

U.S. Promotes Trade with Panama as Tool to Compete With China

By Mark Drajem
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The Bush administration is promoting pending trade agreements with Panama, Peru and Colombia as a way for the U.S. and those countries to better compete with China.

“If we're worried about China, then these free-trade agreements will help deal with that,” U.S. Commerce Secretary Carlos Gutierrez said on a flight to Panama during a three-day trip that also includes stops in Peru and Colombia.

The trade accords will give low-wage producers of clothing, flowers and other products in those nations a leg up on their competitors in China, because they won't face American tariffs, he said. U.S. products would also have improved access to the Latin American markets, as the Bush administration tries to address a record trade deficit.

The U.S. turned a trade deficit with four Central American nations into a surplus after a trade pact with those nations went into effect last year, Commerce Department data shows.

The agreements face an uncertain prospect, as some members of Congress say that such accords would take jobs from U.S. workers.

The Senate Finance Committee and Senate Banking Committee approved legislation within the past two months aimed at forcing the U.S. Treasury Department to take a tougher line against

China and other countries that lawmakers say are keeping their currencies low to boost exports.

The trade deficit with China reached a record \$232.5 billion in 2006, while the deficit with all nations totaled a record \$763.6 billion.

October

The free-trade agreement with Peru is likely to be approved in October, House Majority Leader Steny Hoyer has said.

Agreements with Panama and Colombia face more congressional opposition and may take longer.

The U.S. is also facing the increasing competition from China in the region. Gutierrez traveled to Peru late yesterday, and that country is deepening its ties with China, including announcing last week that it will launch negotiations with China for a bilateral trade deal. Brazil already has a free-trade agreement with China.

Chinese trade with the region has grown: In Peru, for example, trade with China shot-up 56 percent in the first half of 2007, while trade with the U.S. dropped by 20 percent, according to Peruvian government data.

Still, critics of the Bush administration's trade agenda say that Latin America isn't an antidote for the problems of an unbalanced trans-Pacific trading relationship.

“This is a recycled argument,” said Scott Paul, executive director of the Alliance for American Manufacturing, which represents steel producers and unions. “Free-trade agreements are no panacea for the challenge American producers and manufacturers face from China, nor for Latin American producers as well.

“The way to deal with China is to hold them accountable for unfair trade practices, to demand that they play by the rules,” he said.