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Finally, Mr. Speaker, while Congress continues fighting for open foreign markets, reducing unnecessary costs and regulations and promoting sales of American products abroad, the Jones Act continues to impose additionally artificial costs and burdens on Colorado's hard-working agriculture producers.

Senator Brown's fight to repeal the Jones Act was the right fight for Colorado farmers, and it still is.

□ 1700

GLOBAL DAY OF ACTION FOR WTO TURNAROUND RALLY

The SPEAKER pro tempore (Mr. PEASE). Under a previous order of the House, the gentleman from Ohio (Mr. BROWN) is recognized for 5 minutes.

Mr. BROWN of Ohio. Mr. Speaker, this November, representatives from 135 Nations are meeting in Seattle to decide the all-important global trading agenda for the World Trade Organization.

Unfortunately, these trade bureaucrats and their army of attorneys are not going to discuss the overwhelming need to reform the World Trade Organization before expanding it. They are not going to talk about fighting the spread of AIDS in Africa or stamping out slavery in Thailand. They are not going to talk about Mexican workers who are paid pennies an hour to work in shiny American factories or Indonesian children who work 18-hour days for less than a dollar a day to make a pair of shoes that sell in this country for $120.

Rather than address the fact that so many of the world's people continue to live in grinding poverty and continue to barely survive, most of them on less than $1 a day, the trade bureaucrats in Seattle are going to discuss how to sell them compact discs and cellular phones.

My colleagues can count on this, our own United States Trade Representative is not going to mention that millions of American children are growing up in poverty while their parents continue to struggle to find jobs that pay a livable wage. Our own U.S. Trade Rep. is not going to mention that, even though Wall Street is booming, 90 percent of its benefits go to the richest 5 percent of Americans, and our own United States Trade Rep. will not mention that the living wage for most Americans has not increased appreciably in nearly 30 years.

The WTO has weakened the standards we erected to ensure our children are not exposed to imported foods soaked with the same pesticides we banned in the United States. The WTO has undermined the laws and regulations we created in Congress that were intended to protect our privacy, our health, and our environment. The WTO has made improving the lives of workers less important than improving the rights of property holders and intellectual property rights.

Instead of creating a global supermarket for America's goods and services, we have created a system of rules that puts more emphasis on property rights than on human rights. So it is vital that we in Congress, that the American people, realize just what is at stake when the world's largest assembly of millionaires meets in Seattle this year.

We have got to keep fighting to make labor, standards, and environmental rights and human rights as important to our trade bureaucrats as intellectual property rights.

SECURITY ISSUES FACING OUR COUNTRY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, 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 tonight to discuss security issues facing this country and to focus the bulk of my discussion on the issue that is going to be, I think, a major issue for the rest of this year and well into the Presidential elections next year, and that is a national debate on who lost Russia. What caused the current economic and political instability that is occurring in that nation that still possesses a vast supply of nuclear material, weapons, weapons of mass destruction, and pose a significant security threat to America?

Before I talk about Russia and present some perspectives, I would like to first of all commend the Congress, Members on both sides of the aisle, for the passage today of the final conference report on the defense authorization bill. This bill, which passed the House with an overwhelming margin, is a tribute to the gentleman from South Carolina (Mr. SPENCE) and the gentleman from Missouri (Mr. SKELTON), the two leaders on defense issues in this Congress, and to all the Members who worked hard on giving our military the best possible support in terms of resources to meet the challenges and threats of the 21st Century.

I am concerned that the bill does not have enough in the way of resources to meet the level of deployments that have been entered into by this administration and by the President. In fact, the level of deployments over the past 7 years are now at 33, and that, in fact, compares to 10 deployments in the previous 40 years from World War II until 1990.

We cannot continue to have our troops stationed around the world, involved in harm's way in every possible place, from the Balkans and Kosovo to Macedonia and Somalia and Central America and now perhaps East Timor, and provide less resources to pay for all these deployments. That has been our big problem over the past several years.

So while this bill does not address all of our needs, it certainly is the best possible legislation that we can come up with given the amount of dollars that the administration made available and the amount that we in the Congress were able to plus up above the President's request. I would hope the President would sign this bill into law as quickly as possible.

There was some last-minute controversy raised because of provisions dealing with changes in the management of our Department of Energy-run laboratories. But I can say this, Mr. Speaker, that those changes are needed. They are important, and they are critical.

We could not have passed DOE reform legislation in my mind that the President would have signed had it been in a freestanding bill, and, therefore, including it as a part of our defense authorization bill was extremely important.

The second issue I would discuss briefly, Mr. Speaker, is an announcement that is going to be made tomorrow by the administration regarding a change in the policy over encryption. Encryption is the technology that we use in the information age to protect and secure transmissions of data.

Up until this point in time, we have had strict limitations on the type and capability of encrypted software that we allow our companies to sell overseas. The reason is that we do not want terrorist groups in rogue States to be able to get the capability to classify their communications so that our national security agency and intelligence community cannot get into the kinds of transmissions involving illegal activities and drug sales and arms transfers that is so important to our security.

For the past several years, it has been a stalemate. Many of the software companies have been pushing very hard to pass legislation to remove all limitations on being able to sell encryption software abroad at any bit strength, any capability.

Many of us in the Congress who are concerned about security issues and Members of the Permanent Select Committee on Intelligence on both sides of the aisle have raised our voices and have said we cannot just in one fell swoop wipe away the controls that allow us to maintain the kind of access to secure systems that allow America to protect our troops abroad as well as our homeland here.

In fact, in each of the last two sessions of Congress, I have offered successfully amendments in the Subcommittee on Defense to the encryption bill, overwhelmingly supported by Democrats and Republicans, to slow down this process and to force us to look at the security concerns.

We have said during our opportunities to amend this bill, both last year and most recently in July or August, this past summer, that we were looking for a compromise, that we were looking for a way that we, in fact, could allow our companies to maintain

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their market share worldwide but also, at the same time, provide mechanisms for the national security agency and the intelligence community to make sure that they were being consulted when this technology was being sold.

In a meeting I had with Deputy Secretary of Defense John Hamre just 1 hour ago in my office, he told me that tomorrow the administration will be announcing what I think will be a successful compromise that will allow industry to be happy but will allow those of us who have security concerns to be happy that we are, in fact, not giving away capability to our adversaries that may come back to haunt us.

This compromise which has yet to be worked out in terms of legislative language will do three things. It will allow a process to be kept in place to make sure that our intelligence and defense community have a process before an application is granted for an encrypted software to be sold overseas above the 64-bit strength capability. This gives our technical people the ability to monitor the kind of software encryption that we are selling so that they understand the implications of the sale.

Secondarily, the companies will certify the end user of this encrypted algorithm software so that we know where the encryption is going, to make sure it is not going near the hands of a terrorist group or perhaps a nation that is a direct opponent of the U.S., thus could cause security problems for us.

The third provision would allow the Defense Department and the administration and intelligence community to oppose the sale of this more capable encryption to a nation or to an entity that we feel would pose a security threat to America.

Based on these three conditions, the administration and Dr. Hamre are going to announce this change tomorrow, and I am convinced that this change would not have occurred were it not for the efforts of members of the national security committee, and Permanent Select Committee on Intelligences who stood up and cast very difficult votes.

The intense lobbying campaign by the private software companies who have significant PACs and who were having a significant influence on Republican and Democrat Members brought tremendous pressure to bear on many Members who wanted to make sure that our security was not being jeopardized.

In last year's vote in the House Subcommittee on Defense and last year's Permanent Select Committee on Intelligence and in this year's votes in the House Subcommittee on Defense and Permanent Select Committee on Intelligences, Democrats and Republicans stood together.

They said that we want to make sure, in spite of the tremendous pressure by these software companies, that we give every possible consideration to our security concerns. Those security concerns apparently are now being met. Tomorrow we will hear the outline of the specifics from the administration.

I have offered my support to Dr. Hamre to work to develop bipartisan legislation to amend the Safe Act, the Goodlatte bill, to provide for a compromised solution to what has been a stalemate in this country over the exportation of encrypted software.

I want to particularly thank the Members of Congress who were leaders in this effort and who, without their support, this compromise would not have occurred.

On the Committee on Armed Services in particular, I want to thank the gentleman from Virginia (Mr. SISISKY). He was the cosponsor of the amendment that I offered this year which passed in the committee with a vote of 46 to 8. Overwhelming support by Republicans and Democrats. That bipartisan support was obtained because of the leadership of the gentleman from Virginia (Mr. SISISKY) on the Democrat side.

I would also thank our distinguished ranking member the gentleman from Missouri (Mr. SKELTON) who took a leadership role in this effort in the committee, supported by the gentleman from South Carolina (Chairman SPENCE).

The other leaders on the Committee on Armed Services were the gentleman from New Jersey (Mr. ANDREWS), the gentleman from Hawaii (Mr. ABERCROMBIE), and the gentleman from Nevada (Mr. GIBBONS). Each of these Members took the tough stand. They stood up under tremendous pressure and intense lobbying by private industry to say that we had to stand up for the security concerns of the intelligence community, the national security agency.

