

# Chapter 1

## Outcomes

### What is a free trade agreement?

1.1 A free trade agreement (FTA) is typically a bilateral, preferential<sup>1</sup> agreement between two countries aimed at securing maximum access to each other's domestic markets in order to facilitate trade in goods and services. It commits the parties to policies of non-intervention by the state in trade between their nations. Such an agreement usually entails:

- removing or lowering explicit trade barriers, including import taxes (tariffs) and import quotas.
- softening or eliminating non-tariff or 'hidden' trade barriers – for example, quarantine laws, production and export subsidies, local content requirements, foreign ownership limits, and domestic monopolies.

1.2 Free Trade Agreements necessarily involve an exception to the Most Favoured Nation (MFN) principle, the fundamental rule guiding trade in goods among members of the World Trade Organisation. Under the MFN rule, members of the WTO must give fellow WTO members no less favourable treatment in terms of tariff rates and other trade measures than they afford to any other country. However, WTO rules allow individual countries to afford preferential treatment to partners in an FTA, provided that the FTA conforms to certain strict conditions.

1.3 The rationale for allowing this exception is set out in Article XXIV of the General Agreement on Tariffs and Trade (GATT) of 1947, which recognises the desirability of increasing freedom of trade by the development of closer integration between member countries through agreements establishing free-trade areas. At the same time, strict conditions apply to FTAs to ensure that they serve a liberalising purpose in international trade and do not encourage the establishment of new barriers. Nor should FTAs provide an occasion to introduce new measures discriminating between trading partners.

1.4 The crucial test of an FTA is that it must eliminate all tariffs and other restrictions on substantially all trade in goods between its member countries. Although WTO members have differed over how precisely to define 'substantially all trade', few would disagree that this means, at the very least, that a high proportion of trade between the parties - whether measured by trade volumes or tariff lines - should be covered by the elimination of tariffs and other restrictive trade regulations.

---

1 Some economists contend that a 'preferential' agreement is, by its very nature, also 'discriminatory' – that is, discriminatory against all those countries that are not included in the FTA.

1.5 According to DFAT's background paper about negotiations on a proposed FTA with the United States, Australia considered that 'substantially all trade' must be a very high percentage, and that no major sector should be excluded from tariff elimination.<sup>2</sup>

1.6 In addition to trade in goods and services, Free Trade Agreements frequently cover such issues as investment protection and promotion, government procurement and competition policy, which are either not yet encompassed by WTO rules or only partially covered.

1.7 FTAs often also contain practical provisions in areas such as harmonisation or mutual recognition of technical standards, customs cooperation, application of subsidies or anti-dumping policies, electronic commerce, and protection of intellectual property rights.

### **The early stages of AUSFTA**

1.8 The notion of a Free Trade Agreement between Australia and the United States was given its first official airing in a speech to the American Australian Association in New York by Michael Thawley, Australia's Ambassador to the United States, in December 2000.

1.9 Foreign Minister Downer explored the idea further during talks with United States Trade Representative Zoellick in March 2001, and Trade Minister Vaile made it an official proposal in Washington a month later.

1.10 The government's wish to pursue a free trade agreement with the United States came to wider public attention in Australia around the middle of 2001, as Prime Minister Howard was preparing to visit Washington for celebrations surrounding the 50th Anniversary of the ANZUS Treaty.

1.11 In June 2001, Minister Vaile released a study by the Centre for International Economics, claiming that an FTA could increase Australia's real GDP by almost \$US2 billion by 2010.<sup>3</sup> In August 2001, a report by the APEC Study Centre gave further support for an Australia-US FTA, and on 30 August 2001 Prime Minister Howard confirmed the government's intentions in parliament.

There is no way we can find out whether a free trade agreement to the mutual advantage of Australia and the United States is possible unless we begin the process of negotiation... Of course, the Australian government is not going to negotiate away with the United States or, indeed, any other country the vital interests of any Australian industry...

---

2 Department of Foreign Affairs and Trade at [http://www.dfat.gov.au/trade/negotiations/us\\_bkg.html](http://www.dfat.gov.au/trade/negotiations/us_bkg.html)

3 Minister for Trade (Hon. M. Vaile, MP), Media Release, 21 June 2001

We believe that it would be to the advantage of Australia if we could negotiate a free trade agreement with the Americans. Obviously, it has to be on terms and conditions that are acceptable to both. I do not have any delirious expectations, but if we do not try we have no chance of ever succeeding...

There are complementarities between the Australian economy and the United States economy. There are also areas of very significant difficulty. Agriculture is an area of significant difficulty... and of course there are areas of resistance in relation to what many in Australia see as some kind of cultural imperialism by the United States. There is concern amongst the entertainment industry about changes that might possibly disadvantage them. I am aware of all of that. The government are aware of all of that. We do not dismiss those things. We do not pretend that they will be easily resolved or easily negotiated away. But we do contend that we ought to make an attempt to negotiate an understanding with the United States. That will be the proposition that I will put to President Bush when I see him on Monday week in Washington.<sup>4</sup>

1.12 By mid-2002, the necessary Trade Promotion Authority had passed through the United States legislature, and shortly thereafter the Bush administration was given 'fast-track' authority by Congress to negotiate trade agreements. In November 2002, Prime Minister Howard and USTR Zoellick announced that negotiations would start. Public submissions were called for, and in March 2003 Minister Vaile released Australia's formal list of objectives.

The Government will give a high priority to reducing the most significant market access barriers facing Australian exports, particularly in the agricultural sector. We will pursue a range of Australian interests in the United States market covering all areas of the Australian economy – manufacturing, services, investment, government procurement, telecommunications and electronic commerce, intellectual property rights, and movement of people.

