

INTERNATIONAL MONETARY FUND REFORM AND
AUTHORIZATION ACT OF 1998

MARCH 18, 1998.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. LEACH, from the Committee on Banking and Financial
Services, submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 3114]

[Including cost estimate of the Congressional Budget Office]

The Committee on Banking and Financial Services, to whom was referred the bill (H.R. 3114) to authorize United States participation in a quota increase and the New Arrangements to Borrow of the International Monetary Fund, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “International Monetary Fund Reform and Authorization Act of 1998”.

SEC. 2. FINDINGS.

The Congress finds that—

(1) the International Monetary Fund (IMF) was conceived at Bretton Woods, New Hampshire, to promote a sound and open world economy and a stable international financial system;

(2) while the international financial system has evolved significantly since the IMF was founded fifty years ago, its core mission remains focused on providing advice on macroeconomic and exchange rate policy and highly conditional financial assistance, including appropriate economic and governance reforms, to countries facing balance of payments or liquidity problems;

(3) the IMF includes elements in structural adjustment programs that affect industrial and labor policies, which have profound social and political ramifications;

(4) the IMF has intervened in financial markets in situations of extreme uncertainty and crisis to restore investor and lender confidence, which may result in partially relieving such lenders and investors of the negative consequences of imprudent lending and investment decisions;

(5) the expanded conditionality which accompanies IMF funding has profound domestic consequences in the United States;

(6) the United States, as the leading power of the post-cold-war world, has a greater interest than any other country in a strengthened IMF that multilateralizes the financial support for ongoing economic reforms in countries important to United States interests and that can respond to threats to the international financial system so that the United States does not end up serving as the world's lender of last resort;

(7) the United States is the only country with veto power over major IMF decisions;

(8) to sustain its capabilities, the IMF needs to sustain its strength relative to a rapidly expanding global economy characterized by exponential growth of global capital markets;

(9) the United States financial commitment to the IMF leverages several times as much from other countries, and its general resource financing is not scored as a budgetary outlay;

(10) the ongoing currency and banking crisis in the Far East has affected United States financial markets and may result in a decline in United States economic growth by as much as one and one-half percent, and the United States has a vested economic and national security interest in utilizing the IMF and other multilateral mechanisms to help stabilize certain Asian economies;

(11) neither the IMF nor the international financial system predicted or was adequately prepared for the domestic financial instability that has developed in East Asia, particularly the excessive short-term borrowing the private sector institutions, and therefore significant reforms of the IMF and the international financial system are needed to ensure that the world is better prepared to prevent and cope with similar crises;

(12) the United States also has an interest in not contributing to "moral hazard", the belief by private investors and lenders that public credit will be used to bail them out of the consequences of imprudent credit decisions;

(13) in establishing the terms for its financial support, the IMF must strike a balance between contributing to the stability of the Asian economies and ensuring that the private creditors who contributed to the crisis by their imprudent lending also make a significant contribution to the resolution of such crisis; and

(14) with respect to some East Asian countries, some observers believe that—

(A) the IMF has often imposed tight monetary and fiscal policies designed for countries in other parts of the world that follow excessively expansionary fiscal and monetary policies, despite the fact that, by the IMF's own account, the monetary and fiscal policies of the East Asian countries have not contributed to the financial difficulties faced by such countries;

(B) the rationale for such strategy has been the need to attract foreign capital and provide the means to earn foreign exchange;

(C) in the absence of solutions to the short term debt overhang problem which requires a rollover of such short term maturities by private creditors, and to the unfettered flow of capital into and out of markets without regard to maturities or purpose, as an integral part of the IMF program, no interest rate is high enough to attract such capital;

(D) a tight monetary and fiscal austerity program, combined with industrial restructuring and labor market flexibility measures where they are also a part of an IMF program, may excessively depress the local economy, creating potentially explosive social and political problems;

(E) such a strategy could also create excessive pressure to export and reduce imports, eroding support in the United States for a more open international trading and investment regime, as export markets collapse and a flood of imports puts downward pressure on U.S. wages and employment; and

(F) there is a consequent need for the IMF, other international financial institutions, the United States, and other countries, as appropriate, to fashion programs and policies that are adapted to local conditions and integrate private creditor contributions.

TITLE I—INTERNATIONAL MONETARY FUND

SEC. 101. PARTICIPATION IN QUOTA INCREASE.

(a) IN GENERAL.—The Bretton Woods Agreements Act (22 U.S.C. 286–286mm) is amended by adding at the end the following:

“SEC. 61. QUOTA INCREASE.

“(a) IN GENERAL.—The United States Governor of the Fund may consent to an increase in the quota of the United States in the Fund equivalent to 10,622,500,000 Special Drawing Rights.

“(b) SUBJECT TO APPROPRIATIONS.—The authority provided by subsection (a) shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.”.

(b) EFFECTIVENESS SUBJECT TO CERTIFICATION.—The amendment made by subsection (a) shall not take effect until the Secretary of the Treasury certifies to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate that the investors and banks make a significant contribution in conjunction with a financing package that, in the context of an international financial crisis, might include taxpayer supported official financing.

TITLE II—NEW ARRANGEMENTS TO BORROW

SEC. 201. NEW ARRANGEMENTS TO BORROW.

(a) IN GENERAL.—Section 17 of the Bretton Woods Agreements Act (22 U.S.C. 286e–2 et seq.) is amended—

(1) in subsection (a)—

(A) by striking “and February 24, 1983” and inserting “February 24, 1983, and January 27, 1997”; and

(B) by striking “4,250,000,000” and inserting “6,712,000,000”;

(2) in subsection (b), by striking “4,250,000,000” and inserting “6,712,000,000”; and

(3) in subsection (d)—

(A) by inserting “or the Decision of January 27, 1997,” after “February 24, 1983,”; and

(B) by inserting “or the New Arrangements to Borrow, as applicable” before the period at the end.

(b) EFFECTIVENESS SUBJECT TO CERTIFICATION.—The amendments made by subsection (a) shall not take effect until the Secretary of the Treasury certifies to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate that the investors and banks make a significant contribution in conjunction with a financing package that, in the context of an international financial crisis, might include taxpayer supported official financing.

TITLE III—POLICY PROVISIONS

SEC. 301. ADVOCACY OF POLICIES TO ENHANCE THE GENERAL EFFECTIVENESS OF THE INTERNATIONAL MONETARY FUND.

(a) IN GENERAL.—Title XV of the International Financial Institutions Act (22 U.S.C. 262o–262o–1) is amended by adding at the end the following:

“SEC. 1503. ADVOCACY OF POLICIES TO ENHANCE THE GENERAL EFFECTIVENESS OF THE INTERNATIONAL MONETARY FUND.

“(a) IN GENERAL.—The Secretary of the Treasury shall instruct the United States Executive Director of the International Monetary Fund to use aggressively the voice and vote of the Executive Director to do the following:

“(1) Vigorously promote policies to increase the effectiveness of the International Monetary Fund in structuring programs and assistance so as to promote policies and actions that will contribute to exchange rate stability and avoid competitive devaluations that will further destabilize the international financial and trading systems.

“(2) Vigorously promote policies to increase the effectiveness of the International Monetary Fund in promoting market-oriented reform, trade liberalization, economic growth, democratic governance, and social stability through—

“(A) appropriate liberalization of pricing, trade, investment, and exchange rate regimes of countries to open countries to the competitive forces of the global economy;

“(B) opening domestic markets to fair and open internal competition among domestic enterprises by eliminating inappropriate favoritism for small or large businesses, eliminating elite monopolies, creating and effectively implementing anti-trust and anti-monopoly laws to protect free competition, and establishing fair and accessible legal procedures for dispute settlement among domestic enterprises;

“(C) privatizing industry in a fair and equitable manner that provides economic opportunities to a broad spectrum of the population, eliminating government and elite monopolies, closing loss-making enterprises, and reducing government control over the factors of production;

“(D) economic deregulation by eliminating inefficient and overly burdensome regulations and strengthening the legal framework supporting private contract and intellectual property rights;

“(E) establishing or strengthening key elements of a social safety net to cushion the effects on workers of unemployment and dislocation; and

“(F) encouraging the opening of markets for agricultural commodities and products by requiring recipient countries to make efforts to reduce trade barriers.

“(3) Vigorously promote policies to increase the effectiveness of the International Monetary Fund, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), in strengthening financial systems in developing countries, and encouraging the adoption of sound banking principles and practices, including the development of laws and regulations that will help to ensure that domestic financial institutions meet strong standards regarding capital reserves, regulatory oversight, and transparency.

“(4) Vigorously promote policies to increase the effectiveness of the International Monetary Fund, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), in facilitating the development and implementation of internationally acceptable domestic bankruptcy laws and regulations in developing countries, including the provision of technical assistance as appropriate.

“(5) Vigorously promote policies that aim at appropriate burden-sharing by the private sector so that investors and creditors bear more fully the consequences of their decisions, and accordingly advocate policies which include—

“(A) strengthening crisis prevention and early warning signals through improved and more effective surveillance of the national economic policies and financial market development of countries (including monitoring of the structure and volume of capital flows to identify problematic imbalances in the inflow of short and medium term investment capital, potentially destabilizing inflows of offshore lending and foreign investment, or problems with the maturity profiles of capital to provide warnings of imminent economic instability), and fuller disclosure of such information to market participants;

“(B) accelerating work on strengthening financial systems in emerging market economies so as to reduce the risk of financial crises;

“(C) consideration of provisions in debt contracts that would foster dialogue and consultation between a sovereign debtor and its private creditors, and among those creditors;

“(D) consideration of extending the scope of the International Monetary Fund’s policy on lending to members in arrears and of other policies so as to foster the dialogue and consultation referred to in subparagraph (C);

“(E) intensified consideration of mechanisms to facilitate orderly workout mechanisms for countries experiencing debt or liquidity crises;

“(F) consideration of establishing ad hoc or formal linkages between the provision of official financing to countries experiencing a financial crisis and the willingness of market participants to meaningfully participate in any stabilization effort led by the International Monetary Fund;

“(G) using the International Monetary Fund to facilitate discussions between debtors and private creditors to help ensure that financial difficulties are resolved without inappropriate resort to public resources;

“(H) the International Monetary Fund accompanying the provision of funding to countries experiencing a financial crisis resulting from imprudent borrowing with efforts to achieve a significant contribution by the private creditors, investors, and banks which had extended such credits; and

“(I) in the context of International Monetary Fund responses to international financial crises, vigorously promote consideration of appropriate ways in which debtors and private creditors, in consultation with central banks, can be encouraged voluntarily to take steps to achieve resolution of outstanding debts, and to do so in a manner that provides for an appropriate degree of burden-sharing.

“(6) Vigorously promote policies that would make the International Monetary Fund a more effective mechanism, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), for promoting good governance principles within recipient countries by fostering structural reforms, including procurement reform, that reduce opportunities for corruption and bribery, and drug-related money laundering.

“(7) Vigorously promote the design of International Monetary Fund programs and assistance so that governments that draw on the International Monetary Fund channel public funds away from unproductive purposes, including large ‘show case’ projects and excessive military spending, and toward investment in human and physical capital as well as social programs to protect the neediest and promote social equity.

“(8) Work with the International Monetary Fund to foster economic prescriptions that are appropriate to the individual economic circumstances of each recipient country, recognizing that inappropriate stabilization programs may only serve to further destabilize the economy and create unnecessary economic, social, and political dislocation.

“(9) Structure International Monetary Fund programs and assistance so that the maintenance and improvement of core labor standards are routinely incorporated as an integral goal in the policy dialogue with recipient countries, so that—

“(A) recipient governments commit to affording workers the right to exercise internationally recognized core worker rights, including the right of free association and collective bargaining through unions of their own choosing;

“(B) measures designed to facilitate labor market flexibility are consistent with such core worker rights;

“(C) the staff of the International Monetary Fund adequately takes into account the views of the International Labor Organization, particularly with respect to the effect of labor market flexibility measures on core worker rights in such countries; and

“(D) the staff of the International Monetary Fund surveys the labor market policies and practices of recipient countries and recommends policy initiatives that will help to ensure the maintenance or improvement of core labor standards.

“(10) Vigorously promote the adoption and enforcement of laws promoting respect for internationally recognized worker rights (as defined in section 507(4) of the Trade Act of 1974 (19 U.S.C. 2467(4))).

“(11) Vigorously promote International Monetary Fund programs and assistance that are structured to the maximum extent feasible to discourage practices which may promote ethnic or social strife in a recipient country.

“(12) Vigorously promote recognition by the International Monetary Fund that macroeconomic developments and policies can affect and be affected by environmental conditions and policies, including by working independently and with the multilateral development banks to encourage countries to correct market failures and pursue macroeconomic stability while promoting policies for sustainable development and environmental protection.

“(13) Facilitate greater International Monetary Fund transparency, including by enhancing accessibility of the International Monetary Fund and its staff, fostering a more open release policy toward working papers, past evaluations, and other International Monetary Fund documents, seeking to publish all Letters of Intent to the International Monetary Fund and Policy Framework Papers, and establishing a more open release policy regarding Article IV consultations.

“(14) Facilitate greater International Monetary Fund accountability and enhance International Monetary Fund self-evaluation by vigorously promoting review of the effectiveness of the Office of Internal Audit and Inspection and the Executive Board’s external evaluation pilot program and, if necessary, the establishment of an operations evaluation department modeled on the experience

of the International Bank for Reconstruction and Development, guided by such key principles as usefulness, credibility, transparency, and independence.

“(15) Vigorously promote coordination with the International Bank for Reconstruction and Development and other international financial institutions (as defined in section 1701(c)(2)) in promoting structural reforms which facilitate the provision of credit to small businesses, including microenterprise lending, especially in the world’s poorest, heavily indebted countries.

“(16) Vigorously promote, in the context of the International Monetary Fund’s policy dialogue with its member countries, measures to protect the rights and land of indigenous peoples, including the Penan of Borneo, Malaysia, the Dayaks of East Kalimantan, Indonesia, and the indigenous communities of Irian Jaya, Indonesia.

“(17) Vigorously promote policies such that the International Monetary Fund, in considering loan programs and assistance, takes into account the extent to which the recipient government has demonstrated a commitment to—

“(A) providing accurate and complete data on the annual expenditures and receipts of the armed forces;

“(B) establishing good and publicly accountable governance, including an end to excessive military involvement in the economy; and

“(C) making substantial reductions in excessive military spending and forces, including domestic security forces.

“(18) Structure International Monetary Fund debt relief programs so that the programs do not impose unfair conditions on heavily indebted poor countries, increase the amount of debt relief available to poor countries, and decrease the time required to qualify for debt relief.