It is because of their efforts and the efforts of the leaders on the Permanent Select Committee on Intelligence, particularly the gentleman from Florida (Mr. GOSS) and the gentleman from Washington (Mr. DICKS) that we were able to reach this compromise which, hopefully, all of us can rally around legislatively. I am looking forward to working together to achieve a balance.

I have already discussed this in a very preliminary way with the gentleman from Virginia (Mr. GOODLATTE) who is the chief sponsor of this legislation. I want to applaud him for being responsive to our reaching out to try to find a way to deal with the concerns of industry and their economic success and the concerns that we have relative to America's security.

Mr. Speaker, the real topic that I wanted to address tonight is the beginning of what I think will be a major national debate over the next 14 months that should occur over the issue of who lost Russia.

Mr. Speaker, 8 years ago the people inside of the Communist-dominated Soviet Union were excited, were anxious, and were looking forward to what they saw coming: A major revolution of a Communist-dominated superpower, one of only two superpowers in the world at that time, that was repressive of their rights, that was repressive of the freedom of information and access to the kinds of freedoms we enjoy in America in free markets. The Soviet people were just chomping at the bit to throw off communism and become a free market democratic nation.

□ 1715

What happened? That revolution occurred. Gorbachev started it in a very heroic manner, followed by Boris Yeltsin, who, again in a very heroic manner, held the effort to lead the Soviet Union away from communism, away from a closed central economy to free markets and democracies.

Unfortunately, Mr. Speaker, here we are 8 years later, those Russian people who for 70 years were dominated by communism are today looking back and they are saying to America, where is the realization of the dream that you promised? Where is the success of our economy? Where are the freedoms from the kinds of oppression and criminal activity that we see all over our country today? Where is the growth of our country economically as a major player in the world's economy? Where is the economic benefit?

Instead, many of those same people are worse off today than they were under communism. Senior citizens, who rely on pensions, have seen inflation running up in the hundreds and thousands of percentage increases over the last 8 years, have looked at their savings dwindle to nothing. The people who have relied on job growth have not seen any significant job increase except for a very small percentage of Russians, many of whom were connected to Yeltsin's inner circle, members of the Intelligencia, or, ironically, members who were well connected to the communist leadership of the previous 70 years.

In fact, Mr. Speaker, the amount of dismay in Russia today is unbelievable. I think it was best summed up by a member of the Russian Duma who I had the pleasure of doing a press conference with at the height of our bombing of Kosovo, which the Russians found offensive and because it did not initially involve them, found the running contradictory to our trying to improve relations.

He said, for 72 years, the Soviet communist party spent billions of dollars to try to convince the Russian people that America and its people were evil. But the Russian people, the 95 percent who were never able to join the communist party, did not believe the propaganda, did not believe the rhetoric coming out of Moscow that America was an evil nation. They rejected the plea of the communisrs that America was their long-term enemy.

He went on to say that, in a matter of a few short months and years, we have managed to do what the Soviet

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communist party could not do in 70 years. Because of our failed policies, because of our situation involving Kosovo, we have, in fact, convinced many Russians that we are an evil nation, that we are the enemy of Russia, that the success that we guaranteed would occur with free markets and democracy has not occurred, and that we are, in fact, part of the reason why Russia is having the economic and political turmoil that exists in that country today.

Mr. Speaker, I do not think any one of us in this country can blame any one person for Russia's problems, but I can tell my colleagues they are severe.

It hit me 2 years ago when I was asked by the Speaker of the Russian Duma to attend a conference in Moscow representing the U.S. to talk about why more western companies were not investing in the Russian economy. I went over and represented America and was there joined by parliamentarians and ministerial leaders from 13 other western nations.

I was accompanied by representatives of the American Chamber of Commerce in Russia and the U.S. Russian-American Business Council, both groups representing the bulk of our American companies doing business in Russia. And I had to be given, in a very embarrassing way, the following statistic:

Since the Russians threw off communism and went to a democracy and a free market economy in 1991, there had been only $10 billion of western investment into the Russian economy. During that same period of time, there had been $350 billion of investment in the Chinese economy.

Now, I am not here to say that we should not invest in China. In fact, I have supported the normalization of our relations with China. But how is it that the reward for the world's only other superpower in transforming from a communist nation to its free democracy would have such little positive impact yet the reward for a nation that retains communist domination would be so much greater in terms of western and U.S. investment? Three hundred fifty billion to China, $10 billion to Russia, just in the 6 years from 1991 until 1997, which was when this conference occurred.

The Russian people throw up their hands and they ask the question, what went wrong? The members of the Duma, people who I have worked with for the past 5 years, friends of mine, all the factions, say to me, Congressman Weldon, how is it that America has guaranteed and helped support $20 billion of U.S. guaranteed IMF and World Bank funding, and actually it is much higher than that, and $1 billion a year of U.S. Treasury funding, taxpayer dollars, into our country and yet most, if not all, of that money has been siphoned off by crooks, by corrupt business leaders, by thugs, by friends of Boris Yeltsin, by people who are well connected in Moscow who took hard-earned American and western individuals' money through their taxes paid to their governments and put that money in Swiss bank accounts and U.S. real estate investments instead of benefiting the changes that were necessary for the Russian people?

Mr. Speaker, for those people, who I agree with, who say that, well, we cannot blame one person, we cannot blame Bill Clinton for the fiasco in Russia, I would agree. But I would say this, Mr. Speaker: There certainly is, in my opinion, a significant amount of responsibility that this administration must bear for where Russia is today.

Just 3 years ago, former Russian Ambassador Pickering, who is now the number-three person in the State Department, was touting around the world in speeches that within 3 years Russia will be a stable economy, it will be a world-class economy, it will solve its economic problems. And look at where we are today.

Last August, a major economic collapse, devaluation of the ruble, long lines at banks with Russian people trying to withdraw their savings, instability. Now we have revelation after revelation of Russian bankers, Boris Yeltsin's friends, friends of the establishment, who siphoned off hundreds of millions of dollars, western dollars designed to help build homes and bridges and schools and roads and to reform the coal industry, gone, evaporated, benefiting a few and leaving the Russian people in disarray and in dismay.

It is absolutely essential, Mr. Speaker, that this body conduct a thorough examination of what happened and what went wrong with our policies toward Russia since 1991.

Now, I am not going to be partisan and say that we should not look back to the Bush administration. Because we should, because that is when the reforms in Russia started. But, Mr. Speaker, I can say without any hesitation that there is no doubt in my mind that the policies of this administration, starting with the president and those of the chief Russian advisor to the President, Strobe Talbott, have had a direct impact on the destabilization of Russia's economy and their political situation.

Why would I make such statements, Mr. Speaker? Well, let me try to explain them. And in explaining them, let me look at where we have been, the kinds of decisions we have made, and perhaps what we should do in the future to change our position with Russia.

First of all, Mr. Speaker, our policy for the past 8 years has largely been focused around a president-to-president relationship. Everything focused on Bill Clinton and Boris Yeltsin. As long as those two men were cooperating, were trustworthy of each other, had a common understanding of the working relationship, that was the most important thing our country focused on, reinforcing Boris Yeltsin under any circumstance. And that was the policy of our State Department and that was and still is the policy of our administration.

When Boris Yeltsin called the Duma a bunch of rogues and crooks and thieves, which some of them are, what did our administration say? It did not disagree with Boris Yeltsin and say that we should help to build a more stable institution of a parliament. It remained silent. And those people in Russia mistook that silence as though somehow we were embracing Boris Yeltsin's notion that the parliament in Russia did not matter.

In fact, Mr. Speaker, last year I arrived in Moscow in September, the day that President Clinton was leaving; and one of the most respected members of the Russian Duma, the former Soviet ambassador to Washington, speaks fluent English, current chairman of the Committee on International Affairs, and a pro-Western leader, the Vladimir Luhkin, called me into his office and he said, Curt, I have some very disturbing news that is running through our Duma and you need to confront the administration to see if this happened.

I said, What is the matter, Vladimir? He said, We have received word that Boris Yeltsin and your president had discussions privately as to what the position of the U.S. would be if Yeltsin decided to disband and ignore the Duma completely, in direct violation of the Russian constitution. Vladimir Luhkin said to me, Curt, if that discussion took place, that is going to cause serious problems because our Constitution mandates that we have a balance of power, similar to what you have in America, and for your president to even engage in that kind of a discussion would be very destabilizing.

I went back to the administration and I raised that issue, and I was assured at that time that our President never had that discussion with Boris Yeltsin.

We will probably never know the answer to that, but I took the administration at face value. But I did believe, with no doubt in my mind, that all of our policy considerations for 7 years, 8 years, have been focused around the premise that under every circumstance we must make sure that Boris Yeltsin is strong. And if we follow that, a similar attitude prevailed in the relationship between Vice President Gore and Victor Chernomyrdin, the Gore-Chernomyrdin Commission, much of which I supported, was designed to focus on their relationship.

Where we failed, Mr. Speaker, was to reach out to the other power centers in Russia, to reach out to the other factions and the Duma.

Some of the administration officials would say to me, Well, wait a minute. What did you want us to do? Help the communist gain more power in Russia? Negotiate with the communists?

To that I say this, Mr. Speaker: How does the administration rectify that statement when the communists in Russia were, at least, elected in free and fair elections, when the administration has put so much effort into a

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government in China that is entirely communist with no free and fair elections?

