



**INTERACTION
COUNCIL**

Αρχείο

OBSERVATIONS ON THE PRESENT STATE OF THE WORLD

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by

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It is a true pleasure for me to see all of you today, particularly the members of the InterAction Council. It is because I do enjoy our annual reunions. I also welcome this opportunity to once again learn something about this important country of Saudi Arabia. I am sure most of my colleagues share my delight to be here.

Having participated in the Council meetings over the past quarter of a century, I am convinced that our little Council is quite a visionary group. I find it rather satisfactory to look back. Obviously we “has beens” have over years or even decades been ahead of our actual leaders on a number of global issues and concerns.

Global financial crisis and economic recession

1)

Since we last met in Sweden in June 2008, the world is a vastly different place. The most dramatic change is in the world economy, which was still expanding last June, it is now in the deepest recession since World War II. The ongoing global economic crisis is only comparable to the Great Depression of 1929 and onwards. The capitalized value of all stock exchanges has plunged to nearly one half over the last year. Oil prices – and also other resource prices – which were one main concern last summer, have plunged to a mere quarter. According to the International Labour Organization, an estimated 50 million workers around the world might lose their jobs by the end of this year. Of course, the hardest hit – as always – are the least developed countries. The World Bank outlined the devastating effects of the financial crisis on the global South: An additional 100 million people or more could be pushed beyond the poverty line.

If this current serious global recession deteriorates into a global depression, it could lead many countries to relapse into national egoism and various forms of protectionism. It could create a chain reaction, as has happened during the Great Depression of the 1930s. Then, unpleasant disturbances in international relations and political instability in many countries cannot be ruled out. Such process would of course aggravate the already dangerous global situation.

Before dealing with the therapies it is unavoidably necessary to be conscious of the origins of the present crisis. A medical doctor who has to give therapy to a sick patient will first look into the case history, then establish his diagnosis and only thereafter decide on his therapy.

2)

The globalized recession has two major causes, namely first: Contagious, outrageous and reckless greed of financial managers, spreading from New York

to London and to the rest of the world. That greed caused even hitherto well respected great banks and many less respected private financial institutions to take absolutely unreasonable risks – plus clandestinely shifting some of the risks to others who did not understand what they were buying. Some even engaged in clearly criminal activities.

Secondly: At the same time the political class in a number of countries have neglected their duties to watch over the well-being of their respective economies, particularly so in the United States. Their regulatory and supervisory authorities have been absolutely insufficient and inadequate. They have let it happen that private financial institutions could swell themselves up to 20 and 30 times their own capital. And they let it happen that private institutions sold inscrutable derivatives, nowadays called toxic assets, in the order of hundreds of billions Dollars to other financial managers who naively bought these assets or sold them on to private customers.

These are the two main reasons for the financial meltdown that we are observing since 2007. This financial crisis has triggered not only a deep going reluctance to lend. But as well have the several tsunamis of disastrous news from the financial industry resulted in a highly contagious loss of confidence in our economic future. Throughout the world, share prices fell dramatically, business investments were shelved, and consumers put off buying. So far for the diagnosis.

I believe it will hardly be possible to overcome this global deflation of demand without taking drastic measures to treat the causes of eroding confidence.

3)

Regarding the therapy I do distinguish three main treatments that will have to be applied parallel to each other, all at the same time and at once.

First: In order to regain fully functioning credit markets and regain the operability of banks, one has to alleviate the systematically important banks and other financial institutions from their burden from toxic assets. And one also has to recapitalize these banks. This process has begun on a purely national base in the U.S. and also in Europe. The methods used do differ considerably from country to country. Anyone of the states is far from completing this process. And in each case the outcome so far is uncertain. Of course cautious optimism may help some. But an odd tragedy remains unavoidable, namely that one necessarily has to depend on the cooperation by quite a few of the charged former financial wrongdoers.

4)

Secondly: Even if this rescue operation becomes successful, it will not suffice to globally re-establish confidence. It will in particular not re-establish worldwide confidence in American financial derivatives, so-called financial products and in American financial instruments of thousands of kinds. It may as well not suffice to recoup confidence in the future exchange value of the American currency. It is therefore urgently necessary to create a reliable system of regulation and supervision over all kinds of financial institutions, including regulatory capital standards and also including all kinds of traded financial instruments.