“(b) COORDINATION WITH OTHER EXECUTIVE DEPARTMENTS.—To the extent that it would assist in achieving the goals described in subsection (a), the Secretary of the Treasury shall pursue the goals in coordination with the Secretary of State, the Secretary of Labor, the Secretary of Commerce, the Administrator of the Environmental Protection Agency, the Administrator of the Agency for International Development, and the United States Trade Representative.”.

(b) ADVISORY COMMITTEE ON IMF POLICY.—Section 1701 of such Act (22 U.S.C. 262p–5) is amended by adding at the end the following:

“(e) ADVISORY COMMITTEE ON IMF POLICY.—

“(1) IN GENERAL.—The Secretary of the Treasury shall establish an International Monetary Fund Advisory Committee (in this subsection referred to as the ‘Advisory Committee’).

“(2) MEMBERSHIP.—The Advisory Committee shall consist of 8 members appointed by the Secretary of the Treasury, after appropriate consultations with the relevant organizations, as follows:

“(A) 2 members shall be representatives from organized labor.

“(B) 2 members shall be representatives from banking and financial services.

“(C) 2 members shall be representatives from industry and agriculture.

“(D) 2 members shall be representatives from nongovernmental environmental and human rights organizations.

“(3) DUTIES.—Not less frequently than every 6 months, the Advisory Committee shall meet with the Secretary of the Treasury or the Deputy Secretary of the Treasury to review, and provide advice on, the extent to which individual country International Monetary Fund programs meet the policy goals set forth in this Act regarding the International Monetary Fund.

“(4) INAPPLICABILITY OF TERMINATION PROVISION OF THE FEDERAL ADVISORY COMMITTEE ACT.—Section 14(a)(2) of the Federal Advisory Committee Act shall not apply to the Advisory Committee.”.

SEC. 302. AVAILABILITY OF INTERNATIONAL MONETARY FUND LETTERS OF INTENT REGARDING AGREEMENTS REQUIRED IN ORDER TO RECEIVE ASSISTANCE.

Title XV of the International Financial Institutions Act (22 U.S.C. 262o–262o-1) is further amended by adding at the end the following:

“SEC. 1504. AVAILABILITY OF INTERNATIONAL MONETARY FUND LETTERS OF INTENT REGARDING AGREEMENTS REQUIRED IN ORDER TO RECEIVE ASSISTANCE.

“Within 3 business days after the United States Executive Director at the International Monetary Fund receives a letter of intent from a country regarding structural adjustment or an economic, social, or other agreement required by the Fund in order to receive assistance from the Fund, the Executive Director shall provide to the Secretary of the Treasury a copy of the letter and any related memorandum of understanding. Within 7 days after receiving the copy, the Secretary of the Treasury shall make the copy available to the public (by electronic or other readily and

publicly accessible means) except to the extent that the Secretary determines that doing so would—

- “(1) endanger the national security of the country or of the United States;
- “(2) disrupt markets; or
- “(3) be contrary to the obligations of the United States as a member of the International Monetary Fund.”.

SEC. 303. ENFORCEMENT OF INDONESIAN COMPLIANCE WITH REFORMS REQUIRED BY THE INTERNATIONAL MONETARY FUND.

The Secretary of the Treasury shall certify to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate that the United States Executive Director at the International Monetary Fund will oppose further disbursements of funds to Indonesia unless the Indonesian government complies with the terms of its International Monetary Fund reform package.

SEC. 304. SENSE OF THE CONGRESS ON THE TREATMENT OF MUCHTAR PAKPAHAN.

It is the sense of the Congress that the Government of Indonesia should immediately release Mughtar Pakpahan from prison and have all criminal charges against him dismissed.

SEC. 305. SENSE OF THE CONGRESS ON THE ROLE OF JAPAN IN RESTORING REGIONAL AND GLOBAL ECONOMIC GROWTH.

(a) FINDING.—The Congress finds that deteriorating economic conditions and ongoing financial market turbulence in Asia makes it more important than ever that Japan play a leadership role in helping to restore confidence and serve as a crucial engine of regional and world economic growth.

(b) SENSE OF THE CONGRESS.—It is the sense of the Congress that Japan should assume a greater regional leadership role, which would coincide with Japan’s goal of promoting strong domestic demand-led growth and avoiding a significant increase in its external surplus with the United States and the countries of the Asia-Pacific region.

TITLE IV—REPORTS

SEC. 401. SEMIANNUAL REPORTS ON FINANCIAL STABILIZATION PROGRAMS LED BY THE INTERNATIONAL MONETARY FUND IN CONNECTION WITH FINANCING FROM THE EXCHANGE STABILIZATION FUND.

Title XVII of the International Financial Institutions Act (22 U.S.C. 262r–262r-2) is amended by adding at the end the following:

“SEC. 1704. REPORTS ON FINANCIAL STABILIZATION PROGRAMS LED BY THE INTERNATIONAL MONETARY FUND IN CONNECTION WITH FINANCING FROM THE EXCHANGE STABILIZATION FUND.

“(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Secretary of Commerce and other appropriate Federal agencies, shall prepare reports on the implementation of financial stabilization programs (and any material terms and conditions thereof) led by the International Monetary Fund in countries in connection with which the United States has made a commitment to provide, or has provided financing from the stabilization fund established under section 5302 of title 31, United States Code. The reports shall include the following:

“(1) A description of the condition of the economies of countries requiring the financial stabilization programs, including the monetary, fiscal, and exchange rate policies of the countries.

“(2) A description of the degree to which the countries requiring the financial stabilization programs have fully implemented financial sector restructuring and reform measures required by the International Monetary Fund, including—

“(A) ensuring full respect for the commercial orientation of commercial bank lending;

“(B) ensuring that governments will not intervene in bank management and lending decisions (except in regard to prudential supervision);

“(C) the passage of appropriate financial reform legislation;

“(D) strengthening the domestic financial system, through financial sector restructuring, as well as improved transparency and supervision; and

“(E) the opening of domestic capital markets.

“(3) A description of the degree to which the countries requiring the financial stabilization programs have fully implemented reforms required by the International Monetary Fund that are directed at corporate governance and corporate structure, including—

“(A) making nontransparent conglomerate practices more transparent through the application of internationally accepted accounting practices, independent external audits, full disclosure, and provision of consolidated statements; and

“(B) ensuring that no government subsidized support or tax privileges will be provided to bail out individual corporations, particularly in the semiconductor, steel, and paper industries.

“(4) A description of the implementation of reform measures required by the International Monetary Fund to deregulate and privatize economic activity by ending domestic monopolies, undertaking trade liberalization, and opening up restricted areas of the economy to foreign investment and competition.

“(5) A detailed description of the trade policies of the countries, including any unfair trade practices or adverse effects of the trade policies on the United States.

“(6) A description of the extent to which the financial stabilization programs have resulted in appropriate burden-sharing among private sector creditors, including rescheduling of outstanding loans by lengthening maturities, agreements on debt reduction, and the extension of new credit.

“(7) A description of the extent to which the economic adjustment policies of the International Monetary Fund and the policies of the government of the country adequately balance the need for financial stabilization, economic growth, environmental protection, social stability, and equity for all elements of the society.

“(8) Whether International Monetary Fund involvement in labor market flexibility measures has had a negative effect on core worker rights, particularly the rights of free association and collective bargaining.

“(9) A description of any pattern of abuses of core worker rights in recipient countries.

“(10) The amount, rate of interest, and disbursement and repayment schedules of any funds disbursed from the stabilization fund established under section 5302 of title 31, United States Code, in the form of loans, credits, guarantees, or swaps, in support of the financial stabilization programs.

“(11) The amount, rate of interest, and disbursement and repayment schedules of any funds disbursed by the International Monetary Fund to the countries in support of the financial stabilization programs.

“(b) **TIMING.**—Not later than October 1, 1998, and semiannually thereafter, the Secretary of the Treasury shall submit to the Committees on Banking and Financial Services and International Relations of the House of Representatives and the Committees on Foreign Relations, and Banking, Housing, and Urban Affairs of the Senate a report on the matters described in subsection (a).”

SEC. 402. REPORTS ON REFORMING THE ARCHITECTURE OF THE INTERNATIONAL FINANCIAL SYSTEM.

(a) **FINDINGS.**—The Congress finds that, in order to ensure that the International Monetary Fund does not become the global lender of last resort to private sector corporations and financial institutions, and in order to help prevent future threats to the international financial system, the Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System, working with their counterparts in other countries and with international organizations as appropriate, should—

(1) seek to establish a broad set of international transparency principles on accounting and disclosure policies and practices covering, in particular, private sector financial organizations;

(2) promote improvements in the provision by both borrowers and lenders of timely and comprehensive aggregate information on cross-border financial stocks and flows;

(3) seek an international accord establishing uniform minimum standards with respect to robust banking and supervisory systems, which individual countries should be required to meet as a condition for the establishment of subsidiaries, branches, or other offices of banking institutions from their countries in the jurisdictions of the countries participating in the accord;

(4) immediately initiate with appropriate representatives of the countries that are members of the International Monetary Fund discussions aimed at securing national treatment for United States investors in such countries; and

(5) seek to establish internationally acceptable bankruptcy standards and should work particularly to have International Monetary Fund recipient countries adopt such standards.

(b) **REPORTS.**—

(1) **IN GENERAL.**—The Secretary of the Treasury shall prepare 3 reports on progress made toward achieving the objectives outlined in subsection (a), which shall describe the steps taken by the United States, other members of the world community, and the international financial institutions to strengthen safeguards in the global financial system, including measures to promote more efficient functioning of global markets, by—

(A) helping to develop effective legal and regulatory frameworks, including appropriate bankruptcy and foreclosure mechanisms;

(B) increasing transparency and disclosure by both the private and public sectors;

(C) strengthening prudential standards, both globally and in individual economies;

(D) improving domestic policy management;

(E) strengthening the role of the international financial institutions in financial crisis prevention and management; and

(F) ensuring appropriate burden sharing by the private sector, particularly commercial banks and financial institutions, in the resolution of crises.

(2) **TIMING.**—The Secretary of the Treasury shall submit to the Committees on Banking and Financial Services and International Relations of the House of Representatives and the Committees on Foreign Relations and Banking, Housing, and Urban Affairs of the Senate 2 interim reports on the matters described in paragraph (1), the first of which is due by October 1, 1998, and the second of which is due on April 1, 1999, and a final report on such matters, which is due on October 1, 1999.

SEC. 403. ANNUAL REPORT AND TESTIMONY ON THE STATE OF THE INTERNATIONAL FINANCIAL SYSTEM, IMF REFORM, AND COMPLIANCE WITH IMF AGREEMENTS.

Title XVII of the International Financial Institutions Act (22 U.S.C. 262r–262r-2) is further amended by adding at the end the following:

“SEC. 1705. ANNUAL REPORT AND TESTIMONY ON THE STATE OF THE INTERNATIONAL FINANCIAL SYSTEM, IMF REFORM, AND COMPLIANCE WITH IMF AGREEMENTS.

“(a) **REPORTS.**—Not later than October 1 of each year, the Secretary of the Treasury shall submit to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate a written report on the progress (if any) made by the United States Executive Director at the International Monetary Fund in influencing the International Monetary Fund to adopt the policies and reform its internal procedures in the manner described in section 1503.

“(b) **TESTIMONY.**—After submitting the report required by subsection (a) but not later than October 31 of each year, the Secretary of the Treasury shall appear before the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate and present testimony on—

“(1) any progress made in reforming the International Monetary Fund;

“(2) the status of efforts to reform the international financial system; and

“(3) the compliance of countries which have received assistance from the International Monetary Fund with agreements made as a condition of receiving the assistance.”.

SEC. 404. AUDITS OF THE INTERNATIONAL MONETARY FUND.

Title XVII of the International Financial Institutions Act (22 U.S.C. 262r–262r-2) is further amended by adding at the end the following:

“SEC. 1706. AUDITS OF THE INTERNATIONAL MONETARY FUND.

“(a) **ACCESS TO MATERIALS.**—Not later than 30 days after the date of the enactment of this section, the Secretary of the Treasury shall certify to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate that the Secretary has instructed the United States Executive Director at the International Monetary Fund to facilitate timely access by the General Accounting Office to information and documents of the International Monetary Fund needed by the Office to perform financial reviews of the International Monetary Fund that will facilitate the conduct of United States policy with respect to the Fund.

“(b) **REPORTS.**—Not later than June 30, 1999, and annually thereafter, the Comptroller General of the United States shall prepare and submit to the committees specified in subsection (a) a report on the financial operations of the Fund during the preceding year, which shall include—

“(1) the current financial condition of the International Monetary Fund;

“(2) the amount, rate of interest, disbursement schedule, and repayment schedule for any loans that were initiated or outstanding during the preceding calendar year, and with respect to disbursement schedules, the report shall identify and discuss in detail any conditions required to be fulfilled by a borrower country before a disbursement is made;

“(3) a detailed description of whether the trade policies of borrower countries permit free and open trade by the United States and other foreign countries in the borrower countries;

“(4) a detailed description of the export policies of borrower countries and whether the policies may result in increased export of their products, goods, or services to the United States which may have significant adverse effects on, or result in unfair trade practices against or affecting United States companies, farmers, or communities;

“(5) a detailed description of any conditions of International Monetary Fund loans which have not been met by borrower countries, including a discussion of the reasons why such conditions were not met, and the actions taken by the International Monetary Fund due to the borrower country’s noncompliance;

“(6) an identification of any borrower country and loan on which any loan terms or conditions were renegotiated in the preceding calendar year, including a discussion of the reasons for the renegotiation and any new loan terms and conditions; and

“(7) a specification of the total number of loans made by the International Monetary Fund from its inception through the end of the period covered by the report, the number and percentage (by number) of such loans that are in default or arrears, and the identity of the countries in default or arrears, and the number of such loans that are outstanding as of the end of period covered by the report and the aggregate amount of the outstanding loans and the average yield (weighted by loan principal) of the historical and outstanding loan portfolios of the International Monetary Fund.”.

