

# EXTENSIONS OF REMARKS

## IMF MUST LEARN FROM ITS PAST MISTAKES

**HON. NEWT GINGRICH**

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, October 6, 1998*

Mr. GINGRICH. Mr. Speaker, the attached op-ed by Martin Feldstein from *The Wall Street Journal* illustrates why the IMF must learn from its past mistakes. Feldstein suggests that the IMF can redefine itself as a valuable institution by narrowly defining the problem, rebuilding market confidence, and maintaining growth while reducing the current-account deficit. I submit the op-ed to the CONGRESSIONAL RECORD.

[From *The Wall Street Journal*, Oct. 6, 1998]

FOCUS ON CRISIS MANAGEMENT . . .

(By Martin Feldstein)

International officials and bankers assembled in Washington for the annual meeting of the International Monetary Fund and the World Bank are considering the failures of the past year and what the IMF should do differently in the future.

The fund made three key mistakes: undermining the confidence of global leaders, attempting unnecessary and radical changes in the basic economic structures of the debtor countries, and imposing excessively contractionary monetary and fiscal policies. But the IMF should aim to do more than just avoid these mistakes. It can play a positive role in future crises by coordinating the rescheduling of international obligations between creditors and debtors.

The IMF can also help prevent future crises by creating a collateralized credit facility that lends foreign exchange to governments that are illiquid but internationally solvent—that is, capable of repaying foreign debts through future export surpluses. President Clinton's proposal to create an IMF credit facility, though vague, may be useful in refocusing the fund's activities.

A rapid-payout credit facility can reduce the risk of speculative attacks and induce countries to maintain open capital markets and free trade. Leaders of emerging-market economies see their national capital markets as small relative to the internationally mobile capital that can be arrayed against them. They fear that even if they pursue sound long-run policies, they could suffer from sudden global shifts of sentiment. Unless the global financial system changes to reduce their vulnerability, emerging-market countries may respond by imposing a variety of counterproductive capital controls, leading to restrictions on foreign investment and trade.

### LEGISLATED DIVERSION

An international credit facility can work only if it provides credit rapidly, at an above-market interest rate that discourages unnecessary use and in exchange for good collateral. A country can provide such collateral by pledging a share of the foreign exchange earned by its exporters. A country that borrows from this facility would automatically trigger a legislated diversion of all export receipts to a foreign central bank like the Federal Reserve or the Bank of England,

with exporters then paid in a mixture of foreign exchange and domestic currency. Any country that contemplates such collateralized borrowing at some future time must embody such an arrangement in both domestic legislation and international agreements well in advance.

A foreign-exchange facility of this sort need not create moral-hazard problems for either the international lenders or the emerging-market countries. Banks and bond holders would still bear the risk that the companies to which they lend are incapable of repaying their loans. They would also not be protected against countries that become internationally insolvent and cannot earn the foreign exchange to meet their international obligations. And high interest rates would discourage the emerging-market countries themselves from any temptation to act imprudently.

The availability of a credit facility could by itself repulse a purely speculative attack on a healthy currency. When the attack is on the currency of an economy with an overvalued exchange rate that causes an unsustainable current account deficit, the availability of credit must be combined with a shift to an appropriate exchange rate and a deflation of domestic demand to make room for increased net exports.

When crises do occur, the IMF should help by bringing together the creditors and debtors to work out orderly reschedulings of international obligations. The lengthening of debt maturities gives debtor countries the time to earn the foreign exchange needed to meet their obligations. In the case of South Korea, the Fed took the lead and brought along the other major central banks. But since the problem is inherently international and the adjustment process must be monitored, this should be the primary responsibility of the IMF.

The fund must also abandon the mistaken strategy that contributed to the past year's failures. Asia's "crisis countries" bear responsibility for causing their own problems through unsustainable current-account deficits and short-term foreign debts that exceeded their foreign-exchange reserves. But these problems could have been solved less painfully. These economies are fundamentally sound, with remarkable long-term growth of both gross domestic product and exports. With modest adjustments, they could easily have earned extra foreign exchange to repay foreign debts. The problem was temporary illiquidity, not insolvency.

When these countries came to the IMF for assistance, it should have seen its task as providing liquidity, supervision and negotiating assistance. Instead, it publicly criticized them as incompetent, corrupt countries with fundamentally unsound economies. In doing so, it not only discouraged any further lending or investment in these countries but also undermined the confidence of global lenders in emerging-market countries generally, thereby contributing to the contagion the IMF wanted to prevent.

Although the IMF organized massive potential loan funds for each of the Asian crisis countries, it did not use those funds to prevent currency runs. On the contrary, it announced that these funds would be provided only if the country accepted the IMF's advice about the radical restructuring of the entire domestic economy—labor rules, cor-

porate governance, tax systems and other matters not germane to the short-run financial crisis. Moreover, the funds would be given out only gradually, as the countries made IMF-prescribed changes. Since this policy meant the IMF would not provide the funds needed to repulse speculators, it caused excessive declines of currency values and required extremely high interest rates to prevent further declines.