So far the regulatory and supervising authorities are established only by national legislation; there does not exist an international treaty. But since the 1970's, vastly spreading during the 1990's and again in the 2000's, hitherto national markets for capital and credit have become globalized. The world does have established rules to get out of one's way in international sea traffic on the ocean. The world does have a great number of internationally accepted rules for international air traffic as well; there do exist and are obeyed standards of safety for aircraft, for their engines and for the pilots, etc. But in regard of the electronic global financial traffic, not only Bernard Madoff was absolutely free to cheat but as well was for instance the giant AIG free to engage in highly questionable deals. The same applies to a number of banks in Iceland, in the UK, in Germany and in many other places.

This Council has warned over the past several years and we have asked for remedy. Most of our present political leaders did not listen. Today I am once again not very optimistic in this regard. For instance Tim Geithner's plans for supervisory innovation are going to meet with considerable resistance in the American Congress. If in the end capitalist radicalism carries the day in the U.S., then the European Union or the 16 Euro states will have to act for their own region. So will as well other regions and other states. Because confidence will not be restored and the global deflation of demand will not be overcome if public opinion is left with the pessimistic expectation that after a short while the malicious casino capitalism is resurrecting itself.

5)

Let me digress here and enumerate seven minimal regulatory innovations in order to prevent further havoc in the international financial markets.

- a) All private financial institutions and all internationally traded instruments are to be put under one and the same regulatory and supervising authority.
- b) The authority will define minimal capital ratios for each branch.
- c) Deals and engagement outside the balance sheet of the financial institutes are defined as a criminal offense.

- d) Trading in financial derivatives and certificates that are not enlisted and not notated at an officially acknowledged stock exchange will be regarded as an unlawful offense.
- e) It will be an offense if a regulated financial institution deals in financial instruments that they do not possess at the time of the deal (so-called "short-selling").
- f) Participation in and credits and financing towards companies, firms and persons who are legally based in a sovereign tax haven or sovereign supervisory oasis are defined as illegal.
- g) As long as so-called rating agencies are not sufficiently regulated, their ratings are not to be regarded as solid.

These seven minimal requirements are, by the way, only a slight extrapolation of what I had to say to this Council two years ago. But we have not seen any progress in the meantime.

6)

Now coming back to the three main treatments which are at present necessary, besides of rescuing banks and of creating proper regulations and supervision, thirdly: The global economy does at the same time need stimulation of demand in general.

In contrast to the Great Depression which started 1929/1930, we have some consolation that most governments today have come to understand that they must replace, at least to some degree, the general lack of well-funded private real investment and replace the lack of private demand by monetary and fiscal expansion. It was encouraging to see governments resorting to the largest stimulus packages in peace-time history as well as expanding liquidity and money supply to contain deflation. In particular, it was reassuring to observe the speed with which the U.S. enacted a huge stimulus package only a month after President Obama assumed office. But of course a gap may open up between the announcements and the realization. This obviously is the first time since the 1930's when the lessons of John Maynard Keynes legitimately are again being applied.

But I will again underline my earlier statement: Monetary and fiscal expansion alone and in isolation will not nurse the globalized economy back to health. And we will as well have to bear in mind that there are two limitations: There is the considerable danger of future inflation once the present crisis is overcome. And there is the more immediate danger that a state finds it impossible to finance its fiscal deficit by way of the financial markets and particularly impossible to finance its outward current account deficit. Iceland was only a forerunner of a number of states which will find themselves in similar

predicaments. Quite a few countries will ask the International Monetary Fund for help. It is therefore urgently desirable to increase the means of the IMF.

A majority of countries is facing a period of extremely high national fiscal deficits that will last several years. It is likely that more central banks will help their governments by buying the debt of the state with newly printed money.

It is of course still possible that the global aggregate of fiscal stimuli might not suffice to overcome the global deflation of demand. In such an environment those countries will suffer most whose economy is strongly geared to exports; whilst countries with economies overwhelmingly dependent only on their domestic markets may well become the first to get out of the calamity. The U.S. may become such a positive example.

