CHAPTER-V

New Initiatives in Thai - United States Relations

since 1975

Since 1973, Thailand was in a state of internal turmoil as successive governments were pursuing multiplicity of political interests and unable to compromise on vital national issues.1

The Thai policy and action were predicted on conditions within Thailand itself as well as on the thinking and perception of individual leaders who were at the helm of governmental affairs. The democratization of the Thai policy had a direct effect upon the new foreign policy orientation in the beginning of 1973 which was designed to reflect both the changing realities of international policies as well as the growing popular participation in the policy formulation process.2

When Kukrit Pramoj became Thai Prime Minister in 1975 he had expressed a policy of stressing the desire for friendly relations with all countries regardless of political differences. On March 9, 1975, he outlined the foreign policy of his newly-formed coalition government to the House of Representative that:

"This government will pursue an independent policy taking into account national interests which are based upon economic and security considerations. This government will promote peaceful coexistence by be friending every country which demonstrates goodwill towards Thailand, irrespective of differences in ideologies or political systems; rather non-interference in internal affairs, justice, and equality will be the considered principles in ordering bilateral relations. In order to create a balance in relations with the superpowers, this government will endeavour to recognize and normalize ties with the People's Republic of China, to effect a withdrawal of foreign troops from Thailand within a year, through friendly negotiations and taking into account prevailing conditions in the region. This government will strengthen ties with neighbouring countries and support co-operation with ASEAN in every way, while continuing to seek constructive contacts with the Democratic

2. Sarasin Viraphol, Directions in Thai Foreign Policy, (New Delhi, Institute of Southeast Asian Studies, JNU, 1976), p.3.
Republic of Vietnam. On foreign assistance, this government will consider obligations as being vital, and will not put itself in any disadvantageous position, as the government intends to go as far as possible—and as rapidly as possible in creating a basis for economic and military self-reliance.”

In fact, the prevailing mood in the United States in 1975 was one of withdrawal. Neither the United States government nor the American public was inclined to continue heavy involvement abroad politically, militarily, or otherwise. Coincided with prevailing sense of resignation in the United States, the Government of Kukrit set a one-year deadline for the removal of American troops and military equipments from Thai territory. In addition, student-led demonstrations against continued United States military presence in Thailand naturally put an additional strain on the bilateral relations.4

3. Ibid., p. 1

4. The question of United States bases and military presence was a big issue in 1973 and the short-lived Seni Government, which had proceeded the Kukrit Government, had set a schedule of 18 months for the withdrawal of United States military forces from Thailand. Prime Minister Kukrit later shortened it to one year. Consequently, the United States agreed to pull out 7500
On May 7, 1975, when Thai Prime Minister Kukrit Pramoj sent the United States a Memorandum stating Thailand’s intentions to review all the existing bilateral agreements with the United States, there was a tacit understanding between the two governments of the necessity to structure a new set of relations requiring a termination of the existing military base agreements which the United States was unwilling to sustain and Thailand was unable to maintain.5


5. Ibid.

In the course of United States withdrawal from Indo-China, President Richard M. Nixon enunciated a new doctrine of United States policy towards Southeast Asia, and after the communist victory, President Gerald Ford provided a capstone with his Pacific Doctrine. In his foreign policy report to the Congress in 1971, Nixon made clear that the United States would seek to reduce its military role in Southeast Asia and
Thai-United States relations in this period had formed an integral part of the American development in Asia and Pacific. Following the American decision to withdraw military from South Vietnam in the early 1970s Thailand had remained, in geopolitical terms, potentially the focal point of United States involvement on continental Southeast Asia.  


The post-1975 period of Thai-American relations offers a vignette of the evolving process of adjustments to prevailing international realities as experienced by both the United States and Thailand. It seems that the post 1975 period had given rise to an unusual circumstances which permits both the United states and Thailand to much better understand and appreciate their respective positions, particularly in the context of their bilateral ties and adjustment to prevailing realities.\(^7\)

7. Ibid., p. 119.

Since Henry Kissinger’s appointment as Secretary of State, the American foreign policy had been geared towards what would call the “big power syndrome.”


Kissinger had never paid great attention to the Pacific or Southeast Asia, concentrating his policy on Moscow and Peking. The manner in which the Paris Peace Accord was concluded indicated the Kissinger style of foreign diplomacy, the accord was reached through consultation with the Soviet and China but with little regard to South Vietnam. While the United States attained the objective of disengaging itself from Southeast Asia, South Vietnam and Cambodia were left to defend for themselves. The final outcome of events in Cambodia and South Vietnam in April 1975 showed a total lack of action on the United States’s part to reserve the declining trend of the American fortunes in Southeast Asia,
By 1975, the United States strategic withdrawal from mainland Southeast Asia was well underway. The failure of the former policy to deter the communist attempt at predominance of power was manifested by the growing contradiction of the Vietnam problems. President Richard M. Nixon, therefore, took a bold step in reshaping the United States to reorder its relations with China which was the key to this planned military withdrawal while the new strategy was rationalized as an attempt to forge more sound and realistic relations with the Asian Countries.\(^8\)

which was obvious reminder to Thailand of the ongoing American strategy. But what cause the Thai leaders to finally break from the traditionally reliance on United States was the disregard for small nations' rights and sovereignty, as demonstrated in the Mayaguez Affairs. The United States showed a high-handed approach in using Thai territory to launch relation against the Khmer Rouge. The incident not only unleashed a popular outburst (in the form of student demonstrations against the United States Embassy in Bangkok), but gave cause for the Kukrit Government to announce a revision of all existing treaties and agreement between the two countries. This move amounted to the first real decision to revamp Thailand's stand and reflected the many problems of the non-formal treaty agreements of the past.


