Courtesy of the Australian Government

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Media briefing on the first round (17-21 March) of Free Trade Agreement negotiations between Australia and the United States.
Briefing conducted by Australia's chief negotiator Stephen Deady and the United States' chief negotiator Ralph Ives.

STEPHEN DEADY:
I will say a few words. We had a very productive start to the negotiations this week with the United States. We covered a wide range of issues across 15 separate negotiating groups over the course of the week. This included agriculture, industrial products, services, investment, intellectual property, competition policy, environment, labour standards, and technical barriers to trade, and then broad legal administrative arrangements including things like dispute settlement in that context.

We also tied down arrangements for discussions over the next couple of weeks, probably through video conferencing, on a number of other areas we did not discuss this week. That includes government procurement, telecommunications, e-commerce and financial services. We will be getting on with that work very shortly.

The focus of the opening round was on laying the groundwork for the negotiations over the months to come, defining questions of scope, clarifying framework issues and exploring ideas on the possible elements to be covered in the chapters to the agreement. The discussions also provided the opportunity for a useful exchange of information on aspects of our respective policies, programs and regulatory arrangements. That was a very useful exercise and part of the week.

Both sides, I think, obtained a much better understanding of the detail and operation of specific programs and approaches. The lead negotiators for the various different groups have agreed on work programs to follow up this week's initial contact, including additional information and data exchanges and further contact before the next formal negotiating round in May.

The atmosphere of the talks was positive. Each side was very well prepared, I think. It was clear there exists a strong common preparedness to work hard for a strong comprehensive and generally liberalising agreement. Neither of us, Ralph nor I, is underestimating the challenge that is ahead. There is a clear recognition that a lot of work has to be done. But we did have constructive exchanges and we have made a solid start to the negotiations.

From Australia's perspective, we have a very good basis now, I believe, on which to continue our ongoing consultations with industry, NGOs and other stakeholders as we prepare for the more detailed and tougher negotiations that lie ahead. We have, as you know, gone out previously for public submissions; we have had intensive consultations already with industry; and now we have a very good understanding of the scope of the agreement and issues we are going to take up. There is certainly some homework we need to go back and do. We will be doing that in concert with Australian industry and other stakeholders as we prepare, give more specificity and take the negotiations forward.

RALPH IVES:
Thank you very much and thank you all for coming to this event. Given there are competing interests, I am surprised and heartened you have an interest in our FTA negotiations.

I am learning some different words in Australia, and one is wash-up. I hope I do a wash-up properly. I am not sure what that is but I assume it is a wrap-up, as we say, in the US. Let me also thank Steve Deady, the Government of Australia and the Australian people for hosting this event. They did a marvellous job. It couldn't have been a better atmosphere to have the launch of the negotiations. As Steve indicated, we had what I would term a fantastic launch of the negotiations both actually here in Canberra and some of you may not be aware but there was a launch of the negotiations in Washington. Up on Capitol Hill, Ambassador Zoellick, my boss, a large group of members of Congress supporting the FTA and I think some 300 people launched the FTA in Washington. You may want to follow that too, because it was also a very good staging ground and launching pad for these negotiations.

As Steve indicated, we had an excellent exchange of views and information that sets the foundation for the work that lies ahead. My experience going through all the negotiating groups was that both sides approached the negotiations in a very positive, constructive and very cordial atmosphere. In some cases we think they were having too much fun but that just indicated that both sides really are getting along well and looking to see the way ahead to solve potential problems. It gave a good opportunity for both sides to get to know their counterparts.

We also had a very useful series of meetings with your private sector on Wednesday, covering the entire day from literally early in the morning through the evening. That gave the US delegation a much better appreciation for some of the views and interests of the private parties in Australia. We met groups ranging from the Australian Industry Group to the humane society - basically what the US embassy did is say, "Anybody who wants to meet with the US delegation we are open for business" and we made ourselves available. It was as I said a very useful exchange.

The US delegation looks forward to the next round in mid-May. As Steve indicated, there is a lot of preparatory work we will be doing in between to get ready for that round. But we have certainly laid a very solid foundation for developing a really world-class free trade agreement between two great nations. Thank you very much.

