Social security activists fight Peru pact

Activists warned Capitol Hill that a free trade accord with Peru could essentially lock in that nation's privatized social security system.

By Jane Bussey
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A group of U.S. community organizations have entered the fray over free trade, warning that fuzzy language in a trade accord with Peru could penalize that country if it tries to fix its controversial, privatized Social Security system.

A two-page letter from organizations that fought President Bush's plans to privatize the U.S. Social Security system will be sent to Congress Tuesday. It asks legislators to vote against the trade accord, which could lock in a privatized Social Security system in another country when such privatization was rejected by Democrats in the United States.

Backers of the Peru-U.S. Trade Promotion Agreement insist the concerns are much ado over nothing.

After a compromise was reached addressing the enforcement of weak labor and environmental rules in Peru, the House is now set to take up the Peruvian trade agreement, perhaps as early as next week.

The agreement would immediately eliminate most of Peru's industrial tariffs, as well as many of the barriers to U.S. agriculture exports. It also would provide new market access and has provisions for fair treatment of U.S. companies that provide services and invest in Peru.

House Ways and Means Committee Chairman Charles Rangel, D-N.Y., last week expressed his confidence the trade and investment accord will be approved by the House before the Thanksgiving recess in mid-November.

But trade fights are always difficult. The letter from nearly 30 grass-roots organizations, including the Florida Consumer Action Network, urged members of Congress to oppose the accord because it ``includes provisions that could lock in [Peru's] failed Social Security privatization."

"Some of these things that come up under free trade are just amazing," said Bill Newton, executive director of the Florida Consumer Action Network.

At issue is whether foreign investors in the country's privatized pensions funds could sue the government for compensation if authorities decided to return the Social Security system to a public monopoly.

Currently the country has both a government pension system and private pension fund accounts.

Peru took the path of many Latin American countries in the 1990s in privatizing its Social Security system.

Now the privatized system has run into problems, including complaints about large fees paid to the private providers of pension fund accounts.

Citibank Overseas Investment is the largest single investor in ProFuturo, which is one of the leading pension fund providers in Peru.

The letter warned that ambiguous wording in the financial services and investment chapters in the trade agreement could potentially open the way for Citibank to "claim a large monetary award" in international tribunals.

Citibank did not have an immediate response when asked about the issue. Earlier this year the global bank issued a statement supporting the still pending trade agreements with Peru, Colombia, Panama and South Korea, noting the accords would create new opportunities for U.S. financial institutions.

Vladimír Kocerha, spokesman for Peru's embassy in Washington, said the issue raised in the letter was simply another attempt by opponents to wreck chances for approval of the trade agreement.

Negotiations for the accord were finalized in December 2005 under former Peruvian President Alejandro Toledo. His successor President Alan García has negotiated side accords and is pushing hard for passage.

"You have people who oppose these accords and who are willing to put up a fight," according to Kocerha. ``Four months later they are bringing up the same issue again."

The government of Peru would like to see the trade accord approved this fall.