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THE BEST THOUGHTS OF THE BEST MINDS ON CURRENT INTERNATIONAL QUESTIONS

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What We Have Is This Unity Among Us

TO MAXIMIZE JEWISH UNITY AND SECURE THE FUTURE OF THE ONE AND ONLY JEWISH STATE

Address by BENJAMIN NETANYAHU, Prime Minister, Israel

Delivered to a visiting delegation of American Jewish leaders, Jerusalem, Israel, Feb. 11, 2013

Thank you. Toda raba. Thank you very much. Thank you, Richard. Your introductions are wonderful. I come here every year to listen to them. But you're wonderful, and I appreciate deeply the sentiment and the thought that accompanies your words. It's good to see my old friend Mort Zuckerman, with the other past presidents. You tell it like it is, fearlessly, and you always speak out for Israel, and you write for Israel. I hope people read it on print, but don't be discouraged if you have to move on to electronic pages.

Of course I'm delighted to be with Malcolm Hoenlein. I'll tell you something about Malcolm in a minute. The two distinguished ambassadors, wonderful ambassadors: the Ambassador of the United States of America in Israel, Daniel Shapiro. It's good to see you Dan. And an exceptional

ambassador of France, Ambassador Christophe Bigot, who's been representing France in difficult times.

I spoke to President Hollande recently and told him how much I appreciated the bold steps that France is taking against terrorism in Mali. I said, we face the same threats. We do—often the same people, the same weapons even. There's one small difference: they're here. They're here—hundreds of meters away, not thousands of kilometers away. But you know, there's a central lesson: if you don't stop them thousands of kilometers away, they get there too—to Paris, to New York and to Washington, everywhere. This is a global threat that we must face together with great unity and with great consistency.

Unity is what we are trying to achieve here. This is what you do all the time. You have diverse organizations. Somehow you are able to put aside your differences and find common ground and, Malcolm, that's almost as hard as forming a national unity government in Israel. So we'll have to talk about this later. But we need this unity because we're facing enormous external challenges and great internal challenges.

The three external challenges that we face begin with Iran. I spoke about Iran's plan to develop nuclear weapons. Its nuclear weapons program continues unabated. It's focused on enrichment because if they can continue and complete the enrichment of high enriched uranium, then they'll have enough to produce enough material to produce a nuclear bomb.

I drew a line at the UN, last time I was there. They haven't crossed that line, but what they're doing is to shorten the time that it will take them to cross that line. And the way they're shortening that time is by putting in new, faster centrifuges that cut the time by one third, so that Iran is putting itself in a position to cross the red line and have enough material to produce one nuclear bomb's worth of highly enriched uranium. This has to be stopped, for the interest of peace and security, for the interest of the entire world.

How do you stop it? Well, you have to put greater pressure on them. You have to upgrade the sanctions. And they have to know that if the sanctions and diplomacy fails, they will face incredible military threat. That's essential. Nothing else will do the job. And it's getting closer.

The second challenge we face is in Syria. Syria is not one of the great economies of the world. It's not a developed country. And it certainly suffered tremendous tragedies in the last two years with great human cost. But this undeveloped country has the world's most developed weapons there. It has stockpiles of chemical weapons, and it has oth-

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er strategic weapons—weapons that can change the balance of power in the Middle East. I've said before and I'll say it again: we will not sit idly by and let those weapons fall in the hands of terrorists.

And we have a third challenge, which is to advance a solid secure peace with the Palestinians. I believe that the framework for this peace is what I outlined in my speech in Bar Ilan University: two states for two peoples—a demilitarized Palestinian state that recognizes the Jewish state. I think to reach this solution we have to negotiate in good faith. Negotiating in good faith means you don't place preconditions. In the last four years, the Palestinians have regrettably placed preconditions time after time, precondition after precondition. My hope is that they leave these preconditions aside and get to the negotiating table so we don't waste another four years.

These three great challenges, Iran, Syria and the pursuit of peace, are three of the main subjects that I intent to take up with President Obama when he comes here to visit Israel. I welcome him, I think this is a wonderful opportunity to reaffirm the strategic relationship between Israel and the United States. We have a great alliance. This is an opportunity to strengthen this alliance. I look forward to welcoming President Obama here in Jerusalem, here in Israel.

We've worked together very closely, closer than perhaps meets the eye and that people know here except a few people who are in this hall. We worked together on security; we worked together on diplomacy; we worked together on intelligence. The United States has assisted us in Iron Dome; we've assisted the United States in some delicate matters. But that relationship is one of mutual values, mutual benefit, and when you look at the Middle East, when you look at this area and see the great power of freedom of the United States, looking at this area you see the swirling sands of the Middle East and there is one solid, reliable ally of the United States, and that is the State of Israel. I think that's become more apparent than ever, and it also must be apparent to you that when we look around the world we see one great friend, one great ally—the United States of America.

We also have great internal challenges. The first one is to continue the economic growth, the economic stability of the State of Israel. In the last four years we've done better than just about any other industrialized and developed economy. We've grown at 4%. I'm criticized for having a 4% deficit. Can you believe that? You can believe that given our performance, but I know of many European countries and even non-European countries who would like to have a 4% deficit. But we have to bring it down, certainly control it. We want to secure the jobs that we've already created here; we've created hundreds of thousands of new jobs. But we have to keep on creating hundreds of thousands of new jobs to keep up with the growth rate of the Israeli population. Israel is probably the only western country that has natural population growth, which is prob-

ably a response to the wars of Israel and to the Holocaust. Israel is, I think, the only western country with a growing population, which means we have to keep on growing the economy. We have to do that with a responsible budget and with continual economic reforms. This is challenge number one.

Challenge number two is sharing the burden more equally, the burden of national service and military service, the burden of jobs. This is something that has been brought to the fore, it is something I am committed to doing. We have to do it without rupturing our society. It can be done.

The third, of course, is to bring down the cost of living—bring down the cost of living and especially the cost of housing. That too can be done.

These are important tasks. I don't think they're formidable. I think they're tough, but they're doable.

Last year when we spoke here I told you of another challenge that you can put a 'v' on, because we've solved it. We were being flooded by a tide of illegal job immigrants from Africa, and the future of the Jewish state, the idea of the democratic Jewish state, based on a solid Jewish majority, was being challenged by the flow of thousands of illegal job immigrants from Africa every month and that was going to go up to thousands and many more. You could easily get to ten thousand a month. Just multiply that over a few years and the future of the Jewish state would be imperiled.

We built up a barrier along the Sinai border, the border with Africa. Do you know how many illegal job immigrants have infiltrated into Israel's cities in the last seven months? Anybody want to guess? Zero.

So we're able to do the impossible. We're able to do great things. But we are able to do it only if we unite to do them. I think the tasks that I've outlined here, the three extraordinary external challenges and the many internal challenges that we have—we can do this. But we have to unite. We don't have the luxury to be divided. We don't have the luxury to put sectorial interests or personal interests ahead. We have to form a broad national unity government. And as a result of this need and the experience you have, I have an announcement to make since Isaac Molcho is going to work, not in the negotiating team, but has to continue on the negotiating peace and advancing peace with the Palestinians, this is a ruling that we received, I've decided to include the unity specialists here, Malcolm, would you join our negotiating team? Could we borrow him, Richard, for a month? It could help me; it could help us.

But in all seriousness, what we have is this unity among us. We'll achieve a government here that maximizes unity, and I know that we'll work together with you to maximize Jewish unity, in the United States, in the Jewish communities around the world and here in Israel to secure the future of the one and only Jewish state.

I thank you for what you've done; I thank you for what you'll be doing. Thank you very much. Thank you all."

To Represent the World's One Indispensable Nation

IT'S NOT MEANT AS A BOAST; IT'S A RECOGNITION OF OUR RESPONSIBILITIES

Farewell address by HILLARY RODHAM CLINTON, Secretary of State, United States of America
Delivered at the Council on Foreign Relations, Washington, D.C., Jan. 31, 2013

Thank you, Richard, for that introduction and for everything you've done to lead this very valuable institution. I also want to thank the board of the Council on Foreign Relations and all my friends and colleagues and other interested citizens who are here today, because you respect the Council, you understand the important work that it does, and you are committed to ensuring that we chart a path to the future that is in the best interests not only of the United States, but of the world.

As Richard said, tomorrow is my last day as Secretary of State. And though it is hard to predict what any day in this job will bring, I know that tomorrow, my heart will be very full. Serving with the men and women of the State Department and USAID has been a singular honor. And Secretary Kerry will find there is no more extraordinary group of people working anywhere in the world. So these last days have been bittersweet for me, but this opportunity that I have here before you gives me some time to reflect on the distance that we've traveled, and to take stock of what we've done and what is left to do.

I think it's important, as Richard alluded in his opening comments, what we faced in January of 2009: Two wars, an economy in freefall, traditional alliances fraying, our diplomatic standing damaged, and around the world, people questioning America's commitment to core values and our ability to maintain our global leadership. That was my inbox on day one as your Secretary of State.

Today, the world remains a dangerous and complicated place, and of course, we still face many difficult challenges. But a lot has changed in the last four years. Under President Obama's leadership, we've ended the war in Iraq, begun a transition in Afghanistan, and brought Usama bin Ladin to justice. We have also revitalized American diplomacy and strengthened our alliances. And while our economic recovery is not yet complete, we are heading in the right direction. In short, America today is stronger at home and more respected in the world. And our global leadership is on firmer footing than many predicted. To understand what we have been trying to do these last four years, it's helpful to start with some history.

Last year, I was honored to deliver the Forrestal Lecture at the Naval Academy, named for our first Secretary of Defense after World War II. In 1946, James Forrestal noted in his diary that the Soviets believed that the post-war world should be shaped by a handful of major powers acting alone. But, he went on, "The American point of view is that all nations professing a desire for peace and democracy should partic-

ipate." And what ended up happening in the years since is something in between. The United States and our allies succeeded in constructing a broad international architecture of institutions and alliances—chiefly the UN, the IMF, the World Bank, and NATO—that protected our interests, defended universal values, and benefitted peoples and nations around the world. Yet it is undeniable that a handful of major powers did end up controlling those institutions, setting norms, and shaping international affairs.

Now, two decades after the end of the Cold War, we face a different world. More countries than ever have a voice in global debates. We see more paths to power opening up as nations gain influence through the strength of their economies rather than their militaries. And political and technological changes are empowering non-state actors, like activists, corporations, and terrorist networks.

At the same time, we face challenges, from financial contagion to climate change to human and wildlife trafficking, that spill across borders and defy unilateral solutions. As President Obama has said, the old postwar architecture is crumbling under the weight of new threats. So the geometry of global power has become more distributed and diffuse as the challenges we face have become more complex and crosscutting.

So the question we ask ourselves every day is: What does this mean for America? And then we go on to say: How can we advance our own interests and also uphold a just, rules-based international order, a system that does provide clear rules of the road for everything from intellectual property rights to freedom of navigation to fair labor standards?

Simply put, we have to be smart about how we use our power. Not because we have less of it—indeed, the might of our military, the size of our economy, the influence of our diplomacy, and the creative energy of our people remain unrivaled. No, it's because as the world has changed, so too have the levers of power that can most effectively shape international affairs.

I've come to think of it like this: Truman and Acheson were building the Parthenon with classical geometry and clear lines. The pillars were a handful of big institutions and alliances dominated by major powers. And that structure delivered unprecedented peace and prosperity. But time takes its toll, even on the greatest edifice. And we do need a new architecture for this new world; more Frank Gehry than formal Greek. Think of it. Now, some of his work at first might appear haphazard, but in fact, it's highly intentional and sophisticated. Where once a few strong columns could

hold up the weight of the world, today we need a dynamic mix of materials and structures.

Now, of course, American military and economic strength will remain the foundation of our global leadership. As we saw from the intervention to stop a massacre in Libya to the raid that brought bin Ladin to justice, there will always be times when it is necessary and just to use force. America's ability to project power all over the globe remains essential. And I'm very proud of the partnerships that the State Department has formed with the Pentagon, first with Bob Gates and Mike Mullen and then with Leon Panetta and Marty Dempsey.

By the same token, America's traditional allies and friends in Europe and East Asia remain invaluable partners on nearly everything we do. And we have spent considerable energy strengthening those bonds over the past four years. And, I would be quick to add, the UN, the IMF, the World Bank, and NATO are also still essential. But all of our institutions and our relationships need to be modernized and complemented by new institutions, relationships, and partnerships that are tailored for new challenges and modeled to the needs of a variable landscape, like how we elevated the G-20 during the financial crisis, or created the Climate and Clean Air Coalition out of the State Department to fight short-lived pollutants like black carbon, or worked with partners like Turkey, where the two of us stood up the first Global Counterterrorism Forum. We're also working more than ever with invigorated regional organizations. Consider the African Union in Somalia and the Arab League in Libya, even sub-regional groups like the Lower Mekong Initiative that we created to help reintegrate Burma into its neighborhood and try to work across national boundaries on issues like whether dams should or should not be built.

We're also, of course, thinking about old-fashioned shoe-leather diplomacy in a new way. I have found it, and I've said this before, highly ironic that in today's world, when we can be anywhere virtually, more than ever, people want us to actually show up. But while a Secretary of State in an earlier era might have been able to focus on a small number of influential capitals, shuttling between the major powers, today we, by necessity, must take a broader view.

