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## 'Globalisation is a process; MNCs are change agents'

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WASHINGTON: Government is the primary creator and the guarantor of property rights and therefore plays an important role in the functioning of market systems.

This is one example why increasing levels of globalisation require an active role of the government in economic activity maintained Mr Aseem Prakash, assistant professor of strategic management and public policy at the George Washington University in a speech entitled "Governance and Economic Globalisation" to the United Nations General Assembly on Thursday. Citing the examples of the Internet Revolution and the advances in biotechnology, he said these necessitated "new rules, new technological standards and new legal doctrines--all these require leadership by governmental organisations.

However, Mr Prakash, who is the author of *Greening the Firm: The politics of corporate environmentalism* as well as co-editor of *Coping with globalisation*, pointed out within governments there is an "expertise deficit" and private actors are "better equipped to provide such collective services". But, he added: "We must bear in mind that private legal regimes operate under the shadow of public law and need legitimacy from governments". Other issues which require governmental activism are "anti-trust and competition policies".

He argued: "I do not agree that bigger is always better and monopolies always arise because of governmental interventions. As the recent lawsuit against Microsoft suggests, anti-trust suits are filed by private parties" and thus there are reasons to believe that governments will continue to play "important roles in ensuring that market processes are not manipulated and continue to serve a broad societal agenda".

Mr Prakash offered three aspects of globalisation to his UN audience: First, globalisation is best viewed as a set of processes and not an end state. Second, cross-border economic integration now spans products and commodities that are at various stages of the value-addition processes. And third, multinational corporations are the main agents of economic integration. He said: "Clearly in the last two decades, multinational corporations have come to play an increasingly important role in the global economy. However the munificence of foreign investors is not widely diffused -- foreign direct investment flows are concentrated in the so-called triad consisting of North America, Western Europe and East Asia." He maintained that hence the levels of globalisation are uneven both within and across countries which in turn implied that governance structures useful for highly globalised economics may not be so useful for the ones that are less globalised.

Mr Prakash also suggested that the time had come to look beyond the mind-set of equating governance with governments and took for new ways to create and tap synergies between private actors, non-governmental organisations and governments. "The critical role of political leadership is important here. Politicians are invariably criticised and condemned, and perhaps justifiably so. However some politicians also have the abilities to understand the imperatives of the new economy, and at the same time translate this vision into a language that is appreciated by the masses. Leaders like Deng Xiaoping, Tony Blair and Chandra Babu Naidu have shown the ability to rewrite paradigms. Such efforts need to be commended" he said.

Analysing the problems afflicting multilateral institutions, he listed two; amongst them--the lack of accountability and the multiple veto points that make them less effective in policy realms. Calling for greater transparency and accountability, he added that "for instance, it is important that the World Bank and the IMF clearly explain as to why they have drastically revised their assessments of the East Asian model--who is responsible for these incorrect assessments and what steps are being taken to ensure that after a few years these Organisation do not disown what they are recommending now".

Supporting the calls for a new architecture of finance, Mr Prakash stressed that governance should not be equated with government and that economic integration is not a new phenomenon---"what is different is the role of multinational corporations who continue to be associated with specific countries." And he suggested that governments and nongovernmental actors together need to to establish institutions for social insurance-- failing which" there will be significant opposition to free trade and investment and result in a protectionist backlash".