

GLOBALIZATION AND GOOD GLOBAL GOVERNANCE FOR NEW COMPETITIVE ADVANTAGE OF THE NATION: PERSPECTIVES AND PRACTICES

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ABSTRACT

Part of a special section on the ways in which countries can benefit from globalization. In order to succeed, country's reform programs must be coupled with increased and better-coordinated international technical and financial assistance. As well as strengthening macroeconomic policies, countries need to accelerate structural reforms by investing in people and building capacity, improving infrastructure, cultivating trade liberalization and regional economic integration, promoting a sound banking system and financial development, encouraging private investment, and promoting good governance in all areas. In addition, country's reform programs should be supported decisively by the global community in the context of a new global governance. This research therefore aims to study the importance of the globalization and its influence on the need to have good global governance for national competitive advantage. Finally, The research suggests three dimension of good global governance for global changes.

INTRODUCTION

The financial crisis that started in 1997, which affected almost all Asian economies and global economies had led to the bankruptcy of several companies in many nations, while some were at the brink of bankruptcy. Even though many agreed that the currency speculators were the real problem behind the crisis, the lesson learnt was that many of the corporate failures were as a result of poor corporate governance. It has been suggest that excessive gearing was the main reason, suggesting a lack of prudence in managing the funds of the companies. Guided by the belief that debt financing is cheaper than equity financing, greed and other human weaknesses encouraged the managers to go for debt financing, and extended their leverages to the maximum. When the economy was attacked by the currency speculators, the economy went into a down

turn thus affecting demand. Many companies found that they were unable to service their loans, because of low cash flow and the collateral, mostly share certificates, had depreciated substantially.

There are many other causes for corporate failure, which in turn results in national economic crisis, such as incidents of conflict of interest, the utilization of company assets to serve a private purpose, and the discovery of false invoices totally millions of dollars which can be classified as cheating and forgery. At the heart of these problems are the lack of ethics and accountability in managing the companies.

Many cases of corporate failures have shown that good corporate governance or global governance could have saved these companies from the range of disruption and the heavy loss.

Recently, economists have conducted a vigorous research as to whether “globalization” is new. Their debate have focussed on those more measurable, variables that have allowed them to consider whether the global economy was more open at the end of the 20th century than it was at the end of the last century. It has allowed them to draw lessons from the past (IMF Working Paper, 2000).

GLOBALIZATION AND GOOD GLOBAL GOVERNANCE

The dramatic increases in globalization in the last quarter of the 20th century have been market driven and in such a context, the market implies the opposite of governance (Karl, 1994). Where governance has intervened it has been largely negative impacted. With the rapid expansion and deregulation of the global financial markets over the last decade, driven by advances in technology and communication, and which saw daily financial flows grow dramatically (Beddoes, 1999). We began to assume the market power had totally escaped the jurisdiction of the state authority. Only since the financial crises of the 1997, have influence the policy makers to start thinking that this might functionally problematic and in need of serious political, as opposed to merely economic attention (Manchester University Press, 1998).

A major dynamic of this rethink is to be found in the relationship between the continuation the openness of market liberalization or to provide the stable governance of the international economy to ensure the accountability and stability of the global economic integration. For the case of the financial crisis in 1997, globalization has some negative impact that without functioning structures of global governance, globalization might contain within its roots of the problems and weaknesses (Higgott, 2000).

This complex and dilemma relationship between the market and the theory and practice of governance

beyond the territorial state under conditions of globalization is conditioned by three dynamic relationships (Higgott, 2002):

1. The dilemma between liberalization and demands for some international regulation reform that has developed since the currency crisis from July 1997.
2. The increasing interplay of inter-governmental role and powerful states and the weaker states.
3. Understanding the core of the coming struggle over the continue pace of liberalization are political struggles about the distribution of global wealth, not simply technical economic ones about how best to produce that wealth.

GLOBAL GOVERNANCE IN HISTORICAL PERSPECTIVE

Global governance is not new. Recent discussions on the issue of empire and world order have reminded us of this. Various experiments and models of imperial authority stemming back at least to the Ancient Rome Empire emphasize this concept. It can identify globalization with another form of imperialism (Hardt, and Negri, 2001).

