

**OPENING STATEMENT OF
CHAIRMAN PAUL E. KANJORSKI**

**SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES**

**JOINT SUBCOMMITTEE HEARING ON
“FOREIGN GOVERNMENT INVESTMENT
IN THE U.S. ECONOMY AND FINANCIAL SECTOR”**

MARCH 5, 2008

Good afternoon. We meet today at this joint hearing to learn more about foreign government investment in the United States. We will, in particular, focus on the tremendous growth of sovereign wealth fund investment in our economy. This hearing also represents the first time that sovereign wealth funds have appeared before a congressional committee.

Sovereign wealth funds currently maintain anywhere from \$2 to \$3.2 trillion in assets globally. By 2015, some estimate that this figure will reach \$12 to \$15 trillion. Since 2005, twelve sovereign wealth funds have been created, and approximately 40 such funds exist today. Over the last eleven months, sovereign wealth funds have additionally invested more than \$69 billion in U.S. financial institutions. Because these funds are growing so rapidly both in number and in size, today’s hearing comes not a moment too soon.

Currency reserves and profits from commodities are the two primary sources of revenue for sovereign wealth funds. So, the trade imbalances we have created, particularly with China, all but guarantee that growth in these funds will continue. Couple that reality with the record-high price of oil and the picture becomes even clearer: continued foreign investment in the U.S. economy is here for some time to come.

As we begin, I want to welcome our panelists who represent foreign government investors – including funds from Norway and Singapore, as well as Canada’s pension board. We are pleased that you have stepped forward. Today, we can begin a dialogue with you, and hopefully other sovereign wealth funds will step forward in the future to do the same.

As we proceed today, everyone should understand how our actions contributed to the growth of sovereign wealth fund investment in the United States. We created the huge trade imbalances that bolster other governments’ currency reserves and enable them to invest in our economy. Similarly, our dependence on foreign oil and our resistance to adopting a sustainable energy policy has made other governments rich with our dollars and allowed them to purchase shares in our companies. Finally, our national savings rate has been negative in recent years.

Although we created these market conditions, we must now take an active role in seeing to it that foreign governments invest with a fair degree of transparency, predictability, and good governance, and do so with an eye toward promoting economic interests as opposed to strategic or political goals.

Without question, we now live within a global economy, but the national security and national interests of the United States must always remain paramount. Governments generally act in their best interest. In considering our best interest, we cannot afford to assume that all foreign governments are merely rational economic actors, seeking to maximize profits. This principle may be true in many, or even most, cases. But governments have strategic interests, too. It is a geopolitical reality. The question becomes: Are they acting on those strategic interests when investing in American companies?

Merely asking questions here today does not make one a protectionist or an alarmist. Seeking to understand the operation of sovereign wealth funds does not make us fearful of or hostile to foreign governments. We are not overreacting by conducting this hearing, as some might want to suggest. Rather, we are opening an important conversation and fulfilling our constitutional duty to regulate foreign commerce.

Ultimately, we may decide that developments in this sector warrant the adoption of new laws or regulations. I want all of the witnesses to know that I have an open mind on these matters. Your comments today will help us to determine the best course of action going forward.

In closing, I look forward to hearing the panelists' thoughts on these matters. I want to thank each of them for appearing. Your views will assist us in understanding where we are and where we are going. We must find a way to promote efficient and viable capital markets in a global world, while safeguarding American sovereignty.
