The New World Economic Order

How Global Power Is Shifting Between Nations

From Small Manufacturing Units to Global Supply Chain Partners

The global economy is undergoing a structural transformation. Economic influence, once concentrated among a relatively small group of advanced economies and institutions, is becoming more widely distributed. The rise of emerging markets, competition over technology and energy, changing trade routes and renewed geopolitical tensions are reshaping how nations cooperate, compete and exercise influence.



A World in Transition

The international economic system that emerged after the Second World War was built around institutions, rules and alliances in which the United States and its partners played a central role. The dollar became the leading reserve and trade currency; the International Monetary Fund and World Bank became central to global financial cooperation; and successive rounds of trade liberalisation helped expand cross-border commerce.

That system has not disappeared. The United States remains a major financial, technological and military power; Europe remains an important market and regulatory force; and multilateral institutions continue to influence economic policy. Yet the distribution of economic weight has changed. China has become a manufacturing and trading powerhouse, India has expanded its economic scale and diplomatic reach, and several countries across Asia, Africa, Latin America and the Middle East have gained strategic importance.

The result is not a simple replacement of one dominant power by another. It is a more complex, multipolar landscape in which influence is shared unevenly across finance, trade, technology, energy, security and institutions.

What Does the New World Economic Order Mean?

The phrase 'new world economic order' describes the changing distribution of economic influence and the rules that shape international commerce and finance. It includes the relative strength of major economies; control over critical resources and technologies; the geography of trade and investment; the role of international institutions; and the growing influence of regional and strategic groupings.

The transition is gradual and uneven. Some countries have financial influence but limited manufacturing capacity. Others dominate industrial supply chains but rely on imported energy or foreign technology. Economic power is therefore multidimensional: it is measured not only by GDP, but also by innovation, currency credibility, market size, skills, infrastructure, resources and the ability to build partnerships.

From Unipolarity to Multipolarity

After the Cold War, the United States enjoyed an unusually strong position in global affairs. Today, the rise of China, the growing role of India, the economic integration of Asia and the expanding voice of emerging economies have made the system more distributed. This does not mean that all powers are equal; rather, different countries hold influence in different domains.

1. The Rise of Emerging Economies

Emerging economies are no longer peripheral participants in the world economy. They are major sources of production, consumption, investment and innovation. China remains central to global manufacturing; India combines a large domestic market with expanding digital and industrial capabilities; Indonesia is important in minerals and regional manufacturing; Brazil is influential in agriculture and commodities; and Gulf economies are investing to diversify beyond hydrocarbons.

The rise of these countries is changing the geography of demand. Growing middle classes create markets for consumer goods, healthcare, education, financial services, mobility and digital products. At the same time, governments are investing in ports, roads, power systems, industrial parks and digital infrastructure to attract production and improve competitiveness.

The World Bank's January 2026 Global Economic Prospects projected developing-economy growth to moderate to 4.0% in 2026 from 4.2% in 2025, highlighting that higher growth does not automatically close income gaps with advanced economies. The development challenge remains substantial: countries need productivity, jobs, education and investment to convert economic scale into broad-based prosperity.

Why the Global South Matters

The term Global South is not a single political or economic bloc. It describes a diverse group of developing and emerging economies whose priorities often include access to development finance, fairer trade rules, technology transfer, climate finance, food and energy security, and greater representation in international institutions.

Many of these countries want strategic autonomy: the ability to work with multiple partners without being compelled to choose one geopolitical camp. Their approach is often pragmatic. A country may trade heavily with one power, obtain investment from another, cooperate on security with a third and participate in regional institutions with several others.

This flexibility can create opportunities, but it also requires diplomatic skill. Smaller economies may face pressure when major powers impose sanctions, export controls, investment restrictions or competing standards.

The Economic Weight of Demography

Population size alone does not create power. A young population becomes an advantage only when supported by education, health, skills, jobs and productive investment. India, Indonesia and several African economies have the potential to benefit from favourable demographics, but they must create employment at scale and improve the quality of human capital.

