

U.S., Peru Sign Free Trade Agreement Amid Election Uncertainty

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The U.S. and Peru today signed a free trade agreement today that would eliminate import tariffs on each other's goods despite uncertainty over political support for the deal in both countries.

“This all inclusive agreement will promote increased economic activity and commercial prosperity for both our nations,” U.S. Trade Representative Rob Portman said at a ceremony in Washington.

Peruvian President Alejandro Toledo negotiated the deal but is stepping down by mandate in July and is set to be replaced by one of two presidential candidates opposed to the deal. The agreement also must still be approved by legislatures in both countries, where prospects for passage in each nation are muddy.

Lourdes Flores, who campaigned on pledges to support free trade, lost a three-way election this week. A run-off will be held next month between the remaining candidates -- former President Alan Garcia and nationalist Ollanta Humala -- both of whom oppose the free trade agreement because they say it would allow in a flood of subsidized American agricultural goods.

In the U.S., Democrats say they want Portman to renegotiate terms of the deal to incorporate core protections of labor rights in a new way.

“The free-trade deal faces enormous political uncertainty, not only in Peru but also in the U.S. Congress,” said Lori Wallach, president of Global Trade Watch in Washington, which lobbies against these kinds of trade deals. “It's future politically in the U.S. is uncertain, but that is nothing compared to the level of opposition in Peru.”

Goods from Peru, as well as Colombia and Ecuador, have duty-free access to the U.S. through the end of this year under an agreement intended to curb the illegal drug trade in the region. A free-trade accord would make that access permanent and open up the Andean nations to more goods and food from the U.S.

The U.S. is Peru's largest trading partner, accounting for more than one-third of Peru's \$17 billion in exports last year.

Candidate Platforms

Despite Toledo's signature, the victory for either of the remaining candidates in Peru would throw the trade accord in doubt and extend a trend of presidential victories for critics of the U.S. in Latin America.

Humala, a 43-year-old former army colonel, has vowed to fight multinational companies he says are looting the nation's mineral resources and spend more on education and health. He

won support among Peru's 13 million poor people by arguing that they haven't benefited from the nation's economic growth. Half of Peru's 27 million inhabitants survive on less than \$1 a day.

Garcia, 56, has won support among young Peruvians, pensioners and farmers opposed to the unchecked expansion of free trade.

The terms of the current agreement ``will lead to extreme social unrest in Peru," Monsignor Pedro Barreto, archbishop of Huancayo, Peru, said on a conference call from Peru.

In addition to Peru, the Bush administration has worked out an agreement with Colombia, and is negotiating with Ecuador. Neither of those has been completed and approved by Congress.