

United States Senate
Committee on Finance



Sen. Chuck Grassley • Iowa
Ranking Member

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MEMORANDUM

To: Reporters and Editors
Re: Administration on ethanol tariff
Da: Thursday, July 30, 2009

Senator Chuck Grassley of Iowa today responded to a letter of July 29 from U.S. Trade Representative Ron Kirk and Secretary of State Hillary Clinton regarding the U.S. tariff on ethanol. A day earlier, Grassley wrote to them expressing concerns that the President's nominee to be Ambassador to Brazil, Thomas Shannon, had stated that the removal of the tariff would be "beneficial." The nominee's view was at variance with President Obama's stance on the ethanol tariff as a U.S. senator and a presidential candidate. In his letter, Grassley sought clarification of the President's position on the ethanol tariff. Grassley also stated that he expected a response to his letter before a Senate vote on the nominee would occur. Here is Grassley's comment on the Kirk-Clinton letter.

"I'm glad the Administration made clear so quickly that the President supports maintaining the 54 cent-per gallon tariff on imported ethanol. Like me, the President recognizes the importance of domestic biofuels. I look forward to working with the President to reduce U.S. dependence on foreign fuels and promote economic development in rural America. In light of the Administration's very clear response, I'll lift my objection to proceeding to Mr. Shannon's nomination."

The Kirk-Clinton letter is attached. The text of Grassley's letter is in the news release [here](#).

For Immediate Release
Tuesday, July 28, 2009

Grassley Seeks Clarification of U.S. Stance on Ethanol Tariff Before Nominee
for Ambassador to Brazil Moves Forward

WASHINGTON – Sen. Chuck Grassley of Iowa is seeking clarification of the White House’s position on keeping the U.S. tariff on imported ethanol after a statement in favor of lifting the tariff from the President’s nominee for ambassador to Brazil.

“As a senator and as a presidential candidate, President Obama supported keeping the U.S. tariff on imported ethanol,” Grassley said. “Now, the President’s nominee for ambassador to Brazil says the removal of the tariff would be ‘beneficial.’ It’s important to know whether the Administration’s position has changed before this nomination goes forward.”

Grassley wrote to Secretary of State Hillary Clinton and United States Trade Representative Ron Kirk to seek a clarification of comments from Thomas A. Shannon, Jr., to be ambassador to Brazil, made during a nomination hearing earlier this month. Grassley has long argued that the U.S. tariff on imported ethanol is appropriate. Brazil – another major ethanol producer in addition to the United States – already can import ethanol tariff-free to the United States through Caribbean countries as part of a separate trade preferences program. The tariff-free treatment is subject to a cap, which Brazil has never come close to meeting.

Grassley is ranking member of the Finance Committee, with jurisdiction over international trade. The text of Grassley’s letter today follows here.

July 28, 2009

The Honorable Hillary Rodham Clinton
Secretary of State
U.S. Department of State
Representative
2201 C Street, N.W.

The Honorable Ron Kirk
United States Trade Representative
Office of the U.S. Trade

600 17th Street, N.W.

Washington, D.C. 20520

Washington, D.C. 20508

Dear Secretary Clinton and Ambassador Kirk:

I am writing with regard to the nomination of Thomas A. Shannon, Jr., to be Ambassador to Brazil.

The Senate Foreign Relations Committee held a hearing on Mr. Shannon’s nomination on July 8. During the hearing, Mr. Shannon was asked whether it was his view that both the United States and Brazil would benefit from the United States removing its tariff on imported ethanol. Mr. Shannon stated that it was his belief that such an action would indeed be “beneficial.”

Mr. Shannon’s stance on the ethanol tariff is at variance with that of the Congress. The ethanol tariff was extended by Congress in 2008. Just one year earlier, in 2007, the

Senate soundly rejected an amendment to remove the ethanol tariff. In maintaining and extending the tariff, Congress has recognized the important role that the tariff plays in reducing U.S. dependence on foreign energy sources.

It also appears that Mr. Shannon's statement is contrary to the position of President Obama. While a United States Senator, the President recognized the benefits of the domestic biofuels industry and supported the tariff. He maintained this position as a presidential candidate.

The view expressed by Mr. Shannon calls into question the current position of President Obama on the ethanol tariff. Mr. Shannon met with my staff this month to discuss his nomination. During the meeting, he stated that, if confirmed, he would advocate the policies of the United States, including those set by congressional prerogative such as the ethanol tariff. Nonetheless, I remain concerned that his view on removing the ethanol tariff, which has already appeared in the Brazilian press, could send the wrong signal to Brazil regarding U.S. policies on ethanol imports. In addition, Mr. Shannon's statement has caused concern among domestic biofuels producers who are now left to wonder if President Obama supports repealing the import tariff.

As Ambassador to Brazil, Mr. Shannon would represent Administration positions to the Brazilian government. I ask that you clarify the policy of the Administration regarding the ethanol tariff. It is important to know if Mr. Shannon's statement now represents the position of President Obama regarding this tariff.

A clear signal of the President's stance on this issue would decrease the possibility of confusion in America's heartland and in Brazil regarding the ethanol tariff if Mr. Shannon were confirmed as Ambassador to that country.

Please note that I expect a response to this letter before a confirmation vote on Mr. Shannon's nomination takes place. Thank you for your attention to this matter.

Sincerely,

Charles E. Grassley