



FTAs and sovereignty

The remarkable Canadian reality over the last half century is that we have progressively diverged socially from the Americans at the same time that we have progressively integrated economically with them. Nonetheless, it is commonplace to hear that NAFTA and other integration agreements are reducing Canada's sovereignty. Why this disconnect? One reason might be that concepts like sovereignty and democracy, which are typically defined in relation to the traditional (Westphalian) model of the nation state, now need to be rethought given that the nation state itself is in full evolutionary flight. However, in what follows I attempt to make the case that FTAs (free trade agreements generally) ought to be viewed as sovereignty enhancing, even within the traditional framework.

Toward this end, the admittedly not-very-transparent starting point is Garrett Hardin's 1968 *Science* article "The Tragedy of the Commons," where the commons is the English common grazing pasture. By the very nature of a commons, every herder will be enticed to add yet another sheep to his/her flock. This is so because the herder receives all of the proceeds from the sale of an additional sheep while the costs of the resulting overgrazing are spread across all animals and herders. As Hardin notes: Freedom in a commons brings ruin to all. One solution is to assign property rights to the pasture, in which case it ceases to be a commons or common-property resource.

Now fast forward to the environment and the Kyoto Protocol. The rationale for the Protocol is to address the "global environmental commons." Again, freedom in this global environmental commons spells ruin to all. And again, one solution is to develop a set of rules and procedures that serve to constrain the various actors (polluters and their national governments). While

these agreements/protocols will surely limit the room to manoeuvre of national governments, they will equally surely increase effective individual and collective national control over the future of the environment. Arguably, therefore, environmental protocols are sovereignty enhancing, and I think are generally perceived as such.

With this as backdrop, focus shifts to the relationship among globalization, FTAs, and sovereignty. In the Westphalian framework, nations are territorially sovereign within an international order that has no overarching authority. In the era of high tariffs and limited capital mobility, these nations held effective property rights over their economic space and, in aggregate, over global economic space. However, the processes of globalization have progressively undermined this territorial economic sovereignty. For example, highly mobile capital can and will flow over, around and through political and policy boundaries, so much so that nations are losing the ability to control key aspects of their economies *within their own borders*. In light of the above, the result should be clear: Globalization has converted the Westphalian system of economic property rights into a veritable *global economic commons*. Once again, freedom in this commons will spell ruin for all if nations attempt to outbid each other for capital. This is an erosion of national sovereignty.

How do nations reclaim their sovereignty? The obvious avenue is via international economic protocols or FTAs. In effect, such FTAs allow nations to pool shares of their sovereignty in order to engage capital head-on in the relevant multi-nation economic space which, in turn, serves to exert control over the former economic commons. However, because factor mobility and globalization are efficiency-enhancing and wealth-creating, nations will not

attempt to reproduce the pre-globalization version of national economic space. Rather, the focus will be on rules, procedures and standards under which the free (or freer) mobility of goods and factors can proceed.

While this will admittedly limit the room to manoeuvre on the part of national policy makers, the more important result is that it allows nations a role in formulating multilateral principles and procedures that not only will provide a degree of order and certainty to the international economic order but, in addition, will allow national governments to regain and/or reassert *domestic* control over selected policy areas. This is clearly sovereignty enhancing. Indeed, applying this line of reasoning to the EU led information-era guru, Manuel Castells, to proclaim that nationalism, not federalism, is the political goal of the EU.

This analysis and these principles carry over to the successive Canada-US economic integration agreements on the one hand and to multilateral agreements like GATT and the WTO on the other. To be sure, one may argue that there is a lot of room for reworking specific agreements like NAFTA to incorporate provisions that would further advance aspects of Canadian sovereignty, but that is a different issue.

While we are justly proud of the values and institutions that underpin our nationhood, what we nonetheless need from the Americans and from our trading partners generally is access to their markets. FTAs give us this access. Hence, we can proceed with confidence to design our policy space in our own likeness and image.

IRPP Senior Scholar Thomas J. Courchene is a professor of economics at Queen's University. His column appears regularly.
courchen@qsilver.queensu.ca