

U.S.-Australia Free Trade Agreement

Key Market Access Results and Benefits

The United States and Australia concluded an historic and comprehensive free trade agreement (FTA) during February 2004. The Agreement, designed to eliminate and reduce tariffs and other trade barriers, will dramatically increase market access in Australia for U.S. manufacturers and service providers.

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 2003 was America's 13th largest export market for goods. 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.

Australian firms in the U.S. employ about 85,000 Americans, and it is estimated that U.S. exports to Australia support more than 150,000 U.S. jobs.

Manufactured Goods

U.S. exports of manufactured goods to Australia reached \$12 billion in 2003. Australia's manufactured goods exports to the United States totaled \$4 billion. Australia's average tariff is 3 percent, with tariffs ranging from zero to 25 percent. The highest tariffs faced by U.S. exporters apply to leather goods, autos and auto parts.



- 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.

- Because Australian tariffs are much higher than U.S. average tariffs, American firms today pay 10 times as much in total annual import tariffs to Australia as the U.S. collects from Australian imports. The U.S.-Australia FTA will eliminate this disparity.

Services

Over 80 thousand Americans are directly employed by Australian companies' U.S. offices, and tens of thousands of additional American jobs depend on U.S.-Australia services exports, which currently total over \$5 billion annually.

- Australia will accord substantial access to U.S. services suppliers, subject to very few exceptions, based on the "negative list" approach. Australia's commitments cover both cross-border supply of services (such as services supplied through electronic means, or through the travel of nationals) as well as the right to invest and establish a local presence.
- The Agreement results in increased market access for U.S. exporters in the following sectors: advertising; architecture, construction and engineering; distribution services; education and training; energy; entertainment (including broadcasting and audiovisual); environmental; express delivery; healthcare; information services; professional services (including

management consulting, accounting, and legal); telecommunications; and, tourism.

- In the area of 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.
- *Financial Services.* The Agreement includes important new protections for U.S. investors, and allows, in most circumstances, a U.S. investor to establish, acquire and operate investments in Australia on an equal footing with local investors.
- *E-Commerce.* Digital products will receive non-discriminatory treatment and will not be subject to customs duties. First-time commitments will facilitate the ability of businesses to use digital signatures in both markets.

Government Procurement

- U.S. suppliers are granted rights to bid on contracts to supply Australian government ministries, agencies and departments. The Agreement covers the purchases of 80 Australian central government entities, including key ministries and government enterprises. Low-value contracts are excluded.
- Australia has offered five of its eight territories. It is expected that all eight territories will participate in the agreement effectively tripling the Australian procurement market open to U.S. companies.

- 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.
- Australian central government will eliminate its industry development programs, under which suppliers have had to provide various types of offsets; for example, local content or local manufacturing requirements, as a condition of their contracts.

Textiles and Apparel

Textile and apparel tariffs will phase out over a maximum of 15 years for goods that meet the Agreement's yarn-forward rule of origin, promoting new opportunities for U.S. fiber, yarn, fabric and apparel manufacturing.

State Exports

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.

Best Prospects

While the benefits of the U.S-Australia FTA will be felt broadly throughout U.S. industry, certain sectors are particularly well positioned to capitalize on the results of this Agreement.

Services. A range of service sectors made the best prospects list, including energy, professional, broadcasting and audiovisual, franchising, construction, and telecommunications. U.S. companies offering information technology related services are expected to benefit from the elimination of Australia's industry development programs, which specifically target this sector.

Manufactured Goods. Best export prospects include aeronautical engine parts and navigation equipment, electric light equipment, exercise equipment, beauty products, photographic equipment, paper and paperboard, electric motors and generators, refrigerators, heat pumps, agricultural equipment, oil and gas equipment and electrical machinery.

For example, U.S. firms will gain duty free access on electric motors and generators, while Japan and Germany's exports are subject to 15 percent tariffs. U.S. firms currently have a 10 percent share of Australia's import market on electric motors, generators and parts, which totaled \$78 billion in 2003.

U.S. firms export \$25 million in oil and gas equipment to Australia and will gain increased market access, as the FTA will eliminate the current 15 percent duties. This is particularly important in light of the \$30 billion in anticipated new projects for liquefied natural gas over the next five to seven years.