And people say to me all the time, "I look at your travel schedule; why Togo?" Well, no Secretary of State had ever been to Togo. But Togo happens to hold a rotating seat on the UN Security Council. Going there, making the personal investment has a strategic purpose.

And it's not just where we engage, but with whom. You can't build a set of durable partnerships in the 21st century with governments alone. The opinions of people now matter as to how their governments work with us, whether it's democratic or authoritarian. So in virtually every country I have visited, I've held town halls and reached out directly to citizens, civil society organizations, women's groups, business communities, and so many others. They have valuable insights and contributions to make. And increasingly, they

are driving economic and political change, especially in democracies.

The State Department now has Twitter feeds in 11 languages. And just this Tuesday, I participated in a global town hall and took questions from people on every continent, including, for the first time, Antarctica.

So the point is: We have to be strategic about all the levers of global power and look for the new levers that could not have been possible or had not even been invented a decade ago. We need to widen the aperture of our engagement, and let me offer a few examples of how we're doing this.

First, technology. You can't be a 21st century leader without 21st century tools, not when people organize pro-democracy protests with Twitter and while terrorists spread their hateful ideology online. That's why I have championed what we call 21st century statecraft.

We've launched an interagency Center for Strategic Counterterrorism Communications at State. Experts, tech-savvy specialists from across our government fluent in Urdu, Arabic, Punjabi, Somali, use social media to expose al-Qaida's contradictions and abuses, including its continuing brutal attacks on Muslim civilians.

We're leading the effort also to defend internet freedom so it remains a free, open, and reliable platform for everyone. We're helping human rights activists in oppressive internet environments get online and communicate more safely. Because the country that built the internet ought to be leading the fight to protect it from those who would censor it or use it as a tool of control.

Second, our nonproliferation agenda. Negotiating the New START Treaty with Russia was an example of traditional diplomacy at its best. Then working it through the Congress was an example of traditional bipartisan support at its best. But we also have been working with partners around the world to create a new institution, the Nuclear Security Summit, to keep dangerous materials out of the hands of terrorists. We conducted intensive diplomacy with major powers to impose crippling sanctions against Iran and North Korea. But to enforce those sanctions, we also enlisted banks, insurance companies, and high-tech international financial institutions. And today, Iran's oil tankers sit idle, and its currency has taken a massive hit.

Now, this brings me to a third lever: economics. Everyone knows how important that is. But not long ago, it was thought that business drove markets and governments drove geopolitics. Well, those two, if they ever were separate, have certainly converged.

So creating jobs at home is now part of the portfolio of diplomats abroad. They are arguing for common economic rules of the road, especially in Asia, so we can make trade a race to the top, not a scramble to the bottom. We are prioritizing economics in our engagement in every region, like in Latin America, where, as you know, we ratified free trade agreements with Colombia and Panama.

And we're also using economic tools to address strategic

challenges, for example, in Afghanistan, because along with the security transition and the political transition, we are supporting an economic transition that boosts the private sector and increases regional economic integration. It's a vision of transit and trade connections we call the New Silk Road.

A related lever of power is development. And we are helping developing countries grow their economies not just through traditional assistance, but also through greater trade and investment, partnerships with the private sector, better governance, and more participation from women. We think this is an investment in our own economic future. And I love saying this, because people are always quite surprised to hear it: Seven of the 10 fastest growing economies in the world are in Africa. Other countries are doing everything they can to help their companies win contracts and invest in emerging markets. Other countries still are engaged in a very clear and relentless economic diplomacy. We should too, and increasingly, we are.

And make no mistake: There is a crucial strategic dimension to this development work as well. Weak states represent some of our most significant threats. We have an interest in strengthening them and building more capable partners that can tackle their own security problems at home and in their neighborhoods, and economics will always play a role in that.

Next, think about energy and climate change. Managing the world's energy supplies in a way that minimizes conflict and supports economic growth while protecting the future of our planet is one of the greatest challenges of our time. So we're using both high-level international diplomacy and grassroots partnerships to curb carbon emissions and other causes of climate change. We've created a new bureau at the State Department focused on energy diplomacy as well as new partnerships like the U.S.-EU Energy Council. We've worked intensively with the Iraqis to support their energy sector, because it is critical not only to their economy, their stability as well. And we've significantly intensified our efforts to resolve energy disputes from the South China Sea to the eastern Mediterranean to keep the world's energy markets stable. Now this has been helped quite significantly by the increase in our own domestic production. It's no accident that as Iranian oil has gone offline because of our sanctions, other sources have come online, so Iran cannot benefit from increased prices.

Then there's human rights and our support for democracy and the rule of law, levers of power and values we cannot afford to ignore. In the last century, the United States led the world in recognizing that universal rights exist and that governments are obligated to protect them. Now we have placed ourselves at the frontlines of today's emerging battles, like the fight to defend the human rights of the LGBT communities around the world and religious minorities wherever and whoever they are. But it's not a coincidence that virtually every country that threatens regional and global peace

is a place where human rights are in peril or the rule of law is weak. More specifically, places where women and girls are treated as second-class, marginal human beings. Just ask young Malala from Pakistan. Ask the women of northern Mali who live in fear and can no longer go to school. Ask the women of the Eastern Congo who endure rape as a weapon of war. And that is the final lever that I want to highlight briefly. Because the jury is in, the evidence is absolutely indisputable: If women and girls everywhere were treated as equal to men in rights, dignity, and opportunity, we would see political and economic progress everywhere. So this is not only a moral issue, which, of course, it is. It is an economic issue and a security issue, and it is the unfinished business of the 21st century. It therefore must be central to U.S. foreign policy. One of the first things I did as Secretary was to elevate the Office of Global Women's Issues under the first Ambassador-at-Large, Melanne Verwee. And I'm very pleased that yesterday, the President signed a memorandum making that office permanent.

In the past four years, we've made a major push at the United Nations to integrate women in peace and security-building worldwide, and we've seen successes in places like Liberia. We've urged leaders in Egypt, Tunisia, and Libya to recognize women as equal citizens with important contributions to make. We are supporting women entrepreneurs around the world who are creating jobs and driving growth. So technology, development, human rights, women. Now, I know that a lot of pundits hear that list and they say: Isn't that all a bit soft? What about the hard stuff? Well, that is a false choice. We need both, and no one should think otherwise. I will be the first to stand up and proclaim loudly and clearly that America's military might is and must remain the greatest fighting force in the history of the world. I will also make very clear, as I have done over the last years, that our diplomatic power, the ability to convene, our moral suasion is effective because the United States can back up our words with action. We will ensure freedom of navigation in all the world's seas. We will relentlessly go after al-Qaida, its affiliates, and its wannabes. We will do what is necessary to prevent Iran from obtaining a nuclear weapon. There are limits to what soft power on its own can achieve. And there are limits to what hard power on its own can achieve. That's why, from day one, I've been talking about smart power. And when you look at our approach to two regions undergoing sweeping shifts, you can see how this works in practice. First, America's expanding engagement in the Asia Pacific. Now, much attention has been focused on our military moves in the region. And certainly, adapting our force posture is a key element of our comprehensive strategy. But so is strengthening our alliances through new economic and security arrangements. We've sent Marines to Darwin, but we've also ratified the Korea Free Trade Agreement. We responded to the triple disaster in Japan through our governments, through our businesses, through our not-for-profits, and reminded the entire region

of the irreplaceable role America plays.

First and foremost, this so-called pivot has been about creative diplomacy: Like signing a little-noted treaty of amity and cooperation with ASEAN that opened the door to permanent representation and ultimately elevated a forum for engaging on high-stakes issues like the South China Sea. We've encouraged India's "Look East" policy as a way to weave another big democracy into the fabric of the Asia Pacific. We've used trade negotiations over the Trans-Pacific Partnership to find common ground with a former adversary in Vietnam. And the list goes on. Our effort has encompassed all the levers of powers and more that I've both discussed and that we have utilized.

And you can ask yourself: How could we approach an issue as thorny and dangerous as territorial disputes in the South China Sea without a deep understanding of energy politics, subtle multilateral diplomacy, smart economic statecraft, and a firm adherence to universal norms? Or think about Burma. Supporting the historic opening there took a blend of economic, diplomatic, and political tools. The country's leaders wanted the benefits of rejoining the global economy. They wanted to more fully participate in the region's multilateral institutions and to no longer be an international pariah. So we needed to engage with them on many fronts to make that happen, pressing for the release of political prisoners and additional reforms while also boosting investment and upgrading our diplomatic relations.

Then there's China. Navigating this relationship is uniquely consequential, because how we deal with one another will define so much of our common future. It is also uniquely complex, because—as I have said on many occasions, and as I have had very high-level Chinese leaders quote back to me—we are trying to write a new answer to the age-old question of what happens when an established power and a rising power meet.

To make this work, we really do have to be able to use every lever at our disposal all the time. So we expanded our high-level engagement through the Strategic & Economic Dialogue to cover both traditional strategic issues like North Korea and maritime security, and also emerging challenges like climate change, cyber security, intellectual property concerns, as well as human rights.

Now, this approach was put to the test last May when we had to keep a summit meeting of the dialogue on track while also addressing a crisis over the fate of a blind human rights dissident who had sought refuge in our American Embassy. Not so long ago, such an incident might very well have scuttled the talks. But we have through intense effort, confidence building, we have built enough breadth and resilience into the relationship to be able to defend our values and promote our interests at the same time.

We passed that test, but there will be others. The Pacific is big enough for all of us, and we will continue to welcome China's rise—if it chooses to play a constructive role in the region. For both of us, the future of this relationship de-

pends on our ability to engage across all these issues at once.

That's true as well for another complicated and important region: the Middle East and North Africa.

I've talked at length recently about our strategy in this region, including in speeches at the Center for Strategic and International Studies and the Saban Forum, and in my recent testimony before Congress. So let me just say this.

There has been progress: American soldiers have come home from Iraq. People are electing their leaders for the first time in generations, or ever, in Egypt, Tunisia, and Libya. The United States and our partners built a broad coalition to stop Qadhafi from massacring his people. And a ceasefire is holding in Gaza. All good things.

But not nearly enough.

Ongoing turmoil in Egypt and Libya point to the difficulties of unifying fractured countries and building credible democratic institutions. The impasse between Israel and the Palestinians shows little sign of easing. In Syria, the Assad regime continues to slaughter its people and incite inter-communal conflict. Iran is pursuing its nuclear ambitions and sponsoring violent extremists across the globe. And we continue to face real terrorist threats from Yemen and North Africa.

So I will not stand here and pretend that the United States has all the solutions to these problems. We do not. But we are clear about the future we seek for the region and its peoples. We want to see a region at peace with itself and the world—where people live in dignity, not dictatorships, where entrepreneurship thrives, not extremism. And there is no doubt that getting to that future will be difficult and will require every single tool in our toolkit.

Because you can't have true peace in the Middle East without addressing both the active conflicts and the underlying causes. You can't have true justice unless the rights of all citizens are respected, including women and minorities. You can't have the prosperity or opportunity that should be available unless there's a vibrant private sector and good governance. And of this I'm sure: you can't have true stability and security unless leaders start leading; unless countries start opening their economies and societies, not shutting off the internet or undermining democracy; investing in their people's creativity, not fomenting their rage; building schools, not burning them. There is no dignity in that and there is no future in it either.

Now, there is no question that everything I've discussed and all that I left off this set of remarks adds up to a very big challenge that requires America to adapt to these new realities of global power and influence in order to maintain our leadership. But this is also an enormous opportunity. The United States is uniquely positioned in this changing landscape. The things that make us who we are as a nation—our openness and innovation, our diversity, our devotion to human rights and democracy—are beautifully matched to the demands of this era and this interdependent world. So as we look to the next four years and beyond, we have

to keep pushing forward on this agenda, consolidate our engagement in the Asia Pacific without taking our eyes off the Middle East and North Africa; keep working to curb the spread of deadly weapons, especially in Iran and North Korea; effectively manage the end of our combat mission in Afghanistan without losing focus on al-Qaida and its affiliates; pursue a far-ranging economic agenda that sweeps from Asia to Latin America to Europe. And keep looking for the next Burmas. They're not yet at a position where we can all applaud, but which has begun a process of opening. Capitalize on our domestic energy renewal and intensify our efforts on climate change, and then take on emerging issues like cyber security, not just across the government but across our society.

You know why we have to do all of this? Because we are the indispensable nation. We are the force for progress, prosperity and peace. And because we have to get it right for ourselves. Leadership is not a birthright. It has to be earned by each new generation. The reservoirs of goodwill we built around the world during the 20th century will not last forever. In fact, in some places, they are already dangerously depleted. New generations of young people do not remember GIs liberating their countries or Americans saving millions of lives from hunger and disease. We need to introduce ourselves to them anew, and one of the ways we do that is by looking at and focusing on and working on those issues that matter most to their lives and futures.

So because the United States is still the only country that has the reach and resolve to rally disparate nations and peoples together to solve problems on a global scale, we cannot shirk that responsibility. Our ability to convene and connect is unparalleled, and so is our ability to act alone whenever necessary.

