

GLOBALIZATION, NEW POLITICAL ECONOMY, AND GOVERNANCE: A THIRD WORLD VIEWPOINT

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ABSTRACT

Beyond the external forces of globalization, there are internal structures and institutions related to state and governance that reinforce the globalization process. In this regard, the emergence of “new political economy” founded upon new institutional economics and manifested in new economic policy and new public management, has led to a mode of governance that is supportive of global market forces and conducive to globalization. However, for Third World countries, this new market-driven model of governance has serious implications for their internal socioeconomic conditions and external dependence and vulnerability. In this regard, the article examines such linkages and issues in Third World context.

INTRODUCTION

In recent years, one of the most widely discussed issues related to changes in state formation, has been the process of globalization and the emergence of the so-called “new political economy”. On the one hand, the process of globalization—which implies the integration of national economies, political systems, cultures, and identities into the world capitalist system—requires the elimination of all barriers to cross-national interaction and exchange often created earlier by protectionist states (Kouzmin & Hayne, 1999). On the other hand, in order to facilitate such globalization, various global forces and actors, including transnational corporations, world media networks, international agencies, and neoliberal regimes and institutions, have prescribed or advocated, adopted or imposed, major policy reforms under the rubric of new political economy based on a unique set of promarket assumptions, theoretical propositions, and practical strategies discussed below. In particular, the Bretton Wood institutions such as the World Bank and the International Monetary Fund have used both covert influence and overt pressure on the economically vulnerable Third World nations to adopt such policy reforms in favor of globalization (Martin, 1993; McGowan, 1994).

Under this influence of globalization reinforced by new political economy, the state has not only adopted market-driven policies such as streamlining, privatization, deregulation, and liberalization to transfer its major socioeconomic activities to the private sector, it has also transformed the remaining public sector into businesslike entities in terms of role, structure, orientation, and organizational culture (Espinal, 1992; Haque, 2001a). Today these contemporary changes in the governance system can be found in almost all capitalist, post-socialist, and Third World countries. Such a trend toward changing public sector governance has often been characterized as a tendency toward a managerial state or a hollow state (Clarke & Newman, 1997, p. ix). In the Third World, this represents a fundamental shift from their past tradition of a state-centric mode of governance under the so-called developmental state (Polidano, 1998). In fact, the recent transition in Third World governance based on the assumptions and principles of new political economy—which invariably prescribes the role of the state to be replaced with that of the market—is in line with the preconditions of globalization requiring minimal state intervention and maximum market expansion.

These recent reforms in state and governance have been prescribed for Third World countries by the advocates of market-friendly globalization, anti-state economic reforms, and anti-welfare public policies on the ground that such reforms and policies would reduce fiscal crisis, overcome deficit, increase efficiency, enhance quality, and improve allocation. But in reality, there are many adverse outcomes of these current changes pointed out by scholars who are more concerned for the critical implications of such new politico-economic reforms for poorer Third World countries. Internally, the main worries are about the worsening conditions of poverty and inequality and weakening status of citizens' social and political rights during the period of such globalization-led promarket reform policies (Carlos & Pereira, 1998). Externally, the primary concerns are for the diminishing state sovereignty, worsening external dependence, and expanding international inequality brought about by the process of globalization reinforced by new political economy (Kochler, 1999).

Although there are ample studies on globalization, there is a relative dearth of critical literature on how the pace of such globalization has been accelerated by market-driven policies and reforms in governance under new political economy, and what critical implications this new mode of governance has for various socio-economic conditions in Third World societies. In this regard, this article explores the major current changes in state governance in Asian, African, and Latin American countries adopted under the new political economy model, and examines the impacts of such a new governance system for citizens, societies, and states in these countries. In pursuing this study, however, it is useful to introduce a brief discussion on some conceptual

categories and linkages with regard to globalization, new political economy, and governance.

A GENERAL OVERVIEW OF GLOBALIZATION, NEW POLITICAL ECONOMY, AND GOVERNANCE

There are diverse interpretations with regard to the meaning, intensity, dimension, extent, cause, and consequence of globalization in existing literature. But the situation has become increasingly confusing due to the emergence of overlapping ideas such as globalization, internationalization, and glocalization, and the proliferation of studies on related issues like capital, labor, finance, production, technology, trade, marketing, ideology, culture, knowledge, and information (ILO, 1999; Radice, 1999; RBAP, 1999). Extrapolating from such diverse interpretations, it is possible to explain globalization as a process of integrating nations, societies, peoples, and institutions in the economic, political, cultural, and intellectual domains through means such as capital, production, exchange, and information owned and controlled unequally by various states, classes, groups, and individuals. Among the major spheres of globalization, however, it is the economic dimension that is most important and relevant to this study.

