CETA's Ratification Process Starts with a Rejection

In a communiqué sent to the EU parliament's Committee on International Trade (INTA), the rapporteur of the Committee on Employment and Social Affairs, Georgi Pirinski, provided a short justification as to why the committee voted against the accord, calling on INTA to urge the EU parliament not "to give its consent to the proposal for a Council decision on the conclusion of the Comprehensive Economic and Trade Agreement (CETA)."

Among the reasons given, the committee cites the limited job creation percentage that the accord will generate.

"The defining end-result from the CETA must be decent job creation, balanced wage increases, and expanded entrepreneurship possibilities. However, regarding decent job creation, empirical evidence based on real-world models indicates at best marginal overall increases for EU employment of no more than 0.018% over a 6 to 10 year implementation period," the communiqué said, citing 204,000 potential job losses for the EU in some industries.

CETA could also be the cause of increased inequalities and social tensions due mainly to the perceived "widening the incomes gap between unskilled and skilled workers." The absence of a chapter dealing with SMEs (small and medium-sized enterprises) and the specific measures to support them is also a concern, the committee stresses.

"There are currently 20.9 million EU SMEs (…), but only 619,000 export outside the EU. In the liberalized environment created by CETA, such SMEs will be exposed to the full force of competition from large North American transnational corporations, thus endangering the 90 million jobs (67% of total employment) that they are providing."

The committee also voices concerns over the "disparity" between investors and labor interests and rights.

"The privileged status accorded to investors with the ICS [*Investment Court System*] system stands in sharp contrast to the consultations mechanism, envisaged for protecting labor interests and rights," the communiqué states.

On ICS, it warns against the provision's compatibility with existing EU law, as well as the principle of provisional application. "Therefore, feels compelled to call on the Committee on International Trade to withhold its consent to the agreement."

The committee on Employment and Social Affairs can only provide its opinion on CETA, as the result of its vote (27 against, 24 for) can only be taken as a recommendation for INTA, which will ultimately decide on the final recommendation to the EU parliament.

The Parliament vote on CETA was originally expected to take place this December, but has been postponed to February 2, 2017 to allow a number of committees – including foreign affairs, employment and social affairs, environment, transportation, agriculture, and potentially domestic market, economic and monetary affairs – to formulate opinions/recommendations on the accord to INTA.

If no major hiccups were to be reported, the EU parliament should ratify CETA during a vote at a plenary session scheduled to take place on February 2, 2017.

If successful, the February 2nd vote will allow the deal to enter into force on a provisional basis on July 1st, 2017; an informed source said, citing a similar template used for the EU-Korea FTA. The EU parliament ratified the EU-Korea FTA on February 17, 2011 which allowed the accord to enter into force on July 1st of the same year.

Multilateralizing the ICS

A joint EU-Canada proposal on dispute settlement mechanism in investment will be discussed at the expert level on December 13-14 in Geneva. The debate, which aims to brainstorm on how to create a multilateral court to resolve disputes between investors and states – based on the ICS model included in CETA and other EU FTAs such as EU-Singapore and EU-Vietnam agreement – will involve many WTO Member-countries, along with eight other international organizations dealing with investment matters including the WTO, UNCTAD [*United Nations*

Conference on Trade and Development], OECD [*Organisation for Economic Co-operation and Development*] and the Permanent Court of Arbitration of The Hague (PCA).

The goal of the two-day exploratory discussion on the establishment of a single permanent body ruling on investment disputes is to ultimately replace the current investor-state dispute settlement (ISDS) system which is included in about 3,200 bilateral investment treaties around the world and which has been at the center of the disagreement between EU Member-states and the EU Commission on CETA.

The EU and Canada are looking to garner enough interest so that the proposal can be brought up to various international summits next year, starting with the World Economic Forum in Davos in January. If the idea is supported by enough countries, the EU Commission plans to request a mandate from its Council to negotiate by the end of next year, or early 2018, informed sources said.

This is the final issue of 2016 and *Geneva Watch* will resume in January 2017, following the holiday break. Have a safe and happy holiday season!

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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