Treasury bonds. And had they not taken the money, had they put real money in there instead of IOUs, there would be about $750 or $800 billion in Social Security right now today.

Mr. WELDON of Florida. Mr. Speaker, if the gentleman would yield again, in addition to speaking out in support of preserving the Social Security program and establishing honest budgeting and I think taking the Social Security Trust Fund off budget and stopping the process of borrowing the money out each year is part of what I consider honest budgeting, I think my colleague's speaking out in support of reducing the tax burden on working families and middle-class families is very important.

And one of the items that my colleague mentioned I think is a particularly important issue, and that is getting rid of the death tax, the so-called death tax or inheritance tax.

And another issue in my district is, I represent the east central coast of Florida, and I have a lot of suburban communities along the coast, but I have a lot of ranchlands, and I have a lot of these orange groves and citrus planters and cattle ranchers; and they are having a terrible time when they want to pass essentially the family farm, in Florida we call it the family grove or the family ranch on to the kids, the tax burden sometimes is so prohibitively bad that they literally have to sell the farm in order to be able to pay the tax bill because it frequently gobbles up a third of the land or a third of the valuation of the land.

And this is just wrong. This is not the way our American tax code is supposed to work, where we are forcing family businesses to have to sell to pay a tax bill, a family ranch to have to be sold off or farm or orange grove or grapefruit grove.

And I thoroughly support, and I was very pleased to hear my colleague bring up this issue of getting rid of the death tax, along with some of the other things he mentioned, the marriage penalty. And again, I just want to commend him.

I was sitting in my office doing some paperwork, and I was listening to what my colleague was saying about Social Security, and I wanted to come down and personally commend him for the leadership and the direction that he has provided not only our class, the class of 1994 but, as well, the whole Republican Conference.

My colleague has had an impact on these issues, in my opinion, far above any of the other Members, and I congratulate him for that.

Mr. NEUMANN. Mr. Speaker, reclaiming my time, I want to make sure this is clear. This is not about me and it is not me that did this. We did this. A lot of new Members that came in in 1994 feel very strongly about this and we have done this together.

But it is not even us that is doing it. It is the American people that understood in 1993 the idea of raising taxes was wrong. They understood that the problem here was not that government was not getting enough money out of their pockets. They understood that government spending was growing out of control on all sorts of wasteful programs.

It was really the American people that made a decision to make that change that led to people like my colleague and I being here that has resulted in these changes that are now just starting to take hold and really brought about this change for America. So I do not think it is us. I think it is the American people that deserve the credit for this.

STATUS OF CONDITIONS IN RUSSIA

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from Pennsylvania (Mr. WELDON) is recognized for 60 minutes as the designee of the majority leader.

Mr. WELDON of Pennsylvania. Mr. Speaker, I rise this evening to take some time to discuss a major crisis that this country is going to have to deal with. And I know the topic of discussion all across America tonight is the delivery of the report by Kenneth Starr involving potential allegations against the President of the United States. But I am not here to discuss that, Mr. Speaker. Actually, I am here to discuss another issue that is simmering and potentially could cause not just problems internationally, but severe problems here in America as well, and that is the status of conditions in Russia and actions that this body is going to have to take involving the Russian people and the Government of Russia before the end of this month, before we adjourn.

Mr. Speaker, this past Tuesday evening I returned from what I believe is my sixteenth visit to Russia during the course of my lifetime of interest in Russia, the country and its people. This trip was one that was requested of me by my counterparts in the Russian State Duma, the equivalent to our Congress.

They had asked me to come a week earlier to discuss ways that perhaps we could assist in further understanding the problem that Russia is experiencing now in terms of their economic instability, the political instability, and my own personal interest, the potential military instability within the boundaries of Russia. I went there with those three ideas in mind.

As the chairman and founder of the Duma-Congress Initiative, which for 2 years has been the formal relationship between the Congress of our country and the State Duma and the Federation Council of Russia.

In arriving in Moscow, Mr. Speaker, I was amazed to see the lines of Russian people who were gathering at banks all over the city attempting to go in and receive and remove their savings, in many cases their life savings; and the frustration of those people was that they could not take their own money out because in the banks in Russia today their accounts have been frozen.

And at the same time their assets have been frozen all over Russia and they cannot remove the rubles they need, the costs of just living in Russia are increasing dramatically as the ruble has been devalued and the cost of goods and services in Russia has increased dramatically.

In fact, during the 6 days I was in Moscow, when I checked my hotel bill on checking out, I saw that the cost of my room went up each evening because of the problems with the ruble. In fact, in one comparison, I had eaten breakfast in the hotel, which was a buffet breakfast, a standard fee charged to everyone who went into the hotel, and on one day it was 500 rubles; the next day the exact same breakfast was 750 rubles.

Now, I was able to absorb the increased cost for the short period of time that I was there. But, Mr. Speaker, you could imagine what is happening all across Russia as literally thousands and millions of Russian people today are very much concerned about whether or not they are going to be able to buy the goods and the services to allow them to maintain their quality of life.

And then when they add to that the impact this current economic crisis is having on the Russian military, it presents real problems not just for Russia, but for America and people around the world. Because the people in the military who have seen significant cutbacks in their funding base have particular problems because they do not have decent housing, many of the senior leaders of the former Soviet military feel betrayed because they have not been given their pensions and, therefore, the situation has led to a real morale problem, problems which jeopardize in some cases the security of Russian nuclear materials, nuclear arms, and conventional weapons.

In fact, just in the past several months and years, we have seen increasing incidences of Russians illegally transferring technology to other nations. Over the past several years, we have seen very sophisticated guidance systems for long-range missiles being transferred from Russia to Iraq.

We just this past summer saw evidence of Russian cooperation with Iran to build a new medium-range missile, which now threatens all of Israel. And we have seen continued cooperation in some cases with rogue states to allow technology involving chemical or biological weapons to leave Russia because the right price has been paid. So the problems of Russia economically are problems we have to face up to and problems that we have to deal with.

Now, because of the current crisis and instability within the banking system and the instability of the ruble, there have basically been aggressive efforts by the central government and

Moscow to put some temporary holds on the slide the ruble has taken over the past several months. And that has not really worked. In fact, at this very moment, the ruble continues to be devalued in terms of the international community.