In terms of the extent of economic globalization, some of the major indicators include the volume of trade and capital flow, amount of foreign direct investment (FDI), and number and size of transnational corporations. In this regard, it is observed that by 1996, the value of world merchandise and services exports reached \$6.3 trillion and those of world merchandise and services imports reached \$6.4 trillion (ILO, 1999). The amount of cross-border capital flows increased from \$536 billion in 1991 to nearly \$1.3 trillion in 1995 (Fraser & Oppenheim, 1997). On the other hand, the amount of global FDI inflow increased from \$10 billion in 1970 to \$349 billion in 1996, and the total value of cross-border mergers and acquisitions reached \$274.6 billion by 1996 (ILO, 1999). Involved in this process of trade, capital, and investment flows are the transnational corporations whose number increased from 7,000 in 1970 to 40,000 in 1995, not to mention the 250,000 affiliates of these corporations operating in countries all over the world (Karliner, 1997).

This intensive economic globalization has coincided with the worldwide politico-ideological changes, including the collapse of communist states, erosion of nationalism in Third World countries, and emergence and endorsement by most governments of a market-biased neoliberal ideological position founded upon the assumptions of individualistic self-interest, free market competition, advantageous free trade, non-interventionist state, and businesslike service delivery (King, 1987, p. 8; Toye, 1991, p. 321). The globalization of this neoliberal perspective—which tends to reject any form of

protectionism pursued by the state, and prescribes varieties of promarket measures, especially deregulation and liberalization—has been essential to facilitate and expand economic globalization. In addition, the deeper globalization of consumption culture, knowledge industry, and information networks has enhanced economic globalization by reinforcing the consumerist lifestyle, expanding the demand for imported goods, and accelerating commodity exchange and financial transactions (Haque, 1999a). Beyond traditional means such as radio broadcasts, news media, and television programs, one of the most effective measures enhancing such globalization has been the Internet (Ramonet, 2000). It is estimated that the number of Internet users increased from 26 million in 1995 to 143 million in mid-1998 (was expected to be 700 million by the end of 2001), and the number of Internet hosts rose from 100,000 in 1988 to over 36 million in 1998 (Norris, 2000; UNDP, 1999). The worldwide proliferation of this information technology has revolutionized the pace, volume, and composition of production, consumption, and exchange at the global level.

The main actors of economic globalization—reinforced by intellectual and informational globalization—have largely been the external non-state entities such as transnational corporations and international agencies like the World Bank, International Monetary Fund, World Trade Organization, International Finance Corporation, Asian Development Bank, Inter-American Development Bank, African Development Bank, and so on (Masters of Globalization, 1998; Martin, 1993). There are also regional trade blocs that played a supportive role in expanding globalization, including the Organization for Economic Co-operation and Development, Asia-Pacific Economic Cooperation, European Union, North American Free Trade Area, Association of Southeast Asian Nations, Latin American Integration Association, Common Market of Eastern and Southern Africa, and Central European Free Trade Area (ILO, 1999). In addition, the top government leaders and policy elites in both the developed and developing worlds—who often served the interests of transnational corporations and had much to gain from economic globalization—played a crucial role in expanding the globalization process (Haque, 1999b; Karliner, 1997).

Although there are enormous studies which, in one way or another, deal with the concepts, domains, and forces of globalization briefly discussed above, what seem to be relatively less studied are the patterns of state institutions and policies that make globalization possible. Without the newly emerging sets of institutional and policy choices, the pace and scope of globalization would be constrained under the state-centric policies and institutions that evolved under the earlier models of political economy such as the welfare state model, the socialist model, and the developmental state model. It is the recent replacement of these interventionist models by the

market-centered model of new political economy that considerably facilitated the contemporary process of intensive globalization (Kochler, 1999). This new political economy—which prescribes globalization-friendly options like liberalization, deregulation, divestment, and foreign investment—encompasses both theoretical and practical dimensions.

