

**Remarks by Mr Carl Bildt at the IOMA 60<sup>th</sup> Annual Meeting  
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I left the metropolis of Moscow - far away on the plains of Russia - yesterday morning to come here to Scottsdale - in the middle of the desert of America - to talk about the state of the world today.

I vividly remember my first visits to Moscow – then the grey and decaying capital of the vast Soviet empire.

Gorbachev had just come to power, intending to reform socialism in order to ensure the survival and further development of the Soviet Union as a superpower and as a glowing example to the rest of the world.

The eleven time zones of the Soviet empire was covered with vast steelworks and enormous industrial plants. Vast sums had been invested in producing more numerous and more powerful nuclear weapons than even the United States possessed.

But the empire was rotting from within. While old Russia was once a large exporter of food, the Soviet Union had to buy grain from all over the world to prevent starvation. In Moscow, there were long queues for shops that really did not have anything to sell. The telephone book was considered a state secret, fax machines were forbidden and typewriters had to be registered with the police.

Since then, much has changed.

The vast Soviet Empire collapsed under the weight of its own failures. And thanks to a number of factors, it did so peacefully. Never in human history has so vast an empire collapsed so fast and so peacefully as we saw this one doing.

Until the fall, of the Soviet Union, global politics was to a large extent a question of the rivalry between the two competing systems and powers. The Soviet Union with its empire and its dominions. The Western democracies grouped around the power of the United States. Virtually all issues that arose around the world were seen through this prism – remember even Vietnam.

And suddenly it was all gone.

We all remember the reactions.

There was talk about the end of history. A new global order was proclaimed. There was a mood of optimism that all the difficult issues were behind us. We saw a revival of global international cooperation. The United Nations acquired a new importance as an instrument of the new global harmony. Globalisation became the word of the day.

We had entered a better world.

And we truly had.

As globalisation gathered pace, we saw hundreds of millions of people from Shanghai to Sao Paulo entering the new global middle class. For the first time in a century, the gap between rich and poor in the world did not increase. And after three

quarters of the member states of the United Nations in the mid 1980's had been authoritarian of the one sort or the other, by the mid 1990's three quarters of them were democracies and open regimes of the one sort or the other. The Oslo Accords brought the hope of peace even to the Middle East.

There was ground for the optimism we felt.

But very soon, other new realities also started to make themselves felt.

In the Middle East, Saddam Hussein had to be repelled after having tried to occupy and integrate Kuwait. And soon, the Oslo peace process started to stall, to be followed by a new confrontation over the old Holy Lands.

In Europe, war broke out as Yugoslavia fell apart and the Balkans started to disintegrate. Suddenly, we had millions of refugees, thousands of persons killed and ethnic cleansing entering our vocabularies.

In Africa, we saw ethnic tension developing into outright genocide in the Great Lakes region, as well as a new wave of disintegration starting to affect the countries of West Africa.

And on September 11 2001 – with the attack against New York and Washington - everyone brutally woke up to the new reality that had been emerging during the preceding years. In an increasingly open world we were faced with the threat resulting from a devastating marriage between ancient hatreds and modern technology.

By then – if no later – it became obvious that we were living in a world of a new disorder - rather than a world of a new order.

What happened then was a true watershed event. It set a new political agenda that will dominate for years to come – primarily, but not exclusively, here in the United States.

But the 2001 agenda that has lead us into what is often referred to as the Global War on Terrorism isn't the only dominating agenda in the world today. And the great task, I would argue, is to get these different and differing dominating global agendas to support and reinforce each other rather than the other way around. Only thus can the different agendas be brought forward towards a more stable global order.

If the 2001 agenda is the one that drives the politics of the United States, it is the 1989 agenda that drives the politics of the countries of Europe. And sometimes we see the tensions between these two agendas producing a tension across the Atlantic and within its Alliance.

It was in 1989 that the wall that divided a city, a country and a continent came down, and we were confronted with the task of building an entirely new system of security and cooperation in our part of Europe.

