Konrad Adenauer Stiftung

Clingendael
Netherlands Institute of International Relations

RETHINKING INTERNATIONAL INSTITUTIONS

Diplomacy and Impact on Emerging World Order

Editors
Wilhelm Hofmeister
Jan Melissen

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Cover design: Veronica Teo

National Library Board, Singapore Cataloguing-in-Publication Data

Name(s): Hofmeister, Wilhelm, editor. | Melissen, Jan, editor. | Konrad-Adenauer-Stiftung, publisher. | Nederlands Instituut voor Internationale Betrekkingen "Clingendael", publisher.
Title: Rethinking international institutions : diplomacy and impact on emerging world order / editors, Wilhelm Hofmeister, Jan Melissen.
Description: Singapore : Konrad Adenauer Stiftung ; The Hague, the Netherlands : Clingendael, [2016]

Identifier(s): OCN 952530749 | ISBN 978-981-11-0191-5 (paperback)

Subject(s): LCSH: International agencies. | International cooperation. | International relations. | International economic relations.
Classification: DDC 341.2--dc23

Printed in Singapore.

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Preface

The dynamics of international relations, including the participation of new transnational actors in international affairs, alternative forms of communication, and the search for new forms and fora of transnational politics have a deep impact on diplomacy as an instrument of foreign policy and an institution of international politics. Diplomacy and diplomatic actors are facing new challenges and they need to adapt to the new structures in order to remain relevant. While the state retains its predominance, governments need to adopt a more network-oriented approach for diplomacy to reach its goals in foreign policy and international governance. While modes of diplomacy are evolving to better incorporate new forms of technology, there is an underlying challenge for diplomatic practice to find a balance between familiar and new elements to communicate and exercise foreign relations. This shift away from traditional perceptions of the role of politics has prompted a rethinking of the purpose, scope and design of international institutions; re-examining of diplomacy and imagining of the contours of a world order in flux.

Diplomacy across the world is evolving to adapt to new information technology and fast-moving innovation as well as differing manifestations of power and influence. The advent of digital diplomacy and the rise of social media are reshaping the international landscape and they force foreign policy practitioners to accommodate new priorities and democratize the diplomatic process. Diplomacy as it has developed in the past decades still dominates, but "digital diplomacy" is more than just a new means of reaching the same objectives.

International organizations have become major arenas for diplomacy and decision-making. They play a key role in global governance and provide platforms for cooperative problem-solving and addressing international problems. However, interdependence, once considered as an impediment to conflict, has turned into a currency of power: states are trying to exploit the various asymmetries in their international relations. As multilateralism is gaining ground, states have been forced to align with competing great powers and major regional powers are busy strengthening themselves at the expense of the periphery.

Against the backdrop of these developments in international relations, this book analyses what these changes portend for international institutions, diplomacy and the new world order. It is based on papers presented during

the "Asia-Europe Think Tank Dialogue" convened by the Konrad-Adenauer-Stiftung Singapore, in close cooperation with the Netherlands Institute of International Relations "Clingendael", the EU-Centre Singapore and the Institute for Strategic and Development Studies (ISDS) Manila. The conference was held at the Clingendael Institute in The Hague in September 2015.

The authors of the chapters in this volume come from Asia and Europe, and we hope that this book will provide insights into some of the challenges for diplomacy by rethinking the purpose, scope and design of international institutions; re-examining the forms and practices of diplomacy; and imagining the shifting contours of world order.

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Chapter One

The Rise of Summit Diplomacy

Emmanuel Mourlon-Druol

INTRODUCTION

Multiple examples of occasional, ad hoc meetings between heads of state or government can be found in the past, well before the twentieth century. This diplomatic exercise however most famously developed over the interwar period with British Prime Minister Neville Chamberlain's visits to Hitler in 1938, then in the 1940s with the various conferences planning for the postwar period, and finally with the Cold War summits. David Reynolds identifies three reasons that explain the emergence of such summits: air travel, weapons of mass destruction and mass media (Reynolds 2009). Air travel made modern summitry possible by facilitating transportation across the globe; weapons of mass destruction made it necessary to avoid confrontation; and mass media made summitry enter into households, and gave ever more political importance to the meetings. Also central to the practice of summits is the belief that man-to-man meetings would contribute to foster trust and resolve disputes (Bonhomme and Mourlon-Druol 2016).

The expression of "summit diplomacy" is fairly recent. Winston Churchill coined the term in 1950 (Reynolds 2009) and the metaphor was further developed in the 1970s when the G7 summits emerged: the closest advisor to a head of government participating in a summit of the world's most industrialised countries was called a "sherpa". The 1970s witnessed the emergence of a new diplomatic practice, that of *regular* summit meetings between heads of state and government. In 1974 and 1975 respectively, two such summits were created: the European Council, gathering the heads of state and government of the European Economic Community's (EEC) member states three times a year; and the G7, gathering the world's seven most industrialised countries once a year (Putnam and Bayne 1987, Mourlon-Druol 2010, Mourlon-Druol and Romero, 2014). The 1990s and 2000s witnessed further developments

in this practice of regular summits, with the emergence of the G20, first at ministerial level in 1999 and then at heads of government's level in 2008.

This paper briefly explores the broad patterns of summit meetings between heads of state and government at the international level. It first looks at the role and place of the G20 in today's international governance. It then goes on to uncover the longer-term trends of summit diplomacy since the creation of the G7 in the 1970s. It finally draws some reflections about what the G7 and G20 summits, in spite of their limitations, have brought to global governance.

THE G20 IN GLOBAL GOVERNANCE

The creation of the G20 at leaders' level is the result of an adaptation to a changing international context: the 2008 financial crisis, the continued rise of the BRICS, and an ever-greater global economic interdependence. When the economic and financial crisis became most acute in 2008, the G20 finance ministers' meeting that had been in place since 1999 was promoted to heads of government's level (Pisani-Ferry 2009, Bayne and Woolcock 2013, Kirton 2013, Knight 2014). The perception was that the G8—created in 1975 and then enlarged to Canada in 1976 and Russia in 1998—was ill-adapted to the world's circumstances of 2015. G8 members were no longer the only key players at the global stage, as China, India and Brazil, to name but a few, had now emerged: international economic coordination should take into account a greater number of countries.

But the G20 still co-exists with a G7 that is not willing to "give up" its existence, as the June 2015 summit in Munich has shown. The G7—Russia's participation was suspended in 2014 after the annexation of Crimea—embodies a longer-term practice and acquaintance among the most industrialised countries (Mourlon-Druol 2012, Mourlon-Druol and Romero 2014, Putnam and Bayne 1987). The G7 also has a wider scope, as it has included discussion on political and security issues since the early 1980s. While the G20 describes itself as "the premier forum for its members' international economic cooperation and decision-making", the G7 announces a much wider political agenda, as "participants discuss issues that are of global importance, including global economic issues and foreign, security and development policy. They also address those issues that require political action and that generate widespread

interest."[1] In spite of the G20's emergence, the G7 still represents a form of cooperation among a smaller group of countries that its participants value.

More generally, the G20 is embedded in a wide range of international institutions, in particular, as far as international financial governance is concerned: the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS)/the Bank for International Settlements (BIS) and the International Monetary Fund (IMF). The G20 gets more media coverage than the other above-mentioned bodies, but it is not the only element in the international financial architecture. In fact, the actual standard setting of international finance is carried out in other institutions than the G20. For instance, the Basel Concordat of 1975 and the series of Basel Accords (Basel I in 1988, Basel II in 2004 and Basel III from 2019) were agreed upon by the members of the BCBS.

A DEEP-ROOTED PATTERN OF INTERNATIONAL GOVERNANCE

Today's international financial cooperation is composed of self-selected intergovernmental bodies (the G7 and the G20, both at finance ministers' and heads of government's levels), treaty-based international institutions (IMF, BIS) and specialised institutions (BCBS, FSB). This overall institutional setting is not new. The BIS dates from the interwar period: it was established in 1930 (by Belgium, France, Germany, Italy, Japan, the United Kingdom, the United States and Switzerland) to facilitate the Versailles Treaty reparations imposed on Germany. The Bretton Woods conference of 1944 created the IMF (initially, the Conference recommended the liquidation of the BIS, but it was eventually not dissolved). The current international financial architecture thus reflects a long-term pattern of international economic/financial cooperation.

The economic and financial crises of the 1970s spurred the emergence of a new framework of international economic and financial governance, with the creation of the G7 and the BCBS. From the 1960s, the Group of Ten (G10), composed of the countries that agreed to participate in the IMF's General Agreements to Borrow (GAB), started meeting to "consult and cooperate on economic, monetary and financial matters" at finance ministers and central

[1] See, respectively, https://g20.org/about-g20/, and https://www.g7germany.de/Webs/G7/EN/G7-Gipfel_en/FAQs_en/faq_node.html#faq1297024, accessed 5 July 2015.

bankers' level.[2] The collapse of the Bretton Woods system and the discussions over the reform of the international monetary system led to the creation of a first grouping of finance ministers from 1973 known as the "Library Group", since they initially met in the White House's library. Finance ministers from France, West Germany, the United Kingdom, the United States, and soon Japan, composed this "Group of Five". Finance ministers of the G5 discussed global economic issues. The oil shock, the continued discussions over the working of the international monetary (non-) system and the 1973-1975 recession, and a more general sense that international economic governance needed some form of "management from the top" led to the creation of the G7 (Mourlon-Druol 2012). Although a meeting at heads of government's level, the G7 bears an intellectual link with the Library Group's previous experience, since two of the participants, Valéry Giscard d'Estaing and Helmut Schmidt, participated in both (respectively as finance ministers and then president/chancellor) and actively supported the creation of the new grouping.

The international banking crisis of the mid-1970s similarly functioned as a trigger for the development of greater international coordination in banking supervision matters (Goodhart 2011, Schenk 2014, Mourlon-Druol 2015b). With respect to financial reform, the BCBS, based at the BIS, took centre stage. The development of the unregulated Eurodollar market and a number of banking failures revealed lapses in international coordination. The failure of the West German bank Herstatt and the Lloyds Lugano scandal, for instance, shed light on the mismatch between national and international regulatory and supervisory regimes. Bankhaus Herstatt failed in 1974 due to over-trading on the foreign-currency markets. The German supervisory office, the Bundesaufsichtsamts für das Kreditwesen (BAKred), decided to close the bank on 26 June 1974. But the closure happened at the end of the working day in Frankfurt, which was in the morning of a working day in New York, thereby leaving a number of operations unfinished. This gave birth to the so-called Herstatt risk, that is, the risk taken by making operations across different time-zones. But most importantly it revealed a lack of international coordination between national supervisory and regulatory agencies. This was also revealed by the Lloyds Lugano scandal that took place a few months later. The rogue trading scandal that occurred at a branch of Lloyds Bank

[2] Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States. Quotation from https://www.bis.org/list/g10publications/index.htm, accessed 10 July 2015.

in Lugano raised the question of the supervision of overseas branches of UK banks by the Bank of England. The scandal revealed lacunae in the domestic system, but more widely prompted reflections about the international financial architecture. The Basel Committee's emergence was meant to contribute to a greater sharing of information on risk in order to prevent a repeat of the 1974 failures.

The late 1990s witnessed a second step with the creation of the G20 and of the Financial Stability Forum (FSF). Emerging market economies (EMEs) and the Asian financial crisis of 1997-9 constituted the triggers this time. G7 members realised the increasing importance of EMEs and the need to enlarge the group; while the Asian financial crisis highlighted further lapses in international financial cooperation and the need to enhance the architecture of regulation and supervision. The emergence of the G20 at heads of government's level and of the FSB represent, *mutatis mutandis*, the continuation of this three-fold pattern of international financial cooperation composed of self-selected intergovernmental bodies, treaty-based institutions and specialised institutions. This time, the 2008 financial and economic crises triggered the emergence of the G20 at the leaders' level, and the transformation of the FSF into the FSB.

WHAT DID THE G7 SUMMITS BRING TO INTERNATIONAL GOVERNANCE AND REFORM?

G7 summits offered a regular international forum where heads of state and government could discuss international economic relations and try to coordinate their views and responses. Today's international political system witnesses a profusion of such forums; yesterday, this was not the case. Up to the 1970s, two sorts of events offered heads of government the opportunity to meet: ad hoc summits/international conferences (e.g., World War II summits, Cold War summits, Bretton Woods summit) and state funerals (Reynolds 2009). The mere existence of a regular international forum for heads of government's cooperation may superficially appear as little progress, but it should instead be viewed, from a long-term perspective, as a fundamental improvement. A similar pattern towards the greater and more regular involvement of heads of government in the policy process is also observable in the European Union, with the creation of the European Council in December 1974 (Mourlon-Druol 2010).

G7 summits did not bring much in terms of global financial regulation in the 1970s and later, as the BCBS and the FSF/FSB were more central to the policy process. The G7 emerged at a time when the global economy was severely hit by a variety of shocks: the oil shock (1973), the economic recession (1973-1975), and the international banking crisis (1974). Each of these issues called for a higher degree of international coordination. The latter was not really in the remit of heads of government, but instead of central banks or other national regulatory/supervisory authorities. As a consequence, the BCBS took centre stage from the mid-1970s.

The G7 summits reached punctual agreements in terms of international economic and monetary relations, but these were rarely respected in the longer term. Robert Putnam and Nicholas Bayne have graded the achievements of G7 summits over the period 1975-2002, and only two summits (Rambouillet 1975 and Bonn 1978) have received an "A" grade (Putnam and Bayne 1987).[3] The Rambouillet summit paved the way for international monetary reform, although much of the work had been carried out in other forums. The Bonn summit of 1978 was considered one of the most successful G7 meetings, but the agreement on the fiscal stimulus from West Germany and Japan was short-lived. Looking into the repartition of Putnam and Bayne's grades, "B"s represent the largest bulk of summits (13 meetings receive that grade, namely, 46.4% of them), then come the "C"s (8 meetings, 28.6%), "D"s (4 meetings, 14.3%) and only one "E". In terms of concrete results, the G7 until 2002 therefore looks "average"—neither particularly good, nor particularly bad—and reflects the basic difficulty for the G7 to reach a consensus among all its members on a very wide agenda.

WHAT RESULTS HAS THE G20 ACHIEVED SINCE 2008?

The G20 has certainly represented a useful effort at international coordination at 20 countries, even if its concrete results have been too limited. The G20 is often credited for having avoided another Great Depression after the 2007/2008 crisis. In particular, it would have had an important role in launching a fiscal expansion programme, and in developing initiatives for international financial reform. Concerning the former, the London G20's

[3] The grades are reproduced on the G8 Information Centre's website, http://www.g8.utoronto.ca/evaluations/factsheet/factsheet1.html, accessed 10 July 2015.

summit statement of April 2009 reads: "We are undertaking an unprecedented and concerted fiscal expansion, which will save or create millions of jobs which would otherwise have been destroyed, and that will, by the end of next year, amount to $5 trillion, raise output by 4 per cent, and accelerate the transition to a green economy. We are committed to deliver the scale of sustained fiscal effort necessary to restore growth."[4] G20 leaders issued a separate declaration concerning the latter issue of international financial reform.[5]

On the whole, the G20 however did not bring as many rewards as one might have initially hoped. Nicolas Véron explains that if the G20 did meet "most (though not all) commitments (…) to a substantial degree (…) the effectiveness of these reforms in making global finance more stable is so far not proven" (Véron 2014). Eric Helleiner argued that in terms of global financial governance, "the crisis of 2008 has been—at least so far—more of a status quo event than a transformative one" (Helleiner 2014, 2; see also Angeloni and Pisani-Ferry 2011). As indeed was and is often the case with the G7, many results attributed to the G20 were/are in fact the consequence of agreements reached elsewhere. Concerning the fiscal expansion programme often attributed to the G20, Eric Helleiner reminds that many measures that permitted this stimulus to happen had in fact originated in other institutions, and that the G20's centrality in the whole process is therefore open to question (Helleiner 2014, 25-53). The easing of monetary policy began in late 2007, and contributed much to the improvement of the economic situation; the increase in IMF funding met with only limited demand; the US Federal Reserve's system of bilateral swaps proved critical in helping a number of countries and effectively transformed the United States into the world's lender of last resort; major countries (most importantly China and the United States) were already committed, and would have certainly anyway committed to a large domestic fiscal stimulus programme. In sum, many of the results credited to the G20 were either already under way, or not directly attributable to the G20.

In terms of global financial architecture, other institutions are more central than the G20 itself. Building on the FSF, the G20 established the FSB at its London summit in April 2009. But, as Eric Helleiner argues, "the FSB's ability to enforce the implementation of international financial standards

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[4] London Summit, Leaders' Statement, 2 April 2009, https://www.imf.org/external/np/sec/pr/2009/pdf/g20_040209.pdf, accessed 10 July 2015.

[5] See "Declaration on strengthening the financial system", London summit, 2 April 2009, http://www.g20.utoronto.ca/2009/2009ifi.html, accessed 10 July 2015.

remained extremely limited, just as was that of its predecessor, the FSF" (Helleiner 2014, 163). The G20 refused to move away from the "soft-law" standard for financial regulation, since many countries still considered their regulatory policies as a jealously guarded prerogative.

THE LIMITS OF THE INTERGOVERNMENTAL FRAMEWORK OF GLOBAL INSTITUTIONAL ARCHITECTURE

Changes to the international financial architecture are crises-driven: evolutions happen ex-post rather than ex-ante (Mourlon-Druol and Schenk, 2016). The reform of the international monetary system encouraged finance ministers to meet in the Library Group; the 1973 oil shock and the 1974 international banking crisis spurred the creation of the G7 and BCBS; the East Asian financial crisis pushed for the creation of the G20 at finance ministers' level, and of the FSF; the 2008 financial crisis led to the creation of a G20 at heads of government's level, and to the creation of the FSB.

However modest and limited their actual results can be, regular meetings of leaders remain useful in that they contribute to avoiding a breakdown of international cooperation similar to what happened in the interwar period. The crux of the interwar crisis was the simultaneous collapse of the international economic and political systems (Boyce 2009). Amidst the crises of the 1970s, many leaders perceived this risk and drew an explicit parallel between the two contexts, although the reasons leading to the two situations were of course different (Romero 2014). The G7 (and the G20 later) crucially offered a new regular space where heads of governments could exchange their views about the coordination of international financial affairs (Mourlon-Druol 2015a).

In spite of many international regulatory efforts, there is still a degree of mismatch between the conduct of financial activities and the level at which those activities are regulated. This was best highlighted during the international banking crisis of 1974 that led to the emergence of the BCBS: national regulators and supervisors had not sufficiently exchanged the information they had about a number of banks that were in difficulty (Schenk 2014). As a consequence, they found themselves unable to avert banking failures and scandals. Today, the FSB lacks the proper ability to enforce international standards; discussions about the development of a global financial safety net did not make significant progress (Rhee, Sumulong and Vallée 2013). Finally, international financial crisis management still relies heavily on ad hoc US

leadership. The US Fed's bilateral swap programme reflects this role. Being a purely intergovernmental body, the G20 did not manage to emerge as a regular leader able to overcome national disagreements.

CONCLUSIONS

Since 2009, the G20 has added a new layer of international economic/financial coordination to an already complex international architecture. This architecture has undergone many transformations since its tentative beginnings in the interwar period but has proved relatively stable since the mid-1970s. It is organised around three pillars: self-selected intergovernmental bodies, treaty-based institutions and specialised institutions. International agreements have always been subject to much debate about their real determination, but the initial ambitions when the G20 was created in 2009 were very high. The actual results of the G20 do not seem to have matched these expectations. In spite of these disappointing results, four elements emerge: changes in the international financial architecture are crisis-driven; the G20 constitutes a useful international forum for heads of government; the mismatch between the conduct of financial activities and where these financial activities are regulated/supervised remains; and international financial crisis management is still reliant on ad hoc US leadership, instead of a proper multilateral framework. Viewed in a longer-term perspective, it remains however clear that the practice of regular summit meetings at heads of government's level—whether the G7 or the G20—remains a crucial tool of international governance, and contributes to avoiding a breakdown of international cooperation similar to what happened in the interwar period.

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Chapter Two

Diplomacy and Digital Disruption[1]

Brian Hocking and Jan Melissen

There is a debate to be had about the way in which "digitization" impacts on the practice of diplomacy—that is the institutions and processes by which states and other international actors communicate and represent themselves and their interests to one another. In the context of such a discussion it is important to take a broad view of what the digital age means. E-government, e-participation, the emergence of big data, the cyber security agenda and whole-of-government digital transformation are all part of a changing landscape of diplomacy. Each of them helps us to understand and interpret to what extent digitization is impacting on increasingly interwoven domestic and international policy environments. This can be viewed in terms of "digital disruption" which may bring with it positive as well as negative implications.

WIDER DIMENSIONS

What are some of the related issues in the context of one of this book's underlying themes? There would be merit in more exchange of ideas between East Asian and European scholars in the emerging debate on diplomacy in the digital age since there is logic in comparing experiences in different geopolitical and cultural settings, and across political systems. The use of social media in diplomacy could serve as one of various entry points here. In East Asia and Europe, we can observe that governments and their foreign ministries, international organizations and civil society actors use social media platforms in a variety of diplomatic settings—ranging from Westphalian-style geopolitical rivalry to post-modern crowd-sourcing. Political leaders are of course most visible. Indian Prime Minister Narendra Modi has become a global social media celebrity, with well over 20 million followers. Chinese President Xi

[1] The argument in this paper is largely based on Brian Hocking and Jan Melissen, *Diplomacy in the Digital Age*, Clingendael Report, July 2015: www.clingendael.nl/publication/diplomacy-digital-age-0.

experienced how the top-10 CEOs of US technology companies responded to his invitation for a brief photo opportunity during his official visit to the United States in September 2015. At lower levels of government there is no lack of examples of the trend towards digitization of diplomacy, some of them suggesting that it is empowering individuals and others that it is strengthening administrative effectiveness. The South Korean and Indian governments, for instance, make good use of their countries' renowned programming and digital design capacities. As in the case of other countries, their 2.0 websites and apps help to strengthen their performance and, in doing so, their own legitimacy vis-à-vis increasingly demanding citizens. Conversely, and as illustrated by inter-state relationships in particularly Northeast Asia, more digital activity in diplomacy and people-to-people contacts can also put international pressure on relationships. Many people in Japan, Korea and China will associate the use of social media in international politics with popular hate speech and officially sanctioned narratives that are trying to undercut the power of regional rivals.

There is a range of questions related to "digital diplomacy" that is begging for a systematic comparison of digital innovation in East Asian and European diplomacy. To what extent do cultural habits impinge on the utilization of social media by individual diplomats, as opposed to top-down use of social media platforms by foreign ministries? Are cultural habits influencing the way in which national diplomatic actors conceive of the digital space and its potential, regardless of their technological capabilities? Do we see parallel developments in East Asia and the West when it comes to collaboration between programmers and diplomats speeding up work processes and re-designing existing modes of diplomatic practice? Does the growing use of social media in people-to-people relations across East Asia have an impact on the way governments have traditionally conceptualized their cultural diplomacy within the region? Will transnational digital culture and glacial change in traditional Westphalian-style diplomatic relations have the potential to contribute to alternative perceptions of regional identity? These and other questions suggest that there is a largely untapped agenda for comparative research on diplomacy's digital dimension in East Asia and Europe.

Discussing the impact of digitization on diplomacy is one of various avenues to stimulate the broader debate on innovation in diplomacy in Asia and Europe. In East Asia, current changes in the foreign policy orientation of the region's major powers and the evolving relationships between them

seem to offer more leeway for discussions on diplomacy, in spite of their unresolved geopolitical issues. It is interesting to observe how in recent years East Asian political leaders have placed greater emphasis on the need for diplomacy to help deliver stability, prosperity and a common identity. As far as one can speak of a diplomatic reorientation, it is ranging from Xi Jinping's more outspoken "big power diplomacy" for China to Prime Minister Abe Shinzo's foreign policy messages on value-based diplomacy, and South Korean President Park Geun-hye's articulation of the importance of trust in East Asian international relations. In 2015 we could also witness a pretty spectacular departure from recent deadlock with a notable investment by East Asian leaders in relations at the summit, of course paralleled by frenetic diplomatic activity at lower levels of diplomatic relations, culminating in the trilateral Seoul summit between the Chinese, Japanese and South Korean leaders, and the historic bilateral meeting in Singapore between Xi Jinping and Taiwanese President Ma Ying-jeou.

In the broader perspective of inter-regional relationships, it is interesting to note an intensification of interest in dialogues with Asian powers by the European Union. EU institutions are demonstrating a growing consciousness of the need for more engagement with their strategic partners in Asia, as is clearly expressed in the Partnership Instrument of the European External Action Service (EEAS). With this policy instrument the EU appears to have decided to make a renewed and largely public diplomacy-centered investment in its relationships with EU strategic partner countries, including China, India, Japan and South Korea. Additionally, and notwithstanding the importance of dealing with turbulence on various sides of Europe's periphery, it is already clear that the Global Strategy by EU High Representative of the Union for Foreign Affairs and Security Policy, Federica Mogherini, will underline the importance of relations with the world's fastest rising region.

BEYOND SIMPLISTIC DEBATES ON "DIGITAL DIPLOMACY"

Continuing our discussion on diplomacy in the digital age, there is an explosion of commentary on the implications of the digital age for diplomacy, with the views of "cyber-utopians" competing with those of "cyber-realists". Whereas technological enthusiasts seem to see nothing but merit in using digital tools for diplomacy, persistent skeptics stress that there is nothing new under the sun. We argue that our understanding of digital diplomacy

is unlikely to benefit from siding with either enthusiasts or luddites. Earlier waves of technological change serve as reminders that technology is not as much a driver of change in international politics as has sometimes been suggested. In this connection one can for example think about debates surrounding the so-called "CNN-effect" in the 1990s or, more recently, the so-called Arab Spring. Simplistic answers to complex issues which argue that international dialogue has become "revolutionized" by technological change have served as *histoire immediate*, but deserve a closer look.

Current discussions on diplomacy in the digital age are often characterized by their focus on the impact of social media. But focusing merely on digital media does not do justice to the complexity of the subject, even though a "new" media perspective on change in diplomacy has a lot to offer. First, it is apparent how social media are used for publicity purposes by political leaders, who are now ranked in terms of their number of followers on Twitter. More fundamentally, social media can be utilized strategically, namely in support of specific policies and, in a broader sense, key foreign ministry functions like negotiation, information gathering and the provision of consular assistance to nationals abroad.

In recent years there have been many examples of how social media surfaced in the international debate. The downing of Malaysian Airlines flight MH17 over Ukraine led to unfriendly online exchanges on Facebook between Dutch and Russian cabinet ministers and politicians. Another crisis with Malaysian Airlines, this time MH370, caused online outrage about the Malaysian government's handling of the crisis that soon extended to state-to-state relations between the governments of China and Malaysia; the Ebola crisis led to acrimonious exchanges on social networking sites between the World Health Organization and Médecins sans Frontières (MSF) International. Additionally, immediately after the Nepal earthquake governments used Twitter to get in touch with their citizens, adding evidence to the finding that digital tools and social media can be of great help during humanitarian crises. In sharp contrast, following the 2015 Paris attacks on civilians, Islamic State triumphantly communicated its responsibility for the bombings to the world via social media—and as part of a highly sophisticated online strategy.

More and more we see unhelpful diplomatic use of social media among states that are circumventing prevalent norms of diplomatic behavior. Whilst President Xi and President Ma met for their historic handshake at the 2015

summit, Chinese trolls "invaded" Taiwanese Facebook accounts to leave a digital trail of highly positive accounts of China. Other examples of undesirable diplomatic use of social media abound, particularly by countries with tight centralized control of their external communications. Russia is widely blamed by NATO and the EU for its "digital warfare" against the West. Another unconventional manifestation of this country's digital diplomacy is that the government in Moscow employs social media to communicate the official view of Russia to its "Compatriots Living Abroad". These and multiple other examples of the use of social media for diplomatic purposes from all corners of the world seem to underline US Secretary of State John Kerry's point: "Digital diplomacy is diplomacy: period". The digital dimension is simply becoming part of most if not all diplomatic activity.

DIGITAL DIPLOMACY IN PERSPECTIVE

Broadly speaking, digitization will have a growing impact on diplomacy, both in terms of the forms in which it is conducted and its structures at all levels. In one sense, "digital diplomacy" can be understood as a shorthand term embracing broader changes in diplomacy that pre-date digitization. It is therefore prudent to disentangle the relationship between on the one hand more general patterns of change in diplomacy and digitization and on the other hand the impact of digitization on the diplomatic process and the national machinery of diplomacy.

