

elimination under the Arms Export Control Act. My colleagues will remember that this issue surfaced last spring following the nuclear detonations by India and Pakistan. At the time, the Administration determined that the Arms Export Control Act required the termination of credit guarantees to both countries. In the case of Pakistan, the loss of credit guarantees threatened to halt the sale of U.S. wheat to the third largest market in the world for our wheat farmers. The Canadians, Australians, and Europeans were eagerly standing by to fill the vacuum. Fortunately, Congress acted swiftly with the support of the Administration to enact legislation exempting agriculture export programs from the Arms Export Control Act for a period of one year, ending September 30, 1999. With the expiration of this earlier legislation now only 14 weeks away, however, the Security Assistance Act is needed to provide permanent assurance that our vital agriculture export tools will remain at our disposal.

In summary, I thank the Chairman and his staff for including this provision in the bill, and I strongly urge my colleagues to support the Security Assistance Act.

Mr. BEREUTER. Mr. Speaker, this Member rises in strong support of H.R. 973, the Security Assistance Act of 1999. This Member congratulates the Chairman of the Committee on International Relations, the distinguished gentleman from New York [Mr. GILMAN] for his action in bringing this legislation before this body.

There are many important elements to the legislation before this body today. This Member will draw attention only to two key elements.

Representing the great state of Nebraska, this Member is keenly aware of the crisis that continues to affect the American farmer. As was made clear in the discussion of H.R. 17, food commodities are the lowest they have been in many years. Our farmers need markets to sell their grain and other produce. Thus, the loss of the Indian and Pakistani agricultural markets—which occurred following the imposition of the mandatory sanctions that resulted from the May 1998 testing of nuclear devices in South Asia—was particularly devastating for American farmers. A one-year legislative waiver was granted last year, and this waiver permitted the sale of several hundred thousand tons of wheat to Pakistan. H.R. 973 extends that waiver on agricultural sanctions to India and Pakistan for an additional year, permitting this important market to remain open. This Member would thank the distinguished gentleman from North Dakota [Mr. POMEROY] for his important work on this issue, and would thank the Chairman for incorporating this matter into his legislation.

Other issues in H.R. 973 are also significant. The legislation transfers certain forward-based but outdated defensive stockpiles to South Korea and Thailand. While these items were no longer of use to the United States, they are of great significance to the recipient countries. This is particularly true of South Korea, which faces a volatile neighbor to the North. Indeed, in an unfortunate coincidence just yesterday North and South Korea wages a dangerous naval gun-battle as the North attempted to seize control of what appear to be South Korean territorial waters. Certainly, South Korea rightly hopes that its "sunshine policy" towards the North will bring better relations. Until better relations are achieved, how-

ever, South Korea must be prepared to defend itself. House Resolution 973 assists in that effort.

Mr. Speaker, this Member urges strong support for H.R. 973.

Mr. FARR of California. Mr. Speaker, I am pleased that the House of Representatives finally passed an International Arms Sales Code of Conduct today as part of H.R. 973, the Security Assistance Act. During the 104th and 105th Congresses, I cosponsored legislation calling for an Arms Transfer Code of Conduct on international arms sales.

Many of my constituents share my concern with the escalating problem of conventional weapons proliferation and the role of the United States in foreign arms sales. If we are concerned about rogue nations acquiring conventional weapons, we must establish a multinational arms sales code of conduct. If we are concerned about human rights, we must establish a multinational arms sales code of conduct. If we are concerned about national security, we must establish a multinational arms sales code of conduct. If we learned only one lesson from the fall of the former Soviet Union, it would be that the Soviet leadership chose to fuel the international arms race at the expense of their citizens' domestic tranquility.

Specifically, the bill lays out four criteria for the Administration that would restrict or prohibit arms transfers to countries that: do not respect democratic processes and the rule of law; do not adhere to internationally recognized norms on human rights; engage in acts of armed aggression; or, are not fully participating in the United National Register of Conventional Weapons. The language in H.R. 973 also directs the president to attempt to achieve the foreign policy goal of an international arms sales code of conduct with all Wassenaar Arrangement (to control weapons of mass destruction) countries.

I urge my colleagues in the Senate to pass comparable legislation and close the loophole on international arms sales to countries that are undemocratic, abuse the civil rights of their citizens, are engaged in armed aggression, and fail to comply with the UN Registry of Arms.

Mr. LANTOS. Mr. Speaker, I join my colleagues in supporting H.R. 973—the Security Assistance Act of 1999—a bipartisan bill that contains many important initiatives that will enhance our national security and promote our national interests.

