



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

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## PRESS RELEASE

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### IMF Reform Bill Introduced

## IMF FINANCES EMERGE AS MAJOR U.S. POLICY ISSUE

### – German Central Bank Chief Raises Doubts on IMF Gold Sales –

WASHINGTON, D.C. – The finances of the International Monetary Fund (IMF) are emerging again this year as a major controversial issue before Congress, Congressman Jim Saxton said today. Saxton's remarks follow his introduction of IMF reform legislation last week, and the skepticism of IMF gold sales expressed last Friday by Bundesbank President Hans Tietmeyer. Dr. Tietmeyer voiced caution on IMF gold sales, and said he wanted to know what position the Congress would take.

"I would like to commend Dr. Tietmeyer for his expression of caution on IMF gold sales," Saxton said. "A serious, substantive case for IMF gold sales has not been presented to Congress in any detail, so it is difficult to arrive at firm conclusions about a particular plan. However, there are many unanswered questions and many reasons for caution in considering the issue of IMF gold sales.

"Congress has a responsibility to carefully evaluate the specific proposals for gold sales in the context of their potential future effects on the IMF's financial structure and the behavior of other IMF borrowers. With the IMF's five largest borrowers accounting for 70 percent of outstanding IMF credit, and Russia and Indonesia together comprising one third of the total, the IMF is in an exposed financial position. In my opinion, it is very unlikely that Congress will rubber-stamp an unqualified endorsement of IMF gold sales.

"One major problem with the proposal is that IMF gold sales are unnecessary. There are a number of alternative options, including IMF observance of Congressional intent in implementing the already mandated lending reforms. If the IMF would charge true market interest rates on its bailout loans, more resources would ultimately be available than under gold sales.

"If the IMF would go further and end heavily subsidized interest rates on all of its lending, even more resources would be available. The current standard IMF loan rate of 3.7 percent is impossible to justify on economic grounds, and a recently established alternative interest rate formula is also far below market interest rates," Saxton concluded.

Last week Saxton introduced the IMF Transparency and Efficiency Enforcement Act, H.R. 1203. The bill provides that the Treasury Secretary and Federal Reserve Chairman annually certify that the IMF has fully implemented the Congressionally mandated reforms. Every fifth year this certification must be approved by a joint resolution of Congress. If the certification requirements are not met, U.S. funds for IMF credit lines would be frozen.

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

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