In terms of its *theoretical dimension*, new political economy represents various components of new institutional economics found in the works of Mancur Olson, Anthony Downs, and James M. Buchanan and Gordon Tullock (Furubotn & Richter, 1997, p. 21). This new institutional economics not only shares the neoclassical economic assumptions of maximizing individual utility based on perfect information and rational choice within the perfect market condition, it also goes further to recognize the reality of self-seeking opportunism among the stakeholders that distorts information, constrains rational choice, and thus needs to be overcome by appropriate institutional options (Doner & Schneider, 2000). In particular, the proponents of new institutional economics, especially its constituent public choice theory, emphasize the utilitarian and self-serving behavior of public officials, including politicians and bureaucrats (Dixon, Kouzmin, & Korac-Kakabadse, 1998; Drazen, 2000). For public choice theorists, in making collective public choices and managing common-pool resources, there is always the tendency of fee-riding among the stakeholders of collective entities (Ostrom, 1990; Tullock, 1965). In addition, according to one major subset of public choice theory, principal-agent theory, the “principals” (elected politicians representing the citizens) cannot always monitor the behavior of “agents” (appointed bureaucrats) pursuing their own objectives and self-interest (Dixon, Kouzmin, & Korac-Kakabadse, 1998, p. 165). In other words, public officials, like all individuals, are guided by utilitarian self-interest, although their behavior is supposed to represent the overall public interest.

Such negative, utilitarian assumptions held by these theoretical components of new political economy (i.e. new institutional economics, public choice approach, and principal-agent theory) about the collective public (political and administrative) domains, basically implies the need for reducing the public sector (which suffers from the problem of principal-agent relations), expanding the scope of market forces that are relatively rational and efficient, and using market principles in managing public organizations (Dasgupta, 1998, p. 63; Pierson, 1998, p. 43). These operational options constitute the *practical dimension* of new political economy—covering both “new economic policy” and “new public management”—and represent a new mode of governance based on market principles. The new economic policy, in fact, encompasses a series of pro-market strategies to roll back the state, and these strategies have been collectively known as the so-called structural adjustment program in Third World countries (Hildyard, 1997). On the other

hand, new public management not only endorses these measures of downsizing the state, it also prescribes a basic restructuring of the public sector based on businesslike objectives, structures, standards, and procedures found in the private sector (Haque, 2001a). In short, new political economy is theoretically grounded in new institutional economics, and practically encompassed by new economic policy and new public management.

In terms of concrete policy outcomes and institutional structures, new political economy suggests specific policies and institutions—including privatization, deregulation, liberalization, corporatization, budget cutting, joint ventures, autonomous agencies, and so on—which streamline the public sector, diminish the role of the state, and expand the domain of local and global market forces. These new sets of policies and institutions indicate significant changes in state formation, and represent a new mode of market-driven governance composed of new economic policies and new public management institutions. This new mode of governance, due to its rejection of a state-centric approach and endorsement of the promarket perspective, is very conducive to economic globalization, especially in terms of its strong support for deregulating state control, liberalizing international trade and investment, facilitating foreign ownership, assisting private investors, and collaborating with private firms (Haque, 1999b). In fact, the policies and institutions of this new mode of governance themselves have been globalized through the means of persuasion or coercion used by international agencies—it can be observed, in various degrees, in regions and countries all over the world. In the Third World, under the pressure of global economic powers and foreign aid agencies mentioned above, many countries had no choice but to embrace this newly emerging model of governance (Bello, 1998; Hildyard, 1997). In this regard, the next section of the article explores some of the major recent changes in governance in Third World countries.

CHANGING GOVERNANCE IN THE THIRD WORLD UNDER A GLOBALIZED NEW POLITICAL ECONOMY

In most Third World countries, the postcolonial period saw the emergence of a state-centric mode of governance, especially due to the relative absence of private capital and lack of advanced market forces. More importantly, the scope and role of the state expanded considerably as a result of government's nation-building developmental agenda in these countries irrespective of their ideological identities based on capitalist or socialist inclinations. In addition, many enterprises abandoned or still controlled by the former colonial powers, were brought under state management through massive nationalization programs in order to end foreign economic domination. There were also immediate public needs for basic services such as education, health, and

housing that had to be delivered by government in the absence of private sector initiatives. In fact, such state-led plans and initiatives for nation-building, development, and service delivery were often financially supported by major international aid agencies prior to the 1980s. But since the early 1980s the mode of governance has changed in Third World countries. This is due to the aforementioned forces of globalization demanding the replacement of state agencies and enterprises by local and foreign firms, or investors in performing these socioeconomic activities through the adoption of substantive reforms based on market-driven economic policies and institutions under the new political economy model discussed above. This section examines some of these recent changes in Third World governance with regard to their scope, functions, structures, and normative standards.

