

Australia-U.S. Free Trade Deal Under Threat

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By Michelle Nichols

CANBERRA (Reuters) - Australia's free trade pact with the United States was under threat Tuesday with the government and opposition Labor at loggerheads over legislation backing the deal ahead of a cliff-hanger election tipped for October.

Legislation to enact the agreement in Australia has been passed in parliament's lower house but faces a tougher passage through the upper house Senate, where the government is in a minority and needs four more votes.

Center-left Labor leader Mark Latham said Tuesday his party supported the free trade deal but would not pass the enabling legislation that went with it unless the conservative government accepted two amendments proposed by Labor.

"Despite several flaws in the agreement, it has net economic benefits for Australia, and on this basis, should be supported," Latham told reporters.

Meanwhile, in Washington, President Bush signed legislation Tuesday to implement the agreement and praised Prime Minister John Howard as a "strong partner in peace." Australia has troops in Iraq.

Both the U.S. Senate and the House of Representatives overwhelmingly approved the pact in July on bipartisan votes.

"The U.S.-Australia Free Trade Agreement is a milestone in the history of our alliance. It expands our security and political alliance by creating a true economic partnership," Bush said.

FIGHT ALL THE WAY

The free trade deal, which was introduced into the Senate Tuesday, along with security, defense and the economy are shaping up as key issues ahead of the election but Labor faces a tough battle in these traditional government strongholds.

A Newpoll, published in The Australian newspaper on Tuesday, showed primary support for the conservative government jumped two points to 45 percent during the past two weeks, while the popularity of the Labor party remained unchanged at 40 percent.

But on a two-party preferred basis -- where voters' second choices are distributed to major parties and can decide an election -- Labor lost its two-point lead and is even with the eight-year-old government at 50 percent.

Labor proposed amendments to protect the Pharmaceutical Benefits Scheme, or PBS -- a state-subsidized program reducing the prices of some drugs -- and to allay concern that local content would disappear from Australian television and radio.

"We will be fighting for these amendments all the way," said Latham.

But while Howard said he would consider Labor's amendment regarding broadcasting content, he rejected Labor's proposed change in relation to the PBS.

"There is no difficulty here and we do not intend to accept that proposal," Howard told reporters.

Howard is confident the deal with Australia's second-largest trading partner will increase bilateral trade, now worth about \$28 billion a year.

Latham said the amendments would not affect the text of the free trade deal signed by Australia and the United States but declined to say what his party would do if the government rejected the amendments.

Labor was split over whether to support the deal, but a vote against it would have further strained the party's ties with the United States after a row last month over Labor's vow to withdraw Australian troops from Iraq by Christmas if it wins office.

Australia and the United States signed the free trade deal in February, but the pact angered Australia's farm industry after it only gained reductions on beef exports over 18 years and only a small increase in the dairy product exports duty free quota.

Australia's sugar industry was left out of the deal.

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