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A Supplementary Submission on The Commonwealth's Treaty-Making Process

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A SUPPLEMENTARY SUBMISSION TO THE SENATE COMMITTEE FOR FOREIGN AFFAIRS, DEFENCE, AND TRADE REFERENCES

THE COMMONWEALTH'S TREATY-MAKING PROCESS



Washington DC Protest over Fast-Track, 30 April 2015, https://twitter.com/fightfortheftr/status/593493421089804291/photo/1

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Executive Summary

This supplementary submission highlights two new developments, which have arisen since the initial submission. First, it considers the publication of the draft Investment Chapter of the *Trans-Pacific Partnership* (TPP) by WikiLeaks. Second, it looks at the introduction of the fast-track trade promotion authority bill, the *Bipartisan Congressional Priorities and Accountability Act* of 2015, into the United States Congress. The two topics have been interlinked to a certain extent.

1. The Trojan Horse of the *Trans-Pacific Partnership*: The WikiLeaks Expose of the Secret Trade Deal

On the 25th March 2015, WikiLeaks once again broke the secrecy surrounding the *Trans-Pacific Partnership* (TPP), releasing the draft text of the Investment Chapter of the Pacific Rim Treaty. Julian Assange, WikiLeaks editor commented that there was an investor-state dispute settlement mechanism in the agreement: 'The TPP has developed in secret an unaccountable supranational court for multinationals to sue states.' He observed: 'This system is a challenge to parliamentary and judicial sovereignty.' Julian Assange warned: 'Similar tribunals have already been shown to chill the adoption of sane environmental protection, public health and public transport policies.' The story was discussed in Australia in the Fairfax papers.

This latest revelation is part of a pattern of whistleblowing by the organisation. Previously, WikiLeaks has published two versions of the Intellectual Property Chapter of the TPP, as well as the Environment Chapter of the TPP. In addition, WikiLeaks has also published the text of the *Trade in Services Agreement* (TiSA).

The leaked text reveals the ulterior purposes behind the shadowy TPP. The investment chapter serves to boost the corporate rights and powers of multinational companies with an investor-state dispute settlement mechanism – at the expense of democratic governments and domestic courts. The leaked text shows that this agreement is more about corporate power, than 'free trade.' Investor-state dispute settlement is really a form of corporate sovereignty. Investor clauses will be able to be used as Trojan Horse clauses against a wide range of

government regulation – including public health, access to medicines, tobacco control, labor rights, environmental regulation, and climate action.

The leak of the Investment Chapter of the TPP by WikiLeaks is a bombshell. It will further galvanise resistance and opposition to the fast-tracking of this mega trade deal. It is the most controversial Chapter in the TPP. Members of the US Congress like Senator Elizabeth Warren have demanded that the Investment Chapter be dropped altogether. Warren has observed: 'Giving foreign corporations special rights to challenge our laws outside of our legal system would be a bad deal.' She commented: 'If a final TPP agreement includes Investor-State Dispute Settlement, the only winners will be multinational corporations.' A significant number of members of the United States Congress have refused to fast-track the TPP because of such concerns about the impact of the deal upon democratic law-making.

In the Australian Parliament, there has also been a lively debate over investor-state dispute settlement. The Coalition Government have been willing to enter into trade agreements, with investor-state dispute settlement clauses on a case-by-case basis. The Minister for Trade and Investment Andrew Robb has sought to drive a hard bargain in respect of investor clauses. Australia entered into trade agreements with South Korea and China, with investor clauses. However, the trade agreement with Japan did not contain an investor-state dispute settlement clause.

The WikiLeaks publications reveals the bargaining strategy of Andrew Robb and Australian Government in respect of investor-state dispute settlement. Footnote 29 provides: 'Notwithstanding any provision of this Agreement, Australia does not consent to the submission of a claim to arbitration under this Section.' However, it notes this footnote can

be deleted subject to certain conditions. It would seem that the Australian Government is only willing to sign up to an investor-state dispute settlement scheme, if it can obtain other benefits in the negotiations over the TPP.

