



# Living in a Crumbling World

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When at last it was over, the war had many diverse results and one dominant one transcending all others: disillusion. 'All the great words were cancelled out for that generation,' wrote D. H. Lawrence in simple summary for his contemporaries. If any of them remembered, with a twinge of pain, like Emile Verhaeren, 'the man I used to be,' it was because he knew the great words and beliefs of the time before 1914 could never be restored.

*Barbara Tuchman, The Guns of August*

One hundred years ago, in the late fall of 1918, Europe was overwhelmed by a feeling of total devastation. This was true in the literal sense because the recently ended war had caused unprecedented sacrifices and destruction to the Old World. But it was also true in the figurative sense because the four-year bloodbath had shaken the foundations of states and societies. Some of those structures simply did not survive in their original form, while the members of those that endured gazed in horror at the price of their victory.

To paraphrase a statement that gained popularity almost a century later, the First World War was the greatest geopolitical catastrophe of the 20th century. It wiped several empires from the face of the earth, caused mass relocations – including forced migrations – and spawned totalitarian ideologies, and yet failed to resolve the underlying differences that, 20 years later, once again erupted and thrust the world into turmoil. Most importantly, the war destroyed the existing order, the principles on which European politics (essentially synonymous with world policy) had been built over the previous 100 years.

The victorious powers failed to build a new and sustainable model of world order after the hostilities ended. The vindictive triumphalism of the winners, the desire of the defeated for revenge, the outbreak of social cataclysms among the European powers, and the rise of new players and forces created the conditions for an even bloodier mass slaughter. Only by mid-century did humanity manage to restore a balance and establish institutions that could help reduce the risk of confrontation and maintain the peace.

On the one hand, the international situation today has nothing in common with the world of 1918. Humanity has learned to avoid major wars and their attendant horrors. The abominable experience of the first half of the 20th century has not been forgotten. Historians, politicians, and economists frequently cite

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**The world has now passed a critical juncture with regard to the formation of an effectively functioning international order based on global governance**

those events in an effort to prevent a repetition of those fatal mistakes. It would seem that we know that drill by heart.

On the other hand, the current situation in the world paradoxically resembles that of a century ago. The rise of nationalism – now pitted against globalism – and the resurgence of an aggressive form of economic behaviour in the spirit of neo-mercantilism invariably calls to mind the atmosphere that prevailed in Europe and the world at the beginning of the last century. Back then, the world also experienced a surge in global trade that at certain point aggravated relations between powers. And the ‘strategic frivolity’ that we spoke of in last year’s report evokes an unpleasant association with the ‘sleepwalking’ that historian Christopher Clark has said led reckless leaders into a world war.

However, all of this is largely a nominal similarity of circumstances, mere background to the main feature common to both historical periods. Now, as then, the world has entered an interlude: the old order no longer exists, but the new one has yet to take shape.

Those who remained in 1918 saw nothing but smoking ruins – both literally and figuratively. By contrast, today’s world order still stands but has begun to crumble before our eyes. Its framework is deforming into a twisted skeleton of a once strong structure. That edifice was erected after 1945 – that is, following the second phase of the destruction that had its beginnings in 1914. The great powers had learned from their previous failure to establish peace during the interim between the two world wars. They managed to agree on a system that would prevent disagreements from escalating out of control. This is the model that is now in serious crisis.

Now the discussion is not about whether that system is failing, but why. According to the nearly universal consensus in the West, the ‘rules-based liberal order’ – with the US as its standard-bearer – has maintained the world’s peace and security since 1945. The West views the fact that the Soviet Union existed until the early 1990s but did not in the least share the principles of the ‘liberal order’ as an annoying aberration, a temporary setback. The disappearance of that rival seemed to confirm the correctness of the Western order – now free to encompass the globe.

Adherents of the school of realism attribute the stability of the second half of the 20th century to the sharply defined and well-grounded balance of power that existed. Nuclear deterrence checked the rivalry between two equally powerful ‘bosses’ and ensured a period of stability that was unprecedented in political history. When one party to that confrontation withdrew from the struggle, it left the other feeling as though it had won. However, with the grinding tensions between the two superpowers now ended, that remaining power now faced a host of players embarking on every possible form of action.

However, despite disagreements over the nature of the longstanding world order, supporters of both interpretations agree that it has become increasingly unsteady. Both call for restoring the capacity

of the former institutions, with neo-realists focusing on Cold War-era mechanisms for maintaining stability and neo-liberalists advocating a return to the late 20th–early 21st-century principles of an open global system.

In each of its annual reports since 2014, the Valdai Discussion Club has consistently spoken of the need to restore global governance – meaning the resolution of emerging and growing problems through institutions-based cooperation between states holding particular political and economic importance to world affairs. This is the fifth such report, and it has the unpleasant task of reporting that the world has now passed a critical juncture with regard to the formation of an effectively functioning international order based on global governance.

That is, the world is now moving in a different direction. It 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 73 years ago in response to nearly three decades of global geopolitical turmoil.

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## Why the Process Proved Unmanageable

The attempt, after the Cold War, to effect a managed transformation of the world order either was wanting in some way, or more likely, was doomed to failure from the start. After 1991, the West – i.e. the US and its European and Asian allies – had a unique opportunity to establish relative order in world affairs. Had the supreme body of world order – the UN Security Council, whose permanent members are endowed with greater rights than all other countries – been homogenous in terms of its members' interests and values, the political map of the planet would look different today.

However, the belief that all of the major players would embrace a common ideological and political paradigm turned out to be utopian. It was especially misguided to assume that such an order would be based on the liberal approach that prevailed for a time after the Cold War. China, for example, embarked

on a course of impressive economic, and later, political growth. Contrary, however, to the expectations that arose in the late 20th and early 21st centuries, its development did not lead the country to transform itself in the image of Western society and governance. Russia showed signs of being a promising 'student', but soon ceased to meet the criteria for 'enrolment' and chose the path of self-instruction. Efforts to streamline the world's development failed and attempts to stabilize it devolved into a series of tactical measures that more often compounded rather than solved those problems.

What was the main reason for this failure? The result of any systemic conflict (and the Cold War is a case) is that the winners inevitably shape the tools and institutions of international order to meet their own interests. This had always been true historically, but at the turn of this century, it proved infeasible. This is probably because the Cold War was an unusual conflict. Although an informal but clear perception of 'winners' and 'losers' did emerge, in the official international legal sense, there were no 'winners'. Meanwhile, the approach of 'winner takes all' – or more precisely, 'the winners set all the rules however they see fit' – remains the only known method for establishing world order.

The incomplete political picture that resulted from the unusual resolution of the standoff in the second half of the 20th century was accompanied by the triumph of economic globalism. By the start of this century, signs of an increasingly 'flat' world had become part of everyday life. These included the elimination of market barriers, universal and almost completely unrestricted banking transactions, ease of movement on a massive scale, freedom of international trade and navigation, and accessible mass communications – especially the World Wide Web – and much more. Different countries adapted to this new world in different ways, but at the heyday of the system that arose in the mid-2000s, almost all of them managed to derive some benefit from it.

