



*Connecting the Front Range to the World!*

## **US – Australian Free Trade Agreement**

**By Bob Thilmont  
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On January 1, 2005 the new Free Trade Agreement between Australia and the United States became effective. Most US manufactured products and all agriculture goods now enter Australia duty free. This provides nearly a 5% price advantage for US companies compared to Japanese and other importers of similar products. Keep in mind the duty free status applies only to goods with origin of manufacturing being the US.

In addition, US companies will be viewed as domestic companies in terms of Australian government contracts including both Federal and State. This will provide opportunities not available to other foreign companies.

The treaty is reciprocating thus allowing Australian companies with similar access in the US market as well.

### **Australia the overlooked market**

Australia is often overlooked by US manufactures because of its relatively small population base and its distance from the US. Yet Australia offers many advantages to US companies. First of all it is a stable and western society. This minimizes the commercial risk associated with global business. Secondly, Australian society tends to follow similar marketing demographics to those here in the United States.

Though Australia's population is about 7% of the US; certain industries such as agriculture and mining have a significantly higher market potential for US made goods.

### **Australia the gateway to Asia**

Many financial institutions and other companies are using Australia as a base to expand into Asia Pacific. While China and Japan are definitely the economic drivers in Asia other countries such as Indonesia, Thailand, Malaysia, Philippines and Vietnam offer tremendous opportunities as well. Australia and Australians have strong commercial links to these markets. This provides a back door into these other emerging markets.

### **Is Australia right for your organization?**

Any global market development requires a clear and well defined strategy. It is important for a company to understand how Australia fits into the company's vision. The easiest way to enter the market is to align with a local agent or distributor to represent the company from an arms length relationship. However, if the long term strategy is to use



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the Australian market to expand into other Asian markets, then the company will need to look at establishing a local presence either in the form of a sales office or subsidiary.

Until Next time,

Bob

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