



Time to Grow Up, or the Case for Anarchy

The absence of world order
as a way to promote responsible
behaviour by states

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- In order to survive, humanity should meet the fundamentally new requirements of the new age that demands a new ethic of responsible behaviour.
- Anarchy is a more natural state of the international relations, while the relative order of the 20th century resulted from a specific set of circumstances, which is not the case anymore. For now, it is the 'security mechanism' for states that comes at the forefront of the discussion, rather than the 'restoring governability' of the system.
- Whatever is the structure of the international system, even if there is no structure at all, states will still be struggling for survival. Hence, it is necessary to work out a system of adequate reactions to the behaviour and values of the others.
- The idea of relative sovereignty, which was the product of the 'liberal order' at the time of its dominance, has turned into the notion of primacy of force, which is a fairly logical outcome.
- We admit the impossibility of creating global rule based on the might of a great power or a group of powers, and rely on the instinct of self-preservation of states.
- The world order is being replaced with democracy of independent states, which sets new rules for responsible behaviour.
- The new world is much more democratic than the preceding one, and much more exacting to decision-makers. However, this is why it opens up great opportunities for furthering humanity's maturation as a community of independent states.

Introduction

Released in the run-up to the Valdai Discussion Club's major autumn session in Sochi, our annual reports are usually inspired by major anniversaries in international politics, such as the centenary of the First World War, 500 years since the beginning of the Reformation or 400 years since the start of the Thirty Years' War. It is through history that we can better understand the present. A retrospective view reaching far back into the depths of history helps us to separate the developments that actually matter from those that don't, to identify the fundamental shifts and the ones that will soon be forgotten. History never repeats itself exactly, but the fact that some processes and developments keep reappearing in new iterations has to be taken into consideration when trying to get a glimpse of the future. The reverse is also true, proving that this knowledge is not of much use when trying to decipher the future in a period of radical change. We decided to remain true to this tradition in this year's report.

The foundations of the so-called Versailles-Washington system of international relations were laid 100 years ago, in the summer of 1919. It created one of the most unfair world orders, which was driven by the desire of the victorious nations to take maximum revenge over the defeated enemy. It was at the same time that the Covenant of the League of Nations was signed in the first deliberate attempt to establish a system of global governance. The very concept of the League of Nations was based on the proposals articulated by US President Woodrow Wilson, who is regarded as the founding father of the doctrine that came to be known as the liberal world order. (There is some irony in the fact that the United States did not join the League of Nations, although the US President inspired its creation). Both the principles that underpinned the Versailles-Washington system and the League of Nations failed, but this bitter experience helped bring about a more resilient framework in the aftermath of the Second World War. It proved so durable that, at times, it seemed to be a natural form of human communication. Whether this idea was consistent with reality is another question.

In last year's Valdai Club report, titled *Living in a Crumbling World*, we came to the conclusion that

The world has now passed a critical juncture with regard to the formation of an effectively functioning international order based on global governance. The world ... has slipped into a clear and undeniable trend of unilateral decision-making. And, although this process is essentially unmanageable, we must strive to understand its consequences. This is especially important for the institutions and the practice of

multilateral interaction – that is, for international organizations, the United Nations foremost among them. The UN is at once the product, symbol, and bastion of the system that emerged ... in response to nearly three decades of global geopolitical turmoil.

In that report, we went on to express doubt that states ‘will manage to construct a viable new governance framework in a diverse and interconnected world as long as they pursue narrow self-interest at the expense of the common good.’ The report called for studying

How the categories of international relations ... will change. Such concepts as power, morality, and justice have structured relations between social organizations and states – the highest form of human organization ... These three basic categories will doubtless take their rightful place in that future world – the outline of which remains inscrutable in the wake of humanity’s failure to construct a new order.

What has happened over the past year?

Are We Moving Towards Greater Order? Far from It

In 2019, the future of the principles of the liberal world order was at the centre of such a lively public debate that it drew in the leaders of the world’s most influential powers, not to mention a plethora of intellectuals. Opinions on the subject vary widely, from pronouncements of the imminent demise of liberalism to assertions that the world will return to a rule-based liberal order once it overcomes the current turmoil. In any case, there seems to be a consensus that the establishment of a new world order will follow the current period of chaotic transformation.

This is not a given, however. The second half of the 20th century and the early 21st century can hardly be regarded as a model for the future. Rather, this period will go down in the history of international relations as that of anomalous orderliness. What makes it unique is that this global system functioned by virtue of the good will of its participants. The horrendous lessons of the first half of the 20th century

The systems and orders underlying modern politics and economics are eroding steadily

persuaded everyone of the need to work together, prompting them to make a rational choice in favour of cooperation, primarily in crisis management. This gave rise to international institutions and relative order reigned for several decades. The unprecedented balance of power was instrumental in this regard. Locked in a Cold War against each other and their neighbours, the nuclear superpowers resolved to institutionalize this status quo.

