

**NOMINATIONS OF SUSAN G. ESSERMAN, TIMOTHY
F. GEITHNER, GARY S. GENSLER, EDWIN M.
TRUMAN, AND DAVID C. WILLIAMS**

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF

SUSAN G. ESSERMAN, TO BE DEPUTY U.S. TRADE REPRESENTATIVE,
WITH THE RANK OF AMBASSADOR; TIMOTHY F. GEITHNER TO BE
UNDER SECRETARY OF THE DEPARTMENT OF THE TREASURY FOR
INTERNATIONAL AFFAIRS; GARY S. GENSLER, TO BE UNDER SEC-
RETARY OF THE TREASURY FOR DOMESTIC FINANCE; EDWIN M. TRU-
MAN, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR INTER-
NATIONAL AFFAIRS; AND DAVID C. WILLIAMS, TO BE INSPECTOR
GENERAL FOR TAX ADMINISTRATION, DEPARTMENT OF THE TREAS-
URY

JANUARY 20, 1999



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1999

55-876-CC

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-058401-9

5361-26

COMMITTEE ON FINANCE

WILLIAM V. ROTH, JR., Delaware, *Chairman*

JOHN H. CHAFEE, Rhode Island
CHARLES E. GRASSLEY, Iowa
ORRIN G. HATCH, Utah
FRANK H. MURKOWSKI, Alaska
DON NICKLES, Oklahoma
PHIL GRAMM, Texas
TRENT LOTT, Mississippi
JAMES M. JEFFORDS, Vermont
CONNIE MACK, Florida
FRED THOMPSON, Tennessee

DANIEL PATRICK MOYNIHAN, New York
MAX BAUCUS, Montana
JOHN D. ROCKEFELLER IV, West Virginia
JOHN BREAUX, Louisiana
KENT CONRAD, North Dakota
BOB GRAHAM, Florida
RICHARD H. BRYAN, Nevada
J. ROBERT KERREY, Nebraska
CHARLES S. ROBB, Virginia

FRANKLIN G. POLK, *Staff Director and Chief Counsel*
MARK A. PATTERSON, *Minority Staff Director and Chief Counsel*

(II)

CONTENTS

OPENING STATEMENTS

	Page
Roth, Hon. William V., Jr., a U.S. Senator from Delaware, chairman, Committee on Finance	1

ADMINISTRATION NOMINEES

Esserman, Susan G., to be Deputy U.S. Trade Representative, with the rank of Ambassador	3
Geithner, Timothy F., to be Under Secretary of the Department of the Treasury for International Affairs	4
Gensler, Gary S., to be Under Secretary of the Treasury for Domestic Finance	5
Truman, Edwin M., to be Assistant Secretary of the Treasury for International Affairs	6
Williams, David C., to be Inspector General for Tax Administration, Department of Treasury	7

ALPHABETICAL LISTING AND APPENDIX MATERIAL

Esserman, Susan G.:	
Testimony	3
Prepared statement	29
Biographical	32
Geithner, Timothy F.:	
Testimony	4
Prepared statement	44
Biographical	45
Gensler, Gary S.:	
Testimony	5
Prepared statement	53
Biographical	54
Graham, Hon. Bob:	
Prepared statement	61
Moynihan, Hon. Daniel Patrick:	
Prepared statement	61
Rockefeller, Hon. John D., III:	
Prepared statement	62
Roth, Hon. William V., Jr.:	
Opening statement	1
Truman, Edwin M.:	
Testimony	6
Prepared statement	63
Biographical	64
Williams, David C.:	
Testimony	7
Prepared statement	75
Biographical	77
RESPONSES OF TREASURY NOMINEES TO QUESTIONS FROM COMMITTEE MEMBERS	83

NOMINATIONS OF SUSAN G. ESSERMAN, TO BE DEPUTY U.S. TRADE REPRESENTATIVE, WITH THE RANK OF AMBASSADOR; TIMOTHY F. GEITHNER TO BE UNDER SECRETARY OF THE DEPARTMENT OF THE TREASURY FOR INTERNATIONAL AFFAIRS; GARY S. GENSLER, TO BE UNDER SECRETARY OF THE TREASURY FOR DOMESTIC FINANCE; EDWIN M. TRUMAN, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS; AND DAVID C. WILLIAMS, TO BE INSPECTOR GENERAL FOR TAX ADMINISTRATION, DEPARTMENT OF THE TREASURY

WEDNESDAY, JANUARY 20, 1999

**U.S. SENATE,
COMMITTEE ON FINANCE,
*Washington, DC.***

The hearing was convened, pursuant to notice, at 10:07 p.m., in room SD-215, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the committee) presiding.

Also present: Senators Chafee, Grassley, Moynihan, Baucus, Graham, and Robb.

OPENING STATEMENT OF HON. WILLIAM V. ROTH, JR., A U.S. SENATOR FROM DELAWARE, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will please be in order.

It is a great pleasure for me to welcome Chuck Robb as a new member of the committee. I hope he finds it as stimulating and rewarding as I think both Pat and myself do.

Now, we are going to consider the nominees en bloc. I apologize. I have a cold and I sound like Gravel Gertie.

It is a pleasure to welcome Susan Esserman, who has been nominated to be Deputy U.S. Trade Representative with the rank of Ambassador; and Timothy Geithner, who has been nominated to be Under Secretary of the Department of Treasury for International Affairs; Gary Gensler, who has been nominated to be Under Secretary of the Treasury for Domestic Finance; Edwin Truman, who has been nominated to be Assistant Secretary of the Treasury for International Affairs; and, finally, Dave Williams, who has been nominated to be Inspector General for Tax Administration, Department of Treasury.

In a very real way, Pat, this is sort of a day of musical chairs. Many of you have been here not that long ago.

At this time, I would like to ask, are there any members of your family here that you would like to introduce, Ms. Esserman?

Ms. ESSERMAN. Yes, Senator Roth. My husband, Andrew Marks.

The CHAIRMAN. It is a pleasure to have you here.

Senator MOYNIHAN. Welcome, sir.

The CHAIRMAN. Mr. Geithner?

Mr. GEITHNER. Yes. My father, Peter, is behind me. My wife, Carol, my daughter, Elise, and my son, Benjamin.

The CHAIRMAN. It is a pleasure to have you. [Laughter.]

What is he reading? I might want to read it. [Laughter.]

Senator MOYNIHAN. It is the stock market, I think. [Laughter.]

The CHAIRMAN. After we invested Social Security.

Senator MOYNIHAN. Boy, is that going to be good.

The CHAIRMAN. Mr. Gensler?

Mr. GENSLER. Thank you, Mr. Chairman. I would like to introduce my wife, Francesca, my three daughters, Anna, Leigh, and Isabelle. And I believe my parents are here somewhere in the back, Sam and Jane Gensler.

The CHAIRMAN. Welcome.

Senator MOYNIHAN. We welcome you.

The CHAIRMAN. It is very nice to have all of you here. This is an important day.

Mr. Truman?

Mr. TRUMAN. Yes, Mr. Chairman. My wife, Tracy, and my daughter, Tina, are here.

The CHAIRMAN. It is a pleasure to welcome you here.

Finally, Mr. Williams?

Mr. WILLIAMS. Senator, my family was unable to join me. My sister has some health concerns. But my loyal secretary, Carlotta Rodriguez, was able to join me today, which I appreciate very much.

The CHAIRMAN. Well, it is nice to have her here. I hope the health problems are quickly resolved.

Mr. WILLIAMS. Thank you.

The CHAIRMAN. I will now ask all the nominees to rise.

Senator MOYNIHAN. Mr. Chairman, could I just take the occasion to welcome our distinguished new member, Senator Robb, who brings so much experience at government in the State of Virginia and in the Marine Corps, a form of governance which we could use a little of around here. We also look forward to Senator Thompson, who will join us on the other end of the oval. It was very gracious of you to welcome Senator Robb.

The CHAIRMAN. Senator Thompson, I know, who is chairman of Government Affairs, is having a committee meeting this morning, too. That is one of the problems with the committee; almost all members are chairmen or ranking members. We will even welcome Chuck Grassley. [Laughter.]

So we will now ask all the nominees to rise so I can swear each of you in.

[Whereupon, the nominees were duly sworn.]

The CHAIRMAN. Thank you. Please be seated.

Yes. Senator Graham?

Senator GRAHAM. I had the privilege last year to introduce to the committee Susan Esserman. It was somewhat of an act of redun-

dancy, because she is so well known to many of us for her previous activities in the area of trade.

I have a statement that I would like to submit for the record. I will just summarize it by saying, all the good things that I said about Susan a few months ago, I repeat today, with the special hope that we will quickly move to the confirmation of Ms. Esserman so she can get on with her important duties in development of trade policy and the WTO, Europe, Russia, and the former Soviet Union, Middle East, and Africa, which will be her areas of special responsibility.

[The prepared statement of Senator Graham appears in the appendix.]

The CHAIRMAN. Thank you, Senator Graham. Of course, one of the reasons we are considering them en bloc is to try to expedite the earliest consideration.

It is a pleasure to welcome Senator Baucus here.

Unless there is some further comment, I would like to proceed with opening statements. We would like everybody to limit their statements to 5 minutes—it can be shorter; we will not object—with the full statement being included in the record.

We would be pleased to start with you, Ms. Esserman.

STATEMENT OF SUSAN G. ESSERMAN, TO BE DEPUTY U.S. TRADE REPRESENTATIVE, WITH THE RANK OF AMBASSADOR

Ms. ESSERMAN. Thank you, Mr. Chairman and members of the committee. It is an honor and a privilege to appear today as President Clinton's nominee for the position of Deputy U.S. Trade Representative.

I would like to express my deep appreciation to President Clinton and Ambassador Barshefsky for their confidence in me, and to the members of the committee and their staffs who have taken the time to meet with me the past few months, and to you and Senator Moynihan for holding this hearing today.

I am very grateful for the opportunity to be in public service and to work with this committee. I believe that my experience in the U.S. Government during the past 5 years provides an excellent foundation for the position of Deputy U.S. Trade Representative, should I be confirmed.

On a bipartisan basis, we have together pursued a policy of open and fair trade, with the objective of securing higher living standards for all Americans and promoting the rule of law and peace and security around the world.

If confirmed, I look forward to working with this committee and this Congress to advance these goals in the areas for which I would have responsibility as Deputy United States Trade Representative.

Let me, very briefly, mention three key areas: the World Trade Organization, Europe, and Africa. First, the WTO. The President, last night, outlined a broad and ambitious agenda for this year: a round to encompass new negotiations and the reform of the WTO tailored to the economy of the next decade, traditional American values, and the concerns of our citizens.

We will seek to advance these issues and achieve real market opening results at the WTO ministerial held in the United States this year, the largest trade event ever held in the United States.

It is especially important that we continue to work very closely with this committee in this very important process.

It is important to me that our complex of trade laws and international commitments bring prosperity to our Nation and that individual sectors, such as steel, have a fair opportunity to compete, be safeguarded against unfair trade practices, and not be forced to bear the brunt of an economic crisis they did not create.

With Europe, we are presented with both substantial challenges and opportunities. Europe is our largest economic relationship, with significant consequences for jobs and living standards. We are now confronted with unacceptable European non-compliance with its WTO dispute settlement obligations, actions that undermine the very system we worked mutually to create.

As our actions in the bananas dispute demonstrate, we will not tolerate European failure to honor commitments to comply with WTO panel rulings on bananas, hormones, or in any other areas. We are, and will continue to use our laws and our rights in the WTO to ensure that American trade interests and legal rights are respected.

In the WTO agriculture negotiations, we will give priority to addressing with Europe the important issues of reducing tariffs, eliminating export subsidies, state trading enterprises, the common agriculture policy, and other market access issues.

Through the transatlantic economic partnership, we will seek to achieve mutual and concrete trade expansion opportunities for our industrial, agricultural, and service sectors. We will seek to more effectively pursue our shared interests and values in international fora, such as the WTO, and to ensure full civil society participation in the process.

Third, trade with Africa. Here, we are working to promote reform, lower trade barriers, and enhance the opportunities for American goods and services in this continent of 600 million people. We look forward to working with this committee to secure passage of the Africa Growth and Opportunity Act.

Finally, let me say that I believe that, in all of these areas, to succeed trade policy must be bipartisan and must be the result of close cooperation between the administration and Congress.

If confirmed, I would hope to work very closely with this committee to ensure that our policy reflects your views and advice, and that its execution leads to direct benefits for the working people, farmers, businesses, and families that you represent.

Thank you very much for this opportunity to appear today.

[The prepared statement of Ms. Esserman appears in the appendix.]

The CHAIRMAN. Thank you, Ms. Esserman.
Now we will call on Mr. Geithner.

STATEMENT OF TIMOTHY F. GEITHNER, TO BE UNDER SECRETARY OF THE DEPARTMENT OF THE TREASURY FOR INTERNATIONAL AFFAIRS

Mr. GEITHNER. Mr. Chairman, Senator Moynihan, and members of this committee, I am honored to appear before you today. I am very pleased that my family was able to come because I think, as you know better than we, these jobs are tough on families. My hope

is that, even if you confirm me for this position, this will be a better year than have been the past several.

I am honored to have been nominated by President Clinton for this position and to have been given the opportunity, if confirmed, to continue to work with Secretary Rubin and Deputy Secretary Summers, and the distinguished career civil servants in International Affairs at the Treasury.

I am also pleased to appear before you today with Ted Truman, who brings great talent, experience, and a little gray hair to the Treasury. We have worked very closely together, particularly over the past 6 years, and he has helped us build a strong, cooperative relationship between Treasury and the Federal Reserve that I think has served this country well.

I have had the privilege to work at the Treasury for just over a decade, most recently as Assistant Secretary of the Treasury for International Affairs, and before that as a civil servant in a variety of positions under previous administrations.

Our job at the Treasury is to defend and promote American interests in the international economic and financial system. At this particular point in time, our interests lie primarily in the following areas: in working to restore stability and growth to a world still in the midst of crisis; in promoting free and fair trade; in advancing market-oriented open economic policies together with the institutions and policy tools that can enable countries to enjoy the benefits and better manage the risks that come with economic integration, and in developing ways to strengthen the architecture of the international financial system so that we can better prevent and better manage future financial crises.

As we work to meet these challenges, I am committed to continuing to work closely with this committee and with the Congress.

Thank you. I would be happy to answer any questions.

[The prepared statement of Mr. Geithner appears in the appendix.]

The CHAIRMAN. Thank you.
Mr. Gensler?

STATEMENT OF GARY S. GENSLER, TO BE UNDER SECRETARY OF THE TREASURY FOR DOMESTIC FINANCE

Mr. GENSLER. Thank you, Mr. Chairman, Senator Moynihan, and members of the committee. I am honored to appear here before you today as the President's nominee for Under Secretary of Domestic Finance.

I am pleased to have my family here with me today, and I want to thank them for all their support. I particularly want to thank them for putting up with me as we moved the family from New York to take the position as Assistant Secretary last year.

I hope that my educational and professional background has prepared me for the position to which I have been nominated. I grew up in Baltimore and attended the public schools of my home State, and afterwards attended the University of Pennsylvania, where I got a bachelor's in economics and an MBA. After that, I was with Goldman-Sachs, an investment banking firm, for 18 years.

I began serving at Treasury last year, in September. Among my duties, I have supervised the offices which concentrate on Federal

finance and Federal credit policy. I have also worked with the other members of the President's Working Group on Financial Markets to monitor and study the functioning of the capital markets.

At this time, the Treasury Department is deeply involved in addressing some of the most critical issues facing our Nation and, if confirmed, I hope to be able to make a contribution in addressing these challenges.

One of my top priorities will be in assisting the Secretary in his efforts to strengthen and stabilize our global capital markets. In addition, I look forward to continuing the Department's important work on policy issues related to financial institutions, fiscal affairs, financial markets, and community development.

I wish to thank the President and Secretary Rubin for the confidence they have placed in me. Public service is a great honor for me. I pledge to this committee that, if confirmed, I will devote my full energies to serving the Department and the public interest.

I now look forward to answering your questions and, in confirmed, working with this committee, its members, and its staff.

The CHAIRMAN. Thank you, Mr. Gensler.

[The prepared statement of Mr. Gensler appears in the appendix.]

The CHAIRMAN. Mr. Truman?

STATEMENT OF EDWIN M. TRUMAN, TO BE ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS

Mr. TRUMAN. Thank you, Mr. Chairman, Senator Moynihan, members of the committee. I am honored to appear before you today as you consider my nomination to be Assistant Secretary of the Treasury for International Affairs.

I have already introduced to you my wife, Tracy, and my daughter, Christine. Unfortunately, our son, David, who is working with the St. Louis County Prosecutor's Office, could not be here with us today.

I am honored by President Clinton's nomination and by the opportunity to join Secretary Rubin's international team at Treasury. On the occasion of Tim Geithner's swearing in as Assistant Secretary, I was quoted accurately as having said that Secretary Rubin had the best Treasury team that I had worked with in my 26 years in Washington. My hope is that, if confirmed, I will not lower the average.

I am an economist by training, taught 5 years at Yale University, and spent the past 26 years in the Division of International Finance of the Board of Governors of the Federal Reserve System, the most recently 21 years as its head.

During my conversations last summer with Secretary Rubin and Deputy Secretary Summers about the possibility of joining the talented Treasury team in dealing with the difficult challenges of the global economy, I was reluctant and flattered: reluctant to leave the friendly confines of the Federal Reserve, and flattered by the thought that I might be able to contribute significantly on a broader scale.

I am confident that we can successfully meet the immediate challenge of restoring growth and stability to the global economy in the

wake of the Asian financial crisis and thereby benefit the U.S. economy.

However, in our focus on these short-run issues, we also must not lose sight of the need to make steady and concrete progress in strengthening the functioning of the international financial system in order to reduce the incidence and severity of future crises.

I embrace the opportunity to work with my many dedicated new colleagues at the U.S. Treasury on these matters. I also look forward to working with this committee, the Congress, others in the Executive Branch, as well as representatives of other countries, as we together seek effective, pragmatic, and cooperative approaches.

Thank you, Mr. Chairman. I am happy to respond to your questions.

The CHAIRMAN. Thank you, Mr. Truman.

[The prepared statement of Mr. Truman appears in the appendix.]

The CHAIRMAN. Finally, Mr. Williams.

STATEMENT OF DAVID C. WILLIAMS, TO BE INSPECTOR GENERAL FOR TAX ADMINISTRATION, DEPARTMENT OF TREASURY

Mr. WILLIAMS. Mr. Chairman, Senator Moynihan, and members of the committee, I would like to express my appreciation for this opportunity to sit before you again to be considered for the position of Treasury Inspector General for Tax Administration.

I would like to begin by saying it has been a great honor to serve this committee as the Inspector General for the Department of Treasury and the Social Security Administration, and I look forward to continuing this relationship as I am considered for the Inspector General for Tax Administration.

I would like to briefly discuss my background, as well as my recent work at the Department of Treasury, specifically regarding my participation on the Transition Task Force for the establishment of an Office of Inspector General for Tax Administration.

My government service began in the U.S. Army, where I was a special agent with military intelligence in the AmeriCal Infantry Division in Viet Nam. After my service in the Army, I obtained two graduate degrees at the University of Illinois. Upon completion of my graduate studies in 1975, I joined the U.S. Secret Service as a Special Agent.

In 1979, I went to work at the Labor Department's Office of Inspector General in the Office of Labor Racketeering, where I investigated organized crime in the Teamster's union and other organized crime-controlled labor unions.

During this time I served in Chicago and was a Special Agent in Charge in Cleveland and New York City. I was also asked to serve on President Reagan's Commission on Organized Crime. Following this assignment, I became the field director for the Office of Labor Racketeering until 1986.

I then became the first Director of the Office of Special Investigations for the General Accounting Office. As Director, I was responsible for conducting and supervising investigations for various Congressional committees.

In 1989, I had the pleasure of being nominated by President Bush to become the first Inspector General for the Nuclear Regulatory Commission. In 1996, I was nominated by President Clinton to become the first Inspector General for the Social Security Administration.

As you know, in 1998 I was again nominated by President Clinton to be the Inspector General for the Department of Treasury. Although my tenure as Treasury Inspector General has been quite brief, I feel that this organization made significant improvements over the last several months.

I believe that these improvements are consistent with changes that this committee identified as being essential. The organization structure was simplified and strengthened to allow for a more efficient and effective operation. We attempted to improve communications with our stakeholders by creating a public and Congressional affairs group.

In addition, we have added resources to our Investigations Division to strengthen our oversight of the law enforcement bureaus at the Treasury and to expand our presence along the southwest border and Miami areas.

I have been pleased with the quality of the journeymen investigators and the many new managers that we have been able to recruit into the office.

More recently, I have been an active member of the Treasury task force responsible for the establishing and implementing of the Office of Treasury Inspector General for Tax Administration.

The task force was formed immediately after the IRS Restructuring and Reform Act of 1998 was signed into law. We immediately began to tackle the enormous task of creating a new government organization.

Issues addressed by the task force included budget, human resource management, information technology, Treasury orders and directives, policies and procedures, administrative support, and more. The Office of Inspector General for Tax Administration became operational on January 18, 1999, exactly as scheduled.

I would also like to recognize that this committee was responsible for the creation of the Inspector General for Tax Administration and, if confirmed, it would be my personal goal to ensure that the organization becomes all that your committee envisioned. I would dedicate myself to working with the committee to see that this goal is realized.

I have great appreciation for the legislation which created the Treasury Inspector General for Tax Administration. The provisions for law enforcement authority, direct referrals to the Department of Justice, and public disclosure will make the organization effective and responsive.

This concludes my statement and I would be pleased to answer any questions that you have. Thank you.

The CHAIRMAN. Thank you, Mr. Williams.

Now, as I think you are all aware, we do have three standard questions we ask of the panel. I will call on you one by one to answer.

First, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated? Mr. Williams?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. Mr. Truman?

Mr. TRUMAN. No, sir.

The CHAIRMAN. Mr. Gensler?

Mr. GENSLER. No, sir.

The CHAIRMAN. Mr. Geithner?

Mr. GEITHNER. No, Mr. Chairman.

The CHAIRMAN. Ms. Esserman?

Ms. ESSERMAN. No.

The CHAIRMAN. Second, do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honestly discharging the responsibilities of the office for which you have been nominated? Mr. Williams?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. Mr. Truman?

Mr. TRUMAN. No, sir.

The CHAIRMAN. Mr. Gensler?

Mr. GENSLER. No, Mr. Chairman.

The CHAIRMAN. Mr. Geithner?

The CHAIRMAN. No.

The CHAIRMAN. Ms. Esserman?

