

MANAGING THE NEW GLOBAL COMMONS

Council of Councils Sixth
Regional Conference

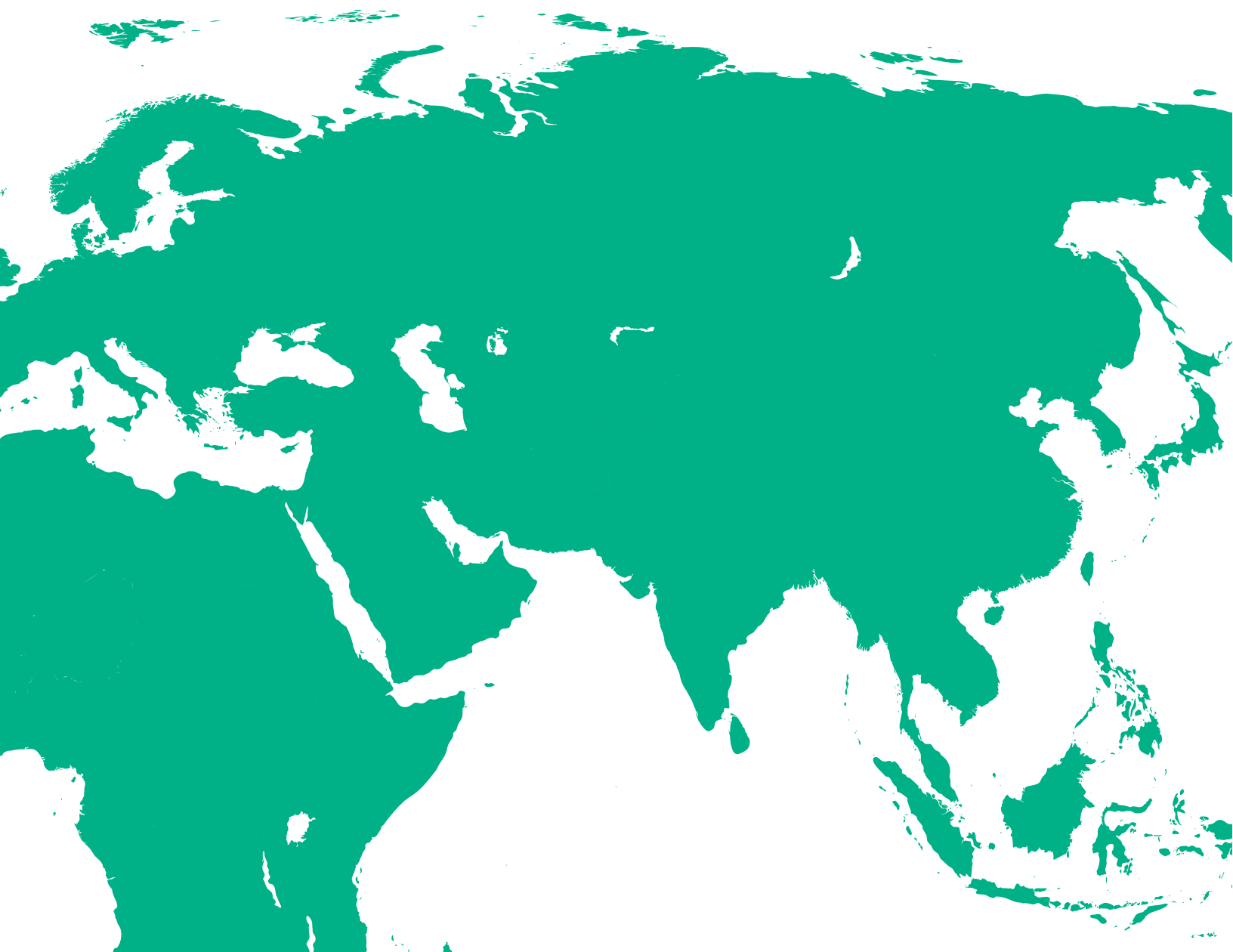
September 28–30, 2014
Ottawa, Canada

COUNCIL OF COUNCILS

An Initiative of the Council on Foreign Relations



SUMMARY REPORT



MANAGING THE NEW GLOBAL COMMONS

Council of Councils Sixth Regional Conference

September 28–30, 2014
Ottawa, Canada

SUMMARY REPORT

Hosted by

Centre for International Governance Innovation (CIGI) and
Council on Foreign Relations (CFR)



COUNCIL *on*
FOREIGN
RELATIONS

Copyright © 2014 by the Council on Foreign Relations and the Centre for International Governance Innovation.

The opinions expressed in this publication are those of the author and do not necessarily reflect the views of the Council on Foreign Relations or the Centre for International Governance Innovation and its board of directors.



This work is licensed under a Creative Commons Attribution—Noncommercial—No Derivatives License. To view this license, visit www.creativecommons.org/licenses/by-nc-nd/3.0/. For reuse or distribution, please include this copyright notice.

