

## NEW WORLD ECONOMIC ORDER: TRENDS AND DEVELOPMENTS

**Tatul MANASERYAN**

Doctor of Economics, professor  
Yerevan, Armenia

**Domenico OLIVO**

MA in Management and Business  
University of Salento, Italy

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**Introduction.** The global food, energy and financial problems continue to accelerate the process leading to global economic restructuring and the formation of a new world economic order. There are different approaches and understanding of the problem of restructuring the world economy. Some believe that there is some kind of shadow “Elite of Power” in the world, which holds in its hands a controlling stake in the entire world economy, forms the main world processes, appoints and removes national governments, unleashes wars, sets prices, determines the priority areas of science and the courses of national currencies. Such interpretations have historical roots and testify to the existence at different times of all kinds of secret societies or castes of "initiates" who carefully guarded the secrets of power and knowledge, playing a key role in the most important episodes in the history of mankind, starting with the French Revolution and the victory of the Bolsheviks in Russia in October 1917 and ending with the confrontation of the superpowers, etc. Our task is not to reveal the essence of secret societies and their role in world civilization (Masons, Templars, Rosicrucians, Illuminati (“enlightened”), Ku Klux Klan, Golden Dawn, Society Thule", "Annenerbe", "Heritage of Ancestors", etc.). More important is the task of identifying the main outlines of the structure known as the world government, which began to emerge at the end of the last century. The Bilderberg Club founded in 1954 with the help of the global political, financial and industrial elite can serve as a prototype for such a government. In 1973, the Trilateral Commission was formed with the dominant role of the "troika": the USA, Britain and Japan.

**Methodology.** While conducting this research we have used the method of comparative analysis to reveal the peculiarities of both developed and developing countries and their economic indicators of growth, as well as collecting, grouping official statistic data related to globalization and regional blocks. The balance method along with the mathematical analysis of gathered data is used for international trade and the balance of payments of major trading blocks. Statistical methods are widely used for selected economies, whereas econometric methods, mathematical programming, and heuristic methods are will be added to our research in the later stages of our study.

**Literature review.** Though we carefully examined the principal approaches of various representatives of the classic school of economic theory, new development require to consider justified predictions of exceptional academics of last three decades of the previous century (such as John Galbraith, Milton Friedman, and others). According to the convergence theory there are 2 main options: one is the economic trend, which is based on the assumption that capitalism and socialism are gradually drawing closer and that the differences between them are diminishing. While John Galbraith presented the bimodal image of the modern economy [Friedman 1977, 148-152], Onyekaneze and Ikenna concentrate on analyzing the earlier and modern thinking of convergence theory [Onyekaneze & Ikenna, 2020, 135 – 144], Alexandre Chirat consider Galbraith brought political economy back to life [Chirat, 2021, 21].

**Scientific novelty.** With the help of contemporary theories and emerged concepts we attempted to reveal the nature of dynamic developments and trends in the world economy. In addition, we have designed a theory on cooperative advantages that helps to justify the importance and the inevitable character of the global processes leading to the new international economic order.

**Analysis.** Created in 1968 The Club of Rome has set itself the goal of large-scale socio-economic research and the effective use of the resources of the world community to solve global problems. The task was set to create a supranational global World Government, a World Parliament, which would eliminate differences in currencies, military potentials, taxes on imports and exports. In turn, this can prevent wars and ethnic conflicts through the formation of such institutions as the World Armed Forces, the World Police, the World Financial System, as well as through control over the production of nuclear weapons, nuclear energy, rocket and space technology. At the same time, the main principle of the implementation of the noted projects is cosmopolitanism. However, modern processes in the world economy clearly confirm the idea that along with the process of globalization, the process of regionalization is taking place, which is manifested in the formation and development of regional unions. Moreover, after the collapse of the Soviet Union and, thus, the collapse of the bipolar world, there is a gradual transition from a unipolar world to a multipolar world.

We announced the establishment of a new world economic order more than twenty years ago. This was later stated by former British Prime Minister Gordon Brown at the World Economic Forum in Davos in January 2009. This conclusion is also reached by many leaders of Western countries, as well as countries with economies in transition.

The transition to a multipolar world is accompanied by various political and economic upheavals. The overall process of economic globalization is, in a sense, a counterbalance to the ongoing process of formation of regional strategic alliances. If in the first case the contributing factors are free trade and the gradual steps of international

organizations to eliminate trade prohibitions, then the second case obviously includes the protection of the common interests of individual states or sectors of the economy and the political elements of state support. The main trends in the influence of the world economy, in one form or another, affect all known four forms.

