

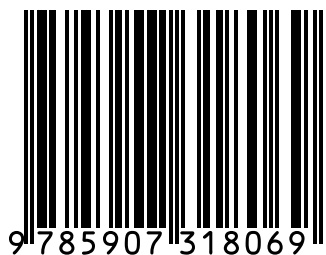


Staying Sane in a Crumbling World

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About the Report

Two years ago, the Valdai Club issued a report, titled “Living in a Crumbling World”, in which it suggested that multilateral cooperation is on the decline. Any crisis of international institutions leads to increasing anarchy – each state is left to rely on itself to solve the problems of survival. The developments of 2020 so vividly confirmed this hypothesis that they surprised even the authors themselves. COVID-19 is a temporary phenomenon, like all pandemics. However, what was happening became a catalyst for processes that had been brewing for a long time.

A sovereign state remains the only institution capable of acting in an organised and efficient manner. The illusion that the state may disappear from world politics, giving way to trans-boundary supranational entities, has finally been dispelled.

The role of the state is also increasing in the economy – in the dispute between public and market interest, the balance is shifting towards the former. Timely responses to non-economic shocks, which are provided by the state and not by the market, are becoming an important economic indicator. Though the economy is global, the politics are still international.

The familiar ideological schematics, especially with respect to the “democracy vs. authoritarianism” dichotomy, have lost their meaning. The crisis has shown that the capacity of states is determined by a different coordinate system. It is more connected with culture and tradition than with political structure. Ethical pluralism – the absence of a “correct” set of values, which everyone should follow – will be one of the main notions of the coming period.

The era of the “liberal world order” (late 1980s – mid 2010s) is over. It was based on a military balance of power, inherited from the Cold War period, as well as a set of standards and freedoms that provided relatively equitable access to the benefits of globalisation for those who agreed to abide by these standards. The experiment failed because it provided for the dominance of a certain group of countries, and this was perceived as unjust by others.

The “showdown” of international institutions reduces the future to two basic options. Under one scenario, the most important institution from the previous

world order (the UN) could be preserved and enhanced with the addition of a new functional infrastructure. The other would see the reintroduction of bipolarity, the clash of two giants (the USA and China), but much more ferocity than that observed during the Cold War. The US-China confrontation will not reproduce the stable United States – Soviet Union model of the second half of the 20th century. There will be an irreconcilable competition among a different set of players amid completely different international conditions. Nuclear weapons remain the main factor protecting the world from a global military catastrophe. But its deterrent potential is not unlimited, and it will be affected by the further degradation of institutions.

The erosion of political structures is compounded by social shifts. An awareness of threats can counterbalance the main distinguishing positive features of the previous era: first of all, the new quality of mass mobility achieved in the current century. The globalised world is turning from a “society of limitless possibilities” into a “society of unlimited risk”. Continuous risk may necessitate global solidarity, but this contradicts human instincts. The principle of “every man for himself” and the demand for enclosure from outside influence can become imperative.

The tendencies towards de-globalisation that appeared years ago take distinct forms. Rational calculations indicate the need to strengthen global cooperation to solve economic problems. But the solutions cannot be achieved only through the demonstration of their necessity. Before the states get convinced to come to the certain settlement, the maximum that the leading economies are able to agree on is to try to minimise damage to others when taking measures to provide for their own salvation.

No matter what scenario the global economy plays out after the pandemic, an excess of resources will be replaced by a deficit, and a toughening in the struggle for them is inevitable. In the least favourable course of events, the norm will be “international political Darwinism”, the most archaic version of international relations.

New forms of global moral responsibility will be needed to reduce threats arising from the objective difference in the balance of power of those seeking resources, which “will not be enough for everyone”. So, we repeat, the choice is simple: preserving the UN as an institution that has proved its ability to maintain peace and, in spite of everything, is the highest possible form of cooperation in international relations, or a pullback into a fierce struggle that is guided not by reason but by instincts. The permanent members of the Security Council, possessing special privileges since the creation of the UN, have a special responsibility to the whole world to ensure that the second scenario does not become a reality.

The Genesis of the Crumbling World

The world has been living in a state of shock since spring 2020. Hardly anyone could have anticipated the events that resulted in lockdown orders for billions of people, brought the global economy to a standstill and rendered most of the international organisations irrelevant. The international community was not motivated to coordinate its efforts effectively during the *COVID-19* pandemic. The imbalance between the causes and the effects is striking. What seemed a fairly ordinary virus with a relatively low fatality rate seriously affected the interconnected world in almost all its aspects.

Just like any pandemic, *COVID-19* will not last forever. However, it will serve as a catalyst for disruptive changes in spheres with no immediate link to this virus. The world has accumulated a great number of problems, so a trigger was all it took to plunge the world into crisis.

