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FY 1998 SUPPLEMENTAL APPROPRIATIONS REQUESTS

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

HIS REQUESTS FOR FY 1998 SUPPLEMENTAL APPROPRIATIONS FOR THE DEPARTMENT OF STATE AND THE INTERNATIONAL MONETARY FUND, PURSUANT TO 31 U.S.C. 1107



FEBRUARY 11, 1998.—Referred to the Committee on Appropriations and ordered to be printed

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THE WHITE HOUSE,
Washington, February 2, 1998.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES

SIR: I ask Congress to consider the enclosed requests for FY 1998 supplemental appropriations for the Department of State and the International Monetary Fund (IMF). For the Department of State, advance appropriations for fiscal years 1999 and 2000 totaling $921 million are requested to pay U.S. arrears to the United Nations and other international organizations.

For the IMF, an appropriation of approximately $14.5 billion is requested for an increase in the U.S. quota, and an appropriation of approximately $3.4 billion is requested for the New Arrangements to Borrow. The IMF requests do not result in outlays and therefore will not increase the deficit or reduce the surplus.

Each of these requests is necessary to maintain American international and financial world leadership and was provided for in P.L. 105–33, the Balanced Budget Act of 1997. The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Sincerely,

WILLIAM J. CLINTON.

Enclosure.

Estimate No. 1
105th Congress, 2nd Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 2, 1998

THE DIRECTOR

The President

The White House

Submitted for your consideration are three FY 1998 supplemental requests: one for the Department of State, to provide arrearage payments to the United Nations (U.N.) and other international organizations, and two for our International Monetary Programs in support of the International Monetary Fund (IMF).

U.N. Arrearages

The supplemental proposed for the Department of State would provide advance appropriations of $475 million for FY 1999 and $446 million for FY 2000 to pay $921 million to pay U.S. arrears to the U.N. and other international organizations. An additional $100 million was provided in the Commerce, Justice, State, the Judiciary, and Related Agencies Appropriations Act of FY 1998, subject to the enactment of applicable authorizing legislation.

As you know, last year authorizing legislation that would have allowed the Nation to pay much of what we owe the U.N. over three years in return for specified reforms stalled when its passage was linked to unrelated international family planning legislation that the Administration could not accept. With the failure of the U. S. Government to take action on its sizeable arrears, the U.N. General Assembly in December 1997 established assessment rates for the next three years without reducing the U.S. assessment percentage. A major U.S. diplomatic effort obtained the consent of U.N. members to a special, one-time reconsideration in June 1998 of the three-year decision, but only if the United States resolves its arrears situation. Therefore, to effect any rate changes in the U.N. now would require early enactment of the entire $1.021 billion package. The Administration would also need the statutory flexibility included in this supplemental request to provide the leverage needed in June to reduce the U.S. assessment percentage and achieve other key reforms over the next two years.

Support for the IMF

Supplemental appropriations for the IMF would provide 10,622.5 million Special Drawing Rights (approximately $14.5 billion) for the U.S. portion of the IMF quota and 2,462 million Special Drawing Rights (approximately $3.4 billion) for the IMF's New Arrangements to

Borrow (NAB). The funding for both the quota increase and the NAB is needed to provide the IMF sufficient resources to respond to the financial crises in Asia and to perform its basic mission into the next decade. Other IMF member countries and other NAB participants will provide 80 percent or more of the funds for these initiatives.

In September 1997, the IMF's Board of Directors decided to increase the IMF quota subscription by 45 percent to ensure that IMF resources are sufficient to perform its mission in an expanding global economy. The United States would need to contribute approximately an additional $14.5 billion to maintain its position of leadership within the IMF. It is in the U.S. national interest to ensure a strong and well-functioning IMF that can mobilize international funds rapidly in support of global financial stability, thus reducing the burden on the United States alone. The Department of the Treasury has requested an FY 1998 supplemental appropriation, amounting to the dollar equivalent of 10,622.5 million Special Drawing Rights, for an increase in the U.S. quota subscription for the IMF.