We will ensure outcomes from the FTA negotiations do not impair Australia's ability to deliver fundamental objectives in health care, education, consumer protection and supporting Australian culture and identity. The Government remains committed to preserving its ability to regulate in relation to social and cultural objectives, and will ensure the FTA is consistent with that goal.<sup>5</sup>

1.13 The first round of talks was held in Canberra between 17 and 21 March 2003. Australia's Chief Negotiator was Mr Stephen Deady; for the United States, Mr Ralph Ives.

1.14 In May 2003, Prime Minister Howard met with US President Bush at Crawford, Texas, and both leaders confirmed that they wished to pursue a target date

---

4 Prime Minister (Hon. J. Howard, MP) *House Hansard*, 30 August 2001, p.30678

5 Minister for Trade (Hon M Vaile MP) Media Release, 3 March 2003

of December 2003 for the conclusion of negotiations. DFAT officials advised the Senate Foreign Affairs, Defence and Trade Committee at the time that negotiations were being conducted assiduously in order to meet the tight deadlines. They also advised that they were in pursuit of a 'very big agreement'.

We are seeking a truly comprehensive and liberalising free trade agreement that is fully consistent with the rules of the WTO, both the rules of the GATT which deal with free trade agreements and the rules under the GATS which talk about the economic integration of economies. We are looking at a very big agreement. The agreement itself will run to probably 23 or 24 different chapters, covering the full range of economic activity.<sup>6</sup>

## **The broader trade context**

1.15 The debate surrounding multilateral and bilateral trade was explored in some detail in the Senate Committee report *Voting on Trade* (November 2003). It is worth setting the global context briefly again here, especially in the light of the 'competitive liberalisation' arguments that stress the use of negotiating bilateral agreements to prompt advances in multilateral trade negotiations.

1.16 The Howard Government has consistently regarded bilateral agreements as an important supplement to its multilateral trading efforts. Following the Seattle WTO ministerial, the government announced that it was:

intending to explore the prospect of bilateral free trade agreements where these would deliver benefits to Australian exporters in a deeper way and in a quicker fashion than perhaps may have been possible through the multilateral negotiations.<sup>7</sup>

1.17 There has been a long-standing debate about the extent to which WTO based multilateral trade negotiations might be undermined by countries entering bilateral agreements that are by their nature preferential. Both the Select Committee and the Senate Foreign Affairs and Trade Committee explored the issue on several occasions by posing the question as to whether burgeoning bilateral agreements had 'sucked the oxygen out of' multilateral efforts.

1.18 A prominent advocate of liberalised global trade, in its multilateral rather than bilateral manifestations, is Professor Ross Garnaut. He has expressed concerns on several occasions about the risks arising from preferential bilateral agreements, and has identified five key risks that are at play in the AUSFTA:

---

6 *Transcript of Evidence*, Senate Committee Inquiry *Voting on Trade*, 2 October 2003, p.460 (Deady, DFAT)

7 *Transcript of Evidence*, Senate Committee Inquiry *Voting on Trade*, 2 October 2003, p.481 (Deady, DFAT)

- the negotiation of a bilateral FTA would accelerate the weakening of the multilateral system;
- there will be resulting trade diversion from Australia's most important export region, East Asia;
- the rules of origin associated with a US FTA would raise transaction costs in international trade and lower productivity in the process;
- the exclusion of US agricultural subsidies from the FTA would corrode the position of free trade agricultural exporters in the international system and could negate any benefits from increased market access to the US;
- the processes of policy making in developing this agreement, relying on commissioning consulting reports with limited terms of reference, have been very damaging to trade policy processes.<sup>8</sup>

1.19 In its submission to the earlier *Voting on Trade* inquiry, the government explained why it believed that there was no conflict arising from the pursuit of both bilateral and multilateral arrangements.

Some commentators have suggested that negotiation of an FTA with the US will undermine the multilateral trading system founded on the WTO, or signal a lessening of Australia's commitment to the WTO and multilateral liberalisation.

This observation appears to ignore the following:

- FTAs are sanctioned by the WTO – good FTAs are accepted as consistent with the WTO if they are comprehensive and trade creating...
- FTAs can help the WTO system to generate momentum by liberalising difficult sectors among a few countries – and help with the adjustments necessary under global liberalisation negotiations
- in circumstances where the pace of the Doha Round is slowing ... and in particular the difficulty of securing commitments from WTO members to significant agriculture reform, governments will wish to take the opportunity to secure WTO-consistent market opening elsewhere;
- suggestions that bilateral FTA negotiations somehow conflict with Australia's efforts in the WTO reflect a flawed understanding of trade negotiations
- there is no conflict between the objectives Australia is pursuing in the WTO and our FTA negotiations.
- we *continue to press the United States* in Geneva on access for sugar, dairy and other products

---

8 *Transcript of Evidence* Senate Committee Inquiry *Voting on Trade*, 22 July 2003, pp. 196, 197, 198, 199, 100 (Garnaut)

- the bilateral FTA negotiations give us a further opportunity to secure our Doha Round objectives on agricultural market access more deeply and rapidly than would be possible through the WTO Doha Round.<sup>9</sup>

1.20 The Committee notes that the government's decision to pursue a free trade agreement with America represented a significant turnaround from its previous position, and something of a 'historic departure in Australian trade policy'.<sup>10</sup> Like its Labor predecessors, 'through the 1990s the Howard government... remained deeply wary of proposals for bilateral trade deals'.<sup>11</sup>

1.21 When President Bill Clinton approached Australia about the possibility of a free trade agreement he was rebuffed. Rob O'Donovan was Australian Senior Trade Commissioner in Los Angeles until 1998, and was a contributor to the DFAT *Review of Australian US Trade relations - A Partnership in Transition*. In a February 2002 article for the Brisbane Institute he wrote:

The Howard government ... in 1997... still firmly rejected the overtures from the Clinton Administration for a bilateral free trade agreement as the Hawke government had done so in the late 80's. It did so for much the same reasons - any success we had was achieved multilaterally and we were unlikely to get any joy in those US agricultural markets where we were competitive but our competitors had friends in Congress... The last consideration hasn't changed so it is worth asking what has?<sup>12</sup>

1.22 The Committee is not clear about why the Australian government's views on this matter were modified to the extent of shifting from a consistent rejection of a US free trade agreement to a forthright and energetic pursuit of one. Some commentators have discerned the shift to be purely a political choice.

