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THE ROLE OF INTERNATIONAL INSTITUTIONS IN THE GLOBALIZATION OF THE WORLD ECONOMY

Smirnova Elena Valerievna
Süleyman Demirel University, Almaty

1. Introduction

For the last several decades many countries across the globe have established close contacts. Multinational corporations manufacture products in many countries and sell them to consumers around the world. Money, technology and raw materials move more rapidly across national borders. Along with products and finances, ideas and cultures circulate more freely. As a result, laws, economies, and social movements are being formed at the international level.

According to capitalist economic theory, a completely liberalized global market is the most efficient way to foster growth, because each country specializes in producing the goods and services in which it has a comparative advantage. Yet, in practice, cutting trade barriers and opening markets do not necessarily generate development. Rich countries and large corporations dominate the global marketplace and create very unequal relations of power and information. As a result, trade is inherently unequal and poor countries seldom experience rising well-being but increasing unemployment, poverty, and income inequality.

An additional problem is that free trade is not equally free. Agricultural subsidies and other trade barriers in the US and the EU prevent poor countries from gaining access to the most important markets. Meanwhile, poor countries open up their own markets to US and EU exports.

From another point of view, international trade is an important factor for the development of poor countries and their integration into the global economy. Rich governments' promotion of these ideals has led them to develop an array of new trade agreements and international institutions. These bilateral, multilateral, and regional treaties strongly affect people at all levels of the economy by regulating pricing, tariffs, export levels, and methods of production. Though it seems that trade agreements bring sustainable development and

economic integration, this is not the case. Rich countries maintain protections of their own exports, while their competitors in poor countries agree to open their markets. Due to these factors, the agreements tend to harm development and pull poor countries deeper into poverty.

2. International Institutions in the Globalization

The new era of globalization started after the World War II when economists and politicians recognized the costs associated with declining international economic integration. Their work led to the Bretton Woods (1944) conference and the founding of several international institutions intended to oversee the renewed processes of globalization, promoting growth and managing adverse consequences.

These institutions include the International Bank for Reconstruction and Development (the World Bank) and the International Monetary Fund. Globalization has been facilitated by advances in technology which have reduced the costs of trade, and trade negotiation rounds, originally under the auspices of the General Agreement on Tariffs and Trade (GATT), which led to a series of agreements to remove restrictions on free trade.

Since World War II, barriers to international trade have been considerably lowered through international agreements such as GATT. The GATT was the outcome of the failure of negotiating governments to create the International Trade Organization (ITO). The Bretton Woods Conference had introduced the idea for an organization to regulate trade as part of a larger plan for economic recovery after World War II. The GATT's main objective was the reduction of barriers to international trade. This was achieved through the reduction of tariff barriers, quantitative restrictions and subsidies on trade through a series of agreements. The GATT was a treaty, not an organization and it was the foundation for:

Promotion of free trade: reduction or elimination of tariffs; creation of free trade zones with small or no tariffs, reduced transportation costs, especially resulting from development of containerization for ocean shipping, reduction or elimination of capital controls, reduction, elimination, or harmonization of subsidies for local businesses.

Restriction of free trade: harmonization of intellectual property laws across the majority of states, with more restrictions; supranational recognition of intellectual property restrictions. [1]

The most prominent international institutions are represented in the Table 1 – the IMF, the World Bank, and the WTO. Each institution has its own functions and plays a crucial role in the development and integration of the world economy. The table provides information on the main activities of these institutions and allows comparing their influence on the world.

2.1 The International Monetary Fund

The International Monetary Fund is a multilateral institution that lends money to governments to stabilize currencies and maintain order in international financial markets. For many decades, the Fund has imposed stringent loan conditions that often led to worsening conditions for the majority of citizens in the affected countries.