Ms. ESSERMAN. No, Mr. Chairman.

The CHAIRMAN. Finally, third, do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress, if you are confirmed? Mr. Williams?

Mr. WILLIAMS. Yes, sir. Absolutely.

The CHAIRMAN. Mr. Truman?

Mr. TRUMAN. Yes, Mr. Chairman.

The CHAIRMAN. Mr. Gensler?

Mr. GENSLER. Absolutely.

The CHAIRMAN. Mr. Geithner?

Mr. GEITHNER. Yes, Mr. Chairman.

The CHAIRMAN. Ms. Esserman?

Ms. ESSERMAN. Yes, Mr. Chairman.

The CHAIRMAN. Thank you.

We will now proceed with questions of the panel. We will start with you, Ms. Esserman, and we will give everybody a chance, then proceed to the next.

Ms. Esserman, since you were before the committee this past year, Judge Lamberth of the U.S. District Court for the District of Columbia issued an opinion taking the Department of Commerce to task for its lack of responsiveness to Freedom of Information Act requests, alleging the use of Commerce Department trade promotion trips for campaign fundraising purposes, and appointed a manager to take over the investigation at the Commerce Department.

Could you elaborate on your role, if any, in the actions criticized by Judge Lamberth, and what specific steps you took as Acting General Counsel, if any, to address the concerns raised in Judge Lamberth's opinion?

Ms. ESSERMAN. Mr. Chairman, I did not play a role in the actions criticized in Judge Lamberth's recent opinion in the Judicial Watch litigation. This litigation focused on whether the Department of Commerce had adequately searched for requested documents.

The initial search that was the subject of the lawsuit was completed prior to the time that I assumed the position of Acting General Counsel.

In fact, the lawsuit challenging the adequacy of the search had been under way for over a year when I came to the General Counsel's Office, and the Department of Justice was handling the litigation of the matter.

I served as Acting General Counsel at the Department of Commerce for only 10 months, and throughout that time I took seriously both the letter and the spirit of the Freedom of Information Act, and sought to ensure full responsiveness and compliance with the Act's obligations.

Thus, with respect to the request for information that were received while I was Acting General Counsel, whether from FOIAs or from Congressional requests, I worked with department officials to develop a systematic approach to ensure that relevant offices within the Department of Commerce were searched, that sufficient resources were available to address requests, that the requests were given priority attention, and that all applicable laws were followed.

I have also made compliance with the Freedom of Information Act a key management priority during my tenure as General Counsel at the U.S. Trade Representative's Office.

I instituted a mandatory training program on FOIA for all USTR staff, and created a special FOIA unit dedicated to ensure prompt and full disclosure consistent with FOIA's requirements. As a consequence of my actions, a substantial FOIA backlog at USTR has been essentially eliminated.

The CHAIRMAN. Thank you, Ms. Esserman. Let me now turn to your new responsibilities. I was encouraged by what you said in your opening remarks, and also by what the President said last night as to the importance of trade.

But I wonder if you could be a little more specific as to what you see as the key objectives of the new negotiations, where the emphasis will be. As you pointed out, the steel industry has suffered greatly. What can we do about that?

Ms. ESSERMAN. Well, first, let me tell you a little bit how we envision the work in the WTO unfolding. As you noted, the President did call for a global round of negotiations. He sees it as very important that we move forward aggressively to ensure that we are advancing and pursuing the opportunities of our highly competitive exporters, and at the same time that we preserve and promote fair trading rules, all of this, as I said, with the objective of raising living standards and promoting the rule of law.

Our approach would involve negotiations that would encompass agriculture, of course, being very key, including biotechnology, services affecting a wide array of sectors, for example, in the distribution area, express delivery, environmental, energy, and professional services, tariffs, government procurement, potential intellectual property and electronic commerce, and other areas.

We are going to work very closely with this committee, and have been working with the private sectors to try to ensure we fashion a full agenda appropriate for the economy of the next decade.

The President has also said, as he said in his statement before the WTO last May, he wants to ensure that our new global talks proceed in an accelerated way so that they do not drag on, as the Uruguay Round did.

Our work as reflecting the new structure of the institution of the WTO, as opposed to the GATT, will also include work on implementation of existing agreements. It is very, very important to us that we focus on implementation, and we are hoping, at the ministerial to be held in the U.S. this year, that there will be important implementation results.

We will be focusing on monitoring and enforcement as well. There are important negotiations this year on the dispute settlement procedures, the backbone of the WTO system. Finally, there will be work in additional areas, such as labor and environmental issues.

Actually, really finally, we also want to work to reform the institution of the WTO. Here the President has talked often of the need for the WTO to be open and responsive to citizens, and that there also be better coordination between the IMF and the WTO.

The CHAIRMAN. Well, my time is up. Just let me say that I think your responsibilities are of critical importance to this Nation. I am very concerned about the loss of a broad consensus on trade. I think nothing needs to be addressed more directly by both the Executive Branch and Congress than this matter, and we will look forward to working with you.

Senator Moynihan?

Senator MOYNIHAN. Thank you, Mr. Chairman. Indeed, I much and wholly agree.

Could I just thank you for giving Ms. Esserman, Ambassador-to-be Esserman, the opportunity to make clear that she had no involvement with the matters criticized by Judge Lamberth. I think that puts that behind us.

To your point, though, sir, we can be brave and hopeful at this point, but our prospects are grim. I would hope that you all would get that a little more clear.

The coalition that was formed under Cordell Hull, the reciprocal trade agreements, then followed by the Kennedy Round, Tokyo Round, and Uruguay Round, that has shattered.

It has shattered from a withdrawal of the American labor movement which supported it all those years and which was essential, and of an anxiety generalized in a country, which is strange, given our circumstances of prosperity, as it were, but is real, as evidenced by the fact that we could not pass this bill.

The Chairman got fast track out of this committee and out to the Congress, and we could not get it through the House of Representatives. There is no reason to think that it has changed one bit.

So these negotiations you are talking about, they can begin, but they cannot conclude. I see Mr. Geithner agreeing. One of the ways the administration has responded, and one which was very active in Geneva, was the thought by the head of the World Trade Organization, which is in the offices established on Lake Lemman for the

International Labor Organization, that they could work together. They were very specific in this, that the ILO will press its core labor standards, freedom of association, forced labor, things like that.

The President, on January 9, said he was going to give \$25 million to this initiative. He spoke about it last night. I would hope you would have spoken to it this morning. The Office of the U.S. Trade Representative does not know anything about this stuff, and does not much care. But, if you do not, you are not going to have much of an office. I just mean that in the most friendly way.

The ILO is the oldest international organization we belong to. It has an extraordinary record. It used to be very central to our concerns. It is peripheral now, but if we could successfully bring it back in we might have a happier conclusion than I now foresee.

I do not mean in any way to be hectoring, but I would have liked to have heard the ILO in your statement and not just the aftermath, that we will work with the IMF.

Ms. ESSERMAN. Senator, if I may address your comments, because I do agree that these labor issues are extremely important. You heard the President, in his State of the Union, talk about the importance of rebuilding the coalition to advance open and fair trade. Critical to that is to ensure that we address labor issues.

Very important progress was made in the ILO last year. In fact, there is a reinvigorated ILO. There is going to be a new director general, who we think will be very, very good. As you mentioned, there is a new and very important Declaration on Fundamental Rights at Work agreed to last—

Senator MOYNIHAN. Core principles.

Ms. ESSERMAN. Core principles. Very, very important. We need to watch very carefully how the follow-up mechanism works. But I would say that there is also an important role for labor in the WTO as well. Here, the ILO can help. We do believe that there are important opportunities for collaboration between the ILO and the WTO.

We are seeking observer status for the ILO in the WTO, and we do believe there is an important role for discussion of the trade and labor link at the ministerial to be held in December of this year. So, I quite agree with all of your comments.

Senator MOYNIHAN. That is the way to get along with this committee, you know. [Laughter.]

Mr. Chairman, I have a very positive statement from Senator Rockefeller on behalf of Ambassador-to-be Esserman. I want the committee's record to officially record my absolute support for her nomination. I would ask that his statement be placed in the record, along with one I have made.

The CHAIRMAN. Without objection.

[The prepared statements appear in the appendix.]

Senator MOYNIHAN. Thank you, sir. Thank you, ma'am.

The CHAIRMAN. I would, next, call on Senator Grassley.

Senator GRASSLEY. Thank you very much, Mr. Chairman. Just a few comments before I have one question for Ms. Esserman.

Number one, would be in regard to the President's position in his State of the Union message on seeking fast-track trading authority. It would be my hope that he follows through very vigorously with

work on the Hill to get the necessary votes to get it passed, because we had an opportunity lost 24 months ago when Senator Moynihan admonished the administration to move very quickly in 1997 on fast track and they did not follow his advice, or this committee's advice in our early consideration of the bill, and we lost an opportunity in 1997. There was not much of an opportunity in 1998.

A second point I would make for you, is getting ready for the WTO next round of negotiations, there has been some concern whether or not this administration is willing to move for a wide range of negotiations.

And why that is so important for us in agriculture is that if we do not have agriculture mixed up with a wide range of negotiations as opposed to a few narrow negotiations, the success of agriculture negotiations in the last Uruguay Round was trade-off with other economic sectors. We will not get much for agriculture if we don't have that possible trade-off.

The third thing would be to thank your department for adding European pork to the retaliation of the banana issue. We thank you for responding to that. We would hope that we could get your department to work with us on opening up markets for pork in China, because they are our biggest potential market. They do not allow anything in, and at a time when we have very low pork prices it would be very beneficial to have that help.

Lastly, in the way of a comment on my part, on page 3, where you talk about the transatlantic economic partnership which addresses agricultural technical barriers to trade, services, intellectual property, I have nothing to find fault with anything our government is doing on transatlantic economic partnership, except a very narrow focus that there is on agriculture.

And when you talk about agricultural technical barriers, to me that is a code word for trying to resolve, in these sort of forums, things we have already won in the World Trade Organization.

How do we finally get the European community stroked to coming around to our point of view on genetically modified grains, on not taking our beef, and all the other things that they are not doing, to get them to do it?

We cannot ever get ahead with the European community if we are going to continue, in a new environment, negotiating on things we have already won. We have won that. We move beyond them. So agriculture should either not be on the agenda, or, if it is on the agenda, it has got to be on the agenda to win new things from the European community.

This is my question to you, not just following up from the transatlantic economic partnership, but more generally our relationship. Because by January of the year 2000, we are going to have negotiations of the agricultural round of WTO that are supposed to have begun. So what are you and the administration going to be doing this year, starting now, to make this round successful in opening up markets, especially within the EU?

Ms. ESSERMAN. Senator, we place great priority on the upcoming agriculture negotiations. We made that the principal priority in the ministerial that we held in May. We have been following up in a systematic way since then. We have been working with the

CARANS Group, agricultural exporters, to work on a concerted strategy to try to secure important market access gains.

We have been continuing to work with a committee of agriculture so that, when we move forward at the end of this year, we are in a position to launch negotiations and in no way to delay them.

Finally, if I might say, in the transatlantic economic partnership the agriculture issue that we are dealing with is biotechnology, that is, to try to establish a process, a clear, open, and transparent process by which approvals will be obtained. It is not to deal with bananas or hormones.

We are taking actions in dispute settlement, very forceful actions in dispute settlement, in regard to those issues. In regard to hormones, it is our view, and we will act forcefully to enforce this view, that Europe must comply or pay the consequences.

The CHAIRMAN. Senator Robb?

Senator ROBB. Thank you, Mr. Chairman. Again, I thank you and the Ranking Member and former Chairman for your kind welcome to this committee. I look forward to serving with you. I am delighted to be here for the confirmation hearing this morning.

I might ask Ambassador Esserman one question about the President's address last night. You have already had at least two questions that focused on fast track, but I noted that the words "fast track" never actually appeared in the text or was formally uttered.

Should I read anything into that about the degree of commitment to this particular program? I said, I think he is going to say it, and then I looked at the text and I thought he had missed it.

Is that a matter of not inflaming passions that have already been alluded to, or should we read anything about the degree of support for it into the way it was handled?

Ms. ESSERMAN. No, I do not believe you should do that. I believe he used the words "trade negotiating authority" and not fast-track authority. But that means fast-track authority.

Senator ROBB. I knew exactly what he was talking about. I was just hoping he might actually use the phrase so that we might rally around the phrase. But I will not take any more time on that question.

Let me ask you then, if I may, a couple of questions. I spent 10 years on the Foreign Relations Committee, and I gave that up to come over here. So, a couple of questions do focus specifically on that area. The Chinese Premier, Zhu Rhongji, is scheduled to come to Washington in April, I believe.

I wonder if you could comment on the current posture of the accession bid by China to WTO, perhaps comment on what the key disagreements are as they exist at the moment, any underlying fears that China might have, and whether or not the proposal by Taiwan has any effect on it, or could have any effect in terms of leverage.

Ms. ESSERMAN. As you know, we have been working on China WTO accession for quite some time. It has been slow going. To be blunt, the Chinese offers are not adequate in a range of areas. We have made steady progress, but not sufficient progress.

We view this upcoming visit as a key opportunity for the Chinese to make significant progress, and we are going to look very care-

fully at that event. If there is not sufficient progress, we will be re-evaluating our strategy.

Having said that, our approach toward China throughout this period has been a combination of pressing multilaterally, because that is the greatest opportunity for achieving comprehensive gains, but also to back it up with bilateral initiatives, as we have, for example, in intellectual property and textiles.

But we are going to be working very, very carefully with the Chinese and looking very carefully at this upcoming meeting. We have had some concerns that the Chinese are simply not willing to take the kind of actions necessary to meet their WTO commitments, and we will adhere to the high standards in the WTO.

With respect to Taiwan, we are looking at the case of Taiwan on its merits. We look at all accessions on its merits. We did conclude a market access agreement with Taiwan last year, but we do still have some outstanding protocol issues in connection with that accession.

Senator ROBB. But would you say that the Taiwan accession currently is ahead of the China accession in terms of the progress at this particular moment?

Ms. ESSERMAN. Yes. We reached a market access agreement with them last year.

Senator ROBB. In the event that we continue to lag in terms of progress on China, would it be within the realm of possibility that we would go ahead and move on Taiwan and hope China completes their negotiations?

Ms. ESSERMAN. Let me just say that I think that that issue is premature.

Senator ROBB. All right.

Senator GRASSLEY. And sensitive.

Senator ROBB. Let me move, if I may, to Japan. We have had a number, I guess three dozen or so, market opening agreements in key industrial sectors. However, we have not, so far, reaped the progress that we had hoped—flat glass comes to mind, but there are many others—in terms of enforcing these pacts in the WTO dispute resolution process, the only or principal mechanism available to us. Or would you just simply comment on the real progress that the President, I thought, again alluded to, lack of progress last night? It sounded like the big stick was somewhere in the vicinity, but I was not quite sure how or when it might be used.

Ms. ESSERMAN. Well, you are quite right that we are not satisfied with compliance by the Japanese with a number of the agreements. Some agreements have been successful, for example, in the area of medical equipment and telecommunications, but others, such as flat glass, we are quite dissatisfied with.

Certainly, WTO dispute settlement is one means of addressing it, but there are other means of addressing it outside of WTO dispute settlement. For example, in the film case. When we were not successful in the WTO, we informed the Japanese that we were, nonetheless, intent on securing additional market access and that we would be conducting our own investigation, doing reports on a six-month basis, and we were going to hold them to the assertions they made in defending themselves. So, there are a variety of ways in which we can go at this with Japan.

Senator ROBB. Thank you, Madam Ambassador. Thank you, Mr. Chairman. My time has expired.

The CHAIRMAN. Thank you, Senator Robb.

I would now call on Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman. I also wish to join in your welcoming comments to our new colleague. I have had the privilege of working with Senator Robb for a number of years, and I know that he is going to make an outstanding contribution to the important work of this committee.

My questions are going to somewhat follow on Senator Grassley's, because an important part of this frayed coalition for trade is agriculture. I believe the reason that agriculture has stepped back, and I'm speaking particularly for agriculture from the southern and western regions of the country, there is a sense that they have been ignored.

One of the symbols of that being ignored is the International Trade Commission which, as of today, does not have anyone on it who has an agricultural background, while a high percentage of the cases that come before the ITC involve subtle issues of agricultural economics.

I would hope that one of the recommendations that you would make to the President, and I know that we have some responsibility in this as well, is that in the next opening on the ITC, that that void in agricultural experience be filled.

Ms. ESSERMAN. Senator, I very much appreciate the special agricultural sensitivities. You are quite right that there are a diversity of views within agriculture, and some of the interests in the southeast are interests that involve concerns about seasonality and other issues that are quite relevant to the International Trade Commission.

It is very, very important that we work closely with them, and we have been working very closely, for example, with the citrus industry to get a better understanding of their concern so that we can reflect them in all aspects of our policy, not only with respect to the International Trade Commission and the laws in that regard, but as we fashion our WTO strategy.

Senator GRAHAM. It has been my feeling that maybe the primary reason why there has been this fraying of agriculture, again, particularly from the south and the west, has been a series of events in which commitments appear to have been made, but not fulfilled, or enforcement is inadequate.

You personally have been a strong exception to that, and I want to specifically commend you for the great work you did on behalf of the U.S.-Mexican relation on some very sensitive agricultural products. I would hope that that would be a model for future activity in the post-treaty adoption enforcement phase of our trade relations.

Senator MOYNIHAN. Senator, can I get that again? post-pré adoption?

Senator GRAHAM. Post treaty adoption.

Senator MOYNIHAN. Treaty adoption.

Senator GRAHAM. Which is to say that negotiating the treaty is not the end of the book, it just introduces the next chapter, which is enforcing the treaty that you have just negotiated. I think it is

in the failure of that chapter, post-treaty adoption enforcement, that many of these contributions to the frayed partnership, specifically as it relates to agriculture, have occurred.

If I could shift to another topic, and this picks up on something that Senator Robb said, what was not in last night's speech. Unless I missed it, there was a sentence which was on page 9 of the printed text which said, "This year we should expand trade with our neighbors in Central America and the Caribbean."

This is an issue of particular significance in light of the recent disasters. Hurricane George in the Caribbean, and Mitch in Central America, have heightened the interest in those regions and expanded trade relationship with the U.S. as a critical component of those nations' rebuilding efforts. With some representatives of this committee last weekend, we were in Honduras and Nicaragua and got to see first-hand how important that was.

I do not think that sentence was actually spoken in the speech last night. Could you comment, did that have any significance, and what is the administration's position on expanded trade in Central America and the Caribbean, which I will use the words CBI parity or CBI enhancement, and whether you feel that that CBI issue should be dealt with as part of a Caribbean and Central American recovery program with other items relative to the recent disasters, or whether it should be dealt with, as it was in 1998, in a trade bill that contains issues like fast track and Africa, and other trade matters

Ms. ESSERMAN. Senator, I do not recall whether, in fact, the President specifically mentioned it. I thought that he had, but I will go back and check. In any event, what I want to do is to assure you of our continued and strong support for the CBI bill, and it continues. We want to work with this committee to determine the best way to successfully conclude that trade bill.

Senator GRAHAM. Ms. Esserman, I thank you for your comments. In many ways, I know I was speaking to the converted on those issues, talking with you, with your strong past record. But I wanted to use this as a selfish opportunity to convey a message to others. I thank you for affording me this opportunity to do so. That is just another reason why I am so enthusiastic about your nomination, and very early confirmation.

Ms. ESSERMAN. Thank you very much.

The CHAIRMAN. Senator Baucus.

Senator BAUCUS. Ambassador Esserman, I suggest that perhaps the Executive Branch, and Congress, too, not use the term "fast track" and, rather, I like the term "negotiating authority." This committee, as you know, has labored mightily to change MFN to normal trading relationships, and we have. It is because it is more accurate and it does not get in the way of a lot of mythology that otherwise occurs. I am serious about that. We should call it negotiating authority from now on.

I would like to follow up on the points made by Senator Grassley and Senator Graham on agriculture, if I might. There is a feeling among many in the agricultural community that agriculture does get short shrift in multilateral trading negotiations, that somehow other items have more glamour, but agriculture does not.

I will also tell you that, at least in my State of Montana, we depend mightily on the success of the further knocking down of trade barriers in the WTO to help agriculture.

I say that because the main reason agriculture—at least, the northern high plains States—commodities are doing so poorly is a glut in the world market, and there is also reduced demand.

Part of the problem is caused with reduced Asia demand, which has spread world wide. Part of it is because some of our competitors do have policies which do artificially stimulate production.

One, is the European Union, as you well know. In 1975, Europe was the world's largest net importer of agricultural products. Europe decided to change that. They are now the world's largest exporter of agricultural products. That is, in 1985, and I do not know the degree to which that is continued, but it is basically the CAP and other policies adopted in Europe just to accomplish that objective.

All the studies I have seen, most recently was an economist, has leveled all trade barriers and subsidies to a common denominator. Europe is, by far, as a continent, as a group, the greatest offender, much more than the United States. Much more. So, I must tell you that it is paramount that we get success on agriculture in the WTO.

Could you tell me just a little bit about how you go about doing that, just so I can get a sense of where you are?

Ms. ESSERMAN. Well, I think we go about doing that in a number of different ways. First, let me totally agree with what you have said and tell you that success in agriculture and in the WTO negotiations is absolutely paramount to us. We made it our key priority in Singapore, and we have been working steadily since then.

In Singapore, one of the things we did not want to have happen is to have the Europeans, or any other country, seek to delay the start of the negotiation.

What we got at the Singapore ministerial was a clear commitment that preparations would proceed in a very organized way and that negotiations would be launched on schedule in 1999, and we intend to work steadily toward that.

We have been working in a number of different ways, working with our CARANS partners to try to be most effective in pursuing a strategy of openness, of reducing barriers, and persuading the Europeans to our policies.

Senator BAUCUS. If I might follow up on that.

Ms. ESSERMAN. Yes.

Senator BAUCUS. I was recently in Canada. It became very clear to me that we have good common ground with the Canadians, with the CARANS Group, vis-a-vis at least the Europeans and agriculture. I mean, they want to work with us.

Ms. ESSERMAN. Yes.

Senator BAUCUS. In the last round, it was clear to me that the CARANS Group, the United States, and Europe were working at cross purposes. We were not together. But we have a major opportunity now to work with the CARANS Group to, I think, hopefully get somewhere.

If you could just sit back a little bit and kind of look at how the world is changing and what that means for U.S. trade, for USTR

and WTO. It just struck me not too many years ago when I was in Rio de Janeiro at the Earth Summit, with the end of the Cold War, how much the world has dramatically changed.

