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CHAIRMAN JIM SAXTON

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ENERGY AND THE IRANIAN ECONOMY

It is a pleasure to welcome Mr. Simons and the members of our second panel of witnesses before the Committee today. Given the course of events in the Middle East, this hearing on energy and the Iranian economy is very timely.

Iran is a country with immense wealth in the form of oil and gas reserves. Iran has the third largest oil reserves and second largest natural gas reserves in the world. Unfortunately, despite the country's great economic potential, the government of Iran has adopted policies that have undermined the country's economic development and standard of living.

Despite Iran's huge reserves of oil and gas, the Iranian regime is intent on extending its nuclear program, supposedly for peaceful purposes. However, the regime's deception regarding its nuclear program, its aggressive promotion of terrorism, and its president's recent statements concerning Israel, obviously constitute a grave threat to world peace. The facts before us today concerning Iran's large energy reserves undercut assertions by the Iranian regime that its nuclear program is needed for peaceful nuclear power generation.

Iranian leaders have also sought to intimidate oil consuming nations by threatening to cut off Iranian oil exports. However, Iranian oil exports generate a high percentage of Iranian export earnings and finance a significant portion of government spending. In short, the Iranian government and economy are highly dependent on oil exports, and threats to cut off these oil exports are not very credible.

The Iranian economy labors under a heavy burden of government mismanagement, cronyism, and corruption facilitated by government affiliated foundations and enterprises. The Iranian people pay a high price for the failures of the regime's economic policies, but the prospects for reform of these policies are bleak in the near term.

In view of the Iranian regime's aggressive behavior, the feasibility of sanctions against the regime must be considered. Iran's reliance on imported gasoline is one potential pressure point. However, the effectiveness of sanctions would depend on the willingness of a much broader group of nations acting in concert with the United States to contain Iran's threats. The coming weeks and months will reveal whether a broader attempt to impose sanctions will be tried and produce positive results.

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