

## Chapter 14

### China And Global Multilateral Institutions

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The Hanse versus The Empires

The UK, Multi-Lateral Institution, and Relations with the EU, USA & China

"J'ai entendu vos points de vue. Ils ne rencontrent pas les miens. La décision est prise à l'unanimité."  
"I have heard your points of view. They do not match mine. The decision is therefore unanimous." General Charles de Gaulle (1890-1970)

#### **Multi-Multi-Lateral Institutions**

Any political commentary must strike a balance between near-term irrelevance and long-term platitudes. The objective of this chapter is to explore the potential relationship of the UK and multi-lateral institutions with the 'Empires' of the EU, the USA, and now China. The conclusion is that UK engagement with multi-lateral institutions should play a much bigger role as it seeks a mutually-beneficial and harmonious world order with existing and emerging super-powers.

A quick definition of multi-lateral institutions and some examples are in order. Three or more nations can form a multi-lateral institution (MLI) to work on issues that relate to all the countries. There are a lot of MLIs. Examples include widely-based international institutions such as the United Nations (UN) on relationships among nations, with 17 specialist subsidiary agencies that are also MLIs.<sup>1</sup>

There are numerous development banks, such as the Asian Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD) or the African Development Bank (ADB); legal bodies, such as the International Criminal Court (ICC) and the International Court of Justice (ICJ); regional bodies, such as the Gulf Cooperation Council (GCC) or Association of Southeast Asian Nations (ASEAN); groups, such as the Commonwealth Nations or Group of 77 developing world caucus; alliances, such as the North Atlantic Treaty Organisation (NATO) or Collective Security Treaty Organisation; interest bodies, such as the Organisation of the Petroleum Exporting Countries (OPEC) to harmonise policies on oil and gas or Organisation For Economic Cooperation & Development (OECD) on economics and taxation; let alone wide initiatives such as Belt & Road.

There are also organisations, such as the C40 group of cities on climate change, that involve devolved governments. There are trade associations that are on the edge of governments, e.g. International Organisation for Standards (ISO) of national standards bodies, or International Air Transport Association (IATA) of airlines. Some people go so far as to include various non-governmental organisations, e.g. Greenpeace or WWF on the environment.

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<sup>1</sup> FAO: Food and Agriculture Organisation, ICAO: International Civil Aviation Organisation, IFAD: International Fund for Agricultural Development, ILO: International Labour Organisation, IMF: International Monetary Fund, IMO: International Maritime Organisation, ITU: International Telecommunication Union, UNESCO: United Nations Educational, Scientific and Cultural Organisation, UNIDO: United Nations Industrial Development Organisation, UNWTO: World Tourism Organisation, UPU: Universal Postal Union, WHO: World Health Organisation, WIPO: World Intellectual Property Organisation, WMO: World Meteorological Organisation, and World Bank Group of: IBRD: International Bank for Reconstruction and Development, IDA: International Development Association, IFC: International Finance Corporation.

## 10 Types Of People In The World – Those Who Understand Bilateralism, And Those Who Don't

Governments have three basic methods to deal with other governments on issues. Unilateralism means dictating terms. Bilateralism implies a series of specific and unique agreements between two nations. Multilateralism means trying to organise several nations around some general principles of conduct, and then putting in place a structure to govern those principles and nations' conduct. Clearly, power symmetry or asymmetry features highly in a nation's bias towards one form. A dominant nation will tend towards unilateralism. Where unilateralism doesn't work, then bilateralism between dominant nations is common. Multilateralism is favoured by smaller nations to control the larger ones through force of numbers.

After World War II, the United States, unusually for a highly-dominant nation that could have wielded unilateral power, favoured a new world order based around multilateralism. There were some bilateral agreements, for example SALT, and even unilateral agreements, for example with Japan, South Korea, or Taiwan, but by and large the United States tried to work through multilateralism with other nations. For nearly seven decades multilateralism was believed to allow the United States to engage with more countries more effectively, efficiently, and consistently. The cost was assumed to be that at some points United States interests might be subordinate to groups of smaller nations.