The southern countries, South America, South Africa, really do not care very much about the United States any more. They do not worry about the United States as much as they used to.

They did not have to worry whether they were in the former Soviet Union national security umbrella, or the American umbrella. The dynamics have just changed so much, with advances in technologies, communications technologies, and financial services, and so forth.

How does the USTR approach its job a little differently now compared with, say, five or 6 years ago? What is new? The challenges are greater, but is there a new sort of paradigm, is there a new approach so that we are ahead of the curve rather than playing catch-up?

Ms. ESSERMAN. You have raised a very broad and important question. That is one of the things that we are pondering now, and we would very much like to work with this committee to try to best answer that question. We are working with the private sector. There are many changes in our own economy which require us to take a different approach to negotiations.

First, the fast-paced change of technology, of communications, the globalization of the economy, that has many, many different ramifications, the first being, as the President said, we must have negotiations that conclude in a timely basis.

Indeed, the WTO is now structured in a way to better advance that. There are ministerials every 2 years. We need to be very sure that we are pursuing the kind of issues that our companies expect to see in the future.

These changes have meant that we are pursuing many different issues. Electronic commerce is one example of that. As you know, we had a declaration on duty-free treatment of electronic commerce. But there are many, many complicated issues associated with electronic commerce.

Senator BAUCUS. Thank you. I see my time is up. I mentioned it, in part, because I think other countries proportionately spend more time on economic policy than we, so they are thinking about this more than we. Now, one of our strengths is our openness and entrepreneurial spirit, and so forth.

But I urge you, the Treasury Department, the Federal Reserve, all of us, to start doing what we can to think ahead of the game and get more. Part of it, too, is to try to minimize the recurrence of financial meltdown that occurred not too long ago. But thank you very much.

Ms. ESSERMAN. Thank you.

The CHAIRMAN. Well, we are running out of time. So I think what we will try to do now is give each Senator 5 minutes for whatever further questions he may desire to ask. That puts the bulk of the work on you, Ms. Esserman.

But let me turn to you, Mr. Geithner. There has been, as you well know, a lot of criticism of the IMF and its policy of austerity which seems to have been pretty much applied to all countries, irrespective of differences in their economic performance.

More recently, there are those who have urged that it should have a role of encouraging growth by lower taxes, tariffs, and so forth, that we are better off creating the kind of environment that creates real growth. Would you care to comment?

Mr. GEITHNER. I think that is right. I think what is important for us to do, and what we try to do in our discussions with the G-7 and the IMF, is to try and find the right balance in each country and to try and make sure that the IMF tailors its policies and its advice to fit the circumstances in each country, and has a mix of policies that are most likely to bring growth back quickly.

If you look at the programs in Asia, in particular, but I think it more generally has been true for the last few years, there are a lot of novel features in those programs, many quite significant trade liberalizing conditions attached to those programs, which we think makes some sense, and a sort of different way to think about the balance of macro monitoring of fiscal policies is most likely to bring growth back.

But this is a work in progress. What is important is that, in each case, we look carefully at what works and we make sure that the programs are adapted in response to changed circumstances so they are likely to produce economies that perform better over the longer term.

The CHAIRMAN. Senator Moynihan?

Senator MOYNIHAN. Yes. Just to move down, I much appreciated Secretary Geithner's remark.

Secretary Gensler, last night the President made an unprecedented proposal, which was that we begin investing revenues from the payroll tax, the Social Security system, in the stock market, securities market. Have you any thoughts on that subject? Does Goldman-Sachs have to formally recuse itself from any further involvement? You do not have to answer that, sir.

Mr. GENSLER. Senator, fortunately, I do not have any involvement with Goldman-Sachs. But, in terms of the President and the program and framework that he laid out last night, he looks forward, and the administration looks forward, with working with the Congress and this committee on a bipartisan basis to try to adjust the very real issue that you raised.

I think that there are a number of aspects that we could work together on. One, is the scale of the investments and the prudence and size of those investments. But, in addition to that, looking forward to having independent and nonpolitical management of those funds to assure that nonpolitical involvement, to make them broad-based and neutral, and to have private sector management, but at the lowest cost. But, again, I would want to stress, this is just a framework. What the administration looks forward to doing is working with Congress and seeing if there are mechanisms to ensure this nonpolitical investment.

Senator MOYNIHAN. Right. Could I just say, we would really like to hear what you have to say, and talk to us as you go along, would you not say, Mr. Chairman?

The CHAIRMAN. Very much so.

Senator MOYNIHAN. If you had a portfolio of \$600 billion in securities, equities, what would the average portfolio manager make on

Wall Street today? Mr. Truman is smiling as if he knows. [Laughter.]

Mr. TRUMAN. Drooling, I think, is the right word, Senator.

Senator MOYNIHAN. Drooling, sir. [Laughter.]

Mr. GENSLER. Well, in looking at the cost is one of the important aspects.

Senator MOYNIHAN. But would \$1 million be a large sum?

Mr. GENSLER. Well, if it were invested in a very broad-based, neutral basis, what is sometimes called passive index investing, the costs are actually sometimes very de minimis. The thrift savings plan that you are well aware of, the costs there are less than 0.4 basis points, which one can measure out the decimals. That plan has, of course, smaller than \$600 billion, but with a larger amount of money you could still have a fixed amount of cost to do these broad-based investments.

Senator MOYNIHAN. Would you take the point that the rewards in the financial world for managing those such sums are vastly greater than any to be found in the payroll schedules of the Federal Government. I think Mr. Truman is also nodding.

Mr. GENSLER. Senator Moynihan, I think this is an important issue that the administration would want to work closely with Congress on, and it is a concern of ours too to make sure that that is as low as possible. One way to do that, is to have passive, broad-based, neutral investment.

Senator MOYNIHAN. I see. May I just say, work with Congress. Tell us what you think and what you propose. It is not a question of our just agreeing, but figuring it out if it is to go forward.

Mr. GENSLER. Right. And figuring it out together, if this can work.

Senator MOYNIHAN. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Grassley.

Senator GRASSLEY. Yes. Mr. Williams, I congratulate you on your promotion. I have a question more about your present position than the one you are being confirmed for. But let me give some background before I ask you the question.

Mr. Chairman and members of the committee, you all know that I have been intensely interested in the status of the Inspector General of the Department of Treasury. The tenure of the previous IG, Ms. Valerie Law, was marked by very much controversy.

There were major questions about the office's leadership, which caused serious and widespread morale problems within the office. Last year, we confirmed Mr. Williams to be the Treasury IG because he had solid credentials and experience. We had confidence that we were putting the office in capable hands, and that was important because good leadership would help restore confidence and morale there at the Treasury IG.

The fact that Mr. Williams has been nominated for Tax IG has been a concern of mine, not because Mr. Williams is in any way a questionable candidate, it is precisely the opposite. My concern was that, in leaving Treasury IG, he could not continue to exercise the good leadership he has shown thus far. My main concern continues to be a morale problem at the Treasury IG.

I have since communicated my concerns with you, Mr. Williams, and also with other Treasury officials. I think you share my concern. I think you have assured me, in several ways, that the situation will be watched carefully and be a high priority there at the entire Treasury Department.

I hope this committee will also stay watchful of this situation. Until Mr. Williams, there had not been effective leadership in that office for several years. They have lost many good people because of it, and that is not a very good thing.

So I would like to just ask you, Mr. Williams, to discuss the morale problem in that office when you took it over, how bad was it, and the steps that you have taken to improve things, and what will be done between now and when the new Treasury IG is confirmed.

Mr. WILLIAMS. Thank you, Senator Grassley. I do want to recognize that you have been an absolute essential force in bringing about reform in that office. Without your persistence and your refusal to be distracted, I do not know that the good things that you mentioned would have happened. That is very difficult for someone to do that has an agenda like yours. It is clearly noteworthy.

I think a lot of good things have happened. We recently posted a small number of agent positions, and recruitment and retention were very serious problem. You identified those. We were very gratified when 750 current government investigators applied for those. It is clearly a place that is recognized now as a place to be attracted to, to come to. I was very gratified by that, and other signs.

At my earlier confirmation hearing we discussed some of the problems I encountered there, and the many new managers that have arrived had been countered. They were quite serious. The investigative group was in as poor a condition as I had encountered in all of these jobs I mentioned as part of my background.

We undertook to pour resources into that, primarily from management support, but also from the audit group. We have strengthened it, we have moved it to where the action is along the southwest border in Miami. We created a special inquiries team.

We were very troubled by some of the inquiries that had not gone well and had not gone to our satisfaction that we had worked with various members on. We have reassigned those to some very strong, new investigators and we feel that those are on the right track.

I consolidated a number of fragile direct report offices inside the Inspector General's Office that were created by the consultants that we had discussed earlier. Those were not working well. Their work was not being reviewed, and we have consolidated those into a much sturdier and stronger unit.

There has also been—and again, I recognize and respect your work—a number of key executives who are a part of the troubled past who have left. There were probably eight key executives, and we have brought in that number, too. That has changed the character of the office. So, I am confident that it has been turned around.

I intend to use the New Vacancies Act to appoint someone from outside the office to lead the office. I know that the White House has focused on a candidate that will come before you as quickly as

possible to make that interim period as brief as possible. I feel good about the office and I appreciate your contribution to that.

Senator GRASSLEY. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Robb?

Senator ROBB. Thank you, Mr. Chairman.

Ambassador Esserman, if I could, just one quick follow-up to Senator Baucus' observation with respect to fast track. Would, perhaps, a reconsideration of acronyms and/or phrases like MFN also come under review in terms of reflecting the true intent when we discuss, sometimes, controversial matters and proposals that reflect trade policy?

Ms. ESSERMAN. We are happy to consider the idea of Senator Baucus.

Senator ROBB. All right. Thank you. One last question. While I was in the East Asia area, the APEC Summit in November was not considered an overwhelming success. It may have been due, in part, to the absence of the President. It might have been due, in part, to a fairly candid discussion of the host and the host government policies that was given by the Vice President. But some of the key decisions on broad tariff reductions were postponed until the ministerial.

Is it still possible that we are going to achieve success by the year 2010 in terms of the free trade area that has been designated at the goal of that organization?

Ms. ESSERMAN. APEC is a vital organization and we will continue to work toward that important goal. APEC played a very important role in launching the tariff reductions, and they will continue to play a very important role in trying to conclude them.

Senator ROBB. Thank you. I certainly hope that is the case.

Mr. GEITHNER, A QUICK QUESTION ON BRAZIL, ON THE RAIL. As a new member of the committee, I would like a quick tutorial, if you could, on what is happening. I know yesterday the Senate passed a financial transactions tax.

I gather it is essentially a continuation of what they have had for a 3-year period, but, in any event, how does this play with the crawling peg and their reaction to the current situation, and the austerity measures that have been proposed? Can you just give us a quick summary of what is happening to our very large neighbor down south?

Mr. GEITHNER. Well, I have to begin by saying there is a fair amount of uncertainty about how this is going to unfold in Brazil going forward, so it is hard for any of us to say with confidence what lies ahead for them.

They announced last Friday, and confirmed on Monday, that they would adopt a more flexible exchange rate system and, in a sense, allow the currency to be determined by the market.

In that context, they reaffirmed their commitment to carry forward a quite ambitious, absolutely essential program of fiscal adjustment because, as you know, Brazil has a really quite substantial fiscal deficit. There is no way through this for them, except by bringing that down to a more sustainable level.

They have also announced a new monetary policy regime to accompany this new exchange rate regime, which is going to be di-

rected, as it should be, at containing inflation, which will help support this currency.

Senator ROBB. Are you saying they are taking the right steps at this point?

Mr. GEITHNER. I think that they are committed to do what they have to do, and they are taking the steps necessary to get there. But if this is going to work, it is going to require a sustained commitment over time. As you have seen in all of these country crises over the past 2 years, really what is fundamental is the extent to which a government is able to be credible to the markets and to convince its own people, as well as foreign investors, that it has the political capacity to deliver over time what will always be quite difficult reforms.

Senator ROBB. I will just let it go at that for right now. We will obviously be following this one closely over a period of time.

I would like to ask Mr. Williams just one question, if I could. Your new job was created by the IRS Reform bill last year, and I know from past experience in both the State and Federal Government, we are always looking for that undiscovered sum of essentially free money.

I remember a few years ago when the chairman of then HEW suggested that there was \$7 billion in waste, fraud, and abuse. I know there were many folks that thought we ought to just capture that as a line item, delete it from Federal spending, and apply it to other needs.

One of the areas that there is always a suggestion, and we are not able to track it in precise terms by the very nature of the fact that it is unreported income and unreported taxes, in terms of your new capacity, do you think that that is a viable hunting ground for additional revenues that are due the U.S. Government? If so, would your office be planning to address that as a priority? And if you are, what would you suggest might be the magnitude of our success in that venture?

Mr. WILLIAMS. Not having been there, I am unsure of the magnitude. I know exactly what you are talking about. At Social Security we were able to find \$1 billion in savings on a fugitive and prisoner issue, where those people were receiving Social Security funds in order to flee from the government, which was both an outrage and a huge amount of money.

On this issue, revenue protection is an area of great emphasis for us. We know that the IRS has recognized that computers are not as good as they should be in identifying problem cases.

I guess that is the first thing that occurs to me, to move into to try to get an understanding of and to try to suggest more efficient and effective ways of pinpointing problem cases in the underground economy.

Senator ROBB. I realize my time is up. But are we not going to have a Y2K problem that we solve and at the same time forget all of the uncollected revenues that might be available? You do not need to answer that, but it seems to me that that could be an irony in that situation.

I thank you. And I thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Robb.

Senator Graham?

Senator GRAHAM. Thank you, Mr. Chairman.

I have got a couple of questions that relate to Latin America. The first, again, is a sentence that was on page 11 of the printed text last night, "And to increase shared prosperity, we will work to launch a Free Trade Area of the Americas." That sentence was not spoken. Does that have any significance in terms of our commitment to the Free Trade Area of the Americas?

Ms. ESSERMAN. Senator Graham, I will check to see whether or not that sentence was spoken. I do not recall it. Again, I would say that we remain steadfast in our commitment of moving ahead. We have been working on a systematic basis all throughout last year.

The launch took place on time. The negotiating groups met and we will be continuing to work on that. If the sentence was not spoken, I can assure you, it does not suggest any wavering of commitment to the FTAA.

Senator GRAHAM. The second question, I think, is for Mr. Geithner. I have been interested for many years in the issue of tax treaties in Latin America, which are relatively few today, and in encouraging the Treasury to be more proactive in initiating those precursor steps that might lead to tax treaties in Latin America.

As our relations commercially with those countries become more significant, and I think today they are approximately 20 percent of our trade activities, having more regularized commercial standards, including tax standards, becomes significant.

What is the position of the Treasury in terms of initiating steps that would lead to tax treaties with our trading partners in the Caribbean and Latin America?

Mr. GEITHNER. I do not think I can do justice to that question at this time, but I would be happy to convey your interest in the issue to the Secretary. And, if we can find a time where I could bring our tax people up to talk to you about what is out there and where they think the opportunities lie, I would be happy to do so.

They have a quite elaborate, sensible set of conditions that they apply to judge where we should do treaties, where we should prepare to do them, and whether we will be able to negotiate a good treaty. But I think I should bring them up to talk to you so they can walk you through that in detail.

Senator GRAHAM. Well, I would hope that, as a regional priority, that you would give some attention to Latin America. The history has been one in which we have largely been void in terms of tax treaties, and that has sent a signal which I think no longer represents our attitude towards the importance of that region for our trade future. Thank you.

The CHAIRMAN. Senator Baucus?

Senator GRASSLEY. Thank you, Mr. Chairman. Mr. Chairman, I would just like to tell the panel that, speaking for myself, and I think the committee and the Senate, that we have a lot of confidence in what you are doing. You have faced some very difficult times. Mr. Geithner, you referred indirectly to some long days, long nights away from your family.

It was not an easy challenge that you faced when the Hong Kong stock market fell, the Thai baht fell, and low and behold, other currencies fell as their economies began to collapse, whether it's Russia, Brazil, or whatnot.

I just want to say, Mr. Chairman, I have dealt mostly with Mr. Geithner. I can tell you, he's first-rate. We are very lucky to have him. I know that the same qualities apply to other members of the panel.

I just want you to know that you have our confidence. We want to continue working with you. You have done a good job in these difficult times. Just go to it. Let us do the best we can to keep our country up there at the top, and help other countries, too, and at the same time they would help us. Thank you very much.

Mr. GEITHNER. Thank you.

The CHAIRMAN. One final question I would like to address to you, Mr. Truman.

Mr. TRUMAN. Yes, sir.

The CHAIRMAN. Going back to critics of the IMF package, they have argued that a moral hazard problem arises when investors and bankers are shielded from the full losses that they would otherwise realize as a result of their bad investment.

Is this a serious problem? How should we address it?

Mr. TRUMAN. Mr. Chairman, I think it is a serious problem, or a serious concern. There are moral hazard considerations in almost every intervention of public policy in the world.

One needs to make sure that a government or international organization intervening to provide money, whether you are doing so to compensate the recipient for mistakes that have been made, or compensate the lenders to the recipient for mistakes they made, and in providing incentives for them to make similar mistakes in the future, not only in that case, but in other cases.

So I think there is a need, on the other hand, to the other side of the balancing act, one needs to consider that the alternative is also often very painful. The answer is not to not help the people who are being most seriously affected by the crises in these countries. As Secretary Rubin and Chairman Greenspan have often said, there are often unintended consequences to benefit indirectly some investors in these cases.

I actually do not think, in general, in the IMF case, there is a serious problem with IMF lending itself with moral hazard, in part, because of the conditions associated with that lending. But it is an issue that one needs to continue to address.

The CHAIRMAN. One final question of you, Mr. Williams. There have been many reports relating to taxpayer protections in response to the various Finance Committee hearings since September of 1997. Your semi-annual report to the Congress noted the illegal use of enforcement statistics and improper use of seizure authority by the IRS. How will you ensure proper independent oversight over these areas?

Mr. WILLIAMS. The legislation itself, and I have already said how much I like the IG Act, calls for us to provide reporting to you on a number of areas, but many of them concentrate on taxpayer rights and allows you and the other stakeholders to keep their finger on the pulse of taxpayer abuse.

We also have the new 1203 violations, the so-called Ten Deadly Sins, under Title I that will fall to my office to investigate. We intend to very aggressively taken that on and, in a very comprehensive and timely fashion, pursue those.

Another problem that you identified that was a good area, was the past failure of the office to aggressively pursue management referrals that were made when abuses were found. We intend to create, and I believe the Acting IG and the task force has taken on trying to structure a tracking method whereby we can aggressively follow up on instances where cases are referred to management, but not adjudicated in a timely fashion.

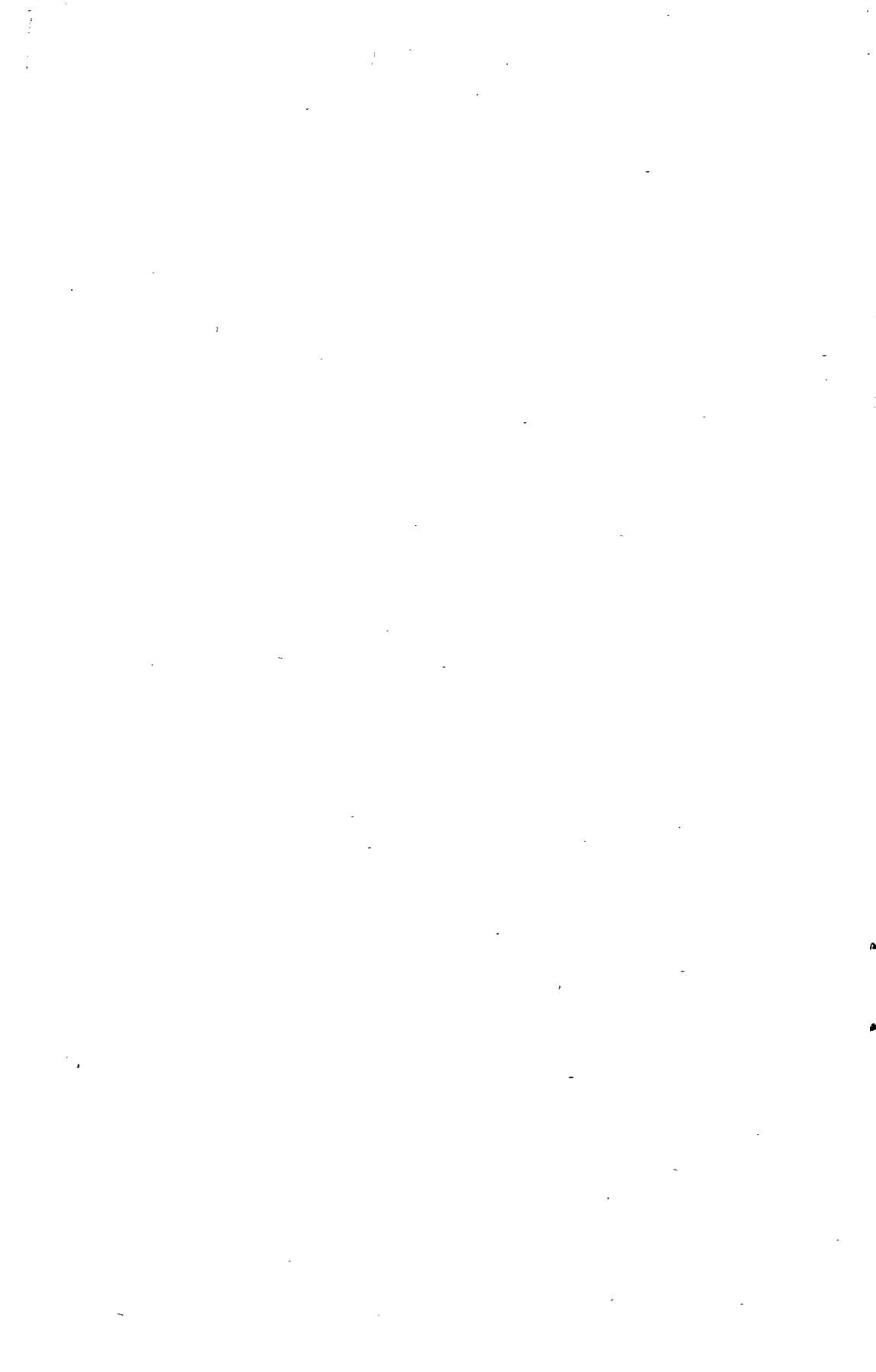
We think that that open, transparent reporting mechanism and aggressive enforcement and assurance that adjudication is timely will go a great way toward addressing the issues that the committee identified.

