

REQUESTING THE PRESIDENT TO SUBMIT INFORMATION TO THE HOUSE OF REPRESENTATIVES CONCERNING ACTIONS TAKEN THROUGH THE EXCHANGE STABILIZATION FUND TO STRENGTHEN THE MEXICAN PESO AND STABILIZE THE ECONOMY OF MEXICO

FEBRUARY 27, 1995.—Referred to the House Calendar and ordered to be printed

Mr. LEACH, from the Committee on Banking and Financial Services, submitted the following

R E P O R T

[To accompany H. Res. 80]

The Committee on Banking and Financial Services, to whom was referred the resolution (H. Res. 80) requesting the President to submit information to the House of Representatives concerning actions taken through the exchange stabilization fund to strengthen the Mexican peso and stabilize the economy of Mexico, having considered the same, report favorably thereon with an amendment and recommend that the resolution be agreed to.

The amendment is as follows:

Strike out all after the resolving clause and insert in lieu thereof the following:

That the President is hereby requested to provide to the House of Representatives (consistent with the rules of such House), not later than 14 days after the adoption of this resolution, the following documents in the possession of the executive branch, if not inconsistent with the public interest:

- (1) Any document concerning—
 - (A) the condition of the Mexican economy; and
 - (B) any consultations between the Government of Mexico and the Secretary of the Treasury (or any designee of the Secretary), the International Monetary Fund, or the Bank for International Settlements.
- (2) Any document containing—
 - (A) a description of the activities of the central bank of Mexico, including the reserve positions of such central bank and data relating to the functioning of Mexican monetary policy;
 - (B) information regarding the implementation and the extent of wage, price, and credit controls in the Mexican economy;
 - (C) a complete documentation of Mexican tax policy and any proposed changes to such policy;
 - (D) a description of all financial transactions, both inside and outside of Mexico, directly involving funds disbursed from the exchange stabilization fund and the International Monetary Fund, including transactions with—
 - (i) individuals;
 - (ii) partnerships;
 - (iii) joint ventures; and

- (iv) corporations;
 - (E) a list of planned or pending regulations of the Government of Mexico affecting the private sector of the Mexican economy; and
 - (F) any efforts to privatize public sector entities in Mexico.
- (3) Any document concerning any legal analysis with regard to the authority of the President or the Secretary of the Treasury under section 5302 of title 31, United States Code, the Bretton Woods Agreements Act, the Special Drawing Rights Act, the Gold Reserve Act of 1934, or any other law or legal authority to use the stabilization fund to implement the President's proposed Mexican support package.
- (4) Any document concerning any legal opinion regarding the applicability or nonapplicability of the provisions of the Federal Credit Reform Act of 1990 to the exchange stabilization fund.
- (5) Any document concerning any agreement between the United States and the Government of Mexico (or any other appropriate Mexican entity) to provide assured sources of repayment for all payments by the United States in connection with any short-, intermediate-, or long-term credit facility made available to Mexico after December 31, 1994.
- (6) Any document concerning the implementation by the President and the Secretary of the Treasury (or any designee of the Secretary) of the authority under section 5302 of title 31, United States Code, with respect to any credit facility described in paragraph (5).
- (7) Any document concerning efforts by the international community to stabilize the economy of Mexico and the current status of negotiations with other countries to improve the capacity of international institutions to handle similar crises.
- (8) Any document concerning the extent to which Mexico is complying with the terms and conditions agreed to in connection with the exercise of the authority under section 5302 of title 31, United States Code, with respect to any credit facility described in paragraph (5), including any document concerning the extent to which—
- (A) the Government of Mexico has agreed to use the proceeds of any loan which has been made, or any security for which any guarantee has been issued, through any such facility to help strengthen the Mexican peso and help stabilize financial and exchange markets by facilitating the refinancing or redemption of short-term debt instruments issued by the Government of Mexico;
 - (B) the Government of Mexico has agreed to provide—
 - (i) a comprehensive financial plan which includes a description of the intended use of any such loan or security; and
 - (ii) ongoing reports on the implementation of the financial plan while any such loan or security is outstanding;
 - (C) the Government of Mexico is respecting the autonomy of the central bank of Mexico and the mandate of such bank to seek stability with respect to the purchasing power of the Mexican peso;
 - (D) the central bank of Mexico is pursuing a noninflationary monetary and credit policy that controls credit expansion and the growth of the Mexican money supply in order to maintain the Mexican peso as a strong currency;
 - (E) the central bank of Mexico is providing on a periodic basis to the Board of Governors of the Federal Reserve System and other appropriate governmental entities information necessary to make an assessment with respect to the policy described in subparagraph (D), including central bank money supply and monetary policy data;
 - (F) the Government of Mexico is implementing the privatization policy established by such Government to transfer enterprises currently owned or controlled by the Government to private ownership;
 - (G) the Government of Mexico continues to permit entry of foreign direct investment into Mexico and the repatriation of investments from Mexico by United States nationals; and
 - (H) the Government of Mexico is pursuing market-oriented measures to stem the flow of domestically owned capital from Mexico.
- (9) Any document concerning any analysis of the resources which the International Monetary Fund has agreed to make available in response to the Mexican financial crisis.
- (10) Any document concerning—
- (A) the percentage of the resources which the International Monetary Fund has agreed to make available in response to the Mexican financial crisis.