QUESTION:
Did you settle on your chapters?

STEPHEN DEADY:
We have essentially agreed all the areas that will be covered by the agreement, and that is outlined in the specific list that I gave, which is not absolutely everything but it certainly covers off the broad areas. There will be, I think, around 20 chapters. Because we haven't quite met in all of these groups yet, we haven't got a formal tick-off, if you like, of the precise structure of that contents page. However, it is very clear that they are the areas that will be covered by the agreement and essentially there will be chapters in each of those working groups that I mentioned.

QUESTION:

Did either side sort of table draft texts or draft examples of forms of words under each of those chapters or for some of those chapters?

STEPHEN DEADY:
There was no formal exchange of texts in relation to the Australia-US FTA. As we said earlier in the week, there is an advantage because we both start from this step-off point with Singapore. So we were able to in many of the groups go through and have some useful discussions on aspects of the Singapore text. So there certainly was text on the table in a number of groups.

Ralph, I think it is true that in services and investment particularly, given that was such an important area of both of our agreements with Singapore, that was probably where we had the most substantive discussions on textural issues and how we approached various things with that. In other chapters, it is fair to say that whilst, let us say competition which I sat in on, that for a little while was a good discussion.

The nature of Australian competition policy and US competition policy is very different from Singapore competition policy. So it was a useful start but it was much more about exchanging of ideas. We certainly exchanged a few bits of paper in explaining policies, programs and regulatory arrangements. But there was no formal exchange of text in this round.

QUESTION:
Did either side indicate what their carve-outs are or would be?

STEPHEN DEADY:
No, there was no discussions at this time of anything in relation to broader market access, if you like, or certainly in relation to any carve-outs. We are starting these negotiations, as we have said many times, with a very clear view about what a modern FTA is about – comprehensive, trade liberalising. They are the objectives that we still very much have on both sides.

QUESTION:
Can you name what specified carve-outs you are going to push for from our side? At what point are these going to be introduced into the negotiations?

STEPHEN DEADY:
If you look very clearly at the objectives statement put out by Mr Vaile, it is very clear what Australia's objectives are in these negotiations. I would argue there is not carve-outs in the sense of issues being taken off the table. What needs to be made clear in relation to these trade agreements is that there is nothing in trade negotiations that limit the ability of the government at the end of the day to provide public services and health, education, cultural protection and those sorts of issues. They are the things that are not subject to the negotiations, these objectives and principles.

QUESTION:
Can I ask what discussions took place in relation to agriculture?

STEPHEN DEADY:
There was three days, I think in total, of discussion on agriculture which was very

much on the framework issues. There was a very good exchange on a number of specific policies and programs. Again, we from the Australian side talked in broad terms about aspects of the US agricultural support arrangements. This is not the occasion where we are looking at specific market access issues so we didn't get into those but we did talk broad framework issues.

The United States raised a number of questions - I should let Ralph mention here - on the operation of the Australian Wheat Board Limited. That's an issue that we said right from the start is something we were very prepared to answer and explain the operations of AWB Limited to the United States. There was a good discussion on that.

QUESTION:
Was there any discussion of quarantine issues at all?

STEPHEN DEADY:
There was a discussion on quarantine issues, again very much in framework context. We made it clear - again this is an issue perhaps reflecting Tim's earlier question - saying everything is on the table is a very general way of explaining what we mean by a comprehensive agreement. But very clearly both sides agree that the science-based nature of quarantine is not something you negotiate in an FTA. What we have is very clear and strong support from both the United States and Australia for the science-based approach, the rules-based approach, the SPS agreement of the WTO. That was the nature of the discussion this time round.

QUESTION:
What is on the table in relation to quarantine if it’s not on the table?

STEPHEN DEADY:
The issue in quarantine is about reinforcing and reiterating our very strong support for the WTO SPS agreement and the commitments and obligations both sides have under those international obligations. We don't believe that the SPS agreement in any way is broken. It is a matter of reiterating and reinforcing the disciplines and obligations of that agreement.

QUESTION:
What about discussion of processes as opposed to the scientific basis?

