



Plenary sitting

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MOTION FOR A RESOLUTION

to wind up the debate on the statement by the Commission

pursuant to Rule 123(2) of the Rules of Procedure

on the conclusion of the EU-Canada CETA
(2017/2525(RSP))

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**European Parliament resolution on the conclusion of the EU-Canada CETA
(2017/2525(RSP))**

The European Parliament,

- having regard to the request for consent submitted by the Council regarding the conclusion of the Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part (C8-0438/2016),
- having regard to Rule 123(2) of its Rules of Procedure,
- A. whereas the ratification procedure in Parliament should be suspended until important legal and institutional questions on CETA have been clarified;
- B. whereas uncertainty persists regarding the compatibility of CETA with the EU Treaties, especially owing to the inclusion of an Investment Court System; whereas this uncertainty will not be resolved by the pending opinion of the Court of Justice of the European Union in request 2/15 regarding questions of competence in the EU Free Trade Agreement with Singapore;
- C. whereas uncertainty also persists with regard to the legal value of a number of additional declarations attached to the CETA Agreement, which were delivered as a Joint Declaration by the Government of Canada and the European Commission, Declarations of the Council or Declarations of single EU Member States, some of which contradict each other;
- D. whereas the Belgian Government has announced its intention to request an opinion from the Court of Justice of the European Union on the compatibility of CETA with the EU Treaties in light of the latter's opinion 2/15, expected to be issued in April or May 2017;
- E. whereas the Interinstitutional Agreement on Better Law-Making of April 2016 still needs to be operationalised with regard to its point 40 on international agreements, and this lack of operationalisation results in uncertainty about Parliament's oversight regarding decisions made by CETA's Joint Committee, which has ample discretion to modify important annexes to the CETA Agreement;
- F. whereas the Committees on Constitutional Affairs (AFCO), Women's Rights and Gender Equality (FEMM) and Economic and Monetary Affairs (ECON) had decided to deliver opinions to the Committee on International Trade (INTA) as lead committee, but were not granted the right to do so by Parliament's President, owing to the very restrictive timetable for the file;
- G. whereas, in addition to the bad timing of the ratification procedure owing to the above-mentioned unresolved issues, a growing number of European citizens are demanding thorough changes in European trade policy and rejecting old-fashioned trade agreements such as CETA as unfit to create sustainable wealth effects for people and

the environment;

1. Declines its consent to the conclusion of CETA for the following reasons:

CETA may undermine European democracy

- a) CETA contains a reformed version of the Investor-to-State Dispute Settlement procedure (ICS – Investment Court System), which still falls short in terms of safeguarding basic principles of democracy and the rule of law. It allows claims to be made only by foreign investors, is based on extremely broad foreign investor rights, and abrogates from the basic international law principle of prior exhaustion of domestic legal remedies. The Greens are against such an unnecessary parallel system of justice which prioritises private foreign investment over domestic public interest;
- b) CETA contains a Regulatory Cooperation chapter which subordinates an unlimited area of existing and future primary and secondary legislation to the elimination of ‘unnecessary barriers to trade and investment’. The subordination of legislation under a primary test of economic necessity could result in a push towards deregulation or in the lowering of standards. The Greens are against a vision of democratic legislation as merely an economic cost factor in relation to a particular third country;
- c) The combination in CETA of regulatory cooperation requirements and of constant legal threats for regulators through the Investment Court System (ICS) is likely to facilitate the lock-in of present standards while causing a chilling effect on any future legislative initiatives that favour redistributive policies in support of public welfare or the environment. The Greens believe it is absolutely crucial to uphold and broaden all democratic spaces in Europe for taking bold legislative steps aimed at reversing climate change, growing social dislocation, unfettered investor speculation and the undermining of public welfare, instead of constraining such initiatives by signing a legally binding international treaty which has a direct stake in all of these issues;

CETA may undermine European environmental standards and a green energy transition

- d) Canada has a long track record of taking legal action against EU and Member State environmental laws at the WTO, and of fundamentally opposing REACH and EU legislation on pesticides. CETA, with its key objective of eliminating barriers to trade, is bound to make this worse, irrespective of any assertions with regard to the right to regulate. This is further aggravated by granting investors the right to sue states, while commitments on environmental standards remain unenforceable. In such a context, it is extremely worrying that CETA fails to reflect the Precautionary Principle. Instead, CETA conditions precaution by reference to international agreements which do not include this principle, for example the Codex Alimentarius. The Greens are against any international agreement that endangers the full observance of the Precautionary Principle as enshrined in the EU Treaties;
- e) CETA contains a cooperation mechanism with the objective of revising and harmonising GMO rules in a way that would lower current EU standards, their

application and their future development. The explicit aim is to ‘promote efficient science-based approval processes for biotechnology products’, a formulation which directly challenges the risk-based definition of the Precautionary Principle. The Greens are against any international agreement that could open the door for GMOs;

- f) Canada is home to more than half of the world’s mining companies and pursues an active policy of exporting fuels derived from highly polluting tar sands. The Canadian Government successfully used the CETA negotiations to undermine the EU’s Fuel Quality Directives’ (FQD) ambitious 2011 targets so as to allow the import of fuels from Canadian tar sands. In such a context, it is extremely worrying that CETA commitments on environmental standards remain unenforceable. The Greens are against any agreements or legislation which lock the EU into the continuation of fossil energy supply and endanger EU climate goals;

