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GLOBALIZATION OF ECONOMY – PREMISES AND EFFECTS

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Abstract:
This paper is providing an overview of global economy, highlighting following aspects: premises of globalization process in economy, their effects and subsequent reactions which occur, for a proper management of adverse effects. Our approach facilitates understanding of globalization process that begins to be part of our life. We would like to describe globalization, as a phenomenon capable to determine pulse of national economic activities. Globalization is an important issue and the aim of our paper is to describe globalization as a whole, with its lights and its shadows. According to this dual description, in this way, becoming a known process, "survival" ways can be discovered. Globalization is irreversible and we have to "assimilate" it as a model of thinking and to manage it in our own interest, individually or nationally, and before considering it a good or bad intruder in our lives, we must know it. Issue of globalization is that we have limited resources at global level, and an increasing level of consumption, so we need to find a solution.

JEL classification: F62, F64

Key words: globalisation, effects, premises, consumption

INTRODUCTION

Globalization is an ancient phenomenon, which started when people settled in different parts of world, searching a better life. Nowadays, relations between continents and countries are much more dynamic because people, business and material and information flows are moving faster and international relationships of all sorts are closer than ever. All that progress is pretty much related to increased use of new technologies in all economic, social and cultural areas. Most of the specialists agree with the fact globalization has a lot of benefits, such as increasing standards of living, reduction of costs, acceleration of capital transactions, but few can predict long-term costs of globalization. A challenge for next generation is the relation between environment and globalization, because natural resources are finite and their amount is increasing and also global competition.

PREMISES OF A GLOBALIZED ECONOMY

Globalization components are found in the primitive stages of economic development, but its progress, as specific economic process, involving whole world economy, becomes evident in the mid 80's of the 20th century, a process which was intensified in the next decade and still manifests itself today.

Among the many definitions of globalization, the following is relevant: "*globalization achieves widening and strengthening links between national economies on the global market of goods, services and capital*" or, in a more didactic expression, "*globalization is the particularly dynamic progression of increased interdependences between national states, as a result of enlargement and deepening links between them and the various spheres of economic life, political, social and cultural, with the implication problems are rather global than national, imposing, in turn, a global rather than 'national' solving*" (Bari, 2005).

As for its future purpose(s), economic globalization is expected to increase the volume of goods and services, but with lower consumption of natural resources, resulting thereby in an increasing GDP, as globalization indicator, that includes values of finished goods and services, and counts economy outputs.

The goal of economic globalization today is to provide competitive advantage, but this has been settled in time (Bran et al., 2014). In first phase, the process defined its own philosophy, principles, objectives, and developed action tools, accumulated experience and strength that facilitated its expansion in the business world, and by its intensity and amplification it justifies the statement that it has turned into a phenomenon and marks the modern economy trend.

Globalization as *liberalization* refers to a process that includes trade with services, occurred for the first time in the 80's, in the United Kingdom, then in EU, Japan, followed by Central and Eastern Europe. As stage in globalization development, it generated the increase of global interdependencies.

An important stage of evolution was liberalization of capital markets, as the premise for setting up global financial market and for strengthening financial institutions. Also, this stage represents a reaction of the company in diversification its financial resources by an increase flow of foreign direct investment (FDI), which redesigned geography of investments and stimulated development of national economies.

Next theoretical level was defining concepts, such as *common assets of humanity, sustainable development, environmental security*; those *were* adopted by a more general concept of globalization, which become a common factor in elaborating economic development policies and strategies at national level, in concluding agreements, international treaties, etc., relating to environmental protection and which entered in common language and are intended to find their place in individual thinking.

The concept of sustainable development, endorsed by UN in 1987, is very generous, establishing clear links between economic evolution, future, and living standards of people, in accordance to requirements of environmental protection and conservation of environment integrity (Brundtland, 1987). Although this concept did not become a guideline for economic development strategies for governments around the world, it remains a hope that economy might evolve interdependently with environment, so that the ratio of these two economic categories can be in harmony with human interests, as seen in the light of evolution of several successive human generations.

Progress, in all its forms, is an amplification factor of global flows of information (in particular), products and capital. It can be found at the basis of modern production patterns and manifests actively in current consumption patterns. Powered by major financial and human efforts of government agencies or private companies, by school curricula oriented towards stimulation of innovative spirit, students, researchers flow etc., all these occur in synergy within a large framework, having effects at global level.

Globalization of economy entails reducing up to cancelling customs duties, waiving customs policy, restrictions on the movement of goods, services, information technology and capital.

Globalization erodes the role of national state, process emphasized by flows of direct investments, by presence and activity of transnational corporations, by financial flows, by capital mobility.

Globalization of economy can be considered as a result of two concomitant processes: the first represents trans-nationalization up to super-nationalization, while the second is on-going decentralization process of national state powers in the favour of local communities (administrative, social, education, budget, culture, health, etc. attributions), the State still having few tasks to *solely* undertake, such as diplomacy, national defence, internal order.

EFFECTS OF ECONOMY GLOBALIZATION

It is not easy to separate the effects of economic globalization into two categories, namely *good effects* and *bad effects*: because, based on what criteria this difference can be made? What is good for transnational corporation is also good for economic entities of national states? Or what do 40-50 countries listed in the category of 'failed' countries or globalization losers answer to the question? Attempts to overcome this stage were made, by taking over from literature what we call *positive and negative effects* of globalization.

We recognize we have not been able to completely detach ourselves from the role of arbiter in this ranking, as ***our*** country is much closer to developing countries than developed ones, and therefore we cannot see effects of globalization by thinking of Romania as of a prototype of sorts.

