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Hosted and supported by the Public Interest Advocacy Centre Ltd.

## AFTINET Bulletin 127, 12 May 2006

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### 1. Pharmaceutical company uses US FTA to push for review of PBS listing

Under the US FTA, the Australian government was required to set up a process for independent review of decisions by the Pharmaceutical Benefits Advisory Committee (PBAC). The PBAC recommends whether specific drugs should be available on the Pharmaceutical Benefits Scheme (PBS). Many community and public health groups opposed this new process of independent review due to the potential for large US pharmaceutical companies to abuse this review process to apply pressure to have their drugs listed on the PBS.

US drug company, Eli Lilly, is the first company to challenge the PBAC's refusal to list their osteoporosis drug on the PBS.

#### **Drug subsidy appeal to test new review**

Sydney Morning Herald, 8 May 2006

By Mark Metherell

AN AMERICAN drug company will challenge Australia's refusal to grant prescription subsidies for an osteoporosis drug, in the first test of review measures demanded by the US under the free trade agreement.

Eli Lilly is seeking a rethink of the Australian expert panel's rejection of subsidies for its product, Forteo, a treatment costing about \$850 a month for patients at high risk of fractures because of osteoporosis. The company estimates that about 2000 patients would be eligible in Australia for the subsidised drug, which would be priced under \$30 for general patients and less than \$5 for those with concession cards.

Lilly's appeal request came as the Health Minister, Tony Abbott, appointed a veteran bureaucrat, Linda Webb, as convenor of the independent review process proposed under the free trade agreement.

The company has made four attempts to get the green light for inclusion of Forteo on the Pharmaceutical Benefits Scheme, for the treatment of men and postmenopausal women with severe osteoporosis. Britain and six other European countries subsidise the drug, said a company spokesman, Martin Palin. But the Federal Government's Pharmaceutical Benefits Advisory Committee rejected Eli Lilly's latest bid for subsidies, stating that on the basis of the company's submission there was an "uncertain clinical benefit", which resulted in "uncertain and unacceptable cost-effectiveness".

Mr Palin said that despite the company's four attempts over three years, there remained "unresolved fundamental differences" between Lilly and the committee with regard to the strength and interpretation of the evidence available about the drug. The absence of subsidies meant that most people who could not afford the unsubsidised drug experienced "severe disruptions to their lives and in some cases required hospitalisation, bed rest and rehabilitation". Mr Palin said the price Lilly had suggested for Forteo to be listed on the PBS was one of the lowest offered to any developed country.

## **2. Report back from AFTINET seminar 'One year on: Pulling back the curtain on the US FTA'**

On Friday 7 April, AFTINET held a one day seminar with leading Australian academics, policy workers and campaigners on the emerging impacts of the US FTA and the continuing campaign. The aim of the seminar was to share information and research on the emerging social and environmental impacts of the US FTA and to provide a forum to discuss the future campaigning opportunities.

We had an excellent day of information sharing and strategy discussion.

Speakers included: Andrew Searles, researcher from the Australian National University on access to medicines; Professor Linda Hancock from Deakin University on the US FTA's impact on community services; Alister Kentish from the Australian Manufacturing Workers Union on the impacts in the manufacturing industry; Sarah Waladan from Australian Libraries Copyright Committee; Rusty Russell from Linux Opensource Software; Lynn Gailey from the Media Entertainment Arts Alliance on the impact on Australia's film and television industry, and; John Hepburn from Greenpeace on the labeling of genetically engineered food. Summaries of these presentations should be available from the AFTINET website in the coming weeks.

In the afternoon session, we pinpointed some key dates and campaigning opportunities in the coming year. For a full list of the outcomes, please contact Jemma Bailey on [jbailey@piac.asn.au](mailto:jbailey@piac.asn.au) or 02 8898 6521.

### **3. AFTINET intervenes in parliamentary review on blood supply under US FTA**

The Government is currently undertaking a review of Australia's arrangements for blood plasma products and plasma fractionation. Fractionation is the process of separating plasma from whole blood. This review was a requirement of the US FTA, which was strongly pushed by the US.