IMF Managing Director Michel Camdessus has said that if the IMF had only wanted to deal with the countries' liquidity and debt problems, it would by now have succeeded. He then repeated his earlier statement that the Asian crisis was really a "blessing in disguise" because it gave the IMF the leverage to force structural policy changes that the national governments would not otherwise adopt.

This is a remarkable confession of the arrogance and inappropriateness of the IMF policies. Even apart from whether the IMF has any legitimate right to usurp these sovereign responsibilities, the attempt to remake an economy in the midst of a currency crisis made it likely that there would be neither fundamental restructuring nor a rapid resolution of the currency crisis itself. By putting every aspect of these economies into flux, the IMF made it more difficult to make the changes needed to regain access to international capital. Creating massive bankruptcies and widespread political unrest is not conducive to attracting a return of foreign investors.

### MASSIVE RECESSIONS

While most of the target countries did need to contract domestic demand in order to reduce imports and provide scope for more exports, the IMF's policies of high interest rates and big tax increases were too contractionary in most countries. This IMF implicitly acknowledged this when it relaxed those policies—but this easing came too late to prevent massive recessions.

The IMF should commit itself publicly to avoiding a repetition of its recent mistakes. Future IMF programs for crisis countries should define the problem narrowly in terms of the country's current-account deficit, the structure of its balance sheet and the soundness of its banks. The guiding concepts should be rebuilding market confidence, focusing on the specific liquidity problems and maintaining as much growth as possible while reducing the current-account deficit. The world will be watching closely to see if the IMF can redefine itself as a valuable institution.

## INDIA SHOULD BE DECLARED A TERRORIST STATE

**HON. EDOLPHUS TOWNS**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, October 6, 1998*

Mr. TOWNS. Mr. Speaker, the August 14 issue of *News India-Times* carried a very interesting story. Kuldip Nayar, a veteran journalist and former Indian Ambassador to the United Kingdom who is now a member of the upper house of India's Parliament, admitted that India is a terrorist state. How long will it take for America to admit it?

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

Mr. Nayar was quoted as saying that Pakistan's attack on the village of Doda was an act of retaliation for Indian massacres in the Pakistani state of Sindh. Nayar has been a vocal opponent of the Indian government's nuclear tests, according to the story. Now he is admitting that India has undertaken activities designed to destabilize Pakistan. This is part of India's drive for total hegemony in South Asia.

Unfortunately, Mr. Nayar's remarks ignore another aspect of Indian state terrorism: the tyranny it has inflicted on the Sikhs, the Christians of Nagaland, the Muslims of Kashmir and others. According to very credible numbers published by human-rights groups and the Punjab judiciary, the government of India has murdered more than 250,000 Sikhs since 1984, in excess of 200,000 Christians in Nagaland since 1947, almost 60,000 Kashmiri Muslims since 1988, and tens of thousands of Assamese, Tamils, Manipuris, Dalits, and others.

The State Department reported that between 1992 and 1994 the Indian government paid over 41,000 cash bounties to police officers for murdering Sikhs. Two Canadian journalists published a book called *Soft Target* in which they proved that the Indian government blew up its own airliner in 1985 just to blame the Sikhs.

In this light, the United States must declare India a terrorist state. We must then impose all the sanctions that we impose on any other terrorist state. This will be a good step towards ending the terrorism and restoring freedom to all the people of South Asia.

I submit the News India-Times article for the RECORD.

[From the News India-Times, Aug. 14, 1998]  
KULDIP NAYAR FLEYED FOR 'ANTI-INDIA'  
REMARKS

NEW DELHI.—The recent statement allegedly made by Kuldip Nayar, veteran journalist and nominated member of the Rajya Sabha on the Doda massacre has created a furor in the country.

Nayar is now looked upon as a "treacherous, anti-national element" for suggesting that the massacre at Doda is only a retaliation by Pakistan for similar actions by Indian agents in Sindh.

The comment which has been so strong has even taken up editorial columns of the country's leading newspapers and magazines.

One such editorial piece has even called it a blasphemous statement and that patriotism has been turned into a dirty word by a "coterie of influential so-called intellectual."

It added that such a statement would not have been made even by a spokesperson of Pakistan's notorious Inter-Services intelligence as that would have indicated its involvement in the Doda massacres.

Meanwhile, American Friends of India condemning Kuldip Nayar have circulated a release questioning Nayar's credibility as a representative of the nation. "This preposterous action by Kuldip Nayar brings several issues into question. Can he be trusted to be our representative in the Upper House of the Indian Parliament? Isn't his allegiance undoubtedly toward Pakistan? How can he support this inhuman brutality against his own countrymen? Is his representation of the Indian people justified?"

