability | Notes |
|---|---|---|---|
| Student loan portfolio | ~1,700 | Low | Complex servicing; political constraints |
| Mortgage guarantees (FHA/VA) | ~1,400 | Very Low | Contingent assets; guarantee structure |
| Federal employee retirement | ~1,200 | None | Dedicated to specific beneficiaries |
| Other loans receivable | ~400 | Moderate | Various agency programs |
| Securities and investments | ~200 | Moderate | TSP G Fund, other holdings |
| Cash and monetary assets | ~500 | Low | Operational requirements |
| **Total Financial Assets** | **~5,400** | | |

**Assessment**: The $5.7 trillion figure is technically accurate but misleading for SWF purposes. The vast majority represents: - Loan portfolios that cannot simply be "transferred" without complex securitization - Contingent liabilities (guarantees) that are not liquid assets - Assets dedicated to specific purposes (pension obligations)

**Realistically transferable**: Perhaps $100-200 billion through creative structuring over many years.

**Category 2: Federal Real Property Holdings** **Table C-2: Federal Real Property Inventory**

| Category | Properties | Value ($B) | Disposition Potential |
|---|---:|---:|---|
| Office buildings | ~45,000 | ~200 | Moderate |
| Housing (military, public) | ~300,000 | ~80 | Low |
| Warehouses/industrial | ~100,000 | ~40 | Moderate |
| Research facilities | ~10,000 | ~100 | Low |
| Hospitals/medical | ~4,000 | ~50 | Very Low |
| Prisons/correctional | ~500 | ~20 | Very Low |
| Underutilized properties | ~24,000 | ~15-30 | High |
| Historic/special use | ~50,000 | ~25 | Very Low |
| **Total Real Property** | **~600,000** | **~550** | |

**Key Findings from GAO Reports**: - GAO has identified approximately 24,000 properties as underutilized or excess - Annual federal real property disposal: ~$500 million (very slow process) - Major urban holdings (GSA buildings in DC, NYC, SF) potentially worth billions - Legal/procedural barriers significantly slow dispositions

**SWF Potential**: Transfer of underutilized properties to SWF for professional management could yield $20-40 billion over 10 years, with ongoing revenue from leasing/development.

**Category 3: Natural Resource Assets** **Table C-3: Natural Resource Holdings and Revenue Streams**

| Asset/Revenue Source | Current Annual Revenue ($B) | Estimated Asset Value | Transferability |
|---|---|---|---|
| **Onshore oil/gas royalties** | ~6 | ~100-150 (NPV) | Moderate (revenue dedication) |
| **Offshore oil/gas (OCS)** | ~8 | ~150-200 (NPV) | Moderate |
| **Coal royalties** | ~0.5 | ~10 (declining) | Low |
| **Other minerals** | ~0.3 | ~5 | Moderate |

| Asset/Revenue Source | Current Annual Revenue ($B) | Estimated Asset Value | Transferability |
|---|---|---|---|
| **Timber sales** | ~0.2 | ~20 | Low |
| **Grazing fees** | ~0.02 | Minimal | Very Low |
| **Strategic Petroleum Reserve** | N/A (asset) | ~35 (400M barrels) | Moderate (partial) |
| **Helium reserve** | Minimal | ~1 | High (depleting) |
| **Federal mineral rights (unlicensed)** | Potential | ~200-500 (speculative) | Low |
| **Total Resource Value** | **~15/year** | **~500-900** | |

**Revenue Dedication Approach**: Rather than asset transfer, dedicate a portion of ongoing mineral revenues to SWF: - 25% of federal mineral royalties: ~$4 billion/year - 50% of offshore lease bonus payments: ~$1-5 billion/year (variable) - Spectrum auction proceeds: ~$5-10 billion/year (sporadic)

**Total potential dedicated revenue**: $5-15 billion annually

**Category 4: Infrastructure Concession Opportunities** **Table C-4: Federal Infrastructure Assets**

| Category | Federal Role | Value ($B) | Concession |
|---|---|---|---|
| Interstate Highways | Ownership/funding | ~1,000+ | Very Low |
| Airports (FAA) | ATC, some ownership | ~100 | Low |
| Dams (USACE, BOR) | ~700 major dams | ~200 | Low |
| Ports | Limited | ~30 | Moderate |
| Power (BPA, TVA) | Marketing admin. | ~100 | Moderate |
| Amtrak | Northeast Corridor | ~50 | Low |
| **Total** | | **~1,500** | |

**Assessment**: Infrastructure concessions face significant political and legal obstacles. However, creative arrangements (e.g., SWF co-investment in infrastructure upgrades rather than asset transfer) could be viable.

