BRUSSELS FORUM

TRANSCRIPT
SOVEREIGN WEALTH FUNDS: CHALLENGE, OPPORTUNITY, OR BOTH?
Saturday March 15, 2008

Welcome:	**Ms. Karen Donfried,** Executive Vice-President, The German Marshall Fund of the United States
Discussants:	**The Hon. Joaquín Almunia,** Commissioner for Economic and Monetary Affairs, European Commission **The Hon. Wouter Bos,** Finance Minister, The Netherlands **The Hon. Robert Kimmitt,** Deputy Secretary**,** U.S. Department of Treasury **The Hon. Sheikha Lubna al Qasimi,** Foreign Trade Minister, United Arab Emirates
Moderator:	**Mr. Gideon Rachman,** Chief Foreign Affairs, Columnist, Financial Times

---

KAREN DONFRIED: … I feel a bit guilty highlighting any of them. But I do need to give a particular nod to the Deputy Secretary of the Treasury, Robert Kimmitt, who has been a stalwart supporter of Brussels Forum. We're absolutely delighted to welcome him back. And the reason I need to highlight him is because it was his idea to have a session at this Brussels Forum on sovereign wealth funds. And given the star cast we have for this conversation, it certainly was a very welcome suggestion on his part.

With that, I'd like to turn it over to our moderator for this session, Gideon Rachman. Thank you.

GIDEON RACHMAN: Well, thanks very much for that introduction. I was just thinking this morning, as I was preparing to do this session, when was the first time I actually heard the phrase sovereign wealth funds. And I wouldn't guarantee that if you'd asked me, even a year ago, I could have given you a coherent definition of what a sovereign wealth fund is. It's a sign, I think, of how rapidly this issue has emerged as something that was really in the background a few years ago.

Sovereign wealth funds have been around for 30 years or more. They weren't much of a topic of discussion, I think, even a year ago. Now, they're really one of the hottest political and financial issues around. And I think in this panel, we can explore why that might be and whether all these concerns and all this hype are actually for real -- whether we're addressing some real problem.

I think one of the reasons that people are so fascinated by sovereign wealth funds, partly because they've become much more visible, but also because they combine, in an interesting way, both high finance and high politics. And they raise fundamental questions about the shifts in economic and political power around the world.

Also, there's just a lot of money involved. Nobody quite knows how much. But the estimates that one see, that sovereign wealth funds currently control $2.5 trillion dollars; and that that figure could grow really quite remarkably over the next decade.

We're fortunate to have a panel from all around the world today to talk about these issues. And I'd like to turn first to Robert Kimmitt, the Deputy U.S. Treasury Secretary. I mentioned that this is a subject that now is causing a lot of political controversy and some anxiety. Are people right to be a little bit concerned about these things, do you think?

ROBERT KIMMITT: I think that we don't need to be concerned. But we do need to be informed and vigilant. On the information side, I think we start where Europe has started, and that is that the free flow of capital across borders, based on open investment policies, is one of the essential elements of a successful global economy; and that the fundamental fact is foreign direct investment produces jobs, produces economic growth, both in the United States, Europe and elsewhere.

In the U.S., for example, one in ten private-sector jobs are dependent on foreign capital. Every additional $10 billion dollars of foreign capital that we obtain creates 30 direct, 30 indirect jobs. And I think we in finance ministries need to tell that positive story about foreign direct investment. On the other side, sovereign wealth funds have been around for 50 years. They have, to this point, been a very positive force in the world economy. Patient long-term investors, not highly leveraged. They did not shift their assets around quickly in times of stress. But as you said, Gideon, they are now growing to both a size and number that I think vigilance is required, vigilance to ensure they continue to be the positive force in the global macro-economy that they have been; but vigilant also to make sure that those concerns, that I think people could rightly have, do not lead to investment protectionism.

And that's why we, all of us here on the panel, are engaged in a multilateral effort on both sides of the investment equation. We, in the investment recipient countries, are working with the OECD to ensure that we're transparent, that we're nondiscriminatory, that we're quite clear that this investment is welcome and will be reviewed on a fair and open basis.

And on the other side, the IMF and the World Bank are working with the sovereign wealth funds to come up with a voluntary set of best practices that will allow them to demonstrate that they continue to invest for commercial and not political reasons.

RACHMAN: You used the word vigilant. And you said that vigilance could be justified. Is that essentially what one needs to be vigilant about the possibility that these investments could be used politically? And what would that even mean? How would China use a stake in a Wall Street investment bank in a political fashion?

KIMMITT: I think that is the key point that the sovereign wealth funds needs to demonstrate -- that the 50-year track record of investing for commercial rather than political reasons will continue into the future. And I think you do that two ways: number one that we come to an agreed set of best practices. And on transparency, that would be around the purpose of the fund, the institutional structure and investment strategy, and lastly the financial figures of the fund.

On the first two, there's been great agreement. With regard to the financial figures, that is the assets held, there has been some continuing discussion on that. Our view is that people should not have to disclose proprietary information or positions; but rather, they need to put sufficient information into the public space to demonstrate that they will continue to invest for commercial and not political reasons.

RACHMAN: OK. Perhaps I could turn now to Sheikha Lubna Al Qasimi. You're the foreign trade minister of the United Arab Emirates. Therefore you're sitting in one of the countries that people are worrying about in a sense, but also they're looking at, because they've got a huge sovereign wealth funds, particularly in Abu Dhabi. Transparency is one of the issues that people have raised. And I suppose quite a vivid demonstration of that is that people are constantly speculating how much money is there in the Abu Dhabi investment authorities coffers.

Given that we don't even know a fact as basic as that, aren't people right to worry a little bit about transparency in sovereign wealth funds?

SHEIKHA LUBNA AL QASIMI: Well, first of all, let's distinguish the old funds that started 40 or 50 years ago. If you look at the Abu Dhabi funds, as well as Kuwait for example, they've been there for years. The idea or the concept behind the sovereign wealth funds is the fact that all oil-producing countries create wealth. Oil itself cannot generate jobs. But the wealth generated by the oil revenue itself means that it can heal the growth of the economy itself. It can help the region. It can also secure future-generation employment and a future.

So when you look at these funds, they are funds that have been created for economic reason. And they've demonstrated, in the last 40, 50 years, a good performance as a track record in being a responsible fund. They have not been involved politically. They've actually -- in many times, believe it or not, they actually had saved the markets; because they are long-term. They look at crisis. They stay within these crises to help salvage markets and bail out. But they don't run away. So they've always been responsible in terms of their responsibility.