Although the public debate will be about economics, the real agenda of the FTA is political. Prime Minister Howard has strategic reasons to support the agreement. An FTA would consolidate the emerging US-Australia axis.<sup>13</sup>

1.23 These observations seem consistent with the remarks made by government ministers throughout the AUSFTA process, which consistently highlighted the fact that the AUSFTA would deepen and strengthen Australia's ties with America.

---

9 *Submission 54, Senate Committee Inquiry Voting on Trade* p.40 (DFAT)

10 Capling, A 'Trade, the USA and Down Under's Tyranny of Size' *The Sydney Papers* Autumn 2001, p.180

11 Capling, A 'Trade, the USA and Down Under's Tyranny of Size' *The Sydney Papers* Autumn 2001, p.177

12 Available at [http://www.brisinst.org.au/resources/brisbane\\_institute\\_fta.html](http://www.brisinst.org.au/resources/brisbane_institute_fta.html)

13 Hamilton, C 'Free trade deal won't produce the goods' *Australian Chief Executive* (CEDA) April 2003, p.29

1.24 In the Committee's view, Australia's pursuit of a free trade agreement with America has as much, if not more, to do with Australia's broader foreign policy objectives as it does with pure trade and investment goals. Certainly for the United States administration, free trade agreements can only be situated within a particular foreign policy setting. This was made clear in a widely-reported speech (May 2003) to the Institute for International Economics by USTR Zoellick:

U.S. Trade Representative Robert Zoellick late last week said countries that seek free-trade agreements with the United States must pass muster on more than trade and economic criteria in order to be eligible. At a minimum, these countries must cooperate with the United States on its foreign policy and national security goals... The U.S. seeks "cooperation - or better- on foreign policy and security issues," Zoellick said... Given that the U.S. has international interests beyond trade, "why not try to urge people to support our overall policies?" he asked.

Zoellick said that he uses a set of 13 criteria to evaluate potential negotiating partners, but he insisted that there are no formal rules for the selection or any guarantees. "It's not automatic," Zoellick said. Negotiating an FTA with the U.S. "is not something one has a right to. It's a privilege."

14

1.25 Some observers regard these sorts of remarks as signalling America's desire to cement a network of countries into a pact which will bind them to comply with US foreign policy. Others regard the AUSFTA as an appropriate and important complement to Australia's existing alliance with the United States.

1.26 The government has been unequivocal in this respect. In particular, its views are declared strongly in Australia's latest foreign policy White Paper *Advancing the National Interest*.

Australia's links with the United States are fundamental for our security and prosperity... Australia has a vital interest in supporting long-term US strategic engagement in East Asia, because of its fundamental contribution to regional stability and prosperity. The government's pursuit of a free trade agreement with the United States is a powerful opportunity to put our economic relationship on a parallel footing with our political relationship, which is manifested so clearly in the US alliance.<sup>15</sup>

1.27 The Committee agrees that Australia's relationship with the United States is its most vital strategic and political alliance. However, the linking of trade and investment agreements so closely to issues of security and strategic political interest is not without its tensions. Links between trade and security or other things which are not closely related to trade can distort the kind of agreement that emerges.

---

14 Quoted in *Inside US Trade*, 16 May 2003.

15 Australian Foreign and Trade Policy White Paper *Advancing the National Interest* Canberra (2003) p.(xvi)

## **Anticipated results of AUSFTA**

### **CIE 2001 Study**

1.28 When the proposed negotiations for an AUSFTA were announced, it introduced a period of very active speculation on what the agreement might contain.

1.29 An early effort to predict the outcome was made in the June 2001 CIE study *Economic Impacts of an Australia United States Free Trade Area*. That study estimated that, over 20 years, Australia would benefit by US\$ 10.9 billion and the United States by US\$ 16.9 billion.

1.30 Assuming full implementation in five years, the study predicted a welfare gain for Australia of 0.5% by 2020. Other predictions were that exports would increase, Australia's current account balance would improve by 0.9% and trade creation would exceed trade diversion.

1.31 The study also assumed that all major sectors (including sugar), would be liberalised in the agreement.

### **Department of Foreign Affairs and Trade**

1.32 In a background paper on the proposal to negotiate the AUSFTA, DFAT noted that the core requirement for an FTA to be acceptable to the WTO was elimination of '...tariffs and other restrictions on substantially all merchandise trade between the parties.' The Department added that, beyond that basic requirement, the terms negotiated would:

...be guided by the interests, practices and policies of both countries, and determined in the course of negotiations. Both governments have agreed that an agreement should be comprehensive in scope and should aim to complement our respective efforts in the WTO negotiations, and set a high standard for FTA agreements between other countries.<sup>16</sup>

1.33 The DFAT Background paper also commented that, for Australia, an agreement with the United States would offer substantial benefits. It noted that the

---

16 Department of Foreign Affairs and Trade, *Australia-United States Free Trade Agreement*, Background Paper, Annexure to Interim Report by the Select Committee on the Free Trade Agreement between Australia and the United States of America, June 2004, Chapter 4, Background Paper, p.2

United States is our second largest trading partner, the largest provider of foreign investment and also the main destination for Australian investment overseas.<sup>17</sup>

1.34 In a paper entitled *AUSFTA - Frequently Asked Questions*, DFAT listed the benefits it saw accruing from the completion of the Agreement:

The Agreement will immediately extend Australia's trade relationship with the world's largest merchandise and services exporter and importer. It will deliver real benefits and opportunities for Australian exporters from the day it comes into force, and the dynamic gains from the Agreement promise to yield enormous long-term benefits to the Australian economy.<sup>18</sup>

