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U.S. House Approves Australian Free-Trade Agreement (Update1)

July 14 (Bloomberg) -- The U.S. House of Representatives approved an agreement establishing rules for investment and trade with Australia, brushing aside objections about measures Democrats say will prevent Americans from getting cheaper drugs.

The measure passed 314 to 109, with a majority of Democrats supporting it. The agreement is the first between the U.S. and another industrialized nation since a 1989 deal with Canada, and provides a boost to the government of Australian Prime Minister John Howard, an ally of U.S. President George W. Bush in Iraq.

“No two countries in the world are as close as the United States and Australia, in terms of how they view the world, especially strategically,” House Ways and Means Committee Chairman Bill Thomas said. “This agreement is long overdue.”

The U.S. estimates the accord with Australia, supported by companies such as 3M Co., Caterpillar Inc. and Colgate-Palmolive Co. could lead to \$2 billion a year more in exports of manufactured goods. It's one of the largest in a series of pacts U.S. Trade Representative Robert Zoellick has negotiated as he spreads trade rules from Morocco to the Dominican Republic.

“This is the high-water mark for free trade,” said Bill Lane, the Washington lobbyist for Peoria, Illinois-based tractor maker Caterpillar. Australia is the company's second-largest export market, he said. “They move a lot of dirt,” he said.

Earlier today the Senate Finance Committee passed the measure 17-4, and among those in support was presidential contender John Kerry, who voted by proxy. The full Senate is expected to pass the bill before the end of next week, Senate Finance Committee Chairman Charles Grassley said.

Australia's Liberal-National coalition needs four extra votes in the 75-member upper house senate to pass nine new laws for the trade agreement. The main opposition Labor Party says it won't support the treaty until it sees a parliament committee report due Aug. 12. The lower house approved it in June.

Exports

The U.S. exported about \$13.1 billion in goods and services to Australia last year, led by aircraft, computer and telecommunications equipment, and excavation and industrial machines, according to the Census Bureau. Australia exported about \$6.4 billion to the U.S., led by meat and wine.

The free trade agreement, which was completed in February by Zoellick and Australian Trade Minister Mark Vaile, will cut tariffs on 99 percent of the manufactured goods the U.S. exports to Australia and 97 percent of Australian goods sent to America. Limits on farm goods will be phased out over a longer period, and Australia failed to get the U.S. to open its sugar market.

Some U.S. dairy and beef farmers said cheap Australian imports would put them out of business.

“By voting for this deal, the House is foreclosing on the future of family farms in America,” said George Naylor, an Iowa farmer and President of the National Family Farm Coalition.

Prescription Drugs

The treaty also is the first free trade deal to include specific provisions on access issues for pharmaceuticals and representatives of some farm states say that Australian exports of beef and dairy could undermine U.S. producers.

“The Australia agreement is a perfect example of what's gone wrong with U.S. trade policy,” said Democrat Kent Conrad of North Dakota, who voted against it.

The treaty calls on Australia to open up the process for choosing drugs under its Pharmaceuticals Benefits Scheme, under which the government buys drugs and resells them at a discount to consumers.

“The provisions in this trade agreement will set a dangerous precedent,” said Sherrod Brown, a Democrat from Ohio. “The pharmaceutical industry is at it again, attempting to undermine U.S. efforts to secure cheaper prescription drugs for millions of Americans.”

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