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The ideas expressed in this article came about long ago and took their final form during the first World Policy Conference held in early October in Evian, France.

The main impression left by the Evian conference for current politics, underlined in speeches by the Russian and French presidents, is that Russia and Europe have refused to follow the Cold War path, on which many Americans and their allies in Europe wanted them to embark, especially after Georgia made its incursion into South Ossetia. At the same time, differences between Russia and the West remain – and not only over the South Ossetian developments.

And now the main point – world history is entering a new era.

Politically, the past 100 years can be divided into three periods. The first period began with World War One, the Russian Revolution and the unfair Treaty of Versailles; then it continued with the first Cold War and ended with Stalinism, Fascism and World War Two. The next period began with the construction of a two-bloc confrontation, the classical Cold War and, simultaneously, the creation of the United Nations and the system of governance over the global economy and finance, which was dominated by the U.S. and the West. This system should have been rebuilt after the defeat of Communism and the breakup of the Soviet Union, which marked the beginning of the third period in the history of the last century. However, the international system was never rebuilt to meet the new challenges and opportunities. The West and the U.S., ecstatic over their new status as winners, decided to leave everything intact. A confused and weakened Russia had nothing to offer. Developing countries were still on the periphery of the world economy and politics. The following decade saw the establishment of a unipolar world based on old institutions.

In order to save NATO – which had lost its main goal – the West began to expand the alliance; however, as time went on, NATO became the main source of tensions in Europe, at least in relations with Russia, and predictably began to restore Cold War stereotypes. The UN kept losing its influence and effectiveness. Ecstatic over their victory, the winners overlooked the beginning of nuclear proliferation to such countries as India and Pakistan and failed to solve a single problem in the Middle East. Having missed the beginning of the Yugoslav war, they launched an illegal attack on Yugoslavia. The U.S. started withdrawing from the arms control system. The system of governance over international relations and security, established over the previous 50 years, was gradually disintegrating.

The tone in the global economy was set by the International Monetary Fund, the World Bank and the Washington Consensus, whose authors argued that the whole world could only develop according to the super-liberal Anglo-Saxon model.

### A FINANCIAL BUBBLE

The world's increasingly rapid economic growth from the mid-1980s throughout the next 20 years was generally interpreted as the result of applying the Washington Consensus prescriptions, although now it is obvious that this growth was not so much due to them as to the huge expansion of the sphere of world capitalism. The markets of several dozen countries and a new cheap labor force made up of over two billion people in East, Southeast and South Asia, Central and Eastern Europe, and the former Soviet Union joined the world capitalist economy. Another factor that contributed to the growth was a technological revolution – this time with an emphasis on information technologies which ensured an unprecedented mobility of finance.

The new growth of the world economy, albeit uneven, was beneficial almost to all, especially to the Old West at the initial stage. The new financial class of the West grew fabulously rich through ever new financial instruments, whose essence many of their creators had already ceased to understand. The U.S. continued to get rich, as well, as it used a U.S.-oriented financial and monetary system which let the new financiers and the country at large live beyond their means.



No one cared to invent a new system for managing the rapidly growing economy. Countries continued to rely on the old, seemingly effective instruments and on the domination of the U.S. dollar. Only Europeans created a local and more or less new system and switched to the euro.

The patently unstable political unipolar world could have been rebuilt after the September 11, 2001 terrorist attacks against the U.S. There was a chance to set up a global coalition led – but not dominated – by the United States. But Washington did not want to share its might with others; it instigated a second wave of NATO enlargement and decided to extend its political and economic model to the Middle East using force. Then it attacked Iraq. Predictably, America overstrained itself. Its reputation as a winner, prestige and influence went downhill.

At the same time, one more powerful process emerged. By the end of the 1990s, the globalization and the increasing openness of the world economy, which initially gave benefits mainly to the Old West, became more advantageous to young capitalist countries. A new industrial revolution began, based on the cheap and relatively educated labor force in China, India, and Southeast Asian countries. Global industrial production began to shift to new centers. China became the symbol of this redistribution of forces in the world economy. The old economic winners suddenly began to lose the competition. Resource flows moved to the younger ones.

The U.S. and the West, carried away by the establishment of the world domination of their political system, overlooked one more revolutionary change – the redistribution, within a surprisingly short period of time, of control over resources, above all oil, from Western companies to national states and their companies.

