

# Building pro-development multilateralism: towards a “New” New International Economic Order<sup>1</sup>

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## Abstract

This paper explains how a “New” New International Economic Order (NNIEO) may be emerging from the slowly crumbling neoliberal international economic order that came into being in the 1980s and 1990s. First, it examines how the neoliberal order has been fading and is being reshaped in the wake of the decline of the multilateral international trading system (embodied by the World Trade Organization (WTO)) and the 2008 global financial crisis. It then discusses how recent changes in the world economy and in prevailing ideas, together with a number of contingent factors – such as climate change, the rise of China and the coronavirus disease (COVID-19) crisis – are making the emergence of an NNIEO more likely, while recognizing that some factors may hinder progress towards it.

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## Keywords

Economic development, neoliberalism, multilateralism, international trade, WTO, economic systems, economic crisis, COVID-19, developing countries, China

## JEL classification

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## I. Introduction

The international economic order established after the Second World War, based on the so-called Bretton Woods institutions, unravelled in the 1970s. In the 1980s and the 1990s, following the end of developmentalism in the Third World through the structural adjustment programmes (SAPs) of the International Monetary Fund and World Bank and the collapse of the socialist bloc, a new, “neoliberal” international economic order came into being, based on exposure of the entire globe to unrestricted market forces. Many expected this new world order to last into the foreseeable future, if not forever, as summarized in the idea of “the end of history” coined by the (then) neoconservative American political scientist, Francis Fukuyama (1989).

However, the new world order started to unravel almost as soon as it was established. The euphoria about globalization following the replacement of the General Agreement on Tariffs and Trade (GATT) with the World Trade Organization (WTO) in 1995 was quickly dampened by discord between rich countries and developing countries in the subsequent Ministerial Conferences and by anti-globalization protests outside the conference venues, especially in Seattle (1999), Cancún (2003), and Hong Kong (2005). This was followed by the global financial crisis of 2008, which undermined confidence in the neoliberal system of open global financial markets. The rise of China, based on an economic order that is fundamentally different from neoliberalism, although not totally incompatible with it, has also posed a serious challenge to the neoliberal orthodoxy since the 2010s. The eruption of the coronavirus disease (COVID-19) crisis in 2020 has exposed yet more weaknesses of the neoliberal system, forcing many countries to rethink the way they organize their economies and societies.

This paper discusses whether the decline of the current neoliberal international economic order is creating the right conditions for the emergence of an alternative order, which I name a “New” New International Economic Order (NNIEO) after the New International Economic Order (NIEO), one of whose leading proponents was Raúl Prebisch. The paper is structured as follows. Section II describes the decline of the current multilateral order in international trade, represented by WTO. Section III traces this decline to the limitations of the WTO system itself. Section IV discusses the factors that militate against the emergence of an NNIEO as an alternative. While recognizing the importance of these factors, the subsequent sections of this paper argue that many other factors make the emergence of an NNIEO likely: changes in the structure of the world economy (see section V), changes in ideas (see section VI), and contingent factors, such as climate change, the rise of China and the COVID-19 crisis (see section VII). Section VIII provides some concluding remarks.

## II. The decline of the multilateral order in international trade

In the last few years, there has been particular concern over the future of the world trading system, given the aggressive trade policy of the Trump Administration in the United States. In the name of punishing what it sees as unfair competition from China, the Trump Administration has imposed extra tariffs on Chinese imports. In the same spirit, the United States has renegotiated in its favour both the North American Free Trade Agreement (NAFTA) and the free trade agreement with South Korea. It has even tried to use tariffs as a tool to reduce migration flows from Mexico.

Such a blatant rejection of multilateralism by the United States, especially in the context of growing racism and xenophobia in the rich world, has increased concern that the current world trading order based on multilateralism — the WTO system — is under serious threat.

This is particularly bad news for developing countries. It is abundantly clear that developing countries fare better under multilateralism, because individually they have weak bargaining power vis-à-vis the rich countries. The fact that multilateralism is the friend of the weak is reflected by rich countries' repeated attempts to undermine it whenever it does not work for them. The best example of this is the evolution of the WTO system itself.