8. American allies such as Japan and Thailand began charting new courses to face a changing regional environment. For one thing, both countries swiftly moved to accommodate their
Since that time, the Thai government introduced a new foreign policy line and stated that the Thai government would give priority to ordering relations with all friendly countries irrespective of ideological, social and political differences. Emphasis was given to improving relations with neighbouring countries. It also showed a significant decision to move away from previously singular dependence on the United States to a more balanced posture in relations with the power based explicitly on normalization of ties with China. Hence, Thailand by the beginning of 1975, was somewhat prepared to absorb the impact of the United States withdrawal.9

The heart of the new strategy called for Thailand to recognize People’s Republic of China diplomatically and to seek an accommodation with Vietnam. This in actual fact

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Ibid.

9. Ibid., p.120.
conformed with the expressed feature of the New American policy line emphasizing self-reliance and initiatives by Asian states to workout differences among themselves.\textsuperscript{10}

As far as Thailand was concerned, 1976 saw the conscious attempt to seriously live with new and more flexible policy. The Bali Summit of the ASEAN heads of government in February gave new significant to the life and meaning of this regional organization which had existed since 1967.\textsuperscript{11} The former strategy of dependence on the United States was gradually modified as emphasis shifted increasingly to ASEAN as a regional grouping given not merely to economic and regional cooperation, but more importantly to a collective security endeavour responding to the new political arrangement.\textsuperscript{12} This new direction, desires a Zone of Peace, Freedom and Neutrality (ZOPFAN) announced in Kuala Lumpur in 1971. The foreign policy

\textsuperscript{10} Ibid., p.121.
\textsuperscript{11} Ibid., p.128.
\textsuperscript{12} Ibid., p. 129.
readjustment process culminated in Thai demand for a dismantling of all American military installation in the country, and a complete troop withdrawal during 1975 and 1976. Having been frustrated all along by anti-war movements at home, the United States government seemed to understand, if not sympathize, with Thai sentiments at the time. In short, the United States logically lessened its commitments to Thailand. By de-emphasizing the United States role in Southeast Asia, Thailand or its part committed itself to regionalism. The new policy of peaceful co-existence with neighbouring countries automatically de-emphasized ideological differences. To some, the Thai-American relations during this period were defined as being downgraded. Yet it could preferably by argued that they were strengthened, they attained maturation through criticism and self criticism process.


14. Ibid.
This action, however, opened the way for Thailand to establish some kind of balanced relations with mainland China and new communist regimes of Indo-China. In other words, this major shift of Thai foreign policy was to accommodate to the new situation of the post Vietnam War and was a result of the United States abandonment of its containment policy.\textsuperscript{15}

Thailand moreover, view the collapse of United States policy to prevent a communist take over of Indo-China as a major setback of the United State policy in this area, likewise the United States commitment to defend Thailand became in doubt.\textsuperscript{16} However, as far as the containment policy of United States was concerned, both Thailand and the United States have admitted that they failed to achieve their common goal. They finally dropped this policy and

\textsuperscript{15} Makata Ma, \textit{Consequences of the Vietnam War on Thai Foreign Policy}, (Thesis), California State University, 1980, p. 27.

\textsuperscript{16} William, R. Kinter, "Thailand Faces the future", \textit{Orbis} (Pheladelphia), Fall 1975, p. 11288.
conducted their new policy of rapprochement based upon the foundation of mutual interests.\textsuperscript{17}

The collapse of United States policy in Indo-China had also brought about a new situation in Southeast Asia. For instance, every nation in the region must reevaluate its policies and alignments. It may be said that this was a period of confusion and frustration for Southeast Asian people especially those who trust for their security in the United States. Therefore, in conducting this policy Thailand had developed friendly ties as well as economic relations with all countries.\textsuperscript{18}

This was review of Thailand's reassessment close alliance with the United State as a consequence of Vietnam


\textsuperscript{18} \textit{News Bulletin}, No.14/1977, (Bangkok : Information Department, Ministry of foreign Affairs 1977), November-December 1977, p.15
War. A statement made by the spokesman of the Thai foreign Ministry, Mr. Nissai Vejjajiva declared that:

“All American military bases on Thai soil solely belonged to the Thai government and that all American forces should be withdrawn from Thai territory before March 20, 1976.”

