

# Congress of the United States

Washington, DC 20515

February 28, 2007

The Honorable Henry M. Paulson, Jr.  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20220

Dear Mr. Secretary:

We are writing to you today express to our growing concern about the Argentine Government's continuing refusal to repay American investors even a fraction of the more than \$10 billion owed to them in the wake of Argentina's 2001 default – the largest sovereign default in history.

As Members of Congress who have long championed policies designed to foster greater economic prosperity throughout the Western Hemisphere, we are concerned that Argentina's actions have established a dangerous precedent. In fact, we understand that the Government of Ecuador has recently invited Argentine Finance Ministry officials to Quito for consultations on following Argentina's default model. Should Ecuador follow suit, it could encourage other governments throughout the Western Hemisphere to do the same. We believe that such a domino effect would dangerously undermine United States investor confidence in the emerging markets of Central and South America as well as raise the overall risks and costs of international lending.

Despite the measurable gains of the eighties and nineties, many Latin American democracies remain dangerously fragile. We believe that the failure of democracy in Central and South America will not only seriously hamper our efforts to turn the Americas into an engine of growth and prosperity to rival the emerging economic giants of China and India, but it would also undermine hemispheric security. We believe that the key to stabilizing and strengthen democracy in the Western Hemisphere is alleviating the region's rampant poverty; and the key to ending poverty is to work closely with our partners in the region to improve regional economic growth through trade and investment U.S. entrepreneurs, investors and U.S. companies, who have invested in Latin America for many years, clearly have the potential to play a significant role in this process, but they need stability and fairness in the legal and economic environment in order to fully realize this potential. Argentina's apparent violation of the accepted norms of default restructurings is arguably a case in point.

