THE PINNACLE OF UNITED STATES–PERU RELATIONS: A SURVEY OF
THE MOTIVATIONS FOR AND THE RATIFICATION PROCESS OF THE
UNITED STATES–PERU TRADE PROMOTION AGREEMENT

by
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A thesis submitted to Johns Hopkins University in
conformity with the requirements for the degree of Master
of Arts

Baltimore, Maryland
MAY 2008

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Abstract

On December 14, 2007, President George W. Bush signed the United States Peru Trade Promotion Agreement Implementation Act (H.R. 3688), now Public Law No: 110-138, thus ratifying the United States Peru Trade Promotion Agreement (USPTPA). The objective of this thesis is to survey the environment surrounding the negotiation and ratification of USPTPA and to comment generally on the motivational circumstances for entering into the agreement on the part of both the United States and Peru. The survey includes capturing information on the history of the United States-Peru relationship leading up to present-day, discussing the relevant policies and processes that led up to the USPTPA, summarizing the most relevant content of the USPTPA and how stakeholders participated on behalf of their own interests, and looking at what some of the motivations for undertaking the negotiation and ratification process of the USPTPA might have been. It would seem that, in United States-Peru relations, the entangling of the philosophies of political realism and liberal internationalism in making foreign policy decisions has proved positive. The result, the USPTPA, is a functional (and probably largely positive) mechanism that will have practical and measurable implications for both the United States and Peru, whether
or not the political implications are ever fully realized or measured.

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CHAPTER 1 – INTRODUCTION

The objective of this thesis is to survey the environment surrounding ratification of the United States-Peru Trade Promotion Agreement (USPTPA) and to comment generally on the motivational circumstances for entering into the agreement on the part of both the United States and Peru. Also, the unique content of the agreement will be reviewed in concert with corresponding stakeholder interests.

This introduction will serve to provide general background information on Peru, and a general summary of the USPTPA contents and timeline. Also, it will touch on the schools of thought to be reviewed later in the discussion in looking at motivations for negotiation of the USPTPA, and will provide a general map for the course of the thesis.

Peru Statistics and Background

Based on World Bank statistics, the population of Peru is about 28.4 million and the country achieved a Gross Domestic Product (GDP) of 93.3 billion in 2006¹ (compare that to the United States with a 2006 population of 299

¹World Bank Group Peru Data Profile 2006.
million and a GDP of $13.2 trillion). Until 1996, Peru was the world’s leading coca leaf producer. In 1990, the number of hectares of coca was approximately 140,000 total. Today, cultivation is down to 34,000 hectares and Peru has fallen behind Colombia to become second in production of coca leaf.

Peru comprises about 1.28 million square kilometers of land, which is roughly the size California, Texas and Oklahoma altogether. The country shares borders with Bolivia, Brazil, Chile, Colombia, Ecuador and the Pacific Ocean. Peru operates under a democratic system of government, with a unicameral Congress. The current President is Alan Garcia, who is serving a second, non-consecutive five year term as president after being narrowly re-elected in 2006. Peru has two official languages – Spanish and Quechua. Quechua, a native language of Peru, is predominantly spoken in the Peruvian highlands, which also happen to be the most rural and severely poverty stricken geographic areas of the country. Peru’s poverty rate has fallen incrementally over the

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course of the Garcia Administration as well as over the Administration of his predecessor Alejandro Toledo. The number of Peruvians living in poverty is now less than 50 percent of the population.

Under its previous two Presidents and the current Garcia Administration, Peru has taken steps to create a liberalized and open market economy, from which the country has seen benefits. In 2005, during the tenure of President Toledo, Peru saw its Gross Domestic Product soar to $78.4 billion (6.4 percent growth). Further, the United States Foreign Agricultural Service reports that from January to March 2006 that figure rose an additional 6.8 percent thanks to “construction, mining, foreign investment, domestic demand, and exports.” Many argue however that the economic benefits are largely concentrated in urban and coastal areas, and that the benefits are not being recognized in many of the poorest parts of the country.

**Timeline and Basics of the USPTPA**


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5 Gutierrez, 1
the USPTPA. The USPTPA, which originated in May 2004, was previously ratified by Peru in June 2006. Full implementation of the agreement will take place in 2009 when the United States and Peru have satisfactorily modified laws and systems in accordance with USPTPA requirements. The Democrat-led United States Congress and the Bush Administration have hailed the agreement as groundbreaking and as a new standard for American trade policy. This is not to say that negotiation and passage of the agreement lacked controversy. In fact, Democrats in Congress were sharply divided in their support for the agreement, with the USPTPA passing the House of Representatives by a vote of 285 - 132 (with predominantly Democratic nays), and subsequently the Senate by a vote of 77-18 (with 16 Democratic nays, plus one Independent, and one Republican). Those in opposition to the USPTPA complain that the agreement does not go far enough to protect the working middle class and poor in both the United States and Peru, and that the agreement does not contain sufficient provisions for environmental protection. Labor unions in the United States were divided over the agreement with some vocally opposing its ratification and others remaining more neutral. Environmental groups widely opposed the agreement until additional environmental
enforcement standards were included – at which time some declared their support while others reserved optimism or remained outwardly opposed.

Prior to enactment of the USPTPA, unilateral trade legislation was passed by the United States Congress in the form of the Andean Trade Preference Act, and the subsequent Andean Trade Preference and Drug Eradication Act, allowing most of Peru’s exports to enter the United States duty-free. The new USPTPA bi-lateral trade agreement will further reduce tariffs placed on Peruvian goods entering the United States, and in turn will largely eliminate and reduce duties on American products entering Peru. In addition, to tariff elimination provisions, the USPTPA contains many unique, first-of-their-kind provisions including fully enforceable and stricter environmental and labor standards, and some of the most liberal intellectual property provisions ever seen in American trade policy.

In August 2007, a United States House of Representatives Ways and Means Committee delegation including Chairman Charles Rangel (D-NY) visited President Alan Garcia in Peru where he referred to the USPTPA “as a historic ‘New Deal’ for workers and countries, marking the beginning of a
‘grand transformation’ in how governments should approach world trade.”\(^6\)

**Intent of the Thesis and Schools of Thought Reviewed**

The intent of this thesis is to comprehensively survey the elements surrounding the ratification of the USPTPA. The survey includes capturing information on the history of the United States-Peru relationship leading up to present-day, discussing the relevant policies and processes that led up to the USPTPA, summarizing the most relevant content of the USPTPA and how stakeholders participated on behalf of their own interests, and looking at what some of the motivations for going through the long negotiation and ratification process of the USPTPA might have been.

Rather than debating the pros and cons, and philosophies of free trade versus protectionism to justify the appropriateness or existence of trade agreements, the schools of thought examined in this paper will be used to shed light on the motivations behind inter-state cooperation in the global arena. Political realism and

liberal internationalism will be discussed in very general terms and will be used as frameworks for analyzing the Bush Administration’s interests in pushing forward the USPTPA, and Peru’s motivations for wanting to cooperate with the United States. Again here, the goal will not be to debate the virtues of realism versus liberalism as theoretical models or foreign relations philosophies, but rather to use the main pillars of each school of thought as a map for this survey of the United States’ and Peru’s motivations for the entering into the USPTPA.

In surveying the United States’ and Peru’s motivations for entering into the USPTPA, the goal is to ascertain a full view of the political context for and original intent of the agreement. This is not intended to develop a case study for broader theoretical questions, but rather a framework or foundation for extended study of the evolution and outcomes of the United States-Peru relationship. Knowing the Administrations’ original political intent and foreign policy reasoning for the negotiation and ratification of the USPTPA is an important part of the historical context of the agreement that should be realized in the long-term study of the United States-Peru relationship. However, the product (the USPTPA), no matter
the original intent, will remain as a tangible mechanism with practical, measurable economic and societal outcomes; whereas the Administrations’ political motivations surrounding the negotiation and ratification of the agreement may never produce measurable data for determining political success or influence.

