

Congress clears Peru trade pact

Tougher environmental and labor standards in the pact

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WASHINGTON -- The Senate on Tuesday overwhelmingly passed legislation implementing a trade agreement with Peru, delivering a rare legislative victory to the White House after the Bush administration met Democratic demands for tougher environmental and labor standards.

The pact passed by a lopsided 77-18 margin.

"This agreement will level the playing field for American exporters and investors and will expand an important market in this hemisphere for U.S. goods and services, which will help strengthen economic growth and job creation in the United States," President Bush said in a statement following the vote.

Business lobbyists and trade groups hailed the pact, and held out hope that the framework on labor and environmental standards would pave the way for approval of pending but more controversial pacts with bigger trading partners.

"We hope that this new energy will continue with rapid passage of the other pending agreements with Colombia, Panama and South Korea," said Jack Krumholtz, head of federal government affairs at Microsoft Corp. ([MSFT](#)), in a written statement. "Each of these agreements addresses real, practical issues that should strengthen U.S. competitiveness and set a basis for more multilateral action."

The House approved the pact last month, but the outlook for other agreements negotiated by the Bush administration, including treaties with Colombia and South Korea appears cloudy at best with Democrats in control of the House and Senate.

Peru is a small player in the U.S. trade picture, accounting for around \$9 billion of two-way trade and \$2.9 billion worth of U.S. exports in 2006.

The agreement moved forward after the White House agreed to Democrats' demands for tougher environmental and labor standards in future trade deals.

Most Peruvian exports now enter the United States duty-free under a program designed to reduce illegal drug production in Andean countries. The trade agreement would lock in duty-free access for Peruvian products, while phasing out tariffs on U.S. products sold to Peru.

Pushing trade pacts through Congress has become an increasingly uphill battle. Democratic lawmakers, and some Republicans, from manufacturing states increasingly view the deals with wariness, arguing that past agreements, including the North American Free Trade Agreement, have hurt American workers.

Senate Majority Leader Harry Reid, D-Nev., applauded the pact's labor and environmental standards but said he couldn't back the agreement because the Bush administration has failed to enforce key provisions of existing trade deals.

"It is hard for me to see how I can go home and tell my constituents that I want to support more and more trade agreements when the present administration has refused to aggressively support U.S. rights under our current trade agreements," Reid said.

The Peru trade pact had languished as the Bush administration delayed submitting the agreement until after the 2006 midterm elections. When the Republicans lost control of Congress, the administration and key Democrats negotiated an agreement to include the new tougher standards in future pacts.

U.S. and Peruvian negotiators agreed to modify the initial agreement with the stricter standards in the U.S.-Peru trade deal.

Several unions and allied groups have urged lawmakers to oppose the agreement, saying it doesn't go far enough to ensure labor and environmental standards.

William L. Watts covers Congress and politics for MarketWatch.