

US' Paulson says foreign direct investment is welcome in United States UPDATE
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ABU DHABI (Thomson Financial) - Speaking on the home turf of the largest sovereign wealth fund in the world, U.S. Treasury Secretary Paulson had a simple message for foreign investors: Bring it on.

'As we seek to open new markets abroad, America will keep our markets open at home to investment from private firms and from sovereign wealth funds. We reject measures that would isolate us from the [world economy](#),' Paulson said in prepared remarks to the U.S.-United Arab Emirates Business Council here.

Paulson is on the final day of three day trip to the region, where he has met with leaders from [Saudi Arabia](#), Qatar and the United Arab Emirates. He returns to Washington later today.

Paulson's visit to the region is his first as Treasury Secretary and comes two years after the controversy surrounding Dubai-owned DP World's attempt to take control of six U.S. seaports. A public outcry in the United States caused Congress to tighten laws regarding foreign investment and has led investors in the Gulf to question U.S. commitment to open investment.

'One of my highest priorities remains challenging the mistaken notions that underlie protectionism -- with facts, figures and a firm belief in a future that holds more promise, not less,' Paulson said, adding that the number of acquisitions by Gulf country investors rose by more than 100 pct in the past two years and the dollar value of those deals jumped by more than 400 pct.

Still, Paulson called for more transparency by the often-secretive funds to make clear their lack of politically motivated investment decisions.

The U.S. has already agreed on a set of SWF practice principles with the Abu Dhabi and Singapore governments. Their intent is to serve as a model for the International Monetary Fund's current effort to work out a set of best practices for SWFs worldwide.

'Among some sovereign wealth fund managers, our initiative has raised concerns that we are trying to limit the scope of their activities or release privileged information,' Paulson said.

'In fact, our purpose is just the opposite. We are trying to quell calls for restrictions by urging sovereign wealth funds to endorse best practices to create a dynamic rise to the top and help allay concerns about opacity and systemic risks,' he added.

He then praised the Abu Dhabi Investment Authority, a sovereign wealth fund set up more than three decades ago to invest the emirates' oil wealth. Estimated to have holdings of as much as \$900 billion, the ADIA late last year invested almost \$8 billion in Citigroup Inc.

The Treasury chief repeated comments that high oil prices are a burden on the United States and global economies, which he called the most pressing issue for the region.

'This threatens to exacerbate economic volatility in the Gulf and abroad,' he said, adding his familiar refrain that there are no simple solutions.

'The Gulf region alone cannot alleviate the pressures in global oil markets. High oil prices are the result of supply and demand factors that are likely to persist for some time,' he said.

He reaffirmed the U.S.' commitment to a 'strong dollar'.

'I am committed to promoting policies that enhance the underlying competitiveness of the [U.S. economy](#) and ensure that the dollar remains the world's reserve currency,' he said, adding familiar language about the the long-term health of the U.S. economy being reflected in the currency markets.

With regard to the current sub-prime-related economic uncertainty, Paulson called for investors to recognise bank losses 'as quickly as possible' and said he believes the market turmoil will continue for longer.

'We are talking about months,' he added.

Also on the subject of banking sector writedowns, Paulson said investors had taken too much risk and, as as result, the system had been hampered by excessive leverage.