**Category 5: Spectrum and Intangible Assets** **Table C-5: Spectrum and Other Intangibles**

| Asset | Revenue | Notes |
|---|---|---|
| Spectrum auctions (FCC) | $230B+ cumulative | AWS-3: $45B; C-band: $81B |
| Future spectrum | $50-100B (10-yr) | Depends on reallocation |
| Patent/trademark fees | ~$4B/year | Covers USPTO operations |
| Federal data assets | Indeterminate | Growing value |
| Research IP (fed labs) | Indeterminate | Licensing potential |

**Spectrum as SWF Funding Source**: Spectrum auctions have generated enormous one-time revenues. Dedicating future auction proceeds to the SWF (rather than general revenues) could provide: - Next 10 years: $30-50 billion (highly variable) - Provides episodic but significant capital infusions

**Summary: Realistic Funding Potential** **Table C-6: Federal Asset Monetization Potential for SWF**

| Source | 10-Yr ($B) | Certainty | Complexity |
|---|---|---|---|
| Congressional appropriations | 100-150 | High | Moderate |
| Mineral royalty dedication | 30-50 | High | Low |
| Spectrum auction dedication | 30-50 | Moderate | Low |
| Real property transfers | 20-40 | Moderate | High |
| SPR partial transfer | 15-20 | Moderate | Moderate |
| Other asset dispositions | 10-30 | Low | High |
| **Total 10-Year Potential** | **205-340** | | |

*Plus investment returns on deployed capital*

**Implementation Considerations** **Legal Requirements**: - Congressional authorization required for asset transfers - NEPA review for property dispositions - Tribal consultation for certain resource decisions - Historic preservation review

**Structural Options**:

1. **Direct Transfer**: Federal assets transferred to SWF balance sheet
   - *Pro*: Clean structure
   - *Con*: Complex accounting; may not improve fiscal position
2. **Revenue Dedication**: Ongoing revenues flow to SWF
   - *Pro*: Simpler; politically more feasible
   - *Con*: Subject to future congressional revision

3. **Monetization Partnership**: SWF invests in federal asset development
    - *Pro*: Leverage private capital approaches
    - *Con*: Complex structuring
4. **Sale-Leaseback**: SWF purchases properties, leases back to agencies
    - *Pro*: Immediate capital; professional management
    - *Con*: Ongoing lease costs; potential conflicts

**Recommended Approach**: Begin with congressional appropriations and dedicated revenues (mineral royalties, spectrum auctions) as primary funding sources. Pursue asset monetization selectively as operational capability develops, focusing on underutilized real property and creative infrastructure partnerships. Avoid forced disposition of strategic assets (SPR, critical facilities) that may be needed for their original purposes.

**Data Sources**

- Treasury Department, *Financial Report of the United States Government* (annual)
- GAO, *Federal Real Property: Progress Made on Reducing Excess and Underutilized Property* (various years)
- Department of Interior, *Natural Resources Revenue Data*
- FCC, *Spectrum Auction Results*
- OMB, *Analytical Perspectives* (Budget supplementary materials)
- Congressional Budget Office, *Federal Assets and Their Returns* (periodic)

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**Appendix D: Draft Enabling Legislation Outline**

This appendix provides a detailed outline for enabling legislation to establish a United States Strategic Investment Fund. The structure draws on precedents from the Development Finance Corporation Act (2018), the Federal Reserve Act, the Future Fund Act (Australia), and other federal charter legislation.