EXPLANATION OF THE LEGISLATION

H.R. 3114 as amended provides for the following: (1) authorization for U.S. participation in an International Monetary Fund (IMF) quota increase; (2) authorization for U.S. participation in the New Arrangements to Borrow (NAB); (3) both authorizations are subject to a certification by the Secretary of the Treasury that investors and banks make a significant contribution in conjunction with an IMF financing package; (4) a requirement that the Secretary of the Treasury instruct the U.S. Executive Director of the IMF to use aggressively his or her voice and vote to vigorously promote certain policies to enhance the general effectiveness of the IMF; (5) a requirement that the Secretary of the Treasury pursue IMF reform policies in coordination with other federal agencies; (6) an eight member Advisory Committee on IMF Policy be established to meet semi-annually with the Secretary or Deputy Secretary of the Treasury; (7) a requirement that the Secretary of the Treasury make public all letters of intent from borrowing countries to the IMF with certain exceptions; (8) a requirement that the Secretary of the Treasury certify that the U.S. Executive Director of the IMF will oppose further disbursements of funds to Indonesia unless that government complies with the terms of its IMF financing; (9) a sense of Congress is expressed with respect to both Muchtar Pakpahan, and the role of Japan in restoring regional and global economic growth; (10) a requirement that the Secretary of the Treasury report semi-annually on the implementation of IMF financial stabilization programs in connection with financing from the Exchange Stabilization Fund; (11) a requirement that the Secretary of the Treasury prepare three reports on reforming the architecture of the international financial system; (12) a requirement

that the Secretary of the Treasury submit an annual report on progress made by the U.S. Executive Director in reforming the IMF and to testify annually before Congress regarding international financial system reforms, IMF reform, and compliance with IMF agreement; and (13) a certification by the Secretary of the Treasury be given that the U.S. Executive Director to the IMF has been instructed to facilitate timely access by the General Accounting Office (GAO) to information and documents of the IMF needed by the GAO to perform financial audits of the IMF, and that no later than June 30, 1999 and annually thereafter that the GAO prepare and submit a report to Congress on the financial operations of the IMF.

BACKGROUND AND NEED FOR LEGISLATION

The bill as reported authorizes U.S. participation in an International Monetary Fund (IMF) quota increase and the New Arrangements to Borrow (NAB), subject to a certification by the Secretary of the Treasury. It also requires the advocacy of certain policies by the United States in the IMF, promotes reform of the IMF and the international financial system, and requires annual testimony as well as the production of several reports by the Secretary of the Treasury.

The Committee on Banking and Financial Services strongly supports continued U.S. participation and leadership in the IMF, other international financial institutions and the global economy. The Committee concurs with the assessment of Federal Reserve Chairman Greenspan, that by "joining with our major trading partners and international financial institutions in helping to stabilize the economies of Asia and promoting needed structural changes, we are also encouraging the continued expansion of world trade and global economic and financial stability on which the ongoing increase in our own standard of living depends. If we were to cede our role as a world leader, or backslide into protectionist policies, we would threaten the source of much of our own sustained economic growth."

The need for continuing U.S. leadership in the international financial system and the global economy has been clearly demonstrated during the recent Asian financial crisis. America's vital interests are clearly engaged in this region.

First, U.S. security is closely intertwined with the maintenance of peace and stability in the Asia-Pacific, a region where we have fought three wars in the last half-century. Second, Asia's economic vitality is critical to our own prosperity. Approximately one-third of U.S. exports go to Asia, and in recent years the Asia-Pacific has accounted for nearly half of U.S. export growth. Forty percent of U.S. agricultural exports go to Asia. If this trend reverses, a loss of American jobs and a slowdown in global growth could occur. Indeed, some analysts already predict that Asia excluding China will grow at less than 1% this year. As a result, economic activity will slow in Latin America and U.S. net exports may decline by as much as \$70 billion or 1% of GDP. If the crisis in Asia does not worsen, the U.S. economy may slow down by between half a percent and one and half percent of GDP. Third, there is a risk that economic and social instability in Asia and other developing markets could threaten the model of development that all Americans

prefer—open, more democratic societies coupled with open competitive economies. A failure of the U.S. to lead would also create doubts in the region about our long-term commitment to remain engaged in Asia.

The IMF has been central to efforts by the U.S. and other countries to stabilize and contain the financial contagion in Asia. As the world's largest economy and the greatest beneficiary of the open international economic and financial system, the U.S. has a major stake in the continued viability of the IMF. It is in the U.S. national interest to support a strengthened IMF that multilateralizes the financial support for on-going economic reforms in countries that are important to our interests and that can respond to widespread liquidity problems.

The IMF is the principal monetary institution of the world economy. Its membership of 182 countries is virtually universal. Conceived in 1944 at Bretton Woods, New Hampshire, the IMF is charged with promoting a sound and open world economy and a stable international financial system. While the world economy and international financial system have evolved significantly since the IMF was founded 50 years ago, its core mission has remained much the same: to provide advice on macroeconomic and exchange rate policy and highly conditional financial assistance to countries facing temporary balance of payments problems. Its regular activities include oversight of the operation of the international monetary system and members' economic and financial policies. This oversight function involves the Fund in regular consultations with members about their economic and financial policies, and surveillance of international financial market activity. The IMF also promotes strong, market-oriented, macroeconomic reforms through financing programs that lay the foundation for sustainable economic growth and development.

To sustain its capabilities, particularly given the turmoil in Asian and other developing markets, the IMF needs to sustain its strength relative to a rapidly expanding global economy characterized by exponential growth in international capital markets. In a world of new and potentially serious financial risks, the IMF needs sound financial footing. The U.S. also needs to be prepared to participate financially in the institution and contribute its share if our nation is to influence the policy and operations of the institution effectively and to institute needed reforms.

The role of the IMF should be stressed for three reasons. First, it has the expertise to shape effective stabilization and reform programs. Second, as an apolitical international institution, it has the leverage to require a country to accept conditions that no single government could require on its own. Third, it maximizes burdensharing. Contributions from the U.S. are matched on a better than five-to-one ratio, with Germany, Japan and other countries providing the majority of resources in support of goals supported by the United States. In addition, under established statutory and budgetary treatment, increases in the U.S. commitments to the general resources of the IMF are not scored as budgetary outlays and do not come at the expense of other programs in the budget.

In this context, the Administration has requested Congressional support for both the New Arrangements to Borrow (NAB), as a

standby facility to preserve global stability in the event of severe systemic threats and if quota resources are insufficient, and a quota increase to provide the IMF adequate resources to fund regular operations. These requests are explained more fully below.

For the FY 1998 supplemental budget, the Administration has requested authorization for U.S. participation in the New Arrangements to Borrow (NAB) and to provide the dollar equivalent of Special Drawing Rights (SDR), approximately \$3.4 billion, for this purpose. The NAB is a set of emergency credit lines for the IMF to supplement its ordinary (quota) resources if necessary to deal with a threat to the international monetary system. The Administration's FY 1998 supplemental requests an appropriation for budget authority in addition to the SDR (\$6 billion) previously authorized and appropriated for the General Arrangements to Borrow (GAB), first established in 1962.

The Committee believes that the growth of international capital flows relative to the size of the IMF makes U.S. participation in the NAB in our national interest. Recent events have demonstrated that existing credit line arrangements under the GAB are not a sufficiently large "reserve tank" to supplement the regular resources of the IMF. For example, the total financial package provided to Mexico during the peso crisis was larger than the GAB, whereas the NAB would total roughly \$46 billion at current exchange rates—roughly the size of the Mexican assistance plan and more than 2½ times the IMF's contribution to it. Operationally, the NAB incorporates three levels of protection to mitigate against moral hazard risk: it can only be used in exceptional circumstances; activation requires agreement by participants representing 80% of credit arrangements (the U.S. holds a near-veto by virtue of its share of just under 20%); and strong conditionality is applied when it is activated to finance IMF lending. NAB participants have a claim on the IMF, not on the country which the IMF is financing. The NAB lenders received interest on the amount of their claim, which is denominated in SDR. Interest is paid in SDRs, at the prevailing SDR interest rate, which is calculated on the basis of the prevailing short-term interest rates of the SDR's five component currencies.

In its FY 1998 supplemental budget request, the Administration has also requested authorization for a 45% increase in the ordinary (quota) resources of the IMF, and to provide the dollar equivalent of 10,622.5 billion SDRs (approximately \$14.5 billion). The rapid evolution of the global financial system and the growth in capital flows to rapidly growing emerging markets has helped facilitate international trade in goods and services and has helped raise standards of living worldwide. But it has also increased the risks that financial instability in one country can quickly be transmitted to others and magnified the potential size of financing gaps when emergencies arise. When there is a need to defend the international financial system, the IMF is uniquely placed to mobilize substantial assistance quickly and, when justified, to provide the largest share of official financing.

According to the Treasury Department, the IMF does not have sufficient funds to deal with a deepening of the Asian crisis or its spread to other developing markets. As a result of its Asian com-

mitments, the IMF's ordinary financial resources are approaching a historically low level. At present, the IMF has about \$45 billion in uncommitted resources, but only \$10–15 billion is available because an estimated \$30–35 billion must be held in reserve to accommodate potential withdrawals by members. In addition, the IMF has access to roughly \$23 billion in the GAB, for a total of \$33–38 billion of total lending capacity. By comparison, in the last six months alone the IMF's commitment to financial stabilization in Asia amounted to some \$35 billion.

It is important to note the distinction between the quota increase and the NAB. The IMF's quota resources serve a different purpose than the contingent lines of credit that form the NAB. Quota resources form the basis for the IMF's normal operations. The IMF must have assurance that it can rely on their availability in order to meet projected demand for its lending programs and any request from a creditor country to encash its claim on the institution. The NAB/GAB are intended to provide supplementary resources if the IMF is faced with an extraordinary request for assistance but lacks an adequate supply of quota resources. It is neither intended nor desirable that the GAB/NAB should be used to help finance normal IMF programs.

The Executive Branch and the Congress have, since 1968, agreed that transactions with the IMF related to U.S. credit line arrangements or the U.S. quota subscription are treated as exchanges of monetary assets that are not scored as outlays and, therefore, do not increase the deficit. When the U.S. provides resources to the IMF, it receives a liquid interest-bearing claim on the IMF which is backed by its substantial reserves, including gold. The U.S. claim is like a deposit in the soundest of financial institutions, on which the U.S. is paid interest and which it can withdraw on very short notice if needed. Since 1980, authorization and appropriations have been required when the U.S. advances funds to the IMF under quota commitments or credit line arrangements, but the "no outlay" treatment has remained in place. Over time, these claims do give rise to valuation adjustments. Under the five-year bipartisan budget agreement reached in 1997, an adjustment to the discretionary spending limits is assumed to accommodate exchanges of monetary assets and international organization arrears.

The Committee believes there is some confusion about the rate of interest charged on IMF loans under standby or similar credit facilities. Under current procedures in use at the Fund, the basic rate of charge (interest plus additional costs) applicable to members' use of the Fund's ordinary resources is determined at the beginning of each financial year. The rate of charge has been set as a proportion of the weekly SDR interest rate, and changes weekly. The SDR interest rate is calculated as the weighted average of short-term interest rates in the U.S., Germany, France, Japan, and the U.K. (with the 3-month Japanese Government Bond yielding an historic low of 1.40%). The current SDR interest rate is roughly 4.73%. Because of this averaging methodology, the cost of IMF financing is below the rates at which most borrowers can obtain from the market. These rates of interest may not be appropriate in all circumstances, particularly when extraordinary IMF financing is called for.

Here the Committee would note that the U.S. has successfully pushed for a radical change in IMF procedures so that interest rates on high levels of financing have been raised and includes an explicit risk premium. The Supplemental Reserve Facility (SRF), first used in Korea after its endorsement in Manila by Asian finance officials and APEC leaders in late 1997, combines not only market rates of interest—but premium rates some 300 basis points above the Fund's normal cost of financing—with shorter maturities. Modeled on America's use of the ESF during the Mexican peso crisis, the new facility maximizes the incentive for a quick return by governments to reliance on private market financing. It will be available only in limited circumstances and only in association with a strong policy response by the borrowing government needed to restore confidence.

HEARINGS

On November 13, 1997, the Committee on Banking and Financial Services held a hearing on financial instability in Asia. Witnesses were as follows: Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve System; Lawrence H. Summers, Deputy Secretary of the Treasury; John Lipsky, Chief Economist and Director of Research, Chase Manhattan Bank; Robert D. Hormats, Vice Chairman, Goldman Sachs (International); C. Fred Bergsten, Director, Institute for International Economics; David Hale, Chief Global Economist, Zurich Kemper Investments; and Jerome Levinson, Professor, American University College of Law.

On January 27, 1998, Chairman Leach (for himself, Mr. LaFalce, Mrs. Roukema, Mr. Vento, Mr. Hinchey, and Mr. Jackson) introduced H.R. 3114, the International Monetary Fund Reform and Authorization Act of 1998.

On January 30, 1998, the Committee on Banking and Financial Services held a hearing on financial instability in Asia and the role of the International Monetary Fund. Witnesses were as follows: Robert E. Rubin, Secretary of the Treasury; William S. Cohen, Secretary of Defense; Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve System; Lawrence H. Summers, Deputy Secretary of the Treasury; Paul Wolfowitz, Dean, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University; Lawrence Lindsey, Resident Scholar, American Enterprise Institute; Lawrence Chimerine, Senior Vice President and Chief Economist, Economic Strategy Institute; Steven Hanke, Professor of Applied Economics, The Johns Hopkins University; Robert Zoellick, Professor of National Security, United States Naval Academy; and C. Fred Bergsten, Director, Institute for International Economics.

On February 3, 1998, the Committee on Banking and Financial Services held its third hearing on financial instability in Asia and the role of the International Monetary Fund. Witnesses were as follows: the Hon. Peter J. Visclosky; the Hon. Cliff Stearns; the Hon. Michael D. Crapo; the Hon. Ron Paul; the Hon. Bernard Sanders; Raymond Bracy, President, Boeing China, the Boeing Company; George Becker, International President, United Steelworkers of America, AFL-CIO; Steve Appleton, Chairman, CEO, and President, Micron Technology, Inc.; Dean Kleckner, President, American

Farm Bureau Federation; Joseph Russo, President, IPSCO Steel, Inc.; Henson Moore, President and CEO, American Forest & Paper Association; John D. Cohn, Vice President of Global Strategy Development, Rockwell Collins; and Don Hilger, Assistant Vice President, Grain Division, Cargill, Inc., on behalf of the North American Export Grain Association.

COMMITTEE CONSIDERATION AND VOTES

On Thursday, March 5, 1998, the Committee on Banking and Financial Services met in open markup session and ordered H.R. 3114 reported to the full House for consideration, as amended, by a roll call vote of 40 to 9.

The Committee adopted the following 21 amendments by voice vote.

The Managers' Amendment offered by Mr. Leach and Mr. LaFalce further amended the findings and instructions to the Secretary of the Treasury under Title III—Policy Provisions, and added a new Title IV requiring semi-annual reports by the Secretary of the Treasury regarding implementation of IMF stabilization programs.

An amendment to the Managers' amendment by Mr. Bereuter to add the words "internationally acceptable" to the description of domestic bankruptcy laws was adopted by unanimous consent.

