



# INTERACTION COUNCIL

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9 July 2012

Esteemed Colleagues,

It gives us great pleasure to send you our 2012 report (enclosed), which includes the Final Communiqué of our 30th Annual Plenary Meeting held in Tianjin, China, this past May. As always, we hope that you will share these reports with your network to encourage positive action.

We believe that the world is a better place today than it was a year ago, but it can be even better tomorrow. This can only be achieved by the conscious and concerted effort of all states to solve the financial crisis, address environmental issues and avoid conflict.

The 1997 *A Universal Declaration of Human Responsibilities* states that: "Every person has a responsibility to speak and act truthfully." This ethical principle should be reflected upon by those responsible for the global economic crisis. A variety of regulatory measures are among the 11 recommendations made by the Council to help resolve the crisis.


We have called for the abolition of nuclear weapons at nearly every annual meeting since our establishment in 1983. No state should have nuclear weapons. Indeed, enduring security can only come from the abolition of nuclear weapons. But the Council also recognizes that achieving control over the hitherto unrestricted proliferation and availability of small arms represents one of the most pressing challenges facing the international community in decades.

As part of our ongoing commitment to the fair and equitable distribution of water, the Council reaffirmed its recommendations concerning water adopted in Québec City at its 29th Annual Plenary Meeting and will continue its work to advance them.

We welcome your comments or questions and look forward to our next meeting together.

Sincerely,

  
Jean Chrétien  
Co-Chair

  
Franz Vranitzky  
Co-Chair



**INTERACTION  
COUNCIL**

*Pro' gaurido*

INTERACTION  
COUNCIL

**2012**

**Celebrating 30 years**



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# INTERACTION COUNCIL

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The InterAction Council held its 30th Annual Plenary Meeting in Tianjin, China, from 10 to 12 May 2012.

The 40 participants focused on the present state of the world; the development of China and its current and potential contribution to the global system; the financial crisis; global security and nuclear disarmament; and the global water crisis.

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InterAction Council Member and former Prime Minister of Singapore, His Excellency Emeritus Senior Minister Goh Chok Tong delivered the keynote speech at the opening ceremony of the 30th Annual Plenary Meeting.

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**INTERACTION  
COUNCIL**

Established in 1983

**InterAction Council  
30th Annual Plenary Meeting**

**Final Communiqué**

**10-12 May 2012  
Tianjin, China**

Last year in Québec City, the Interaction Council asked itself, "Is the world a better place today than it was last year?" Looking back, the world has made progress. But it must still be asked, will it be a better place tomorrow? What can the leaders of today do to pave the way for a better tomorrow? According to the Honorary Chairman of the Council, Chancellor Helmut Schmidt, "...an ideal statesman is someone who can develop a stirring vision of the future; but at the same time he is held responsible for turning the vision into reality."

It is with this in mind that the InterAction Council assembled in Tianjin, China, in May 2012 for its 30th Annual Plenary Meeting to discuss global challenges and propose solutions to the leaders of today. The Council focused on the present state of the world; the development of China and its current and potential contribution to the global system; the financial crisis; global security and nuclear disarmament; and the global water crisis.

### **Present State of the World**

The geopolitical landscape is changing and the world is undergoing a profound shift in power and ideas. Growth among the so-called BRICS (Brazil, Russia, India, South Africa and most importantly China) will end an era largely shaped by the West. The G20 has replaced the G8 in managing global challenges, especially the financial crisis. There is no going back. As change is inevitable, so too is the need for new thinking.

The United States will continue to be a dominant global player for many decades to come. Its relationship with China is pivotal in defining the new international system. While some degree of competition between the two powers is to be expected, the world is large enough to accommodate both. The China-U.S. partnership is not only critical to the region, but is critical to a prosperous and stable world.

States cannot isolate themselves from the global economy or the transnational challenges represented by terrorism, pandemics, and climate change. It is only through regional integration and multilateralism that economic and political-security interests are protected. The Association of Southeast Asian Nations' (ASEAN) relationship with Myanmar is a positive example of such engagement.

The global economy remains weak in the aftermath of the sub-prime mortgage crisis. While the U.S. economy is recovering, Europe continues to face severe difficulties amid political gridlock over how to resolve the financial crisis. The financial crisis is also truly a failure of the political system, which manifests itself in a lack of leadership and a failure to communicate the reasons behind the crisis to citizens. Voters are turning to anti-European and inward-looking nationalist movements. This is not only the wrong path but also a dangerous one, with the possibility to repeat the cataclysmic mistakes reminiscent of interwar Europe.

Governments have to learn from past mistakes and lead their people toward a better future. The European model of integration is the way forward for Europe; it was right when it was conceived, it is right today, and it will continue to be right in the future. ASEAN has adopted a different approach to regional integration, but it too has been effective and farsighted.

The democratic consolidation in Latin America over the past two decades deserves acknowledgment. The call for democracy in the Middle East and North Africa is evident in the so-called Arab Spring. Its aftermath has been dramatic, but its true legacy is still unknown, especially in Syria and Sub-Saharan Africa where the situation evolves daily, requiring the close attention of the international community. While change has swept many areas in the Middle East, tragically the Israeli-Palestine conflict remains unresolved.

The InterAction Council continues to express its support for the Japanese people as they endeavor to deal with the aftermath of last year's tsunami and the subsequent disaster at the Fukushima nuclear power plant and wish them strength in following the ancient Japanese proverb of "turning disaster into fortune."