So if their policy is that in Russia we will reinforce Yeltsin under any circumstance at any cost because we were fearful of the communists, what in the heck is our relationship with China, which is totally dominated by one party communist regime, with no free and fair elections and many concerns about human rights and access to markets?

So I do not buy that argument. But the policies of this administration, constantly reinforcing the notion that under any circumstance we could not let anything to happen to embarrass Boris Yeltsin, have contributed to where we are today and the instability in Russia today.

Let us look at the facts, Mr. Speaker. We have arms control agreements with Russia. Those arms control agreements require that when there is a violation, we hold those Russian entities accountable.

Yesterday, Mr. Speaker, on the House floor, in spite of a memo from the administration that the President would veto the bill, every Member of this body, every Republican and every Democrat who voted, voted in favor and against the President in favor of requiring the administration to impose sanctions on entities transferring technologies to Iran.

That is as direct a slap in the face of the policies of this administration as anything I have seen in the 13 years I have been here. It was not a partisan issue, because every Democrat joined every Republican.

Now, why would we have to resort to passing this legislation forcing the administration to impose sanctions when violations occur? The reason is, Mr. Speaker, because over the past 7 years we have seen time and time again violations of arms control agreements by Russia and China, and we have ignored them.

Mr. Speaker, I was in Moscow the December before the presidential election of Boris Yeltsin to his second term. The Washington Post had just reported a front page story that we had caught Russia transferring accelerometers and gyroscopes to Iraq.

□ 1730

Mr. Speaker, accelerometers and gyroscopes are the guidance systems that guide missiles. They are the devices that make missiles more accurate, the kind of missiles that killed our 28 young troops in Desert Storm when Saddam fired that Scud missile into the barracks, the kind of guidance system that North Korea wants for their missiles aimed at America and aimed at South Korea. The Washington Post reported in a front page story, above the fold, we have caught the Russian entities illegally transferring this technology.

I was in Ambassador Pickering's office in January of that year and I said, "Mr. Ambassador, I'm sure you saw the Washington Post article. What was the response of the Russians when you asked them to explain what we found them doing?"

And he said, "Congressman, I haven't asked the Russians yet."

I said, "Why would you not ask them? The Washington Post reported the story in December and they reported this transfer took place 6 months beforehand. Why wouldn't you ask the Russians? You're our representative here."

He said, "Mr. Congressman, that request has got to come from the White House."

So I came back to Washington and I wrote to President Clinton. I said, "Mr. President, you must have read the Washington Post story. This would be a gross violation of an arms control agreement, the Missile Technology Control Regime. If this occurred, what are you doing? And have you asked the Russians yet to explain what we have found?"

The President wrote me a three-page response in April of that year. "Dear Congressman Weldon," to paraphrase, "if what the Post said is true, you're right, it would be a gross violation of that treaty, and I assure you we will take aggressive steps to implement the requirements of that treaty."

But the President went on to say, "We have no evidence, we have no proof that it occurred."

Mr. Speaker, here is the proof. A Soviet accelerometer and a Soviet gyroscope, markings in Russian on both of them. These were clipped from Russian SSN-19 missiles that were on their submarines aimed at American cities. Evidently, as Russia decommissioned some of these nuclear devices and ICBMs, someone clipped off the guidance systems which only three countries manufacture, the U.S., Russia and China, although some European countries, but in terms of our relationship, the U.S., Russia and China, very expensive devices. Iran, Iraq, Syria, Libya, North Korea cannot build this quality of device. This is the proof, Mr. Speaker. They are real. And it was not just one time and it was not just one set.

Mr. Speaker, we have in America over 100 sets of these devices. They are the ones we caught. And it did not happen once. It did not happen twice. We caught the Russians transferring these devices to Iraq three times. What did the administration do in spite of President Clinton's letter? We did nothing. When I questioned the administration, why did we not do anything when the President told me that we were going to hold Russian entities accountable? The response was very quietly, "Well, Congressman, we got assurances from Russia that they would conduct a criminal investigation and they would go after anyone they caught who had done this." That criminal investigation ended that year, Mr. Speaker. There were no sanctions filed. The devices were transferred, perhaps thousands of them, and these guidance systems then can be placed into missiles or redesigned or reverse engineered so Iran, Iraq, Syria, Libya and North Korea have better ways to aim their missiles with accuracy at American cities and American troops.

Now, why would we not impose sanctions that are required, Mr. Speaker, especially if this administration claims that arms control agreements are so important? In fact, Mr. Speaker, I did a floor speech 14 months ago, and people can get this from the CONGRESSIONAL RECORD at that time where I documented 37 violations of arms control agreements like this one by the Russians and the Chinese since 1991, since the President took office. In those 37 violations, we caught the Russians and the Chinese sending these kinds of devices to Iraq, sending other technology to Iran, sending chemical and biological and nuclear technology to Syria, Libya, Iran, Iraq, China, North Korea, Pakistan and India, 37 times. That was not my investigation. That research work was done by the Congressional Research Service, an agency that serves Republicans and Democrats, has no partisan nature to it, they simply do the work that we ask them to do. Their study documented 37 violations. How many times did we impose sanctions? Twice. The two times we imposed sanctions were when we caught China transferring M-11 missiles and ring magnets to Pakistan and then we waived the sanctions after 2 years.

Now, why would we not impose the required sanctions when we caught the Russian entities transferring technology? It gets back to the policy of this administration toward Russia. Boris Yeltsin was running for election as the President of Russia. We did not want to embarrass Boris Yeltsin. Every step of the way, the President gave Boris Yeltsin the benefit of the doubt. "We won't embarrass you, Mr. President, we won't do anything to undermine your leadership in Russia, even if you're allowing things to occur that we know are direct violations of these agreements."

In fact, Mr. Speaker, in a book that was written by Washington Times defense writer Bill Gertz called "Betrayal" which I encourage every one of our colleagues to read, in the back of that book is an irrefutable document. In the back of Bill Gertz' book "Betrayal" is the presidential memo cabled from Bill Clinton to Boris Yeltsin in the year he was running for reelection that basically said this and people can read it for themselves: "Mr. President, I'll make sure that we don't do anything to undermine your chances for reelection. I will make sure that we don't do anything to embarrass you as you embark upon your effort to be reelected."

Mr. Speaker, that has been our policy for 7 years, not just during the election year. We have been so enamored with the relationship between Bill Clinton and Boris Yeltsin that even when

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Yeltsin was not dealing with the problems that we knew were there, we ignored them, we pretended it did not happen, we made up excuses.

The same policy, Mr. Speaker, applied to a Navy lieutenant in what in my mind is the most outrageous story I have heard in the 13 years I have been in Congress. A 16-year career Navy officer by the name of Lieutenant Jack Daly, in our naval intelligence service, was assigned duty up in the Seattle area working with our Canadian military friends to monitor Russian trawlers that we knew were spying on our nuclear submarine fleet. Lieutenant Daly and his Canadian counterpart would fly helicopter missions and take photographs of these Russian trawlers that we knew were spying on our ships. We knew that because we had seen evidence in the trawlers of sonobuoys, devices that are used to put out in the water to monitor the routes of submarines. And we saw these ships coming into port with no cargo and leaving with no cargo. We knew they were spy ships for the Russians.

Mr. Speaker, Lieutenant Daly and his Canadian counterpart who were assigned to intelligence operations made a mistake. They did their job. They were flying in a helicopter, taking photographs of a Russian ship called the Kapitan Man. They were photographing the ship because it was a Russian spy ship spying on our submarines. They were taking photographs of the ship from their helicopter. The Russian ship saw the helicopter, and they activated a laser generator, aimed the laser at the helicopter and lasered the eyes of both of the individuals, Lieutenant Daly and his Canadian colleague.

They knew immediately they had some problem. They did not know what it was. They landed, they went to the medical site at their base there, and the doctors examined them and said, "You've had some kind of damage." They flew them down to our laser specialist in Texas at our military medical facility and they confirmed that he had been lasered by a laser that is not normally available anyplace that ordinary people can access. They were told that the laser came from that Russian ship.

Now, Mr. Speaker when they came back to shore from the helicopter and reported to the DOD command officers that they think something had happened, DOD immediately wanted to go on board the ship, to board it, to see whether or not they had been lasered. Bill Gertz in his book, Mr. Speaker, for every Member of this body to know and to read and to document, for the first time reveals the classified cables between the State Department and the Department of Defense and our embassy in Moscow and the Russians. An American was harmed, doing his job, and yet we find evidence that there were discussions by the man who is currently our ambassador in Moscow, Jim Collins, about how we have to control this situation. we do not want to offend Russia, we do not want to embarrass Boris Yeltsin. So the military was told, "Don't board the ship. Don't board the Russian trawler. Don't look for that device."

And the military said, "Wait a minute. We've had a career officer harmed. We want to go on board the ship." "Then fine," the State Department said, "you can only board the public areas of the vessel."

Mr. Speaker, how stupid are we? We are going to board a Russian trawler that we know is a spy ship, we are going to look for a laser generator, and we are telling the inspectors that they cannot go into the nonpublic areas? Where do we think the Russians are going to put the laser generator, on the front deck? I mean, cut me a break. Are we that stupid or naive?

