COUNCIL OF COUNCILS

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Summary Report

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The Council of Councils Fifth Regional Conference gathered twenty-nine participants from fourteen institutions around the world to discuss global challenges and the role of the Asia-Pacific region in international affairs. The conference focused on six pressing issues of international cooperation, including how to revitalize the Group of Twenty (G20), how to respond to the global challenge of Iran, the role of minilateralism versus multilateralism in Asia, the Trans-Pacific Partnership (TPP) and global trade, maritime security in the Asia-Pacific region, and setting rules for how states exploit cyberspace.

As Australia assumed chairmanship of the G20 for 2014, participants discussed how the forum should adapt and expand its agenda to better respond to global challenges. At the same time, they questioned its continued relevance given that the group's momentum to coordinate economic policies has waned now that the worst of the financial crisis has passed. The conversation on Iran's interim nuclear agreement also sparked heated debate. Participants discussed whether a comprehensive agreement—one that goes beyond just the nuclear program and reduces or removes sanctions—should be negotiated with Iran. Such an agreement could prove vital to reintegrating Iran into the international system.

The conversations regarding international trade, maritime security, and minilateralism versus multilateralism were particularly relevant to the Asia-Pacific region. Significant political and economic shifts are occurring in the region, raising questions about how to maintain the balance of power and ease political tensions. Some participants favored the role that minilateral institutions play in bringing together smaller groups of likeminded countries, while others argued that more encompassing multilateral institutions are necessary to build trust among countries in the region, especially on issues pertaining to security. Political tension over maritime security, in particular, has intensified as China becomes more assertive in the South and East China Seas. Participants discussed both China's rising influence and dominance in the region, and the implications this will have for future tensions in the surrounding waters. The role of multilateral institutions and agreements like the Association for Southeast Asian Nations (ASEAN) and the United Nations Convention on the Law of the Sea (UNCLOS) in solving maritime disputes was discussed, but participants acknowledged that existing regional and global-level mechanisms are inadequate. Ideally, parties might agree to confidence-building measures to assuage tensions, but these are difficult to negotiate and are unlikely to be achieved in the near future. Consequently, parties should strive to maintain open lines of communication to diffuse tensions and prevent them from escalating.

The conversation on global trade focused on the international shift toward regional free trade partnerships, away from global-level trade agreements. Participants discussed the wider and somewhat controversial implications of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership (TTIP) on the current trade system, including a shift toward regional and bilateral preferential trade agreements. Some participants worried that this trend will create a more fragmented, less open international trading system, while others noted the negative implications of leaving major emerging economies, such as China and Brazil, out of such agreements. Given these major changes, participants discussed the need to reform the World Trade Organization (WTO) and to update global trade rules to reflect modern realities. Lastly, participants turned to the contentious topic of cybersecurity and the question of whether or not setting rules was possible or even desirable in the cyber arena. The discussion focused on the recent Edward Snowden affair, the challenge of forging global consensus on the use of cyberspace for spying, and the difficulty in identifying and combatting cyber threats.

HOW TO REVITALIZE THE G20: A VIEW FROM THE AUSTRALIAN CHAIR

The Group of Twenty was initially elevated to the leaders' level as a crisis-response mechanism and is now in the process of transitioning into a global steering committee. However, after its initial successes to contain the global financial crisis, it is increasingly perceived to have lost momentum. This session discussed how the G20 can better respond to global challenges and whether current approaches, such as the G20 growth target, must be updated to achieve this objective.

Participants acknowledged that the G20's momentum may be fading. Without a crisis to spur action, the group first turned to introducing the "low-hanging fruit" of relatively straightforward and highly effective policy measures. However, now that further action requires stronger commitment, prospects for successful collective action outside of a crisis are mixed, at best.

