



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

VICE CHAIRMAN JIM SAXTON

---

---

## **PRESS RELEASE**

---

---

For Immediate Release  
May 4, 1999

Press Release #106-29  
Contact: Christopher Frenze  
(202) 225-3923

### **IMF LOAN EXPOSURE TO RUSSIA ON THE RISE**

— IMF Loan Terms Reflect Validity of Arney-Saxton Concerns —

**WASHINGTON, D.C.** – The new Russian loan announced recently by International Monetary Fund (IMF) officials may increase IMF exposure and should be viewed as finessing a Russian default, although it apparently will include some safeguards, Vice Chairman Jim Saxton (R-NJ) said today.

“The new IMF loan to Russia appears to be a thinly disguised rescheduling of Russia’s existing obligations,” Saxton said. “It is hardly surprising that the IMF would not want to present this situation in a transparent manner. While all the details are not known, and may never be known, the level of outstanding IMF credit to Russia will probably end up about where it is now, or possibly even higher. But the most significant fact is that the IMF’s single largest borrower is unable to service its obligations to the IMF.

“The projected non-performance of the Russian loans underscores the heavy exposure of the IMF. About one quarter of outstanding IMF credit is owed by Russia, and these loans cannot be regarded as sound by any conventional financial standard. Russia and Indonesia together account for about one third of outstanding IMF credit. This heavy loan exposure has important policy implications.

“One policy implication relates to the proposed gold sales. With such a large proportion of dubious loans, now is not the time to further erode the IMF’s balance sheet. As the IMF has acknowledged many times, its holding of gold strengthens its balance sheet, and is a kind of ultimate reserve. With one third of its loans that can reasonably be viewed as questionable, a reduction of gold reserves would not be prudent,” Saxton said.

Last March 29 in a letter to Treasury Secretary Robert Rubin, Majority Leader Dick Arney and Saxton voiced concerns about the failure of the IMF Russian loan program, as well as press reports citing rampant misappropriation of IMF funds provided under the failed bailout. They also called on the Treasury to oppose any new IMF loans to Russia until a full accounting of the IMF funds already lent is provided, along with an explanation of what safeguards are in place to prevent any recurrence of these problems.

“The only good news is that at least the IMF apparently will require some accounting of how the proceeds of the earlier Russian loans were used, as well as some safeguards for new lending,” Saxton said. “Transparency would demand the IMF’s public disclosure and explanation of any past irregularities. The IMF has a responsibility to ensure that taxpayer-funded contributions are not being wasted or misappropriated, and the IMF seems to have come around to recognizing this obligation.”

For more information on the IMF, please visit the JEC website at [www.house.gov/jec](http://www.house.gov/jec).

###