

LSE Continental Breakfast 10: Brexit and multilateralism



Multilateral institutions – from the EU to NATO to the G-summits – are under strain. How does Brexit fit into this trend? **Horatio Mortimer (LSE)** reports on an expert discussion held at the LSE under Chatham House rules in June 2018.

Brexit, Germany and the multilateral system

Brexit is bad news for the EU, and perhaps especially for Germany, the EU's largest and richest member. Many German industries are closely integrated into the UK economy, and supply chains will not cope with the border delays that are the inevitable consequence of leaving the Single Market. Nevertheless, German industry is resigned to Brexit, and as the representative of one major German car company was reported to say, Brexit is only 'about number eleven' on their list of headaches. The priority is to make sure that the rest of the Single Market stays

intact. That is why firms that benefit from it are unmoved by appeals from the UK – such as Theresa May's [Lancaster House speech](#) – that propose special deals in particular sectors such as automobiles and finance.

Perhaps a greater concern is that Germany will lose an important ally in moulding the Union towards a more open economy, with less bureaucracy and more fiscal discipline. Without the UK, Germany may no longer be able to muster a blocking minority of fiscally-conservative countries.



Theresa May and Angela Merkel at a bilateral in Berlin, July 2018. Photo: [Number 10](#) via a [CC-BY-NC-ND 2.0 licence](#)

Another concern is that Germany will come to dominate the EU, just as it has the Eurozone, and that this may not be in its own long-term self-interest – it might even threaten peace and prosperity. The *raison d'être* for European integration, as originally laid out in the [Schuman Plan](#), was to resolve and settle 'the German question' once and for all. Later, during the negotiation of the 'two plus four' treaty between the Second World War Allies and East and West Germany, which allowed the reunification of Germany in 1990, both Margaret Thatcher and Francois Mitterrand were worried about an over-mighty Germany.

Thatcher believed that ‘the German problem’ was inherent in German national character with its roots in the late formation of the German nation state, which caused it to veer ‘unpredictably between aggression and self-doubt’. A reunited Germany, she believed, would dominate western Europe, and its economic dynamism would lead it to look east as well as west, which would destabilise Europe. A close Franco-British alliance and a continuing American presence were together necessary to contain German power. According to Thatcher, European integration would only increase German dominance.

Mitterrand, on the other hand, (along with most of the British government), believed that European integration was the only way to bind Germany to the West and to European institutions. The German chancellor, Helmut Kohl, was cautious about the sequence of European integration, and wanted both economic convergence and political union to come before monetary union. Implementing EMU first was a compromise allowing a more rapid integration to keep pace with German unification.

More recently, the case for European unity has generally been framed as an answer to problems arising from globalisation. Yet many Europeans seem to be turning away from integration. What has gone wrong?

One factor may be Russia – an aggrieved former superpower that has been watching its smaller neighbours defect towards Europe. Recognising that acts of external aggression are likely to have the effect of increasing solidarity and strengthening the EU, the Kremlin has instead been working hard to foment nationalist sentiment inside the EU.

Ironically, globalisation is the very reason many Europeans have turned against Europe. They feel more at home and safer in their nation state. Nationalists have achieved electoral breakthroughs across Europe by arguing that globalisation can be rolled back, and that problems like mass migration, perceptions of an unjust financial system, and the effects of climate change could all best be handled at the national level. Then came Emmanuel Macron, with his winning slogan ‘*L’Europe qui protège*’ – Europe that protects. This sparked similar movements in other countries, including Germany, with the ‘pulse of Europe’.

Macron has also made [concrete proposals](#) to reinforce European unity. Germany’s support was crucial – but it was not given, partly because some key members of Angela Merkel’s party saw calls for European solidarity as a grab for German money. Angela Merkel’s strategic hesitation, or what Ulrich Beck called ‘Merkiavelli’, also played a part.

Germany has benefited, perhaps more than any other country, from the normative project we call ‘the West’ – the multilateral institutions built on the values of the Enlightenment, the French and American revolutions and the [Wilsonian Principles](#). Economically, Germany relies on the open markets provided by other countries through the EU, the WTO and other agreements that allow it to run huge trade surpluses, while in security terms, it relies on NATO. When Donald Trump complained that Germany was free-riding in NATO, he was only repeating in less polite terms what Obama had [previously said](#). Trump, however, called into question the Article 5 guarantee of assistance. He later [backtracked](#), but a security guarantee is something that only works when people really believe in it.

Since neither open markets nor NATO now seem to be American priorities, the EU is critical to upholding western values and institutions, and many are [dismayed](#) at Germany’s apparent failure to embrace Macron’s reforms.

Merkel’s recent interview with the Frankfurter Allgemeine Zeitung offered positive remarks on tackling the European refugee crisis and security, but a much more muted response to Eurozone reforms – calibrated to make them palatable to the Bundestag. The German parliament has a powerful aversion to any suggestion of a transfer union, which would redistribute some of the excess profits that Germany and others made thanks to the euro, to members for whom the currency has caused financial difficulties. [Many](#) on [both sides](#) of the argument argue that the present arrangements for the recapitalisation of the European Central Bank are in fact already a transfer union by the back door.