1.35 On the question of whether an FTA with the United States would undermine Australia's objectives in the Doha Round, DFAT stated that FTAs are regarded as 'building blocks to multilateral trade liberalisation'. It also suggested that the AUSFTA will add momentum to Australia's WTO objectives and described the Government's strategy as one of:

...competitive liberalisation – maximising our trade opportunities with individual countries, in our wider region, and globally, to ensure our exporters achieve greater access to overseas markets as quickly, as broadly and as deeply as possible.<sup>19</sup>

1.36 DFAT explained that Australia's trade policy sought to stimulate growth and increase employment opportunities in Australia, by creating new and more open markets for exports. These opportunities, the Department said, were pursued at every opportunity, whether at the global level, on a regional basis or through bilateral agreements.<sup>20</sup>

1.37 DFAT said that because the liberalisation process in the WTO is necessarily a slow process: '...FTAs can provide opportunities to achieve ends that may take longer

---

17 Department of Foreign Affairs and Trade, *Australia-United States Free Trade Agreement*, Background Paper, Annexure to Interim Report by the Select Committee on the Free Trade Agreement between Australia and the United States of America, June 2004, Chapter 4, Background Paper, p.4

18 Department of Foreign Affairs and Trade, *AUSFTA - Frequently Asked Questions*, Annexure to Interim Report by the Select Committee on the Free Trade Agreement between Australia and the United States of America, June 2004, Chapter 4, FAQ, p.1

19 Department of Foreign Affairs and Trade, *Australia-United States Free Trade Agreement - Free Trade Agreements and Multilateral Negotiations*, Annexure to Interim Report by the Select Committee on the Free Trade Agreement between Australia and the United States of America, June 2004, Chapter 4, Free Trade Agreements and Multilateral Negotiations, p.1

20 Department of Foreign Affairs and Trade, *Australia-United States Free Trade Agreement - Free Trade Agreements and Multilateral Negotiations*, Annexure to Interim Report by the Select Committee on the Free Trade Agreement between Australia and the United States of America, June 2004, Chapter 4, Free Trade Agreements and Multilateral Negotiations, p.1

through the multilateral system'.<sup>21</sup> (A discussion of the bilateral vs multilateral trade policies was included in the Select Committee's interim report. It is universally accepted that multilateral agreements are far and away the preferred option, although the negotiation of them is inevitably more time-consuming and complex.)

## **Minister Vaile's Objectives**

1.38 In March 2003, the Minister for Trade released a detailed list of Australia's objectives for the negotiations.<sup>22</sup> Those objectives emphasised that the thrust of the Agreement would be to complement Australia's objectives in the WTO Doha Round and in APEC, and for the two countries to work together in those forums.

1.39 For industrial products and agriculture, the aim was to eliminate tariffs and other trade barriers, including tariff quotas and agricultural export subsidies. Non-tariff barriers on maritime vessel exports to the United States, standards and technical regulation, were also areas of concern. Australia also sought an exemption from United States safeguard provisions or, at least, measures to minimise their impact.

1.40 On Quarantine/Sanitary and Phytosanitary (SPS) measures, the aim was to strengthen co-operation with the United States and the commitment to science-based quarantine measures. Elimination of any unjustified SPS measures was a priority.

1.41 Alignment of Customs procedures was an area in which Australia sought greater co-operation with the United States. This included investigation and prevention of illegal practices and involved harmonisation of policies and procedures.

1.42 The objectives emphasised the need to reduce impediments faced by Australian services trade in entering the United States market. Included were issues such as recognition of the qualifications of Australian professionals, licensing requirements and the temporary entry of business people. Protection of Australia's cultural and social policy objectives and the Government's ability to provide social services, were also important objectives.

1.43 For investment, Australia sought an enhanced framework for investment flows, reduction of unnecessary impediments and to ensure that Australia's foreign investment policy is taken into account.

1.44 Intellectual Property Rights is an area which has generated considerable controversy. Australia's stated aims were to: reaffirm the principles of the WTO

---

21 Department of Foreign Affairs and Trade, *Australia-United States Free Trade Agreement, Free Trade Agreements and Multilateral Negotiations*, Annexure to Interim Report by the Select Committee on the Free Trade Agreement between Australia and the United States of America, June 2004, Chapter 4, Free Trade Agreements and Multilateral Negotiations, p.2

22 Senate Foreign Affairs, Defence and Trade References Committee, *Voting on Trade – The General Agreement on Trade in Services and an Australia-US Free Trade Agreement*, November 2003, Appendix 3, pp. 168-71

TRIPS agreement; ensure the protection of the rights of Australian holders of intellectual property; and to promote co-operation between the two countries and also together in APEC. An important issue was to ensure that Australia remained free to implement an appropriate legal framework, which maintained a balance between the rights of intellectual property holders and those of the users.

1.45 In telecommunications and e-commerce, Australia sought agreed principles for regulation of the sector. Also important were: reduction of constraints on Australian access to the United States market; retaining the current practice of no customs duties on electronic transmissions; fair, non-discriminatory and competitive rates for internet access and co-operation in seeking to expand the sector.

1.46 Access to the United States government procurement process, based on flexible, transparent and fair rules, was an important aim. Other issues highlighted were co-operation and consultation on competition law; State to State disputes; and mutually supportive policies on environmental issues.

1.47 In October 2003 the Premiers and Chief Ministers of the Australian states and territories – while there were 'no formal arrangements made... to discuss the AUSFTA'<sup>23</sup> - issued a statement in support of it and 'urge[d] all sides to bring negotiations to a swift and successful conclusion'.<sup>24</sup>

### **What the AUSFTA actually delivered for Australia**

1.48 The public responses to the outcomes of the AUSFTA negotiations ranged from great enthusiasm to considerable anxiety.