In another sense, new ways of doing diplomacy with a technological dimension have everything to do with the fundamental change that comes with digitization. Information technologies have the potential to speed up work processes, and may enhance diplomatic performance in diverse fields of activity like international negotiation, assistance to citizens abroad, development aid, or public diplomacy. Crucially, in diplomacy as in other fields of professional activity, IT can help with the design of innovative practices. Future diplomats are likely to be more than just technologically savvy and will become active users rather than consumers of all things digital. Existing platforms like Facebook will continue to provide tools to post pictures, befriend stakeholders, spread messages and play with interchanging roles. But in a more profound sense, new generations of diplomats will show a greater inclination to go digital in the preceding technical phase, thus forming seamless

teams with programmers conceiving tools and becoming users of increasingly available digital resources.

Diplomats and foreign ministries coming to terms with the digital age can hardly be blamed for still applying analogue habits and norms to a digital world. But interpreting the digital age and digital diplomacy matters, because digitization is here to stay. There are two ways in which ministries of foreign affairs (MFAs) should *not* respond to the challenges of the digital age: "following the herd" in proclaiming the adoption of digital diplomacy without clearly defining their objectives, or largely treating digital resources as another form of top-down communication. For governments, in whatever geographical setting, reconciling the implications of digitization with the functional performance of diplomacy is no small challenge, but is essential to achieving global and national needs. Foreign ministries should therefore first work out what they mean by "digital diplomacy" and keep in mind the dual perspective of diplomats as users of existing technologies and as what a British educational campaign called "digital makers". The bottom line is that the term *digital diplomacy* requires a greater degree of precision than is commonly given in government circles. This echoes vague references to "soft power" by politicians and diplomats which often fail to give much thought to its nature, how such soft power could be projected by single actors or co-created in the context of international relationships, let alone how it could be measured.

Reactions to developments in communications technologies and interpretations of their implications for diplomacy generally move through several phases: from a mix of skepticism and hype to gradual acceptance and mainstreaming within organizations. It can be observed that, broadly speaking, most foreign ministries are just entering the digital age and find themselves in the first phase. Diplomats will find the modalities of digitization in constant flux and they therefore need to "retool" on a continuous basis. Much of what is now regarded as revolutionary will soon be seen as commonplace or outdated. Early 21st-century experiences with public diplomacy give some reasons for optimism. New communications-related developments within foreign ministries have gradually become mainstreamed in many MFAs. But it is important to qualify this comparison. Mainstreaming may take many years—based on the comparison with public diplomacy, easily up to half a generation—and it is quite certain that foreign ministries' digital transformation strategies will have to deal with the breakneck speed of digital change that is currently affecting many fields of human activity.

A few lessons can be learned from historical experience. The introduction of the electric telegraph illustrates how technologies impact differentially on diplomatic institutions. The telegraph provided a stimulus to centralization in foreign policy making, which is not evident in the case of digitization. In the digital age, it appears the result of the spread of digital technology will be that diplomatic missions are becoming a more salient part of a decentralized internal MFA network. The periphery is in other words gaining in importance at the expense of headquarters. At the same time, external MFA partners are increasingly important for policy success in a more and more hybrid international environment with emerging non-governmental actors and new types of transnational policy milieus. Traditional diplomatic culture and hierarchical organizational structures clash with the imperatives of speed and "horizontalization". This is the case in the diplomatic environment of Europe, but East Asia with its preference for more traditional state-to-state relations is unlikely to show immunity to such trends and developments.

THE FUTURE DIPLOMATIC LANDSCAPE

The gap between governments that do not invest in understanding the impact of digitization on diplomacy and those that do will widen with the speed and velocity that are characteristic of the digital age. We can see three possible outcomes regarding the impact of digital technologies that echo responses to globalization from the 1980s onwards. It is important to state upfront, though, that no single one is likely to dominate future diplomatic landscapes:

1. Digital technologies may herald the *withering away* of diplomacy. The traditional forms and processes of diplomacy will become meshed into broader patterns of global interaction.

2. Such technologies may reinforce the existing "*disintermediation*" trend, whereby diplomats (and other agents) acting between the individual and policy arenas are challenged. The fragmenting information environment empowers non-diplomats.

3. Digitization may result in *de-institutionalized* diplomacy: diplomatic *practice* becomes a *mode of behavior* rather than a set of institutional structures and processes. In a networked diplomacy environment, performing a diplomatic role is more related to knowledge, capacity and capabilities and less to formal status.

NORMS AND RULES

The argument that governments and other diplomatic actors will need to develop online and offline foreign policies is mistaken. It replicates the errors of earlier dichotomies—like the juxtaposition of the domains of governmental and non-governmental actors. The reality is that diplomats of all types will need to function in both environments. Differing blends of "hybrid" diplomacy are needed. The Iran nuclear negotiations that were concluded with the 2015 Joint Comprehensive Plan of Action, whilst utilizing digital resources in the implementation phase, illustrate the continuing importance of face-to-face negotiations. Experience demonstrates the limits of digital technology in physical negotiating environments, evidenced by negative responses to the use of smartphones to text and tweet during negotiations. At the same time, purpose-designed digital tools combined with large data streams can assist negotiating teams significantly by enhancing their access to real-time information about many aspects of the talks and unearthing in-house knowledge with a bearing on the negotiation process. In this respect IT applications may be particularly useful in complex "serial" negotiations. At the 2015 COP-21 negotiations in Paris, a so-called "Negotiator App" that was offered free online gave a wide range of non-governmental participants and the interested public a glimpse of how technology will help shape the future multilateral negotiation environment.

In some areas of diplomacy the use of digital tools is more visible than in others. Human rights diplomacy, like the history of the UK Prevention of Sexual Violence Initiative under Foreign Secretary William Hague, was bound up with extensive use of digital resources. That may be even more true to the way in which official development aid takes systematic advantage of the data revolution, as illustrated by the UN Global Pulse Initiative. Governments are asked to keep up with broader digitization trends in society and individual diplomats will have to reconcile conflicting demands for online communication and physical presence. In some areas publics will expect both, as with consular assistance: citizens want digital tools, but insist on immediate help *and* a human face. The field of humanitarian crisis management is also increasingly impacted by the potential of connecting new communications technologies with varying types of expertise and data streams. Recent humanitarian crises like the Haiti earthquake of 2010 and other crisis situations have shown that a variety of actors with diplomatic expertise, more specific technical and programming knowledge, and simply relevant information can

usefully converge around complex and urgent problems in ways that enable them to make a joint contribution.

AREAS OF "DISRUPTION"

Clearly, diplomacy is facing what is now commonly called "digital disruption". New technologies affect patterns of human behavior. These will percolate throughout diplomatic institutions, simultaneously generating both acceptance and hostility. Old-school wisdom among diplomats is that digitization does not change the fundamental objectives of diplomacy, but offers new ways through which these can be achieved. Governments need to take a more nuanced look, taking into account the different facets of diplomatic practice. Once again, recent practices in public diplomacy illustrate patterns of change. Digital diplomacy is not synonymous with public diplomacy, but it is obvious that the resources provided by big data and social media networks greatly enhance the strategies available here. Foreign ministries need to be aware of the fact that digitization will put fundamental norms and rules of diplomacy to the test. The experience of public diplomacy over the last decade is one example of traditional diplomatic norms being tested by the actions of diplomats on the ground, who experience that their "duty to interfere" is competing with the principle of non-interference.

There are two contrasting ways of looking at the position of diplomacy in the digital age: gradual change and adaptation within the existing frameworks and principles versus a fundamental break with accepted patterns of behavior, norms and rules. It is hard to predict how "digital disruption"—including the positive and negative impact of digitization on diplomacy—will play out. The picture is complicated by underlying "offline" trends in diplomatic practice, showing a growing "hybridity" of diplomacy.

Understanding digital diplomacy starts with understanding the offline world—even though the importance of understanding the online world is of course equally pertinent. Digital diplomacy is a complex amalgam of developments in the "offline" international policy environment—and a new "online layer" which adds significant dimensions to each of these. For instance, those who do not understand the importance of networking as the basis of diplomatic practice—including the need for expanded actor participation—will not get very far in understanding diplomacy in the digital age. Next, there is the conversion of the two previously mentioned forms into new, "digitally

native" diplomatic practice. Governments should however not be lured by explanations of the digital age that are rooted in technological determinism. Innovations in communications technologies depend above all on environmental factors.

As argued above, digital diplomacy is often equated with public diplomacy but also includes a number of other perspectives:

a. *Changing foreign policy agendas*: with issues of speed, less control over events and agendas; and with work processes and organizational structures adapted to networked diplomacy in the digital age.

b. *Knowledge management*: the problem of managing data—including big data—effectively and using resources to best effect.

c. *Service delivery*: utilizing digital resources in performing consular work and crisis management.

d. *Cyber agendas*: digital diplomacy as a set of negotiating problems and scenarios: for example, Internet freedom, Internet governance and cybersecurity.

The broader context of diplomatic change and adaptation needs to be analyzed at two levels: diplomatic *processes*, geared towards the functions of diplomacy, and diplomatic *structures*, paying special attention to institutions of diplomacy such as foreign ministries. In the diplomatic arena all things "online" blend with the "offline": ICT trends impact on pre-existing, hybrid modes of diplomacy. Digital diplomacy builds on trends predating web 2.0-based forms of communication and the rise of social media. Models of diplomacy coalescing around different policy agendas involve distinct digital communications requirements.

No area of diplomacy is likely to become redundant as a result of digitization. Diplomatic functions will be re-defined to meet changing needs. The obvious example here is that of diplomatic reporting, which has changed fundamentally in the changing information environment of the last two decades. Gathering information may be easier for foreign ministries: processing and analyzing it will be much more complex. Ironically, enhanced information acquired through social media platforms and big data gives added importance to the traditional diplomatic functions and skills associated with information analysis and policy prediction.

RECOMMENDATIONS FOR FOREIGN MINISTRIES

MFAs have no choice but to develop digital strategies if they are to survive. As governments are adapting their structures for international policy management, the jury is still out as to whether digitization enhances or lessens the significance of MFAs. They see themselves challenged in two senses: first, in efficiency terms, namely their ability to perform functions effectively. Second, in legitimacy terms, that is the degree to which their role is acknowledged as valuable and important. Digitization further erodes the claim that the MFA is a gatekeeper with privileged access to crucial bodies of information. Digitization will enhance the need for MFAs to redefine their roles and to develop narratives to explain to their stakeholders and to themselves what they are for.

As small players faced with whole-of-government digital strategies, MFAs need to position themselves in the broader context of the national diplomatic system (NDS)—that is the totality of departments and agencies involved in the shaping and implementation of international policy. This concept of the NDS can be applied across political systems. It is for instance a reality in Germany or the United States as much as in China. The MFA forms a subsystem within the NDS and this subsystem requires two sets of tools that can be enabled by digitization: *detectors* for acquiring and processing information and *effectors* for delivering policy.

Digitization is increasingly important in determining relationships within the integral network of the MFA and its diplomatic missions. The implications will be significant for the relationship between the foreign ministry and diplomatic posts that are taking on more prominent roles. This will increase dramatically as the implications of new technologies are better understood and exploited.

Networking is the basis of contemporary diplomacy. This is one of the critical areas of digitization in the diplomatic field. Consequently, for the MFA it is of central importance to perform as a significant node in information networks and to develop "nodality tools" and capacities.

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Chapter Three

Choir or Cacophony? European Diplomacy towards Asia

Thomas Christiansen and Clemens Rasmusson

INTRODUCTION

The European Union has strong economic and political ties to Asia. With the four largest economies in Asia—China, India, Japan and South Korea—the EU has defined its relations as that of strategic partners, and there are also long-standing and close connections between the EU and ASEAN, widely regarded as the most ambitious efforts towards regional cooperation outside Europe. The EU's first free-trade agreement (FTA) was signed with South Korea, and further agreements have been negotiated with Singapore, Japan, and Vietnam. With China, negotiations are ongoing about a "Comprehensive Investment Partnership". Despite a late start, and in part also motivated by the United States' self-declared "pivot" towards the Pacific, the EU has recognised Asia as a strategic opportunity for the future of both global governance and its own international role.

Due to the sheer size of trade between Europe and its Asian partners, economic considerations tend to dominate the agenda between the two regions, but the EU has also been working with Asian partners in other respects: there has been close military cooperation between the EU and various Asian powers in the operation against piracy on the Horn of Africa; the EU was deeply involved in the resolution of the civil war in Aceh province in Indonesia; and through the broad framework of the Asia-Europe Meeting (ASEM) EU institutions and member states maintain a regular dialogue with Asia on economic as well as political and societal matters.

Europe and Asia are curiously (dis)connected: both are part of the Eurasian landmass, making the actual delineation of where Europe ends and Asia starts difficult. Yet, Europe and Asia are also more distant from one another than other global regions: For Europe, North America and Africa

appear much closer, whereas for East Asia, relations with countries around the Pacific Rim tend to matter more. Then again, it is in part the very distance between the two regions that facilitates cooperation, given that neither regards the other as a potential threat or source of instability.

Such aspirations and the importance of these relations raise the question as to what extent the EU is approaching Asia with a coherent set of policies and diplomatic initiatives. Coherence is a watchword here as there have been frequent criticisms of the EU for a lack of coherence in its management of external relations, and this chapter will look in some detail at particular problems facing the EU in its effort to project a unified image towards Asia—is Europe acting in unison, singing like a choir from the same hymn sheet, or does it appear like a cacophony of different voices cancelling each other out. In this chapter we seek to answer this question by illustrating the challenges in achieving coherences across a number of dimensions.

However, while coherence, or the lack thereof, has been a long-standing challenge in EU foreign policy, European diplomacy towards Asia is also hampered by more recent developments in Europe. Three serious crises in particular have confronted the EU since 2010. First, the Eurozone group of countries that have adopted the euro as a single currency—a subset of nineteen EU member states—has been suffering since 2009 with the calamitous prospect of sovereign debt default of several of its members. Countries such as Ireland, Portugal, Spain and Greece faced particular problems in the aftermath of the global financial crisis of 2008 and required significant financial assistance in order to prevent them from defaulting on their sovereign debt and threatening the viability of the single currency. In a situation in which the EU itself had neither the legal authority nor the financial means to assist, these bail-outs had to be arranged through complex new mechanisms involving other Eurozone members as well as the IMF. While seeking to avert the immediate danger of default, the more long-term response to the crisis also involved new powers for banking supervision through the European Central Bank, greater oversight of national budgets and a new investment plan proposed by the European Commission. The Eurozone crisis exposed the risks inherent in the decision taken in the Maastricht Treaty of unifying monetary policy without corresponding integration of national fiscal policy. The hostile reactions to the nature of the management of the crisis, leading to the protests and electoral success of Eurosceptic parties in both creditor and debtor countries, also demonstrated a lack of transnational solidarity, which many

consider as essential to legitimize significant fiscal transfers and supranational oversight of reforms.

A second challenge for the EU has been the turmoil in Ukraine, which, after first negotiating and then rejecting an association agreement with the EU, faced massive popular protests and eventually the over-throw of a broadly Russia-friendly government in 2014. The subsequent intervention by Russia, leading to the annexation of the Crimea, the fermentation of an insurgency war in Eastern Ukraine and the downing of a civilian airliner originating from Amsterdam, led the EU to adopt a number of economic sanctions against Russia as well as a fundamental rethinking about its relationship with a country that had long been regarded as a strategic partner. EU foreign policy in the course of these events has been criticised as being naïve and ineffective in dealing with the assertiveness and confrontational attitudes of Putin's Russia.

A third crisis to confront the EU was the refugee crisis, when hundreds of thousands of refugees fleeing civil war in Syria and Afghanistan headed through Turkey and the Balkans for the safety of Western Europe. Even though Europe had been the destination of migrants arriving across the Mediterranean for many years, the sudden increase in numbers found the European states unprepared, both logistically and politically. The response has been the re-introduction of national border controls and the temporary suspension of key parts of the European asylum regime, raising serious questions about the future of open borders and free movement inside the Schengen area comprising the majority of EU member states.

The confluence of these crises in the mid-2010s constitutes what some have called a "perfect storm" for the European Union. Coinciding with other issues, such as a British referendum on leaving the EU and a constitutional crisis in Spain about the separatist aspirations of the Catalan regional government, these developments have taken up a lot of the time, energy and political capital of European leaders, and consequently have negatively impacted on the EU's capacity to relate strategically to other parts of the world, such as Asia. Crucially, much of the crisis management needed to address the above problems has required immediate or at least very short-term attention, and has focused the minds of leaders and of electorates on local, domestic and regional rather than global issues.

THE COMPLEX NATURE OF EU DIPLOMACY VIS-À-VIS ASIA

There are a number of tensions in the EU's foreign policy. For a start, there has traditionally been a gulf between "economic" and "political" external relations, broadly matching the split in competences between the European Commission, on the one hand, and the Council—and more recently the External Action Service (EEAS)—on the other. EU policy on issues such as trade, investment, development, disaster relief and humanitarian assistance are led by the European Commission, where the splitting of responsibilities among different Directorate-Generals creates further divisions. More traditional diplomacy, security relations, democracy and human rights promotion are led by the EEAS. The Lisbon Treaty, in creating the post of High Representative for Foreign Policy (HR), and making the post-holder simultaneously a Vice-President of the European Commission, sought to alleviate this institutional bifurcation. However, the different legal bases and long-standing traditions inherent in different kinds of policies continue to make the achievement of coherence a challenge for EU foreign policy.

The EU's region-to-region approach is a key feature of its relations with Asia and has involved, since the mid-1990s, the development of a comprehensive approach in its diplomatic relations with Asia, a policy which also implied support for regional cooperation in Asia itself. The Asia-Europe Meeting (ASEM) has been at the centre of this approach, and has over the past twenty years become an important forum for dialogue and cooperation between the EU and its Asian partners. ASEM allows for dialogue at the highest level with summits of heads of state and government taking place biannually, while also facilitating regular meetings between Asian and European businesses and civil society groups as well as meetings of ministers, experts and officials who engage with a wide range of issues. In addition, the EU also closely cooperates with regional organisations in Asia, most notably with ASEAN (including membership in the ASEAN Regional Forum) and with the South Asian Association for Regional Cooperation. However, the EU has not gained access to the East Asian Summit, another comprehensive forum that also involves the United States, thereby limiting the potential influence that the EU's multilateral diplomacy may have in the region.

In addition to multilateral and inter-regional approaches the EU also engages a number of key states in Asia through strategic partnerships. The EU has identified four strategic partners in Asia: India, China, Japan and South Korea. The strategic partnerships can be seen as a response to a more multi-polar world. While such partnerships have created a structure for bilateral relations with key countries, there have been questions about the global strategy around these individual partnerships—something that may become clearer with the publication of the EU's new Global Strategy in 2016.

Another challenge to the coherence of the EU's approach to Asia is the hybrid nature of EU foreign policy—the fact that the foreign and security policy is a common rather than a single policy. While the EU does speak and act with a single voice—evidenced by declarations issued by the EU's High Representative for Foreign Affairs and Security Policy or formal agreements the EU enters into with third countries—it cannot prevent member states from maintaining their own independent policies which may differ from the common position.

The size of a member state has a potentially significant impact on national diplomacy. Large member states are more likely to pursue their own interests vis-à-vis third parties independent of the EU. In part because they have greater capabilities to do so but also because third parties are more likely to be interested in doing business with them. Smaller member states on the other hand are more likely to support a common European approach.

Furthermore, individual member states have also developed close relationships with a number of Asian states. Germany's "special relationship" with China is arguably the most widely discussed while other EU members have also tried to form close cooperation with China. Similarly, both France and the United Kingdom have attempted to form special relationships with India with varied success. These special relationships may help the EU develop closer relationships with particular countries and strengthen EU foreign relations; however, they may also be a source of disagreement as member states compete with each other for such relationships with third-party states. In the following section we illustrate the challenge of achieving greater coherence in EU diplomacy towards Asia through examples from a number of different policy areas.

CHALLENGES TO A COMMON EUROPEAN POLICY TOWARDS ASIA

Trade

The solar panel dispute with China is arguably the best example of dissonance and disagreements in the EU's trade policy with Asia. In July of 2012 the European Commission initiated an investigation into potential Chinese dumping of solar panels following complaints made by European solar panel manufacturers. The investigation resulted in the imposition of provisional anti-dumping tariffs on EU imports of Chinese solar panels. Unlike most anti-dumping cases where the sums are negligible, China's export of solar panels amounted to €21 billion in 2011. This resulted in China threatening to take counter action against the EU by investigating potential dumping by the EU of, for example, wine. However, for the tariffs to be permanent the Commission needed member-state approval.

The EU was far from united on how to deal with the alleged Chinese dumping of solar panels. On one side was the EU Commission supported by a number of countries, most notably France, Italy and Spain, who wanted to take a strong stance against the Chinese practices. In essence, supporting strong anti-dumping tariffs. On the other side stood seventeen governments, including Germany and the UK, who opposed any significant action against China on the basis that it could seriously harm EU-Chinese trade relations. Instead they wanted to resolve the issue diplomatically. Germany in particular was vocal in its opposition to the tariffs, despite having a significant solar power industry. In a meeting with the new Chinese prime minister, Li Keqiang, in the midst of the conflict, Angela Merkel stated: "Germany will do what it can so that there are no permanent import duties and we'll try to clear things up as quickly as possible". Germany's vocal opposition undermined the EU's negotiating position. As a majority of member states opposed permanent tariffs on solar panels, and others such as France weakened its support for the Commission's position, the Commission reached a settlement with China.

The solar panel case shows that member states can significantly challenge the position of the Commission on trade, despite trade being an exclusive competency of the EU. Member states do from time to time take quite strong positions on trade-related issues and in doing so often challenge the Commission. This is partially a result of the asymmetric impact of trade policy on the member states. In this case Germany arguably would be more adversely affected by a trade war with China than any other EU member state.

Germany is one of only two countries that have a positive trade balance with China; furthermore, Germany accounts for 45% of all EU exports to China. As a result it is not entirely surprising to see vocal opposition from Germany to the proposed punitive measures.

However, it is also important to point out that the division within the EU on anti-dumping tariffs echoes the division between protectionist member states and liberal free traders. Historically, the latter group included, for example, the Scandinavian countries, the United Kingdom and Germany, whereas the most protectionist countries were located in Southern Europe and included France, Spain, Portugal, Italy and Greece. This split broadly matches that over solar panels, highlighting that there is a long-standing ideological split within the EU regarding the degree of liberalism in external trade.

Foreign Direct Investments

Unlike trade policy, which has long been an EU competence, foreign investment became an EU competence only with the 2009 Lisbon Treaty. Prior to the Lisbon Treaty each member state had been individually responsible for investment agreements with parties outside the EU. This had resulted in a complex web of more than 1,200 bilateral investment treaties (BIT) between EU member states and third parties. Although the goal is to replace these with new BITs between the EU and third parties, this process has progressed very slowly. One clear exception, however, is the BIT that is being negotiated between the EU and China since 2012. Some have even argued that the EU-China BIT could potentially serve as a symbol and possibly model for a new generation of BITs.

The BIT will also test EU member states' willingness to delegate the responsibility for regulating investments to the EU level. In the case of outbound investments there are little disagreements within the EU as everyone shares similar goals of opening up external markets for investments and protecting these investments. However, how the EU deals with inbound investments is likely to create much more disagreement. This is largely due to member states having very different approaches to inbound Chinese investment. EU countries are currently competing against each other for foreign investments through laxer FDI screening procedures, national investment promotion as well as different types of incentives. As a result member states like Bulgaria and Slovenia who benefit from less regulation on investments have very little to gain from a cohesive approach at the EU level. On the other side of the

spectrum are those countries who, like France, have more stringent screening procedures and also oppose a cohesive approach on the basis that they believe that less restrictive EU measures could damage their national interests. Finally, the Scandinavian countries and a few others are concerned that the EU might create a more restrictive investment regime and therefore opposes a cohesive approach as they prefer a more liberal approach. As a result there is little appetite among the member states for an EU regime to regulate inbound investments. This has contributed to further weakening the EU's common position on investments.

Consequently, the EU's investment relations with China are currently characterised by a cacophony of different rules and procedures, which makes it unable to leverage its greatest asset, its single market, in negotiations as it has done in the area of trade. China has been able to exploit this weakness, which has been exaggerated by the Eurozone crisis, leaving countries more desperate for investment. This has led to fierce competition among EU member states for rapidly growing Chinese investments in Europe, undermining the EU's negotiating position in its BIT negotiations with China as it can rely on beneficial bilateral relations with member states whenever negotiations stall. Thus the EU is more likely to be successful in its negotiations with China if it is able to join together behind a common position.

The "16+1" framework is often mentioned as an example of China attempting to divide Europe. This framework is an attempt by China to strengthen its relations with sixteen central and eastern European states outside the EU framework. This has caused some concern in EU circles. The first meeting was held in 2011; this has been followed by yearly meetings of heads of government and the framework has also seen some institutionalisation. The main aim of the "16+1" framework was to facilitate Chinese investments in central and eastern Europe and even possibly to circumvent EU regulations. Furthermore, China sees the framework as a way to help shape its relationship with the EU. The states of the region could in essence lobby for Chinese interests in different EU institutions. As a result the "16+1" has been criticised by EU institutions as well as member states who see it as an unhelpful and maybe even harmful addition to EU-China relations.

However, it is important not to overstate the threat of a pro-Chinese block forming inside the EU or the threat of the "16+1". First of all, the sixteen countries are a rather heterogeneous group of countries, five of which are not

even members of the EU. This makes it next to impossible for China to create a uniform policy towards the region as a whole. Moreover, the sixteen countries do not view themselves as a "block"; instead they are each other's greatest competition for Chinese investment. Thus one could argue that the "16+1" framework enables these countries to have a strong bilateral relationship with China, which would otherwise be reserved for the more significant economies like Germany, France and the United Kingdom.

Human Rights Promotion

In the area of human rights promotion, the EU has largely been able to present a unified front against human rights abuses in North Korea and Burma/Myanmar as well as, more recently, following the military coup, in Thailand. This does not necessarily mean that the EU has had a significant impact but rather that EU policy has not been undermined by internal dissonance. The clear exception, however, is China where the EU has been unable to push a coherent human rights agenda and is becoming increasingly divided. The EU has institutionalised the issue of human rights in its relationship with China through the biannual Human Rights Dialogue. EU member states on the other hand take differing approaches, with some seeking to reinforce the EU position by initiating their own human rights dialogues with China; this group traditionally includes countries such as the United Kingdom, Germany and Sweden. This can be contrasted with those countries that are much less willing to criticise China and seek to water down EU criticisms; this group includes among others, Italy, Portugal and Romania.

The imprisonment of the Chinese dissident Ilham Tohti illustrates the disarray in the EU position on human rights in China. The prison sentence received condemnations from both the EU and Germany; Britain, however, merely voiced its concern and France remained silent on the issue. This can be contrasted with the private letter demanding the freedom of the Chinese artist and activist Ai Weiwei, which was sent by the same three countries in 2011 following his arrest. Similarly, the United Kingdom, France and Germany coordinated their statements on the Dalai Lama back in 2010. Today, however, there is no coordination to speak of and most European leaders avoid having any direct contact with the spiritual leader from Tibet. Overall however, many EU member states tend to be silent on the issue of human rights in China or,

if they raise the issue of human rights, tend to avoid direct criticism. Instead, they opt to delegate the issue to the EU level and focus on economic issues in their bilateral relations. This in turn has significantly weakened the EU position on human rights in China.

Security Cooperation

Another key example of dissonance in EU foreign relations is the arms embargo against China. The embargo was imposed in 1989 following the violent repression of protesters at Tiananmen Square. Since then there have been significant disagreements within the EU on whether or not the embargo should be maintained. France has, since 2003, been vocal in its opposition to the embargo and has at different times been supported by a number of different countries, including Spain, Greece and Germany under Gerhard Schröder. Along similar lines, former EU high commissioner Catherine Ashton argued that the embargo was "a major impediment for developing stronger EU-China co-operation on foreign policy and security matters". The United Kingdom has consistently been the strongest opponent of lifting the embargo and is supported in its position by Germany, which has changed its stance under Angela Merkel. This position has largely been a result of American pressure not to lift the embargo but also a lack of progress from China in the area of human rights.

