

**Transcript of press conference by US Trade Representative, Ambassador Bob Zoellick, and Australia's Minister for Trade, Mark Vaile, on conclusion of FTA negotiations, Washington
Sunday, Feb. 8 2004**

Amb. Zoellick: I want to thank all of you for coming. It's a real pleasure to be here with my friend and counterpart, Mark Vaile. And it's my extraordinary pleasure to announce that the United States and Australia have just completed our negotiation on a very excellent free trade agreement. This agreement demonstrates deep respect on both sides for each others cultures and sensitivities while opening trade in a way that should benefit our countries businesses, our workers as well as our consumers. I want to start with a very special thanks to Mark who I've worked with over a number of years, but have been delighted with his steadiness, his strength and even toughness at points. For at least part of the audience I'll say he's a very good mate. I'll have to explain that to the American side! (laughter) And for those in the Australian media who've been wondering we've been holding the Australian delegation captive, they are now free to resume home. This is a particular personal moment of pleasure for me because as I think some of you know on the Australian side, this is an idea for a free trade agreement with Australia that I first advanced in 1992, under President Bush 41 as he's referred to here. So, I am very honoured that President Bush 43 and Prime Minister Howard gave us and our teams the opportunity to follow through on that.

The United States and Australia are already major partners in trade and investment. We have about 28 billion dollars of trade in services flows each year. Our businesses have a book value investment of about 60 billion dollars. We think this FTA will provide the foundation for even deeper ties and opportunities in the future.

The terms of this FTA make it an excellent opportunity for the manufacturing industries and workers in both countries. More than 99 per cent of manufactured goods in both countries will be duty free on day one. In the case of the United States, that covers about 93 per cent of our exports. Over the past week, the National Association of Manufacturers, the Chamber of Commerce, the National Foreign Trade Council, Electronic Industry Alliance and others have been pushing us to complete this because of their recognition of the value. And some of them have estimated a boost of US exports around two billion dollars.

This agreement takes a very comprehensive approach to the areas of services and investment. All are liberalised unless they are specifically exempted. And just as one example, we spent a lot of time, worked very sensitively to find the right balance in an area like entertainment which is a major US export industry. I had the opportunity last year to visit the Entertainment Coalition in California and talk about their issues, while also respecting Australia's special sensitivities and needs. Agriculture is clearly important for both countries. On the US side, more than 400 million dollars of US farm exports will benefit from immediate duty free access in areas such as processed foods, soy beans and oil seeds, fruits and vegetables, potatoes, almonds, walnuts, and with the resolution of some technical issues in the near future, pork products as well.

As part of this agreement, along the way, and going forward, we agreed to cooperate in areas of food inspections and the scientific basis for sanitary and phytosanitary standards which is very important for both our countries, and indeed we're very

appreciative that the Australians are working with us right now to make sure that decisions in other countries dealing with beef and the aftermath of the BSE problems here will be on a scientific basis. Both of us are committed to levelling the playing field globally through the Doha negotiations in the WTO.

Obviously for both developed economies, knowledge industries are very important and this agreement enhances intellectual property rights protections for copyrights and patents and trademarks, as well as strengthening legal penalties. Now, one of the major US knowledge based industries is research-based pharmaceuticals, and we had to work this issue very carefully given the importance and sensitivities of the PBS – the Pharmaceutical Benefits Scheme – in Australia. We are pleased that we were able to agree on some core principles, some processes, and ongoing efforts that reflect our mutual commitment to the value of innovation, the importance of research and development, and the therapeutic benefit of innovation. We have ongoing connections between our regulators as well as a medicines working group because we know this will be a process that we will both be working with in the years ahead. And there are many, many other topics in here because it's a very comprehensive agreement ranging from e-commerce to government procurement.

So I will just close by thanking the negotiating teams on both sides. These types of agreements involve many departments in both our governments. Mark obviously has led a first rate team. I want to in particular thank Ambassador Michael Thawley. I've done a number of these agreements over the years and I've never seen an ambassador play such a key role in this process. Michael and I actually first started talking about this I think in 1999 or 2000 because he recalled my push on this in 1992. This was even before we took office and so it's nice to take a vision and make it a reality, and he played a key role in this. Ashton Calvert, the permanent under-secretary; again, I had the good fortune of, in one of my earlier visits to Australia, I think it was in 1999, having a chance to meet him and know him and know what a quality person and he's played a key role in the team. And Steve Deady who is the head of the Australian negotiating team, who is a first rate individual, has had the patience and tenacity to move this forward. We even tried, as you know, the terrible weather trick over the past couple of weeks (laughter) to put pressure on the Australians. They withstood it. Clearly refers to the fact that Ashton comes from Tasmania!