While the world is a better place today than it was a year ago, it can be even better tomorrow. This can only be achieved by the conscious and concerted effort of all states to solve the financial crisis, address environmental issues and avoid conflict. Such efforts must be underscored by a new thinking that recognises shifts in global power and the diversity of religions and creeds; while at the same time concentrating on freedom and democracy, cooperation and engagement, rather than on military power.

### **Therefore the InterAction Council recommends that:**

1. The international system takes into account the reality of the shift of global power.
2. The U.S. and China intensify their dialogue and cooperate to address global challenges.
3. All states reject the policy of containment and instead seek solutions to transnational challenges through cooperation and engagement to promote global stability.
4. Leaders announce their support for the European model of integration for Europe and work to have citizens do the same.
5. The G20 continue to take the predominant leadership role that it took during the early days of the financial crisis.
6. States foster mutual understanding of religion through a continued dialogue anchored in the equality of states and a respect for human rights. The notion put forward by some that

democracy and Islam are incompatible should be rejected.

7. True multilateral cooperation be the cornerstone of any approach towards solving regional hotspots such as the Korean Peninsula, Sudan and South Sudan, the Horn of Africa and the Middle East.
8. States encourage a peaceful and democratic reform process in the Middle East and North Africa, taking into account the Arab Spring movement.
9. Syria implement UN Special Envoy Kofi Annan's six-point plan and all states engage with and support the work of the Special Envoy.
10. Israel conform to the 2004 Advisory Opinion by the International Court of Justice regarding the wall constructed on Occupied Palestinian Territories and comply with the 1949 Geneva Conventions.
11. The international community no longer accept the construction and expansion of new settlements in Palestine. The blockade of Gaza that threatens water security, the health and lives of its people and impedes the reconstruction of this ravaged land must be lifted. Equally, the international community should not accept the current poverty and degradation in Gaza.
12. States recognise that the questions with which the Japanese people are struggling concerning nuclear energy and safety are environmental and security issues of importance to the whole world.

### **Stabilizing markets and addressing unemployment**

In its fifth year, the global financial crisis has lasted exceptionally long and volatility persists in financial markets. The core reason for the crisis was the lack of appropriate regulation, which led to the availability of easy money, irrational exuberance of financiers and excessive leverage. A particular failure was the inadequate identification of risk by credit rating agencies.

Faced with a sovereign-debt crisis, the Euro currency area is in recession, while Asian economies are resilient. However, it is unclear whether the growing economies of China, India, and Southeast Asia can sustain their impressive growth by replacing exports to the EU and the U.S., where demand is weak, with domestic consumption. The Latin American economies have achieved growth and a reduction in public debt, but in an age of globalisation no region is immune to the effects of the European crisis.

Africa, for example, where the need for development is greatest, is being particularly impacted by global economic instability.

Millions of people fear another financial crisis. This reflects a loss in confidence in regulators. The EU must continue to implement recovery measures, including the rescue fund; the leverage ratios and the requisite monitoring mechanisms; a common economic and fiscal policy; and tax, expenditure, social security and labour market reforms. It remains to be seen whether the proposed austerity measures will be effective or whether governments have the resolve to follow through on these painful policy decisions.

If the United Kingdom, other countries in Europe, and the United States can manage to come up with orderly market conditions and common cooperation, it will be a more attractive market for all, characterised by rationality, accountability and responsibility. While regulatory reforms are caught between good intentions and unintended consequences, financial institutions need a rules-based arrangement to position themselves in the new post-crisis financial landscape. Steadier growth is an acceptable trade-off against frequent crises.

Steps must be taken to prevent unemployment from rising. The situation amongst today's youth is particularly dire with unemployment rates hovering around 50% in far too many countries. How long can unemployed youth carry on before losing hope? Will they eventually turn to radical action, including demagogic leadership?

Therefore, job creation must be at the centre of all recovery plans. While budgets must be balanced, austerity on its own is not enough. Economies cannot recover by making budgetary cuts alone. Austerity and job creation are not mutually exclusive. The economy must be stimulated by investment in growth-enhancing and job-creating projects, such as promoting low-capital intensive industries (including tourism), and infrastructure development. Investments should also be made in education; science and technology; and entrepreneurialism.

There is anger and apprehension amongst the many citizens who have been impacted by the global financial crisis, in part, because those responsible for the crisis have not had to bear responsibility for their actions. The 2007-2008 financial crisis was mainly brought on by excesses of the financial industry and the lack of supervisory regulation, and yet the financial industry continues to experiment with processes, such as high frequency trading, that have the potential to create even larger market instability. As the InterAction Council was meeting, for example, JPMorgan Chase announced a loss of US2 billion because of its trading in exotic derivative products. The 1997 *A Universal Declaration of Human Responsibilities*, issued by the InterAction Council, states that: "Every person has a responsibility to speak and act truthfully." This ethical principle should be reflected upon by those responsible for the global economic crisis.

**Therefore the InterAction Council recommends that:**

1. States focus on introducing and financing growth-enhancing projects in order to create jobs, enhance consumer confidence and healthy competition.
2. Governments must take concrete, immediate and comprehensive action to stimulate job creation for youth.
3. States accept that too much austerity measures are detrimental to growth and job creation.
4. The EU Member States, the Commission and decision-makers in the EU cooperate to realise the euro zone recovery measures and continue economic integration based on the principle of subsidiarity.
5. States adopt regulations separating commercial and retail banks from investment banks, ban the short selling of securities on future trade, and trade in derivatives not regulated by supervisory bodies.
6. Regulations on derivatives are implemented, such as those enshrined in the Frank-Dodd Act in the U.S., and coordinated with comparable rules in the EU.
7. Regulations are adopted to ensure that publicly listed companies are not permitted to partake in off-balance-sheet financing and high frequency trading.
8. Implement regulations to ensure the accountability of credit rating agencies.
9. Regulators require tougher capital standards from financial institutions to raise the quality and quantity of capital to avoid another financial crisis.
10. The financial problems of the Mediterranean states of the EU be addressed. Indebted countries have difficulty in creating jobs. The challenge is so great that beyond current actions, Europe may need a programme comparable to the Marshall Plan to assist Mediterranean states.
11. Concrete steps be taken, such as enhanced access to developed markets, to address the impacts of the financial crisis in the developing world, far from the financial centres where the crisis was created.

