



The Foreign Policy Association Fellows' Luncheon, September 28, 2001

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You were expecting Chris Patten today for lunch, but given the events of September 11, you'll understand that he couldn't make it, and he sends his regrets. In fact, Commissioner Patten has just arrived back in Brussels from a trip to Pakistan, Egypt, Saudi Arabia, Iran and Syria, where he was helping to build a global coalition against terrorism together with High Representative Javier Solana and the Belgian foreign minister on behalf of the EU, as well as the international community.

And the EU has already moved quickly and effectively on terrorism, first in a special session of the Justice and Home Affairs Council on September 20th, followed the day after by a special European Council of all our heads of state and government.

What those Councils did was to commit the European Union to a whole series of measures which will have an important impact on our common reaction to terrorism, and I'll come back to that in a moment.

We're obviously facing a different world, but I want to give you a metaphor for the way in which we are facing a different world. Many of you New Yorkers will know the Storm King Art Center out in the country north of here, with the massive sculptures of Alexander Calder. Imagine if you will, sitting on the grass looking at one of these sculptures: you can do that, you can have a picnic, you can spend half an hour doing it and you have a particular view of the sculpture. If you then get up, walk around it 90 degrees and sit down again, you'll have a completely different view.

It seems to me what we're seeing now in world affairs is something like that. It's not that the world has changed; it's simply that our view of it has changed completely, and it looks very, very different. Even though I think [to a very considerable extent] it's the same world, with

the same structures, with the same system in place. Some will see the role of the EU and the US in the world and our relationship with each other in a new light. I think it's the same structure as before, but everything has a new significance.

The European Union and the United States are still the two largest economies in the world. We count together for about half of the entire world economy. We also have by far the biggest bilateral trading and investment relationship in the world. We are in many ways the two biggest actors, at least in the economic sphere around the world.

So as the two biggest actors, what exactly is the role that we should be playing in the world? What exactly is the role that we *are* playing? What challenges are we facing? I think the first challenge comes from something which business people know all about, which is the interdependence of the world economy. In every decade since the Second World War, our economies had a larger and larger proportion devoted to international trade. It's been growing every year. Trade has been to a very large extent a great promoter of economic growth in those five decades. In the year 2000, total world Foreign Direct Investment has gone up to almost a trillion dollars, something like \$800 billion. It was \$50 billion dollars back in 1985. From 50 to over 800 billion is an enormous increase in the stakes we have in each other's economies around the world.

There are over 60,000 transnational corporations, with about 500,000 affiliates around the world, with sales amounting to something like 11 trillion dollars. And to misquote a famous senator, "11 trillion might not sound like very much, but a trillion here, and a trillion there soon adds up to something." And to deal with this interdependent world, it's quite clear that national independent policies are insufficient; that's why we've set up under US leadership and then increasingly under EU-US partnership, a whole system of multilateral rules to deal with this economic interdependency. The WTO is the most obvious example of that, but there are a lot of other multilateral organizations dealing with the complexity of this economic interdependency.

Then we have the global challenges which we are all faced with. You can actually find these listed in communiqués of the G8 for about the last 10, even 20 years. Exactly 20 years ago in the G8 Summit in Ottawa, there's a marvelous text which is all about the need to combat growing international terrorism. That's clearly one of the threats we're faced with. It's linked though, to the world network of drug trafficking, trafficking in people, trafficking in arms, international crime – they're all inter-linked. We're talking about the phenomenon of

inter-linked groups around the world, who work in the shadows, and who very seldom see the light, and that's very difficult to deal with, but that's clearly one of the global challenges which has been thrown into relief in the last couple of weeks.

But so has the global challenge of eradicating poverty. There are a billion fellow citizens of this world who live below the poverty line. There is a clear, although complex relationship between extreme poverty and conflict and resentment. Hunger and ignorance breed violence. On the other hand development creates prosperity, prosperity creates markets, markets bring new growth. It will be very important in today's context to ensure that when ministers get together in Monterrey in Mexico in March to talk about promoting finance for development, that the conference be a success-- perhaps every bit as important as what we're doing on the terrorism front.

