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**Remarks at dinner with RAND Europe Advisory Board  
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Let me first congratulate Martin for the initiative he has taken with this discussion over dinner.

Few topics are as important today as the state of the relationship between Europe and the United States.

And few institutions are as well placed to pursue that dialogue as RAND. Being the world's first, and probably still most famous think-tank, it has evolved from being only a US to becoming a global resource.

RAND Europe has brought the analytical skills of RAND to Europe, providing policy analysis of a nature that we certainly need on the different issues that we are facing. It's European, but it's also RAND. It's the trans-Atlantic relationship at its best.

Otherwise, these are of course days when that relationship is under debate. The

disputes over the Iraq war are behind us, and the immediate tension has subsided. But some of the underlying issues are certainly still there.

The relationship between the Old World of Europe and the New World on the other side of the Atlantic has never been without its tensions.

The United States was a reluctant convert to the causes of the two great wars in Europe during the last century. But once having abandoned its original reluctance, its contributions proved critical to the outcome. And while the powers of Europe destroyed and exhausted each other, the United States emerged as the dominant industrial power of the industrial age.

When historians look back, I believe they will look at the period between 1948 and 1989 as a unique period in the relationship across the Atlantic.

Immediate after 1945, there was a US tendency towards disengagement again, not too dissimilar from after 1918. But soon the brutal reality of the challenge of Soviet power changed everything. With the confrontation over Berlin, the war in Korea and the Soviet Union acquiring nuclear weapons, disengagement was simply not an option.

The reality was, that if a nuclear-armed Soviet power had been allowed to occupy the continent of Europe, it sooner or later would have threatened continental United States itself.

Thus developed the close trans-Atlantic relationship, the true founder of which was Joseph Stalin more than anyone else. The survival of a free and democratic Europe was obviously in the interest of the Europeans, but it was also in the self-interest of the United States. For a generation or more, we were united by the common threat of Soviet power.

Not everything was idyllic. But at the end of the day the common threat that had to be faced was the bond that made the resolution of all other issues both necessary and possible.

Then, in 1989, the evil Soviet empire suddenly collapsed. We were confronted with an entirely new situation in Europe. It would be wrong to say that we were properly prepared.

But the bonds from the decades of the Cold War made it possible to manage the historical miracle that was the peaceful dissolution of the Soviet Empire. Never in history had such a powerful empire collapsed without a major war.

1989 is the new Stunde Null - to take a German expression - in modern European history. It was in August of 1914 that Sir Edward Grey, the British Foreign Secretary, reflected that the lights were going out all over Europe, and he doubted they would ever come on again in his lifetime.

He was right. It was only in 1989 that it was possible for all of Europe to come out of the darkness of that long European nightmare of fascism and communism. And ours was the task to build a truly new system of security and cooperation on a continent throughout history ridden by more wars than most.

It was here in the Netherlands - in Maastricht in late 1991 - that the leaders of Europe redefined, retargeted and relaunched the efforts at European integration.

Since then, the Maastricht agenda has dominated the politics of Europe. A major effort at financial consolidation paved the way for a much wider common currency from 1999 onwards than most had anticipated. And the magnetism and model of the European Union was critical to the success of the most significant peaceful regime change that modern history has seen as approx 10 countries of approx 100 million people set up the institutions of the rule of the law, pluralist

democracy and modern market economies.

And now, we see this European Union expanding to no less than 25 member nations, with more to come. When its leaders meet in Thessalonica on Friday, they will be presented with a draft constitution that has resulted from 14 months of work by a unique convention of no less than 105 representatives of no less than 28 European countries - Romania, Bulgaria and Turkey also being part of this process.

The task is a formidable one. We are setting up a system of common governance that will cover up to 30 self-conscious nations, more than half a billion people, the world's largest integrated market as well as the world's second most important currency. And it must meet high standards of both efficiency and legitimacy.

The 1989 agenda is by no means finished. I belong to those that believe that we are - at the best - half the way towards fulfilling the tasks that history threw upon us in that important year.

The nature of the task will remain - to build structures of peace through the sharing of sovereignty on a regional base. This will remain our dominating agenda.

If we cross the Atlantic, the dominating agenda is a very different one.

It is difficult to underestimate how profoundly the attack of September 11 has changed the direction of US policies and its perceptions of its role and responsibilities in the world. Europeans who believe it's just a passing phenomena of one administration are profoundly mistaken.

2001 was as important for setting a longer-term agenda for the United States as

1989 was important in setting a longer-term agenda for Europe.

The 2001 agenda is different from the 1989 agenda in fundamental ways.

While we talk of peace - they talk of security.

While we talk of sharing sovereignty - they talk about exercising sovereign power.

When we talk about a region - they talk about the world.

Thus, we have moved from a world in which we were united by the common agenda of 1948 and the confrontations and containments thereafter, to a world in which our dominating agendas of 1989 and 2001 are much more different. No longer united primarily by a common threat, we have also failed to develop a common vision for where we want to go on many of the global issues confronting us.

I believe two important policy conclusions follows from these rather simple observations.

