

## Ecuador fears job losses if US trade pact expires

By Hal Weitzman in Quito

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Ecuador stands to lose 30,000 jobs a year if its trade agreement with the US is allowed to expire at the end of the year, the country's chief trade negotiator has told the FT.

Alfredo Palacio, Ecuador's president, called on the US this week to maintain its current trade preferences for an extra year.

But chief trade negotiator Manuel Chiriboga was gloomy about the prospect for a bilateral trade deal to replace the present set-up in light of the US reaction to Ecuador's decision to revoke a contract with Occidental, the California-based oil company, and seize about \$1bn (€780m, £533m) of its assets.

"I am not at all hopeful that these [trade] preferences will get extended," he said. "A suspension of more than one year could lead to 30,000 jobs a year being lost and a reduction in tax revenues of \$40m.

"Investment is already migrating to Peru and Colombia, both of which have agreed trade deals with the US."

Ending the low-tariff regime on Ecuadorean export sectors could be particularly damaging for sectors such as agriculture, fishing and textiles, he said.

On Tuesday, Linda Jewell, the US ambassador to Ecuador, signalled that Washington could even end the low-tariff regime early. "These preferences cannot be granted to any country that has nationalised, expropriated, confiscated or has taken under its control the property of an American corporation," she said.

Although the US response has been attacked within Ecuador as disproportional, there is also a recognition that, with a presidential contest in Ecuador in October and mid-term elections in the US in November, a trade deal is unlikely before a new government takes over in January.

With that in mind, Enrique Proaño, Mr Palacio's main spokesman, said Ecuador had officially asked the US to renew the preferences for another year to give more time for bilateral trade negotiations.

But Mr Chiriboga said: "I don't see much chance of that happening with this US Congress. When Peru was negotiating with the US, it pushed for the preferences to be extended until the treaty was implemented, but Washington refused."

If the political will existed on both sides, "one could complete a trade deal within a couple of weeks", he said.

However, the outlook for getting an agreement through the US Congress was not promising, Mr Chiriboga added: "The political situation in the US will be complicated over the next two years as we head towards the 2008 presidential elections."

Mr Chiriboga said He was concerned about the effect of ending the low-tariff regime on Ecuadorean export sectors such as agriculture, fishing and textiles. "A suspension of more than one year could lead to 30,000 jobs a year being lost.

Ecuador's predicament could be aggravated by the expiration in July of President George W. Bush's fast-track authority. Fast-tracking forces the US Congress to vote trade deals either up or down, but once that authority runs out, the House of Representatives would be able to amend any agreement line-by-line.

Some trade experts warn that starting in January may be too late, since before any deal can be sent to Capitol Hill, an agreement must go through a "cleaning up" process in which the Spanish and English versions of the text are checked and then a 90-day notification period.