No, Mr. Speaker, the point was we wanted to give Russia an out. We knew what happened. Again, the policy, "Don't do anything to embarrass Boris Yeltsin. Ignore the reality. Pretend it did not occur." That is what we did. But the worst part about that, Mr. Speaker, is Lieutenant Daly's career was ruined. He had had a stellar career up until that point in time, he was bypassed for two promotions, his superior officer told him this, and I want to quote what he said to him. He said, "Jack, you don't know the pressure I'm under to get rid of your case." Amazing, Mr. Speaker, in America, that a 16-year career naval intelligence officer who is harmed by a Russian laser generator, only trying to get the satisfaction of his country defending him, would be told by his superior officer, "Jack, you don't know the pressure I'm under to get rid of this case."

Finally, because of the pressure of NORM DICKS, a good friend on the Democrat side, and Members on this side, including myself who have raised a stink on this issue, who have told Secretary Cohen and the Navy that we will not tolerate this activity, just last week the administration announced they are now going to re-review whether or not Lieutenant Daly has been mistreated in his effort to secure a promotion to the next rank in the service, another indication of this overriding policy of reinforcing Yeltsin and that relationship under any circumstances.

But let us get to the real problem, and that deals with the IMF funding. Mr. Speaker, we had a golden opportunity. The reformers took over and when Yeltsin first started out, he was a Godsend. He was standing up, reinforcing Gorbachev, standing on top of those tanks and defying the Communists to take him out as Russia was moving toward democracy and free markets. All of us, and me included, stood behind him and said, "We want you to succeed." But we got mixed up along the way, Mr. Speaker. We got so enamored with Yeltsin that when he did stupid things, instead of saying, "Mr. President, these people that you're putting in charge of these state enterprises, these multibillion-dollar enterprises that are going to become your banking system, these people that are going to run your huge state enterprises, are not qualified. You're picking them on the basis of friendship and ties as opposed to what is best for your country." We set in motion the beginning, in my opinion, of the economic turmoil that Russia is experiencing today.

Mr. Speaker, all along the way, when we saw Yeltsin doing stupid things, when we saw the oligarchs, the seven oligarchs, most of whom were no more qualified to be the manager of a big bank than I am in Russia, we stood back and we did not engage, because we did not want to offend Boris Yeltsin, we did not want to offend the group of intelligentsia and the oligarchy that was running Russia, because we felt that was our solution.

For the first few years it worked, when Yeltsin was strong and Clinton was strong, the policy worked and our countries were making some progress but we were not willing to be candid. Where are we today? Yeltsin's popularity is less than 5 percent, our own President has his own problems, but in Russia, what are the Russian people saying? "America, you're not our friend. You saw these things occurring and you did nothing."

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You knew what was going on. How can the Russian people respect us today, Mr. Speaker? They saw what was happening. How can the members of the elected Duma respect us? The only time we came to them was when after the fact and all the economic problems occurred, and the IMF was very weary about putting more money into Russia. We said to the Duma, "You've got to pass tough legislation. You've got to reform your finance system. You've got to collect more taxes. You've got to make your people pay electric bills and water bills, which they never paid before under communism. You've got to get tough with your people or we're not going to give you more money."

And the Duma basically thumbed their nose at the IMF, they thumbed their nose at Yeltsin, and they thumbed their nose at America. Why? Because the Duma deputy said, and I think rightfully so, "Wait a minute. You now come to us in 1998 and 1999, and you ask us to pass tough reforms, but you did not involve us when all of this honey was being given out. You didn't involve us when you were sending Boris Yeltsin's friends the billions of dollars of IMF and World Bank money, when you were sending everything through central Moscow siphoned off by Yeltsin's crony friends instead of helping the Russian people, and now you want us to make the tough decisions. You want us to go to our constituents who see the turmoil in our country, and you want us to do the right thing."

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Is there any wonder the Duma said, "No way"?

Mr. Speaker, our policies failed. We failed to help Russia establish a true democracy, a strong president, and Yeltsin could have been for the long term a strong President, ended up not being a strong President. And a strong parliament, one that could work in tandem, as we have in this country, a check and a balance.

Instead, we put all of our eggs into Yeltsin's basket, and we ended up with a basket of broken eggs, and now we are being asked to pay the price, and it is not small chicken feed, Mr. Speaker. Twenty billion dollars at a minimum into Russia's economy.

Is there any benefit to the Russian people? I would say no.

Three hundred million dollars for the coal industry to help Russian coal miners; where did that money go? It ended up lining somebody's pocket, building some residences on the French Riviera, buying real estate property in America, and leaving the Russian people holding the bag to pay all that money back.

And where was America? Where was America telling the Russians the tough things they had to hear?

When we saw the Russians transferring technology, we did not have to embarrass Boris Yeltsin. We simply had to offer him our help to work with him to identify the people selling this technology and to tell him we are going to take efforts to go after those companies. We do that in America all the time. If a company in America is illegally selling products to nations that are unstable, we make no hesitation about punishing them. I do not care if they are in my district or not. I want them punished. The same thing should have applied in Russia. If we had entities that we knew were violating arms control agreements, we should have punished them, and we should have been consistent, and we should have been fair, and we should have showed them that our goal was not to embarrass Yeltsin, it was not to embarrass Russia. It was to stop proliferation to nations like Iran, Iraq, Syria, Libya, and North Korea. That is the problem.

And when we saw the IMF money being drained away, we should have told President Yeltsin that we are not going to tolerate this, we are not going to stand for this. But what did we do? We turned our head. We turned our cheek.

There is a report running in the media that Vice President Gore was given at least one major CIA brief that linked Chernomyrdin directly to corruption in Russia. The Vice President is a good friend, was a good friend of Chernomyrdin, wrote across that document: Bull, and you complete the rest, and sent it back to the CIA. He did not want to hear it; he did not want to hear the facts.

We wonder why Russia is an economic and political basket case today, Mr. Speaker. Our policies encouraged the kind of disarray that we are currently seeing in Russia's economy.

There is an alternative way, Mr. Speaker, and as we begin hearings on who lost Russia, as we saw the New York Times 3 weeks ago on a front-page magazine story on who lost Russia and then followed that up with a Washington Post story this past weekend, and as the Congress begins to hold hearings on this whole issue, and by the way, Mr. Speaker, I think that Congress also has to bear some of the responsibility, and that includes my own party, and as I said before, some of these policies started under President Bush, so I am not saying it is all partisan, but I can tell you this President and his administration have exacerbated the problem unbelievably.

But how do we solve it? Well, there are some solutions.

Mr. Speaker, I am Russia's toughest critic, but I am Russia's best friend. I have been there 19 times. I know the Russian people; I know their leaders. When I saw the possibility that this Congress would not support more IMF funding and that Russia perhaps could have a meltdown, complete meltdown, with a major nuclear force still in place, more destabilized today than any point in time under communism because under communism they had discipline, they had the rule of law, they did not have the corruption they have today. Today they have corruption, they do not have the rule of law, and they have instability.

So I was concerned that I needed to get our colleagues to support the President even though I disagree with the positions he was taking in terms of IMF funding. So I went to Moscow and arrived the day the President left a year ago, and I took with me, Mr. Speaker, a set of eight principles because I knew the Duma was opposed to IMF funding just as the Congress was.

Now you might say why would the Russian Duma be against us putting another $4 billion in the Russian economy. Well, why? Because the Duma knew Yeltsin's cronies and friends, and they were going to be left to hold the bag to pay the bill, and they were going to be asked to pass the reforms and had no say in where the money was going or how it was being spent. That is why they opposed IMF funding.

So I said to my Duma friends, "Here are eight principles. Look at these eight principles. If you can agree with these principles, I will go back to Washington, to my leadership in Congress, and I'll see if they'll agree that you pass these principles in the Duma in the morning," since it was an 8-hour time difference, "and we'll pass these eight principles in the Congress in the afternoon on the same day. These principles will guide all funding going into your country from the west, international funding, World Bank funding, funding from the IMF and U.S. funding, a billion dollars a year going to Russia."

What are the eight principles? Here they are, Mr. Speaker, in summary. I will put the full eight principles in the CONGRESSIONAL RECORD.

Number one, Mr. Speaker, that we establish a joint U.S.-Russian legislative oversight commission of elected officials to monitor every dime of money going into Russia, not to say where it should go; that is up to administrations; but to monitor where it is going. Today there is no such capability, and much of the money is being siphoned off illegally, and the Russian Duma has no ability to monitor what Yeltsin does with the money or his people. So establish a legislative oversight commission, Democrats and Republicans joining with all the factions of the Duma and the Federation Council and monitor where the money is going.

Number two, to focus our resources on programs like housing mortgages that benefit and create a Russian middle class. If you look at America's economy, our success economically is because when housing starts are up, our economy is strong, and our housing starts are up when mortgage rates are low. Russia has no mortgage system. Three years ago, Charles Taylor and I went to Moscow and we said to the Russian leaders, "Work with us on a private mortgage program like our Freddie Mac and Fannie Mae, and if you agree to our tight discipline, we will go to the Congress and try to get some seed money." The Duma deputies agreed.

