

Transnational Corporations - Key Enablers Globalization

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Abstract

Romania, Romanian economic agents have become in recent years present ever more active in world trade. Association agreements agreed with the European Union and beyond, opening Romania and Romanian participants in international trade relations, prospects of major deep involvement in the world flow of values and knowledge. But it also means aligning our trade laws to European legislation profile, with priority to Community law and assimilation regulatory provisions of international conventions ratified across Romania as part of national law rules. Transnational corporations, which operate in more than one country or nation at a time, have become some of the most powerful economic and political entities in the world today. The United Nations has justly described these corporations as "the productive core of the globalizing world economy."

Keywords: globalization, transnational corporations, global village, e-commerce

JEL code: L4, L40, L2, L20

1. Introduction

The initial aim is to indicate that globalisation is a process that has a number of dimensions. It can be approached from various degrees of abstraction. I have identified at least four dimensions to globalisation as a set of social processes. There may well be more than four – but that misses the point. The key point is to uncover what is at globalisation's core, for only in this way can the full extent of the threat to the public services in contemporary social life be appreciated. This core is the value-form of labour.

The paper explores the proposition that 'globalisation' is essentially capitalist globalisation: the globalisation of capital, which is at the core of all the economic, social, political and cultural trends that have been associated with conventional (and more superficial) notions of 'globalisation'.

The convergence of microelectronics, communication and computing technologies has given rise to new information systems, which have the ability to manipulate information rapidly in a number of ways and deliver such information with incredible speed at very low cost. This manipulative attribute of the new systems has itself given rise to new categories of services while enhancing old ones. The Internet in particular, which is at the centre of the information

technology mediated world is critical to the globalization process, that is integrating the world into what is termed as the Global Electronic Village (GEV).

2. The pathways of globalization

As Peter McLaren (2001) and others have indicated, for postmodernists and those interested primarily in cultural phenomena, globalisation has been associated simultaneously with the cross-fertilisation and increasing hybridity of cultural forms and identities on the one hand and the homogenisation of culture on the other. The latter trend is manifested in the standardisation of culture, summed up by the concept of McDonaldisation – the product is the same wherever you are. On this basis, globalisation as the embrace of consumer products such as Nike, the GAP, Nokia, Sony and McDonalds incorporates cultural conformism. Globalisation in this sense points towards global markets, consumer identities and choice.

Of course, billions throughout the world cannot afford many of the products associated with upbeat lifestyles and cool dude poses. Drawing on the work of Teresa Ebert, Peter McLaren argues that globalisation as a set of cultural process emphasises 'global symbolic exchanges relating to values, preferences, and tastes rather than material inequality and class relations'.

Contemporary globalization processes are continuously redefining the ways we live and communicate. In making this statement, I employ a liberal interpretation of the term globalization "as fostering international economic integration and as a mechanism for promoting global liberal capitalism" (Thussu 2006).

This interpretation identifies an international division of labor, a heightened role of markets and transnational corporations as imperatives of the globalization processes, often at the cost of nation-states and indigenous communities (Thussu 2006).

It is generally agreed that giant leaps in information communications technology (ICT) are propelling global dynamism by accelerating greater intra-regional connectivity (Thussu and Sarikakis 2006; Mujahid 2002; Bettig 1996). The consequent trends are the "expansion of an information economy and the convergence of technologies" (Bettig 1996). Additionally, technology as the "new means of production in the virtual age of speed and freedom is associated with borderlessness of capitalist globalized markets" (Thussu and Sarikakis 2006). ICT is hence construed as a "key enabler of globalization" (Mujahid 2002).

The ICT is undergoing a massive revolution in terms of its capabilities, reach and affordability. The technological convergence between computing and telecommunications sciences is its most pronounced manifestation. Some milestones of this synergy are the transition from analog to digital; the creation of the hypertext language and World Wide Web; the capability to digitally convert text and audio files; and the incessant innovations in internet, making it a "network of all networks" (Thussu and Sarikakis 2006).