The United States troops withdrawal from Thai soil cleared the way for Thailand to make friends with its new communist neighbours. In addition, Thailand could avoid becoming a target of communist attack, or becoming an arena of fighting among major powers. This review of Thai foreign policy was based on a consideration of the shifts of United States policy, for example, the Nixon Doctrine, the Nixon visit to Peking in 1972, and United States Congress’s limitation of American involvement abroad or Congressional limitation of the Presidential power in foreign policy.


20. Makata Ma, n.15, p.22.
Economic Co-operation

In January 1974, the Thai Foreign Minister, Charoonphan Israngkul na Ayuthaya made it clear that the government was hoping for a change in emphasis by the United States from military to economic and technical cooperation. He said that:

“Thailand’s future relations with the United States will have to be modified and adopted to the changing of circumstances. During the past decade one characteristic of our relations with the United States has been an overemphasis on military cooperation. This needs to be adjusted in order to achieve a more truly balanced relationship.”²¹

²¹ “Changing times made for changing ties,” The Investor, (Bangkok), February 1975, p. 51.

Since 1950, when Thailand and the United States signed their first Economic and Technical Cooperation Agreement, the United States had provided US $653.3 million of development aid to Thailand. A significant amount of the military aid funding was also provided for security purposes to accomplish projects which were also of direct economic value. The United States provided funds for international development through the United States Agency for International Development bureau of the government. The United States Operations Mission (USOM) was USAID’s branch in Thailand.

The United States had consistently been Thailand's second largest trading partner, generally since 1960. In 1973, Thai-United States trade shared in the sharp expansion of Thailand's total foreign trade. Imports from the United States increased by 25 percent to a value total of US $292 million, and exports from Thailand registered comparable figures of 25 percent and $170 million. Moreover, income from American tourists, the United States military presence and from United States economic assistance exceeded the trade deficit and gave Thailand a surplus in its total accounts with the United States.22

However, the best proof of the success of Thailand-American economic and trade relations during the past two decades was probably the signing in May 1966 of the Treaty of Amity and Economic relations between the two countries. Moreover, the United States in the following years decided to grant privileges to Thai products entering the United States market under Generalized System of the Preference

22. Ibid., p. 45.
(GSP) starting with six GSP items in 1979, Later on, there were more than 200 Thai products enjoying GSP privileges from the United States.\textsuperscript{23}


The General System of Preferences (GSP) was a system by means of which developed countries extend advantages to developing countries by waiving or cutting customs duty on good imported therefrom. Such preferences were extended unilaterally, the motive being to promote world trade, to encourage poor countries to sell to their richer counterparts and to lessen trade imbalances. The United States joined GSP in 1979, granting duty free status to 3,062 items from developing countries. The first project came to an end in 1984, then extended until January 1993. The new system, in contrast, was intended to prompt developing countries to adopt policy that served United States economic interests. It was, therefore, determined that developing countries should.

- extend protection to United States intellectual property.
- open their markets to United States goods and investments.
- reduce investment promotion that leads to trade imbalances, and
- extend to their workers rights acceptable by the international community.

The rules also became subject to general and annual review, thus, the General Review took place, during 1985-1986, granting privileges on the conditions that receive nations should

- open their markets to United States goods and services.
- give protection to intellectual property, for instance, copyrights, patents and trade marks.
- reduce promotion of investments that create trade distortions
During 1975-1981, it was a trying period for Thailand and the United States which saw both sides undergoing a fundamental review of the structure of their relations shaped since the early 1950s. In 1975, it was discovered that political polarization in Southeast Asia had developed to such an extent that the simplistic dichotomy of the Free World versus Communism mentality was becoming increasingly anachronistic and as indigenous nationalistic forces and democratization process became increasingly marked, the old-style security arrangement as existing between the United States and Thailand was no longer adequate. On American side, the United States military

- ensure that working conditions and workers' rights were of international standard.
- be at a level of development measured by per capita income of not more than US $ 8,000.

The results of the annual review were announced in early April and came into effect for one year from July each year. The review identities items that have become competitive on the United States market and rescinds the privileges given to them earlier using the following criteria.
- if the value of an item imported into the USA from particular country exceeds 50 percent of total United States imports of that items or if it exceeds the minimum value.
- if the value of the import exceeds the maximum value.

The Nation, (Bangkok), No. 1, 1990, p. 132.
defeat in Vietnam sounded the death knell of its massive military involvement on mainland Southeast Asia. On the Thai side, the end of its erstwhile military oligarchic rule meant the reordering of more equitable and mutually productive relations between the two long time allies.24

Cooperation also covers the field of tariff concessions. In 1979, as a result of the 1979 Tokyo-round meeting of Multilateral Trade Negotiations, the United States and Thailand signed a Memorandum of Understanding (MOU) to grant tariff concessions to a package of products of both countries. Expected to come into force in 1982, the Memorandum would enable about 50 American and Thai products to enjoy the tariff concessions.25

As a member of ASEAN, Thailand also receives the prospective ASEAN-US economic and technical cooperation. In August 1980 both sides signed a project agreement on the Agriculture Development Planning Centre whereby the

United States approved US $ 3 million in financial aid to the project covering a period of five years.26

The transition in the United States outlook had probably been influenced to a degree by Thai Prime Minister Kriangsak Chamanan, who visited the United States in February 1979. Kriangsak was able to impress upon President Jimmy Carter that apart from being a consistent friend and ally of the United States, Thailand was a key member of ASEAN, economically, socially and politically

26. Thai students also benefit from the United States scholarship granted to the ASEAN-AIT scholarship and Research Programme. As of January 1980, eighteen Thai students among 50 ASEAN graduates were recipients of the United States sponsored scholarship which enable them to further their studies and research at the Asian Institute of Technology (AIT) in Thailand.

