

U.S. trade agreement angers many in Australia

Elizabeth Becker NYT

February 9, 2004

A new free trade agreement with the United States brought mixed reaction on Monday from Australian farmers.

Proponents called it a landmark deal that could increase U.S. manufacturing exports by as much as \$2 billion annually. But lingering U.S. trade restrictions penalize some Australian agricultural interests.

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

Australian exports of sugar to the United States remain capped at 87,000 metric tons a year - the equivalent of two shiploads - down from 800,000 tons before Washington imposed quotas. The effect is particularly painful for Australian growers because U.S. prices are, because of America's protectionist policies, about three times as high as those they receive elsewhere.

Australian cattle farmers also lost out. The quota on Australian beef, now at metric 378,214 tons a year, will be lifted by just 1 percent per year over the next 18 years.

Other agricultural interests, however, will benefit from the eventual abolition or reduction of tariffs for beef, dairy, horticulture, lamb and wool. The mining industry will also benefit, with tariffs and duties on earth-moving equipment and dynamite from the United States lifted under the agreement.

While Australia has a population of less than 20 million, it is the ninth-largest trading partner of the United States. The new agreement, which still must be approved by Congress, was reached after extended talks that broke a monthlong deadlock. Robert Zoellick, the U.S. 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," Zoellick said.

Nonetheless, the Bush administration failed to win agreement on several issues sought by U.S. companies

Australia refused to loosen price controls for its government prescription drug benefits program, despite pressure by the U.S. pharmaceutical industry. Instead, Australia agreed to study the issue.

Australia also retained its right to protect domestic movie and television production despite calls from the U.S. film industry to improve access to the Australian market.

But supporters of the trade pact said its main significance, assuming it is approved by Congress, was the virtual elimination of import duties on U.S. manufactured goods exported to Australia. Currently, the United States pays 10 times as much as Australia does in tariffs in 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 U.S. trade policy. "This is really the platinum standard that could boost exports by \$2 billion."

Other manufacturers have expressed alarm about the effects of new trade agreements, fearing they could further expose products to inexpensive competitors from developing countries. A coalition of more than 18,000 companies has called for a moratorium on such agreements to halt the deterioration of the U.S. 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, the pact with Australia faces fewer obstacles, largely because its standards in these areas are as good as if not better than most U.S. standards.

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

The New York Times