

The Prospects of Thailand-U.S. Economic Cooperation

By Dr. Kaewkamol Pitakdumrongkit

Thailand-US linkages are centuries old. Both states signed the 1833 Treaty of Amity and Commerce to formalize diplomatic relations. During the Cold War, they became closer via alliance frameworks, namely the 1954 Southeast Asia Treaty Organization and the 1962 Thanat-Rusk communiqué. While the 2014 military coup has strained relations to some degree, the visit by the Thai Prime Minister Prayuth Chan-ocha to the White House in October 2017 restored high-level contact. In July 2019, the State Department affirmed that Bangkok is run by a democratically elected government, further reviving ties.

Thai-US bilateral economic relations are going strong. For instance, the United States is Thailand's number one export destination, constituting [12.72%](#) of the nation's total exports in 2019. In terms of imports, the United States is Thailand's third largest partner. Between 2015-2019, the United States accounted for [7.41%](#) of Thai imports, behind China (21.12%) and Japan (13.97%). This trade pattern is partly fueled by the 2002 US-Thailand Trade and Investment Framework Agreement aimed at liberalizing trade and investment.

What are the future prospects of Thai-US economic collaboration? To effectively shed light on this question, one must take into account the US-China strategic rivalry. Beijing has been using economic tools to advance non-economic interests. For instance, the Belt and Road Initiative (BRI) faces criticism over non-transparency and pervasive involvement of Chinese state-owned enterprises. Moreover, skeptics perceive BRI as a lever by which Beijing can infringe upon the sovereignty of other states. The 99-year lease of Sri Lanka's Hambantota Port to China and the Chinese financed Vientiane-Kunming high-speed railway project have exacerbated angst about sovereignty.

The United States has framed approaches to commerce as part of the US-China contest. According to [the 2017 National Security Strategy](#), "China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favour." Washington's response partly manifested as tariffs on Chinese imports. Also, Congress expanded the authority of the Committee on Foreign Investment in the United States (CFIUS) to block foreign investment transactions, including those from China. In addition, the 2018 Better Utilization of Investments Leading to Development Act created the International Development Finance Corporation, a Washington rival to Beijing for infrastructure development.

The Sino-US rivalry has also intensified on the trade and technology fronts for the Biden Administration. For instance, the US government maintains most of Trump's tariffs on Chinese goods. In March 2021, [Biden's trade agenda](#) vowed to employ "all available tools to take on the range of China's unfair trade practices that continue to harm US workers and businesses."

How does China-US competition affect Thailand-US commercial cooperation going forward? The data runs contrary to the perception that Bangkok is leaning towards Beijing. [The 2021 survey of ASEAN policymakers and thought leaders by the Institute of Southeast Asian Studies \(ISEAS\)](#) found that Thailand embraces American economic clout while dreading its Chinese counterpart. When asked "What is your view of this economic power's influence on your country?", 85.7% of Thai respondents welcomed expanded US economic clout in the region. In contrast, 79.3% of them were worried about Beijing's rising economic prowess. Also, a Thai majority believe that Sino-American relations "will continue to be rocky" and Bangkok does not want to choose sides. According to a [report by the Center for Strategic and International Studies](#), Thai policymakers share the view that the bilateral "alliance is only being highlighted now because the

Kaewkamol Pitakdumrongkit, S. Rajaratnam School of International Studies (RSIS) of Nanyang Technological University, Singapore, explains that "data runs contrary to the perception that Bangkok is leaning towards Beijing... Thailand embraces American economic clout while dreading its Chinese counterpart."

United States wants to pull Thailand into a coalition against China.” These reservations could present a challenge to deeper Bangkok-Washington economic cooperation.

Given these dynamics and perceptions, several initiatives can be advanced in the areas where both states’ interests converge. For example, the US and Thailand will need to recover from COVID-19. To this end, more international trade and investment is needed. As a result, the 2002 US-Thailand Trade and Investment Framework Agreement should be upgraded. Doing so will not only spur bilateral commercial and capital flows, but also enhance regional supply chains. According to [the 2021 ASEAN Business Outlook Survey](#), 53% of American companies operating in ASEAN economies now rely on Thailand for their operations. 31% of these firms are looking to expand to the country in the next five years. Consequently, the upgraded deal would help the other Southeast Asian economies recover from the pandemic.

Bilateral ties can also be fostered via regional frameworks, namely the US-ASEAN Connect, Regional Comprehensive Economic Partnership (RCEP), and Mekong-US Partnership. First, Washington has [recently aligned U.S.-ASEAN Connect](#) with the [ASEAN Comprehensive Recovery Framework \(ACRF\)](#) which serves as ASEAN’s “consolidated Community-wide exit strategy” from the pandemic. ACRF has five strategies focusing on health systems, human security, regional economic integration, digital transformation, and regional resilience and sustainability. Moving forward, the United States could leverage the synergies between the U.S.-ASEAN Connect and ACRF to, for example, galvanize Thailand’s digital transformation via USAID’s Inclusive Growth in ASEAN through Innovation, Trade and E- Commerce (IGNITE) projects.

RCEP is a free trade agreement between ten ASEAN member states and five of ASEAN’s dialogue partners – Australia, China, Japan, New Zealand, and South Korea. While Washington is not a RCEP party, this arrangement can be used to tighten US-Thailand commercial relations. As products only need 40% regional value content to qualify for duty-free treatment under RCEP, 60% of a good’s value-added components can be sourced from non-RCEP countries. This ultimately provides ample room for Bangkok and Washington to foster their economic ties going forward.

In addition, the Mekong-U.S. Partnership is a collaborative framework among the US, Cambodia, Laos, Myanmar, Thailand, and Vietnam. The Partnership covers several areas ranging from economic connectivity to transnational water resource management. In August, Secretary of State Blinken unveiled four flagship programs, including [USAID Mekong Safeguards](#) to strengthen “environmental, social, and governance (ESG) standards for infrastructure development in the Lower Mekong region.” Via this scheme, Washington could assist Bangkok in achieving sustainable infrastructure development. Moreover, the United States should consider adding a leaders’ meeting to the partnership, rather than limiting coordination to the ministerial level. Doing so will match the gravitas of the summits for the China-led Lancang Mekong Cooperation framework.

There are in fact many opportunities to advanced Thailand-US economic relations; all of them will require attention, energy and innovation from both countries’ governments, civil societies and private sectors.

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