Here is the document we produced, Mr. Speaker, 2 years ago: Housing For Our People, a picture of the Capitol Building and the Duma. You know there is no White House in either picture? There is no Washington White House, and there is no White House where President Yeltsin works. It is the two capital buildings. It is where the two parliaments work, the parliaments of the Duma wanting to establish a private, western style housing mortgage financing system.

Our goal was in this second principle to say that programs that encourage a middle class are what we should be providing funds for.

Number three, that we should agree that western resources should be made available to reform-minded regional governments. Russia is a large Nation, over 60 States and oblasts, and many of the regions are doing good things. They are privatizing their property, they are collecting more taxes, they are having people pay for their utilities. But because all the money went through Yeltsin in Moscow, those regions were not being recognized and rewarded. The money was being siphoned off to Yeltsin's cronies, and the regions who are reforming were standing there saying, "We're doing the things you told us, America; when are you going to help us?" And the help never came, and our policy was let us focus on regions where they are doing good things and help them continue to do good things.

All around Russia, out in Siberia, Vladivostok, St. Petersburg, Nizhni-

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novgorod, Samara, all around the country, the fourth principal: Deny Moscow-based institutions any additional funds where we know they have abused IMF World Bank and U.S. dollars. If we know a bank is corrupt, hard and fast rule, they get no more money. And in fact let us go after those perpetrators and try to collect the money they abused.

Number five, reform International Monetary Fund. This was a recommendation that I got after talking to George Soros in his office in New York to convene a blue ribbon task force that the IMF would then listen to that would tell it how to be responsive and make reforms to be more accountable to emerging economies like Russia.

Number six, and boy is this significant to put the horse in front of the cart. Reforms would precede and not follow. Resources. No reforms, no money. You make the reforms you have asked for, and then we will provide the resources you need, but no money until you do the reforms.

Number seven, have a 90-day plan to establish a relationship between CEOs of American companies and Russian enterprises, a one-on-one relationship so they can learn how we develop profits in America to make their companies more profitable in Russia, to learn how to motivate workers, how to manage their costs.

And the last item: To bring 15,000 young Russian students to America, undergraduate and graduate, have them attend our business, economic and finance schools all across the country, pay their way over, and get our schools to give them an education with the understanding they must go back to Russia to live. They cannot stay in America, in effect creating a new generation, the next generation of Russia's free market leaders.

Mr. Speaker, the Duma agreed to all eight principles, all eight principles. They said, "We'll do the reforms if you tell us that you're going to let us march to where the money's gone. If you let us have a say, if the regions are recognized, we'll do it," and they passed it.

It came back to Washington, and I went to Speaker Gingrich. Speaker Gingrich said, "Well, Curt, I don't know whether we want to do this, that is the administration's prerogative. Let me talk to the White House."

The White House said, "We don't need those guidelines. We don't need those principles.

The eight principles in their entirety are as follows:

JOINT STATEMENT OF PRINCIPLES GOVERNING WESTERN AND IFI ASSISTANCE TO RUSSIA

(Draft Prepared by Congressman Curt Weldon)

(1) Focus Western resources on programs—like housing—that will develop a Russian middle class

Funds flowing from Western governments and International Financial Institutions (IFI) should be directed to segments of the Russian economy where they will help develop a broad Russia middle class, who will in turn have an economic stake in democratic institutions and greater economic reform. One such sector is housing, where there is an overwhelming need for greater investment and the Russian people face tremendous shortages. A major impediment to a robust housing market is that all but the most wealthy Russians lack a mechanism to finance the purchase of a home. Development of a mortgage finance system, with longer term loans (20 to 30 years) and reasonable interest rates, would greatly strengthen the Russian economy, increasing employment, tax revenues, and economic and political stability.

(2) Make Western resources available to reform minded regional governments

Some significant portion of the funds from Western governments and IFIs should flow from the Russian central government to the Oblasts and Krais, which are the source of most of the economic reforms occurring in Russia. Tax reform, privatization, land reform are all areas where the regions have accomplished far more than the central government in Moscow. In determining the flow of these resources to the regions, priority should be given to those regions that have and are implementing the strongest reform programs. The criteria for evaluating the effectiveness of regional economic reform programs should be clearly identified, which will assure all regions that they are being treated equitably and provide the necessary incentives for regions to implement viable economic reform agendas.

(3) Deny corrupt Moscow-based financial institutions access to Western resources

Greater steps must be taken to ensure accountability for previous and future resources provided by Western governments and IFIs. The simple notion that any bank, government agency, regional government, or NGO that cannot account for previously supplied funding should be ineligible for future funds must be strictly enforced. This will have the practical effect of preventing the large, corrupt Moscow based banks from accessing future IFI resources.

(4) Establish a Joint Russian—U.S. legislative oversight commission to monitor Western resources

Opposition to further assistance from IFIs run strong in both the U.S. Congress and the Russian Duma. One way to counter this tendency and promote a stronger Duma is to create a joint Russian-U.S. Legislative Oversight Commission, composed of Members of Congress and Duma Deputies and staffed by experts in both legislatures, to monitor the use of Western government and IFI funding to ensure that the designated end recipient, not only receives the resources but uses them for the intended purposes.

(5) Reform the International Monetary Fund (IMF)

Both the Congress and Duma should urge the International Monetary Fund to establish an International Blue Ribbon Commission composed of the most prominent financial experts to make recommendations for reforming the IMF to achieve greater transparency and more effective programs with less financial risk. If the IMF is unwilling to create such a commission, then the Congress and Duma should consider creating its own commission of experts and then press the IMF to implement the recommendations.

(6) Put the horse in front of the cart: make reforms precede—not follow—resources

In all too many cases, resources from IFIs come first and promised reforms come much later, if at all. It is time to make reform precede—not follow—important economic reforms at the national and regional levels. The Yeltsin administration, the Duma, and the financial oligarches have every incentive to promise reform prior to receiving financial assistance, but they have very little incentive to make good on the promises of reform, which in the short term are often difficult for the government to implement and painful for the Russian citizens to endure.

(7) Jointly develop a 90 Day Action Plan to reform de facto bankrupt industrial giants

Working the Congress and the Duma, the Administrations should empanel a group of international financial experts and give them 90 days to develop a comprehensive program to reform, privatize, or shutter the industrial behemoths that are essentially bankrupt and uncompetitive in a market economy but are kept limping along by subsidies because of local political imperatives and the fact that in many areas they represent the only source of employment. Many formerly state owned enterprises (for example—food processing plants, breweries, and confectionary enterprises) have made successful transitions which make products without government subsidies that compete with imported items—clear evidence that Russian enterprises can be competitive.

(8) Western government and IFI resources should go to civilian agencies and programs—not to prop up the Russian military industrial complex

Nothing could do more to endanger U.S.-Russian cooperation, especially in the eyes of the Republican Congress, than using funding from Western governments and IFIs to prop up the ailing military and military-industrial complex. Both the Administrations and the legislatures need to make sure that proper controls are put in place to prevent such an eventuality.

STATE DUMA

Commission of the State Duma for Monitoring of the Preparation and Realization of the Joint Program of the State Duma of the Federal Assembly of the Russian Federation and the Congress of the United States of America on Housing Construction in Russia "A Home for Our Family."

To the Deputies of the State Duma.
Federal Assembly.
Russian Federation.
From SD RF Deputy V.E. Tsoy.
From Member of the House of Representatives of the U.S. Congress Curt Weldon.

DEAR COLLEAGUES: The complicated socio-economic and political situation in which the population of Russia finds itself, allows us to address you with the following suggestions:

1. Concentrate Western resources on programs such as mortgage credit and housing construction, which will enable the development of a middle class in Russia.

Funds flowing from the U.S.A. and international financial institutions should be directed at those segments of the Russian economy which will enable broad development of a Russian middle class, which, in its turn, will have an economic interest in the existence of democratic institutions and the realization of more carefully thought out economic reforms in Russia. One such sector is housing, where larger investment is needed and where the population is confronted with an absence of additional sources of financing. The main obstacle in the path to a healthy housing market is that, for all but the most well-to-do Russians, there is no mechanism for financing the purchase of a home. Creation of a mortgage finance system with longer term loans (20-30 years) and reasonable interest rates would considerably

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strengthen the Russian economy—increasing employment, the growth of tax receipts for the budget, and economic and political stabilization.

2. Secure access to U.S. financial resources and the resources of international financial institutions for subdivisions of the Russian Federation that are disposed to carrying out reforms and which have a high ratio of investment attractiveness that meets the demands of the leading international financial credit institutions, or has the potential to meet them in the near future.

A significant part of the financial resources coming from the U.S.A. and international financial institutions should be directed to those Russian oblasts and krais in which real economic reforms are already occurring. Tax reform, privatizations, and land reform are all areas where the regions have accomplished far more than the central government in Moscow. In determining the distribution of these funds to the regions, priority should be given to those in which there are more serious programs of reform. 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.

3. After auditing, stop the financing of those projects in which serious financial infractions were committed during their realization.

More decisive measures should be taken to ensure accountability for previously allocated funds provided by the U.S.A. and international financial institutions. Strict fulfillment of financing, agreements by banks, government organizations, regional governments, or non-governmental organizations that have not been able to account for previously provided financial funds should be required. In the future such establishments, should not receive financial resources. The return of allocated funds from unscrupulous matters needs to be achieved through joint efforts and these funds directed toward the realization of specific programs approved by the State Duma of the Russian Federation and the Federation Council. This will have the practical effect of preventing future access to Western governments' and international financial institutions' funds by large and unreliable banks and other organizations.