In its public rhetoric, the Coalition Government has maintained that the TPP has safeguards for public health, the environment, and safety. Andrew Robb has fobbed off criticism from civil society and academics about the agreement as being merely scaremongering on programmes, such as <a href="https://doi.org/10.2007/1

Moreover, there are further qualifications and exclusions in the annex of the investment chapter of the TPP. Australia – as well, Canada, Mexico, and New Zealand - has also sought to protect its rules in respect of Australia's foreign investment policy in Annex II-H. Annex II-M is interesting in this regard. For Australia, the text has said that the following measures shall not be subject to the Investment chapter – the Pharmaceutical Benefits Scheme; Medicare; Therapeutic Goods administration; and the Office of the Gene Technology Regulator. Canada has sought to protect cultural industries in Annex II-I of the Investment Chapter of the TPP. However, Australia did not have any similar reservations. This raises questions as to the extent to which Australian decisions about local content, culture, and media ownership and regulation will be subject to review.

The Australian Labor Party has not responded to the publication of the WikiLeaks text of the Investment Chapter of the TPP. There is much internal debate within the party over trade matters. Previously, under the leadership of Julia Gillard, and then Kevin Rudd, the Australian Labor Party had taken the position that investor-state dispute settlement was unacceptable. However, the Australian Labor Party was willing to provide support for the *Korea-Australia Free Trade Agreement* (KAFTA), even though the deal contained an investor clause.

Senator Peter Whish-Wilson of the Australian Greens emphasized that the WikiLeaks publication reinforced his call for a prohibition on investor clauses in trade and investment agreements. He commented that investor clauses 'represent a clear threat to the sovereignty of our nation, simply in order to satisfy powerful corporate interests and their deregulation agendas.' He maintained: 'Australia should not enter into any trade deal that gives special rights to corporations to sue a government simply for making decisions in the public interest.' The Senator concluded: 'This should be a wake-up call to the Australian Senate not to simply be a TPP rubber stamp for a government rushing to sign trade deals for a headline.'

In addition to political concerns about investor-state dispute settlement, there has also been much disquiet from the judiciary. Chief Justice Robert French of the High Court of Australia has expressed his concerns that the 'judiciary, as the third branch of government in Australia, has not had any significant collective input into the formulation of ISDS clauses in relation to their possible effects upon the authority and finality of decisions of Australian domestic courts.' He was concerned about the impact of investor-state dispute settlement upon domestic courts, the judiciary, and landmark rulings – like the decision in respect of plain packaging of tobacco products.

The publication of the Investment Chapter of the TPP strengthens the case for the removal of investor-state dispute settlement from the Pacific Rim deal altogether.

2. Fast-Track Legislation

On the 16th April 2015, the United States House of Representatives Ways and Means Chairman Paul Ryan (Republican, Wisconsin) and the United States Senate Committee on Finance Chairman Orrin Hatch (Republican, Utah), and Ranking Member Ron Wyden (Democrats, Oregon), introduced the fast-track Trade Promotion Authority legislation into the United States Congress.¹ The legislation is entitled the *Bipartisan Congressional Priorities and Accountability Act* of 2015.²

Finance Chairman Orrin Hatch argued: 'If we want to have a healthy economy with better jobs and bigger paychecks for more families and individuals, we must engage with other nations through trade'.³ He lamented lack of a trade promotion authority: 'So, while other

The United States Senate Committee on Finance, 'Hatch, Wyden and Ryan Introduce Trade Promotion Authority Legislation: Finance, Ways & Means Leaders Deliver Bill Needed to Achieve High-Quality Trade Deals that Open Markets, Benefit American Workers & Job Creators', United States Congress, 16 April 2015, http://www.finance.senate.gov/newsroom/chairman/release/?id=7701eb50-a0ef-4257-bfc1-b06efe725b8c

