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The World Today - US politicians concerned FTA will push up price of pharmaceuticals

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The World Today - Tuesday, 13 July , 2004 12:30:00

Reporter: Stephen Long

ELEANOR HALL: To the United States now where some US politicians are raising concerns about the US-Australia Free Trade deal.

Despite the assurances of the Australian Government, some Democrat members of Congress as well as legal scholars are maintaining the deal will allow big pharmaceutical companies to push up the price of medicine in Australia, and could also block cheap medicines from becoming available in the United States.

The New York Times reports today that the deal - America's first with a developed country - is the Bush administration's model for strengthening protection for the big drug companies in wealthy markets.

The paper also says the deal will allow the United States to challenge the way a foreign industrialised country, namely Australia, operates its national health program.

This report from our Finance Correspondent Stephen Long.

STEPHEN LONG: No one in the developed world pays more for prescription medicine than Americans do.

And in Washington, Congress is debating whether the Free Trade Agreement with Australia could thwart a key reform designed to lower that medicine bill, by blocking the import of inexpensive drugs from Australia. It's seen as a measure that could set a precedent for future deals.

Elizabeth Becker is a senior staff writer with the New York Times, which today published a feature analysing the impact of the Free Trade Agreement with Australia on the cost of medicine.

ELIZABETH BECKER: What is at issue in Congress right now is whether or not this Free Trade Agreement will prevent them from passing legislation that's been debated increasingly over four years, and that is the ability to allow the import of inexpensive drugs into the United States.

STEPHEN LONG: And that's something I take it, that the big drug companies in the United

States have been fighting very hard against?

ELIZABETH BECKER: Very hard against.

STEPHEN LONG: And some say the drug companies have won the battle.

Kevin Outterson is Associate Professor of Law at the University of West Virginia, and he's analysed the free trade deal with Australia. He says it's clear that it's a backdoor way of blocking Congressional reforms allowing for the import to the US of cheap medicine.

KEVIN OUTTERSON: A majority of our Congress have voted on a bill specifically to permit imports of drugs off the internet from Australia and Canada and 22 other nations. And so here's our Congress trying to introduce something on the one side, and the Bush administration trying to tie their hands through the backdoor of a trade agreement.

STEPHEN LONG: But Trade Minister Mark Vaile says no, that's just not true. He says Australia already prevents drugs subsidised by the taxpayer under the Pharmaceutical Benefits Scheme from being sold overseas.

But Mark Vaile says there's nothing in the free trade deal will prevent the export to the US of cheap generic pharmaceuticals made here.

But in West Virginia, professor Kevin Outterson is not convinced. And he doesn't buy assurances that the free trade deal won't push the cost of medicine in Australia, either.

KEVIN OUTTERSON: The pharmaceutical companies are the big winners. What they asked for on the Australian side was of course to try to interfere with the PBAC's review process for the PBS system.

They're using the buzz word 'transparency'. But what they're really looking to do is if the commission, the committee comes out against them, they want an opportunity to go back and to have a review by an external body, the chance to lobby, the chance to perhaps involve politicians and to step into the scientific process and exert their influence.

STEPHEN LONG: Well, the Government here in Australia has assured Australians that they will have no prospect of overturning decisions through this review process in that it won't be a formal mechanism of appeal?

KEVIN OUTTERSON: I think that's clearly wrong. I've looked at the provisions of the implementation bill in Australia and it does not implement everything in the Free Trade Agreement in this regard.

What will happen is that the US will be able to go to Australia and say you haven't properly implemented the appeal procedure required in the Free Trade Agreement. We want you to have a truly independent appeal because that's what the agreement calls for.

At that point, Australia would either have to agree, or they would go to a dispute resolution panel, in which case three international trade lawyers would decide whether or not Australia had complied.

The fact that it's not clearly laid out in an implementation bill I think is the Government of Australia trying to lay this issue low, until the next election has passed.

STEPHEN LONG: Elizabeth Becker of the New York Times says undermining the Pharmaceutical Benefits Scheme would allow big US drug companies to stop the invidious comparisons being made about the cost of medicine in Australia and the high price in the US.

ELIZABETH BECKER: If the FTA - Free Trade Agreement - with Australia is any kind of precedent, the fear is that rather than lowering them in the United States which many people would have, then instead there would be higher charges overseas, i.e your Pharmaceutical Benefits Scheme with challenges from the private pharmaceutical industry in the United States, would lead eventually to higher prices.

ELEANOR HALL: Elizabeth Becker of the New York Times, speaking to our Finance Correspondent Stephen Long.