COUNCIL OF COUNCILS

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Panelist Papers

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Session One

Managing Flows of Refugees and Migrants

Panelist Paper

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Council of Councils Annual Conference
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Council on Foreign Relations, New York, NY

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A record-setting sixty million individuals are currently displaced due to violent conflict. The rapid escalation of refugee flows in 2015, coupled with the protracted nature of today's conflicts, has tested the reception systems of states, called into question the protections afforded to refugees, and strained the humanitarian regime to the breaking point. The current system is in desperate need of reform.

One of the main shortcomings of the existing humanitarian institutions is the lack of responsibility sharing. The 1951 Refugee Convention outlines states' obligations to protect asylum seekers, but it fails to establish mechanisms for member states to equitably distribute the responsibilities and monetary costs of hosting refugees. Accordingly, the burdens of providing emergency relief and hosting refugees fall disproportionately on neighboring countries, which are often fragile states with weak capacities to provide essential services. They, therefore, rely heavily on aid from donor countries, international institutions, and nongovernmental service providers. However, the supply of funding for emergency relief has failed to keep pace with skyrocketing demand. Allowing geographic proximity to determine refugee burdens generates tensions between states forced to accept refugees and those that can turn the other cheek, jeopardizes the safety of asylum seekers, and undermines the legitimacy of the humanitarian regime.

Established in the wake of World War II, the international humanitarian regime has failed to adapt to a world of fragile states and nonstate actors, in which humanitarian crises are complex and protracted. It has also failed to adjust to the advance of technology. As the Syrian experience shows, refugees today often have access to technology that they can use to guide themselves toward hospitable destinations and services. But the same technology also encourages secondary movements, whereby asylum seekers transit through potential asylum-granting countries for desirable destinations further away. This trend complicates the task of distinguishing refugees from economic migrants and exacerbates backlogs in processing asylum claims.

Today's complex emergencies blur the distinction between those who qualify as refugees under the 1951 Convention and those who do not. For example, survival migrants, those fleeing human rights deprivations resulting from weak states, and climate refugees, those fleeing negative effects of climate change, fall outside the conventional understanding of persecution and are therefore often not afforded protection. Similarly, the existing humanitarian regime fails to offer adequate protections to the roughly forty million internally displaced persons (IDPs) who continue to reside within their country's borders, often in desperate circumstances. Although IDPs are often among the most vulnerable individuals, aid organizations struggle to access and protect them in a world organized around state sovereignty. As the pattern of population movement evolves, so too should the international humanitarian regime.

Strengthening the global humanitarian regime will require states to share the financial burdens and responsibility of hosting refugees. Increased commitments, particularly from donor countries beyond the OECD, are needed to bridge the [$15 billion](#) humanitarian assistance gap. Private sector companies, traditionally viewed as donors, also have underused resources and expertise to contribute. For example, the UN High Commissioner for Refugees developed successful partnerships with Ikea and Uniqlo to employ and support refugees. Similar programs could alleviate part of the burden for host countries or at least encourage them to expand employment opportunities for refugees.

Today, the average duration of displacement is a shocking [seventeen](#) years. Instead of offering short-term assistance, international actors should increasingly seek durable solutions. In the immediate wake of a crisis, affected populations require emergency assistance. As displacement persists, however, refugees and IDPs [increasingly need](#) development assistance so that they can rebuild livelihoods and homes, and gain access to essentials services, from water and sanitation to health and education. [Bridging the gap](#) between humanitarian and development action requires agencies to break out of their bureaucratic boxes and get more comfortable with both doing things differently and doing different things. In one promising step, the World Bank, the United Nations, and the Islamic Development Bank Group jointly launched a [new financing initiative](#) in October 2015 to meet both the humanitarian and development needs of countries in the Middle East and North Africa coping with the Syrian refugee crisis.

Finding durable solutions to the global humanitarian crisis also requires states and aid organizations to think more creatively about the linkages between states, markets, and refugees. By providing refugees with employment opportunities, host countries empower them to become self-reliant. Such an approach not only benefits the local economy but can also minimize the extent of secondary movement because refugees now have the means to support themselves and their family. It also provides them with skills they can take back to their homes when conflict subsides. This approach has proved successful, according to studies [conducted](#) by Oxford University in Uganda , where refugees were found to have made "a positive contribution to the host state economy." To this end, Jordan has taken a new approach by creating "economic zones" where companies and investors can relocate chains, providing refugees with jobs and skills that they can later take to their home countries.

These trying times also present unique opportunities for reform. Later this month, the United Nations is hosting a World Humanitarian Summit in Istanbul, Turkey. In September, UN Secretary-General Ban Ki-moon will host a plenary meeting on humanitarian issues at the seventy-first session of the UN General Assembly. Finally, President Barack Obama will host a high-level summit on the sidelines of UN General Assembly to "[secure new commitments](#)" for humanitarian action. None of these forums will likely see the renegotiation of the 1951 Convention; a renegotiation would likely erode the strength of and support for the convention because of the current political climate and the prevailing hostility toward refugees in many host countries. A more desirable outcome would be member states and humanitarian actors harnessing the political momentum to create new programs or agencies to deliver solutions tailored to migrants' needs. Furthermore, these high-level gatherings are opportunities for member states to collectively endorse responsibility sharing, provide concrete commitments, and move from the emergency response model toward one that is based on durable solutions.

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Facts and Figures

Worldwide, over sixty million individuals are either asylum seekers, internally displaced persons, or refugees. Globally, 86 percent of refugees are hosted in developing countries. Syria is now the largest driver of displacement.

- The United Nations estimates that 6.6 million Syrians are internally displaced, and 4.7 million are seeking refuge in neighboring states.
- Turkey has taken in the largest number of Syrian refugees—2.7 million, around 3.5 percent of its total population—and is the country with the most refugees in the world.
- Lebanon has one million refugees (around 17 percent of its population), making it the country with the highest per capita distribution of refugees in the world.
- Jordan hosts seven hundred thousand Syrian refugees (around 10 percent of its total population). In the Mafraq province of Jordan, two-thirds of Syrian refugee households are below the poverty line, nearly half have no heating, and 20 percent do not have a functioning toilet.

These countries are bearing huge financial, infrastructural, and socioeconomic costs due to the refugee crisis.

Growing Tensions in Europe

It took Europe until 2015, when Syrians began arriving in large numbers, to awaken to the refugee crisis.

- Last year, over a million refugees made the perilous journey across the Mediterranean Sea to reach Europe. The International Organization for Migration estimated that 3,771 people died en route as their overcrowded boats capsized.
- Syrians account for the largest proportion of new asylum applications in the EU. After Syrian refugees, Afghans and Iraqis, who are also fleeing war-torn regions, make up the largest percentage of new asylum applicants. They are followed by Kosovars, Albanians, Pakistanis, Eritreans, Nigerians, Iranians, and Ukrainians, in decreasing order.

In 2015, Germany took in 35 percent of all asylum seekers in Europe while France and Italy each took in around 6 percent. The United Kingdom has opted out of plans for a refugee quota. There is no indication that the EU countries are willing to make concerted efforts to resolve the crisis in Europe.

Xenophobia and right-wing parties are also on the rise across Europe. Neo-Nazi gangs, particularly in Germany and Sweden, have attacked refugee shelters. In Bulgaria, vigilante groups have been violently tying up refugees on the border and reporting them to the authorities. The mass sexual assaults and muggings in Germany on New Year's Eve, the recent terrorist attacks in Brussels, and other high-profile cases of violence associated with refugees and Muslims have only fueled anti-refugee sentiment and further divided Europeans on the issue.

Finding a Solution in the Region and the Globe

Although the exact numbers are not clear, the number of Syrians living in the rich Gulf nations are likely far less than those in Syria's poorer neighboring states. Moreover, the Gulf states have not developed any formal mechanism for receiving refugees. Most Syrians who are able to reach the Gulf are the wealthier ones—those who are able to apply for a tourist visa and travel there.

So far, the United States has donated the most money to the regional refugee and resilience plan (3RP) of the United Nations High Commissioner for Refugees (UNHCR) for Syrian refugees in neighboring countries. This is almost three times the money from Germany, the second largest donor, which is followed by Canada, the EU, Japan, Norway, and France, and only then Saudi Arabia. Qatar, the richest country in the world in terms of gross domestic product per capita, is also one of the biggest donors, but the Ikea Foundation has given four times more than Qatar. With the UNHCR facing a huge funding gap, the rich Gulf states ought to give more.

Other rich countries are taking in refugees in extremely low numbers and some, including Japan and Singapore, have offered no place for resettlement. The United Kingdom and United States have both only accepted one thousand Syrian refugees so far, and Canada has met its own target of accepting twenty-five thousand Syrian refugees.

There are reasons to believe that helping the refugees in neighboring countries is preferable to accepting large numbers of refugees, although relevant policies do not need to be mutually exclusive. In Turkey, Lebanon, Jordan, Iraq, and Egypt, there is no language barrier or cultural difference, and when the war ends, it will be easier for the refugees to return home.

Not all crises have solutions, but they have options, even if not all of those are ideal. To manage the current refugee crisis, Europe should formulate a fair responsibility-sharing mechanism; the world's richest countries, including the Gulf states, should take in more refugees and provide more aid; international organizations and institutions and wealthier countries should support Syria's neighbors that are struggling with huge numbers of refugees, as well as the poorer countries in Southern Europe; and paying more attention to those who are not able to leave and seek asylum and refugees stuck without basic resources in areas that receive less media focus.

UNHCR will need more support from the world's richest and the powerful Group of Twenty (G20) countries. Countries will also have to comply with UNHCR's protection and solutions strategies, and UNHCR will have to ensure that states and regions comply with international standards. Furthermore, the refugee crisis needs to be part of a discussion on wider humanitarian issues and factors that drive people away from their homes. Without addressing issues such as global poverty and inequality, climate change, the causes of civil wars, and ways to resolve violent conflict before it escalates, we are likely to face bigger refugee crises in the future.

Three Suggestions for a Better Management of the Flow of Refugees and Migrants

Johannes Thimm, German Institute for International and Security Affairs

The arrival of hundreds of thousands of refugees and migrants on the shores of Europe has given new urgency to the issue of how to manage the global flows of migrants and refugees. In the face of the humanitarian crisis caused by the Syrian civil war, the German government has changed course. Prior to the summer of 2015, Germany had insisted that refugees seek asylum in the country that was their point of entry in the European Union—as provided by the Dublin III agreement—but after that summer, it temporarily suspended Dublin III to allow refugees to apply for asylum in Germany regardless of how they had arrived. Together with Austria and Sweden, Germany has accepted the largest number of refugees over the course of 2015. It is estimated that up to one million people arrived in Germany in 2015. A large number were fleeing the war in Syria, but many came from other countries, including Afghanistan, Iraq, Kosovo, and a number of African nations.

Germany's relatively liberal policy of dealing with the flows of migrants has won praise from humanitarian quarters but caused a great deal of consternation among other governments in the EU and beyond. Overall, reactions from others ranged from quiet relief that someone else is shouldering the burden to outright criticism of Germany's unilateral decision and its alleged failure to uphold existing laws. As the numbers of migrants and refugees have increased, few other countries have been willing to help, and Germany itself has gradually become more restrictive. Growing anti-immigrant sentiment among sections of the population—which has led to the rise of right-wing populist party Alternative für Deutschland—and increasing criticism within the governing coalition both have contributed to the gradual change of course.

The German government has not only tried to speed up the application process for asylum but also created conditions that allow for those whose asylum requests have been rejected to be sent back to their countries of origin. One strategy to speed up the application process is to extend the list of countries that are considered safe countries of origin. The list now includes most countries in the western Balkans, such as Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Kosovo, and Serbia. There are plans to declare Maghreb countries such as Morocco and Algeria safe states, and a recent agreement between the EU and Turkey is based on the assumption that Turkey is a safe "third state." The idea of the deal is that irregular migrants who enter Greece from Turkey across the Aegean Sea will be sent back to Turkey. In turn, the EU will accept Syrian refugees from Turkey through resettlement. The agreement is controversial, and whether it will be implemented successfully remains to be seen.

The number of arrivals in Germany has been dropping since the beginning of 2016, largely due to the fact that the southeastern EU countries have prevented migrants coming through Greece from entering their territory, effectively closing off the so-called Balkans route. However, the numbers are expected to rise again as migrants adjust their routes to

the situation. Meanwhile, the EU has struggled to find a common approach to the situation. Most EU countries refuse to participate in any kind of scheme that would introduce quotas to distribute refugees among member states.

