GLOBAL DISCORD and INTERNATIONAL REGIMES

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BK’S UNDERLYING ANALYTICAL STRUCTURE

CONCEPTION OF LEGITIMACY

DRIVES AN ATTEMPTED CONTRIBUTION TO INT’L POL THEORY

WHICH DRIVES AN APPROACH TO INTERNATIONAL RELATIONS

WHICH WHEN COMBINED WITH AN ACCOUNT OF CURRENT GEOPOLITICS

DRIVES PRINCIPLES FOR PARTICIPATION IN INTERNATIONAL REGIMES,

WHICH ARE APPLIED TO MAIN ECONOMIC REGIMES
GEOPOLITICS
• West/PRC contest a long century
  ◦ Long-18th century UK/FR: everywhere and everything
• China stumbling will not affect that
• Will play out partly via intl regimes and IOs
• POLICY SILOS ARE RISKY
Four Geopolitical-Geoeconomic Scenarios

Lingering Status Quo
Superpower Struggle
New Cold War
New World Order
INTERNATIONAL POLITICAL THEORY
IR’s STANDARD SCHOOLS OF THOUGHT

• **Hobbesian:**
  - **Assumption:** unbridled anarchy. World nasty, brutish, short etc
  - **States only actors, motivated by:** survival
  - **Focus:** power and stability. **Mood:** rationalistic pessimism

• **Kantian:**
  - **Assumption:** the power of Reason
  - **Focus:** values, and so human rights etc **Mood:** optimistic

• **Grotian middle way (with English School variants):**
  - **Assumption:** international society possible without idealism
  - **Focus, of rationalist arm:** international regimes **Method:** deductive
HUME vs. HOBBES (of the Hobbesians)

• **HUME ON PROMISING: WIDENS THE AUDIENCE**
  o NESTED GAMES: THE GAME OF LIFE GENERATES SOCIAL SANCTIONS
  o VALUES MATTER AS WELL AS POWER AND MATERIAL INTERESTS

• **COOPERATION DEPENDS ON BASIC ORDER**
  o HIGHER-LEVEL ONES, AND SO ORDER, MUST BE SELF-ENFORCING
  o HELD TOGETHER PARTLY BY CONVENTION-like NORMS or FEAR

• **LOWER-LEVEL INSTITUTIONS ENFORCED BY HIGHER-LEVEL ONES**
  o HIGH-LEVEL NORMS CONSTRAIN SET OF FEASIBLE REGIMES
INTERNATIONAL SOCIETY: THIN, THICK, DEEP

• A POLITICAL SOCIETY’S LEGITIMATION NORMS WORK AS GLUE
  o Add to resilience

• BUT A POLITICAL SOCIETY CAN BE:
  o THIN
  o THICK BUT PLURALIST
  o THICK AND DEEP (SHARED JUSTIFICATIONS)

• LEGITIMATION NORMS A PRODUCT OF A COMMUNITY'S HISTORY
  o of problems and opportunities faced together
  o But, for normativity, legitimation norms have both prescriptive and reflexive roots
“CIVILIZATIONAL” CONTESTS

• LOCAL LEGITIMATION NORMS VARY O/A DIFFERENT HISTORIES
  o TUG-o-WAR BETWEEN VERTICAL AND HORIZONTAL LEG-NORMS
  o METTERNICH VS. CASTLEREAGH ON LEGITIMATION OF DOMESTIC SYSTEMS

• WEST/PRC CONTEST IS OVER WAYS OF LIVING IN POLITICAL SOCIETY
  o COMMERCIAL SOCIETY BROADENS OUR SENSE OF “WE” BUT IN SLOW MOTION
  o NOT ALL POWERS SUBSCRIBE TO BASIC HRs

• SEEMS CIVILIZATIONAL, BUT CONFUCIAN-HERITAGE DEMOCRACIES
THE PRC’s SEVEN NO’s: DOCUMENT 9, 2013

- No to promoting constitutional democracy, or universal values,
- No to civil society (individual rights, challenging the Party’s social foundation and its leadership of the masses),
- No to neoliberalism (total marketization), the Western idea of journalism via freedom of the press (contrary to Party discipline), historical nihilism against the history of the Party and New China; and
- No to any questioning of the socialist nature of socialism with Chinese characteristics.
CONCENTRIC COOPERATION CIRCLES

• COOPERATION CAN BE CLOSER WITH THOSE WE FEAR LEAST & SHARE MOST

• OUTER CIRCLE: CONVENTIONS FOR PEACEFUL COEXISTENCE, SAFE TRADE
  ○ PLUS MAYBE SHARED EXISTENTIAL THREATS

• SECOND CIRCLE: MORE EXTENSIVE COMMERCE WITH JUS COGENS STATES, AND SO ON

• IL OPERATES WHERE NORM-LIKE CONVENTIONS HELP MAINTAIN BASIC ORDER
  ○ Vienna treaty on treaties, codifying customary law for world of new states

• A kind of PLURALIST LIBERAL INTERNATIONAL REALISM
PRINCIPLES FOR POLICY MAKERS
GUIDING PRINCIPLES

• Avoid wishful thinking (realism)

