

Changing competences: How to speed up the negotiation and ratification process of free trade agreements

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The European Union often concludes international trade agreements, which contain shared competences with the Member States (the so-called mixed competences agreements), thus they require ratification from the national and/or regional parliaments in order to be enforced. In most of the cases, the involvement of Member States institutions significantly slows down the negotiation and ratification process, taking many years for an Agreement to be ratified by all the Member States.

Besides procedural obstacles, Free Trade Agreements (FTAs) are often the stage for an abstract, ideological discussion about globalisation, since the gains to consumers from lower prices for imported products of the same (or a higher) quality may result in losses of Member States' local production exposed to international competition. International competition often harms domestic vested interests, which request state protection in order to survive, even though openness and free trade have been proven to lead to more economic growth, social development and prosperity. Also, the need to harmonise the FTAs with the environmental standards strictly regulated inside the EU, in order to prevent unfair competition and environmental damage, is a detrimental, though necessary factor, of FTA enforcement.

This policy briefs aims to explain the main reasons political actors oppose FTA enforcement and suggests possible policy recommendations to overcome those challenges.

The problem: The reasons why we need to speed up the process of the current ratification framework

The European Union is a political system shaped by multilevel governance, engaging both the EU institutions and the Member States' domestic parliaments. The Union can only act on competences which the Member States have been granted to it under the Treaty on the Functioning of the European Union, while in certain cases the Member States are to be involved as well.

Regarding international trade, the EU has exclusive competences over the negotiation of free-trade agreements with third countries. However, if the latter include provisions concerning subjects outside of the exclusive competence of the Commission (so-called mixed competences agreements), Member States must be involved in the ratification process. The process so far is complex, in particular because in practice, it is not clear which policy areas fall under mixed competences, and which under the EU's exclusive competences (Conconi 2020).

The involvement of Member States significantly slows down the negotiation and ratification process, since it gives each national and, in some cases, sub-national Parliament a de facto right to veto international agreements, and occasionally to use this power as a sort of blackmail weapon to achieve objectives that have little or nothing to do with international trade. Moreover, quite often the discussion of free-trade agreements in the national assemblies goes well beyond the content of the agreements themselves, and becomes the stage for an abstract, ideological discussion about globalisation. The gains to consumers from lower prices for imported products of the same (or a higher) quality may result in losses of Member States' local production exposed to international competition. In the short run, this may even set downward pressure on wages and jobs in the affected sectors, even though other sectors will benefit and, in the long run, society as a whole is set to gain.

By the same token, the negotiation of international agreements is made more complex by the need to harmonise the environmental standards and other features that are strictly regulated inside the EU, in order to prevent unfair competition and environmental damage. Given all the above drawbacks, and the omnipresent pressures from populist parties, politicians in domestic Member States parliaments are often not too keen to enable policies and ratify agreements, which supposedly harm the interests and the (short run) prosperity of local interest groups, even though in the long run the benefits of free trade and openness are unquestionable (Rodrik 2018).

Policy recommendations

1. Environmental protection binding provision and requirements in each FTA

To address the challenges of sustainable trade policy, which should be in line with EU's Green Policy, the EU institutions could agree on minimum environmental requirements each FTA should have to meet. If the rules applied are set from the beginning, the opposition for environmental reasons could be much less and the ratification procedure on national level more rapid. Furthermore, the academic literature suggests that positive climate impacts are associated with certain environmental rules

included when concluding FTAs (Baghdadi, 2013). This may indicate that shifting to more rule-based trade might have positive climate impacts.

2. More involvement of local authorities and audiences

National and regional economic chambers and committees can boost citizen participation by informing them about possible benefits from the EU's open policies. The more the local stakeholders are engaged in the process, the less they feel out of the game, and they are keener to listen to the long run benefits of these policies and to find solutions on how to address the short terms losses.

3. Open discussion as a formal process

The EU institutions should be more transparent when concluding FTAs, trying to establish certain open discussions with regional authorities to ensure that their opinion is taken into consideration. Opening another dialogue could add in time in terms of process, however this could save time when the MPs must face domestic audiences on certain trade policies.

4. Member States to transmit certain competences on trade to EU institutions, while at the same time ensuring this will not put at stake national sovereignty

Another bold policy would be for Member States to allocate several mixed competences to EU institutions, in order to make FTA negotiations quicker. The widening and deepening of EU integration require a more integrated economic policy, of course with respect for national sovereignty. For this reason, a national committee could decide at later stages on the agreed FTA and approve with its national mandate the agreement, to speed up the ratification from national parliaments, in which EU policy does not seem to be a priority. The scope for exclusive negotiation by the EU Commission should also be broadened to prevent most FTAs from being subject to the ratification of dozens of national and sub-national assemblies. The EU Commission is a political body and final ratification of FTAs is subject to the approval of the European Parliament and of the Council: member states should convey their concerns, proposals and requests to the EU institutions, rather than finding themselves in the position of blocking far-reaching treaties for opportunistic and/or domestic reasons.

In this respect, to negotiate and commit to national framework agreements within which to consider and discuss every FTA would make the process more agile.

5. MEPs greater engagement in local politics and inform the public on the pros and cons of EU trade policies and how to address the inadequacies

EU citizens often see themselves very distant to their elected MEPs and really outside the epicentre of action in Brussels. The main role of MEPs may be in the European Parliament, but the domestic audiences must be informed by their own representatives. The increased involvement of MEPs in national politics on EU policy matters could bring more confidence to the people and explain the reasons a certain policy should be enacted and enforced.

References

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