1.49 Broad support has come from business and industry groups who regard the Agreement as providing new and significant opportunities to do business with America. This support was conveyed in the following terms by Mr Alan Oxley, spokesman for a business group very supportive of the AUSFTA.:

You asked, Chair, what would be the downside for Australia if we rejected the agreement. We would probably be regarded as the most bizarre country in the world for having rejected a free trade agreement with the world's biggest economy—an agreement that would actually give us access in agriculture, which is one of the most difficult areas, notwithstanding the fact that it is not perfect—when many other countries are lining up to have an agreement with them. I honestly do not know how any serious Australian government could justify that to the world at large.<sup>25</sup>

1.50 For many others, however, the Agreement represents nothing but economic and employment risks from exposure to powerful United States interests, and the

---

23 WA Government, *Answers to Questions on Notice*, 14 July 2004

24 State Premiers and Chief Ministers, Media Release, 21 October 2003

25 *Transcript of Evidence*, 5 May 2004, p.40 (Oxley, AUSTA)

undermining of Australia's sovereignty. The AMWU summarised its criticism as follows:

This agreement must be rejected because it fails the most basic national interest test, which involves answering the following questions in the affirmative. Is it beyond reasonable doubt that the agreement will achieve net benefits for the nation? Will the benefits be achieved in a manner that is consistent with the deeply held values and beliefs of ordinary Australians? And will this be achieved without compromising the political sovereignty of future Australian governments to act in the national interest? That is the national interest test, and this agreement fails that test.<sup>26</sup>

1.51 Such polarised views have been typical of the submissions and oral evidence that have come before the Select Committee. The Committee discusses elsewhere in this report its concerns about the divisive and adversarial nature of the process by which the AUSFTA was brought into being. In the Committee's view, such polarised responses to trade agreements will only be ameliorated by a formal, proper parliamentary involvement at all stages. Such an approach would mean that the public could be adequately consulted and informed about the reasons and purposes for agreements, and could participate in an informed way in the development of them.

1.52 A paper by DFAT outlining the key outcomes of the Agreement indicated that the overall result for Australia was very positive. On agriculture it was described as a 'significant boost', despite the omission of sugar, the long phasing period for key agricultural commodities such as beef and the retention of dairy quotas. For manufacturing it said that 97% of United States tariff lines (exports worth \$6.48 billion) would be duty free on implementation, with the remainder phased out by 2015. For services (particularly financial services), investment and government procurement, the assessment was that these areas would offer substantial benefits for Australia.<sup>27</sup>

1.53 In other sectors, DFAT also assessed the outcomes as positive for Australia. This included such sectors as:

- intellectual property,
- health (the PBS described as "maintained"),
- local content in Australian media ("protected"),
- quarantine (Australia's quarantine system's "integrity preserved"),
- competition,
- telecommunications and e-commerce,

---

26 *Transcript of Evidence*, 7 June 2004, (Cameron, AMWU)

27 Department of Foreign Affairs and Trade, *Australia-United States Free Trade Agreement – Key Outcomes*, Annexure to Interim Report by the Select Committee on the Free Trade Agreement between Australia and the United States of America, June 2004, Chapter 4, Key Outcomes, pp.1-2

- technical regulations and standards.<sup>28</sup>

1.54 There are many Chapters in the AUSFTA that include the establishment of various working parties and committees. They range from a Committee on Trade in Goods, to a Medicines Working Group, to a Committee on Sanitary and Phytosanitary Matters, along with many others.

1.55 Details of the membership and operation of all these committees are not given in the Agreement text. The Committee has appended to this Report a list of those areas in which such committees will operate.

1.56 The Committee went to considerable effort during the course of its inquiry to elucidate the roles, responsibilities and authority of these various groups. Very little information was made available. While the Committee appreciates that the AUSFTA is a 'living document', it is imperative that the activities of the many committees and groups are carried out in a transparent fashion.

1.57 To the extent that there is delegated to these groups a responsibility to discuss matters of considerable significance and sensitivity to both parties, accountability is paramount. In the view of the Select Committee the Australian parliament must be fully apprised of the progress of these committees, and the nature of their discussions. To that end, there should be regular reporting to the parliament of the state of play across all committees. This matter of accountability is taken up elsewhere in this report.

### **Revised DFAT/CIE Study 2004**

1.58 In April 2004, a revised DFAT/CIE study was released.<sup>29</sup> This study was based on the draft structure of the Agreement and was able to take into account the differences between that structure and the assumptions on which the earlier paper had been based. It also had available the timing of the phasing process and details of commitments agreed upon for intellectual property, rules of origin and investment.

1.59 The overall assessment of the study was that the Trade Agreement would 'lift economic growth and welfare in Australia'.<sup>30</sup>

---

28 Department of Foreign Affairs and Trade, *Australia-United States Free Trade Agreement – Key Outcomes*, Annexure to Interim Report by the Select Committee on the Free Trade Agreement between Australia and the United States of America, June 2004, Chapter 4, Key Outcomes, pp.4-6

29 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004

30 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, p:vii

1.60 The report made an estimate of the likely outcome for the Australian economy ten years after implementation. The central results from that exercise indicated that:

- real gross domestic product (GDP) would be \$6.1 billion or 0.7% higher than it might otherwise be.
- real gross national product (GNP) was likely to be \$5.6 billion higher than it might otherwise be.<sup>31</sup>

1.61 The study uses a discounted present value approach to quantify the benefits of the Agreement. It estimates that over 20 years, Australia will receive a net welfare benefit of \$52.5 billion if measured as real GNP or \$57.5 billion if real GDP is used.<sup>32</sup>

1.62 CIE's analysis indicates that in the first year immediate benefits will be partly offset by adjustment costs. Thereafter, the benefits will increase, as tariffs are reduced and new investment takes effect. CIE estimates that investment liberalisation will make the biggest contribution to economic growth and welfare.<sup>33</sup>

1.63 This study differs in several ways from the first study by CIE. It takes into account factors which were either unknown or unclear in 2001, namely that:

- full liberalisation has not been achieved;
- not all services trade barriers will be removed;
- investment liberalisation has this time been explicitly considered; and
- quantitative effects have been analysed.