**Roadmap for the Thesis**

This chapter has provided initial background on the USPTPA and has described the intent of this thesis to be a survey chronicling the negotiation and ratification of the agreement. Chapter Two constructs a historical context for understanding the basic history of relations between the governments of Peru and the United States from 1985 to present-day. In addition, Chapter Two includes discussion of the policy precursors leading up to the USPTPA. Chapter Three surveys and describes the unique provisions in significant sections of the agreement such as agriculture, labor, environment and intellectual property, and discusses stakeholder issues associated with each interest. Chapter Four will review schools of thought offering insight into why nations cooperate and will use that as a framework for discussing possible motivations for the United States and Peru to cooperate in the negotiation and ratification of
the USPTPA. Chapter Five will conclude this thesis with closing remarks on the USPTPA, a wider view of the United States trade policy agenda, and discussion of possible future research directions.
CHAPTER 2 – HISTORY AND BACKGROUND

In undertaking this survey of the USPTPA, its road to ratification, and its eventual implementation, it will be helpful to construct a brief historical context for understanding the basic history of relations between the governments of Peru and the United States. In addition, this chapter will include discussion of the policy precursors leading up to the USPTPA.

The Peruvian Experience and American Involvement

Garcia 1 – 1985-1990

Peru and the United States enjoyed a generally cooperative – that is not to say highly productive – relationship following its independence from Spain in 1821 and up until the Cold War period. During the Cold War period, leftist sentiments were widespread in Peru – this was evidenced within the population and in successive governments whether civilian or military. These attitudes generally rejected United States-style capitalism. During much of this period, however, relations were not completely severed.

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8 Ibid, p. 3
Increasingly though, over the Cold War period, largely given the United States’ unwillingness to supply, support or sell to the Peruvian military, the Soviet Union was put in a position to play a much larger role in Peru. By the time of the 1985 election of young, vocal, dynamic, leftist Alan Garcia as President, the Peru-United States relationship was at its lowest point.

Garcia took office just after his thirty-sixth birthday. He immediately rejected free market principles, and began proliferating barriers to trade, nationalizing American companies and whole industries and sectors in Peru, and unilaterally dictating new terms for payment of Peru’s international debt obligations. In his inaugural address, Garcia called for “greater Latin American unity in dealing with the United States, which he termed ‘the richest and most imperialist nation on earth.’” The charismatic young president was hailed as “Latin America’s John F. Kennedy” and, at the outset of his Administration, his fresh perspective and ambitious ideas were welcomed by many—both domestically and internationally. Quickly though, due to inherited economic ills, and to poor and rash decision-

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9 Ibid
10 Ibid
making on his part, the Peruvian standard of living was sent spiraling downward and inflation rocketing upward (at one point reaching 7,500 percent). Just after Garcia’s term ended in 1990, “the money that would have bought a new car in 1985,” at the beginning of his term, “was barely enough for a box of matches.”\textsuperscript{12}

At the same time the Cold War was nearing an end, so was the dismal five-year term of the Garcia Administration. Garcia had destroyed the Peruvian economy, and not only were most Peruvians’ living conditions declining, “the Sendero Luminoso (Shining Path) insurgency was expanding relentlessly,” drawing into its ranks the extreme poor from Peru’s vast rural populations.\textsuperscript{13} Sendero, the growing Maoist rebel group, was terrorizing the country. It is officially estimated that from 1980 – 2000, more than 69,000 Peruvians “died or ‘disappeared’ in the internal conflict between” Peruvian forces and Sendero rebels.\textsuperscript{14}

Garcia inherited the problem of domestic terrorism from the well-meaning but largely ineffective second presidency of Fernando Belaunde, however, his failure to rein in the

\textsuperscript{13}McClintock, pp. 3,4
violent group compounded with growing poverty, helped the Sendero to pad its ranks.

At the end of Garcia’s term, Peru’s economy was experiencing hyperinflation, his administration was an utter failure in combating terrorism, and he left amidst allegations of corruption and human rights abuses. The failure of Garcia’s once-promising leftist government, the fall of the Berlin Wall, and the presence of radical leftist rebel terrorists, were culminating factors that led Peruvians to become disenchanted with leftist ideologies. Thus, both through the natural course of history and thought change, and based on economic realities and needs, Peru began to look more kindly upon the United States and scenarios for a more liberal economy.

Fujimori 1, 2, and 3 – 1990-2000
The 1990 Presidential election saw the emergence of Alberto Fujimori – a mathematician and an unknown on the political scene. Upon taking office, after defeating long-time front runner in the election, Mario Vargas Llosa (a celebrity candidate), Fujimori quickly, radically reformed and liberalized Peru’s economic practices and, with his national security advisor Vladimir Montesinos, toughened
the fight against Sendero terrorists. As Fujimori began rebuilding the economy based on liberal markets, Peru saw quick domestic gains (though not uniformly) and was on a path to becoming accepted back into the global economy. At the same time, Montesinos went on the offensive and forcefully and successfully quashed the Sendero terrorists’ ranks (albeit through actions for which both he and Fujimori have been accused of human rights abuses).

In April 1992, only having been in office for a brief time, Fujimori conducted a “self coup,” suspending the constitution, dissolving Congress, jailing many politicians, retaining his power, and over the next year rewriting the Constitution to allow for, among other things, his consecutive re-election. While one might think that such an undemocratic action would draw serious rebuke from the United States (a newly regained partner), at most, the George H.W. Bush Administration appeared mildly annoyed and announced that it would freeze new aid to Peru and would review its economic and military aid portfolio for Peru in general. United States aid to Peru set aside for
humanitarian programs and counter-narcotics activities remained active.\footnote{McClintock, pp. 136, 137}

Montesinos and the United States Central Intelligence Agency (CIA) had a long and convoluted history which will not be discussed in depth here. However, the relationship is worth mentioning because while the George H.W. Bush and Clinton administrations were largely uninterested in Peru, one area of emphasis was the war on drugs – specifically, illicit coca fields in rural Peru. The Clinton Administration (in power for the majority of the Fujimori Administration) did not attempt promote democratic principles (particularly human rights, free speech, and free and fair elections) in its foreign relations with Peru, rather, it appeared satisfied with Fujimori’s efforts to liberalize the economy in line with United States-style capitalism, and with his willingness to cooperate with the United States in counter-narcotics activities. During the Clinton Administration, the CIA and the United States Drug Enforcement Agency (DEA) regularly collaborated with Montesinos directly and indirectly in fighting illicit coca production and the Sendero rebel movement. Illegal coca crops were largely seen as an economic extension of
Sendero. The seedy details of the relationship between CIA and Montesinos, and coca and Sendero are difficult to unravel as most documentation, as would be expected, is not publicly available.

In 1995 Fujimori was re-elected to a second Presidential term, as were his allies in Congress. To no avail, the 1995 legislative elections were highly contested by Peruvians. Soon after his consecutive re-election, Fujimori began to push for a new law that would allow him to run for a third consecutive term as President – which his Congressional majority passed in 1996. At that time, opinion polls “showed that at least two-thirds of Peruvians opposed a third, consecutive term,” for Fujimori. Opposition leaders in Congress sought a referendum on the issue, which prompted Fujimori to actively obstruct that right. Despite his increasingly dictatorial actions, increasing oppression of the media, intimidation of opposition legislators, and known human rights abuses, the United States government neither challenged the constitutional legitimacy of a possible third-term for Fujimori, nor the increasing authoritarian nature of his

\[\text{McClintock, pp. 142-144}\]
\[\text{McClintock, p. 144}\]
regime. However, nearing the end of Fujimori’s second term, corruption allegations began to swell, the Peruvian economy was faltering and, “as his administration became increasingly arbitrary, tax collection rates plummeted, capital fled the country and prospective investment dried up.”

Nonetheless, Fujimori went on to “defeat” Alejandro Toledo, to “win” a third consecutive term in the 2000 elections. However, international election observers no longer trusted the Fujimori government’s election officials” and Toledo was relentlessly challenging the legitimacy of the Fujimori government. The United States still did nothing to suggest or promote an investigation of the elections, or to challenge the Fujimori government. It is said that “the conventional wisdom in the United States Department of State was the Fujimori government would serve out its term.”