**A World Without Nuclear Weapons**

The InterAction Council has called for the abolition of nuclear weapons in nearly every annual meeting since its establishment in 1983. No state should have nuclear weapons. This is the politically accepted norm in the international community. It is also a legal obligation enshrined in the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) further confirmed by the International Court of Justice. The 2010 Treaty Review Conference reaffirmed unanimously the Treaty's objective "to achieve the peace and security of a world without nuclear weapons." In spite of these widely recognised facts, some states continue to seek or consider acquiring nuclear weapons in the belief that their security can only be achieved through these means. These views are mistaken; enduring security can only come from the abolition of nuclear weapons.

The nuclear weapon states recognised in the NPT have failed to act, with consequence, in fulfilment of their legal obligation under the NPT to reduce and eventually eliminate their nuclear weapons. This failure is not only intrinsically alarming, but also weakens attempts to restrain proliferation and may well lead to the emergence of further nuclear weapon states.

In addition to adhering to the NPT, a new legal framework is needed to strengthen the imperative of a world without nuclear weapons. Governments have agreed that a new treaty should be negotiated: a Nuclear Weapons Convention to render the manufacture, possession, deployment and use of nuclear weapons illegal.

Since the end of the Vietnam War, East Asia has enjoyed a period of peace and stability. The desire of North Korea to obtain nuclear weapons threatens this balance. North Korea should adhere to the UN Security Council resolutions and its international obligations.

The Council also took note of its *Hiroshima Declaration* of 2010, a plan for zero nuclear weapons, which starts with the leadership of Russia and the United States.

**Therefore the InterAction Council recommends that:**

1. The nuclear weapon states end their continuing failure to comply with article VI of the NPT and move without further delay to negotiate and achieve the elimination of nuclear weapons.
2. States initiate discussions on a Nuclear Weapons Convention, in order to develop, without further delay, a comprehensive treaty architecture for the elimination of nuclear weapons.
3. The decisions of the 2010 Review Conference of the NPT be implemented effectively.
4. All states possessing nuclear weapons should enter into a binding agreement never to be the

first to use nuclear weapons, acknowledging that some states such as China have already made such a unilateral undertaking.

5. Discussions commence on the new structures of global governance, which will be required to ensure the security of the world without nuclear weapons, including a reformed UN Security Council.
6. States, individuals, and NGOs engage further and cooperate closely with the Global Zero movement.
7. The six-party talks induce North Korea to abandon its nuclear weapons programme by economic incentives and disincentives, and security guarantees. North Korea should rejoin the NPT as a non nuclear weapon state.
8. States adhere to a spirit of transparency when developing nuclear energy, so as not to raise concerns that such developments lead to new weapons.
9. Support be given to countries with large uranium reserves to ensure that this material does not fall into the hands of terrorists.
10. States respect the initiative of Latin America, which was the first region to declare a nuclear-weapon-free zone.

### **Regulating the destructive use and illicit trade of conventional, small arms and light weapons**

Each year small arms claim the lives of 350,000 women, men and children. Over the past two decades small arms have been used almost exclusively in some of the bloodiest civil wars, as well as ethnic and regional conflicts, that humanity has ever witnessed. In Africa today, for example, the conflict in Sudan and South Sudan is fuelled by small arms. The illicit use of small arms is directly connected to stagnating economic development and a deterioration of human rights throughout the world, particularly in the developing world. Achieving control over the hitherto unrestricted proliferation and availability of small arms represents one of the most pressing challenges facing the international community in decades.

Although article 26 of the UN Charter orders the UN Security Council to establish systems to regulate armaments, it has been a dead letter in a vast cemetery of good intentions for world peace. Now more than ever, there is opportunity to change that as states convene to negotiate a global Arms Trade Treaty (ATT) this July to prohibit the use of conventional arms to violate human rights and the proliferation of illegal arms trade.

The ATT must regulate all types of transfers relating to conventional arms, as well as all parts and ammunition of conventional weapons. It must hold governments accountable for ensuring that arms transfers are not approved to countries under a UN arms embargo, or to countries that present significant risk that the arms will be used to commit human rights violations. The ATT will also foster greater transparency with respect to the arms trade, military expenditures, and arms ownership. The intended result is increased trust and security among states.

The ATT would complement an already existing arms framework, including the Firearms Protocol; the UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All its Aspects (PoA); the Register of Conventional Firearms; and the International Tracing Instrument. While these initiatives are important milestones in arms control, they all suffer from gaps and weaknesses, which allow illicit trafficking and human rights violations to persist.

A strong and universally binding ATT will be a step towards a safer global community. It has the potential to save lives, in particular if small arms are included within its scope. However, if small arms and light weapons (SALW) are not sufficiently addressed within the larger framework of the ATT, the Programme of Action should continue to be supported as it represents the only specific universal framework that deals exclusively with small arms and light weapons.

