

110TH CONGRESS
2D SESSION

H. RES. 1179

Expressing the sense of the House of Representatives that the People's Republic of China and all enterprises owned or controlled by the People's Republic of China should make proper disclosures with the Securities and Exchange Commission regarding the selective default status of certain bonds.

IN THE HOUSE OF REPRESENTATIVES

MAY 7, 2008

Mr. GALLEGLY submitted the following resolution; which was referred to the Committee on Financial Services

RESOLUTION

Expressing the sense of the House of Representatives that the People's Republic of China and all enterprises owned or controlled by the People's Republic of China should make proper disclosures with the Securities and Exchange Commission regarding the selective default status of certain bonds.

Whereas sovereign debt obligations (in this resolution referred to as "bonds") of the Government of the People's Republic of China were offered and sold in the United States capital markets;

Whereas the bonds constitute full faith and credit sovereign obligations of the internationally recognized Government of the People's Republic of China;

Whereas the People's Republic of China subsequently defaulted on the bonds;

Whereas the United States Foreign Claims Settlement Commission determined that the bonds constitute an unpaid general obligation of the Government of the People's Republic of China;

Whereas under the successor government doctrine of settled international law (establishing the continuity of obligations among successor governments), the repayment obligation for the bonds is the obligation of the Government of the People's Republic of China;

Whereas the Government of the People's Republic of China has been duly notified by representatives of the affiliated United States creditors of the demand for repayment of the bonds;

Whereas the Government of the People's Republic of China continues to refuse to repay the bonds held by United States citizens and has officially repudiated the debts; a clear violation of United States law, international law, rules and regulations of the World Bank and the International Monetary Fund, and the United Nations Charter;

Whereas the Government of the People's Republic of China honored repayment of the bonds held by British citizens while rejecting the claims of United States citizens;

Whereas the Government of the People's Republic of China, its state-owned enterprises, and other entities controlled by the People's Republic of China continue to enjoy open and unfettered access to the United States capital markets, while the Government of the People's Republic of

China continues to reject the lawful claims of United States citizens;

Whereas the sales of securities in the United States capital markets issued by Chinese entities, including the Government of the People's Republic of China and its state-owned enterprises, fail to disclose both the existence of the defaulted debt of the Government of the People's Republic of China and the continued evasion of repayment of the bonds, the discriminatory treatment of United States citizens, and the People's Republic of China's repudiation of official debt;

Whereas the wrongful actions of the Government of the People's Republic of China are improperly concealed by the continuing publication of artificial "investment grade" sovereign credit rating classifications assigned to the Chinese Government by the 3 primary Nationally Recognized Statistical Rating Organizations (NRSROs) and this concealment fails to conform to the published definitions of those Organizations;

Whereas the continued publication of artificial "investment grade" sovereign credit rating classifications assigned to the Government of the People's Republic of China provides an incentive to the Chinese Government to avoid a negotiated settlement with United States citizens regarding China's default on its sovereign debt obligations;

Whereas the lack of transparency concerning the selective default of the Government of the People's Republic of China poses a material risk to the investing public and threatens the integrity of the United States capital markets; and

Whereas to provide relief to United States bondholders, restore transparency, uphold the rule of law, and affirm the validity of public debt contracts: Now, therefore, be it

1 *Resolved*, That it is the sense of the House of Rep-
2 resentatives that the People's Republic of China and its
3 government-owned and controlled enterprises should be re-
4 quired to properly disclose material information con-
5 cerning the selective default status of these bonds in all
6 prospectuses and filings with the Securities and Exchange
7 Commission.

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