4. Create a Joint Russian-American oversight commission to monitor expenditures allocated by the U.S.A. and by the international financial structures of Russia make up of 8 members of the U.S. Congress and 8 deputies of the State Duma of the RF, with 2 co-chairs.

The negative feelings to further aid from the international financial institutions are intensifying in both the U.S. Congress and the State Duma of the RF. One way to counter the tendency and strengthen the authority of the State Duma and the U.S. Congress is to create a joint Russian-American legislative commission on oversight for verification of funds flowing from the U.S.A. and international financial institutions. Ensuring the funds are used as intended by the end consumer is under the control of the aforementioned commission.

5. Reform of the International Monetary Fund.

The U.S. Congress and the State Duma of the RF should request that the International Monetary Fund create an International Expert Commission, composed of the most prominent financial experts, to draw up recommendations for reforming the IMF. These should be directed toward achieving more transparency in its structures and increasing the effectiveness of programs while decreasing financial risk. If the IMF does not want to create such a commission, then the U.S. Congress and the State Duma of the Russian Federation should think about creating a bilateral commission of experts for subsequent work with the IMF on its realization.

6. The financing of different reform programs in the Russian economy will be conducted only after the passing of a Federal law on a foreign borrowing program taking into account the position of the regions where these programs will be realized.

In the majority of cases, the funds from international financial institutions flow long before the promised reforms are advanced, if they are advanced at all. It's time to make it so that reforms precede and not follow the financing of important economic reforms at the federal and regional levels. The administration of RF President B.N. Yeltsin and the RF Government issued guarantees while not controlling the fulfillment of these obligations that have heavy consequences for the population of Russia.

7. In the course of 180 days a bilateral working group of members of the U.S. Congress and the State Duma of the Russian Federation will prepare a plan according to an expert evaluation of further operations on the issue of the bankrupt industrial enterprises of the Russian Federation.

The U.S. Congress, the State Duma, and the administrations of both countries should create a working group of international financial experts and give them 180 days to work out a comprehensive program to reform, privatize or shutter industrial enterprises which, in practice, are bankrupt and uncompetitive in market economy conditions. They continue to remain afloat due to subsidies connected with local political imperatives and the fact that, in many regions, they are the only sources of employment. Many former state enterprises (light processing industries, food, etc.) have made successful transitions and produce goods that compete with imported products without government subsidies. This is clear evidence that Russian enterprises can be competitive. That notwithstanding, the expert commission should prohibit financing of military-industrial complex enterprises from investment funds which have been attracted to accomplish social programs for the Russian population.

8. Development of an initiative for the organization of commercial and financial education.

In accordance with intergovernment agreements, 15,000 Russian students and graduate students should be enrolled in American colleges and universities in a regular course of study. All Russian students who take part in this program will return to Russian upon completion of their educational program. The goal of such a program is to ensure a qualified corps of specialists in Russia.

Respected colleagues, we ask you, after becoming acquainted with our suggestions, to express your opinions.

Sincerely,

V. TSOY,
Chair of the Commission, Deputy of the State Duma, Russian Federation.
C. WELDON,
Member of the House of Representatives, U.S. Congress.

[DISCUSSION DRAFT ON RUSSIAN HOUSING]

To propose principles governing the provision of International Monetary fund assistance to Russia.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Russian Economic Restoration and Justice Act of 1999".

SEC. 2. PRINCIPLES GOVERNING INTERNATIONAL MONETARY FUND ASSISTANCE TO RUSSIA.

The Bretton Woods Agreements Act (22 U.S.C. 286–286mm) is amended by adding at the end the following:

"SEC. 61. PRINCIPLES GOVERNING INTERNATIONAL MONETARY FUND ASSISTANCE TO RUSSIA.

"(a) CONDITIONS AND LIMITATIONS OF ASSISTANCE.—The Secretary of the Treasury shall instruct the United States Executive Director at the Fund to use the voice and vote of the United States to urge the Fund—

"(1) to not provide any assistance to the government of the Russian Federation or of any political subdivision of the Russian Federation or to any other entity in the Russian Federation, until there is in effect a Russian federal law that implements the economic reforms described in subsection (b); and

"(2) to provide assistance to the Russian Federation or a political subdivision of the Russian Federation only to aid the implementation of such reforms.

"(b) ECONOMIC REFORMS.—The economic reforms described in this subsection are the following:

"(1) Land reform, including private ownership of land.

"(2) Further privatization of state-owned industrial enterprises.

"(3) Tax reform, including increased collection of tax obligations.

"(4) Development of effective commercial law, including the ability of individuals to seek enforcement of contracts by an effective judicial system.

"(5) Establishment of residential mortgage financing system for middle class individuals residing in the Russian Federation.

"(6) The development of criteria for evaluating the effectiveness of regional economic reform programs in the Russian Federation, and the use of such criteria to assure that Western resources are provided to the political subdivisions of the Russian Federation on an equitable basis, taking into account the necessity to provide incentives for political subdivisions to implement viable economic reforms and to reward those that have made progress in implementing such reforms.

"(7) The development of steps to make the recipients of Western resources in the Russian Federation accountable for the use of such resources."

SEC. 3. RUSSIAN-AMERICAN FINANCIAL OVERSIGHT COMMISSION.

(a) IN GENERAL.—The Speaker of the House of Representatives and the President of the Senate shall seek to enter into negotiations with the State Duma and the Federation Council of the Russian Federation for the establishment of a commission which would—

(1) be composed of 8 Members of the United States Congress and a total of 8 Deputies from the State Duma and Federation Council;

(2) monitor expenditures of the funds provided to the government of the Russian Federation or a political subdivision of the Russian Federation by the United States or the international community, for the purpose of evaluating that the funds are used for only for the purposes for which provided; and

(3) create a working group of financial experts tasked with developing a comprehensive program to reform, privatize, or close industrial enterprises in the Russian Federation that are bankrupt and are (or would be) not competitive under conditions of a market economy without significant government financial support.

(b) MEMBERSHIP.—On the successful conclusion of negotiations under subsection (a), the Speaker of the House of Representatives and the President of the Senate are jointly authorized to appoint 8 Members of Congress to

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the commission established pursuant subsection (a).

SEC. 4. SENSE OF THE CONGRESS ON ESTABLISHMENT OF JOINT UNITED STATES-RUSSIAN FINANCIAL EDUCATION PROGRAM.

It is the sense of the Congress that the United States and the government of the Russian Federation should conclude an agreement under which students in the Russian Federation would enroll in colleges and universities in the United States at undergraduate and graduate levels for the purpose of developing a network of financial specialists in the Russian Federation, and students so enrolled would, on completion of their studies in the United States, be required to return to the Russian Federation and work for the federal or a regional government in Russia.

SEC. 5. IMF REFORM COMMISSION.

The Secretary of the Treasury shall instruct the United States Executive Director at the Fund to use the voice and vote of the United States to urge the Fund to create a commission, composed of prominent international financial experts, for the purpose of drawing up recommendations for reforming the Fund, with a view to achieving more transparency in the structures of the Fund and increasing the effectiveness of Fund programs while decreasing financial risk.

SEC. 6. RUSSIAN HOUSING LOAN PROGRAM.

(a) LOAN PROGRAM.—There is hereby established a pilot housing loan program for the people of Russia, with such funds as may be made available, as the means by which the average Russian citizen may attain affordable home ownership.

(b) RESTRICTIONS.—None of the funds under this section may be made available—

(1) for transfer to the Government of Russia; or

(2) for the purposes of providing Russian military housing.

(c) ESTABLISHMENT OF ADMINISTERING CORPORATION.—Funds appropriated under this section shall be administered in the following manner:

(1) Such sums as may be made available for this pilot Russian housing loan program shall be administered directly through a nonprofit corporation (hereinafter the "Corporation"), consisting of a 12-member Board of Directors, the members of which shall be:

(A) Former President George Bush or his designee.

(B) Former President Jimmy Carter or his designee.

(C) Two members appointed by the Speaker of the United States House of Representatives.

(D) One member appointed by the minority leader of the United States House of Representatives.

(E) Two members appointed by the majority leader of the United States Senate.

(F) One member appointed by the minority leader of the United States Senate.

(G) Two members appointed by the Chairman of the Russian State Duma.

(H) Two members appointed by the Chairman of the Russian Federation Council.

(2) A Chairman of the Board of Directors shall be selected from among the 12 board members. The chairman shall serve a single 2-year term. The entire Board of Directors shall serve a 2-year term and have the authority to select other officers and employees to carry out the purposes of the Fund and the program.

(d) LOAN SIZE AND TYPE.—Since it is the intent of the housing loan program to provide loans for the average middle-income potential Russian home buyer, loans shall range between the equivalent of $10,000 to $50,000 (U.S.). This amount shall be determined by the Corporation and shall fluctuate in accordance upon market conditions. Loans shall be for a term of 10 to 30 years and may be prepaid at any time without penalty. Loan payments shall be amortized on a basis of level monthly payments.