Mr. Speaker, I welcome the provisions in this legislation that require the President to seek to negotiate a multilateral Code of Conduct for arms sales, which would take into account when deciding whether to sell weapons such issues as human rights, the state of democracy and involvement of the government seeking to purchase arms in military aggression. Mr. Speaker, multilateral action is the only approach that will work. Unilateral American restrictions on arms sales deals only with a part of the problem, and non-American suppliers of arms will simply move in to fill the gap. I want to comment our distinguished colleague from Georgia, Ms. MCKINNEY, and our distinguished colleague from Connecticut, Mr. GEJDENSON, for their contribution to these provisions.

Another provision that I want to note, Mr. Speaker, is the authority this legislation includes for the President to waive the so-called "Glenn Amendment" sanctions against India

and Pakistan for one additional year. The Administration—under the able and dedicated leadership of Deputy Secretary Strobe Talbot and Assistant Secretary Rick Inderfurth—has made significant progress with India and Pakistan, and I am delighted that we have seen important progress in coming to grips with the problems of nuclear non-proliferation. The nuclear threat in South Asia remains a serious problem, Mr. Speaker, and the Administration needs the flexibility and negotiating leverage which the waiver authority provides. I strongly support the inclusion of this provision.

Mr. Speaker, I also support the provisions of this legislation which increase the penalties for violation of the export control regulations under the Export Administration Act of 1979, and the provisions which strengthen the enforcement of the Arms Export Control Act. This will increase the penalties on American companies selling dual-use items to rogue nations such as Iran, Iraq, Libya and North Korea in violation of United States export controls. As my colleagues know, strengthening our export administration provisions through increasing penalties for violation of these regulations was strongly recommended in the report on "U.S. National Security and Military/Commercial Concerns with the People's Republic of China" issued by the Select Committee under the leadership of Congressman CHRIS COX of California and Congressman NORM DICKS of Washington.

I also support, Mr. Speaker, this bill's authorization of the sale and transfer of American naval vessels that are no longer required by our navy. These ships can support the security of countries in which we have a political and a national security interest. Furthermore, these sales will produce some \$90 million for the United States Treasury, whereas decommissioning these vessels will be a significant cost to the American taxpayers. The legislation also authorizes an increase in the War Reserve Stockpile for our allies, South Korea and Thailand, and authorizes the Secretary of Defense to transfer such items to these countries in return for certain concessions to be negotiated. This provision is in our national security interest.

Mr. Speaker, I urge my colleagues to support the adoption of this legislation.

Mr. GILMAN. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. GEJDENSON. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SHIMKUS). The question is on the motion offered by the gentleman from New York (Mr. GILMAN) that the House suspend the rules and pass the bill, H.R. 973, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

ANNUAL REPORT OF COMMODITY CREDIT CORPORATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER pro tempore laid before the House the following message

from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Agriculture:

To the Congress of the United States:

In accordance with the provisions of section 13, Public Law 806, 80th Congress (15 U.S.C. 714k), I transmit herewith the report of the Commodity Credit Corporation for the fiscal year ending September 30, 1997.

WILLIAM J. CLINTON,

THE WHITE HOUSE, June 15, 1999.

ESF FINANCING FOR BRAZIL—
MESSAGE FROM THE PRESIDENT
OF THE UNITED STATES

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Banking and Financial Services:

To the Congress of the United States:

On November 9, 1998, I approved the use of the Exchange Stabilization Fund (ESF) to provide up to \$5 billion for the U.S. part of a multilateral guarantee of a credit facility for up to \$13.28 billion from the Bank for International Settlements (BIS) to the Banco Central do Brasil (Banco Central). Eighteen other central banks and monetary authorities are guaranteeing portions of the BIS credit facility. In addition, through the Bank of Japan, the Government of Japan is providing a swap facility of up to \$1.25 billion to Brazil under terms consistent with the terms of the BIS credit facility. Pursuant to the requirements of 31 U.S.C. 5302(b), I am hereby notifying the Congress that I have determined that unique or emergency circumstances require the ESF financing to be available for more than 6 months.

The BIS credit facility is part of a multilateral effort to support an International Monetary Fund (IMF) standby arrangement with Brazil that itself totals approximately \$18.1 billion, which is designed to help restore financial market confidence in Brazil and its currency, and to reestablish conditions for long-term sustainable growth. The IMF is providing this package through normal credit tranches and the Supplemental Reserve Facility (SRF), which provides short-term financing at significantly higher interest rates than those for credit tranche financing. Also, the World Bank and the Inter-American Development Bank are providing up to \$9 billion in support of the international financial package for Brazil.

