

Lima, March 26, 2007

Congressman Charles Rangel
Chairman of the Ways and Means Committee
United States Congress
Washington D.C.

Dear Chairman Charles Rangel,

Congratulations on the Democratic Party's recent electoral victory and your assumption of the chairmanship of the House Ways and Means Committee. In our country we have been particularly impressed with your leadership on and ongoing concern for the issue of retirement security. We observe that, despite a concerted effort by the Bush administration and financial interests to privatize Social Security at any costs, you and your party held strong in defending a system which was not broken, and surely did not need a Bush "fix." This valiant effort speaks highly for your commitment to social justice and economic opportunity for all, without discrimination.

But while you have deterred President Bush from privatizing the social security system in the United States, this has not stopped him for pushing for further social security privatization in our country, through a little noticed provision included in the FTA negotiated by the Peruvian and U.S. authorities.

The FTA's Annex II for Peru lists service and investment measures that our country are not expected to conform to the usual FTA disciplines of market access, national treatment, most-favored nation, and more. Per this annex, Peru is allowed certain non-conforming measures in the areas of fisheries, handicrafts, and other sectors.

On page 10 of the aforementioned Annex II, the FTA reads "Peru reserves the right to adopt or maintain any measure with respect to ... the following services to the extent that they are social services established or maintained for a public purpose: income security and insurance, social security, social welfare, public education, public training, health, and childcare."

The provision sounds good, but unfortunately the fine print on this exception covers only the national treatment and most-favored nation disciplines, but does not cover the critical area of market access – as was allowed for Colombia under the U.S. FTA with that country (Colombia-U.S. FTA Annex II-5). That is to say that while the FTA allows Peru certain rights about how it opens this sector to private competition, for instance giving special treatment to domestic firms, it cannot forbid for-profit competition by financial service firms incorporated in the United States in the social security sector, as well as the other aforementioned social service sectors.

Given that a majority of U.S. citizens reject opening their social security system to private, for-profit competition, why would the FTA require this of Peru?

As a consequence of decisions adopted by the authoritarian regime of Mr. Fujimori – inspired in turn by the model imposed by the Pinochet dictatorship in Chile in the early 1980s – and lamentably continued in part during subsequent administrations, a part of our social security system has been privatized. Still, the system provides a minimal social floor for a decent retirement to hundreds of thousands of workers.

Surely too many of Peru's informal workers are left outside of the system's reach. But as the experience of Chile shows, the deepening of social security privatization entails massive costs while doing precious little to expand coverage. Rather, the U.S. experience of improving and expanding the public system is the most economically efficient and socially just.

As you know, the reckless privatizations of the last two decades – often required as a part of World Bank and International Monetary Fund packages – have caused untold damage to economically vulnerable populations in Latin America. This process has reduced rather than expanded the opportunity to achieve dignified results in the areas of health, education, and social security. Most recently, the privatization and hand-over of Peru's ports to Dubai Ports World, along with the privatization of key Peruvian electricity grids, have caused considerable social unrest.

By rejecting the Peru FTA, the U.S. Congress and Democratic Party in particular can show that they advocate – in reality and not just in rhetoric – a needed change of course away from the pro-privatization, corporate trade agenda in favor of an economic future of real well-being and dignity for all the hemisphere's peoples.

We are sure of your attention to this matter and await your kind response. We can assure you of the same. Please accept our highest regards.

Sincerely,

Mario Huamán Rivera
Secretary General
General Confederation of Peruvian Workers (CGTP)

Julio Cesar Bazán
President
Unitary Confederation of Peruvian Workers (CUT)

Julio Castro Gómez
National Coordinator
Health Forum

Jorge Salazar
President
National Confederation of Pensioners and Retired Persons of Peru