• Hold onto our way of life: what we have managed to become

• Do so without dominating other states

• Economic policy must be sensitive to security policy
Robustness and resilience

• Policy must be **robust**
  - **Minimax**: minimise costs of worst plausible outcome

• Regimes and systems must be **resilient**: bounce back under pressure

• For government, legitimacy is a feature of resilience (and vice versa)
PARTICIPATION IN REGIMES AND ORGs

• Not threatening to local order and legitimate government
• Not violating our deep political values to the point of undermining legitimacy at home
• Liberal states should have a bias toward universalism in international regimes, but without constraining coalitions of the willing from entering into club-like regimes
• Club-like regimes should leave the door open to other (non-threatening) states able to meet reasonable entry criteria
• International Judges and IO bosses should not rule over us
PRACTICAL IMPLICATIONS

• POLICY PRECEPTS:
  o WHENEVER BASIC ORDER AT STAKE, POLICY FIELDS CANNOT SILO
  o HENCE PERVERSIVE GEO-ECONOMICS UNDER DISCORDANT GEOPOLITICS
  o ROBUSTMESS: MINIMIZE PROSPECTIVE MAX COSTS
  o SYSTEMS MUST BE RESILIENT (CF. BRUNNERMEIER)
  o So, don’t design IOs with universal vetos

• PRINCIPLES FOR PARTICIPATION AND DELEGATION IN INT’L REGIMES
  o WTO: NEED TO REINTRODUCE HIGH POLICY VIA NEGOTIATION and, indirectly, PRAs
  o RESERVE CY: WEST NEEDS TO PRESERVE DOLLAR’S ROLE
  o FINANCIAL STABILITY: A NATIONAL SECURITY ISSUE
TRADE AND INVESTMENT
WTO AND TRADE SYSTEM

- State-owned enterprises subsidies case
- WTO Appellate Panel defined SoEs as outside government
- Plainly daft given role of Party
- But bigger point is that court was out of its depth: in issues or Order not just technocratic System
WTO REFORMS vs. PTAs

• Need to reintroduce a role for diplomacy
• But not with each member having a veto: the GATT-to-WTO mistake
• Just between major powers
• But that governance change can be vetoed!
• So PTAs are going to be way forward
• TPP: massive mistake by Trump people
BITs PROBLEMS AND REFORM PROPOSALS

• LOTS OF FRUSTRATION WITH BITS:
  o Opacity
  o Shifting population of adjudicators
  o Conflicts of interest
  o Some objections to firm-host state adjudications

• LEADING TO DEMANDS FOR A WTO-LIKE TREATY AND COURT
  o UNWISE NOW AS CANNOT AFFORD TO REPLICATE WTO PROBLEMS
BITs AND NATIONAL SECURITY

- STAKES MUCH HIGHER
- NEED VETTING OF INWARD INVESTMENT TO AVOID COMPROMISED SECURITY
- NEED SOME PROCESS TO AVOID GIVING CROWN JEWELS TO POTENTIAL ENemies

- DiseNgagement Without WholesALe De-Globalization
IMFS
HEGEMONY: SECURITY AND INT’L MONEY

• Currency use encouraged by security relationships (Norrlof)

• Other direction: currency leadership makes security hegemony cheaper

• An unknowing HQ of US leadership is the Federal Reserve building

• Europe should remember that when irritated by $ dominance
Advantages of reserve currency

• Seigniorage
• Lower borrowing costs for $-based corporates
• Multi-cy liquidity insurance for US banks, underpinning int’l banking

• BUT, BIGGER STILL, INSULATION AGAINST BIG ECONOMIC SHOCKS

• So PRC bound to pursue
  ○ Leading to competition in swap-line provision:
Preconditions for reserve-cy pre-eminence

• Low and stable inflation: don't mess with Fed independence
• Banking system stability: ditto, because of I-LOLR
• Debts that are sustainable into the distant future
• So, problem if unsustainable external debt or contingent LOLR support
Shadow banking and DCBC

• West cannot afford another financial crisis

• Shadow banking policy is national security policy
  o Each time someone lobbies Congress to obstruct safety regulation, they seek to weaken their state (and the Western world)

• Safe assets: 100% liquidity insurance,
  o with excess collateral pre-positioned: anti-Moral Hazard
DIGITAL CB CURRENCIES

• Opportunity for PRC
  o design preferences likely to be very different

• Privacy

• Security

• Architecture of money-credit system:
  o Leave credit allocation to private sector
IMPLICATIONS FOR IMF

• Stick to stability

• Don’t use programs as a lever to reengineer a state’s way of life
  o Recent UK experience suggests lesson from Indonesia not learnt
IMPLICATIONS FOR BASEL TOWER

• Financial commons
• Norm of “good faith” based on shared memories of crisis
  o Not guaranteed: standards should work back from crisis mgt

• More symmetric openness to civil society to avoid appearance and risk of capture (cognitive or otherwise)
FOUR SCENARIOS REDUX

• Lingering status quo: ...International Monetary System

• Superpower struggle: ...Everything, everywhere

• New Cold War: ...International trade and investment, but not like OCW

• New world order: ...not yet, but remember India, Indonesia etc will be powers one day