Ibid.

Thailand and the other ASEAN member countries had always cherished the concept of a Zone of Peace, Freedom and Neutrality (ZOPFAN) for Southeast Asia, which essentially means development of peace and progress in the region to the exclusion of adverse outside power interference. This notion had earned support from the United States. On the contrary, 1975-1981 showed that there had been an intensification of the sort of power rivalry diametrically opposed to ASEAN’s aspiration, particularly through the intensification of power rivalry brought on by Vietnam in Kamphudia.

Ibid., p. 148.
resilient, and equally important, shared several common ideals and aspirations with the United States. Another functional usefulness of Thailand was the fact that Thailand could serve a strategic purpose for the United States in United States military deployments in the Pacific and the Indian Oceans, apart from being itself contributive to peace and stability in Southeast Asia.  

In early October 1981, the then Thai Prime Minister Prem Tinsulanond visited the United States. It was in many ways a history-making event in the bilateral relations of the

27. Ibid., p. 149.

As a world power, the United States needs access and support for its naval and air forces in the Indian Ocean, where the Diego Garcia Island base had been developed. Its stop over landing rights at Takli base in Thailand and its great air and naval bases at Clark field and Subic Bay in the Philippines were currently important in the disposition of its power. The United States could retain its military capabilities in South and Southeast Asia without the use of these bases, but their re-entry into the region, reduce some costs, and heightens the flexibility of United States military operations in the area. It, therefore, appears that “anti-imperialist” propaganda or activities emanating from Indochina and directed at Thailand or the Philippines, to encourage their withholding military base privileges, threaten a United States military advantage.

Joseph J. Zasloff and MacAlister Brown, n. 5, p. 166.
two countries. Not only did the Thai premier have the chance to carry his message directly across the United States private sector, but he also met with the United States President, Ronald Reagan. The two leaders held talks with the clear objectives of setting any bilateral issues in an amicable manner and helping to ease Thailand's economic and security burdens.28

During his official visit to the United States, apart from seeking security aid, the Thai Prime Minister also explained the country's immediate problems to President Reagan and senior members of the United States administrative on trade and agriculture. In addition, he had top level meetings with some of America's most influential business leaders in both New York and Dallas, including representatives of Export Bank and the Chamber of Commerce.29

28. Ibid., p. 192.

29. Ibid., p. 193.

Thailand's serious concern since the seventies had been the increasing imports of oil in terms of value and amount. Fortunately with the help and support of American technology
In 1982, John Gunther Dean, the United States Ambassador to Thailand had addressed in Bangkok that:

"On the policy level, many of the economic issues between the United States and Thailand are trade related. Unfortunately, sometimes those issues introduce misunderstandings or strains in our relationship. In pursuance of our own domestic priorities, we find ourselves forced to adopt trade measures which disadvantage our trading partners for third markets, and this competition is shaper edged during periods of economic slump. Here, the key to preventing misunderstanding and friction in our bilateral relations is a free and open exchange of information and options between the two governments." 30

Relations with the United States continued to show strains in 1988. Early in that year, Thai complaints about the

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and Finance, Thailand had, since September 1981, tapped its oil imports. Exploration and development of Thailand’s offshore natural gas would have been impossible had American oil firms like Union Oil and Texas Pacific not been involved. Although both Union Oil and Texas Pacific found natural gas in the Gulf of Thailand some years ago, Union oil was the first firm to supply to fill Thailand immediate needs. Union oil had worked closely with the Thai government through the Industry Ministry and Thailand’s Petroleum Authority of Thailand (PTT) which led to prompt agreement on the price of natural gas.


declining level of aid from the United States were matched by United States protests over a tougher Thai policy toward Vietnamese refugees, in which the Thai military forcibly blocked Vietnamese from entering the country.\textsuperscript{31}

The Foreign Ministry displayed nervousness and irritation over demands in the United States Congress and elsewhere that Thailand and China end aid to the Khmer Rouge. Thai officials and military leaders reacted strongly to an article in the Washington Post alleging that a group of Thai officers had siphoned off about $3.5 million in United States aid to the non-communist Khmer resistance forces. Thai newspaper often provided thoughtful analysis and new information on the allegation, but army leaders denounced the charges as untrue and baseless.\textsuperscript{32}

More fundamentally, Thai officials foresaw a future loosening of the relationship because of trade disputes. The


