



February 11, 2011

The Honorable Hillary Clinton
U.S. Department of State
2201 C Street NW
Washington, DC 20520

The Honorable Timothy Geithner
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Clinton and Secretary Geithner:

On behalf of the 362,000-member National Taxpayers Union (NTU), I write out of concern over Argentina's recent announcement that it will satisfy \$9 billion in outstanding debt to the Paris Club creditor nations. In light of this development, we urge Executive and Legislative Branch leaders to continue pursuing a resolution to the \$3.5 billion in remaining obligations to U.S. bondholders Argentina has yet to pay.

As you may know, since NTU's founding in 1969, our work has often focused on international lending and monetary policy. Bailouts for U.S. government-backed lending institutions, unrealized revenues from investors holding defaulted bonds, and the economic effects on U.S. firms with subsidiaries in foreign debtor nations can all have an impact on the well-being of American taxpayers.

In its agreement with the Paris Club, Argentina has conceded both its ability and willingness to pay. With over \$54 billion in foreign currency reserves and a thriving GDP, Argentina could easily satisfy all its obligations. It simply refuses to do so, showing contempt toward U.S. bondholders. The U.S. government's stake in the Paris Club negotiation is only \$360 million of the proposed \$9 billion settlement; Argentina owes most of that money to other foreign governments. As these negotiations are allowed to progress, the United States should not give the impression of legitimacy to the acts of a serial defaulter that would rather repay foreign governments than U.S. taxpayers and creditors.

Such contempt has often been the case with Argentina. The costs to U.S. lenders to Argentina from the time of the default in December 2001 to December 2008 total \$9.5 billion. These costs would have offset tax obligations, and thus result in reduced revenues that bondholders otherwise would have paid. To be clear, NTU emphatically supports reduced tax rates on investments, and does not reflexively view foregone revenues to the Treasury as "losses." Yet, Argentina's behavior helps no one except those few in Argentine government who wish to prop up their nation's statist economic model. Aside from individual bondholders, companies with large Argentine operations have also suffered from the devaluation of the Argentine peso that followed the default. Finally, Argentina's contagion of carelessness threatens to spread to other countries, sending ominous ripples throughout lending programs.

There are currently \$3.5 billion in claims being pursued by U.S.-based firms, which manage the investments of U.S. pension plans, universities, hospitals, foundations, and family businesses. Argentina has defiantly repudiated their demands, despite 114 arbitral judgments in U.S. courts.

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NTU hopes that the Departments of State and Treasury will work with Congress toward remedies for Argentina's manipulative practices, especially in light of that nation's favored trade status through the Generalized System of Preferences program. U.S. taxpayers should not have to shoulder the burden for Argentina's recklessness.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Sepp", written in a cursive style.

Pete Sepp
Executive Vice President

Cc: Speaker John Boehner
Majority Leader Eric Cantor
Representative Darrell Issa
Representative Connie Mack
Representative Ileana Ros-Lehtinen