At some point, however, the costs associated with this system began to increase. And, the more centrally and therefore advantageously the country was positioned in the global system, the more acutely it felt these costs. These resulted primarily from the unresolved contradiction between the now fully globalized economic universe and the political system that had yet to adopt a universal and effective mechanism for global governance. Moreover, the source of legitimacy for the political class of any state remained at the national level. As a result, the push to end globalization came from the very country that was its main promoter and guarantor – the United States. Why? The American people had become increasingly unhappy with the uneven distribution in society of the benefits of globalization and demanded protection from its consequences.

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# Why Past Approaches Will Not Work

A host of new phenomena in international life – the sharp politicization of trade wars; the widespread and either announced or unannounced use by all of the major players of the methods of economic warfare (so-called ‘sanctions’); information’s transformation into an important tool of control and confrontation; migration flows; and regionalization – are all the flip side of the global milieu that emerged in the previous period. More precisely, they are the consequence of the universal and exceedingly close interdependence that states initially saw as a key to peace and prosperity, but that they now use to inflict painful damage on each other.

Of course, trade wars broke out before and methods of applying economic pressure have been used for centuries. The US, for example, once declared trade restrictions against Japan, but later lifted them and returned to its liberal course after rectifying the imbalance. Can the countries responsible for globalization reduce its attendant costs significantly, even while retaining its benefits?

Historically, that has been possible, but now the situation is changed. Now there are not two or three, but at least five major players in global economics and politics, each with its own understanding of political culture. Two of them are demographic giants, with populations approaching 1.5 billion people each. At the same time, numerous medium-sized states work to protect their national interests, thereby willingly or unwillingly contributing to the deformation of the usual rules and practices. Add to that the emerging breakthroughs in such areas as information and communication technologies, biotechnology, robotics, and new materials. These are leading to major advances in the production sector (fewer workers needed), business models (business without middlemen), and the social and humanitarian sphere (the prolongation of life with the resulting changes in societies).

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States are becoming increasingly egoistic and focused on solving their own problems – problems that stem from the challenges of an increasingly complex world. The number of such states is snowballing. Although this is somewhat reminiscent of the conditions that existed during the Great Depression, the economies and political systems affected then were relatively localized geographically, whereas today’s phenomenon is universal. And, the greater the number of interests and conflicts in play, the more difficult it is to achieve some sort of equilibrium between them.

## MIGRATION FLOWS: DEFORMATION

Although growth rates in the world economy are slowing, the scale of migration flows is continually increasing. Migration growth did not exceed 1.2% in 1990–2000, but it had increased to 2.3% by the following decade. The tide of refugees from the Middle East to Europe in 2014–2015 pushed that figure up to 5%.<sup>1</sup>

Europe is the epicentre of tensions resulting from migration. According to the International Organization for Migration (IOM), one-third of the world's 244 million migrants in 2015 were in Europe. Of those, three-fourths sought refuge in Germany, Great Britain, France, Spain, and Italy.<sup>2</sup>

Some observers consider the growing opposition to migration in developed countries and the imposition of restrictions on migration flows as signs that the globalization process is reversing. And international migration only exacerbates existing problems with the world economy – in terms of food, the environment, and energy.

Two main factors contribute to migration between the North and South: the disparity in per capita GDP between Europe and the countries of North Africa and the Middle East, as well as the demographic gap between the aging population in developed countries and the rapidly expanding youthful populations of the developing economies. In terms of development, the countries of North Africa and the Middle East have shown little progress over the last decade in catching up to their wealthier neighbours. Whereas the growth rate of per capita GDP in those regions rose by approximately 4% in the pre-crisis years of 2006–2007, in 2009–2012 it fell below 2%. And in 2013–2014, that figure dropped below the per capita GDP growth rate of the EU, meaning that the gap between Europe and North Africa and the Middle East is only increasing.<sup>3</sup>

<sup>1</sup> *International migration report 2015*. United Nations, p. 1. <http://www.un.org/en/development/desa/population/migration/publications/migrationreport/docs/MigrationReport2015.pdf>

<sup>2</sup> *Global migration trends factsheet*. IOM. <http://gmdac.iom.int/global-migration-trends-factsheet>

<sup>3</sup> World Bank data. <https://data.worldbank.org/indicator/>

In Europe, approximately one-fourth of the population is over 60 and the median age is 42, as compared to a global median age of less than 30 – and less than 20 for African countries. At the same time, all 10 of the countries experiencing the most severe decline in population are in Europe, while those whose populations are growing most rapidly are in Africa and Asia – including the Middle East.<sup>4</sup>

According to UN projections, more than one-half of the increase in global population from 2015 to 2050 will be concentrated in Africa – almost 1.3 billion out of a total increase of 2.4 billion.<sup>5</sup> According to UN estimates, the populations in the least developed countries will double to almost 2 billion people between 2015 and 2050, and the populations of the 33 poorest countries could more than triple by 2100.<sup>6</sup>

The UN predicts that the share of migrants in the population of developed countries will also increase as a result. Demographic growth in developed countries will total 20 million people in 2015–2050, while the net inflow of migrants to those countries is expected to reach 91 million – that is, migrants will account for 82% of the overall population growth. The figures for Europe are even more stunning. That continent can expect a demographic decline of 63 million people and a net inflow of 31 million migrants. Thus, the UN estimates that Europe's population will decline by approximately 32 million people by 2050.<sup>7</sup>

<sup>4</sup> *World Population Prospects. The 2015 Revision*. New York, United Nation, p. 8–9 [https://esa.un.org/unpd/wpp/publications/files/key\\_findings\\_wpp\\_2015.pdf](https://esa.un.org/unpd/wpp/publications/files/key_findings_wpp_2015.pdf)

<sup>5</sup> *World Population Prospects. The 2015 Revision*. New York, United Nation, p. 3 [https://esa.un.org/unpd/wpp/publications/files/key\\_findings\\_wpp\\_2015.pdf](https://esa.un.org/unpd/wpp/publications/files/key_findings_wpp_2015.pdf)

<sup>6</sup> *World Population Prospects. The 2015 Revision*. New York, United Nation, p. 4 [https://esa.un.org/unpd/wpp/publications/files/key\\_findings\\_wpp\\_2015.pdf](https://esa.un.org/unpd/wpp/publications/files/key_findings_wpp_2015.pdf)

<sup>7</sup> *World Population Prospects. The 2015 Revision*. New York, United Nation, p. 6 [https://esa.un.org/unpd/wpp/publications/files/key\\_findings\\_wpp\\_2015.pdf](https://esa.un.org/unpd/wpp/publications/files/key_findings_wpp_2015.pdf)

The good news, however, is that nuclear deterrence extends beyond relations between superpowers to include medium-sized and, in the case of North Korea, small states. In general, despite the increase in international tensions, nobody is seeking a solution through a major war, knowing that it would only cause more problems than it solves – not to mention the risk of sparking a global nuclear catastrophe. This is the key difference between the current situation and the eve of First World War, when leaders and their citizens considered war an appropriate means for resolving the crisis.