So when I say we are truly the indispensable nation, it's

not meant as a boast or an empty slogan. It's a recognition of our role and our responsibilities. That's why all the declinists are dead wrong. It's why the United States must and will continue to lead in this century even as we lead in new ways. And we know leadership has its costs. We know it comes with risks and can require great sacrifice. We've seen that painfully again in recent months. But leadership is also an honor, one that Chris Stevens and his colleagues in Benghazi embodied. And we must always strive to be worthy of that honor.

That sacred charge has been my north star every day that I've served as Secretary of State. And it's been an enormous privilege to lead to the men and women of the State Department and USAID, nearly 70,000 serving here in Washington and in more than 270 posts around the world. They get up and go to work every day, often in frustrating, difficult, and dangerous circumstances, because they believe, as we believe, that the United States is the most extraordinary force for peace and progress the world has ever known.

And so today, after four years in this job, traveling nearly a million miles and visiting 112 countries, my faith in our nation is even stronger, and my confidence in our future is as well. I know what it's like when that blue and white airplane emblazoned with the words "United States of America" touches down in some far-off capital and I get to feel the great honor and responsibility it is to represent the world's indispensable nation. I'm confident that my successor and his successors and all who serve in the position that I've been so privileged to hold will continue to lead in this century just as we did in the last—smartly, tirelessly, courageously—to make the world more peaceful, more safe, more prosperous, more free. And for that, I am very grateful.

Thank you.

The More Subtle Level of Discrimination

MOVING EQUALITY IN DIVERSE CITIES FROM INTENT TO EFFECT

Address by NEIL STENBÆK BLOEM, City Councilor, Copenhagen, Denmark

Delivered at the Intercultural Cities Milestone Event "Making Diversity Work for Cities," Dublin, Ireland, Feb. 7, 2013

Minister for State, Excellencies, Ladies and Gentlemen. It's great to be here in Dublin

And it is quite fitting that Dublin is hosting this conference for Intercultural Cities.

- Dublin inspires us with civil society partnerships
- Dublin ranks number 4 on the Intercultural Cities index

and Dublin shows us, how to handle both diversity, conflict and financial crisis if we are to head for a more promising future

There is no doubt about it. Diversity should be an essen-

tial part of any local policies in a global society. Because we are all interconnected.

- If there ever was a time of excluded and homogeneous tribes, it is definitely over.
- If Europe was ever only white, it is in the past.
- If ever there was a time to wholeheartedly embrace diversity, it is now.

Today, whatever injustices happen in countries far away it has repercussions in our cities as well.

What is coming our way, is not just unexpected expenses overthrowing our budgets—it is also unprecedented op-

portunities and new perspectives that have the potential to make our cities prosper.

Problem or potential? Conflict or community? Grief or growth?

How we see it, will determine how we approach it and what we make of it.

I might be the one speaking from this podium, but I speak on behalf of the city council of Copenhagen. And we are quite a few here today. And with good reason.

In Copenhagen we fully participate in Intercultural Cities and we thank you for inviting us to this Conference. Conferences like this can spur our imagination and we always leave with more intriguing ideas. We have been looking forward to this Conference.

When each of us picks up the glove and accepts the challenge of globalization, we need Intercultural Cities in our corner. Together we share experiences and set another agenda for diversity. It is much needed as there is still much prejudice and many preconceptions.

If Intercultural Cities did not exist we would have to invent it.

Not just because it makes it easier for us to change approach and claim the diversity advantage in a global world. But because it effects our citizens tremendously. It effects us all.

In the 70s a young black man was fighting against the brutal Apartheid regime in South Africa—one of the worst examples of institutionalized racism and discrimination in modern times. Their brutality knew no boundaries and to survive he had to escape to another country.

That man is my father. The country where he sought refuge was Denmark, and here he met my mother.

Denmark offered him an education; he got a place to live and a livelihood. Unfortunately, he could not find a job matching his qualification. Time went by and frustrations build—and when the regime in South Africa changed—he decided to go back.

It was a hard decision to make for him. It signaled a hard time for our family. And it was a bad investment for Denmark.

He was divided from his family, I grow up without him in my life, but it was Denmark that lost out on the investment of education, living quarters and his contribution to our society.

Unfortunately, he is not the only one. Every single time a skilled foreign worker feels forced to leave or is unemployed or is driving a cab when he has a PhD in microchemistry, it is a bad investment—both on the human and the economic level.

This is true in Denmark, it is true in South Africa and it is true all over Europe.

When we work with diversity, we are really working to get the most out of our shared potential. And we need that—especially in times of crisis.

We have come a long way, all of us. And we must not al-

low ourselves to forget our past.

Far up in the 1800s most European countries—including Denmark—were shipping and selling Africans as slaves.

In Europe scientific racism was accepted right up until the Second World War.

In the United States laws of segregation only stopped in 1965

In South Africa Apartheid stopped only 23 years ago.

And today this part-African, part-European—and fully copenhagener—has the honor of speaking to you—representatives of the most progressive cities—about the potential of diversity.

In 2010 Copenhagen changed approach and fully embraced diversity, inclusion and interculturalism.

We broadened our policies from administrative to truly city-wide to think more holistic about the quality of life for our citizens

We engaged business partners to widen our scope to reach the citizens when they are not in contact with the administration

And we moved from delivering a minimum of the same service for everybody to looking at the outcome of serving a diverse city.

Historically, we have eliminated the most visible and concrete barriers to achieving the diversity advantage.

We have anti-discrimination regulations in the workplace, in civil society and even on the soccer field.

Today discrimination is formally unacceptable—and we should be very proud of this fact. But is that enough? Could we do more? Should we do more?

We should. Because there is a more subtle level of discrimination: The discrimination without intent.

When fewer ethnic minorities vote compared to the majority—this is not discrimination with intent, but it is a problem we need to address because it is a problem for our democracy and it might be a problem of access.

When fewer ethnic minorities are able to land an apprenticeship than the majority—this is not discrimination with intent, but it limits young people's aspirations and it must be addressed if the city aims to treat all citizens equally.

When more ethnic minorities are homeless compared to the majority. This is not discrimination with intent, but it must be addressed when there is a social down side to ethnicity.

To prevent discrimination and deliver true equality to our diverse citizens, we have to go from intent to effect. We might not intent to discriminate, but if discrimination is the effect of our actions then discrimination is experienced in our city. And we can't have that.

I have a friend from Turkey who arrived in Denmark with her parents and siblings as an immigrant.

Her parents cleaned the gym floors in schools to make a living. Cleaning was hard work with late hours and it didn't at all go well with being home when the kids returned from school. So my friend was home alone taking care of her younger sister and her brother

At some point her parents felt that it was too much. They didn't want that life for themselves and for their children. So they send her and her brother back to live with her grandmother in a small village outside Ankara for two years.

It was traumatic for her to be apart from them for so long

It was hard for them to do what they thought was right

But worst of all: It was a completely unnecessary sacrifice!

You see: Denmark has free daycare after school for low income families—only they did not know that.

There was no intent to discriminate, but there might as well have been. Their lack of knowledge about city services, their lack of the Danish language, and their lack of local network

It created the effect of discrimination with consequences to this day.

That is why we have engaged in an ambitious program of equality treatment within the Copenhagen Administration. It starts with us. And how we best deliver a diverse service to our diverse citizens.

This means translating all our communication to the major languages of our minorities.

It means communicating on the web, in brochures, in animated movies and in personal communication to make our information truly available for our citizens

It means using advanced video interpretation to provide the best service for everybody

This is what we aim to do internally in the administration. But of course we can't do it alone. A city is more than the sum of its parts and it is definitely more than local politicians and the public administration.

We can do all the right things and still have little to no impact if we do not engage the larger society where our citizens spend most of their time.

This means working with business' where most are employed and it means working with civil society where most spend our free time.

We can work with business, civil society and citizens while improving our city on multiple levels.

This is not a zero-sum game!

When we work to equip companies to hire and maintain diverse employees, we are really adding value to the company, we are helping people achieve their dreams and we are able to create a city with better schools, hospitals and infrastructure

When we provide education to children in their native languages we are really recognizing the students for what they can actually do, we are increasing the number of young people rising to secondary education and we are providing better employees and access to new markets to local companies

When we celebrate diversity with events, we are really acknowledging the positive contribution of minorities, we are increasing companies' revenue by expanding their markets and we are making our cities more attractive to live in for all citizens regardless of background or status

We used this idea of combining elements to create our Co-

penhagen Host Program. The program matches newly arrived immigrants with established hosts and job mentors to deliver a better arrival in Copenhagen.

It provides knowledge about public service, local geography, infrastructure and language—as well as network that might lead to a job. Networks are crucial in today's job market and immigrant have very little of them.

The program is a huge success and has just been expanded.

This is good for the citizens getting a chance to make a difference and getting to know new people and languages

It is good for the companies as it will reduce expats leaving Denmark before ending their contracts

It is good for the city because diverse people get to meet and interact in a meaningful way.

It creates community!

Another example is Copenhagen's diversity festival 'Taste the World'. Here 82 associations and 24 restaurants all with an international twist line up in a central street for two days. There are two music stages and they deliver a festival celebrating diversity for 50.000 Copenhageners. This year we were nominated for a Danish Music Award.

It is a great contribution to making Copenhagen a good place to live for our citizens. It provides restaurants with a great opportunity to make money. It celebrates the diversity that is Copenhagen.

It brings people together!

That is what we do—we try to create community by bringing people together. And we try to do it by combining business, civil society, citizens and public administration in projects that combine our goals.

We make diversity both the destination and the road towards it—both the goal and the method to accomplish it.

We all need to acknowledge that diversity is a fact. If there ever was a white and homogeneous past, it is just that: Past.

We have all come a long way, but there is still work to be done. We need to move beyond intended discrimination to look at the discrimination effect.

That is the next step. It will not be easy but it will bring us closer to providing true equality for our citizens and to claim the diversity advantage for our cities economically, but more importantly: Humanly.

We can learn a lot from other cities within our national borders, but to truly get inspired and learn something new, we must look beyond the border posts and tie in with fellow progressive cities who has the same challenges, the same potentials and who are in the same boat.

That is why we are here today. That is what we have come to do. And that is what I have been looking forward to sharing with you.

I would like to end with a Chinese saying that embodies the spirit of this conference: "When the direction of the wind changes, some people build walls—and other people build windmills."

So to all you windmill builders: Thank you for listening and have wonderful and enriching conference.

Throughout the Current Phase of Economic Adjustment

THE STATE OF THE ECONOMY, THE ECB'S MONETARY POLICY AND OUR LONGER-TERM VISION

Address by MARIO DRAGHI, President, European Central Bank

Delivered at Congreso de los Diputados de España, Parliament, Madrid, Spain, Feb. 12, 2013

Dear President Posada,
Honourable Members of Parliament,
I would like to thank you most warmly for your kind invitation to appear before this chamber of Parliament.

As President of the European Central Bank, it is an honour to have this opportunity to discuss the big challenges facing the euro area economy and to explain the major policy actions that we are taking in response to those challenges.

After outlining what we have done, I will be very keen to hear your views—on Europe's economy, on ECB policies and on the future design of our economic and monetary union. By the end of this session, I hope that we will have reached a good mutual understanding—one that will allow us, within our respective institutional mandates, to make further progress on the twin challenges of strengthening our union and returning to sound and stable growth.

Over the past few years, we have seen how deeply the economies of the euro area countries are interconnected. It is an emphatic reminder of how economic policies in one country have significant effects on other countries.

As the democratically elected representatives of the Spanish people, you are responsible for domestic economic policy. Yet in the exercise of those duties, just like all national parliaments in the euro area, you influence the functioning of our economic and monetary union as a whole. As the President of the European Council Herman van Rompuy has said, national parliaments have become European institutions. It is important that we all recognise these mutual interests.

In my introductory remarks today, I would like to focus on three topics: the state of the economy, the ECB's monetary policy and the longer-term vision for our economic and monetary union. I will then be happy to hear your views and take your questions.

Adjustment in the euro area economy

Let me begin with the overall situation. As you know, the euro area economy is undergoing an important adjustment. This process is necessary, but it is particularly painful and protracted in those areas where past misalignments of policies created vulnerabilities. Particular difficulties stem from the large imbalances of highly indebted sectors and unsound public finances in some euro area countries.

But we are seeing the first positive results of the adjustment. For example, euro area countries have almost halved their fiscal deficits from 6.2% of GDP in 2010 to an estimated 3.3% in 2012. Excluding interest payments, the primary deficit of the

euro area as a whole is virtually zero. This contrasts with the United States and Japan, which recorded primary deficits of around 6% of GDP in 2012.

Several euro area countries are addressing their external imbalances, among them Spain, whose current account deficit fell substantially—from almost 10% in 2008 to about 1% in 2012. According to the latest data, your country's exports have increased notably—by about 20% in volume between 2009 and last year. There has been a similar increase in Portugal and, to a somewhat lesser extent, in Ireland.

Over the same period, the share of exports in GDP increased by around 10 percentage points in Spain, Ireland and Portugal. Exports are providing a strong positive contribution to real economic growth. These economies are also seeing a fall in unit labour costs, which will improve their competitiveness and provide a platform for sustainable growth.

