Opponents Wary of Peru-US Trade Deal

By Edison Lopez
Associated Press
December 11, 2007

LIMA, Peru — Peru's President Alan Garcia has staunchly defended a bilateral trade deal with the United States, promising its implementation would usher in a foreign investment windfall, stimulate exports and create a million jobs _ all within a few years.

The accord, which removes duties on $8.8 billion in annual trade between the two countries, cleared the U.S. Congress on Dec. 4 and is expected to be signed into law by President George W. Bush this week.

But even though the debate over the trade deal has ended, this Andean nation of 27 million remains obsessed by one question: Which country won at the negotiating table?

Although an answer may have to wait for years after implementation, opponents are already bracing for a U.S. knockout.

"The free trade agreement is worse than a marriage because once the deal is signed there's no opportunity for a divorce," said Luis Zuniga, head of Conveagro, an umbrella labor union representing most of the country's 2 million farmers.

After a disastrous first government in the 1980s that was marred by populist, anti-American rhetoric, Garcia transformed himself into one of Washington's strongest allies when in 2006 he regained the presidency and inherited the free trade talks.

But despite being the linchpin of his government's market-friendly economic policy, Garcia's government acknowledges the trade deal will not benefit everyone equally.

As in neighboring Colombia, which negotiated an almost identical trade deal still awaiting approval, those most concerned are the country's farmers, who fear a flood of cheap exports from heavily subsidized corn, wheat and cotton growers in the United States.

Unlike the U.S. agricultural industry, which annually receives more than $11 billion in government subsidies, Peru provides no assistance to its majority family-owned farms. To compensate for the imbalance, which will be locked in by the accord, the government is offering $37 million in compensation.

Oxfam estimates Peruvian farmers, repeating the experience of Mexico after the 1995 implementation of the North American Free Trade Agreement, stand to lose as much as $100 million in the first few years of the trade deal.

All but a fraction of Peru's exports already enter the U.S. market duty-free under the Andean Trade Promotion and Drug Eradication Act, which was first passed in 1991 to help the Andean economies _ also Bolivia, Ecuador and Colombia _ wean themselves off the cocaine trade.

The new trade deal would level the playing field between the world's largest economy and one barely the size of Arkansas's, with an annual GDP of around $90 billion.

More than 80 percent of U.S.-made goods and products will become duty-free overnight, with the remainder of trade between the two countries in 2006 gradually opening over 17 years.

Peru also agreed to bring its patent laws in line with those of the United States, a move opponents say will increase the cost of locally made prescription drugs for the country's majority poor.

"The trade deal is only going to allow the rich to get richer," said former presidential candidate Ollanta Humala, who narrowly lost to Garcia in 2006.

It's not all doom and gloom. Exports of silver, textiles and specialized crops such as asparagus and artichokes all are expected to surge in the coming years.

"Those who oppose the free trade agreement ignore the fact that having permanent duty free access to the U.S. market will help stabilize and grow the Peruvian economy, which will greatly benefit its citizens," said Gretchen Hamel, a spokeswoman for the U.S. Trade Representative.

The agreement will go into effect after the two countries adjust laws needed to abide by it, a process that is expected to take up to 8 months.

For Washington, the deal is the first in South America since a similar accord was enacted in 2004 with Chile. It's also the first to be ratified since Democrats won majority control of Congress last year.

The White House has so far refused to ask the U.S. Congress to ratify a larger deal with Colombia, perhaps fearing it lacks sufficient votes from Democrats concerned about human rights. More than 800 union members have been killed in Colombia in the last six years, according to government figures, making it the world's most dangerous country for labor.

Presidential hopeful Sen. Hilary Clinton has supported a free trade deal with Peru but not Colombia.

Associated Press writer Joshua Goodman in Bogota, Colombia and Leslie Josephs in Lima contributed to this report.