At the moment, the Australian Red Cross Blood Service (ARCBS) is the sole collector of blood for plasma fractionation in Australia and CSL Limited is the sole domestic fractionator of plasma collected in Australia. We are concerned that the terms of the US FTA will change the current system and introduce competitive tendering, which would in turn see large US fractionation providers entering Australia's market.

AFTINET recently made a submission to the Review Committee, raising our concerns about an increase in competition in blood supply services and the possibility of offshore plasma fractionation. Our main concerns are:

- That a side letter of the US FTA committed the Government to recommending that future arrangements for the supply of blood services be done through competitive tendering. This basically means that contracts for blood fractionation will go to the lowest tender, regardless of any health and national security concerns. This side letter effectively ties the hands of government policy making to recommending competitive tendering of blood fractionation services. Trade agreements should not be able to dictate the health policies of future governments.
- That competitive tendering of blood products and fractionation services may weaken Australian standards for blood products and may increase the risk of infectious diseases being transmitted through blood products.
- That competitive tendering of blood products and fractionation services is national security concern. It is important that Australia maintain a central entity in Australia to supply blood products and fractionation services in the event of natural or man-made emergencies. Australia should maintain a national capacity to supply our blood needs in the event of an emergency.

AFTINET will appear before the Parliamentary Committee on Wednesday 17 May.

### **4. Mark your diary! AFTINET fundraising dinner on Wednesday 16 August**

AFTINET plan to hold a big fundraising dinner in Sydney at **630pm on Wednesday 16 August**. We're lucky to have ACTU President Sharan Burrows confirmed as our keynote speaker on the evening. We would love to have you (and your friends) join us on the evening. More information will follow in the coming month.

### **5. Another WTO deadline missed. Developing countries and community groups hold strong!**

As reported in the last bulletin, the next important deadline for cutting tariffs in farm and manufacturing goods in the WTO negotiations was meant to be 30 April. WTO Director General Pascal Lamy had called a Mini-Ministerial for 30 April, which was intended to finalise negotiations. This meeting would have excluded most governments and was heavily criticized by developing countries and community organisations. Due to continuing deadlock in the negotiations and strong pressure from developing countries and community groups, the Mini-Ministerial was cancelled and the 30 April deadline missed.

AFTINET worked with many of our member organisations in Australia and also with community organisations around the world to raise concerns about forcing WTO decisions in exclusive behind-closed door meetings. A joint statement of over 125 community organisations from some 40 countries criticized Lamy's instigation of 'invitation-only' meetings to force agreement and this statement was used to lobby Trade Minister Mark Vaile about Australia's role in pushing for the Mini-Ministerial.

Many developing countries are unhappy with the current deals on the table in both agriculture and manufactured goods. Again, the Doha (so-called) Development Round seems to be anything but a round for development. Developing countries are being asked to give up a huge amount of policy space in services in return for paltry and uncertain gains in agriculture.

In an increasingly frenzied attempt to reach an agreement, WTO negotiators have set a 6-week timetable to broker a deal on manufactured goods and agriculture. Lamy has said that leaving a deal until July "would guarantee failure" in the Doha Round.

The following letter from Pat Ranald was published in the *Australian Financial Review* on May 2. AFTINET also sent out a media release making these points

Your story on the failure of WTO talks "Pessimistic Vaile heads back to Geneva" AFR 28/4/06 missed the real point. WTO negotiators have missed yet another deadline because industrialised countries, including Australia, have failed to meet their promises that this round would provide genuine benefits and reduce poverty in developing countries.

The US and the EU have failed to make convincing offers on reductions in unfair agricultural subsidies. At the same time they and the Australian government are making unreasonable demands on developing countries to reduce tariffs on industrial goods and to deregulate essential services in ways which will increase unemployment and poverty, and reduce access to essential services.

Developing country governments are right to reject this as a bad deal. Studies by prominent economists like Joseph Stiglitz, former chief economist of the World Bank, show that rapid liberalisation and deregulation in low-income economies with high unemployment does not contribute to economic growth but worsens poverty.

The Australian government should reject this approach and should work with developing countries to implement the special and differential treatment for developing countries that was promised in the current so-called "Development Round" of trade negotiations. In particular, the Australian government should cease making demands on developing countries to commercialise and deregulate essential services in ways that

would reduce access to essential services for those in poor countries who are in most need of them.

