

Peru Expects U.S. Free Trade Agreement by July, Minister Says

Dec. 24 (Bloomberg) -- Peru will probably complete a free trade agreement with the U.S. by July, so long as no unexpected obstacles arise in their respective congresses, Foreign Trade and Tourism Minister Alfredo Ferrero said in an interview.

The country is counting on the agreement to drive economic growth into a fourth year by boosting exports above this year's \$12 billion and creating over 135,000 new jobs, Ferrero said.

"The free trade agreement could signify a turning point for Peru's future," Ferrero said in his Lima office. "It will open up more markets for the country."

Negotiations, which began in May, are slated to end in March 2005 after two more rounds of talks. The timetable was set back three months after negotiators failed to agree on ending U.S. subsidies for agricultural produce.

Ferrero, 42, said Peru objects to U.S. subsidies for its exports of eight products, including cotton, wheat, meat and dairy produce. Peru exports \$3 billion of goods a year to the U.S., Peru's main trading partner. Agricultural exports to the U.S. account for \$300 million.

"I don't think that that is an issue that's just going to vanish one day," chief negotiator Regina Vargo told reporters in early December, according to the U.S. Department of Trade website.

Patents

The U.S. is also pushing to have more patents registered for Peru's \$500 million annual pharmaceutical industry, of which 98 percent are generic drugs. Peru opposes patents, fearing it will increase the cost of drugs.

Rich Mills, assistant U.S. Trade representative for public affairs, did not return calls seeking comment.

The U.S. negotiations have spurred Peru to seek similar agreements with Singapore, Thailand and Chile, while studies are under way to evaluate an agreement with China, Switzerland, Denmark, Finland and Norway. The Andean Community, of which Peru is a member, also plans to sign a free-trade agreement with the European Union next year.

"Peru never realized the importance of this issue. Now there is a political will to establish a free-trade model," Ferrero said.

Obstacles

Ferrero said the government had failed to get across the advantages of an agreement and was preparing an advertising campaign to overcome opposition.

Two thirds of regional Peruvian businessmen believe the United States will gain the upper hand in a free trade accord, according to a poll by the Peruvian Chamber of Commerce, Perucamaras. The poll, run from Nov. 25 to Dec. 2, surveyed over 60 regional chambers of commerce.

Opponents such as Luis Zuniga, president of farming association Conveagro, which represents 1.7 million farmers, said 70 percent of Peru's 3 million hectares of arable land is planted with produce that cannot compete with subsidized U.S. imports.

"We can't hold our own with the United States unless there's a level playing field," Zuniga said in a phone interview in Lima.

Another obstacle lies in pending litigation brought against the government and state-controlled companies by seven US firms, including Charlotte, NC-based power company Duke Energy Corp., Los Angeles, CA-based defense contractor Northrop Grumman Corp., and Iselin, New Jersey-based chemical manufacturer Engelhard Corp.

"If this is not solved beforehand so that everything's clear, my government won't submit the agreement for Congress' approval," U.S. Ambassador James Curtis told reporters last week.

Exports

Ferrero said Peru was on course to boost exports by 10 percent in 2005 to some \$13.2 billion. Exports are headed to total \$12 billion this year, a 30 percent gain over 2003.

He said businessmen had set up 1,200 new export firms over the past year, adding another 3,800 new products to Peru's exports.

"More people are interested in looking to markets abroad and becoming exporters as Peruvians lack spending power," Ferrero said.

Mauro Leos, senior analyst for Moody's Investors services, said Peru's exports would continue to grow both in terms of volume and prices of metals, gas and fishmeal, Peru's main commodities.

"All the indications are that Peru's growth will top the region," Leos said in a phone interview from New York.

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