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## **Reaching trade pact with US no simple task**

**A free-trade agreement with the US will not be an easy deal, Jeerawat Na Thalang reports.**

When negotiations on a free-trade agreement with the US kick off today, Nitya Pibulsongkram, head of the Thai team, will find them to be the most complicated to date because of the element of international diplomacy.

The FTA concluded with Australia was partly a product of geopolitical strategy, which symbolically counts Australia as a good friend of Asean through what one diplomat described as 'back-door diplomacy'. Yet the political factor did not dictate the course of those negotiations.

Apart from trade benefits, the sea change in US international diplomacy after the September 11 events, Thailand's policy towards Burma and the Treaty of Amity will be at the back of negotiators' minds.

'The single worst mistake a candidate's country can make is to assume an FTA with the US will be a straightforward technocratic exercise,' Hunton & Williams LLP said in a report prepared for the government.

For example New Zealand saw its FTA talks with the US delayed for several years by its longstanding resistance to visiting and hosting rights for nuclear-powered US navy ships.

Hunton & Williams noted that the FTA would promote Thailand's status as a good American ally. The Pentagon is still miffed that the Cabinet issued a resolution following September 11 and the US war in Afghanistan that Thailand would remain neutral while other countries in the region seized the opportunity to show their support for the US. The FTA would help restore Thailand's reputation as Washington's good friend and long-standing ally.

In a letter to Congress seeking approval to start negotiating an FTA with Thailand, US Trade Representative Robert Zoellick said the FTA would foster economic growth. But Thailand is not only the US's 18th largest trading partner with US\$19.7 billion (Bt800 billion) in trade in 2002 but also a key regional ally on military and security matters as well as a partner in the global war on terrorism.

Over the past year the government has pursued bilateral FTAs with various countries, partly because of the stalemate in the Doha round of trade liberalisation under the World Trade Organisation (WTO). The US is a natural target as it absorbs one-fifth of Thai exports. However, the Thailand Development Research Institute reports that the Kingdom has been losing share in the US market to countries like China and Mexico.

The FTA should boost Thailand's exports to the US by 3.4 per cent and imports by 4.7 per cent while adding 1.34 per cent to gross domestic product growth, the institute said.

Trade statistics are not the sole topic on the table, especially in areas where the decision-making process does not leave Zoellick any autonomy to strike a deal. The US negotiators have to go through a series of public hearings with testimony from different groups. The Trade Promotion Authority Act of 2002 has given Congress supervision of trade policy, a hot issue in this presidential election year.

Some US congressmen have built up pressure by linking human rights with trade. One is Mitch McConnell, a leading proponent of US sanctions against Burma. Congressman Dennis Kucinich has also urged Zoellick to 'address Prime Minister Thaksin's repressive policies and his cosyng up to Burma's brutal military junta' to win a congressional mandate for trade talks with Thailand.

The Thai-US Treaty of Amity will also become a major bargaining point. The government has sought to extend to other countries the special rights now granted to US investors in Thailand and vice versa under the treaty. The WTO requires fair treatment among its members but allows Thailand and the US to extend preferential treatment for 10 years under most-favoured-nation exemptions.

Once the exemptions end in January, Thailand is unlikely to seek further exemptions or offer the same privileges to all other WTO members. Instead both sides may reconstruct the treaty in the form of a WTO-consistent FTA to maintain the privileges for Thai and US citizens.

If the US' FTAs with Singapore and Chile serve as models, a dispute settlement panel will be set up that can rule on cases relating to US and Thai interests outside the judicial systems.

The FTA is expected to lift the standard for intellectual-property protection above what Thailand has promised the WTO, raising concern among local activists that it would limit patient access to cheap drugs. Unlike the agreement with Australia, the US-Thai FTA talks have been closely watched because they will not only have a stronger impact on local business but also set a benchmark for future FTA deals, especially the one now being negotiated with Japan.