Thank you, Mr. Chairman.

Anybody who thought there was going to be a smooth transition

from 50 years of totalitarian rule in Russia to an open and free democracy

must have never read or observed any history at all. But

we have made some progress, and while there is a tendency in the

Congress to almost nostalgically go from Port-au-Prince to Moscow,

reciting the lower crime statistics and quieter days under dictatorship,

the reality is that we have had some stunning successes.

There is no question that the law governing business, the financial

irregularities, and even democratic institutions are far from

perfect in Russia. But when I look at the situation, I frankly think

that the Clinton Administration took a policy that was basically

without form and gave it some form and made some progress.

If we take a look at what has happened, we have deactivated

1,500 nuclear warheads. When you compare that to the enormous

and proper response in this Congress to one missile from North

Korea where there is no evidence of a nuclear warhead at this

point, and we hope there never will be, and the destruction of 300

missiles, we have made progress. Nuclear weapons are currently

not targeted at American cities. We have denuclearized the

Ukraine, Kazakhstan and Belarus. The Russians have withdrawn

their troops from the Baltic States, they joined our peacekeeping

mission in Bosnia in 1995, and they joined our peacekeeping mission

in Kosovo in 1999.

We have a lot of bumps in the road with the Russians. We have

bumps in the road with our allies, the French, British, and Israelis

at almost every corner. These are countries that have had democratic

institutions for decades. We need to do a better job of managing

the programs that go into Russia, without any question. We

have to demand tougher accounting, better collection of taxes, better

enforcement of laws. Do we want to see less crime and less organized

crime in Russia? I think we would have the same hope for

this country. Are there businessmen who are killed and women

killed on the streets of the United States? Yes. Is there more crime

in Russia now that there is no longer a totalitarian government?

Absolutely, yes.

The process of building a democracy in Russia will be a difficult

challenge. Unlike most of the Eastern Bloc, there is no precedence

for a civil, democratic and free economy in Russia. There is no history.

They went from the medieval days of the czars to the Communist

revolution, and they have lived under totalitarianism for 50

years.

At the end of World War II, the United States tried many of the

same things. We tried a Marshall Plan that in today’s dollars

would be $90 billion, and we tried everything we could, from hiring

Nazi scientists who had just finished trying to exterminate the

Free World, and we put them under our contract because we didn’t

want them to go elsewhere. I have witnessed in this Congress an

assault on Nunn-Lugar funds which are used to get rid of nuclear

weapons and fissionable material that is a danger to American national

security.

It sometimes seems to me there is a nostalgia: Gee, if we only

had this dictatorship that we knew how to confront, rather than

the unsure future of dealing with a country trying to become democratic.

Nobody in his right mind would nominate President Yeltsin

for head of the League of Women Voters. Frankly, I wouldn’t nominate

some of the Senators and House Members we have here, when

we look at what we have done for campaign finance reform, for the

President of the League of Women Voters either. But we are going

to have legislative elections in Russia, we are going to have a free

Presidential election in Russia. Perfect?

Even some of our elections are not perfect. But let me tell you

something, there is not a Member of this Congress or I hope anybody

in this country that would prefer the stable, Politburo-run

country that used to exist in Russia to the turmoil we are facing

today. We ought to focus these hearings on the financial institutions,

the International Monetary Fund, and other organizations.

What happens to the money? The same problems that happen in

every poor country with bad laws. Capital flight, undermining the

economy, places a terrible burden on average citizens as wealthy

individuals are freed from inflation and the ups and downs of the

economy by taking their money out of the country.

Let’s work together to embolden our policy in dealing with Russia;

let us work together to make sure it works. Let us not argue,

as some have, that we ought to stop meddling, that we ought to

somehow hope that it is all going to get better without our help.

If we had left Europe alone, it would have been in a much worse

situation. If the United States disengages from Russia, it will create

a disaster, and we will face in a decade either a left-wing or

a right-wing totalitarian government again. There is no guarantee

in what we do that there will be success; but there has definitely

been proven success when you look at warheads, when you look at

missiles, when you look at denuclearized states, when you look at

the progress of free economic competition. Not perfect, but it is not

perfect anywhere, and they have a lot further to go.

Thank you for holding this hearing, Mr. Chairman.

Thank you.

It seems to me that what you outlined, both of you, although it

be a big chunk of granite and there is a lot to do here, is exactly

what all of our bilateral relationships are aimed at doing—the

Gore-Chrnomyrdin and the followup. The agendas are designed to

try to get the Russians, who have no private property, no due process,

no review systems in place of any serious nature, to evolve into

a free and open society. So I think frankly we don’t have a big debate

here.

The auditing—I think every Member on this Committee wants to

follow every penny that American taxpayers pay to make sure we

are getting the maximum return on it.

I guess what I am saying is, so that we can highlight this, let’s

assume I have seen one report that says that the IMF did an audit

and that they know where their money went and where it wasn’t

supposed to have gone. Some people claim it is IMF money, but I

have seen no evidence of that. Some people claim it is other Russian

money in flight and illegal moneys that violate Russian laws.

I don’t think there is anybody in this town from Pennsylvania Avenue

to Capitol Hill or anywhere else who wants to see our money

misused or not spent for what it is supposed to be spent. So we all

agree on that and we would like to see those audits.

What in the programmatic sense ought we add or take away

from what we are doing? It seems to me that I think we all basically

agree we have to engage the Russians, we have to get them

to do the basic hard work of government. We have to have ethics

in government, we have to have oversight, we have to have transparency,

economic transactions. We want to make sure that when

we deal with issues like nuclear proliferation, there isn’t somebody

selling nuclear material out the back door. This is even tougher in

societies in chaos.

I remember being briefed by the people who run the Ukrainian

nuclear power plants, that they hadn’t paid some of their workers

for 6 months at one point. When you are not paying your workers

for 6 months, you know what they are doing; they are stealing

something out the back door or they are not the most dedicated

workers at that point. Obviously, you have big problems. What

would you add or take away from what we are doing today? You

can do it in pencil or granite, whatever your choice is.

I think we have general agreement, even within

the Administration as well, they are moving things back into the

provinces. I think Eximbank, frankly, is a better way to go from

my position than the IMF. You have a specific project, you do

something, it is concrete, you can follow the dollars. I think we

have a real international monetary problem, and I hope the Chairman

of the Banking Committee will figure out how to deal with it;

but I think you are right, specific projects.

Let me ask you this: What would you have

changed on the IMF funding?

Explain that to me again.

. Right. The most recent one you have no complaint

with.

The refinancing tranche that stays——

To avoid default, you won’t disagree with that.

So you would allow them to default?

So you are unsure about default, and now we

go back to the previous tranche of funds.

What would you have added for conditions?

What would that soft landing strategy be?

I think lots of people said so. I think that trying

to get the particulars to go from their system to our system is a

pretty rough road. Again, if you can’t do it today, I would appreciate

any additional proposals—because my time is up—on what

we ought to do from here on in, and I agree with more specific

projects. I am a big believer in Eximbank. We have some problem

with our colleagues in the other body and sometimes in this body

as well, but thank you very much.