The CHAIRMAN. Well, I cannot over-emphasize how important I believe this area of enforcement is, and will be watching with great interest to your office.

Mr. WILLIAMS. Thank you, Mr. Chairman.

The CHAIRMAN. This brings us to the conclusion of this hearing. We will move expeditiously in reporting out the nominees. I want to express my personal appreciation. Hopefully, we are going to do it this coming Friday. That is the plan at this time. But I appreciate your being here this morning, and we look forward to favorable action.

[Whereupon, at 11:39 a.m., the hearing was concluded.]



APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF SUSAN G. ESSERMAN

Mr. Chairman and Members of the Committee:

It is an honor and a privilege for me to appear today as President Clinton's nominee for the position of Deputy United States Trade Representative. I would like to express my deep appreciation to President Clinton and to Ambassador Barshefsky for their confidence in me, to the Chairman for scheduling this hearing, and to the Members of the Committee and staffs who have taken the time to meet with me in the past few months.

I believe that my experience in the U.S. government during the past five years provides me with an excellent foundation for the position of Deputy United States Trade Representative, should I be confirmed.

As Assistant Secretary of Commerce for Import Administration, the U.S. official responsible for trade law enforcement, I saw every day the central importance of strong trade laws to America's workers and industries, and to the principles of open trade from which our country so greatly benefits. Likewise, as General Counsel of USTR, where I have focused on enforcement of our trade agreements, I have seen firsthand the need to ensure that the agreements we negotiate are effective and enforceable, and that Americans receive tangible benefits from them.

These issues are more important to America and the American people than ever before. In just two decades, trade has grown from less than 10 percent of our economy to nearly 30 percent today. In these years, the consistent bipartisan policy of expanded trade has secured higher living standards for families, better jobs for working people, better prospects for business and higher income for farmers. It has also included a commitment to ensuring fair treatment for Americans from foreign companies and international trade institutions. Trade policy has advanced our national interest in prosperity at home and the rule of law abroad.

Let me very briefly discuss our potential to advance these goals in some of the major areas for which I would have responsibility as Deputy U.S. Trade Representative.

World Trade Organization: The creation of the WTO through the Uruguay Round Agreement was one of the great bipartisan successes of U.S. trade policy generally, and the Finance Committee in particular. We are now readying ourselves to take the next step forward, when the United States hosts the WTO's Third Ministerial Conference later this year.

The Ministerial will be the largest trade event ever held in the United States, bringing heads of state, Trade Ministers, business leaders and citizen activists from around the world. It will highlight to the world our accomplishments in everything from basic industry to agriculture and high technology, to our success in combining a growing economy with rising standards of health, environmental protection and workplace standards. And it will open a new round of negotiations of immense importance to American farmers, working people, businesses and families. We are now consulting with Congress, business, agriculture, and labor, environmental and consumer groups on a detailed agenda. At this point, I see four major areas in which we can advance:

- With respect to market access, enormous gains have been made through the development of the GATT and the WTO. However, this work—reducing and eliminating tariffs and other trade barriers to industrial products—remains incomplete. Barriers are highest in fields like agriculture and services, in which the United States is most competitive. Next year negotiations will be launched in

these and a number of other areas, which will move us toward a world more open to our exports.

- The WTO will have to adapt to the technological revolution, through negotiations that recognize the speed at which the commercial world is changing; incentives for the development of beneficial technologies through lower trade barriers and stronger intellectual property protections, and guarantees that global electronic commerce can reach its full potential.
- And the WTO must address public concerns about its own openness and accessibility to citizens and citizen groups. It must also consider the relationship of trade to labor and the environment. President Clinton stated his concerns about these issues at the Second Ministerial Conference and challenged our trading partners to agree to several concrete steps to open up the WTO and dispute settlement system.
- The WTO is also growing in membership. It now has 133 members, and 32 economies are applying to join. In each of these cases we will insist that accession be on commercially meaningful grounds. Subjecting these countries to full WTO disciplines is in our interest, because it will create new job opportunities for Americans, and advance the larger vision of open trade as a contributor to a peaceful world which accepts the rule of law.

As we pursue this agenda, we will also remain committed to our own domestic trade laws. If we are to maintain the support of the American people for open trade, Americans must have the confidence that our trading partners will be subject to fair trade rules, and that they will be safeguarded against unfair trade practices at home and abroad. The steel industry, for example, is presently suffering from a very rapid rise in imports due to the financial crisis overseas. We are working to ensure that our trade partners share the burden of these imports, and will fully enforce our laws on dumping and import surges.

As Deputy USTR, I would also have responsibility for implementing our trade policy in several important regions of the world, as follows

Europe: The European Union is our largest bilateral economic partner. Transatlantic trade and investment thus have substantial effects on jobs and living standards in America, and present us with significant trade problems and opportunities. Most immediately, we are confronted with unacceptable European noncompliance with its WTO dispute settlement obligations in two cases. As our actions in the banana case indicate, we will use our own laws and our rights at the WTO to ensure that American trade interests and legal rights are respected. The same is true with respect to the EU's ban on American beef. Looking further ahead, the coming WTO agriculture negotiations offer us an opportunity to address European agricultural barriers such as tariffs, export subsidies, state trading enterprises, the Common Agricultural Policy, as well as other issues.

We share many common interests and goals with Europe. Thus, President Clinton and EU leaders last year launched the Transatlantic Economic Partnership, which addresses agriculture, technical barriers to trade, services, intellectual property, government procurement, electronic commerce, and promotion of shared values. Through the TEP, we will seek to achieve mutual and concrete trade expansion opportunities for our industrial, agricultural and service sectors, more effectively pursue our shared interests and values in international fora, and establish a process for ensuring full civil society participation in the TEP process.

We also have important European trade interests beyond our relations with the EU. In Russia, we are working to promote stability and integration into world markets through commitment to recognized international trade disciplines. Integrating Russia into the global economy will encourage competition and complement Russia's efforts to restructure its economy.

We also place high priority on improving trade ties with Central Europe and the newly independent states of the former Soviet Union. The process of integration of Central Europe with the EU presents opportunities and challenges as we seek to ensure that US companies increase participation in these markets. The newly independent states present a different set of challenges as we expand our trade relations and seek to integrate them into the world trading system.

Africa: We are working with the Committee to promote reform, lower trade barriers and enhance the opportunities for American goods and services in this continent of 600 million. A majority of sub-Saharan Africa's 48 countries have begun market-oriented economic and democratic political reforms, and growth rates have risen. Of special importance for American companies and workers are African efforts to open their economies and lower trade barriers. The World Bank estimates that in 1991, these barriers cost Africa as much as it received in foreign assistance. Our trade policies thus seek to encourage African countries to take on greater obligations in the WTO, accelerate regional economic integration, and engage in a more intense

dialogue with the United States on trade. With regard to the last point, I would hope to consult closely with the Committee on passage of the African Growth and Opportunity Act, to create new export opportunities for Americans and help African countries grow through reform.

Middle East: Our regional trade policy seeks to secure new opportunities for American exporters, promote intra-regional trade and support the peace process. Our Free Trade Agreement with Israel has established a strong and mutually beneficial foundation with our key ally in the region, and we want to strengthen our trade relationships with other partners. Last March, Ambassador Barshefsky designated the first Israeli-Jordanian joint business ventures as building blocks to peace. We are currently negotiating Trade and Investment Framework Agreements with Jordan and Egypt, which set a framework for our bilateral discussions, and can serve as an important vehicle to advance intra-regional trade.

In concluding, let me make two points. First' as General Counsel, it has been my great privilege to work with the career officials of USTR. USTR is one of the smallest agencies in government. Its men and women face correspondingly high demands, and they are up to the task. They are some of America's best public servants, and their work directly affects the well-being of American businesses, farmers and workers. It would be a great honor to continue this association as Deputy United States Trade Representative.

Second, I believe that to succeed, trade policy must be bipartisan and must be the result of close cooperation between the Administration and Congress. If confirmed, I would hope to work very closely with the Committee to ensure that as we approach the Ministerial Conference and the other issues on our agenda this year, our policies reflect your views and advice, and that the results of these policies benefit the workers, farmers, businesses and families whom you represent.

Thank you very much for the opportunity to appear before you today. I will be pleased to answer any questions you may have.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. **NAME: (Include any former names used.)**
Susan Gayle Esserman (Birth name: Gayle Susan Esserman)
2. **Position to which nominated:**
Deputy United States Trade Representative
3. **Date of nomination:**
January 6, 1999
4. **Address: (List current residence, office, and mailing addresses.)**

9513 Brooke Drive
Bethesda, Maryland 20817

Office of the General Counsel
U.S. Trade Representative's Office
600 17th Street, N.W. - Room 223
Washington, DC 20508
5. **Date and place of birth:**

June 20, 1952

Chicago, Illinois
6. **Marital status: (Include maiden name of wife or husband's name.)**

Married - Andrew H. Marks
7. **Names and ages of children:**

Stephen Matthew Marks
Age: 14

Clifford Michael Marks
Age: 10

Michael David Marks
Age: 7

8. **Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)**

University of Michigan Law School	08/74 to 05/77	Degree - J.D. 1977
Wellesley College	08/72 to 06/74	Degree - B.A. 1974
Williams College	08/72 to 08/73	
Miami Palmetto Senior High School	08/68 to 06/70	High School Diploma
Homewood-Flossmoor High School (Flossmoor, Illinois)	08/66 to 06/68	

9. **Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)**

Description of Job	Employer and Location	Dates of employment
Summer intern	Senator Lawton Chiles Dirksen Building Washington, DC	Summer 1973
Clerical/Paralegal	State's Attorney's Office Miami, Florida	Summer 1974
Law Clerk	Kelly, Black, Black & Kenney	Summer 1975
Summer Associate	Stephoe & Johnson 1250 Conn. Ave. NW Washington, DC	Summer 1976

Judicial Clerk	Honorable Oliver Gasch US District Judge US District Court John Marshall Place, NW Washington, DC	09/77 to 08/78
Associate	Stephoe & Johnson 1330 Conn. Ave., NW Washington, DC 20036	10/78 to 12/84
Partner	Stephoe & Johnson 1330 Conn. Ave., NW Washington, DC 20036	01/85 to 11/93
Special Advisor	U.S. Dept. of Commerce 14th & Const. Ave., NW Washington, DC 20230	12/93 to 03/94
Assistant Secretary for Import Administration	U.S. Dept. of Commerce 14th & Const. Ave., NW Washington, DC 20230	03/94 to 04/96
Acting General Counsel	U.S. Dept. of Commerce 14th & Const. Ave., NW Washington, DC 20230	05/96 to 02/97
General Counsel	U.S. Trade Representative Office 600 17th St., NW Washington, DC 20508	04/97 to present

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

Judicial Clerk for Honorable Oliver Gasch, U.S. District Judge for the District of Columbia (1977 to 1978)

Special Advisor, Dept. of Commerce (12/93 to 03/94)

Assistant Secretary for Import Administration, Dept. of Commerce (03/94 to 04/96)

Acting General Counsel, Dept. of Commerce (05/96 to 02/97)

General Counsel, U.S. Trade Representative (04/97 to present)

11. **Business relationships:** (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

I was previously a partner in the law firm of Steptoe and Johnson. I departed from the firm in November 1993 and formally resigned from the partnership in March 1994 upon my confirmation as Assistant Secretary of Commerce for Import Administration.

12. **Memberships:** (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

I am a member of the American Bar Association, District of Columbia Bar, Florida Bar, Washington Hebrew Congregation, Washington Wellesley Club, National Partnership for Women and Families, National Women's Law Center Network, Women's Bar Association, United States Holocaust Memorial Museum, Jewish Community Center of the District of Columbia (and previously the Jewish Community Center of Greater Washington), Palisades Swimming Pool Association, Inc., Bethesda Country Club, Bradley Boulevard Civic Association, Emily's List, Washington Chamber Symphony, Washington Opera Guild, Resident Associate of the Smithsonian Institute, and Friends of the National Zoo.

13. **Political affiliations and activities:**

a. List all public offices for which you have been a candidate.

None.

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

I am a member of the Democratic Party. I was a member of the Washington Steering Committee for the Clinton/Gore Campaign in 1992.

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

To the best of my recollection, I made financial contributions to the following campaigns:

Clinton for President (1992, 1996); Kennedy for Senate Campaign (1994); Terry for Governor Campaign (1993); Democratic National Committee (1992); Moseley Braun for Senate Campaign (1992); Morella Campaign (1990); Dukakis Campaign (1988);

Democratic National Committee Victory Fund (1988); Sarbanes for Senate (1994); Feinstein for Senate (1994); Robb for Senate (1996); Don Mooers (1996); Ralph Neas (1998); Glendenning-Townshend (1998).

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

As Chair of the D.C. Bar International Law Section, I received the D.C. Bar Award for the most outstanding Section of the D.C. Bar (1989). I was a member as well as a senior editor of the Law Review of the University of Michigan Law School. I graduated from Wellesley College with Honors.

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

Co-authored with Richard O. Cunningham a chapter on "Section 406 of the Trade Act of 1974: Relief From Market Disruption Caused by Communist Country Imports in the United States" in United States Regulation of International Trade (Oceana Publications, Inc. 1987).

Publication of Remarks at Court of International Trade Judicial Conference: (1) The Injury Standard -- The Courts' Influence on the ITC, 117 F.R.D. 185, 212 (Oct. 1986); and (2) Standing and Accuracy of Decisionmaking Under the Bifurcated Structure of the Antidumping and Countervailing Duty Laws, 137 F.R.D. 509, 599 (Oct. 1990). "Individual Rights Within the Public School Systems: Challenges to the Substantive Curriculum", 74 Michigan Law Review 1420-1447 (1976).

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

I have listed below, to the best of my recollection, the speeches I gave while I was Assistant Secretary of Commerce for Import Administration relating to administration of the trade laws. I did not prepare formal texts for these speeches.

- | | |
|----------|---|
| 9-94 | Committee on Pipe and Tube, Washington, DC |
| 10-94 | Practicing Law Institute, Washington, DC |
| 11-24-94 | American Bar Association, Breakfast at the Bar Speech, Washington, DC |

- 12-07-94 International Trade Commission, Washington, DC
- 01-12-95 Washington International Business Council - Washington, DC
- 02-28-95 National Association of Foreign Trade Zone - Luncheon Speech, Washington, DC
- 03-15-95 American Bar Association/International Trade Section, Chicago, IL
- 04-6-95 American Iron and Steel Institute Symposium on Trade Laws and Steel Trade under the North American Free Trade Agreement, Washington, DC
- 04-7-95 District of Columbia Bar, Changes to United States Trade Laws resulting from the Uruguay Round, Washington, DC
- 05-95 Pro-Trade Group, Washington, DC
- 05-26-95 Federal Circuit Bar Association, Key Aspects of the Uruguay Round, Washington, DC
- 06-19-95 The Institute for Interconnecting and Packaging Electronic Circuits, United States Trade Laws, Washington, DC
- 06-29-95 Congressional Steel Caucus, General Agreement on Tariffs and Trade Implementation, Washington, DC
- 10-02-95 French Embassy, Implementation of the Uruguay Round Agreements in the United States, Washington, DC
- 10-11-95 Steel Wire Rope Association, Washington, DC
- 12-95 Association of Cold Rolled Strip Steel Producers, Washington, DC
- 12-07-95 Ministers of Economic and Commercial Affairs of the Embassies in Washington, DC
- 03-13-96 Customs and International Trade Bar, Washington, DC
- 03-21-96 Committee to Support United States Trade Laws, Washington, DC

03-29-96 George Washington University, Department of Commerce International Trade Conference, Washington, DC

In addition, in my capacity as USTR General Counsel, I have given speeches on dispute settlement, trade agreement enforcement and the Administration's trade policy before the American Bar Association International Section, District of Columbia Bar, Non Group, U.S. Ambassadors to Latin America, the President's Interagency Council on Women, the Women's International Business and Legal Forum, National Association of Manufacturers, National Retail Federation, Annual Citrus Forum (Florida), The Business Women's Network, American Business Alliance for Transition Economics (hosted by the Chamber of Commerce), Wellesley Lawyer's Forum and Airlie House Seminar (Professor John Jackson program). I prepared formal texts for two of these speeches: Annual Citrus Forum (Florida) and American Business Alliance for Transition Economics (hosted by the Chamber of Commerce). See Attachment A.

In addition, as USTR General Counsel, I have testified on the following occasions:

- 06-18-97 House International Relations Asia-Pacific Subcommittee Hearing
U.S. Vietnam Relations
- 11-04-97 Ways and Means Committee Subcommittee on Trade Hearing on China
- 03-4-98 Senate Subcommittee on East Asian and Pacific Affairs on Dispute Settlement
- 03-25-98 House International Relations Economic Policy and Trade Subcommittee on Dispute Settlement
- 09-3-98 Senate Finance Confirmation Hearing
- 11-30-98 Senate Steel Caucus

17. Qualifications: State what, in your opinion, qualifies you to serve in the position to which you have been nominated.

I believe that my work in government as well as in the private practice of law provides excellent experience and background for the Deputy USTR position to which I have been nominated.

I held two senior posts at the Commerce Department. As Assistant Secretary of Commerce for Import Administration, I administered the antidumping and countervailing duty laws. I was responsible for the Administration position on legislation implementing our Uruguay Round commitments in this area, including with respect to WTO dispute settlement. As Acting General Counsel of the Commerce Department, I had the opportunity to see the broad range of trade policy, promotion and enforcement interests of the United States. As General Counsel of USTR, I have worked on a range of policy and legal issues relating to the WTO and to our trade agreements, including WTO dispute settlement and trade agreement enforcement matters.

In these capacities, I have participated in the development of trade policy and agreements from several different vantage points that would be valuable should I be confirmed for the Deputy USTR position.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

I have been working in the United States government for the past five years. I severed connections with my former employer when I was confirmed as Assistant Secretary of Commerce for Import Administration in March 1994.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

I have no plans, commitments or agreements to pursue outside employment during my service with the government.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so provide details.

No commitment or agreement has been made to employ my services in any capacity after I leave government service.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes. If confirmed, I expect to serve until the next Presidential election.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

I was previously a partner in the law firm of Steptoe & Johnson. I departed from the firm in November 1993 and formally resigned from the partnership in March 1994 upon my confirmation as Assistant Secretary of Commerce for Import Administration. Since I departed the firm more than four years ago, none of the past matters at the firm appear to present a conflict or potential conflict of interest with the proposed position of Deputy United States Trade Representative. I will adhere scrupulously to the letter and spirit of all applicable federal conflict of interest laws and regulations as well as applicable bar obligations.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

Aluminum Company of America (Alcoa) --trade issues relating to NIS exports; market access to Japan; trade legislative and other miscellaneous matters.

American Electronics Association --market access to Japan for a wide range of U.S. electronics products.

American Restaurant China Council --tariff issues in Uruguay Round; GSP matters; miscellaneous trade policy and legislative matters.

ASARCO --trade legislative matter; dispute settlement issues relating to U.S. - Canada Free Trade Agreement.

Canadian Sugar Institute --trade legislative matter. In connection with this matter, I registered under FARA and deregistered in 1991. This is the only matter for which I registered under FARA.

Harley-Davidson --Section 201 matters and ensuing relief and related policy issues; miscellaneous trade matters.

Homer Laughlin China Company --miscellaneous trade issues.

Motorola --market access to Japan for third party radios and cellular phones.

Occidental Chemical Corporation --trade legislative matters.

Virgin Islands Watch Assemblers --GSP matter.

As an attorney practicing in the international trade field, I was also involved in on the record administrative and judicial proceedings related to the administration of the U.S. trade laws.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

I will consult with ethics officials of the Office of the United States Trade Representative and will continue to recuse myself from any matter creating a potential conflict of interest, or seek a conflict of interest waiver, as appropriate.

I am providing two copies of trusts established on behalf of my dependent children. See Attachment B. I am also enclosing two copies of the ethics undertaking letter I have submitted in connection with this nomination. See Attachment C.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest- or any legal impediments to your serving in this position.

A letter from the Director of the Office of Government Ethics, Stephen Potts, accompanied my financial disclosure form on July 8, 1998, which was transmitted to the Senate Finance Committee.

Ethics opinions were provided by ethics officer, Bruce Overton, from USTR to Chairman Roth and Ranking Minority Member Moynihan on July 1, 1998.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

The only foreign government entity for which I provided any assistance was the Gouvernement du Quebec, in connection with on-the-record trade litigation, which was initiated by the U.S. pork industry. The work, which involved 20.5 hours and \$4,500 in revenues, was performed over a three month period (December 1990 and January - February 1991). The work involved research and analysis in support of the lawyers responsible for the litigation. Quebec was not my client. I never met or had any contact with the client. In addition, I never appeared on behalf of the client in any way.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

No. An EEO complaint alleging discrimination on the basis of sex, age, and handicap was filed against Import Administration while I was Assistant Secretary. The Department of Commerce's Office of Civil Rights investigating the matter found against the complainant.

While I was not a party in any litigation, I was a witness on behalf of the Commerce Department (March 1997) in litigation before the U.S. Court of International Trade, NEC v. U.S. The Court ruled in favor of the U.S. in August 1997, and that ruling was affirmed on appeal in 1998.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None.

E. TESTIFYING BEFORE CONGRESS

If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes.

TREASURY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS
TIMOTHY F. GEITHNER
Nomination to be Treasury Under Secretary for International Affairs
SENATE COMMITTEE ON FINANCE

Mr. Chairman, Senator Moynihan, and Members of the Committee, I am honored to appear before you today as you consider my nomination to be Under Secretary for International Affairs. I am pleased to have my family with me today: my wife, Carole; my daughter, Elise; my son, Benjamin; and my father, Peter.

I am honored to have been nominated by President Clinton for this position, and to have been given this opportunity to continue to work with Secretary Rubin and Deputy Secretary Summers, and the distinguished career civil servants in International Affairs at the Treasury.

I am also pleased to appear before you today with Ted Truman, who brings great talent and experience to the Treasury. We have worked very closely together, particularly over the past six years, and he has helped build a strong, cooperative relationship between Treasury and the Federal Reserve on international financial issues that has served this country well.

I have had the privilege to work at the Treasury for just over a decade, these past months as Assistant Secretary, and before that as a civil servant in a variety of positions under previous administrations.

Our job at the Treasury is to defend and promote American interests in the international economic and financial system. At this particular point in time, our interests lie primarily in the following areas: in working to restore financial stability and growth to a world still in the midst of crisis; in promoting free and fair trade; in advancing market-oriented, open economic policies, together with the institutions and policy tools that can enable countries to enjoy the benefits and manage the risks that come from economic integration; and in developing ways to strengthen the architecture of the international financial system so that we can better prevent and better manage future financial crisis.