The New Arrangements to Borrow (NAB) would be a set of individual credit lines extended to the IMF by participating countries. These credit lines serve as a "reserve tank" intended to supplement the IMF's resources when responding to financial crises that threaten the stability of the international monetary system, such as the current crises in Asia. IMF lending programs financed from credits extended to the IMF under the NAB will typically require borrowing countries to implement comprehensive market-based structural reforms to support the immediate stabilization efforts and long-term market opening and transparency. The United States would retain its ability to prevent any activation of the credit lines that does not serve U.S. interests and objectives. The Department of the Treasury has requested an FY 1998 supplemental appropriation for 2,462 million Special Drawing Rights, or approximately $3.4 billion, to cover the U.S. share of the proposed NAB. Over the past fifty years, the United States contribution to the IMF has not cost the U.S. taxpayer anything.

Budgetary Impact of Proposals

No offsets are required for these supplemental requests. In accordance with the budgetary treatment recommended by the Presidential Commission on Budgetary Concepts in 1968 and modified by the Congress in 1980, U.S. transactions with the IMF under the quota subscription and the NAB are monetary exchanges that would not be scored as outlays and, therefore, would not increase the deficit or reduce the surplus. The authority for a discretionary spending limits adjustment to accommodate the budget authority for an appropriation for the quota increase and the NAB was provided in P.L. 105-33, the Balanced Budget Act of 1997. That Act also provides for an adjustment to the discretionary spending limits for international arrearage payments for FYs 1998 through 2000.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the Secretaries of State and the Treasury in recommending that these proposals be transmitted to the Congress.

Sincerely,



Franklin D. Raines
Director

Enclosures

FUNDS APPROPRIATED TO THE PRESIDENT

INTERNATIONAL MONETARY PROGRAMS

United States Quota, International Monetary Fund

For an increase in the United States quota in the International Monetary Fund, the dollar equivalent of 10,622,500,000 Special Drawing Rights, to remain available until expended.

In September 1997, the International Monetary Fund's (IMF's) Board of Directors decided to increase its quota subscription by 45 percent. The United States would need to contribute an estimated additional $14.5 billion to maintain its position of leadership within the IMF.

IMF quotas are reviewed periodically to ensure that they are adequate in relation to the global economy. The most recent review determined that there was substantial growth in global economic activity and, in particular, of financial markets. The IMF's Directors believed this growth warranted an increase to ensure that the IMF has sufficient resources to perform its mission into the next decade. The need for an increase in quotas has become increasingly urgent in light of recent developments in Asia, where financial crises in a number of countries have spread rapidly in the region with a potential impact on trade and growth in the United States and elsewhere. It is in the U.S. national interest to ensure a strong and well-functioning IMF that can mobilize international funds rapidly in support of global financial stability, thus reducing the burden on the United States alone. This supplemental appropriation would provide the dollar equivalent of 10,622.5 million Special Drawing Rights for an increase in the U.S. quota subscription for the International Monetary Fund.

In accordance with the budgetary treatment recommended by the Presidential Commission on Budgetary Concepts in 1968 and modified by the Congress in 1980, U.S. transactions with the IMF under the quota subscription are monetary exchanges that would not be scored as outlays and thus would not increase the deficit or reduce the surplus. The authority for a discretionary spending limits adjustment to accommodate the budget authority for an appropriation for the quota increase is contained in P.L. 105-33, the Balanced Budget Act of 1997.

FUNDS APPROPRIATED TO THE PRESIDENT

INTERNATIONAL MONETARY PROGRAMS

Loans To International Monetary Fund

For loans to the International Monetary Fund under the New Arrangements to Borrow, the dollar equivalent of 2,462,000,000 Special Drawing Rights, to remain available until expended; in addition, up to the dollar equivalent of 4,250,000,000 Special Drawing Rights previously appropriated by the Act of November 30, 1983 (Public Law 98-181), and the Act of October 23, 1962 (Public Law 87-872), for the General Arrangements to Borrow, may also be used for the New Arrangements to Borrow.

The New Arrangements to Borrow (NAB) would establish a set of individual credit lines extended to the International Monetary Fund (IMF) by participating countries. These credit lines would serve as a "reserve tank" intended to supplement the IMF's resources when responding to financial crises that threaten the stability of the international monetary system.

