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Peru Negotiates Free Trade with the US

by LADB Staff

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The government of Peru's President Alejandro Toledo announced Dec. 7 that it had finished negotiations on the Andean Free Trade Agreement (AFTA) with the US, even though the two other potential signers, neighbors Ecuador and Colombia, had given no sign that they approved of the deal as it stood. This broke the Andean bloc of countries and put the Peruvian Congress in charge of the next phase of approving the now-bilateral treaty.

Peruvian farmers and pharmaceutical price-control advocates registered their discontent with the deal, while exporter business groups urged its quick passage into law, although the public has yet to see the text that negotiators agreed upon.

On Dec. 7 the US and Peru announced they had reached the free trade agreement, following an all-night, 17-hour marathon negotiating session that capped 18 months of talks. The pact is intended to remove trade barriers between the two countries and expand economic ties.

President Toledo praised the deal in a press conference in Lima.

Farm union says it has been "betrayed" Peru's largest farm union swiftly condemned the agreement and said it was planning a national strike against it. Farmers worry that US farm goods will flood Peruvian markets and put its producers out of business. Many farmers and health-care advocates in Peru see the agreement as detrimental.

Luis Zuniga, president of the Convencion Nacional del Agro (Conveagro), said, "This is terrible news for Peru's farmers. Our government and negotiators have handed over our agricultural sector to the United States, which will cause around 1.7 million farm-job losses in Peru." "Our wheat, cotton, rice, barley, and corn markets have been given away, and we don't know what else has been agreed to in relation to other products," said Zuniga after the deal was announced. He called the agreement "a betrayal against agricultural producers." Zuniga said that he and allied groups would be considering forceful measures to oppose the deal.

Peruvian officials have previously expressed fear that a free-trade pact would push up the price of medicines.

The UN says many of Peru's poor die from treatable illnesses because they cannot obtain, or pay for, medicines. "We believe it will increase the price of medicines by more than US\$150 million during the first five years of the treaty, putting drugs out of reach of many poor Peruvians," said Victor Loza, president of Federacion Medica del Peru, which represents 13,000 doctors in the Andean nation.

Exporters urge quick passage of deal

Other business sectors generally tend to be optimistic about the deal. "This trade agreement will be highly positive for Peru because we will be tapping one of the world's biggest markets. But it is a challenge for Peruvian companies because they'll have to be competitive to be able to make it in the US market," said Henry Alvarez, senior analyst at Lima-based consultancy Maximixe. Washington has been negotiating a free-trade pact with Peru since May 2004 as part of a broader regional effort that includes Colombia and Ecuador. Pressure has been strong to complete negotiations before 2006 presidential elections in all three Andean countries and congressional elections in the US (see NotiSur, 2005-10-14).

Negotiating teams from all three countries were in Washington in November to try to finish the deal, but Peru came closest and talks with that country resumed Dec. 5. Deputy US trade representative Sue Schwab told reporters after a speech that negotiators had worked all night, but refused to say what the last issues were. The talks had been hung up on agricultural-market access and copyright and patent-protection issues heading into the meetings that week.

Lima daily newspaper La Republica wrote on Dec. 8 that the details of the deal were not available for public perusal. Critics like Gino Kaiserberger, president of the Consejo Empresarial para el Desarrollo Nacional (Cesden), said the process had no transparency and urged the government to publish the text. He said the government could not call critics "uninformed" if there was not "exact and true information" available.

In the area of agricultural production, reported the daily El Comercio, Peru will have to give out high compensation for cotton, wheat, rice, corn, and sugar producers and will have to design competitive plans for poultry, dairy, and pork products. Developing nations often have an extremely difficult time competing with subsidized, corporatized, and high-tech agricultural producers in the US and Europe.

"There were costs to pay," said Toledo of the negotiations. But, for farmers harmed by the immediate commercial opening to the US, there would be compensation that could total as much as US\$100 million to US\$150 million. "We will not leave the national producer unprotected," claimed Toledo. He said the deal would produce employment and investment. Toledo marked the agreement as a victory, though it is unlikely to do much for his extremely low popularity numbers and the perception that he is a corrupt executive dozens of his associates and family members have faced investigations (see NotiSur, 2005-05-13).

Leading presidential candidate Lourdes Flores of Unidad Nacional (UN), who enjoys about 25% of potential voters' support, also backs the deal. Flores said the trade agreement with Washington would help her country only if accompanied by domestic social reforms. To protect local farmers from an influx of cheap imported rice and potatoes, she said, her government would make it a priority to convert farms to export crops more in demand on foreign markets items like artichokes, avocados, vegetables, and fruits. "It's a moral obligation of the government to compensate the negative effects" of the agreement, she said.

Flores' closest competitor, Ollanta Humala of the Partido Nacionalista Peruana (PNP), said in a Jan. 5 press conference that the Peruvian people should be allowed to decide on the treaty in a popular referendum. Humala has climbed, according to some surveys, to within approximately three points of Flores and, if elections were held immediately, he would go to a runoff election against the UN candidate.

Ecuador: Indigenous group vows total opposition to AFTA

The agreement also increased pressure on Colombia to finish its deal with the US. Colombia is the largest economically of the three Andean countries, and its government is closely allied with the administration of US President George W. Bush. US industry officials said they were pessimistic that Ecuador would finish its talks soon. Ecuador's Confederacion de Nacionalidades Indigenas de Ecuador (CONAIE) has vowed absolute opposition to AFTA and has threatened to mobilize heavily against the government of President Alfredo Palacio if he signs AFTA.

CONAIE's split with former President Lucio Gutierrez (2002-2005) was the first major step in the long-term popular revolt that threw Gutierrez from power. Ecuador enjoys the least leverage of the three Andean countries, having the smallest economy of the trio.

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