AMERICAN TASK FORCE ARGENTINA

The Honorable Robert J. Shapiro
Co-Chair

Ambassador Nancy Soderberg
Co-Chair

August 16, 2007

The Honorable Condoleezza Rice
Department of State
2201 C St., NW
Washington, DC 20520

The Honorable Henry M. Paulson, Jr.
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Dear Secretary Rice and Secretary Paulson:

We write to request that the Administration and your Departments intensify your efforts to convince the Argentine government to honor its debts to U.S. citizens. This position is in the interests of both the people of Argentina and American lenders, investors and taxpayers harmed substantially by the actions by the Government of Argentina. The Argentine Government must understand that failure to address this matter will adversely affect our bilateral relations and Argentina's economic future.

As you are well aware, in 2001, the government of Argentina initiated the largest sovereign debt default in history when it suspended payment on both interest and principal for more than 150 bond issues with a face value of more than $80 billion. The subsequent debt restructuring plan presented in 2005 by the Argentine Government offered new bonds with an exchange value of just 27 cents on the dollar, half of the established historical norm, and for the first time, repudiated both all past due interest and all obligation owed to anyone who declined this initial exchange offer. Throughout the process, Argentine authorities refused to negotiate in good faith with any of its creditors, adopting instead a take-it-or-leave it posture.

The costs of the default are staggering. In addition to $81 billion of defaulted bonds, there were secondary costs totaling more than $63 billion, including foregone tax revenues and indirect losses to U.S., European and Asian investors with holdings in foreign companies invested in Argentina. These costs bring the total international damage flowing from the Argentine government's conduct to more than $140 billion. These costs are born not only by international lenders and investors, including millions of pensioners in the United States and abroad. Today, Argentina still owes more than $3 billion to Americans alone, including private and institutional investors, pension funds, university endowments and mutual funds. For example, TIAA-CREF, America's $360 billion pension fund representing individuals in the academic, medical, cultural and research fields, has incurred $100 million in losses.

The issue is especially pertinent today, because Argentina's economic recovery provides the means to resolve these debts. The boom in global commodity markets has enabled the Argentine

government to accumulate international reserves in excess of $44 billion, more than seven times what is owed to American holders of repudiated debt and twice what it owes all of its creditors.

This has become a matter of some urgency, because Argentina's policies could set a dangerous precedent for other developing nations. Recently, the President-elect of Ecuador announced that he was considering an "Argentine-style" default. If this approach spreads, it will trigger turmoil in international bond markets, a sharp drop in international lending to developing countries, and economic reversals in parts of the developing world. Argentina also continues to flout a series of judgments entered in U.S. and foreign courts, taking elaborate measures to evade those judgments.

We commend the Administration for its recent decision to include this issue in the Department of State's Argentina Background Notes, stating that continuing "Argentine arrears to international creditors (including over $20 billion in default claims by international bondholders and over $6 billion owed to official creditors, including the U.S. Government) and a large number of arbitration claims filed by foreign companies are legacies of the 2001/2002 economic crisis that remain to be resolved and adversely impact Argentina's investment climate." However, we urge you to take these additional steps:

- ◊ Treat the default to U.S. lenders as a priority in our bilateral relations with Argentina and condition any improvement in that relationship on a resolution of this problem that is satisfactory to its U.S. creditors;

- ◊ Work with the G-7 foreign ministers and finance ministers to develop a coordinated approach to press Argentina to return to negotiations on its defaulted debt and respect international financial norms in its resolution;

- ◊ Instruct U.S. executive directors at the multilateral development banks to use their voices and votes to deny access to loans to Argentina and its agencies, instrumentalities, or political subdivisions, until this matter is resolved. We ask that this policy be put in place when U.S. representatives at the World Bank and Inter-American Development Bank consider future loan requests from the Government of Argentina, including a reported $1 billion request to these institutions anticipated over the coming days;

- ◊ List Argentina's debt default as an investment dispute in the annual report issued by the Department of State in its Annual Report on U.S. Citizen Expropriation Claims and Certain Other Commercial and Investment Disputes to the House of Representatives Committee on Foreign Affairs.

- ◊ Urge other members of the Paris Club to respect its long-time practice of universality and deny Argentina's efforts to resolve its Paris Club debts on a piecemeal basis;

◊ Stress that Argentina will never regain access to international credit markets until it has satisfactorily resolved it debts to its public and private lenders;

We thank you for your attention to this important matter. It is vital that the United States government actively support the established norms of international lending to developing countries and stand behind the integrity of its capital markets, the rights of our citizens, and the credibility of our its courts.

Sincerely,

Robert J. Shapiro Nancy Soderberg

cc: Clay Lowery, Assistant Secretary for International Affairs
Hon. Roszell D. (Rod) Hunter, U.S. Special Assistant to the President and Senior Director for International Trade, Energy and the Environment
Hon. Tom Shannon, Assistant U.S. Secretary of State for Western Hemisphere Affairs
Isabella Detwiler, Economic and Business Affairs, International Finance Division, U.S. Department of State
Eli Whitney Debevoise, Acting Executive and Alternate Director, World Bank
Hon. Héctor Morales, US Executive Director, Inter-American Development Bank