The first is that it is important for political and other leaders on this side of the Atlantic to understand the nature and the significance of the 2001 agenda on the other side of the Atlantic.

Often, I don't think that is fully the case. You see it in the tendency in parts of European opinion to dismiss it all as a passing Bush administration phenomena.

It is not. Any US President from September 11 onwards will spend the first 30 minutes or so of his day receiving briefings on different terrorist or security threats. And that will influence the way in which he or she handles practically all

other issues. The paradigm of politics has shifted.

But equally, it is important for political and other leaders on the other side of the Atlantic to understand the historical magnitude and complexity of the 1989 agenda on this side of the Atlantic.

Again, it is obvious that there is room for improvement. Efforts that are seen as aimed at unravelling European efforts to come together can only provoke fury and counter-moves.

The second conclusion - after having increased mutual understanding of the different dominating agendas - is that there is an urgent need for statesmanship that shows that while these agendas are different, they are not necessarily incompatible with each other, and there can in fact be a useful synergy.

But these efforts must go beyond the superficial rhetoric that tries to say that everything will be like before.

It will not be - and it should not be. We have both changed.

There are two areas or topics that will be of particular importance in this regard.

First, the transformation of the Greater Middle East. Second, the continued transformation of the global economy.

The Greater Middle East is the “near abroad” of the European Union.

With its population increasing faster than any other region of the world, while its economy has been developing slower than any other region with the exception of sub-Saharan Africa, we are bound to be profoundly affected by its development over the years to come.

On present trends - apart from the Israeli/Palestinian conflict or the problems in Iraq - we are heading towards a series of implosions and/or explosions during the years to come.

When the incoming Italian presidency of the European Union is now putting the issue of illegal immigration high on its agenda, they are speaking the same language as all the countries of the part of Europe more immediately bordering the Greater Middle East. Almost on a daily basis, ships hardly afloat land on the coasts of Italy with refugees barely alive.

The United States is often referred to as the only superpower in the world. That's certainly true if you measure its power versus the other powers in the world.

But equally relevant might be to measure its power versus the problems that it is confronting.

Is the United States really a superpower when confronted with the challenges of policing the back alleys of Baghdad? Is ten active army divisions - in manpower less than the German army a decade ago - enough to handle the peacekeeping as well as war fighting requirements of the world?

When looking at the issues of the Greater Middle East, I believe the answer is obvious. Both the United States and Europe has an obvious interest in forging a much closer alliance for the peaceful transformation of the Greater Middle East than we have seen so far. Not even the superpower of the United States has the power to manage these challenges alone.

The Quartet on the Middle East peace process is an important step forward. But in Iraq the coalition for the peace still looks too thin to be really credible. And we have yet to develop a coherent concept for the political and economic

transformation of the entire region.

The United States has spoken about its vision of democracy for the region. The European Union has in the past launched ambitious schemes for free trade with the region in the future. Too little has been done in order to bring these schemes and visions together. This must happen if we are not to fail - and if we fail, we will all suffer the consequences.

The second area of particular important - and responsibility! - is the management of the global economic system.

There might be room for unilateralism and talk about a Europe divided in other areas. In this, there is not.

Key issues like the further opening up of the global trading system in the Doha round, the semi-management of the relationship between the major currencies and the furthering of the entire agenda of positive globalisation simply can only be handled multilaterally. And no single relationship is more important than the one between the United States and the European Union.

The last decade has seen the United States race ahead in terms of economic growth. Two thirds of all global growth since the mid-90's has been in the US economy. But it has also been a decade of acceleration of economic integration across the Atlantic. Globalisation has gone further and reached deeper across the Atlantic than between any other two parts of the world during those years.

Today there is more European investment in Texas than there is US investment in Japan. And for all the importance of the emergence of China as a global manufacturing power, the sales of US subsidiaries in China are roughly of the same size as the sales of US subsidiaries in Sweden.



The bandwidth installed over the Atlantic - a true sign of the emerging new relationships - is more than four times the bandwidth installed over the Pacific. And more than a hundred times the bandwidth installed between Europe and Asia.

It's the Americans and the Europeans together that are the great "globalizers". While our political agendas have become more different after 1989 and 2001, our agendas on all the issues of globalisation and economic development have moved closer together as a result of the large changes as the global economy opened up and new technologies started to transform it in the 1990's.

Europe is and will continue to be dominated by the 1989 agenda for years to come.

The great constitutional debate has only started. Further steps in terms of enlargement must happen. Integration in the difficult fields of immigration and internal affairs will have to move on. And - most important of all - the leaders of Europe must take the issues of economic reform far more seriously than they have done during the last few year.

I'm a firm believer in a true partnership across the Atlantic. The old one is gone, our dominating agendas are different, and the task of building the new one has really just started.

And it's in handling all of the challenges of the Greater Middle East, and in shaping the global economic order of continued globalisation, that we will see whether that task will succeed or not.

The world would be a more difficult - and possible dangerous - place if we failed. Failure can not be an option. We have to succeed.