Since 2014, the Valdai Discussion Club has been releasing annual reports on the state of the international politics and global economy. The barometer indicated that a storm was brewing amid a narrowing range of possibilities. Calls to set common rules of the game subsided, replaced by an understanding that coordinated norms would not materialise, while future stability would depend on the ability of the players involved to impose rational self-restraints.

The 2018 report, *Living in a Crumbling World*¹, drew the biggest response, in part due to its key metaphor: “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.”

At the time, we were accused of excessive alarmism: despite the obvious problems in global politics, dismantling institutions rather than transforming

¹ *Living in a Crumbling World. Annual report, 2018. Valdai Discussion Club website. URL: <https://valdaiclub.com/a/reports/living-in-a-crumbling-world/>.*

them was deemed unreasonable. The following idea was widely decried: “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.”

The scale of the crisis induced by the pandemic can be attributed to the fact that it was in perfect alignment with the trends that took shape long before China reported its first infection case. Social distancing and isolation are the only effective remedies. This is simply how nature works. One cannot fail to be impressed by how everyone was mentally prepared to follow urgent policies to barricade themselves from the outside world. The ideas and rhetoric that have been polluting international relations over the past 30 years instantly faded away, signalling an end to what seemed like unsolvable disputes and answering a number of essential questions.

The future of the state

A sovereign state is the only institution capable of acting in a relatively organised and effective manner. We have pointed to the resurgence of the state in international politics in a number of Valdai Club reports, or, to be more precise, on how the illusion of the state’s fading role in international affairs fell apart.

Neither transnational corporations, nor international organisations or any other actors can work on solving a problem of a universal scale, while also managing its consequences, from a frozen economy to ensuring that order is respected on the streets. It is to the state that people look up to in times of crisis, expecting it to deliver on its mission to provide for their security and well-being. In fact, they have nowhere else to go. This leads to the situation when the economy is global but the politics are still international.

The erosion of institutions

Faced with this problem, a number of international institutions proved to be irrelevant. The purposes they were designed to achieve are out of touch with reality. The interaction that actually took place was bilateral, on a state-to-state

level. There was a deficit of mutual assistance even within homogenous blocs of countries. NATO did not play any role at all, even though China's experience showed that the military can be useful. The pandemic shock cast a shadow over solidarity within the European Union, relegating to the background the "common values" that are so frequently discussed at various international forums. A serious crisis breaking out was enough to almost eradicate humanitarian issues from the international agenda.

The crisis of conventional ideologies

The *COVID-19* pandemic cast the autocracy-democracy dichotomy into the spotlight, pitching personal responsibility and solidarity within a democracy against oppression and lack of transparency under authoritarian rule, or, inversely, the effectiveness of centralised rule against the sloppiness of an "open society." However, as before this proved to be a false counterposition.

Judging by the experience of various countries in combating the disease, a number of factors rather than simply the political regime determined the effectiveness of the response by the government and society to the challenge, not least culture and traditions that vary from one country to another.

Every state has its own status quo, meaning that it is futile to make any attempt to rely solely on the political factor to come up with a generic response model, or specific models for authoritarian and democratic regimes.

The advent of ethical pluralism

Pluralism is a side product of the radical change the world is going through with the emerging diversity of political and strategic cultures,² while totally excluding the option of bringing them under a common denominator. There is no "one and only" ethical platform behind the political decisions.

The concept of being on the "right side of history," which has been gaining traction over the past several decades, assumed that the social model based on liberal democracy and a market economy was the ultimate moral and ethical truth and that all other countries were destined to adopt it sooner

² See *The Rise of Rimland: The New Political Geography and Strategic Culture report, 2018*. Valdai Discussion Club website. URL: <https://valdaiclub.com/a/reports/rise-of-rimland/>.

or later. Without going too deeply into the debate over the strong and weak points of this model, it can be argued that this model failed to prove that it could be effective at a universal scale. The series of crises that culminated with the *COVID-19* pandemic showed that countries tend to rely on their own social and cultural experience to find a way out, while attempts to apply alien recipes only make things worse. Therefore, countries cannot be guided by a single set of criteria for understanding international processes and situations, rather each country shapes its policy based on its own ethical norms that cannot be regarded as being right or wrong. They are just different from one another.

Lack of prospects for speculative economy

The epidemic accentuated the gap separating public and real economics. In a normal situation, people rely on economic growth figures, as well as a variety of indices and rankings, compiled for any possible occasion, to gauge economic performance. However, *COVID-19* showed that growth cannot be equated with development. Impressive indicators in flashy presentations for investors are not tantamount to having a reliable healthcare system and good governance.

