DEPARTMENT OF THE TREASURY

TREASURY NEWS

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STATEMENT BY THE HONORABLE LAWRENCE H. SUMMERS
UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
U.S. TREASURY DEPARTMENT
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY,
TRADE, OCEANS AND ENVIRONMENT
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

March 3, 1994

Introduction

Mr. Chairman. I welcome this opportunity to testify before the Committee.

The challenge to this Administration to prepare a foreign assistance budget that properly reflects our priorities in the post cold-war era is great. It is now clear that economic security provides the greatest national security. This is demonstrated by increasing global interdependence, greater opportunities for trade, and the overriding influence of economic policy.

As we worry less about superpower confrontation, we find both the greatest opportunities and the most serious threats coming from developing and/or transforming economies. U.S. participation in the international financial institutions together with our trade policy, are the most effective tools we have for addressing U.S. interests in the developing world.

The Developing World: Opportunities and Challenges

Opportunities are great because of the promising growth many developing countries are achieving, the appetite for trade created by this growth, and the general expansion of these countries' role in and importance to the global economy. A large and growing share of the world's economic activity now takes place in developing countries.

Developing countries account for over 85 percent of the world's population and almost one-half of global purchasing power. Five of the twelve largest economies are in developing countries. U.S. exports to these countries have more than doubled in a six-year period, ballooning from $73 billion in 1987 to $186 billion in 1993. U.S. exports to the developing world now account for 40 percent of our total exports and are responsible for creating or sustaining some 3 million U.S. jobs each year.

But the challenges that developing countries face also bring profound threats to global stability and prosperity. Growth and change are stressful, often resulting in political, economic and social disruption. However, resistance to change and reform is no less risky.

Clearly the overall outlook is fragile, and critical problems remain. More than one billion people still confront severe poverty, and population growth continues at high levels. Economic and social progress in Africa is particularly disappointing. Far too little attention is still accorded to environmental problems, and far too few people realize the benefits of democratic and participatory government. The trauma of reform in some countries and the absence of it in others leads people in the most desperate straights to look for a better life, creating an ongoing refugee problem. And the stress of change puts institutions at risk of collapse, creating a crisis of their own.

As developing countries and countries undergoing transformation seek to advance and sustain the progress they have made -- and as we tackle the difficult task of helping those who lag far behind -- strong external support for the evolution of free markets and democracy will be critical.

As I will discuss in more detail in a few moments, the international financial institutions offer us the best vehicles to provide this support. That is why this Administration's commitment to these institutions is so strong. Through them, we take on a vital, but shared role in advancing economic opportunities overseas, in promoting sustainable development, and in furthering the broader U.S. vision of the world. Through them, we have our best chance to move toward a world in which a "putting people first" market-oriented strategy is realized.

The Role of the International Financial Institutions

The importance of these institutions to U.S. interests is clearly reflected in the budget request for the international financial institutions put forward by the Clinton Administration for fiscal year 1995. This Administration has taken the considered position that the international financial institutions merit strong U.S. support, and we should demonstrate this support not only by honoring our current and past commitments, but also by joining in new commitments to several of the regional development banks, the Global Environment Facility and the IMF.

I want to discuss in more detail why we believe these institutions and our role in them are so vital to U.S. interests, as well as to apprise you of how we are faring in our efforts to revitalize and strengthen these institutions. And, as you requested, I would like to brief you on several capital increase and replenishment negotiations now underway.

The "Leverage" of the Multilateral Development Banks

The expansion of U.S. interests in the developing world and our budget realities make it more important than ever to maximize the leveraging of U.S. resources. The multilateral development banks (MDBs) have two clear advantages. First, their multilateral character and financial and technical capacity make them the most effective aid instrument for encouraging developing countries to undertake the economic policy reforms necessary to become free market-oriented democracies.

Second, there is the very considerable "leveraging effect" of U.S. contributions. For every dollar in the Administration's FY 1995 budget request for the MDBs, the banks will lend more than $22 this year. As shown in Chart #1, our $2 billion request compares with roughly $45 billion in new MDB lending this year.

Leveraging is particularly high in the "hard loan" windows such as the World Bank which has lent $122 for every dollar of U.S. paid-in capital. Leveraging is also significant in the "soft loan" windows for the poorest countries where, for example, IDA is able to lend six dollars for every dollar contributed by the United States.

Because the MDBs are so cost effective, their impact extends far beyond their ten percent share of the Administration's foreign assistance request. We rely heavily on the banks to address critical U.S. interests around the world.

Examples include:

- $7 billion in IBRD lending commitments to ***Eastern and Central Europe*** over the last four years;

- the recent World Bank agreement to provide $1.8 billion over three years for ***Mexico*** (a key component in environmental clean-up efforts along our shared border);

- IDA's planned concessional credits of up to $11 billion for ***Sub-Saharan Africa*** over the next three years;

- the World Bank's central advisory, aid-coordination, and financing roles in ***Gaza and Jericho***, helping enhance Middle East peace efforts;

- expanded MDB support for ***environmental protection*** -- more than $2.8 billion last year and projected to rise rapidly; and

- increased MDB support for ***human resource development*** -- over the next three years, the World Bank expects to lend more than $14.5 billion for education, population, health and nutrition.

The MDBs Benefit U.S. Business

The MDBs also promote development in a way that provides substantial benefits to U.S. business.

On an annual basis, U.S. companies have received MDB-financed procurement amounting to more than $2.7 billion. This is $1.2 billion more than the United States contributed to the banks in the past fiscal year.

U.S. business also benefits from MDB support for economic reform that expands the import capacity of MDB borrowers. We believe that U.S. exports which are attributable to such MDB programs are on the order of $5 billion a year.

As shown in Chart #2, we estimate that the $7.7 billion in U.S. exports generated through the MDBs each year create or sustain at least 146,000 U.S.jobs.

The positive results of MDB supported reform can be seen in the successful resurgence of growth in Latin America, a region supported by over $60 billion in World Bank and Inter-American Development Bank lending over the last six years and now the fastest growing market for U.S. exports.

The MDB presence in borrowing countries also helps establish a sound enabling environment for U.S. industrial and financial investors. The viability of many of our bilateral programs relies heavily on the MDBs. For example, as shown in Chart #3, the MDBs have loaned $57 billion over the last three years to the 10 developing countries where the Export-Import Bank exposure is largest.

The fact that the MDBs provide enormous benefits to U.S. business in no way detracts from the fact that sustainable development, including economic opportunity for the poor and protection of the environment, are central to the MDBs' development agenda.

Strengthening MDB Performance

As the largest single donor to the MDBs, and with such an important stake in their effectiveness, the United States must lead in setting MDB policies and priorities.

Democratic and Republican administrations have played key roles in establishing and strengthening the MDB system. The Clinton Administration is now actively working to address weaknesses in this system and improve its effectiveness. We have heard and are acting upon the concerns raised in the Congress and elsewhere. Our fundamental goal is to maximize the developmental impact of MDB operations.

Last year we outlined the five-point agenda for change shown in Chart #4. We believe we have done very well, but we still want more progress in several key areas as outlined in Chart #5.

I would like to review in detail our efforts on the five-point agenda.

(1) More effective project design and implementation

Over the past year, we have urged all of the MDBs to take measures to improve the management of their development programs. We supported strongly the "Wapenhans" process in the World Bank and are pressing for vigorous implementation of the action plan adopted in July 1993 to improve project performance. This entails strengthening both the quality of projects at the entry level and the management of project implementation. We are working to advance similar reforms in the regional MDBs.

(2) Greater Transparency and Openness

The Administration has actively promoted greater transparency in MDB operations. We were successful in developing the necessary consensus among governments for a substantially more **open information policy** at the World Bank. The new policy, approved in August 1993, establishes a public information center and significantly expands the scope of technical and other information, including environmental assessments, made available to the public for all Bank projects under preparation. **Key** documents currently restricted to member governments will also be made available to the public once the projects are approved by the Executive Board. Ensuring full implementation of the new policy, and also getting similar policies adopted by the Executive Boards of regional MDBs, are major Administration priorities.

The World Bank Executive Board also approved in September, 1993, the establishment of an **independent inspection panel** to address public concerns about whether the Bank is observing its own policies, rules and procedures in the design, appraisal and/or implementation of its operations. The panel will consist of three members and will receive requests for inspection presented by: (1) parties affected by Bank projects or (2) any Executive Director.

(3) Sustainable Development

We encouraged the steps taken by the MDBs to strengthen their **poverty reduction** efforts. Chart #6 shows that MDB loans to support basic human needs have increased to more than $15.5 billion annually, nearly seven times the basic human needs elements in our own bilateral assistance program. We now want these reinforced by even greater efforts to expand the **access of the poor to social services**, including primary health care and basic education. There also needs to be a much stronger MDB effort on **family planning**.

We are actively promoting other fundamental development priorities such as greater stress on **country performance** and **market forces**, and renewed emphasis on **good governance**, promotion of **private enterprise**, and protection of the **environment**.

We are pressing the MDBs to be more pro-active in seeking out opportunities for **public participation** in all aspects of their lending activities and decisions, particularly among people who will be affected by their projects. This is good development policy. It also strengthens project quality and local commitment to the success of projects.

The United States has led efforts to strengthen **environmental performance** in all the MDBs. Chart #7 shows annual lending for the environment at $2.8 billion.

We consider it essential that the MDBs work in partnership with their borrowers to incorporate environmental considerations into national development strategies and individual bank projects. We are encouraged by the seriousness with which the MDBs are now responding to this challenge.

The World Bank has made major strides, establishing strong policies on environmental assessment, agriculture, water resources management, energy efficiency and the power sector, and forestry. Replication of these policies, which will improve project quality and spur more sustainable growth in the regional MDBs, is an Administration priority.

More remains to be done. The MDBs need to move more aggressively in fully implementing the sound environmental policies they are adopting. Environment must be more clearly established as a central and integrated component of their policy dialogue and lending strategy with borrowers.

We were pleased at the World Bank's recent $2 million grant to the Grameen Trust of Bangladesh. We will also be pressing for the **establishment of a World Bank small projects facility** to promote local environmental and poverty reduction initiatives and strengthen outreach to local NGOs and micro-enterprises. This could complement the existing small grants program, which promotes discussions and dissemination of information, by ensuring that local communities and NGOs are actively involved in setting development priorities and implementing local projects.

(4) MDB Support for Strategic Global Initiatives

In helping to broaden and deepen economic recovery in Latin America, promote reform in Eastern Europe and the former Soviet Union, reduce poverty in Africa and Asia, and catalyze development in the West Bank and Gaza Strip, the MDBs are providing vital support for U.S. global objectives on a scale that cannot be replicated by our bilateral programs.

(5) Expanding Opportunities for U.S. business through the Banks

The United States receives the largest share of MDB-financed procurement. As noted earlier, U.S. companies have on an annual basis received MDB-financed procurement amounting to more than $2.7 billion. The Administration is engaged in a major outreach effort to further increase U.S. business awareness of the opportunities generated by the MDBs.

In another key area, the United States is working with other members to promote sound MDB financial management and to **control MDB operating costs**. Recent positive developments include:

- the elimination of first class air travel. At the World Bank, changes in travel policy enacted in 1993 will save an estimated $18 million annually. Savings at the EBRD will exceed $4 million.

- the World Bank's plan for zero real budget growth over the three-year FY 1995-97 period; and

- strategic reorganization at the EBRD, with stronger country focus as well as reduced staffing.

Our achievements over the last year in improving MDB performance were made possible by the effective exercise of U.S. leadership and leverage with other member countries. We still face an ambitious development agenda ahead. However, U.S. arrears to the MDBs now jeopardize our ability to retain influence over MDB policies and operations.

The Problem of U.S. Arrears

In real dollar terms, U.S. funding for the MDBs has fallen by 40 percent since 1978. Yet in an era when continued heavy U.S. reliance on the MDBs appears inevitable, we find ourselves with large and growing arrears on our internationally negotiated funding commitments to these institutions.

The United States is the only major donor country with substantial MDB arrears. These arrears increased by $473 million last year and now total $847 million. If we want to preserve U.S. leadership and safeguard the very considerable benefits we receive from the MDB system -- and also to continue to succeed in our efforts to strengthen the MDBs -- we also need to meet our internationally negotiated, and Congressionally approved, financial commitments. We can't have it both ways.

U.S. arrears also pose clear risks to the MDBs' ability to respond effectively to pressing development needs in countries and regions of importance to the United States. The poorest countries relying on concessional "soft loan" financing such as IDA are most at risk since U.S. cutbacks provide other donors with the option of doing the same. Sub-Saharan Africa, which receives half of IDA funding, is particularly vulnerable.

U.S. arrears are spread across all the institutions as shown in Chart #8. Clearing these arrears is not just a numbers exercise; important U.S. interests are on the line. The Administration is seeking to eliminate U.S. arrears and plans to do this over a four-year period, beginning this year with fully clearing arrears to the International Finance Corporation and the Inter-American Development Bank, and also starting to clear arrears to the World Bank and the African Development Fund.

At the same time, the Administration is committed to reducing the cost to the United States of any new MDB funding arrangements. I would therefore like to brief you on the status of the four new arrangements for which the Administration will request authorizing legislation later this year.

FY 1995 Authorization Request

a: Eighth General Capital Increase of the IDB

We are working to reposition the Inter American Development Bank to play an aggressive role in reducing poverty and accelerating growth in Latin America and the Caribbean. Our goal is to ensure that all elements of society have the tools to compete fairly in a modern economy. The very strong emphasis on social sector lending will represent a commitment by Latin American and Caribbean governments to strengthen democracy through economic participation. We expect IDB 8 to provide a 50% increase over IDB 7 for social sector development. In addition, there will be forward looking policies to benefit the environment of the region. Public participation, access to information, and outside inspection will be part of the package.

In the poorer countries, the Bank will provide broad-based development support, including support for infrastructure. A key requirement of the replenishment negotiation is to generate sufficient concessional resources to meet the needs of the these countries. As the region develops, we also want to strengthen private sector activities of the IDB. We believe there is room to strengthen and consolidate these activities, especially those of the Inter American Investment Corporation, the Multilateral Investment Fund and the Ordinary Capital of the Bank itself. We hope to negotiate financial arrangements that will save substantially on expenses to the U.S. taxpayer while strengthening Bank focus on the private sector.

There is as yet no final consensus on all the key financial issues. Negotiations will resume next week and agreement may be at hand. There is a consensus on a $40 billion capital increase. We expect the U.S. contribution will be less than its contribution to the previous replenishment. We are also working hard with the Europeans and Japanese to forge a deal that provides the Bank with substantial resources for both middle income and the poorest countries.

b: Seventh Replenishment of the AFDF

The United States wants the African Development Bank Group to remain a strong conduit of development assistance for the continent. As we know, in today's environment, aid is allocated among programs on a competitive basis. We support the African Fund, but we believe it can improve the quality of its development activities. We want greater selectivity in project selection with a possible restructuring of a significant portion of its existing project portfolio.

Although the size of the replenishment is still under negotiation, agreement has been reached to place more emphasis on good performance and project implementation by borrowing countries. We are also pressing the Bank to place greater attention on health and education, good governance, reduced military spending levels, and sound management of its loan portfolio. We also are urging a pilot program of micro-enterprise development using NGOs and are promoting greater public access to information and a strengthened inspection function.

In addition, we are working very hard to strengthen the African Development Bank's financial policies. We are considering with other members ways for the African Fund to assist in addressing the burden of Bank debt owed by the poorest countries. We are also working with our African partners to encourage payment on arrears to the Bank.

c: Global Environment Facility (GEF)

We are requesting authorization for the Global Environment Facility (GEF). Both the Congress and the Administration are committed to improving the global environment. We see the GEF as an essential step in international efforts to promote a broad set of actions on the environmental front. The GEF will serve as the centerpiece for international efforts in support of the conventions on climate change and biodiversity, as well as efforts to combat ozone depletion and degradation of international waters.

Our commitment to the GEF is not unconditional. Many U.S. proposals have driven the negotiations. And many of our negotiating partners have now come to support priorities enunciated by the Administration and the Congress. These include functional independence for the GEF, donor oversight and project approval, and strong emphasis on access to information and public participation.

But our partners are now expecting us to provide a financial contribution. Unfortunately, after four years of GEF operations, the United States has not contributed directly to the GEF Core Fund. However, I believe that those problems which precluded a U.S. contribution in the past -- namely inadequate policies on information access and public participation -- will be overcome.

I believe the GEF is well on its way to being restructured in a way that advances our ambitious environmental agenda. Donors are considering a replenishment of approximately $2 billion over four years. At the conclusion of those negotiations, I hope that the Congress will agree that the United States should be a major participant.

d.: <u>Enhanced Structural Adjustment Facility</u> (ESAF)

The Administration is also seeking authorization and appropriation for a U.S. contribution of $100 million to the Interest Subsidy Account of an enlarged and extended Enhanced Structural Adjustment Facility (ESAF) operated by the International Monetary Fund. The original ESAF was established in 1987 in response to criticisms from Members of Congress and others that the IMF did too little for the poorest member countries. ESAF provides loans on concessional terms to the poorest countries, primarily from Sub-Saharan Africa, in support of structural and economic reforms.

The ESAF is widely recognized as an effective means of promoting reform. Examples of countries that have successfully operated under ESAF programs include Zimbabwe, Uganda and Malawi. Ghana has graduated from ESAF. These countries, and others, have worked hard under their ESAF programs to achieve increased GDP growth, lower inflation and increased exports.

The success of the initial ESAF has resulted in broad international support to expand and extend its operations. More than 40 countries, including a number of developing countries, are providing more than $7 billion in loan capital and $2.9 billion in interest rate subsidies. The proposed U.S. contribution of $100 million to the Interest Subsidy Account is modest, accounting for less than a nickel of every dollar provided for subsidies. It is a critical contribution, however, that demonstrates our support for the efforts by the poorest countries. It will also help catalyze contributions from other countries, and it will provide us with an effective voice in ESAF decisions.

We have been mindful of the budget constraints facing us in deciding on the size and timing of a U.S. contribution. The $100 million being requested is $50 million less than the U.S. contribution to the original ESAF. It will be disbursed over a period of fifteen years with outlays to begin in FY 1997. We are, however, requesting budget authorization and appropriation for the full $100 million in the FY 1995 budget to assure other contributors that the United States will meet its commitment to this highly effective facility, and to improve the Fund's ability to plan.

<u>Asian Development Bank</u>

The United States is also participating in negotiations on a general capital increase for the Asian Development Bank. This is an important institution in an area of large and growing U.S. economic and strategic interests. Although negotiations could conclude as early as this spring, the Administration will not be seeking necessary U.S. legislation until FY 1996.

Conclusion

The Administration will of course continue to consult with the Committee as negotiations in the IDB, AFDF, GEF and ADB progress. We are optimistic in all cases that agreements will be achieved which fully merit Committee support.

As indicated in Chart #9, FY 1995 is a pivotal budget year for the MDBs. We want to work closely with this Committee and with other members of the Congress to meet our commitments to the MDBs and sustain our stake in these institutions.

In concluding, Mr.Chairman, I would like to underscore both the importance of strong United States support for the international financial institutions and this Administration's unwavering commitment to work with these institutions and their memberships to strengthen their development performance.

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MDBs commit $45 billion. U.S. cost is only $2.0 billion.

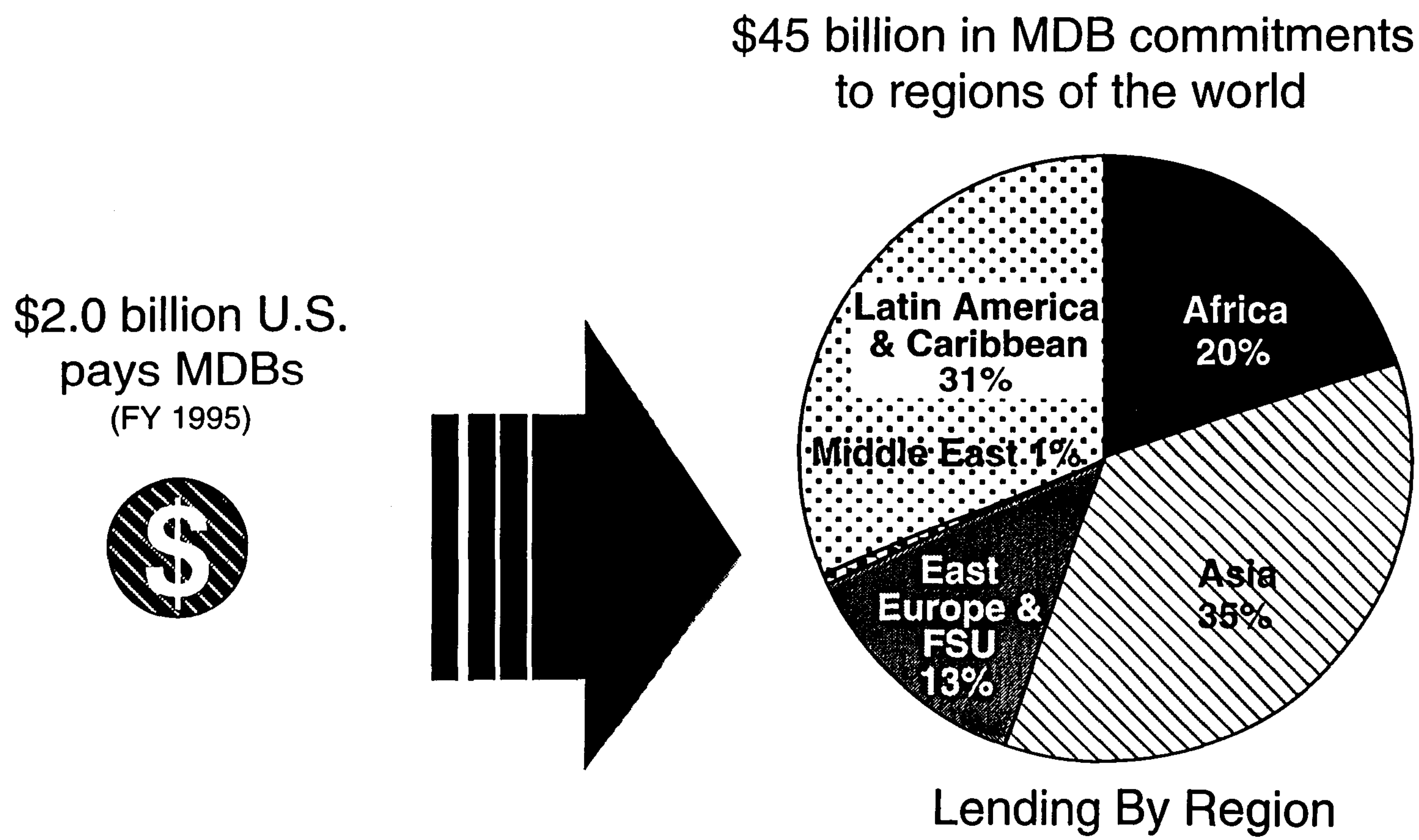


Chart 1

Higher U.S. Exports = More U.S. Jobs

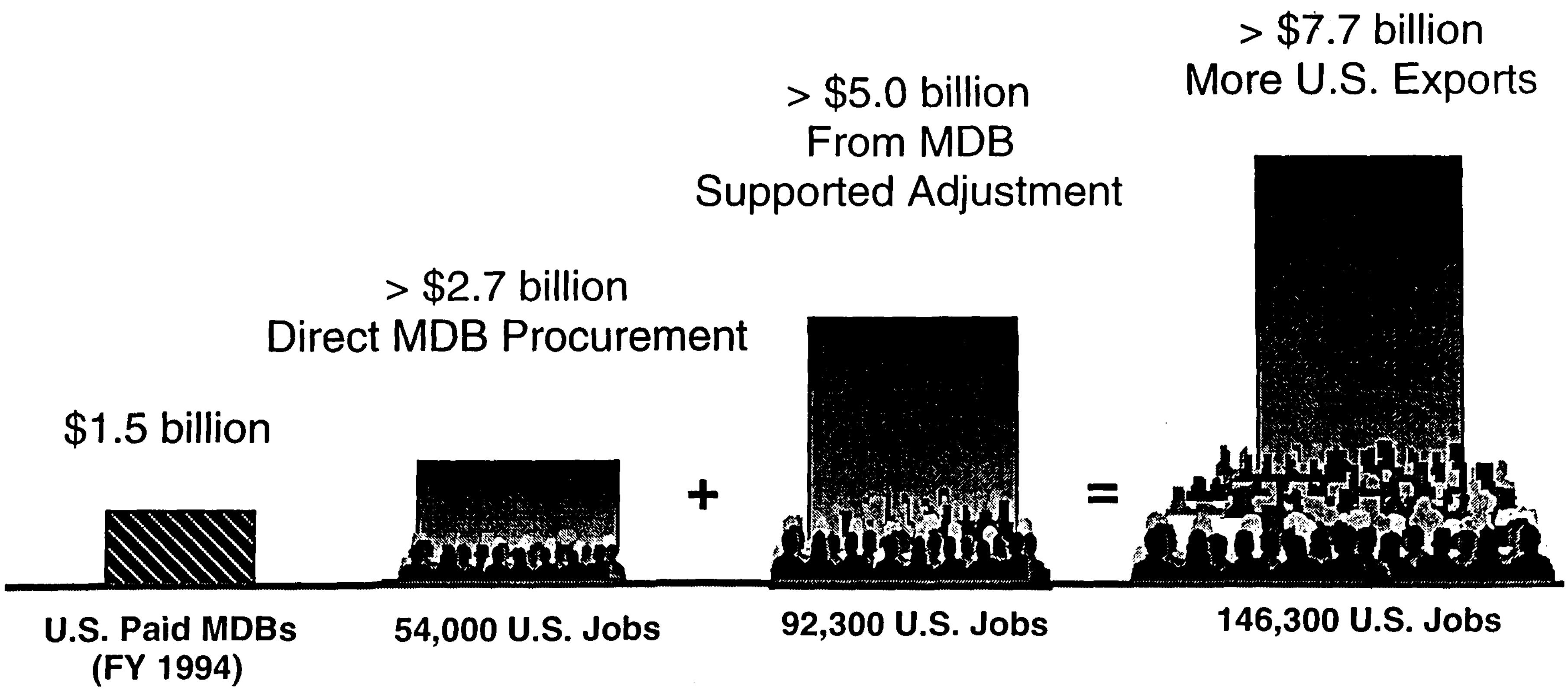


Chart 2

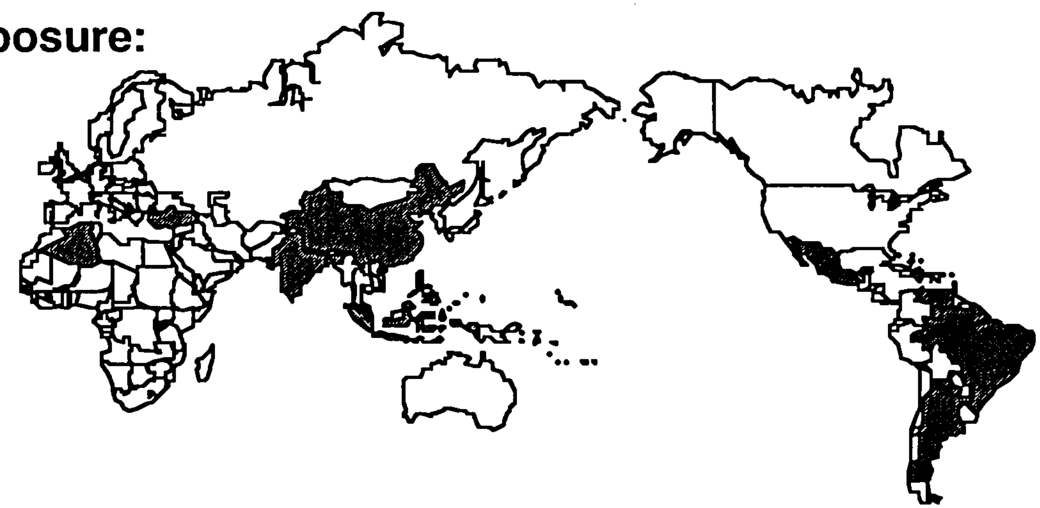
MDBs Support Important Commercial Ties

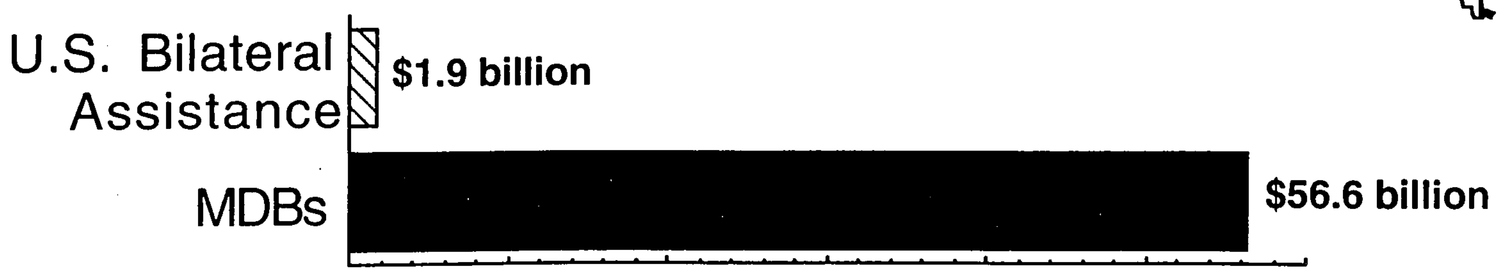
Economic Assistance to 10 key LDCs*

(US $ billions; total last three years)

***Largest Export-Import Bank Exposure:**

Mexico	Indonesia
Venezuela	Argentina
Brazil	the Philippines
Algeria	China
Turkey	India





AGENDA FOR CHANGE

We want improvements in five key areas:

- effective implementation
- transparency and openness
- sustainable development
- responsiveness to changing strategic interests
- expanding opportunities for U.S. business

Agenda for Change
What have we done?

- **Lower Administrative Costs** (e.g., eliminating first-class travel)
- **Easier Access to Information**
- **Improved Oversight and Inspection**

But we want more progress:

- **Sustainable Development** (more protection for the environment)
- **Stronger U.S. Export Performance**
- **More Help for the Poor** (health, education, population)
- **Better Loan Quality**

MDBs Support Human Needs

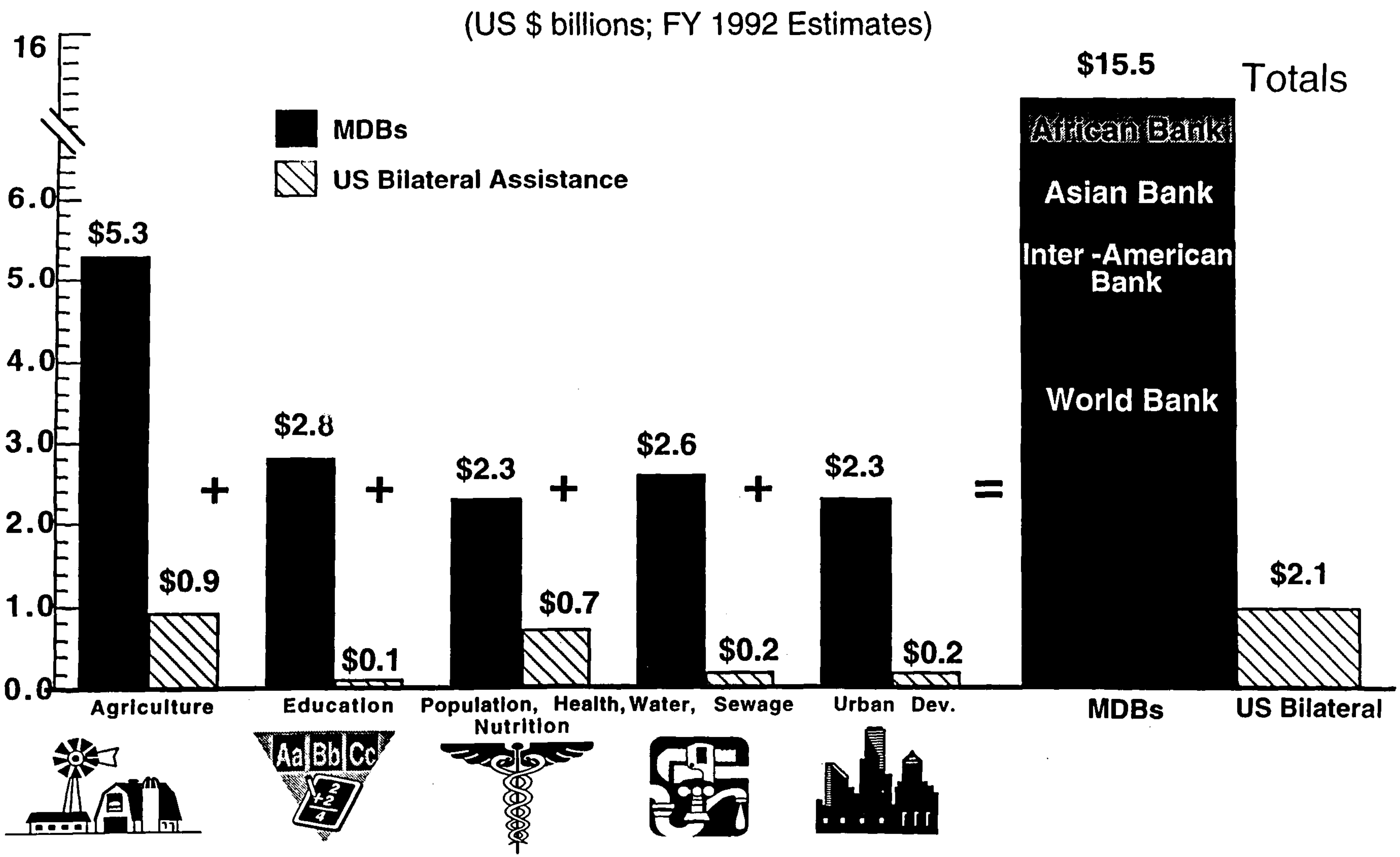
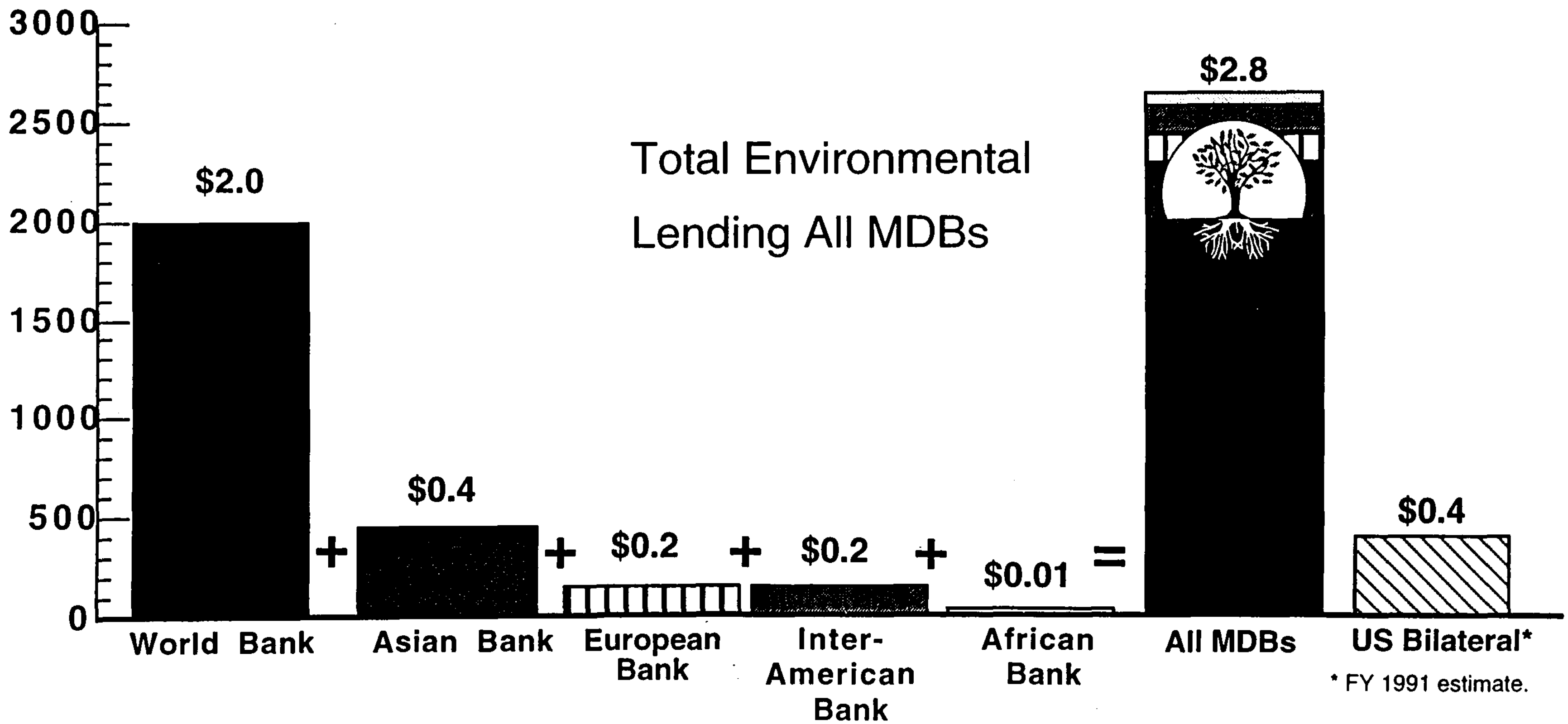


Chart 6

MDBs Support The Environment

(US $ billions; 1992 estimated environmental lending)



* FY 1991 estimate.

Chart 7

UNITED STATES ARREARS TO THE MULTILATERAL DEVELOPMENT BANKS

Total = $846.8 million

($ millions)

World Bank

IBRD	(hard)	$51.2
IDA	(soft)	$309.5
IFC	(hard)	$38.7

Asian Development Bank

ADB	(hard)	--
ADF	(soft)	$265.0

Inter-American Development Bank

OC	(hard)	$2.8
FSO	(soft)	$1.0
IIC	(hard)	$0.2
MIF	(soft)	$35.0

African Development Bank

AFDB	(hard)	$0.1
AFDF	(soft)	$62.2

European Bank for Reconstruction and Development

EBRD	(hard)	$81.1

Note:

With the exception of the EBRD, each MDB has both a "hard" and "soft" loan window. The **hard loan windows** lend on near market terms to the more advanced developing countries. Loans are largely funded by MDB borrowings in international capital markets and require very little direct contribution from the United States and other donors. The **soft loan windows**, the World Bank's International Development Association (IDA) being the largest, lend on highly concessional (80-90 percent grant) terms to the poorest and least creditworthy developing countries. "Soft" loans are financed largely from direct donor contributions.

Chart 8

FY 1995 is Pivotal Budget Year

U.S. arrears now exceed $840 million:

- U.S. influence eroding.
- Others may reduce payments.

Funding the MDBs is a high priority:

- MDBs project U.S. influence throughout the world.
  - ✔ Direct help to poor people.
  - ✔ Promote democratic values.
  - ✔ Protect the environment.
- MDBs increase global economic growth.

MDBs cost little.

- $2.0 billion U.S. contribution leverages $45 billion a year in commitments

AUCTION RESULTS
PUBLIC DEBT NEWS
Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 3, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $16,522 million of 52-week bills to be issued March 10, 1994 and to mature March 9, 1995 were accepted today (CUSIP: 912794Q80).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	4.02%	4.20%	95.935
High	4.04%	4.23%	95.915
Average	4.03%	4.22%	95.925

Tenders at the high discount rate were allotted 34%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$43,984,627	$16,522,027
Type		
Competitive	$38,785,000	$11,322,400
Noncompetitive	584,627	584,627
Subtotal, Public	$39,369,627	$11,907,027
Federal Reserve	3,800,000	3,800,000
Foreign Official Institutions	815,000	815,000
TOTALS	$43,984,627	$16,522,027

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MARCH 3, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

I have confidence in the Treasury officials, but to ensure that all ethical guidelines were followed, I have instructed the matter be referred to the Office of Government Ethics for a thorough review. I did not attend any of these meetings, nor was I informed of any of these meetings.

I have instructed Treasury officials to have no contact with the White House about this case.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
March 4, 1994

CONTACT: SCOTT DYKEMA
202-622-2960

UNITED STATES-UKRAINE TAX TREATY SIGNED

The Treasury Department announced Friday that Presidents Clinton and Kravchuk signed a treaty between the United States and Ukraine to avoid double taxation and prevent evasion with respect to taxes on income and capital.

The treaty will be the first U.S. tax treaty with Ukraine. It is based on the standard model income tax treaties published by the Organization for Economic Cooperation and Development and by the U.S. Treasury Department, and takes into account the current income tax laws and income tax treaty policies of the two countries.

The basic purposes of the treaty are to avoid double taxation of income and capital and to prevent fiscal evasion. By establishing clear rules of taxing jurisdiction, reducing the overall tax on investment income flowing between the countries, granting relief from double taxation, and providing for cooperation between the tax authorities, the treaty would improve the climate for bilateral investment and contribute to expanded economic and cultural relations between both countries.

The proposed treaty is subject to ratification and will enter into force on the date on which the instruments of ratification are exchanged. The income tax treaty signed in 1973 between the U.S. and the former USSR generally will cease to apply between the U.S. and Ukraine when this convention takes effect. However, if the provisions of the 1973 convention are more beneficial a taxpayer may elect to apply that convention in full for an additional period (generally one taxable year) after this convention would otherwise take effect.

Copies of the proposed treaty may be obtained by writing the Office of Public Affairs, Room 2315, Department of the Treasury, Washington, D.C., 20220, or calling (202) 622-2960.

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CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF UKRAINE FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL

The Government of the United States of America and the Government of Ukraine, confirming their desire to develop and strengthen the economic, scientific, technical and cultural cooperation between both States, and desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital, have agreed as follows:

ARTICLE 1

General Scope

1. This Convention shall apply to persons who are residents of one or both of the Contracting States and to other persons as specifically provided in the Convention.

2. The Convention shall not restrict in any manner any exclusion, exemption, deduction, credit, or other allowance now or hereafter accorded:

a) by the laws of either Contracting State; or

b) by any other agreement between the Contracting States.

3. Notwithstanding any provision of the Convention except paragraph 4, a Contracting State may tax, in accordance with its domestic law, residents (as determined under Article 4 (Residence)) of that State, and in the case of the United States, its citizens and former citizens.

4. The following benefits shall be conferred by a Contracting State notwithstanding the provisions of paragraph 3:

a) under paragraph 2 of Article 9 (Associated Enterprises), paragraph 1 of Article 19 (Pensions) and Articles 24 (Relief from Double Taxation), 25 (Non-discrimination) and 26 (Mutual Agreement Procedure);

and

b) under Articles 18 (Government Service), 20 (Students, Trainees and Researchers), and 28 (Diplomatic Agents and Consular Officers) for individuals who are neither citizens of that State nor, in the case of the United States of America, individuals having immigrant status therein.

ARTICLE 2

Taxes Covered

1. The taxes to which this Convention shall apply are:

a) in the United States of America: the Federal income taxes imposed by the Internal Revenue Code (but excluding the accumulated earnings tax, the personal holding company tax, and social security taxes) and the excise taxes imposed with respect to the investment income of private foundations (hereafter referred to as U.S. tax).

b) in Ukraine: the tax on income (profits) of enterprises and the income tax on citizens of Ukraine, foreign citizens, and stateless persons.

2. The Convention shall apply also to any substantially similar taxes which are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes, including taxes which are substantially similar to those currently imposed by one Contracting State but not by the other Contracting State and

which are subsequently imposed by the other State. The competent authorities of the Contracting States shall notify each other of any significant changes which have been made in their respective taxation laws and of any official published material concerning the application of the Convention, including explanations, regulations, rulings, or judicial decisions.

3. The Convention shall also apply to any tax on property described in subparagraph (h) of paragraph 1 of Article 3 (General Definitions) which is imposed by either Contracting State after the date of signature of the Convention, but only if such tax is provided by the legislation of such Contracting State.

ARTICLE 3

General Definitions

1. For the purposes of this Convention, unless the context otherwise requires:

a) the term "Contracting State" means the United States of America (the United States) or Ukraine, as the context requires;

b) the term "United States" means the United States of America, but does not include Puerto Rico, the Virgin Islands, Guam, or any other United States possession or territory. When used in a geographical sense, the term "United States" includes the territorial sea, and any area outside the territorial sea which in accordance with international law has been or may hereafter be designated an area in which the United States may exercise rights with respect to the seabed and subsoil and their natural resources;

c) the term "Ukraine," when used in a geographical sense, includes the territorial sea, and any area outside the territorial sea which in accordance with international law has been or may hereafter be designated an area in which Ukraine may exercise rights with respect to the seabed and subsoil and their natural resources;

d) the term "national" means:

i) any individual possessing the nationality of a Contracting State;

ii) any legal person, partnership or association deriving its status as such from the laws in force in a Contracting State.

e) the term "person" means an individual, an estate, a trust, a partnership, a company and any other body of persons;

f) the term "company" means any entity or organization which is treated as a body corporate for tax purposes. In the case of Ukraine, this term means a joint stock company, a limited liability company or any other legal entity or other organization which is liable to a tax on profits;

g) the term "international traffic" means any transport by a ship or aircraft, except when such transport is solely between places in one of the Contracting States;

h) the term "property" means movable and real property, and includes (but is not limited to) cash, stock or other evidences of ownership rights, notes, bonds or other evidences of indebtedness, and patents, trademarks, copyrights or other like right or property;

i) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;

j) the term "competent authority" means:

i) in the United States: the Secretary of the Treasury or his authorized representative; and

ii) in Ukraine: the Minister of Finance or his authorized representative.

2. As regards the application of the Convention by a Contracting State, any term not defined therein shall, unless the context otherwise requires or the competent authorities agree to a common meaning pursuant to the provisions of Article 26 (Mutual Agreement Procedure), have

the meaning which it has under the laws of that State concerning the taxes to which the Convention applies.

ARTICLE 4

Residence

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, citizenship, place of incorporation, or any other criterion of a similar nature. However, this term does not include any person who is liable to tax in that State in respect only of income from sources in that State or property situated therein.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:

a) he shall be deemed to be a resident of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (center of vital interests);

b) if the State in which he has his center of vital interests cannot be determined, or if he does not have a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode;

c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a citizen;

d) if each State considers him as its citizen or if he is a citizen of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where, by reason of the provisions of paragraph 1, a person other than an individual is a resident of both Contracting States, the competent authorities of the Contracting States shall endeavor to settle the question by mutual agreement and determine the mode of application of the Convention to such person.

ARTICLE 5

Permanent Establishment

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which a resident of a Contracting State, whether or not a legal entity, either wholly or in part carries on its business activities in the other Contracting State.

2. The term "permanent establishment" includes especially:

a) a place of management;

b) a branch;

c) an office;

d) a factory;

e) a workshop;

f) a mine, an oil or gas well, a quarry, or any other place of extraction of natural resources; and

g) a store or any premises used as a sales outlet.

3. A building site or construction, installation or assembly project, or an installation or drilling rig or ship used for the exploration or development of natural resources, constitutes a permanent establishment only if it lasts more than 6 months.

4. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:

a) the use of facilities solely for the purpose of storage, display, or delivery of goods or merchandise belonging to the resident;

b) the maintenance of a stock of goods or merchandise belonging to the resident solely for the purpose of storage, display, or delivery;

c) the maintenance of a stock of goods or merchandise belonging to the resident solely for the purpose of processing by another person;

d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the resident;

e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the resident, any other activity of a preparatory or auxiliary character;

f) the maintenance of a fixed place of business solely for any combination of the activities mentioned in subparagraphs a) through e).

5. Notwithstanding the provisions of paragraphs 1 and 2, where a resident of a Contracting State carries on activities in the other Contracting State through an agent, that resident shall be deemed to have a permanent establishment in that other State in respect of any activities which the agent undertakes for that resident, if the agent meets each of the following conditions:

a) he has an authority to conclude contracts in that other State in the name of the resident;

b) he habitually exercises that authority;

c) he is not an agent of an independent status to whom the provisions of paragraph 6 apply; and

d) his activities are not limited to those mentioned in paragraph 4.

6. A resident of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in

that other State through a broker, general commission agent, or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

ARTICLE 6

Income From Real Property

1. Income derived by a resident of a Contracting State from real property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2. The term "real property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to real property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of real property and rights to variable or fixed payments as consideration for the working

of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as real property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, leasing or sub-leasing, or use in any other form of real property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from real property of an enterprise and to income from real property used for the performance of independent personal services.

5. A resident of a Contracting State who is liable to tax in the other Contracting State on income from real property situated in that other State may elect, subject to the procedures of the domestic law of that other State, to compute the tax on such income on a net basis as if such income were attributable to a permanent establishment in that other State. Any such election shall be binding for the taxable year of the election and all subsequent taxable years unless revoked pursuant to the procedures under the domestic law of the Contracting State in which the property is situated.

ARTICLE 7

Business Profits

1. The business profits of a resident of a Contracting State shall be taxable only in that State unless the

resident carries on or has carried on business in the other Contracting State through a permanent establishment situated therein. If the resident carries on or has carried on business as aforesaid, the business profits of the resident may be taxed in the other State but only so much of them as is attributable to the assets or activities of that permanent establishment.

2. Subject to the provisions of paragraph 3, where a resident of a Contracting State carries on or has carried on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits that it might be expected to make if it were a distinct and independent person engaged in the same or similar activities under the same or similar conditions, and dealing wholly independently with the enterprise of which it is a permanent establishment and any other enterprise that is an associated enterprise within the meaning of Article 9 (Associated Enterprises).

3. In determining the business profits of a permanent establishment, there shall be allowed as deductions expenses that are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere. However, no such deduction shall be allowed in respect of amounts, if

any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission, for specific services performed or for management, or by way of interest on moneys lent to the permanent establishment.

4. The business profits attributed to a permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

5. No business profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the resident.

6. For purposes of this Article, the term "business profits" means profits derived from the active conduct of business. It includes, for example, profits from manufacturing, mercantile, fishing, transportation, communication, or extractive activities, from the rental of tangible movable property, and from the furnishing of services of another person. It does not include income received by an individual for his performance of personal services (either as an employee or in an independent capacity). Income of an individual from the performance of services as an employee is dealt with in Article 15

(Dependent Personal Services). Income of an individual from the performance of services in an independent capacity is dealt with in Article 14 (Independent Personal Services).

7. Where business profits include items of income which are dealt with separately in other Articles of the Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

ARTICLE 8

Shipping and Air Transport

1. Income of a resident of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

2. Income of a resident of a Contracting State from the following activities shall be taxable only in that State:

a) income from the rental of ships or aircraft operated in international traffic by the lessee;

b) income from the rental of ships and aircraft, whether or not operated in international traffic, if such rental activity is incidental to the operation of ships or aircraft in international traffic by the lessor;

c) income (including demurrage) from the use, or rental for use, of containers in international traffic (including trailers, barges, and related equipment for the transport of containers), and gain from the alienation of such containers and related equipment, if such gain is incidental to the income described in this subparagraph (c); and

d) gain from the alienation of ships or aircraft operated in international traffic, if such gain is incidental to income from the operation of ships or aircraft in international traffic.

3. The provisions of paragraphs 1 and 2 shall also apply to income from participation in a pool, a joint business, or an international transportation agency.

ARTICLE 9

Associated Enterprises

1. Where:

a) a person which is a resident of a Contracting State participates directly or indirectly in the management, control or capital of a person which is a resident of the other Contracting State; or

b) the same persons participate directly or indirectly in the management, control or capital of a resident of a Contracting State and any other person;

and in either case conditions are made or imposed between the two persons in their commercial or financial relations which differ from those which would be made between independent persons, then any income which would have accrued to one of the persons, but by reason of those conditions has not so accrued, may be included in the income of that person and taxed accordingly.

2. Where a Contracting State includes in the profits of an enterprise of that State, and taxes accordingly, profits on which an enterprise of the other Contracting State has been charged to tax in that other State, and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be paid to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other.

3. The provisions of paragraph 1 shall not limit either Contracting State in applying its domestic law to make adjustments to income, deductions, credits, or allowances between persons, whether or not residents of a Contracting State, when necessary to prevent evasion of taxes or clearly to reflect the income of any such persons.

ARTICLE 10

Dividends

1. Dividends that are paid by a company that is a resident of a Contracting State and that are beneficially owned by a resident of the other Contracting State may be taxed in that other State.

2. However, such dividends may also be taxed in the first Contracting State, and according to the laws of that State, but the tax so charged shall not exceed:

a) 5 percent of the gross amount of the dividends, if the beneficial owner is a company that owns at least 10 percent of the voting stock (or, if the company does not have voting stock, at least 10 percent of the authorized capital) and, in the case of Ukraine, nonresidents of Ukraine own at least 20 percent of the voting stock (or if the company does not have voting stock, at least 20 percent of the authorized capital);

b) 15 percent of the gross amount of the dividends in all other cases.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. The term "dividends" as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation

treatment as income from shares by the laws of the State of which the company making the distribution is a resident. The term "dividends" also includes income from arrangements, including debt obligations, carrying the right to participate in profits, to the extent so characterized under the law of the Contracting State in which the income arises. In the case of Ukraine, this term includes income transmitted abroad to the foreign participants of a joint venture created under the laws of Ukraine.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on or has carried on business in the other Contracting State, of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs or has performed in that other State independent personal services from a fixed base situated therein, and the dividends are attributable to such permanent establishment or fixed base. In such case the provisions of Article 7 (Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply.

5. A company that is a resident of a Contracting State and that has a permanent establishment in the other Contracting State or that is subject to tax on a net basis in that other State under Article 6 (Income from Real Property) or paragraphs 1 or 2 of Article 13 (Gains from the

Alienation of Property) may be subject in that other State to a tax in addition to the tax on profits. Such tax, however, may not exceed 5 percent of the portion of the profits after deducting the taxes imposed on profits imposed thereon in that other State and after adjustment for increases or decreases in the assets of the company subject to tax in the other Contracting State that represents the "dividend equivalent amount" of such profits.

ARTICLE 11

Interest

1. Interest derived and beneficially owned by a resident of a Contracting State may be taxed only in that State.

2. The term "interest" as used in this Convention means income from debt-claims of every kind, whether or not secured by mortgage and, unless described in paragraph 3 of Article 10 (Dividends), whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities, and income from bonds or debentures, including premiums or prizes attaching to such securities, bonds, or debentures as well as all other income that is treated as income from money lent by the taxation law of the Contracting State in which the income arises.

3. The provisions of paragraph 1 shall not apply if the beneficial owner of the interest, being a resident of a

Contracting State, carries on or has carried on business in the other Contracting State through a permanent establishment situated therein, or performs or has performed in that other State independent personal services from a fixed base situated therein, and the interest is attributable to such permanent establishment or fixed base. In such case the provisions of Article 7 (Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply.

4. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case the excess part of the payments shall be taxable according to the laws of each Contracting State, due regard being had to the other provisions of the Convention.

ARTICLE 12

Royalties

1. Royalties beneficially owned by a resident of a Contracting State may be taxed in that State.

2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the beneficial owner is a resident of the other Contracting State the tax so charged shall not exceed 10 percent of the gross amount of the royalties.

3. The term "royalties" as used in this Convention means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic, or scientific work, including computer programs, videocassettes, and cinematograph films and tapes for radio and television broad-casting; any patent, trademark, design or model, plan, secret formula or process, or other like right or property; or information concerning industrial, commercial, or scientific experience.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on or has carried on business in the other Contracting State through a permanent establishment situated therein, or performs or has performed in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7

(Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply.

5. a) Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. However, where the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in that State in which the permanent establishment or fixed base is situated.

b) Where subparagraph a) does not operate to deem royalties as arising in either Contracting State and the royalties relate to the use of, or the right to use, in one of the Contracting States any property or right described in paragraph 3, they shall be deemed to arise in that State.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right, or information for which they are paid, exceeds the amount which would have been agreed upon

by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case the excess part of the payments shall be taxable according to the laws of each Contracting State, due regard being had to the other provisions of the Convention.

ARTICLE 13

Gains from the Alienation of Property

1. Gains derived by a resident of a Contracting State from the alienation of real property referred to in Article 6 (Income from Real Property) and situated in the other Contracting State may be taxed in that other State.

2. Gains from the alienation of:

a) shares of the stock of a company (whether or not a resident of a Contracting State) the property of which consists principally of real property situated in a Contracting State; or

b) a participation in a partnership, trust, or estate (whether or not a resident of a Contracting State) to the extent attributable to real property situated in a Contracting State

may be taxed in that State. For the purposes of this paragraph, the term "real property" includes the shares of a company referred to in subparagraph (a) or a participation in a partnership, trust, or estate referred to in subparagraph (b), and in the case of the United States includes a United States real property interest, as defined in section 897 of the Internal Revenue Code (or any successor statute).

3. Gains from the alienation of personal property that are attributable to a permanent establishment which an enterprise of a Contracting State has in the other Contracting State, or that are attributable to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, and gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or such a fixed base, may be taxed in that other State.

4. Gains from the alienation of any property other than property referred to in paragraphs 1 through 3 shall be taxable only in the Contracting State of which the alienator is a resident.

ARTICLE 14

Independent Personal Services

1. Income derived by an individual who is a resident of a Contracting State from the performance of personal services in an independent capacity shall be taxable only in that State, unless

a) such services are performed or were performed in the other Contracting State; and

b) the income is attributable to a fixed base that the individual has or had regularly available to him in that other State.

In such a case, the income attributable to that fixed base may be taxed in that other State in accordance with principles similar to those of Article 7 (Business Profits) for determining the amount of business profits and attributing business profits to a permanent establishment.

2. The term "independent personal services" includes especially independent scientific, literary, artistic, educational or teaching activities, as well as the independent services of physicians, lawyers, engineers, architects, dentists, and accountants.

ARTICLE 15

Dependent Personal Services

1. Subject to the provisions of Articles 18 (Government Service), and 19 (Pensions), salaries, wages, and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1 of this Article, remuneration derived by a resident of a

Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if

a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in the taxable year concerned; and

b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and

c) the remuneration is not borne by a permanent establishment or a fixed base that the employer has in the other State.

3. Remuneration derived by a resident of a Contracting State that would otherwise be taxable in the other Contracting State under the preceding provisions of this Article may be taxed only in the first-mentioned State when the remuneration is in respect of employment as a member of the regular complement of a ship or aircraft operated in international traffic.

ARTICLE 16

Directors' Fees

Directors' fees and similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors or similar body of a company that is a resident of the other Contracting State may be taxed in that other State except to the extent that they are remuneration for services rendered in the first-mentioned State.

ARTICLE 17

Artistes and Sportsmen

1. Notwithstanding the provisions of Articles 14 (Independent Personal Services) and 15 (Dependent Personal Services), income derived by a resident of a Contracting State as an entertainer, such as a theater, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. Where income in respect of activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7 (Business Profits), 14 (Independent Personal Services) and 15 (Dependent Personal Services), be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised. For purposes of the preceding sentence, income of an entertainer or sportsman shall be deemed not to accrue to another person if it is established that neither the entertainer or sportsman, nor persons related thereto, participate directly or

indirectly in the profits of such other person in any manner, including the receipt of deferred remuneration, bonuses, fees, dividends, partnership distributions or other distributions.

3. Notwithstanding the provisions of paragraphs 1 and 2, income derived by a resident of a Contracting State as an entertainer or sportsman shall be exempt from tax by the other Contracting State if the visit to that other State is substantially supported by public funds of the first-mentioned State or a political subdivision or local authority thereof or is made pursuant to a specific arrangement agreed to by the Governments of the Contracting States.

ARTICLE 18

Government Service

1. a) Remuneration, other than a pension, paid from the public funds of a Contracting State, a political subdivision or local authority thereof to an individual in respect of services rendered in the discharge of functions of a governmental nature shall be taxable only in that State.

b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:

i) is a citizen of that State; or

ii) did not become a resident of that State solely for the purpose of rendering the services.

2. a) Any pension paid by, or out of funds created by, a Contracting State, a political subdivision or local authority of that State to an individual in respect of services rendered to that State, subdivision, or authority shall be taxable only in that State.

b) However, such pension may also be taxed in the other Contracting State if the individual is a resident of, and a citizen of, that other State.

3. Notwithstanding the provisions of paragraphs 1 and 2, the provisions of Article 14 (Independent Personal Services), Article 15 (Dependent Personal Services), or Article 19 (Pensions), as the case may be, shall apply to remuneration paid in respect of services rendered in connection with a business.

ARTICLE 19

Pensions

1. Social security benefits and other public pensions paid by a Contracting State, other than in consideration of past employment, may be taxed only in that State.

2. Subject to the provisions of Article 18 (Government Service), pensions and other similar remuneration derived and beneficially owned by a resident of a Contracting State

in consideration of past employment may be taxed only in that State.

ARTICLE 20

Students, Trainees and Researchers

1. An individual who is a resident of a Contracting State at the beginning of his visit to the other Contracting State and who is temporarily present in that other State for the primary purpose of:

a) studying at a university or other accredited educational institution in that other State, or

b) securing training required to qualify him to practice a profession or professional specialty, or

c) studying or doing research as a recipient of a grant, allowance, or other similar payments from a governmental, religious, charitable, scientific, literary, or educational organization,

shall be exempt from tax by that other State with respect to payments from abroad for the purpose of his maintenance, education, study, research, or training, and with respect to the grant, allowance, or other similar payments.

2. The exemption in paragraph 1 shall apply only for such period of time as is ordinarily necessary to complete the study, training or research, except that no exemption for training or research shall extend for a period exceeding five years.

3. This Article shall not apply to income from research if such research is undertaken not in the public interest but primarily for the private benefit of a specific person or persons.

ARTICLE 21

Other Income

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.

2. The provisions of paragraph 1 shall not apply to income if the beneficial owner of the income, being a resident of a Contracting State, carries on or has carried on business in the other Contracting State through a permanent establishment situated therein, or performs or has performed in that other State personal services in an independent capacity from a fixed base situated therein, and the income is attributable to such permanent establishment or fixed base. In such case the provisions of Article 7 (Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply.

ARTICLE 22

Limitation on Benefits

1. A person that is a resident of a Contracting State and derives income from the other Contracting State shall be entitled under this Convention to relief from taxation in that other State only if such person is:

a) an individual;

b) engaged in the active conduct of business in the first-mentioned State (other than the business of making or managing investments, unless these activities are banking or insurance activities carried on by a bank or insurance company), and the income derived from that other State is connected with, or is incidental to, that business;

c) a company the shares of which are traded in the first-mentioned State on a substantial and regular basis on an officially recognized securities exchange or a company which is wholly owned, directly or indirectly, by another company that is a resident of the first-mentioned State and the shares of which are so traded;

d) a not-for-profit organization that is generally exempt from income taxation in its Contracting State of residence, provided that more than half of the beneficiaries, members or participants, if any, in such organization are entitled, under this Article, to the benefits of this Convention; or

e) a person that satisfies both of the following conditions:

i) more than 50 percent of the beneficial interest in such person, or in the case of a company, more than 50 percent of the number of shares of each class of the company's shares; is owned directly or indirectly by persons entitled to the benefits of this Convention under subparagraphs a), c) or d), and

ii) not more than 50 percent of the gross income of such person is used, directly or indirectly, to meet liabilities (including liabilities for interest or royalties) to persons not entitled to the benefits of this Convention under subparagraphs a), c) or d).

2. A person that is not entitled to the benefits of the Convention pursuant to the provisions of paragraph 1 may, nevertheless, be granted the benefits of the Convention if the competent authority of the State in which the income arises so determines.

3. For purposes of subparagraph (e)(ii) of paragraph 1, the term "gross income" means gross receipts, or where a person is engaged in a business which includes the manufacture or production of goods, gross receipts reduced

by the direct costs of labor and materials attributable to such manufacture or production and paid or payable out of such receipts.

ARTICLE 23

Property

1. Real property referred to in Article 6 (Income from Real Property) owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.

2. Movable property forming part of the business property of a permanent establishment which a resident of a Contracting State has in the other Contracting State, or by movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.

3. Ships, aircraft, and containers owned by a resident of a Contracting State and operated in international traffic, and movable property pertaining to the operation of such ships, aircraft, and containers shall be taxable only in that State.

4. All other elements of property of a resident of a Contracting State shall be taxable only in that State.

ARTICLE 24

Relief From Double Taxation

In accordance with the provisions and subject to the limitations of the law of each Contracting State (as it may be amended from time to time without changing the general principle hereof), each State shall allow to its residents (and, in the case of the United States, its citizens), as a credit against the tax on income, the income tax paid to the other Contracting State by such residents (and, in the case of the United States, also such citizens).

ARTICLE 25

Non-discrimination

1. A citizen of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which a citizen of that other State or of a third State, who is in the same circumstances, is or may be subjected. This provision shall apply to persons who are not residents of one or both of the Contracting States.

2. A resident of a Contracting State that has a permanent establishment in the other Contracting State shall not, in that other State and with respect to income attributable to that permanent establishment, be subjected to more burdensome taxes than are generally imposed on

residents of that other State or of a third State that are carrying on the same activities.

3. Except where the provisions of paragraph 1 of Article 9 (Associated Enterprises), paragraph 4 of Article 11 (Interest), or paragraph 6 of Article 12 (Royalties) apply, interest, royalties, and other disbursements paid by a resident of a Contracting State to a resident of the other Contracting State shall, for the purposes of determining the taxable profits of the first-mentioned resident, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State. Similarly, any debts of a resident of a Contracting State to a resident of the other Contracting State shall, for the purposes of determining the taxable capital of the first-mentioned resident, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned State.

4. A company that is a resident of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith that is more burdensome than the taxation and connected requirements to which other similar companies that are residents of the first-mentioned State

(whether owned by residents of that State or of a third State) are or may be subjected.

5. Nothing in this Article shall prevent a Contracting State from imposing the tax described in paragraph 5 of Article 10 (Dividends).

6. This provision shall not be construed as obliging a Contracting State to grant to citizens or residents of the other Contracting State tax benefits granted by special agreements to citizens or residents of a third State.

7. The provisions of this Article, notwithstanding the provisions of Article 2 (Taxes Covered), shall apply to taxes of every kind and description imposed by a Contracting State or a political subdivision or local authority thereof.

ARTICLE 26

Mutual Agreement Procedure

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or citizen.

2. The competent authority shall endeavor, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve

the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits or other procedural limitations in the domestic law of the Contracting States.

3. The competent authorities of the Contracting States shall endeavor to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. In particular the competent authorities of the Contracting States may agree:

a) to the same attribution of income, deductions, credits, or allowances of a resident of a Contracting State to its permanent establishment situated in the other Contracting State;

b) to the same allocation of income, deductions, credits, or allowances between persons;

c) to the same characterization of particular items of income;

d) to the same application of source rules with respect to particular items of income; and

e) to a common meaning of a term.

They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of

reaching an agreement in the sense of the preceding paragraphs.

ARTICLE 27

Exchange of Information

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Article 1 (General Scope). Any information received by a Contracting State shall be treated as confidential in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment, collection, or administration of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on a Contracting State the obligation:

a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;

b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

c) to supply information which would disclose any trade, business, industrial, commercial, or professional secret or trade process, or information the disclosure of which would be contrary to public policy.

3. If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall obtain the information to which the request relates in the same manner and to the same extent as if the tax of the first-mentioned State were the tax of that other State and were being imposed by that other State. If specifically requested by the competent authority of a Contracting State, the competent authority of the other Contracting State shall provide information under this Article in the form of depositions of witnesses and authenticated copies of complete original documents (including books, papers, statements, records, accounts, and writings), to the same extent such depositions and documents can be obtained under

the laws and administrative practices of that other State with respect to its own taxes.

4. For the purposes of this Article, the Convention shall apply, notwithstanding the provisions of Article 2 (Taxes Covered), to taxes of every kind imposed by a Contracting State.

ARTICLE 28

Diplomatic Agents and Consular Officers

Nothing in this Convention shall affect the fiscal privileges of members of diplomatic missions and consular officers or employees of a consular establishment under the general rules of international law or under the provisions of special agreements.

ARTICLE 29

Entry Into Force

1. This Convention shall be subject to ratification in each Contracting State and instruments of ratification shall be exchanged at Kiev as soon as possible.

2. The Convention shall enter into force on the date of the exchange of instruments of ratification and its provisions shall have effect:

a) in respect of taxes withheld at source on dividends, interest or royalties, for amounts paid or credited on or after the first day of the second month following the month in which the Convention enters into force;

b) in respect of other taxes, for taxable periods beginning on or after the first of January following the date on which the Convention enters into force.

3. The Convention between the United States of America and the Union of Soviet Socialist Republics on Matters of Taxation, signed on June 20, 1973, ("the 1973 Convention") shall cease to have effect when the provisions of this Convention take effect in accordance with this Article.

4. Where any greater relief from tax would have been afforded to a person entitled to the benefits of the 1973 Convention under that Convention than under this Convention, the 1973 Convention shall, at the election of such person, continue to have effect in its entirety for the first taxable year with respect to which the provisions of this Convention would otherwise have effect under paragraph 2; or, in the case of a person claiming the benefits of Article III (1)(d) of the 1973 Convention at the time of entry into force of this Convention, the 1973 Convention shall, at the election of such person continue to have effect, in its entirety, for the duration of the period of benefits provided by that subparagraph.

ARTICLE 30

Termination

1. This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention at any time after 5 years from the date on which the Convention enters into force, by giving, through diplomatic channels, at least 6 months prior notice of termination in writing. In such event, the Convention shall cease to have effect:

a) in respect of taxes withheld at source, for amounts paid or credited on or after the first of January following the expiration of the 6 month period;

b) in respect of other taxes, for taxable periods beginning on or after the first of January following the expiration of the 6 month period.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed this Convention.

DONE at Washington, this fourth day of March, 1994, in duplicate, in the English and Ukrainian languages, both texts being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF UKRAINE:

PROTOCOL

At the signing today of the Convention between the Government of the United States of America and the Government of Ukraine for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, the undersigned have agreed upon the following provisions, which shall form an integral part of the Convention:

1. <u>With regard to Article 4</u>,

In the case of income derived by a partnership, trust, or estate, residence is determined in accordance with the residence of the person liable to tax with respect to such income.

2. <u>With regard to Article 7</u>,

(a) A Contracting State's right to impose tax under Article 7 on a resident of the other Contracting State extends only to profits attributable to a permanent establishment in the first State. A resident of the other State may earn income from more than one investment or activity; under Article 7, income from any particular investment or activity, whether from a source in the first State or elsewhere, must be separately tested to determine whether it may be included in profit attributable to a permanent establishment in the first State.

Whether profits are attributable to a permanent establishment is determined on the basis of the actual facts to a permanent establishment only if the profits are derived from the assets employed by, or the activities engaged in by, the permanent establishment. Profits derived from other assets or activities are not attributable to the permanent establishment.

> Example. A company resident in a Contracting State is engaged in oil and gas exploration, development and production activities on a worldwide basis. The company is producing oil and gas through wells located in the other Contracting State. The company is also engaged in exploration in the other State. The exploration activities are not carried on at the site of the wells, are not conducted by the employees of the well sites, do not use assets from the well site and are concluded within 6 months. The company also occasionally rents drilling equipment not currently being used in its exploration activities to third parties for use in the other State. Under subparagraph 2(f) of Article 5, the wells located in the other State constitute a permanent establishment; the profits attributable to that permanent establishment may be taxed by the other State under Article 7. Under paragraph 3 of Article 5, the exploration activities do not constitute a permanent establishment in the other State, and the expenses associated with such activities may not be deducted in determining the profits from the wells taxable in the other State. The rental of the drilling equipment does not constitute a permanent establishment in the other State, and the income from such rental is not derived from the assets or activities of the well site. The rental income is therefore not taxable in the other State.

(b) A resident of a Contracting State maintaining a permanent establishment in the other Contracting State may also maintain offices in other countries, including a home office in the first State and offices in third countries. In computing the profits of the permanent establishment, properly substantiated payments to third parties by the home office or by offices in third countries should be taken into account to the extent such payments relate to the assets or activities of the permanent establishment, or to the extent that such payments relate to the assets or activities of the resident as a whole and are reasonably allocable to the permanent establishment. It is not necessary that such payments actually be reimbursed by the permanent establishment to the home offices or the office in the third country.

3. With regard to Article 10,

In the case of dividends from a United States Regulated Investment Company, subparagraph (b), and not subparagraph (a), of paragraph 2 shall apply. In the case of dividends from a United States Real Estate Investment Trust, the rate of tax applicable under domestic law shall apply.

4. With regard to Article 11,

Notwithstanding the provisions of paragraph 1, the United States may tax an excess inclusion with respect to a Real Estate Mortgage Investment Conduit ("REMIC") in accordance with its domestic law.

5. With regard to Article 14,

Taxes withheld at the source in a Contracting State at the rates provided by domestic law will be refunded in a timely manner on application by the taxpayer if the right to collect the said taxes is limited by the provisions of the Convention, including Article 14.

6. With regard to Article 22,

The term "officially recognized securities exchange" means the NASDAQ System owned by the National Association of Securities Dealers, Inc., of the United States, any stock exchange registered with the U.S. Securities Exchange Commission as a national securities exchange for purposes of the Securities Exchange Act of 1934, and any other exchanges agreed to by the competent authorities of both Contracting States.

7. With regard to Article 24,

(a) Ukraine agrees that:

i) an entity that is a resident of Ukraine and at least 20 percent beneficially owned by residents of the United States and that has total corporate capital of at least $100,000 (or the equivalent in Ukrainian currency),

ii) a permanent establishment in Ukraine of a United States resident, or

iii) an individual who is a U.S. citizen or resident and who carries on activities in Ukraine as an entrepreneur (other than as a juridical person),

shall, in computing the taxes covered in paragraph 1(b) of Article 2 (Taxes Covered), be permitted deductions for interest (whether paid to a bank or another person and without regard to the term of the loan) and for actual wages and other remuneration for personal services (provided by persons other than an entrepreneur referred to in subparagraph (iii), above). Based on the above, the United States agrees that such taxes are income taxes for purposes of Article 24 (Relief from Double Taxation).

b) The 20 percent beneficial ownership requirement referred to in subparagraph (a)(i) may be owned indirectly by residents of the United States but only if the indirect ownership is through residents of the United States or Ukraine.

c) For purposes of this Article, the U.S. recipient of a dividend, interest, or a royalty that may be taxed by Ukraine in accordance with Articles 10 (Dividends), 11 (Interest) or 12 (Royalties) shall be deemed to be liable for such tax if such recipient elects to include in his (or its) gross income for the purposes of United States tax the amounts of such tax paid to Ukraine.

d) Both sides agree that a "fictitious" or "tax sparing" credit shall not be required for taxes that were forgiven as part of an incentive program under which one Contracting State grants a tax holiday to a resident of the other Contracting State. However, the Convention shall be promptly amended to incorporate a tax sparing credit provision if the United States hereafter amends its laws to authorize the provision of such credits, or if the United States reaches agreement on the provision of a tax sparing credit with any other country. It is understood that such amendment would be subject to ratification by each Contracting State.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

March 4, 1994

Summary of Agreement Between U.S. and Republic of Korea on Interpretation of Tax Treaty

1. With the exception of financial activities or transactions, Articles 8 (Business Profits) and 9 (Permanent Establishment) of the United States-Korea Income Tax Convention will be interpreted and applied in accordance with the 1992 Commentaries of the OECD Model Income Tax Convention.

2. For purposes of the United States-Korea Income Tax Convention, the term "royalties" does not include "gain derived from the sale, exchange or other disposition of property or rights" of items of intangible property described in Article 14 (Royalties) of the Convention, "if the consideration is a payment (or series of payments) that is not dependent on the productivity or use of the property or right." Under this interpretation of Article 14, which is consistent with the OECD Commentaries, payments for software ordinarily should be regarded as business profits and therefore exempt from withholding tax at source.

3. For purposes of the United States-Korea Income Tax Convention, the term "royalties" also does not include amounts received for services rendered by professionals such as physicians, architects, engineers and lawyers that use the customary skills or knowledge of their profession. Payments for services that include "know-how," however, shall be treated as royalties to the extent the payment for the services is attributable to such know-how. "Know-how" shall mean undivulged technical information, whether or not patentable, that is necessary for the industrial reproduction of a product or process.

4. Neither government will prevent a taxpayer from requesting Competent Authority assistance merely because the taxpayer has agreed to an adjustment as a result of a tax examination.

These understandings were arrived at when delegations from the U.S. and Korean governments met in Washington in December, 1993 to discuss tax matters of mutual concern, particularly the interpretation and application of certain provisions of the United States-Korea Income Tax Convention. The United States delegation consisted of representatives of the Internal Revenue Service and the Treasury Department, and the Korean delegation consisted of representatives of the National Tax Administration and the Ministry of Finance.

In addition, the delegations acknowledged the concerns of their counterparts with respect to a number of issues. The U.S. delegation confirmed that the United States would continue to work closely with the OECD in the area of transfer pricing, particularly with respect to the use of the comparable profits method and the profit split method. The United States also indicated it would review the restrictions on the use of the profit split method contained in current proposed regulations. The U.S. delegation acknowledged the

Both delegations confirmed that they recognize that the Convention is binding upon both governments and must be performed by them in good faith and in accordance with international law. They also recognized the possibility of significant changes in national taxation laws that may affect implementation of the Convention, and that in such cases, appropriate amendments of the Convention might be necessary after consultation and negotiation between the two governments.

U.S. Department of Treasury
Office of International Tax Counsel

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR RELEASE AT 3:00 PM
March 4, 1994

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR FEBRUARY 1994

Treasury's Bureau of the Public Debt announced activity figures for the month of February 1994, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$764,158,514
Held in Unstripped Form	$549,699,725
Held in Stripped Form	$214,458,789
Reconstituted in February	$12,465,089

The accompanying table gives a breakdown of STRIPS activity by individual loan description. The balances in this table are subject to audit and subsequent revision. These monthly figures are included in Table VI of the Monthly Statement of the Public Debt, entitled "Holdings of Treasury Securities in Stripped Form."

Information about "Holdings of Treasury Securities in Stripped Form" is now available on the Department of Commerce's Economic Bulletin Board (EBB). The EBB, which can be accessed using personal computers, is an inexpensive service provided by the Department of Commerce. For more information concerning this service call 202-482-1986.

