

Globalization and the New World Order

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Globalization and the New World Order: India's Strategic Opportunity

Context :

- Globalization has been a driving force in shaping the modern world order through trade, technology, and diplomacy.
 - However, recent shifts — such as the COVID-19 pandemic, rising multipolarity, and global supply chain disruptions — have challenged traditional norms of globalization.
 - For UPSC, this topic is relevant for **GS Paper II (International Relations)** and **GS Paper III (Economic Development)**, especially in themes related to **global governance, international institutions, and India's strategic positioning**.
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1. What is Globalization?

- **Definition:** Globalization is the process of increasing interconnectedness and integration of economies, cultures, technologies, and governance across national borders.
 - It has reshaped **trade patterns, labor markets, technology diffusion, and geopolitical dynamics**.
 - In the **post-colonial world**, globalization was guided by **multilateralism** and **rule-based frameworks** established for collective global welfare.
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2. Evolution of Globalization: A Timeline

a) Pre-20th Century - First Wave (19th Century to WWI)

- Enabled by the **Industrial Revolution**, **railways**, **steamships**, and **telegraphs**.
- Expansion driven by **imperialism** and **free trade policies** of colonial powers.
- **Migration and global trade** of raw materials and finished goods flourished.

Key Highlight: Global trade grew rapidly till **1914**, followed by a sharp halt due to wars and protectionism.

b) Interwar Period and World Wars (1914-1945)

- Disruption of global supply chains due to **WWI and WWII**.
- Rise of **nationalism**, **autarky**, and **protectionist policies**.
- The **Great Depression (1929)** worsened global economic cooperation.

c) Post-WWII Resurgence - Second Wave (1945-1980s)

- Emergence of a **rules-based global order** under U.S. leadership.
- Creation of **Bretton Woods Institutions**:
 - **International Monetary Fund (IMF)**
 - **World Bank**
 - **General Agreement on Tariffs and Trade (GATT)** → later **WTO**
- Growth in **global trade**, **technological advances** (e.g., container shipping, aviation), and **economic integration**.

Key Highlight: First formal steps toward economic globalization with structured institutions.

d) Decolonization and Rise of the Global South

- **1950s-1970s:** Large-scale **decolonization** in Asia and Africa.
- Newly independent nations sought global inclusion and demanded a **New International Economic Order (NIEO)**.
- Rise of the **Non-Aligned Movement (NAM)** as a voice for equitable globalization.

e) Post-Cold War Liberalization - Third Wave (1990s-early 2000s)

- **Fall of the Soviet Union (1991)** and spread of capitalism and democracy.
- Rapid **economic liberalization**, **FDI growth**, and **digital communication boom**.
- **India's 1991 LPG reforms** aligned with this trend.
- **China joined WTO in 2001**, dramatically boosting its global trade share.

Key Highlight: China's accession to WTO in 2001 redefined global supply chains and manufacturing dynamics.

3. Recent Changes in the Global Order

a) Rise of Multipolarity

- Global power is shifting from a **unipolar U.S.-led order** to a **multipolar system** involving:
 - **China, EU, India, Russia, Middle Eastern nations**

- Global influence is now **distributed**, not concentrated.
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b) Declining Trust in Global Institutions

- Institutions like **WTO**, **UN**, and global treaties face legitimacy crises.
 - **U.S. withdrawal** from key agreements (e.g., Paris Climate Agreement, WHO) has undermined multilateralism.
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c) Decline of the G7 Bloc

- **COVID-19 exposed** the G7's inward-looking tendencies (e.g., vaccine hoarding).
- Resulted in **loss of moral authority** and **leadership vacuum**.

Key Highlight: BRICS is gaining significance; **more countries are seeking membership**, reflecting a shift in power centers.

d) Re-emergence of Asia

- **Asia projected to hold 2/3rd of global GDP and population** in the coming decades.
 - Countries like **India**, **China**, and **ASEAN members** are driving global growth.
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e) Rise of Geo-Economics

- Nations now use **economic tools as strategic weapons**:
 - **Sanctions, export controls, tariff wars, investment restrictions.**
 - Example: **U.S. ban on semiconductor exports to China.**

f) Shift to Digital Globalization

- Digital flows now dominate over physical goods.
- Growth of **data economy**, **digital services**, **e-commerce**, and **cross-border cloud computing**.

Key Highlight: By **2022**, data flows contributed **more to global GDP** than merchandise trade.

g) Green Globalization

- Trade and investment decisions are now influenced by **climate goals**.
- Example: **EU's Carbon Border Adjustment Mechanism (CBAM)** imposes carbon taxes on imports from high-emission countries.

4. What Lies Ahead: Strategic Implications for India

a) Seize the WTO Opportunity

- As **WTO rules weaken**, India should:
 - Propose new cooperative trade architectures with **ASEAN** and **Africa**.
 - Push for **equity-based frameworks** rather than one-size-fits-all global rules.

b) Gain from Restructured Global Value Chains

- With **China+1 strategy**, India can become a preferred manufacturing destination.
- Requires:

- Investment in **infrastructure**
 - **Ease of doing business**
 - Technological adoption
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c) Engage in Bilateral and Regional Groupings

- India should deepen ties through:
 - **Free Trade Agreements (FTAs)**
 - **Digital economy pacts**
 - **Infrastructure corridors**

Key Highlight: New regional markets (Africa, ASEAN) are projected to surpass **U.S. and EU consumption** in coming decades.

d) Lead in New Global Governance Norms

- Advocate for:
 - **Composite agreements** linking goods, services, and investments
 - **Annual impact reviews** for fair outcomes
 - **New norms** for managing digital, green, and AI-led globalization
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Conclusion

Globalization has evolved from a colonial trade mechanism to a complex, digital, and multipolar phenomenon. In the face of institutional decline and shifting power centers, **India must play a**

strategic, proactive, and constructive role in shaping a new global order that is **just, inclusive, and sustainable**.

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