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## **America & Europe After 9/11 and Iraq: The Great Divide**

Remarks by author  
Sarwar Kashmeri

Thank you, Jim. Thank you for that overly generous introduction. Mr. John Whitehead, who is a well-known member of the foreign policy association gave what I consider one of my all-time favorite introductions at a luncheon for Dr. Kissinger, and John said—he said, “Well, Mr. Kissinger, of course, needs no introduction, but he loves it so.”

I do want to say I’ve been doing a series of events, but this one is almost like coming home. The Foreign Policy Association has been a supporter—an inspirer—of this book over the four years that I’ve been writing it. Four years? That’s a long time, isn’t it? Four years, I’ve been writing it, and members from the board, [unintelligible], the president, the staff, they’ve just been outstanding help throughout this whole process. And I know many of you are members of the Foreign Policy Association, but it is, to me, the quintessential non-partisan almost-100-year-old organization that tries to get Americans—everyone—interested in foreign policy, and if you don’t belong to the Foreign Policy Association, then you should. So I did want to thank the FPA for all the support that this book got from you.

What I’m going to try and do is talk a little bit about what the book is—some of the main arguments in the book. I’m then going to talk for a few moments about how it came to be written, and then, hopefully, I’ve opened enough windows to where you then get into a Q&A and ask those questions for which I’ve been preparing for a month now.

The book is about the state and future of the trans-Atlantic alliance. And I use that phrase broadly to mean the American relationship with the European Union. It is my contention in the book that this relationship is in intensive care, that just a change in personalities and multilateral attitudes is not going to fix it, that what is needed is a renegotiation of the relationship, sitting across the table with the European Union as equals and laying out the ground rules for a new relationship that will last the next 50 years. The point that I try to make in the book is that the rift between the erstwhile allies is due to a number of causes that were kept under control, if you will, by the mutual threat of nuclear destruction with

the Soviet Union. The Cold War kept the lid on a lot of the differences, and with the Cold War now not there anymore, they began to surface, and during the lead-up to the Iraqi war have surfaced with a rupture that will not be easy to fix.

I maintain that the relationship is as vital as ever, that it is necessary—that, in fact, it is more necessary now than it ever was. And the point I make is—and Mr. Bush, Sr., one of the ten leaders I talked to spoke to this. He said, “You know, the European Union is fast emerging as an economic and political power [unintelligible].” And is this the right time to disengage? It behooves us to engage with the European Union at this point, and make sure that when they do emerge as a new entity that it is more in partnership with us rather than in competition.

So that’s a reason that I put forward for the importance of the relationship. The second one has to do with the profound beliefs that are built into the DNA, if you will, of both sides. You look around the world, there are—Europe and America are two of very few places where there is an understanding of who the individual is, an understanding of how an individual fits into a society. Liberal democracy and freedom are built into the structure of both sides. And looking at the extremism, looking at the various forms of troubles that are around the world today, I maintain that the allies together will be better able to build the structures that are necessary. Senator Hegel, another one of the interlocutors in my book, maintains that in the ‘50s, President Eisenhower laid out the basic framework together with a number of farsighted people that led to the institutions that we now know—the United Nations, GAT, all of those institutions that held the world together for the last 50 years—but we now need—we are in a new paradigm; we need a new set of frames to carry us through the next 50 years, and these have to do with issues like poverty; they have to do with issues like illiteracy and disease, endemics, the differences between the developing world—he maintains that when one loses human dignity, one loses everything. Brent Scowcroft, another one of the interlocutors I’ve talked to, says you have only to look at the state of affairs all the way from [unintelligible] and up to China—the lack of education, the poverty—and these are the issues that we now need to deal with. And I maintain in my book that the alliance will be able to do this better than any other structure of its kind.

