Thank you, Mr. Chairman, and welcome, Ambassador

Burns.

We have a regime here that is actively seeking nuclear weapons,

that is aiding Hezbollah and destabilizing Iraq. I saw the consequences

of some of its work when I was in Haifa and rockets

were coming down on the town. I was in Rhomba Trauma Center

talking to some of the wounded.

This sewing of terror is something that President Ahmadinejad

does very, very well. We are going to have to be very, very creative

in approaching Tehran. We are going to have to use several tracks

I think to keep this regime in check.

We should be promoting political change inside the country. We

have no problem with the Iranian people. Obviously it is the regime

that is odious, and we need to make that clear.

We should continue using the financial lever. We have to make

it clear to European and other financial institutions there that the

risk of doing business with that regime is considerable. We have

to do something in the U.N. to make it clear, I think, to the Europeans

that export credit agencies, particularly the Germans and

Italians, should reevaluate what they are doing there.

I think it will be increasingly difficult for Iran to be part of the

international financial system frankly because of this pressure, but

also because of the poor state of the Iranian economy, which is almost

imploding according to economists inside the country.

Inflation is way up, headed toward hyperinflation. Government

spending is spiraling out of control. The oil windfall is being mis10

managed, which is common throughout the world in terms of oil

windfalls. Unemployment is sky high in the country. Iran’s Oil

Minister admitted that international financial pressure has stunted

its oil industry.

It appears that public opinion is turning against President

Ahmadinejad, who is responsible frankly for this economic misery

because he is running this thing, micromanaging the economy and

not allowing the market to work internally.

The Iranian people are beginning to challenge his reckless nuclear

policies. The President there has set his country in conflict

against his region and in conflict against the world, and that is beginning

to have an impact on the man on the street and on women

in Iran.

Fortunately, Iranians are coming to question his pursuit of nuclear

weapons, which only serves to impoverish that country. We

should be doing all we can to help Iranians better understand this

through our public broadcasting and diplomacy, including exchanges,

but also by unrelenting financial pressure until Iran

changes that course of terrorism and developing nuclear weapons.

Financial pressure, in my view, has worked against North Korea.

I think that that financial pressure is what got them to the table.

It is working against Iran right now. It should be intensified.

Ambassador Burns, that is part of your charge. Thank you very

much for being with us today.

Thank you, Mr. Chairman.

I wanted to go to a question that Ambassador Burns mentioned

in response to something Chairman Lantos asked you, and that

was about European export credits. As you say they are now decreasing,

but I would like to explore that a little bit because I can

understand European businesses seeking commercial ties to Iran.

What disturbs me is that these businesses are being subsidized

by European Governments to carry out this kind of trade. Without

these subsidies, the market would realize the risk of doing business

with the regime, but European Government-backed export guarantees

are in fact fueling the expansion. If we look from 2003 to 2005,

you have a 29 percent increase.

You know, it wouldn’t be so objectionable if we were actually increasing

Iranian contacts with the outside world, but this isn’t

trade in the marketplace it turns out. The vast majority of Iranian

industry is now state controlled so you have a European policy of

subsidizing two-thirds of their exports in Germany’s case into the

country in order to do business with state-run businesses.

As I understand the Security Council negotiations there is this

consideration of a ban on export credits to Iran, and I can imagine

that is a tough sell, but it is worth pressing on for this reason. The

great oddity is that private sector European institutions are realizing

the risk. They are in the papers every day for pulling out, getting

out of Iran, while the foreign governments are the problem. I

imagine it is going to be a tough sell, but I wanted to ask you

about that.

Second, let me just say in bringing financial pressure on Iran I

suspect we are employing many of the successful lessons learned

that were brought against North Korea; for example, the case of

Banco Delta Asia in Macao.

It is that ripple effect, enormously successful against North

Korea, that we are attempting to recreate here I suspect, but I do

have a concern here with North Korea, and that is we have forgotten

how we got this far and that we might relent on the pressure

on Banco Delta Asia.

We committed to resolving the issues around the bank, but when

you testified before this committee on North Korea last November

you said that the way to resolve this is for North Korea to stop

counterfeiting American currency. We haven’t received those assurances.

That greatly disturbs me, and yet Secretary Hill said we are

going to resolve this, and so I would like to go to that question

about having them stop counterfeiting our currency.

Thank you, Ambassador Burns.

It is not a sacrifice. Let me interrupt you for a second.

It is not a sacrifice. We are just asking them not to subsidize

it. That is the point.

But in our case we prohibit the businesses. In their

case they are guaranteeing the businesses that regardless of the

economic decisions which make no sense, that cause implosion potentially

in the government and hyperinflation, that the taxpayers

of Europe are going to subsidize. That is the difference. I mean, it

is very stark.

Absolutely.

And apparently it is not——