The upgrade in internet connectivity through digital subscriber lines (DSL), cable modems and wireless options, coupled with wider conventional and cellular telephone services, which extensively use digital GSM and TDMA technologies, has made ICT more accessible and affordable. The growth in fiber-optic telephone exchange and the privatized local-loop systems has further broadened and subsidized telephone density around the world (Thussu and Sarikakis 2006; PSEB 2005; Albarran 2004; Mujahid 2002).

The consequent economies of scale have lowered costs of high-speed international private leased circuits, bandwidth, and satellite-based telecommunication networks. At the same time,

wider and subsidized access to DHCP-enabled router technology and voice over internet protocol (VOIP) is accelerating the volumes of high-speed transfer of voice and data across the globe (Slay 2005; Mujahid 2002).

Technological leaps like these have made it possible to "transmit information at unprecedented speed and volume across the globe", thereby accelerating the pace of global interconnectedness (Thussu and Sarikakis 2006). The ensuing intersections between information superhighways, digital networks, and transnational communications are aptly described as the rise of an international informational economy (Thussu and Sarikakis 2006).

The globalized informational economic networks have given impetus to innovations in business practices. "In today's highly competitive global marketplace", (Ueltschy et al 2006) contemporary international business practices emphasize on relentless economic search for the lowest costs, 'a race to the bottom' (The Economist 7/26/2007), maximum profits and highest returns on investments. It is universally accepted that cost savings are still the "principal motivation to outsource" (Economist 7/26/2007; Johnson 2007; Duening 2007; Newsweek 5/11/2003).

These objectives are being met through outsourcing and off shoring jobs and production processes by contracting-out work to outside firms and geographical shift of work abroad (Ueltschy et al 2006; Thomas and Wilkinson 2006; Johnson 2007). The terms Business Processing Office (BPO) and also Business Service Providers (BSP) are synonymously used with the voice-based call-center sector, to describe the transferring of business processes to external service providers (Duening 2007; PSEB 2005). These include tele-marketing, customer services, technical support, and assorted back-office jobs, etc. (Duening 2007; PSEB 2005; Newsweek 5/11/2003).

Additionally, it is helpful to identify the geographical locations of such ICT-enabled outsourced jobs. I refer to Kearney's Global Service Location Index, (GSLI) which evaluates annual outsourcing trends, and classifies 50 countries on the basis of three parameters: (a) financial attractiveness, (b) availability of skilled workers, (c) business environment. According to the 2007 GSLI, India, China, and Malaysia rank as the top three outsourcing choices for US companies for their back-office operations.

The GSLI reports that due to "lower wage, infrastructure and regulatory costs", India has an edge over China, and the rest of the countries (Economist 8/30/2007).

Innovations in contemporary global business practices represent capitalist behavior of U.S. transnational corporations, which function on the doctrine of "primacy of profits" (McChesney 2004). Ingrained in the capitalist ideology, these transnational corporations are in a continuous competition for lowest costs, cheapest inputs, maximum return on investments, and a relentless extension and consolidation of national and international market share. The growing trends to outsource dead-end jobs to offshore locations vividly illustrate this capitalist strategy in action.

Western economies follow neoliberalism with the belief that "market can do no wrong" (McChesney 2004). This belief requires a critical appraisal. Neoliberal capitalism considers that rationality, as a cardinal feature of capitalist markets, empowers it to make rational decisions for common good. I dispute this assertion.

It is problematic to accept this presupposed notion of market rationality when winners and losers are arbitrarily determined. In context of the digitally-driven call center sector, the US transnational companies are undisputed winners in terms of profit levels, market reach,

corporate convenience, and heightened strategic focus on core functions. The distant workforce that makes all this possible does not share benefits in the same magnitude.

The most pronounced implication of this scenario is that the ICT revolution has "reinvigorated the spirit of capitalism" (Calbrese 2003), through its stronghold on the industries of computing, telephony and allied information technologies.