### **Therefore the InterAction Council recommends that:**

1. States adopt a strong, legally binding Arms Trade Treaty that includes small arms and light weapons within its framework.
2. States continue to implement the UN Programme of Action in an effective manner.
3. Governments recognise the connection between the illicit use of small arms, stagnating development and deterioration of human rights around the globe, particularly in the developing world.
4. Governments mobilise resources and expertise to reinforce and strengthen existing laws that monitor and prevent the illegal trade in small arms across borders.
5. Governments support national disarmament, demobilisation and reintegration programs by working directly with the United Nations Office for Disarmament Affairs (UNODA).
6. States recognise the importance of national reports and their role in strengthening the United Nations' International Instrument to Enable States to Identify and Trace, in a Timely and Reliable Manner, Illicit Small Arms and Light Weapons.



## Global Water Crisis

As a result of mankind's over-exploitation and serious pollution of water resources, there has been a growing crisis of water resources around the globe. Climate change exacerbates the unbalanced distribution of water both seasonally and geographically. If left unaddressed, water scarcity, and the deteriorating water environment will certainly undermine human health, hinder economic development and even affect national and/or regional stability.

The demand for water resources continues to rise due to the growing world population, as well as economic and social development. China's water deficit, for example, will reach 25% by 2030; that is, demand will exceed supply by 25%. China has responded to this challenge with investment by multiple levels of government in water services (China is expected to spend US\$150 billion between 2009 and 2014). China's attention to water infrastructure should be emulated. This demonstrates the intrinsic link between water scarcity and economics.

It must be realized that the world cannot continue to divert water indefinitely for consumptive purposes, including the production of food, which accounts for 70% of water withdrawal globally and is only anticipated to rise as the world's population grows. Enough water must remain in the environment to support multiple uses. This is vital to prevent floods, pest infestations and poor air quality, all of which have a devastating impact on human health.

The challenges of water scarcity facing the Middle East are particularly serious. The Jordan River, for example, has lost 95% of its natural flow to dams and diversions, impacting not only Jordan but also its neighbours. The political tension and mistrust that have governed the region in the past, must be resolved now as it is interrelated with the water issue. This is particularly true in the case of Gaza where the unprecedented water shortage (the Gaza Coastal Municipal Water Utility anticipates that drinking-water supplies will be exhausted by 2015) and sanitation issues are exacerbated by the security situation. The blockade should be lifted.

No solution will be found to the immense challenges concerning water scarcity without an ongoing dialogue between decision-makers and water experts. As part of its ongoing commitment to the fair and equitable distribution of water, the Interaction Council reaffirms its recommendations concerning water adopted in Québec City at its 29th Annual Plenary Meeting. The Council will work to advance those recommendations in three ways: 1) by communicating the central themes and content of its book, *The Global Water Crisis: Addressing and Urgent Security Issue*, which summarizes the findings of the 2011 High-Level Expert Group meeting on global water issues; 2) participating in the Rosenberg Forum on "Managing Water in the 21st Century: Challenges and Opportunities" to be convened in Jordan in September 2012; and 3) reconvening during the 31st Annual Plenary Meeting to review the policy outcomes emanating from the forum in Jordan.

## Therefore the InterAction Council recommends that:

1. A holistic approach involving economic, legal and scientific means to improve water management is adopted.
2. National water management policies be revised and updated to ensure that water costs are recovered by national governments without over-burdening the poor in developing countries.
3. States should agree on satisfactory mechanisms of allocating water between nations, based on basin-wide reasonable, equitable utilisation, and a "water rights approach" as a step towards avoiding conflict over water.
4. Investments are made to support the ongoing work of water scientists to determine the quality and quantity of water resources around the globe in order to better support policymaking, conservation, and economic development.
5. Education and publicity efforts are initiated to increase awareness of conserving water resources, reducing pollution and waste, and protecting the environment be undertaken by governments, the UN and NGOs in order to achieve the sustainable use and conservation of water resources.

## List of Participants

### InterAction Council Members

1. The Rt. Hon. Jean **Chrétien**, Co-Chairman (former Prime Minister), Canada
2. H.E. Dr. Franz **Vranitzky**, Co-Chairman (former Chancellor), Austria
3. H.E. Mr. Helmut **Schmidt**, Honorary Chairman (former Chancellor), Germany
4. H.E. Mr. Malcolm **Fraser**, Honorary Chairman (former Prime Minister), Australia
5. H.E. Mr. Andreas **van Agt** (former Prime Minister), The Netherlands
6. H.E. Mr. Bertie **Ahern** (former Prime Minister), Ireland
7. H.E. Dr. Oscar **Arias** (former President), Costa Rica
8. H.E. Tun Abdullah Ahmad **Badawi** (former Prime Minister), Malaysia
9. The Rt. Hon. James **Bolger** (former Prime Minister), New Zealand
10. H.E. Mr. Ingvar **Carlsson** (former Prime Minister), Sweden
11. H.E. Mr. Yasuo **Fukuda** (former Prime Minister), Japan
12. H.E. Mr. **Goh Chok Tong** (former Prime Minister), Singapore
13. H.E. Dr. **Lee Hong-Koo** (former Prime Minister), Korea
14. H.E. Dr. Abdel Salam **Majali** (former Prime Minister), Jordan
15. The Rt. Hon. Sir James **Mitchell** (former Prime Minister), Saint Vincent and the Grenadines
16. H.E. Mr. Benjamin **Mkapa** (former President), Tanzania
17. H.E. Mr. Andrés **Pastrana** (former President), Colombia
18. H.E. Mr. Jerry **Rawlings** (former President), Ghana
19. H.E. Mr. Konstantinos **Simitis** (former Prime Minister), Greece
20. The Rt. Hon. **Tung Chee Hwa** (former Chief Executive), Hong Kong Administration

