



U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

Hearing on the Implications of Sovereign Wealth Fund Investments for National Security

**Opening Statement of Chairman Larry Wortzel
February 7, 2008
Washington, DC**

Good Morning. Welcome to this hearing on the “Implications of Sovereign Wealth Fund Investments for National Security.”

My name is Larry Wortzel. I am the Chairman of the U.S.-China Economic and Security Review Commission for the 2008 reporting year. Also, with Commissioner Patrick Mulloy, I am one of the co-chairs of today’s hearing.

Congress has given our Commission the responsibility to examine the implications of U.S. trade with China for the American economy and national security. China has about \$1.5 trillion in foreign reserves and is the single largest buyer of U.S. external debt. Right now, perhaps we should be grateful for that.

More recently, the Chinese government has created a fund and management mechanism to grow its sovereign wealth at a higher rate by branching out of U.S. government debt.

China is not unique in creating a sovereign wealth fund for these purposes. There are dozens of sovereign wealth funds in world finance. However, with \$200 billion in its sovereign wealth fund, China is one of only seven countries with over \$100 billion in such funds.

The U.S. economy must remain open for investment. I think we all agree on that. However, some observers have questioned whether one nation’s sovereign investments could lead to influence over key industries, access to technology, or influence over another nation’s policies.

Leaders in France and Germany have expressed concerns about Chinese investments in some sectors of their economies, while the British Prime Minister has invited China’s sovereign wealth investments with open arms.

This hearing will explore the nature of sovereign wealth investments in general, ask whether China’s sovereign wealth investments should be treated differently from those of other countries, and will examine the institutions the U.S. government has in place to ensure that foreign investment does not affect national security.