It may be noted here that Nayar represents a lobby of so-called intellectuals that blames the Indian government for Pakistan-sponsored massacres in Kashmir, and vehemently supports the US Government protests

against the Indian nuclear tests. Does this lobby stand for India's unity or does it wish for its dismemberment?

Nayar and his fellow co-conspirators will do well to note that Kashmir is not about religion. It is about freedom of religion. We urge the government of India and the Indian National Human Rights Commission to treat the Kashmiri Pandits as "internally displaced people" and stress the importance of providing conditions for their safe return to the valley.

In light of such terrible tragedy of fellow Indians in Kashmir, Nayar should be expelled from the Rajya Sabha. We also urge the patriotic parliamentarians to take immediate action against Nayar for his treacherous and anti-national actions in the Rajya Sabha," the organization stated.

#### TRIBUTE TO ALAN B. FLORY

#### HON. VIC FAZIO

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, October 6, 1998*

Mr. FAZIO of California. Mr. Speaker, I rise today to recognize and commend Alan B. Flory upon his retirement as Yolo County Assessor. Mr. Flory has served the people of Yolo County in this position for twelve years and will complete his service in January 1999.

Alan received a B.A. in Business Administration from California State University, Sacramento. In addition, he has continuously sought to supplement his education and refine his skills by taking many management and real estate courses through the American Institute of Real Estate Appraisers, the University of California, and the California State Board of Equalization throughout his long career.

Alan began his public service career as an appraiser with the Sacramento County Assessor's office. He next served as a property tax advisor with the Marshall and Stevens Appraisal Company. During his tenure, he directed and developed property tax programs in Montana, New York, Canada, Colombia, and throughout South America. While in Canada, he authored a rural appraisal manual for the Province of Ontario.

Mr. Flory settled into his position with the California State Board of Equalization as a property tax appraiser for nineteen years. He directed state units that audited County Assessor Offices to determine the adequacy of their practices and procedures. These units were charged with the development of rules, regulations and procedural handbooks governing assessment practices and unity that provided guidance and training to county assessors and their staffs.

During his years as Yolo County Assessor, he has held numerous positions elected by his peers including: president, California Assessors Association; president, Bay Area Assessors Association; chair, Executive Committee California Assessors Association; chair, Legislative Committee California Assessors Association. Alan, as a member of the Assessors Association Committee, put his finesse with numbers and his negotiating experience to practice and assisted in settling a property tax dispute between public utility companies and counties. His leadership helped broker a settlement that would have cost the State of California a revenue loss of \$1.7 billion.

Finally, Mr. Speaker, I wish to thank Alan for his years of friendship and wise counsel, and to wish him the best in his new position as a trustee of the Yuba Community College District. Alan has been a real asset to the people of my congressional district. Alan exemplifies a model public servant. I congratulate and wish him well on his next adventure.

#### HONORING THE MELHA SHRINERS OF GREATER SPRINGFIELD, MASSACHUSETTS ON THE CELEBRATION OF THEIR 100TH ANNIVERSARY

#### HON. RICHARD E. NEAL

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, October 6, 1998*

Mr. NEAL of Massachusetts. Mr. Speaker, I rise to recognize and honor the Melha Shriners of the Springfield area on the celebration of their 100th anniversary.

The Melha Shrine is a fraternal organization composed of two dozen units and clubs—ranging from its Shriner Clowns, Directors, a Military Band and Hadji (the familiar "little cars") to the Vintage Autos and an Oriental Band.

Melha began when Charles H. Miller and other Shriners, who were Springfield residents but belonged to Boston's Aleppo Temple, decided to form their own Temple in Springfield in 1897; they received their charter in 1898. They went through many meeting places until finding Hibernian hall where they met for the next 38 years.

In the 1920's, Melha acquired 7.5 acres of property in Springfield as the potential site for one of the Shriners Hospitals. The hospital's committee was met with such pride and enthusiasm from the Melha Shriners, it is said to have melted to hearts of the committee and the Springfield site was selected. Melha and the hospital have been intertwined ever since. The Shrine currently operates 19 orthopedic, burns and spinal-cord injury hospitals for children free of charge, and conducts important research as well.

During the post World War II economic boom, the financial and economic outlook for the Melha Shriners was very optimistic. In 1955, the Melha decided that an indoor circus would be a worthwhile endeavor. That was the beginning of the annual Melha Shrine Circus, which has become a springtime tradition in Western Massachusetts. Parents bring their children to the circus they fondly remember seeing as youngsters themselves.

In the late 1950's, because of expanding membership the Melha Shriners moved their Temple to a new location, where they have thrived ever since. The Temple was not the only thing that need updating and in the 1980's it was decided that the existing Springfield Shriners Hospital needed to be replaced. Because of the large amount of land owned by the Shriners the new hospital was built behind the old hospital. This allowed children to receive medical care without interruption.

The new state-of-the-art facility includes outpatient and inpatient services along with two operating theaters, an occupational therapy department and a gait lab. In 1996 a new cleft lip and palate clinic was added. Just this year the hospital has received approval for a