What we're seeing today is basically an understanding between recipients and the funds themselves, but in many ways driven by concepts and understanding by the media. We are seeing more cooperation cross-Atlantic in joint committees and meetings amongst the funds themselves, as well as the recipients, to create a dialogue, but also clarity of what's expected from the sovereign funds themselves.

But interestingly, as you look at this, there's also another side. Clarity of the recipients in terms of where the funds should be invested -- in other words, today there are requirements of interest. At the end of the day, these funds want to create economic growth, but also revenue for themselves. But the clarity of the recipient themselves of what they declare or define as national interest should also be a responsibility equally to the funds themselves, by stating whether a 10 percent or 20 percent requirement in terms of injection of these funds as investment, whether there are particular sectors that should be offhand, and going forward, creating an environment where these funds can actually have an opportunity of openness on the other side.

So when we talk about clarity, when you talk about transparency, we're talking about joint responsibility. It's not a one-sided story. It just happened that most people keep thinking with a paranoia about these funds and what they are and the size of them. You rightly stated that sovereign funds, actually, are in an average of $2.5 trillion dollars as of today. But that's only 5 percent of global market finance. So if you compare it to pension funds, if you compare it to insurance funds or others, cumulatively they are not that large. They are responsible. It is the figure. But it's not a 20 percent. And it's not, in terms of global market, a fund that actually is large in terms of percentage. It will grow, but even within that, you know, you have growth within the global markets itself.

RACHMAN: I saw that earlier in your career, you worked for Dubai Ports World. So you've had exposure to protectionist sentiment and the concerns about strategic investments. But I was interested, what conclusions did you draw from that whole episode, as you're now sitting, talking about sovereign wealth funds?

SHEIKHA LUBNA: It's quite interesting, because I think, in the opinion of the United Arab Emirates and Dubai Ports World, as they are named now, it was a purely business deal that went sour because of political climates, environments at that time in the U.S. For us, we are not the only foreign terminal operator coming to the States. There are other terminals operated by foreign entities.

But there was a learning lesson on both sides. For us, it was understanding and, as Bob Kimmitt said wisely, understanding the role of these funds or these investments as they go to the States. It's not to stay within the capsule itself, within Washington, D.C. There was a responsibility of ourselves to clarify ourselves in terms of interest in some of the states, for example.

I'll give even a better example. There are six terminals within Dubai Ports. But Doncaster came right after that. And that got involved in two different states as well. We need to be in the States. We need to tell people who we are, what we are all about. So there was a learning lesson on our side in terms of communicating, explaining ourselves on one side.

On the other side, it's created a question, I think, on both sides -- both the government -- the governments on both sides have been very supportive of each other going through this. But it's the understanding of whether the political implication of an environment can actually impact a deal going through. The question I was talking with Bob Kimmitt about was, even if we put all these regulations and process in place, when there is a political climate, and you have a storm coming up in that aspect, would the deal fall through? Would it go through, because you've got impacts in politics happening, just in time when that deal is taking place.

But for us, we've learned to explain ourselves better, to have better presence in the U.S. And we found out people actually don't know the United Arab Emirates. But people say what did you learn from Dubai Ports? We say we became famous. At least people know us today.

[LAUGHTER]

So for us, it's always the glass half full rather than the...

RACHMAN: Just spell my name right, as they say.

SHEIKHA LUBNA: The glass half full, rather than the glass half empty. We keep positive that way.

RACHMAN: OK. Very good.

Jaoquín Almunia, you're the Commissioner for Economic and Monetary Affairs. And I know that the Commission has been thinking hard about sovereign wealth funds. It's drawing up some voluntary codes of practice, and may even advance on this latest summit. Could you tell us what the latest state of play in Commission and EU thinking on sovereign wealth funds?

JOAQUIN ALMUNIA: Yes, indeed. Well, a few months ago, we start working on a proposal to the European governments through the European Council -- that took place yesterday -- on how to react from the E.U. point of view to the new discussions on sovereign wealth funds. As Bob Kimmitt said, these funds were around for many years. But recently, they have been in the front page of newspapers, of the media, of our discussions. Why they have been in the front page during the last months?

I think because Chinese new institutions started to invest in some Western companies. This is I think the most important factor that has helped this discussion in becoming one of the most important ones. The Commission has start working not in a legislative level, we were preparing some principles, how to deal from Europe point with sovereign wealth funds. And at the same time that we started working, the IMF -- the G-7 --

It was a G-7 dinner last October in Washington; we met finance ministers of the G-7 with some multilateral institutions, with some representatives of the most important sovereign wealth funds. And in October, the IMF decided to try to organize discussions with sovereign wealth funds on a code of conduct. And at the same time, they OECD decided to work in trying to coordinate the recipient countries attitudes towards sovereign wealth funds. So we step up our work. And yesterday, the Head of States of government discussed our communication and has adopted some clear principles following our proposal -- five principles.

First of all, we should continue to be open to foreign investments. We have been always open. And we have benefited a lot of being an open territory for foreign investment.

Second, we should support, as European countries -- as European Union -- the work both at the IMF level with the sovereign wealth funds and at the OECD level as recipient countries.

Third, we need to recall member states that there are some instruments at the national level, in the national legislation, and at the E.U. level, to deal with possible conflicts between the investments coming from sovereign wealth funds and national security interests -- or national laws that were adopted in some E.U. member states.

There are some principles that we have to use at the European level not to establish barriers in our internal market when foreign investors come to invest here. And these internal market principles should continue to apply also to these investments.

And finally, we should ask the sovereign wealth funds to be transparent, to improve the governance systems, to be accountable -- in one word, to assume responsibilities given the importance that these sovereign wealth funds had..

RACHMAN: OK.

ALMUNIA: ..and the importance that these sovereign wealth funds will have in the future, because these $2.5 trillion or $3 trillion today will continue to grow. And in a few years, some estimates talk about $10 trillion or even more.

RACHMAN: Wouter Bos, obviously there's thinking going on at the EU level. But I know that national governments are also having to grapple with this issue; and that you were in fact asked, in your role as Minister of Finance, by the Dutch Parliament to report back to them on sovereign wealth funds, their implications and so on. So what were your conclusions? Did you emerge frightened or reassured?

WOUTER BOS: Well, both a little bit. Maybe it's interesting to say a bit first about why we were asked to do this type of survey, because it maybe tells us a little bit about the broader context within which this discussion is being conducted. I guess in the Netherlands, there were three or four reasons for the Parliament to be concerned about the possible role of sovereign wealth funds. And some are specific to the Dutch situation. Others are not.

