

World History

(Additional Study Material)

-Manikant Singh

Part – VI

Contemporary World : A cursory Look

Dear Aspirants,

This section VII of the study material is not mentioned in your syllabus. However study of this important area will give you a sense of comprehensive and complete coverage of syllabus. It is likely to be remembered that the section-I which covers ancient world, mediaeval world and rise of modern-west and the section VI which portrays the developments leading from decades of 1970 till the present times, connects the pasts to the contemporary world. This is according to the NCF 2005 directions, based on which the NCERTs have been written. In this guidelines it has been asked to look around the lives and surrounding and try to know their parts and underline the changes in a chronological order to understand as to how we have changed, developed and have reached to the contemporary times.

Apart from that the comprehensive knowledge from the ancient to the contemporary times, will inculcate a critical thinking in minds of the aspirants. Then it will be easier for them to answer even the complex and inferential questions from this area.

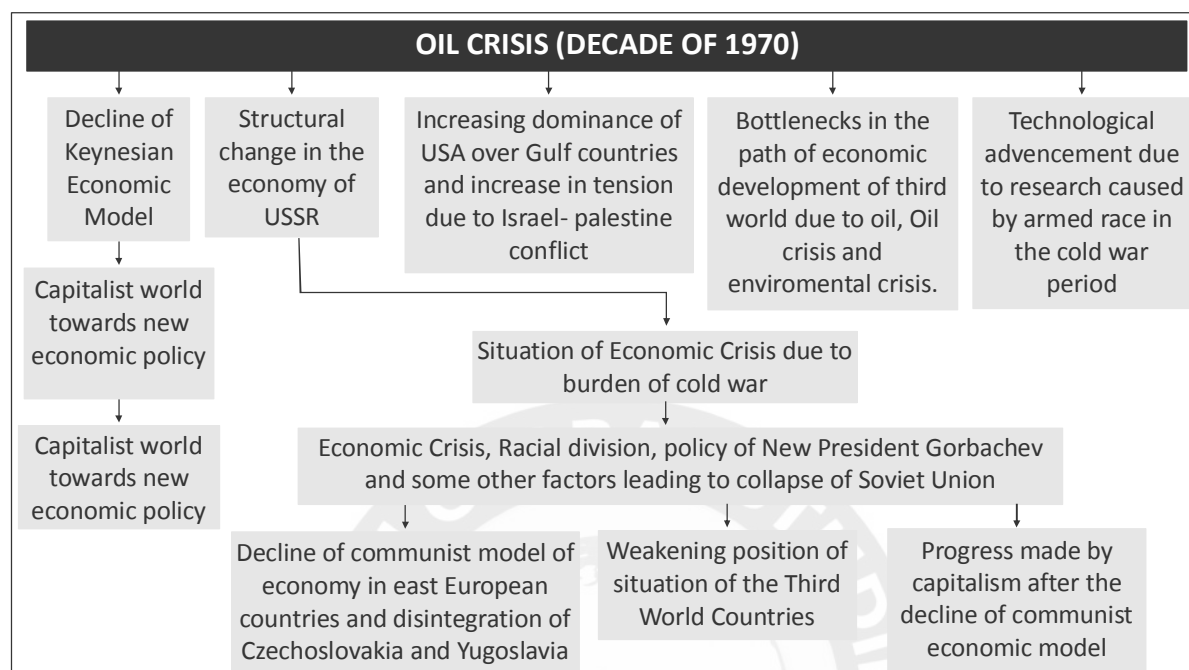
Moreover an added advantage of section VI is that it works as a gateway to the other sections of general studies. It should be kept in mind that the students are studying world history not simply to answer one or two questions which are directly asked from this area, rather to deal with the questions related to the constitutionalism, international economic systems and also to the international relation, in a better and a comprehensive way.

Following topics should be covered in order to cover the section VI -

- How did oil crisis affect the 'capitalist economic model'?
- How did oil crisis affect the economy of 'third world' countries?
- How did oil crisis change the structure of 'socialist economic model'?
- How did oil crisis give a new direction to the America's foreign policy towards Arabian countries?
- Which factors had determined the disintegration of USSR and decline of communist economic model?
- How did the end of cold war make an impact on international economy and international relations?
- What kind of relation does exist between economic liberalization and globalization? Which factors have inspired them?
- How did Subprime Mortgage crisis and Eurozone crisis make a shock over the capitalist economic model and economic liberalization?
- Is the economic policy of Neo-liberalism yet another form of Neo-colonialism?
- Has the globalization come to an end
- Will the capitalist economic model be able to survive?

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World History (Part VI) : Contemporary World: A cursory Look



Major factors of change in 1970s:

In the decade of 1970, two such issues came up which were about to shape the future course of history of the world. One of these issues was environmental crisis and the other was oil crisis. As far as environmental crisis is concerned, it is noteworthy here that in this period only the consciousness for environmental conservation emerged. Therefore this issue was still not of much importance for the world. However in future it could get due importance, but as far as the issue of oil crisis is concerned, it had been a burning issue ever since it had emerged and it impacted the existing world order in a wider way.

What does the oil crisis mean?

As we have studied previously that western companies had already captured the petroleum resources of West Asia and the Arabian world and these companies had been doing the

continuous exploitation of these resources in an arbitrary manner. However during this period petroleum producing countries were awakening gradually. In 1960 they already formed OPEC (organization of petroleum exporting countries). Apart from this, Arab countries were highly disturbed at the gesture of the western powers on their response to the Israel-Palestine conflict especially when Israel defeated Arab countries with the help of American weapons in the war of 'Yom Kippur' (1973). Thus while getting dissatisfied with the western powers due to their role in Arab-Israel conflict, Arabian world decided to use oil as a weapon. So they put a ban on sale of petroleum products. However when in March 1974 the ban on sale of petroleum products was lifted, there was four-fold price enhancement in petroleum product. Also in 1979 the obstacles, which had appeared due to Iranian revolution, led to further increase in oil prices. These two

events are known as oil crisis. This oil crisis gave a new direction to the global economy and to the existing geopolitical situation.

What was the issue of environmental crisis and how did the different nations reacted to it?

Environmental crisis essentially was an outcome of failure of prevailing developmental strategy. One interesting fact is that a decade ago it was nowhere even in the imagination of the people. Till then every school of thought, be it capitalism, liberal socialism or Marxism, was of the view that nature had abundant and never ending resources. However by 1960 the environmental question emerged. Moreover, the book like "Silent Spring" played an important role in spreading consciousness in real sense about this threatening issue. Its writer Rachel Carlson also got popularity only after she had written this book. Then in 1972 it was for the first time an international conference in Stockholm was organized to ponder and act upon this emerging problem. Unfortunately even after its emergence, the world could not stand together to coordinate the efforts for facing this challenge. In fact, communist block under USSR even boycotted this conference. However India participated and PM Indira Gandhi, while putting the perception of developing countries, declared that 'polluters must pay' i.e. the developed countries which were primarily accountable for environmental pollution, must pay because it was their misconceived developmental strategy which created this problem for the world. Indira emphasised that it was the developed nations who started their industrialization almost 150 year ago. So now when the question of polluter

comes then definitely the developed world emerged to be the main culprit. Therefore developed countries should pay the cost of it. (India stood strong for this till Durban conference in 2011.)

Oil crisis and decline of Keynesian economy

Oil crisis gave new direction to the world economy. One of the immediate impact of oil crisis was decline of Keynesian economic model.

What were the reasons responsible for the decline of Keynesian economic model?

To know its answer first we have to understand the concept of demand management propounded by J.M. Keynes. According to Keynes in an economy fall in demand and inflation cannot occur at the same time. So for both the situation he gave separate solutions to the government. In case of fall in demand the government should increase its expenditure and should cut the tax rates. And in case of inflation government should reduce its expenditure and increase the tax rates. But the oil crisis put both fall in demand and inflation at the same time in the economy.

As we have seen that Keynesian economy was able to maintain a balance in the world economic system for three decades but the oil crisis completely destroyed such balance and created a new problem for the economies known as stagflation. Stagflation is a situation in which there is both the rise in the level of prices and the fall in the level of demand at the same time. For this situation of stagflation, oil crisis was accountable to a great extent. In the situation of oil crisis the price of petroleum product increased

in a multi fold manner and thus petroleum products were considered as black diamond. But only few countries were petroleum producing while maximum other countries were only consuming ones which used to import oil from these gulf countries. So the maximum part of whole global resources were flowing into these countries. It led to following impacts on the economy:-

1. **Fall in demand:-** Due to increase in oil prices, import of oil became costlier for importing countries. It led to flow of monetary resources from oil importing to the oil producing countries. So, it resulted into the decline of their purchasing power. As the resources of gulf countries increased it was expected from them that they spend more but instead they believed in saving more. So it led to fall in demand at the global level.
2. Apart from that, as the petroleum products became costlier and as petroleum products worked as input in production as well so even commodities became equally costly. It means that even if there was fall in the demand it was not possible for the prices to go down due to increase in the input/factor cost. Therefore, economy came to face both the problems simultaneously – rise in cost and fall in demand.

So naturally, in this situation a new challenge emerged before the world economy. It came to be known as stagflation. It was a newer challenge with which economic experts were not familiar and the Keynesian model also did not have any solution of this problem.

Washington Consensus

What does Washington consensus mean and how was its background prepared?