The increased consumption of raw materials due to the economic growth of young capitalist states triggered a worldwide increase in their prices, particularly oil and gas prices. This factor caused a new large-scale redistribution of finance – trillions of dollars within several years – to extracting countries and their companies. Energy-rich Russia was among the countries that gained from this second wave of resource redistribution. Huge financial bubbles emerged in the U.S. and other countries. An enormous surplus of money appeared in the world due to the vast savings of Asian citizens who had started earning money but who did not have social security systems, and due to a money surplus in oil-producing countries, which amounted to trillions of dollars.

But the main bubbles formed in the United States.

All these basically new phenomena occurred under the old system of regulating global finance. The system almost did not work, but the wealth, which “rained down from heaven,” stopped the mouths of those who warned of the system’s inadequacy and of its inevitable breakdown.

Oil-producing states and countries of the young non-resource capitalism, which had freed themselves from the oppression of the bipolar world, felt increasingly independent. Apart from investing in U.S. government securities, thus financing debts and unbridled consumption, they started buying up Western companies and banks, dumbfounding the Old West and arousing fear in it that their new economic might would inevitably be followed by a redistribution of forces in world politics.

## POLITICAL REDISTRIBUTION

The United States, weakened politically because of the Iraq war and by the overestimation of its abilities, was not the only loser. Western Europe was also intoxicated with victory in the Cold War. Europe, wishing to consolidate the results of victory and having lost strategic benchmarks for its development, launched a recklessly rapid expansion of the European Union. This caused Europe to focus still more on itself and further complicated and delayed the possibility of conducting a common foreign policy. Europe continued to lose its foreign-policy influence, although, unlike the United States of George W. Bush, its soft power – the attractiveness of its development model and the appeal of its lifestyle – was not weakened.

At the same time, it turned out that the Old West’s model of a mature liberal-democratic capitalism, which seemed to have won for good, was no longer the only ideological benchmark for the rest of the world. States of the new capitalism – naturally more authoritarian, in line with their stage of economic and social development – offered a much more attractive and attainable political development model for lagging countries. Moreover, they, and especially China, did

not impose their models in their foreign expansion, but built roads, mines and plants to provide their industrial complexes and markets with raw materials and semi-finished goods.

In many ways, energy-rich Russia, which had dramatically increased its political clout, became the symbol of all those changes, disadvantageous to the West. In addition, unlike a more cautious India and especially China, it assumed a contemptuous and arrogant attitude toward the Cold War “winners” which had recently humiliated it and which had started to lose.

The former “winners” tried to regroup. As if from a horn of plenty, numerous projects emerged for a “union of democracies” – a tragicomic stillborn association of liberal-democratic “elders” against the authoritarian “younger” ones. There also was a desire to take down a peg the “new” ones which had shot ahead. The U.S. nurtured plans to start a kind of Cold War against China five to seven years ago. But Beijing was cautious and, most importantly, it strengthened too fast.

Starting in 2007, the West stepped up its efforts to curb the rapidly growing influence of an ever mightier and more independent Russia.

Georgia went into South Ossetia in August 2008, after which an attempt was made to organize a new Cold War against Russia. The attack on South Ossetia, Russia’s harsh reaction, and the attempt to start a confrontation after that, mainly using NATO, have shown the dangerous non-reconstruction of the European security system, which failed to prevent the conflict. Moreover, the de facto division of Europe into two security zones and the rivalry between them in many ways generated this conflict.

Russia not only retaliated, stopping the killing of its citizens and peacekeepers, but also said “no” to NATO’s further expansion and to the inertia that suited the Old West. Now, even those who did not want to listen can see that the present Cold War-style system of European security, which has been artificially maintained for over a decade and a half, can no longer exist and that it only leads to the escalation of conflicts and ultimately to war.

#### AND HERE COMES THE CRISIS

Back in late August it seemed that the political semi-farcical Cold War – unleashed by the United States and its allies and clients in Eastern Europe and in Britain and which many Old Europeans met with caution but also with sympathy – would be the main political trend for the next two to three years.

But then the global financial crisis broke out, which is now being followed by a global economic crisis. I think the United States and the Old West will now have other things on their minds than conducting a Cold War.

The acute crisis has forced countries to start correcting the entire system of global economic governance. The United States and its ideas of the superiority of liberal capitalism and the limited role of the state in the economy have been dealt a severe blow. Faced with a possible severe depression, comparable to the crisis of the late 1920s-1930s, Washington has decided to nationalize failed system-forming financial companies and banks and to invest hundreds of billions of dollars in the economy. This policy is directly opposite to the Washington Consensus ideology which was so confidently imposed in recent decades on other countries, including Russia. True liberals should have let bankrupt enterprises and the bankrupt policy fail completely and should have made room for the sprouts of a new economy. The U.S. has been followed by other countries in resorting to “socialist” methods to save failed companies and banks.