Good governance during first period, the colonial era of the great European powers, was classic example. Whether we are comparing the indirect rule strategies of the British with the director rule strategies of the French; both had a concept to enhance representation of the governed and the accountability of the governors.

In period 2, the decolonization in the post world war II era. Good governance was sociopolitical understandings of authority and change; what came to be widely known as modernization theory. The key elements of the process were meant to be diffusion of technology and capital. But also part of this process was meant to be diffusion of modern western sociopolitical norms; especially the introduction of

western systems of representative forms of governance. Again, the general principle pertained whether it was the introduction of parliamentary systems in the context of the British colonial departure or presidential systems in the French case.

In period 3, the immediate post colonial era from the late 1950s to the early of 1970s, the failure of politics and the failure to build a grand theory of modernization saw understandings of global governance once again down play the political elements of governance (accountability and representation) at the expense of an attempted return to the creation of a science of public policy. This time, however, it was driven more by economic, rationalist, choice based theories of public policy (Huntington, 1968 & Rothstein, 1977).

In period 4, the beginnings of contemporary governance. The increases in globalization in the last quarter of the 20th century have been market driven. Where governance has intervened it has been largely negative impacted. With the rapid expansion and deregulation of the global financial markets over the last decade. We began to assume the market power had totally escaped the jurisdiction of the state authority (Karl, 1994).

The institution of international economic governance as currently constituted especially the IMF, World Bank, United Nation, and WTO) emphasis this concept. Those global norms and rules are now commonly introduced (Beddoes, 2000). The subsequent post 1997 attempts to reform these norms and rules in the domains of trade, investment, labor standards, the environment, transparency, capacity building, and good governance.

Either way these processes have negative implications for a consensus based on evolution of global governance norms. The top down global governance emerged in the late 1990s is driven by an understanding of governance primarily as effectiveness and efficiency, not governance as democracy, account-

ability. In addition, beyond the provision of basic public goods; the rule of law and external security, the dismantling of the public economy would come, sooner or later. But markets are socio-political constructions. In the long run, their successful functioning depends on their legitimacy and support within civil society and that the welfare state might be important for the stability of an open international economy (Higgott, 2000).

The concept of sovereignty concentrated social economic and political life around a single site of governance. The sovereign acted as the provider of security and the citizen, in turn, offered allegiance and obedience. This account emphasized sovereignty as the center of authority, the origin of law and the source of individual and collective security. Citizens were bound together, whether for reasons of liberty or security, by their subjection to a common ruler and a common law. This basic structure of governance forged a social bond among citizens and between citizens and the state (Linklater & Walker, 1993).

A further crucial function performed by the sovereign state, and the particular concern of the economist, has been the management of the national economy. Historically, there have been competing accounts of how states should govern their economies, especially over the manner and extent to which governments should intervene in and regulate economic activity.

The economy served the community of the state in which it was embedded; its functions and benefits were defined via the interests of a given political society. That states monopolized the right to tax within their boundaries enhanced the correlation of the economy with the state's boundaries. One of the general functions of the state therefore was to govern the economy in such a way as to promote the wealth and welfare of the community. Liberals focused on the market mechanism as the surest and most efficient means of ensuring the liberty, security, and prosperity of both individuals and the community; non-liberal

approaches tended to emphasize the need for regulation and manipulation of economic activity in order to satisfy the social needs of the community.

The sovereign state is an historical event that emerged in a particular time to resolve social, economic and political problems. Currently, it is no longer effective that the sovereign state is practical or adequate as a means of comprehensively organizing modern political life and especially providing the array of public goods normally associated with the late 20th century welfare state. Trends toward economic globalization have proved the world required supra-territorial constitutes and multiplied multilateral governance arrangements and lost considerable democratic potential (Scholte, 1997). While states still have the sovereign right not to be bound by an international accord, but in practice they are becoming increasingly accepted in a network of interdependencies and regulatory/collaborative arrangements (Zacher, 1992).

