

# Globalization and the role of nongovernmental organization and transnational corp...

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Globalization and the Role of Nongovernmental Organization and Transnational Corporations Ever since people started to migrate and encounter new people, globalization has been a fact of life. Trade, war and movement have spread culture around the world but now with the advent of telecommunication, global transportation, and more money; Globalization is happening at rate that is alarming to some and advantageous to others. Some would say that America is the driver of the globalization vehicle and others claim that America is just an influential player, a backseat driver.

Wherever people stand on the issue one thing is clear; NGO's and TNC's are the cause and effect of many of the arguments surrounding globalization. NGO's are created to regulate trade, labor and growth around the world. Instead, according to some NGO's are hindering and even hurting developing nations, workers and the environment. Transnational Corporations, on the other hand, are the result of the liberalization of trade and markets since World War II and more recently, the end of the Cold War.

These corporations, who are mainly headquartered in the United States, have enormous power and flexibility because they are not restrained by the rules of any one state. This has led to improved quality of life around the world, and the availability of goods and services around the world.

Alternatively, TNC's have led to corporations that employ more people than entire counties as well as a polarization of states. Whether you love them or hate them, they are an integral part of human's success and failures.

The Bretton Woods system was the first example of a monetary organization intended to govern monetary relations among independent states; it was

created after WW II and helped pave the way to modern NGO's and TNC's. The Bretton Woods system was flawed and the institution has since been dismantled, but the ideas it represented are manifest in the modern NGO's. The current International Financial Institutions include The World Bank, International Monetary Fund, and the World Trade Organization.

In Elke Krahnmann's piece, he cited a description of the reasons for NGO's and global government originally written by Leon Gordenker and Thomas Weiss; they believe that global governance is " Efforts to bring more orderly and reliable responses to social and political issues that go beyond capacities of states to address individually. Like the NGO universe, global governance implies an absence of central authority, and the need for collaboration or cooperation among governments and others who seek to encourage common practices and goals in addressing global issues. (Kesselman 256)

The reasons that Gordenker and Weiss mentioned are the honorable reasons for the IMF but the truth according to Joseph Stiglitz is that NGO's are more concerned with keeping money in the hands of the elites and their banks. These three entities are not governed by any one state, but are instead controlled by members of 185 nations in the case of the IMF, 153 in the WTO, and 185 represented in the World Bank. These delegates decide on trade, labor, and development issues facing states. One key feature of the institutions is their ability to loan money to developing nations and impose sanctions in order to stimulate growth.

These loans typically have high interest rates and come with stiff restrictions. This is one of Stiglitz' supporting points, suggesting that IMF's delegates are

elites and have elite friends many of who are finance ministers, because of this the well being of banks is very important to the IMF. This of course, leads to a conflict of interest concerning other institutions and the populations they represent. The IMF may use the conditions imposed on a client nation to influence policy and politics within that state or region.

This is unfortunate according to Stiglitz because it may weaken the economy in the long run and destabilize the progress of a state. Additionally, Stiglitz points out an apparent “mission creep” within the IMF. Stiglitz argues that, the IMF’s original concern within a client nation was to monitor inflation, unemployment, and growth, but since the IMF has grown into a vast bureaucracy their gaze has turned to privatization, pension reforms, and labor markets. This shows a doubt or lack of trust on the part of the IMF concerning the client nation. Kesselman 256) Kenneth Rogoff, former Managing Director of the IMF fires back with a response article called The IMF Strikes Back. In his article Rogoff remind us that the client state creates the need for loans with conditions, Rogoff implied “governments from developing countries don’t seek IMF financial assistance when the sun is shining; they come when they have already run into deep financial difficulties, generally through some combination of bad management and bad luck.” (Kesselman 270) Additionally, Rogoff claims that the IMF is the “messenger” being unfairly blamed for delivering bad news that it is not responsible for.

Furthermore, Rogoff counters Stiglitz argument that the conditions are too harsh by saying that the client nations would be far worse off if those

conditions were not present, and that the conditions prescribed help attract investors looking for countries who they believe are on the right track.

(Kesselman 269) I believe that Stiglitz would respond to Rogoff's last point by stating that the foreign investors are mainly other elites looking to exploit cheap labor and lax environmental standards.

