
Sovereignty and Globalisation

Address by **Philip Stephens**, Financial Times, to the IIEA seminar on *Economic Sovereignty in an Age of Globalisation and EU Integration – Economic, Legal and Political Perspectives*

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My talk is about sovereignty in the globalised age. I have divided my thoughts into three parts.

In the first I want to look at the debate in Britain about sovereignty and the European Union.

In the second I want to suggest that the debate about the balance of national sovereignty and supranational authority in the European Union points up in a microcosm the challenge facing all nation states as they seek to reconcile domestic politics with the realities of globalisation.

In the third, briefly, I want to come back to some of the strains in Europe as it deepens integration within the eurozone.

1. Britain and Europe

Some of you will have noticed that there is something of an argument in Britain about its relationship with the European Union.

In many ways this is an old debate. Britain has never quite joined the European Union even if it has signed the various treaties.

There have been two organising emotions in its relationship during the past four decades.

The first is superiority; the second insecurity.

It was superiority that informed Winston Churchill's famous Zurich speech in 1946 when he called for a United States of Europe but insisted that, as a global power, Britain would have no need to join.

The same dismissive attitude helped keep Britain out of the Coal and Steel Community and away from the Common Market's founding negotiations at Messina in Sicily.

This sense of superiority is rooted in history, culture, and geography. It says that Britain, as the mother of parliaments, has a stronger democratic tradition; as an island state with an imperial heritage, it lifts its eyes beyond Europe; and, of course, "it won the war".

This is a hard act to sustain in the face of relative decline. What drove Britain towards Europe – from Macmillan's first application to membership – was the other organising emotion – insecurity.

This is the realisation that as a middle-ranking power Britain cannot afford to be on the outside looking in as the rest of Europe draws closer together. Much as it disdains the EU, Britain fears being locked out.

Margaret Thatcher put it well when she campaigned for a Yes vote in the 1975 referendum. The reason for staying in, she said, was essentially the political one. Europe opened windows on the world that would otherwise close with the loss of empire.

These are the two emotions that will be uppermost in any future referendum.

The sceptics will declare that Britain can perfectly well make its way in the world as an “independent” nation; the pro-Europeans will counter that the nation’s prosperity and security remain inextricably linked to its capacity to shape events on its own continent. The pooling of sovereignty is vital to safeguard the national interest.

Grandiloquent concepts of a European future and words like “vision” are unlikely to figure in any British referendum campaign.

Beneath this tension lies the deeper debate. The truly neuralgic word in this debate is sovereignty.

Sovereignty is the standard of the implacable eurosceptics. Briefly put, the case of the “outs” is that the price of membership is too high in terms of “surrendered” sovereignty.

On the populist level this says that the nation has lost control of its own destiny – witness the “flood” of immigrants from other European countries, the social policy decisions taken in Brussels that cost Britain jobs, and the rules and regulations that strangle British business. Just to confuse things, the European Court of Human Rights, quite wrongly is thrown into the mix as allegedly stopping Britain from expelling terrorists and criminals.

On a slightly more elevated level, the argument runs that the founding mistake was made when Britain joined the Union. In so doing, it accepted the primacy of EU over Westminster law.

Once the Single Act (promoted, ironically by Margaret Thatcher), and the Maastricht and Lisbon treaties were signed – with their provision for much greater majority voting among member states and a corresponding widening of the jurisdiction of the European Court of Justice – the primacy of European law gave the EU the right to intrude into many aspects of British life; notwithstanding various Britain’s various opt-outs.

The sceptics have a point. Pro-Europeans – and I am one – should acknowledge that the EU does involve an unprecedented pooling of sovereignty. It represents a major departure from the European state system established by the treaties of Westphalia at the end of the Thirty Years’ War.

Those treaties underpinned a system under which rulers would be free of foreign interference in the domestic affairs. In the EU system, members have effectively handed each other the right to interfere in each other’s domestic affairs. This is what the British and European diplomat, Robert Cooper, has called the “post-modern state”.

The central claim of the eurosceptics – or better called EU-outs – is that by leaving Britain can at once reclaim sovereignty and the capacity to shape its own affairs.

In the first part of that proposition, as I have said, they are right. It is on the second – that sovereignty confers the capacity to act – that they are so badly mistaken.

At the heart of the pro-European case lies the recognition that the interdependence of states demands that they share sovereignty in order to exercise it. In this respect the EU is the most developed of the many international organisations in which states have acknowledged and accepted that trade off.

Think of NATO, ASEAN, or MERCOSUR. In all these cases states have decided that the capacity to advance the national interest demands that they bind themselves to rules or institutions that notionally, at least, chip away at sovereignty.

This is the fatal flaw in the argument of the EU-outs. Were Britain to leave the EU, the Westminster parliament could indeed say it had reclaimed untrammelled sovereignty. But that sovereignty would not translate into a capacity to act.

