

THE EMERGING WORLD ORDER

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INTRODUCTION

It is now the second half of 2021, and we can discern a couple of major trends in the world as we know it (1).

- The centre of gravity of the world economy is shifting from the Western world to Asia, and there is a growing trend towards a multilateral approach to global problems
- On the other hand, a diametrically opposite trend is also visible – narrow nationalism and a tendency to tear up the rule book and to reject multilateral institutions and approaches. That the USA, the world's largest economy, appears at times to champion this trend, is as puzzling as it is disturbing.

As Henry Kissinger, the well-known political philosopher, said recently "The world may be at the cusp of a new cold war. The world's democracies need to defend and sustain their Enlightenment values and safeguard the principles of the liberal world order."

Here is a snapshot of the world's top five economies, which now include India.

Table 1 : Key Parameters of the world's top five economies					
	USA	China	Japan	Germany	India
1 GDP (Trillions of Dollars)	22.785	16.640	5.38	4.32	3.05
2 Per Capita GDP (Dollars)	68,310	11,819	42,928	51,967	2191
3 Exports (Billions of Dollars)	2130	2590	640	2001	313
4 Imports (Billions of Dollars)	2810	2060	633	1804	474
5 FDI Stock (Billions of Dollars)	156	1523	310	1653	112
6 Public Debt as % of GDP	129	47	238	60	87
7 Population (Millions)	331	1444	126	84	1380
8 Major Trading Partners (Listed in order of share of exports)	EU, China, Canada, Mexico, Japan	EU, USA, ASEAN, Hong Kong, Japan, South Korea, India, Russia	China, USA, ASEAN, EU, South Korea, Taiwan, Hong Kong, Australia	USA, France, China, Netherlands, United Kingdom, Italy	USA, EU, UAE, China, Hong Kong
Notes					
GDP: Gross Domestic Product, FDI: Foreign Direct Investment					
Source: Wikipedia					

How to Cite :Srinivasan, T. S. (2021). The emerging world order. *Journal of Management & Entrepreneurship*, 15(3), 19–22.
DOI 10.70906/20211503019022

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THE CURRENT GEOPOLITICAL SCENE

The world is largely at peace, now in September 2021, although we hear a bit of growling in some parts of the world. The shifting of the centre of economic gravity from the West to the East is causing some anxiety, particularly in the West, but otherwise things look normal.

That China is now an economic superpower, and is set to outstrip the US in GDP terms in the next few years, possibly as early as 2025, is now a reality⁽²⁾. That this has been causing a sense of collective anxiety in the minds of Americans is real, but not so visible. It has been a challenge for American presidents to articulate and manage this anxiety – a challenge that has largely been neglected. Not only has China bashing become a popular pastime in the US, but there is a growing belief in that country that China has been stealing technology from wherever it can. This is a wholly unwelcome perception that does not augur well for relations between the two countries, and needs to be corrected, with speed and empathy. This may come as a surprise, but China ranks third in the world in the adoption of clean energy technologies, after the US and Germany.

These two Titans, namely the US and China, working together in peace and friendship, can do much good to the world, and to themselves. On the other hand, if they choose to be at loggerheads, and compete for world domination, they would do much harm to themselves, and to the world at large, by re-igniting the cold war. It is important for the world that these two giants stay friendly, and work together for the good of the world.

The Military Industrial Complex is no longer visible and strident, but nevertheless active behind the scenes, and has been influencing public policy in the world's leading economies. The US is no longer quite the "master of the universe" that it was since the end of the second world war, but it is still the world's largest economy, and its unquestioned technological super power

NATIONAL EGO : Is there something like a "national ego", on the lines of the individual ego? Tough question to answer, but it does seem that what we call "national pride" is a milder form of national ego. And, in its virulent forms, this ego can assume a

strident posture, and engage in regional power plays, such as the current happenings in Afghanistan.

Given that national ego, if unchecked, can plunge a country into an economic and political quagmire, and the growing evidence that multilateral forums and initiatives do work, can we plot some broad directions for the future that can bring about a more peaceful and prosperous global order? I can think of four, as follows :

- Rebalancing the world economy
- Helping geographical neighbours
- Cultural, social, and educational exchanges between countries
- Adding "Geopolitics" to the curriculum at engineering and business schools

REBALANCING THE WORLD ECONOMY

That the world economy is unbalanced, with some economies being stronger than the others, is a truism. As I have argued in a recent paper, there is need for rebalancing and such rebalancing does not happen on its own, but through multilateral action⁽³⁾. The G 20, of which India is a member, has emerged as the major forum in which such multilateral action can take place. See Table 2 below for a snapshot of G 20.

That such rebalancing has been going on for a while, between the US and China, the world's top two economies, is an observed reality. In 2005, the US had a current account deficit of over 8%, while China, at the other end of the world, reported a current account surplus of over 8%. Now, in 2021, the US reports a current account deficit of less than 3%, and China reports a current account surplus of less than 3%. Surely, some kind of quiet rebalancing of these two economies, has been going on in recent years.

Table 2: Key Facts about G 20

Economic Clout
G 20 accounts for 85% of the gross world product, 80% of world trade, and two-thirds of the world's population.
Member Countries
Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, UK, and USA.

Topics discussed at the recent annual summit
Global Economy, Trade and Investment, Innovation,
Environment and Energy, Employment, Women's
Empowerment, Development, and Health.