## 6. **New research reports released: WTO's Doha Round is a recipe for disaster for developing countries**

As WTO negotiators miss yet another deadline for concluding world trade talks, developing country negotiators are no doubt asking themselves if they might be better off with no deal at all. A couple of well-researched reports were released in April that show that the emerging deal in the WTO Doha Round will not assist developing countries.

### **Doha Round and Developing Countries: Will the Doha deal do more harm than good?**

Indian think-tank RIS (Research and Information System for Developing Countries) has released a policy brief that claims that the hidden cost of the Doha Round may well outstrip the limited gains predicted for most developing countries. This report uses recent projections of different Doha scenarios from the World Bank, UNCTAD, and others to assess the benefits and costs for developing countries.

- All projections of income gains for developing countries as a group are modest, well under one percent of GDP and less than a penny-a-day per person. Only a few countries capture the bulk of the projected gains, with Brazil and China among the winners
- Some of the poorest countries and regions, including Sub-Saharan Africa, see income losses or trivial gains. For many countries the loss of tariff revenues with liberalization are greater than the projected gains from a Doha agreement. India, for example, would lose nearly \$8 billion in annual revenues from manufacturing tariffs, almost four times the projected gains of \$2.2 billion
- For the developing world as a whole, a projected gain of just \$7 billion would be swamped by \$63 billion in losses from tariffs on manufactured goods
- Liberalization leads to de-industrialization in some emerging economies, as some countries (Brazil) gain in agriculture at the expense of manufacturing, and others (India) lose high value-added manufacturing for gains in less- technologically developed industries, such as apparel.

The full report can be downloaded at:  
<http://www.ase.tufts.edu/gdae/Pubs/rp/HiddenCostsApr06.htm>

### **A recipe for disaster: Will the Doha Round fail to deliver for development?**

Oxfam UK has released a report that recommends that no deal should be signed in 2006, unless the substance of the offers on the table changes radically. As yet another deadline approaches in the Doha Round of trade negotiations, the chances of a deal being done this year that helps developing countries are looking increasingly slim. Aggressive demands by rich countries mean that, far from being able to pursue reforms that will lift people out of poverty, poor countries are having to engage in damage limitation.

The full report is at:  
[http://www.oxfam.org/en/files/bp87\\_recipefordisaster\\_060427/download](http://www.oxfam.org/en/files/bp87_recipefordisaster_060427/download)

## **7. Latin American countries band together against water liberalisation**

From the International Centre for Trade & Sustainable Development

Five Latin American countries announced at the World Water Forum held from 16-22 March in Mexico City, that they were forming a "common front" against the inclusion of water-related commitments in the WTO. Representatives from Argentina, Bolivia, Brazil, Uruguay and Venezuela said that they would call on their trade negotiators to halt all negotiations on drinking water and basic sanitation at the WTO and in other free trade agreements. At the same time, activists mobilising on the outskirts of the meeting welcomed this declaration as a "victory" against the privatisation of water provision.

The World Water Forum is an initiative of the World Water Council, an international multi-stakeholder platform, which aims to raise awareness on water issues all over the world. As the main international event on water, it seeks to enable multi-stakeholder participation and dialogue to influence water policy making at a global level, in pursuit of sustainable development. The fourth Forum was organised around the theme "local actions for a global challenge" and attracted more than 11,000 participants from governments, UN agencies, intergovernmental and non-governmental organisations (NGOs), academia, industry, indigenous groups, youth and the media.

While the US has offered to open up its wastewater and water cleanup/remediation sectors to foreign service providers at the WTO, the EC has withdrawn earlier requests for the liberalisation of 'water for human use' services. A recent collective environmental services request from Australia, Canada, the EC, Japan, Korea, Norway, Singapore, Switzerland, Chinese Taipei, and the US for the opening up of selected environmental service sectors did not include water for human use, though it did include a request for the liberalisation of sewage services in the targeted countries, namely Argentina, Brazil, Chile, China, Colombia, Costa Rica, Egypt, India, Indonesia, Israel, Malaysia, Mexico, Namibia, New Zealand, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Singapore, South Africa, Thailand and Turkey.