Notwithstanding these signs of improvement, the adjustment has not yet had a visible impact on people's daily lives. Frustration in some parts of the population is thus understandable. Reform efforts take time to reveal their full beneficial effects—and they must reach a critical mass before they lead to a fundamental turnaround in economic prospects.

The top priorities on the reform agenda remain correcting misalignments and restoring the capacity of the economy to create value, incomes and jobs. Governments must persevere on the path towards sound and stable growth. National parliaments are key contributors to this process, notably in effective communication to the public of the ultimate goals.

In saying all this, I am acutely aware of the significant social costs that the adjustment entails, especially for those who have lost their jobs. I am very conscious of this human dimension of the recession, particularly the difficulties facing many of your constituents. But the reforms should not be seen in isolation: they aim to create stronger, better functioning and, yes, also fairer economies, for the benefit of all citizens.

Countries undertaking painful but necessary reforms should not feel that they have been left to fend for themselves. Creating a more stable and prosperous future for Europe is the goal that unites all euro area countries. To make progress, we need a shared sense of direction, a sense of cohesion across countries and a sense of solidarity within societies.

The shared sense of direction is expressed in laying the foundations for sustainable growth. In some countries, this implies re-orienting the main engines of growth towards productive sectors. It also implies regaining competitiveness by containing or reducing costs via a combination of accelerated productivity and wage restraint.

The sense of cohesion is expressed in the single market, the single currency and common European institutions to ensure good governance and, when needed, mutual assistance and support.

The sense of solidarity within societies should be expressed by ensuring that the burden is not borne disproportionately by certain sectors or groups of people.

The ECB's monetary policy

Let me now turn to the specific policy actions that the ECB has taken in response to the challenges to the euro area economy.

There are two key elements. The first has been to reduce our key interest rate to 0.75%, a level previously unseen in virtually all euro area countries. The interest rate in the overnight interbank market is now even lower, close to zero.

The second element has been to give banks unrestricted access to central bank funding through both our short- and long-term operations. This policy meant that banks did not have to shrink their balance sheets unnecessarily at a time when market funding became unavailable or excessively costly. It prevented a potential deflationary scenario, thus ensuring delivery on the ECB's primary objective of maintaining price stability in the euro area.

At the same time, the policy has alleviated funding constraints for banks that decide to renew or extend their loans to firms and households. This removes one obstacle to growth. Since three quarters of firms' external finance in the euro area comes from banks, we need them to be delivering a sound supply of credit to support investment and job creation.

We have provided banks with assurance that, with adequate collateral, they can draw unlimited volumes of central bank liquidity at our key interest rate. We effectively stood in for the interbank market: when that market stopped functioning, our actions allowed banks to continue lending. The overall size of our refinancing operations increased from less than €50 billion before the crisis to more than €2 trillion at its peak.

We have also provided banks with assurance that they can rely on our refinancing operations for extended periods. The maximum maturity of these operations increased from three months to three years. Without the two three-year refinancing operations launched in late 2011 and early 2012, there could have been a major credit crunch.

Through these measures, the ECB has decisively addressed the liquidity pressures faced by euro area banks. Here in Spain, for example, the liquidity support extended to the banking system currently corresponds to a quarter of the country's GDP, about eight times what it was before the crisis.

To ensure delivery on the ECB's primary objective of safeguarding price stability, it was essential to create an environment in which liquidity is not an obstacle to credit creation. But liquidity is not the only factor determining banks' capacity and willingness to lend to firms and households. There are two additional factors: banks' availability of capital; and the general

perception of risk in the economy.

Provision of capital is not among the tasks of a central bank. It is the task of shareholders to ensure that banks are solvent and able to sustain their core business. When the private sector is unable or unwilling to provide capital, it is for the fiscal authorities—governments and parliaments—to decide whether and how to act.

Here in Spain, the authorities have been proactive, even in strained conditions, embarking on an ambitious financial adjustment programme with the assistance of their European partners. The programme—which is proceeding on schedule—has removed from the balance sheets of the weakest banking institutions the troubled assets that had been a drag on their business. The programme has recapitalised these institutions with fresh funds and laid the foundations for their return to health and active lending.

The general perception of risk is the third determinant of credit. Just like any other central bank, the ECB cannot control microeconomic risk—how banks assess whether a potential borrower will fail to repay a loan.

Microeconomic risk is related to the conditions prevailing in the specific sector in which a firm operates or to the firm's cost structure and capacity to innovate and create value. It is the role of structural, sectoral and fiscal policies to facilitate the reallocation of resources to activities that have real economic value.

For its part, the ECB is actively contributing to a reduction in macroeconomic risk: by firmly stabilising inflation expectations, it provides a nominal anchor for the economy as a whole. This is important for all lending and borrowing decisions, particularly the financing of longer-term investment projects.

Our decision last summer to prepare for Outright Monetary Transactions in government bond markets can be seen in this light. OMTs are designed to focus on bonds with a remaining maturity of up to three years, aiming to keep medium-term inflation expectations stable by avoiding a highly damaging breakdown in the transmission of monetary policy.

The ECB can only consider OMTs if there are major problems in the transmission of monetary policy and if there is strict and effective conditionality attached to an appropriate European Stability Mechanism programme.

There are two reasons for this conditionality framework. First, OMTs are a backstop against destructive speculation. They are not a subsidy for government financing. OMTs should remove only the part of the interest rate at which governments borrow that is due to unfounded expectations of destructive scenarios for the euro area.

But our interventions are conceivable only if the risk of fiscal dominance is firmly excluded. This requires certainty that governments will maintain fiscal discipline and that continuous reforms will correct underlying weaknesses. Only strict and effective conditionality can generate that kind of assurance.

The second reason for conditionality is that an ESM programme is a catalyst for reform. It can change the economic prospects of a country towards a higher growth potential, complementing monetary policy in its efforts to support the

economy.

In the past few months, we have seen a gradual easing of financial conditions. Credit spreads on sovereign and corporate bonds have fallen. Equity prices have recovered. Banks have regained market access. And money has flowed back into European debt markets.

ECB policies have played a pivotal role in this improvement, as has resolute action by governments, parliaments and the private sector. All should persevere in these efforts with confidence. The ECB, for its part, will continue to safeguard price stability, as it has done over the past 13 years.

The longer-term vision

Let me turn briefly to the longer-term vision for Europe. As you know, it is widely understood that our monetary union needs to be complemented by a financial union, a fiscal union, a genuine economic union and eventually a deeper political union.

The most urgent project—financial union—is taking tangible shape. The ECB is expected to become the single supervisor for a large part of the euro area's banking sector. We stand ready to launch our internal preparations as soon as the European Parliament and the European Council reach an agreement on the legislation.

The proposal for a single resolution framework is also in the pipeline. Taken together, these two reforms will re-establish confidence in the euro area's banking sector.

It is also essential that we complete economic union by creating the conditions for each country to find its place in the

open market economy that is the euro area, and to exploit its comparative advantages to generate jobs and growth.

This is the meaning of a well-functioning economic union. And it will only happen if we restore competitiveness across the euro area, if we improve the functioning of product and labour markets, and if we invest in skills and innovation.

The idea of 'mutually agreed contracts for competitiveness and growth' or 'reform contracts' could be very helpful here by targeting policy actions in areas that are key to restoring competitiveness. We would also benefit from a thorough review of product and labour markets to ensure that they are compatible with the functioning of monetary union.

Conclusion

Let me conclude. We have begun this year with a more stable financial environment. This has been achieved through concerted reform efforts by governments and parliaments and decisive actions by European institutions.

As I said at the beginning of my remarks, all national parliaments in the euro area influence the functioning of our economic and monetary union. Spain plays a prominent role in this process.

Throughout the current phase of economic adjustment, communication between European and national policy-makers and consensus-building efforts within domestic constituencies are of critical importance. This is the best way to safeguard our future collective prosperity.

Thank you for your attention. I will now be pleased to hear your views and take your questions.

The Collective Responsibility of Banks, Regulators and Other Stakeholders to Rebuild Trust in Banking

"TRUST ARRIVES ON FOOT, BUT LEAVES IN A FERRARI"

Address by MARK CARNEY, Governor, Central Bank of Canada

Delivered as the 7th Annual Thomas d'Aquino Lecture on Leadership, Richard Ivey School of Business, University of Western Ontario, London, Ontario, Feb. 25, 2013

Six years ago, the collapse of the global financial system triggered the worst global recession since the Great Depression.

Losing savings, jobs, and houses has been devastating for many. Something else was lost—trust in major banking systems. This deepened the cost of the crisis and is restraining the pace of the recovery.

The real economy relies on the financial system. And the financial system depends on trust. Indeed, trust is imbedded in the language of finance. The word credit is derived from the Latin, *credere*, which means "to have trust in." Too few banks outside of Canada can claim credit today.

Bonds of trust between banks and their depositors, clients,

investors and regulators have been shaken by the mismanagement of banks and, on occasion, the malfeasance of their employees.

Over the past year, the questions of competence have been supplanted by questions of conduct. Several major foreign banks and their employees have been charged with criminal activity, including the manipulation of financial benchmarks, such as LIBOR, money laundering, unlawful foreclosure and the unauthorized use of client funds. These abuses have raised fundamental doubts about the core values of financial institutions.

In my remarks today, I will discuss the breakdown of trust

and what is required to rebuild it. The G-20's comprehensive financial reforms will go a long way but will not be sufficient.

Virtue cannot be regulated. Even the strongest supervision cannot guarantee good conduct. Essential will be the re-discovery of core values, and ultimately this is a question of individual responsibility. More than mastering options pricing, company valuation or accounting, living the right values will be the most important challenge for the more than one-third of Ivey students who go into finance every year.

Trust is strained at multiple levels

Between banks and their shareholders: Most major banks outside Canada are now trading well below their book value, indicating shareholder concerns about a combination of the quality of bank assets and the value of their franchises

Between banks and their debt-holders: Bank credit ratings have been downgraded, and even the revised ratings reflect continued reliance on sovereign backstops.

Between banks and their supervisors: For too many institutions, concerns over competence, conduct and, ultimately, culture have fed supervisory concerns and built the political case for structural measures, such as ring fencing, or prohibiting certain activities, such as proprietary trading.

Between supervisors in advanced economies: Fearful that support from parent banks cannot be counted upon in times of global stress, some supervisors are moving to ensure that subsidiaries in their jurisdictions are resilient on a stand-alone basis. Measures to ring fence the capital and liquidity of local entities are being proposed. Left unchecked, these trends could substantially decrease the efficiency of the global financial system. In addition, a more balkanized system that concentrates risk within national borders would reduce systemic resilience globally.

Between emerging and advanced economies: Given that the crisis originated in the advanced economies, the incentives for emerging and developing economies to ring fence their financial systems are particularly pronounced. This has been, at times, supplemented by more active management of capital inflows, further fragmenting the global system.

Finally, and most fundamentally, there has been a significant loss of trust by the general public in the financial system. There is a growing suspicion of the benefits of financial deregulation and cross-border financial liberalisation, a suspicion that could ultimately undermine support for free trade and open markets more generally.

The costs are potentially enormous

A global system that is nationally fragmented will lead to less efficient intermediation of savings and a deep misallocation of capital. It could reverse the process of global economic integration that has supported growth and widespread poverty reduction over the last two decades.

Within economies, the hesitancy of firms to invest reflects

in part low confidence that their banks will be there to provide credit through the cycle.

Reduced trust in the financial system has increased the cost and lowered the availability of capital for non-financial firms. The massive response of central banks has provided some offset but access to credit remains strained.

Consider fractional reserve banking, which allows banks to transform savings into investments, driving growth and wealth creation. At its core, such banking relies on the trust of depositors, bonds of trust that are so vital they have been reinforced by the state through deposit insurance and supervisory oversight.

In turn, the trust between financial counterparties multiplies base money created by the central bank many times, creating an aggregate credit supply that finances our modern economy.

When trust in the system is lost, this process reverses. Depositors and investors become reluctant to provide funding to banks, banks to lend to other banks, and, in some of the most affected countries, both are sceptical of the ability of governments to backstop the system.

Since the crisis, money multipliers have plummeted in the crisis economies. In the United States and European Union, the ratio of M2/M0 fell by 55 and 40 per cent, respectively, between 2006 and 2012. While some of the decline reflects the end of excess and the weakness of credit demand in a deleveraging economy, the magnitude of the decline indicates the extent to which trust has been shaken. In contrast, in Canada, where trust in the system has, if anything, increased, the ratio has risen by 22 per cent.

Rebuilding trust: The Five Cs

So what to do? A combination of institutional and individual initiatives—the “Five Cs”—is required.

The G-20's comprehensive financial reforms will go a long way to rebuild trust. The good news is that there has been progress, even if it is not yet fully reflected in market valuations or public attitudes.

Capital

Many people remember the pivotal moment when Lehman Brothers collapsed, but that was only one example of a widespread failure of banking models across the advanced economies.

That same year, major banks in the United States, the United Kingdom, Germany, France, Ireland, Switzerland, the Netherlands and Belgium either failed or were rescued by the state. Gallingly, on the eve of their collapse, every bank boasted of capital levels well in excess of the standards of the time.

