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For Immediate Release
Tuesday, Oct. 7, 2008

Grassley Reminds Commerce Secretary of Brazilian Ethanol's Access to U.S. Market

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, with Senate jurisdiction over international trade, today reminded Commerce Secretary Carlos Gutierrez that Brazil already can export its ethanol to the United States duty-free under a carve-out in the Caribbean Basin Initiative. Grassley wrote to Gutierrez in response to the secretary's comments that the ethanol tariff will be discussed in his meetings with Brazilian officials this week. The text of Grassley's letter follows here. The text of stories from Congress Daily P.M. and the Bureau of National Affairs follow that.

October 7, 2008

The Honorable Carlos M. Gutierrez
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Secretary Gutierrez:

I understand that you are traveling to Brazil this week to participate in the U.S.-Brazil Commercial Dialogue Ministerial Meeting. I appreciate the efforts that you are making to improve market access and investment opportunities for U.S. exporters and investors in Brazil.

I would like to express my concerns, however, regarding a recent press report that you view the U.S. tariff on ethanol as an impediment to imports of alternative energy sources, including imports of ethanol from Brazil.

I strongly disagree. On the contrary, U.S. tariff policies with respect to imports of Brazilian ethanol are very generous. Under the Caribbean Basin Initiative (CBI), Brazilian ethanol that is merely dehydrated in a Caribbean country can enter the United States duty-free in amounts up to 7 percent

of the U.S. market. In 2008, for example, our ethanol tariff will be waived for some 452 million gallons of ethanol from Brazil, up from the 351 million gallons of ethanol that were eligible to enter the United States duty-free in 2007. We have provided duty-free access for Brazilian ethanol under the CBI since 1990, but Brazil has not once filled this 7 percent cap. In fact, the most ethanol that Brazil has ever shipped to the United States under this program was 247 million gallons in 2007, an amount well below both last year's duty-free cap and the cap for 2008.

As Brazil is not taking full advantage of its existing ability to export ethanol duty-free to the U.S. market, I see no reason why the United States should even consider making its tariff treatment of Brazilian ethanol yet more generous still. At the same time, Brazil continues to maintain significant tariffs on many U.S. exports. I encourage you to raise this disparity with Brazilian officials during your visit.

Sincerely,

Charles E. Grassley

Congress Daily PM

TRADE

Gutierrez: Ethanol Tariff To Be Brought Up At Brazil Talks

Monday, Oct. 6, 2008

by Peter Cohn

Commerce Secretary Gutierrez said today that the 54-cent-per-gallon ethanol tariff will be on the agenda on his trip to Brazil this week, when he meets with government and industry officials for bilateral trade talks. "We have had very candid discussions" with Brazil on the subject and "the administration has been very clear about our desire to revisit those tariffs," Gutierrez said, speaking on a conference call. The tariff was set to expire at the end of this year, but corn-state lawmakers such as Finance ranking member **Charles Grassley** of Iowa were able to secure an extension through 2010 as part of the farm bill enacted this year. Corn-based ethanol competes with sugar cane-based ethanol, of which Brazil is a top exporter and chief U.S. competitor. "They are part of the farm bill, so to reduce them or eliminate them would require Congress to act," Gutierrez said. Given the congressional schedule and opposition to cutting the tariff, he added, it will be "tough to have that happen in the near future." He said the tariff amounts to a "tax on U.S. consumers" that is crimping access to alternative sources of energy.

Sens. **Dianne Feinstein**, D-Calif., and **Judd Gregg**, R-N.H., introduced legislation this year to lower the tariff, but it could not gain traction. Their proposal has support in coastal states, where it can be more expensive to ship corn-based ethanol, but the U.S. corn ethanol industry has argued for the tariff on grounds that Brazil heavily subsidizes its production.

Oil companies receive a tax credit for blending gasoline with either domestic or imported ethanol, which the tariff is meant to offset. Furthermore, Brazilian ethanol can be imported tariff-free through Caribbean countries as part of a separate trade preferences program, which was extended through 2010 as part of the farm bill.

