

Financial Services Committee

Hearing on “The State of the International Financial System, Including International Regulatory Issues Relevant to the Implementation of the Dodd-Frank Act”

Statement by Rep. Maxine Waters

September 22, 2010

I would like to thank the Chairman for organizing this hearing and welcome Secretary Geithner back to our committee. Thank you for taking the time to come and testify today on “The State of the International Financial System, Including International Regulatory Issues Relevant to the Implementation of the Dodd-Frank Act.”

I know this hearing will be focused primarily on international banking regulations and global capital standards. However, I would like to take this time to focus on a little known but very important provision of the Dodd-Frank Act: **the extractive industries transparency requirement**. This provision requires all companies registered with the Securities and Exchange Commission (SEC) to disclose, in their filings, what they pay to foreign governments for extracting oil, natural gas, and minerals. The data must be disclosed on a country-by-country basis so that payments to individual countries can be tracked in a transparent manner. This provision was based on the bipartisan Cardin-Lugar Amendment, which was proposed in the Senate, and it is similar to the Extractive Industries Transparency Disclosure Act (H.R. 6066 in the 110th Congress), which was introduced by Chairman Frank and which I cosponsored.

Throughout my career, I have taken an active interest in the countries and peoples of Africa, and I have noted with dismay that many African countries are desperately poor countries despite being rich in oil, gas, or mineral resources. A country’s mineral wealth should be a blessing to its people. But in the absence of transparency, mineral wealth can contribute to corruption, dictatorship, and armed conflict.

In the most egregious of cases, profits from mineral sales have been used by authoritarian governments to purchase arms to repress their citizens or by paramilitary groups to fund violent conflict. Sudan is rich in oil, and its government uses the oil revenues to purchase weapons and military equipment, while committing genocide against the Sudanese people. Rebel groups in the Democratic Republic of Congo have used mineral wealth to purchase weapons and terrorize civilians. Liberia and Sierra Leone are both rich in diamonds, and both countries are recovering from brutal civil wars that were funded in part by diamond-mining activities.

Even in the absence of armed conflict, billions of dollars that belong to the citizens of resource-rich developing countries are lost due to corruption. Too often, revenues from royalties paid by multinational corporations for the right to extract natural resources end up in the pockets of corrupt public officials. Africa alone has lost billions of dollars over the last 30 years to dictators who have sold oil and mineral extraction rights and stashed the earnings in foreign accounts.

These revenues should be spent on critical development priorities, such as health care, basic education, clean water, infrastructure, and poverty-reduction programs.

Some developing countries have pledged to disclose their revenues from extractive industries. These countries require government agencies and public officials to disclose all royalty payments in an effort to weed out corruption. However, without corresponding data from the oil, gas and mining companies themselves, it is difficult to verify the accuracy of the officials' disclosures. Public disclosure of payments to foreign governments by oil, gas and mining companies would enable civil society, the press, and the public in developing countries to hold their governments accountable.

With the discovery earlier this year of an estimated \$1 trillion in mineral deposits in Afghanistan, transparency in that country has become a matter of U.S. national security. Without proper tracking and reporting on exactly how much mineral is mined and where the money goes, billions of dollars could make their way into the hands of the Taliban and Al-Qaeda associates. These funds could then be used to purchase arms to kill American soldiers and to fund the very international terrorist networks we are working to unravel. Corruption could further diminish the availability of mineral extraction revenues for programs that benefit the Afghan people and deny them the benefits of development under a democratic form of government.

Most Americans do not want to invest their life savings in companies, which have financial ties to governments that threaten international peace and stability or commit atrocities against their own citizens. From California to Massachusetts, the successful Sudan divestment campaigns of the last several years have clearly demonstrated that the American people do not want their money to support civil strife in developing countries. Providing American investors with access to information on which companies have financial ties to regimes with egregious human rights records, such as Sudan and Burma, or regimes with dangerous agendas, such as Iran, is an important investor protection.

The extractive industries transparency requirement will help to strengthen our national security, protect American investors, fight corruption, and free up additional resources in developing countries for some of the world's poorest people. I hope Secretary Geithner will work with me and other concerned Members of Congress to ensure that this provision of the Dodd-Frank Act is fully and effectively implemented.

I also urge the Secretary to leverage this new law to secure the adoption of similar laws in other G-8 and G-20 countries. The adoption of strong transparency laws for extractive industries by all of our G-8 and G-20 allies would improve transparency throughout these worldwide industries.

I look forward to hearing the Secretary's testimony and I yield back the balance of my time.