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**UNITED STATES STRATEGIC INVESTMENT FUND ACT [Model Bill Outline]**

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**TITLE I—ESTABLISHMENT AND PURPOSE**

**Sec. 101. Short Title** This Act may be cited as the "United States Strategic Investment Fund Act" or the "USSIF Act."

**Sec. 102. Findings** The Congress finds that— 1. The United States faces intensifying geopolitical competition in which strategic capital deployment has become a critical tool of statecraft; 2. Competitor nations, particularly the People's Republic of China, have deployed hundreds of billions of dollars through sovereign investment vehicles to advance their strategic interests; 3. The United States lacks a dedicated sovereign investment vehicle capable of making strategic investments at scale; 4. Existing US government investment programs, while valuable, are insufficient in scale, scope, and flexibility to address the strategic investment gap; 5. Critical supply chains for semiconductors, critical minerals, and other essential goods remain vulnerable; 6. Domestic infrastructure investment needs exceed private capital capacity; 7. A properly designed and governed sovereign wealth fund can advance US interests while maintaining accountability and transparency; and 8. Success requires robust governance safeguards against political interference in investment decisions.

**Sec. 103. Purposes** The purposes of this Act are— 1. To establish the United States Strategic Investment Fund as an independent investment vehicle; 2. To advance the economic and national security interests of the United States through strategic investments; 3. To catalyze private investment in domestic infrastructure and critical industries; 4. To generate long-term risk-adjusted financial returns for the benefit of the American people; 5. To maintain an open and stable international investment climate; and 6. To demonstrate the highest standards of transparency and governance for sovereign investment.

**Sec. 104. Establishment** There is hereby established the United States Strategic Investment Fund (the "Fund") as an independent, federally chartered corporation.

**Sec. 105. Legal Status** (a) The Fund shall— (1) have perpetual succession; (2) maintain a principal office in the District of Columbia; (3) be empowered to adopt, alter, and use a corporate seal; (4) sue and be sued in its corporate name; (5) adopt, amend, and repeal bylaws; (6) enter into contracts; (7) acquire, hold, and dispose of real and personal property; (8) exercise all powers incidental to proper functioning.

(b) The Fund shall not be—

(1) an agency or establishment of the United States Government; nor
(2) a Government corporation as defined in section 103 of title 5, United States Code.

(c) No Federal law limiting the authority of Federal agencies to enter into contracts shall apply to the Fund.

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**TITLE II—GOVERNANCE**

**Sec. 201. Board of Directors**

(a) **Establishment.** The Fund shall be governed by a Board of Directors.

(b) **Composition.** The Board shall consist of nine members as follows:

(1) **Ex-Officio Members (3):**
   (A) The Secretary of the Treasury, or the Secretary's designee;
   (B) The Secretary of Commerce, or the Secretary's designee;

(C) The Director of the National Economic Council, or the Director's designee.

(2) **Congressional Appointees (2):**

(A) One member appointed jointly by the Majority Leader and Minority Leader of the Senate;

(B) One member appointed jointly by the Speaker and Minority Leader of the House of Representatives.

(3) **Independent Directors (4):**

(A) Four members appointed by the President, by and with the advice and consent of the Senate.

(c) **Qualifications for Independent Directors.** Each Independent Director shall—

(1) have not less than 15 years of experience in institutional investment management, corporate finance, or related fields;

(2) not have held partisan political office within the 10 years preceding appointment;

(3) not have been a registered lobbyist within the 5 years preceding appointment;

(4) meet such other criteria as the Board may establish.

(d) **Terms.**

(1) **Ex-Officio Members** shall serve during their tenure in their respective offices.

(2) **Congressional Appointees** shall serve for terms of 6 years.

(3) **Independent Directors** shall serve for terms of 7 years, except that—

(A) of the initial appointments, one shall serve for 3 years, one for 5 years, one for 6 years, and one for 7 years; and

(B) no Independent Director may serve more than two terms.

(e) **Removal.** An Independent Director or Congressional Appointee may be removed only—

(1) for cause, including malfeasance, neglect of duty, or incapacity; and

(2) by the President, in the case of Independent Directors, or by the original appointing authorities, in the case of Congressional Appointees.

(f) **Vacancies.** Any vacancy shall be filled in the same manner as the original appointment for the remainder of the unexpired term.