The task was by no means an easy one – and certainly not an unimportant one. It should not be forgotten, that Europe during the past century was the source of two global wars with horrible consequences - as well as two global totalitarian ideologies that brought misery to millions around the globe.

I belong to those that believe that there is no real alternative – if we truly want to secure the peace, and improve the prosperity – to the building of a federation of nation states, encompassing all of Europe to the West of Russia and the Ukraine, stretching from the Arctic Ocean to the Mediterranean, and eventually extending towards the outer reaches of the Middle East.

Immediately after the fall of the wall in Berlin, and the reunification of Germany, the decision was taken to transform the old European Community to the new European Union, move from a single market towards a single currency, open up to all new democracies of Europe, and try to develop a common foreign and security policy as well.

Since then, these are the tasks that have dominated the politics of Europe. And they will continue to do so for many years to come. We are – at the best – half the way towards fulfilling that agenda that history threw upon us in 1989.

Much has been achieved in the years since then.

You have seen the creation of the common currency that is already the second most important global currency. It is already a success story, helping to forge a more unified and more competitive European economy, already bringing together 12 different nations with more to come in the next few years.

We are now on the verge of expanding the membership of the European Union from the 15 members of today to the 25 members it will have on May 1<sup>st</sup> next year. All the Baltic countries and all the countries of Central Europe – until not that long ago parts of the Soviet Union respectively the outer Soviet empire – will from then be full members of both the European Union and the Atlantic.

We are building a Europe that is whole and free, democratic and dynamic, and doing it faster than hardly anyone a decade or so ago thought possible.

What has been achieved in these countries is the fastest, most thorough and most peaceful regime change that we have seen in modern history. It is a miracle - driven by the model provided by the European Union and by the magnetism of its idea of integration and cooperation.

But there is as much work ahead of us as there is work behind us.

These months, the final negotiations are taking place on the first constitutional treaty of the emerging federation of nation states. It is not a constitution of a single state, but it is far more than the treaties of the past decades of European integration.

The task is not easy. We are seeking to set up a system of governance for more than 30 nations with proud histories and vibrant national cultures, approximately half a billion people and the world's largest integrated economy – system of governance

that must meet high standards of both efficiency in decision-making and democratic credibility and transparency.

Throughout human history, nothing like this has even been done. There is no model. It goes without saying that it will take time, that there will be failures and setbacks, and that it is by no means certain that the right decisions will always be taken.

But the effort will go on, since it is driven by the common conviction that it is only by sharing sovereignty across the continent of Europe that we can avoid the divisions and conflicts of the past - and build a better future.

Apart from the ten countries now entering, Romania and Bulgaria are already far advanced in their negotiations for membership. We have to sort out all the complex issues of the war-torn area south of Slovenia and north of Greece – Croatia has already applied for full membership.

And by December of next year, a crucially important decision will have to be taken on whether to launch formal membership negotiations with Turkey. Few decisions will be as important – and as difficult.

The essence of the 1989 agenda of Europe is to build bridges over the divisions of the past, thus creating better conditions for the future.

When the decision had to be taken on the design of the new Euro bank notes, it was quickly found that our past was so divisive that there were no emperors, kings, philosophers or whatever that could be equally accepted throughout this vast area. Thus, what you find on the new banknotes are bridges – to cross – and doors – to enter.

Step by step, many of the divisions of the past have been bridged, and we have entered through new doors.

There is now more fear about the Germans and French working too closely together than of them starting new wars – which was the case for a century or so. The

Hungarians and Slovaks have been ready to work together as never before in their history. Age-old fears about the permanence of the borders of the different countries of Central Europe have been laid to rest.

With Turkey, we are encountering the need to build bridges also with that important part of the world that is the Muslim world. A Europe that is able to integrate deeply also with a Muslim country – democratic and secular – will be a different Europe in many important respects.

This will take many years. But we have already seen how the magnetism of European integration has driven political forces that previously pursued a Islamist agenda into becoming champions of reforms and modernisation, accepting the reality of a secular and democratic Turkey.