And what are the criteria for that success? I think it will be if that conference can create a climate, in which developing countries will be able to better mobilize internally investment resources, which means creating the institutions for poor people to save. It will be a success if it can create a climate in which the developed countries can feel their way politically to increasing their flows of official development aid to the developing world. And it will be a success if it can create a climate in which investors see more market opportunities in developing countries. So it will be very much a question of the climate. But it's all part of our agenda, it's part of global challenges.

Another element, another global challenge to which we give lip service and sometimes do something about, are environmental challenges, including global climate change. The destruction of natural and human resources, particularly natural resources have far reaching consequences for the future. It aggravates poverty, it forces mass migration, and it provokes conflict on its own. There is a connection there between environmental degradation and political insecurity. Just think of those island states of the Pacific, who are now asking larger countries around the area like New Zealand and Australia whether they'll be prepared to take their populations when their islands disappear under the rising waters of the Pacific.

And there is a general question, which is that if we are living in a world in which we are pushing for economic growth by depleting the environmental resource space of the world, then that growth is not sustainable forever. Maybe for us, maybe for our children, but maybe we have to think a little bit further ahead, and that's the world of sustainable development. And there is a big conference coming up next year, in Johannesburg in September, to follow up on

the concept of sustainable development, ensuring that economic development is indeed sustainable right through future generations.

And now we have the challenge of infectious diseases around the world: malaria, tuberculosis, and obviously HIV, AIDS. We're going to have to address the unaffordability of medicines for AIDS victims in Africa for instance, and that's being done. But, just imagine for a moment: we're talking about 9 countries in Africa which are facing a drop in life expectancy by the end of the decade, of 17 years on average.

We had a special session of the General Assembly on AIDS in June; I wonder how many of you can remember what was decided. These things tend to evaporate and not be followed up. Maybe one of the things we should be saying now after events of the last few weeks is that the attempt to deal with global challenges really does need to be followed up in serious fashion and not just paid lip service.

Globalization also transcends frontiers; it is a vehicle for the export of cultures. It's perceived as a vehicle for the export of values, and there is, to some extent backlash against it. There is backlash in *our* society. You know the events that took place in Seattle; I was in fact in Seattle myself. There is backlash against globalization in *our* societies in the West. And imagine how much more that must be true in other cultures around the world which see globalization as a vehicle for what they regard as immoral, valueless cultures spread around the world by our Western business and entertainment industries. So perhaps we can have some understanding for the cultural backlash that we're facing. All these global challenges are what Chris Patten would call, "the nuclear warheads of our time."

I would argue that foreign policy today is about aligning all our national aims so that they're directed at dealing with these same global targets and that particularly applies to the EU and the US. These challenges face us in a world in which has been transformed over the last I would say two decades, and it has been transformed in a very positive sense. The values that we have been propagating, we, the United States, Europe, and elsewhere, are the values of market economy, the rule of law, of democratic freedoms. Those values have swept across the former Soviet Empire since 1989. Those values have allowed the massive spread of prosperity in Asia, particularly in East and Southeast Asia. Those same values have brought down one after another, authoritarian regimes in Latin America. And those values have become part of the consensus on what developing countries must do, if they aspire to rise out of poverty and misery. And those are our values, and I think we can be proud of that.

Which brings me to the EU-US relationship. I'm going to quote Chris Patten again in a recent speech: "No one shares our vision, the European vision, our history and our values as much as the United States. With no one else do we have such a wide range of common interests, such a fine national network of cooperation on all levels, such a strong economic base to build on." That commonality of values and of interests is the foundation of the Trans-Atlantic relationship. And you will find it affirmed and reaffirmed in the Trans-Atlantic Declaration of the year 1990, when I was in charge of trans-Atlantic relations in Brussels. And you'll find it reaffirmed in the new trans-Atlantic agenda adopted in December 1995 which shifts the focus of our relationship from just consultation to joint action. And a large part of the job of trans-Atlantic relations of the last 10 years or so has been not to allow the spats and frictions which occur across the Atlantic to obscure the importance of the common values in what we do. We've always said we need to focus on the positive and downplay the negative. It's not always been easy, but I think perhaps in the current climate we will agree for a moment to forget about bananas and talk about terrorism.

