

BILL SHUSTER

9TH DISTRICT, PENNSYLVANIA

ASSISTANT MAJORITY WHIP

COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE

SUBCOMMITTEES:

AVIATION

HIGHWAYS AND TRANSIT

WATER

COMMITTEE ON SMALL BUSINESS

SUBCOMMITTEE:

ENTERPRISE, AGRICULTURE AND TECHNOLOGY

CONGRESSIONAL RURAL CAUCUS

OLDER AMERICANS CAUCUS

RURAL HEALTH CARE COALITION

CONGRESSIONAL STEEL CAUCUS

CONGRESSIONAL SPORTSMEN'S CAUCUS

Congress of the United States
House of Representatives
Washington, DC 20515-3809

June 29, 2005

Mrs. Jonna Bianco
President
American Bondholders Foundation, LLC
2840 Glasscock Road
Lewisburg, Tennessee 37091
(931) 359-8781
(931) 359-9689 fax

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. 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 PRC's recognition and settlement of defaulted obligations as a gauge of their overall good economic intentions.

Your testimony before the House International Relations Committee on October 21st, 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 encouraged by the nation's leadership.

Your 2003 testimony referred to international debt exchange transactions as a possible form of settlement. This appears to be a 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 has been giving to debt relief for debt burdened countries. I note, for example, that the Paris Club nations not only created an approach for its members to

1108 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3809
(202) 225-2431
FAX: (202) 225-2486

310 PENN STREET
HOLLIDAYSBURG, PA 16648
(800) 854-3035
(814) 696-6318
FAX: (814) 696-6726

647 PHILADELPHIA STREET
SUITE 303
INDIANA, PA 15701
(724) 463-0516
FAX: (724) 463-0518

118 WEST MAIN STREET
SUITE 302
SOMERSET, PA 15501
(814) 443-3918
FAX: (814) 443-6373

179 EAST QUEEN STREET
CHAMBERSBURG, PA 17201
(717) 264-8308
FAX: (717) 264-0269

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 month. 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.

Please keep me updated on your efforts in this area. Good luck.

Sincerely,



BILL SHUSTER
Member of Congress