Recent United States administrations have been less 'compromising' on many topics, as evidenced by the rising number of sanctions on other nations and individuals. The United States has moved towards bilateralism at a time when other countries, notably China but to a lesser degree India, Brazil, and Russia, also appear to prefer working bilaterally rather than working through MLIs and supporting the role of MLIs in international relations. Perversely, many international policy tools, perhaps especially sanctions, work best in a multilateral environment.

### A Multiplicity Of Manicheists

In the 3rd century, the Prophet Mani taught a universal religion based on what we now call dualism. Everything is good or evil, black or white. The Cold War promoted a Manichean view of the world. On 5 March 1946, at Westminster College in Fulton, Missouri, Winston Churchill delivered his "Sinews of Peace" speech declaring that an 'iron curtain' had descended across Europe. The Western side of the wall was white, the Eastern side black. Manichean thinking dominated international relations for decades. In 1949, when the Communists under Mao Zedong defeated Chiang Kai-shek's Nationalist armies, China was deemed to fall on the black side of the iron curtain.

I was a child of the Cold War. When I studied international relations at Harvard my teachers were of the realpolitik school, such as Henry Kissinger, steeped in the Cold War. Yet Stanley Hoffmann taught us to avoid being ensnared by any single doctrine, emphasising the difficulties and responsibilities of statecraft. Edwin O Reischauer taught us to look to the long-term for Asia, Japan, Korea, and 'China would be back'. In 1981 Ronald J Hill at Trinity College Dublin taught 'when the Soviet Union dissolves', and we scarcely believed him. He compelled us to study the 'Stans' because they would be nations again. We were warned not to fall for Manichean deceptions.

We have had other Manichean deceptions, developing versus developed, North versus South, or knowledge versus labour economies. Manichean deceptions blind us to hybrid viewpoints or nuanced complex groupings. Manichean polarities have been applied to the EU. Some fear a 'superstate', others its imminent collapse. I first went to China in 1983 when it was 'communist' – and have seen nearly four decades of miraculous economic transformations on numerous visits since. These transformations are

not due to communism, nor are they due to free markets, nor capitalism. Similar Manichean extremes have been applied to China from the Warring States and the Qin Empire, to the Three Kingdoms, Sixteen Kingdoms, Ten Kingdoms, to today.

There are multiple world views of course. Four familiar views in international relations might be:

- Ideological – a set of ideas that set out an all-encompassing view of the world, often based on a theory, e.g. liberalism or communism, or values, e.g. liberty, equality, free speech, self-determination, peace;
- Realpolitik – in an anarchic world, hard and soft power can deliver national objectives;
- Institutionalism – MLIs can pool sovereignty for mutual interest, thus providing a rules-based system to resolve disputes and deliver common objectives;
- Constructivism - agency and structure are mutually constituted, thus objectives are achieved by spinning and using deep and elaborate webs of relationships among institutions and individuals that engender trust.

Ideologists are often theorists working in think-tanks and policy units. Front line security and intelligence agencies are realpolitik. Diplomats and international agencies promote institutionalism, perhaps especially MLIs. Cultural services and exchange programmes are constructivists, connecting people and building relationships beyond state institutions.

Liberalism is an ideology. The ideology of liberalism affirms three traditional ethical liberal values of individual rights, freedom of speech, and protection of property. To those three add three practical liberal values of limited government, free markets, and free trade. The international state is supposed to limit freedom of choice as little as possible. To all of these six values, add tolerance, as in US poet Robert Frost's definition of a liberal - "A liberal is a man too broadminded to take his own side in a quarrel." Liberalism benefits by being recursive about tolerance. Liberalism recognises, in a loose parallel with Gödel's Incompleteness Theorem, that there is no all-encompassing view of the world, even itself.

### A Multiplicity Of Objectives & Issues

Nations might strive to attain a multiplicity of objectives, but some basics are security, rule of law, economic success, health, education, environmental satisfaction, equality, and care for the poor & elderly. Perhaps more simply, prosperity, security, and freedom of choice. Not far off the UK's 2018 National Security Review conclusion of a "Fusion Doctrine" combining economic success with security and influence.

