Public Health Association of Australia submission to the Inquiry into the Trade and Foreign Investment (Protecting the Public Interest) Bill 2014

Contact for PHAA:
Michael Moore
Chief Executive Officer
mmoore@phaa.net.au

11 April 2014
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Introduction

The Public Health Association of Australia Incorporated (PHAA) is recognised as the principal non-government organisation for public health in Australia and works to promote the health and well-being of all Australians. The Association seeks better population health outcomes based on prevention, the social determinants of health and equity principles. The PHAA has a vision for a healthy region, a healthy nation and healthy people living in a healthy society and a sustaining environment while improving and promoting health for all.

Public Health

Public health includes, but goes beyond the treatment of individuals to encompass health promotion, prevention of disease and disability, recovery and rehabilitation, and disability support. This framework, together with attention to the social, economic and environmental determinants of health, provides particular relevance to, and expertly informs the Association’s role.

The Public Health Association of Australia

PHAA is a national organisation comprising around 1900 individual members and representing over 40 professional groups concerned with the promotion of health at a population level. Key roles of the organisation include the development of policy, capacity building and advocacy. Core to our work is an evidence base drawn from a wide range of members working in public health practice, research, administration and related fields who volunteer their time to inform policy, support advocacy and assist in capacity building within the sector. PHAA supports a preventive approach for better population health outcomes by championing appropriate policies and providing strong support for Australian governments and bodies such as the National Health and Medical Research Council in their efforts to develop and strengthen research and actions in public health. PHAA has Branches in every State and Territory and a wide range of Special Interest Groups. The Branches work with the National Office in providing policy advice, in organising seminars and public events and in mentoring public health professionals. This work is based on the agreed policies of the PHAA. Our Special Interest Groups provide specific expertise, peer review and professionalism in assisting the National Organisation to respond to issues and challenges as well as a providing a close involvement in the development of policies. In addition to these groups the PHAA’s Australian and New Zealand Journal of Public Health (ANZJPH) draws on individuals from within PHAA who provide editorial advice, and review and edit the Journal.

Advocacy and capacity building

In recent years PHAA has further developed its role in advocacy to achieve the best possible health outcomes for the community, both through working with all levels of governments and agencies, and promoting key policies and advocacy goals through the media, public events and other means.
Investor-state dispute settlement and public health

Background

Investor-state dispute settlement (ISDS) is a legal mechanism included in some trade agreements and investment treaties. ISDS provides a legal mechanism for foreign investors to contest decisions by national governments that they believe impinge on their investments.

ISDS was originally included in these agreements to provide recourse for developed country corporations investing in developing countries without strong legal systems (Eberhardt & Olivet, 2012). But now ISDS cases are frequently launched against developed countries as well. Many ISDS cases involve environmental and public health policies and large amounts of money and there is widespread concern around the world about the effects on the capacity of governments to regulate to protect the environment and public health.

Including ISDS clauses in Australia’s trade agreements may impact Australia’s ability to enforce existing policies and implement new policies that support public health. These include tobacco control policies such as our world-leading tobacco plain packaging laws, and innovative policies in the areas of alcohol and food policy. The costs to the health system from the health effects of tobacco, alcohol and obesity are estimated at $6 billion per year, with lost productivity as a result of these factors estimated at almost $13 billion per year (Hirono et al., 2014). But ISDS provides an avenue for corporations to seek compensation from governments for introducing policies and laws to regulate the health-damaging products that contribute to rising rates of chronic disease.

From a public health perspective, there are no arguments in favour of including ISDS in trade and investment agreements. But there are many arguments against providing this mechanism in Australia’s trade and investment agreements. This submission sets out these arguments.