The UN Security Council became the cornerstone of this institutional architecture. Its creators succeeded in the almost impossible feat of conceiving and implementing a framework for preventing war among the major powers by giving them the power of veto in the UN Security Council. This contradicted the formal principle of equality among nations that was guaranteed in the Westphalian system. This set the 'Big Five' permanent members of the UN Security Council – who held that 'privilege in the name of the peace' – apart from all other countries. The council itself evolved into a global governance body. This is what made the international landscape in the second half of the 20th century so revolutionary compared to that of the 19th century.

Owing to their own good behaviour, most actors were quite comfortable with the orderly nature of this period of 'international governance' – that they viewed as both natural and irreversible. In fact, most of the intellectual effort of recent years has been focused on finding ways of 'restoring governability'. Some researchers and practitioners tried to identify those problems – among the many humanity faces – that had the potential to bring countries together and provide a foundation for common institutions. We will refer to governability of this type (according to Rousseau and Locke) as an association of equals. At the same time, others have been calling for a world dominated by a strict empire (according to Hobbes or Chinese Legalism) or other options (à la Confucius) whereby the world would be governed from a single centre of wisdom. The latter would require recognizing the leadership of a single country or group (concert) of states.

If humankind's historical experience is any guide, it can be argued that anarchy is a more natural state in international relations and that the relative calm of the 20th century resulted from a specific alignment of circumstances. This was an inherently unjust order in that it reflected the realities of the Cold War, but it achieved the best form of global governance yet devised.

What made the international institutions that came into being after the Second World War unique was that they not only offered a significant share of international actors relative ease, but also enabled powers with a military and political edge to pursue their interests by exploiting the resources provided by these institutions rather than by applying pressure directly through force.

The systems and orders underlying modern politics and economics that had been developed since the mid-17th century are eroding steadily. The widespread bewilderment is not the result of the breakdown of the institutions and rules to which we had become so deeply accustomed since the mid-20th century, but of the fact that the very foundation of international relations is being called into question.

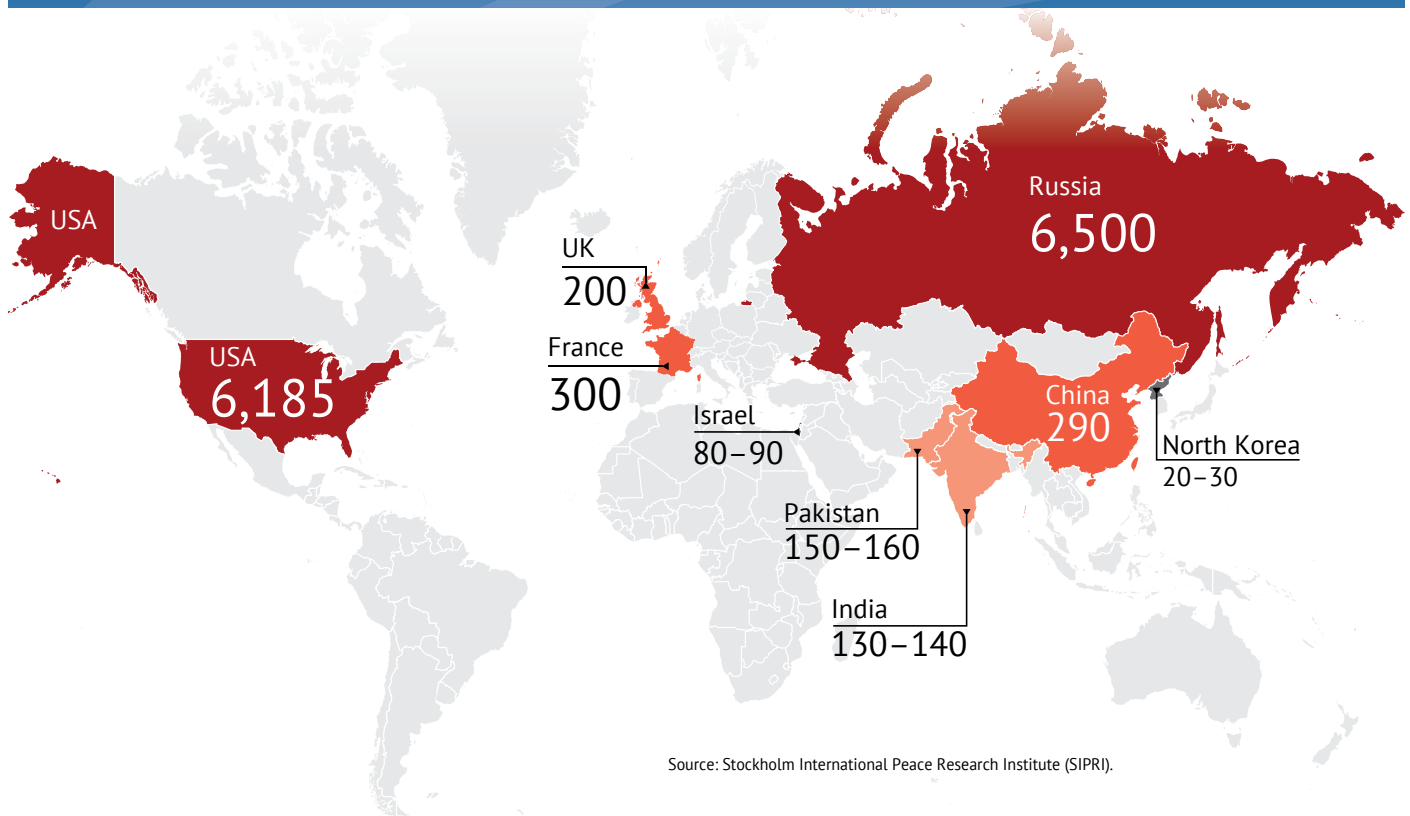
For example, although today – unlike the 1990s – nobody debates the limits of state sovereignty, the concept has ceased to restrain states' actions. The principle of non-interference in domestic affairs has become just so many words rather than a standard of behaviour. The principle of sovereign equality is increasingly becoming a formal and theoretical construct. Against this backdrop, why shouldn't states seek a military advantage or reject all possible constraints?