On the US side, Ralph Ives is our chief negotiator. He has been indefatigable. His familiarity with the range of issues, pushing people. I just want to give him my very strong personal thanks and the President's thanks as well. I also want to particularly thank Josette Shiner and Al Johnson. Josette is a deputy in this area and we would not have been able to do this agreement if she had not worked very closely with a lot of our sensitive sectors and industries and tried to come up with some creative solutions. And Al who is our chief agriculture negotiator, and so we worked through a lot of difficult issues together and I very much appreciate both of their help.

I also want to mention, because agriculture is obviously a key aspect of this agreement as many of you know, and I saw in the Australian press, we brought in Secretary Ann Veneman, and J B Penn, the under-secretary of the USDA team, worked very closely with us on this and we very much appreciate their help. And frankly when we do an interagency project like this we couldn't do without the help

of some of those on the National Security Council and National Economic Council team.

This was a tough negotiation, as all of you know, for both sides. But I have to say that while we had some very difficult issues, the spirit, the decency, the problem solving attitude really does reflect what is a special relationship and partnership between these two countries. I've often reflected that Australia and the United States obviously have very close ties in the aftermath of World War Two but as some of us have reflected as that generation moves on, what is the basis for the future relationship? Clearly there's a security basis that ties us together, but at least all of us realise that there's an important aspect of having an economic relationship that can rest on its own strong foundation. And that's what this FTA is about. And it will ultimately be brought to life by the citizens of both countries that take the opportunity to it.

Throughout this negotiation we're also very well aware that we operate in a global economy. We hope this will provide a tighter network between our two countries for promoting trade, investment and innovation within that global economy. It is fitting in many respects that I'll be leaving in a few hours to visit at least nine countries as I recall to follow up on a letter that I wrote in early January about the Doha negotiations, to try and get some of their ideas since I've shared mine about how we can move those forward. And in about two weeks Mark and I will be together again at a Cairns Group meeting in Costa Rica where I've been invited to attend to try to deal with the very important agricultural issue.

Last word. In the process of doing these negotiations, we consult very closely with the US congress. We have a strong partnership with them and I'm pleased to say we've been encouraged by many members of Congress, Republicans and Democrats. We know that for some the sensitive issues of environment and labour have made it more difficult for them to support trade issues. Obviously given the development of environment and labour issues of our two countries we hope that will not be an impediment. But indeed environment and labour provisions in this agreement as well. From this point forward we'll be consulting with the leadership of the Congress and the key partners about how to move forward this agreement promptly. We believe as some of our business groups have said it provides an excellent opportunity for American manufacturing and Australian manufacturing at a time that both sectors could use a boost. So we hope to try to act quickly, but that will depend on the support of some of the business community and others who value this agreement to send out the message.

Vaile: Thanks very much Bob and ladies and gentlemen. As Bob has outlined this is an historic achievement between our two countries. It now elevates our economic relationship to that of other parts of the alliance that have continued to strengthen since the Second World War. Can I also thank Bob very much for his commitment and diligence and patience as we've worked through a whole range of very sensitive sectors and some strenuous negotiations in this process to achieve the outcome that we have. Both sides obviously have pursued an outcome that is balanced but one that is going to deliver an economic platform in the future that will provide enormous opportunities for our businesses, our farmers and our exporters. And it certainly does, and as a landmark agreement between our two nations, this agreement will deliver in absolute terms real and tangible and bankable results as far as both of our our

