

Deal on US free trade in sight

Steve Lewis and Dennis Shanahan

The Australian

November 15, 2004

AUSTRALIA has resisted a last-minute push by the US and powerful drug manufacturers to water down the free trade agreement, with the countries finally expected to endorse the bilateral pact within days.

But the Howard Government is expected to agree to minor "technical" amendments to ensure piracy laws are adequate under the new copyright regime.

Just days before he flies to Chile for the annual Asia-Pacific Economic Co-operation summit, John Howard said the Government was making "quite good progress" in resolving the last few outstanding issues of the trade deal.

There is a real chance that Trade Minister Mark Vaile will exchange formal documents with US counterpart Robert Zoellick midweek, when they meet in the Chilean capital of Santiago. These documents are necessary to ensure the trade pact comes into force from next year.

The potential breakthrough comes as US President George W. Bush prepares to launch a new trade offensive at the APEC summit, to be attended by leaders from China, Japan, Indonesia, Malaysia and Mexico, along with the US and Australia.

It is understood the US wants to ensure all bilateral agreements entered into by APEC member countries are consistent with World Trade Organisation guidelines.

The US push is designed to prevent countries "cherry-picking" on particular sectors, such as agriculture, during FTA negotiations.

Australian sources say this would prevent a country such as Japan from negotiating a free trade deal with other APEC members, because Tokyo refuses to budge from its highly protectionist approach to agriculture.

Canberra will back the US on its new trade push, which will be launched at the two-day APEC summit, to take place on Saturday and Sunday.

The Prime Minister will meet Mr Bush for the first time since their respective electoral victories, with officials hoping the two leaders can snare some time together for a private chat.

They are also hoping to be able to toast their countries' bilateral trade pact, following intensive negotiations involving government and industry officials.

Major drug firms, in the US and in Australia, had been lobbying the federal Government to water down the proposed "evergreening" amendments put forward by Opposition Leader Mark Latham before the election.

This was designed to ensure drug firms holding patents could not hold up cheaper generic medicines coming to market.

But the industry's biggest concern remains the Government's election announcement that it would automatically cut the price it paid for generic medicines by 12.5 per cent, saving the budget about \$800million over four years.

However, senior Bush administration officials have told The Australian that Washington accepted that these issues would either not be resolved or could be negotiated at a later date, allowing the FTA to proceed in its present form.

Australian officials have agreed to some minor amendments in the other sensitive area of copyright.

One well-placed source said the changes were minimal and in one case involved substituting "and" for "or".

Investigations had uncovered some flaws with the FTA legislation that may have undermined the capacity of copyright holders to protect their intellectual property.

Preparing to fly out of Australia on Thursday for the APEC summit, Mr Howard sounded an upbeat note on the prospect of final approval for the free trade pact.

"I'm hopeful – I can't be certain – I'm hopeful that the outstanding issues of interpretation, if I can put it that way, will have been resolved by the time we get to APEC," he told the Nine Network's Sunday program.

He downplayed comments by American officials that Labor's pharmaceutical amendments might have breached the agreement.

"Even though, domestically, I continue to believe it was quite unnecessary, but it having been passed by the Australian parliament, we've argued that it is consistent with the agreement," Mr Howard said.