(g) **Chairperson.** The Independent Directors shall select a Chairperson from among themselves.

**Sec. 202. Board Powers and Responsibilities**

(a) The Board shall—

(1) establish the strategic direction and investment policies of the Fund;

(2) approve the investment policy statement for each account;

(3) appoint and fix the compensation of the Chief Executive Officer;

(4) approve annual budgets and financial statements;

(5) establish risk management policies;

(6) oversee Fund operations; and

(7) ensure compliance with this Act and the Santiago Principles.

(b) **Voting.**

(1) Ex-Officio Members shall be non-voting members for purposes of investment decisions and CEO selection.
(2) Ex-Officio Members may vote on matters of strategic direction and policy.
(3) Approval of any investment exceeding 1 percent of Fund assets shall require a supermajority of 6 Directors.
(4) Selection and removal of the CEO shall require approval of at least 3 of 4 Independent Directors.

(c) **Meetings.** The Board shall meet not less than quarterly.

**Sec. 203. Chief Executive Officer**

(a) **Appointment.** The Board shall appoint a Chief Executive Officer, who shall be selected by the Independent Directors.

(b) **Term.** The CEO shall serve for a term of 5 years, renewable once by the Board.

(c) **Qualifications.** The CEO shall have—

(1) demonstrated experience in institutional investment management; and
(2) such other qualifications as the Board may require.

(d) **Compensation.** The Board shall establish compensation for the CEO at a level sufficient to attract individuals of outstanding ability, which may exceed the compensation limits otherwise applicable to Federal employees.

(e) **Powers.** Subject to the policies established by the Board, the CEO shall—

(1) manage the day-to-day operations of the Fund;
(2) appoint officers and employees;
(3) implement the investment strategies approved by the Board; and
(4) serve as the Fund's principal representative.

**Sec. 204. Officers and Employees**

(a) **Chief Investment Officer.** The CEO shall appoint a Chief Investment Officer, subject to Board approval, who shall oversee investment operations.

(b) **Other Officers.** The CEO may appoint such other officers as necessary.

(c) **Employees.** The Fund may employ such personnel as necessary. Employees of the Fund shall not be considered employees of the United States Government.

(d) **Compensation.** The Fund may establish compensation programs competitive with the private sector, notwithstanding any provision of title 5, United States Code.

(e) **Ethical Standards.** The Board shall establish ethical standards for all Directors, officers, and employees, including—

(1) financial disclosure requirements;
(2) conflict of interest policies;
(3) restrictions on outside employment and investments; and
(4) post-employment restrictions.

**Sec. 205. Investment Committee**

(a) The CEO shall establish an Investment Committee to make or recommend investment decisions within Board-established parameters.

(b) The Investment Committee shall—

(1) be chaired by the CIO;
(2) include senior investment professionals; and
(3) maintain documented investment processes.

**Sec. 206. Conflicts of Interest**

(a) No Director, officer, or employee of the Fund shall—

(1) participate in any decision regarding an investment in which such person has a financial interest;
(2) use non-public information obtained through Fund service for personal benefit; or
(3) accept anything of value from any person seeking to do business with the Fund.

(b) Violation of subsection (a) shall be grounds for removal and may be subject to criminal penalties under applicable law.

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**TITLE III—INVESTMENT AUTHORITIES**

**Sec. 301. Account Structure**

(a) The Fund shall maintain two separate accounts:

(1) **Strategic Investment Account** for investments advancing US economic and national security; and
(2) **Domestic Development Account** for investments in US infrastructure and critical industries.

(b) The Board shall establish allocation targets between accounts, initially targeting approximately 60 percent for the Strategic Investment Account and 40 percent for the Domestic Development Account.

**Sec. 302. Investment Authorities—Strategic Investment Account**

(a) **Permitted Investments.** The Fund may invest Strategic Investment Account assets in—

(1) equity securities of domestic and foreign issuers;

(2) debt securities of domestic and foreign issuers;
(3) real estate and infrastructure;
(4) private equity and venture capital;
(5) commodities and commodity-related investments;
(6) joint ventures and partnerships; and
(7) such other investments as the Board approves.

