

Posted on Thu, Jul. 13, 2006

## THE OPPENHEIMER REPORT

# Vote on Peru trade deal may be now or never

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Latin American politicians have long said -- only half-jokingly -- that if you want to get attention and help from Washington, it often pays more to be hostile to the United States than to be its friend. Over the next two weeks, the old saying will be put to a big test in Washington.

Judging from what Peruvian President Alejandro Toledo told me in an interview earlier this week, if President Bush fails to get congressional approval of a recently signed U.S.-Peru free-trade agreement before Congress goes on its summer recess July 28, it will be a case study proving that the United States does not reward its friends.

Toledo, who will hand over power to left-of-center President-elect Alan García on July 28, was quick to point out that Peru has followed the road of political openness and free market reforms for its own good and not to please Washington. Yet, few countries in Latin America have shared more values and policies with Washington in recent years than Peru, he added.

"If you only draw attention when you are hostile to the United States, it's not worth being a [U.S.] partner," Toledo said. "We have already crossed 95 percent of the river, and we only need an extra 5 percent to reach the other shore. The agreement was approved by 79 to 14 votes in the Peruvian Congress. Now, it's up to the U.S. Congress to approve it."

A lot is at stake:

- If Congress doesn't approve the deal by the end of its current session, it will be difficult to consider it after the summer recess. As the midterm election campaign heats up amid a growing isolationist sentiment in several U.S. states, Congress would be unlikely to take up the issue in the weeks preceding the Nov. 7 elections.
- If Congress fails to approve the trade deal before Nov. 7, it will be harder to pass the deal through the next Congress. There could be a new Democratic majority in Congress with close ties to antifree-trade U.S. labor unions. And, even if Democrats fail to recover the House, Bush will be a lame-duck president, with even less clout in Congress.

- By Dec. 31, Peru and its Andean neighbors will lose their trade benefits under the 1991 Andean Trade Preference Act, which provides Andean countries with duty-free access to the U.S. market. If Peru doesn't have a free-trade deal and ATPA is not extended, as seems likely, many investors will move their export-oriented factories to Chile, Central America, Mexico or other countries with free-trade deals with the United States.
- Although García has reluctantly supported the free-trade deal, some of his political adversaries speculate that he may not push it if it's not in place by the time he takes office. García -- who led a leftist-populist government in the 1980s -- could seek to lead the Andean bloc's fight for a U.S. extension of ATPA preferences, rather than pushing for U.S. approval of the bilateral Peru-U.S. free-trade deal, they say.
- If Peru's export-led growth of the past five years -- which has helped reduce poverty from 54 percent to 48 percent -- begins to drop because of higher tariffs to the U.S. market, it may be tempted to get closer to neighboring Bolivia, Ecuador and Venezuela.

In the recent elections, Venezuelan-backed leftist-nationalist candidate Ollanta Humala won the first-round vote by a comfortable margin.

Although it sounds far-fetched, Toledo told me that if the free-trade deal is ratified by the U.S. Congress, Peru could grow at twice the nearly 7 percent rate of last year in 10 years. Over the next decade, it could generate 5.7 million new jobs in Peru, he said. Asked whether Bush promised to help lobby Congress when the two met on Tuesday, he said, "Absolutely."

My conclusion: Well-placed sources tell me that Democratic Party leaders who originally opposed the deal are now willing to support it. So it will be up to Bush's Republican Party, which controls both houses of Congress and sets the congressional agenda, to decide whether to put it to a vote now.

If it doesn't, the Bush administration's pro-democracy, pro-free-trade rhetoric will sound emptier than ever.