The problem is that this country has basically supported over the past several years $22 billion in IMF funding that has gone into Russia that was supposed to help stabilize the ruble, that was supposed to stabilize the economy of Russia, that was supposed to provide jobs for Russian people, that was supposed to help the Russian people improve their quality of life.

But as we have just learned during the past summer and even more tragically by the accounts of the comments of Anatoly Chubais in today's newspapers, Russia has largely squandered that money. $400 million that was supposed to go to the Russian coal industry to help stabilize the jobs of coal miners and stabilize that industry largely went into a hole, ended up in Swiss bank accounts, large properties being bought along the Riviera, in some cases U.S. investments.

In fact, Mr. Speaker, what we are learning more and more each day is that much of the significant dollars that the IMF and the World Bank have put into Russia have not accomplished their intended purpose. And, in fact, in many cases there has been outright corruption, there has been theft by international financial dealers, by the oligarchs who run the seven major banks in Russia, to the point that this help that we and other nations have provided has not been beneficial to the Russian people and there is currently a state of severe frustration.

Now, our problem in the Congress, Mr. Speaker, is that the President is asking us this month to approve replenishment of IMF funds that have gone into Russia. That replenishment amounts to approximately $6 billion.

The Congress has not acted on this replenishment for almost a year because of the concerns of many of us, including myself, that the IMF money going into Russia has not been used for the right purpose, that in fact many of the institutions supported by the Yeltsin administration, and in fact supported by the Clinton administration because of its support for the Yeltsin administration, have ended up having that money being ripped off and not benefiting stability in Russia's economy.

And so, with that in mind, and wanting to see Russia succeed, as someone who spends a great deal of time working proactively to assist Russia in stabilizing itself, but who is also probably Russia's toughest critic when it comes to proliferation and when it comes to our military relationship and lack of control of arms that are being shipped out of Russia, I decided that it was time to look at a new way of engaging Russia.

So during the month of August, I sat down and laid out a series of eight principles, principles that this body could pass as a part of any IMF funding replenishment to send a new signal to the IMF, the International Monetary Fund, and the World Bank, as well as to the administration of this government that we are not going to tolerate business as usual, that while we want to see Russia succeed and stabilize for obvious reasons, we are not going to continue to support IMF dollars which in the end are American taxpayer dollars because we replenished the IMF to go down a virtual black hole, to allow those oligarchs in Russia and those wealthy individuals to rip off more money to be used for their own private purposes at the expense of stability in this very huge nation, which still has, by the way, over 6,000 nuclear weapons which could very easily be pointed at America at any time and a whole host of additional, probably in excess of 10,000, tactical nuclear weapons, which also could be made available on the marketplace if in fact the right price would be paid.

□ 2030

These 8 principles were simple, Mr. Speaker. They were designed to lay out a strategy that would allow this body to support the President and his request for additional IMF replenishment, but it would say to the President that we are going to provide this funding support but we are going to do it in a new way, a new direction. We are no longer going to tolerate the way that President Clinton and President Yeltsin have allowed dollars in Russia to flow that should have been used for stability in the Russian economy.

The interesting premise, as I get into this, in August was that I knew all along that the leadership in the Russian Duma also opposes IMF funding. Now, one might say why in the world would elected leaders in Russia oppose more IMF funding for their nation, especially with the economic crisis? Well, there are two simple reasons. The first is the same reason that many of us have been very concerned about IMF funding for Russia, and that is the Russian Duma officials and the members of the Federation Council have sat along the sidelines and watched the Yeltsin government allow IMF dollars and World Bank dollars and in some cases U.S. dollars to go into corrupt institutions, to not be used for the proper purpose that those dollars were allocated, and have watched those monies not benefit the Russian people but, rather, a few very, very wealthy individuals, who have unfortunately taken money that should have gone for economic stability in Russia.

The Duma deputies have said why should we support a continued effort for a western bailout of these failed banks and institutions that we, as a nation, are going to have to pay back sometime, because these are, in fact, loans? So the Duma has been opposed and continues to oppose the IMF funding just as many of our colleagues in this body oppose it.

There is a second reason why the Duma opposes IMF funding, and that is because they understand that there are some very difficult and tough decisions and reforms that they have to make. The World Bank, in talking about the release of this most recent tranche of money for Russia, said that Russia has to impose some very tough reforms. They have to stabilize their tax system so it is coherent and so that it is consistent, one that everyone can understand, that will encourage and promote additional business investment.

They have to control the growth of the central government and the regional governments so that inflation is kept under control. They have to provide mechanisms that allow for private property and for land use reform, so that investors can come in to Russia as a free market system and be able to invest their money and enjoy the benefits of free and open markets. These are reforms that in some cases the Duma has been reluctant to support.

Now, back in July, when the first crisis occurred this year, the Duma, in fact, did pass some of the recommendations that were put forth by the Yeltsin government by then Prime Minister Kiriyenko and by the IMF, and those reforms were a partial solution to a problem that continued to grow out of control, but the Duma has been reluctant to support additional IMF dollars because they don't want to make the changes necessary in terms of reforms.

Mr. Speaker, I can understand to some extent why the Duma is reluctant. They see the Yeltsin government not controlling the extent of where these IMF dollars are going and how they are being used, and so, therefore, they are reluctant to come in and make the tough decisions of reform that are so necessary for Russia's economy to stabilize.

Yet, the Duma also wants to see investment come into Russia to encourage the kinds of reforms that have been taking place in the regions. Russia is a very large country. In fact, it has about 89 krais and oblasts and independent republics that are a part of the Russian territory. So in effect you have 89 separate, smaller governments and in many of those smaller governments they are making significant reforms. They are providing for private property. They are controlling their budgets. They are making the tough decisions involving tax policy, and yet they are not being recognized by the international financial community and by this government in the form of support financially.

In fact, over the past year, Mr. Speaker, the gentleman from North Carolina (Mr. TAYLOR), a very successful banker, and I have traveled to Russia four times to work with them on what we think will be one of Russia's key points of success out of these current doldrums they are in, and that is a mortgage financing system.