An amendment to the Managers' amendment by Mrs. Roukema adding several provisions to the reporting requirements contained in Title IV was adopted by unanimous consent.

An amendment to the Managers' amendment by Mr. Hinchey changing from passive to active wording language instructing the U.S. Executive Director of the IMF to seek to prevent social strife in borrowing countries was adopted by unanimous consent.

An amendment to the Managers' amendment by Mr. Hinchey changing from passive to active wording language instructing the U.S. Executive Director of the IMF to seek to promote sustainable development and environmental protection was adopted by unanimous consent.

An amendment offered by Mr. Castle to provide for reform of the architecture of the international financial system by requiring 3 reports outlining progress being made toward achieving establishing a set of international transparency principles and practices, promoting improvements by borrowers and lenders of timely and comprehensive aggregate information on cross-border financial stocks and flows, and seeking to establish an international accord establishing uniform minimum standards with respect to banking and supervisory systems. Also the amendment requires the Secretary of the Treasury to appear before Congress annually to report on the state of the international financial system, the progress being made in achieving policy goals, and the extent to which countries comply with the conditions of IMF assistance.

Two amendments considered En Bloc offered by Mr. Bereuter to the Castle amendment. These amendments added provisions to secure national treatment for U.S. investors and establish internationally acceptable bankruptcy standards as negotiating objectives for the Department of the Treasury and the Federal Reserve.

A substitute amendment by Mr. Leach to an amendment offered by Mr. Sanders. The substitute expresses the sense of Congress that the Government of Indonesia should immediately release Muchtar Pakpahan from prison and have all criminal charges against him dismissed.

An amendment by Ms. Waters providing that the Secretary of the Treasury shall certify to the House Banking and Senate Foreign Relations Committees that the U.S. Executive Director of the IMF will oppose further disbursements of funds to Indonesia unless the Indonesian government complies with the terms of its IMF reform package.

An amendment offered by Mr. Vento and Mr. Bentsen requiring the Secretary of the Treasury to publicly disclose letters of intent and memoranda of understanding reached between the IMF and recipient countries within 10 days of the agreement, subject to three exceptions.

An amendment offered by Mr. Lucas and Mr. Sandlin, adding a provision requiring the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to encourage the opening of markets for agricultural commodities and products. This amendment was modified by Mr. Lucas' unanimous consent request to insert the word "commodities."

An amendment offered by Mr. Kennedy requiring the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to structure IMF programs to as to protect the rights and land of indigenous people.

An amendment offered by Mr. Kennedy requiring the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to promote policies at the IMF regarding the consideration by the IMF of the budgetary transparency, degree of good governance, and military expenditures of borrowing countries.

An amendment offered by Ms. Waters requiring the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to structure IMF debt relief programs so that they do not impose unfair conditions on heavily indebted poor countries, increase the amount of debt relief available to poor countries, and decrease the time required to qualify for debt relief.

An amendment offered by Mrs. Roukema adding the words "and other appropriate federal agencies" to reporting requirements in Title IV.

An amendment offered by Mr. Kennedy requiring the Secretary of the Treasury to instruct U.S. Executive Director of the IMF to promote consideration of appropriate ways in which debtors and private creditors, in consultation with central banks, can be encouraged voluntarily to provide for an appropriate degree of burden sharing.

A substitute amendment offered by Mr. Leach an amendment offered by Mr. Hinchey to express the sense of Congress that Japan should promote domestic-demand led growth and avoid a significant increase in its external surplus with the U.S. and countries of the Asia-Pacific region.

An amendment offered by Mr. Sanders withholding authorization of U.S. contributions to the NAB and the IMF quota increase until the Secretary of Treasury certifies that the investors and banks

make a significant contribution in conjunction with a financial package that, in the context of an international financial crisis, might include taxpayer supported official financing. (After the Sanders motion to reconsider was agreed to, the amendment was adopted as a substitute for the Sanders/Bachus amendment which passed. See the roll call votes below.)

An amendment offered by Mrs. Kelly requiring that not later than 30 days after passage of this Act, the Secretary of the Treasury shall certify that the U.S. Executive Director of the IMF has been directed to facilitate timely access by GAO to information it needs to perform financial reviews of the IMF and further requires an annual report to Congress on the financial operations of the IMF.

An amendment by Mr. Bentsen adding to the reporting requirements included in Title IV.

An amendment offered by Mr. Hinchey requiring the Secretary of the Treasury to instruct the U.S. Executive Director to use the voice and vote to vigorously promote the adoption and enforcement of laws promoting respect for internationally recognized workers rights.

ROLLCALL VOTES

Clause 2(1)(2)(B) of rule XI of the Rules of the House requires the Committee to list the recorded vote on the motion to report legislation and amendments thereto. The following are the recorded votes on the motion to report H.R. 3114 and on amendment offered to the measure, including the names of those Members voting for and against.

An amendment offered by Mr. Sanders and Mr. Bachus to withhold authorization of U.S. contributions to the NAB and the IMF quota increase from taking effect until the Secretary of the Treasury certifies that the IMF has amended its bylaws to require funds to any country unless private creditors, investors and banks which have extended credit make significant prior contribution by debt relief, rollovers and the provision of new credit, was approved by a vote of 19–15. (This provision was later amended by an amendment offered by Mr. Sanders after his motion to reconsider the prior amendment was agreed to.)

YEAS	NAYS
Mr. Lazio	Mr. Leach
Mr. Bachus	Mrs. Roukema
Mr. Campbell	Mr. Castle
Mr. Royce	Mrs. Kelly
Mr. Lucas	Mr. Cook
Mr. Ehrlich	Mr. LaFalce
Mr. Barr	Mr. Frank
Dr. Paul	Mr. Kanjorski
Dr. Weldon	Ms. Roybal-Allard
Mr. Jones	Mr. Bentsen
Mr. Fossella	Mr. Maloney
Mr. Kennedy	Ms. Hooley
Ms. Waters	Mr. Weygand
Mr. Sanders	Mr. Sandlin

Mr. Barrett, T.
 Mr. Watt
 Mr. Hinchey
 Mr. Jackson, Jr.
 Mr. Sherman

Mr. Meeks, G.

The following six amendments were defeated by rollcall vote. First, an amendment offered by Mr. Sanders which required that the effective dates for new funding in the bill not take effect until the Treasury Secretary certifies that the IMF, in consultation with the International Labor Organization, has put in place an enforceable plan for the EU and Japan to absorb a reasonable share of the increased imports from South Korea, Indonesia, and Thailand resulting from compliance with the overall program approved by the IMF for resolution of the crisis. The amendment was defeated 5-32.

YEAS

Mr. Metcalf
 Mr. Ney
 Dr. Paul
 Mr. Jones
 Mr. Sanders

NAYS

Mr. Leach
 Mr. McCollum
 Mr. Bereuter
 Mr. Baker, R.
 Mr. Bachus
 Mr. Castle
 Mr. Campbell
 Mr. Lucas
 Mr. Ehrlich
 Mr. Fox
 Mrs. Kelly
 Mr. Ryun
 Mr. Snowbarger
 Mr. Riley
 Mr. LaTourette
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Mr. Kanjorski
 Mr. Kennedy
 Ms. Waters
 Ms. Roybal-Allard
 Mr. Barrett, T.
 Ms. Velázquez
 Mr. Watt
 Mr. Hinchey
 Mr. Bentsen
 Mr. Jackson, Jr.
 Mr. Maloney
 Mr. Sherman
 Mr. Sandlin
 Mr. Meeks, G.

Second, an amendment offered by Mr. Sanders to withhold authorization of U.S. contributions to the NAB and IMF quota increase from taking effect until the Secretary of the Treasury certifies that the IMF has amended its bylaws to prohibit the IMF

from providing assistance to any country which has not adopted and is enforcing laws promoting respect for internationally-recognized worker rights as defined in the Trade Act of 1974, as amended. This amendment was defeated 15–23.

YEAS	NAYS
Mr. Ney	Mr. Leach
Dr. Paul	Mrs. Roukema
Mr. Kennedy	Mr. Bachus
Ms. Waters	Mr. Castle
Mr. Sanders	Mr. Royce
Mr. Gutierrez	Mr. Lucas
Ms. Roybal-Allard	Mr. Ehrlich
Mr. Barrett, T.	Mr. Barr
Mr. Watt	Mr. Fox
Mr. Hinchey	Mrs. Kelly
Mr. Jackson, Jr.	Dr. Weldon
Mr. Maloney	Mr. Ryun
Mr. Weygand	Mr. Cook
Mr. Torres	Mr. Snowbarger
Mr. Meeks, G.	Mr. Riley
	Mr. Fossella
	Mr. LaFalce
	Mr. Vento
	Mr. Frank
	Mrs. Maloney
	Mr. Bentsen
	Ms. Hooley
	Mr. Sandlin

Third, an amendment offered by Mr. Bachus to instruct the U.S. Executive Director of the IMF to oppose provision of loans to countries which hinder the free exercise of religion. This amendment was defeated 8–30.

YEAS	NAYS
Mr. Bachus	Mr. Leach
Mr. Lucas	Mrs. Roukema
Mr. Metcalf	Mr. Bereuter
Dr. Paul	Mr. Lazio
Mr. Ryun	Mr. King
Mr. Cook	Mr. Campbell
Mr. Riley	Mr. Royce

Mr. Jones

Mr. Ehrlich
 Mr. Barr
 Mrs. Kelly
 Mr. LaTourette
 Mr. Fossella
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Mr. Kanjorski
 Mr. Kennedy
 Ms. Waters
 Mr. Sanders
 Mrs. Maloney
 Ms. Roybal-Allard
 Mr. Barrett, T.
 Mr. Watt
 Mr. Bentsen
 Mr. Maloney
 Ms. Hooley
 Mr. Weygand
 Mr. Sherman
 Mr. Sandlin
 Mr. Meeks, G.

Fourth, an amendment offered by Mr. McCollum that would condition the quota increase on whether a law is enacted that would bar the use of any funds from the Exchange Stabilization Fund without Congressional authorization. This amendment was defeated 9-32.

YEAS

Mr. McCollum
 Mr. Bachus
 Mr. Campbell
 Mr. Royce
 Mr. Metcalf
 Mr. Ryun
 Mr. Jones
 Mr. Fossella

NAYS

Mr. Leach
 Mrs. Roukema
 Mr. Bereuter
 Mr. Baker, R.
 Mr. Lazio
 Mr. Castle
 Mr. King
 Mr. Ehrlich

Mr. Sanders

Mrs. Kelly
 Mr. Cook
 Mr. LaTourette
 Mr. Manzullo
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Mr. Kanjorski
 Mr. Kennedy
 Ms. Waters
 Mrs. Maloney
 Ms. Roybal-Allard
 Mr. Barret, T.
 Ms. Velázquez
 Mr. Watt
 Mr. Hinchey
 Mr. Bentsen
 Mr. Jackson, Jr.
 Mr. Maloney
 Ms. Hooley
 Ms. Carson
 Mr. Weygand
 Mr. Sherman
 Mr. Sandlin

Fifth, an amendment offered by Mr. McCollum requiring the Secretary of the Treasury to instruct the U.S. Executive Director of the IMF to oppose loans from the IMF to any country in an amount that exceeds the equivalent of the lesser of \$10 billion; or the greater of an amount equal to 150% of the Special Drawing Rights of the country or \$5 billion, unless Congress has approved such loans by joint resolution. The amendment was defeated 9–35.

YEAS

Mr. McCollum
 Mr. Bachus
 Mr. Metcalf
 Mr. Barr
 Mr. Ryun
 Mr. Hill
 Mr. Sessions
 Mr. Jones

NAYS

Mr. Leach
 Mrs. Roukema
 Mr. Bereuter
 Mr. Lazio
 Mr. Castle
 Mr. King
 Mr. Campbell
 Mr. Royce

Mr. Fossella

Mr. Lucas
 Mr. Ehrlich
 Mr. Cook
 Mr. LaTourette
 Mr. Manzullo
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Mr. Kanjorski
 Mr. Kennedy
 Ms. Waters
 Mr. Sanders
 Mrs. Maloney
 Ms. Roybal-Allard
 Mr. Barrett
 Ms. Velázquez
 Mr. Watt
 Mr. Hinchey
 Mr. Bentsen
 Mr. Jackson, Jr.
 Mr. Maloney
 Ms. Hooley
 Ms. Carson
 Mr. Weygand
 Mr. Sherman
 Mr. Sandlin
 Mr. Meeks, G.

Sixth, an amendment offered by Mr. McCollum to require the Secretary of the Treasury to withdraw the U.S. from the IMF within 3 years of the date of enactment; submit reports on new mechanisms for addressing international monetary issues; and further requires the repeal of the Bretton Woods Agreement Act 3 years after the date of enactment. This amendment was defeated 12–36.

YEAS

Mr. McCollum
 Mr. Bachus
 Mr. Campbell
 Mr. Royce
 Mr. Ney
 Mr. Barr
 Mr. Ryun
 Mr. Riley
 Mr. Hill
 Mr. Sessions
 Mr. Jones

NAYS

Mr. Leach
 Mrs. Roukema
 Mr. Bereuter
 Mr. Lazio
 Mr. Castle
 Mr. King
 Mr. Lucas
 Mr. Ehrlich
 Mrs. Kelly
 Mr. Cook
 Mr. LaTourette

Mr. Sanders

Mr. Manzullo
 Mr. Fossella
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Mr. Kanjorski
 Mr. Kennedy
 Ms. Waters
 Mrs. Maloney
 Ms. Roybal-Allard
 Mr. Barrett, T.
 Ms. Velázquez
 Mr. Watt
 Mr. Hinchey
 Mr. Ackerman
 Mr. Bentsen
 Mr. Jackson, Jr.
 Mr. Maloney
 Ms. Hooley
 Ms. Carson
 Mr. Weygand
 Mr. Sherman
 Mr. Torres
 Mr. Sandlin
 Mr. Meeks, G.

A motion to adopt H.R. 3114, as amended, for final passage and favorably report it to the full House was approved by a vote of 40–9.