As we work to meet these challenges, I am committed to continuing to work closely with this Committee and the Congress.

Thank you, Mr. Chairman. I would be pleased to answer any questions.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

The Committee requests the nominee provide the following information in a single written statement by typing each question in full followed by the nominee's response. Please provide three copies of your typed statement to Jane Butterfield, Chief Clerk, 219 Dirksen Senate Office Building, Washington, D.C. 20510.

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)

Timothy Franz Geithner

2. Position to which nominated:

Under Secretary of the Treasury for International Affairs

3. Date of nomination:

January 6, 1999

4. Address: (List current residence, office, and mailing addresses.)

5706 Harwick Road
Bethesda, MD 20816
301/320-6053

Department of the Treasury
Room 3430
1500 Pennsylvania Avenue, NW
Washington, DC 20220
202/622-0656

5. Date and place of birth:

August 18, 1961
New York, NY, USA

Timothy F. Geithner

6. Marital status: (Include maiden name of wife or husband's name.)

Married to Carole Marie Sonnenfeld Geithner

7. Names and ages of children:

Elise M. Geithner, 7 (dob 6/23/91)
Benjamin N. Geithner, 4 (dob 4/7/94)

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Johns Hopkins, School for Advanced International Studies, 9/83 to 5/85; Masters degree in International Economics and East Asian Studies awarded May 1985.

Dartmouth College, B.A. in Government and Asian Studies, 9/79-6/83; June 1983.

Beijing Normal University, PRC, Summer 1982

Beijing University, PRC, Summer 1981

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

Assistant Secretary (International Affairs)	U.S. Treasury	Washington, DC	9/97 to Present
Senior Deputy Assistant Secretary (International Affairs)	U.S. Treasury	Washington, DC	2/97 to 9/97
Deputy Assistant Secretary (International Monetary and Financial Policy)	U.S. Treasury	Washington, DC	3/94 to 2/97
Special Assistant to the Under Secretary for International Affairs	U.S. Treasury	Washington, DC	4/92 to 3/94

Timothy F. Geithner

Special Assistant to the Assistant Secretary for International Affairs	U.S. Treasury	Washington, DC	4/90 to 4/92
Assistant Financial Attache	U.S. Treasury	Tokyo, Japan	6/90 to 4/90
Assistant to the U.S. Financial Services Negotiator	U.S. Treasury	Washington, DC	8/89 to 6/90
International Economist, Office of International Trade	U.S. Treasury	Washington, DC	7/88 to 8/89
Research Associate	Kissinger Associates, Inc.	Washington, DC	8/85 to 7/88
International Economist	OPIC	Washington, DC	6/84 to 6/85

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

None.

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

None.

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Council on Foreign Relations, Term Member since 1996.

Timothy F. Geithner

13. Political affiliations and activities:

- a. List all public offices for which you have been a candidate.

None.

- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

None.

- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

None.

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Asia-Pacific Young Professionals, 1987

Association of Diplomatic and Consular Officers, Retired Fellowship for Graduate Study in International Affairs, 1994

Mobil Oil Corporation Grant, 1981

Xerox Corporation Grant, 1981

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

None.

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

3/20/97, Testimony before House Banking Subcommittee on domestic and International Monetary Policy re the President's request for additional resources for the IMF.

5/9/97, Speech at ADB/IIF meetings in Tokyo on Systemic Risk and Global Finance

Timothy F. Geithner

5/12/97, Speech as U.S. Governor to ADB, in Japan

9/10/97, Remarks to the Senate Finance Committee on Nomination to become Assistant Secretary for International Affairs

2/24/98, Testimony on IMF before the Joint Economic Committee

4/30/98, Statement at Asian Development Bank

5/6/98, Speech at The Euro, the Dollar and the World Economy conference, "The EMU, United States, and the World Economy"

6/13/98, Commencement Address at the Graduate School of International Relations and Pacific Studies, University of California, San Diego

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

I have served with distinction in a wide range of positions for eight and a half years as a career civil servant in the Office of the Assistant Secretary for International Affairs, including the most senior positions available to a career civil servant at the Treasury, Deputy Assistant Secretary of the Treasury for International Monetary Affairs and Financial Policy (03/94 to 02/97) and Senior Deputy Assistant Secretary of the Treasury for International Affairs (02/97 to 09/97). I have been Assistant Secretary of the Treasury for International Affairs since September 1997.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

Not applicable, since my sole employer at present is the U.S. Treasury Department.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

No.

Timothy F. Geithner

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

None.

Timothy F. Geithner

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

I do not believe that any of my responses to the items in this questionnaire raise the issue of a conflict of interest. However, if I become aware of any potential conflict of interest in connection with the performance of my official duties following my appointment as Under Secretary, I will consult promptly with Treasury's ethics counsel in order to comply with all applicable laws and regulations.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

Not applicable.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

Timothy F. Geithner

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

No.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

Not applicable.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes.

THE TREASURY ASSISTANT SECRETARY FOR FINANCIAL MARKETS
GARY GENSLER
Nomination to be Treasury Under Secretary for Domestic Finance
SENATE COMMITTEE ON FINANCE

Mr. Chairman, Senator Moynihan, and members of the Committee:

I am honored to appear before you today as the President's nominee to be Under Secretary of the Treasury for Domestic Finance.

I am very pleased to have my family here with me today: my wife, Francesca; my three daughters, Anna, Lee and Isabel; my parents, Sam and Jane Gensler; and my twin brother Robert. I want to thank them for all of their support.

I hope that my educational and professional background has prepared me for the position to which I have been nominated. I grew up in Baltimore, Maryland and received a first rate education in the public schools of my home state. I then attended the Wharton School, of the University of Pennsylvania, where I studied finance and accounting. I earned both a Bachelor of Science in Economics, and an MBA from Wharton. I then spent 18 years at the investment banking firm of Goldman, Sachs & Co., first as an employee and later as a partner. For most of those years, I was a senior professional in the firm's Mergers and Acquisitions Department. I then gained both trading and international experience as the head of Goldman Sachs' debt and currency trading efforts in Japan.

I began serving as the Treasury's Assistant Secretary for Financial Markets in September, 1997. Among my duties, I have supervised the offices that concentrate on federal finance policy and federal credit policy. I have also worked with other members of the President's Working Group on Financial Markets to monitor and study the functioning of the capital markets. In addition, I have worked on matters of government financial policy. During the past year, I have had the privilege of working with many talented individuals. In particular, I would like to extend my compliments to the career staff at Treasury, who have impressed me with their dedication and professionalism.

At this time, the Treasury Department is deeply involved in addressing some of the most critical issues facing our nation. If confirmed as Under Secretary, I hope to be able to make a contribution in addressing these challenges. One of my top priorities will be to assist the Secretary in his efforts to strengthen and stabilize our global capital markets. In addition, I look forward to continuing the Department's important work on policy areas related to financial institutions, fiscal affairs, financial markets and community development. In particular, I would like to emphasize my commitment to building upon the Department's efforts to promote growth and opportunity in America's economically distressed areas.

I wish to thank the President and Secretary Rubin for the confidence that they have placed in me. Public service is a great honor for me. I pledge to the Committee that, if confirmed, I will devote my full energies to serving the Department and the public interest.

I now look forward to answering your questions and, if confirmed, working with this Committee, its Members, and your staff.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

The Committee requests the nominee provide the following information in a single written statement by typing each question in full followed by the nominee's response. Please provide three copies of your typed statement to Jane Butterfield, Chief Clerk, 219 Dirksen Senate Office Building, Washington, DC 20510.

A. BIOGRAPHICAL INFORMATION

1. Name: Gary Gensler
2. Position to which nominated: Under Secretary of the Treasury for Domestic Finance
3. Date of nomination: January 6, 1999
4. Address: Home: 105 E. Melrose Street
Chevy Chase, MD 20815

Office: 1500 Pennsylvania Avenue
Washington, DC 20220
5. Date and place of birth: October 18, 1957, Baltimore, MD
6. Marital status: Married to Francesca Danieli
7. Names and ages of children: Anna (8 years old), Lee (7 years old), & Isabel (2 years old)
8. Education: Pikesville Senior High School (Baltimore, MD), 1972 - 75, High School Diploma, 1975; The Wharton School, University of Pennsylvania (Philadelphia, PA), 1975 - 78, Bachelor of Science in Economics, summa cum laude, 1978; The Wharton Graduate Division, University of Pennsylvania, 1977 - 79, Master of Business Administration, 1979
9. Employment record: Since September 1997, I have served as Assistant Secretary of the Treasury (Financial Markets). Prior to this, I was a partner of The Goldman Sachs Group, L.P. ("Goldman Sachs") I was elected to the partnership in 1988. I joined Goldman Sachs as an associate in 1979 and was promoted to vice president in 1983. A summary of my experience at Goldman Sachs follows:

Co-Head of Finance, New York 1995 - 1997
Oversaw all Treasury and Controller functions worldwide. Managed 500 employees. Served on firm's Budget, Credit, Diversity, Finance, Global Compliance, and Risk committees.

Chief Financial Officer, Asia 1994 - 1995
Headed all control and support divisions in Asia. Managed 400 employees in seven countries.

Co-Head, Fixed Income Division, Tokyo 1992 - 1994
Led fully integrated fixed income and currency trading businesses. Managed 100 sales, trading, research, and underwriting professionals. Achieved two record years, with annual revenues surpassing \$300 million.

Head of Media Group, Mergers and Acquisitions, New York 1984 - 1991
Managed the media and communications effort. Clients included the Newhouses, Cap Cities/ABC, Westinghouse, Knight-Ridder and the NFL. Closed individual transactions with values of up to \$1.6 billion. Partner responsible for all fairness and valuation opinions for the firm.

Member, Mergers and Acquisitions, New York 1979 - 1984
Analyzed, structured and negotiated a broad range of merger transactions including exclusive seller projects, hostile takeover defenses, buyer projects, leveraged buy-outs, and general corporate advisories.

10. Government experience: I have served as Assistant Secretary of the Treasury (Financial Markets) since September 29, 1997.
11. Business relationships: I am a National Trustee of The Baltimore Museum of Art.
12. Memberships (for the past 10 years & significant memberships for prior 5 years): Adas Israel Congregation (1997-99), The American Museum of Natural History (1992; 1996-97), The Baltimore Museum of Art (National Trustee, 1996-99), The Baltimore Symphony Orchestra (1996-97), Congregation B'Nai Jeshurun (1988-92; 1995-97; board member for one year in 1985 or 1986), The Democratic Party (1989-99), Johns Hopkins Associates (1996-99), The Jewish Community Center (1993-95), The Kennedy Center (1998-99), The Museum of Modern Art, Associates Committee for the Department of Prints and Illustrated Books (1991-92; 1995-97), The National Zoo (1998-99), The New York Road Runners Club (1990-92; 1996-97), The NYU Medical Center, 1841 society (1995-97), Reebok Sports Club/NY (1995-97), Tokyo American Club (1993-95), 200 West 86th Street Co-op. (President of the Board of Directors, 1985-86)
13. Political affiliations and activities:
 - a. List all public offices for which you have been a candidate: None

- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years: Democratic Party (no positions or duties)
- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years:

Federal Contributions	Office	Amount	Date
1996			
Clinton/Gore '96	President	\$ 1,000	11/20/95
Democratic Senatorial Campaign	National Party Committee	\$ 20,000	12/19/96
Goldman Sachs Partners PAC	Multi-Candidate Committee	\$ 1,250	2/13/96
Markley for Congress	U.S. House	\$ 1,000	6/16/96
1995			
Democratic Senatorial Campaign	National Party Committee	\$ 20,000	12/26/95
Goldman Sachs Partners PAC	Multi-Candidate Committee	\$ 1,800	3/27/95
1994			
Ben Cardin for Congress	U.S. House	\$ 1,000	11/2/94
Citizens for Sarbanes	U.S. Senate	\$ 1,000	11/3/94
Goldman Sachs Partners PAC	Multi-Candidate Committee	\$ 1,800	4/4/94
Hoyer for Congress	U.S. House	\$ 1,000	8/25/94
Mfume for Congress	U.S. House	\$ 1,000	11/4/94
1993			
Goldman Sachs Partners PAC	Multi-Candidate Committee	\$ 1,150	10/28/93
1992			
Ben Cardin for Congress	U.S. House	\$ 1,000	6/17/92
Goldman Sachs Partners PAC	Multi-Candidate Committee	\$ 1,000	4/16/92
Elizabeth Holtzman for Senate	U.S. Senate	\$ 500	11/21/91
1991			
Goldman Sachs PAC	Multi-Candidate Committee	\$ 750	2/28/91
1990			
Ben Cardin for Congress	U.S. House	\$ 1,000	10/90
Goldman Sachs PAC	Multi-Candidate Committee	\$ 500	3/25/90
Hoosiers for Baron Hill	U.S. Senate	\$ 250	6/27/90
Hoyer for Congress	U.S. House	\$ 1,000	10/90
Harvey Sloane for Senate	U.S. Senate	\$ 250	6/20/89

1989

Goldman Sachs PAC	Multi-Candidate Committee	\$ 500	6/14/89
State & Local Contributions			
Goldman Sachs NY PAC	Multi-Candidate Committee	\$ 1,250	2/13/96
Goldman Sachs PAC II	Multi-Candidate Committee	\$ 800	10/28/93
Goldman Sachs PAC III	Multi-Candidate Committee	\$ 2,500	10/28/93
Goldman Sachs PAC III	Multi-Candidate Committee	\$ 2,750	4/8/92
Goldman Sachs PAC III	Multi-Candidate Committee	\$ 2,500	2/28/91
Goldman Sachs PAC III	Multi-Candidate Committee	\$ 2,500	3/25/90
Goldman Sachs PAC III	Multi-Candidate Committee	\$ 1,250	6/14/89

14. **Honors and Awards:** While at the University of Pennsylvania, I received the Joseph W. Yardley Award for outstanding senior thesis and was selected as a member of the Beta Gamma Sigma National Honor Society, the Beta Alpha Psi National Accounting Honor Society and the Sphinx Service Honor Society. In addition, while attending the Wharton Graduate Division, I received a teaching fellowship from the Department of Accounting under which I taught undergraduate accounting.
15. **Published writings:** None
16. **Speeches:** Serving in my current role, I have given testimony, speeches or press conferences 8 times. Copies of each of these are attached.
17. **Qualifications:** In my current role, I have served as a senior advisor to the Secretary of the Treasury on matters of Federal, State, & local finance. Prior to this I had spent 18 years as a partner or employee of Goldman Sachs, an international investment banking firm. During that time, I had broad experience, both directly and as a manager, in domestic and international financial markets. I participated in trading, merger advisory work and financial control. I look forward to applying this experience to assist the Federal Government in matters related to domestic finance.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

I look forward to continuing to serve at the Treasury Department. In addition, I will continue to serve as a National Trustee of The Baltimore Museum of Art.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? None
3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? None
4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? Yes

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

I continue to be a participant in the Goldman, Sachs & Co. Employees' Pension Plan (the "Plan"), which is a defined benefit pension plan. My benefit under the Plan (which was frozen as of November 30, 1986) is approximately \$ 6,700 per year, which is payable to me in the form of a straight life annuity at the age of 65 or in a reduced form at the age of 55. As of September 1997, the Plan was overfunded by approximately \$ 30 million or 38 %, and as a defined benefit plan is guaranteed by the Pension Benefit Guarantee Corp. Upon my appointment as Assistant Secretary, I have recused myself from participation in any particular matter which directly and predictably affects the ability or the willingness of the Plan to pay such benefit.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None known, except for that described in response to question 1 above.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed. None
4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

If, following my appointment, I become aware that the potential for a conflict of interest or an appearance of such a conflict might arise in connection with the performance of my official duties, I will consult promptly with ethics counsel at the Department of Treasury.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? None
2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? None
3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation?

My wife and I brought a suit in 1988 against a general contractor, Lyons-Minskoff, Inc., regarding a dispute involving the renovation of our apartment. The related claims were settled in 1989. In addition, my wife and I commenced an action in 1989 against Christopher Hyland and Christopher Hyland, Inc. relating to the assault on Mr. Hyland of my wife. The claim was subsequently settled.

From time to time, Goldman Sachs and various affiliates have been subject to administrative agency proceedings or civil litigation.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? None
5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination. None

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so? Yes
2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees? Yes

PREPARED STATEMENT OF HON. BOB GRAHAM

Chairman Roth, Senator Moynihan, and members of the Finance Committee, it is with great pleasure that I introduce Ms. Susan Esserman for your consideration as the next Deputy United States Trade Representative.

While it is unfortunate that the Senate was unable to complete work on Susan's nomination last year, I am pleased to see her nomination is a priority as we begin the 106th Congress.

Before I begin, I want to welcome Susan and her husband Andrew Marks to this hearing. I am pleased that they are able to join us here today.

Both Susan and Andrew were raised in the Miami area, and I am proud to say that Susan comes from an outstanding family that is held in high regard in the South Florida community.

Ms. Esserman has been nominated for one of the most critical positions within the United States government—Deputy United States Trade Representative for the negotiation and development of trade policy in the World Trade Organization, Europe, Russia and the former Soviet Union, the Middle East and Africa.

She is accepting this responsibility in the midst of turmoil and uncertainty in the international economy.

Last year, Russia suffered an economic crisis that affected both that nation and caused significant spillover effects throughout the globe—as demonstrated by the current economic situation in Brazil.

International trade and the U.S. economy will certainly be affected as these countries restructure their national economies in response to this economic crisis.

We will need Susan's expertise to help us anticipate and react to these global economic changes.

In addition, Susan will provide the significant experience and leadership that will be demanded of the United States when we host the 1999 World Trade Organization Ministerial.

This is especially true in the critically important agriculture sector.

Throughout her career—as General Counsel to the Office of the United States Trade Representative, Acting General Counsel at the Department of Commerce, and as Assistant Secretary for Import Administration at Commerce—Susan Esserman has demonstrated a consistent standard of excellence.

She has been praised for her work at both USTR and Commerce by numerous domestic industries.

Often cited are her commitment and creativity in the advancement of U.S. commercial interests, and her demonstrated fairness in resolving trade disputes.

Ms. Esserman's bipartisan, consensus-building approach to her duties is well suited to address the diverse issues on our trade agenda.

Susan and I share a strong interest in developing and maintaining free, but fair, trade relationships with nations throughout the globe.

I believe that Susan Esserman is an exceptionally qualified individual who will help our nation meet its international trade challenges.

I hope that her nomination can be expedited, and I urge her speedy confirmation.

PREPARED STATEMENT OF HON. DANIEL PATRICK MOYNIHAN

Great thanks to you, Mr. Chairman, for scheduling this hearing so early in the first session of the 106th Congress. This nominations hearing falls very much in the category of "old business." Indeed, we have before us this morning a number of familiar faces, and so we ought to be able to meet your goal of reporting out these nominations by the end of this week.

Ms. Esserman is, of course, well known to this Committee. We were unanimous in reporting out her nomination favorably on September 10, 1998, and Ambassador Barshefsky is most anxious to have Ms. Esserman assume her new position as Deputy USTR as soon as possible.

With respect to our Treasury nominees, they have all had the good fortune to spend some portion of their lives in New York—Mr. Geithner was born in New York City and Mr. Truman in Albany, Mr. Gensler worked at Goldman Sachs in New York City. And Mr. Williams also worked for the United States Department of Labor in New York as well.

Messrs. Geithner and Truman were appointed to their positions on December 14, 1998, having both been key players throughout the course of the Asian financial crisis. Now in the midst of the Brazilian crisis, we ought to confirm them in their new roles. Gary Gensler will bring to the position of Under Secretary for Domestic Finance significant international experience—and specifically experience in Asia while

working with Bob Rubin at Goldman Sachs—that I'm certain will be put to good use. And our final nominee, David Williams, who was reported out favorably by this Committee and confirmed by the full Senate last October as the Treasury Department's Inspector General, will find significant new challenges as the first Inspector General for Tax Administration, a position created by last year's IRS reform legislation.

PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER IV

Mr. Chairman, I sincerely regret the another Committee obligation prevents me from being here in person to unreservedly recommend Ms. Esserman to be appointed Deputy United States Trade Representative. I have supported Ms. Esserman in each of her appointments in this Administration and do so again today with pleasure, and with true gratitude for her willingness to serve.

Ms. Esserman has performed with distinction in each of the many jobs she's held in the this Administration. She has a formidable understanding of trade law and policy, and has consistently been responsive to concerns I have raised with her regarding issues such as components of fast track negotiating authority and dealing with the steel import crisis which has so occupied my attention over the last several month. I believe by virtue of background, expertise, and sheer ability to manage the myriad of facets of trade policy making and negotiating, she is an outstanding nominee. I admire and commend Ms. Esserman's extraordinary talent, utmost professionalism and unquestionable integrity. I want the Committee's record to officially record my absolute support for her nomination.

STATEMENT OF EDWIN M. TRUMAN
Nomination to be Treasury Assistant Secretary for International Affairs
SENATE COMMITTEE ON FINANCE

Mr. Chairman, Senator Moynihan, Members of the Committee, I am honored to appear before you today as you consider my nomination to be Assistant Secretary of the Treasury for International Affairs. I am pleased to be here with my wife Tracy (a physical therapist) and our daughter Christine (in her third year at Columbia University's College of Physicians and Surgeons); unfortunately our son David (a lawyer in the St. Louis County Prosecutor's office) could not be with us.

I am honored by President Clinton's nomination and by the opportunity to join Secretary Rubin's international team at Treasury. On the occasion of Tim Geithner's swearing in as Assistant Secretary, I was quoted accurately as having said that Secretary Rubin had the best Treasury team that I had worked with in my 26 years in Washington. My hope is that, if confirmed, I will not lower the average.

I am an economist by training, taught five years at Yale University, and spent the past 26 years in the Division of International Finance at the Board of Governors of the Federal Reserve System, the most recent 21 years as its head. During my conversations last summer with Secretary Rubin and Deputy Secretary Summers about the possibility of joining the talented Treasury team in dealing with the difficult challenges of the global economy, I was reluctant and flattered - reluctant to leave the friendly confines of the Federal Reserve and flattered by the thought that I might be able to contribute significantly on a broader scale.

I am confident that we can successfully meet the immediate challenge of restoring stability and growth to the global economy in the wake of the Asian financial crisis and, thereby, benefit the U.S. economy. However, in our focus on these shorter-run issues, we also must not lose sight of the need to make steady and concrete progress in strengthening the functioning of the international financial system in order to help reduce the incidence and severity of future crises.