COUNCIL *on*
**FOREIGN
RELATIONS**



TABLE OF CONTENTS

Council of Council's Sixth Regional Conference Ottawa, Canada	1
Summitry and Diplomacy in the Arctic	1
Governing the Global Financial System	2
Breaking the Global Climate Change Deadlock	4
Conflict Management in a World Adrift	5
The Future of Internet Governance	7
Troubled Trade Agreements	8
Conclusion	9
Council of Councils Members	10
Council of Councils Mission Statement	11
CFR Mission Statement	11
About CIGI	11
About the Rapporteur	12

MANAGING THE NEW GLOBAL COMMONS

Council of Councils Sixth Regional Conference

COUNCIL OF COUNCIL'S SIXTH REGIONAL CONFERENCE OTTAWA, CANADA

Rapporteur:

John Ibbitson

In glorious autumnal weather, representatives of foreign policy institutes from around the globe gathered in Ottawa from September 28 to 30, 2014, for the sixth annual gathering of the Council of Councils. Sponsored by the Council on Foreign Relations, this year's conference was hosted by the Centre for International Governance Innovation (CIGI) based in Waterloo, Ontario. Over two days and through six sessions, delegates analyzed and discussed some of the most pressing issues confronting policymakers today: managing the Arctic, preventing the global financial system from spiraling into another crisis of confidence, breaking the deadlock on climate change, containing global conflicts, governing the Internet, and promoting trade.

With voices from nations large and small, from developed and developing nations, from liberal democracies, emerging democracies and nondemocratic nations, consensus was as rare as one would expect. The papers and subsequent discussions did, however, reveal the complexity of the issues at hand and the sometimes stark choices facing policymakers. Pessimists, it must be said, often held stronger cards in the discussions than optimists, reflecting these tense post-Cold War times. The delegates at the Ottawa Council of Councils offered clear, if sometimes conflicting, paths forward for any decision-makers around the world willing to mitigate the effects of global warming, to further protect the global financial system from calamity, to calm regions in turmoil, and to advance prosperity for all through trade. Those paths are outlined in this report.

SUMMITRY AND DIPLOMACY IN THE ARCTIC

Previous excitement over the Arctic's potential as a new transit passage and a source of petroleum and other natural resources has given way to a more sober assessment of its potential and the challenges facing countries or corporations seeking to exploit that potential. That said, the Arctic remains a region under pressure.

The Arctic climate was described by one discussant as the "victim of a drive-by shooting." Any discussion of the Arctic must, all participants agreed, focus heavily on climate change, which is disproportionately affecting

the region: the polar ice cap is retreating at an alarming rate, black carbon darkens the snow, and some scientists warn that melting permafrost could lead to a catastrophic release of methane, which is far more dangerous for global warming than carbon dioxide. As national governments fail to act to contain global warming, the far north pays a disproportionate price for that inactivity.

Participants noted that not only does industrial activity elsewhere inordinately affect the north, but such activity could also have an enormous impact on the rest of the planet. For example, melting ice in Greenland could influence the flow of the Gulf Stream. This has, to some extent, shifted the discussion of the consequences of climate change in the Arctic away from prevention and toward mitigation and adaptation.

Resource exploitation also disproportionately affects the Arctic. Fish may matter as much as or even more than minerals, oil, or gas, given the formidable challenges of drilling—let alone extracting—the latter. Increased interest in exploiting Arctic fish stocks reflects the challenges of global fish stocks more broadly, which have been exploited to the limits and beyond.

Limiting exploitation of Arctic fish stocks is a major concern. The prospects of regional or international management of future Arctic fisheries filled some participants, they said, "with horror," since it is exactly that sort of management that has led to the global depletion of fish stocks. A moratorium on commercial fishing may be a better strategy, for the sake of Arctic fish stocks and the Arctic as a whole.

And so cross-boundary oversight of the region is essential to its ecological health. Yet, the Arctic Council—the prime decision-making body for the entire region—has no legal authority. Originally a forum for scientific research, the Council has fostered an atmosphere of collegiality and consensus, which has served it well as geopolitical issues have emerged. Increased scientific collaboration may in fact continue to help political decision-making. But, as with everything else, geopolitical pressures elsewhere are magnified in the Arctic.

One emerging question in 2014 concerns the intentions of Russia. As Western nations face off against the former superpower in Ukraine, how will those tensions manifest themselves in the far north? Russia is not the only great power with a stake in the game. China's voracious appetite for resources has it looking north. What are its ambitions in the region, and can they be met or contained?



If Russia were to withdraw from the Arctic Council as a result of tensions in eastern Europe, or to be expelled, the result could be calamitous. Not only might the Council dissolve, but nations might also align themselves with competing states. Would China and Russia form a bloc, exercising influence over Arctic affairs? Would Europe and North America respond in a similar fashion? Would the Arctic become the front line in a new Cold War? With these questions in the balance, the upcoming meeting of the Arctic Council in April 2015 will help clarify whether geopolitical tensions will affect Russian participation in Arctic affairs.

Meanwhile, non-Arctic states are also eager to exploit the economic possibilities in the region, even as their economic policies are contributing to climate change, both in the Arctic and worldwide. If their voices are excluded from the Arctic Council, it could delegitimize the Council itself. But enlargement may impair the effectiveness of the Council. One solution might be collaborative scientific research between Arctic and non-Arctic nations on issues such as transboundary pollutants and methane release.

