Opening Statement of Ranking Member Spencer Bachus, Domestic & International Monetary Policy Subcommittee Hearing on "Sovereign Wealth Funds: New Challenges from a Changing Landscape"

September 10, 2008

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

The U.S. economy has entered the second year of a significant credit crunch. Growth has slowed from its peak, risks to the economy and financial markets remain, and many individuals and families are suffering through some very difficult times. Last weekend's actions to place Fannie Mae and Freddie Mac under Federal government control underscore the systemic risks that have been created by the unwinding of the housing bubble.

During this challenging period, Sovereign Wealth Funds have played a constructive role in the U.S. economy, by injecting billions of dollars of capital into some of this country's largest financial institutions. This has allowed these institutions to shore up their reserves, helping to soften the blow from the massive write-downs of mortgage-related securities that have destabilized the banking sector over the past year. Banks with strong capital are in a much better position to make loans to American consumers and businesses and to help get our economy going again.

In addition to benefiting the U.S. economy, these 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. businesses in which they have invested billions continue to prosper.

Nonetheless, there are important questions that we should ask about the growth of these investments, especially since some of the more recently established Sovereign Wealth Funds are controlled by countries with whom the U.S. has struggled to forge positive economic and strategic relations. We must of course remain vigilant to the national security implications whenever countries that do not have America's best interests at heart seek to invest in American companies. But we must also not lose sight of the great benefits that foreign direct investment produces for our citizens. What we need is a process that is uniform and fair for all investors seeking a stake in the U.S. economy - the same way that investments by U.S. citizens domestically must be treated uniformly and fairly, and the way we expect U.S. investments overseas to be treated.

What would create a more effective investment framework is greater transparency on the part of Sovereign Wealth Funds. To that end, the preliminary agreement reached last week by the International Monetary Fund and the International Working Group of Sovereign Wealth Funds is an encouraging development. While the final details are still being worked out, these Generally Accepted Principles and Practices for Sovereign Wealth Funds (GAPP) should bring about a greater degree of transparency and foster a better understanding of the governance and operations of these entities.

Mr. Chairman, capital is more mobile than it has ever been in the history of the world, and that capital can and will travel anywhere. 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 for American workers and fuel economic growth here in the United States.

With that, Mr. Chairman, I again thank you for holding this hearing and yield back the balance of my time.

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