Seen from the perspective of from where I come – Europe – our future challenges are primarily in the direction of Russia towards the East and in the vast post-Ottoman area in the Southeast that brings us right into all the issues of the Greater Middle East.

We are not separated from either Russia or the Greater Middle East by large oceans and vast distances – Europe extends seamlessly into Siberia, and it meets the Middle East not only across the narrow Bosphorous, but gradually as moves through the post-Ottoman area from Bihac in the Bosnia in the northwest towards Basra down on the Persian Gulf in the southeast.

This is – to use an old Soviet phrase – our “near abroad”.

It is when we move down towards the southeast that the European agenda of 1989 encounter even more clearly the American agenda of 2001.

Terrorism is certainly a worldwide phenomenon – European countries have had their fair share of experience of it – but it is within the tensions of the Muslim world that we are today encountering the most difficult tasks when it comes to fighting it.

I don't think that we will ever be able to completely defeat every form of terrorism in every part of the world.

I have seen how the governments in London and Dublin have struggled with trying to dismantle the terrorist infrastructure of the Irish Republican Army, with the one small success often followed by the one small defeat. And we know the threat that practically every politician in Spain is under from the Basque terrorist organisation ETA.

The task must certainly be to defeat the terrorist of today. There must be no compromises in that fight.

But it is vitally important that we don't defeat the terrorist of today by means that create more terrorist of tomorrow.

The secret police of Tsarist Russia were most probably proud of their success when they apprehended and executed a man planning terrorist attacks. But in one of these cases, his brother took to politics as a result, created a powerful also terrorist organisation, and turned all of Russia upside down.

That man was Lenin. The success turned into defeat.

The terrorist structure of Al-Qaida has complex roots in the past. It can be seen as part of a fundamentalist revolt against those trying to reform and modernize often obsolete and closed Muslim societies. It is driven by a dream of a past that never was, and a fear of the future that is bound to come. It has managed to achieve the marriage of ancient hatreds with modern technology.

Since September 11 it is estimated that approximately a third of the known leadership structure of Al-Qaida has been destroyed the one way or the other. It must be assumed that the important "middle management" of the network – the critical key to any successful operation – has been severely battered.



But as to the impact on the recruiting of new members, and their training for new tasks in the years ahead, I fear that we know much too little to be certain. And it is here the decisive battle against terrorism must be fought.

It is only by building barriers against terrorism inside the societies in which they seek to recruit that we can be certain of success over time.

If we fail in this, we might try to build barriers between these societies and ours, but are bound to fail in that as long as globalisation remains our program. And we might even try to build barriers inside our own societies, thus in all probability facing an even greater failure, since these barriers would have to run right through our suburbs and schools. We would risk losing core values of our societies in the process.

The Muslim world today is a world of immense strain as it tries to come to terms with modernity, reform and globalisation.

Perhaps one can draw a slight parallel with the strains that the Christian world went through half a millennia ago and that resulted not only in the Reformation, but also the Thirty Years War that laid large parts of Europe to waste. And the Muslim faith is approximately half a millennia younger than its older brother Christianity.

Our news is every day filled with the latest battles of the latest confrontations – be that in Khandahar, Gaza or Mosul.

But these are not necessarily the most difficult issues.

Today, the 22 countries of the Arab world have a population of app 280 million people. But it is increasing fast, and within two decades it is likely to be app 450 million. It's a region with a greater proportion of young people than any other in the world. Today, no less than 38 % of its population is below 14 years of age.

This might not have been such a major problem if there economies were expanding so that there could be jobs and opportunities for everyone. But that is by no means the case.

During the last two decades this region has had the weakest economic development of any region in the world - with the exception of sub-Saharan Africa.

This includes the oil-rich countries as well. Oil income simply isn't enough to keep pace with the population growth.

In Saudi Arabia – with more than a quarter of all the known oil reserves of the world - oil income per capita today is app 10% of what it was in the early 1980's. When – some years into the future – Iraq manages to get its oil production back to old levels the corresponding figures will not be radically better.