When WTO was launched in 1995, the rich countries professed a firm commitment to multilateralism, going so far as to accept a “one country, one vote” system for the first time in any major international organization. In contrast, the five permanent members of the United Nations Security Council retain their veto powers, and decisions in the World Bank and the International Monetary Fund (IMF) are made essentially (although not entirely) according to the share capital held by each country. However, it became apparent that rich countries only supported the idea because they thought they could hold sway over developing countries by controlling the negotiation agenda and by coaxing or threatening individual developing countries through the strategic use of bilateral aid budgets, market access and foreign direct investments.

To their surprise, the rich countries soon found that they could not bully developing countries into agreeing to whatever they put on the table at WTO. During the Ministerial Conferences in Seattle in 1999 and Cancún in 2003, the prevalence of the so-called Green Room meetings (to which only the rich countries and a small number of developing countries that cannot be ignored were invited) made developing countries realize that the multilateralism promised by the rich countries was just lip service. As a result, developing countries have firmly resisted rich countries' subsequent unreasonable demands made through WTO, such as in the proposed Multilateral Agreement on Investment (MAI) or in non-agricultural market access (NAMA) negotiations.

When rich countries realized that they could not have their way within WTO, they started to shamelessly abandon their commitments to multilateralism. Even before President Trump took office, the United States had effectively disengaged from the WTO system and had been focusing on reaching bilateral and regional free trade agreements, such as the Trans-Pacific Partnership (TPP). The European Union may not have rejected multilateralism to the same extent as the United States, but it has actively engaged in “divide and rule” tactics in its trade negotiations with developing countries. In 1997, the WTO dispute settlement panel found that the preferential trade arrangement between the European Union and African, Caribbean and Pacific (ACP) countries (mostly former colonies of European Union member States) —known as the Lomé waiver— was inconsistent with GATT, so the European Union proposed replacing it with a trade-and-investment agreement, called the Economic Partnership Agreement (EPA). However, when negotiating EPA, the European Union deliberately divided the ACP countries into seven regional subgroups, instead of negotiating with all of them together, so that it could weaken their bargaining power.

In short, the multilateral trading system started to fall apart well before the advent of the Trump Administration in the United States and it is in the interest of developing countries to revive it. However, in doing so, it is not enough to return to the WTO system, which has inherent biases against developing countries and therefore needs radical reform if it is to be truly pro-development. In discussing what these biases are, how they may be countered and how a more equitable international economic order can be constructed, this paper draws on the ideas of Raúl Prebisch, which were embodied in the call for an NIEO, made by the United Nations in 1974.<sup>2</sup>

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<sup>2</sup> See United Nations (1974).

### III. The WTO system and its limitations

The WTO system is based on the principle that free trade is best for all countries under almost all circumstances. However, economic theories and historical records show that free trade between countries at different levels of economic development is harmful in the long run for economically less developed countries. In the short run, free trade is likely to (although not certain to) allow all trading partners to maximize their output and income, but in the long run it hampers the economic development of the less developed trading partners, by making it impossible for them to create high-productivity, high-technology industries, in the face of competition from superior producers based in economically more developed countries. This means that, unless the governments of economically less developed countries protect and nurture their nascent high-productivity industries through tariffs, subsidies and other supportive measures, they cannot cultivate such industries and thereby develop their economies.

This is of course the “infant industry” argument, which was first theorized by none other than the first United States Secretary of the Treasury, Alexander Hamilton, in his 1791 report to the United States Congress (Hamilton, 2001). This theory formed the basis of economic development policy in virtually all today’s rich countries, when they were developing countries themselves and trying to catch up with more economically advanced countries. As shown by Bairoch (1993), Chang (2002 and 2007) and Reinert (2007), all today’s rich countries, with the exception of the Netherlands and (up to the First World War) Switzerland, used protectionism during most of the period when they were trying to catch up with more advanced economies.

The United Kingdom and the United States, which are assumed to have invented free trade (or at least tell everyone that they did), were actually the most protectionist countries in their respective catch-up periods, protecting their industries from the superior producers based in the Low Countries (now Belgium and the Netherlands) in the case of the United Kingdom, and from the producers based in the United Kingdom, France and other European countries in the case of the United States. For most of these periods —from the mid-eighteenth to the mid-nineteenth century for the United Kingdom and from the mid-nineteenth century to the mid-twentieth century for the United States— their average industrial tariff rates were between 40% and 50% (see table 1).