First of all, there was this ABN AMRO Bank being put up. So that generated a whole discussion in the Netherlands about whether you wanted to have big national icons of your economy to get into foreign hands or not. And it started with the discussion about a bank. But it became a discussion about other institutions in your economy and the extent to which you can hold politicians responsible for trying to prevent foreign players coming into your economy or not, or whether you have an economic benefit in actually maintaining Dutch players in the Dutch economy.

A second reason for the discussion was the remarks made by Commissioner Mandelson, who at some point in time, and I know that not everybody necessarily agreed with Commissioner Mandelson at that time -- but who started discussion about golden shares as one of the means to actually maintain national interest within major companies in one's economy.

A third specific circumstance is that, in the Netherlands, we had quite a fierce discussion on the role of hedge funds, private equity funds, shareholder activism, whether there was a tendency towards more short-termism within the capitalist system, if you like. And that kind of fed a lot of concern about politicians. And it's had a broader public debate as well as to whether it was enough control, as to whether politicians were at all able to influence anything in the economy.

And on top of all that, suddenly we noted that there were not only sovereign wealth funds that are big and that are growing bigger; but there were also new players on the stage, like the Chinese. And we also saw them investing in sectors where we hadn't seen them before. In the Netherlands, for example, the Chinese turned into the picture when Barclays was bidding for ABN AMRO, and the Chinese took a share in Barclays. But also, they took a share in Fortis. And those were financial institutions where we hadn't seem them before. And it raised concern as to whether this was an investment like any other investment, or whether we should have any specific concern.

And what we felt happening, in discussions with our Parliament, was that there was a lot of emotion in this discussion. There was a lot of not-so-rational fear and concern. You know that, in a way, is all -- you can bring it all back in a way to the fact that, in a world full of uncertainty and quickly changing economic circumstances, people want something to hold onto. They want something to be sure of. And here, a lot of things that they thought they were sure of were changing. And things that they thought that were national suddenly were no longer.

And in order to try to cool that discussion down and try to get the facts back on the table, we conducted the survey on sovereign wealth funds. And we looked at strategic sectors in our economy and as to whether they were vulnerable to investments by strategic wealth funds and whether there was a need for additional instruments to address the possible threat of sovereign wealth funds.

And the number one conclusion was, as was being said here, that if you look at how sovereign wealth funds have conducted in the past, they were absolutely ideal investors, because they've always taken minority interests. And they never looked for active influence, power within the company. And they're long-term investors with a long-term horizon, which was, you know, exactly that type of investment behavior that you're looking for in discussions about shareholder activism and increasing short-termism.

And on the other hand, there was still all this speculation about what may happen if. And you know, what would happen if the Chinese would do this, or if the Chinese would do that. One of the conclusions I drew of that argument was that, if you're totally honest, I guess most of the discussion is not about sovereign wealth funds, but it's much more specific about the Chinese, because they are the new kids on the block. There is the greatest lack of transparency. And there possibly is also the greatest concern as to whether they play with the rules that we are all used to. And as long as that degree of honesty lacks in the discussion, it's a bit difficult to actually get to the point and try to find out what we're really concerned about and what we should do.

RACHMAN: Well, listening to you talk about what model investors they've been in the past, I suddenly remembered that little statement that always comes on the bottom of any investment you take out in Britain, which is past performance is no guide to the future. So...

BOS: We have the same one.

RACHMANN: And I think it does have some relevance, because we've seen perhaps, even with our equivalents of sovereign wealth funds here in the West, with pension funds, they can be purely economic investors for a long time. And then they get put under political pressure. And suddenly actually they do start making political demands. And can we be sure that, even if sovereign wealth funds, you know, invest largely for economic reasons, behave for a very long time in a purely, sort of, capitalistic economic fashion, that we're not, in the very least, at least putting them in the position whereby in some future day they could exert political pressure?

BOS: No, we cannot be sure. I guess there are no guarantees here to be given. But there are some very generic instruments, generic policies, that one can use to reduce the risk. For example, if you've got adequate legislation on competition, you an always make sure that if foreign entities or national entities take over companies in your economy, that they can never arrive at the dominant position in the market. So you can never become too dependent on them. That's a matter of competition legislation.

We've got some legislation coming up now that actually asks shareholders to, much earlier, reveal who they are and what their strategic intentions are. That's another more generic way to address the issue, which is not specific to sovereign wealth funds but does help to address some of the risks that come with sovereign wealth funds.

RACHMAN: OK well we've got a larger and well informed audience, I'd now like to turn to all of you and solicit some questions. Could I ask people to identify who you are and then perhaps whether you're directing the question to anyone in particular? The gentlemen in the front row here, I think the microphone will be coming to you.

TAKU OTSUKA: OK I'm Taku Otsuka from Japan [Member House of Representatives, Japan]. I'm quite optimistic about the role of the sovereign wealth funds because some of the discussants pointed out the sovereign wealth funds is long term and purely economic motivated investors. So I think this is quite a good counter balance against the short-term investments like the hedge funds or the private equity activists.

And in fact in Japan, recently some of sovereign wealth funds started buying Japanese stocks, which are pretty under performed, while there are many opportunities like the financial sector which is subprime loan problem free or the environmental factors such as solar power, water desalination.

But Western, not only Western, but the short-term investors are still selling Japanese stocks mainly, I think, they realize their profits to counter this. So I'm quite optimistic about this. But the problem is, as Ms. Sheikha Lubna al Qasimi from the UAE pointed out, the transparency on both sides, investors and the recipients. So my question for the discussants is what can we do in the recipient side to be transparent?

RACHMAN: OK. I'll just perhaps take another couple of questions and then let people have a bite at them. This gentlemen just behind you there.

JANOS MARTONYI: My name is Janos Martonyi, I'm a Professor for International Trade Law, and I have to express my gratitude to the sovereign wealth funds because they call the attention to a phenomenon or to a challenge, which is substantially wider than the investment decisions or the investments made by sovereign wealth funds, which I find myself have been extremely beneficial to the world in the last 40 or 50 years.

But I'm convinced that the challenge has become now much, much wider and we should give as much attention to, for instance, state-owned company or companies or semi state-owned companies or even private companies which are acting under political influence or instructions. And we all know that the political and the know-how is there.

I also know it from practice, I know about big companies who are not interested at all in the outcome of financial or even due diligence, the only thing that they are interested in are basically geopolitical or political considerations. And in Central Europe we have of course a very peculiar sensitivity to this phenomenon and that is why we think that this whole problem should be given a much wider approach. And these other actors or players should also be covered by any future code of conduct or legislation or whatever.