There are some important links between Europe's incoherent approach to migration and the deficiencies of the global migration regime. The discord between EU members about the right strategy is symptomatic of disagreements in the broader international arena. The legal norms for dealing with refugees are well established, but compliance among states is lagging. There is no comparable regime for dealing with migrants who fall outside the definitions of the 1951 Refugee Convention, even as the importance of a comprehensive approach is becoming more obvious. The constant demand for quick fixes in politics often leads to ill-advised activism. Meanwhile, the political discourse still does not sufficiently take into account relevant research, perpetuating myths about migration that have long been debunked.

However, the fact that the situation in Europe has drawn global attention also provides some opportunities for progress with respect to global governance for managing migration. The issue of displacement and forced migration is anything but new, and the numbers of those reaching the EU are still small compared to the number of those displaced in other regions of the world. Still, migration to Europe is taking place on a level not seen since the aftermath of World War II. The issue certainly has the attention of European decision-makers. And in a world in which attention to important policy issues can be limited and prioritizing is everything, there may be new political momentum to deal with familiar challenges. It is no accident that the first humanitarian summit ever is taking place in May 2016. Moreover, President Obama has decided to make the response to the global refugee situation a theme at the high-level meetings of the opening week of the UN General Assembly in September 2016 in New York. The international institutions and leading governments' inability to put an end to the many conflicts that are major causes for displacement—including, but not limited to, the one in Syria—increases the pressure to find better solutions for the resulting humanitarian crisis. This pressure should help overcome some of the obstacles that have hindered meaningful reform for so long. In this spirit, here are three proposals to improve the debate about migration and global instruments for managing it.

Addressing the Humanitarian Development Gap

Long-term displacement—whether as a result of natural disasters or conflict, and whether within a country or across borders—is becoming more common. The current situation, where large populations of Syrian refugees in Lebanon, Jordan, and Turkey have little hope of returning to Syria any time soon, illustrates this phenomenon. The recent donor conference in London represented an attempt by the world to tackle the problems specific to long-term displacement. Syria is by no means the only case of protracted displacement. According to the UN Secretary-General's high-level panel on humanitarian financing, the average duration of displacement is now seventeen years. Organizations responsible for emergency humanitarian aid can deliver food, shelter, and medical aid, but they are ill-equipped to provide sustainable and effective long-term solutions for people who are displaced for protracted periods. At the same time, official development aid institutions often do not reach displaced persons due to donor-country constraints, cumbersome bureaucratic requirements, organizational rivalry, or the recipient country's preference to use aid for other purposes. The result is a gap between short-term measures and long-term solutions that provide displaced persons with future peace and stability, including assistance with integration into host societies. Unfortunately, due to the causes of this gap, there is no easy fix. Instead, a sustained effort is needed to make changes in the mechanisms for delivering aid. The overarching goal is to achieve greater cooperation among donors, recipient countries, and agencies within and outside the UN system. The guiding principle should be to develop solutions that benefit the people in need rather than to just follow the bureaucratic and institutional frameworks of the involved organizations. Of course, these ideas are not new, and implementing them will not be easy.

Recognizing the Link Between Economic and Political Motives for Migration

According to the 1951 Refugee Convention, persons fleeing political persecution or war have a right to political asylum. Furthermore, receiving countries have a humanitarian and legal obligation not to extradite them to countries where they are in danger. The conventional view is that so-called economic migrants have no such rights, and whether and under what conditions to accept such migrants is entirely up to the discretion of the receiving county. In reality, the motives for the decision to leave one's home are usually mixed, and research shows that, empirically, escape from persecution and economic migration cannot be easily separated. Yet, even those who recognize this have been hesitant to question the clear distinction between economic and political migrations out of concern that they may end up undermining the established legal regime to protect refugees. However, it is necessary to find ways to address the imbalance between the established legal regime for refugees and the lack of a normative framework or mechanisms for cooperation between nations on the issue of migration. The link between asylum and migration policies in destination countries is clear: restrictive migration policies not only encourage illegal migration but also put more pressure on the asylum system because more people request political asylum if there aren't sufficient alternative ways to enter. Receiving states often react by restricting access to the asylum track. EU's refusal to let people who seek asylum arrive by plane is a stark example. In order to preserve the protections for political refugees, avenues for legal migration for reasons other than those recognized by the Refugee Convention should be opened. Regulated migration, if done right, can be beneficial not only for the migrants themselves but also for the receiving society and the country of origin. However, this requires coordinating policies among destination states and the countries of origin and change in the prevalent attitudes.

Shifting the Debate From Development *Against* Migration to One of Development *Through* Migration

Some in Germany undoubtedly approve that other EU member states are doing the dirty work of stemming the flow of migrants for the moment. However, there is growing recognition of the limited effect that fences and walls have in regulating the inflow of people. If the pressures are great enough, illegal migration will find its routes. Higher fences and more militarized borders add to the humanitarian toll and to the profits of smugglers as migrants take on greater risks to reach their countries of destination. One alternative often suggested to stop migration is dealing with the root causes. Since ending the conflicts that are the reason for so much displacement is not easy, much of the focus is on economic development. Increasingly, development aid is viewed as a tool to lower the incentives for people to migrate. But there is a problem with the assumption that higher development leads to less migration. Research shows that migration actually increases with more development. Only when a country's level of development is significantly higher than average do incentives for leaving the country decrease. That doesn't mean that development is not important, but instead of seeing it as a tool to prevent migration, it should be looked at for the positive role it can play in migration. Under the right circumstances, economic migration can contribute to both the host country and the country of origin. For developing countries, remittances are often more substantial sources of revenue than official development aid. Beyond remittances, migrants can build networks that encourage investment in their country of origin. If migrants are allowed to travel between their old and new homes, which is increasingly happening, they can use their skills and experiences to contribute to the development of their countries of origin. However, the potential negative effects of brain drain on developing countries have to be considered. But this problem is not as clear-cut as often assumed, as it depends much on specific circumstances. The current attention on managing the flows of refugees and migrants should be used to move forward the global conversation on norms and best practices of a smart migration policy and better coordination between both developed and less developed countries. Even if it is unrealistic to expect major breakthroughs, any opportunity to improve the current status should be pursued.

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Session Two

Global Economic Governance: Preventing the Next Crisis

Panelist Paper
Global Economic Governance: Preventing the Next Crisis

Council of Councils Annual Conference
May 15–17, 2016
Council on Foreign Relations, New York, NY

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Global economic policy coordination is an ideal concept. It is evoked regularly at all major forums but is practiced little in reality. However, even in the absence of a globally coordinated approach, it seems that the next crisis is not around the corner.

Domestic Versus Global Objectives

Global economic governance is always desirable but has never really been attained. Important economic decisions are made at the national level; this is the case for both monetary and fiscal policies. Fiscal policy is almost completely isolated from international influence. Major fiscal policy decisions are made by national legislative bodies where national political considerations are paramount, often overriding economic considerations, such as the need to smooth out the business cycle. The only exception to this rule emerged in the immediate aftermath of the Great Recession, when, under the threat of a global depression, even the fiscally prudent Germany agreed to run a large deficit.

Monetary policy is more exposed to international influences. This is because financial markets are much more globally integrated than goods or labor markets. Moreover, central banks have much simpler decision-making procedures than domestic legislative bodies do. They are thus better equipped to pursue international coordination.

However, the legal mandate of central banks is also defined in terms of domestic objectives, typically to achieve a combination of price stability and economic growth. It would thus be difficult for a central bank to justify its decisions in terms of some international objective. For example, the U.S. Federal Reserve has recently justified its own action, or lack thereof, on grounds of the volatility of global financial markets. But the Fed has been careful to couch its arguments in terms of the impact of global market volatility on the U.S. economy, avoiding the impression that its own policy objectives might have shifted to a more global level.

What Is the Global Impact of National Policy?

Many global forums end with communiqués, which promise more policy coordination with the aim of achieving a certain set of macroeconomic objectives (usually a better mix of growth and inflation). However, it is rarely made explicit how these objectives could be reached and how coordination could help to achieve them in more concrete terms. A critical reason for this vagueness is the fact that little is known about the spillover effects of domestic policy; this applies in particular to monetary policy. For example, when the Fed undertook several rounds of bond buying—called quantitative easing (QE)—many observers cautioned about a currency war. This is because QE is generally assumed to lead to a weakened exchange

rate. The empirical evidence that bond buying by central banks depreciates the currency, however, is not that strong. Even assuming that QE in the United States did lead to a weaker U.S. dollar, it is not clear what the overall impact of QE on the rest of the world has been. QE was supposed to strengthen investment and consumption expenditures in the United States, part of which would increase U.S. imports, and thus benefit the rest of the world.

The net impact of QE on the rest of the world is thus ambiguous. A depreciation of the dollar favors U.S. exports and makes imports less attractive, but the revival of U.S. growth tends to increase the demand for goods from abroad. It is difficult to say which effect is stronger ex-ante, and even evaluations ex-post often result in different outcomes. Therefore, whether the rest of world actually benefited from QE in the United States cannot be accurately determined. Moreover, it is possible that some countries gained and others lost. It is actually likely that emerging markets gained from stronger U.S imports through a combination of low U.S. interest rates and a stronger U.S. economy whereas Europe might have been unable to benefit as much given that favorable financing conditions are more important for emerging markets. In fact, countries whose leaders have complained the loudest might have benefited the most from QE.

Global Financial Stability: A Common Good?

In principle, every country should have an interest in preventing another global crisis. In reality, however, it is difficult to determine what conditions lead to a financial crisis, let alone speculate when one will actually break out. Nevertheless, extensive empirical work from institutions such as the Bank for International Settlements suggests that large financial crises are commonly preceded by a period of credit growth that is substantially higher than income growth. Using this standard, there seems to be no immediate danger of a systemic crisis in most advanced economies, because credit growth has remained subdued since the outbreak of the Great Recession. Furthermore, even the most unconventional monetary policies have not resulted in a strong uptick in credit growth. China is the only place where credit growth continues to outpace income growth.

However, the Chinese financial system is relatively isolated from the rest of the world, and the country has been running large external surpluses for decades. Chinese authorities thus have enough financial means to deal with the domestic problems that are likely to arise. Therefore, a better guide of what to expect in China would be the experience of Japan after its credit and real estate bubble of the late 1980s rather than the recent troubles in the eurozone with its large current account deficits.

In this sense, there is little indication that another similar global financial crisis is around the corner. Financial stability is, of course, more than the absence of a crisis. Financial market volatility, like the one experienced earlier this year, can erupt again. But the results of these bouts of instability should not be overstated; market conditions can return to normal quickly if the underlying economic conditions remain stable.

The short-term known unknowns do not appear more threatening than the shocks or near misses experienced over the past few years. In Europe, the Brexit referendum could lead to a serious shock. There will be a period of high uncertainty if the leave campaign wins. But both sides, the new U.K. government and the EU, have an interest in agree quickly on an amicable divorce. The details might take a long time to be hammered out, but, given goodwill on both sides, the economic impact might be limited. By contrast, a Grexit, with an uncooperative Greek government, might have had more serious consequences for financial markets.

Is This Time Different?

Solely focusing on the past is not a good way to spot the next crisis. But it seems that the present combination of low credit growth in most advanced countries and the widespread feeling of lurking danger might be the best safeguard against another

big, systemic crisis. For the time being, the global economy might only deliver the new mediocre economic growth, but the danger of a major financial crisis appears relatively remote.

Rohinton P. Medhora, Centre for International Governance Innovation

The 2008 global financial crisis has several characteristics that distinguish it from the following similar events in post–World War II history:

- The root cause lay in private sector activity, specifically the securitization of real estate mortgages, many of which were imprudent in the first place, rather than in sovereign debt mismanagement or distress.
- The crisis emanated from an advanced economy—the United States—and initially spread to other advanced economies in Western Europe. To be sure, the contagion was worldwide, but in its cause and persisting impact, this crisis may correctly be described as a mainly rich-country event.
- Now in its eighth year, the crisis in its duration and depth is severe by historical standards with no end in sight, especially in the eurozone, and there is a distinct possibility of a relapse from the knock-on effects of the original crisis and responses to it. Not surprisingly, the crisis has gone beyond financial dimensions in many countries to become an economic, political, and social issue.

So, what worked and what didn't?

As in any complex situation gone wrong, it is difficult to find positive takeaways. Most of the measures that have been taken have been half-hearted or half-baked and, in any case, are addressed at the last crisis and not the next one that almost certainly will have a different genesis and course.

The most unalloyed successes, which are interconnected, are the elevation of the G20 to the leaders' level and the avoidance of outright trade war in the aftermath of 2008.

