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44TH DISTRICT, CALIFORNIA

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March 13, 2012

The Honorable Gene L. Dodaro  
Comptroller General of the United States  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, D.C. 20548

Dear Mr. Dodaro:

We write to request that the Government Accountability Office (GAO) conduct a complete and accurate inventory of all U.S. government holdings of all Republic of China (ROC) sovereign bonds issued between January 1, 1900 and December 31, 1949, whether considered to be in default or not. We expect this accounting to include but not be limited to the Departments of State, Justice and Treasury. In an era when sovereign debt obligations are critical, the U.S. government should recognize all of its creditor relationships.

From 1900 to 1949 the Chinese government issued hundreds of millions of dollars in sovereign debt—most notably, a large tranche of £25,000,000 issued at 5 percent in 1913. Backed by the full faith and credit of the Chinese government, these bonds were sold to investors in the United States, Japan and Europe by international banks, primarily HSBC and Deutsche Bank, and were widely acquired by both banks and governments. The most prevalent American-held bond is the aforementioned 1913 Chinese Government Five Percent Reorganization Gold Loan Bearer Bond, which matured in 1960.

Printed on these bonds is the following statement: “[T]hese obligations are intended to be binding upon the Government of China and any successor government.” Despite this pledge, in 1938 the government selectively defaulted on these bonds, leaving millions of global creditors unpaid. Following the announcement by the ROC that it could no longer service its national debts in the beginning of 1938 due to the Japanese invasion, the government began issuing new bonds denominated in U.S. currency in April of 1938 and continuing through 1940. Some of these bonds carried a 27-year maturity date.

The Republic of China pledged its intentions to resume payment, but when the Communist Party overthrew the government in 1949, the new People’s Republic of China (PRC) selectively refused to recognize or honor the bond obligations of the governments it succeeded. In the case of the debt owed to the United Kingdom, however, the PRC settled its obligations in 1987.

We are concerned that the U.S. government may hold a substantial portion of these bonds and, like more than 20,000 private U.S. investors, is entitled to remuneration. With this in mind, we ask the GAO to determine:

1. The overall number of Chinese sovereign bonds held, or previously held, by the U.S. government or any of its authorized associates or affiliates;
2. The various types of Chinese sovereign bonds held, or previously held, by the U.S. government or any of its authorized associates or affiliates;
3. The cumulative value (in 2012 USD figures) of these bonds.

Thank you for your assistance in this matter. If you have any questions, please do not hesitate to contact us.

Sincerely,



KEN CALVERT  
Member of Congress



JAMES M. INHOFE  
U.S. Senate



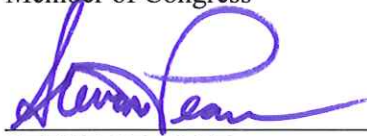
EDWARD R. ROYCE  
Member of Congress



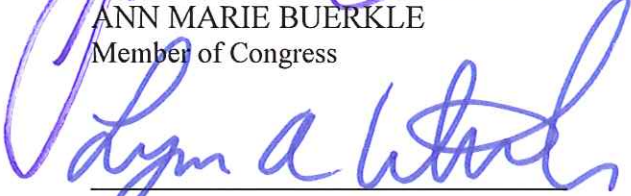
FRANK R. WOLF  
Member of Congress



ANN MARIE BUERKLE  
Member of Congress



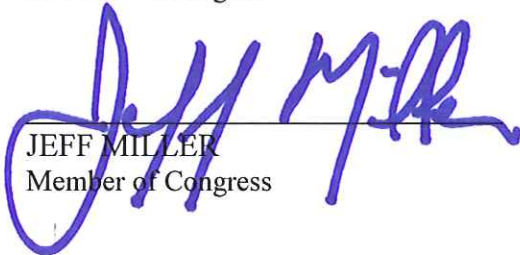
STEVE PEARCE  
Member of Congress



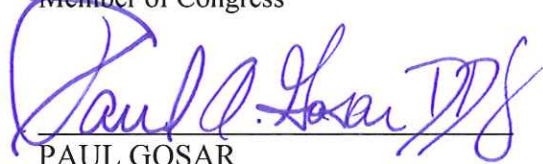
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