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ANDEAN NATIONS

Extension welcome on pact

A trade deal reached Saturday morning just before U.S. Congress adjourned provides continued but temporary benefits for the four Andean countries.

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LIMA - Exporters from four Andean countries say they welcome the U.S. Congress' six-month extension of a key trade concession but add that it is no substitute for a full free-trade agreement.

"The ATPDEA is momentary relief," said Alfredo Ferrero, who served as Peru's foreign trade minister until July, referring to the deal by its acronym. "But it won't solve the long-term problems."

The early-Saturday morning approval by Congress gives Colombia, Ecuador, Peru and Bolivia another six months to export hundreds of products duty-free to the United States. During this period, Colombia and Peru -- the two countries that have already negotiated and approved full free-trade deals -- hope the U.S. Congress will ratify those agreements so they can take effect.

Saturday's extension of the ATPDEA trade concessions -- part of a larger measure providing tax breaks for various U.S. industries -- garnered little attention in the United States but was front-page news in the Andean countries.

STERN WARNING

The concession -- formally known as the Andean Trade Promotion and Drug Eradication Act -- was due to expire on Dec. 31. Exporters from the four countries have been warning that failure to extend it would reinstitute tariffs that would curtail exports and cost potentially hundreds of thousands of badly needed jobs in this politically volatile region.

ATPDEA expanded an earlier accord in place since 1991 and aimed to spur exports, encourage production of non-coca crops and strengthen democracy in a region where presidents of all countries have faced restive populations.

The U.S. concessions have worked spectacularly.

Exports for products covered by the two accords reached \$11.5 billion from the four countries in 2005, up from \$8.4 billion in 2004 and \$5.2 billion in 2003, according to the U.S. International Trade Commission.

More than 1 million people in the four countries have jobs thanks to the agreement, according to rough estimates.

The total amount of tariffs that companies would have had to pay in the four countries was more than \$500 million in 2005, according to export industry officials in the four countries, although that figure is slightly misleading since a large portion of those exports to the U.S. market would not have happened without duty-free tariffs.

Exports from Colombia that have flourished since 2002 include textiles, roses and ceramics; from Ecuador, flowers, broccoli and tuna; from Peru, asparagus, paprika and artichokes; and from Bolivia, jewelry and jeans.

José Chlimper, for example, chief executive officer of a major Peruvian asparagus exporter, said that up to 40 percent of his exports were at risk if he couldn't send them to the United States tariff-free; the U.S. tariff ranges from 5 percent to 21 percent.

Political leaders in the four countries wanted at least a one-year extension to give Congress time to approve the Peru and Colombia free-trade agreements and to give Ecuador and Bolivia the opportunity to negotiate a bilateral trade deal with Washington.

BOLIVIA'S REQUEST

Bolivia, for example, believes it deserves special consideration because it is the poorest South American country and because President Evo Morales is the first Indian leader in the country's 500-year history, Pablo Solón, the country's point man on trade, said by telephone from La Paz.

"The U.S. has yet to respond to our proposal," he said.

Roberto Astiazu, director of the Ecuadorean Business Committee, said by telephone from Quito that the ATPDEA extension will allow exporters to keep going but doesn't provide enough certainty to permit new investments.

Astiazu doubted that Ecuador would be able to negotiate any bilateral trade deal with the United States given the opposition of president-elect Rafael Correa to the previous negotiations by the outgoing President Alfredo Palacio.

The uncertainty over whether the U.S. Congress would extend the trade agreement ATPDEA or full trade pact has not only stalled additional investment but also caused some export contracts to disappear, said Javier Díaz, executive president of the National Association of Colombian Exporters.

Two exporters had to cancel contracts to send jeans to the United States, which forced the layoff of 2,000 workers in December, Díaz said by telephone from Bogotá. He thought the extension meant they would get their jobs back.

"What we really want is a free-trade agreement," Díaz said.