Most obviously, Britain's prosperity would depend on replacing EU trade and investment agreements with other nations around the world with its own bilateral arrangements. Sovereignty reclaimed from Brussels would be expended in these new agreements.

It would have to negotiate new arrangements with the EU itself to ensure that was not locked out of the single market. Notionally it could close its borders – but only at the expense of those British citizens working, living and travelling abroad.

Even then, Britain is heavily dependent on the cooperation of states such as France and Belgium in order to operate its own border controls.

The reality is that for a middle-ranking nation sitting on the edge of Europe, the option of an independent nation is a mirage.

I am reminded of the man walking alone in the desert – this person is entirely sovereign in the decisions he takes – and entirely powerless.

2. The Crisis of States

This brings me to my second point; the challenge posed by globalisation to the sovereignty – in its real sense of the capacity to act – of all states.

The state remains the basic building block of political organisation and international relations. But globalisation has imposed significant stresses.

The United Kingdom Independence Party and eurosceptic Tories are not alone in their hostility towards Brussels. We have seen a rise of populist nationalist across Europe and elsewhere in the world. At times of economic stress and insecurity, these populists hum a seductive tune – that nations can throw up the barricades against the world beyond. They ignore the central fact of modern political life: that nations have to act together if they are to confront the biggest challenges of the age.

Think of the danger from pandemics and other risks to human health that defy national borders, the need to confront climate change – arguable the biggest challenge to human welfare – or the effort to prevent proliferation of weapons of mass destruction and the spread of identity-based terrorism.

The world is becoming at once more multipolar and less multilateral. Rising states are understandably sceptical about the post Second World War order. They prize national sovereignty

and see established global rules and institutions as an attempt to constrain them. For its part, the US, in its new, self-chosen role as a selective superpower, is disinclined to promote a more inclusive successor to the 1945 settlement.

Hopes that the G20 would provide a broader architecture for international co-operation have gone unfulfilled. Reform of the Bretton Woods institutions has been slow. The result is that the gap between the demand for, and supply of international governance is widening. Multilateralism is not about to collapse, but it is fracturing.

Stability and prosperity rest essentially on the capacity of states to meet the demands of their citizens for security – economic and social as much as physical. But the big consequence of globalisation is to weaken those same states. Power has become more diffuse as international corporations, non-governmental organisations, and other non-state actors erode the power of the state. You can see this in the tax arbitration of multinational corporations, the multi-country supply chains that distribute profits and jobs around the world, in the cross border identity politics facilitated by the web, and in the louder voice of civil society in political decision-making.

The crisis in the eurozone may have owed much to the mistakes made by policymakers, but it has also demonstrated the power of international markets to force states to adopt deficit-reduction programmes.

States are finding it more difficult to control their own borders – to regulate migration, to tackle cross-border crime and to prevent the spread of international terrorism. The two men who killed a young soldier in London recently were probably radicalised by being exposed to jihadi propaganda on the web.

So we are witnessing a widening gap between the demand for and supply of governance at the level of states. As power flows from state to non-state actors, it is also moving from established powers in the west to rising powers in the east and south. The result? Citizens demand from governments protection from all the insecurities thrown up by globalisation, but governments find it harder to provide that security.

This brings me to the central paradox of our age:

Sovereignty is increasingly prized but even as it is prized this sovereignty is increasingly ineffective.

In turn, the weakening of global governance as enshrined in the post-1945 order threatens to weaken further the power of individual states.

The obvious conclusion is that states share an unavoidable interest in fashioning a system of international governance that recognises their mutual as well as their national interests. Domestic progress cannot be separated from international rule-setting and co-operation. Threats – whether from nuclear proliferation, climate change, or global financial weaknesses – do not respect of national boundaries.

3. Europe's Response - briefly

Further integration in Europe is both inevitable and necessary.

Inevitable because the completion of monetary union required to sustain the eurozone over the medium to long term.

Necessary, because the shift in global power eastwards and southwards will make it more essential for Europe to act as one if it is to promote its interests, norms and values in the wider world.

But to say closer integration – more shared sovereignty – is inevitable and desirable is not to say that it will be easy or popular. Many people – not just anti-Europeans – are worried about sharing authority over national budgets, tax and spending levels. This are at the very heart of democratic states.

There should be a recognition too that Europe has too often belonged to the elites – this incidentally is where populists of left and right strike their most powerful chord. I was in Italy last week and heard that country's new prime minister Enrico Letta voice his fears that the biggest winners of next year's European elections may be anti-Europeans

A more integrated Europe does demand more transparency, more accountability and a clearer chain of responsibility for decisions taken at a European level. Whether the answer is much closer engagement by national parliaments or more democratic institutions at the European level I am not sure. I tend towards the former.

What's clear is that national electorates need to be able to see the identity of interest between the national and European. The sovereignty demanded by anti-Europeans is a chimera in a globalised world. Interdependence cannot simply be wished away.

But those who argue that by pooling sovereignty will can claim much greater control over their lives have to make that case. And it's not easy in an age of austerity.

Thank you.



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