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PA-138

TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, FEBRUARY 28, 1994
(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding			Reconstituted This Month[1]
		Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	
11-5/8% Note C-1994	11/15/94	$6,658,554	$5,096,954	$1,561,600	$16,000
11-1/4% Note A-1995	2/15/95	6,933,861	5,685,381	1,248,480	1,760
11-1/4% Note B-1995	5/15/95	7,127,086	4,374,286	2,752,800	8,000
10-1/2% Note C-1995	8/15/95	7,955,901	5,137,101	2,818,800	50,000
9-1/2% Note D-1995	11/15/95	7,318,550	3,678,950	3,639,600	4,800
8-7/8% Note A-1996	2/15/96	8,445,745	7,186,545	1,259,200	76,800
7-3/8% Note C-1996	5/15/96	20,085,643	19,200,843	884,800	4,800
7-1/4% Note D-1996	11/15/96	20,258,810	17,990,810	2,268,000	-0-
8-1/2% Note A-1997	5/15/97	9,921,237	8,776,837	1,144,400	54,000
8-5/8% Note B-1997	8/15/97	9,362,836	7,994,836	1,368,000	200,000
8-7/8% Note C-1997	11/15/97	9,808,329	7,545,929	2,262,400	241,600
8-1/8% Note A-1998	2/15/98	9,159,068	8,486,748	672,320	20,800
9% Note B-1998	5/15/98	9,165,387	6,628,987	2,536,400	83,400
9-1/4% Note C-1998	8/15/98	11,342,646	9,352,246	1,990,400	9,600
8-7/8% Note D-1998	11/15/98	9,902,875	7,011,675	2,891,200	64,000
8-7/8% Note A-1999	2/15/99	9,719,623	8,553,223	1,166,400	252,800
9-1/8% Note B-1999	5/15/99	10,047,103	6,739,903	3,307,200	-0-
8% Note C-1999	8/15/99	10,163,644	8,330,819	1,832,825	49,300
7-7/8% Note D-1999	11/15/99	10,773,960	8,049,160	2,724,800	52,800
8-1/2% Note A-2000	2/15/00	10,673,033	9,460,633	1,212,400	-0-
8-7/8% Note B-2000	5/15/00	10,496,230	6,171,430	4,324,800	155,200
8-3/4% Note C-2000	8/15/00	11,080,646	8,062,086	3,018,560	-0-
8-1/2% Note D-2000	11/15/00	11,519,682	9,077,682	2,442,000	212,400
7-3/4% Note A-2001	2/15/01	11,312,802	9,854,402	1,458,400	14,400
8% Note B-2001	5/15/01	12,398,083	10,252,033	2,146,050	347,000
7-7/8% Note C-2001	8/15/01	12,339,185	10,854,385	1,484,800	60,800
7-1/2% Note D-2001	11/15/01	24,226,102	23,106,582	1,119,520	152,400
7-1/2% Note A-2002	5/15/02	11,714,397	10,733,357	981,040	-0-
6-3/8% Note B-2002	8/15/02	23,859,015	23,441,415	417,600	12,800
6-1/4% Note A-2003	2/15/03	23,562,691	23,533,859	28,832	26,016
5-3/4% Note B-2003	8/15/03	28,011,028	28,007,828	3,200	140,000
5-7/8% Note A-2004	2/15/04	12,955,077	12,955,077	-0-	-0-
11-5/8% Bond 2004	11/15/04	8,301,806	6,445,806	1,856,000	520,000
12% Bond 2005	5/15/05	4,260,758	3,430,758	830,000	76,000
10-3/4% Bond 2005	8/15/05	9,269,713	8,768,113	501,600	28,000
9-3/8% Bond 2006	2/15/06	4,755,916	4,755,276	640	-0-
11-3/4% Bond 2009-14	11/15/14	6,005,584	3,907,984	2,097,600	637,600
11-1/4% Bond 2015	2/15/15	12,667,799	5,432,919	7,234,880	1,117,600
10-5/8% Bond 2015	8/15/15	7,149,916	2,587,356	4,562,560	-0-
9-7/8% Bond 2015	11/15/15	6,899,859	2,906,259	3,993,600	630,400
9-1/4% Bond 2016	2/15/16	7,266,854	6,213,254	1,053,600	158,400
7-1/4% Bond 2016	5/15/16	18,823,551	18,282,751	540,800	-0-
7-1/2% Bond 2016	11/15/16	18,864,448	17,843,248	1,021,200	24,000
8-3/4% Bond 2017	5/15/17	18,194,169	4,274,169	13,920,000	425,120
8-7/8% Bond 2017	8/15/17	14,016,858	5,085,658	8,931,200	94,400
9-1/8% Bond 2018	5/15/18	8,708,639	1,641,439	7,067,200	30,400
9% Bond 2018	11/15/18	9,032,870	1,110,870	7,922,000	443,000
8-7/8% Bond 2019	2/15/19	19,250,798	3,124,398	16,126,400	51,200
8-1/8% Bond 2019	8/15/19	20,213,832	16,048,712	4,165,120	984,480
8-1/2% Bond 2020	2/15/20	10,228,868	3,573,668	6,655,200	216,000
8-3/4% Bond 2020	5/15/20	10,158,883	1,810,883	8,348,000	203,200
8-3/4% Bond 2020	8/15/20	21,418,606	3,591,566	17,827,040	422,080
7-7/8% Bond 2021	2/15/21	11,113,373	9,641,373	1,472,000	304,000
8-1/8% Bond 2021	5/15/21	11,958,888	4,651,048	7,307,840	1,043,840
8-1/8% Bond 2021	8/15/21	12,163,482	6,648,602	5,514,880	949,120
8% Bond 2021	11/15/21	32,798,394	9,563,344	23,235,050	1,869,125
7-1/4% Bond 2022	8/15/22	10,352,790	9,101,590	1,251,200	-0-
7-5/8% Bond 2022	[illegible]				

TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, FEBRUARY 28, 1994—Continued
(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding			Reconstituted This Month[1]
		Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	
7-1/8% Bond 2023	2/15/23	18,374,361	17,966,361	408,000	0
6-1/4% Bond 2023	8/15/23	22,909,044	22,854,292	54,752	102,848
Total		764,158,514	549,699,725	214,458,789	12,465,089

[1] Effective May 1, 1987, securities held in stripped form were eligible for reconstitution to their unstripped form.

Note: On the 4th workday of each month Table VI will be available after 3:00 pm eastern time on the Commerce Department's Economic Bulletin Board (EBB). The telephone number for more information about EBB is (202) 482-1986. The balances in this table are subject to audit and subsequent adjustments.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 4, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
BORDER TEXAN OF THE YEAR
HIDALGO, TEXAS

Speaker Sam used to say "if a man does his job, he'll get more credit than he's entitled to." He sure was right.

B.A. and I have been to a lot of places, we've traveled far in public life. But you're still the warmest, the friendliest, the happiest group of people we've ever met.

And one more word -- loyal.

You let me serve you 30 years. I have a great job now, but I'll tell you the truth -- I miss being the Senator from Texas.

I know my former constituents. Some of you are probably looking at us and wondering -- well, have the Bentsen's changed? Let me put it this way. When I dine with Boris Yeltsin or John Major -- I still add hot sauce to my soup!

Morris Atlas -- you were awfully generous with those words. I can imagine all the energy that went into planning this. You even brought my family together for me, and I appreciate that, too. I don't see them enough.

Morris is what I call a lawyer's lawyer. That means he's not just a lawyer -- he's a counselor. He's been a counselor to the Bentsen family, and he and Rita are life-long friends. I thank you.

And to my able and distinguished friend, the powerful chairman of the Agriculture Committee -- Kika de la Garza. What a friend of mine -- I should say a friend of everybody here. As chairman of the Agriculture Committee he has been of great help to the Valley.

One more thing: I know the money you're raising is headed to the Vannie Cook Cancer Center. I'm proud you're contributing to such a good cause.

Well, I don't know if it's the Texas air -- but I'm glad to be home.

I saw in the paper that the Valley is now the fourth fastest growing area in the United States. That didn't surprise me. I was surprised we weren't number one.

When you have an exploding economy like we do -- when 11,000 jobs are created in the McAllen-Edinburg-Mission area, like we did last year -- we're going to attract people.

When I took office as a Senator, Texas had maybe 12 million people. When I left, Texas had 17 million. Tremendous growth.

But, now, in my new line of work, I look at those numbers a little differently. The way I see it is, I went from 17 million bosses, to just one. It took a little getting used to.

This President is one of the most active ones legislatively that I've seen since Lyndon Johnson.

Last year, we had two big successes. First, we passed the economic plan. We cut the budget deficit -- finally. We're $126 billion ahead of where we'd be now if we had done nothing.

We created almost two million jobs nationwide in 1993. That's more than were created in the previous four years. Business investment is up. 4th quarter growth was 7.5 percent, the highest it's been in 10 years. Let me tell you, it's a good time to be Treasury Secretary.

Second, we passed NAFTA. I may be the one earning the Border of the Year Award, but there are quite a few members of Congress, and Cabinet people, and business people, and our President and our Vice President, and former Presidents, and former Treasury Secretaries who helped pushed NAFTA.

In Washington, and across the country, I think we learned a new definition of the word border.

We didn't need a new definition here. But people elsewhere thought of border as some end point. Time to stop. Time to halt.

It's like when you have small children and you're teaching them to color, and you say "Don't go out of the borders. Stay within the lines."

Well, this border has a line you want to cross -- cross it with products.

Seventy percent of the imports Mexicans buy are American goods. Each Mexican, on average, purchases more U.S.-made products than the average Japanese, German, or Canadian.

Almost 200,000 jobs in Texas are supported by exports to Mexico. I don't know what it is in Texas, but nationally, export-related jobs pay about 15 percent more than the average job.

Half of all Texas jobs supported by Mexican exports were created in the last five years, when Mexico started lowering tariffs. And Texas tripled its sales there.

I knew the potential of Mexico. President Salinas and I have been friends for years. I've seen what he's done. The solid growth in Mexico. Bringing inflation down into the single digits. Restructuring Mexico's international debt. Attracting foreign capital.

When you sign up with a partner, you don't want a weak one. You want a strong one.

Mexico is emerging as a strong partner for us. It is committed to economic growth, and that will be good for them and good for us.

It's not just geography our countries share in this partnership. I think we share a mutual respect. And respect that will grow as we do more business.

The big winner in this will be the Valley. We're seeing the large retailers come in to attract shoppers on both sides of the border.

You're seeing infrastructure built. Highways, roads, fiber optic connections to Mexico -- and that means jobs. You'll see an increase in the manufacturing base -- so, more jobs.

And you'll see a boom in education. I was at the University of Texas Pan American today. There's a school that has 14,000 students, and should have 20,000 by the year 2000. I remember when it had a couple hundred and it was a two-year community college.

I told them today, if I were the big companies, I'd be down in the Valley recruiting. What an advantage these students have. The language skills, the understanding of the culture, and now the technical background as they start up an engineering school.

It's our diversity that gives us our strength. Here we have that in abundance. We know what it takes to do business on both sides of the border.

We have problems still. But when you're in a partnership, it's a lot easier to solve some of those things and find cooperation -- than when you have no partnership, no ties, no sense of helping each other.

The border needed cleaning up long before NAFTA, and it will need to be cleaned up after NAFTA. The NAFTA debate brought the country's attention to the situation.

For years it was hard to get their attention, but we have it now.

Now we have something called a NADBank -- the North American Development Bank. Now we have something called a Border Environment Cooperation Commission.

Without NAFTA, we would not have those things.

NADBank will provide $2 to $3 billion in loans to finance clean-up projects. That's money contributed equally by the United States and Mexico.

And the new Commission will assist the border states in coordinating and financing environmental infrastructure projects. The degree of local and public participation on this will be unprecedented.

We don't want to see all the decisions on what to do coming out of Washington. They'll also be made by the experts on the border. This is international cooperation -- at the local level.

I went to the signing ceremony with the Mexican Finance Minister Pedro Aspe, where the World Bank has agreed to extend loans to Mexico for $1.8 billion and the Mexican government will contribute $2.2 billion to clean-up the Mexican side of the border.

I remember I used to swim in the Rio Grande. You can't do that now, but I haven't given up on the idea. Maybe one day -- maybe one day.

You know, I was at a meeting in France a few years ago. A man got up and said: "Look at the great changes in the world. The end of the Cold War. Europe and Asia emerging as the world leaders. And America on the decline."

It's a little ironic that now much of Europe is in a recession, Japan is growing much too slowly, and America is not just a political and a military leader -- we remain the world's economic leader -- the engine of growth in the world.

I'll be in Detroit a week from Monday, talking to the Europeans and the Japanese about creating jobs.

And in two weeks, I'll be hosting a meeting of the finance ministers of 15 Asian and North American countries. We'll be talking about how to open markets. How to do business across a border called the Pacific Ocean. The kind of growth we're seeing in Mexico, we're seeing in Asia. In fact, it's even more explosive there.

A country like Indonesia has been growing -- on average -- more than 6 percent a year for the past 25 years. Or look at Thailand. In the last two years, they grew better than 7 percent. Or China grew at 13 percent last year.

In countries like that a person's income can double every decade. We want those countries to grow, because I know what happens when people get money. They buy things.

And they need to develop infrastructure -- highways, and sewage systems, and water treatment plants just like they do here. You look at the Colonias along the border -- and you can understand what I'm talking about.

Well, you gave me a great tribute tonight. This is a night I'm going to long remember. But the best tribute we can pay the border, and the people who live on both sides, is to make our partnership work. Your future depends on it. The Valley's future depends on it. And so does the future of this hemisphere.

Let me end with a story. You've probably heard this one, but I like it. So, you'll hear it again. One of the first times I left the Valley was to enter the Army. I ended up in the Air Corps in Europe. One day I was flying a combat mission over Europe, got in trouble, lost a couple of engines and made an emergency landing in Yugoslavia and washed out a four-engine bomber. I could see soldiers coming toward me. I didn't know if they were allies or Germans. But I walked out, and one of them called out and said: "I bagged groceries for your mother in McAllen."

No matter where I am in the world -- there's nothing better than meeting Texans. Thank you so very much. It's been a wonderful evening, spent with wonderful friends.

-30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 4, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
UNIVERSITY OF TEXAS PAN AMERICAN
EDINBURG, TEXAS

Thank you. I'm very touched by your tributes, and by this honor.

Many in this room out-did yourselves on my behalf -- especially Jack Blanton.

He and Laura Lee are dear friends -- the finest you can have. What an able businessman, possessed with great compassion. Jack -- B.A. and I are very appreciative. Thank you.

And thank you President Nevarez. I know all the work you've done on this.

To be honest, I haven't quite figured it all out. Here I am of Danish ancestry, went to school in Austin, and majored in law. But they go name an engineering chair and scholarships after me, in Edinburg, that'll help Hispanic Americans.

Only in Texas!

They sent me a curriculum sheet. I noticed engineering students have to take classes way beyond my understanding -- electro mechanical systems, solid state electronic devices, thermodynamics, fluid mechanics.

And then six hours of something called: U.S. and Texas government. That one I'd have a shot at passing!

All this reminds me of a TV station I had named after me once. Some years ago, I was an early stockholder in TV station KRGV. We sold out to Lyndon Johnson, and it became known as LBJ's station. Later, a fellow stopped me on the street to read me the riot act about the programming on "my" station. I said: "Hold it -- that's LBJ's station now." He said: "Right -- LBJ. Lloyd Bentsen, Junior."

I'm always glad to be back in south Texas -- to my roots. I have great pride in this school -- and not just because I like its architecture.

I've watched it grow. When I was looking for a school to attend, this was a junior college. It didn't have more than a couple hundred students.

We had 18 in my Sharyland High School class. I remember one of my friends wanted to be an engineer. There was nothing around here, so he went on to MIT.

Now, they tell me you have 14,000 students. Seventy percent of Valley kids who go onto college come here, and many are the first generation in their families to attend college. That's the American dream, isn't it?

I remember in the '60s when you changed the name to Pan American. You wanted to bridge the cultures of North and South.

It was a great vision -- you were just a few decades ahead of Washington. But we passed NAFTA last year -- and what a breakthrough that's going to be -- in building trade, in creating jobs, and in growing industries.

I'll tell you what American companies that want to do business in Mexico need right now. Good Texas engineers with some border heritage in them.

If I were some of those big companies (the Intels, the AT&Ts, the Exxons, the Texas Instruments of the world) I'd be down here recruiting. What an advantage these students will have. The language skills, the understanding of the culture, and now they'll have the technical backgrounds.

You know, I'm proud to be a lawyer. If I had to do it again, I'd still go to law school. But as Treasury Secretary, well, I have an interest in our economy -- especially in growing it.

Somebody showed me a statistic. If an extra 10 percent of university students went into engineering, our growth rate would rise half a percent. Then they showed me that if law school enrollment doubled, growth would fall by a third of a percent! Of course, those numbers come from economists, and you know how reliable they are!

But it's nice to know what we're doing today will grow the economy.

I know it'll help the Rio Grande Valley. I know it'll help Texas. And I know it'll help many young people here -- for many years to come. I'm just glad to be on the receiving end of such a nice honor. Thank you very much.

-30-

RTC

RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

March 3, 1994

The Honorable Donald W. Riegle, Jr.
United States Senate
105 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Riegle:

As you know, I testified before your Committee last week in connection with the semi-annual Oversight hearings on the RTC. I was asked about any contacts which I had with representatives of the White House on RTC matters and described a meeting which I had.

I would like to expand the record as follows. First, to the best of my recollection, no non-public information was provided on this case to representatives of the White House during that discussion. Second, it is my understanding that RTC staff had already had discussions with Senator D'Amato's staff on statute of limitations issues. Third, the Treasury General Counsel, who also attended the meeting, has advised me that before that meeting she sat down with this Department's designated Ethics Officer. She informed him of the purposes of the meeting and asked his view. He advised her that he saw no problem.

In short, there was no discussion whatsoever on the substance of this case. That's because I never have had, nor have, any knowledge of the substance. I have received no documents in that regard, nor otherwise received any information on the substance of this matter.

Sincerely,

Roger C. Altman

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 7, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,636 million of 13-week bills to be issued March 10, 1994 and to mature June 9, 1994 were accepted today (CUSIP: 912794K94).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.50%	3.58%	99.115
High	3.52%	3.60%	99.110
Average	3.52%	3.60%	99.110

Tenders at the high discount rate were allotted 27%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$58,165,092	$12,635,922
Type		
Competitive	$53,252,166	$7,722,996
Noncompetitive	1,384,871	1,384,871
Subtotal, Public	$54,637,037	$9,107,867
Federal Reserve	2,987,655	2,987,655
Foreign Official Institutions	540,400	540,400
TOTALS	$58,165,092	$12,635,922

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 7, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,611 million of 26-week bills to be issued March 10, 1994 and to mature September 8, 1994 were accepted today (CUSIP: 912794N26).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.73%	3.86%	98.114
High	3.75%	3.88%	98.104
Average	3.75%	3.88%	98.104

Tenders at the high discount rate were allotted 26%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$47,008,815	$12,610,812
Type		
Competitive	$41,887,155	$7,489,152
Noncompetitive	997,560	997,560
Subtotal, Public	$42,884,715	$8,486,712
Federal Reserve	2,900,000	2,900,000
Foreign Official Institutions	1,224,100	1,224,100
TOTALS	$47,008,815	$12,610,812

LB-687

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press 202-622-2
FFB 202-622-24

March 8, 1994

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of January 1994.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $125.2 billion on January 31, 1994, posting a decrease of $3,001.3 million from the level on December 31, 1993. This net change was the result of a decrease in holdings of agency debt of $699.5 million, a decrease in holdings of agency assets of $0.5 million, and a decrease in holdings of agency-guaranteed loans of $2,301.3 million. FFB made 13 disbursements during the month of January, priced 11 maturity extensions, and repriced 250 REA-guaranteed loans. FFB also received 68 prepayments in January.

Attached to this release are tables presenting FFB January loan activity and FFB holdings as of January 31, 1994.

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
RESOLUTION TRUST CORPORATION				
Note 21 /Advance #1	1/3	$30,542,059,971.76	4/1/94	3.173% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Foley Square Office Bldg.	1/3	$7,051,191.00	12/11/95	4.321% S/A
Oakland Office Building	1/4	$246,883.00	9/5/23	6.500% S/A
ICTC Building	1/19	$7,817,170.32	2/15/94	3.169% S/A
HCFA Headquarters	1/19	$3,191,673.00	6/30/95	3.941% S/A
Foley Square Courthouse	1/21	$14,461,021.00	12/11/95	4.162% S/A
Foley Services Contract	1/21	$176,579.94	12/11/95	4.162% S/A
Chamblee Office Building	1/26	$19,460.00	4/1/97	4.680% S/A
Oakland Office Building	1/26	$491,066.00	9/5/23	6.377% S/A
Memphis IRS Service Cent.	1/27	$32,594.82	1/3/95	3.615% S/A
RURAL ELECTRIFICATION ADMINISTRATION				
@Alabama Electric #026	1/3	$12,127,227.77	12/31/15	6.248% Qtr.
@Alabama Electric #026	1/3	$1,425,265.18	12/31/15	6.248% Qtr.
@Alabama Electric #026	1/3	$405,762.08	12/31/15	6.248% Qtr.
@Alabama Electric #026	1/3	$5,315,006.79	12/31/15	6.248% Qtr.
@Alabama Electric #178	1/3	$319,899.16	12/31/15	6.248% Qtr.
@Alabama Electric #178	1/3	$1,699,427.36	12/31/15	6.248% Qtr.
*Allegheny Electric #093	1/3	$1,985,840.67	12/31/13	6.165% Qtr.
*Allegheny Electric #093	1/3	$3,190,171.04	12/31/13	6.165% Qtr.
*Allegheny Electric #093	1/3	$3,539,822.93	12/31/13	6.165% Qtr.
*Allegheny Electric #175	1/3	$3,393,521.25	12/31/15	6.248% Qtr.
*Allegheny Electric #255	1/3	$2,305,941.20	12/31/19	6.345% Qtr.
*Allegheny Electric #304	1/3	$237,450.52	12/31/18	6.329% Qtr.
@Associated Electric #020	1/3	$20,910,849.06	12/31/09	5.942% Qtr.
@Associated Electric #020	1/3	$4,020,862.30	12/31/09	5.942% Qtr.
@Associated Electric #020	1/3	$4,022,794.74	12/31/09	5.942% Qtr.
@Associated Electric #020	1/3	$4,049,865.49	12/31/09	5.942% Qtr.
@Associated Electric #020	1/3	$4,051,735.02	12/31/09	5.942% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.
@ interest rate buydown

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@Associated Electric #020	1/3	$6,500,812.68	12/31/09	5.942% Qtr.
@Associated Electric #020	1/3	$5,419,037.33	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$2,495,320.94	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$3,338,925.56	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$3,344,834.48	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$3,359,359.29	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$3,360,912.54	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$2,511,322.74	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$4,183,407.35	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$4,170,947.20	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$4,174,186.35	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$4,131,565.48	1/3/11	6.003% Qtr.
@Associated Electric #020	1/3	$4,227,685.67	1/3/12	6.062% Qtr.
@Associated Electric #020	1/3	$3,076,277.06	1/3/12	6.062% Qtr.
@Associated Electric #020	1/3	$1,188,073.08	1/3/12	6.062% Qtr.
@Associated Electric #020	1/3	$2,895,783.65	1/3/12	6.062% Qtr.
@Associated Electric #020	1/3	$6,939,521.74	12/31/12	6.116% Qtr.
@Associated Electric #020	1/3	$2,618,542.55	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$9,521,972.84	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$11,521,586.98	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$3,911,206.28	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$11,447,433.47	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$7,625,438.70	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$7,636,940.82	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$6,682,323.40	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$9,546,176.22	12/31/15	6.248% Qtr.
@Associated Electric #132	1/3	$8,591,558.49	12/31/15	6.248% Qtr.
@Central Iowa Power #169	1/3	$3,799,612.84	12/31/14	6.210% Qtr.
@Central Iowa Power #169	1/3	$2,411,540.00	12/31/15	6.248% Qtr.
@Cornbelt Power #055	1/3	$167,783.71	12/31/14	6.210% Qtr.
@Cornbelt Power #055	1/3	$117,996.55	12/31/15	6.248% Qtr.
@Coop. Power Assoc. #001	1/3	$918,964.66	12/31/09	5.942% Qtr.
@Coop. Power Assoc. #070	1/3	$10,308,571.38	4/1/96	4.428% Qtr.
@Coop. Power Assoc. #121	1/3	$1,050,436.56	12/31/15	6.248% Qtr.
@Coop. Power Assoc. #156	1/3	$1,383,376.10	4/1/96	4.429% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.
interest rate buydown

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@E. Iowa Coop. #184	1/3	$4,285,840.57	12/31/15	6.248% Qtr.
@E. Iowa Coop. #184	1/3	$7,297,057.75	12/31/15	6.248% Qtr.
@E. Iowa Coop. #184	1/3	$2,389,455.31	12/31/15	6.248% Qtr.
@East Kentucky Power #073	1/3	$3,499,471.19	12/31/15	6.248% Qtr.
@East Kentucky Power #073	1/3	$6,474,946.51	12/31/15	6.248% Qtr.
@East Kentucky Power #073	1/3	$7,146,872.21	12/31/15	6.248% Qtr.
@East Kentucky Power #073	1/3	$3,563,524.35	12/31/15	6.248% Qtr.
@East Kentucky Power #140	1/3	$4,702,305.11	12/31/15	6.248% Qtr.
@East Kentucky Power #140	1/3	$962,739.52	12/31/15	6.248% Qtr.
@Hoosier Electric #107	1/3	$17,416,698.04	1/3/05	5.578% Qtr.
@Hoosier Electric #107	1/3	$19,070,489.05	12/31/15	6.248% Qtr.
@M & A Electric #111	1/3	$466,118.26	12/31/15	6.248% Qtr.
*N. Dakota Central #278	1/3	$400,624.36	1/3/17	6.281% Qtr.
*N. Dakota Central #278	1/3	$550,427.25	1/3/17	6.281% Qtr.
@Pacific Northwest #118	1/3	$1,549,499.65	12/31/14	6.210% Qtr.
@Pacific Northwest #118	1/3	$5,115,777.49	12/31/14	6.210% Qtr.
@Pacific Northwest #118	1/3	$1,550,004.03	12/31/14	6.210% Qtr.
@Pacific Northwest #118	1/3	$1,378,399.36	12/31/14	6.210% Qtr.
@Pacific Northwest #118	1/3	$1,625,383.49	12/31/14	6.210% Qtr.
@Pacific Northwest #118	1/3	$1,187,266.11	12/31/14	6.210% Qtr.
@Pacific Northwest #118	1/3	$1,728,798.04	12/31/14	6.210% Qtr.
@Pacific Northwest #118	1/3	$1,845,799.45	12/31/15	6.248% Qtr.
@South Miss. Elec. #003	1/3	$344,969.88	12/31/15	6.248% Qtr.
@South Miss. Elec. #003	1/3	$674,974.28	12/31/15	6.248% Qtr.
@South Miss. Elec. #003	1/3	$947,626.88	12/31/15	6.248% Qtr.
@South Miss. Elec. #003	1/3	$57,127.88	12/31/15	6.248% Qtr.
@South Miss. Elec. #003	1/3	$64,705.18	12/31/15	6.248% Qtr.
@South Miss. Elec. #004	1/3	$226,706.58	12/31/13	6.165% Qtr.
@South Miss. Elec. #004	1/3	$507,462.96	12/31/13	6.165% Qtr.
@South Miss. Elec. #090	1/3	$409,651.42	12/31/14	6.210% Qtr.
@South Miss. Elec. #090	1/3	$610,314.84	12/31/15	6.248% Qtr.
@South Miss. Elec. #171	1/3	$22,929,839.02	12/31/14	6.210% Qtr.
@South Miss. Elec. #171	1/3	$61,454,543.06	12/31/14	6.210% Qtr.
@South Miss. Elec. #171	1/3	$16,226,083.17	12/31/15	6.248% Qtr.
@South Miss. Elec. #171	1/3	$15,777,011.48	12/31/15	6.248% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.
@ interest rate buydown
* maturity extension

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@Saluda River Electri #186	1/3	$889,086.99	12/31/15	6.248% Qtr.
@Saluda River Electri #186	1/3	$6,174,991.14	12/31/15	6.248% Qtr.
@Saluda River Electri #186	1/3	$1,647,809.30	12/31/15	6.248% Qtr.
@Saluda River Electri #186	1/3	$950,769.11	12/31/15	6.248% Qtr.
@Saluda River Electri #186	1/3	$8,175,708.03	12/31/15	6.248% Qtr.
@San Miguel Electric #110	1/3	$5,834,786.35	12/31/15	6.248% Qtr.
@San Miguel Electric #110	1/3	$7,615,539.84	12/31/15	6.248% Qtr.
@San Miguel Electric #110	1/3	$6,795,764.37	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$8,007,125.73	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$3,344,528.31	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$6,561,118.83	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$3,168,418.39	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$6,096,728.99	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$13,882,017.66	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$4,006,136.66	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$8,107,875.40	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$10,038,553.26	12/31/15	6.248% Qtr.
@Seminole Electric #141	1/3	$8,685,232.97	12/31/15	6.248% Qtr.
@Sho-Me Power #164	1/3	$1,126,164.17	12/31/14	6.210% Qtr.
@Sho-Me Power #164	1/3	$1,248,791.27	12/31/15	6.248% Qtr.
@Sho-Me Power #164	1/3	$1,240,225.93	12/31/15	6.248% Qtr.
@Sho-Me Power #164	1/3	$328,161.78	12/31/15	6.248% Qtr.
@Sho-Me Power #164	1/3	$639,247.29	12/31/15	6.248% Qtr.
@S. Illinois Power #038	1/3	$4,007,438.74	1/3/11	6.003% Qtr.
@Tri-State #157	1/3	$1,183,643.78	12/31/15	6.248% Qtr.
@Tri-State #157	1/3	$1,122,094.31	12/31/15	6.248% Qtr.
@Tri-State #157	1/3	$473,457.68	12/31/15	6.248% Qtr.
@Tri-State #177	1/3	$214,150.59	12/31/15	6.248% Qtr.
@Tri-State #177	1/3	$10,559,362.13	12/31/15	6.248% Qtr.
@Tri-State #199	1/3	$2,122,983.59	12/31/15	6.248% Qtr.
@United Power Assoc. #086	1/3	$3,032,449.83	12/31/15	6.248% Qtr.
@United Power Assoc. #122	1/3	$1,161,681.60	12/31/12	6.116% Qtr.
@United Power Assoc. #122	1/3	$89,416.46	12/31/12	6.116% Qtr.
@United Power Assoc. #122	1/3	$185,704.73	12/31/13	6.165% Qtr.
@United Power Assoc. #122	1/3	$1,883,322.19	12/31/14	6.210% Qtr.

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@ interest rate buydown

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@United Power Assoc. #122	1/3	$58,993.11	12/31/14	6.210% Qtr.
@United Power Assoc. #122	1/3	$310,705.76	12/31/14	6.210% Qtr.
@United Power Assoc. #139	1/3	$1,467,306.11	12/31/14	6.210% Qtr.
@United Power Assoc. #139	1/3	$3,568,426.49	12/31/15	6.248% Qtr.
@United Power Assoc. #139	1/3	$659,366.14	12/31/15	6.248% Qtr.
@United Power Assoc. #139	1/3	$6,493,386.41	12/31/15	6.248% Qtr.
@United Power Assoc. #139	1/3	$2,732,174.95	12/31/15	6.248% Qtr.
@United Power Assoc. #145	1/3	$917,379.37	12/31/15	6.248% Qtr.
@United Power Assoc. #159	1/3	$18,880,897.90	12/31/14	6.210% Qtr.
@W. Farmer Elec. #064	1/3	$269,991.39	12/31/15	6.248% Qtr.
@W. Farmer Elec. #064	1/3	$386,240.63	12/31/15	6.248% Qtr.
@W. Farmer Elec. #064	1/3	$96,697.19	12/31/15	6.248% Qtr.
@W. Farmer Elec. #064	1/3	$387,097.70	12/31/15	6.248% Qtr.
@W. Farmer Elec. #126	1/3	$356,774.50	12/31/15	6.248% Qtr.
@W. Farmer Elec. #126	1/3	$4,828,008.03	12/31/15	6.248% Qtr.
@W. Farmer Elec. #126	1/3	$10,539,994.69	12/31/15	6.248% Qtr.
@W. Farmer Elec. #133	1/3	$22,660,000.31	12/31/15	6.248% Qtr.
@W. Farmer Elec. #133	1/3	$16,318,666.91	12/31/15	6.248% Qtr.
@W. Farmer Elec. #133	1/3	$3,803,076.67	12/31/15	6.248% Qtr.
*Wolverine Power #349	1/3	$292,913.40	12/31/24	6.258% Qtr.
@Kansas Elec. Power #216	1/12	$10,314,261.39	12/31/15	6.107% Qtr.
@Oglethorpe Power #007	1/12	$5,911,262.96	12/31/09	5.788% Qtr.
@Oglethorpe Power #007	1/12	$5,795,597.52	12/31/09	5.788% Qtr.
@Oglethorpe Power #007	1/12	$2,522,958.59	12/31/09	5.788% Qtr.
@Oglethorpe Power #007	1/12	$4,352,904.60	12/31/12	5.970% Qtr.
@Oglethorpe Power #007	1/12	$1,357,739.54	12/31/12	5.970% Qtr.
@Oglethorpe Power #007	1/12	$1,340,225.09	12/31/12	5.970% Qtr.
@Oglethorpe Power #007	1/12	$5,049,920.65	12/31/12	5.970% Qtr.
@Oglethorpe Power #023	1/12	$67,414,547.78	12/31/09	5.788% Qtr.
@Oglethorpe Power #066	1/12	$52,901.37	12/31/12	5.970% Qtr.
@Oglethorpe Power #066	1/12	$29,151.32	12/31/12	5.970% Qtr.
@Oglethorpe Power #066	1/12	$82,325.40	12/31/12	5.970% Qtr.
@Oglethorpe Power #074	1/12	$3,716,324.18	12/31/12	5.970% Qtr.
@Oglethorpe Power #074	1/12	$2,381,565.11	12/31/12	5.970% Qtr.
@Oglethorpe Power #074	1/12	$2,315,739.34	12/31/12	5.970% Qtr.

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@ interest rate buydown
* maturity extension

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@Oglethorpe Power #074	1/12	$4,151,228.93	12/31/12	5.970% Qtr.
@Oglethorpe Power #074	1/12	$19,513,917.70	12/31/14	6.068% Qtr.
@Oglethorpe Power #074	1/12	$11,980,943.91	12/31/14	6.068% Qtr.
@Oglethorpe Power #074	1/12	$16,444,486.63	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$8,826,459.87	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$17,566,330.70	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$8,525,425.48	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$12,798,604.82	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$7,014,654.13	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$7,493,419.93	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$11,531,424.02	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$11,058,178.35	12/31/15	6.107% Qtr.
@Oglethorpe Power #074	1/12	$12,980,619.67	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$237,604,472.92	12/31/14	6.068% Qtr.
@Oglethorpe Power #150	1/12	$9,178,704.22	12/31/14	6.068% Qtr.
@Oglethorpe Power #150	1/12	$3,859,186.52	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$4,853,124.64	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$5,866,842.92	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$4,393,068.05	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$3,818,363.12	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$23,768,450.85	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$1,688,550.43	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$5,157,337.33	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$15,066,206.08	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$13,946,663.60	12/31/15	6.107% Qtr.
@Oglethorpe Power #150	1/12	$9,499,481.57	12/31/15	6.107% Qtr.
@South Texas Electric #200	1/12	$743,727.28	12/31/15	6.107% Qtr.
@South Texas Electric #200	1/12	$1,005,656.96	12/31/15	6.107% Qtr.
@South Texas Electric #200	1/12	$1,238,908.17	12/31/15	6.107% Qtr.
@South Texas Electric #200	1/12	$30,544.42	12/31/15	6.107% Qtr.
@South Texas Electric #200	1/12	$391,892.92	12/31/15	6.107% Qtr.
@South Texas Electric #200	1/12	$692,025.64	12/31/15	6.107% Qtr.
@South Texas Electric #200	1/12	$1,012,230.91	12/31/15	6.107% Qtr.
Oglethorpe Power #335	1/19	$50,757,000.00	1/2/24	6.301% Qtr.
@Arizona Electric #049	1/21	$3,022,379.51	1/3/11	5.887% Qtr.

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@ interest rate buydown

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@Arizona Electric #049	1/21	$4,073,092.02	1/3/12	5.947% Qtr.
@Arizona Electric #060	1/21	$24,478,365.81	1/3/11	5.887% Qtr.
@Arizona Electric #060	1/21	$3,299,392.09	1/3/11	5.887% Qtr.
@Arizona Electric #060	1/21	$6,268,629.33	1/3/11	5.887% Qtr.
@Arizona Electric #060	1/21	$9,676,297.69	1/3/11	5.887% Qtr.
@Arizona Electric #060	1/21	$6,331,503.68	1/3/12	5.947% Qtr.
@Arizona Electric #060	1/21	$7,685,184.57	1/3/12	5.947% Qtr.
@Arizona Electric #060	1/21	$7,116,531.06	1/3/12	5.947% Qtr.
@Arizona Electric #060	1/21	$8,055,776.96	1/3/12	5.947% Qtr.
@Arizona Electric #060	1/21	$3,410,730.74	1/3/12	5.947% Qtr.
@Basin Electric #087	1/21	$28,133,118.41	12/31/14	6.097% Qtr.
@Basin Electric #087	1/21	$264,255.00	12/31/14	6.097% Qtr.
@Basin Electric #087	1/21	$23,161,253.58	12/31/14	6.097% Qtr.
@Basin Electric #087	1/21	$18,378,532.46	12/31/14	6.097% Qtr.
@Basin Electric #087	1/21	$314,444.55	12/31/14	6.097% Qtr.
@Basin Electric #087	1/21	$791,144.01	12/31/14	6.097% Qtr.
@Basin Electric #087	1/21	$2,692,646.63	12/31/14	6.097% Qtr.
@Basin Electric #087	1/21	$503,612.47	12/31/15	6.135% Qtr.
@Basin Electric #087	1/21	$413,547.73	12/31/15	6.135% Qtr.
@Basin Electric #087	1/21	$694,992.49	12/31/15	6.135% Qtr.
@Basin Electric #087	1/21	$751,786.01	12/31/15	6.135% Qtr.
@Basin Electric #087	1/21	$8,962,591.99	12/31/15	6.135% Qtr.
@Basin Electric #087	1/21	$958,705.45	12/31/15	6.135% Qtr.
@Basin Electric #088	1/21	$873,597.22	12/31/13	6.052% Qtr.
@Basin Electric #088	1/21	$56,447.97	12/31/14	6.097% Qtr.
@Basin Electric #137	1/21	$44,535,674.32	12/31/13	6.052% Qtr.
@Basin Electric #137	1/21	$43,141,761.98	12/31/13	6.052% Qtr.
@Basin Electric #137	1/21	$16,180,841.74	12/31/13	6.052% Qtr.
@Basin Electric #137	1/21	$66,934,249.71	12/31/13	6.052% Qtr.
@Basin Electric #137	1/21	$26,941,917.85	12/31/13	6.052% Qtr.
@Basin Electric #137	1/21	$31,499,254.65	12/31/14	6.097% Qtr.
@Basin Electric #137	1/21	$45,182,886.01	12/31/14	6.097% Qtr.
@Basin Electric #137	1/21	$22,565,466.80	12/31/14	6.097% Qtr.
@Basin Electric #137	1/21	$14,253,298.15	12/31/14	6.097% Qtr.
@Basin Electric #137	1/21	$11,316,280.79	9/30/05	5.502% Qtr.

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@ interest rate buydown

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@Pasin Electric #137	1/21	$33,017,743.70	12/31/14	6.097% Qtr.
@Pasin Electric #137	1/21	$9,519,956.57	12/31/15	6.135% Qtr.
@Pasin Electric #137	1/21	$9,506,842.70	12/31/15	6.135% Qtr.
@Pasin Electric #137	1/21	$32,205,587.84	12/31/15	6.135% Qtr.
@Dairyland Power #036	1/21	$8,918,587.77	12/31/12	6.002% Qtr.
@Dairyland Power #036	1/21	$4,463,179.79	12/31/12	6.002% Qtr.
@Dairyland Power #036	1/21	$7,160,470.41	12/31/12	6.002% Qtr.
@Dairyland Power #036	1/21	$4,539,074.05	12/31/13	6.052% Qtr.
@Dairyland Power #036	1/21	$931,588.30	12/31/13	6.052% Qtr.
@Dairyland Power #036	1/21	$2,342,610.99	12/31/13	6.052% Qtr.
@Dairyland Power #054	1/21	$6,776,155.15	12/31/13	6.052% Qtr.
@Dairyland Power #054	1/21	$3,075,493.95	12/31/13	6.052% Qtr.
@Dairyland Power #054	1/21	$7,440,233.46	12/31/13	6.052% Qtr.
@Dairyland Power #054	1/21	$1,096,594.71	12/31/13	6.052% Qtr.
@Dairyland Power #054	1/21	$1,300,467.61	12/31/14	6.097% Qtr.
@East River Power #117	1/21	$1,864,376.72	12/31/14	6.097% Qtr.
@East River Power #117	1/21	$1,530,912.20	12/31/15	6.135% Qtr.
@East River Power #117	1/21	$1,121,396.20	12/31/15	6.135% Qtr.
@East River Power #117	1/21	$1,168,120.95	12/31/15	6.135% Qtr.
@San Miguel Electric #205	1/21	$33,481,815.80	12/31/15	6.135% Qtr.
@San Miguel Electric #205	1/21	$11,575,141.97	12/31/15	6.135% Qtr.
@Alabama Electric 339	1/25	$457,000.00	1/3/22	6.282% Qtr.
@Alabama Electric #386	1/26	$47,571,000.00	1/3/23	6.321% Qtr.
@Arizona Electric #060	1/27	$2,150,327.93	1/3/11	5.940% Qtr.
@Arizona Electric #060	1/27	$4,540,333.39	1/3/12	5.999% Qtr.
@Arizona Electric #060	1/27	$7,451,732.10	1/3/12	5.999% Qtr.
@Arizona Electric #060	1/27	$7,969,803.93	1/3/12	5.999% Qtr.
@Arizona Electric #060	1/27	$9,741,784.09	1/3/12	5.999% Qtr.
@Cornbelt Power #166	1/27	$2,638,856.74	12/31/14	6.143% Qtr.
@Cornbelt Power #166	1/27	$141,997.54	12/31/14	6.143% Qtr.
@Cornbelt Power #166	1/27	$377,189.27	12/31/14	6.143% Qtr.
@Cornbelt Power #166	1/27	$860,487.23	12/31/15	6.179% Qtr.
@Cornbelt Power #166	1/27	$626,617.51	12/31/15	6.179% Qtr.
@Ogden Telephone Co. #072	1/27	$3,140,274.62	1/3/12	5.999% Qtr.
@Ogden Telephone Co. #072	1/27	$2,979,392.99	1/3/12	5.999% Qtr.

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@ interest rate buydown

FEDERAL FINANCING BANK
JANUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@Ogden Telephone Co. #072	1/27	$688,035.35	12/31/13	6.100% Qtr.
@Ogden Telephone Co. #072	1/27	$1,337,549.57	12/31/15	6.179% Qtr.

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@ interest rate buydown

FEDERAL FINANCING BANK
(in millions)

Program	January 31, 1994	December 31, 1993	Net Change 1/1/94-1/31/94	FY '94 Net Change 10/1/93-1/31/94
Agency Debt:				
Department of Transportation	$ 664.7	$ 664.7	$ 0.0	$ 664.7
Export-Import Bank	5,309.4	5,309.4	0.0	-485.2
Resolution Trust Corporation	30,092.6	30,542.1	-449.5	-1,595.1
Tennessee Valley Authority	6,075.0	6,325.0	-250.0	-250.0
U.S. Postal Service	9,731.5	9,731.5	0.0	0.0
sub-total*	51,873.2	52,572.6	-699.5	-1,665.6
Agency Assets:				
FmHA-ACIF	8,908.0	8,908.0	0.0	0.0
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	26,036.0	26,036.0	0.0	0.0
DHHS-Health Maintenance Org.	30.9	30.9	0.0	0.0
DHHS-Medical Facilities	51.1	51.1	0.0	-0.2
Rural Electrification Admin.-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	1.6	2.1	-0.5	-1.2
sub-total*	43,301.5	43,302.1	-0.5	-1.4
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	4,013.0	4,045.0	-32.1	-70.4
DEd.-Student Loan Marketing Assn.	2,760.0	4,760.0	-2,000.0	-2,030.0
DEPCO-Rhode Island	0.0	0.0	0.0	-30.4
DHUD-Community Dev. Block Grant	116.5	117.0	-0.5	-14.9
DHUD-Public Housing Notes	1,746.5	1,746.5	0.0	-54.5
General Services Administration +	1,701.7	1,673.5	28.2	116.0
DOI-Virgin Islands	22.2	22.9	-0.7	-0.7
DON-Ship Lease Financing	1,479.6	1,528.3	-48.7	-48.7
Rural Electrification Administration	17,510.5	17,578.3	-67.7	-142.7
SBA-Small Business Investment Cos.	82.9	84.3	-1.4	-7.5
SBA-State/Local Development Cos.	558.2	563.4	-1.4	-7.5
DOT-Section 511	16.4	16.4	0.0	-0.5
DOT-WMATA	0.0	177.0	-177.0	-177.0
sub-total*	30,007.5	32,312.5	-2,301.3	-2,468.8
grand-total*	$125,182.2	$128,187.3	$-3,001.3	$-4,135.9

*figures may not total due to rounding
+does not include capitalized interest

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as prepared for delivery
March 8, 1994

Oral Statement of Treasury Secretary Lloyd Bentsen
House Appropriations Subcommittee on Treasury, Postal Service and General Government

LB-689

ORAL TESTIMONY OF TREASURY SECRETARY LLOYD BENTSEN
HOUSE APPROPRIATIONS SUBCOMMITTEE ON TREASURY,
POSTAL SERVICE AND GENERAL GOVERNMENT
March 8, 1994

Chairman Hoyer, Congressman Lightfoot, members of the Subcommittee: I appreciate the opportunity to testify on the Treasury Department's Fiscal 1995 request for $10.4 billion in operating funds.

As one of the oldest government agencies, the Treasury Department performs some of the most basic governmental activities -- collecting and borrowing the money it takes to run our government, and enforcing many of our laws. Treasury also has the broader responsibility of assisting in the design of economic policy and putting that policy in place. These responsibilities are detailed in my written submission.

First, I want to talk results. Last April, I told you that restoring strength to our economy was our primary challenge. We faced steadily rising budget deficits, a stagnant economy, high unemployment, and falling real incomes. We met that challenge, and succeeded.

Today, with your help, we have a credible long-term deficit reduction program. We are bringing the deficit down -- and faster than we thought possible.

Furthermore, in the last year the private sector has created more jobs than during the previous four years. And not just hamburger flippers, but good paying jobs. The American job machine is up and running.

Just as we set the economy on the course toward improvement, we are working within Treasury on innovative solutions in a number of major policy areas.

I want to highlight some of our accomplishments to date, as well as our plans for the future, and the budget requirements they entail. First -- trade. Last year, I spoke of our renewed emphasis on expanding trading opportunities. Those opportunities are upon us.

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(MORE)

The President's export-based strategy is working. The North American Free Trade Agreement is in place. The Uruguay Round of the GATT negotiations was successfully concluded. We're also making it clear to Japan that we are serious about wanting their markets opened, not just to our goods but to everyone's goods.

We need to be prepared to handle the increased demands of expanded trade because of NAFTA and the GATT agreement. We are requesting $26 million to upgrade Customs' revenue collections and merchandise processing system, and another $25 million for other trade enforcement efforts.

Secondly, I would like to highlight our efforts in the area of tax collection. We try to collect income taxes at the lowest cost possible, and in a way that the public is confident of the job we do. To this end, we want to continue the critical job of modernizing the Internal Revenue Service's information system. We are requesting an additional $311 million for this. The investment is paying off. Between fiscal 1992 and fiscal 1995, the IRS will have saved more than $470 million and the equivalent of 11,800 full time positions (FTEs) from modernization. The modernization effort is the foundation of the IRS' reorganization toward a customer-centered approach to doing business.

We want taxpayers to pay their fair share. When we spend money to increase tax compliance, it produces returns on the order of 5-to-1. Therefore, starting in fiscal 1995, we will request 5,000 FTEs for additional examinations and audits. We would like to work with Congress on a bipartisan basis to see if some special accommodation might be provided for such an initiative above the existing Budget Enforcement Act spending caps, with the assurance that all added revenues would be earmarked for deficit reduction.

Third, we are acting to restructure the banking regulation system. For the past 45 years, various proposals have been put forward to attack the redundancy and waste in our current system. In fact, the Hoover Commission, the first to call for regulatory reform, issued its report in my first term in the House.

We put our economy at a serious disadvantage in today's competitive world by having our banks hobbled by our regulators. Today, we have four different agencies regulating depository institutions. We have proposed a plan to combine the supervisory and regulatory functions of the four under a single federal regulator that can focus on the banking industry -- full time.

The Office of Management and Budget tells us we could save $150 million or even $200 million by consolidating regulatory functions. The direct savings to the banking industry, and ultimately consumers, will be substantially greater. I saw one study by a Fed governor suggesting that the industry saves about $1 billion for ever 5 percent reduction in the regulatory burden.

We are also making progress on another of our priorities -- crime. I know members of this subcommittee share my concerns about this. You receive letters about it every day, and so do I. We all read the headlines, like the one last week about how gun deaths are surpassing auto deaths in some of our states.

Five Treasury bureaus -- IRS, Customs, Alcohol, Tobacco and Firearms, Secret Service and the Federal Law Enforcement Training Center, are in law enforcement. We're an important player in this arena, and I'm glad. I'm glad because I see no reason this nation should have more gun dealers than it has McDonalds' franchises, and I want to do something about it. And, because I also believe that a waiting period for a handgun purchase is reasonable. With your help, we have done something about it.

I'm delighted to tell you that the Bureau of Alcohol, Tobacco and Firearms met the deadline for implementing the Brady Law. They sent forms and information packets to 284,000 gun dealers and worked closely with states which did not already have comparable or better background check systems. This law worked well from the outset. Six felons were caught trying to redeem guns at pawnshops in Reno the very first day. Since we started, 20 felons in Ohio have been blocked from buying handguns.

The Brady Law is just the first step in our battle to keep firearms out of the hands of criminals. In January, I announced a series of initiatives for ATF to reduce the number of gun dealers and take guns out of the hands of children. We will identify all gun dealers for the local police, and address specific gun trafficking patterns in high crime areas.

We will offer legislation to raise the basic annual fee for a federal firearms dealer's license to $600. This will help limit applicants to only those individuals who intend to actively engage in the firearms business. We expect the number of licensees will drop by as much as 80 percent -- allowing our ATF field inspectors to more effectively monitor current licensees and new applicants.

To support these anti-violence initiatives, we are investing $5.9 million in new technology for firearms dealer licensing compliance activities, weapon tracing, and databases to support firearms investigations.

Most recently, I announced the reclassification of several semiautomatic shotguns into the same category as machineguns. This means that the approximately 18,000 weapons in existence must be registered with the Bureau of Alcohol, Tobacco and Firearms.

We also want to focus on two very good programs that address the use of firearms -- Project Uptown and the Achilles program. The first goes after violent drug dealers in housing projects, and the second goes after the armed career criminals. In addition, ATF's GREAT program, where we teach officers to go into the schools and talk with students, is a highly effective way to keep youngsters out of gangs.

Lastly, we have made great strides toward placing our economy on a stronger footing. Now we must focus on putting the government's financial management in order. I am determined to fix the financial management problems we inherited at the IRS, U.S. Customs, and the U.S. Mint. I want all of our Treasury bureaus to receive a clean bill of health. I am personally committed to making Treasury a model of good financial management within government, and we are devoting the efforts necessary to fix the problems.

Congress made good financial management a priority with the passage of the Chief Financial Officer's Act in 1990. You re-emphasized this with the Government Performance and Results Act, which requires us to measure the achievements of our programs. Treasury has stepped forward with pilot projects -- at the IRS, the Bureau of Engraving nd Printing, the Mint, and the Office of Enforcement at Customs. Fully one-third of the federal employees involved in this effort are in Treasury bureaus.

Accurate and timely financial information will allow our managers to make good decisions and be held accountable for the results. We have already successfully consolidated many of our core financial systems -- approximately 90 percent of our budgetary resources will be processed on one system by the end of this fiscal year. We are requesting funds to continue modernizing our basic financial systems. These efforts are key to fixing the problems we face -- our goal is to have "clean" opinions on our financial records.

That is a lot of ground to cover. These major policy areas represent approximately 94 percent of our budget resources.

We are committed to meeting the goals of this administration to streamline government. We are not only meeting, but also exceeding the President's targeted reductions. We are able to do this by continually streamlining our organizations and providing more effective programs. For instance, this year we moved the Savings Bonds Division -- the marketing arm of the Savings Bonds program -- into the Bureau of the Public Debt -- the processing arm of the program -- to provide more coordinated program direction.

To meet the increasing demands on our limited resources, we are proposing some new, or increased user fees for services which benefit only a specific segment of our population. For instance, we are proposing to charge tax preparers and banks $8 for the electronic verification from IRS that taxpayers' refunds are forthcoming.

These efforts, as well as our continued commitment to higher productivity, have allowed us to keep our funding request for fiscal 1995 -- $10.4 billion -- nearly level with 1994. In fact, our budget is down from previous years when you calculate it in constant dollars.

Within these funding and staffing limitations, we are proposing initiatives for only our most urgent needs. And these initiatives will be funded primarily from outside sources, such as proposed user fees, and through program reductions. We have cut to make way for what we want to add.

Mr. Chairman, members of the Subcommittee, we are offering you a responsible budget. It includes investments critical to achieving continued deficit reduction, facilitating trade, and fighting violent crime. And at the same time, we have made the cuts necessary to help pay for what we want to accomplish. We made substantial progress on the national agenda and the Treasury agenda last year, but there is still work to be done.

Thank you, and I'd be happy to take your questions.

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G-7 JOBS CONFERENCE
Detroit, Michigan 14-15 March 1994
Contact: Jay Byrne, Jenny Watson or Natalie Wymer
(202) 219-8211 or FAX 219-7918
or (800) SKY-PAGE pin # 279-4787

*** REVISED ***

G-7 JOBS CONFERENCE
TENTATIVE AGENDA AS OF THURSDAY, 3 MARCH 1994

SUNDAY, 13 MARCH 1994

6:00 pm **Host Committee Reception**
Westin Hotel

MONDAY, 14 MARCH 1994

TBA **President Clinton Address**
Fox Theater
Opens Conference
[OPEN TO THE PRESS]

Working group sessions:
Cobo Hall
[ALL WORKING SESSIONS ARE CLOSED TO THE PRESS]

12:00 pm **THE WORLD EMPLOYMENT PROBLEM**
Host Moderator Laura D'Andrea Tyson, Chair Council of Economic Advisors

2:00 pm **CREATING EMPLOYMENT OPPORTUNITIES IN THE GLOBAL ECONOMY**
Host Moderator Lloyd Bentsen, Secretary of the Treasury

4:15 pm **TECHNOLOGY, INNOVATION AND THE PRIVATE SECTOR**
Host Moderator Ron Brown, Secretary of Commerce

TBA **Working Dinner with Ministers and Senior Officials**
Detroit Institute of Art
Hosted by Vice President Al Gore

TUESDAY, 15 MARCH 1994

Working group sessions:
Cobo Hall
[ALL WORKING SESSIONS ARE CLOSED TO THE PRESS]

9:00 am **LABOR MARKETS, INVESTMENT IN HUMAN CAPITAL, AND SOCIAL SAFETY NET**
Host Moderator Robert Reich, Secretary of Labor

11:30 am **Closing Working Session: Lessons Learned**

1:30 pm **Chairman's statement**
[OPEN TO THE PRESS]

A final, official schedule will be released when all logistical arrangemen[ts] are confirmed. Times noted are for planning purposes only and not for publication, as they are subject to change. While all working sessions ar[e] closed to the press, pool arrangements for television and still photograph[...]

G-7 JOBS CONFERENCE - DOMESTIC PRESS INFORMATION

Contact: Jay Byrne, Jenny Watson or Natalie Wymer
202/219-8211 or FAX 202/219-7918
or 800/SKY-PAGE pin # 279-4787
Revised March 4, 1994

Conference: Monday and Tuesday, March 14 - 15, 1994

Location: Cobo Conference/Exhibition Center
1 Washington Boulevard
Detroit, Michigan

Purpose: The purpose of the conference is to discuss how the G-7 nations can work together to create more jobs for people who have been left behind due to the changing global economy. The Conference is a first step in the Clinton Administration's effort to create a dialogue with our international partners as we open the path toward a strong economic framework for the 21st Century.

Format: The format will consist of four sessions with U.S. Cabinet Members: Treasury Secretary Lloyd Bentsen, Commerce Secretary Ron Brown, Labor Secretary Robert Reich, and White House Council of Economic Advisers Chair Laura D'Andrea Tyson serving as hosts. President Clinton will open the conference on Monday morning.

Credentials: Credential requests should be faxed to Gordon Berg at the Department of Labor, 202/219-7918 by 5 p.m., Monday, March 7. Requests should be sent on your news organization's stationery. Each request should include the information listed on the attached sheet.

Press credentials will be distributed at Cobo Center in the Press Filing Room (W2-60) at the Press Registration Table. To pick up your credentials, you must present identification from your organization.

Credentials can be picked up March 12, 13 and 14 from 7 a.m. to 7 p.m. and March 15 from 7 a.m. to 2 p.m.

Note: Foreign press credential requests should be directed to Lorraine Mullen at USIA, phone 202/724-

Domestic Press Information Line: A domestic press information line will be operating beginning Monday, March 7. The number is 313/393-4425.

Press Room: Room W2-60 will be the press filing room; it will open at 7 a.m. on March 12. The conference will not provide surge protectors.

Media Message Desk: During the conference, messages can be left for media with a desk outside the press filing room. The number to leave messages is 313/393-4422.

Press Coverage: The President's speech will be open; all Conference sessions will be closed to press coverage. Post-session press briefings will be scheduled at a later date.

Phones: If you want your own phone, you need to order phones through Ameritech, 313/223-9198.
Note: Telephones must be provided or can be rented through Expotel, 800/397-6835 or Progressive Communications Services, 313/462-9441.

White House Press: Travelling logistics and arrangements for the White House Press corps traveling with the President will be handled through the White House travel and press advance offices.

Hotels Offering Press Rates:

Westin Hotel
Renaissance Center
Detroit, MI 48243
Phone: 313/568-8000
Fax: 313/568-8146

Pontchartrain Radisson
2 Washington Boulevard
Detroit, MI 48226
Phone: 313/965-0200

Technical Walk-Thru: A technical walk-thru will be held on Sunday, March 13, at 10:00 a.m.

Press Interview Requests: Submit all requests in writing to Jay Byrne or Natalie Wymer at the Department of Labor, fax 202/219-7918, phone 202/219-8211.

G-7 JOBS CONFERENCE

INFORMATION FOR CREDENTIAL REQUESTS

News Organization: ____________________

Name(s): ____________________

Position: (camera, still, producer, etc.) ____________________

Address: ____________________

City, State, Zip: ____________________

Telephone: ____________________

Fax: ____________________

Contact Name: ____________________

Telephone: ____________________

DOMESTIC PRESS
FAX THIS SHEET TO GORDON BERG, U.S. DEPARTMENT OF LABOR
202/219-7918
DEADLINE: MONDAY, MARCH 7, 5 P.M.

FOREIGN PRESS
FAX THIS SHEET TO LORRAINE MULLEN, USIA
202/724-0007
DEADLINE: MONDAY, MARCH 7, 5 P.M.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

ORAL STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN
BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS
OF THE HOUSE COMMITTEE ON APPROPRIATIONS
March 10, 1994

Mr. Chairman. I have a longer statement for the record which I'd like to summarize.

Our request for the multilateral development banks is just over $2 billion. In addition, we are seeking $100 million for the Enhanced Structural Adjustment Facility and $7 million for debt reduction. The details of these programs are summarized in a separate table at the back of my written statement.

I cannot let this hearing pass without commenting on the remarkable changes in the U.S. economy over the past twelve months. Thanks in large part to the budget bill passed last summer, there is new confidence and increased optimism about our country's economic future. Growth is strong and unemployment is starting down. Investment is up, and all indications point to steady and sustainable growth over the rest of the decade.

But there is a second part to this story -- our role in increasing global growth. More and more, this is where the economic action is. The president has noted that we must be engaged abroad if we want to do well at home. That's why we have worked so hard at NAFTA and at GATT, at our APEC and G-7 relationships. That's also where the development banks come in.

Economic growth and development is what the banks do. They do it better than anyone else. Their lending programs have helped turn developing countries into the most rapidly expanding export market for U.S. goods and services: $186 billion in U.S. merchandise exports last year and more than 3 million U.S. jobs. The lesson is clear. The dollars we send abroad through the banks come home in increased U.S. exports and more U.S. jobs.

LB-690

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If you look beyond the G-7 nations, 95 percent of the population growth, and all the most rapid economic development, is in the developing world. At the same time, we have cases like Somolia, Haiti and Bosnia, which remind us that while there are tremendous opportunities, there are also great dangers. Our challenge is to lessen the dangers, and create more opportunities.

These banks are the main sources of funding for economic and political transition in Central and Eastern Europe, in the former Soviet Union, the Middle East, and South Africa. We cannot afford to carry the burden of financing these transitions alone. We need the help we get from the development banks and, frankly, we have to do a much better job of getting this important message across to the American people.

The request for the development banks is 10 percent of the administration's overall request for international affairs this year. But the impact of the bank programs goes far beyond that figure. As you can see from my first chart, contributions from other countries and borrowings in private capital markets generate lending almost $45 billion, or 25 times the amount of our contribution, and 3.5 times our annual bilateral assistance account.

More than half of our request, nearly $1.3 billion, will go to the International Development Association for poverty reduction in the world's poorest countries. That's one of the administration's highest priorities.

Most of the rest will go to the regional development banks. Some $100 million will go to the Global Environment Facility to combat ozone depletion and global warming, protect biological diversity, and begin to clean up international waterways. This is another very high priority for us.

Some $87 million is needed to begin to reduce our arrearages to the development banks. Last year, when I first asked for your help on these overdue payments, they totaled $374 million. Now they are more than $847 million. They are from agreements negotiated by the Bush Administration and this administration believes we should honor them. With every cut in the appropriations for the MDB account, the backlog becomes larger. This is an embarrassing situation for our country. As U.S. Governor for the banks, I have to tell you that we must do something this year.

Other countries have budgetary problems, but they still make their contributions on time. And let me tell you, they are tired of U.S. arrearages that keep going up. Time is running out for us on this issue. We risk losing our influence over important bank policy decisions. We have lost some credibility with other donors already.

Last year, I listened closely to your concerns about the need to reform the development banks. I put in place a comprehensive agenda for change across the spectrum of bank operations, particularly on transparency, and cutting administrative costs.

We've had some successes. We had influence. Other countries followed our lead. But that won't happen again this year unless we get full funding for the multilateral development bank account, and start bringing down these overdue bills.

These banks promote growth and protect our interests in many areas. Look at chart #2. The banks have a geographic and financial capacity beyond that of any bilateral assistance program, including our own. They're working to reduce poverty, protect the environment, and promote sustainable development. Their programs make investments in people, and they encourage good governance and the creation of the institutions of civil society.

If you look at chart #3, you can see that loans made to support basic human needs increased this past year to more than $15.5 billion. This boosts the amounts we provide through our bilateral assistance program through AID by a factor of seven at small cost to us. We want to increase this type of lending even more in the future.

Investments in education and primary health care are crucial. There is no higher priority than making sure that girls as well as boys are educated. Furthermore, family planning must be an integral part of our efforts to improve primary health care in developing countries.

Now, some say the banks don't respond to our policy initiatives. I think they're wrong. This past year, we've shown that the banks do respond to our initiatives. Let's look at the record.

First, we have seen real progress on loan implementation and cost cutting:

At the European Bank there have been significant staff reductions, large cuts in administrative costs, more streamlined operations, and increased emphasis on field operations and private sector development. In six months, disbursements on loans more than doubled, to $665 million.

At the World Bank, there have been radical reductions in travel costs; and administrative expenses are expected to be frozen in real terms over the next three years. Substantial improvements have been made on transparency and openness. An independent inspection panel is being created to give greater protection to the rights of people affected by the Bank's projects.

Similar changes in information policies and procedures are underway at the regional banks.

Third, there is good news on sustainable development and the environment.

Next week in Geneva we will press for final agreement on the Global Environment Facility. This will be a major landmark in international environmental cooperation and a significant accomplishment for our administration. It fulfills important international obligations undertaken by the Bush Administration at the Rio environmental summit.

All the development banks are placing greater emphasis on environmental lending. Chart # 4 puts their annual lending for the environment at $2.8 billion. In this area, too, the banks increase what we can provide bilaterally by a factor of seven.

In the World Bank, we are starting to see real benefits from important policy changes in forestry, energy, agriculture and water resources. We believe these changes have altered the Bank's way of doing business and reshaped its lending program for the better. We are also pushing environmental priorities at the regional banks.

Of course, there is much more to do in these areas at all the banks. It won't happen overnight. But we are pushing ahead on several fronts. They've done what we asked. Now it's time for us to respond to these changes by meeting our financial obligations.

Let me talk about our three most important objectives for the banks in 1994 -- increasing U.S. exports, reducing U.S. budgetary costs, and reinforcing U.S. interests in strategic areas

As to the first objective, increasing exports, the most recent data we have show U.S. procurement from development bank projects at about $2.7 billion last year. This is up by $500 million over the previous year's estimate. It created or sustained 54,000 U.S. jobs, and was nearly twice the $1.5 billion we put into the banks last year. That's an 80 percent export bonus.

We already know that contracts funded by the banks go to businesses in all parts of the country. Last year, businesses in virtually every state had contracts from development bank projects.

Contracts like these mean a lot to the U.S. firms that win them, and to the men and women who are hired for the jobs that are generated as a result. I think we have been doing well in landing this business, but we want to do even better in the future. Keep in mind, however, as I said last year, that the contracts are only the tip of the development bank iceberg.

We believe that an additional $5 billion in U.S. exports to developing countries comes from development bank lending programs that encourage policy reform and promote greater economic growth and more open trading systems. As Chart # 5 shows, we estimate that overall more than $7.7 billion in U.S. exports are generated through the banks each year, creating or sustaining at least 146,000 U.S. jobs.

Development bank lending goes hand in hand with increases in U.S. exports. It improves the economic climate in developing countries. It strengthens the capabilities of individual borrowers, and makes them better customers for our goods and services. It also paves the way for follow-on business in the future.

Look at lending figures for 10 developing countries in which the Export-Import Bank has its largest exposures. Over the past three years, those countries have received more than $56 billion in loans from the development banks. As shown in Chart # 6, lending by the development banks has provided a fertile environment for much of the recent export success we have had in those ten countries.

So within the administration, we are working hard to make the development banks an integral part of our new export expansion strategy. This means closer cooperation on procurement with the banks and our own Department of Commerce, as well as with the Overseas Private Investment Company and the Trade Development Agency.

It means increasing commercial staff in the offices of U.S. Executive Directors at the banks and getting the word out earlier to U.S. firms interested in new business opportunities. We are making a special effort to promote exports of U.S. environmental goods and services, where we believe we have a large advantage.

The second objective is containing the costs of U.S. participation in the banks. We want to work closely with you in this area. Once the arrearages are resolved, my objective is to either straight-line or reduce the level of the appropriations request we make each year.

We want to control our costs by reducing paid-in portions of upcoming capital increases, and by freezing or reducing our contributions to concessional windows. For example, we anticipate a substantial reduction in our contribution to the InterAmerican Bank, without any loss in the bank's capability to lend in Latin America. And, we will continue to look for economies at the Asian Development Bank. We are also looking to co-financing techniques which will extend the financial reach of the development banks without additional cost to the U.S. Government.

The third objective is working effectively within the banks to reinforce U.S. strategic interests in regions in economic and political transition. I've gone into greater detail in my statement for the record. I want to hit a few of the highlights here about two of the regions.

In the Middle East, the World Bank is playing a critical role in the peace process. We had that donors conference last fall, and so far the Bank has mobilized $580 million for the Palestinians. In December, $50 million was approved for an emergency project in Gaza, and other projects are in the pipeline..

We're also looking forward to the elections in South Africa April 27, and to the creation of South Africa's first post-apartheid government. We have encouraged the World Bank to work closely with the new government as it comes into office. The new government will have a very full and very difficult agenda. We believe that the Bank will be ready to respond rapidly. As much as $1 billion may come into the project pipeline in the first year.

So we see the MDBs actively engaged in these two widely separated but very strategic areas of the globe. This engagement serves our country's most vital political and national security interests.

Our most important economic interests are also served when export markets for U.S. goods and services continue to grow as a result of the banks' work. This is why our request for the banks must have a higher priority this year than last.

I have outlined some of the success we have had in working this past year to improve the performance of the multilateral development banks. I have not argued that the job is done. Certainly, the banks can and must continue to improve their performance. They are on the right road now and we will continue to press them in a number of areas in the future.

Before concluding, let me briefly mention two other elements of our request. First, $100 million is needed to extend and enlarge the Enhanced Structural Adjustment Facility at the International Monetary Fund. The money, which will be spent over 15 years starting in fiscal 1997, will support loans at concessional interest rates to the world's poorest countries for economic and structural reforms, including the establishment of social safety nets. More than 40 countries are contributing, and our contribution will be less than a nickel of every dollar provided to the interest subsidy account. Our commitment to support the facility already has encouraged contributions from others, and gives us an effective voice in decision-making on reforms.

We have recently joined other creditor countries in the Paris Club in providing 50 percent debt reduction for the poorest countries. Most of the countries that will benefit are in Sub-Saharan Africa. Our fiscal 1995 request of $7 million would allow us to continue this effort, and to pursue deeper debt reduction if others in the Paris Club agree.

Thank you, Mr. Chairman. I would be very happy to answer any questions you might have.

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Table: The Elements of the Request

The Administration's request includes the following:

- $23.3 million for paid-in capital to the World Bank (IBRD). This represents part of the unfunded shortfall in our FY 1992-4 requests on of the of the U.S. payment for its subscription to the 1988 General Capital Increase, which is currently supporting over $18 billion in financing to about 60 countries.

- $1,250 million to the International Development Association (IDA) for the second installment of the U.S. contribution to the tenth IDA replenishment, which will support approximately $7 billion in commitments to the world's poorest and least creditworthy countries.

- $88.7 million to the International Finance Corporation (IFC). This includes $50 million for the fourth installment to the IFC general capital increase, and $38.7 million for payments due in prior years. This will support IFC's projected financing of $2.4 billion for loans and equity investment in private sector projects which could total more than $18 billion. For dollar the IFC invests for its own account, other lenders and investors invest about $6.5.

- $100 million to the Global Environment Facility (GEF) for the U.S. contribution to the restructured facility to provide financing to developing countries for projects which will benefit the global environment.

- $2.8 million to the Inter-American Development Bank (IDB) which will eliminate arrearages on payments due to the IDB in prior years.

- $1.0 million to the IDB's Fund for Special Operations (FSO) which will eliminate arrearages on payments due to the FSO in prior years.

- $100 million to the Multilateral Investment Fund (MIF) for the third scheduled installment of the $500 million U.S. contribution which will assist Latin American and Caribbean countries in securing necessary investment reforms to stimulate both domestic and foreign investment in the region.

- $190,000 which will eliminate arrearages on payments due to the IIC in prior years, and will complete the IIC's initial capitalization.

- $170 million to the Asian Development Fund (ADF) for the third U.S. payment to the fifth replenishment. The Asian Fund will provide resources next year of about $1.3 billion to support the poorer economies in the region.

- $133,000 of paid-in capital for the African Development Bank (AFDB) which will eliminate arrearages on payments due to the AFDB in prior years.

- $20.7 million for the African Development Fund which will go toward payment of arrearages, due to the AFDF in prior years.

- $70 million for the European Bank for Reconstruction and Development (EBRD). This payment is the fifth U.S. installment for the initial capitalization of the EBRD.

- $100 million to extend and enlarge the Enhanced Structural Adjustment Facility (ESAF). The Facility provides loans on concessional terms to support economic and structural reforms in the poorest countries, particularly those in Sub-Saharan Africa.

- $7 million for reduction of debt owed to the United States Government by the poorest countries, particularly those in Sub-Saharan Africa.

U.S. Support for Developing Countries

(US $ billions; FY 1995)

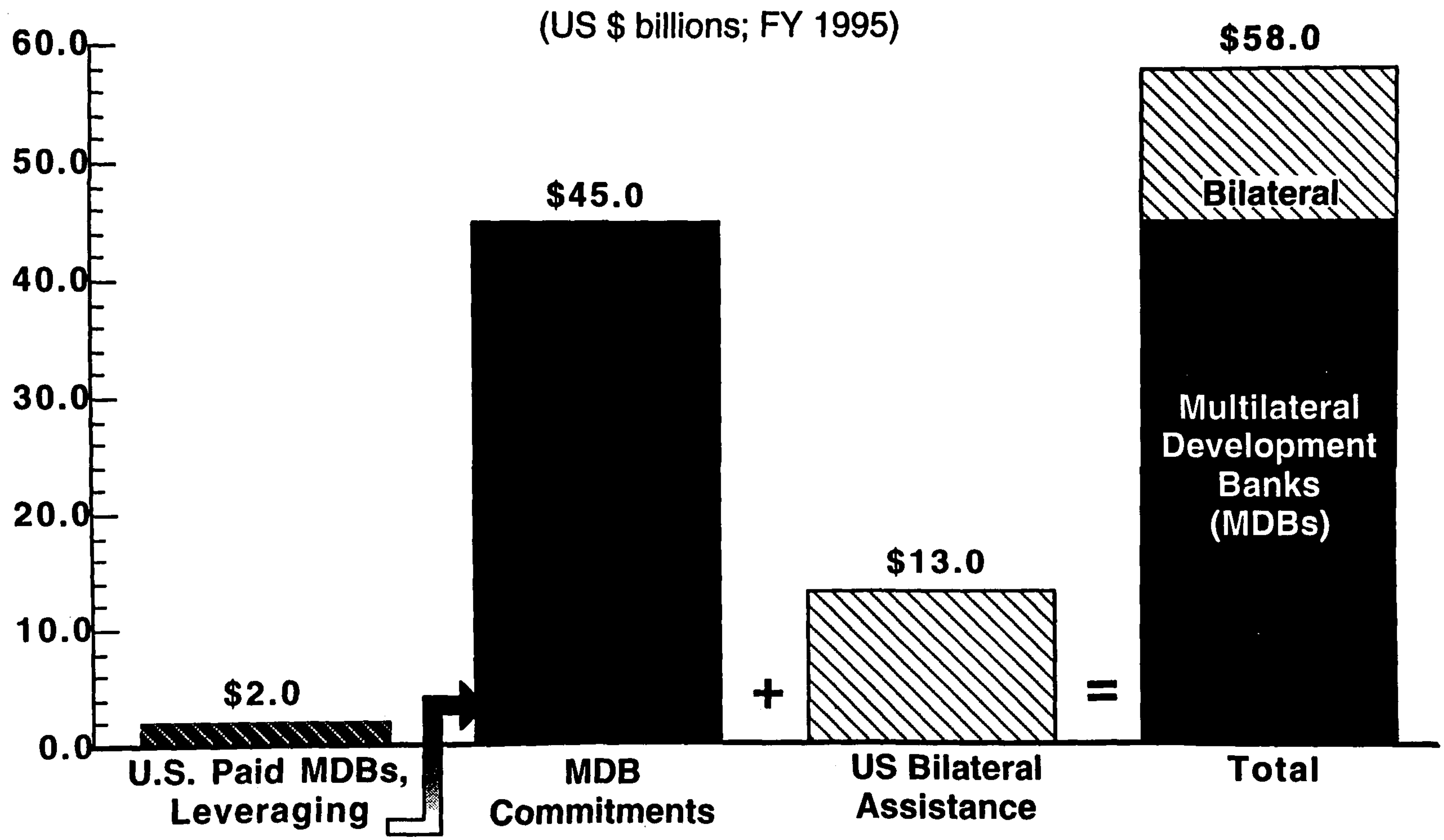


Chart 1

MDBs commit $45 billion.
U.S. cost is only $2.0 billion.