So, what was the final key to the demise of the Fujimori government? Nearing the end of his second term/beginning of

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18 McClintock, p. 146
20 McClintock, pp. 151–153
21 McClintock, p. 153
his third term, in 2000, his close advisor, Vladimir Montesinos, was caught on camera in a bribe and subsequently fled the country. For a brief time, Fujimori tried to salvage his administration in the absence of Montesinos by dissolving Montesinos’ criminal National Intelligence Service (SIN) and by agreeing to hold new elections in 2001. However, a month after the bribe tapes were released publicly, and also amidst other, political, financial, and arms scandals, Fujimori was declared unfit to rule by the Peruvian Congress. He eventually submitted his resignation while in exile in Japan.\textsuperscript{22}

Paniagua Interim and Toledo 2001-2006

Upon Fujimori’s departure, Peru found an interim President in benevolent Congressional leader Valentin Paniagua. “Paniagua governed for only eight months, but in that short time he forged a legacy, leading a broad-based government that began rebuilding Peru’s tattered democracy, including overseeing clean elections.”\textsuperscript{23} While in office, his main task was to see Peru through to free, fair and democratic Presidential elections. However, he also started the process that many hoped would help Peru to heal socially by

\textsuperscript{22}“Timeline: Peru,” BBC News, April 1, 2008.
establishing the Truth and Reconciliation Commission whose charge was to retrospectively study and document political violence and human rights abuses over the previous two decades (1980–2000). Paniagua succeeded in restoring some good sentiment among the population, and it is generally accepted that he did a good job preparing Peru for the next administration.

The 2001 Presidential elections ushered in what will hopefully carry on to be historically considered, a new era, begun by a President with indigenous Peruvian roots – Alejandro Toledo. In his five-year term, Toledo set out to fight poverty, terrorism, coca farming and drug use, to increase education, teacher quality, and nutrition, and to enhance the economy through liberal trade. It was under Toledo that Peru negotiated and first signed the USPTPA. Toledo assured Peruvians that “Peru came out the winner” in the deal.\(^\text{24}\) Now it would be up to the United States Congress to approve an implementation act to accompany the agreement, and for the next Peruvian president to begin reforms to facilitate implementation. While Toledo set many positive ideas into action, and while the results may

have been underwhelming, it is most important to note that he did not leave the country in a worse situation than he found it. Sadly, this was not a standard regularly met by Peruvian Presidents.

Garcia 2 - 2006-Present

In 2006, Alan Garcia was narrowly re-elected to be President of Peru defeating vociferous, leftist candidate, Ollanta Humala, who was publicly supported by Venezuelan President Hugo Chavez. It is widely anecdotally reported that Garcia was chosen by Peruvians as the lesser of two evils in the election. Thus far, all signs suggest that Garcia is approaching his second term with a vastly changed, modernized and improved political agenda, as well as with better constraint and decision-making.

Since Garcia entered office: Peru has experienced significant economic growth; former Sendero Luminoso rebel leader Abimael Guzman has been sentenced to life in prison; Garcia was given by Congress the power to rule by decree in matters related to drug trafficking and terrorism, which will presumably allow him to act more swiftly and efficiently; and exiled president, Alberto Fujimori was finally extradited from Chile (he left Japan for Chile in
2005 and was apprehended) to Peru to face trial for corruption and human rights abuses.\textsuperscript{25}

Garcia’s “disciplined fiscal and monetary policies have helped to generate...strong GDP growth,” (7 percent in 2007, and 8 percent in 2006) and have also kept annual inflation under control at close to 2 percent, reportedly, “the lowest rate in Latin America.”\textsuperscript{26} There is evidence that this economic growth has begun to reduce poverty; the Peruvian “government says that the poverty level fell by more than 4.2 percent last year compared with 2005, to 44.5 percent of the population.”\textsuperscript{27} Garcia ambitiously “promised to slash poverty levels to 30 percent by the end of his term” in 2011.\textsuperscript{28} Thus far, his term has seen many successes and his Administration continues to develop a strong relationship with the United States.

However, it is worth mentioning that the tragic earthquake that struck coastal Peru in August 2007 has caused Garcia to divert significant government resources to affected areas. It remains to be seen whether the earthquake will

\textsuperscript{26} “Peru's Political Tremors.” Economist Intelligence Unit ViewsWire, September 24, 2007.
\textsuperscript{27} Ibid
\textsuperscript{28} Ibid
have a medium or long term economic effect on Peru and whether history will reflect positively on the Garcia Administration’s response to the tragedy.

Turning back to the central issue at hand, the USPTPA is now on its way toward full implementation in 2009, and Garcia appears to be working diligently to make sure Peru is up to code.

**The Road to USPTPA**

The Andean Trade Preference Act (ATPA) and the Andean Trade Preference and Drug Eradication Act (ATPDEA)

Prior to formulation of the USPTPA, with regard to trade, the United States extended unilateral trade preferences toward Peru and some of its Andean neighbors. This came in the form of the Andean Trade Preference Act (ATPA) which was originally enacted in 1991, and the subsequent Andean Trade Preference and Drug Eradication Act (ATPDEA) in 2002. These agreements allowed for most of Peru’s exporters to access United States markets duty-free. They also provided incentives for Peru to encourage legitimate exports, and to work toward the eradication of illegal coca farming and clandestine exportation.
According to the Peruvian Ministry of Trade, ATPA/ATPDEA “exports to the United States provided 874,000 direct and indirect jobs to Peruvians in 2006, compared with 562,000 jobs in 2002 and 250,000 jobs in 1994.”\textsuperscript{29} In addition, according to the United States Trade Representative (USTR), “United States imports under the ATPA/ATPDEA from Peru increased 40 percent, from $2.3 billion in 2005 to $3.2 billion in 2006.”\textsuperscript{30} For many years, and under multiple administrations, ATPA/ATPDEA was central to the United States trade and counter-narcotics agenda toward Peru. It was held that “there are clear links between drug trafficking and terrorism and it is in our national interest to combat the drug trade and to promote healthy, strong economies and democracies.”\textsuperscript{31} ATPA/ATPDEA was seen to do just that.

\textbf{USPTPA Negotiation}

In late 2003, the USTR began bi-lateral free trade negotiations with Peru. Following thirteen rounds of talks from May 2004 to November 2005, Peru and United States

\textsuperscript{29}“Third Report to Congress on the Operation of the Andean Trade Preference Act as Amended,” The Office of the United States Trade Representative, April 30, 2007, p. 53.
\textsuperscript{30}ibid p. 10
negotiators arrived at an agreement.\textsuperscript{32} Thereafter, in June 2006, Peru ratified the agreement.

Now it was time for the United States Congress to act on the agreement. For Bush, passing an implementation act through Congress (a Congress that was Democratically controlled by January 2007) would be no easy task. During negotiation of the agreement, constituencies from labor to environment, manufacturing, intellectual property, agriculture, to labor and human rights were eager to oppose and/or stake out their territory within the agreement. Despite the fact that the USPTPA Implementation Act would not be subject to amendment when considered by Congress on the House and Senate floors, external stakeholder voices remained a force. The agreement remained a high priority for the Bush administration, and Congressional Democratic leaders seemed willing to entertain some compromise.

In late spring 2007, Democratic leaders including House Speaker Nancy Pelosi (D-CA), sat down with the Bush Administration and hammered out a compromise bipartisan trade deal which was announced as final on May 10, 2007.

\textsuperscript{32}SICE :: Foreign Trade Information System. Trade policy developments: Peru - United States.
USTR Susan C. Schwab commented on the “May 10 deal” saying that, “we have seized a historic opportunity to restore the bipartisan consensus on trade with a clear and reasonable path forward for congressional consideration of,” the USPTPA and that moving forward, “will ensure the creation of new economic opportunities for American farmers, ranchers, manufacturers, service providers, more choices for consumers, and help guarantee that the benefits of trade extend to all people.” The May 10 deal, in summary, would hence forward ensure that trade agreements would require:

- adherence to internationally-recognized labor principles;
- adherence to a specific list of international multilateral environmental agreements;
- that labor and environmental provisions would be subject to the same enforcement as commercial provisions; and
- strong protection for intellectual property, but also certain flexibilities to ensure that less-developed partners “are able to achieve an appropriate balance

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between fostering innovation in, and promoting access to, life-saving medicines.”

More on the contents of the agreement and how it amended the USPTPA will be provided in Chapter Three.

For review, the agreement was originally ratified by Peru in June 2006 and was successfully re-approved by Peru as amended in June 2007 taking into account the amendments resulting from the May 10 deal. Peru’s support for the agreement, that Democrats and Bush had reached some unique compromises, and diligent whipping by the Democratic leadership all lead to the final passage of the USPTPA Implementation Act and subsequently to President Bush’s signing ceremony on December 14, 2007, making the act Public Law No: 110-138 – thus completing the long process of ratification of the USPTPA.