In fact, Mr. Speaker, this document is the culmination of the meetings, extensive meetings, we have had with the leadership of the Russia Duma and in some cases portions of the Yeltsin government, talking to them about establishing a mortgage financing system similar to our Freddie Mac and Fannie Mae in America.

The idea here is that the Russian people don't want hand-outs. They don't want to be always on the end of the receiving line. In fact, there are many Russians who want to be able to buy a home, buy an apartment or buy a flat, but to do that they have got to be able to borrow the money at realistic interest rates, for terms of up to 20 or 30 years, as we do in this country.

Now, the problem in Russia has been that the 7 oligarchs who run the 7 largest banks in Russia who determine the bulk of economic activity in that nation have been ripping off the Russian people. Now, that's a strong word but I have no other word for it. It is ripping off the Russian people.

The interest rates they have been charging over the past 4 and 5 years have averaged between 15, 25, 50, in some cases 75, percent, and they have not been willing to loan money for housing for more than 2 to 3 to 4 years. No family can afford to buy a property under those conditions.

What we have proposed is a program initially controlled by the U.S., with Russian involvement, that would set parameters that are very similar to the mortgage financing mechanisms in this country.

Mr. Speaker, in the meetings we have had with the Russian Duma and the regional governors who are members of the Federation Council, without exception, they have accepted our ideas. The problem has been an interesting one. The battle has not been with the Russian leaders to agree to this program. It has been with the Clinton administration that hasn't been willing to support this initiative and it has been with the Yeltsin administration that hasn't been willing to put forth support for the initiative as well.

So here we have the two parliaments working together on some novel ideas to help the Russian people and yet because we have this Clinton-Yeltsin relationship focusing on failed, corrupt Moscow-based institutions, the Russian people have not been able to benefit.

So in going to Russia last week, I took 8 principles with me, 8 principles that I told my Russian counterparts and all the factions of the state Duma, if you enact, following your enactment perhaps we can change directions in terms of the way that we relate to Russia and its economy.

I am here tonight to announce, Mr. Speaker, that my key counterpart in the Russian Duma, Deputy Valentin Tsoy, who is a leader in the regional fraction, and a key ally of Duma Speaker Seleznyov came back with a Russian version, which I have just had translated, that, in fact, has Russia agreeing to 8 major principles, 8 major principles that they have now told me they will pass in the state Duma that we, in fact, can pass in this body to chart a new course in our relationship with Russia.

The concept of this administration dealing with Russia over the past 7 years has been heavily relying on Clinton to Yeltsin and that worked when both presidents were strong and both presidents had the commanding support of their populous. That doesn't exist in Russia today. In fact, most of the polls I have seen show that Boris Yeltsin would be lucky to get 20 percent of the vote if he were up for reelection. He is a very unpopular president.

This President, likewise, has some problems with the Congress, not just because of the current situation involving Ken Starr. We can, in fact, Mr. Speaker, move in a new direction under the leadership of the two parliaments.

Let me go through the 8 principles that the Russian state Duma, in an official document presented to me, have proposed as their response to my initiative, to reform the way international money goes into Russia. Number one, it will be the policy of both this Congress and the Russian state Duma that any additional western monies coming from the U.S., the World Bank or the IMF, should be used on programs such as mortgage credits, such as the one that we have worked on for the past year, and housing construction which will enable the development of a middle class in Russia.

The reason why this is so important is the same reason why what FDR did after the great depression was so important. By establishing financial institutions like Freddie Mac and Fannie Mae, he gave the American people the chance to buy homes at low interest rates over long periods of time, and by creating funds that allow Russian people under very strict guidelines, where reforms have been made in the regions and nationally, reforms involving eviction, and the ability to have mortgages and our real estate industry, we can help Russia create that middle class that has been the key component of a strong America.

Mr. Speaker, as we know, in this country, the middle class is what drives our economy. It is what makes America strong. Russia, largely, has no middle class today.

So the first principle says that any money going into Russia should be aimed at those institutional programs that ultimately benefit the middle class, such as mortgage financing programs.

The second principle deals with the regions, and it simply says that money going into Russia should not just go to central institutions in Moscow. Russia is a huge nation, 89 smaller subordinate governments. Where those governments are making reforms, international monetary funds should be used to encourage continued success in those reforms. That's not been the case under the current administration, under the current IMF policies.

In fact, the second principle deals specifically with that issue and it says that where these real economic reforms are taking place in the region, tax reform, privatization, and land reform, that, in fact, all the international monetary organizations should be looking to support that reform by helping create additional programs that will encourage more of that activity. That principle further goes on to state that the criteria for evaluating the effectiveness of regional economic reform programs should be clearly defined. This will allow the regions to be sure that they will be objectively evaluated and guarantee them the necessary incentives for the establishment of effective economic reform programs.

Now, Mr. Speaker, this comes to the Duma, that this administration and the Russian Yeltsin government have said doesn't want to work with them to help reform the Russian economy. The second principle clearly states a refutation of that fact.

The third principle is a very important one, because it says, and remember this is being proposed to me in response to my initiatives to the Russians, that after a complete auditing, the international financial community and the U.S. Government should stop any and all funding to those institutions ever again. So when we do audits and determine that corrupt banks in Moscow have abused the IMF and the World Bank, they should not be entitled to any additional funding support from any international or U.S. organization, but that principle goes on to further state that not only should those institutions not receive financial resources in the future, but we further state in this particular principle, and I quote, the return of allocated funds from unscrupulous partners needs to be achieved through joint efforts and these funds that are collected need to be redirected toward specific programs that are, in fact, covered by these principles.

So the Duma, in fact, wants to state with us that not only should we cut off funds to corrupt institutions in Russia, but we should go after those corrupt institutions and attempt to collect those dollars that have been misused and allocated in an improper manner.

The fourth principle, Mr. Speaker, is one that we should have done in the past. It calls for the creation of a joint Russian American oversight commission, to monitor all allocated expenditures by the U.S. Government and by the international financial organizations so that the IMF and the World Bank, so that the American funds going into Russia which average about $600 million a year through programs like cooperative threat reduction or Nunn-Lugar, so that every one of those dollars is monitored in a formal, structured way, by a joint interparliamentary commission, made up of the staffs

of the Congress and the Russian Duma, the Federation Council and the U.S. Senate; not that we stop those funds because we can't stop IMF dollars, we are only one nation involved in the IMF, but so that we can tell our constituents that we are sure that every dime of money going into Russia in the end is going to the right purpose.