1. Many investor-state cases concern public health and environmental issues

Over the last decade there has been a large increase in investment arbitration cases. By 2011 there were 450 known ISDS cases (Eberhardt and Olivet, 2012). Key examples relevant to public health include Philip Morris Asia’s case against Australia under the Hong Kong-Australia Bilateral Investment Treaty, over the introduction of tobacco plain packaging. Eli Lilly, a Canadian pharmaceutical company, is also suing the Canadian Government for $500 million over court decisions to revoke patents for two drugs that were found not to deliver the promised benefits. There have been many cases involving corporations challenging decisions to protect the environment; decisions which are often made for public health reasons as well as environmental reasons.
2. Flaws in the investor-state dispute settlement process

Investor-state dispute settlement is a fundamentally flawed and pro-investor system.

The costs of arbitration can be very high. It can cost millions for countries to fight legal claims under ISDS, even if they successfully defend them. The OECD (2012) has estimated the costs average more than $8 million per case.

The awards involved in ISDS cases are also often very high. The Czech Republic, for example, had to pay more than $350 million USD in an ISDS case, which is reported to have almost doubled its public sector deficit (International Institute for Sustainable Development, 2007). El Salvador has been sued for over $300 million USD by Pacific Rim, a Canadian gold mining company over its refusal to grant permits for cyanide-based gold mining (Williams, 2013). In some cases awards have amounted to over a billion dollars.

The ISDS process lacks the safeguards of domestic legal processes. Compared with domestic legal cases, there is a lack of transparency. Hearings are generally closed unless both parties agree (Gleeson et al, 2012). Cases are decided by a panel of three arbitrators, who may have conflicts of interests, as they can act as legal representatives in other cases while serving as arbitrators in others (Gleeson et al, 2012). The fact that arbitrators are paid by the hour, and many arbitrators work for law firms with corporate clients, also creates a pro-investor bias (Tienhaara, 2010). Decisions are ad hoc as arbitrators do not have to take precedents into account (Tienhaara, 2010).

A report by Corporate Europe Observatory and the Transnational Institute (Eberhardt and Olivet, 2012), describes how the boom in investment arbitration cases over the last couple of decades has given rise to an elite investment arbitration industry dominated by a small number of investment law firms and arbitrators. According to this study, investment arbitration lawyers have encouraged governments to sign treaties with poorly worded ISDS clauses that expose them to legal cases, have encouraged corporations to use lawsuits and have actively prevented changes to the investment arbitration system.
3. Regulatory chill

The threat of legal action, or even the existence of an ISDS mechanism, can deter governments from implementing public health policies and laws. Corporations can also delay the uptake of innovative public health policies and laws in other countries by launching ISDS claims against ‘first movers’ (the first country to introduce a new approach).

4. ‘Safeguards’ and exceptions may not be effective in preventing cases

The recently signed trade agreement between South Korea and Australia FTA (KAFTA) supposedly includes exceptions/safeguards to protect public health and the environment. However experts have cautioned that these supposed exceptions/safeguards have not prevented ISDS claims in other trade agreements (Tienhaara and McGee, 2014).

5. The tide is turning: There is a growing movement against ISDS

Several countries are now recognising the risks associated with ISDS and there is a growing trend to review, terminate or renegotiate agreements containing ISDS mechanisms. India is reviewing its investment treaties (Khor, 2014). Indonesia and South Africa have reportedly decided to terminate their bilateral investment treaties containing ISDS (Bland & Donnan, 2014; Khor, 2014).

In January 2014, amidst widespread public concern, the European Commission (2014a) announced its decision to publish a draft of the investment chapter of the Transatlantic Trade and Investment Partnership (TTIP) followed by a 3-month consultation period. The public consultation was launched on 27 March 2014 (European Commission, 2014b).

Conclusion

PHAA is strongly opposed to the inclusion of ISDS in Australia’s trade and investment agreements and supports the Trade and Foreign Investment (Protecting the Public Interest) Act 2014.

PHAA appreciates the opportunity to make this submission to the Committee and would be happy to elaborate on the views expressed at a future public hearing.

Please do not hesitate to contact me should you require additional information or have any queries in relation to this submission.

Michael Moore BA, Dip Ed, MPH
Chief Executive Officer
Public Health Association of Australia

11 April 2014
References


