Congress of the United States

Joint Economic Committee

Vice Chairman Jim Saxton

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NEW IMF GOLD SALES PLAN FACES CONGRESSIONAL SCRUTINY

– Full Transparency Needed For Evaluation of IMF Proposal –

WASHINGTON, D.C. — Today's approval of a new gold sales plan by the International Monetary Fund (IMF) faces a Congressional review that will require a full and transparent explanation of the proposal, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton and the JEC have been asked by House Majority Leader Armey to closely examine any new IMF proposal related to gold sales. Saxton also welcomed the support of the *Debt Relief and IMF Reform Act* by Jubilee 2000 members representing the poorest debtor nations.

"The new IMF gold sales scheme seems to share many of the problems identified with the previous IMF proposal," Saxton said. "However, in several respects it is even less transparent and more questionable. A clear public explanation of the new gold sales proposal is needed if Congress is to make an informed decision on its merits.

"The evasion of IMF rules is one troubling aspect of the gold sales proposal that has not been adequately explained. Presumably, established IMF rules exist for a reason, and Congress needs to consider the fact that the proposed evasion is an undesirable precedent and contributes to a lack of transparency. Reasonable questions would also involve the annual amount of debt relief provided, the large proportion of funds that does not go to debt relief, the flow of funds within the IMF, and the possibility of superior financing alternatives.

"The biggest problem remains the tapping of gold profits to disguise an additional contribution of taxpayer funds to the IMF. As Senators Ribicoff and Taft said many years ago, these gold profits ultimately should be returned to the contributing countries. By tapping this taxpayer resource, the IMF proposal shifts the cost of IMF policy mistakes to the taxpayers. In light of the controversy over the IMF's lending to Russia without safeguards, Congress will have to determine whether providing more taxpayer resources to the IMF is desirable. The U.S. cost alone would exceed half a billion dollars.

"An alternative approach would question the IMF's drift towards becoming another development bank with risky loans highly concentrated among only a few borrowers. Currently, Russia and Indonesia account for one-third of borrowing from the central IMF accounts. The leading edge of this drift in IMF policy is the developmental loan facility that has contributed to burdening poor countries with excessive debt – the Enhanced Structural Adjustment Facility (ESAF). It will take more than the Orwellian step of renaming this program to undo the damage of past IMF policy mistakes.

"What urgently is needed is a fundamental re-examination of the IMF and its operations. My own view is that the ESAF should be closed and its resources used for debt cancellation for eligible poor countries. The IMF has just received a huge inflow of funds under the quota increase, and its resources are more than adequate to cover any residual cost of IMF debt relief. To insist on a new taxpayer contribution to the IMF only months after a $90 billion quota increase is very hard to justify. Either the IMF or the taxpayers will have to bear the additional costs of covering past IMF mistakes, but the case for additional IMF funding has not really been made," Saxton concluded.

For more information on the IMF and international economics, please visit our website at www.house.gov/jec.

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