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Bush wants end to medicine subsidies

By Tim Colebatch
Economics Editor
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President George Bush has put the future of Australia's cheap pharmaceuticals in question, telling Prime Minister John Howard that raising their prices is a key goal for United States negotiators in any free trade deal.

A senior Australian official said President Bush singled out changes to the Pharmaceutical Benefits Scheme as an area where he is under heavy political pressure to deliver benefits to domestic constituencies. The US pharmaceutical industry outspent even the oil industry to be the biggest financier of Republican candidates at last year's Congressional elections.

Australia's scheme has given it some of the West's cheapest pharmaceuticals by making the Government a monopoly buyer, a power it has used to squeeze prices.

Mr Bush said his industry believes some countries do not pay their share of the cost of research and development to create new medicines, making US consumers pay the bill.

The official said Mr Howard gave no ground on the issue, saying US negotiators need to understand how Australia's system works. But for the first time, the PM offered to limit Australia's freedom to set local content rules on future forms of delivering TV programs.

In talks between the two leaders in Mr Howard's Parliament House office, the Prime Minister emphasised that gaining "significant" benefits for agricultural exports was Australia's central goal, and it was willing to make concessions in other areas to achieve this. He said Australia would not undo longstanding policies such as local content rules on existing media, but could be "fairly flexible" about new media forms.

The Australian film, IT and communications industries strongly oppose this, warning that it would kill off local content rules - and hence threaten local TV production - as digital TV services take over.

Mr Howard also hinted that Australia would consider undoing its parallel imports regime, which allows cheap CDs and tapes to be imported from any country. US recording companies say this has opened the way to intellectual piracy.

Both leaders repeated their pledge to complete negotiations by the end of this year. But Mr Bush qualified this by saying that "the shape of what the deal looks like" needs to be resolved by then, implying that the detail could take more time.

The US negotiating team, led by Assistant Trade Representative Ralph Ives, arrives at the weekend for a week of talks, which could wrap up some of the 17 areas of negotiation.

Trade Minister Mark Vaile and US Trade Representative Robert Zoellick will then confer by phone to try to work out what trade-offs would be needed to put a deal together. Mr Vaile told Mr Bush at the Lodge barbecue that he was prepared to fly to the US any time in December for final talks with Mr Zoellick.

This story was found at: <http://www.theage.com.au/articles/2003/10/23/1066631568709.html>