But if a country's economy is more inward looking or more outward, in both cases they are facing the serious question whether high unemployment and hunger today is harder to bear than considerable inflation at a later point in time. Or on the other hand: whether keeping the value of their money stable is more important than a sufficient rate of economic growth and of employment.

7)

At this very moment no responsible political leader can undertake to give us a global economic prediction over the next three years. And no economist can predict the actions of 200 governments in 2010 or 2011 and their effects on the world's economy. There as well is currently no all-embracing theory about how to manage globalization. There is no theoretical panacea either.

The populist demand for protectionist policies will grow in many places; but as far as national protection will prevail it will only aggravate the global calamity. In the contrary the international community does need a higher degree of cooperation than hitherto. From alpha to omega, from the completion of the Doha Round of trade negotiations to the recuperation of the credit markets and to the limitation of greenhouse gases, mankind does need a higher degree of cooperation between states.

This Council since years has asked for inviting China, India, also the important oil exporting countries and as well Brazil, Mexico and others to participate in the economic summit meetings, formerly called G 7 and G 8. It is good and welcome that at long last the present crisis has led to a summit of 20 – first time last November in Washington and again recently in London. Of course it is only a beginning and the resulting announcements are hitherto in reality no reason for enthusiasm.

Tour d'horizon

So far about the efforts to overcome the financial and economic crisis. I have dealt with that in extenso because it is presently the most pressing problem for the world. There do exist a number of other global problems on which I will touch later on. In the meantime I will try to sketch a geographic tour d'horizon.

8)

First on role of the United States of America Almost the entire outside world has welcomed the change in the U.S. administration. Millions throughout the world were inspired by Obama at the inauguration ceremony. But of course: The proof of the pudding will be in the eating. Anyway it is a positive change for the world to see a more balanced and more rational figure at the helm of the U.S. after nearly a decade of unilateralism.

To our relief, however, the naïve delusions of the so-called neocons appear to have given way to a more realistic attitude. For the sober and analytic mind, one insight had long been obvious. It is that a big fleet of aircraft carriers, of nuclear-equipped long-range missiles plus any number of troops are by far not sufficient to meet the complex and intertwined needs of the other regions and nations – with traditions, some nations dating back centuries and even millennia. The agenda of cooperation between the U.S. and the enormous rest of over 6 billions of human beings can never be worked off only by military means and by threats and military interventions.

This simple insight is particularly obvious in the field of financial and economic recreation in which the U.S. have a special responsibility. Not only because it is the by far biggest economy; but even more so because it has been the American finance industry plus the carelessness of the American political class who have plunged the world into trouble. Once the present crisis is overcome it needs to be regarded of utmost urgency to terminate the richest nation financing their needs by borrowing from China and Japan and from many other nations.

The relationship between the U.S. and China has calmed down to some degree; despite some Americans who still consider their country to be morally and politically superior to the “middle kingdom”. An important problem between the two is neither Taiwan nor Tibet but rather the unavoidability to in the medium run devalue the Dollar and respectively up-value Renminbi.

The relationship between the U.S. and Russia as well has calmed down. But it still remains to be seen whether the U.S. will accept that a Nato membership of Ukraine or of Georgia is bound to be understood by Russia as an additional dangerous act of enlarging the geopolitical area of American strategic superiority at the cost of Russia's security – and whether therefore the US gives

up the project. It is instead of high urgency that these two superpowers, who own the overwhelming number of nuclear weapons, live up to their commitments under the Non-Proliferation-Treaty (NPT) and start to scrap the bulk of their tens of thousands of nuclear weapons. Of course, that does need a negotiated agreement. It would be the opposite to reason, if they started a new arms race in developing further advanced nuclear weapons, further advanced means of delivery and new weapons to shoot them down (so-called anti-missiles). If Ronald Reagan's idea of "star war" is being pursued further it will lead Russia and also other states to follow suit. It is therefore highly welcome that a group of four former statesmen in America have issued new proposals for nuclear disarmament and also welcome that some outstanding Russians have positively responded. One symptomatic first step – by the way – would be a joint declaration never to use a nuclear weapon for a first strike.

