

# European lawmakers threaten to scupper Canada trade deal

JULIA FIORETTI AND BARBARA LEWIS

BRUSSELS — Reuters

Published Thursday, Aug. 28 2014, 9:49 AM EDT

EU lawmakers are threatening to block a multibillion-dollar trade pact between Canada and the European Union – a blueprint for a much bigger EU-U.S. deal – because it would allow firms to sue governments if they breach the treaty.

The agreement with Canada, a draft of which was seen by Reuters, could increase bilateral trade by one fifth to €26-billion (\$34-billion).

But European consumer and environmental groups say a mechanism in the accord would allow multinationals to bully the EU's 28 governments into doing their bidding regardless of environmental, labor and food laws and would set a bad precedent for the planned EU-U.S. trade pact.

The European Parliament must ratify both the Canada and the U.S. pacts. Since elections in May, the rise of nationalist, Eurosceptic parties in the legislature, many of them opposed to globalization, have complicated the EU's free-trade ambitions.

"The Greens will fight hard to get a majority in the parliament against (the EU-Canada deal)," said Claude Turmes of the Green group, echoing concerns from others in the European Parliament, including the Socialist bloc.

Tiziana Beghin, an EU lawmaker from Italy's anti-establishment 5-Star Movement who sits on the parliament's influential trade committee, called the EU-Canada deal an "affront to democracy".

"Giving corporations the right to sue governments for loss of anticipated profit would be ridiculous if it were not so dangerous," she told Reuters.

According to the draft accord, the chapter on "Investor-State Dispute Settlement" (ISDS) allows companies to sue either an EU country or

Canada in a special court if they think their trade interests have been damaged.

Some member states, including Germany, the EU's biggest economy, have also expressed opposition to the ISDS.

Canada and the European Commission deny accusations that the ISDS mechanism will give multinationals too much power. They say dispute settlement has been an important part of trade deals since the North American free-trade agreement 20 years ago.

Some in business consider it an insurance policy against the impact of laws on their profits or against expropriation.

## NEGATIVE SIGNAL

In the European Parliament, it is not yet clear whether there is enough opposition to block the EU-Canada deal, but the very fact such threats are being made indicates the change in tone from the previous, more business-friendly parliament.

Together with the Socialists' 191 members, the political groups opposing the agreement could count on 341 votes, just 35 short of a majority.

Passing the accord is likely to depend on centrist parties forming a grand coalition and much will depend on how the Socialists, who say they oppose the dispute mechanism, vote.

In 2012 the EU Parliament flexed its muscles by rejecting an Anti-Counterfeiting Trade Agreement, which would have set global standards for enforcement of intellectual property rights.

Blocking the Canada trade deal would send a very negative signal on the chances of the even more ambitious EU-U.S. accord, which if approved would encompass almost half of the global economy and about a third of world trade.

"This issue is very important since the accord with Canada with the arbitration clause would foreshadow a deal with the United States,"

said French far-right leader Marine Le Pen.

Hostility to the dispute settlement panel has united those such as Le Pen, who see it as a threat to national sovereignty, and those worried about the implications for environmental law.

Dutch Green MEP Bas Eickhout said the draft deal would “open the backdoor” for firms to kill off environmental legislation.

The EU and Canada hope to sign the accord – officially known as the Comprehensive Economic and Trade Agreement (CETA) – at an Ottawa summit on Sept. 25-26, officials said. It must still be ratified by both the EU and Canadian parliaments.