sis which are attributable to capital contributions to such Fund by the United States; and

(B) the extent to which the participation of the International Monetary Fund in international efforts to strengthen the Mexican peso and stabilize the economy of Mexico is likely to require additional contributions to such Fund by the member states of the Fund, including the United States.

(11) Any document concerning any agreement between the United States and the Government of Mexico detailing the fee structure and the terms and conditions under which loans, loan guarantees, and other financial support may be made available to Mexico through the stabilization fund established under section 5302 of title 31, United States Code, including—

(A) any document concerning background materials on the assessment of the Mexican economy and any United States Government rationalization for pressing the central bank of Mexico to increase interest rates from 40 percent to 50 percent;

(B) any document concerning the framework agreement entered into on or about February 21, 1995, which serves as the umbrella accord for the provision of any such loan, loan guarantee, or other financial support;

(C) any document concerning the medium-term exchange stabilization agreement entered into on or about February 21, 1995, which specifies the terms and conditions for medium-term swap transactions between the United States and Mexico;

(D) any document concerning the guarantee agreement entered into on or about February 21, 1995, which specifies the terms and conditions for the issuance of guarantees by the United States of debt securities issued by Mexico; and

(E) any document concerning the oil proceeds facility agreement entered into on or about February 21, 1995, which establishes a mechanism to provide an assured source of repayment of United States resources.

(12) Any document concerning the assured source of repayment to the United States for any short-, intermediate-, or long-term credit facility made available to Mexico after December 31, 1994.

(13) Any document concerning the net worth of Pemex, the historical annual revenues of Pemex, the projected annual revenues during the 5-year period beginning on the date of the adoption of this resolution, and the extent to which the proceeds from the sale of Mexican oil to customers within Mexico or outside of Mexico—

(A) are required to be paid to the Government of Mexico as taxes or as payments in lieu of taxes; or

(B) have been pledged as collateral for the repayment of any loans or other extensions of credit to the Government of Mexico or to Pemex other than any credit facility described in paragraph (12).

(14) Any document concerning the value of any oil the proceeds from the sale of which are pledged to assure the repayment of any financial assistance provided by the United States to Mexico, the documentation received by the United States in connection with such pledge, and the manner in which the United States may exercise any rights under such pledge to obtain the proceeds as repayment for losses incurred.

(15) Any document concerning any assurances given by the Government of Mexico to the United States Government with respect to changes in past economic policies or the adoption of a new economic plan.

(16) Any document concerning the decision by the President to use the assets of the exchange stabilization fund established under section 5302 of title 31, United States Code, in connection with any short-, intermediate-, or long-term credit facility made available to Mexico after December 31, 1994.