In remarks at the White House signing ceremony, Bush stated that “by advancing free and fair trade, we strengthen ties with our friends, we help democracies build a better life for their citizens and we show that so long as the rules are fair, American workers can compete with anyone,

\[^{34}\text{Ibid, p. 3}\]
anytime, anywhere.” President Garcia of Peru also attended the ceremony, remarking that “it’s a great day for Peru; for the friendship between Peru and the United States. It’s a great day for democracy and social justice and freedom. On the contrary, it’s a bad day for authoritarianism, and those who are against democracy and free trade.”

The term of Garcia’s first presidency and George H.W. Bush’s administration was the low point of the Peru-United States relationship, and it would seem now that George W. Bush and Garcia, in his second term, over a decade later, have reached a new high point in the partnership and friendship.

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36 Ibid
CHAPTER 3 – SIGNIFICANT SECTIONS SUMMARY OF
THE AGREEMENT AND STAKEHOLDER INVOLVEMENT

As readers know by now, the USPTPA seeks to level the playing field for United States exporters in that it, for the first time, will afford American exporters duty-free access that Peruvian exporters have been enjoying for years under ATPA/ATPDEA preferences. The agreement is also significant because it contains many first-of-their-kind provisions for United States trade policy that came about as a result of the United States bipartisan May 10 trade deal. Those include fully enforceable and stricter environmental and labor standards, and some of the most liberal intellectual property provisions ever seen in an agreement.

Road to agreement was not swift and straightforward. In total it took about three and a half years spread over two Congresses and presidential terms to complete its ratification. The labor and environment sections of the agreement produced some of the most heated debate. There was some political rhetoric warning about the loss of
American jobs but little hard data was presented to validate a protectionist stance on trade.

Even after the May 10 deal, the USPTPA Implementation Act passed with support from only about half the Democrats in Congress. The United States House of Representatives passed the bill with a vote of 285 – 132 (with predominantly Democratic nays), and subsequently the Senate passed it by a vote of 77-18 (with 16 Democratic nays, one Independent and one Republican).

This chapter will go on to survey and describe the provisions in significant sections of the agreement and will discuss stakeholder issues associated with each.

**Tariffs**

As discussed in Chapter Two, most Peruvian exports to the United States entered the country duty-free under provisions in the ATPA/ATPDEA. The USPTPA will make permanent the tariff exemptions previously enjoyed by Peruvian exporters under ATPDEA, and will now afford the same exempt status to many American exporters immediately, with all remaining tariffs being phased out gradually over 17 years. For Peru, exemptions in the ATPA/ATPDEA proved
beneficial as can be seen in the increase of Peru’s exports to the United States under ATPA/ATPDEA from $2.3 billion in 2005 to $3.2 billion in 2006 – a 40 percent increase.\textsuperscript{37} Those figures will undoubtedly be further increased by the USPTPA. Specifically, for American exporters who were not included in the ATPA/ATPDEA, the USPTPA will eliminate duties for almost 90 percent of exports from United States farmers and ranchers, and will allow 80 percent of American consumer and industrial products immediate duty-free status. Previously, average tariffs on United States goods entering Peru ranged from 5.5 percent for transportation equipment to 11.1 percent for consumer goods.\textsuperscript{38}

Based strictly on tariff elimination, the USPTPA enjoyed support from business groups such as the United States Chamber of Commerce (USCC), the Business Roundtable, the United States Hispanic Chamber of Commerce (USHCC), and other industry groups such as the National Association of Manufacturers (NAM). USHCC President and CEO, Michael L. Barrera stated that the tariff elimination as a result of the agreement “is primarily a victory, not for huge multi-

\textsuperscript{38} Report 110-421, p. 2.
nationals, but for small companies, which make up 80 percent of United States firms with business in Peru."³⁹

**Agriculture**

The USPTPA extends greater access to United States markets for Peruvian farmers and ranchers. Also the agreement affords United States farmers and ranchers greatly enhanced access to Peruvian markets with nearly 90 percent of agricultural exports to Peru becoming duty free immediately upon implementation with the remaining tariffs phased out over 17 years. Parties hope that the phase-out will help transition the most sensitive Peruvian agricultural sectors into the new more competitive market over a longer term.

There are clear concerns that Peru’s many small and subsistence farmers will not survive as markets become more open to outside competition especially in the wake of the USPTPA. In recognition of the sensitive situation, the United States Congress emphasizes that the USPTPA “includes longer tariff phase-out periods for some products (such as standard quality beef, yellow corn, rice, and processed dairy products), with no tariff cuts required in the

initial years of the agreement. Safeguard measures will also be available for specified products, providing for tariff increases if import quantities increase to specified levels.”

Former six-term Peruvian Congressman and Presidential candidate, and current scholar, Javier Diez Canseco, has been a vocal opponent of the USPTPA stating that there will be “absolutely unjust competition between Peruvian agricultural products and North American agricultural products, because the United States subsidizes its agricultural products,” and Peru doesn’t, “so there is a very strong difference between the conditions of production and the subsidies that the United States farmers receive and those that Peru has to deal with.” Unless the United States reforms its agricultural policy prior to the end of the phase outs and expiration of available safeguards, as noted by Diez Canseco, agricultural subsidies will tip the trade balance that would have been created by the USPTPA and will greatly disadvantage Peruvian farmers.

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40 Report 110-421 p. 5.
A perfect example of the subsidy/trade imbalance discussion can be seen in the asparagus farming industry. Peruvian asparagus exporters benefited greatly from the tariffs eliminated by the ATPA/ATPDEA. From 1994 to 2006, Peru’s asparagus exports to the United States increased “tenfold…to more than $149 million.” Presumably to combat that “market loss” for American asparagus farmers given that the ATPDEA was a unilateral mechanism, many were subsidized under a federal Market Loss Assistance Program. However in 2007, just two days prior to the passage of the USPTPA Implementation Act (a mechanism intended to level the playing field for American and Peruvian markets), Senator Patty Murray (D-WA) successfully fought to maintain $15 million in subsidies for American asparagus farmers in the Farm Bill of 2007, stating directly that “our asparagus farmers are hurting now because of competition from growers in Peru.” Two days later, the USPTPA passed, which will eventually fully afford asparagus farmers duty free access to Peruvian markets. Thus American farmers will enjoy increased market access and will continue to be subsidized by a Market Loss Program. This undermines the fair trade

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balance that was sought by eliminating duties for both Peruvian and American exporters and will greatly upend any hope of an even playing field for the estimated “more than 60,000 people now work directly in asparagus cultivation and processing in Peru.”

In response, the government of Peru, also recognizing the sensitivity of the USPTPA for Peruvian farmers, has pledged about $73,282,200 in aid “to compensate farmers during the first five years of the” USPTPA.

While food and agriculture interest groups representing the majority of American export farmers, ranchers, and food processors voiced their support for USPTPA, groups such as OxFam, an international group concerned with poverty and injustice, joined with Luis Zuniga, president of the National Convention of Peruvian Agriculture (Conveagro) in opposition to the USPTPA commenting that “by fully opening Peru’s markets to subsidized US agricultural products, this trade agreement will destroy our domestic agriculture, threaten our food security and increase social problems.”

45 Collyns, BBC (2007).
Environment and Illegal Logging

The bi-partisan trade policy agreement struck on May 10 created a template with new guidelines for United States trade agreements with regard to environment. The USPTPA is the first agreement to embody the new standards. The USPTPA includes provisions that oblige the United States and Peru to fully enforce their own existing environmental laws as well as to “adopt, maintain, and implement laws, regulations, and all other measures to fulfill obligations under seven multilateral environmental agreements.” Those agreements include: the Convention on International Trade in Endangered Species (CITES); the Montreal Protocol on Ozone Depleting Substances; the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter; the Inter-American Tropical Tuna Convention (IATTC); the Ramsar Convention on Wetlands; the International Whaling Convention (IWC); and the Convention on Conservation of Antarctic Marine Living Resources (CCAMLR). The United States is already a signatory to each of these, as is Peru. More specifically, the May 10 agreement heralded that “finally, we have agreed that all of our FTA environmental obligations will be enforced on

the same basis as the commercial provisions of our agreements – same remedies, procedures, and sanctions.”