Even when their average tariff rates were not so high, many of today’s rich countries provided high tariff protection, in addition to other supportive measures, to selected strategic industries. For example, Germany and Sweden may have had average industrial tariffs of between 15% and 20% in the very late nineteenth and early twentieth centuries, but they applied much higher tariffs for the emerging heavy and chemical industries, whose development allowed them to catch up with the United Kingdom. Another example is Belgium, which in the late nineteenth century had an average industrial tariff rate of just 10%, but applied tariffs of 30%–60% to textiles and of 85% to iron. Even in the period following the Second World War, protection was quite high until the 1960s. Only by the 1970s did today’s rich countries have average industrial tariffs that were lower than those applied by developing countries nowadays, which are around 10% (see table 2).

**Table 1**  
Selected rich countries: average tariff rates on manufactured products during  
their early stages of development  
(Weighted averages, in percentages of value)<sup>a</sup>

	1820 <sup>b</sup>	1875 <sup>b</sup>	1913	1925	1931	1950
Austria <sup>c</sup>	R	15–20	18	16	24	18
Belgium <sup>d</sup>	6–8	9–10	9	15	14	11
Canada	5	15	n/a	23	28	17
Denmark	25–35	15–20	14	10	n/a	3
France	R	12–15	20	21	30	18
Germany <sup>e</sup>	8–12	4–6	13	20	21	26

Table 1 (concluded)

	1820 <sup>b</sup>	1875 <sup>b</sup>	1913	1925	1931	1950
Italy	n/a	8–10	18	22	46	25
Japan <sup>f</sup>	R	5	30	n/a	n/a	n/a
Netherlands <sup>d</sup>	6–8	3–5	4	6	n/a	11
Russia	R	15–20	84	R	R	R
Spain	R	15–20	41	41	63	n/a
Sweden	R	3–5	20	16	21	9
Switzerland	8–12	4–6	9	14	19	n/a
United Kingdom	45–55	0	0	5	n/a	23
United States	35–45	40–50	44	37	48	14

**Source:** Prepared by the author, on the basis of H. J. Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London, Anthem Press, 2002; P. Bairoch, *Economics and World History: Myths and Paradoxes*, Hemel Hempstead, Harvester Wheatsheaf, 1993, and K. Taylor, "Tariffs", *Encyclopedia of Canada, Vol. VI*, W. Stewart Wallace (ed.), Toronto, University Associates of Canada, 1948.

**Note:** R= Numerous and important restrictions on manufactured imports existed, therefore average tariff rates are not meaningful.

<sup>a</sup> World Bank, *World Development Report 1991: The Challenge of Development*, New York, Oxford University Press, 1991, p. 97, box 5.2, provides a similar table, partly drawing on Bairoch's studies that form the basis of the above table. However, the World Bank figures, although in most cases very similar to Bairoch's figures, are unweighted averages, which are obviously less preferable to the weighted average figures that Bairoch provides.

<sup>b</sup> These are very approximate rates, and give a range of averages, not extremes.

<sup>c</sup> Austria-Hungary before 1925.

<sup>d</sup> In 1820, Belgium and the Netherlands both formed part of the United Kingdom of the Netherlands.

<sup>e</sup> The 1820 figure is for the Kingdom of Prussia only.

<sup>f</sup> Before 1911, Japan was obliged to keep low tariff rates (up to 5%) through a series of "unequal treaties" with European countries and the United States. The box cited in note <sup>a</sup> above (World Bank, 1991) gives Japan's unweighted average tariff rates for all goods (and not just manufactured goods) for the years 1925, 1930, 1950 as 13%, 19% and 4%, respectively.

