Posted on Thu, Aug. 24, 2006

U.S. trade deal delays punish Colombian, Peruvian exporters

Colombia and Peru stand to lose millions of dollars if unilateral trade privileges expire and high tariffs are restored.

By Joshua Goodman

Associated Press

BOGOTA, Colombia - Major exporters from Colombia fear being blindsided by tariffs up to 20 percent on key exports to the United States unless special trade preferences designed to wean the Andean nations off of cocaine production are renewed before their expiration Jan. 1.

Trade negotiators say their country is being unfairly punished because of the White House's refusal to push a bilateral free-trade deal through Congress ahead of November's midterm elections.

Neighboring Peru is also anxiously watching the clock tick down, hoping for U.S. legislative approval on its own pending free-trade pact before the end of the year.

The deal with Colombia would be Washington's biggest in the hemisphere since the 1994 North American Free Trade Agreement. It's also a unique test of Washington's leadership in a region where trade deals that lock in billion-dollar subsidies for U.S. farmers have been sharply criticized.

"For us it's a question of life or death," said Ivan Amaya, president of Colombia's Association of Textile Manufacturers.

ANDEAN PRIVILEGES

Washington granted the privileges covering thousands of products in 1991 to help four Andean countries -- Colombia, Peru, Ecuador and Bolivia -- diversify their economies away from production of coca, the base ingredient of cocaine.

Against stiff competition from Chinese and other manufacturers, Colombia's textile industry last year exported $600 million worth of clothing duty-free to the United States -- a third of its total production.

But they now stand to lose millions of dollars when unilateral trade privileges expire and 18 percent tariffs are restored.

The situation is similarly desperate for other major exporters like Colombia's flower industry, the bulk of whose $758 million in U.S. sales take place the weeks before Valentine's Day in February.

President Alvaro Uribe, the United States' staunchest ally in Latin America, has bet heavily on a trade agreement to replace expiring privileges.

In February, Uribe risked his own reelection chances and traveled to Washington to conclude talks over a deal that eliminated overnight all but a fraction of tariffs on the $14.3 billion in goods traded annually between the two countries.

The deal was widely criticized as one-sided because, by locking in current trade preferences, Colombia was effectively turning a blind eye to the $17 billion that U.S. farmers receive annually in government subsidies, making it extremely tough for farmers to compete.

U.S. POLITICS

Since talks concluded, ratification has been held up by the White House's refusal to notify the U.S. Congress, perhaps fearing another highly politicized trade deal could hurt the reelection chances of Republican incumbents, according to Colombian trade negotiators and Capitol Hill staffers

Key U.S. congressmen attending Uribe's inauguration Aug. 7 for a second four-year term told Colombians to expect no action this year on the deal.

The president, who on the campaign trail touted the pact as the harbinger of 380,000 new jobs and a foreign investment bonanza, is bracing for a long wait.

"It saddens me greatly to think that come Dec. 31 unilateral trade preferences will expire and the U.S. Congress wouldn't have begun debate on the free-trade agreement that our exports depend on to continue growing," Uribe said a few days into his new term.

Gretchen Hamel, a spokeswoman for the U.S. Trade Representative's office, said the administration was "moving as quickly as we can" on the Colombia deal.

She also said it is up to Congress on whether to renew the current trade preferences.

Unlike Colombia, Peru is cautiously optimistic that its free-trade agreement will be approved by U.S. lawmakers before Dec. 31. It will remove trade barriers on $1.6 billion in exports, 31 percent of Peru's total, that annually go to the United States.

Major Peruvian exports under the current trade preferences include asparagus, cacao, mangoes, tuna, metal products, jewelry and cotton textiles.

Peru's congress ratified the deal in June, and U.S. legislators in both the House and Senate have held preliminary committee hearings. Despite Democratic opposition, they recommended passage with only minor amendments.

But ratification depends first on the White House submitting a final version of the text. The Peruvian government has named a special envoy to Washington to lobby for its passage.

"Ratification won't happen by inertia," said Pablo de la Flor, Peru's former chief trade negotiator.

Associated Press writer Rick Vecchio contributed to this report from Lima, Peru.