YEAS

Mr. Leach
 Mrs. Roukema
 Mr. Bereuter
 Mr. Lazio
 Mr. Castle
 Mr. King
 Mr. Lucas
 Mr Metcalf
 Mr. Ney

NAYS

Mr. McCollum
 Mr. Bachus
 Mr. Campbell
 Mr. Royce
 Mr. Barr
 Mr. Riley
 Mr. Hill
 Mr. Jones
 Mr. Sanders

Mr. Ehrlich
 Mrs. Kelly
 Mr. Ryun
 Mr. Cook
 Mr. Sessions
 Mr. LaTourette
 Mr. Manzullo
 Mr. Fossella
 Mr. LaFalce
 Mr. Vento
 Mr. Frank
 Mr. Kanjorski
 Mr. Kennedy
 Ms. Waters
 Mrs. Maloney
 Ms. Roybal-Allard
 Mr. Barrett, T.
 Ms. Velázquez
 Mr. Watt
 Mr. Hinchey
 Mr. Ackerman
 Mr. Bentsen
 Mr. Jackson, Jr.
 Mr. Maloney
 Ms. Hooley
 Ms. Carson
 Mr. Weygand
 Mr. Sherman
 Mr. Torres
 Mr. Sandlin
 Mr. Meeks, G.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT FINDINGS

Pursuant to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Reform and Oversight.

CONSTITUTIONAL AUTHORITY

In compliance with clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Constitutional Authority for Congress to enact this legislation is derived from Article I, section 8, clause 1 (relating to the general welfare of the United States); Article I, section 8, clause 3 (relating to Congressional power to regu-

late commerce); Article 1, section 8, clause 5 (relating to the power “to coin money” and “regulate the value thereof”; and Article I, section 8, clause 18 (relating to making all laws necessary and proper for carrying into execution powers vested by the Constitution in the government of the United States).

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

ADVISORY COMMITTEE STATEMENT

An advisory committee within the meaning of Section 5(b) of the Federal Advisory Committee Act was created to advise the Treasury Department on its policy toward the IMF. The Federal Advisory Committee Act (FACA) was instituted because Congress found that there were numerous committees and similar groups established to advise officers and agencies and there was a need to set the standards and uniform procedures on how they functioned and for how long. Because H.R. 3114 provides for an advisory committee on IMF policy representative of business, labor, nongovernmental environmental and human rights organizations, agriculture and financial services, and the provisions of the FACA apply. In order to override the termination provision of 2 years under sec. 14(a)(1) of the FACA for this advisory committee, Congress expressly provided that this section should not apply. Therefore, the bill specifically provides that the termination provision of the FACA should not apply to the IMF advisory committee.

CONGRESSIONAL ACCOUNTABILITY ACT

The reporting requirement under section 102(b)(3) of the Congressional Accountability Act (PL-104-1) is inapplicable because this legislation does not relate to terms and conditions of employment or access to public services or accommodations.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATES AND FEDERAL MANDATE COSTS ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 16, 1998.

Hon. JAMES A. LEACH,
Chairman, Committee on Banking and Financial Services, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3114, the International Monetary Fund Reform and Authorization Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Joseph C. Whitehill.

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

H.R. 3114—International Monetary Fund Reform and Authorization Act of 1998

Summary: H.R. 3114 would authorize appropriations for an increase in the United States' quota in the International Monetary Fund (IMF) equal to 10,622,500,000 Special Drawing Rights (SDR) and for an increase in the authority to make loans to the IMF equal to 2,462,000,000 SDR. In dollars, the authorizations would amount to approximately \$14.5 billion and \$3.4 billion, respectively. The authorizations would not directly affect federal outlays.

In addition, the bill would create a new advisory commission and would require additional reports. The new requirements are estimated to cost less than \$500,00 a year, assuming the appropriation of the necessary funds.

Because H.R. 3114 would not affect direct spending or receipts, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3114 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs) and budget function 800 (general government).

	By fiscal years, in millions of dollars—					
	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
Proposed Changes:						
Authorization Level	17,861	(¹)				
Estimated Outlays	0	(¹)				

¹ Less than \$500,000.

Basis of estimate: The estimate assumes enactment of the bill and subsequent appropriation of approximately \$14.5 billion for the quota increase in the IMF and approximately \$3.4 billion for authority to lend to the IMF under the New Arrangements to Borrow as requested by the President. The authorizations in the bill are specified in terms of Special Drawing Rights (or SDRs, a currency created by the IMF for the use of IMF members). In recent months, one SDR has been worth about \$1.35.

The quota subscription would involve an exchange of monetary assets between the Treasury and the IMF. The United States would turn over one form of internationally acceptable money and in exchange receive rights to draw international reserves from the IMF pool. The IMF has requested that the U.S. quota increase be paid in SDRs, which the United States would ultimately purchase from other IMF members. Only one-quarter of the \$14.5 billion increase in the U.S. quota, or about \$3.6 billion, would be transferred to the IMF in the form of SDRs. The rest would be provided in a letter of credit, which the IMF could draw on as needed. Similarly, the \$3.4 billion for the New Arrangements to Borrow would not involve cash payments to the IMF unless circumstances threatened international economic stability.

Exchanges of monetary assets—which change the composition but not the level of the government's holdings of cash, or its equiv-

alent—are not counted as budgetary outlays. Accordingly, increasing the United States' IMF quota would not directly affect the budget surplus or deficit. The quota increase would ultimately increase the federal debt because the Treasury would have to purchase additional SDRs. To the extent that interest earnings received from the IMF on reserve holdings differ from the interest costs on the increase in the debt, the surplus or deficit could be affected. In addition, there would be a chance of gain or loss from currency fluctuations.

Finally, the bill would create a new advisory committee and require the Treasury to prepare additional reports. CBO estimates that preparing the reports and funding the advisory committee would cost less than \$0.5 million annually.

Pay-as-you-go considerations: None.

Intergovernmental and private-sector impact: The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by: Federal Costs: Joseph C. Whitehill. Impact on State, Local, and Tribal Governments: Pepper Santalucia. Impact on the Private Sector: Patrice Gordon.

Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

SECTION-BY-SECTION ANALYSIS

Section 1. Short Title

This Act may be cited as the “International Monetary Fund Reform and Authorization Act of 1998.”

Section 2. Findings

This section includes Congressional findings with respect to the International Monetary Fund and U.S. interests, the social and economic impact of the Asian financial crisis, the need for reforms of the IMF and the international financial system, the need to minimize moral hazard, and the importance of contributions by the private sector to resolutions of financial crises.

TITLE I—INTERNATIONAL MONETARY FUND

Sec. 101—Participation in Quota Increase. This section authorizes the Administration's FY 1998 supplemental budget request of the dollar equivalent of 10,622.5 billion SDRs (approximately \$14.5 billion in budget authority but with no outlay effect) for an increase in the quota of the United States in the IMF. The effectiveness of the authorization is made subject to a certification by the Secretary of the Treasury to the House and Senate authorizing committees that investors and banks make a significant contribution in conjunction with a financing package that, in the context of an international financial crisis, might include taxpayer supported official financing. The sentiment behind the adoption of this provision and the identical one in section 201 below, is to signal the strong opposition of the Committee to the privatization of gain and the socialization of loss in connection with an IMF-led financial stabilization effort.

TITLE II—NEW ARRANGEMENTS TO BORROW

Sec. 201—New Arrangements to Borrow. This section authorizes the Administration's FY 1998 supplemental budget request of the dollar equivalent of 2,462 billion SDRs (approximately \$3.4 billion not with no outlay effect) for U.S. participation in the New Arrangements to Borrow. It would also permit the dollar equivalent of 4,250 SDRs already authorized by Section 17 of the Bretton Woods Agreements Act for the GAB to be made available to the IMF under the NAB. The amount previously authorized for the GAB would continue to be made available under the GAB, although the NAB would be the facility of first recourse. However, funds from the U.S. under the GAB and NAB combined may not exceed the dollar equivalent of 6,712 billion SDRs. The effectiveness of the authorization is made subject to a certification by the Secretary of the Treasury to the Congressional authorizing committees that investors and banks make a significant contribution in conjunction with a financing package that, in the context of an international financial crisis, might include taxpayer supported official financing.

TITLE III—POLICY PROVISIONS

Sec. 301—Advocacy of Certain Policies. Section 301 amends Title XV of the International Financial Institutions Act by adding at the end a new section 1503. Section 301(a) directs the Secretary of the Treasury to instruct U.S. Executive Director of the IMF to use aggressively his or her voice and vote to do the following: (1) vigorously promote policies to increase the effectiveness of the IMF contributing to exchange rate stability and avoiding competitive devaluations; (2) vigorously promote policies to increase the effectiveness of the IMF promoting market-oriented reform; (3) vigorously promote policies to increase the effectiveness of the IMF, in concert with appropriate international authorities and other international financial institutions, in strengthening financial systems in developing countries; (4) vigorously promote policies to increase the effectiveness of the IMF, in concert with appropriate international authorities and other international financial institutions, in facilitating the development and implementation of internationally financial institutions, in facilitating the development and implementation of internationally acceptable bankruptcy laws; (5) vigorously promote policies that aim at appropriate burden-sharing by the private sector so that investors and creditors bear more fully the consequences of their decisions; (6) vigorously promote policies that would make the IMF a more effective mechanism, in concert with appropriate international authorities and other international financial institutions, for promoting good governance principles; (7) vigorously promote the design of IMF programs and assistance so that governments that borrow from the IMF channel public funds away from unproductive purposes and toward investment in human and physical capital, as well as social programs for the neediest; (8) work with the IMF to foster economic prescriptions that are tailored for individual borrowing countries; (9) structure IMF programs and assistance so that the maintenance and improvement of core labor standards are routinely incorporated as an integral goal

in the policy dialogue with recipient countries; (10) vigorously promote the adoption and enforcement of laws promoting respect for internationally recognized worker rights; (11) vigorously promote IMF programs and policies to discourage ethnic or social strife; (12) vigorously promote recognition by the IMF of the need to promote policies for sustainable development and environmental protection; (13) facilitate greater IMF transparency; (14) facilitate greater IMF accountability and enhance IMF self-evaluation; (15) vigorously promote coordination with the World Bank and other international financial institutions in promoting structural reforms which facilitate the provision of credit to small business, including microenterprise lending; (16) vigorously promote, in the context of the IMF's policy dialogue with member countries, measures to protect the rights and land of indigenous peoples; (17) vigorously promote policies so that when the IMF lends to member countries the Fund considers the extent to which the borrowing country has demonstrated a commitment to transparent defense budgets, reducing excessive military involvement in the economy, and making substantial reductions of excessive military expenditures; and (18) structure IMF debt relief programs so that they do not impose unfair conditions on heavily indebted poor countries. The section also requires the Secretary of the Treasury to coordinate with other executive departments to the extent it would assist in achieving the above policy goals.

The committee recognizes that several of the policy provisions contained in Section 301(a) broadly reflect the approach to the Asian crisis taken by the U.S. and the IMF. Both with respect to the situation in Asia and in general, the U.S. and the Fund are committed to policies that seek to prevent competitive devaluations, promote market-oriented reform, trade liberalization, and the adoption of sound banking principles and practices. In this regard, the IMF-led stabilization programs in Thailand, Indonesia, and South Korea all emphasize measures to strengthen the domestic financial system, the elimination of cronyism and corruption, the opening of domestic capital markets, and structural reforms to break up commodity monopolies and to open other protected areas of economy to foreign competition. These changes should not only help these countries stabilize their economies and promote sustainable development, but also help to open markets and create new opportunities for American businesses, workers, and farmers.

With respect to market opening in agriculture, reference in this section to "agricultural commodities and products" shall refer to all agricultural commodities and products of agricultural commodities in the broadest sense of the term, including unprocessed timber and wood and wood products processed to standards and specifications suitable for end product use.

Weak banking systems are widely recognized to have contributed to the development of the Asian crisis. The Committee notes that open markets are particularly important in finance where foreign banks and financial firms can assist in capital formation and help to underpin robust financial systems. As the IMF has observed, providing well-managed financial institutions with access to developing as well as developed markets promotes the spread of high-quality management systems and professional skills, contributing

to the strengthening of “credit culture.” In the United States, for example, over 26% of bank assets and approximately 38% of all commercial and industrial loans are held by foreign banks. In Hong Kong, foreign-owned banks hold roughly 70% of bank assets. Little appears more counterproductive for countries than protectionism in financial services. Likewise, to the extent that sources of financial instability can be found in microeconomic and institutional failings, including weakness in domestic laws that undermine the collection of collateral, the Committee supports efforts to develop credible international bankruptcy standards.

The Committee understands that the genesis of the Asian crisis had more to do with structural weaknesses in handling large capital inflows than lax monetary or fiscal policies, and that unlike Mexico the short-term external debts of the Asian economies in difficulty are primarily to obligations of private sector entities. Thus the Committee would strongly underscore its concern that the IMF’s role is not expanded from being a last-resort stabilizer of currencies and economies to a lender of last-resort to banking systems. The IMF can responsibly stabilize economies to protect innocent bystanders against the effects of financial contagion, but it is not the IMF’s role to bail out banks or other private creditors. Capitalists should not be shielded from mistakes of capital allocation. In this context, Section 301 of the bill references several elements of a May 1996 G-10 study on the prevention and resolution of sovereign liquidity crises, and strongly encourages the U.S. to vigorously explore a variety of approaches to minimize moral hazard with respect to creditors and debtors.

The Committee is aware that the U.S. has been pursuing an active reform agenda within the IMF. Sound monetary and fiscal policies should remain the cornerstone of IMF policy advice and conditional lending to member governments. However, with the strong support of the U.S. and other countries, the IMF has also become an increasingly effective promoter of market-oriented structural reforms—as demonstrated by its recent programs in Asia. Further emphasis on appropriate structural reforms by the IMF in conjunction with other international financial institutions would be warranted. Areas of emphasis in structural reform highlighted in this legislation include: reform of governmental procurement policies to ensure a non-biased, open, transparent and fair bidding process (utilizing third party procurement services where appropriate); promoting good governance by reducing opportunities for corruption; and ensuring that scarce budgetary resources are channeled away from unproductive purposes, including excessive military spending, and toward investment in human and physical capital as well as social safety nets.

The Committee believes that the establishment of core labor standards and ensuring human rights are vital to successful development, and has therefore included language in the legislation ensuring that these issues receive a high priority at the Department of the Treasury and the International Monetary Fund. The legislation therefore directs the Secretary of the Treasury Department to aggressively use the voice and vote of the U.S. Executive Director of the IMF programs and assistance so that the maintenance and improvement of core labor standards are routinely incorporated as

an integral goal in the policy dialogue with recipient countries, in order to achieve several important policy objectives enumerated in the bill advancing worker projects. These objectives are: recipient governments commit to affording the right to exercise internationally recognized worker rights, including the right of free association and collective bargaining through unions of their own choosing; measures designed to facilitate labor market flexibility are consistent with such core worker rights; the staff of the IMF takes into account the views of the ILO, particularly with respect to the effect of labor market flexibility measures on core worker rights in such countries; and the staff of the IMF surveys the labor market policies and practices of recipient countries and recommends policy initiatives that will help ensure the maintenance of improvement of core labor standards.

