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BARBARA WANNER is the Senior Program Coordinator for the U.S. Asia Pacific Council and editor of *The Washington Report*.

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EVENT REPORT

NEW U.S. TRADE STRATEGIES IN SOUTHEAST ASIA

Barbara Wanner

On February 4, 2008, the East-West Center and the U.S. Asia-Pacific Council held a Congressional Study Group on the Asia Pacific Economy entitled “New U.S. Trade Strategies in Southeast Asia.” Barbara Weisel, Assistant U.S. Trade Representative for Southeast Asia and the Pacific, and Murray Hiebert, Senior Director for Southeast Asia, U.S. Chamber of Commerce, discussed the broader implications of the U.S. decision on February 4 to join negotiations on investment and financial services among Brunei, Chile, New Zealand, and Singapore—the so-called “P-4” group of countries. These talks are intended to begin an exploratory process to consider joining the comprehensive P-4 Free Trade Agreement (FTA), an initiative intended to serve as a pathway toward Asia-Pacific regional trade integration. The speakers also examined the prospects for bilateral trade agreements between the United States and member nations of the Association of Southeast Asian Nations (ASEAN), as well as a region-wide U.S.-ASEAN trade accord. They emphasized that these initiatives are aimed not only at expanding commercial opportunities for U.S. business but also fostering greater integration of the regional economies.

WASHINGTON JOINS THE P-4 TALKS

The proliferation of bilateral and regional FTAs in the Asia-Pacific region in recent years influenced Washington’s decision to join the P-4 investment and financial services negotiations. The United States’ decision reflects its keen interest in engaging with countries it regards as committed to high-standard trade agreements. This initiative also affords the United States access to a regional trade architecture that is emerging in this dynamic part of the world.

Brunei, Chile, New Zealand, and Singapore negotiated an FTA—the Trans-Pacific Strategic Economic Partnership—based largely on the U.S.-Singapore and U.S.-Chile FTAs. The Trans-Pacific Strategic Economic Partnership, minus the investment and financial services chapters, went into effect in 2006. The four countries plan to resume negotiations on these two chapters in March 2008, which the United States now will join.

In the coming months, the Bush administration will consult with Congress, businesses, and other stakeholders about the prospect of joining the full Trans-Pacific Strategic Economic Partnership. Depending on the outcome of these consultations, as well as progress in the P-4 negotiations on the remaining two

chapters, it is possible the United States will indeed enter into negotiations to become a party to the full agreement. According to Mr. Hiebert, many U.S. businesses hope that the P-4 process will serve to mutually reinforce Asia Pacific Economic Cooperation (APEC) talks aimed at establishing the Free Trade Area of the Asia Pacific (FTAAP)—a trade architecture that would encompass most if not all of the member economies of the APEC forum.

U.S.-SOUTHEAST ASIA BILATERAL AND REGIONAL TRADE INITIATIVES

Vietnam – Vietnam has become the “darling of U.S. companies,” which view it as a prime target for investment and trade expansion following its accession to the World Trade Organization (WTO) in January 2007. The United States is working closely with Vietnam to ensure full implementation of its WTO accession commitments, which are of a higher standard than those agreed to by any other Southeast Asian WTO member. U.S.-Vietnam trade relations will become increasingly important, particularly as the latter’s economy continues to develop.

Cambodia – U.S. Trade Representative Susan Schwab visited Cambodia in November 2007 for the first ministerial-level meeting under the Trade and Investment Framework (TIFA) concluded in 2006. Washington has high hopes that U.S.-Cambodia trade relations will develop in much the same way as U.S.-Vietnam economic relations have blossomed. U.S. companies increasingly are interested in Cambodia for investment and trade opportunities, as reflected by the success of a series of trade delegations that have visited the country in the past year.

Laos – The United States is working closely with Laos to facilitate its accession

into the WTO.

Thailand – Washington is adopting a wait-and-see approach about resuming FTA negotiations to ensure that the newly elected Thai government and legislature are committed to undertaking the sort of reforms that would be necessary to conclude a bilateral FTA with the United States. The biggest problems for U.S. companies seeking to do business in Thailand concern intellectual property rights protection and the compulsory licenses imposed against pharmaceuticals by the previous government.

Malaysia – The United States and Malaysia held an FTA round in January and made solid progress on a range of issues. However, progress on the remaining, politically sensitive chapters will await the outcome of Malaysia’s upcoming elections.

Indonesia/Philippines – Both of these countries are important markets for U.S. business, and the U.S. is exploring new initiatives over the coming year to further strengthen trade and investment relations.

ASEAN – The United States is supporting ASEAN integration under the rubric of the U.S.-ASEAN TIFA. However, ASEAN does not yet possess sufficient cohesion and common identity to propel its integration efforts. Members of American business support efforts under the TIFA, but are critical of what they regard as the Bush Administration’s lack of consistent attention to the region (for example, U.S. Secretary of State Condoleezza Rice’s failure to attend two of the past three meetings of the ASEAN Regional Forum). They will urge the next administration to maintain steadier cabinet-level attention on Southeast Asia.

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