STEPHEN DEADY:
Again, there was no discussion. There is a consultative process which we have established, which was established halfway last year aimed at improving communication and consultation between the two countries. There is a list of issues there - market access issues - in relation to quarantine on both sides. That is a process that is going on outside the FTA negotiations.

QUESTION:
Mr Ives, you received some answers on the Australian Wheat Board, what will the US do in relation to that next? What did you think of those answers and what will you do with them?

RALPH IVES:

As Steve indicated, basically at this point in the discussions, it is in very much of an information exchange mode. We asked Australia a lot of questions about a wide range of its agricultural policies, including the Australian Wheat Board, and Australia asked us a lot of questions about US policy. So it was very much an information exchange. We will take this information back, consult with our interested parties, see if there is a need and/or a way to address these in the context of a free trade agreement and in either the May or July round come back with our views. But at this point, it was just an information exchange, getting a better understanding.

QUESTION:
So it really was the first week of school?

RALPH IVES:
It really was the first week of school, yes.

QUESTION:
The real work starts in the second round, can you put forward to that next round - I take it that is in Washington, is it, in May?

RALPH IVES:
Both the second and third rounds - the real work is not just writing texts; there is a lot of real work done in understanding what you want to do and what the issues are before you write the text. The research may be more the work than writing up the results. I wouldn't want to characterise the real work being the second and third rounds.

One thing I think I indicated in the initial press briefing is at least the United States cannot by law talk about market access issues until after we receive the report from the International Trade Commission. So in that respect the market access issues will not even begin until the July round.

QUESTION:
Is that just on agricultural issues or is that across the whole market access?

RALPH IVES:
It is across all market access issues. We need to have a report on the economic impact of doing anything and then have time to consult with our industry, et cetera. So the July round will be the first time that we would even talk about market access issues.

QUESTION:
Mr Ives, AWB has been mentioned as an example of an area where the US sought more information about Australian activities. Can you tell us the other areas where you similarly sought more information?

RALPH IVES:
As Steve indicated, we had a very good information exchange on basically the process that Australia uses to, I guess your term is, quarantine. What is the process? What are the regulations? What is the difference between what occurs in your states and what does the Commonwealth do? That was a useful exchange. Similarly on the biotech labelling regime, what are the criteria that Australia uses? Again, what is the

difference between your states and your Commonwealth? Those are the types of issues that we are seeking - not only what does Australia do but how does it do it? One of the things that I learned, maybe I should have known before coming here, is the big difference between what your states control and what the Commonwealth regulates. That was a very important eye-opener for some of us.

QUESTION:
Can I ask you about the ITC report. What are their riding instructions? Are they looking at the impact of a full removal of market access barriers or are they looking at a range of possible outcomes?

RALPH IVES:
Generally they look at free trade, what is the economic impact on the United States of, for example, in tariffs, removing all tariffs. In services they will look at the services regime. But I think your question is do they look at what happens if we move only half the tariffs or only go halfway. This is the economic effect of full free trade.

QUESTION:
Was the pharmaceutical benefits scheme discussed? What was your impression of that discussion?

RALPH IVES:
I think we discussed it only very briefly just to get an idea of what it is. We became very aware of the importance of the PBS to Australia. What we are stressing is that we are in no way going after the PBS. We are genuinely seeking: how does it operate; could it be perhaps a bit more transparent in its operation; what are the procedures? We understand the strong feelings by Australia towards the PBS. That is not part of the agenda.

QUESTION:
Not part of the agenda at all or part of the agenda in terms of maybe some questioning of methodologies, processes? It is a very complex scheme obviously.

RALPH IVES:
It is a very complex scheme, and we are only at the beginning of understanding it. So there may be additional questions we have looking at transparency and how does the system operate. But we are certainly not, as some reports have indicated, going after the PBS.

QUESTION:
Can I just clarify that when you say PBS is not going to be part of the free trade deal?

RALPH IVES:
Again, we are looking at how does it operate and we are just beginning that process.

QUESTION:
You just said earlier it is not part of the agenda. I want to get it exactly right. Is it off or on?