Nations are drawn into a multiplicity of issues while pursuing objectives, but also by geography, neighbours, natural disasters, or events. Conflict in the international sphere manifests itself in competition for resources, e.g. natural resources, taxation, debt relief. Cooperation in the international sphere arises where there is common benefit in mutual action, e.g. climate change, refugees, pandemics, foreign aid, competition and anti-monopoly policy.

### The Hanse versus The Empires

The Hanse, or Hanseatic League, was an economic and defensive confederation comprising up to 200 free towns and cities in northern Germany and neighbouring areas around the North Sea and the Baltic, spanning seven modern nations. Traditionally dated to a protective alliance formed by Lübeck and Hamburg in 1241, the Hanse reached the height of its power in the 1300's and held its last official

assembly in 1669. If you will, it was an early Belt-Road Initiative. Kings Lynn in Norfolk was a Hanse town; London was not, though it was a trading post, a kontor.

The Holy Roman Empire lasted a thousand years, from 800 to 1806. It was a rollicking affair, a multi-ethnic complex of territories in Western and Central Europe that developed during the Early Middle Ages. Voltaire used the Holy Roman Empire as an unsatisfying case study of the concept of a republic, quipping, [“This body which called itself and which still calls itself] the Holy Roman Empire was in no way holy, nor Roman, nor an empire”.<sup>2</sup> A sweeping generalisation might be that trade was seen as an instrument of the Empire.

There are some Manichean deceptions here. The Hanse had an interesting symbiosis with the Holy Roman Empire. Many cities often owed allegiances to the Empire, round the back, so to speak, of local kingdoms. The Hanse acted colonially in the Shetland Isles controlling dried codfish exports. Similarly, the Empire was not homogeneous and consisted of numerous principalities frequently pursuing radically different economic and trade policies. But hopefully the mists of time allow us to use these myths to clarify the fog of today’s relations.

The Hanse calls to EU sensibilities across the centuries. The Hanse’s vibrant legend of freely trading cities inspired Adam Smith and the Founding Fathers of the USA in developing their views of free trade. There are periods in Chinese history comparable to the Hanse and the Empire. The Ming Dynasty Admiral Zheng He and his famous Treasure Ship voyages of the early 1400’s were Hanseatic, but were followed by a long period of closed borders and Imperialist Hǎijìn, 海禁, or sea bans. China has long described itself as Zhōng guó, 中国, the Middle Kingdom. In part, this implies a central role working with other kingdoms.

I wish to use ‘Hanse versus Empires’ as a metaphor for a world where either government attracts trade, the Hanse, or where government directs trade, the Empire. The Hanse was an MLI, and the Hanseatic approach would be to support Institutionalism. Imperialists believe that trade is an extension of the state. Imperialists are Realpolitik adherents. Government trumps trade. Hanseatics believe that to trade is to be human. Trade is a human right, a traditional liberal viewpoint. Trade trumps government.

### Trade Moves

As a Past Master of the Worshipful Company of World Traders, I believe trade promotes prosperity and peace in line with our Company motto, “commerce and honest friendship with all”. Game theorists and economists who study trade relations come down overwhelmingly to the conclusion that, under ideal conditions, unfettered trade is best. There are good reasons why ‘free’ trade theory rapidly turns into ‘fair’ trade discussions. Ideal conditions don’t apply in the real world. Trade creates numerous issues stemming from a basic definition of a nation state, “a monopoly on the use of force in a geographic area”, such as:

- security and defence issues such as the recent debate over Huawei, but also organised crime and trafficking;
- security of supply chains;
- control of immigration and types of immigrants, e.g. anti-money-laundering;
- consumer protection;
- environmental protection;
- cyber, the modern world’s cyber geography doesn’t fit nature’s geography.