Once again, this pitches the interests of the market and the public against each other. What kind of a healthcare system do we need? From the market's perspective, spending too much on improving healthcare seems excessive and calls for cuts. In the unlikely event of a crisis, even an extremely developed healthcare system would still end up being overwhelmed. The same applies to other institutions, including education, research, social insurance and the military. As a result, the available resources, as well as the specific notions of what is needed and appropriate here and now, serve as the utility criteria. Resilience to various kinds of shock becomes a major economic indicator.

This leads the state to expand its role in the economy, while the economic theory that dominated the liberal world order preached minimising state interference. Today, decentralised and privatised healthcare systems have found themselves unable to cope with a disaster of this scale, leading governments to gradually take the healthcare systems under their control, sometimes openly and expediently, as was the case in Spain. Generous government subsidies offered to major companies imply that

these companies will be more accountable to the government for how this money is spent. During post-crisis recovery corporations in various sectors could be covered by this approach.

All of the above does not mean that the fundamental questions about the functioning of the state, society and the economy have been settled once and for all in favour of dirigisme. This is an ongoing debate, and the dominant narrative will shift depending on the historical period.

However, one thing is quite certain: this is the end of the liberal world order, an era that lasted from the late 1980s to the mid-2010s. The answers that were given during this period are no longer relevant.

The Growing Anarchy and Risk of a New Bipolarity

From the perspective of world politics, the end of the Cold War led to the establishment of rules and customs that ensured a relative “harmony of interests”, giving everyone a fair share in the proceeds from globalisation. This, along with the fact on the global level the military status quo inherited from the Cold War remained in place, brought about a set of rules designed to encourage international cooperation and restrain the egocentric aspirations that are inherent to any country. This international framework was regarded as the pinnacle in the centuries-long evolution of global politics. Closing so many borders, freezing contacts and curtailing cooperation amid the pandemic are nothing less than an outright assault on one of the cornerstones of international politics that took several centuries to crystallise. Tension has been mounting for quite a while, so this destructive blow did not necessarily come about as a result of the spread of the coronavirus. *COVID-19* became a trigger that set off an avalanche.

There is now hope among politicians and intellectuals that the Third World War will play out in its “softer” version in the form of the pandemic and the global economic crisis, levelling the playing field, and enabling the world to turn the page, leaving all the accumulated imbalances behind. There is every reason to believe that this will not be the case. In a crumbling world, countries

will have to face up to regular shocks of this kind. Moreover, they could become a routine, albeit dramatic, occurrence.

It is quite natural that the response to these developments primarily focuses at the national level. The least that nation states can do is assume responsibility towards their own citizens. Imagining a common response is impossible, even for the European Union, which is an example of the most advanced international cooperation. Incidentally, it was this international association of countries that was the first to show signs of strain, despite the fact that in the pre-pandemic era its members achieved utmost perfection in shaping relations between them. However, in doing so they pursued a specific objective. Cooperation and mutual assistance become inoperable when the most influential members of the community no longer need to cling to their dominance. The problem is not that the attitude adopted by the states is natural (as is the case now), but that they had excessively inflated expectations of how their cooperation would work out. The state, by definition, constitutes the highest and the most responsible form of social organisation. There is simply no other institution that could play this role. It is at a time of crisis that everyone suddenly rediscovers this, although even during calmer periods the state remains the inevitable bedrock of the world order.

That said, the failure of the experiment with the liberal world order could be a huge step backwards for humanity in terms of its ability to promote closer political ties between various communities (states). The post-crumbling world faces a clear choice. It can opt for a simple solution in the form of a revisited bipolarity, or for a more complex solution consisting of preserving the cornerstone of the past arrangement (the UN) and using it as the foundation for building a new and effective infrastructure. Under the first scenario, what remains of the institutions inherited from the past era would perish, while the standoff between the two superpowers could dwarf the Cold War confrontation. However, if we take the second path, there is a chance that civilised communication channels would remain in place.

Since both scenarios are possible, focusing on the diplomatic front could provide a suitable path towards a solution. We have to be mindful of the fact that hardball negotiations and power politics underpin the effectiveness of international organisations and their ability to provide for the interests of the parties involved with relative justice. The attacks by the United States against the WHO in April 2020 should not be regarded as insane or destructive, but rather as an attempt to put a halt to the shifts resulting from the build-up of China's interests to the detriment of the US.

The most acceptable option for rebuilding the world order would be to strengthen the UN Security Council as the “world government” with a mandate to decide on the questions of peace and war that are essential for the survival of states. The Security Council is the most representative international body in terms of the aggregate power of its members. It derives its legitimacy from the military might of its members, as well as international law.