I embrace the opportunity to work with my many dedicated new colleagues at the U.S. Treasury on these matters. I also look forward to working with this Committee, the Congress, others in the Executive Branch, and representatives of other countries as we together seek effective, pragmatic and cooperative approaches.

Thank you, Mr. Chairman. I am happy to respond to questions.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. **Name: (Include any former names used.)**
 – Edwin M. Truman (Nickname "Ted")
2. **Position to which nominated:**
 – Assistant Secretary for the Treasury of International Affairs
3. **Date of nomination:**
 – October 8, 1998
4. **Address: (List current residence, office, and mailing addresses.)**
 – 5803 Warwick Place, Chevy Chase, Maryland 20815 (residence)
 – Department of the Treasury
 1500 Pennsylvania Avenue N.W., Washington, D.C. 20220
 (Office and mailing address)
5. **Date and place of birth:**
 – June 6, 1941
 – Albany, New York
6. **Marital status: (Include maiden name of wife or husband's name.)**
 – Married to Tracy Philbrick (maiden name) Truman
7. **Names and ages of children:**
 – David R. Truman (29), Christine J. Truman (27)
8. **Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)**
 – Trinity School (High School, graduated 1959); Trinity-Pawling School (1955-58)
 – Amherst College (B.A., 1963)
 – Yale University (MA, 1965); (PhD, 1967)
9. **Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)**
 – Senior Adviser (October 1998 to December 1998), Division of International Finance, Board of Governors of the Federal Reserve System

- Staff Director (June 1987- October 1998), Director (June 1977-June 1987)
- Economist, Federal Open Market Committee (March 1983-October 1998), Associate Economist (March 1977-March 1983)
- Alternate member of the Board of Directors of the Bank for International Settlements (September 1994-present)
- Associate, Center for International Affairs, Harvard University, 1991 (on "sabbatical" from the Federal Reserve)
- Associate Director, Division of International Finance, Board of Governors of the Federal Reserve System, March 1977-June 1977
- Associate Adviser, Division of International Finance, Board of Governors of the Federal Reserve System, August 1975-March 1, 1977
- Assistant Adviser and Chief of the Balance of Payments Section, Division of International Finance, October 1974-September 1975
- Chief of the International Monetary System Section, Division of International Finance, Board of Governors of the Federal Reserve System, September 1973-October 1974
- Assistant to Chairman of C-20 Technical Group on Indicators, Spring 1973
- Economist, Division of International Finance, Board of Governors of the Federal Reserve System, July 1972-September 1973
- Associate Professor of Economics, Yale University, July 1972-May 1974 (on leave at Federal Reserve)
- Assistant Professor of Economics, Yale University, July 1967-June 1972
- Assistant Director of Graduate Studies, Department of Economics, Yale University, July 1967-June 1970
- Visiting Postdoctoral Scholar, University of California, Berkeley, Summer 1969
- Consultant, Commission on International Development, Spring 1969
- Fiscal Economist, Bureau of the Budget, Washington, D.C., Summer 1963

10. **Government experience:** (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)
- Economics Assistant, Department of Commerce, Washington, D.C. , Summer 1962
11. **Business relationships:** (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)
- NONE
12. **Memberships:** (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)
- American Economic Association (1963 to present)
 - Committee on Status of Women in the Economics Professional (approximately 1980 to present)
 - Council on Foreign Relations (1983 to present)
 - National Academy of Public Administration (1992 to present)
 - President, Amherst College Class of 1963 (1993-98) and Associate Class Agent (1964 to present)
 - WAMU (approximately 1982 to present)
 - Nature Conservancy (approximately 1993 to present)
 - World Wildlife Fund (approximately 1995 to present)
 - WMHT (1996-97)
13. **Political affiliations and activities:**
- a. List all public offices for which you have been a candidate.
 - NONE
 - b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.
 - NONE
 - c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.
 - NONE
14. **Honors and Awards:** (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)
- Member, Council on Foreign Relations, February 1983-present

- Fellow, National Academy of Public Administration, 1992-present
- Council on Foreign Relations, International Affairs Fellowship, 1976-77 (unable to accept)
- National Science Foundation Grant for research on European Economic Integration, May 1970-September 1973
- Junior Faculty Fellowship, Yale University, 1970-1971
- Woodrow Wilson Dissertation Fellow, 1966-1967
- Ford Foundation Doctoral Dissertation Fellow, 1965-1966
- Woodrow Wilson Fellow, 1963-1964
- L.L.D. (hon.), Amherst College (1988)
- Phi Beta Kappa

15. **Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)**

Publications and Research:

"Lessons of European Monetary Integration for the International Monetary System," presentation at IMF conference March 1997. Published in Paul R. Masson, Thomas H. Krueger, and Bart G. Turtelboom (eds.) EMU and the International Monetary System, Washington, DC: International Monetary Fund, 1997, pp. 242-247.

Comment on Peter M Garber "The Transition to a Functional Financial Safety Net" presentation at the Inter-American Development Bank Conference September 1996. Published in Liliana Rojas-Suarez (ed.) Safe and Sound Financial Systems: What Works for Latin America, Inter-American Development Bank, Washington, D.C. 1997, pp. 209-213.

Comment on Michael Dooley "International Capital Flows: Direct vs. Portfolio Investment" presentation at conference sponsored by the Federal Reserve Bank of Dallas, September 1995. Published in William C. Gruben, David M. Gould, and Carlos E. Zarazaga (eds.) Exchange Rates, Capital Flows, and Monetary Policy in a Changing World Economy, Norwell, Massachusetts: Kluwer Academic Publishers 1997 pp. 154-165.

Comment on Morris Goldstein and Guillermo Calvo "What Role for the Official Sector," in Guillermo Calvo, Morris Goldstein and Edward Hochreiter (eds.) Private Capital Flows to Emerging Markets after the Mexican Crises, Institute for International Economics and Austrian National Bank, September 1996, pp. 287-292.

"The Mexican Peso Crisis: Implications for International Finance," Federal Reserve Bulletin, Vol. 82, Number 3, March 1996, pp. 199-209. An earlier version of this paper was issued as "The Risks and Implications of External Financial Shocks: Lessons from Mexico," International Finance Discussion Paper, Number 535, January 1996 and was presented

to the Aspen Institute Seminar "The Future of the World Economy" in August 1995.

"The Debt Crisis and Its Resolution," (delivered in 1992), in Robert C. Effros (ed.), Current Legal Issues Affecting Central Banks, Vol. 3, Washington, DC: International Monetary Fund, July 1995, pp. 115-124.

Comment on P. Catte, G. Galli, S. Rebecchini "Concerted Intervention and the Dollar: An Analysis of Daily Data," in Peter Kenen, Francesco Papadia, and Fabrizio Saccomanni (eds.), The International Monetary System, Cambridge University Press 1994, pp. 248-254.

"Closing Remarks," in J.B. Zulu, Ian S. McCarthy, Susana Almuina, and Gabriel Sensenbrenner (ed.), Central Banking Technical Assistance to Countries in Transition, Washington, DC: International Monetary Fund, November 1994, pp.138-143.

"Approaches to the Debt Crisis," (delivered in 1990), in Robert Effros (ed.), Current Legal Issues Affecting Central Banks, Vol. 2. Washington, DC: International Monetary Fund, May 1994, pp. 41-48.

Book review of A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform by Michael Bordo and Barry Eichengreen, eds., The Journal of Economic Literature, Volume XXXII, No. 2, June 1994, pp. 721-23.

Comment on Jerome I. Levinson "New Proposals for the Debt Crisis," (delivered in 1988), in Robert C. Effros (ed.), Current Legal Issues Affecting Central Banks, Vol. 1, Washington, DC: International Monetary Fund, 1992, pp. 108-112.

"The Adequacy of the Data on U.S. International Financial Transactions: A Federal Reserve Perspective," International Finance Discussion Paper, Number 430, May 1992 (Lois E. Stekler joint author).

"International Economic Policy: The Role of Exchange Rates," International Finance Discussion Paper, Number 356, July 1989. Published in Hans R. Stoll (ed.), International Finance and Financial Policy. Westport, CT: Quorum Books, 1990.

"U.S. Policy on the Problems of International Debt," International Finance Discussion Paper, Number 357, July 1989. Revised and published in Federal Reserve Bulletin, Vol. 27, Number 11, November 1989, pp. 727-35.

"Approaches to Managing External Equilibria: Where We Are, Where We Might Be Headed, and How We Might Get There," International Finance Discussion Paper, Number 342, February

1989. Published in Alfred Steinherr and Daniel Weiserbs (eds.), Evolution of the International and Regional Monetary Systems. London: Macmillan Academic and Professional Ltd., 1991.

Comment on Warwick McKibbin, Nouriel Roubini, and Jeffrey D. Sachs. "Correcting Global Imbalances: A Simulation Approach," in Robert M. Stern (ed.), Trade and Investment Relations Among the United States, Canada, and Japan. Chicago: University of Chicago Press, 1989.

Comment on Jurg Niehans, "Generating International Disturbances," and Jeffrey D. Sachs and Nouriel Roubini, "Sources of Macroeconomic Imbalances in the World Economy: A Simulation Approach," Toward a World of Economic Stability: Optimal Monetary Framework and Policy, Yoshio Suzuki and Mitsuaki Okabe eds., University of Tokyo Press, 1988.

Organizer with David H. Howard, Larry Jay Promisel, and Charles J. Siegman of "International Monetary Cooperation: Essays in Honor of Henry C. Wallich," Princeton University, Essays in International Finance, No. 169, December, 1987.

"The International Debt Situation," paper presented at the People's Bank of China (May, 1985) and at Brandeis University (January, 1986); revised as International Finance Discussion Paper, Number 298, December 1986, and published in the Journal of the Institute of World Economy and International Relations in Moscow (April 1987).

"A Perspective on the International Debt Problem," paper presented to the Chicago Council on Foreign Relations and at Kansas University, April 1985.

"The New Federal Reserve Operating Procedures: An External Perspective," paper written for Federal Reserve staff study "New Monetary Control Procedures," February 1981 (E.M. Truman and others).

"International Portfolio Disturbances and Domestic Monetary Policy," International Finance Discussion Paper, Number 175, February 1981 (Jeffrey R. Shafer joint author). Published in The International Monetary System Under Flexible Exchange Rates: Global, Regional and National (Essays in honor of Robert Triffin), R.N. Cooper et al. (eds.), Ballinger Publishing Co., 1982.

"Balance of Payments Adjustment From a U.S. Perspective: The Lessons of the 1970s," International Finance Discussion Paper, Number 143, June 1979. Published in Europe and the Dollar in the World-Wide Disequilibrium, J.R. Sargent (ed.), Sijthoff and Noordhoff, 1981.

- "The Past, Present and Future of the International Monetary System: A Review Essay" of A Search for Solvency by Alfred Eckes, Jr., The Dilemmas of the Dollar by C. Fred Bergsten, and Money and the Coming World Order, David P. Calleo (ed.), Journal of Economic History, December 1976.
- "The United States and the International Monetary System: Some Issues and Alternatives," Chapter 4 in Trade Inflation and Ethics (Critical Choices for Americans, Volume V), Lexington Books, 1976.
- Book Review of Problems of World Monetary Order by Gerald M. Meier, Political Science Quarterly, December 1975.
- "Simulations of a Two-Country Model of Macroeconomic Interaction" January 1975 (Jeffrey R. Shafer and Michael P. Dooley, joint authors).
- "Reflections on Some Analytical Aspects of International Monetary Reform Negotiations", March 1974.
- "SDRs, Interest and the Aid Link: Further Analysis", Banca Nazionale del Lavoro Quarterly Review, 108, March 1974, pp. 88-93 (Peter Isard, joint author).
- "The Effects of European Economic Integration on the Production and Trade of Manufactured Products", Chapter 1 in European Economic Integration, Bela Balassa (ed.), North-Holland/American Elsevier, 1975.
- "The Distribution of West European Trade Under Alternative Tariff Policies", Review of Economics and Statistics, Vol. LVI:1, February 1974, pp. 83-91 (Stephen A. Resnick, joint author).
- "An Empirical Examination of Bilateral Trade in Western Europe", Journal of International Economics, Vol. 3:4, November 1973, pp. 305-335 (Stephen A. Resnick, joint author).
- "The Production and Trade of Manufactured Products in the EEC and EFTA: A Comparison", European Economic Review, Vol. III:3, November 1972, pp. 271-290.
- "International Finance" and "Devaluation", articles prepared for the Americana Annual, 1972.
- "The Impact of the EEC on Trade and Production of Manufactured Products: The First Decade", Yale University, Department of Economics Discussion Paper No. 11, June 1971.

"Exchange Rates", "Eurodollar", and "The Export-Import Bank of the United States", articles prepared for the Encyclopedia Americana, May 1971.

"International Finance", Americana Annual, pp. 360-362, 1971.

"Foreign Students in Graduate Economics Programs at Yale University", report prepared for the Conference on Graduate Economics Training, December 6-8, 1970.

"An Analysis of the Role of International Capital Markets in Providing Funds of Developing Countries", Weltwirtschaftliches Archiv, CIV:2, pp. 153-183, June 1971 (Richard N. Cooper, joint author). (This article is a revised and shortened version of the study prepared for UNCTAD.)

"Toward a Rational Theory of Decentralization: Another View", American Political Science Review, LKV:1 (March 1971), pp. 172-179 (Frank S. Levy, joint author).

"The Decentralization of Government Goods", Working Paper No. 155, Committee on Econometrics and Mathematical Economics, Center for Research in Management Science, University of California, Berkeley, August 1969 (Frank S. Levy, joint author).

"The Multilateral Untying of Economic Aid", paper prepared for the Commission on International Development of the International Bank for Reconstruction and Development, May 1969; a summary of this paper was published as an Appendix to Chapter 9 of the Commission Report, Partners in Development, September 1969, pp. 191-193.

"The European Economic Community: Trade Creation and Trade Diversion", Yale Economic Essays, Vol.9:1, Spring 1969, pp. 201-257.

"International Capital Markets as a Source of Funds for Developing Countries", prepared for the United Nations Conference on Trade and Development (UNCTAD), printed as TD/B/C.3/64, 24 December 1968 (Richard N. Cooper, joint author).

16. **Speeches:** (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

- "Money Finance and the Global Economy," remarks at "The Global Economy: Problems and Perils," Conference sponsored by the World Affairs Council of Central Illinois, October 23, 1997. (Portions of text were used, no text was released.)

17. **Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)**

I have been a professional economist for 31 years. My experience includes published work on topics in macroeconomics, international economics, and development economics. For 28 years I have been on the staff of the Division of International Finance of the Board of Governors of the Federal Reserve System. For the past 21 years I have been staff director or director of the Division of 100-110 people dealing with a wide range of international economic policy and analytical issues. I have participated in a number of international meetings and working parties or study groups during my career at the Federal Reserve and am well known to many officials with international financial responsibilities around the world.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.
- YES
2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.
- NO
3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.
- NO
4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.
- YES

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.
- NONE
2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

- NONE

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

- NONE

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

- I do not believe that any of my responses to the items in this questionnaire raise the issue of a conflict of interest. However, if I become aware of any potential conflict of interest in connection with the performance of my official duties following my appointment as Assistant Secretary, I will consult promptly with Treasury's ethics counsel in order to comply with all applicable laws and regulations.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

- NOT APPLICABLE

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

- NO

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.
- NO
3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.
- NO
4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.
- NO
5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.
- I know of no such information

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?
- YES
2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?
- YES

TREASURY INSPECTOR GENERAL DAVID C. WILLIAMS
Nomination to be Treasury Inspector General for Tax Administration
SENATE COMMITTEE ON FINANCE

Mr. Chairman, Senator Moynihan, and members of the Committee, I would like to express my appreciation for this opportunity to sit before you again to be considered for the position of Treasury Inspector General for Tax Administration. I would like to begin by saying it has been a great honor to serve this Committee as the Inspector General for the Department of the Treasury and the Social Security Administration, and I look forward to continuing this relationship as I am considered for the Inspector General for Tax Administration.

I would like to briefly discuss my background as well as my recent work at the Department of the Treasury, specifically regarding my participation on the transition task force for the establishment of an Office of Inspector General for Tax Administration.

My government service began in the US Army, where I was a special agent with military intelligence in the Americal Infantry Division in Vietnam. After my service in the Army, I obtained two graduate degrees at the University of Illinois. Upon completion of my graduate studies in 1975, I joined the United States Secret Service as a Special Agent. In 1979, I went to work for the Labor Department's Office of Inspector General in the Office of Labor Racketeering where I investigated Organized Crime in the Teamsters union and other organized crime controlled labor unions. During this time, I served in Chicago and was the Special Agent in Charge in Cleveland and New York City. I was also asked to serve on President Reagan's Commission on Organized Crime. Following this assignment, I became the Field Director for the Office of Labor Racketeering until 1986.

I then became the first Director of the Office of Special Investigations for the General Accounting Office. As Director, I was responsible for conducting and supervising investigations for various Congressional committees. In 1989, I had the pleasure of being nominated by President Bush to become the first Inspector General for the Nuclear Regulatory Commission. And in 1996, I was nominated by President Clinton to become the first Inspector General for the Social Security Administration.

As you know, in 1998, I was again nominated by President Clinton to be the Inspector General for the Department of the Treasury. Although my tenure as Treasury Inspector General has been quite brief, I feel that this organization has made significant improvements over the last several months. I believe these improvements are consistent with changes that this Committee identified as being essential. The organizational structure has been simplified and strengthened to allow for a more efficient and effective operation. We have attempted to improve communications with our stakeholders by creating a Public and Congressional Affairs group. In addition, we have added resources to our Investigations Division to strengthen oversight of Treasury's Law Enforcement Bureaus and to expand our presence along the southwest border and Miami areas. I have been pleased with the quality of journeymen investigators and the many new managers that we have been able to recruit into the office.

More recently, I have been an active member of the Treasury Task Force responsible for establishing and implementing the Office of the Treasury Inspector General for Tax Administration. The Task Force was formed immediately after the IRS Restructuring and Reform Act of 1998 was signed into law. We immediately began to tackle the enormous task of creating a new government organization. Issues addressed by the Task Force included: budget, human resource management, information technology, Treasury Orders and Directives, policies and procedures, administrative support, and more. The Office of the Treasury Inspector General for Tax Administration became operational on January 18, 1999, exactly as scheduled.

I would also like to recognize that this Committee was responsible for the creation of the Inspector General for Tax Administration, and, if confirmed, it would be my personal goal to ensure that the organization becomes all that your Committee envisioned. I will dedicate myself to working with the Committee to see that this goal is realized. I have great appreciation for the legislation which created the Treasury Inspector General for Tax Administration. The provisions for law enforcement authority, direct referrals to the Department of Justice, and public disclosure will make the organization effective and responsive.

This concludes my statement and I would be pleased to answer any questions that you have. Thank you.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

The Committee requests the nominee provide the following information in a single written statement by typing each question in full followed by the nominee's response. Please provide three copies of your typed statement to Jane Butterfield, Chief Clerk, 219 Dirksen Senate Office Building, Washington, D.C. 20510.

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)
David Curtis Williams
2. Position to which nominated:
Inspector General for Tax Administration
Department of the Treasury
3. Date of nomination:
January 14, 1999
4. Address: (List current residence, office, and mailing addresses.)
1131 South 22nd Street
Arlington, VA 22202
5. Date and place of birth:
January 7, 1947
Granite City, Illinois
6. Marital status: (Include maiden name of wife or husband's name.)
Single
7. Names and ages of children:
NONE

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Granite City High School
Granite City, Illinois 62040
High School Diploma - June 1964
September 1961 - June 1964

Southern Illinois University
Bachelor of Science - August 1971
September 1964 - August 1971

University of Illinois - June 1975
Masters Degree in Education
September 1971 - June 1973

University of Illinois - January 1996
Advanced Certificate in Education
September 1971 - October 1975

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

U.S. Secret Service
Chicago, Illinois
October 1975 - February 1979

Office of Labor Racketeering
U.S. Department of Labor
Chicago, Illinois; Cleveland, Ohio; New York, New York; Washington, D.C.
February 1979 - October 1986

President's Commission on Organized Crime
Washington, D.C.
January 1984 - September 1984

Office of Special Investigations
General Accounting Office
Washington, D.C.
October 1986 - December 1989

**Inspector General
Office of the Inspector General
Nuclear Regulatory Commission
Rockville, Maryland
December 1989 - January 1995**

**Inspector General
Office of the Inspector General
Social Security Administration
6401 Security Boulevard
Baltimore, Maryland
January 1995 - June 1998**

**Senior Advisor
Office of Inspector General
Department of the Treasury
June 1998 - October 1998**

**Inspector General
Office of Inspector General
Department of the Treasury
October 1998 - Present**

10. **Government experience:** (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

Same as above

11. **Business relationships:** (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

NONE

12. **Memberships:** (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

**Federal Investigators Association
(Formerly Association of Federal Investigators)
(President) - Currently Inactive**

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

NO

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

NO

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

YES

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

NONE

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

NONE

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

NONE

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items (Provide the Committee with two copies of any trust or other agreements.)

I do not believe that my responses to the items in this questionnaire raise any conflict of interest concerns. However, if I become aware of any potential for a conflict of interest in connection with the performance of my official duties following my appointment as the Inspector General, I will consult promptly with Treasury's ethics counsel and take the necessary steps, consistent with applicable laws and regulations, to resolve the matter.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

Please See Attached

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

N/A

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

Several complaints were received and examined by the President's Council on Integrity and Efficiency. I have limited details on how they were handled, but I believe I was cleared of all allegations, and that the Committee is aware of these inquiries from my previous nomination as the Treasury Inspector General.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

Same as number one

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

NO

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

NO

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

NONE

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

YES

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

YES

RESPONSES OF TREASURY NOMINEES TO QUESTIONS
FROM COMMITTEE MEMBERS



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Questions for Mr. Gensler
Submitted by Senator John H. Chafee

Question 1

I am a strong proponent of paying down the national debt, because I think that is the best step we can take to secure a vibrant economy. I am not the only one who thinks so. Chairman Greenspan has also testified before Congress making a very persuasive case for generating budget surpluses and using them to pay off the debt. As someone schooled in economics and familiar with capital markets, would you agree with that assessment?

Answer

I agree with you Senator Chafee, that fiscal discipline is critical in securing a vibrant economy. Federal fiscal discipline has been a major contributor to this country's robust economic growth, high employment, and low interest rates and inflation. The President laid out in his State of the Union Address a program to further this fiscal discipline, by using the budget surplus to help save Social Security and strengthen Medicare. These proposals, if enacted, would significantly pay down the national debt. As the President said, they would lead over the next 15 years to the lowest level of publicly held debt as a percentage of GDP since right before World War I.