(17) Any document concerning the criteria used by the President or the Secretary of the Treasury (or any designee of the Secretary) in making any decision to use the assets of the exchange stabilization fund to respond to any economic, balance of payments, or exchange crisis in any country and the facts on which such determinations were made with respect to Poland, in 1989, and to Mexico in December of 1994 and early 1995.

(18) Any document concerning how the use of the assets of the exchange stabilization fund as a source of credit to Mexico compares with all prior uses of the assets of the fund since 1945 for all other countries under section 5302 of title 31, United States Code, with regard to—

(A) the dollar amount of each transaction;

(B) the type of the transaction, such as loan, loan guarantee, or swap agreement (as defined in section 11(e)(8)(D)(vi) of the Federal Deposit Insurance Act);

(C) the purpose of the transaction, such as whether it was to support the United States dollar, to support a foreign currency, or any other purpose;

(D) the duration, in years, of the transaction during which any credit was or is permitted to remain outstanding;

(E) any security or collateral pledged to assure repayment with respect to each such transaction; and

(F) the existence of any agreement involving the International Monetary Fund or the Board of Governors of the Federal Reserve System in connection with each such transaction and the terms of each agreement by such Fund or Board.

(19) Any document concerning debts owed by the Government of Mexico and any entity owned or controlled by the Government of Mexico to United States public or private creditors which are outstanding as of the date of the adoption of this resolution, the status of each such debt (including whether such debt has been refinanced), and the collateral or security pledged to assure repayment of such debt.

(20) Any document concerning an accounting of all the fund flows through the exchange stabilization fund established under section 5302 of title 31, United States Code, during the 24-month period ending on the date of the adoption of this resolution, including the identification of the amount of and purpose for each transaction involving such fund during such period.

(21) Any document concerning the balance of available assets in the exchange stabilization fund as of the date of the adoption of this resolution.

(22) Any document concerning the amount by which the total principal amount of loans, loan guarantees, and other extensions of credit which the President has announced will be made available to Mexico exceeds the total amount of available assets in the exchange stabilization fund established under section 5302 of title 31, United States Code, and the means for covering the shortfall, if any.

(23) Any document concerning the departure of the International Monetary Fund from the Fund's customary guidelines for country assistance, including any recommendation made by the President or any other officer or employee in the executive branch to the Fund regarding the amount of financial assistance the Fund was preparing to make available to Mexico, and any reciprocal agreement made by the executive branch to the Fund for making such assistance available in an amount greatly in excess of the customary guidelines.

(24) Any document concerning the factual circumstances pursuant to which the Bank for International Settlements has become a lender to individual countries beyond the Bank's customary role as a clearinghouse for central banks.

(25) Any document concerning the financial obligations of the Board of Governors of the Federal Reserve System to the Bank for International Settlements.

(26) Any document concerning the relationship among the Board of Governors of the Federal Reserve System, the Bank for International Settlements, and the central banks of other countries which are affiliated with such Bank in any manner with regard to assigning or apportioning the ultimate liability for any loss incurred in connection with the extension of credit by such Bank to the Government of Mexico.

(27) Any document concerning any discrepancy between the amount the President announced is available in the exchange stabilization fund established under section 5302 of title 31, United States Code, and the amount shown as being available in such Fund in the monthly statement of the public debt of the United States on December 31, 1994.

(28) Any document concerning conditions which were put on the credit facilities made available to Mexico through the exchange stabilization fund or the Board of Governors of the Federal Reserve System that were requested by members of the investment community.

BACKGROUND AND PURPOSE

House Resolution 80 requests the President to provide the House of Representatives with documents relating to the Administration's use of the Exchange Stabilization Fund (ESF) and the Administration's proposal to stabilize the Mexican peso. The documents are to

be provided no later than 14 days after the adoption of the resolution by the House.