Likewise, the Committee included language strongly encouraging the U.S. to ensure that IMF stabilization plans are tailored to address the specific causes of a particular country's crisis, do not exacerbate social tensions or ethnic strife, protect the rights and land of indigenous peoples, and promote policies for sustainable development and environmental protection.

The Committee recognizes that the U.S. demand for greater Fund transparency has been controversial. Many IMF members believe that the candor of the Fund's consultations with governments and its access to highly sensitive exchange rate, interest rate and other policy data, which are necessary for the Fund to perform its mission, would be jeopardized if the traditional confidentiality of its activities were not kept. But it is the Committee's view that the kinds of deep structural reforms the IMF is asking governments to carry out are far more likely to be sustained if accompanied by broad public understanding and support. Indeed, the IMF itself appears to recognize the need for some increase in Fund transparency. Although the Committee applauds these improvements, the Administration is nevertheless urged to redouble its efforts to ensure that to the maximum degree possible, the Fund errs on the side of greater transparency and disclosure.

The Committee strongly believes that full accountability and objective evaluation of Fund operations and programs is essential. In this regard, the Committee understands that in 1996, after repeated prodding from the United States, the IMF agreed to strengthen the external and internal evaluation of Fund programs and activities. First, the IMF agreed, for the next several years, to commission 2-3 independent and external evaluations a year. These external policy reviews are designed to complement ongoing external audits. Second, the IMF also agreed to strengthen its in-house evaluation of activities and programs. Among these latter reforms, the Fund's Office of Internal Audit and Review was reorganized and redesignated as the Office of Internal Audit and Inspection. The Committee is prepared to give these reforms the benefit of the doubt, provided the principles that guide internal audit activities include independence, effectiveness, transparency, and comprehensiveness. To the extent that this internal evaluation unit does not facilitate timely review of Fund programs and afford the opportunity for policy changes, the Committee would strongly sup-

port a separate evaluation office independent from management and the Executive Board.

The Committee also included a provision referencing the IMF's role in providing structural adjustment to poor developing countries (funded by contributions to the Enhanced Structural Adjustment Facility), and the Reform of the Heavily Indebted Poor Countries Debt Initiative (HIPC). The HIPC initiative is a framework supported by the United States, and developed jointly by the World Bank and IMF, to address the external debt problems of heavily indebted poor countries. Most of the HIPCs are in Sub-Saharan Africa. The HIPC initiative recognizes that simply providing new financing to help pay for old financing was not an effective means for helping debtor countries with unsustainable debt burdens. The initiative seeks to reduce the debt burden of poor countries to sustainable levels and thereby increase the resources available for private sector economic activity, infrastructure development, and poverty reduction. The Committee expects to continue its close consultations with Treasury on this matter.

Section 301(b) requires the establishment of a new eight member private sector advisory committee on IMF policy. The eight members, to be appointed by the Secretary of the Treasury after appropriate consultations with the relevant organizations, shall be composed of 2 members each from: organized labor, banking and financial services, industry and agriculture, and nongovernmental environmental and human rights organizations. The Advisory Committee shall meet not less frequently than every six months with either the Secretary or Deputy Secretary of the Treasury to review, and provide advice on, the extent to which individual country IMF programs meet the policy goals set forth in this legislation regarding the IMF.

By creating a mechanism for regular interchange between the Treasury Department and the private sector on the IMF, the effectiveness of the Fund should be strengthened and U.S. public support for its mission and programs be enhanced. The Committee originally contemplated linking this important consultative mechanism with the National Advisory Council on International Monetary and Financial Policies (NAC), created in 1966 under Executive Order. However, the Committee concluded that the NAC has become moribund and plays little or no policymaking role. In addition, under Chapter 3 of Public Law 91-599, the NAC is required to present an annual report to Congress. But the last report Congress received was the NAC report for 1992. The Committee is concerned not only that the NAC may have outlived its usefulness, but that Treasury has so egregiously failed to produce required reports to Congress on a timely basis. The Committee will not tolerate such tardiness in the future.

Sec. 302—Availability of IMF letters of intent regarding agreements required in order to receive assistance. This section further amends Title XV of the International Financial Institutions Act by adding a new section 1504 that requires the Secretary of the Treasury to make letters of intent and similar Fund documents available to the public seven calendar days after receiving a copy of such documents from the U.S. Executive Director of the IMF—or ten days after the Fund itself receives or approves such documents. There

are three exceptions to this strong presumption in favor of full transparency, when release of the documents would: endanger the national security of the country or the U.S.; disrupt markets; or be contrary to the obligations of the U.S. as a member of the IMF. Should all or parts of such documents be withheld from the public, the Committee expects those documents to be promptly made available to Members (as they are now available upon request) with a full explanation of why there was no public disclosure. Given that the purpose of this section is to encourage timely, open disclosure of IMF agreements, the Committee expects these exceptions to be narrowly construed and infrequently invoked. As noted earlier, the Committee strongly encourages the Fund to work with member countries to ensure public disclosure of documents and agreements, such as Article IV consultations.

Sec. 303—Enforcement of Indonesian compliance with reforms required by the IMF. This provision requires a certification by the Secretary of the Treasury to the Congressional authorizing committees that the U.S. Executive Director at the IMF will oppose further disbursements of funds to Indonesia unless the Indonesian government complies with the terms of its IMF standby agreement. The Committee is greatly concerned that continued delays in the full and demonstrable implementation of IMF reforms in Indonesia will further undermine market confidence there, with potential negative ramifications throughout the region. In this regard, the IMF recently announced that it would delay the second tranche of \$10 billion in loan commitments to Indonesia, worth roughly \$3 billion. While the Committee is mindful of the economic and social costs of adjustment and the consequent need for reasonable policy flexibility, implementation of IMF policy conditionality is both critical to the success of the stabilization effort and to mitigating the moral hazard associated with IMF-led financial assistance packages.

Sec. 304—Sense of the Congress on the treatment of Muchtar Pakpahan. This provision states the sense of Congress that the government of Indonesia should immediately release the independent labor leader Muchtar Pakpahan from prison and have all criminal charges against him dismissed.

Sec. 305—Sense of the Congress on the role of Japan in restoring regional and global economic growth. This provision states the sense of Congress that Japan should assume a greater regional leadership role in helping to resolve the ongoing economic and financial crisis in Asia, a role which would coincide with Japan's goal of promoting strong domestic demand-led growth and avoiding a significant increase in its external surplus with the U.S. and the countries of the Asia-Pacific region.

TITLE IV—REPORTS

Sec. 401—Semiannual reports on financial stabilization programs led by the IMF in connection with financing from the Exchange Stabilization Fund. This section amends Title XVII of the International Financial Institutions Act by adding at the end a new section 1704. This provision requires the Secretary of the Treasury, in consultation with the Secretary of Commerce and other appropriate federal agencies, to prepare reports on the implementation of finan-

cial stabilization programs led by the IMF in countries in connection with which the U.S. has either made a commitment to provide, or actually provided, financing from the Exchange Stabilization Fund (ESF) established by the Gold Reserve Act of 1934.

The Gold Reserve Act of 1934, as amended, provides that consistent with the obligations of the U.S. in the IMF on orderly exchange rates, the Secretary of the Treasury, with the approval of the President, may deal in gold, foreign exchange, and other instruments of credit and securities as necessary. A loan or credit to a foreign entity or government of a foreign country may be made for more than 6 months in a 12-month period only if the President gives Congress a written statement that unique or emergency circumstances require the loan to be for more than six months. There have been no appropriations to the ESF since 1934, as the ESF is self-financing. The Administration has pledged \$3 billion in supplemental conditional financing to Indonesia, and another \$5 billion to South Korea, as a second line of defense in support of their IMF-led financial stabilization packages. To date, there has been no disbursement from the ESF in connection with these programs. Although the Committee strongly opposes efforts to restrict necessary Executive Branch flexibility in utilizing the ESF, it likewise would emphasize the importance of providing a complete accounting to the Congress in this report on the use of this facility—including the extent to which the extension of any credits through the ESF is backed by collateral or other guarantees.

Section 401 provides for semi-annual reports on any IMF financial stabilization programs in which the U.S. has either pledged or used the resources of the ESF. With respect to these reports, the Committee strongly urges the Secretary of the Treasury, the Secretary of Commerce and other appropriate federal agencies to focus particular attention on the implementation of structural reforms in the sectors that in the past have been the beneficiaries of significant government support in East Asian countries, including the semi-conductor, steel, and paper industries.

There is now a broad consensus that the Asian financial crisis stems to a significant measure from overinvestment, and from the practice of policy-based lending on non-commercial terms to promote the rapid expansion of favored industries. When world markets could not absorb the resulting excess capacity, the prices for major export products of these countries declined sharply, thereby threatening the ability of the companies in these sectors to service the substantial and often short-term foreign currency loans used to underwrite the aggressive capacity expansion. The Committee concurs with the assessment of Michel Camdessus, the Managing Director of the IMF, who recently said “the relationships among governments, corporations, and financial institutions were so close * * * that in the long run they could only result in unclear accountability and disastrous investment and lending decisions, ultimately banking sector health and impeding competition.”

The IMF-led financial stabilization programs in Asia, if fully and faithfully implemented, should increase transparency and promote market-based investment decisions. The goal of the Fund's structural reforms is to sever the link between the government, the financial sector, and corporations. Market mechanisms must be al-

lowed to work, even if this means allowing those companies that are unable to sustain themselves on a commercial basis to fail. The Committee is concerned that countries in the region may attempt to rely solely on an export-led recovery, including the practice of targeted exports, in order to solve their economic difficulties. The Committee believes that domestic demand-led recoveries are preferable and more sustainable in the long run, as well as more compatible with structural reform efforts that should reduce excess capacity and eliminate economic inefficiencies.

The Committee supports the actions taken by the Administration to pursue dispute settlement at the WTO against Indonesian violations of the WTO Subsidies Code through subsidies to the national care program, but the Committee is concerned that this is the only action pursued by the Administration since the new WTO Subsidies Code went into effect on January 1, 1995. In light of all the testimony received by the Committee on subsidies and other unfair trade practices in areas spanning agriculture, autos, paper and wood products, semi-conductors, and steel, the Committee urges the Administration to vigilantly monitor and pursue these practices at the WTO.

In particular, the Committee urges WTO attention to the evidence of massive subsidies granted to Hanbo Steel, Korea's second largest steel producer. The Committee understands that this company declared bankruptcy in January 1997 after receiving \$5.8 billion in loans from government owned and government directed banks. It has evidently continued to receive government support since its bankruptcy filing and its lenders may never be repaid. According to press reports, however, government controlled POSCO is completing the Hanbo steel complex. The Committee expects to work closely with the committees of jurisdiction on this important trade issue, and likewise expects Treasury and other appropriate federal agencies to closely monitor implementation of Korean reforms directed at corporate governance, corporate structure, and the cessation of subsidized support or tax privileges to individual corporations.

The Committee believes particular attention must be paid to the accuracy of financial reports. The failure of governments and the private sector in Asian countries that have received financial assistance to maintain accurate financial and accounting records, has been a major element of the crisis of confidence in the region. It is critical that international accounting standards be adopted and maintained by recipients of IMF assistance.

To this end, the Committee feels strongly that the conditions imposed in the IMF stabilization programs must be monitored and enforced in the most effective manner possible. The reporting requirements contained in this provision require a high level of oversight by the Administration regarding implementation of the stabilization programs. In this regard, the Committee would be supportive of efforts through the appropriations process to ensure that adequate funding is available to place additional personnel with expertise in these countries. The IMF and the U.S. must be prepared to react rapidly when they see policies or practices being adopted that contradict the letter or intent of the conditions contained in the stabilization programs. If recipients of IMF-led financial assist-

ance are not implementing agreed upon reforms, the U.S. must strongly consider recommending to the IMF that the Fund withhold future disbursements under such programs until satisfactory steps are taken in these countries to implement the conditions.

Sec. 402—Reports on Reforming the Architecture of the International Financial System. The purpose of this provision is help to protect the U.S. from future international financial upheavals and to promote reforms in the international financial system by strengthening U.S. efforts to improve the performance of the IMF and the financial practices of the nations receiving IMF assistance. In addition to providing the policy guidance on international financial reform discussed below, the section also requires several interim and one final report by the Secretary of the Treasury to several Congressional committees regarding progress made toward enhancing the stability of the international financial system.

In the wake of the Mexican financial crisis, the U.S. and other G-7 nations agreed that the international community must take steps to improve its ability to address the risks inherent in the dramatic growth of private capital flows, the increased integration of domestic capital markets, and greater recourse to financial innovations. The IMF has carried out a number of these initiatives launched by the G-7 countries at the June 1995 Halifax Summit.

The clear emphasis in these initiatives was to strengthen early warning systems, through improved and more effective surveillance of national economic policies and financial market developments by the IMF and fuller disclosure of key information to market participants. The most significant achievement has been the establishment, in April 1996, in the IMF of the voluntary Special Data Dissemination Standard for provision of economic and financial statistics to the public. In addition, prior to the onset of the Asian crisis, the Fund had begun work on in strengthening financial supervision in emerging market economies.

In retrospect, however, it is evident that these efforts to promote stability in a globalized economy lost momentum and did not go far enough. Despite the Halifax reforms, the IMF was not successful in anticipating and/or preventing the full extent of the Asian crisis. But this is probably also an unrealistic objective. Even when the IMF believes a country is pursuing unsustainable economic policies, it cannot compel a country to take policy measures if it is unwilling. The example of Mexico in 1994-1995 is widely recognized as an example of the Fund failing to anticipate a serious financial crisis, while the case of Thailand in 1996-1997 may emerge as an example of timely advice going unheeded.

The Committee is also cognizant that the issues are extremely complex, are perhaps not yet fully understood by the most sophisticated financial authorities and market participants, and will need to be addressed in a multilateral context. Consequently, the Committee identifies several areas of weakness in present international financial system and finds that the Treasury and Federal Reserve should seek to establish robust and common international standards with respect to private sector accounting and disclosure, disclosure of cross-border financial flows, banking standards and supervision, open investment rules, and acceptable bankruptcy rules and procedures. The Committee strongly expects to continue close

consultations with the Treasury and Federal Reserve on these and related matters.

Nonetheless, as Chairman Greenspan has testified, it is prudent to expect that despite current and future efforts at risk containment and prevention the system may fail in some instances, “triggering vicious cycles and all the associated contagion for innocent bystanders.” By providing a backup source of highly conditional international financial support, the IMF plays an essential stabilizing role. While the last half of the twentieth century has hardly been crisis free, it has featured nothing like the deep and prolonged global economic downturns that characterized earlier eras.