□ 2045

It is going to help the intended problem for which that money was intended. Right now there is no such oversight responsibility, there is no capability for the Congress and the Duma and the Federation Council and the Senate to monitor the ultimate use of these dollars. And that is why the corruption in Russia has allowed hundreds of millions of dollars to disappear and end up in U.S. real estate investments or in other places that benefit those oligarchs and other wealthy individuals who have raped the Russian people and then raped the international financial institutions supporting it.

The fifth reform deals with the IMF, the fifth principle. This principle acknowledges that the IMF is not working right now, Mr. Speaker; something many of us in this body have talked about. But instead of abolishing the IMF, what we say in this joint statement of principles is that the IMF should, within one year, have completed an external study of the way the IMF operates.

An international blue ribbon task force should be convened, made up of some of the world's top financial scholars, so they look at the IMF and the way it operates, issues involving transparency and the way it sends money into countries and comes back and makes specific recommendations for reforming the IMF, and those recommendations then should be acted on by the IMF board.

The sixth principle, Mr. Speaker, is a very important one and one that we have heard over and over again in this body, and it is one that we have heard Boris Yeltsin complain about in Russia that the Duma would never enact, and that says that any case of investment in Russia must first of all be preceded by the passing of reform legislation; that both the Federal Government and the Regents must continue to enact reforms involving the kinds of issues raised by President Clinton when he was in Moscow last week and by Members of this body, so that we know that the dollars that are going into Russia are preceded by the reforms that are necessary to stabilize that country's economy and those reforms that are necessary to make sure that we have an accurate accounting for every dollar going into both the national and the regional governments.

The seventh principle says that within 180 days the Congress and the Duma will work together to bring in American business interests and leaders and international financial experts who will work with the industrial leaders in Russia who are having difficult problems. Companies in Russia that are bankrupt or that are uncompetitive will be looked at in a one-on-one relationship with specific recommendations being made to those entities about how they need to reform, so they then can qualify for some of the kinds of programs that are available from the international financial community.

The final point, Mr. Speaker, or the final principle, is one that deals with the long-term success of the Russian economy and the free market system. We have to understand, America has been working with a free market system for over 200 years. While we are doing things fairly well, we still have not solved all of our problems. Russia has only been working at this for seven years. They have a long way to go. After having been controlled by a very autocratic, authoritarian central government, they are now being faced with trying to understand how free markets work, and that is not easy.

So our eighth principle is a simple one, and that is a principle that says that the state Duma in Russia and the U.S. Congress believe that a program needs to be established that would, within three years, bring 15,000 young Russian students to American business schools.

If every business school in this country took one Russian student as an undergraduate or graduate student and trained them in financial services, in economic activity, in planning and budgeting, in the business ways that we conduct our businesses, we would create a next generation of young people who would be forced under this program to go back to Russia and live, not stay in the U.S., and help develop a totally free market system.

Mr. Speaker, these principles are in writing. They have been sent to me by my friend and counterpart in the Russian Duma, Deputy Tsoy, and I now challenge this institution and our leaders to rise to the task and challenge Russia to work with us to really reform the Russian economic system. And I propose that we pass these reforms on the same day, what a historic day that would be, for the first time, to have the Russian parliament and the U.S. Congress pass very tough reform principles that would say to both administrations, you have had it all wrong. You have had six and seven years to help that country get its act together, and you failed miserably. Hundreds of millions and billions of dollars have gone down black holes and disappeared. And while we want to see Russia stabilize itself, you are now going to abide by our principles. You are now going to allow us to play a responsible role in determining the end result of those dollars that are intended to help Russia stabilize itself, to help the Russian economy grow, to help create more jobs, to help improve the quality of life for the Russian people. I think we have a historic opportunity.

I would be happy to yield to my friend and distinguished colleague, the gentleman from Florida, (Mr. WELDON), no relative, by the way.

Mr. WELDON of Florida. I thank the gentleman for yielding. I want to commend the gentleman for the work he has done on behalf of U.S.-Russian relations. I know that many of our colleagues are not fully aware that the gentleman speaks Russian and that he has gone over there, and in particular his interest in applying fundamental market principles and economic principles to the Russian system.

I would agree with the gentleman wholeheartedly that the Clinton administration's policies in this arena have been a failure, and that the administration's pursuit of economic reforms has been very, very misdirected and very, very poorly handled.

I was particularly interested in this issue because of the relationship between what goes on in Russia and the success of a program that is very important to the people in my district, and that is the International Space Station program. I know the gentleman sits on the Committee on Science with me and the gentleman has been a supporter of the Space Station program as well.

We are really at a very, very critical stage in this program. The U.S. elements are being completed and are ready to be launched. The Japanese elements are nearing completion. Our colleagues in Europe, the French and Italians and Germans, have spent billions of dollars on their element. And the Clinton Administration, as part of its overall policy towards Russia, put the Russians in what is referred to as the critical pathway, where the whole success of the program is dependent on the Russians delivering to space their elements.

Their performance to date on this program has been sorrowful indeed. It has actually been pathetic. They have repeatedly delayed their performance. They have not had the tax revenues to fund their elements for the Space Station, and it is driving the program into the red, it is causing the program to run behind, and these economic problems that the Russians are facing are seriously hampering the government's ability to collect taxes and to be able to afford to be a key player in this program.

It is just absolutely truly amazing. Here we are today in 1998, where what was formerly one of the world's leaders in space now looks like they are going to be out of the picture completely if they do not financially turn their problems around. And I agree with the gentleman wholeheartedly that the administration's policies on dealing with the Russian economic problems have been very poor indeed, very bad, and that there really is no thriving domestic policy.

I was wondering if the gentleman would just yield for a question, and that is what are the fundamental tax

policies in the Soviet union or Russia now? As I understand it, they are suffering from the same problems in Russia that this country was facing in the late 1970's, before Ronald Reagan got elected, and that is the tax rates are very high. Indeed, it is actually much worse in their case, because the tax rates are so high that, whereas in the United States high tax rates in the late seventies played a role in dampening economic growth, in the case of Russia not only has it done that, but as well it has driven billions of dollars of the economy into the black market, and by some estimates more than 50 percent of the economic activity in Russia actually is occurring in the black market.