RALPH IVES:
It is not a black or white issue. We are still examining it. But I wanted to be very clear is that the fundamental way the PBS delivers medicine to Australians, we are not looking at that.

QUESTION:
Your PHARMA, the American pharmaceutical manufacturers association, said that the PBS amounts to nearly $900 million government subsidy from the companies to drug buyers. Surely that is something you would be under pressure to deliver something on for industry?

RALPH IVES:
At this point, we are very much in a fact-finding mode and we have to do it from both sides, from the Australian side and from the PHARMA side. I will take the information we got here and go back to PHARMA and we will see where we go.

QUESTION:
As the US is not part of the PBS, what exactly is the US after? What are the key elements of that exchange in relation to greater access in agriculture? … What are the key aspects of the US - where do they want changes and in what industries?

RALPH IVES:
Basically at this point, when I indicated market access is not being discussed, it is both in terms of what we are seeking from Australia and what Australia is seeking from us. Those issues will not be discussed until at least the July round.

What we are seeking from this free trade agreement is a comprehensive free trade agreement that covers the full range of areas. Steve very correctly laid out the full range of areas that we see in an FTA - a good, world-class, comprehensive FTA that covers goods, services, investment, intellectual property, the full range of issues. That's what we are seeking.

QUESTION:
Can I ask you on agriculture, what issues did you raise in terms of seeking information from the US?

STEPHEN DEADY:
We had a good discussion on a wide range of aspects of US programs. There was lengthy discussions on a number of the aspects of the Farm Bill and domestic support and export competition, but just the arrangements that the United States are undertaking. There was a good exchange in the agriculture group also just on our areas of cooperation in the WTO and the sorts of issues there that we are very strongly cooperating on. There was a whole raft of things there. There is an ongoing agreement for some follow-up on exchange of information in those areas. But it is across the board in relation to aspects of the dairy program and, as I said, the sales of US product in third markets - the elements that we are at least at this stage exploring as possible components of an agriculture chapter.

QUESTION:
You mentioned the Farm Bill issue as well. From the US point of view, is the Farm Bill likely to be on the table as part of these negotiations?

RALPH IVES:
The Farm Bill itself is not on the table. What is on the table is agriculture in the general sense and we have not really gotten into how agriculture will be treated in this agreement.

STEPHEN DEADY:
That is right. We have never made the claim that the FTA is the vehicle for addressing in broad terms the US Farm Bill, and that is very clear. This is a free trade agreement. It is essentially about market access issues in that respect. But, as I say, in getting a clearer and better understanding of the US farm practices and programs, that is an important element, as Ralph said, as we go back and talk further to Australian industry and develop our negotiating positions in relation to those key market access demands that we will be making on the United States in those areas. You have to understand those programs and you have to understand aspects of those programs which we, at least on the Australian side, will want to talk about as part of the FTA. But it is not dismantling the Farm Bill and we have been unequivocal about that.

QUESTION:
If the Farm Bill is off the agenda, presumably the Wheat Board should be because you would not regard that as a market access barrier, would you, it is not something that directly affects trade between the two countries?

RALPH IVES:
Again, it is not whether the Farm Bill is on the table or the Wheat Board is on the table. At this point, we are just trying to understand what the impact of various programs and measures are to address those programs and measures. It is not the Farm Bill on the table or the Wheat Board on the table, it is how the practices affect trade. And that is basically where we are in the discussions.

QUESTION:
So we are talking about two sorts of tables, one is an information exchange table, and the table on negotiations is another one that will appear down the track. Is that essentially what you are saying?

STEPHEN DEADY:
No, I think in order to carry out these negotiations as we intend to with the level of ambition that we have for outcomes in agriculture, we have to talk about and understand in as greater detail as we possibly can the operation of the US farm programs and the impact of those on Australian agriculture and how we can build that into our negotiating positions. I do see that is the situation that the United States is trying to get, by asking us questions about the operation of the Wheat Board and various aspects of that arrangement, which we are answering. We are building up a better understanding of what are, at the end of the day, the questions that we are going to ask about those particular aspects of policy.

QUESTION:
Are you preparing something like an ITC report for Australia?

