



FACT SHEET

March 2006

U.S.-Australia Free Trade Agreement

The U.S.-Australia Free Trade Agreement (FTA) entered into force on Jan. 1, 2005. Negotiations for the FTA occurred between March 2003 and February 2004, and the agreement was signed in Washington, DC, on May 14, 2004.

In 2005, the United States exported a record of almost \$555 million of agricultural products to Australia. U.S. exports to Australia were at record levels in 2005 for red meat, fresh and processed fruit and vegetables, tree nuts, pet food, vegetable oil, and rice, due in part to reduced Australian tariffs under the FTA. During the same period, the United States imported about \$2.5 billion of agricultural products from Australia. Since implementation, the U.S.-Australia FTA has provided America's farmers, ranchers, food processors, and the businesses they support with improved and new access to Australia's 20 million consumers.

Overview of the Agreement

Market Access

- *Australia immediately eliminated all agricultural tariffs.* Australia had maintained tariffs as high as 30 percent on certain dairy products and tariffs of 4 to 5 percent on fresh and processed fruits and vegetables, processed foods, some grains, oilseeds and other products.
- *The United States is liberalizing products covered by the FTA using a combination of approaches.*
- Duties on tariff-only products, which are not subject to existing World Trade Organization (WTO) tariff-rate quotas (TRQs), are being phased out according to a product-specific schedule. Phaseout was either immediate, or will be in 4 years, 10 years or 18 years. Tariffs on these products will be reduced in equal annual installments over the phase-out period.
- TRQs will also be used for products such as avocados, beef, dairy, cotton, peanuts and tobacco. The details vary by product.
- Agricultural safeguard measures are available for specific U.S. products:
 - Certain horticultural products not only receive the longest tariff phase-out, but are also eligible for automatic, price-based safeguards during the implementation period, in the event of significant price decreases on imports from Australia. These measures are

similar to the price-based safeguards contained in the U.S.-Chile FTA.

- Beef will receive a volume-based safeguard during the transition period and a price-based safeguard in the post-transition period.

SPS Measures

The FTA affirms obligations under the WTO Sanitary and Phytosanitary (SPS) Agreement. It establishes an SPS Committee to enhance cooperation on SPS matters, including a focus on regulatory processes related to SPS measures, specific implementation issues concerning SPS matters, and other consultation procedures

The United States and Australia will work to resolve SPS barriers to agricultural trade, in particular for pork, poultry, citrus, apples, and stone fruit.

- The Agreement establishes a new mechanism for scientific cooperation between U.S. and Australian authorities to resolve specific bilateral animal and plant health matters.
- USDA's Animal and Plant Health Inspection Service (APHIS) and Biosecurity Australia operate a standing technical working group to cooperate in the development of science-based measures that affect trade between the two countries.

Rules of Origin

The Agreement contains product-specific rules of origin, similar to those in the U.S. FTAs with Chile, Central American countries, and Singapore.

Australian Commitments

Australia immediately **eliminated all agricultural tariffs** on:

- Processed foods
- Oilseeds and oilseed products
- Fresh and processed fruits and fruit juices
- Vegetables and nuts
- Distilled spirits

With the publication of Australia's final risk assessment on Feb. 18, 2004, U.S. **processed pork and pork for processing** also benefited from immediate tariff elimination.

In response to U.S. concerns about Australia's agricultural **state trading enterprises (STEs)**, Australia committed to working with the United States in the ongoing WTO negotiations on agriculture to develop agreement on export competition disciplines that eliminate restrictions on the right of entities other than STEs to export.

U.S. Commitments

Initially, Australia received an FTA preferential TRQ for manufactured-type **beef** and immediate elimination on the within-quota duty on Australia's WTO country-specific TRQ. The Agreement calls for a gradual opening of the TRQ to allow U.S. beef exports to rebound from BSE. The FTA TRQ becomes operational when U.S. beef exports exceed 2003 levels, or no later than the third year of the Agreement, whichever comes first. In addition, the United States and Australia agreed to cooperate in Codex and the International Office of Epizootics (OIE) efforts to promote scientifically based standards for BSE. The initial increase in imports from Australia under the FTA TRQ was about 0.17 percent of U.S. beef production and 1.6 percent of current U.S. beef imports.

The within-quota duty for beef products entered under the FTA preferential TRQs was eliminated immediately. The phase-out for the over-quota duties for all beef will take place from year 9 to year 18. In the post-transition period, all beef products will receive duty-free treatment. A price-based safeguard will be available for high-quality beef.

FTA preferential TRQs are established for most **dairy** products currently subject to WTO TRQs. There is no change in the U.S. most favored nation (MFN) over-quota rates for these products. Market access is provided through expansion of the quantities eligible for duty-free access under the FTA TRQs. Several different FTA TRQs were established for dairy products, due to the complexity of the sector. For example, there are five different FTA TRQs for cheeses. The initial TRQ quantities vary to reflect the complexity of the U.S. dairy industry. Increases in imports from Australia under the FTA TRQs amount to about 0.2 percent of the annual value of U.S. dairy production. The FTA TRQs expand by rates ranging from 3 to 6 percent annually. The additional imports are not expected to affect the operation of the Commodity Credit Corporation's dairy price support programs.

Transitional FTA TRQs are established for **cotton, peanuts, and tobacco**. Duty-free access will be provided on initial within-quota quantities, and the over-quota tariffs will be eliminated over 18 years in equal annual steps.

Australia's current access for **sugar** is unchanged. Australia received 87,402 metric tons in FY 2004 under the U.S. commitments for sugar in the WTO, as allocated by the U.S. Trade Representative. Australia's allocation was 104,561 metric tons in FY 2005, and 146,126 metric tons for FY 2006 (as of March 10, 2006).

Tariffs on **other products**, such as canned fruit, dried onions and garlic, orange juice, grape juice, canned asparagus, and tomato products and sauces, will be phased out over 18 years. In addition, the agreement permits a safeguard on certain horticultural products during the transition period. The safeguard can be triggered when the price of imported goods from Australia falls below historical levels, and additional import duties may be applied. Wine tariffs will be phased out under a harmonization formula, similar to that used in the U.S.-Chile FTA.

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