

ERIC HELLEINER:

Crisis and Response. Five Regulatory Agendas in Search of an Outcome

Every global financial crisis generates new regulatory responses. What kinds of responses are emerging so far from the crisis that began in 2007? How are these responses similar or different to those that followed the last major crisis of 1997–98? Does the current crisis represent some kind of historic turning point in the evolution of international financial regulatory politics, as some are predicting?

We can identify five main regulatory agendas emerging from the current crisis to date. The first is an *international regulatory catch-up* agenda which calls upon regulators to strengthen and extend existing international regulations to address market failures revealed by the crisis, failures that were associated with market innovations, especially new models of securitization. A second *international regulatory reform* agenda seeks to reform, rather than just strengthen and extend, existing international regulations to eliminate their existing pro-cyclical nature. These first two agendas represent the most prominent regulatory responses to the crisis to date and they have been driven largely by the Financial Stability Forum. While significant, they represent more continuity than dramatic change in international regulatory politics in the sense that they attempt to build upon and reform the international financial regulatory project that the G7 promoted in the wake of the 1997–98 crisis.

The third and fourth agendas have been less politically powerful. One of these seeks to resist the push for the re-regulation of financial markets by governments on the grounds that government regulators can never know enough to prevent the next crisis and that the crisis was caused more by government policy than by market failure. Advocates of this *resisting official regulation* agenda are in a much more defensive position than they have been over the past decade. The fourth regulatory agenda calls for greater controls on cross-border movements of capital, arguing that the crisis was caused at least in part by excessive capital mobility. This *capital controls* agenda is less politically prominent today than it was at the time of the last major international financial crisis in 1997–98.

The fifth regulatory agenda is one that advocates a certain decentralization of financial regulation away from international models based on Anglo-American standards which are seen to have been discredited by the crisis. The emergence

of this *regulatory decentralization* agenda is the most novel response to the crisis. If its influence grows – particularly in Asia and continental Europe – the current crisis may represent an important turning point in the evolution of international financial regulatory politics.

JACQUES SAPIR:

From Financial Crisis to Turning Point

**How the US »Subprime Crisis« Turned into a Worldwide One
and Will Change the Global Economy**

We are witnessing the collapse of a specific model of capitalism and the breakdown of the post-Bretton Woods international monetary order. The current crisis is of global dimensions and marks a turning point in the twenty-first century. It will force governments to reshape international economic and monetary order, and is likely to end the existence of the Euro in its current form.

The crisis should be understood as a three-tiered process, embedded in the evolution of an international monetary »non-order«. We are witnessing a liquidity crisis that was generated by a global crisis of the financial system. This crisis in turn has its roots in a credit overextension which originated in the US, the UK, Spain and Ireland. At the root of this lie the structural changes in income redistribution since the mid-1980s.

The current crisis will worsen and have a deep impact on developed economies. Governments will be forced to adapt their economic policies significantly. One obvious change is the re-regulation of the financial markets, which will manifest itself mainly in a strengthening of prudential regulations. To such measures limitations on capital flows should be added. Furthermore, a return to tariffs and protectionist policies is indispensable, because only then can wage-led deflation be reversed and developed economies led to a stable growth path. Far-reaching reform of the monetary order is also necessary. Ideally, it would combine restraints on mercantilist policies, symmetrical and balanced international liquidity, and wide political scope for national economic policies aiming at full employment. However, foreseeable political resistance in the US and the EU makes it reasonable to expect a period of turmoil and unstable regional alliances before a truly global solution can be implemented.

In this light, the Euro's ability to survive is also in question. Probably the only way of keeping it alive will be for it to evolve from a »single currency« to a »common currency« and to reform the role of the ECB. A new European Monetary System would be better suited to stabilizing growth and trade at the continental level and would provide greater flexibility in coping with huge macroeconomic shocks. Backed by a renewed European Payments Union and a new European Investment Bank it could be a decisive innovation to foster stability and growth.

DAMIEN HELLY:

Africa, the EU and R2P: Towards Pragmatic International Subsidiarity?

The much-discussed doctrine of the »responsibility to protect« (R2P) is controversial. Formalizing it into an international norm that guides action on the ground will not happen overnight and will require global dialog and mobilization in which the EU has a role to play.

While wary of being seen as giving lessons to African countries from a morally ambivalent position, the EU, especially now that it comprises new members without a heavy colonial legacy, should not shy away from developing a clear R2P position in partnership with African R2P champions. The EU has already tried to do a lot in conflict prevention and post-conflict reconstruction, contributing thereby to two of three main components of R2P. Current EU engagement in prevention and reconstruction areas is not enough if it is not backed up by strong political will from African leaderships. More perhaps could be done to sophisticate and sharpen the Union's sanctions toolbox in order to create more incentives towards change in authoritarian or »irresponsible« regimes.

