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Opening Statement

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Committee on Financial Services

Subcommittee on Domestic and International Monetary Policy, Trade, and Technology

"World Bank Lending to Iran"
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Good morning. I want to thank Mr. King for convening this important hearing to consider the World Bank's lending to Iran and its relationship to U.S. policy regarding that country. The issue came up during the mark-up of legislation authorizing the World Bank's concessional lending window (the International Development Association "IDA") this spring.

Iran is sufficiently prosperous to disqualify it from IDA's concessional loans. Instead, it borrows funds from the World Bank at close to market rates for a range of development needs. Information provided by both the World Bank and Deputy Assistant Secretary Scheurch in his testimony today indicate that such lending is increasing, despite a clear foreign and international financial policy within the United States that this kind of engagement with Iran is undesirable and inappropriate.

It is troubling to learn that the reason for increased availability of World Bank funding to Iran is due primarily to European efforts to increase engagement with this country rather than to an assessment of that country's economic needs. This hearing will explore whether and how the United States can become more effective in promoting its foreign financial policy goals within the World Bank.

This hearing comes also at a sensitive time. Close scrutiny of Iran's nuclear program is beginning under the auspices of the International Atomic Energy Association (IAEA). Views differ among our expert panel today on whether continued engagement with Iran through the World Bank will facilitate or hinder the U.S. and European foreign policy goals of limiting or eliminating Iran's nuclear program. I am particularly interested to see the debate concerning whether in fact the World Bank's lending activities can have a direct or indirect impact on this activity since I understand that Iran's nuclear program is primarily funding through outside foundation or quasi-governmental sources rather than the government's budget.

I commend the Treasury Department for its efforts in this area to date, pursuant to statutory direction. Our goal here is to explore whether mandates to require U.S. "no" votes are sufficient to advance our broader goals within Iran. Some Members of our Committee believe that other, stronger measures are needed in this area. As the Committee of jurisdiction for the multilateral development banks, this is the appropriate venue to discuss these important issues.