

# **U.S., Peru Strike Free-Trade Agreement**

## **Administration Hopes to Include Colombia, Ecuador**

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The United States and Peru struck a deal yesterday on a free-trade agreement, the latest move in the Bush administration's efforts to build a network of trade accords with friendly countries.

Peru is one of several countries negotiating with Washington to forge a U.S.-Andean trade pact, which would eventually eliminate almost all barriers to commerce among the participating countries in a manner similar to the North American Free Trade Agreement. Talks with Colombia and Ecuador, the other two main candidates for the accord, have stalled.

"An agreement with Peru is a key building block in our strategy to advance free trade within our hemisphere," Rob Portman, the U.S. trade representative, said in a statement. "We hope to later bring in the other Andean countries including Colombia and Ecuador."

In a speech broadcast on Peruvian state television, President Alejandro Toledo said, "We have reached an agreement where Peru came out the winner," because "practically all our products" would enter the giant U.S. market duty-free.

It was not clear yesterday whether the Bush administration would insist on waiting for the other countries before seeking to push an Andean pact through Congress or whether the Peru accord might advance on its own at some point.

Deals with nations such as Peru tend to face a tough fight on Capitol Hill because of concern among lawmakers, especially Democrats, that U.S. workers face an unfair disadvantage competing with countries with poorly paid labor forces and histories of labor-rights abuses. The Central American Free Trade Agreement barely squeaked through the House this summer, while a much less controversial accord with Bahrain, a relatively prosperous island nation in the Persian Gulf, won House approval yesterday by a vote of 327 to 95.

One possible scenario is that the administration could use Peru's acceptance of the deal as leverage to prod Colombia and Ecuador to sign on to similar terms, as they may become concerned that their neighbor's products will gain preferential access to the U.S. market. Most Andean exports already enjoy duty-free treatment in the United States under a special arrangement aimed at boosting the region's economies, but free-trade agreements are more comprehensive and do not require repeated congressional re-authorization.

"There is no decision yet in terms of moving the legislation," said a senior U.S. trade official who briefed reporters on condition of anonymity because the sensitive

negotiations had just been completed. "Obviously, we would like to have a broader set of agreements that include the other Andean countries. However, the agreement we reached today is a bilateral free-trade agreement with Peru which can be enacted as such."

The talks had flagged in the past over issues such as how much protection Peru will provide to U.S. patents and to investments by U.S. firms in Peru. But the official's account of the final round of talks suggested that the Peruvian representatives were intent on striking a deal.

"We weren't necessarily anticipating closing a free-trade agreement with Peru this quickly," the official said. "The negotiations got very intense last night into the wee hours of this morning. It became clear that the Peruvian negotiators wanted a good agreement" - which was concluded in the early afternoon.

Even if Colombia and Ecuador join in, an Andean free-trade agreement would have only a minor impact on the U.S. economy. Exports by U.S. firms to all the Andean nations totaled \$8.3 billion in 2004, about 1 percent of overall shipments of U.S. goods abroad. But the administration contends that bilateral and regional trade help to promote stability and growth abroad.