4 As Garrett (1998) notes that there are many types of government interventions in the economy that are compatible with globally competitive markets. This is a view about the variation in state strategy. What is the relevance of the state to our discussion of the governance? The answer is simple. States and their agents remain the principal sources of governance either nationally or globally. Any discussion of global governance only makes sense on the recognition of this fact.

Period 5: The demand for global governance.

The preceding discussion supports numerous explanations as to why the issue of governance has become so important in the international policy community discussion of globalization (Ruggie, 1993). In point form:

1. We have seen a growing dissatisfaction with traditional models of public policy that failed to capture the shift in the relationship between state authority and market power.

2. We have seen increasing non-national manageability of policy problems and a growing interest in the importance of ideas and cross border policy transfer.
3. Sovereignty has come to be seen more as a question of responsibility rather than absolute control.
4. Major changes in conceptions of international law are in train in comply with a growing consensus that international law must apply a greater centralizing and coordinating role in the global context and the evolution of the UN charter model of international and transnational cooperation.
5. The increasing role of multi-level governance structures in certain policy areas, enhanced by the role and functions of specialized agencies has grown dramatically.
6. There has been a dramatic growth in the importance of non-state roles in global politics. Given this impact of globalization, governance become an essential term for understanding not only transnational processes that require institutional responses but also for identifying those non-traditional roles that participate in the governance of a globalized economy beyond the traditional confines of government. Thus the concept of global governance becomes emphasis.

Many theorists are still debate for a universally acceptable definition of social and economic justice. But while globalization results in unequal treatment for some states and more importantly exacerbates poverty for many sections of the weakest members of international society. Poverty alleviation seems to have a stronger claim than equality in prevailing definitions of justice (Woods, 1999). Thus the important normative question is what is the relevant community or society to which social justice pertains and in what domains

should the questions of justice to be addressed? But markets are not the only sites of action. The domain issue is at the core of the global governance question. Governments are no longer the only domain of policy making or implementation.

ROLE OF INTERNATIONAL ORGANIZATION AND GLOBAL GOVERNANCE

NGO, Global Social Movements and International Organizations now play important roles. They form part of wider global governance agenda that both in theory and practice trailed the integrated and globalizing tendencies in world economy. As a consequence, the prevailing order of the state system, while central appears inadequate to the task of managing most of the agenda of globalization.

Currently, understandings of global governance can range along a continuum from basic, informal processes to enhance transparency in inter-state policy coordination through to the somewhat grander still liberal, visions of a rejuvenated system exhibited initially in the Commission on Global Governance's *Our Global Neighborhood* and running through a series of further commissions and exercises in summitry to address global questions (Woods, 1999).

There are three inter-connected elements of the debate that have developed to date and that are essential precursors to understanding contemporary developments in period 5.

1. Global governance as the enhancement of effectiveness and efficiency in the delivery of public goods. Their role as consolidating or institutionalizing the gain made by the processes of global economic integration.
2. Global governance as enhanced democracy.
3. Global governance as the emergence of an international managerial class.

The globalization of informational and technological elite is seen as an essential part of the process of economic globalization more generally. Global data is also a pre-requisite of global governance structures and enhanced policy coordination.

The financial crisis of the late 1990s and the corporate scandals of 2001-2002 demonstrate how feeble these instruments were. International regimes and regional organizations are the indicators of global governance (Held, 1995; Keohane, 1998; & Reinecke, 1998).

- Democracy in Global Governance Systems
- Global Public Policy VS Global Governance
- The Participatory Gap in Global Governance
- The Roles of States in Global Governance Systems
- One and a half Cheers for International Organizations

In general terms, good government is an essential precondition for good governance. Good government is intended to lead toward a governmental framework accepted by a participatory public as legitimate, responsive to the needs of the population and committed to improving its welfare, competent in providing law and order and delivering public services, and providing an effective policy environment and open-handed in its conduct. Once political reform is under way and centrally controlled economies dismantled, this argument suggests, liberal market principles can begin to promote economic development, which in turn should promote participation in the political processes. The long-term economic and political objectives would thus complement each other while working toward an educated population, which both political knowledge and the will to act, coupled with a modern industrial economy, a homogeneous society, and a long established set of democratic political values along with justice and accountability (Kassim, 2002).