(e) WORKING GROUPS.—The Corporation shall have the authority to establish working groups comprised of Russian and American experts, for the purpose of making recommendations on topics essential to the success of the program, including, but not limited to—

(1) the preparation of the necessary legal and regulatory changes;

(2) the involvement of United States housing trade and labor associations in providing materials, training, and joint venture capital;

(3) ensuring adequate offsite infrastructure for new housing sites; and

(4) other issues as deemed appropriate by the Corporation.

H.R. —

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PRINCIPLES GOVERNING INTERNATIONAL MONETARY FUND ASSISTANCE TO RUSSIA.

The Bretton Woods Agreements Act (22 U.S.C. 286–286mm) is amended by adding at the end the following:

"SEC. 62. PRINCIPLES GOVERNING INTERNATIONAL MONETARY FUND ASSISTANCE TO RUSSIA.

"(a) CONDITIONS AND LIMITATIONS OF ASSISTANCE.—The Secretary of the Treasury shall instruct the United States Executive Director at the Fund to use the voice and vote of the United States to urge the Fund—

"(1) to not provide any assistance to the government of the Russian Federation or of any political subdivision of the Russian Federation, or to any other entity in the Russian Federation, until there is in effect a Russian federal law that implements the economic reforms described in subsection (b); and

"(2) to provide assistance to the Russian Federation or a political subdivision of the Russian Federation only to aid the implementation of such reforms.

"(b) ECONOMIC REFORMS.—The economic reforms described in this subsection are the following:

"(1) Land reform, including private, ownership of land.

"(2) Further privatization of state-owned industrial enterprises.

"(3) Tax reform, including increased collection of tax obligations.

"(4) Development of effective commercial law, including the ability of individuals to seek enforcement of contracts by an effective judicial system.

"(5) Establishment of residential mortgage financing system to develop a middle class residing in the Russian Federation.

"(6) The development of criteria for evaluating the effectiveness of regional economic reform programs in the Russian Federation, and the use of such criteria to assure that Western resources are provided to the political subdivisions of the Russian Federation on an equitable basis, taking into account the necessity to provide incentives for political subdivisions to implement viable economic reforms and to reward those that have made progress in implementing such reforms.

"(7) The development of steps to make the recipients of Western resources in the Russian Federation accountable for the use of such resources.".

SEC. 2. RUSSIAN-AMERICAN FINANCIAL OVERSIGHT COMMISSION.

(a) IN GENERAL.—The Speaker of the House of Representatives and the President of the Senate shall seek to enter into negotiations with the State Duma of the Russian Federation for the establishment of a bipartisan commission which would—

(1) be composed of 8 Members of the United States Congress representing both political parties, and 8 Deputies of the State Duma who are broadly representative of political interests;

(2) monitor expenditures of the funds provided to the government of the Russian Federation or a political subdivision of the Russian Federation by the United States or the international community, for the purpose of evaluating that the funds are used only for the purposes for which provided; and

(3) create a working group of financial experts tasked with developing a comprehensive program to reform, privatize, or close industrial enterprises in the Russian Federation that are bankrupt and are (or would be) not competitive under conditions of a market economy without significant government financial support.

(b) MEMBERSHIP.—On the successful conclusion of negotiations under subsection (a), the Speaker of the House of Representatives and the President of the Senate are jointly authorized to appoint 8 Members of Congress to the commission established pursuant subsection (a).

SEC. 3. SENSE OF THE CONGRESS ON ESTABLISHMENT OF JOINT UNITED STATES-RUSSIAN FINANCIAL EDUCATION PROGRAM.

It is the sense of the Congress that the United States and the government of the Russian Federation should conclude an agreement under which students in the Russian Federation would enroll in colleges and universities in the United States at undergraduate and graduate levels for the purpose of developing a network of financial specialists in the Russian Federation, and students so enrolled would, on completion of their studies in the United States, be required to return to the Russian Federation and work for the federal or a regional government in Russia.

Speaker Gingrich, my Republican leader, said," I'm not going to bring that up, Curt, as a bill."

So it is not just the Democrats' fault, Mr. Speaker. The President of the United States did not listen, Strobe Talbott thought he knew it all, and our Speaker did not respond either.

Speaker is gone now, Mr. Speaker, and I am asking this Congress to consider a new dialogue with Russia where we in the Congress, the Senate and the House, the Duma and the Federation Council come together and we take control of this relationship in setting out some basic parameters, not in dictating when and where money should be used, but laying out parameters like the ones that I negotiated and discussed with my Russian friends as the chairman of the Duma Congress initiative with the gentleman from Maryland (Mr. HOYER) and passed this in both bodies and tell whatever President wins election next year these are the parameters for our relationship with Russia in the future.

Mr. Speaker, I also developed what I call a new vision for Russia, a series of principles of how we can assist Russia in getting through these difficult times. I would also ask to insert in the RECORD at this time my new vision for Russia:

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ESTABLISHING A NEW FRAMEWORK FOR U.S.-RUSSIAN RELATIONS

Working with my colleagues in the Duma, I have developed a joint statement of principles governing Western and IFI assistance to Russia. For too long, the United States has poured money into Russia without proper control or oversight. As a result, this money has lined the pockets of the wealthy, while average Russians have seen no improvement in their standards of living. Therefore, I am working on a bold new agenda so that this money will be made available to reform-minded regional governments. In order for financial assistance to make an effect on the lives of the Russian people, we must ensure that the system is reformed before the money is invested.

STABILIZING RUSSIA'S NUCLEAR ARSENAL

An original supporter of the Nunn-Lugar Cooperative Threat Reduction (CTR) program, I have worked tirelessly against proposed funding reductions in that effort—working to defeat amendments that would cut CTR funds and related amendments which would withhold CTR funds pending official reports and action from the Russian government. I was also instrumental in extending Nunn-Lugar assistance beyond dismantlement support to assisting former Soviet states with better protection of their nuclear assets, as well as establishing better systems of control and accountability.

EMPOWERING THE RUSSIAN STATE DUMA

In 1996, I created the Duma-Congress Study Group, an on-going parliamentary exchange between the U.S. Congress and the Russian Duma. The goal of the Study Group is to foster closer relations between our two legislatures so that we can help address key bilateral issues, across a wide range of substantive issues. The future of Russian's democracy is dependent on the strength of the Duma, and I hope that these continuing discussions on substantive issues will provide a basis upon which to continue building. I have also initiated a similar exchange program for staff members of the U.S. Congress and the Russian Duma in an effort to establish a personal and direct communication link for the staff support of our two countries' legislatures.

CREATING A RUSSIAN MIDDLE CLASS

A successful mortgage finance system will reduce unemployment, increase democratization, strengthen the banking system, create wealth for Russian families, encourage commercial reforms, and increase the housing stock. With mutual support between the Russian Duma and the United States Congress, I believe that these goals can be achieved. I remain committed to the establishment of a mortgage finance system, and I will continue to pursue legislation in this area in the U.S. Congress.

DEVELOPING RUSSIA'S ENERGY SECTOR

In 1992, recognizing that energy was the key to transforming the former Soviet republics, and that energy cooperation between the United States and the FSU could infuse much-needed hard currency into the three energy-producing republics of the former Soviet Union, I formed the United States-Former Soviet Union Energy Caucus. The group, composed of U.S. legislators, works with U.S. oil companies and Russian Duma and government counterparts to enable energy development projects in oil and gas-rich Russia. Development benefits Russians by ensuring economic development in their country and providing them with sorely-needed cash, and U.S. energy companies and the American people with new sources to meet our continuing energy needs.

ENCOURAGING INVESTMENT IN RUSSIA

In January of 1998, I was the U.S. representative to Speaker Seleznev's conference on Russian Economic Development. I have also been working actively in my home state of Pennsylvania to encourage U.S. companies to invest in Russia. My work in this arena has included the creation of the Pennsylvania-Russia Business Council which has, with my assistance, conducted five successful workshops on U.S. investment in Russia.

ASSURING RUSSIA'S SOCIAL NEEDS

Education is the key to the future. In order for Russia's democracy to succeed, a new generation of Russians must be educated in the tenets of freedom. I am currently advocating a program which would enroll 15,000 Russian students in American colleges and universities. Following their graduation from these programs, these students would be required to return to Russia and become part of a qualified corps of future leaders and specialists.

IMPROVING THE HEALTH OF THE RUSSIAN PEOPLE

Healthcare is rapidly becoming a global service. In Greater Philadelphia, the region which I represent, I am currently supporting an effort in which the hospitals have agreed to work cooperatively on a new initiative to jointly provide healthcare services for international patients. I am also working on a proposal to bring modular hospitals to Russia. These two unique efforts will provide increased access to quality healthcare for the Russian people.

DEVELOPING RUSSIA'S TECHNOLOGY

As Chairman of the House Military Research and Development Subcommittee, I have played a lead role in sustaining and expanding U.S.-Russian cooperative technology development programs. Not only have I worked to ensure funding for early warning sharing programs like RAMOS and APEX, but I established a separate line item in the missile defense budget specifically for cooperative work in this field. This year, the Clinton Administration has canceled the RAMOS program, suggesting that alternative cooperative projects be pursued. Recognizing the critical role of this program in establishing cooperative links on early warning sharing and in enabling pursuit of mutual defenses, I will lead the fight this year to preserve the RAMOS effort.