In addition to general environmental terms, the USPTPA addresses the perils of illegal logging in Peru’s rural Amazon. Environmentalists point out that last year $200 million of timber was illegally exported from Peru with authorities turning a blind eye. “Some reports have indicated, for example, that much of the mahogany exported from Peru—over 80 percent of which is exported to the United States—is illegally logged.” The USPTPA contains an annex devoted specifically to forest sector governance, in an attempt to curb illegal logging. “Under the Annex, Peru is required to take: specific steps to address illegal logging and improve forest sector governance…and additional actions to stop illegal logging of mahogany and all CITES-listed tree species.” In addition, the agreement will permit the United States to investigate and audit Peruvian logging, and to turn away shipments of suspect timber at the border. The USPTPA’s Forest Sector Governance Annex also requires Peru to enrich and expand its forestry

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50 Report 110-421 p. 4.
51 Ibid
52 Ibid
inspection, regulation and enforcement personnel and to create and enforce more stringent penalties for illegal loggers.\textsuperscript{53}

The problem of illegal logging is not just environmentally important to address, but is also wrought with social concerns. Many loggers come into contact with indigenous groups (sometimes never contacted before) and the meetings have been known to end “with killings on both sides.”\textsuperscript{54}

Also, in Peru, nearly 30,000 persons are involved in forced labor, particularly in the logging industry located in the Amazon River provinces.” This has prompted President Garcia, through his Ministry of Labor, to authorize and instate a new “interagency committee to combat forced labor.”\textsuperscript{55}

Environmental organizations were vocal throughout the process of negotiation and ratification of the USPTPA. It should be noted that many of the organizations, making up the moderate core of United States environment interest groups, such as the Center for International Environmental

\textsuperscript{54}“Trade, timber and tribes,” Economist, October 4, 2007.
\textsuperscript{55}“Third Report to Congress on the Operation of the Andean Trade Preference Act as Amended,” pp. 47, 48
Law, Defenders of Wildlife, Natural Resources Defense Council, and Sierra Club, among others, agree that "the environmental provisions included in the final text of the Peru Trade Agreement mark a significant step forward."^{56}

**Labor**

Despite Peru’s positive economic growth of late, over 40 percent of the population lives below the poverty line. "Peru’s labor market is relatively small compared with that of the United States. In 2005, the labor force of Peru comprised nine million workers, compared to 151 million workers in the United States."^{57} Under the decade-long tenure of Fujimori (1990–2000), Peru’s "existing labor laws were relaxed significantly."^{58} However, in recent years under Presidents Toledo and Garcia respectively, Peru has regained ground by "strengthening labor protections, by implementing labor law reform, and by protecting workers’ rights."^{59} Similar to the first-ever environmental provisions of their kind, the USPTPA contains unique new labor standards as contained in the May 10 template. In the USPTPA, the United States and Peru agree to abide by

^{58} Ibid
^{59} Ibid
principles laid out by the 1998 International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work including, “freedom of association; the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labor; the effective abolition of child labor and a prohibition on the worst forms of child labor; and the elimination of discrimination in respect of employment and occupation.” For its part, the United States has long pledged commitment to protecting peoples’ right to assemble and unionize, to eliminating involuntary labor, to abolishing child labor, to eliminating sexual discrimination in employment. Also, previous to the USPTPA, “Peru has ratified 71 ILO conventions, including all eight core conventions on workers’ rights. The ILO has stated that Peru has satisfactorily amended its laws to improve labor standards in certain areas related to freedom of association and protection of the right to organize.”

In addition, the USPTPA “requires both countries to enforce laws related to a sixth set of rights—those pertaining to

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61 Ibid
62 Bolle and Villareal, p. 4.
acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health." \(^{63}\)

Like the environmental provisions, labor provisions in the USPTPA are "subject to the same dispute settlement procedures and remedies as commercial obligations." \(^{64}\)

The United States House of Representatives, in its report accompanying the USPTA Implementation Act, states that Peru must continue to work to bring its laws, regulations, and practices into compliance. Also, it made special mention that President Garcia has already followed through with many promises for legal framework reform that are needed to implement the USPTPA such as: "(1) temporary employment contracts; (2) subcontracting/outsourcing contracts; (3) the right of workers to strike; (4) recourse against antiunion discrimination; and (5) workers' right to organize." \(^{65}\)

Already, Peru’s Constitution: provides freedom of association for all citizens; recognizes the right to strike; provides for bringing collective bargaining

\(^{63}\) Report 110-421, p. 3.
\(^{64}\) "Bipartisan Trade Deal," Trade Facts, Office of the United States Trade Representative, May 2007, p. 2.
\(^{65}\) Report 110-421, p. 3.
agreements; prohibits forced or bonded labor; provides that
the State promote social and economic progress and
occupational education; provides for a 48-hour workweek, a
weekly day of rest, and an annual vacation. Many laws and
councils have been established under successive Presidents
Toledo and Garcia, but particularly in the last two years,
which compliment and expand on those constitutional rights.

The USPTPA will further create a mechanism to require
increased cooperation between the United States and Peru
through a Labor Affairs Council “comprised of cabinet-level
or equivalent representatives to oversee implementation of
the labor obligations, including the activities of the
Labor Cooperation and Capacity Building Mechanism.

With regard to job creation, the USPTPA’s affect in the
United States is expected to be nominal in the aggregate;
however, Peru’s foreign trade ministry projects that it
could create job gains for up to 700,000 Peruvians.

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67 Bolle and Villareal, p. 1.
68 Bolle and Villareal, p. 6.
Groups such as Public Citizen and Citizens Trade Campaign in the United States were vocally opposed to the agreement based on many standards, not the least of which was labor; while, major labor union coalitions such as AFL-CIO and Change to Win were split over the Peru deal. It has been reported that neither coalition had unanimous support or unanimous opposition for the USPTPA within their respective memberships. That said, the AFL-CIO chose to take a non-confrontational but cautious stance on the deal, while Change to Win went forward with vocal opposition.  

AFL-CIO Policy Director Thea Mei Lee testified before the Senate Finance Committee in September 2007 that the coalition welcomes “the progress made by the new Democratic leadership in the House of Representatives in negotiating improved provisions in key sections of pending free trade agreements, including the United States-Peru TPA. However, more needs to be done.” However, Change to win criticized the USPTPA an the bipartisan May 10 deal calling it insufficient and saying that it did not go far enough but lightly recognizing that there were improvements.  

Both groups had basically the same message on the agreement,

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69 Bolle and Villareal, p. 6.
however one (AFL-CIO) postured as neutral while the other (Change to Win) actively fought passage of the implementation act.

**Intellectual Property and Access to Medicines**

Concerns over intellectual property (IP) were a significant piece of the long USPTPA negotiation process. From the stakeholders in the entertainment industry, concerned with piracy, to those in the pharmaceutical industry concerned with data exclusivity, to human rights and public health groups concerned with access to affordable drugs, there were many vocal parties involved in the difficult and intricate intellectual property provisions. In the end, most of Congress and President Bush were able to negotiate in the May 10 agreement guidelines acceptable for both Republicans and many Democrats.

To summarize from a leading IP watchdog group, provisions in the USPTPA:

- Eliminates a provision commonly found in United States trade agreements requiring countries to provide patent extensions to IP holders injured by process delays.
Instead, softer language such as “shall” and “may” replace “require;”

- Creates flexibility for Peru on data exclusivity requirements to help ensure access to affordable and generic drugs - a provision not favored by brand-name drug firms, the initial innovators;
- Requires Peru to create an online registry of trademarks and to enhance the effective policing of copyright piracy; and
- Requires parties to put forth a “reasonable effort” to recognize biodiversity, traditional knowledge, and patents on plant varieties and to maintain the protections provided by the patent over time.