Washington consensus means, to limit the government's intervention in economy and restore market mechanism. It was named 'Washington Consensus' by an economist Williamson. However for this new economic policy the main credit should be given to two economists, Fredrick Hayek and Milton Friedman. Fredrick Hayek was contemporary to Keynes while Friedman was a bit junior to him. These two economists opposed the Keynesian theory from the beginning. According to them government intervention and fiscal policy were not the right kind of solution. They both argued in support of free economy and reduction of the government's role in the economy. Friedman even believed that Keynesian method will not only cause disruptions in the economy but will also facilitate the formation of a despotic government in the future. Fredrick Hayek in his book "Road to the slavery" has indicated about the threat to the human freedom.

Whereas Friedman was in contact with Chicago group of economists and thus he supported the monetarist policy. He gave emphasis over the method of money supply in an economy in order to make that economy more mobile in nature. Friedman believed that Keynes committed a mistake in finding the real cause of the depression. He believed the reason behind the depression of 1929-30 was not the fall in the level of demand rather it was the failure of American Federal Bank to pump enough money in the economy. (As we understand that

the reduction in money supply means reduction in demand). However in the beginning these economists were side-lined. But after 1970 when Keynes's economic model was questioned due to oil crisis, then people started to think about monetarist model of economy. So for the three decades after the Second World War, the Keynesian economic model dominated however for the next three decades following the oil crisis it was the monetarists who came into frontline.

Moreover, these two economists influenced the British PM Margaret Thatcher and American president Ronald Reagan. Furthermore, the model of minimal state, advocated by Hayak and Friedman, was equally attractive to the middle class which had earlier been forced to accept maximal state model of J.M. Keynes. Then, on the initiatives taken by Reagan and Thatcher, the Washington consensus was signed in 1989 which prepared the basis of liberal economic policy.

Arab region and new challenges in West Asia

As we have observed that USA started excessive intervention in Gulf region and installed autocratic governments there. In Iran a satellite government was formed under Shah. But this government could not continue for long as a conservative Ulema Ayatullah Khomeini managed to create propaganda against Shah's government and thus a rebellion took place. With the fall of government and success of rebellion, there was revival of Islamic fundamentalism. Most significantly, the American embassy in Iran was attacked and officers and staffs were captured. For next 444 days they were kept as

hostages. This created a major gulf between new regime of Iran and USA.

However, this event was followed by another one i.e. Iran-Iraq War. Iraq looked at the rivalry between Iran and America as an opportunity. Therefore, Iraq made efforts to capture some part of the disputed land. It led to the outbreak of Iran-Iraq war which continued for 8 years and finally ended in 1988.



During this period China is known for a significant change. In 1978 Mao Tse Tung was succeeded by Deng Xiaoping. He started economic liberalization in 1979 and completely transformed the Chinese economy. But the point to be noticed here is that when the changes were brought in the communist Russia and other countries of Eastern Europe, the Communist model collapsed. But China could save itself as it opened its market but it could not relax its political control. So, China became a nation where market-socialism prevailed. In fact, China evolved a model of market mechanism under an autocratic government. This is known as 'Chinese Consensus.'

Structural change in the economy of USSR

How did oil crisis impact the economy of USSR?

USSR was the leader of socialist world and had been leading the communist block during cold war. But its future as a nation as well as the head of the socialist block was depending on the success of socialist economic model. But oil crisis gave a major challenge to Russian economy.

As we have seen earlier that the economic reforms brought by Stalin, the Soviet leader, gave boost to the Russian economy. It was the communist model which ensured unprecedented human resources development, proper exploitation of agricultural resources and speedy industrialization. This led to vast progress of Russian economy. However, there were two inherent limitation of communist model. The first was that due to the lack of market incentives the growth declined. The Second one was high level of corruption and red tapism due to dominant role of bureaucracy. Due to these limitations, Russian economy started to face a downturn after 1960s.

Apart from that, the oil crisis brought certain fundamental changes in the economy. Initially oil crisis benefitted as USSR was having a vast reserve of hydrocarbon products. Therefore it emerged to be a larger exporter of Petroleum products. Then due to multi fold increase of exports from Russia its FOREX reserves multiplied and a part of this reserve was being spent over defence. However the negative aspect of this easy currency was that it led to shift in the focus from technological innovation. So USSR lost the Sputnik moment which was its strength. (As USSR sent space shuttle named, Sputnik to space even before USA and declared the success of communist Russia.)

Situation of economic crisis due to the burden of Cold War-

Impact of Cold War on Russian economy was visible by 1980. On the one hand Russian economy was facing a downturn and on the other the burden of Cold War was also increasing. It was a big mistake committed by Russian leader, Brezhnev that he invaded Afghanistan in 1979. Thus Russia fell into the situation of an endless war in Afghanistan. Then in 1984, Reagan became the President of U.S. who initiated Strategic Defence Initiative (SDI), also known as 'Star Wars Programme'. As a result, the arms race started. This further increased the pressure on USSR. Then in 1985, Mikhail Gorbachev became the President of Soviet Union. He was enthusiastic for change and reforms in USSR. At first, he started talks on arms control with American president. It led to the ease of tensions between two blocks. Secondly Gorbachev also started process of economic and political reforms in the USSR.

Economic crisis, racial division and policies of new president Mikhail Gorbachev and some other related issues leading to the disintegration of Soviet Union (USSR)

Was this disintegration of USSR the result of a complex process or simply the result of weakening of Russian economy?

USSR was already going through an economic crisis. Then Russian president Gorbachev presented a solution which proved to be even more problematic than the problem itself. This solution was the policy of 'Perestroika and Glasnost'. Perestroika means economic restructuring. In other words having been

inspired by the capitalist model, under this policy he tried to link USSR economy with the market. It resulted into major upheavals in the economy and thus created unease among the people. Policy of Glasnost means a policy of ideological openness. Under this policy, people were allowed to freely express their views without any restriction. But this freedom of expression proved detrimental in the background of economic upheavals in Russian economy.



Moreover, USSR was multiracial in nature (In 19th century just like Ottoman empire and Hapsburg Empire, Russian Empire was also facing the burden of multiracial structure), so different racial groups had demanding a separate nation. While decades ago they already lost their political freedom but now they were not ready to bear the burden of economic crisis. Moreover even the opposition leaders were encouraging separatists' aspiration of different racial groups. One such leader was Boris Yeltsin who was elected as president of Russian republic. He was encouraging the separatist tendencies while strengthening his position for political gains in an independent Russia. Consequently, the republics started declaring their independence one after other. Firstly, it was the Baltic nations

including Latvia, Lithuania, and Estonia which declared their independence in 1990. Then Ukraine also did the same. Then the president of USSR Mikhail Gorbachev resigned from his post. Thus the second super power of the world, whom even American weapons could not defeat, met its demise due to the internal factors. (After this devastating event, internal security became an important issue for any country.)

Disintegration of USSR led to the following immediate consequences:-

Decline of socialist economic model in East European countries and disintegration of Czechoslovakia and Yugoslavia.

What were reasons for decline of communist model in East European countries?

It was from the beginning that socialist country of East Europe was completely dependent on Soviet Union. In these countries communist model was established not due to any popular revolution rather it was imposed through Soviet Union from above. In practical sense these countries remained to be satellite states. So in these regions governments could never get the legitimacy. In other words these governments could never get the acceptance by the people. On the other site, even people were utterly dissatisfied with their governments particularly due to their failure on economic front. Then in the era of information technology, which became the basis for the third industrial revolution, socialist countries were left behind. Not only this, but with the help of information technology, the people of Eastern Europe could have a glimpse of the level of prosperity and development in west European countries that made them restless. But

inspite of the utter dissatisfaction the people remained quite for some decades but once system was relaxed under Gorbachev, they raise against their government.



The process of change first started from Poland in 1988 and the Fall of Berlin wall of Germany in 1989 (Berlin Wall was constructed in 1961 during Cold War). Then in 1990, the Germany was reunified. By 1990 communist model completely disintegrated in East European countries. These countries were Poland East Germany, Czechoslovakia, Hungary, Romania, Bulgaria, Yugoslavia and Albania.

How and why did Czechoslovakia and Yugoslavia disintegrate?

We have seen earlier that these two states were constituted in Paris Peace Conference. These countries were formed on the basis of Wilson's 14 point programme. According to this programme, all people of the different nationalities were to be constituted into separate nations based on the idea of right to self-determination. However due to some other factors (have been discussed in section IV) the nations constituted by the leaders of Paris Peace Conference, still remained to be multilingual

and multiracial in nature. Therefore national aspiration of the people could not be fulfilled. Between 1945 and 1990 i.e. for 45 long years they had been groaning under an autocratic and centralised communist model. But as soon as the communist control was relaxed, the old racial division again raised its head for change. Thus the disintegration of Czechoslovakia and Yugoslavia became a reality. A British historian Eric Hobsbawm remarkably said that "it is a half-baked chicken of Paris Peace Conference which has come to be baked again."

Even though division of Czechoslovakia was ultimately peaceful in nature and it got divided into Republic of Czech and that of Slav but Yugoslavia got divided into six nations, namely- Croatia, Bosnia-Herzegovinian, Serbia, Montenegro, Slovenia and Macedonia. Then Kosovo got separated from Serbia and when Serbia started to suppress Kosovan people, then it led to the Kosovo crisis. Therefore in 1999 NATO on behalf of UN, intervened into this matter.



