inclusive process that would be achieved through participatory development. While the reader is tempted to be carried away by the nobility of such a vision, but how exactly one could coax all the actors involved into signing such a "contract" remains a question mark. Nevertheless, this book will be an important addition to the ongoing discussion on correcting the asymmetric and polarized growth patterns stemming from the adoption of "mainstream" economic ideologies.

NOTE

1. Even though the usefulness of such a measure is contested by many who note that the figures are much larger when different methodologies are applied to compute poverty levels.

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The Globalization Paradox: Democracy and the Future of the World Economy. **By Dani Rodrik.** New York: W. W. Norton & Company, 2011. Pp. 368.

The ASEAN-China free trade agreement came into effect on 1 January 2010, creating a free trade zone that comprised one-third of the world's population and one-tenth of the world's GDP. Three other free trade agreements, the ASEAN-India FTA, ASEAN-Korea FTA, and the ASEAN-Australia-New Zealand FTA, came into effect on the same day, firmly establishing free trade as the basis of economic partnership in the Asia-Pacific region. Sadly, this momentous event for the world economy passed unnoticed by many Western observers.

This further proliferation of regional free trade agreements comes in the wake of rising global trade that led author Thomas Friedman to proclaim "the World is Flat". Globalization has become a key driver of the world economy, accompanying strong economic growth and rising living standards for billions of people all over the world. Yet as globalization takes root in the East, support for free trade has been dwindling in the West. In both the United States and Europe, globalization has been blamed for stagnant wages, chronic unemployment, and the recent economic recession. It has become one of the most controversial issues of our times.

The growing importance of international trade makes Dani Rodrik's new book a must-read for economists and politicians alike. In *The Globalization Paradox: Democracy and the Future of the World Economy*, Rodrik explores the relationship between international trade and domestic policy. Global trade, he argues, requires countries to replace local rules with international regulation, even when these conflict with domestic goals. A political trilemma between hyperglobalization, national sovereignty, and democratic politics is thus created. Similar to Robert Mundell's impossibility triangle, Rodrik argues that all three ideals cannot coexist at the same time. If a country wishes to have both free trade and national identity, it gives up on democracy, as its national policies must align to international standards even if these run counter to domestic norms and expectations. On the other hand, if we want free trade and democracy, we must abandon the nation-state and shape all policies according to a global consensus. Rodrik makes the choice clear: democracy cannot be surrendered, and effective global government remains a long way from reality. The pursuit of full-fledged globalization must therefore give way to a shallower version of free trade.

Despite his apparent criticism of globalization, Rodrik is by no means a protectionist. He acknowledges that free trade provides a net gain to society and even claims to enjoy "bringing the uninitiated into the fold" by illustrating how tariffs lead to dead weight losses. Fortunately, the gains to free trade are already well understood by students of economics. Less obvious to economists, however, are the costs incurred from the integration of markets. Removing tariffs causes the whole pie to grow, but also redistributes large portions of the pie within society to create winners and losers. Some economists have suggested that proper systems of compensation can mitigate such redistributive effects, but in practice these are seldom easy to implement. More interesting is the fact that as tariffs get lowered, efficiency gains from free trade decrease but redistributive effects are amplified. Rodrik calculates that in the United States, where average tariffs are below 5 per cent, removing tariffs all together would reshuffle $50 for every dollar created in net efficiency gains. In Rodrik's words, "it's as if we give $51 to Adam, only to leave David $50 poorer". This ratio is so high only because tariffs are already so low to begin with. If tariffs were at higher levels of about 40 per cent, as they are in some countries, then the ratio of redistribution to net gain would become much lower.

Every country thus has an optimal level of free trade that balances benefits and costs. Instead of indiscriminately integrating global markets, Rodrik argues that individual nations should be allowed to select their own level of free trade through proper democratic channels. In Rodrik's eyes, the relentless attempts by the WTO and World Bank to maximize trade have compromised domestic economic agendas, making these international organizations unpopular and ineffective in many parts of the world. He calls for a return to the days of the Bretton-Woods system, which promoted global integration but also gave developing countries the flexibility to pursue industrial policy and control capital flows if they so wished. Many economists believe that such actions are counterproductive, but Rodrik is quick to point out that the world economy grew more rapidly under the Bretton-Woods system than under the current regime of the WTO. The goal should not be "hyperglobalization", but rather achieving the "maximum amount of trade compatible with different nations doing their own thing".

It is easy to see why Dani Rodrik has garnered the respect of many of his peers. His book is rich with anecdotes and illustrative examples that fashion 300 pages of lucid, cogent argument. It provides a refreshing perspective to a subject that has already been debated exhaustively. Other books on free trade tend to focus exclusively on America and Europe, but Rodrik draws his lessons from countries all over the world, making his insights relevant to a global audience who may not see the world through a western lens. Inevitably, he draws special attention to China, the biggest economic growth story of our time. He uses China to demonstrate that globalization can be a huge boon for poor nations, provided they learn how to leverage it to fulfil their own goals. China did not liberalize its markets overnight or blindly implement Western-style regulation. Instead, it opened up slowly, experimenting with different solutions to suit local conditions. Many of its economic tools, such as industrial subsidies and capital controls, run counter to orthodox economic "wisdom", but have given Chinese policy-makers the space to balance the needs of the global market with domestic constraints. Appropriately enough, the best metaphor for Rodrik's proposition comes from one of his students in China: "Keep the windows open, but don't forget the mosquito screen. This way you get the fresh air but you also keep the bugs away."

Rodrik's discussion is not without its flaws though. He makes a compelling case for why democratic nations must find their own optimal levels of free trade, but he fails to tie his argument to the political reality on the ground. Citizens of a democracy should indeed have the freedom to choose the extent of globalization in their country, but in many places the democratic process has been hijacked by pork-barrel politics. The Malaysian Government, for instance, imposes heavy tariffs on foreign cars in order to give Proton, the national automobile manufacturer, a price advantage. This has made foreign vehicles prohibitively expensive to most Malaysians, and has also allowed Proton to continue selling outdated models in the domestic market for many years, often with little regard for basic safety features such as airbags. Proton employs a tiny percentage of Malaysian workers, yet enjoys huge profits from the import tariffs. The few thus benefit at the expense of many, and is certainly not the best example of democracy at work. On the other hand, regional FTAs have made it increasingly harder for the Malaysian Government to legitimately protect local industries, proving Rodrik's point that greater free trade inevitably weakens national sovereignty. Ironically, this may provide a net benefit to the people of Malaysia.

Despite their imperfections, Rodrik's insights are still of practical importance. Rodrik himself is candid about his shortcomings as an economist, and he admits that he cannot foresee all that will happen in the future. Given their inherent fallibility, he warns, economists should not turn their economic recommendations into ideological battles of good and evil, but instead seek to provide reliable information with which readers can make educated judgments. Rodrik makes a penetrating observation that many economists have become evangelists, turning "a pragmatic respect for the power of price incentives and world markets … into a religion of sorts." This, perhaps, is the central message of his book, and it is one that is particularly relevant to ASEAN. Globalization has made Southeast Asia one of the fastest growing economic regions in the world, but it has also spurred greater regional cooperation and increased the efficacy of ASEAN. It is heartening that the healthy abnegation of national sovereignty has enabled the benefits of free trade, but the constraints of the political trilemma remain an economic reality. The governments of Southeast Asia must ensure that their citizens are never sacrificed in a blind worship for globalization.

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