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Speech of

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Thank you Bob [Zoellick] for your warm words of introduction

Dear Friends,

It is a real pleasure to be with you this evening for this Arthur Burns Memorial Dinner. I understand that many of you are alumni of this terrific initiative. I want to give a special thanks to Ambassador Klaus Scharioth, whom I have known for many years, and to our friends from Goldman Sachs, for hosting us this evening.

You have kindly asked me to speak about Europe's role in the world and the state of Transatlantic relations. I could happily give you an overview of what the European Union is doing in a number of pressing crises. From the Middle East, to Kosovo. From Iran to Darfur and many other places besides.

I could expand this with some comments stressing how much we are working closely with Americans. And that this practical Transatlantic co-operation is a necessary condition to achieve results. But you have heard speeches like that before. From me and others. And because this is a special evening, to mark a special initiative, allow me to use a broader canvass.

In New York and with this kind of audience, let me share some broader reflections on what has been troubling me for some time. And that is the condition of the international system as such. Tonight, let us lift our eyes from the crises of today and look at the contours of the new international landscape of tomorrow.

Let us look at some deeper trends, analyse their implications and see what we want to do about them. The past is prelude, as they say. So, to assess the state and future of the international system, let us go back first to its origins.

After the indescribable horrors of the Second World War, people were ready to try something radically new. Indeed, the multilateral system built after 1945 was revolutionary in design. Its organising principle was that peace and stability would be ensured through co-operation based on rules - not a raw balance of power, nor empire. This was new. Because for centuries, international order had been maintained precisely through a combination of the balance of power and empires. For periods this worked. But never for long. And always at great costs.

After 1945, we tried something else: to build an effective system based on rules and strong institution. Of course, national interests and international rivalry were not abolished. That would have been naïve and unworkable. But the defence of national interests was channelled through institutions. And the management of rivalries was made subject to written and unwritten rules. To be sure, this was not a system of global governance. Rather, it was a system of states governing inter-state relations.

The US played the leading role in shaping it. To do so was a deliberate and far-sighted choice. It is striking that Dean Acheson's memoirs are called "Present at the Creation". In return, the US underwrote the system and agreed to be bound by it too. Over time, the multilateral system developed, extending its functional scope and geographic reach.

In Europe, a successful sub-system emerged with the Coal and Steel Community and later the European Economic Community. Most striking here were the supra-national aspects. These demonstrated that the Europeans were willing, in tightly defined areas, to go beyond the pure inter-state paradigm.

All in all, this post-1945 international order worked fantastically well. But today the international system is creaking. Because the world it was built for is no more.

New problems are emerging that the system was not meant to address. Migration and the environment are the most obvious examples. More fundamentally, the reason is that power is shifting away. Both between political systems. From the West to new players. But also within political systems: from government to markets, the media, and NGOs.

This shift of power between and within political system is the inevitable political consequence of globalisation. People in this town know very well that governments' freedom of manoeuvre is limited by the power of the bond market and Standard and Poor's ratings.

Journalists assembled here know that media scrutiny is intensifying and changing. Fifteen years ago we spoke about the CNN effect. By this we meant the pressure that big media organisations can put on governments when the public learns of a humanitarian outrage half-way round the world. To insist that 'something must be done'.

Today people are talking about the You Tube effect. This potentially gives the same power to any individual with a video-camera and an internet connection.

NGOs have grown in power too. It is a mark of our time that more people are working in our NGOs than our armies. Many NGOs are an enormous force for good. Médecins sans frontières reaches people that governments often cannot help. But not all NGOs are benign. We have to remember that Al Qaeda too is an NGO. Because of democratisation and individualisation, there is less deference all round.

Who wants to be a follower if you are constantly told that you can be what you want to be? This is true within domestic politics but also internationally. So, governments, especially Western ones, have lost relative power. As a result, the ability of the old Transatlantic alliance, ran by diplomats in conference chambers, to "lead" the world, has been weakened.

What could we do? The nature of the problems thrown up by globalisation mean there is no alternative to multilateral co-operation. But we need new forms, which reflect the problems and power distribution of today's world rather than that of 1945.

For us in the West, it also means making space at top tables. At the UN Security Council of course. But also in terms of IMF votes. And, why not, G-8 membership?

It is not for me to advocate precise modalities of how we integrate new players at the top table of global diplomacy. But I am certain that we must. We should bear in mind that how China and India will behave in future depends on how we treat them on the way up. Moreover, we need to make greater efforts with countries like Mexico, South Korea, South Africa and others. They are natural allies on the question of multilateral governance.

