

This is a WorldNetDaily printer-friendly version of the article which follows.  
To view this item online, visit <http://www.worldnetdaily.com/index.php?pageId=207685>

**WorldNetDaily**

Monday, September 27, 2010

**WND MONEY**

**WorldNetDaily Exclusive**

## Hide-and-seek game with billions in debt

Some of biggest names in U.S. business accused of being complicit in concealment

Posted: September 26, 2010  
7:30 pm Eastern

By Bob Unruh

WorldNetDaily

A complaint has been filed with the antitrust division of the [U.S. Department of Justice](#) claiming that the top credit-rating services in the United States, which control an estimated 90 percent of the industry, are complicit in hiding billions of dollars of China's debt.

[The complaint, which is available online](#), was filed by Sovereign Advisers on behalf of Starwood Trust and other "defaulted creditors." It accuses [Standard & Poor's](#) and [Moody's Investors Services](#) of willfully concealing China's debt and providing those interests with good credit ratings to profit from the rating service.

The complaint also has been filed with the European Commission Directorate General for Competition, according to Kevin O'Brien, president of Sovereign Advisers, which explained its complaint was brought on behalf of the Starwood Trust.

The organization represents lenders, both American and international, that loaned China money during the era largely between World War I and World War II.

*(Story continues below)*

O'Brien explained in a statement that China "refuses to repay (the loans) in violation of international law."

[Get "Taking America Back." Joseph Farah's manifesto for sovereignty, self-reliance and moral renewal](#)

Moody's and Standard & Poor's "maintain 'investment grade' credit ratings for China," according to the complaint, even though the "demonstrably false ratings which are distributed through the use of the wires and mail ignore China's default and thereby enable the Chinese communist government to shed its foreign debt obligation and to do so free from a default penalty."

The agencies, according to the complaint, "have evolved from 'publishers' of information into market actors who are active participants in the issuance of new debt obligations."

Also named are Goldman Sachs and Morgan Stanley for their roles as credit rating advisers to the Chinese government.

Edward Sweeney of Standard & Poor's released a statement that confirmed, "We are aware of the claims and believe them to be totally without factual or legal merit."

But WND requests for comment to Moody's and the Department of Justice did not generate responses.

O'Brien told WND that the complaint was filed earlier this week.

The money is owed to "thousands of people in the United States" as well as similar numbers in Europe.

[WND reported nearly two years ago](#) that Chinese companies were in line to benefit from the \$700 billion-plus Wall Street bailout being developed at the time while China still owed the U.S. \$100 billion or more in unpaid debt.

"One of the greatest problems facing China is the government's failure to acknowledge and effectively address the true extent of state institutions' bad debt," O'Brien wrote at the time in an article titled "Reassessing China's Sovereign Risk: Emerging Global and Domestic Trends Threaten the 'Chinese Miracle.'"

O'Brien's report was published at a website for the Global Association of Risk Professionals, a not-for-profit independent trade association of risk management practitioners around the world. The group has 77,000 members from fields such as banking, investment management and academics.

He said China has refused to repay an estimated \$260 billion in sovereign debt owed U.S. and other investors.

"The repayment obligation was inherited by the People's Republic of China, when the communists took control in 1949. The successor government doctrine of settled international law affirms continuity of obligations among international recognized successive governments," O'Brien said.

The new complaint, which also cites Fitch Group Inc. and Fimalac. S.A., explains that the ratings agencies' "interference with the enforcement of commercial debt contracts 'has the effect of taking of the complainant's rights in property.'"

"This is also a complaint alleging a pattern of civil racketeering under the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. Section 1961 et seq.,



('RICO'), and further alleges that the named parties obtained unjust enrichment from their wrongful actions in assisting China in the shedding of its foreign debt obligation owed to the complainant, and which actions were intentionally designed, constructed, and operated as a continuing enterprise which was specifically and intentionally designed to enrich the named parties at the expense of the Complainant and all other persons similarly situated," the complaint states.

"The debt was and remains a full faith and credit obligation of the Chinese Government, and in certain instances is secured by specific revenues including maritime customs revenue, various taxes including mining taxes, and railway revenue. ... An example of a specific class of the various sovereign obligations comprising the Subject Debt is 'The Chinese Government Five Per Cent Reorganization Gold Loan of 1913' (the 'Reorganization Gold Loan'), which loan agreement states that the obligation is intended to be 'a binding engagement upon the Republic of China and its successors,'" according to the complaint.

The issue already has been the focus on Washington scrutiny. A plan by Sen. James Inhofe, R-Okla., targeted China's attempt "to conceal its defaulted government debt from investors."

O'Brien earlier said China could – and should – repay, and doesn't because it chooses to pursue "selective default."

He said that's "a practice whereby a government selectively defaults on one specific class of full faith and credit sovereign obligations ... yet honors repayment to selected creditors of a separate class."

"China's refusal to honor repayment of its full faith and credit sovereign debt to American bondholders is best characterized by a statement that appeared in a recent news article: 'When it comes to territory, China claims Tibet and Taiwan based on historical claims predating the current communist government assuming power, but when it comes to debts owed to American citizens, it's a different story,' he wrote.