Sec. 403—Annual report and testimony on the state of the international financial system, IMF reform, and compliance with IMF agreements. This section amends Title XVII of the International Financial Institutions Act by adding at the end a new section 1705, requiring an annual report and testimony on the state of the international financial system, IMF reform, and compliance with IMF agreements by the Secretary of the Treasury. The purpose of the annual report is to provide the Congressional authorizing committees an assessment of the extent to which progress has been made by the U.S. in influencing the IMF to adopt the policies and reform in its internal procedures through utilizing the voice and vote of the U.S. Executive Director. The purpose of the annual testimony by the Secretary of the Treasury is to provide the authorizing committees with a thorough overview of U.S. interests and leadership in the international financial system, with specific reference to: progress made in reforming the IMF; the status of efforts to reform the international financial system; and the compliance of countries which have received assistance from the IMF with agreements made as a condition of receiving assistance.

Sec. 404—Audits of the international monetary fund. This provision further amends Title VII of the International Financial Institution Act by adding a new section 1706, regarding audits of the IMF. It requires a certification by the Secretary of the Treasury to the authorizing committees of Congress that the Secretary has instructed the U.S. Executive Director at the IMF to facilitate timely access by the GAO to information and documents of the IMF needed by the GAO to perform financial reviews of the Fund. It further requires by June 30, 1999, and annually thereafter the GAO shall prepare and submit to the above Congressional committees a report on the financial operations of the Fund during the preceding year. The Committee expects to consult closely with GAO regarding the production of this report.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

BRETTON WOODS AGREEMENTS ACT

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SEC. 17. (a) In order to carry out the purposes of the decision of January 5, 1962, [and February 24, 1983] *February 24, 1983, and January 27, 1997*, as amended in accordance with their terms, of the Executive Directors of the International Monetary Fund, the Secretary of the Treasury is authorized to make loans, in an amount not to exceed the equivalent of [4,250,000,000] 6,712,000,000 Special Drawing Rights, limited to such amounts as are provided in advance in appropriations Acts, except that prior to activation, the Secretary of the Treasury shall certify that supplementary resources are needed to forestall or cope with an impairment of the international monetary system and that the Fund has fully explored other means of funding, to the Fund under article VII, section 1(i), of the Articles of Agreement of the Fund. Any loan under the authority granted in this subsection shall be made with due regard to the present and prospective balance of payments and reserve position of the United States.

(b) For the purpose of making loans to the International Monetary Fund pursuant to this section, there is hereby authorized to be appropriated [4,250,000,000] 6,712,000,000 Special Drawing Rights, except that prior to activation, the Secretary of the Treasury shall certify whether supplementary resources are needed to forestall or cope with an impairment of the international monetary system and that the Fund has fully explored other means of funding, to remain available until expended to meet calls by the International Monetary Fund. Any payments made to the United States by the International Monetary Funds as a repayment on account of the principal of a loan made under this section shall continue to be available for loans to the International Monetary Fund.

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(d) Unless the Congress by law so authorizes, neither the President, the Secretary of the Treasury, nor any other person acting on behalf of the United States, may instruct the United States Executive Director to the Fund to consent to any amendment to the Decision of February 24, 1983, or the *Decision of January 27, 1997*, of the Executive Directors of the Fund, if the adoption of such amendment would significantly alter the amount, terms, or conditions of participation by the United States in the General Arrangements to Borrow or the *New Arrangements to Borrow, as applicable*.

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SEC. 61. QUOTA INCREASE.

(a) *IN GENERAL.*—The United States Governor of the Fund may consent to an increase in the quota of the United States in the Fund equivalent to 10,622,500,000 Special Drawing Rights.

(b) *SUBJECT TO APPROPRIATIONS.*—The authority provided by subsection (a) shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.

INTERNATIONAL FINANCIAL INSTITUTIONS ACT

TITLE XV—OTHER POLICIES

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SEC. 1503. ADVOCACY OF POLICIES TO ENHANCE THE GENERAL EFFECTIVENESS OF THE INTERNATIONAL MONETARY FUND.

(a) *IN GENERAL.*—The Secretary of the Treasury shall instruct the United States Executive Director of the International Monetary Fund to use aggressively the voice and vote of the Executive Director to do the following:

(1) *Vigorously promote policies to increase the effectiveness of the International Monetary Fund in structuring programs and assistance so as to promote policies and actions that will contribute to exchange rate stability and avoid competitive devaluations that will further destabilize the international financial and trading systems.*

(2) *Vigorously promote policies to increase the effectiveness of the International Monetary Fund in promoting market-oriented reform, trade liberalization, economic growth, democratic governance, and social stability through—*

(A) *appropriate liberalization of pricing, trade, investment, and exchange rate regimes of countries to open countries to the competitive forces of the global economy;*

(B) *opening domestic markets to fair and open internal competition among domestic enterprises by eliminating inappropriate favoritism for small or large businesses, eliminating elite monopolies, creating and effectively implementing anti-trust and anti-monopoly laws to protect free competition, and establishing fair and accessible legal procedures for dispute settlement among domestic enterprises;*

(C) *privatizing industry in a fair and equitable manner that provides economic opportunities to a broad spectrum of the population, eliminating government and elite monopolies, closing loss-making enterprises, and reducing government control over the factors of production;*

(D) *economic deregulation by eliminating inefficient and overly burdensome regulations and strengthening the legal framework supporting private contract and intellectual property rights;*

(E) *establishing or strengthening key elements of a social safety net to cushion the effects on workers of unemployment and dislocation; and*

(F) *encouraging the opening of markets for agricultural commodities and products by requiring recipient countries to make efforts to reduce trade barriers.*

(3) *Vigorously promote policies to increase the effectiveness of the International Monetary Fund, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), in strengthening financial systems in developing countries, and encouraging the adoption of sound banking principles and practices, including the development of laws and regulations that will help to ensure that domestic financial institutions meet strong standards regarding capital reserves, regulatory oversight, and transparency.*

(4) *Vigorously promote policies to increase the effectiveness of the International Monetary Fund, in concert with appropriate international authorities and other international financial in-*

stitutions (as defined in section 1701(c)(2)), in facilitating the development and implementation of internationally acceptable domestic bankruptcy laws and regulations in developing countries, including the provision of technical assistance as appropriate.

(5) Vigorously promote policies that aim at appropriate burden-sharing by the private sector so that investors and creditors bear more fully the consequences of their decisions, and accordingly advocate policies which include—

(A) strengthening crisis prevention and early warning signals through improved and more effective surveillance of the national economic policies and financial market development of countries (including monitoring of the structure and volume of capital flows to identify problematic imbalances in the inflow of short and medium term investment capital, potentially destabilizing inflows of offshore lending and foreign investment, or problems with the maturity profiles of capital to provide warnings of imminent economic instability), and fuller disclosure of such information to market participants;

(B) accelerating work on strengthening financial systems in emerging market economies so as to reduce the risk of financial crises;

(C) consideration of provisions in debt contracts that would foster dialogue and consultation between a sovereign debtor and its private creditors, and among those creditors;

(D) consideration of extending the scope of the International Monetary Fund's policy on lending to members in arrears and of other policies so as to foster the dialogue and consultation referred to in subparagraph (C);

(E) intensified consideration of mechanisms to facilitate orderly workout mechanisms for countries experiencing debt or liquidity crises;

(F) consideration of establishing ad hoc or formal linkages between the provision of official financing to countries experiencing a financial crisis and the willingness of market participants to meaningfully participate in any stabilization effort led by the International Monetary Fund;

(G) using the International Monetary Fund to facilitate discussions between debtors and private creditors to help ensure that financial difficulties are resolved without inappropriate resort to public resources;

(H) the International Monetary Fund accompanying the provision of funding to countries experiencing a financial crisis resulting from imprudent borrowing with efforts to achieve a significant contribution by the private creditors, investors, and banks which had extended such credits; and

(I) in the context of International Monetary Fund responses to international financial crises, vigorously promote consideration of appropriate ways in which debtors and private creditors, in consultation with central banks, can be encouraged voluntarily to take steps to achieve resolution of outstanding debts, and to do so in a manner that provides for an appropriate degree of burden-sharing.

(6) Vigorously promote policies that would make the International Monetary Fund a more effective mechanism, in concert with appropriate international authorities and other international financial institutions (as defined in section 1701(c)(2)), for promoting good governance principles within recipient countries by fostering structural reforms, including procurement reform, that reduce opportunities for corruption and bribery, and drug-related money laundering.

(7) Vigorously promote the design of International Monetary Fund programs and assistance so that governments that draw on the International Monetary Fund channel public funds away from unproductive purposes, including large “show case” projects and excessive military spending, and toward investment in human and physical capital as well as social programs to protect the neediest and promote social equity.

(8) Work with the International Monetary Fund to foster economic prescriptions that are appropriate to the individual economic circumstances of each recipient country, recognizing that inappropriate stabilization programs may only serve to further destabilize the economy and create unnecessary economic, social, and political dislocation.

(9) Structure International Monetary Fund programs and assistance so that the maintenance and improvement of core labor standards are routinely incorporated as an integral goal in the policy dialogue with recipient countries, so that—

(A) recipient governments commit to affording workers the right to exercise internationally recognized core worker rights, including the right of free association and collective bargaining through unions of their own choosing;

(B) measures designed to facilitate labor market flexibility are consistent with such core worker rights;

(C) the staff of the International Monetary Fund adequately takes into account the views of the International Labor Organization, particularly with respect to the effect of labor market flexibility measures on core worker rights in such countries; and

(D) the staff of the International Monetary Fund surveys the labor market policies and practices of recipient countries and recommends policy initiatives that will help to ensure the maintenance or improvement of core labor standards.

(10) Vigorously promote the adoption and enforcement of laws promoting respect for internationally recognized worker rights (as defined in section 507(4) of the Trade Act of 1974 (19 U.S.C. 2467(4))).

(11) Vigorously promote International Monetary Fund programs and assistance that are structured to the maximum extent feasible to discourage practices which may promote ethnic or social strife in a recipient country.

(12) Vigorously promote recognition by the International Monetary Fund that macroeconomic developments and policies can affect and be affected by environmental conditions and policies, including by working independently and with the multilateral development banks to encourage countries to correct market

failures and pursue macroeconomic stability while promoting policies for sustainable development and environmental protection.

(13) Facilitate greater International Monetary Fund transparency, including by enhancing accessibility of the International Monetary Fund and its staff, fostering a more open release policy toward working papers, past evaluations, and other International Monetary Fund documents, seeking to publish all Letters of Intent to the International Monetary Fund and Policy Framework Papers, and establishing a more open release policy regarding Article IV consultations.

(14) Facilitate greater International Monetary Fund accountability and enhance International Monetary Fund self-evaluation by vigorously promoting review of the effectiveness of the Office of Internal Audit and Inspection and the Executive Board's external evaluation pilot program and, if necessary, the establishment of an operations evaluation department modeled on the experience of the International Bank for Reconstruction and Development, guided by such key principles as usefulness, credibility, transparency, and independence.

(15) Vigorously promote coordination with the International Bank for Reconstruction and Development and other international financial institutions (as defined in section 1701(c)(2)) in promoting structural reforms which facilitate the provision of credit to small businesses, including microenterprise lending, especially in the world's poorest, heavily indebted countries.

(16) Vigorously promote, in the context of the International Monetary Fund's policy dialogue with its member countries, measures to protect the rights and land of indigenous peoples, including the Penan of Borneo, Malaysia, the Dayaks of East Kalimantan, Indonesia, and the indigenous communities of Irian Jaya, Indonesia.

(17) Vigorously promote policies such that the International Monetary Fund, in considering loan programs and assistance, takes into account the extent to which the recipient government has demonstrated a commitment to—

(A) providing accurate and complete data on the annual expenditures and receipts of the armed forces;

(B) establishing good and publicly accountable governance, including an end to excessive military involvement in the economy; and

(C) making substantial reductions in excessive military spending and forces, including domestic security forces.

(18) Structure International Monetary Fund debt relief programs so that the programs do not impose unfair conditions on heavily indebted poor countries, increase the amount of debt relief available to poor countries, and decrease the time required to qualify for debt relief.

(b) COORDINATION WITH OTHER EXECUTIVE DEPARTMENTS.—To the extent that it would assist in achieving the goals described in subsection (a), the Secretary of the Treasury shall pursue the goals in coordination with the Secretary of State, the Secretary of Labor, the Secretary of Commerce, the Administrator of the Environmental

Protection Agency, the Administrator of the Agency for International Development, and the United States Trade Representative.

SEC. 1504. AVAILABILITY OF INTERNATIONAL MONETARY FUND LETTERS OF INTENT REGARDING AGREEMENTS REQUIRED IN ORDER TO RECEIVE ASSISTANCE.

Within 3 business days after the United States Executive Director at the International Monetary Fund receives a letter of intent from a country regarding structural adjustment or an economic, social, or other agreement required by the Fund in order to receive assistance from the Fund, the Executive Director shall provide to the Secretary of the Treasury a copy of the letter and any related memorandum of understanding. Within 7 days after receiving the copy, the Secretary of the Treasury shall make the copy available to the public (by electronic or other readily and publicly accessible means) except to the extent that the Secretary determines that doing so would—

- (1) endanger the national security of the country or of the United States;*
- (2) disrupt markets; or*
- (3) be contrary to the obligations of the United States as a member of the International Monetary Fund.*

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TITLE XVII—CONSOLIDATED REPORTING REQUIREMENTS

SEC. 1701. ANNUAL REPORT BY CHAIRMAN OF THE NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL POLICIES.

(a) * * *

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(e) **ADVISORY COMMITTEE ON IMF POLICY.—**

(1) IN GENERAL.—The Secretary of the Treasury shall establish an International Monetary Fund Advisory Committee (in this subsection referred to as the “Advisory Committee”).

(2) MEMBERSHIP.—The Advisory Committee shall consist of 8 members appointed by the Secretary of the Treasury, after appropriate consultations with the relevant organizations, as follows:

- (A) 2 members shall be representatives from organized labor.*
- (B) 2 members shall be representatives from banking and financial services.*
- (C) 2 members shall be representatives from industry and agriculture.*
- (D) 2 members shall be representatives from nongovernmental environmental and human rights organizations.*

(3) DUTIES.—Not less frequently than every 6 months, the Advisory Committee shall meet with the Secretary of the Treasury or the Deputy Secretary of the Treasury to review, and provide advice on, the extent to which individual country International Monetary Fund programs meet the policy goals set forth in this Act regarding the International Monetary Fund.

