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President and founder of Ifri. President and founder of the WPC

Presidents, Prime Minister, Secretary General, Your Royal Highness, Ladies and Gentlemen, I am happy and proud to open this first edition of the World Policy Conference (WPC).

I would like to present to you its aims, and would also like to briefly advance some thoughts about the international situation that should be useful for our efforts. Let me first say a few words about the origin of this WPC, World Policy Conference. We at Ifri took the decision to hold it about a year ago on the basis of the four following points:

First point, the acceleration of history. It is commonplace. The acceleration of history has mainly resulted from the most important revolution of information technologies that we have seen in the history of humanity and will continue in the upcoming years. Thus, for the first time in the course of humanity, truly global issues like climate change – that we actually still don't know how to deal with – have emerged. And there will be many other such issues.

Second point: the conviction that the "end of history", as proposed by the famous expression of Francis Fukuyama was an illusion. An illusion in the political aspect i.e. the naive idea that the Western type of democracy would spread throughout the whole world. An illusion also in the economic order. It was the belief, not so long ago, you will remember, the belief in the abolition of economic cycles, the emergence of nearly perfect and almost transparent markets: "intelligent" markets. To this, we have to add the even more extravagant idea that the markets were going to solve all the problems of humanity, including, why not, the Israeli-Palestinian issue! Presently, we are experiencing the collapse of this ideology of the end of history that I could summarize in the manner of a chemical equation: (democracy + market economy) give (peace + prosperity). We have lived in this naivety far too long. It is over.

Third point: we need states. States are important, simply because, by definition, they represent collective interests. Not only do we need states, but we also need cooperation between states. We need it even more now because of the acceleration of history. To our misfortune, among all human organizations, states are the ones that find it most difficult to reform themselves. They do it far too slowly.

Thus, today we are in a contradictory situation that brings me to the *fourth point*: the necessity for remodeled states and for a both flexible and reinforced cooperation between states in a world and an environment that are changing faster and faster, and all this knowing that states have the greatest difficulties reforming themselves.

This is where the concept of the World Policy Conference comes from, with also four very simple ideas. *The first* one is included in the key word "policy". "Policy" is a difficult word for French people because in French, "politics" and "policy" are translated as "politique". "Policy" refers to practical politics and therefore to action. What we want is to contribute to the emergence of solutions. *Secondly*, the aim of the World Policy Conference is to establish a diagnosis of the state of the world, and to understand where it is going. So, this diagnosis aspect is required to constitute the therapy aspect, it is if you like in medical terms, a prescription to cure dysfunction. *Third feature*, the method. In order to do something constructive, we want, under appropriate modalities, to gather together leaders of the planet, i.e. personalities who really exercise responsibilities. There is a rather large number of leaders who are attending this first edition of the World Policy Conference. And I thank them for their trust, because taking part in the first edition of such an event is always a leap into the unknown. Around these leaders, we want to gather other actors of collective life: from the economical world, firms, the intellectual world, and non-government organizations, etc. It is from the interaction between all these different types of actors that solutions can emerge.

And finally, this Conference will meet yearly. And between each meeting, we will keep working on the ideas that come up and to try to embody them and to get them to the action field. Now, I would like to say a few words about what happened since Ifri launched this initiative. The world has entered a period of turbulence, or the turbulence has increased rather considerably. Allow me to say a few words about this. First, there has been the tremendous aggravation of the financial crisis which began with the subprime crisis. In one year, we have witnessed the successive

destruction of several floors of the pyramid of financial instruments. In a way, we have gone from storm to tempest. Today, we must ask whether we are heading towards a real tsunami. This very morning, there was no good news on the Asian financial markets. During the last months, we have witnessed, if I may say, the end of a reign of opacity in financial mathematics, an era which, paradoxically, has been celebrated for its "transparency". And we have witnessed the end of the ideology of deregulation and of the lax monetary policy of Greenspan, which for a long time was considered brilliant.

The worst part is that following the example of the twin tower disaster of New York -as we cannot help comparing the present events to the image of the twin tower of New York – we are glimpsing the spectra of a collapse of the whole financial pyramid. In a country like France, we are too timid to say the word "recession". But what about the word "depression" which is much more intimidating, and describes the experience of the thirties. Today we cannot help thinking of the thirties.

Facing the situation today, we first have to act right now, and then on a longer time scale. Right now we have to calm the tempest. We have to calm the tempest, without compromising the future. That is the issue that Heads of State and Government, as well as monetary and financial authorities, must face. For instance, after the collapse of the twin towers of New York, September 11, 2001, the Fed, under the presidency of Alan Greenspan, chose a method which averted the immediate threats. However, this method probably led to the creation of the difficulties we are going through today. Thus, today, we must look for solutions that will allow us to overcome the immediate crisis, and not simply postpone the difficulties. I have just talked about September 11, 2001 and the economic reactions at that time. But if we consider the debate which took place last Saturday with the G4, "the European G8", we realize that questions are being raised, for instance relating to the potential reconsideration of the Maastricht criteria. These are the concerns of Jean-Claude Trichet and Jean-Claude Juncker, who should be with us tomorrow and the day after.

Thus governments and central banks have to hammer out immediate solutions to calm the tempest. Are they going to succeed? It is possible. I want to believe it. But this is an act of faith, because talking to you now, it is not a certainty. And subsequently, we will have to devise new rules for the game, avoiding swings from one extreme to the other, because there is the risk to go from an extreme liberalism or a sort of extreme liberalism – called in French "laisser-faire-laisser-aller" – towards the opposite extremity by a classic pendulum movement and yield to the temptation of protectionism - I think that Pascal Lamy will tell us about that tonight - or to the temptation of state dirigisme. So, we have to build, define the rules of game that avoid these two extremes.