Specific literature considers as *positive effects* the following:

- *more efficient markets*, which is in consumer's advantage because they could fiind what they want all over the world;

- *increasing competition*, because on the global market any company faces more competitors than on the national market. This is an advantage for the client because he could chose what product/service he want;

- *globalization releases latent energies of latent economy* and leads to a more efficient use of world resources (in fact, decreasing as potential), to maximisation of global wealth and achieving economic benefits for all peoples;

- *expansion of capitalism* from developed countries to developing countries, and where necessary – and the appearance and imposing of democracy;

- *reduction of production* costs due to scale savings;

- *acceleration of transactions* that are achieved in a time period close to real time;

- *introduction or expansion on markets* that are independent of the existence of natural resources;

- *reduction or abolition of customs* duties positively influence the movement of goods;

- *stabilized security* because an foreign investment from a reach country bring with it protection of its native country

- *equity between world countries* because in the reaches countries the standard of living is decreasing with coming of immigrants.

There is a deepening of the international division of labour. For example, trade of assemblies expanded, which led to an increase in foreign trade that exceeded global output growth and, therefore, increased dependency coefficient of a national economy as compared to the global economy.

Access to resources needed for economic development of industrially advanced countries is another powerful driver of globalization (Popescu and Predescu, 2013; Rădulescu et al., 2013).

Consecration of transnational corporations is a vector of globalization process, that accumulate more and more power valences, helping them to assert their own interests at national and global levels.

The role of geographical distances in cross-border economic relations is minimized through communication technologies, financial flows and mobility of human resources.

Specific literature debates more positive considerations about globalization, but as we can see there are a lot of *negative effects,* such as:

A. Globalized economy is far from moral principles that could be taken into account in global business management. Illustrations of the statement above me: low prices charged by developed countries for raw materials, natural resources provided by developing countries; large subventions granted for agricultural products by developed countries, which prevents export of similar products from countries that do not give grants; existence of tariff and non-tariff barriers on imports of products from developed countries;
B. Relocation of energy intensive economic activities or with pollution impact on the environment, in countries with cheap labour force or with available resources;
C. Attracting -in the global economic space -leading criminal organizations that run a parallel, illegal economy, having connections to the real, lawful economy;
D. Uses (finite) resources of various countries, because they have to respond to the increasing demand;
E. Increasing the level of pollution (dioxide carbon emissions) – see brazil or china and long term effects on global warming;

F. Transferring jobs from developed countries to less developed countries, encouraged by the low price of labour force;
G. Transferring also investments from developing countries to less developed countries because in those countries competition is not so powerful to fight with their financial force, so is easier for them to obtain *an* competitive advantage;
H. Economies become more dependents of each other, and recent economic crisis allow us to notice the fact world economy is dependent of american economy, so that, if ***it*** is in crisis, also european union is in crisis. The problem is that those economies are much more interconnected today, and globalization spread not only positive effects but also the negatives ones.

At the interface between good and bad, we may mention countries that know and can take from globalization process only those components that are fit for national policies and strategies. Such countries are part of the called “emerging” ones, where transnational corporations are set up (e.g., China, India, South Korea, etc.) having their own contribution to the process of globalization. But there are also countries that assimilate globalization more difficultly; on the other hand, isolation is not an advantage, leading to difficulties in marketing own products on foreign markets, lack of economic competitiveness, offshore activities, possible unemployment and poverty.

CONCLUSION

The main purpose of this paper is to prove globalization is an economic process that determinates changes in the structure of world economy and *so* it unavoidably affects global economy. Similar effects can be expected to extent also on the future, caused by the finite amount of resources comparing with increasing level of demand.

Based on such a development of global economy, which generated dynamic of economic space, “globalization” is defined as a global process, which uses international strategies in order to extend businesses at international level. Starting from previous definition, globalization seems to bring good news for the economy, *for the time being*, and from an economic and financial point of view; not all states, however, must face problems generated by the globalization, that is to the same intensity and in the same time.

The structure of global economy is different, and strategies that could be dedicated to minimize the negative effects of globalization, will generate changes in Romania, as in the others countries, because of the increase in the proportion of the negative effects. This paper is not focused mostly on negative state of affairs, comparing to the others positives, but negatives externalities must be internalized.

Analysis of available data has revealed poor countries faced the most numerous negative effects of globalization, such as: increasing level of pollution, dwindling resources in all countries, low price of labor force. There are a lot of differences in the extent and intensity of globalization among countries, because western countries already implement strategies that could bring benefits out of globalization.

Globalization is increasing the dependence of less developed countries on rich countries which are growing faster, recent economic crisis being most eloquent example. The point is even assimilation of globalization is much difficult, and economic isolation is not a solution.

Our analysis is, most surely, based on the assumption global economy should change its long term strategy (if there is one!), as regards globalization; on the other hand, we have demonstrated already this assumption is basically sound, in other words the fact developed countries *are able* to accomplish such a feet of *practical economics*. This could be caused by a decrease in the living standards of their populations, generated by globalization (Bran, 2012).

The problem in western countries is that increase in the number of immigrants will be accompanied by growing numbers of people in desperate – or not so desperate – need of social services, so globalization is also a *pretext* for extra-taxation of population, comparing with global companies which move their capital all over the world. From this perspective, this paper has shown globalization *is* and *will be* one of the key factors that, in the future, will change the global economic indicators as its impact will become even more significant.

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