All of these pressures have transformed Arctic issues from what one discussant called a “boutique” issue to one of prime geopolitical importance, especially after satellite photographs revealed the extent of the ice sheet’s retreat, and after a Russian team mischievously planted their national flag on the seabed at the North Pole.

That said, concerns over governance might be overstated. One discussant pointed out that the Arctic Ocean is 14 million square kilometers (km), of which only 2.8 million km is outside the national jurisdiction of Arctic states’ Exclusive Economic Zones. A significant body of international law already influences governance of the region, especially the United Nations Convention on the Law of the Sea (UNCLOS). One observation made in the forum on Arctic issues, which eventually permeated discussions through both days, was that many of the major issues are, in the end, economic. In that sense, solutions to challenges in the Arctic might lie, for example, in trade treaties, which would protect the Arctic from rapacious overdevelopment, especially of future fisheries.

Since this Council of Councils meeting was held in Ottawa, attention turned to Canada’s role in the Arctic. The Arctic accounts for 40 percent of Canada’s territory, but only about 130,000 people live there. The present conservative government has identified the region as a major policy priority, and although there has been little funding for a deep seaport, patrol vessels, or icebreakers, other infrastructure investments have been made. Strategically,

Canada is ill-equipped to counter any challenges to its sovereignty over Arctic lands or its claims regarding the continental shelf. As for disputes over the national boundaries of the continental shelf, countries that have ratified the convention can submit claims to territorial sovereignty to UNCLOS, which will in turn offer a nonbinding set of findings.

However, the United States has not ratified UNCLOS and will never accede to Canada’s claims of control over the Northwest Passage. The more pressing concern for both nations is to find a way to exercise joint control over that passage, to prevent a potential environmental catastrophe resulting from an oil spill on either Canadian or U.S. coastlines. That said, one participant observed that, even with the effects of global warming, a commercially viable exploitation of the passage may be decades away and, in any case, the Russian Northern Sea Route is a more attractive alternative to the Suez Canal than the Northwest Passage is an alternative to the Panama Canal.

Although much of the Arctic’s development will occur within national borders, there is much that can be done through international cooperation, such as information exchange, codes of conduct for commercial development, arms-limitation agreements, and technology exchange to accelerate prevention, mitigation of, and adaptation to global warming. It was also noted that this discussion, vital as it is, fails to take into account similar challenges facing an even more fragile region—the Antarctic.

Whether it is resource extraction, climate change, geopolitical jostling, or any other issue, the actions of non-Arctic nations, not simply Arctic ones, enormously influence the climate and economy of the far north. Cooperation is vital, for failure will only intensify the challenges facing this fragile region.

GOVERNING THE GLOBAL FINANCIAL SYSTEM

The global finance crisis of 2008 elevated the Group of Twenty (G20) from a decades-old talking shop of finance ministers into the world’s most important economic forum. Within this capacity, heads of government from twenty nations successfully coordinated efforts to prevent recession from mutating into depression. That success elevated the G20 into the pantheon of post-Bretton Woods institutions, which also includes the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO).

MANAGING THE NEW GLOBAL COMMONS

Council of Councils Sixth Regional Conference

However, momentum has flagged in recent years, with resolution replaced by windy communiques. In part, this is natural given the waning of the recession and the (albeit sluggish) return to growth. Disturbing undercurrents continue to threaten to drag down the global economy, and either the G20 or some other forum must rise to the challenge or the world might again confront calamity.

Although participants generally agreed on the need for structural solutions to underlying problems, consensus on what those solutions might be remained elusive. Consider the question of sovereign debt. One participant insisted that market-based forces were generally managing the challenges of sovereign debt quite well. Where crises did emerge, such as in Greece, the problem was more the nature of the monetary system itself—the inability, in that case, of the European Union (EU) to impose fiscal discipline on its members. Although the IMF may want to review and improve its analytics, creating unwieldy new debt restructuring mechanisms may end up doing more harm than good.

A contrasting approach focused on the exceedingly high level of sovereign debt that exists today collectively, on tensions between developed and developing countries, and on China's role as a creditor nation. Preventing another global financial crisis that stems from a default caused by arbitrary court judgments, free riders, or insufficient systemic analysis may require a credible and internationally recognized arbitration process for settling sovereign-creditor disputes.

Part of the problem centers on the nature of debt. Some developed countries are carrying worryingly high levels of it. But developing countries, too, have loaded up on debt, and a common thread is the increasing inability to make repayments. China, as a creditor to both developed and developing nations, finds credit put at risk by judicial and governmental decisions in jurisdictions outside its control.

African countries are particularly worrisome. Countries that have had their debts forgiven are once again taking on debt. But in this instance, the credit base is more heterogeneous, moving beyond Western and international organizations to include China and capital markets. This means that a future sovereign debt crisis by an African nation will look more like that of an advanced country, limiting the opportunity for a statutory approach to restructuring by international organization creditors. One alternative in confronting sovereign debt, somewhere between the laissez-faire attitude of relying on markets and the dirigiste approach of a debt-settlement mechanism, might involve a voluntary forum where governments and

creditors engage in discussions on how best to restructure problematic sovereign debt. Countries implementing IMF-directed economic restructuring might also be allowed to delay debt repayments while that restructuring is under way.

