



AFTINET Ltd
Level 9 299 Elizabeth Street
Sydney NSW 2000
Phone: 02 8898 6500
Fax: 02 8898 6555
Email: jbailey@piac.asn.au
Website: www.aftinet.org.au
ABN 83 659 681 462
ACN 097 603 131

AFTINET Bulletin 116, 25 July 2005

If you would like to contribute to the Bulletin, please contact Jemma Bailey at jbailey@piac.asn.au or on (02) 9299 7833. Our website is <http://www.aftinet.org.au>.

Contents

1. **EVENT REMINDER: What's the WTO up to now? An AFTINET public forum in Sydney on 6pm Thursday 28 July**
2. **Report on progress of WTO Mini Ministerial: China meeting may be too little too late**
3. **Government under fire over China FTA, *The Age***
4. **Media on access to medicines and the Pharmaceutical Benefits Scheme**
5. **Call for submissions on Australia-Japan Free Trade Agreement**
6. **Sydney event: Screening of 'The Yes Men', Wednesday 27 July**

1. **What's the WTO up to now? An AFTINET public forum in Sydney on 6pm Thursday 28 July**

You are invited to a forum to discuss the state of play in WTO negotiations in the lead up to this December's WTO Ministerial Meeting in Hong Kong. This forum will discuss the impact of these negotiations on workers, communities and the environment, and will coincide with the meeting of the WTO General Council in Geneva.

When 6:00pm – 7:30pm, Thursday 28 July
Where Meeting Room, Level 10, PSA House
160 Clarence Street
Sydney

Speakers

Tim Anderson, Lecturer in Political Economy, Sydney University
Patricia Ranald, Principal Policy Officer, Public Interest Advocacy Centre
Alister Kentish, Australian Manufacturing Workers' Union

There is intense pressure on developing countries to concede to the latest demands from developed countries. In the tradition of the WTO Ministerial Meetings in Seattle and Cancun, developing countries and community groups are joining together to oppose negotiations that prioritise corporate interests over people and the environment.

This forum will look at the “progress” of the current Doha round of negotiations. The current negotiations on agriculture market access threaten food security in the developing world. The negotiations on trade in services (GATS) may convert essential services, such as water, health and education, into tradeable goods. And negotiations on trade in goods are feeding into a global ‘race to the bottom’ on workers’ rights and the environment.

There will be plenty of time for discussion about the next steps in the campaign in the lead up to the WTO Ministerial in December. Please join us to bring these closed-door negotiations out into public debate.

To RSVP, please contact Jemma Bailey on jbailey@piac.asn.au or 8898 6500.

2. Report on progress of WTO Mini Ministerial: Dalian may be too little too late

Bridges Monthly, June / July 2005

After warnings of an impending ‘crisis of immobility’ from WTO Director-General Supachai Panitchpakdi, trade ministers pledged to increase momentum toward the successful conclusion of the Doha Round by 2006 at an informal meeting held in Dalian, China, on 12-13 July.

Prior to the Dalian mini-ministerial, hopes for a decisive step forward in the Doha Round negotiations by the end of July had been fading fast. Dr Supachai told the WTO’s Trade Negotiations Committee (TNC) on 8 July that, instead of growing convergence, there was “a renewed sense of blockage and frustration,” as well as “a resurgence of sterile debate about process, rather than negotiations on substance.” He called for “clear guidance on crucial political issues” from the ministers in Dalian in order to prevent another collapse of a WTO Ministerial Conference in Hong Kong next December.

The thirty trade ministers attending the Dalian meeting attempted to respond to that call by focusing in particular on tariff reduction formulae for agricultural and industrial products. The most tangible result was a fragile consensus on how to proceed on agriculture, but this only provided a basis for further talks. In other areas, the outcome was even more tentative.

New Approach to Agricultural Tariffs?

Of the many areas still unresolved in the agricultural negotiations, discussions on market access had reached a virtual dead end in Geneva. In Dalian, ministers focused on a compromise proposal put forward by the G-20 group of developing countries. Combining elements from the Uruguay Round approach and the Swiss formula, the proposal would divide tariffs into five tiers for developed countries and four for developing countries. Reductions within the tiers would be made according to the linear Uruguay Round approach, but

the required cut would be higher in the tiers containing the higher tariffs. In addition, tariffs would be capped at 100 percent for developed countries and at 150 percent for developing countries.

