

AUSTRALIA

TRADE SUMMARY

U.S. goods exports in 2014 were \$26.7 billion, up 2.1 percent from the previous year. Australia is currently the 15th largest export market for U.S. goods. Corresponding U.S. imports from Australia were \$10.7 billion, up 15.1 percent. The U.S. goods trade surplus with Australia was \$16.0 billion in 2014, a decrease of \$860 million from 2013.

U.S. exports of services to Australia were \$19.1 billion in 2013 (latest data available), and U.S. imports were \$6.9 billion. Sales of services in Australia by majority U.S.-owned affiliates were \$54.3 billion in 2012 (latest data available), while sales of services in the United States by majority Australia-owned firms were \$17.9 billion.

The stock of U.S. foreign direct investment (FDI) in Australia was \$159.0 billion in 2013 (latest data available), up from \$143.3 billion in 2012. U.S. FDI in Australia is led by the nonbank holding companies, mining, and finance/insurance sectors.

TRADE AGREEMENTS

The United States-Australia Free Trade Agreement (AUSFTA) entered into force on January 1, 2005. Since then the U.S. Government and Australian governments have continued to monitor closely FTA implementation. Under the AUSFTA, trade in goods and services and foreign direct investment have continued to expand. Between the entry into force of the agreement in 2005 and 2014, U.S. goods exports to Australia increased by 91 percent, and two-way goods trade increased by 74 percent. Between the entry into force of the agreement and 2013 (the last year for which data is available), U.S. services exports to Australia increased by 179 percent, and two-way services trade increased by 48 percent. Over 99 percent of U.S. exports of consumer and industrial goods now enter Australia duty-free.

Australia is a participant in the Trans-Pacific Partnership (TPP) negotiations, through which the United States and 11 other Asia-Pacific partners are working to establish a comprehensive, high-standard, next-generation regional agreement to liberalize trade and investment in the Asia-Pacific. Once concluded this agreement will advance U.S. economic interests with some of the fastest-growing economies in the world; expand U.S. exports, which are critical to the creation and retention of jobs in the United States; set high standards for regional trade and investment that promote U.S. interests and values; and serve as a potential platform for economic integration across the Asia-Pacific region. The United States is proposing to include in the TPP agreement ambitious commitments on goods, services, and other traditional trade and investment matters, and enforceable labor and environment obligations. TPP will also address a range of new and emerging issues of concern to U.S. businesses, workers and other stakeholders in the 21st century. In addition to the United States and Australia, the TPP negotiating partners currently include Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

On April 8, 2014, Australia signed an FTA with the Republic of Korea, its fourth largest trading partner, which entered into force on December 12, 2014. Under this agreement, tariffs on 84 percent of Australia's current exports to Korea will be eliminated upon entry into force of the agreement; tariffs on 96 percent of current exports will be eliminated within ten years; and by the time the agreement is fully implemented, tariffs on 99.8 percent of Australia's current exports to Korea will be eliminated. Products representing about 0.2 percent of Australia's current exports to Korea will be excluded from the agreement: rice; milk powder; honey; abalone; ginger; apples; pears; and walnuts.

On July 8, 2014, Australia signed an FTA with Japan, its second largest trading partner, which entered into force on January 14, 2015. Under the agreement, tariffs will eventually be eliminated on over 97 percent of Australia's current exports to Japan. Products representing about 2.5 percent of Australia's current exports to Japan are excluded from the agreement: rice; milk powder; butter; shiitake mushrooms; sake; "low polarity" raw sugar; and certain fur skin products. Some tariffs and other restrictions will remain on a number of other Australian products, including beef, pork and some dairy products.