For the instruments…

RACHMAN: Sorry, just to give them a chance to respond, do you mind if I sort of summarize --

MARTONYI:..the question is very simple, don't we think that these other actors or possible investors should be covered? Don't we think that the idea of reciprocity or effective reciprocity, as it was developed decades before, should also be applied in this regard? Don't we think that the so-called generic approach, competition law and capital market legislation, is sufficient? Don't we think that these instruments are sufficient or not?

RACHMANN: OK that's three, let's give them a chance to think. Yes Mr. Kimmitt?

KIMMITT: Why don't I take the second one and then maybe one of my colleagues can take the first from our Japanese colleague. First I think it is important to point out that state-owned assets can take various forms, official reserves, pension funds, sovereign wealth funds or state-owned enterprises. And the debate has tended to focus on sovereign wealth funds only but there are issues raised by other of those investors.

And I think you're correct to point out, particularly state-owned enterprises, where the state has made a conscious decision to keep the industry under state control. And when a state-owned enterprise particularly looks to invest abroad, particularly if it is looking to invest in a sector that is not open in the home country, that does raise a set of issues.

Now we in the U.S. in our investment review legislation, and I might note also another legislation, competition banking securities, do look at the nationality of the potential acquirer. We are required under the Committee of Foreign Investment U.S. to do a more detailed inquiry, whether the investor is a state-owned enterprise or a sovereign wealth fund. But again, we do it against the back drop of an investment policy, we try to get to a yes answer unless, in our case, there's a security concern that cannot be properly addressed, or I would imagine the case of competition, securities or banking regulators, some regulatory or anti-competitive issue that cannot be resolved.

On reciprocity, it's a very good point. We happen to believe that inbound investment is so beneficial to the U.S. we have not listed reciprocity as a gating factor, not a criterion that we apply particularly in our security review. But, as Sheikha Lubna said, all cross-border investment takes place in a broader political environment where reciprocity is a very important factor. And as investors look at talking to people at both ends of Pennsylvania Avenue, that is in the Administration and in the Congress, they will find that that reciprocity factor will come up and particularly again, for a state-owned enterprise coming from a sector that might not be open to American, European and other investors at home.

RACHMAN: Yes I can see all of you want to come in on this but Mr. Bos, I think one of Mr. Almunia's colleagues, Charlie McCreevy put it quite well when he said, "you know is there really a distinction between the Gazprom and a sovereign wealth fund when we're thinking about investments." Is there? Sorry, is that a no?

BOS: No. I guess not, it just makes it especially even more complicated, that's why I'd like to leave it out of the picture. But I guess looking at the core of the questions there's not a real difference here. Could I just make a quick comment on two issues? One on reciprocity; I believe that's a political issue much more than economic issue. Because, economically, if it's good for my economy that the Chinese invest, it doesn't matter whether I am allowed to invest in China. I mean if it's good for my economy then they're welcome. So reciprocity is a way through which you can actually force other governments to open their borders, because if you won't do this to me then I do that to you. But in terms of what's beneficial to my economy, it doesn't add any value.

The other thing is you mentioned, Rob, you mentioned nationality, checking, screening on the nationality of investors. It is one of the things we have looked at in that study that I mentioned and it is one of the things where we ended up saying that we really can't see how you can make a justified distinction between investors from one country and investors from another country. And yet you can make a distinction between good investors' behavior and bad investors' behavior, you can make a distinction between commercial behavior and non-commercial behavior...

RACHMANN: Yes but then aren't you evading the political issue then?

BOS: ..but to justify why a state company a French state company is good but a Chinese sovereign wealth fund is bad, that's difficult.

KIMMITT: I'm sorry, I was answering in the context of the question about state-owned enterprises. It was really national ownership that I was talking about not the individual nationality. It was really whether it was a state-owned or controlled enterprise, which is the criterion. So I was not clear on that because I was trying to go to the specific question.

RACHMANN: Sorry, the point I was trying to make was isn’t' there a slight discrepancy between you saying, well to be honest, actually when people worry about sovereign wealth funds they're worrying about the Chinese and then saying, but this isn't an issue we can address? I mean as a politician don't you have to address that?

BOS: Well I mean politics is full of inconsistencies and this is probably one of them.

RACHMANN: Fair enough.

BOS: This is the difference about discussion in newspapers and political fora and constituencies which is full of inconsistencies and emotions. And then there is the other world of business and economics and rational analysis and what you can do or you cannot do and it's very hard to bring the two together. And in a way it's my job to try to do that and it doesn't always work out successfully.

RACHMAN: OK. Sheikha Lubna, I saw you wanted to say something.

SHEIKA LUBNA: On terms of reciprocity, let's explain sometimes situations of countries for example; there are countries that actually are blessed and benefited by the oil itself. But at the same time you may not have other instruments of reciprocity except for opening up markets for major tender by these countries who you'd like to invest in their country, but in return you've opened up your markets for a major contribution of their company. So reciprocity may not be exactly in one to one but it's the whole rather than the particular sector. So in that it actually combines both comments from both of you when you open up.

There is one instrument that's actually quite well known which is the BIT, the Bilateral Investment Treaty. If you look at countries who have signed up, pretty much most of the time, whether it's private sector or government investment, it goes through a dialogue of this particular Treaty. Otherwise it becomes then a chapter as part of the Free Trade Agreement. So you are containing a boundary and a definition within the investment treaty itself, whether it's an FTA format or whether it's an independent Bilateral Investment Treaty.

But I want to make one comment. We keep talking about emotional, emotional on this part, when the Asian market was bought down it was not a sovereign fund if you remember, it was a hedge fund. And to me at the end of the day, whether there are jitters in the market, whether there is concern in the market, then the concern should be about any fund, regardless whether it's owned by a government or a state or none. You know the measure has to be out there where you can actually see if there are impacts or not.

But generally speaking, today all the markets, financial global markets, are actually interdependent. If you look at, for example, the Citigroup investment that came from ADIA, it may look to a lot of people that it's just opportunity. But on the other side of it, what people sometimes may not see, that these banks, an international global bank that actually helps the sustainability of this bank and its health in terms of existence, impacts everybody worldwide. It doesn't impact the Americans by themselves, it really is the bank where everybody deals with then, whether a client or an owner. So the interdependence in the market means when there is a fund out there helping or bailing out or investing as an opportunity, it is not just about an opportunity. We are all actually impacted by global markets today so we can't afford to have a fall out somewhere.