Participants discussed the possibility of expanding the G20 to include foreign ministers, so that it would be properly redefined as a political as well as an economic forum. One suggestion put forward was that the G20 concentrate on narrowing its agenda—a few achievements would instill more confidence than a mess of ungraded and unrealized priorities. But in the end, reforms to the global financial regulatory system usually have to wait for a period of crisis, when the window for such reforms opens. The irony, of course, is that reform may have prevented the crisis in the first place.

Discussion also centered on the question of shadow banking: the shifting of corporate and banking activities to jurisdictions with little or no financial oversight. Shadow banking is the shift of banking activities to nonbank financial institutions and intermediaries that increasingly play the function of banks. But in the area of shadow banking and elsewhere, certain problems that require regulatory reform could intrude into national legal systems, requiring that they be adjusted. This is one source of tension concerning the Financial Stability Board (FSB), which was created in the wake of the 2008 crisis to enact regulatory reform of the global financial system. We simply do not know whether macroprudential regulation is sufficiently robust, whether “too big to fail” has been replaced by “too coordinated to fail” or “too many to fail.” It may take another crisis to see whether the regime established to replace the former, failed regime is sufficiently robust.

On monetary policy, international cooperation traditionally takes the form of conversations among central bankers. Informal discussions forge common intellectual frameworks that are widely adopted. Experience suggests that this works and that additional formal measures are not required. But complexities that have emerged in the wake of the last crisis are straining central bankers' ability to reach consensus, because national interests increasingly conflict with international concerns and because central banks in developing countries feel they are too often frozen out of the conversation.

Further, even when consensus is reached, central banks and national governments may conflict, with the latter ultimately holding sway over the former. That said, there may be no solution to international cooperation on



monetary policy other than to rely on the existing system of central bank consultation, and to exercise patience.

If there was general consensus that it will take another financial crisis to test whether the mechanisms created in the wake of the last one are sufficient, then the big question is whether another crisis is imminent. One participant observed that the biggest challenge to the global financial system may be the displacement caused as China shifts from an export-based economy to one based on domestic consumption. In any event, existing measures, both preplanned and ad hoc, are all that is available and all can be expected for the immediate future. The ultimate solution might not involve the G20, Group of Seven (G7), or Group of Two (China and the United States), but a GX, created and defined as circumstances dictate.

This session concluded with a discussion on the issue of financial sanctions, both their impact on the nation being sanctioned and on the larger global economy. The long-established view has been that they take a long time to work, work best on a small country, and may not work regardless.

But recent sanctions against Russia, which appear to be negatively affecting its economy, seem to suggest these actions can be effective against a large country with complex relations with the global community. The greatest implication of sanctions may be the threat of more to come. It also appears that the United States can successfully move unilaterally, or at least in advance of others, in imposing sanctions that are effective, although international cooperation is preferable.

In conclusion, there were shared concerns about financial regulatory fragmentation. Internationally harmonized regulations are essential if another financial crisis is to be prevented. But nations have not assigned responsibilities for managing the international financial system to any one institution, and the IMF lacks a sufficient mandate. This does not mean that no mandate exists at all. The IMF does intervene in crises, even if it lacks full statutory authority for those interventions. There is now also the FSB, which is more sector based and, in addition, there are standard-setting bodies in the private sector. Rather than seeking central oversight, future reforms could involve recalibrating the interactions of the private sector, international institutions, the G20, the IMF, and the FSB.

BREAKING THE GLOBAL CLIMATE CHANGE DEADLOCK

The fight against global warming confronts a paradox: to succeed, the fight must be a coordinated global effort, but it is the unilateral responsibility of each nation to reduce emissions within its borders. Two decades of effort at squaring that circle have been met with limited success.

UN Secretary-General Ban Ki-Moon has warned of an imminent environmental catastrophe, and has placed particular emphasis on reaching a binding international agreement to lower emissions when nations gather for the International Climate Change Conference in Paris (COP21) in December 2015. But participants in this session were unanimous in warning that the Paris talks, and talks in Lima that precede them, are more likely to fail than to succeed.

Previous efforts at cooperation, particularly the Kyoto Protocol, simply failed. Now the more modest goal is to replace cooperation with coordination. Currently, each nation sets its own targets and path for meeting those targets, but there are no international sanctions if these targets are not met.

The European Union, once a leader in the fight against climate change, is increasingly a laggard, as concerns over economic stagnation replace environmental concerns and Germany pursues its goal of weaning itself off of its reliance on nuclear energy. Leadership today comes from the United States, or at least the Obama administration, which is taking administrative measures to improve the climate. But congressional approval for more far-reaching measures is unlikely in the current political environment. COP21 in Paris, then, is unlikely to produce a new Kyoto-style agreement. Nonetheless, international talks remain vital, as the actions of one nation can affect the well-being of all.

Another compelling reason to continue international consultations involves not only efforts to prevent further climate change, but to mitigate and adapt to the effects of change.

Even if Paris cannot produce a binding agreement, it may succeed in offering a road map for reduction. That road map must include recognition of the differing capacities of developed and developing nations, and incorporate financial contributions by wealthier nations to the Green Climate Fund to help less wealthy nations adapt to the impact of changes in the climate.

