

## **IEA Webinar Towards a New International Economic Order**

**Boston, 9 December 2024:** Economic Research Institute for ASEAN and East Asia (ERIA) and International Economic Association (IEA) held a Webinar titled “Towards a New International Economic Order” which invited Professor Dani Rodrik, Harvard University to discuss his views on the post hyper-globalization era. The session was chaired by Professor Yao Yang from Peking University. The webinar was part of the IEA Working Group on Reconstructing the World Economic Order, convened by Professor Yao Yang, and Professor Dani Rodrik, and Dr. Lili Yan Ing, Secretary General of IEA.

Prof Rodrik began his presentation by explaining the popularity of globalization in the early 2000s which idea was embraced by most of the world’s leaders. He pointed out that the US President, Bill Clinton, and the UK Prime Minister, Tony Blair, thought globalization was a force of nature, and it was not something you could stop or debate. However, lately, there is a wave of change to the faith about globalization. Particularly, since the last regime of globalization had left several problems faced by the world today such as erosion of the middle class, and increasing income, social, and cultural gaps. Those problems are the reason why more people turned their back on the idea of globalization and are more inclined toward nationalism.

He then delved into a brief history of globalization which he divided into three regimes: Gold Standard, Bretton Woods, and Post 1990s Hyper-Globalization. He explained that the three regimes have distinct features and the only similarity between the three regimes was that there is a free trade of goods in all the three regimes. He then highlighted that under the Bretton Woods regime, there was less mobility in capital and labor compared to the other two regimes.

The three regimes had their benefits and shortcomings, but they still left untangled challenges that the new global economic order must address. Rodrik then argued that three challenges need addressing which could be simplified into a rich country problem (addressing climate change), a poor country problem (poverty reduction), and a global problem (rebuilding the middle class). So far, many frameworks had only focused on the two problems, leaving the third out of the picture. For example, the Keynesian social democracy and export-oriented framework was good in building a solid middle class and was advanced in global poverty reduction, but it didn’t address the climate change issue. Meanwhile the Bidenomics’ industrial policy and climate change policy addressed the climate change problem and rebuilding the middle class, but it left least-developed countries behind in accessing markets, leaving the global poverty reduction on halt.

While it seemed that the existing frameworks leaving one problem behind, Rodrik was optimistic that the new global economic order could overcome the three challenges altogether. Firstly, he argued that we’ve currently made significant progress in addressing the climate change issue, even without global coordination in the process. There is real action on addressing climate change that came from national, sub-national, and regional

level policy which results in benefitting everyone. Secondly, he argued that protectionism isn't as bad as it looks. The manufacturing sector is no longer the ultimate source of economic growth, and it is no longer absorbing labors much like it used to. The world is now transitioning into a more service-based sector. Adopting an export-oriented strategy will no longer play a significant role for low-income countries to achieve economic growth. Lastly, there is an agenda for financial resources' transfer from global large corporations and billionaires to developing countries to address the climate change issue. In conclusion, there is an instrument rather than globalization which can achieve the three objectives under multiple constraints.

Rodrik's arguments resonate with Ing and Lin's paper in 2024, "Economic Transformation and New Economic Order," particularly regarding the effectiveness of localized actions in addressing climate change, the evolving role of manufacturing and services in economic growth, and the importance of strategic interventions in navigating economic transformation.

Rodrik presented three scenarios which is possible in replacing the post-1990s Hyper-Globalization regime. First, the ugly, in which the US economic policy is undermining the world's economy while decoupling remains. The bad scenario will leave the world returning to 1930's style autarky. The last scenario is the good, in which the world returns to the Bretton Woods regime where every country pursues their domestic interest. He concluded his presentation by arguing that if a country wants to prioritize their domestic interest, it wouldn't hurt the global economy because countries who help themselves first can be helpful to other countries. The biggest threat does not come from economic nationalism or unilateralism, but instead, it comes from geopolitical competition.