As a way forward, some participants suggested the agenda should focus on issues relating to the provision of global public goods and policies that address problems with significant cross-country spillovers. Participants suggested that the G20 may still be able to assume the role of a "political circuit breaker" to provide guidance on hot-button issues beyond a narrow financial agenda. The idea of introducing a foreign affairs track was also discussed, but some participants argued the G20 may not include the right set of countries for debating global security issues. Moreover, the forum's limited representation inspires objections about its legitimacy as a global decision-making body. This would be particularly problematic when dealing with foreign affairs. As a result, maintaining a focus on economic and financial issues may be more appropriate.

Participants identified gaps between the G20's purpose and process. It was argued that the process needs to be more strongly driven by leaders instead of officials. This would increase the likelihood that policy commitments are actually implemented and therefore lend more credibility to G20 statements. The fragmentation of the G20 process was also criticized. For example, trade is not part of the finance track, despite the fact that trade can be a substantial factor in lifting growth in accordance with G20 objectives. Since the G20's agenda is increasingly moving away from a narrow focus on financial regulation and toward a structural reform agenda, the dominance of the finance track in the process may no longer be appropriate. The political responsibility for structural reforms is often spread out between several ministries and is generally not anchored in finance ministries.

Participants also expressed skepticism regarding the G20's peer review process. Some suggested that domestic electorates, civil society, and the business community should play a more prominent role in the G20's monitoring strategy in lieu of peer review by officials. Participants argued that domestic politics is the strongest determinant of policy action and is therefore central to any attempts to make the G20 more effective in delivering outcomes. Leaders from G20 countries should therefore prioritize communication efforts directed at domestic constituencies, as well as increasing the transparency of the G20 and strengthening outreach to the global community. Such outreach should occur throughout the year and not just during the leaders' summits. To allow the G20 to become a nimble and decisive body, some suggested the radical step of eliminating a formal agenda from leaders' summits and shifting toward "informal retreats" where leaders have the chance to exchange views on

a variety of current affairs without the confines of a strictly timed schedule. Some participants noted that any procedural reforms should be directed to serving the G20's purpose, rather than overwhelming it.

Participants also debated the G20 growth target presented just a day earlier at the G20 finance ministers meeting, with opinion divided on the utility of such international commitments. Some participants argued that international commitments may provide a useful "political scapegoat" that allows leaders to argue more effectively for domestic reforms by "blaming" international commitments. Other participants were skeptical, arguing that international commitments would be ineffective if too far removed from the domestic context—and the constellation of interests at home. The meeting highlighted a growing fatigue among G20 nations regarding medium- and long-term goals.

Although participants generally welcomed the new growth target, opinions diverged on whether it would make it easier to implement reform domestically. To be useful, any such targets needed to be linked to specific national action plans and concrete strategies to implement relevant policy measures. Participants noted that noted that the basic idea behind the growth target—the acknowledgment that countries can do better than the status quo—is hardly new. Indeed, G20 leaders had set out a growth target as early as the Toronto Summit in 2010. The problem was that such commitments had little discernible follow-up. It was essential that the growth strategies in 2014 (and subsequent years) go beyond the mere repackaging of existing policy plans.

Participants conceded that the precise global growth target—increasing global gross domestic product (GDP) by two percentage points—was arbitrary, but they considered the exact figure to be less important than the commitment to do better. If this target is achieved, coordinated growth strategies have the potential to strengthen the coherence of the G20 process and provide the group with a positive narrative. Success, however, would depend on identifying a common set of principles to guide macroeconomic monitoring processes such as the Mutual Assessment Process (MAP). Given the importance of domestic politics, G20 leaders should discuss growth plans with domestic audiences.

Finally, participants stressed the importance of completing the promised International Monetary Fund (IMF) reform. Ideally this would be a two-pronged strategy involving maintaining pressure on the U.S. Congress and (in the absence of a greater voice for emerging markets in the IMF) using the G20 as a platform to discuss relevant issues of concern to emerging markets.

HOW TO RESPOND TO THE GLOBAL CHALLENGE OF IRAN

In November 2013, Iran signed an interim nuclear agreement with the P5+1 countries (United States, China, Russia, UK, France, and Germany), resulting in a temporary freeze of some of Iran's nuclear enrichment activity in exchange for a suspension in some of the existing economic sanctions imposed on Iran by UN member states. This agreement, twinned with the election of a more conciliatory president in Iran, has encouraged cautious optimism among commentators about the potential for a more extensive "thaw" in Iran's relations with the West.

