

# Drug costs will rise with deal: US official

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By John Garnaut

The US trade deal is the first step in a campaign to raise global pharmaceutical prices, a US Senate finance committee heard yesterday.

Contradicting the Prime Minister, John Howard, America's top trade official told the committee that the cost of Australian drugs would be changed under the agreement.

It would change the "distribution" of prices in Australia and the relative prices of generic and patented drugs, the US Trade Representative, Bob Zoellick, said.

Under intense pressure on rising drug costs at home, an influential Republican senator told the committee that the Australian deal was a "breakthrough" that began the process of getting other countries to bear a greater share of drug company research and development costs.

"One of the ways of addressing the causes [of high US prices] is to get the other countries of the world to help bear part of the burden of the R&D," said Senator Jon Kyl, who lobbied Australian ministers on the Pharmaceutical Benefits Scheme last year. "So, my hat's off to your [Mr Zoellick's] team and the work that you did in at least beginning to address this with Australia."

Senator Kyl said the final agreement, released last week, was only the beginning of negotiations over Australia's pharmaceuticals system.

"We don't need to discuss it here, but I know that there is much more work that needs to be done in further discussions with the Australians."

Labor's health spokeswoman, Julia Gillard, said the deal had set in train a process that could threaten the PBS. "This is the thin end of the wedge in an American drug company campaign to impose global drug prices on Australian patients and taxpayers."

Mr Howard said recently there would be "certainly no direct or indirect effect on price" and the Health Minister, Tony Abbott, and Trade Minister, Mark Vaile, have made similar claims.

"Who's lying here, Ambassador Zoellick or John Howard and Tony Abbott?" Ms Gillard said.

A spokesman for Mr Vaile rejected the US suggestion that Australia did not carry its share of research and development costs and reiterated that nothing in the agreement would affect pharmaceutical prices. "Regardless of the language used by officials in the US it won't change what's been agreed in this free trade agreement, the full text of which is available for all to see."

Mr Zoellick told the committee he had protected American beef and dairy interests from Australian competition. "In beef, we had a very long phase-out with various safeguards, slow quota increase. We tried to take care of the dairy industry as well because we didn't touch the tariff and we just increased the quota basically about \$40-\$50 million of imports a year."

US Democrat Senator Max Baucus said that Mr Zoellick's trade agenda had been "hijacked" by foreign policy objectives.