Further weakening the EU stance is the fact that there was no common stance on what items were considered arms under the embargo. As a result it has been left up to individual member states to interpret the embargo according to their national contexts. This has resulted in countries being able to export so-called dual-use items to China, that is, those goods that can be used for both civilian and military purposes. When looking at France and Germany for example, there are minor but significant differences in their approaches to the transfer of dual-use goods. France, which is generally considered the most liberal in authorising transfers of equipment, has never provided a public statement explaining how it interprets the arms embargo. This can be contrasted with Germany, which includes weapons, ammunitions and other defence-related material as banned under the embargo. As a result, observers view Germany as being more restrictive in its enforcement of the embargo when compared to other EU member states.

India's relations with the EU and its member states are unsurprisingly dominated by economic and trade-related issues. However, France is arguably

an exception to this pattern as its relationship with India has a clear strategic element. The foundations for this relationship can be found as far back as the Cold War. However, it was reinforced with France's refusal to strongly condemn India following its 1998 nuclear tests, and unlike other key EU states, it publicly opposed US calls for sanctions. In the same year, the two countries signed a strategic partnership agreement to further strengthen the relationship. The relationship has in particular developed in a number of areas, the first of which is civil nuclear cooperation. Here France has not only pushed for the international community to allow civil nuclear cooperation with India but was also one of the first countries to assist India in developing nuclear power. Another important area of cooperation is intelligence and counter-terrorism. Finally, at the heart of the relationship is the military and defence cooperation that has grown continually since 1998. A significant part of the defence relationship is rooted in the sale of French arms, which has increased since the establishment of the relationship. However, more important are the shared security interests of the two states in preserving the stability in the Indian Ocean. Moreover, the two countries have regularly held joint military exercises. These exercises were initially limited naval cooperation, reflecting common interests in the Indian Ocean, but over the last ten years have been expanded to also include joint exercises involving the air forces as well as the land forces.

CONCLUDING REMARKS

The analysis of specific issues presented here demonstrates the challenge of maintaining a unified European position in the face of diverging interests among the member states. Individual countries, and especially the larger member states, have their own policies vis-à-vis key countries in Asia, and these do not always add up to a strong and coherent European position. China, in particular, is a big draw for European countries in terms of trade and, increasingly, also investment opportunities, and there is, as seen on occasions, a discernible trend where the EU deals with the broader (and vaguer) political issues, leaving the member states with the promotion of their particular economic interests. The political/economic distinction is also evident in the nuances shown by different EU institutions, e.g., the EEAS, DG TRADE or DG CLIMA, even if institutional innovations following the Lisbon Treaty have helped to achieve greater coherence in this regard.

However, despite such dissonances and challenges to policy coherences vis-à-vis Asia, there has been a fairly consistent push from Brussels to develop a more strategic approach, both with individual countries in Asia and also globally. With respect to the latter, the strategic review initiated by the High Representative in 2015 may provide, if consistently implemented, a better way to embed the individual strategic partnerships the EU has accumulated in the past decades within the wider policy. The EU Global Strategy, presented by Federica Mogherini, the EU's High Representative, in June 2016, is intended to help the EU focus better on its objectives, instruments and resources. It remains to be seen whether this will lead to a clearer strategy vis-à-vis Asia, and thus may help to overcome the dissonances that have hampered the effort towards a common policy in the past—there is much emphasis on the challenges the EU faces closer to home, in the neighbourhood, in the Balkans, Eastern Europe, North Africa and the Middle East, and unsurprisingly the emphasis on EU action abroad is seen here.

An additional strain comes from the outcome of the June 2016 referendum in the UK in favour of leaving the European Union. Britain's withdrawal from the EU can be expected to have a major impact on the shape and substance of EU-Asia relations, given the weight and importance the UK has had in shaping EU foreign relations. "BREXIT" will take years to negotiate, and the eventual arrangements the UK finds with the remaining EU states are difficult to foresee at the time of writing, in the summer of 2016. However, it is likely that the departure of one of the large member states will diminish the influence the EU can have in Asia. Yet, at the same time, an EU without its "awkward partner" may well reduce the dissonances we have witnessed internally, leading to more coherence in its foreign policy.

Arguably, the greater threat to European diplomacy lies not in internal divisions among the EU and its member states, but rather in the distractions the EU is facing at a time of crisis in the mid-2010s. With so many challenges facing political leaders and EU officials on a variety of fronts at home and in the immediate neighbourhood of the EU, Asia is likely to be seen as distant and less urgent. During this particular period, as one crisis adds to another, EU decision-making is by default focused on the short term and the short range. Popular mobilisation and electoral outcomes in many member states also point towards increasingly Eurosceptic attitudes, and the political climate in Europe is less and less favourable towards a strong and unified projection

of European interests abroad. The risk at this time clearly is that a strategic view of Asia, and indeed of Europe's role in a rapidly changing world, is more and more difficult to formulate and implement. Neither choir nor cacophony, European diplomacy towards Asia is in danger of becoming just a whisper, as other voices become more powerful.

Chapter Four

Forum Shopping and Global Governance

Hannah Murphy-Gregory and Aynsley Kellow

INTRODUCTION

Over the past few decades, the participation of states, business actors and NGOs in global governance has become a fraught exercise. Not only have the number of possible arenas for policy development proliferated, but each arena has its own organizational characteristics that vary widely thereby presenting forum choices and opportunities for policy actors to participate. For example, arenas are distinguished by membership, decision-making rules and procedures, and the strength of enforcement mechanisms, to name but a few important considerations. Furthermore, there is growing frustration amongst all participants—governments, business and NGOs—about the largest multilateral arenas, such as the WTO and the UNFCCC, where consensus rules make for slow negotiating progress and often lowest common denominator decision-making. Meanwhile, smaller negotiating arenas with limited membership have developed in parallel to the major multilateral organisations where fewer participants seek to accelerate and enact more advanced accords and agreements when multilateral negotiations stall. This is especially obvious in the area of international trade negotiations but is also present in environmental policy arenas.

The aforementioned developments in global governance give rise to important questions about the consequences of the proliferating number of global policy arenas, the rise of what have become known as "regime complexes", and in particular, the strategic use by actors of alternative arenas to stall or advance negotiations, also known as forum shopping. Thus far, much of the emerging literature in this area is rather pessimistic about the forum shopping phenomenon, highlighting concerns about the stability of governance arrangements, the promotion of unhealthy competition between arenas, and accountability deficits. A recurring theme is that the proliferation of policy

arenas is a signal of the failure of multilateralism and the rise of unilateralism by powerful nation-states. In contrast, we remain cautiously optimistic that forum shopping is essentially a functional activity that promotes healthy competition between arenas, and in many cases, can be used to support multilateralism and advance policy negotiations.

The political tactic of forum shopping is increasingly utilised by actors that participate in the expanding area of global governance. As we established in our 2013 *Global Policy* article, one of the first on the subject, forum shopping (or venue shopping) involves the strategic selection and use of policy venues by any political actor—a nation-state or non-state actor—in order to advance an agenda (Murphy and Kellow, 2013). This may involve the multiple, reiterative use of various arenas, including reviewing an issue in the original arena or building or blocking support for policy action. In this paper, we draw together the latest insights on the topic of forum shopping as they have developed in this research stream since the publication of our initial article. We offer further examples of forum shopping from the policy areas of climate change and international trade. In the concluding section, we offer some conclusions about the impacts of forum shopping and the regime complexes that this activity promotes and argue that the phenomenon can be harnessed to build and support effective global governance.

THE CONTOURS OF FORUM SHOPPING

One factor driving forum shopping is the incentive to seek a venue where the limitations of multilateral negotiations can be overcome. These limitations include the impact of the number of parties on the likelihood of a successful conclusion being reached. This point is captured in an aphorism attributed to George F. Kennan, a long-serving US diplomat, who maintained that the unlikelihood of any negotiation reaching agreement grows by the square of the number of parties taking part. Reflecting on the lack of progress on multilateral climate change and trade negotiations especially, the then editor of *Foreign Policy* Moisés Naím (2009: 135) stated, "We need to abandon that fool's errand in favour of a new idea: minilateralism."

Despite the fact that scholars have subsequently repeated Naim's claim to the novelty of this concept (see, for example: Eckersley, 2012; Slaughter, 2013), there is nothing new in the concept of minilateralism, which had earlier been used both in relation to climate change (for example, Kellow, 2006)

and in the context of trade negotiations, where it originates, having been first used by David Richardson in the mid-1980s, and appearing in the literature by 1990 (Richardson, 1990). Minilateralism captures the essence of the US operation of a "green room" strategy in trade negotiations that is now more difficult to pursue among the larger membership of the WTO. Minilateralism also offers some hope of overcoming the slow pace of negotiations, which is usually limited by the speed at which the most reluctant party is prepared to move (Sand, 1990; Ward et al., 2001), and raising the quality of measures that might be agreed to—overcoming Arild Underdal's "Law of the Least Ambitious Program" (Underdal, 1980; Hovi and Sprinz, 2006), or lowest common denominator decisions.

Scholarly discussions about forum shopping and minilateralism in the global governance literature is mostly taking place in the context of a broader debate about the forms, roles and effects of "regime complexes" on global policymaking. The term *regime complex* is used to denote the presence of multiple, more or less formal, institutions involved in the governance of a given issue-area. By offering a selection of possible governing sites, regime complexes provide forum shopping opportunities for state and non-state actors to advance their policy goals. But in turn, forum shopping can shape the structure and dynamics of regime complexes. Within the regime complexes literature, scholars are debating a number of important issues that relate to our understanding of the role and impacts of forum shopping. Most significantly, these include whether regime complexes result in healthy competition among international policy arenas—the kind that drives policy development—or whether they promote fragmentation, blur transparency and accountability, and stymie agreement on policy goals and how these should be implemented.

Amongst those who see forum shopping as a challenge for regime coherence, Eccleston and Gray (2014) examine the emerging global tax avoidance architecture and the struggle to enact automatic information exchange as a tool to limit tax evasion. Whilst the OECD has been viewed as the primary arena for international tax governance, the Organization to date has only instituted information exchange on tax data "on request". The reluctance to enact automatic information exchange amongst national tax bodies via the OECD has come under fire from global tax justice campaigners and those governments seeking greater international transparency in the sharing of tax information. In contrast, the development of the US Foreign Accounts Tax Compliance Act (FATCA), to which an increasing number of governments

are adhering, contains automatic information exchange provisions. FATCA's status as the new international standard for tax information exchange has prompted Eccleston and Gray (2014: 324) to view the OECD as a victim of "organisational rivalry" and they express concern about FATCA as a unilateral US measure that may undermine multilateralism in the policy area. We see this evolving regime complex somewhat differently: the OECD's membership and decision-making rules and the presence of tax havens such as Luxembourg and Switzerland among its membership have to date prevented a higher-standards automatic tax information exchange, which makes its pre-eminent status in the tax compliance regime vulnerable to alternative agreements that may codify higher regulatory standards. Those campaigning for higher information sharing standards—the forum "shoppers" (for lack of a better term)—saw the OECD's decision-making rules as a constraint to instituting automatic information exchange on tax and have welcomed the regulatory up-scaling offered by FATCA. In essence, FATCA might be seen as a circuit breaker to the tax information sharing stalemate at the OECD. Thus the entrance of FATCA has altered the institutional balance within the tax compliance regime complex. Whilst the OECD remains the pre-eminent and largest membership arena in the policy area, FATCA has succeeded in building the regulatory regime by instituting a higher standard of transparency—a fundamental building block of the tax compliance regime.

Whilst Benvenisti and Downs (2007) and Drezner (2009) argue that the "fragmentation" of international governance driven by forum shopping is in the strategic interests of the most powerful states by allowing for greater freedom and less responsibility—thus undermining cooperative multilateral governance—the tax compliance case demonstrates that some fragmentation can be functional for advancing regulatory agendas and does not necessarily undermine a regime as a whole. Rather it can help overcome obstacles such as a lead arena's membership and decision-making rules that can pose as blockages rather than facilitate higher regulatory standards. Certainly regime complexes are not free from power politics but there are increasingly instances from a range of policy areas where regime fragmentation can be seen as a functional response to organizational deficiencies of large multilateral arenas rather than primarily as a strategic move to heighten a state's negotiating power.

Widerberg and Pattberg (2015) similarly highlight concerns about the proliferation of International Cooperative Instruments (ICIs) in the area of climate change policy and their linkages with the UNFCCC. They view

forum shopping as an opportunistic activity, in the pejorative sense, on the part of negotiating governments and flag problems with ICIs fostering opaque decision-making procedures and sidelining the "core norms" of the UNFCCC. Despite this, they view ICIs as a necessary evil that can fill policy gaps and they therefore call for better integration of ICIs into the UNFCCC. In framing up how the ICIs might improve the governance of carbon emission reduction, these authors argue that ICIs should be geared towards solving the central problem of emissions reduction rather than providing arenas where norm building or negotiations should be conducted and that ICIs should operate transparently to reduce rivalry between organisations. Widerberg and Pattberg (2015) propose that within regime complexes a central multilateral body should ideally play an orchestrating role (or what others have termed "metagovernance", see Gale and Murphy-Gregory, 2015), which would involve mandating minimum standards for other organisations, information sharing, capacity building and identifying synergies (see also Abbott and Snidal, 2010).

In contrast, Widerberg and Stenson (2013) in their empirical study of eighteen climate "clubs" find that there is little sign of conflict between these and the UNFCCC and that these clubs may actually increase the chances of a multilateral agreement on emissions reduction. Clubs can supplement the UNFCCC by providing arenas for discussion of complex issues, help less-developed countries reduce their emission-reduction costs and therefore increase their willingness to commit to agreements. Further, clubs can form a safety net for negotiations when multilateral forums fail. According to Biermann (2009), there are four types of benefits of clubs over large multilateral arenas: speed; ambition (narrow but deep) and more innovative capacity; fewer barriers for the participation of stakeholders such as business and NGOs, and ease of monitoring compliance of parties to agreements.

In regard to global health policy, Taylor and Buse (2014) explore the potential of non-binding instruments in global health governance—additional to the key multilateral organization, the World Health Organization. In the area of HIV/AIDS, they show that measures such as the 2001 UNGASS Declaration of Commitment on HIV/AIDS, which set up the Global AIDS Reporting Mechanism as a non-binding legal instrument, can offer benefits over slower more rigid binding legal approaches to governance. In particular, they cite benefits such as more extensive commitments, reporting on compliance and accountability for results.

In examining how international organisations respond to regime complexity and forum shopping, Betts (2013) takes the case of the UNHCR as a "challenged institution" and traces its responses to the entrance of overlapping international agreements and arenas. For the most part, the UNHCR has engaged in adaptation and has actively sought to build links with overlapping arenas, using overlaps to improve its own efficiencies, and even expand the scope of its work into the areas where it faces competition. For Gehring and Fraude (2013) regime complexity can result in a useful division of labour amongst the various arenas. Forum shopping puts overlapping arenas under continuous pressure to evolve to meet the needs of participants in order to maintain relevance that does not always benefit the most powerful states. Specifically, arenas compete for governing functions, resources and constituent support (Gehring and Fraude, 2013). In a similar manner, Lesage and Van de Graaf (2013) investigate the strategic manoeuvring and most significant comparative advantages of two international organisations in the areas of taxation and energy. They find that strategic advantages include historical accumulated expertise, distinct working methods, closeness of ties with the G8 and G20, and depth of relationships with powerful states (Lesage and Van de Graaf, 2013). These authors view the competitive tensions between international organisations within a regime complex as a positive factor that promotes organizational flexibility, which stands in contrast to the "notorious rigidity of large centralized organisations" (Lesage and Van de Graaf, 2013, p. 91).

It is not just the size of the forum that can be important. Each forum has its own characteristics, including membership, provision for participation by NGOs, decision rules and other procedural rules. The OECD, for example, has a membership that exhibits a high degree of like-mindedness, because its members have accepted a certain *acquis* upon accession (Carroll and Kellow, 2011). It also can make decisions reached under its Mutual Agreement rule that are binding on members, but only those members voting for the measure, so that parties have the opportunity of supporting a measure, vetoing it, or allowing it to be agreed by abstaining (with the option of associating themselves with it at some time in the future).

Not surprisingly, the OECD is a venue that has been used to develop global policy concepts and instruments that have then been exported to other, more multilateral arenas. These include both work on Producer Subsidy Estimates that facilitated agricultural trade reform during the Uruguay Round

of the GATT, elements of a regime governing trade in hazardous waste that formed the foundation for the development of the Basel Convention, and a convention on corruption that was used as the basis for a similar convention with multilateral coverage under UN auspices. Such attempts are not always successful, of course, as (notably) the selection by the EU of the OECD in preference to the WTO as a suitable venue at which to develop the Multilateral Agreement on Investment demonstrated.

Sometimes agreement reached in one forum can enhance the influence of the participants in larger forums, as has often been the case with the Nordic Council, which has been able to enhance the influence of its members in multilateral negotiations, a strategy that first came to notice during the Kennedy Round of the GATT (Nielsson, 1978). Sometimes influence can be gained because the overlap between memberships does not coincide, such as the initiative taken by (non-EU member) Norway on behalf of the Nordic Council in moving an amendment to the Basel Convention when the European Commission had invoked its claim to exclusive *compétence* under the Subsidiarity Principle to limit the freedom of Denmark to continue to act on behalf of the Nordics (Kellow and Zito, 2002). Such strategies can have the advantage of reducing the costs of participation in multiple arenas, by allowing each member to concentrate activity in one arena on behalf of its fellow bloc members, allowing them to have carriage of the common agreed agenda in others.

The development of a global response to climate change has been marked by a reluctance on the part of many to countenance the value of alternative arenas. Supporters of the Kyoto Protocol were critical of initiatives such as the Asia Pacific Partnership on Clean Development and Climate (APP), the Major Economies Leaders Meetings on Energy and Climate (MEM) established in 2007 by President George W. Bush in 2007 and the Major Economies Forum (MEF) that replaced it in 2009 under President Barack Obama. Yet the trajectory of the climate global policy process has been shaped in many ways by the use of multiple forums.

Even before the Framework Convention on Climate Change (FCCC) was concluded, the OECD undertook extensive work to develop systems of Greenhouse Gas (GHG) accounting and explored various economic instruments that might be used to address the problem. This work continued once the FCCC was opened for signature, with formal referrals to the OECD from the International Negotiating Committee (INC). The use of other arenas

continued, most notably the European Union, but with national leaders making use of the EU. German Chancellor Helmut Kohl seized upon the issue of climate change to shore up support for nuclear energy after Chernobyl, wedging Die Grünen and the SPD who both proposed a nuclear phase-out and a shift to coal. Kohl promised industry that he would impose a similar disadvantage on their competitors in the EU. Then the European Burden Sharing Agreement (EBSA) permitted windfall reductions in the former DDR to be shared among other EU members, as were the benefits of the "Dash to Gas" that followed electricity privatization in the UK and the relaxation of an EC restriction on the use of gas for electricity generation.

There was, according to some interlocutors, a crucial linkage between the entry into force of Kyoto and the trade regime and the European gas market. Russia positioned itself so that its ratification would trigger the entry into force of the Kyoto Protocol, and secured commitments for investment in its oil and gas sector from the City of London (keen to commence emissions trading) and support for its accession to the WTO in exchange for its ratification in 2003.

The APP was a response to the EBSA, focused on GHG-reduction activities in industrial sectors. The EU at one stage expressed a desire to join the APP, but was rebuffed. Another forum that was used was the G8 (when the G7 included the Russian Federation), both alone and together with developing countries to form the G8+5, which itself allowed useful dialogue between North and South, but also assisted the formation of the MEM, the members of which were essentially the APP plus the G8+5, and thus ultimately the MEF. The MEF essentially was the MEM "rebirthed", created because the BRICS did not wish to give Bush credit, and several players (including the UK and Australia) wanted to provide the incoming Obama with an initiative for which he could claim credit. In short, climate change has seen considerable use of multiple forums.

International trade negotiations provide another good illustration of some of the beneficial aspects of forum shopping and regime complexes due to the sheer number of existing accords as well as those currently under negotiation, such as the Trans-Pacific Partnership (TPP). Governments and non-state actors advance their trade interests at the WTO, the premiere multilateral trade body, through regional free trade agreements (FTAs), or via bilateral FTAs. Other venues such as the G20, APEC, and the G8 provide arenas for govern-

ments and non-state actors to review and revive multilateral negotiations, such as the ailing Doha Round (see Busch, 2007).

The development of the TPP is a good illustration of the benefits of multiple arenas within a global policy area. The TPP is a regional free trade negotiation involving twelve Pacific Rim nations including the United States, Japan, Australia and Canada, which account for 40 percent of global gross domestic product. The TPP arose from the US attempt to advance trade negotiations on the back of the ongoing failure, since 2008, to conclude the Doha Round. The key stumbling block for the Doha Round is disagreement between the US, India and China over trade in agriculture, a perennial bugbear for multilateral trade agreements. It is likely that additional governments will sign up to the TPP following its conclusion amongst the initiating parties.

Despite its attempts to decrease barriers to trade amongst negotiating states, the emergence of bilateral and regional free trade agreements such as the TPP has been criticised by a number of trade policy scholars as a second-best option to multilateralism at the WTO. Jagdish Bhagwati (2008) for example has stated that bilateral and regional free trade agreements are not a path towards global free trade and actually erode multilateral efforts. The major issue identified is the policy complexity created by multiple agreements. This has been labelled the "spaghetti bowl" problem, which refers to the existence of a complex set of overlapping and inconsistent rules that erode the integrity of the multilateral trade system (see Wilson, 2013). Other concerns include fears that FTAs will cause trade diversion and distortion and will dominate limited trade negotiating resources. Others warn of forum shopping for trade policy dispute resolution (Flynn, 2012).

Despite these concerns, forum shopping for international trade agreements has a number of positive benefits for the trade liberalisation policy agenda. Bilateral and regional free trade agreements allow governments to liberalise at a faster pace and to a greater extent than allowed for at the WTO due to lowest common denominator decision-making at the WTO. They are also more likely to succeed than multilateral negotiations due to the lower number of parties. Further, bilateral and regional agreements are seen as stepping stones for scaling up trade liberalisation. The TPP for example has also been slated as a "building block" for a wider Asia-Pacific free trade area.

FORUM SHOPPING AND REGIME COMPLEXES: LIMITS AND CHALLENGES

Contemporary global governance is undoubtedly becoming more complex with the rise of many new "minilateral" policy forums that supplement the large multilateral arenas. Perhaps the chief determining factors as to how forum shopping and regime complexity should be characterised revolve around the degree of competition amongst arenas within a regime complex and whether that competition is constructive and builds links between arenas or whether it fragments responses to policy problems. In their overview article on regime complexes in the 2013 special issue of *Global Governance*, Orsini, Morin and Young (2013) suggest that the single most significant factor for understanding the role, nature and trajectory of a regime complex is the degree of conflict or synergy in the links between the organisations that operate within it, and they classify complexes as fragmented, centralised, or dense. In considering the problems and possibilities of multiple arenas and the forum shopping opportunities that they provide, it should be noted that duplication and overlap are present in domestic-level governance and do not necessarily constitute problems (Kellow, 2012; Landau, 1969, 1991; Richardson, 1981). The fundamental difference of course is the absence of the overarching authority of a state at the global level of politics. Viewing large multilateral arenas as a proxy for overarching authorities however has led many to condemn the advent of new, smaller arenas as a threat to multilateralism and an avenue for powerful states to engage in unilateral behaviour.

Productive new avenues of research for understanding regime complexity and the forum shopping that drives it hinge not upon whether they drive power asymmetries that advantage already powerful players, but whether they make it easier or more difficult to manage transnational policy problems (Orsini, Morin and Young, 2013). We concur that examinations of forum shopping and regimes complexes that adopt this approach will be more fruitful.

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Chapter Five

The Role of International Parliamentary Cooperation: Political Tourism or Added Value for Intergovernmental Relations?

Nicola Lupo

I. THE DEVELOPMENT OF INTERPARLIAMENTARY COOPERATION: A GLOBAL PHENOMENON

Parliaments were originally conceived to accomplish functions that are rather far away from international relations. Traditionally, international relations were a domain reserved for governments and their administrations, which had and still have their own specialized bureaucracy devoted to this task: the diplomatic service. In contrast, parliaments have been assigned or have somehow acquired the ownership of legislative, budgetary and oversight functions. While exercising these functions, they have tried, sometimes successfully, to direct, oversee and limit the foreign policy of their governments, mainly by constraining financial resources and acting through their foreign policy committees,[1] but normally they have not played an autonomous role in the international arena. In fact, neither the membership of the Interparliamentary Union, operating since 1889,[2] nor the designation of parliamentary delegations

[1] See A. Cassese, ed., *Parliamentary Foreign Affairs Committees. The National Setting* (Padova-New York: Cedam-Oceana, 1982); and F. Longo, *Parlamento e politica estera. Il ruolo delle commissioni* (Bologna: Il mulino, 2011).

[2] On the origins of the Interparliamentary Union and its evolution, see G. Romano, *L'Unione interparlamentare*, in *Il "dialogo" tra Parlamenti: obiettivi e risultati*, ed. C. Decaro and N. Lupo (Roma: Luiss University Press, 2009), 281-286; M. Albers, "Between the crisis of democracy and world parliament: the development of the Inter-Parliamentary Union in the 1920s", *Journal of Global History* 7 (2012): 189-209.

in a limited number of international assemblies[3] could allow them to be deemed, since recently, as relevant international actors.

In the last 25 years, the picture seems to have significantly changed. Both the need to face emerging global phenomena and the new dynamics of international relations after the end of the Cold War have brought an enlargement in opportunities for international parliamentary cooperation and a rather dramatic increase of the number of international parliamentary assemblies.[4] As has been recently remarked, because of these transformations, "understanding parliaments as purely domestic institutions immune from international integrative force is no longer tenable".[5]

Although the phenomenon has been widely analyzed—actually, predominantly by some of the same international actors promoting or taking part in these initiatives, at least to date—the variety of these opportunities has not helped the consolidation of a shared terminology to identify them, either among scholars or among politicians.

On the one hand, although rather close to being an oxymoron for the historical reasons recalled above and owing to the intrinsic difficulty of qualifying politicians democratically elected by the citizens as diplomats, the

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[3] The phenomenon of parliamentary delegations is rather understudied, at least from a comparative perspective. For the EP, see A. Herranz, "The Inter-parliamentary Delegations of the European Parliament: National and European Priorities at Work", in *The Role of Parliaments in European Foreign Policy: Debating on Accountability and Legitimacy*, Fornet Working Group (Barcelona: Office of the European Parliament, 2005), http://ddd.uab.cat/record/102092/, accessed 9 March 2016.

[4] For an analysis of this increase see, from an Italian perspective, Decaro and Lupo, *Il "dialogo" tra Parlamenti*, and, more generally, with specific reference to international parliamentary assemblies, S. Marschall, *Transnationale Repräsentation in Parlementarischen Versammlungen: Demokratie und Parlamentarismus jenseis de Nationalstaates* (Baden Baden: Nomos, 2005), and, more recently, Z. Šabič, "International Parliamentary Institutions: A Research Agenda", in *Parliamentary Dimensions of Regionalization and Globalization. The Role of Inter-parliamentary Institutions*, ed. O. Costa, C. Dri and S. Stavridis (Basingstoke: Palgrave Macmillan, 2013), 20-41 (counting around 70 of those institutions).

[5] In these terms, D. Jančić, "Globalizing Representative Democracy: The Emergence of Multilayered International Parliamentarism", *Hastings International and Comparative Law Review* vol. 38 (2015): 2, 197-242.

expression "parliamentary diplomacy" has spread diffusely;[6] sometimes also in contraposition with the less fascinating—but maybe more precise—term of "interparliamentary cooperation".[7] A new term has even been coined, "parlomacy",[8] although it has hardly obtained any success.

On the other hand, many metaphors have been used, among which is the reference to a "dialogue" (or a "conversation") amongst parliaments. In this way, it has the advantage of showing the similarities and differences in comparison with the "interjudicial dialogue" that in the same years has impressively increased,[9] but also the disadvantage of including many different phenomena under this label: from administrative cooperation to bilateral friendship groups; from interparliamentary assemblies to bilateral relationships on foreign policy issues; from the use of comparative law in the legislative process to meetings among speakers; from visits of parliamentary delegations to the activity of the COSAC (the Conference of European Affairs Specialized Committees in the EU).

In this way, the risk of confusion is very high, as everyone may easily observe. There is also the strong temptation to qualify at least some of these phenomena as "political/parliamentary tourism", especially in times in which anti-politics movements are strong in Europe and elsewhere, and where technology allows both the organization of long-distance meetings and a ready

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[6] See, among others, F. W. Weisglas and G. de Boer, "Parliamentary Diplomacy", *The Hague Journal of Diplomacy* 2 (2007): 93-99; L. M. de Puig, *International Parliaments* (Strasbourg: Council of Europe, 2008), 22 ff.; A. Malamud-S. Stavridis, "Parliaments and parliamentarians as international actors", in *The Ashgate Research Companion to Non-State Actors*, ed. B. Reinalda (Aldershot: Ashgate, 2011), 101-115.