\textsuperscript{32} Ibid.
issue of copyright protection for United States products came to a need at the end of the year when the Thai government rejected United States demand for special legislation to guarantee such protection. The Reagan Administration threatened to end the General System of Preferences (GSP) trade benefits to Thailand if it did not exact legislation by December 15. The Thai Prime Minister Chatichai asserted on December 13, during intense United States Thai negotiations, that a retention of GSP privileges was not worth the concessions demanded by Washington, although Thai negotiators reportedly promised interim measures to protect pharmaceuticals.33

Following the unsuccessful conclusion of the talks, the Reagan administration began a process of determining the extent to which it would withdraw GSP benefits. The cloud on trade relations worsened, when the two governments failed to reach agreement on quotas for Thai exports of textiles, garments and steel products. Thai officials

33. Bangkok Post, (Bangkok), December, 17, 1988, p. 15.
downplayed the impact of GSP cuts, but they expressed concern that Thailand in 1989 could be the target of United States retaliation under section 301 of the 1988 United States special trade act.  

**Thai-United States Commercial Strains**

With the end of Cold War the security environment were likely to undergo changes. The future conflicts however, were concentrated relating to economic and trade relations. The 1990s were a fertile, formative periods for world politics and American foreign policy. With the collapse of the Soviet Union and the end of Cold War, bipolar global competition was over.

In early of 1990's the United States demanded for copyright and intellectual property protection. In response to this demands the Thai Prime Minister Chatichai argued in January 1990, that:

"Thailand was coming of age and would not bind despite Washington's reduction of Thai

34. Larry A. Niksch, n. 31, p. 173.
benefits under the Generalized System of Preferences (GSP)."

While escaping the full fury of the United States Trade Bill's Section 301 for encroachments on United States patents, Thailand was high on Washington's watch list and could face further cuts in its GSP quotas.35

However, the Thai-United States talks at Amsterdam in April 1991 had collapsed. The Thai delegation, led by Commerce Permanent Secretary Bajr Israsena, failed to convince Deputy United States Trade Representative, Sandra


In November 1990, the International Intellectual Property Alliance, the Motion Picture Export Association of America and the Recording Industry Association of America filed a section 301 petition concerning Thailand's failure to enforce its copyright laws.

Bankok Post, (Bangkok), April 6, 1994, p. 15.

Under United States trade law, the listed countries would have six months to strengthen their intellectual property protection laws and their enforcement, or face punitive trade retaliation. Default could mean end to duty free treatment for some of their exports to the United States or tariff level of up to 100 percent on some shipments.

The Nation, (Bangkok), May 1, 1992, p. B.1.
Kristoff, who led the United States mission to the Amsterdam bilateral talks, to resolve the escalating trade disputes on intellectual property protection. The Thai Commerce Minister, Amaret Sila-on insisted that the delegations could not agree on several crucial points. He had pointed out that:

"It was unacceptable for Thailand to extend patent protection to new drugs that were awaiting registration in the producing countries, or allow patenting of animal and plant varieties as demanded by Washington or limiting the state's power to force patentees to license their rights in case of non-use or national emergency, and there demands were beyond what Thailand can accept. Moreover, the international community which is negotiate for better protection of intellectual property rights in the Uruguay Round of the GATT negotiaions have not yet accepted these conditions, if Thailand was to accept the United States demands, its negotiating power in the Uruguay Round would be diminished."

Although Amaret could not predict how the United States might respond to the failure of the talks, he insisted that his ministry would consider the national interests as the most crucial point in negotiating with United States and

Lastly he said that no matter what would be happens, we will have to accept it.\textsuperscript{37}

In December 1991, the United States Trade Representatives (USTR) determined that Thailand’s acts, policies and practices were unreasonable and burden or restrict United States Commerce.\textsuperscript{38} Thailands remained on the latest United States priority list of foreign countries charged with failure to enforce United States copyright and deficiencies in protection of pharmaceutical patents.\textsuperscript{39}

\begin{itemize}
\item \textsuperscript{37} Ibid.
\item \textsuperscript{38} Bangkok Post, (Bangkok), April 14, 1994, p. 14.
\item \textsuperscript{39} Ibid.
\end{itemize}

On pharmaceutical patents, the United States wanted Thailand to narrow the conditions under which the government can force patent holders to license their rights. It also demanded that patent protection be extended to drugs not yet marketed in Thailand. The Nation, n. 35, p. B.1

As a result, the Student Federation of Thailand (SFT) on April 24, 1991 asked the United States to drop its pressuring on the Thai government to protect pharmaceutical products and active ingredients under the patent law. In the letter submitted to the American Embassy in Thailand by the group of 12 students, the SFT pointed out that the existing legislation was in line with internationally agreed conventions on intellectual property protection.” The SFT also called on Thai Deputy Public Health Minister, Athasit Vejajiva to oppose the government’s decision
Thailand had been named along with Taiwan and India on the priority list announced in Washington on April 30, 1992 by the United State Trade Representative (USTR). The allegation was that the listed countries have done little to stop violation of United States intellectual property rights, making war, therefore, for retaliatory trade measures.  

In March 1992, the United States Trade Representatives (USTR) again determined that Thailand acts, policies and practices related to patent protection were unreasonable even the Thai government had stated that it would continue to increase enforcement efforts.