(b) **Geographic Focus.** The Strategic Investment Account shall prioritize investments that—

(1) secure critical supply chains;
(2) strengthen economic ties with allied nations;
(3) compete with adversary-nation strategic capital; and
(4) advance US technology leadership.

(c) **Limitations.**

(1) No single investment shall exceed 1 percent of total Fund assets without Board supermajority approval.
(2) The Fund shall not acquire majority control of any foreign entity.
(3) The Fund shall comply with all host-country laws and regulations.

**Sec. 303. Investment Authorities—Domestic Development Account**

(a) **Permitted Investments.** The Fund may invest Domestic Development Account assets in—

(1) infrastructure projects (transportation, energy, communications);
(2) manufacturing facilities for critical industries;
(3) real estate development;
(4) project finance transactions; and
(5) debt instruments supporting domestic development.

(b) **Co-Investment Requirements.** Except as the Board may determine for specific investments, each Domestic Development Account investment shall—

(1) be made in conjunction with private capital; and
(2) include private capital representing not less than 50 percent of the total investment.

(c) **Labor Standards.** All construction projects financed by the Domestic Development Account shall comply with the Davis-Bacon Act (40 U.S.C. 3141 et seq.).

**Sec. 304. Prohibited Investments**

The Fund shall not invest in— (a) any entity controlled by a foreign adversary government, as determined by the Board; (b) any entity subject to sanctions under United States law; (c) any entity primarily engaged in manufacturing weapons of mass destruction; (d) tobacco manufacturing; (e) gambling operations; or (f) such other categories as the Board may determine.

**Sec. 305. Investment Policy Statement**

(a) The Board shall adopt an Investment Policy Statement for each account that includes—

(1) investment objectives;
(2) strategic asset allocation targets;
(3) risk parameters;
(4) performance benchmarks;
(5) responsible investment considerations; and
(6) procedures for investment approval.

(b) The Investment Policy Statement shall be publicly disclosed.

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**TITLE IV—FUNDING**

**Sec. 401. Initial Capitalization** There is hereby authorized to be appropriated $50,000,000,000 for the initial capitalization of the Fund.

**Sec. 402. Annual Contributions** There is authorized to be appropriated for each of fiscal years [X] through [Y] such sums as may be necessary, not to exceed $15,000,000,000 per fiscal year, for contributions to the Fund.

**Sec. 403. Dedicated Revenue Streams** (a) Beginning in fiscal year [Z], [X] percent of Federal mineral royalty receipts shall be deposited in the Fund. (b) Proceeds from spectrum auctions conducted after [date] shall be deposited in the Fund, unless otherwise directed by Congress.

**Sec. 404. Asset Transfers** (a) The Secretary of the Treasury, in consultation with the heads of other agencies, may transfer Federal assets to the Fund as authorized by subsequent legislation. (b) Any such transfer shall be reported to Congress not less than 60 days before execution.

**Sec. 405. Investment Earnings** All investment earnings of the Fund shall be retained by the Fund for reinvestment.

**Sec. 406. Withdrawals** (a) No withdrawal from the Fund shall be made except— (1) to pay Fund operating expenses; (2) as specifically authorized by subsequent legislation; or (3) upon orderly wind-down pursuant to Section 901.

(b) Any withdrawal exceeding $1,000,000,000 shall require Board supermajority approval and notification to Congress.

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**TITLE V—OVERSIGHT AND ACCOUNTABILITY**

**Sec. 501. Annual Report** (a) Not later than 90 days after the end of each fiscal year, the Fund shall submit a report to Congress including— (1) audited financial statements; (2) investment performance by account; (3) significant investment activities; (4) risk management assessment; (5) Santiago Principles self-assessment; and (6) such other information as Congress may require.

(b) The annual report shall be made publicly available.

**Sec. 502. GAO Audit Authority** (a) The Comptroller General may audit the Fund's operations, financial transactions, and programs. (b) The Fund shall provide the Comptroller General access to all records necessary for such audits.

**Sec. 503. Inspector General** (a) There is established within the Fund an Office of Inspector General. (b) The Inspector General shall be appointed by the Board and shall report to the Board and Congress. (c) The Inspector General shall have authority to audit, investigate, and inspect Fund operations.