The military solution would also be ineffective now because the line of confrontation is blurred. Today, the enemy wears many different faces, appears in numerous different settings, and is often stealthy and opportunistic. The sharp delineation between ‘us’ and ‘them’ is becoming a thing of the past, and the principle of ‘every man for himself’ now refers not only to ‘circling the wagons’, but also to the possibility of quickly switching partners. Also, unforeseen ‘black swan’ changes in leadership have a ripple effect on everyone. The election of Donald Trump, the Brexit vote, the Arab Spring, and the Ukrainian crisis were all unexpected events that have had a strong impact on everyone, including those who were not directly involved.

The static structure of international relations is gone forever. The global paradigm is now marked by mutability, fluidity, and situation-based considerations. And often, those who can react most rapidly or adeptly stand to benefit most from such a state of affairs. However, any advantage they gain is short-lived. Governments everywhere require greater certainty.

What is wrong with uncertainty? States are large-scale organizations focused on long-term planning. Multiyear budgets, technological development programmes, strategic infrastructure projects, transport systems, and the exploration of space all rely on an understanding of key international trends. Certainty is a necessary condition for planning, but certainty is the commodity now in shortest supply.

Three main sources of uncertainty pose the greatest obstacle to the crystallization of the international structure. The first concern is the balance of power in the world. To what extent is that balance shifting? Does the West continue to dominate? Will Asia’s rise enable it to determine the course of events? Will the East and West merge into one? Or will a polycentric world order emerge, as the Russian diplomatic corps has long predicted?

What’s more, the very concept of ‘polarity’ in the international system – that is, the functioning around specific poles and centres of power – is now

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in question. The forces at play are complex and diffuse to an unprecedented degree now. The modern Russian concept of polarity and multipolarity was developed in the 1990s and early 2000s under the influence of the ideas of Yevgeny Primakov and his school – themselves established and developed over a period of several decades. The Russian concept, in turn, built upon the US theoretical developments of the 1960s–1980s. In other words, the basic ideas were developed even before the start of the current tectonic shifts. The same, in fact, can be said regarding Western theories of the liberal world order that also emerged under very different conditions than those we see today. The general problem with the Russian and US (or, more broadly, Western) approaches is that they address past conditions, but are of little use in dealing with present or future circumstances

In previous reports, we anticipated the emergence of a bipolar world of sorts, a balance of power between the US and Chinese spheres of influence. This implied the establishment of an ordered framework of some kind and a relatively stable environment from the structural point of view – albeit one that would have forced all other players to align themselves with one of the two camps. The evolution of the international environment, however, has led to the emergence of a different paradigm, one that remains on the sidelines of the discussion – namely, a world without poles. This is a chaotic and rapidly changing order, a war of everyone against everyone else, and accompanied by the collapse of the world's most fundamental institutions – from the nation-state with its sovereignty to classical capitalism. This is a scenario of an acute crisis, one leading not so much to a new balance of power as to a complete reset of institutions, authority, methods of production, and international relations.

The second key source of uncertainty concerns the questionable state of international security. Who is the chief revisionist now – a rival country, a hegemonic country seeking to strengthen its hegemony by reorganizing all the existing systems, or the forces of anarchy? Are technological innovations or climate change capable of disrupting the status quo?

In any case, we are witnessing an unusual phenomenon in international relations. The US, as the global hegemon, is deliberately dismantling the existing order – either out of a desire to shape the changes to its own advantage, out of fear of a real or imaginary threat from new centres of power, or due to a series of failures in the system of governance and the systemic errors in crucial political decision-making that they engender. Meanwhile China, as the rival country, is trying in vain to preserve the system that the hegemon itself had actually initiated.

The third and final uncertainty concerns doubts about the durability of international structures. Are they as reliable as before? It seems that history is moving faster with each passing day. In recent years, abrupt political changes, economic crises, the disruption of international trade, and the collapse of international legal systems have only deepened the sense of uncertainty and greatly complicated the task of planning.

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## Taking Peace for Granted

The fact that everyone now competes against everyone else has weakened the bonds that once ensured international stability. Conflict, including armed conflict, remains a means for managing international relations. But this conflict is convoluted in nature – asymmetrical, non-linear, and reflects a huge imbalance in the forces that the various states wield. And this uncertainty evens the odds.

An intense contest is underway as countries vie to develop or acquire advanced technologies and become future market leaders. With the potential to shape the international scene through mid-century, the following key areas have seen increased investment and greater scrutiny from state regulators:

- the method and speed of data transmission,
- the ‘fencing’ of markets through government regulation,
- the restriction of access to user data,
- the reduction of access to financial markets,
- accelerated process digitalization,
- the speed at which AI algorithms are implemented,
- increased labour productivity and the introduction of robotics,
- the synthesis of new materials and the localization of production,
- the manipulation of information to control the political process.

The world’s major powers are engaged in a particularly intense, though undeclared battle in these areas. It is a struggle fought on many fronts, with each country hoping to create the best possible conditions for itself and achieve an advantageous position in future markets.

At the same time, those same countries’ military strategists and defence ministries are busy preparing for a potential military conflict. The goal of that war has changed, however, from the destruction of the enemy’s armed forces and means of production to the neutralization of its modern digital infrastructure and the blinding of its digital sensors and control systems. In other words,

the objective is to throw the enemy – in a technological sense – back into the 20th century.

On the upside, we live in a safer world than we did 100 or 150 years ago. The physical destruction of human beings is no longer a priority – even for professional militaries. A major war has become, if not impossible, at least potentially less disastrous than the wars of the 20th century were. Fewer conflicts now end in war – although some still exist in such places as the South Caucasus, the Middle East, and Africa.

## THE TRADE IMBALANCE

Concerns about the global slowdown have been waning since 2017 when strong indicators from Australia, the US, and China contributed to an accelerating upturn. Nevertheless, many observers have rightly pointed to the low growth rates of the past decade, and especially the deep inequalities both within and between countries as the fundamental problems plaguing the global economy.

Moreover, the widening gap in the degree to which countries have integrated economically – through participation in free trade agreements and other regional trade and investment alliances – is exacerbating this inequality. At the same time, the least developed countries and landlocked developing states are the least involved in the feverish rush to form economic unions. This has given rise to a paradox that continues to challenge the global economy: the majority of the countries that are most in need of economic integration are the least involved in regional and global economic unions and ‘clubs’.

In order to gauge ‘integration inequality’, we have only to compare the average number of integration agreements that include the disadvantaged countries (those that are landlocked and have low per capita incomes) with those that include the developed economies. According to World Bank figures, the least developed countries participate in an average of 0.3 free trade zones each, whereas the most developed average 14.7 – more than 40 times more. Even when taking into account other forms of integration

agreements, the respective figures are 1.6 and 16.8 – indicating that developed countries are at least 10 times more integrated overall.<sup>1</sup>

World Trade Organization membership is another criterion for measuring the level of economic integration. Of the 21 countries that lack membership but hold observer status with the WTO, one-third are landlocked (including the European countries of Serbia and Belarus – which has Europe’s largest economy among landlocked countries), Uzbekistan in Asia (the only country whose access to the sea is blocked by the territories of several other countries) and Ethiopia in Africa (the world’s most populated landlocked country). Five years ago, a much greater number of landlocked economies remained outside the WTO. They accounted for nearly 40% of the countries with WTO observer status, a figure comparable to their 20% share in the world economy.<sup>2</sup>

To reduce the gap between the richer and poorer countries, a different approach to economic integration is needed, one that is sustainable and strikes a balance between all countries. The new paradigm should be based on new integration mechanisms that give greater priority to the interests of developing countries.