Finally, Rogoff ends his piece by describing the importance's of the IMF not only as a forum for global issues but also as a having a perspective on the international community which is required for the world to move forward.

(Kesselman 276) Turning to Transnational Corporations, In Dying for Growth Part I, Joyce V. Millen and Timothy H. Holtz describe the lack of unions, the low environmental standards, the on the job hazards and the sexual harassment that faces laborers in export processing zones around the world. The reason TNC's choose the nations they do is because those nations have lax labor laws, that labor is cheap and plentiful.

It is likely the case that the home nations of the TNC's have high labor standards and abide by OSHA, but usually the TNC's subcontract to places where standards are low or may not even be enforced. Another way TNC's circumvent labor laws is through union busting, meaning that companies and the IFI's do not allow unions in EPZ's or sweatshops. This keeps the employees from striking and from demanding better conditions or pay. Not only are people being paid very little according to the authors, the EPZ's may not use any local raw materials or products. Consequently, the host country loses money over time.

Furthermore, the authors outline all the ways the EPZ's poison the environment through spills, pesticide, and the pollution coming off the EPZ itself and the slums that usually spring up around the zones. Finally, Bernard D'Mello the author of *Reebok and the Global Footwear Sweatshop* claims that as long as power remains in the hands of the capital then the conditions and pay will continue to be substandard. Additionally, the laborers have to remain working in sweatshops because they have little choice in other jobs and need the money desperately, it is a vicious circle.

However, these conditions will most likely continue unless there is a drastic change in the rights and standards of TNC's because; without unions it is very difficult to improve standards. Moreover, because there is so much cheap labor available in China, Indonesia, and India there is always someone willing to work for as little as you can pay them. In the second part of their article *Dying for Growth Part II* the authors explain how TNC's have gained as much power as they have and ways to get a handle on the corporations.

TNC's have been gradually, increasing their influence on IFI's and other NGO's which has led to " increased freedom on the movement of capital, technology, and goods and services. They undermine the efforts of individual governments to regulate TNC's within their borders. " (Kesselman 289)

Furthermore, trade agreements made by the WTO allow any member to challenge the laws and regulations of any other state if that member feels the regulation or law might impede free trade. This is a result of the influence of TNC's on member countries. This has led to undermining progress and standards in client nations.

Incidentally under pressure of losing money the standards on labor and the environment that the member nations have lowered are then pushed to be raised by those very same nations. One major player that has not yet been mentioned is the United Nations. The UN and TNC's have had an up and down relationship in the last decade. Now the UN and TNC leaders are very close because of several reasons; the International Chamber of Commerce (ICC) (which is comprised of larger TNC's) set up meetings between the two and the new relationship TNC's have formed with the UN Development Program (UNDP).

This program has allowed the TNC leader's access to government leaders all over the world. Some people believe this is an attempt by the money strapped UN to gain financial and political support from TNC's. This is deplorable to many because it shows the lack of concern for the billions of poor who will most likely not benefit from the new relationship between the TNC's and the UN. The ICC president put it best as he responded to the growing number of groups who want to make TNC's accountable from their harmful actions; President Maucher said " We have to be careful that they do not get too much influence. (Kesselman 292) These incredibly influential and powerful entities are abusing their power. Millen, Lyon and Irwin suggest that there should be limits on lobbying, because it is the general way TNC's can influence the NGO's. Furthermore, the authors suggest "[a] fundamental critique of the values of a consumption-driven society, accompanied by intelligent, coordinated efforts to limit corporate power legally and politically. " (Kesselman 294) These issues are not being handled well by nation states, especially those with power.

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Money makes the decisions and the biggest concern is keeping and making more money. However, there are many influential wealthy groups who are trying to make a difference but their voices are silenced in this growing corporate world. I believe that the labor, environmental, and political issues need to be resolved from within by sober, democratic leaders. The success stories of Taiwan, Japan and Korea speak for themselves. Those nations sprung up from the inside out, not vice versa.

As for the future, the NGO's need to be reworked and perhaps a global government or at least regional governments need to be set up similar to the EU. A global government would regulate things much more efficiently and would be able to keep corporations at bay. The NGO's need to change, it has happened before with the Bretton Woods system. As time went by an improved system came along, now that time has come again. Work Cited Kesselman, M (Ed. ). (2007). The politics of globalization. New York, New York: Houghton Mifflin.