Restructuring Scope and Role of Governance

In line with the new political economy, Third World governments have attempted to reduce the scope of public governance through measures such as privatization, deregulation, and downsizing, and to streamline its functions by recasting the state's role as a facilitator while assigning the main role to the private sector (Haque, 2001a; Johnston & Callender, 1999). For example, based on the prescription and pressure of the World Bank and the International Monetary Fund, massive privatization and deregulation initiatives have been undertaken in most Asian, African, and Latin American countries. Some of the well known examples include Argentina, Bangladesh, Brazil, Chile, Indonesia, Malaysia, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Thailand, Uganda, and Venezuela (World Bank, 1994a, 1994b). In these countries diverse modes of privatization, including divestment, leasing, equity sales, management contracts, and corporatization, have been adopted in major sectors such as telecommunication, airlines, electricity, petroleum, automobiles, television, fertilizer, tobacco, banking, insurance, and so on (Haque, 1999b). This unprecedented process of privatization has considerably reduced the state's scope of ownership and economic control in these countries.

In addition, most governments have also taken initiatives to directly downsize the public sector to create greater avenues for the private sector. In Asia, under the influence of the World Bank and the Asian Development Bank, Malaysia has adopted measures to downsize the public service, the Philippines has adopted the strategy of "streamlining the bureaucracy" to reduce staff by 5-10 percent, Singapore has practiced a zero manpower growth policy in order to eventually reduce the number of public employees by 10 percent, and Thailand has frozen new employment and replaced underutilized public employees (ADB, 1999; Halligan & Turner, 1995; World Bank, 1999).

Similarly, India has decided to de-monopolize and rightsize governance by reducing public employment by 30 percent, Nepal has frozen all vacant positions to reduce the size of the public sector, and Sri Lanka has introduced early retirement policy and retrenched thousands of government employees (Haque, 2001b). In Africa and Latin America, governments have decided to reduce or freeze public sector employment in cases such as Argentina, Bolivia, Brazil, Costa Rica, Ghana, Guatemala, Kenya, Mali, Mexico, Senegal, Somalia, and Uganda (Das, 1998; Haque, 1998). A recent study shows that between the early 1980s and 1990s, as a percentage of total population, the number of central government employees decreased from 2.6 to 1.1 percent in Asia, 1.8 to 1.1 percent in Africa, and 2.4 to 1.5 percent in Latin America (Schiavo-Campo, 1998, p. 465). These downsizing exercises demonstrate the growing tendency of Third World states to restructure public governance in line with the overall agenda for its diminishing role in socioeconomic activities.

In fact, these countries have revised the role of public governance in such a manner that it becomes a facilitator or catalyst rather than the main agent of economic production and distribution (World Bank, 2000a). In recent years, the governments in Bangladesh, India, Malaysia, Nepal, Pakistan, Singapore, Sri Lanka, and Thailand have de-emphasized the role of public bureaucracy as the primary actor in socioeconomic development, redefining its role to facilitate or enable the business sector to take more active initiatives to deliver services (Haque, 1998, 2001b). This shift in role definition is increasingly evident in recent government plans, programs, and projects pursued by these countries. In African and Latin American countries such as Uganda, Zimbabwe, Argentina, Chile, and Mexico, similar redefinition of the public sector role has emerged (Kaul, 1996; Oszlak, 1997). According to the World Bank (1996), in Arab countries like Algeria, Jordan, Morocco, and Yemen, the recent structural adjustment programs have led to a greater role for private enterprises and investors, while the public sector has to enable rather than constrain such enterprises and investors. The overall objective of this restructuring of the role of public governance vis-à-vis business sector management has been to reduce the prominence of interventionist states and to expand the sphere of national and global market forces.

Reforming Institutional Structures of Governance

In line with the assumption of the new political economy that the business sector guided by market competition is superior to a monopolistic public sector, there have emerged various reform initiatives to restructure the organization and management of public governance based on the experiences of business management. The trends are toward commercializing government

entities, adopting corporate practices, managing public agencies like private companies, and forming partnerships with business enterprises (Dixon, Kouzmin, & Korac-Kakabadse, 1998; Haque, 2001a). These worldwide trends in restructuring governance can be observed today in many Asian, African, and Latin American countries.

More specifically, following the principle of managerial autonomy and flexibility in the private sector, various government ministries and departments have been converted into businesslike "autonomous agencies" enjoying considerable operational autonomy in financial, personnel, and administrative matters. Following the examples of developed nations such as Australia, Canada, New Zealand, the U.K., and the U.S., many Third World countries have introduced these structural changes in governance. In South Asia, while Bangladesh has adopted this framework of autonomous agencies more widely, Nepal and Pakistan have introduced such a structure in specific sectors such as railway, telephone, and rural energy (Haque, 2001b). In Southeast Asia, Singapore has introduced the most complete program to convert almost all government departments into autonomous agencies based on comprehensive restructuring of the budget and personnel systems. In various degrees, managerial autonomy in governance has also emerged in Indonesia, Malaysia, the Philippine, and Thailand (Salleh, 1992; United Nations, 2000). Among African countries, major examples of similar autonomous mode of public management include Botswana, Ghana, South Africa, and Uganda (Adams, 1996; Dia, 1994). These new structural trends in governance represent an unprecedented shift from the traditional bureaucratic model practiced in Third World countries.