Countries with ageing populations face a different challenge: sustaining productivity, funding pensions and healthcare, and attracting skilled workers. Demographic change will influence migration, labour markets, public finances and the location of future demand.

2. BRICS+ and the Voice of the Global South

BRICS began as a forum of Brazil, Russia, India and China, with South Africa joining in 2011. The grouping has since expanded. Its wider membership includes Egypt, Ethiopia, Iran, the United Arab Emirates and Indonesia, alongside the original five. The expansion has broadened its geographic reach and increased its role in discussions about development, finance, trade and global governance.

BRICS is not a unified economic union with a common market, shared currency or single foreign policy. Its members have different economic structures, strategic interests and bilateral relationships. Its influence therefore depends on the ability to identify practical areas of cooperation rather than assume that all members will act as one.

The New Development Bank

The New Development Bank, established by the founding BRICS countries, is intended to mobilise resources for infrastructure and sustainable development. It provides an additional source of development finance alongside established multilateral and national institutions. Its membership has expanded beyond the original five, reflecting interest in alternative channels of development funding.

The bank's long-term significance will depend on the scale, quality and impact of its lending, its ability to mobilise capital at competitive rates, and the extent to which it complements rather than duplicates existing development institutions.

3. The Changing Roles of the United States, China and Europe

The United States: Financial and Technological Influence

The United States retains major strengths: the depth and liquidity of its capital markets, the international role of the dollar, leading universities, technology companies, energy resources and a large consumer market. Its financial system and government securities remain central to global capital flows.

At the same time, the country faces domestic debates over public debt, industrial policy, immigration, inequality and the cost of strategic competition. Trade restrictions, export controls and the use of economic sanctions have become more prominent instruments of policy. These measures can protect selected industries or pursue security goals, but they can also raise costs, create uncertainty and encourage other countries to diversify.

China: Manufacturing Scale and Strategic Technology

China's influence is rooted in its manufacturing ecosystem, infrastructure, export capacity and position in a wide range of industrial supply chains. It is a major producer of electronics, machinery, batteries, solar equipment, chemicals and consumer goods. Its large domestic market also supports companies seeking scale.

China is moving up the value chain in electric vehicles, telecommunications, advanced manufacturing, artificial intelligence and other strategic sectors. However, it faces challenges including property-sector adjustment, demographic pressures, local-government debt, external trade restrictions and the need to rebalance growth towards domestic consumption.

For other economies, China is simultaneously a major market, supplier, competitor and source of investment. This complexity makes blanket strategies difficult. Businesses must assess sector-specific dependencies and risks.

The European Union: Market Power and Regulation



The European Union remains one of the world's largest economic markets and a major force in setting standards. Its influence is visible in competition policy, product regulation, data protection, environmental rules and trade agreements. Companies seeking access to the European market often need to meet standards that can influence practices well beyond Europe.

Europe also faces structural pressures: slower productivity growth, energy costs, security concerns, demographic ageing and competition in advanced industries. Its ability to deepen its capital markets, strengthen innovation and coordinate industrial policy will shape its future influence.

4. Trade Is Being Rewired, Not Abandoned

Globalisation is not simply ending. Instead, trade is being reorganised around resilience, strategic compatibility, market access and security. Companies are reviewing supplier concentration, transport routes, inventory levels and exposure to sudden policy changes.

UN Trade and Development reported that global trade reached a record value of about $35 trillion in 2025, despite conflicts and rising restrictions. Its 2026 Trade and Development Report also highlights that the geography of trade is shifting and access to markets is becoming more selective.

This trend is sometimes described through terms such as 'friend-shoring', 'near-shoring' and 'China plus one'. These approaches do not necessarily mean that companies are abandoning established suppliers. They often mean adding alternative sources, moving selected production closer to customers or reducing dependence on a single country for critical inputs.



Who Benefits from Supply-Chain Diversification?

