

Peru leftist candidates aim to scrap US trade deal

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By Robin Emmott

LIMA, Peru - Two of the three leading candidates in Peru's April 9 presidential election have pledged to block a free-trade agreement with the United States, horrifying business leaders who say the country's economic future depends on the deal.

Front-runner Ollanta Humala, a nationalist promising a "revolution" for the poor, and third-place, center-left candidate Alan Garcia, a former president, both say the pact must be scrapped or renegotiated.

They say it will destroy the Andean nation's farm output, swamp Peru with cheap U.S. goods and put the cost of medicine out of reach of the poor, who make up half its population.

"We can't sign a trade pact with the United States when we don't fully know what our government has agreed. It will ruin our farmers, our people," Humala said. "We're not against trade and integration, but we won't be walked all over either."

Exporters who lifted Peru's foreign sales of fresh fruit, vegetables, textiles and minerals to a record \$17 billion last year, say not signing would be a disaster.

"We have to sign. Forty percent of our manufacturing and agricultural exports go to the United States," said Jose Chlimper, a major vegetable exporter and head of Peru's main exporters group, COMEX. "If the States doesn't consume our goods, who will? We are a poor country," he added.

The United States is Peru's top trading partner, buying more than \$3 billion of goods a year, from gold to furniture.

Andres Rebolledo, head of bilateral economic issues at the Chilean Foreign Ministry, told Reuters that Peru could miss a huge opportunity by not signing.

"Our trade pact with the United States came into effect in 2004 and our exports have soared 60 percent since. We've placed 300 new products in the U.S. market," Rebolledo said.

'TERRIBLE GRINGOS'

Garcia, who trails Humala and center-right, pro-business candidate Lourdes Flores, says the deal reached in December fails to compensate farmers who cannot compete with subsidized U.S. products such as corn syrup, a cheap sugar substitute.

Flores supports the deal and would sign it.

Outgoing President Alejandro Toledo has pledged the government will cover farmers over 15 to 20 years for any losses. But most Peruvians have little faith in Toledo, who is so unpopular his party is not even fielding a presidential candidate.

"The United States is only interested in taking over our markets," said small-scale fruit and vegetable farmer Modesta Chambi in the southern city of Tacna. "We should sign deals with Europe and Asia but not with the terrible gringos."

Thousands of farmers and doctors protested against the accord this week. Humala and Garcia, who draw support from Peruvians still struggling despite strong economic growth since 2002, are tapping into that resistance.

Peru's largest farm union, CONVEAGRO, has condemned the deal and says it will cost 1.7 million farm jobs. The Medical Federation of Peru says the pact's patent provisions will increase drug prices by \$150 million in its first five years.

Toledo, who sees a U.S free-trade deal as his political legacy, wants to convince Congress to ratify the pact before he leaves office on July 28. Opposition lawmakers want it debated by a new parliament.

Once Toledo and U.S. President George W. Bush have signed the agreement, lawmakers in both countries have 90 days to ratify or reject. Toledo had aimed to sign in Washington in early April, but Peru's presidential candidates want him to wait until after April 9, or an expected runoff in May.

(Additional reporting by Patricia Zengerle)

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