² Bipartisan Congressional Priorities and Accountability Act of 2015 https://s3.amazonaws.com/s3.documentcloud.org/documents/1905902/bipartisan-congressional-trade-priorities-and.pdf

The United States Senate Committee on Finance, 'Hatch, Wyden and Ryan Introduce Trade Promotion Authority Legislation: Finance, Ways & Means Leaders Deliver Bill Needed to Achieve High-Quality Trade Deals that Open Markets, Benefit American Workers & Job Creators', United States Congress, 16 April 2015, http://www.finance.senate.gov/newsroom/chairman/release/?id=7701eb50-a0ef-4257-bfc1-b06efe725b8c

nations have moved forward and created trade agreements to benefit their workers, the United States has fallen behind.' Hatch insisted that 'the renewal of TPA will help American workers and job creators unlock new opportunities for growth and promote better, higher-paying jobs here at home'. He argued: 'If we want to maintain our nation's economic leadership and promote American values around the world, we must reach beyond our borders, and this bill is a strong first step.'

Ranking Senate Democrat Member Ron Wyden also supported the Fast-Track Bill in 2015. Wyden maintained:

I'm proud this bipartisan bill creates what I expect to be unprecedented transparency in trade negotiations, and ensures future trade deals break new ground to promote human rights, improve labor conditions, and safeguard the environment. At the core of this agreement is a new mandate for the Open Internet, free speech and digital commerce, by ensuring information can flow freely across national borders over the Internet.⁷

Wyden has said that the regime will 'advance Oregon values.' He has trumpeted endorsements from Oregon exporters of precision components, bike parts, blueberries, and

⁵ Ibid.

The United States Senate Committee on Finance, 'Hatch, Wyden and Ryan Introduce Trade Promotion Authority Legislation: Finance, Ways & Means Leaders Deliver Bill Needed to Achieve High-Quality Trade Deals that Open Markets, Benefit American Workers & Job Creators', United States Congress, 16 April 2015, http://www.finance.senate.gov/newsroom/chairman/release/?id=7701eb50-a0ef-4257-bfc1-b06efe725b8c

⁴ Ibid.

⁶ Ibid.

Senator Ron Wyden, 'Wyden Introduces Package to Boost Transparency, Oversight, Enforcement and Oregon Values in Trade Agreements', Press Release, 16 April 2015, http://www.wyden.senate.gov/news/press-

speakers. His switch of position on intellectual property and trade is surprising – given that he has previously been a critic of the *Stop Online Piracy Act*, the *Anti-Counterfeiting Trade Agreement* and the *Trans-Pacific Partnership*. Wyden has come under significant criticism in his home-state of Oregon and elsewhere over his policy shift in respect of trade policy. The Senator from Oregon has sought to defend his position in the face of widespread criticism. His justifications of his switch, though, have mainly attracted disappointment.

House Republican Paul Ryan also supported the fast-track trade promotion authority. ¹³ He stressed that 'a good trade agreement will help create a healthier economy and high-paying

 $\underline{releases/wyden-introduces-package-to-boost-transparency-oversight-enforcement-and-oregon-values-in-trade-agreements}$