The most complicated tasks among the unpleasant agenda, which President Obama has inherited, are situated in South-West Asia and in the Middle and Near East – whether Iraq or Afghanistan, whether the alleged Iranian effort to acquire nuclear weapons or particularly the perennial tensions, wars and terroristic acts between Israel and its Arab neighbours.

President Obama's decision to withdraw from Iraq by August next year is a relief to the nations and countries that have opposed the war. However, his decision to add 17 000 soldiers to Afghanistan to the 40 000 already there, plus the Nato forces present, has not met with equal global endorsement. It is still unclear to many what the U.S. want to achieve in Afghanistan – and in Pakistan.

The Obama administration is trying to find new approaches in all these cases. One would hope for their success. But they do need the cooperation of the other players in those areas. And the Americans do need more respect and tolerance for the Islamic part of mankind. In any case it seems clear to me that the days of America being the one and only world power are over.

9)

Let me now turn to Asia. The present financial crisis was initially not considered to affect Asia so much. But when the financial crisis hit the real economy, Asian countries found themselves in a critical situation. Exports suffered devastatingly in China, in Japan or in Singapore to name a few. In the final quarter of 2008, while the American GDP dropped by over 6 per cent, it fell by much higher percentages in Korea, in Singapore and in Japan. Even in China, the growth rate will nearly be halved.

Some Asians are blaming the West. They say that the Western consensus in favour of globalization lured them into opening their economies and into

pursuing export-led growth to satisfy Western demand. Now, they feel betrayed. They accuse that Western financial incompetence has trashed their investments and dried up their consumer demand.

This Asian view tells only part of the story. Most of the slowdown in Asian economic growth also stems from weaker domestic demand. Even in China, imports are falling faster than exports. Asian domestic demand has been weak not just because of the gloomy global outlook, but also because of government policies. After the Asian crisis of the late 1990s, Asian countries fixed their broken financial systems, but left their economies skewed towards exports. Savings remained high and domestic consumption was low. These countries have run a large trade surplus and have built up huge foreign exchange reserves. Thus, the savings of Asians have financed the consumption of Westerners during the boom years.

The big Asian governments do have plenty of scope for boosting domestic demand and thus spurring economic recovery. To get on to a sustainable long-term growth path, Asian economies need to become less dependent on exports. Their governments must introduce structural reforms that encourage people to reduce their need to save. One way to do that is providing more sense of security to people for their old-age with more adequate social security systems.

Shifting to more domestic-demand led economic structure is particularly essential for Japan, still the second largest economy in the world. Several Japanese economists have been advocating this for over two decades. Given today's political paralysis, though, it does not seem likely that Japan can easily shift its economic policy to boost domestic demand, thereby contributing to the economic recovery of the rest of the world.

10)

As for China, the ongoing recession appears to already have cost 20 million jobs, and the \$ 600 billion stimulus spending may not be sufficient to attain the growth target for this year. Anyway China so far has accumulated an unprecedented huge amount of currency reserves. That could be used for geo-strategic purposes. One has to accept China's status as a world power. The United States and the rest of the world ought to take this as a fact of life and handle their relations with this upcoming world power with careful diligence.

Exactly the same will as well apply to India. Both these Asian giants should be considered world powers – due to their sheer size, due to the efficiency of their large economies and due to the political influence they can exert not only in Asia but all over the world.

Within the next two decades China and India will range as number two and four among the world's largest economies. Despite the unsolved problems over Kashmir and Taiwan and North-Korea's nuclear ambitions, I do not see any larger international conflicts threatening at the horizons of East and South Asia. Both China and India act very cautiously and responsibly in the arena of international and global affairs. China and India are both nuclear powers. But both giants do not appear as a military threat for their much smaller neighbours. China plays a constructive role in the effort to restrain North Korea's nuclear arms build-up.

Obviously, both Asian giants have to face their own serious internal problems, India in particular with regard to its enormous population growth. Mistakes and failures cannot be excluded. But in their foreign relations both do appear to me as peaceful and reliable.

