This volume consists of a set of papers from a May 1997 conference sponsored by the Center for Global Change and Governance and the Center for International Business Education and Research at Rutgers University. The ambitious focus of the volume is on the broad set of interactions between corporate strategy and public policy in an era of increasing international economic interdependence. Particular topics highlighted by the editors include the evolving nature of global economic governance and the merits of different approaches towards governance.

The relevance of a focus on governance is obvious as, for example, Europe continues to wrestle with the ultimate architecture of its political and economic union, and as North American and Asian countries rebalance their commitments to alternative multilateral and regional institutions of governance. Indeed, the rising tide of protest against international organizations such as the WTO and the IMF can be seen as a rejection (however misinformed) of the main multilateral governance instruments for international trade, investment and monetary management on the part of an apparently growing number of the world's citizenry.

It can be argued that the U.S. government has a diminished appetite for closer international economic integration as a result of, among other things, the riotous protests at the 1999 WTO meetings in Seattle, as well as the resurgence of trade union activism within the Democratic Party. Japan's participation in multi-lateral, and even regional, economic integration initiatives, as well as its global influence remain on the wane pending economic recovery in that country. Even Europe shows signs of policy drift as specific countries refuse to adopt the Euro, and as disagreement among members of the European Union surrounds the issue of accession to membership.

With the emergence and expansion of the North American Free Trade Area and the emphasis given by U.S. and Australian officials to economic integration in the Pacific Rim, a growing concern among trade policy economists was that multilateral economic integration would be balkanized by the proliferation of "competing" regional trade agreements (Bhagwati, 1991 ). Increasingly the current concern is whether the process of international economic integration, at both the multilateral and regional levels, is in danger of being derailed by a seemingly growing rejection of the legitimacy of public and private sector economic organizations, including multinational companies (Rugman, 2000). In this context, it could hardly be timelier to address the questions: what has economic integration actually wrought? And where do we go from here?

The volume's chapters offer interesting, albeit incomplete, answers to these two broad questions. In particular, several broad consequences of economic integration are highlighted in various chapters. One is the growth of transnational alliances and collaborative networks among large companies. This development accentuates a risk that several of the authors identify, namely, the potential for alliances,
as well as mergers and acquisitions, to reduce effective competition in global markets. This risk is further magnified by the propensity of national governments to protect "domestic champions," even if the latter are sharing any economic rent they earn with foreign partners.

A second identified outcome of economic integration is the uneven distribution of the benefits of global economic integration. Specifically, the benefits from integration accruing to poorer, developing countries have been disappointing. It is argued that poorer countries have little bargaining power within the multilateral bargaining framework, and they have, therefore, been denied the open access to developed country markets that is required if the developing economies are to realize large gains from trade liberalization. Competition among developing (and developed) country governments to attract foreign direct investment further erodes the net gains that national governments can expect to realize from the spillover productivity benefits of foreign direct investment that have been identified, primarily for developed countries, it must be said (Blomstrom and Globerman, forthcoming).

A third development described is the growth of regional blocs in Asia, Europe and the Americas. Similarities in regional attitudes towards governance issues, including the appropriate role of government, have contributed to the regionalization trend. Those similarities also bode ill for a convergence of policy initiatives at the multilateral level with respect to governance.

There is much less overlap across the chapters regarding the issue of how governance institutions will evolve and change in the future, as well as the normative issue of how they should change. One theme that does come through fairly clearly is that agreements regarding desirable changes will be difficult to obtain among major stakeholders in both the public and private sectors. Several authors posit the case that the governance agenda, including sensitive issues such as environmental policy, will be increasingly set by multinational companies. Others see the potential for existing institutions, such as the G-7, if appropriately reconstructed, to play an effective role in identifying and resolving trade and investment conflicts. Yet one does not come away from the volume optimistic about any of the proposed governance recommendations. Perhaps the most reassuring note is the observation made by Narula and Dunning that some of the disappointing results of globalization can be remedied by national governments implementing the "correct" domestic policies. Specifically, the benefits of globalization can be enhanced by unilateral actions to build a national infrastructure encompassing policies such as the advancement of education and training and support for innovation.

The volume is a useful reference for trade policy scholars, as well as policy-makers in search of guidance regarding the institutional and economic forces likely to condition the policy-making environment over the foreseeable future. It is less useful for teaching purposes, as it assumes a relatively mature appreciation of current institutions for international economic governance.

References


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