

ISSUES IN PERSPECTIVE

Dr. James P. Eckman, President Emeritus
Grace University, Omaha, Nebraska
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The Demise of the Postwar Order

At the end of World War II, the United States and its victorious allies constructed an entire new world order based on military and financial treaties and alliances that were to promote the goals of global peace, security and economic prosperity. The North Atlantic Treaty Organization (NATO), the International Monetary Fund (IMF), and the World Bank were the institutions created to foster these postwar goals. Intense nationalism and high protective tariffs (taxes on imported goods) were seen as the enemies of this new order and these institutions were designed to balance nationalism with globalization and tariffs with a penchant for free trade. Hence, since World War II, international trade agreements have been negotiated to eliminate and/or reduce tariff rates.

Another part of this new world order was the European Union (EU). Originally designed as a common market for six European nations (Belgium, Netherlands, Luxembourg, France, West Germany and Italy), Great Britain joined in 1973 and what became the EU expanded to include 28 nations of Europe, several of them formerly communist satellite states of the now defunct Soviet Union. As had been said, if nationalism is the disease, an integrated Europe is the cure. The EU has fostered an integrated economic powerhouse with a GDP larger than the United States and with the free movement of labor, capital, goods and services, along with an ease of travel within EU member nations. The EU also introduced a common currency, called the euro, which Britain refused to adopt, seeking to maintain its currency, the pound. The primary center of the EU is in Brussels, and the bureaucracy overseeing all EU regulations has grown in numbers, power and authority. For many, the EU bureaucracy seems arbitrary and self-serving. Its regulations are often perceived as unreasonable and unnecessary. Many in Britain have resented EU intrusion into British life and the British economy. For these reasons, membership in the EU had become a controversial political issue, such that, to appease the anti-European wing of his Conservative Party, in 2013 the British Prime Minister, David Cameron, promised a referendum on EU membership. That referendum occurred last Thursday, 23 June, with 17.4 million Britons voting to sever ties with the EU, and 16.1 million Britons voting to remain in the EU (i.e., 52% to 48%). Cameron therefore tendered his resignation as Prime Minister, saying that his successor will need to be the one who severs all ties with the EU.

A few additional aspects concerning the British referendum to exit the EU:

- This was a referendum and it is not legally binding on the British government. However, it is inconceivable that the government would ignore this vote.

- There is a formal process outlined in the EU's governing treaty on how a nation can exit the EU. This is known as Article 50, which the British government would need to formally invoke. David Cameron has stated that it will be his successor who will need to do this. In other words, Article 50 will not be invoked until probably sometime in October. Once this process begins, Great Britain cannot halt it without unanimous approval of all 27 EU nations.
- Britain is leaving the largest common market in the world, with over 508 million residents who enjoy the free movement of labor, capital and goods and services. It is certainly probable that London, now the leading financial capital of Europe (and of the world), will lose its position to Paris or Frankfurt.
- Britain will now need to negotiate a whole host of separate trade agreements with the members of the EU and will need to revise a whole host of internal regulations based on EU rules. Britain has the second largest economy in the EU (next to Germany) and about 50% of its exports are sold in the EU market. This will most definitely change and will affect Britain's unemployment rate, its GDP and London as its financial center.
- Scotland has already made clear that it might very well go ahead and hold another election to decide if it wishes to remain in the United Kingdom. Northern Ireland could do the same. Both voted heavily to remain in the EU and have benefited demonstrably from the EU. In other words, the United Kingdom could also break up.

Britain's decision to exit from the EU is part of a much larger re-ordering of the Post World War II world. Here are a few additional examples:

- Russia under Vladimir Putin has habitually nurtured discord within the EU, fomenting nationalist anger in various EU nations. In 2014 he annexed the Crimea and has been sowing all kinds of discord in eastern Ukraine, challenging the Postwar's commitment to respecting national borders, while he meddles militarily in eastern Ukraine. British historian Timothy Garton Ask has argued that "Vladimir Putin will be rubbing his hands in glee. The unhappy English have delivered a body blow to the West, and to the ideals of international cooperation, liberal order and open societies to which England has in the past contributed so much."
- The breakup of the Postwar Order has been most pronounced in the Middle East. The *New York Times* reports that "The uprisings of the Arab Spring erupted from widespread frustrations with stagnant, autocratic politics and economic lethargy. But these rebellions failed to yield stable governments, and now the borders drawn by Europeans a century ago in Syria, Lebanon and Iraq have been rendered largely irrelevant . . . [The Arab] world has retreated into greater reliance on sects, ethnic groups and militias. Jihadist groups like al Qaeda and the Islamic State have fought national armies and won,

providing a religious alternative to the nation state that has been embraced by some.” The flow of people into the EU from Syria and Iraq as a consequence helped to precipitate the British vote.

- China has unsettled the Asian order with its aggressive trade policies and its penchant to dominate all of Asia militarily. Asia has more private wealth than Europe and China will account for 70% of Asia’s growth between now and 2019. In addition, China has instituted its own international development bank to rival the World Bank and the IMF.

In short, the world is re-ordering itself. Britain’s vote to exit the EU is but a part of this re-ordering. It is serious, unsettling and potentially frightening. The global markets are reeling right now and the financial world will change because of the British vote. As Christians, we are reminded that our security and our stability are sourced in God, not the world. Psalm 46 is a comforting reminder that “God is our refuge and our strength. An ever-present help in times of trouble.” In this re-ordering of the world, we must keep that truth in mind.

See Niraj Chokshi, Daniel Victor, Sewell Chan in the *New York Times* (25 June 2016); Greg Ip in the *Wall Street Journal* (23 June 2016); Jim Yardley, Alison Smale, Jane Perlez, Ben Hubbard in the *New York Times* (26 June 2016); editorials in the *New York Times* (25 and 26 June 2016); and *The Economist* (18 June 2016), pp. 45-50.