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U.S. and Australians Reach Wide-Ranging Trade Accord

By ELIZABETH BECKER

WASHINGTON, Feb. 8 - The United States completed negotiations for a free trade agreement with Australia on Sunday, and proponents called it a landmark deal that could increase American manufacturing exports by as much as \$2 billion annually.

The agreement, a rare trade victory for the Bush administration, was reached as America's annual trade deficit - now \$500 billion - and the loss of manufacturing jobs to foreign competition are festering as issues in this presidential election year.

While Australia has a population of less than 20 million, it is the ninth-largest trading partner of the United States and only the second industrialized nation to open its market to American goods through a free-trade pact, which will basically eliminate tariffs. The United States and Canada have such a pact as well.

The new agreement, which still must be approved by Congress, was reached after extended talks that broke a monthlong deadlock. Robert B. Zoellick, the United States trade representative, and Mark Vaile, the Australian trade minister, announced the accord at a joint news conference here.

"This is the foundation to deepen our ties further, " Mr. Zoellick said.

Nonetheless, the Bush administration failed to win agreement on several items sought by the American pharmaceutical and entertainment industries, and agricultural issues remained a sticking point.

The United States refused to open its sugar market and Australia refused to dismantle its system for marketing wheat, rice and other commodities that has been strongly criticized by American farmers and agribusiness.

But supporters of the trade pact said its main significance, assuming Congressional approval, was the virtual elimination of import duties on American manufactured goods to Australia. Currently, the United States pays 10 times as much as Australia does in tariffs in the joint trade between the two countries.

"This has never happened before - never," said Frank Vargo, a spokesman for the National Association of Manufacturers, a trade group that is among the most critical of American trade policy.

"This is really the platinum standard that could boost exports by \$2

billion," he said.

Other manufacturers have expressed alarm about the effects of new trade agreements, fearing they could further expose products to inexpensive competitors in developing countries. A coalition of more than 18,000 companies has called for a moratorium on such agreements to halt the deterioration of the American manufacturing base.

While Republicans and Democrats have threatened to block a new trade agreement with five Central American nations because of weak labor and environmental standards, this pact faces fewer obstacles largely because Australian standards in these areas are as good if not better than most American standards.

The United States already enjoys a \$9 billion trade surplus with Australia. The combined annual trade between the two countries is \$28 billion in goods and services.

The United States failed to persuade Australia to loosen price controls for its government prescription drug benefits program, despite pressure by the American pharmaceutical industry.

Instead, Australia agreed to study the issue.

Australia also retained its right to protect domestic movie and television production despite demands from the American film industry to loosen access to the Australian market.

Agricultural issues took up much of the negotiations. The United States agreed to further open its market to Australian lamb, sheep, beef, fruits, nuts and flowers. Australian dairy imports would increase by an estimated \$15 million in the first year and tariffs on Australia's growing wine industry would disappear within 11 years.