



SUPPORT ALTERNATIVES TO PRESERVE ETHANOL PRODUCTION IN THE CARIBBEAN BASIN

- The Caribbean Basin Initiative (CBI) is a carefully designed development program to help Caribbean countries attract investors and diversify exports. CBI grants eligible countries with duty-free access to the U.S. market for most products, including a duty-free quota of up to 7% of the US domestic market for non-indigenous ethanol.
- Initially launched in 1983 under President Reagan, CBI is a vital component of U.S. economic relations with Central America and the Caribbean. Congress made the ethanol provisions permanent through the Caribbean Basin Economic Recovery Act in 1990.
- Advanced ethanol is now a key export product from the region. There are nine ethanol facilities in five Caribbean countries: Jamaica, El Salvador, Costa Rica, Trinidad & Tobago, and St. Croix. These plants process sugar cane based ethanol, primarily from other countries and transform it into EPA certified “advanced biofuel”.
- The plants have the capacity to produce 700 million gallons annually for the U.S. market. These plants represent over \$300 million in investment, a significant portion of which has come from U.S. investors. Plans to expand and build new facilities are underway in different parts of the region, provided the tariff is not eliminated.
- The ethanol industry has generated hundreds of direct and indirect jobs, hundreds of millions of dollars in foreign exchange, and constitute an “anchor” investment that encourages up- stream economic development in cane cultivation in the Caribbean and CAFTA region.
- More than 80% of the CBI exports from Jamaica are ethanol. Ethanol exports from Trinidad & Tobago have increased from \$15 million to \$160 million. Investment in Costa Rica is approximately \$30 million and more than 12,000 small farms benefit from Costa Rica’s ethanol industry. Much needed foreign exchange is being generated for El Salvador from its two ethanol plants. St.Croix production should also start back up if the tariff is not removed and kept in place.
- While global economic factors have disrupted the normal trade flow of ethanol from the Caribbean region since 2009, imports from the region in years previous show a steady climb towards filling the quota. In average, 73.5% of the quota was used from 2006-2008. El Salvador filled its quota in both 2009 and 2008.
- Elimination of the tariff on ethanol would not necessarily result in lower priced imported ethanol, but will in fact put the Caribbean ethanol industry at a severe disadvantage and lead to the closure of plants. A key benefit currently available under CAFTA and CBERA to countries in the Caribbean region would be nullified.
- Elimination of the tariff will usurp U.S. negotiating authority vis-à-vis current trade negotiations and will give benefits to ethanol producing countries that have not made permanent commitments to opening their markets to U.S. products.
- The Caribbean Ethanol Producers, together with the Governments of Costa Rica, El Salvador, Trinidad & Tobago and Jamaica, respectfully requests Congress to maintain the vision of a prosperous and stable Caribbean region – the “Third Border” - by supporting the future of its ethanol industry.
- We can see ways forward that would limit the scope of the tariff, while still fulfilling the essential function of supporting the Caribbean and Central America. These include a tariff only for advanced biofuels or lowering the tariff only after the 7% quota for Caribbean and CAFTA countries has been filled. We look forward to engaging further with you to discuss proposed solutions that would ensure the CBI region retains its ability to compete in ethanol production.

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