Question 2

I understand that Treasury is looking into the mechanics of using budget surpluses to redeem outstanding debt. Obviously, we would generate the biggest bang for our buck by redeeming those securities with the highest interest rates, but I understand there are other factors that need to be considered. Are you familiar with this issue, and can you please explain some of the considerations?

Answer

As Assistant Secretary of Financial markets, I have overseen our debt management. Over the years, three principal goals have guided Treasury's debt management: assuring sound cash management, achieving the lowest cost financing for the taxpayers, and promoting efficient capital markets. In this context, Treasury has adapted its debt management to the new era of budget surpluses. To date, Treasury has reduced the issuance of new securities to a volume less than the amount of its regularly maturing debt.

A number of market participants have suggested that the Treasury consider purchasing outstanding securities in the market. While no decision has been made regarding this, the factors to be considered are the three goals of debt management, as well as the relevant budget treatment and various technical matters. The budget treatment relates to the fact that a premium over the par amount of any high-coupon securities would be paid if Treasury purchases such securities. Other technical issues relate to the types of securities to be purchased, the method of repurchases, and the eligibility of market participants.

Question 3

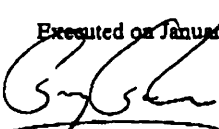
One of the key initiatives of the Transportation Equity Act for the 21st Century (TEA 21) was inclusion of the Transportation Infrastructure Finance and Innovation Act (TIFIA), which allows up to \$10 billion in Federal credit to be made available for large projects of national significance. I am concerned that regulations implementing this program have not yet been issued. The statutory language for this program was detailed and so it is not clear what issues would need to be ironed out in a rulemaking process where the statute is not already clear. Are you aware of issues that are holding up rulemaking?

Answer

The Treasury supports TIFIA. As provided for under TIFIA, the Department of Transportation (DOT) is drafting regulations to implement the new Federal credit program. The Office of Management & Budget (OMB) has asked relevant agencies to comment on a draft. Treasury has since reviewed the draft regulation and informed OMB and DOT that we support moving forward expeditiously with the regulation. OMB has informed us that all issues have been resolved and they expect official clearance by the end of the week.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 21, 1999


Gary Gensler

Question from Senator Orrin G. Hatch:

Mr. Chairman, I join you and the other Finance Committee members in welcoming our nominees, to include my good friend Susan Esserman, who obviously enjoys our company enough to make a repeat appearance in less than six months.

I strongly support each of the distinguished nominees and commend the President in selecting persons of the high quality demonstrated in their personal histories.

I would like to submit one question, for the record, to be answered in writing by Timothy Geitner.

Mr. Geithner, we just don't seem to be able to put in place the early-warning mechanisms that alert us to impending crises. Please tell the committee what steps you would recommend to deal with both currency and banking crises that threaten global stability and, ultimately, our own national interests, to include those of international trade, commerce and finance?

In responding to my question, please take into consideration some of the concerns that motivate the question. They include the following:

On the matter of currency crises, how do we detect speculative pressures that are building a crisis and do we have a truly reliable index to track nominal currency devaluations?

And, on the matter of banking crises, my concerns are several.

- Do we have reliable databases that foresee such events as runs on domestic deposits or other banking services?
- How reliable are the institutional balance sheets of foreign institutions?
- Are we able to assess the ability of foreign banks to roll over debt?
- And, how do we ascertain the real value of assets held in reserve by foreign banks?

Finally, we don't seem to have a good grasp on the length of banking crises, although they seem to last about three years in developed economies and longer in the lesser developed economies. However, Japan's banks are now headed into their fifth year of problems.

Response:

We share your view of the importance of developing a stronger capacity to anticipate and prevent financial crises. Improving the quality and distribution of financial information and improving financial and banking systems around the world are two of the most important things we can do to establish the right incentives for better behavior by countries and investors. We have been working with our colleagues at the Federal Reserve and with our finance and central banking colleagues around the world to formulate and agree upon practical measures to improve these capabilities, as well as to reduce the frequency of financial crises and the severity of those that occur. While it will take some time to complete this work, we have made meaningful progress and have begun to implement a number of initiatives.

A key to anticipating potential financial difficulty in the global financial system is the ability to compile and make available to decision-makers as much accurate and timely information as possible about a country's financial condition. Those decision-makers include both private investors and creditors, on the one hand, and the official community of national governments and multilateral institutions, on the other. Serious efforts are underway to improve the availability of this data in a number of ways.

After the Mexico financial crisis of 1995, the need for better and more transparent data of this kind was widely recognized, and the International Monetary Fund (IMF) agreed to establish a mechanism for the transmission of such data. Under the IMF's Special Data Dissemination

Standard (SDDS), established in 1996, participating countries are to publish a host of key country data such as foreign reserves, monetary aggregates, interest rates, trade statistics, inflation data, etc. There are now 47 participating countries. The program is being evaluated and improved continuously, and the United States is at the forefront of current efforts to enhance the quality of the SDDS data on international reserves, a key element in assessing a country's potential vulnerability. This would include the dissemination of more comprehensive and disaggregated data on reserves and related items, including reserve-related liabilities, financial derivative positions and other supplementary information that would make more transparent both countries' reserve positions and potential demands on reserves. We expect to achieve agreement in the IMF to implement these enhancements in the coming months.

As part of the intense international effort to meet the challenges presented by recent international financial crises, the Finance Ministers and Central Bank Governors of the G-7 countries¹ issued a broad-ranging statement on October 30, 1998 (See Attachment A). That statement outlines a number of measures designed to improve crisis prevention, many of them focussing specifically on improving practices and policies for wider provision of better data, by both the public and private sectors. In addition to strengthening the SDDS, these recommended measures include:

- compliance with the IMF's Code of Good Practices on Fiscal Transparency;
- agreement on a Code of Good Practices on Transparency in Monetary and Financial Policies;
- completion of work on a Code of principles of sound corporate governance and structure;
- finalization of a proposal for a full range of internationally agreed accounting standards;
- examination of the question of appropriate transparency and disclosure standards for private financial institutions involved in international capital flows, such as investment banks, hedge funds and other institutional investors;
- surveillance by the IMF of country compliance with internationally agreed transparency codes and standards, with results published in the form of a Transparency Report

Through the implementation of these and other measures under consideration, we believe we will enhance considerably the ability to detect signs of potentially threatening imbalances or currency difficulties. We do not pretend that any such measures are foolproof. We are committed, however, to continue our intense work to put in place all those mechanisms that we believe could help to prevent crises.

Going beyond the issue of transparency and disclosure broadly, we have also been working with the international community to better anticipate and prevent crises in banking sectors overseas. These efforts include: (1) developing standards and sets of "best practice"; (2) creating incentives, market and perhaps regulatory, for countries to adhere to these standards and implement them and for creditors and investors to assess risk better; and (3) improving the quality of supervisory regimes through, among other methods, improved international regulatory cooperation and coordination.

¹United States, Japan, Germany, United Kingdom, France, Italy and Canada

Basic standards for banking supervision (the *Basle Core Principles*) and securities (IOSCO's *Statement of Principles*) have already been developed and are now being refined and implemented by countries. Work is underway in developing additional standards dealing directly with bank-related issues, including risk management; liquidity management; asset valuation and loan loss provisioning; deposit insurance; and bank resolution (in normal times and in crisis situations). Further, ongoing work in developing international accounting standards and principles for good corporate governance will also address issues fundamental to sound banking.

We are working with the Bank for International Settlements (BIS) to improve the quality of information that financial institutions report by broadening the coverage, increasing the frequency and shortening reporting lags. This effort in itself will not necessarily forestall banking crises -- deposit runs often result from a crisis of confidence which may neither be "predictable" nor directly related to asset quality or bank management, for example -- but they will help identify conditions, both micro- and macroeconomic.

Improved accounting data will also help regulators, creditors and investors understand the quality of financial institutions. Accounting and regulatory standards, such as the valuation of assets and measures of bank capital and reserves, vary considerably among countries (as does the quality of reported data). Improved minimum international accounting standards should help to ensure the reliability of the balance sheet and income statement information that is reported by financial institutions. While market conditions can still affect the ability of institutions to maintain their capital cushions and rollover their funding, adequate capitalization, proper disclosure and a sound reporting and regulatory compliance regime should help to forestall, or at least mitigate, crises.

Improving transparency and the quality of financial information should help to provide the signals to both regulators and investors needed to head off banking crises, or to contain them when they do occur. Indeed the breadth and depth of banking crises will vary depending on when authorities recognize problems in the sector and take the steps necessary to address them. Increased transparency and appropriate, high quality data will make it more difficult to hide problems that can develop into crises, which should ultimately tend to make "shocks" less frequent and severe.

To better monitor national efforts to strengthen financial systems, we are also seeking to improve the level and quality of international financial sector surveillance. Enhanced IMF surveillance and improved cooperation between the World Bank and the IMF is part of this effort as is improving cooperation between the IFIs and the international regulatory community. New mechanisms are under discussion that should lead to improved cooperation and coordination between national and international authorities with responsibilities for ensuring financial stability. We are working with our G-7 colleagues and in various fora to further strengthen and promote this agenda.

The length of banking crises, of course, is to an important degree a function of the underlying economic and financial conditions that have contributed to the crisis, but also of governments' willingness and ability to take the necessary actions to address banking system weaknesses. Unless banks are able to recognize their losses and participate in debt workouts, companies will

not be able to emerge from their debt burdens, the healthy flow of credit will not resume, and economic recovery will be postponed. While governments in Asia have taken important steps to put in place frameworks to guide restructuring of over-indebted corporations and insolvent banks, we are attempting to accelerate the pace of restructuring through the Asian Growth and Recovery Initiative. This multilateral initiative, which was crafted in conjunction with Japan, the World Bank, and Asian Development Bank, aims to support the adoption of strengthened policies for restructuring and to mobilize capital necessary to restructure and rebuild banks and enterprises in the most affected economies in the region.

With respect to the severe problems in the Japanese banking sector, we have consistently urged the Japanese authorities to take decisive action to restructure the sector, including through the closure of insolvent institutions. We have also urged other macroeconomic policy adjustments to stimulate domestic demand-led growth, which we view as the key not only to the recovery of the Japanese economy and banking system, but to the recovery of Asia as a whole.



TREASURY NEWS

ATTACHMENT A

FROM THE OFFICE OF PUBLIC AFFAIRS

FOR IMMEDIATE RELEASE
October 30, 1998
RR-2792

DECLARATION OF G7 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS

The financial problems which began in Asia last year have exposed weaknesses in emerging market countries and in the international financial system.

2. At our meeting in Washington on 3 October, we, the Finance Ministers and Central Bank Governors of the G7 countries, agreed on the importance of intensified co-operation among us in meeting the challenges of the current situation and on the need to work together quickly on a wide range of reforms to strengthen the international financial system. Today our Leaders announced agreement on a number of follow up steps to this end which we will be implementing as rapidly as possible.

MEETING THE CHALLENGES OF THE CURRENT SITUATION

3. We welcome the positive developments since our meeting on 3 October. As we said following that meeting, we reaffirm our commitment to create or sustain the conditions for strong, domestic demand-led growth and financial stability in each of our economies. The authorities will continue to be vigilant in the light of the shift in the balance of risks on a global basis. There has also been important progress in a number of other areas:

(i) we welcome the positive steps that have been taken towards the implementation of the IMF Quota increase and the New Arrangements to Borrow. We call for these to be implemented as soon as possible. Together they will provide additional resources of \$90 billion for the IMF which should be used to ensure the stability of the international financial system;

(ii) in consultation with our partners, we further commit ourselves to supplement the Fund's resources where necessary through the activation of the New Arrangements to Borrow and the General Arrangements to Borrow;

(iii) in Europe, it will be necessary to push forward with structural reforms and, in continental Europe, prepare for the euro, and reduce unemployment to sustain conditions conducive to robust domestic demand;

(iv) in Japan, legislation has now been passed on the banking sector, a major step forward in the process of strengthening the financial system. The Japanese authorities have made clear their intention that the essential swift and effective action to complete the process, including the recapitalisation of banks, with appropriate conditions, will be taken as a matter of urgency. This action, together with a sustained boost to domestic demand, is a key precondition for the restoration of market confidence and growth not just in Japan but in the whole Asian region;

(v) in the US, it will be important to continue to maintain sound policies which promote solid growth and low inflation;

(vi) the policy commitments by the Government of Brazil, which we will work with the international community to support;

(vii) the progress made in many countries in Asia toward establishing the foundation for recovery;

(viii) in response to the current exceptional circumstances in the international capital markets, we are agreed that strengthened arrangements for dealing with contagion are needed;

- the central element would be the establishment of an enhanced IMF Facility which would provide a contingent short-term line of credit for countries pursuing strong IMF approved policies. This facility could be drawn upon in times of need and would entail appropriate interest rates along with shorter maturities;
- the facility would be accompanied by appropriate private sector involvement;
- in appropriate circumstances the facility could be complemented, in individual cases, by bilateral contingent financing activated alongside the IMF facility. It would remain up to individual G7 governments and other governments concerned to decide in each case whether to provide such bilateral financing;

(ix) we also welcome the new World Bank emergency facility, to provide additional funding on special terms to the most vulnerable groups in society and for restructuring the financial sector. We welcome the progress the World Bank has made in the development of this facility. We also support the more active use of loan guarantees to encourage greater private sector involvement in emerging market financing.

REFORMS TO THE INTERNATIONAL FINANCIAL SYSTEM

4. Following detailed discussions, including with colleagues from other industrial and emerging market economies, we, the Finance Ministers and Central Bank Governors of the G7 countries, are now agreed on the following specific reforms to strengthen the international financial system. We have agreed to carry these forward through our own actions and in the appropriate international financial institutions and forums: These reforms are designed to: increase the transparency and openness of the international financial system; identify and disseminate international principles, standards and codes of best practice; strengthen incentives to meet these international standards; and strengthen official assistance to help developing countries reinforce their economic and financial infrastructures. They also include policies and processes to ensure the stability and improve the surveillance of the international financial system. Finally, they aim at reforming the International Financial Institutions, such as the IMF, while deepening cooperation among industrialised and developing countries.

CRISIS PREVENTION

Transparency and policy-making procedures

5. We agree on the need for greater transparency and openness in the financial operations of individual countries, of financial and corporate institutions, and of the International Financial Institutions. The cornerstone for this is stronger and more comprehensive internationally agreed principles, standards and Codes of best practice, as well as the extension of international surveillance of their implementation.

We agree in the public sector to deliver greater transparency in economic policy-making and in disclosure of economic statistics and key indicators. We therefore commit ourselves to:

- (i) comply with the IMF's Code of Good Practices on Fiscal Transparency;
- (ii) comply with an internationally agreed Code of Conduct on Monetary and Financial Policy. We urge the IMF quickly to complete its work on this Code by the 1999 Spring meetings;
- (iii) disseminate regular and timely information about the aggregate foreign exchange liquidity position of our public sectors and to work cooperatively to improve the compilation and dissemination of similar information in relation to financial and corporate sectors.
- (iv) support efforts underway in the IMF to reach decisions by the end of 1998 on steps to

strengthen the SDDS, including the provision of more comprehensive information on reserves and improving statistics on external debt and a country's international investment position.

7. Similar standards of transparency are required in the private sector. We call upon:

- (i) the OECD, in consultation with the World Bank and other regulatory bodies, quickly to complete its work on a Code of principles of sound corporate governance and structure by the May 1999 Ministerial;
- (ii) the IASC to finalise by early 1999 a proposal for a full range of internationally agreed accounting standards. IOSCO, IAIS, and the Basle Committee should complete a timely review of these standards;
- (iii) the appropriate committees headquartered in the BIS, in conjunction with emerging market countries, national authorities, and other relevant private and public sector bodies, to examine the question of appropriate transparency and disclosure standards for private sector financial institutions involved in international capital flows, such as investment banks, hedge funds and other institutional investors.

8. We commit ourselves to endeavour to ensure that private sector institutions in our countries comply with these principles, standards and codes of best practice.

9. We call upon:

- (i) all countries which participate in global capital markets similarly to commit to comply with these internationally agreed codes and standards;
- (ii) the IMF to monitor, in close co-operation with the standard-setting bodies, the implementation of these codes and standards as part of its regular surveillance under Article IV;
- (iii) the IMF to publish in a timely and systematic way the results of its surveillance of the degree to which each of its member countries meets internationally recognised codes and standards of transparency and disclosure in the form of a Transparency Report;
- (iv) the Fund, World Bank, OECD and the international regulatory and supervisory organisations to work closely together to provide advice and, where necessary, assistance to countries to help them meet these internationally agreed codes and standards.

Stability of the International Financial System

10. We agree that better processes are needed for monitoring and promoting stability in the international financial system and for the International Financial Institutions, working closely with the international supervisory and regulatory bodies, to conduct surveillance of national financial sectors and their regulatory and supervisory regimes with all relevant information accessible to them.

11. We agree therefore that we will:

- (i) support the establishment of a process for strengthened financial sector surveillance using national and international regulatory and supervisory expertise, including through a process of peer review, and the IMF's regular surveillance of its member countries under Article IV;
- (ii) to this end bring together the key international institutions and key national authorities involved in financial sector stability better to co-operate and to co-ordinate their activities in the management and development of policies to foster stability and reduce systemic risk in the international financial system and to exchange information more systematically on risks in the international financial system.

At our meeting on 3 October we asked Dr Tietmeyer to consult the relevant international bodies on these reforms and we look forward to his conclusions.

12. We call upon other countries which participate in the global capital market to give their support to the establishment and operation of the process.

13. We commit ourselves to strengthen, in our own countries, the regulatory focus on risk management systems and prudential standards in financial sector institutions; in particular, examining the implications arising from the operation of leveraged international financial organizations including hedge funds and offshore institutions. Appropriate means should be sought to encourage off-shore centres to comply with internationally agreed standard. We call upon other countries which participate in the global capital markets to take similar action.

14. In addition, as part of the process of developing better ways to respond to crises, we call upon :

- (i) the private sector to facilitate "collective action clauses" for more orderly workout arrangements, and we will consider the use of such clauses in our own sovereign and quasi-sovereign bond issues;
- (ii) the World Bank in cooperation with the IMF and other multilateral development banks to work with their members to put in place effective insolvency and debtor-creditor regimes;
- (iii) the IMF to move ahead, under carefully designed conditions and on a case by case basis, with its recently reaffirmed policy of lending into arrears. We will instruct our Executive Directors to monitor application of this policy carefully in the current environment;
- (iv) the private sector to build upon its experience with some emerging market countries in developing market-based contingent financing mechanisms, the conditions of which might provide either greater payments flexibility or the assurance of new financing in the event of adverse market developments. The private sector also needs to be involved appropriately in crisis management and resolution.

15. We recognise that the opening of capital markets in emerging economies must be carried out in a careful and well sequenced manner if countries are to benefit from closer integration into the global economy. In particular, financial sectors and regulatory and supervisory regimes must be robust and adequate to deal with risk. The international financial institutions should play a constructive role in the process of orderly opening of the capital account.

16. We agree that more attention must be given in times of crisis to the effect of economic adjustment on the most vulnerable groups in society. We therefore call upon the World Bank to develop as a matter of urgency general principles of good practice in social policy, in consultation with other relevant institutions. These should be drawn upon in developing adjustment programmes in response to crises.

IMF REFORMS

17. As our Executive Directors at the IMF have outlined, we have agreed to support a broader range of reforms to improve the effectiveness of the IMF including transparency and accountability of the IMF, changes in lending policies, terms of lending and improved conditionality.

18. In particular, we call upon:

- (i) all IFIs to adopt a presumption in favour of release of information, except where this might compromise confidentiality;
- (ii) the IMF to develop a formal mechanism for systematic evaluation, involving external input, of the effectiveness of its operations, programmes, policies and procedures.

NEXT STEPS

19. We agree to take immediately the actions to which we have committed ourselves. These measures will strengthen the fundamentals of the international financial system and assist crisis-affected countries to find a route out of their current difficulties.

20. Moreover, we need to widen our efforts to strengthen the international financial system. Our aim is to create an international financial system for the twenty first century that captures the full benefits of global markets and capital flows, minimizes the risk of disruption, and better protects the most vulnerable while promoting the international monetary stability which is an element of a stable international financial system. We will initiate further work on a number of other important areas to identify additional concrete steps to strengthen the international financial architecture. These include:

(i) examining, in addition to the measures already described, the scope for strengthened prudential regulation in industrial countries to encourage sound analysis and careful weighing of risks and rewards, including consideration of appropriate transparency and disclosure standards for all financial market participants;

(ii) further strengthening prudential regulation and financial systems in emerging markets by examining the scope for measures to increase the resilience of financial systems and to promote the adoption of international standards and best practice, for example by maximising market disciplines and other legal and regulatory means to motivate countries to adopt and enforce international standards and practices;

(iii) consideration of the elements necessary for the maintenance of sustainable exchange rate regimes in emerging markets, including consistent macroeconomic policies that promote stability in individual countries and in the system as a whole;

(iv) developing new ways to respond to crises, by exploring the possibilities of new structures for official finance the conditions of which would reflect better the evolution of modern markets, and by examining new procedures for coordination of the relevant international bodies and national authorities and for greater participation by the private sector in crisis containment and crisis resolution, including through the use of innovative financing techniques;

(v) assessing proposals for strengthening the IMF, so as to improve its programmes and procedures in crisis prevention and resolution; and assessing proposals for strengthening the Interim and Development Committees of the IMF and World Bank;

(vi) minimising the human cost of financial crises and encouraging the adoption of policies that better protect the most vulnerable in society.

21. The reform of the international financial system is in the interest of all countries and all need to be involved in the process. We therefore commit ourselves to consult widely throughout the international community, particularly with emerging market and other industrial countries, to build a broad consensus in support of this declaration, and to encourage others to take similar action. We will therefore:

(i) ask the relevant international institutions and organisations to carry forward the proposals above and report back to us by the time of the Spring Meetings;

(ii) discuss these issues in other appropriate international fora, including the Interim Committee.

22. We will meet as necessary to monitor progress as envisaged at our meeting in Washington. We will report to G7 Heads before their meeting in Cologne on:

(i) the effect of the immediate action taken in restoring stability to the international financial system;

(ii) progress in implementing the reforms to the system to improve transparency and prevent crises on which we are agreed and which are set out above;

(iii) our proposals for action in the areas for further work set out above.

