A NEW NEW INTERNATIONAL ECONOMIC ORDER FOR A NEW GLOBAL ECONOMY

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KEY MESSAGES

- The trade measures adopted by the United States since the beginning of 2025 have been met with understandable shock but are consistent with the country's position vis-à-vis the multilateral trade system over the last decade and a half.
- The dismantling of this system will not bring manufacturing back to the United States on a scale comparable to declared political ambitions, given the size of the US economy and the way its financial system works today, which prioritizes shareholder profit over investment.
- Many developing countries are being hurt by the trade policies of the United States. However, the United States is no longer as important a player in the world economy as it used to be, and its withdrawal from the multilateral trade system opens space for new configurations of the system with greater protagonism by developing countries.
- The time is ripe for a campaign for a New New International Economic Order.

The international trade measures adopted by the United States since the beginning of 2025 have upset the global economic order. While they have been met with understandable shock, the US's rejection of the global trade economic order, which it had taken the lead in constructing, is not totally new. In the last decade-and-a-half, the country has been slowly disengaging from the World Trade Organization (WTO), for example by paralyzing the WTO Appellate Body, which has persisted across administrations.

If the multilateral system was not functioning in the way the United States had wanted or anticipated, its dismantling will do little for the country. Breaking with the system, in particular through the new tariffs, will not bring manufacturing back to the United States on a scale compatible with declared political ambitions. Today, the United States produces only 16.9 per cent of global manufacturing output, compared to 29 per cent back in 1985 and over 60 per cent in the late 1940s.[1] This means that, to go back even just to a situation similar to the 1980s, it still needs to almost double its share of global manufacturing output. Even if the country recovers manufacturing at double the speed with which it lost it, it would take nearly two decades to go back to the levels of the 1980s. Investment in the United States by Korean, Japanese and European manufacturers will do little to accelerate this

[1] Today's US share is the average share of US in world manufacturing value added during 2022-24 (in current US dollars), calculated from the World Bank data set. The 1985 share is from Figure 2 (page 3) in the report, 'U.S. Manufacturing in International Perspective' (2018) by US Congressional Research Service (https://www.everycrsreport.com/reports/R42135.html#_Toc506982727). The late 1940s figure is from p. 183 in William H. Branson, 'Trends in United States International Trade and Investment since World War II' in M. Feldstein (ed.), *The American Economy in Transition* (1980, University of Chicago Press).

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process. Even if Japan, Germany, and the Republic of Korea, which respectively produce around 5.55 per cent, 4.86 per cent, and 2.67 per cent of global manufacturing output, each relocated a third of their manufacturing production to the United States, an extremely unrealistic premise, the resulting increase in the latter's share in global manufacturing would be 4.36 percentage points, from 16.9 per cent to 21.26 per cent, which is not even three-quarters of its 1985 share.[2]

The size of the US economy is such that it cannot rely on other countries to rebuild it. The changes have to come from within. However, the capacity for domestically-driven change is constrained by the fact that the US capitalist class is neither willing nor able to rebuild the economy, even with the help of high protectionism and government subsidies. In the last few decades, in the name of maximising shareholder value, top US corporations have given away 90-95 per cent of their profits to (mostly short-term) shareholders through high dividends and share buy-backs, depriving the corporate sector of resources for investment, which contrasts with the experience of countries such as Japan and the Republic of Korea, where the existence of mechanisms to ensure profits were reinvested in future was a crucial element of the success of industrial policies.

Currently, many developing countries are being hurt by the US trade policies. However, the damage should not be exaggerated, as the United States is no longer as important a trading partner for most developing countries, except those in Central America. For developing countries in Asia and South America, China is now the biggest trading partner, while the biggest trading partner for the African countries is either the European Union or China. South-South trade is far more important than it used to be—a trend that will gather further impetus if the African Continental Free Trade Agreement (AfCFTA) is appropriately implemented. In 1995, South-South trade accounted for 38.3 per cent of trade by the Southern countries, but, by 2024, this had grown to 55.6 per cent. And not all of the increase was due to China's rise. In 1995, South-South trade excluding trade with China accounted for 31.5 per cent of trade by the Southern countries—by 2024, this had grown 39.6 per cent.[3]

In the medium-term, the impacts of the US trade policy may be even smaller than what the current trade statistics suggest, as even countries which have a high reliance on the United States market can over time re-direct their exports. Recall that the United States was the largest trading partner of all Latin American countries until 15 years ago.

In the longer run, the US policies are likely to have positive results for developing countries through their impact on the global economic system. The recent events have made other countries dare to imagine a world economy without the United States. At the moment, many countries are engaging positively with the United States, even though some, like China, India, and Brazil, are holding their grounds. Over time, however, even currently friendly countries are likely to scale down their engagements with the United States due to the erosion of trust generated by its recent actions.

Faced with the withdrawal of the United States from the multilateral system that has been the hallmark of its period of dominance, and the resulting undermining of the system, countries will want to build another multilateral world economic order. While an ideal system includes every country, it is not impossible to move ahead without the participation of the United States. The need for a new global economic system is far more urgent for developing countries, for whom any reasonable form of multilateralism is infinitely better than the "law of jungle" that had ruled the pre-Second World War period.