Since its creation in 1999, after the Asian and Russian financial crises, the G20 at the level of finance ministers and central bank governors became the de facto steward of global macroeconomic stability. Soon after its creation, with Canada's Prime Minister Paul Martin leading, there appeared a movement to elevate the group to the leaders' level.[1] But it took the 2008 financial crisis, not fine think-tank scholarship, for the vision to be realized. Nonetheless, the fact that there is a group that is the steward of globalization writ large, rather than just its economic dimensions, is a step change in global governance.

A signal achievement of the first three real "crisis summits" was to make strong and effective calls to avoid an all-out trade war.[2] Currency war, which is proxy for unhealthy competition in trade, entered the lexicon of summit-speak. Moreover, the

periodic reports of the admirable Global Trade Alert group show a troubling portrait of visible and invisible trade barriers that are accumulating in number and scope over time.[3] Global trade itself is slowing down, and in some cases even declining, relative to global income and output growth for cyclical as well as structural reasons.[4] But this is still a far cry from what could have happened had G20 leaders not been strident in their desire to keep the motor of global connection and growth running.

Beyond this, success at avoiding the next crisis is mixed at best. Using the taxonomy in the declaration after the special G20 leaders' summit in Washington, DC, in November 2008, the plan for crisis prevention might be organized along the following lines:[5]

- strengthening transparency and accountability
- enhancing sound regulation
- promoting integrity in financial markets
- reinforcing international cooperation
- reforming international financial institutions (IFIs)

A series of measures related to additional reporting by banks and other financial institutions, and an increase in the depth and range of bank-stress tests, mainly in the eurozone and North America, have made progress toward the first three points above. One might say with some certainty that if another Lehman Brothers or AIG were lurking today, the signs would be clearer and more evident to regulators and markets earlier than they were in 2008.

It is less clear, however, if comparable progress has been made on international cooperation, either on the regulatory or especially the macroeconomic side. On the regulatory side, a recent CIGI study concluded that while the toolkit for regulatory cooperation has advanced in developed countries, emerging-market and developing countries have lagged.[6] Paul Martin's call to turn the Financial Stability Board into an organization with "full treaty status and true universal membership, giving it the weight it requires to be the fourth pillar of the global economic architecture"[7] has less support than it merits. On the macroeconomic cooperation front, there is no evidence to suggest—and plenty of explicit statements from the heads of the world's major central banks that buttress the view—that the spillover effects of domestic monetary and fiscal policies do not factor in national decision-making.

On reforming the IFIs, the small and begrudging change to the IMF's quota structure proposed in 2010, subsequently held up by U.S. Congress until December 2015, acts as the poster child for everything that is wrong with the governance of IFIs. Add to this the reappointment of a compromised Christine Lagarde to head the IMF for a second term, the permanent reorganization within the World Bank, and stasis within the regional IFIs, and there is little wonder that new development-finance institutions and regional reserve-pooling arrangements proliferate.

Match this account of progress with the following major known sources of the next crisis, going from more immediate to more distant but still likely:

- *Greece.* Greece has about $50 billion due to its creditors in June and July 2016. As the Wikileaks revelations about internal IMF discussion show, the country is nowhere near being "structurally adjusted" and the creditors nowhere near having reached consensus on basic parameters to guide the renegotiation. The eurozone is politically, socially, and economically weaker than it was eight years ago. The upcoming episode might yet spiral into a wider financial crisis.
- *China.* In addition to the opacity of its economic performance and formal banking system, China's shadow banking sector is a source of risk. Andrew Sheng's exhaustive study[8] on the subject concludes that the potential for crossover of shadow bank nonperforming loans to the formal banking sector exists, and is manageable as long as economic growth remains around 7 percent, and the fiscal deficit and levels of international reserves are at recent levels. But as, or if, these assumptions change, the risk of domestic crisis and eventual global spillover increases.

- *Japan.* That Japan has to break out of its deflationary spiral is not news. Olivier Blanchard and Adam Posen, among others, have made a convincing case[9] for the why and the how. All that pump priming has yielded so far is a 250 percent debt to gross domestic product ratio, much of it held by Japanese savers at zero interest rates. With demographic changes in Japan, more outside market-oriented buyers of government bonds will have to be sought, and they are unlikely to accept the same terms as Japanese retirees. More recently, Blanchard has posited that at some point the debt burden will become unsustainable and the country will become insolvent.

These are the "known unknowns." The "unknown unknowns" remain. How connected are these to the measures taken since 2008? How reassured should we really feel?

1. The first publicly significant call for a G20 at the leaders level came from: Martin, Paul. "A Global Answer to Global Problems," *Foreign Affairs*, May/June 2005, https://www.foreignaffairs.com/articles/2005-05-01/global-answer-global-problems. Throughout the 2000s, CIGI and CFR were among the leaders in the thought process to flesh out the concept.
2. Washington DC (November 2008); London (April 2009); and Pittsburgh (September 2009).
3. "Global Trade Alert," http://www.globaltradealert.org/.
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Panelist Paper
Nations and Multinational Institutions in World Financial Governance

Council of Councils Annual Conference
May 15–17, 2016
Council on Foreign Relations, New York, NY

Luis Rubio, Mexican Council on Foreign Relations and Center of Research for Development

Economic governance aimed at preventing crises has two components: a national dimension and a global scope. Though both are critical and necessary, they are significantly different, and the politics inherent in each is distinct. In any event, it is domestic regulation and supervision that is critical.

Governance of financial institutions has traditionally been the purview of domestic authorities. Still, international entities such as the International Monetary Fund (IMF) and particularly the Bank for International Settlements (BIS) have gained relevance and leverage in shaping the financial system of individual nations. In fact, most of the nations that fared well after the 2008 financial crisis had heeded the bank capitalization policy prescriptions from those two institutions. However, those countries also had sound public finances to begin with.

What the 2008 financial crisis exposed was the scale of the risk of global contagion. Though contagion had been experienced in previous crises, all of those instances were either regional or affected nations with similar characteristics. Obvious examples of this are the so-called tequila crisis of 1995, the 1997 Asian crisis, and the 1998 Russian crisis. Each of these involved a region or a cohort of mostly emerging markets. The 2008 crisis was different because it started in the United States and exposed profound weaknesses in both the major financial institutions of the world and the public finances of the United States and several major European economies.

In a way, the crises of the 1990s presaged the 2008 crisis. The fundamental lesson of the first series of crises was that sound public finances and solid bank capitalization are critical to financial stability. What the 2008 crisis revealed was that these factors are as important in advanced economies as they are everywhere else. It demonstrated that the deeper the global integration of the financial system is, the more vulnerable to weaknesses it becomes. Furthermore, when political factors deepen structural weaknesses, the vulnerability of the global financial system is greatly amplified.

Though in analytical terms it is fairly clear how, where, and why the 2008 financial crisis began, the political debate about the cause remains as lively today as it was at the beginning of the crisis. That the crisis began in the middle of a U.S. presidential election did not—and still does not—help reach a consensus. In fact, this disagreement over the origins of the crisis remains a major source of systemic vulnerability.

Mexico underwent several financial crises from the mid-1970s through the mid-1980s. Though each crisis had its own specific cause and circumstances, they all share commonalities that, in theory, are not fundamentally different from those that led to the 2008 crisis in the United States. Among these, the most obvious were weak public finances, with uncertain means to finance a growing fiscal deficit; political pressure on banks to make loans to risky creditors; and incentives created

by regulators for banks to make risky loans. Surely, the specifics of each crisis are different, but the crucial elements are similar.

The typical crisis in Mexico started with a government bent on accelerating economic growth, which it saw as necessary to expand demand through higher government spending. While this strategy had the desired effect of increasing production, as domestic production capacity reached its limits, imports began to make up for the additional demand, which led to a foreign exchange crunch. This led to a devaluation of the peso, which increased the value of foreign loans in local currency and led to an economic contraction, putting the financial system in a risky position. After four major crises, each deeper than the last, Mexico learned two crucial lessons: first, banks have to be managed under technical, rather than political, criteria and, second, sound fiscal management is crucial for political and economic stability.

The interesting thing is that the two lessons Mexico has learned, and heeded for two decades, were the result of the political process. The politicians understood the risks to financial instability when, for example, four hundred thousand families, 10 percent of households at the time, lost their homes due to their inability to pay mortgages. So it is the politics of the crisis that led to a technical decision and the political acceptance of the need to follow it.

In the case of the United States, two factors are different. First and foremost, there is no foreign currency component. Since the dollar is the main reserve currency of the world, the United States does not suffer from a sudden change in the value of its assets and liabilities when a crisis ensues. The second is that the United States has had the dubious privilege of not having to confront the causes of its own weaknesses. Its economic and political weight has allowed it to deal with immediate issues, such as bank capitalization, but not with the deeper causes of the 2008 crisis. "Normal" nations cannot avoid facing this reality.

In the case of Europe, there are two main sources of weakness. One is the same everywhere and stems from the fiscal situation of individual nations. The other has to do with the euro, which has created imbalances of its own, mostly as a result of different rates of growth in productivity across eurozone. The politics of the euro, as we have seen over the past several years, are extraordinarily complex. It has taken more than five years of deep austerity in countries such as Spain and Portugal to begin to turn things around. However, their citizens have not acknowledged this, which adds to both the complexity and the paralysis. Greece is the extreme example of this issue.

Preventing the next financial crisis thus has two components. One is national and the other international. The national component is the more important of the two, but it has been addressed the least. An obvious example is how it took several years for Europeans to begin to address the banking issues that the United States dealt with immediately. In both cases, however, neither is dealing with long-term fiscal imbalances, which pensions and health-care obligations will exacerbate in the not too distant future.

Multilateral institutions such as the IMF and the BIS are crucial to establishing general rules, comparing regulatory regimes, and prescribing solutions, but their measures will be effective only to the extent that the member nations heed their assessments and policy prescriptions. The United States and many European nations remain laggards in this regard. Forums such as the G20 are presidential talk shops that produce little practical results and are in fact designed to make it impossible for an agreement and commitment on policy to materialize.

The global financial system is a collective of national financial systems that are ever more interconnected. Yet it should not be surprising that Canada, for example, has a much more solid financial system than most other developed nations. This is the result of both fiscal strength and sound banking policies. Everybody could learn from its example.

Panelist Paper
Global Economic Governance: Preventing the Next Crisis

Council of Councils Annual Conference
May 15–17, 2016
Council on Foreign Relations, New York, NY

Carlos Ivan Simonsen Leal, Getulio Vargas Foundation

The seemingly cooperative behavior of 2008, when several nations successively employed Keynesian policies to fight the first shock of the economic crisis, did not yield an environment of real cooperation, nor even one of weak coordination. It instead created a challenging situation where the world is steadily marching into a more volatile global economic environment.

In this volatile environment, economic and geopolitical issues will intertwine extensively. The question is whether it is possible to devise mechanisms to avoid or at least mitigate the next crisis. To do so, it is necessary to

- better assess how the world today came into being;
- push for a better understanding of the exogenous variables affecting the evolution of competition between nations; and
- study, using game theory, what the existing framework of international governance mechanisms implies in terms of incentives for different countries.

This trichotomy, however, is imperfect because the answer to any one question links to those of the other two.

Today's global economic governance probably began when the post–World War II order was profoundly changed by the collapse of the Soviet Union. A bipolar world in which two superpowers without significant economic interaction challenged each other was initially replaced by a unipolar world. The United States was not simply the biggest military power on the planet; its position as the largest economy in the world seemed certain to remain unchallenged for decades to come, and Europe was firmly allied with the United States. However, in the new millennium, China appeared as a challenger to the established world order. This time, the strategy of containment previously used by the United States against the Soviet Union would not be effective.

The United States and China will be the major players in the geopolitical and geoeconomic games. The European Union (EU), Russia, India, and, to a lesser extent, Japan will also be important, but each has strong limitations of its own and is unlikely to lead any long-term initiative alone.

In fact, more widespread "coopetition," or simultaneous cooperation and competition, is observable among nations today—nations that fight together for a given objective and may be on opposite sides of a different issue. Once the bipolarity of the world dominated by the United States and the Soviet Union was gone, there was a natural evolution of the alignment system that prevailed after World War II. This is not necessarily bad if a certain equilibrium between victories and losses holds, for instance, through good international governance. However, U.S.-China competition ups the stakes. China

seemingly desires to create a zone of controlled exclusion for U.S. interests around the South China Sea, a move that is unacceptable to the United States.

China and the United States are entering a new phase of competition. It is not only economic but also geopolitical. China and the United States will not interact solely through trade and investment—physical spheres of influence will harden. Through their capacity to stress the opponent's public finances, the United States and China will build the path to geopolitical preeminence.