This requires first of all an EU-wide debate on what should constitute an R2P case – so far there is no agreement and it can vary from the broadest sense that includes natural disasters to a narrower definition confined to mass atrocities. Realistically, agreement is likely to center round the more limited option. What kind of abuses are we ready to react to? How narrow or broad should our reaction agenda be? What do we mean by the protection of civilians? These three questions could guide the EU in the drafting of an EU consensus on R2P – as it was done with the EU consensus on development in 2005 – in order to cross-fertilize with the work being done in the UN on the matter.

The EU will first need to make its position on R2P more explicit through an EU R2P doctrine that it should promote as a global normative actor. It will then need AU coherence on R2P and on the conditions under which to deliver intervention mandates. Last but not least, the support of global players such as China, Russia, India, and the US will be crucial to legitimize and anchor R2P in the international order. Dialog with these powers should therefore start as soon as possible to achieve a common understanding of joint approaches to prevention, reaction, and rebuilding.

LAUREN PLOCH:

US Africa Command: A More »Active« American Approach to Addressing African Security Challenges?

In February 2007, the Bush Administration announced its intention to create a new unified combatant command, Africa Command or AFRICOM, to promote

US national security objectives in Africa and in its surrounding waters. Created in part to address concerns over the administrative division of responsibility for US military efforts and engagement in Africa, AFRICOM's establishment also reflects an evolution in perceptions of US strategic interests in Africa. US military focus on the continent has been sporadic. The 1998 embassy bombings in East Africa are considered by many analysts to be a turning point in US strategic policy toward the region.

US security strategy toward Africa now appears to be focused on protecting trade interests, reducing armed conflict, and countering proliferation and terrorism. The lasting premise behind AFRICOM's establishment, according to its creators, is that stable and secure states would be more capable of deterring terrorism, proliferation, and crime. Building partnership capacity is a key component of this approach, and has been at the forefront of US military strategy in Africa in recent years. To what extent do US goals and proposals for security engagement coincide with African security priorities?

African perceptions of the new command have been mixed. Some worry that the move represents a neo-colonial effort to dominate the region militarily. Many Africans view US counter-terrorism efforts in Africa with skepticism, and there appears to be a widespread belief that the new command's primary goals will be to hunt terrorists and to secure US access to African oil. Some Africans also question whether AFRICOM might be part of a new contest between the United States and China for influence on the continent. However, some African governments have reacted to AFRICOM with cautious optimism and have advised the United States to consider how AFRICOM could complement the AU's proposed standby peacekeeping force. AFRICOM's ability to address the concerns of its African partners within the context of its operations will be critical to its ability to contribute to efforts to promote peace and stability on the continent.

STEPHEN MARKS:

The Regional Implications of China's Approach to Security Issues

Most coverage and analysis of China's increasing African role has been generated in the »global North«, and reflects an often stereotyped and exaggerated perception of China as a threat to a status quo of Northern domination. The developing African response, however, is more balanced, aware of the sometimes negative impacts of Chinese involvement, but also aware of the wider range of options and greater room for maneuver made possible by China's presence, and stressing the role of African government and civil society in countering the negative impacts. In the field of security the most obvious contrast between China's role and that of the USA and European powers is the lack of a direct military component, especially by contrast with the prospect of AFRICOM, or the continuing military pres-

ence and frequent direct military intervention of France. Is this due to the essentially peaceful and non-military character of Chinese policy, as implied by official Chinese statements? Or does it reflect a contingent national realism, which could alter in a different situation? What is the relevance in the African context of the broader debate about how to interpret China's military policy? Is there a relationship to the possible risk to Chinese personnel and investments from deteriorating security conditions in some African countries? What is the relevance of China's increasing role in UN peacekeeping missions? The answer is not to be found in a predominantly military definition of security, but in the integrated approach of Chinese policymakers to national security issues; an approach which stems not from idealism but from rational self-interest.

