

Canada warns EU trade deal could unravel if talks reopened

By Philip Blenkinsop, Reuters

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BRUSSELS (Reuters) - Canada is open to rethinking the contentious issue of investor protection in its free trade accord with the European Union but warns that EU demands for change risk unraveling the entire deal, a senior negotiator said on Wednesday.

Canada and the European Union concluded negotiations a year ago, but the deal still needs to be cleared by the European Parliament and the EU's 28 member states, some of whom are opposed to investor-state dispute settlement (ISDS).

The issue has come to prominence as the European Union negotiates the Transatlantic Trade and Investment Partnership (TTIP) with the United States.

Many Germans in particular oppose ISDS, a system to protect investors from state interference, arguing it gives power to multinationals and undermines countries' ability to legislate in areas such as public health and the environment.

Steve Verheul, Canada's chief trade negotiator with the European Union, said his country anticipated pressure from the EU to consider changes to the investment chapter of the EU-Canada Comprehensive Economic and Trade Agreement (CETA).

"I am going to be exploring potential paths forward on this issue, but I should flag that we do have concerns about reopening any part of the negotiations," he told a briefing in Brussels ahead of a CETA workshop at the European Parliament.

"We are concerned that whenever that happens you can unravel a very careful balance that was struck."

The European Commission, which negotiates trade deals on behalf of the EU's member states, has proposed creating a new transparent court to settle disputes, rather than private arbitration, and one open to appeal.

Verheul, who will hold talks with his EU counterpart this week, said he could imagine language reinforcing the right of governments to regulate and not risk challenges from investors, although it was already protected under the existing CETA text.

The idea of an international court had "some appeal" but setting it up appeared a longer term exercise, whereas Canada did not want further delays to CETA's

implementation.

Canada's trade negotiator said there were issues about the practicality of such a court. However, Canada would be reluctant to sign up to a new type of investor protection system, while EU members had 1,400 existing trade deals with ISDS and could negotiate something different with the United States.

"The U.S. has its own model of how investment disputes should operate... We don't want our investors to be in a different situation to other investors inside the EU market. We have no interest in being put at a disadvantage," he said.