2 « Ce corps qui s’appelait et qui s’appelle encore le saint empire romain n’était en aucune manière ni saint, ni romain, ni empire. » Essai Sur L’histoire Générale Et Sur Les Mœurs Et L'esprit Des Nations, Chapter 70 (1756).

From Adam Smith onwards, thinkers have increasingly recognised that commerce is about much more than making money. Commerce is social interaction where people trade ideas, opinions, knowledge, or merchandise. Trade reaps economic benefits from specialisation and comparative advantage, creates prosperity, distributes success and wealth, and collectively enriches all our societies and communities. Trade is a force for good, but trade is not an intrinsic ‘good’.

‘Hanse versus Empires’ is not a rehash of the ‘globalisation polarisation’ debate. Much analysis of British polarisation or USA polarisation has focused on the urban versus the rural, or David Goodhart’s ‘Somewheres’, who feel strong local and national attachments, versus ‘Anywheres’, global villagers who value autonomy and mobility. On trade, you can be a rural Hanseatic, or a rural Imperialist, likewise an urban Hanseatic or an urban Imperialist.

Equally, much analysis focuses on central versus local tensions, or federalism versus confederalism. Any community has sub-communities, and governments need to encompass the span of communities within their geographic area, often with constituent sub-governments. One can remark that the EU is a confederation that has shown a tendency to move towards federalism. One could remark that the UK has increasing federalism but remains awkwardly centralised. One might suggest that China is politically centralised but economically has many confederal aspects. Again, on trade, you can be a centralist Hanseatic, or a local Hanseatic, likewise a federal Imperialist or a confederal Imperialist.

When I studied international relations, trade and industry were frequently seen to be subservient to the state, tools of statecraft. Since the 1970s we’ve seen a transformation in trade. Until recently trade had been left more and more to get on with itself, and got on with it indeed. Trade as a % of GDP, thus taking population growth into account, has risen from 27% in 1970 to 60% in 2019, a 220% rise in all of our lives over the past half century. Alongside technology, the rise in trade has powered most of our increasing economic well-being. It also powered the rise of multi-lateral institutions. Over the past few years, the pendulum of trade appears to be reversing its swing, moving from Hanseatic freedom to a tool of the Empires.

### **Sum Figures**

Trade statistics can be ropey. Some WTO estimates place the scale of non-monetary trade at 25% to 40% of global trade. That’s an enormous error bar just to begin with. Trade goods statistics have physical customs inspection reference points, though one still observes the Rotterdam Effect, the inflation of trade statistics due to the inclusion of quasi-transit goods. In 2017, the Netherlands recorded £6 billion less in exports to the UK than were recorded in UK imports. In turn, the UK reported £3 billion more in exports to the Netherlands than the Netherlands recorded as imports. Then we turn to services. Services export data are taken mostly from polls – and we’ve seen the accuracy of polling data lately. Foreign direct investment (FDI) figures are subject to too many vagaries and distortions to mention. And then over 1,200 adjustments to published GDP data, but we have what we have.

China and the EU are net exporters, while the USA and UK are net importers. Germany on its own is roughly the sixth largest exporter and importer to China. The UK is roughly the fifth largest export market for China, but only the 20th import market. China has pursued a traditional, export-led strategy to move to a market economy, to bring in know-how, to take advantage of comparative advantage. China’s economy is rapidly moving to a more service-based economy with greater global financial services integration. There is a rebalancing of offshoring, onshoring, and supply chains.

The EU is the UK's largest trading partner. In 2019, UK exports to the EU were 43% of all UK exports and 52% of all UK imports. Financial & business services (a category which includes legal, accounting, advertising, research and development, architectural, engineering, and other professional and technical services) accounts for 55% of UK services exports, about 20% of total UK exports, and 42% of the UK's exports to the EU. Though a net exporter, the EU runs a large trade deficit with China, but the EU pursues a different strategy.

