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**TESTIMONY ON THE IMPACT OF THE WORLD BANK AND MULTI-LATERAL
DEVELOPMENT BANKS ON NATIONAL SECURITY**

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Introduction

Chairman Miller, Ranking Member McCarthy, and members of the Subcommittee, it is an honor to appear before you today to discuss the importance of the multilateral development banks and America's International Affairs Programs from a national security perspective. I am here today in my capacity as a former Ambassador to Tanzania and as Senior Director with the U.S. Global Leadership Coalition (USGLC). The USGLC is often called the "strange bedfellows" coalition because it is comprised of both American businesses like Boeing, Caterpillar, Microsoft, Wal-Mart, Land O' Lakes and the U.S. Chamber of Commerce, and leading humanitarian NGOs like CARE, World Vision, Catholic Relief Services and Bread for the World. USGLC brings together bipartisan military, business, faith-based and community leaders from all across the country who are united in the belief that, even though they only constitute about 1% of our overall federal budget, International Affairs programs are vitally important for America's national security, our economic growth and our values.

It goes without saying that our nation is facing huge fiscal challenges. As a former lawmaker, and former member of this Committee, I know very well that you have difficult funding choices to make in the coming months. Every agency will need to tighten its belt and scrutinize each program for cost savings. I also know that most Americans aren't fully aware of the critical mission that the World Bank and other multilateral development banks perform, and that this puts extra political pressure on the funding requests before you for these institutions. My view, respectfully, is that support for these institutions is simply part of our nation's leadership obligations. These obligations help so many of our friends and allies in need, and as I hope this hearing will show, they also help us—the United States—and the American people.

I know that the Subcommittee previously conducted a hearing on the many economic benefits that these institutions provide for the American people, as well as the economic development of developing nations. I also know you've already received testimony today on the specific costs and consequences of deep cuts to the U.S. contributions to these institutions. Therefore, I will focus my

remarks on the broad national security implications of these and other programs funded by the International Affairs Budget—our nation’s civilian tools of development and diplomacy.

International Affairs Budget is a Critical Tool to Our National Security

As this Subcommittee knows well, the world has changed dramatically over the past two decades with Cold War threats being replaced by terrorism, pandemics, weak and failing states, and a growing number of strategic competitors to America in the global arena. America’s national security today is dependent not only on the deterrence of a strong military force, but on increased investments in the full range of diplomatic, development and humanitarian tools. In addition to the important programs that the U.S. oversees through agencies like USAID and the Millennium Challenge Corporation, the MDBs provide a source of funding that aids in economic growth, which in turn leads to greater peace and stability.

The kind of long-term, large scale growth that the MDBs invest in helps foster a more stable and peaceful world. Investing in development enhances our national security by preventing conflicts before they require costly military action. As former-Secretary of State Condoleezza Rice has said, *“we must now use our foreign assistance to help prevent future Afghanistans—and to make America and the world safer.”* Former Secretary of Defense Robert Gates commented last year, *“development contributes to stability. It contributes to better governance. And if you are able to do those things and you’re able to do them in a focused and sustainable way, then it may be unnecessary for us to send soldiers.”* He also summed it up best when he said, simply, *“Development is a lot cheaper than sending soldiers.”*

My personal view as a former congressman and ambassador, and the view of USGLC’s membership, is that modern “national security” means that our leaders must have a wide-ranging and well-resourced set of leadership tools -- military and civilian, hard power and soft -- if we are going to be truly secure and truly strong in this challenging, ever-changing world. The programs of the World Bank and the MDBs are an important part of those tools.

Thus, the withholding of U.S. contributions to these institutions would not only limit the amount of capital available for them to carry out their important missions, but risk diminishing U.S. influence abroad. It also risks ceding ground to other countries, including rising powers such as China, that offer alternative sources of funding in the developing world. Failure to make U.S. contributions to the World Bank could risk losing the presidency of World Bank, which has traditionally been held by an American, in the next term and could lead to the loss of our ability to veto changes to its governing articles of agreement. We also risk losing the U.S. board chair at the African Development Bank, allowing others to set the agenda. As we know, if the United States doesn't lead, other countries will.