2.2 The World Bank

The World Bank is a multilateral institution that provides financial and technical assistance to developing countries for development programs (e.g. bridges, roads, schools, etc.) with the stated goal of reducing poverty. For more than twenty years, the Bank has imposed stringent conditions, known as “Structural Adjustment Programs,” on recipient countries, forcing them to adopt reforms such as deregulation of capital markets, privatization of state companies, and downsizing of

Table 1: The comparison of Functions of the Main International Institutions*

Institution	Date of Establishment	Number of Members	Main Functions
International Monetary Fund (IMF)	July, 1944	185	<ul style="list-style-type: none">- keeps account of international balance of payments accounts of member states;- acts as a lender of last resort for members in financial distress (e.g., currency crisis, problems meeting balance of payment when in deficit and debt default)
World Bank (WB)	December 27, 1945	185	<ul style="list-style-type: none">- provides funding, takes up credit risk or offers favorable terms to development projects mostly in developing countries that couldn't be obtained by the private sector;- provides low or no interest loans and grants to low income countries with little or no access to international credit markets
World Trade Organization (WTO)	January 1, 1995	153	<ul style="list-style-type: none">- settles trade disputes;- negotiates international trade agreements;- reviews the national trade policies;- provides assistance to developing, least-developed and low-income countries

public programs for social welfare. Privatization of water supplies, fees for public schools and hospitals, and privatization of public pensions are among the most controversial Bank reforms. While the Bank insists that “fighting poverty” is its first priority, many critics believe instead that it is responsible for rising poverty. Many also criticize its close relationship with Wall Street and the United States Treasury Department. It is obvious that the Bank is not as compassionate as it claims to be.

2.3 The World Trade Organization

The World Trade Organization was founded in 1995 to replace the General Agreement on Tariffs and Trade (GATT). This multilateral organization aims to lower tariffs and non-tariff barriers to increase international trade. Poor countries fear that further liberalization of trade will only benefit rich countries. WTO negotiations favor the interests of corporate investors and neglect agricultural protectionism and trade subsidies by rich countries. In the summer of 2006, five years of Doha Round negotiations ended without any agreement, leading many observers to question whether the WTO continues to be relevant in the absence of rich country trade concessions.

3. Criticism of International Institutions

Looking at the history of the most prominent institutions and the impact of their decisions on economies of developed and less developed countries, it becomes possible to affirm that all these three establishments were created to support United States and Western countries.

For example, “Structural Adjustment Programs” IMF led to an increase in poverty in recipient countries [2]. Currency devaluation recommended by the IMF to the governments of poor nations has destructive influence on economic prosperity of these countries. The institution sometimes increases taxes even when the economy is weak, in order to generate government revenue and balance budget deficits. These policies were criticized by Joseph E. Stiglitz, former chief economist and Senior Vice President at the World

* The table was drafted by the author of the article

Bank: The IMF "was not participating in a conspiracy, but it was reflecting the interests and ideology of the Western financial community." [3]

Argentina, which had been considered by the IMF to be a model country in its compliance to policy proposals by the Bretton Woods institutions, experienced a catastrophic economic crisis in 2001, which some believe to have been caused by IMF-induced budget restrictions — which undercut the government's ability to sustain national infrastructure even in crucial areas such as health, education, and security — and privatization of strategically vital national resources [4].

Some critics of the World Bank believe that the institution was not started in order to reduce poverty but rather to support United States' business interests, and argue that the bank has actually increased poverty and been detrimental to the environment, public health, and cultural diversity [5]. Other critics claim that the World Bank has consistently imposed policies on developing countries which have been damaging, destructive and anti-developmental [6].

It has also been suggested that the World Bank is an instrument for the promotion of U.S. or Western interests in certain regions of the world. Criticisms of the structure of the World Bank refer to the fact that the President of the Bank is always a citizen of the United States, nominated by the President of the United States (though subject to the approval of the other member countries). There have been accusations that the decision-making structure is undemocratic, as the U.S. effectively has a veto on some constitutional decisions with just over 16% of the shares in the bank [7].

The stated aim of the WTO is to promote free trade and stimulate economic growth. Some people argue that free trade leads to a divergence instead of convergence of income levels within rich and poor countries (the rich get richer and the poor get poorer) [8]. Martin Khor, Director of the Third World Network, argues that the WTO does not manage the global economy impartially, but in its operation has a systematic bias toward rich countries and multinational corporations, harming smaller countries which have less negotiation power. He argues that developing countries have not benefited from the WTO Agreements of the Uruguay Round, because (among other reasons): market access in industry has not improved; these countries have had no gains yet from the phasing out of textiles quotas; non-tariff barriers such as anti-dumping measures have increased; and domestic support and export subsidies for agricultural products in the rich countries remain high [9].