According to Rule 22, clause 5, of the Rules of the House of Representatives, H. Res. 80 is considered to be a resolution of inquiry, which requires the Committee to act on the resolution within 14 legislative days after it is introduced. If the Committee does not act on the measure, a Member of the House may move to discharge the Committee from further consideration of the resolution, with such motion to discharge being considered a privileged one under the precedents and practices of the House. H. Res. 80 was introduced and referred to the Committee on Banking and Financial Services on February 10, 1995, with action taken on February 23, 1995.

Under the rules and precedents of the House, a resolution of inquiry is the means by which the House requests information from the President of the United States or the head of one of the executive departments. According to Deschler's Procedure it is a "simple resolution making a direct request or demand of the President or the head of an executive department to furnish the House of Representatives with special factual information in the possession of the executive branch." The effectiveness of a resolution of inquiry derives from the comity extended by one branch of government to another, and not from any legal obligation. The resolution is a request for documents and its passage does not override any legal or constitutional privilege which may be afforded these documents.

Under Rule 22, the practice of the House gives a resolution of inquiry a privileged status. To enjoy the privilege a resolution should call for facts rather than opinions, should not require investigations, and should not present a preamble.

Turning from procedure to substance and to the implicit policy question at issue in the resolution—the President's decision to utilize up to \$20 billion in resources from the ESF to help stabilize the Mexican currency and financial system—Members on both sides of the aisle have differing judgments and perspectives.

However, the scale of the proposed ESF swap and guarantee arrangements with Mexico are of such an unprecedented magnitude that unprecedented accountability is appropriate. The House of Representatives is therefore obligated to review how Mexico got into its present dilemma and what obligations the U.S. government has undertaken to resolve this crisis. It is also the obligation of the House to assess why and how Mexico made the major economic mistakes it has and whether the U.S. government failed to recommend or insist that Mexico follow a more prudential course.

It is in the context of the paragraph above that the request for documents contained in this resolution should be interpreted. But the scope of this request for documents should not be construed to include drafts of documents provided in final form, nor any notes of any individual.

The Committee further notes that under the rules and precedents of the House, requests for ongoing reports concerning actions taken through the ESF and international financial institutions are outside the scope of this resolution of inquiry.

Nevertheless, many Members have expressed a strong desire that there be ongoing reporting on the U.S. and international financing package for Mexico. In this context, it is the strong expect-

tation of the Committee that it should receive not later than March 31, 1995, and on the last day of each calendar quarter thereafter during which any loan or guarantee is made pursuant to the approval of the President issued on January 31, 1995, a report describing:

(A) The condition of the Mexican economy and important financial and economic issues in Mexican-U.S. relations;

(B) Significant consultations between the Government of Mexico and the Department of the Treasury, the International Monetary Fund, or the Bank for International Settlements;

(C) Any funds disbursed to Mexico or any guarantees issued with respect to securities issued by Mexico from the Exchange Stabilization Fund;

(D) Quarterly financial statements of the Exchange Stabilization Fund including a balance sheet, income statement, and notes;

(E) Information concerning respect of the Government of Mexico for the Mexican central bank (Banco de Mexico) and the mandate of such bank to seek stability of the purchasing power of the Mexican peso;

(F) Pursuit by Banco de Mexico of a non-inflationary monetary and credit policy that controls credit expansion and the growth of the Mexican money supply in order to maintain the Mexican peso as a strong currency, and the provisions by such bank to the Board of Governors of the Federal Reserve System and other appropriate governmental entities on a regular basis of information necessary to make this assessment, including central bank money supply and monetary policy data;

(G) The resources which the International Monetary Fund (IMF) has agreed to make available in response to the Mexican financial crisis. The initial report should include an identification of the percentage of IMF resources available to Mexico which are attributable to capital contributions by the United States to the IMF, and an analysis of the extent to which the IMF's participation in such efforts will likely require additional contributions by member states, including the United States, in the future.

