



NEWS RELEASE

June 16, 2012

First, we wish to thank Fox News for their reporting of the American Bondholders Foundation issue and a very special thank you to Peter Barnes of Fox News who has spent the last month researching documents, investigating this issue and interviewing several people. Please know what we witnessed today, June 15th, 2012, on [Fox News with Bret Baier](#) (Chris Wallace sitting in for Bret Baier) and Sheppard Smith is only the beginning. Fox reported on approximately 1% of the information and data that they have. There will be plenty more to come!

With this said, the ABF wanted to share with you some of the background information specific to Davis Robinson who was on the interview with Chris Wallace. This person's representations were merely another attempt by the State Department and U.S. Treasury to try and squelch/down play the fact that this is a legitimate and credible debt that the PRC owes. Davis Robinson is a long standing State Department bureaucrat. In fact, here is some history you should be aware of.

The 1983 Aide Memoire

In 1979, a group of holders of 1911 Hukuang Railways bonds sued the PRC in U.S. District Court in Alabama to collect on their bonds in a case entitled Jackson v. People's Republic of China. The PRC refused to respond to the lawsuit and a default judgment was entered against the PRC. In response to threatened execution of that judgment by attachment of PRC assets in the U.S., the PRC's Foreign Minister Wu Xueqian provided to U.S. Secretary of State George Schultz during a State visit in February 1983 a diplomatic "aide memoire", in which the PRC objected to the court's ruling and insisted that the U.S. State Department take whatever actions was necessary to prevent the case from disrupting U.S.-PRC relations and trade and economic exchanges. In response to the Aide Memoire, the U.S. State Department filed its August 18, 1983 "Statement of Interest to Set Aside Default Judgment Against China" memorandum with the court in connection with the PRC's "special appearance" before the district court to obtain a reversal of the default judgment, which is generally regarded as having helped result in the subsequent dismissal of the case. The Aide Memoire provided as follows:

"With reference to the case of Huguang railways bearer bonds, the Ministry of Foreign Affairs of the People's Republic of China wishes to state the following:

- 1. In November 1979, Russell Jackson and eight other American citizens filed a suit against the People's Republic of China in the United States District Court for the Northern*

District of Alabama, demanding repayment of the principal and interest of the Huguang railways bearer bonds, issued by the Qing government in 1911, which they hold. In this connection, the Chinese Government has delivered a number of notes to the U.S. Department of State, making representations and stating that in accordance with international law, China enjoys sovereign immunity from the jurisdiction of any foreign court; that the Chinese Government recognizes no debts incurred by the past reactionary governments of China and has no obligation to repay them. However, the U.S. court, in disregard of the solemn and just stand of the Chinese Government, went so far as to make a default judgment against China on 1 September 1982, ruling that China pay the plaintiffs more than 40 million U.S. dollars. The U.S. side even asserted that if the Chinese Government ignored the judgment of the U.S. court, the plaintiffs would request the U.S. court to execute the above judgments and attach the Chinese Government's property in the United States. Thus, this issue has become a very serious one.

2. *The Chinese government recognizes no external debts incurred by the defunct Chinese governments and has no obligation to repay them. This has been the consistent position of the Chinese Government. It is a long-established principle of international law that odious debts are not to be succeeded to. There is no lack of precedents in the world in which a revolutionary regime, after overthrowing the old regime, refuses to pay the debts the latter incurred in order to maintain its reactionary rule. In semi-colonial and semi-feudal China, imperialism, feudalism and bureaucrat-capitalism brought untold sufferings on the Chinese people. The so-called Huguang railways bearer bonds were one of the means by which the traitorous Qing government, in collusion with the imperialist powers who were carving out spheres of influence in China, intensified its oppression and plunder of the Chinese people to bolster its reactionary rule and repress the people. It stands to reason that the Chinese Government refuses to recognize such old external debts. This position of the Chinese Government fully conforms to the principles of international law and has a sound basis in jurisprudence.*