So it should be no surprise when building a more resilient system, the first priority was to strengthen the bank capital regime. Through higher minimums, surcharges for systemically important banks, countercyclical buffers and tougher definitions of capital, the largest banks will have to hold at least seven

times as much capital as before the crisis.

As a backstop to the risk-based capital framework, a simple, but effective leverage ratio has been imported from Canada. It protects the system from risks we might think are low but in fact are not.

Since the end of 2007, major banks in the United States and Europe have increased their common equity capital by \$575 billion and their common equity capital ratios by 25 per cent.

Canadian banks are setting the pace. Since withstanding the financial crisis, they have become considerably stronger. Their common equity capital has increased by 77 per cent, or \$72 billion, and they already meet the new Basel III capital requirements six full years ahead of schedule.

Clarity

Greater clarity, the second 'C,' is critical to well-functioning capital markets.

In the run-up to the crisis, financial institutions became increasingly opaque. Their balance sheets were stuffed with mark-to-model assets, massive undisclosed contingent exposures, and debt classified as regulatory capital. Annual reports ran over 400 pages in some cases, leaving investors exhausted but no better informed.

In the past few years, there have been some improvements, including better accounting for off-balance-sheet securitisations, and enhanced disclosures of credit risk and the transfers of financial assets.

Encouraged by the G-20, U.S. and international accounting standard-setters have made progress toward a single set of high-quality reporting standards, particularly in the areas of revenue recognition and asset valuation.

But more is required. The two boards have not yet been able to agree on a common approach for asset impairment based on expected, rather than incurred, losses. The G-20 has now called on them to redouble their efforts.

One of the most important initiatives to improve clarity is the work of a private sector group, the Enhanced Disclosure Task Force (EDTF), which was formed at the encouragement of the Financial Stability Board (FSB).³ It has made a series of recommendations to improve annual financial reporting by banks based on seven principles. Disclosures should be clear, comprehensive, relevant, consistent, comparable, and timely. Finally, annual reports should explain how risk is actually managed.

Once adopted, enhanced disclosure will contribute to effective market discipline, better access to funding, and, importantly, improved market confidence in banks.

The Bank of Canada joins the Office of the Superintendent of Financial Institutions in encouraging major Canadian banks to implement the EDTF standards as soon as is possible.

Better disclosure of a bank's current financial condition can be usefully supplemented by regular assessments of the impact of stress on it. Stress tests can expose excessive mismatches in maturities and currencies, find evidence of undue forbearance

in lending and reveal excess or correlated asset concentrations. In the current environment, the FSB has emphasised particularly the value of stressing against sharp movements in yield curves.

Capitalism

Perhaps the most fatal blow to public trust has been the perception of a heads-I-win-tails-you-lose finance. Bankers made enormous sums in the run-up to the crisis and were often well compensated after it hit. In turn, taxpayers picked up the tab for their failures. Thus, at the heart of financial reform must be measures that restore capitalism to the capitalists.

To that end, the FSB is enhancing the role of the market. The measures to improve clarity will enhance market discipline.

The development of effective resolution tools will also help diminish the moral hazard associated with "too big to fail." The FSB has identified those banks that are systemically important at the global level and developed a range of measures that, once implemented, will help to ensure that any financial institution can be resolved without severe disruption to the financial system and without exposing the taxpayer to the risk of loss.

The knowledge that this could happen should enhance market discipline of private creditors who previously enjoyed a free ride at the expense of taxpayers.

While solid progress has been made it is not yet mission accomplished. In the coming months, jurisdictions need to articulate comprehensive plans to resolve each systemic institution. These should include effective cross-border agreements for handling a failure and, a minimum amount of bail-inable liabilities and the publication of a presumptive path for resolution.

To take stock, the FSB will report to the G-20 leaders at the St. Petersburg Summit on the extent to which "too big to fail" has been ended and, if not, what further steps are required.

Connecting with clients

Financial capitalism is not an end in itself, but a means to promote investment, innovation, growth and prosperity. Banking is fundamentally about intermediation—connecting borrowers and savers in the real economy. Yet, too many in finance saw it as the apex of economic activity.

In the run-up to the crisis, banking became more about banks connecting with other banks. Clients were replaced by counterparties, and banking was increasingly transactional rather than relational.

These attitudes developed over years as new markets and instruments were created. The initial motivation was to meet the credit and hedging needs of clients in support of their business activities. However, over time, many of these innovations morphed into ways to amplify bets on financial outcomes.

An important example of a useful, but eventually misused, innovation is securitisation, which initially provided funding

diversification for banks while spreading risk among investors with different load-bearing capacities.

However, in the run-up to the crisis, highly complex chains developed, linking low-risk money market funds with high-risk subprime mortgages via off-balance-sheet structured investment vehicles (SIVs). Banks sold mortgages into the SIVs and many of the SIVs in turn wrote credit insurance contracts, often to the very banks that sponsored them, to “insure” the bank’s proprietary credit positions.

These links with banks were simultaneously too weak and too strong. The shift of credit exposure from originating bank to the SIV eroded underwriting and monitoring standards.

In addition, the transfer of risk itself was frequently incomplete, with banks retaining large quantities of supposedly risk-free senior tranches of structured products. Moreover, the insurance provided by the SIV was only as good as the quality of the mortgages bought by the bank. These dynamics were at the heart of the Canadian non-bank asset-backed commercial paper fiasco.

Similarly, the rapid expansion of banks into over-the-counter derivatives was initially motivated by the desire to provide hedges to their clients as end-users. These transactions eventually morphed into a mountain of intra-financial system claims, largely divorced from end-users, with banks and other financial entities trading among themselves.

The magnitude of these developments was remarkable. In the final years of the boom, the scale of shadow-banking activity exploded. The value of structured investment vehicles, for example, almost tripled in the three years to 2007. Credit default swaps grew sixfold over the same period.

As intra-financial sector claims grew, banks became increasingly detached from their ultimate clients in the real economy. In most professions, people see the ‘real’ impact of their work: teachers witness the growth of their students, farmers that of their crops. When bankers become disconnected from their ultimate clients in the real economy, they have no direct view of the impact of their work. The LIBOR-setter sees only the numbers on the screen as a game to be won, ignoring the consequences of his or her actions on mortgage-holders or corporate borrowers.

Fortunately, there are some signs that global banks are returning to their roots. Complex securitisation chains have dissolved. Mechanistic reliance on credit ratings is declining. With higher capital requirements on trading activities (and the prospect of structural restrictions), traditional lending is looking more attractive. These shifts will promote diverse private sector judgments, reduce cliff effects and build resilience, and possibly over time, a measure of trust.

But there arguably has not yet been a full recognition of the need for banks to return to what Ed Clark calls “old fashioned banking—activities that help grow their country and communities.” To do this, some banks may need to reconsider their values.

Core values

The fifth ‘C’—core values—is the responsibility of the financial sector and its leaders. Their behaviour during the crisis demonstrated that many were not being guided by sound core values.

Many in the wake of the crisis looked first to how compensation affects behaviour. Indeed, an important lesson was that compensation schemes that delivered large bonuses for short-term returns encouraged individuals to take on too much long-term and tail risk. In short, the present was overvalued and the future heavily discounted.

To better align incentives with long-term interests of the firm and, more broadly, society, the FSB developed Principles and Standards for Sound Compensation Practices. Core elements include deferred variable performance payments, paying bonuses in stock rather than cash, and introducing bonus clawbacks.

Of course, no compensation package can fully align the incentives of a bank’s shareholders and its risk-takers. Even if such a package could be devised it would not internalise the impact of individual actions on systemic risks, including on trust in the banking system.

More fundamentally, to think that compensation arrangements can ensure virtue is to miss the point entirely. Integrity cannot be legislated, and it certainly cannot be bought. It must come from within.

Purely financial compensation ignores the non-pecuniary rewards to employment, such as the satisfaction received from helping a client or colleague succeed. When bankers become detached from end-users, their only reward is money, which is generally insufficient to guide socially useful behaviour.

Few regulators and virtually no bankers saw these limitations. Beliefs in efficient, self-equilibrating markets fed a reliance on market incentives that entered the realm of faith. As Michael Sandel has observed, we moved from a market economy towards a market society.

This reductionist view of the human condition is a poor foundation for ethical financial institutions needed to support long-term prosperity.

To help rebuild that foundation, bankers, like all of us, need to avoid compartmentalisation or what the former Chair of HSBC, Stephen Green, calls “the besetting sin of human beings.” When we compartmentalise, we divide our life into different realms, each with its own set of rules. Home is distinct from work; ethics from law.

In the extreme, as Ed Clark observed, “Bank leaders created cultures around a simple principle: if it’s legal and others are doing it, we should do it too if it makes money. It didn’t matter if it was the right thing to do for the customer, community or country.”

To restore trust in banks and in the broader financial system, global financial institutions need to rediscover their values. This was the conclusion of research conducted here at Western.

For companies, this responsibility begins with their boards

and senior management. They need to define clearly the purpose of their organisations and promote a culture of ethical business throughout them.

But a top-down approach is insufficient. Employees need a sense of broader purpose, grounded in strong connections to their clients and their communities. To move to a world that once again values the future, bankers need to see themselves as custodians of their institutions, improving them before passing them along to their successors.

Conclusion

It has been said that, “trust arrives on foot, but leaves in a Ferrari.” After the Ferrari screeched out of the parking lot in 2008, what steps have been taken to rebuild trust?

There has been progress. As the new Basel capital rules are implemented, and the reliance on ratings agencies diminishes, market infrastructure improves; and as banks—and, crucially, their investors—develop a better appreciation of their prospects for risk and return, business models are beginning to change.

Already, a couple of banks have fallen off the list of globally systemic banks because they have simplified, downsized and de-risked their business models. Other institutions are de-emphasizing high-profile but risky capital markets businesses that benefited employees more than shareholders and society.

Global banks have made significant progress in reforming their compensation practices so that rewards more closely match risk profiles. In addition, boards of directors and risk committees are taking more responsibility to ensure that remuneration packages and employee behaviour are aligned with updated institutional cultures.

Unfortunately, a spate of conduct scandals ranging from rigging LIBOR to money laundering has overshadowed these steady and material improvements.

This underscores that it remains the collective responsibility of banks, regulators and other stakeholders to rebuild trust in banking. Banks need to participate actively in reform, not fight it. Until recently, too few bankers acknowledged their industry's role in the fiasco. The time for remorse is far from over.

At the same time, the public sector needs to be more vocal and appreciative when the industry makes major contributions. This has been the case with the EDTF and in work on bail-in debt, a key element of ending “too big to fail.” In addition, the best global organisations are now recognising the need to address their corporate ethics. All of these efforts should be publicly encouraged and reinforced.

Ultimately, it will be down to individual bankers, including the Ivey grads who will go into finance. Which tradition will you uphold? Will your professional values be distinct from your personal ones? What will you leave those who come after you?

Communication Secrets from the Corner Office

ADVICE FOR PROFESSIONAL COMMUNICATORS, FROM A POWERFUL AMATEUR

Address by JIM GRIEVE, Assistant Deputy Minister, Ontario Ministry of Education

Delivered in acceptance of the Communicator of the Year 2013 Award from the Toronto chapter of the International Association of Business Communicators, Toronto, Ontario, March 7, 2013

I have a confession to make—I'm thinking of writing a book. And I thought I'd take advantage of the fact that I have a captive audience of communicators to get some advice. Here's my idea. It's my job to send all of the four and five year olds in Ontario to kindergarten full day, with a new play-based learning curriculum, so I thought I'd write a memoir about my own kindergarten experiences.

Here's my working title: 50 Shades of Play.

Actually, I attended kindergarten in Aylmer, Quebec, and the only English-language kindergarten was an all-girls' school in the Catholic convent. So 11 other five year old boys and I went to the convent every day. A small part of the schoolyard was designated for us boys, behind a 20-foot-high fence, while the girls had the run of the rest of the school grounds. I remember the experience vividly.

From there, with my father in the Canadian military, my family moved to a different location around the world every year, so I quickly learned the power authentic communication. I learned the importance of very quickly making connections

with my new classmates, especially those who arrived, as I did, mid-way through the year.

The early lessons of my kindergarten experience continued with me into university. I earned my tuition as a drummer and singer in a rock band, and I planned to be a dentist—like my grandfather. Then one day a friend asked me, “Do you want to spend your life staring down people's throats?” and I realized the answer was “No!” When I thought about what I did want to spend my life doing, I realized all my interests and summer work experiences had pre-destined me to work with children and educators.

Although I started my career as a junior high school teacher, the kindergarten world was never far away. My wife Sharon is a kindergarten teacher. And my children Susan and Scott both grew up to be kindergarten teachers as well. So, in 2009 when I was invited to take on the role to lead the implementation of full-day kindergarten for all four and five year olds in Ontario, along with the modernization of child care—well, clearly it's where I belong.

In my mind, it's our partners—the early learning educators and parents along with the school board and municipal senior staff and political leaders and First Nations partners—who are deserving of awards, much more than me. I see this great honour as recognition on their behalf as much as my own.

When I was thinking about my remarks to you this morning, I really sat myself down and had a brainstorming session with myself.

I really wanted to share observations and thoughts that come from my personal leadership experience with these wonderful people—not to mention all the time I spend with young children. We could be here all day if I started talking about my experiences with the amazing kindergarten children and their teachers and educators. I do want to share some things I've learned about communication along the way.

