Chairman Deborah Pryce
Subcommittee on Domestic and International Monetary Policy,
Trade and Technology
B-304 RHOB

Statement for the Record
Hearing on International Monetary Policy
Secretary John Snow
April 19, 2005

Thank you, Chairman Oxley.

Welcome Secretary Snow and thank you for taking the time to discuss with us the state of the international financial system.

The health of the U.S. and EU economies is inextricably bound together, with trade and cross-border investment flows linking them and their capital markets. The recent historic enlargement of the EU through the accession of 10 new Member States only magnifies the region's importance to the United States. The increasing closeness of the U.S. – EU relationship is underscored in the large trade in financial ideas, talent, technology and capital across the Atlantic. I commend you Mr. Secretary and your staff for opening a dialogue with the EU dedicated specifically to financial services issues and I hope to hear more during this hearing on how the Treasury is working to improve trade in financial services between the US and EU.

Mr. Secretary, as you know, U.S. and international financial regulators have been negotiating new capital requirements for banks in the Basel Committee over the past several years. I am concerned about lack of transparency in this process, and the cooperation among US regulators. I know other Members on this committee share my concern and would appreciate your thoughts on the Basel II process; specifically noting how the US regulators are working together and the competitive impact Basel II will have on banks that do not "opt-in."

The G-7 recently made a political commitment to provide "as much as 100% debt relief," to relieve the debt burdens of the poorest countries in the world, but without providing a view on how this could be funded. In light of the G-7's agenda on development and debt relief for this year, I am hoping you will touch upon recent discussions to have the IMF sell some of its gold stocks and use the anticipated profits to relieve Highly Indebted Poor Countries' debt.

As you recall, the last time this idea was raised was in 1999, with the initial creation of the HIPC program, gold prices plummeted to a 20-year low. News of the G-7's proposal to sell gold from the IMF's stockpile to pay for debt relief sent gold prices down again in October of last year affecting not only U.S. gold-rich states, but also the developing countries that depend on gold for export revenue.

As I am sure you are aware, U.S. law prohibits the Treasury from engaging in negotiations on this matter without consultation and approval from Congress. As the United States is the second largest producer of gold in the world, any proposal to sell IMF Gold, will provoke a long congressional debate as it did five years ago. I'll be following this issue closely, as I hope you will as well.

I hope to discuss with you further the proposed sale of IMF Gold and am particularly interested in hearing you speak on what you believe is the U.S. role in the prevention of such a sale.

I thank the Secretary for his appearance today and look forward to his testimony.

With that, I yield back the balance of my time.