Since December 1998, international assistance from the IMF, the BIS credit facility, and the Bank of Japan's swap facility has provided key support for Brazil's efforts to reform its economy and resolve its financial crisis. From the IMF arrangement, Brazil has purchased approximately \$4.6 billion in

December 1998 and approximately \$4.9 billion in April 1999. On December 18, 1998, the Banco Central made a first drawing of \$4.15 billion from the BIS credit facility and also drew \$390 million from the Bank of Japan's swap facility. The Banco Central made a second drawing of \$4.5 billion from the BIS credit facility and \$423.5 million from the Bank of Japan's swap facility on April 9, 1999. The ESF's "guarantee" share of each of these BIS credit facility drawings is approximately 38 percent.

Each drawing from the BIS credit facility or the Bank of Japan's swap facility matures in 6 months, with an option for additional 6-month renewals. The Banco Central must therefore repay its first drawing from the BIS and Bank of Japan facilities by June 18, 1999, unless the parties agree to a roll-over. The Banco Central has informed the BIS and the Bank of Japan that it plans to request, in early June, a roll-over of 70 percent of the first drawing from each facility, and will repay 30 percent of the first drawing from each facility.

The BIS's agreement with the Banco Central contains conditions that minimize risks to the ESF. For example, the participating central banks or the BIS may accelerate repayment if the Banco Central has failed to meet any condition of the agreement or Brazil has failed to meet any material obligation to the IMF. The Banco Central must repay the BIS no slower than, and at least in proportion to, Brazil's repayments to the IMF's SRF and to the Bank of Japan's swap facility. The Government of Brazil is guaranteeing the performance of the Banco Central's obligations under its agreement with the BIS, and, pursuant to the agreement, Brazil must maintain its gross international reserves at a level no less than the sum of the principal amount outstanding under the BIS facility, the principal amount outstanding under Japan's swap facility, and a suitable margin. Also, the participating central banks and the BIS must approve any Banco Central request for a drawing or roll-over from the BIS credit facility.

Before the financial crisis that hit Brazil last fall, Brazil had made remarkable progress toward reforming its economy, including reducing inflation from more than 2000 percent 5 years ago to less than 3 percent in 1998, and successfully implementing an extensive privatization program. Nonetheless, its large fiscal deficit left it vulnerable during the recent period of global financial turbulence. Fiscal adjustment to address that deficit therefore formed the core of the stand-by arrangement that Brazil reached with the IMF last December.

Despite Brazil's initial success in implementing the fiscal reforms required by this stand-by arrangement, there were some setbacks in passing key legislation, and doubts emerged about the willingness of some key Brazilian states to adjust their finances. Ulti-

mately, the government secured passage of virtually all the fiscal measures, or else took offsetting actions. However, the initial setbacks and delays eroded market confidence in December 1998 and January 1999, and pressure on Brazil's foreign exchange reserves intensified. Rather than further deplete its reserves, Brazil in mid-January first devalued and then floated its currency, the real, causing a steep decline of the real's value against the dollar. As a consequence, Brazil needed to prevent a spiral of depreciation and inflation that could have led to deep financial instability.

After the decision to float the real, and in close consultation with the IMF, Brazil developed a revised economic program for 1999–2001, which included deeper fiscal adjustments and a transparent and prudent monetary policy designed to contain inflationary pressures. These adjustments will take some time to restore confidence fully. In the meantime, the strong support of the international community has been and will continue to be helpful in reassuring the markets that Brazil can restore sustainable financial stability.

Brazil's experience to date under its revised program with the IMF has been very encouraging. The exchange rate has strengthened from its lows of early March and has been relatively stable in recent weeks; inflation is significantly lower than expected and declining; inflows of private capital are resuming; and most analysts now believe that the economic downturn will be less severe than initially feared.

Brazil's success to date will make it possible for it to repay a 30 percent portion of its first (December) drawing from the BIS credit facility and the Bank of Japan swap facility. With continued economic improvement, Brazil is likely to be in a position to repay the remainder of its BIS and Bank of Japan obligations relatively soon. However, Brazil has indicated that it would be inadvisable to repay 100 percent of the first BIS and Bank of Japan disbursements at this point, given the persistence of risks and uncertainties in the global economy. The timing of this repayment must take into account the risk that using Brazilian reserves to repay both first drawings in their entirety could harm market confidence in Brazil's financial condition. This could undermine the purpose of our support: protecting financial stability in Brazil and in other emerging markets, which ultimately benefits U.S. exports and jobs. Given that the BIS and Bank of Japan facilities charge a substantial premium over the 6-month Eurodollar interest rate, the Banco Central has an incentive to repay them as soon as is prudent.

The IMF stand-by arrangement and the BIS and Bank of Japan facilities constitute a vital international response to Brazil's financial crisis, which threatens the economic welfare of Brazil's 160 million people and of other countries in the region and elsewhere in the world. Brazil's size and