



# THE NEW ECONOMIC ORDER

## ITS POTENTIAL IMPACT ON WORLD POVERTY

By Fernando de Souza

**“The day will come when nations will be judged not by their military or economic strength, nor by the splendour of their capital cities and public buildings, but by the well-being of their peoples: By their levels of health, nutrition and education; by their opportunities to earn a fair reward for their labours; by their ability to participate in the decisions that affect their lives; by the respect that is shown for their civil and political liberties; by the provision that is made for those who are vulnerable and disadvantaged; and by the protection that is afforded to the growing minds and bodies of their children”.**

*‘The Progress of Nations’, published annually by the United Nations Children’s Fund, is a contribution towards that day*

### NEW RULES FOR GLOBAL ECONOMY

The ‘status quo’ and underlying rules between the two traditional economic poles of the world, the rich versus the poor countries, has recently changed.

It began when new global players –China, India, Indonesia, Brazil– became able to introduce their products into the rich territories in spite of their ever present social-poverty.

The consequences arising from this scenario in turn beg the following question: If these countries can massively export their products to the Western societies but are unable to import Western products for their own societies (due to the low income level of the population), where does the money flow and where is the employment generated?

Not long ago, only the Western regions were both manufacturers and consumers, leaving to the remaining world the ‘slave-like’ role of providing and supplying raw materials, natural resources, sources of energy, immigrant labour. This was to make that production and consumption possible.

Now, however, western economies are scrambling to maintain their consumption level despite the loss of their manufacturing power.

### ‘CREATING’ MARKETS

Removing impediments such as dictators, wars, corruption, lack of education in order to invest and trade (to create markets) in typically ‘poor’ regions (societies) has become, not only a potential business and a moral issue, but also the hope for the Western economies.

If the larger societies of the developing countries do not prosper sufficiently and quickly, there will be no way for the West to exploit its own capability (including the human resources) to maintain its present standard of living. For the West, the new markets are not only an opportunity for growth – as it is commonly explained; they are a necessity to survive.

For this reason, Western governments are currently asking, almost pleading, the governments of the largest emerging economies (China and India mainly) to boost their domestic consumption and import developed-countries’ products and services;



thus assuming an improvement in the conditions of their local population. A favourable response to the pleas of the West adheres, not only to the imperative of the balance of the global economy, but also to the addressing of domestic problems, such as an alarming social inequality and a growing inflation.

Consequently, the morally intolerable anachronism of the two socio-economic poles is likely to shift (take its revenge) thanks, in no uncertain terms, to the role of the main emerging economies – currently, a very bad business for the developed ones.

It has become necessary to create, develop and sustain (cultivate and support) markets for the Western countries beyond the boundaries of their Western societies. This requires adaptation to the socio-cultural reality of those new markets, and so importantly, promoting their societies, not only benefiting dictators and ‘war lords’ (those who, typically, control the resources). Decrease world poverty is already, besides a humanitarian goal, a business goal necessary to give oxygen and breath to the traditional ‘First World’. It is no longer enough, even if it were possible, to take natural resources and leave.

All this claims the ‘progress of people’, furthermore the progress and power of nations.

### **SOCIAL PERSPECTIVE**

Only with this social perspective it will be possible to succeed in the new ‘economic order’. A view that allows a response aligned with the market rules, not against them, but under business models, trade agreements, management strategies and policies able to bring benefits to all parts involved. The Brazil of Lula’s ruling could be a good example of this.

We can also visualise it through the case of the company ‘Ford’ when it decided, at its beginnings, to align the wages of its ‘poor’ employees with the prices of the new cars, then produced ‘en masse’ thanks to the ‘assembly lines’. ‘Ford’ saw the necessity of investing in the prosperity of ‘its people’ (the potential market) as a way to assure its own sales.

The ‘win-win’ and the ‘Corporate Social Responsibility’ applied to the field of ‘global trade’ will be the answer to the future competitiveness of all economies.

### **THE NOVELTY**

What is radically new on the ‘pitch’ (scene) is that, not more than three ‘players’ have broken (I guess for ever) the existing ‘economic order’ by invading the world with cheaper and simpler products; at first, made in their territory by ‘Western companies’ for their ‘Western markets’, but later by the own emerging-economies’ companies also targeting Western markets (hence reaping the benefits).

These two or three countries have completely destroyed a ‘game’ which the West thought was under control, and they have done so by means of a massive work force and a skilled formed elite. In that way, they have conquered important business areas in Europe and North America – secure platforms to continue conquering new ones.

They have the ambition and the critical factor, the ‘money’. The other key factor, the ‘knowledge’, is – with the information technologies (ITs) – too difficult to hide and easy to spread.

Right now, the most powerful economies of the West need the population of the emerging economies not only to produce at ‘low cost’ and under harsh working conditions, but also to consume. Western countries will have to compete with these economies by, ironically, enabling/ promoting their historically ignored people.

### **DEBT AND SERVICE ECONOMY**

If consumption is basically sustained by debt despite the loss of the ability to produce, there will be no way to stretch the credit card ‘ad infinitum’. Money must return to the ‘buyer’ not only by borrowing it but also by selling things.

In addition, if we assume that the West will be the great ‘service area’ of the world, moving toward an exclusively service economy, its richness and survival will rely, completely: on applying its whole labour to the cited service sector and on delivering (providing) those services to the ‘manufacturing societies’. However, why presume that these manufacturing societies are not going to develop their own, large and increasingly sophisticated service sector, even in the western territory?. In any case, the West has lost control of the ‘game’.