### Associate Members

21. Mr. Mike **Lazaridis**, Founder, Research In Motion (Canada)
22. H.E. Dr. **Lee Seung-Yun**, former Deputy Prime Minister (Korea)
23. Mr. Seiken **Sugiura**, former Minister of Justice (Japan)

### Secretary-General

24. Dr. Thomas **Axworthy**, President and CEO, Walter and Duncan Gordon Foundation (Canada)

### Special Guests

25. H.E. Dr. Abdulrahman H. **Al-Saeed**, Advisor, The Royal Court (Saudi Arabia)
26. Mr. Michael **Buckley**, Foreign Affairs Analyst (Canada)
27. H.E. Amb. Richard **Butler**, Distinguished Scholar of International Peace and Security, School of International Affairs, Penn State University (Australia)
28. Mr. Gholamali **Khoshroo**, Special Advisor to H.E. Mr. Seyed Mohammad Khâtamî (Iran)
29. Dr. Lawrence **Lau**, Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong (Hong Kong, China)
30. Mr. **Liu Changle**, Chairman and CEO, Phoenix Satellite Television Holdings, Ltd., (Hong Kong, China)

31. H.E. Mr. Isamu **Miyazaki**, Former Minister of Economic Planning (Japan)
32. Dr. Ahmad **Moussalli**, Professor of Political Science and Public Administration, American University of Beirut (Lebanon)
33. Mr. Bob **Sandford**, IAC Senior Water Advisor, EPCOR Chair of the Canadian Partnership Initiative in support of the United Nations Water for Life Decade (Canada)
34. H.E. Mr. **Tang Jiaxuan**, Former State Councillor (China)
35. Dr. Henry **Vaux, Jr.**, Chair, Rosenberg International Forum on Water Policy and Professor Emeritus, University of California (U.S.A.)
36. Mr. Hiroshi **Watanabe**, CEO and Executive Managing Director of Japan Bank for International Cooperation (Japan)
37. Dr. Carmen **Zechner**, Strategic Investment Group, Royal Bank of Scotland (Austria)
38. Mr. Moneef **Zou'bi**, Director General, Islamic World Academy of Sciences (Jordan)
39. Dr. Chunmiao **Zheng**, Chair Professor of Water Resources and Director of the Center for Water Research, Peking University (China)
40. Mr. **Zhu Tan**, Former Vice Chairman, Tianjin Political Consultative Conference and Professor of Environmental Science Institute, Nankai University (China)

*On the 30th anniversary of the InterAction Council, which was founded by the late Prime Minister Takeo Fukuda, the members expressed their deepest appreciation to the Japanese government and the people of Japan for supporting the Council since its founding.*

*The InterAction Council gratefully acknowledges the support of the following governments, private corporations and foundations that have made this meeting possible.*

- ★ The Government of the People's Republic of China
- ★ The Government of Australia
- ★ The Government of Canada
- ★ The Government of Japan
- ★ The Government of Sweden
  
- ★ Tianjin Municipal People's Government
  
- ★ Anheuser-Busch InBev
- ★ Infinite Potential Laboratories LP
  
- ★ The Tung Foundation (Hong Kong, China)



**INTERACTION  
COUNCIL**

Founded in 1983 by Takeo Fukuda

**Keynote Speech at the Opening Ceremony  
30th Annual Plenary Meeting**

**“Present State of the World”**

by

**H.E. Emeritus Senior Minister Goh Chok Tong  
Former Prime Minister of Singapore**

**10 May 2012  
Tianjin, China**

Distinguished guests,  
Friends and colleagues,

Thank you for inviting me to address the Inter Action Council today on the “Present State of the World.”

I have had the pleasure of visiting Tianjin several times. Here in Tianjin, one can be excused for forgetting that the world faces many troubling challenges. I have been struck by the scale of Tianjin’s ambition and vision, and the pace of its development. The clearest example is the Tianjin Binhai New Area, a major economic development area to the east of Tianjin City. It is about 3,000 square kilometres in size. That is more than four times the size of my country, Singapore.

Like Singapore, Tianjin is home to many major global companies. It is also home to a government-to-government project between Singapore and China called the Tianjin Eco-city, a large-scale “green” development in one of the 10 zones in the Tianjin Binhai New Area. I had the privilege of proposing this project to Premier Wen Jiabao who immediately accepted it, given China’s desire to achieve sustainable development. The joint venture partners, backed by the Tianjin authorities and the two governments, have worked very hard and I am particularly pleased with the significant progress that has been made. We have transformed a tract of barren salt flats and a lake used for toxic waste into a sparkling, environmentally friendly city, which – when completed in about 10 to 15 years – will house up to 350,000 residents. The Eco-City will serve as a model of sustainable development for the rest of China.

Tianjin clearly illustrates the unprecedented economic growth China has experienced since Deng Xiaoping opened the country to the outside world in 1978. China’s growth will continue unabated, though at a slower rate, reflecting the maturing of its own economy and the global economic slowdown. At the same time, China’s emergence as an economic powerhouse will have a profound impact on the global economy and far-reaching implications on the geopolitical landscape.

Hence, I believe that it is appropriate for us to discuss the “Present State of the World” with China’s rise as a backdrop. In introducing this topic, I will not be prescriptive but instead try to highlight the key trends that have shaped, and will continue to shape our world. I will also pose some questions along the way that I hope we can address during the plenary session.

