

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

Hearing to receive Testimony of
Secretary of the Treasury, John Snow
April 19, 2005

Good afternoon, Mr. Secretary, and welcome to the Committee.

I am glad to welcome you here to the Financial Services Committee for another annual testimony on the state of the international financial system.

We meet as the Group of Seven countries strive both to make structural changes identified in the agenda for growth. Global imbalances are global challenges that all parties need to meet in order to safeguard continued economic growth around the world. At the same time, G-7 leaders are considering how best to fund development and manage the IMF's assets.

U.S. leadership in the G-7 has generated innovative approaches for addressing the challenges and opportunities presented by China's growth. I hope that real progress on these issues can be made in time for the G-7 summit this summer.

I note that this is the Secretary's first testimony since Congress passed and the President signed the Intelligence Reform and Terrorism Prevention Act. That Act included a requirement, authored by my colleague, Mrs. Biggert, that this annual testimony include an assessment of international cooperation and coordination from the IMF, World Bank, and other multilateral policymaking bodies in the fight against terrorist finance. I look forward to your testimony on this topic.

Economic resilience and continued growth are critical components to providing peace, stability, and freedom around the world. As President Bush has noted, "economic and political freedom gives hope to millions who are weary of poverty and oppression." As your testimony rightly points out, a five percent expansion in sub-Saharan economies over the next two years would lift nearly 30 million people out of poverty.

One important method for promoting economic development is to foster conditions for more balanced growth worldwide. Stronger economies create more demand, promote economic opportunity and ownership, and provide a foundation for political stability. I look forward to hearing your ideas for how we can support European efforts make the necessary labor and other structural reforms that are so needed.

I continue to support the President's efforts to express America's compassion for the world's most vulnerable people through a wide range of development initiatives. I also support the increase by \$100 million for multilateral development assistance for the International Development Association and the African Development Fund, and the increased proportion of grants.

The U.K.'s Presidency of the G-7 is wisely spent focusing on development issues. I commend our cousins across the Atlantic for their vision, even as I question whether all the proposals make sense. I will be interested to hear your views on the proposed international financing facility.

I expect we will evaluate the IDA and ADF replenishment requests in light of progress made to implement performance-based assessments as well as efforts to increase transparency, anti-corruption programs, and accountability. We need to be sure that development dollars are allocated efficiently and are going to the people who need it most.

I hope that the new President of the World Bank will adopt as a high personal priority continuation and expansion of the Bank's anti-corruption efforts. This could help counterbalance potential bureaucratic backsliding and competitive pressures among other regional MDBs to lower standards.

Regarding proposals to mobilize some of the IMF's gold reserves to fund debt relief, I note that U.S. negotiations to sell IMF gold cannot be conducted without Congressional authorization, starting with this Committee. We have not received such a request and I understand there is no consensus in favor of gold sales within the G-7. Therefore, I assume that no such negotiations are underway.

In the area of trade, liberalization at all levels can be more effective than development assistance in fostering economic growth. Trade is not a zero sum game and all participants benefit from liberalization. I look with cautious optimism at the broader Doha round of negotiations in the WTO as well as efforts within the Group of Twenty to support progress on the global trade agenda. I would urge you, Mr. Secretary, to be actively and personally engaged in helping to move along the financial services negotiations.

Last, but not least, I focus on Europe and the Financial Markets Dialogue. We meet as the U.S. and the E.U. are forging a reinvigorated relationship following the President's successful visit to Europe. The Treasury Department has done an excellent job of leading this informal forum in which regulators from the U.S. and Europe can discuss regulatory differences.

Finally, concern exists that the Treasury Department may not be appropriately staffed internationally. Consequently, I together with Chairman Pryce and Ranking Members Frank and Maloney commissioned a GAO study yesterday to assess Treasury's international staffing structure and whether changes can facilitate the Department's conduct of international economic policy. We at the Committee share with you an interest in ensuring that the Treasury Department has adequate staff and a good structure to meet the strategic economic policy challenges of the 21st century.