Ministers requested their negotiators “to continue their work on the basis of the status report submitted by the Chairman of the Negotiating Group on 27 June 2005, using the recent G-20 proposal as a starting point for the work on the structure of the market access formula, recognising that some Members have reservations about certain aspects of that proposal.” As for the timeline, the ministers pledged to give “specific, detailed and concrete instructions” to their negotiators in Geneva for identifying a ‘most-favoured option’ before the summer break.

It is, however, highly uncertain whether such an ‘option’ will emerge by end of July, the deadline set by Members to reach agreement on the ‘first approximations’ of the package to be submitted to ministers in December. That would require negotiators to solve, in just a couple of weeks, their differences on the formula, including the extremely controversial tariff cap, the treatment of sensitive tariff lines and Special Products, the balance between the three pillars of the agriculture negotiations (market access, domestic subsidies and export support) and the overall balance between the different issue areas under the Doha Round ‘single undertaking’. In Dalian, ministers stated that negotiations on the market access and domestic support pillars could “proceed incrementally to negotiate structure [...] on the understanding that the overall level of ambition and the overall balance of the package are to be settled only when the structure of the components has been settled, i.e. in the September to December period.”

Less Decisive Guidance on Industrial Tariffs

On 8 July, the Chair of the negotiations on non-agricultural market access had conceded that the talks had reached an impasse (see page 9). Reflecting the Doha Declaration principle that developing countries should have ‘less than full reciprocity in reduction commitments’, Pakistan proposed in Dalian that Members agree to a Swiss tariff reduction formula with two coefficients: six for developing countries and 30 for developed countries. The difference was based on the existing average tariffs of the two groups. In addition, developing countries would have access to the special and differential (S&D) treatment provisions inscribed in the Framework Agreement of July 2004.

The Co-chairs of the Dalian meeting noted that there were “different views on the precise form of the formula. Towards the end of discussion, there were some indications that the possibility of a Swiss formula with a couple of coefficients that would accommodate specific concerns could be further explored.” Geneva negotiators were instructed to “continue working hard in the next two weeks on a formula approach that would most likely attract consensus.

On the treatment of unbound tariffs, there was convergence on several guiding principles, such as achieving full binding, without prejudice to paragraph 8 [on the S&D provisions] of the framework; subjecting newly bound lines to the tariff reduction formula; the need to work out a pragmatic solution to address the concerns of Members with low unbound tariff lines; and the objective for a simple, transparent, and predictable methodology to establish the base rates.”

Mixed Signals for Services Negotiations

On services, the ministers noted that ‘quite a large number’ of them felt that the present request-offer process would not yield a balanced and substantive outcome. This could be interpreted as a recognition of the concerns of developing countries that the negotiations are currently skewed in favour of developed country priorities. On the other hand, the ministers requested the Chair of the negotiations “to undertake intensive consultations in order to enhance the bilateral request and offer process and to explore other approaches within the parameters of the GATS, the Negotiating Guidelines and the July Package.”

This request reflects the prevailing divide between developing and developed countries with regard to undertaking minimum market access commitments in addition to the ongoing request-offer process. The ministers noted that it seemed “very difficult for Members to agree on indicators, or benchmarks, for an aggregated or sectoral level of ambition. However, some Members have been working in the background defining specific levels of ambition in certain sectors or modes of supply, which could become important drivers in our negotiations”.

Development Concerns and WTO Rules

The chapters on development and rules added little value. The Chair of the negotiations on special and differential treatment was requested to continue intensive consultations on the agreement-specific proposals submitted by least-developed and other countries “with a view to firming them up by the end of July”. On other development issues, the ministers merely confirmed previously agreed goals.

On rules (i.e. revisions to WTO disciplines on anti-dumping and countervailing, as well as subsidies), the Ministers urged negotiators in Geneva to make enough progress “so that by Hong Kong they can present us with an agreed universe of areas where improvements are recognised as necessary, together with a clear indication of what those improvements should be.”