Unfortunately, Merkel’s strategy of keeping options open can lead to situations where only bad options remain. Previous chancellors saw crises on the distant horizon, took bold decisions and then persuaded the German people to get behind them. Germany was [not automatically a ‘Western’ country](#), but German leaders took tough decisions to make it one. Konrad Adenauer first drove Western integration; Willy Brandt drove through his policy of [Ostpolitik](#); Helmut Schmidt persuaded his country to accept medium range missiles; Kohl led them to the common currency; and Gerhard Schroeder pushed through [the 2010 Agenda](#), which implemented structural reforms to restore German economic dynamism after reunification.

While Brexit is likely to be disastrous for the UK, it might increase the chances of Macron's reforms being agreed.

The value of multilateral institutions

The failure of Western politicians to protect the multilateral system may be because people take it for granted. The euphemistic "WTO option" of a no-deal Brexit is an example of the assumption that the rules-based international trading regime is a constant bedrock, despite the fact that Trump often seems bent on dismantling it.

Multilateral institutions are crucial to maintaining relatively effective international relations, and they are an innovation with a short history. It took 70 years to build them up to their current – far from perfect – but relatively useful condition. Their predecessors were the League of Nations, which failed in the 1930s, and a brief moment following the defeat of Napoleon, with [the Concert of Europe](#). With these exceptions, international relations have been bilateral. At the [Peace of Westphalia](#), for example, the 109 delegations never met in plenary, but negotiated bilaterally with each other. To understand how inefficient, opaque and prone to breed mistrust bilateral relations are, one can look at the exchanges that took place before 1914, as documented by TG Otte.

There is an inevitable trade-off between efficiency and legitimacy, so multilateral organisations fall on a spectrum between coalitions of the willing – such as NATO or the 'G' summits – and the more universal organisations within the UN system. However, many of these seem to be in trouble, as the recent G7 meeting in Quebec showed.

The EU was always dependent on NATO. The Schuman Plan couldn't have been put into effect without the underlying security guarantee. But the EU was also established as a security organisation, and the two institutions work together. The EU's purpose was to create good political relations: [Jean Monnet's theory](#) was that you become friends by doing things together, rather than you do things together because you are friends. The more things you do together, the better friends you become. Member states are in a continual process of negotiation, so that it becomes strategically important to quarrel as little as possible with your fellow members, because you never know when you will need their support.

The downside of this dynamic is that when you are not a member, it works against you. Outside the Union, if you have some contention with just one member state, which is clearly of little consequence to the others, they will all firmly oppose you, because they know they need that member's support in some other negotiation, and they can't afford to alienate them.

Furthermore, by leaving the EU the UK, which is comparatively liberal in trade matters, may tip the balance of the EU towards protectionism. Consequently the UK may find that the EU it has left is more difficult to negotiate with than it was while it still belonged.

The rise of China

If western multilateralism is weakening, is China showing signs of building a new multilateral system? China is fast emerging as a great power with an elaborate and strategic master plan. China seems happy to use parts of the existing multilateral system – including parts that constrain it, such as WTO dispute settlement, and the [peer review process](#) in the Financial Action Task Force, which works against money laundering. But it also seems to reject exactly these sorts of mechanisms in other multilateral bodies, refusing to join the OECD [Anti-Bribery Convention](#), or [Export Credit Arrangements](#).

Meanwhile, China is creating new institutions such as the New Development Bank – an alternative to the World Bank – with the other BRICS countries. It has also established a new emergency credit facility that parallels the IMF, and its Belt and Road Initiative is a massive international effort to build economic cooperation – including initiatives to combat climate change, which some have compared to the Marshall Plan.

Meanwhile, the language of diplomacy has changed. Trump is the most obvious example, but certainly not the only one. Where has this come from, and why is it so much more evident in the West? One answer is the explosion of social media, and the weakening of the old hierarchies of top-down channels of communication. It has become far more difficult for 'the authorities' to cut through. Attention is the basic currency of the internet, and standards of decorum and consideration are diminished, while the ability to gain attention by whatever means has become all-important. It is no longer sufficient to convince a few influencers at the top of the establishment of the merits of international cooperation. Social media in China, on the other hand, is still under hierarchical control.

The end of the Cold War is another factor in the apparent decline in Western liberal values. During the Cold War, it was much easier to justify forceful action to defend those values. China's model of 'meritocratic authoritarian capitalism' seems less antagonistic than the Soviet Union did. Eventually, perhaps, China's insistence on fealty to the Chinese Communist Party, which itself seems to be becoming less internally mobile, will seem less palatable if China's growing influence brings it into more frequent conflict with other nations.

Brexit is both a result of the unravelling of the multilateral system and Western values, and contributes to it. The more the system unravels, the less confidence the world has in the ability of multilateral institutions to protect their interests. It is far from clear what can be done to reverse this vicious circle.

This post is an account of a discussion held at the LSE. It does not represent the views of the Brexit blog, nor the LSE. For a fuller account and a list of participants, see the [complete write-up](#).

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