



INTER ACTION COUNCIL

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26th Annual Plenary Session

Final Communiqué

Present State of the World

Restoring International Law

Managing International Financial Markets

**25-27 June 2008
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As the world moves towards new multilateralism in the 21st century, the InterAction Council convened its 26th Annual Plenary on the island of Lidingö in Stockholm, Sweden, the most advanced country in environmental consideration and measures, to consider present challenges of the world. In particular, the Council analysed the present state of the world and focused on how to restore international law and how to manage international financial markets. In this connection, the Council endorsed the Chairmen's reports from the High-Level Expert Group Meetings in Hamburg 19-20 June. In addition, the Council adopted a statement concerning the situation in Zimbabwe.

Entering the second quarter century of activities, the InterAction Council launched the "Helmut Schmidt Young Leadership Forum," inviting promising young men and women from all corners of the globe to interact with the Council members.

Present State of the World

The world is faced with unprecedented challenges: rising food and energy prices, nuclear proliferation, global poverty and the potential for further environmental disasters. However, the Council has recognised that there is now a window of opportunity to turn the tide in these key areas through the adoption of practical measures.

The last few years have heralded a dramatic increase in the price of energy and food. In the case of energy, this should not have come as a surprise. Rising demand and concerns over supply will certainly lead to even further price increases in the long run. The dramatic increase in the price of oil is also one factor behind the current hike in food prices. If not speedily and properly addressed, the mounting food crisis could develop into famine, further poverty and even armed conflicts.

Many of the problems relating to food shortages, competition for energy resources and environmental degradation are connected to the rapid population growth. Greater equality for women, including the right to education, is not only a moral imperative but will also pave the way to smaller, healthier families.

Global disarmament is fundamental in achieving lasting peace. The time has come for everyone to accept the vision of a nuclear weapon-free world and even the vision of a world free of the use of armed force between states. The threat to peace emanating from small arms has been the one most deeply felt by the majority of victims in conflicts occurring since World War II. In the field of arms control and disarmament a number of concrete proposals have been put forward that deserve the urgent attention of the world community. Now is the time to put the wheels in motion.

Global warming represents a serious threat to mankind. Delaying action further is risky – it may become too late. Action must be global, it must encompass both the industrialized world and developing countries, taking into account their specific needs.

Therefore, the InterAction Council recommends:

- Accepting the vision of a nuclear weapon free world and urging the nuclear weapon possessing powers to take the lead in a renewed effort in the disarmament process by phasing out nuclear arsenals and avoiding the development of new systems that would instigate a renewed arms race;
- Demanding that all nuclear weapon states make a declaration that they will refrain from the first use of weapons of mass destruction;
- Urging all states to accede to the Nuclear Non-Proliferation Treaty and to abide by their obligations under that treaty and for nuclear weapons to be taken off hair trigger alert to avoid war by accidents or misunderstandings;
- Urging the entry into force of the Comprehensive Test Ban Treaty and calling attention to the Intermediate-Range Nuclear Forces Treaty and the possibilities for creating a dialogue between all nuclear weapon states in this context;
- Negotiating a treaty providing a verified ban on the production of fissile material for weapons to prevent more enriched uranium and plutonium from being produced for weapons grade;
- Welcoming the recent and encouraging progress towards fulfilment of the agreement for disablement and destruction of the unauthorised nuclear program of the Democratic People's Republic of Korea, encouraging indispensable political efforts without any precondition for talks as regards Iran, bearing in mind that there is no military solution to this question and urging Israel to bring its own nuclear weapons program fully under the International Atomic Energy Agency safeguards;
- Restricting and regulating international production and trade in small arms by supporting negotiations in the United Nations for the establishment of an International Arms Trade Treaty;
- Reinforcing that the Palestinian/Israeli conflict remains a primary issue in the Middle East and that only a negotiated political settlement comprising all relevant actors will produce durable peace;
- Recognising that equality for women, especially concerning the right to education, is imperative to achieving sustainable development and international peace and security, recalling in particular goal three of the Millennium Development Goals and UNSC Resolution 1325;
- Recognising that in addition to environmental consequences, increased global use of oil and gas may have negative security implications as resources become more and more scarce;
- Taking immediate action in relation to the food crisis and underlining the risk that this will lead to more widespread famine, further poverty and even armed conflicts if not properly addressed including action to eliminate subsidies for grain and bio-fuel based products;

- Emphasising that a reduction in carbon dioxide emission needs to encompass all possible measures, including: encouraging increased investment into new technological solutions, expanded use of renewable energy resources and effective economic incentives in order to discourage the use of fossil fuels;
- Setting prudent aggregate limits for future carbon dioxide emissions and other greenhouse gases and agreeing on means to effectively implement such limits globally;
- Urging world leaders to negotiate a successor to the Kyoto Protocol to be ratified by all states, while recognizing the special responsibility of the industrial countries;
- Fostering dialogue among and within religions and developing an action plan for inter-faith education for increasing tolerance and mutual respect and noting advances in this regard.