economies are concerned. As far as we're concerned, the achievement of the ability to be able to open up markets as far as our manufacturing sectors are concerned is very, very important. The services sector, the IT sector, intellectual property arrangements, but of course, also the agriculture sector is very, very important. We're seeing significant opportunities open up across the board for agriculture into this important market, as well as moving to an area where around about 99 per cent of our manufactured goods will be able to access the US market duty free. This agreement delivers on a goal that we established and set some time ago as a government, that was agreed upon between our two leaders, Prime Minister Howard and President Bush, who instructed Ambassador Zoellick and myself to sharpen our pencils, so to speak, and just see what we could achieve. Our two teams have worked very, very hard since then and that led us to the final negotiating round over the last two weeks where we've been locked away in the Christian Herder room at USTR day and night hammering out what is going to be a great agreement that is going to deliver significantly for our economy, and certainly for the US economy. We need to also look to the broader perspective in terms of how this is going to work and energise the global trade scene. We both agree on the principle of competitive liberalisation, and this will certainly deliver on that.

If I can also, along with Bob, thank both our negotiating teams. From our side led by Steve Deady, his crew, and Ambassador Michael Thawley who has been incredibly active and energetic in pursuit of this negotiation and final agreement and final outcome here in Washington. And the work of Ashton Calvert both here and back at home. Of course, Bob on his side, Ralph Ives, Josette Shiner, and Al Johnson leading the ag team as far as the US is concerned.

We should recognise that from the outset we focused on achieving a comprehensive outcome that runs right across all sectors of the economy. We believe we've done that. In pursuing that and pursuing a balanced outcome in this we needed to along the way be creative, but also be pragmatic because this is about delivering opportunities for exporters and business people on both sides to further enhance a relationship which is Australia's largest trade relationship. It certainly will deliver those enormous opportunities into the future to participate in the world's largest and most dynamic economy, equalling I think about one third of global GDP. That's been our objective and we believe in this agreement we've achieved that and it's now up to those processes in our respective countries to move forward towards final ratification of that.

So, in closing, if I can just thank both teams, and thank Bob for his commitment to achieve this outcome. Thank you.

Tony Walker, AFR: Mr Vaile, you said repeatedly there would be no deal without sugar. There is a deal without sugar. What made you blink? What's the explanation for the Australians conceding on sugar, and will there be some compensation offered to Australian sugar farmers back in Australia to take account of this exclusion?

Vaile: The comprehensive aspect of our negotiations for agriculture were certainly broadly based as you indicated. We pursued right through this negotiation an opportunity to expand our opportunities to export sugar into this market. The US side was unable to agree to open that market beyond the 87,000 thousand tonnes that we now export into this market. Then we had to take a balanced judgement in terms of

the overall benefit of what was available in the agreement to the Australian economy in the national interest. Not just on the agriculture sector where we're going to see enormous improvements in terms of market access for dairy products, significant long term growth particularly in the complementary nature of our beef industries between our two countries, and we had just had to take that judgement in terms of the benefits. The latter part of your question, that's a matter that the government will have to look at and address over the coming short period of time and it's a matter that will be dealt with back in Australia.

Chris Rugaber, BNA: Could you comment on whether there are any outstanding issues that need to be wrapped up in the next few weeks? When we might see a text of the agreement? And whether or not Prime Minister or Howard got involved at any point. And could you provide any more details on the pharmaceutical benefits scheme, particularly any pricing elements and whether or not there's any expectation that the Australian Government might pay more for medicines as a result of the agreement.

Zoellick: You need to have a poster board so I can remember these questions (laughter). Let's see. Let me start with the most important which are the Prime Minister and the President. There have been six rounds and our teams started actually three weeks ago on this last round which did have the nature of a perpetual round. And Mark came two weeks ago and we've been intensively dealing with all of those issues, so goodness sakes, I think we hope we've solved everything as best we can. We worked on these issues until very early yesterday and tried to get them as close as we could and have a final framework. The Prime Minister spoke to the President yesterday afternoon and following that call we looked together at some things and we decided to conclude the agreement. And also during the course of these negotiations the President and the Prime Minister have had the opportunity to talk a number of times and obviously, speaking for President Bush, he believes this is a very important agreement both in terms of our economic interests, of commitment to free trade. Some have asked, gee, in an election year, you're willing to move forward with free trade agreements. Well, you know, we've closed CAFTA, we've closed Australia and I'm trying to move further round the world demonstrating our commitment to open markets. And obviously the Australian side has the same approach even though they face an election year. On the pharmaceutical question, we have a fact sheet for all of you that outline the elements of this. Since we just sort of finished over the wee hours of the weekend we will have to brief various members of congress and staffs over the course of the next coming days. We will work towards having the text of the agreement, we hope, done on our website by the end of the month. That's our goal to try to work towards, but please recall these agreements are normally about 400 pages long and have some 500 pages of annexes and things. As for the provisions, what I'll emphasise is that we knew this would be a very challenging topic. And we know that there were very strong sensitivities on the Australian side about the PBS system. Our focus then is on principles of common interest but also procedural aspects that we tried to work with the Australian side on some reports that actually have been prepared in Australia about ways to strengthen the process and make sure these principles would be applied. And that includes the idea of an independent review of the decisions and the key principles are the ones that I mentioned, in terms of recognising the value of therapeutic benefits, innovation, the importance of research and development, and recognising there is an ongoing basis to this. Some of the work that both our regulators will do separately and also this medicines working group. So