MANAGING THE NEW GLOBAL COMMONS

Council of Councils Sixth Regional Conference

However, nations will only act on climate change if those actions are perceived to be in the national interest. Thus, to convince nations that measures to mitigate climate change are in the national self-interest, global warming must be seen as an economic issue as well as an environmental one. This means using market mechanisms and incentives to encourage low-carbon economies, including pricing carbon and creating a market for it. It means, as well, factoring climate change issues into multilateral agreements, including trade agreements.

And it may mean imposing command-and-control measures. For example, rather than offering business subsidies, which encourages businesses to game the system, a preferable alternative is simply to set standards, as California did with its fuel emission standards, and then look to the private sector to retool to meet those standards.

A further impediment to agreement and action is the general understanding that, although global warming is a crisis created by developed nations as a consequence of industrialization, the solution must be shared by all, including developing nations that have only recently started to seriously industrialize. This is particularly true of India.

One perspective shared by many Indians is that China and the West, having completed industrialization, now want to prevent India from pursuing its own path to industrialization, using climate change as an excuse. The Indian government at national and subnational levels is committed to lifting millions out of poverty, and so with twelve million new workers entering the workforce each year, and with a pressing need to extend the energy grid into rural areas, industrialization powered by coal-fired energy is the highest policy priority. The result is that concerns over climate change take a backseat.

How high do global leaders place the issue of climate change on their priorities? As one discussant pointed out, countries around the world moved with great speed and determination to protect and reform the global financial system during the last financial crisis, whereas the same urgency has been lacking on climate matters.

Two ways to raise revenues to prevent, mitigate, and adapt to global warming are implementing or raising carbon taxes in developed countries and directing pension fund investments into green technologies. But higher taxes are unpopular and green technology transfers often require the surrender of intellectual and other property, which both nations and corporations resist.

One path forward might involve Sino-American cooperation. China, along with Brazil, is already investing in measures to protect the environment as it industrializes. If China and the United States, the world's two largest economies, were to agree on joint measures to reduce their carbon footprint, not only would that agreement potentially lower emissions, but it would encourage other nations that trade with those two countries to adopt similar strategies.

Nonetheless, the session ended with a general agreement that high expectations for success next year in Paris should be tempered, and that the potential for "a train wreck" is high.

Paris involves "the wrong people around the wrong table focusing on the wrong issues," one participant concluded. In climate change discussions, economic ministers must be at the table; environment ministers have insufficient capacity and lack authority over many of the critical sectors that affect the trajectory of climate change.

CONFLICT MANAGEMENT IN A WORLD ADRIFT

"To put it mildly, the world is a mess," former U.S. Secretary of State Madeleine Albright recently concluded.

Since the end of the Cold War, never has there been so much turmoil around the globe: civil war in Syria and dysfunction in Iraq have metastasized into the Islamic State in Iraq and Syria (ISIS), which Western nations are belatedly and reluctantly beginning to confront. Revanchist Russian ambitions have sown turmoil in Ukraine and fear in the Baltic states. A disastrous outbreak of Ebola in West Africa has cost thousands of lives and Western citizens increasingly fear (although unreasonably) that it could spread to Europe and North America. Add to these the less-reported, although no less vicious, conflicts in places like the Democratic Republic of the Congo, uncertainty over the global economy, and Chinese sabre-rattling over its maritime boundaries, and you have what New York Times columnist Roger Cohen called "the great unraveling."

Participants heard two very different overall assessments, one that considered what these developments mean for global security, and another that tried to bridge the gap. If consensus was to be found, it was in the belief that all of the global tensions described can be managed, but that management will require considerable political will and skill.



The first assessment of global security maintained that an optimistic narrative is still available, for those who choose to grasp it. There has been no war between the great powers since 1945, an unprecedented seven decades of peace without parallel in the modern era. Open interstate conflicts remain extremely rare and, in the past decade, terrorist attacks have largely been confined to conflict zones such as Afghanistan.

Although the institutions created in the wake of World War II—the United Nations, the IMF, the World Bank, and the WTO—face challenges, there have been no revolutionary challenges to the status quo. Only a small minority, such as militant Islamist fundamentalists, reject the existing world order, and although they can harass that order, it is unlikely they could ever bring it down.

Globalized trade contributes powerfully to geopolitical stability. China, for all its ambitions and discontents, operates within the international framework, as do India and Russia. New democracies have emerged in Asia and Latin America, some of which have taken their place within the matrix of developed, democratic nations. The world has gone from bipolar (the Cold War) to unipolar (after the Cold War) to multipolar (today). But the international order has absorbed such shifts in the past, and should be able to do so again.

There is, however, a different way of seeing things. As ISIS rises, the Middle East is more unstable than at any time in modern history, the Israeli-Palestinian conflict remains intractable, Iran continues its pursuit of nuclear weapons, and Russia reasserts influence in the region, even as the United States futilely seeks to disengage.