Countries that offer reliable infrastructure, skilled workers, competitive costs, predictable regulation and access to major markets may attract new investment. Vietnam, India, Mexico, Indonesia, Malaysia and several Central and Eastern European economies are among the locations that companies assess for different industries.

However, relocation is not automatic. Suppliers, logistics, ports, energy reliability, customs processes and workforce skills must be developed together. A country may attract an assembly plant but capture limited value if high-value components, design and intellectual property remain elsewhere.

5. Technology Is Becoming a Source of National Power

Economic power increasingly depends on control over technologies that underpin modern industry and security. Semiconductors, artificial intelligence, cloud computing, telecommunications, cybersecurity, advanced materials, biotechnology and quantum research are now strategic assets.

Semiconductors illustrate the interdependence of the modern economy. Their production relies on specialised equipment, intellectual property, materials, design capabilities and highly skilled workers spread across several countries. Disruption in one part of the chain can affect automotive production, consumer electronics, data centres and defence systems.

Artificial intelligence is another major source of competition. Countries that combine computing infrastructure, data access, research institutions, capital and skilled talent may gain productivity advantages. But AI also raises questions about employment, privacy, market concentration, energy consumption and the distribution of economic gains.

Digital Infrastructure and Data Sovereignty



Cloud services, data centres, digital identity, payment systems and cross-border data flows are becoming essential infrastructure. Governments increasingly debate where sensitive data should be stored, who can access it and which legal frameworks apply. Data sovereignty policies may protect national interests, but poorly designed restrictions can increase costs and fragment digital markets.

Digital public infrastructure can also become a source of international influence. India's experience with digital payments and public digital systems has attracted interest from other countries. The opportunity is to share interoperable, affordable and secure solutions while respecting local legal and institutional conditions.

6. Energy, Critical Minerals and Resource Diplomacy

Energy security remains a foundation of economic power. Oil and gas continue to influence transport, industrial costs and geopolitics, while renewable energy is changing investment priorities. Countries with strong capabilities in solar, wind, batteries, grid technology and energy storage may gain new industrial advantages.

The energy transition also creates demand for critical minerals such as lithium, cobalt, nickel, copper, graphite and rare earth elements. Their mining, processing and refining are geographically concentrated in different ways, creating new strategic dependencies.

Resource-rich countries have an opportunity to move beyond exporting raw materials by developing processing capacity, skills and local manufacturing. Buyers, meanwhile, are seeking diversified and responsible sources. Environmental safeguards, community rights and transparent contracts will be essential to making resource partnerships sustainable.

Climate Policy as an Economic Instrument



Climate measures increasingly affect trade and investment. Carbon standards, clean-energy incentives, emissions reporting and product traceability can influence which goods are competitive in international markets. Businesses must prepare for changing rules on emissions, supply-chain transparency and sustainable finance.

For developing economies, the challenge is to finance the transition without sacrificing industrialisation or energy access. For developing economies, the challenge is to finance the transition without sacrificing industrialisation or energy access. Affordable capital, technology transfer and predictable market rules are crucial.

7. The Dollar, Global Finance and Monetary Influence

The US dollar remains the leading international currency for reserves, trade invoicing and financial transactions. Its role is supported by the size of the US economy, deep capital markets, convertibility, institutional structures and the availability of dollar-denominated assets.

However, several countries are exploring ways to diversify reserves, settle selected trade transactions in local currencies and reduce exposure to exchange-rate volatility or financial sanctions. This does not mean that the dollar is about to lose its central role. Currency networks benefit from liquidity and trust, and alternatives need deep markets, convertibility and credible institutions.

The internationalisation of currencies is therefore likely to be gradual and uneven. Local-currency settlement can be useful in specific bilateral trade corridors, but it does not automatically create a global reserve currency.

8. International Institutions Under Pressure



The IMF, World Bank, World Trade Organization and other multilateral institutions were designed for a world in which cooperation among major powers was possible even amid political differences. Today, they face pressure to adapt to a more diverse membership, new sources of finance, climate-related needs, digital trade and geopolitical rivalry.