### **The ‘London Effect’?**

Professor Anu Bradford at Columbia Law School highlights the ‘Brussels Effect’. In short, the EU’s clout is via standards and regulation. First, with a single market about a fifth of global GDP, multinationals have to enter EU markets. Second, the EU prides itself on tough regulation, e.g. consumer data rights, food, the environment, so firms know they have to follow EU leadership on standards. Third, reinforcing the first two, firms often lobby their own governments to follow EU regulations. Some of the EU’s skill in international standards derives from needing to handle 27 national interests at all times. Bradford posits that a post-Brexit UK will be just as cowed by this reinforcing triangle of pressure as the USA and China already are.

However, the UK might create the ‘London Effect’ in financial services. The UK’s strength is as a deal centre and financial & business services exporter. The three ‘Empires’, China, EU, USA, are big trading partners with each other, facing much rebalancing ahead. A special UK strength has been capital allocation, as a FDI springboard to Europe, first for the Commonwealth, since the mid-1980s for the USA, then Japan, and latterly China. Part of firms’ balancing of their balance sheets includes equity and debt, but also insurance. The UK is also a place for balancing global balance sheets, via patent boxes, inter-company transfers and holding companies. FDI and financial and business services go together well. UK financial services standards could become the international norm. Financial exchanges are commercial MLIs, so think of stock exchange public listing rules as a way of ‘exporting’ values of governance and fair play.

Small nations often have outsize financial centres: think Singapore, Zurich, Geneva, Dublin, or Amsterdam, let alone offshore centres around the world from Jersey, Guernsey, and the Isle of Man, to Gibraltar, Luxembourg, Cayman Islands, or Mauritius. As someone who travels the world advising countries and cities on establishing financial centres, what people value is stability and tolerance. Anecdotally, in the 1990s the Japanese coined a term for London’s financial services, the ‘Wimbledon Effect’. London hosts the Wimbledon tournament successfully, but rarely wins. Basically, the UK could thrive by providing the financial services ‘tennis courts’, highly successful despite a lack of native competition.

Smaller nations and centres try to emulate the Wimbledon Effect in, for example, Singapore, Monaco, Zurich, or Luxembourg. Multinationals frequently do their financial work in these foreign cities despite having no operational work in the same country. A French pharmaceutical company and a Japanese pharmaceutical company can structure a deal over a Malaysian plant in London, not in France, Japan, or Malaysia. On the contrary, I’ve never seen a deal in New York City, Tokyo, or Beijing where there is no indigenous USA, Japanese, or Chinese local business.

### **Certainty About How The Rules Of The Game Are Improved**

As long as everyone is treated fairly, native and non-native, and the local jurisdiction isn’t going to do something short-term or populist – typically a tax grab, retroactive, windfall, wealth, or financial transaction taxes – but rather becomes known for stability and sense, offshore centres do well. Despite its location

and a bumpy start in the 1970s, the Isle of Man derives over 35% of its gross national income from international financial services based on a stable legal & regulatory environment plus specialist talent. The island certainly won't make rash decisions about financial services regulation or taxation as it would harm itself too greatly.

'Rule of law' is fundamental to Hanseatic approaches. Foreign trade is attracted to centres where all traders are treated fairly. The attraction of the City of London is based on the renown of its legal system, judges, arbitrators, and mediators. Unsurprisingly, numerous competitive financial centres have established zones of English law, complete with international arbitration centres.

Government officials frequently state that "business wants certainty". This is balderdash. Businesses thrive on uncertainty. If there was certainty, there would be no need for markets. All quantities and prices would be known. There would be no change and no opportunity to compete. Businesses realise that the rules of the game need to change and improve over time, or there will be no progress. No, businesses want certainty about how the rules of the game change or will change.

Politicians do not shine on 'certainty'. Certainty over how the rules will change requires a process that looks ahead, for example following a strict consultation, recommendation, drafting, revision, implementation timetable every so many years. Instead modern politicians react to most crises with instant legislation. Often these crises are media generated crises and the responses are designed to garner votes rather than solve a systemic problem.