In the arena of pharmaceuticals, many in Congress, particularly Democrats, felt that United States trade policy with regard to IP had gone too far in the past to protect big companies to the detriment of less developed nations that were parties to agreements. Democrats’ worries were quelled by the bi-partisan May 10 template at least enough to move forward with the USPTPA. Specifically, the House Committee on Oversight and

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Government Reform Chairman, Henry Waxman (D-CA), a staunch critic of the Bush Administration in many policy areas including IP, announced his support for the USPTPA based on the restoration of much of the flexibility needed to protect public health.”\textsuperscript{73} Specifically, the USPTPA solidifies an agreement between the United States and Peru that the USPTPA “does not and should not prevent the Parties from taking measures to protect public health by promoting access to medicines for all, particularly in circumstances of extreme urgency or national emergency. The Parties also reaffirm their shared commitment to the 2001 Doha Declaration on the Trade-Related Aspects of Intellectual Property Rights Agreement and Public Health.”\textsuperscript{74}

American groups with IP interests such as the International Intellectual Property Alliance (IIPA) and the Pharmaceutical Research and Manufacturers Association (PhRMA) are wary of the agreement and of Peru’s ability to enforce copyright and patent laws. With regard to copyrights, the IIPA estimates that about half of all films sold in Peru are pirate copies. Also, statistics show that


\textsuperscript{74} “Free Trade with Peru: Summary of the United States – Peru Trade Promotions Agreement.” Trade Facts, Office of the United States Trade Representative, June 2007, p. 6.
in 2006, “more than half of Peru’s economy is made up of unregulated businesses that do not pay tax.”

Much of the unregulated business deals in pirated media. The Peruvian government has attempted to enhance enforcement efforts; however, piracy remains widespread, due notably to a failure to apply vigorously deterrent penalties.

Regarding patents, PhRMA, a trade association representing brand-name drug companies, has stated its worry that that Peru’s “lack of effective data protection” and its and Institute for Defense of Competition and Intellectual Property’s refusal “to comply with its obligations” will not change implying that additional standards in the agreement will go unenforced.

Recognizing Peru’s shortcomings in enforcing IP laws and prosecuting offenders, in late 2006, President Garcia gave four national courts and an appellate court the job of handling IP cases. He appointed judges specializing in IP

to the courts and increased the number national IP-specific prosecutors.\textsuperscript{78}

**Government Procurement**

Currently, Peru does not prohibit actors from other states to bid on government procurement contracts; however, it does afford a significant number of automatic points up front in the review process to proposals from Peruvian bidders. The USPTPA will eliminate that discrepancy between Peruvian and American companies bidding on Peruvian government procurement contracts. In addition, transparency in the proposal review process is required by the USPTPA.\textsuperscript{79} Similar to other UPSTPA chapters, the May 10 agreement inserts into the agreement provisions clarifying that USPTPA: “parties may insert requirements in their government contracts that suppliers must comply with core labor laws in the country where the good is produced or the service is performed,” and, “that government agencies can include provisions in their procurements to promote environmental protection.”\textsuperscript{80}

\textsuperscript{78}“Third Report to Congress on the Operation of the Andean Trade Preference Act as Amended,” p. 47.
\textsuperscript{79}Report 110-421, p. 5.
\textsuperscript{80}“Bipartisan Trade Deal,” Trade Facts, Office of the United States Trade Representative, May 2007, p. 4.
Investment

Some project that the USPTPA alone could add one percentage point to Peru’s overall growth in the year that it is implemented, and an association of industrial stakeholder in Peru predict that American investment in Peru in the wake of the agreement might leverage an additional $9 billion in investment from Peruvian industry in 2008 and 2009. This is largely as a result of USPTPA’s provisions providing greater security for investors.\(^\text{81}\)

Also, in an affirmative nod to the United States business community, the USPTPA establishes that no rights will be granted to Peruvian companies investing in the United States than to American companies investing at home.\(^\text{82}\)


CHAPTER 4 – POLITICAL REALISM AND LIBERAL INTERNATIONALISM AS FRAMEWORKS FOR UNITED STATES–PERU COOPERATION

This chapter will analyze very generally two schools of thought that shed light on the motivations behind interstate cooperation in the global arena – political realism and liberal internationalism. The goal is not to debate the virtues of realism versus liberalism as theoretical models, but rather to use the main pillars of each school of thought as lenses through which to view the Bush Administration’s interests in pushing forward the USPTPA, and, to a lesser extent, Peru’s motivations for wanting to cooperate with the United States. Realism and liberalism were chosen because they are the two schools of thought that can be summarized in general terms to provide a sufficient map for this survey of motivations for United States–Peru cooperation.

**Political Realism**

Political realism is a world view “that is profoundly pessimistic about the human condition, moral progress, and the capacity of human reason to create a world of peace and
harmony." It has been the overarching theory in foreign relations “for virtually the past two millennia, from Thucydides to Machiavelli to Morgenthau.” The core tenets of realism include: the premise that states are the primary, rational, autonomous, self-interested actors in foreign relations; the assumption that states interact in an anarchic global environment; the view that the international system is inherently competitive; and the assertion that power is the driving motivation for states in international relations.

There are varied “spin-offs” of realist though, however, each holds true to core pillars of traditional realism – in particular that power is what motivates states to act politically and that states act in their self-interest. Kenneth Waltz’s neorealism (sometimes referred to defensive realism), generally asserts that actions in the international realm reflect states’ struggle to balance power. States seek or exert power to achieve security or

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85 Slaughter pp. 4,5.
as a means of survival (security is power). Neorealism's assumption that states assert power "to maximize their security (not...influence) transforms classical realism from a game of pure positional competition to one of collaboration with mixed motives." However, there is also a camp of offensive realists (as opposed to defensive). John Mearsheimer’s realism is based on a more aggressive, offensive philosophy of state motivation. Offensive realists (sometimes referred to as neoclassical realists) argue that defensive realism based on survival “introduces an unnecessary bias towards the status quo. They...argue that states seek mainly influence.” Further, “Mearsheimer contends that states are offensive and therefore ‘expand.’” States interact in international relations in order to gain power through influence and expansion.

So, generally, in realism, whether it is for means of survival or expansion, power drives states’ relationships. Political realists find that states are the primary and

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87 Schweller, p. 927.
89 Rynning and Guzzini, p. 1.
self-interested agents in international relations and that power struggles motivate inter-state relationships.

**Liberal Internationalism**

Where the political realist school of thought reflects a pessimistic world view, liberal internationalism is more idealistic about global cooperation and peace. The liberal school of thought in international relations can also be boiled down to a core: individuals and private groups are the primary actors in the domestic and international systems; the ‘state’ interacts with and plays a representative role for these individuals and groups; self-interest is not the primary motivation of inter-state relations; interdependence is not seen as bad, rather as a useful tool and an inevitability.

President Woodrow Wilson was a leader in spreading his vision of liberal internationalism – a program of world peace. His famous fourteen points delivered to a joint session of Congress in 1918 described his intentions for American foreign policy through a framework of liberal internationalism. Wilson asserted that individuals are global partners in whose interest it is to assure justice for all and to unite “against force and selfish
aggression.”90 Individuals are partners in global interests because “unless justice be done to others it will not be done to us.”91 His philosophy has for decades been institutionalized and/or interwoven throughout American foreign policy – however, usually not in its purest form.

**Bush Policy Toward Peru**

Now discussion will turn to stated motivations of the Bush Administration’s policy toward Peru. This section will survey the Administration’s rhetoric on United States-Peru policy and will comment on the realist/liberal underpinnings of its motivations. Speeches, stated objectives, and program descriptions will be pieced together from: Bush himself, Condoleezza Rice and the United States Agency for International Development, the Millennium Challenge Account, and from the Department of Commerce.

**Views from the White House**

As mentioned in Chapter Two, United States-Peru relations have come a long way over the past 25 years. Bush himself acknowledges that “Peru and the United States are strong

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90 “President Wilson’s Fourteen Points,” Delivered to Joint Session of Congress, January 8, 1918.
91 Ibid
partners," and that by ratifying the USPTPA, "we're making that partnership even stronger." 92 He asserts that "when we expand trade, America advances our deepest values as well as...economic interests. Opening markets has helped expand democracy. Openings markets helps expand and strengthen the rule of law. And opening markets helps lift millions out of poverty. Open markets contribute to America's prosperity." 93 He also has stated that with the USPTPA, new opportunities will be created for citizens of both the United States and Peru, and that the agreement shows a "commitment to a hemisphere that grows in liberty and opportunity for all." 94

Clearly, the threads of Wilsonian liberal internationalism can be seen running through Bush's speech particularly when he speaks of: advancing American values, lifting people out of poverty, expanding democracy, strengthening rule of law, and committing to hemispheric liberty.