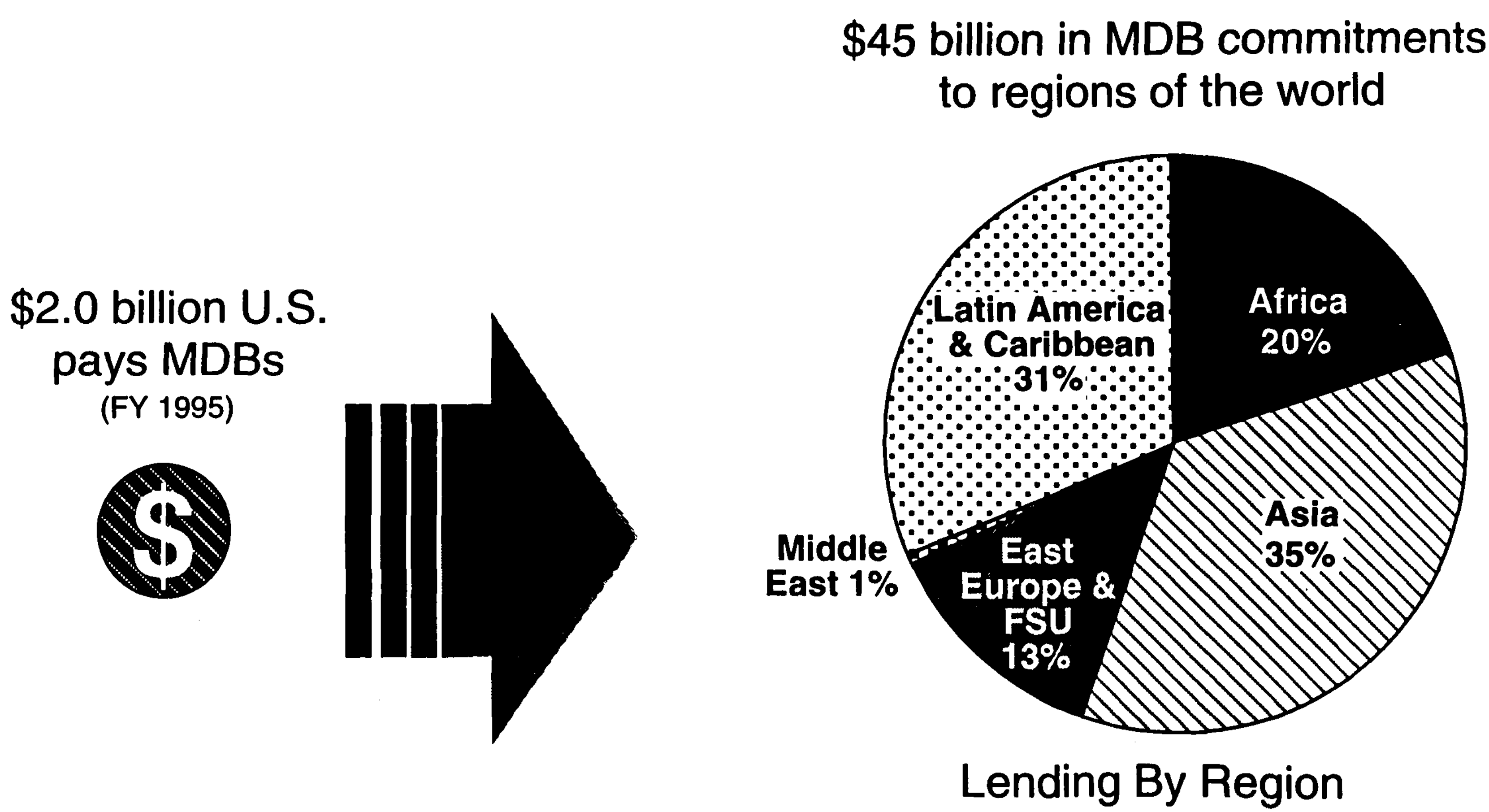


Chart 2

MDBs Support Human Needs

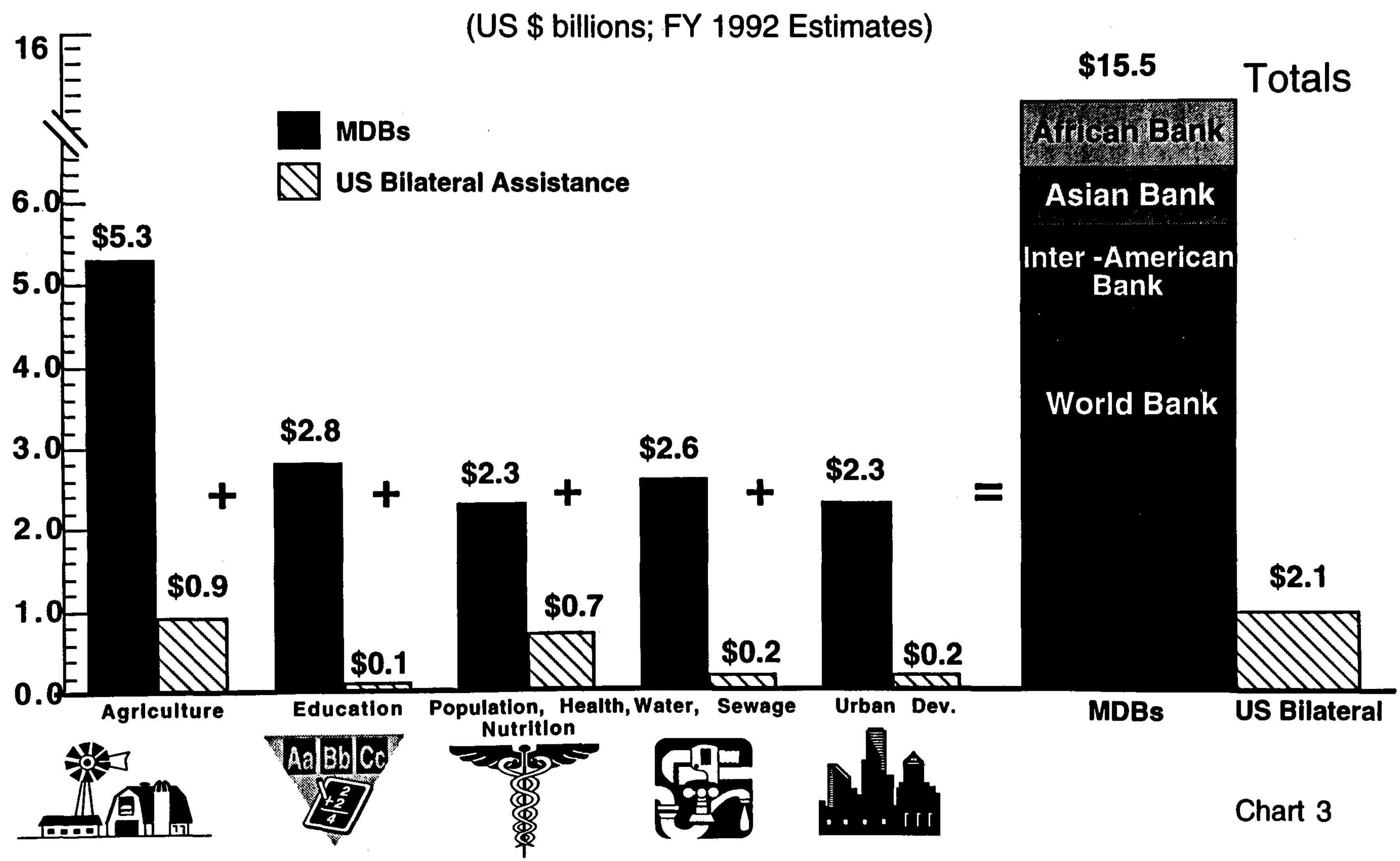
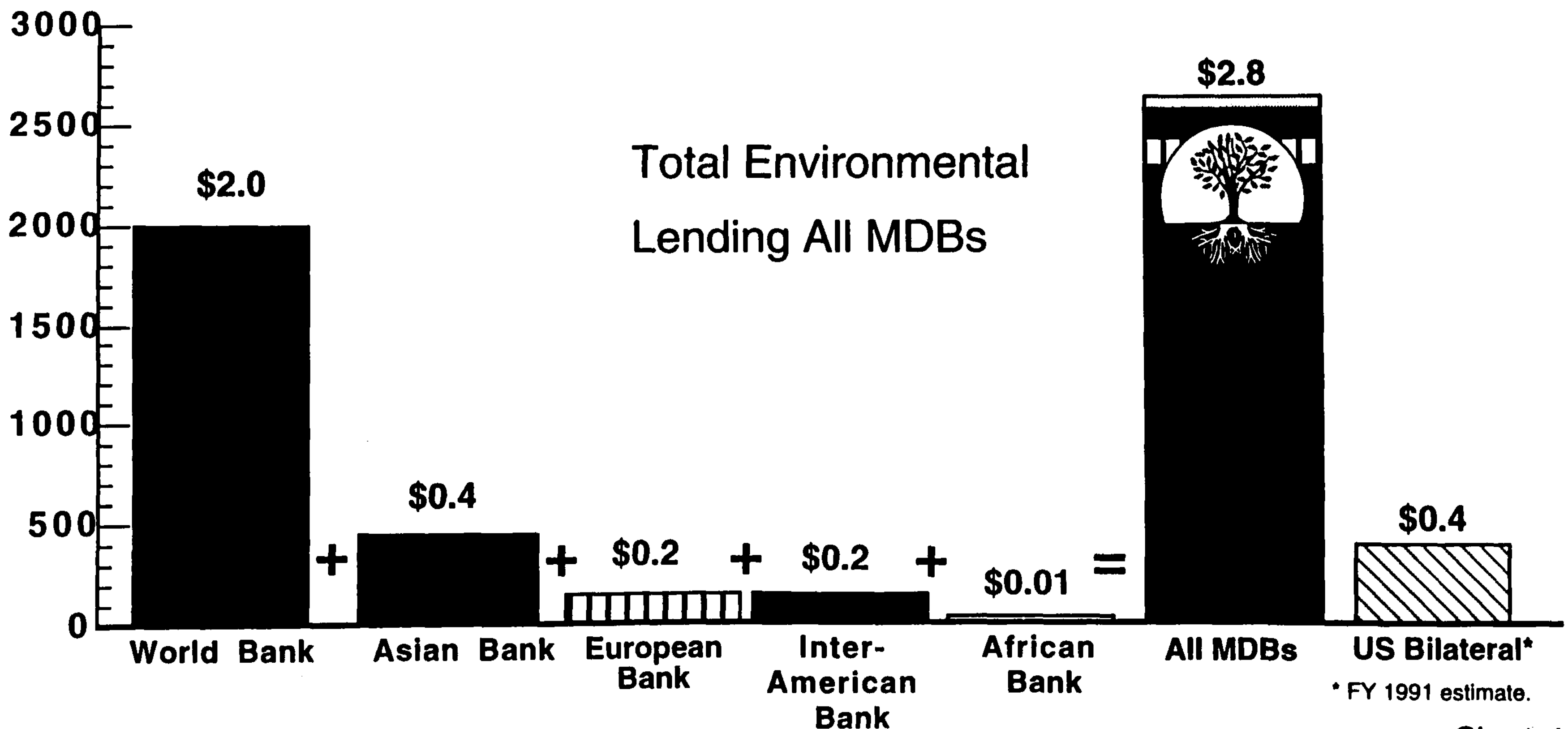


Chart 3

MDBs Support The Environment

(US $ billions; 1992 estimated environmental lending)



* FY 1991 estimate.

Chart 4

Higher U.S. Exports = More U.S. Jobs

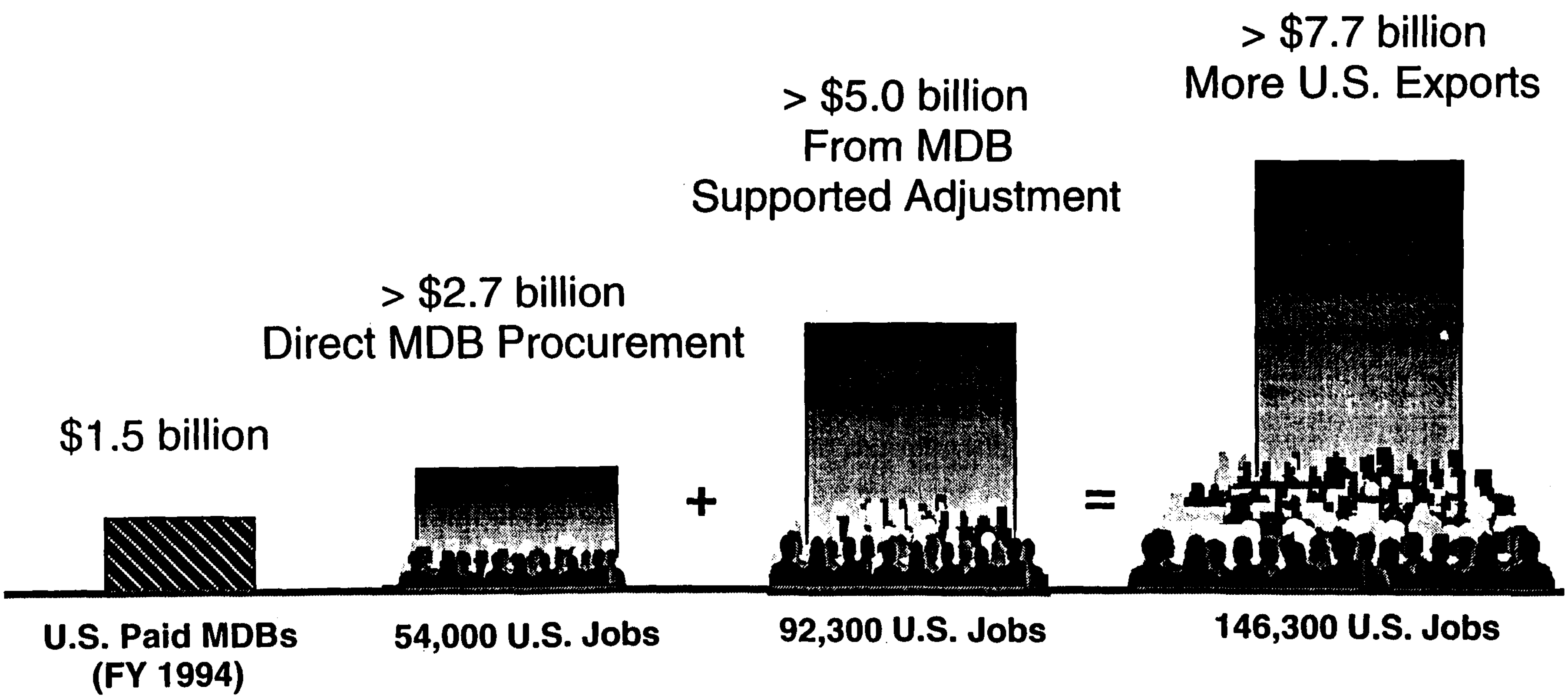


Chart 5

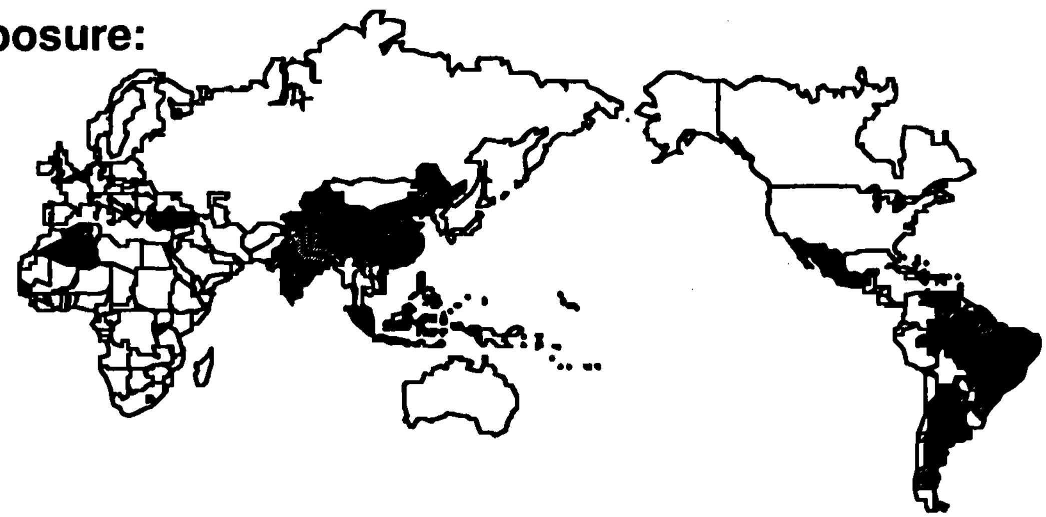
MDBs Support Important Commercial Ties

Economic Assistance to 10 key LDCs*

(US $ billions; total last three years)

***Largest Export-Import Bank Exposure:**

Mexico	Indonesia
Venezuela	Argentina
Brazil	the Philippines
Algeria	China
Turkey	India



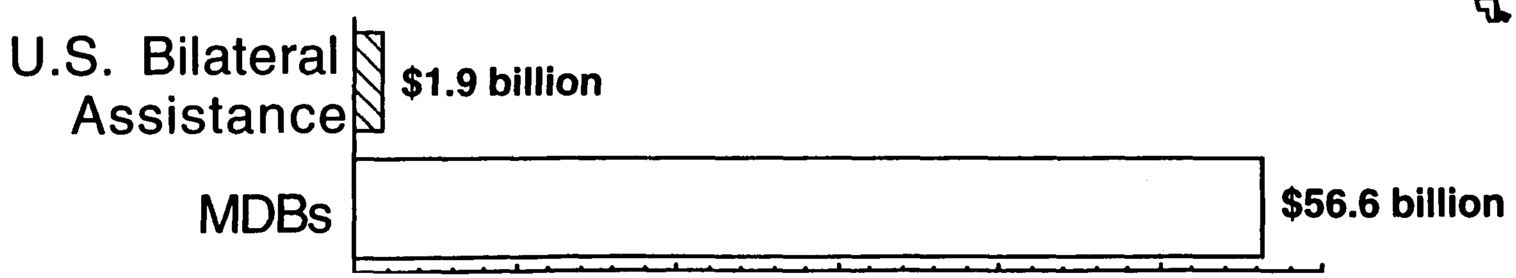


Chart 6

DEPARTMENT OF THE TREASURY
TREASURY NEWS
1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

As Prepared for Delivery
Adv. 10 a.m. EST
March 10, 1994

RECORD STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS EXPORT FINANCING AND RELATED PROGRAMS OF THE HOUSE COMMITTEE ON APPROPRIATIONS

Mr. Chairman. I am pleased to present the Administration's FY 1995 appropriations request for the multilateral development banks.

Our request is just over $2.0 billion for the multilateral development banks. In addition, there is $100 million for the Enhanced Structural Adjustment Facility and $7 million for debt reduction. The details of these programs are summarized in a separate table at the back of my written statement.

I cannot let this hearing pass without commenting on the remarkable changes in the U.S. economy over the past twelve months. Thanks in large part to the budget bill passed last summer, there is new confidence and increased optimism about our country's economic future.

Growth is strong, and unemployment is coming down. Investment is up, and this means we're on a course we can maintain. All indications point to steady and sustainable economic growth over the rest of the decade. These are major accomplishments in which we can all take pride.

But there is a second part to this story: the U.S. role in increasing global growth. More and more, this is where the economic action is. As President Clinton has said: the U.S. must be engaged abroad if we want to do well at home. That's why NAFTA and GATT are so important. That's also where the multilateral development banks come in.

LB-691

(MORE)

Economic growth and development is what the banks do. They do this job better than anyone else. Their lending programs have helped turn developing countries into the most rapidly expanding export market for U.S. goods and services: $186 billion in U.S. merchandise exports last year and more than 3 million U.S. jobs. The lesson is clear: the dollars we have sent abroad through the development banks come back home in increased U.S. exports and more U.S. jobs.

If you look beyond the G-7 nations, 95 percent of the population growth, and all the most rapid economic development, is in the developing world. At the same time, we have cases like Somolia, Haiti and Bosnia, which remind us that while there are tremendous opportunities, there are also great dangers. Our challenge is to lessen the dangers, and create more opportunities.

Threats to U.S.national security interests will continue in the post Cold War era. But the opportunities I spoke of are there. Important economic and political transitions are under way in Central and Eastern Europe, in the former Soviet Union, and in the Middle East and South Africa.

The development banks are the main sources of funding for these transitions. The United States must do its part, but we cannot afford to carry that burden by ourselves. We need the help we get from the development banks and, frankly, we have to do a much better job of getting this important message across to the American people.

The request for the development banks is 10 percent of the Administration's overall request for International Affairs this year. But the impact of the bank programs goes far beyond that 10 percent figure. As you can see from my first chart, contributions from other countries and borrowings in private capital markets generate lending of $45 billion. That is almost 25 times the amount of our contribution, and 3.5 times our annual bilateral assistance account.

More than half of our $2.0 billion request, nearly $1.3 billion, will go to the International Development Association for poverty reduction in the world's poorest countries. Poverty reduction is one of the Administration's highest priorities.

Most of the rest will go to the regional development banks. Some $100 million will go to the Global Environment Facility to combat ozone depletion and global warming, protect biological diversity, and begin to clean up international waterways. This is another very high priority for us.

Some $87 million is needed to begin to reduce our arrearages to the development banks. Last year, when I first asked for your help in clearing them up, these overdue payments were $374 million. Now they are more than $847 million. These amounts are from agreements negotiated by the Bush Administration and this Administration believes we should honor them. With every cut in the appropriations for the MDB account, the arrearages have become even larger. This is an embarrassing situation for our country.

We have hard choices to make on the budget this year. Some people will say that $87 million to begin to reduce these backed up payments is not that important. I disagree. As U.S. Governor for the banks, I am obligated to tell you: we must do something this year to begin to reduce those arrearages.

Other countries have budgetary problems, but they still manage to make their contributions on time. And let me tell you, they are tired of U.S. arrearages that keep going up every year. Time is running out for us on this issue. We risk the loss of our influence over important policy decisions within the banks. We have lost some credibility with other donors.

Last year, I listened closely to your concerns about the need to reform the development banks. I put in place a comprehensive agenda for change: poverty reduction, population and family planning, environment, transparency, improvements in loan implementation, and cuts in administrative costs.

We were successful in carrying out a large part of that agenda. We were persuasive. We had influence. Other countries followed our lead. But that won't happen again this year unless we get full funding for the multilateral development bank account. That means full funding for the current request and beginning to reduce those arrearages.

As I said earlier, the development banks are in the thick of the action on the international economic front. Together, they are the largest single source of official financing for economic growth and development. The economic policies they promote increase growth and protect U.S. interests in many countries around the world. The banks have a geographical and financial capability beyond the reach of any bilateral assistance program, including our own. Percentages of lending by region are shown in chart # 2.

The banks also work hard to reduce poverty, protect the environment, and promote sustainable development. Their programs make investments in people, and they encourage good governance and the creation of the institutions of civil society.

If you look at chart #3, you can see that loans made to support basic human needs increased this past year to more than $15.5 billion. This boosts the amounts we provide through our bilateral assistance program through AID by a factor of seven at small cost to us. We want to increase this type of lending even more in the future.

Investments in education and primary health care are crucial. There is no higher priority than making sure that girls as well as boys are educated. Furthermore, family planning must be an integral part of our efforts to improve primary health care in developing countries.

Some say the development banks don't respond to U.S. policy initiatives. I think they're wrong. This past year, we've shown that the banks do respond to our initiatives. Let's look at the record.

First, we have seen real progress on loan implementation and cost cutting:

> At the European Bank there have been: significant staff reductions, large cuts in administrative costs, more streamlined operations, and increased emphasis on field operations and private sector development. In six months, disbursements on loans more than doubled from $307 million to $665 million.
>
> At the World Bank there have been radical reductions in travel costs; and administrative expenses are expected to be frozen in real terms over the next three years. We are also pushing new initiatives emphasizing rapid disbursements through decentralized operations and on-the-ground activities in borrowing countries.

Second, substantial improvements have been made on transparency and openness.

> At the World Bank a new and more open information policy is now in place. A reading room containing a wide range of information on loans has been opened to the public. Similar changes in information policies and procedures are underway at the regional banks. Some are already in place; others are being negotiated as part of replenishment agreements.
>
> An independent inspection panel is being created to give greater protection to the rights of people affected by the Bank's projects. We have made a major effort to see that the right people are appointed to that panel.

Third, there is good news on sustainable development and the environment.

Next week in Geneva we will press for final agreement on the Global Environment Facility. This will be a major landmark in international environmental cooperation and a significant accomplishment for our Administration. It fulfills important international obligations undertaken by the Bush Administration at the environmental summit in Rio de Janeiro in 1992.

All of the development banks are placing greater emphasis on environmental lending. Chart # 4 puts their annual lending for the environment at $2.8 billion. In this area too, the banks increase what we can provide bilaterally by a factor of seven.

In the World Bank, we are starting to see real benefits from important policy changes in forestry, energy, agriculture and water resources. We believe these changes have altered the Bank's way of doing business and reshaped its lending program for the better.

We are also pushing environmental priorities at the regional banks. New environmental policies are to be created for key economic sectors and quantitative goals established for lending in the social sectors.

Of course, there is much more that needs to be done in these areas, both in the World Bank and in the regional development banks. All of it will not come overnight, but we are continuing to push ahead on many fronts. They've done what we asked. Now it is time that we follow through on our financial obligations.

Let me talk about three of the most important objectives we have for the multilateral development banks in 1994: Increasing U.S. exports; reducing U.S. budgetary costs; and reinforcing U.S. interests in strategic areas

As to the first objective, increasing our exports, the most recent data we have show U.S. procurement from development bank projects running at about $2.7 billion last year. This was an increase of $500 million over the previous year's estimate of $2.2 billion. It created or sustained 54,000 U.S. jobs and was nearly twice the $1.5 billion we put in last year, giving us an export bonus of eighty percent.

We already know that contracts funded by the banks go to U.S. business firms in all parts of the country. Some specific disbursements from last year were: $650,000 to OPICO in Mobile, Alabama; $12.7 million to Bechtel in San Francisco, California; and $11.8 million to U.S. Chemical Resources in Tampa, Florida.

There was $11.4 million to Caterpillar in Peoria, Illinois; $4.9 million to Arthur D. Little in Massachusetts; $9.9 million to Cargill in Minneapolis, Minnesota: and $ 15.4 million to Foster Wheeler in Livingston, New Jersey. More than $12 million went to business firms in Iowa, including $1.3 million to Little Giant Crane Company in Des Moines. I don't want to forget $23.0 million to Somat Drilling in Houston, Texas or $1.6 million to the Case Company in Racine, Wisconsin.

Contracts like these give a boost to the U.S. economy. They mean a lot to the U.S. firms that get them and to the men and women who get jobs that are generated as a result. I think we have been doing well in getting this business, but we want to do even better in the future. Keep in mind, however, as I said last year, that the contracts I have just mentioned are only the tip of the development bank iceberg.

We believe that an additional $5.0 billion in U.S. exports to developing countries comes from development bank lending programs that encourage policy reform and promote greater economic growth and more open trading systems. As Chart # 5 shows, we estimate that more than $7.7 billion in U.S. exports are generated through the development banks each year, creating or sustaining at least 146,000 U.S. jobs.

Development bank lending goes hand in hand with increases in U.S. exports. It improves the economic climate in developing countries. It strengthens the capabilities of individual borrowers and makes them better customers for U.S. goods and services. It also paves the way for follow-on business in the future.

Let's look at lending figures for 10 developing countries in which the Export-Import Bank has its largest exposures. Over the past three years, those ten developing countries have received more than $56 billion in loans from the multilateral development banks. As shown in Chart # 6, this multilateral development bank lending has created a fertile environment for the recent export success we have had in those 10 countries.

So within the Administration, we are working hard to make the development banks an integral part of our new export expansion strategy. This means closer cooperation on procurement issues with the development banks and our own Department of Commerce as well as with the Overseas Private Investment Company and the Trade Development Agency.

It means increasing commercial staff in the offices of U.S. Executive Directors at the banks and getting the word out earlier to U.S. firms interested in new business opportunities. We are making a special effort to promote exports of U.S. environmental goods and services, where we believe we have a large advantage.

The second objective is containing the budgetary costs of U.S. participation in the multilateral development banks. We want to work closely with you in this area. Once the arrearages are behind us, my objective is to either straight-line or reduce the level of the appropriations request we make to you each year.

We want to cut our costs by reducing paid-in portions of upcoming capital increases and by freezing or reducing our contributions to concessional windows. For example, we anticipate a substantial reduction in our contribution to the InterAmerican Bank, without any loss in the bank's capability to lend in Latin America. We are also looking to co-financing techniques which will extend the financial reach of the development banks without additional cost to the U.S. Government.

The third objective is working effectively within the development banks to reinforce U.S. strategic interests in regions in economic and political transition. At the start of my statement, I emphasized how we depend on the banks for a great deal of the money that must accompany the process of transition in those regions. Let me make a few remarks about what we are trying to accomplish through the banks in just two of those regions.

The Middle East:

> Last fall I joined with Secretary Christopher in convening a donors conference in support of Middle East Peace. In many respects, the Palestinians will have to build their economy from the ground up. The World Bank is playing a critical role in the peace process: providing technical assistance and mobilizing financial support.
>
> So far, the Bank has mobilized $580 million for the Palestinians. Broad agreement has also been reached on the emergency and technical assistance programs. In December, $50 million was approved for an emergency assistance project in Gaza, and other projects are in the pipeline.

South Africa:

> We look forward to elections on April 27, and to creation of South Africa's first post-apartheid government. We have encouraged the World Bank to work closely with the new government as it comes into office.
>
> The new government has a very difficult agenda in critical areas such as job creation, housing, education, health services, and support for small scale enterprises. We believe the Bank will be ready to respond rapidly to policies and priorities in these areas. As much as $1 billion may come into the project pipeline in the first year.

On another African issue, the devaluation of the common currency in West Africa, we have congratulated these countries on taking that very difficult but necessary step and asked the World Bank to undertake new financial programs to provide additional support.

So we see the multilateral development banks actively engaged in these two widely separated but very strategic areas of the globe. This engagement serves our country's most vital political and national security interests.

Our most important economic interests are also served when export markets for U.S. goods and services continue to grow as a result of the banks' work. This is why our request for the banks must have a higher priority this year than last.

I have taken time this morning to outline some of the success we have had in working this past year to improve the performance of the multilateral development banks. I have not argued that the job is done. Certainly, the banks can and must continue to improve their performance. They are on the right road now and we will continue to press them in a number of areas in the future.

Before concluding, let me briefly mention two other elements of our request. First, $100 million is needed to extend and enlarge the Enhanced Structural Adjustment Facility at the International Monetary Fund. The money, which will be spent over 15 years starting in fiscal 1997, will support loans at concessional interest rates to the world's poorest countries for economic and structural reforms, including the establishment of social safety nets. More than 40 countries are contributing, and our contribution will be less than a nickel of every dollar provided to the interest subsidy account. Our commitment to support the facility already has encouraged contributions from others, and gives us an effective voice in decision-making on reforms.

We have recently joined other creditor countries in the Paris Club in providing 50 percent debt reduction for the poorest countries. Most of the countries that will benefit are in Sub-Saharan Africa. Our fiscal 1995 request of $7 million would allow us to continue this effort, and to pursue deeper debt reduction if others in the Paris Club agree.

Thank you, Mr. Chairman. I would be very happy to answer any questions you might have.

-30-

Table: The Elements of the Request

The Administration's request includes the following:

-- $23.3 million for paid-in capital to the World Bank (IBRD). This represents part of the unfunded shortfall in our FY 1992-4 requests on of the of the U.S. payment for its subscription to the 1988 General Capital Increase, which is currently supporting over $18 billion in financing to about 60 countries.

-- $1,250 million to the International Development Association (IDA) for the second installment of the U.S. contribution to the tenth IDA replenishment, which will support approximately $7 billion in commitments to the world's poorest and least creditworthy countries.

-- $88.7 million to the International Finance Corporation (IFC). This includes $50 million for the fourth installment to the IFC general capital increase, and $38.7 million for payments due in prior years. This will support IFC's projected financing of $2.4 billion for loans and equity investment in private sector projects which could total more than $18 billion. For dollar the IFC invests for its own account, other lenders and investors invest about $6.5.

-- $100 million to the Global Environment Facility (GEF) for the U.S. contribution to the restructured facility to provide financing to developing countries for projects which will benefit the global environment.

-- $2.8 million to the Inter-American Development Bank (IDB) which will eliminate arrearages on payments due to the IDB in prior years.

-- $1.0 million to the IDB's Fund for Special Operations (FSO) which will eliminate arrearages on payments due to the FSO in prior years.

-- $100 million to the Multilateral Investment Fund (MIF) for the third scheduled installment of the $500 million U.S. contribution which will assist Latin American and Caribbean countries in securing necessary investment reforms to stimulate both domestic and foreign investment in the region.

-- $190,000 which will eliminate arrearages on payments due to the IIC in prior years, and will complete the IIC's initial capitalization.

-- $170 million to the Asian Development Fund (ADF) for the third U.S. payment to the fifth replenishment. The Asian Fund will provide resources next year of about $1.3 billion to support the poorer economies in the region.

-- $133,000 of paid-in capital for the African Development Bank (AFDB) which will eliminate arrearages on payments due to the AFDB in prior years.

-- $20.7 million for the African Development Fund which will go toward payment of arrearages, due to the AFDF in prior years.

-- $70 million for the European Bank for Reconstruction and Development (EBRD). This payment is the fifth U.S. installment for the initial capitalization of the EBRD.

-- $100 million to extend and enlarge the Enhanced Structural Adjustment Facility (ESAF). The Facility provides loans on concessional terms to support economic and structural reforms in the poorest countries, particularly those in Sub-Saharan Africa.

-- $7 million for reduction of debt owed to the United States Government by the poorest countries, particularly those in Sub-Saharan Africa.

U.S. Support for Developing Countries

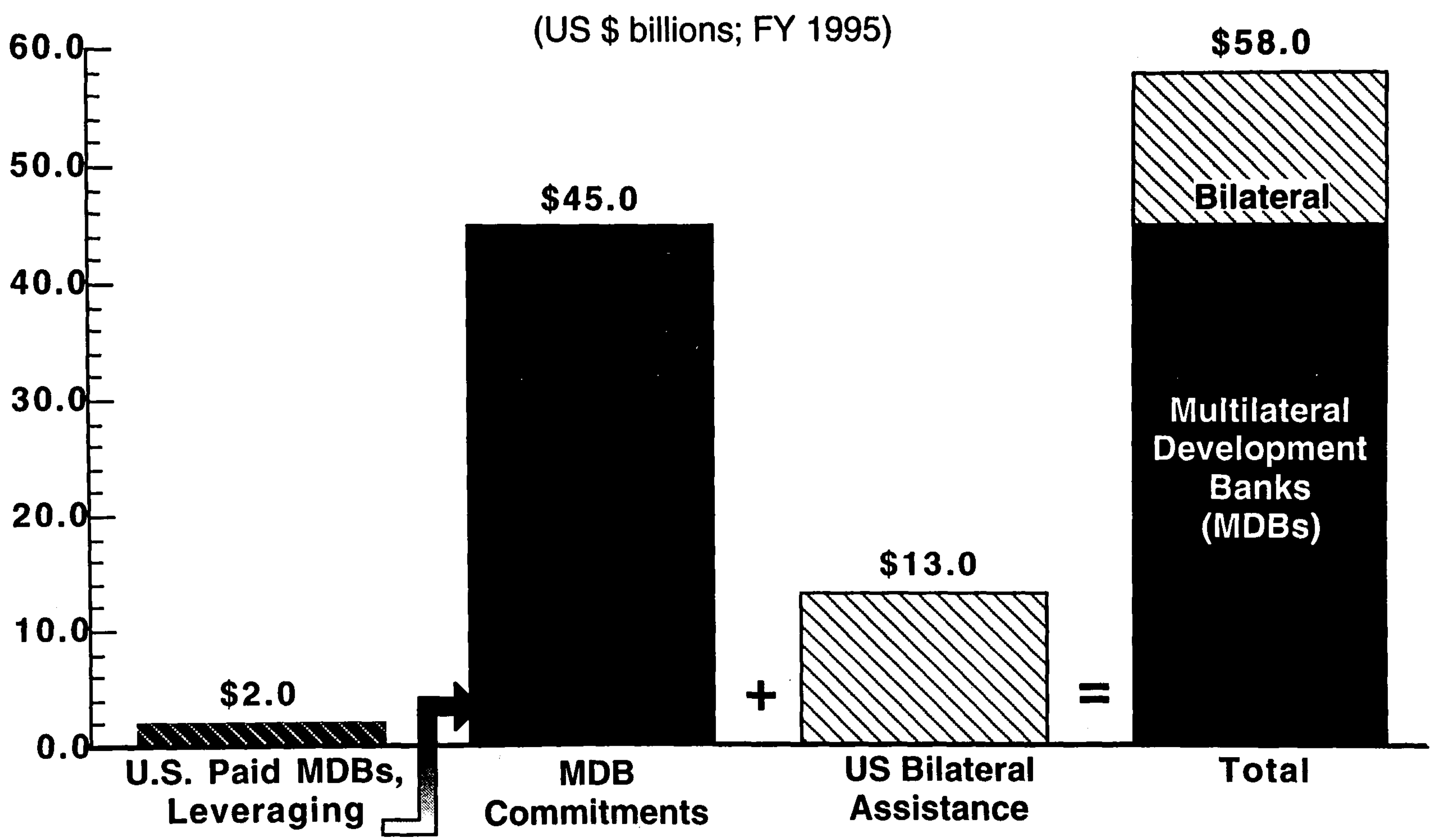


Chart 1

MDBs commit $45 billion.
U.S. cost is only $2.0 billion.

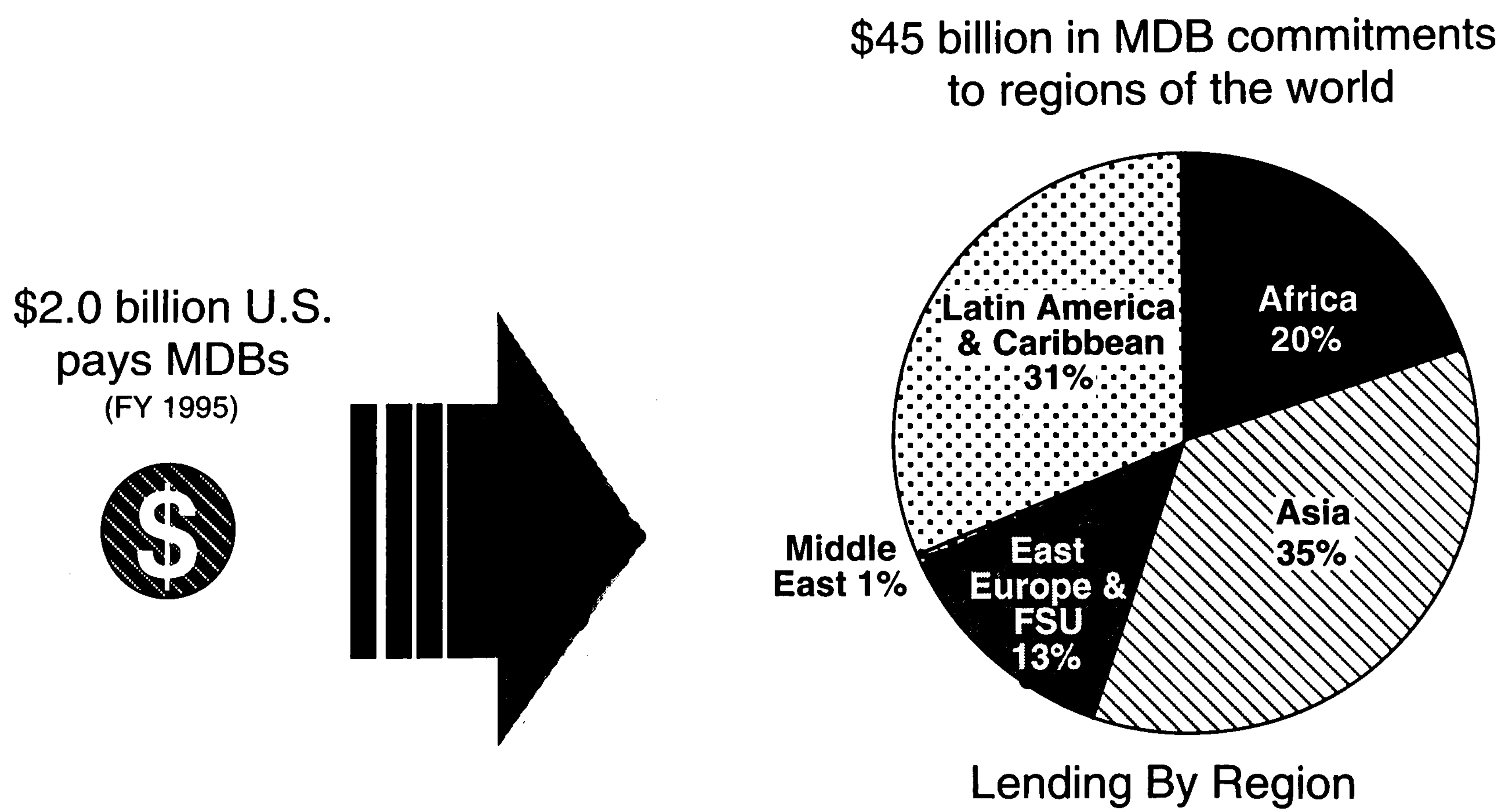


Chart 2

MDBs Support Human Needs

(US $ billions; FY 1992 Estimates)

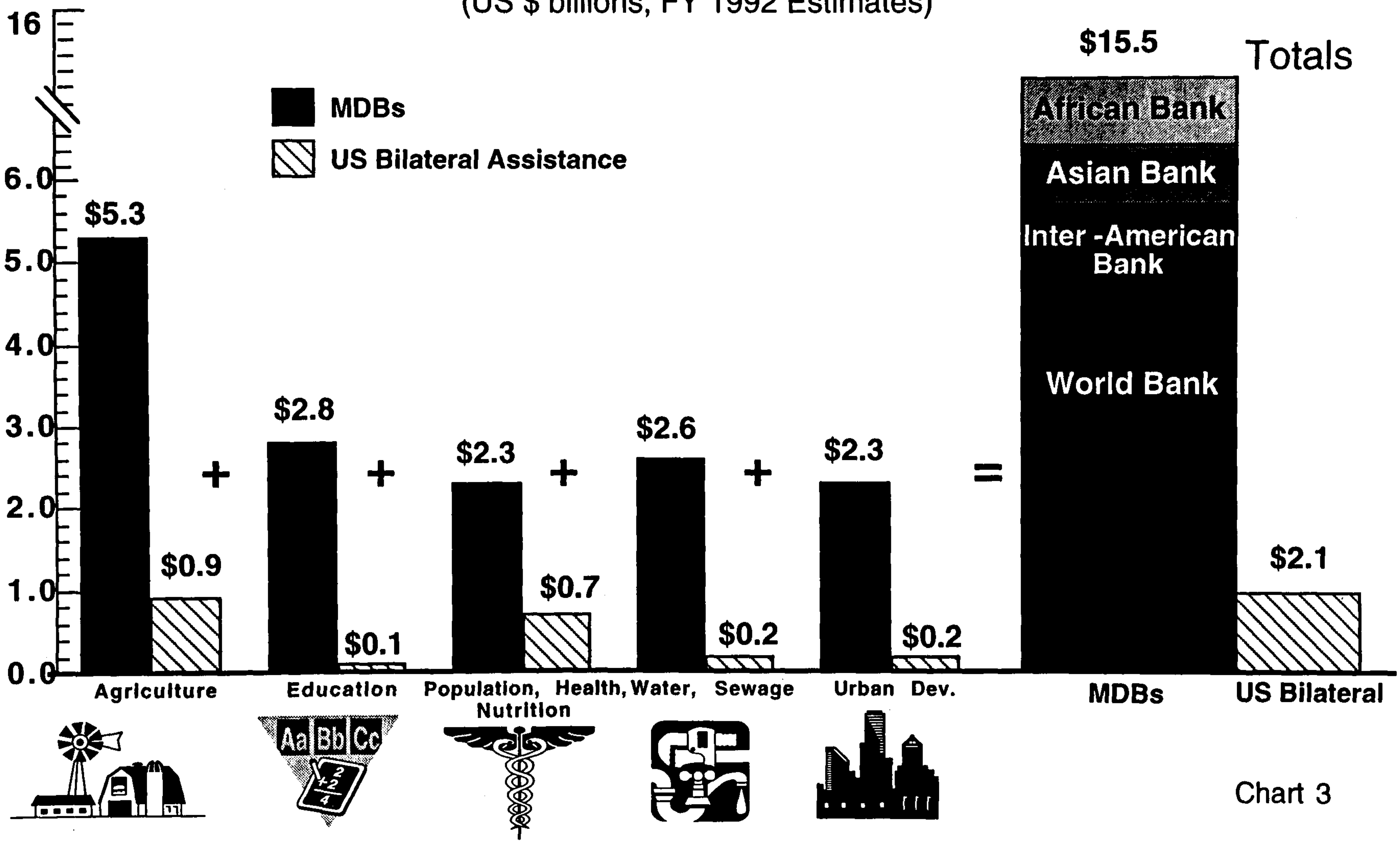
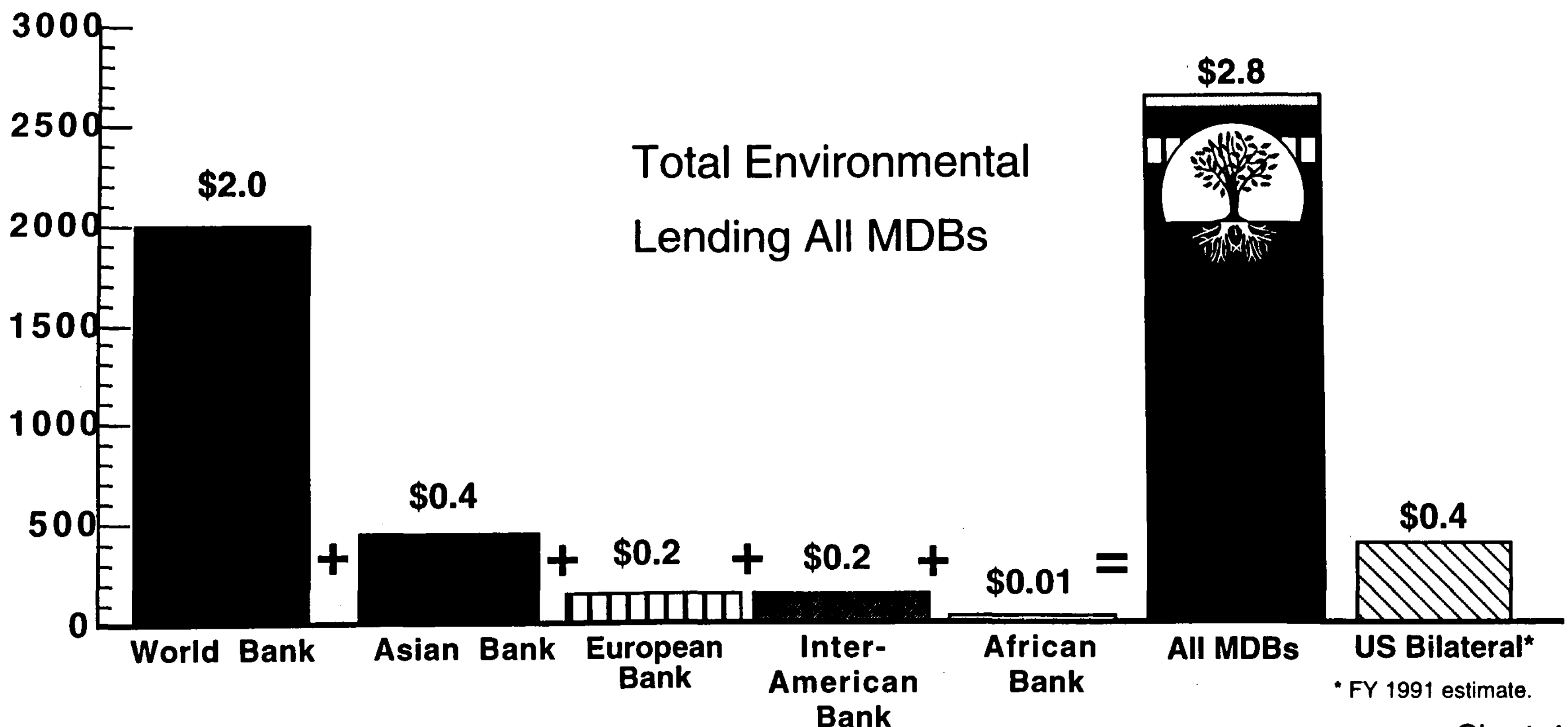


Chart 3

MDBs Support The Environment

(US $ billions; 1992 estimated environmental lending)



* FY 1991 estimate.

Chart 4

Higher U.S. Exports = More U.S. Jobs

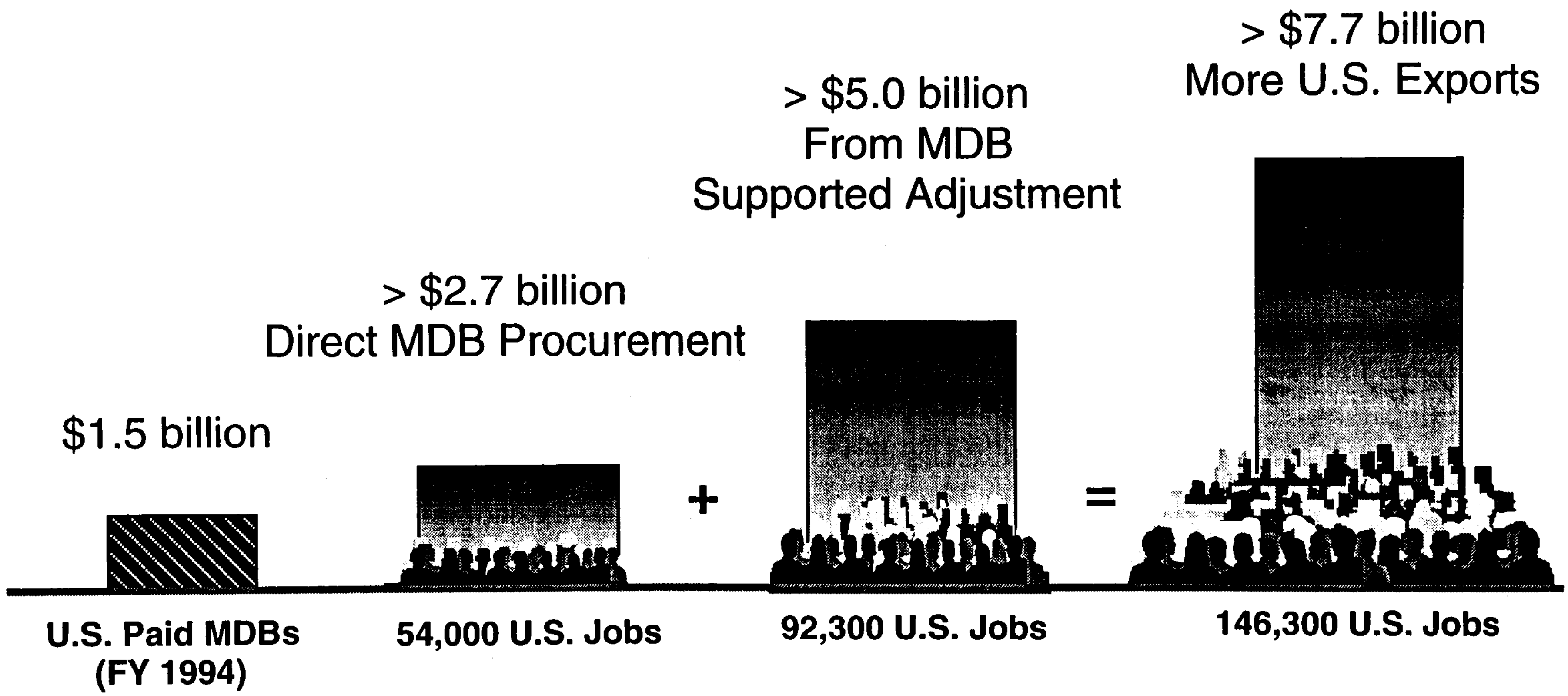


Chart 5

MDBs Support Important Commercial Ties

Economic Assistance to 10 key LDCs*

(US $ billions; total last three years)

***Largest Export-Import Bank Exposure:**

Mexico	Indonesia
Venezuela	Argentina
Brazil	the Philippines
Algeria	China
Turkey	India

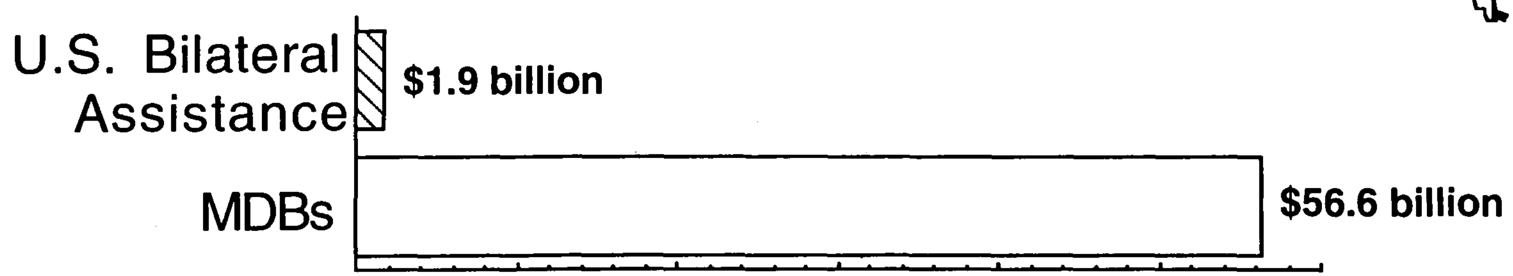


Chart 6

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
March 8, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $25,200 million, to be issued March 17, 1994. This offering will provide about $725 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $24,474 million.

Federal Reserve Banks hold $5,723 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,298 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

LB-692

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED MARCH 17, 1994

March 8, 1994

Offering Amount	$12,600 million	$12,600 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 L2 8	912794 N3 4
Auction date	March 14, 1994	March 14, 1994
Issue date	March 17, 1994	March 17, 1994
Maturity date	June 16, 1994	September 15, 1994
Original issue date	December 16, 1993	March 17, 1994
Currently outstanding	$13,090 million	---
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Standard time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Standard time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 9, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN EARNED INCOME TAX CREDIT AWARENESS CAMPAIGN THE WHITE HOUSE

Spreading the word about both the Earned Income Tax Credit, and the advance payment provision, is a priority for me not only because we handle this program through the IRS, but also because Treasury has more than 10 percent of the eligible employees throughout the entire federal government. There are hundreds of thousands of federal employees potentially eligible for this credit.

I have told all our managers to make certain that Treasury employees know about the credit, and the advance payment option. I know my colleagues from other departments with a large number of eligible employees share our desire to let their employees know about these.

It's tax time now, and it's easy for our employees, and those in the private sector, to claim the credit as a lump sum with their tax return. But it's also just as easy for them to sign up for the advance payment option at work for this year by filling out the W-5 form.

The good news is that the sign-up rate for the EITC program among those who are eligible is quite high -- in the mid 80 percent range. We want that rate to come up. But we also want to see the sign-up rate for the advance payment rise. Right now, it's just one percent. Particularly in high-cost areas, like Washington and elsewhere, the advance payment tax credit will make a significant difference in the regular paychecks of those who are eligible -- in some cases up to $100 a month. That can take a lot of the pressure off, and because 40 percent is left for a lump-sum credit at tax time, there's still a savings factor available for our employees.

It is our responsibility in the Cabinet to make certain that the valuable workers we have in the lower levels of the federal government, the ones all of us count on so much for support, know that the EITC and the advance payment credit are there for them. The best way to do that is through the work place.

-30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
MARCH 8, 1994

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN

I am very conscious of the serious concerns raised about several meetings between present and former Treasury officials and White House staffers concerning matters that have some relationship with Madison Savings and Loan Association. As I've said before, I did not attend any of these meetings. I have the highest regard for the integrity of the hard-working public servants who attended the meetings.

Nevertheless, I understand the concerns about ethics and appearances that have arisen. Accordingly, I directed Treasury staff to work with the Office of Government Ethics to assemble all of the facts and circumstances about these meetings. In this way, OGE can advise me about any ethics or conflicts matters that may arise from these facts. This fact-finding effort is currently far from complete.

As you know, last Friday, March 4, Treasury and several senior officials were served with subpoenas by Special Counsel Robert Fiske for any and all documents and other materials related to these meetings. The subpoenas directed that responsive documents be produced on March 10 and that several individuals testify before a grand jury on the same date. We are taking extraordinary steps at the Department to ensure full and prompt compliance with the subpoenas. The Department's Executive Secretary directed the identification, collection and preservation of all documents and other material responsive to the subpoena. In addition, Treasury staff has been instructed not to shred or otherwise destroy any documents, regardless of the subject matter, until the Department has complied fully with the subpoena.

I understand that Special Counsel Fiske yesterday asked the Acting Inspector General of the Treasury Department not to undertake an IG investigation of these meetings that was requested last week by Congressman Frank Wolf. I also understand that Special Counsel Fiske has sent letters to Senator Riegle, Chairman of the Senate Banking Committee, and Representative Gonzalez, Chairman of the House Banking Committee, requesting that congressional hearings not be held on these matters. Further, I understand that OGE has requested a meeting with Special Counsel attorneys to discuss the OGE review of these meetings.

(MORE)

Given all of these circumstances, it would serve no purpose for me to discuss these meetings in any detail today. This is not the time or place. Nor have I gathered the facts regarding these meetings. As Chairman of the Thrift Depositor Protection Oversight Board, I take my responsibilities very seriously. Congress limited the Board's and my involvement solely to policy oversight over the RTC and instructed that neither it nor I become involved in case-specific matters involving individual institutions or the day-to-day operations of the RTC.

I believe that this is the most careful and thorough, and fairest way to deal with these issues. It ensures that Special Counsel Fiske and OGE have the unimpeded opportunity to collect and organize all the relevant information. Of course, Treasury will cooperate fully with OGE and Special Counsel Fiske. Again I want to reiterate my appreciation for the dedication and hard work of Treasury staff. I'm anxious for OGE to complete its work and look forward to receiving their advice.

I appreciate your support and understanding in this matter.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 9, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
ECONOMIC STRATEGY INSTITUTE
WASHINGTON, D.C.

FOR IMMEDIATE RELEASE
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March 9, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
ECONOMIC STRATEGY INSTITUTE
WASHINGTON, D.C.

I saw your program. I think Clyde Prestowitz stole a page from the trade negotiators and set numerical targets on how many speakers you can hear in a day. If I knew I'd be last in the line-up -- after about 20 -- I'd have negotiated a better spot!

Well, they tell me the theme of this is "trade policy and economic growth." I'll reverse that tonight.

I'll talk economic growth, then trade policy because that's the order we used in the first year.

Thirteen months ago I went to London -- to my first G-7 summit with Finance Ministers. I told the others our first priority was to get the budget deficit down.

They were delighted. For years they had been telling us to get our house in order, and we hadn't listened.

In 1992, we had the fourth highest budget deficit as a percent of GDP among the seven countries. The average was 4 percent, and we were half a point above that.

I just returned last month from a G-7 meeting in Germany. The situation has reversed.

In 1994, among the seven, we'll have the second lowest budget deficit as a percent of GDP. Second lowest. Only Japan is lower.

The average is 4.2 percent. We're more than a point below that. What a turnaround.

We saw the American economy grow 7.5 percent in the fourth quarter. We won't see that kind of strength repeated. Last time that happened was 10 years ago.

But the fundamentals for sustained economic growth are very positive. Business investment is up -- 16 percent last year. Corporate earnings are up. Consumer confidence is up.

More than 2 million jobs have been created in the last 13 months. That's more than were created in the previous four years.

I pick up the paper now, and I read about American manufacturers hiring factory workers, hiring engineers, and expanding production. Employment in the manufacturing sector is up five straight months.

Look how much more competitive our companies are. They've kept constant labor/unit costs. Any increase in wages has been made up for by increases in productivity. They've made the kinds of capital investments that make them world competitive. They're ready to take on the world.

Low interest rates have helped. I can remember 10 years ago, when the Japanese had 1 percent interest rates and they'd have some warrants with some conversion privileges out there to a stock that was selling at 100 times earnings. Their cost of capital compared to what we were paying was an enormous disadvantage to our businesses.

Or look at what the interest rates were in the Bundesbank in Germany. They were so much lower than ours. That's not the case any more. Now it's our long-term rates that are competitive.

A large part of this is due to deficit reduction. Last year, when the markets saw we were serious about deficit reduction, interest rates fell.

They've crept up lately. But I want to make a point about that. This is the first time since I can remember when blame for rising interest rates is not the deficit. We're $126 billion ahead of where we'd be now on cutting the deficit than if we had done nothing.

No one is saying: "See, interest rates are up because the deficit is up." No, interest rates are up because of growth.

And if you put the rates in historical perspective -- they aren't high. I remember when the prime rate was 19 percent and inflation was 13 percent -- and you try selling houses then.

We're growing faster than any of the G-7 countries. I think that the Europeans and the Japanese would gladly trade spots with us.

There's nothing I want more than to see those economies growing. No way can we turn the trade deficit around, unless we see an up-tick in Europe and Japan. Unemployed Europeans make lousy consumers of American products.

Between 1986 and 1993, our overall growth was 16.5 percent. But our growth in exports was 81 percent. Without that kind of export performance, the recession would have been longer, and more severe.

So, that's the economy. Let's talk trade.

Last year, we had a big success -- NAFTA.

I knew the potential of Mexico. President Salinas and I have been friends for years. I've seen what he's done. The solid growth in Mexico. Bringing inflation down into the single digits. Restructuring Mexico's international debt. Attracting foreign capital.

When you sign up with a partner, you don't want a weak one. You want a strong one. Mexico is emerging as a strong partner for us. It's committed to economic growth, and that will be good for them and good for us.

On the weekend, I was on the Texas-Mexican border where I grew up -- in the Rio Grande Valley. It's exploding because of Mexican business.

Look around the country -- look at the Midwest. Last January and February, the auto industry shipped about one thousand vehicles to Mexico. This January and February, they shipped about 6,000. That's what NAFTA has done for us.

We're headed to Detroit next week for a jobs conference with our G-7 partners. The President and Vice President are coming. I'll be there, along with Bob Reich, Ron Brown, Laura Tyson, Bob Rubin, and all of our counterparts.

We have a simple purpose: we want to talk about our problems.

Unemployment is too high here, especially if you live in California. But it's double digit in most of the European countries and Canada.

We want to exchange ideas about what policies help companies create jobs. And which ones hurt.

You have industries and jobs that won't come back. We need to talk about re-training people to use the new technologies; about educating people; about jobs, and not just the number, but the quality; about supporting people -- and doing it in a way that they don't lose their desire to work.

We're all different. Every country will have different circumstances. But we're all linked in that we all trade with each other. And we hope to talk about this.

Now, you probably talked a lot about Japan today. I understand Ambassador Kantor was here. So, I won't get into it too much, but let me say this.

Different times call for different actions.

I can remember when I first came to this town as a Congressman. We helped Japan and Europe rebuild after the war. That's what we needed to do in the '50s.

We had an open market, and they prospered. It was open in the '60s. Open in the '70s. Open in the '80s. And it's open in the '90s. And Japan has benefited.

They've caught up with us economically -- passed us in many ways. But they sure haven't caught up with us on opening their markets.

It's like we had been playing golf with a fellow that had just started the game, and so we gave him an enormous handicap. But as he got his swing back together, and as he began to sink his putts, we never adjusted the handicap. That's why it's important that we get ourselves on an equal footing and open up these markets.

You can't get there trade concession by trade concession. We've tried -- some 30 times. And in terms of market openness, Japan is not there. They know it.

It hurts their consumers. Japanese wages are about 30 percent higher than ours, but our standard of living here is much higher than theirs. Why? Because we've had open markets, and that has increased competition, and that has lowered consumer prices.

We're not going to solve our trade deficit problem, unless we solve our problem with Japan. It should not surprise them to see the President take a tougher stand.

But let's not get so focused on Japan, that we take our eye off of the rest of Asia, or Latin America, or the developing countries around the world. That's where you'll see the growth.

In 1986, our exports to developing countries were 32 percent of our total exports. Last year, it was 40 percent.

Since '86, our exports to those countries grew, on average, 14 percent a year. Our exports to the industrialized countries, in the same time frame, grew under 9 percent.

So, I'll tell you what I'm doing right after I meet with the Europeans. I'm hosting a meeting of finance ministers from both sides of the Pacific. The Asian Pacific Economic Cooperative forum.

Canada, Mexico, Australia, Brunei, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, Papua New Guinea, the Philippines, Singapore, Chinese Taipei, and Thailand. And we've invited Chile.

We're talking about a market of 2 billion people; we're talking about countries that make up 50 percent of the world's output, and it'll be 55 percent in the year 2000; we're talking about Asian economies that in the last decade have grown more than twice as fast as the rest of the world.

And guess what? The finance ministers of these nations have never met in one room.

Maybe I've met half of them. Maybe.

If I have a concern, and I want to pick up a phone and call some of them, I can't put a face to a voice.

That'll change. On March 18th and 19th, we'll get together. The President picked Detroit for his G-7 meeting. I picked Hawaii!

We'll all come casual.

I want to talk about our concerns. Will we have a consensus on everything when it's all done? Of course not. But we'll understand where we have differences.

I want to talk about opportunities with them.

How to keep the good times rolling, because as they grow, as the incomes in the region grow, that's opportunities to sell U.S. products.

I want to talk banking with them.

Every country has its own banking system. In this country, you go into a bank to ask for a loan. They look at your credit risk, and they say yes or no.

In some of those countries, it's not done that way. You see government tell the banks who to lend money to. Or you see a situation where interest rates are fixed -- sometimes too high and sometimes too low.

And I want to talk about financing with our friends in Asia. For this region to sustain its high growth rates, it needs a lot of private investment. I want to expand the ministers' appreciation for foreign investment as a source of funding for both private investment and for their heavy infrastructure needs.

When you grow like those countries, you need infrastructure: power plants, water treatment facilities, roads, and bridges.

You don't always have to get a loan from a bank to pay for a new power plant. There are equity investments. There are bonds.

To illustrate the differences, here, our companies live or die on Dun and Bradstreet ratings. In some of those countries, they don't even have a rating agency.

I aim to get my colleagues talking about how their own domestic banking and securities markets could work better to meet their investment priorities.

Over regulation, interest rate controls, and the limited scope of foreign firms to serve these markets -- that keeps them from performing at their best.

We have our differences. But there are opportunities. I think if we understand each other better, then we can mutually benefit in the long term.

In the end, that's what we want. Strong trading partners, where every nation comes out a winner.

Let me end with this. This past year, there have been many people in government who have been pushing American products.

Starting with our President. Our Secretary of State. Our Commerce Secretary. Our Trade Ambassador. And this Treasury Secretary.

And in many cases, we've been successful.

I've heard some people say: "What are they doing in Washington? Is that Presidential? Is that Secretarial-like?"

I come from the business world. I ran a business for 16 years.

I want you to know that every time I go to a city and meet with foreign leaders, I'm not there for a photo op.

I go in with a list of things American businesses are trying to accomplish in that area.

I'm not embarrassed by that. I'm proud of it.

It's been a good year. The economy is doing well. Many businesses are doing well. And I'm just looking to expand relationships with some trading partners.

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Statement of Ronald K. Noble

Assistant Secretary
(Enforcement)

U.S. Department of the Treasury
Before the Subcommittee on Commerce, Consumer, and Monetary Affairs
House Committee on Government Operations
March 10, 1994

Mr. Chairman and members of the Subcommittee:

I am pleased to be here this morning to discuss the FY 1995 budget for the United States Customs Service, and particularly the program we have for enforcement of textile and apparel trade laws. Enforcement of our textile quota agreements has long been a high priority for the Customs Service and it continues to be a high priority under President Clinton's Administration. I am accompanied here this morning by George Weise, who is the Commissioner of Customs, and Sam Banks, the Acting Deputy Commissioner of Customs.

Let me begin by discussing the resources we have in the FY 1995 budget for textile enforcement, and then I would like to go on to discuss enforcement of the textile provisions of the North American Free Trade Agreement and textile quota enforcement generally.

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FY 1995 BUDGET FOR TEXTILE ENFORCEMENT

The FY 1995 budget for the Customs Service submitted by the President contains $18 million additional dollars and 186 new positions for commercial enforcement. Of this, 100 positions are for textile and apparel enforcement. The total resources provided for commercial enforcement generally and for textile enforcement particularly exceed the levels promised by the President in his November 16 letter to you and other members of Congress, which committed to an additional $15 million for enforcement of textile rules as well as other competitiveness trade matters.

Customs estimates that the resources for textile enforcement will be split about evenly between enforcement of the NAFTA textile provisions and other textile enforcement. Of course, these estimates are based on current information. Customs is prepared to reallocate resources to respond to new information as we receive it.

Customs is also developing plans to ensure that these resources are used in the most effective manner. Commissioner Weise will be pleased to discuss these plans in detail.

ENFORCEMENT OF NAFTA TEXTILE PROVISIONS

Let me turn to enforcement of the textile provisions of the NAFTA. Clearly, I cannot promise that enforcement will be perfect and that no circumvention of the NAFTA will ever occur. But we are optimistic about our ability to be highly effective in enforcing the NAFTA because the mechanisms for effective enforcement were designed into the NAFTA itself. Unlike either Canada or Mexico, the U.S. had enforcement people at the negotiating table from the very beginning, in every important negotiating group, to ensure that enforcement considerations were taken into account. In fact, the lead U.S. negotiator for NAFTA rules of origin and rules for customs administration was from Treasury's enforcement office.

1. <u>Rules of Origin</u> - One of the principal enforcement concerns in negotiating the NAFTA was that the rules of origin, that is, the rules for determining whether goods are eligible for tariff preference, be easy to verify. What we got in the NAFTA satisfies that concern. The NAFTA origin rules are modeled on the rules of the U.S.-Canada Free Trade Agreement. Essentially, they define eligibility for preference in terms of physical transformation of materials rather than in terms of value added in the region, which is difficult to verify.

As you know, the textile rules of the NAFTA embody what is known as the "yarn-forward" principle. With some exceptions, textile and apparel goods qualify for preference if the yarn from which they are made is formed in the NAFTA area and all subsequent processing is performed within the area. While under an origin rule that specifies a minimum regional value added require weeks or even months of effort by trained accountants can be required in order to verify eligibility for tariff preference, verification of the textile origin under the "yarn-forward" principle in most cases involves simply assuring ourselves that the yarn is produced here. That fact can be confirmed relatively quickly and it can be confirmed by someone who is not a trained accountant. A visit to factories where goods and materials are produced, plus a check of purchasing, shipping , and production records maintained by the exporter and his suppliers, can give us reliable evidence of whether textile goods meet the requirements of the NAFTA.

Additionally, the verification can be repeated as frequently as necessary. This is not the case for origin rules that require extensive, and expensive, financial audits.

2. NAFTA Provisions for Verification -

In addition to having textile rules that allow easy verification, the NAFTA also provides new mechanisms for verification. Chapter Five of the NAFTA provides that each of the NAFTA Parties can send teams of its own customs officers into other NAFTA countries to verify claims for NAFTA tariff preference. The NAFTA refers to this, in a deliberately nonprovocative way, as "verification visits". In the course of a verification visit the customs officers may inspect the factory, interview company officers, and examine any records that are relevant to their inquiry. They may track back through the production process, for example, to the stage of yarn production, until they are satisfied that they have verified a claim for NAFTA preference. They may also send detailed questionnaires to manufacturers in other NAFTA countries to obtain needed information. Failure of a NAFTA manufacturer to respond to a questionnaire or to agree to a verification visit entitles the NAFTA Party conducting the verification to suspend preferential treatment for that manufacturer.

In addition, all NAFTA Parties have agreed that any person in their territories who falsifies a NAFTA certificate of origin will be treated as having made a false statement to his own government, and may be penalized under domestic laws. This is a feature of NAFTA that was not present in the U.S.-Canada Free Trade Agreement.

Finally, in order to ensure that non-NAFTA goods are not simply transshipped through a NAFTA country, the Customs Service has the ability to send in on short notice what are called "jump teams", to verify that textile products claimed to be produced at a factory are in fact produced at that factory.

3. Detection of Violations

Another factor that bolsters our confidence in our ability to enforce the NAFTA is the dependability of information we get from industry sources about suspected violations. Our experience over many years satisfies us that in the textile industry no one lets a competitor get away with anything unfair. Industry sources keep us aware not only of major, across-the-board violations but also of violations in very specific product sectors.

It is a time-honored axiom in law enforcement that an alert citizenry is the best defense against crime. Nowhere among our citizenry is there greater alertness than among our textile industry.

4. Cooperation of Mexican and Canadian Governments

Finally, we have every reason to expect that our NAFTA partners will be fully cooperative in enforcing the textile provisions of the NAFTA. We have already enjoyed a good experience with Canada on FTA enforcement matters. We expect the same sort of relationship with Mexico.

I believe you know that during the NAFTA negotiations the Government of Mexico took very strong positions with respect to protection of the benefits of NAFTA textile trade for the NAFTA Parties. Recently, Mexico has taken unusually strong measures to ensure that Chinese textiles are not entered into Mexico in circumvention of antidumping duties that they impose on Chinese fabric. It is clear that the Mexican Government and the Mexican textile industry have no intention of allowing non-NAFTA textiles goods transshipped through Mexico to exploit the NAFTA tariff benefits for which Mexico has paid with other NAFTA concessions.

I might also point out that during the administration of President Salinas the Mexican Government has taken extraordinary steps to upgrade competence and reduce corruption within the Mexican customs administration. We have made every effort to help them modernize their customs systems and in some areas they have actually surpassed us.

NON-NAFTA TEXTILE ENFORCEMENT

Beyond enforcement of the tariff preference rules of the NAFTA, we are also taking steps to strengthen our ability to deal with circumvention of our textile quotas. There are several
factors that make administration of textile quotas difficult. The most important is that our textile quota program is comprised of a set of bilateral agreements with producing countries, negotiated under the auspices of the Multifiber Agreement. Consequently, we can't simply count the total number of units entering the U.S. in each quota category to determine whether a quota is filled. We must assign each shipment to the quota allocation of a particular country. Obviously, when a country's quota in a particular category is about to be filled there is a strong incentive to transship those goods through another country.

As one might expect, textile transshipment occurs primarily in a range of quota categories that get filled early. However, currently most of our problems have been with sheets and shop towels from Pakistan; and knit shirts and sweaters, woven shirts and pants, and nylon jackets from China. There is transshipment in other product sectors but the main problems are here.

The first element of our enforcement plan is to get better cooperation from other countries, both textile producing countries and countries through which textiles are transshipped. We are having some success with this effort. For example, Pakistan has agreed to report suspicious shipments, such as shipments to bank consignees and to unlikely destinations. They are cooperating because, among other reasons, they don't want multiple charges against their quotas as a penalty if their textile products are transshipped.

We also have a continuing effort to identify the countries through which transshipments occur. We have transshipment occurring in over fifty countries, some covered by textile agreements with the U.S., some not covered. As a general matter, domestic producers in agreement countries oppose transshipment because they don't want their quotas lost to transshipments. However, certain agreement countries have quotas that exceed their export capabilities, or have no quotas on the types of merchandise being transshipped, and we know that to some extent they are being used to transship goods produced in other countries.

Several countries have offered statistics on shipments from China and Pakistan through their territories to the United States, and Customs continues to improve on its capability to analyze trade data to detect changes that indicate transshipments.

With the Uruguay Round Agreement the system of bilateral quota arrangements will be phased out. However, as long as those quotas are in place we are committed to vigorous and effective enforcement.

COUNTERFEITING OF UNITED STATES CURRENCY

As you requested, I would also like to discuss briefly the threat posed to United States by new technologies for counterfeiting.

Prior to 1991 the primary overt security features for United States currency were:

-- distinctive paper of 100 percent natural fiber with imbedded red and blue security fibers;

-- obverse and reverse of the notes were printed by engraved/intaglio printing. This allowed for a distinctive, fine line design; and

-- seals and serial numbers were typographic. This is a distinctive printing style which is indented into the paper.

In 1991 the first new design elements for enhanced security were added to U.S. currency. The new features, a denominated security thread and microprinting, were introduced primarily to thwart counterfeiting on advanced color copiers and have been very effective.
However, continuous developments in the field of reprographics and the increasing threat of international counterfeiting require continued research and development into new security features for the future. These efforts are coordinated with other government agencies through the Advanced Counterfeit Deterrence Steering Committee (ACDSC), which is composed of representatives from the Department of the Treasury, U.S. Secret Service, the Bureau of Engraving and Printing, and the Federal Reserve System.

The ACDSC is part of the Four Nations Advanced Counterfeit Deterrence Group. The members of this group are the Bank of England, the Bank of Canada, the Reserve Bank of Australia, and representatives from the United States. Some of the low-level deterrents used by these other nations are:

-- Watermarks:	Canada and United Kingdom
-- Windowed Security Thread:	United Kingdom
-- Optical Variable Device:	Canada
-- Hologram and Shadow Vignette:	Australia
-- Multiple Color Background Tints:	Canada, United Kingdom, and Australia
-- Plastic Substrate:	Australia

The Bureau of Engraving and Printing (BEP) currently is chairing a new design task force under the ACDSC that will recommend new security measures to the Secretary of the Treasury during 1994.

These recommendations will result from research and evaluation conducted by BEP in cooperation with the National Academy of Sciences. Additionally, a Securities Technology Institute has been established by BEP that will be located at an internationally renowned laboratory and will focus its efforts on the development of innovative security features for the next century. There has as yet been no decision as to what might be recommended and, for obvious reasons, I would be reluctant to discuss in open session what options might be under consideration.

Mr. Chairman, this concludes my prepared remarks. Commissioner Weise also has a statement, I believe, and then we shall both be pleased to answer questions.

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March 10, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

The legislation submitted by Senators Paul Simon and Frank Lautenberg will make a major contribution to our shared goal of removing guns from our streets, keeping firearms out of the hands of felons, and curbing the number of federal firearms licenses.

Asking a reasonable fee for a federal firearms license, suspending the licenses of dealers convicted of felonies, requiring federal license holders to comply with all federal gun laws, and making records falsification a felony are entirely appropriate. These steps are long overdue.

We hope that this legislation will put an end to those illegitimate gun dealers who make a practice of selling firearms out of the trunks of their cars or on street corners in the middle of the night.

I commend Senator Simon and Senator Lautenberg for introducing legislation that will accomplish much of what the Administration is seeking.

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STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

First, let me reiterate that I did not attend any of the meetings between Treasury and White House officials. And let me point out something for those who haven't read the fine print of the law. As Chairman of the RTC Oversight Board, it means I am also prohibited by Congress from intervening, in any fashion, in any case at the RTC. My staff knew that from the first day I walked in to Treasury.

Second, when the extent of the meetings became evident -- although I have every confidence in the officials at Treasury -- I moved immediately to ask the Office of Government Ethics to review what had taken place and let me know if there were ethics problems or conflicts that arose because of these meetings.

And third, I want to give you some idea of how we've cooperated with the Special Counsel in his investigation.

I hesitate to say come look in my basement at Treasury, because someone would probably call me a pack rat. But we've been holding back our trash to the point that I've had to use a warehouse in Alexandria to hold the overflow. There are 15 special investigators and internal auditors going through our files on my floor alone.

And you know these lawyers, they want everything that remotely resembles a document. We had technicians in all day yesterday taking out the computers in the offices of our most senior people. I even told them to take mine. I doubt they'll find much. I do most of my work with a No. 2 pencil.

I've insisted on all of this because I want no stone unturned. We want the truth out, and we're doing everything possible to assist Mr. Fiske in his investigation.

(MORE)

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Two more quick points: First, the Treasury Department's Acting Inspector General decided to conduct an investigation after Congressman Wolf asked for one. Treasury's IG is as independent of me as Mr. Fiske is of the White House. He listened to Mr. Fiske, and concluded on his own to let Mr. Fiske conduct his work without any parallel investigation getting in the way.

And second, Mr. Fiske has asked Congress to let him do his job without the possibility that even inadvertently Congress might do something that could jeopardize his work. I agree with him.

I served on the Hill for nearly 30 years. I've seen the institution change, improve, evolve. I know the importance of congressional oversight. But I've also seen the desire for instant answers in the glare of lights get in the way of justice. That's a mistake. Let's not repeat it.

The President and I want the facts out, quickly. You want the facts out, and the American people want the facts out. Congress asked for a Special Counsel. Now there is one. We ought to let him do his job. If, when he's done, the American people don't think he answered all their questions, then we can take a fresh look at the matter.

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FOR IMMEDIATE RELEASE
March 10, 1994

Contact: Hamilton Dix
(202) 622-2960

TREASURY SECRETARY ANNOUNCES BANK SECRECY ACT ADVISORY GROUP

Treasury Secretary Lloyd Bentsen Thursday announced the selection of 30 members to a special panel to give the Department advice on strengthening anti-money laundering programs and simplifying currency reporting forms.

The Bank Secrecy Act (BSA) Advisory Group, chaired by Treasury Assistant Secretary for Enforcement Ronald K. Noble, also will review recordkeeping requirements for wire transfers and sales of monetary instruments such as travelers checks, cashiers checks, bank drafts and money. In addition, the group will look at the procedures for exempting retail and other accounts from Treasury reporting requirements and the definition of financial institutions subject to the reporting requirements.

"We must keep money launderers out of our financial institutions and businesses," said Bentsen. "The group's work will greatly expand the Department's review of its regulations and anti-money laundering programs." Bentsen also renewed his commitment to reduce the Department's reporting burdens while simultaneously ensuring that law enforcement officers be able to spot and track suspicious transactions.

The broad-based advisory group contains officials from federal and state government units, banking and other private sector enterprises where money laundering activities are sometimes attempted and law experts.

"This is a unique opportunity to work closely with industry experts and law enforcement officials in developing effective programs to prevent financial crime," said Noble.

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(more)

Mr. Noble has designated as Vice Chairmen: Derrick Cephas, Superintendent, New York State Banking Department; John Medlin, Chief Executive Officer, Wachovia Bank; and, Daniel Riley, Executive Vice President, Bank of America.

Advisory Group members from the private sector are: Susanne V. Boxer, President, Houghton National Bank; John Byrne, Senior Federal Legislative Counsel, American Bankers Association; J. Peter Kitzmiller, Counsel, National Automobile Dealers Association; Ezra Levine, Attorney at Law, Howrey and Simon; Howard Mandlebaum, Executive Director, National Check Cashers Association; William C. Murtha, Counsel, New Jersey Casino Association; LuAnne Thompson Plantico, First Vice President, Asheville Savings Bank; Ed Pluhar, Vice President, The Farmers Bank; Pamela P. Reis, Executive Vice President, First Interstate Bank of California; Amy Rudnick, Attorney at Law, Milbank, Tweed, Hadley & McCloy; Betty Santangelo, Senior Counsel, Office of General Counsel, Merrill Lynch Co.; Leonard Springs, Senior Vice President, First Union National Bank; Susan Sweeney, Vice President for Compliance and Security, Thomas Cook; Sarah N. Welling, Professor of Law, University of Kentucky; and Jane Wexton, Vice President, Citibank.

Representing the public sector are Ronald K. Noble, Assistant Secretary for Enforcement, Faith S. Hochberg, Deputy Assistant Secretary, (Law Enforcement), Peter G. Djinis, Director, Office of Financial Enforcement, Julius McGruder, Acting Director, Financial Crimes Enforcement Network (FinCEN), Jean Hanson, General Counsel, Fé Morales Marks, Deputy Assistant Secretary, Financial Institutions Policy, Robert Serino, Office of the General Counsel, Comptroller of the Currency, and Donald K. Vogel, Assistant Commissioner (Criminal Investigation), Internal Revenue Service, Department of the Treasury; Theodore S. Greenberg, Chief, Money Laundering Section, Department of Justice; Dan Morales, Attorney General, State of Texas; Henry S. Marsden, Acting Deputy Director for Supply Reduction, Office of National Drug Control Policy; and, Richard Small, Special Counsel, Special Investigations and Examinations Section, Federal Reserve Board of Governors.