Wakening in position of third world countries

Why did the end of Cold War weakened the position of 3rd World countries?

The impact of end of Cold War was clearly visible on the 3rd world countries. It impacted their bargaining position. Firstly, it was the presence of USSR which helped the third world countries to bargain hard with the western capitalist powers. So, under pressure western block used to give them some concessions so that 3rd world countries did make a tilt in favour of communist bloc. This way, Third World countries were benefited from the situation of Cold War. As the Cold war ended it put a question mark to the relevance of non-aligned movement (NAM). In 1989 in Belgrade summit it was emphasized that as the blocs itself ceased to exist so what was relevance of the term of Non-Alignment now?

Growth in Capitalism after disintegration of socialist model

Did the collapse of socialist model indicate about the failure of Marxism?

Answer to this question is highly complex. As we have seen previously Marx discussed about strategy of revolution, but he did not give any model of the form of government under the rule of proletariat class. So whatever model was established in Soviet Union, in the name of communism was the product of a long experimentation under soviet leaders from Lenin to Stalin. Then the similar model was imposed on east European countries without any consideration of local situation. Neither the process of revolution nor the system of government was prescribed or recommended by

Karl Marx. So should the collapse of USSR be linked with the declaration of end of Marxism?

How did the collapse of socialist model give boost to the progress of capitalism?

Until 1990, the world was divided into two economic models: liberal capitalism and socialism. The socialist model emerged as a competitive alternative to capitalism. Third world countries sought to incorporate certain elements of socialism into their capitalist systems. However, with the disintegration of the socialist model, the path for the global acceptance of capitalism prevailed.

After the collapse of the socialist model, Francis Fukuyama, an American thinker of Japanese origin, famously proclaimed the “end of history,” symbolising the prevailing excitement and transitional shift. In his 1992 book, titled “The End of History and the Last Man,” he argued that with the triumph of liberal capitalism, history’s struggles had reached their conclusion, marking the end of history itself.

A year later, Samuel P. Huntington, another American scholar, challenged Fukuyama’s view with his theory of the “clash of civilizations.” Influenced by the disintegration of the Soviet Union, Czechoslovakia, and Yugoslavia, Huntington argued that history primarily involved the struggle between civilizations. During the Cold War, this struggle was overshadowed by the ideological divide. However, as the Cold War ended, Soviet Russia, Yugoslavia, and Czechoslovakia met their demise due to their cultural diversity. Initially, there were very few takers of this view, but after the 2001 terrorist attacks on the USA, the view started to gain ground.



Increasing dominance of USA on the Gulf countries and increase in tension due to Israel-Palestine issue:-

The era of Arab-Western relations began with events like World War I and the Paris Peace Conference, which marked a betrayal of Arab nationalism. The discovery of valuable resources in the region further complicated the situation. The 1973-74 oil crisis and the 1979 Iranian revolution heightened US awareness of the importance of oil security for the capitalist world. Three factors, namely Soviet Union, Israel, and petroleum products, contributed to the complexity of US-Arab relations. The United States aimed to contain the Soviet Union's influence and safeguard Israeli interests.

In the Arab region, a trilateral conflict emerged between Shia Iran, Sunni Saudi Arabia, and the Jewish nation of Israel. The United States pursued several objectives in response to this situation. Firstly, it aimed to establish pro-American governments in the Gulf region. Secondly, it sought to exert influence over major oil-producing countries like Saudi Arabia to ensure oil security for America. Thirdly, the US aimed to bring the Sunni population of Saudi Arabia closer to Israel, effectively isolating the Shia-dominated Iran. The 1979 Iranian revolution and the conflict surrounding the US embassy in Iran sparked hostile relations between the US and Iran.

In the aftermath of the 1973-74 oil crisis, the ruler of Saudi Arabia, Faisal, played a significant role in the petroleum blockade. However, Faisal was later assassinated, leading to speculation that the United States may have been involved. Following his death, a pro-US government was established in Saudi Arabia..

The Camp David agreement was facilitated by the USA, involving Egyptian leader Anwar Sadat and Israel. Its primary objective was to ensure acceptance of Israel among Arab nations, but this objective remained unfulfilled. Anwar Sadat was assassinated by Hamas, a Sunni terrorist organisation sympathetic to the Palestinians. Hosni Mubarak, a supporter of the USA, succeeded Anwar Sadat.

The first Gulf crisis emerged in 1990-91 when the Iraqi dictator Saddam Hussein attacked and captured Kuwait. This crisis posed a threat to America's interests in the Gulf region. If Iraq controlled Kuwait, it would become a strong competitor to Saudi Arabia in the petroleum



market, which the United State wanted to avoid in order to maintain Saudi Arabia's monopoly. To address this, the US formed a coalition of 28 countries under the USA, including 13 Gulf countries. The USA rallied Sunni countries against Saddam Hussein, while urging Israel to remain silent. With the end of the Cold War, such a coalition became possible, and by February 1991, Kuwait was liberated.

The Gulf War played a significant role in easing tensions between Israel and Arab countries, consequently weakening the Palestinian issue. This led to the signing of the Oslo Agreement between Palestine and Israel in 1993.

The arms race during the Cold War gave boost to research and technological advancement.

The present-day information technology (IT) has undergone extensive research and development over a prolonged period. However, much of this R&D was initially driven by the objective of gaining an advantage in the arms race. Meanwhile, various technologies were developed that would later become the foundation for the emerging information technology landscape. Notable advancements included the development of satellite TV and the direct dialling system in the 1980s, as well as the remarkable creation of the World Wide Web by a team of British scientists led by Tim Berners-Lee. The World Wide Web was fully developed by 1995 and became the catalyst for the internet revolution.

The development of IT is often referred to as the third industrial revolution. While the first industrial revolution focused on coal as a primary energy source and the second industrial

revolution relied on petroleum products, the third industrial revolution aimed to emphasise renewable energy sources. Interestingly, countries like India, which lagged behind in the first and second industrial revolutions, emerged as key players in the third industrial revolution. The establishment of numerous higher education institutions as a result of Nehruvian economic policies played a significant role. However, India faced the consequence of neglecting the development of primary education as the result of which the process of industrialization under the Nehruvian economic model faltered. As an unintended outcome of the focus on higher education, a large number of engineering degree holders emerged in India. Similarly, Lord Macaulay's education policy had negative impacts, but one positive aspect was the emergence of a large number of English-speaking graduates. These two factors propelled India forward in the computer software sector.



Historically, industrial revolutions have paved the way for economic and political transformations, and the third industrial revolution was no exception. The third industrial

revolution, fueled by information technology, unleashed a political tsunami in Eastern European countries. Churchill's iconic speech at Fulton in 1946 vividly depicted the Iron Curtain imposed by the USSR on Eastern Europe. Nevertheless, IT broke through this barrier, leading to the profound transformation of communist regimes in the region. As a result, the third industrial revolution catalysed the emergence of a global civil society.

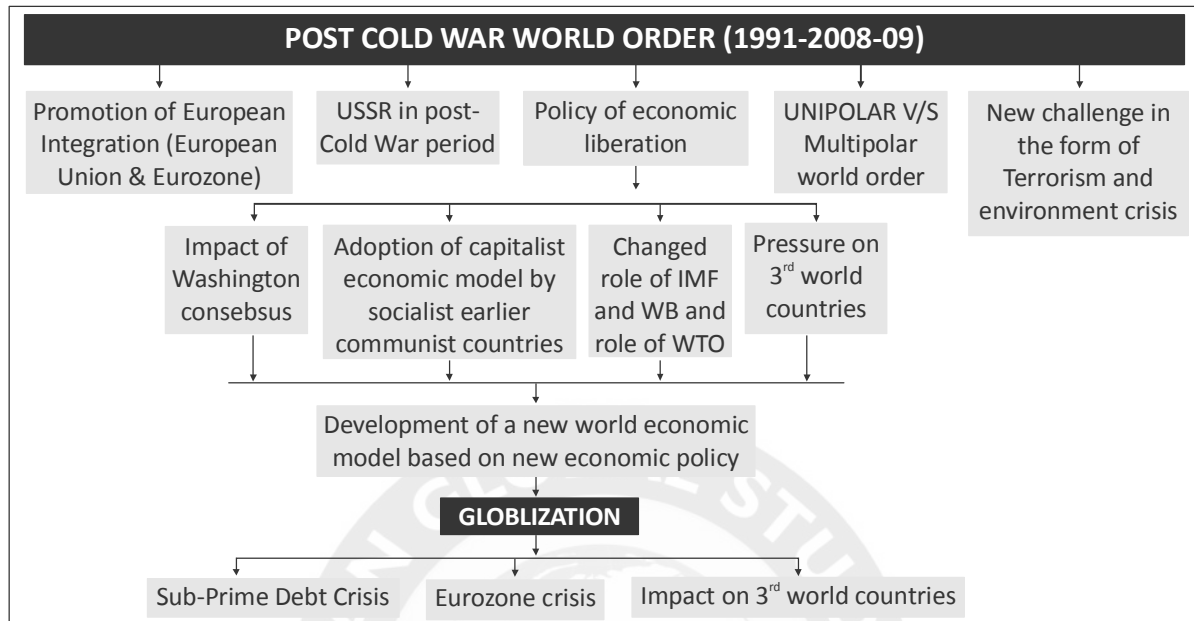
The oil crisis and environmental crisis are hindrances to the development of the third world economy:-

During the developmental process of third world countries, two major hurdles emerged: the oil crisis and environmental crisis. As we have observed previously, colonial powers benefitted from the resources of their colonies during their own industrialization. In contrast, the Soviet Union and East European countries extensively exploited their resources to support their industrial growth. When newly independent third world countries embarked on their own industrialization path, they encountered numerous challenges. These included low level

of production, limited technological advancements, and a scarcity of skilled human resources due to the legacy of colonial economies. Despite these obstacles, many Afro-Asian countries managed to industrialise using their own approaches, although some African nations lagged behind. Most of these countries adopted a government-controlled capitalist model, while others, like India, opted for a mixed economic model incorporating aspects of socialism and capitalism. However, the majority of third world countries heavily relied on imported petroleum products, leading to significant trade and balance of payment issues. India, during its 5th five-year plan, experienced a severe balance of payment crisis.