Developing countries have long argued that their voting power and representation should better reflect their share of the global population and economy. Reform debates include quota and governance arrangements, development finance, debt restructuring, trade dispute settlement and the ability to respond to cross-border shocks.

Multilateral institutions remain important because global problems cannot be managed by national policy alone. Financial crises, pandemics, climate risks, cyber threats and disruptions to shipping or food markets cross borders. The challenge is to make institutions more representative, effective and trusted.

9. Geopolitics and the Economics of Strategic Alignment

Trade and investment decisions are increasingly shaped by national security considerations. Export controls, sanctions, investment screening, tariffs and restrictions on technology transfer can change the commercial environment quickly. Companies must therefore understand not only customer demand and production costs, but also geopolitical exposure.

Countries are seeking strategic autonomy in critical sectors such as energy, food, defence, pharmaceuticals, semiconductors and telecommunications. Strategic autonomy does not necessarily mean self-sufficiency. It means having enough domestic capability, diversified suppliers and trusted partnerships to withstand disruption.

This approach can strengthen resilience, but it can also become expensive if every country tries to duplicate entire supply chains. The challenge is to distinguish genuinely critical dependencies from areas where open trade remains beneficial.

10. India's Position in the Emerging World Order



India occupies a distinctive position in the changing global landscape. It is a large and growing market, a major services exporter, an important voice among developing economies and a participant in several strategic partnerships. It engages with the United States, Europe, Russia, Japan, the Gulf, Africa and the wider Indo-Pacific while maintaining its own policy priorities.

India's demographic scale, digital capabilities, skilled workforce, entrepreneurial ecosystem and expanding infrastructure create significant opportunities. Its role in global services, pharmaceuticals, engineering, automotive components, digital payments and space-related activity offers a foundation for broader economic influence.

India's participation in BRICS, the G20, the Quad, the Shanghai Cooperation Organisation and other platforms reflects a multi-alignment approach. These forums have different purposes and memberships; together, they provide channels for dialogue on trade, security, development, technology and global governance

India as a Manufacturing and Supply-Chain Destination

To convert opportunity into durable influence, India must deepen manufacturing competitiveness. Priorities include logistics efficiency, reliable power, skilled labour, research and development, quality standards, access to finance, predictable regulation and stronger links between large companies and MSMEs.

The goal should not be limited to attracting assembly operations. India needs to build domestic suppliers, develop component ecosystems, expand design and engineering capabilities and increase value addition. MSMEs can play a major role if they have access to technology, testing, institutional procurement and working capital.

India's Services and Digital Advantage

India's services sector is an important source of export earnings and international engagement. IT services, business-process management, consulting, financial services, engineering design, education and digital platforms connect Indian talent to global markets.

The next opportunity lies in moving towards higher-value activities: AI implementation, cybersecurity, financial technology, research services, advanced engineering and specialised professional services. This requires continuous skill development, stronger innovation and attention to data protection and international compliance.

11. Opportunities and Challenges for Indian Businesses

A changing global order creates openings for Indian companies, but it also introduces new risks. Businesses that understand global standards, diversify markets and invest in productivity may benefit from shifting supply chains. Those that rely on a narrow set of customers, imported inputs or volatile shipping routes may face higher uncertainty.

Opportunities

- Export diversification: Indian firms can explore markets across Africa, the Middle East, Europe, ASEAN and Latin America, while tailoring products to local regulations and consumer needs.
- Supplier development: Manufacturers can become vendors to global corporations, infrastructure projects and public-sector buyers by meeting quality, delivery and compliance requirements.
- Strategic sectors: Electronics, pharmaceuticals, defence components, renewable energy, food processing, critical-mineral processing and industrial machinery offer scope for capability building.
- Digital services: Technology, finance, consulting, education and professional services can expand through cross-border delivery and partnerships.
- Investment partnerships: Joint ventures and technology collaboration can help domestic firms access capital, know-how, intellectual property and new markets.