### **Current Global Transition**

The world has changed profoundly over the last five years. This is hardly an insightful observation. In today’s highly interconnected world, economic dependence on other countries is a reality. It is also impossible for any country to isolate itself from major geopolitical changes

and transnational issues like terrorism, pandemics and climate change. But my point is that picking our way through these changes often confounds us.

Take for instance the so-called “Arab Spring” that has changed the face of the Middle East. From Egypt to Libya and from Yemen to Syria, the aftermath of the uprisings and the legacies they will leave behind is unclear. It will take many years for new national leaderships to right their ship of state and restore equilibrium. What will be the ideology of the new leaders? Would they be secular or religion-based? To put it starkly, will they be pro or anti-West?

Transnational terrorism, fuelled by violent religious extremism, remains a potent threat despite the deaths of Osama bin Laden and other key al-Qaeda leaders. There has also been a worrying trend involving self-radicalised “lone wolf” terrorists who are motivated by extremist ideology – jihadist or otherwise. How should nations and societies deal with these worrying threats?

The state of the global economy remains weak. The U.S. economy has picked-up slightly, with leading indicators pointing to a nascent recovery, but questions over the sustainability of this recovery remain. However, the Eurozone is in a mild recession, and a sustained recovery is uncertain. Europe needs to address fundamental structural challenges for it to regain confidence and sustain its growth in future. Will the austerity measures work? Are the European governments politically strong enough to take tough, painful policy decisions and will Europeans accept prolonged austerity measures with high joblessness? If Europe does not address these serious challenges well, how will this affect the world economy? I am personally holding my breath as I watch the EU deal with its crisis.

I am glad that Asia has emerged relatively unscathed. Asia’s resilience is based on sound economic fundamentals. It has learnt its lessons well from the Asian Financial Crisis in 1997 and 1998. China, India and Southeast Asia continue to grow at a steady pace, albeit a shade slower than in the last decade. As the U.S. and EU struggle, can domestic consumption replace exports to drive Asian economies and help them to remain resilient?

### **International System in Transition**

Beyond these specific challenges, the world is in fact undergoing a profound transition of power and ideas. For the last 200 years, the international system has been shaped and defined by the West. Since the end of the Second World War, this has been largely a Western-shaped world supported by the UN system and Bretton Woods institutions, themselves largely Western creations. That era is now drawing to a close. When President Barack Obama announced at the G20 Summit in Pittsburgh in September 2009 that the G20 would replace the G8, he was in effect acknowledging the end of the post-World War II era.

Asian growth, in particular the spectacular growth of China, India and the East Asian

economies, is the main catalyst of change in today's international system. The OECD estimates that based on current trends, emerging economies will account for nearly 60% of world GDP by 2030. Perhaps of greatest significance, China overtook Japan in 2011 as the world's second-largest economy. Correspondingly, Chinese industry giants such as Huawei, Lenovo, Haier and the China National Offshore Oil Corporation are making their presence felt in various sectors of the global arena. In contrast, sub-Saharan Africa managed a respectable but slower annual average growth rate of 5.7% in the past decade. Many analysts expect Latin America to grow by 3.5 to 4% annually, although some countries could grow in excess of 6%.

These changes have raised many fundamental questions on the models of growth and the shifting balance of power to the East. China and some other East Asian countries are regarded by some quarters as an aberration to the Western historical narrative, because East Asian capitalism is able to flourish without Western liberal democracy. But is it an aberration? Or can countries flourish with Asian capitalism, i.e. a mix of market economy and state-owned-enterprises, and less liberal democracy or even one-party rule? Or to put it in another way, is market failure the root cause of many of the current economic and financial crises or is it political failure? These questions are being asked with increasing frequency, including in Western democracies, because of the financial and economic crisis and the high unemployment rates in the developed world and the political gridlock in many western countries.

However, it would be incorrect to characterise the global economic shift as "Asia rising, and the West declining." The changes in the distribution of power that are occurring are relative, not absolute. It is not as if a Western system will be replaced by an Asian system. Also, the Asia that is growing is an Asia that has been profoundly shaped by centuries of contacts with the West and from which it adapted best practices from. Indeed, much of Asia, including Singapore, owes a debt to the West. The West has played a significant role in providing technical assistance, market, capital and investment that have been crucial to our development. Moreover, Asia has a strong interest in a Western economic recovery simply because it is now coupled with the West in a globalised economy.

### **U.S.' Essential Role in the Global System**

Some commentators have argued that the U.S. is a nation in risk of decline because of its fiscal situation. But the U.S. will remain the dominant global player for many more decades. No major issue concerning international peace and stability can be resolved without U.S. leadership, and no country or geopolitical grouping can yet replace America as the dominant global power. The U.S. remains a huge market for most economies and there is no viable alternative to the U.S. dollar as an international reserve currency in the short to medium-term. U.S. leadership in ideas and innovation in many fields remain unmatched. Thus, the U.S. has a critical role to play in leading and managing the transition from one international system to another.

Still, the last decade has shown that the U.S. cannot effectively exercise power alone. It must

negotiate coalitions, such as the G20, to manage the international economy. It is widely recognised that the G20 had coordinated a global response to the 2008-2009 financial crisis, and helped avert a global economic depression. The current G20 is by no means the final or only possible configuration. But it is clear that there is no going back to G8 to solve the world's problems.