Reasonable apprehensions have already been expressed that the retreat from the former ideology of super-liberalism may go too far toward an increased state interference and may make the Western economy even less competitive. (I wish these warnings were first heeded by Russia, which is successfully destroying its competitiveness by quasi-socialist and reckless increases of labor costs and by the massive interference of corrupt state capitalism.)

Meanwhile, the International Monetary Fund, the World Bank and even the financial G7 remain silent, although the crisis had been ripening for quite some time. Only Europeans are trying to act jointly, albeit inconsistently and with unknown results.



## CONCLUSIONS FOR ALL AND FOR RUSSIA

It is clear that the global crisis is only beginning and will affect everyone. But it is not clear how and when all countries will jointly start overcoming it.

But we should already sum up the preliminary results of the recent developments.

The period from August to October 2008 will likely go down in history as the start of the fourth stage in the world's development over the past century which began – really, not according to the calendar – in August 1914, closing the door on the splendid 19th century and ushering in the savage and revolutionary 20th century. Actually, the 21st century is beginning right now. (This idea is not mine, but that of Thierry de Montbrial, the founder of the Evian Conference and an outstanding French political thinker.)

This crisis and this new period in world history threaten to inflict inevitable hardships on billions of people, including Russians. Coupled with the aforementioned rapid geopolitical changes, with the collapse of the former system of international law and security systems, and with attempts by the weakening “elders” to stop the redistribution of forces not in their favor, this period may bring a dramatic destabilization of the international situation and an increased risk of conflicts. I would have dared to describe it as a pre-war situation and compare it with August 1914, but for one factor: huge arsenals of nuclear weapons remain, along with their deterrent factor, which makes politicians more civilized. Yet one must keep in mind the objective growth of military danger anyway.

The world economic crisis will fix the new redistribution of forces. But it can also change its speed. When the U.S. overcomes the crisis, it will end up with even less moral and political capital. I do not think that Barack Obama, now viewed as a ray of hope for America, would be able to quickly restore this capital as president. Quite possibly, the crisis will inflict even more economic damage on new industrial giants, especially at first. External markets, on which their growth largely depends, will shrink. The super-fat years will come to an end for oil producing countries, as well, including Russia, which has proved reluctant or unable to switch to a new economy and renovate its infrastructure.

The matter at hand is not just a deep financial and economic crisis. This is an overall crisis of the entire system of global governance; a crisis of ideas on which global development was based; and a crisis of international institutions.

Overcoming this overall crisis will require a new round of reforms, the construction of international institutions and systems for governing the world economy and finance, and a new philosophy for global development.

This crisis will clear out what has been artificially preserved or not reformed since the end of the Cold War. A new global governance system will have to be built on the ruins of the old one.

The time will come for creation.

When this overall crisis is over, its relative beneficiaries will include not only countries that will have been less affected by it, but also those that will have seized the initiative in building a new world order and new institutions. They will have to correspond to the emerging balance of forces and effectively respond to new challenges.

One must be morally and politically ready for that period of creation, and already now, despite the crisis, one must start building up one's intellectual potential so that in a year or several years one could be ready to put forward one's own, well-grounded proposals for rebuilding the international governance system on a more just and stable basis.

Russia has so far proposed a very modest plan for rebuilding the European security system and supported, at last, the idea to establish a new Concert of Nations as an association of not seven to eight old countries, but 14 to 20 of the most powerful and responsible states capable of assuming responsibility for global governance.

We need to go further and start thinking about the future already now – however difficult this might be during a crisis.

I would propose for discussion some principles for building the future system:



- Not boundless and irresponsible liberalism, but support for free trade and a liberal economic order coupled with drastically stricter international regulation.
- Joint elaboration and coordination of policies by the most powerful and responsible countries, rather than attempts to establish hegemony by one country, or a struggle of all against all.
- Collective efforts to fill the security vacuums, rather than create new dividing lines and sources of conflict.
- Joint solution of energy problems, rather than artificial politicization of the energy security problem.
- Renunciation of the recognition of a nation's right to self-determination up to secession if this is done by force. (The wave of fragmenting countries, which began in the 1950s and which received a fresh impetus with the recognition of the independence of Kosovo, South Ossetia and Abkhazia, must be stopped).
- Russia and the European Union must strive not for a strategic partnership in their relations, but for a strategic alliance.
- The goal of development must be progress, not democracy. Democracy is a consequence and an instrument of progress.

Surely, many of the proposed principles will be objected to and rejected. But the habitual politically correct clichés will not help to improve the situation and build a new world. Meanwhile, the time is coming for creation.

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