With the collapse of the centrally planned economy, the redistribution of the zones of influence of the superpowers began. Membership of the newly independent states in international organizations through the latter contributes not only to the elimination of the isolation of these states from the world market, but also in general has a positive effect on the adoption of favorable decisions in favor of the aforementioned states in these structures. The new international economic order is being formed in accordance with the general requirements of both developing and formerly communist, and now newly independent states. A number of economic studies attempt to foresee the trends and prospects of the new international economic order and the possibility of matching the tasks of state protectionism and strategic alliances in the process of establishing a new economic order. Attention is drawn to these problems, in particular, at the latest annual meetings in Davos. At such meetings, among other issues, an approach is formed to the acceptable limits for the formation of independent (national) economies based on the comparative advantages of a multipolar world. Despite this, in many programs for the formation of national economies, a clear orientation of the country to one or another pole of the world economy has not yet been revealed. Moreover, macroeconomic programs do not fully foresee the current changes, the main trends and their possible impact on national economies. As a result, in the first years of independence in a number of post-Soviet countries, certain difficulties emerged when choosing membership in the World Trade Organization or the Common Customs Union of the CIS.

In order to increase the efficiency and complexity of economic reforms carried out in these countries, it is necessary to analyze this process, develop a new economic policy of the state, attaching great importance to the improvement of the investment environment. Identification of the main trends in the world economy, the role of state protectionism and strategic alliances in the process of establishing a new economic order, as well as foreign investment and foreign trade, make it possible not only to make forecasts about the possible development of the world economy, but also, by assessing comparative advantages, to identify the place and role of the national economy at different levels of international economic cooperation, and in separate strategic alliances and international structures.

In the context of the gradually deepening interdependence of national economies, the changes that occur in one country or in an alliance of countries with significant developmental shifts sooner or later lead to similar changes in other countries. As a result, general trends are formed that cannot but influence the environment of

international business. Changes in this environment, in turn, necessarily require a revision of approaches to the management of national economies. In other words, current trends lead to the need to form a new economic order more acceptable to the international community. This, first of all, concerns the role of the state and state intervention, with the aim of improving the general climate for the development of international economic relations.

Relations between developing countries and developed countries generally tend to change the structure of foreign trade in the direction from the exchange of finished goods for raw materials and materials to the import of equipment for the production of these goods. Sooner or later, having received this opportunity, developing countries replace imported goods with the production of their own goods, which, provided that the proper level of quality is ensured, become more competitive due to relatively low prices. As a result, goods produced in developing countries displace goods exported from developed countries. Moreover, not only from the market of this country, but also, thanks to competitiveness and low prices, this becomes possible in the markets of other countries. Finally, as a result of the development of free and unimpeded trade, it even becomes possible for goods produced by developing countries to replace their counterparts produced in developed countries, where the means of production of these goods are produced. This phenomenon becomes similar to the effect of the Australian boomerang. This is one of the main reasons that developed countries are more cautious in their negotiations with developing countries on their bids for "equipment for raw materials". China

At present, more and more often we have to talk not so much about free, but about fair competition. Modern manifestations of subsidized foreign trade and state protectionism, manifestations of new forms and methods of implementing competitive advantages are becoming popular in the world economy. In this regard, as well as about the main trends that are manifesting at this stage of development, it is necessary to take into account the opinions of prominent economists. Until now, contradictions prevail between the leaders of developed and developing countries on the issue of the possibility of ensuring the economic and political independence of the country, on the one hand, and on active participation in the global process of economic integration, on the other hand. After the Second World War, a significant decrease in trade barriers was noticed, which was mainly the cause of two processes. First, because of the General Agreement on Trade and Tariffs (GATT) signed after the war, under which over one hundred countries, based on the principles of reciprocity and non-discrimination, abolished taxes on imports and exports through bilateral and then multilateral trade negotiations. This trend continues today in the form of steps taken by the World Trade Organization (WTO) and is universal and global. Another approach to trade liberalization, mainly at

the regional level, involves trade preference programs where trade taxes are reduced only within participating countries. From this follows the conclusion that sometimes it is necessary to use elements of discrimination against third countries. In limited circles, the implementation of such programs leads to economic merger. During the last five decades, the most famous are the North American Free Trade Area (NAFTA), the European Economic Community (EEC) and the European Free Trade Association (EFTA), which today have merged together within the European Union (EU), especially after the replacement of national currencies by a single currency - Euro. Of the developing countries, the most famous are the Association of Southeast Asian Nations (ASEAN), the Free Trade Association of Latin America (LAFTA), three analogous alliances in Africa and others. The practical application of economic doctrine is also expressed in the fact that the political changes of recent years have significantly affected the dynamic development of the world economy as a whole. In particular, as a result of the destruction of the communist system and the bipolar world, as well as other phenomena, John Galbraith's theory of convergence has become even more relevant, which at one time was criticized not only in textbooks on political economy in the USSR and in Eastern European countries, but also in the works of Western theorists in the 1970s-1980s. The theory of convergence has now become popular both in the East and in the West.

Thus, trade liberalization assumes two main forms. The first form includes the reduction of trade restrictions, import and export tariffs, which comes from the principle of non-discrimination applied by the global trading community. Another approach, which is geographical in nature, is more common in the European Union, in which member countries develop and implement programs of preferential trade, development and cooperation.

