

Opening Statement of Ranking Member Spencer Bachus on "Foreign Government Investment in the U.S. Economy and Financial Sector"

March 5, 2008

Thank you, Mr. Chairman, for holding this timely hearing on the issue of Sovereign Wealth Funds.

The past few months have been an exceedingly challenging time for the U.S. economy and for the financial services industry in particular. During that period, we have seen extraordinary infusions of capital from Sovereign Wealth Funds into some of this country's largest banks, providing those institutions with an opportunity to shore up their capital reserves, and enhancing the safety and soundness of our financial system.

No one can disagree that the vitality of the financial services sector is crucial to this nation's continued economic growth. These recent capital infusions have given Sovereign Wealth Funds and the countries that administer them a vested interest in the continued health of the U.S. financial services industry and the U.S. economy. Like any other investor, Sovereign Wealth Funds expect their investments to succeed. It is in their economic self-interest that the U.S. industries in which they have invested continue to grow. And it is in the interest of the U.S. economy to welcome this investment. Foreign investment - whether from a private investor who lives abroad, a publicly-listed company that trades on a foreign exchange, or from a Sovereign Wealth Fund - creates jobs here in the United States and fosters economic growth.

Nonetheless, there are important questions that we have to ask about the growth of Sovereign Wealth Funds. We must ensure that we have the policies in place that prevent this investment - however welcome it may be - from compromising our national security. We must ensure that Sovereign Wealth Funds play by the same rules that all large investors play by when they invest in U.S. companies. And we must ensure that Sovereign Wealth Funds do not pursue purely nationalist or strategic economic objectives at the expense of the U.S. companies in which they have invested.

We cannot forget that capital is more mobile than it has ever been in the history of the world, and that capital can and will travel anywhere. We must reserve the right to reject foreign investments that compromise our national security or place us at an economic disadvantage. But we must also avoid creating an investment climate that is hostile to legitimate foreign investment, for if we do, the world's capital will simply flow elsewhere - perhaps with much more serious and harmful long-term effects on our own economy. The key principles must be transparency and fairness. And we should insist on equal treatment for U.S. investment, meaning that we should be able to invest in other countries in the same way they invest here.

To address the national security concerns that foreign investments potentially raise, Congress passed strong bipartisan legislation last year - written in this Committee -- to reform the processes followed by the Committee on Foreign Investment in the United States (CFIUS). We established a thorough mechanism to review proposed investments for threats to national security, and to ensure greater government accountability in the approval process.

Mr. Chairman, while remaining vigilant to potential threats to our national security and our economy, our country must act responsibly to maintain an environment that is free and open to international investment, so that all Americans continue to benefit from inflows of foreign capital that create jobs and fuel economic growth here in the United States.

With that, Mr. Chairman, I yield back the balance of my time.