CoC participants focused on the potential for a more comprehensive agreement between Iran and the P5+1 countries. Questions included: Should a comprehensive agreement focus solely on containing Iran's nuclear weapons ambitions or should it include a broader framework for relations between Iran and the United States? Have sanctions succeeded in bringing Iran to the negotiating table? How extensive would the regional impact be if negotiations succeeded? And what minimum conditions would both sides accept?

Participants discussed the likelihood of a comprehensive agreement, agreeing that though the odds against such an accord were high, it was worth trying the diplomatic path while a chance remained. In the words of one participant, "The time is right to test Iran, but it is not the right time to trust Iran." Any comprehensive agreement, participants discussed, would need clear, measurable goals and requirements on the part of Iran.

Negotiations toward a comprehensive agreement may start with the all-consuming nuclear issue, but they cannot end there. In order for any agreement to succeed, it will need to address other problematic aspects of Iranian behavior—particularly support for international terrorism.

Participants generally believed that economic sanctions had helped persuade Iran to adopt a more compromising position, but also that the international consensus on sanctions will not last forever. This made it imperative to continue to support negotiations, since if both sanctions and negotiations fail, the chance of military conflict would only increase.

Participants also considered the potential regional ramifications of a comprehensive agreement that resolves the nuclear issue, removes economic sanctions, and at least minimally reintegrates Iran into the international order. Participants noted that such a settlement would (somewhat ironically) increase Iran's power. An Iran that is confident, economically successful, and open to the world without a nuclear weapon may be a far more influential and powerful country than an Iran that is paranoid, underperforming, and armed with a nuclear weapon. This could, of course, serve Western interests: Iran plays an important role in west Asia. Furthermore, an Iran that is no longer isolated could do much to diffuse regional tensions and conflicts in Iraq, Afghanistan, Syria, and Lebanon.

Finally, participants considered whether the two negotiating sides might be willing to accept an "interim agreement plus" arrangement. Most argued that it would be in both of their interests to do so, as long as it forestalled an increase in economic sanctions and maintained the temporary suspension of some enrichment activity. Most importantly, it would keep the United States and Iran talking, which will be critical for discussing any future comprehensive agreement.

MINILATERALISM VERSUS MULTILATERALISM IN ASIA

Asia is experiencing significant shifts in power and ongoing tensions among countries. Bilateral relationships remain important, but many are under stress. Multilateral and minilateral institutions continue to proliferate, but many struggle to implement their mandates and translate rhetoric into policy action.

There are inherent tensions between multilateral and minilateral institutions and frameworks. Participants discussed whether minilateralism generally has a corrosive influence on multilateralism, or rather can provide an important building block for broader multilateral cooperation. They then considered whether countries in the Asia-Pacific should focus on smaller groupings of like-minded countries, or more encompassing multilateral forums. Speakers noted that minilateral institutions should be designed so that they do not appear—and are not in practice—inherently exclusive. They should not be perceived to be a threat either to larger multilateral frameworks or to particular countries currently outside.

Participants added that many existing institutions in the region have not managed to facilitate effective collective action and debated whether this was due in part to a misguided preoccupation with institutional form over function. They also noted important hurdles contributing to weak or inadequate regional institutions, including the diversity of the nations in the region, the weak institutional capacity of many countries, and the absence of shared geopolitical interests and objectives of existing organizations.

Security issues dominated the discussion. Participants debated the relationship between security cooperation in regional forums and the existence of separate security alliances, particularly with the United States. Most participants argued that military alliances and multilateralism were not inherently contradictory, and some predicted the evolution of the historical hub-and-spoke system into a hub-and-spoke network.

