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## Peru Ratifies Trade Agreement with US

by LADB Staff

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On June 28, a midnight vote in Peru's Congress overwhelmingly ratified the free-trade agreement (FTA) negotiated with the US last year (see NotiSur, 2006-01-13). Protestors broke into Congress and scuffled with police and protested in the streets to say the deal would harm several sectors of Peruvian society, but the outgoing Congress rejected their arguments. The treaty now awaits approval in the US Congress.

### *Peru Trade Promotion Act now in US Congress' hands*

The agreement, the US-Peru Trade Promotion Act (PTPA), was signed on April 12 by Peruvian Minister of Foreign Trade and Tourism Alfredo Ferrero Diez Canseco and US Trade Representative (USTR) Rob Portman, following the conclusion of negotiations in December 2005. When Colombia, Ecuador, and Peru had been negotiating multilaterally with the US, the trade package had been called the Andean Free Trade Agreement (AFTA) but has since been renamed the PTPA after Peru left its Andean neighbors behind.

Colombia has also concluded negotiations with the US (see NotiSur, 2006-03-10), although a minor controversy exists regarding differences in the versions of the agreement that the US and Colombia each have. Top Colombian officials have been conferring with the US to resolve the textual differences. The US suspended negotiations with Ecuador after federal authorities there ruled that an illegal sale by US petroleum corporation Occidental barred it from conducting further operations in Ecuador (see NotiSur, 2006-06-02).

In June, prior to the ratification of the agreement, Lima newspaper La Republica compared the advantages and disadvantages it would bring Peru, according to two reports by the US International Trade Commission (ITC) and the nongovernmental organization (NGO) Oxfam International. The ITC's figures projected that exports from Peru to the US would be greater than US\$349 million, 8% higher than current exports to the US. Imports to Peru from the US would be more than US\$1 billion, a figure 25% higher than current imports. The commission also predicted that the US GDP under the agreement would increase by US\$2.1 billion, a growth rate of 0.02%. Imports from Peru represent 0.31% of total imports to the US.

### *Oxfam: Peru loses in agriculture, medicine prices*

Oxfam argued that the Peruvian agricultural industry would be negatively affected by the agreement. Producers of rice, wheat, barley, sugar, meat, cotton, dairy, and other products would be hurt by competition with subsidized US products. There would be an immediate removal of tariffs for two-thirds of agricultural products and the free entry of 500,000 tons of corn and 74,000 tons of rice in the first year of the PTPA. Agricultural commerce groups argue that US agricultural corporations benefit unfairly from government subsidy packages.

In intellectual property, Oxfam criticized the extension of patents beyond 20 years. The group's April 12 press release stated, "Strict new intellectual property rules that exceed World Trade Organization (WTO) standards could dangerously hinder Peru's access to important life-saving drugs. The agreement also fails to take into account that the US subsidizes farm production with billions of dollars in taxpayer support, meaning that Peru's small farmers will face massive dumping of subsidized farm products on their market." Oxfam also said, "Medicine prices in Peru will increase by almost 10% in the first year of the FTA and 100% after 10 years."

### *Vote of 79-14 includes all APRA legislators*

Congress overwhelmingly rejected claims that the treaty would hurt Peru's farmers by flooding the nation's markets with subsidized staple products. Lawmakers voted 79-14, with six abstentions, to approve the deal, which the outgoing government of President Alejandro Toledo will count as its final achievement. All 25 legislators present from President-elect Alan Garcia's 28-member Alianza Popular Revolucionaria Americana (APRA) party bloc voted for the treaty, the congressional press office said.

The debate was interrupted for a half hour by supporters of Ollanta Humala the nationalist leader defeated in the June 4 presidential election (see NotiSur, 2006-06-16) who reportedly shoved, punched, and kicked past security guards to gain the Congress floor. Several soon-to-be-sworn-in legislators from Humala's movement pumped their fists in the air, waved placards, and chanted anti-free-trade-treaty slogans. One guard suffered a broken nose before the protesters were cleared from the building, said Pablo de la Flor, Peru's chief free-trade negotiator.