**Sec. 504. Congressional Notification** (a) The Fund shall notify the appropriate congressional committees not less than 30 days before— (1) any investment exceeding 1 percent of Fund assets; (2) any change in investment policy; (3) any organizational restructuring; or (4) any matter the Board determines to be significant.

(b) Appropriate congressional committees include—

(1) the Committees on Banking and Finance of the Senate;
(2) the Committees on Financial Services and Ways and Means of the House.

**Sec. 505. Whistleblower Protections** (a) No Director, officer, or employee of the Fund may be terminated, demoted, or otherwise discriminated against for reporting suspected violations of law or policy. (b) The Fund shall establish procedures for confidential reporting of concerns.

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**TITLE VI—TRANSPARENCY**

**Sec. 601. Public Disclosure** (a) The Fund shall publicly disclose— (1) its investment policy statement; (2) aggregate portfolio allocation quarterly; (3) individual investments on a delayed basis (not later than 12 months after acquisition); (4) voting record for public equity holdings; (5) ethical investment guidelines; and (6) annual performance against benchmarks.

(b) The Board may delay disclosure when necessary to—

(1) prevent front-running or market manipulation; or
(2) protect proprietary investment strategies.

**Sec. 602. Santiago Principles Compliance** (a) The Fund shall comply with the Generally Accepted Principles and Practices for Sovereign Wealth Funds (Santiago Principles). (b) The Fund shall publish an annual self-assessment of Santiago compliance. (c) The Fund shall seek membership in the International Forum of Sovereign Wealth Funds.

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**TITLE VII—TAX AND IMMUNITY PROVISIONS**

**Sec. 701. Tax Status** (a) The Fund shall be exempt from Federal, State, and local taxation. (b) Income received by the Fund shall not be subject to taxation.

**Sec. 702. Sovereign Immunity** (a) The Fund shall enjoy immunity from suit to the same extent as the United States, except as provided in this Act. (b) The Fund may waive immunity in connection with contracts or other transactions.

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**TITLE VIII—RELATIONSHIP TO OTHER LAW**

**Sec. 801. CFIUS** Nothing in this Act shall be construed to affect the authority of the Committee on Foreign Investment in the United States.

**Sec. 802. Securities Laws** The Fund shall comply with applicable securities laws of jurisdictions in which it operates.

**Sec. 803. Bank Holding Company Act** The Fund shall not be considered a bank holding company for purposes of the Bank Holding Company Act.

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**TITLE IX—MISCELLANEOUS**

**Sec. 901. Sunset and Reauthorization** (a) The authorities provided in this Act shall terminate 10 years after the date of enactment unless reauthorized. (b) Not later than 2 years before termination, the Comptroller General shall submit to Congress a report evaluating Fund performance and recommending whether to reauthorize. (c) Upon termination, the Fund shall be wound down in an orderly manner, with assets distributed as directed by Congress.

**Sec. 902. Anti-Politicization Provisions** (a) No investment decision shall be made or influenced by— (1) the political affiliation of any person associated with a potential investment; (2) campaign contributions; (3) pressure from political officials not acting in their official capacity; or (4) considerations unrelated to the Fund's statutory purposes.

(b) Violation of this section shall be grounds for removal from any position with the Fund.

**Sec. 903. Severability** If any provision of this Act is held invalid, the remainder shall continue in effect.

**Sec. 904. Effective Date** This Act shall take effect 90 days after enactment.

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*Note: This outline provides a structural framework. Actual legislation would require detailed drafting by legislative counsel, consultation with affected agencies, and negotiation among stakeholders.*

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## About the Author

**Laurence Wilse-Samson** is a researcher focused on public finance, institutional economics, and international economic policy. This white paper draws on extensive analysis of sovereign wealth fund governance, international best practices, and the evolving landscape of economic statecraft.

The author welcomes feedback, corrections, and suggestions for improving this analysis. For inquiries or to report errors, please open an issue on the project repository.

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Any errors or omissions remain the author's responsibility.

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*This white paper was prepared drawing on extensive academic literature on sovereign wealth funds, current policy debates, and international best practices.*