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FOR IMMEDIATE RELEASE
March 11, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN
PRESS BRIEFING ON JOBS CONFERENCE
THE WHITE HOUSE

At the Tokyo summit last July it was clear that in all the G-7 countries the principal concern of our electorates was jobs. Raising up employment and bringing down unemployment is at the heart of what G-7 leaders want to do.

The President believes -- very strongly -- that creating a healthy economy requires much more than yet another agreement on fiscal policy, or inflation or interest rates. It takes workers with skills and training to work productively, and businesses eager to hire new employees.

Therefore, it makes sense to have a conference looking at the problem in more than just narrow macroeconomic terms. Successfully encouraging job creation depends heavily on structural reform policies -- making changes that mean the answer is yes when workers ask: Are there jobs out there? Am I qualified? Is training available? Does it pay a living wage? Can I get assistance while I'm learning? In this conference we hope to have a real exchange about these issues, and others, that affect people so deeply.

Let me make three points.

First, this conference is a chance for us to share experiences. No one country has a lock on how to create jobs. We can learn from one another.

Second, there was a recognition at the summit that it would be valuable for governments and people in each country to understand that unemployment isn't unique to any country. So this conference will educate Americans, citizens of other nations, and the ministers about the dimensions of the problem.

(MORE)

LB-700

Third, at the summit there also was an understanding that each of us has a significant stake in the success or failure of our G-7 partners. Without mutual success at economic and employment growth, we cannot see growth in the markets to which we all want to send our exports. High unemployment makes it more likely that any one country will close its markets. If that happens, it only raises the risk that other's will fail to maintain open markets as well.

So, we're going to highlight the importance of the unemployment problem. We'll exchange ideas and lessons. And we'll contribute to finding solutions in an area where we all must succeed, or else all fail. That's what was on the President's mind when he suggested we hold this jobs conference.

I will be chairing one of the sessions. I have asked several ministers to lead discussions on a variety of issues, including how to make the case that expanded trade is in everyone's interest, how structural reforms relate to macroeconomic policies and demand management, and how Europe has dealt with the issues of growth, competitiveness and employment.

Now, we're not going to emerge with any grand global pronouncements. But I believe we will emerge with a greater understanding of each others' problems, of the policies that have been tried, and the solutions that have worked.

We are holding this conference because international economic policy must deal with the issues that make a difference down on the factory floor, not just in the stock exchanges and national capitals.

-30-

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
March 11, 1994

CONTACT: Michelle Smith
(202) 622-2960

SECRETARY BENTSEN ANNOUNCES KEY APPOINTMENT

Treasury Secretary Lloyd Bentsen Friday announced the appointment of Timothy F. Geithner, effective March 15, as Deputy Assistant Secretary for International Monetary and Financial Policy.

He succeeds Barry S. Newman, who has been nominated by President Clinton to be U.S. Alternate Executive Director for the International Monetary Fund. Geithner served as special assistant to Under Secretary Lawrence H. Summers since January 1993. In his new job, Geithner will play a key role in developing and implementing U.S. international economic and financial policies, focusing on relations with other industrial nations.

Geithner, 32, joined Treasury in June 1988 as an international economist, serving since then in several positions, including a stint as the assistant U.S. financial attache in Tokyo. He received a M.A. from Johns Hopkins School of Advanced International Studies and a B.A. from Dartmouth College. He is married, has a daughter and resides in Bethesda, Maryland.

Louellen Stedman will replace Geithner as special assistant to Under Secretary Summers. She had been a special assistant to Jeffrey R. Shafer, Assistant Secretary for International Affairs.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 10, 1994

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN

I just met with the heads of two gun dealer associations -- representing about 17,000 dealers and 50,000 gun collectors; and with four law enforcement organizations, representing in excess of 350,000 people in uniform.

Let me introduce them:

-- Jack Puglisi, President of the Collectors and Arms Dealers Association
-- Bill Bridgewater, President of the National Alliance of Stocking Gun Dealers
-- Don Cahill, National Legislative Director, Fraternal Order of Police
-- Bob Scully, Executive Director, National Association of Police Organizations
-- John Pitta, Executive Vice President, Federal Law Enforcement Officers Association
-- Dan Rosenblatt, Executive, the International Association of Chief of Police.

One other group that could not be here but is with us on this one is the Major City Chiefs.

The news today is: for the first time gun dealers and police groups are joining hands to support our effort to reform firearms licensing practices.

Today, we discussed how hiding among legitimate businesses are some outlaws. People with federal firearms licenses are purchasing guns, but instead of selling them to hunters -- they're diverting them to the black market. And the guns are landing in the wrong hands.

It hurts the dealers. They get a bad name.

And it hurts the cops, who have to deal with the criminals.

I'm the last person to argue for heavy regulation of business. I come from business. But when there's an illicit market for a product, as there is for firearms, we must stop this.

When I first started this job, I was shocked on how limited ATF's ability is to regulate the industry.

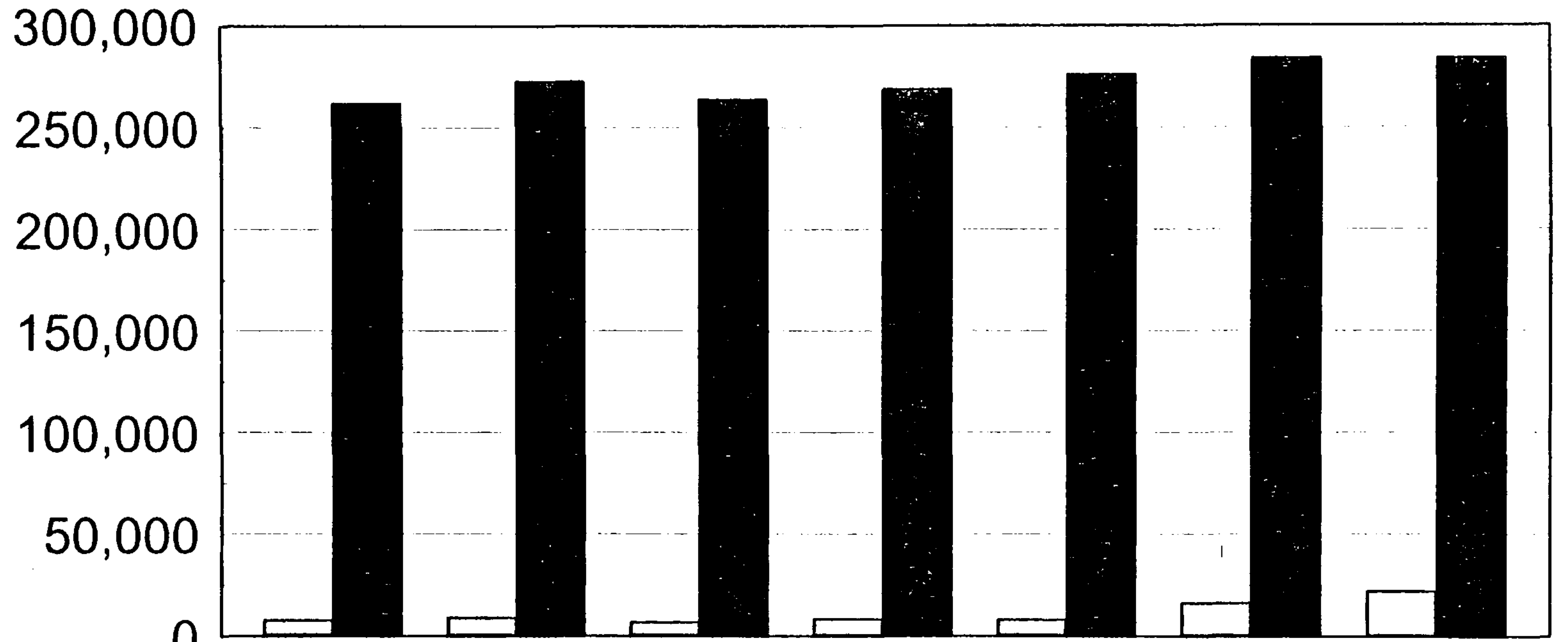
So, we're pushing for licensing reforms; we're asking for additional funding for ATF in the crime bill; and we're trying to gather intelligence on gun trafficking patterns.

These efforts pay off. We had a success today in New York. 12 people were arrested for firearms and narcotics violations following overnight raids by 100 ATF agents and the New York City Public Housing Police. They seized 25 firearms and $240,000 worth of heroin. If we work together, we can make a difference.

We need to work together on the licensing problem, and that's what you see here.

-30-

FIREARMS COMPLIANCE INSPECTIONS vs NUMBER OF FEDERAL FIREARMS LICENSEES



FISCAL YEAR	87	88	89	90	91	92	93
INSPECTIONS □	8,049	9,283	7,142	8,471	8,258	16,328	22,300
FFLs ■	262,022	272,953	264,063	269,079	276,116	284,117	283,925

Note: FFL figures are end-of-year.

March 10, 1994

JOINT STATEMENT

We recognize that there is a serious problem of crime, especially violent crime, in this nation. This problem is driven in part by the size, scope and availability of the illegal firearms market, which supplies criminals and juveniles with deadly weapons.

We strongly support the right of law-abiding American adults to bear arms, and our intention is not to undermine either their constitutional rights, or the legitimate commerce in firearms.

However, within the firearms industry are elements who divert the flow of firearms from the legitimate trade into the more lucrative firearms black market.

In addition to the tragedies and sorrows suffered by the victims of violent crime, we recognize the perils faced by state, local and federal law enforcement as they target gun traffickers and violent criminals.

We, further recognize that gun licensees, who through willful, negligent or irresponsible actions contribute to the illicit gun market, undermine those businesses which carefully adhere to the letter of the law.

At present, the Bureau of Alcohol, Tobacco and Firearms (ATF) has regulatory authority over the firearms industry, but its ability to ensure compliance with firearms laws is hampered by insufficient resources and inadequate statutory authority. The regulatory system with its present constraints is harmful to legitimate firearms businesses, to law enforcement and to the public.

We strongly support new legislation to reform the Federal Firearms Licensing (FFL) system, including the following initiatives:

* ensuring that the firearms regulatory system pay for itself, increasing the license fee commensurate with the cost of the program;
* requiring that FFLs be in compliance with state and local laws and ordinances;
* requiring reports of losses or thefts from FFL firearms inventories;
* removing the prohibition on more than one compliance visit per FFL per year;
* increasing the penalty for willful falsification of records; and
* extending ATF's period for a decision on firearms license applications from 45 to 90 days.

We further support any initiatives in the crime bill that would improve ATF's ability to enforce firearms violations, particularly addressing the illicit firearms market.

Neil Behan
Major City Chiefs

John Pitta
Federal Law Enforcement Officers Association

Bill Bridgewater
National Alliance of Stocking Gun Dealers

Jack Puglisi
Collectors and Arms Dealers Association

Don Cahill
Fraternal Order of Police

Robert Scully
National Association of Police Organizations

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 14, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,644 million of 13-week bills to be issued March 17, 1994 and to mature June 16, 1994 were accepted today (CUSIP: 912794L28).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.54%	3.62%	99.105
High	3.57%	3.65%	99.098
Average	3.57%	3.65%	99.098

Tenders at the high discount rate were allotted 76%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$39,332,672	$12,643,672
Type		
Competitive	$34,779,044	$8,090,044
Noncompetitive	1,254,697	1,254,697
Subtotal, Public	$36,033,741	$9,344,741
Federal Reserve	2,823,480	2,823,480
Foreign Official Institutions	475,451	475,451
TOTALS	$39,332,672	$12,643,672

An additional $130,049 thousand of bills will be issued to foreign official institutions for new cash.

LB-703

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 14, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,606 million of 26-week bills to be issued March 17, 1994 and to mature September 15, 1994 were accepted today (CUSIP: 912794N34).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.84%	3.97%	98.059
High	3.86%	3.99%	98.049
Average	3.85%	3.98%	98.054

$45,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 10%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$44,053,363	$12,605,841
Type		
Competitive	$38,548,139	$7,100,617
Noncompetitive	823,075	823,075
Subtotal, Public	$39,371,214	$7,923,692
Federal Reserve	2,900,000	2,900,000
Foreign Official Institutions	1,782,149	1,782,149
TOTALS	$44,053,363	$12,605,841

An additional $486,851 thousand of bills will be issued to foreign official institutions for new cash.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGOED UNTIL DELIVERY
EXPECTED ABOUT 2 P.M. EST
MARCH 15, 1994

SUMMARY STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN ON BEHALF OF THE G-7 JOBS CONFERENCE DETROIT, MICH.

First, I would like to thank all our participants in the Detroit Jobs Conference. The turnout, some 24 ministers, is a clear demonstration of the seriousness with which our nations view the jobs problem.

Over the past two days, the delegates from the G-7 countries and the European Union had the unique opportunity to talk about reducing unemployment and creating jobs in our economies. It wasn't a group of academics debating in some sterile setting. It wasn't like some G-7 meetings in the past where we talked about interest rates, and stimulating economies and the like. It was the people responsible for the policies, and the politics, of jobs creation. Through four structured sessions, and in our more informal talks, we had some very frank discussions about what has worked, and what hasn't.

Let me say that we're facing tremendous change, and it is only natural that our citizens feel uneasy about change. The ministers agreed that we must offer the choice of hope over fear. We need to extract the most from change that we can. That's why it is critical that we prepare our economies, and most importantly, our people, for the challenges that await us in the next century.

When we discussed "The World Employment Problem," it was clear that no one is satisfied with the rate of job creation in our economies. It's a common problem, creating good jobs, with wage growth, and bringing down stubbornly high unemployment.

(MORE)

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While there are similarities in our problem, the causes are not always the same. We took the unusual step of looking at this from a variety of angles. We looked at it from the perspective of our finance, labor, industry and social affairs ministries. We gained a better understanding of the relationships between policies. We recognized the fundamental role of the private sector in creating jobs. And, we agreed that there is no single solution, no one idea or action that will work for every country.

In our differing economies and societies, structural reforms can make our labor markets and employment systems far more adaptable to change. We need, carefully and in our own ways, to pursue policies to take down barriers, and to strengthen our markets. Actively anticipating and responding to labor market needs can help meet the challenge of change. Beyond that, it is important to make work more attractive than remaining unemployed and relying on the government and others for support. It is also important that we open opportunities for those who are unemployed or less skilled. And we need to examine ways to expand employment for the less skilled, with fairer compensation. In addition, education and training are critically important for our long-term unemployed and the disadvantaged.

In our discussions about "Creating Employment Opportunities in the Global Economy," we focused on how macro and micro economic policies can complement one another. The structural reforms in labor and social programs will be more successful if they are supported by sound macroeconomic policies that promote growth. We can produce all the highly trained, well-educated workers we want, but it does no good unless we've created the climate in which the corporate world has jobs waiting for these people. And it was clear that small and medium-sized companies need to be encouraged because of their potential for creating jobs.

We also agreed that international trade plays an important role in creating the growth. The Uruguay Round will help stimulate jobs and growth. And the ministers agreed that opening markets increases demand for goods and services, which creates job opportunities, and that closing markets hurts all our efforts to create jobs.

We also recognized that we all have a stake in the growth taking place in the developing world. It can be a valuable source of job creation. To the extent we can encourage flows of investment to these nations, through commercial investment vehicles and the Multilateral Development Banks, we all can benefit.

Our session on "Technology, Innovation and the Private Sector" highlighted the need to ready ourselves for the challenges and opportunities of the next century.

These rapid advances in technology we are seeing, where computer chip speed seems to double every week, will make us more productive. Using technology in innovative ways, and spreading it through our economy, will multiply the benefits of that technology. And that will create more jobs. Moreover, history teaches us that jobs created by productivity gains are better paying jobs. The ministers also agreed that these new technologies, in particular information technology, have the potential to multiply our wealth. We must get that message across. And we must make certain our citizens are trained to keep up so they can tap the potential available to them. We want to be certain that no one is left behind.

The need to improve the education, training and skills of our work forces was central to our discussions. Our fourth session was titled, "Labor Markets, Investment in Human Capital, and the Social Safety Net." There was agreement that each nation needs greater investment in its people. Education must be a lifetime commitment -- on the part of the government, the private sector, and most importantly, on the part of every individual. Governments and industry have a responsibility to make certain there is an effective transition from school -- at whatever level -- into the work force. The private sector needs to look to retraining its existing work force. And older displaced workers whose jobs have disappeared must be given the opportunity to contribute. In addition, we must be certain we help the unemployed get back to work quickly so their job skills don't become rusty. Each individual must have a commitment to learn new skills when necessary. And it's increasingly necessary.

There was an excellent give and take. We learned from each other. We shared stories about innovative efforts from our own experiences in the hope that knowing what has worked for one nation or business might work somewhere else. Each of our countries has produced an example of their experiences, and we are making those available to you.

Our discussions here will help to frame an agenda for Naples on economic policies to deal with unemployment and job creation. We also are asking the Organization for Economic Cooperation and Development to examine the relationship between productivity, job creation and technology, especially information technology. And we want the OECD to expand its analysis of data on job creation and job loss. These will help our leaders, when they meet in Naples, respond to the structural changes that are remaking our economies. We also have agreed to study work practices among us. Each of us will be able to send employment experts to learn about the employment and training programs of the others.

The G-7 ministers have made an important first step, very frankly trading ideas, learning from one another. We'll take what we've learned here home to run better programs and develop better policies. Our work here in Detroit will help our leaders -- at the Naples summit and beyond -- more clearly understand how each nation can strengthen growth, create more jobs, better jobs, and reduce unemployment. We have made an important contribution to the global dialogue on how to lead change and manage it.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
March 15, 1994

CONTACT: Hamilton Dix
(202) 622-2960

ASSISTANT SECRETARY NOBLE APPOINTS DIRECTOR

Jan P. Blanton, a career Internal Revenue Service criminal investigator, was appointed director of the Treasury Forfeiture Fund by Ronald K. Noble, Assistant Secretary of the Treasury for Enforcement.

"Her extensive background and experience in asset forfeiture policy and operations makes her the natural choice for this critical position," said Noble.

The fund, established in 1992, consolidated all asset forfeitures resulting from violations of laws enforced by the Department of the Treasury, with the exception of tax violations. The money and other assets seized from criminals are then used to support a variety of important law enforcement activities such as the anti-violent crime initiatives recently announced by Secretary Bentsen.

Blanton's office also is charged with putting in place federal forfeiture programs that both meet law enforcement objectives and protect the rights of the individual.

Blanton is a graduate of Georgia State University in Atlanta, GA, and has held a variety of managerial positions within the IRS Criminal Investigations Division.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
March 15, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $25,200 million, to be issued March 24, 1994. This offering will provide about $825 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $24,372 million.

Federal Reserve Banks hold $5,609 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,965 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED MARCH 24, 1994

March 15, 1994

Offering Amount	$12,600 million	$12,600 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 L3 6	912794 L7 7
Auction date	March 21, 1994	March 21, 1994
Issue date	March 24, 1994	March 24, 1994
Maturity date	June 23, 1994	September 22, 1994
Original issue date	December 23, 1993	September 23, 1993
Currently outstanding	$13,136 million	$15,341 million
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . . . Prior to 12:00 noon Eastern Standard time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Standard time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

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EMBARGOED UNTIL 10:00 a.m.
MARCH 16, 1994

STATEMENT OF
LESLIE B. SAMUELS
ASSISTANT SECRETARY (TAX POLICY)
DEPARTMENT OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Subcommittee:

I am pleased to present the Administration's views on the important issue of the compliance with the tax laws by public charities. This Subcommittee held hearings on June 15, 1993, and August 2, 1993, regarding the administration of and compliance with the tax laws applicable to public charities exempt from tax under section 501(c)(3) of the Internal Revenue Code (the "Code"). The first hearing focused on the difficulties encountered by the Internal Revenue Service (the "IRS") in enforcing the standards for tax exemption. The second hearing provided illustrations of the ways in which certain charitable organizations are misusing their resources. Together, the hearings provide a solid foundation for the conclusion that carefully-targeted reform measures are needed to improve compliance with tax laws by public charities. We commend the Subcommittee for demonstrating the need for reform.

Working with the staffs of the Subcommittee, the Ways and Means Committee, and other appropriate Committees, the Administration has developed a proposal that addresses the issues raised by the Subcommittee's prior hearings. Also, we are aware of other proposals that relate to these issues. Consequently, to facilitate the Subcommittee's consideration of solutions to this important problem, I would like to present our proposal to improve compliance with the tax laws by tax-exempt organizations. After presenting our proposal, we will continue to work with you and other appropriate Committees in considering necessary legislative action.

I will begin by summarizing the relevant standards for exemption under current law and the difficulties encountered by the IRS in enforcing these standards. Next, I will describe the detailed regulatory regime that the current law imposes on private foundations. The private foundation rules provide a useful frame of reference in considering measures to improve compliance by other tax-exempt organizations. As I will explain, however, we believe that it would be inappropriate to extend to other organizations the detailed regulatory restrictions that apply to private foundations. Finally, I will describe the

Administration's proposals for improving compliance with the tax laws by tax-exempt organizations.

I. RELEVANT STANDARDS FOR EXEMPTION UNDER CURRENT LAW

Section 501(c)(3) organizations. Section 501(a) of the Code exempts from income tax any organization described in section 501(c). Section 501(c)(3) refers to organizations that are organized and operated exclusively for certain purposes, including religious, charitable, or educational purposes. In addition to being organized and operated for a specified exempt purpose, an organization seeking to qualify for exemption under section 501(c)(3) must comply with statutory limitations on inurement as well as lobbying and political activities. In particular, an organization qualifies for exemption under section 501(c)(3) only if (1) no part of its net earnings inures to the benefit of a private shareholder or individual, (2) no substantial part of its activities consists of carrying on propaganda or otherwise attempting to influence legislation, and (3) it does not participate or intervene in any political campaign on behalf of, or in opposition to, a particular candidate.

Section 501(c)(4) organizations. Section 501(c)(4) of the Code refers to two categories of organizations. The first category of organizations that qualify for exemption under that section includes "[c]ivic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare." Among the more common of these social welfare organizations are public interest organizations, lobbying affiliates of charitable organizations exempt under section 501(c)(3), and health maintenance organizations. The second category of organizations that qualify for exemption under section 501(c)(4) includes certain "local associations of employees" of limited membership. These employee associations qualify for exemption, however, only if they devote their net earnings exclusively to charitable, educational, or recreational purposes.

II. DIFFICULTY OF ENFORCING CURRENT LAW STANDARDS FOR EXEMPTION AND THE NEED FOR REFORM

Current law provides no sanction for violations of the standards for tax exemption short of revocation of an organization's exemption. As the Commissioner of Internal Revenue, Margaret Milner Richardson, testified at the Subcommittee's hearing on June 15, 1993, the absence of a sanction short of revocation has created significant difficulties for the IRS in enforcing the standards for tax exemption. Since revocation is a severe sanction, it may be disproportional to the violation in issue.

Assume, for example, that a large university pays one of its officers excessive compensation. Although the resulting "inurement" would violate one of the standards for tax exemption, revoking the university's exemption could be an inappropriate response. It could adversely affect the entire university community: employees, students and area residents. Moreover, the officer would be able to retain the excessive benefits received from the university. Despite the potential inappropriateness of revoking an organization's tax exemption in this type of case, it is the only sanction provided under current law. Thus, the IRS could be faced with the difficult choice of revoking the organization's exemption or taking no enforcement action.

The cases discussed at the August 2, 1993 hearing which involved misuses of resources by tax-exempt organizations illustrate the difficulties the IRS has had in enforcing the standards for exemption. Although we do not believe that the cases of noncompliance are widespread or representative of the charitable community as a whole, these cases cause us concern.

The cases of misused resources should also concern the vast majority of tax-exempt organizations that fully comply with the standards for exemption. These types of cases have shaken the public's confidence in charitable organizations. Consequently, charities should be interested in reducing the occurrence of abuses, to prevent the further erosion of the reputation of the charitable community as a whole. In recognition of this fact, at least one large coalition of nonprofit organizations, INDEPENDENT SECTOR, has made proposals to improve the performance and accountability of public charities.

The evidence the Subcommittee and its staff have compiled should not be dismissed because it is "anecdotal." The cases studied by the Subcommittee and its staff demonstrate that the system is not working as it should. These cases simply should not occur. When they do, the notoriety they receive undermines the public's confidence in the charitable community and in the tax system. Consequently, we believe that a proposal for carefully targeted intermediate sanctions is appropriate at this time.

Our belief that the cases of abuse the Subcommittee has studied are not representative of the charitable community as a whole should not forestall proposals for needed reforms. It does, however, guide us in determining the scope of the appropriate response. We believe that it would be unjustified to pursue now sweeping new regulation of public charities on the basis of the cases that have been the subject of Congressional and media scrutiny. In particular, as explained in the following section, extending to public charities the detailed regulatory regime that applies to private foundations would be inappropriate. Instead, the record compiled by the Subcommittee calls for a measured response, with sanctions targeted at the specific types of abuses the Subcommittee has identified.

III. Regulatory Provisions Applicable to Private Foundations

Current law imposes a detailed regulatory regime on a subset of section 501(c)(3) organizations referred to as private foundations. In general, private foundations include all section 501(c)(3) organizations other than churches and church-related organizations, schools, hospitals and medical research organizations, and certain publicly-supported organizations.

Tax on self-dealing. Among the regulatory provisions that apply to private foundations is an excise tax on "self-dealing." Subject to narrow exceptions, any sales, leases, loans or other transfers between a private foundation and a "disqualified person" are acts of self-dealing. *See generally* Code § 4941(d). The payment of reasonable compensation to a disqualified person, however, is not self-dealing. Further, if a private foundation makes goods, services or facilities available to the public, providing them to a disqualified person on the same terms does not result in self-dealing.

A person is a disqualified person in relation to a private foundation if the person is a substantial contributor to the foundation,[1] a foundation manager, or a person or entity related to either. *See generally* Code § 4946. Foundation managers include the foundation's officers, directors, or trustees, or those with similar responsibilities.

The tax on self-dealing follows a two-tiered approach. If an act of self-dealing occurs, the disqualified person and any foundation manager who knowingly participated in the self-dealing are liable for initial taxes of 5 and 2.5 percent of the "amount involved," respectively, for each year in the "taxable period." The taxable period for an act of self-dealing begins when the act occurs and ends with the later of (i) the mailing of a notice of deficiency for the initial tax, (ii) imposition of the initial tax, or (iii) correction of the act of self-dealing.

If the act of self-dealing is not "corrected" within the taxable period, the disqualified person and foundation manager are liable for a second, more severe tax (*i.e.*, 200 and 50

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[1] A substantial contributor to a private foundation is a person who contributed or bequeathed to the foundation an aggregate amount that exceeds the greater of $5,000 or 2 percent of the total contributions and bequests received by the foundation before the close of the year in which the foundation receives the contribution or bequest from the person in question. Code §§ 507(d)(2); 4946(a)(2).

percent of the amount involved, respectively). The liability of a foundation manager for either the initial or second tier tax is limited to $10,000. Correction of an act of self-dealing involves undoing the transaction to the extent possible and, in any event, placing the private foundation in a financial position no worse than it would have been had the disqualified person acted in accordance with the highest fiduciary standards.

<u>Tax on taxable expenditures</u>. Section 4945 of the Code imposes a separate two-tiered excise tax on "taxable expenditures." Taxable expenditures include political or lobbying expenditures, certain grants to organizations other than public charities, and any other expenditures for noncharitable purposes. The taxes on taxable expenditures apply to the foundation itself and to any foundation manager who agreed to the expenditure. The initial tax on the foundation is 10 percent of the taxable expenditure. The initial tax on the manager is 2.5 percent of the taxable expenditure, subject to a limit of $5,000. If the taxable expenditure is not corrected within the taxable period, the foundation is subject to an additional tax of 100 percent of the taxable expenditure, and the manager is subject to a tax of 50 percent of the taxable expenditure. The additional tax on the manager, however, is limited to $10,000.

<u>Abatement of taxes</u>. If an event that gave rise to an excise tax under the private foundation rules is corrected within a prescribed "correction period," the second tier tax is waived, and any tax collected is credited or refunded. The correction period begins when the taxable event occurs and generally ends (subject to certain extensions) 90 days after the date of mailing of a notice of deficiency for a second tier tax.

If the taxable event was due to reasonable cause and not willful neglect, the first tier tax is waived, and any tax collected is credited or refunded. The abatement of first tier tax, however, does not apply to a tax on self-dealing.

<u>Termination of private foundation status</u>. In enacting the private foundation rules, Congress was concerned that a private foundation not be allowed to receive deductible contributions and be exempt from tax on its income, and then terminate its section 501(c)(3) status after building up its endowment, so that it would be free to use its resources for non-charitable purposes. To prevent this result, section 507 of the Code provides that an organization's status as a private foundation subject to the detailed regulatory restrictions terminates only when the organization pays an exit tax equal to the lesser of the value of its net assets or the cumulative, aggregate tax benefit resulting from its qualification for exemption under section 501(c)(3). The aggregate tax benefit is computed taking into account not only the tax the foundation would have paid on its own income had it not been exempt, but also the additional tax that substantial

contributors to the foundation would have paid had their contributions not been deductible. The Secretary may abate the exit tax, however, to the extent that the foundation distributes its net assets to one or more other charitable organizations in existence for at least 60 calendar months.

Rationale for distinction between public charities and private foundations. When Congress enacted the regulatory provisions applicable to private foundations in 1969, it declined to extend those provisions to churches, hospitals, and other "public charities" on the grounds that they are subject to public scrutiny that reduces the risk of misconduct. The distinction drawn by Congress in 1969 between public charities and private foundations remains valid today. Therefore, full extension of the private foundation rules to public charities would be inappropriate and could hinder their ability to perform legitimate charitable activities. For example, the self-dealing rules would prevent a public charity from engaging in transactions with insiders that are favorable to the charity, such as receiving a low-interest loan from an insider, or purchasing of goods or services from an insider at a substantial discount.

Although we are concerned about the level of compliance by certain public charities with the standards for tax exemption, these concerns are not as great as those that led to the enactment of the private foundation rules in 1969. Public charities continue to face public accountability that reduces the risk that they will use their resources in ways that are inconsistent with their tax-exempt purposes. The documented cases of noncompliance by public charities, however, demonstrate a need to improve the ability of the public to serve in the "watchdog" role envisioned for it in 1969. As I will explain later, our proposal includes (i) an excise tax targeted to types of transactions where significant abuses may occur, and (ii) disclosure measures that would provide the public with better access to more information regarding public charities. These measures, taken together, should adequately improve compliance by public charities and improve the public's ability to hold charities accountable.

IV. Proposals to Improve Compliance by Tax-Exempt Organizations

The Administration's proposal to improve compliance by tax-exempt organizations includes a new excise tax and several measures that would strengthen the disclosure requirements that apply to tax-exempt organizations. The excise tax is targeted at the types of abuses that have generated concern and would provide a substantial deterrent to these abuses. The new disclosure requirements would increase the information regarding tax-exempt organizations available to the public. This would improve the public's ability to hold these organizations accountable for the ways in which they use their resources.

A. Tax on "Excess Benefits"

Transactions subject to tax. The excise tax would apply to any "excess benefit" provided to an insider by an organization exempt from tax under section 501(c)(3) or 501(c)(4). The excise tax would not apply, however, to benefits provided by a private foundation to which the excise taxes described in the preceding section are applicable.

An excess benefit is the excess of the value of any benefit provided by the organization over the consideration received by the organization in return for the benefit. The consideration received by the organization may include services provided by the insider. The tax would apply to two types of transactions: the payment of unreasonable compensation by an organization or a non-fair market value transfer in which an insider pays inadequate consideration for property transferred, leased, licensed or loaned by the organization, or the organization pays excessive consideration for property transferred, leased, licensed or loaned by the insider.

The insiders who would be subject to the tax include (i) the officers, directors, and trustees of an organization and (ii) those otherwise in a position to exercise substantial influence over the organization's affairs. Excess benefits provided to members of an insider's family[2] or entities in which an insider or family members have significant direct or indirect beneficial interests would be treated as provided on behalf of the insider; thus the insider would be subject to tax on these benefits. An excess benefit provided to a former insider would be subject to tax if the relevant decision-making body of the organization, formally or informally, approved the benefit when the recipient was an insider.

Although the Subcommittee's hearings focused on misuses of resources by public charities exempt from tax under section 501(c)(3), our proposed excise tax applies to benefits provided by organizations exempt under section 501(c)(4) as well. The restructuring of the health care market expected to result from health reform could provide greater opportunities for insiders of health care organizations, including health maintenance organizations exempt under section 501(c)(4), to divert to the insiders' own benefit the resources of these organizations.

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[2] The members of an individual's family would be determined under section 4946(d) of the Code, which would be amended (for purposes of both the private foundation rules and the proposed excise tax) to include an individual's siblings as members of the individual's family.

Extending the proposed excise tax to benefits provided by section 501(c)(4) organizations would deter insiders from seeking to take advantage of the restructuring of HMOs and other health care organizations. If, for example, the board of an HMO exempt under section 501(c)(4) cause the HMO to sell its assets at a bargain price to a for-profit corporation controlled by the board members, the transaction would result in an excess benefit subject to the proposed excise tax.

Factual determinations. The reasonableness of compensation or the adequacy of consideration would be determined based on all of the facts and circumstances. The reasonableness of compensation is a question of relevance to taxable businesses, because section 162 of the Code allows a deduction for compensation only to the extent that it is reasonable. Those factors relevant in determining the reasonableness of compensation for purposes of section 162 would also be relevant for purposes of the proposed excise tax. These factors include the nature of the insider's duties, his background and experience, and the time he devotes to the organization, the size of the organization, general and local economic conditions, and the amount paid by similar organizations to those who perform similar services.

The approval of the compensation or transfer by an independent governing body of the organization would weigh in favor of a finding of reasonableness or adequate consideration. The weight to be given to this factor would depend on the circumstances. For example, approval by a nominally independent governing body may be given little weight if the governing body is comprised of close friends of the organization's founder and president who routinely endorse proposals made by that person. On the other hand, approval by a governing body would be given greater weight if the governing body is truly independent and has a demonstrated record of taking its fiduciary responsibilities seriously.

Determinations of the reasonableness of compensation would be made in accordance with the procedures that govern the resolution of any factual question involved in the application of a tax rule. Therefore, taxpayers who disagree with an IRS determination of unreasonableness would have recourse to the normal review procedures, including, as necessary, administrative appeals and judicial proceedings.

Benefits provided to an insider can be justified as reasonable compensation only if the organization in fact provided the benefits as compensation for services. The determination of whether a benefit was intended to be compensatory would be made based on all the facts and circumstances. The relevant facts would include whether the appropriate decision-making body approved the transfer as compensation in accordance with established procedures and whether the organization and the recipient reported the transfer as compensation on the relevant forms (i.e., the organization's Form 990, the Form W-2 provided by the organization to the individual, and the individual's Form 1040). If a non-fair market value transfer is not made as compensation for services, it would be subject to the new excise tax even if the insider's compensation would have been reasonable had the transfer been compensatory.

Imposition of tax. The tax on excess benefits would follow the two-tiered format of the excise taxes on private foundations. If an organization provides an excess benefit to an insider or a related person or entity, the insider would be subject to an initial tax of 25 percent of the amount of the excess benefit--that is, the portion of compensation that is unreasonable, or the difference between the price paid and the fair market value of property transferred. If the insider does not repay the excess benefit with appropriate interest within a prescribed period, the insider would be subject to a second tax, equal to 200 percent of the excess benefit. If the insider repays the excess benefit with appropriate interest within a prescribed correction period, the second tier tax would be waived or refunded. The initial tax would be waived or refunded only if the excess benefit was provided due to reasonable cause.

Under established tax benefit principles, repayment of an excess benefit by an insider would be deductible only to the extent that the receipt of the excess benefit increased the insider's taxable income for a prior year. Payment of the tax itself would be nondeductible.

If a manager of an organization approves a transaction knowing that it results in an excess benefit, the manager would be subject to a tax of 10 percent of the excess benefit, up to a maximum of $10,000. To ensure that the manager bears the economic burden of the tax, any payment or reimbursement by the organization of a tax imposed on a manager would itself be treated as an excess benefit provided to the manager. Thus, the manager would be subject to the excise tax as an insider on such payment or reimbursement.

Relationship between excise tax and revocation. The excise tax on excess benefits would be the sole sanction available in those cases in which the excess benefit does not rise to the level that it calls into question whether the organization is a charitable organization. As discussed above, in these cases, revocation is an inappropriate sanction because it is unduly severe and would adversely affect the beneficiaries of the organization's charitable activities. Revocation is an appropriate sanction only when the organization no longer operates as a charitable organization.

If an organization provides an excess benefit that is so egregious that the organization is not viewed as a charitable organization, the proposed excise tax would apply and, in addition, the organization would be subject to revocation of its exemption. To accomplish this result, the excise tax would apply to benefits provided by an organization even after it loses its exemption. Otherwise, an insider who received a benefit that caused the organization to lose its exemption could avoid the tax by "correcting" the benefit and then causing the organization to repay the benefit to the insider when the organization is no longer exempt.

In determining the circumstances in which the excise tax should continue to apply to benefits provided by an organization that loses its tax exemption, the private foundation rules provide a useful analogy with the rules of section 507 related to the termination of private foundation status. Our proposal includes rules similar to those of section 507, under which the excise tax would apply to benefits provided by a formerly exempt organization prior to the time that the organization either transfers its net assets to another qualifying exempt organization or pays an exit tax. The exit tax would be computed in the same manner as the tax provided in section 507(c) (i.e., the lesser of net asset value or the cumulative, aggregate tax benefit from qualification under section 501(c)(3) or (4)). Thus, the assets of an organization, to the extent attributable to its exemption under section 501(c)(3) or (4), could not be diverted to the benefit of insiders after the organization loses its exemption.

We envision having customary authority to promulgate such regulations as may be necessary or appropriate to carry out the purposes and prevent avoidance of the excise tax.

Example. Perhaps the best way to illustrate our proposed excise tax is to describe how it would apply to one of the cases addressed in the Subcommittee's hearings last year. For purposes of illustration, I will use the case described on page 147 of the hearing record (Serial 103-39). This case involves a section 501(c)(3) organization that provides health care in a clinic type setting. The organization's board of directors is controlled by the CEO and a small number of persons with whom the CEO or the organization itself have substantial business dealings.

The total compensation package of the CEO exceeded $1 million. The organization also made substantial credit card payments and cash disbursements for personal expenditures, including liquor, china, perfume, crystal, theater and airline tickets.

The CEO's compensation would be an excess benefit, subject to the excise tax, to the extent that it were determined to be unreasonable. The reasonableness of the CEO's compensation would be assessed looking at all of the facts and circumstances, including the nature of the CEO's duties and the compensation paid by similar organizations to those who perform similar duties. The means by which the organization determined the compensation it paid the CEO would also be relevant. In this case, although the organization's board presumably approved the CEO's salary, the facts suggest that the board is not truly independent. The CEO appears to have substantial influence over the board. Therefore, even assuming that the board approved the compensation, that fact would be given very little weight in this particular case.

If a portion of the CEO's compensation were determined to be unreasonable, the CEO would be subject to a tax of 25 percent of the unreasonable portion of the compensation. In addition, any manager of the organization who approved the compensation knowing that it was unreasonable would be subject to a tax of 10 percent of the excess benefit, up to a maximum of $10,000. If the CEO did not repay the excessive portion of the compensation within a prescribed period, the CEO would be subject to an additional tax equal to 200 percent of the excess benefit.

In determining the reasonableness of the CEO's compensation, the payments of personal expenses would be treated as compensation only if the organization made the payments in compensation for the CEO's services. The compensatory nature of the payments could be demonstrated, for example, by board approval of the payments as compensation or by the reporting of these payments as compensation on the relevant Forms 990, W-2 and 1040.

The facts in this case indicate that the payments of personal expenses were not part of the CEO's authorized compensation. If the payments were not compensatory, the full amount of the payments would be excess benefits, subject to the proposed tax. The tax would apply even if the CEO's total compensation would have been reasonable had these expenditures been included in his compensation. If the payments were not in fact compensatory, they could not be justified as reasonable compensation.

B. Penalties for Failure to Meet Form 990 Filing Requirements

As previously noted, public charities are not subject to the detailed regulatory regime that applies to private foundations because public scrutiny reduces the risk of misconduct by public charities. The effectiveness of public scrutiny depends on the availability of relevant information about public charities. The primary vehicle for this information is the Form 990, which most tax-exempt organizations must file annually.[3] The Administration's proposal includes several measures to improve both the information provided on the Form 990 and the availability of that information to the public.

The Form 990 can serve as an effective vehicle for providing public oversight of charitable organizations only if those organizations file timely, complete and accurate forms. As the Subcommittee's hearings have demonstrated, compliance with the filing requirement has been poor in many instances. A number of organizations file incomplete or inaccurate Forms 990.

Noncompliance with the Form 990 filing requirement may be largely attributable to the relatively low applicable penalties. The penalty under current law for a failure to file a timely, complete and accurate Form 990 is only $10 for each day during which the failure continues. Further, the maximum penalty for any one return cannot exceed the lesser of $5,000 or 5 percent of the gross receipts of the organization for the year.

To improve compliance with the Form 990 filing requirement, the Administration's proposal would increase the penalty for a failure to file a timely, complete and accurate Form 990 from $10 to $100 a day for organizations with gross receipts in excess of $1 million for the year, subject to a maximum of $50,000 for any one return. For organizations with gross receipts of $1 million or less, the penalty would be increased to $20 a day, with the maximum for any one return limited to the lesser of $10,000 or 5 percent of the gross receipts of the organization for the year.

C. Provision of Copies of Return, Applications for Exemption

The Form 990 must be readily available to the public if it is to effectively facilitate public oversight of charitable

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[3] Certain organizations are exempted by statute from filing a Form 990. These organizations are (i) churches and certain church-related organizations, and (ii) certain organizations that normally have annual gross receipts of $5,000 or less. In addition, the filing requirement does not apply to the exclusively religious activities of a religious order. The statute provides the Secretary with the authority to relieve other organizations from the filing requirement. This authority has been exercised to exempt from filing, for example, organizations other than private foundations that normally have annual gross receipts of not more than $25,000. For a list of other organizations exempted from the filing requirement by administrative discretion, see section 1.6033-2(g)(1) of the regulations and Revenue Procedures 83-23, 1983-1 C.B. 687, and 86-23, 1986-1 C.B. 564.

organizations. Current law requires an organization other than a private foundation to make available for public inspection those portions of its Form 990 that do not include information regarding contributors to the organization. The form must be available at the organization's principal office and at any regularly-maintained regional or district office that has more than 3 employees. The organization must also make available copies of any application for exemption filed with the IRS, any papers submitted in support of the application, and any letter or document issued by the IRS in response to the application. An organization that fails to make available a return or application for exemption is subject to a penalty under section 6652(c)(1)(C) of $10 for each day on which the failure continues, subject to a maximum of $5,000 for failures with respect to any one return. If the failure is willful, however, a separate penalty of $1,000 applies with respect to each return or application for exemption.

Public oversight of charitable organizations is significantly hindered by the fact that interested members of the public must travel to an office of an organization to inspect its Form 990 and any application for exemption. Further, organizations are required only to allow inspection of the relevant forms, they are not required to provide copies of the forms to interested members of the public.

To improve the public's access to relevant information regarding exempt organizations, the Administration's proposal requires these organizations to provide copies of their Forms 990 and applications for exemption and related materials to any person who requests these documents and pays a reasonable fee to cover copying and mailing costs. The Secretary of the Treasury would promulgate regulations regarding reasonable fees that could, for example, specify a per page limit. Organizations would also be required to take measures to ensure that the public knows of the availability of their Forms 990. In particular, an organization would be required to include in its fundraising solicitations an express statement regarding the availability of its Form 990.

The Administration's proposal would increase the penalty under section 6652(c)(1)(C) from $10 to $20 per day. The maximum penalty per return would be increased from $5,000 to $10,000.

We intend to develop rules to protect organizations from the burdens of complying with requests for documents made as part of an organized harassment campaign. One approach to this issue would be to apply a limit on the number of requests that the organization would be required to fulfill within a given period. We would appreciate the views of the Subcommittee regarding appropriate means of addressing this issue.

D. Additional Information to be Provided on Form 990

The Form 990 should provide the public with all information related to the consistency of the organization's activities with the standards for tax exemption. Both current law and the Administration's proposal include excise taxes on activities inconsistent with the standards for exemption. As described above, the Administration's proposal includes a tax on excess benefits that would generally violate the prohibition on inurement. Under current law, sections 4911 and 4912 impose taxes on excess and disqualifying lobbying expenses. To ensure that the public has access to information regarding transactions that give rise to these excise taxes, the Administration's proposal requires an organization to report on its Form 990 the payment of tax imposed by section 4911 or section 4912, and transactions involving the payment of excess benefits subject to the proposed excise tax, including excess benefits for which the tax was asserted but then waived due to repayment.

The Form 990 should also provide interested members of the public with information regarding significant changes in the management of an organization. Therefore, the Administration's proposal would require an organization to report on its Form 990 changes in the membership of its governing board, and a change in the identity of the certified public accounting firm retained by the organization to examine its books and records.

Our colleagues at the IRS have been working with the Subcommittee staff to identify means by which the Form 990 may be improved. As a result of these efforts, the IRS has already made several changes to the Form, including the separate listing of cash and noncash contributions and expenditures, and expanded information about transactions involving key employees or related persons. In addition, the IRS is studying the issue of the reporting of fundraising fees and activities. We welcome any further recommendations that the Subcommittee may have in this area.

E. Disclosure of Nonexempt Status

We propose one additional measure that, although not directly related to compliance with the standards for tax exemption, would improve compliance with the provisions regarding the deductibility of charitable contributions. Section 170 allows a deduction for contributions or gifts to or for the use of certain types of organizations, including those that are exempt under section 501(c)(3). Many organizations that are tax-exempt, however, are not eligible to receive tax-deductible contributions. Prior to 1988, tax-exempt or other nonprofit organizations were not required to disclose to potential contributors that contributions to these organizations are nondeductible. Section 6113 of the Code, enacted as part of the

Revenue Act of 1987, requires such a disclosure by tax-exempt organizations ineligible to receive deductible contributions. Contributors could mistakenly believe, however, that they can deduct contributions to any nonprofit organization. Therefore, the Administration's proposal would amend section 6113 so that a nonprofit organization that refers to itself as such in a fundraising solicitation would have to disclose that contributions to the organization are not deductible.

* * *

Mr. Chairman, these are the measures the Administration proposes to improve compliance with the tax laws by public charities and certain other tax-exempt organizations. Our proposal is a measured response to the types of abuses that have caused concern. The proposed excise tax on excess benefits would deter insiders of an organization from using their positions of influence to receive unreasonable compensation or to cause the organization to enter into non-fair market value transfers. In addition, our proposed disclosure measures would significantly improve the public's ability to hold exempt organizations accountable for the ways in which they use their resources. On the other hand, our proposals would not interfere with legitimate exempt activities.

The Administration's proposal would substantially reduce the occurrence of the types of abuses that have caused concern, thereby restoring confidence in the charitable community. These are goals shared by all, including the vast majority of charitable organizations that devote their resources to worthy charitable purposes. Therefore, we ask the members of the Subcommittee and the charitable community to support our proposal and help us achieve these important goals.

Mr. Chairman, this concludes my prepared remarks. I am available at this time to answer any questions you or the other members may have regarding the Administration's proposal.

G-7 JOBS CONFERENCE - DOMESTIC PRESS INFORMATION

Contact: Jay Byrne, Jenny Watson or Natalie Wymer
202/219-8211 or FAX 202/219-7918
or 800/SKY-PAGE pin # 279-4787
Revised March 4, 1994

Conference: Monday and Tuesday, March 14 - 15, 1994

Location: Cobo Conference/Exhibition Center
1 Washington Boulevard
Detroit, Michigan

Purpose: The purpose of the conference is to discuss how the G-7 nations can work together to create more jobs for people who have been left behind due to the changing global economy. The Conference is a first step in the Clinton Administration's effort to create a dialogue with our international partners as we open the path toward a strong economic framework for the 21st Century.

Format: The format will consist of four sessions with U.S. Cabinet Members: Treasury Secretary Lloyd Bentsen, Commerce Secretary Ron Brown, Labor Secretary Robert Reich, and White House Council of Economic Advisers Chair Laura D'Andrea Tyson serving as hosts. President Clinton will open the conference on Monday morning.

Credentials: Credential requests should be faxed to Gordon Berg at the Department of Labor, 202/219-7918 by 5 p.m., Monday, March 7. Requests should be sent on your news organization's stationery. Each request should include the information listed on the attached sheet.

Press credentials will be distributed at Cobo Center in the Press Filing Room (W2-60) at the Press Registration Table. To pick up your credentials, you must present identification from your organization.

Credentials can be picked up March 12, 13 and 14 from 7 a.m. to 7 p.m. and March 15 from 7 a.m. to 2 p.m.

Note: Foreign press credential requests should be directed to Lorraine Mullen at USIA, phone 202/724-

Domestic Press Information Line: A domestic press information line will be operating beginning Monday, March 7. The number is 313/393-4425.

Press Room: Room W2-60 will be the press filing room; it will open at 7 a.m. on March 12. The conference will not provide surge protectors.

Media Message Desk: During the conference, messages can be left for media with a desk outside the press filing room. The number to leave messages is 313/393-4422.

Press Coverage: The President's speech will be open; all Conference sessions will be closed to press coverage. Post-session press briefings will be scheduled at a later date.

Phones: If you want your own phone, you need to order phones through Ameritech, 313/223-9198.
Note: Telephones must be provided or can be rented through Expotel, 800/397-6835 or Progressive Communications Services, 313/462-9441.

White House Press: Travelling logistics and arrangements for the White House Press corps traveling with the President will be handled through the White House travel and press advance offices.

Hotels Offering Press Rates:

Westin Hotel
Renaissance Center
Detroit, MI 48243
Phone: 313/568-8000
Fax: 313/568-8146

Pontchartrain Radisson
2 Washington Boulevard
Detroit, MI 48226
Phone: 313/965-0200

Technical Walk-Thru: A technical walk-thru will be held on Sunday, March 13, at 10:00 a.m.

Press Interview Requests: Submit all requests in writing to Jay Byrne or Natalie Wymer at the Department of Labor, fax 202/219-7918, phone 202/219-8211.

G-7 JOBS CONFERENCE

INFORMATION FOR CREDENTIAL REQUESTS

News Organization: ____________________

Name(s): ____________________

Position: (camera, still, producer, etc.) ____________________

Address: ____________________

City, State, Zip: ____________________

Telephone: ____________________

Fax: ____________________

Contact Name: ____________________

Telephone: ____________________

DOMESTIC PRESS
FAX THIS SHEET TO GORDON BERG, U.S. DEPARTMENT OF LABOR
202/219-7918
DEADLINE: MONDAY, MARCH 7, 5 P.M.

FOREIGN PRESS
FAX THIS SHEET TO LORRAINE MULLEN, USIA
202/724-0007
DEADLINE: MONDAY, MARCH 7, 5 P.M.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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ORAL STATEMENT OF THE HONORABLE RONALD K. NOBLE
ASSISTANT SECRETARY OF THE TREASURY FOR ENFORCEMENT
BANKING, HOUSING AND URBAN AFFAIRS
MARCH 15, 1994

Chairman Riegle and Members of the Committee, the Department of the Treasury is happy to have an opportunity to testify on S. 1664, the Anti-Money Laundering Act of 1994, and to update the Subcommittee on Treasury's activities in the field of money laundering.

Money Laundering Review Task Force

Last Fall, I established a Money Laundering Review Task Force staffed by experienced agents, analysts, and regulators from every component of Treasury with money laundering responsibilities. For the first time in twenty years, we are taking a comprehensive look at our anti-money laundering programs, especially the way we exercise our authority under the Bank Secrecy Act (BSA).

The top priority of the Task Force has been to reduce regulatory burdens on financial institutions and to communicate better with financial institutions about their roles and responsibilities in the fight against money laundering. The Task Force has finished the first phrase of its work and has made a significant number of recommendations in key areas. We are in the process of evaluating and implementing these recommendations.

Bank Secrecy Act Advisory Group

Treasury has also established a Bank Secrecy Act Advisory Group composed of 30 experts in the field from government - both law enforcement and financial institution regulators -- and representatives of the major industries affected by currency transaction reporting requirements. This group, which will meet for the first time on April 8th, will serve as a think tank for ideas on how both government and financial institutions should exercise their responsibilities for prevention and detection of money laundering.

S. 1664

Now I would like to turn to the bill. S. 1664, which parallels H.R. 3235, was developed in close cooperation with our staff. It arises from many of the concerns that caused Treasury to establish the Money Laundering Review Task Force and BSA Advisory Group -- that aspects of our regulatory programs have become dated, inefficient, have created undue burdens on the nation's financial institutions, and are in need of substantial revision.

Section 2 - Bank Exemptions from Currency Transaction Reporting

The bill (section 2) addresses how to reduce the data base of Currency Transaction Reports (CTRs) filed by financial institutions. Banks are filing millions of reports annually on transactions for account holders which they may exempt under Treasury regulations.

There are several causes for this phenomenon. First, the Treasury procedures for exemptions are cumbersome and difficult to understand. Often it is easier to file than to apply for and maintain exemptions. Banks are also concerned that if they improperly exempt transactions, they may be subject to BSA civil penalties by Treasury.

The bill sets some broad and sensible outlines for Treasury's revision of the exemption process with burdens shifting from the banks to Treasury.

The bill also requires that the Secretary reduce CTR filings by banks by at least 30% and eliminate from the CTR form information of little value to law enforcement. We are close to accomplishing the latter objective. The Task Force has redesigned the CTR and eliminated approximately a third of the information called for. We believe that this can be done without any significant detriment to the analytical use of the information.

These two steps -- increasing those exempt from reports, and reducing the amount of information filed -- will move us to our goal of achieving a simpler and more valuable system to address the money laundering problem.

Section 3 - Suspicious Transaction Reporting

The Task Force is also focusing on the issue of suspicious transaction reporting. An essential complement to currency reporting is the reporting of suspicious activity to law enforcement by financial institutions. While banks have been taking this responsibility to heart in recent years, the government's response has been less than satisfactory.

Treasury and this Committee have heard the complaints of financial institutions that the reporting is too complicated and that the reports are being ignored. The proposal in section 3 is an expression of the Committee's concern.

We must move toward a less burdensome and more effective means for reporting suspicious transactions. The Task Force has developed some detailed recommendations in this area.

Section 5 - Foreign Bank Drafts

Section 5 of the bill addresses an important expansion of reporting to Treasury -- cross-border transportation of "monetary instruments" in excess of $10,000. The provision expands the definition to include instruments drawn on or by foreign financial institutions abroad whether or not in bearer form.

This is a response to the problem of drug money laundering through foreign bank drafts. Drug money launderers smuggle bulk currency or transmit it through a non-bank financial institution to foreign banks. They then purchase bank drafts or checks from the foreign banks. These instruments are easily transportable back into the United States and negotiated.

Treasury believes that subjecting the instruments to cross-border reporting will contribute to deterring and detecting their use as money laundering vehicles.

Section 6 - Imposition of BSA Civil Penalties by Banking Agencies

Section 6 directs the Secretary to delegate the authority to assess BSA civil penalties to the federal banking agencies.

We agree and will consider delegation not only to the banking agencies, but to IRS for the non-bank financial institutions.

Sections 7 and 8 - Non-Bank Financial Institutions (NBFIs)

Sections 7 and 8 address the problem of money laundering through certain NBFIs. As banks have become more effective in prevention and detection of money laundering, money launderers have turned to the financial services offered by a variety of non-bank financial institutions, from casas de cambio to money transmitters and check cashers.

These institutions are subject to BSA record keeping and reporting, with compliance and examination authority resting with the IRS Examination Division. While IRS has bolstered resources for this function, the task is daunting. Estimates range from 50,000-150,000 of these institutions nationwide. The job cannot be done by Treasury/IRS alone. The Committee agrees.

Section 7 provides that there be uniform licensing and regulation of NBFI's including provisions under state law for penalties for failure to implement BSA compliance programs and for failure to obtain a license. The Secretary of the Treasury is to report to Congress on the progress made by the states. We think this project will be worthwhile.

In a companion measure, section 8 requires federal registration of NBFIs with Treasury. This should result in the reliable identification of all NBFIs and a foundation for identifying or eliminates illegitimate ones.

<u>Other Legislative Measures</u>

There are a few other legislative actions, some not solely within the jurisdiction of this Committee, necessary for Treasury anti-money laundering programs:

First and foremost, we have a critical need for a legislative amendment to address the problems posed by the <u>Ratzlaf</u> case which was decided by the Supreme Court on January 24, 1994. The <u>Ratzlaf</u> decision, was a major setback to the Government's anti-money laundering efforts. This decision will make the prosecution of structuring to avoid the currency transaction reporting under 31 U.S.C. 5324 substantially more difficult. Prior to <u>Ratzlaf</u>, it was enough to establish that a person who structured a transaction to evade the reporting requirements knew that the financial institution had a reporting obligation. After <u>Ratzlaf</u>, a prosecutor must establish that the person knew that structuring itself was a crime.

We have worked with House Banking on a <u>Ratzlaf</u> amendment which is now part of H.R. 3235. We understand and welcome the fact that the Committee intends to include a similar amendment to S. 1664.

Treasury also believes that changes are needed to the BSA summons authority to make it a more effective tool to investigate BSA violations.

A second area regards an amendment made by this Committee in 1986 which specifies that the warrantless border search authority of the Customs Service extends to searches of unreported currency or monetary instruments. As BSA compliance by banks has improved, smuggling of bulk currency and monetary instruments, such as money orders, has become rampant. However, the Postal Service has taken the position that this authority does not extend to letter class mail and packages. This creates a significant loophole.

Finally, there are two provisions pending with the House Ways and Means Committee introduced by Chairman Pickle last year.

The first relates to the use and dissemination of reports of cash by trades or businesses, under section 6050I of the Internal Revenue Code. Currently, the tax disclosure provisions limit the use of these reports for tax enforcement purposes. Temporary authority to disseminate to federal agencies for criminal purposes expired in November 1992. Since that time, the analytic work of FinCEN and other investigative agencies on these forms has come to a standstill.

The second provision would give IRS the authority to be exempt from certain fiscal provisions in their conduct of large-scale undercover operations. Other investigative agencies have this authority, without which such operations are cost prohibitive.

Conclusion

I hope that I have conveyed that it is not business as usual at the Department of the Treasury. We are open to new ideas and are committed to better communication with the affected public. The establishment of the Task Force and BSA Advisory Group are testament to our commitment.

We welcome the Committee's partnership with Treasury in improving the efficiency and effectiveness of our programs. Treasury and the Committee are working towards a common goal -- better balance and perspective on the roles and responsibilities of the Government and financial institutions in the fight against money laundering and better deployment of our respective skills and resources.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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STATEMENT FOR THE RECORD OF THE HONORABLE RONALD K. NOBLE ASSISTANT SECRETARY OF THE TREASURY FOR ENFORCEMENT BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

MARCH 15, 1994

Chairman Riegle and Members of the Committee, the Department of the Treasury is happy to have an opportunity to testify on S. 1664, the Anti-Money Laundering Act of 1994, introduced by Senators Bryan, Bond, and Riegle, and to update the Committee on Treasury's activities in the field of money laundering and Bank Secrecy Act enforcement. We also wish to express our appreciation for the responsiveness of the Committee staff to Treasury's concerns as this bill was developed. The result has been a bill which Treasury can squarely endorse.

Money Laundering Task Force

Last Fall, I established a Money Laundering Task Force staffed by experienced agents, analysts, and regulators from every component of Treasury with money laundering responsibilities. For the first time in twenty years, we are taking a comprehensive look at our anti-money laundering programs, especially the way we exercise our authority under the Bank Secrecy Act (BSA). In the face of a burgeoning money laundering problem and strains on government and financial institution resources, we cannot afford to continue business as usual.

The Task Force has finished the first phrase of its work and has made a significant number of recommendations in key areas. We are in the process of evaluating and implementing these recommendations. While the Director of the Task Force, Mark Matthews, recently left to join the Justice Department as Deputy Assistant Attorney General for the Tax Division, the work of the Task Force continues under its Deputy Director, Pamela Johnson, who brings extensive banking experience to the Task Force. After a period of several months in Washington, the personnel detailed to the Task Force have returned to their regular posts, but they remain involved in the work of the Task Force.

The top priority of the Task Force has been to reduce regulatory burdens on financial institutions and to communicate better with financial institutions about their roles and responsibilities in the fight against money laundering. Towards the goal of reducing regulatory burden, the Task Force has made a number of recommendations which I will discuss in connection with relevant sections of the bill. These recommendations include improving and shortening the Currency Transaction Report (CTR), simplifying the CTR exemption procedure available to banks, streamlining suspicious transaction reporting, and better defining the universe of nonbank financial institutions subject to Bank Secrecy Act reporting.

I must caution that the recommendations of the Task Force are at this juncture just that -- recommendations. The recommendations appear to me to be solid ways of proceeding, but the ideas are in the process of being circulated to government agencies outside Treasury, primarily the Department of Justice, and have not received formal input from the affected public. The first order of business for the newly established Bank Secrecy Advisory Group when it meets on April 8th will be to review and suggest refinements to these first recommendations of the Task Force, relating to the Bank Secrecy Act.

Bank Secrecy Act Advisory Group

Before turning to this bill, I would like to share our thinking on the establishment of the Bank Secrecy Act Advisory Group. One of the reasons why we have been operating so long with inefficient and burdensome requirements is that our communications with the industries affected by the BSA has been less than systematic. In order to broaden and regularize our communications and to insure that our initiatives are developed with the benefit of government and private expertise, I have established a Bank Secrecy Act Advisory Group composed of 30 experts in the field from government - both law enforcement and financial institution regulators -- and representatives of the major industries affected by currency transaction reporting requirements.

Such a group was called for in money laundering legislation in 1992, with the narrow purpose of discussing the utility of currency reporting. While the statute was an impetus for establishing the group, we envision a much wider role for this group that the statute contemplates. This group will serve as a think tank for ideas on how both government and financial institutions should exercise their responsibilities for prevention and detection of money laundering. This is a forum in which we can develop creative solutions to the challenges of law enforcement while at the same time not imposing undue burdens on financial institutions.

S. 1664

Now I would like to turn to S. 1664. This bill was developed in close cooperation with Treasury and is parallel to H.R. 3235 which was marked up and reported on last week by the House Banking Committee. These bills were born from some of the same concerns that caused Treasury to establish the Money Laundering Task Force and Bank Secrecy Act Advisory Group -- that aspects of our enforcement programs have become dated, inefficient, and are in need of substantial revision. Several provisions in the bill correspond to the thinking and recommendations of the Task Force.

Section 2 - Bank Exemptions from Currency Transaction Reporting

Section 2 addresses one of the issues that was the first order of business for the Task Force -- how to reduce the data base of Currency Transaction Reports (CTRs) filed by financial institutions on transactions over $10,000. Banks, (including savings associations and credit unions) are filing millions of reports annually on transactions for account holders which they may exempt under Treasury regulations. We believe at least 30% of the estimated nine million Currency Transactions Reports filed last year may fall into this category.

There are several causes for this phenomenon. First, the Treasury procedures for exemptions have become cumbersome and difficult to understand. Often, it is easier to file than to apply for and maintain exemptions. Secondly, as banks automate their BSA programs and magnetically file CTRs, it may be just as easy and cost-effective to file on all large currency transactions. Banks are also concerned that if they exempt transactions imprqperly, they may be subject to BSA civil penalties by Treasury.

Section 2(a) sets some broad and sensible outlines for Treasury's revision of the exemption process. The bill envisions two broad categories of exemptions. The first would be mandatory. The Secretary would be required to exempt depository institutions from CTR reporting on transactions with 1) other depository institutions, 2) federal, state and local governmental and quasi-governmental entities, such as public utilities, and 3) businesses or categories of businesses whose reports "have little or no value to law enforcement." The Secretary is to publish a list of such entities at least once a year.

Under the current regulations, transactions between depository institutions are excepted and transactions with governmental agencies may be exempted by banks. What is new is the concept of a published list of businesses which could be exempted under all circumstances. This list would most likely be composed of nationally-known businesses with high cash volumes.

The second category is discretionary exemptions. The Secretary retains discretion to allow banks to exempt other qualified business accounts based on criteria and procedures to be established by regulations, including information required to be submitted by the customer. The Secretary will be required to publish guidelines for granting such exemptions and may publish a list of types of businesses which may not be exempted for banks to use in selecting accounts qualified for exemption. After a first time submission of exemption lists to Treasury, a bank would be required to review its list and submit modifications to the Secretary at least annually. This would be a departure and an improvement from the current procedure where the Secretary only reviews selected lists upon request. An exemption would be deemed approved <u>unless</u> Treasury objected to it.

There would be a new "limitation on liability" for banks that follow the exemption procedures. A bank would not be subject to a BSA penalty for failure to file unless it knowingly files bad or incomplete information or had reason to believe the customer did not meet the regulatory criteria for exemption at the time the exemption was granted. The bill provides that this limited liability does not affect the obligation to report suspicious transactions or Criminal Referral Forms. The Secretary would retain the authority to revoke any exemptions at any time.
While we understand the Committee's desire to offer the limitation on liability as an incentive for banks to use exemptions, it presents practical and resource problems for Treasury. Treasury may be inundated with lists at the beginning of the new process and mistakes are bound to be made. A recent amendment to H.R. 3235 provides for a phase-in period.

As a companion provision in subsection 2(b), the bill requires that the Secretary "seek to reduce" CTR filings by at least 30% of the annual rate for the year previous to the date of the Act. A report is required to Congress within six months on progress made in this regard and annually at the end of each calendar year after date of enactment. A 30% reduction should result from improved exemption procedures.

The bill mirrors the framework of the new exemption procedure the Task Force is recommending. However, there is no guarantee that banks will avail themselves of the improved exemption process. Many banks many determine it is simply easier and less costly to file. Nevertheless, Treasury is working to insure development of the simplest procedures possible, under clear guidelines, to encourage banks to take advantage of exemptions.

<u>New Currency Transaction Report (CTR)</u>

In section 2(c) the Secretary is directed to take action as may be appropriate to redesign the format or eliminate information of little value to law enforcement from the CTR. We are close to accomplishing this. The Task Force has redesigned the CTR and eliminated approximately a third of the information called for.

We believe that this can be done without any significant detriment to the analytical use of the information. The new form is under review within the Government and will be presented to the Advisory Group in April. We believe that this measure will be very welcome by the affected industries.

Section 3 - Suspicious Transaction Reporting

Another very complex issue is the question of suspicious transaction reporting. Alert and timely reporting of suspicious activity -- cash and non-cash -- to law enforcement is an essential complement to currency reporting. Treasury and Congress have listened to many complaints from financial institutions that the current system is too complicated and that many reports are not being acted upon by law enforcement. We agree that there is some merit to these complaints. The proposal in section 3, directing the Secretary to establish a single government point for suspicious reports, is an expression of the Committee's concern, but does not rectify the situation.

The current procedure for reporting possible violations of money laundering and Bank Secrecy Act violations is cumbersome and confusing for the financial institutions. In some cases, a bank files more than one report on the same transaction and sends multiple copies of the report to different agencies. Treasury's goal is to improve the quality of what is filed and of law enforcement's response to it. At the same time, we want to interject needed efficiency into the reporting process. Our goal is that banks and other financial institutions file one report on a given transaction or situation and that only one copy of the report be sent to one place, such as FinCEN. The information would then be available to appropriate law enforcement and regulatory agencies through Treasury. We plan to impose mandatory reporting of suspicious activity by nonbank financial institutions under similar procedures.

The Task Force has developed some detailed recommendations in this area which are soon to be discussed with Justice and the bank regulatory agencies and will be explored with the BSA Advisory Group in April.

Section 4 - Money Laundering Scheme Detection by Bank Examiners

Section 4 directs the Federal Reserve Board and the Office of Comptroller of the Currency to establish a pilot program to test the feasibility of using examiners to detect money laundering schemes in the banks they supervise. The parallel provision to this section is H.R. 3235 has been amended recently, and in my opinion improved, to give more specific direction to federal regulators. The House version now requires that all federal banking agencies must enhance the training of examiners and examination procedures and improve detection of money laundering and procedures for referring cases to law enforcement. This would be done in consultation with Treasury and law enforcement agencies. We recommend the House version.

Section 5 - Foreign Bank Drafts

Under the BSA, Treasury requires that reports of cross-border transportation of monetary instruments in excess of $10,000 (the "CMIR" requirement) be filed with Customs. "Monetary instruments" is a term defined by statute to include currency or cash-equivalent bearer instruments such as traveller's checks or bearer checks and securities. The provision in section 5 would expand the definition to include instruments drawn on or by foreign financial institutions abroad whether or not in bearer form.

This is a direct response to the problem of drug money laundering through foreign bank drafts. Drug money launderers smuggle bulk currency or transmit it through a non-bank financial institution to foreign banks. They then purchase bank drafts or checks from the foreign banks, sometimes directly with the cash or sometimes after first depositing it to an account at the foreign bank. Some of these instruments resemble cashier's checks with a twist: they are dollar-denominated checks drawn by the foreign bank on its own account at a U.S. bank and sold to customers first like cashier's checks. These instruments are transported back into the United States and then negotiated. Because foreign bank drafts and checks are generally not in bearer form, they are not currently subject to CMIR reporting.

Treasury believes that subjecting the instruments to cross-border reporting will contribute to deterring and detecting their use, although it will not completely eliminate the problem and may lead to a significant increase in the number of CMIR filings.

Section 6 - Imposition of BSA Civil Penalties by Banking Agencies

This section directs the Secretary to delegate the authority to assess BSA civil penalties to the federal banking agencies (OCC, the Federal Reserve, OTS, FDIC, and NCUA). From the inception of the BSA, Treasury has delegated compliance and examination authority to these agencies.

Under section 6, the Secretary would be given complete discretion to set the terms and conditions for civil penalties, including the ability to reserve the authority to assess or review penalties over a certain dollar amount. The provision stems from Congressional criticism of the handling of civil penalties in the past by the Treasury's Office of Financial Enforcement (OFE). I want to emphasize that past penalty processing delays have been corrected and that OFE has produced an unprecedented number of penalties in recent years.

Nevertheless, I am of the view that serious consideration should be given to delegation of this operational function not only to the banking agencies, but to IRS for the non-bank financial institutions and to Customs for CMIR violations. All of these agencies have penalty authority and experience under other statutes.

Sections 7 and 8 - NonBank Financial Institutions

Sections 7 and 8 address the problem of money laundering through certain NBFIs. For several years, the Committee and Treasury have grappled with this difficult issue. It is indisputable that as banks have become more active in the prevention and detection of money laundering, money launderers have turned in droves to the financial services offered by a variety of NBFIs, from casas de cambio to money transmitters and check cashers. The majority of these are legitimate businesses that furnish needed financial services to segments of the population who have limited access to banks or have limited access to banking services.

The question of how best to use our authorities and resources to deal more effectively with the problem is an issue on the agenda for the Task Force. These institutions -- money transmitters, currency exchanges, check cashers, large sellers and redeemers of traveller checks and money orders -- are subject to BSA record keeping and reporting, with compliance and examination authority resting with the IRS Examination Division. While IRS has bolstered resources for this function, the task is daunting. Estimates range from 50,000-150,000 of these institutions nationwide. The job cannot be done by Treasury/IRS alone. State licensing and regulation is essential to insure that these businesses are run to offer legitimate financial services and that they not be purchased or exploited for illegal purposes. State licenses and regulation is meant to complement, not substitute, the BSA compliance responsibilities of the IRS.

Many states have made strides to license and examine various categories of NBFIs. Texas, Arizona, New York, and Florida have made significant progress. Nevertheless, in the majority of states these institutions operate with little more than a general business license.

Section 7 expresses the view of Congress that there be uniform licensing and regulation of NBFIs including provisions under state law for civil and criminal penalties for failure to implement BSA compliance programs and criminal penalties under state law for failure to obtain a license. The Secretary of Treasury is to report to Congress after three years, and annually thereafter, on the progress made by the states.

This will be a very extensive project for Treasury, but one which builds on our ongoing outreach efforts with states and will prove to be a worthwhile undertaking. At the same time, Treasury will move forward to require suspicious reporting and compliance programs by NBFIs, continue to educate the NBFIs on their vulnerabilities and responsibilities, and investigate and penalize the NBFIs for money laundering and BSA violations.

Section 8 requires federal registration of NBFIs subject to BSA with Treasury. Criminal and civil penalties and civil forfeiture could be applied for failure to register. Potentially, this will result in the reliable identification of all NBFIs and a means to eradicate illegitimate ones.

This will be a very expensive and labor-intensive program to start and maintain. A number of practical details will need to be worked out. Nevertheless, Treasury is prepared to undertake this project. One option we may wish to consider, which would require legislative authority, is a registration fee which would be available to offset the costs of administering a registration program.

Section 9 - Cashier's Check Study

This section directs Treasury to study and report to Congress on the use of cashier's checks in money laundering and the possibility of additional record keeping measures for cashier's checks. For instance, one suggestion has been to require banks to make copies retrievable by customer name or account rather than just chronologically as is generally the practice. The Task Force did not think that, in practice, the way cashier's checks are maintained presently pose significant problems. While we are not sure a special study is called for, we welcome recent amendments to H.R. 3235, under which this study would be done by GAO.

Other Legislative Measures

As the Committee is aware, there are a few other legislative actions, some outside the jurisdiction of this Committee alone, necessary for Treasury anti-money laundering programs.

Ratzlaf Response

First and foremost, we have a critical need for a legislative amendment to address the problems posed by the Ratzlaf case which was decided by the Supreme Court on January 24, 1994. The Ratzlaf decision, as was widely reported in the press, was a major setback to the Government's anti-money laundering efforts. This decision will make the prosecution of structuring to avoid the currency transaction reporting under

31 U.S.C. 5324 substantially more difficult. Prior to Ratzlaf, it was enough to establish that a person who structured a transaction to evade the reporting requirements knew that the financial institution had a reporting obligation. After Ratzlaf, a prosecutor must establish that the person knew that structuring itself was a crime.

We estimate that Ratzlaf may have an adverse affect on some 200 pending cases and no doubt dozens of others will not be brought because of this decision. Treasury and Justice have worked with House Banking on a Ratzlaf amendment which is now part of H.R. 3235. We understand and welcome the fact that the Committee intends to include a similar amendment to S. 1664.

BSA Summons Authority

Treasury would like to seek amendments to the BSA summons authority in 31 U.S.C. 5318 to make it a more effective tool to investigate BSA violations and to assist Treasury in responding to reports of suspicious activity, such as customer structuring of transactions to avoid triggering CTR reporting. The current authority is very limited in scope and purpose. It can only be used to request documents or take testimony from financial institutions and their employees and can only be used for civil purposes, for instance to perfect information for a civil penalty or civil forfeiture. What Treasury needs is a general purpose summons that can be used similar to an IRS summons, for civil and criminal purposes, up until the point the matter is referred to Justice for litigation or prosecution.

In suspicious transaction situations, despite the statutory protection from customer liability, financial institutions are reluctant to give full information about a customer and his transactions without legal process. If a suspicious call comes or the suspicious box is checked on a CTR, an IRS criminal investigation agent cannot use the BSA summons to obtain enough information to assess whether or not the matter is worth pursuing. If the summons were used and the matter is ultimately developed as a criminal rather than civil case, IRS would be subject to legal challenge for improper use of a civil enforcement authority. The only course now is to involve an Assistant U.S. Attorney, open a case and obtain a grand jury subpoena. This is an imposition on the agent's and the prosecutor's time and on the judicial system and simply cannot be done routinely in all suspicious situations. Treasury would like a simpler, less cumbersome method for evaluating reports of suspicious transactions.

The limitation to financial institutions and their employees is also problematic. The focus of Treasury's interest in BSA violations, especially CMIR violations, frequently involve persons beyond the financial institutions. Treasury needs to be able to use summons authority with respect to the person conducting the transaction, his principals, and other businesses.

We are seeking administrative clearance on this matter. The Department of Justice has expressed reservations and concerns.

Smuggling of Currency through the Mail

As BSA compliance by banks has improved, the smuggling of bulk currency and monetary instruments, such as money orders, has become rampant. An amendment made to 31 U.S.C. 5317 in 1986 specifies that the warrantless border search authority of the Customs Service extends to search for unreported currency or monetary instruments. However, the Postal Service has taken the position that this authority does not extend to letter class mail and packages. This creates an enormous loophole.

Envelopes and packages being transported by private couriers, common carriers, or by any means of transportation are subject to search as are envelopes and packages accompanying international travelers, or on their persons. Customs can only open first class packages with a search warrant based on probable cause that the package contains unreported currency or monetary instruments.
We have been working with the U.S. Postal Service on a legislative solution. We hope to be able to provide the Committee with statutory language that will protect legitimate privacy interests in outbound mail without sacrificing law enforcement's ability to seize the illegal-source currency and monetary instruments.

8300 Dissemination and IRS Undercover Offset

Finally, there are two provisions pending with the House Ways and Means Committee introduced by Congressman Pickle in 1993 as H.R. 22. These provisions are supported by the Administration but have yet to be acted upon to the detriment of our programs.

The first provision relates to the use and dissemination of reports of cash received over $10,000 filed by trades or businesses, under section 6050I of the Internal Revenue Code. Currently, the tax disclosure provisions of IRC §6103 effectively limit the use of these reports for tax enforcement purposes. The reports have the same analytical use to law enforcement as currency reports filed by financial institutions and should be able to be used and analyzed to the same extent. Therefore, Congressman Pickle and the Administration seek authority to disseminate and use the reports under the same guidelines and safeguards as BSA reports -- to federal, state and local agencies for criminal and regulatory purposes. Temporary authority to disseminate to federal agencies for criminal purposes expired last November. Since that time, the analytic work on these valuable reports by FinCEN and by other investigatory agencies outside the IRS, has come to a standstill.

The second provision in H.R. 22 would give IRS the same authority as other law enforcement agencies with substantial money laundering investigative authority to be exempt from certain fiscal and administrative provisions applied to day-to-day government activities. Key among these provisions is the authority to offset expenses from undercover operations from the proceeds of the operation. Without this authority large-scale undercover operations, such as establishing front currency exchange business, are cost prohibitive. This authority was also given in 1988 on a temporary basis but has expired.

Conclusion

I hope that I have conveyed that it is not business as usual at the Department of the Treasury. We are open to new ideas and are committed to better communication with the affected public. The establishment of the Task Force and BSA Advisory Group are testament to our commitment.

We welcome the Committee's partnership with Treasury in improving the efficiency and effectiveness of our programs. Treasury and the Committee are working towards a common goal -- to reach a better balance and perspective on the roles and responsibilities of the Government and financial institutions in the fight against money laundering and better deployment of our respective skills and resources.

