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U.S./LATIN AMERICA

Say Yes to trade pacts

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On Dec. 31, 2006, four countries in the Andean region -- Colombia, Peru, Ecuador and Bolivia -- will lose important trade benefits with the United States if Congress does not move to extend them. The decision would have a negligible effect on the U.S. economy, but nonextension will hurt U.S. policy objectives of strengthening democracy, development and security in the region.

The benefits are provided under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) of 2002, itself an extension of the Andean Trade Preference Act of 1991. Congress approved the original law to strengthen the economies of the Andean ridge by providing alternatives to drug production, later broadening the benefits under ATPDEA to allow more than 5,000 products from the four countries to enter the United States duty-free.

Colombia is the largest beneficiary, with about $4.6 billion in ATPDEA trade in 2005. Bolivia's share is the smallest at $160 million.

While these numbers amount to very little in the U.S. context, they are very substantial in terms of the investment, employment and income they generate in the Andean region. Trade between the four countries and the United States has risen by more than 50 percent since 2003 alone, spurred by these preferences.

Many of the U.S. imports under ATPDEA, such as textiles and knitted goods, niche agriculture, cut flowers, furniture and jewelry, are highly labor-intensive. In the case of Bolivia, small-scale exporters based in the city of El Alto take advantage of ATPDEA to provide thousands of jobs to indigenous workers.

Extension of ATPDEA would also strengthen governance and security in this volatile region of Latin America. Colombia and Peru provide obvious, compelling reasons for extending ATPDEA. A growing economy fortified by U.S. trade benefits and a robust assistance package promote progress and stability in Colombia.

The U.S. and Colombia are on the verge of signing a free trade agreement that would make the ATPDEA benefits permanent, but an extension of ATPDEA is needed to ensure the continuation of trade preferences until an agreement is ratified.

Peru, which recently signed a free trade agreement with the United States, is in a similar situation -- many labor intensive export sectors would be affected by a lapse in ATPDEA. The country dodged a bullet earlier this year when an authoritarian populist campaigning on a stridently anti-U.S., anti-free trade platform nearly became president. The winner, Alan García, is committed to maintaining the sound policies that have made Peru one of the fastest-growing economies in the region.

Ecuador and Bolivia contrast starkly with the other two ATPDEA beneficiaries in their lack of interest -- at the government level -- in reaching a free trade agreement with the United States. Bolivia's President Evo Morales has categorically ruled out a trade deal. Ecuador's current regime and one of the two candidates in the Nov. 26 presidential runoff election are of similar ilk.

Both countries have pursued populist policies regarding hydrocarbons, with Ecuador seizing the assets of Occidental Petroleum and Bolivia in the process of "nationalizing" the operations of foreign oil and gas companies.

Even so, it is strongly in the U.S. self-interest to extend trade benefits to Ecuador and Bolivia. Ecuador's political future is in play in the runoff election. An expression of U.S. support for job creation and poverty reduction would strengthen proponents of free markets and dampen anti-U.S. forces. In Bolivia, an extension would likewise promote a positive image of the United States and political moderation at a moment when U.S. policy seeks to sustain democracy and stem illegal drugs.

Trade preferences for the Andes were established for reasons that are still valid. Democracy and stability remain fragile, and with ratification by the U.S. Congress of trade deals with Peru and Colombia by no means a forgone conclusion, the extension of ATPDEA is all the more important.

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