

Consequences of the War on Terror

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Shuster: Let's start with the early days, Mr. Soros, and we'll chat a little bit about some of those days and your early life in England which you describe in your writings as being lonely, forlorn, and that you were never so unhappy as you were in those early days in England and now black Wednesday has a motive. How does one go from an immigrant to a financier? How did that happen? When did you realize you knew how to make money?

Soros: Well, I had a variety of jobs and I ended up selling fancy goods on the sea side, souvenir shops, and I thought, that's really not what I was cut out to do. So, I wrote to every managing director in every merchant bank in London, got just one or two replies, and eventually that's how I got a job in a merchant bank.

Shuster: But then didn't you realize that this was going to be great life and very lucrative?

Soros: Well, I wasn't really that interested in money actually. I wanted to make \$100,000 and then retire on that and devote my time to other things that I'm interested in. That's what brought me to America. I wanted to do this in five years, and actually after I accomplished that, then I got sucked into making money. One thing led to another and I got caught in it and then when I'd made my funds into \$100 million and my personal wealth was about \$30 million, I thought, why should I keep on making money? Then I reflected long and decided to set up a foundation devoted to promoting open societies because from experience—the Nazi regime and the beginning of the Communist regime—I realized how important what kind of regime prevails, and I really cared about an open society and that's when I set out my foundation. And that actually was very rewarding because it gave me a motivation to keep on making money.

Shuster: I want to get to that – the Open Society Institute Foundation. Your son once explained that you made money because you bought stock when you were feeling good and sold it when your back hurt.

Soros: No, no. Actually, the philosophy I'd developed actually helped me both in making money and in spending it and guiding me how to spend it. But obviously there's another element to it, sort of an instinct, and I did actually feel it in my back when things were wrong. I didn't know what was wrong but something was wrong because my back was bothering me. So that gave me an incentive to find out what's wrong.

Shuster: Well, then came your Foundation and the Open Society Institute and it's been operating worldwide. You probably did more, for example, to build Eastern European democracies after the fall of communism than just about anyone else. You've donated millions to civic and educational institutions. The other day I checked with one of our foreign correspondents who has traveled the world and seen a lot of things in his life, a lot of experiments, a lot of foundations, and I asked him about the Open Society Institution and what his personal experience has been with Open Society in some of the countries he was at. He expected the programs would somehow be designed to feather the Soros nest or at least extend its influence, but he said he'd changed his mind when he dug into just what you were doing, the attempts, according to him, to stem the rising tide of heroin use, the spread of AIDS in some places and encouraging a variety of reforms elsewhere. We all know you believe in reforms. Could you talk a bit more about the Open Society Institute, how is it changing and evolving, what have been some of its successes and what have been some of its failures?

Soros: Well, this is a learning experience starting in 1978. My first effort was actually in South Africa, and that was not successful. The idea was that South Africa is a closed society along racial lines, but it basically has all the institutions of a first world country. If one could empower black Africans to get education that would perhaps open up South Africa. That didn't quite work. I wish I'd kept it going but after a while I gave it up.

Then I got involved in Eastern Europe and there in Hungary we basically supported the idea that the communist dogma is false and if you provide an alternative then people can see the falsehood of the party's apparatus. And so we supported all kinds of unofficial alternatives. We became the supporters of civil society – anything that was not ordered from the top down, and that was extremely successful. So, with a \$10 million budget we had a tremendous impact. It was like a charm, because we didn't have to control where the money went because people sort of regarded it as their obligation to deliver. So it was a very unusual foundation—no controls, but it worked.

So, that actually got me sucked in and then I tried it in other countries, in Poland, in China, where we failed, and then as the Soviet system collapsed, we moved in to one country after another so that in a period of three years my spending went from \$3 million a year to \$300 million and we really did at that time, by supporting the people there who believed in the idea of an open democratic society, give them the means to get things done. So the foundation at that time really was a tremendous contribution.

Shuster: Tell us about the China experiment and why it failed and how difficult it was.

Soros: It was a false idea because the Chinese mentality is what I call a kind of feudalism of the mind, is that people have allegiances and we came in and we wanted to introduce giving grants on merit. That was the main idea and it was never accepted so the foundation was ill-conceived. In the other countries we built on the people in the country and were guided by what they thought was necessary and in China we came with this strange outside foreign idea and so it didn't work. We started out in 1986 and then, just before Tiananmen Square, I was told by one of the people I trusted that the foundation was actually being run by the political police and so I shut it down. So that was a failure.

Shuster: Where is the main focus of the Open Society today?

Soros: We are basically supporting the development of open societies in individual countries and what I call a global open society—international law, international institutions, strengthening the world order. So those are the two aspects.

Shuster: What countries are you focusing on?