WORKING WITH RUSSIA'S SCIENTISTS

In an effort to sustain the work of Russian scientists and prevent proliferation of critical technologies, I have asked Academician Velikhov of the Kurchatov Institute to develop a proposal that would enable Russian scientists and engineers who developed missile technology comparable to that which was transferred to Iran for application in its Shabab-3 to work with the Ballistic Missile Defense Organization in identifying those technologies transferred to Iran and in helping the U.S. counter that technology. In addition, I am supporting other proposals that would ensure continued U.S. support for underemployed Russian scientists and engineers.

HELPING RUSSIA COMBAT RADIOACTIVE WASTE

I have been a leader in the U.S. Congress in raising awareness regarding the need to confront and cooperatively address the issue of radioactive waste dumping in the Arctic Ocean. I held hearings on this matter, and called Alexei Yablokov to testify on the findings of the Bellona Foundation, which documented volumes of evidence on Russian nuclear dumping which was previously unconfirmed. I have since worked to fund Navy research on this issue and worked through Global Legislators for a Balanced Environment (GLOBE) to encourage continued attention to and research on this problem. I have also supported U.S.-Russia collaboration on nuclear waste identification and cleanup work, holding several hearings on U.S. and Russian waste problems and potential cooperative projects, and securing funding through the Arctic Military Environmental Cooperation program in 1999 for sponsorship of a conference in Russia to address this issue.

And finally, Mr. Speaker, I would say that in dealing with Russia it is very simple, and you know I think Ronald Reagan had it right. Remember when Ronald Reagan called the Soviet Union "Evil Empire"? Well, you know something, Mr. Speaker? The 95 percent of the Russians who were not members of the Communist Party heard him and agreed with him. They knew that their country was the Evil Empire. They knew that it was abusing their rights. They knew the communism was not good for them. They respected Ronald Reagan because he spoke the truth.

Russians respect strength, they respect consistency, and they respect candor. When they see you turning your cheek, when they know that you know that things are going wrong, when they see you pretend things are not what they are, when they see you bolster up a man who is not doing what is in the best interest for Russia, they lose respect.

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That is why the Russians today have no respect for us, in my opinion, Mr. Speaker.

We have to earn the respect of the Russians by being strong, by being candid, and by being transparent and consistent. If we do that, I am convinced Russia can be an equal, stable partner of us.

We have to ask the tough questions. We have to ask what Russia is doing building a multibillion underground complex in the Ural Mountains at Yamantau Mountain, the size of the Washington beltway, deep enough to withstand a nuclear first strike hit.

This administration has not been able to get the answer to that question because they will not pursue the issue. I work with the CIA on a regular basis; and I can say today, the administration knows no more about that project today than they did 5 years ago when I first raised it.

We do not have the respect of the Russians under the current relationship and policies. Therefore, I am convinced that this body needs to explore in great detail what we have done wrong, what we have done right and, most importantly, lay out a plan for the future, a plan that looks at where Russia is today; and what we can do as

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a Nation, working with the Russian people who are our friends, to build a new Russia, a strong Russia, a Russia with a freely elected president who works closely with our President and a new Duma that works with our Congress, a freely elected Duma, even if it includes Communists.

Remember what I said, Mr. Speaker. How can this administration say that we had to work with Yeltsin because of our fear of the Communists? At least the Communists in Russia were elected in free and fair elections, as much as we did not like it.

I wish I could say the same about the Communists in China, which this administration falls all over on a regular basis. If the Communists are those elected by the Russian people, we have to work with them. It does not mean we have to embrace them. It does not mean we do not want to help the pro-Western forces, the formers like the Apple party, the Yabloko party, the Nash Dom, the People's Power party. We still work with them, but we work with all factions in Russia.

My hope is, as we complete this first half of this session, the focus on Russia becomes a dominant focus. As we approach the presidential elections, this country needs to have a national debate in a constructive way over what happened, why did it happen, where did $20 billion go, what did we get for that investment, and why are the Russian people more negative about America today than they were when they were dominated by a Soviet Communist system?

THE BUDGET OF THE UNITED STATES

The SPEAKER pro tempore (Mr. FLETCHER). Under the Speaker's announced policy of January 6, 1999, the gentleman from Texas (Mr. STENHOLM) is recognized for 60 minutes as the designee of the minority leader.

Mr. STENHOLM. Mr. Speaker, I want to say that the gentleman from Pennsylvania (Mr. WELDON) has had just a fascinating discourse on a subject which is of extreme importance. I want to commend him for the diligence in which he has pursued a subject that is every bit of importance to our country as he has indicated that it is, and he makes a lot of sense and this is one Member that looks forward to working with him in the days ahead in this very important area.

What I have taken this hour for, and I will be joined by several of our Blue Dog colleagues, is to once again talk about perhaps a little more mundane subject, the budget of the United States and the policies, or lack thereof. A lot of what the gentleman from Pennsylvania (Mr. WELDON) has talked about some of the shortcomings of the Congress and the administration in dealing with Russia, I think, can also be said of this body in dealing with the budget.

Today, I guess we had a little ceremony in which we have now sent the tax cut down to the President, which he will veto, as he should. One of the policy objectives that the Blue Dogs have suggested all year long is let us be conservative with our actions now as we enjoy the newness of dealing with surpluses.

We are for cutting taxes. Let no one be mistaken about that, but the Blue Dogs have suggested all along that there is a good way and a bad way to get to tax cutting. The bad way, we believe, is what the House and Senate concurring have said to the President, of having a tax cut with projected surpluses that may or may not materialize.

What the Blue Dogs have said, quite clearly, all year long, let us deal with Social Security and Medicare first. Let us have an open and honest debate on the floor of the House, with the best ideas winning, as to how we fix Social Security for the future, because everyone now knows and admits quite publicly that the future of Social Security is bleak unless we, this Congress, make some tough decisions and very, very soon.

We ducked on that one, and I must say that our President ducked on that one, which was unfortunate. Just because the President ducks is no sign that we in the Congress should duck. Here, at least some of us, the gentleman from Arizona (Mr. KOLBE) and I, and we have been joined by colleagues on both sides of the aisle now, a few, proposing a Social Security fix.

That is not what I am here to talk about tonight. What I am talking about tonight is the rhetoric that we continue to hear about why we need to have a big tax cut first before we deal with Social Security, before we deal with Medicare, before we deal with Medicaid, before we deal with these very important subjects.

These are projected surpluses and one of the dangers that some of us see, particularly the Blue Dog Democrats, and I suspect there are some on both sides of the aisle that see the same danger, spending a projected surplus before it is real can get very dangerous; just like in families. If they have built up a debt on their credit card or personal debt to where it is becoming difficult to pay the interest on that debt and suddenly come into some money, most families will pay down their debt first before they go out and reward themselves with a new car or reward themselves with new options.

That is not what the Congress has voted to do. That is not the issue today.

To those that say well, we are only returning your money to you, that is true but they conveniently overlook one fact. Not only is it your taxes that we talk about and every dime that we spend is your money, but also your debt of $5.6 trillion that we have built up, $4 trillion of it basically in the last 10 years, 15, it is your debt.

The Blue Dogs suggest that now is the time to be a little bit conservative with our children's and grandchildren's future. Instead of once again rewarding us, as this tax cut would do over the next 10 years, we say use this opportunity to pay down the debt so that our children and grandchildren will not have as much debt to pay and as much taxes to pay in order to pay the interest on that debt.

We think that makes a lot of sense. Unfortunately, we have not been able to convince a majority of the House and the Senate concurring that it does make sense, and we understand and we play by those rules and we also very strongly played by the rule that said if one is going to be critical of the other guy's proposal they better have something that they are for. The people back home in the 17th district that I represent, that is what they demand of me.

As we have discussed and asked the question over and over, what do you want to do with this surplus, most people openly and honestly say, pay down the debt.

I do not know why different Members get different answers to this question, except sometimes we ask it differently. If I ask the question, do you want to have a tax cut or do you want us to spend the money, you say tax cut. That would be my answer.

Then we get into another little problem because we have had a whole lot of rhetoric around this body over the last several weeks now, and we are still playing this giant game of chicken of who is going to blink first on the caps, who is going to be the first one to admit that already this year we are spending the Social Security trust fund?

Now, we have tried to outdo each other as to who has the best lockbox, who is going to do the best job of not touching Social Security trust funds next year. Well, I would say to my colleagues, let me share a little secret. We have already done it. This Congress has already dipped into the Social Security trust fund. No matter how we want to score it, it has already happened; little things like declaring the census an emergency, $4 billion; conveniently using OMB scoring when it suits our purpose of being able to score spending $16 billion cheaper.

I used to work with my friends on the other side of the aisle quite regularly on this argument when we finally got around to saying our scorekeeper is the Congressional Budget Office. The White House has the Office of Management and Budget. We have the Congressional Budget Office. It is bipartisan. It is our scorekeeper. Let us quit fussing about whose numbers and whose projections we are going to use. Let us agree on the Congressional Budget Office.

Every once in awhile we would say, where there is differences why do they not just add up the two and divide by two and take an average and that becomes something that we can use that is consistent.

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