It is striking that as European Union we have been most successful when we have worked with other partners. This is even true in our own backyard - the Balkans. And it is especially so further afield: see Aceh or the Democratic Republic of Congo. We are trying to apply that lesson to Darfur where we are working with the African Union and engaging China and others.

The same lesson also applies to the Middle East Peace Process. Here the familiar Quartet is reaching out more to the Arab Quartet. It is trite but true to say that the future global system will be a system of continents and continent-wide regimes. Take the European Union, the African Union and ASEAN Plus. When I travel across the Middle East I wonder whether it will remain the big exception: rife with tensions, over-armed and under-institutionalised?

Bringing in new players to the top table. And strengthening regional co-operation. These are necessary steps. But in themselves, they are not enough. In today's world, we must be ready to transcend the inter-state paradigm.

To tackle the dark side of globalisation, we must mobilise new networks of actors, from the public, private, and NGO sectors. In some cases, such new constellations have already been tremendously important. Take the "drop the debt campaign" and how it fed into the G-8 Gleneagles Summit.

Other good examples are the Kimberley process. Or the anti-landmine campaign. This was, largely, an effective trio of the Canadian government, Jody Williams and Princess Diana. We need to bring together the people who can bring about change on the issues that matter. These may be diplomats and politicians. But increasingly they will be business leaders, NGOs, journalists. At the same time, we have to ensure that such public-private partnerships are more than PR gimmicks.

Dear Friends,

Apart from being more creative about bringing together new players, we also need to ask how this will lead to more effective action. This brings me to the matter of trust. What the current system often lacks is trust among the relevant players. And it is the task of politics to create trust where it does not exist.

We all know that without trust – and the law - there is no security. Trust is the basis of everything. It is trust which provides security. Security which enables risk-taking. Risk-taking which helps us to get rich. And it is our wealth which allows to pay for the solidarity mechanisms we want and need.

Trust requires clear rules. These must be just - or seen to be just. And they must be fairly applied by independent and accountable institutions. This is essentially what we did in the post-war period.

In Europe, the European Union has developed into a robust system of law, policed by the European Court of Justice. Yes, European integration has its ups and downs. But it is remarkable that no country has flagrantly rejected a judgement of the Court in Luxembourg. The beauty of enlargement is not only that we do system change of post-communist societies. It is also that we have constructed a single legal space of open markets and open societies, covering more than 500 million people.

At a global level too, we have enlarged the zone of trust and rules. In many ways, the spectacular expansion of the global economy is testament to the global expansion of open societies. New middle classes have emerged in St. Petersburg, Sao Paulo and Shanghai. And all this is impossible without the rule of law, functioning politics and trust, within and between countries.

But all is not well. Because at the same time I see a deficit of trust in several areas:

- between the West and the Muslim world. The cartoon crises, Iraq, and Palestine are vivid proof. (By the way the Muslim world also exists within our own cities);
- between the nuclear haves and have nots: There is a growing tension around the balance between the disarmament and non-proliferation sides of the coin;
- between energy consumers and suppliers. Look at the current scramble for energy. Or at how Russia, Algeria, Iran are flirting with a "gas OPEC" option. Market principles are violated, by producers but also by us.
- between developed and developing world on how to tackle climate change. The debate on the science is settled. But how to distribute the necessary adjustments? I would like to be assured that we can all agree on a strategy of "cap and trade".

How can we address these trust deficits? I believe we need to think about new bargains. For example on the environment. Or on forms of dialogues between cultures. Sometimes, we may need to be more serious about upholding our side of old bargains. For instance on disarmament - if we want to remain credible when we rightly challenge those that openly break the non-proliferation rules.

Upholding our side of the bargain also applies to the Doha Round. This is about removing barriers and creating jobs, and hence hope, especially for the developing world. But it is also about demonstrating that global multilateralism can work.

Above all, we need to revive the view of politics as the art of building trust where it does not exist. In international life, determination and good will are important. But they are not enough.

We also need fair and clear rules and strong institutions to apply them. The story of the period after 1945 shows it can be done. Large parts of our world are now characterised by open societies, open markets and the rule of law. People are shaping their own lives. This expansion of rules and trust should be an enormous source of inspiration. But legitimate rules and trust are lacking from other parts of this world. And for some issues, we have not yet found the rules.

The task ahead is to create these fair rules. And to build strong institutions to navigate the choppy waters of the next 50 years.

Let me leave you with a quote from Jean-Jacques Rousseau:

"The strongest is never strong enough to be always the master, unless he transforms strength into right, and obedience into duty."

Thank you very much.