The global impacts of postwar Iraq

Panel: Daniel Brumberg, Giandomenico Picco, Eric Schwartz, and Peter Widmer

Guest speakers Daniel Brumberg, Giandomenico Picco and Eric Schwartz were joined by Peter Widmer in a discussion of the ripple effects of the Iraq war. A recently retired investment banker, Widmer was responsible for all non-Swiss investments for Zurich-based Julius Baer, one of the largest private banks in the world. He is a frequent speaker at Forum events. Don Stevens, managing director of the Institute, opened the discussion by posing several questions:

- Why did most of Europe see the Iraqi issue so differently from the U.S.?
- How is Europe impacted by its perception of U.S. actions?
- What is the impact on the rest of the world, on the United Nations and its future?

And the most basic question of all: Should we have gone to war in Iraq?

Dan Brumberg: I support very strongly the Carnegie position which was that we should have waited and we should have tried to defer the war and get the allies on board by making every effort possible to see whether we could get cooperation from the Iraqis on the issue of weapons of mass destruction. It may not have worked in the final analysis, but the rush to war by Bush, which I think was partly influenced by his own political clock, tended to make that kind of coalition impossible.

I do not think a war whose purpose was regime change was a legitimate war. I think we're going to pay for our tactics in the end in terms of the lack of international support and cover for rebuilding Iraq. In the end, war might have been unavoidable, but the context would have been there for it had we waited.

Peter Widmer: I very much agree with Dan's assessment. As we all know, Europe did not respond to this issue of Iraq with one voice. There were several voices. There were lots of egos involved, not the least of which was Mr. Chirac. There's been a lot of terrorist activity in Europe and we probably haven't seen the end of it. But the EU is expanding its sphere of influence by peaceful means.

Eric Schwartz: On the issue of whether we should have gone to war, I think the answer depends on when the question was asked. Because for a lot of us who were very skeptical about the administration's approach, once we had deployed 140,000 troops in the Gulf, it became very difficult for people, myself included, to oppose the war. Because at that point American credibility was on the line.

Going back many, many months before the buildup, I would take the same posture that Dan did on this; that it may have been necessary ultimately to confront the regime with the use of force, but the way the administration proceeded made it more difficult to get the support of the international community and did not exhaust the possibilities.

At the United Nations, when we were trying to justify our actions, we could only justify them in terms of weapons of mass destruction. But European leaders listening to the rhetoric coming from the Department of Defense, and to some extent from President Bush, saw this as a much broader objective to topple Hussein.

Brumberg: The nature of the European-American relationship was in the process of transforming and being reborn with the addition of the new members of eastern Europe and central Europe to the European Community and to NATO. The fundamental change in the relationship between those countries and the United States was going to emerge. What happened was that the division occurred and emerged in the context of the Iraq war, which accentuated those divisions.

The Europeans didn't take kindly to Rumsfeld's statement regarding an Old Europe and a New Europe. They also felt that in many respects the reverse was true. They felt that Bush's notion of a just war was in some sense impelled by a religious Christian notion of just wars, a kind of quasi- Messianic notion of the
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U.S. expanding its influence for the good of the world and that this reflected a kind of ancient Old World view in which religion and politics were somehow mixed.

The French looked at Bush and what they saw was an outdated, irrelevant, even dangerous view of international politics fueled by a religious fervor.

Bob Kagen, a senior fellow at the Carnegie Endowment, last year wrote a famous essay (see sidebar below) in which he said that fundamentally Americans and Europeans have different world views of international peace. The Europeans’ view is that conflicts can be resolved through multilateralism and cooperation, whereas the United States still views the world of international politics as one of anarchy in which there has to be a hegemony making decisions and imposing order.

The French, for reasons that go beyond economic interests, in many respects preferred the status quo in Iraq. They were not anxious to see Saddam Hussein fall because they were greatly concerned about the possibilities of chaos and dissension and even civil war in Iraq. They feared that the United States was opening a can of worms and that once this can was opened, no one would ever be able to put the worms back and it would be a disaster.

Ultimately, when the United States decided upon a course which was identified first and foremost as a regime change, it was inconceivable that we were going to get the backing of the French and Germans for that particular stance.

In many respects I think we mishandled the foreign policy aspects of this process leading up to the war. it was impossible to make regime change the goal and get the support of the French and the Germans. Also, in terms of Russia, we made a critical mistake by antagonizing all three players and bringing them together instead of trying to work on each one separately. There was just relentless hostility from Washington.