we're pleased with the result. I've actually talked with a number of pharmaceutical CEOs including some that do business in Australia as we working on this, and I hope that this will meet the interests of both countries.

Jim Berger, Washington Trade Daily: How do you explain to Mr Vaile that the United States was unable to open its market on sugar. What did the President say to the Prime Minister Howard on that subject?

Amb. Zoellick: That was a bad choice because I don't reveal what the President says in his phone call conversations. But look, before we started these negotiations I spoke to both the Prime Minister and Mark about our ability to include to sugar. The Australian side pressed very hard as is their right to do. One should keep in mind as Mark mentioned under our current quotas Australia's got a pretty sizeable quota in terms of selling sugar to the United States. And frankly what we both had to do was deal with sensitivities on both sides in a way that allowed us to achieve a greater good and a comprehensive agreement, and we definitely believe that this agreement does this and together, obviously in manufacturing and services which include a big part of our economy, but this is a very good agricultural package too, and there is real value gains for Australia, and there is the elimination of a lot of tariffs over a period of time and quotas in very important industries. And at the same time we tried to deal sensitively with some of the ones that will be a challenge on our side. So I think it's a very good package for both sides.

Vaile: Just to add a comment. Bob's reflection is correct. As far as the Australian side is concerned we have pressed this issue from the outset right through to the end of the negotiation. In the same vein I'm not privy to conversations between the Prime Minister and the President, but certainly it's been an important issue to us that we have pursued. And then as I indicated, we've got to look at the overall balance of the agreement. There are a number of sensitive issues on both sides that we had to confront and deal with and in the spirit in which we did, we've come out with a balanced agreement that delivers opportunities and benefits to many sectors right across our economies. And certainly in the agricultural sector as far as Australia is concerned, there are significant opportunities up front and then built in growth in those opportunities well into the future. But we need to link that thinking with our shared vision as far as the global trading system is concerned. We are both countries that have a very strong aspiration for opening markets across the world. We are probably both as aggressive and assertive as any others in the multilateral system and as Bob indicated we move on from here to tackle that agenda. There is a global trade negotiation taking place now. We don't have to launch a round. There is a round underway, and some of our very clear and keen objectives and particularly in this area of sugar, we will continue to prosecute our case in the multilateral system.

Marian Wilkinson, Sydney Morning Herald: Two questions for Mr Vaile. Mr Vaile, given the statements by yourself and the Prime Minister that sugar would not be dropped, when did you decide to drop sugar and was the decision the Prime Minister's or yours, or both. Number two. On the foreign investment review board, it talks about all restrictions being lifted. Could you tell us whether that means now that there are no restrictions on US investment in Australian media from now on?

Vaile: The first part of your question I think I've covered fairly well. It has been an important issue. All I'll say to that is that we have pursued it aggressively right throughout the negotiations and to the end point where we consulted broadly with colleagues prior to making a decision, and bear in mind this decision in our process needs to go back through Cabinet and that will happen in due course. So it wasn't a matter of when we dropped our position on that. It was a matter of getting to the end point of the negotiations where we could see the full dimension of the deal, the balance and the opportunities available to Australian industries, exporters and farmers, and based on the overall economic benefit that was available now and for many generations into the future, in moving Australia into a much closer position of integration with the largest economy in the world. That decision was taken in the national interest. Your second question was with regard to investment screening, and the Foreign Investment Review Board process. That's been an integral and sensitive part of the negotiations and we have agreed that we will lift the cap on screenings and also we have maintained the national interest test. There is an area of sensitive sectors that will remain carved out with a lower threshold and the area you mentioned remains in that sector.

