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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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Contact: Christopher Frenze
(202) 225-3923

NEW IMF GOLD SALES PROPOSAL TO FACE INTENSE CONGRESSIONAL REVIEW

-- Russian Scandal Investigations Undermine Case For Approval --

WASHINGTON, D.C. — The new proposal for gold sales by the International Monetary Fund (IMF) raises troubling issues that will greatly complicate Congressional consideration, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. The mechanism used in the new IMF gold sales plan taps gold profits in a different manner than the previous proposal that Congress blocked, but still raises the same essential issues also covered in a recent JEC study, *IMF Gold Sales In Perspective.*

"First, given the multiple international investigations of the misuse of IMF money now underway, it simply is impossible to justify providing more taxpayer money to the IMF," Saxton said. "The lack of IMF accounting safeguards that led to this scandal were publicly identified over a year ago, but the IMF and U.S. Treasury failed to take the necessary actions needed to protect the taxpayers, and approved yet another sizable loan to Russia. Now various officials involved are professing surprise and concern about the misuse of IMF funds. The Congress should not reward their negligence by exposing more taxpayer resources to this kind of mismanagement.

"Second, the lack of transparency characteristic of the IMF is also a major obstacle to Congressional approval. Key facts regarding the gold sales proposal have been treated as confidential information. Congress should not consider this proposal until all the relevant information has been made public. Both gold sales plans seem to be designed to obscure the source of funding, and the new proposal is even less transparent than its predecessor in many ways.

"Third, the gold sales plans disguise the taxpayer cost amounting to about $2 billion. The essence of the gold sales proposal is the tapping of $2 billion of gold profits that should ultimately be returned to the contributing countries and their taxpayers. As Senators Ribicoff and Taft pointed out in a joint bipartisan statement many years ago, these "profits should be distributed to the member nations in proportion to their quotas.'

"Fourth, the new gold sales plan, under a convoluted and contrived revaluation mechanism, evades the IMF's own rules which serve to protect the taxpayers' interests. The Congress should not endorse this kind of circumvention.

"Fifth, the gold sales plan facilitates the status quo and would lessen incentives for IMF reform. The IMF can raise the funds for debt relief by reducing its exorbitant interest rate subsidies on loans. It could also move to terminate the Enhanced Structural Adjustment Facility (ESAF) and use remaining resources directly for debt relief. The IMF drift towards development lending should be stopped, and ending such loan subsidies and the ESAF would be a step in the right direction.

"Congress has not had an opportunity to carefully focus on this new IMF gold sales proposal yet to be formally proposed. However, given the widespread concerns about matters related to the IMF, it is doubtful that Congress will consider this proposal without a very tough review of all the relevant facts." Saxton concluded.

For more information on the IMF, including the recent study, *IMF Gold Sales in Perspective*, please visit our website at www.house.gov/jec.

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