

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

May 18, 2004

The Honorable Mark Vaile MP
Minister for Trade
Parliament House
Canberra ACT 2600

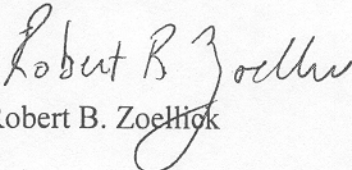
Dear Minister Vaile:

In connection with the signing on this date of the United States-Australia Free Trade Agreement (the "Agreement"), I have the honor to confirm the following understanding reached by the Governments of the United States and Australia regarding Chapters Ten (Cross-Border Trade in Services) and Eleven (Investment) of the Agreement:

- (1) the treatment to be accorded by a Party under Article 10.2 (National Treatment) means, with respect to a regional level of government, treatment no less favorable than that regional level of government accords, in like circumstances, to service suppliers of the Party of which it forms a part; and
- (2) the treatment to be accorded by a Party under Article 11.3 (National Treatment) means, with respect to a regional level of government, treatment no less favorable than that regional level of government accords, in like circumstances, to investors, and to investments of investors, of the Party of which it forms a part.

I have the honor to propose that this letter and your letter in reply confirming that your Government shares this understanding shall constitute an integral part of the Agreement."

Sincerely,


Robert B. Zoellick



18 May 2004

The Honourable Robert B. Zoellick
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Ambassador Zoellick

I have the honour to acknowledge receipt of your letter of this date, which reads as follows:

“In connection with the signing on this date of the United States-Australia Free Trade Agreement (the “Agreement”), I have the honor to confirm the following understanding reached by the Governments of the United States and Australia regarding Chapters Ten (Cross-Border Trade in Services) and Eleven (Investment) of the Agreement:

- (1) the treatment to be accorded by a Party under Article 10.2 (National Treatment) means, with respect to a regional level of government, treatment no less favorable than that regional level of government accords, in like circumstances, to service suppliers of the Party of which it forms a part; and
- (2) the treatment to be accorded by a Party under Article 11.3 (National Treatment) means, with respect to a regional level of government, treatment no less favorable than that regional level of government accords, in like circumstances, to investors, and to investments of investors, of the Party of which it forms a part.

I have the honor to propose that this letter and your letter in reply confirming that your Government shares this understanding shall constitute an integral part of the Agreement.”

I have the further honour to confirm that my Government shares this understanding and that your letter and this letter in reply shall constitute an integral part of the Australia-United States Free Trade Agreement.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Mark Vaile'.

Mark Vaile
Minister for Trade