### **Emerging Countries**

I have briefly mentioned the role of emerging economies. There has been much talk about the BRICS in particular – BRICS with an uppercase "S" with the inclusion of South Africa to Brazil, Russia, India and China. The BRICS are undoubtedly important components of the new international system. They have the potential to become key global players, but – for the present and perhaps for the foreseeable future – they are all still primarily regional powers.

The country among the BRICS with the greatest global potential is China. China, like Russia, is a Permanent Member of the United Nations Security Council. Its decision to abandon an unworkable planned economic system resulted in its transformation and spectacular growth, as well as increasing integration with the international system. Many countries have prospered because of China's rise and count China as one of their top trading partners. However, nothing in China's long history has prepared it for a global role. Thus far, China appears to have defined its global interests in a selective manner. This is unlikely to be sustainable. China will inevitably have views on many global issues when its interests are affected. China can also expect to be called upon to play a bigger role on the global stage in areas outside its core interests. These will increasingly enmesh China in the global system and geopolitics.

The other major emerging Asian economy is India. India too, has undertaken major economic reforms and plugged itself into the international economy. To stay on the track of high and steady growth, it must get its politics right, and focus on pushing reform forward and developing its infrastructure.

Although we cannot simply extrapolate China's and India's past growth to project the future, their basic trajectory of growth is set.

### **Importance of Sino-U.S. Relationship**

Given the indispensable role of the U.S., and the growing economic and geopolitical weight of China, the Sino-U.S. relationship will undoubtedly define any new international system.

Some degree of competition between an incumbent superpower and an emerging one is expected and inevitable. However, conflict is not. It is true that China's growing economic clout

has been accompanied by a growing defence budget. This year, China's military spending passed US\$100 billion for the first time. Though this is only one-seventh of the U.S. defence budget, it has led to anxiety for some countries, especially in Asia, over China's growing military power. The U.S.' moves to station marines in Darwin and talks over an increased military presence in the Philippines are seen as part of a larger strategy to "contain" China.

The media has also made much of the U.S.' "pivot" to the Asia-Pacific. But the fact of the matter is that the U.S. has long played a major role in East Asia. It provided the foundation of the stability that has led to more than 30 years of growth and prosperity. It would also be a mistake to focus only on the U.S. military presence in East Asia to the exclusion of other dimensions of U.S. policy.

There are compelling reasons for the U.S. to continue engaging the region, many of them economic. The U.S. can also play a constructive role in its engagement with regional organisations and vehicles such as ASEAN, the East Asia Summit, as well as Free Trade Agreements (FTAs) like the Trans-Pacific Partnership or TPP. U.S. engagement is and should continue to be multi-faceted. This will continue to bring mutual benefits to the U.S. as well as the region.

Any rhetoric of "containment" is dangerous. My view is that any attempt by the U.S. to contain China will not work, nor will countries in the region want to take side on this.

Is the U.S. and China relationship a zero-sum game? Can it not be seen in win-win terms? Is "containment" the right strategy or is "engagement" not a better alternative? The rise of China does not imply the decline of the U.S. Conflict should and can be avoided, if competition and rivalry take place within a stable international framework. It is good that China and the U.S. are working together to ensure that their relationship is one based on cooperation, and not confrontation, engagement and not containment. Such cooperation will be necessary to manage challenges that are not in either country's interests, such as those involving the nuclear programmes of the Democratic People's Republic of Korea (DPRK) and Iran. While some stresses and strains are to be expected, and will be further complicated by domestic politics and geostrategic considerations, I believe that the world and Asia are large enough to accommodate both the interests of China and the U.S.

### **Regional Response to Shifting Geostrategic Environment**

The Sino-U.S. relationship is already the most important bilateral relationship in East Asia. It sets the tone for the whole region. Many countries' foreign policy calculations take both the U.S. and China into account.

Constructing a stable external environment for growth is not a straightforward matter in these times. Although countries have developed increasingly interdependent economies,

market forces and shared economic interests by themselves do not create a stable environment for continued growth. Against this backdrop, regional integration and multilateralism have become important vehicles for countries to secure more markets, and protect economic as well as political-security interests. This is so in the Middle East (Gulf Cooperation Council), South Asia (SAARC – South Asian Association for Regional Cooperation), Africa (African Union), Australia and the Pacific island countries (Pacific Islands Forum), the countries on the Pacific Rim (APEC) and Southeast Asia.

Without doubt, the Association of Southeast Asian Nations, or ASEAN, is the most developed and effective of all these regional organisations. For instance, ASEAN has continued to be in the "driver's seat" of various regional fora, trying to shape them and steer their direction as much as possible. After the Asian Financial Crisis of 1997, ASEAN found itself wedged between a resurgent India and China. There was really no other choice than to pursue deeper integration to "hold our own" in between the two powers.

All ASEAN members recognised the need to marry national with regional thinking, or run the risk of becoming irrelevant. This led to the ASEAN Charter being adopted in 2007. The Charter was a milestone in ASEAN's evolution. It forms the foundation of efforts to make ASEAN a more effective and rules-based organisation, as well as to enhance integration across three pillars: political-security, economic and socio-cultural. ASEAN's objective is to achieve an ASEAN Community by 2015. This will not be a supranational body like the EU, but rather an articulation of a common identity and shared values among the diverse populations in our region.

The core of these efforts is in the economic sphere. With a combined population of 600 million and a combined GDP of US\$1.8 trillion, its objective is to create a single market and production base to make ASEAN more dynamic and competitive. ASEAN has made good progress. It has concluded a Trade in Goods Agreement, the ASEAN Comprehensive Investment Agreement, and a network of free trade agreements with our Dialogue Partners. To maximise and synergise the benefits from these FTAs, ASEAN is now working on a Regional Comprehensive Economic Partnership (RECEP) or "ASEAN++" FTA framework. We see the RECEP initiative, together with the ASEAN+3 and ASEAN+6 FTAs, as well as the TPP, as steps towards a broader Free Trade Area of the Asia Pacific. This will entrench an open regional economic architecture that will help to promote prosperity and stability.