After the onset of the environmental crisis, warnings were issued that the environment could no longer tolerate further carbon emissions. Third world countries looked to the developed world to take responsibility for environmental protection while allowing them to pursue necessary industrialization. However, the stance adopted by developed countries raised suspicions.

POST COLD WAR ORDER (1991-2008-09)



Promoting European integration

Since World War II, there have been ongoing efforts to achieve a unified Europe, although progress has been limited. However, in the 1980s and 1990s, there was a renewed focus and increased seriousness in addressing this issue. Policies were formulated to promote effective economic integration, and significant steps were taken towards political integration. The Maastricht Summit of 1992 played a pivotal role in advancing these efforts.

What were the reasons for the formation of the Eurozone and the European Union?

Several factors played a role in these developments. Firstly, countries such as France acknowledged the necessity of advancing integration in Europe. Secondly, the decline of the socialist model opened up new possibilities for a unified Europe. Thirdly, France, concerned about German unification, drew parallels

between the new German Chancellor, Helmut Kohl, and Hitler. As a result, France pursued the integration of a united Germany into a unified Europe, including the incorporation of the German currency, the Mark, into the Eurozone.

How did the structure of a unified Europe evolve after the Maastricht summit?

The Maastricht Summit of 1992 marked a significant milestone in the process of European integration. During this Summit, important decisions were made, including the establishment of a unified market, the introduction of a common currency (Euro), the implementation of uniform citizenship, and the formulation of consistent foreign and defence policies. As a result of this Summit, the European Union was formed in 1993. The European Union represented a unified market, promoting trade without tariffs. In the early 21st century, the Euro was introduced as the common currency of the

European Union. In 2005, further progress was made, leading to the establishment of the European Federation. The European Union expanded to include Eastern European countries and former Soviet states, increasing its membership to 28 countries, with 19 adopting the Euro as their currency, forming the Eurozone. While the European Union prepared a framework for defence and foreign policy, member countries continued to rely on NATO for their security needs, while the EU became the largest economy. This achievement was seen as a significant step towards a unified Europe, and the success of the EU provided guidance for other regional organisations worldwide.

19-member eurozone

EU countries that share a single currency



USSR during Post Cold War era

Following the dissolution of the USSR, Mikhail Gorbachev's tenure ended, and the Soviet Union was replaced by 15 independent republics. The Russian Republic remained the largest among these republics, covering about two-thirds of the total land area. Boris Yeltsin, the President of Russia at the time, established

the Commonwealth of Independent States (CIS), comprising 11 of the 15 former Soviet states. Through the CIS, various independent states were formed. Subsequently, the Eurasian Economic Union (EEU) was established in 2014-2015, initiated by the Russian Republic. The EEU included Belarus, Kazakhstan, Russia, Armenia, and Kyrgyzstan.

Initially, the heads of the Russian republic pursued a policy of cooperation with the West, hoping to receive economic assistance that would facilitate the smooth transition of the Russian economy into a capitalist system. However, Russia's expectations of support from the West were ultimately met with disappointment.

The relations between Russia and Ukraine were also influenced by the issue of nuclear weapons. A significant portion of the USSR's atomic arsenal was located in Ukraine. Following the disintegration of the USSR, it was expected that Ukraine would transfer these weapons back to Russia. In 1994, through trilateral talks involving Russia, Ukraine, and the USA, Ukraine returned all the atomic weapons to Russia, receiving assurance of security in return.

Additionally, the United States was expanding its influence in the former Eastern European socialist countries as well as in the former Soviet republics. As a result, NATO and the European Union emerged as separate entities. Subsequently, these issues became a major source of conflict between the United States and Russia. In 1999, Vladimir Putin assumed leadership of the Russian Republic and introduced a significant shift in Russia's foreign policy. Instead of aligning with the West, Putin adopted

a more assertive approach. He employed energy diplomacy to bolster Russia's influence in the former Soviet region and fostered closer ties with China through the Shanghai Cooperation Organization (SCO). Putin's notable 2007 speech revived academic interest and evoked comparisons to the Cold War era. The growing partnership between China and Russia marked a new dynamic in post-Cold War geopolitics, contrasting with the period from 1971 to 1989 when China had closer ties with the United States rather than Russia.

Policy of economic liberalisation

What is economic liberalisation, and what factors encouraged the policy of liberalisation?

Liberalisation refers to opening up the economy and reducing or eliminating state control. While classical economists advocated for a free market economy, the 1929 economic crisis led to the emergence of Keynesian economics, which emphasised the role of government intervention. However, the policy of liberalisation sought to limit or eliminate government intervention in the economy and promote openness.

Several factors contributed to the boost in liberalisation policies. Firstly, the Washington Consensus, influenced by economists Fredrick Hayek and Milton Friedman, advocated for market openness. Secondly, the collapse of the USSR led to the end of the division between economic models, with former socialist countries adopting capitalist economies. Thirdly, starting from 1971, the role of the International Monetary Fund (IMF) in currency adjustments against the dollar diminished as the USA sought

to free its economy from IMF control and implemented market-oriented exchange rate policies. As a result, both the IMF and World Bank were assigned new roles and responsibilities, pressuring developing countries to reduce or eliminate government control over the economy and promote market access. Additionally, the establishment of the World Trade Organization (WTO) took over the General Agreement on Tariffs and Trade (GATT) and played a significant role in opening up markets.

What kinds of changes have been observed in the international economy due to economic liberalisation?

The IMF began providing conditional loans to crisis-prone countries, contingent upon the assurance of improved governance to ensure future debt repayment. This approach exerted pressure on countries to implement reforms that reduced government intervention in the economy and opened it up to external actors. These reforms included promoting privatisation of public sector units (PSUs), implementing industrial and trade policy reforms, amending labour laws to enhance labour discipline, and reducing government expenditure on public health and education, thus decreasing overall revenue expenditure.

The Uruguay round of GATT, also known as the 8th round of negotiations, led to the establishment of the World Trade Organization (WTO), which significantly transformed the structure of international trade. Previously, the Bretton Woods model proposed by Keynes aimed at limited globalisation after World War II. This approach sought to align national interests with

international trade regulations, allowing countries to implement measures to improve their economies, such as ensuring food security, implementing public welfare policies, and devaluing currency. However, Keynes held a different perspective on the functioning of the international economy, emphasising the need for a balanced approach to avoid conflicts arising from national interests. Presently, the rise of nationalism has undermined the effectiveness of the WTO, validating Keynes's concerns.

While Keynes excluded agriculture and services from the realm of trade, the WTO brought them, along with intellectual property rights (IPR), under its purview. This placed additional pressure on third world countries, compromising their food security policies due to the inclusion of agriculture. Furthermore, the incorporation of IPR and patents created additional challenges for these countries, which lagged behind in research and relied heavily on Western technology. The inclusion of these rights in trade allowed Western countries to charge fees for their technologies, further exacerbating the situation.

The decisions made during the Uruguay round predominantly favoured Western countries. However, recognizing the demands of the third world countries, the Doha round was initiated in Qatar in 2008. This round aimed to address certain issues in favour of the third world. Unfortunately, the onset of the economic crisis in the West in 2008-09 led these countries to backtrack on their commitments, impeding progress in the Doha round.

The question arises: why did the third world countries accept these conditions?

In fact, the third world countries were facing economic difficulties, exacerbated by the oil crisis. The situation was further intensified by the first Gulf crisis in 1991, which led to a surge in petroleum prices. As a result, these countries were left with no choice but to seek assistance from the IMF. However, both the IMF and the World Bank imposed conditions on providing loans, requiring these countries to open up their economies. India itself experienced the impact of these conditions and was compelled to adopt the LPG (Liberalisation, Privatization & Globalization) policy in 1991.

Are Liberalisation and Privatization Synonyms?

We cannot say this. In fact, if economic liberalisation is considered the cause, globalisation becomes the effect. As countries began to open up their economies, this resulted in increased integration among them. Additionally, new information technology reduced the distance between nations. Sociologically, the term "netizens" gained prominence, referring to individuals connected to the Internet, rather than solely as citizens. Moreover, cultural and ideological exchanges also experienced an upsurge.

It should be emphasised that this phenomenon called globalisation has primarily impacted the economic sphere. The Treaty of Westphalia and the concept of national boundaries remained intact, signifying the continued significance of nation-states. Despite globalisation, the notion of a unified global government never materialised. The regulation

of globalisation has consistently been based on the authority of nation-states.