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FOR RELEASE AT 2:30 P.M.
March 16, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES
TOTALING $28,000 MILLION

The Treasury will auction $17,000 million of 2-year notes and $11,000 million of 5-year notes to refund $23,432 million of publicly-held securities maturing March 31, 1994, and to raise about $4,575 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $3,605 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $1,248 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

Both the 2-year and 5-year note auctions will be conducted in the single-price auction format. All competitive and non-competitive awards will be at the highest yield of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF 2-YEAR AND 5-YEAR NOTES TO BE ISSUED MARCH 31, 1994

March 16, 1994

Offering Amount	$17,000 million	$11,000 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	AE-1996	L-1999
CUSIP number	912827 P3 0	912827 P4 8
Auction date	March 22, 1994	March 23, 1994
Issue date	March 31, 1994	March 31, 1994
Dated date	March 31, 1994	March 31, 1994
Maturity date	March 31, 1996	March 31, 1999
Interest rate	Determined based on the highest accepted bid	Determined based on the highest accepted bid
Yield	Determined at auction	Determined at auction
Interest payment dates	September 30 and March 31	September 30 and March 31
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . Accepted in full up to $5,000,000 at the highest accepted yield

Competitive bids . . . .
(1) Must be expressed as a yield with two decimals, e.g., 7.10%
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . Prior to 12:00 noon Eastern Standard time on auction day

Competitive tenders . . . Prior to 1:00 p.m. Eastern Standard time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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Statement of the Honorable Frank N. Newman

Under Secretary for Domestic Finance

United States Department of the Treasury

before the

Committee on Small Business

U.S. House of Representatives

March 17, 1994

STATEMENT OF THE

HONORABLE FRANK N. NEWMAN

Mr. Chairman and members of the Committee, I appreciate this opportunity to discuss with you the progress thus far of the Administration's Credit Availability Program. The Administration appreciates the support that you and the other members of the Committee have given to our efforts in this endeavor. With me today are Eugene Ludwig, the Comptroller of the Currency, and Jonathan Fiechter, the Acting Director of the Office of Thrift Supervision, representing the bank and thrift regulatory functions of the Treasury Department.

Last June, I testified to this Committee that the economy was in the midst of a very slow, very fragile recovery. Now less than one year later, the recovery is secure for a number of reasons, a few of which stand out this morning. It is secure because we have put in place a credible long-term deficit reduction program. It is secure because U.S. global economic leadership has worked to open world markets. And it is secure because we have taken measures, such as the President's Credit Availability Program, to spur increased lending.

The evidence of our success can be seen in the performance of American businesses. The balance sheets of our businesses are far stronger than they have been in recent years. Corporate profits were up 12 percent last year, even after a number of large write-offs.

Long-term debt is replacing short-term debt. Corporations are issuing equity again so they can pay down debt. And debt to equity ratios on a market-value basis are now at their lowest point in 20 years. Business failures are also declining.

More evidence can be found in the profitability of our banking system and in the increased amount of commercial and industrial (C&I) lending by the banking system. Insured commercial banks reported record profits of $43.4 billion in 1993, surpassing the previous record of $32.0 billion in 1992. Industry profitability, as measured by return on assets, also set a new record in 1993. The return on assets for commercial banks was 1.21 percent. Troubled assets -- that is, noncurrent loans plus foreclosed property -- are now at their lowest levels since the first quarter of 1989. These improvements have enabled banks to begin to increase their lending, as evidenced by the $2.5 billion increase in total C&I lending in 1993. Although modest in size, this increase reverses a three-year downward trend. The thrift industry is also performing reasonably well, as OTS Director Fiechter will discuss in his testimony.

Additional evidence can be found in the nature of the issues of concern to your constituents. For example, from the late 1980s through 1992, the Administration received countless letters from small businesses and individuals describing the absence of credit available to them and urging the government to assist them. Since last year, such letters have become significantly less common. When Comptroller Ludwig and I met about one ago year with a group of bankers from a large state with both rural and metropolitan areas, the only item on their agenda was the credit crunch. Just recently, I met with the same group of bankers, and the credit crunch was not even on their agenda. When I asked them about it, they informed me that from their perspective, significant improvement has been made, although our work is not yet done. I am confident that the President's Credit Availability Program played a positive role in turning this issue around.

I. The President's Credit Availability Program

A year ago, President Clinton unveiled the Credit Availability Program. The mission of the program was to make regulatory and administrative changes that would improve the flow of credit, particularly to small- and medium-sized businesses, farms, and low-income and minority borrowers and communities.

The program was implemented on a fast track. Within 90 days of the President's March 10 announcement, most of the proposed phase one actions were implemented. A status report on the program's components is attached at Appendix A. At this time, I would like to take a few minutes to discuss the impact of some of the more important items.

To alleviate the apparent reluctance by banks and thrifts to lend, the first phase of the program focused on five regulatory areas.

First, the agencies took steps to eliminate impediments to lending to small- and medium-sized businesses. They clarified the examination and rating procedures relating to the Other Assets Especially Mentioned category of loans so that such moderate-risk loans are not improperly grouped with classified loans. As I discussed in my testimony last year, examiners had tended to over-classify small business loans. The agencies also tackled the cost and difficulty associated with providing loan documents to banks through an interagency policy statement. Under this policy statement, healthy banks and thrifts are allowed to make and carry some loans to small- and medium-sized businesses and farms with only minimal documentation. In response to suggestions from Chairman LaFalce and others, we extended the eligibility for that program from highly rated banks and thrifts to medium rated banks and thrifts.

Second, the agencies took steps to reduce the burden of appraisals on, and to improve the climate for, real estate lending. On June 4, the agencies published, in the Federal Register, a proposed rule that would increase to $250,000 the threshold level at or below which appraisals are not required. In addition, the proposed rule would expand and clarify existing exemptions to the appraisal requirement, identify additional circumstances when appraisals are not mandated, and amend existing rules governing appraisal content and appraiser independence. This proposal responds to the concern that in some cases, appraisals may prove so expensive that they make uneconomical a sound real estate loan to a small- or medium-sized business. A final rule is expected to be published shortly.

On September 2, the OCC published a final rule that revised its Other Real Estate Owned, or OREO, regulation. The rule will: (1) increase and expand the options that a national bank may use to dispose of OREO, (2) standardize the legal and accounting treatment of OREO, and (3) provide flexibility in the financing of OREO. This rule has helped banks move OREO off their balance sheets and into the hands of investors seeking to improve the property. In 1993, national banks reduced the OREO on their balance sheets by $6.6 billion, or 39 percent.

The agencies also issued an Interagency Policy Statement on the Review and Classification of Commercial Real Estate Loans to provide clear and comprehensive guidance to ensure that examiners review commercial real estate loans in a consistent manner. Further, the agencies have provided additional guidance with respect to in-substance foreclosures and returning nonaccrual loans to accrual status. Guidance in both areas is consistent with generally accepted accounting principles.

Third, the agencies have taken steps to ensure that their appeals processes are fair and effective. To provide bankers an effective and fair opportunity to appeal supervisory decisions, each of the bank regulatory agencies has made changes to their appeals process. A far-reaching effort thus far has been the OCC's creation of a Ombudsman position to manage its appeals process. The OTS has also made an effort to ensure that its process is effective. For instance, as Acting Director Fiechter will discuss in his testimony, the OTS is implementing an Examination Oversight Program and has revised and formalized its supervisory review process. The key to these efforts has been to create an independent appeals process free from potential examiner retaliation.

Fourth, the agencies have worked to eliminate duplicative examination processes and procedures. The FDIC and OCC announced an agreement to better coordinate examinations and to streamline the examination of multibank holding companies. However, the key to resolving this problem is to consolidate the federal banking agencies, as the Administration proposed. Reforming our nation's bank regulatory structure will help assure the strength of insured depository institutions and their ability to support continued economic growth.

Fifth, the OCC has begun to use new procedures to detect discrimination in residential lending by national banks. In addition, the federal banking agencies and six other federal agencies have released a joint policy statement on lending discrimination.[1] Released last week, the policy statement specifies the lending patterns and practices that will be considered illegal under anti-discrimination laws. It will also provide guidance for banks on how to comply with the law. In short, this Administration is committed to stamping out illegal discrimination in lending.

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[1] The agencies involved in this policy statement on lending discrimination are the Federal Reserve, the Federal Deposit Insurance Corporation, the OCC, the OTS, the Department of Justice, the National Credit Union Administration, the Federal Housing Finance Board, the Federal Trade Commission, and two agencies at the Department of Housing and Urban Development - the Office of Fair Housing and Equal Opportunity and the Federal Housing Enterprises Oversight Board.

The second phase of the Credit Availability Program is an ongoing effort aimed at reducing regulatory and paperwork burden. The OCC and the OTS are each examining every one of its rules and regulations with the goals of: (1) eliminating rules and regulations that are not needed, (2) revising rules and regulations to minimize burden wherever possible, and (3) making all rules and regulations easy for readers to understand, so they will not need consultants or lawyers to act as interpreters.

An indicator of the success of the Credit Availability Program is the extent to which banks and thrifts have increased their lending. Many factors affect the aggregate lending pattern of depository institutions. Consequently, it is difficult to isolate the exact impact of our efforts. We are confident that at least some of the recent improvement in bank lending to small businesses can be attributed to the Credit Availability Program. The Program has worked to eliminate impediments to sound lending and reduce the unnecessary regulatory burden on the nation's financial institutions. The failure to eliminate these unnecessary regulations might have otherwise dampened the effects of the other elements which contribute to increased lending. Furthermore, we believe the Program has led to a generally more constructive atmosphere between examiners and bankers in which bankers once again can feel comfortable in taking appropriate risks. The Program has been well received by bankers, examiners, small businesses, and the General Accounting Office, which endorsed provisions of the Program in a September 1993 report.

II. Trends in Bank Lending to Small Businesses

As many of you know, it is very difficult to quantify the amount of small business borrowing. Prior to the recent call report changes, small business bank loans were grouped in the broad category of commercial and industrial loans. Nonbank finance companies, an increasingly larger source of lending to small businesses, file no information on their lending. Consequently, much of our current understanding about small business lending necessarily stems from surveys and approximations of general data. Let me quickly walk through the data we have, and show how it indicates an increase in lending to small businesses.

Commercial and Industrial Lending

As I noted previously, total commercial and industrial (C&I) loans held by FDIC-insured commercial banks ended their three- year decline and increased modestly in 1993. (See Appendix B.) As noted earlier, it is difficult to draw conclusions about small business lending patterns from this broad category because it includes loans to major corporations. In some cases, corporations have been paying down back borrowings through the proceeds of equity or long-term debt issuance, which provides more stability. Nevertheless, it suggests an improved aggregate lending environment.

Call Report Data on Small Business Lending

The problem with analyzing the changes in C&I lending as an indicator of small business credit availability is that we do not know what portion of those loans go to small businesses. Congress sought to remedy that situation in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). Section 122 of FDICIA requires the federal banking agencies to collect data on the number and aggregate amount of commercial loans and commercial mortgage loans made to small businesses, charge-offs, interest and interest-fee income from commercial loans and commercial mortgage loans to small businesses, and loans to small farms. In response, the federal banking agencies amended their call report forms to collect data on small business and small farm loans on an annual basis.

The June 1993 call report was the first one to contain the information required by Section 122 of FDICIA. This information provides a first order approximation of the amount of bank lending to small businesses across all industries. The data shows the amount of credit extended to businesses by the size of the loans, lines of credit, or commitments. While the relationship between loan size and business size is not exact, it can provide some indication of the amount of lending to small businesses. Appendix C summarizes the 1993 data. The percentage of C&I loans that are under $1 million is 36 percent. Since this data has been reported only once, we cannot use it draw inferences regarding patterns in lending or the effects of the Credit Availability Program. Nevertheless, we believe that over time this data can provide a rough estimate of small business lending.

Fed Report on the Credit Availability

FDICIA also requires the Federal Reserve Board to collect and publish annually information on the availability of credit to small businesses and small farms. In response to this mandate, the Federal Reserve Board published its first annual report in December 1993, based in part on the data collected in the June 1993 call report. The report found that, on balance, total business debt grew slowly in 1993 with borrowers focusing on balance sheet restructuring, and lenders pursuing cautious policies to strengthen loan portfolios and capital positions. It also noted, based on survey data, that the availability of credit for small businesses had improved a bit. The report found that access to credit did not appear to be an important factor constraining small businesses, as demand for credit remained low in 1993.

Senior Loan Officer Opinion Survey

The Federal Reserve Board recently published a senior loan officer opinion survey on bank lending practices. The survey asks questions about bank lending standards and terms, and about changes in loan demand. In the January 1994 survey, banks reported easing terms and standards on commercial and industrial loans to firms of all sizes. Further, the loan officers reported that demand for commercial and industrial loans "rose sharply relative to the November survey." This suggests that banks are positioning themselves to meet additional demand for small business loans.

NFIB Quarterly Economic Survey

Each quarter, the National Federation of Independent Businesses (NFIB) surveys small businesses on their borrowing activity. The October 1993 survey supports the conclusion reached in reviewing other indicators -- that the availability of credit is no longer a problem. The survey did find that small businesses lacked confidence in the economic prospects in the short term. This survey result, however, does not take into account the robust Gross Domestic Product (GDP) growth in the fourth quarter of 1993. As of October, the survey noted that only 33 percent of surveyed businesses were regular borrowers -- only one point above the all time low. The percentage of these firms that reported difficulty in borrowing remained constant. Consequently, the NFIB concluded that there were no credit availability problems for firms, but that firms were not seeking loans.

What the data and the surveys suggest is that creditworthy small business borrowers are no longer being denied access to credit. However, it seems that demand by small businesses for loans has not increased as much as we had hoped. As we move forward, the Administration will continue to address this issue as a part of the broader goal of improving the nation's economic performance and addressing the structural problems of the banking industry that inhibit the flow of credit.

III. Future Administration Initiatives to Enhance Credit Availability

While the improvements I have mentioned earlier are encouraging, the Administration has an ongoing agenda designed to address the needs of small businesses. Administrator Bowles, of the Small Business Administration (SBA), has found in his meetings with small business owners across the country that there still is an access to credit problem for working capital and for loans less than $50,000. The Administration will continue to look for and will support policies to increase the lending and equity capital available to small businesses, and as you know, we have worked very hard to increase the funding for the SBA's loan programs.

Here at Treasury, for example, we are leading an interagency group to establish the North American Development Bank, or "NADBank," to provide financing for environmental projects, and NAFTA-related community adjustment and investment. We currently envision implementing the community adjustment and investment program by tapping into existing federal credit programs. We anticipate that by using existing federal credit programs, the NADBank community adjustment and investment program will make at least $200 million in new financing available to small businesses. The Administration is also implementing the Empowerment Zone and Enterprise Community program and a Microloan Demonstration program. Both of these programs should provide significant benefits to small businesses located in distressed communities.

The Administration also has a comprehensive agenda to prepare our banking system for the challenges of the next century and meet the credit needs of all Americans. Our legislative agenda includes consolidating federal banking agencies, removing the geographic restrictions on commercial banks, and enacting the President's Community Development Financial Institutions legislation. On the administrative side, the agencies are the midst of an intensive reform of the Community Reinvestment Act, in addition to continuing work on the Credit Availability Program.

Community Development Financial Institutions

As you are aware, President Clinton has made community development and individual empowerment a major goal of his Administration. To meet this goal, communities and individuals need to have the access to capital to turn the commitment to self-improvement into action.

The Administration's Community Development Banking and Financial Institutions Fund represents a critical step forward in providing the needed tools. It is a bottom-up approach to stimulating community development. The Fund will strengthen nontraditional financial institutions that specialize in supplying capital, credit, and other financial services to distressed communities. We envision community development financial institutions as one of the catalysts for preserving and creating small businesses in distressed areas.

Consolidation of Federal Banking Agencies

Consolidation of federal banking agencies presents a unique opportunity to rebuild a part of America's economic infrastructure that has become badly outmoded, and to make government more effective and efficient in a way that is meaningful to all Americans. The current federal bank regulatory structure is senselessly convoluted, places a serious drag on the nation's banking industry, and ill serves the financial services needs of small businesses. Over the past 20 years, the percentage of credit market assets in banks and thrifts has shrunk. It's gone from 62 percent to just 36 percent -- the lowest level in history. Small businesses on Main Street are the ones that suffer as the role of banks decline. Big businesses can get their money on Wall Street. But the small business people -- the job creators in this economy -- visit their local bank.

Today, four different federal agencies regulate and supervise depository institutions that are insured by the FDIC. Trapped in this maze of bureaucracies, most banking organizations are subject to redundant demands, overlapping supervision, and often inconsistent regulation by two, three, or even all four of the federal regulatory agencies. The Administration's proposal would combine regulatory and supervisory functions of the OCC, the Federal Reserve, the FDIC, and the OTS into a new independent agency, the Federal Banking Commission (FBC). Our consolidation proposal will improve the quality of the regulation and supervision of our banking system and eliminate inconsistent interpretations of the same laws and rules. It will increase the accountability for regulating financial institutions. The proposal also will eliminate the potential conflicts of interest inherent in the present system and ultimately reduce government and industry expenses, benefitting banks, small businesses, consumers, and the economy as a whole.

In recognition of the importance of the banking system to small businesses, the Administration's regulatory consolidation proposal provides that one of the advisory committees of the FBC will be focused on small businesses. This will give small businesses a direct forum to bring their needs and concerns to the attention of the FBC.

Interstate Branching Legislation

The Administration supports legislation that would allow banks to expand across state lines. Consequently, we have worked actively on and support the bills recently reported out of the House and Senate Banking Committees.

Removing the geographic restrictions on U.S. commercial banks will yield important benefits to the banking system, small business borrowers, and to the nation's economy. First and most importantly, it will tend to promote a safer and sounder banking system. Geographic diversification will help banks make their assets and income more stable, and thus better enable them to withstand regional recessions and meet credit needs in times of stress. Second, it will give banks an opportunity to structure themselves more efficiently, eliminate duplicative functions, and reduce expenses. Third, it will encourage competition by making it easier for institutions to enter markets that are not now fully competitive. Because of their reliance on banks to meet their credit needs, we expect that small businesses will benefit from these improvements in the banking system which will accrue from interstate branching.

Community Reinvestment Act Reform

At the request of the President, the federal bank regulators are changing the Community Reinvestment Act (CRA) regulations so banks can meet the credit needs of the community rather than performing needless paperwork. The proposed regulation would replace the current twelve assessment factors with distinct assessment standards based on measurable performance in three specific areas: lending, service, and investment. Small businesses should especially benefit from this new focus on performance, since under the proposed rules insured depository institutions would receive explicit CRA credit for small business loans made in low- and moderate-income areas. Additionally, the proposed rules will require the collection and reporting of small business lending data, collated by the size of the businesses[2]. The requirements of the rules are not yet final, since they are in the comment period. However, this data, along with the call report data, can prove useful in the

[2] Data will be collected in the following categories : (1) small businesses with average annual gross receipts of (i) less than $250,000, (ii) $250,000 to $1 million, and (iii) $1 million to $10 million, and (2) manufacturing businesses with average annual gross receipts of $10 million or more and fewer than 500 employees.

future to assess the credit needs of small businesses, and the most effective responses to those needs.

IV. Conclusion

Providing credit to small- and medium-sized businesses is an important and continually challenging task. We have already made some progress by implementing the President's Credit Availability Program. But more remains to be done. We are actively working to ensure the small businesses grow and prosper.

I will be pleased to respond to any questions the Committee may have.

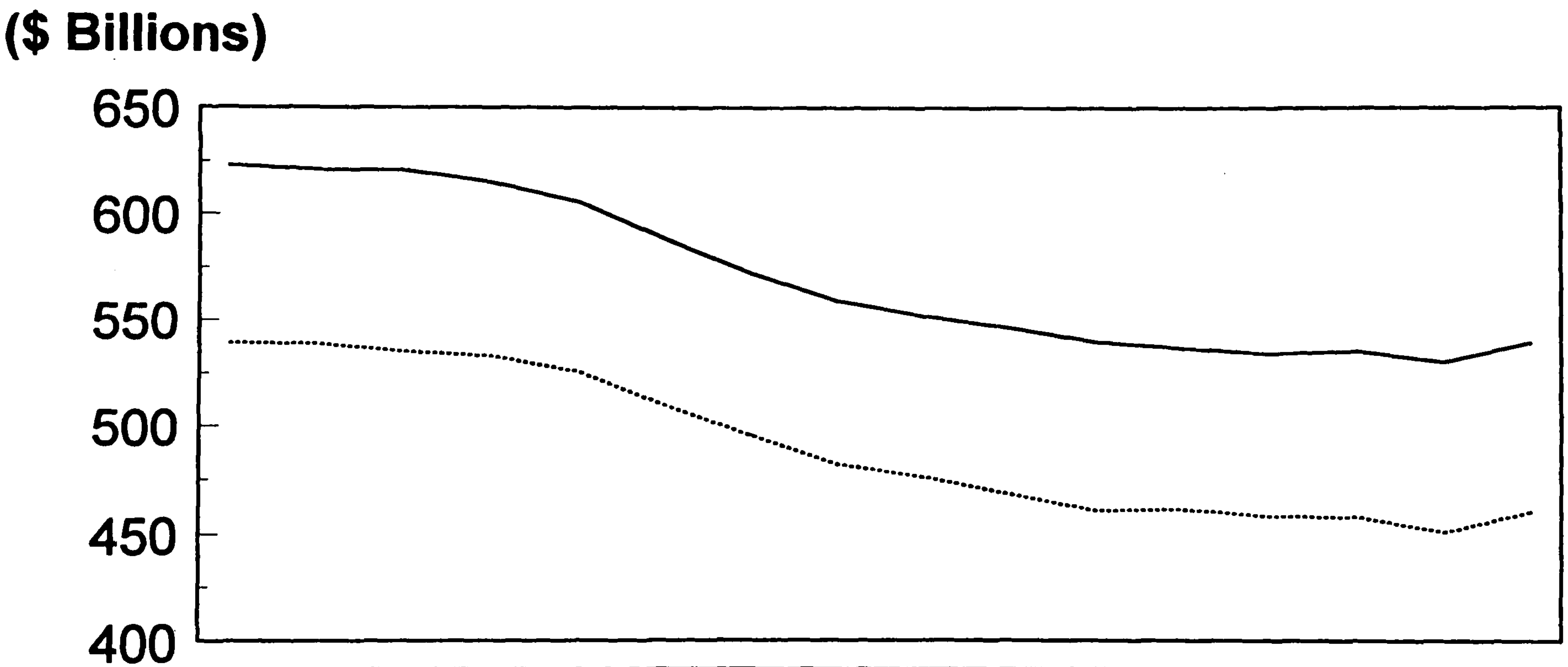
Appendix A: Status of the Administration's Credit Availability Program

Completed Regulatory Changes	Type of Action	Agencies Involved	Status
Announcement of the Credit Availability Program: On March 10, President Clinton announced the program.	Interagency Policy Statement	OCC, OTS, FDIC, FRB[3]	Completed 3/10/93
Documentation of Loans: This action eliminates unnecessary documentation requirements for small- and medium-sized business and farm loans.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 3/30/93
Documentation of Loans: The OCC and OTS have extended the preceding action from highly rated banks and thrifts to medium rated banks and thrifts.	Policy Statement	OCC, OTS	OCC - 8/12/93 OTS - 9/8/93
Special Mention Assets: The agencies have clarified their examination procedures to ensure that special mention assets are not improperly placed in the classified asset category.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Real Estate Appraisals: The action would increase to $250,000 the threshold level at or below which appraisals are not required.	Proposed Rule	OCC, OTS, FDIC, FRB	Published in the Federal Register 6/4/93
Other Real Estate Owned (OREO): The initiative will: (1) increase and expand the options that a national bank may use to dispose of OREO, (2) standardize the legal and accounting treatment of OREO, and (3) provide flexibility in the financing of OREO.	Final Rule	OCC	Published in the Federal Register 9/2/93
Commercial Real Estate Loans: The statement provides clear and comprehensive guidance to ensure examiners review commercial real estate loans in a consistent manner.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
In-Substance Foreclosures: The agencies have offered additional guidance with respect to reporting of in-substance foreclosures.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Returning Nonaccrual Loans to Accrual Status: The agencies have revised the accounting for partially charged-off loans consistent with generally accepted accounting principles.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93

[3] The four federal banking agencies involved in the Credit Availability Program are the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve Board (FRB).

Completed Regulatory Changes	Type of Action	Agencies Involved	Status
Appeals Process: The agencies have taken steps to ensure that their appeals processes are fair and effective.	Agency Program	OCC, OTS, FDIC, FRB	The OCC Ombudsman's Office began operating on 9/15/93
Fair Lending Initiatives: The agencies will strengthen their enforcement of fair lending laws by revising discrimination detection methods and revising their consumer complaint systems. In addition to revised examination procedures, the OCC will develop a pilot program to use minority and non-minority "testers" to identify discrimination in the way banks treat potential borrowers.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Examination Coordination: The agencies are working to eliminate duplicative examination processes and procedures. The agencies have announced an agreement to better coordinate examinations and to streamline the examination of multibank holding companies.	Interagency Agreement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Refinancing and Renegotiating Loans: The OCC and the OTS have clarified their policy on refinancing and renegotiating loans when market interest rates have declined, including loans secured by real estate collateral that has declined in value.	Banking Bulletin Thrift Bulletin	OCC, OTS	OCC - 9/3/93 OTS - 10/5/93
Continuous Review			
Excess Paperwork Burden: Each agency is individually performing a study of its paperwork, corporate application, and documentation requirements.	Agency Program	OCC, OTS, FDIC, FRB	Ongoing
Regulatory Review: The OCC and the OTS have committed to rewrite and reorganize its regulations to make them clear and accessible.	Agency Program	OCC, OTS	Ongoing
Effectiveness Measurement: The OCC is devising methods to measure the effectiveness of the Credit Availability Program.	Agency Program	OCC	Ongoing

Appendix B: Commercial and Industrial Loans Held by FDIC-Insured Commercial Banks



	1990 - 1	2	3	4	1991 - 1	2	3	4	1992 - 1	2	3	4	1993 - 1	2	3	4
Total C&I —	622.8	621.0	620.7	615.1	605.9	588.6	572.2	558.9	551.6	546.1	539.4	536.4	533.6	535.1	529.7	538.9
Total U.S. C&I ···	538.8	538.4	535.0	532.8	525.8	510.2	495.8	482.1	476.0	468.2	460.7	461.2	457.9	457.8	450.9	460.1

Source: Call Reports

Appendix C: Business Loans at U.S. Commercial Banks

Amount Outstanding as of June 30, 1993

Original amount of loan or line of credit or commitment	Asset size of bank (Millions of dollars)					
	<$100	>$100 <$300	>$300 <$1,000	>$1,000 <$5,000	>$5,000	All Banks
Commercial and industrial loans (Billions of dollars)						
$100,000 or less	21.8	17.7	10.7	9.6	17.6	77.4
Greater than $100,000 thru $250,000	3.2	4.5	4.3	5.5	8.6	26.1
Greater than $250,000 thru $1,000,000	3.7	7.6	9.0	12.9	22.2	55.4
Greater than $1,000,000	0.9	4.4	12.2	45.0	213.1	275.6
Total C&I loans	29.6	34.2	36.2	73.0	261.5	434.5
Loans secured by nonfarm, nonresidential properties (Billions of dollars)						
$100,000 or less	15.7	14.4	6.8	4.4	5.0	46.2
Greater than $100,000 thru $250,000	3.8	5.3	4.4	5.1	7.2	25.8
Greater than $250,000 thru $1,000,000	6.4	11.8	11.7	14.2	21.6	65.7
Greater than $1,000,000	1.3	5.5	12.7	28.8	74.8	123.2
Total nonfarm, nonresidential loans	27.2	37.0	35.6	52.5	108.6	260.9

Source: Call Reports

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
March 16, 1994

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TREASURY STATEMENT ON BRAZIL

The U.S. Treasury welcomes the conclusion of the agreement between Brazil and the IMF to work closely within the context of a Fund-monitored program to stabilize Brazil's economy. It reflects the significant steps toward stabilization that Brazil has taken in the last several months. If the momentum of reform is maintained, Brazil can enjoy the benefits of more stable prices and more rapid economic growth.

Brazil should be in a position to rapidly conclude its debt restructuring with the commercial banking community. Once an agreement has been reached for the IMF to provide standby assistance to Brazil, Treasury will be ready to make a special issue of zero coupon bonds to support such a commercial bank agreement.

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DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
Text as prepared for delivery
March 22, 1994

Oral Statement of Treasury Secretary Lloyd Bentsen
Senate Appropriations Subcommittee on Foreign Operations

LB-714

As Prepared for Delivery
Adv. 10:00 a.m. EST
March 22, 1994

ORAL STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS OF THE SENATE COMMITTEE ON APPROPRIATIONS

Chairman Leahy, Senator McConnell: I have a longer statement for the record which I'd like to summarize.

Our request for the multilateral development banks is just over $2 billion. In addition, we are seeking $100 million for the Enhanced Structural Adjustment Facility and $7 million for debt reduction. The details of these programs are summarized in a separate table at the back of my written statement.

I cannot let this hearing pass without commenting on the remarkable changes in the U.S. economy over the past twelve months. Thanks in large part to the budget bill passed last summer, there is new confidence and increased optimism about our country's economic future. Growth is strong and unemployment is starting down. Investment is up, and all indications point to steady and sustainable growth over the rest of the decade.

But there is a second part to this story -- our role in increasing global growth. More and more, this is where the economic action is. The president has noted that we must be engaged abroad if we want to do well at home. That's why we have worked so hard at NAFTA and at GATT, at our APEC and G-7 relationships. That's also where the development banks come in.

Economic growth and development is what the banks do. They do it better than anyone else. Their lending programs have helped turn developing countries into the most rapidly expanding export market for U.S. goods and services: $186 billion in U.S. merchandise exports last year and more than 3 million U.S. jobs. The lesson is clear. The dollars we send abroad through the banks come home in increased U.S. exports and more U.S. jobs.

LB-714

(MORE)

If you look beyond the G-7 nations, 95 percent of the population growth, and all the most rapid economic development, is in the developing world. At the same time, we have cases like Somolia, Haiti and Bosnia, which remind us that while there are tremendous opportunities, there are also great dangers. Our challenge is to lessen the dangers, and create more opportunities.

These banks are the main sources of funding for economic and political transition in Central and Eastern Europe, in the former Soviet Union, the Middle East, and South Africa. We cannot afford to carry the burden of financing these transitions alone. We need the help we get from the development banks and, frankly, we have to do a much better job of getting this important message across to the American people.

The request for the development banks is 10 percent of the administration's overall request for international affairs this year. But the impact of the bank programs goes far beyond that figure. As you can see from my first chart, contributions from other countries and borrowings in private capital markets generate lending almost $45 billion, or 25 times the amount of our contribution, and 3.5 times our annual bilateral assistance account.

More than half of our request, nearly $1.3 billion, will go to the International Development Association for poverty reduction in the world's poorest countries. That's one of the administration's highest priorities.

Most of the rest will go to the regional development banks. Some $100 million will go to the Global Environment Facility to combat ozone depletion and global warming, protect biological diversity, and begin to clean up international waterways. This is another very high priority for us.

Some $87 million is needed to begin to reduce our arrearages to the development banks. Last year, when I first asked for your help on these overdue payments, they totaled $374 million. Now they are more than $847 million. They are from agreements negotiated by the Bush Administration and this administration believes we should honor them. With every cut in the appropriations for the MDB account, the backlog becomes larger. This is an embarrassing situation for our country. As U.S. Governor for the banks, I have to tell you that we must do something this year.

Other countries have budgetary problems, but they still make their contributions on time. And let me tell you, they are tired of U.S. arrearages that keep going up. Time is running out for us on this issue. We risk losing our influence over important bank policy decisions. We have lost some credibility with other donors already.

Last year, I listened closely to your concerns about the need to reform the development banks. I put in place a comprehensive agenda for change across the spectrum of bank operations, particularly on transparency, and cutting administrative costs.

We've had some successes. We had influence. Other countries followed our lead. But that won't happen again this year unless we get full funding for the multilateral development bank account, and start bringing down these overdue bills.

These banks promote growth and protect our interests in many areas. Look at chart #2. The banks have a geographic and financial capacity beyond that of any bilateral assistance program, including our own. They're working to reduce poverty, protect the environment, and promote sustainable development. Their programs make investments in people, and they encourage good governance and the creation of the institutions of civil society.

If you look at chart #3, you can see that loans made to support basic human needs increased this past year to more than $15.5 billion. This boosts the amounts we provide through our bilateral assistance program through AID by a factor of seven at small cost to us. We want to increase this type of lending even more in the future.

Investments in education and primary health care are crucial. There is no higher priority than making sure that girls as well as boys are educated. Furthermore, family planning must be an integral part of our efforts to improve primary health care in developing countries.

Now, some say the banks don't respond to our policy initiatives. I think they're wrong. This past year, we've shown that the banks do respond to our initiatives. Let's look at the record.

First, we have seen real progress on loan implementation and cost cutting:

At the European Bank there have been significant staff reductions, large cuts in administrative costs, more streamlined operations, and increased emphasis on field operations and private sector development. In six months, disbursements on loans more than doubled, to $665 million.

At the World Bank, there have been radical reductions in travel costs; and administrative expenses are expected to be frozen in real terms over the next three years.

Second, substantial improvements have been made on transparency and openness, such as the new information policy at the World Bank. Similar changes in information policies and procedures are under way at the regional banks.

Mr. Chairman, an independent inspection panel, which you recommended last year, is now ready for start-up. That was a good suggestion, and I appreciated it. It was right on the money. It will improve project quality and give greater protection to the rights of people affected by the Bank's projects.

Third, there is good news on sustainable development and the environment.

Last week in Geneva we reached final agreement on the Global Environment Facility. This is a major landmark in international environmental cooperation and a significant accomplishment for our administration. It fulfills important international obligations undertaken by the Bush Administration at the Rio environmental summit.

All the development banks are placing greater emphasis on environmental lending. Chart # 4 puts their annual lending for the environment at $2.8 billion. In this area, too, the banks increase what we can provide bilaterally by a factor of seven.

In the World Bank, we are starting to see real benefits from important policy changes in forestry, energy, agriculture and water resources. We believe these changes have altered the Bank's way of doing business and reshaped its lending program for the better. We are also pushing environmental priorities at the regional banks.

Of course, there is much more to do in these areas at all the banks. It won't happen overnight. But we are pushing ahead on several fronts. They've done what we asked. Now it's time for us to respond to these changes by meeting our financial obligations.

Let me talk about our three most important objectives for the banks in 1994 -- increasing U.S. exports, reducing U.S. budgetary costs, and reinforcing U.S. interests in strategic areas.

As to the first objective, increasing exports, the most recent data we have show U.S. procurement from development bank projects at about $2.7 billion last year. This is up by $500 million over the previous year's estimate. It created or sustained 54,000 U.S. jobs, and was nearly twice the $1.5 billion we put into the banks last year. That's an 80 percent export bonus.

We already know that contracts funded by the banks go to businesses in all parts of the country. Last year, businesses in virtually every state had contracts from development bank projects.

Contracts like these mean a lot to the U.S. firms that win them, and to the men and women who are hired for the jobs that are generated as a result. I think we have been doing well in landing this business, but we want to do even better in the future. Keep in mind, however, as I said last year, that the contracts are only the tip of the development bank iceberg.

We believe that an additional $5 billion in U.S. exports to developing countries comes from development bank lending programs that encourage policy reform and promote greater economic growth and more open trading systems. As Chart # 5 shows, we estimate that overall more than $7.7 billion in U.S. exports are generated through the banks each year, creating or sustaining at least 146,000 U.S. jobs.

Development bank lending goes hand in hand with increases in U.S. exports. It improves the economic climate in developing countries. It strengthens the capabilities of individual borrowers, and makes them better customers for our goods and services. It also paves the way for follow-on business in the future.

Look at lending figures for 10 developing countries in which the Export-Import Bank has its largest exposures. Over the past three years, those countries have received more than $56 billion in loans from the development banks. As shown in Chart # 6, lending by the development banks has provided a fertile environment for much of the recent export success we have had in those ten countries.

So within the administration, we are working hard to make the development banks an integral part of our new export expansion strategy. This means closer cooperation on procurement with the banks and our own Department of Commerce, as well as with the Overseas Private Investment Company and the Trade and Development Agency.

It means increasing commercial staff in the offices of U.S. Executive Directors at the banks and getting the word out earlier to U.S. firms interested in new business opportunities. We are making a special effort to promote exports of U.S. environmental goods and services, where we believe we have a large advantage.

The second objective is containing the costs of U.S. participation in the banks. We want to work closely with you in this area. Once the arrearages are resolved, my objective is to either straight-line or reduce the level of the appropriations request we make each year.

We want to control our costs by reducing paid-in portions of upcoming capital increases, and by freezing or reducing our contributions to concessional windows. For example, we anticipate a substantial reduction in our contribution to the InterAmerican Bank, without any loss in the bank's capability to lend in Latin America. And, we will continue to look for economies at the Asian Development Bank. We are also looking to co-financing techniques which will extend the financial reach of the development banks without additional cost to the U.S. Government.

The third objective is working effectively within the banks to reinforce U.S. strategic interests in regions in economic and political transition. I've gone into greater detail in my statement for the record. I want to hit a few of the highlights here about two of the regions.

In the Middle East, the World Bank is playing a critical role in the peace process. We had that donors conference last fall, and so far the Bank has mobilized $580 million for the Palestinians. In December, $50 million was approved for an emergency project in Gaza, and other projects are in the pipeline..

We're also looking forward to the elections in South Africa April 27, and to the creation of South Africa's first post-apartheid government. We have encouraged the World Bank to work closely with the new government as it comes into office. The new government will have a very full and very difficult agenda. We believe that the Bank will be ready to respond rapidly. As much as $1 billion may come into the project pipeline in the first year.

So we see the MDBs actively engaged in these two widely separated but very strategic areas of the globe. This engagement serves our country's most vital political and national security interests.

Our most important economic interests are also served when export markets for U.S. goods and services continue to grow as a result of the banks' work. This is why our request for the banks must have a higher priority this year than last. We all benefit from increased investment flows to the developing countries. I said that in Detroit last week, and I want to re-emphasize that here today.

I have outlined some of the success we have had in working this past year to improve the performance of the multilateral development banks. I have not argued that the job is done. Certainly, the banks can and must continue to improve their performance. They are on the right road now and we will continue to press them in a number of areas in the future.

Before concluding, let me briefly mention two other elements of our request. First, $100 million is needed to extend and enlarge the Enhanced Structural Adjustment Facility at the International Monetary Fund. The money, which will be spent over 15 years starting in fiscal 1997, will support loans at concessional interest rates to the world's poorest countries for economic and structural reforms, including the establishment of social safety nets. More than 40 countries are contributing, and our contribution will be less than a nickel of every dollar provided to the interest subsidy account. Our commitment to support the facility already has encouraged contributions from others, and gives us an effective voice in decision-making on reforms.

We have recently joined other creditor countries in the Paris Club in providing 50 percent debt reduction for the poorest countries. Most of the countries that will benefit are in Sub-Saharan Africa. Our fiscal 1995 request of $7 million would allow us to continue this effort, and to pursue deeper debt reduction if others in the Paris Club agree.

Thank you, Mr. Chairman. I would be very happy to answer any questions you might have.

-30-

Table: The Elements of the Request

The Administration's request includes the following:

-- $23.3 million for paid-in capital to the World Bank (IBRD). This represents part of the unfunded shortfall in our FY 1992-4 requests on of the of the U.S. payment for its subscription to the 1988 General Capital Increase, which is currently supporting over $18 billion in financing to about 60 countries.

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U.S. Support for Developing Countries

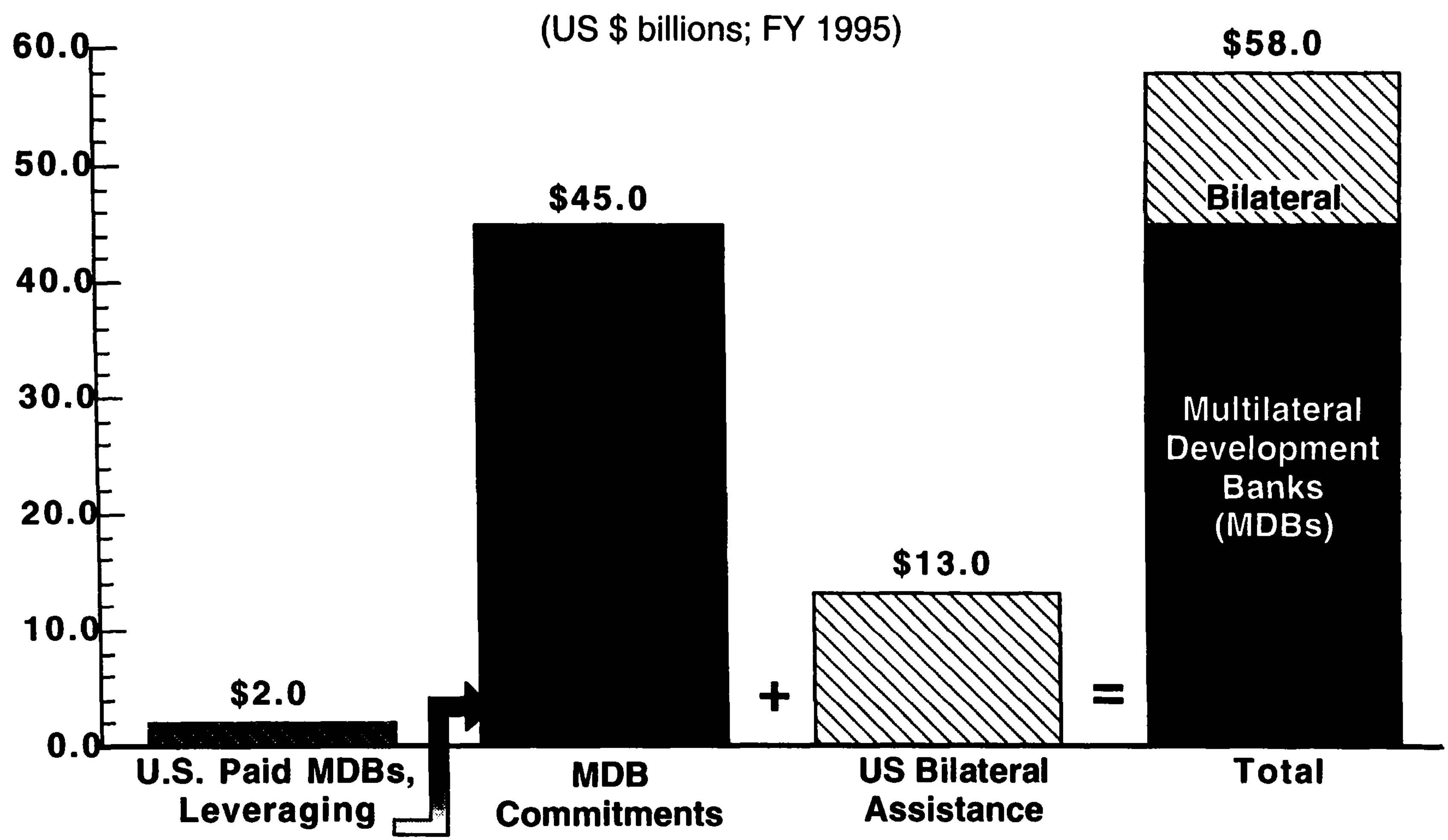
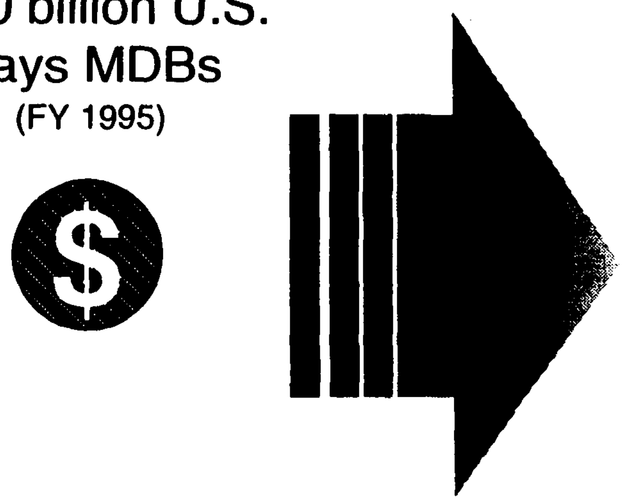


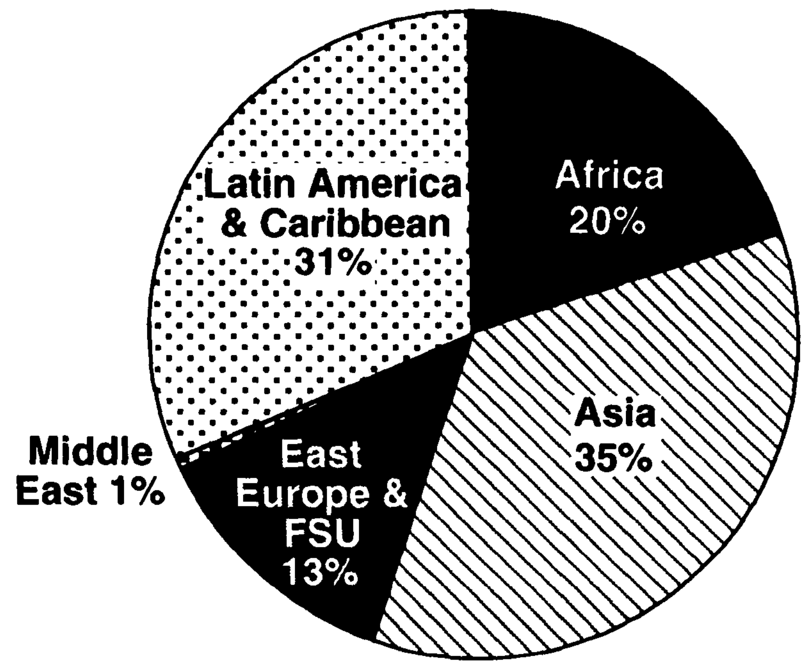
Chart 1

MDBs commit $45 billion.
U.S. cost is only $2.0 billion.

$2.0 billion U.S.
pays MDBs
(FY 1995)



$45 billion in MDB commitments
to regions of the world



Lending By Region

Chart 2

MDBs Support Human Needs

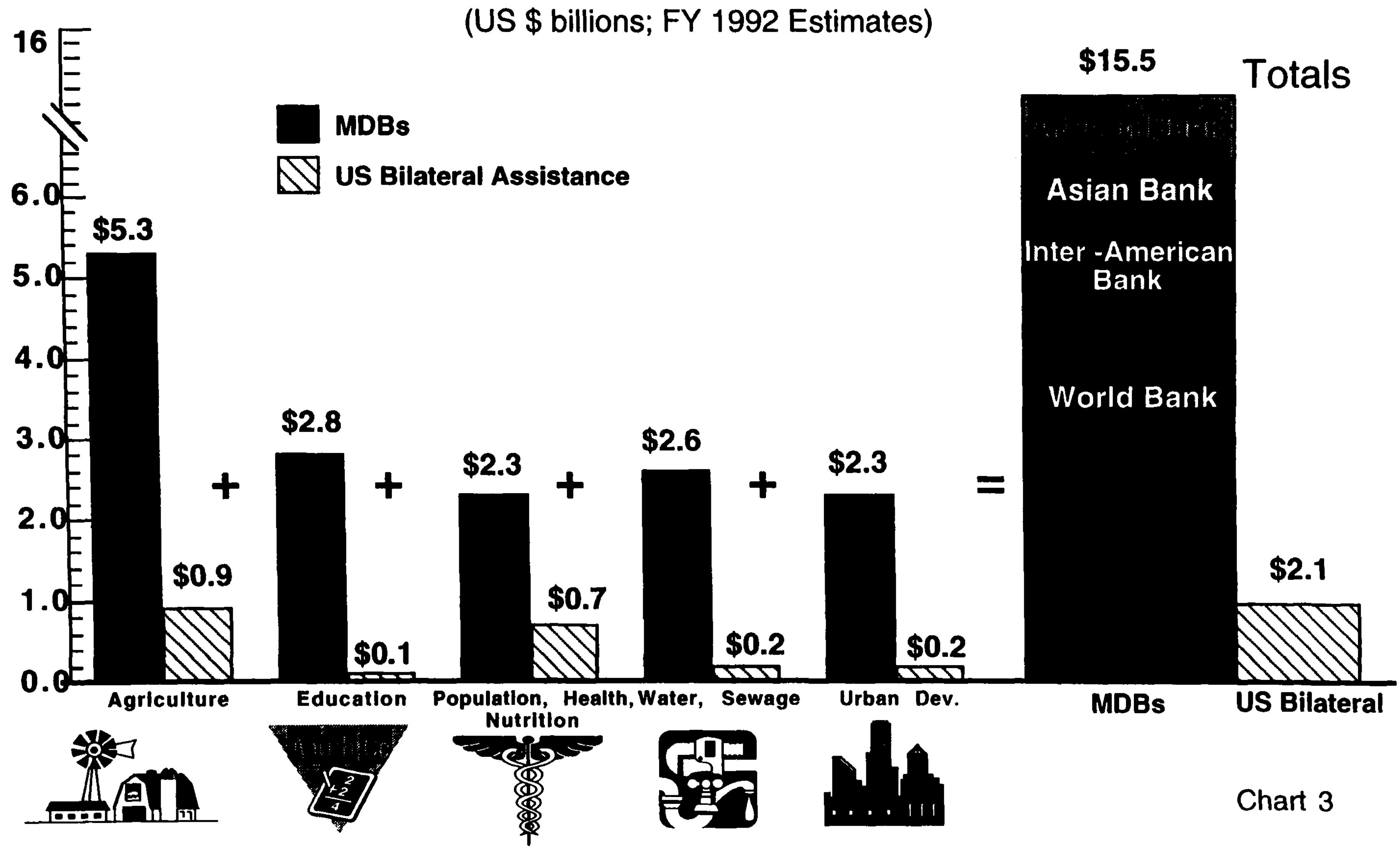
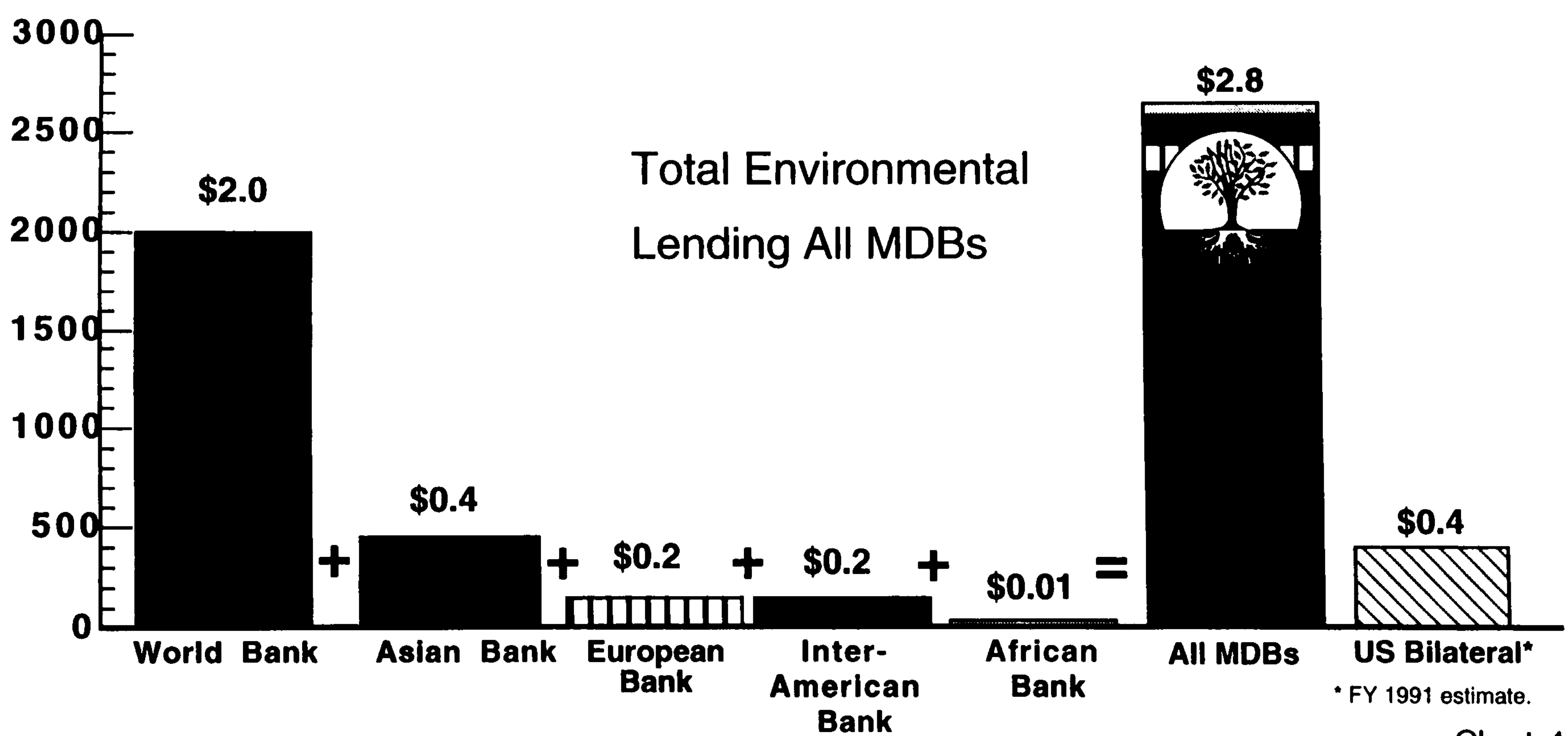


Chart 3

MDBs Support The Environment

(US $ billions; 1992 estimated environmental lending)



* FY 1991 estimate.

Chart 4

Higher U.S. Exports = More U.S. Jobs

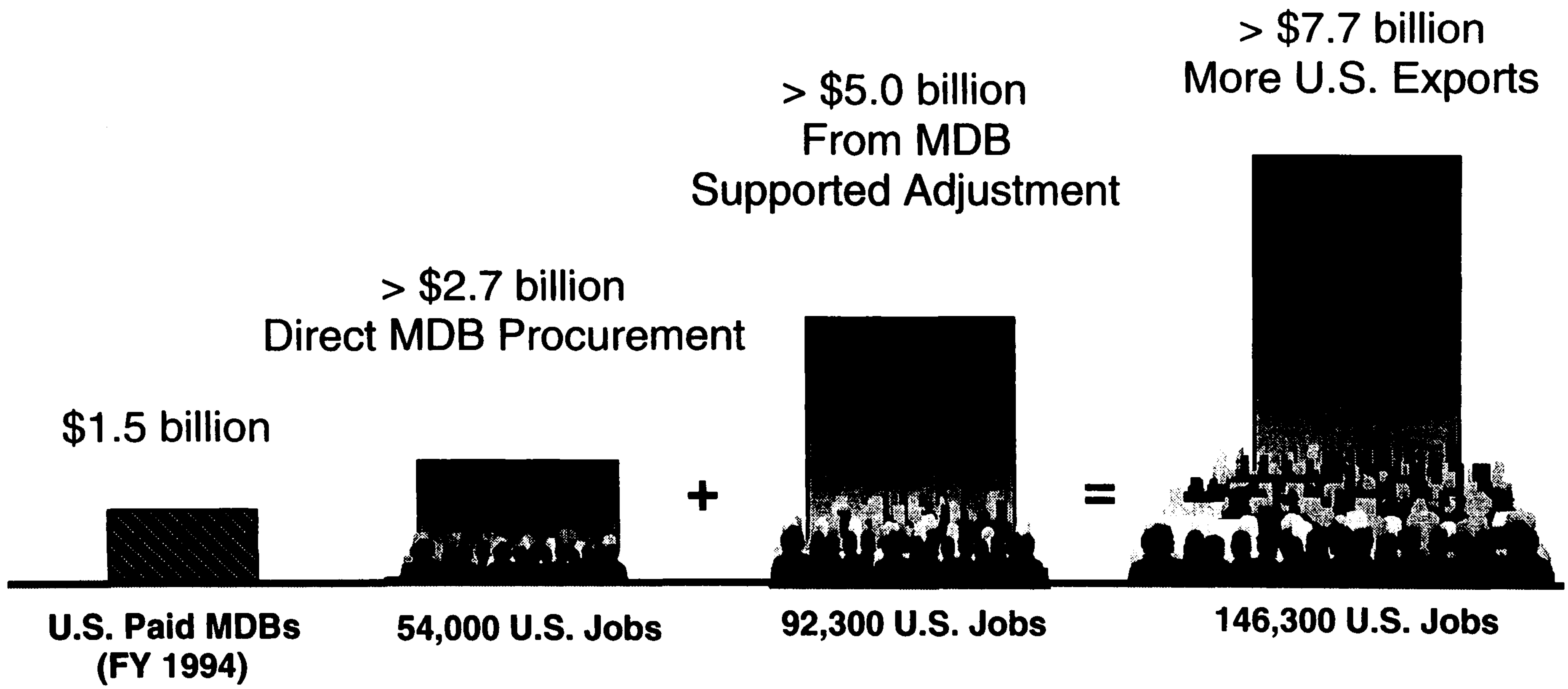


Chart 5

MDBs Support Important Commercial Ties

Economic Assistance to 10 key LDCs*

(US $ billions; total last three years)

***Largest Export-Import Bank Exposure:**

Mexico	Indonesia
Venezuela	Argentina
Brazil	the Philippines
Algeria	China
Turkey	India

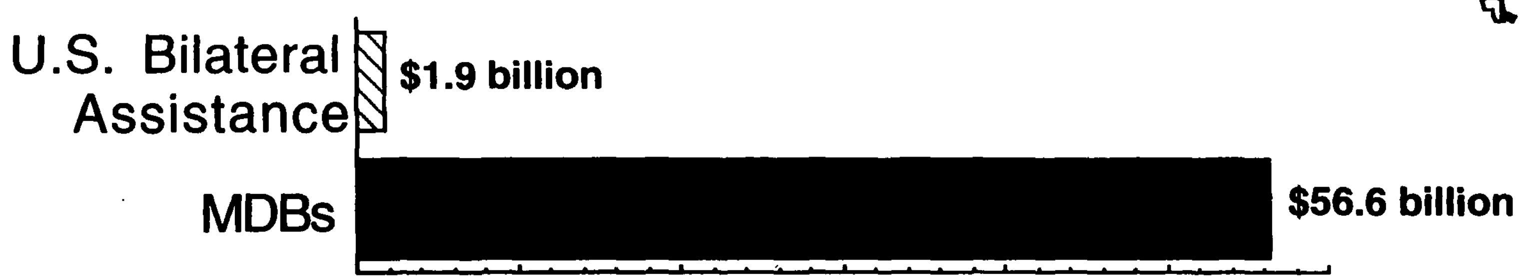


Chart 6

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as prepared for delivery
March 22, 1994

Record Statement of Treasury Secretary Lloyd Bentsen
Senate Appropriations Subcommittee on Foreign Operations

LB-715

As Prepared for Delivery
Adv. 10:00 a.m. EST
March 22, 1994

RECORD STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS OF THE SENATE COMMITTEE ON APPROPRIATIONS

Mr. Chairman. I am pleased to present the Administration's FY 1995 appropriations request for the multilateral development banks.

Our request is just over $2.0 billion for the multilateral development banks. In addition, there is $100 million for the Enhanced Structural Adjustment Facility and $7 million for debt reduction. The details of these programs are summarized in a separate table at the back of my written statement.

I cannot let this hearing pass without commenting on the remarkable changes in the U.S. economy over the past twelve months. Thanks in large part to the budget bill passed last summer, there is new confidence and increased optimism about our country's economic future.

Growth is strong, and unemployment is coming down. Investment is up, and this means we're on a course we can maintain. All indications point to steady and sustainable economic growth over the rest of the decade. These are major accomplishments in which we can all take pride.

But there is a second part to this story: the U.S. role in increasing global growth. More and more, this is where the economic action is. As President Clinton has said: the U.S. must be engaged abroad if we want to do well at home. That's why NAFTA and GATT are so important. That's also where the multilateral development banks come in.

LB-715

(MORE)

Economic growth and development is what the banks do. They do this job better than anyone else. Their lending programs have helped turn developing countries into the most rapidly expanding export market for U.S. goods and services: $186 billion in U.S. merchandise exports last year and more than 3 million U.S. jobs. The lesson is clear: the dollars we have sent abroad through the development banks come back home in increased U.S. exports and more U.S. jobs.

If you look beyond the G-7 nations, 95 percent of the population growth, and all the most rapid economic development, is in the developing world. At the same time, we have cases like Somolia, Haiti and Bosnia, which remind us that while there are tremendous opportunities, there are also great dangers. Our challenge is to lessen the dangers, and create more opportunities.

Threats to U.S.national security interests will continue in the post Cold War era. But the opportunities I spoke of are there. Important economic and political transitions are under way in Central and Eastern Europe, in the former Soviet Union, and in the Middle East and South Africa.

The development banks are the main sources of funding for these transitions. The United States must do its part, but we cannot afford to carry that burden by ourselves. We need the help we get from the development banks and, frankly, we have to do a much better job of getting this important message across to the American people.

The request for the development banks is 10 percent of the Administration's overall request for International Affairs this year. But the impact of the bank programs goes far beyond that 10 percent figure. As you can see from my first chart, contributions from other countries and borrowings in private capital markets generate lending of $45 billion. That is almost 25 times the amount of our contribution, and 3.5 times our annual bilateral assistance account.

More than half of our $2.0 billion request, nearly $1.3 billion, will go to the International Development Association for poverty reduction in the world's poorest countries. Poverty reduction is one of the Administration's highest priorities.

Most of the rest will go to the regional development banks. Some $100 million will go to the Global Environment Facility to combat ozone depletion and global warming, protect biological diversity, and begin to clean up international waterways. This is another very high priority for us.

Some $87 million is needed to begin to reduce our arrearages to the development banks. Last year, when I first asked for your help in clearing them up, these overdue payments were $374 million. Now they are more than $847 million. These amounts are from agreements negotiated by the Bush Administration and this Administration believes we should honor them. With every cut in the appropriations for the MDB account, the arrearages have become even larger. This is an embarrassing situation for our country.

We have hard choices to make on the budget this year. Some people will say that $87 million to begin to reduce these backed up payments is not that important. I disagree. As U.S. Governor for the banks, I am obligated to tell you: we must do something this year to begin to reduce those arrearages.

Other countries have budgetary problems, but they still manage to make their contributions on time. And let me tell you, they are tired of U.S. arrearages that keep going up every year. Time is running out for us on this issue. We risk the loss of our influence over important policy decisions within the banks. We have lost some credibility with other donors.

Last year, I listened closely to your concerns about the need to reform the development banks. I put in place a comprehensive agenda for change: poverty reduction, population and family planning, environment, transparency, improvements in loan implementation, and cuts in administrative costs.

We were successful in carrying out a large part of that agenda. We were persuasive. We had influence. Other countries followed our lead. But that won't happen again this year unless we get full funding for the multilateral development bank account. That means full funding for the current request and beginning to reduce those arrearages.

As I said earlier, the development banks are in the thick of the action on the international economic front. Together, they are the largest single source of official financing for economic growth and development. The economic policies they promote increase growth and protect U.S. interests in many countries around the world. The banks have a geographical and financial capability beyond the reach of any bilateral assistance program, including our own. Percentages of lending by region are shown in chart # 2.

The banks also work hard to reduce poverty, protect the environment, and promote sustainable development. Their programs make investments in people, and they encourage good governance and the creation of the institutions of civil society.

If you look at chart #3, you can see that loans made to support basic human needs increased this past year to more than $15.5 billion. This boosts the amounts we provide through our bilateral assistance program through AID by a factor of seven at small cost to us. We want to increase this type of lending even more in the future.

Investments in education and primary health care are crucial. There is no higher priority than making sure that girls as well as boys are educated. Furthermore, family planning must be an integral part of our efforts to improve primary health care in developing countries.

Some say the development banks don't respond to U.S. policy initiatives. I think they're wrong. This past year, we've shown that the banks do respond to our initiatives. Let's look at the record.

First, we have seen real progress on loan implementation and cost cutting:

> At the European Bank there have been: significant staff reductions, large cuts in administrative costs, more streamlined operations, and increased emphasis on field operations and private sector development. In six months, disbursements on loans more than doubled from $307 million to $665 million.
>
> At the World Bank there have been radical reductions in travel costs; and administrative expenses are expected to be frozen in real terms over the next three years. We are also pushing new initiatives emphasizing rapid disbursements through decentralized operations and on-the-ground activities in borrowing countries.

Second, substantial improvements have been made on transparency and openness.

> At the World Bank a new and more open information policy is now in place. A reading room containing a wide range of information on loans has been opened to the public. Similar changes in information policies and procedures are underway at the regional banks. Some are already in place; others are being negotiated as part of replenishment agreements.
>
> An independent inspection panel, which Chairman Leahy recommended last year, is now ready for start-up. That was a good suggestion, and I appreciated it. It will improve project quality and give greater protection to the rights of people affected by the Bank's projects. We have made a major effort to see that the right people are appointed to that panel.

Third, there is good news on sustainable development and the environment.

Last week in Geneva we reached final agreement on the Global Environment Facility. This is a major landmark in international environmental cooperation and a significant accomplishment for our Administration. It fulfills important international obligations undertaken by the Bush Administration at the environmental summit in Rio de Janeiro in 1992.

All of the development banks are placing greater emphasis on environmental lending. Chart # 4 puts their annual lending for the environment at $2.8 billion. In this area too, the banks increase what we can provide bilaterally by a factor of seven.

In the World Bank, we are starting to see real benefits from important policy changes in forestry, energy, agriculture and water resources. We believe these changes have altered the Bank's way of doing business and reshaped its lending program for the better.

We are also pushing environmental priorities at the regional banks. New environmental policies are to be created for key economic sectors and quantitative goals established for lending in the social sectors.

Of course, there is much more that needs to be done in these areas, both in the World Bank and in the regional development banks. All of it will not come overnight, but we are continuing to push ahead on many fronts. They've done what we asked. Now it is time that we follow through on our financial obligations.

Let me talk about three of the most important objectives we have for the multilateral development banks in 1994: Increasing U.S. exports; reducing U.S. budgetary costs; and reinforcing U.S. interests in strategic areas

As to the first objective, increasing our exports, the most recent data we have show U.S. procurement from development bank projects running at about $2.7 billion last year. This was an increase of $500 million over the previous year's estimate of $2.2 billion. It created or sustained 54,000 U.S. jobs and was nearly twice the $1.5 billion we put in last year, giving us an export bonus of eighty percent.

We already know that contracts funded by the banks go to U.S. business firms in all parts of the country. Some specific disbursements from last year were: $650,000 to OPICO in Mobile, Alabama; $12.7 million to Bechtel in San Francisco, California; and $11.8 million to U.S. Chemical Resources in Tampa, Florida.

There was $11.4 million to Caterpillar in Peoria, Illinois; $4.9 million to Arthur D. Little in Massachusetts; $9.9 million to Cargill in Minneapolis, Minnesota: and $ 15.4 million to Foster Wheeler in Livingston, New Jersey. More than $12 million went to business firms in Iowa, including $1.3 million to Little Giant Crane Company in Des Moines. I don't want to forget $23.0 million to Somat Drilling in Houston, Texas or $1.6 million to the Case Company in Racine, Wisconsin.

Contracts like these give a boost to the U.S. economy. They mean a lot to the U.S. firms that get them and to the men and women who get jobs that are generated as a result. I think we have been doing well in getting this business, but we want to do even better in the future. Keep in mind, however, as I said last year, that the contracts I have just mentioned are only the tip of the development bank iceberg.

We believe that an additional $5.0 billion in U.S. exports to developing countries comes from development bank lending programs that encourage policy reform and promote greater economic growth and more open trading systems. As Chart # 5 shows, we estimate that more than $7.7 billion in U.S. exports are generated through the development banks each year, creating or sustaining at least 146,000 U.S. jobs.

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Let's look at lending figures for 10 developing countries in which the Export-Import Bank has its largest exposures. Over the past three years, those ten developing countries have received more than $56 billion in loans from the multilateral development banks. As shown in Chart # 6, this multilateral development bank lending has created a fertile environment for the recent export success we have had in those 10 countries.

So within the Administration, we are working hard to make the development banks an integral part of our new export expansion strategy. This means closer cooperation on procurement issues with the development banks and our own Department of Commerce as well as with the Overseas Private Investment Company and the Trade and Development Agency.

It means increasing commercial staff in the offices of U.S. Executive Directors at the banks and getting the word out earlier to U.S. firms interested in new business opportunities. We are making a special effort to promote exports of U.S. environmental goods and services, where we believe we have a large advantage.

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We want to cut our costs by reducing paid-in portions of upcoming capital increases and by freezing or reducing our contributions to concessional windows. For example, we anticipate a substantial reduction in our contribution to the InterAmerican Bank, without any loss in the bank's capability to lend in Latin America. We are also looking to co-financing techniques which will extend the financial reach of the development banks without additional cost to the U.S. Government.

The third objective is working effectively within the development banks to reinforce U.S. strategic interests in regions in economic and political transition. At the start of my statement, I emphasized how we depend on the banks for a great deal of the money that must accompany the process of transition in those regions. Let me make a few remarks about what we are trying to accomplish through the banks in just two of those regions.

The Middle East:

> Last fall I joined with Secretary Christopher in convening a donors conference in support of Middle East Peace. In many respects, the Palestinians will have to build their economy from the ground up. The World Bank is playing a critical role in the peace process: providing technical assistance and mobilizing financial support.
>
> So far, the Bank has mobilized $580 million for the Palestinians. Broad agreement has also been reached on the emergency and technical assistance programs. In December, $50 million was approved for an emergency assistance project in Gaza, and other projects are in the pipeline.

South Africa:

> We look forward to elections on April 27, and to creation of South Africa's first post-apartheid government. We have encouraged the World Bank to work closely with the new government as it comes into office.
>
> The new government has a very difficult agenda in critical areas such as job creation, housing, education, health services, and support for small scale enterprises. We believe the Bank will be ready to respond rapidly to policies and priorities in these areas. As much as $1 billion may come into the project pipeline in the first year.

On another African issue, the devaluation of the common currency in West Africa, we have congratulated these countries on taking that very difficult but necessary step and asked the World Bank to undertake new financial programs to provide additional support.

So we see the multilateral development banks actively engaged in these two widely separated but very strategic areas of the globe. This engagement serves our country's most vital political and national security interests.

Our most important economic interests are also served when export markets for U.S. goods and services continue to grow as a result of the banks' work. This is why our request for the banks must have a higher priority this year than last. I said that in Detroit last week, and I want to re-emphasize that here today.

I have taken time this morning to outline some of the success we have had in working this past year to improve the performance of the multilateral development banks. I have not argued that the job is done. Certainly, the banks can and must continue to improve their performance. They are on the right road now and we will continue to press them in a number of areas in the future.

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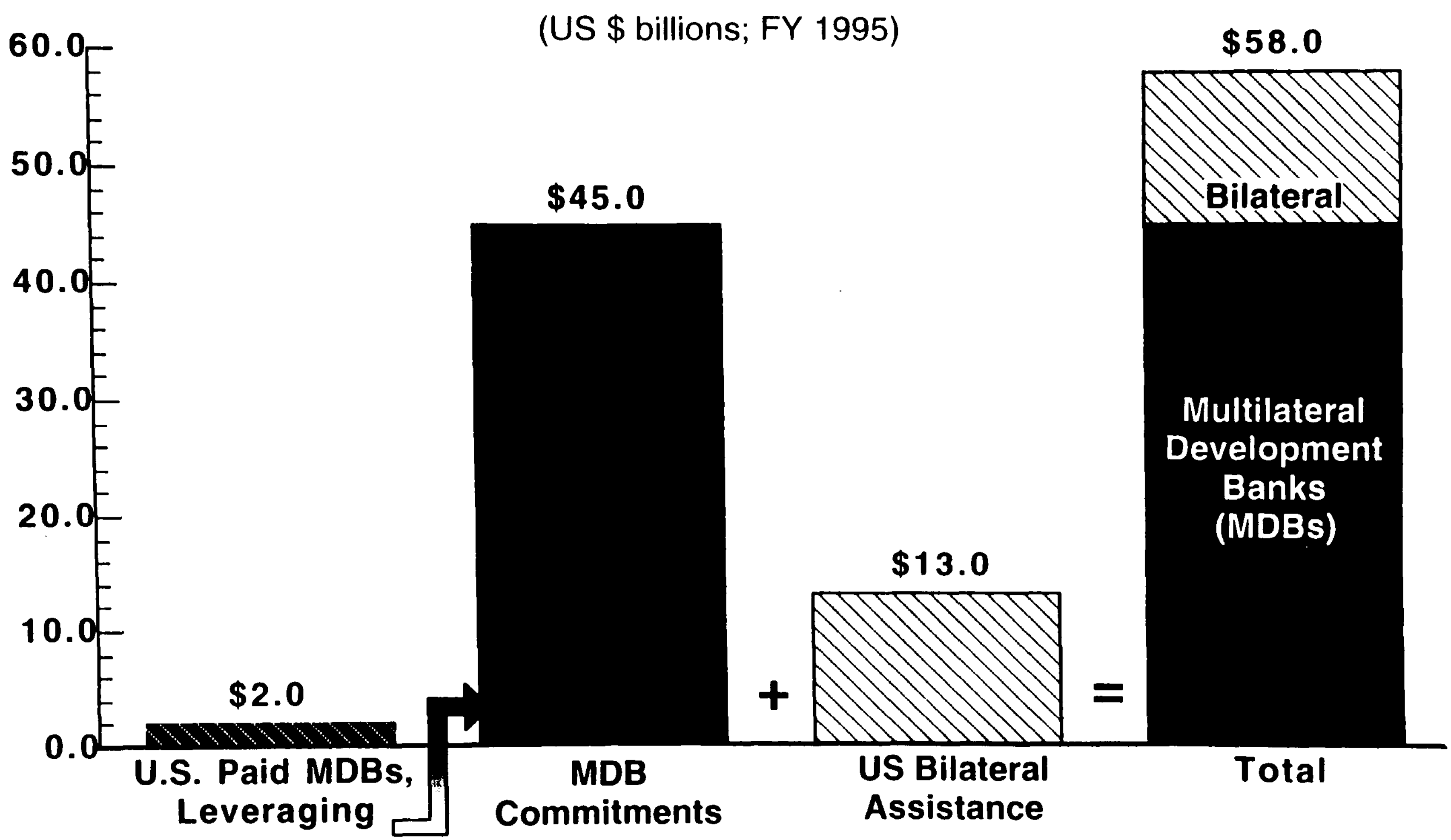
U.S. Support for Developing Countries



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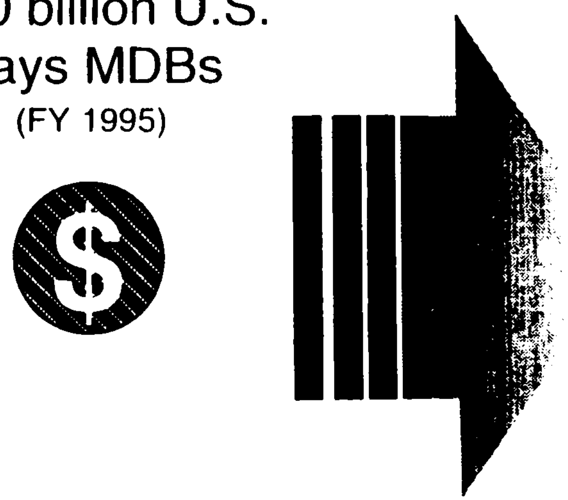

$45 billion in MDB commitments
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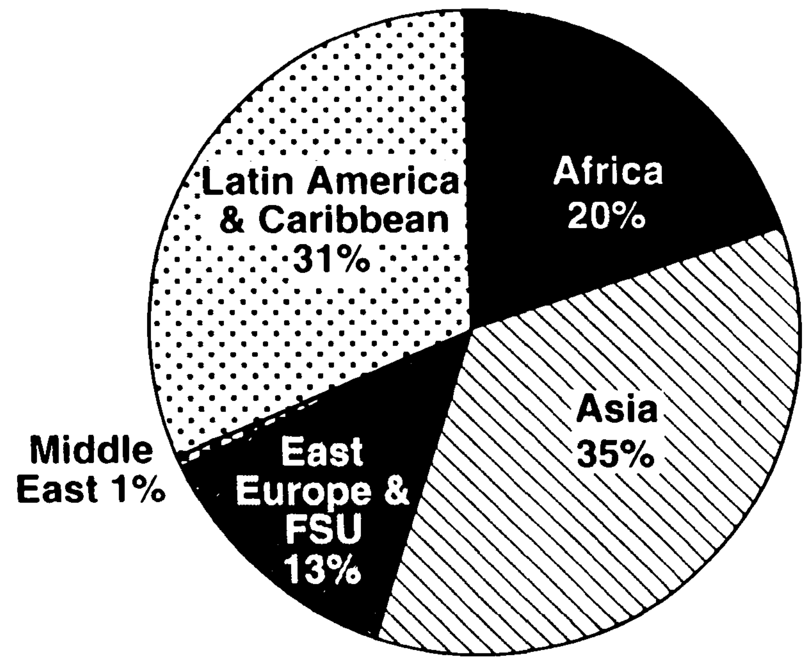


Lending By Region

Chart 2

MDBs Support Human Needs

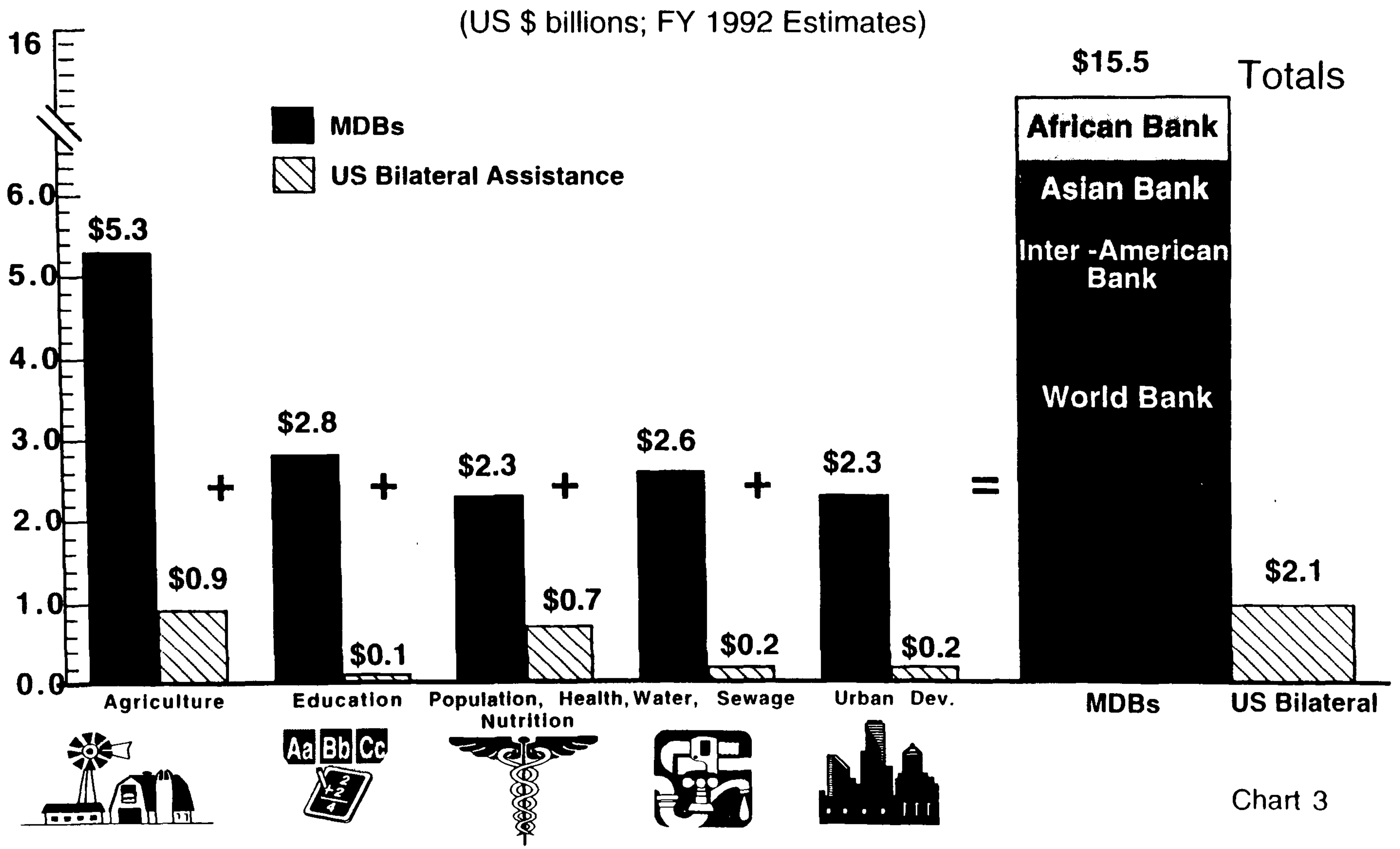
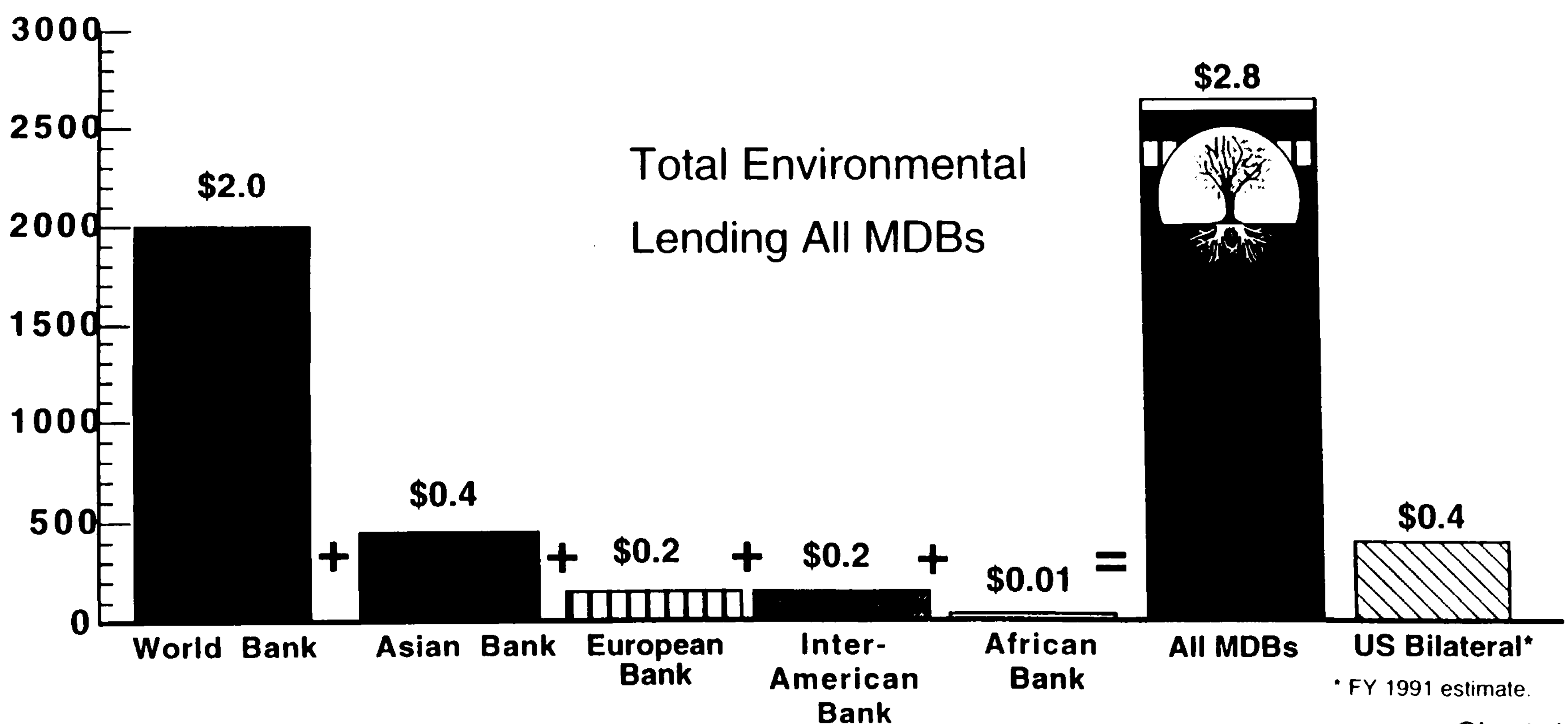


Chart 3

MDBs Support The Environment

(US $ billions; 1992 estimated environmental lending)



* FY 1991 estimate.

