

# AMERICAN LEGISLATIVE EXCHANGE COUNCIL

# ALEC

January 21, 2011

The Honorable Sandy Adams  
U.S. House of Representatives  
216 Cannon House Office Building  
1st and Independence Ave., S.E.  
Washington, DC 20515-0924

Dear Representative Adams:

On behalf of the American Legislative Exchange Council (ALEC), I respectfully submit these comments and a national resolution urging USTR to reevaluate Argentina's Generalized System of Preferences (GSP) beneficiary status and to recommend withdrawal or suspension of its GSP benefits. As a Congressional Alumna Member of ALEC, we encourage you to take action that will support the normalization of Argentina's relations within the international community.

Argentina has consistently ignored its responsibilities as a GSP beneficiary and thus, is not deserving of its status as a Beneficiary Developing Country (BDC). Given Argentina's relative wealth, it is also clear that the GSP program would be better served by focusing its benefits on poorer and more needy developing countries.

Argentina has continuously acted in ways that are contradictory to how a GSP beneficiary country should act, violating the mandatory criteria of GSP legislation. Argentina's 2001 sovereign debt on more than \$81 billion and subsequent actions constitute a repudiation of contracts with U.S. citizens and a seizure of property owned by U.S. citizens. The failure to provide prompt, adequate, and effective compensation and its refusal to engage in good faith negotiations regarding repayment acts as a seizure of U.S. property in violation of those requirements. Furthermore, despite being one of the wealthiest nations to receive GSP benefits, with over \$51 billion in Central Bank reserves, Argentina still is unwilling, although more than capable, of repaying its debts to U.S. creditors.

Argentina's performance with respect to key GSP discretionary criteria is also deficient. GSP is set up to facilitate trade between the U.S. and developing countries. Argentina, however, is taking advantage of trade benefits while hindering U.S. access to its markets. Argentina's average tariff rate is almost five times that of the United States. In recent years, the Argentine government has actually raised tariffs and imposed new customs and licensing procedures and other measures so as to further block access to its market. Argentina also imposes higher export taxes on raw materials relative to those on processed products, effectively subsidizing their export.

Furthermore, legislation has been introduced in the 110th and 111th Congresses to remedy Argentina's refusal to pay its outstanding debts to U.S. citizens. The Judgment Evading Foreign States Accountability Act (JEFSFA), introduced by Representative McMahon as H.R. 5564 in the 111th Congress, is intended to prevent wealthy and middle-income foreign states from ignoring their financial obligations to U.S. citizens and companies and defying U.S. court judgments.

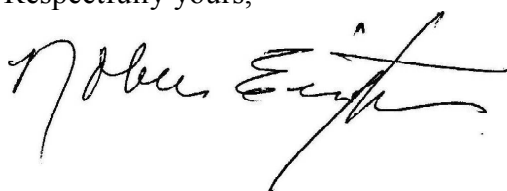
JEFSFA aims to stop these nations from inflicting further financial injury on the U.S. and its citizens - and to prevent other nations from doing so in the future.

ALEC's public and private sector members are united by a steadfast belief in the power of free markets and limited government to propel economic growth worldwide. Promoting global free trade is a core component in the pursuit of these principles. While GSP is a non reciprocal trade program, and ideally free trade agreements are the ultimate trade goal, GSP's purpose is to boost the trading capacity of developing nations and can afford benefits to the U.S. manufacturing base and U.S. consumers. Thus, when functioning as intended, the GSP is consistent with ALEC advocacy efforts. However, the GSP has a negative impact on the U.S. economy when participating countries do not abide by the rules laid out in the qualifying criteria.

U.S. state international economic development programs are seeing their budgets slashed and their capacity to assist small businesses grow in the global marketplace strained. This has led to the closure of state overseas trade offices, participation in fewer international trade shows, suspension of small business grants and market research programs. Given the position of state trade programs, it is paramount that federally mandated trade programs are used, as intended, to maximize trade opportunities for U.S. business. USTR should take action against Argentina since U.S. access to the Argentine market is neither equitable nor reasonable as required by the GSP statute.

Argentina has consistently ignored its responsibilities as a Beneficiary Developing Country under the Generalized System of Preferences and refused to recognize its outstanding debt to U.S. citizens. For all the reasons above, ALEC has passed a resolution urging that USTR reevaluate Argentina's GSP beneficiary status and recommend withdrawal or suspension of its GSP benefits – unless remedial action is taken by the Argentina government – and that members of Congress support this action as well. ALEC also urges members of Congress to support JEFSFA as a legislative remedy to Argentina's outstanding debt to U.S. citizens.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Noble Ellington". The signature is fluid and cursive, with a prominent initial "N" and a long, sweeping underline.

Representative Noble Ellington  
National Chair