

US and Peru end trade impasse with agreement

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By Hal Weitzman in Lima

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The US and Peru struck a wide-ranging trade agreement on Wednesday after 18 months of talks that had been mired in disagreements over agricultural and intellectual property issues.

“An agreement with Peru is a key building block in our strategy to advance free trade within our hemisphere,” said Rob Portman, the US Trade Representative, after announcing the deal in Washington alongside Alfredo Ferrero, Peru’s trade and tourism minister.

Peru had been negotiating with the US as part of a wider deal that was to have included Colombia and Ecuador, although Peruvian negotiators had always said they would be prepared to go ahead alone. When talks with all three countries broke down at the end of last month, Lima signalled it would press on unilaterally.

The negotiations are aimed at replacing a series of preferences the countries enjoy under the Andean Trade Promotion and Drugs Eradication Act, which rewards the Andean countries for helping the US combat the cultivation of coca, the raw material for cocaine. Those preferences are scheduled to expire in December 2006.

Peru’s conclusion of negotiations with the US could encourage Colombia and Ecuador to strike their own deals with Washington. Colombian and Ecuadorean negotiators are due to recommence negotiations with US officials early next year.

“We hope to later bring in the other Andean countries, including Colombia and Ecuador,” Mr Portman said on Wednesday, although a senior US trade official said the negotiations would aim for “substance over speed”.

Manuel Chiriboga, head of the Ecuadorean team, told reporters last month that the talks had stalled on farm trade issues. Ecuador is resisting opening up sensitive sectors such as rice and dairy if Washington does not make concessions on sugar and cut-flower tariffs.

The White House is likely to wait until it reaches deals with all three Andean partners before presenting the proposal on Capitol Hill, though US trade officials said on Wednesday that the agreement with Peru could be enacted bilaterally.

The administration will also need to assess if it can afford to spend the political capital necessary for another Latin American trade deal, analysts say. Congress approved a trade agreement with six Central American countries in July by just two votes.

Getting approval of the deal in Peru may also not be straightforward. Pablo de la Flor, Peru's chief negotiator, told the FT in August that he was concerned that the trade negotiations could become politicised as the country approaches elections in April and said he wanted to avoid the issue becoming "contaminated by the electoral cycle."

Peru's export-driven economy has been boosted by the current trade preferences. The value of exports to the US between January and September this year was \$3.5bn, a 42 per cent increase on the same period last year, according to Peru's exporters' association. The US exported \$2.1bn of goods to Peru last year, according to the USTR.