[7] On the idea of a possible evolution from parliamentary cooperation to parliamentary democracy see, for instance, the report "Parliamentary diplomacy: the role of international assemblies", submitted on behalf of the Committee for Parliamentary and Public Relations of the Western European Union Assembly by Squarcialupi, Document A/1685, 6 June 2000, 5. See also A. Herranz, "The Inter-parliamentary delegations of the European Parliament: National and European Priorities at Work", in *The Role of Parliaments in European Foreign Policy: Debating on Accountability and Legitimacy*, ed. E. Barbé and A. Herranz (Barcelona: Office of the European Parliament, 2005), 77-106.

[8] Cf. D. Fiott, *On the Value of Parliamentary Diplomacy*, Madariaga Paper, vol. 4, No. 7 (2011), available at www.madariaga.org.

[9] Among others, see A. M. Slaughter, *A New World Order* (Princeton: Princeton University Press, 2004), 104-130 (for a comparison with legislative networks, much less developed).

and direct acquisition of knowledge of different foreign and international experiences.

This contribution does not set out to address the topic in its entirety. It would be impossible to give an account of all the existing models or formats of interparliamentary cooperation and to assess whether they are offering an "added value" for intergovernmental relations, and, should this be the case, which one. Instead, what this paper will do is to analyze the instruments of interparliamentary cooperation in the EU, and their recent evolution, mainly according to a Constitutional Law viewpoint.

The analysis of the instruments of interparliamentary cooperation in the EU will show that, especially after the innovations introduced in the last decade, most of them are rather distant from forms of political or "parliamentary tourism" and that, on the contrary, they are called upon to play important roles in ensuring a challenging and crucial objective—the "good functioning" (to use the wording of Article 12 TEU) of European democracy and European constitutionalism. More specifically, interparliamentary cooperation is called upon to ease the "good functioning" of democracy and constitutionalism in the EU in at least three ways: by increasing the level of information and involvement of (still mainly) national public opinions, by making the EU's "fragmented" Executive more accountable, and by building a precondition for a greater presence of "political constitutionalism" in the EU.

The real question is whether the current structures and procedures of interparliamentary cooperation in Europe are suited to fulfilling such an important role. More in general, in the conclusions, we will ask at which point the experience of interparliamentary cooperation in the EU could be applied elsewhere, and whether the "added value" it is currently producing in Europe, although with many difficulties, could at least potentially be extended also to other parts of the world.

II. THREE DIFFERENT FORMATS OF INTERPARLIAMENTARY COOPERATION IN THE EUROPEAN UNION

The practice of interparliamentary cooperation is by no means a novelty in the history of European integration. As is well known, even the initial composition of the European Parliament (EP), made up of representatives designated by national parliaments, would have qualified as an example of such cooperation, according to a model that is rather widespread in international organizations.

It was shortly after the very first direct election of the EP in 1979, however, that interparliamentary cooperation in the EU assumed its specific features, as it was called upon to combine horizontal relationships among national parliaments with vertical relationships between each national parliament and the European Parliament[10].

In any case, interparliamentary cooperation in the EU is currently shaped according to three main formats.

The first format, which favours cooperation among national parliaments (rather than among national parliaments and the EP, which is however included in this format), is usually conceived in terms of cooperation among committees specialized in sectoral policy, generally summoned by the legislature of the member state which holds the rotating presidency of the Council.[11]

The most renowned example of this format of cooperation is to be found in COSAC, the Conference of Community and European Affairs Committees of Parliaments of the European Union, established on 16-17 November 1989 in Paris and then formally recognized firstly in the Protocol on the Role of National Parliaments in the European Union annexed to the Treaty of Amsterdam and then in Article 12 of the Treaty of Lisbon as well as in Article 10 of Protocol No. 1 annexed to the Treaty of Lisbon.[12]

The Conference is composed on an equal basis of representatives of each national parliament (in the plenary meeting, each national delegation is composed of six members, which means three members per Chamber, in the case of bicameral legislatures), and of the EP. This formal equality among parliaments actually creates a number of problems. In particular, the EP "tends to be more open to supranational solutions" than most of the national parliaments and seeks to be represented by a delegation able to mirror the plenary not only

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[10] See E. Griglio and N. Lupo, *Strengths, Weaknesses, Opportunities and Threats of Interparliamentary Cooperation in the EU*, presented at a workshop organized in Aix-en-Provence on 7 June 2015. On the origins of the relationship between national parliaments and the EP, see P. Casalena, N. Lupo and C. Fasone, "Commentary on the Protocol No. 1 annexed to the Treaty of Lisbon ('On the role of national Parliaments in the European Union')", in *Commentary on the Treaty of European Union*, ed. H.-J. Blanke and S. Mangiameli (Berlin-New York, 2013), 120 ff.

[11] K. Neunreither, "The European Parliament and National Parliaments: conflict or cooperation?", *Journal of Legislative Studies* (2005): 486.

[12] M. Knudsen and Y. Carl, "COSAC. Its role to date and its potential in the future", in *National Parliaments and the European Union*, ed. G. Barett (Dublin, 2008), 455 ff.

according to political groups but also taking into account nationalities.[13] The nature of COSAC as a forum for dialogue primarily between national parliaments has been emphasized by the initiatives carried out in order to prepare and to try to coordinate the implementation of the Early Warning System (EWS). These attempts, however, finished, at least formally, after the end of the experimental phase, with the entry into force of the Treaty of Lisbon.

The COSAC model is now facing some difficult challenges. Problems have arisen due to its composition, characterized by the presence of generalists from EU-affairs committees, and due to the evolution that has shaped its role, which has shifted from the original idea of a space for inter-parliamentary exchange and debates, to the practice of a forum in which representatives of the "fragmented" European Executive try to influence national parliamentarians.[14]

As a consequence, the model outlined by Article 10 of Protocol No. 1 annexed to the Treaty of Lisbon, which envisaged COSAC as a place in which to exchange information and best practices between the EP and national parliaments, still needs to be fully implemented. At the same time, the limitations set down in this provision, that is, its purpose for the exchange of information and best practices, and the fact that the contributions of COSAC are not intended to bind national parliaments nor prejudice their positions, make it hard to configure a more structured and productive mode of interaction between the EP and national parliaments following this model of interparliamentary cooperation.

A second format has found its main institutional implementation in the experience of the European Convention, which was called upon in 1999 by the Cologne European Council to consolidate the rights of EU citizens and to draft the Charter of Fundamental Rights of the European Union; as well as, at a later date, in the Convention on the Future of Europe established by the European Council in December 2001 as a result of the Laeken Declaration, which drafted the Treaty establishing a constitution for Europe.

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[13] See Crum - Fossum, Question No. 101 in House of Lords, "European Union Committee - Ninth Report. The role of the National Parliaments in the European Union", 11 March 2014, www.publications.parliament.uk. See, also, Hix, Question No. 23, *ivi*.

[14] As witnessed in the Annual Report 2013/2014 on Interparliamentary relations—European Parliament, "Report on Interparliamentary relations between the European Parliament and National Parliaments under the Treaty of Lisbon 2009-2014", Annual Report 2013/2014 (2014)—representatives of the European Executive account for almost two-thirds of the speakers at the COSAC meetings, while just 16 per cent of keynote speeches are left to parliamentarians.

In both cases, the conferences were composed of members of the EP, members of national parliaments of the EU, representatives from EU member state governments and other representatives of the EU Commission. Finally, the model of the European Convention was taken and developed by the Treaty of Lisbon, within the ordinary revision procedure for amending treaties (Art. 48.3 TEU). In all these circumstances, the presence of representatives of the national parliaments was interpreted as an important innovation towards greater democratic legitimacy of the procedure.[15]

Experience gained in the two implementations of this format has shown that the political dynamics of the Convention are usually "highly complex with a range of developing political alignments and groupings—governments' representatives, national MPs, MEPs, political parties, national groups, candidate countries etc."[16] Within this format, moreover, the outcome of internal politics usually has a greater possibility of impacting on the nature of the final output, although it by no means guarantees this outcome, as the referenda held in 2005 in France and the Netherlands have clearly shown.

The third format is based on Article 9 of Protocol No. 1 annexed to the Treaty of Lisbon, according to which "[t]he European Parliament and national parliaments shall together determine the organization and promotion of effective and regular inter-parliamentary co-operation within the Union".

Actually, the entry into force of this provision was preceded by the creation of other forms of interparliamentary cooperation, always through parliamentary committees, but this time, with the committees of the EP playing a more crucial role. Both the Joint Parliamentary Meetings (JPMs) and the Joint Committee Meetings (JCMs) are generally held in Brussels and co-organized by the presidency of the EP, jointly with the parliament of the member state which holds the presidency of the Council. While JPMs are related to broad topics and are wider in their composition (six members for each national parliament, plus thirty-three members of the EP) and are usually organized with the involvement of the European Commission, JCMs deal with more specific issues and have a more restricted composition (three members for each national parliament, plus thirty-three members of the EP).

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[15] In this sense, see C. Closa, *The Politics of Ratification of EU Treaties: Processes and Actors* (New York, 2013); C. Pinelli, *The Convention method*, in *Interparliamentary Cooperation in the composite EU Constitution*, ed. N. Lupo and C. Fasone (Oxford: Hart Publishing, 2016), 57.

[16] K. Hughes, "The future of Europe Convention. Travelling hopefully?", Epin working paper No. 1, June 2002, www.ceps.be.

All these forms of interparliamentary cooperation, if still continuing, are now placed under the umbrella of Article 9 of Protocol No. 1 and are shaped by the organizational powers that the EP can exercise on them, as provided by the EP Rules of Procedure, which were reformed after a none-too-easy confrontation with national parliaments in June 2010 (Art. 142-144 of the EP Rules of Procedure).

Nevertheless, most of all, this third format has evolved and been widely used after the entry into force of the Treaty of Lisbon. Although established respectively in 2012 and 2013, the new Interparliamentary Conferences on CFSP and CSDP and Economic Governance could also, in fact, be placed mainly under the umbrella of Article 9, which offers a twofold advantage: first, to leave the aims of interparliamentary cooperation undefined, thus providing a way for the identification of more ambitious goals; second, to not predetermine the mutual relationships between the EP, on one side, and national parliaments, on the other. However, as we will see in the next paragraph, the actual implementation of these interparliamentary conferences has been all but smooth.

III. THE NEW INTERPARLIAMENTARY SECTORAL CONFERENCES

After the entry into force of the Treaty of Lisbon, the EU experienced the establishment of two new interparliamentary conferences that, unlike COSAC, were meant to debate specific policy areas: namely, the common foreign, security and defence policy and the economic and financial policy. Both these two new forums for interparliamentary cooperation lack a direct legal basis in the above-mentioned provisions of Protocol No. 1 and therefore it comes as no surprise that there were strong disagreements with regard to their positioning under the umbrella of Article 9, or else Article 10, of said Protocol No. 1.

In particular, the Conference on CFSP-CSDP was set up in Warsaw in April 2012 without any formal provision in the Treaties; its aim was, first and foremost, to replace the Western European Union Assembly, dissolved in 2011.[17] The legal foundation of the Conference was indirectly derived from Protocol No. 1 and, after strong controversies among the EP and national

[17] G. Butler, "The Interparliamentary Conference on the CFSP/CSDP. A new forum for the Oireachtas in Irish and EU Foreign Policy", *Irish Studies in International Affairs* vol. 25 (2014), www.ssrn.com.

parliaments,[18] its internal discipline was shaped with more regard to Article 9 than to Article 10, even though the latter explicitly entrusts the COSAC with the power to "organize inter-parliamentary conferences on specific topics, in particular to debate matters of common foreign and security policy, including common security and defence policy".[19]

In contrast, the establishment of the "Article 13 Conference" was based on a specific legal basis, although it is contained in a Treaty which is formally external to the EU legal order and refers to both Articles 9 and 10 of Protocol No. 1. According to Article 13 of the Treaty on Stability, Co-ordination and Governance, "the European Parliament and the national Parliaments of the Contracting Parties will together determine the organisation and promotion of a conference of representatives of the relevant committees of the European Parliament and representatives of the relevant committees of national Parliaments in order to discuss budgetary policies and other issues covered by this Treaty".

However, neither the writing of this provision[20] nor the implementation of this Conference was an easy task to be accomplished. It suffices to say that in each of its meetings this Conference received a different denomination, its composition is left undetermined and it approved its own rules of procedures only in November 2015, more than two years after its establishment.[21]

IV. THE "ADDED VALUE" OF INTERPARLIAMENTARY COOPERATION IN THE EUROPEAN UNION

From what has been observed, the role of interparliamentary cooperation in the EU is rather far from being that of "political tourism". The Treaty of

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[18] See J. Wouters and K. Raube, "Seeking CSDP Accountability through Interparliamentary Scrutiny", *The International Spectator* 47 (2012): 155; and A. Herranz Surálles, "The EU's Multilevel Parliamentary (Battle)Field: Explaining Inter-parliamentary Cooperation and Conflict in the Area of Foreign and Security Policy", *West European Politics* 37 (2014): 957.

[19] The Preamble of the Rules of Procedure of the Conference, adopted in Cyprus on 9-10 September 2012, includes a general reference to Protocol No. 1 of the Treaty of Lisbon.

[20] V. Kreilinger, *The new Inter-parliamentary Conference for economic and financial governance, in Notre Europe, Policy Papers* n. 100, www.notre-europe.eu, October 2013, 8 ff.

[21] See I. Cooper, "Parliamentary oversight of the EU after the crisis: on the creation of the 'Article 13' Interparliamentary Conference", Luiss School of Government Working Paper Series no. 21/2014 (2014), www.sog.luiss.it.

Lisbon has clarified that the EP is not sufficient, alone, to provide an acceptable degree of democratic legitimacy to the European Union. Notwithstanding the increase in the EP's powers, gradually implemented over the last thirty years, the problems of European democracy have not been solved.[22] Indeed, the constant decline in voter turnout in the European elections since 1979 onwards is perhaps the clearest evidence of this insufficiency.

As has been demonstrated also in some scholarly research,[23] European democracy still relies heavily on the legitimacy and democratic resources coming from national parliaments. The Treaty of Lisbon recognizes the necessity of involving also national parliaments both in Article 10, highlighting the peculiar nature of the European representative democracy founded on the relationship between national governments, national parliaments and the citizens of each member state, and in Article 12, specifically enumerating the "European powers" of national parliaments that are called upon to contribute to the "good functioning" of the Union.

Nevertheless, which exact objectives should be deriving from the parliaments of Europe and more specifically from the instruments of interparliamentary cooperation is still contested in many cases.

Here, at least three different "added values" of interparliamentary cooperation in the EU could be quickly envisaged. First, increase in the level of information and involvement of (still mainly) national public opinions. Second, oversight of the EU's "fragmented" Executive, which the instruments of interparliamentary cooperation should contribute to make more accountable. Third, building of the precondition for a greater presence of "political constitutionalism" in the EU.

The first objective seems to be the easiest to achieve, as the participation of national parliaments in the bodies and the processes of interparliamentary cooperation is in itself a way of involving national parliaments and, indirectly,

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[22] B. Rittberger, *Building Europe's Parliament: Democratic Representation beyond Nation-State* (Oxford, 2005), 181 ff.

[23] See, among others and with different arguments, P. L. Lindseth, *Power and Legitimacy: Reconciling Europe and the Nation-State* (Oxford: OUP, 2010); J. Habermas, "The Crisis of the European Union in the Light of a Constitutionalization of International Law", *The European Journal of International Law* 23 (2012): 335-348; K. Nïcolaidis, "European Democracy and Its Crisis", *Journal of Common Market Studies* 51 (2013): 351-369; R. Bellamy and S. Kröger, "Domestic the Democratic Deficit? The Role of National Parliaments and Parties in the EU's System of Governance", *Parliamentary Affairs* 67 (2014): 437.

public opinions in EU decision-making.[24] In this way, it becomes possible to attenuate the "democratic disconnect" of the EU,[25] bringing some national politics into EU policies (and, reciprocally, more EU policies into national politics).[26]

The second objective is probably the one that is now perceived as being the most urgent. In order to ensure forms of accountability of the "fragmented", and therefore extremely powerful, Executive of the EU,[27] both EP and national parliaments are not able to act alone: they need to "act together", in their functions of scrutiny, oversight and political direction, on a permanent and daily basis, first of all in their relations with "their" (EU and national) Executives. The aim is to avoid national Executives blaming EU institutions or other member states when they should instead bear their own political responsibilities (obviously, *pro quota*).

The third objective is undoubtedly the most ambitious and difficult to reach, especially in the short term. The premise is represented by the fact that the EU Constitution is the result of an elitist project and a legal construction, mainly thanks to the European Court of Justice (and some Constitutional Courts).[28] This was possible thanks to a "permissive consensus", now ended.[29] The failure of the Constitutional Treaty showed all the difficulties of a project that made an attempt to codify and counterbalance the domination of legal constitutionalism. In this context, interparliamentary cooperation could be

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[24] N. Lupo, "National parliaments in the European integration process: re-aligning politics and policies" in *Democracy and Subsidiarity the EU: National Parliaments, Regions and Civil Society in the Decision-Making Process*, ed. M. Cartabia, N. Lupo and A. Simoncini (Bologna: Il Mulino, 2013), 107-132; and C. Hefftler et al., eds., *The Palgrave Handbook of National Parliaments and the European Union* (Basingstoke: Palgrave MacMillan, 2015).

[25] Lindseth, *Power and Legitimacy*, 12 ff.

[26] Making use of the distinction operated by V. Schmidt, *Democracy in Europe: The EU and National Polities* (Oxford: OUP, 2006), 5.

[27] D. Curtin, *Executive Power of the European Union: Law, Practices, and the Living Constitution: Law, Practice, and Constitutionalism* (Oxford: OUP, 2009).

[28] Even of a "political messianism" according to some: J. H. H. Weiler, "Europe in crisis. On 'political messianism', 'legitimacy' and the 'rule of law'", *Singapore Journal of Legal Studies* (2012): 268.

[29] N. Scicluna, *European Union Constitutionalism in Crisis* (Abingdon: Routledge, 2015); and A. Glencross, "The absence of political constitutionalism in the EU: three models for enhancing constitutional agency", *Journal of European Public Policy* 21 (2014): 8, 1163-1180.

one of the means for having politics and politicians playing their constitutional role in designing and scrutinising EU policies.

If compared to the potential objectives just summarized above, it must be said that the most recent and significant experiences of interparliamentary cooperation, identified in the new interparliamentary conferences, are for the moment not offering all the expected added value to European democracy. The reasons for this partial result probably derive from the fact that their roles and internal working methods—still close to the traditional and ceremonial methods of parliamentary diplomacy—and, more fundamentally, their places in the EU institutional architecture, are still not well defined. The debate on the nature of European democracy and the respective roles of the European Parliament and national parliaments is still ongoing and has not yet reached a satisfactory conclusion.

This lack of a clear idea on what the role of parliaments in the EU should explain why there are still many disagreements on interparliamentary cooperation in the EU. There are conflicting approaches between the EP, on one side, and national parliaments, on the other, as well as among national parliaments as to the nature, scope, format, scheduling, organization, structure and final aim of the practice of interparliamentary cooperation. And, more fundamentally, as to the role of parliaments in the EU.[30]

This ambiguity also explains why the case for an involvement of national parliaments is often advanced both by the supporters of further and deeper European integration, in order to have it more democratically legitimized, and by Eurosceptics, keen to multiply (national) veto powers. The recent proposal to introduce a "green card", thanks also to the vagueness of the expression, collected a wide consensus both among Eurosceptics and the more integrationist national parliaments.[31]

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[30] See C. Fasone and N. Lupo, "Conclusion", in *Interparliamentary Cooperation in the Framework of a Euro-national Parliamentary System*, ed. N. Lupo and C. Fasone, cit., 347..

[31] C. Fasone and D. Fromage, "National parliaments and the EU Commission's agenda: limits and recent developments of a difficult partnership", in *Parliaments, public opinion and parliamentary elections in Europe*, ed. C. Fasone, D. Fromage and Z. Lefkofridi, EUI Max Weber Working Paper Series (2015); N. Lupo, "Iniziativa legislativa e ruolo dei parlamenti nazionali nel sistema istituzionale dell'Unione europea", in *L'iniziativa dei cittadini europei*, ed. R. Mastroianni and A. Maffeo (Napoli: Editoriale scientifica, 2015), 13.

V. CONCLUSION. IN WHICH MEASURE COULD THESE RESULTS BE EXTENDED TO NON-EUROPEAN FORMS OF INTERPARLIAMENTARY COOPERATION?

It is not easy to say whether the experience of interparliamentary cooperation in the EU could be extended and applied elsewhere, and whether the "added value" it is currently producing in Europe, albeit with many difficulties, could also potentially be created in other parts of the world. As has been remarked, the EU is the "world's most fertile site for interparliamentary cooperation".[32]

What has to be reaffirmed is the direct—both historical and theoretical, according to the doctrines of constitutionalism—connection between parliaments and democracy: a democracy able to work without a significant role of oversight, accountability and political direction conferred to some kind of directly elected parliament is still unconceivable. This explains why international regional organizations often have a parliamentary dimension in order to show a more democratic appearance and to soften the democratic problem, which derives from governments pooling a number of policies or delegating them to international bodies.

For the EU, taking into account the high level of integration achieved, the democratic problem is obviously more complex. Given the rather peculiar design of representative democracy in the EU, a directly elected parliament at European level is an important, and at the same time a distinctive feature, of the EU institutional architecture,[33] but it is not sufficient. At the same time, the EU experience shows that national parliaments alone, without any cooperation among themselves, cannot deal effectively with their Executives in such an integrated institutional system.

Up to a certain extent, the (democratic) problem looks the same, although of course solutions may and should differ, depending on the "nature of the beast": that is, of the international regional organization to which the democratic problem should apply.

This means that where no democratic problem occurs or where it is seen as a secondary issue, interparliamentary cooperation tends to move away from the ambitious objectives that have been assigned to it in the EU and closer to "political tourism", or in any case to an ancillary role in respect of classical

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[32] See Jančić, "Globalizing Representative Democracy", 201.

[33] According to Jančić, "Globalizing Representative Democracy", 211, the EP is "the most advanced transnational assembly in the world".

diplomatic instruments of relations between the states and their governments. Conversely, where a certain international organization and its members feel the need to gain some ground in terms of democratic legitimacy, the experience—as seen, still full of contradictions but however extremely rich in models and instruments—of interparliamentary cooperation in the EU could provide a useful point of reference.

Chapter Six

Reforming or "Retiring" Existing Institutions: An Asian Perspective

H. H. S. Viswanathan

Reforming global institutions has been a recurring theme since the advent of the globalisation process. Most of today's global institutions were created by the victors of the Second World War. The so-called "third world" or the "developing world" hardly had a say in the process since they were just coming out of colonial exploitation. The system seemed to work without much problem as long as the Cold War lasted. In the beginning of the 1990s the world saw a rigorous phase of globalisation which led to the emergence of new powers. They played the process of globalisation according to the rules set by the developed countries and still made a great success of it. Some of these emerging powers recorded phenomenal rates of growth. This, along with their demography and demand, made them important players in the global economic arena. With their economic rise, these countries expressed aspirations to play a greater role globally. That is where they found a problem. The existing order and institutions had a bias favouring the developed West hard-wired into the system. It was felt that unless the system was changed to reflect the new reality, the order would become unworkable soon.

FORUM SHOPPING

Lack or shortage of effective global fora leads to creation of new ones and that is why the concept of forum shopping has become a major activity. It is also accentuated by the fact that the world is seeing new kinds of challenges where groups of nations (not necessarily from the same region) feel that they have convergence of views on specific issues. Today, all the existing fora make what is often called an "alphabet soup". Traditionally groupings were formed on a regional basis like the EU, AU, SAARC, ASEAN, GCC etc.; there were also those based on ideologies like OECD and Comecon. Groups were formed also on the basis of commodities (OPEC, Coffee Exporters Club, Iron Exporters

Club etc.) or technologies like NSG, MTCR, Wassenar Arrangement or the Australia group. We have also seen groupings on the basis of religion like the OIC or languages like the Commonwealth or the Francophonie. What are new are issue-based groupings like BRICS, IBSA and BASIC. Here, countries not contiguous or similar in the traditional framework form informal groupings to address issues of common concern. The world today looks like a web of Venn diagrams of these groupings of which countries are members in a criss-cross fashion. Each of these groups has a role to perform in the governance of certain regional or global issues. Some analysts feel that this is the way of a future globalised world and such groupings will add to the multi-plurality or the poly-centricity of the world order.

Before going into the new groupings and institutions, let us look at traditional mechanisms like regionalism and multilateralism. Even they are going through modifications as a result of globalisation. Some scholars have coined terms like *Regionalism 2.0* and *Multilateralism 2.0*. What do these terms mean? These terms signify the fact that the concepts of regionalism and multilateralism have evolved with changing times. The process of globalisation has contributed to the changing concepts. As a result, there is an evolution in the way these mechanisms function today. Björn Hettne identifies five differences between Regionalism 1.0 and Regionalism 2.0:

- The old one was in a bipolar context and the new one is in a multipolar world.
- The old one had a top-down approach while the new one has a bottom-up approach.
- The old one was inward looking and protectionist while the new one at least tries to be open and compatible with an interdependent global economy.
- The old had separate objectives in spheres like economy, security etc., whereas the new one is a more comprehensive and multi-dimensional process.
- The old was concerned only with nation-states while the new one includes non-state actors, institutions and movements.[1]

[1] Björn Hettne, "The New Regionalism: Security and Development", in *Regional Integration and Multilateral Cooperation in the Global Economy* (1998).

Similarly, in Multilateralism 2.0, there are some striking features thanks to the increase in the number of new players. Under Multilateralism 2.0, state sovereignty is being diluted in many ways. Regional organisations, sub-national entities and supra-national institutions are playing increasing roles. For example, since 1974, the EU has been an Observer at the UNGA. On May 3, 2011, the UNGA upgraded the EU's status by giving it speaking rights. If other regional organisations also go in the same direction how will it impact on the sacred principle of one country-one vote? At the same time the reality of the importance of Westphalian states cannot be ignored. Multilateral negotiations will continue to be dominated by sovereign states for at least some time into the future.

ASIAN PERSPECTIVE

I have been asked to speak on the Asian perspective about "retiring" or "reforming" existing institutions. The first question that comes up is whether such an Asian perspective exists. Unlike most of the other continents like Europe, Africa, North or South America, Asia, the biggest continent, is too diverse. Hence, on many issues there is no unified Asian view. Historical reasons contributed greatly to this. To begin with, there is not even an agreed definition of Asia except in the geographical sense. People define Asia depending on the prism through which they perceive Asia, namely, economic, strategic or cultural. Asia literally should begin at the Suez Canal and stretch up to the Sea of Japan. But many experts restrict the space to the "Asia-Pacific Region". Nowadays, the other term, namely, "Indo-Pacific", is also used liberally. Some see it as identical with the East Asia Summit (EAS), namely, ASEAN, the six dialogue partners and the two Pacific powers (US and Russia).

Why is an Asian perspective important? It is because of the rise of Asia in economic and strategic terms. It is widely recognised that in the last two decades the economic centre of gravity of the world has shifted to Asia. Strategically, Asia has some of the major powers of the world—China, Japan, Russia, India, Indonesia, Iran etc. It has six countries with nuclear weapons: Russia, China, North Korea, India, Pakistan and Israel.

It is in this context that talk of an Asian 21st century becomes relevant. Such talk actually came up in the beginning of the 20th century after the Russo-Japanese war when a small Japanese fleet annihilated much of the Russian navy in May 1905 in the narrow waters of the Tsushima Strait. This

was considered a game changer in history. For the first time since the middle ages, a non-European country was able to vanquish a European power in a major war. Later, leaders like Pandit Nehru and Sun Yat Sen, and intellectuals like Rabindra Nath Tagore and Liang Qichao, had a vision of a new Asia getting back to its past glory. After all, before the industrial revolution, India and China together contributed more than 50% of the global GDP. Did Asia live up to this vision in the 20th century? Not fully, because most of them had just gotten out of colonial oppression and were struggling to find their feet as independent sovereign nations. The term *Asian Century* came up again in the late 1980s. It is actually attributed to the 1988 meeting between the Indian PM Rajiv Gandhi and the Chinese leader Deng Xiaoping. The construct was based on the assumption that the 19th century belonged to Europe, the 20th to the US and that the time had come for Asia to take its rightful place.