So we have common values, but I think it's also true, that in putting them in practice, the EU and the US have different strengths and weaknesses. Chris Patten says, again, when the EU and the US work together, we set the international agenda. If we're divided, the opportunity for international progress is lost. Now we have to be very careful to see what our strengths and weaknesses are, and intermesh in a positive way. I don't want to oversimplify too terribly, but I want to say that the US strengths, it seems to me, are strengths of military power and of strong convictions. The EU strengths tend to be economic instruments of foreign policy, and our network of diplomatic relations.

In the Middle East, the EU is one of the largest aid donors, and I think we've been able, particularly in the last 6 weeks or so, to play a growing complementary role to that of the United States. And I think we all agree now that peace in the Middle East takes on a more urgent meaning than ever before. The Mediterranean is a region which I guess most Americans can find on the map, but it's our own backyard, the way Central America and the Caribbean are yours. The EU is trying to be an anchor of stability in the Mediterranean, a region that includes all of North Africa, which is a line of Islamic countries, with a growing population and growing problems of poverty. We call this engagement the "Barcelona process", which is a set of new arrangements ensuring that the region grows together, and that all its synergies are realized.

The Balkans is another obvious area where the EU is able to use its strengths; with the help of the US, we've been able to bring about what is a fragile peace to a large part of the Balkans now. And this is where the prospect of joining the EU can take over as the guarantor of peace and stability in this area. With the expertise, money and trade we are now pumping into the region, we are ensuring that these countries do pass along the gradual road to becoming EU members.

Then we have the Cotonou Agreement, which is the latest version of the agreements we've had for many years with the African, Caribbean and Pacific countries – very largely former colonies of EU member states. Under that, and elsewhere, the truth of the matter is that the EU is the largest donor of development assistance in the world. And the Cotonou Agreement is by far the most important North-South agreement that exists today.

Despite these things, the EU has, of course, weaknesses; we realize this, and we are trying to make ourselves stronger. The Common Foreign and Security Policy, which is operational, is not seamless. We say we have one foreign policy voice, High Representative Javier Solana. But it wasn't Solana who represented the voice of Europe in Washington, DC last week: it was President Chirac, it was Tony Blair, it was German Foreign Minister Fischer *and* it was those representing the EU as the "Troika". So we often speak in different tongues, albeit with essentially the same message, and the CFSP has created an apparatus which allows us to speak with one voice on almost all foreign policy matters. On 95% of all resolutions in the UN now, we have a common EU position, and this has taken us a long way.

On the sharp edge of foreign policy is security and defense. We will have by the beginning of 2003, the possibility of putting 50,000-60,000 troops in the field within 60 days, fully supported, and fully able to operate in peacekeeping and similar operations. So we'll be in a much better position to deal with anything like the situations in Bosnia-Herzegovina or Kosovo in the near future.

None of this runs counter to the continuing importance of NATO – that's actually anchored in the EU Treaty, which says that the development of an EU defense policy must be compatible with the common defense and security policy established within NATO. What this means in practice is that if the US doesn't feel it wants or is able to contemplate a NATO operation, then the EU can pick up the ball and run with it itself.

A few words on anti-terrorism. As I mentioned, the Justice and Home Affairs Council met on September 21, and indeed yesterday, President Prodi and Prime Minister Verhofstadt of Belgium

were in Washington to brief President Bush on those decisions. What exactly do they consist of?

First of all, reaffirmation of solidarity with the US. We are as determined as you are to bring to justice and to punish the perpetrators, sponsors and accomplices of terrorist acts.

We are working very hard with you on constructing a global coalition against terrorism.

We are also heavily involved in what the UN is doing. I hope you all noticed the UN Security Council Resolution of 12 September, which was remarkably quick for the UN, as well as the resolution of the General Assembly on 18 September. They are actually ringing endorsements of US policy against terrorism, and I have been struck by the almost universal solidarity of all countries within the UN system in this situation. And I believe we in the EU have been useful in bringing this about.