It is necessary to look at Europe to see how too much public expenditure on subsidies and pensions on one side and high taxation and bad demography on the other, could result in a diminishing capacity for investing in innovation, infrastructure, and defense.

Diminishing innovation could prevent a country from achieving regional preeminence on several issues; the same holds true for the quality and quantity of infrastructure—national power diminishes if either is hampered. Therefore, the capacity to force the opponent to invest less in its future power by causing them to waste more on the short-term objectives is the strategy that China and possibly the United States are likely to play. The evolution of this game is bound to create difficult challenges for the world economy. However, a partial neutralization of this strong noncooperative behavior and creation of a more controlled environment could be realized with good governance. That said, creating a situation conducive to good governance is difficult due to conditions including, but not limited to, the following:

- The United States should adjust its public debt and reduce its deficit.
- China should not try to erode U.S. power by entering an arms race in the South China Sea.
- The United States should not overplay the balance of power in the South China Sea.
- Japan should not attempt to boost its economy through military investment.

Session Three

A Discussion on Syria

Panelist Paper
A Discussion on Syria

Council of Councils Annual Conference
May 15–17, 2016
Council on Foreign Relations, New York, NY

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From its beginnings as a peaceful popular uprising to its deterioration into a full-fledged armed conflict, the crisis in Syria has polarized the member states of the United Nations and the United Nations Security Council. From 2011 to 2015, despite the frequency of Syria on the Security Council's agenda, the council only adopted a limited number of resolutions with operative impact on the crisis. These included

- the decision in 2012 to deploy three hundred unarmed military observers to Syria (UN Supervision Mission in Syria) in support of Kofi Annan's six-point plan, which was approved in UNSC Resolutions 2042 and 2043;
- setting up the framework for the destruction of Syrian chemical weapons and endorsing the 2012 Geneva Communiqué in approval of UN Security Council Resolution 2118 (2013);
- authorizing the delivery of humanitarian assistance by the United Nations and its implementing partners across conflict-lines and across borders through the most direct routes in UN Security Council Resolution 2139 (2014), and through subsequent follow-up resolutions; and
- two high-level special envoys, Kofi Annan and Lakhdar Brahimi, invested their efforts to find a peaceful negotiated solution. Today, the efforts of a third high-level special envoy, Staffan de Mistura, are ongoing.

Paradoxically, it was the escalation caused by the Russian military intervention in Syria in September 2015 that refocused international attention on Syria and triggered renewed international efforts to find a way to peace.

Most importantly, the political meetings in Vienna on October 30 and November 14, 2015, cosponsored by the United States and Russia, have led to the establishment of an inclusive international "contact group" called the International Syria Support Group (ISSG), which provides a new format in which the international institutions and leading governments' Syria policy can be galvanized. For the first time, this platform unites all states in the region and beyond that back one or the other side of the Syrian conflict, or that are otherwise affected by the crisis in Syria. In terms of contents, the Vienna Statement of November 14 formulates a roadmap, which includes a timeline for formal intra-Syrian negotiations within six months and a transition period to be concluded ideally after eighteen months.

With joint U.S. and Russian support, the Security Council was able to adopt Resolution 2254 in 2015 that defined the framework for a solution to the conflict in Syria, based on political transition. The resolution is now considered to be the main reference for outlining the political process and the UN-facilitated intra-Syrian negotiations.

The resolution is significant for stipulating elements of process as well as substance: it establishes that the conflict should be ended through a "Syrian-led and Syrian-owned political transition" on the basis of the 2012 Geneva Communiqué and

the 2015 Vienna Statements. The resolution further clarifies that the political process is facilitated by the United Nations, through the UN Special Envoy for Syria. The ISSG is acknowledged as the central platform to facilitate UN efforts to achieve a lasting political settlement in Syria, thus depositing a shared responsibility for the political process both with the United Nations and the ISSG. In terms of substance, the resolution adopts the benchmarks for political transition as spelled out in the Vienna Statement of November 15 to establish within six months an "inclusive, credible, and non-sectarian governance" and to set up "a schedule and a process for drafting a new constitution."

UN Special Envoy Staffan de Mistura initiated the first round of the formal negotiations on January 29, 2016, and has, as of April 2016, held three rounds of talks in Geneva.

The ISSG has proved to be a pivotal participant in the process. Its ability to help overcome a political-military impasse has been highlighted by the ISSG's Munich Communiqué, adopted on February 11, 2016, in reaction to the military escalation in Syria that had led to the early suspension of the first round of talks a week before. In Munich, the ISSG announced a nationwide cessation of hostilities, to be achieved within one week, and created the ISSG Ceasefire Task Force (co-chaired by the United States and the Russian Federation) and the ISSG Humanitarian Task Force (chaired by the United Nations). On February 22, following intense bilateral discussions between the United States and Russia, the agreed terms of the cessation of hostilities in Syria were issued. The cessation of hostilities entered into force on February 27, at midnight, Damascus local time. While it has been in force since then, it has been extremely fragile and come under increasing stress, with escalation rising as of mid-April 2016. At the time of writing, the main efforts of the ISSG Ceasefire Task Force and its co-chairs are directed at de-escalating the situation again, among other things, by institutionalizing some conflict-control mechanisms on the ground.

Albeit subject to breaches and violations, the cessation of hostilities is now regarded as indispensable to a successful continuation of the negotiation. The ensuing reduction of the level of violence created political space—first and foremost for the opposition represented by the Higher Negotiations Commission (HNC), but possibly also for the government of Syria—to participate in political talks in Switzerland. It now needs to be preserved against all challenges and should be further stabilized. If possible, the cessation should be formalized into a cease-fire agreement, even before the conclusion of the Geneva Talks, to provide the basis for decisions on security governance required during the transition phase.

At the same time, the ISSG Humanitarian Task Force has been able to broker limited, but important, improvements on humanitarian access. This has significantly increased the number of persons in besieged and hard-to-reach areas that have received UN-interagency convoys with humanitarian supplies. At the same time, failure to lift the sieges altogether and the continuation of some severe restrictions to humanitarian access have continued to intensify pressure on the opposition from the affected communities and national and international civil society organizations.

Another critical issue, releasing detainees and abducted persons, as well as resolving the fate of disappeared persons, still awaits progress, despite renewed international attention in the wake of UN Security Council Resolution 2254. The difficulties in tackling this issue are a burden and source of discontent mainly for the opposition.

Prospects for sustainable peace in Syria are contingent on, first, the Geneva Talks leading to a political agreement on transition and, secondly, the transition process fulfilling the benchmarks of a new and democratic constitution, followed by free and fair parliamentary and presidential elections in line with international standards.

We shall focus here on the factors that might facilitate the Geneva Talks leading to a political agreement.

Continued U.S.-Russian cooperation on Syria, in particular in the ISSG and in the UN Security Council. Despite political differences about the future of the political system in Syria, this cooperation is the "prime motor" energizing the negotiation in Geneva and possibly rescuing it in case of deterioration on the ground (see the example of the cessation of hostilities).

Currently, it is hard to even conceive of the negotiators in Geneva coming to agree on a political formula for transition without the United States and Russia exercising their clout on their respective "clients" in Syria and on regional backers of the parties to the conflict. The efficacy of the UN Security Council, which will need to endorse and support a political agreement, if it is reached in Geneva, depends completely on a U.S.-Russian mutual understanding on Syria.

The parties to the conflict investing visibly more in peace than in military options. Despite political declarations in favor of the Geneva Talks, both the Government of Syria and the opposition (HNC) send mixed signals, in words and actions, to their constituents and to each other. While it is unrealistic to expect to rule out the military option early on, after difficult months of negotiations, the parties will need to position themselves at some point. Clear signals of a strategic decision made in favor of peace could increase the readiness of all sides to take political risks in terms of power sharing or demilitarization. Otherwise, any agreement will likely have limited credibility, and the fault lines created by civil war might remain dangerously active throughout the transition.

Regional powers not undermining the Geneva Talks. Although the creation of the ISSG platform has been a necessary step to ensure regional inclusivity, it does not provide per se an adequate forum to diffuse the tensions and resolve the significant differences of interests among some of its members. While potential spoilers inside Syria bank on continued or renewed support from regional backers in defiance of the negotiation process, regional backers will seek assurances—primarily from the United States and Russia—that some of their chief interests in Syria will be respected during transition and beyond.

Offering material support to Syria and the Syrian people once transition starts. This is a classic incentive to parties in conflict in terms of a "peace dividend," or rather a "transition dividend." Different states have different elements to offer: lifting of sanctions, technical expertise, funding for reconstruction and cash-for-work programs, reopening of diplomatic missions, recognition, and so on. The Syrian population follows with keen interest all signals sent by international institutions and leading governments. Syrians may pressure their political representatives to be more flexible and agree to a solution that enjoys broad international support, if and when such a solution becomes feasible.

Panelist Paper

A Discussion on Syria: Managing Flows of Refugees and Migrants

Council of Councils Annual Conference
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Council on Foreign Relations, New York, NY

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Managing Flows of Refugees and Migrants

Leaving aside the irrational use of force that is prevalent in Syria and the gross violations of human rights by most parties to the conflict, the Syrian refugee and migrant crisis has to be dealt with from two different angles. On one side is the question of refugees and their integration into host countries; on the other is support to the refugee camps already in operation as stopgap measures until a peace agreement is reached. Properly addressing these two issues can make a big difference for the victims of the conflict.

Regarding refugees, Argentina maintains a generous tradition of acceptance and integration. Argentina's "nationality" is composed mostly of immigrants from Spain, Italy, Ireland, the Middle East, and neighboring nations. Argentina was open to displaced persons from Europe, most of whom were escaping the Nazi regime, before and during World War II. In fact, James G. McDonald, then the League of Nations' High Commissioner for Refugees, travelled to Argentina to that end.[1] Ambassador Richard Holbrooke's family benefited from this open policy, as he told me several times when we served together at the United Nations.

This same approach was maintained for asylum seekers from the Spanish Civil War. Ambassador Daniel Garcia Mansilla even rented the Palace Hotel in Madrid to hide people from both sides of the conflict until the opportunity to arrange for their safe travel to Argentina materialized. Many Latin American countries took similar approaches. During the Washington Conference on the former Soviet Union, in 1992, Argentina offered to take in some migrants from Ukraine, a pledge that was accomplished with cooperation from local groups of eastern European descent.

Moreover, Argentina has enjoyed a vibrant Middle Eastern community since the beginning of the twentieth century, so receiving families from Syria should not pose any cultural adjustment problem. Nevertheless, providing fast-track visas and temporary shelter is not enough. The refugees should get the dignity they deserve. That means a decent job, education, language and health services, and a promising future. Unfortunately, in times of recession, slow growth, and unemployment, governments tend to remain aloof. Strong, extensive stimulus and consensus are necessary now more than ever.

Within Mercosur, Argentina and Brazil have implemented programs to rapidly grant visas to refugees. According to UN figures, about 1,900 Syrians refugees have taken advantage of measures adopted a couple of years ago to enter Brazil. Last year, Argentina accepted five hundred refugees. Uruguay has also been generous. However, problems have arisen and assistance has fallen short because most refugees from the Middle East prefer to be resettled in Western European countries, Canada, the United States, and Australia. South Africa, Turkey, and Malaysia have also been open to migrants.

When it comes to financial contribution to the UN High Commissioner for Refugees, the United States, Western European nations, Japan, Canada, Sweden, Norway, Netherlands, Denmark, and Australia take most of the burden and the credit. From Mercosur, Brazil, Argentina, Chile, and Uruguay also contribute, but at much lower levels. Besides financial aid, Proyecto Hebesa in Mexico is working to offer education to Syrian students.[2]

However, there is much room for improvement regarding Mercosur's assistance in the refugee crisis. Stephen Kurczy and Sarah Bons have suggested some ideas to increase Latin America's contributions. Besides improving information and streamlining bureaucracy, a coordinated regional response necessitates additional infrastructure in place, such as possible hubs in Sao Paulo and Buenos Aires, to establish large-capacity welcome centers. However, cofinancing these projects in a period of high demand and scarcity has become a real challenge. Argentina's Foreign Minister Susana Malcorra, however, has hinted that the Mercosur officers are going to meet to study the challenges. Whatever the results of that initiative, the fact remains that in terms of alleviating the situation of refugees, Mercosur as a group, or Argentina individually, has not played a substantial role.