1.64 According to CIE, the largest contribution to economic growth and welfare is expected to come from investment liberalisation. Reduction of barriers to investment is expected to reduce the equity risk premium and lower the cost of capital, leading to a rise in investment.<sup>34</sup>

1.65 Trade liberalisation is expected to increase welfare and GDP by about \$1 billion per year. It should reach this level within ten years. There is also potential for future additional gains, which are not quantifiable at this early stage. There will be

31 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, p.vii

32 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, p.xi

33 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, p.ix

34 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, p.ix

some offsetting losses through trade diversion. CIE commented, however, that trade diversion in services trade should be minimal.<sup>35</sup>

1.66 Export gains deriving from trade liberalisation will initially be offset by import increases associate with increased investment. After the first ten years, however, CIE's projections indicate that exports will grow faster than imports.<sup>36</sup>

1.67 The exchange rate is expected to appreciate slightly against the \$US initially, then ease to end the decade in a small depreciation. Labour effects are also expected to change direction, an initial rise in employment to 0.3% of total jobs by 2012, then easing to the 'natural rate of full employment'. At that time benefits will be in the form of an increase in real wages of about 1.4%.<sup>37</sup>

1.68 CIE also assessed the likely effects of agreements reached in other sectors of the Agreement. In summary, its findings were that:

- the commitment relating to the PBS is not likely to have a material effect on the cost of the scheme itself, or of medicines supplied under it;
- the incremental cost of the extension of copyright could not be accurately determined. The study estimated that it would be marginal;
- safeguard provisions on beef and horticulture products are not expected to have any material effect;
- commitments on services will allow foreign-owned subsidiaries or branches in Australia to benefit from the Agreement. Any concessions on services given by either country to third countries must be passed on to the other. In effect, this will minimise the possibility of trade diversion in services.
- the Agreement should not have an adverse impact on the Australian environment. It does not prevent Australia from meeting its international environment obligations and should lead to an expansion in energy efficient industries.<sup>38</sup>

---

35 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, p.ix

36 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, p.ix

37 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, p.xi

38 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, pp: xii and xiii

1.69 The dynamic effects of this AUSFTA take on special significance because of the long phasing period being applied to some of the arrangements. The use of two separate models enabled CIE to assess the likely progressive results of the AUSFTA and also to take advantage of the greater level of detail available through the GTAP model.<sup>39</sup>

1.70 Because of the disagreements over methodologies, particularly over the size of dynamic gains, CIE also employed a sensitivity analysis covering the most probable range of estimates. That analysis predicts a 95% chance that welfare in Australia will be improved by between \$1.1 billion and \$7.4 billion per year after 20 years, when all of the liberalisation commitments will have worked through the economy.<sup>40</sup>

### Study by Dr Philippa Dee

1.71 The Senate Select Committee commissioned a highly experienced economist and modeller, Dr Philippa Dee, to assess the Agreement and the modelling that had been done by the CIE. Her task included carrying out a sensitivity analysis of the text of the Agreement, and examining the assumptions that informed the CIE modelling. A copy of Dr Dee's report appears in a supplementary volume to the Select Committee's report.

1.72 Changes in market access for most goods were fairly easy to determine, being reflected in tariff reductions or tariff quota increases. Most non-agricultural tariffs are to be removed on day one and the remainder phased out by 2015 (mainly textiles, clothing and footwear and, in Australia, passenger motor vehicles).<sup>41</sup>

1.73 Tariffs on most agricultural products will be phased out. The exceptions are sugar and sugar products and the out-of-quota duties on dairy products. Australia's quota access for beef, dairy, tobacco, cotton, peanuts and avocados will be increased.<sup>42</sup>

1.74 The promises of greater market access for services and investment are more difficult to assess. In this Agreement, services and investment are covered, unless

---

39 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, pp:vii and viii

40 Centre for International Economics, *Economic Analysis of AUSFTA – Impact of the bilateral free trade agreement with the United States*, Study commissioned by the Department of Foreign Affairs and Trade, Canberra, April 2004, pp.ix and x

41 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.3

42 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.3

specifically excluded. In the WTO, however, a positive listing is used – i.e. only those areas listed are covered.<sup>43</sup>

1.75 The study identifies what it calls 'a small but significant number of instances where AUSFTA has gone beyond the GATS ...' Those instances are identified in Tables 2 and 3 (and summarised on pages 7 to 9) of Dr Dee's study.<sup>44</sup>

1.76 The issue causing most discussion is Australia's commitment to relax FIRB screening thresholds on United States investments that are not in sensitive areas.<sup>45</sup>

1.77 The Agreement does not include provisions to ensure the free movement of professionals and businessmen on temporary visits to the United States and there is a related concern over the likely influence of citizenship or residency requirements applied at State level.<sup>46</sup>

1.78 The Government Procurement chapter gives Australia access to United States government procurement in areas other than defence, R&D, foreign aid, procurement between governments and offshore procurement. It also gives Australia access to State procurement in those States listed in Annex 15C to the Agreement. This Annex can be added to, as further States agree to allow access.<sup>47</sup>

1.79 The benefits in the procurement area will depend on whether Australian businesses are able to take advantage of the opportunities. Dr Dee considers it 'doubtful' that Australia will achieve CIE's estimate of 30 per cent as much market penetration as Canadian businesses achieve.

1.80 Canada tends to trade significantly more than normal with the United States on all fronts, not just on government procurement, because of their adjacency and the prevalence of north-south rather than east-west land transport links on the North American continent. There is a long history of econometric work that has quantified the effects of distance on the volumes of trade between countries. Even using a relatively conservative estimate of the effect of distance, such as the recent one from Anderson and Wincoop (2003), Australia's trade with the United States could only be expected to be 4 per cent as large as that of Canada.