Chart 4

Higher U.S. Exports = More U.S. Jobs

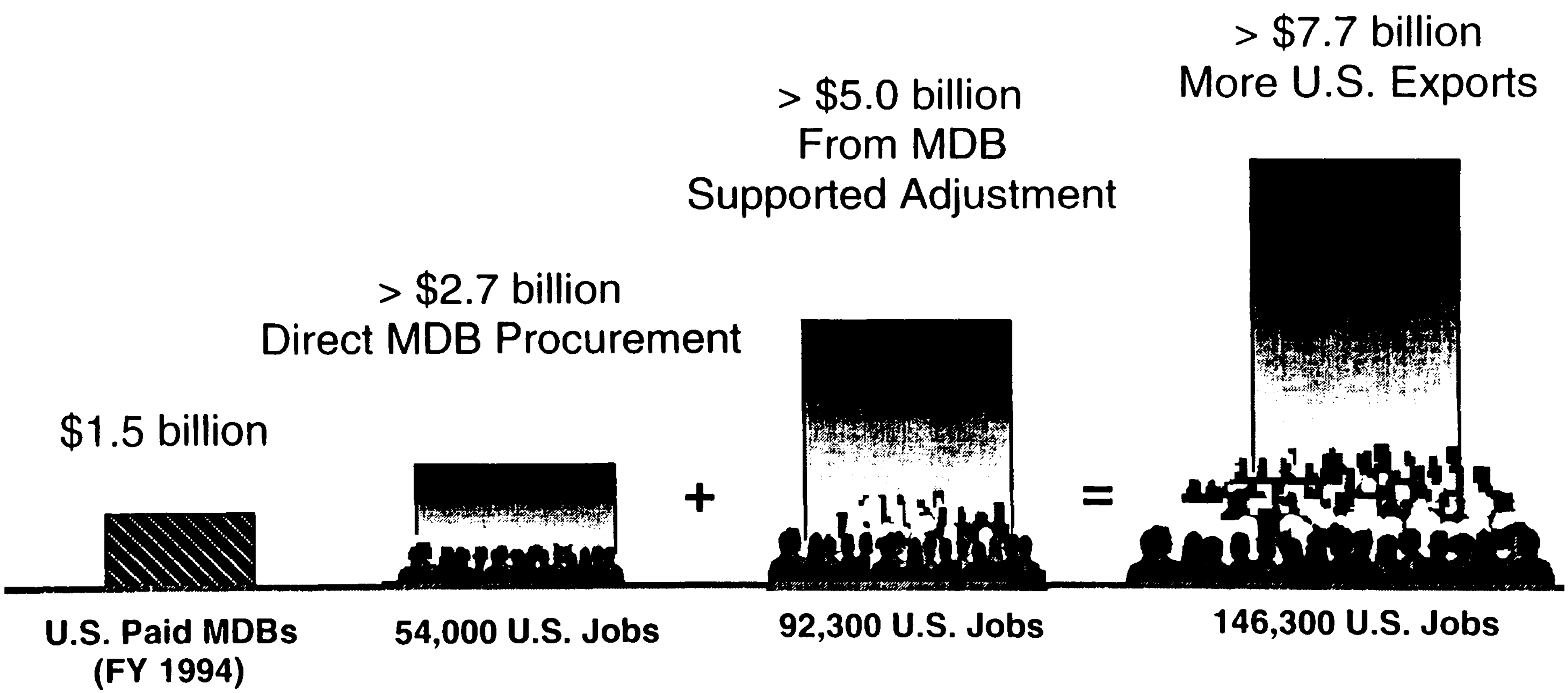


Chart 5

MDBs Support Important Commercial Ties

Economic Assistance to 10 key LDCs*

(US $ billions; total last three years)

***Largest Export-Import Bank Exposure:**

Mexico	Indonesia
Venezuela	Argentina
Brazil	the Philippines
Algeria	China
Turkey	India

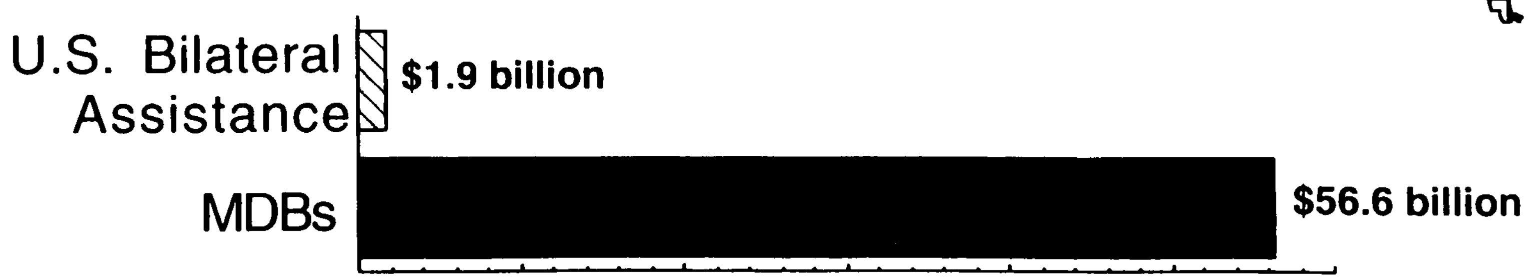


Chart 6

DEPARTMENT OF THE TREASURY

TREASURY NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
March 17, 1994

CONTACT: Scott Dykema
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BENTSEN ANNOUNCES CONTRIBUTION TO GLOBAL ENVIRONMENT FUND

Treasury Secretary Lloyd Bentsen Thursday announced that the Clinton Administration has agreed to participate in the revamped Global Environment Facility (GEF).

"This new facility is central to the Administration's strategy to protect the global environment," said Bentsen. "This agreement more than doubles the size of the GEF. With this, we can implement international treaties to protect endangered ecosystems and combat global warming."

American negotiators, working closely with environmental organizations, achieved their goals of ensuring that the new facility will be open to public scrutiny and accountable to participating governments. The GEF will be the most open and participatory international financing institution ever created.

Agreement was reached in Geneva during negotiations to restructure the facility. The Global Environment Facility will provide substantial funding to developing countries for projects that combat global warming, conserve biological diversity, prevent pollution of international waters and protect the ozone layer from damage.

The facility will support a variety of environmental projects. These include: creating wildlife preserves; helping finance projects that reduce emissions of harmful gases, such as methane and carbon dioxide; and protecting the oceans by reducing land- and water-based sources of pollution.

The United States is the largest contributor to the GEF, agreeing to contribute $430 million over the next four years. The total size of the facility will be just over $2 billion. Other contributors include Japan, Germany, the United Kingdom, Italy, Canada, France, Switzerland, Denmark and 18 other governments.

(MORE)

The GEF will be based in Washington, D.C. and will be administered by the United Nations Development Program, the United Nations Environment Program, and the World Bank.

-30-

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

JOINT STATEMENT OF

ELLIOTT P. LAWS
ASSISTANT ADMINISTRATOR FOR SOLID WASTE AND EMERGENCY RESPONSE
ENVIRONMENTAL PROTECTION AGENCY

AND

ALICIA H. MUNNELL
ASSISTANT SECRETARY FOR ECONOMIC POLICY
DEPARTMENT OF THE TREASURY

BEFORE THE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON TRANSPORTATION AND HAZARDOUS MATERIALS
UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 17, 1994

ENVIRONMENTAL INSURANCE RESOLUTION FUND

Mr. Chairman and members of the Subcommittee, I am Elliott Laws, Assistant Administrator for Solid Waste and Emergency Response of the Environmental Protection Agency. Appearing with me today is Alicia Munnell, Assistant Secretary of the Treasury for Economic Policy. We thank you for inviting us here today on behalf of the Administration to discuss the Administration's proposal to establish the Environmental Insurance Resolution Fund. The Resolution Fund is an important element of the Administration's Superfund Reform Act of 1994.

Under Superfund, liability for the costs of cleaning up hazardous substances is strict, joint and several, and retroactive. While this scheme provides great benefits for the efficient operation of EPA's cleanup program, there is no question that it also spawns a tremendous amount of litigation. This litigation is so extensive and costly that the President has twice called for a solution to the problem, most recently in his State of the Union Address this year.

Under current law, a settlement by the Environmental Protection Agency (EPA) with a potentially responsible party (PRP) at a site with multiple PRPs (either voluntarily or through litigation) results in those liable parties seeking to distribute the costs of clean up by initiating contribution litigation against other PRPs. Since insurance companies generally have taken the position that their policies do not cover Superfund response costs, the PRPs frequently must sue their insurance companies in order to try to recover their costs. This litigation among PRPs and among PRPs and their insurance companies has proven to be extensive and very costly and is the impetus for much of the Administration's proposals for Superfund reform.

One of the Administration's major objectives in Superfund reform is to eliminate — or at least drastically reduce — all of these lawsuits, without eliminating the beneficial effect of joint and several liability, specifically the ability of EPA to order PRPs to begin cleanups. These lawsuits impose substantial transactions costs on policyholders and insurance companies. The Administration has addressed lawsuits among PRPs by establishing early settlement for *de minimis* PRPs, eliminating liability in the case of virtually all *de micromis* — or truly tiny — PRPs, and by establishing a process for the early determination of all remaining

PRPs' allocable shares at a site in a single proceeding. To address lawsuits by policyholders against insurance companies, the Administration has proposed establishing the Environmental Insurance Resolution Fund.

I would now like to turn to Assistant Secretary Munnell, who will describe the proposal, how it was developed and what it represents.

Although part of the Administration's Superfund reform proposal, title VIII of H.R. 3800 is the initial compromise proposal developed by policyholders and insurers and, as such, it represents the framework by which to solve a particularly vexing problem. The Administration brought the parties together, worked with them to develop the principles underlying the proposal and resolve differences in the details, and drafted the legislative language. This language was reviewed both by policyholders and the insurers before it was incorporated into the Administration's bill. To be sure, it represented a delicate compromise among parties with distinctly competing interests, and the fact that neither side was entirely satisfied may be a strong indicator that the proposal indeed represents a genuine and workable framework for addressing this problem.

Can it be refined? The answer surely is yes. And since the Administration presented its Superfund reform proposal in early February, representatives of insurers and policyholders have continued to work to refine the mechanics of the Resolution Fund proposal. Only yesterday these parties announced their agreement to further refine the proposal. The Administration, of course, is aware of the elements of this agreement, but has not yet been able to complete a formal review. In addition, the Treasury Department has continued to examine the administrative structure of the Resolution Fund to ensure that there is appropriate oversight and control over the Fund's operations. We are developing a number of technical revisions in this regard, and we will be sharing them with congressional staff shortly. We believe that a Resolution Fund can be developed that will be meet the needs of both sides, is consistent with the Administration's policies, and can be implemented and administered by the Administration.

The Resolution Fund is designed to dramatically reduce lawsuits among policyholders and insurers arising out of Superfund liability through a two-step process. First, the proposal would stay all Superfund insurance litigation. Second, the Resolution Fund will make to each eligible policyholder a one-time comprehensive offer to resolve all pending and future claims of that policyholder against its insurers arising under the Superfund law for all eligible costs of the policyholder.

The one-time offer is designed to avoid adverse selection by policyholders, whereby they would accept offers for sites where their probability of litigation success was low and elect to sue their insurers where their probability of litigation success was high. If policyholders could make a separate choice at each site, insurers would end up paying fees and assessments to the Resolution Fund, and also paying policyholders in litigation. To minimize this problem, the offer made by the Resolution Fund to a policyholder would be for all the eligible costs of a policyholder at all of its eligible sites.

- To be eligible to receive an offer from the Resolution Fund, a policyholder must demonstrate that it regularly purchased the types of insurance coverage that give rise to claims based on Superfund liability.

- An eligible site is (1) any site placed on the National Priorities List (NPL) and (2) any site that is the subject of a removal under Superfund.

- Eligible costs are those incurred by a policyholder, with respect to a pre-1986 disposal, for response or removal actions, natural resource damages, and activities that would be covered by a duty-to-defend clause in an insurance contract. The proposal only concerns pre-1986 disposal because virtually all disputes between policyholders and their insurers arise under contracts for insurance that were made before 1986.

The offer made by the Resolution Fund will be for a percentage of the policyholder's eligible costs at all eligible sites. The Resolution Fund, through notice and comment rulemaking, would assign one of three percentages to each State, based on the status of State law on January 1, 1994. In those States where the law is most favorable to insurers, the Resolution Fund offer will be for 20 percent of the policy-holder's eligible costs. In those States where the law is most favorable to policyholders, the Resolution Fund offer will be for 60 percent of eligible costs. In the remaining States, the Resolution Fund offer will be for 40 percent of eligible costs. The Resolution Fund will apply these percentages to a policyholder's eligible sites, taking into account geographic location and litigation venue, to determine the percentage offer.

The percentages contained in the proposal are necessarily subjective, reflecting levels that take into account both the perceived probability of litigation success and the inducements considered necessary to persuade policyholders to accept offers made by the Resolution Fund. What is most important, however, is to be sure that the percentage offers made by the Resolution Fund are sufficient to obtain maximum policyholder participation in the program, while at the same time minimizing windfalls to policyholders that have virtually no probability of succeeding in litigation against their insurers. Without this balance, the Resolution Fund cannot succeed.

Participation in the Resolution Fund by a policyholder is entirely voluntary; a policyholder may either accept or decline the offer made by the Resolution Fund. If a policyholder accepts the offer made by the Fund, it must agree to stay or dismiss all pending litigation against its insurer for claims arising under Superfund, and must waive future claims against its insurers for pre-1986 costs. The policyholder will then submit documentation of its eligible costs to the Resolution Fund for payment. If the eligible costs were incurred before the policyholder accepted the offer, those costs will be paid by the Resolution Fund in equal installments over 8 years. If the eligible costs are incurred after the policyholder accepted the offer, they will be paid by the Resolution Fund as they are submitted in the context of an ongoing cleanup.

If a policyholder declines the offer made by the Resolution Fund, only then may it pursue litigation against its insurers. But, if the policyholder is not successful in that litigation, it may not revive the offer from the Resolution Fund, and the insurer has a cause of action against the policyholder for 20 percent of its litigation costs. If the policyholder is successful in the litigation, the Resolution Fund will reimburse the insurer for its liability, up to the amount of the offer made by the Resolution Fund to the policyholder. In addition, if the policyholder is successful in the litigation, but obtains a judgment that is less favorable than the offer made by the Resolution Fund, (1) the Resolution Fund has the discretion to reimburse the insurer for all or some of its litigation costs, and (2) the insurer has a cause of action against the policyholder for 20 percent of its litigation costs.

The Resolution Fund would be funded by fees and assessments imposed on insurance companies, which would be its sole source of funding. The Resolution Fund would not be funded from general revenue or the Superfund. The Administration is continuing to work with the Congress, the insurance industry and policyholders to develop the details of these fees and assessments. However, regardless of the financing structure, it is important to ensure that virtually all amounts collected from insurance companies are used to resolve insurance disputes. For this reason, the Administration's proposal was designed to make the Resolution Fund streamlined and unencumbered by unnecessary administrative costs and requirements, as well as to make the program as simple as possible to facilitate its administration.

This concludes our statement. We would be glad to answer any questions that the Subcommittee may have.

FUNDING OF ENVIRONMENTAL INSURANCE RESOLUTION REFORM

I. Proposal

Approximately 70 percent of the Environmental Insurance Resolution Fund ("the Fund") would be funded by a "environmental insurance resolution fee" that would be imposed on net premiums written by domestic and foreign insurers and reinsurers for contracts providing certain U.S. commercial liability insurance during the period from 1971 through 1985.

Approximately 30 percent of the Fund would be funded through an "environmental insurance resolution assessment" on premiums from certain commercial insurance of U.S. risks currently written by domestic and foreign insurers.

This proposal would raise revenue of $2.5 billion over five years, with approximately $1.75 billion attributable to the environmental insurance resolution fee and $.75 billion attributable to the environmental insurance resolution assessment.

II. Environmental Insurance Resolution Fee

The environmental insurance resolution fee (EIRF) would be determined by multiplying a fee funding rate of 0.19 percent by the sum of the company's adjusted net premiums written for contracts or agreements providing (i) insurance, (ii) proportional reinsurance, and (iii) nonproportional reinsurance in each case with respect to qualified commercial coverage (as defined below) of U.S. risks during the fifteen-year period beginning on January 1, 1971 and ending on December 31, 1985.[1] The Secretary of the Treasury will have the authority to adjust the rate should actual collections differ from anticipated collections.

A. Net Premiums Written for Qualified Commercial Insurance Contracts

Net premiums written for qualified commercial insurance contracts means net premiums written for contracts providing insurance of qualified commercial coverage of U.S. situs risks ("qualified commercial contracts") computed on the basis of the annual statement approved by the National Association of Insurance Commissioners (NAIC).

Qualified commercial coverage means insurance coverage that was, or should have been, categorized in the NAIC annual statement as "commercial multiperil" or

[1] The fee funding rate of .19 percent is estimated to generate revenue of $1,750 million over five years. This rate would be adjusted in later years, if necessary.

"other liability" lines of business. However, contracts included in the "other liability" line of business that insured only certain types of coverage unrelated to commercial liability (and thus could not generate exposure to environmental insurance claims) would be excluded. For example, medical malpractice insurance would be an excluded coverage.

B. Net Premiums Written for Proportional Reinsurance of Qualified Commercial Coverage

Premiums related to proportional reinsurance (i.e., first dollar pro rata reinsurance) are identified by line of business. Accordingly, net premiums written for proportional reinsurance of qualified commercial coverage means net premiums written for reinsurance on a proportional basis of qualified commercial coverage computed either on the basis of the annual statement approved by the National Association of Insurance Commissioners (NAIC), or on the books and records of the reinsurer, if the premiums are not allocated in the annual statement to lines of business.

C. Net Premiums Written for Nonproportional Reinsurance of Qualified Commercial Coverage

When insurance coverage is reinsured on a nonproportional basis (i.e., reinsurance in excess of a retention by the ceding company), the reinsurer does not separately report net premiums written by line of business on the annual statement. Thus, net premiums written related to such reinsurance would be determined using a formula based on the insurance industry's ceded premiums for qualified commercial coverage from January 1, 1971 through December 31, 1985.

To derive the net premiums written related to nonproportional reinsurance of qualified commercial coverage, a reinsurance ratio of 21 percent (or otherwise as determined by the Secretary) would be multiplied by the net premiums written, as reported on the NAIC annual statement (or equivalent computational basis if an NAIC annual statement was not prepared or nonproportional reinsurance premiums were not separately identified on the annual statement), for the nonproportional reinsurance line(s) of business.

D. Adjusted Net Premiums Written

In determining the adjusted net premiums written from 1971 through 1985, the sum of net premiums written for qualified commercial insurance contracts and for proportional and nonproportional reinsurance of qualified commercial coverage for each year during the period would be adjusted by an inflation factor. This adjustment would restate all premiums to 1985 dollars.

E. Foreign Insurers and Reinsurers

If the underwriting income on a contract issued or reinsured by a foreign person, including a nonresident alien, from 1971 through 1985 was not effectively connected with a U.S. trade or business (or attributable to a U.S. permanent establishment, deemed permanent establishment, or fixed base), such person would be subject to an environmental insurance fee, in lieu of the EIRF, unless an election described below were made.

The environmental insurance fee would be imposed on the aggregate limit of liability on each and any type of casualty insurance contract insuring or reinsuring U.S. risks (a "qualified casualty contract"). In the case of proportional reinsurance, the aggregate limit of liability on the contract (or qualified portion thereof) would equal the percentage actually placed through reinsurance. The fee would be withheld and remitted to the Internal Revenue Service (IRS) by the U.S. premium payor.

Foreign persons could elect to be subject to the EIRF instead of the environmental insurance fee. If such an election were made, the EIRF would apply in the same manner as it applies to U.S. insurers and reinsurers. The foreign persons would be required to enter into a closing agreement with the IRS to ensure collection of the fee.

F. Exemptions From Environmental Insurance Resolution Fee

A company would not be subject to the EIRF if it had a *de minimis* amount of total net premiums written from January 1, 1971 through December 31, 1985 for qualified commercial contracts or coverage.

In addition, companies that could demonstrate to the IRS that they have no potential exposure to claims for environmental liability based on the type of insurance contracts written or reinsured during 1971 through 1985 would not be subject to the EIRF. For example, it is anticipated that a company whose total net premiums from 1971 through 1985 for qualified commercial contracts were from the insurance of commercial multiperil risks, medical malpractice liability risks, and insurance agents' and brokers' liability risks would be able to demonstrate that it is subject to the EIRF only on the premiums related to the commercial multiperil risks. A company seeking to demonstrate that it is not subject to the EIRF would be required to provide documentation in its initial report (discussed below).

G. Subsequent Adjustments of Factors

Any adjustments to the funding rate or the reinsurance ratio would be applied prospectively in the computation of a company's EIRF. For example, adjustments could be required because of the unknown application of the exemptions, outcome of the elections by foreign insurers and reinsurers not engaged in a U.S. trade or business, and insufficient collections.

H. Administration and Effective Date

The EIRF would be computed for each calendar year, or part thereof, commencing with the first day of a month beginning 120 days after the date of enactment.

On the first filing with the IRS, each company would be required to report its net and adjusted net premiums written for the insurance, proportional reinsurance, and nonproportional reinsurance of qualified commercial coverage separately for each calendar year from 1971 through 1985 (the "initial report"). The initial report would include a reconciliation for each year of the net premiums written for the "other liability" line of business as reported on the annual statement to the company's net premiums written for commercial general liability insurance policies included in such line of business.

The environmental insurance fee would be imposed on qualified casualty contract coverage for periods beginning the first day of a month beginning 120 days after the date of enactment.

I. EIRF Follows Business

The EIRF would follow the insurer (or its assets and liabilities should it cease to exist) in any corporate reorganization.

If after December 31, 1985, but prior to February 2, 1994, the company disposed of qualified commercial contracts, through an assumption reinsurance transaction or loss portfolio transfer whereby the reinsurer became solely liable on the contracts transferred, the company will be permitted to reduce its net premiums written for purposes of computing the EIRF by the net written premiums generated from the transferred insurance business from 1971 through 1985, provided that the company reports the amount of such net written premiums to the reinsurer and the reinsurer includes such premiums in its base for purposes of its EIRF computation.

III. Environmental Insurance Resolution Assessment

The environmental insurance resolution assessment (EIRA) would be determined by multiplying an assessment funding rate of 0.30 percent by the company's gross premiums written for commercial insurance contracts.[2] The Secretary could adjust the rate should actual assessment collections differ from those anticipated.

The EIRA would apply in the same manner with respect to commercial insurance contracts written by foreign insurers of U.S. risks and would be collected through withholding in the case of contracts, the underwriting income on which would not be effectively connected with a U.S. trade or business (or attributable to a U.S. permanent establishment, deemed permanent establishment, or fixed base).

A. Gross Premiums Written for Commercial Insurance Contracts

Gross premiums written for commercial insurance contracts means gross premiums written for contracts providing insurance of commercial coverage. Gross premiums written would be computed on the basis of the annual statement approved by the NAIC (as reported in Schedule T) or on an equivalent basis.

Commercial coverage means insurance coverage that is, or would be, categorized in the NAIC annual statement as "commercial multiperil," "fire," or "other liability" lines of business. However, contracts that insure only certain types of coverage unrelated to commercial liability included in the "other liability" line of business would be excluded.

B. Effective Date

The EIRA would apply to gross premiums written for commercial insurance contracts issued after date of enactment.

IV. Funding Increase

The Fund would assess annually and report promptly to the President and Congress whether its collections from the EIRF, EIRA, and environmental insurance fee will be sufficient to meet the Fund's anticipated obligations. If there is an anticipated shortfall, the rates used to determine the EIRF, EIRA, and environmental insurance fee could be adjusted to increase revenue in subsequent years by 40 percent so that up to an additional $.2 billion could be collected in each of the third, fourth, and fifth years.

V. Miscellaneous

Broad anti-abuse rules would be provided, including rules that would prevent reclassification, recharacterization, or relabeling of insurance coverage or abusive transfers of

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[2] The assessment funding rate of .30 percent is estimated to generate revenue of $750 million over five years. This rate could be adjusted in later years, if necessary.

business between affiliates, and any other rules necessary to carry out the proposal.

The EIRF and EIRA would be deductible for tax purposes under Section 162 as an ordinary and necessary business expense and each would be remitted quarterly to the IRS under administrative rules similar to those that govern the remittance of excise taxes.

VI. Environmental Insurance Resolution Fund Exempt From Tax

The Fund would be exempt from Federal income tax under Section 501.

FUNDING FOR SUPERFUND TRUST FUND

I. Proposal

The scheduled expiration on December 31, 1995 of the taxes imposed by Sections 59A, 4611, 4661, and 4671 that fund the Hazardous Substance Superfund would be extended. The taxes would continue to apply to taxable years beginning before January 1, 2000.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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STATEMENT OF R. RICHARD NEWCOMB
DIRECTOR, OFFICE OF FOREIGN ASSETS CONTROL
DEPARTMENT OF THE TREASURY
BEFORE THE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SELECT REVENUE MEASURES
SUBCOMMITTEE ON TRADE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.
MARCH 17, 1994

I. Introduction

Chairman Rangel; Chairman Gibbons; members of the subcommittees.

I am pleased to be here today to discuss the embargo against Cuba. As you know, the Treasury Department's Office of Foreign Assets Control ("FAC") is responsible for executing and enforcing economic embargoes and sanctions programs.

In performing its mission, FAC relies principally on the President's broad powers under the Trading With the Enemy Act ("TWEA") and the International Emergency Economic Powers Act ("IEEPA") to prohibit or regulate commercial or financial transactions involving specific foreign countries. The implementation of economic embargoes and sanctions by the President is an important aspect of the foreign policy of the United States. Any restrictions on the President's authority to impose, modify, or lift sanctions diminishes the effectiveness of this important tool.

FAC has enforcement, regulatory and operational responsibilities. These include rulemaking, licensing, criminal enforcement, civil penalties, compliance, the blocking of foreign assets in the United States, and the authority to require recordkeeping and reporting.

In implementing and enforcing economic sanctions and embargo programs, FAC maintains a close working relationship with numerous other federal departments and agencies to ensure that the FAC mandate is properly implemented and effectively enforced. Among these agencies are: the State Department for foreign policy guidance in promulgating regulations and on sensitive cases; the Commerce Department on issues regarding exports; the National Security Council staff on significant policy questions and regulatory changes; the Customs Service for assistance in the many enforcement matters involving exports, imports, transportation, and travel; and the bank regulatory agencies to assure bank compliance with financial restrictions.

II. The Provisions of the Cuban Democracy Act

The Cuba embargo, as it existed before the Cuban Democracy Act ("CDA"), prohibited all commercial, financial, and trade transactions by all persons subject to U.S. jurisdiction, which includes U.S. citizens and permanent residents, wherever they are located, all people and organizations physically located in the U.S., and all branches and subsidiaries of U.S. organizations throughout the world.

The Cuban Assets Control Regulations ("CACR" ; the "Regulations") which implement the embargo contained certain limited licenses or exemptions for specified types of transactions in the following areas: limited family remittances, certain travel transactions, trade in informational materials, and trade by U.S. foreign subsidiaries. It is within this context that the CDA was enacted. The original program remains in effect, as altered by the provisions of the CDA.

Since the passage of the CDA , the U.S. Government has licensed over $8.5 million worth of humanitarian donations from a wide variety of religious, social, and professional groups and individuals. We stand ready to work with all organizations interested in helping the Cuban people in their time of need.

As you are aware, informational materials, including school texts, Bibles, economic books, records, tapes, etc., are not subject to the prohibitions contained in the Regulations, and therefore, require no authorization to export. Furthermore, the CDA at §1705 (b) deregulates the exportation of donated food to Cuban individuals and non-governmental organizations. For this reason, qualifying donations of food may be exported without applying for a license.

a. Medicines and Medical Supplies

Section 1705 (d) (2) of the CDA states that all exports of medicine and medical equipment must be made pursuant to a specific license issued by the U.S. Government. Authorization for exportation requires that certain conditions be satisfied. Section 1705 (c) of the CDA provides that such exports shall not be restricted except to the extent that:

- the intended export is restricted by §5 (m) of the Export Administration Act of 1979 or §203 (b) (2) of IEEPA;

- there is a reasonable likelihood that the intended export will be used for torture or human rights abuses;

- there is a reasonable likelihood that the intended export could be re-exported; and

- there is a reasonable likelihood that the intended export will be used in the production of any biotechnological product.

In addition to satisfying the four requirements listed above, commercial shipments of medicine and medical supplies to Cuba as well as donations to individuals and non-governmental entities, must also satisfy requirements for U.S. Government verification that the exported goods will only be used for the purpose for which they were exported and that they will be used for the benefit of the Cuban people. While we have received inquiries from companies regarding the sale of medicine and medical supplies, only 3 foreign subsidiaries of U.S. companies have filed applications and obtained licenses in this category.

In the spirit of the CDA provisions for support of the Cuban people, we have adopted a policy of licensing transactions incident to travel by persons requesting to accompany and deliver licensed donated goods to the intended recipients. We have issued licenses to over 130 persons traveling to Cuba for this purpose.

b. Telecommunications

An area of great interest has been telecommunications between the U.S. and Cuba. Prior to the enactment of the CDA, telecommunications service, including phone service, telexes, and telegraph service, was authorized on a highly regulated and restricted basis by licenses issued by FAC. These licenses insured that the vast majority of payments owed to Cuba would be placed in blocked accounts in the United States. Service and transfers of new telecommunications technology have also been limited consistent with the purposes of the embargo.

The CDA provision dealing with telecommunications directs the Government to address telecommunications issues outside the prior system of laws and regulations that make up the Cuban embargo. The CDA permits telecommunications services between Cuba and the United States, notwithstanding other restrictions on transactions with Cuba.

After a review conducted by the State Department in consultation with the Federal Communications Commission ("FCC"), Treasury, and other agencies, as well as discussions with telecommunications companies, State sent a policy guidance letter to the FCC outlining the scope of new services to be allowed.

State's policy guidance specifies that new service proposals must be capable of full implementation within a year; must be limited to equipment and services necessary to deliver a signal to an international telecommunications gateway in Cuba; the service cannot transit a third country; and new modes of service (e.g., fiber optic cable) must be approved in advance. The letter contains some technical requirements as well.

The CDA specifically provides that payments to Cuba will be made pursuant to a license. Payments may be licensed for full or partial current settlement with Cuba; however, the CDA prohibits debits from blocked accounts. Under section 1710 of the CDA, the Secretary of the Treasury must ensure that activities to support the Cuban people, newly permitted under the CDA, are carried out only for the purposes set forth in the Act, and not for the purpose of the accumulation by the Cuban Government of excessive amounts of U.S. currency or the accumulation of excessive profits by any person or entity.

As a first step in implementing the CDA telecommunications policy, we have issued licenses to telecommunications companies authorizing transactions incident to their travel to Cuba for the purpose of negotiating an agreement to provide for telecommunications services between the United States and Cuba.
We have issued travel licenses to 15 telecommunications companies so far; 4 pending requests will be licensed soon.

Although not derived from a CDA provision we are also licensing travel transactions incident to importing/exporting informational materials under certain circumstances.

III. Challenges to the Cuba Embargo

In the past few years we have faced several organized challenges to the embargo. These challenges have taken the form of protests involving unlicensed travel transactions and the unlicensed export of goods.

The most recent challenge was on March 9, 1994, when the group, Pastors for Peace, made an export of humanitarian goods to Cuba through the port of Laredo, Texas. This export consisted of medicines, food, clothing, and other goods, all destined for the Martin Luther King Memorial Center and the Ebenezer Baptist Church, both located in Cuba. Inspection by U.S. Customs and FAC personnel at the scene revealed other items intended by the Pastors for export that were not authorized for export to Cuba without a license. These items included a satellite dish antenna, a vehicle, computers, and various electrical office supplies. Pursuant to current regulations and policy, items whose export was contrary to U.S. foreign policy were not permitted to be exported and were returned to the Pastors.

FAC has opened a dialogue with the Reverend Lucius Walker, the spokesman and head of the group, in an attempt to work together to facilitate the licensed export of acknowledged humanitarian items to the Cuban people. It is the aim of FAC to expeditiously process for export those items which can be exported; likewise FAC will and does enforce the law in denying export of those items clearly prohibited for export.

Thank you.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 18, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
TOWN HALL OF LOS ANGELES
LOS ANGELES, CALIFORNIA

Good morning. It's a treat to be here. I've been here before. But it's been a while -- 20 years.

They wanted to check to see what I talked about then, and I told them it wasn't necessary. If it was 1974, I talked investing. Well, they checked anyway, and I was right.

Twenty years ago, we changed the pension laws and we passed the legislation enabling people to set up IRAs. I was the architect behind some of that -- and I did it because there was someone from my church in Houston who had worked 29 years for the same company. In the 30th year, he would have been vested in a pension, but they let him go so they wouldn't have to pay it. You can't do that anymore.

Well, 20 years later I'm still talking investments. This time business investments, financial investments, investments we're doing here, and investments we want to do with our partners in Asia.

This weekend, I'm hosting a meeting with 17 of my counterparts on both sides of the Pacific. They come from vibrant economies. And we'll discuss making the region a world leader in growth and investment.

Before I get into that, let me tell you where I was earlier in the week. I was in Detroit. You probably saw it on TV. President Clinton hosted a jobs conference, so he picked Detroit. By the way, the meeting I'm hosting -- I picked Hawaii.

There was symbolism in his choice. Detroit is a one-industry town, and people thought that industry was dead. Their problems started when we had an energy crisis, and interest rates were high, and Californians wanted imported cars.

Our markets are still open and Californians still like imports. But interest rates are down because the budget deficit is down, and companies are investing to improve quality and productivity.

Business investment was up 16 percent last year. That's the largest increase since 1965.

I remember 10 years ago, when the Japanese had 1 percent interest rates and they'd have some warrants with some conversion privileges out there to a stock that was selling at 100 times earnings. Their cost of capital compared to what we were paying was an enormous disadvantage to our businesses.

Or look at what the interest rates were in Germany. They were so much lower than ours. That's not the case any more. Now it's our long-term rates that are competitive, and that's why business investment is up.

My point is, Motown came back, and Showtown will too.

It's more than the unemployment here. You've had riots, fires, and an earthquake. We've done some things at Treasury on earthquake assistance. Insofar as IRS relaxing tax filing deadlines, and our bank regulatory agencies ensuring credit is available -- and I hope we've helped.

One answer to California's problem is increasing investments. Rebuilding your businesses and your homes. Retooling. Reconstructing.

The other answer is to export. One in 13 jobs in this country depends on exports, and those are higher paying jobs.

People -- especially those in Europe -- think we're an Atlantic nation. We're also a Pacific nation. We do more trade across the Pacific than the Atlantic. Our largest state is on the Pacific, isn't it?

Or they think only developed markets buy our products. There is much more to the world than industrialized nations, and the growth is in the developing nations. In 1986, our exports to developing countries were 32 percent of our total exports. Last year, they were 40 percent.

And look where California exports are shipped to -- Asian-Pacific economies. Sixty-six percent of California exports go to the economies I'll meet with this weekend. Nationally, 60 percent go there -- $270 billion worth of products.

Geography is on your side. Asia is a continent that economically could be larger than Europe and the United States combined within the next 15 years.

By the year 2000, even leaving Japan out, some 75 million Asian households will have incomes comparable to middle-income Americans.

I'm from Texas. I'm used to big. But it is difficult to comprehend how big that market is -- and how those countries are transforming.

I was in China, Thailand, and Indonesia in January. What struck me was seeing the great monuments of the past, with the exploding progress insofar as technology, roads, shopping centers, and stock exchanges.

When you're standing on a new bridge in Shanghai, or you're watching in Bangkok businessmen use cellular phones because the traffic is so horrible it's easier to call than to meet -- you realize those economies are growing so fast that they can't keep up with themselves.

Let me tell you about my meeting tomorrow. By the way, I wish I was speaking after the meeting not before. It's like I'm a movie reviewer today. I can set the scene, the actors, and the plot -- but I can't tell you the ending!

The group is the Asia Pacific Economic Cooperation forum -- or APEC. It includes Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Chinese Taipei, Thailand, and we've invited Chile. That's a lot of economies -- and you can bet we'll have a lot to talk about.

Probably not many of you are familiar with APEC, but if we're successful, over time, you'll hear about it.

We're talking about economies that make up half of the world's output, but the finance ministers of these economies -- my counterparts -- have never met all together in one room.

The heads of state met. President Clinton hosted them in Seattle in November and one thing that came out of that was to have the Finance Ministers meet.

I've met maybe half of them over the last 14 months. Maybe half. If I have a concern, and I want to pick up a phone and call some of them, I can't put a face to a voice. But as of this weekend, that changes.

So, it's a first that we'll be meeting. It's the first opportunity for regional discussions. And it's the first new forum for financial diplomacy established by this Administration.

As Treasury Secretary, the group I'm most familiar with is the G-7 -- the United States, Canada, Japan, and the European powers. When I went to my first meeting on that one, I found the group a little too formal. So we cut out the stiffness -- threw away the scripts.

Maybe we haven't had all the successes I'd like, but there has been more progress in Europe and Japan on stimulating economies than if we had no G-7 consultation.

At the APEC meeting, I don't plan to go in and twist arms and bully people around. There will be none of that. Absolutely none of that.

What I want to do, you can call it the four C's. You start with cooperation; you try to build a consensus; you have a collegial atmosphere -- ours will be real collegial since I'm telling everyone no ties; and you end up in consultation on what steps to take.

We want to take up two big issues: 1) how do you keep growing -- how do you keep the good times rolling; and 2) how do you mobilize financing needed to sustain growth.

First, growth. Over the last decade, Asia grew twice as fast as the world as a whole. Through the year 2000 there's no reason that can't continue.

A key point is that these economies are becoming very interdependent. Trade within the region has increased substantially.

They need infrastructure. They need phone lines, power plants, ports, water treatments facilities, airports, and highways.

I don't have to tell people in this town about the need for freeways. I've given you a lot of numbers today -- too many numbers. But here's some I think hit home. In Asia -- excluding Japan -- they will spend a trillion dollars in infrastructure of all types in the next decade.

That's 18 Santa Monica Freeway projects every day. That's a Century Freeway every week. If I were 30 years younger, I know what market I'd want to be in.

That growth brings with it a need for a broader perspective, because our economies spill onto each other. When there's prosperity, it can be shared. But when inflation rises or unemployment rises or interest rates rise in one country, it has its bad effects on the others.

It's like you're farming -- a flood hits, and it's not just you who loses your crop. Your neighbors do, too.

So at the meeting we will talk about some broad economic policies. What lessons can we learn, and how can we apply them.

To keep growth up, there has to be financing behind it -- the second point of our discussions.

The Asians have high savings rates. I admire them. I am envious of them. But they aren't that high to pay for a Century Freeway every week. Corporate retained earnings won't do it. Borrowing at the local bank won't do it. They need outside capital.

And money is flowing in.

A traditional source has been the so-called Multilateral Development Banks -- the World Bank or the Asian Development Bank. They make loans to developing countries. Some of that is supported with American dollars.

In these budget axing times, I've heard people question why do we give money to those banks. Let me put it this way. When you've satisfied the American market for 747s, you have to sell them somewhere else. Those developing countries are the ones that need airplanes, and they're turning out to be pretty good customers.

The other way to bring in money is private investment: bonds or equity (that way you don't get into debt). We've seen a doubling of local bond and equity markets since 1989.

Each country's financial markets are at a different stage. Each country's banking system is at a different stage.

Let me give you a few examples. Some countries don't have mutual funds. Some countries don't have bond rating agencies, which makes it difficult when you're an investor and you want to know the risks.

Or here's one that I've had more than my share of experience with. I sell government bonds to finance budget deficits. Some of the finance ministers are lucky. They have budget surpluses, so they don't sell government bonds. But that means there's no benchmark for pricing corporate bonds.

I'm not going into that meeting to say our way of doing things is the right way -- or the only way. I'm not using my lungs at the meeting. I'm using my ears.

There are things we can learn from others. For instance, in Washington, we're trying to make our regulation of banks more efficient -- and I look at a number of countries around the world that have effective systems.

So tomorrow I want to expand the finance ministers' appreciation for foreign investment as a source of funding for both private investment and for their heavy infrastructure needs.

I aim to get my colleagues talking about how their own banking and securities markets could work better to meet their investment priorities.

What will come out of all of this? Will I go back to Washington to say we built a consensus on every item? Of course not.

But I think I'll be able to report to the President that we focused on what we need to do to keep the Asian-Pacific region a world leader in growth and investment.

In the long term, no state will benefit more from that than California. There will be a lot of opportunities on the Pacific. I'll want to hear from you as we move forward with this.

And who knows -- 20 years from now when I speak here again -- I'll probably be talking to some well-to-do investors. Thank you very much. I'm looking forward to coming back.

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TREASURY NEWS

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March 18, 1994

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of February 1994.

As indicated in this table, U.S. reserve assets amounted to $75,766 million at the end of February 1994, up from $74,243 million in January 1994.

U.S. Reserve Assets
(in millions of dollars)

End of Month	Total Reserve Assets	Gold Stock 1/	Special Drawing Rights 2/3/	Foreign Currencies 4/	Reserve Position in IMF 2/
1994					
January	74,243	11,053	9,070	42,214	11,906
February	75,766	11,053	9,295	43,444	11,974

1/ Valued at $42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Valued at current market exchange rates.

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press 202-622-2960
FFB 202-622-2450

March 21, 1994

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of February 1994.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $123.3 billion on February 28, 1994, posting a decrease of $1,877.9 million from the level on January 31, 1994. This net change was the result of a decrease in holdings of agency debt of $896.5 million, a decrease in holdings of agency assets of $0.1 million, and a decrease in holdings of agency-guaranteed loans of $981.3 million. FFB made 13 disbursements during the month of February, and repriced 57 REA-guaranteed loans. FFB also received 16 prepayments in February.

Attached to this release are tables presenting FFB February loan activity and FFB holdings as of February 28, 1994.

FEDERAL FINANCING BANK
FEBRUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Atlanta CDC Office Bldg.	2/1	$204,469.00	9/1/95	4.016% S/A
Foley Services Contract	2/1	$2,560.36	12/11/95	4.183% S/A
Foley Square Office Bldg.	2/3	$7,055,348.00	12/11/95	4.269% S/A
ICTC Building	2/15	$184,203,569.20	11/2/26	6.565% S/A
Chamblee Office Building	2/17	$34,750.04	4/1/97	4.989% S/A
Foley Square Courthouse	2/17	$14,584,776.00	12/11/95	4.490% S/A
ICTC Building	2/17	$5,941,945.45	11/2/26	6.570% S/A
Memphis IRS Service Cent.	2/17	$3,032,884.00	1/3/95	3.909% S/A
Atlanta CDC Office Bldg.	2/24	$61,630.00	9/1/95	4.507% S/A
Foley Square Office Bldg.	2/24	$7,629,703.00	12/11/95	4.696% S/A
HCFA Headquarters	2/24	$4,499,624.00	6/30/95	4.382% S/A
Oakland Office Building	2/25	$535,369.00	9/5/23	6.794% S/A
RURAL ELECTRIFICATION ADMINISTRATION				
@Buckeye Power #123	2/8	$9,820,078.04	12/31/12	6.216% Qtr.
@Buckeye Power #153	2/8	$15,156,900.83	12/31/14	6.294% Qtr.
@Buckeye Power #154	2/8	$17,901,219.13	12/31/15	6.326% Qtr.
Beaver Creek Coop. #391	2/9	$980,000.00	12/31/13	6.204% Qtr.
@Dairyland Power #036	2/11	$8,391,221.32	1/3/11	6.067% Qtr.
@Dairyland Power #036	2/11	$12,516,236.83	1/3/11	6.067% Qtr.
@Dairyland Power #036	2/11	$4,305,686.98	1/3/12	6.121% Qtr.
@Dairyland Power #036	2/11	$4,396,870.67	12/31/12	6.174% Qtr.
@Dairyland Power #036	2/11	$8,848,243.43	12/31/12	6.174% Qtr.
@Dairyland Power #036	2/11	$8,859,609.33	12/31/12	6.174% Qtr.
@Dairyland Power #054	2/11	$1,911,376.86	12/31/14	6.268% Qtr.
@Dairyland Power #054	2/11	$1,834,713.84	12/31/15	6.306% Qtr.
@South Miss. Elec. #171	2/18	$26,141,781.67	12/31/15	6.391% Qtr.
@South Miss. Elec. #171	2/18	$24,954,961.14	12/31/15	6.391% Qtr.
@South Miss. Elec. #171	2/18	$9,472,424.07	12/31/15	6.391% Qtr.
@Dairyland Power #036	2/25	$8,505,290.58	1/3/12	6.414% Qtr.
@Dairyland Power #036	2/25	$4,249,569.81	1/3/12	6.414% Qtr.
@Dairyland Power #036	2/25	$8,516,877.37	1/3/12	6.414% Qtr.
@Dairyland Power #036	2/25	$8,569,246.72	1/3/12	6.414% Qtr.
@Dairyland Power #054	2/25	$4,277,959.29	12/31/13	6.513% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.
@ interest rate buydown

FEDERAL FINANCING BANK
FEBRUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE

GOVERNMENT - GUARANTEED LOANS

RURAL ELECTRIFICATION ADMINISTRATION (Continued)

@Dairyland Power #054	2/25	$2,392,809.45	12/31/14	6.558% Qtr.
@Dairyland Power #054	2/25	$1,831,418.00	12/31/14	6.558% Qtr.
@Dairyland Power #054	2/25	$637,801.56	12/31/14	6.558% Qtr.
@Dairyland Power #173	2/25	$9,124,484.67	12/31/14	6.558% Qtr.
@Oglethorpe Power #007	2/25	$2,124,300.04	12/31/09	6.307% Qtr.
@Oglethorpe Power #007	2/25	$1,750,462.81	12/31/09	6.307% Qtr.
@Oglethorpe Power #007	2/25	$3,082,440.52	12/31/09	6.307% Qtr.
@Oglethorpe Power #007	2/25	$1,595,978.88	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$2,103,592.35	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$3,217,889.55	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$97,535,074.25	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$6,207,021.58	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$2,852,935.98	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$8,519,930.02	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$4,603,497.06	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$4,845,470.49	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$8,571,008.52	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$4,804,974.13	1/3/11	6.361% Qtr.
@Oglethorpe Power #007	2/25	$6,619,942.60	1/3/12	6.414% Qtr.
@Oglethorpe Power #007	2/25	$3,313,100.41	1/3/12	6.414% Qtr.
@Oglethorpe Power #007	2/25	$2,178,646.92	1/3/12	6.414% Qtr.
@Oglethorpe Power #007	2/25	$4,565,258.13	12/31/12	6.465% Qtr.
@Oglethorpe Power #007	2/25	$1,726,484.91	12/31/12	6.465% Qtr.
@Oglethorpe Power #007	2/25	$1,124,876.62	12/31/12	6.465% Qtr.
@Oglethorpe Power #023	2/25	$299,752.40	1/3/12	6.414% Qtr.
@Oglethorpe Power #066	2/25	$211,676.61	1/3/12	6.414% Qtr.
@Oglethorpe Power #066	2/25	$1,668,578.72	1/3/12	6.414% Qtr.
@Oglethorpe Power #066	2/25	$2,029,295.01	12/31/12	6.465% Qtr.
@Oglethorpe Power #066	2/25	$151,846.34	12/31/12	6.465% Qtr.
@Oglethorpe Power #066	2/25	$95,790.22	12/31/12	6.465% Qtr.
@Oglethorpe Power #074	2/25	$1,353,830.90	1/3/12	6.414% Qtr.
@Oglethorpe Power #074	2/25	$6,458,041.77	12/31/12	6.465% Qtr.
@Oglethorpe Power #074	2/25	$2,445,341.33	12/31/12	6.465% Qtr.
@Oglethorpe Power #074	2/25	$2,639,065.75	12/31/12	6.465% Qtr.
@Oglethorpe Power #150	2/25	$14,945,282.27	12/31/14	6.558% Qtr.

Qtr. is a Quarterly rate.
@ interest rate buydown

FEDERAL FINANCING BANK
FEBRUARY 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
RURAL ELECTRIFICATION ADMINISTRATION (Continued)				
@South Miss. Elec. #171	2/25	$23,072,107.26	12/31/15	6.597% Qtr.
@South Miss. Elec. #171	2/25	$24,740,221.46	12/31/15	6.597% Qtr.
@South Miss. Elec. #171	2/25	$3,327,692.22	12/31/15	6.597% Qtr.

Qtr. is a Quarterly rate.
@ interest rate buydown

FEDERAL FINANCING BANK
(in millions)

Program	February 28, 1994	January 31, 1994	Net Change 2/1/94-2/28/94	FY '94 Net Chan 10/1/93-2/28/
Agency Debt:				
Department of Transportation	$ 664.7	$ 664.7	$ 0.0	$ 664
Export-Import Bank	5,309.4	5,309.4	0.0	-485
Resolution Trust Corporation	29,196.1	30,092.6	-896.5	-2,491
Tennessee Valley Authority	6,075.0	6,075.0	0.0	-250
U.S. Postal Service	9,731.5	9,731.5	0.0	0
sub-total*	50,976.7	51,873.2	-896.5	-2,562
Agency Assets:				
FmHA-ACIF	8,908.0	8,908.0	0.0	0
FmHA-RDIF	3,675.0	3,675.0	0.0	0
FmHA-RHIF	26,036.0	26,036.0	0.0	0
DHHS-Health Maintenance Org.	30.9	30.9	0.0	0
DHHS-Medical Facilities	51.1	51.1	0.0	-0
Rural Electrification Admin.-CBO	4,598.9	4,598.9	0.0	0
Small Business Administration	1.5	1.6	-0.1	-1
sub-total*	43,301.5	43,301.5	-0.1	-1
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	4,000.1	4,013.0	-12.8	-83
DEd.-Student Loan Marketing Assn.	1,760.0	2,760.0	-1,000.0	-3,030
DEPCO-Rhode Island	0.0	0.0	0.0	-30
DHUD-Community Dev. Block Grant	116.1	116.5	-0.3	-15
DHUD-Public Housing Notes	1,746.5	1,746.5	0.0	-54
General Services Administration +	1,745.4	1,701.7	43.7	159
DOI-Virgin Islands	22.2	22.2	0.0	-0
DON-Ship Lease Financing	1,479.6	1,479.6	0.0	-48
Rural Electrification Administration	17,511.5	17,510.5	1.0	-141
SBA-Small Business Investment Cos.	73.6	82.9	-9.3	-16
SBA-State/Local Development Cos.	555.2	558.2	-3.1	-21
DOT-Section 511	16.0	16.4	-0.4	-0
DOT-WMATA	0.0	0.0	0.0	-177
sub-total*	29,026.2	30,007.5	-981.3	-3,460
	=========	=========	========	======
grand-total*	$123,304.3	$125,182.2	$-1,877.9	$-6,024

*figures may not total due to rounding
+does not include capitalized interest

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 19, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN
ASIA PACIFIC ECONOMIC COOPERATION FORUM
HONOLULU, HAWAII

Good afternoon. Let me first thank the Governor and all of the people of Hawaii for their gracious hospitality.

And I want to thank my colleagues for the goodwill they showed and the spirit of cooperation -- it was a highly productive meeting.

We had wide-ranging conversations. Everyone was remarkably candid and congenial. In fact, Deputy Prime Minister Anwar of Malaysia let us know with some confidence that Malaysia had succeeded in producing a labor-shortage economy. No wonder Malaysia was not invited to the recent G-7 jobs conference. What a success we see in Asia!

We had much to talk about, and we decided we will meet again next year. I'm very pleased about that.

I think it turned out so well because our exchanges deepened the appreciation we have for one another and the 18 vibrant economies we represent.

We make up 50 percent of the world's output, we have some of the world's fastest growing economies, and trade within the Asia Pacific region is $1 trillion a year.

This is what I heard today. Australia -- the lowest interest rates in 20 years. Chile -- 11 years of uninterrupted growth. And every country talked about privatization, deregulation, and liberalization of trade -- that means cutting tariffs.

LB-721

We share a goal to keep up the growth and investment. We think it's a goal we can achieve, and we can do it best by strengthening our ties. Over and over I heard that from the Finance Ministers.

We have a Joint Ministerial Statement wrapping up our session that we're distributing. Let me point out a few key issues.

First, coming out of the discussions, we recognize some broad principles. We recognize we need stability -- that means low-inflation growth; we need to expand trade and investment links with one another; we want a concerted effort to improve financing of infrastructure -- we're talking about $1 trillion in infrastructure projects over the next decade; and we need the private sector-- not government -- to be the engine for the growth.

And this needs to be a competitive private sector, where we cut government subsidies and trim unnecessary regulations. As Finance Minister Aspe of Mexico put it so well: the first thing we have to do is privatize the private sector.

Our most spirited discussions were on figuring out how to mobilize the financing needed to sustain growth. We talked extensively about encouraging private sector financing of the infrastructure projects.

We agreed to work together to further develop the banking sector -- we all recognize we must have effective regulation and supervision of the banking industry.

We also agreed to work together to further develop our equity and bond markets. These markets have doubled since 1989. When you build a power plant, or an airport, or a water treatment facility -- you're talking about long-term projects, and equity and bonds are good ways to finance them.

We shared many experiences, and I was impressed with what I heard and the successes that were held up as examples.

In our discussions, we agreed to consult with one another more on these areas. In this regard, we're encouraging both the banking and securities regulators from the APEC members to discuss common issues.

The International Monetary Fund will be taking the lead in conducting a study of regional portfolio flows. They'll be working on this with the World Bank, the International Finance Corporation, and the Asian Development Bank.

We agreed to encourage business people from our respective financial sectors to convene a meeting and to explore their needs. I was especially happy that we did this. We talked policy today, but it is the businesses that will have to do the deals.

We also agreed on the importance of concluding the Uruguay Round and implementing its results. And we look forward to the concluding negotiations for a general capital increase for the Asian Development Bank. It will mean more than $20 billion for the region, doubling the bank's resources.

Some of the tasks ahead of us are not easy. It will require continued consultation and consensus building. But I believe now that we've opened new lines of communication, it will be easier.

In closing, I want to add a personal note -- I made many new friends this weekend. I had only met about half of the Finance Ministers before today, and we all established some new relationships that each of us can build on. I look forward to meeting everyone again next year in Indonesia.

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 19, 1994

Opening Statement of Treasury Secretary Lloyd Bentsen
Asia Pacific Economic Cooperation Forum
Honolulu, Hawaii

Good morning. I am happy to host this unprecedented gathering.

This meeting represents a number of important firsts for the region: the first tangible result of the APEC Leaders Meeting in Seattle, the first gathering of all the Finance Ministers of the region, and the first opportunity for regional discussions about basic issues like economic growth and financial challenges.

It would be hard to imagine a group of Finance Ministers with more of a reason to consult. The region includes the world's fastest-growing economies. We account for half the world's output, half the world's foreign exchange reserves, and nearly half the world's population. And trade within our region has reached $1 trillion a year.

It is one thing to hear numbers -- it was even more impressive to see it first hand as I did when I visited Asia in January. That trip demonstrated to me the deep interest we share in coming together to discuss our region.

All this growth brings with it a need for a broadened perspective. In today's interdependent world, this kind of economic performance cannot be sustained in a vacuum. We all share an interest in economic strength for the region as a whole.

This is a competitive region, but it is also a region that has benefitted from spreading prosperity. Uneven and divergent economic performance creates uncertainty, uncertainty retards investment, and investment is essential to sustained growth.

That is why we need to consult and to cooperate in identifying successful economic strategies for the future.

We can learn from each other. All our economies have had successes. And we face some of the same basic challenges: sustaining growth with low inflation, financing high rates of private investment, improving infrastructure, and strengthening our financial sectors. These are the issues that the APEC Leaders in Seattle asked us to address.

I think we need to consult in a manner suited to the regional way of doing things -- APEC is pioneering a model of consensus-building, which I believe we can adopt here.

I like things informal. We do not need to do everything by script. Each of us should feel free to speak openly. I hope we can have a real exchange of views.

-30-

PRESS CONFERENCE

BY SECRETARY OF THE U.S. TREASURY

LLOYD BENTSEN

AND THE FINANCE MINISTERS AND DEPUTIES OF APEC

SATURDAY, MARCH 19, 1994

KAHALA HILTON HOTEL

HONOLULU, HAWAII

REPORTED BY DENNIS J. YANKEE, CSR 185 FOR:
THE U.S. DEPARTMENT OF TREASURY

SECRETARY BENTSEN: This may be the shortest press conference of all time.

Good afternoon. Let me first thank the Governor and all the people who have been so hospitable to us here, and I want to thank my colleagues for the good will they showed in the spirit of cooperation.

It was a highly-productive meeting, and I don't want it to be an all-wet meeting.

We a wide range -- who picked this site? What are we going to do?

We had a wide-ranging conversation. Everyone remarkably candid and congenial.

In fact, the Deputy Prime Minister Anwar of Malaysia let us know with some confidence that Malaysia had succeeded in producing a labor shortage economy.

No wonder Malayasia was not invited to the G-7 Jobs Conference in Detroit. What a success we see in Asia.

We had much to talk about, and we decided we'll meet again next year, and we're going to meet in Indonesia. I'm very pleased about that.

I think it turned out so well because

our exchanges deepened the appreciation we have for one another and the 18 vibrant economies that we represent.

We make up 50 percent of the world's output. We have some of the world's fastest-growing economies. Trade within the Asia-Pacific region is one trillion dollars a year.

Now, this is what I heard today. Australia: the lowest interest rates in 20 years. Chile: 11 years of uninterrupted growth.

Every country talked about privatization, deregulation and liberalization of trade, and that means cutting tariffs.

We share a goal to keep up the growth in investment, and we think it's a goal we can achieve. We can do it best by strengthening our ties. Over and over I heard that from the Finance Ministers.

We have a joint Ministerial statement wrapping up our sessions that we're distributing.

Let me point out a few key points. First, coming out of the discussions we recognize some broad principals.

We recognize we need stability, and

that means low inflation growth. We need to expand trade and investment links with one another.

We want a concerted effort to improve financing of the infrastructure. We're talking about one trillion dollars in infrastructure projects over the next decade. We need the private sector, not government, to be that engine for growth.

This needs to be a competitive private sector where we cut government subsidies and trim unnecessary regulations.

I think Finance Minister Aspe of Mexico probably said it best when he said "The first thing we need to do is to privatize the private sector."

Our most spirited discussions were on figuring out how to mobilize the financing needed to sustain growth.

We talked extensively about encouraging private sector financing of the infrastructure projects.

We agreed to work together to further develop the banking sector. We all recognize we must have effective regulation and supervision of the banking industry.

We also agreed to work together to further develop our equity and bond markets. These markets have doubled since 1989.

When you build a power plant or an airport or a water treatment facility, you're talking about long-term projects.

We shared many experiences, and I was impressed with what I heard and the successes that were held as examples.

In our discussions we agreed to consult with one another in these areas. In this regard, we're encouraging both the banking and the securities regulators from the APEC members to discuss the common issues.

The International Monetary Fund will be taking the lead in conducting a study of regional portfolio flows. They'll be working on this with the World Bank, the International Finance Corporation and the Asian Development Bank.

We agreed to encourage business people from our respective financial sectors to convene a meeting to explore their needs.

I was especially happy that we did

this when we talked policy today, but it's the businesses that have to make the deals.

We also agreed on the importance of concluding the Uruguay Round and implementing its results. We look forward to the concluding negotiations for a general capital increase for the Asian Development Bank, and it will mean more than 20 billion dollars for this region, doubling the Bank's resources.

Some of these tasks ahead of us are not going to be easy. They will require continued consultation and consensus building. But I believe now that we've opened up these new lines of communication we'll do it better and easier.

In closing, I want to add a personal note. I made many new friends this weekend. I had only met about half of these Finance Ministers before. We all established some new relationships that each of us can build on, and I look forward to meeting them next year. Thank you.

Now let's open it up for questions.

QUESTION: Mr. Secretary, you spoke about consensus building coming out of this meeting. To what extent are you concerned that the bilateral frictions right now in the U.S.-China relationship and U.S.-Japan relationship can inhibit multilateral efforts like this from the American point of view? What is your concern about that?

SECRETARY BENTSEN: Well, I'm optimistic that we're going to work these types of concerns out. I think on the U.S.-China situation that that's one where the President has laid down a very pragmatic approach to it.

I think we, again, feel a need to emphasize overall human rights with a particular emphasis on prison labor and, in turn, on immigration.

I must say the U.S.-China economic relationship is very important to the United States and to China and to all of Asia.

We're eager for the Chinese to make the kinds of changes that will allow the continuation of MFN.

There certainly has been progress over the last few months, and that's especially true in the area of prison labor. So we're monitoring that progress, and we hope things are going to work out.

As far as Japan, we're obviously working on that one to see what can be done, and we're hopeful that will work out. I think that will be for the betterment of all of us.

Yes?

QUESTION: We know that APEC is one of few economic organizations have rejoined us --

SECRETARY BENTSEN: You say what, now?

QUESTION: Means of one of few international economic organizations have all of three China's full participation, and they have turned out to be, yeah, I mean, Taipei, Hong Kong and China also has equal participation with APEC comforts.

I was just wondering, following the direction of U.S. position on supporting both Taipei and China to getting GATT? What will be U.S. government's position to have both Taipei and Beijing in other international organizations like World Bank?

I'd like to ask the same question to Minister Lin from Taipei. What will be your opinion to Taipei will have to play in most of the international economic organizations? Thank you.

SECRETARY BENTSEN: Well, I'm not in a position to discuss those at this time. We're going to continue to work in this relationship in APEC. And, thus far, what we saw today was encouraging to us.

QUESTION: Secretary Bentsen?

SECRETARY BENTSEN: Yes.

QUESTION: I'm Josephine Lum from TTV News, Taiwan. Taiwan, Mainland China and Singapore and Hong Kong, those four economies were growing very fast in the recent years, and some people said that's due to the influence of Confucius culture.

But in Your Excellency's opinion, what were the main driving forces of the rapid economic growth, and what your opinion on the development strategy for those economies in the near future should be?

SECRETARY BENTSEN: What I've seen is an incredible increase in the growth of those economies, and I think that what you've seen in that regard is a push toward more of a free market system.

The discipline that that brings about,

what you've seen is a dedicated workforce, and what you've seen is a further training of that workforce and improving their capabilities.

So those things put together with a lot of hard work has meant that they've had substantial successes.

As I understood it, unless you fellows want to enter into this at this point, and I'll be delighted to have any answers you might have.

UNIDENTIFIED MINISTER: It's all yours.

SECRETARY BENTSEN: Thanks a lot. All right. Yes?

QUESTION: Mr. Secretary? Ann Christian from CTS-Taipei. While many, many APEC member nations like Chinese Taipei have been trying very hard to become a regional financial center, but also facing the difficulties of opening markets and protecting the local industries, and what's your suggestions on that to achieve the goal, and also not to avoid too much impasse?

SECRETARY BENTSEN: Well, all I heard today in what they are talking about in the way of opening up their markets and liberalization, I don't know what I can add to it. They did a good job on that.

Yes?

QUESTION: Mr. Secretary, you mentioned in your opening statement and also you met with Deputy Prime Ministers yesterday. Is this an attempt or an effort by the United States to soften Ministers' position towards institutionalizing effort?

SECRETARY BENTSEN: Is it in an attempt of the United States to do what?

QUESTION: Soften ministers' position towards APEC.

SECRETARY BENTSEN: Soften the positions of APEC?

QUESTION: Of becoming into a very formal group.

SECRETARY BENTSEN: No. We're here working with them. Let me tell you. I used the example the other day: if you're in farming and if you have a flood, you don't just lose your crop, you lose your neighbor's crops along with you.

What happens in one of these countries spills over on the other. To the extent that we can work together to promote a stable growth with low inflation, it helps all of us.

You watch interest rates go up in one of these countries, and it spills over into the next one. You watch unemployment go up, and it spills over into the next one.

We certainly have seen that in the G-7 countries, and you'll see it throughout here.

I heard one of the Ministers talking about seven fat years and seven lean years. He said that we have to prepare for those kinds of cycles.

Working together, we can forestall them, and we can moderate cycles that might be injurious to us.

No, we're talking about strengthening APEC.

QUESTION: Secretary Bentsen, I'm wondering if the MFN issue was discussed today; and if Washington feels it's unable to renew MFN in June, what effect that might have on APEC?

SECRETARY BENTSEN: We did not discuss that today.

QUESTION: Secretary Bentsen, my name is Angela Keen. I'm with KGMB Honolulu.

You had mentioned that Hawaii is instrumental in kind of playing a role in how East-West cooperation is going here.

Explain to me a little bit about that and how it can continue.

SECRETARY BENTSEN: How much time do you want on that? I think Hawaii is a great place for the East and West to come together. I know that the President of the United States chose Detroit for the jobs conference; I chose Hawaii.

QUESTION: Mr. Secretary?

SECRETARY BENTSEN: Yes.

QUESTION: The Japanese Finance Minister was telling his colleagues this morning that it's a good thing to save more in order to promote economic growth.

What is your view on this particular point if more savings would lead to more current accounts process in other countries as well?

SECRETARY BENTSEN: Well, I'd certainly like to promote further savings. I listened to the savings rate in some of these Asian countries, and I must say I was envious. I admire what they have. I'd like to see ours in the United States increase substantially.

I've been the fellow who pushed the IRA account for years. If I can figure out a way to get it within this budget deficit improvement, I'll try again.

UNIDENTIFIED TREASURY OFFICIAL: Do you have any questions for any of the Ministers?

QUESTION: Minister Anwar from Malayasia, the same question I asked Secretary Bentsen. To what extent do you think the tensions in the U.S. relationship with China now, with Japan, maybe soon over North Korea, can inhibit the efforts to build multilateral institutions here in Asia and work on a multilateral basis, as in the APEC example?

SECRETARY BENTSEN: I know that we should have got out of here sooner.

QUESTION: Don't be shy now.

MINISTER ANWAR: Yes, we are interested to promote better understanding. We have called for effective rapport amongst countries. We have appealed to all, including the United States, to show more concern and understanding for the predictment complexities of the multi-cultural pluralistic world that we are in.

I think this forum has helped tremendously in forging that sort of understanding.

QUESTION: It was mentioned that your country wasn't positive about coming back for a repeat meeting for fear that APEC would become an institutionalized organization.

What has changed your mind on this now to come back for next year?

MINISTER ANWAR: I think the general view is certainly not to institutionalize this meeting. The feeling is that if we have any specific or substantive issues to discuss, we will continue to do so.

The feeling among the Deputies and the also the Ministers today is that we should refer to some of these issues in the next meeting next year, in 1995, and there is no commitment beyond that.

But we are certainly open, and I think if there are substantive issues to be discussed we can even meet more than once a year. But, otherwise --

UNIDENTIFIED TREASURY OFFICIAL: We

want to thank the Ministers very much for their time. They have a dinner to go to, so we need to give them some moments to change. Thank you.

SECRETARY BENTSEN: I think he could run well in the United States.

(Conference concluded)

APEC Honolulu, Hawaii

APEC Finance Ministers Meeting

March 18th - 19th, 1994

EMBARGOED UNTIL 5:00 P.M.
HAWAIIAN STANDARD TIME
Saturday, March 19, 1994

Joint Ministerial Statement

APEC Finance Ministers Meeting

Honolulu, Hawaii
March 18-19, 1994

For the first time, APEC Finance Ministers have met to discuss some of the fundamental economic challenges facing the Asia-Pacific region: sustaining growth with low inflation, financing investment and infrastructure development, and promoting capital market development. This meeting was convened at the request of the APEC Leaders at their Seattle meeting in November 1993. The discussions were conducted on the basis of cooperation, consensus, and collegiality.

We recognize the growing significance of overall regional economic performance to each member's economic well-being and to the health of the global economy. Ours is a region increasingly bound together by growing trade and investment ties. We agree that the following principles should guide our policy formation as we move toward the next century:

- Sound macroeconomic policies and stability should remain a pillar of sustained, low-inflation growth in the region.
- Increasing cross-border flows of goods, services and investment should be another pillar for strong economic performance in the region.
- The private/business sector should continue to be the primary engine of growth.
- Further development of capital markets is needed for effective mobilization and allocation of private/business capital.
- Improving the capacity to finance infrastructure development is necessary to address current shortages and inefficiencies.

The Financial Challenge

Mobilizing the capital needed to finance high levels of private investment and infrastructure development presents a formidable challenge for the region. Large and growing inflows from external sources have been, and will continue to be, crucial.

Capital inflows augment domestic savings, help diversify sources of financing, reduce the cost of capital, and assist in capital market development.

- We will pursue policies which promote ongoing large and diversified inflows of foreign direct investment. Such flows have already made a significant contribution to accelerating growth.

- We agree to work on increasing the contribution that portfolio inflows can make to regional investment, building on recent increases in cross-border equity and bond flows.

- We shall consult on the kinds of strategies which can sustain capital inflows in a manner which fosters both growth and macroeconomic stability.

It will be critical to improve our capacity for mobilizing capital to meet financing needs.

- We will consult on efforts to develop and deepen banking sectors and domestic securities markets, including through effective supervision and regulation.

- We will work together to promote further development of domestic bond markets as a key source of financing, particularly for large, long-term infrastructure projects.

- We welcome the ongoing efforts by the International Monetary Fund, the World Bank, the International Finance Corporation, and the Asian Development Bank to assist development of financial markets. We urge that these programs be adapted and expanded as appropriate to meeting the changing and diverse needs of Asia-Pacific economies.

- We also encourage these institutions to examine and disseminate successful public and private strategies for promoting financing of small and medium enterprises.

- We recognize the need for public resources to provide for funding for sustainable development projects where private funding is not available. We therefore look forward to the imminent conclusion of negotiations for a General Capital Increase of the Asian Development Bank which will embody a forward looking vision for the Bank and double its capital resources.

Future Meetings and Consultations

We believe that our discussions today have promoted greater understanding of key economic challenges facing the region. We therefore look forward to meeting again next year to consult on specific issues as well as regional economic developments, economic growth strategies, other macroeconomic objectives, regional capital flows, and financial sector developments and policies. We ask our deputies to undertake preparations for this meeting.

We also ask our deputies and their central bank counterparts to meet jointly in late 1994 or early 1995 to discuss macroeconomic developments and in particular issues relating to the sustainability and management of the capital flows that are important for growth. To support that joint meeting, an ad hoc group of senior financial officials will meet to identify key factors and developments which the deputies and their central bank counterparts should address.

We believe that improvements in information flows, availability, and exchanges can contribute importantly to efforts to mobilize financing and develop capital markets. We therefore call for cooperation in these efforts in undertaking the work and consultations proposed below.

- **Study of Regional Portfolio Flows:** We ask the IMF, working with existing databases in cooperation with the World Bank, IFC and ADB, to prepare a study of cross-border portfolio flows into and within the region, providing quantitative measurements of the sources and destinations, as well as the contribution of external flows to total capital mobilized in securities markets. The study should be completed by the time of the meeting of APEC finance ministers' deputies and their central bank counterparts.

- **ADB Symposium on Financing Infrastructure Development:** We call upon the ADB to host a symposium on issues and problems in infrastructure financing, with emphasis on the role of the private sector. Such a symposium should bring together private sector officials involved in finance, construction and other aspects of infrastructure development, with government officials and officials from the international financial institutions. Other development banks with regional responsibilities should be invited.

- **Regional Consultations on Banking Sector and Securities Market Supervision and Regulation:** We welcome and encourage growing contacts between regulatory authorities in member economies to discuss supervisory and regulatory issues of common interest.

- **Asia-Pacific Financiers:** We call on private financial sector leaders in the region to convene a meeting to identify issues regarding capital market development, to explore ways to strengthen private sector contacts, and to explore the possibility of establishing a more permanent

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 21, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,610 million of 13-week bills to be issued March 24, 1994 and to mature June 23, 1994 were accepted today (CUSIP: 912794L36).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.59%	3.67%	99.093
High	3.62%	3.70%	99.085
Average	3.61%	3.70%	99.087

Tenders at the high discount rate were allotted 67%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$41,770,261	$12,609,800
Type		
Competitive	$36,819,207	$7,658,746
Noncompetitive	1,282,744	1,282,744
Subtotal, Public	$38,101,951	$8,941,490
Federal Reserve	2,909,010	2,909,010
Foreign Official Institutions	759,300	759,300
TOTALS	$41,770,261	$12,609,800

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 21, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,752 million of 26-week bills to be issued March 24, 1994 and to mature September 22, 1994 were accepted today (CUSIP: 912794L77).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.89%	4.02%	98.033
High	3.90%	4.03%	98.028
Average	3.90%	4.03%	98.028

Tenders at the high discount rate were allotted 31%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$44,954,868	$12,752,250
Type		
Competitive	$39,420,402	$7,217,784
Noncompetitive	982,766	982,766
Subtotal, Public	$40,403,168	$8,200,550
Federal Reserve	2,700,000	2,700,000
Foreign Official Institutions	1,851,700	1,851,700
TOTALS	$44,954,868	$12,752,250

Monthly Treasury Statement

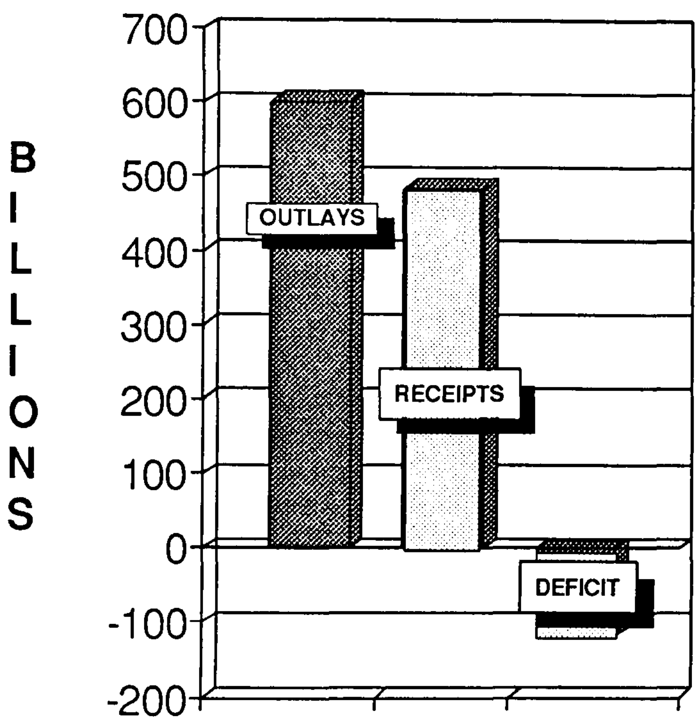
of Receipts and Outlays
of the United States Government

For Fiscal Year 1994 Through **February 28, 1994,** and Other Periods

Highlight

This month's publication has been realigned to the *FY 1995 Budget,* released by the Office of Management and Budget on February 7, 1994.

RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT THROUGH FEBRUARY 1994



Contents

Compiled and Published by

Department of the Treasury
Financial Management Service

Introduction

The *Monthly Treasury Statement of Receipts and Outlays of the United States Government (MTS)* is prepared by the Financial Management Service, Department of the Treasury, and after approval by the Fiscal Assistant Secretary of the Treasury, is normally released on the 15th workday of the month following the reporting month. The publication is based on data provided by Federal entities, disbursing officers, and Federal Reserve banks

Audience

The *MTS* is published to meet the needs of: Those responsible for or interested in the cash position of the Treasury; Those who are responsible for or interested in the Government's budget results; and individuals and businesses whose operations depend upon or are related to the Government's financial operations.