Restoring International Law: Legal, Political and Human Dimensions

The need for a rule-based international society committed to justice and development is greater than ever before in consideration of the complex challenges facing humankind today. Adherence to international law and trust in multilateral institutions must be restored. Unilateral actions put the world at risk and undermine efforts to uphold international peace and security.

It is clear that to settle differences among states in today's world through the unilateral use of force could have disastrous effects and may even threaten human survival on earth. Thus, differences that occur among states must be resolved by peaceful means as prescribed by the Charter of the United Nations. Multilateral institutions and their mechanisms must be able to address effectively the challenges put before them.

One of the most urgent actions required for the maintenance of international peace and security and for responsible world governance is to restore respect for the UN Charter. By necessity, the powerful states must take the lead. This applies in particular to the members of the Security Council, the organ entrusted with the primary responsibility for the maintenance of international peace and security. As the organ that has been entrusted with the competence to act on behalf of the members of the organisation, the Security Council must honour this trust.

In the Summit Resolution of 2005 the member states of the UN reaffirmed their commitment to the purposes and principles of the UN Charter, international law and an international order based on the rule of law. States must live up to their duty to respect international law as stated by them in this resolution.

One of the most serious threats to human security is terrorism. It is important that states cooperate in combating this scourge. But it is important to recognise that this is

not a war. Terrorism should be treated as criminal acts to be handled through existing systems of law enforcement and with full respect for human rights and the rule of law.

Therefore, the InterAction Council recommends:

- Acknowledging that the challenges mankind faces must be addressed through multilateral solutions within a rule-based international system;
- Recognising that the Charter of the UN permits the use of force by states only when authorised by the Security Council or where it is exercised in self-defence if an armed attack occurs or when the threat is imminent;
- Also recognising that the Charter does not allow for the preventive use of force;
- Emphasising that unauthorised use of force, including such as the invasion of Iraq, by the so-called Coalition of the Willing States contributes to the weakening of respect for international law;
- Insisting that states observe scrupulously their obligations under international law, in particular the Charter of the United Nations and encouraging the leading powers to set an example by working within the law and abiding by it, realising that this is also in their interest;
- Realising that it is necessary for states to engage in discussions with those with whom they have controversies in order to explore the possibility of resolving the difference;
- Affirming the commitment to settle international disputes through peaceful means and urging states to accept the compulsory jurisdiction of the International Court of Justice;
- Underlining the importance of the Security Council exercising its mandate effectively and decisively in accordance with the responsibility granted to it by the UN Charter;
- Acknowledging that there are situations which require the Security Council to act with authority and consequence in accordance with the principle of the responsibility to protect;
- Treating terrorism as criminal acts to be handled through existing systems of law enforcement and with full respect for human rights and the rule of law;
- Underlining the importance of an agreed definition of terrorism;
- Calling for universal ratification of the Rome Statute of the International Criminal Court and the full cooperation with the Court on the part of all states;
- Encouraging non-governmental organisations to continue their activities in enhancing respect for human rights and the rule of law;

- Calling for all states to devote resources to education on global ethics, the foundations of international law and the meaning of the rule of law at the national and international level;
- Reaffirming and strengthening the Universal Declaration of Human Responsibilities.

Managing International Financial Markets

The current crisis facing the international financial markets is affecting economic activity and eroding faith in the system. Huge disequilibria in the international balance of payments could lead to disorderly adjustments and an ever-weakening US dollar. The daily transaction volume in foreign exchange markets today aggregates approximately 3.2 trillion US dollars.

The most significant feature of the current crisis, precipitated by the US sub-prime asset bubble burst, was that it was foreseeable but almost no action was taken. Complex and novel financial instruments have entered the international markets, radically changing the landscape and affecting stability.

Today there are more than 9,000 unregulated and unsupervised high risk-taking hedge funds, managing nearly 2 trillion US dollars in assets and many of them are registered in off-shore tax havens. Politicians and ordinary investors lack both an overview and specific knowledge of these funds. Now even commercial banks are engaging in off-balance sheet transactions. It is almost impossible to know what is going on in the opaque globalised financial markets. Regulation and surveillance similar to those in financial institutions and their instruments listed on the stock market are required in relation to these funds.

High and rapidly rising energy and food prices create an unprecedented challenge. If this continues without redress, negative effects upon global wealth distribution will inevitably follow. One of the causes has been abundant liquidity in the international financial markets. The excessively easy monetary conditions fuel mounting prices, inflation and the widening of disequilibrium.

Existing institutional frameworks have not been able to cope with the ongoing crisis. G-8 is insufficient and reforms are overdue in both the IMF and the World Bank to meet the challenges of the new era. Any solutions to the current financial crisis will require collective and cooperative action.

