

## **Note 1. DRAFT OPINION BY THE EMPLOYMENT & SOCIAL AFFAIRS COMMITTEE**

*Issued on 17th November by the Rapporteur (in effect, the Committee chair) Georgi Pirinski.*

### **SHORT JUSTIFICATION**

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. Furthermore, recent studies using such models have forecast actual job losses of 204 000 for the EU as a whole, including 45 000 for France, 42 000 for Italy and 19 000 for Germany. What is more, the Sustainability Impact Assessment of 2011 shows significant sectorial dislocations, eventually leading to increases in long-term unemployment.

As to wages, evidence shows that the agreement would contribute to widening the incomes gap between unskilled and skilled workers thus increasing inequalities and social tensions. What is more, sizable redistribution effects concerning national income are projected, for the EU amounting to a 0.66% increase in favour of capital owners, thus further deepening social dislocations.

The agreement contains no single chapter with specific measures to support SMEs. There are currently 20.9 million EU SMEs (93% with fewer than 10 employees), 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.

Despite the fact that CETA contains a special chapter on Trade and Labour there is a clear disparity between the levels of protection envisaged for investors and for labour interests and rights. The privileged status accorded to investors with the ICS system stands in sharp contrast to the consultations mechanism, envisaged for protecting labour interests and rights.

There is a proven trade-diverting effect away from trade with developing countries, in this case primarily African, when facilitating North-North trade. This is particularly harmful, given the imperative need to promote the achievement of the 2030 UN Sustainable Development Goals as the only way to overcome the deepening inequalities between developed and developing countries and to counter the rapidly increasing migration pressures.

There is continuing serious doubt regarding the compatibility with existing EU law of the ICS clause 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.

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The Committee on Employment and Social Affairs calls on the Committee on International Trade, as the committee responsible, to recommend that Parliament decline to give its consent to the proposal for a Council decision on 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.

## **Note 2. WHY CETA MUST BE REJECTED BY MEPs**

### **a) CETA's economic damage**

The promoters of CETA have stressed how good it will be for jobs and economic growth, including for small and medium-sized businesses (SMEs), and that is what almost all politicians and news media seem to believe. The Employment Committee's Draft Opinion exposes these claims as false, and based on untrue economic assumptions. It also condemns CETA regarding wages, income inequalities, labour interests and rights, and global poverty and inequality.

### **b) CETA's attack on democracy**

The practical effect of CETA giving top priority to "investment protection" will be to intimidate democratic governments into reining back any existing public-interest policies that might limit corporate profits, and backing off introducing any improvements without even waiting to be sued. CETA's top priority is "investment protection".

Governments could be sued, for instance, if they raised the minimum wage, took back a privatised service into public ownership, or improved labour rights, working-conditions or food or pollution-control standards. It would all be a cost to business, including the profits a corporation says it expected to make from any particular investment.

On paper, governments retain the "right to govern", to legislate in the public interest, including e.g. the right to re-nationalise the railways or privatised parts of the NHS. But CETA's principle is "guilty until proven innocent" – the corporation suing for compensation for lost business will win its case if the government cannot prove that it is innocent. And even the millions of pounds to defend even one case, even if the government won, is intimidating enough, while the penalties from losing can easily run into billions

And the criteria for deciding who's right are so vaguely phrased that they can usually be twisted in the corporation's favour: the company has not been given "fair and equitable treatment"; or it has been denied its "legitimate expectations"; or the government policy is "manifestly excessive" or not fully "necessary". And what counts as an "investment"?

These judgements will be made by a disputes system heavily skewed in favour of corporate claims for compensation for expensive public policies: the Investment Court System (ICS). Its panellists will be corporate lawyers who do most of their usual business with international corporations and will be allowed to continue with such work even while panellists on the ICS: a vested interest in favouring the corporate claimants. And since they are paid 'by the hour', they also have a vested interest in as many long, expensive cases as possible.

### **c) The current position about CETA**

On 1st or 2nd February, MEPs will be given a yes/no, take-it-or-leave-it vote on CETA, decided on a simple majority. It then still has to be voted through by every single EU parliament: 38 in all, because it includes some regional parliaments within individual countries. But even before that, if the MEPs vote yes, then at least some parts of CETA will be "provisionally implemented" until all the other parliaments have decided.

Despite Brexit, any corporate deals struck in the UK right up to the final completion of Brexit will be protected by CETA for three years after Brexit. If none of the other parliaments uses its veto by voting against CETA, then all pre-Brexit deals will be protected for another 20 years, i.e. until around 2039!

In any case, CETA will be used as the model for any post-Brexit "trade" treaties as well, so it's vital to discredit CETA for that reason alone