

May 3, 2011

The Honorable Senator Harry Reid  
Majority Leader  
U.S. Senate  
Washington, DC 20510

Dear Majority Leader Reid:

The nations of Indonesia, Kosovo, Mongolia, Nepal, Paraguay, Philippines, Sri Lanka, Thailand, and Uruguay have come together as a coalition to express grave concern about how our exporters, workers, and families are being affected by the lapse of the Generalized System of Preferences (GSP). As your trade partners and key geopolitical allies, we are being significantly and adversely impacted by GSP's expiration.

The GSP's importance to its beneficiary countries cannot be underestimated. Overall, GSP benefits more than 3.8 billion people living in two-thirds of the world's economies. The 36-year-old GSP created by Congress has shaped the rise of our middle classes, has replaced illicit trades with legal employment, and has given us a future. We have included an Appendix of country-by-country accounts detailing how the GSP has made a tangible difference.

The negative effects of the program's expiration are strongest on beneficiaries such as nascent Kosovo whose U.S. imports under GSP comprised more than half of its goods that entered the United States last year. Landlocked Paraguay accessed the U.S. market via GSP in 2010 for 71.4 percent of its U.S. imports and Nepal recorded more than 25 percent annual growth in its GSP-claimed trade into the United States.

Our products, without GSP, are losing hard-won market share in their respective niches. Once lost, that market share will not easily be regained. To tiny producers such as Mongolia that rely on GSP to gain a foothold in the giant U.S. market, the lack of GSP is especially dangerous and creates the unintended consequence of increasing the already large U.S. market share held by non-GSP countries with low production costs. We have heard from companies throughout the United States whose limited resources are now severely burdened by the added costs of paying duties and are moving their sourcing away from suppliers in GSP countries.

As a result, the absence of GSP is causing job loss in our countries – especially for women and for residents of our rural areas. It is also resulting in the decline of critically needed investment for future economic growth.

We respectfully request today that you move forward to renew GSP quickly and for as long as possible. The most current data shows that U.S. imports of GSP-eligible items have dropped by 10.6 percent since GSP expired (January-February 2011). In contrast, the value of all U.S. imports grew by 19 percent during those same months. These figures are a strong indicator of the detrimental impact of GSP's uncertainty and U.S. importers' response to the cost of paying duties by switching to non-GSP suppliers.

Thank you very much for your consideration of our views. If you have any questions, we would be happy to discuss them with you and your staff at your earliest convenience.

Very sincerely,



**Dino Patti Djalal**  
*Ambassador Extraordinary and  
Plenipotentiary  
Embassy of Indonesia*



**Shankar Prasad Sharma**  
*Ambassador Extraordinary and  
Plenipotentiary  
Embassy of Nepal*



**Avni Spahiu**  
*Ambassador Extraordinary and  
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Embassy of the Republic of Kosovo*



**Rigoberto Gauto Vielman**  
*Ambassador Extraordinary and  
Plenipotentiary  
Embassy of Paraguay*



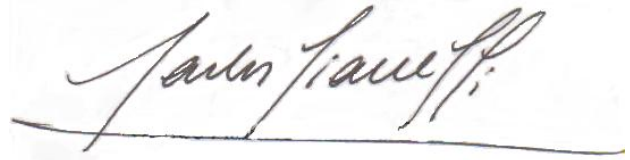
**Khasbazaryn Bekhbat**  
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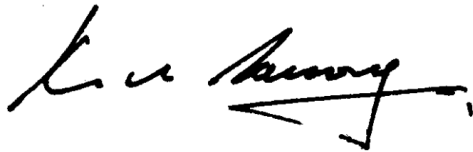
**Jose L. Cuisia, Jr.**  
*Ambassador Extraordinary and  
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**Carlos Alberto Gianelli Derois**  
*Ambassador Extraordinary and  
Plenipotentiary  
Embassy of the Republic of Uruguay*



**Kittiphong na Ranong**  
*Ambassador Extraordinary and  
Plenipotentiary  
Embassy of the Kingdom of Thailand*

cc: The Honorable Secretary of State Hillary Rodham Clinton  
The Honorable Secretary of the Treasury Timothy Geithner  
The Honorable Secretary of Agriculture Thomas J. Vilsack  
The Honorable Secretary of Commerce Gary F. Locke  
The Honorable U.S. Trade Representative Ambassador Ronald Kirk  
Deputy Assistant to the President and Deputy National Security Adviser for  
International Economic Affairs Michael Froman

Attachment

## **APPENDIX**

### **EXAMPLES OF GSP'S TANGIBLE BENEFITS TO THE BENEFICIARY COUNTRIES**

**INDONESIA:** Indonesia is a major supplier of musical instruments to the United States, with nearly \$68 million in U.S. imports in 2010 of grand and upright pianos as well as acoustic and amplified string, percussion, and other keyboard instruments. Without GSP duty-free entry into the U.S. market, these items are now incurring duties ranging from 3.2 percent to 8.7 percent. Musical instruments are integral to Indonesia's heritage with the Indonesian word, "gamelan," being a musical ensemble, typically from Bali or Java, that includes the types of GSP-eligible instruments Indonesia is exporting to the U.S. market – bowed and plucked string instruments, drums, gongs, xylophones, and bamboo flutes.