**Table 2**  
Selected rich countries: average tariff rates on manufactured products in the early post-Second World War period  
(Percentages)

	1950	1959	1962	1973	1979
Europe					
Belgium	11	14			
France	18	30			
West Germany	26	7			
Italy	25	18			
Netherlands	11	7			
European Economic Community (EEC) average <sup>a</sup>		15	13	8	6
Austria	18		20 <sup>b</sup>	11	8
Denmark	3				
Finland			>20 <sup>c</sup>	13	11
Sweden	9		8	6	5
Japan	n/a		18	10	6
United Kingdom	23		16		
United States	14		13	12	7

**Source:** Prepared by the author, on the basis of P. Bairoch, *Economics and World History: Myths and Paradoxes*, Hemel Hempstead, Harvester Wheatsheaf, 1993; H. Grubel and H. Johnson "Nominal tariffs, indirect taxes and effective rates of protection: the common market countries 1959", *The Economic Journal*, vol. 77, No. 308, 1967; B. Balassa, "Tariff protection in industrial countries: an evaluation", *Journal of Political Economy*, vol. 73, No. 6, 1965; P. Katzenstein, *Small States in World Markets: Industrial Policy in Europe*, Ithaca, Cornell University Press, 1985; D. Greenaway, *International Trade Policy: from Tariffs to the New Protectionism*, Basingstoke, Macmillan Press, 1983, and M. Panić, *National Management of the International Economy*, Basingstoke, Macmillan Press, 1988.

<sup>a</sup> EEC average after 1973 includes Denmark and the United Kingdom.

<sup>b</sup> Data for 1960.

<sup>c</sup> Estimate by the author. Data on Finland's tariff rates are not readily available, but, according to the data reported in table 8.2 of Panić (1988), in 1965 tariff revenue as a percentage of all imports in Finland was 9.97%, which was considerably higher than that of Japan (7.55%), which had an 18% average industrial tariff rate, or that of Austria (8.57%), which had a 20% average industrial tariff rate. Given these, it would not be unreasonable to estimate that Finland's average industrial tariff rate in the mid-1960s was well over 20%.

Last but not least, today's rich countries used numerous non-tariff barriers to trade, especially in the post-Second World War period, such as import bans, import quotas (including the notorious voluntary export restraints imposed on Japanese car manufacturers by the United States and European countries in the 1970s and the 1980s) and product standards (such as sanitary and phytosanitary standards for food items).

It is not just in trade policy that rich countries did all the things they now tell developing countries not to do under the WTO system. The same applies to areas such as subsidies, foreign direct investment (FDI) and intellectual property rights (IPR).

Through the Agreement on Subsidies and Countervailing Measures (SCM Agreement), the Agreement on Trade-Related Investment Measures (TRIMS Agreement), and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), WTO restricts what countries can do in terms of using subsidies, regulating FDI and reducing protection of IPRs, all of which are measures that developing countries need more than rich countries. However, when today's rich countries were trying to develop their own economies, they made aggressive use of industrial subsidies, heavily regulated FDI and deliberately did not protect foreigners' IPRs (for further details, see chapter 2 in Chang (2002) and Chang (2004)).

By showing that the history of development policy in today's rich countries contradicts WTO rules, I am not arguing that a pro-development international trading system necessarily needs to allow all the policy measures that were used by rich countries in the past. For example, in the nineteenth century, the United Kingdom, the Netherlands, the United States, France and Austria all allowed their citizens to register patents on inventions designed by foreigners. Such a practice would not only be unacceptable today, there are also better ways to help catching-up countries access advanced technologies, such as suspending selected patents for inventions that are essential for economic development, reducing licensing royalty rates for developing countries or applying active technology transfer policies.

What is important is not the particular policy measure but the principle behind such measures: that a truly pro-development multilateral system needs to be based on the principle of asymmetric protectionism. In such a system, economically weaker countries would be allowed to protect and regulate more than stronger countries, in the expectation that they would then gradually withdraw these extra policy measures as their economies develop and catch up with those of richer countries.

In response to this proposal, defenders of the WTO system say that there should be a level playing field in a multilateral system, otherwise it would be unfair. However, this is a misleading argument.

A level playing field is like, as Americans say, motherhood and apple pie: since it is good by definition it seems impossible to oppose it. However, it has to be disputed if we are to build an international economic order that is truly pro-development.

Needless to say, a level playing field is the right principle to adopt when the players are equal. For example, if the national football teams of Brazil and Argentina were to play each other in the World Cup, it would be entirely unfair if the Brazilian team were allowed to attack downhill and the Argentinians had to attack uphill.

However, when the players are unequal, a level playing field is the wrong principle to apply. If the Brazilian national team were to play a team of ten-year old girls, it would be only fair for the girls to attack downhill and for the Brazilians to do so uphill. Of course, in real life, football pitches are not tilted, precisely because we do not allow unequal players to compete against each other.

