

GLOBALIZATION AND MULTINATIONAL CORPORATIONS IN SOUTH ASIA; ARJUN BHARDWAJ & DELWAR HOSSAIN

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Globalization is of two types. The first is called a "forced globalization" initiated by the International Monetary Fund (IMF). The second is called a "participative globalization" which occurs through Multinational Corporations. MNCs have been playing a dominant role globally and accordingly, have been integrating the world economy. But their role and contribution to the process of growth and development of less developed regions are of controversial in nature and character.

The South Asian region is one of the less developed regions in the world. In the beginning of the decade of 90s, South Asian economies had started adopting or initiating an 'outward looking approach' and had also started opening up their economies to MNCs. The present book touches upon some of the vital issues relating to MNCs in the context of South Asia in nine well documented and written chapters that run into 81 pages.

While the globalists argue that globalization would continue until there is a "borderless or seamless" world in which non-state sectors and actors would play an increasing role, the "internationalists" feel that the primary sectors or actors will continue to be nation states. Despite considerable debate, the fact is that in the South Asian region, although the "role of the Government has not diminished; it has changed to a great extent" (page 1).

Two non-state sectors or actors which constitute global politics and economics in the present scenario of globalization are the private sector or actors of MNCs and NGOs. The rising power of MNCs, especially in the Post Cold War arena created a paradoxical scene for Governments of developing countries and hence, the Governments of South Asian economies were compelled to open up their respective economies to MNCs.

The process of globalization is treated as an independent variable, whereas the concepts of security and sustainable development are considered as dependent variables. Another facet of understanding the process of globalization is the relationship between globalization and the MNCs. Through the channel of Foreign Direct Investment (FDI), the MNCs have emerged as a driving force behind the process of globalization of South Asian economies. There has been a triangular relationship between globalization, security and sustainable development (Page 20). There has also been mutual interdependence between MNCs and host nations (page 21).

An extensive review of literature on MNCs suggests that a wide range of theoretical and empirical studies has been done on their concept, scope, strategies and operations, which nonetheless makes our attempt to define MNCs a daunting task. MNCs have two options for formulating strategies. The first is the North-South or Vertical strategy. The second is the Outsourcing strategy. Recently, another strategy has emerged - namely the Global strategy (Brainard and Markusen) which is combination of market-seeking and outsourcing. The underlying impact of the strategies of MNCs is the concentration of FDI inflows into a handful of countries (Page 31).

The South Asia region has long been been an arena for operations of MNCs (Dutch East India Company). In the early 1960s and 1970s, South Asia pursued an inward looking approach for development. Since the advent of the 1980s, however, liberalization got a foothold and accordingly, FDI started to enter into the region. "Significant amounts of FDI are coming in to

exploit the low labor cost advantages of South Asia, and to utilize them as export platforms” as China has done (Page 40).

Prior to the year 1990 in India, MNCs had been a "four-letter word" in most Indian minds and evoked passions of an extreme nationalistic variety across the political spectrum. It was in the middle of the 1980s, that one of the significant MNS investments was made by the Japanese automobile manufacturer Suzuki who set up a joint venture with Government of India. At that point in time, the Indian people became familiar with MNCs. Thereafter, the flow of FDI has become part of India's economic policy. It has been a long journey for India and most other developing countries in South Asia (Page 46) to attract FDI and accelerate the pace of growth and development in the region. It is pertinent to point out that the Bhopal tragedy in the past and latest Enron episode have far reaching implications and effects on the behavior and future of MNCs in the South Asian region. MNCs should create a situation where both host as well as investor should benefit.

The operations of MNCs in Bangladesh are very limited compared to the other developing countries of South Asia. Despite initiating "far-reaching economic reforms in recent years, FDI inflow into Bangladesh remains scanty" (Raza and Rashid). Ironically, for MNCs, the reality is somewhat paradoxical. The operations of MNSc have been generating new questions on the extent MNCs should contribute to the development of Bangladesh. Amid the growing power of MNCs, "Bangladesh faces the daunting task of making sense from increasing involvement of FDI in the Bangladesh economy in the changed global environment. While it is undeniable that MNCs have a positive impact on economic development, their unfettered activity could jeopardize the interest of the country e.g. Magurchara (Page 64).

The trends of globalization have been established clearly and the security needs of the countries are changing in this emerging global order. The profitability of MNCs in South Asia has not been very high and their decision making is governed purely by economic motives, as the exposition on the Bhopal gas tragedy in India and the Magurchara gas explosion in Bangladesh has clearly revealed (Page 65).

There are tremendous opportunities for moving ahead on the path of sustainable development by continuous and intensive collaboration between MNCs and host countries. Antagonistic relationship have enormous potential of turning into great partnerships and to build on role models that companies like Tata Steel have established in India. Why other countries of the South Asia have not done that? It will be a brave new world of growth and progress for all in general and South Asia in particular, which is lagging far behind than other continents of the globe.

The book gives an interesting reading for those who want to know about the role of MNCs in developing economies, especially in the South Asian region. The most frustrating limitation of the book is that data is old. No organization working on the economy of the South Asian region can afford not to have this book. It well documented and referred one.

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