In your course of going over there, were tax rates discussed? What are the tax rates? Are they punishingly high? Is it playing a role? Would indeed the Russian government collect more money in taxes, as the United States government did when it lowered taxes in the early 1980's under Ronald Reagan, stimulating economic growth and, therefore, though the rate was down, the amount of money that came into the Treasury was much greater because the economy grew dramatically, and so it was a win-win situation, the government had more money.

Could that be applied? Could those principles be applied in Russia? Would the Russian government be well-served to try to lower rates substantially and get more of the economy out of the black market and into the taxable market?

Mr. WELDON of Pennsylvania. I understand the gentleman's question. Let me first all applaud him for his work on the Space Station and space research. He had been the leading advocate in the Congress on that issue, and I applaud your performance on the committee. It is second to none on that issue. I applaud you personally.

In terms of Russia and its tax policy, the problem has been they have not had a fair, coherent tax policy at all up until this year. They just in fact passed a new tax code this year which they are in the process of attempting to implement.

In Russia in the past, they have had a myriad of taxes. In fact, in some cases American businesses who are attempting to do joint ventures in Russia may have to pay as many as 15 or 20 different taxes to all kinds of different levels of government with no coordination. In some cases an American company would get involved in a joint venture, only to have the tax structure change while they are in the process of completing that venture, thereby causing companies to not want to invest in Russia.

In fact, we did a comparison between western investment in China and Russia over the past six years, and the difference is unbelievable: $350 billion of western investment in China, and during the same period of time, about $10 billion of western investment in Russia. A lot of that was due to an inconsistent, unfair tax code. That now is being changed and the tax code is now being implemented.

The problem Russia has is not necessarily the rate itself, it is the collection of taxes. Everyone in Russia does not pay taxes. There is not a uniform way of collecting taxes, and the wealthier few in Russia who have largely benefitted from the outside dollars coming in from international monetary organizations, in some cases have paid no taxes at all.

Gasprom, arguably the most successful corporation in Russia, which was a private state entity that has now been allowed to operate as a free market institution, was just recently hit by former Prime Minister Kiriyenko because they owe $2 billion in back taxes. Here you had one of the most successful companies in all of Russia, the leading energy company in Russia. They were not paying their taxes. So the Russian government has not done a good job in collecting taxes, especially from those people and companies who have the ability to pay taxes.

In the end, I think your point is well taken, and that is that lower taxes will eventually allow the economy to grow, but at this point in time it is a more fundamental notion. It is an established tax system that is fair, that is equally applied to everyone, that has tax rates that the wealthiest will pay similar to what the poorer people will pay.

Mr. WELDON of Florida. If the gentleman will yield for another question, as I understand it, another critical problem in Russia is the problem of corruption. I have been a student of this for years, and I have long been of the opinion that one of the things that has caused Latin America, Central and South America to lag behind the West in economic growth for decades is this very problem. In particular, it creates a problem for somebody who wants to go into business, whether it be a foreign investor or even a domestic entity. Not only do they have to deal with all these myriad levels of government and their various taxes, but, in addition to that, layered on top of that, is the unpredictable nature of demands for bribery and payoffs in order to be allowed to do business.

In the course of going over there, does that issue come up in discussions? I personally think that is a major impediment in many countries towards economic growth. For a business to succeed, they need stability. You were alluding to that in the tax code. They need to know what their taxes are going to be.

A key element of that stability is honest government. They cannot have government officials shaking them down and members of organized crime syndicates shaking them down in an unpredictable nature, because it obviously can have dramatic implications in terms of a business's profitability, their ability to reinvest profits into their business, to be able to grow their business, thus creating new jobs and prosperity.

□ 2100

Did this issue come up? Was it discussed in the course of the gentleman's trips to Russia? Does the gentleman think, from what he has seen going over there as many times as he has, does the gentleman think they are taking appropriate steps in terms of dealing with the problem?

Mr. WELDON of Pennsylvania. Mr. Speaker, corruption is a major problem. It comes up all the time in discussions with both elected officials and with our companies who are doing business in Russia and who want to do business there. It is a problem that has been caused by a country that was for decades very centrally controlled by a very well established Communist hierarchy. When that basically fell apart, unfortunately, there were some who took advantage of the situation and some who established criminal elements. Criminal activity does exist in Russia and in some cases it is a severe problem.

Now, what has happened, on a positive note, is that our law enforcement community, Louie Freeh from the FBI and others, have, in fact, taken a very proactive role to assist Russia in learning the kinds of techniques that we use in America to deal with the criminal element, both in the corporate setting as well as in the general populous. In fact, in one of my trips last year, Louie Freeh had a significant portion of his FBI establishment in Moscow for meetings with the senior law enforcement officials throughout Russia. So we are attempting, as well as are other western nations, to assist Russia in getting control of criminal activity. But I would be less than candid if I did not tell the gentleman that it still exists and it still is an impediment to future investment.

In the meeting I had with the State Duma and with the Federal Council members, I raised this issue; they are aware of it. They want to move forward. Part of the problem is until they get the economy solidified, people are going to go out and they are going to raise money any way they can to feed their families and take care of their personal needs, and if that means in some cases resorting to criminal activity, it is going to happen.

A case in point is a meeting I had last year with General Alexander Lebed. I had dinner with him this past week in Moscow, but I met with him 4 or 5 times prior to that. As the gentleman probably knows, General Lebed is now the governor of Krasnoyarsk. He and his brother now are the governors of 2 republics which represent one-third of the land mass of Russia. He was a very decorated military leader in the Russian army.

He told me a year ago in May, he said Curt, you have to understand one very important fact. He said, the most capable Russian admirals and generals from

the Soviet military have, for the most part, left the service, because of the lack of pay and because of the cutbacks in the size of our military, and he said unfortunately, because of our economic problem, they have not been given their back pay. In some cases they have not been given their pensions. In other cases they have not been given any housing assistance.

