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The U.S.–Peru Trade Agreement: A Winning Proposition for Both Countries

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This week, the U.S. Senate looks poised to join with the House of Representatives in approving the U.S.–Peru Trade Promotion Agreement. Passage of the agreement would be good news for American businesses, workers, and consumers, who gain economically from increased trade. It would be even better news for the image of the United States in the hemisphere, sending a powerful signal of U.S. commitment to democratic reform and free market prosperity.

While many Americans view the three pending U.S. agreements with Latin America (the other two are with Colombia and Panama) through the narrow lens of trade, U.S. allies throughout the region see them in a much broader strategic context. By passing these agreements, Congress would signal a vote of confidence in allies' decisions to align themselves with the U.S. and with market-based democracy.

The False Lure of "21st Century Socialism." Such a vote of confidence is sorely needed at a time when Hugo Chávez, the Castro brothers, and other hard leftists in the region are actively working to weaken U.S. influence in Latin America, with Venezuelan oil wealth bankrolling their misadventures. Most leaders in the region understand that Chávez's much-touted 21st Century Socialism is nothing more than the same, tired socialism that failed in Cuba, the former Soviet Union, and elsewhere, but these leaders look to the United States to stand tall with an alternative vision. The Free Trade Area of the Americas, on which the three pending agreements as well as other sub-regional trade agreements can be seen as downpayments, is just such a vision. First proposed by President Clinton and later endorsed by President Bush, it provides a bipartisan template for a western hemisphere united by freedom and prosperity.

While the trade agreements resulting from recent congressional compromises on trade policy are weaker than America's usual "gold standard," they retain economic and strategic merit. Stimulating U.S. economic ties to Latin America through expanded trade and investment is a vitally important part of the overall U.S. strategy in the hemisphere. Expanding trade ties with Peru, whose government is friendly toward the U.S., is clearly in the national security interest of the United States.

Advantages of Trade Agreements. Peru (along with Bolivia, Colombia, and Ecuador) already has nearly complete access to the U.S. market under the Generalized System of Preferences, the Caribbean Basin Initiative, and the Andean Trade Preference Act (ATPA). Indeed, roughly 98 percent of Peru's exports to the United States currently enter duty-free under these programs.[1] With preferential access to the U.S. market, the Peruvian economy has diversified, leading to healthy economic growth. Peru has become one of the fastest growing economies in the region, and workers now have meaning-

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ful employment alternatives to coca production and guerrilla activities.

However, the preference programs will expire in early 2008 without congressional action. Uncertainty over whether they will continue is hindering long-term investment and further job creation in Peru. Congressional approval of the bilateral U.S. trade agreement with Peru would formalize Peru's access to the U.S. market, ending uncertainty; boost investor confidence; and play a critical role in helping Peru continue to follow the economic path away from the ravages of the past.

The agreement would also provide equal access for U.S. producers to the Peruvian market, allowing freer and fairer trade between the two countries. This move would benefit America's families, companies, and workers. Greater access to Peru's agriculture, manufacturing, and services markets are expected to boost U.S. exports by more than $1 billion after the agreement is fully implemented.[2] Provisions aimed at improving the regulatory environment, protecting investors, and building Peru's trade capacity would help insure that these gains increase over time as Peru's economy continues to develop and grow.

In addition, the trade deal could enhance U.S. energy security by providing new supply sources from a friendly, nearby country. Peru, already an important source of metals (silver, gold, copper, zinc, and lead) to the U.S., has almost one billion barrels of oil in proven reserves, and could soon become a major regional supplier of liquefied natural gas (LNG).[3] The U.S. government must take steps to reduce its dependence on supplies from the Middle East and other politically volatile areas.

Threats to the U.S. and the Region. Hugo Chávez and his ideological soul mates (including Cuba and Iran) continue to attack the interests of the United States and its friends and allies in the region. The U.S. can respond effectively to this assault by strongly supporting those countries in the region that are intent on enhancing economic freedom and promoting democratic governance. Passage of the U.S.–Peru Trade Promotion Agreement is an important step in the right direction, but more must be done.

With the passage of the Peru deal, Congress should turn its attention to the pending Colombia Trade Promotion Agreement (CTPA) as soon as possible. Like the Peru agreement, the CTPA grants U.S. firms the kind of access to Colombia's economy that Colombian firms already enjoy in America's market. Fully implementing the agreement would boost U.S. exports by an estimated $1.1 billion.[4] The agreement would help lock in Colombia's continued economic reform and development, as well as promote the investment that is essential for the U.S.–Colombia relationship to reach its full long-term economic potential.

The U.S. trade agreement with Panama is also critical and should be approved as soon as the Panamanian government deals with the principal obstacle to its passage by the U.S. Congress. Pedro Miguel Gonzalez, the Speaker of Panama's National Assembly, is under indictment in the United States for the 1992 murder of a U.S. Army sergeant. Panama's strategic and economic importance to the U.S. as guardian of the Panama Canal—currently undergoing a multi-billion dollar expansion—is made even more significant by the aggressive courting of the Panamanians by the Chinese and other governments. The U.S. must maintain its historically good relations with Panama.

The U.S. government needs to support democratic reformers and legitimately elected leaders in Latin America, continue to assist in the fight against narco-guerrilla groups through Plan Colombia and

1. Office of the United States Trade Representative, "The Case for the U.S.–Peru Trade Promotion Agreement (PTPA)," at *www.ustr.gov/assets/Trade_Agreements/Bilateral/Peru_TPA/Final_Texts/asset_upload_file513_13234.pdf* (December 3, 2007).
2. U.S. International Trade Commission, "U.S.–Peru Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects," Investigation No. TA-2104-20, USITC Publication 3855, June 2006.
3. Energy Information Administration, Peru Country Analysis, at *www.eia.doe.gov/emeu/cabs/Peru/Background.html.*
4. U.S. International Trade Commission, "U.S.–Colombia Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects," Investigation No. TA-2104-023, USITC Publication 3896, December 2006.

other efforts, and ratify critical trade deals that encourage economic growth, reduce poverty, and promote development on America's doorstep. The trade agreements with Peru, Colombia, and Panama make good sense economically and provide tangible proof of America's commitment to promoting peace and prosperity in the region.

Conclusion. By approving the Peru agreement, and moving quickly to ratify the agreements with Colombia and Panama as well, Congress will strike a strong blow against Hugo Chávez and his friends who would destabilize Latin America and turn it away from the United States. While not perfect, the agreements would promote prosperity and economic development in both the United States and countries in the region and would pave the way for a future of hemispheric friendship in peace and security.

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