Economic Growth as a Means of Promoting Stability and Democracy

As countries develop, they often grow to reflect the values and principles of those that assisted them along the way. For example, in addition to an array of educational and health programs, the MDBs support programs that promote good governance, reduce corruption, and invest in much-needed infrastructure. These loans come with important conditions, such as strengthening transparency and improving the investment climate, which ultimately help these countries transform into more reliable trading partners. In this way, our contributions to the MDBs help reinforce our democratic, free-market values. When countries embrace democratic ideals, a commitment to open markets, and the free exchange of ideas, they become more stable and secure. And the more democratic, stable governments that exist in the world, the safer we are at home, and the less chance we will need to send our military into conflicts into other countries to keep or restore peace.

Let me give you one example of a country that it isn't hard to imagine taking a different path to prosperity—South Korea. Development assistance to South Korea helped to transform the country into a strong U.S. ally in a volatile region, and a trading partner and market for U.S. goods. South Korea relied heavily on foreign assistance to recover from the devastation of World War II and the Korean War, borrowing over \$15 billion from the World Bank. But by 1995, South Korea had “graduated” from the

World Bank's lending list as a recipient country and has repaid all but about a half a billion dollars of its obligations.

Today South Korea is one of our strongest military and economic allies in North East Asia, a region where China is asserting its influence and North Korea is a tinder box for instability and aggression. For example, in August, South Korea hosted the U.S. -led United Nations Command in a joint military exercise to enhance military interoperability and to keep the partnership strong and effective in maintaining security. Through such training efforts, the United States has begun to transition from a leading to supporting role in Korea, lessening our military burden, while being able to rely on a strong ally and partner. Economically South Korea has become a strong and strategic partner as well. South Korea has the world's 13th largest economy and is the 7th largest trading partner for the United States. U.S. exports to South Korea have doubled since 1990 to nearly \$39 billion in 2010, more in one year than all the U.S. foreign assistance we provided to Korea between 1946 and 1976.

The MDBs are also an important factor in creating stability because of how they distribute assistance, doing so at the government level. When national governments are meeting the basic needs of their people, or at least are on the road to doing so, we know those societies are more stable and resistant to conflict. On the other hand, where access to basic services is poor, non-state actors and extremists have an opening to stir up instability, strife and violence.

Those who serve on the front lines of our national defense understand this all too well. They understand that in some troubled lands where American forces have a presence, the legitimacy and credibility of the central government affects the size of American forces, their mission and how long they'll need to stay.

Allow me to give you an example of how U.S. assistance can help transform a country like Tanzania, where I was Ambassador, into a safer, more secure ally for the United States. When I served as

Ambassador to Tanzania, I was once confronted by a young activist who asked, “Why does America abuse its power in the world?”

I answered with a question of my own: “What is the No. 1 killer of your children?” After a pregnant pause, I answered my own question. “Malaria. Now who is doing more to fight malaria here than we are?” There was another pregnant pause. The ensuing murmurs amongst those gathered suggested that my response had momentarily shaken the perception of America that some had given them. If America is unmistakably visible on the side of those who are trying to sow seeds of hope and optimism, then it becomes harder for extremists to paint America as the “great Satan.”

It’s hard to foresee a time when we won’t have to invest heavily in our military and security capabilities. But my experience has taught me that our military tools are insufficient on their own to protect our country from the types of asymmetrical and unorthodox threats that confront us. Our nation’s military leaders – from former Defense Secretary Gates, to Admiral Mullen and General Petraeus – have likewise been unequivocal on this point. Programs that combat diseases like malaria, help more girls attend school on a regular basis, and ensure new mothers have access to better nutrition not only demonstrate the essential humanitarian values we hold as a nation, they also help to replace struggle and strife with stability and security—abroad, and for us.

Conclusion

As a former member of this body, I know that Americans often seem misinformed about the amount we spend on our international programs, and they may understand even less about the role of the multilateral development banks. But I know that if they were better informed about the benefits these institutions provide to our national security, they would agree that our contributions to the MDBs are a cost-effective – and needed -- investment in America’s security and economic prosperity.

Testimony of Amb. Mark Green (Ret.)

There is not a doubt in my mind that support for the Multilateral Development Banks is profoundly in the best interests of our nation. It advances our security, prosperity and open hearts and minds to America's message of liberty, fairness, and free markets. For all of the foregoing reasons, Mr. Chairman, I urge the Subcommittee to meet our obligations to replenish the Multilateral Development Banks.