It is not just football. In all sports, competition between unequal players is structurally prohibited. In boxing, wrestling, taekwondo, weightlifting and many other sports, there are weight classes, which can be extremely narrow (the lighter weight classes of boxing have a range of just 3 lb (1.5 kg) or 4 lb (2 kg)).

In all sports, there are age classes: adult teams are not allowed to play against children or youth teams. In golf, there is even an explicit system of handicaps, which allows weaker players to compete with advantages in (inverse) proportion to their playing skills.

In response to these criticisms, defenders of the WTO system argue that there is already the provision for special and differential treatment (SDT) for developing countries in the system, so there is no need for further reform.

However, SDT makes only minimal allowances for developing countries. The least developed countries receive some extra provisions, such as the use of export subsidies, but they are very few. The only major provision for developing countries is that they have slightly longer to implement WTO rules (usually an extra five to eight years), but ultimately they still have to implement the rules in the same way as rich countries.

More importantly, I would argue that it is wrong to use the word “special” in SDT. Applying different rules to developing countries should not be considered special treatment. It is just differential treatment for different countries with diverse needs and capabilities, in the same way that ramps for wheelchair users or braille writing for the blind are not called special treatments.

In short, a truly pro-development multilateralism needs to create the maximum possible amount of policy space for countries to pursue policies according to their own capabilities and needs. In this sense, an updated version of the NIEO advocated by Raúl Prebisch is needed; one could call it a “New” New International Economic Order, or NNIEO.

## IV. Towards an NNIEO?

My call for an NNIEO will likely be dismissed as a doomed project, as the call for an NIEO was in the 1970s and the 1980s. Indeed, it may be argued that the prospects for reform of the international economic order are even bleaker today.

First, the postcolonial guilt felt by many people in rich countries in the 1970s, which gave the call for an NIEO some traction, has faded over the last half a century.

Second, there is no longer systemic competition between the Capitalist Bloc and the Socialist Bloc, which gave some bargaining power to developing countries that were able to play both sides off against each other, India being a notable example.

Third, the pushback against an NIEO in the neoliberal period has made some ideas contained in the proposal very difficult to implement. For example, the TRIMS Agreement has made it difficult to revive the idea of a code of conduct for transnational corporations (TNCs), which was an important part of the NIEO proposal.

Last but not least, the dominance assumed by neoliberal ideology in recent decades, despite being weakened by recent events such as the 2008 global financial crisis and the COVID-19 crisis, has made developing countries more accepting of the current neoliberal international economic order.

However, there are countervailing factors, which can be divided into three groups: changes in the structure of the world economy, changes in ideas and contingent factors. They are discussed in greater detail below.



## V. Changes in the world economy

First of all, developing countries now have much more weight in the global economic system than they did when the NIEO proposal was put forward, largely (although not exclusively) as a result of the rise of China. In 1974, rich countries accounted for nearly four fifths of the world economy (US\$ 4.189 trillion out of US\$ 5.312 trillion). By 2018, their share was less than two thirds (US\$ 54.108 trillion out of US\$ 85.791 trillion).

The COVID-19 crisis will likely accelerate this shift in the relative weights of rich and developing economies. According to IMF projections of late June 2020, advanced economies are set to contract by 8% in 2020, in contrast to a 3% contraction for emerging markets and developing economies (IMF, 2020a). Moreover, the latter are predicted to bounce back by 5.9% in 2021, whereas the projection for the former is for growth of just 4.8%. However, at the time of writing, less than two months after IMF published those projections, they are looking overly optimistic, especially for rich countries. Even if they remain unchanged, this would mean that, at the end of 2021, the output of the developing world would be 2.7% higher than in 2019, while that of the rich world would be 3.6% lower, implying a noticeable shift in their relative shares in the world economy. As the deeper recessions in the rich world are likely to have bigger hysteresis effects than those in the developing world, which are expected to be shallower, the relative growth performance of the rich countries is likely to be even worse in the coming years than it was before 2020.