RACHMAN: Mr. Almunia?

ALMUNIA: Yes two brief comments. First of all about reciprocity, we didn't use this as a principal in our contribution to the discussion. And yesterday the conclusions of the European Council didn't mention the word reciprocity. Because I think it was Bob, who said, if these investments- if these investments are good and welcome and are positive for us, we don't need reciprocity as an automatic trigger for authorizing these investments.

I am concerned by my own interest, by my own needs of capital, I will establish some kind of principals regarding transparency, investment criteria, I want to know why they want to invest here, if it is because of economic arguments or because of some other arguments. But I will not ask automatically reciprocity. So we prefer not to use this as a principal. Another thing is at the political level in the general considerations.

The sovereign wealth funds and state-owned enterprises, we should be extremely careful in identifying the treatment. In some cases we can find the same kind of problems. When dealing with sovereign wealth funds that want to invest in a strategic sector in one of our countries and we don't know why, what kind of government system, what kind of economic criteria and we need to think on our national security reasons, or state-owned enterprise in the energy sector that can create problems and the same kind of considerations will appear.

But in many other cases we are talking about different institutions, different problems, different challenges. So we prefer not to identify state-owned enterprises with sovereign wealth funds. And now we should concentrate, I think, our attention in these discussions or in the coming months in reaching good agreements at the IMF level for the code of conduct for sovereign wealth funds, at the OECD for the recipient countries. Both sides need to increase transparency and to increase clarity on how to deal with this investment clause.

RACHMAN: Thanks, right. There's a woman at the back, just in front of you. Yes? There's a microphone just next to you.

WENDY SHERMAN: Thank you. Hi I'm Wendy Sherman, I'm a principal of both The Albright Group and The Albright Capital Management and I should say our strategic investor is PGGM, a Dutch public pension fund. I think there are a number of things going on here, I have a comment and then a question. There is political anxiety, and the United States saw this back in the '70s when Mitsubishi wanted to buy Rockefeller Center and you would have thought that the world was coming to an end as we knew it.

In fact, they did buy Rockefeller Center, I think lost money on the deal unfortunately, and nobody thinks twice about it today. Because some of this is just a political anxiety that comes from change and from development. And I quite agree with Minister Bos that part of this is anxiety about what China is going to do as this sovereign wealth fund grows so quickly so large.

Secondly, I think there's economic anxiety as the world economic markets are having problems and certainly the American economic system is in trouble. And on one hand you don't see any American politicians saying to Abu Dhabi, you're not seeing anybody from Citigroup saying take your money back. Because we need it. But there is economic anxiety.

And then thirdly, I think there is both anxiety in a sense that there needs to be transparency and responsibility here. And that responsibility is not only around strategic assets but also about responsible investing, which is the other side of this dimension which is, in what ways do we expect capital flows to do things to affect policy as opposed to stay out of policy?

So there's a big push among pension funds in particular for responsible investing. So that is also policy driven and not simply commercial, though I would argue that sustainability has commercial value in the end. So this is a very complex problem where we, I think, can't single out anyone driver.

My question to you all actually connects the last session on climate change with this one which is, I think as these sovereign wealth funds and other vehicles grow there will be pressure, as I think in the case of China, for that money to be spent to solve the climate dimension for China, that it not be the United States that finances or the developed world that finances the developing world's issues but the sovereign wealth get used for that or for issues of poverty. And so my question to you is what is the flip side from your perspective? What do you think sovereign wealth funds should be doing? What responsibility do they have for their in-country issues?

RACHMAN: OK I'll take a couple more. Dan Drezner has written a couple of papers on the sovereign wealth fund.

DANIEL DREZNER, THE FLETCHER SCHOOL OF LAW AND DIPLOMACY, TUFTS UNIVERSITY: Thanks, in some ways sovereign wealth funds are more of a symptom rather than a cause. I mean part of the reason you're seeing such rapid growth and why the growth is projected to be so large is because of the macroeconomic imbalances in the global system, which is China is racking up such massive amounts of dollar reserves that they have to invest in sovereign wealth funds because they've already invested a trillion dollars in bank assets.

So I guess my question to the panel, specifically I guess Mr. Kimmitt, is to what extent will the deeper macro-economic imbalance problem be addressed? I mean part of dealing with sovereign wealth funds is, I agree with everything that's said, they've mostly invested quite prudently. But unless the deeper problem is solved this is not going to go away and the anxiety is only going to increase.

RACHMAN: I think I'll stop there for the moment. Mr. Kimmitt, you asked an interesting direct question, isn't this really about macro imbalances in the end?

KIMMITT: Certainly they are closely related and we've said that, as sovereign wealth funds move forward, as we look to the future and then continuing to play a responsible and important role in the world economy, they too, as countries more than funds, have a responsibility to continue to address global imbalances. We in the U.S. need to increase our savings rate, we need to continue to see demand-lead growth, especially in Europe and Asia, and the Chinese need to appreciate their currency more quickly.

We have seen some acceleration in appreciation of the Chinese Yuan recently, that's welcome. We happen to think that they need to move more quickly to valuing their currency based on underlying market fundamentals. That is, I might say, part of our broader strategic economic dialog with the Chinese which, as I think Wendy knows, is also going to the issue of environmental, including what is the appropriate role for the Chinese to play in addressing some of their environment problems and joining with us and others in addressing regional and global environmental problems.

And I think that, I'm not sure it's as much a sovereign wealth fund issue as it is for the owners of the sovereign wealth funds, that is the governments, how do you state resources appropriately. We have an idea out right now, for example, for a clean technology fund to try to get governments to help invest on clean technologies as part of that approaching post-Kyoto framework. I might say that some of the sovereign wealth funds, including the Chinese, do have some inward investment responsibilities. We look at those, I would say that we're looking more closely right now in the multi-lateral sense, at some of their cross-border activities.

But aren't we creating, we hope, in the sovereign wealth funds and in their owners, the countries, people who, because of that cross-border investment, have a deeper stake in the successful world economy running on the basis of those principals of free trade, flexible exchange rates, free flow of capital across borders, who have a common commitment to address those structural imbalances precisely. Because the higher returns that they seek will not come unless we do this on a well coordinated basis.

RACHMAN: Sheikha Lubna on this question of internal responsibilities, is that something you have to think about how do you balance investing overseas and development back home?

SHEIKHA LUBNA: The funds themselves on other instruments actually have been quite good in terms of building the place. If you look at the United Arab Emirates today, 65 percent of its GDP is actually in the non-oil sector, regardless of being one of the top five worldwide, whether it's in oil production, gas or reserve.