And I really had to think carefully about what I could say to you that you don't already know. Because, you look like a thoughtful, experienced, well-informed audience. From mingling earlier during the networking time, it's clear that I could learn a great deal from each of you.

So, despite appreciating the incredible honour of the "Communicator of the Year" designation, I recognize that you're professional communicators, so you clearly already know more about communications than I do. Hence the title of my remarks this morning—"communication secrets from the corner office." Or, The CEO and the Chamber of Secrets.

In my brief time with you this morning, I plan to share some thoughts from my vantage point in the corner office. In the process, I expect I might challenge what you understand to be some core communication practices and principles. I hope you'll feel free to challenge me and to ask me frank and provocative questions that you might not feel comfortable asking your own CEO.

There were many things I wanted to talk about this morning, but here are the three topics that I narrowed it down to:

- The importance of communicators being "at the table"
- Creating made-to-stick messages
- Understanding your audiences

As communicators, I know that you're always being told that you need to be at the table. To be in a strategic role, you need to have a voice at the table. Well, I'm here to tell to you—not only is it not essential to your strategic ability to be at the table. There is no table.

Well, I don't mean it quite like that. There is a table. Of course, there's a table. Some places, like government, there are lots of tables. But, as a senior leader and experienced CEO, I'm here to tell you that, if you're on a holy grail search for the seat of organizational decisions, for the most part, they're not made at the decision-making tables. Where do we decide things? In passing conversations in the hallway. Over coffee. Over dinner or lunch. Now, I want to be clear. I'm not talking about the old-boys-behind-closed-doors-deals or the "19th"-hole-of-golf-green.

But, in real life, it's all about real human relationships and we naturally develop ideas and iron out problems when we talk

to each other in many informal settings. Here are some quick examples:

- Dinner with an important partner got issues sorted out, so they will be able to positively contribute advice at the next formal 'table.'
- Regular informal small group chats with members of the staff where the only questions are: "What brings you joy?" and "What gets in your way?" Such sessions reveal the kernels of strategic initiatives designed to engage and improve.
- In my world, spending a day a week actually in the classroom with educators and children and bringing along policy staff is far more effective in strategic planning than dreaming about what might be good for the province's schools sitting behind a desk on the 24th floor of 900 Bay Street.

So, if you are at the table—if you are part of the formal decision-making structure of your organization—hallelujah. But you need to realize two things. First, that's not where decisions are made, for the most part. So, you need to understand how decisions are made in your organization, and find ways to influence the process when and where it is happening. Second, understand that simply being "at the table" doesn't make you strategic. Throughout my career, I've known communicators who managed to arrive "at the table" but who were not at all strategic in their contributions. I have also known others who were not "at the table" who are astonishingly strategic and impactful.

My point—be strategic where you are. How do you do that? Well, you can tap into the true decision-making structures of the organization. As well, find a communication champion—like me—who's "at the table" if you're not there. A strategic communicator is always positively subversive and provocative. In the blog questions, I compared communicators to teachers. In kindergarten, the ECE and teacher are provocateurs—through play-based learning, they challenge each young child to extend and expand their thinking and learning. I think that communicators need to be the provocateurs of the corporate world.

By the same goes for me. Not all my senior leader colleagues always embrace communications, and I have to be subversive—but in a good way—to push the communications agenda:

- "Great leaders stand tall, tell the truth and take the heat." Max De Pree, *Leadership Jazz*
- When you think there could be a bad news story—there will be! So get the facts out immediately.
- Never confuse a memo with reality.
- Pre-survey audiences to find their real concerns and answer them in the speech.
- The highest praise a leader can ever receive—"You really listened to me."

The second core communication practice I'd like to crack open a bit this morning is the art of crafting key messages. I'm a big fan of the book *Made to Stick*, by Chip and Dan Heath. I know you've been trained to develop key messages whenever you start a new communication plan or initiative. But I have to challenge the value of most of those key messages.

Do you ever have key messages that look like this:

“The goal of the multi-year, multi-phased 21st century teaching and learning initiative is to develop a coherent policy/strategy for 21st century teaching and learning in Ontario, including innovative use of technology to support student achievement and defining a 21st century skills framework to guide provincial and local priorities such as curriculum ongoing review and implementation and professional learning.”

Or do they look more like this: “There is a proven return on investment in early learning of 7-to-1.”

We’ve tested this second key message. Every time I speak to an audience, we do a pre and post survey. And this message sticks. I use it so much that recently I almost dropped it from a speech I was giving recently to school board trustees, because they had heard the message before, and I thought they would have message fatigue. Turns out, I was the only person with message fatigue. In the end, I left it in—as a lead-in to what I thought would be a new “made to stick” message. Through my whole speech, they were tweeting about 7-to-1—it was the sticky message.

By the way, Twitter is a great way to test what’s sticking. Monitoring what people are tweeting from your CEO’s speech, for example. I’ll certainly be interested to see what you’ve been tweeting about my remarks this morning!

So, every communication, every single time out, every speech, every letter, every memo, every web page, we need to ask ourselves—what’s the made-to-stick message?

Unless your key messages are sticky, you have no key messages. And if you have a page of key messages—or as I once saw, 13 pages of key messages—you don’t have any key messages at all!

So, now I’m going to test your ability to spot a sticky key message. Imagine you were my speechwriter and I said I wanted to put one of the following ideas into my next speech, which one would you recommend I use:

- Pearl Jam song Wish List (“I wish I was a messenger and all the news was good”)
- Animal caregivers dressed as pandas
- Children being sent through the mail
- Dirty windshield art
- Self licking ice-cream cone
- Robot day care

Actually, I’ve used them all. These have all been proven made-to-stick ideas or images that have resonated with audiences.

Finally, I know as communicators, you are all about identifying your target audiences. Are they primary or secondary, internal or external. Well, I see things differently. I certainly agree that you really need to know your audiences. But I contend that there is no such thing as external communication. There’s only internal.

Now, before I have all of you asking for a refund on the price of admission, let’s take a minute to see if I can’t convince you. That every audience who matters to you is some

degree of internal. Let’s try it out with my work. So, there are the staff in my division—I think you’ll agree they’re an internal audience. And staff in the rest of the Ministry. And the rest of government.

Okay, what about school board and child care staff? After all, my staff and I don’t directly educate or care for a single child. If teachers and ECEs are not part of our internal audience, our initiative to roll out full-day kindergarten and modernize childcare is not going very far, is it? And what about the parents? How many of you in this room are parents? Do you want to be treated like an internal or an external audience? Like a partner or an outsider?

What about the children themselves? It wouldn’t really make much sense for me to travel across the province visiting kindergarten and childcare classes from Red Lake to Renfrew and only talk to the adults, would it? Because, I can tell you I spend as much time sitting on the floor, eye to eye with the one year olds and three year olds and five year olds. A lot of the time, I’m thinking: I sure hope I can stand back up again! But I can tell you, until you’ve seen a four-year-old engaged in play in a kindergarten classroom, you haven’t lived.

So, who else should be counted as an external audience? What about “stakeholders?” We don’t call them that. We call them partners. And that’s how we think of them.

Here’s the idea I want to share with you—and it comes from many years of experience. Every audience, every person, who is important in some way to your organization or your communication initiative, is really an internal audience. It’s just a matter of degree. Like the game. Six degrees of Kevin Bacon. Except this is degrees of internal communication.

It’s a matter of having an internal communicator’s mindset. And while I’m on this topic, because I’m the diversity champion for the Ministry of Education, and because I believe so passionately, we need to have a diversity and inclusion mindset. Whenever you think about your audiences, I encourage you to think from a diversity and inclusion lens. Culture, language, race, religion, age, differing ability, gender, sexual orientation, family type—these are just a few of the inclusion lenses to put on the communication work you do every day.

So, my subversive, made-to-stick, internal, inclusive communicators, I want to thank you for this rare opportunity to spend time with you this morning. You are like Cirque du Soleil performers—you make the most astonishing feats of bravery and talent look effortless and inevitable. Over the years, I’ve learned to be a better writer, a better speaker and a better leader thanks to the communicators in my professional life. The same is completely true of the communicators in my personal life who have taught me to be a better husband, son, father and now grandfather. And if, for this year, I am able to count myself as an honorary communicator, I am humbled, honoured and well pleased. Thank you.

“I Am Because You Are”

TOWARD A SOCIETY IN WHICH THE IDEAL AND OBJECTIVE OF PUBLIC ADMINISTRATION IS TO SELFLESSLY SERVE THE PEOPLE

Address by MORGAN TSVANGIRAI, Prime Minister, Zimbabwe

Delivered in acceptance of Honorary Degree from Sun Moon University, Seoul, South Korea, Feb. 23, 2013

Prime Minister Morgan Tsvangirai's acceptance speech at the occasion of his receipt of an Honorary Doctorate from Sun Moon University, Seoul South Korea.

23rd February 2013

Ladies and Gentlemen,

The Sun Moon University does me a great honour in conferring upon me this honorary doctorate. It therefore gives me great pleasure to be the recipient of this honorary degree.

I accept this honorary degree as a great honour, not only for myself, but for the entirety of the people of Zimbabwe as well.

To be the person that I am today is not simply down to luck or individual effort but it is because of the people around me. Where I come from, we live by the basic ideal of Ubuntu or Hunhu, which essentially says, “I am because you are”. It is a basic principle which encapsulates the African spirit that one's humanity is inextricably connected to the other's humanity. It is the foundational principle of building a decent society and confirms the dignity and worth of every human being, regardless of their station in life.

Without the work and efforts of the people of Zimbabwe, I would not be standing here, awaiting receipt of this prestigious honour. This recognition is therefore their award—indeed, our award, and I am a mere agent receiving it on their behalf.

As a national leader in Zimbabwe as well as the leader of a democratic movement and the largest political party in the country, I indeed feel deeply honoured by this great recognition and reception you have given me today.

As a country, we have seen our fair share of challenges during the course of our history. For more than a decade, the beautiful name of our country became soiled and has been in the news for the wrong reasons. I must pay tribute to the people of Zimbabwe, who have been patient, resilient and persistent in their pursuit of the good cause of democratic governance.

Words cannot express enough of my personal gratitude to the people of Zimbabwe who have stood by me and the party that I lead, the Movement for Democratic Change, through years of great challenges.

We have stood steadfast by our principle to pursue our cause of democratic reform through peaceful and non-violent means.

Where others in similar circumstances might have been forced to use forceful means and violence, we have remained

true to our word, believing that peaceful means are the ultimate agents of sustainable transformation.

I mention this because I know that one of the great values of this University is peace. In preaching and spreading the gospel of peace, the Founding Father of this University and the Universal Peace Federation, Rev Dr Sun Myung Moon, left a great legacy for the world.

In Zimbabwe, we are in the final stages of writing a new Constitution, which, we hope, will shape and transform the political culture of our country. It has taken long to achieve this goal but we are pleased that we have managed to persuade even our political opponents that constitutional reform is critical to the democratisation and development of our country.

We believe, through this new covenant between the political leaders and the people of Zimbabwe, that where there was lawlessness, there will be the Rule of Law and that where there was violence, there will be peace.

We hope to move away from a culture of impunity to a culture of constitutionalism; where political leaders, institutions and governmental power are limited by law; indeed, where the fundamental rights and freedoms of the people are respected and protected.

I have read and understand that the founding ideal of Sun Moon University to be “Love for God, People and Nation”.

I understand that this ideal is the foundation for the ultimate goals of education in Korea, namely, to construct one's character, to raise the quality of the democratic citizen, to pursue a humane life, to contribute to developing a democratic country and to realise ideals of human prosperity.

I find this ideal hugely inspirational. To say, “Love God, Love Humanity and Love Your Country” is to inspire people to build a culture of service to humanity and The Almighty. I wish to carry these words back to Zimbabwe, for they carry great wisdom that will inspire us as we begin the work of rejuvenating our country after years of political, social and economic challenges.

We have already made it clear in our new Constitution, that not only the state but every person, including corporate institutions must promote national unity, peace and stability.

The state is also required to take all practical measures to protect the fundamental rights and freedoms of the people. Citizens have a duty to be loyal to the country and to observe and respect the constitution and its ideals.

For the first time in our history, in addition to civil and

political rights, the socio-economic rights are protected under the constitution. These include the rights to education, health care, shelter, safe environment, food and water. We recognise these rights because their realisation protects and enhances basic human dignity which is fundamental for the happiness of individuals and society at large.

We aspire to build a society in which the basic ideal and objective of public administration is to selflessly serve the people.

We want to raise children who appreciate the goodness of service to the public and to the nation; people who appreciate that in all their endeavours, what is fundamental is to give more to others as opposed to merely expecting more and more from others.

I believe most sincerely, that power should not be individualised but rather, that power should be institutionalised. Only when we create credible and responsible institutions can we cultivate a culture of good governance and accountability. This is why we have ensured that the new constitution articulates the principle of separation of powers and checks and balances between arms of the state and its

institutions. It also explains why we have an entire chapter dedicated to principles of public administration and leadership.