The present-day globalization processes are serving to foster "international economic integration and as a mechanism for promoting global liberal capitalism" (Thussu 2006). The emergent remote office outsourcing trends amplify that the "logic of capital has resulted in the concentration of ownership and control of communication systems in the hands of the richest members of the capitalist class" (Bettig 1996).

I am of the view that the above-stated perspectives signify the implicit resurgence of an imperialistic mode in the neoliberal capitalist powers that govern the contemporary global economic system. Such imperialistic tendencies are verified by the hegemony of the English language and English speaking societies in the global business networks. I quote Thussu and Sarikakis who observe that "the language of British imperialism is now the lingua franca of U.S. hegemony, which dominates global international traffic" (2006).

English is the language of information technology, including the World Wide Web, software design, internet communication, and all other forms of communication patterns. This supremacy distinctly divides the world into English and non-English speaking linguistic blocs. This split is reflected in the contemporary outsourcing trends. To support this viewpoint, I explore the job eligibility criteria for call center workforce.

The local third-party firms, which operate remote offices for U.S. business corporations recruit representatives on three criteria: (a) good English speaking ability and listening comprehension, (b) basic skills in computers and internet such as e-mail, chat-programs, and web browsing, and (c) polite and confident telephony skills. (Slay 2005; Dunn 2005; PSEB 2005; Newsweek 5/11/2003) I argue that these prerequisites for acquiring jobs as a lowly-paid back-office worker in an off-shore call center are a manifestation of an imperialistic design.

In order to establish this argument, I unpack this apparently simple wish-list. Firstly, acquiring computer skills requires at least working knowledge of English. Secondly, acquiring polite telephone skills to function as a sales representative, customer support worker, or a telemarketer demands that such a worker is reasonably conversant in the English language. Thirdly, a telemarketer can be confident only with good English speaking and understanding skills, since being off-shore in another country and hooked on to a voice-based communication system, makes him or her a worker in absentia. Being a call center worker implies that he or she is denied other forms of communication options such as facial expressions, body language or genial social mannerism. Thus it is imperative for a call center worker to possess superior English language ability, in order to acquire and retain a job in such a voice-based remote office.

Further, it is "useful to examine the residual effects of colonialism" (Dunn 2005). English language is undoubtedly the principal colonial legacy. This fact is affirmed from the vast stock of 'how to set-up a call center' manuals that are prepared by both the privately-run local third-party firms and the public sector which is eager to attract foreign investments into the country. I refer to two such public sources from Anglophone countries.

Despite the immense savings in costs to U.S. transnational corporations, they face some indigenous challenges to their outsourcing initiative. The first one is economic in nature: there is widespread public resentment to the loss of U.S. jobs to overseas workers, since it is shrinking the local labor market and, is simultaneously making it more competitive. This dislike is confirmed in a Newsweek analysis which reports the "threat that cheap labor in India and in other low-wage countries posed a threat to costlier workers in the developed world was a central theme of America's 2004 presidential campaign" (Economist 7/26/2007).

However, the rationality of markets and the 'logic of capital' have resolved this cultural resistance through renewed innovations in their business systems. Firstly, the U.S. companies have augmented training standards in terms of lingual proficiency of the teleworkers, and vigilantly follow stringent quality control parameters. Secondly, the U.S. outsourced jobs are assigned only to those local operating firms which recruit teleworkers with adequate training in accent-free English skills and orientation of the U.S. society and way of life. (Economist 7/26/2007; Slay 2005; Newsweek 5/11/2003)

Such business practices indicate that global neoliberalism is increasingly functioning "as an instrument of imperialist domination" (Tabb 2007). The doctrine of rationality and logic of market which the U.S. corporations follow in their dealings with regional business associates can alternatively be interpreted as a reinvention of imperialism. This system requires that confidentiality of geographic locations be maintained and stringent U.S. and English intensive training be imparted to the distant workers.