Together, the economies of all these states are less than the economy of Spain. And if we take away energy exports, their combined exports are less than the exports of Finland.

There are obvious reasons for this disturbing state of affairs.

Their economies are over-regulated and state-dependent. Seven of the ten largest Arab League member countries aren't even members of the World Trade Organisation. A third of the women can't read or write. The region has the lowest Internet penetration of any region of the world – including sub-Saharan Africa.

And almost without exception, it is ruled by more or less authoritarian regimes. Stability in the regimes has brought stagnation to the societies. But an exploding population simply cannot be combined with stagnating economies and ossified regimes.

At the moment, we are engaged in the mother of all nation-building efforts in the aftermath of the overthrow of the regime of Saddam Hussein in Iraq.

There were divided opinions – also in this country – on the war, but there are no divided opinions – as recently expressed in the new unanimous resolution of the UN Security Council – on the necessity of winning the peace.

This will not come easy or fast.

I have been deeply involved in - and responsible for - similar efforts after the different wars in the Balkans.

There we have learnt that it takes more of time, more of resources and more of patience than anyone had initially believed. But we have also learnt, that it is an effort not without hope if we are prepared to pay the price and stay the course.

In Afghanistan and Iraq, we have no choice. To win a war, only to lose the peace, is not to go back to where it all started, but to enter into a situation far worse. Because if we lose, they win, and the “they” that then consider themselves the winners will be those out of which the terrorists out of tomorrow will certainly be recruited.

The efforts in both Afghanistan and Iraq are entering critical periods. It is not primarily a question of money and reconstruction – important as that is - but of political will and constitutions, eventually leading towards the establishment of some sort of functioning states in both of these areas.

In Afghanistan, a draft constitution is about to be published. And – if security conditions allow – this will pave the way for elections by next summer. Then the country will have a regime of its own that can really start to long-term effort of reconstruction and reunification.

In Iraq the task is even more difficult.

Much like old Yugoslavia, Iraq was put together out of the debris of the old Ottoman Empire after the First World War. It’s potential for disintegration should not be underestimated. It is not only a question of the Shias and the Sunnis of the south and the centre, but also of the Kurds of the north that must accept some sort of reintegration into Iraq after a decade of de facto independence under international protection.

And neither of these two countries can be seen in isolation from its regional context. Neighbors can destabilize if neighbours so chose.

Once upon a time, the lands that are now Iraq were part of what was known as the Fertile Crescent.

These were the lands of Abraham, stretching from where he was born in what is today southern Iraq to where he is said to build a small temple in present day Mecca in Saudi Arabia and including where he is said to be buried in deeply divided Hebron in Israeli-occupied Palestine.

We cannot isolate what happens in one part of this area from what happens in another.

Over time, the liberation of Iraq from its past must go hand in hand with the liberation of Palestine from its present. We must build both a new Iraq and a new Palestine, both of them living in peace with an Israel that can then build bridges instead of barriers towards this entire area.

The greatest danger to the prospect for success in Iraq now comes from the risk of failure in the peace process between Israel and Palestine. Israel might try to deflect dangers from itself by building that gigantic wall, but it just risk deflecting the anger of those suffering occupation towards all those other targets available throughout the region, not the least in the fragile state of Iraq.

Thus, we must see the two processes as one – to make the ancient Fertile Crescent fertile for reform and reconciliation, instead of resentment and rage, in the decades ahead.

And this process must be seen as integrated with the wider process of supporting and encouraging reform in the wider Arab and Muslim world.

It is about trying to build stable societies, establish the rule of the law, and paving the way for representative government and prospering economies - about giving at the

least some hope for the future to all those young people now standing idle on the street corners of Gaza, Mosul or Khandahar.

If not, there is the risk that they will not be idle for long...

These are tasks so large that they are beyond the capabilities of any one power, including the United States.

It is often said that the United States is the only superpower of the world today. This is certainly true if one sees it in relation to other powers. The military spending of the United States is nearly as large as that of all other states taken together.

There is hardly any war that the United States can't win all by itself.