<sup>1</sup>Lissovolik, Yaroslav, 2017, ‘Paradoksy integracii’, *Vedomosti*. <https://www.vedomosti.ru/partner/characters/2017/10/30/739889-paradoksi-integratsii>

<sup>2</sup>Lissovolik, Yaroslav, 2017, ‘O paradokse global’noj ekonomicheskoy integracii’, Valdai Discussion Club. <http://ru.valdaiclub.com/a/highlights/o-paradokse-integratsii/>

We live in a world of abundance, not scarcity, and technological development carries the promise of greater prosperity. What's more, interdependence puts everyone in the same boat and gives them a stake in developing the world economy and maintaining global stability. When the growth rate of the world's leading economies slows, the entire world economy feels the effects.

On the downside, economic development and technological innovation give states a false sense of security that prompts them to take greater risks, thereby testing the strength of that safety net. Technology provides a new avenue for such experimentation, while the risk of lagging behind in research and development raises the stakes. Under the pretext of unfair competition, countries are reconsidering their international agreements – especially those on trade and arms control. Political provocation is once again in vogue.

The second feature is the attempt to give international processes an ideological bent that, in practice, takes the form of powerful campaigns to blemish and discredit whichever international partner has fallen out of favour. Generally, international obligations have become less binding and yet all parties seem convinced that peace will prevail – even though political conflicts between countries continue to deepen. So confident are they in this that leaders have broken off dialogue and turned to trolling as a means of communication.

Although the leading countries might be strong enough to withstand these stress tests, in many regions – including those near Russia's borders – such experiments lead to disastrous consequences: the destruction of statehood and a widening zone of chaos and anarchy.

Thus, this disbelief in the possibility of a major war prompts leaders to take peace for granted and to engage in frivolous and risk-laden behaviours. At the same time, this makes it less likely that they will repeat the scenario of the first half of the 20th century in which leaders used world war as a way to cut the Gordian Knot of irreconcilable animosities. The present world, therefore, will not collapse as the European world did during the first half of the 20th century. Instead, it will slowly but surely crumble and deform as peoples and states push and pull it to satisfy their own interests. The process will affect everyone without exception because the world is much more interdependent than ever, and the idea of global commons now applies to areas that previously seemed unrelated to it.

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# MIGRANTS IN EUROPE

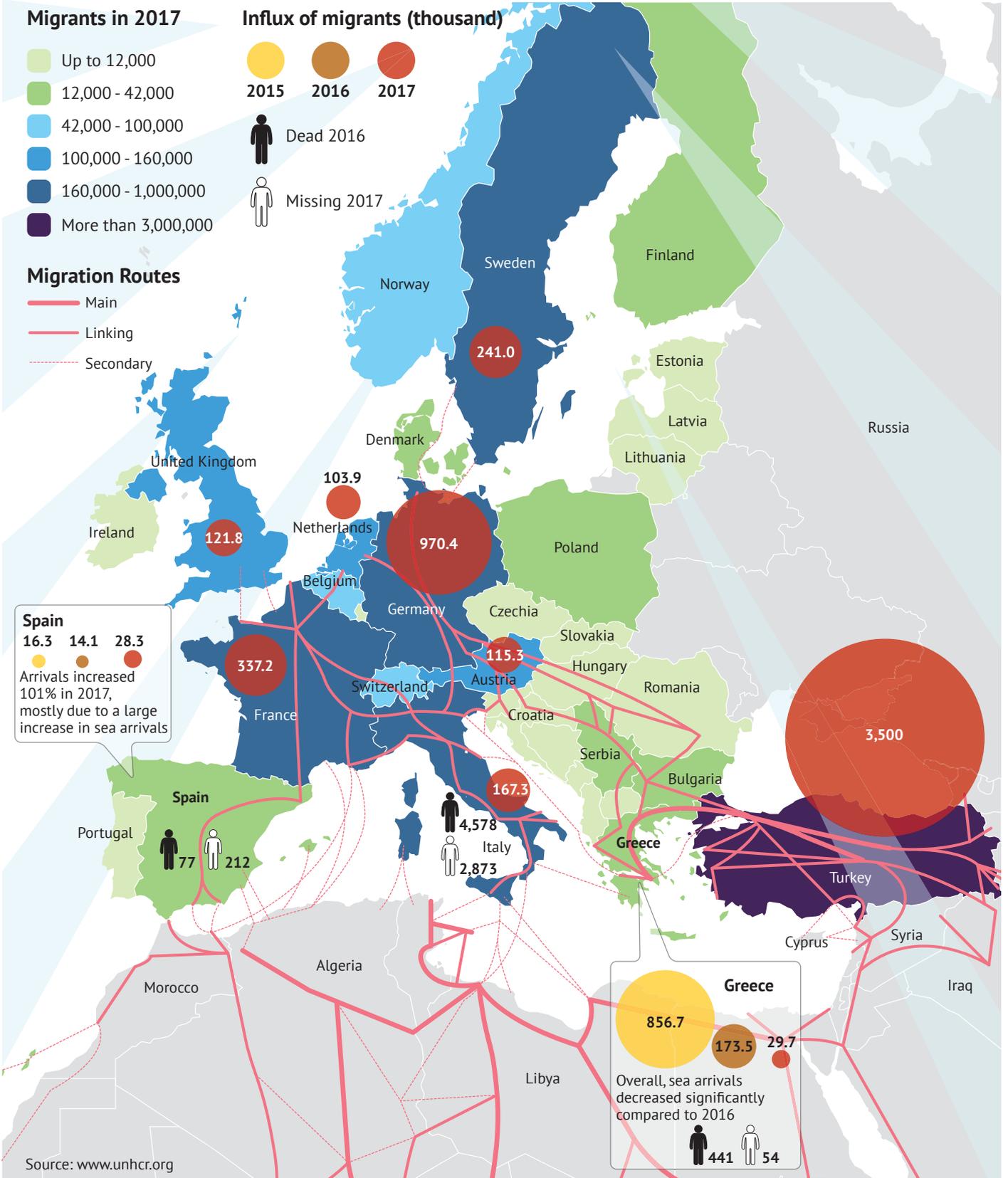
## Migrants in 2017



## Influx of migrants (thousand)



## Migration Routes



Source: www.unhcr.org

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# The Global Commons Are Dangerous

The multilateral rivalry of the major powers is impinging on their multi-layered interdependence. Its web is entangling states and restricting their movements. They are interlinked more closely than ever in the area of global security, and they would like to see international trade develop and have free access to funding, technology, and natural resources. Challenges related to climate, healthcare, and global migration affect everyone. And finally, only through collective effort is it possible to develop the so-called global commons that are vital to humanity's survival – the world's oceans, atmosphere, outer space, Antarctica and the polar regions, and the environment as a whole. The information revolution at the turn of the century added another area to these commons – cyberspace. In fact, the interconnectedness of the world forces us to take a fresh look at the notion of the global commons that now includes many 'intangible assets'.