Soros: The former Soviet Union is now declining and Africa has come up because that's very much in need, and Southeast Asia and increasingly the United States. I never thought you'd need an open society foundation here.

Shuster: That brings us to the next category we want to touch on. We'll come back again to foreign policy, foreign affairs. For years you did focus on foreign affairs primarily and you touched on this in your book, *The Age of Fallibility*, but you've moved more and more into domestic affairs and invested quite a bit of money in some of the liberal antitrust groups, but you said you had been uncomfortable over the years in getting involved in partisan politics in the United States.

Soros: I felt obliged.

Shuster: You felt obliged. And then you had George W. Bush and decided it was time to invest some money in American politics to try to defeat him. Now, what are you going to do in 2008? We've got a situation obviously which may call for some appeals for funds from various candidates and organizations, but I was just wondering how much of a problem that's going to be for you given this comment of yours. You said, "We cannot count on the Democrats because they're afraid of being depicted as weak on defense. They will not be able to climb out of the box into which the Bush administration has put them without confronting the war on terror." You said some nice things about John McCain; I'm wondering about what Democrats you'd like to say some nice things about and what do you think the Democrats have to do to get out of that box.

Soros: Well, first of all 2006 comes before 2008, and one of houses should be in the opposition camp so to speak, but basically I think where America has been misled is with the war on terror. Everybody now, most people, realize that something has gone woefully wrong in Iraq, but the war on terror is still accepted as the frame that shapes our policies. It's the central focus of our mission in the world to wage war on terror, and that actually is a false and misleading metaphor. Obviously, we have to defend ourselves against terrorist attacks and therefore what is more natural than waging war? But waging war is the wrong way to deal with terrorism. That is actually an important point in the book. What I try to question is a generally universally-accepted metaphor. The Democrats have bought into it as well as the Republicans and until we realize that this is misleading and is getting us deeper and deeper into a hole it's very difficult to correct. Actually, you can't really expect politicians to point this out because politicians basically need to be elected. So, it's really public opinion that needs to be reshaped. When people began to question the war on terror, then I think politicians will be in the better position to do so as well.

Shuster: Coming back to the Democrats, what are the Democrats saying that deal with this particular issue?

Soros: I really don't think that it's a party political issue. Right now four Republican senators are doing more than anybody else in questioning one aspect of the war on terror, namely the interrogation techniques. That's a very important aspect because what's wrong with waging

war is that war by its very nature creates innocent victims, and innocent victims create rage and resentments which feed into the terrorists' cause. When you use torture and when you use humiliation against people, for them, actually more so, they have to be released because they are innocent. That feeds right into the insurrection that has taken over in Iraq. I talked with an intelligence officer from one of the provinces who said that basically the insurgents were trained in our custody because of the way we treated them. So, correcting that is a very important thing and I'm very hopeful that this actually is going to happen.

Shuster: Do you anticipate a fairly active investment in the 2008 election?

Soros: Actually no. I made some commitments in 2006 and I may in 2008, but I am more interested in policies than I'm interested in politics. I think it's very important to have an alternative to the present administration so I felt in 2004 that nothing could further the causes that I stand for better than getting President Bush out of the White House. I felt practically everything that I stand for would be furthered and we and the world would be a much better place and I think that the events since 2004 have actually borne this out. So that was a special situation.

Shuster: So, in terms of American politics you're not as active as you were

Soros: No. You know in other countries and we actually did, I think, what might be considered a political stance when there was a united democratic front opposing a communist, or reactionary, or a non-democratic regime, we felt that working towards fair elections, educating the public and so on is a legitimate thing for the foundation to do. But once you have a democracy to interfere with which democratic party wins elections, that would be undue interference and in a way I feel the same way in America. I felt that with the war on terror and the ideology that it represented our open society has been endangered and America's role and influence in the world has been undermined, and so that's why I took a stance.

But if you have a more normal situation and if the Republican Party could be recaptured from the extremists or radicals who have gained control over it, then I think, whether it's the Republicans or Democrats, I may have a personal preference but I won't go out of my way to try to change the outcome.

Shuster: Let's move to another part of the world. Let's chat for a moment about the Middle East. It's been in the news and remains in the news—and not just Iraq. You say for example that you haven't been involved very much in the affairs of Israel over the years and have not really said a lot about the situation there, but you did have some critical remarks about the Israeli government and its failure to work with Hamas once it was elected. You've also said that Israel seems to be more in danger today than before the Oslo Accords. Anyway, the question is whether you can assess that situation, and what your feelings are today about Israel, the Middle East and the trends.