Beyond this internal restructuring of governance based on managerialism, there are external structural changes, especially in terms of increasing partnership between the public and private sectors. In undertaking new projects, implementing new policies, and delivering services, such public-private partnership or collaboration has expanded in Asian countries like India, Indonesia, Malaysia, Nepal, Pakistan, the Philippines, Singapore, Thailand, and Vietnam, although this deeper public-private alliance often creates potential for conflict of interest between public agencies and business firms (Haque, 2001b; RBAP, 1999; World Bank, 1996). The intensity of joint ventures has also increased in various African and Latin American countries like Argentina, Ghana, Mexico, Senegal, South Africa, Uganda, and Zimbabwe (Pai, 1994; World Bank, 1996, 1997). To deepen such public-private partnerships, these Third World countries have adopted measures such as steering committees, task forces, private foundations, conferences, workshops, dialogue sessions, and regional forums (World Bank, 1996). The above businesslike restructuring of public agencies and expansion of public-

private collaboration imply diminishing boundaries between the public and private sectors.

Redefining Normative Standards of Governance

Under the new political economy model, in addition to the abovementioned functional and structural changes in governance, there has emerged a considerable shift in its primary norms required for justifying or legitimizing public sector decisions. More specifically, while in the past liberal-democratic context, major policy decisions would be considered justified if they could enhance equality, representation, fairness, and public welfare, under the current mode of governance based on new political economy, policy decisions are acceptable only if they can produce efficiency, economy, value-for-money, competition, and customer satisfaction (Haque, 2001a). Although the earlier set of liberal-democratic values in governance have not disappeared altogether, they have become marginalized by the latter set of utilitarian business norms prescribed by the advocates of new political economy. Although people in Third World countries are not used to utilitarian market values due to the fact that their market institutions themselves are quite underdeveloped, in recent years, the language and rhetoric of public governance has become increasingly replete with business sector ethos, especially under the influence of the World Bank espousing the business model of “good governance”.

For example, in Southeast Asian countries like Thailand, Indonesia, Malaysia, and the Philippines, the main rationale or justification of reforms in governance includes economic growth, efficiency, economy, and competitiveness (Haque, 1998; Kelegama, 1995). In most Latin American and African countries, the principles of efficiency and performance have gained increasing significance during the current period of governance based on the market-led new political economy (World Bank, 1997). Similarly, in South Asia, Bangladesh, India, and Nepal are emphasizing greater efficiency in public management. Although Hong Kong, Singapore, and Taiwan have always been concerned about efficiency and competitiveness as the primary norms of governance, in many low-income Third World countries, the emphasis on such normative standards has noticeably increased in recent years under the influence of new political economy as an emerging framework of governance. Even in communist states such as China and Vietnam, the concern for efficiency and competitiveness has considerably intensified in their public sector management.

Another major normative change in Third World governance is the emerging principle of customer or consumer satisfaction usually stressed in the private sector. While the earlier mode of public governance emphasized

the idea of citizenship, implying citizens' equal access and entitlement to various public sector services, the new political economy model of governance focuses mainly on the satisfaction of users or customers of such services, especially in terms of providing them adequate choices and ensuring them high quality services (Kaboolian, 1998). In recent years, the norm of customer-satisfaction has emerged in the public sector in Third World countries like Bangladesh, Malaysia, the Philippines, Singapore, Argentina, Brazil, Mexico, Ghana, Namibia, Jamaica, Kenya, and South Africa (Haque, 2001a; Llewellyn & Varghese, 1997). Increasingly, the customer-based standard is being used in evaluating the performance of public governance, although this standard, focusing mainly on the clients or users of public sector services, may exclude the concerns of other tax-paying citizens. In other words, while the norm of citizenship is more inclusive in recognizing the rights of all citizens (both users and non-users) to assess and monitor public agencies, the criterion of customer satisfaction is relatively exclusive in the sense that it is mainly the users of services whose opinions about service delivery and quality are taken into account.

QUESTIONING THE MAJOR IMPLICATIONS OF NEW CHANGES IN THIRD WORLD GOVERNANCE

In the current literature on public governance, there is an overwhelming dominance of scholars or experts who strongly endorse the restructuring of the public sector based on the promarket assumptions of new political economy discussed earlier in this article. There are certain formal objectives of such reforms in governance stipulated by international agencies and Third World governments, which largely include the increase in economic efficiency, reduction in public sector waste and mismanagement, guarantee of efficient allocation, enhancement of transparency and accountability, end of corruption and rent-seeking behavior, attraction of foreign investment, and boost in national competitiveness in the global market (Asmerom, 1994; Jiyad, 1995). Have these reform objectives been achieved? What is the evidence to make any claim in this regard? What are the adverse implications of such reforms in governance?