The Outlook Remains Sombre

Despite the agreement to use the G-20 proposal as a starting point for future work, Dalian did not deliver a breakthrough. After the meeting, EU Trade Commissioner Peter Mandelson admitted that it would be Herculean task to get to Hong Kong with “any prospect of achieving an ambitious outcome to this round.” Dr Supachai assessed the situation as one of ‘great concern’.

Speaking to the TNC earlier in July, he had deplored Members’ failure to translate the political support shown at previous informal ministerial meetings, including the G-8 Summit in Gleneagles, into concrete progress in the negotiating groups in Geneva. On leaving Dalian, he again warned that leaving too many issues on the agenda unresolved would almost certainly doom the Hong Ministerial Conference to failure.

3. Government under fire over China FTA, *The Age*, 29 June

Workers’ rights and the environment are being sacrificed in the rush to sign a free trade agreement (FTA) with China, a public interest group says. The Australian Fair Trade and Investment Network (AFTINET), representing 90 community organisations, urged the federal government not to open up trade with the world’s largest economy without safeguards for these issues.

The first round of FTA talks with China began in Sydney last month and coincided with

the visit to Australia of the country's second most powerful leader, Wu Bangguo. Giving evidence to a Senate inquiry into Australia's relationship with China in Sydney, AFTINET convenor Dr Patricia Ranald said trade should be used to improve labour standards.

"Trade agreements should be based on respect for human rights, labour rights and the environment, but both the Australian and Chinese governments are ignoring these issues in a rush to reach a deal," Dr Ranald said outside the inquiry. "We're going to continue to raise these issues, we believe that there is concern in the community about this and it (the FTA) is by no means a done deal ... we think it's a really serious problem for any proposed agreement."

"China's labour laws were not enforced and workers' rights were already under threat in Australia from the federal government's proposed changes to industrial relations laws", Dr Ranald said. "This is part of a global race to the bottom on labour standards, rather than trying to improve people's labour standards. We're concerned that Australia seems to be joining this race to the bottom by reducing labour standards here as well with the proposed industrial relations changes."

"Transnational corporations often subcontracted work to firms in China that accepted low bids and staff worked 12-16 hours a day, seven days a week to complete contracts without proper payment", she said. "Environmental pollution in China was rife and there were notorious cases of workers being injured because health and safety measures were appalling", she added.

"An FTA with China would also threaten basic labour rights in Australia because cheap Chinese goods entering Australia with no tariff would put additional pressure on employers and workers to compete", Dr Ranald said.

4. Media on access to medicines and the Pharmaceutical Benefits Scheme

Pfizer's win opens gate to drug claims, *Australian Financial Review*, 19 July 2005
By Annabel Stafford

Major pharmaceutical companies plan to follow the lead of US giant Pfizer and apply for exemptions from the 12.5 per cent funding cuts planned by the federal government, putting further pressure on the Pharmaceutical Benefits Scheme. The government announced before last year's election that to fund its promise of extra benefits for seniors, it would automatically pay 12.5 per cent less for all drugs in a therapeutic group everytime a generic medicine joined the group.

But Federal Health Minister Tony Abbott said last week that Pfizer's cholesterol-lowering drug Lipitor would not be hit with the price cut because it was more effective than other drugs in its class. Yesterday, a GlaxoSmithKline spokesman said "we would certainly make the case for some of our products". Medicines Australia chief executive Kieran Schneemann said he knew of "one company at least if not two that are seriously considering [applying for an exemption] on the basis they are cost-effective".

The decision to exempt Lipitor will reduce the savings the government hoped to make from its policy by \$237 million - or around a fifth of the total savings over four years according to this year's budget. It was the fourth time the government had watered

down the policy.

First, it agreed to make the 12.5 per cent cut only once when the first generic appears, then it decided not to make it law. Last month it effectively lowered the percentage cut on four drugs by agreeing to a Special Patient Contribution and promising to pay that contribution when there was no alternative medicine for the patient. The decision to exempt Lipitor followed a recommendation from the independent Pharmaceutical Benefits Advisory Committee that it was more effective at lowering cholesterol than others in the therapeutic group.