However, there is a major obstacle in the form of the continuing shifts in the global balance of power and the accelerated advance towards a new bipolar world order based on the confrontation between the United States and China. This scenario would be a threat to both liberal and alternative (for example, the BRICS) institutions, since it would require everyone to take sides. It is also the most likely one. Other countries, especially middle powers and small states, would experience much harsher treatment in a bipolar world in its most probable US-China manifestation, even compared to the period marked by attempts to build a unilateral world order.

The prospects of the emergence of a new bipolar world order were discussed in a number of Valdai Club reports. We believe this scenario to be quite plausible. However, in 2018 and 2019 we were increasingly inclined to consider that even this kind of order can hardly be achieved. We argued that there will be a “world without poles... a crisis scenario that leads not so much to a new balance as to an all-out reset of the institutions, power, production modes, and international relations.” We could face a situation when the two options would not be mutually exclusive.

Even if the international community comes up with coordinated responses, this would not resolve fundamental issues. In fact, everyone has grown used to the existing world order, and its crumbling is a challenge for Russia and India to the same extent as it is for the United States and Europe.

Both Moscow and New Delhi were eager to improve the world order and eliminate unfairness in the treatment of their interests. However, they did not intend to dismantle it or make any revolutionary changes. At the same time, the failure of the liberal world order is not a problem for China, even though it probably benefitted the most from it. Today, China like no other power has the resources to reshape the world order as it sees fit.

China's ambition and confidence have been on the rise due to the progress in battling the pandemic, naturally prompting many other states to follow its lead as a country that succeeded in neutralising threats to its population, and even in helping other nations. The United States shows no sign of being able to move beyond straightforward competition as the main development driver. It will have to reconsider its place in the world and scale back its ambition, while China is moving in the opposite direction. The greatest threat to international security lies in the fact that the two are headed in opposite directions.

Confrontation in various spheres, as well as attempts to gradually remove China from the essential production chains could bring about a conflict. Today, China dominates (and in some sectors monopolises) the production chains of a number of leading Western corporations. Having found themselves in the midst of the US-China trade war, some US companies have already started looking for alternatives. With the pandemic, the confrontation reached a new height: the simmering information war with the two countries accusing each other of artificially creating the coronavirus could have a toxic effect on international relations in the near future.

To some, bipolarity may seem a familiar scenario and not the worst one. After all, the world did not fall apart during the Cold War. This is a dangerous illusion, however. The standoff between the US and China is a far cry from the stable model of relations developed by the United States and the Soviet Union in the second half of the 20th century. It is better described as an irreconcilable confrontation with new forces at play in a totally different international environment. Today's world is too complicated for a return to the situation prevailing in 1945-1990 when the existing international political framework took shape. At that time, each of the two conflicting superpowers was at the centre of their own political and economic orbits, existing under specific laws. The two worlds came into contact only when they competed for territories, i.e., on the periphery. The clash between them focused on the social order, development priorities and lifestyle, which are

ethical categories, rather than military, political or even economic matters. In fact, the whole system was structured around these ethical norms.

Today, there is a stark cultural difference between the main opponents, while they are closely linked by the globalised market economy and are part of it. They are close to parity in terms of their capabilities. Therefore, what we are witnessing is a throwback to the period on the eve of the First World War, marked by competition arising from imperialistic aspirations, rather than a return to the relatively structured Cold War period, especially considering the questionable ethical principles underpinning the aspirations of those seeking to ascend to leadership. Neither China nor the US can match the moral power (allure) of the USSR and the West during the Cold War, they do not offer any obvious alternatives.

Nuclear capability remains the main factor preventing the world from sleepwalking into a global military disaster. It is a great, albeit limited, deterrent. So far, war (meaning the use of military force to resolve differences) seems less likely than during any other period in human history. But as we get used to living in a crumbling world, this factor of stability could be affected by the degradation of cooperation frameworks. Consequently, from a political standpoint it is essential that falling into a state of primitive anarchy does not become a habit.

We described anarchy as a new (revived) model of international relations in the 2019 annual Valdai Club report, *Time to Grow Up, or the Case for Anarchy*. In this paper, we emphasised that anarchy is a natural state of international relations. While it does aggravate risks, they can be offset by actors showing more responsibility and understanding that anything they do would be met with retaliation, prompting them to consider their own capabilities and the possible response. Unfortunately, the latest international developments suggest that this anarchy could be even more destructive with actors increasingly guided by instincts.

The Great Equaliser

The pandemic pushes us to revisit concepts that used to be regarded nearly as axioms in past decades. The idea of dividing countries into those that are “free” and those that are “not free” which was central to the ideological model of the world in the 20th and early 21st centuries, has now suffered a major blow. It has turned out that many of the social levers that autocrats were previously blamed for using are now not just usable, but very popular among democracies.