While there are many positive factors for realising an Asian Century, like demography, phenomenal economic rise, growing significance of SLOCs in the Indo-Pacific region, progress in science and technology etc., there are also significant challenges. The positive factors do not mean that the Asian Century is pre-ordained. Some of these are the growing inequality within countries, infrastructure deficit, non-sustainable models of growth, deteriorating environmental conditions and terrorism. These are basically intra-state issues and most Asian countries are addressing them individually and collectively. The other major concerns are of an inter-state nature, i.e., the tensions between various Asian powers. There are significant territorial and maritime disputes. There is competition and sometimes even rivalry for resources and control of SLOCs. While addressing these issues, one cannot escape the question of the rise of China in the last two decades, which has changed the paradigm. Lack of a unified perspective on many global issues arises out of the tensions within Asia. Let us take security for example. Even after decades of discussions, a credible asian security architecture is not in sight. There is, of course, limited cooperation on specific issues like counter-terrorism, anti-piracy and anti-drug trafficking. But an overarching security architecture for the continent is still a dream. The existing models do not seem to be relevant to the Asian context. The standard models that strategists talk about are: collective security, a hegemonic system, a balance of power system, a concert of powers system, a condominium of powers or a hierarchy of powers.[2] None of

[2] David Shambaugh, "The evolving security order in Asia: Implications for US-India Relations" (2009).

these can be applied blindly in the Asian context. The system of collective security works best when there is a common external enemy and that does not exist for Asia. Other ideas like a hegemonic system, or a balance of power arrangement, or a concert of powers, or a condominium of two powers, will not work in Asia because of the nature of the distribution of power in the continent. Asia will have to invent a new concept. In this context, it is also useful to remember that the US will continue to play a major role, if not the pre-eminent role, in Asian security for years to come. This is reinforced by the concept of the US pivot to Asia being talked about for the last two years.

The above notwithstanding, one can confidently say that on many global issues, Asian nations have similarity, if not convergence of views. These are more pronounced in the sectors of global order and global governance. Even if one cannot call it a fully Asian perspective, it can be called a "non-western" perspective. This is because of some obvious reasons, which are:

- History of colonial exploitation.
- The current global order was established by the victors of the Second World War and the developing countries had no role in shaping it.
- The process of globalisation has changed the world and many erstwhile developing countries have emerged as successful economies.
- The emergent powers feel that their global role is not commensurate with their economic power.
- Most of the countries are not interested in overthrowing the current order.
- What is sought is an overhaul and reform of the current order and institutions.

Across Asia, the countries are more or less agreed on the above broad principles. The problem arises when one looks at the specifics, particularly what is the exact alternative. The emergent economies of Asia have benefited considerably from the current global order and hence would like to retain many of its elements. Their interest is in getting a greater voice in global governance and a greater role in setting the agenda. The Asian countries, along with other developing and emerging economies, want to bring new narratives to the table which give priority to sustainable development.

GLOBAL ORDER

Before we talk of either "retiring" or "reforming" existing institutions, we have to look at the existing global order. This is important because institutions are created to sustain the order. Does the current global order represent today's geo-political and geo-economic reality? Does it contribute positively to managing global governance? Is there sufficient satisfaction among the various countries on the global order? Is there a feeling that the current order is in favour of the developed countries and the system works against the developing world? These questions are important because for any order to be successful it has to fair and equitable and it should also be seen to be fair and equitable.

Ian Bremmer points out that "the world has entered a phase of geo-political creative destruction." Both the post-Second World War and the post-Cold War orders have become irrelevant. Dmitri Trenin rightly says that the "life expectancy of world orders varies, but like humans, they are mortals." History shows that many orders were changed by conflicts and wars. This time around, however, one hopes that change will be peaceful. It has to be peaceful because in an interdependent globalised world, violent changes of orders are impractical.

Debates on change of order, even if it is peaceful, give the established powers cause for worry. This is mainly due to the fear of the unknown. Many confuse lack of changes in an established order with stability. This is an erroneous perspective. A successful order has to be flexible to accommodate changes in circumstances. As Volker Perthes says, "orders collapse when active stakeholders feel excluded".

Orders are based on three fundamental principles, namely values, norms and rules. All three need great attention and to be in the right sequence. It goes without saying that the best way to decide these is through a genuine multilateral process. For an order to be effective, all participants should have a feeling of commitment and loyalty.

When existing orders do not provide for effective mechanisms to address issues, new arrangements are created which may not be the optimum solution. In some cases the new arrangements tend to aggravate the problems. The proliferation of Free Trade Areas (FTAs) in the recent past is a direct consequence of the failure of the global community to create a viable rule-based global trading system.

There is considerable debate today on the question of burden sharing. After the Second World War and till the end of the Cold War much of the

burden of maintaining the global order was shared by the developed Western countries led by the US. Now, there is a demand by them that emergent and emerging economies have to share the burden. The demand, sometimes, is articulated in ways which suggest that such burden-sharing is a pre-condition for leadership-sharing. This is the basic contradiction. The emerging powers have no intention to share burdens if it is to promote the exiting order. They prefer to have leadership-sharing first before committing to greater burden-sharing. What they demand is a role in agenda-setting.

GLOBAL INSTITUTIONS

That brings us to the question of global institutions. These are basically mechanisms to sustain the global order. Institutions can only be as good and effective as the three pillars on which they stand, namely, values, norms and rules. Institutions should also have a fine balance between legitimacy and efficiency. One often hears the argument that in order to be effective, institutions should be small in size so that decision-making and execution are easier. Votaries of this theory argue that even the G20 is too big. Such arguments go against the pillar of legitimacy, which is vital for the survival of an institution. Efficiency without legitimacy will eventually lead to the unravelling of the organisation and legitimacy without efficiency will make it ineffective. The ideal situation would be what Dr. Langenhove calls the "three balances", namely balance of power, balance of responsibilities and balance of representation.[3] By this definition, the G20 stands out as more perfect than most other institutions because these 20 countries contribute to 85 percent of the global GDP.

Let me move from generalities and take the example of three global institutions which stand out as being totally anachronistic in today's world. These are: the IMF, the World Bank, and the United Nations Security Council (UNSC). The first two, generally referred to as the Bretton Woods institutions, were the creation of the Western developed countries soon after the Second World War. Even if one argues that they were the best options at that time, the reality of toady is different. The dominant economic powers then are no longer dominant. Some of the emerging economies have overtaken

[3] Luke Van Langenhove, "Multilateralism 2.0: the transformation of International relations" (2011).

many of the erstwhile developed economies. However, the voting structures, decision-making procedures and selection processes of the heads of these institutions have not changed, leading to a great anomaly. For example: an emerging economies grouping like BRICS has a combined vote share of 11% in the IMF even though they contribute 25% of the global GDP in nominal terms and 32% in PPP terms. The collective share of BRICS in the World Bank is a mere 14%. This institution was created mainly to address the development issues of the developing countries and yet they do not have a collective voting share of 50% in the Bank.

What has been the outcome of these anomalies? The BRICS countries have created two new institutions—the New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA). Both are conceived as additional facilities to the World Bank and IMF respectively and the approach is not one of confrontation. The NDB has been a direct consequence of the lack of adequate financial resources from the World Bank and other multilateral development banks for infrastructure projects in the developing world. The idea is to recycle the large savings in the emerging economies for their benefit as well as the benefit of other developing countries.

The larger political message of the creation of these institutions should not be missed. This is the first time in the last 200 years that a global institution has been created without the participation of the "developed West". This happened because the existing institutions refused to change with the changing circumstances. Many see this as a wake-up call for other such outdated institutions. It could be argued that had the IMF and World Bank reformed themselves over time, there may not have been the need for the NDB and CRA.

The other institution which looks out of sync with the current global reality is the UNSC. The logic behind the UNSC structure of the 1940s is well accepted. But today's reality is different. Unless it is made more inclusive and representative, the UNSC will steadily lose its credibility and influence.

In the early 1990s, the desire to reform the UN in general and to expand the UNSC in particular led to some positive developments. An open-ended Working Group was formed to go into the issue. Unfortunately, there has been no progress on the subject despite the fact that most developing countries are agreed in principle that an expansion is necessary. The process has also been bogged down by procedural questions like whether it should be a text-based approach or a consensus-based approach.

There are also some other institutions that need to be reformed on an urgent basis. One of them is the mechanism to determine global taxation policies. This issue came up prominently in the Financing for Development Conference (FFD) in Addis Ababa in July 2015. It is worth noting that the lost revenue for developing financing purposes in developing countries is estimated at over US$300 billion annually. This dwarfs the total ODA financing for 2013, which stood at US$135 billion.[4] This problem is referred to as "Base Erosion and Profit Shifting", or BEPS, resorted to by the multinational corporations. Even though there are discussions on this, the tragedy is that the parties most affected are kept out of the negotiations. The Addis Ababa Conference once again exposed the inequities present in the decision-making process. The India-led initiative to upgrade the UN tax committee to an intergovernmental tax body yielded only symbolic gains with the rallying together of the G77 when the developed countries blocked such efforts and instead argued that the OECD was to take the lead on the issue. This would mean that over 100 developing countries which bear the brunt of the problem are excluded from the decision-making processes on global tax standards.[5] Equity demands that this situation has to change urgently.

Another institution which needs reforms is the International Energy Agency (IEA), which is a creation of the OECD in the wake of the 1973 oil crisis. The major discourses on energy-related issues take place in this forum. But the developing countries which are major consumers of energy are excluded. India, China and Russia have been associated in some way, but in principle, decisions are taken by the OECD countries. A critical sector like energy has to see more equitable representation in bodies like the IEA.

Internet governance also needs a fresh look and modifications. It is also very timely to discuss this since the mechanism for Internet governance, namely ICAAN (Internet Corporation for Assigned Names and Numbers), is likely to be changed soon. It has generated considerable debate. It is universally accepted that cyberspace has to be recognised as a global commons. In the years to come, the maximum Internet penetration will be in the emerging economies and developing countries. India has recently nuanced its position on the issue. From a very strong multilateral approach of the past, India is now ready to accept a multi-stakeholder route, taking into account the special

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[4] Samir Saran, "The urgent need to focus on the right to life as we move to the SDGs" (2015).

[5] Ibid.

nature of the Internet. In an important address to the ICAAN gathering in Buenos Aires recently, the Indian Minister for Communications and information Technology, Ravi Shankar Prasad, stated that "the internet must remain plural, [and] must be managed through a multilateral and multi-stakeholder system". He added that "its strength will be in partnerships between like-minded nations and stake-holders, built on a platform which supports and will sustain a future of equity and innovation and collaboration and inclusion". What India wants is a system that is more plural, equitable, geographically representative and democratic.[6] Most countries interested in this issue would be more or less on the same page.

CONCLUSION

Many of the global institutions established after the Second World War have out-lived their utility and have become out-dated. One has to acknowledge that it is a very different world today. Hence, if these institutions are to remain relevant, they have to be reformed. Some of them may even have to be retired. In all this, the developed West should not see it as a confrontation. It would be counter-productive to take a "West versus the Rest" approach. The reality of today is that the West needs the Rest. Hence, we need a collaborative and inclusive approach.

On the question of "retiring" or "reforming" existing institutions, what are the options available to the developing countries in Asia and elsewhere? The evolution and strategies of groupings like BRICS give some indications. There can be four broad options:

1. Conform: i.e., countries may be prepared to go along with those institutions which are fair and equitable.

2. Reform: try and change the rules of the game and make the institutions more inclusive and representational. The efforts of the emerging powers in the G20 to reform the IMF and World Bank are examples of this. A beginning was made in the 2010 G20 Summit in Seoul, but further progress has been stalled because of opposition by the US Congress.

[6] Samir Saran and Mahima Kaul, "The 'I' in the Internet must also stand for India" (2015).

3. Bypass: countries could ignore those institutions which are heavily loaded against their interests provided that this does not violate recognised international law.

4. Recreate: establish new institutions with new ideas and new visions. The NDB and CRA by BRICS are examples of this. With new global challenges emerging which are beyond the capacities of the existing institutions to tackle, the only viable option would be to create new ones.

There have also been some creative ideas that have come up to deal with international organisations, particularly those that may be created in future. These give flexibility to the institutions. One idea is to have a fixed term for the institution (say 30 years) and then wind it up. Another way would be to have a sunset clause, i.e., review the relevance of the institution after 30 years. There can also be a continuous review process built into the institution. Yet another method would be to have an escape clause, allowing members to leave after a fixed term if they so desire. Whichever may be the route followed, the fundamental question has to be the continued relevance of the institution.

Chapter Seven

The Transformation of International Publicness

Ole Jacob Sending

INTRODUCTION

Over the last two decades, we have seen that non-state actors have become increasingly important in the making and implementation of transnational and international policy. We know quite a lot about these non-state actors' operations and modes of influence. We know that both advocacy or expert networks (Keck and Sikkink 1998; Sending 2015), firms (Florini 2003) or humanitarian NGOs (Krause 2014), can be influential in both shaping states' policy preferences and also—sometimes—bypassing states to establish regulatory mechanisms and soft laws where state actors are not dominant. A central vehicle for the influence of these actors has been international organizations (IOs): Non-state actors typically target IOs when they seek to influence policy outcomes, and they lobby states through negotiation processes that are organized by IOs. But while we know quite a lot about how non-state actors have shaped the role and functioning of states, we know much less about how they have shaped the role and functioning of IOs themselves. In this chapter, I provide a brief overview of the changing role and functioning of IOs and link this to the proliferation of non-state actors in global governance. I first offer a historical overview of the birth of IOs, and emphasize that IOs have historically been considered as *public* institutions. I then chart the proliferation of non-state actors, and link this to the reduction of core funding of IOs and to the introduction of norms of effectiveness and accountability as key parameters of IO governance. I move on to discuss whether IOs can be seen as public when they have limited core funding and are forced to compete with other IOs and non-state actors for funding. I conclude that IOs are not public in the conventional sense, which raises questions about the grounds on which IOs are legitimated.

THE BIRTH OF AN INTERNATIONAL PUBLIC ORGANIZATION

The history of formal international organizations stretches back to the 19th century. The earliest examples are found in the fields of health and postal cooperation, based on technical coordination and standardization. The 20th century-version of IOs was first expressed in the League of Nations, established in 1919. During the Paris peace conference, state leaders committed to establishing an international organization with a permanent secretariat (first in London, then in Geneva). While the League was not able to prevent another world war, it did establish the template for what later became the United Nations, and so it is important to appreciate how it shaped future IOs, notably the United Nations. Different models for the League were up for discussion at the Paris negotiations. The "conference secretariat" model was a minimalist one, and was envisaged to facilitate and coordinate regular meetings between states—much like today's G20 Secretariat. There was also what we can call a functionalist model, where different line ministries (finance, transportation, health etc.) would meet at regular intervals to coordinate their activity and seek integration on the basis of shared knowledge. There was, finally, what we can call a public, bureaucratic model, where the League would have a permanent secretariat, staffed with civil servants, modelled on national bureaucratic organizations. It was the latter of these that prevailed (Dubin 1983). The first Secretary-General of the League (Sir Eric Drummond) pushed for this latter model and was instrumental in establishing the idea of the "international civil servant". The remuneration and contracts of these international civil servants were of some interest at the time, since this was a new type of professional (Sending 2013). The so-called Noblemaire Committee established, for example, that international civil servants should be paid "favourably" compared to the highest paid national civil servants (at the time, British). Higher pay and life-long contracts were intended to secure these civil servants' commitment and loyalty to the "international" cause (Sending 2015). Although the League Secretariat was shot through with national appointments, placed there to report to their respective governments about other countries' strategies, the idea of an international civil servant with a primary loyalty to the international, not the national, was important. It was so because it helped shape the bureaucratic culture of the League Secretariat, and also—in time—the Bretton Woods institutions established after World War II. This bureaucratic culture was premised—often counter-factually—on the idea that these international organizations were "public" institutions, set to codify, manage, and

also advance the general or universal interest, as expressed in member states' agreements and (public) international law.

PUBLICNESS OF THE UN AND BRETTON WOODS INSTITUTIONS

The United Nations, the International Monetary Fund, and the International Bank for Reconstruction and Development (today part of the World Bank) were all established in the aftermath of World War II, with distinct mandates, sectoral focus, and governing structures. Nonetheless, they were all premised on the same basic idea that these institutions were to be public in order to function properly and deliver what member states had delegated to them. They were designed to portray an image of universality—that they were "of" and "for" all states—even though all of them were significantly shaped by great power privileges (voting rights at the IMF and the World Bank, and veto power at the UN Security Council). Beyond universality, three dimensions of the publicness of these institutions are of interest. First, the staff of these institutions were selected on the basis of merit, not nationality. While there was to be a certain geographical balance (mostly at the UN), the key criteria for selecting staff was competence. This competence was what would secure trust in civil servants acting through agreed-upon rules and in an impartial way. All organizations borrowed from the League of Nations the key principles from the Noblemaire committee, which specified the regulations for international civil servants. Second, these institutions were based on some level of accountability between states, anchored in the decision-making procedures and rules of these institutions. There were—however minimal—mechanisms to allow all member states some influence over the contents of the rules they would be subject to. Third, all organizations were vested with a level of capacity to act through formal procedures and—notably—through funding from member states. All these IOs had a core or regular budget that allowed their secretariats some autonomy from the direct influence of the purse of member states. This point should not, of course, be overstated. Rich countries—particularly at the World Bank and the IMF—had also formally a larger say in the priorities and operations of these organizations. But this influence was never complete, and by virtue of delegating a level of autonomy to the secretariat or bureaucracy of these organizations, these organizations retained at least the image or idea of publicness—acting on and implementing agreed-upon policy with some scope for judgment and initiative vis-à-vis member states.

When the UN system grew to include development work during the process of de-colonization, with the establishment of UNDP and UNICEF and others, the same principles applied there, with publicness at the heart of their organizational raison d'etre. Such was the case for a considerable period. In ideal typical terms, we may say that the contents of development aid and other forms of assistance were set by states, who gave IOs money to do the job. There was certainly politicization and ideological competition during the Cold War, and bilateral aid was a central part of states' foreign policies. But the infrastructure for "international" assistance was that of more or less public international organizations. Importantly, the publicness of these institutions were grounded in a broader set of legitimating claims about the "need" for international cooperation and governance. As Scharpf (1999) has noted, modern societies are organized around legitimacy claims that pertains to institutions or institutional spheres. And after WWII, an *international* institutional sphere emerged that rested on legitimating claims that held that international cooperation, even international *governance* by and through IOs, was beneficial. Because states rather than citizens are members of IOs, they have always rested more on so-called "output" than "input" legitimacy. The latter refers to responsiveness and accountability. The former refers to effective or good policy responses to what are perceived to be "common" or shared problems (Ibid.). Both input and output legitimacy have been central for the role and functioning of IOs, but their publicness rest crucially on some element of input legitimacy or accountability between those making the rules and those affected by these rules. As we shall see, however, the legitimacy of IOs *qua* public institutions has arguably been transformed, if not undermined, over the last two decades.

PUBLICNESS AND COMPETITION: ARE IOS LESS PUBLIC THAN IN THE PAST?

While there is by now a broad literature on the role of private and public actors in global governance, there is little reflection on what is meant by the term *public* in this literature. For most analysts, it seems that "public" is simply that which is not "private." But this distinction does not hold, for the difference between public and private that we regularly use at the domestic level changes once we enter the international realm (Eriksen and Sending 2013). For this reason, it makes sense to speak of degrees of publicness, which may

vary over time, depending on the role and functioning of each IO. Over the course of the 1990s, two things happened that transformed both the role and functioning of IOs. The two trends were inter-related. One concerns changes in how states funded IOs. The other concerns the range of non-state actors that emerged as much more important, or at least much more visible, in the making and implementation of international policy. I discuss each trend in turn, before I discuss their implications.

Changes in funding

Important changes took place within both the field of development and in humanitarian relief, where donors started to push for more accountability from IOs about how money was spent and to what effect. This latter development had in part its roots in the push to establish so-called "evidence-based policy-making," but it was also precipitated by scepticism among core constituencies within large donor countries, such as the US and the UK. Donors became less willing to simply trust the bureaucratic machinery to set operational priorities and to manage funds within broad parameters set by member states. This resulted in a decline in core funding relative to so-called supplementary or non-core funds.

Between 1996 and 2003, for example, there was no growth in "core funding" yet close to a doubling of "supplemental funding" for UN funds and agencies. By 2003, non-core funding was twice the size of core funding (UN 2005: 9-11). A more recent report noted that this trend continued to at least 2010: "In 2010, core financing only made up 30 per cent of contributions compared to 63 per cent in 1995, and the absolute volume of core financing is expected to drop in 2011" (Mahn 2012: 2). Of importance here is to see what is at stake in this reduction in core funding over time: Core funding is funding that an IO receives and over which it has considerable discretion to use to advance the goals set by its Executive Board (states) and the management of the organization. Supplemental, voluntary or non-core funding is typically "tied" in that a state chooses to channel funds through an IO for a very specific purpose (Seabrooke and Sending 2014). The money is given on the condition that it is used to support a particular country or a particular topic. With non-core or supplementary funds, IOs become more of an implementing agency for a particular state's policy agenda.

It is useful here to consider a hypothetical: if the Ministry of Health in a country would have a third of their funding from the state budget, and

two-thirds from voluntary contributions from private citizens, firms, or voluntary associations, and these voluntary contributions would be tied to specific projects determined by the donor, we would no longer consider it a proper public institution. We would not consider it public because some private actor would then be in a position to pick which projects should be funded, in which areas, for what purpose etc., and the Ministry of Health would have trouble claiming that they represented and acted on behalf of all citizens in an impartial way within parameters set by political leaders or representatives. This is, in effect, the situation of many of today's IOs.

Changes in the environment

Parallel, but not unrelated, to this trend in funding was the proliferation of non-state actors. The global conferences under the auspices of the UN in the 1990s were here important: the 1992 Rio conference on the environment, the 1994 Cairo conference on population and development, and the 1995 Beijing conference on women. These were all mega-events that attracted and mobilized a broad array of non-governmental organizations that subsequently became important in opening up IOs—and in particular the UN's funds and programmes—to more regular influence by NGOs. Moreover, NGOs arguably had a level of success with a range of advocacy campaigns on, inter alia, anti-personnel landmines, cluster munitions, and the formation of the International Criminal Court (Price 2003). At the same time, development and humanitarian NGOs grew larger in size and budget, with organizations like Oxfam and others becoming significant operational actors in their own right. For sure, many of these organizations—like World Vision—followed in the missionary tradition that predated the formation of IOs. But the scale of the operations of these NGOs were significant for the operating environment and work modes of IOs themselves.

Crucially, NGOs—and firms—have increasingly emerged not only as supplements and collaborators, but also as competitors with IOs. This is intimately related to the trends described above, where IOs—qua public and "bureaucratic"—have increasingly been regarded as inefficient and unaccountable. Public-private partnerships, such as GAVI, are regarded as effective and able to deliver measurable results, whereas organizations such as the WHO are perceived as ineffective. Moreover, IOs typically rely on firms and NGOs to implement projects, and issue legal tenders that firms and NGOs have

become skilled at winning. As a result, IOs operate in a much more symbiotic relationship with non-state actors than before (Seabrooke and Sending 2015).

Implications

We can observe that IOs—especially the UN's funds and programmes—are no longer primarily funded through core funding. We also see that a range of non-state actors have emerged as relatively more important, and these partly cooperate with, partly compete with IOs for visibility, project funding, and impact. If we consider these two trends together, the publicness of IOs seems to be faltering. Or rather, what seems to be faltering is the publicness of "international" governance, or global governance: IOs are no longer the only institutions through which states join forces and act together in the name of an international "public." There is more competition between IOs and other actors, and less core funding for IOs to act in the name of the totality of states.

This is quite different from the UN and Bretton Woods institutions of the post-WWII era: The unrivalled position of these IOs secured them a high degree of legitimacy as representatives of the "international." Now, IOs are no longer unrivalled representatives of the international. Many human rights and humanitarian NGOs claim to speak on behalf of groups that cannot speak for themselves, and mobilize this to have a say in what, exactly, "international" governance should be. The question then becomes whether the goods/services provided—such as peacekeeping, development aid, election monitoring etc.—are less "public" now *because* they are no longer provided by IOs qua public institutions.

To answer this question, we need to return to the distinction between output and input legitimacy (Scharpf 1999). Clearly, the capacity to deliver development assistance, peacekeeping, humanitarian relief etc. has vastly increased over time. This increased capacity is to a considerable degree provided by non-state actors, funded by states, by IO themselves, and by philanthropic institutions. As such, if we adopt an "output" view of legitimacy, the publicness of international governance is secured to the degree that the solutions provided by a variety of actors to address "common" problems are perceived as adequate and effective. If, however, we adopt an "input" view of legitimacy, the question of accountability and responsiveness to those that are affected by the operations of IOs and others comes into play. On this dimension, IOs are less "public" in the sense that their operations are funded mainly from voluntary contributions, which are typically tied to specific interests. Moreover,

the question of what constitutes a "good" solution to a problem, or what is considered to be in the general—"public"—interest is not so much decided jointly by states within IOs, but by a broader array of actors who claim to speak for such general or public interest.

CONCLUSION

International work used to be "special"—performed by and through IOs considered as public entities. International work is now normalized, in part through the success of these IOs in providing particular types of services or goods to states, goods and services that have been valued. But precisely because of this normalization of acting internationally and transnationally, IOs have arguably become less important in relative terms because other actors have entered the fray. This also means, however, that IOs are arguably also less important as *arenas* for states to meet and negotiate and engage in joint problem-solving. The emergence of ad hoc arrangements and of "club"-like mechanisms for inter-state negotiations—the G20 and others—is a case in point. This point should certainly not be overstated, however. The UN Security Council is still the most important international decision-making body. Moreover, climate negotiations and the formulation of new development and sustainability goals are taking place under the auspices of the UN. But there is nonetheless a sense in which states approach and perceive of IOs not as public—as the naturalized venue for negotiation and joint action between states—but rather as one among a variety of actors that can and should be mobilized to act in the name of a larger collective.

States have always approached IOs as instruments or tools: For stronger states, the UN and the World Bank have always been in part considered "tools" to advance particular interests (Andersen et al. 2006). But both the competition from other actors and, perhaps more importantly, the reduction in core funding make the IOs of today one among many actors or arenas through which to act. This fragments the infrastructure for international governance. In this context, it is no coincidence that international legal scholars have for some time discussed the implications of the increasing "fragmentation" of international public law. The International Law Commission (ILC) delivered a report on this in 2006, where it noted:

> The fragmentation of the international social world has attained legal significance especially as it has been accompanied by the emergence of

> specialized and (relatively) autonomous rules or rule-complexes, legal institutions and spheres of legal practice. What once appeared to be governed by "general international law" has become the field of operation for such specialist systems as "trade law", "human rights law", "environmental law", "law of the sea", "European law" and even such exotic and highly specialized knowledges as "investment law" or "international refugee law" etc. - each possessing their own principles and institutions. … The result is conflicts between rules or rule-systems, deviating institutional practices and, possibly, the loss of an overall perspective on the law. (ILC 2006: 11)

This international legal perspective is instructive, since it brings out how international *legal* regimes have co-evolved with the fragmentation of the international *institutional* order that I have tried to describe above. Although international law is characterized in part by the lack of a global legislative assembly, the idea that modern international law is *public* law has been of central importance (Koskenniemi 2001). Ultimately, this raises the question of how to assess and to navigate the pros and cons of an international institutional order that is more fragmented, less public, yet have more capacity to govern.

What we may have here is a case where the claim to legitimacy of IOs rested on the institutional trust in states, and where the publicness of states was transferred to IOs because their creators were public. But then at least two things happened: Globalization increased the societal interface between the citizens of ever more countries. This allowed for transnational mobilization and advocacy around particular political projects, whether on climate change, human rights, or gender. As viewed from the transnational networks and NGOs that spearheaded this development, IOs should open up, be more flexible, and become more effective. At the same time, and partly as a result of this development, the track record of IOs could be challenged on grounds of ineffectiveness, which in turn prompted states to reduce IOs' core funding. Taken together, this has meant that "international" work is no longer public in the way that it was when it was principally performed by IOs. Rather, "international" work is now more fragmented and open, where "input" legitimacy stems both from IOs as representatives of states, and from NGOs as self-proclaimed representatives of citizens or constituencies. This has also meant that "output" legitimacy has become comparatively more important as an evaluative criterion for where and what to invest in.