The full decision of PBAC is yet to be publicly released, but a spokeswoman for Mr Abbott admitted yesterday "if you can show you're different you can escape (the cut)." A spokesman for Bristol-Myers Squibb, which manufactures a competitor to Lipitor that will be hit by a 12.5 per cent cut, would not say whether they would be applying for an exemption. Mr Abbott's spokeswoman declined to comment on the nature of the government's negotiations with Pfizer.

Bitter pill poppers cut costs, *Sydney Morning Herald*, 20 July 2005

By Mark Coultan

The US has the highest prices for medicines in the world, so five American states have decided to import them from Australia.

The governors of Illinois, Rod Blagojevich, and Wisconsin, Jim Doyle, announced the plan because they feared that US drug companies could cut off access to cheaper drugs from Canada. Under US pressure, the Canadian Health Minister, Ujjal Dosanjh, recently announced moves to restrict the export of personal prescription drugs, saying Canada could not be a discount drugstore for the US.

The scheme, I-SaveRx, operates in Illinois, Wisconsin, Kansas, Missouri and Vermont and allows residents to buy cheaper drugs by having prescriptions, written by American doctors, filled in other countries, including Canada, Ireland and Britain. The scheme began last October and 61,000 people have enrolled. A report into importing Australian drugs said they were, on average, 51 per cent cheaper than in the US. Canadian drugs are 31 per cent cheaper.

Under the scheme, American patients ask their GPs for prescriptions, which are sent to I-saveRx, which reviews them and forwards them to Canadian, British or Irish doctors for "further review". They are then sent to pharmacies in those countries and posted to the patients.

It is illegal to export Australian drugs subsidised by the Pharmaceutical Benefits Scheme but other drugs are often cheaper in Australia because drug manufacturers have to compete with PBS-approved medicines. The combined population of the five US states participating in the I-SaveRx scheme is more than the population of Australia and a potentially large market for Australian drug manufacturers and pharmacists.

But the scheme faces severe hurdles, not the least in getting Australian doctors to write prescriptions for patients they have never seen. The report into expanding the scheme to purchase cheaper drugs from Australia said: "The Australian authorities and pharmacy regulators did not have any concerns with Australian pharmacies filling prescriptions under the I-SaveRx program."

But a close reading of the report reveals that although it spoke to an official from the PBS and the Pharmacy Guild of Western Australia, its compilers apparently did not speak to doctors' groups or the Australian Government. But it did say that there was uncertainty about the legality of New Zealand doctors rewriting US prescriptions, and therefore the scheme would import only over-the-counter medicines from New Zealand.

I-SaveRx is restricted to drugs that are used for long periods and that cannot spoil during transport. Only repeat prescriptions are allowed

5. Call for submissions on Australia-Japan Free Trade Agreement

On 20 April, Trade Minister Vaile announced that Prime Minister Howard and Japanese Prime Minister Junichiro Koizumi agreed to understand a Feasibility Study into a Free Trade Agreement. The study will look at the pros and cons of a potential FTA.

The Department of Foreign Affairs and Trade is calling for public submissions and comments on issues relevant to an FTA. Further information on the FTA and the submission process is available at <http://www.dfat.gov.au/geo/japan/fta/index.html>. The deadline for submissions is 26 August 2005. Submissions can be sent to japan.ftastudy@dfat.gov.au.

AFTINET is not preparing a submission at this stage as it is unclear whether negotiations will proceed and we do not anticipate that this FTA will have a significant social impact, either in Australia or in Japan. Accordingly, we are not urging members to make a submission.

6. Sydney event: Screening of 'The Yes Men', Wednesday 27 July

AID/WATCH invites you to a fundraising screening of 'The Yes Men' in Sydney. 'The Yes Men' is a hilarious tale of two pranksters taking on the WTO. The film starts at 7pm on Wednesday 27 July at Dendy Cinema, 263 King St, Newtown. RSVP to aidwatch@aidwatch.org.au or call 9557 8944. Cost is \$15 conc, \$25 waged, \$50 passionate.