Amb. Zoellick: If I could just add, and this gives you a bit of a feel for the balance, we don't like investment screening. And actually, as Mark referred to you, there is a higher level for overall investment screening that is retained, but at a higher level. And then in addition, in a series of sensitive sectors, there is investment screening at much lower levels including the one that you mention. So this is where there is a give and take. Frankly, the way that this investment screening has been done in Australia has not to date been a major impediment for US companies. So we also, as you look at the words of the agreement, try to emphasise the important of that process and procedures and practice that has gone forward. But this is one where we had to make an adjustment to an Australian sensitivity.

Elizabeth Becker, New York Times: Mr Zoellick, Australia gets to keep its single commodity wheat boards which I know American farmers wanted you to open up. And also the requirement on GM labelling and their general quarantine. Can you explain why those remain in place since this was something of importance to American commodity growers?

Amb. Zoellick: Elizabeth, I know you know a lot about agriculture but it's called the AWB because it's a private corporation. They no longer call it the Australian Wheat Board. One of the details that I learned in dealing with this issue. We have in the agreement some language that commits both of us to work on the challenges of export competition in the WTO negotiations. Dealing with the export corporations or monopoly export corporations is one of our key objectives, and together we share an objective about trying to eliminate export subsidies around the world. So, the Australian process and Mark may want to speak to this, have already moved to change aspects of the AWB. And indeed in comparison to the Canadian wheat board the Australian wheat board already operates as a private corporation and while we don't like the monopoly aspect it operates in a much more transparent and open fashion. So that's one we will need to work on together going forward in the global negotiations. And it gives an example of while some of things we worked on you can deal with in a purely bilateral context, this is one where obviously if there are changes

in the Australian wheat board it would be for everybody , and so that's one of the areas that we'll need to work on together.

Now, on the biotech labelling. We'll have to check on the details of that. We've worked closely with Australia actually on the biotech issue and there are a lot of shared interests in this, so I didn't really sense this was a major point of dispute as we were going forward. We'd have to check on some of the details, but actually Australia has been working with us on this issue in a global context. There are sensitivities, I know, in how it's done but this really wasn't a point of dispute.

Journalist: [inaudible]

Amb. Zoellick: Oh, the general sanitary and phyto-sanitary system. Well, that is something that we've obviously, we both recognise that sanitary and phytosanitary standards cannot be traded. They have to be done on a scientific basis. Therefore we have had a parallel process with Biosafety Australia and our AFIS part of USDA that have been working on products. That's why I made a reference to some technical matters with pork. Australia has separately been going through some of their risk assessments and ... for pork products. They've also done the same for some grape and citrus products. They're moving on apples and stone fruit but they move on their own processes. What we did also put in the agreement is a better cooperation and coordination between Biosecurity Australia and AFIS so frankly we can try to expedite the handling of a lot of these issues. What I would emphasise in this area most of all, and there will be a side letter that reflects this, is that independently Australia has been examining the scientific basis of dealing with BSE and beef. This is subject to final steps in Australia and cabinet review, but the scientific analysis at least as described to me is very similar in terms of the analysis that we have been doing, in terms of trying to make sure that consumers are safe in terms of what they eat from beef, but that this is not used as a protectionist measure. And so probably the best news for us in the sanitary and phytosanitary area is the cooperation on that issue so that we can open up some of our markets to beef globally, particularly in Japan and Korea. And let me just reference one other example of this in the agreement. We were appreciative of the fact that as we expand the beef quota it turns out that in part, for many of you who may know that cattle cycles work over seven years and so there's different drought and other aspects in Australia, that Australia was willing to delay the increase of the quota until our exports get to the level prior to BSE, or no longer than three years. That reflects, I think, an understanding that we appreciate because this is a sensitive industry for us as well. So in that area frankly we've got some good processes for the future and is sort of symptomatic of this agreement, we got cooperation on a key issue for us right now.