Overall, the revival of the state has diverse implications. Quarantine measures augmented by the extensive opportunities offered by modern technology provide states with ample opportunities to develop tools for controlling society. The emergency can now justify what used to be viewed as a violation in terms of law or ethics, while authorities face hardly any restraints in terms of declaring a state of emergency, or determining its terms and duration. Relying on geolocation to trace contacts with potential carriers of the virus, using artificial intelligence to monitor quarantine violations and face detection to track the movement of people and many other solutions that were previously taboo are now considered a necessity.

State control methods will gradually permeate the capitalist economy (monitoring employees, for example), giving a new meaning to Michel Foucault’s idea of power as a means of controlling the human body in time and space. We could see new forms of dictatorship and enslavement, and modern-world versions of Jeremy Bentham’s social prison and panopticon. Biotechnology has all chances of becoming another dividing factor. Express tests in airports, new solutions for protecting employees, disinfection and health monitoring could become just as common as the metal detectors that became widespread in the early 2000s to fight terrorism. This time, however, the alienation both within and between states will be much deeper.

On the flip side of the coin there will be new forms of protest, social mobilisation and aggressive non-conformism that will become much more likely and intensify against the backdrop of the coming economic downturn. Growing unemployment and popular discontent with ineffective crisis mitigation measures, as well as insufficiency of government support could serve as a trigger.

The type of government is unlikely to play a decisive role in the dichotomy between dictatorship and freedom. There will be a universal push towards greater control, on the one hand, and resistance, on the other.

Finally, a new vision of mobility will become a defining characteristic for the new society. The cross-border mobility of the globalisation era may well become a thing of the past both as a behavioural practice and a moral tenet. It will be considered safer to avoid extensive contacts and stay at home, both in the immediate and broader sense. The world would undergo momentous change if the fear of an open society were to take hold. The pandemic abruptly stopped tourist flows that have come to symbolise global unity in the 20th century and were among the most visible achievements of globalisation. It will take a long time for the sector to recover, and it may never reach its pre-coronavirus levels.

Over the past half a century, humanity benefitted from unprecedented growth rates. Globalisation took shape not only as an idea of building a single economy on a global scale but also as a means for people to move around irrespective of state borders. The advent of universal connectivity covered states and society at large, gradually leading to the emergence of a truly global society with cross-border links, shared interests and values. At the political level, the concept of global governance took root on the back of this transformation, along with the first signs that international cooperation could evolve into a single global policy. At any rate, this is how processes that started in the late 20th century were interpreted. At the same time, globalisation became part of national foreign policies, helping some countries become stronger and weakening others.

While some mainstream politicians may have fears regarding the erosion of sovereignty, no one questioned the economic rationale of globalisation, usually leaving it to futurologists to ponder over these topics. The debate on resource constraints to human development has been raging since the late 1960s and early 1970s, influenced by reports released by the Club of Rome. The world was said to lack fuel, arable land, fresh water, etc. Some of the suggestions in this debate were intentionally catastrophist, leading to the conclusion that humankind had to stop believing in progress as the main development driver. It was argued that future generations would be worse off than we are. This meant that the outlook was quite bleak. The UN responded to these warnings with a campaign in which it persisted

in stressing that growth was inevitable. This is how the term “sustainable development” was born within the UN. While stressing the need to take care of the environment, it did not question the global commitment to sustained economic growth.

That said, in recent years the theory of a global risk society has been gaining traction among sociology scholars, as well as more broadly in the information and cultural space, based on the works by a number of European sociologists, most notably Ulrich Beck and Anthony Giddens. The gist of this concept is that as social and technological links between people become increasingly complex at a global scale, it results in an almost inevitable increase in the accumulation of risks, and their cumulative effect could threaten the entire global system.

There can be a variety of risks and resulting catastrophes. On the one hand, they can be technology-related. It is not a coincidence that the global risk society theory became especially popular in the aftermath of the Fukushima disaster. On the other hand, there are natural hazards stemming from imbalances in human environmental impacts. It is clear that this perspective blurs the lines separating a rational view, on the one hand, and irrational and mystical thinking (nature avenging humans), on the other. This gave rise to a form of environmental eschatology and the aesthetic of catastrophism. Greta Thunberg has come to symbolise the approach whereby irrationalism of this kind manifests itself from carefully calculated emotional impacts.