U.S. President Barack Obama discussed the problem with Argentine President Mauricio Macri during an official visit to Argentina in March 2016. Both leaders recognized the need to address the global refugee situation. Argentina agreed to resettle a "significant number of refugees displaced by the war in Syria," while the United States would "support that effort in partnership with international organizations and other donors."[3]

Another way for Mercosur to help make a difference would be by, in close cooperation with the World Food Program (WFP), committing to substantially increase its contribution of food and medicines to refugee camps. There are more than four million refugees in Egypt, Iraq, Jordan, Lebanon, and Turkey, and more than six millions displaced persons within Syria.

Mercosur can also become a player in the peace negotiations and other aid efforts, but only if it generates political determination—by substantially increasing its contribution—proportional to each country's capacities. However, Mercosur is not entirely absent from these relief efforts. According to the WFP, Brazil, Colombia, Chile, Bolivia, and Argentina are already contributing. But what would the reaction be if Mercosur decided to move forward in this direction, and, for instance, "adopt" one or two refugee camps, committing itself to be responsible for the necessary food and medicine? That would likely lead to similar responses from other countries and to more responsibility on the part of governments and their citizens, making them closer to human suffering.

Emirati Jordanian is a relatively small camp located close to Amman in Jordan. It has a population of around 6,500, consisting mostly of women and children. WFP currently ensures food security there through food baskets. Emirati Jordanian refugees annually consume 348 tons of rice and 464 tons of wheat.[4] Mercosur nations could contribute this amount of food to the camp because they are huge food exporters, providing up to 30 percent of global net food exports. Traditionally, Brazil, Argentina, Paraguay, and Uruguay have been global actors in food security matters. Therefore, additional contributions are possible, and more is expected. It is no longer a question of solidarity for those who suffer; rather, it is a question of global responsibility in an increasingly interconnected world.

The 2016 World Humanitarian Forum and the High-Level Meeting on refugees and migrants, planned for the opening of the UN General Assembly, should be able to increase awareness of the refugee tragedies. Preventing and containing the conflict, as well as respecting the rules of war, should be a principle concern for discussion. Assigning regional roles and responsibilities in resettling refugees, increasing monetary contributions, and providing food security should also be of paramount importance in these discussions. Latin America has to be prepared to do its share, as it did on issues of climate change and the nonproliferation of weapons of mass destruction.

A Discussion on Syria

The Syrian crisis has violated many principles of the international political and legal order that have given substance and tools to global governance after the Cold War. The principles of nonintervention, peaceful solutions to disputes, territorial integrity, humanitarian law, protection of civilian populations, state accountability, non-actor accountability, and—despite the best efforts of the UN—the principle of responsibility to protect, among others, have all been called into question.

We have to start again. Syria's crisis will require a clear reaffirmation of sound diplomacy as the best instrument to conduct relations among nations and non-state actors whose relevance cannot be ignored any longer. The open or covert use of force can only be an emergency and temporary measure. Force has proved to be useless to bring about sustainable solutions. Iraq and Libya seem to be apt examples. The idea of regime change should be put to rest for the time being.

If inspiration is needed, we should look to Woodrow Wilson's fourteen points after World War I. Will self-determination be useful once more? What about territorial integrity? How should both be balanced? How should we deal with "minorities" in the region? Shall we experiment with new boundaries? How shall we reconcile peace and justice? If necessary, how can the role of the International Syria Support Group be reformed? Who is going to draft the new fourteen points we need to solve the Syrian crisis politically?

The credibility of the United Nations and the UN Security Council is not at stake. International organizations do not have the capacity to operate outside the will of their members. Ensuring peace and security requires more than just debates and adopting resolutions. Enforcing them on the ground is a different story. Enforcement requires the will of major powers in a coordinated effort and a precise mandate from the UN Security Council. Yet, at this time, there is no other scenario or institution that can replace the United Nations to voice the drama of war, hunger, displaced persons, and other abuses that provides the legitimacy for countering the evil.

It is possible to measure the dimension of the tragedy and the implications for innocent peoples by following the debates on the Syria crisis, seeing the anguish of UN Special Envoy Staffan de Mistura or WFP relief coordinators, and listening to the UN Security Council speeches. Cessation of hostilities must hold. Unimpeded access of humanitarian aid should be guaranteed and, if violations occur, a coordinated response is critical. Strong will and coordination by the United States and Russia should be made clear for that purpose. The risk of doing nothing can be costlier in terms of regional and global consequences.

Solving or controlling the Syrian tragedy, even partially, will rapidly mitigate the refugee situation. However, focusing mostly on the consequences of the tragedy in the form of refugees is not sufficient. Efforts should be made by the two main external actors, the United States and Russia, to make the battling forces, whoever they are, stop the carnage or face dire consequences. The cost of leaving the situation as it is today can be heavier than resorting to more robust action by those who have the means.[5] Other external actors with political interests in the area should immediately stop fueling the conflict. According to the Spanish newspaper *El Pais*, the arms trade is active in the area.[6] It is legitimate to ask where the final destination for all these weapons is.

Let us hope that the time will soon come for families to resettle, start reconstruction, and create a new political organization representative of the peoples themselves. I greatly hope that Latin America will have a say and a role in the reconstruction of the region.

Finally, let us bear in mind that diplomacy is there to provide reasonable and sustainable solutions to be translated into regional stability and less so to bring about radical changes.

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Panelist Paper
A Perspective on Syria

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The crisis in Syria has entered its fifth year with no resolution in sight. After a brief cessation of hostilities in April 2016, fighting has once again erupted, resulting in significant casualties and further destruction. The UN peace process under Special Envoy Staffan de Mistura, similar to previous attempts under envoys Kofi Annan and Lakhdar Brahimi, appears to be running counter to the wills of the conflicting parties, resulting in diminished prospects for sustainable peace. Instead, the possibility of a permanent division of Syria is mentioned with increasing frequency. A division of the country would have untold consequences for the Middle East and the rest of the world.

The prospects for Syria are bleak. The situation is exacerbated by the fact that multilateral institutions such as the United Nations are limited in their ability to contribute to the negotiation process. The UN High Commissioner for Human Rights Zeid Ra'ad al Hussein highlighted, in a statement on April 29, the incompetence of powerful nations regarding Syria: "[T]he persistent failure of the Security Council to refer the situation in Syria to the International Criminal Court is an example of the most shameful form of realpolitik. In the minds of many, the world's great powers have in effect become accomplices to the sacrifice of hundreds of thousands of human beings, and the displacement of millions."

The crisis in Syria demonstrates that the great external powers, including the United States and Russia, do not recognize the international framework put in place for conflict resolution and are acting according to their own narrow national interests. Although the United Nations has passed numerous resolutions, they have no practical value on the ground and are instead seen as merely having some moral value. In 2015, Russia intervened in the Syrian crisis on its own, based on its strategic calculations. Russia does not feel bound by resolutions and will continue to determine its role through the lens of its own national interest. Equally, nonstate actors who play an increasingly central role in many of the conflicts currently raging in the Middle East, attach little significance to international resolutions.

Unfortunately, Syria is not the only example where global governance shortcomings have been exposed. Libya and Yemen are other recent examples. In Yemen, military action preceded the adoption of UN Security Council Resolution 2216. Yet, without a commitment by many countries to enforce this resolution, its impact on the ground has been meaningless.

The situation in Syria, and other places where conflicts continue, has again confirmed for regional actors their previous assessments about a global unwillingness for an effective intervention to end a conflict. The recent events did not occur in a vacuum; they are the direct results of policy failures of external actors over the past decade and before. For example, Saudi Arabia first warned about the consequences of the U.S. invasion of Iraq in 2003, then about the dominance of Iran over post-Saddam Iraqi politics, about the abrupt withdrawal of U.S. troops from Iraq under the Obama administration, and

finally about the need to take strong action in Syria to bring the Assad regime down. By not arming the moderates, one ended up arming the extremists. The fact that none of this advice was followed has resulted in the region's most devastating crisis in memory. The Syrian crisis underscores the inconsistency and reactive approach of the external great powers, especially that of the United States, the most important external actor.

For the Gulf Cooperation Council states, such as Saudi Arabia, the failure of both international institutions and external powers has resulted in a fundamental reevaluation of their external relationships. This includes shedding some of their cautiousness in foreign policy, increasing its diplomatic initiatives, and becoming more assertive. Saudi Arabia understands the new realities: the Middle East is fundamentally changing, possibly irreversibly, and no outside power, not even the United States, is willing to or capable of spending its resources to reestablish regional security. Instead, the process in place is the increasing regionalization of conflict in which countries such as Saudi Arabia are on the frontline.

As a result, the whole concept of international power and security should be under review. At the moment, events on the ground are determined by military action rather than diplomatic measures. Without the readiness of the international institutions and external powers to both intervene and strengthen relevant enforcement mechanisms, one will continue to see situations in which the strategic, narrow national interests of individual powers will prevail. Therefore, if multilateral institutions are to play a role in crisis situations such as in Syria, there is an urgent need to review available mechanisms for drawing major powers into a debate about how resolutions can be better enforced. After saying all of this, however, as the situation currently stands, the general outlook is becoming more hopeful.

Patrycja Sasnal, Polish Institute of International Affairs

What Are the Current Prospects for Sustainable Peace in Syria? How Can the United Nations Contribute to These Negotiations? What Role Can Multilateral Institutions Play in the Event of a Lasting Cease-Fire?

One should consider the past four years in order to speak about the prospects today. If the effects of the international or UN-brokered negotiations are to be measured, the 2016 round of talks in Geneva has brought about the most successful result to date: at least a four-week-long cessation, or lessening, of hostilities. This measure of progress holds true even if the parties have resorted to arms again. Neither the League of Arab States mission (December 2011–February 2012) nor the Kofi Annan cease-fire (mid-April 2012) managed to achieve what the current process has done.

Yet sustainable peace is a remarkably different category than a mere cease-fire, and it will not apply to Syria in the immediate future for the following reasons: there are several veto holders in the conflict, internally and internationally; world powers are weaker or less determined than in the past; the Syrian civil war is entangled in the structural problems of the whole region; not all parties are convinced that military victory is impossible; and some see the conflict in existential terms.

By adopting peace plans and brokering negotiations between the warring parties, the United Nations has come to be seen as the international body responsible for bringing about peace in Syria. It works through two forums in this dimension: the UN Security Council and the office of the UN Special Envoy for Syria Staffan de Mistura. The two play qualitatively different roles.

The Security Council depends on the United States and Russia. Each supports an opposing side in the conflict, although the support of one might be weaker than that of the other. Russia has the advantage of supporting the stronger and more coherent side but has more at stake than the United States does. The Security Council has thus become more of a party to the conflict than an objective body. The Security Council's contribution to sustainable peace in Syria would entail, at minimum, the United States and Russia withholding support for either of the warring factions while negotiations are ongoing.

On the other hand, the office of de Mistura is probably the most objective, uninvolved party to the Syrian conflict—currently it is the only entity capable of offering good offices to players in the Syrian conflict. Even if de Mistura is partially dependent on the dynamics in the Security Council and UN General Assembly, his office needs to retain as much independence as possible in order to preserve its legitimacy as a mediator. It should be able to wield enough authority to propose solutions that involve the Security Council, other UN agencies, and UN member states alike. De Mistura's office

is worthy of such authority not only because it is currently the only channel through which a settlement in Syria can be reached but also because its efforts follow the best practices employed by the United Nations to date, as corroborated by academic literature.

Apart from mediation, the United Nations can, under certain circumstances, provide humanitarian assistance, oversee piecemeal deals before a final settlement occurs, give legal guarantees to a settlement, provide interim administration (as in the case of Cambodia in 1991 when the parties reached a comprehensive peace settlement only because the United Nations took the issue of the transitional government off the table and agreed to temporarily administer Cambodia), establish a reconstruction fund, manage the return of refugees, oversee and observe elections, share good practices experience in political transition, and dispatch a peacekeeping force. A stabilizing force is not inconceivable, provided it is made up of soldiers from Sunni Muslim—ideally non-Arab—countries. Given the strength of the jihadist factions in Syria, any U.S. or European on-the-ground involvement could be portrayed as an attack on Islam. A peacekeeping mission would require a reformulation of the UN mandate from mere peace observance into peace enforcement.

What Does the Prolonged Crisis Mean for the Role of the Security Council as the Premier Body for Ensuring International Peace and Security?

The Syrian crisis can either be another nail in the coffin of the Security Council's image and efficiency, or it can be a catalyst for reform and reinvigoration. Unfortunately, the Security Council is now viewed as part of the problem rather than the solution. It is especially dysfunctional when one or more of its members actively support parties to a conflict. For instance, Russia has vetoed four Security Council resolutions on Syria. Since 1991, the United States has used its veto fourteen times (most often to shield Israel), and Russia has used its veto thirteen times. Just in the past decade, however, the United States has used three vetoes to Russia's ten. But Russia should not take all the blame here—the United States and some EU member states are to blame as well. This can be seen in the regime change in Iraq in 2003 and in the invasion of Libya under the UN mandate in 2011.