Sarah Irwin, CNN: Do you have some kind of estimate as to the actual dollar amounts of savings in tariffs to both Australia and America. And also can you just give me some idea as to how this agreement compares to other agreements, past agreements, the Americans have made in this past. What can the American public and business expect from this. And also the Australians?

Amb. Zoellick: First, Australia is our 13th largest trading partner, and actually if you treat the European Union as one, as most people do, it actually is ninth. So it's a big market and an important market for us. Our manufacturing sector believes that the

reduction or elimination of tariffs which as I mentioned come very quickly – over 99 per cent on day one – should produce about two billion dollars extra of exports. In terms of the benefit to the economies, there have been some estimates done I think in the two billion dollar range or more in terms of added income. On the Australian side there was a think tank study which showed about four billion dollars Australia, which is 77 cents to the dollar. And in terms of its comparison to other agreements, it is probably the best we've had in terms of eliminating manufacturing tariffs very, very quickly. And it certainly as good as or better than others in areas like intellectual property rights. Just to give you one other example: Australia is one of the few developed countries that doesn't belong to the government procurement agreement in the WTO and so we have expansion for government procurement as part of this agreement as well. So the best testament is the one that we're getting from some of the business sectors, including the gentleman who is sitting to your left. The National Association of Manufacturers is eager to have this as part of a boost to the manufacturing industry.

Vaile: Could I just make some comments on that as well. In terms of the importance and the size of the tariff reductions, obviously it is of significant importance to Australian exporters in terms of market access and competitiveness. Right across the goods sectors, both manufacturing goods, agricultural commodities, and services. The treatment in country of our service providers, the national treatment that they'll receive within the US, is of enormous benefit. It's difficult to quantify those things in economic terms but as Bob indicated there's quite a bit of analysis that's been done that indicates it will run into billions of dollars. I said at the outset the economic benefit of this agreement to Australia is enormous, in terms of the opportunities for Australian exporters and business people, manufacturers and farmers. The benefits are tangible and bankable. As far as how it compares to other free trade agreements Australia has negotiated. The first point we should recognise is this is only the third free trade agreement between two developed economies, and here, two highly developed and competitive economies. There's the Australia-New Zealand agreement; the US-Canada agreement in NAFTA, and now the Australia-US FTA. So that's the status you've got to elevate this to. In terms of what's achieved in this by comparison to others, it is very, very good. It is going to overwhelmingly deliver enormous benefits to both sides, but from the Australian side it is going to deliver enormous opportunities to Australian business people that are prepared to engage and embrace and participate in the largest and most dynamic economy in the world. That's been a motivating factor in terms of our pursuit of this and our negotiation of this all along. We believe this outcome will deliver those opportunities for years and years into the future.

Amb. Zoellick: One other point, I didn't want to say it until I checked. But the amounts of tariffs we pay to Australia are ten times higher than the tariffs that we collect from Australia. So if you got 99.5 per cent of these eliminated on day one, that's a big benefit. Australia's also a country that the United States runs about a nine billion dollar surplus in terms of manufactured goods and services together. This is at a time when our country's running a current account trade deficit of over 500 billion. So we consider this to be an excellent foundation on which to grow. But as Mark said, and this is something we all feel quite strongly about, as you abstract from the details what's really going on here is something that's got a greater significance. And that is the fact that this is an agreement for all time that is trying to take our two economies

which already have a good degree of integration but deepen the integration. As Mark said one of the challenges of this is that we have a ten trillion dollar economy. It's about a third of the world's economy. We like to believe and we want to keep it as the most dynamic and innovative economy. So when I've talked to Australian businesspeople about this, one of the benefits they see are the linkages they will develop in terms of business sectors. So what innovation moves here move rapidly to Australia, and vice versa. And for us the reason why that's important is we consider Australia obviously an extremely strong ally, but there are other bonds beyond this and frankly what we hope we are doing is creating a foundation for the business sectors to expand, to deepen those ties, but ultimately that is up to the private sector. So we're trying to clear things out of the way for that to happen. So all these estimates in a way are estimates, but what is for certain is the opportunity to interconnect these economies much closer together, but both of them recognising its part of a world economy so that's why, as I said, in two weeks we'll be trying to open agriculture markets around the world together as part of that.

(ENDS)