Of course, it was not uncommon for rules to be broken in the past. However, the rules remained in place as categorical imperatives, and those who violated them were aware of it and viewed their actions as something extraordinary and unavoidable. Today, violations are committed whenever the need arises. As the liberal world order grew dominant, its champions promoted the idea of relative sovereignty. However, it has now turned into the notion of primacy of force. This is a logical outcome. The 'hardware', i.e., nuclear deterrence, has changed little although it will also come under question soon. The proliferation of nuclear weapons and the means for their delivery cannot be reversed.

In order to survive, humanity must meet the fundamentally new requirements of this new age. Cognizant of the inevitable consequences of its actions, it must develop a new ethic of responsible behaviour. Today, any proposals to improve governability or mitigate risks are relative at best. What we used to treat as a manifestation of 'strategic frivolity' – the readiness to take serious but uncalculated risks for the sake of short-term results – could now become commonplace in national politics.

The 'hardware', i.e., nuclear deterrence, has changed little although it will also come under question soon

GLOBAL NUCLEAR WEAPON STOCKPILES, 2018



Humankind has already gone through a similar period, and it ended with the Great War of 1914–1918, which led to a continuation of the global tragedy, the war of 1939–1945. Today, there are nuclear weapons that, if used to their full potential, can literally annihilate the human race. This possibility acts as a deterrent, restraining the mutual aggression of nuclear powers. However, these countries are pressed to redraw their spheres of technological and economic influence by the somewhat illusory feeling of military security, on the one hand, and the escalation of competition at all levels, on the other hand. This causes international processes to accelerate. This uncontrollable competition raises the stakes. While an all-out war is practically impossible, a number of undeclared economic, technological and information wars are already underway. In fact, there has never been an end to covert war – secret operations and provocations designed to rattle the opponent and polish the image of the perpetrator.

What makes today's conflicts different is that they begin and end without public announcement. These are essentially raids carried out by coalitions of countries or states acting individually and at their own risk. It also

happens that national governments are unaware of incursions and attacks carried out by influential groups or even powerful individuals. Determining who is behind such attacks is often the cause of heated conflict in international relations.

The balance of power in all its various forms remains pivotal

No matter how the environment is structured – and there is even the possibility that existing structures will break down – states still face the question of survival. What is needed is a system of adequate responses to others' actions, interests and values. This, however, would be impossible without an understanding of the factors governments rely on when deciding what they can and cannot do. The balance of power in all its various forms remains pivotal for this understanding, especially because the new environment resulting from a mix of diverse factors will lack features that states once used to predict how the situation would unfold and what other actors might do.

The new ethics of state responsibility might well be based on the understanding that there are no clear rules of behaviour, and the ability to show resolve in standing up for one's interests and values is critical for mutual deterrence. Communication between nations and civilizations is becoming increasingly important as a way to convey signals delineating the boundaries of reciprocal action (like a rattlesnake's rattle).

Lost in Translation in the Age of Value Pluralism

The ability to understand each other is vitally important for communication in the modern world. The fragmentation of the world is eroding the common semantic field of politics. The old and new power centres are divided not only by geopolitical differences or trade wars. The new power centres are developing values and understandings of their own that they ask other countries to adopt or at least respect as their particular vision of the world.

The Cold War of the 20th century was largely a confrontation between two different systems of values and ideologies. Its conclusion was

crowned with the ostensible deideologization of the world. The next step was to declare universal values. That effort, as we see now, was a failure.