- Carolina Rossini, 'Congress Members Ron Wyden and Darrell Issa Demand USTR Tell the American People What's Going on with the TPP and its Impact on Digital Freedom', Electronic Frontier Foundation, 5 September 2012, https://www.eff.org/deeplinks/2012/09/congress-demand-ustr-reveal-tpp and Maira Sutton, 'The Secrecy Must Be Stopped: Congress Members Probe USTR on the Confidential TPP Negotiations', Electronic Frontier Foundation, 27 September 2012, https://www.eff.org/deeplinks/2012/09/TPP-secrecy-must-be-stopped
- Shelley Pineo-Jensen, 'Wyden Should Be Recalled for his Stance on TPP', *The Register-Guard*, 27 April 2015, http://registerguard.com/rg/opinion/32992713-78/wyden-should-be-recalled-for-his-stance-on-tpp.html.csp#.VT7 tLaSY.twitter
- Senator Ron Wyden, 'The Free Internet is a Global Priority', *Wired Magazine*, 22 April 2015, http://www.wired.com/2015/04/senator-ron-wyden-free-internet-trade/?mbid=social_twitter and Mario Trujillo, 'Wyden Appeals to Internet Activists on Trade Agreement', *The Hill*, 22 April 2015, http://thehill.com/policy/technology/239683-wyden-appeals-to-internet-activists-on-trade
- Maira Sutton, 'Why Wyden Has It Wrong on Fast Track and the TPP', Electronic Frontier Foundation, 23 April 2015, https://www.eff.org/deeplinks/2015/04/why-wyden-has-it-wrong-fast-track-and-tpp
- The United States Senate Committee on Finance, 'Hatch, Wyden and Ryan Introduce Trade Promotion Authority Legislation: Finance, Ways & Means Leaders Deliver Bill Needed to Achieve High-Quality Trade

American jobs.'¹⁴ Ryan said that the agreement 'will also strengthen our hand abroad and ensure that the United States is writing the rules of the global economy, instead of nations like China'.¹⁵ Notably, there was no Democrat sponsor of the Bill in the House of Representatives.

President Barack Obama has provided enthusiastic support for the Fast-Track trade promotion authority.¹⁶ On the 25th April 2015, he said in his weekly address that the *Trans-Pacific Partnership* would be an improvement upon past trade deals:

I understand why a lot of people are skeptical of trade deals. Past deals didn't always live up to the hype. They didn't include the kind of protections we're fighting for today. We have lessons to learn from the past -- and we have learned them. But trying to stop a global economy at our shores isn't one of those lessons. We can't surrender to the future -- because we are meant to win the future. If America doesn't shape the rules of the global economy today, to benefit our workers, while our economy is in a position of new global strength, then China will write those rules. I've seen towns where manufacturing collapsed, plants closed down, and jobs dried up. And I refuse to accept that for our workers. Because I know when the playing field is level, nobody can beat us.¹⁷

Obama maintained: 'It's the highest-standard trade agreement in history. It's got strong provisions for workers and the environment - provisions that, unlike in past agreements, are

Deals that Open Markets, Benefit American Workers & Job Creators', United States Congress, 16 April 2015, http://www.finance.senate.gov/newsroom/chairman/release/?id=7701eb50-a0ef-4257-bfc1-b06efe725b8c

15 Ibid.

President Barack Obama, 'Weekly Address: Fighting for Trade Deals that Put American Workers First', The White House, 25 April 2015, https://www.whitehouse.gov/the-press-office/2015/04/25/weekly-address-fighting-trade-deals-put-american-workers-first

17 Ibid.

¹⁴ Ibid.

actually enforceable'. ¹⁸ He insisted: 'So this isn't a race to the bottom, for lower wages and working conditions. The trade agreements I'm negotiating will drive a race to the top.' ¹⁹ And we're making sure American workers can retool through training programs and community colleges, and use new skills to transition into new jobs.' ²⁰ Obama argued that the trade deal would be good for jobs: 'My entire presidency is about helping working families recover from recession and rebuild for the future.' ²¹

In response, there has been generally fierce opposition from the Democratic Leadership in the United States Congress.

On the 25th April 2015, Senator Sherrod Brown and Senator Elizabeth Warren wrote to President Barack Obama, demanding transparency in relation to the trade deal of the *Trans-Pacific Partnership*.²² The pair asked: 'We write to request that you promptly declassify the latest bracketed negotiating text of the TPP and release it publicly before asking Congress to vote on "fast track" authority to facilitate the TPP's ratification.' Brown and Warren insisted:

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

Ibid.

Senator Sherrod Brown and Senator Elizabeth Warren, 'Letter to President Barack Obama on the Trans-Pacific Partnership and Fast-Track Authority', 25 April 2015, http://big.assets.huffingtonpost.com/WarrenBrownTPPLetter.pdf

²³ Ibid.

