THE IMPACT OF STN ON DEVELOPING MARKETS IN RELATION WITH GLOBALIZATION

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Abstract

Economic reality worldwide is marked by the evolution of globalization. This process entails effects that are perceived differently at national economy levels, function of their degree of development. We will proceed by attempting a survey of aspects pertaining to the relationship between globalization and developing economies, stressing on internationalizing Transnational Corporations and its effects.

1. Globalization – approaches and concepts

Internationalization, globalization, and regionalization - these are all concepts that make up contemporary reality. According to specialists, the above-mentioned concepts have seen various approaches. If globalization and internationalization are sometimes deemed synonymous, on other occasions analysts see globalization as a mere stage in reaching internationalization.

Subject to long scrutiny, globalization has turned into an objective, unprecedented phenomenon in history, through its scope and evolution. At the same time criticized and praised, it nonetheless follows through with its evolution. Albeit evincing negative aspects, it also comprises important ones providing balance and welfare. Globalization has emerged and developed following an unprecedented tightening of competition at all levels: economic actors, states, regions.

Market liberalization in developing countries, even if it has affected domestic economic activity, has brought about benefits for poor consumers, by increasing their access to cheaper goods and in larger quantities. Proponents of globalization view this reality as a progress. Yet to skeptics, the deepening chasm between the rich and the poor is “an attack to democracy and welfare”. Critics accuse developed countries of hypocrisy since they have forced poor states to adopt an open market policy, by doing away with trade barriers, yet without reciprocating.

Some analysts feel that when setting up globalization priorities, poor countries are always the ones standing to lose or to gain a low benefit in terms of economic growth. The effects of globalization differ in terms of size and focus, their approach always brings about different and even conflicting stances. Worldwide anti-globalization and anti-regionalization movements are well-known, amassing impressive ranks of supporters. Former UN Secretary General, Butros Butros-Ghali, would remind us that “we live amidst a world-scale revolution… Our planet is under the pressure of two giant, opposing forces: globalization and dissolution.” On major source of worries stems from the increasing world population, while resources, most of which limited and irretrievable are

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approaching a critical point. In this context, the only solution to problems is globalization. The whole universe is caught into the thralls of a revolution, a transformation of present reality that spares no one. To most nations, globalization is a forcefully imposed process they cannot elude.

The principles underlying this process are set up by the great economic powers. To the US, globalization is an ongoing process supported by the political and economic elite. Through its economic power, the US has turned into a keeper of order in the chaos of global interdependence. Against the background of globalization, the US rules the roost on the financial market and in international trade, having all means through which to exercise its world super-power attributes.

In contemporary economists' opinion, the world should be an organized system, governed at global level, where competition among the main power poles – the US, EU and Japan – should be stimulated. Super powers have an important say in setting up the world's development strategies, with the poor showing their discontent more and more vocally, so that marginalizing them could spark conflicts.

Anti-globalization movements are the response to the position of international organizations that are unfavorable to developing countries' economies and tip the scales in favor of super powers.

The growing terrorist threat during the past few years has drawn attention on the existing cracks when drawing up these policies entailing severe losses. A solution to global problems can only be reached through joint, balanced actions.

Globalization is therefore a highly controversial system. The world economy has seen unprecedented evolutions during the past years. Even economic process cycles have changed, so that coming out of crises no longer spans long periods of time, yet economic efforts and attempts to find solutions are tremendous. Experts claim that any economic growth should not spin out of control since it may entail a huge consumption of natural, human, financial and information resources, part of which are exhaustible and irretrievable, which could lead to natural disasters. Ideally, economic development should be underlain by scientific research focused on the effective use of resources. Research entails high costs that are inaccessible to developing countries. Consequently, while certain states evince an obvious economic growth, others trail at subsistence level.

Optimists claim that, through its very nature, globalization will improve the social and economic situation of every state, even if differently, while pessimists feel that the gap between the rich and the poor will grow ever wider, with no chances of improvement. The overall process should be carefully developed in order to mitigate its negative impact.

2. Developing countries and transnational corporations

Globalization is strongly supported by transnational corporations that make up the bulk of economic internationalization. Economically speaking, corporations make up one of the most important factors of progress.

Transnational corporations are deemed the main manifestation of an authentic global economy. With reference to transnational companies, K.Ohmae stated that these unaffiliated corporations have become the main "driving engines" of an interconnected economy, concentrated in North America, Europe and Japan.

At global level, the scope of businesses has become an essential parameter, expressed by opening up out plants in various areas of the world. Corporate development beyond the borders of the mother company brings about a synergistic approach to operations and finances, aimed at decreasing their vulnerability and increasing their resistance to economic shock. Transnational corporations represent the main actor in international trade, with sales registered by subsidiaries currently making up more than double the amount of world exports.

Corporations have come to change the structure of production factors in many countries as an aftermath of human capital shift, as well as the movement of technology from one part of the world to another, making up a new basis for fixed tangible assets.

