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## **China trade deal could lead to cheaper medicines: expert**

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**Reporter: Kim Landers**

MARK COLVIN: When John Howard travels to Beijing next month he's expected to make it clear that Australia will begin negotiating a free trade deal with China.

Much of the political debate so far has centred on the potential pitfalls of cheap Chinese goods flooding the Australian market.

But one expert says the trade deal could provide a previously unrecognised benefit, by boosting the untapped potential of Australia's generic pharmaceutical industry, while also helping to reduce the cost of medicines.

From Canberra, Kim Landers reports.

KIM LANDERS: China is one of the world's largest manufacturers of generic pharmaceuticals, producing over 1,300 different kinds of medicines.

And by 2020, China is expected to have the world's largest pharmaceutical market, making it, according to one expert, a potentially powerful partner for Australia's pharmaceutical industry.

Dr Thomas Faunce is a Senior Lecturer at the Medical School and Law Faculty at the Australian National University.

He's prepared a submission for a Senate inquiry into Australia's relationship with China about the potential of a free trade deal for the pharmaceutical industries of both nations.

THOMAS FAUNCE: Australia has certain advantages in regulatory policy in pharmaceuticals through the expertise we've built up over time in our Pharmaceutical Benefits Scheme. But we also have world's best practice researchers in relation to running clinical trials, and in certain niche areas in biotechnology.

So essentially the proposal is that one interesting thing that might be included in a free trade deal between China and Australia is some sort of

mechanism for ongoing cooperation and collaboration between Australia and China with us giving the Chinese the benefits of our expertise in these areas, and the Chinese making available the market that they have for pharmaceuticals.

KIM LANDERS: Would this collaboration help bring down the costs of pharmaceuticals in Australia?

THOMAS FAUNCE: Look, it's really hard to answer that question. I think it's undoubtedly true that facilitating access by Australian firms to the Chinese pharmaceutical market would certainly provide a great incentive for setting up pharmaceutical companies in Australia. I think there could well be a flow-on benefit to the production of generic medicines in Australia.

KIM LANDERS: With these possible mutual benefits, Dr Faunce recommends that any Australia-China Free Trade Agreement should include a medicines working committee.

Protecting Australia's Pharmaceutical Benefits Scheme and the generic medicines industry was a key sticking point in the final machinations of the Australia-US Free Trade Agreement.

But Dr Faunce says the two deals can't be compared.

THOMAS FAUNCE: Obviously there are a lot of human rights concerns about a free trade deal with China. And all I'm really suggesting here is that given the size of the generic pharmaceutical industry in Australia and how important generics are to low medicines prices in Australia, there may be benefits.

MARK COLVIN: Professor Thomas Faunce of the Australian National University, speaking to Kim Landers.