



JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER, CHAIRMAN
REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR



Statement of Carolyn Maloney, Vice Chair
Joint Economic Committee Hearing
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Good afternoon. I would like to thank Chairman Schumer for holding this hearing to examine the benefits and risks of sovereign wealth funds investing in the United States. I want to welcome our witnesses and thank them for testifying here today.

The term sovereign wealth fund has only recently entered our lexicon, but these government-controlled investment vehicles have been around and operating without incident for decades. At the moment, these funds are providing much needed capital to U.S. banks trying to regain their footing in the wake of the mortgage crisis. However, the growing market clout of these funds and the steep rise of their investments in the United States require that they receive greater scrutiny by Congress.

Bush Administration policies have fostered a large amount of federal borrowing from overseas, a greater reliance on foreign oil and a weak dollar – all of which have created an environment that is ripe for sovereign wealth funds with extraordinary oil profits or excess foreign exchange reserves to gobble up American assets at bargain prices.

Governments can have very different motivations than financial investors, so we would be remiss not to carefully examine the potential risks from these state-owned investment funds. Reform of the Committee on Foreign Investment in the United States (CFIUS) was triggered by the revelation that the committee gave the green light to a deal that sold operation of major U.S. ports to a company owned by the government of Dubai without any senior level review.

With proper implementation by the Administration, the new reforms will strengthen the system by which foreign investment in businesses in the United States is vetted for security concerns, and provide certainty and predictability to the CFIUS process in order to expand economic activity, create jobs, and encourage safe foreign direct investment. I will continue to maintain a watchful eye over the ongoing implementation process, but I am confident that the Treasury Department intends to follow the law as I wrote it, and have received assurances that the department is already adhering to the new reforms.

I welcome the Administration's efforts to work through the International Monetary Fund to create an international code of conduct that would include greater disclosure of sovereign wealth fund activities and governance. An important lesson of this summer's mortgage crisis is that when capital markets become too opaque and risk exposure is not well understood, the consequences can be devastating for institutions and individuals. Greater transparency of sovereign wealth funds would be a welcome development, but it may not be enough.

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Our challenge is to balance the potential risks to our economic and national security interests with our desire to maintain an open investment environment.

Mr. Chairman, thank you for holding this hearing and I look forward to gaining some insights from our witnesses about the appropriate oversight of sovereign wealth funds.

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