3. *Sovereign immunity is an important principle of international law. It is based on the principle of sovereign equality of all States as confirmed by the Charter of the United Nations. As a sovereign State, China incontestably enjoys judicial immunity. It is in utter violation of the principle of international law of sovereign equality of all States and the U.N. Charter that a District Court of the United States should exercise jurisdiction over a suit against a sovereign State as a defendant, make a judgment by default and even threaten to execute the judgment. The Chinese Government firmly rejects this practice of imposing US domestic law on China to the detriment of China's sovereignty and national dignity. Should the US side, in defiance of international law, execute the above mentioned judgment and attach China's property in the United States, the Chinese Government reserves the right to take measures accordingly.*

4. *The Chinese Government has always stood for the development of Sino-U.S. relations on the basis of the five principles of peaceful coexistence. As regards the case*

of the Huguang railways bearer bonds, the Chinese side has from the outset made its position clear and requested the US side to handle it properly. The US State Department, however, has all along shirked its responsibility with the result that the matter has developed to what it is today. The Chinese government hopes that the US Government will truly shoulder its responsibility, strictly act on the principles of international law, take effective steps to stop the aggravation of events and handle the case properly so that Sino-US relations and normal trade and economic exchanges may not be impaired.

Beijing, 2 February 1983”

Once this document was received by Secretary Shultz at the State Department, he actually had no clue at the time why this letter was sent by the PRC. So, Secretary Schultz summoned...yeah you guessed it... the man you all saw on the Fox News Report Mr. Davis Robinson and tasked him to go to Beijing and find out why the PRC was so upset. When it was discovered that it had to do with the Jackson versus PRC case which was specific to the PRC's defaulted bonds, the State Department under Secretary Shultz chose to PROTECT the PRC above and beyond the right to due process and judicial remedy of the American people! This is when the State Department stepped in on behalf of the PRC and filed the legal briefs in the courts to have the case dismissed. The dismissal was NOT based on the merits of the case, but based on Foreign Sovereign Immunity protection for the PRC. So in essence, the American people were sold out by our very own State Department. This action by the Department of State completely undermined the continuity of Successor Government Doctrine and the functionality of global finance. Further, this action undermined the purpose and intent behind the creation of the Foreign Bondholders Protective Council (FBPC) whose purpose was to represent U.S. citizens holding defaulted sovereigns of foreign governments and who has been successful in collecting from over 40 countries already who had defaulted sovereign bonds owed to U.S. citizens. The FBPC was successful in collecting on those other countries' bond defaults because the U.S. Government told those countries they had to honor their sovereign debt obligations and debts to the American people. The U.S. Government has failed to tell the PRC they had to honor their sovereign bond obligations and sovereign debts owed to the American people, the bondholders and the U.S. Government. Based on records researched thus far in the Presidential archives of the Reagan Administration, it is believed based upon the preponderance of evidence that Secretary George Shultz, acted solely on his own without the knowledge or expressed authority of the President of the United States, President Ronald Reagan when Secretary Shultz filed the protection documents in the Jackson versus PRC case which set the stage to become in essence the rule of law that all abided by and referenced as case sites which protected the PRC from having to honor its sovereign debt obligations. A further review and investigation into this matter is well underway.

Now with this said, it is important to note that this all happened PRIOR to the 1987 China Brit Treaty whereby as we all know, the PRC paid Great Britain, albeit a very small amount, for the very same bonds being held by U.S. citizens and others around the world. For the PRC to have done this completely undermines their prior representations made in their 1983 China Aide Memoire listed above and places them in to Selective Default, which means they have chosen to pay some creditors but not all creditors.