Ageopolitically resurgent Russia and ascending China have left the Security Council paralyzed in the midst of growing global unrest. The lofty principle of the Responsibility to Protect, which is intended to give international legal sanction for interventions in states whose governments are unwilling or unable to protect their populations—a policy formulated by Canada in 2001 and ratified by the UN General Assembly in 2009—has given way to ad hocery, as the West intervenes in one hot spot (such as Libya) but largely ignores others (Congo and Syria). Even more menacingly, a steep increase in the power of nonstate actors, such as ISIS, undermines the nation-state status quo. Religious fundamentalism threatens to return parts of the globe to a theocratic dark age. Given these growing threats, the need for fundamental reform at the United Nations and for major structural changes to other international institutions is as urgent as it is unlikely to occur, given the current state of national and international

leadership. Another area of growing concern is the increasingly naked competition between China, which is asserting its dominant power in the Pacific, and the United States, which seeks to preserve its own influence. And the raw wound of Ukraine threatens to become a new war between Russia and the West that we can only hope remains cold.

All of this suggests a weakening U.S. hegemon, a dysfunctional system for conflict resolution, a growing threat that internal conflicts will explode into interstate wars, and, in general, what one participant described as “confusing multilateralism.”

There are, however, encouraging signs, even for those who are inclined toward a more pessimistic view of global affairs. One is the rise of regional organizations, such as the African Union, which are assuming growing responsibility for conflicts in their backyard, despite the fact that intervention is often still required, especially by former colonial powers in former colonies. Given the shortcomings of the United Nations, future regional conflicts will most likely be confronted by ad hoc coalitions of what one participant described as the “somewhat willing.”

If that is the upside of old certainties evolving into something more multilateral, we also need to recognize that this evolution renders some former tools ineffective. Peacekeeping, though at an all-time high, has not completely removed the threat of certain weak nation-states of becoming failed states, which in turn could become hosts to nonstate actors, such as Boko Haram in Nigeria. In addition, the grand ambitions of nation-building appear to have been fatally discredited in the wake of Iraq and Afghanistan. Yet the greatest threats to the global order remain strategic. Nightmare scenarios all involve rogue states equipped with nuclear weapons or seeking them.

One suggestion was that the “D10”—a cluster of some of the major Western democratic nations—should act more aggressively and cooperatively in asserting their interests. Conversely, national leaders and diplomats need to make a greater effort to see the world through the eyes of others—specifically Russia, which fears encirclement by an expanding and aggressive NATO.

MANAGING THE NEW GLOBAL COMMONS

Council of Councils Sixth Regional Conference

THE FUTURE OF INTERNET GOVERNANCE

How the Internet is run, once a preserve of the technical community, has become an essential element in international relations, as the questions surrounding Internet governance increasingly have political and economic implications.

As various state and nonstate actors assert their interest in the Internet's future, questions of surveillance, privacy, and digital human rights emerge and contrast. Net neutrality is difficult to define and harder to guarantee. Major leaks within state surveillance agencies discredit national security establishments and, in the eyes of some, the hackers whose revelations place that national security at risk.

States gather digital intelligence to protect their citizens from internal and external threats, such as fraudsters and sexual predators. But states also use the Internet for surveillance purposes. Revelations, including those contained within the WikiLeaks disclosures, have led to demands for greater transparency in the governance of the Internet and discussions of citizens' online rights. But the rights of privacy versus the need for state security raise questions in both democratic and nondemocratic states.

Everyone generally agrees that the United States should not have bugged German Chancellor Angela Merkel's mobile phone. But that raises the issue of whether it would have been perfectly legitimate to bug Osama bin Laden's phone. What possible protocol can determine where the line should be drawn between these two scenarios? And between the governmental responsibility to uphold both privacy and security. On the other hand, private companies gather and share information, allegedly with the consent of their customers, although who reads the fine print?

One participant called for an international forum of all stakeholders, including law enforcement agencies and intelligence services, to discuss the conflicting needs and rights of citizens and states in protecting privacy while maintaining a peaceful order.

Net neutrality is also a growing concern. In essence, it means that Internet service providers must treat all digital content equally, without discriminating based on the nature of that content. But courts and governments are beginning to interfere with the principle of net neutrality, in an effort to even the playing field between content providers (pro-neutrality) and service deliverers (who object to having to upgrade their infrastructure to deliver information that profits others but not them).

The laissez-faire approach to Internet regulation favored by the United States is met with increasing resistance from governments and other actors who want to impose greater control for reasons, they say, of social equity and stability (although the claim, in some cases, is suspect).

Another vexing question surrounds the issue of Internet fragmentation. The Internet's founders envisioned a system in which open standards and development practices ensured an environment that was universally accessible and technically interoperable. But some state and corporate interests increasingly favor stronger control, which could lead to the fragmentation or balkanization of the Internet in which content is blocked and data is localized.

A further source of contention surrounds the International Telecommunications Union (ITU), which regulates telephone protocols, radio spectrum, and satellite orbits, among other things. A growing number of voices argue that certain functions of the Internet Corporation for Assigned Names and Numbers (ICANN) and other U.S.-dominated bodies should be handed over to the ITU.

These battles have been ongoing for a decade now, with some states arguing for a higher degree of control by acting cooperatively and collectively, while the laissez-faire oriented democracies struggle to retain control. One participant urged democratic leaders to get in the game before they find the pitch tilted against them. The U.S. government has expressed a tentative willingness to have the oversight role of the Internet Assigned Numbers Authority (IANA) and the ICANN replaced. But care must be taken: ICANN already embraces a multistakeholder model, including advisors from other governments, nonstate actors, corporate, and nonprofit sectors. Replacing it with a body that will continue to preserve freedom, interoperability, and openness, while still permitting law enforcement and national security services to do their job, will not be easy. Whatever strategy is decided upon, it faces the formidable task of clearing U.S. Congress.

