The Office of the United States Trade Representative

USTR Notifies Congress of Intent to Initiate FTA Negotiations with Thailand

02/12/2004

WASHINGTON DC - United States Trade Representative Robert B. Zoellick formally notified Congressional leaders of U.S. objectives and goals for negotiations for a free trade agreement (FTA) with Thailand. This notification follows President Bush's announcement in October 2003 of the U.S. intention to negotiate an FTA with Thailand. As stipulated in provisions of the Trade Promotion Authority legislation passed by Congress in August 2002, negotiations may now begin in 90 days.

"We believe the United States has much to gain in pursuing a negotiation with Thailand. Thailand already is our 18th largest trading partner with $19.7 billion in total trade during 2002. The increased access to Thailand's market that an FTA would provide would further boost trade in a wide range of both goods and services, enhancing employment opportunities in both countries," wrote Zoellick in the letter. "Negotiation of an FTA would level the playing field for U.S. exports. Many of Thailand's products already enter the U.S. market duty free under the Generalized System of Preference. An FTA would make duty-free treatment reciprocal."

"An FTA with Thailand would be particularly beneficial for U.S. agricultural producers who have urged us forward," wrote Zoellick. "The United States is one of the largest suppliers of agricultural products to the Thai market, which was the 16th largest market for U.S. farm exports in 2002. Elimination of Thailand's high duties and other barriers in the agricultural sector would create new opportunities for U.S. farmers in this major market."

The letter also outlined the potential benefits to the U.S. industrial goods and services sectors. U.S. companies exported $5 billion in goods in 2002 and another $1.1 billion in services. An FTA would create opportunities for U.S. manufacturers and service suppliers in a wide range of sectors, including information technology, telecommunications, financial services, audiovisual, automotive and medical and other equipment.

The letter highlights U.S. concerns about intellectual property protection in Thailand. The United States has worked with Thailand on intellectual property rights issues under the Trade and Investment Framework Agreement (TIFA). While some progress has been made, bringing Thailand's intellectual property regime up to the standards set in other recent FTAs that the United States has negotiated will be a high priority of these negotiations.

The United States already is the second largest investor in Thailand. The letter notes that an FTA would build upon the preferential access U.S. investors already have under the U.S.-Thailand Treaty of Amity and Economic Relations (AER), a top priority for U.S. industry. The AER covers more than 1,000 U.S. businesses in Thailand.

An FTA would help strengthen our cooperation with Thailand in multilateral and regional fora. "Thailand also has stated its intention to continuing to actively cooperate with the United States in all international trade for a," Zoellick wrote.

"An FTA with Thailand also would advance President Bush's Enterprise for Association of

Southeast Asian Nations (ASEAN) Initiative (EAI), under which we are enhancing our trade and economic ties to ASEAN countries," added Zoellick. The EAI initiative offers the prospect of bilateral FTAs between the United States and ASEAN countries that are committed to economic reforms and openness. The goal of the EAI is to create a network of bilateral FTAs with ASEAN countries that will increase trade and investment and tie our economies and our futures more closely together. The United States implemented its FTA with Singapore on January 1, 2004, and has concluded TIFAs with Thailand, Indonesia, Philippines, and Brunei and hopes to conclude a TIFA with Malaysia in the near future.

As part of the Administration's ongoing consultation relationship with Congress, Zoellick sent letters to the Speaker of the House, the President Pro Tempore of the Senate, and Congressional trade leaders.

Background:

Using Trade and Investment Framework Agreements to Build Free Trade
Trade and Investment Framework Agreements (TIFA) between the United States and other countries are used to address trade concerns, and to deepen and expand trading relationships. They frequently serve as a basis upon which both countries can gauge their interest and ability to possibly move to the next level, that of a Free Trade Agreement (FTA).

The U.S.-Thai bilateral TIFA, signed in October 2002, created a foundation for a comprehensive dialogue on the full range of bilateral and other trade issues. The discussions under the TIFA have allowed the two sides to make progress in addressing bilateral issues and clear away the underbrush so that we could enter FTA negotiations with greater confidence that we could conclude them successfully.

Under the TIFA, the United States and Thailand have focused in particular on action plans to address U.S. concerns regarding Thailand's IPR and customs regimes.

Based on progress made under the TIFA and Thailand's commitment to opening its economy, President Bush announced in October 2003 the U.S. intention to seek to negotiate an FTA with Thailand. An FTA will encourage continued trade and investment liberalization, economic and regulatory reform, high standards of intellectual property protection, transparency, and the rule of law.

U.S. Efforts to Promote Trade Globally, Regionally and Bilaterally

The U.S. trade agenda involves working to open markets globally (WTO trade negotiations); regionally (FTAA, APEC, Enterprise for ASEAN Initiative); and bilaterally (such as the just concluded U.S.-Australia FTA and the Central American FTA).

Zoellick is currently visiting key capitals and cities over a two week period to discuss how to make strong progress in 2004 in the Doha Development Agenda (DDA) negotiations in the World Trade Organization (WTO). The goal of the DDA is to reduce trade barriers so as to expand global economic growth, development, and opportunity.

With only six current FTA partners (excluding the Australia and Central American FTAs, which still must be enacted), FTAs with the United States are relatively rare and attractive to countries seeking to expand their economies. FTAs with the United States can boost economic growth by promoting the rule of law, regulatory transparency and other economic or regulatory reforms that attract investment and help create efficient and more modern economies.

These policy initiatives have had a transforming impact on those countries that have embraced market opening and liberalizing reforms. For example, free trade with the United States has led to Jordan’s exports to the United States growing from $16 million in 1998 to a projected $600 million in 2003. Of this increase, in only two years, Jordan’s non-textile exports to the United States have risen to $100 million * this diversification of exports is a key FTA benefit. Jordan’s exports to the rest of the world increased 97 percent between 1998 and 2002 (from $1.2 billion to $2.3 billion), outpacing the 68-percent growth for the Middle East as a whole.

The Jordanian Government reports that more than 30,000 jobs have been created by Jordan’s expanding trade with the United States, and that foreign direct investment in Jordan rose from $627 million in 1995 to $2.4 billion, or 26 percent of gross domestic product, in 2002. Jordan directly attributes its increased economic performance and competitiveness to the steps it has taken in the WTO and its free trade relationship with the United States.

According to a Cato Institute paper, the markets opened through the Singapore and Chile FTAs, the recently completed Central America and Australia FTAs, the ongoing Morocco, South African Customs Union (SACU), and the upcoming Bahrain negotiations, taken together as a group would constitute the 4th largest U.S. export market and the world’s 9th largest economy in terms of purchasing power.