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June 29, 2005

Mrs. Jonna Bianco  
President  
American Bondholders Foundation, LLC  
2840 Glasscock Road  
Lewisburg, Tennessee 37091

Dear Mrs. Bianco,

I and other members of Congress appreciate staying up-to-date on your efforts to achieve settlement with nations, including those with successor government regimes, to make good on their sovereign obligations, including especially defaulted Sovereign debt.

This has become an issue because participation in this globalized economy requires nations to not only embrace by words but follow-through with actions, their international trade and treaty obligations, such as those associated with the World Trade Organization and what it stands for. Indeed, this was not only the expectation but the clear pre-condition of Congressional support of the People's Republic of China's admission to the WTO. Therefore, continuing to monitor China's actions to adhere to international trade and investment laws and practices is a natural oversight responsibility of Congress. In fact, I look upon the Pry's recognition and settlement of defaulted obligations as a litmus test of their overall good economic intentions.

Your testimony before the House International Relations Committee on October 21, 2003 described the formation of the American Bondholders Foundation (ABF) and your leadership role in gathering the interest of individual American bondholders seeking settlement on China's defaulted bonds. Such initiatives are symbolic of the American Character and should be not only applauded but encouraged by the nation's leadership. Through coordinating debt recovery efforts through the ABF, thousands of American individuals who's lone voices would go unheard, present a united, determined attitude for fair treatment and due recompense.

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Your 2003 testimony referred to international debt exchange transactions as a possible form of settlement. This appears to be a good common sense application of international law and trade practices. Certainly an indirect route can serve the purpose when the other side refuses to come to the table. Interestingly, your approach conforms to the attention the Paris Club nations not only created an approach for its members to provide up to 80% debt relief to Iraq, but added encouragement to Iraq to achieve comparable relief from non-Paris Club members (i.e., the PRC). It seems to me that the approach of the ABF to barter to intermediary debtor countries, bondholder's claims at a substantial discount, as an intermediary step for a subsequent direct country-to-country debt cancellation exchange is an imaginative and constructive way to contribute significantly to the Heavily Indebted Countries debt relief objective of this Administration and this Congress.

I understand these ABF efforts have found a receptive environment among oil exporting Arab countries, themselves burdened with PRC debt. Yemen is an example of a Heavily Indebted Country under the World Bank's definition. Yemen's participation in a program such as this ties in exactly with the type of debt relief attitude President Bush and Prime Minister Blair were supporting earlier this week. Certainly Iraq and other countries would benefit by participating in such debt relief procedures, while furthering the President's objectives.

I have also noted the concern about the adequacy of disclosure and the responsibility of rating agencies in considering China's defaulted debt. Some seem to be caught up in the arcane details of international underwriting procedures in times past, while failing to focus on the reality that securities sales representatives were selling these obligations to American citizens. There may not have been adequate disclosures back then, but there are laws today that say it is a must.

The initiative the ABF is taking on the settlement of the defaulted bonds, pursued in a manner consistent with recognized international standards, is helping to reinforce the multi-lateral system where nations trade and invest globally. Without investment "best practices" and a system of compliance, established "rules of the road" will give way to degraded practices, an environment where the "little guy" will get the short end of the stick.

Keep up your fine efforts and keep me updated. Good luck.

Sincerely,



Steve Chabot  
Member of Congress