Unipolar V/s Multipolar World

After the Cold War, the bipolar world order disintegrated alongside the USSR and the Warsaw Pact. However, NATO remained intact as the United States expanded its influence. NATO extended its membership to include Eastern European countries and some former Soviet republics. The United States transitioned from a focus on hegemonic warfare to assuming a global leadership role, resulting in what became known as a unipolar world order. Nevertheless, this unipolar world order was short-lived. In 2001, the United States experienced a terrorist attack, highlighting the global spread of terrorism and the inability of any single country to combat it alone. Concurrently, under Vladimir Putin's leadership, Russia regained strength and influence. As a result, the unipolar world order lost its importance, and a new world order emerged, which is known as unipolar versus multipolar world order.

New Challenges – Environmental Crisis & Terrorism

The consciousness regarding the environment began to emerge as early as the 1960s, and in 1972, an international conference was held in Stockholm to address this issue. However, even this conference became overshadowed by the Cold War tensions of the time.

It was crucial for the issue of environmental protection to gain prominence. The industrial models of both the developed world (capitalist and communist) bear significant responsibility for

the environmental challenges we face today. The very concept of Gross Domestic Product (GDP) itself poses a significant threat to the environment. Originally conceptualised during the Second World War as an emergency measure to measure production levels, GDP was developed by economic experts Richard Stone and James Meade, with the guidance of J.M. Keynes. However, even these experts recognized the limitations of GDP as a measure and highlighted the importance of considering social and environmental aspects of development alongside GDP. In his Nobel memorial lecture in 1984, Richard explicitly emphasised the need for nations to consider social and environmental factors also alongside GDP. Regrettably, this crucial message went largely unheard, as many economies focused solely on the market value of production, disregarding the importance of environmental protection and social development. Consequently, environmental degradation became an inevitable outcome.

During the 1980s, the environmental crisis continued to worsen, prompting the United Nations (UN) to address the issue of sustainable development. In 1992, the UN organised a summit on environment and development in Rio de Janeiro, known as the "Earth Summit," with the participation of 172 countries. It was during this summit that the United Nations Framework Convention on Climate Change (UNFCCC) was established.

The progress of addressing climate change further advanced in the Kyoto Conference of 1997, held in Japan. In this conference, the principle of "Polluter must Pay," advocated by

India, was adopted. Countries such as the USA, Japan, and EU committed to reducing carbon emissions, while India and China were exempted from such obligations. However, the Kyoto Protocol faced a setback when the newly elected American President, George W. Bush of the Republican Party, declared the protocol to be flawed and withdrew the USA's participation. Consequently, the Kyoto Protocol lost its effectiveness and significance due to the non-participation of the USA.

The Terrorism and the world

With the end of the Cold War, there was a growing hope for peace and stability. However, alongside these hopes, a new and significant challenge emerged: terrorism. A closer examination of terrorism reveals that it did not emerge suddenly; it has a long historical background. Throughout history, terrorism has often been employed as a means of reaction against exploitation or oppression.

While various movements, such as Irish rebellions, Russian Nihilists, and Communists, have resorted to terrorism in the past, the form of terrorism associated with religious fundamentalism can be traced back to the period of Western imperialism and the Cold War.

As we have seen, after the First World War, the betrayal of Arab nationalism and the subsequent encouragement of the Jewish state by Western powers caused unrest in the Arab region. Additionally, Western powers' pursuit of petroleum imperialism exacerbated the already troubled situation in the Arab world. Furthermore, other factors contributed to the escalating tensions.

In response to the pervasive influence of Western imperialism, the Islamic population in the Arab world and other regions sought solace and rallied around religion as a means of resistance and reaction, particularly due to the limited exposure to modern ideologies in the region. Movements such as Wahabi and Faraizi emerged as expressions of Muslim reaction against British imperialism in India. Furthermore, the United States, motivated by its Cold War objectives and the containment of socialism, extended support to conservative factions within the Arab region.

Extremist Ideology

In fact, when examining orthodox Islamic ideology, its roots can be traced back to two significant fanatic ideologies: Wahabi and Salafi. The Wahhabi ideology originated in the fanatic religious schools of Saudi Arabia. It idealises the period of the prophet as the epitome of Islam and rejects all modern technological advancements. On the other hand, the Salafi ideology also aims to establish Islam in its purest form but is open to embracing emerging science and technology, provided that these modern sciences promote Islamic values instead of Western values. The Salafi ideology emerged in Egypt during the latter half of the 19th century.

Initially, the youth in Saudi Arabia followed the Wahhabi ideology, but later they also shifted towards the Salafi ideology, attempting to merge Islamic orthodoxy with modern technology. Consequently, when orthodox Wahabi organisations in Saudi Arabia became intertwined with modern technology, it led to

the formation of aggressive terrorist organisations. For instance, Hamas was established in 1987 in the Gaza Strip of Israel, influenced by the Muslim Brotherhood of Egypt. Prior to this, Hezbollah was formed in 1982 following Israel's attack on southern Lebanon. Hezbollah is a Shia terrorist organisation that has received support from Iran and Syria.

Most significantly, after the attack by Russia on Afghanistan, a fertile ground for the upsurge of terrorist organisations was prepared. The USA started encouraging jihadist groups in order to strengthen its position against the USSR. Secondly, jihadists from across the world started accumulating in Afghanistan. The governments of Gulf countries supported jihadists and sent thousands of sunni jihadist groups on the mission to Afghanistan. Presently, when the USA declares itself as the biggest opponent of terrorism, it needs to be reminded of how, in the 1980s, figures like Berzenisks, the security advisor of America, while standing on a hilltop in the Khyber Pass with a gun in one hand and the Quran in the other, declared their support for jihadists against the USSR, stating that this combination of a gun and the Quran would be the path to freedom.

Osama-Bin Laden & Al-Qaida

Many jihadists came to fight in Afghanistan, including Abdullah Azam, a Palestinian jihadi, and Osama bin Laden, who hailed from Saudi Arabia. Osama worked as an assistant to Abdullah, and he was deeply influenced by Abdullah's ideology. After the USSR accepted its defeat in Afghanistan in 1990, Osama returned to Saudi Arabia.

This is how things turned against the USA, and jihadists also turned against the USA. The role that Osama played against the West in the first Iraq war is still unclear. However, after the defeat of Iraq, he migrated to Sudan in 1991 and declared war against the USA. In 1994, under pressure from the West, the Sudanese government asked Osama to leave the country. He then made Afghanistan his base until 1996, receiving protection from the Taliban government under Mullah Omar. From Afghanistan, Osama successfully orchestrated the 9/11 terrorist attack on the USA. We have observed that the influence of Palestinian jihadi Abdullah and other left-wing organisations in Saudi Arabia played a significant role in shaping Osama's ideology. Despite being Saudi-born, he deviated from the ideology of Saudi scholars, and under the influence of Azam, he began thinking in the context of global jihad. Al-Qaeda became the means for this global jihad. Following the 9/11 terrorist attack, the USA declared a war against terrorism, vowing to eliminate the ghost it had inadvertently created in the past. However, in its pursuit of the war against terrorism, the USA made mistakes that inadvertently contributed to the further spread of terrorism. While the base of Al-Qaeda in Afghanistan was temporarily weakened, it spread to other regions during that time. In 2001, the USA attacked Afghanistan in response to 9/11, using only hard power against terrorism. It did not employ soft power in conjunction with hard power and neglected to fight on both fronts. As a result, the USA became embroiled in a never-ending war in Afghanistan. The war in Afghanistan remains the longest fought war in American history.

It is important to remember that during the Cold War, illegal weapons were stockpiled, making it easier for terrorist organisations to access them. This led to the formation of global terrorist organisations such as Al-Qaida, ISIS, LeT, Boko Haram, Jabhat-al-Nusra, and others. Terrorism emerged as a dangerous challenge after the Cold War, with a struggle between state and non-state actors that differs from previous conflicts. This struggle is more dangerous and destructive than previous wars. Furthermore, the rise of Information Technology has made this struggle multidimensional in nature. While some scholars, such as Samuel P Huntington, have labelled it as a “clash of civilizations,” this term is unacceptable because the root cause is not cultural but rather political and economic. Western imperialism bears a significant responsibility in this regard.

Crisis of the Capitalist System: The Subprime Debt Crisis and the Eurozone Crisis

We have seen earlier that there is an internal contradiction in the capitalist economy. To maximise profits, it breaks down its own market and takes away the purchasing power of its customers.

To maintain profit level, the capitalist economy often resorts to invading the markets of other countries. Additionally, it adopts another strategy to increase profits by enhancing the purchasing power of customers through banks. When banks offer loans at lower interest rates, it stimulates demand, leading to market inflation. This phenomenon is commonly referred to as creating a market bubble.

However, the consequences emerge when customers face difficulties in repaying their loans. In such situations, they are unable to fulfil their financial obligations, and as a result, they surrender their acquired goods to the market. This influx of surrendered products causes a sharp decline in prices, triggering an economic crisis known as a bubble burst within the economy.

Similar issues arose in the US stock market during 1929-30 and the US housing sector in 2008. The Eurozone crisis of 2008, on the other hand, was a consequence of Europe’s long standing policy of monetary integration without sufficient financial integration. The two blocks below highlight the sub-prime crisis and the Eurozone crisis.