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**The multilateral rivalry of the major powers is impinging on their multi-layered interdependence**

Because of these changes, societies have come to view the global commons as a shared foundation for the harmonious functioning of a global society. That foundation, however, has yet to take shape. In fact, just the opposite is happening: disagreements have intensified. And, instead of uniting and welding countries together, the new global commons dimension has, in practice, contributed to their further fragmentation and division. Worse, these rifts are not the usual strategic or geopolitical kind but reflect the much deeper aspect of social relations within states.

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**Because of these changes, societies have come to view the global commons as a shared foundation**

This phenomenon began when the elite in the leading countries of the world became alienated from society. The economic crisis at the turn of the decade gave legitimacy to anti-establishment attitudes. It helped eliminate the taboo on protests for a wide segment of the population that is not normally prone to radical outbursts (like the leftist demonstrators of the anti-globalization movement in the late 1990s and early 2000s), but that is ready to express its dissatisfaction at the polls. This led to the electoral success of non-systemic right-wing forces – an understandable result, albeit an unexpected one for the old elites. This resulted not only from what both the right and left had increasingly perceived as a lack of democracy but also from the crisis and collapse of the party and political landscape that had formed in the 20th century. The transformation in the relationship between the elite and society has taken hold in the West and around the world and is qualitatively

different now. The question of authentic democracy as an element of the global commons – as compared to the routine electoral display that the ruling elite have staged for decades in consumer societies – is becoming a key issue in the world's socio-political dynamic.

The problem of global migration has sparked widespread discontent among the masses. Most important is not whether the immigrants pose a threat, but that large segments of the affected societies believe that the threat is real. The influx of immigrants to the EU has undermined the idea of European solidarity. Immigration was one of Donald Trump's most successful rallying points during the election campaign. The xenophobic discourse is now heard more openly in the rhetoric of non-systemic right-wing forces, and their electoral success proves that there is a demand among voters for such views.<sup>1</sup> Just as the rhetoric in Europe is changing before our eyes, 'Trump's wall' has become a symbol for the desire of the 'golden billion' to insulate itself from the rest of the world and has given new life to the discussion about the divide between North and South. It raises a critical question: should solidarity with the refugees and displaced persons be viewed as a basic value and part of the global ethic and global commons, or should immigrants be seen as a threat and dealt with accordingly?<sup>2</sup>

Projecting the problem of mass migration into the future reveals that it is part of the even broader ideological concept of the essential unity of the human race. At issue is the idea that all people everywhere have the right to equal access to resources and wealth. On paper, nobody disagrees with this (the imperative of global ethics), but in practice, the situation is much more complicated. In the ideology that the wealthier nations have applied to the developing world – which, until recently, was believed could benefit greatly from globalization – shows distinct signs of neo-colonialism, in all its various forms – environmental, demographic, educational, technological, and so on. That is, when the developed countries industrialized, they gave no thought to the environment or working conditions and did not hesitate to siphon off resources from their colonies. But now, citing concern for the global commons, they impose limits on the countries of the South, effectively denying their right to develop.

According to this logic, the global right of equal access to resources will remain a fiction. It leaves those peoples no recourse but to gain access through

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<sup>1</sup> *The crisis of left-wing ideology is noteworthy in this regard. Previously it provided for internationalism, but today's workers increasingly strive to uphold their rights within nation-state borders that allow for protection against the outside world manifesting itself in arbitrary globalized markets and competition with the migrant workforce. Mainstream left parties have been unprepared to such a turn.*

<sup>2</sup> *It is interesting how the approach to the migrant issue that new government in Italy has taken is influencing the policies throughout the rest of Europe. Until recently, Italy framed the discussion concerning North African refugees coming to its coasts in the context of human rights and humanitarian assistance. Now, Rome turns away ships with migrants for the official reason that it wants to put an end to the cynical business of human trafficking. The problem has not changed – only the approach, but drastically.*

migration. After all, the assertion that everyone has the right to a better life (on which everyone agrees, according to the global ethical imperative) is but one step away from the notion that everyone has the right to live wherever conditions are most favourable. That is, they can move to the world's most prosperous regions. In addition, that prosperity now becomes the heritage of not only the local inhabitants but of all humanity – with each person having a right to his or her share of it. This global socio-political trend poses a challenge to sovereignty (and to the institution of the state as a whole) and could lead to fundamentally new types of conflicts that differ from traditional geopolitical disputes.

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### **The elite in the leading countries of the world became alienated from society**

The migrant crisis, the growth of non-systemic right-wing ideas in the West, and emerging processes in the Islamic have highlighted, from different angles, another problem of global social dynamics – the question of identity. The stereotypical perception of globalization as a tool for the inevitable blurring of differences between people at the planetary level faces a growing challenge.

The anti-globalization movement of the previous decades criticized not the principle of universal interconnectedness and interdependence, but the activities of corporations and global financial institutions. That is, it favoured a globalization, but in a different form. Now the question of the right to one's own identity (religious, cultural, historical, behavioural), as well as the much more acute question of the right to protect one's identity in any territory (both 'at home' and 'away') and under any circumstances, is becoming increasingly urgent. This fragmentation of the global community quickly degenerates into a question of 'Who is better?' and naturally leads to increased hostility and extremism on both sides.

New information technologies only exacerbate the problem. Contrary to the cliché that social networks make the world more open and democratic, they have actually increased the tendency of people to polarize along group and even tribal lines. Social networks fragment society into similar groups of like-minded people, fuel their sense of mutual solidarity and give rise to qualitatively new possibilities for setting groups against each other.

As a result, globalization is deforming social systems even as the global political order is breaking down. The new contradictory and even provocative social perceptions of the global commons poses a challenge not only to the 'old order' of relations between elites and society – in the sense of *l'ancien régime* – but also to the traditional understanding of sovereignty and the institution of the state as a whole. Will this lead to a surge of new multi-level global conflicts, such as society against elites, the poor against the rich, and the South against the North? These might arise in addition to the 'standard' geopolitical conflicts the world could face after the breakdown of the old order.

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# The UN in the Spotlight

We are witnessing the crumbling of the world order to which we had grown accustomed, and it is not an ascending power that is rocking the status quo, but the global leader itself. And, if the very country that had been its main pillar is now willing to let that order collapse, the rest can only join in to avoid becoming the 'last man out'.

Political figures at every level and of every scale act as agents of this transformation. Russia put an end to the West's monopoly on power, and now a greater volatility in power relations is gradually replacing it. With great effort, the US is transforming the system of relations in the world economy and its individual sectors. China is altering the playing field, carrying out a global expansion by offering states far and near an alternative path to development. Germany is effectively contributing to the deformation of the European political system that was previously based on the principle of sovereign equality. A rising India is completely reconfiguring the geopolitics of Asia, and by extension, the world. And so on. One after another, newly empowered states will gradually alter the international community's customary ties and practices, leading to a total transformation of the political landscape within 20–30 years.