Second, interactions among developing countries have become much more important than before. South-South trade has increased substantially, as it accounted for an average of 41.8% of world trade in the period 1995–1997) rising to an average of 57.4% for 2015–2017. Moreover, this was not entirely driven by the rise of China, as some might think. South-South trade excluding China rose from 34.8% of world trade in the period 1995–1997 to 42.1% for 2015–2017 (IMF, 2020b). Furthermore, China, India and other developing countries are emerging as important financial actors in the international economy, in terms of lending, foreign aid and FDI. More recently, Southern-led multilateral financial institutions have emerged, such as the New Development Bank and the Asian Infrastructure Investment Bank (AIIB). Consequently, developing countries are becoming less dependent on rich countries and can be more forceful in their demands for an NNIEO.

## VI. Changes in ideas

In addition to the changes in the global economy, there have been changes in ideas over the last half a century that will make realization of an NNIEO more likely. First of all, pro-development ideas that were considered too radical in the days of the NIEO have become acceptable, precisely because of the historical legacy of the NIEO, and have been realized, to a certain extent. For example, some economically advanced countries have already met and surpassed the official development assistance (ODA) target of 0.7% of GDP, which was considered very optimistic in 1970, when the commitment was enshrined in United Nations General Assembly resolution 2626(XXV). Another example is the forgiveness of developing countries' debts, which many thought unrealistic but has become a reality thanks to the enhanced Heavily Indebted Poor Countries Initiative of 2012. Most importantly, the adoption of a “one country, one vote” system by a multilateral institution, which was considered a pipe dream 50 years ago, has formed the basis for the WTO system, although it has not worked very well in practice, as previously discussed.

Second, the 2008 global financial crisis fundamentally eroded trust in the efficacy of open, deregulated financial markets, which is a lynchpin of the neoliberal international economic order. Even though neoliberal financial systems have not been subject to far-reaching reform since 2008 at national



or global levels, owing to strong resistance from the financial sector, the neoliberal ideas behind such systems are now much less widely accepted than they used to be. Moreover, since the crisis, rich countries have turned to monetary policies, such as extremely low interest rates and quantitative easing, that fundamentally contradict neoliberal principles. Given that the monetarist principles of tight monetary policy and high interest rates were seen as essential to providing the macroeconomic environment needed for efficient deregulated financial markets, the adoption of such policies has further undermined the theoretical justifications for the neoliberal financial system.

Last but not least, the COVID-19 crisis has invalidated much of the conventional neoliberal wisdom regarding the role of the government. Despite the neoliberal advice against government involvement in enterprise ownership and management, governments around the world have *de jure* and *de facto* nationalized some key private sector enterprises and are directly or indirectly subsidizing many more on a huge scale. In many rich countries, governments have been propping up employment during the lockdowns imposed to curb the COVID-19 pandemic by paying up to 80% of wages to keep workers on company books even though they are not working or are only working part-time. Many governments, even those that are ideologically opposed to public income support for the poor, such as the Trump Administration in the United States, have increased unemployment benefits and income subsidies, with various degrees of coverage. Governments around the world are running up huge budget deficits, abandoning the doctrine of balanced budgets that they had clung to —at least rhetorically if not in practice— since the 2008 financial crisis. One particularly prominent example is the Government of Germany, known for its fiscal conservatism, which abolished the law that put a ceiling on public debt, so that it could manage the COVID-19 crisis more effectively through budgetary means. Thus, just about every orthodoxy in the neoliberal playbook has been abandoned or turned on its head, opening the prospect of very different policy discourse in the coming years.

## VII. Contingent factors

The third element that is conducive to the emergence of an NNIEO is contingent factors that work in favour of developing countries, and by contingent I do not mean less important.

One factor is climate change, which is reaching a critical point. The urgency of the problem is making humanity realize that we are bound together by a single fate, thereby putting increasing pressure on rich countries to do more to help developing countries to tackle the crisis, especially through large-scale transfers of technology for climate change mitigation and adaptation. In particular, the sheer injustice of the fact that developing countries are more likely to suffer the worst consequences of climate change —such as more frequent storms and droughts and rising sea levels—, despite having barely contributed to the problem, means that adopting a more globally equitable approach to the matter is a moral obligation, and not simply a technical necessity.

Another factor is the economic rise of China when it is in the unprecedented position of being a major actor in the global economy while still being a developing country. This is going to affect the way the international economic order evolves. In 1974, the Chinese economy accounted for just 2.7% of the global economy (US\$ 144 billion out of US\$ 5.312 trillion), but by 2018 it accounted for 16.0% (US\$ 13.9 trillion out of US\$ 86.4 trillion).<sup>3</sup> Because the COVID-19 pandemic has affected the Chinese economy much less severely than rich economies, China will become even more important in the global economy.