In the same vein, reflecting a desire on the part of many Committee Members to receive ongoing reports, after the expiration of the period during which any loan or guarantee is made available or may be made available to Mexico pursuant to the approval of the President issued on January 31, 1995, and until no loan or guarantee made available to Mexico pursuant to such presidential approval remains outstanding, it is the strong expectation of the Committee that it should also receive a semi-annual report concerning the same matters as are to be the subjects of the quarterly reports provided for in the paragraphs above.

Likewise, it would also be the strong expectation of the Committee that not later than 90 calendar days after the adoption of this resolution, it will be provided with a description of the status of negotiations with other countries to improve the capacity of international institutions to handle similar crises in the future.

ROLLCALL VOTES ON AMENDMENTS; FINAL COMMITTEE ACTION

In compliance with clause (2)(l)(2)(B) of rule XI of the Rules of the House of Representatives, the record of Committee rollcall votes taken on final passage or amendments during the Committee's consideration of H. Res. 80 is set out below, as is a report on the Committee's final action on the bill.

On February 23, the Committee met to consider H. Res. 80, the required quorum being present at all times when the Committee conducted legislative business.

An amendment in the nature of a substitute was offered by Mr. King. The Committee approved by voice vote two second degree amendments to the King substitute, one offered by Mr. Roth and one by Mr. Sanders. The King substitute was then adopted by voice vote.

The Committee, with a quorum present, ordered H. Res. 80, as amended, favorably reported by a record vote of 37 ayes and 5 nays:

Voting aye: Leach, McCollum, Bereuter, Roth, Lazio, Bachus, Castle, King, Royce, Lucas, Weller, Hayworth, Metcalf, Bono, Ney, Barr, Chrysler, Cremeans, Fox, Stockman, LoBiondo, Watts, Kelly, LaFalce, Vento, Schumer, Kanjorski, Flake, Mfume, Orton, Sanders, Maloney, Barrett, Wynn, C. Fields, Ackerman, Bentsen.

Voting nay: Frank, Kennedy, Waters, Roybal-Allard, Watt.

Mrs. Roukema and Mr. Heineman were present during most of the markup, but were unavoidably detained with business in other Committees when the bill was reported by the Committee. If they had been present they would have voted aye.

COMMITTEE OVERSIGHT FINDINGS

The Committee in its conduct of its oversight duties under clause 2(b)(1) of rule X of the Rules of the House of Representatives held three hearings on the Mexican financial crisis and the international and U.S. Government's responses to this crisis.

On January 25, 1995, Messrs. Robert Rubin, Secretary of the Treasury; Warren Christopher, Secretary of State; Alan Greenspan, Chairman of the Federal Reserve; Brent Scowcroft, from the Scowcroft Group; Arthur Laffer, Chairman of A.B. Laffer; V.A. Canto & Associates; and Ralph Nader, Consumer Advocate, testified on the Mexican economic situation and proposed legislation to stabilize the Mexican peso and economy. On February 9, 1995, Messrs. Greenspan and Rubin again testified before the Full Committee on the Administration's initiative to stabilize the Mexican economy through the use of resources from the ESF. Messrs. Robert Reich, Secretary of Labor, and Peter Tarnoff, Undersecretary for Political Affairs for the Department of State also testified. On February 10, 1995, Messrs. Lawrence Kudlow, from the National Review, Rudiger Dornsbush, Professor of Economics at Massachusetts Institute of Technology, Clyde Prestowitz, from the Economic Strategy Institute, Jude Wanniski, from Polyconomics, Inc., C. Fred Bergsten, from the Institute for International Economics, and Robert Hormats, from Goldman Sachs also testified on the subject.

The findings and recommendations of the Committee, as required under clause 2(l)(3)(A) of rule XI of the Rules of the House of Rep-

representatives, are incorporated in the above descriptive portions of this report.