(4) INAPPLICABILITY OF TERMINATION PROVISION OF THE FEDERAL ADVISORY COMMITTEE ACT.—Section 14(a)(2) of the Fed-

eral Advisory Committee Act shall not apply to the Advisory Committee.

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SEC. 1704. REPORTS ON FINANCIAL STABILIZATION PROGRAMS LED BY THE INTERNATIONAL MONETARY FUND IN CONNECTION WITH FINANCING FROM THE EXCHANGE STABILIZATION FUND.

(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Secretary of Commerce and other appropriate Federal agencies, shall prepare reports on the implementation of financial stabilization programs (and any material terms and conditions thereof) led by the International Monetary Fund in countries in connection with which the United States has made a commitment to provide, or has provided financing from the stabilization fund established under section 5302 of title 31, United States Code. The reports shall include the following:

(1) A description of the condition of the economies of countries requiring the financial stabilization programs, including the monetary, fiscal, and exchange rate policies of the countries.

(2) A description of the degree to which the countries requiring the financial stabilization programs have fully implemented financial sector restructuring and reform measures required by the International Monetary Fund, including—

(A) ensuring full respect for the commercial orientation of commercial bank lending;

(B) ensuring that governments will not intervene in bank management and lending decisions (except in regard to prudential supervision);

(C) the passage of appropriate financial reform legislation;

(D) strengthening the domestic financial system, through financial sector restructuring, as well as improved transparency and supervision; and

(E) the opening of domestic capital markets.

(3) A description of the degree to which the countries requiring the financial stabilization programs have fully implemented reforms required by the International Monetary Fund that are directed at corporate governance and corporate structure, including—

(A) making nontransparent conglomerate practices more transparent through the application of internationally accepted accounting practices, independent external audits, full disclosure, and provision of consolidated statements; and

(B) ensuring that no government subsidized support or tax privileges will be provided to bail out individual corporations, particularly in the semiconductor, steel, and paper industries.

(4) A description of the implementation of reform measures required by the International Monetary Fund to deregulate and privatize economic activity by ending domestic monopolies, undertaking trade liberalization, and opening up restricted areas of the economy to foreign investment and competition.

(5) A detailed description of the trade policies of the countries, including any unfair trade practices or adverse effects of the trade policies on the United States.

(6) A description of the extent to which the financial stabilization programs have resulted in appropriate burden-sharing among private sector creditors, including rescheduling of outstanding loans by lengthening maturities, agreements on debt reduction, and the extension of new credit.

(7) A description of the extent to which the economic adjustment policies of the International Monetary Fund and the policies of the government of the country adequately balance the need for financial stabilization, economic growth, environmental protection, social stability, and equity for all elements of the society.

(8) Whether International Monetary Fund involvement in labor market flexibility measures has had a negative effect on core worker rights, particularly the rights of free association and collective bargaining.

(9) A description of any pattern of abuses of core worker rights in recipient countries.

(10) The amount, rate of interest, and disbursement and repayment schedules of any funds disbursed from the stabilization fund established under section 5302 of title 31, United States Code, in the form of loans, credits, guarantees, or swaps, in support of the financial stabilization programs.

(11) The amount, rate of interest, and disbursement and repayment schedules of any funds disbursed by the International Monetary Fund to the countries in support of the financial stabilization programs.

(b) **TIMING.**—Not later than October 1, 1998, and semiannually thereafter, the Secretary of the Treasury shall submit to the Committees on Banking and Financial Services and International Relations of the House of Representatives and the Committees on Foreign Relations, and Banking, Housing, and Urban Affairs of the Senate a report on the matters described in subsection (a).

SEC. 1705. ANNUAL REPORT AND TESTIMONY ON THE STATE OF THE INTERNATIONAL FINANCIAL SYSTEM, IMF REFORM, AND COMPLIANCE WITH IMF AGREEMENTS.

(a) **REPORTS.**—Not later than October 1 of each year, the Secretary of the Treasury shall submit to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate a written report on the progress (if any) made by the United States Executive Director at the International Monetary Fund in influencing the International Monetary Fund to adopt the policies and reform its internal procedures in the manner described in section 1503.”

(b) **TESTIMONY.**—After submitting the report required by subsection (a) but not later than October 31 of each year, the Secretary of the Treasury shall appear before the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate and present testimony on—

(1) any progress made in reforming the International Monetary Fund;

(2) *the status of efforts to reform the international financial system; and*

(3) *the compliance of countries which have received assistance from the International Monetary Fund with agreements made as a condition of receiving the assistance.*

SEC. 1706. AUDITS OF THE INTERNATIONAL MONETARY FUND.

(a) *ACCESS TO MATERIALS.*—Not later than 30 days after the date of the enactment of this section, the Secretary of the Treasury shall certify to the Committee on Banking and Financial Services of the House of Representatives and the Committee on Foreign Relations of the Senate that the Secretary has instructed the United States Executive Director at the International Monetary Fund to facilitate timely access by the General Accounting Office to information and documents of the International Monetary Fund needed by the Office to perform financial reviews of the International Monetary Fund that will facilitate the conduct of United States policy with respect to the Fund.

(b) *REPORTS.*—Not later than June 30, 1999, and annually thereafter, the Comptroller General of the United States shall prepare and submit to the committees specified in subsection (a) a report on the financial operations of the Fund during the preceding year, which shall include—

(1) *the current financial condition of the International Monetary Fund;*

(2) *the amount, rate of interest, disbursement schedule, and repayment schedule for any loans that were initiated or outstanding during the preceding calendar year, and with respect to disbursement schedules, the report shall identify and discuss in detail any conditions required to be fulfilled by a borrower country before a disbursement is made;*

(3) *a detailed description of whether the trade policies of borrower countries permit free and open trade by the United States and other foreign countries in the borrower countries;*

(4) *a detailed description of the export policies of borrower countries and whether the policies may result in increased export of their products, goods, or services to the United States which may have significant adverse effects on, or result in unfair trade practices against or affecting United States companies, farmers, or communities;*

(5) *a detailed description of any conditions of International Monetary Fund loans which have not been met by borrower countries, including a discussion of the reasons why such conditions were not met, and the actions taken by the International Monetary Fund due to the borrower country's noncompliance;*

(6) *an identification of any borrower country and loan on which any loan terms or conditions were renegotiated in the preceding calendar year, including a discussion of the reasons for the renegotiation and any new loan terms and conditions; and*

(7) *a specification of the total number of loans made by the International Monetary Fund from its inception through the end of the period covered by the report, the number and percentage (by number) of such loans that are in default or arrears, and the identity of the countries in default or arrears, and the*

number of such loans that are outstanding as of the end of period covered by the report and the aggregate amount of the outstanding loans and the average yield (weighted by loan principal) of the historical and outstanding loan portfolios of the International Monetary Fund.

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DISSENTING VIEWS OF REPRESENTATIVE DAVE WELDON
AND REPRESENTATIVE VINCE SNOWBARGER

We write to express our opposition to H.R. 3114, or any legislation providing additional funding to the International Monetary Fund (IMF). We oppose this additional funding for the IMF for several reasons.

First, some have attempted to create a crisis mentality over this bill, "Pass this bill or we will experience a world depression." During consideration of H.R. 3114 before the committee, many members talked about how much this money was needed. The facts simply do not match up with the crisis mentality. The fact is, according to testimony before the committee and the admission of many who have looked into this issue in great detail, the IMF has enough money to take care of the current crisis and possibly has enough to handle another "Asian flu" size crisis with its current liquid reserves, General Arrangements to Borrow (GAB), and near-term income.

A review by the Heritage Foundation estimates that the IMF has \$40 to \$50 billion in liquid reserves. Additionally the IMF has GAB another \$17 billion to \$25 billion. Furthermore, if you add near term income which is somewhere in the range of \$28 billion if recent trends continue, the IMF has somewhere in the neighborhood of \$85 to \$100 billion in available near-term assets. This is more than enough money to deal with another Asian-size crisis.

A study by the Joint Economic Committee finds that even after the Asian bailout, the IMF will hold about \$30 billion in gold reserves and \$25 billion in GAB. When added to an estimated \$28 billion in near term income, this total reaches \$83 billion.

Because of the level of IMF reserves, should there be another crisis that needs immediate attention, the IMF does have the resources to act. There is no crisis or shortfall in the IMF's budget as many would like for us to believe.

Second, some have argued that the IMF is achieving its goals in countries like South Korea, Thailand, and perhaps Indonesia by releasing funds in parcels (referred to as tranches). By letting funds flow from the IMF to these troubled nations in tranches, it is argued that the IMF has leverage and is exercising influence over the actions these nations are taking to reform their business, government, and financial systems. If indeed this is the case, it is a new and improved action by the IMF, and we must ask ourselves how the United States can best ensure that they follow the direction of the U.S. representative to the IMF to the greatest extent.

We believe that the best way for the U.S. to exercise influence over the IMF is to refuse to give them another \$18 billion. This will enable us to maximize U.S. leverage over the IMF to ensure that the IMF is using our tax dollars to pursue the goals that this Congress has set forth. That is the best way to ensure that the IMF

pursues the goals set forth by this Congress and the Administration in the area of human rights, labor rights, market reforms, bankruptcy reforms, and transparency.

Unfortunately, the manner in which the IMF was set up does not enable the Congress to bind the IMF to follow certain policies. We can, however, influence the IMF in two ways. First, the Congress can and does instruct the U.S. representative to the IMF to use our voice and vote to pursue certain policies. This has limited success. Second, we can keep the pressure on the IMF by not writing them a check for \$18 billion. Once the U.S. writes an \$18 billion check to the IMF, we remove the pressure and leverage that we have over them, and they can choose to ignore, or at least discount the voice and vote of the U.S.

For those interested in achieving the goals set forth in H.R. 3114, the best way to achieve these goals is to reject the \$18 billion transfer of funds to the IMF. We can best achieve these goals by voting down this funding at this time and keeping the pressure on the IMF to make the reforms this Congress would like to see. Let's give the IMF more time to prove that they are really interested in pursuing the goals set forth by the U.S. A vote for this \$18 billion is a vote to give away our leverage, clear and simple. Once the coffers are refilled, while we don't lose all our leverage, the amount of leverage we do have will be diminished.

We believe we should not lose this opportunity to achieve our goals by tossing away the best tool we have to influence policy and maintain leverage.

DAVE WELDON.
VINCE SNOWBARGER.

DISSENTING VIEW BY RON PAUL

H.R. 3114 should be rejected. We should provide no additional funds to the International Monetary Fund. Created in the postwar era as an institution to manage the global fixed exchange rate system, the IMF lost any remaining justification for United States' continued involvement when President Richard Nixon closed the gold window in 1971. The IMF's charge of maintaining "pegged but adjustable exchange rates" no longer suits the current global financial system. The IMF has not proven to be an effective tool in managing international currencies and has done nothing to effectively warn us of the dangers that have marred the international financial system over the past several years. The bail-out of Mexico three years ago only served to encourage the same monetary policies that are now giving us the crisis in Southeast Asia. We are at a point in our history where formidable figures, like former Secretaries of the Treasury Simon and Schultz, are calling for getting out of the IMF, and Congress should give that serious consideration.

CAUSE OF THE CURRENT PROBLEM

The basic cause of the current crisis the various nations are facing in Southeast Asia, comes from a flawed monetary policy. These countries have inflated their currencies at a 20 to 30% rate over the past decade which has led to mal-investment, excess debt, over capacity, and an artificial boom period which predictably leads to a corrective bust. Fluctuating flat currencies, according to sound monetary theory, always produces financial and monetary chaos. Without considering the basic cause of the problems that exist in Southeast Asia, we are unable to devise sound policy here at home or internationally.

The most important Congressional responsibility, with regards to currencies, is to maintain a sound dollar. It's now been 27 years since our currency has been linked to gold. Since that time the dollar has lost more than 50% of its value. The Constitution mandates that only silver and gold can be legal tender, and because this admonition has been ignored in dollar terms, gold has gone up nearly tenfold. If we continue to follow current policy of bailing out foreign countries through appropriations and further credit expansion, we do exactly the opposite of what we should be doing. This will further undermine the value of the dollar, expand our trade imbalances and lead to a crisis in the United States similar to that which Southeast Asia is facing today. We should never lose sight of our responsibility to maintain the value of the dollar. We certainly should never deliberately undermine the value of the dollar in a feeble attempt to prop up the value of other currencies, for whatever reason.

Great danger lies ahead. I agree that the markets are in great danger but this is no justification for doing the wrong thing. It is true that protectionist sentiments may well result from current conditions. Obviously, competitive devaluations are even more troublesome than the lesser efforts at protectionism through tariffs. All world governments and central banks have embarked on a program of systematic inflation of their respective currencies which serve to lower their value in the marketplace. The currency crises and trade disruptions are indeed very serious because, if uncorrected, they will lead to political chaos. My disagreement with those who have expressed the concern about the impending danger is that we ought not continue the very policy that brought Southeast Asia their crisis.

The only answer is a new approach to understanding currencies. A universal worldwide currency controlled by the marketplace and not the politicians would go a long way toward solving many of our financial and trade problems. Just as it would be devastating for the United States to have 50 different currencies, it is chronically disruptive for hundreds of countries throughout the world expanding credit at different rates and pretending that a sound efficient economy can operate under those conditions. The serious shortcoming of chronic currency devaluation is that although the money supply may gradually increase, the ramifications of these increases do not come in the same manner—they come with sudden jolts to the value of the currency as well as to consumer prices.

There are three significant reasons why we in the Congress should oppose the IMF bailout: moral, economic and political. It's morally wrong to take funds from innocent taxpayers and give this to special interests, whether they be foreign corporations, foreign governments or for the benefit of the lending agencies in this country, as well as U.S. corporations who have invested in Southeast Asia. A lack of understanding of how credit creation undermines the value of the dollar will make it difficult, it not impossible, to prevent the currency crisis from affecting our economy; transferring wealth from one country to another, diluting the value of stronger currency for the benefit of a poorer currency, can never rectify the serious harm done by decades of monetary mischief. Redistributing wealth through government undermines the political foundations of voluntary exchange and prosperity.

The amendment offered by Representatives McCollum, Bachus, Barr and myself to sunset the Bretton Woods Act in three years and call for the Treasury to report on alternatives in two years is the first, responsible step that must be taken. The IMF has outlived whatever justification it might have had; it has no place in the new era of floating exchange rates.

A defeat of the IMF appropriations by the United States will be a very positive step in the direction of tackling the very serious problem which must be addressed. That is, promoting a sound currency for the United States and settling an example for the world. Only a gold or other commodity standard of money can do this. Po-

litical, or paper money, can only work for a short period of time and significantly enables authoritarian governments.

RON PAUL.