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News

Trade Policy

Commerce's Gutierrez Heads to Brazil For Talks on Doha Round, Taxes, Visas

U.S. Commerce Secretary Carlos Gutierrez Oct. 6 identified several priorities, including the Doha Round, double taxation, and business visas, that will be discussed between U.S. and Brazilian business leaders at an upcoming meeting during his visit to Brazil.

Gutierrez will chair the U.S.-Brazil Commercial Dialogue ministerial meeting during his visit, which starts Oct. 9. The third meeting of the U.S.-Brazil CEO forum will be co-chaired by Gutierrez and Dan Price, the assistant to the president for international economic affairs, in Sao Paulo, Oct. 9-10.

"Both are important bilateral discussions and have been able to deliver results. We believe it's important to keep these forums going," Gutierrez told reporters on a conference call.

Issues that will be discussed are the World Trade Organization's Doha Round of global trade talks, a double taxation treaty between the United States and Brazil, how U.S. companies can participate in Brazil's infrastructure projects, and making it easier for businesses and tourists to obtain visas, he said.

Participants in the U.S.-Brazil CEO Forum are expected to discuss the elimination of trade barriers, and explore opportunities to streamline and increase bilateral trade. The forum brings together American and Brazilian business leaders to identify ways to strengthen economic ties between the two countries.

"We are hoping to make progress in all of the areas," he said. Work is ongoing to get the United States and Brazil to reduce visa processing times, Gutierrez said.

Ethanol Tariffs

Under questioning, Gutierrez said he expected U.S. tariffs on imported **ethanol** from Brazil would be among the subjects for discussion. "This is important for Brazil and they have brought it up in the past," he said.

The Bush administration has been clear in its desire to revisit the **ethanol** tariffs but Congress will have to act to reduce or eliminate them, he said. Given the congressional calendar, it will be tough to have that happen in the near future, he said.

"But clearly it's something that will have to be revisited because we do want access to different sources of energy and we are simply taxing U.S. consumers by applying a tariff to imported **ethanol**," he said.

Brazilian Foreign Minister Celso Amorim said Sept. 2 that there is a strong possibility that Brazil will challenge American **ethanol** tariffs before the World Trade Organization.

While Brazil is the world's leading **ethanol** exporter, its exports to the United States must pay a tariff of 54 cents per gallon, severely limiting sales. Brazilian officials have been pressuring Washington to lower the tariff, charging that it is an artificial barrier designed to protect American farmers who produce **ethanol** from corn, a process that is far more expensive than Brazil's sugar cane-sourced **ethanol**.

Global Financial Crisis

Gutierrez also said that it was important to convey the message that the U.S.-Brazil partnership will continue regardless of who wins the U.S. presidential election on Nov. 4. "This is a very important relationship that goes well beyond one administration," he said.

With the current difficulties in world financial markets, it is more important than ever that countries work on their investment climate--intellectual property rights, protection of property, openness, and transparency, Gutierrez told reporters. "That's also a message I'll be taking with me," he said.

Over the short and medium term, there is no question that companies will have to be more selective in allocating their capital, Gutierrez said. He speculated that investor firms will revisit their investment plans. "They'll be more selective than ever in choosing where to invest," he remarked. Everyone is going to have to "step it up" in terms of improving the investment climate, Gutierrez said.

Gutierrez, asked if U.S. influence in the region would decrease in light of the financial crisis, said the United States still represents the No. 1 export market for many of the countries in the Western Hemisphere. "We are going through clearly ... a very difficult situation but our history show we will get through this," the commerce secretary said. "And we will be back to growth."

The United States is the largest investor in Latin America and the biggest export market for Latin American countries and "that will continue," Gutierrez said.

"This is not the time to change investment policies. This is not the time to adopt isolationist policies," Gutierrez said. It is more important now than ever that world markets stay open, he said.

By Rossella Brevetti