The importance of the United States in the global economy and global trade is frequently overestimated. The country may account for 25.9 per cent of world GDP, but in terms of international trade it accounts for only around 11 per cent (9.7 per cent of world exports and 12.9 per cent of world imports)[4], as it is a very closed economy. Moreover, currently there are few products that are available only from the United States, unlike the period from the end of the Second World War to the late 1960s, when it was the only source for several products, including computers, semi-conductors, or large aeroplanes. In contrast, the United States is dependent today on other countries for key products—semiconductors, ships, rare earth minerals, and so on. The United States can construct its own supply chains for some of these products—and is already trying in some areas (like rare earth minerals)—but it will take at least a decade (and possibly more) to do that. Antagonising its economic partner countries, as it is doing now, will not help advance this goal.

At the same time, the importance of developing countries in the global economy has increased substantially in the last few decades. Along with the increase of South-South trade, mentioned above, China, India, Turkey, and other developing countries are emerging as important international financial actors—in lending, foreign aid, and foreign direct investment (FDI). The importance of Southern-led international financial institutions, like the New Development Bank (formerly the BRICS bank), the Asian Infrastructure Investment Bank, or the Comunidad Andina de

2 The shares for Japan, Germany, and Korea are their average shares in world manufacturing value added (in current US dollars) during 2022-24 in the case of Japan and Germany and during 2021-23 in the case of Korea, calculated from the World Bank data set.

3 Calculated from UNCTAD data set.

4 The share of the US in world GDP is the average for the 2022-24 period, calculated from the World Bank data set. According to the same data set, the US accounted for 12.9% of world imports goods and services (in current US dollars) on average for the 2022-24 period and accounted for 9.7% of world exports of goods and services (in current US dollars).

Fomento (CAF, Development Bank of Latin America and the Caribbean) has been growing. National development banks from some Southern countries, especially China and Brazil, have been increasing their activities in other Southern countries. New forms of South-South cooperation have been emerging, such as the launch of the AfCFTA and the expansion of BRICS membership.

This opens a new opportunity for developing countries to draw up a new agenda for the reform of the global economic system. This agenda may be called New New International Economic Order (NNIEO) in that it builds on the New International Economic Order (or NIEO) that the Southern countries had collectively proposed half a century ago, in 1974.

The NNIEO will be based on many of the principles of the NIEO, especially the "right of every country to adopt the economic and social system that it deems the most appropriate for its own development and not to be subjected to discrimination of any kind as a result"[5]. It will also adopt concrete proposals regarding natural resource sovereignty, regulation of transnational corporations (TNCs), reform of the international financial system, knowledge transfer, and South-South cooperation that the proponents of NIEO advocated in the 'Declaration'.[6]

However, times have changed and we need to introduce new principles and policy proposals for the NNIEO.[7] For example, thanks to the establishment of WTO and the proliferation of bilateral and regional agreements on trade and investments in the last three decades, there is a lot more to be done to correct the biases against developing countries in the global trading system than there was back in 1974. For another example, given the transformation of intellectual property rights protection in the last few decades, promotion of North-South knowledge transfer requires the over-protection of intellectual property rights to be significantly reversed, while the idea of natural resource sovereignty in the NIEO needs to be extended to data sovereignty. For yet another example, given the progression of 'financialisation' on a global scale in the last half a century, reform of the international financial system needs to be a lot more sophisticated than what was envisaged by the proponents of the NIEO.

Of course, constructing an NNIEO will not be easy. While developing countries can play a role in global economic reform, the outcome will critically depend on what the other economic powers—China and the European Union—do, how they engage with the United States going forward, and what their visions for the reform of the global economic system are, which are still not clear.

As for the developing countries themselves, since the 1980s, political solidarity between them has been significantly weakened. Therefore, if they are to facilitate the construction of an NNIEO, they will first have to forge a shared outlook and strengthen their political cooperation. This will not be easy. However, the material basis for South-South collective action is higher than ever, with the increasing economic interactions in terms of trade and investment amongst the Southern countries. Moreover, the emerging rifts in the block of rich countries could constrain the rear-guard action against collective action by developing countries seen in the past.

The time is ripe for a campaign for an NNIEO. As the title of the novel by the Jewish-Italian writer Primo Levi goes: "If not now, when?"

5 Article 4(d) of 'Declaration on the Establishment of a New International Economic Order', a resolutions adopted on the report of the *Ad Hoc* Committee of the Sixth Special Session of the United Nations General Assembly, 1 May, 1974.

6 'Declaration on the Establishment of a New International Economic Order', a resolutions adopted on the report of the *Ad Hoc* Committee of the Sixth Special Session of the United Nations General Assembly, 1 May, 1974.

7 For further details, see H-J. Chang, 'Building Pro-developmental Multilateralism: Towards a "New" New International Economic Order, *CEPAL Review*, no. 132, December, 2020 and J. M. Ahumada & H-Jo. Chang, "A New International Economic Order for the 21st Century: An Agenda for Industrial and Trade Policies from the Global South', *Review of Keynesian Economics,* vol. 13, no. 4, Winter 2025.