Chapter 1

Globalization: Reshaping the World Economy in the 21st Century

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ABSTRACT

The chapter focuses on contemporary globalization and emerging regional cooperation initiatives in the context of economic development. The authors analyze the trends of the current globalization (new protectionism) and conflicts/contradictions between various forces involved in global economic integration. The chapter also investigates the trends, status, issues, and impacts of the de-linking project of the South initiatives (which can be seen in the forms of various regional blocks). It also provides a comprehensive treatment of the subject and recommends new perspectives on the potential developmental effects of regional cooperation and the implications of regional integration for global economic development.

INTRODUCTION

It is the dominant global opinion that the balance of power is shifting away from the west to the east. The United Nations Development Program [UNDP] (2013) highlighted that trade among developing countries had been rising up and the trend would continue in the even future. The GDP ratio and trade performance (which has been more than tripled) of the south has surpassed the respective parameters of the developed economies (which have been declining since the 1980s) and finally, the south has acquired capacity to reshape the global economy in the 21st century.

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The dominant Western multinational corporations open their new branches in China, India, Indonesia, Vietnam, the Republic of Korea, Japan, Malaysia, Hong Kong SAR, Singapore, and Brunei to exploit the abundant natural resources and cheap labor force. According to Bhardwaj (2019), in the 1970-1980s, developed countries shifted production centers to China and South East Asia, where cheap labor was available in abundance. However, China and the countries of South-East Asia, including India and other developing countries, are not fully aware about the effects of western finance capital on society. These countries are preparing themselves for launching Fourth Industrial Revolution (FIR). The FIR lay the power of artificial intelligence, automation, and the Internet of Things (IoT).

After the World War II, Western nations have been enjoyed with rich clubs: G-7, NAFTA (trade block), European Commission (EC), European Union (EU), NATO (military block), World Bank, and IMF (international banking and financial systems – Bretton Woods System), and established (in the decade of the mid 1990s) a forum of World Trade Organization (WTO). A continuation of domination during the last four centuries (first led by the British colonial master before the World War II and then by the USA imperialism until the first decade of 21st century) is now reshaping the world economy towards the eastern bloc: BRICS (Brazil, Russia, India, China, and South Africa) – EAC (East Asian Cooperation) – Shanghai Cooperation Organization (SCO) along-with recently proposed 16-Nations Regional Comprehensive Economic Partnership backed up by China and Russia.

In the 1990s, the balance of forces shifted in the favor of capitalism because of the implosion of the Soviet Union-led Socialist Bloc. The USA posed as single superpower and imposed two types of tactics (direct war and economic sanctions) against developing countries (particularly, Yugoslavia, Iraq, Afghanistan, Libya, Syria, Iran, North Korea, Venezuela, and Russia), and threatened to North Korea and China, as it can be seen particularly in the area of East and South sea with the traditional allies like Japan and South Korea. The USA, however, maintains three pillars of domination: monetary, military, and trade. Developing countries were deviated from the South-South project which was conceived and promoted as a means to reduce the dependence of developing countries on developed markets and enhance the collective bargaining power of developing and least developed nations.

Since 2008, however, the performance of the developed economies has been rather modest and there is no optimism to return to 2007 level in the near future. In this context, the role of G-20 (now G-24) is almost insignificant because G-24 members are not very serious about the solutions. Even developed countries are not prepared to diagnose the crisis properly as they believe that it is a mistake and economic problems can be resolved by correcting measures. A decade long full flagged economic crisis is a systemic crisis of neo-liberal regime which was based on public and private debt interconnected and deregulated free financial flows, free trade mobility under liberalized financial and commodities markets. It may be considered as a great depression which has been created by the imperialist globalization systems itself. The neo-liberal regime creates two major types of problems. First, greater wealth and income inequality among and between nations (e.g. 1% of the richest control 82% of wealth or resources globally). Second, due to the formation of crony corporate financial and commodities bubbles which are themselves embedded within a deeper structural systemic crisis that afflicts contemporary global capitalism, which leads a full flagged economic depression for over a decade long since 2008.

Steinbock (2017) predicts that BRICS combined economic power will surpass that of major six advanced countries: the USA, Japan, the UK, Germany, France, and Italy by the early 2030. By the end of 2020, the size of China’s economy will exceed that of the USA. In 2000, China’s economy was barely one-tenth of that of the USA, whereas Japan's GDP was still as large as the three largest European economies put together: Germany, the UK, and France. Brazil was struggling for stability, Russian economy