On a more positive note, the moment the Syrian crisis started directly affecting Europe, UN peace initiatives sped up. In the 1990s, the United Nations oversaw negotiations in Africa and Yugoslavia; of the two, there was more interest in the Yugoslavian crisis because it directly and substantially affected Europe, in the form of the 1992 migration crisis. Today, the conflicts in Libya and Syria are again directly affecting European security and attitudes, pushing Security Council permanent members to become more active.

Ending the Syrian conflict and a successfully transitioning to a unity government in Libya both give the United Nations a chance to restate its multilateral manifesto, especially now that unilateralism seems to be on the rise. It is difficult with the change in Russia's strategic outlook, but the new U.S. president will have an opportunity to boost these peace efforts through the United Nations instead of taking unilateral U.S. action. With the U.S. public hostile to involvement in the Middle East, the United Nations is an ideal channel for the United States to work through and exert pressure on Russia.

Syria and Libya are definitive conflict zones for the next century; how the United Nations deals with them today could reflect how it will deal with future conflicts. As in Syria today, challenges to stability and peace will most likely come from internal conflicts rather than from international ones, making the responsibility to protect (R2P) one of the most frequent legal contexts in which the United Nations will operate. But tension between the purpose of R2P and the structure of the Security Council strengthens the argument that R2P will most likely prove unable to fulfill its larger purpose of elevating concern for individuals over national interests in deliberations on international crisis response.

The United Nations is one of the largest international projects to date. It needs to be able to debate meta-questions, such as those pertaining to the homogenization of societies that is taking place in the Middle East. In this regard, a comparison with post–World War II Central Europe is not new. At a recent Council on Foreign Relations event, Joshua Landis compared

Syria to Poland, which was multiethnic and multireligious—less than seventy percent Polish—before the Second World War. After the Yalta Agreement was enforced, it turned into an almost one hundred percent Polish society; borders were redrawn and people resettled. A similar process is underway in the Middle East, albeit in a chaotic, uncontrolled fashion. Great powers are perhaps weaker today or less determined and less interested in a certain outcome. Ideology is missing; hence, the great emotional and value-based impetus is missing as well. The United Nations, respecting the right to self-determination of the peoples of the region, should at least initiate an international debate on how to legitimately and sustainably redraw the borders of the Middle East.

Are Major World Powers and Regional Actors Playing a Productive Role in the Syrian Peace Process?

Unfortunately, regional actors are involved in the Syrian peace process via the International Syria Support Group (ISSG) not for the sake of peace but to wield influence in the proceedings. Some members do not even comply with the February 11 ISSG statement, and many seem to be securing other particular, often contradictory, interests that overpower the goal of Syrian peace: for example, deposing Syrian President Bashar al-Assad at all cost versus propping him up to the point that he retakes most of the urbanized belt, or limiting Kurdish political and military capabilities versus supporting the Kurds against the jihadis. Sadly, as long as the war in Syria does not threaten regional or international actors' primary interests, it will be used for other purposes or disregarded.

I believe there is a more or less objective concept of what a productive role in the Syrian peace process means. Here it is useful to employ the agency-versus-structure framework (Wendt; Marsh and Stoker). If structure is everyone with the Weberian monopoly on violence (the Syrian regime and all opposition fighters), then the rest—the people who are objects of violence—are the agency. A rough calculation shows that some fifteen million Syrians are still the agency that needs to be protected; they are silent and do not carry weapons and often do not speak their minds. A productive role for world powers and regional actors would be activity conducive to the well-being of the Syrian agency. Luckily, Syrian expectations are low.

COUNCIL OF COUNCILS

An Initiative of the Council on Foreign Relations

Session Four

The Way Forward on Global Internet Governance

Panelist Paper
The Way Forward on Global Internet Governance

Council of Councils Annual Conference
May 15–17, 2016
Council on Foreign Relations, New York, NY

Thomas Gomart, French Institute of International Relations

Thinking about global Internet governance often leads to simplistic dilemmas: private sector versus the government, multilateral versus multistakeholder, transparency versus privacy. It also leads to descriptive interplay between various entities participating in this highly sophisticated governance system: the Internet Corporation for Assigned Names and Numbers, World Summit on the Information Society, Internet Governance Forum, and International Telecommunication Union, among others. For some observers, the cyber governance dilemmas facing today's leaders can be compared to those of the early days of the nuclear age. However, today's cyber governance dilemmas are enormously complex because advances in digital interconnectedness can lead not only to technical disruptions, but also to social disruptions. The diffusion and omnipresence of cyber technologies is growing at an exponential rate.

It is certainly a challenge for foreign policy–focused think tanks to contribute to the collective thinking on global Internet governance. Their added value in policy prescriptions is focused on the interplay between digital matters and foreign policy. In the digital era, foreign policy and its ability to contribute directly to the international order has changed dramatically. However, it is useful to identify different foreign policies that can leverage additional ways to enhance cooperation. To do so from a European and French perspective, three topics will be briefly addressed.

Information and Data

While there is a clear split on what Internet governance should entail between Western democracies and authoritarian regimes such as China, Russia, Iran, and Saudi Arabia, there is also an increasing split between the United States and some European countries, too. The rift caused by Edward Snowden's revelations continues to shape the public debate about surveillance programs. Historically, the European Union (EU) and its member states have tended to prioritize privacy over security. Yet, attacks in Europe by the self-proclaimed Islamic State may well swing the pendulum toward security. This is already visible in France with new legislation, such as the Bill on Intelligence, and the continuing state of emergency established after the attacks of November 13, 2015.

In fact, the balance between security and online privacy has deep strategic, political, and economic consequences between the United States and the European Union. For some observers, there is an ongoing "transatlantic data war" where Europe has decided to fight back against the U.S. National Security Agency's (NSA) intrusive spying.[1] In October 2015, the European Court of Justice struck down the Safe Harbor agreement that permitted U.S. companies to transfer data outside the European Union. Unsurprisingly, there were strong reactions against this decision from the United States. For instance, Eric Schmidt, the executive chair of Google's parent company Alphabet, pointed out the many risks and costs of having

"per-country Internets," where Internet governance would be more localized and force companies to deal with many different regulatory regimes.

U.S. authorities tend to interpret the efforts of foreign governments to protect their citizens' rights against U.S. companies as protectionism in disguise. For instance, in February 2015, President Obama said "Our companies have created [the Internet], expanded it, and perfected it in ways the [Europeans] can't compete [with]. And oftentimes what is portrayed as high-minded positions on issues sometimes is just designed to carve out some of their commercial interests." This sort of statement resonates with John Connally's famous words about the dollar, "which is our currency, but your problem": the Internet is "our system, but your problem."

Ultimately, the recent dispute between Apple and the U.S. Federal Bureau of Investigation (FBI) may well influence future data legislation not only in Europe but also in China, which has been keenly following the developments in U.S. law in this field for many years.

Policy issue: Despite many attempts emerging from think tanks to encourage convergence between Washington and Brussels on critical policy areas related to cyberspace, is it really feasible, with their asymmetrical relationship, to expect a joint initiative in the coming year? It is likely that some major states and jurisdictions will try to stop tolerating U.S. coercion?

Foreign Policy and Cyber Diplomacy

U.S. power has rested on command of the commons: air, space, sea, and cyber. Military-digital complexes have emerged in traditional powers such as the United States, China, and Russia—countries that represent the majority of military spending—and additionally the United Kingdom, France, Germany, and Israel. All of these countries have much more advanced digital capabilities than other states. The Obama administration was particularly active in conducting digital diplomacy, which has its roots in the concept of "smart power." In January 2010, Hillary Clinton placed "the freedom to connect" at the core of her agenda with the support of technology companies. However, this diplomatic offensive was shattered by Edward Snowden's leaks in June 2013.

If the debate on data exchanges is currently focused on relations between the United States and the European Union, the main security concerns in the United States are focused on China. According to the former NSA Director Keith Alexander, the theft of online intellectual property has led to the "greatest transfer of wealth in history." In 2013, U.S. National Security Advisor Tom Donilon explained that the scope of Chinese cyberattacks presented a threat not principally to the U.S. government, but to U.S. corporations. Elected officials believe that the United States is threatened by "digital bombs." These fears are also echoed in China. A downward spiral of mistrust has taken hold between the two countries. The absence of a shared code of conduct runs the risk of setting off an acute systemic crisis because digital technologies, unlike nuclear technologies, run like a nerve through *all* economic and social activities.

Clashes between China and the United States in cyberspace have become case studies for strategic analysis. Part of the debate in this regard is focused on first strike capabilities, and the possible interplay between digital clashes and conventional warfare. For geostrategic reasons unlike those of the allies of the United States, China and Russia have defended the principle of digital and information sovereignty well before the Snowden affair. They have elaborated a two-pronged approach—defensive and offensive—as well as a vision of Internet governance that is not based on the "multistakeholder" principle, but on multilateral negotiation between governments. In May 2015, Chinese leader Xi Jinping and Russian President Vladimir Putin signed a cybersecurity pact in which they agreed not to conduct cyberattacks against one another. In July 2015, the Chinese authorities established a new legislative framework designed to enhance the security of their digital infrastructure and to encourage the development of new technologies by national actors. In September 2015, the Russian government adopted similar measures. At the end of this month, Presidents Obama and Xi announced "that

neither the United States nor the Chinese government will conduct or knowingly support cyber-enabled theft of intellectual property."

Policy issue: The U.S.-China bilateral agreement on economic espionage in 2015 can been seen as a contributing factor to global stability. Given the nature of digital activities however, to what extent is it feasible to make clear operational distinctions between economic espionage and nation-state spying?

Ethics and Trust

In 2015, there were more than 7.1 billion mobile phones in the world and 2.2 billion people were connected to the Internet. These figures help reflect why digital technologies are deeply and rapidly transforming international affairs. In terms of users, there is an ongoing de-Westernization of the Internet. By 2014, Internet users in China were equal to total users both in Europe and the United States. The massive surveillance program revelations made by governments are exacerbating the issue of trust in Internet governance, namely in terms of privacy, for many in civil society. This question is not only addressed to governments, but also to platforms and digital service providers. Undoubtedly, security concerns have not discouraged users. Around 1.5 billion users are connected to Facebook. In France, thirty-two million people utilized online payment systems in 2015, compared to just twelve million people ten years earlier. In this regard, trust seems to have grown. Does it mean that users trust platforms more than states? Or does it simply mean that they favor their digital "comfort" over their online privacy?

It appears that digital companies have tried to reestablish confidence with their users. Until Snowden, the convergence of views between U.S. authorities and major Internet companies facilitated the transformation of U.S. power. Due to the close ties between the U.S. government and these companies, technology firms were careful not to challenge the primacy of national interest, even as they talked about how information technology should empower individuals. Are things changing? The legal battle between Apple and the FBI may lead some to conclude that change is occurring. The case demonstrates the increasing willingness and readiness of one of the main digital giants to challenge the U.S. government over access to user data. This case has given Apple an opportunity to proclaim its efforts to protect privacy. In doing so, the company is answering the privacy concerns of European countries while its leadership is seriously challenged by the EU Commission over its tax arrangements in Ireland.

Policy issue: In terms of Internet governance, the real challenge is related to the blurry relationship between private-sector data collection and national security. This is the case not only in the United States. How can civil society simultaneously trust national authorities, digital platforms, and digital service providers? Personal encryption would be a paradoxical solution to reestablish trust in the system—but it may be the only solution in the current situation.

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COUNCIL OF COUNCILS

An Initiative of the Council on Foreign Relations

Panelist Paper
The Way Forward on Global Internet Governance

Council of Councils Annual Conference
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The Internet is transforming almost every aspect of human life. Approximately 50 percent of humanity is now connected online, and the numbers are growing. People are sharing ideas, culture, and information, and using fixed and mobile platforms for commerce. The Internet economy is now larger than that of the energy sector and is predicted to be worth over $4 trillion this year.[1] The potential is vast. The Internet is just at its beginnings, and, in the near future, the Internet and the Internet of Things will dominate the ways in which societies develop their infrastructure. Twenty billion devices are predicted to be online within the next five years and the Internet of Things alone could create over $11 trillion by 2025 and yield some $4.6 trillion solely in public-sector efficiency gains.[2]

However, there are huge obstacles to overcome and risks to be addressed. Augmented connectivity implies potential improvements and changes to all aspects of life, including healthcare services, transport, security, and energy. With these improvements also come heightened risks in terms of security, safety, and privacy—risks to the individuals who rely on this technology in their day-to-day life, the sectors that rely on this technology to deliver and serve their customers, and the providers of this technology. Accessibility for all, online security and safety, privacy, freedom, and trustworthiness are all uncertain. Decisions about the ways in which the Internet is structured, managed, and governed, as well as about how the Internet will operate in the long term are being made now.