Participants suggested that "constructive" middle powers might play a growing role in driving regional initiatives, and they debated the role of extraregional players, such as the European Union, in Asian forums. The more important question was not about minilateralism versus multilateralism, but rather about the United States'

willingness and capacity to be involved in Asian regional efforts, and what that may mean for broader U.S.-China relations.

MARITIME SECURITY IN THE ASIA PACIFIC

The maritime security environment is in a period of transition and moving toward a more competitive multipolar environment. It is clear that there has been an increase in tensions at sea. Though there is debate over the precise cause of this, the risk of competition and conflict is increasing, and will continue to do so without confidence-building measures. It is necessary to address the likelihood of conflicts from incidents at sea in Asia, how to manage maritime tensions, and whether it is useful to think of the region as an integrated maritime environment.

The discussion focused primarily on opportunities to build strategic trust and enact confidence-building measures between countries involved in maritime disputes in Indo-Pacific Asia. Participants noted the limitations to managing global maritime commons through the UNCLOS, particularly as long as the United States remains outside that arrangement. Therefore, codes of conduct and incidents at sea agreements, which provide specific confidence-building measures, are vital for maintaining peace. Although these kinds of agreements are not a solution to the problem, they allow states to deescalate tense situations.

Much of the discussion focused on China's actions in the South China and East China Seas. Defenders of Chinese policy argued that China has never been closed to the option of negotiations. They characterized the South China Sea dispute not as an issue between China and ASEAN as a whole, but rather between China and specific members of ASEAN. In the East China Sea, they noted, it was natural for China to establish an Air Defense Identification Zone, given that other countries had already done so. Other participants disagreed with these assessments and considered Chinese moves in both areas to be provocative. They argued that China is expanding its power while ignoring international rules and norms, with the intention of prohibiting international activity in its exclusive economic zone (EEZ). Countries should be wary of any attempt to change international rules and norms by allowing China to encroach on other territories in a piecemeal fashion.

With regard to China's claims in the South China Sea, some participants argued that China's maritime claims should be based on the geographical features of the landmasses contained within the territory China is claiming rather than the "nine-dash line"—the line of demarcation identifying China's (and Taiwan's) territorial claims. Some participants argued that, as few of the features are capable of sustaining habitation, they should be categorized as "rocks." It was noted that, while ASEAN is seeking the early conclusion of negotiations with China on a code of conduct in the South China Sea, implementation of any agreement will take some time and require close monitoring. Some participants argued that China had significant incentives to move quickly up the escalatory ladder in the event of a crisis. Accordingly, discussion of how to deescalate tensions is essential.

Most participants argued that the dispute in the East China Sea would be more difficult to manage than similar tensions in the South China Sea, given China's strained relationship with Japan. Japan denies the existence of a territorial dispute with China over the Senkaku/Diaoyu Islands, because from Japan's perspective, its ownership of these islands is indisputable. Participants believed that it will take time to establish mutual political trust, something that will require prolonged interaction at the military-military, navy-navy, fleet-fleet, and government-government levels. After negotiations in 2009, Japan and China agreed on the joint development of some areas in the East China Sea. However, this arrangement broke down after a 2010 incident involving a Chinese trawler boat and Japanese authorities. China and Japan reached an agreement on a high-level consultative mechanism on maritime affairs in 2012, which was then abandoned due to the deteriorating political situation. Some participants argued that lack of strategic trust should not be allowed to prevent the development of clear channels of communication vital to avoiding an escalation of tensions.

Finally, participants noted that the rise of China also represents a big change in the external environment of the Pacific Islands. China's interest in the Pacific Island countries focuses primarily on aid and investment, and as a result of China's growing presence, international interest in the region has risen. Cooperation in the region will be

crucial to manage tensions and Pacific Island countries have been encouraging cooperation rather than strategic competition. In the long term, Papua New Guinea and other states may move closer to Asia, but China will not be the dominant aid donor in the region.

