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JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

PRESS RELEASE

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MAJORITY LEADER ARMEY AND CONGRESSMAN SAXTON OPPOSE FURTHER IMF LOANS TO RUSSIA UNTIL POTENTIAL FOR ABUSE IS ENDED

WASHINGTON, D.C. – The International Monetary Fund (IMF) should provide no further loan funds to Russia until the uses of previous IMF loans are thoroughly accounted for, House Majority Leader Dick Armeý and Congressman Jim Saxton said in a letter to Treasury Secretary Robert Rubin. The Armeý-Saxton letter notes recent reports that IMF funds were routed through secret offshore accounts controlled by the Russian Central Bank and may have been misappropriated. It appears that the IMF was aware that the Russian Central Bank maintained these kinds of accounts. A section of a Russian government audit covering the Central Bank and the IMF loans has been decreed a state secret.

The text of the letter dated March 29, 1999 follows:

Dear Secretary Rubin,

The recent revelations of financial scandal in Russia raise grave questions, not only about the practices of the International Monetary Fund, but about the Administration's own stewardship of American taxpayer money.

As you are certainly aware, recent press accounts strongly suggest a staggering amount of fraud and embezzlement in Russia's public finances. According to these reports, the Russian Central Bank maintained secret offshore accounts that were used for investment activities that may have been illegal. A significant portion of the billions of dollars that IMF loaned to Russia was apparently deposited in these accounts. It further appears that when an audit of the Central Bank turned up information relating to its handling of funds provided by the IMF, the government responded by classifying this section of the audit as a state secret.

It seems quite possible that much of the \$4.8 billion the IMF provided to Russia last year was lost in such illegal arrangements. A substantial amount of the American taxpayer money given to the IMF may now be financing the lavish lifestyles of Russian oligarchs.

These questionable financial arrangements were allegedly in place at the same time that the Clinton Administration was urging Congress to provide \$18 billion to the IMF with no conditions and only limited debate. As you recall, we were very skeptical about the prospects of the Russian bailout and were concerned that it might facilitate a misappropriation of U.S. taxpayer funds. Not only did the bailout fail spectacularly, but it now appears the misuse of taxpayer funds went far beyond our worst fears.

Under the circumstances, we believe the U.S. should use its influence to deny any further IMF loans to Russia until the IMF provides: (1) a thorough accounting of funds already provided to Russia, (2) information on how much, if any, was lost to illegal activity, (3) an explanation of why any such losses were allowed to occur, and (4) information on when the IMF first learned of the nature and scale of these offshore activities and (5) what steps were taken to prevent them from facilitating a misappropriation of IMF funds.

We also request that the Treasury Department and IMF publicly provide an explanation of the safeguards, tracking, and accounting controls used by the Treasury and IMF to protect our taxpayers and ensure that IMF loan funds are not misused or misappropriated.

Neither the cause of democracy in Russia nor the interests of US taxpayers are served by lax policies of the International Monetary Fund.

Respectfully,

DICK ARMEY

Member of Congress

JIM SAXTON

Member of Congress

For more information on the IMF, please visit the JEC website at <http://www.house.gov/jec/>.

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