Whether seen as an historical process or an ideological construct, globalization brings about greater interaction between countries, and between peoples. John Tomlinson (1996) defines it as "a rapidly developing process of complex interconnections between societies, cultures, institutions and individuals world-wide. It is a social process which involves a compression of time and space, shrinking distances through a dramatic reduction in the time taken - either physically or representation ally - to cross them, so making the world seem smaller and in a certain sense bringing human beings 'closer' to one another". Thomas Friedman (1996) sees it as "the loose combination of free-trade agreements, the Internet and the integration of financial markets that is erasing borders and uniting the world into a single lucrative, but brutally competitive marketplace".

Globalization reduces the world into an integrated system of markets. Under the process, international trade is considered to be the major engine of economic growth, and should therefore be facilitated. This facilitation is to be done through trade liberalization, necessitating the removal of tariff and non-tariff trade barriers. In addition, states are to withdraw from social provisioning by privatizing state social service organizations. The role of states is being reducing to that of creating a conducive environment for private sector-led development.

Ever since Marshal McLuhan used the phrase global village in the 1960s to refer to this contracting world, the concept of global electronic village (GEV) has gained increasing currency and an apparent objective reality. The world has become fully connected and brought together at the instance of a click of the mouse. Beyond this virtual reality, however, lies a social reconstruction of the world through a globalization process, which is seen as the integration of the world into a single market. At the heart of this process is the Information Technology, or more broadly, information and communication technologies (ICTs) that ever-pervasive technology that is changing the ways in which we do things. Information Technology has unleashed a torrent of technological changes that have profound implication in the way in which society is organized.

It argues that globalization is not only enabled by ICTs but that the level of connectivity of a country determines to a large degree the possibility of its benefiting from the globalization process. The paper then offers an articulation of the substance and nature of this new imperialism that is resulting from both globalization and an unequal access to ICTs in a world that is increasingly becoming knowledge mediated. This new imperialism that is signposted by global governance based on the World Trade Organization (WTO) with new development challenge, which it has to confront.

The paper argues that for developing countries to break the hold of this imperialism, it has to find ways of deploying ICTs, among other things, for development purposes. This leads us to assessing the current efforts and strategies aimed at addressing the digital divide in developing countries and developed countries. One basic fact about this is that inspite of the multiplicity of bridging strategies and efforts; the digital divide is expanding rather than closing. Within this context therefore, the paper seeks to offer an explanation on why these efforts are not successful.

The framework takes as its point of departure that integration of developing countries to the global economy is a reality. However, the nature and mode of this integration need to be contested. It also proceeds from the observation that the digital divide, defined as unequal access to ICTs within and between nations, is part of the wider development divide that has been characteristic of imperialist domination of the third world.

In concrete terms, globalization presents itself as the breaking down of national barriers in terms of trade, flow of information and capital, and in terms of ownership of key industries. Multinational corporations are increasingly displacing local ownership in key and dynamic sectors of national economies. It is also changing the nature of national policy making in that globalization demands conformity with policy prescriptions, which national policy making instruments and processes have no role in articulating. This last has serious implication to the essence of national democracy. Democracy is about the capacity of citizens to participate in the process of decision-making and to influence their governments in the process. In the context of globalization, the space for this has been constrained as policy flows top-down from the international trade regulating organization to national governments. This means that globalization disembowels citizens, and therefore, substantively undermines democracy globally.

The debate about the nature and impact of globalization is ongoing. However, certain consensus is building. For instance, it is now understood to encompass not "just about deepening of financial markets, but includes a whole range of social, political, economic and cultural phenomena" that is simultaneously driven and facilitated by developments in ICTs (Cogburn and Adeya, 1999:2). O'Neill (1999: 1) talks of them as being "seminal to the globalization process". It is also agreed that in this process, the World Trade Organization (WTO), an organization ostensibly established to regulate world trade, has come to assume the role of global governance, whose modus operandi are, as Dot Keet (1999: 9) remarks "the product of self-serving and highly tendentious political processes; and based on upon and reflecting a particular economic model or paradigm favouring the strong".