Other critics have characterized the decision making in the WTO as complicated, ineffective, unrepresentative and non-inclusive, and they have proposed the establishment of a small, informal steering committee (a "consultative board") that can be delegated responsibility for developing consensus on trade issues among the member countries [10].

Because of undemocratic actions of Western communities, developing and less developed countries have no choice but to create own agreements, institutions, and organizations to protect themselves. Such organization is OPEC (Organization of Petroleum Exporting Countries) that has a great influence on the world economy, generally because the OPEC member countries coordinate their oil production policies in order to help stabilize the oil market and to help oil producers achieve a reasonable rate of return on their investments [11]. OPEC decisions have had considerable influence on international oil prices. For example, in the 1973 energy crisis OPEC refused to ship oil to western countries that had supported Israel in the Yom Kippur War or October War, which they fought against Egypt and Syria. This refusal caused a fourfold increase in the price of oil, which lasted five months, starting on October 17, 1973, and ending on March 18, 1974. OPEC nations then agreed, on January 7, 1975, to raise crude oil prices by 10%. At that time, OPEC nations — including many who had recently nationalized their oil industries — joined the call for a new international economic order to be initiated by coalitions of primary producers.

OPEC was founded in Baghdad, triggered by a 1960 law instituted by American President Dwight Eisenhower that forced quotas on Venezuelan and Persian Gulf oil imports in favor of the Canadian and Mexican oil industries. When this led to falling prices for oil in these regions, Venezuela's president reacted seeking an alliance with oil producing Arab nations as a defensive strategy to protect the continuous autonomy and profitability of Venezuela's natural resource: oil. From the above stated, it is obvious that OPEC was created as a defensive tool for the protection from United States and Western countries.

4. Conclusion

For the conclusion, it is worth to notice that all energies of the IMF, the World Bank, and the WTO are consumed in doing whatever is necessary to perpetuate their global status. The purpose and functions for which these institutions were created have been violating from the very beginning of their existence. When governments of developing countries liberalize in the context of WTO negotiations, they demand reciprocal concessions such as access to Northern markets, however they receive no concessions. The IMF and the World Bank are experiencing a crisis of legitimacy due to the institutions' lack of democratic governance, adverse impacts of their operations, lack of accountability to those impacted and corruption. Democratic practice, accountability, and transparency need to be restored from the base.

What can be the recommendations for the effective solution of this problem? Generally, there are three options:

- either to create new international institutions;
- reform existing ones;
- work within the prevailing institutional framework.

The author agrees with the opinion of Joseph E. Stiglitz, who thinks it is really time to reason seriously either of the reformation or creation of new establishments in the world. The Nobel economics laureate argues: "I used to say that since we are going to need these institutions, it is better to reform them than to start from scratch. I'm beginning to have second thoughts. I'm beginning to ask, has the credibility of the IMF been so eroded that maybe it's better to start from scratch? Is the institution so resistant to learning to change, to becoming a more democratic institution, that maybe it is time to think about creating some new institutions that really reflect today's reality, today's greater sense of democracy. It is really time to re-ask the question: should we reform or should we build from start? [12]"

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TRADE REGULATIONS AND POLICIES IN KAZAKHSTAN

Imenova Raina Akhmetovna
Süleyman Demirel University, Almaty

Economic growth

During the period of 2000-2006 Kazakhstan maintained high rates of economic growth on the background of recovery in production. In 2006 real gross domestic product (GDP) increased by 10.7% versus the 2005 level. It is of principal importance that three years ago the country exceeded the pre-reform level of development: in 2004 real GDP grew by 103.6% versus 1990 and in 2006, by 125.8%.

Kazakhstan has come very close to the fulfillment of the goal to double real GDP versus the 2000 level (Fig. 1).