

# Australia may bow to drug firms' demands

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Prime Minister John Howard may bow to pressure from United States drug companies to ensure the operation of the America-Australia free trade agreement (FTA).

Mr Howard on Friday held out the possibility of changing Australian laws, passed with government support earlier this year, aimed at protecting generic drugs and keeping a lid on pharmaceutical prices.

It follows a concerted campaign by American drug companies against the amendments that the government was forced into accepting after pressure from the Labor Party.

Under the amendments, drug companies face fines of up to \$10 million if they deliberately set out to block low-priced drugs or try to evergreen - make minor patent changes that stop generic drugs - their products.

The concerns are holding up the final exchange of documents which would enable the FTA to start operation from January 1.

Drug companies, fearful of Australia's Pharmaceutical Benefits Scheme (PBS) and the way it keeps a lid on drug prices, argue the amendments breach the intent of the FTA and may also break World Trade Organisation rules.

Mr Howard said he had always warned that Labor's proposals, although accepted by the government, could delay the FTA.

"I do gently remind you that when the Labor Party opportunistically moved its amendment a couple of months ago I said it was unnecessary and I said it might cause difficulties," he told reporters.

"I hope in the end we can persuade, and we are talking to the US, that there is no fundamental incompatibility and we'll continue to do that, and I hope it's not necessary to propose any amendments.

"It was never needed, there was never a threat to the PBS, it was all political and I did mention at the time there could be a difficulty."

Mr Howard said the government was still working on a January 1 implementation date for the FTA.

Opposition Leader Mark Latham stood by Labor's amendments, saying Mr Howard may use his Senate majority from July 1 to accept the demands of American drug companies.

"I certainly hope that Mr Howard wouldn't be using his Senate majority next year to put through changes that have been requested by the big drug companies out of the US," he told reporters.

"It would be a shameful thing if he's caving into that pressure from the US because of his Senate majority, and that would be basically at the expense of Australian consumers."

Meanwhile, Trade Minister Mark Vaile, retaining the post in Mr Howard's frontbench reshuffle on Friday, said he was keen to build on the US FTA with other trade deals.

"The coalition government is committed to building on the success of the FTA we signed with the US, Thailand and Singapore over the last two years and we will now vigorously pursue FTAs with China, ASEAN, Malaysia, and the United Arab Emirates," he said.

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