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT FINDINGS

No findings or recommendations of the Committee on Government Reform and Oversight were received as referred to in clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURE

Clause 2(l)(3)(B) of rule XI of the Rules of the House of representatives is inapplicable because H. Res. 80 does not provide for any new budget authority, any new spending authority, any new credit authority, or an increase or decrease in revenues or tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Since the resolution does not provide for any new budget authority, any new spending authority, any new credit authority, or an increase or decrease in revenue or tax expenditures, no Congressional Budget Office cost estimate is required under clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives.

INFLATIONARY IMPACT STATEMENT

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that H. Res. 80 will have no significant inflationary impact on prices and costs in the operation of the national economy.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

No change in existing law is occasioned by the passage of this resolution.

A P P E N D I X

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC, February 9, 1995.

Hon. ROBERT RUBIN,
Secretary of the Treasury,
Washington, DC.

DEAR SECRETARY RUBIN: I am writing to request that the Department of the Treasury prepare and transmit several reports to the House Committee on Banking and Financial Services regarding the U.S. and international response to the Mexican financial crisis. It would be my expectation that these reports would be transmitted no less frequently than once in each calendar quarter while any loans or guarantees to Mexico are issued through the Exchange Stabilization Fund (31 United States Code section 5302), and thereafter semi-annually while any such loan or guarantee remains outstanding.

In general, it would be my expectation that the initial report would provide a detailed legal opinion regarding the Administration's usage of the authority provided under the ESF statute for loan and loan guarantee arrangements with Mexico. The initial report should also address in detail such issues as: the existence of adequate, assured sources of repayment for all payments made by the United States in connection with such loans or guarantees, including proceeds from the sale of Mexican oil to customers outside of Mexico; any agreement between the United States and the Government of Mexico (or any other appropriate Mexican entity) to provide assured sources of repayment exists for all payments made by the United States in connection with such loans or guarantees; and the extent to which proceeds from the sale of Mexican oil to customers outside of Mexico are pledged or otherwise committed to the repayment of obligations of the Government of Mexico (GOM) to sources other than the United States.

In addition, the initial as well as all subsequent reports should detail the Administration's implementation of the authority under the ESF statute. Likewise, it should include a description of efforts by the international community to stabilize the economy of Mexico and the status of negotiations with other countries to improve the capacity of international institutions to handle similar crises in the future.

It would also be my expectation that all such reports would address in detail Mexico's compliance with the terms and conditions under which the Administration proposes to use the ESF facilities, such as whether: Mexico has agreed to use proceeds of any loan or

eligible security for which a guarantee is issued through the ESF to help strengthen the currency and help stabilize financial and exchange markets by facilitating the refinancing or redemption of short-term debt instruments issued by the GOM; the GOM has agreed to provide a comprehensive financial plan which includes a description of the intended use of the proceeds of the loan or security with respect to which any guarantee is issued, and over the life of the loan or security with respect to which any guarantee is issued, ongoing reports on the implementation of the financial plan; the GOM is respecting the autonomy of the central bank of Mexico and the mandate of such bank to seek stability of the purchasing power of the Mexican peso; the central bank of Mexico is pursuing a non-inflationary monetary and credit policy that controls credit expansion and the growth of the Mexican money supply in order to maintain the Mexican peso as a strong currency, and is providing the Board of Governors of the Federal Reserve System and other appropriate governmental entities on a period basis information necessary to make this assessment, including central bank money supply and monetary policy data; the GOM is implementing its privatization program to transfer enterprises currently owned or controlled by the Government to private ownership; and the GOM continues to permit entry of foreign direct investments into Mexico and the repatriation of investments from Mexico by United States nationals, as required by the laws of Mexico and is pursuing market-oriented measures to stem the flow of domestically-owned capital from Mexico.

In addition, all such reports should include an analysis of the resources which the International Monetary Fund has agreed to make available in response to the Mexican financial crisis. The report should include an identification of the percentage of IMF resources available to Mexico which are attributable to capital contributions by the United States to the IMF, and an analysis of the extent to which the IMF's participation in such efforts will likely require additional contributions by member states, including the United States, in the future.