The recent crisis in Asia has highlighted the need for a NAB and its reserve funding in cases where a financial crisis spreads beyond one country and threatens the stability of the international financial markets. This augmentation would reflect the rapid growth in international trade, economic output, and financial markets over the past 15 years and the exceptional demands placed on the IMF's ordinary resources in dealing with recent financial crises in a number of Asian financial markets. IMF lending programs financed from credits extended to the IMF under the NAB will typically require borrowing countries to implement comprehensive, market-based structural reforms to support the immediate stabilization efforts and long-term market opening and transparency. The United States would retain its ability to prevent any activation of the credit lines that does not serve U.S. interests and objectives. This supplemental appropriation, estimated at $3.4 billion, would provide the dollar equivalent of 2,462 million Special Drawing Rights to cover the United States share of the proposed NAB.

In accordance with the budgetary treatment recommended by the Presidential Commission on Budgetary Concepts in 1968 and modified by the Congress in 1980, U.S. transactions with the IMF under the NAB are monetary exchanges that would not be scored as outlays and thus would not increase the deficit or reduce the surplus. The authority for a discretionary spending limits adjustment to accommodate the budget authority for an appropriation for the NAB is contained in P.L. 105-33, the Balanced Budget Act of 1997.

DEPARTMENT OF STATE

INTERNATIONAL ORGANIZATIONS AND CONFERENCES

Arrearage Payments

For payment of arrearages to meet obligations of membership in international multilateral organizations, pursuant to treaties ratified pursuant to the advice and consent of the Senate, conventions or specific acts of Congress, and to pay assessed and other expenses of international peacekeeping activities, notwithstanding section 404(b) of the Foreign Relations Authorization Act, fiscal years 1994 and 1995 (P.L. 103-236) or any other provision of law, to remain available until expended as authorized by 22 U.S.C. 2696(c), and to become available on October 1, 1998, $475,000,000, and to become available on October 1, 1999, $446,000,000.

Consistent with last year's Bipartisan Budget Agreement, Congress provided authority in P.L. 105-33, the Balanced Budget Act of 1997, for FYs 1998 through 2000 that would be sufficient to clear $1.021 billion of about $1.5 billion of arrears owed by the United States to the United Nations (U.N.) and other international organizations. The Congress also provided funding for ongoing international affairs programs at an adequate level. This supplemental would provide advance appropriations for FY 1999 of $475 million and for FY 2000 of $446 million to pay $921 million of the $1.021 billion. The remaining $100 million was provided in the Commerce, Justice, and State, the Judiciary and Related Agencies Appropriations Act for FY 1998, subject to the enactment of applicable authorizing legislation.

Last year, the Administration and Congress developed authorizing legislation on a bipartisan basis that would have allowed the United States to pay a significant portion of what was then owed over three years in return for specified international organizations reforms, including a reduction in the current U.S. assessment rates in the U.N. This legislation stalled when its passage was linked to unrelated international family planning legislation that the Administration could not accept. With the failure of the U. S. Government to take action on its sizeable arrears, the U.N. General Assembly in December 1997 established assessment rates for the next three years without reducing the U.S. assessment percentage. A major U.S. diplomatic effort obtained the consent of U.N. members to a special, one-time reconsideration in June 1998 of the three-year decision, but only if the United States resolves its arrears situation. Therefore, to effect any rate changes in the U.N. now would require early enactment of the entire $1.021 billion package. The Administration would also need the statutory flexibility included in this supplemental request to provide the leverage needed in June to reduce the U.S. assessment percentage and achieve other key reforms over the next two years.

This supplemental request seeks early action on the proposed advance appropriations. The Administration is prepared to work with Congress to shape this legislation in light of the developments of the past few months.

This proposal would increase FY 1999 and FY 2000 outlays by $475 million and $446 million, respectively. The authority for a discretionary spending limits adjustment to accommodate the budget authority and outlays for appropriations for these arrearage payments was provided in P.L. 105-33, the Balanced Budget Act of 1997.

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