



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Floor Statement of Sen. Chuck Grassley on
S. 2610, the U.S.-Australia Free Trade Agreement Implementation Act
July 15, 2004

Mr. President, I rise in support of S. 2610, the U.S.-Australia Free Trade Agreement Implementation Act. This bill will implement the U.S.-Australia Free Trade Agreement. While the agreement is not perfect, I believe it will provide significant benefits to the United States and to the people of my home state of Iowa.

During committee consideration of the agreement, we heard from a number of different sectors of the economy which stand to benefit from this agreement. At the top of the list is the U.S. manufacturing sector.

Under the Agreement, more than 99 percent of U.S. manufacturing exports to Australia will become duty-free immediately after the Agreement enters into force. This is the most significant reduction of manufacturing tariffs ever achieved in a U.S. free trade agreement.

This is very good news for manufacturers like Al-Jon of Ottumwa, Iowa. Al-Jon employs about 100 people in Ottumwa. Today about 10 to 15 percent of Al-Jon's production is exported. They are confident that, with a level playing field, they can do even better. During testimony before my committee Jon Kneen, Chairman of the Board of Al-Jon, testified that, while they have had some success selling to Australia, their exports are currently limited by two factors. First, Australia currently imposes a five percent tariff on their exports. Second, the cost of shipping heavy equipment to Australia is high. While we cannot do much to lower the cost of shipping, we can eliminate this five percent barrier with the enactment of this trade agreement.

And it is not just Al-Jon that will benefit. Mr. Kneen testified that over 19,000 U.S. companies that currently export to Australia are likely to benefit from the "instant competitive advantage" provided by the elimination of these tariff barriers on U.S. manufacturing exports. These companies include other Iowa manufacturers such as John Deere, which has four manufacturing plants in my state. John Deere anticipates increased exports to Australia on account of the FTA.

The U.S. agricultural sector stands to benefit from the Agreement as well, as duties on all U.S. farm exports will be eliminated, reducing tariffs on U.S. agricultural exports by over \$700 million. Processed foods, soybeans and oilseeds products, fresh and processed fruits and vegetables all stand to benefit from these duty reductions. For U.S. farmers and ranchers that compete with Australian agriculture, special safeguards and tariff rate quotas are included as part of the agreement

to make sure trade is fair.

The FTA negotiating process also opened the door to eliminate scientifically unfounded barriers to the importation of U.S. pork and U.S. pork for processing, major Iowa products. While Australia made its scientific determination regarding pork outside of the FTA negotiations, the intensive consultation process that naturally flows from engaging in bilateral trade negotiations contributed to the resolution of this matter. Dermot Hayes, an economist at Iowa State University, estimates that elimination of these unfounded barriers could increase U.S. exports of pork to Australia by over \$50 million annually.

The U.S.-Australia Committee on Sanitary and Phytosanitary Measures, and the Standing Technical Working Group on Animal and Plant Health Measures, which are established under the FTA, will help to ensure that all Australian standards on U.S. agricultural imports are based on sound science and are not used as a basis for protectionism.

Iowa's service providers will also benefit from new market-access openings in Australia for our service exports. These commitments, along with new, transparent trading rules, should provide a lot of important new market opportunities for Iowa's service exports.

And, for the first time, this agreement opens much of Australia's lucrative government procurement market to U.S. exporters. The government procurement provisions are especially important, as Australia is one of only a few developed countries that are not members of the World Trade Organization Agreement on Government Procurement.

In sum, the United States will benefit from the U.S.-Australia Free Trade Agreement. I urge my colleagues to vote for S. 2610, the U.S.-Australia Free Trade Agreement Implementation Act.