

# The Office of the United States Trade Representative

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## **Statement of Barbara Weisel Assistant U.S. Trade Representative Regarding the 6th Round of the US-Thailand FTA Negotiations**

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"We have just concluded the sixth round of FTA negotiations with Thailand. We came here with the objective of making significant progress so we could be in the position of concluding this agreement by the spring. We have made progress in many chapters, but still have much work ahead. The negotiating groups have developed specific work plans and a path forward for resolving most of the outstanding issues. We will exchange new proposals in the next several weeks so we can continue to make progress.

When I return to Washington, I will discuss next steps with U.S. Trade Representative Portman. We have a significant amount of work remaining to conclude this agreement within the timeframe we have set. While the United States believes that this goal is achievable, it will require both sides to redouble their efforts and to consider creative solutions to the remaining issues.

We continue to believe that concluding this FTA is important for both the United States and Thailand and that it will bring a wide range of benefits to both sides. The United States and Thailand already have a strong trade and investment relationship, with almost \$28 billion in trade last year. U.S. foreign direct investment in Thailand totaled \$7.7 billion. Once completed, the FTA will further strengthen this relationship, bringing additional benefits to both the United States and Thailand.

Let me outline some of those benefits.

First, the FTA will eliminate tariffs on trade between the United States and Thailand. The United States already buys more Thai products than any country in the world and the FTA's new market access will only increase trade in the future. Once the FTA is in place, no other country will have better access to the U.S. market. So the FTA will not only help maintain our important trade relationship, but further boost it. Without such an FTA, Thailand's exporters will lose the competitive advantage they would gain against some of their fiercest competitors in the region.

But tariffs are only one element of what makes companies and countries competitive. A second benefit of the FTA is that it will liberalize the Thai services sector, including telecommunications, financial services, distribution, and other sectors, and strengthen the protection of intellectual property. This will further improve the investment climate, encouraging trade in services and foreign investment. The Thai economy has grown significantly in the past few decades, and along with it has come increase in income, life expectancy, and welfare. One of the key factors in this story has been the success of Thai businessmen in selling their goods to the global market. But companies around the world are becoming increasingly competitive every day. The FTA will help boost the global competitiveness of Thai companies and make Thailand a more attractive place to do business.

As the Thai Government has made clear, there are difficult steps on the road to the FTA that must be considered carefully. But they also are steps that must be undertaken with urgency. Otherwise, Thai companies will lose out to larger competitors in the region who can compete not only on price because in part of their lower cost of capital, but also can provide products to customers more quickly and efficiently because of their access to state-of-the-art telecommunications, distribution, and other services. The FTA will encourage relationships between U.S. services suppliers and Thai businesses and help Thailand in its quest to remain on the cutting edge.

A third benefit of the FTA, and perhaps the most important, is job creation. Studies show that increased trade generated by the FTA in manufactured and agricultural products alone will result in the creation of tens

of thousands of new jobs in Thailand, and along with it higher living standards. We anticipate increased exports for Thai producers in a wide range of products, from consumer products and textiles and apparel to electrical machinery and medical equipment.

The FTA will not only increase jobs in industries producing goods that traditionally have been traded between our countries, but also in businesses offering high-technology, knowledge-based goods and services as well. Let me give an example. Thailand has stated its intention to become a regional life sciences hub. Thailand has seen an expansion in the amount of clinical research done here. The FTA could help further develop this sector, creating hundreds of jobs in an important area in which Thailand has some real comparative advantages.

We have seen this result in Jordan, another U.S. trading partner with which we have had an FTA in place for several years. Its clinical research sector has expanded rapidly after conclusion of our FTA. At the same time, Jordanian firms have become the biggest pharmaceutical exporters in their region and their domestic pharmaceutical industry is growing. This and other liberalization resulting from the FTA has generated tens of thousands of new jobs in Jordan.

A fourth benefit of the FTA is trade capacity building. We have focused significant attention during the course of this negotiation on ensuring that Thailand has the capacity to take full advantage of the benefits promised by this FTA. We have established 50 projects based on the Thai Government's priorities. For instance, we are working on projects to foster SME development and potential partnerships with U.S high-tech firms.

Before concluding, I wanted to touch on one other issue, that is the pharmaceutical issues under discussion here this week. We have presented a proposed text and have begun discussions of this issue. While we welcome the views of all Thais on this and all FTA issues, the claims by some groups that the FTA will cause drug prices to rise by whole multiples of their current price is based on a lack of understanding of the U.S. proposal, runs counter to the experiences of our other FTA partners, and amounts to scaremongering. This is a serious issue affecting the welfare of Thai HIV/AIDS and other patients and deserves serious discussion.

HIV/AIDS sufferers today have hope for the future because of the massive resources devoted to the development of effective medicines. The challenge in the future will be to ensure that those in need have access to a new generation of drugs that combat HIV/AIDS and other health problems that may emerge. Clearly, having access to newest medicines is critical. But without any incentives to develop these medicines, there will be fewer new drugs to access. We believe we have struck a careful balance between these twin priorities.

So, summing up the week, we have seen some important progress in some areas, but we still face many challenges to concluding this agreement in the time available. We are determined to do everything in our power to achieve this goal.

Thank you."

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