There are advocates of new political economy—including international agencies, transnational corporations, conservative think tanks, and neoliberal governments—who aggressively publicize the favorable outcomes of market-driven reforms in governance through publications, conferences, reports, and formal and informal networks. In this advocacy, the World Bank and the International Monetary Fund have been most active and influential due to their global role in foreign aid and financial management on which most Third World countries depend. However, it is often only few success stories

(country cases or sectoral studies) that are used by these advocates to claim the worldwide success of the new market-led governance. In addition, these claims of success are usually based on extremely narrow economic criteria such as cost-effectiveness, input-output ratio, and economic growth rate without considering other important concerns like worsening poverty, social inequality, and external dependence occurring under, if not caused by, the new mode of governance. There are many critics who not only question the success claims, and point out the gaps between the rhetoric and reality, but also draw attention to worsening of some of these adverse socioeconomic conditions during the period of changing governance under the new political economy. For Johnston and Callender (1999, p. 50), the market model of governance has benefited the few while overlooking the worsening problems of internal poverty and unemployment and external uncertainty and vulnerability. These are common critical observations made by many scholars holding a Third World perspective. This section of the article examines some of the major adverse socioeconomic conditions that have continued or worsened for most Third World countries.

First, most Third World countries have introduced reforms in governance based on the market-oriented measures of new political economy to enhance economic growth and efficiency. But the recent decades have seen the erosion of citizens' access to basic services due to these reforms, including withdrawal of subsidized welfare services and reduction in public sector employment, not to mention the unaffordable market-based prices of various public sector services. Among Asian countries, as a percentage of GNP, although the government expenditure on education slightly improved in the Philippines and Thailand between the 1980s and the mid-1990s, it dropped in Malaysia, Indonesia, Singapore, and Myanmar during the same period (UNDP, 2001, pp. 170–172; World Bank, 2000b, pp. 240–241). In Latin America, between the years of 1980 to 1996, there was a decline in public spending on education in Chile, Costa Rica, Ecuador, El Salvador, Panama, and Peru (World Bank, 2000b, pp. 240–241). Similarly in Africa, the education sector experienced cuts in public spending in countries like Lesotho, Swaziland, Tanzania, Uganda, Zaire, and Zimbabwe (Haque, 1999b; Tevera, 1995).

In the health sector, the period since the introduction of market-led reforms saw a considerable decline in government expenditure in several African countries, including Ghana, Egypt, Ethiopia, Kenya, Mali, Morocco, Nigeria, Somalia, Uganda, and Zaire (UNDP, 1995, pp. 170–171). During 1990–1997, public spending as a percentage of GDP was very small in many Asian and Latin American countries. It was below three percent in Chile, Colombia, Ecuador, El Salvador, Honduras, Mexico, Peru, and Thailand, below two percent in Malaysia, the Philippines, Singapore, Vietnam, Brazil, Guatemala, Paraguay, and Uruguay, and below one percent in Indonesia, Myanmar, and

Venezuela (World Bank, 2000b, pp. 242–243). These examples of the education and health sectors indicate that in many Third World countries in Asia, Africa, and Latin America, the government's financial support for some of the basic services has declined, and although these changes were pursued in the name of greater efficiency, they have adversely affected the welfare of low-income citizens in these countries. In this context, it is not surprising that more than 260 million people do not have access to health care in South Asia, where government spending on health care has been extremely low (Haque, 2001b). It is quite unfortunate that during the past two decades, many poor countries dependent on foreign aid, were put under pressure by international aid agencies like the World Bank, the Asian Development Bank, and the African Development Bank to streamline the subsidies and expenditures on public health and education despite the fact that most people in these countries do not have access to such basic services.

Second, some of the new economic policies undertaken in the name of faster and higher economic growth rate have coincided with, if not caused, the worsening levels of poverty and inequality in many Third World countries. In fact, the downsizing of public governance through policies such as privatization and outsourcing is likely to have direct impact on unemployment, and thus on poverty, because in most of these countries the public sector used to be the largest source of employment. Between 1990 and 1997, the number of people below the poverty line increased from 173 million to 183 million in Latin America, and from 242 million to 291 million in Sub-Saharan Africa (World Bank, 2001). In South Asia, the percentage of population below the poverty line has reached 40.9 percent in India, 42.7 percent in Bangladesh, 42 percent in Nepal, 34 percent in Pakistan, and 40.6 percent in Sri Lanka (World Bank, 2000, pp. 236–237). Even in a relatively high-growth region like Southeast Asia, the percentage of people below the poverty line is 15.5 percent in Malaysia, 17.4 percent in Indonesia, 18 percent in Thailand, 40 percent in Laos, 40.6 percent in the Philippines, and 50.9 percent in Vietnam (ADB, 2000; World Bank, 2000b). Veltmeyer (1993, p. 2084) alleges this worsening poverty is the result of recent policy reforms such as reduction in subsidies and social spending.

