

June 9, 2009

Dear Colleague:

On May 19, 2009, several members joined me in introducing the H.R. 2493, Judgment Evading Foreign States Accountability Act of 2009 – legislation that is important to both the United States and to Argentina, the nation where I spent much of my youth. ***Hundreds of millions of dollars of tax revenue are at stake for the United States***, and Argentina's economic future depends on the outcome. I very much hope you will join me and Reps. Bishop, Maffei, Maloney, McMahon, Tonko and Towns (along with Rep. Wexler) in co-sponsoring this bill.

In 2001, Argentina defaulted on \$81 billion in obligations to investors. In 2005, the government offered American holders of Argentine bonds a pennies-on-the-dollar settlement that was far beneath international norms for such defaults. Many of these bondholders rightly refused the bad deal they were offered, and took their claims to court.

And they have won. U.S. courts have held in scores of rulings under New York law that Argentina is obliged to pay Americans what they are owed. But Argentina has refused, choosing instead to default on those judgments. This years-long refusal to honor their obligations prompted U.S. District Court Judge Thomas Griesa of the Southern District of New York to conclude:

“The Republic [of Argentina] is doing everything possible to evade paying these judgments. Those are just debts and the Republic is doing everything possible, obstructing in every possible way the payment of those just debts. And this means that there is going to be a lengthy process which could go on for years to recover those just judgment debts.”

That refusal has had extraordinary consequences for American taxpayers and for Argentina itself.

U.S. bondholders are still owed nearly \$3 billion dollars. Investment funds holding much of Argentina's debt count as investors many leading financial, religious, educational and other public and private institutions. One creditor has a pending judgment for \$300 million against Argentina, and eight other pending actions worth nearly \$2 billion. Another New York court recently entered judgments in several class action suits managed by New York law firms, the combined value of which exceeds \$2.2 billion.

If Argentina satisfies these legal obligations, hundreds of millions of dollars in tax revenue will be realized.

In addition, educational, academic, medical and research professionals have been directly affected by Argentina's refusal to satisfy a \$100 million lawsuit won by a major pension fund that manages their retirement funds and holds Argentine debt in default. Ironically, that is the same amount that President Cristina Kirchner's administration has paid public relations consultants, according to Argentine media reports. I have heard from New Yorkers whose pensions were affected by this loss, and I know you have, too.

Argentina's refusal to deal squarely with these debts has also had devastating effects on Argentina's own people, and its standing in the world. According to a report by a team of leading Argentine economists led by Martin Krause, the nation loses \$6 billion dollars in foreign direct investment every year because of its failure to resolve this debt.

Our own State Department has warned that Argentina's unresolved debt situation and resulting court judgments have created a risky climate for U.S. investors. Both the State and Treasury Departments have repeatedly and publicly said that Argentina must pay its debts to U.S. creditors. Secretary of State Hillary Clinton, in particular, has written that "The well being of U.S. investors in Argentina is an important priority for the Department of State. We will continue to urge the Government of Argentina to abide by its commitments and normalize its relations with all creditors and investors."

Argentina has more than \$45 billion in reserves, many times the amount it owes to U.S. investors.

President Kirchner has said more than once that she intends to deal with these debts. But the talk has not been followed by action. It is time for that to change.

I spent many of my early years in Argentina, and consider myself a close friend to the country. But friends tell each other the truth. And the truth is that Argentina can only secure its own economic future, and improve our bilateral relationship, if it finally resolves these debts with our citizens.

For those reasons, I introduced the Judgment Evading Foreign States Accountability Act of 2009. The Act will encourage responsibility and accountability by, in part:

- Denying foreign states that have been in default of U.S. court judgments exceeding \$100 million for more than two years access to U.S. capital markets;
- Denying domestic corporations of a judgment evading foreign state that remains in default for more than three years access to the U.S. capital markets;
- Requiring the U.S. to consider the default status of such states before granting them aid; and
- Requiring the Secretary of the Treasury to issue annual reports naming these states and analyzing the effect of their behavior on the U.S. economy.

The legislation has been carefully crafted to exclude poor nations, including those eligible for International Development Association financing or relief through the World Bank's Heavily Indebted Poor Countries (HIPC) Initiative or the Multilateral Debt Relief Initiative.

I hope you'll join us. Please call Joe Racalto at 202-225-3161 or [Joe.Racalto@mail.house.gov](mailto:Joe.Racalto@mail.house.gov) with any questions.

Sincerely,

Rep. Eric Massa  
Member of Congress