

## Philip Merrill Fellowship Essay Contest

*Reforming the Global Economy and Securing the World's Internet:*  
Foreign Policy Priorities for the Obama Administration in 2011

Shelley Ranii

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## *Introduction*

2011 will bring a fresh set of challenges to the Oval Office. Aside from averting disaster in the familiar maelstrom of Afghanistan, Pakistan and the Middle East, the Obama administration will face two foreign policy priorities that, if not managed properly, have the potential to shake the entire existing international order at its core. Ensuring international financial system reform and strengthening cyber security for the World Wide Web are of paramount importance to build the foundations of a 'new global architecture' promoting a stronger and more stable political, economic and social order in years to come.

A second international financial crisis or massive internet failure has the potential to take substantial US resources to address, to the detriment of dealing with other emerging foreign policy issues as well as undermining stability and order in the US and around the world. As in American football, sometimes the best foreign policy 'offense' is a good 'defense'. If the Obama administration can defend against another financial crisis or an internet service failure of massive proportions, US resources remain free to address other issues while national and international confidence in the global economy and internet-based communications will rise. With strong American leadership through proactive dialogue and negotiation with foreign governments and international organizations, the US can face these issues head on and set the world on track for a successful second decade in the 21<sup>st</sup> century.

### *International Financial Reform: Structural Change Needed, Not Just Creation of Warning Barometers*

In 2007 and 2008, the entire international economic system was stunned by, as the US Financial Crisis Inquiry Commission termed it, "the largest financial disaster since the Great Depression". Despite this close brush with international economic catastrophe, the vulnerabilities that created the potential for financial crisis have not been remedied in 2011. Since the crisis began, financial firms have lost or written down \$1.76 trillion USD, but signs of progress on financial reforms have yet to materialize. While regulatory reform in the international financial sector has been talked around a great deal over the last three years, it is critical to not delay financial reform implementation any longer. As the chief world financial power, the Obama administration must spearhead the movement for meaningful global structural change.

In preparation for last June's G20 meeting in Toronto, President Obama, in a letter cosigned by leaders of the UK, Canada, France and South Korea, proposed an ambitious plan for international financial reform. This plan would include strong international rules on capital and liquidity, standardized procedures for derivatives trading, implementing internationally agreed compensation standards and the creation of a framework to address cross-border resolution of systemically important financial institutions.

However, at the following G20 meeting in Seoul in November of 2010, this gallant effort was watered down to a minor fix rather than meaningful reform. Instead, nations agreed to set up an economic imbalance 'warning system', through which a set of economic indicators would be monitored in order to give early notice to nations of potential dangerous developing imbalances. This weakened approach

does not address the underlying issues that plunged the world economy into despair just a few years earlier; such a system would at best serve as a weather forecast before an unpreventable storm.

The Obama administration must resist the temptation to take a back seat in financial reform negotiations moving forward. As in the 1944 Bretton Woods conference, which stabilized the global economy in the face of depression and war in the second half of the 20<sup>th</sup> century and created the International Monetary Fund and the World Bank, bold commitment from the world's largest economy is required. The US needs to recommit the G20 and the world to deliver on the initial, more comprehensive set of reforms proposed in June 2010 that take action to prevent and treat future international financial disasters as opposed to merely identifying warning factors. In addition to other multilateral and bilateral negotiations, the Obama administration should work with this year's G20 leader, eager French president Nicolas Sarkozy, to align the G20 agenda back towards its initial, common goal of significant international financial reform that will set the global economy on a path for long-term stability.

*Policing the Information Superhighway: International Collective Action Needed to Safeguard Internet for All*

Turning to a different issue with the potential for enormous worldwide impact, international internet regulation presents another truly global foreign policy challenge. The internet has become a powerful, pervasive form of international communications on which governments, companies and individuals depend on a daily basis. As such, any disruptions or breaches on a large scale have the potential to cause extraordinary damage to the United States and its interests as well as governments and peoples all around the world. With a hodgepodge of spotty international regulation, it remains unclear how the world would counteract such a high impact event, let alone prevent it from occurring. For example, the US's NATO ally, Estonia, was the victim of a massive denial-of-service attack in April of 2007, shutting down the entire nation's internet infrastructure. The nation of Georgia had a similar experience in 2008, having its national internet turned off by unknown hostile external actors.

The US is not equipped to handle such large scale attacks or security breaches on its or other nations' internet infrastructure alone. There is great variation in internet network size and complexity from country to country, making universal security provisions impossible. As General Keith Alexander, commander of US Cyber Command (CYBERCOM), a Department of Defense command created in 2009 to defend US military networks, "the Internet by its very nature has no borders and if the US takes on the mantle of the world's police, that might not go down so well."

The first steps toward improving internet security would come in starting dialogue among governments and major national and international internet providers on standard internet security policies. The US can use its influence to facilitate dialogue between nations in order to develop a more robust framework to synchronize efforts of law enforcement agencies to counteract multi-national cyber-attacks. Likewise, the US can continue to back already existing efforts, such as the Council of Europe's

Convention on Cybercrime, which advances international cooperation in prosecuting internet crimes and boosting cyber security worldwide.

Finally, while preserving cyber security is a paramount issue, internet freedom of speech should be embraced and promoted, especially by human rights and democracy activists under authoritarian regimes. The Obama administration should stand behind the State Department's latest released policy on facilitating the (safe) free flow of information on the internet and breaking down artificially state-imposed barriers, such as Egypt's attempt to shut down the nation's internet and the Chinese government's firewall. The US and the world stand to benefit economically and socially in keeping the internet, as Secretary of State Clinton termed it, an "open forum for discourse".

In a globally networked society, an attack on any single nation's networks can be seen as an attack on all. The US has a duty to lead the way in condemning nations or persons which conduct criminal or terrorist cyber-attacks while assisting the circumvention of artificial barriers to free speech. In advancing this idea, the Obama administration can work to start to solidify international norms that promote respect for a safe, but open World Wide Web.

### *Conclusion*

Nearly every aspect of US foreign policy is impacted in some way by international financial stability or the availability of safe and secure internet communications. Following the financial crisis, capital flows to the developing world dried up to the detriment of US international development efforts. Resulting global economic downturn has forced the US Defense Department to reduce spending on security efforts, while sustaining its highest levels of US troop presence ever in Afghanistan in Operation Enduring Freedom. Elsewhere, efforts to promote democracy and human rights worldwide are complicated by artificial internet blockades, preventing millions from freely sharing information and making their voices heard by their own governments and the outside world. It would be remiss to not note that only 30% of the planet is connected to the internet; in making the internet more internationally secure and accessible, previously disenfranchised communities and individuals can be linked into a global information network that provides an entry to the modern world.

In the year of the tenth anniversary of the 9/11 attacks, the Obama administration must plan for the worst, while hoping for the best on fundamental foreign policy issues impacting all nations. By setting responsible international financial and internet policy, the United States can continue to pursue its other foreign (and domestic) interests in security, development, governance, diplomacy and business. Securing the international financial system and the internet allow the freedom for active US participation in other foreign policy areas including preventing terrorist safe haven while promoting stability in Afghanistan, monitoring troubling unrest in Pakistan and dealing with the Israeli-Palestinian issue and Iran in the Middle East.