



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

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## IMF Shortfall Raises Bailout Risk To U.S. Taxpayers

### *New Analysis Shows Low IMF Reserves*

Washington, DC – Joint Economic Committee Chairman Jim Saxton (R-NJ) today cited new estimates of low International Monetary Fund (IMF) reserves that confirm his concerns about the Asian IMF bailout plan and the potential for increased U.S. exposure. According to a new study by the nonpartisan Congressional Research Service (CRS), the IMF's usable resources after the pending South Korean bailout would amount to \$30 billion at most, leaving the IMF at a historically low level of liquidity. The fragmentary information available in recent days underscores the need for transparency with respect to the Asian bailout plan.

#### Chairman Saxton's statement follows:

"The new disclosure that IMF resources are lower than previously thought is a serious concern because it increases the risk to U.S. taxpayer money. There is now a real possibility that U.S. funds presented as a back-up 'second line of defense' may actually be used. The apparent open-ended nature of the U.S. commitment to the Asian bailout raises the potential for significant U.S. costs and a moral hazard related to other nations. The facts emerging in recent days raise concern that the U.S. may be drawn into financial quicksand. It is in the Treasury Department's interest to be more open in explaining U.S. participation in the IMF bailout since public misunderstanding may result in unnecessary confusion regarding the bailout of our trade rivals."

The new estimates of IMF resources are contained in a CRS report entitled, "**The International Monetary Fund's New Arrangements to Borrow (NAB)**," updated November 25, 1997. The CRS report assumes a Korean loan of \$20 billion, leaving a projected level of \$30 billion in usable resources. The IMF shortfall increases the probability that U.S. funds will ultimately be tapped, making the next bailout even more burdensome and risky.

In a previous [statement](#) made a day after the Manila plan surfaced; Saxton called for the Treasury Department to explain how the plan was structured and exactly what commitments were made by the U.S. While recognizing that certain details of each bailout would remain private, more general information about the Asian bailout plan is needed by policymakers and the public, Saxton observed.

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