But on the other side I also would like to make a statement about the founder of the country, Sheikh Zayed, Sheikh Zayed actually abounded and stopped flaring of a lot of the oil rigs at that time basically for protection of environment. So it's not you, this is from the '70s something that had taken place. But recently too the governmental body had created a company called Masdar, and Masdar is a renewable energy initiative with over I think 10 or \$20 billion worth of investments with research on clean technology related to energy and other things.

So regardless of whether you want to use the sovereign fund acceptance in other countries for being someone who is committed and responsible for environment, I think maybe that's the direction Wendy was asking. But for the United Arab Emirates, the United Arab Emirates has always been responsible toward the environment so even earlier.

RACHMAN: Mr. Almunia, you looked interested in this question of macro imbalances and...

ALMUNIA: Yes I have to underline that I fully agree that the origin of the imbalances should be tackled. We are today discussing the growing importance of sovereign wealth funds and it's a very important discussion, but the accumulation of imbalances in the surpluses of China, other Asian emerging economies, oil producers, other commodity producers, and the increase of imbalances in the deficit countries, U.S. and others, cannot continue. This is the origin of other problems that we are having now, much more serious than the sovereign wealth fund discussion, the financial turmoil and its consequences.

So we need to tackle this and we need to tackle, and I fully agree with Bob Kimmitt, in a cooperative way. In the case of China and other emerging economies, they should increase internal consumption, and the appreciation of the return rate is one of the elements of this strategy but it's not the only one. And the kind of challenges that they should tackle, that they should deal with in the coming years, because of the pattern of growth that they are having today is huge.

So they will need to pay much more attention to their internal challenges than not only to manage their sovereign wealth funds, the new Chinese sovereign wealth fund, $200 billion with two thirds of this $200 billion oriented towards the internal necessities of China. Only one third of the Chinese sovereign wealth fund is oriented to the outside world. But this is only part of the solution, the Chinese should rebalance a lot the growth pattern.

The cooperation between consumers and producers of other commodities is a very big challenge for all of us in the coming years because, if not, we will suffer not only growth consequences of the financial turmoil but at, the same time, inflation consequences of the tensions in the commodity market and this is creating a difficult situation for all of us.

RACHMAN: OK thank you very much. I think at this point I should offer a collective apology to all of you because we've only got about 20 minutes left and I'm not going to be able to take all the interventions, but I'll sort of do it at random. Somebody who had their hand up earlier, I think she's gone so she's missed her opportunity. Jean-Pierre Lehmann?

JEAN-PIERRE LEHMANN: Thank you very much, Jean Pierre Lehmann, Evian Group at IMD. I just want to make a slight correction that it was not in the 1970s that Mitsubishi bought Rockefeller Center but in the 1980s after the Plaza Accord, which resulted in the stiff appreciation of the Yen which went from 250 to 120. And I think one can predict that the same thing is going to happen with the Chinese when you're pressuring for the appreciation of the Renminbi. And my guess would be at the Brussels Summit next year or the year after we'll be talking about the Chinese buying up the United States because of misguided of U.S. pressure on seeking to increase the rate of that currency, as you did with Japan 23 years ago.

RACHMAN: OK thank you. Yes Mr. Kimmitt, do you want to respond to that?

KIMMITT: Let me just come in on this. First of all on the misguided U.S. pressure, first of all we, Europe and indeed the G-7 have taken a common position that China needs to appreciate its currency more quickly toward underlying market valuation. And oh by the way, that is also the Chinese position. Word for word, "we differ on the pace but not the goal or direction."

Secondly, with regard to Chinese investment, including the recent Chinese investment by their sovereign wealth fund, look at how carefully they have structured the deals, particularly into the U.S. financial sector, to be decidedly minority participants, keep it under 9.9 percent, very frequently under 4.9 percent which are regulatory triggers for other authorities, no Board seats, stand-still agreements, not to grow any further.

What the Chinese have essentially said to us is, listen, we have to diversify this portfolio, it has to have an equity component, we want our international equity component to include the U.S., please tell us the right way to invest in the United States. And that's why I think it is very important for us, as Sheikha Lubna said, to make sure that we are as transparent on the investment recipient side as we expect the sovereign wealth funds to be.

RACHMAN: Mr. Kimmitt, I mean in all of these discussions the word strategic is chucked around a lot and people say well some kind of investments are OK, but strategic sectors of the economy perhaps we need to be more careful about. Is that a valid distinction? And is, for example, a Wall Street investment bank a strategic asset? I mean arguably, given how they're doing at the moment, they're strategic threats to China if they buy them. But how do you think about this issue of strategic?

KIMMITT: We have not used the strategic sector approach that has been used by other countries. In our investment review law, the new one, the Foreign Investment National Security Act that was passed last summer, there is guidance provided as to some sectors, infrastructure, oil, defense industrial base that require a special look. But we've had plenty of investments into those sectors.

As I said, it's just for state-owned and controlled companies that there is a higher degree of investment scrutiny, again within the context of the Open Investment Policy Statement. So we have chosen not to do it on a sectoral strategic basis, believing that, if we look at these on a case-by-case basis, trying to strike that balance between promoting open investment and protection national security, that in most cases we can come to an approval for the investment.

And one other point I might just make, I think in the wake of Dubai Ports World too, where there were lessons learned both by the investor and by the investment review authorities, the impression I think was given that we review every cross-border investment and we block many of them. In fact in calendar year 2007 there were 11,000 M&A activities in the United States, 2,000 of which were cross border, a foreign entity buying a U.S. asset, of which only 143 came before the Committee on Foreign Investment in the U.S., none of which was blocked.

And I don't think there's ever been a circumstance, even in the '70s when it was created, it was actually Saudi petrodollars buying up U.S. farm land that lead to the creation of CFIUS, it was the Japanese in the '80s, there's never been a year that I'm aware of that more than 10 percent of the cross-border deals have even come before the committee. And in the entire 20-year statutory history of the committee, only one investment has been blocked by the President.

RACHMAN: Mr. Bos?

BOS: Yes we did look at strategic sectors and whether, policy wise, there was anything you can do to protect strategic sectors from certain investments, including, if that's what you would want to do, investments from sovereign wealth funds. And maybe two conclusions are interesting here. The first is that, where economists and policy makers tend to look at strategic sectors, the political debate is very much about strategic companies. It's not about the financial sector but is about a bank, it's not about the system of infrastructure but it's about whether you want to put shares of your airport company on the market. And that is a lot more complicated and, policy wise, a lot more difficult to handle.

