

Globalization and the Transformation of Foreign Economic Policy

edited by Pawel Bozyk

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reviewed by Gordana Milovanovic*

This book is written by Pawel Bozyk (Warsaw School of Economics, Poland). It is a very interesting book offering useful insight into the current policy debate about globalization and the transformation of foreign economic policy. It focuses on the advantages and dangers of globalization, goals of foreign economic policy and macroeconomic and microeconomic instruments applied in foreign economic policy.

This book is an attempt to display the principles which determine foreign, international and global economic policy and test the main conclusions of the economic models by applying them to real world problems. The main message of the book is that the pervasiveness of globalizing forces calls attention to the importance of understanding their rationales and consequences. The main objective of this study is to explore the link between internationalization, transition and globalization.

This book consists of ten chapters and two basic parts: the first, comprising chapters 1-6 and formulating basic principles of foreign, international and global economic policy (and thus the goals, means and instruments of this policy), and the second, comprising chapters 7-9, which verifies these principles on the basis of the practices pursued by economically developed countries, newly industrialized countries, less developed countries and central and eastern European countries and China.

The fourth chapter examines trade restrictions. The fifth chapter focuses on globalization, international economic policy, the global trading system and the economics of the World Trade Organization. The ambitious Uruguay Round project of transforming the GATT free trade regime into a system of mandatory global economic regulation and deregulation had serious legitimacy difficulties.

The eighth chapter deals with foreign economic policy in central and eastern European countries. The second radical transformation of the foreign economic policy of CEECs was initiated at the turn of the 1980s and 1990s, i.e. 40 years after the first transformation. Due to the specific features of CEECs, it seems more rational to

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follow a neo-Keynesian model of growth than the liberal-monetarist model specified in 'the Washington consensus', despite pressure from the IMF and World Bank. The author makes an important caveat: there are so many specific, system-based characteristics of CEECs making the transition from central planning to market economies that it is difficult to apply theories that have been developed based on the market economy model.

Chapter 9 examines Chinese foreign economic policy and methods of globalization of the Chinese economy. While the modeling is instructive, some readers may question the conclusion drawn by the author from his models that China has transformed from a passive and marginal state, into an active participant in the global economy. Any author must select what to include and what to exclude from a text book. Bozyk approaches the issue of the selection with the intention of persuading the reader that the neoclassical *Washington Consensus* is wrong and the *evolutionary-institutionalist perspective* is the correct analytical framework for understanding and analysing the transition. The author may be right about this, but I am not sure that it is the epistemology that we want to teach students. This is all the more troubling in that the theme running through the book is the superiority of the Chinese approach to that of central and eastern Europe and Russia. The models Bozyk himself uses (Chapter 4) are quite neoclassical. The original research included in the volume contains an array of interesting and important new results, which it has been impossible to do justice to in this brief review.

In his conclusion the author makes some theoretical generalizations. The analysis of changes which took place in foreign economic policy in the second half of the 20th century makes it possible to trace some long term development trends in the goals, means and instruments of this policy. First of all, the period marked a significant object-related broadening of the scope of foreign economic policy. From a policy that exclusively covered commodity turnover (foreign trade policy) it gradually developed into a policy covering foreign economic relations in general (including the movements of services, capital, labour and natural resources, alongside exports and imports of goods). This resulted in a change of foreign economic policy goals and the development of new means of attaining these goals and new economic mechanisms used by the state to pursue foreign economic policy.

The author examines how international trading relations are affected by the international monetary and financial systems, and shows that monetary and financial instability can have a serious impact on the ability of developing countries to participate successfully in the international trading system and reap the benefits of globalization.

Recent general developments in the world economy raise concerns that have pre-occupied international economists for more than two centuries, such as the nature of the international adjustment mechanism and the merits of free trade compared with

protection. As always in international economics, the interplay of events and ideas has led to new models of analysis. Pawel Bozyk includes new modelling of international trade in a specific factors world and highlights some issues that have been neglected in the existing literature.

This book will be a valuable source of information for economists, policymakers, professionals and students in economics and business who wish to examine international interactions. It might also serve as a textbook in universities for advanced undergraduate and graduate courses in international economics and trade. I also recommend this book to a wide global audience.