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FREE TRADE

U.S.-Peru pact benefits both sides

By Jim Kolbe

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The recent passage of the Peru-U.S. Trade Promotion Agreement (PTPA) in the Peruvian congress is a positive development in U.S. relations with South America. Against an increasingly challenging political backdrop fueled by Venezuelan President Hugo Chávez's petrodollars, the Peruvian people have chosen to connect their economic destiny with market-based economies like that of the United States.

Peru's path was set in motion on June 4 when the Peruvian people elected Alan García as the country's next president rather than succumb to a nakedly nationalist, anti-market siren song espoused by his primary opponent.

Now the ball is in our court. There's no stronger message of support that our Congress can send to the Peruvian people for choosing this wise but difficult course than by swiftly passing PTPA.

PTPA is part of a larger U.S. strategy in the region. The idea is to transition to reciprocal trade agreements that benefit both sides and create long-term bilateral trade and investment from one-sided trade-preference programs intended to develop economic alternatives to coca production.

Close to one million Peruvians are employed directly or indirectly as a result of current preference programs. A free-trade agreement will make these benefits a permanent part of our trade relationship -- instead of contingent on an uncertain vote to renew preferences every couple of years.

On the U.S. side, the agreement promises substantial benefits for exporters large and small. Today U.S. companies face an average 9 percent tariff while their Peruvian counterparts export virtually tariff free to the U.S. market. On Day One of the agreement, 65 percent of U.S. agricultural exports and 88 percent of U.S. manufactured products will enter Peru tariff free. Remaining tariffs will phase out over time. The International Trade Commission has estimated that the agreement will generate \$2.1 billion in economic growth in the United States.

But as the North American Free Trade Agreement (NAFTA) with Mexico taught us, an agreement with Peru will have impacts far beyond economic growth. In February 1999 --

five years after NAFTA entered into force -- President Clinton said in a speech in Merida, Mexico, that, "NAFTA has taught us that we have far more to gain by working together."

As chairman of the U.S. delegation in the U.S.-Mexico Inter-Parliamentary Group, I have seen both the deepening and the broadening of our relationship with Mexico. Before NAFTA, there was suspicion and a lack of collaboration on both sides of the Rio Grande on many issues. Today, we closely collaborate on energy, counternarcotics, immigration and border-security issues in ways that would have seemed far fetched just 12 years ago.

If there is a place where we need the same kind of mature relationship now more than ever, it is in the heart of the Andes. With the growing influence of Chávez and the questionable economic choices being made in Bolivia and Ecuador, it is imperative that we reach out to our friends in the region and strengthen economic and political partnerships.

Last summer's vote on the Central American Free Trade Agreement crystallized the partisan divisions on trade in Congress. Now is the time to lay down the mantle of partisanship and pick up the banner of partnership. Passing PTPA would send a strong signal to the Peruvian people that the United States stands by its friends and is committed to building a safer, freer and more prosperous neighborhood in the Americas.

U.S. Rep. Jim Kolbe, R-Ariz., chairs the Foreign Operations Appropriations Subcommittee.