A second issue is that within Europe, if one were to agree that there is a need to protect strategic sectors against certain types of investment behavior, it can actually only be done at a European level. Because the European treaty hardly gives any room to do that at a national level. But then one has to agree, at a European level, what strategic sectors are. And here the difficulty starts because I am told the French regard their national yogurt champion, Danone, as a strategic company whereas we tend to look at other sectors...

RACHMAN: I think they're denying that, I think they thought about the strategic yogurt but in the end, not. I know both of you want to come in, Sheikha Lubna.

SHEIKHA LUBNA: Well since everyone is demanding sovereign funds to have a consistent and a common creative content transparency, don't we all need to understand whether it's a strategic sector or a national interest or a national security? There are three words and three definitions we use amongst the recipient countries and the definitions themselves keep changing within the content. I mean would you consider Liverpool football team as a strategic sector and national interest, or national security? So, we -- when you deny access to…

RACHMAN: All three.

SHEIKHA LUBNA: My question there is that definition keeps changing as well. I think Bob Kimmitt said something about -- you talked about strategic sector, you talked about national security. Some others called national interest. So, that in itself, what would you define, what would fall under that? Is that everything -- are you considering about patentship, is it more about defense, is it more about technology patentship. If they are defined clearly, I think sovereign funds would actually appreciate that equally and that is where we are talking about joint responsibility of understanding both sides. But, I thought maybe the football team was more nationalistic than the yogurt in France.

RACHMAN: So, it is a Liverpool thing, nobody else cares.

SHEIKHA LUBNA: (inaudible).

ALMUNIA: Well, the treaty of the European Union, does not solve this very difficult question, on Liverpool or Manchester United, it will depend, who will give the opinion.

SHEIKHA LUBNA: Manchester lost recently.

ALMUNIA: For me, it is my team, the Spanish team, the strategic question.

SHEIKHA LUBNA: Royal.

ALMUNIA: But, the treaty talks about the possibility of establishing exceptions to the free movement of capital, when there is a real and serious threat to national security. This is the concept that is in the treaty. And so far, it is the European Court of Justice who have interpreted through their rulings when this national interest has a real threat. So far, we have not competence at the European level to establish a general rule is that national legislations that are interpreted because of the free movement of capital recognized in the European Treaty by the Court. When the new Treaty of Lisbon will come into force, we can -- this is a new competence in the new treaty hopefully next year. At the European level, we can establish this more precise definition from the European law point of view of what we can interpret as a national interest.

RACHMAN: OK. I think a couple more questions here, gentlemen here just.

STEVE CLEMONS (Director of the American Strategy Program, New America Foundation): Thank you. A few years ago, Ken Rogoff wrote an interesting article in the Post -- the Washington Post titled The Debtor's Empire. And in it, he basically looked at America's growing debts, of course which have gotten worse since, and what we have seen in the evolution of sovereign wealth funds is a manifestation in my view of a major shift in political power. And what we have heard in a lot of the comments today is, "Oh, don't worry about it. If they just buy 4.9 percent or 9.9 percent or oh the Japanese over-bought after the Plaza Accord, nothing to worry about." And I am interested in the absence of discussion about whether or not this massive shift in assets in the world today, I am not hearing the sort of concomitant discussion about the massive shift in political power and what that means in terms of the tectonics of geopolitical realities. And whether or not we are just engaged in telling ourselves it will really all be OK, there is nothing to worry about or whether in fact there are fundamental power shifts going on.

And Sheikha Lubna, I want to ask you one side element about the Citibank decision and investment. Is -- with the subprime loan crisis, while you have got a glut of global capital out there, lots of other pools of capital were not financing some of the institutions engaged in the subprime loan process because they didn't know how much more bad debt was there. And the very activity in the entry of the sovereign wealth funds into that market, when other pools of capital were not, is perhaps the first time we have seen sovereign wealth funds behave differently than other pools of capital, not in an inappropriate way, in a way that may have helped, but nonetheless, I think it is hard to argue that sovereign wealth funds were moving into cases like Citibank out of commercial decisions as opposed to political ones.

RACHMAN: OK. I will take one more. Gentleman just there, second row. Could you say who you are as well?

MARC LELAND: Marc Leland, I chair the German Marshall Fund. As Bob knows, I chaired CFIUS in the ancient days and we have the Kuwaiti Santa Fe case was our first one, and the issue was -- what's interesting, I am interested that everybody has really decided to -- Bob is perfectly correct. Reciprocity as an issue in the Treasury Department is a nothing. As the other end of Pennsylvania Avenue, it is not nothing. I mean, the question is, you can say the same argument for free trade. I mean, free trade is a benefit to the -- all the free-traders and we all remember Miscannon who said we shouldn't have any negotiations, we should just open our market entirely because it's a benefit to us.

Is this not -- my first question, in a sense, isn't this an issue that the European Union and the U.S. in a sense could agree that maybe it is an issue, may even be helping the other countries that are trying to invest at a time, because they would just as soon open up some of their markets. But, voluntarily saying we are not going to -- since it is such a benefit to us, there is no question it is a benefit to us, but it would be more of a benefit to us then I can ask that to the minister, if they also open their markets, it is not a question that this isn't a benefit, but is there some way that you would use that leverage. In my second -- and asking Bob on this, it sounds to me that there are two issues going on here and I think in their summation of it, I would like -- one is the minority interest. When I was at the Treasury, the Commerce Department, the biggest investor in the United States by far, I think now it is Britain, it was then Holland, the Dutch.

And of course, I never could understand that, except obviously it was the Netherlands Antilles, and it was the Middle East. We are having no transparency, it was actually better, they couldn't influence everything. All they did is they came through the Dutch, through their own separate companies and nobody knew who they were. But, they didn't exert any influence and they didn't buy that much of it. But, the Dutch were our biggest investors, and after them, it was the British. So, that -- my next -- in a sense, that is just an anecdote. Is there some issue that is not strategic? I mean, you touch on it and we don't have that power in CFIUS. George Shultz and I were the only two that wanted to look at what happened when the French nationalizations took over businesses that were in the U.S. owned by French companies, because Mitterrand's avowed purpose was employment in France. He did not have a capitalistic idea, he just wanted -- he would move a factory to France to get the employment rather than where -- and that is something, I think this -- a lot of these issues, and I think somebody bring -- are going to be issues that if the administrations don't take it, Congress will do a Sarbanes-Oxley type thing on them.