Challenges

- Infrastructure and logistics: Transport costs, port efficiency, warehousing and reliable power affect export competitiveness.
- Skills and productivity: Industrial growth requires technicians, engineers, managers and workers trained for modern production.
- Standards and compliance: Different markets impose requirements relating to product safety, data, environment, labour and traceability.
- Financing: MSMEs may struggle to fund technology upgrades, certification, inventory and longer export payment cycles.
- Geopolitical uncertainty: Tariffs, sanctions, shipping disruptions and sudden regulatory changes can affect business plans.

12. The Role of Finance and Professional Institutions

The new world economy creates an expanded role for finance professionals. Businesses entering international markets need accurate costing, foreign-exchange risk assessment, transfer-pricing compliance, tax planning, internal controls, project evaluation and cash-flow management.

Chartered Accountants, Cost Accountants and other finance professionals can help enterprises evaluate export profitability, assess country and counterparty risks, structure investments, understand customs and indirect-tax implications, and prepare for international reporting requirements.

Cost management is especially important when companies diversify suppliers or relocate production. A lower quoted purchase price may be offset by freight, insurance, tariffs, inventory carrying costs, quality failures or currency movements. Total landed cost and supply-chain risk should guide sourcing decisions.

Professional bodies, chambers of commerce and industry associations can support businesses through market intelligence, training, international delegations, buyer-seller meetings and guidance on regulatory requirements.

13. What the Next Decade May Look Like

The next decade is likely to be defined by a more diversified but interconnected global economy. Several trends deserve close attention:

1. More distributed economic influence: The United States, China, Europe, India and other regional powers will continue to shape different parts of the system.

2. Selective globalisation: Trade will remain important, but strategic sectors will face greater scrutiny and supplier diversification.

3. Technology competition: AI, semiconductors, cloud infrastructure, cyber capabilities and advanced manufacturing will influence productivity and national security.

4. Energy transition: Clean-energy investment and critical minerals will reshape industrial policy and resource partnerships.

5. Financial diversification: More local-currency settlement and alternative payment channels may emerge, while the dollar is likely to remain central in the near term.

6. Institutional reform: Pressure will continue for multilateral institutions to reflect contemporary economic realities and the priorities of developing countries.

7. Demographic change: Countries with skilled and productive workforces will be better positioned to attract investment and sustain growth.

14. Building a More Balanced and Resilient Global Economy

A multipolar world can create more opportunities for cooperation, but it can also increase the risk of rivalry and fragmentation. The objective should not be to replace one dominant centre with several competing centres that erect barriers against one another. A stronger global economy requires open channels of trade, reliable institutions, responsible investment and practical cooperation.

Countries should invest in education, infrastructure, innovation and institutional quality. Businesses should diversify sensibly, maintain transparent supply chains and prepare for regulatory change. International institutions should improve representation, respond more quickly to emerging risks and support countries facing debt, climate and development pressures.

For emerging economies, the most important task is to convert geopolitical attention into productive capacity. Access to markets and investment matters, but long-term prosperity depends on domestic skills, competitive enterprises, strong institutions and the ability to create value locally.

Conclusion: Power Is No Longer Defined by One Centre

The new world economic order is not a finished arrangement. It is an evolving system shaped by economic growth, technological innovation, demographic change, energy security, financial networks and strategic competition. The United States remains highly influential, China has become indispensable to global production and trade, Europe retains major market and regulatory power, and India and other emerging economies are gaining greater voice.

The most consequential shift is the widening range of countries that can influence global outcomes.

For India, this moment offers a significant opportunity—but not an automatic guarantee of success. The country must strengthen manufacturing, expand exports, improve infrastructure, develop skills, deepen innovation and build competitive enterprises. Indian businesses, including MSMEs, must prepare to operate in a world where quality, resilience, compliance and strategic partnerships matter as much as cost.

The future will belong to nations that can combine economic strength with adaptability, innovation and trusted international relationships. In this emerging order, influence will not be measured only by the size of an economy, but by its ability to create value, solve shared problems and contribute to a stable and prosperous global system.



CMA Gaurang Dixit

Former CMD NSIC