

Why is Howard so loyal to US businesses?

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The free trade agreement will help American drug companies and harm Australian consumers, writes Kenneth Davidson.

American public interest groups have worked out the implications of the Australia-US free trade agreement for Australia's Pharmaceutical Benefits Scheme and for the availability of cheaper generic drugs for Third World countries.

A growing number of American states want to maintain or introduce their own PBS schemes modelled on the highly successful Australian scheme, which has meant the cost of common prescription medicines is a tenth to a third the cost of the same medicines in the US.

The powerful US drugs industry believes that if it can get the PBS into the free trade agreement, the industry will have more chance of getting its patented medicines onto the PBS list at higher prices.

Even more importantly for the industry, a free trade agreement will become an additional weapon for future administrations to use to block or invalidate American state schemes to provide cheaper drugs along the lines of the Australian PBS.

The Howard Government says the new listing procedures won't increase prices to consumers or taxpayers. But the US Trade Representative, Robert Zoellick, has told the US Senate that, under the free trade agreement, drug prices will rise as a result of the new PBS review processes.

The organisers of the demonstration outside the Australian embassy in Washington on Tuesday morning claim the free trade agreement will result in reduced access for Australians to essential medicines, because drug costs in Australia will increase by \$1.6 billion.

Who to believe? Have the US drug companies who have driven this aspect of the free trade agreement been wasting their time, or does the Howard Government have an agenda that is aimed at looking after the interests of US drug companies rather than the interests of Australian citizens?

Is there some benefit to Australia that justifies its small contribution to global misery?

It is worth noting that the Howard Government has already interfered with the PBS process to make the PBS Advisory Committee more reflective of industry, as opposed to consumer, interests.

As those who protested in Washington pointed out, the Australia-US free trade agreement has a global agenda that is reflected in other FTAs in which the US is involved. These all amount to backdoor methods of restricting the development of generic drugs.

These provisions (which are the antithesis of freer trade based on competition) are an attempt to sidestep the Ministerial Declaration on Trade-Related Aspects of Intellectual Property Rights and Public Health (the Doha Declaration), which was agreed to unanimously in November 2001.

The Doha Declaration said protection of public health must take priority over intellectual property rights.

In a letter to Zoellick, US health groups state that: "Intellectual property provisions in US free trade agreements already completed or currently being negotiated will severely delay and restrict generic competition, not only by limiting the grounds on which compulsory licences can be issued, but also through complex provisions related to market authorisation and registration of medicines.

"Instead of isolating vulnerable countries in order to create a new global norm for intellectual property protection that exceeds World Trade Organisation rules to the detriment of public health, the US should respect the international consensus reached at Doha . . .

"The health of millions is at stake."

Not only is the Howard Government prepared to debauch Australia's world-class system of economical delivery of pharmaceuticals in the interest of US multinationals, it is prepared to co-operate in a backdoor process of denying life-saving medicines to millions of poor people in poor countries - again in the interests of US multinationals.

So is there some overarching benefit to Australia from the proposed free trade agreement, which justifies Australia's small contribution to global misery? No.

As ANU economics professor Ross Garnaut and the former chairman of the Industry Commission, Bill Carmichael, have pointed out in evidence to the Joint Parliamentary Committee on Treaties, the free trade agreement is in fact a "protectionist" document in which the meagre gains from free trade with the US largely come from trade diverted from Asia.

They point out there is no urgency in signing a free trade agreement; there is plenty of time to have a detailed and professional examination of the proposal by the Productivity Commission.

Surely nothing could be fairer from the Government's viewpoint, given that the Productivity Commission has an inbuilt bias towards free trade.

Originally, most of the gains from the free trade agreement were supposed to come from opening up agricultural trade. The main gain claimed now by the Centre for International Economics/Department of Foreign Affairs and Trade is \$4 billion a year from abolishing the

requirement of Foreign Investment Review Board approval for US equity investment in non-sensitive industries - which was apparently overlooked when the CIE did its original study. Applied to all countries, this suggests the benefits of scrapping the FIRB would be in excess of \$15 billion a year.

As Garnaut commented: "If these were credible numbers, I would press both Opposition and Government party rooms on the absolute urgency of implementing these reforms. They are in no way tied to the free trade agreement: they are much better implemented on a most-favoured-nation basis."

Given Government enthusiasm for the free trade agreement, it is difficult to escape Mark Latham's judgement that in respect of the US, the Howard Government is a conga line of suckholes.

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