The American people should be allowed to weigh in on the facts of the TPP before Members of Congress are asked to voluntarily reduce our ability to amend, shape, or block any trade deal. The press and the public should be allowed to examine the details that corporate executives and lobbyists have already been allowed to influence for years. Members of Congress should be able to discuss the agreement with our constituents and to participate in a robust public debate, instead of being muzzled by classification rules. Before Congress votes to facilitate the adoption of the TPP, the American people should be allowed to see for themselves whether it's a good deal for them.²⁴

Brown and Warren also had an additional concern that the 'fast track legislation currently under consideration goes far beyond the TPP.'²⁵ They commented: 'Fast track, as currently written, would preclude Congress from amending or filibustering *any* trade agreement submitted to this Congress or any future Congress – potentially through 2021.'²⁶ Brown and Warren were conscious of the potential impact of the regime: 'If passed, this legislation would grease the skids for approval of any additional trade agreements that might be advanced through the next two presidencies.'²⁷ The Senators objected to the President characterising critics of his 'fast-track' approach as 'dishonest.' Brown and Warren concluded: 'We write in the hope that we can work together to open this process to the American people and to achieve your goal of letting them judge the facts for themselves.'²⁸

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Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Ibid.

Congressman Peter DeFazio, representing the 4th District of Oregon, has been very critical of the impact of the trade deal upon the regulation of GM food labelling.²⁹ He highlighted a provision in Section 2 of the Fast-Track Bill on Trade Negotiating Objectives, which required that United States negotiators, seek to eliminate perceived barriers to markets, such as the labelling of genetically engineered food. De Fazio commented:

Call it the smoking gun. Proof that fast track and massive free trade agreements like the Trans-Pacific Partnership are written by and for multinational corporations such as agriculture giant Monsanto. Instead of using trade deals as an opportunity to protect and strengthen consumer rights by joining the countries which require genetically engineered food to be labelled, this administration wants to benefit wealthy corporations at the expense of the public.³⁰

Several consumer groups joined DeFazio in criticizing the fast track bill - including Wenonah Hauter, executive director of Food & Water Watch, and Colin O'Neil, Director of Government Affairs at Center for Food Safety.

Independent Bernie Sanders has announced that he will contest the Presidential nomination contest for the Democrats. He has made trade a key issue in respect of his platform. Sanders wrote in an op-ed for *The Guardian*: 'The TPP is simply the continuation of a failed approach to trade - an approach which benefits large multinational corporations and Wall Street, but

Representative Peter DeFazio, 'DeFazio Blasts "Monsanto Provision" in Fast Track Legislation', Press Release, House of Representatives, 29 April 2015, http://defazio.house.gov/media-center/press-releases/defazioblasts-monsanto-provision-in-fast-track-legislation

Ibid.

which is a disaster for working families'. 31 He commented: 'The TPP must be defeated, but our overall trade policy must also change for corporations to start investing in America and creating jobs here again, and not just in China and other low wage countries.'32

There has been much pressure placed upon Presidential contenders to identify their position on trade deals.³³ Democrat Presidential Candidate Hillary Clinton has articulated her opposition to the inclusion of investor-state dispute settlement clauses in trade agreements – such as the Trans-Pacific Partnership and the Trans-Atlantic Trade and Investment Partnership.³⁴ In her book, Hard Choices, Hillary Clinton raises her concerns about investor clauses, citing the case of Philip Morris bringing an investor action against Australia over its plain packaging of tobacco products:

Currently the United States is negotiating comprehensive agreements with eleven countries in Asia and in North and South America, and with the European Union. We should be focused on ending currency manipulation, environmental destruction, and miserable working conditions in developing countries, as well as harmonizing regulations with the EU. And we should avoid some of the provisions sought by business interests, including our own, like giving them or their investors the

³¹ Senator Bernie Sanders, 'So-Called Free Trade Policies Hurt Us Workers Every Time We Pass Them', The Guardian, 29 April 2015, http://www.theguardian.com/commentisfree/2015/apr/29/so-called-free-tradepolicies-hurt-us-workers-every-time-we-pass-them

³² Ibid.