We are now in the process of producing legislation, to put on the books very quickly, by the end of the year, something which will give us a common definition of terrorism and an EU warrant of arrest for suspects of terrorism – issued in one member state and capable of being executed in another – something almost unthinkable in the past. Soon we will move towards a single jurisdiction in Europe when it comes to terrorism.

And we will move to develop the international legal instruments that already exist. Again, few know that the UN and others have negotiated a total of 11 international conventions on terrorism. We'll be ratifying all of those in Europe and there will be a rapid acceleration in this. Almost all of the EU member states have signed these conventions, most have ratified them and that process will be completed very quickly now.

I said that Chris Patten has just come back from a trip with the Troika to the Middle East, to Pakistan, Iran, Saudi Arabia, Egypt, Syria. What they've been doing is to explain our actions to fight terrorism, to drum up support in these countries that are among the most difficult. But they will support the international community in the fight against terrorism.

They also stressed to these countries that the fight against terrorism is not a fight against the Arab world, and is not a fight against the Muslim world. One of the good things to come out of the last few weeks has been how, in the US and Europe, there has been so much time and thought devoted to increasing knowledge about Islam and that part of the world – and that can

only be good.

The Troika was at pains to say that these countries' concerns would be taken seriously.

A final element to make clear: we, as many other countries, will contribute to dealing with the humanitarian crisis in Afghanistan. The Secretary General of United Nations has just called for \$540 million to be made available to refugees from and within Afghanistan. It is estimated that some 7.5 million people are at risk of dying of starvation right now. The battle we are fighting is not just against armed terrorists in Afghanistan: it is for the hearts and minds of the Afghan people. That's the other element of the antiterrorist coalition.

And there is also the rest of the business of the world, which must go on and accelerate.

Like the agenda for a new WTO Round to be launched in Doha. The EU has continued to push for a new, broad multilateral trade round for a long time. Our Trade Commissioner, Pascal Lamy, is known as a marathon runner: he has certainly been on a marathon around the world to get this thing going. And he's doing this very much in tandem with USTR Bob Zoellick.

It is very important that Congress present the President with trade negotiating authority, which will allow the US to play its full role in Doha.

One thing we are doing in our own backyard is the process of enlargement. We currently have 15 member states; we are negotiating with another 12 countries, and that negotiating process will lead them to full membership within a few years to come. You can't specify particular dates because much depends on exactly when these countries have put all the legislation in place, the administration in place and the policies in place to be able to be full members of the European Union. What this will do, I would say, by the end of the decade, will be to spread the zone of peace and prosperity, which we have enjoyed in the Union for such a long time, throughout the rest of Europe. It stabilizes economies and political systems by bringing these countries into the single market, which is of benefit to US companies as well as EU firms. It's also about conflict prevention. It's about prosperity in Europe, as well as about making the world a safer place. And that enlargement process continues.

So, my conclusion from all this: multilateralism has always been on our agenda. And the multilateral system is about moving forward together. It seems to me that the recent terrorist acts have put a new spotlight on that, giving it a renewed impetus. And surely, the

sustainability of what we are trying to do in the world, in terms of increasing prosperity, requires both poor countries and rich, to look beyond their national borders and beyond their narrow domestic concerns.

The agenda is: deal with the common challenges, and do so by remembering our common values, by remembering what we are for is rule of law, democracy, a market economy, but also human rights around the world and the dignity of men and women. And that means moving beyond paying lip service to the UN agenda, so resoundingly agreed at the Millennium Summit. It means working just as hard to help 7.5 million Afghan refugees, as to track down and bring to justice Osama bin Laden. It means working just as hard to increase the flows of finance to developing countries, as to cutting them off from the world's terrorist networks.

To end on a lighter note, my three daughters all learned to row at college, so I'll end on a rowing metaphor here. I think what the last two weeks have taught us is that we're all in one boat, and so we better pull together. And it seems to me that the role for the EU and the US must be in the powerhouse of that boat, pulling together in harmony.