The third reason that I point to is the business relationship. Most people don’t realize the enormous business relationship that ties the European Union and the United States together. I’m sure some of you may know, this is an almost \$3 trillion relationship. 8 million Europeans and Americans work for each other’s firms, just as many Americans work for European firms as Europeans work for American firms. Did I say that work? Americans work for European firms, and an equal number the other way around. Some statistics are valuable. There is more European Union investment in Texas alone than there is all of American investment in Japan and China combined—worth thinking about. The headlines talk about China, talk about India manufacturing jobs. American affiliates in Germany employ more workers in manufacturing by almost 90% than all American affiliates in China. Netherlands, more bottom line out of American affiliates than companies in China. This is a huge relationship, and should anything ever happen to it, it would cause a great deal of trouble. I wanted to bring this home a little bit—New York.

The investment from the European Union is spread throughout the country. \$39 billion is invested in New York. This accounts for 337,000 jobs. In my now home state of Vermont, \$1 billion is invested from the European Union. There are 7,000 jobs that are counted for that. Half of these jobs are manufacturing jobs. These are the jobs that are slinking away, so it's very important that these jobs... 80% of the produce from Vermont from these manufacturing jobs is exported.

So this relationship is huge. Now, it is so huge that I maintain, because of it, the rift is not as severe as it would have otherwise been. But it's not a given that it will always be that way. I would draw your attention back to 2003, where steel tariffs, you may recall, were imposed on European products. And remember, the Europeans then selected a number of areas that would be of the greatest—that would create the most political damage for a president then running, and gave the United States 30 days to dismantle those tariffs, and that's exactly what happened.

Two other examples which are in a slightly lighter tone: a month before the Iraqi War, Saddam Houssein had decided that oil—remember the Oil for Food Program—that the oil in that program could only be purchased in Euros. One of the first tenders that was put out after he was overthrown was for oil, and all of that was immediately changed, and the tender was reverted back to the dollar. You might know that all oil is denominated in dollars. There are roughly \$600 billion that are held as a reserve currency in the Middle East, and should some of that start going into the Euro, there would be a lot of consternation. Now here is a conspiracy theory to which I don't subscribe at all, but last year, Iran licensed the beginning of a petroleum exchange that is denominated in—guess what—Euros.

But I just throw those things out just to give you some idea of where—I'll just take one other area, and then I'll give you an idea of how the book came about, and this is the area of the global positioning satellite. Right? We all live with it now. Cell phones have it. The American GPS is the standard of the world. Roughly \$12 billion of business is done using the GPS signals. It's growing at 20% a year, and will for some time. We have—the United States has—the monopoly on it. Everyone in the world has to depend on the American satellite. Well, this monopoly is about to end. Three years from now, the European satellite system called Galileo will be operational, and when that happens, that monopoly ends. Well, what happens to the business that depends on that monopoly? So even though this relationship is huge—and thank God it is huge—it is not a given that it will always remain that way.

So let me now talk a little bit about how this book came to be. I used to run a company that set up financial software for international companies, and a lot of clients were in Europe, and in the early '90s, they were concerned about the impact of the Euro, as the new currency was going to be called, on their software systems. So together with other people, I started to look into this. There were technical issues—right—as you may recall, that the Spanish currency then did not have decimal points, so if you went to Spain, the cash registers all worked in whole numbers. Well, the Euro has decimal points, so what do you, and how do you change—but I realized very quickly that those technical issues

were rather simple to fix, that it was the broad strategic issues that European integration and the Euro would bring to the surface that were the heart of what businesses ought to be looking at. As an example, General Electric works throughout Europe. Most companies will try and balance their revenues and expenditures in the same currency, when they operate their affiliates in other countries. Well, GE estimated that they would save about \$65 million a year when the Euro came into being, because they then would only have to raise one currency instead of deutschmarks and French francs and so on. The same issues in pricing, you may recall that cars cost about 20% more in Southern Europe than they did in Central Europe, and so how do you price—so those were the strategic issues that were starting to surface, and I started to think about that, and from there—well, just as a comparison, I mean, you came back here. The idea was that the Euro would never be. The Wall Street Journal didn't run its editorial—the first editorial on the Euro, if I remember correctly—about eight months before the Euro was launched.