An increasingly dynamic development is underlain by a well thought out strategy regarding the use of opportunities provided by the global economic environment. Corporations have always focused their investments in high potential areas.

Developing countries are a good example in this respect, by providing an economic, social and political environment that is auspicious to development. Theoretically speaking, these countries have a series of advantages stemming from corporate investment, embodied in high economic growth levels, increased occupancy, higher living standards and, not in the least, effects visible at the level of balance of payments and trade output.

The issue of foreign trade in developing countries is delicate, since the majority of transition economies are confronted with high trade deficits and problems brought about by economic deregulation.

Economic deregulation entails the liberalization of economic policies, opening up national markets and allowing all types of direct foreign investment. In fact, investments are the main financing source for developing economies worldwide. During the past few years, direct foreign investment has proved to be the steadiest source of financing, as opposed to portfolio investments or bank loans, since they have been less affected by financial crises.

By acknowledging the importance of direct foreign investment, governments open up their economies in order to facilitate the exchange of goods, the access to information, as well as human resource turnover and capital flows.

Corporations' investment behavior is strongly influenced by short and long term changes occurring in the business environment. Recession and economic boom periods affect the evolution of all parties involved. Any change in the world political or business environment will equally reflect on economic performance and, implicitly, on directing capital flows.

Statistics show that in 2001 alone, 208 changes have occurred in legislation pertaining to direct foreign investment in 71 countries. Over 90% of the changes were directed at setting up a more welcoming investment background. Moreover, a large number of states have been involved in signing bilateral investment agreements – approx. 2,100 in 2001 alone. The issues of investments make up an important topic for discussion within the WTO, as well.

Given the situation that is a common occurrence in developing countries, Romanian included, where the State take on a foreign-oriented approach, according to classical and neo-classical concepts, theoretically speaking, the respective country should be recording an economic growth due to effective resource assignment. However, reality proves that, without significant direct investments, generally performed by transnational corporations, exports continue to cling to modest levels because of low product competitiveness on the world market. Competitiveness is closely related to the degree of technological endowment evinced by a country. Sadly, international technology transfers are also performed and controlled by large corporations, which are the only actors with the necessary capital worldwide. Even when developing economies settle their capital problems, domestic activities still evince a competitive advantage of transnational corporations, as opposed to national companies.

Initially, transnationals have focused on fields where the cost margin of production factors was the most significant, but gradually operations have increased, comprising the majority of production fields and factors, which they have drawn into a global competition, oftentimes bearing negative effects on developing economies.

Corporations are doubling their efforts to set up global production networks, mainly through mergers and acquisitions. Actually, a global market for the sale and purchase of companies has emerged, with whole industries being strengthened or restructured at global and regional scales.

Alongside the advantages that developing countries have through globalization and actions undertaken by transnationals, there are also shortcomings, under the form of social and environmental concerns.

Transnational corporations mainly focus on maximizing profits and dividends, therefore outplants are set up only in areas evincing competitive advantages. Keeping these targets close in check, a corporation will operate on a certain market for as long as the advantages provided are at an expected level. Throughout this time, all those involved in the activities of he respective transnational corporation have something to gain. When the out-plant's activity is starting to show signs of decline following an increased level of mobility, the respective operation will be immediately relocated on a more attractive market. Once the operation has been relocated, the former transnational corporation market evinces a decline in its economic activity, under the former of social unrest related to decreased standards of living and increased unemployment in the area. Employees who can afford to follow the company will move away, whereas the rest will remain and cling to the hope that there will be employment for them as well, some time in the future. As far as shareholders are concerned, they are not bound by places, the distance between themselves and the companies whose shares they own bears little importance, the only significant point being the dividends they cash in.

Labour globalization allows large corporations to employ intellectual elite worldwide, with no significant material and financial efforts.

On the other hand, social effects of globalization are also brought about by the increasing complexity of technology and economic activities' nature, which force people to take on a new type of professional training, lifelong learning that entails constantm ongoing intellectual and financial efforts that many people cannot afford. At the same time, advanced technology has cancelled the space and time barriers that people were supposed to overcome when moving from one place to another in order to perform their activities within companies.

Another major issue that heavily features in developing countries is environment pollution. Pursuing profit regardless of consequences, transnationals have got as far as exporting polluting technology to areas where legislation allows it, global reality thus proving that we live within an accelerated social and environmental dissolution.

As world economy is developing, limiting economic growth in order to keep a balance between the former and nature ever more necessary. Production needs to be kept within sustainable limits.

Ideally, sustainable economic development, with a heavy stress on environmental protection should be globally promoted. These principles need to be adopted not only within develop countries, members of OCDE, but also within developing countries, by supporting them in order to set up the necessary legal framework that would ensure sustainable economic progress, based on non-polluting techniques and technologies.

The targets detailed in the present paper are difficult to reach, due to a decreased state power when confronted with corporation pressures.

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