Hypothetically, universal values could lead to global stability, but only when they are used not as an instrument for implementing Western geopolitical strategies but as a reality accepted by many or an ideal for which to strive. In this case, they really would reduce the risk of foreign policy and military conflicts due to the ideological affinity of potential opponents. Second, they would promote the unification of a divided world, keep in check the inherently anarchic nature of international relations, and facilitate the creation of a truly effective system of global governance. Third, they would bind together global society and help it gradually transform into a unified social system. Fourth, shared values would create conditions for solving such common problems as the environment, poverty and others, and for developing a sustainable approach to the management of the global commons. In other words, if the idea of universal values could be implemented as officially declared, it would unquestionably mark the culmination of the international system's gradual, centuries-long development towards reasonable governance.

This 'global translation' between rival systems of values is the key element of the 'security mechanism' of a fragmented world

However, there is a difference between declared goals and real intentions and actions. The methods by which these universal values have been 'applied' have caused a number of countries to become concerned for their historical, ethnic, cultural and religious traditions, and to fear encroachment on their state sovereignty. Therefore, the development of alternative solutions in the late 1990s and the early 2000s began with the erection of barriers against external values for the protection of sovereignty. Many countries saw the 'projection of democracy' as the same old geopolitical expansion by the West – especially because there came a point when it was backed up by the West's clearly superior military force.

Accepting a diversity of values in the world does not necessarily mean a return to a Cold War-type ideological confrontation. A particular system of values does not usually coalesce into a larger, much less universal ideology. It can find expression in like-minded political behaviour or the cooperative creation

of institutions. What's more, it is likely to be understood tacitly rather than postulated in the form of rigid ideological dogmas.

Will this diversity of values lead to a 'clash of civilizations'? Not necessarily, especially since the failure of the universal globalization model has made it far less likely that an attempt to spread a particular ideology could succeed. But a different problem arises – that of correctly interpreting another state's activities and statements that are based on a different set of values and concepts. In today's world of deteriorating rules and institutions, the cool-headedness of the players is the main guarantee of international security – and this depends on understanding the key players' logic and motives correctly. The trouble is that the players will be relying on different sets of understandings, even if they are all speaking, for example, English.

This is why it is important to make a 'global translation' of different value systems, which means that we also need new semantics and semiotics – not in the linguistic sense of the words but as applied to value systems. The phrase 'global semiotics' is far from new. Because it was born of the universalist approach to values, it focused on the interpretation of the 'global diffusion' of common norms and values within the framework of 'intercultural translation'. It seems, however, that the opposite approach should now take its place.

What political conditions should be created for 'global translation' to help the rival value systems understand each other?

The *first* condition is obvious: all players must admit that everyone has the right to live by their own set of values. It will be a very difficult admission for many Western as well as non-Western countries to make. But without it, we will not have a lucid translation and will only maintain the above-mentioned 'diffusion'.

Second, we need an educational process to study and formulate a political and cultural understanding of others' values. The acceptance of pluralism involves the development of 'values-based curiosity' and a sincere desire to understand other peoples.

Third and most important, the rivalry of value systems must give way to their rapprochement, which can lead to the development of common values, the benefits of which we discussed above. The difference is that, in this case, they will be shared by everyone rather than seen as something imposed from outside.

This 'global translation' between rival systems of values is the key element of the 'security mechanism' of a fragmented world. Without it, efforts at dialogue will be replaced by full-scale trolling – a practice that has proliferated explosively in recent years and is now ubiquitous. And, we must remember the risk increases many times over when the attempt to convey meaning is replaced with the desire to taunt each other.

The transmission of political signals via diplomatic channels has worsened considerably

Diplomats have always been the classical translators of political will and have thus felt the effects of trolling in full measure. The new world will need diplomats as well, because the states that diplomats serve will remain the basic structural units of the international system. Diplomacy is currently undergoing a crisis in which the transmission of political signals via diplomatic channels has worsened considerably. Political signals are now exchanged through the media, often as open insults, or at the level of unofficial diplomacy by authorized experts or influential retirees who sometimes have more opportunities for dialogue with or making overtures to the other party. Diplomacy is being used more often now to exchange purely formal official statements, which neither side takes seriously.

Yet another feature of the age of 'universal values' is the active use of diplomacy in the political transformation of foreign states, thereby blurring the line between diplomacy's domestic and foreign functions. After the Cold War, Western diplomats set the tone in the use of public/citizen diplomacy and 'paradiplomacy' to promote Western values and principles – and Western political interests along with them. Given the lack of mutual understanding and clearly defined rules, it is vitally necessary to revive classical traditions of diplomacy, with its non-ideological and professional ability to find ways out of even the most complex disagreements and conflicts.

The Global Economy: In Search of a New ‘Gold Standard’?

