

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

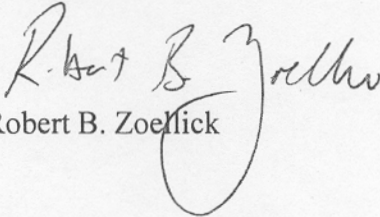
Dear Minister Vaile:

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 Annex 13-B (Specific Commitments) of the Agreement.

In connection with our discussions regarding expedited availability of insurance services, the United States notes that a significant number of its States allow introduction of "commercial lines" insurance products without review of forms or rates, because the consumers of such insurance are businesses that can adequately assess the risks involved. Each of these states has developed a definition of "commercial lines" based on factors such as an insured's total premium levels, net worth or revenues, number of employees, retention of a risk manager, or other factors. Other states are considering the possibility of instituting such changes to regulation of commercial lines. The United States will provide Australia with further updates on this matter as part of the work of the Financial Services Committee.

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, D.C. 20508

Dear Ambassador Zoellick

I have the honour to confirm 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 Annex 13-B (Specific Commitments) of the Agreement.

In connection with our discussions regarding expedited availability of insurance services, the United States notes that a significant number of its States allow introduction of “commercial lines” insurance products without review of forms or rates, because the consumers of such insurance are businesses that can adequately assess the risks involved. Each of these states has developed a definition of “commercial lines” based on factors such as an insured’s total premium levels, net worth or revenues, number of employees, retention of a risk manager, or other factors. Other states are considering the possibility of instituting such changes to regulation of commercial lines. The United States will provide Australia with further updates on this matter as part of the work of the Financial Services Committee.

I have the honor to propose that this letter and your letter of confirmation in reply 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 reply shall constitute an integral part of the Australia-United States Free Trade Agreement.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Vaile'.

Mark Vaile
Minister for Trade