TIM MURITHI:

**The African Union's Transition from Non-Intervention to Non-Indifference:
An Ad Hoc Approach to the Responsibility to Protect?**

This paper assesses the emergence of the African Union's (AU) doctrine of non-indifference and discuss the linkages that exist with the notion of the Responsibility to Protect (R2P). It highlights the propensity of the Organisation of African Unity (OAU) towards non-intervention and »non-interference« and the consequences that this had for regional security in Africa. The paper also assesses the responsibility to protect (R2P) as an emerging international relations norm, following its inception at the United Nations (UN) General Assembly World Summit in 2005. It briefly discusses of the genesis of this norm and reviews the key aspects of R2P. The paper then analyzes the extent to which the AU's policy of non-indifference complements R2P. Is this policy of non-indifference an ad-hoc version of R2P? In particular, the paper assesses the Constitutive Act of the African Union (2000) to determine the extent to which R2P is enshrined and implicated in this document. It also discusses the extent to which the AU has sought to implement its policy of non-indifference and R2P through its commitment to promote peace around the continent, with a discussion of AU peace operations in Burundi, Darfur, Somalia, and Comoros, as well as the recent intervention efforts in Zimbabwe. The paper concludes with a set of recommendations on how the AU can operationalize the doctrine of non-indifference and R2P in a way that will impact upon and secure the lives of Africans.

RIK COOLSAET:

The Social Democratic Malaise and World Politics

Social democrats have lost their political momentum. They no longer seem to know what they stand for in today's world, and all European social democratic parties are suffering from the same malaise. The search for a new social project has started. In many cases this is still happening within the national context however.

But there is no watertight partition between domestic and international politics. That has been the experience of the socialist and social democratic movement from its very beginning. The movement developed because the international environment was conducive to it, and when its political project was successful that success was always closely linked to the international context that enabled it. This holds equally true today, now that social democratic parties feel they have arrived at an impasse.

Social democracy will become relevant only if it proves able to embody a social contract that combines, as in the past, safeguarding individuals from the risks against which they could not protect themselves with uniting people again by offering a perspective on progress in exactly that area that constitutes the greatest challenge facing the world today and in the future – global warming.

If social democracy succeeds in putting the focus on contemporary inequality again, both in its own action and in public debate, and in linking it to a credible strategy regarding energy transition, political success might once more become possible, for it would restore its core business – inequality – to its rightful place and tie it to a program aimed at progress. It would moreover make it possible to unite international, national and local (including municipal) representatives in a common endeavour, while also emphasizing individual opportunities and responsibilities. A social contract that thus includes protection and progress would also facilitate the ties between the party and the trade union movement and, above all, help social democrats to win back the confidence of their traditional rank and file, who in many European countries have concluded that social democrats have identified themselves too much with new-fashioned cultural divides at the expense of their own traditional agenda. Vexation over increasing inequality, loss of purchasing power, and daily economic worries and stress are issues that need to be reclaimed from populist parties. It will be a tough and lengthy process, but success in earlier times required no less.

For social democracy to regain its thrust, it must again master the same two critical success factors that made progress possible in the past: a permissive international environment and adequate identification of the strategy to be followed and the instruments of power.

LUKE MARCH:
Contemporary Far Left Parties in Europe:
From Marxism to the Mainstream?

Far left parties define themselves as to the left of, and not merely on the left of social democracy. The far left includes *radical left parties*, which accept liberal democracy alongside aspirations towards direct democracy and participatory democracy, but which oppose »neo-liberal« globalized capitalism, and *extreme left parties* which have far greater hostility to liberal democracy and »bourgeois« political forces, emphasize extra-parliamentary struggle far more, and define »anti-capitalism« much more strictly. The majority of relevant far left parties today are radical, rather than extreme.

The far left is an increasingly stabilized, consolidated, and permanent actor on the EU political scene, although it remains absent in specific countries and in much of former communist Eastern Europe. It is now approaching a post cold-war high in several countries. This far left is now becoming the principal challenge to mainstream social democratic parties, in large part because its main parties present themselves as defending the values and policies that social democrats have allegedly abandoned, albeit with a more environmental, feminist, Eurosceptic, and extra-parliamentary slant. Moreover, the far left no longer relies on external support from the Soviet Union. The most successful far left parties are those which are pragmatic, non-ideological and have charismatic leaders. The most successful strategies include an eco-socialist strategy that emphasizes post-materialist white-collar concerns and populist anti-elite mobilization. With very few exceptions, communist parties have the most problems in adopting these successful strategies, and their long-term future remains in jeopardy.

Far left parties flourish in a broad variety of external circumstances, but are helped above all by economic discontent, protest sentiments, the absence of protest party competitors, and political systems in which the mainstream left and right converge. In the near future, the worsening socioeconomic situation in the EU is likely to increase the appeal of the far left (in particular the populists). Although there is little prospect that the far left will outflank social democrats in the medium future, since social democratic parties still possess far greater political and organisational capital, a continued recalibration of the balance in favor of the far left is possible and likely. The appeal of the far left cannot be separated from wider problems both in the EU and national political systems, and within contemporary social democracy, such as anti-establishment sentiment, socio-economic distress, the perception that mainstream political actors are becoming increasingly technocratic and near-identical, and that citizens are defenseless before the forces of globalization. As long as these problems exist, the far left will have a role.