We cannot reverse this process, but we must analyse and strive to understand it. Very important individual elements of the previous order will remain. For example, we could restrict freedom of movement by administrative means, but the world cannot return to the first half of the 20th century when tourism was a privilege that only bored millionaires or naturalists could enjoy. The changes now underway, however, will lead to a very different world by mid-century. Experts and politicians must put aside the usual dogmas. They must carefully study and attempt to predict the repercussions that current and future actions can have in each sphere of the international community's life.

The single most important process is the nationalization of decisions that affect the way the world's most vital systems function. It became clear in the wake of the global financial crisis a full decade ago that the primary challenge to the international order – that is, the ability of states to cooperate judiciously – was the fact that problems had become global, whereas the responses to them remained national. This dichotomy will remain one of the determining factors in international politics, economic affairs, technology, and society. Although, until recently, it was believed that the solution would come through improving elements of global governance, the spirit of the current age

is pushing events in the opposite direction. And national rather than global-based decision-making has received a further boost from the growing diversification of the world's leading economies, and the transformation of other countries into their respective zones of resource supply. As the world's political life becomes increasingly diverse, its social dimension is becoming progressively more unbalanced.

States will, therefore, feel increasingly compelled to take measures to advance their national interests and aim at maintaining maximum autonomy and freedom of action. Again, when the most powerful and influential country in the global system adopts the principle of 'me first', the rest have no choice but to do the same. However, it is no longer possible to make truly autonomous decisions. Any nominally 'autonomous' action by a major power has immediate economic and political repercussions for the rest of the world. Each escalation of the economic war forces another readjustment, incrementally shifting the tectonic plates of the old world order.

States will increasingly aim their foreign political and economic policies at accomplishing tactical objectives, rather than at forming a stable alliance or regional subsystems. The relative importance of medium-sized regional powers such as Iran, Turkey, Pakistan, Saudi Arabia, etc. is increasing, thereby eroding the stability of alliances and international relations. At the same time, the importance of countries bound by rigid institutional constraints is diminishing, with the EU member states foremost among them.

The non-material component of international relations is also crumbling. So far, this is most evident in those places where it is least natural – where so-called 'universal values and norms' have begun encroaching on the internal life of states, effectively limiting their sovereignty. At the same time, the stronger powers are able to protect their sovereignty and consistently do so – China and the US being the most obvious examples.

The rivalry between states vying to wind up 'on the right side of history' – that is, espousing the policy most in demand by the international community – is losing its meaning. Soon, there will be no 'right side' – or more precisely, it will be in a constant state of flux. The most important feature of the emerging order will be the lack of a universal ethical understanding of the justice or 'correctness' of the structure of individual states

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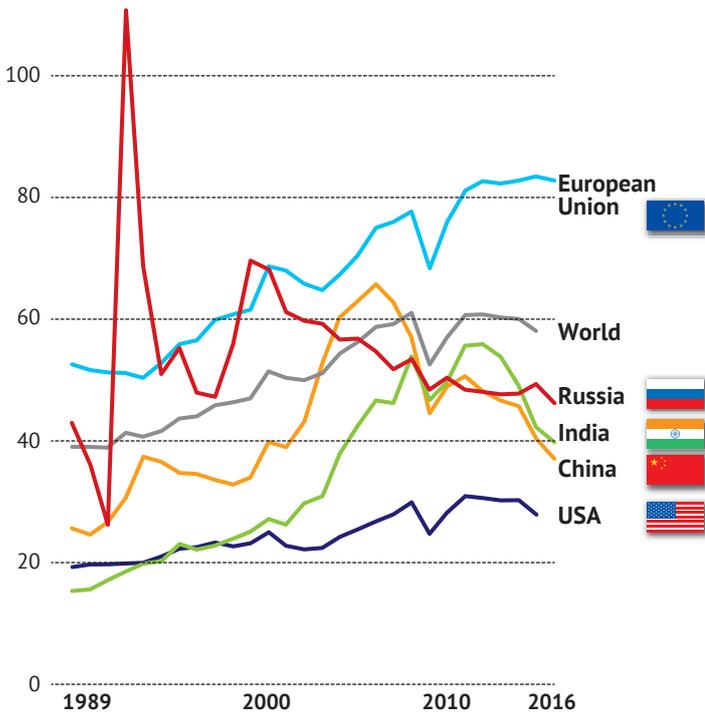
**The changes now underway, however, will lead to a very different world by mid-century**

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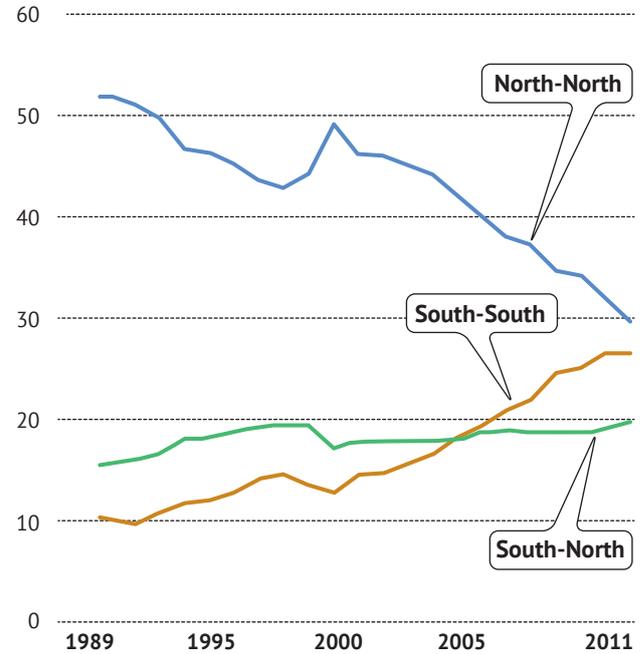
**That problems had become global, whereas the responses to them remained national. This dichotomy will remain one of the determining factors in international politics, economic affairs, technology, and society**

GLOBAL TRADE

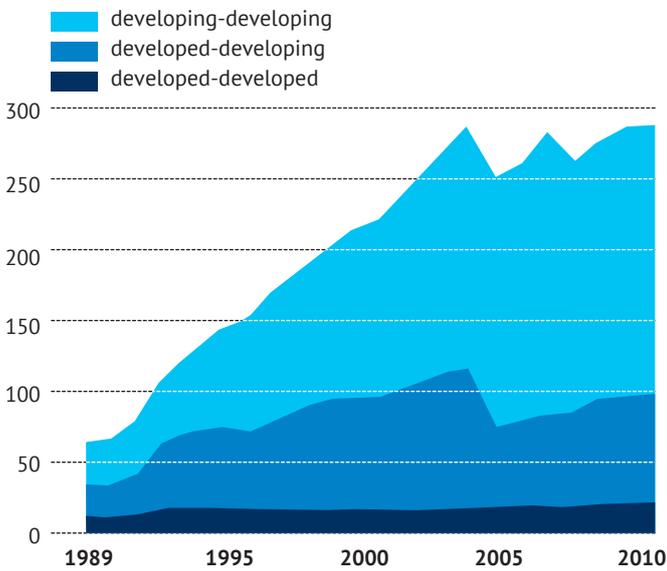
Trade as share of GDP (%)