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Chapter Eight

Forum Shopping and the Rise of Informal Intergovernmental Institutions

Michael Reiterer

The Oxford Martin Commission for Future Generations developed long-term concepts to meet the most pressing challenges facing today's and tomorrow's generations. It holds the view that innovative, open and reinvigorated institutions play an important role "to advance the interests of future generations and promote resilience, inclusiveness and sustainability". In order to ensure that institutions remain fit to accomplish these tasks and remain equipped with the necessary tools and procedures, sunset clauses should be incorporated into publicly funded international institutions "to ensure regular review of accomplishments and mandates".[1]

Sunset and escape clauses are part of the toolbox to design international organisations, which also includes fixed duration, opt-out clauses and built-in amendment or re-negotiation clauses. While escape clauses set a price to legally free oneself of obligations taken, sunset clauses fix a date for re-negotiations with an open result, e.g., the institution can be terminated or prolonged, either with the same or a changed mandate. Termination may occur because of the goal fulfilled or because of failure to do so. In such a case the resources freed can be reassigned to another more productive use.

The need for flexibility-enhancing mechanisms reflects the quickly changing political environment; at the same time, flexibility "acts as a sort of insurance policy where rational states can guard again future unintended or inequitable outcomes of the agreement"[2].

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[1] "Now for the Long Term, The Report of the Oxford Martin Commission for Future Generations". October 2013. http://www.oxfordmartin.ox.ac.uk/downloads/commission/Oxford_Martin_Now_for_the_Long_Term.pdf.

[2] Jonathan W Kuyper (2013). "Designing institutions for global democracy: flexibility through escape clauses and sunset provisions", *Ethics and Global Politics*, vol. 6, no. 4; p. 199.

Actors move up or down the ladder of influence; new actors enter the scene requiring change and thereby creating its own dynamic: the G7 enlarged to the G8 and was reduced to the G7 again, while on the global level the G20 was thought to replace it altogether. A larger number of stakeholders necessitates changes in the working and decision-making methods. In addition the nature of the stakeholders may change: Whereas the international political systems used to rely on state actors, it has now to deal with various non-state actors, whether international organisations, regions, enterprises, NGOs or other civil society representatives. The so-called Islamic State poses a particular challenge, not least in terms of the application of the law of war and international humanitarian law.

China was frustrated with the slowness of change of the Bretton Woods institutions, with agreed adaptations remaining blocked in the US Congress. Therefore it challenged the system in setting up the Asia Infrastructure Investment Bank (AIIB), in addition to or soon in competition with the Asia Development Bank (ADB). The New Development Bank by the BRICS countries was founded for similar motivations. A sunset clause could be helpful in adapting the UN Security Council, which reflects the situation after WWII but no longer the situation of the 21st century.

The need for change is not only caused by new actors but also by new tasks to be taken on: climate change, cyber security and the management of outer space are just a few examples. Another driver for change is the social environment: the hyper-connectivity of some parts of the world, including through new social media, leads to a globalisation demanding adaptations at all levels of governance.

New institutions enter into competition with others in terms of influence and funding. Often the result is a parallel existence of resembling institutions on various levels (regional, global) with overlapping mandates and double memberships. This can cause a loss of focus and efficiency which can lead to a life in the shadow of power and influence, maintained by the vested interests of those running or hosting the institutions.

A sunset clause offers an honourable exit strategy either way, e.g., in providing a process for adaptation and modernisation or dissolution without losing face for those stakeholders involved. A great number of institutions and processes running in parallel also increase the democratic deficit of international institutions: larger or well-endowed states are in a far better position to participate in a great number of meetings or institutions compared to smaller

or poorer/developing states; the latter may also lack the expertise to participate in many meetings effectively.

Flexibility clauses, whatever their nature, can be an incentive for concluding agreements as they offer a correctional tool: a short time horizon allows a more accurate evaluation of costs involved compared to a long or undetermined time horizon. Opt-out clauses offer the possibility to participate in the initial and learning phase with the possibility to draw lessons, e.g., leave the agreement because of too-high costs, expectations not-met or the build-up of unanticipated problems and costs. At the same time, too much of flexibility may endanger the realisation of the goal set. On a definite time line, towards the end, larger costs or concessions to realise the goal will no longer be shouldered or made. Thus, the right policy-mix between flexibility and staying-power is crucial.

Given the nature of global problems there is a growing need for interconnected network diplomacy—parallelism of institutions and processes and life support for inefficient entities is a luxury to be eliminated for the sake of efficiency, transparency and accountability[3]. To this end, sunset clauses can serve as a useful tool for providing the required flexibility, either through reform or retirement, thereby serving as a clearing house to keep the international system fluid and unclogged.

[3] Michael Reiterer (2009). "Improving accountability and legitimacy in the European Union", in Sumihiro Kuyama and Michael Ross Fowler (eds). *Envisioning Reform, Enhancing UN Accountability in the Twenty-First Century*, United Nations University Press, Tokyo, New York, Paris, pp. 253-270.

Chapter Nine

China's Challenge to the Global Financial Architecture

Sandra Heep

1. INTRODUCTION

Under the leadership of Xi Jinping, China has taken a highly proactive stance towards international financial governance. To the great astonishment of many western observers, the country has launched a flurry of financial initiatives, ranging from the creation of a myriad of international investment funds over the development of new arrangements for emergency liquidity provision in cooperation with the BRICS countries up to the establishment of the Asian Infrastructure Investment Bank (AIIB)—a full-blown multilateral development bank with more than 50 founding members.

In the eyes of many commentators, China's bold financial activism has been ushering in a new era in global finance that will see the end of US hegemony, the demise of established international financial institutions and the rise of a global financial architecture with Chinese characteristics. However, a more sober look at China's financial and monetary initiatives suggests that Beijing is not so much trying to undermine the existing global financial order in an effort to introduce fundamentally new rules of the game. Some of the institutions it has brought into being have been informed by an unconventional understanding of international financial cooperation. However, they do not only closely mirror established institutions in their setup but in some cases are even officially linked to the Bretton Woods institutions they are widely believed to be challenging.

This paper thus argues that China is not attempting to do away with the existing global financial order but is rather aiming to complement it with institutions that strengthen its voice in international financial governance and thus allow it to better entrench its preferences in the global financial architecture. The remainder of the paper proceeds in two steps. The second

section analyses the driving forces behind China's increasingly active role in international financial governance. The third section takes a closer look at Beijing's most important financial and monetary initiatives.

2. WHAT IS DRIVING CHINA'S PROACTIVE STANCE TOWARDS INTERNATIONAL FINANCIAL GOVERNANCE?

Even though China's financial and monetary initiatives have gained new momentum under the leadership of Xi Jinping, it was the global financial crisis that first motivated Beijing to take a more proactive stance towards global financial governance. With the outbreak of the crisis, a window of opportunity opened up for Beijing to push for a stronger role for emerging markets in the global financial architecture. At the time, the intellectual climate was very conducive to China's offensive. For the first time in decades, the world economy was suffering from a financial crisis that had not emanated from a developing country, but from the United States as the global financial superpower. Moreover, emerging markets recovered much more quickly from the crisis than the so-called "advanced economies". Most notably, China was the only major country that managed to prevent a severe economic slowdown and consequently turned into the most important engine of global economic growth in the years following the crisis.

Against this backdrop, an increasingly self-confident China began to forcefully call for a better representation of emerging economies in the established institutions of global financial governance.[1] At the same time, there was a growing consensus in the western world that a redistribution of power in the Bretton Woods institutions was urgently needed to maintain their legitimacy. Reforms were thus high on the agenda of both the International Monetary Fund (IMF) and the World Bank. However, from the Chinese perspective, progress was painfully slow. In the case of the IMF, quota and governance reforms that were already decided in 2010 were delayed by the strong resistance of the US congress that only in December 2015 gave the green light to the changes. In the case of the World Bank, a redistribution of voting power has turned China into the institution's third-largest shareholder. Yet this shift fails to reflect the country's position as the world's second-largest economy. Given

[1] Sandra Heep, *China in Global Finance: Domestic Financial Repression and International Financial Power*, Springer: Cham, Heidelberg, New York, 2014.

that China remains heavily under-represented in the Bretton Woods institutions, it is not surprising that Beijing has set out to create new institutions to strengthen its voice in international financial governance.

While the ambitious financial initiatives China has put forward in recent years fit well into the bigger picture of Xi Jinping's assertive foreign policy, they have not exclusively been driven by Beijing's desire to restore the country's great power status. Contrary to widely held perceptions, China's increasingly proactive stance towards international financial governance has mainly been motivated by economic considerations. Also in this regard, the global financial crisis marked a decisive turning point.

Since the outbreak of the crisis, China's growth model with its focus on investment and exports has rapidly run out of steam. When the crisis dealt a serious blow to China's export sector, Beijing tried to fight the resulting economic slump with a huge stimulus programme that translated into an unprecedented investment binge. While this stimulus allowed China to prevent a severe economic slowdown, it has led to growing overcapacities and a rising amount of debt that now weigh on its growth prospects. It has thus become ever more urgent for China to lay the foundations for a new growth model that is mainly driven by domestic consumption, service provision and innovation. In the context of this shift, China's financial system has already seen substantial changes. While the old growth model was built on a system of financial repression that was largely isolated from international financial markets, the transition to a new growth model has gone along with a gradual opening of the financial system that has led to a growing interest in questions of international financial governance. At the same time, growing overcapacities have motivated Beijing to devise new arrangements for development financing that are supposed to foster new export markets and thus mitigate the plight of the country's construction sector and related industries such as steel, glass and cement.[2]

[2] Mikko Huotari and Sandra Heep, "Learning Geoeconomics: China's Experimental Financial and Monetary Initiatives", *Asia Europe Journal*, Vol. 14, No. 2, pp. 153-171, 2016.

3. A CLOSER LOOK AT CHINA'S FINANCIAL INITIATIVES

The creation of the Asian Infrastructure Investment Bank has drawn by far the most attention from the international community.[3] Announced in October 2013, the AIIB has won overwhelming support from countries across the globe. As of November 2015, the bank has 57 prospective founding members and is expected to start its operations by the end of the year.[4]

The United States have emphatically rejected membership, arguing that it would be preferable to strengthen existing institutions such as the World Bank and Asian Development Bank than to establish a further development bank. However, some of the United States' closest friends and allies nevertheless decided to join the AIIB—including Israel, South Korea and the United Kingdom. While most European countries initially hesitated to participate, support for the AIIB gained new momentum when the UK announced its participation and countries such as France, Germany, Italy and Spain decided to follow suit. To Beijing's surprise, even Taiwan asked to be accepted as a founding member. However, Beijing rejected Taiwan's request though it did hold out the prospect of a later accession under a different name. In addition to the US, the only major countries that have so far not applied for membership are Canada and Japan. However, they have not ruled out doing so at a later date.

China will contribute USD30 billion to the AIIB's initial subscribed capital of USD100 billion. As the institution's largest shareholder, it will hold 26 percent of the voting rights, followed by India, Russia and Germany as the institution's largest non-regional shareholder. 75 percent of the AIIB's shares will be allocated to countries in the Asian region, while the remaining 25 percent will be distributed between non-regional member states.[5]

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[3] This part draws on Sandra Heep, *China's Development Offensive: The Asian Infrastructure Investment Bank is Going to Change the International Financial architecture*, MERICS China Flash, 15 April 2015, http://www.merics.org/en/press-contact/press-releases/chinas-development-offensive.html, accessed 14 November 2015.

[4] AIIB, "What is the Asian Infrastructure Investment Bank?", http://www.aiib.org/html/aboutus/AIIB/, accessed 14 November 2015.

[5] Cary Huang, "Voting rights reflect Beijing's leading role in AIIB", *South China Morning Post*, 30 June 2015, http://www.scmp.com/news/china/diplomacy-defence/article/1829316/voting-rights-reflect-beijings-leading-role-aiib, accessed 14 November 2015.

The AIIB's articles of agreement are unusual in their attempt to establish a lean and flexible institution, which is mainly reflected in the fact that the bank will have no resident board of directors. This is meant to save expenses and to allow for a more straightforward decision-making process. Moreover, Beijing has woven its foreign policy principle of non-interference into the AIIB's articles of agreement that stipulate that the bank "shall not interfere in the political affairs of any member" and that "[o]nly economic considerations shall be relevant to [its] decisions".[6]

However, given that former leading World Bank officials closely advised China on the AIIB's setup, it is not surprising that its articles of agreement strongly resemble the ones of the Bretton Woods institutions in most other regards. An interesting case in point is the introduction of a super-majority vote that requires approval by two-thirds of all member countries as well as 75 percent of total voting power for major decisions such as an increase in the capital stock or an amendment of the articles of agreement. In the IMF and the World Bank, a super-majority of 85 percent allows the US as the biggest shareholder to veto these decisions. In the AIIB, Beijing will now be in the same position.[7]

China's veto power emphasizes its leading role in the bank and provides it with a substantial degree of influence. However, it does not eliminate the need for Beijing to engage with other member countries in order to reach an agreement on the bank's objectives and its operating standards. Given the fact that the AIIB's creation is at least partially aimed at establishing China as a responsible global stakeholder, Beijing will be careful to avoid the impression that it is trying to overrule the supporters of its development initiative.

Beijing undoubtedly wants the AIIB to contribute to the development of a multipolar international financial system that is no longer exclusively shaped by US-dominated institutions. However, economic considerations have played an even more important role in the creation of a new development bank under China's leadership. Beijing wants the AIIB to push forward infrastructure expansion in Asia in order to unleash the region's growth potential. Against the backdrop of China's slowing growth rates and mounting overcapacities in the construction sector and related industries such as steel, glass and cement,

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[6] Articles of Agreement of the Asian Infrastructure Investment Bank, Article 31, Paragraph 2, http://www.aiib.org/uploadfile/2015/0814/20150814022158430.pdf, accessed 14 November 2015.

[7] In the AIIB, a super-majority is also needed for the election of the president, which is not the case in the Bretton Woods institutions.

this infrastructure offensive is meant to lend support to China's economy, which could crucially benefit from new export markets and investment opportunities.

The AIIB's focus on infrastructure investment is noteworthy as a significant trend reversal in development cooperation where infrastructure projects have long been frowned upon. With many developing countries unable to fund costly infrastructure investments and with the established development banks unwilling or unable to provide the necessary support, a huge infrastructure investment gap has emerged. According to estimates by the Asian Development Bank (ADB), Asia alone will require USD750 billion each year until 2020 to fill this gap.[8] Here the AIIB can make a decisive contribution if it succeeds at developing sustainable financing models as well as socially and environmentally acceptable investment policies.

However, especially with regard to the quality of lending standards within the AIIB, the international community has been highly sceptical. These concerns have not appeared out of thin air, but have rather been motivated by the lending standards that have been common in China's bilateral development cooperation. Yet Beijing has itself recognised the limits of its development strategy, given that its projects have time and again encountered political resistance or social protests. Moreover, China's financial support of politically instable regimes and countries with a questionable payment morale such as Argentina and Venezuela has resulted in significant credit default risk. Not least for economic reasons is it therefore in Beijing's interest to draw up viable lending standards for the AIIB.

So how much of a challenge is the AIIB to the international financial architecture as we know it? With its focus on infrastructure investment, China's new development bank is not directly competing with the World Bank or the Asian Development Bank, but should rather be understood as a supplement to existing development finance institutions. Its lean setup and its less ideological approach to development financing might not enable it to "uproot and outdo the Bretton Woods banking systems that have put politics ahead

[8] Asian Development Bank, *Infrastructure for a Seamless Asia*, 2009, p. 5, http://www.adb.org/sites/default/files/publication/159348/adbi-infrastructure-seamless-asia.pdf, accessed 15 November 2015.

of development".[9] Yet it might induce welcome competition into the world of development financing and push existing institutions to become more flexible in their operations and more pragmatic in their lending decisions. In addition, the AIIB contributes to the emergence of a multipolar international financial architecture and a regionalization of international financial governance. In this sense, the founding of the AIIB rings in a significant shift in the international financial architecture but is a far cry from ushering in its demise.

If the AIIB does not pose a threat to the established institutions of global financial governance, this is certainly also true of the New Development Bank (NDB) established by the BRICS countries. Announced in July 2013, its articles of agreement entered into force in July 2015. The NDB claims to be "an alternative to the existing US-dominated World Bank and International Monetary Fund"[10] yet at the same time underlines that it aims at "complementing the existing efforts of multilateral and regional financial institutions for global growth and development"[11] rather than undermining them. Just as with the AIIB, the NDB will mainly promote infrastructure investment. However, its geographic focus will differ from the AIIB's given that it plans to be active "in BRICS and other emerging economies and developing countries".[12] The NDB has an initial subscribed capital of USD50 billion. China's role in the NDB will not be as dominant as in the AIIB, given that both shares and voting rights will be equally distributed among the bank's founding members. However, the fact that the NDB will be headquartered in Shanghai will put China in a more influential position than its partners.

The creation of the NDB has been accompanied by the establishment of a Contingency Reserve Arrangement (CRA) that will provide emergency liquidity to member countries facing balance of payments pressure. In the case of the CRA, China has secured a dominant role by providing 41 percent of the institution's total resources of USD100 billion. While the NDB is framed

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[9] Rebecca Liao, "Out of the Bretton Woods: How the AIIB is different", *Foreign Affairs*, 27 July 2015, https://www.foreignaffairs.com/articles/asia/2015-07-27/out-bretton-woods, accessed 14 November 2015.

[10] NDB, "New Development Bank BRICS", http://ndbbrics.org/index.html, accessed 15 November 2015.

[11] Agreement on the New Development Bank, Article 1, http://ndbbrics.org/agreement.html, accessed 15 November 2015.

[12] Agreement on the New Development Bank, Article 1, http://ndbbrics.org/agreement.html, accessed 15 November 2015.

as a challenge to the World Bank, the CRA is being depicted as a challenge to the IMF. Yet what is noteworthy regarding this agreement is that member countries can only draw on 30 percent of the available funds if they do not simultaneously receive financing from the IMF "based on conditionality".[13] Even though the CRA is supposed to rival the IMF, it thus actually reinforces the importance of its despised bigger brother.

With regard to its IMF-link, the CRA mirrors the Chiang Mai Initiative Multilateralization (CMIM), another addition to the international financial architecture that has been crucially influenced by Beijing. Initially proposed by Japan and motivated by the lack of IMF support during the Asian financial crisis, the Chiang Mai Initiative (CMI) in 2001 started off as a network of bilateral currency swap agreements among the ASEAN Plus Three member countries. Yet in 2007, China started to push for a more institutionalized emergency liquidity arrangement in the region. Against the backdrop of the global financial crisis, China's proposal prevailed in 2009 when the CMI's member countries decided to transform the existing bilateral swap agreements into a multilaterally managed reserve pool in the following year.[14] Both China and Japan contribute 32 percent to the CMIM's total resources of USD240 billion.[15] Just as in the case of the CRA, member countries can only draw on 30 percent of the available funds if they do not simultaneously receive financial support from the IMF. Even though the CMIM is meant to provide its members with an alternative source of financial support, it thus underpins the IMF's centrality in the international financial architecture. Besides, both the CRA and the CMIM fortify the US dollar's role as the global core currency through their emergency liquidity provision.[16]

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[13] Treaty for the Establishment of a BRICS Contingency Reserve Arrangement, http://brics.itamaraty.gov.br/media2/press-releases/220-treaty-for-the-establishment-of-a-brics-contingent-reserve-arrangement-fortaleza-july-15, accessed 15 November 2015.

[14] Mikko Huotari, "Finding a New Role in East Asian Financial Order: China's Hesitant Turn towards Leadership", in Joern-Carsten Gottwald, Sebastian Harnisch, and Sebastian Bersick (eds), *China's International Roles: Challenging or Supporting International Order?*, London, New York: Routledge, 2015.

[15] China's contribution is composed of USD68.4 billion from the mainland and USD8.2 billion from Hong Kong.

[16] China has used the renminbi in its bilateral swap arrangements. However, due to China's capital controls, the renminbi's suitability in the context of emergency liquidity provisions remains limited.

Just as is the case with the AIIB, the NDB, the CRA and the CMIM should thus be considered useful supplements to the global financial architecture as we know it. Conducive to inducing more competition into the world of development finance and emergency liquidity provision, they make a useful contribution to the emergence of a multipolar international financial architecture and a regionalization of international financial governance.

Chapter Ten

The Origins of the G20 and Its Role in International Economic Cooperation: A Historical Perspective

Donghyun Park

GLOBALIZATION, PAST AND PRESENT

Globalization refers to the gradual reduction of barriers to the cross-border flows of goods and services, capital, and people, and the consequent integration of national economies into a larger regional economy and ultimately a single global economy. The world economy has experienced a massive wave of globalization since the end of the Second World War. However, it is important to know that the current wave is by no means the only or first wave. A much earlier wave of globalization, which lasted from around 1860 until the outbreak of the First World War, was dominated by Europe and North America. Trade of goods grew rapidly, as did cross-border flows of capital, during that half century. In fact, on some measures of globalization—for example, cross-border movement of people, in particular the mass migration of Europeans to North America, South America, and other parts of the world—the level of globalization was arguably higher during the first wave of globalization.

While the postwar wave of globalization is not the first or only wave of globalization, its scale and speed is unprecedented. For one, the current wave differs from the earlier wave in that it is not confined to Europe and North America, but has engulfed all corners of the world. Africa, Asia, the Middle East, Latin America, and all other parts of the world are an integral part of the current wave of globalization. China's embrace of market reforms in 1978 and the fall of communism in the Soviet Union, Eastern Europe, and elsewhere spread the relentless wave of globalization to centrally planned economies that were hitherto relatively closed to the outside world. Another new dimension was that due to technological progress, globalization was no longer limited to

goods but also extended to services. New technologies such as information and communications technology (ICT) rendered previously untradeable services tradable. ITES-BPO (Information Technology Enabled Service-Business Process Outsourcing) from the US to India and the Philippines is a classic example. BPO encompasses both back office corporate functions such as human resources, finance and accounting, as well as back office functions such as call centres and other customer services.

We have just seen that there are some significant differences between the earlier and postwar wave of globalization. Furthermore, the earlier wave was led by the UK and dominated by the sterling pound while the US and the dollar have taken over the helm during the current wave. Nevertheless, at a more basic level, the structural similarities of the two waves far outweigh the differences. More specifically, both rested on and were driven by two pillars—namely, technological progress and shift in government policy toward openness and liberalization. Of course, the catalyst technologies were different—steam engine, telegraph, electricity, and internal combustion engine in the first wave versus jet airplane, television, communications satellite, container ship, microprocessor, personal computer, internet, and mobile phone in the second. But in both cases, technological progress greatly reduced the distance between countries and reduced the barriers to cross-border flows of goods, capital, and people. The second pillar was change in government policies toward greater openness. In particular, governments made concerted efforts to bring down tariffs and non-tariff barriers to trade. The muscular combination of both these factors gave a big push forward to globalization during both periods.

GLOBALIZATION AND THE NEED FOR INTERNATIONAL ECONOMIC COOPERATION

Globalization, or the deepening integration of diverse national economies, requires well-designed and effectively implemented rules of the game in order to maximize the growth and welfare gains from trade expansion for all countries and to minimize the adverse, disruptive side effects which inevitably accompany liberalization and openness. The domestic economy requires well-functioning rules, laws and institutions to function well. For example, the absence of strong and independent courts which enforce the law in an impartial and predictable manner may jeopardize private property rights, the

very foundation of a market economy. A society in which the rich and powerful could arbitrarily confiscate the land and other properties of the poor and vulnerable would not only be an unequal and unfair society; in all likelihood, it would also be a poor and underdeveloped society. Few people would work hard or invest in their farms or factories for the obvious reason that the fruits of their hard work and investments could arbitrarily be usurped from them. The importance of good governance and institutions for economic growth and development is well documented.

Good governance and institutions is no less important for the world economy than it is for a single national economy. Of course, when there is limited globalization, the concept of a world economy is empty and meaningless. Therefore, the need for global governance and institutions is limited at best when there is limited integration of national economies. In stark contrast, when globalization is in full bloom, as in the current wave as well as the earlier wave, the need for global governance and institutions becomes all too real. While governance and institutions matter for both the single national economy and the world economy, there is a fundamental difference. At the national level, the government designs and enforces the rules of the game to achieve and maintain a level playing field for all stakeholders. For example, a good government will promote competitive, fair and well-functioning markets that reward efficient firms which deliver good value to consumers and penalize inefficient firms which fail to do so. On the other hand, a bad government may grant monopoly positions to an inefficient firm which happens to be politically well connected. It is not hard to predict which government is more conducive for economic growth and development.

At the international level, however, there is no single government which can design and implement economic policy. Instead the rules of the game for trade, cross-border capital flows, and other international economic activities are not set by a single country, but are the consequence of consultations, dialogues and negotiations among different countries. For example, while the World Trade Organization (WTO) establishes and enforces the rules of the game for global trade, trade liberalization—i.e., reduction of tariffs and non-tariff barriers to trade—under the WTO framework is the result of intensive negotiations among national governments. Indeed the WTO itself and the various global trade arrangements under the WTO—e.g., most favoured nation (MFN) status—are the results of negotiations among governments. Each government tries to protect its own self-interest, which is why progress toward

global free trade is often difficult and painfully slow. For example, countries such as Japan which lack a comparative advantage in agriculture will protect their farmers with high trade barriers. The upshot is that international economic cooperation is indispensable for setting up and enforcing the rules of the game that govern the cross-border flows of goods and services, capital and people. Just as there would be no national economy without national governance and institutions, there would be no globalization without the cooperation of the governments of countries around the world.

THE COLOSSAL COST OF FAILURE TO COOPERATE

The interwar period between the end of the First World War and the outbreak of the Second World War offers a stark reminder of the potentially enormous cost of failure to cooperate. Globalization is a global public good that benefits all countries, although it entails significant costs as well, especially to the firms, industries and workers who face foreign competition. By the same token, lack of globalization is a global public bad that hurts all countries. But the cost of international economic non-cooperation goes well beyond the opportunity costs of forgoing the well-known benefits of international trade and capital flows, as large as these are, as evident in the colossal gap in the living standards of the two Koreas. The experience of the interwar period suggests that lack of cooperation, and lack of a systematic framework for cooperation, can even jeopardize global peace and stability. International economic relations are by no means the only dimension of international relations, but they are a key cornerstone.

The failure of the world's leading economies to establish a systematic and institutionalized framework for international economic cooperation contributed to the breakdown of world trade and the global financial system in the interwar period. The lack of a formal framework and platform for economic cooperation among the European and North American economies which dominated the world economy at that time played a major role in the retrogression of globalization. The immediate catalyst of the Great Depression was the US stock market crash of 1929, and the subsequent failure of the US authorities, especially monetary authorities, to deal decisively with the resulting financial crisis. But critically, the resurgence of economic nationalism, in particular protectionist policies which sought to boost domestic output and employment by keeping out imports, amplified and deepened the recession.

In fact, the world economy was unable to fully recover from recession until the outbreak of the Second World War.

The persistence and severity of the Great Depression inflicted untold misery and hardship on the citizens of the world. The human costs extended from narrowly economic ones to social costs associated with massive socio-economic dislocation and havoc, in particular a spike in unemployment. Furthermore, the social and economic costs of the Great Depression contributed to the toxic atmosphere in international relations during the interwar period. In the face of severe economic difficulties, the general public as well as governments tend to take a narrow and short-sighted view of national self-interest. This explains why governments resorted to beggar-thy-neighbour policies such as high tariff and non-tariff barriers to trade, in addition to competitive undervaluation of their currencies. The obvious goal was to export as much as possible and import as little as possible. However, when all countries try to do this simultaneously, all countries lose out in the form of reduced trade and slower growth. While Germany's resentment at the post-First World War settlement, the rise of Nazism, and other geopolitical factors were the root causes of the Second World War, toxic economic nationalism which delayed global recovery was an additional factor.

THE ADVENT OF THE BRETTON WOODS SYSTEM

The overriding priority of the victorious Allies in the aftermath of the Second World War was to prevent another such catastrophic conflict. What was glaringly absent in the interwar period was a systematic framework for international economic cooperation. Partly in recognition of the importance of international economic cooperation for overall international cooperation, and hence global peace and stability, Allied countries gathered in Bretton Woods, New Hampshire, US, in July 1944 to deliberate the future of the global financial and economic architecture. The result was the United Nations Monetary and Financial Conference, also known as the Bretton Woods Conference, which established the system of rules, institutions, and procedures to govern the international monetary system in the postwar period. The conference also set up the two Bretton Woods institutions—the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), which became the cornerstone of the World Bank Group (WBG).

