

House Approves Peru Free Trade Pact

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The Associated Press

Thursday, November 8, 2007; 12:19 PM

WASHINGTON -- The House on Thursday approved a free trade agreement with Peru, the first under a Democratic majority in Congress that has declared that labor rights and the environment must be central parts of all such pacts.

The vote was 285-132, a comfortable margin of victory in the House. Trade deals have always been a hard sell among House members, mainly Democrats who have equated them with job losses and soaring trade deficits.

"I'm from Michigan. I've seen firsthand the dislocation from globalization," said Democrat Rep. Sander Levin, chairman of the Ways and Means trade subcommittee. "That's why we've been fighting for a new trade policy."

"This is not remotely NAFTA," Rep. Earl Blumenauer, D-Ore., said of the 1994 trade agreement with Mexico and Canada that has strong detractors. "We've all learned from that experience."

Not all Democrats were convinced, with 116 out of the 225 voting Thursday opposing the bill implementing the agreement. The country has lost 3 million manufacturing jobs since NAFTA, said Rep. Michael Michaud, D-Maine. "We have all seen the ugly face of trade agreements that don't live up to the promises."

President Bush celebrated the vote and said he hoped that approval of other pending free-trade deals would follow.

"By strengthening our trading relationships with important neighbors _ including through our trade agreements with Colombia and Panama _ we will significantly advance both our economic and national security interests," he said in a statement. "We should embrace the strong commitment to economic freedom of countries in our region."

The accord with Peru would eliminate duties immediately on some 80 percent of U.S. industrial exports and two-thirds of farm exports. It could increase American exports by \$1 billion a year. A Senate vote, which could come in the next several weeks, would allow the accord to go into effect.

Supporters said it could also boost U.S. standing in Latin America as a counter to the anti-American policies of Venezuelan President Hugo Chavez.

"This is a battle for hearts and minds; it is a struggle to ensure that liberty and the rule of law prevail over tyranny," said Rep. David Dreier, R-Calif., a leading free trader. "Latin America is at a crossroads."

Democrats generally have resisted free trade deals they blame for job losses and trade deficits, and their rise to power in January was seemingly a blow to the Bush administration's aggressive free trade agenda. But the situation changed in May when the administration agreed to Democratic demands that labor rights and the environment be core elements of any future agreements.

House Speaker Nancy Pelosi, D-Calif., said she had long opposed trade deals with China and others that had led to huge trade imbalances while doing little to open up those countries politically. But, she said, "when I saw an opportunity for us to have labor and environmental standards as a core part of our trade agreements, it marked a drastic difference from what even a Democratic president was willing to give on that score."

Pelosi noted that the House had also just passed legislation to extend help for American workers displaced by trade. "I don't want this party to be viewed as an anti-trade party," she said.

Still, many Democrats, including some freshmen with ties to organized labor or from districts that have seen jobs disappear overseas, remained skeptical.

Democratic freshman Carol Shea-Porter of New Hampshire talked of plant closures in her state. "Why can't we have a moratorium? Why rush? Why take a chance?"

Opponents noted that on the day of the House debate Wednesday, the Peruvian government had decreed a miners strike illegal and threatened to fire miners who do not return to work in three days.

The agreement requires the parties to abide by International Labor Organization standards. The pact also commits the parties to enforce their own environmental standards, participate in international environmental accords and not weaken or reduce environmental laws to attract trade or investment.

Lori Wallach, director of Public Citizen's Global Trade Watch, said that despite the gesture toward labor and environmental rights, Democrats have yet to address problems with foreign investor privileges, incentives for U.S. companies to move offshore or issues of food import safety. She said a surge in American agriculture exports to Peru could also displace tens of thousands of poor Peruvian farmers, forcing them into drug production, paramilitary groups or flight to the United States.

The White House has been a strong supporter of the agreement. U.S. Trade Representative Susan Schwab welcomed the vote, saying "American farmers, ranchers, manufacturers, service providers and their employees will have preferential access to this growing market."

Peru already can export most of its products to the United States duty-free. The deal will more immediately affect U.S. sales, removing tariffs, opening opportunities for U.S. investors and service industries and protecting intellectual property rights.

In 2006, Peru sold \$5.9 billion worth of goods to the United States, while buying \$2.9 billion in U.S. exports.

The agreement, if approved by the Senate, would be the first to clear Congress since a bilateral deal with Oman was accepted in September 2006.

Congressional action is pending on deals with Panama, Colombia and South Korea, but votes are unlikely to occur this year.

The bill is H.R. 3688