Disclosure Statement

This statement summarizes the financial activities of the Federal Government and off-budget Federal entities conducted in accordance with the Budget of the U.S. Government, i.e., receipts and outlays of funds, the surplus or deficit, and the means of financing the deficit or disposing of the surplus. Information is presented on a modified cash basis: receipts are accounted for on the basis of collections; refunds of receipts are treated as deductions from gross receipts; revolving and management fund receipts, reimbursements and refunds of monies previously expended are treated as deductions from gross outlays; and interest on the public debt (public issues) is recognized on the accrual basis. Major information sources include accounting data reported by Federal entities, disbursing officers, and Federal Reserve banks.

Triad of Publications

The *MTS* is part of a triad of Treasury financial reports. The *Daily Treasury Statement* is published each working day of the Federal Government. It provides data on the cash and debt operations of the Treasury based upon reporting of the Treasury account balances by Federal Reserve banks. The *MTS* is a report of Government receipts and outlays, based on agency reporting. The *U.S. Government Annual Report* is the official publication of the detailed receipts and outlays of the Government. It is published annually in accordance with legislative mandates given to the Secretary of the Treasury.

Data Sources and Information

The Explanatory Notes section of this publication provides information concerning the flow of data into the *MTS* and sources of information relevant to the *MTS*

Table 1. Summary of Receipts, Outlays, and the Deficit/Surplus of the U.S. Government, Fiscal Years 1993 and 1994, by Month

[$ millions]

Period	Receipts	Outlays	Deficit/Surplus (−)
FY 1993			
October	76,829	125,620	48,792
November	74,629	107,355	32,726
December	113,686	152,633	38,947
January	112,716	82,899	−29,817
February	65,979	114,176	48,197
March	83,288	127,263	43,974
April	132,017	123,926	−8,091
May	70,642	107,605	36,963
June	128,570	117,471	−11,099
July	80,630	120,207	39,577
August	86,738	109,816	23,078
September	[1]127,485	[1]118,921	−8,565
Year-to-Date	**[2]1,153,209**	**[2]1,407,892**	**[2]254,684**
FY 1994			
October	78,668	124,090	45,422
November	83,107	121,488	38,381
December	125,416	133,667	8,252
January	122,968	107,355	−15,613
February	72,940	114,573	41,633
Year-to-Date	**483,099**	**601,174**	**118,075**

[1]The receipts and outlays have been increased in September 1993 by $4 million and $9 million to reflect governmental receipts previously reported as offsetting collections by the Environmental Protection Agency and the James Madison Memorial Fellowship Foundation, respectively

[2]The receipt, outlay and deficit figures differ from the *FY 1995 Budget*, released by the Office of Management and Budget on February 7, 1994, by $14 million due mainly to revisions in data following the release of the Final September Monthly Treasury Statement.

Note: The receipt and outlay figures for FY 1993 have been revised to reflect governmental receipts previously reported by the Courts of Appeals, District Courts, and Other Judicial Services as offsetting collections.

Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, February 1994 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Budget Estimates Full Fiscal Year[1]	Prior Fiscal Year to Date (1993)	Budget Estimates Next Fiscal Year (1995)[1]
Total on-budget and off-budget results:					
Total receipts	72,940	483,099	1,249,071	443,839	1,353,815
On-budget receipts	46,946	355,629	912,892	326,863	998,594
Off-budget receipts	25,995	127,471	336,179	116,975	355,221
Total outlays	114,573	601,174	1,483,829	582,684	1,518,945
On-budget outlays	88,656	491,096	1,202,953	478,432	1,223,582
Off-budget outlays	25,917	110,078	280,876	104,251	295,364
Total surplus (+) or deficit (−)	−41,633	−118,075	−234,758	−138,845	−165,130
On-budget surplus (+) or deficit (−)	−41,710	−135,468	−290,061	−151,569	−224,987
Off-budget surplus (+) or deficit (−)	+77	+17,393	+55,303	+12,724	+59,857
Total on-budget and off-budget financing	41,633	118,075	234,758	138,845	165,130
Means of financing:					
Borrowing from the public	31,633	113,978	225,234	103,828	173,715
Reduction of operating cash, increase (−)	19,667	14,360	12,506	39,690	......
By other means	−9,668	−10,264	−2,982	−4,673	−8,585

[1]These figures are based on the *FY 1995 Budget*, released by the Office of Management and Budget on February 7, 1994.

... No Transactions.

Note: Details may not add to totals due to rounding.

Figure 1. Monthly Receipts, Outlays, and Budget Deficit/Surplus of the U.S. Government, Fiscal Years 1993 and 1994

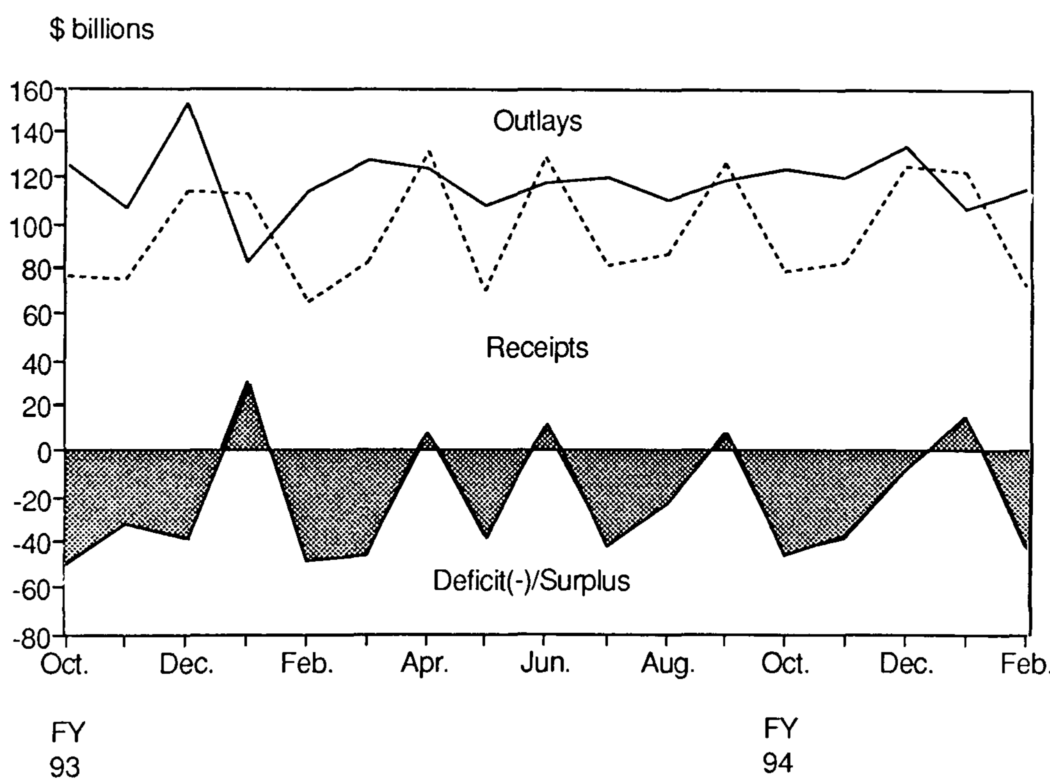


Figure 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1993 and 1994

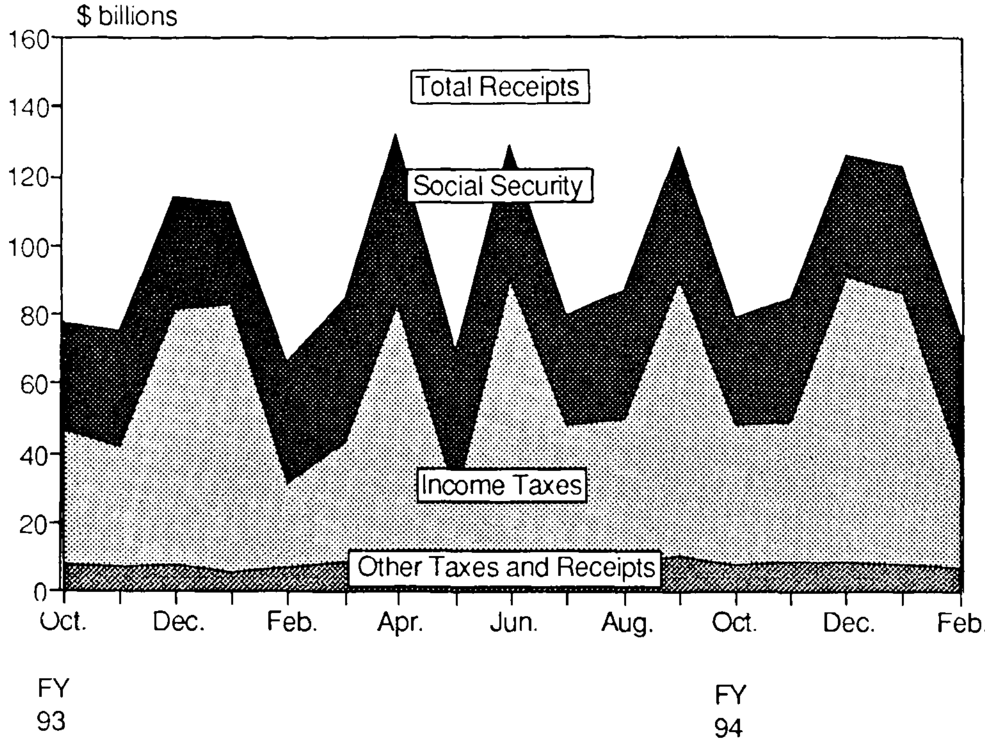


Figure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1993 and 1994

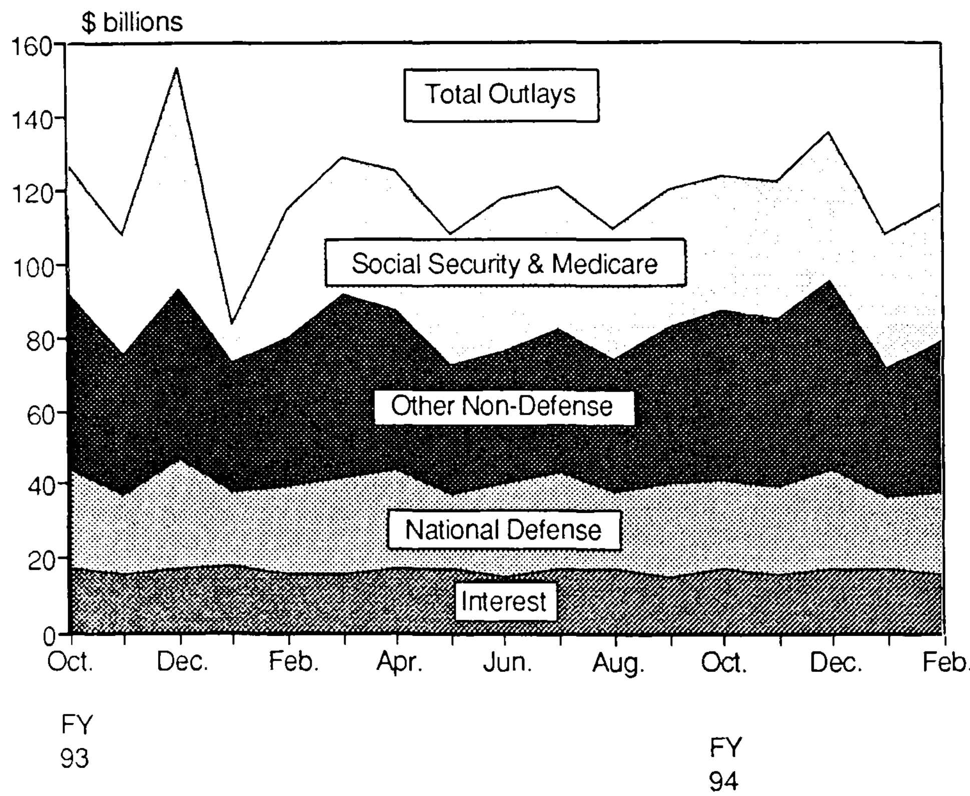


Table 3. Summary of Receipts and Outlays of the U.S. Government, February 1994 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Comparable Prior Period	Budget Estimates Full Fiscal Year[1]
Budget Receipts				
Individual income taxes	28,107	231,771	219,041	549,901
Corporation income taxes	1,594	38,114	30,528	130,719
Social insurance taxes and contributions:				
Employment taxes and contributions (off-budget)	25,995	127,471	116,975	336,179
Employment taxes and contributions (on-budget)	6,963	35,556	32,508	93,974
Unemployment insurance	2,664	7,536	6,652	27,041
Other retirement contributions	367	1,875	1,944	4,729
Excise taxes	3,249	20,360	18,415	54,550
Estate and gift taxes	1,093	5,672	4,650	12,749
Customs duties	1,419	7,924	7,364	19,198
Miscellaneous receipts	1,491	6,820	[2,3,4]5,761	20,031
Total Receipts	**72,940**	**483,099**	**443,839**	**1,249,071**
(On-budget)	**46,946**	**355,629**	**326,863**	**912,892**
(Off-budget)	**25,995**	**127,471**	**116,975**	**336,179**
Budget Outlays				
Legislative Branch	202	1,202	1,024	2,755
The Judiciary	177	923	[2]879	2,872
Executive Office of the President	14	87	87	193
Funds Appropriated to the President	537	6,965	7,540	11,383
Department of Agriculture	4,742	27,980	28,224	64,931
Department of Commerce	245	1,313	1,235	3,234
Department of Defense—Military	21,009	109,456	115,789	267,484
Department of Defense—Civil	2,459	12,581	12,405	30,980
Department of Education	1,202	10,001	13,289	28,738
Department of Energy	1,221	7,416	6,700	17,206
Department of Health and Human Services, except Social Security	23,656	124,786	112,817	316,615
Department of Health and Human Services, Social Security	26,317	126,916	120,159	314,663
Department of Housing and Urban Development	1,886	10,819	10,423	25,535
Department of the Interior	565	2,882	2,639	7,240
Department of Justice	734	3,983	4,448	10,817
Department of Labor	3,523	17,034	18,268	37,111
Department of State	351	2,624	2,354	5,785
Department of Transportation	2,812	15,454	13,373	36,687
Department of the Treasury:				
Interest on the Public Debt	16,208	126,717	127,037	298,505
Other	4,931	6,478	4,326	10,763
Department of Veterans Affairs	3,110	15,653	14,749	37,919
Environmental Protection Agency	430	2,280	[3]2,281	6,539
General Services Administration	344	−180	142	1,048
National Aeronautics and Space Administration	1,029	5,529	5,781	14,183
Office of Personnel Management	3,098	15,641	14,878	38,101
Small Business Administration	27	229	291	604
Other independent agencies:				
Resolution Trust Corporation	−678	557	−8,787	3,555
Other	−2,306	1,957	[4]4,425	11,617
Undistributed offsetting receipts:				
Interest	−458	−42,140	−40,377	−85,845
Other	−2,815	−13,969	−13,716	−37,389
Total outlays	**114,573**	**601,174**	**582,684**	**1,483,829**
(On-budget)	**88,656**	**491,096**	**478,432**	**1,202,953**
(Off-budget)	**25,917**	**110,078**	**104,251**	**280,876**
Surplus (+) or deficit (−)	**−41,633**	**−118,075**	**−138,845**	**−234,758**
(On-budget)	**−41,710**	**−135,468**	**−151,569**	**−290,061**
(Off-budget)	**+77**	**+17,393**	**+12,724**	**+55,303**

[1]These figures are based on the *FY 1995 Budget*, released by the Office of Management and Budget on February 7, 1994.

[2]The receipts and outlays for FY 1993 have been increased by $48 million to reflect governmental receipts previously reported as offsetting collections for "Judiciary Filing Fees".

[3]The receipts and outlays in September 1993 have been increased by $4 million to reflect governmental receipts previously reported as offsetting collections for the "Exxon Valdez Settlement Fund".

[4]The receipts and outlays in September 1993 have been increased by $9 million to reflect governmental receipts previously reported as offsetting collections for the "James Madison Memorial Fellowship Trust Fund".

Note: Details may not add to totals due to rounding.

Table 4. Receipts of the U.S. Government, February 1994 and Other Periods

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Receipts	Refunds (Deduct)	Receipts	Gross Receipts	Refunds (Deduct)	Receipts	Gross Receipts	Refunds (Deduct)	Receipts
Individual income taxes:									
Withheld	37,335			197,464			185,531		
Presidential Election Campaign Fund	10			11			5		
Other	1,151			48,448			48,442		
Total—Individual income taxes	**38,495**	**10,388**	**28,107**	**245,923**	**14,152**	**231,771**	**233,978**	**14,937**	**219,041**
Corporation income taxes	**2,888**	**1,294**	**1,594**	**43,736**	**5,622**	**38,114**	**36,804**	**6,276**	**30,528**
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	22,371	......	22,371	115,212	......	115,212	106,885	......	106,885
Self-Employment Contributions Act taxes	1,108	......	1,108	−35	......	−35	−1,229	......	−1,229
Deposits by States	(* *)	......	(* *)	−45	......	−45	−9	......	−9
Other	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FOASI trust fund	23,479	......	23,479	115,132	......	115,132	105,647	......	105,647
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	2,397	......	2,397	12,343	......	12,343	11,459	......	11,459
Self-Employment Contributions Act taxes	119	......	119	−4	......	−4	−129	......	−129
Receipts from railroad retirement account	......	......	......	......	......	......	......	......	......
Deposits by States	......	......	......	(* *)	......	(* *)	−1	......	−1
Other	......	......	......	......	......	......	......	......	......
Total—FDI trust fund	2,516	......	2,516	12,339	......	12,339	11,329	......	11,329
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	6,255	......	6,255	33,870	......	33,870	31,090	......	31,090
Self-Employment Contributions Act taxes	350	......	350	27	......	27	−187	......	−187
Receipts from Railroad Retirement Board	......	......	......	......	......	......	......	......	......
Deposits by States	......	......	......	(* *)	......	(* *)	−3	......	−3
Total—FHI trust fund	6,605	......	6,605	33,897	......	33,897	30,900	......	30,900
Railroad retirement accounts:									
Rail industry pension fund	193	(* *)	193	927	21	906	890	7	883
Railroad Social Security equivalent benefit	164	......	164	753	......	753	726	......	726
Total—Employment taxes and contributions	32,957	(* *)	32,957	163,047	21	163,026	149,491	7	149,483
Unemployment insurance:									
State taxes deposited in Treasury	2,142	......	2,142	5,985	......	5,985	4,881	......	4,881
Federal Unemployment Tax Act taxes	523	4	519	1,547	14	1,533	1,703	31	1,672
Railroad unemployment taxes	(* *)	......	(* *)	14	......	14	47	......	47
Railroad debt repayment	3	......	3	4	......	4	53	......	53
Total—Unemployment insurance	2,669	4	2,664	7,550	14	7,536	6,684	31	6,652
Other retirement contributions:									
Federal employees retirement – employee contributions	358	......	358	1,837	......	1,837	1,905	......	1,905
Contributions for non-federal employees	10	......	10	38	......	38	39	......	39
Total—Other retirement contributions	367	......	367	1,875	......	1,875	1,944	......	1,944
Total—Social insurance taxes and contributions	**35,993**	**4**	**35,989**	**172,472**	**35**	**172,437**	**158,119**	**39**	**158,080**
Excise taxes:									
Miscellaneous excise taxes[1]	1,326	29	1,296	11,693	579	11,114	11,066	194	10,872
Airport and airway trust fund	445	......	445	1,937	10	1,928	191	5	186
Highway trust fund	1,455	......	1,455	7,145	84	7,062	7,194	99	7,095
Black lung disability trust fund	53	......	53	257	......	257	262	......	262
Total—Excise taxes	**3,278**	**29**	**3,249**	**21,033**	**673**	**20,360**	**18,714**	**299**	**18,415**
Estate and gift taxes	**1,122**	**29**	**1,093**	**5,823**	**151**	**5,672**	**4,772**	**123**	**4,650**
Customs duties	**1,484**	**65**	**1,419**	**8,293**	**369**	**7,924**	**7,672**	**307**	**7,364**
Miscellaneous Receipts:									
Deposits of earnings by Federal Reserve banks	1,184	......	1,184	5,514	......	5,514	4,457	......	4,457
All other	309	3	307	1,312	5	1,306	[2,3,4]1,440	136	1,305
Total — Miscellaneous receipts	**1,493**	**3**	**1,491**	**6,825**	**5**	**6,820**	**5,897**	**136**	**5,761**
Total — Receipts	**84,752**	**11,812**	**72,940**	**504,106**	**21,006**	**483,099**	**465,955**	**22,116**	**443,839**
Total — On-budget	**58,758**	**11,812**	**46,946**	**376,635**	**21,006**	**355,629**	**348,980**	**22,116**	**326,863**
Total — Off-budget	**25,995**	......	**25,995**	**127,471**	......	**127,471**	**116,975**	......	**116,975**

[1]Includes amounts for the windfall profits tax pursuant to P.L. 96-223.

[2]The receipts and outlays for FY 1993 have been increased by $48 million to reflect governmental receipts previously reported as offsetting collections for "Judiciary Filing Fees".

[3]The receipts and outlays in September 1993 have been increased by $4 million to reflect governmental receipts previously reported as offsetting collections for the "Exxon Valdez

[4]The receipts and outlays in September 1993 have been increased by $9 million to reflect governmental receipts previously reported as offsetting collections for the "James Madison Memorial Fellowship Trust Fund".

...... No Transactions.

(* *) Less than $500,000.

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods
[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Legislative Branch:									
Senate	36	(* *)	36	175	1	174	187	(* *)	186
House of Representatives	59	2	57	320	8	312	310	4	306
Joint items	6	......	6	32	......	32	32	......	32
Congressional Budget Office	2	......	2	9	......	9	9	......	9
Architect of the Capitol	15	1	15	82	3	79	97	4	94
Library of Congress	21	......	21	289	......	289	130	......	130
Government Printing Office:									
Revolving fund (net)	15	......	15	73	......	73	20	......	20
General fund appropriations	5	......	5	37	......	37	43	......	43
General Accounting Office	39	......	39	174	......	174	182	......	182
United States Tax Court	4	......	4	14	......	14	13	......	13
Other Legislative Branch agencies	2	......	2	4	......	4	4	......	4
Other	2	......	2	10	......	10	10	......	10
Proprietary receipts from the public	......	1	−1	......	2	−2	......	3	−3
Intrabudgetary transactions	(* *)	......	(* *)	−3	......	−3	−3	......	−3
Total—Legislative Branch	**205**	**3**	**202**	**1,215**	**13**	**1,202**	**1,035**	**10**	**1,024**
The Judiciary:									
Supreme Court of the United States	1	......	1	10	......	10	11	......	11
Courts of Appeals, District Courts, and other judicial services	166	(* *)	166	865	1	864	[1]853	(* *)	853
Other	9	......	9	49	......	49	16	......	16
Total—The Judiciary	**177**	**(* *)**	**177**	**924**	**1**	**923**	**879**	**(* *)**	**879**
Executive Office of the President:									
Compensation of the President and the White House Office	3	......	3	18	......	18	16	......	16
Office of Management and Budget	4	......	4	24	......	24	22	......	22
Other	7	......	7	46	......	46	49	......	49
Total—Executive Office of the President	**14**	**......**	**14**	**87**	**......**	**87**	**87**	**......**	**87**
Funds Appropriated to the President:									
International Sustainable Development and Humanitarian Programs:									
Multilateral Assistance:									
Contribution to the International Development Association	......	......	......	354	......	354	367	......	367
International organizations and programs	2	......	2	118	......	118	154	......	154
Other	44	......	44	244	......	244	282	......	282
Total—Multilateral Assistance	46	......	46	717	......	717	803	......	803
Agency for International Development:									
Operating expenses	36	......	36	210	......	210	195	......	195
Payment to the Foreign Service retirement and disability fund	......	......	......	44	......	44	......	......	......
Functional development assistance program	98	......	98	477	......	477	527	......	527
Sub-Saharan Africa development and disaster assistance	45	......	45	254	......	254	279	......	279
Other	11	5	6	93	32	61	114	25	89
Proprietary receipts from the public	......	73	−73	......	272	−272	......	361	−361
Intrabudgetary transactions	......	......	......	......	......	......	......	......	......
Total—Agency for International Development	190	78	112	1,078	304	774	1,115	386	729
Peace Corps	11	......	11	89	......	89	80	......	80
Other	3	(* *)	3	20	1	20	19	3	16
Total—International Sustainable Development and Humanitarian Programs	251	79	172	1,904	304	1,600	2,017	389	1,628
Overseas Private Investment Corporation	3	32	−29	18	100	−82	39	106	−68
International Peacekeeping, Regional Security and Democracy Programs	33	......	33	205	......	205	157	......	157
Regional Peace, Security and Defense Cooperation:									
Guaranty reserve fund	120	73	47	375	231	144	424	238	185
Foreign military financing grants	203	......	203	2,804	......	2,804	2,818	......	2,818
Economic support fund	212	......	212	1,895	......	1,895	1,971	......	1,971
Other	3	......	3	24	......	24	8	......	8
Proprietary receipts from the public	......	121	−121	......	355	−355	......	199	−199
Total—Regional Peace, Security and Defense									

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month: Gross Outlays	This Month: Applicable Receipts	This Month: Outlays	Current Fiscal Year to Date: Gross Outlays	Current Fiscal Year to Date: Applicable Receipts	Current Fiscal Year to Date: Outlays	Prior Fiscal Year to Date: Gross Outlays	Prior Fiscal Year to Date: Applicable Receipts	Prior Fiscal Year to Date: Outlays
Funds Appropriated to the President:—Continued									
International Monetary Programs	−159	......	−159	163	......	163	695	......	695
Military Sales Programs:									
Special defense acquisition fund	11	50	−39	78	124	−45	109	109	(* *)
Foreign military sales trust fund	1,096	......	1,096	5,458	......	5,458	5,110	......	5,110
Kuwait civil reconstruction trust fund	(* *)	......	(* *)	(* *)	......	(* *)	5	......	5
Proprietary receipts from the public	......	898	−898	......	4,927	−4,927	......	4,847	−4,847
Other	18	......	18	81	......	81	77	......	77
Total—Funds Appropriated to the President	**1,791**	**1,253**	**537**	**13,006**	**6,041**	**6,965**	**13,429**	**5,889**	**7,540**
Department of Agriculture:									
Agricultural Research Service	56	......	56	283	......	283	305	......	305
Cooperative State Research Service	37	......	37	191	......	191	179	......	179
Extension Service	36	......	36	173	......	173	168	......	168
Animal and Plant Health Inspection Service	38	......	38	182	......	182	199	......	199
Food Safety and Inspection Service	40	......	40	191	......	191	196	......	196
Agricultural Marketing Service	49	......	49	375	1	374	478	1	477
Soil Conservation Service:									
Watershed and flood prevention operations	19	......	19	111	......	111	95	......	95
Conservation operations	46	......	46	226	......	226	225	......	225
Other	6	......	6	32	......	32	34	......	34
Agricultural Stabilization and Conservation Service:									
Conservation programs	9	......	9	1,796	......	1,796	1,726	......	1,726
Other	56	......	56	281	......	281	300	......	300
Farmers Home Administration:									
Credit accounts:									
Agricultural credit insurance fund	298	179	119	620	1,006	−385	308	1,084	−776
Rural housing insurance fund	525	212	313	1,507	1,303	203	1,161	1,264	−103
Other	(* *)	......	(* *)	(* *)	......	(* *)	7	(* *)	7
Salaries and expenses	−616	......	−616	−421	......	−421	253	......	253
Other	7	(* *)	7	42	1	41	40	2	38
Total—Farmers Home Administration	214	391	−177	1,748	2,310	−562	1,770	2,350	−581
Foreign assistance programs	60	......	60	423	......	423	214	......	214
Rural Development Administration:									
Rural development insurance fund	89	38	51	335	260	75	332	211	122
Rural water and waste disposal grants	19	......	19	126	......	126	98	......	98
Other	−22	......	−22	−10	......	−10	10	......	10
Rural Electrification Administration	108	237	−129	984	1,685	−701	966	1,568	−603
Federal Crop Insurance Corporation	111	15	96	1,327	336	991	409	314	95
Commodity Credit Corporation:									
Price support and related programs	1,857	549	1,308	10,884	3,190	7,694	12,164	2,823	9,340
National Wool Act Program	(* *)	......	(* *)	2	......	2	4	......	4
Food and Consumer Service:									
Food stamp program	2,116	......	2,116	10,646	......	10,646	10,190	......	10,190
State child nutrition programs	592	......	592	2,991	......	2,991	2,912	......	2,912
Women, infants and children programs	241	......	241	1,329	......	1,329	1,238	......	1,238
Other	32	......	32	265	......	265	373	......	373
Total—Food and Consumer Service	2,980	......	2,980	15,231	......	15,231	14,713	......	14,713
Forest Service:									
National forest system	117	......	117	644	......	644	695	......	695
Forest and rangeland protection	16	......	16	146	......	146	178	......	178
Forest service permanent appropriations	11	......	11	151	......	151	158	......	158
Other	48	......	48	230	......	230	259	......	259
Total—Forest Service	192	......	192	1,171	......	1,171	1,291	......	1,291
Other	71	2	69	310	15	295	262	14	247
Proprietary receipts from the public	......	99	−99	......	597	−597	......	482	−482
Intrabudgetary transactions	......	......	......	......	......	......	−150	......	−150
Total—Department of Agriculture	**6,072**	**1,330**	**4,742**	**36,374**	**8,394**	**27,980**	**35,989**	**7,764**	**28,224**
Department of Commerce:									
Economic Development Administration	22	(* *)	22	118	8	110	106	10	96
Bureau of the Census	28	......	28	128	......	128	152	......	152
Promotion of Industry and Commerce	26	......	26	115	......	115	126	......	126
Science and Technology:									
National Oceanic and Atmospheric Administration	151	(* *)	151	816	6	811	739	10	729
Patent and Trademark Office	−2	......	−2	22	......	22	29	......	29
National Institute of Standards and Technology	22	......	22	107	......	107	91	......	91
Other	6	3	3	40	14	25	35	15	20
Total—Science and Technology	177	3	174	985	20	965	894	25	869

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month: Gross Outlays	This Month: Applicable Receipts	This Month: Outlays	Current Fiscal Year to Date: Gross Outlays	Current Fiscal Year to Date: Applicable Receipts	Current Fiscal Year to Date: Outlays	Prior Fiscal Year to Date: Gross Outlays	Prior Fiscal Year to Date: Applicable Receipts	Prior Fiscal Year to Date: Outlays
Department of Commerce:—Continued									
Other	6	......	6	45	......	45	41	......	41
Proprietary receipts from the public	......	10	−10	......	50	−50	......	48	−48
Intrabudgetary transactions	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Offsetting governmental receipts	......	......	......	......	......	......	......	......	......
Total—Department of Commerce	**259**	**14**	**245**	**1,391**	**78**	**1,313**	**1,319**	**83**	**1,235**
Department of Defense—Military:									
Military personnel:									
Department of the Army	2,163	......	2,163	10,921	......	10,921	11,798	......	11,798
Department of the Navy	2,513	......	2,513	10,895	......	10,895	11,325	......	11,325
Department of the Air Force	1,524	......	1,524	7,581	......	7,581	8,860	......	8,860
Total—Military personnel	6,200	......	6,200	29,397	......	29,397	31,982	......	31,982
Operation and maintenance:									
Department of the Army	1,152	......	1,152	8,299	......	8,299	10,042	......	10,042
Department of the Navy	1,518	......	1,518	8,474	......	8,474	9,346	......	9,346
Department of the Air Force	1,955	......	1,955	10,329	......	10,329	9,498	......	9,498
Defense agencies	1,531	......	1,531	8,137	......	8,137	7,186	......	7,186
Total—Operation and maintenance	6,156	......	6,156	35,239	......	35,239	36,072	......	36,072
Procurement:									
Department of the Army	1,468	......	1,468	3,630	......	3,630	4,715	......	4,715
Department of the Navy	1,991	......	1,991	10,576	......	10,576	11,780	......	11,780
Department of the Air Force	1,505	......	1,505	9,361	......	9,361	10,816	......	10,816
Defense agencies	337	......	337	1,786	......	1,786	1,451	......	1,451
Total—Procurement	5,302	......	5,302	25,353	......	25,353	28,763	......	28,763
Research, development, test, and evaluation:									
Department of the Army	289	......	289	2,362	......	2,362	2,429	......	2,429
Department of the Navy	561	......	561	2,812	......	2,812	2,925	......	2,925
Department of the Air Force	772	......	772	5,351	......	5,351	5,652	......	5,652
Defense agencies	631	......	631	3,216	......	3,216	3,651	......	3,651
Total—Research, development, test and evaluation	2,252	......	2,252	13,741	......	13,741	14,657	......	14,657
Military construction:									
Department of the Army	64	......	64	423	......	423	392	......	392
Department of the Navy	47	......	47	236	......	236	369	......	369
Department of the Air Force	67	......	67	431	......	431	527	......	527
Defense agencies	166	......	166	851	......	851	616	......	616
Total—Military construction	344	......	344	1,941	......	1,941	1,904	......	1,904
Family housing:									
Department of the Army	111	......	111	485	......	485	530	......	530
Department of the Navy	73	......	73	306	......	306	340	......	340
Department of the Air Force	75	......	75	395	......	395	340	......	340
Defense agencies	9	2	6	38	12	26	34	4	30
Revolving and management funds:									
Department of the Army	331	......	331	272	......	272	106	......	106
Department of the Navy	−37	......	−37	194	......	194	44	......	44
Department of the Air Force	......	......	......	......	......	......	......	......	......
Defense agencies:									
Defense business operations fund	358	......	358	1,984	......	1,984	2,237	......	2,237
Other	−111	(* *)	−111	−141	2	−142	−43	1	−45
Trust funds:									
Department of the Army	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	(* *)	(* *)
Department of the Navy	4	1	3	13	6	6	22	8	14
Department of the Air Force	2	2	(* *)	5	5	(* *)	13	17	−4
Defense agencies	13	......	13	118	......	118	−2	......	−2
Proprietary receipts from the public:									
Department of the Army	......	−45	45	......	141	−141	......	218	−218
Department of the Navy	......	−15	15	......	143	−143	......	225	−225
Department of the Air Force	......	77	−77	......	256	−256	......	223	−223
Defense agencies	......	34	−34	......	49	−49	......	74	−74
Intrabudgetary transactions:									
Department of the Army	−89	......	−89	156	......	156	107	......	107
Department of the Navy	−6	......	−6	545	......	545	412	......	412
Department of the Air Force	17	......	17	105	......	105	38	......	38
Defense agencies	63	......	63	−74	......	−74	−963	......	−963
Offsetting governmental receipts:									
Department of the Army	......	......	......	......	3	−3	......	7	−7
Defense agencies	......	(* *)	(* *)	......	(* *)	(* *)	......	25	−25
Total—Department of Defense—Military	**21,066**	**57**	**21,009**	**110,073**	**617**	**109,456**	**116,591**	**802**	**115,789**

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month Gross Outlays	This Month Applicable Receipts	This Month Outlays	Current Fiscal Year to Date Gross Outlays	Current Fiscal Year to Date Applicable Receipts	Current Fiscal Year to Date Outlays	Prior Fiscal Year to Date Gross Outlays	Prior Fiscal Year to Date Applicable Receipts	Prior Fiscal Year to Date Outlays
Department of Defense—Civil									
Corps of Engineers									
Construction, general	58	......	58	402	......	402	439	......	439
Operation and maintenance, general	86	......	86	438	......	438	556	......	556
Other	112	......	112	719	......	719	795	......	795
Proprietary receipts from the public	......	9	−9	......	60	−60	......	65	−65
Total—Corps of Engineers	256	9	247	1,559	60	1,499	1,790	65	1,726
Military retirement:									
Payment to military retirement fund	......	......	......	11,908	......	11,908	12,273	......	12,273
Retired pay	......	......	......	......	......	......	......	......	.....
Military retirement fund	2,189	......	2,189	10,978	......	10,978	10,578	......	10,578
Intrabudgetary transactions	......	......	......	−11,908	......	−11,908	−12,273	......	−12,273
Education benefits	19	......	19	78	......	78	79	......	79
Other	5	(* *)	4	33	2	31	29	2	28
Proprietary receipts from the public	......	1	−1	......	5	−5	......	4	−4
Total—Department of Defense—Civil	**2,469**	**10**	**2,459**	**12,648**	**67**	**12,581**	**12,476**	**71**	**12,405**
Department of Education:									
Office of Elementary and Secondary Education:									
Education for the disadvantaged	580	......	580	2,783	......	2,783	2,788	......	2,788
Impact aid	15	......	15	604	......	604	560	......	560
School improvement programs	113	......	113	589	......	589	658	......	658
Indian education	7	......	7	30	......	30	32	......	32
Other	1	......	1	6	......	6	7	......	7
Total—Office of Elementary and Secondary Education	716	......	716	4,012	......	4,012	4,045	......	4,045
Office of Bilingual Education and Minority Languages Affairs	18	......	18	94	......	94	76	......	76
Office of Special Education and Rehabilitative Services:									
Special education	271	......	271	1,247	......	1,247	1,175	......	1,175
Rehabilitation services and disability research	178	......	178	939	......	939	837	......	837
Special institutions for persons with disabilities	10	......	10	54	......	54	56	......	56
Office of Vocational and Adult Education	126	......	126	557	......	557	614	......	614
Office of Postsecondary Education:									
College housing loans	1	1	(* *)	1	25	−23	4	30	−26
Student financial assistance	791	......	791	3,703	......	3,703	3,891	......	3,891
Federal family education loans	−1,002	......	−1,002	−1,248	......	−1,248	1,943	......	1,943
Higher education	37	......	37	308	......	308	337	......	337
Howard University	14	......	14	81	......	81	84	......	84
Other	1	......	1	5	......	5	5	......	5
Total—Office of Postsecondary Education	−158	1	−158	2,850	25	2,826	6,263	30	6,234
Office of Educational Research and Improvement	27	......	27	167	......	167	151	......	151
Departmental management	37	......	37	154	......	154	115	......	115
Proprietary receipts from the public	......	23	−23	......	49	−49	......	14	−14
Total—Department of Education	**1,225**	**23**	**1,202**	**10,074**	**73**	**10,001**	**13,333**	**44**	**13,289**
Department of Energy:									
Atomic energy defense activities	965	......	965	5,051	......	5,051	4,410	......	4,410
Energy programs:									
General science and research activities	22	......	22	474	......	474	584	......	584
Energy supply, R and D activities	213	......	213	1,241	......	1,241	1,092	......	1,092
Uranium supply and enrichment activities	8	......	8	209	......	209	453	......	453
Fossil energy research and development	29	......	29	162	......	162	159	......	159
Energy conservation	47	......	47	215	......	215	191	......	191
Strategic petroleum reserve	13	......	13	81	......	81	136	......	136
Clean coal technology	......	......	......	......	......	......	......	......	....
Nuclear waste disposal fund	17	......	17	109	......	109	113	......	113
Other	39	(* *)	39	178	1	177	82	1	80
Total—Energy programs	389	(* *)	389	2,668	1	2,667	2,809	1	2,808
Power Marketing Administration	145	163	−19	763	608	156	829	549	280
Departmental administration	37	......	37	185	......	185	186	......	186
Proprietary receipts from the public	......	94	−94	......	392	−392	......	826	−826
Intrabudgetary transactions	−57	......	−57	−208	......	−208	−153	......	−153
Offsetting governmental receipts	......	(* *)	(* *)	......	43	−43	......	5	−5
Total—Department of Energy	**1,479**	**258**	**1,221**	**8,459**	**1,043**	**7,416**	**8,081**	**1,381**	**6,700**

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Health and Human Services, except Social Security:									
Public Health Service:									
Food and Drug Administration	43	(* *)	43	278	1	276	290	2	288
Health Resources and Services Administration	216	......	216	882	......	882	838	......	838
Indian Health Services	125	......	125	677	......	677	644	......	644
Centers for Disease Control and Prevention	148	......	148	630	......	630	529	......	529
National Institutes of Health	860	......	860	4,184	......	4,184	3,640	......	3,640
Substance Abuse and Mental Health Services Administration	222	......	222	945	......	945	1,162	......	1,162
Agency for Health Care Policy and Research	12	......	12	38	......	38	14	......	14
Assistant secretary for health	69	......	69	39	......	39	266	......	266
Total—Public Health Service	1,695	(* *)	1,694	7,673	1	7,671	7,383	2	7,381
Health Care Financing Administration:									
Grants to States for Medicaid	6,202	......	6,202	33,406	......	33,406	30,111	......	30,111
Payments to health care trust funds	2,971	......	2,971	17,265	......	17,265	18,316	......	18,316
Federal hospital insurance trust fund:									
Benefit payments	8,086	......	8,086	39,684	......	39,684	35,144	......	35,144
Administrative expenses and construction	109	......	109	463	......	463	421	......	421
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Total—FHI trust fund	8,196	......	8,196	40,147	......	40,147	35,565	......	35,565
Federal supplementary medical insurance trust fund:									
Benefit payments	4,044	......	4,044	22,971	......	22,971	20,571	......	20,571
Administrative expenses and construction	168	......	168	745	......	745	529	......	529
Total—FSMI trust fund	4,213	......	4,213	23,716	......	23,716	21,101	......	21,101
Other	−45	......	−45	−5	......	−5	198	......	198
Total—Health Care Financing Administration	21,536	......	21,536	114,530	......	114,530	105,290	......	105,290
Social Security Administration:									
Payments to Social Security trust funds	7	......	7	2,571	......	2,571	3,071	......	3,071
Special benefits for disabled coal miners	65	......	65	328	......	328	336	......	336
Supplemental security income program	2,015	......	2,015	9,871	......	9,871	9,075	......	9,075
Total—Social Security Administration	2,087	......	2,087	12,770	......	12,770	12,482	......	12,482
Administration for children and families:									
Family support payments to States	1,580	......	1,580	7,077	......	7,077	6,648	......	6,648
Low income home energy assistance	271	......	271	1,300	......	1,300	804	......	804
Refugee and entrant assistance	37	......	37	172	......	172	155	......	155
Community Services Block Grant	57	......	57	177	......	177	177	......	177
Payments to States for afdc work programs	67	......	67	330	......	330	289	......	289
Interim assistance to States for legalization	7	......	7	586	......	586	55	......	55
Payments to States for child care assistance	68	......	68	327	......	327	112	......	112
Social services block grant	219	......	219	1,116	......	1,116	1,232	......	1,232
Children and families services programs	217	......	217	1,606	......	1,606	1,543	......	1,543
Payments to States for foster care and adoption assistance	341	......	341	1,291	......	1,291	962	......	962
Other	......	......	......	......	......	......	(* *)	......	(* *)
Total—Administration for children and families	2,864	......	2,864	13,983	......	13,983	11,979	......	11,979
Administration on aging	30	......	30	333	......	333	191	......	191
Office of the Secretary	6	......	6	90	......	90	51	......	51
Proprietary receipts from the public	......	1,590	−1,590	......	7,326	−7,326	......	6,241	−6,241
Intrabudgetary transactions:									
Payments for health insurance for the aged:									
Federal hospital insurance trust fund	......	......	......	......	......	......	......	......	......
Federal supplementary medical insurance trust fund	−2,971	......	−2,971	−17,264	......	−17,264	−18,320	......	−18,320
Payments for tax and other credits:									
Federal hospital insurance trust fund	......	......	......	−1	......	−1	4	......	4
Other	......	......	......	......	......	......	......	......	......
Total—Department of Health and Human Services, except Social Security	**25,246**	**1,590**	**23,656**	**132,114**	**7,327**	**124,786**	**119,061**	**6,243**	**112,817**

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Benefit payments	23,096	......	23,096	113,713	......	113,713	108,629	......	108,629
Administrative expenses and construction	154	......	154	661	......	661	744	......	744
Payment to railroad retirement account	......	......	......	......	......	......	......	......	......
Interest expense on interfund borrowings	......	......	......	......	......	......	......	......	......
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Total—FOASI trust fund	23,250	......	23,250	114,374	......	114,374	109,373	......	109,373
Federal disability insurance trust fund:									
Benefit payments	2,998	......	2,998	14,739	......	14,739	13,503	......	13,503
Administrative expenses and construction	80	......	80	373	......	373	357	......	357
Payment to railroad retirement account	......	......	......	......	......	......	......	......	......
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Total—FDI trust fund	3,077	......	3,077	15,112	......	15,112	13,860	......	13,860
Proprietary receipts from the public	......	2	−2	......	3	−3	......	(* *)	(* *)
Intrabudgetary transactions[2]	−7	......	−7	−2,567	......	−2,567	−3,073	......	−3,073
Total—Department of Health and Human Services, Social Security(off-budget)	**26,320**	**2**	**26,317**	**126,918**	**3**	**126,916**	**120,160**	**(* *)**	**120,159**
Department of Housing and Urban Development:									
Housing programs:									
Public enterprise funds	5	9	−4	65	51	13	32	28	4
Credit accounts:									
Federal housing administration fund	520	559	−39	2,790	2,923	−133	3,072	2,380	692
Housing for the elderly or handicapped fund	−6	58	−64	364	291	73	393	257	136
Other	33	......	33	186	(* *)	186	105	(* *)	105
Rent supplement payments	5	......	5	23	......	23	23	......	23
Homeownership assistance	9	......	9	45	......	45	31	......	31
Rental housing assistance	54	......	54	270	......	270	275	......	275
Rental housing development grants	3	......	3	3	......	3	13	......	13
Low-rent public housing	20	......	20	380	......	380	391	......	391
Public housing grants	218	......	218	1,346	......	1,346	975	......	975
College housing grants	1	......	1	8	......	8	8	......	8
Lower income housing assistance	885	......	885	4,400	......	4,400	4,477	......	4,477
Section 8 contract renewals	282	......	282	1,370	......	1,370	907	......	907
Other	6	......	6	24	......	24	9	......	9
Total—Housing programs	2,035	627	1,409	11,273	3,265	8,007	10,712	2,665	8,048
Public and Indian Housing programs:									
Low-rent public housing—Loans and other expenses	3	(* *)	3	273	192	81	107	21	86
Payments for operation of low-income housing projects	200	......	200	1,003	......	1,003	898	......	898
Community Partnerships Against Crime	11	......	11	64	......	64	35	......	35
Other	......	......	......	(* *)	......	(* *)	......	......	......
Total—Public and Indian Housing programs	214	(* *)	214	1,339	192	1,147	1,040	21	1,019
Government National Mortgage Association:									
Management and liquidating functions fund	......	−4	4	......	1	−1	......	2	−2
Guarantees of mortgage-backed securities	115	175	−60	530	713	−183	557	766	−209
Total—Government National Mortgage Association	115	171	−56	530	714	−184	557	768	−211
Community Planning and Development:									
Community Development Grants	251	......	251	1,447	......	1,447	1,334	......	1,334
Home investment partnerships program	50	......	50	237	......	237	34	......	34
Other	21	9	12	127	58	69	116	45	71
Total—Community Planning and Development	323	9	314	1,811	58	1,754	1,484	45	1,439
Management and Administration	25	......	25	188	......	188	225	......	225
Other	3	......	3	16	......	16	13	......	13
Proprietary receipts from the public	......	22	−22	......	110	−110	......	107	−107
Offsetting governmental receipts	......	......	......	......	......	......	......	3	−3
Total—Department of Housing and Urban Development	**2,716**	**829**	**1,886**	**15,157**	**4,339**	**10,819**	**14,031**	**3,608**	**10,423**

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of the Interior:									
Land and minerals management:									
Bureau of Land Management:									
Management of public lands and resources	49	......	49	263	......	263	258	......	258
Other	11	......	11	109	......	109	112	......	112
Minerals Management Service	54	......	54	297	......	297	290	......	290
Office of Surface Mining Reclamation and Enforcement	15	......	15	117	......	117	126	......	126
Total—Land and minerals management	129	......	129	786	......	786	786	......	786
Water and science:									
Bureau of Reclamation:									
Construction program	24	......	24	109	......	109	107	......	107
Operation and maintenance	21	......	21	104	......	104	112	......	112
Other	42	10	33	197	85	112	195	58	137
Central utah project	(* *)	......	(* *)	15	......	15	......	......	......
Geological Survey	50	......	50	239	......	239	255	......	255
Bureau of Mines	16	2	14	79	11	68	80	12	68
Total—Water and science	153	12	141	743	96	648	748	70	678
Fish and wildlife and parks:									
United States Fish and Wildlife Service	144	......	144	510	......	510	470	......	470
National Biological Survey	14	......	14	50	......	50	......	......	......
National Park Service	108	......	108	596	......	596	608	......	608
Total—Fish and wildlife and parks	265	......	265	1,156	......	1,156	1,078	......	1,078
Bureau of Indian Affairs:									
Operation of Indian programs	103	......	103	615	......	615	569	......	569
Indian tribal funds	29	......	29	44	......	44	87	......	87
Other	23	1	22	182	4	178	112	6	106
Total—Bureau of Indian Affairs	155	1	154	841	4	837	768	6	762
Territorial and international affairs	6	......	6	153	......	153	147	......	147
Departmental offices	17	......	17	56	......	56	55	......	55
Proprietary receipts from the public	......	138	−138	......	722	−722	......	860	−860
Intrabudgetary transactions	−9	......	−9	−31	......	−31	−7	......	−7
Offsetting governmental receipts	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Total—Department of the Interior	**716**	**150**	**565**	**3,704**	**822**	**2,882**	**3,574**	**936**	**2,639**
Department of Justice:									
Legal activities	177	......	177	928	......	928	1,366	......	1,366
Federal Bureau of Investigation	149	......	149	843	......	843	783	......	783
Drug Enforcement Administration	68	......	68	300	......	300	285	......	285
Immigration and Naturalization Service	110	......	110	576	......	576	603	......	603
Federal Prison System	175	9	166	895	48	847	882	37	845
Office of Justice Programs	62	......	62	350	......	350	392	......	392
Other	67	......	67	340	......	340	550	......	550
Intrabudgetary transactions	−1	......	−1	−4	......	−4	−182	......	−182
Offsetting governmental receipts	......	63	−63	......	198	−198	......	193	−193
Total—Department of Justice	**806**	**72**	**734**	**4,229**	**245**	**3,983**	**4,678**	**230**	**4,448**
Department of Labor:									
Employment and Training Administration:									
Training and employment services	281	......	281	1,573	......	1,573	1,554	......	1,554
Community Service Employment for Older Americans	28	......	28	157	......	157	154	......	154
Federal unemployment benefits and allowances	1	......	1	50	......	50	66	......	66
State unemployment insurance and employment service operations	−14	......	−14	−56	......	−56	16	......	16
Payments to the unemployment trust fund	......	......	......	......	......	......	4,270	......	4,270
Advances to the unemployment trust fund and other funds	......	......	......	2,511	......	2,511	250	......	250

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Labor:—Continued									
Unemployment trust fund									
Federal-State unemployment insurance:									
State unemployment benefits	2,740	......	2,740	13,122	......	13,122	15,130	......	15,130
State administrative expenses	280	......	280	1,426	......	1,426	1,434	......	1,434
Federal administrative expenses	35	......	35	81	......	81	50	......	50
Veterans employment and training	15	......	15	74	......	74	70	......	70
Repayment of advances from the general fund	......	......	......	......	......	......	......	......	......
Railroad unemployment insurance	7	......	7	30	......	30	31	......	31
Other	1	......	1	8	......	8	9	......	9
Total—Unemployment trust fund	3,080	......	3,080	14,742	......	14,742	16,723	......	16,723
Other	5	......	5	33	......	33	32	......	32
Total—Employment and Training Administration	3,382	......	3,382	19,008	......	19,008	23,063	......	23,063
Pension Benefit Guaranty Corporation	82	[3]116	−34	622	149	473	328	697	−370
Employment Standards Administration:									
Salaries and expenses	16	......	16	90	......	90	94	......	94
Special benefits	71	......	71	−478	......	−478	−413	......	−413
Black lung disability trust fund	52	......	52	248	......	248	254	......	254
Other	8	......	8	54	......	54	54	......	54
Occupational Safety and Health Administration	22	......	22	115	......	115	113	......	113
Bureau of Labor Statistics	26	......	26	104	......	104	123	......	123
Other	37	......	37	178	......	178	171	......	171
Proprietary receipts from the public	......	(* *)	(* *)	......	1	−1	......	1	−1
Intrabudgetary transactions	−56	......	−56	−2,757	......	−2,757	−4,821	......	−4,821
Total—Department of Labor	**3,639**	**116**	**3,523**	**17,184**	**150**	**17,034**	**18,967**	**699**	**18,268**
Department of State:									
Administration of Foreign Affairs:									
Diplomatic and consular programs	185	......	185	794	......	794	795	......	795
Acquisition and maintenance of buildings abroad	32	......	32	237	......	237	181	......	181
Payment to Foreign Service retirement and disability fund	......	......	......	125	......	125	119	......	119
Foreign Service retirement and disability fund	21	......	21	159	......	159	168	......	168
Other	17	......	17	71	......	71	46	......	46
Total—Administration of Foreign Affairs	255	......	255	1,385	......	1,385	1,309	......	1,309
International organizations and Conferences	35	......	35	1,128	......	1,128	864	......	864
Migration and refugee assistance	58	......	58	268	......	268	312	......	312
Other	3	......	3	19	......	19	34	......	34
Proprietary receipts from the public	......	......	......	......	......	......	......	(* *)	(* *)
Intrabudgetary transactions	(* *)	......	(* *)	−176	......	−176	−165	......	−165
Offsetting governmental receipts	......	......	......	......	......	......	......	......	......
Total—Department of State	**351**	**......**	**351**	**2,624**	**......**	**2,624**	**2,354**	**(* *)**	**2,354**
Department of Transportation:									
Federal Highway Administration:									
Highway trust fund:									
Federal-aid highways	1,261	......	1,261	7,357	......	7,357	6,136	......	6,136
Other	10	......	10	49	......	49	62	......	62
Other programs	11	......	11	114	......	114	86	......	86
Total—Federal Highway Administration	1,282	......	1,282	7,519	......	7,519	6,285	......	6,285
National Highway Traffic Safety Administration	13	......	13	100	......	100	100	......	100
Federal Railroad Administration:									
Grants to National Railroad Passenger Corporation	......	......	......	319	......	319	262	......	262
Other	30	1	29	159	4	155	154	8	146
Total—Federal Railroad Administration	30	1	29	478	4	474	416	8	408

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued
[$ millions]

Classification	This Month: Gross Outlays	This Month: Applicable Receipts	This Month: Outlays	Current Fiscal Year to Date: Gross Outlays	Current Fiscal Year to Date: Applicable Receipts	Current Fiscal Year to Date: Outlays	Prior Fiscal Year to Date: Gross Outlays	Prior Fiscal Year to Date: Applicable Receipts	Prior Fiscal Year to Date: Outlays
Department of Transportation:—Continued									
Federal Transit Administration:									
Formula grants	238	......	238	-30	......	-30	721	......	721
Discretionary grants	142	......	142	653	......	653	518	......	518
Other	25	......	25	1,363	......	1,363	159	......	159
Total—Federal Transit Administration	406	......	406	1,986	......	1,986	1,397	......	1,397
Federal Aviation Administration:									
Operations	266	......	266	949	......	949	773	......	773
Airport and airway trust fund:									
Grants-in-aid for airports	97	......	97	721	......	721	902	......	902
Facilities and equipment	239	......	239	946	......	946	744	......	744
Research, engineering and development	14	......	14	81	......	81	73	......	73
Operations	96	......	96	860	......	860	950	......	950
Total—Airport and airway trust fund	445	......	445	2,608	......	2,608	2,668	......	2,668
Other	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	1	-1
Total—Federal Aviation Administration	712	(* *)	712	3,557	(* *)	3,557	3,441	1	3,440
Coast Guard:									
Operating expenses	158	......	158	972	......	972	920	......	920
Acquisition, construction, and improvements	24	......	24	121	......	121	87	......	87
Retired pay	41	......	41	192	......	192	185	......	185
Other	60	(* *)	59	115	2	112	135	2	132
Total—Coast Guard	283	(* *)	282	1,400	2	1,397	1,327	2	1,324
Maritime Administration	58	15	43	337	97	240	460	170	291
Other	48	1	46	174	2	172	170	5	165
Proprietary receipts from the public	......	1	-1	......	1	-1	......	1	-1
Intrabudgetary transactions	(* *)	......	(* *)	13	......	13	-3	......	-3
Offsetting governmental receipts	......	(* *)	(* *)	......	2	-2	......	33	-33
Total—Department of Transportation	**2,831**	**19**	**2,812**	**15,564**	**110**	**15,454**	**13,593**	**220**	**13,373**
Department of the Treasury:									
Departmental offices:									
Exchange stabilization fund	-181	1	-182	-460	5	-465	-412	5	-417
Other	-67	......	-67	17	......	17	40	......	40
Financial Management Service:									
Salaries and expenses	21	......	21	91	......	91	93	......	93
Payment to the Resolution Funding Corporation	......	......	......	1,164	......	1,164	1,164	......	1,164
Claims, judgements, and relief acts	29	......	29	152	......	152	260	......	260
Net interest paid to loan guarantee financing accounts	......	......	......	2	......	2	20	......	20
Other	13	......	13	67	......	67	66	......	66
Total—Financial Management Service	62	......	62	1,476	......	1,476	1,603	......	1,603
Federal Financing Bank	-103	......	-103	121	......	121	121	......	121
Bureau of Alcohol, Tobacco and Firearms:									
Salaries and expenses	39	......	39	157	......	157	156	......	156
Internal revenue collections for Puerto Rico	18	......	18	96	......	96	93	......	93
United States Customs Service	151	......	151	745	......	745	702	......	702
Bureau of Engraving and Printing	20	......	20	18	......	18	10	......	10
United States Mint	3	......	3	-16	......	-16	47	......	47
Bureau of the Public Debt	13	......	13	104	......	104	109	......	109
Internal Revenue Service:									
Processing tax returns and assistance	160	......	160	614	......	614	627	......	627
Tax law enforcement	311	......	311	1,489	......	1,489	1,537	......	1,537
Information systems	95	......	95	406	......	406	503	......	503
Payment where earned income credit exceeds liability for tax	4,950	......	4,950	5,202	......	5,202	4,041	......	4,041
Health insurance supplement to earned income credit	4	......	4	24	......	24	276	......	276
Refunding internal revenue collections, interest	278	......	278	1,151	......	1,151	730	......	730
Other	15	......	15	63	......	63	56	(* *)	56
Total—Internal Revenue Service	5,811	......	5,811	8,949	......	8,949	7,770	(* *)	7,770

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of the Treasury:—Continued									
United States Secret Service	32	......	32	195	......	195	220	......	220
Comptroller of the Currency	29	106	-76	231	281	-51	149	197	-48
Office of Thrift Supervison	14	2	11	78	82	-4	96	101	-5
Interest on the public debt:									
Public issues (accrual basis)	15,314	......	15,314	84,127	......	84,127	84,927	......	84,927
Special issues (cash basis)	894	......	894	42,590	......	42,590	42,110	......	42,110
Total—Interest on the public debt	16,208	......	16,208	126,717	......	126,717	127,037	......	127,037
Other	4	......	4	24	......	24	24	......	24
Proprietary receipts from the public	......	[4]376	-376	......	770	-770	......	951	-951
Receipts from off-budget federal entities	......	......	......	......	......	......	......	......	......
Intrabudgetary transactions	-354	......	-354	-3,796	......	-3,796	-4,837	......	-4,837
Offsetting governmental receipts	......	76	-76	......	324	-324	......	311	-311
Total—Department of the Treasury	**21,700**	**561**	**21,139**	**134,657**	**1,463**	**133,194**	**132,928**	**1,565**	**131,363**
Department of Veterans Affairs:									
Veterans Health Administration:									
Medical care	1,166	......	1,166	[5]6,214	......	6,214	5,620	......	5,620
Other	59	19	39	291	110	181	291	105	185
Veterans Benefits Administration:									
Public enterprise funds:									
Guaranty and indemnity fund	181	43	138	716	295	421	489	150	339
Loan guaranty revolving fund	101	37	64	610	193	417	835	223	611
Other	21	15	6	235	135	100	205	177	27
Compensation and pensions	1,434	......	1,434	7,049	......	7,049	6,899	......	6,899
Readjustment benefits	92	......	92	481	......	481	388	......	388
Post-Vietnam era veterans education account	7	......	7	37	......	37	47	......	47
Insurance funds:									
National service life	92	......	92	476	......	476	401	......	401
United States government life	1	......	1	8	......	8	7	......	7
Veterans special life	10	[6]-6	16	55	85	-30	51	88	-37
Other	4	......	4	-15	......	-15	-9	......	-9
Total—Veterans Benefits Administration	1,944	90	1,854	9,652	709	8,944	9,313	639	8,675
Construction	55	(* *)	55	271	(* *)	271	239	(* *)	239
Departmental administration	82	......	82	[5]486	......	486	453	......	453
Proprietary receipts from the public:									
National service life	......	35	-35	......	153	-153	......	166	-166
United States government life	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Other	......	50	-50	......	279	-279	......	249	-249
Intrabudgetary transactions	-1	......	-1	-9	......	-9	-7	......	-7
Total—Department of Veterans Affairs	**3,305**	**195**	**3,110**	**16,905**	**1,252**	**15,653**	**15,908**	**1,160**	**14,749**
Environmental Protection Agency:									
Program and research operations	66	......	66	332	......	332	362	......	362
Abatement, control, and compliance	103	......	103	511	......	511	509	......	509
Water infrastructure financing	130	......	130	822	......	822	810	......	810
Hazardous substance superfund	112	......	112	529	......	529	531	......	531
Other	32	(* *)	32	415	2	413	[7]163	16	147
Proprietary receipts from the public	......	13	-13	......	75	-75	......	76	-76
Intrabudgetary transactions	......	......	......	-250	......	-250	......	......	......
Offsetting governmental receipts	......	1	-1	......	4	-4	......	3	-3
Total—Environmental Protection Agency	**443**	**13**	**430**	**2,360**	**81**	**2,280**	**2,375**	**94**	**2,281**
General Services Administration:									
Real property activities	342	......	342	-171	......	-171	199	......	199
Personal property activities	-7	......	-7	-107	......	-107	-89	......	-89
Information Resources Management Service	-15	......	-15	56	......	56	-11	......	-11
Other	23	......	23	42	......	42	43	......	43
Proprietary receipts from the public	......	-1	1	......	1	-1	......	1	-1
Total—General Services Administration	**343**	**-1**	**344**	**-179**	**1**	**-180**	**143**	**1**	**142**

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
National Aeronautics and Space Administration:									
Research and development	524	......	524	2,742	......	2,742	2,805	......	2,805
Space flight, control, and data communications	363	......	363	1,989	......	1,989	2,118	......	2,118
Construction of facilities	19	......	19	172	......	172	225	......	225
Research and program management	122	......	122	620	......	620	626	......	626
Other	1	......	1	6	......	6	6	......	6
Total—National Aeronautics and Space Administration	**1,029**	......	**1,029**	**5,529**	......	**5,529**	**5,781**	......	**5,781**
Office of Personnel Management:									
Government payment for annuitants, employees health and life insurance benefits	338	......	338	1,583	......	1,583	1,444	......	1,444
Payment to civil service retirement and disability fund	......	......	......	......	......	......	......	......	......
Civil service retirement and disability fund	2,957	......	2,957	14,830	......	14,830	14,191	......	14,191
Employees health benefits fund	1,259	1,290	−31	6,141	6,424	−283	5,780	6,069	−288
Employees life insurance fund	113	286	−172	566	1,098	−532	540	1,074	−533
Other	10	1	9	60	3	56	85	3	82
Intrabudgetary transactions:									
Civil service retirement and disability fund:									
General fund contributions	......	......	......	......	......	......	......	......	......
Other	−3	......	−3	−14	......	−14	−18	......	−18
Total—Office of Personnel Management	**4,675**	**1,576**	**3,098**	**23,166**	**7,526**	**15,641**	**22,023**	**7,146**	**14,878**
Small Business Administration:									
Public enterprise funds:									
Business loan fund	43	34	9	267	187	80	356	307	50
Disaster loan fund	1	22	−21	81	136	−55	226	211	15
Other	1	1	(* *)	11	5	6	24	7	17
Other	39	(* *)	39	198	(* *)	198	209	(* *)	209
Total—Small Business Administration	**83**	**56**	**27**	**557**	**328**	**229**	**815**	**524**	**291**
Other independent agencies:									
Board for International Broadcasting	16	......	16	83	......	83	100	......	100
Corporation for National and Community Service	17	......	17	153	......	153	83	......	83
Corporation for Public Broadcasting	......	......	......	275	......	275	319	......	319
District of Columbia:									
Federal payment	......	......	......	698	......	698	698	......	698
Other	(* *)	......	(* *)	6	12	−6	2	24	−22
Equal Employment Opportunity Commission	15	(* *)	15	94	(* *)	94	87	(* *)	87
Export-Import Bank of the United States	99	89	10	439	1,183	−744	469	952	−483
Federal Communications Commission	15	3	12	55	14	41	52	14	38
Federal Deposit Insurance Corporation:									
Bank insurance	118	3,677	−3,558	1,110	6,572	−5,462	4,188	8,256	−4,067
Savings association insurance	2	494	−492	8	518	−509	−7	409	−416
FSLIC resolution	81	334	−253	938	1,416	−478	1,618	658	960
Affordable housing and bank enterprise	−1	......	−1	−1	......	−1	......	......	......
Federal Emergency Management Agency:									
Public enterprise funds	12	36	−23	222	133	88	168	158	11
Disaster relief	585	......	585	1,300	......	1,300	822	......	822
Emergency management planning and assistance	9	......	9	96	......	96	81	......	81
Other	7	......	7	92	......	92	128	......	128
Federal Trade Commission	6	......	6	36	......	36	36	......	36
Interstate Commerce Commission	2	......	2	17	......	17	17	......	17
Legal Services Corporation	33	......	33	163	......	163	177	......	177
National Archives and Records Administration	26	(* *)	26	93	(* *)	92	90	(* *)	90
National Credit Union Administration:									
Credit union share insurance fund	4	16	−12	13	198	−185	47	314	−267
Central liquidity facility	5	5	(* *)	36	36	(* *)	57	57	......
Other	7	3	4	9	47	−37	10	45	−35

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Other independent agencies:—Continued									
National Endowment for the Arts	11	......	11	75	......	75	77	......	77
National Endowment for the Humanities	13	......	13	64	......	64	61	......	61
National Labor Relations Board	12	......	12	70	......	70	69	......	69
National Science Foundation	217	......	217	1,003	......	1,003	949	......	949
Nuclear Regulatory Commission	45	75	-30	211	226	-15	181	206	-25
Panama Canal Commission	43	45	-2	219	231	-12	206	219	-13
Postal Service									
Public enterprise funds (off-budget)	3,973	[8]3,789	184	20,330	20,552	-222	20,129	20,590	-461
Payment to the Postal Service fund	......	......	......	85	......	85	100	......	100
Railroad Retirement Board:									
Federal windfall subsidy	23	......	23	115	......	115	122	......	122
Federal payments to the railroad retirement accounts	(* *)	......	(* *)	25	......	25	30	......	30
Rail industry pension fund:									
Advances from FOASDI fund	-91	......	-91	-450	......	-450	-442	......	-442
OASDI certifications	91	......	91	450	......	450	442	......	442
Administrative expenses	6	......	6	32	......	32	31	......	31
Interest on refunds of taxes	(* *)	......	(* *)	18	......	18	5	......	5
Other	1	......	1	4	......	4	3	......	3
Intrabudgetary transactions:									
Payments from other funds to the railroad retirement trust funds	......	......	......	......	......	......	......	......	......
Other	......	......	......	-25	......	-25	-30	......	-30
Supplemental annuity pension fund	243	......	243	1,209	......	1,209	1,198	......	1,198
Railroad Social Security equivalent benefit account	402	......	402	1,970	......	1,970	1,939	......	1,939
Other	(* *)	......	(* *)	(* *)	......	(* *)	2	......	2
Total—Railroad Retirement Board	674	......	674	3,347	......	3,347	3,301	......	3,301
Resolution Trust Corporation	571	1,249	-678	6,692	6,135	557	7,950	16,737	-8,787
Securities and Exchange Commission	14	......	14	61	......	61	34	......	34
Smithsonian Institution	43	......	43	129	......	129	159	......	159
Tennessee Valley Authority	754	721	32	3,974	3,355	618	3,456	2,551	905
United States Information Agency	83	......	83	443	(* *)	443	430	(* *)	430
Other	149	110	39	1,065	560	505	[9]593	108	484
Total—Other independent agencies	**7,662**	**10,646**	**-2,984**	**43,704**	**41,189**	**2,515**	**46,937**	**51,299**	**-4,362**
Undistributed offsetting receipts:									
Other interest	......	......	......	......	(* *)	(* *)	......	(* *)	(* *)
Employer share, employee retirement:									
Legislative Branch:									
United States Tax Court:									
Tax court judges survivors annuity fund	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
The Judiciary:									
Judicial survivors annuity fund	......	......	......	......	......	......	......	......	......
Department of Defense—Civil:									
Military retirement fund	-1,090	......	-1,090	-5,334	......	-5,334	-5,455	......	-5,455
Department of Health and Human Services, except Social Security									
Federal hospital insurance trust fund:									
Federal employer contributions	-141	......	-141	-775	......	-775	-757	......	-757
Postal Service employer contributions	-50	......	-50	-196	......	-196	-190	......	-190
Payments for military service credits	......	......	......	......	......	......	......	......	......
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Federal employer contributions	-435	......	-435	-2,229	......	-2,229	-2,186	......	-2,186
Payments for military service credits	......	......	......	......	......	......	......	......	......
Federal disability insurance trust fund:									
Federal employer contributions	-47	......	-47	-241	......	-241	-233	......	-233
Payments for military service credits	......	......	......	......	......	......	......	......	......
Department of State									
Foreign Service retirement and disability fund	-9	......	-9	-43	......	-43	-43	......	-43
Office of Personnel Management									
Civil service retirement and disability fund	-822	......	-822	-3,989	......	-3,989	-3,856	......	-3,856
Independent agencies									
Court of Veterans Appeals retirement fund	......	......	......	......	......	......	......	......	......
Total—Employer share, employee retirement	-2,592	......	-2,592	-12,806	......	-12,806	-12,720	......	-12,720

Table 5. Outlays of the U.S. Government, February 1994 and Other Periods—Continued

[$ millions]

Classification	This Month: Gross Outlays	This Month: Applicable Receipts	This Month: Outlays	Current Fiscal Year to Date: Gross Outlays	Current Fiscal Year to Date: Applicable Receipts	Current Fiscal Year to Date: Outlays	Prior Fiscal Year to Date: Gross Outlays	Prior Fiscal Year to Date: Applicable Receipts	Prior Fiscal Year to Date: Outlays
Undistributed offsetting receipts:—Continued									
Interest received by trust funds:									
The Judiciary:									
Judicial survivors annuity fund	−6	......	−6	−10	......	−10	−4	......	−4
Department of Defense—Civil:									
Corps of Engineers	−23	......	−23	−29	......	−29	−4	......	−4
Military retirement fund	−176	......	−176	−5,020	......	−5,020	−4,842	......	−4,842
Education benefits fund	−8	......	−8	−25	......	−25	−30	......	−30
Soldiers' and airmen's home permanent fund	(* *)	......	(* *)	−4	......	−4	−9	......	−9
Other	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Department of Health and Human Services, except Social Security:									
Federal hospital insurance trust fund	−9	......	−9	−5,279	......	−5,279	−5,219	......	−5,219
Federal supplementary medical insurance trust fund	−11	......	−11	−1,027	......	−1,027	−893	......	−893
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund	−89	......	−89	−13,766	......	−13,766	−12,518	......	−12,518
Federal disability insurance trust fund	−14	......	−14	−380	......	−380	−510	......	−510
Department of Labor:									
Unemployment trust fund	−8	......	−8	−1,272	......	−1,272	−1,337	......	−1,337
Department of State:									
Foreign Service retirement and disability fund	(* *)	......	(* *)	−280	......	−280	−268	......	−268
Department of Transportation:									
Highway trust fund	−6	......	−6	−713	......	−713	−750	......	−750
Airport and airway trust fund	−1	......	−1	−419	......	−419	−558	......	−558
Oil spill liability trust fund	−1	......	−1	−3	......	−3	−39	......	−39
Department of Veterans Affairs:									
National service life insurance fund	−1	......	−1	−537	......	−537	−538	......	−538
United States government life Insurance Fund	(* *)	......	(* *)	−5	......	−5	−5	......	−5
Environmental Protection Agency	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
National Aeronautics and Space Administration	(* *)	......	(* *)	−1	......	−1	−1	......	−1
Office of Personnel Management:									
Civil service retirement and disability fund	−38	......	−38	−12,948	......	−12,948	−12,426	......	−12,426
Independent agencies:									
Railroad Retirement Board	−57	......	−57	−378	......	−378	−480	......	−480
Other	−3	......	−3	−7	......	−7	−6	......	−6
Other	−6	......	−6	−38	......	−38	58	......	58
Total—Interest received by trust funds	−458	......	−458	−42,140	......	−42,140	−40,377	......	−40,377
Rents and royalties on the outer continental shelf lands	......	223	−223	......	1,163	−1,163	......	997	−997
Sale of major assets	......	......	......	......	......	......	......	......	......
Total—Undistributed offsetting receipts	**−3,050**	**223**	**−3,273**	**−54,946**	**1,163**	**−56,109**	**−53,097**	**997**	**−54,093**
Total outlays	**133,570**	**18,997**	**114,573**	**683,499**	**82,325**	**601,174**	**673,450**	**90,766**	**582,684**
Total on-budget	**103,862**	**15,206**	**88,656**	**552,866**	**61,770**	**491,096**	**548,608**	**70,175**	**478,432**
Total off-budget	**29,708**	**3,791**	**25,917**	**130,633**	**20,555**	**110,078**	**124,842**	**20,591**	**104,251**
Total surplus (+) or deficit			**−41,633**			**−118,075**			**−138,845**
Total on-budget			**−41,710**			**−135,468**			**−151,569**
Total off-budget			**+77**			**+17,393**			**+12,724**

MEMORANDUM

Receipts offset against outlays [$ millions]

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts	17,945	17,279
Receipts from off-budget federal entities	......	......
Intrabudgetary transactions	93,373	97,559
Governmental receipts	800	786
Total receipts offset against outlays	112,119	115,623

[1]The receipts and outlays for FY 1993 have been increased by $48 million to reflect governmental receipts previously reported as offsetting collections for "Judiciary Filing Fees".
[2]Includes FICA and SECA tax credits, non-contributory military service credits, special benefits for the aged, and credit for unnegotiated OASI benefit checks.
[3]Includes an increase in net outlays of $116 million for amortization of zero coupon bonds.
[4]Includes $113 million of unclassified February payroll charges.
[5]Outlays for Medical Care have been increased and outlays for Departmental Administration have been correspondingly decreased in November 1993 by $128 million to adjust agency reporting.
[6]Prior month adjustment.
[7]The receipts and outlays in September 1993 have been increased by $4 million to reflect governmental receipts previously reported as offsetting collections for the "Exxon Valdez Settlement Fund".
[8]The Postal Service accounting is composed of thirteen 28-day accounting periods. To conform with the MTS calendar-month reporting basis utilized by all other Federal agencies, the MTS reflects USPS results through 2/4 and estimates for $1,612 million through 2/28.
[9]The receipts and outlays in September 1993 have been increased by $9 million to reflect governmental receipts previously reported as offsetting collections for the "James Madison Memorial Fellowship Trust Fund".
... No Transactions.
(* *) Less than $500,000
Note: Details may not add to totals due to rounding

Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government, February 1994 and Other Periods

[$ millions]

Assets and Liabilities Directly Related to Budget Off-budget Activity	Net Transactions (–) denotes net reduction of either liability or asset accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Liability accounts:						
Borrowing from the public:						
Public debt securities, issued under general Financing authorities:						
Obligations of the United States, issued by:						
United States Treasury	33,233	148,052	132,383	4,396,489	4,511,308	4,544,541
Federal Financing Bank	......	......	......	15,000	15,000	15,000
Total, public debt securities	33,233	148,052	132,383	4,411,489	4,526,308	4,559,541
Plus premium on public debt securities	–7	26	–24	1,373	1,406	1,398
Less discount on public debt securities	546	–5,987	–656	86,397	79,864	80,410
Total public debt securities net of Premium and discount	32,679	154,065	133,014	4,326,466	4,447,852	4,480,531
Agency securities, issued under special financing authorities (see Schedule B. for other Agency borrowing, see Schedule C)	–234	1,598	911	24,682	26,514	26,281
Total federal securities	32,446	155,663	133,926	4,351,149	4,474,366	4,506,812
Deduct:						
Federal securities held as investments of government accounts (see Schedule D)	943	35,685	29,812	1,116,740	1,151,483	1,152,426
Less discount on federal securities held as investments of government accounts	130	–5,999	–286	12,709	6,579	6,709
Net federal securities held as investments of government accounts	812	41,685	30,097	1,104,032	1,144,904	1,145,716
Total borrowing from the public	31,633	113,978	103,828	3,247,117	3,329,462	3,361,095
Accrued interest payable to the public	–15,234	–11,199	–6,792	43,819	47,854	32,620
Allocations of special drawing rights	91	–94	–474	6,950	6,765	6,856
Deposit funds	–273	–1,541	–269	5,975	4,707	4,434
Miscellaneous liability accounts (includes checks Outstanding etc.)	4,297	219	–225	2,928	–1,150	3,146
Total liability accounts	**20,514**	**101,363**	**96,069**	**3,306,788**	**3,387,638**	**3,408,151**
Asset accounts (deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash:[1]						
Federal Reserve account	–16,655	–12,403	–19,236	17,289	21,541	4,886
Tax and loan note accounts	–3,012	–1,958	–20,454	35,217	36,271	33,259
Balance	–19,667	–14,360	–39,690	52,506	57,812	38,146
Special drawing rights:						
Total holdings	225	92	–3,460	9,203	9,070	9,295
SDR certificates issued to Federal Reserve banks	......	......	2,000	–8,018	–8,018	–8,018
Balance	225	92	–1,460	1,185	1,052	1,277
Reserve position on the U.S. quota in the IMF:						
U.S. subscription to International Monetary Fund:						
Direct quota payments	......	......	12,063	31,762	31,762	31,762
Maintenance of value adjustments	494	–507	–1,950	5,864	4,863	5,357
Letter of credit issued to IMF	–44	34	–9,096	–25,514	–25,436	–25,480
Dollar deposits with the IMF	–45	(* *)	–22	–98	–53	–98
Receivable/Payable (–) for interim maintenance of value adjustments	–335	343	1,256	90	768	433
Balance	70	–129	2,250	12,103	11,904	11,974
Loans to International Monetary Fund	......	......	......	(* *)	(* *)	(* *)
Other cash and monetary assets	273	3,578	210	22,414	25,719	25,991
Total cash and monetary assets	–19,099	–10,820	–38,689	88,208	96,487	77,388
Net activity, guaranteed loan financing	–128	–2,075	–1,553	–6,320	–8,266	–8,395
Net activity, direct loan financing	–310	713	554	6,862	7,885	7,575
Miscellaneous asset accounts	–1,531	–4,258	–2,966	–636	–3,363	–4,894
Total asset accounts	**–21,068**	**–16,440**	**–42,655**	**88,114**	**92,743**	**71,674**
Excess of liabilities (+) or assets (–)	**+41,582**	**+117,803**	**+138,723**	**+3,218,674**	**+3,294,895**	**+3,336,477**
Transactions not applied to current year's surplus or deficit (see Schedule a for Details)	51	272	122	......	221	272
Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (–))	**+41,633**	**+118,075**	**+138,845**	**+3,218,674**	**+3,295,116**	**+3,336,749**

[1] Major sources of information used to determine Treasury's operating cash income include the Daily Balance Wires from Federal Reserve Banks, reporting from the Bureau of Public Debt, electronic transfers through the Treasury Financial Communication System and reconciling wires from Internal Revenue Centers. Operating cash is presented on a modified cash basis, deposits are reflected as received and withdrawals are reflected as processed.