CETA may undermine European public welfare standards

- g) CETA contains service liberalisation by default (Negative List of service liberalisation commitments), with insufficient exceptions for public services. The additional Joint Declaration of the EU and Canada underlines the right of the parties to define public services and the manner in which they are supplied and regulated, including their re-communalisation. However, the exception does not include the possibility of discrimination against already established service providers in the ambit of services of general economic interest, and the possibility of investor claims. The Greens are against the Negative List approach as such, since it constrains future policy choices in this highly dynamic and important segment of economic activity;
- h) The Negative List approach in CETA’s service commitments contains a standstill and a ratchet clause, so that politically necessary variations in national treatment cannot fall back below a given level of liberalisation. While public services are exempted from these clauses, it may well be that services which today are commercially supplied, such as energy, communication, insurance or parts of health and education services, will need to be supplied as services of general economic interest in the future. The Greens believe that all policy options for the adaptation of our societies to the unfolding service economy need to remain open;

CETA may undermine European social standards

- i) CETA is based on economic impact assessments which fail to adequately project the employment effects since they regard full employment and unconstrained mobility of the workforce as independent variables in the modelling. Notwithstanding this deficiency, the Sustainability Impact Assessment of 2011 shows a redistribution effect in favour of capital owners and significant sectorial dislocations, eventually leading to increases in long-term unemployment. Given that competition gains are regarded as the most important growth factor, further social dislocation and a concomitant widening of the income gap between unskilled and skilled workers, and thus increased inequalities and social tensions, is to be expected. The Greens are in favour of a proactive European policy defining the areas of sustainable, employment-generating and future-oriented productive activities, which then guides EU trade policy, and not the other way around;
- j) CETA contains a special chapter on Trade and Labour which, though welcome, is unfit

to safeguard European social standards. It stipulates that it will ‘respect, promote and realise’ the four fundamental principles of the ILO Declaration of 1998, and ‘advance and respect’ the ILO Declaration of 2008 on a Decent Work Agenda, but this must be regarded as being below the minimum level of social standards acceptable in a trade agreement between advanced industrial countries. As a minimum, CETA should refer to the eight ILO core labour standards to be ratified, implemented in national law and applied effectively, and to the realisation and implementation of the Decent Work Agenda. Moreover, this chapter is not enforceable under CETA’s dispute settlement mechanism. The Greens refuse to regard the CETA labour chapter as a meaningful advancement in the protection of social standards through a trade agreement;

CETA may undermine sustainable European agriculture

- k) By partly liberalising tariffs, CETA contributes to intensification and overproduction in sensitive agricultural sectors such as beef, pork and dairy. This will have negative effects for small-scale farmers on both sides of the Atlantic and for sustainable agricultural practices in general. The Greens reject the drive towards ever more extensive agricultural land use which is not necessary for food security reasons. Such drives upset sensitive ecological balances, exerting further competitive price pressures on producers, and undermine the basis of a multifunctional agricultural system which works to the benefit of all citizens;
- l) CETA contains no provisions on animal welfare, except for a call to ‘exchange information, expertise and experience in order to promote collaboration on animal welfare’. With the trade in animal products bound to increase through the partial liberalisation of tariffs, Canada’s weak standards for farm animal welfare will constitute a competitive price advantage for their companies. This will put pressure on the maintenance of the relatively higher, and therefore more costly, standards in the EU. The Greens are against trade agreements which do not recognise animals as sentient beings and do not effectively prevent the worst forms of cruelty;

CETA may undermine a forward-looking European industrial policy

- m) CETA contains provisions prohibiting the parties from requiring foreign investors and services suppliers to locally source part of the productive input or requiring parts of the production to be sold locally. This prohibition partly extends also to public procurement programmes realised by foreign suppliers, greatly limiting the localisation of added-value, the build-up of transnational innovative networks and the transfer of knowledge. While the WTO also prohibits local content requirements, the fact that a trade agreement between two of the world’s most advanced economies reiterates such prohibitions, when confronted with the common challenges in switching to a green economy and the need to advance innovative transnational production schemes, must be seen as a missed opportunity. The Greens stand for a European industrial policy which, through investment in public structures, creates local added-value and sustainable jobs which are able to bear the costs connected to the switch to a green economy;
- n) CETA contains no single chapter with specific measures to support SMEs. While the positive effects of compliance cost reductions through regulatory cooperation in CETA are stronger for SMEs than for larger companies, this effect is limited by the small number of SMEs involved in international trade. Far more than half of the value of

exports is concentrated in the hands of just 1 % of exporters, which are large companies. Moreover, the welfare generated by CETA will for the most part not be the result of increased trade, reflecting additional opportunities for new market entrants, but of trade diversion through increased competition. Most SMEs are subcontractors of large companies, and therefore on the receiving end of increased competitive pressure. They will therefore need some help, which is not provided for in CETA. The Greens are against further trade agreements that advance the interests of big multinationals. A forward-looking European industrial policy is based on highly innovative networks of small producers which extend to the transnational not just for additional markets but primarily for knowledge acquisition;

- o) CETA cements current European procurement legislation through a binding international treaty at a moment when a forward-looking vision of public investment in large green infrastructure is required. Such a vision would involve a review of the EU procurement legislation, which at present is based on the principle of internationally open tenders by default. The switch to a green economy is imperative, but will be expensive. Public support for such a switch will exist only if the required additional revenue is raised through tangible additional income and job security, which must accrue locally. The inclusion of environmental and social criteria for tenders, as provided for in the additional Joint Declaration, and the setting of higher thresholds for international competition are important, but not sufficient. The Greens are against the inclusion of procurement chapters in international trade agreements;
- 2. Instructs its President to forward this resolution to the Council, the Commission, the European Economic and Social Committee, the Committee of the Regions, and the Government and Parliament of Canada.