So here we have senior military leaders who at one time commanded one of the top 2 militaries in the world when they were a superpower who had access to the most capable nuclear technology, which Russia has today, sophisticated weapons, chemical, biological, nuclear capability, and who now feel betrayed by their motherland. General Lebed said to me, what do you expect them to do. If they feel betrayed by their homeland, they are going to go and raise money any way they can in order to take care of their families. Which means in some cases, these foreign military leaders are the very ones selling off technology to raise money to take care of their own personal needs.

That is why those who say we should not worry about Russia have to understand. We have no choice. We have no choice unless we want to see Iraq and Iran and Libya and Syria continue to get chemical weapons, biological weapons, missiles like we just saw Iran test on July 22nd that have a medium range that can hit any place in Israel that eventually will be able to hit portions of the U.S.; unless we want to see continued development of nuclear programs by rogue nations because Russians will sell off that technology. The alternative to not helping Russia stabilize is to basically say we are going to turn our back and let them sell off whatever they need to sell that eventually is going to come back to haunt us. We have no choice but to be engaged with Russia.

But the point is, to be engaged with Russia does not mean we take the policy of this administration and basically work only with the President and basically not be willing to discuss the tough issues that confront our 2 countries, and that is a key, fundamental difference.

But the point the gentleman raises is a significant one. Crime is a continuing problem, but I would say that there are aggressive efforts underway to try to assist Russia in getting control of that situation.

Mr. WELDON of Florida. Mr. Speaker, I thank the gentleman for yielding. I again want to commend the gentleman for his efforts in this arena. It is an irony today to be in a situation as a Nation the United States is where our former Cold War adversary is essentially becoming an economic basket case, and I do believe that we as a body are going to have to wrestle with this issue, and the gentleman's comments at the onset of his Special Order tonight I thought were very, very well taken in that we are not going to be able to avoid trying to deal with this.

The Russians still have a huge amount of nuclear capability, and obviously it is a large Nation with a large number of people, and to have the resurgence of a totalitarian form of government like they previously had under the Marxist-Leninist dictatorship totalitarian type of state would be potentially very, very bad for not only U.S. interests, but as well global interests, because as we all know, that government funded all kinds of revolutions and terrorist activities all over the globe for a period of 70 years.

So there is a tremendous amount at stake for the United States to see to it that there is stability in Russia, and because of that, I think we as a Nation and we as a body, the United States Congress, the House and Senate, are going to have to deal with this issue.

Obviously, from my perspective, representing the east central coast of Florida which includes Kennedy Space Center and home to the shuttle program and where we have many people working on the space station program, this issue is very, very critical to what is going on. Russia now has the ability to affect jobs in my congressional district, and the failure of the Russians to perform on the space station could seriously set back the program, which in turn can affect people's lives in Cape Canaveral and Merritt Island and places like Titusville, all of those communities that are around the space center where literally hundreds and thousands of space center workers work and raise their kids and go to school, their kids go to school.

So I think it is very, very critical that we take leadership and to see the leadership role that the gentleman is taking on this issue, and I commend the gentleman for it and his willingness to try to make a difference.

Let me just close with one other question for the gentleman. The gentleman's assessment of the President's visit over there, the impact, I made some inquiries and discovered that the space station program really was not discussed very much. It came up at the last meeting, and the extent of the conversation was, well, we will leave this problem to the experts in that area. I was very disappointed to hear that that was the extent of the President's discussion with Mr. Yeltsin, considering that this is claimed to be a priority for the administration, claimed to be a program that the administration wants to see succeed, obviously, as a cornerstone of our manned space flight program in the United States, but nonetheless it gets an ''also mentioned'' at the end of a series of meetings and turned over to others to try to work through the problem, when it is obviously a critical problem and it is not being dealt with.

Mr. WELDON of Pennsylvania. Mr. Speaker, the gentleman raises another very valid point. I arrived in Moscow the same day the President was leaving Moscow, and while I did support the President's visit to Russia because we had made the announcement and I thought it would be very ill-timed for him not to go, it would send a very wrong signal that America was abandoning Russia at a time of economic chaos, I do not think much at all was discussed of substance. The agreements that were reached were certainly not earth-shattering agreements in the arms control arena, they were relatively minor additions to a regime that we already have in place, working with the Russians. The space station should have been a major topic because, as my colleague has pointed out, it is a very emotional issue in this body about whether or not we are going to have the ability to continue and complete that project.

I think part of our problem is, and this is something the Russian people may have to deal with, and that is the effectiveness of their President. They are eventually going to have to deal with that issue. I know that is being discussed by many Russians right now, and perhaps that was part of the problem with President Clinton. But I would agree that Russia needs to understand that our continued commitment to their involvement in the space station is very seriously in question right now. We understand the economic problems they are having, but the fact is that we are putting U.S. dollars on the mark, in some cases I think more than perhaps what we originally anticipated, and that Russia is going to have to live up to its part of the bargain, and that should have been a serious topic for discussion by the White House. Why the President did not make that a key issue I just do not understand. It was a very short trip. He was only there for 2 days.

But I thank my colleague for joining with me in this Special Order.

Mr. Speaker, just to sum up, I want to again reiterate that this document was the Russian response to my 8 principles that I took over. It is a solid document.

One point that I did not mention which is worth mentioning to our colleagues because it is significant, in the document and contained within principle 7 is that we should also, through the Commission between the U.S. Congress and the Duma, we also should, and I quote, ''prohibit financing of military industrial complex enterprises from investment funds which have been attracted to accomplish social programs for the Russian population.'' It is another very important principle that we do not use U.S. money and IMF and World Bank money to build more offensive weapons systems, but rather, we use the money to create programs that help people: Housing, mortgages, roads, hospitals, schools. They are the primary intended uses for international assistance to help the Russian economy grow and prosper.

So while the situation in Russia, Mr. Speaker, today is gloomy, being portrayed as being very gloomy by the western media, I think we have an opportunity to chart a new direction. I

think this Congress and the Senate and the Duma and the Federation Council can be the catalysts to chart a new beginning in our relationship with Russia.

