

## JAGDISH BHAGWATI, *IN DEFENSE OF GLOBALIZATION*

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At a first glance upon this book, just reading its title, one question strokes our mind from the very beginning: Do we need another book on globalization? Seizing this aspect and as if wanting to explain himself to the reader for bringing to his attention a work on such a common (if not saturated) topic in the last decades, the author opens his book uttering this question. At a hurry we would be tempted to answer a blunt “no”. So that later on still we the readers, more or less competent in the field, would think that even if the world may not necessarily need a new book on globalization, it can certainly benefit from a good one.

Professor at Columbia University (USA), Senior Fellow in International Economics at the Council on Foreign Relations (USA), former adviser on trade to the WTO/ GATT and on globalization to the United Nations, *Jagdish Bhagwati* is one of the world’s preeminent present-day economists. Author of many works, among which the well-known *Free Trade Today* (2002), and distinguished with numerous awards, Bhagwati has always been remarked for his clear and accessible style, but at the same time persuasive and based on facts and historical evidence to support his points.

*In Defense of Globalization* is a book of undoubted value, which steps in a scenery of passionate and increasingly ideological debate over international trade, offshore outsourcing and globalization. Bhagwati’s contribution on the field of such debates, fervent but often incoherent, is a remarkable one materialized in a work cogently argued and well written.

Although a defender of globalization - as the title itself suggests-, the author expresses a cautious point of view, declaring himself in favor of a globalization that has to be managed, both in terms of how quickly it proceeds and what policies are put in place to reduce its unpleasant economic and social side effects.

According to Bhagwati, trade and globalization are under cynical attack from self-interested business and labor lobbies or from partisans of protectionism while governments - that should stand up to these critics-, provide the weakest of defenses. This reality pushes Bhagwati to put himself into the service of defending this cause.

Naturally, a question arises: why such a book was needed? Because, actually, globalization needs no defense. It is simply a phenomenon that is happening before our eyes and without which, many of us, could not imagine life anymore. The fact that new transportation and information technologies, international trade and cultural interchange have expanded very rapidly in the last half century, virtually everywhere, is an incontestable reality.

In fact, what raises controversy and, therefore, might need defense is only a part of globalization which the author calls “economic globalization” and which constitutes integration of national economies into the international economy through trade, foreign direct investment (by corporations or multinationals), short-term capital flows, international migration of labor force and people in general, and flows of technology. The international agreements, regional or global, that are meant to provide businesses a uniform operating environment are often controversial in practice and generate most inequities among the participant countries.

Throughout his approach, the author covers ten most frequent “charges” against globalization dedicating each a separate chapter inside which he makes his arguments in

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order to dismantle the accusations. Does the international market economy worsen poverty in developing countries? Does it erode democracy? Hurt the cause of women? Trash the environment? Exacerbate the exploitation of child labor? – are just a part of the questions to which professor Bhagwati intends to answer.

What he fervently tries to show is, first of all, the fact that not trade should be made responsible for poverty on poor countries; rather, it helps escape from poverty by finding better jobs. Allegations which state that trade undermines labor and environmental standards, as well as fears of cultural homogenization are dismantled with ability. Bhagwati also pleads in defense of multinationals and examines the role of women in the global economy.

To gain credence in all this approach is not an easy target, but Bhagwati succeeds. And this, mainly because he is no apologist for the status quo and no repeater of rote doctrine. He is as skeptical of rapid liberalization of capital flows as he is enthusiastic about agreements to open trade in goods, and he is (almost) as critical of India as of the United States.

The core of Bhagwati's argumentation revolves around the debate over the economic implications of globalization, especially in the developing world. Much has been written about economic integration and much in negative terms, considering it the cause of ruination in poor countries. But, for Bhagwati the dispute whether globalization is good or bad is fruitless. Therefore, he devotes himself to arguing that not only globalization is good, but has a potential to do far more. In general, the author's suggestions rest on two principles: 1) start narrow, creating expectations, then go abroad; 2) let globalization go forward, creating wealth, but use a portion of the gains to help the inevitable casualties. This is a sensible and human approach providing policymakers actually care about the casualties, fact which too often does not happen in practice.