What is the role of ICTs in this process? At one level, ICTs provide the pathways with which the world is brought together, conquering both time and space. The critical role of ICTs here is that they allow the flow of information and market intelligence at incredible speed and at very low cost. This means that MNCs have better access to the most comprehensive market intelligence, they can better coordinate their activities and management. ICTs also link up the new manufacturing outposts of the transnational corporations. The technology of e-commerce

has also means an easy and speedy movement of capital. Multinationals can therefore move their capital to where conditions are most profitable. Moreover, goods and services, including stocks, are traded electronically, thus firms do not have to be involved in the actual movement of funds. Electronic transactions are invisible and therefore difficult to tax, thus allowing for bigger profit margins for the transnational corporations.

One of the pillars of globalization is international trade in services such as education, financial, health and telecommunication services. In the past, a country or firm offering these services in another country had to either be physically located in the country that it wants offer the services or set up a local representative, usually, a subsidiary, whose operations were subject to national policies. Now with ICTs, these services are being offered in a wider scope online. Electronic banking, online educational services, telemedicine, data processing, etc are the deliverables through which the WTO's General Agreement on Trade in Services (GATS) is being operationalized. Increasingly, these do not only constitute a significant volume of international trade, but also major sources of exports by leading industrial countries such as USA, Japan and Germany. The ability of any country to participate in GATs is largely dependent on its level of ICT connectivity. A country that has poor ICT infrastructure cannot offer services such as online education, telemedicine and international bandwidth services, even within its national borders.

One other consensus about globalization is that its benefits are not evenly distributed across nations and people. Even within a country, there are losers and gainers. The ability of a country to benefit in the globalization process is dependent among other things, on its access to technology, international bargaining power and the relative strength of its economy. Access to ICTs in particular has been generally recognized as a major enabler for a country and people to benefit from globalization. Countries that are better connected have better chance of benefiting positively than those that are poorly connected.

The effect of this is to remove access to ICTs from the domain of social provisioning and transfer it to the market arena. By making the market to be the dominant driver of the sector, the choice is very clear: investors would only invest to the extent that they would be assured of profits. This means that national disparities and unequal access to ICTs would not be eliminated. Rather, they could be accentuated by the inability of the poor to afford the cost of access in the absence of government subsidy. The WTO would therefore contract rather than expand access to information systems in its member countries. Global trend in ICTs has shown that the information gap is expanding with those countries that have more developed ICT sector better leveraged to develop faster.

3. Conclusion

To prepare the ground for such an exploration, I have tried to widen the perspectives associated with globalization processes and their synergy with developments in information and communications technology. This dimension clarifies the structural forces that dominate the confluence between ICT-enabled globalization and innovations in global business practices. I reiterate that the ICT revolution has "reinvigorated the spirit of capitalism" (Calabrese 2003), through its stronghold on the industries of computing, telephony and allied information technologies.

a. ICTs for Development: much of the discussion about bridging the digital divide treats access to ICTs as end on its own. For the developed countries that are looking for markets to sell ICTs goods and services, this is understandable. For developing contries, access should only be a means to address development problems. This means that ICTs should be used for

development purposes such as providing access to education, healthcare services, etc. In this context, it is important to realize that it does not make sense to have hospitals connected to the Internet when there are no drugs in the hospitals or schools that have no chairs to be connected to the Internet. We need to deploy ICTs creatively and appropriately to address our development needs.

b. One of the myths of the Internet is that it is not owned by anybody. The truth is that there are those who owned the means with which to access the Internet as well those who own the content. The question of content is already a hot issue under the rubrics of Intellectual Right Protection. Current reforms on this being advocated by the industry giants would make it impossible to even read things on the Internet without paying for the content. The strategies of bridging the divide focus on having people to have access to the channels without a stake in the ownership of the channels. Liberalization and privatization are only handing over the sector to companies of the former colonial countries. The channels are not only means of communication but also a mechanism for control.

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