But I would be remiss if I did not mention one other concern, an issue that I addressed on my trip to Moscow last week. In the 26 meetings that I had in 5 days, I met with over a dozen Duma deputies from all of the various factions; I met with Governor Lebed; with the mayor of Moscow, Mayor Luzhkov on 2 occasions; met with ministers of the Russian government, Minister Kokoshin, defense minister of housing; the minister of northern regions, and was actually in the Duma on the day that they voted down the nomination of Chernomyrdin.

But one other task that was somewhat troubling to me, and I have to mention again today, if for no other reason that this administration is not even talking about this issue. Our relationship with Russia again has been one that I feel has been too heavily dependent on the 2 Presidents personal feelings towards each other. While that is important, we must build stability beyond just the offices of the President.

In addition, it is my contention that in this country, the administration has been unwilling to confront Russia when problems occur that need to be addressed candidly and openly with a great deal of transparency. In the area of arms control, we have not been willing to confront Russia, and we have evidence of transfers taking place.

Something happened in July that is very troubling to me that this administration should be raising with the administration in Russia. It involved the assassination of one of the senior leaders in the Russian State Duma. I spoke about this issue on the floor of the House the second week of July when we returned from the July 4th break. I spoke about it because the individual who was assassinated had been a friend and a colleague of mine. Lev Rokhlin was the Chairman of the Duma Committee on National Security, the highest elected official in the Russian parliament working defense issues.

□ 2115

He was a very respected Russian, had served in the Russian military, had retired as a two-star general, and had been given the highest award Russia gives to its military personnel, the Hero of Russia award.

In fact, to demonstrate Rokhlin's integrity, he refused to accept the award because at that time the defense minister in Russia was Pavel Grachev, and Lev felt that Pavel Grachev was not an honest individual, was not someone of honor that he felt was appropriate to give him that award, so he actually refused to accept the Hero of Russia award because of who would have had to give it to him.

But Lev served his country well. He ran for the Duma as a member of Yeltsin's own party, Chernomyrdin's party, Naschdom, Our Home is Russia. He won on that ticket. And because the Naschdom party is the second largest faction in the Russian Duma, there are certain committee assignments that they are allowed to fill in terms of the chairmanships. One of those was the chairmanship of the Duma defense committee. Lev Rokhlin assumed that role as a member of Yeltsin's and Chernomyrdin's party.

But in my meetings with Lev Rokhlin, he would always raise the issue of his concern about instability in the Russian military, soldiers not being paid, not being fed. He would say to me, CURT, you have to understand, if they are not paid, these soldiers may do things that cause problems down the road for your country. They may sell off technology. They may get involved in illegal operations.

So he said, you have to understand, it is very important for us to downsize our military in a logical, constructive way. We must maintain the morale of our troops if we are going to continue to downgrade our military, downsize our military in a peaceful process.

Lev Rokhlin was the leading and most outspoken critic of Boris Yeltsin for not providing the adequate funding for that military. Lev Rokhlin a year ago this summer called for the public resignation of Boris Yeltsin. In the fall, he called for the impeachment of Boris Yeltsin, the first elected official in Russia to call for Boris Yeltsin's impeachment. That sent shock waves throughout Russia, because here was one of Yeltsin's own party leaders calling for his impeachment.

I met with Rokhlin in Moscow in November and again in February. I said, Lev, you are making some very provocative statements. Are you not fearful for your safety? He said, CURT, don't worry, they are not going to do anything to me. After all, I am a retired military leader. For 6 months they attempted to remove Lev Rokhlin from the chairmanship of the Duma defense committee. Finally, in June, they accomplished that.

As Lev was keeping his role as a Duma member, but no longer chairman of the defense committee, he was involved in investigating illegal arms sales to Armenia and to other nations from Russia, illegal activity. On July 3rd, three people entered Lev Rokhlin's home and shot him in the head.

When Lev Rokhlin's daughter was called by her mother on the night that he was assassinated, Lev Rokhlin's wife told his daughter that three people came into the house and assassinated her father. The mother further told Lev Rokhlin's daughter, Tamara, that the mother was told she had to accept the blame for the murder or they would murder her, her daughter, their son, and all the family members.

Tamara Rokhlin told her mother, don't worry, I will come over and I will comfort you, and we will find out who killed father. When she got to the home, Mrs. Rokhlin was not there. She was at the local police station. Tamara went to the police station and she saw her mother bruised all over her body, imprisoned. When she talked to her mother, her mother had changed her story. She said, Tamara, I killed your father. I shot him in the head with a pistol in our house.

Tamara said, mother, you didn't. You told me that three people came into our house. You didn't do this. The mother said, I did it. I was the one who killed your father. Tamara then went back and, with a lawyer, assessed the home, looked at the bullet holes, and realized through the evidence that there is no way that her mother could have killed her father, especially in light of the fact that there was a bodyguard in the home for Lev Rokhlin on that night who claimed he heard no shots.

In the ensuing days after the murder of Lev Rokhlin three bodies were found in the vicinity of the Rokhlin household, but before those bodies could be identified, they were cremated by the Moscow governmental authorities. When I went to Moscow this past week on Saturday I met for one and one-half hours with Tamara Rokhlin. I sat there and listened to her and her family tell the story of how her father, awarded the highest award in Russia for service to his country, had been murdered.

The Russian people do not believe the statements of the Russian government, the central government that maintains that Lev Rokhlin was killed by his wife. On the day of Lev Rokhlin's funeral, 10,000 Moscow residents came out in the streets to attend his funeral. The newspaper was filled with stories of people saying there was no way that Lev Rokhlin was killed by his wife.

So my final plea tonight, Mr. Speaker, is not just for these principles involving the IMF and world funding and U.S. funding in Russia, but it is a plea to this administration to live up to its rhetoric. When this administration talks about human rights abuses in China, when it talks about human rights abuses in third world nations, it should also talk about a human rights abuse in a democracy, where an elected leader in their parliament is shot down, I think because of statements he made about the need to impeach the leader of the Russian government. That is unacceptable for any democracy, and it is unacceptable for this country not to talk about this incident openly.

When I went to Moscow, I talked about Lev Rokhlin's murder to everyone that I met. Mr. Speaker, everyone that I met unofficially, off the record, told me the same thing: CURT, we have no doubts. Lev Rokhlin was not murdered by his wife. Lev Rokhlin was murdered by people who did not like what Lev Rokhlin was saying.