Sub Prime Crisis

Housing has become unaffordable for the common man during times of rising inflation. In an effort to make houses more accessible to the general population, then-US President Bill Clinton encouraged bank loans. The Federal Reserve Bank (FRB) also increased the money supply in the market. As the economy was already experiencing a recession following the terrorist attacks, the increased money supply provided a beneficial boost.

An increase in the money supply universally leads to a rise in demand. Taking advantage of the low interest rates offered by the FRBs, many investors stepped forward, and a specialised bank known as an investment bank emerged. With credit available at more affordable rates, people began securing loans against the value of their houses. This practice involved using the purchased house as collateral for the loan,

subsequently driving up demand for housing and resulting in a surge in prices within the area. On the other hand, the investors were driven by their eagerness to earn profits, leading them to provide loans to subprime lenders. Subprime lenders, characterised by their lower capacity to repay loans, are typically avoided by lenders. However, enticed by the prospect of higher interest rates, loans were extended to them. It is important to note that subprime lenders charge higher interest rates compared to banks. An astonishing \$2.2 trillion was raised through subprime mortgages.

Initially, prime loans and subprime loans accounts were kept separate, but eventually, they were merged. Consequently, the buyers of these loans remained unaware of the actual amount of risk associated with them. In 2004, the Federal Reserve Bank decided to increase the interest rate, resulting in borrowers' inability to fulfil their debt obligations. As a consequence, they had to pledge their assets, such as houses, to the banks. This situation caused a decline in housing prices and collateral values. Subsequently, the subprime lending companies found themselves facing insolvency. This sequence of events ultimately led to an economic crisis known as the subprime debt crisis.

Eurozone Crisis

The Eurozone crisis shook the world as a whole. In 2009, Europe found itself entangled in an economic crisis. Examining the causes of this crisis reveals that its roots lie within the structure of the Eurozone itself. The Eurozone countries embraced a shared currency, the euro. While the European Union had already

established a duty-free common market, the Eurozone countries were not evenly developed. On one hand, the northern states, particularly Germany, boasted a strong economic and industrial market, while the southern states, referred to as PIIGS (Portugal, Ireland, Italy, Greece, and Spain), struggled with weaker economies. At its core, the failure stemmed from the experiment of monetary integration without financial integration. In other words, as trade barriers dissolved among the Eurozone countries, the option of currency devaluation following monetary integration vanished. Consequently, if one economy thrived while another faltered, there existed no defence mechanism for the weaker economy.

Let's understand with an example. Germany stood as a robust economy, while Southern Europe grappled with economic fragility. Fiscal policies, budgetary measures, and other economic strategies differed between Germany and these countries, resulting in discrepancies in the quality and pricing of products. German goods were relatively cheaper and of higher quality compared to those produced in the weaker economies. As a result of the integrated market, citizens of PIIGS countries began favouring the consumption of relatively affordable, higher-quality German products. This led to the downfall of industries within these countries. Failing businesses were unable to repay their bank loans, pushing financial institutions to the brink of insolvency.

However, the governments of these countries learned from the United States' failure to rescue banks like Lehman Brothers, which

triggered a financial crisis. In an effort to prevent a similar outcome, the Eurozone governments sought external loans to refinance and recapitalize their banks. Unfortunately, this approach burdened the governments with increasing levels of debt, giving rise to the "sovereign debt crisis." Typically, a dominant power does not fall victim to an economic crisis as it possesses two options. Firstly, it can raise additional funds through increased taxation. However, in an integrated economy, this option becomes infeasible, as imposing higher taxes would lead to capital flight and businesses relocating elsewhere. Thus, this was not a viable solution. The second option involved the central bank printing additional currency to repay debts. Nevertheless, within the Eurozone, only the Central Bank of Germany had the authority to issue currency, leaving other banks without this option. Consequently, all these countries became debtors, giving birth to the Eurozone crisis.

IMPACT OF CAPITALISM ON THIRD WORLD COUNTRIES

It had a dual impact on third world countries. On the one hand, China and India benefited from the process of third industrialization and economic liberalisation. This phenomenon became known as outsourcing and offshoring. Outsourcing refers to the utilisation of engineers from third world countries, made possible by the impact of third industrialization and information technology, who are available to the West at significantly lower labour costs. However, this has also created more employment opportunities for third world individuals abroad, enabling them to convert

their earnings into their respective domestic currencies and thereby achieve higher incomes. Consequently, this has resulted in an overall increase in the GDP of the domestic country. On the other hand, offshoring meant shifting the industrial base to countries where cheaper electricity, cheaper labour, and other factors are available, particularly in third world countries, resulting in lower levels of factor costs. This has also led to an increase in employment generation in third world countries.

The benefits of outsourcing were reaped by India, while the benefits of offshoring were reaped by China. In contrast, employment generation in Western countries began to contract, leading to discomfort among their citizens. In response, a massive protest was held by the labour group during the 1999 Ministerial Conference of the World Trade Organization (WTO). This protest marked a stark contrast to the situation during 19th-century Western imperialism when colonial resource exploitation resulted in increased employment generation for the West. However, in the era of the third industrialization, it was the third world countries that started to enjoy the fruits of industrialization through increased employment opportunities.

A group of emerging economies of the 3rd world, which benefited from the third industrialization and economic liberalisation, became part of a select group of emerging economies that stood above other nations. The formation of the G-20 group occurred in 1999, and since 2008, it has gained significant influence. The group encompasses not only developed countries but also those with

emerging economies experiencing substantial growth. These countries, situated in the Southern Belt, are distinct from Western nations, with India also included among them. On the other hand, many Latin American, African, and Asian countries did not experience the same level of fortune. The policy of economic liberalisation had adverse effects on these countries, as their forced integration into the global economy prevented them from safeguarding their domestic industries. Some became burdened with foreign debt, with

several Latin American nations falling into debt due to the influence of new neoliberal policies. In response to these circumstances, socialist governments were established in Venezuela, Brazil, and various Latin American countries at the beginning of the 21st century. This movement came to be known as the Pink Revolution. (Socialism or communism is commonly known as the Red Flag or Red Revolution, while the Pink Revolution signifies a unique revolution that differs from the previous socialist movement.)

From 2008-09 Till Present Times



A blow to the policy of Economic Liberalisation

What were the reasons for the decline of the policy of economic liberalisation?

The Thatcher-Reagan Axis played a leading role in advocating for economic liberalisation, with the objective of expanding Western finance into the international market. However, in reality, developing countries were making notable advancements in the agriculture and manufacturing sectors, potentially challenging Western dominance. This prompted the Western world to strive to maintain their supremacy in the financial sector. In the meantime, London and New York emerged as global finance centres.

However, the substantial impact of the 2008 subprime crisis and the 2009 Eurozone crisis on these financial hubs resulted in a waning interest from countries like the USA and Britain in globalisation.

As a result, the rise of economic nationalism became evident. Many years ago, J.M. Keynes pointed out that if the delicate balance between nationalism and internationalism is not maintained, national interests would prevail and challenge the international economic system. His prediction has now come true, as the world finds itself once again embroiled in trade wars and currency wars.

The emergence of Trumponomics with the “America first” agenda led to the imposition of substantial tariffs on Chinese imports and significantly affected trade with India as well. These factors have set the stage for a new era of trade conflicts.

Moreover, the impact of economic liberalisation on the process of globalisation was substantial, resulting in a reversal of its course. Brexit serves as a prominent illustration, intensifying the prevailing crisis within the Eurozone. The Eurozone is composed of 19 member countries that have adopted the Euro as their currency, excluding Britain. The decision of Britain to exit the 28-member European Union introduced significant uncertainty and undermined the political unity of the Union.

It is fascinating to note that India and China initially approached economic liberalisation with caution. However, as time passed, both countries have displayed a remarkable commitment to the principles of globalisation. The governments of China and India have actively pursued the establishment of a robust and effective globalised order, highlighting their keen interest in its success.

BREXIT

- After the Eurozone crisis, the European Union faced another crisis in the form of ‘Brexit.’ Since 2010, there had been demands in Britain regarding immigration, economic policies, national sovereignty, and security, which were separate from the goals of the European Union. In the 2016 referendum, 52 percent of the people voted in favour of Britain leaving the European Union, leading to the event known as Brexit.

- When examining the relationship between Britain and the European Union, it becomes clear that Britain had been sceptical of the federal European project from the beginning, mainly due to its geographical location. Despite joining the European Economic Community in 1973, Britain remained hesitant and opposed further integration efforts. Notably, in opposition to the provisions of the Maastricht Treaty, Britain adopted the slogan “European Union Versus Pooled Sovereignty.”
- Meanwhile, in Britain, mounting pressure emerged, particularly from the socialist countries of Eastern Europe, as a result of an influx of migrants, which subsequently led to a scarcity of job opportunities. The prevailing economic policies implemented by Prime Minister Margaret Thatcher of the Conservative Party during the 1980s were largely held responsible for the limited employment options. Thatcher’s endorsement of neoliberal economic policies resulted in the closure of numerous small-scale industries, thereby exacerbating the issue of rising unemployment. Consequently, migration from outside the country became the scapegoat for the increasing unemployment levels.
- The United Kingdom Independence Party (UKIP) spearheaded a well-organised opposition to the European Union, and their stance was subsequently embraced by some members of the Conservative Party. Their collective opposition was primarily focused on the European Union as an entity. In light of growing pressure from within his own

party, Prime Minister David Cameron, who belonged to the Conservative Party, made the pivotal decision to conduct a referendum on the matter.