Of particular concern is the impact that the debate over Internet governance has on the weakest states and regions, especially in Africa. After all, one-third of the world is online, but two-thirds still are not. What does that mean for global social equality?

The World Wide Web was created and sustained by the United States and other developed democracies. That dominance is being challenged by powerful emerging nations, none of which are fully developed as either economies or democracies. As the contest plays out, African nations will have little say in the debate, but will be hugely



affected by the outcome. Even as the digital world offers enormous potential for African communities to leapfrog in their development (for instance, banking by phone), changes to the architecture and regulation of the Internet could affect and possibly retard that development. In any case, with content provided by and delivered in major nations, cultures, and languages, Africa remains on the outside looking in—hugely dependent on the outcome, but often peripheral to the discussion.

Internet governance issues are primarily economic issues, most participants agreed, although with national security elements as well. After all, private corporations largely control and provide Internet content. But while the private sector favors the most open possible architecture for the Internet, and some governments seek to control it, populations struggle to reconcile the contradictions, both as users and consumers.

The Global Commission on Internet Governance, established by CIGI and Chatham House, is not attempting to reach consensus or common understanding among stakeholders. Instead, it intends to put forward one particular model of what Internet governance might look like. Participants observed that failure to find a compromise or consensus on Internet governance could contribute to hard feelings and ill will between developed and developing nations.

The Internet, in sum, is a puzzlement. An open Internet drives global economic growth, so surely the task must be to ensure that excessive government intervention does not impair that growth. But the Westphalian system of nation-states endures, and no sovereign state will surrender its right to control what goes on within its borders.

One concluding observation from a participant: in a world of endless meetings, nothing generates more conferences and less action than the question of Internet governance.

TROUBLED TRADE AGREEMENTS

The failure of the Doha Round of global trade talks spawned a rash of new, regional trade negotiations that compete with, and some believe, threaten to undermine the WTO. But regional megadeals, as they are called, might well flounder, potentially setting back trade liberalization even more. This session had the greatest degree of consensus among panelists and participants. The group accepted that megadeals might be possible, and even necessary, but that they are hardly ideal and that a global solution remains far preferable.

The Doha Round was launched in 2001, with aims of improving the rules surrounding international trade generally, reducing protections for agriculture, and bringing developing countries within the ambit of liberalized trade. It failed. In the wake of its failure, the United States began negotiating bilateral and regional multilateral agreements, which have coalesced into the Trans-Pacific Partnership (TPP) with eleven other Pacific nations and the Transatlantic Trade and Investment Partnership (TTIP) with the European Union. Neither is going anywhere fast.

The TPP has essentially become a bilateral discussion between the United States and Japan since Japan entered the negotiations in 2013. Following Japan's accession to the talks, deadlines have come and gone. Unless the two countries can soon break a stalemate on the question of agriculture subsidies, a new U.S. Congress and administration might have to take up the task after the 2016 elections. Most telling, Congress has not been asked for (because it would likely refuse) trade promotion authority (commonly called fast track) for the TPP talks. There is no fast track for the EU talks either, which could go on for many years, notwithstanding the template of a similar agreement between Canada and the European Union.

One problem of these two megadeals is that they might fail. But from one perspective, a bigger problem is that they might succeed. If the TPP and the TTIP were both concluded and conjoined, they would create a trade bloc of forty nations representing 60 percent of global gross domestic product (GDP), leaving 40 percent of the world's economy, including Africa and many other developing economies, excluded.

Further, these talks do not encompass many of the major emerging economies, including China, India, and Brazil. Separate regional talks in Asia are also under way, in particular the Regional Comprehensive Economic Partnership, which includes China, India, and Japan. In the face of a global trade bloc that excludes them, China, India, and Brazil could create a trade bloc of their own, with looser rules that would be attractive to some developing economies, creating a world of competing trade zones.

Although it is entirely possible that the creation of free trade megazones might ultimately be reconciled, reinvigorating the global trading regime, it is also possible that they could fatally undermine that regime. And once again, all of these negotiations exclude African nations, who treat open trade cautiously as they develop industries that are not yet ready to face open global competition.

MANAGING THE NEW GLOBAL COMMONS

Council of Councils Sixth Regional Conference

Many African nations, such as South Africa, already have preferential trade agreements with the United States and other major developed nations and do not need to be part of regional negotiations, which in any case might end up limiting African access.

Several practical recommendations emerged from the discussions surrounding the conference papers. One was that regional players negotiating megadeals should use the WTO dispute-resolution mechanism, rather than creating separate adjudicatory bodies. Another was that megadeals should be open, transparent, and inviting, making it easier for other nations to join after the original agreements have been reached. A third was that the world should not give up on the WTO, but seek to reinvigorate the negotiation process. A global multilateral agreement remains the platinum standard; it is the preferred path both for corporations and for many major emerging economies, such as China.

Global value chains make it possible for developing countries to integrate more closely into the global market. Although this makes trade agreements more difficult, because there are so many different players, it also increases the value and importance of agreements. Some developing nations, such as Mexico, have gone so far as to unilaterally lower tariffs in order to improve global competitiveness.