With regard to income inequality, policies like divestment, deregulation, and joint venture are likely to have direct negative impact on the structure of such inequality due to the fact that these policies largely benefit affluent industrialists or business entrepreneurs. In other words, under the new economic policy regime, it is likely that the rich will get richer and the poor poorer. Today the percentages of income shared by the poorest 10 percent and the richest 10 percent of the population are respectively 1.9 and 37.9 percent in Malaysia, 2.4 and 33.5 percent in the Philippines, 2.5 and 37.1 percent in Thailand, 3.6 and 30.3 percent in Indonesia, and 3.5 and 29.0 percent in

Vietnam (World Bank, 2000b, pp. 238–239). However, Latin America appears to have much worse records of such income shares—about 0.6 and 46.6 percent in Guatemala, 0.7 and 43.8 percent in Panama, 0.8 and 47.9 percent in Brazil, 1.0 and 46.9 percent in Colombia, 1.2 and 38.3 percent in El Salvador, 1.4 and 42.8 percent in Mexico, and 1.4 and 46.1 percent in Chile (World Bank, 2000b, pp. 238–239). Similar income inequality also exists in African countries like Botswana, Egypt, Ghana, Nigeria, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe (World Bank, 2000b, pp. 238–239). The worsening situation in income inequality, however, has largely been overlooked by the advocates of new economic policies.

Finally, while reforms in governance based on new economic policies like the liberalization and deregulation of trade, investment, ownership, and exchange, may attract huge foreign investment, they may also exacerbate external dependence, diminish self-reliance, and accentuate vulnerability. It has been pointed out by various scholars that the globalization of capital through new economic policies may erode national autonomy and perpetuate dependence (Haque, 1999a; Kouzmin & Hayne, 1999). However, in recent years, many South and Southeast Asian countries have significantly liberalized trade, eliminated restrictions on foreign investment, allowed 100 percent foreign ownership, and ensured various incentives such as exemption from corporate taxes and import duties (Haque, 2001b; Montes, 1997; USDC, 2000). As a result of such policy shifts in governance, foreign ownership has considerably expanded in Asian countries in sectors such as airlines, gas, petroleum, coal, power utility, telecommunications, insurance, banking, manufacturing, automobiles, transport, tourism, etc. (PrivatizationLink, 2001). Similarly, in Latin America, foreign ownership in various sectors has proliferated in countries like Argentina, Brazil, Chile, Mexico, and Venezuela (Haque, 1999b; Martin, 1993; Sader, 1993).

For Third World countries, this expansion of foreign ownership in the current context of governance based on the new political economy implies the loss of self-reliance, an increase in external dependence, and erosion of state sovereignty (Higgot, 1998). In fact, the external dependence of these countries has worsened further due to their colossal foreign debt, which has increased during the period of new political economy. For example, between 1990 and 1998, the total external debt increased from \$119.9 billion to \$232.0 billion in Brazil, \$55.3 billion to \$154.6 billion in China, \$83.7 billion to \$98.2 billion in India, \$69.9 billion to \$150.9 billion in Indonesia, \$35.0 billion to \$139.1 billion in South Korea, \$15.3 billion to \$44.8 billion in Malaysia, \$104.4 billion to \$160.0 billion in Mexico, \$30.5 billion to \$47.8 billion in the Philippines, and \$28.1 billion to \$86.1 billion in Thailand (World Bank, 2001, pp. 314–315). In addition, for many Third World nations, especially the poorer African countries, there have been significant declines in their terms of

trade (Simon, 1995, pp. 20–22). These adverse outcomes (external debt, foreign ownership, trade vulnerability) experienced by these countries during the period of new political economy, require a serious reexamination of such political economy and its constituent policies and institutions.

SUMMARY AND CONCLUDING REMARKS

In this article, it has been emphasized that beyond the common studies on globalization in terms of its concepts, approaches, dimensions, forces, and outcomes, there is a need to examine how certain state structures, institutions, and policies representing a dominant model of political economy are more conducive to the globalization process. In this regard, it has been explained that unlike the earlier state-centric governance under the welfare, socialist, and developmental models of political economy, the emerging market-centered model of new political economy (founded upon new institutional economics and manifested in new economic policy and new public management) is more favorable to globalization due to its rejection of state intervention and regulation, its prescription for expanding market forces worldwide, and its endorsement of a series of policies and strategies in this regard.