Regional integration in Southeast Asia is also supported by initiatives beyond traditional economic activities. A key example is the Master Plan on ASEAN Connectivity, which is meant to better integrate ASEAN through enhanced physical, institutional and people-to-people links. There is also cooperation on issues such as sustainable development, health and the fight against narcotics. For instance, pandemics are a priority area for cooperation in the East Asia Summit, an ASEAN-centered organisation, alongside disaster management, education, energy and finance. The East Asia Summit has also begun discussions on food and energy security. This cooperation will support and buttress regional integration in an open and inclusive manner.

I have dealt with ASEAN at some length because its member countries are taking gradual but careful steps to integrate their countries with one another, the ASEAN region with East Asia and East Asia with countries across the world. It is an example of how we can build a more peaceful world based on fostering understanding and constructive cooperation, much like what the European Union did earlier.

## Conclusion

The geopolitical landscape is shifting and dynamic. The boundaries between geopolitical and domestic issues are also blurring. Better educated and connected citizens will demand a bigger say on international issues and how their governments respond to them. No foreign policy initiative can succeed if it does not rest on a foundation of strong domestic support. Adjustments will be necessary at the global, regional and domestic levels, both in Asia and the West, as well as between Asia and the West. It is likely to be a long transition, with attendant crises and challenges.

I am aware that I have not covered many parts of the world or some other pressing issues. Africa, for example, is an important emerging continent but its impact on the world will probably not be felt for some time. Many countries there are doing well but a few still are mired in internal conflict. However, I am confident that the important issues that I have not touched on will be raised and deliberated in the plenary session.

Before I end, I would like to pose the same two questions that I raised when we met in the quaint and charming city of Quebec last year. Is the world better today than last year? My own view is that it is. Will it be better tomorrow? I am afraid that I do not know the answer. But I know that for it to be so, a conscious and concerted effort will be required on the part of all countries to solve the world's economic problems, to manage the many transnational challenges and to avoid and manage potential sources of conflict, while a more balanced, stable, and interdependent global system takes shape. Members of the InterAction Council have experiences in dealing with similar problems before. Hopefully, our deliberations and resolutions here will contribute to this effort to bring about a better world.

Thank you.

## ANNUAL PLENARY SESSIONS

1. Vienna, Austria	November 1983
2. Brioni, Yugoslavia	May 1984
3. Paris, France	April 1985
4. Tokyo/Hakone, Japan	April 1986
5. Kuala Lumpur, Malaysia	April 1987
6. Moscow, Union of Soviet Socialist Republics	May 1988
7. Washington D.C./Westfields, VA, U. S. A.	May 1989
8. Seoul, Republic of Korea	May 1990
9. Prague, Czech and Slovak Federal Republic	May/June 1991
10. Querétaro, Mexico	May 1992
11. Shanghai, People's Republic of China	May 1993
12. Dresden, Federal Republic of Germany	June 1994
13. Tokyo, Japan	May 1995
14. Vancouver, Canada	May 1996
15. Noordwijk, the Netherlands	June 1997
16. Rio de Janeiro, Brazil	April 1998
17. Cairo, Egypt	May 1999
18. Helsinki, Finland	June 2000
19. Awaji, Japan	May 2001
20. Berlin, Germany	June 2002
21. Moscow, Russia	June 2003
22. Salzburg, Austria	July 2004
23. Stanford University/ San Francisco, U. S. A.	June 2005
24. Dead Sea, Jordan	May 2006
25. Vienna, Austria	May 2007
26. Stockholm, Sweden	June 2008
27. King Abdullah Economic City, Kingdom of Saudi Arabia	May 2009
28. Hiroshima, Japan	April 2010
29. Québec City, Canada	May 2011
30. Tianjin, China	May 2012

Full texts of the communiqué and the reports on these meetings are accessible at <http://www.interactioncouncil.org>

## **CELEBRATING 30 YEARS**

The InterAction Council held its 30th Annual Plenary Meeting in Tianjin, China, from 10 to 12 May.

The two-day meeting brought together 20 former heads of state and government, leading academics and policy makers to deliberate four main themes: the present state of the world, the global financial crisis, global security imperatives (including nuclear disarmament) and the global water crisis. The opening ceremony featured a keynote speech by Emeritus Senior Minister Goh Chok Tong of Singapore on the present state of the world.

The Final Communiqué of the 30th Annual Plenary Meeting and Emeritus Senior Minister Goh's keynote speech are contained in this 2012 report.



Established in 1983, the InterAction Council of Former Heads of State and Government is an international organization whose objective is to address long-term, global issues facing humankind. Co-Chaired by the Right Honourable Jean Chrétien (Prime Minister of Canada, 1993-2003) and Dr. Franz Vranitzky (Chancellor of Austria, 1986-1997), the Council's membership is comprised of more than thirty former heads of state who jointly develop proposals for action and submit them directly to national and international decision-makers.

In its 30-year history, the InterAction Council has been at the forefront of many prominent issues, most notably the 1997 drafting of A Universal Declaration of Human Responsibilities, and the 2010 Hiroshima Declaration, a powerful plea for the abolishment of nuclear weapons.

**[www.interactioncouncil.org](http://www.interactioncouncil.org)**