Therefore the InterAction Council recommends:

- Redressing the US balance of payments deficit by urging the United States to reduce fiscal deficit and reform its taxation policy to encourage American households to borrow less and to increase private savings;

- Urging countries with current account surpluses, to redress the global balance of payments disequilibria;
- Expanding the G8 to include China, India, Saudi Arabia, Brazil and an African state, recognizing their role as major global economies and important state actors;
- Urging the G8 to give the IMF the mandate to propose recommendations for guidelines in surveillance and direction of international financial markets, at the same time reforming voting rights in the IMF to better reflect the realities of the present economic world;
- Subjecting all investment banks, hedge funds, private equity funds, financial institutions and instruments to the supervision and regulation as apply to the normal banking system and promoting transparency;
- Restoring adequate capital ratios of financial institutions to restore confidence in the international financial markets and to ensure market stability;
- Addressing questionable transactions via tax-exempt and control-free financial havens through a global agreement to take national action to prohibit banks from lending to private financial institutions registered in tax havens without financial surveillance regimes;
- Urging energy consuming countries to release oil reserves over and beyond the obligated 90 day equivalent of net imports under the Agreement with the International Energy Agency at appropriate times in order to lower domestic oil prices;
- Encouraging the development of technologies to produce bio-fuels from plants as opposed to food sources.

The InterAction Council acknowledges with gratitude the support given to the 26th Annual Meeting by the Governments of Australia, Germany, Japan, Korea, Saudi Arabia and Sweden as well as the City of Stockholm.

List of Participants

IAC Members

1. H. E. Mr. Helmut **Schmidt**, Honorary Chairman (Former Chancellor of Germany)
2. H. E. Mr. Malcolm **Fraser**, Honorary Chairman (Former Prime Minister of Australia)
3. H. E. Mr. Ingvar **Carlsson**, Co-chairman (Former Prime Minister of Sweden)
4. H. E. Mr. Jean **Chrétien**, Co-chairman (Former Prime Minister of Canada)
5. H. E. Mr. Esko **Aho** (Former Prime Minister of the Republic of Finland)
6. H. E. Mrs. Gro Harlem **Brundtland** (Former Prime Minister of Norway)
7. H. E. Mrs. Vigdís **Finnbogadóttir** (Former President of the Republic of Iceland)
8. H. E. Mr. Bacharuddin Jusuf **Habibie** (Former President of the Republic of Indonesia)
9. H. E. Mr. **Lee** Hong-Koo (Former Prime Minister of Korea)
10. H. E. Mr. AbdelSalam **Majali** (Former Prime Minister of Jordan)
11. H. E. Mr. Benjamin William **Mkapa** (Former President of Tanzania)
12. H. E. Mr. Yoshiro **Mori** (Former Prime Minister of Japan)
13. H. E. Mr. Olusegun **Obasanjo** (Former President of the Nigeria)
14. H. E. Mr. Andrés **Pastrana** (Former President of Colombia)
15. H. E. Mr. Percival N.J. **Patterson** (Former Prime Minister of the Republic of Jamaica)
16. H. E. Mr. José **Sarney** (Former President of Brazil)
17. H. E. Mr. Constantinos Georgios **Simitis** (Former Prime Minister of Greece)
18. H. E. Mr. **Tung** Chee Hwa (Former Chief Executive of Hong Kong)
19. H. E. Mr. George **Vassiliou** (Former President of Cyprus)
20. H. E. Mr. Franz **Vranitzky** (Former Chancellor of Austria)
21. H. E. Mr. Richard von **Weizsäcker** (Former President of Germany)
22. H. E. Mr. Ernesto **Zedillo** Ponce de León (Former President of Mexico)

Associate Members

23. Dr. Abdul Rahman Hamad **Al-Saeed**, Advisor, The Royal Court (Saudi Arabia, Representing Mr. Abdul Aziz Z. Al-Quraishi)
24. Prof. Thomas **Axworthy**, Chair of the Centre for the Study of Democracy, Queen's University (Canada)
25. Baroness **Jay**, Chairperson of the Overseas Development Institute, London (U. K.)
26. Prof. Hans **Küng**, Professor Emeritus, Tübingen University (Switzerland)
27. Dr. **Lee** Seung-yun, (Former Deputy-Prime Minister of Korea)
28. Mr. Seiken **Sugiura** (Former Justice Minister of Japan)

Special Guests

29. Mrs. Caroline **Anstey**, Chief of Staff, Office of the President, World Bank
30. Mr. James **Blanchard**, (Former United States Ambassador to Canada, Former Governor of Michigan)
31. H. E. Mr. Hans **Blix** (Former Chairman of the UN Monitoring, Verification and Inspection Commission for Iraq)
32. Dr. Olav **Brundtland**, Scholar in international relations (Norway)
33. Dr. Hans **Corell**, (Former Legal Counsel to the UN and UN Under-Secretary for Legal Affairs) (Sweden)
34. Mr. Nagao **Hyodo**, (Former Japanese Ambassador to Belgium)
35. Mr. Julius **Liljeström**, (Sweden)
36. Prof. Timothy L.H. **McCormack**, Professor of International Humanitarian Law, University of Melbourne Law School (Australia)
37. Mr. **Qian** Qichen, (Former Deputy Premier of the State Council) (China)
38. Dr. Sergey **Rogov**, Director of Institute for USA and Canada of the Russian Academy of Sciences
39. Prof. Teizo **Taya**, Rikkyo University (Japan)
40. Prof. **Tu** Weiming, Harvard University (China)
41. H. E. Mr. Ola **Ullsten** (Former Prime Minister of Sweden, Former member of IAC)