... No Transactions.
(* *) Less than $500,000
Note: Details may not add to totals due to rounding

Table 6. Schedule A—Analysis of Change in Excess of Liabilities of the U.S. Government, February 1994 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year to Date	
		This Year	Prior Year
Excess of liabilities beginning of period:			
Based on composition of unified budget in preceding period	3,294,895	3,218,965	2,964,066
Adjustments during current fiscal year for changes in composition of unified budget:			
Reclassification of the Disaster Assistance Liquidating Account, FEMA, to a budgetary status	......	......	(* *)
Revisions by federal agencies to the prior budget results	......	−291	101
Reclassification of Thrift Savings Plan Clearing Accounts to a non-budgetary status	......	......	(* *)
Reclassification of Deposit in Transit Differences (Suspense) Clearing Accounts to a budgetary status	......	......	174
Excess of liabilities beginning of period (current basis)	3,294,895	3,218,674	2,964,341
Budget surplus (−) or deficit:			
Based on composition of unified budget in prior fiscal yr	41,633	118,075	138,845
Changes in composition of unified budget	......	......	......
Total surplus (−) or deficit (Table 2)	41,633	118,075	138,845
Total-on-budget (Table 2)	41,710	135,468	151,569
Total-off-budget (Table 2)	−77	−17,393	−12,724
Transactions not applied to current year's surplus or deficit:			
Seigniorage	−51	−272	−122
Total-transactions not applied to current year's Surplus or deficit	−51	−272	−122
Excess of liabilities close of period	**3,336,477**	**3,336,477**	**3,103,064**

Table 6. Schedule B—Securities isued by Federal Agencies Under Special Financing Authorities, February 1994 and Other Periods

[$ millions]

Classification	Net Transactions (−) denotes net reduction of liability accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Agency securities, issued under special financing authorities:						
Obligations of the United States, issued by:						
Export-Import Bank of the United States	......	......	......	(* *)	(* *)	(* *)
Federal Deposit Insurance Corporation:						
Bank insurance	......	......	......	93	93	93
FSLIC resolution	......	−145	−194	943	797	797
Obligations guaranteed by the United States, issued by:						
Department of Defense:						
Family housing mortgages	......	(* *)	(* *)	7	6	6
Department of Housing and Urban Development:						
Federal Housing Administration	18	−114	−64	213	80	99
Department of the Interior:						
Bureau of Land Management	......	......	......	13	13	13
Department of Transportation:						
Coast Guard:						
Family housing mortgages	......	......	......	(* *)	(* *)	(* *)
Obligations not guaranteed by the United States, issued by:						
Legislative Branch:						
Architect of the Capitol	1	6	6	176	182	183
Independent agencies:						
Farm Credit System Financial Assistance Corporation	......	......	......	1,261	1,261	1,261
National Archives and Records Administration	......	......	......	302	302	302
Tennessee Valley Authority	−253	1,852	1,163	21,675	23,780	23,526
Total, agency securities	**−234**	**1,598**	**911**	**24,682**	**26,514**	**26,281**

... No Transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, February 1994 and Other Periods

[$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing from the Treasury:						
Funds Appropriated to the President:						
Agency for International Development:						
Housing and other credit guaranty programs	......	......	......	125	125	125
International Debt Reduction	......	......	......	348	348	348
Overseas Private Investment Corporation	(* *)	8	......	8	16	16
Regional Peace, Security and Defense Cooperation:						
Guaranty reserve fund	405	405	......	......	......	405
Department of Agriculture:						
Foreign assistance programs	354	354	34	193	193	547
Commodity Credit Corporation	250	−12,034	−1,728	24,745	12,461	12,711
Farmers Home Administration:						
Agriculture credit insurance fund	1,100	−1,285	144	5,771	3,386	4,486
Self-help housing land development fund	1	1	(* *)	1	1	1
Rural housing insurance fund	2,133	2,133	209	2,910	2,910	5,044
Rural Development Administration:						
Rural development insurance fund	571	561	21	1,680	1,670	2,241
Rural development loan fund	29	29	1	5	5	34
Federal Crop Insurance Corporation:						
Federal crop insurance corporation fund	......	−113	......	113	......	......
Rural Electrification Administration:						
Rural communication development fund	......	31	......	25	55	55
Rural electrification and telephone revolving fund	......	242	63	8,099	8,341	8,341
Rural Telephone Bank	−6	−15	2	802	794	787
Department of Commerce:						
Federal ship financing fund, NOAA	......	......	−2	......	......	......
Department of Education:						
Guaranteed student loans	......	......	......	2,058	2,058	2,058
College housing and academic facilities fund	1	14	......	154	168	168
College housing loans	(* *)	(* *)	......	460	460	460
Department of Energy:						
Alternative fuels production	......	......	......	......	......	......
Isotope production and distribution fund	......	......	3	13	13	13
Bonneville power administration fund	......	158	400	2,332	2,490	2,490
Department of Housing and Urban Development:						
Housing programs:						
Housing for the ederly and handicapped	......	−475	185	8,959	8,484	8,484
Public and Indian housing:						
Low-rent public housing	25	25	......	110	110	135
Department of the Interior:						
Bureau of Reclamation Loans	......	6	2	5	11	11
Bureau of Mines, Helium Fund	......	......	......	252	252	252
Bureau of Indian Affairs:						
Revolving funds for loans	9	9	2	17	17	26
Department of Justice:						
Federal prison industries, incorporated	......	......	......	20	20	20
Department of State:						
Repatriation loans	......	......	−1	......	......	......
Department of Transportation:						
Federal Railroad Administration:						
Railroad rehabilitation and improvement financing funds	......	......	8	8	8	8
Settlements of railroad litigation	......	......	......	−39	−39	−39
Amtrak corridor improvement loans	......	......	1	2	2	2
Regional rail reorganization program	......	......	......	39	39	39
Federal Aviation Administration:						
Aircraft purchase loan guarantee program	......	(* *)	(* *)	(* *)	(* *)	(* *)
Department of the Treasury:						
Federal Financing Bank revolving fund	−1,878	−6,024	−16,459	114,329	110,182	108,304
Department of Veterans Affairs:						
Loan guaranty revolving fund	1,158	1,158	−678	860	860	2,018
Guaranty and indemnity fund	612	612	8	83	83	695
Direct loan revolving fund	7	7	(* *)	1	1	8
Vocational rehabilitation revolving fund	−1	1	(* *)	2	3	2
Environmental Protection Agency:						
Abatement, control, and compliance loan program	10	10	2	12	12	22
Small Business Administration:						
Business loan and revolving fund	......	......	......	3,203	3,203	3,203

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, February 1994 and Other Periods—Continued

[$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing for the Treasury:—Continued						
Other independent agencies:						
Export-Import Bank of the United States	......	811	25	386	1,197	1,197
Federal Emergency Management Agency:						
National insurance development fund	......	125	8	42	167	167
Pennsylvania Avenue Development Corporation:						
Land aquisition and development fund	......	......	3	76	76	76
Railroad Retirement Board:						
Railroad retirement account	......	......	......	2,128	2,128	2,128
Social Security equivalent benefit account	255	1,234	1,245	2,690	3,668	3,924
Smithsonian Institution:						
John F. Kennedy Center parking facilities	......	......	......	20	20	20
Tennessee Valley Authority	......	......	......	150	150	150
Total agency borrowing from the Treasury financed through public debt securities issued	**5,035**	**−12,012**	**−16,502**	**183,196**	**166,149**	**171,184**
Borrowing from the Federal Financing Bank:						
Funds Appropriated to the President:						
Foreign military sales	−13	−83	−86	4,083	4,013	4,000
Department of Agriculture:						
Rural Electrification Administration	1	−142	−107	22,252	22,110	22,111
Farmers Home Administration:						
Agriculture credit insurance fund	......	......	......	8,908	8,908	8,908
Rural housing insurance fund	......	......	......	26,036	26,036	26,036
Rural development insurance fund	......	......	......	3,675	3,675	3,675
Department of Defense:						
Department of the Navy	......	......	......	1,624	1,624	1,624
Defense agencies	......	−49	−48	−96	−145	−145
Department of Education:						
Student Loan Marketing Association	−1,000	−3,030	−30	4,790	2,760	1,760
Department of Health and Human Services, Except Social Security:						
Medical facilities guarantee and loan fund	......	(* *)	−4	85	84	84
Department of Housing and Urban Development:						
Low rent housing loans and other expenses	......	−54	−52	1,801	1,747	1,747
Community Development Grants	(* *)	−15	−28	131	116	116
Department of Interior:						
Territorial and international affairs	......	−1	−28	23	22	22
Department of Transportation:						
Federal Railroad Administration	(* *)	−1	−1	17	16	16
Department of the Treasury:						
Financial Management Service	......	−30	−51	30	......	......
General Services Administration:						
Federal buildings fund	38	119	477	1,436	1,518	1,555
Small Business Administration:						
Business loan and investment fund	−12	−40	−47	670	643	630
Independent agencies:						
Export-Import Bank of the United States	......	−485	−490	5,795	5,309	5,309
Federal Deposit Insurance Corporation:						
Bank insurance	......	......	−5,660	......	......	......
Pennsylvania Avenue Development Corporation	6	41	23	150	184	190
Postal Service	......	......	537	9,732	9,732	9,732
Resolution Trust Corporation	−896	−2,492	−10,548	31,688	30,093	29,196
Tennessee Valley Authority	......	−250	−813	6,325	6,075	6,075
Washington Metropolitan Transit Authority	......	488	......	177	665	665
Total borrowing from the Federal Financing Bank	**−1,878**	**−6,025**	**−16,958**	**129,332**	**125,185**	**123,307**

Note: This table includes lending by the Federal Financing Bank accomplished by the purchase of agency financial assets, by the acquisition of agency debt securities, and by direct loans on behalf of an agency. The Federal Financing Bank borrows from Treasury and issues its own securities and in turn may loan these funds to agencies in lieu of agencies borrowing directly through Treasury or issuing their own securities.

... No Transactions.
(* *) Less than $500,000
Note: Details may not add to totals due to rounding

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, February 1994 and Other Periods

[$ millions]

Classification	Net Purchases or Sales (−)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Federal funds:						
Department of Agriculture	(* *)	2	−1	......	2	2
Department of Commerce	1	2	3	10	12	13
Department of Defense—Military:						
Defense cooperation account	(* *)	−4	−1,996	9	5	5
Department of Energy	54	243	163	4,081	4,269	4,323
Department of Housing and Urban Development:						
Housing programs:						
Federal housing administration fund:						
Public debt securities	−1	−306	−460	5,214	4,909	4,908
Government National Mortgage Association:						
Management and liquidating functions fund:						
Public debt securities	−13	−9	2	9	13	......
Agency securities	−4	−4	......	20	20	16
Guarantees of mortgage-backed securities:						
Public debt securities	67	191	191	3,221	3,345	3,412
Agency securities	−1	(* *)	(* *)	1	2	1
Other	2	−26	5	191	163	165
Department of the Interior:						
Public debt securities	45	253	205	2,508	2,716	2,761
Department of Labor	99	−6,503	34	16,590	9,988	10,087
Department of Transportation	2	39	44	881	918	920
Department of the Treasury	47	27	1,766	5,773	5,753	5,801
Department of Veterans Affairs:						
Canteen service revolving fund	......	3	−2	38	41	41
Veterans reopened insurance fund	−3	12	15	518	533	530
Servicemen's group life insurance fund	......	−109	−25	150	41	41
Independent agencies:						
Export-Import Bank of the United States	67	873	430	76	881	949
Federal Deposit Insurance Corporation:						
Bank insurance	3,561	5,539	−1,550	4,325	6,303	9,864
Savings association insurance	492	510	416	1,283	1,302	1,794
FSLIC resolution						
Public debt securities	253	943	−470	828	1,518	1,771
Federal Emergency Management Agency:						
National flood insurance fund	......	−71	−32	71	......	......
National Credit Union Administration	8	222	302	2,764	2,978	2,986
Postal Service	49	900	725	3,027	3,877	3,926
Tennessee Valley Authority	......	1,297	−464	3,452	4,749	4,749
Other	−2	83	55	853	938	936
Other	59	−30	74	2,715	2,627	2,686
Total public debt securities	4,788	4,080	−567	58,589	57,880	62,669
Total agency securities	−5	−4	(* *)	21	22	17
Total Federal funds	**4,784**	**4,076**	**−567**	**58,610**	**57,902**	**62,686**
Trust funds:						
Legislative Branch:						
Library of Congress	1	5	3	1	5	6
United States Tax Court	(* *)	(* *)	(* *)	4	5	5
Other	−1	(* *)	(* *)	27	28	27
The Judiciary:						
Judicial retirement funds	4	25	12	212	233	237
Department of Agriculture	(* *)	179	(* *)	5	184	184
Department of Commerce	(* *)	(* *)	(* *)	......	(* *)	(* *)
Department of Defense—Military:						
Voluntary separation incentive fund	2	−46	875	844	796	798
Other	−2	4	−11	151	157	155
Department of Defense—Civil:						
Military retirement fund	−861	11,160	11,157	96,690	108,711	107,850
Other	14	8	211	1,213	1,206	1,220

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, February 1994 and Other Periods—Continued

[$ millions]

Classification	Net Purchases or Sales (−)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Trust Funds—Continued						
Department of Health and Human Services, except Social Security:						
Federal hospital insurance trust fund:						
Public debt securities	−1,093	798	2,236	126,078	127,969	126,876
Federal supplementary medical insurance trust fund	−9	918	3,440	23,268	24,195	24,186
Other	7	47	29	659	699	706
Department of Health and Human Services, Social Security:						
Federal old-age and survivors insurance trust fund:						
Public debt securities	774	19,335	13,846	355,510	374,070	374,844
Federal disability insurance trust fund	−525	−1,933	−1,637	10,237	8,829	8,304
Department of the Interior:						
Public debt securities	−30	4	−196	184	219	188
Department of Justice	......	82	97	......	82	82
Department of Labor:						
Unemployment trust fund	−224	−3,056	−4,495	36,607	33,775	33,551
Other	8	−30	3	53	15	23
Department of State:						
Foreign Service retirement and disability fund	−17	284	269	6,662	6,963	6,945
Other	......	12	12	38	50	50
Department of Transportation:						
Highway trust fund	−443	−1,358	977	22,004	21,090	20,647
Airport and airway trust fund	(* *)	−251	−2,065	12,672	12,420	12,420
Other	−59	−63	106	1,675	1,671	1,612
Department of the Treasury	100	43	49	209	153	253
Department of Veterans Affairs:						
General post fund, national homes	......	(* *)	5	39	38	38
National service life insurance:						
Public debt securities	−79	192	308	11,666	11,937	11,858
United States government life Insurance Fund	−1	−3	−1	125	124	122
Veterans special life insurance fund	−8	29	38	1,462	1,499	1,490
Environmental Protection Agency	97	304	233	5,477	5,683	5,781
National Aeronautics and Space Administration	(* *)	(* *)	(* *)	16	16	16
Office of Personnel Management:						
Civil service retirement and disability fund:						
Public debt securities	−1,780	3,989	4,030	311,705	317,473	315,694
Employees health benefits fund	30	335	246	6,794	7,099	7,129
Employees life insurance fund	176	548	500	13,688	14,060	14,236
Retired employees health benefits fund	(* *)	(* *)	(* *)	1	1	1
Independent agencies:						
Harry S. Truman memorial scholarship trust fund	1	1	1	52	52	53
Japan-United States Friendship Commission	(* *)	(* *)	(* *)	17	17	17
Railroad Retirement Board	73	−54	101	11,961	11,834	11,907
Other	5	103	−1	125	222	227
Total public debt securities	−3,841	31,609	30,379	1,058,131	1,093,581	1,089,740
Total trust funds	**−3,841**	**31,609**	**30,379**	**1,058,131**	**1,093,581**	**1,089,740**
Grand total	**943**	**35,685**	**29,812**	**1,116,740**	**1,151,483**	**1,152,426**

... No Transactions
(* *) Less than $500,000.

Note: Investments are in public debt securities unless otherwise noted.
Note: Details may not add to totals due to rounding.

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1994
[$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Receipts:														
Individual income taxes	37,680	37,634	54,183	74,167	28,107								231,771	219,041
Corporation income taxes	2,158	2,208	28,239	3,916	1,594								38,114	30,528
Social insurance taxes and contributions														
Employment taxes and contributions	29,440	31,525	33,273	35,831	32,957								163,026	149,483
Unemployment insurance	1,046	2,773	259	794	2,664								7,536	6,652
Other retirement contributions	343	385	423	358	367								1,875	1,944
Excise taxes	3,597	4,808	4,695	4,011	3,249								20,360	18,415
Estate and gift taxes	990	1,305	1,179	1,105	1,093								5,672	4,650
Customs duties	1,708	1,688	1,584	1,526	1,419								7,924	7,364
Miscellaneous receipts	1,706	781	1,582	1,260	1,491								6,820	5,761
Total—Receipts this year	**78,668**	**83,107**	**125,416**	**122,968**	**72,940**								**483,099**	......
(On-budget)	**55,864**	**58,700**	**99,721**	**94,397**	**46,946**								**355,629**	......
(Off-budget)	**22,804**	**24,407**	**25,694**	**28,571**	**25,995**								**127,471**	......
Total—Receipts prior year	*76,829*	*74,629*	*113,686*	*112,716*	*65,979*								......	*443,839*
(On budget)	*55,052*	*51,215*	*89,590*	*90,127*	*40,879*								......	*326,863*
(Off budget)	*21,776*	*23,414*	*24,096*	*22,589*	*25,100*								......	*116,975*
Outlays														
Legislative Branch	378	206	204	212	202								1,202	1,024
The Judiciary	158	219	190	179	177								923	879
Executive Office of the President	20	18	16	20	14								87	87
Funds Appropriated to the President:														
International Sustainable Development and Humanitarian Programs	556	313	198	362	172								1,600	1,628
Regional Peace, Security and Defense Cooperation	3,302	389	354	124	343								4,513	4,783
Other	140	406	88	196	22								852	1,129
Department of Agriculture:														
Foreign assistance, special export programs and Commodity Credit Corporation	900	2,263	2,614	974	1,369								8,119	9,558
Other	3,993	4,886	3,794	3,815	3,373								19,860	18,666
Department of Commerce	264	277	282	244	245								1,313	1,235
Department of Defense:														
Military:														
Military personnel	6,634	5,357	8,626	2,579	6,200								29,397	31,982
Operation and maintenance	6,413	7,049	6,953	8,668	6,156								35,239	36,072
Procurement	5,131	5,132	5,746	4,043	5,302								25,353	28,763
Research, development, test, and evaluation	2,987	2,875	2,949	2,678	2,252								13,741	14,657
Military construction	404	388	390	415	344								1,941	1,904
Family housing	226	208	241	273	265								1,213	1,239
Revolving and management funds	1,568	816	275	−892	542								2,309	2,342
Other	−217	−28	572	−12	−52								264	−1,169
Total Military	23,147	21,796	25,752	17,752	21,009								109,456	115,789
Civil	2,550	2,515	2,550	2,509	2,459								12,581	12,405
Department of Education	1,805	3,356	2,535	1,102	1,202								10,001	13,289
Department of Energy	1,710	1,723	1,492	1,269	1,221								7,416	6,700
Department of Health and Human Services, except Social Security:														
Public Health Service	1,467	1,700	1,633	1,178	1,694								7,671	7,381
Health Care Financing Administration:														
Grants to States for Medicaid	7,394	6,626	7,088	6,097	6,202								33,406	30,111
Federal hospital ins. trust fund	7,432	8,006	9,319	7,193	8,196								40,147	35,565
Federal supp. med. ins. trust fund	4,650	4,838	5,846	4,170	4,213								23,716	21,101
Other	3,783	3,801	3,782	2,968	2,926								17,260	18,514
Social Security Administration	2,970	2,061	3,892	1,760	2,087								12,770	12,482
Administration for children and families	2,797	2,723	2,828	2,771	2,864								13,983	11,979
Other	−5,060	−5,060	−5,094	−4,429	−4,525								−24,168	−24,315
Department of Health and Human Services, Social Security:														
Federal old-age and survivors ins. trust fund	22,546	22,554	22,927	23,097	23,250								114,374	109,373
Federal disability ins. trust fund	2,992	2,998	2,991	3,054	3,077								15,112	13,860
Other	−977	−7	−17	−1,559	−10								−2,570	−3,074

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1994—Continued

[$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Outlays—Continued														
Department of Housing and Urban Development	2,645	2,415	2,309	1,564	1,886								10,819	10,423
Department of the Interior	527	600	514	677	565								2,882	2,639
Department of Justice	749	905	773	822	734								3,983	4,448
Department of Labor:														
Unemployment trust fund	2,710	2,762	3,146	3,044	3,080								14,742	16,723
Other	652	61	673	463	444								2,293	1,546
Department of State	837	574	463	398	351								2,624	2,354
Department of Transportation:														
Highway trust fund	1,774	1,601	1,516	1,244	1,271								7,405	6,199
Other	1,377	1,651	2,224	1,255	1,541								8,049	7,174
Department of the Treasury:														
Interest on the public debt	17,638	22,260	52,712	17,899	16,208								126,717	127,037
Other	−102	75	983	590	4,931								6,478	4,326
Department of Veterans Affairs:														
Compensation and pensions	1,400	1,406	2,748	61	1,434								7,049	6,899
National service life	66	57	75	68	57								322	235
United States government life	2	1	2	1	1								7	7
Other	1,338	1,705	1,613	2,001	1,618								8,275	7,607
Environmental Protection Agency	430	506	458	456	430								2,280	2,281
General Services Administration	239	−489	384	−658	344								−180	142
National Aeronautics and Space Administration	1,079	1,214	1,191	1,015	1,029								5,529	5,781
Office of Personnel Management	3,335	2,879	3,079	3,249	3,098								15,641	14,878
Small Business Administration	14	146	49	−7	27								229	291
Independent agencies:														
Fed. Deposit Ins. Corp.:														
Bank insurance	52	−182	−1,322	−452	−3,558								−5,462	−4,067
Savings association insurance	−5	4	8	−25	−492								−509	−416
FSLIC resolution	(* *)	8	−140	−93	−253								−478	960
Postal Service:														
Public enterprise funds (off-budget)	−509	−237	146	194	184								−222	−461
Payment to the Postal Service fund	61	......	......	23	......								85	100
Resolution Trust Corporation	7	−1,169	2,471	−74	−678								557	−8,787
Tennessee Valley Authority	106	168	101	212	32								618	905
Other independent agencies	1,705	2,048	991	1,402	1,780								7,926	7,406
Undistributed offsetting receipts:														
Employer share, employee retirement	−2,572	−2,449	−2,592	−2,601	−2,592								−12,806	−12,720
Interest received by trust funds	−359	−5,173	−36,027	−122	−458								−42,140	−40,377
Rents and royalties on outer continental shelf lands	−21	−461	−145	−313	−223								−1,163	−997
Other	(* *)	(* *)	(* *)	(* *)	......								(* *)	(* *)
Totals this year:														
Total outlays	**124,090**	**121,488**	**133,667**	**107,355**	**114,573**								**601,174**	......
(On-budget)	**100,568**	**96,724**	**121,985**	**83,164**	**88,656**								**491,096**	......
(Off-budget)	**23,523**	**24,764**	**11,683**	**24,192**	**25,917**								**110,078**	......
Total-surplus (+) or deficit (−)	**−45,422**	**−38,381**	**−8,252**	**+15,613**	**−41,633**								**−118,075**	......
(On-budget)	**−44,704**	**−38,024**	**−22,263**	**+11,234**	**−41,710**								**−135,468**	......
(Off-budget)	**−719**	**−357**	**+14,012**	**+4,379**	**+77**								**+17,393**	......
Total borrowing from the public	**4,255**	**71,028**	**13,995**	**−6,933**	**31,633**								**113,978**	**103,828**
Total-outlays prior year	*125,620*	*107,355*	*152,633*	*82,899*	*114,176*								......	*582,684*
(On-budget)	*103,780*	*83,436*	*116,572*	*84,925*	*89,720*								......	*478,432*
(Off-budget)	*21,841*	*23,919*	*36,061*	*−2,025*	*24,456*								......	*104,251*
Total-surplus (+) or deficit (−) prior year	*−48,792*	*−32,726*	*−38,947*	*+29,817*	*−48,197*								......	*−138,845*
(On-budget)	*−48,727*	*−32,221*	*−26,982*	*+5,202*	*−48,842*								......	*−151,569*
(Off-budget)	*−65*	*−505*	*−11,965*	*+24,614*	*+644*								......	*+12,724*

... No transactions.
(* *) Less than $500,000.
Note: Details may not add to totals due to rounding.

Table 8. Trust Fund Impact on Budget Results and Investment Holdings as of February 28, 1994

[$ millions]

Classification	This Month			Fiscal Year to Date			Securities held as Investments Current Fiscal Year		
							Beginning of		Close of This Month
	Receipts	Outlays	Excess	Receipts	Outlays	Excess	This Year	This Month	
Trust receipts, outlays, and investments held:									
Airport	445	445	(* *)	2,347	2,608	−261	12,672	12,420	12,420
Black lung disability	53	52	2	259	248	11	......	......	......
Federal disability insurance	2,577	3,077	−500	13,114	15,112	−1,998	10,237	8,829	8,304
Federal employees life and health	......	−189	189	......	−661	661	20,484	21,161	21,366
Federal employees retirement	1,244	2,979	−1,735	19,342	14,994	4,348	318,583	324,673	322,881
Federal hospital insurance	6,888	8,196	−1,308	40,500	40,147	353	126,078	127,969	126,876
Federal old-age and survivors insurance	24,011	23,250	762	133,543	114,374	19,169	355,510	374,070	374,844
Federal supplementary medical insurance	4,411	4,213	198	25,024	23,716	1,308	23,268	24,195	24,186
Highways	1,461	1,478	−17	7,774	8,954	−1,180	22,004	21,090	20,647
Military advances	898	1,096	−199	4,927	5,458	−530	......	......	......
Railroad retirement	418	651	−233	2,066	3,232	−1,166	11,961	11,834	11,907
Military retirement	1,266	2,189	−924	22,262	10,978	11,285	96,690	108,711	107,850
Unemployment	2,723	3,080	−356	11,553	14,742	−3,188	36,607	33,775	33,551
Veterans life insurance	36	109	−73	696	454	242	13,253	13,560	13,471
All other trust	396	314	82	2,025	1,446	579	10,784	11,295	11,437
Total trust fund receipts and outlays and investments held from Table 6-D	**46,828**	**50,941**	**−4,113**	**285,432**	**255,800**	**29,632**	**1,058,131**	**1,093,581**	**1,089,740**
Less: Interfund transactions	6,100	6,100	......	89,996	89,996	......			
Trust fund receipts and outlays on the basis of Tables 4 & 5	40,728	44,841	−4,113	195,437	165,804	29,632			
Total Federal fund receipts and outlays	**34,800**	**72,320**	**−37,520**	**300,367**	**448,074**	**−147,707**			
Less: Interfund transactions	46	46	......	75	75	......			
Federal fund receipts and outlays on the basis of Table 4 & 5	34,754	72,274	−37,520	300,291	447,999	−147,707			
Less: offsetting proprietary receipts	2,542	2,542	......	12,629	12,629	......			
Net budget receipts & outlays	**72,940**	**114,573**	**−41,633**	**483,099**	**601,174**	**−118,075**			

...... No transactions

Note: Interfund receipts and outlays are transactions between Federal funds and trust funds such as Federal payments and contributions, and interest and profits on investments in Federal securities. They have no net effect on overall budget receipts and outlays since the receipts side of such transactions is offset against bugdet outlays. In this table, Interfund receipts are shown as an adjustment to arrive at total receipts and outlays of trust funds respectively.

Note: Details may not add to totals due to rounding.

Table 9. Summary of Receipts by Source, and Outlays by Function of the U.S. Government, February 1994 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
RECEIPTS			
Individual income taxes	28,107	231,771	219,041
Corporation income taxes	1,594	38,114	30,528
Social insurance taxes and contributions:			
Employment taxes and contributions	32,957	163,026	149,483
Unemployment insurance	2,664	7,536	6,652
Other retirement contributions	367	1,875	1,944
Excise taxes	3,249	20,360	18,415
Estate and gift taxes	1,093	5,672	4,650
Customs	1,419	7,924	7,364
Miscellaneous	1,491	6,820	5,761
Total	**72,940**	**483,099**	**443,839**
NET OUTLAYS			
National defense	21,996	114,952	120,556
International affairs	948	9,295	9,733
General science, space, and technology	1,269	7,006	7,313
Energy	159	1,943	2,075
Natural resources and environment	1,449	9,159	9,340
Agriculture	1,817	9,692	10,159
Commerce and housing credit	−4,608	−5,590	−11,920
Transportation	2,784	15,369	13,326
Community and Regional Development	445	3,948	3,793
Education, training, employment and social services	2,666	18,491	20,774
Health	8,229	42,791	39,513
Medicare	10,897	56,779	50,654
Income security	22,466	92,547	88,091
Social Security	26,325	129,487	123,230
Veterans benefits and services	3,135	15,772	14,862
Administration of justice	1,105	5,875	5,934
General government	782	5,118	6,064
Interest	15,524	82,510	82,903
Undistributed offsetting receipts	−2,815	−13,969	−13,716
Total	**114,573**	**601,174**	**582,684**

Note: Details may not add to totals due to rounding.

Explanatory Notes

1. Flow of Data Into Monthly Treasury Statement

The Monthly Treasury Statement (MTS) is assembled from data in the central accounting system. The major sources of data include monthly accounting reports by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. These reports detail accounting transactions affecting receipts and outlays of the Federal Government and off-budget Federal entities, and their related effect on the assets and liabilities of the U.S. Government. Information is presented in the *MTS* on a modified cash basis.

2. Notes on Receipts

Receipts included in the report are classified into the following major categories: (1) budget receipts and (2) offsetting collections (also called applicable receipts). Budget receipts are collections from the public that result from the exercise of the Government's sovereign or governmental powers, excluding receipts offset against outlays. These collections, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Refunds of receipts are treated as deductions from gross receipts.

Offsetting collections are from other Government accounts or the public that are of a business-type or market-oriented nature. They are classified into two major categories: (1) offsetting collections credited to appropriations or fund accounts, and (2) offsetting receipts (i.e., amounts deposited in receipt accounts). Collections credited to appropriation or fund accounts normally can be used without appropriation action by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without being appropriated. They are subdivided into two categories: (1) proprietary receipts—these collections are from the public and they are offset against outlays by agency and by function, and (2) intragovernmental funds—these are payments into receipt accounts from Governmental appropriation or funds accounts. They finance operations within and between Government agencies and are credited with collections from other Government accounts. The transactions may be intrabudgetary when the payment and receipt both occur within the budget or from receipts from off-budget Federal entities in those cases where payment is made by a Federal entity whose budget authority and outlays are excluded from the budget totals.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions, where the payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions, where the payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions, where the payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, by subfunction, or by agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by off-budget Federal entities) as employers into employees retirement funds, (2) interest received by trust funds, (3) rents and royalties on the Outer Continental Shelf lands, and (4) other interest (i.e., interest collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

3. Notes on Outlays

Outlays are generally accounted for on the basis of checks issued, electronic funds transferred, or cash payments made. Certain outlays do not require issuance of cash or checks. An example is charges made against appropriations for that part of employees' salaries withheld for taxes or savings bond allotments — these are counted as payments to the employee and credits for whatever purpose the money was withheld. Outlays are stated net of offsetting collections (including receipts of revolving and management funds) and of refunds. Interest on the public debt (public issues) is recognized on the accrual basis. Federal credit programs subject to the Federal Credit Reform Act of 1990 use the cash basis of accounting and are divided into two components. The portion of the credit activities that involve a cost to the Government (mainly subsidies) is included within the budget program accounts. The remaining portion of the credit activities are in non-budget financing accounts. Outlays of off-budget Federal entities are excluded by law from budget totals. However, they are shown separately and combined with the on-budget outlays to display total Federal outlays.

4. Processing

The data on payments and collections are reported by account symbol into the central accounting system. In turn, the data are extracted from this system for use in the preparation of the *MTS*.

There are two major checks which are conducted to assure the consistency of the data reported:

1. Verification of payment data. The monthly payment activity reported by Federal entities on their Statements of Transactions is compared to the payment activity of Federal entities as reported by disbursing officers.
2. Verification of collection data. Reported collections appearing on Statements of Transactions are compared to deposits as reported by Federal Reserve banks.

5. Other Sources of Information About Federal Government Financial Activities

- *A Glossary of Terms Used in the Federal Budget Process, March 1981* (Available from the U.S. General Accounting Office, Gaithersburg, Md. 20760). This glossary provides a basic reference document of standardized definitions of terms used by the Federal Government in the budgetmaking process.

- *Daily Treasury Statement* (Available from GPO, Washington, D.C. 20402, on a subscription basis only). *The Daily Treasury Statement* is published each working day of the Federal Government and provides data on the cash and debt operations of the Treasury.

- *Monthly Statement of the Public Debt of the United States* (Available from GPO, Washington, D.C. 20402 on a subscription basis only). This publication provides detailed information concerning the public debt.

- *Treasury Bulletin* (Available from GPO, Washington, D.C. 20402, by subscription or single copy). Quarterly. Contains a mix of narrative, tables, and charts on Treasury issues, Federal financial operations, international statistics, and special reports.

- *Budget of the United States Government, Fiscal Year 19 __* (Available from GPO, Washington, D.C. 20402). This publication is a single volume which provides budget information and contains:

  -Appendix, The Budget of the United States Government, FY 19 __
  -The United States Budget in Brief, FY 19 __
  -Special Analyses
  -Historical Tables
  -Management of the United States Government
  -Major Policy Initiatives

- *United States Government Annual Report and Appendix* (Available from Financial Management Service, U.S. Department of the Treasury, Washington, D.C. 20227). This annual report represents budgetary results at the summary level. The appendix presents the individual receipt and appropriation accounts at the detail level.

Scheduled Release

The release date for the March 1994 Statement will be 2:00 pm EST April 21, 1994.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (202) 783-3238. The subscription price is $35.00 per year (domestic), $33.73 per year (foreign).
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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 22, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $17,014 million of 2-year notes, Series AE-1996, to be issued March 31, 1994 and to mature March 31, 1996 were accepted today (CUSIP: 912827P30).

The interest rate on the notes will be 5 1/8%. All competitive tenders at yields lower than 5.15% were accepted in full. Tenders at 5.15% were allotted 82%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 5.15%, with an equivalent price of 99.953. The median yield was 5.13%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.09%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$44,836,048	$17,014,488

The $17,014 million of accepted tenders includes $1,170 million of noncompetitive tenders and $15,844 million of competitive tenders from the public.

In addition, $650 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,855 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
March 22, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $25,200 million, to be issued March 31, 1994. This offering will provide about $375 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $24,833 million.

Federal Reserve Banks hold $6,012 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,720 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED MARCH 31, 1994

March 22, 1994

Offering Amount	$12,600 million	$12,600 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 L4 4	912794 N4 2
Auction date	March 28, 1994	March 28, 1994
Issue date	March 31, 1994	March 31, 1994
Maturity date	June 30, 1994	September 29, 1994
Original issue date	July 1, 1993	March 31, 1994
Currently outstanding	$28,447 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids . . . . Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater.
(3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid at a Single Yield . . . . 35% of public offering

Maximum Award . . . . 35% of public offering

Receipt of Tenders:

Noncompetitive tenders . . . . Prior to 12:00 noon Eastern Standard time on auction day

Competitive tenders . . . . Prior to 1:00 p.m. Eastern Standard time on auction day

Payment Terms . . . . Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 23, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
NEW YORK SAVINGS BONDS COMMITTEE LUNCHEON

It's a pleasure to be with you today, and I want to recognize some of our friends here, Mayor Giuliani; and Ivan Seidenberg of NYNEX, representing Bill Ferguson, our 1994 National Volunteer Chairman. My special thanks to Harry Kamen for leading the campaign in the New York area, and for hosting this luncheon.

There's also a bigger audience I want to thank, and that is all of you -- the long-time friends of our Savings Bonds campaign who volunteer your time for this cause.

To say I'm a big fan of bonds would be an understatement. I need them to make the books balance.

We've exercised some business sense at Treasury, done a little reinventing on the bond program. I have approved the merger of the Savings Bonds Division with the Bureau of the Public Debt. For years we had operations and marketing split up. I don't know a business around where the people out selling the product didn't talk with the engineers and product designers. I believe that combining these functions will unify management and strengthen the program.

Talk about a strong program. New York is the cornerstone of our bond effort. You have 5 percent of the nation's entire population, and generate 10 percent of our total bond sales -- more than a quarter of a billion dollars in the first three months of the fiscal year. I could use salesmen like that in Washington.

They tell me things are really going strong. We're on the way to doing $10 billion in bonds this year. I think Americans realize that the rate is still very competitive, especially if you stack them up against what CDs are paying.

We had the bookkeepers run a tally on how much Americans are now holding in bonds, and it's more than $174 billion. It's never been higher.

You know, we invest far far too little in this country, especially when you look at how our savings habit compares to other countries. Our savings rate is about 4 percent. It's about three times that in Germany, and four times as much in Japan.

I think if there were one thing I could wave a wand and accomplish, after we've done so much for freeing investment money with deficit reduction, it would be to run up the national savings rate. There's no easier way to generate capital. And if Americans were buying more bonds, especially through your payroll programs and at banks, it would be an easy way to bring the savings rate up.

We're coming up on tax time, in just a few weeks now, and people who cashed in bonds last year will be in for a bit of a break. There won't be any state or local income taxes on what they've earned. These days, every little bit helps, and I know some states have some pretty stiff state income taxes.

It's also worth mentioning that there's an education tax exclusion on bonds that makes them an excellent vehicle for savings for college.

Our banking institutions do an excellent job with over-the-counter sales of bonds, and I want to thank all of you here from that community. We also have a strong program with the payroll savings plan -- 7 million Americans are buying bonds this way through their employers.

The outreach for bonds is more than just a sign in the bank or a flyer in the pay envelopes these days. There have been some very creative efforts, especially to convince young Americans to become savers. For the past three years there has been a poster contest for children in grades four through six. Besides teaching our young about the virtues of saving, it has a ripple effect throughout the community -- parents, other students, teachers.

So I would ask you to keep up your volunteer efforts, especially at work, but also out in the communities.

Now, I had more than just savings bonds on my mind when I came up here this morning. We've been exceptionally busy at Treasury this year, and there are a few initiatives I want to bring to your attention and bring you up to speed on.

First, and this is very much topical because it is tax season now -- the Earned Income Tax Credit. If you recall, we've expanded eligibility for the program, but there's a bigger point I want to make. Many of you have a large number of employees, here or throughout the country.

The Earned Income Tax Credit is aimed at our lowest-paid workers, and the object is to make work pay. We want to encourage Americans to stay in the work force, get the training that will get them the jobs of the future, and keep them out of poverty. While we can give them a lump-sum tax credit refund at tax time, we can also spread that out in their paychecks during the year. If there ever were a city where a few extra dollars a week in the check can make a difference, it's in the New York area. The way we do that is with the Advance Earned Income Tax Credit. All these workers need to do is fill out a W-5 form, and then payroll takes care of the rest.

If you're wondering why I'm pushing this so hard, I've got 99 reasons for you. Right now, the sign-up rate for the basic, end-of-year tax credit is quite good, in the mid 80 percent range. But just 1 percent of those who are eligible take advantage of the advance payment. The other 99 percent don't, and we want to get the word out to them about it. It's easy to sign up, and they can get 60 percent of the full credit spread out during the year, and the other 40 percent held back as savings, so to speak, for a lump-sum refund at tax time.

I have a simple request. Have your personnel people call this number -- 1-800-829-1040. That's the regular IRS line. They have corporate representatives available who can get the materials and posters and the like to you so you can spread the word on this one. We'd really like your help. The people this is aimed at need every incentive we can offer to stay in the work force.

There's a final point I want to make to you this afternoon, and that's how this administration is working to make certain that American business gets a fair shot at the global marketplace. In particular, I want to focus on our financial services industry.

I just returned from the first-ever meeting of finance ministers of the Asia-Pacific Economic Cooperation forum in Hawaii.

One of the things wetalked about was the importance of capital in our markets. When we went around the table, every minister talked about privatization, deregulation, liberalizing trade -- about making markets work.

It's particularly important in Asia and the Pacific region because of the huge amount of infrastructure work that will be necessary. There are estimates that APEC nations will spend something on the order of $1 trillion on roads, airports, harbors, fresh water and the like over the next decade. No government can finance that kind of undertaking by itself. It requires the sort of money that can only be raised in the private sector. That's why it is important to regional development that governments do what they can to smooth the way for investment to flow.

When we had our APEC meeting, I kept the discussions general because we were there to talk about regional issues, not our specific interests. I take up our own interests when I have one-on-one meetings with my counterparts. And by the way, I want you to know that I'm not above putting in a plug for one of our firms if we're in the running for a contract, or for American business in general if several of our firms are competing.

It is a priority for me at Treasury to see that other markets are as open to our businesses -- financial or otherwise -- as our markets are to competition from abroad. American firms are the most competitive in the world, when they have a fair shot at the market. They come up with the innovations that make our market so efficient, and they can bring that efficiency to other markets.

In looking at the needs for development throughout Asia, and throughout the world for that matter, the participation of American firms can be a major source of capital to help bring these economies along.

We made a good deal of progress in the Uruguay Round in financial services. But we did not achieve the commitments we sought from everyone. Face it, if we cannot have substantially full market access and national treatment, it is difficult for us to provide the same access to others.

What we have arranged is a system that permits us anywhere from 18-months to two years to negotiate an agreement on financial services under the umbrella of the new World Trade Organization.

If these negotiations are successful, we could waive our right to differentiate in granting access to our financial market. If the commitments we receive are unacceptable, we could grant access only to those countries that we judge to be giving our firms essentially equal access to their markets.

To strengthen our negotiating position, we have asked Congress to enact the Fair Trade in Financial Services bill. I'm pleased that the bill has now cleared the Senate. While we have some concerns about some aspects of the bill, we will continue to work with Congress for its passage.

This legislation, especially if Congress also moves to enact interstate banking and branching, will help us. The ability to branch on an interstate basis is important to foreign firms considering doing business here. This is, of course, the carrot and stick approach. If the carrot is successful, then we won't need the stick. And if we are successful enough, we may be able to bind our financial services sector in a multilateral agreement.

I laid out our negotiating principles in Asia in January and made it clear that we are willing to accommodate legitimate concerns and even make transitional arrangements. I think we're on the right path, and I'm looking forward to the resolution of this issue.

If we have a fair shot at financial markets, we'll have a better stake in the development that will be taking place in Asia and the Pacific. And if we have a stake in that, we'll also be creating opportunities here at home for Americans.

That's an awful lot to talk about at a savings bond luncheon. But if you notice, they're connected by the common thread of money -- money to run this government, saving money for the future, money in the pockets of working Americans, and money as a force in development and job creation.

I just want to close by offering my thanks once again for the excellent job you are doing here in the New York area in selling savings bonds.

Thank you very much.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
March 22, 1994

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TREASURY SECRETARY BENTSEN WELCOMES IMF/RUSSIA LOAN

Treasury Secretary Lloyd Bentsen Tuesday welcomed an agreement between Russia and the International Monetary Fund clearing the way for a new loan.

"I am pleased that the Russian government's 1994 economic program has now earned the support of the IMF. I hope that with this support, Russia will intensify its reform process and bring down inflation," Bentsen said. "I look forward to the continued active engagement of Russia and the international financial institutions," he said.

Russia and the International Monetary Fund announced in Moscow today that they have agreed in principle on an economic policy program that will serve as the basis for a new $1.5 billion IMF loan to support Russian economic reform.

This will be the second $1.5 billion loan reached between the IMF and Russia under the IMF's special lending facility (Systemic Transformation Facility) for former command economies in transition to free markets. The first tranche of $1.5 billion was lent to Russia last June.

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FOR IMMEDIATE RELEASE
March 22, 1994

U.S. TREASURY WELCOMES POLAND DEBT ACCORD

The U.S. Treasury Department welcomed the recent agreement in principle that Poland and its commercial bank creditors have reached on comprehensive debt and debt service reduction.

Poland's debt accord will address some $13 billion in commercial bank debt and overdue payments.

The agreement, complementing action by official bilateral creditors, demonstrates the responsiveness of the international community to the courageous economic reforms being undertaken by the Polish government. It represents an important step in Poland's renewed access to private capital.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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TESTIMONY OF LAWRENCE SUMMERS
UNDER SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE HOUSE SUBCOMMITTEE ON
COMMERCE, CONSUMER, AND MONETARY AFFAIRS
ON THE U.S.-JAPAN FRAMEWORK FOR A NEW ECONOMIC PARTNERSHIP
Wednesday, March 23, 1994

Thank you, Mr. Chairman. I appreciate the opportunity to update the committee on the status of negotiations under the U.S.-Japan Framework for a New Economic Partnership.

The Framework was developed to address the two major problems that Japan presents for its economic partners -- large and persistent current account imbalances and the many obstacles that still deny foreign producers effective market access. These are the economic fundamentals of our relationship with Japan.

Let me address the macroeconomic issues first. Japan's persistent global current account surpluses emerged as a phenomenon during the 1980's. The surpluses peaked in 1986-7 (Japan's current account surplus was 4.3% of GDP in 1986), but then fell to 1.2% of GDP in 1990. This decline was due to a period of very strong domestic demand growth in Japan and to the cumulative effects of exchange rate adjustment that had taken place during the 1980's. Soon, however, Japan's current account surpluses began expanding again.

As growth has ground to a virtual halt in Japan over the last two years, the level of Japan's surpluses has topped previous highs, reaching over $130 billion in 1993 (a little over 3% of GDP). Japan's surpluses are now the major asymmetry in the world economy.

These surpluses are neither economically nor politically acceptable in the context of the economic weakness in the major industrial countries during recent years. With worldwide demand feeble and recovery uncertain in many of the major countries, Japan's huge surpluses siphon away demand for other countries' exports. In this kind of situation, huge surpluses are a dangerous invitation to protectionism.

Our goal is to reduce Japan's global current account surpluses, not the bilateral surplus with the United States per se. However, the United States could enjoy substantial gains from a reduction in Japan's overall surplus. The CEA estimates that cutting Japan's current account surplus by $50 billion, to 2% of GDP, could mean $5 to $15 billion in increased U.S. exports -- or 100,000 to 300,000 new U.S. jobs. The net employment increase would likely be less, but, since export-related jobs are generally better paying, there would be additional gains for

Over half of the growth in U.S. income and almost all of our growth in manufacturing jobs since the mid-1980's has resulted from export growth. This is why the Clinton Administration is taking a export activist approach to international economics.

But, for our export activist strategy to pay off, we need strong demand for imported goods in other countries and fair, full access to their markets. The United States has supported world growth for decades through its open economy. The Framework is, in part, a recognition that Japan, as the second largest economy in the world, must share the responsibility for promoting world growth.

The Framework embodies medium-term macroeconomic commitments by both sides. Under the Framework, the United States has made a commitment to reduce the federal budget deficit significantly and to promote domestic saving and international competitiveness. Japan has made a commitment to promote strong domestic demand-led growth, to make a highly significant reduction in its current account surplus, and to increase its imports of goods and services significantly.

The United States has already fulfilled its part of the bargain. The Omnibus Budget Reconciliation Act of 1993 -- the largest deficit reduction package in history -- is yesterday's news. We made the hard choices needed to put together a deficit reduction package of over $500 billion. The payoff will be substantial: by FY1995, we will have cut $70 billion from the deficit compared to earlier official projections. At a projected 2.4% of GDP, the 1995 deficit will be the lowest U.S. deficit in relation to GDP since 1979. And, as deficit reduction proceeds, the competitiveness of U.S. producers will improve.

To date, Japan has not lived up to its side of the macro deal. The Japanese government has presented two economic stimulus packages since the Framework was agreed upon in July. The latest package was introduced on February 8th, just before President Clinton's February meeting with Prime Minister Hosokawa.

This most recent package had the largest headline total ever -- 15.3 trillion yen ($145 billion) in various tax cuts and spending measures. But the facts still show a Japanese economy that has yet to begin staging a credible recovery from the most prolonged downturn in Japan's postwar history and stimulus package that is inadequate to turn this situation around.

The recent stimulus package includes a one-year reduction in income taxes. A permanent income tax cut could be a positive step towards rebuilding household confidence and reviving consumption, which is the largest component of domestic demand. But the effectiveness of a one-year tax cut is more limited.

As President Ford discovered in 1975, additional disposable income from a temporary tax cut is more likely to be saved rather than spent. If the tax cut were permanent, and if Japan were to pursue a sustained period of substantial fiscal stimulus, the chances of giving a real boost to domestic demand would be much better.

The Japanese government says it expects the recent package to raise growth to 2.4% in fiscal year 1994. Growth of 2.4% is not all that high, but this figure is considerably more than is expected by most other analysts. The private consensus is that Japan's economy will expand by just 0.3% this calendar year, and by only 1.8% in 1995. Thus, even with the recent stimulus package, the gap between the level of Japan's potential output and its actual performance will continue to widen this year and next.

We are still a long way from seeing the fundamental economic policy changes that are needed to revive growth in Japan and produce a meaningful reduction in Japan's current account surpluses. Private forecasters are expecting a scant $10 billion reduction in Japan's surplus this year. Japan will have to sustain and reinforce its efforts if the current account surplus is to be reduced substantially.

Let me now turn to the area of the Framework that has received a lot of attention: the **market access component.**

Japan has long had a distinctive trading pattern with the rest of the world. For example, since 1982 Japan's manufactured imports averaged 3.1% of GNP, less than half the average for other industrialized countries. A 1991 price survey found that consumer goods were 35-40% more expensive in Japan than in the United States. This difference is too large to be justified by transportation costs alone, and is evidence that access to Japan's market continues to be effectively limited, to the detriment of Japanese consumers and foreign firms.

These pattern have persisted despite the process agreements of the past -- agreements in which the Japanese government agreed to change the rules and procedures that restricted foreign access. In many cases, the actual improvements in access for U.S. firms were less than impressive. That is why, in our view, it is essential that trade agreements under the Framework have objective criteria to assess the effectiveness of the agreements we make.

In the Framework, Japan agreed to identify and undertake specific measures to increase market access of competitive goods and services. In addition, Japan agreed that the implementation of these measures should be assessed using objective criteria.

We have not been able to reach agreements with our Japanese counterparts on what these objective criteria should be. While the February 11 negotiations broke down over this point, I don't think the problem is insoluble.

Despite Japanese claims to the contrary, we have never sought numerical targets in the sense of a single fixed market share goal to be achieved by a given deadline. The recent agreement on cellular telephone systems shows that we can come to an agreement that, as Ambassador Kantor says, is results-oriented and uses "objective criteria that set clear standards for success."

Let me conclude with a few words about an area in which Treasury has primary responsibility -- **financial services.** I think the problems that we face in getting effective access to Japan's financial markets illustrate the types of issues we are grappling with in our other negotiating groups as well.

Japan's financial markets are among the most heavily regulated and closely managed of any major industrial country. The country's maze of regulations, limitations on activities, and outmoded practices affect all firms, but foreign firms suffer a disproportionate disadvantage.

Let me describe a few of the implications of this regulatory maze for U.S. firms:

-- U.S. and foreign Investment Advisory Companies can compete for only 12% of private pension fund money and none of Japan's public pension fund money.

-- In the area of corporate securities, U.S. firms face a variety of regulations that have inhibit their ability to innovate. This is reflected in the fact that U.S. firms have lead managed only 3% of total assets in Japan's market.

-- In Japan's investment trust (mutual fund) market, the cost of entry is about 30 times that in the United States, and marketing requirements are quite restrictive.

-- Finally, Japan continues to maintain the most extensive capital controls of any G-7 country, impeding the ability of U.S. firms to offer widely accepted, innovative products.

The financial system's basic structure reflects Japan's post-war objective of allocating scarce capital to favored industries at the least cost possible to borrowers. Today Japan's financial markets are still highly segmented and strictly regulated. These conditions have tended to allocate market share among dominant Japanese firms and maintain the profits associated with these allocations. While such a system might have been understandable in the context of the immediate postwar era, there is no reason that it should continue.

What we are looking for is deregulation to allow a broader diversity of products to be sold, by a broader range of firms and to a broader range of investors. I am convinced that U.S. financial services firms, demonstrated leaders in world markets, would flourish in the Japanese market if open and fair competition, rather than regulation, was the rule.

We have not yet resumed discussions under the Framework. We need to have quantitative indicators in order to assess the implementation of agreements. We will not compromise on this point. I am hopeful that the Government of Japan will recognize this imperative and return to the table prepared to meet it.

At the same time, we are actively monitoring our existing agreements with Japan. We have reached a new agreement on cellular phones. And we are reviewing our other bilateral and multilateral options.

Let me note in closing that these problems are not unsolvable. Given the Prime Minister Hosokawa's commitment to reform -- a commitment strongly supported by the Japanese public -- we have an opportunity to craft some agreements that will reflect and encourage Japan's deregulation efforts while ensuring that U.S. and other foreign firms can get effective access to the Japanese market.

Thank you.

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AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 23, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $11,003 million of 5-year notes, Series L-1999, to be issued March 31, 1994 and to mature March 31, 1999 were accepted today (CUSIP: 912827P48).

The interest rate on the notes will be 5 7/8%. All competitive tenders at yields lower than 5.91% were accepted in full. Tenders at 5.91% were allotted 62%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 5.91%, with an equivalent price of 99.850. The median yield was 5.88%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.76%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$28,137,703	$11,003,233

The $11,003 million of accepted tenders includes $671 million of noncompetitive tenders and $10,332 million of competitive tenders from the public.

In addition, $1,750 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

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FOR IMMEDIATE RELEASE
March 24, 1994

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN

I want to join with President Clinton in expressing shock and sadness at last night's tragic events in Mexico. The fundamental reforms it has undertaken in recent years have laid a very strong foundation for stable, non-inflationary economic growth. We continue to have every confidence that Mexico is on the right economic path.

I've had contact with Mexican government officials last night, early this morning and through the day, and the President has instructed me, as Secretary of the Treasury, to work with Mexican officials to try to further ensure stability in the financial markets.

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FOR IMMEDIATE RELEASE
Text As Prepared for Delivery
March 24, 1994

REMARKS OF
LAWRENCE SUMMERS
UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
AT THE ASIA SOCIETY LUNCHEON
NEW YORK, NEW YORK

FINANCING THE FUTURE: THE UNITED STATES, ASIA, AND THE NEW WORLD ORDER

It has become a cliche to say that now after the Cold War we are seeking a new world order. Certainly, the end of the Cold War must rank as one of the defining events of this historical period. And any effort to define a new world order must of course come to grips with this.

But I believe there is a historical change begun in the last decade and that will carry on into the next that is at least as significant. And that is the transformation of the economies of the developing world, especially those in East Asia.

The Asian and Pacific nations, which contain more than two billion people, are now clearly embarked on a path towards modernity.

In the last 30 years, Korea's economy has grown as rapidly as the United States' did over the last 100. China has grown as much over the past 15 years as the United States in the last 60. Hong Kong, Taiwan, and Singapore all enjoy levels of income that allow them to fit comfortably into the OECD income standings.

*REMARKS DELIVERED BY
JEFFREY R. SHAFER

And there is every reason to think that with enlightened policy, growth will continue for several more decades. Already, Japan and China are the second and third largest economies in the world. Within the first part of the next century, China is likely to become the world's largest economy.

I would expect that this change in a region that has two and one-half times the population of all of the industrialized economies put together will rank in history with the Renaissance and the Industrial Revolution. It may be featured centuries from now even after history books relegate Russia's 70 year communist detour to the footnotes.

Shaping a new world order requires accommodating these changes as much as it requires addressing the changed reality caused by the end of the Cold War. That is why the Clinton Administration's first major new initiatives in the economic and diplomatic sphere have been in Asia.

Our policy towards Asia has many facets. If ever the cliches about economic policy and foreign policy coming together have meaning, it is in shaping policy towards Asia. I want to talk today about economic policy in general and financial policy in particular because I am convinced that success in these spheres is critical to our domestic prosperity and to making sure that the new world order is a stable and a peaceful one.

Asia is so important to us because it is so central to President Clinton's objective of restoring prosperity and strong economic growth here at home. In preparing for the APEC Finance Ministers meeting, which Secretary Bentsen hosted in Honolulu last weekend, I was struck by the fact that the U.S. economy is now more dependent on trade with the APEC countries than it is on the G-7 countries. Of course Japan and Canada belong to both groups. But what is striking is that the remainder of APEC is almost twice as large a market for U.S. exports as the European members of the G-7.

President Clinton's strategy to promote the U.S. economy in the world could be no more clear: we must compete, not retreat. Export activism is nowhere more appropriate than in a growing and dynamic market such as Asia. Asia is $1 trillion market for exports. Already, exports to APEC account for $2300 per American worker, and support more than 5 million jobs. The volume of imports into the developing nations of Asia has increased ten-fold over the past 20 years.

Asia is also a region that has benefited enormously from economic cooperation with the United States. Asia does more business with the U.S. than with the European Union even though the EU economy is as big now as ours is. And it is a region in which we need to get our share of the benefits of economic cooperation. That is why the U.S.-Japan framework is so important.

But beyond our interest in selling more, keeping the momentum of growth and integration going in Asia promotes our broad foreign policy objectives.

Nations that are growing more rapidly are more likely to remain politically stable and less likely to become involved in armed conflicts, either domestically or abroad.

I want to be clear on this. Economic prosperity does not eliminate political struggle and tension, nor should it substitute for democratic ideals. But it does foster peaceful and evolutionary resolution of differences and attainment of national consensus, rather than violent conflict.

Just compare Malaysia's success in managing what could be devastating ethnic conflict as it has grown at 9% with the tragic examples in Africa where poverty and lack of growth have reinforced existing ethnic divisions.

A second, related point is that economic growth and prosperity promote human freedom. It is not long ago that in too many parts of Asia women's feet were bound, and they were sold at the age of ten.

To be sure, much much more needs to be done in many parts of Asia. But the range of life choices open to a child born today in Korea, or China, or Indonesia, or Hong Kong is vastly broader than it was a generation ago. And it says something about the consequences of economic growth that a child in Shanghai is less likely to die, more likely to survive to the age of five, more likely to read and to enjoy a longer life expectancy than a child born in New York.

Certainly it cannot be an accident that if one looks at the world's rich countries, the vast majority have become democratic. And if one looks at the world's poor countries, the vast majority have not. Promoting economic growth is not enough to ensure that societies embrace democratic values or human rights, and other forms of pressure can and do make a difference. But growth certainly helps.

More rapid and more cooperative growth is good for the environment as well. As nations prosper they become more able and more willing to afford investments in environmental protection. Fertility rates plummet. The result is the finding, now well documented in a number of studies, that more prosperous nations tend to enjoy cleaner air and cleaner water, and to be more willing to participate in efforts to address global environmental concerns.

So far I have been speaking of the benefits of economic growth. Integration is important as well. History teaches that military conflicts most often arise in two circumstances-- First, when very poor economic performance is followed by nationalist aggression as in the case of Germany and World War II, or in Yugoslavia and Somalia today. The way to reduce these risks is by promoting economic growth.

Second, military conflicts frequently arise when rapid economic growth alters economic balances leading to political conflict, as in the case of Germany and World War I, or

Japan and World War II, or some would say the United States in the Caribbean and Latin America a hundred years ago. With the dramatic transformation of balances of economic power underway in Asia, there are grounds for concern. Perhaps the best way to contain these tensions is to insure that economic integration reduces frustrations about the need for markets and promotes mutual interdependence of a kind that makes conflict less likely.

RESPONDING TO THE OPPORTUNITIES AND CHALLENGES OF A NEW ERA

It is for all these reasons that President Clinton has made economic integration in Asia a central priority of his Administration. Just as we have inherited an elaborate architecture to carry out post war missions of collective security and containment, and a different architecture to carry on economic cooperation between the industrialized countries, the challenges of a new era require a new architecture that can bring together a much broader range of countries.

Fundamentally, promoting economic integration and growth in Asia, as almost everywhere, comes down to two issues--trade and finance. I am going to concentrate on finance because that is a central Treasury Department responsibility. But first--a few words on trade.

I have already referred to the Administration's export activist philosophy. It is not the turn the other cheek strategy that some of my academic friends recommend--because we recognize that American real incomes are being significantly reduced by foreign trade barriers whatever their precise impact is on trade balances. And it is not a traditionally protectionist strategy because its objective is the promotion of exports rather than the reduction of imports. Export activism is instead a strategy based on the goal of creating more trade in all directions, and doing so in every way possible.

Export activism was a motivating force behind NAFTA where the United States forged the first free trade agreement between a developed and a developing country--thus giving great reassurance to Asia about our willingness to hold off protectionist interests. It was a motivating force behind the President's decision early last year to put the full weight of his office behind the completion of the Uruguay Round. And it was a motivating force behind the decision to energize APEC by hosting the first ever leaders meeting. All in all these developments make 1993 the most productive year in the history of US trade policy.

Export activism is also what lies behind the American government's decision to seek a framework for carrying out trade issues. It is not managing trade to ask the Government of Japan to adopt fair and competitive bidding procedures for government procurement. It is not managing trade to ask the Government of Japan to give U.S. financial institutions the opportunity to compete on an equal basis with their competitors. We are simply trying to get the Japanese Government out of the business managing markets so that the outcomes that prevail in other competitive markets can prevail in Japan.

THE FINANCING FOR GROWTH

I promised to focus on finance. There are two fundamental financial challenges that must be met in the Asia Pacific region. One is maintaining stability in economies that have been growing by leaps and bounds. The other is providing adequate finance to make sustained growth possible.

Maintaining stability in these large, dynamic economies requires that governments continue -- and that the U.S. and other external actors support -- sound, growth-oriented domestic economic strategies.

This was the first topic taken up by Secretary Bentsen and his APEC colleagues in their meeting in Hawaii last weekend. In these discussions, both Secretary Bentsen and I were struck by the fact that although the economies are at very different stages of development, there are certain common principals that all sought to pursue. Four themes really stood out with respect to the growth strategies of these countries.

- Sound monetary policy, with a priority on low inflation, must prevail in any healthy economy. Particular mention was made of the need for independent central banks.

- Regulatory policy must facilitate market forces as the governors of competition. As one participant put it, it is necessary to "privatize the private sector." This point was resonant in remarks by the Japanese in reference to their historical experience, the Koreans with regard to their financial sector, and the Peoples's Republic of China.

- Governments must concentrate on creating a pro-investment environment. Maintaining low budget deficits, achieving high savings rates, and creating the conditions to attract foreign capital were key points here.

- And it is critical to maintain an export-oriented economic strategy and a general openness to trade.

Several of the Finance Ministers made reference to the World Bank's study of the "East Asian Miracle." But rather than marvelling at their luck, Ministers tended to agree that there really had been no miracle. East Asian economies have grown rapidly because they have had strong policies aimed at promoting growth, with a heavy emphasis on the forces of the market.

Clearly, countries in the region are at various stages in this process. China is at a particularly critical juncture -- there are enormous opportunities for this economy but fundamental challenges as well. Centrifugal forces are pulling the country apart, and it faces a complicated succession dilemma. But none of these issues is more important to China's future than the ability to finance and carry out policies necessary to achieve sustained and stable growth.

All the countries of the Asia-Pacific region will need to keep their eyes on the stability and sustainability of growth. This will mean sticking with the kind of economic policies that have gotten them where they are today and learning how to respond to new challenges in a way that preserves their strengthening stature in the world economy.

But Asia, and we as their partners, face a second challenge in sustaining growth. That is the task of ensuring that the adequate and sustainable financing is available to make growth possible.

Asians are the best savers in the world. But it is not clear that world-class savings rates are sufficient to finance the growth levels now typical in this region. And vast amounts of capital are of little use if they are volatile and unpredictable.

The financing needs in the region are overwhelming. Economies throughout the region will depend on a tremendous increase in infrastructure to maintain growth. To bring this into perspective: it is estimated that $1 trillion worth of infrastructure projects are absolutely necessary in this region over the next ten years. That is like building about 200 Washington, D.C. metros over the next decade.

The current capacity of economies in the region to mobilize, sustain, and absorb the kind of financing necessary for such projects is not sufficient.

Large amounts of capital are already flowing into the Asia-Pacific region to add to already large national savings. But this in itself is not enough. Such capital flows can be de-stabilizing and provide yet one more reason why careful, sound macroeconomic management remains critical in the region. The architects of growth cannot rest on their laurels.

Furthermore, policymakers in these economies must continue to push ahead in anticipating how they can create the conditions to mobilize and absorb the amounts of capital they will need. One of the largest bottlenecks in the financing of infrastructure, for instance, is gaining access to large blocks of capital with longer maturities.

It has been suggested to me that one of the biggest advantages that the United States had in bringing electricity to its 50 states was our large national bond market. Many Asian and Pacific economies do not have such a bond market to call on. Part of this is because many do not operate a deficit economy and as a result do not have a government bond market to guide pricing and other operations of a private market. But it is also a matter of opening up the regulatory environment to innovation -- both from the domestic financial community and from foreign financial institutions.

Attracting institutional and other long-term investors is another element of this challenge. Pension funds are one example of a tool that will catch the interest of longer term investors. Facilitating the development of such market instruments, along with other steps, will both make domestic savings more flexible and help attract capital from abroad.

I have focussed on mechanisms for attracting private financing. I believe that this is the right emphasis. The private sector will only invest in infrastructure that will operate profitably, not just today but into the indefinite future. And that incentive will help motivate the right kind of priorities in governments. It will help protect them from themselves, should they have the urge to respond to the immediate needs of their economies by tapping government resources in a manner that will undermine long-term growth.

Nonetheless, despite the importance of private sector financing, there is a role for public institutions. The Asian Development Bank, along with the World Bank, has played a pivotal role in financing infrastructure projects in the Asia-Pacific region. It must continue as an active player, even as the consensus changes about the role of national governments in this process.

The ADB and the World Bank are unique in their ability: to leverage official funds; to finance projects with substantial social, economic, and environmental benefits that the market cannot capture; and to produce accurate and objective technical and policy advice.

To strengthen further the ability of the ADB to act as a constructive agent in promoting sustained growth in the region, we have been discussing with other members a General Capital Increase. We hope that the Board will soon agree on a formulation that would double the resources available to the region and refocus its energies in a way that is responsive to current needs.

SHARED INTERESTS AND CONTINUING CHALLENGES

An increased ability to mobilize internal savings and to absorb external finance, and to do so in a sustained and stable way, will help Asia-Pacific economies to sustain growth commensurate with their potential -- the demonstration of which over the last decade has so astounded the world. But it will also do something for the United States, the region's largest trading partner. Increased access to external finance will expand Asia and the Pacific's appetite for imports. And given the historical trends, we can make a good guess that much of this demand will be targeted to goods produced in the United States.

That fact provides yet more evidence of the strength of U.S. self-interest in a more productive relationship with Asia. It reinforces the other, more reasoned arguments I made in opening this statement. And it makes the importance of the challenges and priorities I have discussed today unmistakable.

I have concentrated this afternoon on the realm of economics and finance and their importance to U.S. policy towards the Asia-Pacific region.

Yet as the current events in the Korean peninsula are reminding us, there is much more to foreign policy than simply creating prosperity. I do not mean to suggest otherwise, nor do I intend to simplify the challenges that policymakers throughout our government and those of our friends must make each day.

Nonetheless, the last hundred years have shown us that American leadership in promoting prosperity can make a difference in world events beyond incremental increases in Gross Domestic Product.

The Cold War is the third war that has ended in this century. After World War I, the United States was not prepared to take on the challenge of leading the world out of crisis and toward a prosperous future.

After World War II, we were poised to do just that and helped bring about the strongest, longest-lasting period of economic growth in history. It is our challenge now to follow the second example -- to take up the challenge of pointing the way to prosperity and to do it in a way appropriate to our time, with a spirit of cooperation and partnership.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
March 24, 1994

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN AND FEDERAL RESERVE BOARD CHAIRMAN ALAN GREENSPAN

Treasury Secretary Lloyd Bentsen and Federal Reserve Chairman Alan Greenspan today confirmed continued strong U.S. support for Mexico's economic policies.

They announced the establishment of a temporary $6 billion swap facility with Mexico. The Treasury Department's Exchange Stabilization Fund and the Federal Reserve System are each providing half of the facility.

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FOR IMMEDIATE RELEASE
Text as prepared for delivery
March 25, 1994

Remarks of Treasury Secretary Lloyd Bentsen
Mint Commemorative Medal Ceremony

LB-735

FOR IMMEDIATE RELEASE
Text as Prepared for Delivery
March 25, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
MINT MEDAL CEREMONY

This is quite an honor.

It's a little disconcerting to see your face staring back at you in plaster. At least I didn't have to have plaster spread over my face like those masks these artists sometimes make. And speaking of artists, I want to thank Thomas Rogers for being so kind to me.

It's amazing how the back of the medal has something on just about everything I've done. From Texas to the Treasury -- not bad in one career. Of course, if you look at everything in between, you'd think I couldn't hold down a job.

There is one very important thing missing from the medal, though. It doesn't say I married a wonderful lady in Texas 50 years ago -- B.A. Bentsen. Best deal I ever made.

It's good to see friends here this afternoon. I've been privileged throughout my career to work with such fine people -- in the House, in business, in the Senate with so many members and such an excellent staff -- and now in the Cabinet.

You know, I came to Washington in 1949 to serve three terms in the House. I didn't figure on staying. Sam Rayburn told me that I could be speaker in 25 years. I told him I had a wife and three children, and I just couldn't cut it on $12,500 a year, and I was returning to the private sector.

LB-735

(MORE)

I went into business. Did all right. But something was missing. Making a deal isn't always the same as making a difference. When I set out to run for the Senate, I had two percent name recognition, and most of that was negative because they thought I was Ezra Taft Benson. It was a tough race, but we won it. And since then, I've had fun every time I had to run -- even 1988, especially 1988. Every race has made me more strongly committed to making a difference.

Along the way, I've had the opportunity to work with many of you on some of the important issues that have come up. IRAs and pension protections, trade, plant closings, health care improvements for the less fortunate, increasing our national investment rate, and now, a new list of things -- like helping turn the economy around, bringing down interest rates and holding inflation down. Like working to make full-scale health care reform a reality, like taking guns off the street, like transforming our economy for a new era, and putting economic policy on a par with foreign policy.

These all are the kinds of issues that make a difference in the lives of every American, and they're the kind of issues that make public service such a rewarding challenge.

Each of you in this room has contributed to making a difference. I know that often it has come at some sacrifice to yourself or to your families, but I think you also believe that making a difference is an honorable calling. I do.

I want to wind up by telling you what I used to tell our children: never take a job where at the end of the day they pay you off with a plaque or a medal -- but in this case, it's the best job in the world, and I thank you.

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TREASURY NEWS

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FOR RELEASE AT 2:30 P.M.
March 25, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILL

The Treasury will auction approximately $14,000 million of 21-day Treasury cash management bills to be issued March 31, 1994.

Competitive tenders will be received at all Federal Reserve Banks and Branches. Noncompetitive tenders will not be accepted. Tenders will not be received at the Bureau of the Public Debt, Washington, D. C.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

HIGHLIGHTS OF TREASURY OFFERING
OF 21-DAY CASH MANAGEMENT BILL

March 25, 1994

Offering Amount	$14,000 million
Description of Offering:	
Term and type of security	21-day Cash Management Bill
CUSIP number	912794 K2 9
Auction date	March 29, 1994
Issue date	March 31, 1994
Maturity date	April 21, 1994
Original issue date	October 21, 1993
Currently outstanding	$25,609 million
Minimum bid amount	$1,000,000
Multiples	$1,000,000
Minimum to hold amount	$10,000
Multiples to hold	$1,000
Submission of Bids:	
Noncompetitive bids	Not accepted
Competitive bids	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is $2 billion or greater. (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.
Maximum Recognized Bid at a Single Yield	35% of public offering
Maximum Award	35% of public offering
Receipt of Tenders:	
Noncompetitive tenders	Not accepted
Competitive tenders	Prior to 1:00 p.m. Eastern Standard time on auction day
Payment Terms	Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

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FOR RELEASE AT 2:30 P.M.
March 25, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $16,500 million of 52-week Treasury bills to be issued April 7, 1994. This offering will provide about $2,150 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $14,342 million. In addition to the maturing 52-week bills, there are $24,604 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $9,568 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $2,358 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold $457 million of the maturing 52-week issue.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356, published as a final rule on January 5, 1993, and effective March 1, 1993) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the new security are given in the attached offering highlights.

oOo

Attachment

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS TO BE ISSUED APRIL 7, 1994

March 25, 1994

Offering Amount		$16,500 million
Description of Offering:		
Term and type of security .		364-day bill
CUSIP number		912794 R4 8
Auction date		March 31, 1994
Issue date		April 7, 1994
Maturity date		April 6, 1995
Original issue date		April 7, 1994
Maturing amount.		$14,342 million
Minimum bid amount		$10,000
Multiples		$1,000
Submission of Bids:		
Noncompetitive bids		Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids.
Competitive bids . . .	(1)	Must be expressed as a discount rate with two decimals, e.g., 7.10%.
	(2)	Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position are $2 billion or greater.
	(3)	Net long position must be reported one half-hour prior to the closing time for receipt of competitive bids.
Maximum Recognized Bid at a Single Yield . . .		35% of public offering
Maximum Award		35% of public offering
Receipt of Tenders:		
Noncompetitive tenders . .		Prior to 12:00 noon Eastern Standard time on auction day.
Competitive tenders		Prior to 1:00 p.m. Eastern Standard time on auction day.
Payment Terms		Full payment with tender or by charge to a funds account at a Federal Reserve bank on issue date.

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FOR IMMEDIATE RELEASE
March 28, 1994

Contact: Jon Murchinson
(202) 622-2960

VICE PRESIDENT GORE PRESENTS REINVENTING GOVERNMENT AWARDS TO MIAMI CUSTOMS OFFICE AND OGDEN, UTAH IRS CENTER

Vice President Al Gore today presented the National Performance Review Hammer Award to employees of two agencies of the Department of the Treasury. Recognized for innovative work in customer service were the staff of the U.S. Customs Service Miami District and the staff of the Internal Revenue Service Center in Ogden, UT.

"The American people are right to believe we should serve them well. We should never get so caught up wrestling with complex problems and rules that we lose sight of who is paying for this government. It is their tax dollars and they deserve excellent service," the Vice President said. "In the past, we designed programs and systems to satisfy bosses. Now we must design them to satisfy customers."

Treasury Under Secretary Frank Newman, who participated in the event, said, "The employees of the Miami District of the Customs Service and the IRS center in Ogden are outstanding examples for all of us at Treasury. Their efforts in improving the quality of services and forging successful partnerships are evidence that reinvention is not only beneficial to the government but to our customers and union associates as well."

Customs officials in Miami have worked in three areas to provide better service to international travelers and the international trade community. Those areas include efforts to promote voluntary compliance with Customs regulations and laws; efforts to establish service delivery times and delivering those services as promised; and efforts to establish mutually beneficial partnerships with the international trade community. The interfacing of Customs' automated systems has expedited processing of perishable goods such as cut flowers. Importers' entry documents are sent directly to Customs via computer. Customs has also emphasized inspection of goods without adding extra steps to the importers' processing steps. For example, flowers are inspected in their refrigerated storage facilities.

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Customs' Advanced Passenger Information System (APIS) has been well received by airline carriers. Approximately forty percent of all carriers, including all major domestic and international carriers, using Miami airports participate in this voluntary system which allows Customs to selectively target travelers for inspection based on passenger lists that are provided prior to flight take-off. This has resulted in an average processing time of 5-7 minutes per international traveler.

IRS management in Ogden, UT and the National Treasury Employees Union (NTEU) have forged a strong partnership in order to create an atmosphere where taxpayers are valued customers. The service center has developed a system that, for the first time, allows tax examiners to feel ownership of a case from start to finish by enabling employees to personalize correspondence to taxpayers and providing the customer the name of the person who is handling their individual case or problem. For people living in the Ogden area, the center has increased its walk-in taxpayer service assistance program which offers taxpayers free electronic filing.

The service center has made outreach to local tax professionals a priority. In order to provide a forum for interaction with the local community, the service center, in cooperation with Weber University, has developed an annual tax symposium at which tax professionals can meet with IRS managers and executives to discuss mutual issues. In addition, a 24 hour electronic bulletin board has been established to provide valuable information to tax practitioners that could affect their clients. NTEU is a strong and active participant in efforts to make the Ogden service center a Total Quality Organization. The partnership between management and labor has contributed to improvements in quality and enhanced customer service.

# # #

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FOR IMMEDIATE RELEASE
March 28, 1994

BENTSEN, WITHROW TO UNVEIL NEW CURRENCY SERIES IN TEXAS

Treasury Secretary Lloyd Bentsen and U.S. Treasurer Mary Ellen Withrow will introduce the new series of currency -- which bears their signatures -- at a ceremony at the Fort Worth, Texas facility of the Bureau of Engraving and Printing at 3 p.m., Thursday, April 7.

The ceremony in the Western Currency Facility's Atrium is open to the press and will include a tour through the printing process.

United States currency is printed in two places -- Washington, D.C., and at the Western Currency Facility in Fort Worth, which opened in April 1991. The Fort Worth plant is the first to print this new series of currency. The two plants together print about 35 million notes each day with a face value of about $465 million.

The Fort Worth facility is at 9000 Blue Mound Road. Take I-820 west to Blue Mound Road, turn right on Blue Mound Road and go 3 1/2 miles to the facility on the right. It is approximately 20 minutes by car from downtown Fort Worth. Cameras should be in place by 2:15 p.m.; other press by 2:30 p.m.

-30-

Contacts:

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Margaret Meacham	Bureau of Engraving and Printing -- Fort Worth Facility	(817) 847-3884

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 28, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,680 million of 13-week bills to be issued March 31, 1994 and to mature June 30, 1994 were accepted today (CUSIP: 912794L44).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.48%	3.56%	99.120
High	3.50%	3.58%	99.115
Average	3.50%	3.58%	99.115

Tenders at the high discount rate were allotted 40%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$51,737,522	$12,680,232
Type		
Competitive	$46,312,963	$7,255,673
Noncompetitive	1,277,613	1,277,613
Subtotal, Public	$47,590,576	$8,533,286
Federal Reserve	3,011,935	3,011,935
Foreign Official Institutions	1,135,011	1,135,011
TOTALS	$51,737,522	$12,680,232

An additional $452,189 thousand of bills will be issued to foreign official institutions for new cash.

LB-740

AUCTION RESULTS

PUBLIC DEBT NEWS

Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
March 28, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,647 million of 26-week bills to be issued March 31, 1994 and to mature September 29, 1994 were accepted today (CUSIP: 912794N42).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.84%	3.97%	98.059
High	3.85%	3.98%	98.054
Average	3.85%	3.98%	98.054

Tenders at the high discount rate were allotted 47%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$51,979,698	$12,647,111
Type		
Competitive	$46,437,243	$7,104,656
Noncompetitive	1,028,666	1,028,666
Subtotal, Public	$47,465,909	$8,133,322
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	1,513,789	1,513,789
TOTALS	$51,979,698	$12,647,111

An additional $603,211 thousand of bills will be issued to foreign official institutions for new cash.

LB-741