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QUESTION

What is the Position of the developing countries in the present world order?

The world is undergoing a momentous political, economic and social transformation and this is leading to major shifts in inter-state relations. The centre of gravity of the global economy is shifting from the trans-Atlantic to the trans-Pacific and in its wake existing security arrangements and alignments among states are also undergoing a change. The emergence of China as a front ranking power is one aspect of this transition, but Asia is now home to a cluster of major powers deploying significant economic and military capabilities. The trend towards multipolarity in Asia appears to be irreversible but this diffusion of power requires an appropriate economic and security architecture.

The global role of the developing countries came to the forefront in 1974, when the United Nations General Assembly promulgated The New International Economic Order.

Since then, the countries of the Global South, particularly China, India, Brazil, Saudi Arabia, South Africa and Qatar, made an indelible impact upon the world's economic architecture.

However, their true influence became starkly illustrated during the onset of the 2000s, when several seismic events occurred. The September Eleventh terrorist attacks — with the resultant debilitating wars in Iraq and Afghanistan — extreme world commodity price increases and the global financial crisis of 2007–2008 all served to wrench the epicenter of global influence increasingly southward. While the developed countries of the Global North became mired in economic stagnation with problems associated with the global financial crisis, their collective influence waned. Since then, the world has been attempting to accommodate, somewhat unevenly, the rising geopolitical and economic clout of the Global South.

The shift of economic power in the direction of Asia has been made possible by, and in turn has helped accelerate, a number of other developments that are dramatically altering global economic arrangements. Now that national or regional barriers restricting financial flows no longer exist, and neither technology nor management and marketing techniques observe any boundaries, the key prerequisites of economic success are increasingly transferable from one country to another. At the same time, the failure of Communism and general spread of economic liberalization have brought previously isolated countries—the most spectacular examples being China, India, and Vietnam—into the world economy. This development has resulted in fierce competition for foreign investment among countries previously hostile to it, as well as the sudden entry of 2.5 billion people into the global marketplace.

All these conditions, in the meantime, have helped bring about what is now a worldwide delocalization of industrial production. That phenomenon lies at the very core of the worldwide economic revolution and is gathering momentum. Countries that only 10 years ago were confined to low-tech, labor-intensive economic activity are now able to produce, at low cost, goods and services that were previously monopolies of the advanced industrialized nations. One especially notable example is Malaysia, which over the past 20 years has shed its dependence on commodities to become the world’s leading producer of semiconductors, and which now discourages labor-intensive industry.

The new economic world order will also increasingly result, as it has already, in variable, ad hoc alliances on the international trade scene. Europe, for example, now suffers from a huge trade deficit with Japan and voices the same complaints that the United States does about barriers to the Japanese market. Yet Europe refuses to follow Washington in its efforts to set numerical objectives, because doing so could backfire in its own disputes with the United States. However, at the same time, Europe *is* cooperating with the United States in its attempts to link international trade rules with issues such as social and labor rights.

In short, the revolution in the world economy—with the requirements that it puts on both countries and corporations—means that traditional trade policies are becoming more and more inadequate and may even prove harmful in their capacity to set off chain reactions that can rapidly burst out of control. Today, as countries face the challenge of establishing comprehensive economic strategies integrating fiscal, monetary, and education and training goals, they must do so in accordance with basic guidelines and rules about which the key protagonists on the world trade scene will have to reach a consensus.

Of course, the most immediate requirement for the Western industrialized nations is to take full advantage of the present recovery from the cyclical crisis so they can be in a better position to address the structural issues that confront them. Those issues include the restoration of flexibility to the European labor market in order to stimulate the creation of new jobs; an increased on key technologies of the future through which the industrialized countries can still hope to claim a competitive advantage; and the adjustment of education and training systems to create a supply of human resources able to generate higher and higher added value in economic activity.

As this process of restructuring evolves in Western Europe and North America, it will be complemented by three factors now at work in the industrializing and newly industrialized countries of East Asia. The first is the creation, through the process of economic growth in the region, of a widening consumer base: Singapore, Malaysia, Thailand, Indonesia, Taiwan, and South Korea can already claim spectacular increases in domestic consumption, thanks to the emergence of a middle class with both rising expectations and the rapidly increasing means of fulfilling them. Between 1992 and the end of the decade, the number of automobiles put in service in East Asia will grow from 3 million to 7 million per year, according to World Bank estimates. The nascent development of domestic consumption in southern China is another promising indication of things to come.

The second factor in East Asian economic development with important implications for Western restructuring is the exploding infrastructure and energy needs of the still emerging industrial countries of the region. This growing demand will offer unprecedented opportunities in areas such as energy, telecommunications, and transportation. (It is expected that the share of GNP devoted to infrastructure in East Asia will increase from its current 4% to 7% by the year 2000.) In the same vein, the growing concern with environmental protection and the need clean technologies will provide new opportunities for corporations able to furnish the required technologies and services.

A third and final factor in East Asian development that holds out promise for the West is the accelerating liberalization now taking place in the region’s industrializing and newly industrialized countries. South Korea and Taiwan, for example, have recently made strides in privatization, while rapid growth in regional financial markets and telecommunications will also provide new opportunities for European and U.S. corporations.

From 1980 to 1990, total imports in the industrializing and newly industrialized countries of East Asia increased by almost 250%, and the 1990s should see even more growth. Despite the increase in East Asian intraregional trade, European and U.S. corporations can hope to get their share of these markets if they adjust their strategies to the new realities of the tripolar world order, setting the right priorities and making the necessary commitments.

Uncertainty, tension, and the potential for conflict are part of any period of change, especially when the change approaches the magnitude of the one now occurring in the world economy. If the current worldwide economic revolution is to lead to a new phase of widespread and steady growth, the strongest emphasis will have to be placed on three priorities:

* The international institutions required to sustain, monitor, and supervise the new global economic order will need to be established or revamped as soon as possible. The creation of the World Trade Organization is one important step in this respect. Another is the ongoing debate about the role of the World Bank and the IMF in view of the entry of so many new countries into the world market.
* The whole modus operandi of the international economy will have to be reviewed in light of the new strategic parity among North America, Western Europe, and East Asia. As previously noted, the G7 process (on which so many expectations were placed in the 1980s) will have to undergo a fundamental reevaluation. As the trend toward regionalization gains momentum, the key element will be support for whatever policies and initiatives sustain and expand the notion of open regionalization.
* A kind of “cultural revolution” will need to be instigated in the developed countries of the West in order to bring about the required adjustment, at the corporate and national levels, to the shift in economic power toward East Asia. The loss of the benefits that these countries once derived from their preeminent position in the world economy need not lead to a long-term decline in living standards, provided that, by adopting the requisite attitudes and policies, these nations can learn to utilize their remaining competitive advantages. At the same time, the newly industrialized countries must show, by their attitudes and initiatives in international economic forums, that they are ready to assume the new responsibilities resulting from their emerging power and status in the global arena.

In recent commemorations of the end of World War II and of the establishment of the subsequent global economic arrangements, much has been said about the merits of the Bretton Woods institutions in creating the conditions for postwar growth and prosperity. Today we can say, in the aftermath of the Cold War and in the midst of a worldwide economic revolution, that we are entering the post-Bretton Woods period. There is no reason to think that in this phase we cannot bring about even greater and more widespread prosperity.