Rethinking Globalization: Critical Issues and Policy Choices

Martin Khor.
London: Zed Books.

Reviewed by Jim Rice

I began the book knowing I was not going to get the conventional positive spin on the global process of opening up trade, finance and investment. The book is part of the *Brave New Series on Global Issues in a Changing World,* a series that describes the problems southern countries face as global forces challenge their ability to meet the needs of their citizens while creating sustainable development. What I got was an introduction to a set of ideas about how developing countries can fight the process of globalization by banding together to slow it down and by working with international organizations like the United Nations (UN) to limit some of the power of multinational corporations.

The book's core thesis is about how developing countries (the south) can recapture their own economic development agenda. What follows is a well organized, carefully structured argument that starts with a critical description of the process of globalization and the unbalanced implications for developed and developing nations. It then sets out how globalization is played out on the international stage of trade, finance, and investment and describes how "liberalization" is shaping the economic conditions in developing countries. Each factor—trade, finance and investment—has its own chapter that both informs and frightens. The reader can see the parallels between rich people in the north and poor people in the south and developed and developing countries. The implications are not reassuring. Globalization is leading to economic disparities. The north is getting richer and the south poorer.

Khor points out that southern countries have three weaknesses in facing global change. First they have weak domestic economic capacity and social infrastructures because often their colonial governments were replaced with dictators who abused power leading to economic mismanagement. Second, these countries borrowed heavily and lost their ability to negotiate because of their dependents on loans from developed nations. Third, the organizations that control the process of development such as the International Monetary Fund (IMF), World Bank, and the World Trade Organization (WTO) are dominated by developed countries who put their agendas ahead of developing nations. Developing countries in this position are susceptible to demands for rapid liberalization policies which force them to open their local economies.

The book makes the point that little changes have big impacts. A small change in the price of a commodity my have big implications for a developing country while only minuscule implications for the richer trading partner. This means that when international financial organizations such as the IMF, World Bank, and WTO require small changes in local economies to "protect" multinational corporations it has deep implications for the stability of developing countries.

Knor makes the point that changing economic globalization not only changes the economic conditions of developing countries but also leads to increased "globalization" of the policy making system. Large powerful nations gather to themselves the ability to shape the policy making process. They use Structural Adjustment Programs (SAPs) to not only control macro economic policies but also to control social and structural policies such as the development of social security and the privatization of public enterprises. Rich nations are then in a position to punish developing countries who fail to abide by the rules contained within SAPs through fines, trade sanctions, or they refuse to lend money to these countries. Rather than encourage local manufacturing as 'promised' by globalization, Knor believes SAPs undermine the ability of developing nations to foster local production by promoting the export of raw commodities.

The core question the book poses is: Can developing countries take advantage of liberalizing processes? This is a hard question. It is like asking if a low-income family can take advantage of no-money-down, no-interest-until-next-year furniture. To take advantage means low income families must buy furniture at inflated prices, pay high "administration" fees, pay exorbitant interest rates, and end up with cheap, worn-out furniture when the bills come due. It's a crummy deal, but what are you going to do if you have no furniture to begin with?

Developing countries are like low-income families—they have limited resources and no bargaining power. They also have little productive capacity, weak infrastructures, low commodity prices and high debts. They know that if they open their doors to globalization, local firms and farms will be overrun by foreign products and multinational companies will come in and take the most profitable business. But what are they going to do?

Knor's primary solution is for developing countries to band together to form blocks for negotiating with rich countries. Khor argues for a reconceptualization of development strategies. Southern countries must take three steps. First, they must move slowly, using all of the limited power they have to resist rapid change. Next, they must coordinate their activities so that they have increased collective bargaining power. One way for them to do this is to find ways to strengthen the United Nations. Finally, they must fight for the democratization of international institutions such as the IMF, World Bank, and WTO. While this is a tall order, it provides some hope that conditions can be changed through the globalization process.

I encourage people who are interested in having a new perspective on globalization to buy and read this book. It makes the point that globalization leads to unequal consequences for nation states. Rich countries get richer and poor countries get poorer. While this is not a new thought, it is one that needs to be explored over and over again as we search for ways of re-balancing the forces of globalization.