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U.S. and Australia Complete Free Trade Agreement

02/08/2004

WASHINGTON - The United States and Australia today concluded an historic and comprehensive free trade agreement (FTA) designed to eliminate and reduce tariffs and other trade barriers and promote economic growth and prosperity. More than 99 percent of U.S. manufactured goods exports to Australia will become duty-free immediately upon entry into force of the Agreement. Manufactured goods account for 93 percent of U.S. exports to Australia.

"This is a great day for the peoples of two countries with a long history of friendship and partnership. This comprehensive FTA between Australia and the United States strengthens our close ties and offers new potential by expanding opportunities for the workers, businesses, consumers and farmers of both countries," said Zoellick, who visited Canberra in November 2002 to announce the negotiations. "This is the most significant immediate cut in industrial tariffs ever achieved in a U.S. free trade agreement, and manufacturers are the big winners."

"Having first suggested the idea of this free trade agreement in 1992, I am honored President Bush and Prime Minister Howard gave us the opportunity to transition the vision into a reality," Zoellick added.

Negotiations began in March 2003, and President George W. Bush and Prime Minister John Howard had made it a priority for both countries to complete the agreement, most recently at the Asia Pacific Economic Cooperation (APEC) meetings in Thailand, in October 2003.

"I want to thank the staffs of the various agencies in both governments, who worked long hours to make this agreement possible, especially Chief U.S. Negotiator Ralph Ives and Chief Australian Negotiator Stephen Deady," added Zoellick. "In particular, I want to salute my friend and counterpart, Minister Mark Vaile, who blended effective representation of Australian interests with great patience, hard work, and a strong desire to craft a good agreement both sides could be proud of."

The U.S.-Australia Free Trade Agreement is the first FTA between the United States and a developed country since the U.S.-Canada Free Trade Agreement in 1988. It is a 21st Century, state-of-the-art agreement that reflects the modern globalized economy, opening markets and streamlining mutual access in intellectual property, services, government procurement, ecommerce, and investment.

Australia is a major trade and investment partner of the United States, and in 2002 was America's 13th largest export market for goods, and the 9th largest if the European Union countries are considered as one destination. Two-way annual goods and services trade is approximately \$28 billion, and two-way foreign direct investment is \$60 billion. Australia purchases more goods from the United States than from any other country, and the U.S. enjoys a bilateral goods and services trade surplus of \$9 billion. Australia is a key export market for important U.S. manufacturing sectors such as aircraft, autos and auto parts, machinery, computers and electronic products, chemicals, and wood and paper products. Each of the fifty U.S. states exports to Australia, and Australia is among the top 25 export destinations for 48 of the 50 states. The leading states exporting to Australia are Washington, California, Illinois, Texas,

Michigan, New York, Ohio, Pennsylvania, and Florida.

The United States is working to open markets globally in the Doha World Trade Organization (WTO) negotiations; regionally with the Free Trade Area of the Americas (FTAA); and, bilaterally with free trade agreements.

The United States has FTAs with Canada and Mexico (NAFTA), Jordan, Chile and Singapore. In addition, the United States has recently concluded the Central American Free Trade Agreement (CAFTA) with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, and is working to complete an FTA with Morocco. Negotiations with the five nations of the Southern African Customs Union (SACU - Botswana, Lesotho, Namibia, South Africa and Swaziland) will continue this year. Finally, the United States recently began negotiations to include the Dominican Republic in CAFTA; launched negotiations with Bahrain last month; and has announced plans to negotiate FTAs with Thailand, Panama, Colombia, Peru, Bolivia and Ecuador.

The text of the agreement will be made public in the near future.

Summary of the Agreement:

An FTA for America's Manufacturing Sector: More than 99 percent of U.S. manufactured exports to Australia will become duty-free immediately upon entry into force of the Agreement. This is the most significant immediate reduction of industrial tariffs ever achieved in a U.S. FTA, and will provide benefits for America's manufacturing workers and companies; U.S. manufacturers estimate that the elimination of tariffs could result in \$2 billion per year in increased U.S. exports of manufactured goods. There will be significant benefits for such key U.S. manufacturing sectors as autos and auto parts; chemicals, plastics and soda ash; information technology products; electrical equipment and appliances; non-electrical machinery; fabricated metal products; construction equipment; paper and wood products; furniture and fixtures; and medical and scientific equipment.