Large firms do think these things through. When multi-nationals relocate they frequently look at the % of GDP taken by government rather than look at specific tax rates. At a high % of GDP taken by government then government must get the money via taxation of many forms. The corporate tax rate isn't the most important. Operationally too, firms take capricious governments into account:

*"Pharma firms have cleverly placed manufacturing sites around the world, including in small countries such as Belgium and Switzerland which can quickly produce more vaccine than these countries could ever want."* [The Economist, "Bullseye - An Effective Covid-19 Vaccine Is A Turning Point In The Pandemic" (14 November 2020), pages 21-24.]

Paradoxically, a UK separate from the EU and its policies might be seen as more stable for EU, USA, and Chinese firms. The UK could look forward to a surge of financial work from Chinese firms undertaking FDI with London as a springboard to the EU, and as a more neutral, and skilled, location for EU firms structuring work in China. The UK could assist 'onshoring' by the Empires, or the UK could look forward to a surge of multi-national deals as Belt-Road Initiative (BRI) or Build Back Better World (B3W) projects are hatched and grown in the neutral professional and financial 'tennis courts' of the City of London.

But it is never hard to find things to fret about. USA, Japanese, and some Chinese firms have taken justifiable offence at locating in the UK over the past few decades, in order to gain access to Europe, only to have access pulled out from under them despite assurances over Brexit making no difference. FDI inflows to the United Kingdom are falling.

## Taking Back Control

I style the City of London as ‘the world’s coffeehouse’. The UK is a connector delivering financial & business services to support trade. The UK needs to sell the virtues of Hanseatic open borders and liberal values of limited government interference, free markets, free trade, individual rights, freedom of speech, and protection of property. In theory this shouldn’t be hard, not least as these are traditional British values, often politically associated with the traditional liberal party of a century ago. Let the Imperialists structure their Empires as they will, but when they need to connect with each other then Hanseatic Britain is there. Connecting 8 billion people is sufficient work for 67 million.

Empires have tendencies to control trade and services, restrict immigration, restrict capital flows, manage exchange rates and enact industrial policies. Empires are run by bureaucrats and lawyers, whereas Hanseatic nations are run by traders and engineers. So, a Hanseatic UK that put free trade first might choose to:

- work to strengthen, and reform, MLIs, starting with the UN and its 17 agencies;
- treat all comers fairly, with minimal industrial policies, no state aid, no cartels or monopolies, finding ways for all comers to have a fair chance;
- be a model nation for swift, efficient, and secure working and student visas;
- simplify the tax structure so people can pay easily and fairly, perhaps finally implementing land value taxation while reducing corporation tax to stimulate commerce;
- promote a gold standard of the EU’s General Data Protection Regulation as an export tool, which is what global consumers want when they think about it; work too on reducing transaction friction by making e-signatures the standard for international commerce in line with eIDAS, the Federal ESIGN Act, and BankID;
- recognise that there is no such thing as weak encryption, the cornerstone technology of all digital finance, there is only strong encryption or no encryption, and that strong cyber defences are essential;
- strengthen and simplify anti-money-laundering;
- lead the world on trade-friendly climate targets, establish a MLI for international emissions trading, and perhaps issue a binding sovereign policy performance bond tied to our net-zero 2050 target where, similar to an inflation-linked bond, the UK pays more interest if it fails to adhere to the net-zero reduction pathway.

A Hanseatic strategy would promote the principle of least interference with trade. Leaving the EU lifts constraints that might have impeded the UK brokering between Empires. The UK has a fantastic opportunity to explore the many facets of trade and follow a new model. But economics is not everything. The choice is very much in the hands of the British people.

Recently, there have been disturbing moves to violate international law, weaken encryption, increase state aid, flip-flop on technology defence, undermine data protection. The National Security and Investment Bill strengthens the UK’s ability to intervene in mergers and acquisitions, but application might emulate the USA’s Foreign Investment Risk Review Modernisation Act (FIRRMA) and its commercial interference too slavishly. The Subsidy Control Bill, likewise, had better control subsidies, not excuse them.