Reuters, 'Elizabeth Warren: Hillary Clinton Should Say Where She Stands on Trade Deal', The Huffington Post, 9 April 2015, http://www.huffingtonpost.com/2015/04/09/elizabeth-warren-hillary-clintontrade-deal_n_7035856.html?utm_hp_ref=tw

³⁴ Zach Carter, Amanda Terkel, and Ryan Grim, 'Hillary Clinton agrees with Elizabeth Warren on Trade Dispute with Obama', The Huffington Post, 30 April 2015, http://www.huffingtonpost.com/2015/04/30/hillaryclinton-trans-pacific-partnership n 7173108.html

power to sue foreign governments to weaken their environmental and public health rules, as Philip Morris is already trying to do in Australia. The United States should be advocating a level and fair playing field, not special favors.³⁵

Clinton has otherwise been cautious in respect of her stance on the *Trans-Pacific Partnership*. Her spokesperson said in April 2015 that Clinton 'will be watching closely to see what is being done to crack down on currency manipulation' and to 'improve labor rights, protect the environment and health.' ³⁶

Public Citizen commented that the legislation's proposal largely replicated the language of the failed 2014 bill: 'The trade authority bill introduced today would revive the controversial Fast Track procedures to which nearly all U.S. House of Representatives Democrats and a sizable bloc of House Republicans already have announced opposition.' ³⁷ Public Citizen noted 'Most of the text of this bill replicates word-for-word the text of the 2014 Fast Track bill, which itself replicated much of the 2002 Fast Track bill.' Instead of supporting the bill, Public Citizen called on 'Congress to again oppose the outdated, anti-democratic Fast Track authority as a first step to replacing decades of "trade" policy that has led to the loss of millions of middle-class jobs and the rollback of critical public interest safeguards.' ³⁹ Lori

Hillary Clinton, *Hard Choices*, New York: Simon & Schuster, 2014.

Zach Carter, 'Why Hillary Clinton Left Obama to Fend for Himself on Trade', *The Huffington Post*, 17 April 2015, http://www.huffingtonpost.com/2015/04/17/hillary-clinton-obama-trade_n_7090306.html

Ben Beachey, 'Hatch Bill Would Revive Controversial 2002 Fast Track Mechanism that Faces Broad Congressional, Public Opposition', Eyes on Trade, Public Citizen's Blog on Globalization and Trade, 16 April 2015, http://citizen.typepad.com/eyesontrade/2015/04/hatch-bill-would-revive-controversial-2002-fast-track-mechanism-that-faces-broad-congressional-publi.html

³⁸ Ibid.

³⁹ Ibid.

Wallach of Public Citizen commented: 'Congress is being asked to delegate away its constitutional trade authority over the TPP, even after the administration ignored bicameral, bipartisan demands about the agreement's terms, and then also grant blank-check authority to whomever may be the next president for any agreements he or she may pursue'. 'All She said: 'Rather than putting Congress in the driver's seat on trade, this bill is just the same old Fast Track that puts Congress in the trunk in handcuffs.'

There has been much debate as to whether the Obama administration will be able to secure sufficient votes in the House of Representatives and the Senate to secure the passage of the fast-track Trade Promotion Authority.⁴² There remains significant opposition amongst United States Congressional Democrats to the trade deal.⁴³

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Ibid.

Ibid.

Dean Baker, 'The Battle Over the Trans-Pacific Partnership and "Fast Track" Gets Hot', Bill Moyers, 28 April 2015, http://billmoyers.com/2015/04/28/battle-trans-pacific-partnership-fast-track-gets-hot/

George Zornick, 'Democrats Prepare for Battle as Fast Track Nears the Senate Floor', *The Nation*, 23 April 2015, http://www.thenation.com/blog/205193/democrats-prepare-battle-fast-track-nears-senate-floor