New Opportunities for U.S. Farmers: All U.S. agricultural exports to Australia, totaling more than \$400 million, will receive immediate duty-free access. Key agricultural products that will benefit from immediate tariff elimination include processed foods, soups and bakery products, fruits and vegetables, dried onions, fruit and vegetable juices, dried plums, potatoes, almonds, tomatoes, cherries, raisins, olives, fresh grapes, sweet corn, frozen strawberries, and walnuts. Food inspection procedures that have posed barriers in the past will be addressed, benefiting sectors such as pork, citrus, apples and stone fruit.

Sensitive to Agricultural Concerns: The FTA is sensitive to concerns that have been expressed by Congress and U.S. beef and dairy farmers, and the agreement uses tariff-rate quotas (TRQ) to respond to these concerns while increasing trade. ***Beef:*** U.S. above-quota duties will be phased out over an 18-year period, and initial increased imports from Australia under the TRQ quota will amount to about 0.17% of annual U.S. beef production, and 1.6% of annual U.S. beef imports. The quota increases will take effect when U.S. beef exports return to their 2003 (pre-BSE) levels, or three years after effective date of the agreement, whichever comes first. Safeguards will be available, including a price-based safeguard after the transition period. ***Dairy:*** There will be no change in the U.S. MFN above-quota tariff on dairy products subject to quotas, and initial increases in imports from Australia under the TRQ quota will amount to about 0.17% of the value of annual U.S. dairy production, and about 2% of the value of total U.S. dairy imports.

Access to Services and Investment: Australia will accord substantial market access across its entire services regime, offering access in sectors such as telecommunications, express delivery, computer and related services, tourism, energy, construction and engineering, financial services,

insurance, audio/visual and entertainment, professional, environmental, education and training, and other services sectors. In broadcasting and audiovisual services, the FTA contains important and unprecedented provisions to improve market access for U.S. films and television programs over a variety of media including cable, satellite, and the Internet. Most U.S. investments would be exempted from screening by the Australian Foreign Investment Review Board.

Recognizing the Importance of Innovative Pharmaceuticals: The U.S. and Australia note the importance of ongoing research and development; of recognizing and appropriately valuing the therapeutic benefit of innovative drugs; and of transparent, expeditious, and accountable procedures. In implementing these principles, Australia will make a number of improvements in its Pharmaceuticals Benefits Scheme (PBS) procedures that will enhance transparency and accountability in the operation of the PBS, including establishment of an independent process to review determinations of product listings. The FTA establishes a Medicines Working Group to further promote the agreement's public health principles through an ongoing dialogue between the United States and Australia. In addition, the U.S. Food and Drug Administration and the Australia Therapeutic Goods Administration will work together to make innovative medical products available more quickly.

Open and Fair Government Procurement: U.S. suppliers are granted non-discriminatory rights to bid on contracts from 80 Australian central government entities, including key ministries and government enterprises. These commitments are particularly significant and commercially important, because Australia is one of the only developed countries that is not a party to the WTO Agreement on Government Procurement. Both countries are also committed to extending coverage of the agreement to sub-central entities, and will be working with their respective states to refine the extent of that coverage in the next few weeks. Australia will eliminate its central government industry development programs, under which suppliers have had to provide various types of offsets as a condition of their contracts.

A Trade Agreement for the Digital Age: U.S. and Australian authors, performers, inventors, and other producers of creative material will benefit from the higher and extended standards the FTA requires for protecting intellectual property rights such as copyrights, patents, trademarks, and trade secrets and enhanced means for enforcing those rights. The agreement calls for each government to adopt state-of-the-art protection for digital products such as software, music, text, and videos, and encourages adoption of measures to promote trade through electronic commerce.

Strong Protections for Worker Rights and the Environment: Ensures effective enforcement of labor and environmental laws and establishes labor and environmental cooperative mechanisms.

Increased Transparency: The agreement's dispute settlement mechanisms call for open public hearings, public access to documents, and the opportunity for third parties to submit views. Transparency in customs operations will aid express delivery shipments and will require open and public processes for customs rulings and administration.

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