

# WebMemo



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## Expanded Trade Ties with Peru Will Benefit America

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On September 11, 2007, the Senate Finance Committee held an initial hearing on the U.S.–Peru Trade Promotion Agreement. No similar hearing has yet been scheduled by the House Ways and Means Committee, but its chairman, Representative Charles Rangel (D–NY), has said that the Peru trade agreement will be “a top priority” for the committee in September. This is appropriate. Failure to complete the agreement would empower Latin America’s anti-democratic “21st Century Socialism” movement and strike a blow against pro-market, pro-democracy reformers in Peru and across Latin America. Approving the agreement would protect vital U.S. interests in the region and also send a strong message of hope to the people of Peru as they recover from a devastating mid-August earthquake that killed hundreds and caused millions of dollars in damage.

**The Socialist Threat.** Today, U.S. values are under attack in Latin America. Market-based democracy, which has been heavily promoted by the United States in Central and South America over the past 20 years with some success, is being assailed in the Andean region. President Hugo Chavez of Venezuela, Cuban dictator Fidel Castro and his brother Raul, and other hard Leftists in the region are seeking to undermine U.S. influence while promoting 21st Century Socialism, a throw-back to the failed systems of Cuba and the Soviet Union. This campaign by Chavez and the Castro brothers, fueled by Venezuelan oil wealth, poses grave threats to the interests of the United States and its friends and allies in the region.

The United States must respond to these challenges with robust support for open markets and democratic governance. The U.S. government should stand firmly with democratic reformers and legitimately elected leaders, continuing to assist in the fight against guerrilla groups (such as FARC in Colombia) and narcotics trafficking. In addition, assistance to the region from the U.S. Millennium Challenge Corporation should be ramped up to encourage economic growth, reduce poverty, and promote development, all of which would help to address stubborn income inequality. Stimulating U.S. economic ties to the Andean region through expanded trade and investment is a vital piece of the overall U.S. strategy. Expanding trade ties with Peru, whose government is friendly to the U.S., is clearly in the national security interest of the United States.

**Economic Benefits.** Peru (along with Bolivia, Colombia, and Ecuador) already has nearly complete access to the U.S. market under the Andean Trade Preference Act (ATPA) legislation. Indeed, over 90 percent of Peru’s exports to the United States currently enter duty-free. With this entrée to the U.S. market, the Peruvian economy has diversified, leading to healthy economic growth and job creation and providing alternatives to coca produc-

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This paper, in its entirety, can be found at:  
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tion and guerrilla activities, which have ravaged Peru in the past.

But these trade preferences will expire in early 2008 unless Congress acts. Uncertainty over whether the preferences will continue is presently hindering long-term investment and job creation in Peru. Congressional approval of the bilateral U.S. trade agreement with Peru would end this period of uncertainty and boost investor confidence. It would also provide equal access for U.S. producers to the Peruvian market and thereby benefit America's economy and workers.

In addition, the trade deal could enhance U.S. energy security by providing new supply sources from a friendly, nearby country. Peru is already an important supplier of minerals (silver, gold, copper, zinc, and lead) to the U.S. Within the next few years Peru could also become a major supplier of liquefied natural gas (LNG). Peru's proven reserves of gas and condensates are equivalent to some 2.4 billion barrels of oil. Reducing American dependence on energy from the volatile Middle East must be a top priority for the U.S. government.

**Conclusion.** Should Congress fail to approve the agreement as originally negotiated with Peru, the door will be open to Chavez and other populist demagogues as they pursue their damaging and aggressive economic and political assault on the American values that have produced unprecedented prosperity around the world. Failure to approve the agreement would also undercut the courageous pro-free-market leaders in Peru who have made the politically difficult decision to stand with the United States while opposing alternative regional models. Their political weakening would impact other U.S. efforts, including anti-narcotics cooperation.

Twenty-First Century Socialism is the greatest challenge the U.S. has faced in Latin America since the end of the Cold War. Congress must act to protect both the American people and the peoples of the Andean region from this destructive force.

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