For several decades, the Jamaican currency system, based on the key role of the US dollar, contributed to the development of the world economy and the growth of trade and investment. Following the peak of the financial crisis in 2008, the quantitative easing policy of the United States sparked a chain reaction, prompting similar moves by other developed and emerging countries. The devaluation of the rouble in the CIS caused a wave of quantitative easing in these countries' monetary policies as well. This year, global financial markets are worried that a depreciation of China's national currency could lead to a series of competitive devaluations in other parts of the global economy.

The previously proclaimed paradigm of cooperation and mutual economic openness has now shifted towards protectionism, similar to the Great Depression of the 1930s. But, whereas in the 20th century, trade barriers such as high import duties were the main protectionist tool, they are now supplemented by competitive currency devaluations. The mutual devaluation model has played a role in slowing down the global economy by reducing demand. This has given rise to a so-called ‘new norm’ — slow growth over a long period. Amid signs of adjustments of currency parities, the IMF is urging countries to coordinate their financial policies more closely so as not to cause even greater harm to trade and investment.

Over the past few years, the global economy has shown a growing need for new reserve currencies, both due to imbalances in the United States and the Eurozone, and to the increase in reserve assets in developing countries. Furthermore, the legacy of the Jamaican currency system is that role of the dollar as the international currency far exceeds the already major share of the US economy in the global economy. The risk of sanctions is another reason for central banks to de-dollarize their reserves and increase the share of gold, as countries subject to sanctions search for alternative reserve assets that are not exposed to that risk.

There has been a downward trend in the share of the dollar in international transactions in not only Russia and Eurasia, but also in the rest of the world. In 2018, the Bank of Russia reduced the share of the dollar in the structure

of its international reserves, halving it to 22.7% from 45.8%, while increasing the share of the yuan, euro and gold. The Central Bank also reduced the share of the pound sterling by 2.3 percentage points, to 6%. At the same time, the Central Bank significantly increased the share of the yuan from 2.8% to 14.2% and the euro from 21.7% to 31.7%. The share of gold also increased by 0.9 percentage points to 18.1%.¹ According to the European Central Bank (ECB), the share of the US dollar in global currency reserves dropped in 2018 to 61.7%, its lowest mark since the creation of the Eurozone, while the share of the euro increased by more than 1 percentage point to 20.7%.²

Along with the decrease in the share of the dollar in international reserves, the share of the US currency in international transactions is also declining. For example, in the first quarter of 2019, the dollar accounted for 45.7% of Chinese payments for Russian goods and services, down from 75.1% in 2018. The share of the euro increased from 0.7% in the first quarter of 2018 to 37.6% in the first quarter of 2019. The Russian rouble accounted for 9.6% of payments, compared with 6.8% for the same period in 2018, while other currencies, including the Chinese yuan, made up 7.1% versus 4.7% of payments.³

The catch-up growth of the largest emerging countries could become the key factor in the de-dollarization of the global monetary system. The modernization of emerging markets will increase their share in global trade and investment flows, which in turn will lead to the emergence of new reserve currencies. This will create a 'multipolar currency system' in which the number of new reserve currencies will grow even as the share of the US dollar declines. National and regional currencies (euro) will most likely become the basis of the global monetary system of the future. Given the emerging economies' growing vulnerability to large-scale capital flows — that make a fixed exchange rate system unstable — it is highly unlikely that some new 'gold standard' will emerge.

There are strong arguments in favour of a floating exchange rate: a flexible currency system helps the economy mitigate external shocks such as sharply falling oil prices, and reduces pressure on the volume of production and

¹ The Bank of Russia. (2019) Annual Report for 2018. Retrieved from: https://www.cbr.ru/Collection/Collection/File/19699/ar_2018.pdf

² European Central Bank. (2019, June). The International Role of the Euro. Retrieved from: www.ecb.europa.eu/pub/ire/html/ecb.ire201906-f0da2b823e.en.html#toc1

³ Nazarova, X., Tkachev, I. (2019, July 26). Kitay menyaet neftedollaryi na evro (China Change Petrodollars for Euro). RBC. Retrieved from <https://www.rbc.ru/newspaper/2019/07/26/5d39ad439a79477f145b23b0>

the balance of payments. Freely floating exchange rates also make it possible to maintain foreign currency reserves at a sufficient level while increasing the effectiveness of economic policy instruments such as interest rates. However, the flexible currency system has both advantages and significant disadvantages, especially for the global economy, because countries are increasingly interacting with each other through trade and investment.

Cryptocurrencies are very unlikely to become reserve assets in the near future given their diverse regulatory environment and high volatility. At the same time, the share of gold has risen markedly over the past few years due to the growing demand from central banks. In 2018, central banks (primarily in the Russian Federation and Kazakhstan) bought more gold for their foreign currency reserves than at any time since the gold standard was abandoned in 1971.