Bridging and Building Consensus

What are the divides?

- *Experiential and technical*: Some societies have far more knowledge and experience in the Internet than others and are able to exploit the benefits to a far greater degree. These societies also find it easier to imagine the potential of the Internet and the Internet of Things and provide incentives for security, privacy, and trustworthiness.
- *Philosophical*: Societies that are innovative and espouse the philosophies of individual and collective freedoms have quickly adapted to and been able to contribute to the Internet. At first, these societies tended to be the more technically developed societies, but the leapfrog effect has meant that uptake is increasing in a number of less developed states.
- *Societal:* Autocratic states struggle with Internet management. On the one hand, they are attracted by the economic advantages it offers; on the other, they reject the freedoms that the Internet presents to every citizen. As a result, a number of governments have attempted to be directive and control access and content. They have created insecurities online and reduced trust in the Internet among the general population. Other societies are more able to incorporate a multi-stakeholder approach to Internet governance and thus more easily ensure that access, trust, privacy, and security are provided for in a collective and transparent manner.

- *Competing world views:* Geopolitical tensions are imported into the Internet. There are suspicions that, for example, the U.S. government controls the Internet or that only certain companies can make large financial gains from it. As a result, Internet governance structures are undergoing fundamental change so that trust is maintained and uncertainties and suspicions are reduced.

What unites?

- *Economic benefit:* Where everybody stands to gain—a raising of the financial water level—is a uniting feature of the Internet. Protecting the Internet for the common benefit of all, as with other global commons, is in the interests of all.
- *Demand from the public and commerce:* The Internet is increasingly and vitally important to people for connection to family and friends, access to information, and commercial activity. If a government or a private entity were to act to undermine the Internet, the public would react negatively and attempt to subvert the official authority. This is particularly significant for the younger people of the digital generation.
- *Cross-border connections*: In the physical world, geography can interfere with connectivity. In the cyber world, the connections are less dependent on physicality (as long as the physical space can enable the connectivity). The Internet thus provides for cross-border collaboration and commercial activity in ways that had not been possible before.
- *Concern for safety, security, trustworthiness, and privacy*: A common interest in being safe and secure online—data protection, privacy of confidential information, and trust in transactions and interactions—is a common requirement that unites all users, barring the criminal sector.

International Norms in Cyber Security: Privacy and Transparency

The 2014–2015 United Nations Group of Governmental Experts (GGE) noted that common understanding on how international law applies to state use of information and communications technologies (ICTs) is important to promote an open, secure, stable, accessible, and peaceful ICT environment.[3] The group put forward a set of views on how international law applies to the use of ICTs that includes

- state jurisdiction over the ICT infrastructure located within territory;
- existing obligations and principles of international law to respect and protect human rights and fundamental freedoms, the principles of humanity, necessity, proportionality and distinction, state sovereignty, sovereign equality, the settlement of disputes by peaceful means and nonintervention in the internal affairs of other states, and the inherent right of states to take measures consistent with international law and as recognized in the UN Charter; and
- states not using proxies to commit internationally wrongful acts through ICTs and seeking to ensure that their territories are not used by nonstate actors to commit such acts, with the note that the accusations be substantiated.

The GGE also agreed to a set of conclusions and recommendations for future work that included recognizing that ICTs are a driving force in development, and called for

- concept development and research on ICTs in international peace and security;
- increased cooperation at regional and multilateral levels to foster common understandings on risks posed by the malicious use of ICTs and on the security of ICT-enabled critical infrastructure;
- identification of mechanisms for the participation of the private sector, academia, and civil society organizations; and
- dialogue on security and common understandings on the application of international law and norms, rules, and principles for responsible behavior.

The new dialogue on cyber security at senior-official levels between the United States and China could be the start of a process that will operationalize the GGE's call to establish "dialogue on security and common understandings on the

application of international law and norms, rules, and principles for responsible behavior."[4] The 2015 U.S.-China Cyber Agreement was part of a wider group of measures to strengthen bilateral relations and build trust and confidence between the two countries. The agreement includes timely responses to requests for information and assistance concerning malicious cyber activities; cooperation in the investigation of cybercrimes, including the collection of electronic evidence, and mitigation of malicious cyber activity emanating from their territories; agreements not to conduct or knowingly support cyber-enabled theft of intellectual property, including trade secrets or other confidential business information; agreements to identify and promote appropriate norms of state behavior in cyberspace internationally; and a high-level joint dialogue mechanism on cybercrime and related issues, and a hotline for the escalation of issues that may arise in the course of responding to such requests.

Likewise, the 2015 G20 communiqué declared that no country should "conduct or support ICT-enabled theft of intellectual property, including trade secrets or other confidential business information, with the intent of providing competitive advantages to companies or commercial sectors" and "should respect and protect the principles of freedom from unlawful and arbitrary interference of privacy, including in the context of digital communications."[5]

Governments, intelligence agencies, international organizations, and private commercial companies—for the most part—understand that the Internet is a resource that requires sustained protection and management in order to ensure that everyone's interests are best served. Good governance requires that innovation and commercial gain are drivers of safety, security, and privacy online, and that public trust in the Internet endures. There are, however, a number of governments that have yet to understand fully what is at stake for them, their citizens, and the globe. It is important that the rest of the world stands to ensure that this new enabling technology reaches its full potential and forms the connective tissue to unite and better us all.

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Session Five

Asian Security Architecture

Panelist Paper

Responses to the Evolving Asian Regional Security Architecture

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The regional security architecture in Asia has been undergoing major changes over the past two decades. The security architecture was weak for a long time. However, since the end of the Cold War and especially at the dawn of the twenty-first century, a multitude of official statements and policy initiatives by nearly all countries in the region has triggered a wave of regional institution-building intended to shape a new regional economic, political, and security order. The predominant view is that the rise of China is the driving force behind the reconfiguration of power in Asia. This paper aims to explore China's perspectives on building regional architecture in Asia.

Changing Situation

Asia is continuing its rapid economic growth and is still ahead of other regions, even as China is adjusting to a new rate of growth. Meanwhile, the current security situation seems to be rapidly deteriorating and becoming more dangerous. While major powers like China and the United States may be unlikely to have a direct military conflict in Asia, the risk of inadvertent conflict is rising in Northeast Asia and the South China Sea. China is facing unprecedented growth in U.S. defensive pressure, with 60 percent of the U.S. military force transitioning to the Asia-Pacific; the new U.S. plan to deploy the Terminal High Altitude Area Defense (THAAD) system in South Korea; the U.S. Navy and Air Force returning to Philippines military bases; the United States, Japan, and Australia building a stronger trilateral alliance; and continued U.S. surveillance on Chinese military facilities. China believes its national security is severely threatened. The turbulent situation lacks the consensus and confidence required for a functioning security architecture. Building this consensus and confidence necessitates norms and principles.

China's Perspectives on Principles and Norms Through Its Relations with the Periphery

To refocus the coordination of security cooperation from global institutional architectures to a more regionally acceptable or consensus-driven Asian security order, relative norms and principles need to be considered. We have seen security cooperation take many forms: minilateral or plurilateral coalitions, bilateral alliances, like-minded prisms, cooperative security in Europe and the Association of Southeast Asian Nations (ASEAN), comprehensive security, self-restraint, reassurance measures, "dynamic equilibrium" as proposed by Indonesian diplomat Marty Natalegewa, trust- and empathy-building measures, and "consociational security order" as proposed by Amitav Acharya. New Chinese ideas and concepts include the model of major country relations, the "community of shared mankind destiny," community of shared interests, shared responsibility, and national core interests.

China's perspectives on norms through security relations with its neighboring countries, particularly in Southeast Asia, have evolved by remodeling old-fashioned thinking to include current, prevailing regional norms. The cooperative security concept of ASEAN has been accepted by China since the late 1990s and has gradually instilled the habit of additional dialogue and cooperation between China and ASEAN members. This has allowed for a much broader regional security agenda, which includes issues such as economic development, financial crises, environmental degradation, illegal migration, natural disasters, and infectious diseases. President Xi Jinping's rationale in building a community of common destiny for China and Southeast Asia, as well as mankind, includes many of these new ideas.

China is rising but has continually reiterated it does not want to challenge U.S. hegemony and the current international system. In the time of Deng Xiaoping and Jiang Zemin, China advocated building a new type of international political order. However, Xi has since changed China's foreign and national security policies. China admits that while the international order is stable, transformation is possible, but only through a gradual process. China wants to not only join international and regional institutions but also make contributions to current institutions and architectures. While China helped establish the Asian Infrastructure Investment Bank (AIIB), it does not have any intention of replacing the Asian Development Bank or any other existing international or regional banking institution. China has continually emphasized open and inclusive institutional principles and supports Asian and non-Asian countries participating in the AIIB.

With regard to security, Beijing believes that it shares with the United States interests and goals in maintaining global and regional stability, security, and peace. Xi has proposed new security concepts that include common, comprehensive, cooperative, and sustainable security in Asia. These new security concepts could be used as basic norms for the Asian security architecture. Xi's new security concepts affirm that China can play a role in building Asia's security architecture.

So what role can and should the United States and other major powers outside Asia play in the region? Xi believes that Asian security should not be controlled by outsiders. He has said, "It is for the people of Asia to run the affairs of Asia, solve the problems of Asia, and uphold the security of Asia. The people of Asia have the capability and wisdom to achieve peace and stability in the region through enhanced cooperation."[1] Although Xi does not rule out some role for other major powers from outside Asia, he wants them "to play a positive and constructive role in promoting Asia's security and cooperation and [to] work together to achieve win-win outcomes for all."[2]

With regard to its security relationship with the United States, China has tried to establish a new model for major country relationships based on the principles of avoiding conflict and confrontation, and encouraging mutually beneficial cooperation to prevent military conflict. China views recent U.S. involvement in maritime security in the South China Sea as negative. U.S. navy patrols around Chinese islands and reefs have been regarded as a push toward militarization, which can poison the security environment in the South China Sea. Developing ways to prevent military incidents between the United States and China in the South China Sea is an urgent issue for regional stability and security.

Improving the Present Institutions

There is an urgent need to build acceptable regional security architecture if Asian stability and security are to be maintained. Active Asian institutions include the Shanghai Cooperation Organization (SCO), Conference on Interaction and Confidence Building Measures in Asia (CICA), ASEAN Regional Forum (ARF), ASEAN Defense Ministers Meeting Plus (ADMM+), Asia Pacific Economic Cooperation Leaders Informal Meeting (AELM), and East Asia Summit (EAS). A common shortcoming of these institutions is the lack of necessary institutional capabilities to address the regional security issues effectively and efficiently. Taking into account that it may still be too early for all Asian countries to find consensus on specific institutional security architecture, there are some possible, basic ways to improve the situation.

First, one can consider upgrading the current level of leaders at the Asian Summit Institution. Furthermore, Asian institutions such as SCO, EAS, and ARF all have some duplication, and it is necessary to coordinate their basic functions to

avoid competition.[3] Asian leaders could even use the Asian Summit Institution as a legally binding organization to focus on critical regional security issues. This upgrade in coordination might be revolutionary for the regional institutional architecture because most political and security forums in Asia are political and not legally binding. Second, designing agendas to address specific security issues can improve present institutions. Asian security institutional architectures need to expand from nontraditional security issues to traditional security concerns. A focus on improving and expanding the presently limited scope of issues is an essential step toward more legally binding security architectures. Third, regional security experts and government officials should have access to an official platform to address human security issues that affect citizens and governments in the region. Finally, incentivizing more people to participate in regional security debates can improve institutions. Rational discussion is necessary for some countries and regional institutions.

Tan See Seng, professor of international relations at the S. Rajaratnam School of International Studies, has identified three schools of thought on regional security architecture in Asia.[4] One is the Canberra school, which is based on command or centralized regionalism. This view calls for an overarching institution to provide overall management of the entire regional security architecture. Former Australian Prime Minister Kevin Rudd advocated an enlarged East Asia Summit as an apex institution. The second is the Washington school, which is based on functional regionalism. It represents the U.S. view, which promotes an effective and relevant regional RSA Conference to delivers results and not just create organizations. In addition, the United States supports minilateral or plurilateral coalitions of like-minded countries. This like-minded concept can be regarded as a Western norm for regional security architecture and order. The third is the Singapore school. According to Tan, this school is based on laissez-faire regionalism that is typical of Singapore's views that see the existing RSA as fundamentally sound and still relevant despite its flaws.