In essence, globalization does not need "a human face" - it already has one, argues Bhagwati-, more than the opponents of free trade. The evil often associated this globalization lies rather in poor governance, hegemonic tendencies of developed countries, hypocritical double standards in international organizations and pure ignorance. Free trade - concludes the author-, is the single most important phenomenon able to generate material welfare for the nations of the world.

Through empirical analysis and historical evidence from the last decades, the author shows that poor public policy outlook in regions such as South-East Asia or Latin America are the main causes of the financial crisis they experienced and not free trade itself. Bhagwati perfectly understands the limits of total openness, realizing early (before the IMF) the danger of allowing unrestricted flows of capital into poor countries with underdeveloped financial structures. He makes the clear distinction between free trade and unrestricted financial flows. The latter have produced bankrupt governments and excessive debts in countries like Mexico, Russia, Indonesia, Thailand or Argentina in the last decade, while providing huge profits for Wall Street. This is what is truly objectionable about globalization and is the more alarming as it comes from the part of one of its most fervent defenders.

Hence, unlike many other free traders, Bhagwati is not an ideologue for "laissez-faire" capitalism and radical deregulation. He believes that, while governments should open their borders to free trade in goods and services in order to benefit from what the rest of the world has to offer, they should simultaneously solve the problems their domestic economy encounters. He writes: *"I have always argued for freer trade, not as an objective but rather (in the context of poor nations such as India, from where I come) as an often powerful weapon in the arsenal of policies that we can deploy to fight poverty"*.

Along the entire book, the American professor tries to allay the worries about the effects of globalization that are felt by people living in rich nations, especially because he writes at a time when globalization is under obvious hostility from the part of U.S.

politicians who blame outsourcing of manufacturing jobs to China and programming jobs to India as a key factor in the pale recovery of employment in the USA. Evidently, his highest priority is to show how globalization can help the poorest of the poor nations around the world. His argument can be resumed as follows: “*Trade enhances growth, and... growth reduces poverty*”. In order to demonstrate the validity of these assertions Bhagwati uses statistics and real-world evidence from recent years among which, as prime examples, he refers to the increases in living standards in China and India since they opened their economies.

The first assertion (“*trade enhances growth*”) is relatively unanimously accepted with the reserve of some cases, proved by economic practice, which contradict theory. Such an example is offered by the issue of subsidies, not mentioned by the author. While the institutions of globalization (the World Bank, IMF and WTO) push developing countries to “open up” to trade, the governments of developed countries (USA or European Union) continue to spend huge funds subsidizing their own producers (mostly wealthy) and keeping out foreign competitors (mostly poor).

The second assertion (“*growth reduces poverty*”) is even more controversial starting from the data on which the arguments are based. Aggregate figures - used by Bhagwati-, show that poverty has diminished during the age of globalization (by about half from 1981 to 2001), but the majority of this trend is due to progress made in China, where the distribution of resources is centrally controlled and foreign trade still far from free. A more specific outlook shows that, outside of Asia, poverty has actually stagnated or even increased.

A remarkable issue about this book is that, although Bhagwati’s entire argumentation is built and put in the service of defending globalization, his view is not a radical one. The American economist pleads for globalization, but not an unconditional acceptance of globalization. He is cautious, for example, about uninhibited capital flows; critical about the invasion of intellectual property rights into trade agreements; or suspicious of businesses that bribe politicians to alter trade agreements to their favor. Moreover, the author does not limit to identifying the effects of globalization, but he offers ideas about how to make globalization better, from managing immigration to rethinking the trade sanctions or the role that NGOs ought to play.

*In Defense of Globalization* is, certainly, a book worth reading recommended by the elegant, eloquent and cogent style through which the author demolishes the critics of antiglobalists. With admirable ability, Bhagwati combines the unyielding perspective of a liberal on trade and investment with the soft-hearted sensitiveness of a social democrat on human poverty and welfare. Though certain syncope may occur, inherent for such an ambitious approach, we can say, all doubts aside, that this book has fully achieved its purpose and represents a reference work in the rich literature about globalization.

The author’s conviction, as it reveals from its pages, is that although not without faults globalization is overall beneficial. With wit and erudition, professor Bhagwati succeeds in demonstrating that globalization is, in fact, part of the solution and not part of the problem. He shows that, when properly governed, it is the most powerful force of social welfare in the world today