There will be enough emotion about it. My final point really is on the issue of what -- it is true historically for instance, we all knew when the Japanese were going to take over the world, and they were and they had all these assets, it may be the same with the Chinese that they will have their own internal problems and things will somewhat -- that is a macro problem. But, I guess my real -- my two questions really have to do with reciprocity and are you making a distinction because I think there is, between owning 29 percent, 20 percent, do you want to have the same rule for them that you have for somebody who in a take over, that if they buy 29 percent, they have to buy the whole thing, or would you prefer not? That's the question.

RACHMAN: Well, OK, we got about five minutes left, so if you could answer those questions and say any concluding thoughts, I guess, now is the time.

SHEIKHA LUBNA: Yes, in terms of investments, I think it would be very hard to -- and I think we have heard this over and over to define reciprocity fact for fact, because the competence of each country is different. Someone may have a flow of wealth that can be invested aboard, but there are other things that needs technology, know-how and major investments in different sectors. So, it is not -- there is not a definitive answer to say, what -- how you could actually define reciprocity, but under framework of a bilateral investment treaty or free trade agreement, you define pretty much what is actually helpful on those sides. Money might be needed on one side, but sometimes there are knowledge, business operation that is required from the other side.

When we talk about markets, when you talk about Citigroup or others, have you read the newspaper yesterday and today, I would probably go and take instead of my vitamins a Prozac, who is going to salvage markets? Who is out there today who is actually standing by some of these major crises? These investors have been there for a long time; they have been there for 40 years and 50 years. There’s a behavior or a definition or a concern about a new fund or an emerging fund. We should not mix the cards. We should know who actually had been there, who had been loyal to the market. And honestly speaking, the funds that have existed for a long time, so when you talk about the Kuwaitis or the Abu Dhabi Fund, at the end of the day, they are responsible. They have worked through this for the longest time and they have a good track record. If they didn't, they wouldn't be surviving till today. And as I said earlier, it really is about a joint transatlantic responsibility for all of us. When a market falls in Asia, we all get hurt, even in the U.S., and vice versa. So, who wants that to happen? None of us.

RACHMAN: Mr. Bos?

BOS: I agree with a lot of what you said just now. I mean this discussion is full of paradoxes, one of them is looking back in the past, we see ideal investment behavior and still we are very worried about a possible future. Another one is like you exactly said, in a way, we always wanted to globalize financial markets. We wanted to develop underdeveloped economic powers. We wanted to reduce borders for free flow capital. And now that we are successful, we are scared about the consequences. And the third one is, these funds play their role in helping us out of the financial crisis and rather than be thankful to them, we distrust their intentions. I mean that makes the discussion very complicated and I guess a bit frustrating at times from the investors' point of view. I would just want to say one more thing. I did not understand today's discussion, certainly not when I heard Mr. Kimmitt speak or even myself that what we are saying is, "Look, there is nothing to worry about. Let it all just be." I mean I heard Bob Kimmitt talk about vigilance and I think that's the right word. There is every reason to continue to be alert, to see what may happen and to be prepared for those circumstances. At the same time, if you look at very specific policies that one could use, it is extremely difficult to address these risks. I mean in the latest ECOFIN Meeting, when we sat together with European Ministers of Finance, one of our colleagues said, "Would it be possible to distinguish between commercial behavior and non-commercial behavior of investors, and then take them to court if there is non-commercial behavior?" Is that something – but you know there are even a lot of commercial companies that have non-commercial behavior, so …

RACHMAN: Yes.

BOS: And what is strategic and what is not? It is another one that we haven't been able to solve. Or can you distinguish between one nationality and another nationality is one that we haven't been to solve. So, I say, there is every reason to be vigilant because, at this point in time, what we should do is emphasize that the instruments that we already have in terms of how we legislate on competition and competition authorities or on shareholder rights and shareholder identity and shareholder intentions, that those instruments give us, for this in time, enough room to maneuver.

RACHMAN: OK. But, we have I think a couple of minutes left I am afraid. Mr. Almunia?

ALMUNIA: Very, very shortly, I think we should keep in mind that openness of our economies, of our financial markets is in our own interest, it is not a concession to the others. It is in our own interest. Second, that to maintain this openness without giving up to protectionist trends or to fear reactions, we need to establish some rules, not by regulation, but by self-regulation, by code of conduct, by good practices, by exchanging good -- best practices among us, among the recipients, establishing clear lines, more transparent attitudes of the recipient countries. And third point, there is a change in the power in the world, indeed there is this change. The power is being distributed, not only the economy or the savings of the investments, power -- political power is being distributed. This is a global world.

RACHMAN: OK. Mr. Kimmitt, last words.

KIMMITT: On reciprocity Marc again, a very important principle we just don't think it should be an investment review criterion. It should be in free trade agreements, bilateral investment treaties, in the new transatlantic economic dialog and our strategic economic dialog with China, that that should be discussed because I think our openness to investment, to trade is the trump card of economic success now and in the future. Steve, you are exactly right. There has been a tectonic shift in the global financial and economic role as much as the political security world. One of the great things about the Brussels Forum is look across both parts of that shift. I would actually say, as we look at addressing the macroeconomic imbalances, we need to think about what the global financial architecture of the future should look like. I think today, we reflect much more of Bretton Woods, New Hampshire in 1944 than we do the economy of today or the future. So maybe next year, rather than talking about the Chinese buying up the U.S. or elsewhere, we will have panel on global financial architecture where Bob Zoellick and Dominique Strauss-Kahn can lay out their reform agenda; those two important institutions and Joaquín Almunia can talk of European view and the new Deputy Secretary of the Treasury can contribute for the U.S. side.

RACHMAN: Thank you. Thank you very much for making us look forward to next year because I am uncomfortably aware that there are lots of people I haven't been able to call upon, but this is clearly a topic that is going to be with us for some time. So, thank you all and particularly thanks to the panel.

CRAIG KENNEDY: Okay, now we are going for lunch. Last year -- no, the first year, we had a complaint. People said, "We don't get out of the hotel. We don't get into small groups." So, we created lunches last year. They were small. They were complicated and they were really successful; people liked them. So, we repeated them this year. There are a few lunches that are going to stay in the building. If you are with -- first, hold up your tag and there is a number on one side or another. If you have a one, two, three or seven, when you go out the door, go right. All others, go left. It is not a political statement. One, two, three, seven, go right. And then, what we would really like you to do is be back here at four o'clock for our next general session. Enjoy lunch. Thank you and thank all of you. That was great.
[END]