The reports should also provide an evaluation of the role played by the Bank for International Settlements in responding to the Mexican financial crisis. This section should include a report on the extent of the financial exposure of the United States, if any, including the Board of Governors of the Federal Reserve System, with respect to BIS activities.

Finally, the reports should suggest steps that can be taken by international financial institutions and the industrialized democracies to identify and deal with problems of comparably magnitude in the future.

As you know, Congress has a constitutional duty to ensure the fullest accountability and transparency of the Executive Branch in this circumstance. More generally, given the public controversy surrounding U.S. and international efforts to stabilize Mexican financial markets, the novel usage of the ESF statute by the Executive Branch, the \$20 billion in new contingent liabilities assumed by the United States Treasury in the President's January 31 initiative, it is inconceivable that any Congressional or public confidence

in the Administration's program can be established absent such reports.

Indeed, the timely issuance of such reports will not only be relevant to an assessment of the President's initiative in this instance, but crucial in the context of any future legislative branch discussions regarding the ESF statute and the flexibility it provides the Department of the Treasury to maintain orderly exchange arrangements. I look forward to your early response to this request.

Sincerely,

JAMES A. LEACH,
Member of Congress.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC, February 9, 1995.

Hon. CHARLES A. BOWSHER,
Comptroller General of the United States, Washington, DC.

DEAR GENERAL BOWSHER: I am writing to request that the General Accounting Office prepare and transmit a comprehensive report to the House Committee on Banking and Financial Services regarding the origins of the Mexican financial crisis, the U.S. and international response, and steps that can be taken by international financial institutions and the industrialized democracies to identify and deal with problems of comparable magnitude in the future.

The report should include an analysis of the causes of the Mexican financial crisis—including but not limited to the economic policies pursued by the Government of Mexico, the position taken by the United States Government on those policies, and the extent to which our government was aware of the seriousness of the situation and its potential for necessitating a major commitment of American resources to resolve. The role of international financial institutions should also be carefully examined.

Such report should include the opinion of the Comptroller General on whether any of the proposed actions of the President, as announced on January 31, 1995, to use the Exchange Stabilization Fund (31 United States Code section 5302) to ensure orderly exchange arrangements and a stable system of exchange rates with respect to Mexico, requires Congressional authorization or appropriation.

It should also provide a detailed evaluation of the terms and conditions of the commitments and agreements entered into by the President, or any officer or employee of the United States acting on behalf of the President, in connection with providing such support, including the terms which provide for collateral or other methods of assuring repayment of any outlays by the United States.

In addition, it should include an analysis of the resources which the International Monetary Fund has agreed to make available in response to the Mexican financial crisis and in order to restore confidence to the international financial system. The section of the report should include an identification of the percentage of IMF resources available to Mexico which are attributable to capital contributions by the United States to the IMF, and an analysis of the

extent to which the IMF's participation in such efforts will likely require additional contributions by member states, including the United States, in the future.

The report should also provide an evaluation of the role played by the Bank for International Settlements in multilateral efforts to respond to the Mexican financial crisis. This section should include a report on the extent of the financial exposure of the United States, including the Board of Governors of the Federal Reserve System, with respect to BIS activities.

Finally, the report should suggest steps that can be taken by international financial institutions and the industrialized democracies to identify and deal with problems of comparable magnitude in the future.

Because the economic crisis in Mexico has raised a number of serious issues that merit examination by Congress, I believe a comprehensive report of this nature is well-warranted at this time.

Sincerely,

JAMES A. LEACH,
Member of Congress.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC, February 15, 1995.

Hon. ALAN GREENSPAN,
*Chairman, Board of Governors,
The Federal Reserve System, Washington, DC.*

DEAR CHAIRMAN GREENSPAN: As you may know, I have written a letter to the Secretary of the Treasury requesting the fullest possible disclosure regarding the details of the U.S. and international response to the Mexican financial crisis. Because of the role the Federal Reserve System is playing in this initiative, I would hope that any reports by the Treasury Department would include supplementary information from the Federal Reserve or, alternatively, that the Federal Reserve issue reports on its activity with respect to Mexico.