STEPHEN DEADY:
As you would be aware, the CIE did some work for the department, an economic modelling exercise probably a year and a half or two years ago, which looked at the macro impact on the Australian economy of trade liberalisation and free trade with the United States. We don't have a requirement, as the US side does under the trade promotion authority, to do that sort of impact again now. No, we don't have the equivalent of an ITC review under way at the moment.

QUESTION:
In relation to the PBS, Ralph, one of the objections flagged by PHARMA in the US was to the fourth stage PHARMA economic assessment of the PBS, which is the price comparisons, which is testing the application of a new drug both for health benefits and prices compared to already listed drugs. They flagged that as one of their objections. Whilst we say we don't want to change the structure, that is one of their key sticking points. Is that an objection that is shared by the US delegation? And perhaps Stephen can comment on the question of the sustainability because cost containment is fundamental to the sustainability of PBS.

RALPH IVES:
At this stage the US Government has no position and I mean that either way. We are genuinely here to try to get information on this program and the wide range of issues we have to cover. So we take this information back, we meet with PHARMA, we meet with other groups and we would be pleased to meet with interested groups in Australia again. It really is an iterative process. I don't want to go into particular aspect of the program. We don't have a position. Maybe that is as blunt as I can be - no position.

QUESTION:
Are you able to say what the nature of the discussion on labour standards was, what sort of information, if any, the US sought about Australia's approach?

RALPH IVES:
Unfortunately, I was at another group when the labour group was meeting. Both Steve and I saw part of the US Government's presentation on our labour standards and I learnt a lot, but I didn't have the opportunity to see your presentation.

QUESTION:
Do either of you see the protracted adjustment everyone is expecting the US economy with the likelihood … harder, easier? … The subdued outlook for the US economy, is it going to make a deal harder to get through Congress or more important to get through?

RALPH IVES:
We are probably easily 18 months away from that. By then, of course, the US economy will be going gang busters so there should be no problem getting it through the US Congress.

QUESTION:
How long do you envisage these discussions will last 12 months or?

STEPHEN DEADY:
We have said before and, as Ralph just alluded there, we are certainly working very hard towards an ambitious target of some time in 2004. Both sides again acknowledge that that is ambitious. But given the start we made this week, from my perspective as I said right at the start, it was very positive. It impressed me very much the quality of the discussion that went on in the negotiating groups.

The US side obviously came very prepared for the discussions, asked some very good questions and put forward some very good ideas, and I believe quite humbly that so did Australia. We presented a number of solid ideas and approaches that we want to take on in a number of these chapters. We have got off to a good start. There is obviously a hell of a lot of work to be done.

We are not kidding ourselves that this is going to be easy or quick. There is a number of sensitive issues that you referred to that we will be getting to over the course of the next several months. But that's the level of ambition we have set ourselves. We are certainly working hard to press the negotiations and to try and achieve that.

QUESTION:
Talking of sensitive issues, at what point do you see congressional oversight will enter into the negotiations?

RALPH IVES:
Constantly. Ambassador Zoellick is prepared to talk to the congressional oversight group any time it wants. He had some preliminary discussions even before the launch, which is required by trade promotion authority, and I am sure he is prepared to consult with the congressional oversight group any time it wants to.

QUESTION:
Will they actually be sitting in on the negotiations?

RALPH IVES:
No.

QUESTION:
At the Australian end, what is the process of public consultation?

STEPHEN DEADY:
At the announcement of the commencement of the intention to proceed to negotiations back in November we called for public submissions then. Quite frankly, we have a very good response to that and we are still going through a number of those submissions in more detail. We have ongoing consultations with all stakeholders - industry groups, NGOs, the trade unions and community organisations. It is certainly my intention, as I said in my opening address, we do now have a much firmer basis in some areas to go back and consult again industry and others to develop our positions. We will be meeting again between now and May, again in very intensive consultations, with all sectors of the Australian community on this issue.

QUESTION: One last one about the FTAA, has the US proposed free trading to

remove all tariffs and quotas in its position on agriculture?

RALPH IVES:
This is the free trade agreement in the Americas? I am sorry, I don't do that. In principle, that's where we are going, but I wouldn't be able to give you the informative view.

ENDS