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## **Drug spat stalls Australia-US free trade deal**

Agence France Presse

CANBERRA : A long-awaited Australia-US free trade agreement (FTA) hit a new snag in Canberra, just hours after US President George W. Bush reaffirmed Washington's commitment to a pact he called "a milestone in the history of our alliance".

Prime Minister John Howard rejected opposition demands for additional safeguards to stop US pharmaceutical giants dismantling a scheme guaranteeing Australians access to cheap drugs.

The impasse now positions the controversial FTA as a major issue in this year's national elections.

The opposition Labor Party said its suggested amendment would prevent US drug companies from abusing Australian patent provisions in order to stop cheap generic drugs reaching the market.

Howard said existing safeguards were sufficient and caving in to the amendment would result in "bad law".

"We're not willing to provide a political fix for our opponents, we're not willing to turn the patent law of this country on its head," Howard told commercial radio.

Labor leader Mark Latham was equally adamant his party would not back down and accused Howard of bowing to major drug companies instead of protecting the public interest.

"He's under pressure from the pharmaceutical companies, there's no doubt," Latham told ABC radio. "Unfortunately he's taking their side of the argument instead of that of the Australian consumer."

Latham this week overcame bitter opposition from his party's left-wing to win Labor support for the FTA -- but only if the government agrees to amendments on local content rules for television and subsidised medicines.

Howard, who needs Labor's support to get the FTA through the opposition-dominated upper house, agreed to change content rules but said the medicines amendment was not needed.

The prime minister admitted the dispute, which threatens to thwart the FTA at the final hurdle, appeared arcane but he was willing to campaign on the issue at the election, which could be called as early as September 18.

Australia's subsidised medicines system, known as the Pharmaceutical Benefits Scheme (PBS), is regarded as the "gold standard" of its type in the world.

Under the PBS, the price of selected prescription medicines is kept down and subsidised so that

Australians can buy them at a fraction of the price paid by Americans.

However, the Washington-based Pharmaceutical Research and Manufacturers Association said during FTA negotiations that Australia had "anti-competitive prices" under the PBS and it saw the FTA as a means to dismantle it.

The spat is the latest setback for the FTA, which is seen by some politicians as a pay-off for Australia's strong support of the US-led Iraq war.

It followed a ceremony in Washington where President Bush signed legislation implementing the deal, the last stage of the legal process required on the US side if it is to come into effect in January as planned.

"The United States and Australia have never been closer," Bush said during a ceremony at the White House.

- AFP