11)

One also has to acknowledge the potential of ASEAN, a group of 10 Southeast Asian countries with a combined population of nearly 600 million. After 40 years since inception, the group launched the ASEAN Charter in December last year. It aims to move closer to "an EU-style community." The Charter's significance is that it provides ASEAN with a legal framework, but so far it seems to fall short of expectations and ASEAN may remain a diplomatic community for several more years.

12)

Even after the downfall of the Soviet empire, Russia is and will be a world power - not only because of its military strength, but also because of the vastness of its huge territory which is full of hitherto unearthed mineral resources. For the foreseeable future, Russia enjoys the growing global demand for natural gas and petrol and for nuclear energy capacities. The gas and petrol factor strengthens Russia's position in the field of international relations, even if it does not equal the great impact of OPEC three decades ago, drawing the whole world into recession.

During the Soviet era and the era of the Cold War, Russia's far-ranging military potential was extremely powerful. It has decreased since – in absolute figures and in relative terms. In my view, the future of Russia is far less uncertain than is the future of the Middle East or the future of Sub-Saharan Africa. Personally, I would always be in favour of a Russian world power role based on oil and gas supplies and on economic strength, rather than a Russian world power role based on strategic weapons.

13)

Let me now turn to the Middle East. The region comprises the majority of the world's over one billion Muslim believers and also Israel. The region is definitely that part of the world with the greatest number of potential conflicts. On top of everything, the Middle East contains the largest oil reserves of the world, which is of vital interest for almost every other country. At the same time an expanding islamistic terrorism in parts of the Middle East and South-West Asia does contribute to global dangers.

Inside this vast region most of the presently existing states do owe their borders and their statehood to decisions of the former colonial powers. Only Iran and Egypt are based on millennia of coherent history. Both countries have co-determined the destiny of the Middle East since biblical ages, Islam and the Ottoman Turks followed later.

Iran is today a state with a religious government. Considerable domestic tensions are observed in Iran, whereas Turkey was turned into a secular state since the 1920's, but has considerable domestic and religious tensions as well. Some of the religious and political leaders in the Middle East are verbally aggressive. With the exception of Israel, every state in the region has a more or less authoritarian government.

14)

Israel does owe its legitimacy to Hitler's murderous holocaust. Almost every Arab leader has by now accepted the existence of Israel as a fact and is willing to offer full recognition. The only long-term solution of the enduring Israeli-Palestinian conflict with so much bloodshed could be a two-state peace settlement based on the borders of 1967. Among others, this was proposed by King Abdullah in 2002, when he was Crown Prince of Saudi Arabia. One can only hope that his urge made in January this year will be taken seriously by Israel. The Israelis have so far relied on their superior military capacity and on the support of the USA. They do not as yet appear to follow a viable and feasible long-term grand strategy; their latest election result does let one expect a continuation of the present situation.

Without enduring peace between Israel and its Arab neighbours, the Middle East will remain to be a trouble centre in the region. Peace does require a readiness for compromise. My Egyptian friend Anwar al Sadat – with great courage – set the first example, Itzhak Rabin from Israel followed. Both statesmen were subsequently murdered by extremists from their own nations. Since the Camp David Summit of 1978, America has taken a great deal of responsibility for the creation of peace between Arabs and Israel. America has good relations with Israel and with Saudi-Arabia, Egypt, and Turkey. So Washington is in a unique position to act as a mediator. But successful

mediation needs both judgement and courage, and I must admit that I am not overly optimistic.

15)

Iraq is a typical example as to the emerging consequences of a frivolous military intervention. It is easy to wage a war on a country, but it is difficult to withdraw from a defeated country without leaving chaos behind. Iraq is not as yet a stable state.

Also in Afghanistan we shall see that it will be very difficult to terminate with decency the UN-legitimated intervention. It seems to me that the fight between the U.S. and the Taleban is provoking a religious and nationalist uprising in Afghanistan and Pakistan. All of us have to fight terrorist organisations but certainly we do not have to fight a war about different forms of religious observance or about theology.