- At Chicago Airport, following his participation in a NATO meeting, Prime Minister David Cameron engaged in a conversation with his Foreign Secretary and Chief of Staff at a restaurant. It was during this discussion that the pivotal decision to conduct a referendum on Britain's membership in the European Union was reached. Cameron's confidence in the outcome was reinforced by his recollection of a similar situation involving Scotland. The strategic employment of the referendum aimed to appease influential members of the Conservative Party who were advocating for Britain's exit from the European Union. Interestingly, this strategy had been previously employed by Harold Macmillan in 1975 to address the matter of the country's membership in the European Community.
- However, Cameron's decision to hold the referendum backfired, and he faced defeat as the majority voted in favour of leaving the European Union. Consequently, Cameron resigned from his position as Prime Minister, and the responsibility fell to Theresa May to navigate the ensuing situation. However, May's tenure was marred by electoral setbacks, which left her leadership in a precarious position. Presently, Boris Johnson leads the Conservative Party with a significant majority, and under his leadership, the United Kingdom formally departed from the European Union on January 31, 2020.

What lies ahead for the future of globalisation?

Throughout history, the world has witnessed phases of globalisation and de-globalization, as described by renowned economist Meghnad Desai. In the 19th century, globalisation experienced a significant rise but was subsequently affected by a global economic crisis. Following the Second World War, a de-globalized order was established, characterised by restrictions on globalisation. However, in the 1990s, globalisation resurged, but it currently confronts various unavoidable challenges.

When contemplating the future of globalisation, a notable conclusion emerges. The current form of globalisation is predominantly driven by the interests of investors, a dynamic that is expected to undergo a reversal. However, simultaneously, a parallel development of globalisation based on interactions among ordinary people has taken shape. Furthermore, the emergence of "netizens" and civil society groups facilitated by information technology has added to this trend. It is essential to recognize that challenges such as environmental issues and terrorism cannot be effectively addressed by individual nations alone; they require concerted global efforts. Additionally, pandemics like Ebola, SARS, and COVID-19 demand global solutions, emphasising the indispensability of globalisation. It is not merely an option but a pressing need and an imperative for nations worldwide.

Another significant question that arises is the potential correlation between the decline of economic liberalisation and the rise of right-wing nationalism. Right-wing nationalism refers to a governing ideology that relies on promoting

radical ideas among its populace for its success. In light of this, it becomes crucial to explore whether any relationship exists between these two phenomena.

There is indeed a relationship between the decline of economic liberalisation and the rise of right-wing nationalism. Several key factors contribute to this connection.

Firstly, during the process of economic liberalisation, governments often adopt a more hands-off approach, allowing international capital to exert significant influence. Consequently, people may feel that their governments have taken a backseat, leaving them vulnerable to the whims of global economic forces. This sense of insecurity can breed discontent and pave the way for nationalist sentiments to emerge. Secondly, globalisation, often associated with economic liberalisation, can bring about the imposition of Western cultural norms on societies. This can lead to a backlash as some individuals perceive it as a threat to their traditional values and identity. The desire to preserve and return to their cultural “roots,” including religious aspects, can fuel support for right-wing nationalist movements. Thirdly, the issue of migration plays a significant role in the rise of right-wing nationalism. The influx of migrants, who often seek better economic opportunities, can create concerns among the native population regarding job scarcity and competition. This unease and restlessness can provide fertile ground for nationalist movements to exploit, promising to protect the interests of the native population. Furthermore, with the disintegration of the

communist order, the option of a communist alternative as a response to economic liberalisation was no longer viable. As a result, people naturally gravitated towards alternate ideologies, such as radical nationalism, as a means to address their grievances and anxieties. The vacuum created by these dynamics allowed popular right-wing leaders and nationalist parties to emerge in their respective countries. Examples include leaders like Donald Trump in the USA, Vladimir Putin in Russia, Recep Tayyip Erdogan in Turkey, Shinzo Abe in Japan, Jair Bolsonaro in Brazil, and Benjamin Netanyahu in Israel. These leaders capitalised on the discontent and aspirations of those feeling marginalised by globalisation, employing nationalist rhetoric to garner support and consolidate their power.

THE RISE OF SUB NATIONALISM DURING GLOBALISATION

Globalisation has facilitated the emergence of “sub-nationalism,” posing challenges to nationhood and unity. Examples of this trend include the disintegration of the USSR in 1991, followed by Yugoslavia and Czechoslovakia in 1993. While the idea of a clash of civilizations is not entirely accurate, it does underscore the increasing influence of sub-nationalism. This begs the question: what factors have contributed to the growing power of sub-nationalism? Several reasons can be identified.

Globalisation has led to a loosening of government control, giving rise to regional aspirations. Furthermore, the concentration of international capital in specific regions has left others feeling neglected and deprived of its

benefits. This unequal distribution of wealth and development creates a sense of alienation, as prosperous regions are often reluctant to share their prosperity with neighbouring regions. Consequently, calls for separation and sub-nationalism gain traction.

Additionally, imperial forces have been known to exploit separatist tendencies to preserve their influence in certain regions. This has contributed to violent conflicts in several countries. Examples include civil wars in Rwanda and Somalia, the Kosovo crisis of the 1990s, and the division of Sudan in 2011.

Furthermore, the challenge of sub-nationalism has had significant repercussions on international relations. It has resulted in civil wars and, tragically, even massacres in certain regions. This gave rise to the concept of “Responsibility to Protect” (R. to P.) in international relations. However, it is important to note that the true essence of R. to P. was often perceived as a means to enhance the dominance of the United States. The US propagated the idea that if a government was exploiting its own people, it was the world’s responsibility to protect them. This ideology led to interventions in the internal affairs of certain countries, instilling a sense of fear. It was widely believed that the US would intervene in any country’s internal affairs using the R. to P. framework. This belief was evident in interventions in Libya and ongoing involvement in Syria.

The Most Dangerous Threats to the Contemporary World: Environmental Crisis and Terrorism

The world became aware of the environmental threat as early as the 1970s and initiated serious efforts, such as the Earth Summit, in the 1990s to address the issue. However, the priorities of governments shifted with the advent of economic liberalisation, redirecting their focus away from environmental concerns.

The shift in government priorities towards maximising economic growth led to the exploitation of resources in an unsustainable manner, exacerbating the environmental crisis.

During this period, there were notable changes in international efforts to address the environmental crisis. The impact of the Eurozone crisis and the Subprime crisis on Western economies led to a retreat from their environmental responsibilities. Additionally, the principle of “Polluters must pay,” advocated by India, was rejected, and instead, all countries were obligated to reduce their carbon emissions. This created pressure on nations to conform to carbon reduction norms based on their individual capacities. Eventually, India succumbed to international pressure and accepted these norms at the Durban summit in 2011.

The Paris summit in 2015 marked a significant step forward in addressing the global environmental crisis. The introduction of Nationally Determined Contributions (INDC) highlighted the shared responsibility of all nations in preserving the environment. However, there was a noticeable lack of commitment from Western countries in providing necessary funds and green technology to developing nations, despite the importance of supporting their

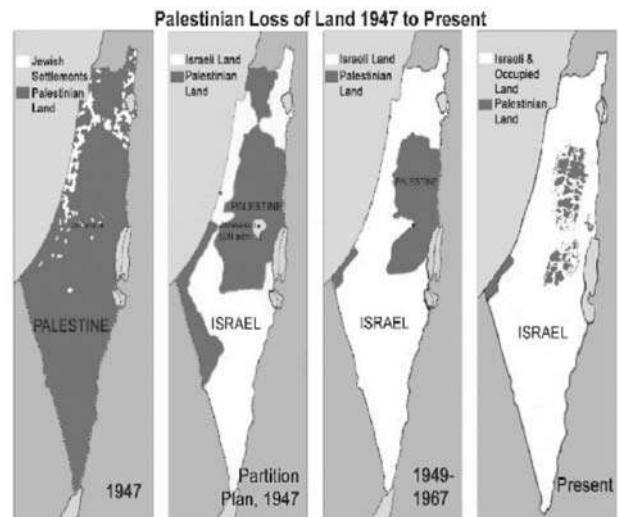
economic conditions. The United States, under the Trump administration, notably displayed a concerning level of irresponsibility by withdrawing from the commitments previously made by the Obama administration. What is particularly alarming is that the world as a whole still fails to fully grasp the immense magnitude of the environmental crisis, which poses the most significant threat to our present civilization.

In addition to religious extremism, terrorism has become intertwined with various other factors such as poverty, hunger, tribal identity, migration, and unemployment. The declaration of a caliphate by the Islamic State in Iraq and Syria (ISIS) in 2014 has transformed into a significant international challenge. Its influence has expanded from Afghanistan to Africa and Southeast Asia, making it a global network of terrorism.

SOME IMPORTANT ASPECTS OF THE INTERNATIONAL RELATIONS

From 2009 to 2020, West Asia and the Arab region experienced significant turmoil. The Arab Spring, which began in late 2010 in Tunisia, spread to other countries such as Egypt, Libya, and Syria. This wave of unrest was fueled by the growing influence of information technology, which opened up closed Arab societies to the outside world. However, despite high hopes for transformative reforms, the Arab Spring largely failed to bring about substantial changes, except in Tunisia. Instead, Egypt fell into military despotism, Libya faced external aggression and internal unrest, and Syria became embroiled in a protracted regional conflict, attracting the

involvement of major global powers. These events have left a lasting impact on the region, shaping its political landscape and exacerbating ongoing challenges.