Up until a few months ago the debate on global risks largely revolved around climate change and the international response, from the Kyoto Protocol to the Paris Agreement, mostly regarding mid-to-long-term projections. However, the coronavirus pandemic signalled the urgency of environmental and social risks resulting from globalisation. In fact, against the backdrop of climate change, epidemics and pandemics and other natural and man-made disasters the global risk society could well be regarded as a real alternative to the existing concept of globalisation. Therefore, understanding how new risks affect the global political system and the evolution of the world order is essential. This transforms strategic planning into global risk planning. However, during the pandemic the “social distancing” phenomenon took on a universal dimension and proliferated among international actors, calling into question humanity’s ability to join efforts to fight global challenges.

If the advent of the global risk society is inevitable, this means that we are on the brink of a radical transformation of social relations, behaviour patterns and morality. Looking at the world through the prism of constant risk exposure changes the perspective, bringing a different set of ethical categories to the foreground. Will the very notion of progress remain relevant in a global risk society? This is now a key question. If the continuum of disasters is a norm, rather than an exception, it has to be understood that other calamities will follow after the coronavirus. This means that the goal of achieving “sustainable development” along with the commitment to constantly improving the quality of life and expanding the comfort zone become unaffordable luxuries. In this framework, human efforts will focus on damage mitigation rather than development.

This changing reality pushes us to rethink the ethical aspects of relations between the “golden billion” and the rest of the world. The virus has become the “Great Equaliser” that has spared neither rich nor poor. In this context, while the developed world seemed far ahead of the developing countries in terms of improving the quality of life and its expectancy, this advantage proved much more elusive than previously thought.

For example, with the progress in healthcare over the past decades it seemed that only third world countries would suffer from epidemics of infectious diseases, such as dengue fever or Ebola, due to chronic failures and lack of proper sanitation and hygiene. Developed countries received only routine news reports on the horrible epidemics sweeping faraway lands without any direct link to the “civilized” world. Those who did not want to stand aside would try to compensate for this generalised apathy through philanthropic undertakings or volunteer NGOs. For the West, even outbreaks of infectious diseases, including SARS or the swine flu in China, the main emerging power, fell into this convenient paradigm that divided humankind into first- and second-class people.

The coronavirus outbreak in Europe and the United States has changed the way people understand success and failure. First, it has become clear that the most advanced healthcare system with the latest technology cannot overcome a massive outbreak of a not very complex but severe and highly infectious disease. Second, locals in third world countries started treating white tourists and business travellers as plague-stricken when they were stuck far away from home after their flights were cancelled. Xenophobia quickly reversed course and was no longer directed from the rich to the poor, but vice versa.

Brought into the spotlight by extreme conditions, these mental patterns will fade over time, but will leave their mark.

The paradox is that, on the one hand, constant risk calls for much more global solidarity than before. On the other hand, this runs counter to human instincts. The “every man for himself” principle and the demands for societies to be sealed off from outside influences could become imperative for public opinion and politicians. This will definitely affect economic development.

Safety Net

For now, it is hard to describe the economic implications of this extraordinary situation, even though there is widespread consensus that they will be momentous. What sets this global pandemic apart is that it has literally caused the entire world to bring economic activity to a halt. Instead of the chain of consequences that usually follows a crisis, we have witnessed the entire system being placed on pause.

The world economy is about to be reformatted. This implies more than the inevitable exacerbation of economic contradictions between the major actors, principally China and the United States. The new risks will cause the global and regional value-added chains to change.

The crisis has aggravated the setback to the world economy brought about over the past few years by protectionism. Vital medicine and medical equipment were subject to trade restrictions during the pandemic. As the disaster unfolded, none of the prior sanctions were lifted; moreover, the United States announced possible additional sanctions and protectionist measures.

This course of events does not seem to justify the hopes of some leading economists (including Nobel Prize winner Amartya Sen) that the post-pandemic global economy will finally find the “moral compass” and begin to emphasize the development of “human capital.”

Of course, no one could have predicted this turn of events. Still, the Valdai Club’s reports and papers repeatedly highlighted risks related to exacerbating trade disputes between countries and the weakening

of international cooperation frameworks. The economic crisis induced by the *COVID-19* became a shock for multilateral institutions and cooperation, disrupting transport, trade and economic ties between countries and regions.

In our reports we emphasised the need not only to strengthen the existing multilateral mechanisms, but also to develop new ones. In particular, over the past year the Valdai Club proposed creating a kind of safety net³ in the form of a preventive mechanism for enabling countries to coordinate efforts to counter a crisis before it occurs. This effort primarily consisted in having the world's largest economies set up an ex-ante system for coordinating their economic stimulus measures. The 2020 crisis revealed the importance of adopting this approach. If a model developed and prepared in advance had been put into action, it would have improved the stability of market expectations and boosted confidence among companies, investors and consumers.

