

June 10, 2005

The Honorable Charles Grassley, Chairman  
Senate Finance Committee  
United States Senate  
Dirksen 219  
Washington, DC 20510

The Honorable Max Baucus, Ranking Member  
Senate Finance Committee  
United States Senate  
Dirksen 219  
Washington, DC 20510

The Honorable William A. Thomas, Chairman  
Ways and Means Committee  
United States House of Representatives  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Charles B. Rangel, Ranking Member  
Ways and Means Committee  
United States House of Representatives  
1102 Longworth House Office Building  
Washington, DC 20515

Dear Chairmen Grassley and Thomas and Ranking Members Baucus and Rangel:

The American Coalition for Ethanol (ACE) is a national organization of approximately 700 members in 43 states, including ethanol producers, farmers, commodity organizations, rural electric co-ops and other organizations supportive of increased ethanol production and use in the U.S. I am writing to express ACE's opposition to the Dominican Republic - Central American Free Trade Agreement (DR-CAFTA).

First and foremost, ACE is concerned that the DR-CAFTA subjects certain U.S. commodity markets to unfair import concessions, thereby pitting U.S. commodity interests against each other in the debate over whether DR-CAFTA should be approved. While the deal may arguably help U.S. grain producers, U.S. sugar producers will clearly suffer under the market access granted to foreign imports of sugar. ACE believes it is not in the best long-term interest of the U.S. economy to ratify a trade deal that creates winners and losers among U.S. farmers and the domestic agriculture sector.

While it appears that DR-CAFTA does not materially change trade rules applying to ethanol under the Caribbean Basin Initiative (CBI), ACE is concerned the U.S. is setting a dangerous precedent that could jeopardize domestic ethanol production through the establishment of future free trade agreements. It is no secret that Brazil, the world's leading ethanol producer, is examining ways to gain greater access to the U.S. ethanol market. Should Congress enact the Renewable Fuels Standard (RFS) now under consideration to grow the domestic ethanol market to 8 billion gallons by 2012, the U.S. would become even more attractive to foreign ethanol producers. On the heels of the CBI and NAFTA, the DR-CAFTA agreement appears to be a step toward establishing another regional free trade agreement, such as the Free Trade Area of the Americas (FTAA), which would include Brazil. This could dramatically undermine the progress the domestic ethanol industry has made in reducing our dependence on foreign sources of transportation fuel. As such, we will be forced to oppose any future trade agreement that subjects ethanol, or any other domestic agricultural commodity, to unfair foreign competition.

A number of U.S. trade partners continue to violate the rules guiding existing trade agreements. Moreover, it has been predicted that U.S. agricultural imports will exceed exports of agricultural products this year. We believe that DR-CAFTA could exacerbate this troubling trend. Instead of establishing new trade deals that could further weaken the U.S. farm sector, we urge policymakers and the administration to concentrate on enforcing existing trade rules.

We recognize the delicate balance that must be struck when negotiating trade deals and appreciate your efforts to secure market access for U.S. commodities. Nevertheless, we are uneasy about the willingness of the U.S. to negotiate bilateral and regional free trade agreements outside of the WTO process, particularly trade pacts that splinter critically important alliances among U.S. agricultural producers. Given the unsettling challenges that U.S. agricultural trade is facing and the mixed impacts of this agreement, we cannot support DR-CAFTA at this time. Thank you for your consideration of our views.

Sincerely,

Brian Jennings, Executive Vice President  
American Coalition for Ethanol

CC: Honorable William Frist - Senate Majority Leader  
Honorable Harry Reid - Senate Minority Leader  
Honorable J. Dennis Hastert - Speaker of the House of Representatives  
Honorable Nancy Pelosi - House Minority Leader  
Honorable Rob Portman - United States Trade Representative  
Honorable Mike Johanns - United States Department of Agriculture