The message is simple, Mr. Speaker. If we are going to have a stable, lasting relationship with Russia, we cannot continue to follow the pattern of this

administration. Candor and transparency have to be our cornerstone. These principles in our relationship with Russia are the future way to provide stability for that once great Nation.

FACTS AND PROCEDURES CONCERNING REPORT TO HOUSE OF REPRESENTATIVES OF INDEPENDENT COUNSEL KEN STARR

The SPEAKER pro tempore (Mr. WELDON of Florida). Under a previous order of the House, the gentleman from New York (Mr. SOLOMON) is recognized for 5 minutes.

Mr. SOLOMON. Mr. Speaker, in a few minutes I will file a report with the House of Representatives dealing with information that was delivered to us by the independent counsel, Judge Starr, earlier.

The resolution before us tomorrow will enable the House, through the deliberations of the Committee on the Judiciary, to responsibly review the important materials and to discharge its duty, particularly with respect to the availability of the contents of this communication to Members of Congress, to the public, and to the media.

It is important that the American people learn the facts regarding this matter. As directed by the Speaker, no one, no Member or congressional staff, has seen the communications transmitted yesterday, and they will not until successfully passing this resolution tomorrow.

However, it is the understanding of the Committee on Rules, as outlined in the letter of transmittal from Judge Starr, that the communication contains the following: 445 pages of communications, which is divided into an introduction section, a narrative section, and a so-called ''grounds'' section; another 2,000 pages of supporting material is contained in the appendices, which may contain grand jury testimony, telephone records, videotaped testimony, and other sensitive material; and 17 other boxes of supporting material.

The method of dissemination and potential restrictions on access to this information is outlined in the resolution that will be before the House tomorrow.

The resolution provides the Committee on the Judiciary with the ability to review the communication to determine whether sufficient grounds exist to recommend to the House that an impeachment inquiry be commenced.

The resolution provides for an immediate release of the approximate 445 pages comprising the information I just mentioned before. This will be printed as a House document the minute that this resolution passes the House tomorrow, and will be available to the Members of Congress, the media, and to the public.

As to the receipt of the transcripts and other records protected by the rules of grand jury secrecy, committees of the House have received such information on at least five other occasions, all in the context of impeachment actions. This precedent dates all the way back to 1811, and as recently as the impeachment of two Federal judges in the late 1980s.

The resolution further provides that additional material compiled in the Committee on the Judiciary during the review will be deemed to have been received in executive session, unless it is received in an open session of the Committee on the Judiciary.

Also, access to that executive session material would be restricted to members of the Committee on the Judiciary and such employees of the committee as may be designated by the chairman, after consultation with the ranking minority member.

Finally, the resolution provides that each meeting, each hearing, or disposition of the Committee on the Judiciary will be in executive session unless otherwise determined by the committee. The executive sessions may be attended only by Committee on the Judiciary members and employees of the committee designated by the chairman, again after consultation with the ranking minority member.

The resolution before us tomorrow attempts to strike an appropriate balance between House Members' and the public's interest in reviewing this material, and the need to protect innocent persons.

I might add, Mr. Speaker, that to show how times are changing, at the beginning of our hearing at 5 o'clock we posted this resolution and my opening statements on the website of the Committee on Rules. As of about half hour ago, there had been over 20,000 access requests to that website. That is amazing, and it shows how communications are changing throughout this country.

It is anticipated that the Committee on the Judiciary may require additional procedures or investigative authority to adequately review the communications in the future. It is anticipated that those authorities will be the subject of another resolution coming out of my Committee on Rules next week, midweek, and brought to the floor later on in the week.

It is very important to note that this resolution does not authorize or it does not direct an impeachment inquiry. It is not the beginning of an impeachment process in the House of Representatives. It merely provides the appropriate parameters for the Committee on the Judiciary, the historically proper place to examine these matters, to review this communication and to make a recommendation to the House as to whether to commence an impeachment ''inquiry.''

If this communication from the Independent Counsel should form the basis for future proceedings, it is important for this Committee on Rules to be mindful that Members may need to cast public, recorded, and extremely profound votes in the coming weeks or months. It is our responsibility to ensure that Members have enough information about the contents of the communication to cast informed votes and explain their decision based on their conscience to their constituents.

In summation, let me just say that Democrats and Republicans disagree about many things in this institution, and that is probably the way it should be, but no one disagrees about the honor and the integrity of our friend, the gentleman from Illinois (Mr. HENRY HYDE). He is one of the most judicious members in this body in his role as the chairman of the Committee on the Judiciary, and I have said on many occasions that he would make an excellent Supreme Court Justice. As a matter of fact, I recommended that to former President Ronald Reagan and former President George Bush on a number of occasions.

We are fortunate, however, that he has not been elevated to that position as yet, as he is very much needed at this trying time for the House and for our country.

Likewise, the gentleman from Michigan (Mr. CONYERS) has many years of experience in the Committee on the Judiciary, including service there in the 1974. He is extremely knowledgeable and tenacious, and we look forward to his service and his leadership in this very important matter.

This is a very grave day for the House of Representatives. Indeed, it is a solemn time, I think, for our Nation.

□ 2130

Today we will do what we are compelled to do under the Constitution, not because we desire it but because it is our duty as Members of Congress.

In order to most judiciously fulfill these constitutional duties, I would urge all Members to approach this sensitive matter with the dignity and decorum which befits the most deliberative body in the entire world.

Mr. Speaker, I wanted to bring this to the attention of this body and to the American people. Hopefully, around 10:30 tomorrow morning this resolution will be on the floor. Once it passes, it then will be made available to Members and to the public and to the media as soon as technologically possible.

The chairman and the minority leader today wrote a letter to the independent counsel asking them to make available the computerization of the material which will allow us to immediately, upon passage of this resolution, to then be able to reproduce in both hard copies and over the Web sites the actual resolution that will be passed.

Mr. Speaker, I just might again point out that we have done everything in our power to make sure that this is a bipartisan resolution that is agreed to by an overwhelming number of the Members of this House. I think that it will be tomorrow, and we look forward to having this debate.