

Farm groups urging Senate to pass Peru FTA

By Forrest Laws
Western Farm Press
November 29, 2007

Farm organizations are calling on the Senate to follow the lead of the House and pass the U.S.-Peru Trade Promotion Agreement in December. But a major manufacturing group claims the PTPA is a waste of time and a diversion from more pressing issues.

The Peru Trade Agreement, which passed the House by a vote of 285-132 earlier this month (Nov. 8), could increase U.S. agricultural trade by \$705 million per year after full implementation, according to economists with the American Farm Bureau Federation.

The agreement also is the first to incorporate the enhanced labor and environmental protections set out in the May 10 bipartisan agreement between the Bush administration and the Democratic and Republican leaderships of the House of Representatives and the Senate.

“American farmers, ranchers, manufacturers and service providers will at last have preferential access to this growing market,” U.S. Trade Representative Susan Schwab said following the House vote. “Peru’s people will be able to enjoy continued economic growth and greater economic and political stability by cementing a trade relationship with the world’s largest market.”

Schwab said the “conventional wisdom” was the president and the Democratic-controlled Congress would be unable to reach an agreement on the growing number of bilateral free trade agreements being promoted by the Bush administration.

“At the time – almost one year ago – I said that divided government means shared responsibility, and that we should look forward to the future as partners – because the world is watching. Today, the hard work and risk-taking of many are bearing fruit.”

“Passage of the U.S.-Peru Trade Promotion Agreement by the House signals the importance the United States places on free trade in this hemisphere and our support for trade partners that share our economic and societal values,” said Acting Agriculture Secretary Chuck Conner, who said Peru is already an important market, accounting for \$209 million in agricultural sales in 2006.

“We look forward to recapturing the market share in bulk commodities that we have lost to our competitors and to creating new opportunities for consumer-ready and higher-valued products.”

Once the new agreement is fully implemented, U.S. officials said, 90 percent of U.S. food and agricultural exports to Peru will enter duty-free, and all U.S. exports will eventually

enter duty-free. Peru will also benefit from the agreement, which makes permanent Peru's market access to the United States.

Corn growers are expected to be among the winners in the agreement. Economists with the National Corn Growers Association estimate the increased exports to Peru could add an average of 1 cent per bushel to the price of corn.

"In addition, the increased demand in beef, pork and poultry converted into bushels of corn would likely mean another one-half cent," the NCGA said. "The Peru FTA would also improve U.S. corn growers' ability to compete with regional competition such as Argentina."

The PTPA also provides reciprocal access for American farmers and ranchers, as many of Peru's agricultural products have little or no tariffs upon entry into the U.S. through the Andean Trade Preference Act.

"Currently, Peruvian import duties on corn are bound at 30 percent, with an applied rate of 12 percent," it said. "Upon implementation, the FTA provides for immediate tariff elimination under a 500,000-metric-ton corn tariff rate quota; in year 10, the TRQ would be increased to 844,739 metric tons; and in year 12, the TRQ would be eliminated.

The American Manufacturing Trade Action Coalition said the agreement is diverting attention from real trade issues such as how to deal with the loss of American manufacturing jobs and the "predatory trade practices" of the People's Republic of China.

"Evidently, a key message from the last election – stop offshoring good middle-class U.S. manufacturing jobs – still has not registered with the new leadership in this Congress," said Auggie Tantillo, AMTAC's executive director.

"Congress spending the entire year focusing on an unpopular Peru FTA instead of passing a strong anti-currency manipulation bill is an enormous disappointment to U.S. manufacturers desperate for relief from China's predatory trade practices. The value of the illegal currency subsidy used by China dwarfs the trade covered by the proposed Peru FTA several times over."

Noting that the United States has lost more than 3.1 million manufacturing jobs since 2001 and is projected to run a trade deficit with China in excess of \$270 billion in 2007, Tantillo said U.S. trade officials should be focusing on significant trade problems and not on a country that "only could afford to buy 0.28 percent of U.S. exports in 2006."

Trade between the United States and Peru totaled only \$8.8 billion in 2006, but the U.S. trade deficit with Peru was \$2.95 billion because Peru exported approximately twice as much to the United States as it imported from the United States.

“To expect Peru to become a major consumer of U.S. finished products is a ludicrous assumption,” said Tantillo. “Peru has a much greater capacity to export to the 300 million-person, \$13 trillion U.S. market than it does to buy finished U.S. products. Like every U.S. free trade agreement before it, the Peru FTA only will add to the U.S. trade deficit.”

AMTAC officials listed several problems that need the immediate attention of U.S. trade officials:

-- Eliminating the \$379 billion disadvantage to U.S. producers and service providers caused by foreign value-added (VAT) taxes by passing H.R. 2600, the Border Tax Equity Act introduced by Reps. Bill Pascrell, D-N.J. Duncan Hunter, R-Calif., Mike Michaud, D-Md., and Walter Jones, D-N.C.

-- Combating currency manipulation by predatory trading partners like China by passing H.R. 2942, anti-currency manipulation legislation introduced by Congressmen Tim Ryan, D-Ohio, and Duncan Hunter, R-Calif.

-- Vigorously enforcing existing U.S. trade laws to stop illegal transshipping, illegal subsidies, dumping, and copyright, trademark and patent infringements.

-- Ensuring the safety of foreign-made products sold to U.S. consumers.

“Fixing these problems would do far more to help the U.S. economy, its companies, and its workers than continuing the fatally flawed concept of adopting free trade agreements with countries that can export but have little capacity to import U.S. manufactured goods,” said Tantillo.