93 Ibid
94 Ibid
Perspectives from the Department of State and Foreign Assistance Programs

- Congressional Justification (CJ) for the FY 2009 Foreign Operations Budget

Secretary of State Condoleezza Rice’s FY 2009 budget for foreign operations programs will increase United States financial assistance going to Peru. The CJ states that “foreign assistance for Latin America is increasingly focused on the United States’ highest priority countries.”

The majority of the increased funding for Peru will be allocated to alternative development programs, and to accounts in support of the USPTPA, while a minimal piece of the increase will go toward continued “counter-narcotics programs and to enhance security forces ability to participate in international peacekeeping operations.”

It would appear that Bush and Rice, rather than providing increased humanitarian aid, are providing strings-attached economic and military aid that directly correlates to American interests in Peru. United States aid is tied to Peru’s proper action and cooperation in United States objectives. This is a perfectly common realist theme in


96 Ibid, p. 70.
the Bush Administration’s foreign policy (to use foreign aid as incentive for other countries to collaborate in our interests).

- United States Agency for International Development (USAID)

The USAID is a vestige of Wilsonian-style liberal internationalism. It was created under Kennedy by the Foreign Assistance Act of 1961. Kennedy justified the mission of the USAID, based "on three premises: (1) then current foreign aid programs, "America’s unprecedented response to world challenges", were largely unsatisfactory and ill suited for the needs of the United States and developing countries, (2) the economic collapse of developing countries "would be disastrous to our national security, harmful to our comparative prosperity, and offensive to our conscience", and (3) the 1960s presented an historic opportunity for industrialized nations to move less-developed nations into self-sustained economic growth."\(^{97}\)

When Peru suffered a devastating coastal earthquake, on August 15, 2007, the USAID stepped in to provide $2.2

\(^{97}\) “USAID: USAID history.”
million in humanitarian assistance.\textsuperscript{98} Currently, however, it would seem that the agency has lost much of its centrality to United States foreign assistance disbursement — as the form of assistance has become less humanitarian. The USAID’s mission in Peru now also includes “maintaining Peruvian cooperation in combating narcotics trafficking” and “includes the promotion of United States economic and commercial interests” and “collaboration on cross-border enforcement needs.”\textsuperscript{99} It would seem that the United States is buying cross-border enforcement through the form of foreign assistance for international peacekeeping security forces as requested in Secretary Rice’s FY 2009 foreign operations budget mentioned previously.

Increasingly, other than through USAID, President Bush is creating new accounts and mechanisms for foreign assistance that come essentially in the form of economic development rewards to countries that invest and reformulate themselves in line with United States goals and interests.

\textsuperscript{98}“What’s new: $2.8 million in assistance to areas hit by earthquake,” USAID/PERU, 2007.
In March 2002, in what the Bush Administration calls “the first major Presidential address concerning foreign assistance since the Kennedy Administration,” President Bush unveiled his plans for a New Compact for Development.  

Bush proposed “increased accountability for rich and poor nations alike, linking greater contributions by developed nations to greater responsibility by developing nations.” He announced that United States global development aid would increase by 50 percent over three years and that the new funds would be distributed through a new Millennium Challenge Account. That account provides funding for programs to help developing nations improve their economies.” The Millennium Challenge Account is "devoted to projects in nations that govern justly, invest in their people and encourage economic freedom." Rather than providing humanitarian aid and assistance to nations in order to create just government and other liberal ideals, those ideals and commitments to United States interests must be present in government prior to the distribution of United States aid.

100 “USAID: USAID history.”
101 Ibid
102 Ibid
To sum up with regard to American aid to Peru, the Bush Administration has tended to use foreign aid as incentive for Peru to collaborate with American foreign policy objectives rather than to provide strictly humanitarian assistance. However, the United States should be careful in providing this type of aid. A workable mix of liberal international ethics and realist motivations can be formulated in order for the United States to retain and spread its global good will, and for more grown-up, responsible economic aid to be doled out with some political strings-attached. However, the United States must be careful not to decrease the humanitarian aid to the point that all American aid looks politically suspect. In addition, aid programs that require countries to comply or conform to certain models in order to become eligible for aid should be seriously and responsibly funded such that countries are not led to bring about (politically and financially) expensive reforms in their country only to be told that the United States cannot or will not provide funding that was planned on. Either of these cases could bring about ill-will and distrust of the American government, and would not be constructive for an American foreign policy program.
Department of Commerce

On its export promotion website, the Commerce Department asks “Why Peru?” It answers that:

“Peru has the potential to be a great place to do business. Trade with Peru offers expanded economic opportunities for United States manufacturers, workers, and farmers. It is a growing market for United States exporters and a good economic and policy partner to the United States. A Trade Promotion Agreement gives us a framework to make Peru a good place to do business. In addition, an agreement with Peru helps further United States trade and policy objectives in the region.”

Again here, the focus can be seen primarily on United States economic interests and policy objectives - very realist in tone.

The Chavez Factor

Effect on the United States Motives

While not stated directly in any United States diplomatic or foreign assistance plans or programs, observers of United States-Latin American relations would not deny that a central goal of United States foreign policy is to

increase influence in individual Latin American states as a means of exerting power over hemispheric arch enemy, President Hugo Chavez of Venezuela.

Bush himself stated during the signing of the USPTPA that with regard to the future passage two other Latin American trade pacts with Colombia and Panama respectively, “across our hemisphere, people are watching what the Congress will do...when it comes to how we treat our friends,” and that “the champions of false populism will use any failure to approve these trade agreements as evidence that America will never treat other democracies in the region as full partners.”\textsuperscript{104} He goes on to say that we need to send the false populists “a strong message that the United States of America is committed to advancing freedom and prosperity in our neighborhood” and that Congress can do this by approving the Colombia and Panama trade deals.\textsuperscript{105} There can be no denying that President Chavez is the target of Bush’s “false populist” remarks.

Bush, however, has also frequently been the target of Chavez’s fanatical speeches. Chavez has commented on what

\textsuperscript{104} President Bush and President Garcia of Peru sign H.R. 3688. Press release, December 14, 2007.
\textsuperscript{105} Ibid
he perceives to be the egoist, realist foreign policy of the Bush Administration. Referring to President Bush in a September 2006 speech before the United Nations, Chavez retorted "the devil came here yesterday. And it smells of sulfur still today."

Chavez accused Bush of having spoken "as if he owned the world," and stated that Bush, "as the spokesman of imperialism...came to share his nostrums to try to preserve the current pattern of domination, exploitation and pillage of the peoples of the world."

Effect on Peruvian Motivations for Cooperation

Some speculate that one reason Peru cooperated in the development of the USPTPA was because they knew their ATPA/APTDEA preferences would eventually expire and that the United States would punish any uncooperativeness on the USPTPA by not extending the ATPA/APTDEA preferences. However, there is clearly another driving factor for Peru’s cooperation in the USPTPA. Peru signing the agreement with the United States dealt a blow to the perception of Hugo Chavez’s influence in Peru. The initial blow was dealt when the candidate Chavez endorsed in the 2006 Peruvian presidential elections was defeated (Ollanta Humala).

107 Ibid
However, while the elections are over, Garcia retains political interest in defying Chavez. As just mentioned, Chavez is a supporter of Peru’s radical leftist candidate Ollanta Humala who remains a powerful left-wing force in Peru as leader of the Nationalist Party. In a March 2008 poll, “70 percent of people surveyed said Chavez’s influence in Peru is primarily through Mr. Humala. In a separate poll, 51.3 percent said Chavez was very involved in Peru’s internal politics.”\textsuperscript{108} In addition to previous electoral battles, Garcia continues to fight and suspect Chavez of attempting to undermine Peruvian democracy. Garcia claims “Chavez is using his oil money to foment unrest” in Peru “on many fronts.” Also, similar to recent allegations that Chavez has funded FARC activity in Colombia, Garcia’s Cabinet chief, Jorge del Castillo, has “hinted that Venezuela was secretly sending money” to Peru “to fund left-wing groups.”\textsuperscript{109} In joining with Chavez’s arch rival (President Bush) in the USPTPA, Garcia could extend his defiance of Chavez’s forces.

This seems to be the playing out of a realist power struggle. Through USPTPA relations with the United States,

\textsuperscript{109} Ibid
Garcia can flex his power as a defensive mechanism against Chavez, and also gain influence to expand his power domestically and in turn decrease Chavez’s power within Peru’s own borders.

What is Really in Play?