In 1989, the United States trade deficit with Thailand amounted $2.1 billion, up $330 million compared with 1988. Thailand was the United States' 28th largest market in 1989, and United States imports from Thailand totalled $4.4 billion in 1989, United States direct foreign investment in Thailand totalled $1.1 billion in 1988, a decline of $148 million compared with 1987. United States direct investment in Thailand was heavily geared towards the petroleum and electronic equipment industries.

40. Ibid.  
41. Bangkok Post, (Bangkok), n. 4, p. 14.
Reacting the USTR announcement, Surakiat Sathienthai, an economic advisor to the Prime Minister, said that the announcement only had psychological effect. There were two measures Thailand should undertake. Firstly, explain to exporters and importers that the issues in dispute were subject to negotiations and show that the country was sincere towards their resolution. Secondly, the government must detail the impact of possible United States retaliation and reassure the people that everything was being done to protect national interest. He affirmed that the Thai was doing everything according to the principles of the discussion under the Uruguay Round of the General Agreement on Tariff and Trade.  

The Nation, (Bangkok), April 5, 1990, p.16.

In 1991, the United States trade deficit with Thailand was $2.4 billion or $65 million higher than 1990. United States exports to Thailand were $3.8 billion, up $767 million from 1990. Thailand was the United States' 23rd largest export market in 1991. United States imports from Thailand totalled $6.1 billion in 1991 higher than 1990. The Stock of United States direct investment in Thailand was largely concentrated in manufacturing and petroleum.

The Nation, (Bangkok), April 2, 1992, p.48.
The United States also in that year, asked Thailand to relax regulations in 11 areas namely, professional, business communication, construction, distribution, environmental, financial health and social, tourism and travel, recreational, sporting and others, and transportation. The main features of the United States demands were the financial, banking and insurance sectors areas which employ accountants, lawyers and architics. The United States requirement involve the proportion of shareholdings, rules and origin and foreign ownership.


The United States was threatening to make it harder for Thai companies to get into the United States financial market if Thailand fails to further open its own financial market, said Mr. Therachai the Director of the Bank of Thailand's financial institutions supervision and development department. The United States demanded that the maximum amount of shares Thai legislation allows aliens to hold in Thai banks and financial institutions should be raised from the current 25%. The United States threatened to put Thailand in the second tier of countries that readily open their door to United States companies.

Mr. Thiraechai feels disappointed by the United States attitude that time considering the long-cherished bilateral relationship. He said that United States business had always been privileged in Thailand under special agreement.

*Bangkok Post*, (Bangkok), December 25, 1994, p. 17.

In response, Thailand rejected a United States demands. Suchai Jaovisidha, Deputy Permanent Secretary of the Commerce Ministry said that:

"Thailand is just a small country and it is not ready to comply with all the United States demands. And Thailand would consider suspending the bilateral Thai-United States Treaty of Amity and Economic Relations of 1968 which give special for Americans working in Thailand privileges. Instead, Thailand would bring the bilateral agreement under GATT jurisdiction."\(^{45}\)

Efforts by Thailand to reduce copyright increased substantially in 1993, with the Thai police conducting more raids in Bangkok and expanding enforcement activities.

\(^{44}\) Ibid.

\(^{45}\) Ibid.

The Treaty of Amity and Economic Relations of 1968 obligates both countries to accord national treatment to each other's national and companies with respect of establishment and operation. Under the treaty, the United States companies may hold 100% equity in Thailand subsidiaries in many sectors of the economy where other foreign owner would generally be limited to 40%. The Treaty does, however, allow each country to prohibit, or limit the extent of, establishment or acquisition of interests in enterprises engaging in fiduciary functions of banking involving depository functions.

outside Bangkok. United States Industry Associations had been instrumental in securing more energetic enforcement.\textsuperscript{46}

While considerable improvements had been made, copyright piracy of audio and videotapes, computer software and printed material remains extensive. The Thai government had publicly stated its commitment to continuing and vigorous enforcement.\textsuperscript{47}

Following the consultations with the United States in mid 1993, the Thai government pledged to address those concerns in new copyright legislation which was being considered by the Thai Parliament. The Thai Government had pointed out that:

"It aims to bring its copyright into conformity with international standards, including the intellectual right provisions of the Uruguay Round Agreements and the Berne Convention (Paris Act, 1971)."\textsuperscript{48}

\begin{footnotes}
\item 46. Ibid.
\item 47. Ibid.
\item 48. Ibid.
\end{footnotes}
American was satisfied in 1993 with Thai moves to protect intellectual property rights, starting with the suppression of piracy, a continuing with a number of other administrative and legislative moves on copyrights and patents, including the decision to set up an intellectual property court to improve judicial handling of prosecutions. As a result Thailand was placed on lower priority watch list of the American call for reduction in barriers which was clearly showed in the letters of the United States Trade Representative, Mickey Kantor, on September 7, 1993 to the Thai Deputy Prime Minister Supachai Panitchpakdi and Uthai Pimchaichon, Minister of Commerce, announcing his decision to drop Thailand from the Priority Foreign country list and put it on a Priority Watch list instead.49