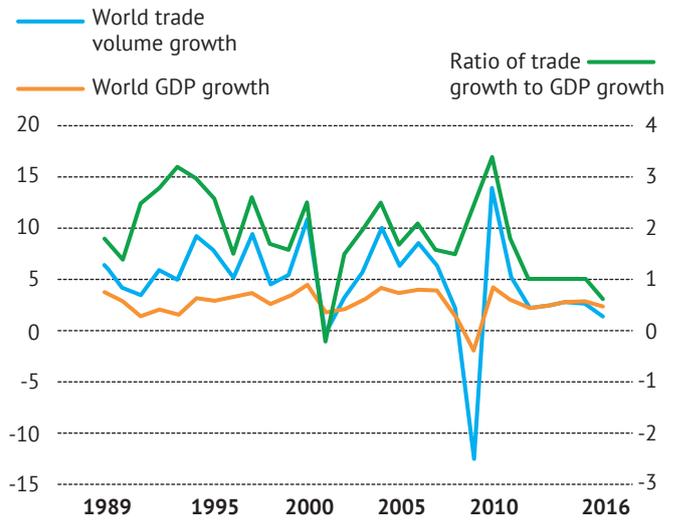
Share of world merchandise trade (%)



Number of preferential trade agreements



Ratio of trade growth to GDP growth (%)



Sources: worldbank.org

and the legitimacy of their rulers. In one form or another, these universal concepts have been part of the international discourse for the past 200 years, and the military superiority of the states professing these values has maintained their pre-eminence.

These values arose after the assertion of monarchical legitimacy following the defeat of Napoleonic France and its reintegration into the 'normal' European powers at the Congress of Vienna. The principle by which the major powers recognized each other's legitimacy served as the universal ethic throughout the 19th century. The competing ethical systems of Marxism and liberalism emerged during the Cold War that followed the conclusion of the 'second Thirty Years' War' in 1914–1945. Their proponents were the Soviet Union and the United States, military superpowers whose might surpassed other countries' might several times over.

If it was difficult before, it will be all but impossible in the new and extremely diverse world that is unfolding to lay claim to a common understanding of what is 'good' or 'bad' for each individual state. Unsurprisingly, it is difficult to reconcile a traditional concept of ethics with the words and actions of the politicians who have come to power in recent years. In fact, ethics have now entirely ceased to serve as a criterion in political decision-making.

As far as it concerns the internal life of the state, the disavowal of all pretence of adhering to some universal ethic might even prove beneficial. Ethics cannot be universal and detached from the culture and tradition of each individual society. They remain important, however, to relations between states. At risk, therefore, are the international institutions that came into being through the fiery ordeals of the 20th century, that represent the crowning achievement of the liberal doctrine and the acme of humanity's political history. We will probably see the UN undergo a transformation as the universal platform for making the most important decisions. The effective paralysis of its Security Council on issues that affect its permanent members has turned the UN into little more than an enormous edifice – one that was erected in the mid-20th century, but that is now devoid of effective governance.

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**The non-material  
component of international  
relations is also crumbling**

The evolution of the United Nations is a process central to world politics, one that will require close monitoring over the coming years. The leading powers are increasingly doubtful that the UN is capable of harmonizing their divergent interests and serving as a body of global governance. If the situation does

## IMBALANCES IN THE GLOBAL FINANCIAL SYSTEM

The global financial system is rife with imbalances that have remained largely unresolved since the crisis in 2008–2009. The key factors contributing to global financial instability include:

- global imbalances: the high trade surplus in Asia versus the trade deficit in the US – an imbalance that has played a major role in trade tensions in recent years;
- the Lucas paradox: relatively little investment flows from developed countries into underdeveloped countries, despite the fact that, according to theoretical models, the lower capital-to-labour ratio in poorer countries should provide a greater return on foreign investment;
- the high level of debt in the largest countries: in the US, the public debt now exceeds GDP, and in China, private sector debt remains a major concern;
- banking sector instability, especially in Europe;
- the increased volatility of capital flows;
- periodic ‘currency wars’ resulting from competitive currency devaluations.

Indeed, the fact that some countries frequently resort to competitive devaluations of their currencies has become a growing problem for the global economy in recent years. After the peak of the financial crisis in 2008, quantitative easing policies in the US set off a chain reaction of similar policies in both developed and developing countries. The fall of the rouble has sparked a wave of quantitative easing in the countries of ‘near abroad’. This year, the world financial market is most concerned about a possible depreciation of the Chinese currency, which could spark competitive devaluations among other players in the world economy.

The paradigm of cooperation and mutual economic openness in the modern global economy has now shifted to protectionist policies reminiscent of the Great Depression of the 1930s. But, whereas high import duties were the main protectionist measure of the 20th century, they are now augmented by competitive currency devaluations. The practice of mutual currency devaluations has reduced demand, thereby contributing to the global slowdown and the so-called ‘new normal’ – a protracted period of slow growth. With signs emerging of currency parity adjustments, the International Monetary Fund is calling on countries to coordinate their financial policies more closely to avoid causing even greater harm to trade and investment.

The floating exchange rate system also increases volatility in financial markets and deprives them of reliable instruments. High exchange rate volatility can lead to fluctuations in capital flows, especially where speculative capital dominates and long-term capital is lacking – and uncertainty in financial markets can adversely affect trade and investment growth. What’s more, unrestrained depreciation of the exchange rate can cause inflation to spike, and this primarily hits the most vulnerable segments of the population hardest. The poor are less able than the wealthy to adapt to a highly volatile exchange rate.

Today’s world economy seems more than ever to be in search of a new system, much as the recovery from the Great Depression eventually led to the creation of the Bretton Woods system. Whether it will be a revival of the gold standard, a new Bretton Woods system, or something else remains unclear. It is likely, however, that the post-crisis arrangement will include changes to the world exchange rate system.

not change fundamentally in the next 15–30 years, the UN could devolve into a set of functional agencies charged with dealing with problems with which the states themselves do not want to bother. In fact, our most perspicacious colleagues suggest that international institutions will come to function as little more than ‘service companies’ for states.

They could accomplish a great deal in this capacity, but they could not achieve the goal for which the UN was created – maintaining peace and civilized relations between the stronger and weaker states. What’s more, as the international community’s very concept of ethics ‘shrivels’, the number of ethics-based issues will also dwindle. Already, humanity no longer concerns itself with the fate of the hungry or simply disadvantaged populations of Africa. It has become, instead, a national security issue of the countries concerned – which must deal with it accordingly.

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**The evolution of the United Nations is a process central to world politics, one that will require close monitoring over the coming years**

It is unlikely the UN can function as an instrument of global governance, at least in the way that many since the Cold War had assumed it could. The UN Security Council, however, continues to carry out the central function of the international institution – that of preventing the outbreak of a major war. After all, despite the assumption that ‘peace will prevail’, the need to prevent a direct military conflict between the great powers has become relevant once again. This makes it vital that all parties exercise extreme caution in responding to calls to change the procedures for the functioning of the Security Council – such as the recurring idea of abolishing the veto, the main tool for avoiding military conflicts between its permanent members.