16)

In the case of Iran and its alleged striving for nuclear weapons, it seems highly appropriate to advise against any violent intervention. Up to this day, there is no assured evidence yet. Iran has the possibility to follow the North-Korean example and resign from the Nuclear Non-Proliferation Treaty (NPT). As long as the nuclear founding states of the Non-Proliferation Treaty do not comply with their own legal requirements, they do have only little justification to threaten to intervene in Iran. But the Iranian President and his threatening speeches are provocative as well. The U.S. and Iran ought to stop shouting and instead sit down and start talking and listening to each other.

17)

In terms of foreign policy and peace Saudi-Arabia is one of the few clearly moderating countries in this troubled region. Due to its vast oil reserves and its current account surplus it is at the same time one of the most important muslim countries. Therefore this Council since long has proposed to invite Saudi-Arabia to the economic summit conferences. One can only welcome that it has been achieved recently in Washington and in London. I would also join those outside this country who have welcomed His Majesty's recent reform proposals.

18)

Let me now turn to Sub-Saharan Africa with nearly 900 million populations. There, the ongoing global economic crisis threatens to become a human crisis. It is a sad and regrettable outlook, since it comes after a promising decade of Africa's highest and most consistent economic growth.

Most of the present national borders in Africa were determined by the former European colonial powers – regardless of the people and their tribal integration, of languages, religions and geographical bonds. The unnatural and artificial creation of states has made some of them extremely difficult to govern and administer, more difficult than in every other continent.

Africa is still home of several conflicts. The region of the African "Great Lakes" and also the countries East and North of Congo, have been covered with violence. These wars affected 86 million people and resulted in millions of casualties. The situation in Darfur and as well at the Horn of Africa are equally tragic. But we have learned from experience that humanitarian interventions through the United States and Europeans may cause as many problems as they strive to solve. I think the greatest challenge here is for the Organization of African Unity. The OAU must play the major role, although there is neither a simple answer, nor any optimistic view of the future

Africa as a whole is a tragically neglected continent. But there are signs of improvement. Today, many Africans take responsibility for their own future. Yet, we must not replace the former exploitation with actual indifference now. Special emphasis ought to be placed on Africa, because it is most vulnerable to the ongoing economic meltdown. But I am not overly optimistic about the London Summit and the World Bank and the IMF to fulfil its pledges towards Sub-Saharan Africa.

19)

If we compare Africa to Latin America, there are a few striking analogies. Both continents consist of developing countries. We find mass poverty and political tensions. Neither of both continents does endanger universal peace. But still, Latin America is clearly better off than Africa. One of the reasons is the fact that there has hardly ever been an armed conflict between states on the South-American continent. Another reason may be the fact that most of the Latin-American states have been founded and abolished their colonial rulers long ago. They had much more time than most African states to develop their education systems, to introduce modern technologies, medicine, economic thinking, and capable administrations.

The commodity boom until last summer had helped an acceleration of economic growth and a few rise in living standards. This had allowed quite a poor people to shift into the middle class or at least into an upward dream. The global financial crisis now threatens them with downward mobility. The abrupt end of the worldwide commodities boom of last fall stunned Latin America that had bet on the idea that raw materials were a ticket to prosperity in the globalized economy. A sense of insecurity has replaced the confidence that insatiable demand would keep prices up for their products.

The IMF recently now revised downward its growth forecast for Latin America as well, with those countries most dependent on commodity exports experiencing the greatest decline. But it is difficult to predict the political impact of the global financial and economic crisis on the region. In the longer run, it

may very well be possible that the project MERCOSUR, the Southern Common Market, will succeed and thereby become very helpful. The Latin-American countries have the opportunity to follow the example of the European Common Market and its experience.

It is helpful that there are hardly any ethnic riots, that there are just two languages and that Latin-America is a Roman-Catholic continent. Although the bishops in Brazil or Mexico are much more liberal and tolerant than the Vatican itself, nevertheless, the birth rates are high, like in Africa and Asia, and, Latin-America will continue to contribute to the global population explosion.