The Foreign Policy Association, actually, together with my then-company did one of the earliest conferences on the impact of the Euro on American business. I arranged a conference at the State Department roughly six months before the Euro came into being. A lot of the Clinton cabinet people were there, and a remark made by the keynote speaker was that to his knowledge, that was the first conference on the impact of the Euro that had been held in Washington. So I got to thinking about why that would be so, and one of the conclusions I came to is that it is because in a lot of areas, America looks at Europe through what I call Anglo-tinted glasses. We tend to look at Europe in the way the Brits—and I use that word fondly; I have an enormous admiration for Britain; in fact my wife thinks I always wish I was born in the Victorian age and so on, but as far as foreign policy is concerned, I came to realize that that is an enormous mistake, that we need to shift, in my opinion, and we can discuss this and talk about this during the Q&A session. I came to the conclusion that it would be far better—healthier for both Britain and America—to transform the so-called special relationship with Britain to become a special relationship with the European Union, that the center of gravity had irrevocably shifted over the last 50 years to the European Union, and that's where our focus ought to be. I also maintain that it could have been really difficult to start the Iraqi War if that kind of special relationship had been in place at that point. So that's how I started thinking about this, and then the lead-up to the Iraqi War, we were [unintelligible], the Foreign Policy Association, a number of us, and when we came back, this was three months after the invasion of Iraq. Do you remember how hot tempers were between the Europeans and the Americans? The Foreign Policy Association had a dinner—their annual dinner—and the two key speakers there were Javier Solana and Colin Powell. Dinner begins. The West Point Band plays the American National Anthem. Everyone rises. Finish. Everyone waits for the European Union's national anthem to be played. We wait; we wait; we wait—nothing. We all sit down. It turns out that the Defense Department and the State Department don't recognize that national anthem. So as I understand it, they were given the option of playing a recorded national anthem, which is a really degrading choice that the Europeans refused. So to me, that is an indication of the disconnect that this country has shown with the European Union ever since it started coming together 50 years ago, and that's been a big mistake, in my opinion, and again, I ascribe a lot of that to looking at Europe through Anglo-tinted glasses.

So being a businessman, you know, when you run into crossroads where you have to make a bet-your-company decisions, what business titans like to do is gather together a whole number of experts and take them off to a retreat and then try and figure out what to do next, and what I decided to do is see if I could tap into people who had actually had their hands on the power structure and see if they would talk about these issues which were rattling around in my mind. The list ultimately was ten leaders from both sides of the Atlantic, and they included the president's father; they included Secretary Baker, General Scowcroft, Wesley Park—General Park—Casper Weinberger, Mr. Major, the former prime minister, Anna Palachio, who used to be the foreign minister of Spain, Mr. Hugo Palman, and so on. And so I spent time with them; I spent an hour or two with each person, and I asked them all these questions that were rattling around in my mind—you know, such as NATO. I was coming to a conclusion that NATO was just dysfunctional, and that it ought to be disbanded as a military alliance, and that it was causing more friction between the allies than anything else. And then, this idea of the Anglo-tinted glasses, I also wanted to talk to them about whether they thought this rift was just like all the other rifts we had had in the past, where they could just go away, and if we had a change in personalities—so I talked to them, and then wrote this book. My original idea was to write it as a collection of conversations with trans-Atlantic leaders, but one of the people I talked to asked me—he said, “So what are you going to do after you finish talking with all of us about these issues?” And I said, “Well, I’m going to put them together in a collection of conversations,” and he said, “God, that’s a boring thing to do.” He said, “No one is going to read that.” He said, “Tell us your story, and then add or subtract to it from our conversations.”

So that’s how the book came to be, and I had been thinking about all these issues for four years, as a businessman, and as a person involved with foreign policy, someone who thinks about foreign policy, and I just wanted to put it down before I forgot all of the conversations I had had. So the book was roughly four years in the making. There is a sad note to this book, which is that even after four years, there has been very little change in the relationship in the trans-Atlantic alliance. Let me stop there. That gives you an idea of what some of the main arguments are, how the book came to be, and I’m ready, willing, and able to engage on the Q&A.