THE TRANS-PACIFIC PARTNERSHIP AND GLOBAL TRADE

The international trading system has a crucial role to play in restoring global economic growth to pre–financial crisis levels. Yet, given interminable and inconclusive multilateral negotiations within the WTO, the early twenty-first century has seen a shift away from universal agreements toward mega-regional free trade agreements (FTAs). These include the Regional Comprehensive Economic Partnership, driven by ASEAN and China, the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. The latter two initiatives, heavily supported by the United States, have the potential to change the landscape of global trade. Participants discussed the implications of these new initiatives, with particular emphasis on the likely impact of the TPP.

Participants began by outlining the major hurdles to finalizing the TPP, expressing doubts that they could be overcome within the next year. Many were sceptical that TPP member countries, including the United States, could muster sufficient political support from their citizens or political systems to meet any near-term deadline. One of the most notable political obstacles is likely to be the U.S. Congress, where a large number of Democrats (and some Republicans) are likely to object to the reduction of protectionist policies, despite President Barack Obama's commitment to the TPP.

The heterogeneity of TPP members also poses a major challenge to the negotiations. The TPP is not a collection of like-minded states. It brings together major advanced economies like the United States and Canada alongside dirigiste developing economies like Vietnam. The resulting scope for disagreement is much larger than compared to the relatively homogenous TTIP nations. Such complexity may offer some opportunities for negotiated trade-offs, but it will greatly complicate any final accord.

Concluding the TPP negotiations has been further hindered by countries' inclusion of issues that go beyond the mere elimination of trade barriers. Whereas economists generally agree on the benefits of reducing barriers to trade—even if done unilaterally—the benefits are less clear when it comes to "behind-border" proposals that relate to policy areas such as environmental regulation, government procurement, labor law, and (most controversially) intellectual property (IP). The inclusion of such issues pushes the TPP into the realm of "zero-sum" negotiation, in which reform creates clear winners and losers; where the legal system or set of rules of a larger, more advanced economies "triumph" over others; and where new IP rules may reduce social or health outcomes for citizens of less developed TPP countries.

In short, participants presented a mixed range of views on whether the TPP constituted a positive development within the global trading system. Moreover, the chances of the TPP being completed on time are not good, and even if a deal is reached and ratified, domestic political battles are likely to delay its full implementation.

Participants also addressed the implications of the apparent move away from multilateral initiatives toward mega-regional and bilateral FTAs. This shift appears to constitute a renewed preference for discriminatory preferential trading agreements (PTAs), rather than true FTAs. The discussion revealed a handful of risks inherent to such PTAs, including their negative impact upon nonmembers, their potentially disruptive effect on the WTO, and the difficulty of linking PTAs with existing trade agreements.

Still, if the mega-regional PTAs are less ideal than a truly multilateral agreement pursued under the auspices of the WTO, most participants acknowledged that they are nevertheless preferable to a proliferation of bilateral agreements. Whereas bilateral agreements can lead to "noodle-bowl" outcomes, mega-regional agreements at least improve the navigability of international trade rules for businesses with overseas dealings in the PTA countries. The TPP, for example, has a membership that accounts for almost 40 percent of global GDP and around one-quarter of world trade.

A handful of participants remained sceptical that the discriminatory aspects of the TPP and TTIP constituted a positive step forward for global trade. The nature of contemporary global trade, where around 35 percent of the components within an average "final export good" are internationally sourced via global value chains (GVCs), means that a shift toward discriminatory PTAs would not bring about trade rules that align with actual trade patterns.

The absence of China from the TPP raises concerns about the future direction of global trade. Is it possible to set trade rules without Chinese input, while avoiding future friction between China and the TPP members? Although China's stance on the TPP remains ambiguous, the world has clearly moved on since 2001, since China has now entered the WTO as a "rule-taker." It is in a much stronger position to play—and insists upon playing—the role of a "rule-maker." More positively, there are signs that the TPP has heightened pressure for reform within the Chinese economy, in part by highlighting the gaps between trade rules within China and the TPP membership.