What we are witnessing today is a series of hasty and disparate measures that fail to prop up the markets. During the March extraordinary virtual G20 Summit the leaders simply tried to persuade each other to avoid, if possible, inflicting any damage on others when implementing their own mitigation efforts. They failed to move beyond this point.

There are serious reasons to believe that things will get only worse as the economic downturn inevitably deepens. The world economy needs a transparent, effective rules-based mechanism for implementing a coordinated economic growth stimulus policy instead of having a small group of major economies devise ad hoc mechanisms in the midst of the economic downturn.

Over the past year we noted that “limiting the coordinated fiscal response solely to the country level significantly restricts the scale of resources that may be devoted to fiscal stimulus at the global level. There needs to be an ex-ante mechanism that allows for a coordinated response across all layers of the Global Financial Safety Net and the use of an entire array of reserves and resources to deliver the stimulus.”⁴

³ See Yaroslav Lissovolik, *Regionalism in Global Governance: Exploring New Pathways*, 2019. Valdai International Discussion Club website. URL: <https://valdaiclub.com/a/reports/regionalism-in-global-governance/>.

⁴ See Anton Bespalov, Andrei Bystritskiy, Yaroslav Lissovolik. *Regional Trade Blocs as Supporting Structures in Global Governance*, 2019. G20 Insights. URL: https://www.g20-insights.org/policy_briefs/regional-trade-blocks-as-supporting-structures-in-global-governance/

We also said⁵ that the involvement of regional institutions such as regional development banks as well as the regional integration arrangements could be an effective way to improve the stimulus. As part of the measures for fighting the economic crisis, the IMF noted the need for coordinating actions with regional financial institutions. We stressed⁶ the need to coordinate crisis mitigation efforts with regional integration associations such as the European Union, ASEAN and the Eurasian Economic Union. This is due to the significant capability that regional institutions possess in tracking intra-regional processes as well as their experience in coordinating national economic policies within their respective regions. Engaging regional cooperation mechanisms, developed within regional integration arrangements and development institutions, including with funding from regional development banks, is equally important. With so many countries closing their borders and going into lockdown the operating margin for interstate institutions has been greatly reduced, but when the process of reopening begins, as it inevitably will, regional associations could play a leading stabilising role, since neighbouring countries not only share the same markets but are also affected by the same problems, which means that working together to solve them makes total sense.

Just as we suggested in 2019, creating a crisis response mechanism could be part of an even larger-scale initiative to build a new global economic architecture with the involvement of regional actors. We proposed creating a new cooperation framework for regional integration arrangements and institutions coordinated by the G20. The resulting grouping could be designated as the Regional 20 (R20), bringing together regional integration associations and institutions in which the respective G20 members would play a leading economic role.⁷ This would promote greater horizontal coordination among regional institutions, while at the same time stepping up vertical cooperation with global multilateral organisations. For example, regional financial mechanisms could work with the IMF, regional development banks could get involved with the World Bank, and regional integration associations, with the WTO.

One might assume that factors such as geography and distance in trade flows would lose their importance in the post-pandemic world

⁵ *Ibid.*

⁶ *Ibid.*

⁷ See Yaroslav Lissovlik, *Regionalism in Global Governance: Exploring New Pathways*, 2019. Valdai International Discussion Club website. URL: <https://valdaiclub.com/a/reports/regionalism-in-global-governance/>.

economy. Meanwhile, the presence of digital technologies and remote communications will be growing. No transformation of global governance is possible without the creation of functional new ways of regulating the world economy in order to counter global threats related to cybersecurity, pandemics and manmade disasters. Ideally, measures should be taken to reinforce such global institutions as the World Health Organization or the International Organization for Migration.

The main lessons of the ongoing economic downturn should be the need to create a more balanced and inclusive global economic system that would include coordinated crisis response mechanisms agreed in advance, while relying on the extensive potential for working with regional groups and development institutions.

That said, we have to acknowledge that in the post-pandemic world the economy could follow a path that would make all the proposals that have been made until now irrelevant. By their sheer scale, these developments will outweigh any measures discussed so far.

Special Responsibility and a Moral Imperative

The Second World War arose from a multitude of processes to become the bloodiest of all the wars in human history. Among its main catalysts was the profound economic crisis of the late 1920s and the first half of the 1930s that came to be known as the Great Depression. Today this term is often mentioned in connection with the economic aftermath of the pandemic. Gloomy forecasts are by no means in short supply these days. All historical parallels are relative, since history never repeats itself in exactly the same way. Still, the sharp fall in resources available to national governments and international organisations is the most alarming of all the changes we are witnessing.

