

Posted on Tue, Dec. 04, 2007

Congress approves Peru trade deal

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WASHINGTON --

The Senate gave decisive backing Tuesday to a U.S.-Peru free trade agreement, opening the way for expanded economic ties with the Andean nation and giving the administration a boost in its quest to shore up relations with Latin America.

The first bilateral trade deal approved by Congress this year is also the first under a new Democratic formula that requires negotiators to put labor rights and environmental standards on a par with tariff reductions, investor protections and other key elements of the accord.

The 77-18 Senate vote on the bill implementing the agreement followed a 285-132 House vote last month. The agreement will go into effect after the two countries adjust laws needed to abide by it.

U.S. trade with Peru is small scale, about \$9 billion a year, but proponents of the agreement argued that it has real political benefits. "There is a growing division in Latin America today," said Sen. Charles Grassley, R-Iowa, referring to the anti-U.S. campaign of Venezuelan President Hugo Chavez. "We ought to help countries like Peru that are not going the direction of Venezuela."

Bush said after the vote that he looked forward to signing the bill that would "level the playing field for American exporters and investors" and would signal "our firm support for those who share our values of freedom and democracy."

At an earlier news conference, Bush also urged Congress to act on another pending trade deal - with Colombia - saying that was a way to "make a difference in South America in terms of Venezuelan influence."

Opponents also looked to the bigger picture, blaming past trade pacts, particularly with China and Mexico, for rising trade deficits and the loss of American manufacturing jobs. "One of the major reasons that the middle class in the United States is shrinking, poverty is increasing and the gap between the rich and the poor is growing wider is in fact due to our disastrous, unfettered, trade policy," Sen. Bernie Sanders, I-Vt, said.

The accord has strong backing from business groups such as the U.S. Chamber of Commerce and the National Association of Manufacturers. It is opposed by labor and other groups who say the tougher labor and environmental standards won't be enforced and that Peruvian peasants won't be able to compete with cheaper American farm goods.

It would immediately eliminate duties on 80 percent of U.S. consumer and industrial product sales to Peru and most agriculture goods, and gradually phase out all tariffs. Almost all Peruvian goods already enjoy duty-free status under trade breaks the United States extends to Andean nations to boost their economies and provide alternatives to illicit drug production.

"This strong bipartisan vote by the United States Senate for the Peru Trade Promotion Agreement will ensure a vibrant two-way trade relationship and enduring friendship in our hemisphere," said U.S. Trade Representative Susan C. Schwab.

"It was an overwhelming majority," Peruvian President Alan Garcia said at a news conference in Lima. "This fundamentally means that the U.S. lawmakers and the U.S. government recognize Peru's potential as a world trade partner."

The free trade agreement also provides protections for U.S. investors and intellectual property rights and expanded access to Peru's service markets. It commits both countries to adhering to fundamental labor rights formulated by the International Labor Organization and fulfilling obligations under multilateral environmental agreements.

Democratic resistance to the president's free trade agenda softened in May after the administration agreed that provisions on worker rights and the environment would be central to future negotiations.

"This is a very significant and unexpected breakthrough," Senate Finance Committee Chairman Max Baucus, D-Mont., said.

The U.S. and Peruvian governments signed the agreement in April 2006. Last June, the pact was amended to reflect the new requirements on labor and the environment.

The administration is also pressing Congress to act quickly on three other pending trade deals, with Colombia, Panama and South Korea. No action is possible this year and the Democratic Congress has shown no inclination to renew "fast track" authority, which gives the president the power to negotiate trade deals that Congress can approve or reject but cannot amend. The authority expired last summer.

In turn, the White House has threatened to veto Democratic-backed legislation to expand a program to retrain and aid workers displaced by global trade.

In the past several years the United States has completed trade agreements with Chile, Singapore, Australia, Morocco, Bahrain and Central American nations. Another with Oman was approved but has yet to be implemented.

The bill is H.R. 3688

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