But winning wars if you lose the peace doesn't make sense. And the United States is certainly not a superpower in the back alleys of Baghdad. Seen in relation to the challenges we together are facing, even the mightiest power of our time seems more like a midget than anything else.

This applies not only to Iraq. Today, no less than 14 of the 33 active brigades of the US Army are deployed in operations in Iraq. Anyone knows that this is unsustainable for very long. It also risks making the United States into a very weak power in other complex parts of the world.

The art of managing the disorders of the world will increasingly be a question of building true coalitions and gathering broad international support.

There might be times when acting alone is the only alternative available. But those should be rare, and the transition to a wider multilateral framework that gives material resources, political support and critically important legitimacy should be as swift and as clear as possible.

This is apparent when handling the acute issues of nuclear proliferation in both Iran and North Korea. That the latter is assembling new bombs more or less as we speak

is close to certain, and that the former is building up a capacity that seems to be aiming at – at the least – the option of making nuclear weapons now seems beyond doubt.

There are hardly any realistic military options for dealing with these issues. You don't know which tunnels to bomb in North Korea, and in Iran, the success of bombing will be the success of driving the entire program under ground. There are hardly any armies available to occupy either of these countries – not to speak about both of them.

Thus, political solutions are called for, and those will have to be multilateral political solutions.

In North Korea, China is giving important help, with a very high-level Chinese delegation now heading for Pyongyang. In Iran, a delegation of the foreign ministers of Britain, France and Germany last week secured an important agreement to suspend the uranium enrichment program.

In both cases, much more will be needed. And I believe one must also have to address some of the security concerns of both of these regimes and countries in order to get them to abstain from proceeding with their profoundly dangerous nuclear programs.

As we build international coalitions to tackle the different challenges that are there, I believe we must increasingly see them as part of the overriding task of managing the process of globalisation itself – promoting and encouraging all its positive sides, but containing and limiting its more destabilising ones.

I fail to see how this can be done without fully using the instrument of the United Nations all its related international organisation – the World Trade Organisation, the International Monetary Fund, the World Health Organisation and others.

It is by bringing as many as possible together than we can create the solutions that have the possibility of being truly effective.

Travelling around, I have the distinct feeling that the process of globalisation is gathering momentum again after a pause in the years of September 11, the collapse of equity markets and the Iraq war.

Issues of global trade, of investment flows, of jobs and currencies are coming to the forefront as we are approaching elections all over the world – in Japan in November, in Russia in December and March, to the European Parliament in June and in the United States in November of next year.

And they are no less relevant to the question of bringing jobs to the otherwise desperate young men of Khandahar, Mosul or Gaza. Or to give hope to the desperate former cocoa farmers of Bolivia or the those trying to find some hope for the future in war-torn Liberia.

It's only an open trading system, based on open economic systems in the different countries, which over time can bring better prospects of prosperity to everyone.

China is increasingly the focus of the debate in this country.

It is true that the booming economy of China is having a profound impact on the global economy – it's not the biggest export of the world, that's now Germany, but it is certainly the country with the fastest growing import, those having increased by 40% only this year.

But it is an illusion to believe that old jobs that threatened primarily by new trade when we should know that old jobs are threatened primarily by new technology. Manufacturing jobs are lost all over the world – also in China – as new technology gives rise to new productive that paves the way for new prosperity.

It's only by making your own economy more competitive – not be forcing others to be less competitive – that you over time can be successful in this new era of globalisation.

And over time we know that a society cannot be half free and half unfree. When economies are opened up, there will sooner or later be the necessity of opening up also the political system. One of the biggest of the question marks ahead is how China will be able to handle this unavoidable challenge.

Will change there be as smooth as it was in Europe? Time will tell. Either way – the consequences will be profound.

Whichever way we look – the challenges ahead are formidable.

But if we get the Americans and the Europeans – that's the axis of good in the world today – to work together, I believe that we can build the coalitions and the support to handle them.

History has not come to an end. Neither will it. But it can still be shaped. Disorder can be made into order.