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<sup>3</sup> Data from the World Bank.

Although China is not necessarily a champion of the collective interests of developing countries, and there is a degree of dependency between China, as a manufacturing nation, and other developing countries, as raw material exporters, it is undeniable that China's unique status —as a leading economy and a developing country— causes it to behave rather differently to other major economies, as can be seen in its approaches to aid, FDI and infrastructure development. Moreover, having China as a potential lender, investor and trading partner gives developing countries greater bargaining power when dealing with rich countries and the multilateral financial institutions they dominate.

Last but not least, two consequences of the COVID-19 crisis will affect how the global economy is organized and run in the years to come. First, the pandemic has heightened awareness of humanity's common fate, which as mentioned above has been made increasingly obvious by climate change, as we face the first genuinely global pandemic. Second, the COVID-19 crisis is changing how developing countries see rich countries.

At the time of writing, the governments of some of the richest countries in the world have mishandled the pandemic, resulting in hundreds of thousands of avoidable deaths, while some of the poorest societies, such as Viet Nam, Ethiopia, Rwanda and the Indian state of Kerala have managed it remarkably well, with minimal deaths, despite having meagre resources at their disposal. Meanwhile, the COVID-19 death rates in the United States, the United Kingdom and France —countries that prided themselves on being the guardians of civilization and that regularly lecture other countries on the importance of good governance, effective (if small) government and human rights— have run into the hundreds of thousands (and counting), owing to mismanagement, incompetence, social chaos and, above all, a flagrant disregard for human rights (especially those of poorer, older and minority population groups).

In light of this, many developing countries have begun to question their feeling of inferiority compared to rich countries, in particular the European countries or those of predominantly European extraction, accumulated over centuries characterized by colonialism, imperialism, economic domination and cultural indoctrination. Once this change in perspective takes hold, developing countries will no longer demur to rich countries in the same way they used to: with fear, awe and respect. This will change the international political dynamic, helping developing countries to be more assertive in their negotiations with rich countries.

## VIII. Concluding remarks

Developing countries must fight attempts by rich countries to undermine multilateralism. But they should not simply seek to restore the neoliberal version of multilateralism, as embodied in WTO. The international economic order needs to be reformed along more pro-development lines. In other words, an NNIEO is needed, based on recognition that the international economic system should maximize policy space so that different countries with diverse needs and capabilities can adopt the economic policies best suited to them.

Just as in the 1970s and 1980s when circumstances stymied the NIEO proposal, there are factors that will hinder progress towards an NNIEO, such as the fading of post-colonial guilt in rich countries, the disappearance of systemic competition between the capitalist bloc and the socialist bloc, the mechanisms put in place as part of the push-back against an NIEO in the neoliberal period and the dominance of the neoliberal ideology.

However, other factors could facilitate the emergence of an NNIEO. Firstly, there have been changes in the structure of the world economy that make the emergence of an NNIEO more likely, such as the growing importance of developing countries in the global economy and increased economic

interactions among developing countries. Secondly, there have been changes in ideas that favour an NNIEO, including increasingly widespread acceptance of some of the pro-development ideas expounded in the NIEO proposal (notably regarding foreign aid, debt forgiveness and the voting structure of global bodies); a rejection of the idea that deregulated and open financial markets are more efficient following the 2008 global financial crisis; and dismantling of the neoliberal orthodoxy on the role of the State in general, in light of the COVID-19 crisis. Last but not least, there are contingent factors that could facilitate the rise of an NNIEO, such as the growing awareness of humanity's common fate in view of climate change and the COVID-19 pandemic; the emergence of China as one of the world's leading economies while still a developing country; and the fact that developing countries are overcoming their inferiority complex vis-à-vis rich countries, particularly in light of the mismanagement of the COVID-19 crisis by many rich countries.

Of course, an NNIEO, if it ever emerges, will take time to become established. Therefore, in the meantime, developing countries must learn to navigate a biased system. Despite the popular perception, a lot can be done in this regard, but that is beyond the scope of this article (for further discussion, see chapter 5 in ECA (2016)).

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