

## US House Clears US Australia Trade Agreement

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WASHINGTON (Dow Jones)--The U.S. House on Wednesday approved 314 to 109 legislation implementing a free trade agreement with Australia.

The Senate Finance Committee approved the bill earlier in the day with a 17-4 vote.

The full Senate has begun debating the bill, but a time for a final vote has not been set. Senate passage would send the measure to the White House for President George W. Bush's expected signature.

The agreement "further solidifies our relationship with an important partner in the global economy and a strategic ally," the White House's Office of Management and Budget wrote in a statement to lawmakers Wednesday.

A majority of both parties supported the bill in the House vote.

"This will be a huge benefit for manufacturing jobs," said House Majority Whip Roy Blunt, R-Mo.

The agreement leaves 99% of U.S. manufactured good exports - and 97% of Australian manufactured good exports - duty-free. Trade with Australia already supports 150,000 American jobs, and the new agreement will only increase that number, Blunt said.

Rep. Calvin Dooley, D-Calif., predicted the agreement would increase U.S. exports by \$2 billion.

Under the agreement, all duties on U.S. agricultural exports to Australia will be dropped. U.S. quotas on Australian beef will be phased out over 18 years.

The U.S. quota on Australian dairy products would be raised 5% per year. The quota on Australian sugar

remains unchanged.

Australia's Department of Foreign Affairs and Trade said cuts to U.S. beef tariffs alone would be worth an extra A\$246 million, adjusting for inflation, by 2022.

Senate Finance Committee member Kent Conrad, D-N.D., voted against the agreement Wednesday, arguing that the price safety net for domestic ranchers is too flimsy.

The trade agreement says the U.S. trade ambassador will reinstate trade barriers if domestic beef prices drop too low. Conrad's concern was that the draft implementing legislation adds a caveat: If someone in the beef industry asks him to, the ambassador can decide to waive the safeguards.

Ranchers worry that meat processors would try to prevent the safeguards from kicking in to preserve low prices.

#### Prescription Drugs Cause Concern

Australia's Labor Party, whose support is necessary to implement the agreement there, has not yet taken a stance on the deal.

In an ABC radio interview Wednesday, Labor Party leader Mark Latham said a report on the agreement's impact on Australia is due next month and that is when the party would decide.

"We are getting all the facts on the table before we make a decision and it is only because the Labor Party did that...that people have had a chance to look at this in a fair dinkum way," Latham said.

A major concern is the agreement's treatment of prescription drugs.

Australia's Prescription Benefit System provides a substantial prescription drug subsidy for the purchase of selected pharmaceuticals.

Drugs that the government determines don't have a therapeutic effect, or which duplicate the effect of drugs already covered, don't get added to the list of subsidized drugs.

U.S. pharmaceutical companies wanted to use the trade agreement to dismantle the system. Australian negotiators resisted.

But Australia did agree to publish its reasons for not adding drugs to the list and to allow pharmaceutical manufacturers to petition the government if their drugs were not added.

Australian government officials say the changes will likely improve the drug benefit, but some Australians disagree.

In an editorial in the BMJ - formerly known as the British Medical Journal - **Peter Drahos**, professor of law at the Australian National University, warned that industry lobbying "may undermine the famously tough stance of this committee concerning the cost effectiveness and prices of pharmaceutical products."

U.S. Senate Democratic staff also warned that the provision might be used to give pharmaceutical companies a chance to appeal drug purchasing decisions made by the U.S. Veterans Administration and by state-run, but federally-funded, Medicaid programs.

Some also expressed concern about a provision banning the export of drugs from Australia to the U.S. without the U.S. patent holders' permission.

Proponents argued that provision means little. Australia doesn't have a significant drug manufacturing industry and its government already bans the export of subsidized drugs.

But Rep. Rosa DeLauro, D-Conn., and other Democrats said that the Bush Administration is trying to establish a precedent to use other trade deals to "stave off" drug importation, and re-importation.

Congress has voted repeatedly to allow U.S. pharmacies to re-import prescription drugs from abroad - where drug prices are a fraction of those in the U.S. But the administration argues that such re-importations present a risk to consumers. The Food and Drug Administration under the Clinton Administration raised similar concerns.

Dooley and House Ways and Means Committee Chairman Bill Thomas, R-Calif., said the patent provision applies to all patents, not just prescription drugs, and is simply a way to defend U.S. intellectual property rights.

Many remained unconvinced.

"I want to express my frustration with the White House and Republican leaders for turning an effortless vote on my part into a much more difficult decision," said Rep. Dana Rohrabacher, R-Calif., during the House debate.

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