CONCLUSION

It is tempting, in light of the difficulties and issues raised during the presentations, to conclude that we live (in the worst possible sense of the phrase) in interesting times. The post-Cold War consensus has broken down and Western democracies confront ugly new actors, which they seem ill-equipped to handle; unpreventable global warming endangers the Arctic economy and ecology; a volatile financial system continues to pose a potential threat to prosperity and security; civilizations clash and cold wars lurch toward hot; trade agreements prove illusive and perhaps unwise; and no one knows how to best run the Internet.

Yet pessimism should not be mistaken for realism. As the deliberations at this Council of Councils meeting demonstrate, there is no shortage of pragmatic proposals for grappling with the pressing challenges facing the world. Rather, it is political will and resources that tend to be in shorter supply. If it is the curse of a democratic government that it cannot respond to a problem until it erupts into crisis, history demonstrates that leaders are able to confront and contain crises once they arise. “Just

in time” applies to governance as much as to production chains.

In any event, anyone wanting a clear summation of the challenges and choices facing decision makers could do worse than examine the options presented above. All that is required is the will to act.



COUNCIL OF COUNCILS MEMBERS

AUSTRALIA

Lowy Institute for International Policy

BELGIUM

Centre for European Studies (CEPS)

BRAZIL

Getulio Vargas Foundation (FGV)

CANADA

Centre for International Governance Innovation (CIGI)

CHINA

Shanghai Institutes for International Studies (SIIS)

EGYPT

Al-Ahram Center for Political and Strategic Studies

FRANCE

French Institute of International Relations (IFRI)

GERMANY

German Institute for International Relations (SWP)

INDIA

Observer Research Foundation (ORF)

INDONESIA

Center for Strategic and International Studies (CSIS)

ISRAEL

Institute for National Security Studies

ITALY

Institute of International Affairs (IAI)

JAPAN

Genron NPO

MEXICO

Mexican Council on Foreign Relations (COMEXI)

NIGERIA

Nigerian Institute of International Affairs (NIIA)

POLAND

Polish Institute of International Affairs (PISM)

RUSSIA

Institute of Contemporary Development (INSOR)

SINGAPORE

S. Rajaratnam School of International Studies (RSIS)

SOUTH AFRICA

South African Institute of International Affairs (SAIIA)

SOUTH KOREA

East Asia Institute (EAI)

TURKEY

Global Relations Forum (GRF)

UNITED KINGDOM

Chatham House (Royal Institute of International Affairs)
International Institute for Strategic Studies (IISS)

UNITED STATES

Council on Foreign Relations (CFR)

MANAGING THE NEW GLOBAL COMMONS

Council of Councils Sixth Regional Conference

COUNCIL OF COUNCILS MISSION STATEMENT

The defining foreign policy challenges of the twenty-first century are global in nature. To help direct high-level international attention and effective policy responses to these threats and opportunities, the Council on Foreign Relations (CFR) has created a Council of Councils (CoC). The CoC is composed of twenty-four major policy institutes from some of the world's most influential countries. It is designed to facilitate candid, not-for-attribution dialogue and consensus building among influential opinion leaders from both established and emerging nations, with the ultimate purpose of injecting the conclusions of its deliberations into high-level foreign policy circles within members' countries.

CFR MISSION STATEMENT

The Council on Foreign Relations (CFR) is an independent, nonpartisan membership organization, think tank, and publisher dedicated to being a resource for its members, government officials, business executives, journalists, educators and students, civic and religious leaders, and other interested citizens in order to help them better understand the world and the foreign policy choices facing the United States and other countries.

ABOUT CIGI

The Centre for International Governance Innovation (CIGI) is an independent, non-partisan think tank focused on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events and publications, CIGI's interdisciplinary work includes collaboration with policy, business and academic communities around the world.

CIGI's research programs focus on: global economy; global security and politics; and international law. Founded in 2001, CIGI collaborates with several research affiliates and gratefully acknowledges the support from a number of funding partners, in particular the Government of Canada and the Government of Ontario



ABOUT THE RAPPORTEUR

John Ibbitson is a CIGI senior fellow, effective January 2014. During his one-year appointment, he will be on leave from his position as chief political writer for *The Globe and Mail*.

At CIGI, John researches, writes and speaks publicly on issues related to Canada's foreign policy and the country's role in current global affairs, including the global economy and global security.

During his leave from *The Globe*, he is also working on the definitive biography of Canadian Prime Minister Stephen Harper, *Stephen Harper: A Biography* (McClelland & Stewart). The book, to be released just before the next federal election in 2015, is a groundbreaking and thorough work by Canada's pre-eminent political writer and will encompass the life, both personally and politically, of Canada's twenty-second prime minister.

John graduated from the University of Toronto in 1979 with a B.A. (honours) in English, and from the University of Western Ontario in 1988 with an M.A. in journalism. In a career spanning more than 25 years, John has worked as a reporter and columnist for the *Ottawa Citizen*, *Southam News*, *the National Post* and, since 1999, *The Globe and Mail*. He has served as the paper's Queen's Park columnist, Washington bureau chief and Ottawa bureau chief, becoming chief political writer in 2012.

