

Congress Considers Peru Trade Pact As Prelude to Tougher Deals

Pablo Bachelet
The Miami Herald
September 17, 2007

WASHINGTON -- For advocates of free trade, Peru offers a glimmer of hope.

Negotiators are ironing out a few kinks, but Bush administration officials and congressional staffers expect a free-trade agreement with Peru to go before Congress later this month. It could become the first bilateral agreement to be approved by a Democratic-controlled Congress since the North American Free Trade Agreement with Canada and Mexico in 1993.

"I'm all in favor of momentum," said Bill Reinsch of the National Foreign Trade Council, a business group that promotes open trade. "I'm going to take as many as I can get."

An agreement with Panama is expected to go to Congress soon after the Peru pact, but higher-stakes deals are still stuck, as Democrats block agreements with Colombia and South Korea.

The Doha round of world trade talks shows few signs of life. The once-promising Free Trade Area of the Americas initiative is a fading memory, and Democrats have refused to renew a special presidential trade-promotion authority, TPA, making it hard to sign more pacts.

This has prompted administration officials to issue dire warnings.

"Members of Congress need to understand that a 'no' vote on any one of these (free-trade agreements) will not create a single job in the United States or sell a single pound of meat or a single piece of medical equipment or software," U.S. Trade Representative Susan Schwab told an "FTA rally" last Monday (Sept. 10) on Capitol Hill.

Senate Minority Leader Mitch McConnell, R-Ky., was less diplomatic.

"You switch the control of Congress and what do you get?" he asked an audience last week at the U.S. Chamber of Commerce. "Expiration of TPA, no Peru, no Panama, no Colombia, no Korea. Elections have consequences."

A decade ago, the Americas were supposed to be a showcase for trade liberalization. But differences over agricultural subsidies and rifts between liberal and conservative currents have stalled trade talks, experts say.

Trade negotiations between the European Union and Latin American nations have made little progress. Grand schemes of South American integration have produced lofty declarations but few tangible results. On top of all this, Asian countries are busy eliminating barriers to commerce among one another, which experts warn will put the Americas at a further disadvantage on the world stage.

A few years ago, the Bush administration was forging ahead on free trade, signing deals with such countries as Chile, Australia, Singapore and much of Central America, plus the Dominican Republic.

U.S. officials forecast that more than 90 percent of the production of the Americas would come under a free-trade umbrella once deals with Peru, Panama and Colombia were finished.

But Democrats said the Bush administration had ignored their concerns about labor and environmental issues. So when Democrats took over Congress last January, Schwab negotiated with key members such as Ways and Means Committee Chairman Charles Rangel, D-N.Y., a new framework that included tougher labor and environment language and fewer protections for patented medicines.

Still, Congress took no action before its summer recess. Colombia, the closest U.S. ally in South America and the recipient of more than \$5 billion in U.S. aid, was criticized for the killings of labor activists by armed groups.

To satisfy the Democrats, Peru agreed to change its labor and environmental regulations. Violations can be subject to punitive tariffs.

"This mechanism will ensure that the labor and environmental provisions are not merely paper tigers," Sen. Max Baucus, D-Mont., the chairman of the Senate Finance Committee, said at a hearing where he stated his support for the deal. "I intend to make sure that the administration enforces them vigorously."

Eyeing tougher deals down the road, the Bush administration is pushing the Peru deal hard, casting it as a way to reward moderate leftist President Alan Garcia.

"This is a time to step it up," said Commerce Secretary Carlos Gutierrez, who took a delegation of nine lawmakers to Peru, Colombia and Panama last week. "It's good for exports, good for the economy and good for leaving a solid record for the future as to how we treat our friends and how we treat our allies."

Gutierrez argues that U.S. exports have risen faster to countries that have signed free-trade agreements with the United States. He points out that the United States is running a trade surplus with five Central American nations and the Dominican Republic after enacting CAFTA, as the free-trade agreement with those nations is called.

Iowa Sen. Charles Grassley, the ranking Republican on the Senate Finance Committee, warned that failure to pass the Peru deal would "empower leaders like (Venezuelan President) Hugo Chavez who are antagonistic to the United States."

Still, many Democrats aren't impressed. Ohio Sen. Sherrod Brown said "the Peru FTA continues our nation's failed trade policy" and criticized the deals as "job killing."

So far, Democrats aren't giving any sign that they're proceeding on pacts with Colombia, the second most populous nation in South America, or South Korea, a trillion-dollar economy. The AFL-CIO, which has strong lobbying clout among Democrats, is neutral on the Peru deal but "very much opposed" to Colombia and South Korea, said Thea Lee, the labor organization's policy director.

Colombia isn't doing enough on the human rights front, Lee said, with only 37 convictions in 2,200 union deaths since 1991. Korea, she said, places too many non-market barriers to U.S. manufactured goods, especially autos.

U.S. FREE-TRADE AGREEMENTS

In force: Israel, NAFTA (Canada and Mexico), Jordan, Chile, Singapore, Australia, Morocco, CAFTA-DR (Nicaragua, Costa Rica, El Salvador, Honduras, Guatemala and Dominican Republic), Bahrain.

Pending congressional ratification: Peru, Colombia, Panama, South Korea.

Pending implementation: Oman.

Under negotiation: Malaysia, Thailand, United Arab Emirates, Southern Africa Customs Union (South Africa, Botswana, Lesotho, Namibia, Swaziland).

Source: Office of the U.S. Trade Representative