



February 11, 2011

The Honorable Jon Tester
724 Hart Senate Office Building
Washington, DC 20510

Dear Senator Tester:

On behalf of the 362,000 members of the National Taxpayers Union (NTU), I urge you to work with the U.S. Trade Representative and other Executive Branch officials to pursue remedies for Argentina's manipulative practices against U.S. debt holders, especially in light of that nation's favored trade status through the Generalized System of Preferences (GSP) program. As one of 131 countries currently eligible to export approximately 5,000 types of products duty-free to the United States, Argentina is not holding up its end of the bargain. Since NTU is a strong supporter of international commerce and trade agreements such as NAFTA and CAFTA, we are greatly concerned by Argentina's refusal to recognize its responsibilities as part of this important U.S. trade program.

The costs to U.S. lenders to Argentina from the time of the nation's default in December 2001 to December 2008 total \$9.5 billion. These costs would have offset tax obligations, and thus result in reduced revenues that bondholders otherwise would have paid. To be clear, NTU emphatically supports reduced tax rates on investments, and does not reflexively view foregone revenues to the Treasury as "losses." Yet, Argentina's behavior helps no one except those few in Argentine government who wish to prop up their nation's statist economic model. Furthermore, the Argentine government's refusal to fairly and adequately settle its outstanding debt with creditors is a violation of its requirements as a GSP beneficiary. Despite being one of the wealthiest nations to receive GSP benefits, Argentina has consistently refused to recognize over 100 U.S. court judgments filed by U.S. creditors.

The Argentine government has also imposed tariffs and other export taxes that make it more difficult for U.S. producers to trade there. Argentina's tariff rate is almost five times that of the U.S., with its bound rate set at 10 times that of the U.S. Argentina has also imposed higher export taxes on raw materials relative to those on processed products, effectively subsidizing the export of processed products. The steps Argentina has taken have hindered the ability of U.S. taxpayers to trade outside of the America's borders and effectively participate in the world market.

Argentina's recent agreement with the Paris Club to settle some \$9 billion in claims still leaves U.S. bondholders without a resolution. Meanwhile, Argentina's bad-faith trade practices persist, creating a contagion of carelessness that threatens to spread to other countries. This pattern of defiance is reason why we encourage you, Senator Tester, to explore with the U.S. Trade Representative and other officials additional channels of influence and pressure that will convince Argentina to fulfill its obligations, both to bondholders and as a GSP participant. Our taxpayers deserve better from nations who are considered to be trading partners.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Sepp", written over a white background.

Pete Sepp
Executive Vice President