20)

Europe (with the inclusion of Russia) is the only continent (the only non-European exception being Japan) with a decreasing population. The actual birth rates may provide the impression of a waning vitality, but it is still unclear whether the present development will persist. At this stage, the unexpected aging of societies must not necessarily give us more than a headache yet. On the contrary: For the first time in centuries Europe enjoys a stable peace among its nations and states. After one thousand years of murderous wars, Europe is at peace with itself and has bestowed freedom upon its former colonial empires.

The European Union is not a world power. It may well take another 50 years until the EU will bring itself to accomplish a common foreign and security policy. If and when this will ever be achieved, remains uncertain. Meanwhile, the world has to deal with 27 EU Foreign Ministers in Europe and a constantly alternating President of the European Council. Europe may strive to speak with one. But the 27 member states will indeed not act in concert. Still, the EU does not display a threat for others. And all the integrated states have joined the EU as voluntary members out of their own free will.

Since its large-scale expansion over the last decade, the EU finds itself in a constitutional crisis. A solution will take time and may not be achieved. Nevertheless I am not pessimistic about the future of Europe. We must not forget that most of the participating nations and every single national language is older than at least 1000 years. The EU will remain a complicated but unique body. There has never been anything comparable so far – neither on other continents, nor in the course of history of mankind. Nobody in the world outside the borders of Europe needs to be afraid of the European Union. What we have

achieved so far is an unbelievable success. Up to this day it took us a bit more than half a century only – a rather short period if you compare it to the millennium of intra-European wars that have happened before.

No matter when and how the present global economic crisis will be solved – the common market and the common currency Euro will certainly endure. None of the national leaders can unhinge his country from the common market unless he inflicts enormous damage to his country. The outside world therefore must consider the Euro as permanent. It is right now the second voluminous reserve currency. Within the next two decade we will see a triangle emerging: US-Dollar, European Euro and Chinese Renminbi. One would hope that this triangle of heavyweights is going to bring about a triangle of monetary cooperation, of cooperation between regulatory and supervisory authorities, and above all cooperation to maintain a sober balance of trade.

Global challenges

Apart from all the serious regional problems mankind is faced with several global changes and dangers. Because it is impossible to try and be complete I have in the beginning dealt with the imminent financial and economic crisis; the other global changes and challenges I will leave aside – partially because they are all too obvious, partly because we have dealt with them carefully last year in Stockholm/Sweden. So I will not touch upon the dangerous increase of the total number of human beings on this globe. I will also leave global warming and climate change aside – and as well the question how to arrive at more harmless energy policies.

Instead I will in my last couple of minutes concentrate on just two dangers which I do see rising.

21)

First about the possibility of a “clash of civilizations”. This catchword has been coined only just a dozen of years ago. Since then a general clash between the Islamic and the Western civilization has become a possible scenario. Such clash can still be avoided. In some Islamic parts of the world, we meet a mixture of disgust and revolt against poverty plus envy about the luxury of Western nations plus the quest for political power. The terrorist crime against the twin towers of the World Trade Centre in New York eight years ago was a symptom of religiously inspired hatred. The superfluous war against Iraq has multiplied the number of Islamic terrorists. Western countries have used military power not only against Iraq and inside Afghanistan but as well in Bosnia, Kosovo, and Somalia, in Palestine and in the Westbank. All of these countries are inhabited by Muslim majorities. It is not too difficult for zealots to derive general enmity against America or against the West as a whole. I would like to advise the

Westerner to avoid very carefully any looking down or condescension on Islam. The world religion of Islam is entitled to the same respect and tolerance as the Christian religion or as Hinduism, Shintoism or the Jewish religion or Buddhism or Confucianism.

The West must accept the non-secular Islamic states as a fact of life. No political nor religious leader has any legitimacy to impose his political ideology or his religious belief on to people outside their own jurisdiction. Political leaders must not abuse their religion for political purposes. Religious leaders must not let their religion be abused for political purposes, and they must never use politicians to spread their religion. Religious tolerance will be more important in the 21st century than it has been in the 20th century.