---

43 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.4

44 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, pp.4 and 7-9, Tables 2 and 3

45 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p. 9

46 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p. 9

47 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.10

1.81 Dr Dee indicated some concern over the potential for provisions in the Intellectual Property Rights chapter to restrict market opening, either by restricting access by users or increasing costs. There was also the possibility that the provisions on patents could delay the release of some generic drugs in Australia and increase their prices to consumers.<sup>48</sup>

1.82 The study by Dr Dee identified a number of additional provisions which could have the effect of restricting market access:

- Rules of Origin: Australia, having operated for many years on the basis of very simple rules of origin, is now faced with a set of rules which are both complex and variable (depending on the product involved). A further complication is that NZ content, which is usually treated as if it were Australian content, is not eligible under AUSFTA.<sup>49</sup>
- Safeguard Provisions: Quantity or price-based trigger mechanisms (such as those on beef or horticultural products) or mechanisms designed to protect against import surges (such as those applicable to textiles and clothing).<sup>50</sup>
- Dispute Settlement Provisions: These provisions allow for trade remedies, trade compensation or payment of a monetary assessment, where a breach of the agreement has occurred. Dr Dee commented that many would regard these as 'very blunt and poorly-targeted ways of correcting particular breaches'.<sup>51</sup>

1.83 The Agreement establishes the need for additional consultation or new administrative procedures in several areas. Dr Dee notes that some of these arrangements, where the United States has not achieved its aims, may be used as a means of keeping continual pressure on Australia, e.g. the mechanism allowing a review if an application to add a drug to the PBS is rejected, and the establishment of a Medicines Working Group.<sup>52</sup>

1.84 The study also calls to attention the precedents set in a number of areas, which may 'affect Australia's options in subsequent bilateral or multilateral forums'. In this category, Dr Dee includes the:

---

48 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.10

49 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.10

50 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.11

51 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.11

52 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, pp.11-12

- omission of the sugar industry from the Agreement;
- apparent acquiescence with the use of "tailor made" rules of origin for different products;
- acceptance of wide-spread safeguard provisions.<sup>53</sup>

1.85 One area which stands out in the study's assessment is the Intellectual Property chapter. Dr Dee comments that this chapter sets a number of precedents, some of which override existing domestic law provisions or run contrary to current recommendations by legislative review bodies.<sup>54</sup>

1.86 As an example, the Digital Agenda Act creates a:

...right of communication to the public, which is then protected, and protecting against the circumvention of 'effective technological measures', i.e. measures which control access to a protected work.

1.87 AUSFTA takes a much more expansive definition of 'controlling access' than Australia's legislation; this clashes with a recent review of the Australian legislation which recommended the opposite.<sup>55</sup>

1.88 In another area, the Agreement allows copyright holders to transfer their rights by contract. The United States Trade Advisory Group sees this as taking precedence over exceptions, such as 'fair use' – if so, this would contradict a recommendation of the Commonwealth Law Reform Commission, that parties should not be allowed to contract out of exceptions.<sup>56</sup>

1.89 The requirement to extend the term of copyright protection by 20 years, similarly conflicts with a recommendation by the Australian Intellectual Property and Competition Review Committee. That Committee recommended that any extension of the copyright term should only be adopted after a public inquiry.<sup>57</sup>

1.90 The study found there is some potential for trade diversion in the application of the Agreement. In the main, it would take the form of a redistribution of customs revenue as profits to United States suppliers. This would occur in cases where the United States wins trade away from another source by virtue of a reduced tariff, but is

---

53 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, pp.12-13

54 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, pp.13-15

55 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, pp.13-14

56 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.14

57 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.14

a less efficient producer of the relevant product. A similar situation could occur with, for example, professional licensing requirements. Insofar as these requirements restrict the quantity of service, they create artificial profits. Preferential relaxation of these requirements would redistribute those profits and cause trade diversion, especially where the United States is not the world's best producer.<sup>58</sup>

1.91 Several commentators have suggested this trade diversion could provoke a backlash from any of Australia's other trading partners who might suffer a loss of market share. Professor Garnaut commented that, although it is difficult to quantify the effects, he believes that the increased recourse to preferential agreements (particularly in Asia), will have detrimental effects for Australia. He indicated that whether or not there is active trade diversion, this trend is damaging to Australia's aims:

...the proliferation of FTAs, encouraged influentially by Australia since late 2000, has substantially affected the international trading system in ways that are damaging to Australia. Most importantly, the prospects of liberalisation of agricultural trade in East Asia and globally have greatly diminished as a result of these developments.<sup>59</sup>

1.92 In assessing the DFAT/CIE modelling of the likely effects of the Agreement, Dr Dee commented that it is very difficult to assess overall the balance which will be achieved between trade diversion, trade creation and the benefits flowing from the opening up of the market in the other country.<sup>60</sup>

1.93 The analysis presented by Dr Dee indicated that, while the mathematical models used are well-known and well structured, they were not adequate to describe the changes in some sectors affected by the AUSFTA. In the G-cubed model, for example, Dr Dee noted that the level of sectoral detail was '...simply inadequate to capture the trade effects of preferential trade deals'.<sup>61</sup> Dr Dee also expressed difficulty in determining why some of the assumptions used in the DFAT/CIE study had been chosen.

1.94 After reassessing the results indicated by the DFAT/CIE study and making a number of adjustments to the assumptions on which the calculations were based, Dr Dee estimated that the likely overall gain to Australia from AUSFTA was likely to be

---

58 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.20

59 Garnaut, Professor Ross, *Notes on CIE Report for DFAT on US FTA for Joint Standing Committee on Treaties*, Supplementary Submission No.160.2, pp:2.

60 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.25

61 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.32

relatively small; an estimated \$53 million annually. This, the study said, was '...a tiny harvest for a major political and bureaucratic endeavour'.<sup>62</sup>

### ***Other economic modelling***

1.95 This Committee's Interim Report examined the series of modelling exercises applied both before and after the release of the text of the Agreement.