Soros: Quite recently I wrote an Op-Ed piece in the *Boston Globe* where I for the first time expressed my views on Israel. Being Jewish myself I felt that if I wanted to interfere in Israel's policies that I was to live in Israel, and then I'm sure I would have been supporting Rabin and peace efforts. I did lecture in support of that and contributed to the Geneva Initiative and so on, but I didn't speak about it publicly. I used my analysis of what's wrong with the war on terror and I applied it to the recent events in Israel. So, I would have to first tell you briefly what I think is wrong. I wrote another Op-Ed piece in the *Wall Street Journal* that preceded the one in the *Boston Globe* where I explained what I think is wrong with the war on terror and I said four things: One, that it creates innocent victims and that it creates more terrorists. Secondly it is an

abstraction that finds expression through terrorist activities in one basket. But in reality those various movements are very different. Al Qaeda is one thing: Hamas and Hezbollah are quite different, and the Sunni insurrection in Iraq, again very different, and they need different approaches. By using this metaphor “war on terror” you put them all in one basket and you can’t deal with them the way you need to.

Thirdly it emphasizes its military means. Now, sometimes it’s appropriate. You know, Afghanistan, that’s where bin Laden had his address; that’s where the training camps were. So it was the right thing to do, it was very successful and if we had stuck to that there would be no place today for bin Laden to hide if he had engaged in nation-building. At the time that was considered bad. So that’s the third thing.

The fourth thing that drives a wedge between us and them is we are the victims, they are the perpetrators and it doesn’t allow for the fact that our actions have an effect on their actions. Victims can become perpetrators and that is, in fact, what has happened. We have become perpetrators. Creating innocent victims, and particularly humiliation and occupation, have led to us being perceived in the same way as we perceive the terrorists. Now this we cannot understand because we are decent people, so how can we be looked at like that. But if you are on the receiving end on the war on terror, that is how we are perceived and so those are the four reasons why the war on terror is counter-productive.

Now, I apply that also to Israel. Israel was attacked by Hezbollah and Hezbollah presented a real, unacceptable, security threat to Israel. So Israel was fully justified and needed to take action against Hezbollah because having missiles on your border is really not acceptable, especially when those missiles are put to use. However, when you wage war on terror, and Hezbollah can be considered a terrorist organization, you must go out of your way to avoid creating innocent victims, and Israel forgot to pay sufficient attention to that. It needed to attack Hezbollah, but Israel needed Lebanon, it needs Lebanon, in order to rein in Hezbollah. So, undermining Lebanon which now has a democratic regime is again attacking the wrong enemy.

Israel needed to explore sufficient non-military options. President Clinton nearly knocked himself out trying to bring a political settlement. He came very close with Rabin, so close that Rabin actually had to be killed by an extremist to stop the peace from taking hold. But since President Bush came into power and swore unconditional support to Sharon, Sharon and the Bush administration did not explore further political options. When Israel withdrew from Gaza, Jim Wolfensohn, the former head of the World Bank, was appointed by the contact group of the four powers to work out a plan. He worked out a six-point plan opening communications between Gaza and the West Bank, an airport, a seaport, opening to Egypt, transferring the agriculture, the hothouses, to Arab hands and such. Six points, and not one of those six points was executed, and from what he told me and it was really Elliott Abrams who went out of his way to sabotage that agreement from the moment that it was signed. That, I think, was a big mistake because Hamas has two branches – it has the political branch which was elected and has a responsibility to the people who elected them, and then there is the military branch which is run out of Damascus and is supported by and owes allegiance to Iran and Syria. Now, actually the thing to do is to drive a wedge between those two forces. There was a political agreement between Fatah and Hamas to form a unity government and that would have sort of begun to normalize things. It was then that the agreement was made that in 48 hours the military branch kidnapped the Israeli soldier and provoked a massive retaliation and sank the political action and actually now it’s being revived.

So, it shows that what would have been, and still is, a worthwhile objective to follow. So, while Israel needs and gives us full American backing and support, uncritical support for Israel's policies is not in our interests and not in Israel's interests and not in the interests of peace.

Shuster: I'm going to ask you one more question. :

There are a lot of these foundations in the world today—thank goodness—yours, Gates, Buffett, everybody is interested in foundation business, which is wonderful for the recipients, I'm just wondering how much coordination there is between these foundations. Do you ever get together and say, "What are you doing next?"

Soros: Yes. Very often we form syndicates and join each other in projects, and I think it's a very good thing. It saves voluntary cooperation. I think what prompted your question is the fact that Warren Buffett, a great investor, gave his money to the Gates Foundation, and I think it's a very far-sighted and unusually modest act on his part which will help a lot. The Gates Foundation is really a force in public health. You could say that that is monopolistic— isn't that too much money in one hand? But when you realize that basically the Gates Foundation is playing in the arena with governments then I think that having a foundation that has a sense of mission is very helpful to keep governments devoted to that mission because governments tend to be easily distracted by other political and other considerations. So, giving the Gates Foundation more power doesn't create a monopoly because Gates is playing against, so to speak, the governments.

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