Our Council has been advocating interfaith dialogue since two decades when Fukuda Takeo convened the first inter-religious meeting. Some of you have attended our latest undertaking of yesterday, between Prof. Hans Kueng and Dr. Mustafa Ceric. We have long ago identified a basic ethical code common to all the major religions. In our present meeting we might find it useful to contact President Obama in order to renew our proposal as a companion supporting human rights. Needless to say, we are encouraged by King Abdullah's initiative of a similar dialogue.

It is 12 years ago that our Council came up with the Universal Declaration of Human Responsibilities. For those of you new to the Council, I recommend to read it in one of the 22 language versions provided by the Secretariat. Our first attempt failed largely due to oppositions voiced by human-rights advocates. In the meantime, however, the notion that rights and responsibilities are mutually complementary has found greater acceptance. It is broadly recognized today that human rights are not undermined by human responsibilities but rather they support one another.

I welcome President Obama's emphasis to the American public to be more conscious of duty or of responsibility, since our Declaration has been largely ignored in the U.S. so far. I would like to call on the Council members to reinforce and renew our efforts to disseminate farther our concept. The concept of human responsibility is more essential than ever. It is indeed time for everyone to act responsibly vis-à-vis differing religions and differing civilizations.

22)

One other alarming challenge of our century is over-prominent, namely the build-up of armaments, inherited from the last century. It was ceaselessly increased not only by the world powers, but by many smaller states as well. If we consider military weapons around the globe, from sub-machine guns and

land-mines to nuclear missiles, the combined destructive military power in 2009 is a thousand times greater than it ever has been during World War II. There do exist more handheld small weapons than ever and more nuclear weapon states than ever. And their numbers may still increase. At the very end of World War II there was just one state that was able to use nuclear weapons. In the 1960's we had five nuclear weapon states, today we count eight or nine.

The first five nuclear powers initiated at the end of the 1960's the Nuclear Non-Proliferation-Treaty (NPT). But all the five of them, especially the United States and Russia, have violated their obligation in many ways. They have "modernised" their weapon systems by deploying new nuclear weapons and attendant delivery systems.

The recent US-Russian agreement to start negotiations on a successor treaty to START I, which expires December this year, is a step forward. A further major step ought to be an international treaty among all the 8 nuclear weapons states – never to be the first user of a nuclear weapon. A discussion about a non-first-use treaty would certainly arouse public interest all over the globe and put pressure on the political leaders. At any rate, the non-nuclear countries like Australia, Canada, Brazil or Japan, Poland or Germany ought to put pressure on the nuclear world powers to finally carry out their duties listed in the Non-Proliferation Treaty.

On top of their existing armaments the nuclear world powers do run the risk to engage in two additional arms races. The world needs urgently an international treaty in order to avoid on arms race in space and as well a bilateral treaty between Russia and the US to avoid another arms race in Anti-Missile-Warfare.

23)

It would also be a major step towards stabilisation, if the great powers were to engage in deliberations and consequently began negotiations on a treaty forbidding the export of weapons of all kinds. It should particularly inhibit the proliferation of handheld weapons. This is essential, because the majority of civilians killed in wars, in civil wars and by terrorists, lose their lives through small arms, imported from the outside.

24)

It seems to me that the end of the cold war has enabled mankind to seriously tackle the task of arms limitation and arms control. We owe this chance to Gorbachev, to Deng Xiaoping and to George Bush sen. We are also for the first time living in an environment of technological and economic globalization. Our destinies are more closely interlinked in this new century than ever before. Therefore, it is necessary for communist China and for post-communist Russia to be included in co-operation just as much as the capitalist democracy USA, as

much as the oil and gas-exporting Islamic nations with their authoritarian regimes, as well as the democratic welfare states in the EU and as well all the developing and threshold countries. None of the global problems, be it the issue of environment or climate protection, be it provision for the energy needs of a growing world population, be it tackling the financial crisis or be it arms control, none can be resolved by confrontation of military force.

Instead our century's keyword is "cooperation". Many nations and many leaders have already learned a lesson from the former division of mankind into hostile blocks. But now mankind has to learn cooperation. It needs courage and energy on the side of our governments to sort things out and change what they are capable to change. It needs serenity to accept those things which they cannot change. And it will need a lot of wisdom to distinguish the one from the other.