The Israel-Palestine issue, which has been a longstanding conflict, has taken on new dimensions in recent times. With support from the Trump administration, Israel has expanded its control over Palestinian territories in the West Bank and Jerusalem. Simultaneously, a cold war between Iran and Saudi Arabia has been unfolding, with Yemen becoming a battleground. In Yemen, Iran-backed Houthi rebels and Saudi Arabia, supported by its allies, have been engaged in a struggle for power. Interestingly, there has been an increasing cooperation between Saudi Arabia and Israel, encouraged by the United States, as they align against Iran. Moreover, tensions in the region have escalated due to the U.S. cutting off talks and imposing new economic sanctions on Iran, particularly in relation to the issue of nuclear weapons. These developments have contributed to heightened tensions and complexities in the region.



In addition, Russia under the leadership of Vladimir Putin has adopted an assertive stance against the perceived aggression of the United States and its allies. This was evident in 2014 when Russia annexed Crimea from Ukraine, leading to a blame game between the West and Russia. The West criticised Russia for violating its earlier assurances of security to Ukraine and forcefully seizing a part of its territory. Conversely, Russia argued that the United States had breached its own assurances by expanding its influence in Eastern Europe. This disagreement further heightened tensions between the two sides.

On the other hand, Russia has argued that Western countries have betrayed its trust. According to Russia, the United States assured them that it would not expand its influence into former Soviet and Eastern European communist countries. However, the US allegedly disregarded this commitment by not only allowing these nations to join the European Union but also granting them membership in NATO. These actions resulted in heightened tensions, leading to a division within the G-8. Additionally,

economic blockades were imposed on Russia by Western nations.

While the situation remained relatively controlled during the presidency of Barack Obama, it further deteriorated afterwards. President Obama also accused President Putin of interfering in the 2016 US presidential election, which was contested between Hillary Clinton and Donald Trump. As a response, President Obama tightened economic sanctions against Russia. Furthermore, recent issues between President Trump and President Putin have added new tensions to the already strained relationship between the two countries.

The United States has expressed concerns that Russia is continuously increasing its nuclear arsenal. Previously, during the era of the USSR, the US President Ronald Reagan and USSR President Mikhail Gorbachev signed a treaty in 1987 aimed at reducing the number of short-range and intermediate-range nuclear missiles. However, under the Trump administration, the USA announced its decision to withdraw from this treaty.

Then, it is a worrisome sign for global peace. The cordial relations between the USA and Russia concerning issues related to Syria, Iran, and Afghanistan had the potential to reshape geopolitics and pave the way for a new direction. However, there are currently no visible signs of this desired situation materialising.

Along with this, the increasing dominance of the Chinese Dragon in the Asia-Pacific region is giving rise to new apprehensions. One of China's most notable national achievements is considered to be the Belt and Road Initiative (BRI).

Under this initiative, China has announced the construction of the 'Silk Road Economic Belt' and the '21st Century Maritime Silk Road,' collectively known as the Belt and Road Initiative (BRI). This ambitious plan is widely regarded as a significant step towards economic development and is often compared to important post-World War II plans, but in reality, it is even more extensive than the Marshall Plan. It encompasses intercontinental connections, linking Asia, Europe, and Africa.

Another perspective is that China's One Belt One Road initiative can be seen as an extension of its incomplete 600-year-old Zheng He policy. Interestingly, in 2005, the Chinese government introduced the modern version of the Zheng He Policy.



However, the current perception of the BRI extends beyond its economic aspects and is viewed as a strategic program as well. In this context, some experts refer to it as the String of Pearl Policy.

Currently, the United States is in the process of withdrawing from Afghanistan while engaging in negotiations with the Taliban. This move by Donald Trump resembles a policy

similar to what Nixon adopted during the Vietnam War. In the case of Vietnam, Nixon shifted responsibility for security to the South Vietnamese government and subsequently withdrew. Similarly, Trump is also pulling back from Afghanistan.

It is evident that the Afghanistan government will face significant challenges in defending itself against the Taliban. There is a real risk of the Taliban regaining control and once again ruling Afghanistan. In such a scenario, not only would India's investments in Afghanistan be at risk, but there is also the possibility of a Pakistan-friendly government being formed in Afghanistan. Furthermore, this could create a region fraught with instability, stretching from Central Asia to the Middle East. Additionally, the Indian government may face even more challenging issues in Kashmir.

Moreover, countries like Japan, Vietnam, the Philippines, and Singapore are already apprehensive about this policy. China's behaviour in the South China Sea and the East China Sea has further escalated tensions in the region. The USA is actively encouraging India to play a crucial role and places emphasis on India's 'Act East Policy'.

However, many experts draw comparisons between China's policy and the 'Co-prosperity Sphere' established by victorious nations in Central Asia after World War II. In his book 'New World Disorder,' Shashi Tharoor quotes English geographer John Mackinder's 'Heartland theory,' emphasising that a country capable of unifying Asia, Europe, and Africa as a World Island would wield substantial global power. China's increasing

presence in ports like Gwadar in Pakistan, Hambantota in Sri Lanka, and Djibouti, for both economic and strategic purposes, raises concerns among India and other nations worldwide.

Impact of technological changes on the contemporary world order

Throughout history, new technologies have had a profound impact on society. The first and second industrial revolutions brought about significant changes to the contemporary world. Similarly, the third industrial revolution, characterised by the rise of information technology, ushered in immediate transformations in political and social relations. During the 1990s, this revolution triggered political turmoil in Eastern Europe, leading to substantial upheaval and shifts in power dynamics. Likewise, in 2010-2011, the Arab Spring emerged as a powerful movement that shook the foundations of despotic governments, challenging their strongholds.

Furthermore, it also revolutionised the relationship between people and government. Previously, information was confined to a select few, but with the advent of new technologies, it began to reach the general public. This led to the emergence of a civil society built upon internet networks, empowering and connecting individuals on a massive scale.

Social media, in conjunction with traditional media, has emerged as an informal pillar of governance. As the socialist order disintegrated, so did the division between the bourgeoisie and the proletariat. However, a new concept known as the Global Commons has

emerged. In the past, the traditional Marxist slogan was “workers of the world unite,” but now a new slogan has taken shape: “the people of the world login.” These global commons actively participate in movements ranging from the ‘Occupy London Movement’ to even the ‘Candle March’ at India Gate.

More recently, we are witnessing the dawn of the Fourth Industrial Revolution, which is built upon advanced technologies such as the Internet of Things, biotechnology, artificial intelligence, and 3D printing. The potential impacts of this revolution on the global economy, politics, and society are still unknown, as they lie in the realm of the future. However, alongside anticipation, there are also apprehensions surrounding the consequences it may bring.

Historically, science and technology have played a pivotal role in reshaping the world. Therefore, it is anticipated that the Fourth Industrial Revolution will bring about substantial transformations in the global polity, society, and economy, like its predecessors.

The impact of robotics and artificial intelligence on employment levels is often viewed from two contrasting perspectives. One perspective suggests that these technologies will centralise production and replace human labour, resulting in reduced employment opportunities. Conversely, another viewpoint argues that the aforementioned impact will primarily affect higher-quality production processes, while middle and lower-class manufacturing processes will remain labour-intensive, thereby generating more employment.

Social scientists who argue that the advancement of automation and robotics will lead to centralised production and labour displacement express concerns about the potential widening of social and economic divisions. They contend that while capital accumulation increases, the share of the labour class in production diminishes. As a result, they propose the implementation of Universal Basic Income (UBI) as a necessary measure to promote the development and well-being of the lower class.

The advancement of technology in the Fourth Industrial Revolution is anticipated to impact international relations, much like how the Third Industrial Revolution resulted in offshoring, outsourcing, and the transfer of employment from developed nations to third-world countries. However, it is believed that the Fourth Industrial Revolution will reverse this trend as technological advancements will compensate for the need for human labour to a greater extent.

As the world undergoes transformative changes, ideologies and institutional structures have also evolved accordingly. The initial wave of industrialization witnessed the promotion of modernity and democracy. However, it raises the question of whether the meaning and definition of democracy, as well as truth itself, will undergo transformation in the era of the third and fourth industrial revolutions.

The prevailing perception today is that we have entered an era of post-democracy, where

institutions that were once meant to strengthen democracy now seem to undermine it. While public opinion has traditionally been a cornerstone of democracy, governments with right-wing ideologies are utilising information technology tools to manipulate and mislead the people. Additionally, there is a growing belief that we have entered a post-truth society, making it increasingly challenging to discern between truth and falsehood. This is largely due to the repackaging and dissemination of falsehoods through information technology and social media platforms, leading people to react without grasping the distinction between truth and untruth.

Hence, we are confronted with several pressing questions:

- Will the modern world discover effective solutions to the challenges posed by terrorism and the environmental crisis?
- What lies ahead for the future of democracy—will it be a path towards strengthening democratic systems or a trajectory towards their demise?
- Can the capitalist economic model sustain itself, or will there emerge an alternative model to address its shortcomings?

The answers to these questions lie in the future, yet we must remain hopeful. Throughout the past 3000 years of human civilization, we have witnessed our ability to find solutions to numerous challenges, and we will continue to do so in the times ahead.

