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U.S. Members of Congress Introduce Legislation on Argentine Debt and Court Defaults

*Rep. Eric Massa of New York, A Close Friend of Argentina,
Leads Effort to Resolve Outstanding Debt with
Judgment Evading Foreign States Accountability Act of 2009*

WASHINGTON - American Task Force Argentina (ATFA), a coalition of more than 40 taxpayer, investor, educator, Latino and agriculture organizations, today commended members of the U.S. House of Representatives for introducing legislation imposing stiff penalties on wealthy and middle-income nations that, like Argentina, refuse to honor obligations to U.S. creditors.

The effort is being led by Representative Eric Massa, a Democrat from New York State who was raised in Argentina while his father served as U.S. Naval Attaché in Buenos Aires. Also introducing the legislation were Representatives Paul Tonko (D-NY), Robert Wexler (D-FL), Timothy Bishop (D - NY), Carolyn Maloney (D-NY), Dan Maffei (D-NY), and Mike McMahon (D-NY).

H.R. 2493, called the Judgment Evading Foreign States Accountability Act of 2009, would bar from U.S. capital markets any nation that has been in default of U.S. court judgments totaling more than \$100 million for more than two years. The legislation would also require the U.S. government to consider the default status of these countries before granting them aid.

"Argentina is ignoring billions of dollars in U.S. court judgments, which has hurt not just U.S. citizens, but also Argentine citizens," said ATFA Executive Director Robert Raben. "U.S. taxpayers are still waiting to be repaid money they lent to Argentina in good faith. At the same time, Argentina is saddled with the reputation of a deadbeat because their government defaults on court judgments. This legislation should pave the way for a fair resolution for both countries."

In 2001, Argentina defaulted on \$81 billion in obligations to investors - the largest sovereign debt default in history. In 2005, Argentina offered bondholders 27 cents on the dollar for outstanding debt, far below the international norm for sovereign debt restructurings. Argentina repudiated its debts to the 50 percent of foreign lenders who declined the offer. U.S. courts have ruled in favor of these "holdout" bondholders in numerous cases, but the Argentine government has refused to repay its debts, choosing to default on those judgments.

"President Kirchner has said several times she's prepared to negotiate with bondholders, but we've seen no action whatsoever," Raben said. "Argentina has \$45 billion in reserves and can afford to pay its \$3.5 billion in debts to U.S. bondholders many times over. It's time to resolve this issue for the

benefit of both nations."

A team of Argentine economists concluded in 2006 that Argentina's default status causes the nation to lose more than \$6 billion in foreign direct investment every year. The U.S. State Department warned in February 2009 that Argentina's unresolved debts, and the resulting court judgments, have created a risky climate for U.S. investors.

Argentina's refusal to resolve its outstanding debts may be setting a precedent in the region. Ecuador in recent months defaulted on more than \$3.8 billion in obligations to foreign investors, citing Argentina as a model.

The legislation introduced today is intended to encourage responsible lending, support the rule of law and improve international accountability by:

- Denying Argentina and other 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 such judgment evading foreign state that remain in default for more than three years access to the U.S. capital markets;
- Requiring the U.S. government to consider the default status of countries before granting them aid; and
- Requiring the Secretary of the Treasury to issue annual reports naming these states and analyzing the impact of their behavior on the U.S. economy.

The legislation would not affect 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.

Made up of an alliance of organizations, ATFA's leadership includes Executive Director Robert Raben, a former Assistant Attorney General at the U.S. Department of Justice, and is co-chaired by The Honorable Robert J. Shapiro, former Under Secretary of Commerce for Economic Affairs in the Clinton Administration, and Ambassador Nancy Soderberg, Ambassador at the U.S. Mission to the United Nations in New York from 1997 to 2001.

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