



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

---

---

## PRESS RELEASE

---

---

For Immediate Release  
June 11, 2003

### STATEMENT OF VICE CHAIRMAN JIM SAXTON “Transforming Iraq’s Economy”

Press Release #108-38  
Contact: Christopher Frenze  
Chief Economist to the V.C.  
(202) 225-3923  
Stephen Thompson  
Radio & T.V.  
(202) 225-4765

**WASHINGTON, D.C.** – It is a pleasure to join in welcoming the witnesses before us today. The economic reconstruction of Iraq poses many policy questions that merit the attention of this Committee.

Iraq’s economy had been shrinking for years under the rule of Saddam Hussein. Extensive ownership, control, and influence of business by the government, its officials, and political cronies undermined economic growth. Iraq’s invasion of Kuwait resulted in economic sanctions and the oil-for-food program. Although the recent war has resulted in some economic damage, Iraq’s economic situation today is similar to that of the Eastern European countries after the collapse of the Soviet Union. New institutions are needed that are compatible with a market economy and improved prospects for economic growth.

The prospects for Iraq’s economic recovery are clouded by an unsustainable debt burden. One of the major challenges to improving the potential of the Iraqi economy is the heavy burden of foreign debt accumulated under the regime of Saddam Hussein. The hated regime is gone, but its financial legacy should not continue to oppress the Iraqi people, undermining their economic potential.

Forgiving much of Iraq’s foreign debt is the right thing to do, but foreign creditors may be hesitant if they anticipate an opportunity for a bailout indirectly through the International Monetary Fund (IMF) or World Bank. A write-down of at least part of Iraq’s debt would greatly improve Iraq’s economic outlook. Under legislation I have recently introduced, Iraq’s creditors would be encouraged to forgive much of Iraq’s outstanding foreign debt, rather than wait for a potential bailout from the International Monetary Fund (IMF) or World Bank. This legislation would mandate that safeguards be in place to ensure that lending by these institutions could not be used to repay Iraq’s creditors, thus encouraging a more timely write-down of some of Iraq’s debt and protecting taxpayer money.

As I have pointed out many times before, the IMF should not be used as a bailout agency, as this practice creates a potential for misuse of IMF funds. Taxpayer money should not be used to bail out investors in high-risk ventures. There is a role for the IMF and World Bank in Iraq, but it should be carefully defined to ensure that past mistakes are not repeated. With adoption of appropriate institutional reforms and market-oriented economic policies, Iraq’s people could look forward to a better future.

For a copy of a recent JEC study on Iraq, *The Role of the IMF and World Bank in Reconstructing Iraq*, or for related legislation, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

###