49. Excerpt from the letter to the Deputy Prime Minister.
As a result of steps that Thai Government had taken and the commitment for continued enforcement and to bring Thai intellectual property legislation up to world standards that your government has made, I am revoking Thailand's identification as a Priority Foreign Country. Thailand will be placed on the special, 301 "Priority Watch List" and monitoring of Thailand's progress will continue under section 306. As I explained to you in July. I will review the enforcement efforts and status of intellectual property legislation again in January.
During the beginning of October 1994, the Thai Prime Minister Chuan Leekpai visited United States and met the United States President, Bill Clinton. The both agreed that trade liberalization in the Pacific Rim should be a priority at an upcoming summit of Asian-Pacific Leaders. Clinton also reaffirmed the importance the United States attaches to its long standing relationship with Thailand, one of five treaty allies in the Asia Pacific region.\textsuperscript{50}

Following meeting, the two leaders greeted a group of Thai and American business leaders and expressed strong

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This review will include on examination of whether Thailand should remain on the "Priority Watch List."

Excerpt from the letter to the Commerce Minister.

I would like to take this opportunity to inform you of my decision to revoke Thailand's identification as a Priority Foreign Country. The steps that Thailand has taken, beginning with the enforcement measures that you instituted, and the commitments to continued enforcement and to bring Thai intellectual property legislation up to world standards, has allowed me to make this decision.

You have played an important role in resolving these standing issues and I wanted to convey to you my appreciation. I look forward to working with you and your colleagues on many trade issues of mutual interest.


\textsuperscript{50} \textit{Bangkok Post}, (Bangkok), October 8, 1994, p. 3.
support for strengthening private sector ties between the two countries.\textsuperscript{51}

On November, 26, 1996, the United States President, Bill Clinton visited Thailand, he called on King Bhumibol Adulyadej, the World longest reigning monarch at the King Palace.

Under a blazing sun, Clinton witnessed the signing of minor taxation treaty in a palace garden. His voice was hoarsed at the end of a 12 day trip. He said that the treaty closes 15 years of negotiations and opens a new era of trade and investment.\textsuperscript{52}

\textbf{Thailand Economic Crisis and American Assistance}

After a decade of spectacular performance, with per capita income (GNP) growth averaging more than 8%.

\begin{flushright}
51. \textit{Ibid.}
\end{flushright}
Thailand's economy began to slowdown in 1996. The stock Exchange of Thailand (SET), mirroring the condition of the economy, fell steadily from 816.79 points on December 20, 1996, to 385.25 points on December 19, 1997.\(^{53}\)

On July 2, 1997, the Bank of Thailand (the Central Bank) announced that it had abandoned the fixed exchange rate system and had allowed the baht (Thai currency) to float. This allowed the international currency markets to establish the value of the baht, thereby precipitating a significant devaluation. The Thai Finance Minister, Thanong Bidaya, on July 9, 1997 had sought a package of loans from International Monetary Funds (IMF) value at between $ 10-20 billion to help ailing companies write off bad debts and improve the core strength of the economy.\(^{54}\)

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Following the Thai devaluation of its currency, rescue operation was undertaken by the IMF and several other countries, including Japan. However, the United States did not join the efforts. By August 1997, rescue fund for Thailand was finalized at $17.2 billion. Since the middle of 1997 and the beginning of the year 1998, the phenomenon of falling economic dominoes was witnessed in Southeast Asia.

55. The IMF was created by Bretton Woods Agreements and came into existence on December 27, 1945. The Chief objectives were:

(1) To promote International Monetary Cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary.

(2) To facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all member as primary objectives of economic policy.

(3) To promote exchange stability, to maintain orderly exchange arrangements among members and to avoid competitive exchange depreciation.

(4) To assist in the establishment of multilateral system of payment in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(5) To give confidence to members by making the funds resources available to them under adequate safeguards, thus providing them with opportunity to control maladjustments in there balance of payments without resorting to measures destructive of national on international prosperity.
However, the rescue package were different for different countries - Thailand $ 17.2 billion, Korea $ 57 billion and Indonesia $ 54 billion. The conditions of the loan were stringent and, if implemented, would certainly lead to recession in the short term. The following conditions were stipulated a value-added-tax (VAT) increase from 7% to 10%, a reduction of the current account deficit from 7.9% of GDP in 1996 to 5% in 1997 and 3% in 1998 and a fiscal goal of keeping the consolidated public sector in a surplus of one percent of GDP in 1997 and 1998.

In July 1997, Thailand supported Myanmar entry into the Association of Southeast Asia Nations (ASEAN). As a result, the United States had appealed to the ASEAN member

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The money for the Fund comes through contributions made by the members. Each member contributes 25% of its share in gold and the remainder in the currency of its country.


57. Ibid.

58. Ibid.
state to turn down Myanmar’s entry into the grouping on grounds of its human rights performance. Some observers of Thai-United States relations attribute United States apathy during Thailand’s financial crisis to the Thai government’s adament stance in regard to Myanmar. Certainly, Thailand was given far less assistance than South Korea. By the year’s end, Thailand’s foreign relations had become inextricably linked with solving the financial crisis.


