

Posted on Thu, Nov. 24, 2005

TRADE

U.S.-Andean talks put on hold

Negotiations between the United States and Andean nations ended without the countries signing a definitive free-trade agreement.

BY MARK DRAJEM

Bloomberg News

The United States and Peru failed to reach an agreement to remove barriers to trade and investment, bringing talks on a broad U.S.-Andean free trade agreement to a close without a breakthrough, trade officials said.

Talks with Colombia and Ecuador ended Tuesday, and negotiators for each government said they pulled out of the discussions because they couldn't accept U.S. demands that they stiffen patent protections and allow more U.S. farm imports.

"This seems likely to delay a signing, but I doubt it ends prospects for an agreement," said Peter Hakim, president of the Inter-American Dialogue, a Washington-based research center. "The negotiations won't break down."

The Bush administration began negotiations with the Andean nations on a free-trade agreement in 2004, arguing that lowering trade and investment barriers would boost the economies in those countries and give people a way to move away from cultivation of coca, the main ingredient in cocaine.

FARMERS AT RISK

Colombia, Peru, Ecuador and Bolivia, which are in various stages of negotiations with the U.S., are the world's main producers of coca.

Eduardo Muñoz Gómez, Colombia's vice trade minister, warned this week that cutting barriers to cheap U.S. farm products could put farmers out of work and thus increase illegal drug production.

Goods from Colombia, Peru and Ecuador have duty-free access to the United States through the end of next year under an agreement intended to curb the illegal drug trade in the region. A free-trade accord would make that access permanent and open up the Andean nations to more goods and food from the United States.

The United States had \$23.6 billion worth of trade with those three countries last year, led by coffee, fruits, chemicals and machinery.

The United States wants those nations to end duties on low-cost U.S. corn, rice and chicken, Muñoz said.

"Agriculture is always a sensitive subject," said Benito Berber, an analyst with HSBC Holding Plc in New York. "When you open agriculture to competition, immediate unemployment can come as a result."

The United States is also trying to extend intellectual property protections so that pharmaceutical companies can be protected from cheap generic competition.

Those negotiations over intellectual property protections have not progressed, said Carlos Correa, a consultant to the Andean nations for these talks. "The U.S. is still with the same position," he said. "They have not negotiated anything."

AGRICULTURAL ISSUES

Each of the three countries is negotiating individually with the United States over agriculture, said Neena Moorjani, a spokeswoman for the U.S. Trade Representative's office.

Peru and the United States aim to hold another round of talks next month, Peru's Foreign Trade Minister Alfredo Ferrero said.

"This is a pause that lets us take a breath of air. It's possible it will be up to the next government to close out negotiations," Ferrero told Lima-based television station Panamericana. "We're doing everything we can, but we're not magicians."

Colombia hopes to work out an agreement before 2006, and Ecuador won't pick up negotiations until next year, according to statements Tuesday from those governments.

Presidents Alejandro Toledo, Alvaro Uribe of Colombia and Alfredo Palacio of Ecuador sent President George W. Bush a letter last month urging the United States to be more flexible in negotiations.

If the four countries fail to reach a deal by the end of November, talks will have to be put on hold because of the World Trade Organization summit in December and elections in Peru, Colombia and Ecuador starting in April, U.S. negotiator Regina Vargo said earlier this year.