On November 14, 2014, Australia announced the conclusion of FTA negotiations with China, its largest trading partner. The agreement has not yet been signed nor its text made public. According to official statements, the agreement will eliminate tariffs on 85 percent of Australia's current exports to China upon entry into force, with that figure climbing to 93 percent after four years and 95 percent upon full implementation of the agreement. Some Australian agricultural exports to China, including sugar and rice, are excluded from the agreement.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Sanitary and Phytosanitary Barriers

Food Safety

Beef and Beef Products

Australia requires a complex approval process before permitting importation of bovine products from countries that have reported any indigenous cases of bovine spongiform encephalopathy (BSE). Under Australia's requirements, Food Standards Australia New Zealand (FSANZ), a regional food safety agency, conducts an individual country risk assessment. In August 2013, an audit team from FSANZ conducted an inspection of U.S. production and processing facilities. The final report from that inspection is currently being completed by FSANZ. In addition to this review, the Australian Department of Agriculture conducts a separate import risk assessment for each exporting country to address animal quarantine issues. It has not yet concluded its risk assessment for U.S. beef and beef products. The United States will continue to urge Australia to open its market fully to U.S. beef and beef products based on science, the OIE guidelines, and the United States' negligible risk status for BSE.

Animal Health

Pork

Access for U.S. pork to Australia's market is limited to U.S. origin, heat-treated and deboned pork meat. U.S.-origin fresh pork meat also can be shipped to Australia; however, the meat must be heat-treated upon arrival before entering domestic marketing channels in Australia. The import restrictions are due to concerns about the introduction of porcine reproductive and respiratory syndrome (PRRS) and post-weaning multi-systemic wasting syndrome (PMWS).

The United States has requested that Australia remove unwarranted PRRS- and PMWS-related restrictions to allow importation of all U.S. pork products. Citing these diseases, Australia also requires that all solid waste from pork imports, regardless of whether the pork is cooked or uncooked, be treated as a quarantine waste product, which has unnecessarily raised the costs of handling imported pork.

Poultry

Australia bans imports of fresh, frozen, and cooked poultry meat, including turkey meat from the United States due to concerns about infectious bursal disease. In 2012, Australia initiated an evaluation of whether it would grant access for U.S. cooked turkey meat to the Australian market. The United States will continue to work with Australia and press for resolution of this issue.

Plant Health

Plums, Apricots, and Stone Fruit

Australia currently prohibits importation of U.S. apricots and hybrids of apricots and other stone fruits due to concerns about certain plant pests. In July 2010, Australia issued a final policy to allow market access for all U.S. stone fruit from California, Idaho, Oregon and Washington, but Australia subsequently prohibited access until a mitigation could be found for spotted wing drosophila (SWD). In July 2013, Australia opened its market to peaches and nectarines fumigated with methyl bromide before being shipped to Australia. In December 2014, Australia also agreed to accept a treatment proposed by the United States for SWD in plums. The Australian and U.S. plant protection organizations will consult to implement the new treatment for plums for the 2015 export season. The United States will continue to work with Australia to resolve access for U.S. apricots.

Apples

Australia currently prohibits the importation of apples from the United States based on concerns about fire blight and other pests. The U.S. Government and U.S. stakeholders have engaged with Australian officials to demonstrate that U.S. mature, symptomless apples pose no risk of transmission of fire blight. In October 2009, Australia published a pest risk analysis for apples from the United States and identified three additional fungal pathogens of concern to Australian regulatory authorities. The United States continues to work with Australia to re-open the Australian market to U.S. apples.

Table Grapes

In 2010, Australia raised concerns regarding spotted wing drosophila (SWD) *Drosophila suzukii*, a species of fruit fly on table grapes from California. Australia requires a carbon dioxide/sulfur dioxide treatment plus a cold treatment to address SWD, despite the fact that SWD has never been found on California table grapes either before or since 2010. In October 2013, USDA submitted new research to Australia on a revised cold treatment protocol for California table grapes that would allow the grapes to be treated in transit to Australia. In November 2014, Australia approved the research to support the new treatment for SWD in California table grapes and other market access improvements. Australian and U.S. plant health regulators will have initiated consultations on the implementation of these revisions and plan to complete them prior to the opening of the 2015 export season in June 2015.

