

PM with Mark Colvin

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Michael Janda reported this story on [Friday, November 11, 2011 18:15:00](#)

MARK COLVIN: One of the main topics for discussion at APEC will be the Trans-Pacific Partnership; a plan for a free trade agreement between nine countries, including the US, Australia and New Zealand.

Negotiations have been underway since March last year.

But US demands for greater patent and intellectual property rights have deadlocked early talks.

Business reporter Michael Janda.

MICHAEL JANDA: The fledgling Trans-Pacific Partnership may not be well known, but it stand to be a much bigger trade deal than the Australia - US agreement that came into force at the start of 2005.

The Partnership's being negotiated between the US, Australia and New Zealand, as well as Chile, Peru, Vietnam, Brunei, Malaysia and Singapore, with the possibility Japan may join too.

Australia's Trade Minister, Craig Emerson, told Radio Australia it might be the first step to an APEC wide free trade zone.

CRAIG EMERSON: One way of looking at the Trans-Pacific Partnership is that it could lead to the agreed vision for APEC of a free trade area for Asia and the Pacific. That would be a good outcome. Ultimately I think that's not something that's going to happen next week, next year, but it's always good to have that vision there as to guide the steps that are made along the way.

MICHAEL JANDA: The head of the Asian Development Bank's office of Regional Economic Integration, Iwan Azis, is less optimistic about a deal being struck.

IWAN AZIS: This really the kind of the non-threat issues that will be the major stumbling block. I'm not worried about the trade issues like tariff reduction, some non-tariff barriers removal and so forth. I think that can be done rather easily. But the non-threat issue, that is the most difficult part.

This is really grade-A type of agreement. So it's the gold standard, which is very nice on paper but when it comes to the practice it's very difficult.

MICHAEL JANDA: However, Dr Patricia Ranald, from the Australian Fair Trade and Investment Network, says negotiations have stalled after the US introduced some new demands.

PATRICIA RANALD: Negotiations have been going since March last year. They were meant to be

completed at the APEC meeting but they've essentially been delayed because of US demands which are far more extreme in the areas of medicines particularly and intellectual property.

MICHAEL JANDA: She says some of the main sticking points are clauses that would effectively undermine Australia's Pharmaceutical Benefits Scheme, and similar programs in New Zealand and elsewhere.

Currently a panel of experts sets the wholesale price of new drugs included in Australia's PBS based on the cost of comparable existing treatments.

Dr Ranald says leaked documents show the US wants provisions that would allow drug companies to appeal that wholesale price determination.

PATRICIA RANALD: They're talking about independent appeal processes which would mean government didn't have the final decision. But also they're talking about using criteria in those schemes which would give greater weight to what they call innovation and less weight to affordability of medicines.

Now what that means is that they essentially want the right to charge a lot more for new medicines

MICHAEL JANDA: She says that could push up the cost of the PBS, force Australian retail prices higher, or cause the list of drugs covered by the scheme to be cut.

PATRICIA RANALD: The wholesale price is important because the Australian government also subsidises the price to us at the chemist. Now the difference between the wholesale price and that retail price we pay at the chemist is the cost to the government of the scheme. If that cost rises because of higher wholesale prices then it puts pressure on the whole scheme.

MICHAEL JANDA: Iwan Azis says the same effect may occur in developing countries less able to afford it.

IWAN AZIS: That may affect the price of some medicines for some emerging markets because the price will go up if this is imposed in a strict way.

MICHAEL JANDA: Dr Ranald warns Australia's economy would also lose out from stronger intellectual property protection.

PATRICIA RANALD: Australia is a net importer of patented goods, including medicines. And the Productivity Commission report found specifically that it is not in the national interest, or in the interests of the Australian economy, for Australia to agree to stronger intellectual property rights.

MICHAEL JANDA: Iwan Azis says the Trans-Pacific Partnership may need to set its sights lower on intellectual property and government enterprise issues if it wants to attract members.

IWAN AZIS: At this early stage do not impose too strict conditions to give some room for other countries who are not members, who are outside those nine, be interested to join, you know. But if at this early stage they are already imposing too strict rule then that panel for environment whereby new members are interested to join will be gone basically.

MICHAEL JANDA: Trade delegations are in Hawaii to try and kick-start negotiations on the partnership.

Craig Emerson's in Honolulu and was unavailable for interview this afternoon. But a spokesman for Mr Emerson says the Australian Government won't accept any outcome that could compromise Australia's health system, or ability regulate on other important public policy issues.

MARK COLVIN: Michael Janda.

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