



December 10, 2007

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

Dear Secretary Paulson:

American taxpayers are forced to fund numerous global public projects and initiatives, many of which are wasteful and irresponsible. One such initiative is in need of greater oversight: US taxpayer funding of multilateral lending institutions, such as the World Bank, Inter-American Development Bank (IDB) and International Monetary Fund (IMF).

The United States often acts as a leader in funding projects in the developing world. American taxpayers finance infrastructure, health care, education, and other programs that would likely not see completion without our assistance. However, the terms of these loans are not honored by all recipients. Worse, one of the principal violators of these terms cannot be considered a developing country.

In 2001 Argentina defaulted on more than \$80 billion in sovereign debt obligations, which it then attempted to restructure in 2005 – a move greeted with skepticism from its creditors. In fact, less than 50 percent of Argentina's international creditors chose to accept the offer.

Yet, since 1945 the United States has provided nearly \$100 billion to multiple international financial institutions, including the IMF, World Bank, Asian Development Bank, African Development Bank, European Bank for Reconstruction, and Development, and IDB. While many recipient countries do honor their financial obligations, middle-income and wealthy countries like Argentina who refuse to repay their creditors only make borrowing more expensive for countries truly in need. Currently, Argentina has nearly 300 loans outstanding to the IDB, totaling nearly \$25 billion. In spite of that, new credits are approved for the country on a routine basis even as Argentina amasses foreign reserves in excess of \$43 billion.

How can this debt cycle be broken? Argentina must be held accountable for its financial obligations. Their leaders' inability to access international capital markets is a result of their refusal to repay more than \$6 billion owed to Paris Club creditors and more than \$20 billion owed to private creditors, despite a clear ability to do so. Over the past several years Argentina has been able to get by relying on the generosity of taxpayer-funded institutions that have not enforced the terms of the loans.

Argentina's newly elected President Cristina Kirchner has an opportunity to restore her country's reputation as a responsible participant in international bond markets. Doing so would ensure that Argentina can finance its own public programs in addition to fulfilling its public debt obligations.

The Treasury Department must defend the income and rights of American taxpayers by enforcing the debts of countries that continually ignore their financial obligations. I urge you to work with the G7 finance ministers as well as Argentina's new administration to immediately resolve Argentina's debt crisis.

Sincerely,

Kristina Rasmussen
Director of Government Affairs