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Germany drops opposition to EU trade deal with Canada

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Germany has dropped its opposition to an EU trade deal with Canada despite continuing concerns over the inclusion of controversial investor protection rules.

The move marks a significant change of position by Berlin and will be welcomed by advocates of the far bigger Transatlantic Trade and Investment Partnership (TTIP) being negotiated between the EU and US.

Sigmar Gabriel, the German economy minister, told the Bundestag on Thursday that he accepted it would not be possible to drop the controversial clauses from the Canadian agreement, the EU's biggest trade deal to date and regarded as a test case for the TTIP.

Berlin says it remains opposed to allowing [investor-state dispute settlement](#) clauses into any new EU trade agreements. The clauses allow foreign companies to seek compensation before international arbitration panels for government actions that hurt their investments.

Critics fear they undermine the ability of governments to regulate on environmental protection, consumer safety and other matters of public interest.

But the European Commission and the business communities on both sides of the Atlantic argue that including such clauses in the Canadian agreement as well as the TTIP is vital to attracting foreign investment. They also argue that the Canadian agreement is an attempt to modernise investor protection regimes and close loopholes in the system.

Germany's status as the largest economy in Europe has made its position awkward for the progress of trade negotiations with Canada and the US. Cecilia Malmström, the new EU trade commissioner, and other trade officials in Brussels have sought in recent weeks to convince Berlin not to block the Canadian deal and that investor protections ought to have a place in a deal with the US.

Mr Gabriel told the Bundestag that blocking the agreement with Canada because of concerns over the investor protection clauses would come at too high a cost.

“If the rest of Europe wants this agreement, then Germany will agree too. There's no other option,” he said.

Opting out of EU trade agreements would be a “disaster” for a country that depended on exports, he said, accusing critics of “navel-gazing”.

“Our children will curse us,” he told the lower house of the German parliament.

The announcement provoked a sharp reaction from within Mr Gabriel's Social Democratic Party (SPD), which made a formal decision at its convention earlier this year to oppose investor protection clauses.

Carsten Sieling, spokesman for the left wing of the party, said: “I assume that Sigmar Gabriel will apply himself with full vigour to the position that was agreed on at the party’s convention.”

Tanja Alemany, a spokeswoman for the German economy ministry, said Germany did not believe special arbitration was necessary between states with reliable jurisdictions.

She said that while Germany accepted there would be investor protection clauses in the Canadian agreement, it still felt “there are a number of points where improvements can be made”

At her confirmation hearing in September, Ms Malmström warned that removing investor-protection provisions would jeopardise the entire agreement with the US which EU officials hope to finalise by the end of 2015.

There is widespread hostility in Germany to TTIP, which critics fear will compromise European standards on issues such as food and cosmetics. Opposition to TTIP has also been strengthened by anger over whistleblower Edward Snowden's revelations over the extent of US snooping on Germans including Chancellor Angela Merkel.