Ibid.
The Southeast Asians led by Prime Minister of Malaysia, Mahathir Mohamad were quickly declared that Washington was trying to impose its human right standards on others and that it failed to appreciate the importance of Asian Values. During the World Bank - IMF seminar in Hong Kong in 1997, Mahathir Mohamad again strongly denounced that:

"American financier, George Soros, and Western leaders in general, wanted to prevent the Southeast Asian countries from becoming prosperous, developed societies because of envy over their economic success."^61

On March 11-17, 1998, the Thai Prime Minister Chuan Leekpai headed a delegation on an official visit to the United States. Among those accompanying were Finance Minister, Tharrin Nimmanheaminda and Minister of Foreign Affairs, Surin Pitsuwan. Following a meeting with United States President, Bill Clinton, on March 14, it was announced that

the United States had agreed to provide aid worth $1.7 billion to Thailand, including $1 billion in export credits. The remainder of the package was directed to providing assistance for two electricity production investment projects and scholarship for Thai students studying in the United States and agreed to release Thailand from the purchase of F-18 fighter aircraft worth $392 million which the Thai government claimed it could no longer afford. The United States also promised to try to seek reimbursement for the $75 million Thailand had already paid for the jets, agreed to finance $1 billion of raw materials imports, offered to help clean up landmines along the border with Cambodia, vowed to keep United States Peace Corps strength in Thailand at current levels rather cut the programme as earlier planned, and would move ahead with talks to create an international law enforcement training institute in Bangkok. The United States Oversea Private Investment Corp (OPIC) also

approved $ 400 million in Loan guarantees to construct two power projects expected to employ more than 2000 Thais. A group of private American investors told Thai Prime Minister, Chuan Leekpai, that it would put more than $ 600 million into a steel mill.\textsuperscript{63}

Clinton and Congressional leaders had been impressed by Chuan's moves to slash spending and hike taxes, push privatization, drop foreign exchange control that limit investor confidence, install capable technocrats instead of cronies, float the bath (Thai currency) and put into place the reforms demanded by the International Monetary Fund (IMF).\textsuperscript{64}

It was the World Bank on July 4, 1998, approved two loans total $ 700 million in order to aid financial reform and to help mitigate the adverse social impact of the economic crisis on the poor and unemployed. A $ 400 million


\textsuperscript{64} Ibid.
economic and financial adjustment loan was to help with restructuring of the country's financial and corporate sector while a $300 million social investment project was to be used to create employment generation schemes and provide essential social services, such as basic health and AIDS care. Both loans were repayable over 15 years, including three year grace period.  

The extra funding was in addition to $1.5 billion which the World Bank had already pledged to lend as part of wider IMF economic rescue package agreed in August 1997.

In early 1999, the Thai Deputy Prime Minister, Supachai Panitcphakdi was proposed as a candidate for the Director General of World Trade Organization (WTO) to replace Renato Ruggiero, whose term ended in early May 1999. He was strongly supported by Japan, the countries of Association of Southeast Asian Nations (ASEAN) and most

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66. Ibid.
of the Europe Countries. On the other hand, the United States as well as some European countries supported the former Prime Minister New Zealand, Mike Moore, which perceived him as the more likely of the contenders to back free trade or, at least the American agenda. Then, an


The World Trade Organization (WTO), the successor to the General Agreement on Tariff and Trade (GATT) came into existence on January 1, 1995 with 81 member countries. Membership of the organization with its headquarter in Geneva, would eventually be open to all 125 member countries of the GATT upon their ratification of the Final Act of Uruguay Round Agreements. Its aims differed from the GATT in several respects, for instance:

1) the WTO aspired to wider global remit, obliging members to subscribe to its more extensive range of agreement, unlike the GATT which permitted countries not observe some GATT rules

2) the WTO would have a wider sphere of investment, regulating for the first time commercial activities which had been beyond the justification of the GATT, including trade in services, intellectual property rights and investment

3) as an international organization in its own right, the WTO aimed at a more coherent framework than the GATT, which had emerged from a provisional treaty serviced by an ad hoc secretariat

Kessing’s Record of World Events, (London), January 1995, p 40387

68 Bangkok Post Mid-Year Economic Review 1999, (Bangkok), December 1999, p 3
extraordinary decision taken after month of Wragling, the World Trade Organization would appoint two Director-General to replace Renato. Both Supachi and Moore would share a six-year term and Moore would be in office for the first three years.69

However, Thailand economic crisis started to be recovered before the end of 1999, as the value of export had been increased. The Permanent Secretary of Commerce Sompol Kiatpaibool, once stated that:

"Thailand could see export growth of 8.6% in the year 2000 if the Commerce Ministry was correct in its forecast of a $ 5 billion rise on an estimated $ 5.8 billion for 1999".70

69. Thomas Abraham, n. 32, p. 64.
70. Bangkok Post, n. 33, p. 2.