

GLOBAL DISCORD
and
INTERNATIONAL
REGIMES

OENB/SUERF, VIENNA, 23 JANUARY 2023

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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

SOME HEADLINES

- 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. HOBBS (of the Hobbesians)

- **HUME ON PROMISING: WIDENS THE AUDIENCE**
 - NESTED GAMES: THE GAME OF LIFE GENERATES SOCIAL SANCTIONS
 - VALUES MATTER AS WELL AS POWER AND MATERIAL INTERESTS
- **COOPERATION DEPENDS ON BASIC ORDER**
 - **HIGHER-LEVEL ONES, AND SO ORDER, MUST BE SELF-ENFORCING**
 - **HELD TOGETHER PARTLY BY CONVENTION-like NORMS or FEAR**
- **LOWER-LEVEL INSTITUTIONS ENFORCED BY HIGHER-LEVEL ONES**
 - HIGH-LEVEL NORMS CONSTRAIN SET OF FEASIBLE REGIMES

INTERNATIONAL SOCIETY: THIN, THICK, DEEP

- A POLITICAL SOCIETY'S LEGITIMATION NORMS WORK AS GLUE
 - Add to resilience
- BUT A POLITICAL SOCIETY CAN BE:
 - THIN
 - THICK BUT PLURALIST
 - THICK AND DEEP (SHARED JUSTIFICATIONS)
- LEGITIMATION NORMS A PRODUCT OF A COMMUNITY'S **HISTORY**
 - of problems and opportunities faced together
 - But, for normativity, legitimation norms have **both prescriptive and reflexive roots**

“CIVILIZATIONAL” CONTESTS

- LOCAL LEGITIMATION NORMS VARY O/A DIFFERENT HISTORIES
 - TUG-o-WAR BETWEEN VERTICAL AND HORIZONTAL LEG-NORMS
 - **METTERNICH VS. CASTLEREAGH ON LEGITIMATION OF DOMESTIC SYSTEMS**
- WEST/PRC CONTEST IS OVER WAYS OF LIVING IN POLITICAL SOCIETY
 - COMMERCIAL SOCIETY BROADENS OUR SENSE OF “WE” BUT IN SLOW MOTION
 - 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:
 - WHENEVER BASIC ORDER AT STAKE, POLICY FIELDS CANNOT SILO
 - HENCE PERVASIVE GEO-ECONOMICS UNDER DISCORDANT GEOPOLITICS
 - **ROBUSTNESS**: MINIMIZE PROSPECTIVE MAX COSTS
 - SYSTEMS MUST BE **RESILIENT** (CF. BRUNNERMEIER)
 - So, don't design IOs with universal vetos

- *PRINCIPLES FOR PARTICIPATION AND DELEGATION* IN INT'L REGIMES
 - WTO: NEED TO REINTRODUCE HIGH POLICY VIA NEGOTIATION and, indirectly, PRAs
 - RESERVE CY: WEST NEEDS TO PRESERVE DOLLAR'S ROLE
 - 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:
 - Opacity
 - Shifting population of adjudicators
 - Conflicts of interest
 - Some objections to firm- host state adjudications
- LEADING TO DEMANDS FOR A WTO-LIKE TREATY AND COURT
 - 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 WHOLSALE 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**
 - Each time someone lobbies Congress to obstruct safety regulation, they seek to weaken their state (and the Western world)
- **Safe assets: 100% liquidity insurance,**
 - with excess collateral pre-positioned: anti-Moral Hazard

DIGITAL CB CURRENCIES

- Opportunity for PRC
 - design preferences likely to be very different
- Privacy
- Security
- Architecture of money-credit system:
 - 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
 - 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
 - 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