GOOD GOVERNANCE AT NATIONAL LEVEL

The concept of globalization that shrinks a world with no border and international standards that moves across cultural and traditional values demands managers with much broader world view.

• Participation (Public Participation)

All citizens should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as to participate constructively.

• Rule of Law

Legal frameworks should be fair and enforced impartially, particularly the laws on human rights, rights of individuals and the interest of the community.

• Transparency

Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.

• Responsiveness

Institutions and processes try to serve all stakeholders.

• Consensus Orientation (Community Spirit)

Good governance mediates differing interests to reach a broad consensus on what in the best interest of the group and, where possible, on policies and procedures.

• Equity

Every citizen has access to equal opportunities to improve or maintain their well being.

• Effectiveness & Efficiency (Competency and Capacity)

Processes and institutions produce results that meet public needs while making the best use of resources.

• Accountability

Decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization.

• Strategic Vision (Local Vision)

Leaders and the public have a broad and long-term perspective on the good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

GOOD GOVERNANCE AT REGIONAL LEVEL

The International Monetary Fund (IMF) and the World Bank have embraced “good governance” as a set of principles to guide their objectives in member countries increase transparency, accountability and participation (Woods, 2000).

The IMF declares, good governance is important for countries at all stages of development and this research article is to concentrate on those aspects of good governance that are most closely related to our surveillance over macroeconomic policies namely, the transparency of government accounts, the effectiveness of public resource management, and the stability and transparency of the economic and regulatory environment for private sector activity (Camdessus, 1997).

Some of the principles of good governance according to Harry A. Greaves, Jr. (2001) are:

- Rule of Law
- Allow more self-government at the local level
- Require increase financial accountability of those holding public office
- Freedom of speech and freedom of the press
- Promote free enterprise as the primary engine of economic development

There is a broad consensus that the adherence to the following principles is central to the evolution of internationally competitive economies (Higgott, 2002):

1. The state should allow market based, private sector driven, initiatives in the mobilization and allocation of resources to growth promoting activities.
2. Government should intervene only in case of clearly established market failure.
3. In case of proven market failure, attempts should be made to implement workable and incentive compatible policies.
4. The state should provide pure public goods (law and order, national defense, public infrastructure) including the proper assignment and enforcement of property rights.
5. The state should provide a stable and predictable macroeconomic environment through appropriate coordination of fiscal, monetary, and exchange rate policies.
6. The state should enforce a free-trade regime on the ground that such a neutral policy regime restrains the government from making sector specific interventions.

GOOD GOVERNANCE AT GLOBAL LEVEL

● **Accelerating Structural Reform**

While promoting macroeconomic stability, countries will need to accelerate structural reforms to

remove impediments to investment and growth and comply with international standard and regulation, as well as to reduce poverty and inequality. Although priorities will vary among countries, particular attention should be given to the following critical areas (Calamitsis, 2001).

Investing in people and building capacity. In line with the international development goals, it will be important to boost basic education programs to achieve universal primary education. But progress in education and training will also have to be broader and deeper to help countries bridge the digital divide, take full advantage of the vast knowledge available on the Internet, and improve their ability to compete on world markets and create transparency.

Improving infrastructure development. In view of the major deficiencies in infrastructure, most countries will require substantial new investment in roads, ports, clean water, power, and telecommunications. Investment in transport facilities will be particularly important for landlocked countries that need to enhance their economic integration with other countries.

Fostering trade liberalization and regional economic integration. Although significant progress was made in trade liberalization during the 1990s, countries need to open their economies more rapidly to the rest of the world, particularly by further simplifying and reducing their import tariff structures. They should also promote regional economic integration, in conjunction with market-oriented domestic policy reforms. If effectively implemented, this would allow countries to surmount the obstacles posed by their relatively small economies, enhance their ability to trade on a global basis, and help them attract needed capital.

