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

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

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

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

Since this Council of Councils meeting was held in Ottawa, attention turned to Canada's role in the Arctic. The Arctic accounts for 40 percent of Canada's territory, but only about 130,000 people live there. The present conservative government has identified the region as a major policy priority, and although there has been little funding for a deep seaport, patrol vessels, or icebreakers, other infrastructure investments have been made. Strategically, Canada is ill-equipped to counter any challenges to its sovereignty over Arctic lands or its claims regarding the continental shelf. As for disputes over the national boundaries of the continental shelf, countries that have ratified the convention can submit claims to territorial sovereignty to UNCLOS, which will in turn offer a nonbinding set of findings.

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

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

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

GOVERNING THE GLOBAL FINANCIAL SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BREAKING THE GLOBAL CLIMATE CHANGE DEADLOCK

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

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

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

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

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

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