At this point in the discussion, Brumberg had to leave the Forum to catch a flight back to Washington for a meeting the next day

Schwartz: On the piece by Robert Kagen that Dan mentioned, Dan got it right. America still has a Hobbsian notion of how the world works -- that the international system is chaotic and only the powerful survive. A central part of Kagen's thesis is that this sort of incubator in which the Europeans have been able to develop their institutions has been preserved by the superpower--the United States. Kagen makes the argument, rightly or wrongly, that the United States, by acting in a realist world and dealing with threats, has helped to preserve the system for the Europeans.

According to Kagen, there's a little bit of the notion that Europeans don't really appreciate that fact.

Widmer: (German Chancellor) Schroeder came out against the war and that actually won him the reelection because all of eastern Germany was very much anti-U.S. and antiwar. Mr. Bush doesn't like Schroeder, but he is indirectly responsible for his reelection in that sense.

Now (French President) Chirac had another problem. Chirac saw that Tony Blair was actually doing very well in supporting the U.S. The EU is in the final stages of producing a constitution which calls for a permanent presidency, and who would like to be the President? Mr. Chirac. Nobody else wants him, so his problem was to get into the loop. And he could only get into the game by taking the opposite view from the UK.
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Gianni Picco: Let me touch on some of the points that have been made here, but in a slightly different way.

The European Union experiment, from every angle you look at it, is a miracle. As of 1945, the continent had been at war with itself for centuries, with France and Germany fighting each other a few times. And then within 50 years, it's not just a question of being enemies anymore; France and Germany have become at the economic level osmotically intertwined. The European experiment has happened despite the nonbelievers.

There is something in the European history of the last century which I don't think has been remembered. Europe was told in 1946 that they were bad because they used force in the '30s and operated without proper democratic processes. From 1946 onward, Europe underwent what I consider a positive brainwashing through the introduction into the system of European governance of two major ideologies: Social democracy and Christian democracy. They are both predicated on the principles that force will not be used as a tool of government anymore and that decisions will be made through consensus.

The negative result of this culture is the difficulty in reaching decisions. Nobody makes a clear-cut choice.

The European electorate will not vote in anybody who says "God is with me" because that was the origin of Nazism. So when people say God is with me, the Europeans think of Hitler; they don't think of democracy.

Today, if you're a politician campaigning anywhere from Italy to Sweden and you run on the concept of confrontation and the concept of military power, you're sure to lose. This is the opposite of what happens in the U.S. Europe is risk-averse as a result of its history and the U.S. is risk-prone because of its power.

Even before the Iraqi war, Europe and America were not playing at the same table. The role America has in the world is a role the Europeans will never have. So the Europeans have got to look for another role, and to be honest, they've not found it yet. That's what all the hullabaloo is about.

It's not the Old Europe anymore; it's the New Europe which wants to leave the past behind, which doesn't want to continue to feel responsible for what happened in the '30s.

The European electorate has no interest in the Iraq war. They were told they had to abide by the rules of international law and they've done that. They've turned their attention to domestic issues. Their standard of living is incredible. They work seven months a year, if you count all the vacations, and 35 hours a week. You can be unemployed for five years and still receive 80 percent of your salary. This is a society that covers every possible problem. So why should you, as a European, be bothered by Saddam Hussein?

Guest: If on Sept. 11, the airplanes had hit a highly populated building in the middle of Paris and another one in the middle of Berlin, would France and Germany have had a different reaction to the Iraq war?

Picco: Likely, but not definitely. In Europe, even after Sept. 11, you never felt that al-Qaeda was targeting Europe. In the U.S., we felt at war after Sept. 11. So did Russia, China and India, the very four countries that al-Qaeda had on its priority target list since 1996, and which had been hit much before America was hit. But Europe never felt it was the target.
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Widmer: For Europe this whole Iraq issue came up at a very bad moment. Europe is wrapped up in its own problems. We have these ten new countries to be absorbed into the EU; that's a huge job. We have this constitution coming up; that's another huge job (see sidebar page 11). And the economy isn't going anywhere.

In many ways, Europe just didn't feel threatened by Saddam and his regime and we couldn't see the sense of getting in on the military level because the danger was not perceived to be imminent. That's where the resistance came from. The view in Europe was: Why don't we let the UN carry on with its job? Saddam has not been threatening anybody in Europe or in the United States, so what do we lose by waiting another six months?

People asked, "Where are the weapons of mass destruction? Nobody has found them yet, so they couldn't have been ready to be used." As of today, I think the European view on that point has turned out to be correct.

Schwartz: I think it's important to note what the Bush administration would say on the argument that we had nothing to lose by waiting another six months.

It is true that the Bush administration was successful in exacting a degree of cooperation from the Hussein regime that had never been obtained before. That was progress. But from the perspective of the administration, I think from any objective perspective, this was due to the fact that there was a buildup of 140,000 troops on Iraq's doorstep. Under those circumstances, Hussein felt it advisable to cooperate, however grudgingly. But in order to ensure his continued cooperation, these troops would have had to be sustained for six months or longer at a very high cost, and that was something the administration felt very reluctant to do.