As the rebalancing has to happen mainly through the current account balance, countries with high current account surpluses need to absorb more imports from countries with current account deficits. For example, take Germany, Europe's economic powerhouse, which has reported a current account surplus of close to 6% even in a pandemic ravaged year like 2020. What should Germany do, to help in rebalancing: Two things, above all: Accept more imports from other countries in the EU, and make growth boosting investments – plants, offices, warehouses, other -- in the rest of Europe. In all fairness to Germany, this is exactly what that country has done in the past several years.

TRADING PARTNERS

That a country's trading partners are crucial, not just in terms of trade relations, but to the country's stability and prosperity in the emerging world order, needs no emphasis. Here is a snapshot of the trading partners of US, China and India (see Table 3 below). Even a cursory glance at this list reinforces the profound reality that we now live in a highly inter-dependent and inter-linked world.

Table 3: Key trading partners of US, China and India		
Country	Exports	Imports
United States	European Union (19%) Canada (18%) Mexico (16%) China (8%) Japan (4%) Others (35%)	China (21%) European Union (19%) Mexico (13%) Canada (13%) Japan (6%) Others (28%)
China	European Union (17%) United States (17%) ASEAN (13%) Hong Kong (12%) Japan (6%) South Korea (5%) India (5%) Russia (3%) Others (22%)	European Union (13%) ASEAN (13%) South Korea (10%) Japan (9%) Taiwan (8%) United States (7%) Brazil (3%) India (1%) Others (36%)

India	United States (17%) European Union (15%) United Arab Emirates (9%) China (5%) Hong Kong (4%) Others (50%)	China (14%) European Union (9%) United States (7%) United Arab Emirates (6%) Saudi Arabia (6%) Others (58%)
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Note: Figures in brackets indicate the country's share in the total.

(Source : Economies of USA, China and India, Wikipedia)

HELPING GEOGRAPHICAL NEIGHBOURS

With the threat of external shocks looming large in our interlinked world, there is a growing need for countries to help each other in times of crisis. India has enjoyed a comfortable level of foreign exchange reserves in recent years, and has extended currency swap facilities to neighbouring countries like Sri Lanka and Bangladesh to help them tide over a temporary shortfall in foreign exchange. On the other hand, in times of similar shortages in foreign exchange, India has received help from affluent countries like Japan. The recent decision (September 2021) of the Indian government to export vaccines to needy countries around the world reflects just the kind of spirit discussed in this section.

Currently, in mid-September 2021, India's foreign exchange reserves are just above \$640 billion -- enough to cover a little over two years' imports at the current level of \$290 billion. It is interesting to note that, during the financial year 2020-21, the Reserve Bank of India bought \$162 billion and sold \$94 billion. Emerging economies like India have been watchful for threats of external shocks, and shoring up their foreign exchange reserves as a possible cushion against such shocks.

CULTURAL AND SOCIAL EXCHANGES

That there have been such exchanges between countries for many years is a known fact. They need to be strengthened and reoriented in the emerging world order, in a manner that they bring countries closer together and improve relations among them. Considering the magnitude of the present global challenge, the financial outlays on these exchanges need to be augmented.

I propose outlays of the order of .01% (one percent of one percent) of a country's GDP, which works out to an annual outlay of \$3 billion in the case of India. As this may seem like a quantum leap, we could start with a billion dollars. To the extent possible, this outlay should target India's major trading partners, and the following areas:

- People to people exchange
A thousand people each year sounds like a bold target but seems attainable. The idea here is for people to have first-hand experience of other countries, as also to look at their own country from a distance. This kind of exchange has the potential to dissolve deep-rooted prejudices and to improve understanding among people in different parts of the world. .
- Fellowships at leading educational institutions
A thousand fellowships each year can be attempted, at India's premier educational institutions, such as the Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs). These could be of the value of Rupees five hundred thousand each (approximately, US Dollars \$ 7000 each). Bright young people from other countries, spending a few years in this country, should do much good to both countries, much like the hundreds of Indian students travelling to the US every year for higher studies.
- Visits to major tourist attractions
Five thousand tourists could be targeted each year, for visits to places of tourist and cultural interest in India. A thousand of these would come from those resident in India on fellowships at IITs and IIMs, as a sequel to the immediately preceding suggestion.

Clearly, all this is blue sky thinking, and would call for careful scrutiny before implementation.

STUDY OF GEOPOLITICS

A brief module on Geopolitics (about ten hours of class time) could be added to the curriculum in both engineering and business schools. The module should be designed and taught by experienced diplomats. Its core aim should be to help students

think beyond their national borders, about the bigger world outside, its many regions, and about the crucial importance of friendship between countries. As a critical mass of people around the world gain such understanding, the prospects for building a "brave new world" should brighten.

CONCLUSION

This paper has been an attempt at exploring the emerging world order. It looks at two opposing trends prevailing today :

- Countries of the world coming together and abiding by some agreed rules, and, au contraire,
- A tendency to tear up the rule book, and for each country to promote its own interests, at the expense of others.

There is also a brief discussion of relations between the world's top two economies – US and China – the present misperceptions and their potential to cause avoidable tensions. And finally, the paper offers some blue sky thinking about strategies for building a new world order – rebalancing the world economy, helping geographical neighbours, cultural and social exchanges, and augmenting each country's financial outlay for these endeavours. Clearly, much patient work will be needed before these ideas can be converted into reality.

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