The new political economy model has not only facilitated globalization, the model itself has become globalized—it has been embraced by or imposed upon almost all countries, including those in the Third World. The article has specifically focused on how new political economy, including its policy and institutional components, has transformed the mode of governance in Third World countries in terms of its scope, role, structure, norms, and so on. It has also pointed out the current dominant tendency to glorify the market-driven governance system in these countries, and attempted to explore the major adverse consequences of this governance system for Third World societies and people, including the erosion of citizens' access to basic services, deterioration of poverty and inequality, and perpetuation of external dependence and vulnerability.

In this regard, there is a need to critically examine the complementary relationship between the global market forces (especially transnational corporations and international agencies) on the one hand, and promarket state structures and policies (based on new political economy) on the other. While members of the anti-globalization movement focus on global economic powers, they often fail to recognize the role of market-driven governance systems in reinforcing the globalization process. In other words, the critics of globalization need to pay more attention to how national policies and institutions in various countries may contribute to the expansion of global market forces. In more intellectual terms, since the current market-led

governance is largely based on the assumptions and principles of new political economy (discussed earlier), this model itself needs to be deconstructed, especially by questioning and assessing these assumptions and principles themselves.

It is also necessary to question the success of new market-driven governance and its policies and institutions, which is claimed and frequently publicized by the proponents of new political economy. The validity of claims made by these proponents is often suspect due to the following: they tend to over-generalize a few specific cases into global success stories; they fail to provide adequate empirical support to substantiate their claims; and they cover only narrow economic indicators (e.g. growth rate and inflation rate) while overlooking negative consequences like the erosion of cultural identity and national sovereignty. In Southeast Asia, for instance, there were claims and counterclaims made by the advocates of a government-centered “developmental state” model and a promarket “new political economy” model with regard to the region’s economic success, and now they are blaming each other for the recent economic crisis in the region (Beeson, 1998; Lim, 1999).

It is interesting to note that while the World Bank considered the high-growth economies in Southeast Asia as examples of success cases based on its prescribed market-led policies, it began to accuse these countries of producing this economic crisis by continuing state-centric policies. In opposition to these interpretations, many critics argue that it was the new set of promarket policies prescribed by the Bretton Wood institutions that weakened the developmental state, replaced its regulatory regime, and diminished its steering capacity to manage economic and financial problems leading to such a serious crisis (Beeson & Rosser, 1998; Rahim, 2000). In fact, these economies were highly competitive under state-led governance during the 1970s and early 1980s. It was the period of new economic policies (deregulation, liberalization, and privatization), intensified in the 1990s, which saw the eventual culmination of severe economic crisis in the late 1990s, especially after 1997. This Asian episode signifies that more objective and comprehensive studies are needed to counterbalance the propagandist claims made by the current reductionist studies pursued by the advocates of the new political economy.

Finally, since the new political economy model of governance has already been adopted in various degrees in Third World countries, there is a need for redressing some of its adverse consequences discussed in this article. Internally, millions of low-income citizens who are worse off from this model of governance—because of the diminishing provision and increasing prices of basic public sector services such as health and education—should be somehow financially helped or compensated to ensure their access to these basic services. Externally, the eroding economic sovereignty of Third World countries caused by the expanded power of global forces and the anti-state

model of new political economy should be seriously taken into consideration. It is critical, because the economically powerless and vulnerable Third World countries cannot compete equitably in the global market while their own national economies have come under the dominance of transnational corporations that control global assets and enjoy new opportunities (free trade, investment, and exchange) created by the new political economy by eliminating state control, intervention, and protection.

However, there is a growing realization, despite the worldwide advocacy of new political economy, that private profits have been encouraged in Third World countries at the expense of the poor, that the provision of public goods remains crucial, and that there is a potential for the reemergence of more active states in spite of globalization (Evans, 1997; Radice, 1999). There is no doubt that in the past, many states in developed and Third World countries stifled citizen participation, failed to offer an effective governance system serving the public, and there was indeed a need for restructuring the state-centered governance that was quite elitist (Box & Sagen, 1998; Haque, 2001b). But the current changes in governance, perhaps, have gone too far in Third World countries, downplaying any substantive role of the state while embracing an extreme market-led model based on the assumptions and principles of new political economy that are hardly compatible with the socioeconomic realities of these countries such as poverty, inequality, vulnerability, and dependence.

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