

Germany's Gabriel says sees Berlin backing EU-Canada trade deal

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(Reuters) - German Vice Chancellor Sigmar Gabriel said he expected his Social Democrat party (SPD) would back Europe's free trade agreement with Canada (CETA), which has faced opposition from party left-wingers due to its investment protection clause.

The deal, which could increase bilateral trade by a fifth to 26 billion euros (\$34 billion) and is widely seen as a template for a larger trade pact between the EU and the United States, was wrapped up in August after five years of tricky negotiations. However, critics say the investor protection clause, allowing companies to bring claims against a state if it breached the treaty, would give multinationals too much power and could lead to governments being pressured into ignoring laws on labor, the environment, data protection or food standards.

It is unclear whether all 28 EU states will have to ratify CETA. The EU Commission believes it is not necessary, but member states want a say, which means the dispute may have to be settled by the European Court.

"Europe has ensured that the investment protection is better and fairer than in many other deals. We can still improve it," Gabriel told weekly news magazine Spiegel in an interview. "But it appears that no one in Europe would support the removal of the investment clause altogether," he added.

Gabriel had initially said Berlin would reject the deal because of

the investor protection provision - a deeply unpopular clause with the left-wing of the SPD, junior partners in Chancellor Angela Merkel's right-left coalition.

European Trade Commissioner Cecilia Malmstrom said in November small changes could be made to the clause.

"We will continue to try to push through improvements," Gabriel said, adding he would allow the SPD to vote on the deal and he was confident they would back it.

Brussels expects the final EU-Canada pact to be signed next year and become effective in 2016.

The European Commission argues that EU member states already have some 1,400 bilateral investment agreements with other countries, including the United States, and that virtually all of them include investor-state dispute settlement clauses.