Nevertheless, the dollar will retain its dominant role among world reserve currencies for a long time, not only because the United States accounts for a huge share of global trade and investment, but also due to the high share of the dollar in key financial market instruments, including debt instruments in the corporate and public sectors. The inertia of the global financial system also stems from the fact that its participants are comfortable and familiar with dollar transactions and because the infrastructure for dollar settlements is the most highly developed.

As for new potential reserve currencies, they will have to deal with that inertia and a number of other obstacles before becoming a reserve currency in the global economy – mainly the high volatility and underdevelopment of hedging instruments, a low level of liquidity, and high country risks (associated with higher risk premiums on operations with these currencies). An additional constraining factor is the currency restrictions that exist in most BRICS countries and other emerging markets.

Another key factor that limits the opportunities for using the rouble and other emerging countries' currencies more intensively is their commodity dependence. The long-term prospects for more intensive use of the rouble and other BRICS currencies in international transactions will depend on structural reforms aimed at reducing this dependence and, accordingly, the high volatility seen over the past few years that reflects this dependence on commodities prices.

The Dialectics of Military Force

To paraphrase, however, unconsoling, a famous expression, 'When diplomacy falls silent, the guns speak out.' But, as we have said before, there is also good news: in a changing world, the deep interdependence of states means that there is little likelihood of a major war between comparable adversaries or a violent clash between large armies. This marks a departure from traditional international relations.

However, the resulting situation creates only an illusion of security, which in turn increases the risk of a misunderstanding, miscalculation, or error while leaders respond to rapidly unfolding developments. This is further complicated by the fact that the psychology of the current generation differs fundamentally from that of the generation that lived through the Cold War. Today's politicians and generals tend to shrug off the idea that a global conflict would be tantamount to the wholesale destruction of the human race. They are convinced that they can go to war as long as they minimize losses and maximize gains.

At the same time, the leading powers have built up immense military arsenals that grew exponentially throughout the 'brief 20th century'. The end of the Cold War took the edge off their appetite for a while, but the 'revolution in military affairs' soon changed that. All the major powers (the United States, Russia, China, India and even some European countries) are building up or modernizing their nuclear deterrents and conventional weapons. New technologies, from precision weapons to artificial intelligence, are providing them with fundamentally new capabilities.

THE COMPLEX NATURE OF THE FUTURE THREATS



Cyberwar (cyber warfare)

Growth in the number of cyber threats in all areas of activity



Kinetic warfare

The growing number of regional conflicts and their victims in the world



Cognitive warfare (with long-term effort to undermine people's morale)

Deliberate Disinformation

Incidentally, this renewed arms race has helped the sovereign state as an institution regain its erstwhile importance. A decade ago, it was fashionable to talk about 'new players' like terrorists, pirates, hackers, or the omnipresent transnationals. Today, these groups are either associated with governments (hackers), have been defeated (pirates), have understood their place in political history (transnationals), or have again been partially defeated or brought under the control of the secret services (terrorists). Of course, hotspots of 'independent' terrorist activity will continue. However, sovereign states are reaffirming their status as the structural units in international relations, with their military machines playing a crucial role in this process. It is, therefore, premature to talk of their demise.

Still, there has hardly been an era in history when the use of force was as restricted as it is now – both in terms of its use as a threat and its effectiveness when actually applied. In spite of its overwhelming superiority in military spending and the level at which its armed forces are equipped, the United States' hands are tied with regard to a major war against Russia or China. It would pay a very high price for such a conflict, even if strategic nuclear forces were not involved. A relatively poor Russia, for example, could use tactical nuclear weapons to neutralize NATO's superiority in Europe. And China is strong enough to counter any possible US aggression in Asia. Nowadays, the major powers think long and hard before resolving to launch a military operation against even a much weaker nation due to the high risk of bogging down in a protracted and futile conflict.

The current situation bears some resemblance to the first two decades of the Cold War, when the key players successfully engaged in a series of local crises in the conviction that their opponent would not dare to start a major conflict because of a small skirmish. True, one such 'skirmish' – the Cuban missile crisis – came close to starting a nuclear war. Generally, however, shoving matches on the periphery or at certain strategic points (the Berlin crises) were the method of choice in this strong-arm rivalry.

Today, this approach is being revived, albeit in a new form as an eclectic and vague arrangement that lacks clear-cut bipolarity. And, although local conflicts are still unlikely to spark a global war, the risk of such a conflict continues to increase as militaries use new technologies to boost their capabilities and people increasingly fail to appreciate the possible consequences of using such weapons.

For example, large and medium-sized powers are capable of launching successful cyberattacks on civilian infrastructure facilities. An exchange of such cyberattacks is also possible, and this in itself could prompt military action. Modernizing nuclear warheads and delivery vehicles increases the likelihood of using them to solve local conflicts, which tends to lower the nuclear threshold. Limited nuclear strikes are already being discussed as a pre-emptive measure. New types of non-nuclear arms are being developed, which, if used, could cause extensive damage to the defensive capabilities of an adversarial state.