The elaboration of a global capitalist system that is both efficient and fair is at stake. And let me insist on both words "efficient" and "fair", because a re-founded capitalist system that is not fair would be on a road to ruin, including inequalities both between countries and within each country. In fact this is the matter of the creation of a new organized and social form of liberalism fitting the new realities of the 21st century. All this, ladies and gentlemen, will not be achieved overnight. It will take time. For this reason, the World Policy Conference has a future ahead of it. It would be very naive for instance, to imagine that a single international conference would be sufficient to rebuild a new international economic system, or even a new monetary system.

Now, I would like to quickly mention an issue that is essential in my opinion, and has been illustrated in the history of the 20th century, that is, the link between economics and politics. Unlike the dream of the end of history, I believe that economics and politics, whether one likes it or not, are inseparable. What happened in the thirties? In the thirties, we observed the concurrence of two phenomena: a political one, the "bad treaties" - as coined by the historian Jacques Bainville -which settled the First World War, combined with the drawbacks of the political economics which led to the Great Depression. The combination of these two related trends led to the rise of Nazism and Fascisms, and finally to the horrors and carnage of the Second World War. All this might have never happened. But one must be aware of the fact that tragedies, under various forms, can reoccur. If we are not able nowadays to go straight, if I may say so, from 1929 to 1945, that is to say to go straight from crisis to reconstruction, we might face again misfortune. We must always have in mind that history is tragic. But despite the September 11 2001, Europe and the United States have forgotten it because we are living comfortably, both in terms of security and economics, in a way unprecedented in history. As a consequence, we are in danger, simply because we have forgotten the inherent risks of humanity.

The fragility of the world, in its political aspect, is typically illustrated by the rising tensions in the relations between the Western World and Russia, these last few years. When we think about it, how can we not be sensitive to the incoherence of our collective actions? I would like to give you some quick examples. First example, the contradiction between the right of self determination of peoples and the intangibility of the frontiers. Since 1989-1991, we have constantly fluctuated between these two principles which obviously conflict. Let me tell you what I think: the way we treated the question of Kosovo does not help us to criticize the application of the self-determination principle in the provinces of South Ossetia or Abkhazia. If we go on hesitating like that, how can we imagine the future of a continent like Africa? Imagine the reconsideration of the frontiers inside Africa, on the basis of the nationality principle or of the right of self-determination. Imagine the results.

Another example which we absolutely must think about - and here again I am telling you what I think, speaking only for myself - is the extension of alliances. Of course I am referring to NATO. How can we manage the extension of alliances, without taking into account the interests of all the actors concerned by such an extension? By analogy I also think about the Iranian crisis. How can we bring any form of peace and stability in the Middle East if Iran is not recognized for what it is, i.e. a major actor of the region? We must face these realities.

To come back to Europe, in the course of the last two centuries, Europe experienced two long periods of peace when it was organized around clear enough principles accompanied by rules of the game. That was the case after the Vienna Congress of 1815, and it was respected roughly until the years preceding the Franco-Prussian War. And the other one paradoxically is the Cold War, after the Helsinki agreements of 1975-76. I believe that, from this point of view, we must seriously consider the propositions of President Medvedev who will be with us the day after tomorrow. I am thinking about the propositions he made in Berlin to consider new rules of the game on the European continent.

To emphasize the importance of the relationship between economics and politics, I would like to suggest that you, that we think about the possible consequences on political relations of a major deterioration of the economic situation. I just hinted at relations with Russia, with the energy aspect in particular, but now consider China. Imagine for an instant that the present crisis produces a breakdown in China's economic growth. The legitimacy of the Chinese Communist Party - for which "communist" now is only a word- is entirely based on economic growth, and the prospects for the people of the continuation of this growth. Imagine the political consequences of a fall in China's growth both in China and around China, let alone the effects of such a break on the rest of the world which in turn might accelerate all the dysfunctions I have been talking about.

I come to my conclusion. First, the 20th century has been short but dense. I think that contemporary essayists and historians who say that the 20th century began in 1919 and ended in 1989, are right. I believe, Ladies and Gentlemen, that the 21st century begins in 2008. We have had a twenty-year transition. And the financial and perhaps economic crisis which we are now in may remain for the historians of tomorrow the starting point of the 21st century. In the foreseeable future, for at least the next 15 or 20 years, the world will be multipolar, heterogeneous and global. These are not empty words. They are, I believe, realities. *Multipolar* means that some sort of balance of power between several "poles" will have to be found. *Heterogeneous* means that there will be no ideological consensus among those poles. This is a fact what we have to learn to live with. *Global*, because the main features of enhanced interdependence, a characteristic of globalization are likely to survive. Thus, we have to elaborate new rules of the game, economic and political ones, accompanied by "confidence building measures", as we used to say during the Cold War. I emphasize once more the interdependence between politics and economics. These new rules will have to be adapted to the new realities, less ideological than those we have become accustomed since the fall of the Soviet Union. The work of rebuilding ahead of us is tremendous. It will not be achieved overnight. However, the credibility of the work of rebuilding must become apparent rapidly, because if it does not, we might experience diabolic sequences of events, such as those of the thirties which I referred to previously.

Presidents, Prime Minister, Secretary General, Your Royal Highness, the first edition of the World Policy conference starting today is entrusted with a task which is ambitious and modest at the same time: to contribute usefully to this rebuilding of the world.

Thank you for your presence and attention.