While one may not agree with President Chavez’s unbridled remarks concerning American imperialism, one can understand their origin. This writer would observe that the United States (largely because of the Chavez factor) is actively pursuing self-interested goals, power and influence in Latin American nations. This is a very realist agenda, but not one that is void of streams of liberal internationalism (i.e. the spread of democratic principles is at least rhetorically included in United States objectives). Many scholars and observers have criticized the Bush Administration’s schizophrenic philosophies on global relations post-September 11, 2001. In general, and with respect to the USPTPA and United States policy toward Peru, “in the Bush Doctrine, national interest seems to determine where and when the United States will promote democracy.”

It should be noted that while the Chavez factor is a major

\[10^{th} \text{ Wolfson, Adam. “Between Idealism and Realism,” Claremont Review of Books, Volume V, Number 3, Summer 2005.} \]
motivator for cooperation on the USPTPA, it is not the sole reason. Nevertheless, it would be hard to definitively determine whether the agreement would have been pursued if Chavez weren’t in play.

Will this case of mixed motives (realist and liberal international) result in productive foreign policy? This writer would suggest that this entangling of philosophies (rather than a purist viewpoint from either side) could possibly produce a measure of success in the United States-Peru relationship. It would seem, at least in the case of the USPTPA, that Bush’s (and Garcia’s) intertwining of realist and liberal international motivations as political reasons for pushing the agreement has created what will be a useful and (probably largely positive) mechanism that will have practical and measurable implications for both countries, whether or not the political implications are ever fully realized or measured.
CHAPTER 5 – CONCLUSION

This chapter will conclude the thesis with closing remarks on the USPTPA and with a wider view of the United States trade policy agenda.

USPTPA in Closing

The United-States Peru relationship has evolved in very positive ways from its low point in the first Garcia Administration (and George H.W. Bush Administration) to its new high point in the second Garcia and George W. Bush administrations with the ratification of the USPTPA. The content of the agreement, whether or not truly ideal in the eyes of stakeholders, was significant a step in a new direction for United States trade policy with its first-of-their-kind provisions in areas such as labor, environment and IP.

It is known that, economically, the USPTPA will not significantly affect the United States in the aggregate. However, with regard to Peru, this writer remains skeptical about the economic benefits that are supposed to be afforded. In Peru, more than 40 percent of the population
live on less than $2 per day, and its two divergent economies (the one below and the one above the approximately 45 percent poverty line) create a significant hurdle for Peruvian economic policy and advancement.\textsuperscript{111} Peru, and the United States in any appropriate capacity through the USPTPA, should work diligently to see that benefits of the USPTPA are able to be accessed across Peru and not just in already wealthy urban centers. Also, given Peru’s poor track record in enforcement, going forward, the effects of the USPTPA on Peru’s economic growth and distribution, environment, and work force should be subject to rigorous impact studies.

With regard to motivations for the agreement, while Chavez may be a primary reason for the origin of and political push for the USPTPA, it is also clear that the USPTPA was not a throw-away piece of policy (i.e. one whose only significance was that it pass). The agreement is a workable and intricate piece of policy that seeks to increase and improve economic relations between the United States and Peru.

\textsuperscript{111}Collyns, BBC (2007).
The United States Trade Agenda Going Forward

Prior to passing the Peru agreement, Bush successfully ushered the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) through Congress under United States trade policy standards which had not changed since the negotiation of the North American Free Trade Agreement (NAFTA) which took effect in 1994. However, the compromise bi-partisan May 10, 2007, trade deal that enabled the final ratification of the USPTPA will surely, at least in the near-term (prior to the next presidential administration), be a new template for United States trade agreements going forward. Particularly, with regard to content of the USPTPA, the unique enforcement provisions provided by the May 10 deal for labor and environment will be historically defining for Peru agreement, as will likely be the case for any such others passed under the Bush Administration.

In his last State of the Union address, President Bush urged Congress to pass trade agreements with Colombia, Panama, and South Korea stating that, “many products from these nations now enter America duty-free, yet many of our products face steep tariffs in their markets. These agreements will level the playing field. They will give us better access to nearly 100 million customers. They will
support good jobs for the finest workers in the world: those whose products say “Made in the USA.” In addition, to having Colombia, Panama and South Korea on the agenda, Bush also faces tough ongoing negotiations in the World Trade Organizations Doha round.

As of now, it seems that Bush’s trade agenda has stalled in Congress. Democrats have stated that they will not be willing to vote on the already controversial Colombia, Panama and South Korea trade deals until President Bush works with them to address the ailing United States economy. Speaker Pelosi has stated that the Democratic blockade of Congressional consideration of the Colombia agreement “has to be done in recognition not only of the concerns we have about human rights violations of workers in Colombia, but based on the economic security of America’s workers here in our country.” Similar to the Peru deal, but probably more so, the Colombia agreement is important to Bush’s counter-narcotics and anti-Chavez agenda in Latin America. President Alvaro Uribe of Colombia is a very close Bush ally who has been taking strong action to combat coca cultivation and trafficking

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and who has not pandered to President Chavez of Venezuela. Failure to pass the Colombia agreement not only significantly diminishes the chances that the Panama and South Korea agreements will be considered during the Bush presidency, but administration officials have also voiced concern that “any remaining hope of reaching agreement on a worldwide trade pact still under negotiation in the World Trade Organization” will also be diminished by inaction on the Colombia deal.¹¹⁴

It seems that the Democratic domestic agenda is now taking precedence over cooperation with Bush over international trade. Also, as the next presidential elections approach, votes and stances on trade become increasingly politically charged. The Bush trade agenda could very well remain stagnant throughout the remainder of his term. However, the issue will surely heat up again under the next administration.

Further Research Directions

As stated, this thesis was undertaken with the goal of comprehensively surveying the elements surrounding the ratification of the USPTPA, including capturing information on the history of the United States-Peru relationship leading up to present-day, discussing the relevant policies and processes that led up to the USPTPA, summarizing the most relevant content of the USPTPA and how stakeholders participated on behalf of their own interests, and looking at what some of the motivations for going through the long negotiation and ratification process of the USPTPA might have been.

This writer is not interested in the USPTPA as a case study for broader theoretical questions, but rather a framework or foundation for continued and broadened study of the evolution and outcomes of the United States-Peru relationship. The discussion of foreign policy philosophies underpinning the negotiation and ratification of the USPTPA is a significant part of the foundation of this thesis and will be interesting historically in looking at United States-Peru relations. It is important to emphasize, however, that the product (the USPTPA), no matter the original intent, will remain as a tangible
mechanism with practical, measurable economic and societal outcomes; whereas the Administrations’ political motivations surrounding the negotiation and ratification of the agreement may never produce measurable data for determining political success or influence.

This writer’s future research interests surround the practical, measurable economic and societal outcomes of the USPTPA for both the United States and Peru. It will be critical to conduct studies assessing the impact of the USPTPA on things such as: American and Peruvian jobs; on the new standards for labor, environmental protection and enforcement IP enforcement; and on Peru’s economic growth and wealth distribution. In addition, the effect of the USPTPA on the modernization of Peru’s rule of law will be an interesting research topic (i.e. whether and how the USPTPA is a direct motivator for reforms of and additions to Peruvian laws).

In addition, this thesis discussed the bi-partisan May 10 trade deal that signaled a new trend in American trade policy. Particularly, if a Democrat is elected President of the United States in 2008, many new and interesting research questions could arise. New philosophies on trade
(protectionist versus free) will surely be introduced into the ideological mix and new political motivators will no doubt take hold. In addition, programs such as Trade Adjustment Assistance could see a resurgence in the economic and trade policy of a Democratic administration. Reauthorization of such programs would serve as an intriguing research project from both the political and public administration standpoints. Further, whether and how the United States reconciles its trade policy with its agricultural policy will be an interesting topic to monitor.
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Curriculum Vita

The author was born on February 18, 1980, in Valdosta, Georgia. She graduated with a Bachelor of Arts degree in Political Science and a minor in Philosophy from The George Washington University in 2003. She has five years of professional experience as a lobbyist in the field of health and biomedical research. Her coursework at Johns Hopkins University was concentrated in the area of homeland security. Her research interests include further study of the evolution of the United States-Peru relationship. Also, impact studies necessitated by the United States Peru Trade Promotion Agreement, and generally, other topics surrounding the United States trade agenda both domestically and internationally.