Given these considerations, and in response to the need to modernize global trade rules, the effort to reform the WTO remains a worthy cause. As minor as the WTO Bali agreement of December 2013 might have been—at least relative to the original Doha Development Agenda—it did indicate continued life in the WTO. But if it is to survive, the WTO must evolve beyond the "single-undertaking" requirement, where "nothing is agreed until everything is agreed." This approach, in effect, grants every country veto power over the final wording of an agreement. A more plurilateral "opt-in" form of negotiation, as seen in the General Agreement on Trade in Services, is likely crucial for the future viability of the WTO.

The challenges facing the global trading system are sizable. Although the post-2008 financial crisis period is notable in that it did not give rise to the kind of depression-inducing protectionism witnessed in the 1930s (an outcome aided by the G20's commitment to avoid raising barriers to trade), the future of the global trading system will remain precarious in the absence of adequate leadership. The present shift to mega-regional PTAs signals the world might be headed toward a more fragmented and less open system, where the rule-setting role of major emerging economies like Brazil, India, and China, currently left out of the TPP and TTIP, is uncertain.

SHOULD THERE BE RULES FOR HOW STATES EXPLOIT CYBERSPACE?

Cyberspace has become a contentious topic, especially in light of Snowden incident that exposed the extent of the U.S. National Security Agency's (NSA) spying program. With technology outpacing regulatory mechanisms, there is a need to consider whether it is possible or even desirable for cyberspace to be globally governed—and whether such governance would negatively change the intended open nature of the Internet.

Participants discussed the difficulty in achieving multilateral consensus on cyberspace rules. Though domestic legislation is easier to enforce than multilateral rules, some participants contended that a lack of understanding among bureaucracies and governments is a roadblock in developing effective cyber policy. One participant noted that diplomats have a "mind-boggling" lack of cybersecurity awareness. Political leaders also cannot guarantee that cyber capabilities won't be misused, due in part to the difficulty of differentiating between offensive and defensive capabilities in the cyber world. One participant pointed out that it was unhelpful that some domestic legislation undermined the International Telecommunication Union process before the World Conference on International Telecommunications in Dubai in 2012—even though the outcome of that process was generally unsatisfactory. As it is unlikely that there will be a better understanding of the main cyber issues among governments at this point, the chances for multilateral consensus are minimal.

Participants also focused on the major threats in cybersecurity and how governments might practically deal with these threats, particularly in a multilateral context. One participant stated that there is a need for a formal international treaty and/or a code of conduct on cyberspace, while another suggested that for such an agreement to succeed, it should start with like-minded countries. Participants also noted that there needs to be a clearer understanding of what role government, intergovernmental, and private actors have to play in cybersecurity.

In a discussion about the Snowden incident, some participants suggested that there is an inherent contradiction in U.S. cyberspace policy: on the one, hand there is liberalization of the Internet, but on the other hand, cyber espionage by the United States has been exposed. Yet, other participants noted that, despite the inherent contradiction, it was possible for the United States to reconstruct credibility in this area.

The nexus of physical installations and cybersecurity was discussed at length. One important question that emerged was whether it was possible or legal to have offline retaliation to an online attack, and the importance of physical installations in cybersecurity considerations. Several examples suggest that it is possible for nefarious actors to interfere with physical facilities via an online attack and that securing these facilities must be integrated into cybersecurity policy.

The issue of attribution was also discussed, with some participants implying that it is difficult to identify where a cyber attack is coming from, while others argued that it is usually (or always) possible to attribute attacks. Consequently, in the future, governments may choose to directly point the finger at attackers. But at the same time, participants noted that, though it may be possible to identify the person and the country where an attack originates, it is often impossible to know if this type of action has government support.

The question of cyber deterrence was also raised. Some argued that it is unlikely that a "cyber-only" deterrence would be possible: Because cyber warfare is not binary like nuclear warfare, and nuclear warfare is also of a different order of magnitude, it is more difficult to define what constitutes effective deterrence.

Finally, some participants argued that the cyber realm favors smaller countries that do not have the same defence capabilities or budgets as larger countries, like the United States or China, which may be a barrier to multilateral cooperation on cyber matters if these smaller nations are not included in negotiations.