

democracy in the U.S., it seems the obvious choice.

But I call on my colleagues to take a moment to remember the immense problems that Pakistan is dealing with: because of tensions in the region, and the war in Afghanistan, Pakistan's economy has suffered a huge loss. And despite my best efforts with some fellow colleagues, the U.S. has yet to provide the one thing Pakistan really needs: a better deal on textiles.

Textiles and textile products are Pakistan's main export. As a result of the war effort, invaluable orders for textile products made and exported by Pakistan have been canceled due to perceived instability in the region and a lack of confidence that such orders will ultimately be delivered.

According to the Pakistan Textile and Apparel Group, Pakistan has witnessed a 64 percent reduction in orders for clothes that would be made from last year alone, by the 14 largest apparel factories in Lahore, Karachi, and Faisalabad. As a result, employment in these factories has dropped 32 percent from a year ago. The Pakistani government has estimated the overall decline in orders at 40 percent. This has very real consequences for the future of Pakistan, its stability, and its ability to forge a future of economic prosperity for its people.

As a weakened market for Pakistani textile exports ultimately renders human development programs within Pakistan less effective, especially the primary education element, young Pakistani's are faced with the prospect of no education and therefore no quality employment. An all-to-frequent alternative to this prospect is for young Pakistani's to attend Madrasas—Islamic religious schools run by mullahs—where too often basic skills and primary education are supplanted by religious teachings used to indoctrinate young Pakistani's into following the perverted version of Islam followed by Osama Bin Laden, Al Qaeda, and the Taliban.

Mr. President, I urge all of my colleagues to work with me in the Congress to provide the President with authority to assist Pakistan in the textile market immediately. Such action is vitally important to the stability of our important ally, and victory in our Nation's war against terrorism. Failing to take quick action only strengthens our enemy.

The war on terrorism will only be won through the continued cooperation of important countries like Pakistan. The very least we can do in this body today is to recognize this support and to say thank you for it.

#### ENERGY OVERSIGHT

Mr. LEAHY. Mr. President, I am pleased to join Senator DIANNE FEINSTEIN in sponsoring the Energy Oversight Bill. This bill clarifies the scope of the existing regulatory authority of the Commodity Futures Trading Com-

mission, CFTC, over markets in over-the-counter, OTC, derivatives, including its anti-fraud and anti-manipulation jurisdiction over exempt commodities such as metals and energy.

Over-the-counter derivatives markets have assumed an increasingly large role in the U.S. economy. A recent conservative estimate put the size of the global OTC derivatives market at \$111 trillion. The U.S. share of that market is estimated to be at least two-thirds. Derivatives based on "exempt commodities," such as energy and metals, make up a small percentage—probably no more than 2 percent—of the total OTC derivatives market. However, derivatives play an increasingly important role in energy and metals markets, which are in turn critical to our overall economy.

The energy markets are among the largest and most dynamic in the United States. Hundreds of billions of dollars in energy products—which include electricity, natural gas, crude oil, and gasoline—are traded each year in the United States—both on-exchange and in the over-the-counter markets.

We are all well aware of the tragedies that occurred last fall surrounding the collapse of Enron. For instance, there have been numerous stories in the press regarding allegations of manipulations in energy markets. I understand the CFTC currently is in the process of pursuing a comprehensive, detailed investigation of allegations raised by the Enron collapse.

However, some have suggested that following passage of Commodity Futures Modernization Act, CFMA, in 2000 the CFTC does not in fact have authority to effectively and successfully investigate and punish fraud and manipulation in derivatives markets for exempt commodities—particularly energy and metals. In a hearing held by the Senate Agriculture Committee last July, questions were raised about the CFTC's ability to prevent fraud and manipulation in the first place.

If that is the case, not only do these transactions fall outside the jurisdictional reach of the CFTC, but in most cases, they are beyond the reach of any other federal financial regulator. Thus, we have a gap in the oversight of exempt commodity transactions. And plainly, this gap was not something Congress intended when it passed the CFMA.

This legislation puts these questions to rest.

Our bill clarifies that the CFTC's anti-fraud and anti-manipulation authority applies to all exempt commodity transactions and requires derivatives marketplaces like electronic swap exchanges—like the now-defunct "Enron Online"—to adhere to certain, minimal regulatory obligations: among them are transparency, disclosure, and reporting.

It recognizes the benefits of market innovation by preserving the long-sought legal certainty for swaps—they

remain for the most part "exempt" from CFTC jurisdiction. At the same time, however, the bill ensures that all derivatives transactions are subject to the commission's fraud and manipulation authorities. It would not require the registration of swap counterparties, but would require that they maintain books and records of transactions—something that should be routine practice in the industry. Finally, the legislation recognizes that all exchange markets serve price discovery and hedging purposes by imposing modest transparency, disclosure, and reporting obligations.

Experience has shown that measures designed to increase market transparency instill confidence in markets, attract investment, and increase market integrity by providing regulators with the means to monitor for fraud and manipulation. Application of these principles to derivatives markets generally is sound public policy, prudent business practice, and common sense. The consequent benefits extend not only to market users, but also to consumers.

Accountability is important and must be restored because Enron is not alone. It is only a case study exposing the shortcomings in our current laws. Future debacles wait to be discovered not only by investigators or the media, but by the more than one in two Americans who depend on the transparency and integrity of our public markets.

The majority of Americans depend on capital markets to invest in the future needs of their families—from their children's college fund to their retirement nest eggs. American investors deserve action. Congress must act now to restore confidence in the integrity of the public markets.

Accountability and transparency help our markets work as they should, in ways that benefit investors, employees, consumers and our national economy. Our job is to make sure that there are adequate doses of accountability in our regulatory and legal system to prevent such occurrences in the future. The time has come for Congress to rethink and reform our laws in order to prevent corporate deceit, to protect investors and to restore full confidence in the capital markets.

Unfortunately, in the wake of Enron, we are presently witnessing some of the best arguments in favor of such changes. U.S. energy markets are suffering a crisis in confidence. This modest legislation is a good first step toward restoring this lost confidence and returning energy markets to a path of growth and efficiency.

#### ADDITIONAL STATEMENTS

##### TRIBUTE TO OPERATION EAGLE'S NEST

• Mr. BUNNING. Mr. President, I rise today to honor and pay tribute to Operation Eagle's Nest. The Military Affairs Committees of Hopkinsville and