Promoting a sound banking system and financial development. To this end, many countries will need to reinforce the prudential regulation and supervision of banks; recapitalize and restructure weak but financially

viable institutions; improve loan recovery; promote international best practices and standards in bank management; and limit short-term foreign borrowing as well as modernize payments systems. Furthermore, it will be important to encourage the establishment of well-structured microfinance institutions that could offer needed savings and credit facilities.

Encouraging private investment, including foreign direct investment that can bring added benefits through transfers of technology and know-how as well as increased access to international markets. The above-mentioned policies and reforms, together with the privatization of loss-making public enterprises, will greatly facilitate private investment, both domestic and foreign. But, above all, an enabling environment for private investment will require a credible regulatory framework and an evenhanded and efficient legal system that safeguards property rights, adequately enforces contracts, and protects healthy competition.

8 Promoting good governance in all its aspects. This is probably the most critical area of reform, as it would underpin and sustain the implementation of the entire country strategy for faster and more equitable growth. Good governance should start from the top, with the political leadership setting the best example by clearly demonstrating a firm commitment to responsible policies and practices. At the same time, this example should permeate all branches of the administration, the judiciary, and society at large to ensure that public sector and corporate operations are conducted in an irreproachable manner and all forms of corruption are shunned.

■ Need for International Support

In sum, in the period ahead, countries will have to make much greater efforts to achieve sustainable economic and social progress. Although priorities will necessarily differ, there is no doubt that stronger macroeconomic policies and structural reforms, coupled

with good governance in all its aspects, will be critically important. The region will also need peace and security to realize its development goals. Thus, urgent steps must be taken to prevent conflicts and resolve disputes promptly.

But, to have maximum impact and the best prospects for success, the reform programs of countries should be supported decisively by the international community in the context of a new partnership for development. Although several important initiatives have already been taken by industrial countries and multilateral institutions, including the IMF, UN, WTO, and the World Bank, these need to be broadened and deepened to ensure that all countries share the opportunities and benefits of globalization. The international community can make a vital contribution to world progress by promoting steady, noninflationary growth in the world economy and strengthening the international financial architecture, thereby reducing the risks of major crises and destabilizing capital flows; actively supporting efforts to restore peace and security to war-torn countries; giving poor countries free access to industrial country markets, especially for agricultural products, textiles, and clothing, while starting a new, development-oriented trade round under the World Trade Organization; providing deeper and faster debt relief to all eligible countries under the enhanced Heavily Indebted Poor Countries Initiative; and increasing substantially official development assistance in support of sound programs for reducing poverty (Greaves, 2001 & Camdessus, 1997).

BENEFITS FROM GOOD GLOBAL GOVERNANCE

Good governance will be good for large private interests and national elite, who will benefit from easy access to natural resources and cheap labor and the transfer of commercial risks to public at large. But this concept does not include addressing deeply rooted

economic and social inequalities, or support for basic human rights to resources, safe environments and freedom of expression, the rights of labor to organize and negotiate better deals for workers, the rights of indigenous peoples to self determination, the rights of peasant farmers to own and protect the land they farm, and the rights of women to a safe social environment (Guttal, 2000).

SUGGESTIONS TO ACHIEVE GLOBAL GOVERNANCE

Improving the mechanism must be supporting the development and maintenance of a transparent and stable economic and regulatory environment conducive to private sector activities such as price systems, exchange and trade regimes, and banking systems and their related regulations. Suggestions to achieve the objectives and global governance (Ismail, 2002).

- The necessity to accelerate the formulation of a common framework for customs, immigration, quarantine and security.
- To harmonize a set of principles, practice, procedures, and institutions.
- Introducing new areas of economic cooperation such as information and communication technology.
- More direct loans and co-financing given for specific projects such as dams, roads, satellite, telecommunications in the trading block.
- To make greater use of strong hard currencies in each regional economic integration.
- Identifying priority policies or projects and promote regional economic integration to the rest of the world.

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