Besides these three schools, there is a fourth, which might be called the Chinese school. Different from the Washington school and its emphasis on a like-minded alliance system, the fourth school is based on an equal partnership concept that seeks security through economic development, equality, mutual trust, mutual confidence, cooperation, and innovation.

The regional institutional architecture cannot be established overnight, but it can be developed over the long term. Achieving even the most basic functions of a working regional institutional architecture requires the coordination of various policies and arrangements that different countries have already implemented. It requires the region to work arduously toward more cooperation and mutual confidence.

Conclusion

Coordinating different policies requires consideration of norms and principles. Xi has proposed new concepts of common, comprehensive, and cooperative security. Like the three other schools, China's regional security-architecture school does not simply focus on how to build facilities and organizational frameworks for enhancing only some material capabilities. Rather, it is a long-term mission and philosophy. As a rising country, China is contributing more to building regional security architecture and order.

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Security Agenda and the Emerging Architecture

Today's Asian security environment is characterized by one fundamental transformation: the economic rise and military modernization of China. A stable U.S.-China relationship is viewed as the foundation of a peaceful Asia and the most crucial element shaping the future regional order. U.S.-China relations have thus far reflected deep interdependence amid strategic maneuvering by each side. The trajectory of U.S.-China relations has direct regional implications. Tensions in both the East and South China Seas have been on the rise since the early 2010s, with both disputes affecting regional cooperation. Moreover, Japan is openly competing with China and has embarked on a charm offensive with other nations in the region. Japan has stepped up maritime and defense cooperation with the Philippines and Vietnam in particular. Meanwhile, hopes for a de-escalation of the situation on the Korean peninsula have diminished as North Korea continues with nuclear tests. South Korea is a treaty ally of the United States while China-North Korea relations have traditionally been close.

This memo discusses the type of security architecture emerging in Asia today to address this challenging environment. The regional architecture is likely to remain complex, fluid, and rather messy. It is the product of an incremental process that started in the 1990s, and it consists of overlapping bilateral and multilateral structures. The core principles and norms of the Asian architecture are national sovereignty, the noninterference in the affairs of other states, and the non-use of force to resolve transnational differences. The centrality of the Association of Southeast Asian Nations (ASEAN) is generally recognized, including by the great powers. One immediate challenge is to institutionalize great power relations in the midst of shifts in the regional power balance. In addition, Asia faces several sources of instability, including territorial disputes, historical legacies that fuel nationalism, arms modernization, and others. Yet the existing multilateral security architecture is poorly equipped to respond to these factors due to a lack of capacity and trust.

Existing Cooperation

Asian countries have enhanced defense and security links both at the bilateral and multilateral levels. The alliance system with the United States remains at the core of the regional security architecture. Australia, Japan, and South Korea continue to depend on their military ties with the United States. The scope of the alliance system has expanded to include counterterrorism, humanitarian assistance and disaster relief, and climate change. Meanwhile, China and Japan have sought to enhance their bilateral security links with other Asian countries.

ASEAN and its associated forums, such as the East Asia Summit (EAS), the ASEAN Regional Forum (ARF), the ASEAN Plus Three (APT), and the ASEAN Defense Ministerial Meeting Plus (ADMM+), provide useful venues for countries in the region to exchange perspectives, learn best practices, and work toward mutual understanding on important security issues. ASEAN has worked toward institutionalizing security and economic cooperation at the regional level. In the absence of an alternative acceptable to all participants, ASEAN has succeeded in exercising leadership of the emerging institutional architecture.

Trends in the Asian Security Architecture

First, the region has, since the 1990s, accommodated a variety of security structures, ranging from bilateral to multilateral arrangements. The nature of such arrangements has varied from military alliances to institutional expressions of cooperative security. Second, Asia has seen the emergence of new multilateral institutions as well as groupings like the Shangri-La Dialogue operating at the track-two level. Asia has evolved from being under-institutionalized to a landscape of overlapping multilateral arrangements. Third, there has been growing recognition of the economics-security nexus, particularly since the Asian financial crisis. For example, the EAS and APT have incorporated economic-security linkages as part of their cooperative structures. Fourth, existing institutions in Asia have taken on new security roles. Health concerns, transnational crimes, and other issues have been discussed at the multilateral level among policy communities. Fifth, cooperation in Asia has continued to suffer from weak structural capacities that limit its ability to respond to security challenges. This is true not only in response to nontraditional security challenges but also in the prevention of inter-state conflicts.

Driving Factors

The Asian security architecture will likely depend on five driving forces: the level of U.S. participation, the nature of China's involvement, an active participation by Japan and India, the strength of ASEAN, and an effective institutional design.

First, the United States has mostly been supportive of multilateral initiatives in East Asia since the 1990s. After the Bush years, the Obama administration quickly demonstrated renewed U.S. interest in Asian multilateralism as part of its rebalance strategy. Significantly, the United States joined the EAS and the ADMM+ in 2010. The concern now is whether the next administration might be less committed to building the Asian security architecture. Second, China has, since the early 2000s, been involved with ASEAN and has been an active participant in the ARF, the EAS, the APT, and the ADMM+. Yet the Chinese "charm offensive" of the 2000s has been replaced by rising assertiveness, especially in the South China Sea. Third, India and Japan are members of various regional cooperation organizations, and they have a direct interest in creation of robust security structures in Asia. India has established a greater presence in Asia through its "Look East" and "Act East" policies. Japan has also been more active bilaterally and multilaterally, with the rise of China in mind. Fourth, the future Asian architecture will depend on the strength of ASEAN. Southeast Asia has been undergoing political transformations and has faced traditional and nontraditional security challenges. The great powers seem content for now to let ASEAN lead Asian security cooperation. The United States and China in particular have not questioned ASEAN's managerial role in the cooperative process and remain sensitive to the views of the Southeast Asian nations. Finally, the institutional design of the Asian security architecture will consist of ASEAN-led arrangements with different memberships and areas of cooperation, ranging from confidence-building measures to finance and trade. Such arrangements will continue to complement bilateral alliances and strategic partnerships. A clear division of labor or hierarchy between the existing structures is unlikely in light of the diversity that exists in contemporary Asia. Still, there is a need for more focus in the discussion as well as implementation of joint initiatives. ASEAN will have to demonstrate the substance of its centrality, which means that the cooperative process will have to be more effective and outcome-driven

Contemporary Asian Security Trends

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Given its size, diversity, and legacy of conflicts between powers, Asia remains home to many unresolved disputes and tensions that pose a threat to regional and global security. On the one hand, it is witnessing the steady rise of China's military capabilities, spreading out to islands natural and artificial in the South China Sea. On the other hand, with its pivot to Asia, the United States appears set to move 60 percent of its armed forces into the Asia-Pacific region. Furthermore, according to the Stockholm International Peace Research Institute, overall military spending in the Asia Pacific rose by 5.4 percent in 2015, and by 64 percent from 2006 to 2015.

This buildup of military forces—as a component of spending—across Asia is indicative of the threats various powers in the region perceive they are facing. This is despite the fact that in a manner entirely dissimilar to the super rivalries in the twentieth century, no Asian power has so far been overtly involved in intercontinental contests or conflicts. Asian military capacities have, on the whole, been largely expanded for both proximate power projections and to respond to immediate regional and local threats. Barring China, which has begun to seek a military footprint commensurate with its economic presence across the Indo-Pacific and Africa, most security issues in Asia are confined to identifiable geographies, albeit spread across nations.

In the process, Asia continues to build on its troubled legacy of regional and transnational conflicts through the forging of security and economic coalitions. However, the exclusion of certain countries from these groups reveals Asia's security dilemmas more clearly than the "alphabet soup" of their memberships. Many Asian institutions rely on a logic of strength through exclusion rather than seeking ways to manage complex trade and security relationships among each group's members.

Understanding Asian Security Trends

Therefore, trade and economic regimes meant to connect and integrate have, through a tendency to exclude, ended up contributing to regional competition and growing tensions. Whether examining the ambitions of the One Belt One Road (OBOR) or the Trans-Pacific Partnership (TPP), economic and development programs are not only shaping the commerce and growth of Asia but also changing its security landscape.

Although high economic growth in some of the countries in recent years has led to increased defense budgets and growing military capabilities, they have not been matched by a parallel strengthening of regional security institutions or frameworks.

Politically, Asia remains weak and disaggregated even as lethal weapons, modern armies, and old conflicts create a fertile ground for accidents and misadventures. Given this landscape, it is worthwhile to review what the major drivers of future Asian insecurity can be.

Increasing maritime dissonance. In the next decade, the waters of the Indo-Pacific may see the presence of over ten aircraft carriers. These will carry the flag of at least three, if not four, different countries, each among the largest economies of the world. Additionally, even as one hears frequent allusion to a rising Asia, there is not equivalent to the Monroe Doctrine in the Indo-Pacific region. The Chinese are at best attempting a poorer version. In a situation where many foreign navies and armies operate at close quarters, near or within their own exclusive economic zones, disputed as they are, the threshold for conflict becomes much lower. Proximate navies and armies tasked with defending territory may also have a lower tolerance for shadowboxing. Is there a forum for these naval powers with significant capabilities to discuss, debate, and frame the rules of the road?

Amid doubts over the commitment and future role of the United States and other Western powers in Asia, the world may see the proliferation of national strategies that can both create deterrence and escalate regional distrust. Are we witnessing the moment when Japan prepares to arm itself, uncertain of the U.S. intentions and commitments? This trend will also result in the creation of new alliances where the collaboration of actors will, through the processes of exclusion previously mentioned, further fuel insecurity and encourage belligerence. Regional security will continue to be inextricably implicated in the persisting ambitions, albeit coupled now with a reduced appetite, of Old World maritime powers that look to depend more on regional actors for security and stability. Thus, offshore balancing and offshore zero-sum games will continue to define Asian security.

The westward push. Although Asia will have the largest economies measured by gross domestic product, the continent will still have some of the lowest per capita incomes. Contributing to regional or continental security will always take a back seat to sovereign goals that appeal to domestic constituencies and define narrow national interests. Security of the commons will be achieved but only as a byproduct of growing self-interest, which may always have been the case. On the positive side, China will invest in security for the purposes of OBOR; however, in doing so, it could become a source of both security and insecurity to others in the region.

Meanwhile, the contours of West Asia are changing—the fall and rise of nation-states and unstable regimes will provide an ideal arena for legacy contests. The Iran-Saudi contest for regional hegemony is already playing out in nations with weak or disrupted political moments. The drawing in of other Asian powers into such conflicts remains a possibility. How will China's westward push into Southwest Asia and Central Asia play into this scenario? Are they likely to be the next protagonists in the battlefields of the Middle East?

This inexorable westward march of Chinese strategic and economic interests, as seen in OBOR, could begin to muddy the waters for the cozy Organization for Security and Co-operation in Europe club and possibly draw NATO into a new confrontation with China. The Chinese seem to have a clear intent. They see OBOR as contributing more than just finance and infrastructure. They see one of the five pillars of the project as harmonizing trade and other public policies of the countries connected on the belt and road. Consequently, Russia is also headed for some interesting decisions. Is it going to be content as a cheerleader for Beijing's tactics when its own neighborhood is in the dragon's shadow?

Not to forget Iran, which with the gradual normalization of global relations, will not only begin its own quest to be more proactive in its own neighborhood but also seek markets and relationships westward into Europe. Its energy resources could well be an alternative to Europe's fear of energy dependence on Russia. Therefore, Russia could increasingly find its interests coming into conflict with both Iran and Turkey as vital transit corridors into Europe.

Nuclear Asia. Asia has five nuclear-armed nations, with another three or four others with the capabilities, or at least, the ambition for nuclear power. The nonproliferation regimes which were fairly successful in the case of European states, struggle with proliferation in Asia. How to manage the nuclear play in the region remains a crucial question.

The Asian protagonists stand amid the ambivalence sown by the current security architecture. China, Japan, India, Iran, Pakistan, and Saudi Arabia are vital to durable and comprehensive political arrangement in Asia. The role of other global and regional powers like the United States, Europe, Russia, and Turkey will become critical to such a grouping's ability to manage Asian security. Old and new middle powers, such as Indonesia and Australia, offer weight as well. The question is how—in a continent divided into regions, subregions, and exclusionary coalitions—will these actors be able to sit at the same table?