Finally, I am most humbled by the honour that has been bestowed upon me and the people of Zimbabwe. I come from a society which places high value on education and naturally, I am pleased when my own work to serve the country and its people get recognised by institutions of higher learning in countries around the world. It gives us hope that our efforts as a people are not in vain.

Such recognition says to us that the entire universe is conspiring to assist us in the realisation of our destiny. I am grateful to the people of Korea for their kindness and support shown through the conferment of this honour.

I remain greatly inspired people like Reverend Dr Sun Myung Moon, whose work and life across continents continue to impact positively on the lives of millions of others in the world. Once again, I am most humbled by the gesture that has been shown to me and to the people of Zimbabwe by the award of this prestigious honour.

Thank you.

Opening a New Era of Hope

A REPUBLIC OF KOREA THAT IS PROSPEROUS AND WHERE HAPPINESS IS FELT BY ALL KOREANS

Inaugural Address by PARK GEUN-HYE, President, South Korea
Delivered in Seoul, South Korea, Feb. 25, 2013

My fellow Koreans and seven million fellow compatriots overseas,

As I take office as the 18th-term President of the Republic of Korea, I stand before you today determined to open a new era of hope.

I am profoundly grateful to the Korean people for entrusting this historic mission to me. I also thank President Lee Myung-bak, former Presidents, dignitaries who have come from abroad to celebrate this occasion, and other distinguished guests for their presence.

As President of the Republic of Korea, I will live up to the will of the people by achieving economic rejuvenation, the happiness of the people, and the flourishing of our culture.

I will do my utmost to building a Republic of Korea that is prosperous and where happiness is felt by all Koreans.

Fellow citizens,

The Republic of Korea as we know it today has been built on the blood, toil, and sweat of the people.

We have written a new history of extraordinary achievement combining industrialization and democratization based on the unwavering “can do” spirit of our people and matching resolve.

The Korean saga that is often referred to as the “Miracle on the Han River” was written on the heels of our citizens

who worked tirelessly in the mines of Germany, in the torrid deserts of the Middle East, in factories and laboratories where the lights were never turned off, and in the freezing frontlines safeguarding our national defense.

This miracle was only possible due to the outstanding caliber of our people and their unstinting devotion to both family and country.

I pay my heartfelt tribute to all fellow Koreans who have made the Republic of Korea what it is today.

Fellow citizens,

Throughout the vortex of our turbulent contemporary history we always prevailed over countless hardships and adversities.

Today, we are confronted anew with a global economic crisis and outstanding security challenges such as North Korea’s nuclear threat.

At the same time, capitalism confronts new challenges in the aftermath of the global financial crisis.

The tasks we face today are unlike any we have confronted before. And they can only be overcome by charting a new pathway by ourselves.

Forging a new path is seldom an easy task.

But I have faith in the Korean people.

I believe in their resilience and the potential of our dy-

namic nation.

And so I pledge to embark on the making of a “Second Miracle on the Han River” premised on a new era of hope hand-in-hand with the Korean people.

I will usher in a new era of hope whereby the happiness of each citizen becomes the bedrock of our nation’s strength which in turn is shared by and benefits all Koreans.

Economic Revival

My fellow countrymen,

Today, I would like to propose a new way forward fostered on a mutually reinforcing cycle of national advancement and the happiness of our people.

The new administration will usher in a new era of hope premised on a revitalizing economy, the happiness of our people, and the blossoming of our culture.

To begin with, economic revitalization is going to be propelled by a creative economy and economic democratization.

Across the world, we are witnessing an economic paradigm shift.

A creative economy is defined by the convergence of science and technology with industry, the fusion of culture with industry, and the blossoming of creativity in the very borders that were once permeated by barriers.

It is about going beyond the rudimentary expansion of existing markets, and creating new markets and new jobs by building on the bedrock of convergence.

At the very heart of a creative economy lie science technology and the IT industry, areas that I have earmarked as key priorities.

I will raise our science and technology to world-class levels. And a creative economy will be brought to fruition by applying the results of such endeavors across the board.

The new administration’s Ministry of Future Planning and Science will be tasked to lead the emergence of a creative economy in tandem with this new paradigm.

People are the nucleus of a creative economy. We live in an age where a single individual can raise the value of an entire nation and even help in rescuing the economy.

New opportunities to serve their country will be opened to numerous talented Koreans thriving across the global village. And to those who are equally enabled at the home front, efforts will be enhanced to allow them to become convergence leaders imbued with creativity and passion as pillars of a future Korea.

In order for a creative economy to truly blossom, economic democratization must be achieved.

I believe strongly that only when a fair market is firmly in place can everyone dream of a better future and work to their fullest potential.

One of my critical economic goals is to ensure that anyone that works hard can stand on their own two feet and where, through the support of policies designed to strength-

en small and medium-sized enterprises, such businesses can prosper alongside large companies.

By rooting out various unfair practices and rectifying the misguided habits of the past which have frustrated small business owners and small and medium-sized enterprises, we will provide active support to ensure that everyone can live up to their fullest potential, regardless of where they work or what they do for a living.

It is precisely when the major players in our economy come together as one and pool their strengths that we can bring happiness to the people and enhance our nation’s competitiveness.

It is on this foundation that I will breathe new energy into our economy and realize a “Second Miracle on the Han River” that culminates in the happiness of the Korean people.

Happiness of the People

Fellow Koreans,

No matter how much the country advances, such gains would be meaningless if the lives of the people remained insecure.

A genuine era of happiness is only possible when we aren’t clouded by the uncertainties of aging and when bearing and raising children is truly considered a blessing.

No citizen should be left to fear that he or she might not be able to meet the basic requirements of life.

A new paradigm of tailored welfare will free citizens from anxieties and allow them to prosper in their own professions, maximize their potentials, and also contribute to the nation’s development.

I believe that enabling people to fulfill their dreams and opening a new era of hope begins with education.

We need to provide active support so that education brings out the best of an individual’s latent abilities and we need to establish a new system that fosters national development through the stepping stones of each individual’s capabilities.

There is a saying that someone you know is not as good as someone you like, and someone you like is not as good as someone you enjoy being with.

The day of true happiness will only come when an increasing number of people are able to enjoy what they learn, and love what they do.

The most important asset for any country is its people.

The future holds little promise when individual ability is stifled and when the only name of the game is rigid competition that smothers creativity.

Ever since childhood, I have held the conviction that harnessing the potential of every student will be the force that propels a nation forward.

Our educational system will be improved so that students can discover their talents and strengths, fulfill their precious dreams and are judged on that bases. This will enable them

to make the best use of their talent upon entering society.

There is no place for an individual's dreams, talents or hopes in a society where everything is determined by one's academic background and list of credentials.

We will transform our society from one that stresses academic credentials to one that is merit-based so that each individual's dreams and flair can bear fruit.

It goes without saying that protecting the lives and ensuring the safety of the people is a critical element of a happy nation.

The new government will focus its efforts on building a safe society where women, people with disabilities, or anyone else for that matter, can feel at ease as they carry on with their lives, no matter where they are in the country.

We will build a society where fair laws prevail rather than the heavy hand of power and where the law serves as a shield of justice for society's underprivileged.

A Flourishing Culture

Fellow Koreans!

In the 21st century, culture is power. It is an era where an individual's imagination becomes creative contents.

Across the world, the "Korean Wave" is welcomed with great affection that not only triggers happiness and joy but one that instills abiding pride in all Koreans.

This is a result of a foundation created by the convergence of both tangible and intangible heritages of five thousand years of Korea's cultural splendor as well as our spiritual ethos.

The new administration will elevate the sanctity of our spiritual ethos so that they can permeate every facet of society and in so doing, enable all of our citizens to enjoy life enriched by culture.

We will harness the innate value of culture in order to heal social conflicts and bridging cultural divides separating different regions, generations, and social strata.

We will build a nation that becomes happier through culture, where culture becomes a fabric of daily life, and a welfare system that embodies cultural values.

Creative activities across wide-ranging genres will be supported, while the contents industry which merges culture with advanced technology will be nurtured. In so doing, we will ignite the engine of a creative economy and create new jobs.

Together with the Korean people we will foster a new cultural renaissance or a culture that transcends ethnicity and languages, overcomes ideologies and customs, contributes to the peaceful development of humanity, and is connected by the ability to share happiness.

My Fellow Koreans,

Happiness can only flourish when people feel comfortable and secure. I pledge to you today that I will not tolerate any action that threatens the lives of our people and the security of our nation.

North Korea's recent nuclear test is a challenge to the sur-

vival and future of the Korean people, and there should be no mistake that the biggest victim will be none other than North Korea itself.

I urge North Korea to abandon its nuclear ambitions without delay and embark on the path to peace and shared development.

It is my sincere hope that North Korea can progress together as a responsible member of the international community instead of wasting its resources on nuclear and missile development and continuing to turn its back to the world in self-imposed isolation.

There is no doubt that we are faced today with an extremely serious security environment but neither can we afford to remain where we are.

Through a trust-building process on the Korean Peninsula I intend to lay the groundwork for an era of harmonious unification where all Koreans can lead more prosperous and freer lives and where their dreams can come true.

I will move forward step-by-step on the basis of credible deterrence to build trust between the South and the North.

Trust can be built through dialogue and by honoring promises that have already been made. It is my hope that North Korea will abide by international norms and make the right choice so that the trust-building process on the Korean Peninsula can move forward.

The era of happiness that I envision is one that simultaneously unlocks an era of happiness on the Korean Peninsula while also contributing to ushering in an era of happiness throughout the global community.

To ease tensions and conflicts and further spread peace and cooperation in Asia, I will work to strengthen trust with countries in the region including the United States, China, Japan, Russia and other Asian and Oceanic countries.

Moreover, I envision a Korea that shares more deeply the travails of others while also contributing to the resolution of key global issues.

Fellow citizens!

Today I assume my duties as the 18th-term President of the Republic of Korea. Let me assure you that I will journey with the people who have bestowed this tremendous responsibility upon me to truly open a new era of hope.

The responsibility for governing the nation falls on the shoulders of the President, and the fate of the nation is determined by the people. I ask for your strength and support as we take the Republic of Korea on a new path.

We stand on the threshold of a new era where our nation and people must walk in unison and where the nation's development and the people's happiness jointly form a virtuous cycle.

The success of our journey hinges on mutual confidence and trust between the government and the people, and their ability to move forward in partnership.

I will earn the trust of the people by ensuring that our government remains clean, transparent and competent. I will endeavor to shed popular distrust of government and

strive to elevate the capital of trust.

I humbly ask for your support, wherever you may be, not only in the service of your own individual interests, but also in answering the call of the common good.

In the needy days of our past, we shared with each other whatever we had. Even in the midst of their hardship, our ancestors had the generosity of mind to leave aside a few persimmons for the magpies during the harvest season. We are a people that had long led a life of communal sharing.

Reviving that spirit once again and building a society flowing with responsibility and consideration for others will

allow us to be confident that a new era of happiness that all of us dream of is truly within our reach.

Such a spirit will offer a new model for capitalism that is in search of a new compass and set an example for addressing the uncertain future that confronts our world.

I ask that you place your trust in me and my government, and join us along the path to a new future.

Let us all work together towards a new era of happiness and hope, so that we can all become partners in another miracle or a new chapter in the “Miracle on the Han River.”

Thank you very much.

Ethiopia Does Have a Legitimate Fear of Violent Religious Extremism

BUT THE GOVERNMENT'S RESPONSE THREATENS TO TURN THAT FEAR INTO A SELF-FULFILLING PROPHECY

Address by M. ZUHDI JASSER, Commissioner, U.S. Commission on International Religious Freedom
Delivered at the Council on Foreign Relations, Washington, D.C., Feb. 14, 2013

Thank you for that kind introduction.

I want to thank Ambassador Campbell and the Council on Foreign Relations for inviting USCIRF here to share our findings about the situation of religious freedom today in Ethiopia, particularly as it pertains to the country's Muslim population. We appreciate Ambassador Campbell giving us this platform today.

My remarks will be largely based on my visit to Addis Ababa from December 15 through the 19th of last year, as part of a USCIRF delegation.

My comments today will include a summary of our findings based on our own observations and our meetings with a number of key individuals in Ethiopia.

These individuals included the Minister of Federal Affairs; the Deputy Minister of Foreign Affairs; members of the Ethiopian Islamic Affairs Supreme Council or EIASC; the U.S. Ambassador to Ethiopia, Donald Booth; attorneys for imprisoned Muslim protestors and some protestors themselves; the Interim Patriarch of the Ethiopian Orthodox Church; the government's Human Rights Commission; and members of several nongovernmental human rights and interfaith organizations.

Speaking for USCIRF, let me say that before our trip to Ethiopia, we were deeply concerned about reports about the deterioration of freedom of religion for Muslims in that nation, especially since July 2011, when the government first sought to change the way Islam was practiced and began to punish clergy and laity alike who resisted its new policy.

Our findings confirmed not only our concerns but our level of concern about the loss of religious freedom and its negative impact—both as a human rights issue and a potential security matter for Ethiopia and for the region.

Background

Before I get into our findings, let me provide some relevant background.

When it comes to religion, about a third of Ethiopians are Muslim, and most Muslims in Ethiopia traditionally have been Sufis.

The Ethiopian government has generally respected the religious freedom of its people, including Muslims, until very recently.