The two institutions were to form the backbone of the systematic framework for international economic cooperation in the postwar period.

At a broader level, the Bretton Woods institutions were set up to foster international economic cooperation. The mandate of the World Bank Group was to foster economic growth and development in the aftermath of the massive destruction wreaked by the Second World War. The World Bank Group evolved to extend loans and grants to developing countries in Asia, Africa, Latin America, the Middle East and elsewhere, primarily in infrastructure such as roads and power plants. While the WBG can indirectly foster international economic cooperation by reducing poverty in poorer countries, the IMF is much more directly relevant to the governance of the global financial and economic architecture. More specifically, the mandate of the IMF is to (1) help preserve global financial and economic stability through surveillance and monitoring of national economies, to prevent excessive balance of payment deficits and other imbalances, and (2) equally importantly, to deal with crises after they occur, by providing financial assistance in exchange for the fulfilment of conditions which are necessary for stabilizing the economy—e.g., devaluation and fiscal consolidation.

To their credit, the Bretton Woods institutions have made significant contributions to global growth and stability since their inception seven decades ago. The World Bank Group's operations helped developing countries reduce poverty and achieve higher levels of socio-economic development. Likewise, the IMF's financial assistance played a critical role in resolving the many financial crises which erupted in developing countries in the 1990s and 2000s. The Asian financial crisis of 1997-1998 is a prominent example. Much more recently, the IMF teamed up with the European Commission and the European Central Bank to form the so-called troika which tackled the European sovereign debt crisis which erupted in 2009. Of course, the IMF and World Bank Group were also subject to strident criticism, especially from the left, which regarded the two bodies as the symbol of the neoliberal Washington Consensus economic philosophy. It should also be noted that there are a number of other global institutions that set and enforce the world economy's rules of the game. In particular, the World Trade Organization (WTO) leads global trade liberalization negotiations and arbitrates trade disputes between countries.

DISCONTENT WITH THE BRETTON WOODS SYSTEM IN DEVELOPING COUNTRIES

While the IMF's financial assistance was instrumental in resolving the Asian financial crisis of 1997-1998, the IMF's diagnosis and policy prescriptions for the three countries that turned to it for help—Indonesia, South Korea and Thailand—came under heavy criticism for their inappropriateness and excessiveness. In particular, even though the Asian crisis was rooted in the imbalances of the private sector—i.e., over-borrowing abroad to invest in inefficient and unprofitable projects—the IMF prescribed that the governments undertake substantial fiscal austerity measures. Cutting public expenditures is, of course, exactly the opposite of what a government should be doing when the economy is facing a severe recession. Although many other elements of the IMF bailout, such as raising interest rates to restore financial market confidence and prevent further exchange rate depreciation, were spot-on, there was an almost universal resentment among Asian countries about the way the IMF handled the crisis. The general feeling throughout Asia was that the IMF's misguided policy prescriptions, especially on fiscal policy, greatly exacerbated the economic and social costs of the crisis.

The Asian financial crisis marked a turning point in the relationship between the IMF and developing countries, especially Asian countries. The relationship has deteriorated noticeably since the crisis. There was always a tangible undercurrent of distrust among developing countries about the leading role of the IMF in the international monetary system. While the distrust was partly rooted in traditional leftist, anti-globalization hostility to the neoclassical economics of the Washington Consensus and the associated policy prescriptions, the Asian crisis greatly deepened and exacerbated it. In the views of Asian countries, the IMF's harsh and misguided policy prescriptions, which may be appropriate for chronically mismanaged developing countries in other parts of the world but not for fast-growing Asian countries with sound fundamentals, proved that it is condescending and biased toward Asian countries. The infamous photograph of IMF Managing Director Michel Camdessus, with his arms arrogantly folded, towering over Indonesian President Suharto, who was signing the IMF bailout agreement, has left an indelible mark on the psyche of Asian countries.

More generally, the Bretton Woods architecture of governance for the world economy and global financial system, as well as the Bretton Woods institutions, especially the IMF, was established for the global economic

landscape of 1945, not the global economic landscape of 2015. Despite the momentous changes in that landscape, the Bretton Woods architecture has failed to evolve in any significant way. In particular, there has been a tectonic shift in the gravity of global economic power from the advanced countries to the developing countries, which now account for a much larger share of global output, trade and capital flows than they did in 1945. For example, China is now the world's second biggest economy, and the ups and downs of the Chinese economy reverberate throughout the world, from Wall Street stock markets to commodity-dependent economies in Africa and Latin America. Yet the governance structure of the IMF (and the World Bank) continues to be dominated by the advanced economies, in particular the US and Western Europe, which are still over-represented in top management and exert a disproportionate influence. For example, the managing director of the IMF has always been a Western European, as of November 2015.

FROM THE G7 TO G20

The over-representation of the US and Western Europe at the Bretton Woods institutions inevitably translates into the under-representation of the developing countries despite their large and growing role in the world economy. This affects developing countries as a whole but it rankles all the more for China, India and other developing countries of Asia, which now collectively form one of the centres of gravity of the world economy, as a result of sustained rapid growth. Lack of representativeness is therefore the single biggest failure of global economic governance and institutions at present. Lack of representativeness affects the credibility and hence effectiveness of those institutions. For example, there is a widespread feeling among Asian countries that the IMF has provided much more generous and lenient bailout packages to Eurozone crisis countries since 2010 compared to the Asian crisis countries during 1997-1998. The under-representation of developing countries extended to informal forums for international economic cooperation. Of particular importance in this context is the G7, or Group of Seven, annual summits of national leaders.

The leaders of the G5, or Group of Five, first convened in the mid-1970s to discuss salient international economic challenges such as the oil shocks or the breakdown of the global fixed exchange rate system. Growing international economic integration necessitated closer international economic policy coordination, giving rise to the G5, which consisted of France, Germany,

Japan, UK and US. The G5 subsequently expanded to the G7, with Canada and Italy joining the club. One big structural difference between the G7 and the IMF, the World Bank Group, and other international bodies is that the G7 does not have a permanent office or staff. Instead the G7 is an informal annual gathering which brings together heads of state—i.e., summits—to discuss the most important economic issues of the day and promote policy coordination among the member countries. From the very outset, the G7 was a complement to, rather than a substitute for, global institutions such as the IMF.

The membership of the G5 and G7 reflected the global economic landscape of 1945, when the advanced economies accounted for the bulk of global output, trade and capital flows. However, just as the over-representation of the advanced economies in the Bretton Woods institutions rendered them less relevant over time as the relative importance of the developing countries in the world economy progressively increased, the G7 became increasingly less relevant as well. In recognition of the growing role of the developing countries, both in financial markets and world trade, the G20 was established in 1999. The Asian financial crisis and other major financial crises originating in developing countries had potentially significant spillover effects, and those economies had become too big to ignore. However, at the beginning, the G20, which only convened financed ministers and central bank governors, was subordinate and secondary to the G7, which also convened heads of state.

THE ROLE OF THE G20—DEVELOPING COUNTRIES FINALLY GET A SEAT AT THE TABLE

It was only with the outbreak of the global financial crisis (GFC) in the fall of 2008 that the developing countries finally became full-fledged members of the G20 club, taking part in the summits of heads of state, in addition to the meetings of finance ministers and central bank governors. The immediate catalyst for extending full membership to the developing countries was a realization that a truly global crisis like the GFC required a truly global response. Unlike most recent financial crises, which tended to originate in developing countries, the GFC originated in the US, and thus triggered widespread fears of a worldwide financial and economic meltdown. At a broader level, by 2008 the global economic landscape had simply changed far too much from that of 1945 for the G7 to be even remotely relevant as a forum for global dialogues

on economic issues. Therefore, the replacement of the G7 by the G20, the self-proclaimed premier forum for international economic cooperation, was preordained and inevitable.

By far the biggest strength of the G20 is its representativeness. In addition to the G7, the G20 includes Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, as well as the European Union. The twenty countries collectively account for the vast majority of global output, trade and capital flows. The fulcrum of the G20 is the annual summit, or meeting of heads of state, which is held in a different country every year. For example, the summits were held in the UK in 2009, South Korea in 2010, France in 2011, Mexico in 2012, and Australia in 2014. Since the G20 lacks a permanent headquarters and staff, the country that hosts the summit in a particular year serves as the chair. The chair country helps to set the agenda—e.g., the Washington DC summit of 2008 revolved around tackling the GFC. Besides the summits of national leaders, finance ministers, central bank governors, and other ministers meet several times during the year.

Turning now to the issue of the extent to which the G20 has been effective in tackling the agenda it sets out for itself, the G20 made a vital contribution to overcoming the GFC. More specifically, the G20 helped to forge a policy consensus among both advanced and developing countries to pursue an expansionary fiscal policy—i.e., increase government expenditures and cut taxes—and an expansionary monetary policy—i.e., cut interest rates and provide liquidity support. Perhaps more importantly, the G20 encouraged its members and the world community at large to keep their doors open to trade and to refrain from beggar-thy-neighbour protectionist policies. However, since the GFC, the G20 has failed to provide leadership on key global policy issues. For example, while the world economy would benefit greatly from trade liberalization in light of the tangible slowdown of global growth since the GFC, the G20 has failed to push forward the WTO's Doha Round. Nor can it boast of any other major concrete achievements.

WHITHER G20? THE WAY FORWARD FOR THE G20

Nevertheless, supporters of the G20 argue that even in the absence of concrete progress on specific global issues, the G20 is highly valuable because it provides a premier annual forum for the heads of state of the world's major

countries to informally publicize and discuss issues of interest for the entire global community. The supporters have a valid point. The G20 is, by design, an informal forum which is not based on any official agreements or institutions. But informality can be a source of strength rather than weakness, because it enables national leaders, as well as finance ministers, central bank governors and other ministers, to advocate, publicize and exchange views on key global issues without being bound by official protocol, rules, and other constraints. In addition to serving as a kind of steering committee for the world economy, another important value-added of the G20 is that its existence facilitates timely global responses to global crises such as the global financial crisis of 2008-2009.

The best solution to improving the governance and institutions of the global financial and economic architecture is, of course, to improve the governance of the IMF and other global institutions. To be sure, there have been governance reforms at the IMF and the World Bank but from the perspective of the developing countries, the pace and scale of reform has disappointed. This helps to explain why they have responded by forming their own institutions, such as the China-led Asian Infrastructure Investment Bank (AIIB). However, even if there were to be a more fundamental reform of the IMF to bring it much more closer in line with the economic landscape of today rather than that of 1945, there will still be a useful and valuable role for the G20. To repeat, bringing together the heads of state of twenty major countries, including both advanced and developing countries, to discuss salient global challenges on an annual basis does a great service to global economic governance.

Therefore, the answer to the central question of whether there is a role for the G20 in international economic cooperation in the future is a loud and clear "yes". Clearly, there is room for improvement—for example, the chair country often sets out an overly ambitious agenda, with hardly any concrete follow-up actions—but that does not dilute the value of the G20 itself, especially as a complement to formal global institutions such as the IMF. Finally, while representativeness is vital for global governance and institutions, it is not the end all and be all of the process of reforming global governance and institutions. At the end of the day, the central objective of global governance, institutions and cooperation is to *effectively* promote growth and stability. For example, while the IMF's recent progress in improving its representativeness, in particular expanding the influence of developing countries, is desirable and

necessary, it does not reduce the need for effectiveness-enhancing reforms such as increasing the amount of capital—to deal with large crises—or strengthening monitoring and surveillance—e.g., the IMF spectacularly failed to foresee the global financial crisis. At a broader level, representativeness should not come at the expense of effectiveness.

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Chapter Eleven

The Evolution of Global Economic Governance and China's Expectation

Huang Wei

In the 21st century, the world has entered into a new era that is characterised by global economic activities under global value chains and interactions among different countries' macroeconomic policies. From a corporate perspective, the global value chain production concept means a new economic model: various production and transaction activities related to products are distributed in different regions and enterprises across the world. Under the influence of such production models as "modularized production", "cross-border outsourcing", "offshore employment", and "vertical specialization", the national attribute of global economic activities has gradually faded while the global attribute has risen. From a national perspective, aside from traditional "spill-over effects", inter-state economic policies have also caused "spill-back effects", which means that a country's economic policies will also exert influences on the country itself. Globalization has not only brought higher productivity and social benefits, but has also produced more obvious "spill-over effects" and "spill-back effects". The contradiction between the internationalization of economic and social activities and the nationalization of economic policy-making remains a fundamental cause for ever-growing demands for global economic governance.

At the current stage, economic governance activities at both national and global levels still remain the main way to address the undersupply of public goods and the dilemma of collective actions. The global economic governance architecture in the last century was mainly governed by the United States and the Group of Seven (G7); however, in the 21st century the global economic governance architecture has gradually transformed into a collective management model, with participation by both the North and South. As a forum that comprises the traditional G7, emerging BRICS countries as well as some middle powers such as MIKTA, the G20 has more legitimacy than the G7 in terms of its governance representation and functions with more efficiency

than the UN mechanisms. Following the 2008 global financial crisis, the G20 became a cooperative mechanism that includes leaders' summit meetings together with meetings at other levels. The G20 has gradually undertaken an increasingly important role in global economic governance.

This article will examine, from the perspectives of the definition of global economic governance and its historical evolution, the orientation of the G20 and the setting of its agendas, the practical significances of the G20 to China, as well as China's main expectations for the G20's future development.

I. DEFINITION OF GLOBAL ECONOMIC GOVERNANCE AND ITS HISTORICAL EVOLUTION

Due to different focal points and description methods among different people, no consensus on a concept and definition has so far been made for the term "global governance". According to the Commission on Global Governance, "governance" is a general term to describe various methods used by individuals and public and private institutions through the use of coercive force to put in place formal systems and governance methods, including informal agreements, to coordinate between mutual conflicts of interests and manage common affairs. The World Bank has pointed out the connotation compositions of "governance" from the perspectives of "who is to govern", "how to govern" and "what governance effects", namely, the compositional form of political institutions, the process of the use of power to manage economic and social resources aimed at promoting development, as well as the ability to design, make and implement policies and the function to fulfil obligations. According to the Organization for Economic Cooperation and Development (OECD), "governance" refers to the use and control of power by a society to manage its resources for social and economic development, and its connotations include the confirmation of interest distribution and the nature of the relationship between the society's ruler and the ruled. James Rosenau, an international relations scholar, holds that either at the grassroots or at the global level, "governance" covers government behaviours and also includes a variety of other channels through which "commands" can be issued through setting goals, giving out instructions and policies. When global governance is focused on the economic realm, it would mean global economic governance. In short, global economic governance refers to an international effort to implement a reasonable and orderly international political and economic order through

consultation and cooperation, establishment of consensuses, and the making of rules within the international community, and an effort to apply coordination, guidance, management and intervention to global economic affairs and economic policies, in a bid to realize short-term stability and long-term growth of the global economy.

The world economy in an intangible globalized network is interconnected and mutually influenced. This type of new development has highlighted the growing importance of global economic governance. The change and development of the global economic governance system are closely linked to economic crises. Economic crises have underscored an urgent need for a changed international economic order and the establishment of a new economic governance model. Generally speaking, the global economic governance system in the post-World War II era can be divided into three stages:

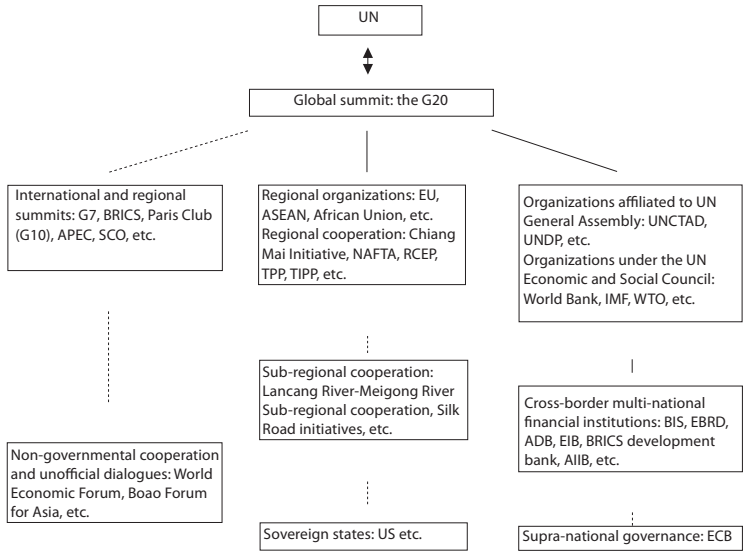
1. Period of "hard governance" from 1944 to 1975. During this stage, global economic governance was mainly characterized as "hard governance" exercised by the US through formal international institutions and binding international rules made under the leadership of the US. After the end of World War II, the US government spearheaded the establishment of a global financial, economic and trade system, or the Bretton Woods system, with the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade as its pillars. At the same time, the US also dominated the establishment of the framework of international political governance and collective security with the UN and its Security Council as the core, and the framework of global social and livelihood governance based on special UN organs such as the World Health Organization, the UN Refugee Agency, and the International Labor Organization, as well as non-governmental organizations such as the International Red Cross. The first global economic governance system based on transnational cooperation came into being during this period. The top priority of global economic governance at that time was the reconstruction of the post-war international economic order.

2. Period of "soft governance by the North" from 1975 to 2007. The Cold War confrontation between the US and the Soviet Union after the 1970s gradually weakened economic governance under the UN mechanism, which turned into a political tool for power struggling between the two superpowers. Some international agencies like the World Bank and the IMF were used to push the "Washington Consensus". The practice of

combining ideologies with economic governance invited wide criticisms from the international community. In the context of the declining efficiency and efficacy of the global economic governance system as well as deteriorating economic situations in developed countries at that time, seven "democratic" industrialized countries moved to build a platform for regular meetings to coordinate their economic policies. The Group of Seven, or G7, at that time played an important role in dealing with the "crisis of the dollar", the "oil shock", and the collapse of the Bretton Woods system. Compared with the previous stage, the G7 tended to be a kind of "informal" soft governance, which had neither definite organizational articles nor administrative organs, and instead aimed to collectively address regional or global problems via regular or irregular communications, consultations and cooperation in the form of summit meetings among heads of state.

3. Period of "soft governance by both the North and South" from 2008 to the present. The typical characteristic of global governance during this period is the rise of multiple orders in global economic governance, which can be reflected by mutual participation in global economic governance by both emerging and developing countries, and also reflected by the fragmentation and multiple levels of global economic governance. The spreading of the 2008 global financial crisis among developed economies meant that the past governance platform based on the club of developed economies like the G7 alone was unable to resolve the new problems facing the global economy. Against this backdrop, the G20 was elevated to a summit meeting level to play a more important role in global economic activities. Aside from the UN governance framework, the G7, the G20 and other international organizations, a variety of regional and sub-regional mechanisms for governance cooperation have also emerged under the global economic governance system during this period, and some unofficial platforms for economic dialogues have also played increasingly important roles (see Figure 1).

Figure 1. Basic Framework of Global Economic Governance.



II. ORIENTATION OF THE G20 AND CHOOSING OF ITS AGENDAS

1. Basic Orientation

According to the first communiqué issued upon the creation of the G20 in 1999, the G20 is an informal dialogue mechanism within the framework of the Bretton Woods system, aimed at facilitating dialogue and cooperation among "systematically important" economies on core economic and financial policies for the stable and sustainable growth of the world economy. Because the initial cooperation of the G20 was among the finance ministers and central banks, the G20 was once believed to be undertaking the task of building the post-Bretton Woods system (also called Bretton Woods II). However, since it moved to a summit meeting mechanism, such an orientation for the G20 was not enough. The 2009 Pittsburgh summit leaders' statement stated, "We designated the G-20 as the premier forum for our international economic cooperation". This word shows that the G20 is only an informal forum and not a formal union such as the EU and ASEAN. The informality of the G20 is mainly reflected by its lack of a permanent secretariat, exclusive international staff and a management organ for functions implementation

and monitoring. However, it is a leading forum for international economic cooperation. Currently, the G20 is so far the only major effective economic governance mechanism with diversified and systemically important economics. It is also a multilateral economic governance platform aiming to protect open economic development, build international rules and provide global public products. As an initial model for common governance among the great powers, the G20 has already achieved an early harvest in dealing with the global financial crisis, maintaining financial market stability, and promoting the stable and sustainable development of the world economy.

The G20 is a major consultative platform for international economic governance rather than a platform for governance implementation. It not only depends on consultations and cooperation among member states, but also benefits from intellectual support from various international organizations. The World Bank, IMF, WTO, UNCATD and OECD and other international bodies have participated in various levels of consultations at the G20 platform, and have also taken advantage of their expertise to offer technical support for or proposals on G20 cooperation. As part of its efforts, the G20 also focused on improving several international organizations and institutions to boost their governance efficiency, such as the efforts to reform the IMF and the World Bank. On the basis of the three established pillars of commodities, finance and development, the G20 has also made contributions on a new financial regulatory pillar, which is constituted by the Bank for International Settlements (BIS), Financial Stability Board, and Basel Committee on Banking Supervision.

2. The G20's Topics in Previous Summit Meetings

In its more than 10 years of development, the G20 has continuously expanded and deepened its discussion topics, and almost all of these topics have focused on how to promote economic growth. With the passage of time, the topics of the G20's discussions have gradually shifted from crisis prevention to policy coordination and systematic reforms. The G20's topics have also begun to extend from special issues to general ones. The reforms of international systems and macroeconomic coordination have gradually grown to become lasting and regular topics for discussions.

From the perspective of the major problems it has tried to deal with, the history of the G20 can be divided into two major stages that comprise three different periods. In the first stage, which comprises two periods, the G20

mainly focused on dealing with short-term fluctuation governance, including dealing with the global financial crisis (2008-2010) and the European debt crisis (2010-2012). During this stage, the G20 mainly focused on issues such as crisis response, rebalancing, intensifying global financial regulatory rules as well as public debt management. In 2008 and 2009, the main themes of G20 discussions were to deal with the crisis and push forward world economic growth. With the continuous simmering of the European debt crisis, after 2010, the G20 put "international financial regulation" as well as public debt management on the top of its priorities. Because of the escalation of the European debt crisis in 2012, the promotion of robust, balanced and sustainable economic growth, redesign of the existing international financial system and push for its reform have since risen to be the main topics. During the second stage, which started from 2013, the G20 has begun its shift in focus to long-term growth. Faced with increased imbalances and the complicated nature of global economic recovery in 2013, the exiting of stimulus economic policies and promotion of long-term economic growth have thereafter dominated discussions at the G20 (See Table 1).

Table 1. Review of themes and diplomatic and financial topics of G20 summit meetings.

Summit	Diplomatic channel (sherpa)	Financial channel
November 2008 Washington DC	1. International financial crisis and countermeasures; 2. Strengthening financial regulation; 3. Reform of the international financial system	1. International financial crisis and countermeasures; 2. Strengthening financial regulation; 3. International financial system reform
April 2009 London	1. Global economic situations; 2. Trade; 3. Development	1. Macroeconomic policy coordination; 2. International financial institutions reform; 3. Financial regulation reform
November 2009 Pittsburgh	1. Global economic situations; 2. Trade; 3. Development; 4. Energy; 5. Global economic governance reform	1. Macroeconomic policy coordination; 2. International financial institutions reform; 3. Financial regulation reform
June 2010 Toronto	1. Global economic situations; 2. Trade; 3. Development; 4. Energy; 5. Global economic governance reform	1. Macroeconomic policy coordination; 2. International financial institutions reform; 3. Financial regulation; 4. Growth framework reform

Summit	Diplomatic channel (sherpa)	Financial channel
November 2010 Seoul	1.Global economic situations; 2. Trade; 3. Development; 4. Anti-corruption; 5. Global marine environmental protection	1. Macroeconomic policy coordination; 2. International financial institutions reform; 3. Financial regulation reform; 4. Growth framework; 5. Global financial safety net
November 2011 Cannes	1. Global economic situations; 2. Trade; 3. Development; 4. Anti-corruption; 5. Global marine environmental protection; 6. Global governance; 7. Energy	1. Macroeconomic policy coordination; 2. International financial institutions reform; 3. Growth framework; 4. Financial regulation, reform and inclusive finance; 5. Prices of energy and commodities
June 2012 Los Cabos	1. Global economic situations; 2. Trade; 3. Development; 4. Employment; 5. Energy; 6. Anti-corruption;7. Global marine environmental governance	1. Macroeconomic policy coordination; 2. Reform of international financial institutions; 3. Growth framework; 4. Reform of financial regulation, 5. Energy and commodities; 6. Risk management for natural disasters
September 2013 St. Petersburg	1. Global economic situations; 2. Trade; 3. Development; 4. Employment; 5. Energy; 6. Anti-corruption; 7. Global marine environmental governance	1. Macroeconomic policy coordination; 2. International financial institutions reform; 3. Growth framework; 4. Financial regulation and inclusive finance; 5. Long-term investment financing; 6. International taxation cooperation; 7. Energy and bulk commodities; 8. Climate change financing
November 2014 Brisbane	1. Global economic situations; 2. Trade; 3. Development; 4. Employment; 5. Energy; 6. Anti-corruption	1. Macroeconomic policy coordination; 2. International financial institutions reform; 3. Growth framework; 4. Financial regulation reform; 5. Long-term investment financing; 6. International taxation cooperation
November 2015 Antalya	1. Global economic situations; 2. Trade; 3. Development; 4. Employment; 5. Energy; 6. Anti-corruption	1. Macroeconomic policy coordination; 2. International financial institutions reform; 3. Growth framework; 4. Financial regulation reform; 5. Investment and infrastructure; 6. International taxation cooperation; 7. Climate change financing

Resource: g20.org, author

Some of the G20's topics have long existed, such as macroeconomic coordination, trade, development, reform of international financial institutions, reform of financial regulation, energy and anti-corruption measures. Nevertheless, the rotating presiding country of a G20 summit meeting usually raises new key concerns, such as the issue of a financial safety network raised by the Republic of Korea in 2010, the inclusive finance issue raised by France in 2011, the management of natural disaster risks raised by Mexico in 2012, as well as the issues of international taxation cooperation and climate change financing raised by Russia in 2013. As these new topics become permanent ones, the scope of G20 topics has also witnessed continuous expansion. This topics-expansion trend has increased the G20's cooperation cost and the difficulties to follow from outside, although the broader and strengthened cooperation has helped the governments of the G20 members to deepen their global economic cooperation in various aspects. According to a study by Robert Axelrod, a lasting cooperative relationship serves as one of the important guarantees for cooperation among member states.

III. SIGNIFICANCE OF THE G20 TO CHINA

Compared with other platforms for global economic governance, the G20 still enjoys distinctive advantages in terms of its quick crisis response, policy coordination, reform planning and monitoring from leaders. The G20 has so far been the only premier platform for global economic governance that can balance efficiency and representativeness. G20 cooperation will not only help China maintain an open and stable external economic environment, but also promote China's domestic economic reform. Therefore, China is an active participant in the G20, and had endeavoured to host the G20 in 2016. We conclude that there are three advantages that China could gain from the G20's cooperation.

First, the G20's governance goal fits China's requirement for an open and stable global economic environment. The G20 has achieved its reputation in dealing with the international financial crisis, and has made efforts to maintain financial market stability and push for stable, sustainable and balanced development of the world economy. To consolidate global economic growth and maintain a normal economic order are not just the G20's top goal, but also China's expectation as well. China's past experiences prove that a stable external economic climate, a reasonable and well-organized order for global

economic activities and competitive national productivity work together as the major driving force for economic development. In President Xi's speech, he emphasised that international economic cooperation should follow a mutually beneficial and win-win principle, which will help to achieve common prosperity for all. Since the world has become more interdependent, cooperation rather than conflict is the better choice for each country's development.

Second, China views the G20 dialogue framework as an important platform to coordinate stances between developed and emerging economies. As an important representative of the South, China has long regarded as its task the promotion of South-South cooperation. First, just like the culture in China, diversification and integration are both important. The participation of Southern countries represented by emerging economies has resulted in diversity of governance rules to a certain degree. Given that the current world is a pluralistic and multi-dimensional one, world concepts should also be understood from such a perspective. Well-organized communications and consultation platforms like the G20 will help different concepts mutually integrate with each other and guide diversified development of the world economy. Diversification can bring vitality. Since we live in a colourful world, respecting diversity rather than negating differences will be the only solution for countries' cooperation.