Excessive possibilities used to be the norm. This is what the era of liberal globalisation taught the world in the late 20th and early 21st centuries. Of course, various resources are not distributed in a uniform manner, but overall they are plentiful and available whenever an urgent

need arises, although the terms for accessing them may vary. Debt accumulation became common practice, promoted by the increasing availability of refinancing tools relying on funds from around the world that were not tied to a specific industrial potential. Of course, not every country had the political weight to plug a financial hole of any size. But even going bankrupt at the state level, which a number of countries experienced, would not change the way these countries managed their economies. First tier countries had the resources to back their economic needs with political power, and had no qualms about creating financial pyramids, confident in their ability to operate them for an indefinite period of time.

This excess in resources is irreversibly becoming a thing of the past, no matter which of the possible scenarios materialises in the development of the world economy after the pandemic. Instead of this excessive capacity, we will live in a world with a deficit of development resources. Competition for them will inevitable intensify. Major social and economic challenges threatening all states without exception and the lack of mechanisms for ensuring even basic justice or a universally recognised international system of norms and institutions will only exacerbate risks. In the worst-case scenario, the most archaic version of international relations in the form of “international and political Darwinism” may become a common reality.

The last of the world wars ended 75 years ago. Since then preventing a disaster of this scale from repeating itself has been the main imperative in international politics. This was made possible primarily through the system of institutions created by the victorious powers in 1945 and based on the balance of power between the main parties. The international order that emerged back then and remained mostly intact even after the end of the Cold War resulted from the experience of the first half of the 20th century. Today, we are witnessing the crumbling of these institutions. However, the challenges in a world that is still interconnected, much more complex and deficit-driven highlight the need to be especially diligent in following its “safety rules.” “Force” and “morality” must become the basic tenets for any emerging system of relations. These are natural factors embedded in our consciousness. Morality does not necessarily result from force, as confirmed by the failed attempts by the United States and its allies to build a unipolar world after the end of the Cold War.

The pandemic creates a lot of anxiety about the future, while also offering an opportunity to discuss new forms of global moral responsibility

irrespective of national priorities or the inevitable power politics. The goal is to mitigate threats arising from the objective imbalances in the race for resources when “there is not enough of them to go around,” as well as to prevent a totally unacceptable situation in international politics for both strong and weak nations. This may seem rather naïve against the backdrop of the United States and China trading insults regarding the source of the infection. But the very idea that relations between nations could depend on an abstract notion of justice rather than merely on their individual strength was just as naïve only a century ago, in the aftermath of a cruel war.

It would not take much to start moving in this direction. Unlike at the time of the Black Death in the mid 14th century, states have the technical capabilities at their disposal to create a single platform for fighting pandemics and natural disasters. In the context of *COVID-19*, the World Health Organisation has been working proactively on a wide range of medical problems, and the outbreak highlighted how meagre its resources are. The WHO’s 2020–2021 budget is just \$4.84 billion, and could be substantially lower considering the refusal by the United States to finance its operations. Designed as an irreplaceable focus point for medical information from around the world and the backbone for the international medical community, the WHO lacks the tools for a proactive and decisive engagement on the ground. There is a need for a new approach whereby states agree to either vest this organisation or any other entity based on it with real authority in order to counter global pandemics that could be much worse than the current outbreak. Global power institutions (the UN) could be backed by global moral institutions, for example, a universal agency on pandemic prevention, in order to ensure justice for all, at least on this narrow issue considering its urgency for the international community.

The post-*COVID-19* world will be different and marked by bitter conflict. In autumn, many heads of state will converge in New York City (hopefully they will be able to do so considering the epidemiological situation) to mark the anniversary of the United Nations Organisation and celebrate its contribution to preserving peace on Earth. Leaders of the most powerful nations representing the permanent members of the UN Security Council will meet on the side-lines of these celebrations. The initiative to hold this summit came from the Russian President, and was supported by the leaders of Britain, China, the United States and France. These

countries pioneered the UN system 75 years ago, officially proclaiming the commitment to sparing succeeding generations from the scourges of world wars. Today, this goal is no less urgent, given the sharp escalation in the conflict potential and the need to counter a growing number of diverse threats.

The world has radically changed over the past decades. However, the United Nations Organisation must still be regarded as a valuable asset to the international community because of its ability to deliver on its key mission and despite the inevitable shortcomings. The UN survived through the most challenging times after the end of the Cold War, and this was not a coincidence. In a crumbling world no other viable alternative exists or can be invented. The choice is simple: either preserve the institution that represents the highest form of international cooperation, or fall back into harsh competition guided by instinct rather than reason. Countries that have been vested with special privileges since the establishment of the United Nations have special responsibility to the entire world to prevent the second scenario from becoming a reality.

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