Responses from Timothy Geithner and Edwin Truman
 Questions for the Record from Senator Connie Mack

Question #1:

What mistakes did Brazil make that caused the devaluation of its currency? How did these policies differ from the policies of countries that have more successfully weathered the global financial crisis?

Answer:

The pressure on Brazil's currency and its ultimate devaluation was caused both by developments in the broader global financial environment and by factors specific to Brazil.

The broader environment deteriorated sharply after turbulence in Asian economies in the second half of 1997, improved in the first half of 1998, and then took a sharp turn for the worse after Russia's devaluation in August 1998. For Brazil and many other emerging market economies, the result was a scarcity of foreign capital as foreign investors cut investments in emerging markets. Many economies in Latin America were affected by that loss of confidence on the part of foreign investors, with rising interest rates and pressures on foreign currency reserves and/or exchange rates observed in Brazil as well as Argentina, Mexico, Chile, Colombia, and other countries.

Most analysts believe that Brazil's large fiscal deficit (an estimated 8% of GDP last year), together with its relatively large current account deficit (\$35 billion for 1998), made it more vulnerable to financial pressures than other countries. Brazil's IMF program, backed by bilateral support through the Bank for International Settlements, included ambitious fiscal adjustment measures to tackle that underlying problem. During the fall of 1998 it made significant progress in implementing fiscal adjustment, but it also suffered setbacks when its Congress defeated one revenue measure, passage of another measure was delayed, and a key state-governor announced he would not service his state's debt to the federal government. The Brazilian government passed measures to compensate for most of the revenue loss caused by those factors, but it failed to restore market confidence and foreign investors continued to reduce their exposure to Brazil. The result was a steady hemorrhage of reserves that accelerated after the turn of the year and ultimately provoked devaluation.

Other emerging market economies in Latin America and elsewhere better weathered last year's bout of global financial pressures, though they, too, face higher interest rates and slower growth as a result. The reasons vary by country, but the key one appears to be sounder and more sustainable fiscal policies (for example, fiscal deficits were a little over 1% of GDP in both Argentina and Mexico). In some cases lower external financing needs and more flexible exchange rate arrangements (Mexico) likely also helped.

**Responses from Timothy Geithner and Edwin Truman
Questions for the Record from Senator Connie Mack**

Question #2:

How does the Clinton Administration intend to promote price stability in emerging markets around the world, particularly in this hemisphere, in Brazil and Mexico?

Answer:

The Administration supports prudent monetary and fiscal policies, which are at the heart of price stability, together with privatization, trade liberalization, and other structural reforms necessary to improve economic efficiency, increase market flexibility, and attract foreign investment. Where appropriate, we support engagement of the International Monetary Fund and the multilateral development banks to help countries design and monitor economic reform programs aimed at price stability and sustained growth. In circumstances where countries require temporary balance of payments support to maintain stability in the context of solid adjustment programs, we back financial support by the International Monetary Fund. Different countries have different exchange rate arrangements, ranging from currency boards to freely floating currency regimes. Those arrangements reflect the sovereign choices and specific economic circumstances in each country, and we do not believe there is a single formula that should be applied to all countries. Whatever the exchange rate arrangement, sound underlying policies are essential for exchange rate and price stability.

Question [#] 3 Does the Clinton Administration intend to promote the use of the dollar as a stabilizing influence in countries that have a history of difficulty with their own monetary policies?

Answer:

There are a number of ways in which a country can achieve sound monetary policy, and we want countries to choose the method which they consider will have the best prospect of success and with which they are comfortable, various forms of links to the U.S. dollar (pegs, currency bands, dollarization) are only some of the alternatives.

Responses from Timothy Geithner and Edwin Truman
Questions for the Record from Senator Connie Mack

Question #4:

Why hasn't the Clinton Administration advised or encouraged Brazil to adopt a currency board, as its neighbor Argentina has done with great success?

Answer:

As we have seen in Argentina, a currency board can be a valuable tool to achieve price stability when supported by economic policies that are consistent with the currency board structure. There are also serious risks with currency boards, including that risk that they may be tested by the markets, thereby forcing governments to make a choice between a) a large contraction in the domestic money supply, producing dramatically higher interest rates and deep economic recessions, or b) abandoning the currency board when it comes under attack, with the consequence of lost credibility and depletion of foreign exchange reserves. One key requirement for a currency board is commitment by the government and the public to such an arrangement. Authorities in Brazil have decided against a currency board, and given the balance of risks and the need for full commitment by national authorities to implement its disciplines, we have at the present not judged it appropriate to urge Brazil to adopt a currency board.

Question: In the past, the International Monetary Fund was reactive. With Brazil, the IMF tried to be pro-active, arranging for a substantial line of credit before the crisis became dire. The results, however, were the same: a country entering a prolonged recession and a central bank conducting monetary policy with no strict rules to promote long-term price stability. Should the IMF now re-examine its recommended policy mix itself? For example, should the IMF reduce its reliance on tax increases to close fiscal deficits?

Answer:

The IMF seeks to tailor its recommendations and the relative emphasis between revenue enhancement and reduced spending to circumstances in a given country faced with an unsustainable fiscal deficit. More generally, the IMF does not have a standard, uniform policy mix it recommends to countries facing financial crisis. What can be said, as a general matter, is that countries with unsustainable fiscal deficits will inevitably need to make policy adjustments which will be more or less difficult and painful depending on the degree of underlying imbalance. And designing and implementing a credible framework for monetary policy aimed at price stability is an integral feature of IMF programs. Recent experience in Asia, Latin America and elsewhere shows that, although the IMF is by no means infallible and sometimes needs to adjust its prescriptions, the degree of commitment that a country shows in implementing policy adjustments is critically important. On balance, the countries that have demonstrated the greatest commitment to implementing the policy reforms they have undertaken to pursue have in fact made the most progress in strengthening their economies.

Responses from Edwin Truman
 Questions for the Record from Senator William Roth

Question #1:

A portion of the U.S. current account deficit is the result of the dollar's position as the unparalleled reserve currency of the world. Rather than use those dollars to buy U.S. goods or invest in the U.S. and earn interest, many countries choose to just hold those dollars. What impact, if any, do you see the euro having on both the currency reserve choices of other countries and the U.S. current account deficit?

Answer:

Reserve currency status depends on a variety of factors and, because of this, it is difficult to know the degree to which the euro, over time, may take on a greater role as a reserve currency. Such a development, if it were to happen, would most likely occur gradually. What is important for the United States is that we continue to ensure that U.S. macroeconomic policies are strong and credible.

The implications of reserve currency status for a country's current account balance are quite small. Many non-reserve currency countries have run large current account deficits for a very long period of time, e.g., Australia and Canada.

Question # 2: At the end of 1998, the Congress agreed to an increase of the U.S. quota in the International Monetary Fund and an increase to the New Arrangements to Borrow portion of the IMF. Those increases were conditioned upon the Secretary of the Treasury and Federal Reserve Chairman certifying to Congress that the policies conditioned upon recipient countries "liberalize restrictions on trade in goods and services." Can you update the Committee on the progress, if any, within the IMF and its major shareholders on this issue?

Answer:

On October 30, 1998, the G-7 released a statement endorsing a broad set of IMF reforms, including with respect to trade liberalization. The statement reflected conditions set out in U.S. legislation providing funding for the IMF and the New Arrangements to Borrow. The U.S. Administration has been actively working with IMF management and other major shareholders of the Fund to meet the standard set out in the legislation: to put in place policies providing that conditions in IMF lending programs include requirements that the recipient country "liberalize restrictions on trade in goods and services, consistent with the terms of all international trade agreements of which the borrowing country is a signatory." We have made substantial progress on this front already. Many of the recent programs in Asia, for example, included commitments to liberalize trade. Further, during work on the Brazil support package, the USED directly raised with the Brazilian chair the importance of a formal commitment to meet international trade obligations and secured a commitment not to raise tariffs in order to raise additional revenues. At the request of the U.S. Executive Director, an IMF staff paper examining the fiscal implications of trade liberalization will be brought to the Executive Board for discussion in early February. Discussion of the paper will allow us to press, yet again, the importance of further action in this area.

Responses from Edwin Truman
Questions for the Record from Chairman William V. Roth, Jr.

Question #3:

Today's Journal of Commerce reports that Brazil is considering lowering tariffs as a way of dampening inflation stimulated by the fiscal and financial difficulties the Brazilians currently face. Was that policy shift one suggested by the Treasury or the IMF, and can we expect to see increased pressure on countries adopting IMF programs to open their markets as one of the primary tools of restoring market stability?

Answer:

We believe that trade liberalization is a critical component of economic reform, and we have conveyed to the IMF our view that commitments to liberal trade regimes should be part of IMF programs. In the case of Brazil, it committed under its IMF program not to impose trade restrictions inconsistent with their WTO commitments and not to impose or intensify trade restrictions for balance of payments reasons. In addition, Secretary Robert Rubin and Deputy USTR Richard Fisher wrote to Brazilian Foreign Minister Lampraia last October to urge Brazil to maintain open and transparent trade policies. We would support lower tariffs by Brazil, together with fiscal measures to compensate for revenue losses.

Response from Timothy Geithner
Question for the Record by Senator William V. Roth, Jr.

Question: The lead editorial in today's Wall Street Journal underscores that, despite a \$41 billion dollar international credit line set up by the IMF and the international financial community in November and the continuing advice and assistance offered that country, Brazil is now in deep crisis. Does that suggest that the United States and the international financial community should be rethinking the advice we give to countries having difficulty maintaining confidence in their currency, be it currency boards rather than devaluation, or an emphasis on economic growth rather than deficits?

Answer:

There is no single formula, policy mix, or set of suggestions that is appropriate for countries facing a financial crisis - nor does the United States or the IMF advocate such an undifferentiated approach. For example, the IMF does not rely primarily on tax increases for countries faced with an unsustainable fiscal deficit, but rather seeks to tailor its recommendations and the relative emphasis between revenue enhancement and reduced spending to circumstances in a given country. The IMF's basic approach towards monetary policy is to establish a sound framework within which inflation can be combated and resources more efficiently allocated. While this can involve painful adjustment, as does the establishment of a sound fiscal framework, it is a necessary prerequisite for economic growth. What can be said, as a general matter, is that a country seeking IMF assistance will inevitably need to make policy adjustments which will be more or less difficult and painful depending on the degree of underlying imbalance. Recent experience in Asia, Latin America and elsewhere shows that, although the IMF is by no means infallible and sometimes needs to adjust its prescriptions, the degree of commitment that a country shows in implementing policy adjustments is critically important. On balance, the countries that have demonstrated the greatest commitment to implementing the policy reforms they have pledged to pursue have, in fact, made the most progress in returning to stability.

Responses from Edwin Truman
 Questions for the Record from Senator Bob Graham

Question #1:

What is the anticipated long-term impact of the increasing trade deficit on the U.S. economy?
 What steps may be taken to address the problem?

Answer:

The broadest definition of the trade balance is the current account balance, which equals the difference between saving and investment in the United States. Although both U.S. saving and U.S. investment have been increasing in the past few years, investment has been growing faster. The growing current account deficit has made this investment possible.

Higher investment in the United States increases our productivity and raises real wages of U.S. workers. As long as our capital markets direct this investment efficiently, we should be able to repay the foreign investors while keeping the benefits for U.S. workers. Every indication is that U.S. capital markets are among the most efficient in the world.

Nevertheless, it would be even better if more U.S. investment could be financed by U.S. savings; in that case all of the benefits from the increased investment would flow to U.S. residents. Maintaining a federal budget surplus is one important way to increase U.S. savings.

In the short run, the U.S. trade deficit reflects the influence of economic and financial developments in the United States and the rest of the world. To deal with these influences, which often have differential impacts on sectors of our economy more exposed to fluctuations at home and abroad, we must encourage our partner countries to address their underlying weaknesses while maintaining or increasing the openness of their markets.

Response from Timothy Geithner and Edwin Truman
 Question for the Record by Senator Bob Graham

Question: The IMF was criticized for only helping after a currency had failed (Mexico, Korea, etc.). It then approved a pre-emptive package for Brazil. This has not seemed to work either, actually acting as a disincentive to fiscal reform. Where does this leave the IMF, and what should its role be in stabilizing international markets and currencies?

Answer:

We would not agree that in Brazil, where events are still unfolding, the IMF support package has been a disincentive for fiscal or other kinds of reform. Quite to the contrary, we believe the IMF's role was central to the implementation of a substantial program of fiscal reform - the combined effects of fiscal measures enacted since the IMF program went into effect is 1.3% of GDP.

On the more general question of the IMF's role in stabilizing international markets and currencies, the IMF's objective is unchanged: to provide sound and timely assistance to IMF members faced with a financial crisis and seeking support. In responding to such requests, the IMF seeks to tailor its recommendations to circumstances in a given country. A country seeking IMF assistance will inevitably need to make policy adjustments which will be more or less difficult and painful depending on the degree of underlying imbalance. Recent experience in Asia, Latin America and elsewhere shows that, although the IMF is by no means infallible and sometimes needs to adjust its prescriptions, the degree of commitment that a country shows in implementing policy adjustments is critically important. On balance, the countries that have demonstrated the greatest commitment to implementing the policy reforms they have pledged to pursue have in fact made the most progress in strengthening their economies.

Responses from Edwin Truman
 Questions for the Record from Senator Bob Graham

Question # 3:

As the dollar continues to gain strength over the yen, Japanese industry has the opportunity to regain market share in manufacturing and industry (steel, automobile sales, etc.). How do you see Japan coming out of its current economic crisis and what is the anticipated long-term effect on the U.S. economy?

Answer:

Consensus Forecasts projects Japanese GDP to decline 1.1% in 1999, after an estimated 2.8% decline in 1998. We will continue to encourage the Japanese to direct macroeconomic policy at the objective of promoting strong and early recovery and growth, strengthening the financial system and making the economy more open. In the long run, the United States benefits from a healthy Japanese economy with strong domestic demand led growth.

Question #4:

What steps will the Administration take to assist Russia and Brazil as they restructure their national economies and fiscal policies. What will be the anticipated long-term effect of the Brazilian and Russian financial crisis on the U.S. economy?

Answer:

Brazil: In the aftermath of allowing the *real* to float, the key challenge for Brazil will be to preserve stability and prevent a devaluation-inflation spiral. That will require Brazil to implement fully its fiscal adjustment program and to maintain prudent monetary policy in order to contain inflation. Fiscal adjustment and containment of inflation expectations should allow lower interest rates in the future, which is a prerequisite for a resumption of growth and the maintenance of stability over the long term.

It will be necessary for Brazil and the International Monetary Fund to revise Brazil's IMF program in light of the recent floating of the *real*. The Administration believes that it is essential that Brazil and the IMF work intensively to agree upon an adjusted program that lays the basis for renewed stability. We will work closely with the IMF and Brazilian government to that end.

The long-term effects of financial crisis in Brazil on the U.S. economy are difficult to predict, but there are significant risks, and stability in Brazil is strongly in our national interest. Instability in Brazil could have a direct impact on the United States through lower United States exports to Brazil, which imported \$15 billion from the U.S. in 1997. Perhaps more importantly, instability in Brazil could have a negative impact on the global financial environment, which would likely depress growth in other Latin American countries and elsewhere. Economic slowdown in Latin America would have a negative effect on U.S. exports to the region, which accounts for about 20% of total U.S. exports, and could have negative effects on U.S. jobs and growth.

Russia: The Administration is working with Russian authorities and with international financial institutions to help the Russian government identify appropriate policies to contribute to stability and a resumption of growth and to mitigate the impact of Russia's crisis on its citizens. The United States has encouraged Russia and the IMF to work closely to develop a credible economic program that addresses the principle barriers to recovery. Under the auspices of the Gore-Primakov Commission, the U.S. is engaged in working with the Russian government in several other areas, including business development, trade, regional initiatives, environmental cooperation, and energy. In addition, the Administration is supporting the World Bank's efforts to engage with Russia on structural reform issues such as demonopolization, the rule of law, accounting standards, coal sector reform, and banking. The Administration, through the USDA, has supported increased shipments of U.S. commodities to Russia, which will help mitigate the impact of the crisis and of Russia's poor harvest on Russia's poor. The Administration continues to support technical assistance efforts—directly and through the international financial institutions—to help Russia modernize its tax administration, improve tax policy, and restructure its banking system.

The direct long-term impact of Russia's financial crisis on the U.S. economy is likely to be limited. United States financial markets have largely recovered from the fallout from the August Russian crisis in August. The United States may face a loss in exports and increased import competition in some sectors, such as steel, but this impact will not be significant to the overall U.S. economy in the long-term because Russia accounts for a very small share of total U.S. trade.

The indirect effects of the Russian crisis, however, could be more significant to the U.S. in the long-term. The Russian crisis has encouraged emerging market investors to scrutinize the strength of emerging market economies throughout Eastern Europe and the world. If this leads to a significant reduction in capital flows to Eastern Europe, it would probably slow the growth of these economies, delay their integration into European economic institutions, and reduce long-term U.S. exports. If Russian authorities are unsuccessful in managing the economic crisis, it could generate increased political instability in Russia. Political turmoil could lead Russia to pursue policies that would destabilize the rest of the region with serious negative implications for U.S. political and security interests.

Response from Timothy Geithner
Question for the Record from Senator Bob Graham

Question: What is Treasury's position on tax treaties with Latin America?

Answer:

We have been very clear that expanding our tax treaty network in Latin America is a high priority and, in particular, that we want a treaty relationship with Venezuela, Argentina, Chile and Brazil. Currently, we have a tax treaty with only one Latin American country, Mexico, which entered into force in December of 1993. However, just last August, we initialed a tax treaty with Venezuela, which we hope to sign very soon and then send to the Senate for its advice and consent to ratification. We are hopeful that having a tax treaty with Venezuela will encourage other Latin American countries to come to the negotiating table.

Regarding our policy on tax treaties more generally, Treasury's Office of Tax Policy ("OTP") has a small staff of tax treaty negotiators and receives many requests for tax treaty negotiations from countries around the world. Because the negotiation of an income tax treaty requires a significant commitment of the staff and financial resources of the OTP and the Internal Revenue Service, OTP must prioritize potential tax treaties in order to allocate its limited resources in the most efficient manner.

The primary consideration in the prioritization process is the presence of taxation problems faced by investors that can be corrected by a tax treaty, given the fact that a foreign tax credit is already available under the U.S. Internal Revenue Code to prevent double taxation. If such problems exist, consideration will also be given to the extent of bilateral economic relations between the United States and the country in question, and the structure of the other country's tax system. In order to make these determination, we consider expressions of interest in a tax treaty by the business communities of both countries.

Tax treaties are individualized agreements which coordinate the tax systems of two countries. Therefore, it is important that each country have a relatively stable tax system in place. Substantial changes in a country's internal tax system could make a previously negotiated tax treaty inappropriate and require renegotiation of the treaty.

We also consider whether the other country can comply with its obligations under the tax treaty, including obligations to exchange information to prevent fiscal evasion and also to keep confidential any information that we provide to it under those provisions.

The United States has income tax treaties with about 50 countries. While the United States has treaties with all OECD member countries, it has relatively few with developing countries. Generally, income tax treaties are important factors in facilitating commerce between countries with substantial bilateral investment flows. However, an income tax treaty with the United States may not be as important when a country is at the beginning stages of development. By providing a unilateral foreign tax credit, the U.S. Internal Revenue Code generally prevents U.S. corporations from suffering double taxation from foreign investments even in the absence of a tax treaty.

**SENATOR J. ROBERT KERREY'S QUESTIONS FOR
DAVID WILLIAMS, NOMINEE FOR INSPECTOR GENERAL
FOR TAX ADMINISTRATION**

- 1) **It is my understanding that the Third and Eleventh Circuits have ruled that IGs are required under the Federal Sector Labor-Management Relations Statute to allow for union representation in internal investigations if requested. Will you follow that ruling only in those circuits, even though discretion exists to allow it for all employees?**

- 2) **The Finance Committee took great pains in its proceedings last year to write legislation that would promote fairness, not only with respect to the IRS' treatment of taxpayers, but also with respect to its own employees. What message will the IRS send to employees when after the Committee's pronouncements of fairness, IRS employees will lose the right to have union representation with them in internal interviews, which they are compelled to attend upon pain of discipline? Is it fair for employees in some states to continue to have union representation, while employees in other states do not?**

- 3) **Based on the record of employee abuses that we heard before the Finance Committee last year, do you agree that it would be appropriate to allow all employees at the IRS to have representation in internal investigations?**



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 21, 1999

The Honorable William V. Roth
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to the three questions posed by Senator Kerrey, arising out of my confirmation hearing to be the Treasury Inspector General for Tax Administration.

As you are aware, I am currently the Treasury Inspector General. As the Treasury Inspector General for Tax Administration nominee, I do not believe it would be appropriate for me to commit to any policy decisions regarding the operation of the Office of the Treasury Inspector General for Tax Administration. This includes the matter of union representation for Internal Revenue Service (IRS) employees who may be witnesses or subjects of criminal, civil, and administrative cases.

I was advised by Larry Rogers, the current acting Treasury Inspector General for Tax Administration, that he has instructed Treasury Inspector General for Tax Administration personnel to comport fully with prevailing law in their respective jurisdictions. The Senate Finance Committee expressed concern that Mr. Rogers not make decisions which could adversely affect the future Inspector General for Tax Administration's ability to establish his or her own policies and procedures for the effective operation of Office of the Treasury Inspector General for Tax Administration.

Currently, there are conflicting federal circuit court opinions regarding a bargaining unit employee's right to union representation. For the circuits for which no opinion has been rendered, the D.C. Circuit Court opinion governs whether Office of Inspector General Special Agents must permit the presence of a union representative during an interview.

Page 2 - The Honorable William V. Roth

Like all U.S. citizens, IRS employees are afforded the right to personal legal counsel during interviews with federal investigators. In opposing the United States Justice Department on this issue, the plaintiff has taken the position that bargaining unit employees should also be afforded the right to have union representatives present during interviews conducted in both civil and criminal investigations.

Given the conflicting circuit opinions, the Supreme Court has accepted the issue for its review and will address the matter this spring. In the interim, consistent with the standard judicial process, the existing Circuit Court ruling prevails for those states within its respective jurisdiction.

I recognize the importance of this matter, and would expeditiously address it if I become the Treasury Inspector General for Tax Administration. I understand that the acting Inspector General has met with representatives of the National Treasury Employees Union (NTEU). Upon taking office, I would meet with NTEU representatives and other stakeholders, and would be pleased to meet with you, Senator Kerrey or other Members of the Committee.

I hope this addresses Senator Kerrey's concerns on this issue. I would be happy to respond to any further questions the Committee may have.

Sincerely,

David C. Williams

David C. Williams

○