Third, China hopes that the G20 can reshape world economic rules and orders, since she holds a development view on this. The continuing domestic economic policy reform that has happened in China can partly verify the point. Countries will have changing preferences for international economic rules and orders in line with their respective economic development stages. In addition, a country's development stage and economic performance would also largely influence its attitude towards open cooperation. A country's assurance matters a lots. For example, according to data released by the UNCTAD, China replaced the US to become the largest destination of foreign direct investment in 2014. At the same time, China's outward direct investment exceeded its inward direct investment for the first time in the same year. Such changes have prompted China's hope to build healthy and transparent international investment rules, which could provide necessary protection for the host country as well as the investors. The G20 is an ideal platform to endorse such thoughts.

Finally, G20 cooperation has become an important source of power to drive the transformation of China's domestic economic governance. Because

of existing vested interest groups, it is not easy to push domestic economic reform forward, whereas the G20 can provide an important external driving force. Besides, China's successful experience in its domestic economic governance may also provide some lessons to other countries. As a key content of the Decision issued by the Third Plenum of the 18th CPC Central Committee, the Chinese authorities require improvements in the building of its national governance system and governance capability by 2020. Such a goal has pointed out the direction for China not only with regard to improving domestic governance capability but also with regard to participating deeply in global governance.

IV. CHINA'S EXPECTATIONS FOR G20 ECONOMIC GOVERNANCE

The G20 is an inevitable result of the current global economic structure and its governance requirement. Thoughts and ideas always precede practice, but practice in turn can enrich and revise the ideas. Global issues have called for new thoughts and ideas on global governance. We advocate that global economic governance should reflect the changed international environment and embody the spirits of coordination, cooperation, equity and balanced development. Countries should cooperate to deal with various global challenges and enhance common human interests based on the principle of every right with a corresponding responsibility. China is trying to fuse "global economic governance" with its own wisdom and experience, such as the concept of "a harmonious world". Certainly, for any single country, ensuring stable development of its own economy remains its top goal for governance. To realize long-term stable development is China's main goal for participating in global economic governance.

First, the G20 should work on supporting an open and interconnected world economy. An open economy, contrary to a closed economy, means an economic model without or with limited differences between domestic and foreign policies. The main characteristic of an open economy is the close link between internal economic activities and the world. To achieve an open and interconnected economy, we should focus not only on building or maintaining the "soft infrastructure", such as financial, trade and investment rules and institutions, but also on promoting the construction of "hard infrastructure" in and between countries, such as roads, rails and ports that can boost economic activities as well as personnel exchanges. Through building an open

and interconnected global economy, developing countries will have more opportunities to realize their economic catch-up by participating in global value chains. Such an approach needs the major participants and stakeholders of global economic governance to comprehensively consider and utilize international and domestic markets, resources and rules. In short, to achieve such a goal, an open global perspective and strategic mentality are needed.

Second, the G20 should make particular efforts to guarantee the stability and equity of the international financial system. Similar to other emerging economies, China's financial market is far behind that of the Western developed countries. Therefore, China has actively worked to push for the construction of various levels of currency swaps, foreign reserve pools, regional financial stabilization mechanisms, financial regulation and other financial stabilization mechanisms. Furthermore, given that the RMB is, so far, not a leading international currency, China not only needs to strengthen its international financial influences, but also needs to take measures to prevent possible financial risks. By the end of June 2014, China's foreign-exchange reserves had totalled $3.99 trillion, the largest in the world. Such a vast foreign-exchange reserves poses to China at least three risks: the risk to the independence of its monetary policy, the risk of dollar devaluation and the risk of foreign-exchange reserves investments. China has not only participated actively in the reform of existing international financial institutions, such as the World Bank and the IMF, but has also pushed forward internationalization of the RMB via trade activities and new international financial bodies, such as the New Development Bank and the Asia Infrastructure Investment Bank.

Finally, the G20 should stabilize the price of commodity goods, promote the use of renewable energy and boost the efficiency of resource utilization. With the rapid development in its economy, China's demands for energy, minerals and grain have risen sharply. According to data released by the Ministry of Land and Resources, China's consumption of oil, finished steel and iron ore and refined copper reached 388 million tons, 856 million tons and 5.38 million tons respectively in 2008. China is still in the middle stage of its industrialization, and its resource consumption is expected to witness high-speed growth for at least 20 years. To acquire international resources at fair and reasonable prices and to use the resources efficiently will be the major solution for China's domestic demands gap.

Due to its participation in the G20, China has elevated its influences and attractiveness in global economic governance. To promote stability and

development of the world economy, China will continue to work together with other countries to promote global economic growth, to reform international financial institutions, to act against trade protectionism, and to facilitate global development. China has the ability and willingness to influence the construction of the G20, focusing on long-term governance and short-term problems.

Chapter Twelve

Southeast Asia's "New" Threats and Security Institutions

Tang Siew Mun

INTRODUCTION

Security remains a primary concern and state interest. The Association of Southeast Asian Nations (ASEAN) was originally conceptualised as a regional body to maintain peace and stability in the region. Its main goal at the time of its formation in 1967 was to stem the spread of communism. Over time, the body's raison d'être changed, as did the nature of the security threats. The end of the Cold War removed the threat of a major war in Southeast Asia. The end of the East-West ideological divide also saw a diminishing threat of communism which saw among other strategic developments, the Soviet Union's withdrawal from Vietnam, ASEAN's improved relations with China and Vietnam's ascension to ASEAN. The peace accord signed by the Communist Party of Malaya and the Malaysian government in 1989 marked an end to one of the longest insurgencies in Southeast Asia. The end of the Cold War brought new opportunities as well as challenges. While the region is stable and peaceful, it faces many challenges, not least the pressure and demands of nation-building, the rise of ethnic and religious tensions, as well as having to deal with non-traditional security threats. This paper discusses these emergent and emerging threats and the role of the regional security architecture.

ASIA'S NEW STRATEGIC ENVIRONMENT

In the past half a century, Southeast Asia's strategic foundation was shaped by four key developments, namely decolonisation, the Cold War, the end of the Cold War and the rise of China.

Decolonisation

The decolonisation that started in the wake of World War 2 transformed the colonies in Southeast Asia into independent states. Some states like Malaysia and the Philippines had a relatively smoother road to achieving independence, while Indonesia and Vietnam took up arms to regain their sovereignty. This process was completed when Brunei achieved full independence from the United Kingdom (UK) in 1984. Independence bestowed a heavy responsibility on each of the new states to chart its own course. Most of the newly independent states kept close relations with their former colonial masters. Malaysia and Singapore, for example, maintained, up till today, a strategic link with the UK through the Five Power Defence Arrangement, which also includes Australia and New Zealand. The Philippines inked a security treaty with the US which obliges the latter to assist in the former's defence if attacked by a third party. These strategic linkages provided strategic assurances for the new states. These linkages proved critical when Malaya (and subsequently Malaysia) was severely tested by a communist insurgency from 1948 to 1960. Assistance from the UK, Australia and New Zealand were vital in rolling back the communist force in Malaya.

Decolonisation also meant that the newly independent states acquired a voice in international discussions, especially so when they joined the United Nations. On its own, Indonesia, for example, played a leading role to nurture the Non-Aligned Movement (NAM) by hosting the Bandung Conference in 1955. UK's "withdrawal from the East of Suez" in 1971 marked the end of an era as London ceased to be a major strategic actor in the region. Decolonisation had the effect of changing the balance of power in the region. Prior to decolonisation, the region was carved out into American, British, Dutch and French holdings, with only Thailand successfully maintaining its independence. World War 2 and the Japanese Occupation shook up the European "arrangement" and opened the door for Southeast Asians to work towards their independence. The European strategic weight in the region decreased in the wake of decolonisation. While the European Union is ASEAN's largest foreign direct investor, its influence is limited to trade and economics. The net strategic effect of decolonisation is the waning strategic influence of Europe in the region and the birth of new nations.

The Cold War

The ideological divide between the Eastern camp led by the Soviet Union and the Western allies led by the US flowed over to Asia. While the Cold War in Europe remained "cold," tensions in Asia boiled over into warfare in the Korean Peninsula in the first instance, followed by the Vietnam War. The communist insurgencies in Malaya and the Philippines were a subtext to the larger major powers' war by proxy. The US and the Soviet Union (and China) did not engage in the armed conflicts directly, but were nevertheless heavily involved. North Vietnam's success in unifying the nation led to the "domino theory", which postulated that one Southeast Asian state after another would fall prey to communism if it were left unchecked. Thailand was declared a "frontline state" against the red tide across the Indo-Chinese border. Southeast Asia was effectively divided between communist and non-communist groupings. It was against this backdrop that ASEAN was formed in 1967. The division of the region remained until the end of the Cold War. The divide also gave rise to the bipolar structure in the region, with the US and Soviet Union poised to balance each other in a delicate balance of power.

The End of the Cold War

The Cold War ended with the dissolution of the Soviet Union in 1991, with profound strategic implications. The global balance of power marked by a bipolar structure since the end of World War 2 in 1945 collapsed, with the US left standing as the world's remaining superpower. The bipolar structure gave way to a unipolar framework. However, the characterisation of unipolarity did not go unchallenged as the US's ability and political will to provide global leadership was questioned. The rise of new "poles" such as Europe, Japan and increasingly, China, also puts into question the viability of unipolarity. In the region, the notion of unipolarity was a misnomer. After the Soviet Union's withdrawal from Vietnam's Cam Ranh Bay, the US followed suit with its own withdrawal of US naval and air assets from the Philippines. The US's disinterest in the ASEAN Regional Forum also raised the question of Washington's staying power and engagement in the region. It was uncertain if the end of the Cold War had instituted a unipolar strategic environment. The theory of a regional power vacuum was hotly debated following the US withdrawal from Subic Bay Naval Base and Clark Airbase. The three perspectives on the strategic environment—unipolar, multipolar and power vacuum—sums up the

uncertainty surrounding the end of the Cold War. On the one hand, the end of the Cold War removed what was then perceived as the existential threat— Soviet Union and communism— from the strategic calculus. The challenge then turned from rolling back communism to keeping the US interested in the region and to continue to provide the security overlay for the region.

The Rise of China

China's re-emergence as a major power is the single most important strategic development in the post-Cold War period. It has overtaken Japan as Asia's largest economy since 2010. Its double-digit defence budget increases in the past decade has allowed it to transform the People's Liberation Army from a "people's war" orientation to a "people's war under modern conditions" orientation, signifying a shift to modernize the PLA's doctrine, equipment and training. The quest for a blue water navy is one of its top priorities given China's increasing stake in (and exposure to) international trade and commerce. From a strategic viewpoint, China's re-emergence as a major power means that, for the first time since 1945, the region has a resident major power. This point has important implications for ASEAN's relations with the major powers and with China. Deng Xiaoping's opening of China ushered in decades of prosperity with China becoming a magnet for businesses and investments. His successors continued this "liberal" agenda and progress along the path of "peaceful development." Notwithstanding China's strategic intentions and behaviour, its growing clout means that it brings significant strategic heft to the region and could possibly vie against the US for regional leadership.

EMERGENT AND EMERGING THREATS

Terrorism

Southeast Asia has been under the spectre of terrorism since the September 11 attacks on the World Trade Centre in the US. Al-Qaeda and its purported links to region-based terror groups such as Jemaah Islamiyah (JI) have brought the threat of terrorism to the region. The Bali terrorist attacks of 2002 and the Jakarta JW Marriott bombings of 2003 provided a rude wake-up call that the region is not immune to terrorist threats. While the threat of al-Qaeda-inspired acts of terrorism has subsided, a new type of threat has manifested

itself in the form of ISIS. ISIS is, however, markedly different from JI in that the former aspires to form a caliphate in the Middle East, and is not directed at destabilising or overthrowing governments in Southeast Asia. The main concern of the governments of Indonesia, Malaysia, the Philippines and Singapore (countries that have a sizeable Muslim community) is ISIS's ability to radicalise their citizens and use their countries as a recruiting base either for combatants or auxiliary personnel as well as to obtain funding. However, ISIS is a credible and critical threat in two other aspects. First, the potential of ISIS turning "inward" and taking the fight against its "enemies" in Southeast Asia cannot be ruled out. The Malaysian authorities have, in the last year alone, foiled attempted attacks on "Western targets" in Kuala Lumpur, including breweries, pubs and discotheques. Second, there is a concern that "returnees" with ISIS training may undertake "lone wolf" attacks on soft-belly targets in public spaces.

According to the US Department of State Country Reports on Terrorism, terrorism-related incidents in the past year have been on the decline, and tend to be localised in areas far away from the political and economic centres of the country—the island of Mindanao in the Philippines, and the state of Sabah in Malaysia, though these two areas are very close to each other geographically. Indonesia had two reported acts of terrorism in 2014, compared to five in 2013 and six in 2012. The Philippines had five terrorism-related incidents in 2014, nine in 2013 and five in 2012. It must be noted that most of these incidents are localized in Mindanao, which suggests a different dynamic at play compared to the Indonesian and Malaysian experiences. The Malaysian experience stands out from that of Indonesia and the Philippines in that, with the exception of the Lahad Datu incursion in 2013, terrorism has been rather low-key and is seen largely in the context of a political and religious challenge and not from a military and strategic viewpoint. Sabah remains vulnerable to "kidnapping for ransom" operations perpetrated by groups linked to the Abu Sayyaf Group. In Indonesia, the National Counterterrorism Agency, the BNPT, and the elite Police Detachment 88 (Densus 88) has done tremendous work in combating terrorist activities, but despite these successes, prior evidence shows that these dormant yet violent extremist networks and "sleeper" cells do remain intact and can become operationally ready with little or no warning.

While the threat of terrorism has subsided from the critical state it was in in the immediate aftermath of 911, terrorism and unlawful use of force by

non-state actors remain an important concern in the national security agendas of Southeast Asian states. The immediate and medium-term threat arises from Islamic radicalisation. According to experts quoted in Singapore's *The Sunday Times*, over 30 Southeast Asian Muslim groups have pledged their loyalty to ISIS, and more than 700 Indonesians and 200 Malaysians have travelled to Syria and the Middle East to join ISIS's efforts. There have even been efforts to set up a Southeast Asian offshoot of ISIS called Khatibah Nusantara. The appeal of ISIS lies in the attraction of forming an Islamic state reminiscent of that of the caliphate era. Although ISIS has been successful in attracting a small following in Indonesia and Malaysia, this threat may not be sustainable. While ISIS may go the way of al-Qaeda, the effects of ISIS may linger to put pressure on Indonesia and Malaysia to be more accommodating to Islamic policies and practices, more than what is already being done. The challenge is for the respective governments to allow for the peaceful and progressive practice of Islam while keeping radical ideologies at bay.

Environmental threats

The effects of climate change and El Nino have only served to exacerbate the environmental threats faced by Southeast Asian countries, which are caused not only by their geographical position in both the Ring of Fire and the monsoon region but also further hampered by traditional practices in waste management and agriculture.

The recent haze situation in the Indonesian islands of Sumatra and Kalimantan were the worst seen in the last two decades. Persistent forest and peatland fires caused by farmers and landowners practising slash-and-burn agriculture have resulted in thick wafts of smog enveloping not only provinces in southern Sumatra and central Kalimantan—where PSI levels often reached highs of 2000, resulting in prolonged school closures and disruptions to normal life—but also Singapore as well as parts of Malaysia and the Philippines. This has also exacerbated the lack of safe sources of irrigation and drinking water, especially for those living in rural areas where it has not rained for months.

Being located in the Ring of Fire means Southeast Asia is never too far away from a volcano eruption and earthquakes. Although there have been no major eruptions since that of Mount Pinatubo in the Philippines in 1992, Indonesia has been experiencing many in recent years. In July 2015, the eruption of Mount Raung in East Java not only resulted in mass evacuations

around the crowded surroundings (and the ensuing destruction of crops), but also disrupted air traffic. One of the more recent earthquakes in the public attention was the one located near Mount Kinabalu in Sabah, Malaysia, on 5 June 2015, which claimed the lives of 18 climbers attempting to ascend Mount Kinabalu.

However, flooding remains one of the major environmental concerns in Southeast Asia. Rapid urbanisation has led to a lack of preparation by city governments across Southeast Asia to handle the massive influx of migrants from the rural areas. The existence of illegal settlements in the riverside and in runoff containments in Jakarta and Manila have resulted in perennial floods which have paralysed the cities regularly. Given that Jakarta is a low-lying water basin surrounded by much higher-located urban areas such as Bandung and Bogor, Jakarta has experienced major floods every five to six years, the latest being in 2013. Flooding is also very frequent in the eastern Malaysian seaboard, which is hit by the annual monsoon season. The latest Malaysian floods occurred between end 2014 to early 2015, affected 200,000 people and caused 21 deaths. Apart from flooding, the region, especially the Philippines, has to deal with periodic typhoons. Typhoon Haiyan (or Yolanda), which hit the Philippines and Vietnam in 2013, caused an estimated US$2.8 billion in damage. Typhoon Melor which struck Philippines in December 2015 has thus far displaced more than 120,000 in the main island of Luzon.

These non-security threats do not manifest themselves in an overt manner, but when they do, the damage is often devastating. While there is very little that we can do to prevent natural disasters from occurring, there is much that governments and their citizens can do to mitigate the damage and to reach out to those in need. Of the four threats identified above, two are more persistent and widespread. Unless measures are taken to enforce better management of the peatlands and implement better land-clearing practices, the haze will continue to loom over the horizon. Similarly, floods caused by record-breaking rainfall can cause massive damage to the economy and livelihoods. With the changing weather patterns, these natural disasters are expected to be a regular feature of the region's disaster relief landscape. The need for immediate relief and support for basic amenities such as food, clean water, air purifiers, mobile toilets, temporary shelters, power generators and telecommunication links are clearly evident.

Cybercrime

In recent years, Southeast Asia has seen more intensive penetrations of information technology in daily life and commerce, as seen in the increase in Internet connectivity, smartphone usage, social media usage, and e-commerce all across the region. However, this turn towards IT has also led to the proliferation of cybercrime. In Sophos' *Security Threat Report 2013*, Indonesia is listed as number one in the list of countries most vulnerable to cybercrime. In October 2013, twenty-five foreigners and three Indonesian women were arrested for their involvement in an email scam involving a total of Rp30 billion. A report by Marsh on cybercrime in Asia said that Malaysia saw losses of around RM1 billion due to lapses in cybersecurity and online fraud in the first six months of 2013 alone. The Philippines Department of Justice reported that approximately nine out of ten Internet users in the country today have been victims of or were targeted in cybercriminal activities.

Cybersecurity is increasingly becoming a big priority for governments and companies across Southeast Asia. An October 2015 report by FireEye said that Southeast Asian governments and companies are 45% more likely to be targeted by hackers than the global average. Groups as diverse as the hacking collective Anonymous as well as Southeast Asian offshoots of ISIS have stepped up their attacks on vulnerable government websites across the region. The same FireEye report also showed that advanced persistent threat (APT) groups have been targeting the computers of government and military entities of Southeast Asian claimant states to the South China Sea in order to gain information on the states' strategic directions vis-à-vis the South China Sea dispute.

Rising Major Power Rivalry

The region is at the epi-centre of a major power rivalry which was precipitated by the conflicting interest of China on the one hand and the US on the other. China has seen its economic fortunes rise in the past two decades and has been clamouring for a larger voice in the region to, among others, protect and advance its national interest. Unfortunately, Washington views Beijing's advances into Southeast Asia as challenging its primacy in the region. Put differently, Washington wants to prevent the rise of a challenger, while China by expanding its influence and profile in the region whether intentionally or otherwise is eroding Washington's regional standing. Beijing wants more

strategic space to pursue its interest while Washington is anathema to ceding anything to the former.

This rivalry is being played out in the South China Sea (SCS) disputes, which also involves four ASEAN claimants. The US has responded to the recent Chinese reclamation activities on some of the SCS features by conducting air and sea freedom of navigation operations (FONOPS) in the SCS. The first of these operations involved the *USS Lassen* in October 2015. More recently, the US flew two B-52 bombers over the SCS; due to inclement weather, they were forced to fly within two nautical miles of Chinese occupied features. Beijing objected to these "intrusions" by summoning the US envoy, and also conducted a naval exercise in the SCS on 16 December 2015. The ratchetting up of tensions between the powers raises the likelihood of unintended clashes, which will be detrimental to regional stability. The standoff has also found its way into the region's diplomatic fora, including the East Asia Summit and the ASEAN Defence Ministers Meeting Plus (ADMM Plus).

The rivalry is not just confined to the security realm. Washington responded coldly to the Chinese Asian Infrastructure Investment Bank (AIIB) initiative and also put pressure on its allies not to participate. The US and Japan saw AIIB as a direct challenge to the Japan-led Asian Development Bank (ADB), and more importantly as a platform for China to bolster its regional leadership credentials. The stalemate and mutually suspicious state of affairs is reminiscence of the Cold War era where the US and Soviet Union engaged the region through a series of actions and counter-measures. It is safe to say that the lack of mutual trust between the two major powers has had a detrimental effect on regional affairs. At the same time, it would be unfair to lay responsibility for the trust deficit solely on the major powers as there is also a noticeable downward trend in relations between China and its neighbours due to developments in the South China Sea. Beijing's feet-dragging with the Code of Conduct negotiations and reclamations activities have raised concerns among ASEAN member states of China's strategic intentions. While ASEAN welcomes greater engagement with China, it is also wary of strategic capture by Beijing. Will ASEAN lose its independence and autonomy as it becomes more integrated into China's strategic and economic orbit?

REGIONAL SECURITY ARCHITECTURE

The region has a myriad of process and structures geared toward regional security. ASEAN itself was fundamentally founded to provide and enhance regional security. The notion of regional resilience was raised to enhance the region's ability to respond to exigencies. A stronger ASEAN would be better placed to withstand external challenges. In the first few years of ASEAN's foundation, the US viewed ASEAN with scepticism as it did not openly adopt a pro-US stance. This has been the mainstay of ASEAN's longevity. In the Cold War period, ASEAN's strategic goal was to keep the major powers at bay. Although the Zone of Peace, Freedom and Neutrality (ZOPFAN) was considered as too idealistic and impractical, it was nevertheless offered as an avenue to keep ASEAN safe by keeping the major powers at arm's length. ZOPFAN's failure lies in its implementation as two of its founding members— Thailand and the Philippines—have security treaties with the US and could not thus be considered neutral. On the other hand, it bears reminding that ASEAN maintains a flexible policy that allows differentiations between national and regional policies. Today, ASEAN functions as the bedrock of the regional security architecture as most of the notable fora are ASEAN-led.

The ASEAN Regional Forum (ARF) was formally established in 1994 and was the region's first security forum. The ARF brings together 27 member states from various regions: Southeast Asia, South Asia, Northeast Asia, Oceania, Europe and North America. Although the forum is intended to discuss regional security issues, the discussions are led by representatives from the ministries of foreign affairs, and not from the security establishments. Its primary goals of confidence building, preventive diplomacy and conflict resolution remain mired in a state of "in progress." ARF has not been successful in moving from the initial state of confidence building to undertaking preventive diplomacy. However, it has two notable successes. Firstly, it remains to date the only pan-Asian security dialogue that brings together member states from six geographical regions. Secondly, it is the only regional forum that counts North Korea as one of its members.

The formation of the ASEAN Defence Ministerial Meeting (ADMM) in 2006 marked an important milestone for ASEAN cooperation. Heretofore, ASEAN had been inimical to forging formal intra-mural security ties, and preferred to engage extra-regional security partners to bolster their security preparedness and capabilities. The ADMM was the first intra-mural formal institution dedicated to defence and security, and was preceded by the

informal ASEAN Chiefs of Defence Informal Meeting (ACDIM) which was established in 2003.

The ADMM occupies an important space in regional security. As useful as the ARF is, its unwieldy membership of 27 states and entities is a liability when it comes to practical cooperation. Its inherent diversity makes it unsuited for the role of enhancing Southeast Asian security as its raison d'être extends beyond the region. Conceptually, the ARF conflates Asian security under a homogenous umbrella and is unable to reconcile the various regional security complexes (Northeast, Southeast and South Asia). The value of the ADMM stems from its geographical cohesiveness, which provides an avenue for regional security cooperation. ADMM serves the regional interest and provides an avenue for the ASEAN defence ministers to discuss and exchange views on Southeast Asian security issues and concerns.

The ADMM was soon followed by the establishment of the ADMM Plus in Hanoi, Vietnam on 12 October 2010. The defence ministers then agreed on five areas of practical cooperation to pursue under this new mechanism, namely, maritime security, counter-terrorism, humanitarian assistance and disaster management, peacekeeping operations and military medicine.

In addition to the focused process, ASEAN was also responsible for introducing the East Asia Summit (EAS) as an annual leaders-led forum for strategic dialogue in 2005, with ASEAN member states, Australia, China, India, Japan, New Zealand and South Korea as its founding members. The US and Russia joined in 2011. The EAS leaders agreed in the recently concluded summit in Kuala Lumpur to establish an EAS "Unit" to provide better management and coordination of its activities.

The myriad and overlapping regional security architecture has led to critics panning these processes as ineffective. There is some validity to these criticisms. For example, ADMM is ill-equipped to undertake the role of provider of regional security. It does not have the wherewithal to do so. In addition, ASEAN is not a military alliance and has not subscribed to a regional framework for collective security. How will ASEAN respond when an extra-regional party attacks one of its member states? Lastly, ADMM appears to be an institution in search of a mission. The fact that ASEAN member states place a higher premium on their external security partners as their security guarantors points to the limited role played by ADMM in traditional security. How could ADMM even attempt to undertake a regional security role when ASEAN is hamstrung by its non-interference policy? These

constraints effectively confine ADMM's role to non-traditional security areas. For a region that has traditionally looked beyond its borders to solicit security partners, it is a challenge for ADMM to stake out a role that is beyond the member states' comfort zone.

There is a noticeable shift in momentum in the quantity and quality of functional cooperation from ARF to ADMM. As ARF continues to debate the modalities to move beyond confidence building, ADMM has hit the ground running by acting on tangible initiatives such as the ASEAN Defence Industry Collaboration (ADIC) and Peacekeeping Network. A hotline connecting the region's defence ministers has also been established. In spite of these developments, ADMM has to keep within the practicalities of regional politics. The ASEAN Peacekeeping Force (APF) proposal, for example, ran into a diplomatic brick wall while being served with the reminder that security policy cannot operate independently or ahead of foreign policy. It is one thing to improve training and share best practices, as was the intent of the ASEAN Peacekeeping Network, but it is entirely a different proposition with respect to the APF as the creation of a regional peacekeeping force would require a common policy and entails a degree of sharing of national resources. From an institutional perspective, ADMM (and by extension ADMM Plus) is "peeling" itself from ARF as it has the distinct advantage of control over resources and manpower to implement initiatives. At the same time, it is unrealistic for ADMM to be entirely independent from the political processes at the national level. In this respect, ADMM has to undertake the due process of national consultation and coordination with, among others, their foreign affairs counterparts, to ensure defence diplomacy does not run counter to foreign policy.

On the one hand, one could identify the distinct roles played by the various processes. The ARF, for example, continues to serve as a forum for discussion on regional security. Its various Inter-Session Meetings (ISM) on maritime security and non-proliferation and disarmament, for example, are useful to enhance understanding of opposing positions and provide an avenue for confidence building. On the other hand, the various modalities allow for creative application by various parties to achieve their goals. The ADMM is focused on enhancing confidence among the ASEAN militaries, while the ADMM Plus serves to engage external parties and to leverage on the former's superior military training and equipment. Although there have been calls by ASEAN's Dialogue Partners to streamline these platforms, and even to elevate the EAS as the region's coordinating body for regional security, there has not

been a consensus on these proposals. There seems to be a stronger preference to continue with the tried and tested modality of muddling through. Fundamentally, the regional security architecture serves to provide a platform for discourse and to identify ways to promote and undertake cooperation in areas that are deemed "non-sensitive."

CONCLUSION

Security is a complex and complicated issue in Southeast Asia. Although ASEAN purports to support a "Political-Security Community," it still relies on external parties to safeguard its sovereignty from external aggression. Beyond the question of "hard security," ASEAN has been successful at mobilizing and creating modes of cooperation to arrest other forms of threats. But the test is still in its implementation. Take, for example, the ASEAN Treaty on Transboundary Haze, which has been largely ineffective at stemming the haze threat. Nevertheless, ASEAN is now in a better place to deal with existing and emerging threats than it was before because ASEAN has grown through trials and tribulations and has a better understanding of how to forge regional cooperation. It also bears reminding that ASEAN is stronger today because it has the support of the Dialogue Partners, which also serves as indispensable security partners and allies.

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ISBN 978-981-11-0191-5
9 789811 101915