The point was made about how the Europeans look at the world differently than the United States, specifically in the way in which we use God in our political rhetoric. My wife, who is Australian, would actually cringe when George Bush would campaign and invoke the name of God. She'd comment to me that in Australia that would be sort of laughed at in the same way, I suppose, it would be laughed at in Europe. So it's not simply a product of the experience with fascism and Nazism.

There's something else at play that is important to understand. The United States at times evidences a sense of mission, a sense of faith in our ability to promote positive change throughout the world. It is a characteristic which our friends and allies applaud and which they also resist and find offensive. When they're speaking positively about this characteristic, they say it's idealistic and optimistic and demonstrates the willingness of the superpower to put its resources behind universal values. When they're being critical, they say this characteristic represents a very naive and shortsighted notion about how political change takes place in the world.

But this sense of mission is part of something that I think is uniquely American.

Guest: When you calculate projected oil income from 6 million barrels a day against Iraq's population of 25 million, the yearly revenues come out to $2,000 a person. There's no way in the world that population can depend upon oil. What do we have to do there to create a self-sustaining economy that's not dependent on oil? Europe, apparently, has no interest in doing anything, so it seems to me the U.S. is stuck with this problem. What do we do and in what time line?

Schwartz: The critical dimension in a place like Iraq is going to be to get the politics right. Iraqis are highly educated. They have great technical capacity, so the potential is there. The critical enabling factor
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will be to get the politics right over time. A starting point is to get the security right and then engage in a political process in which you have a government that has some semblance of accountability, some degree of responsiveness to its population, some degree of authority over the country even in a federal system. If we get the politics right, Iraq could have a very happy future.

Picco: There are countries with 25 million people that don't have that base of $2,000 per person and they still do all right. The proportion of oil revenues in Malaysia, for instance, is much worse than Iraq's and Malaysia seems to be making it okay because they don't live on just one commodity. I think this is happening more and more in some of the small citystates of the Persian Gulf. We have examples in the region of people taking serious advantage of the resources they have without reaching the extremes of waiting for money to come from the oil fields. So the issue is that the Iraqis cannot just wait for a windfall from oil income to live because that is not going to be the case. But for a country like Iraq, which is starting fresh so to speak, it's not a bad beginning to have five or six million barrels of oil per day in five years' time.

We have not spoken here about the gas in Iraq which is not a big story yet. But if one wanted to pursue other assets, one could look at that. I think the whole petrochemical industry is well along the path of developing for the future within Iraq. At the end of the day when these emotions will be over, I think there will be a lot of interest not just from American companies but from other foreign companies to be in Iraq and to jointly proceed.

I can give you a prediction that in the next five years you will see more gas pipelines crossing the Mediterranean and more LNG (liquefied natural gas) ships doing the route between the Middle East and Europe than you can ever imagine. At the moment, there are no LNG ships going across the Mediterranean and only one gas line. Let's meet again in five years and we'll count how many there are. There will be at least three major ones and the LNG routes will be quite busy because the relationship between Europe and the Middle East cannot be done away with.

Guest: What would be the impact, in particular on Mr. Chirac, if the Iraqi debt is repudiated?

Schwartz: I don't see repudiation of the debt as a likely scenario. There are so many different components to it. There is debt owed to governments, and there is private sector debt. There are claims through the UN compensation process and claims that haven't yet been addressed. Each one of these is going to have to be dealt with in a different forum, and there is no question in my mind that there may be some arrangements for limiting the debt -- which by some estimates is about $383 billion -- or extending the period of payments. But I don't see it as very likely that there will be a complete repudiation.

Picco: When you hear a figure of over $300 billion, it includes the claim for compensation by Iran, which is of a political nature and up in the sky. It's possible Iraq's real debt is between $130 billion and $140 billion. This includes the debt to France of $7 billion. France is an economy of almost $2 trillion. What is $7 billion for them?

Schwartz: Iraq owes a fair amount to countries in the region and that's a pretty high percentage of the debt.

Guest: Gianni, I wonder if you could comment on the new world order. It seems like we were sitting here just two years ago or less, wringing our hands that being a superpower didn't matter anymore; that terrorism was the issue and we couldn't defend ourselves against it. What is the follow-on to this act?
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**Picco:** I would not like to stress the concept of one superpower, not because I would not like to see a great and powerful America, but because America will become stronger and greater by not emphasizing its superpower status. The superpower status exists because it exists and not because we say it exists.