The membership of new market-oriented countries in international organizations today has significantly changed the share of developing countries. In general, developing countries, having more voices in the IMF and WB, are able, together with democratic and independent countries, to have a great influence on the decision-making process, ultimately aiming them at the interests of developing countries. Thus, over time, developing countries can lobby their interests in order to obtain soft loans and other issues.

It is also important to consider the process of economic merger, modern forms of conquering new markets and strategic alliances, taking into account the possible risks and disadvantages of these phenomena. In general, all types of economic integration are directly dependent on two important trends that characterize international business - globalization and regionalization. Both, in turn, tend to interpenetrate different elements and are considered together with the economic policy of the state.

At the same time, attention should be paid to the differences in political and economic conditions in developed and developing countries, which does not allow the latter not only to realize their competitive advantages in foreign markets, but also to successfully compete with artificially low prices of subsidized goods and services coming from outside. Therefore, it is necessary to pay attention to the factors that determine the role of developing countries in the world economy, in the changing conditions of international trade, which have become relevant in the formation of a new economic order. Thanks to their dominant role, a group of developed countries use changes in the world economy and politics to their advantage. Expressing their dissatisfaction and joining forces, developing countries back in 1964, joined the call of the United Nations Conference on Trade and Development (UNCTAD). With its help, in recent years, trade restrictions in trade with developing countries have been significantly reduced, prices for essential goods and raw materials have stabilized, and the amount of material assistance to developing countries has increased. This is done by the Organization for Economic Co-operation and Development (OECD), whose members each year donate one percent of their annual income to developing countries. Despite this, many developed countries believe that there is no need to form a new economic order, and that developing countries should gradually improve their own condition, and not require the rapid growth of national economies. This approach is completely understandable, since growing majority of the exports of developing countries are accounted for by developed countries, and of the goods they import, they account for more than two thirds of the total imports of developing countries in monetary terms.

Characteristically, after the Second World War until the early 2000s, there were no particularly major upheavals and shifts in the bipolar political world. But after the collapse of the socialist system, not only orientations were initiated (which, in principle, began in the 1980s in Eastern Europe), but also the formation of a multipolar world, which continues to this day. Such domestic economic problems as inflation, unemployment, social tensions, which come from an unsatisfactory level of progress with the expected results, together with a reduction in the volume of the domestic market, a decline in trade rates, and the negative consequences of insolvency, also negatively affect domestic political and foreign economic relations.

In the current conditions, the role of international organizations is growing, especially in the political dialogue “East-West”, which turns into economic dialogue and cooperation to obtain a new quality and use it to establish and develop mutually beneficial ties. According to experts, relations between developed and developing countries will not undergo serious changes in the near future. But relatively fast rates of economic growth can be expected for some developing countries compared to others, given their competitive advantages, participation in strategic alliances, and effective

economic policies. With the use of national competitive advantages, the shipment of most of the goods will be concentrated in those countries where there are the most efficient productions using inexpensive and high-quality labor, raw materials, new technologies, innovations, new ways of organizing production and other important factors.

Changes in the exchange rate will also play an important role in international pricing. Recent events since the pandemic spread in 2020 global uncertainty continue to grow in an environment of changing political approaches. In this sense, there is also a certain dependence on the policy of national governments in matters of state support and protectionism in order to choose ways out of the economic impasse.

The past is gradually losing its significance as a basis for predicting the future. Old enemies today act as partners and allies. The new international economic order offer new terms of cooperation, taking as a basis the idea of reducing the unpredictability of the future, while at the same time, to the extent possible, trying to raise political and economic stability around the world.

We consider important to emphasize that the new world economic order will become a reality only when it is established not only by developed countries, but by the entire world community. In our opinion, the work of UNCTAD can be recognized as a complete right, which has not been able to really contribute to the process of forming a new world economic order. This organization, convening forums once every four years, is limited to recommendations that are accepted by developed countries to the extent that they correspond to their interests. Otherwise, they are simply ignored. Moreover, the activity of this organization to some extent repeats and duplicates the functions of the WTO, which, while also having its own shortcomings in governance, at the same time has the power to enforce its decisions and rules of the game, up to economic sanctions.

**Conclusions.** Despite the growing trend of globalization, there are attempts to improve the development models of national economies, at best, regional entities such as the EU. So there is no coordination or attempt to manage the world economy. The dollar, being a world currency, is controlled by the financial management of one country, and the other world currency, the euro, is controlled by regional structures. It is obvious that a real way out of the global financial impasse is possible only when developing countries also participate in the process of managing the world economy. Finally, a virtual Bretton Woods, or a real-life international organization whose main goal should be precisely the new order, should not be located in developed countries, far from the really interested forces and the main players - developing countries, namely in one of these countries, and over time, it can also be of a rotational nature.

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### **Tatul MANASERYAN, Domenico OLIVO** **New World Economic Order: Trends and Developments**

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