1.96 Some results indicated substantial gains for Australia, others found the gains to be minimal. One study concluded that the Agreement would disadvantage Australia considerably by weakening its sovereignty. For some witnesses, econometric studies are somewhat beside the point. One business and trade analyst declared:

I can tell you that most of our members would not use an econometrics study to assess whether or not there were a new market. In fact, a lot of the debate we are having here is reminiscent of theological debates about how many angels can dance on the head of a pin. The actual amount of extra change being talked about—either winning or losing—in real terms is so small that one of the golden rules of econometrics is met, which is: don't use it for small gains or losses; it doesn't tell you anything. What should be done is a proper economic analysis, and that is the way in which business would look at it.<sup>63</sup>

1.97 The Select Committee considered that, due to the wide variation in the outcomes of these exercises, the results were too inconclusive to be used as a basis for solid conclusions. It noted that the results gained in each study reflected the underlying assumptions used to establish the equations applied in the mathematical model of the economy.

1.98 In addition, the Committee found that, whatever the reliability of the calculations, the results would be incomplete. The mathematical models could not include assessments of some important areas (such as social policy issues), because of the impossibility of putting a quantitative value on them. Dr Dee's comments have reinforced this impression.

1.99 The Committee has therefore used these studies as a guideline for some individual sectors that lend themselves more readily to quantitative analysis. It has not used the results to draw overall conclusions on the value of the Agreement to Australia.

---

62 Dee, Dr Philippa, *The Australia – US Free Trade Agreement – An Assessment*, Australian National University, June 2004, p.35

63 *Transcript of Evidence*, 5 May 2004, p.26 (Oxley, AUSTA)

## **What the AUSFTA delivered for America**

1.100 The US objectives in negotiating the AUSFTA are listed in an appendix to this report. Some of the more significant objectives related to:

- eliminating Australia's export monopoly arrangements and government practices affecting exports of agricultural products;
- to seek reaffirmation of Australia's WTO commitments on SPS and eliminate unjustified restrictions and to strengthen co-operation between US and Australian authorities;
- collaboration in implementing the WTO SPS agreement and in relevant international bodies;
- to seek Australia's ratification of World Intellectual Property Organization (WIPO) treaties;
- establish standards to build on WTO and WIPO agreements; enhance Australia's level of protection for intellectual property rights and increase protection of patents and undisclosed data;
- strengthen Australia's domestic IP and enforcement procedures;
- ensure trade-related procedures are fair and transparent;
- address anti-competitive business practices, state monopolies and enterprises.

1.101 Following the signing of the Agreement, the AUSFTA received unprecedented support from American legislators in both the House and the Senate. It was also received with considerable enthusiasm by most business and trade groups in the United States:

This superb agreement can result in close to 2 billion dollars in new US manufactured goods exports...making this the most front-loaded FTA ever.  
( Jerry Jasinowski, NAM President)

[T]his agreement will immediately eliminate tariffs on 99.5% of all trade between the two countries. This is the most significant reduction of industrial tariffs ever achieved in a US free trade agreement...American workers will benefit most from this deal, especially manufacturing jobs.  
(Anne Wexler, AAFTAC Chair)

This agreement provides a model for intellectual property protection and enforcement that should be embraced worldwide and clearly demonstrates that promoting both cultural expression and open trade can be achieved in a trade agreement. (Robert M. Kimmitt, Executive Vice President, Global Public Policy, Time Warner Inc.)<sup>64</sup>

---

64 Quotes selected from USTR website at <http://www.ustr.gov/new/fta/Australia/quotes.htm>

1.102 US Trade Representative Zoellick has consistently extolled the virtues of the AUSFTA, describing the signing of the Agreement as 'a great day for the peoples of two countries with a long history of friendship and partnership'

"This comprehensive FTA between Australia and the United States strengthens our close ties and offers new potential by expanding opportunities for the workers, businesses, consumers and farmers of both countries," said Zoellick, who visited Canberra in November 2002 to announce the negotiations. "This is the most significant immediate cut in industrial tariffs ever achieved in a U.S. free trade agreement, and manufacturers are the big winners."<sup>65</sup>

1.103 The Advisory Committee for Trade Policy and Negotiations (ACTPN), which is appointed by the President and is the most senior committee, found that the U.S.-Australia FTA 'is strongly in the economic interest of the United States'. Describing the agreement as 'outstanding' and urging that it 'be adopted quickly', ACTPN described the agreement's rapid elimination of Australian tariffs on U.S. manufactured exports as 'an unprecedented negotiating accomplishment'.<sup>66</sup>

1.104 Broad support was also expressed by the industry advisory committees, covering manufactured goods, services, intellectual property, electronic commerce, standards, and customs matters. These committees, representing the bulk of the U.S. economy and the vast majority of U.S. exports, applauded the rapid reduction of tariffs on manufactured goods, strong protections for intellectual property and digital products, transparency of technical standards, and significant advancements in market access for a wide variety of U.S. financial, professional, entertainment, audiovisual, telecommunications and other services.<sup>67</sup>

1.105 The Committee is in no doubt that U.S. firms and U.S. trade officials have found enormous potential benefits arising from the AUSFTA. The important question is the extent to which Australia realises benefits that outweigh any potential downsides. The opening up of Australia to American manufacturers, service suppliers and investors clearly introduces significant new competition into Australia. Australian firms, too, now have greater potential access to the American market. The key question is the extent to which opportunities are turned into real gains, and whose gains and opportunities are likely to prevail.

---

65 USTR Press Release <http://www.ustr.gov/releases/2004/02/04-08.pdf>

66 USTR Press Release <http://www.ustr.gov/releases/2004/03/04-20.pdf>

67 USTR Press Release <http://www.ustr.gov/releases/2004/03/04-20.pdf>