We cannot put aside the fact that the events of the last few years, specifically by bin Laden, have really done great damage to the Islamic world. Rightly or wrongly, this has created a silent alignment between the U.S., Russia, China and India, and I see this alignment growing. This is an alignment, not an alliance. If I were to bet on the new leading countries of the world for the future, I would bet on those four countries which, incidentally, happen to be the four countries mentioned in the new military doctrine of the U.S.

The geopolitics of the next few years will see another battle and that will be an ideological battle for the soul and heart of America. Although there is a lot of anti-Americanism around the world, I remain absolutely convinced that the great majority of the people in this country and in the world want America to win because of what it represents. This is the only country where dreams are still allowed. That is the reason dreams are still possible. Despite the great miracle of the European Union, unfortunately Europe is a continent where dreams are no longer permitted.

To my knowledge, in the history of mankind it's never been ideology that has brought about the realization of dreams. Dreams are realized by basically believing in oneself and the possibilities of achieving and of doing what has never been done before.

Because of the different roles that are emerging in the world, the role that America will have is not to be compared to any other country. If there's one thing the world can learn from the U.S. it's how diversity can work for the benefit of all. That is the greatest lesson I've drawn having lived here for 33 years, and that's why I have not left.

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**The U.S.-Europe Divide**

*By Robert Kagan*

*The Washington Post, May 26, 2002 Selected excerpts*

. . . Europeans and Americans no longer share a common view of the world. On the all-important question of power the utility of power, the morality of power they have parted ways. Europeans believe they are moving beyond power into a self-contained world of laws and rules and transnational negotiation and cooperation. . . . The United States, meanwhile, remains mired in history, exercising power in the anarchic Hobbesian world where international rules are unreliable and where security and the promotion of a liberal order still depend on the possession and use of military might.

This is why, on major strategic and international questions today, Americans are from Mars and Europeans are from Venus: They agree on little and understand one another less and less. . . .

The new Europe has succeeded not by balancing power but by transcending power. And now Europeans have become evangelists for their "postmodern" gospel of international relations. . . .

This has put Europeans and Americans on a collision course. Americans have not lived the European
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miracle. They have no experience of promoting ideals and order successfully without power. Their memory of the past 50 years is of a Cold War struggle that was eventually won by strength and determination, not by the spontaneous triumph of "moral consciousness." . . .

Especially after Sept. 11, most Americans remember Munich, not Maastricht. . .

Most Europeans don't acknowledge the great paradox: that their passage into post-history has depended on the United States not making the same passage. Instead, Europeans have come to view the United States simply as a rogue colossus, in many respects a bigger threat to the pacific ideals Europeans now cherish than Iraq or Iran. Americans, in turn, have come to view Europe as annoying, irrelevant, naive and ungrateful as it takes a free ride on American power. . . .

Europeans today, like Americans 200 years ago, seek a world where strength doesn't matter so much, where unilateral action by powerful nations is forbidden, where all nations regardless of their strength are protected by commonly agreed rules of behavior. For many Europeans, progress toward such a world is more important than eliminating the threat posed by Saddam Hussein.


Peter Widmer on the restructuring of the European Union

The European Union has come to the realization that it's becoming unmanageable with 25 members and 28 different languages requiring so many different translations. Actually we're only one month away from the decisive debate on giving the EU a new constitution which will change the structure from a centralistic system to one that incorporates more democratic processes..

The drafts have been presented and have been fought over very fiercely. Some things have been changed. But what remains is the realization that the EU needs to move away from this six month rotational presidency which has been in force.

At the moment Greece has the presidency; on July 1 Italy takes over. It's not going to work in the future. So the proposal is to have a full time president for a term of two-and-a-half years.

The second thing is for the EU to have a foreign minister so the institution can speak with one voice provided they can agree beforehand what that voice should be saying.

So who are the candidates for this position? I'm speculating, but it's conceivable that for the presidency the strongest candidate today is Tony Blair. Why? Because he's come out very strongly in the Iraq issue. His country is doing well and he's gained a lot in profile and stature.
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Joschka Fischer of Germany is the frontrunner for foreign minister.

Now what's the debate about this new constitution? The small countries would like to keep what is today the European Commission because they feel that's where their interests are best served by having everybody represented in that body. The big countries like Britain, Germany, France and Italy would like to have a strong and influential presidency.

What does the Iraqi situation mean in terms of economics in Europe? Not very much, actually. Oil for us has become very inexpensive.

The economy isn't moving because, as Gianni (Picco) says, the productivity levels are insufficient. The social cost of carrying the workers is still much too high, especially in Germany. We have these demonstrations in the streets now about scaling back on the pension issues. The pension system in Europe is a pay-as-you-go system and it cannot be afforded in the future. Everybody realizes this but the unions fight it all the way. So with all these issues yet to be resolved, the direct impact of Iraq isn't very great.