### **Think Small, Successfully**

One awkward question is whether the UK, with a population of 67 million, may actually be too large to adapt, too susceptible to populism, and not amenable enough to self-discipline. National economies of scale peter out more quickly than people imagine. Large countries have diseconomies of scale too. For every still-competitive USA or underway China, there remain Indian or Brazilian comparators of inefficiency and disorder.

Some of the world's most competitive nations are the small nations, Denmark, Sweden, Switzerland, Finland, Singapore, Ireland, Israel, or the Netherlands. James Breiding believes similar success characteristics are forged because these countries are 'too small to fail'. Success requires them to adapt to the world and be disciplined about competitiveness, quality, and sustainability over the long-term. The largest of these countries, the Netherlands, has a population of 17 million, barely a quarter of the UK's.

Successful small countries are fair and open. They signal stability and rule of law. Empires need fair Hanseatic ports for their own purposes. Going forward, might the UK be simultaneously too large and too small, or can it have the best of both, quiet small country success plus economies of scale? The UK needs to think big, yet emulate small. Some MLI work might develop city-to-city connections over nation-to-nation. Professional bodies, a traditional UK strength throughout the Commonwealth, are another MLI tool to be used more often.

### **Values Versus Trade**

The post-Brexit world could be the UK's oyster. China needs to expand its investment in Europe. The UK should be China's preferred offshore platform for Europe, and beyond. The EU needs to expand its investment in China. UK skills, combined with stability and independence, ought to make the UK the EU's preferred offshore platform for China, and beyond. This Hanseatic role should be attractive to the UK and, done well, could soon make the UK indispensable to China, the EU, and the USA.

It's not hard though to bump up against issues that conflict with values: Tibet, Hong Kong, Taiwan, South China Sea, Xinjiang; Crimea, Georgia, NordGas, fishing rights, Libya; Guantanamo Bay, prison populations, capital punishment, election integrity, global warming. On China, at the annual Chancellor's 2021 Mansion House speech (1 July 2021) the Rt Hon Rishi Sunak MP said, "... people on both sides argue either that we should sever all ties or focus solely on commercial opportunities at the expense of our values ...". He rightly counselled a mature relationship pursuing trade and links within a framework of national resilience, understanding the need to take a principled stand on issues that contravene values. "After all, principles only matter if they extend beyond our convenience."

Willy Brandt's "Wandel durch Handel", "change through trade", belief has taken flak recently for imprecision on the location of 'red lines' and how to enforce them. There certainly will be almost no change without trade, in its widest sense. It is very much in the interest of Hanse nations to give the responsibility of drawing and policing red lines firmly to specific MLIs. Using MLIs, a nation can amplify the projection of its values, while simultaneously structuring domestic responses to red line transgressions, and maintaining trade more consistently through times of dispute.

### Re-engaging Through MLIs

The EU was the UK's most important multi-lateral institution, until Brexit ended 47 years of membership. Paradoxically, the UK's departure from its primary multi-lateral institution means it should push much harder from inside many more MLIs if it hopes to engage successfully with the three current big blocs and nations, the EU, USA, and China, let alone emerging strong nations such as Brazil, India, Indonesia, or even a restructured Russia.

MLI engagement is a big strategic answer to a Hanseatic place in the world, but it's hard in modern politics to hold any long-term strategy when short-term cheap wins beckon. This chapter is not a polemic on the many threats that appear to have arisen due to complacency on the part of 'the West', perhaps punctuated by the 'fall of the wall' in 1989. However, it has been some time since there was a clear restatement of the values of western liberalism by a leading figure or a leading nation.

Discussion among the intelligentsia assumes a serious erosion of trust, increasing difficulty establishing what is true, and that populism reigns where principles don't pay. A liberal approach should be to redouble selling the better world of prosperity, security, and freedom of choice we want to build, long-term, together. MLIs are beacons towards that better world. A lot of work lies ahead to make those beacons shine more brightly.

*"The principle of Toryism is mistrust of the people, qualified by fear;  
The principle of Liberalism is trust in the people, qualified by prudence."*  
William Ewart Gladstone (1809 – 1898), British Prime Minister (Liberal) at Chester