As you know, beginning around mid-September of 2011, the ABF advised that our issue was no longer just a bondholder issue and was an American issue for the following reason:

As stated even in the Fox News Story, China announced to the world in 1937 that it could no longer service its sovereign debts and they went into default. However, the U.S. Government made the decision fully knowing that China was in default to allow China to begin to issue more bonds to raise money to help them fight against the Japanese invasion. This decision was made in less than 90 days following China's announcement to the world they were in default. So beginning in April of 1938, the United States authorized China to begin issuing U.S. dollar denominated bonds (most of which were 27 year long bond issues) and China continued to issue these bonds through 1939 and 1940. It has been reported to a Congressional Office by a senior level Treasury person that the U.S. Government bought the majority of these bond issues using tax payers' dollars of which have never been paid back and the Treasury official advised that the US Government was holding them for a rainy day if they ever needed them. It was this information and the ABF actually presenting some of the bonds to members of Congress that caused the GAO letter of March 13, 2012 and the Letter to Secretary Geithner on April 6, 2012. The U.S. Treasury has denied having any holdings in their "current foreign holdings as published on their website". Well of course they aren't listed there as these are not considered "current holdings" as they were already defaulted bonds when they were purchased. They are viewed basically that these are debts/bonds that aren't collectable today but could be collectable in the future. This has become a major concern with Treasury causing them to actually issue a Fact Sheet about this issue to Members of Congress and the media in hopes of diverting a fire storm. In essence, the Fact Sheet is their way of sending out the foam trucks to squelch or put out a fire before it really takes off. A counter to this Fact Sheet is currently being prepared by the ABF for distribution to all media and Members of Congress. Despite the many meetings with ABF Team members at the U.S. Treasury and the multiple letters sent to Treasury over the years, the Hearings, media publications, Resolutions out of the House and Senate, the U.S. Treasury actually had the audacity to write in their Fact Sheet that they were unaware there were bondholders in the U.S. You can imagine the importance of the ABF getting a counter Fact Sheet prepared for distribution in the next few days.

With Treasury and the State Department trying their very best to stop the ABF in their tracks by their denials of holdings, there is yet another issue to be addressed. In addition to the bonds that are in default that the US Government has not only failed to tell the PRC that they must honor their sovereign obligations and pay the American people, but have actually continued to run blockade and protect the PRC from having to pay these debts to the American people. The US Government lent hundreds and hundreds of millions of dollars to China AGAIN using tax payers' dollars that has never been paid back to the American people (attached please find State Department and Treasury Publications confirming many of these loans to China for your review).

It is important to recognize the following: If the US Government continues to run blockade for the PRC to protect them from having to honor its sovereign obligations, in essence they are, a) completely undermining the continuity of Successor Government Doctrine of International Law and, b) undermining the system of global finance. What kind of message is this sending around the world to other countries like Spain, Portugal, Greece, who is in sovereign debt crisis? With the U.S. allowing the PRC to get off the

hook of paying and honoring their sovereign debt, what is to prevent other countries from following the examples set by the United States? Why should we honor our sovereign debt if others are not held by the same standard? Further, if the PRC doesn't have to pay their sovereign debts, then why does the United States who pays tens of billions of dollars a year to the PRC just in interest payments alone for the Treasuries the PRC holds of ours? So again, before we allow the US Government to increase our debt ceiling yet another trillion dollars that we the American people are responsible for, we should collect on what is owed to the American people. Did you know that the PRC is still getting FREE foreign aid today from the United States Government? Tens of millions of dollars are being sent each year to the PRC. These are tax payers' dollars that are being sent to the PRC as free money!

So despite failures by previous Administrations to address this issue and bring the PRC to the table, the current Administration, the Obama White House has had more than ample opportunity to put forth efforts to resolve this issue on behalf of the American people but has failed to do so. The question then becomes: "Is the Obama Administration forgiving over a trillion dollars in debt owed to the American people by the People's Republic of China"? By the Obama Administration failing to act on this issue is sending that message to the PRC and to the American people. Or, would you and the American people rather continue to see the PRC be afforded a "Double Set of Rules and Standards", continue to buy up American businesses and land in the U.S. putting more and more Americans out of work/jobs using money they owe us to begin with?

Please put forth efforts to help educate and inform the American people about this issue. If you need assistance or have questions, please do not hesitate to contact the ABF and ask.