

The Potential for Sovereign Wealth Funds to Exert Influence Through Critical Banks in the Five Smallest EU Member States: An Analysis of Malta, Cyprus, Estonia, Latvia and Lithuania

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Abstract

The financial clout of global sovereign wealth funds (SWFs) is massive, and many of these are controlled by authoritarian regimes. It cannot be ruled out that these funds might take shareholding positions in banks which play key roles in other countries. This paper studies the extent to which SWFs have the potential ability to use shareholdings in critical banks as mechanisms to exert influence on other countries' banking systems, taking a comparative approach in considering the five smallest EU member states: Malta, Cyprus, Estonia, Latvia and Lithuania. The study concludes that SWFs would, in many cases, need to dedicate only a tiny portion of their assets in order to gain significant potential for influence within these countries.

Keywords: Sovereign Wealth Funds, Critical Infrastructure, Banking Systems, Significant Banks, Critical Banks, Mediterranean, Baltics, Swedbank, SEB, Luminor, Bank of Cyprus, Bank of Valletta

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I. Introduction

The mediterranean island nations of Malta and Cyprus and the Baltic nations of Estonia, Latvia and Lithuania are, in terms of gross domestic product (GDP), the five smallest member states of the European Union (EU). All five were under foreign rule for many decades of the 20th century, before only later gaining their national sovereignty, joining the EU in 2004 and more recently introducing the euro. Against this background, it is hardly surprising that the potential

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