

Globalization: Challenges and Resources

The following list of specific challenges provides additional details for these four major areas. The list is meant to be thought-provoking, not inclusive. It can serve as a starting point for assessing the kinds of challenges that need to be addressed as countries come to grips with the forces of globalization and attempt to integrate into the international system.

Challenge: Strengthening Democratic Governance

Key government institutions must function effectively in order for a country to attain sustainable growth and benefit from globalization. Democratic governance must be more than just elections, although elections remain the vital force of democratic government.

- Legislative bodies. (Establish democratic structures to increase participation in rule-making.)
- Executive agencies must create clear, transparent and enforceable implementing regulations and encourage democratic participation in policy processes.
- Judicial systems must function in open and transparent ways that result in credible decisions within an acceptable amount of time. (Lengthy delays are the most costly feature of the judicial systems in many developing countries.)

Resources:

- The National Democratic Institute-sponsored Sana'a conference gathered 350 decision-makers from sixteen developed and developing countries to elaborate action agendas. See page 8 of this issue for their final declaration. Also, visit www.ndi.org

Challenge: Building a Modern Market-Oriented Economy

Experience gained in the financial crises of the 1990s, including those in Mexico and Asia and the collapse of the Russian economy, has demonstrated conclusively that fundamental institutions (rules, laws and norms) of a modern market economy have to be carefully built. In addition, the government and/or the private sector have to provide the infrastructure essential for a market system.

- A clear and enforceable set of property rights
- Sound contracting mechanisms to enforce commercial transactions and investments
- Strong prudential supervision of the banking and financial systems
- Physical infrastructure including roads, telecommunications and transport
- Commerce and trade services, especially the customs service
- Compliance with the Code of Good Practices on Transparency in Monetary and Financial Policies

Resources:

- The International Society for New Institutional Economics is developing a wealth of studies and materials on how institutions underlie markets. See www.isnie.org
- The World Bank's Annual Development Reports give a comprehensive overview of many of the supportive governmental services essential for a modern economy; in particular, see "The State in a Changing World," *World Development Report 1997*, www.worldbank.org

- The IMF and the Bank for International Settlements worked with a representative group of central banks, financial agencies and other experts to create a Code of Good Practices on Transparency in Monetary and Financial Policies. The code is available on the IMF's Web site: www.imf.org. This site also provides a series of experimental reports on the Observance of Standards and Codes on a country-by-country basis.

Challenge: Building Strong Corporate Governance and Anticorruption Systems

Two aspects of building a modern market economy that are separated out here for additional emphasis are at the heart of efforts to open economies and create fair and transparent systems. Corporate governance is the set of rules (public and private) by which modern corporations govern themselves in a competitive market system. The lack of corporate governance was one of the key reasons for the recent Asian and Russian economic crises. Similarly, effective anticorruption measures are increasingly regarded as essential to attract foreign investment, build a competitive economy and ensure fair treatment for all.

Craft Sound Corporate Governance Measures

- Develop legislation that protects investors, shareholders and stakeholders.
- Support transparent shareholder registries.
- Adopt and implement the Convention on Corporate Governance of the Organization for Economic Cooperation and Development (OECD).

- Adopt and comply with International Accounting Standards.

Devise and Implement Anticorruption Measures

- Streamline legal codes by eliminating duplicative and superfluous laws.
- Clarify laws to reduce the possibility of different interpretations and applications of laws.
- Clarify laws on conflict of interest.
- Strengthen the state's enforcement capacity by hiring and/or training sufficient numbers of qualified personnel.
- Adopt and implement Transparency International's Government Procurement Code.
- Adopt and adhere to the OECD's Antibribery Convention.

Resources:

- CIPE's Web site, www.cipe.org, offers a range of materials and links to other sites relevant to corporate governance and anti-corruption.
- Transparency International, www.transparency.de, provides additional information about transparent business practices worldwide, a model government procurement code; and the perceptions index on corruption.
- The OECD has developed a comprehensive antibribery convention that is an excellent starting point and a set of corporate governance guidelines. See www.oecd.org

Challenge: Developing and/or Adopting New Technologies

In today's high-tech information age, cutting-edge technology is an important means of lowering the cost, increasing the speed and improving the quality of business transactions and of basic services

essential to daily life. The following measures would help a country to get up to technological speed:

- Conduct a national information technology assessment and develop a technology strategy.
- Ensure passage and implementation of laws protecting intellectual property rights.
- Enact appropriate tax and investment policies and increase funding for science and technology research and education to stimulate new inventions, technology transfer and technology licensing agreements.
- Provide telecommunications services at low cost through competitive markets.
- Create national Internet portals.
- Aggressively seek out technology transfers and foreign direct investment.

Resources:

- The Center for Strategic and International Studies (CSIS) has created the Global Information Infrastructure Commission (GIIC) as a portal to resources on developing information competitiveness. See www.giic.org
- The Computer Systems Policy Project (comprising CEOs of top information technology companies) has developed the Global Electronic Commerce Readiness guide (www.cspp.org/projects/cspp_gec/index2.html), which has been applied in Ireland with very good results.
- The Center for the Study of Democracy has developed the Internet Alliance for Economic Development action plan that can serve as a model for other countries (It is available from Ognian Shentov at www.csd.bg)
- See also *World Bank Discussion Paper No. 412*, "Intellectual Property Rights and Economic

Development," by Carlos A. Primo Braga, Carsten Fink and Claudia Paz Sepúlveda at www.worldbank.org

Challenge: Crafting Fair, Transparent Operating Procedures for International and Regional Trade Regimes

Building the world, bilateral and regional trading systems requires constant attention and effort. Developed and emerging markets must all work to create a fair system that balances national interest with the long-run development of the global economy.

- Ensure trade rules reflect equitable treatment for both developed and emerging markets.
- Craft fair and transparent operational procedures for all trading structures.
- Ensure that procedural breaches are punished adequately and consistently.
- Increase technical assistance to developing countries.
- Improve dispute resolution mechanisms.

Resources:

- The rules and procedures of international and regional trade systems can be found on their respective Web sites. The WTO Web site (www.wto.org) has links to the sites of international and regional trading groups. The WTO also is developing a program to assist emerging markets and developing countries to enhance their national trade policy capacity.
- The International Monetary Fund's Web site has links to the sites of almost all international and regional organizations relevant to globalization at the following site: www.imf.org/np/sec/decdo/cotents.htm