Renewed arms race has helped the sovereign state as an institution regain its erstwhile importance

Yet another popular type of ‘hostility’ is the use of economic duress against opponents. The first two decades of the 21st century saw a boom in unilateral ‘targeted’ or ‘smart’ sanctions as a substitute for the comprehensive embargoes and trade and technology blockades of the past. Currently, restrictions are imposed on ruling ‘regimes’ and their close associates, leading companies and certain economic sectors. In reality, however, ordinary citizens bear the brunt of the cost. The hope is that they will take to the streets and topple the regime in a bid to improve their lives. Sanctions have become a hot ‘security theatre’ item and a way to show stakeholders that at least something is being done about a ‘problem’ country when diplomacy doesn’t work and the use of force is too costly. Aside from being a tool to punish a ‘regime’ or cultivate a revolutionary mindset among the people, sanctions are often described as an increasingly popular means for ‘sending a message’.

The wide use of economic warfare arose from the same notorious liberal world order that would substitute financial and economic pressure for armed hostilities. This is a ‘progressive’ approach based on the idea that, by forcing living standards to decline in one country even as they improve elsewhere, the local opposition will take serious action against the ruling authorities. However, there is only scant evidence that sanctions have ever led to the desired effect. Yet, there are cases where sanctions have served as a catalyst for war instead of helping to avoid one. In cases where the target of sanctions refused to surrender, the pressure had to be increased to the point where the military was forced to step in to make good on the threats (as happened in Iraq, Libya, and Yugoslavia).

Limited nuclear strikes are already being discussed as a pre-emptive measure

However paradoxical it might seem, the liberal order – or to be more precise, globalization – is also one of the obstacles to the use of “economic weapons.” For example, one of the problems with imposing larger-scale sanctions against Russia is its deep integration in the world economy. Debarring large Russian companies from the world financial system would lead to serious global consequences, although the Russian economy is relatively small on the world scale. The range of possible sanctions against China is even narrower. Aggressive US steps in this respect would trigger a symmetric response, with all of the attendant consequences. Massive and comprehensive sanctions against Beijing are something that Washington will use only as a last resort. Paradoxically, traditional military pressure could be preferable to economic duress in this situation.

Democracy Versus Order

After the signing of the Versailles Treaty in 1919, John Maynard Keynes – a prominent economist of the 20th century who helped draft that agreement and who worked for the British Treasury at the time – published a book titled ‘The Economic Consequences of the Peace’. Keynes was prescient in realizing that the conclusion of the Great War marked not the end, but the beginning of an extremely unsettling and dangerous period.

The events of the coming year will not be shaped by the deliberate acts of statesmen, but by hidden currents, flowing continually beneath the surface of political history, of which no one can predict the outcome. In only one way can we influence these hidden currents, by setting in motion those forces of instruction and imagination that change opinion. The assertion of truth, the unveiling of illusion, the dissipation of hate, the enlargement and instruction of men’s hearts and minds, must be the means.

He writes and explains,

Our power of feeling or caring beyond the immediate questions of our own material well-being is temporarily eclipsed...For these reasons the true voice of the new generation has not yet spoken, and silent opinion is not yet formed. To the formation of the general opinion of the future I dedicate this book.

Keynes noted one way in which the era of 100 years ago is similar to our own: we are on the eve of changes of such a scale that we must adopt an entirely new outlook to understand them and must reject established dogmas, no matter how obvious they might seem. The First World War did away with the 'good old Europe': having destroyed the existing system of rules, Europe first sunk into the abyss of the conflict and then simply lost its standing as a leading global actor. Today's changes in every area run even deeper.

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For 30 years, experts and politicians have been repeating the same mantra that the organization of the world is changing. They wage intellectual battles over how that future world order will look. However, we think the question should be put differently: *Is it possible to describe the condition of the international environment that is taking shape today as 'order'?*

In last year's Valdai Discussion Club annual report, we wrote that we live 'in a crumbling world'. Traditional pillars of support such as arms control treaties are becoming a thing of the past. International organizations and institutions that were established in the last century are growing weaker. The 'period of transition' is dragging on, and could become a new system of international relations itself for many years to come. History is again showing its propensity for irony: this 'transition' model has already outlived the Versailles system and covered two-thirds of the life span of the bipolar system that has receded into the past.

This 'permanent state of crumbling' could very well prove to be a long-term process due to the unique configuration of various power structures and the continued use of coercion in international relations. All of these systems are based on the distribution of strength and influence between its leading powers, which determines the limits of their authority and their ability to coerce others to obey their will or adhere to certain basic rules. The limited opportunity to use force was what made the peaceful demise of the bipolar system possible.

