

Bush plans commerce talks with Thais

By Jeffrey Sparshott
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The Bush administration yesterday notified Congress it would begin free-trade negotiations with Thailand amid concerns that a recently concluded agreement with Australia set a poor precedent for the region.

The U.S.-Australia Free Trade Agreement, completed Sunday, protects sensitive but very narrow U.S. interests, especially the sugar industry. A disagreement over sugar forced the United States to make difficult trade-offs in other sectors and has raised expectations for industries that would rather maintain trade barriers than face new competition.

Thailand exports even more sugar than Australia, according to U.S. Agriculture Department figures, setting up a new set of trade-offs that would leave barriers to U.S. companies.

"Thailand knows that sugar is absolutely not an option. They are starting out with one big bargaining chip they ought not to have," said Aaron Lukas, a policy analyst at the Cato Institute, a pro-free-trade think tank.

Legislators are concerned that other U.S. industries may clamor for protection.

"First, the [Australia] agreement could establish a dangerous precedent because it completely excludes a product from the agreement," Sen. Charles E. Grassley, Iowa Republican, said in a statement.

"If we exclude one industry, we will be under enormous pressure to exclude others. We will become paralyzed by our own sensitivities because we will have no consistent rationale to resist the demands by any sector," Rep. Bill Thomas, California Republican, said in a letter to President Bush last month.

Mr. Grassley and Mr. Thomas chair the Senate and House committees with jurisdiction over trade.

U.S. cane and beet sugar producers are active in Florida, Louisiana, Texas, North Dakota and other electorally important states.

The politically astute industry contributed \$3.1 million to campaigns in the last election cycle, with a little more going to Democrats than Republicans, according to the Web site OpenSecrets.org, which tracks political spending.

The Bush administration defended the special exemption for sugar by emphasizing that the Australia agreement opened up the vast majority of trade between the two countries.

"Frankly what we both had to do was deal with sensitivities on both sides in a way that allowed us to achieve a greater good and a comprehensive agreement," Robert B. Zoellick, the U.S. trade

representative (USTR), said at a press conference Sunday announcing the pact.

As part of the overall trade-offs, the United States left alone Australia's system for controlling pharmaceutical prices, rules that require local content for media broadcasts and a private monopoly that controls wheat exports.

The United States had wanted more competition in all three sectors in order to benefit U.S. drug companies, the entertainment industry and grain farmers, respectively.

Mr. Zoellick has not said any sector will receive an exemption from future agreements but U.S. and Thai industries will look to the Australian precedent for protection.

"It clearly demonstrates that an FTA [free-trade agreement] can be successfully concluded without market access provisions on sugar and should serve as a template for all future FTA negotiations," Carolyn Cheney, chairwoman of the U.S. Sugar Industry Group, said in a statement.

In addition to sugar, Thailand is a major exporter of electronics, shellfish, clothing, autos and parts, iron and steel, and other sectors that sometimes seek political solutions to help with economic problems.

U.S. agricultural products such as fruits, vegetables, meats and some processed foods, industrial goods including autos, motorcycles and textiles, and services such as telecommunications, legal services and financial services all face significant barriers in Thailand, according to USTR.

"There will be some tough discussions. But I think, perhaps, we should not look at particular products or sectors, but rather the overall benefit both sides will get from this," said a Thai official, who asked not to be identified.

With U.S. elections this November, and Thai elections expected before February 2005, both sides expect negotiations not to heat up until next year, the official said.