Omar Fernandez, the head of Bolivia's Environment and Sustainable Development Committee, led the charge against trade, saying that "water should not be a part of free trade deals because it should not be considered just another commodity". These sentiments were reflected in a speech made by Abel Mamani, a grassroots activist in El Alto, Bolivia, who argued that water was a fundamental human right, should not be privatised and should be withdrawn from all free trade and investment agreements. Mamani had been involved with the seven-year mobilisation against increases in the cost of water resulting from the privatisation of water use services to water company Aguas de Illimani, whose controlling shareholder was French company Suez. In January 2005, following public protests, the contract between the company and the El Alto government was terminated.

For a full report, visit [www.ictsd.org/biores/06-04-03/story3.htm](http://www.ictsd.org/biores/06-04-03/story3.htm)

## **8. China FTA may threaten furniture makers**

The Age, 6 April 2006  
By Philip Hopkins

A FREE trade deal with China would be a big threat to Victorian furniture manufacturers because China already seems to be dumping its product in Australia, the industry has warned.

Victorian Furnishing Industry Association of Australia general manager John Osmelak yesterday said his group had conducted a study into wholesale and retail prices of major Chinese hardwood manufacturers. This had shown that China was either dumping its product, buying Australian hardwood at cheaper prices than Australian manufacturers, or receiving incentives from the Chinese Government to subsidise prices.

Australia had a 5 per cent tariff on imported products, but Mr Osmelak said China's import duties on timber products ranged from zero to 15 per cent. Other charges included a 17 per cent VAT tax on all imported goods and a retail tax. "The so-called level playing field that the Australian Government so religiously clings to is a myth," he said. "There is no level playing field in the rest of the world, only in the mind of the Australian Federal Government."

The association's views were contained in a submission to the Department of Industry, Innovation and Regional Development on the potential impact of a China free trade deal on Victorian industry. China expects a free trade deal to be completed within two years.

Victoria has 40 per cent of national furniture production. Association figures show that furniture employment has only improved by 0.9 per cent in the past decade, while furniture imports have more than tripled. Over the same period, the furniture trade deficit has quadrupled to \$1.8 billion. Mr Osmelak said Australian anti-dumping laws made it too expensive to launch an anti-dumping complaint.

However, the European Furniture Industry Confederation planned to file an anti-dumping complaint against China with the European Commission, and Canadian furniture manufacturers had similar concerns. "This avenue is not available to Australian furniture manufacturers," Mr Osmelak said. He said China's currency was also an issue. Not floating its currency gave China's manufacturers a huge price advantage that could undermine Australian and Western manufacturing in general. Mr Osmelak said the threat from China came at a difficult time for all manufacturing, but particularly for furniture makers.

## **9. Sydney: World Debt Day events 15 - 16 May**

On Monday 15 May, Join Jubilee at 12 noon at the Jubilee Room NSW Parliament House for the launch of the Jubilee 2006 policy platform & research paper "A Case for Debt Relief". Guest speakers are Prof Ross Buckley (the Tim Fischer Center for Global Trade & Finance), Peter Garrett (Federal MP for Kingsford-Smith) & Dorothy Makasa (Zambian Foundation).

On Tuesday 16 May, join AID/WATCH at 930am outside the World Bank office on the corner of Pitt St and Martin Place for a game show themed protest action to highlight the shortcomings in the Federal Budget to cancel the debt of poor countries. Participants will say "No Deal" to loan agreements that deliver no benefit to local communities, destroy the environment and fatten the wallets of Corporations. And at 530pm, go to the Hollywood Hotel in Surry Hills to find out about AIDWATCH's debt campaign and how to get involved. Call AIDWATCH on 95578944 for more information.

## 10. Melbourne: Fair Trade event 15 May

Watercarriers Dance Theatre presents the darker side of chocolate and afterwards we will have the rare opportunity to hear Cocoa Farmers Erica Kyere and Agnes Abrafi from Kuapa Kokoo tell their story about Fairtrade cocoa benefits farmers in Ghana. There will also be a screening of 'One Cup at a Time' Set in East Timor, this documentary traces the direct effect that purchasing decisions made by Australians can have on the lives of farmers in developing countries. Learn from the farmers in East Timor. WHERE: The Erwin Radio Cinema 1st Floor, 207 Johnston Street, Fitzroy. For more info about the film visit <http://www.thescarab.org>