In Ethiopia's constitution, Article 27 guarantees religious freedom and—to quote its words—“the independence of the state from religion.”

And in practice, Ethiopia has had a long history of religious toleration.

However, there are four critical factors that have set the stage for the recent shift away from honoring this vital human right.

First, there is the matter of geography.

Simply stated, Ethiopia is situated in an increasingly volatile region of the world. It borders Eritrea, Somalia, and both Sudan and South Sudan. In both Somalia and Sudan, violent religious extremists pose a genuine danger to Ethiopia.

Second, within its own borders, Ethiopia remains concerned about the growth of Wahhabism as a potential threat to the country's stability and security.

Third, the policies of the Ethiopian government have significantly shriveled the country's civil society.

The government has shut down independent newspapers, arresting their editors.

It has also imposed limits on foreign funding for human rights, democracy promotion, and conflict mitigation.

As result, domestic NGOs are left with a range of problematic choices.

They are either forced to work with the government, forgoing their independent status and drastically curtailing their activities, or to close up shop.

As a result, there are no independent groups operating in Ethiopia that can monitor religious freedom, undertake inter-faith cooperation, or lead in intra-faith conflict mitigation activities.

And finally, in addition to its ongoing political repression of civil society, Ethiopia's government has now chosen the way of religious repression in dealing with the threat posed by Wahhabism and related forces of religious extremism.

Overall, the policies pursued by the Ethiopian government have been a textbook example of how not to fight religious extremism.

July 2011 and Its Aftermath

In many ways, July 2011 was a pivotal point for religious freedom for Ethiopia's Muslim community.

That's when the government decided that the way to fight Wahhabism was not by increasing religious freedoms for Ethiopia's Muslim community, but rather by importing imams from Lebanon who represented al-Ahbash, an alternative movement within Islam, to forcibly train Ethiopian imams and Islamic school educators on that sect's beliefs.

For those who refused to be trained or to teach this imposed theology, the government began dismissing them from their positions and closing their mosques and schools.

This effort, which continued through the end of 2011, was conducted not only through the Ethiopian Ministry of Federal Affairs, but through EIASC, the Ethiopian Islamic Affairs Supreme Council.

As for EIASC, by the time this effort was launched, its members were being appointed by the government, instead of being elected by the Muslim community. Consequently, the Ethiopian Muslim community had no recognized and independent voice to share their concerns and objections.

By December 2011, the government's actions to impose al-Ahbash triggered protests which have been held nearly every Friday outside of mosques following prayer.

In the spring of 2012, as the protests continued and the EIASC was unable to represent the community's concerns, an Arbitration Committee of 17 Islamic scholars was created to negotiate with the government about respecting the constitution's religious freedom guarantees, ending the imposition of al-Ahbash on Ethiopian Muslims, reopening and returning schools and mosques to their original imams and administrators. The Committee also asked that new elections be held for the EIASC and that the voting take place in mosques, rather than in government community centers.

By July of 2012, negotiations with the government had failed, and protests increased in both size and frequency.

In response, the government launched a crackdown, sur-

rounded the demonstrators with police, and conducted house-to-house searches.

Between July 13 and July 21, it arrested all 17 members of the Arbitration Committee and nearly 1,000 protestors—although it did release all but 9 Committee members shortly thereafter.

The government escalated this conflict when, on October of last year, it leveled specific charges against the protestors, charging 29 of them—including the 9 Arbitration Committee members it was still holding, with terrorism and attempting to establish an Islamic state.

As of today, the government has presented no evidence to prove that any of these people are terrorists.

Moreover, the government has a history of using the Anti-Terror Proclamation under which they were charged as a tool to silence independent journalists and political opposition leaders, rather than to combat terrorism.

Our Meetings in Ethiopia

It is in this context that our meetings in Ethiopia occurred.

We met with attorneys for 28 of the 29 charged who reported that their clients were tortured and that they have had trouble meeting with those imprisoned. Our USCIRF delegation requested to meet with the 29, but the government did not grant our request.

In our meetings with government officials, they denied that the government played a role in the al-Ahbash trainings.

They insisted that their sole role was to educate participants about constitutional provisions relating to religious freedom and separation of religion and state.

They rejected our concerns that the government was forcing a particular religious belief onto a religious community, insisting that the government continues to respect individuals' rights to believe as they wish.

They also said that they don't violate religious freedom or meddle in religious affairs unless "red lines" are crossed, a term they failed to define.

The EIASC Question

They also claimed that the EIASC was solely responsible for the al-Ahbash trainings.

Yet the fact that EIASC members had been appointed by the government belies that claim, and not surprisingly, the EIASC is widely viewed as being government-controlled.

While the government did agree to allow new elections for EIASC in October 2012, protestors claimed the election was neither fair nor free and that the government vetted all candidates on the ballot.

In our meeting with EIASC, they reiterated, literally almost word for word, the government's talking points about respect for separation of religion and state and called the protestors against government interference "terrorists." Ironically, the Council used this charged language in spite of the fact that

some of its members themselves had participated in the protests.

Furthermore, EIASC members constantly referred our questions to the Council's vice president, whom our delegation later learned is close to Ethiopia's ruling party. We have also learned that the Council's president previously served in senior government postings.

Finally, and chillingly, the EIASC members said there would be no divisions within Ethiopia's Muslim community and that those with different theological views would be, and I quote, "brought into the fold."

Conclusion

So what does this all mean?

First, Ethiopia does have a legitimate fear of violent religious extremism.

Its neighbors include at least two countries, Somalia and Sudan, which remain hotbeds of such forces.

As we've said, within the nation, the growth of Wahhabism remains a challenge.

Further, there have been occasional incidents of religion-related violence.

In March 2011, for example, Muslim-led violence in the Jimma region damaged over 60 churches and homes after a reported Quran desecration.

But second, the government's response to that fear threatens to turn that fear into a self-fulfilling prophecy.

Simply put, you don't fight religious extremism with religious repression or with government meddling.

You fight it with religious freedom, opening up space for religious actors to freely and peacefully debate their beliefs.

You don't fight it by dictating, rigging, or manipulating outcomes in the marketplace of ideas.

You fight it by promoting, as much as possible, a truly free marketplace of ideas, including religious ideas.

Above all, you fight it by trusting in the common sense of your own people.

You fight it by trusting that when given the choice, most people will instinctively reject a path that invites total strangers—violent and radicalized strangers—to exert complete control over every aspect of their lives and the lives of their loved ones.

The only real chance the radicals have of winning a critical mass of people to their cause—in Ethiopia or in most areas of the world—is if governments, in the name of fighting these extremists, seriously abuse their own people's freedom.

And so our message to Ethiopia's government, and indeed, to any government facing this challenge, is to fight and win the battle for hearts and minds by choosing the pathway of freedom.

But that must mean that these governments themselves must reject tyranny of every kind.

Make no mistake:

Study after study demonstrates a correlation between freedom and stability, freedom and social harmony, freedom and prosperity.

And study after study reveals a correlation between lack of freedom and lack of these great blessings.

In Ethiopia, as elsewhere, it is our hope that, not only for the sake of human rights, but for the advancement of stability, harmony, and prosperity, governments choose to fight radicalism with freedom.

Thank you.

On Relations with Japan

IT IS INCUMBENT ON JAPAN TO HAVE A CORRECT UNDERSTANDING OF HISTORY AND TAKE ON AN ATTITUDE OF RESPONSIBILITY

Address by PARK GEUN-HYE, President, South Korea

Delivered at 94th anniversary of Korea's 1919 uprising against Japanese colonial rule, March 1, 2013

Fellow Koreans, seven million compatriots overseas and our brethren in the North, decorated patriots who fought for the nation's independence and distinguished guests,

Today, we celebrate the significant 94th March First Independence Movement Day. Had it not been for the noble sacrifices and devotion of our fallen patriotic forefathers who pushed their way along a thorny path, the Republic of Korea of today would not have been possible.

I am filled with profound respect and gratitude for our martyred ancestors and decorated patriots who dedicated themselves to the nation's independence, as well as their

families.

As the President serving in the 18th presidential term of the Republic of Korea, I will commit myself to upholding the invaluable cause of our patriotic forefathers and ushering in a new era of hope.

Fellow Koreans,

The March First Independence Movement is a proud chapter in our history. During this time, the Korean people laid their own foundation for self-reliant independence while under inhospitable colonial rule.

This prompted the establishment of the Provisional Gov-

ernment and a widespread independence movement, which contributed finally to the precious fruition of the country's liberation and the founding of the Republic of Korea.

On this day in 1919, there was no difference between rich and poor and between one region and another for the 20 million Koreans. They all came together bonded as one by passionate patriotism and the desire for independence.

The Republic of Korea has thus far overcome numerous challenges and hardships at home and abroad and achieved the legacy of the Miracle on the Han River by the coming together of all Koreans in unity. The country has also realized the dream of industrialization and democratization at the same time in the most exemplary fashion in the world.

All this accomplishment is attributable to the great people. I will join you all in making a vigorous stride toward a new era of hope by achieving the goals of economic revival, happiness for the people and cultural renaissance I have unveiled in my inauguration speech.

Fellow Koreans,

Exactly 94 years ago in the March First Declaration of Korean Independence, our ancestors emphatically called for the necessity of self-reliant independence "if we are to leave blessing and happiness intact for those who succeed us."

We have to wisely tackle challenges from inside and outside the country in order to open a new era of happiness for the people, for which our patriotic forefathers yearned so ardently.

Even though the Korean economy has achieved quantitative growth over the years, this has failed to lead to the happiness of individual citizens. I will help create new markets and decent jobs through a creative economy and ensure that the happiness of every single person will serve as the building blocks for increasing the nation's strength.

As of now, a great number of people feel anxious about their daily lives and about how they will live after retirement since there exist numerous blind spots in the current welfare system. To address this problem, my Administration will establish a tailored welfare system, thereby ensuring a basic living for all in a stable manner.

Our country's splendid cultural heritage dates back nearly five thousand years. Culture constitutes the best means through which we can share our lives and engage in interactions with people across the globe.

Through the efforts to realize a cultural renaissance, I will remain committed to promoting happiness for the people, achieving peaceful reunification on the Korean Peninsula and making the global village a happier place to live in.

I will strive to usher in an era of cultural enrichment by revitalizing the spirit and ethos of our people. In doing so, each and every citizen will be able to enjoy the flavors of culture in their everyday lives. On top of this, culture will serve as a means to bring our people together and promote our sharing with peoples around the world.

My fellow Koreans,

History is a mirror for self-reflection and a key to unlock-

ing a future of new hope.

The same is true for the history between Korea and Japan. Only when there is honest soul-searching about the past will our two nations be able to usher in a future of shared progress together.

The historic dynamic of one party being a perpetrator and the other party a victim will remain unchanged even after a thousand years have passed.

It is incumbent on Japan to have a correct understanding of history and take on an attitude of responsibility in order to partner with us in playing a leading role in East Asia in the 21st century.

Only then will we be able to build rock-solid trust between our two nations, which will in turn enable reconciliation and collaboration in a genuine sense.

We must not place the heavy burden of the past on the future generations of our two nations. It is high time for the political leaders of this generation to demonstrate their determination and courage.

In order for our two nations to heal the wounds of the past as soon as possible and march together toward a future of shared progress, it is necessary for the Japanese Government to change unreservedly and behave in a responsible manner.

My fellow Koreans,

The noble spirit of coexistence and coprosperity of the Korean people is the legacy bequeathed to us by our forefathers who fought hard under the banner of independence of our country through the March First Independence Movement.

Over the years, the Republic of Korea has made steady efforts for peace and reconciliation on the Peninsula. Such efforts have continued despite repeated military provocations by the North, including that which triggered the Korean War.

My aim is to build trust on the Korean Peninsula rooted in robust national security measures for the purpose of laying the foundation for peaceful unification.

To achieve this end, it is critical that North Korea makes the right choices. North Korea must realize that nothing will be gained from nuclear development or provocations save for greater isolation and hardship.

When North Korea abandons its nuclear ambitions and ceases its provocations, it will be able to become a responsible member of the international community. Only then will the path toward shared development by South and North be opened to us and only then will the trust-building process on the Korean Peninsula begin in earnest.

While provocations by the North will be met by stronger counter-responses, the North's willingness to make the right choice and walk the path of change will be answered with more flexible engagement.

It is my hope that North Korea will uphold its agreements with South Korea as well as with the international community and walk the path of trust and mutual acknowledgment.

I urge the North to hasten efforts to normalize inter-Korean relations and open an era of happiness on the Korean Peninsula together with us.

Fellow citizens,

The Republic of Korea was forged with the blood and sweat of our forebears. Living up to their great cause, we must by all means carry this nation to its place among the foremost in the world.

I will commit myself fully to leading this nation to overcome without wavering the challenges and crises that threaten from within and without. I will devote my all to the work

of securing greater happiness for the people, for the Korean Peninsula and for the global community.

My hope is that the Korean people will also reflect on the spirit of this nation's patriots, setting aside small differences to partake in a broader movement of sharing and putting the needs of others first. With your help, the currents of conflict and division will give way to a great tide of mutual prosperity and unity.

Let us join forces to open a new era of hope and happiness for all the people.

Thank you very much.