A protester, congresswoman-elect Nancy Obregon, accused the lawmakers of violating the public's trust by passing the measure while most Peruvians slept. "This free-trade deal is going to greatly harm 95% of agricultural producers," Obregon told CPN radio. A cordon of riot police surrounded the Congress building later in the afternoon of June 28 as about 2,000 protesters arrived, carrying rainbow-colored wiphala flags the symbol of Andean indigenous peoples and placards reading, "Free Trade Pact, not like this!" No arrests or injuries were immediately reported. The three Andean nations Colombia, Ecuador, and Peru already enjoy preferential trade with the US on more than 6,000 products through a program aimed at helping countries where base elements for illicit drugs are grown, but that agreement is set to expire in December. The US has so far refused petitions that the preferences be extended.

Toledo's administration lobbied fiercely for ratification before Garcia takes office on July 28 along with a new Congress, which will have a strong anti-free-trade bloc led by Humala. Humala's movement captured 45 congressional seats in the April elections but recently lost at least three of them to defections by politicians who said Humala had veered too far to the left. However, Humala's group will still be the largest single congressional bloc. Garcia's party will have 36 seats in the new legislature. Backers say the deal will raise incomes in Peru by making its industry more competitive and by further opening the US market. Similar claims preceded the passage of the North American Free Trade Agreement (NAFTA) with the US, Mexico, and Canada, and analyses of its results have varied (see SourceMex, 1999-02-03, 1999-09-29, 2003-04-23, 2004-01-07 and 2004-04-14).

The legislature also approved four measures to help Peru's agricultural sector, including one offering compensation to Peruvian producers of cotton, yellow corn, and wheat. Agricultural Minister Manuel Manrique said the fund would provide about 112 million soles (US\$36 million) to those sectors during the first year the trade deal goes into effect. Deputy Michael Martinez of the Union por el Peru (UPP) party that has backed Humala said the subsidy package falls far short of his estimates of projected first-year losses: US\$5 million for Peruvian cotton, US\$16 million for corn, and US\$52 million for wheat.

Socialist Deputy Javier Diez Canseco said the free-trade pact would limit Peru's ability to renegotiate or cancel contracts with transnational mining and gas companies to force them to be more environmentally responsible because it stipulates such conflicts be resolved through international mediators.

The Oxfam report also pointed to an erosion of Peruvian sovereignty through arbitration mechanisms set up in the agreement. Conservative Deputy Rafael Rey said opposition had little to do with the deal and everything to do with anti-US sentiment. "The problem is not the free-trade agreement. It is not the terms of the negotiation," Rey said. "The problem is the United States, and it is a purely ideological issue."

### *Officials boast of future economic growth*

Peru is counting on the accord to help double annual exports, led by copper, gold, and natural gas, by 2011. The US, Peru's main trading partner, accounted for a third of Peru's sales abroad in 2005. "It's a great day for Peru," Prime Minister Pedro-Pablo Kuczynski told Lima-based Radioprogramas. "It was important that the vote should be so overwhelmingly in favor. It's not going to be easy, but we believe there's a chance the US Congress will pass the treaty before July 28."

"The agreement is significant as it will provide more of a level playing field for foreign investment," said Theresa Paiz-Fredel, a sovereign debt analyst at the Fitch Inc. ratings service. "But given the US political cycle, it's going to be a tough sell" in the US Congress. The right-wing editorial page of The Wall Street Journal inveighed against opponents of the deal in a July 11 editorial, an article the USTR office featured on its Web site. The editorial criticized union leaders and congressional Democrats who want to block or reform the deal and a similar one with Oman, saying, "House Democrats who oppose these bills for short-term political gain are sending a message that they don't deserve to govern."

The accord "will aid in creating sustained real growth characterized by more jobs and investment in Peru," said USTR spokesperson Stephen Norton. He said the accord also "provides significant new opportunities for US exporters." The USTR featured several letters of support from large agricultural manufacturers' organizations on its Web site. While agricultural organizations in the Andean countries tend to oppose the post-AFTA bilateral deals, exporters' groups have been pushing hard for them. The agreement will help create 5 million jobs and triple government tax revenue in the next decade, said Luis Vega, president of Peru's exporter lobby Adex. "It will help create formal employment and reduce poverty. It's not just an agreement for big companies."

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