**KOSOVO:** In December 2010, Frutex Enterprise began exporting its popular energy drink, "Golden Eagle," for the first time to the United States, counting on duty-free entry into the U.S. market under GSP (MFN duty is \$0.02 per liter). The owners established Frutex in 1994, which was totally destroyed five years later during the war. After the conflict was over, reconstruction began and production restarted using dated technology and a small number of workers. After making subsequent improvements and distributing the product beyond Kosovo, the owners completed a new facility with modern production technology and an output capacity of 10,000 liters per hour in anticipation of expansion into the U.S. market.

**MONGOLIA:** Tungsten concentrates are the third product type imported from Mongolia duty-free under GSP, as opposed to entering under the MFN duty rate of \$0.375 per kilogram on each shipment's tungsten content. The concentrates come from a mine that is currently owned and operated by U.S.-based Science Solutions and is located in the far western province of Bayan-Olgii. The mine, in operation since 1995, currently employs about 100 workers from the soums (counties) nearby. There are some of the best jobs in an area that has few employment options outside of herding. The mine is known within Mongolia as an operation that exceeds local standards for safety, health, and environment; follows all labor laws; and is a benchmark for good corporate behavior in Mongolia's far west.

**NEPAL:** Despite a decrease in overall exports from Nepal to United States between 2009 and 2010 as reported by the Government of Nepal, U.S. imports under GSP increased three times more in value than did non-GSP eligible imports. For example, imports under GSP from Nepal include recycled plastic napkin sets that feature a basket

and napkin rings made with recycled plastic wrappers from popular manufactured food products. Ordinarily the products would carry a significant duty of 6.5 percent if not entering under GSP. The sales of these items fund primary healthcare and community education services. Imports of rugs are also a significant import from Nepal because under GSP they enter the U.S. market duty-free rather than being dutiable at six percent. These rugs are produced by a number of groups, including from the Kumbeshwar Technical School near Katmandu, which provides training to socially and economically disadvantaged children in low-caste communities, people who are disabled and impoverished women with marketable skills.

**PARAGUAY:** In the last few years, new Paraguayan products have entered the U.S. market with good competitiveness through the facilitation provided by GSP preferences. Among these products are GSP-eligible spices, wood flooring, and processed food using Paraguayan sugar. Other Paraguayan GSP-eligible products in development, such as certain juice concentrates, stevia, non-textile handicrafts, and silverware will promote the creation of needed jobs for the country's small-farm society living in poverty. They will also support important initiatives for reforestation and efficient management of natural resources and will give markets to crafts people seeking to preserve the traditional customs of Paraguay. GSP also encourages American companies to partner productively with local companies in Paraguay in order to export to the United States and to compete in within MERCOSUR.

**PHILIPPINES:** Green Carbon, Inc. is an activated carbon producer situated on the island of Leyte, one of the poorest provinces in the Philippines. Coconut shell charcoal, purchased directly from coconut farmers and traders in the area, comprises the raw material. The unexpected reinstatement of the 4.8 percent duties has come on top of the dollar's depreciation and increases in freight costs, practically wiping out the company's profit margins. Eighty percent of the company's annual production is purchased in advance, locking in prices. Another important GSP-eligible import from the Philippines is rope made of the indigenous fiber, abaca. This rope is in stiff international competition with synthetic and sisal ropes and is highly price sensitive. Abaca is grown in a number of economically challenged, agricultural provinces of the Philippines where more than 78,000 Philippine farmers and 140,000 farm workers - along with 430,000 family members - rely on its production for their livelihoods.<sup>1</sup>

**SRI LANKA:** Following nearly three decades of terrorism that ended in May 2009, Sri Lanka has returned to normalcy, with peace and stability taking root. The people of Sri Lanka have begun to look to the future with an unprecedented scale of hope and optimism. The United States continues to be the largest single market for Sri Lankan products, accounting for a third of its exports. The GSP program has been of immense

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<sup>1</sup> Philippine Council for Agriculture, Forestry and Natural Resources Research and Development, 4/8/09.

use for a large number of Sri Lankan SMEs to enter and establish some foothold in the US market. As an example, a female entrepreneur began what has become a sustainable rubber glove export company only after learning about the duty-free entry of the items under GSP, rather than their being subject to MFN duties of three percent. Coir brushes, made by rural residents of tsunami impacted areas of the country, are now a major export only because of the U.S. market niche they were able to obtain through duty-free entry under GSP.

**THAILAND:** The term, “the Golden Triangle,” formerly referred to an opium-growing region covering northern Thailand, eastern Burma and western Laos. Thanks to a highly successful crop substitution program undertaken by the King of Thailand, the Hill Tribes of the Thai region of the Golden Triangle are now the source of a thriving silver jewelry production and export industry. Their products enter the U.S. market duty-free under GSP rather than incurring MFN duties between 5 percent and 13.5 percent. The Hill Tribes artisans have a long tradition of producing silver jewelry for their own consumption but are now increasing their production for export. Previously, the lack of work in the villages drove the tribes’ young people to the towns to look for work. With the increase in silverwork production and demand, tribal elders are now training the youth in silversmithing traditions, hoping to reverse the drain to the cities and to continue their tribal culture.

**URUGUAY:** Over \$8 million in GSP-eligible plywood products entered the U.S. market from Uruguay in 2010. If not entering under GSP, these items would have been subject to an eight percent duty. Weyerhaeuser Company has three major operations in Uruguay that produce Forest Stewardship Council-certified plywood from eucalyptus and pine - both sustainable alternatives to tropical or endangered wood species. Leather saddles and harnesses are also an important U.S. import under GSP from Uruguay, with trade of more than three-quarters of a million dollars in 2010. Otherwise dutiable at 2.8 percent, these products are part of Uruguay’s culture of the gaucho, a key figure in the country’s national identity.