For example, it is my sense that the Congress is interested in gaining a fuller understanding of the Federal Reserve's role in various swap arrangements—such as with the Treasury, other countries or international financial institutions—as well as the operational details of the “pass through” function of the Federal Reserve Bank of New York with respect to Mexican oil revenues from in the event of default, and the Federal Reserve's relationship with the Bank for International Settlements.

Because the economic crisis in Mexico has raised a number of serious issues that merit examination by Congress, I believe supplementary reporting by the Federal Reserve is well-warranted at this time. I appreciate your attention to this request.

Sincerely,

JAMES A. LEACH,
Member of Congress.

Enclosure.

H. CON. RES. 27

CONCURRENT RESOLUTION To express the sense of the Congress that the Secretary of the Treasury should submit monthly reports to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking and Financial Services of the House of Representatives concerning compliance by the Government of Mexico regarding certain loans, loan guarantees, and other assistance made by the United States to the Government of Mexico

Whereas Mexico is an important neighbor and trading partner of the United States;

Whereas on January 31, 1995, the President announced a program of assistance to Mexico, that includes swap facilities and securities guarantees in the amount of \$20,000,000,000, using the exchange stabilization fund established pursuant to section 5302 of title 31, United States Code, and the Federal Reserve System;

Whereas the program of assistance also involves the participation of the Federal Reserve System, the International Monetary Fund, the Bank for International Settlements, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Bank of Canada, and several Latin American countries;

Whereas the involvement of the exchange stabilization fund and the Federal Reserve System means that United States taxpayer funds will be used in the assistance effort to Mexico;

Whereas assistance provided by the International Monetary Fund, the International Bank for Reconstruction and Development, and the Inter-American Development Bank may require additional United States contributions of taxpayer funds to those entities;

Whereas the immediate use of taxpayer funds and the potential requirement for additional future United States contributions of taxpayer funds necessitates congressional oversight of the disbursement of funds from the exchange stabilization fund, the Federal Reserve System, and the International Monetary Fund; and

Whereas the efficacy of the assistance to Mexico is contingent on the pursuit of sound economic policy by the Government of Mexico: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring),
That it is the sense of the Congress that—

(1) the Secretary of the Treasury should, in conjunction with reports required under section 5302 of title 31, United States Code, by the 30th day after the end of each month, submit a detailed report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking and Financial Services of the House of Representatives describing, with respect to such month—

(A) the condition of the Mexican economy;

(B) any consultations between the Government of Mexico and the Department of the Treasury or the International Monetary Fund; and

(C) any funds disbursed from the exchange stabilization fund, including any swap facilities or securities guarantees, pursuant to the approval of the President issued on January 31, 1995;

(2) each report submitted under paragraph (1) should include, with respect to the month for which the report is submitted—

(A) a full description of the activities of the Mexican Central Bank and Mexican exchange rate policy, including the reserve positions of the Mexican Central Bank and data relating to the functioning of Mexican monetary policy;

(B) information regarding the implementation and the extent of wage, price, and credit controls in the Mexican economy;

(C) a complete documentation of Mexican tax policy and any proposed changes to such policy;

(D) a list of planned or pending Mexican Government regulations affecting the Mexican private sector;

(E) any efforts to privatize public sector entities in Mexico; and

(F) a full disclosure of all financial transactions, both inside and outside of Mexico, directly involving funds disbursed from the exchange stabilization fund and the International Monetary Fund, including transactions with—

(i) individuals;

(ii) partnerships;

(iii) joint ventures; and

(iv) corporations; and

(3) the Secretary of the Treasury should continue to submit reports under paragraph (1) until the Secretary determines that no further risk exists to United States taxpayers of default by the Government of Mexico on funds provided from the exchange stabilization fund, the Federal Reserve System, or the International Monetary Fund pursuant to the program of assistance approved by the President on January 31, 1995.