GOVERNMENT PROCUREMENT

Under the AUSFTA, the Australian government opened its market for covered government procurement to U.S. suppliers, eliminating preferences for domestic suppliers, and it also committed to use fair and transparent procurement procedures. Australia is not a signatory to the WTO Agreement on Government Procurement (GPA), but it is an observer. On November 14, 2014, Trade and Investment Minister Andrew Robb announced that Australia would work toward joining the GPA.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Australia generally provides strong IPR protection and enforcement through legislation that, among other things, criminalizes copyright piracy and trademark counterfeiting. Under the AUSFTA, Australia must provide that a pharmaceutical product patent owner be notified of a request for marketing approval by a third party for a product claimed by that patent. U.S. and Australian pharmaceutical companies have raised concerns about delays in this notification process.

SERVICES BARRIERS

Audiovisual Services

The Australian Content Standard of 2005 requires commercial TV broadcasters to produce and screen Australian content, including 55 percent of transmissions between 6:00 a.m. and midnight. In addition, it requires minimum annual sub-quotas for Australian (adult) drama, documentary, and children's programs. A broadcaster must ensure that Australian-produced advertisements occupy at least 80 percent of the total advertising time screened in a year between the hours of 6:00 a.m. and midnight, other than the time occupied by exempt advertisements, which include advertisements for imported cinema films, videos, recordings and live appearances by overseas entertainers, and community service announcements. This local content requirement does not apply to cable or online programming.

Australia's Broadcasting Services Amendment Act requires subscription TV channels with significant drama programming to spend 10 percent of their programming budgets on new Australian drama programs. This local content requirement applies to cable and satellite services but does not apply to new digital multi-channels or to online programming.

The Australian commercial radio industry Code of Practice sets quotas for the broadcast of Australian music on commercial radio. The code requires that up to 25 percent of all music broadcast between 6:00 a.m. and midnight must be performed by Australians. Since January 2008, all recipients of regional commercial radio broadcasting licenses have been required to broadcast minimum levels of local content. In July 2010, the Australian Communications and Media Authority (ACMA) announced a temporary exemption from the Australian music quota for digital-only commercial radio stations (*i.e.*, stations not also simulcast in analog). That exemption was renewed in 2014.

INVESTMENT BARRIERS

Foreign direct investment into Australia is regulated by the Foreign Acquisitions and Takeovers Act 1975 and Australia's Foreign Investment Policy. The Foreign Investment Review Board (FIRB), a division of Australia's Treasury, screens potential foreign investments in Australia above a certain threshold value. In 2014, the FIRB screened investments greater than A\$248 million (\$189.6 million). The threshold increased to A\$252 million (\$192.6 million) on January 1, 2015. Based on advice from the FIRB, Australia's Treasurer may deny or place conditions on the approval of particular investments above the threshold on national interest grounds.

Under the AUSFTA, all U.S. greenfield investments are exempt from FIRB screening. The AUSFTA also raised the threshold for screening of most U.S. investments in Australia, which stood at A\$1,078 million (\$824 million) in 2014, and through annual indexation was increased to A\$1,094 million (\$836 million) on January 1, 2015. All foreign persons, including U.S. investors, must notify the Australian government and get prior approval to make investments of 5 percent or more in enterprises in the media sector, regardless of the value of the investment.

While the FIRB generally approves U.S. investment, in November 2013, based on advice from the FIRB, Australia's Treasurer blocked a U.S. company's proposed A\$3.4 billion acquisition of a publicly-listed Australian agri-business.

ELECTRONIC COMMERCE

The AUSFTA recognizes the importance of avoiding erecting barriers to trade conducted electronically and commits Parties not to impose tariffs or otherwise discriminate against digital products distributed electronically (*e.g.*, books, films, and music). Since July 2012, the Personally Controlled Electronic Health Records Act has prohibited the overseas storage of any Australian electronic health records. The U.S. Government continue to advocate for a risk-based approach to ensuring the security of sensitive data as opposed to a geographic one.