Also, we cannot rule out the possibility of radical scenarios. For example, the UN as we know it could be replaced by a set of unstable regional associations of interest grouped primarily around China and the US, and to a lesser extent, Russia or India. It is unlikely, however, that such a configuration would be capable of maintaining a single system of rules and ethical norms governing interactions between all states, and would, therefore, prove even more dangerous than the current system. It would effectively return the international community to its pre-Westphalian level of development.

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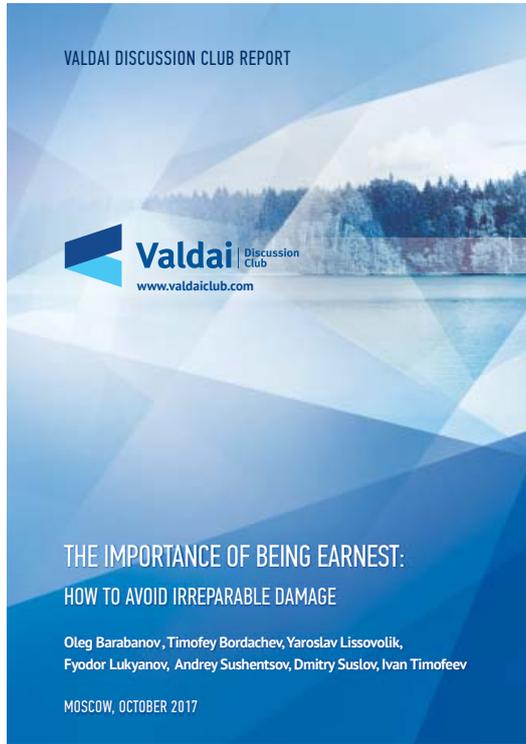
At the conclusion of the First World War 100 years ago, the international players posed the wrong questions. This led to wrong answers, for which humanity ended

up paying an extraordinarily high price. And if we go back another 300 years, to 1618, we find that a set of cultural, religious, social, political, and technological changes gave rise to a tangle of animosities that culminated in the Thirty Years' War. That conflict can rightfully be called the first of the world wars – in terms of the number of victims it claimed as well as the convulsions it caused and changes that resulted from them.

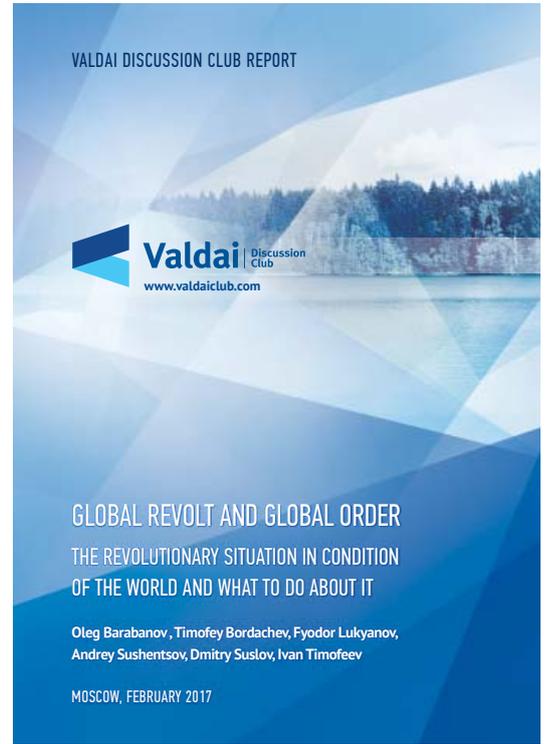
In preparing this report, the authors set out to accomplish a very specific task: spur a conversation about the future of the world order and identify what they consider the most important areas and directions, as well as the calibre of these changes. We consider this imperative because no viable prescriptions or even recommendations for going forward exist. The results of our study, as reflected in previous Valdai reports, have led us to conclude that it is impossible to restore the world order that emerged after 1945. This is by no means to suggest that the crumbling building should be razed this instant (an action that has typically triggered major wars): it is still capable of carrying out a host of necessary functions. We can never fully repair it, however, and the best we can hope for is that it does not collapse completely. In this diverse and highly interconnected world, it is unlikely that states will manage to construct a viable new world order as long they pursue narrow self-interest at the expense of the common good.

Today marks the beginning of the world in which we – and more importantly, our children and grandchildren – will live. To understand what type of world it could become, it is time to study deeply and impartially how the categories of international relations that are important to states and individuals will change. For thousands of years, such concepts as power, morality, and justice have structured relations between social organizations and states – the highest form of human organization. Every large-scale, earth-shaking convulsion in human affairs prompted politicians and experts to re-examine these categories. 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. However, now is the time for questions, not answers.

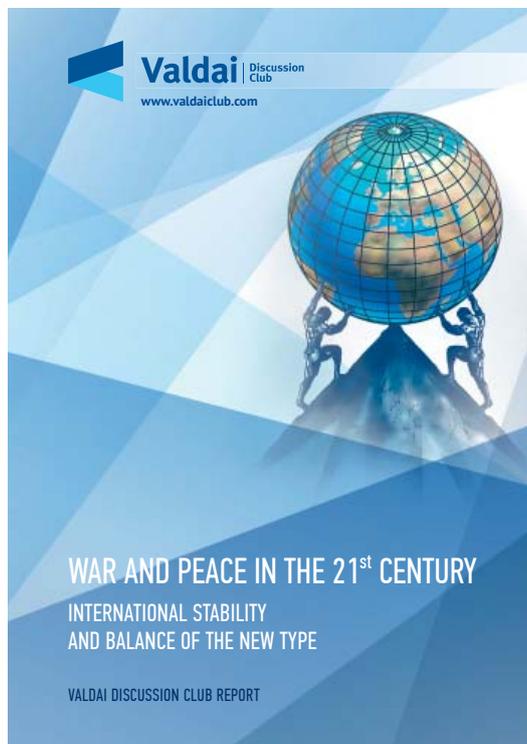
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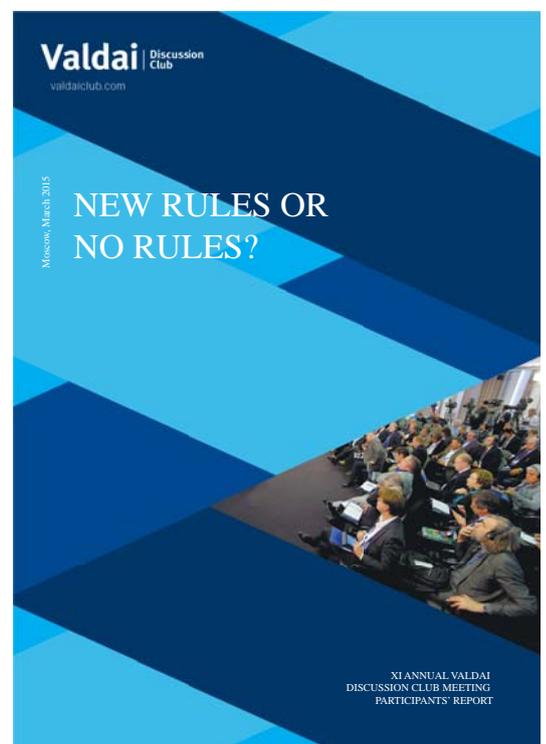
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