This 'crumbling' will come to an end when the existing limitations on the use of force are overcome or when force, and power along with it,

acquire entirely new dimensions in international relations. The nature of force and its by-products are the keys to understanding today's crumbling world and the process by which it will either collapse or transform. The risks are growing for all states, without exception. Rational behaviour implies moderation and responsible egotism – you must prevent that part of the building in which you live from falling apart. But more than that, rational behaviour means having a clear understanding of what is happening in the world.

It is time to consider the nature of the common framework that will guide the development of future international relations and their main components – power and morality. Will the world be transformed into a hitherto unknown state marked by all new features, one unlike the pre-Westphalian arrangement that was anticipated by many analysts? Or will it, instead, develop into some sort of post-Westphalian arrangement (although using such definitions already means backing oneself into a corner of obsolete European tradition)?

Prior to 1648, and largely before 1919, the states of the world lived without formal rules determining issues of war and peace, and it is possible that the era of such social constructs has now ended. At the turn of this century, scholars theorized concerning the end of the Westphalian order, but the discussion was somewhat superficial. In effect, it was motivated by the West's efforts to justify its dominance and legal relativism in international relations after the end of the Cold War. The strongest argument was the inability of some states to fulfil their commitments to their citizens. This argument initially divided states into those that were either capable or incapable of maintaining their sovereignty. It did not reject the principle of sovereignty per se, but it did justify discrimination.

However, the order established in Europe almost 400 years ago that subsequently spread to the rest of the world is being subjected to trials that are far more serious. This is happening primarily because the might of the Western countries, the cultural hosts of the established order, has been challenged. Their ability to uphold their own values as dominant is being called into question. This is due to the irreversible spread of technology that enables other states to pursue policies based on deterrence as well.

The instruments required for implementing foreign policy goals are no longer limited to unique resources and knowledge. This is not solely a question of material dominance.

The return of the great Eastern civilizations, China foremost among them, as leading global powers is playing an equally major role in this regard. They are bringing a different interpretation of the principles underlying international relations. Over the past few centuries, the European tradition provided for an association of only nominally equal states: in fact, leadership was determined only by the ability to enforce it. Various states possessed this ability at different times, replacing each other based on a kind of rotation, even while the overall pattern remained the same. However, neither the Legalism nor the Confucian systems of values – that have reached the point of global policy as their adepts join the ranks of the world's more influential countries – hold a vision for true 'equality'. In both systems 'supremacy' is an absolute rather than relative notion that is a given and inherent in a single entity. Its affiliation does not change depending on the qualities of a specific leading power. Even 'the barbarians', who were many times stronger than China, did not become leaders, for their law was 'fair' only because it was backed by power.

**Anarchy cannot be fair
or unfair: such rules only
apply to a definite order**

Thus, the erosion of the Westphalian order is already affecting the actions of its main participants both inside and outside the Western community. Sovereignty is no longer allotted to one's own partners and to others. It simply no longer limits the actions of a wide range of powers.

**The most reliable
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The Cold War continues, but in a qualitatively different form because the international political environment has changed. After all, anarchy cannot be fair or unfair: such rules only apply to a definite order as the mode of relations, one that fixes the roles of the players and the distribution of power.

This new condition begs several fundamental questions in addition to that already posed above. *They include: Is world order even possible now? What characterizes the liberal world order and has it ended? Did humanity's institutional and legal thinking on international order reach its*

apex in the 20th century, and can it only go downhill from here? Is the erosion of the old world order irreversible and should we demolish that building and replace it with a new one? Does the world need 'universal rules' or only 'security parameters' such as one might need for a dilapidated building? And, after all, why should states – that are created by people – follow certain rules?

Today, the world does not have a force that can act as 'an agent of order' that could provide the resources for coercing states into socially responsible behaviour. The UN mechanism formally embodies the informal consensus of states concerning their main issue – their central role in international affairs. However, it is not self-regulating and was not given this function from the start.

According to the laws of nature, one person's freedom ends where another's begins – that is, of course, if the other can defend his freedom. The same applies to states – the most reliable restraint for the aggressive aspirations of some states with regard to others is the inevitability of punishment in response to excesses rather than a right or a law (that are based on goodwill and are subject to revision). This inevitability is ensured by the potentialities of other states and their resolve to uphold their interests and principles even if they face a catastrophe that is highly likely to turn into a global disaster in the case of a clash between nuclear superpowers. The focus of attention is on the behaviour of states and their limits rather than a means of achieving peace.

We admit the impossibility of creating global rule based on the might of a great power or a group of powers, and rely on the instinct of the self-preservation of states. A failed liberal order is unlikely to be replaced with its antipode – an imperial model. This is simply impossible on a global scale. This new world is much more democratic than its predecessor is and, at the same time, more demanding for decision makers. But this is why it opens up great opportunities for furthering humanity's maturation as a community of independent states. To take advantage of these opportunities, we must grasp the importance of the changes and throw off the fettering intellectual legacy of the outgoing authoritarian era.

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