

Labor warns it may block trade deal

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Labor may block the free trade agreement with the United States because of changes to the Pharmaceutical Benefits Scheme, the party warned yesterday.

With the US Congress expected to approve the agreement in July, and the Australian Democrats and Greens committed to voting against it, it will be up to Labor to determine whether the Howard Government's biggest trade initiative becomes law.

Trade experts expect Labor ultimately to endorse the pact, but Opposition trade spokesman Stephen Conroy said the party was still uncommitted, with concerns about costs to the PBS, quarantine laws and the film, TV and internet industries.

The trade deal could face another barrier after a spokeswoman for US Democrat presidential candidate John Kerry said he had yet to decide whether he would support it.

A group of experts on pharmaceutical policy, including two former members of the Pharmaceutical Benefits Advisory Committee, warned yesterday that changes to appease US drug companies could lift the cost of the scheme to taxpayers by 30 per cent, or \$1.5 billion a year.

"The text of the agreement is unbalanced and most of the measures increase the pricing power of US drug companies operating in Australia," the group said in a submission to the Senate committee examining the deal.

"It is inconceivable, based on past practice, that they will not use that new pricing power." Senator Conroy said senior officials this week were unable to explain to the Senate committee how the new pharmaceutical review system would work.

"There is still no decision on the structure and composition of the review process," he said.

"This is a make-or-break issue for us. We believe we have the world's best system and nothing in the trade deal should be allowed to undermine it."

Trade Minister Mark Vaile and his US counterpart, Robert Zoellick, signed the agreement on Tuesday in one of Washington's finest classical buildings, the Mellon Auditorium.

US marines with rifles at the ready performed the Presentation of the Colours with the US and Australian flags, and an army brass quintet pumped out patriotic favourites as both ministers invoked the memory of battles joined and blood spilled by the two countries fighting side by side from World War II to the war against terror.

"This is the commercial equivalent of the ANZUS treaty," Mr Vaile told a crowd of lobbyists, business figures and US politicians.

"The blood of young Australian and Americans has been shed on most continents of the world in defence of our shared ideals of freedom and democracy."

Mr Zoellick had already outdone Mr Vaile in praise of the alliance as "that special belief in humankind" that draws America and Australia together, "arm in arm" from Afghanistan to Iraq, because "we will never accept tyranny as the natural order".