

FROM COOPERATION TO GLOBALIZATION

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Abstract

Globalization is seen as a consequence of cross-border business. This complex and irreversible process can be seen as an extension of capitalist relations of production or increased interdependence in the economic system. Globalization has given rise to more and more fields of activity worldwide. To meet the challenges of business globalization, many companies form strategic alliances, cooperate or merge with other companies. Cooperation is seen by many companies as an alternative path to success. In recent years joint international associations, licensing, co-production agreements, joint research programs, exploration of consortia and other cooperative relationships between two or more corporations with potential have increased. We notice a cooperation tendency among small-sized companies, especially among those from the developing countries.

Key-words: *cooperation, globalization, strategic alliances, global financial system, economic growth*

JEL Classification: F₂₃, P₁₃

Introduction

As is increasingly becoming a reality, globalization has become the most controversial concept in international economic and political literature. Globalization can be seen as the extension of capitalist relations of production or increased interdependence in the economic system. Post-communist transition processes belong to the former category, and universal access to information, to the latter.

Note first that the globalization phenomenon can also be expressed through other terms such as universality of economic life, a partnership between states and peoples, general economic integration, globalization of capitalism, the new global economy, globalization. Of these, the concepts of globalization and mondialization, the former having Anglo-Saxon origin, while the latter, French origin, are frequently used.

Globalization means cutting off borders, increased cross-border trade and investment, deregulation, global products and global customers, global competition and global standards. Thus globalization involves a new global economic order that transcends traditional models of capitalism and requires a new institutional framework.

Literature review

Globalization deepens the problems that affecting the people and requiring large-scale human cooperation, for example, the overharvesting of natural resources and human-induced global warming. (Buchan N. et al, 2009) However, what does globalization imply for the cooperation needed to address such global social dilemmas? Two competing theories are provided. The former refers to the fact that globalization prompts reactionary movements that reinforce parochial distinctions among people. Large-scale cooperation then focuses on favouring one's own ethnic, racial, or language group. The alternative theory suggests that globalization strengthens cosmopolitan attitudes by weakening the relevance of ethnicity, locality, or nationhood, as sources of identification. In essence, globalization, the increasing interconnection of people worldwide, broadens the group boundaries within which individuals perceive they belong. We test these theories by measuring globalization at both country and individual levels and analyzing the globalization/individual cooperation relation with distal others in multilevel sequential cooperation experiments in which players can contribute to the individual, local and/or global accounts. Our samples were drawn from the general population of the United States, Italy, Russia, Argentina, South Africa, and Iran. We find that as country and individual levels of globalization increase, so does individual cooperation at global level compared to the local one. In essence, "globalized" individuals draw broader group boundaries than others, eschewing parochial motivations in favour of cosmopolitan ones. Globalization may thus be fundamental in shaping contemporary large-scale cooperation and may be a positive force towards the provision of global public goods.

Globalization has improved the living standard of hundreds of millions of people – but growing resource scarcity means it risks becoming a victim of its own success. (Evans A., 2010) Left unaddressed, scarcity of food, energy, water, land and other key 'natural assets' may trigger an increased zero sum competition between states – in the process, increasing poverty, state fragility, economic instability, inflation, and strategic resource competition between major powers. Scarcity issues could emerge as an important catalyst for collective international action to tackle global challenges – in the process helping to ensure that an already *efficient* globalization process also becomes more *sustainable*, *equitable* and *resilient*. Few observers of the multilateral system would dispute that it is up to the task of managing scarcity, configured as it is today. But this paper argues that it is already possible to begin assessing the key implications of scarcity issues for a range of international agendas; to identify the specific cases in which international collective action of reform of existing multilateral institutions is needed; and to start mapping out the short, medium and long-term key actions.

Anwar Sajid, Doran Christine, Choon Yin Sam (2009) present the relationship between regional and national identities in the age of globalisation, with particular reference to the Association of South-East Asian Nations (ASEAN). For members of ASEAN, economic integration is seen as a necessary step forward in order to (i) reduce reliance on Western countries during times of economic crisis

and (ii) speed up the recovery process in the aftermath of a crisis. The concept of an ASEAN Economic Community represents a step towards achieving this goal. However, by means of a case study, this paper demonstrates that the idea of an ASEAN Economic Community does not yet have sufficiently solid foundations. Cracks appear when member states act in response to the national interest. Given the frequency of friction between member nations, and the fact that ASEAN members are quite diverse in both economic and cultural respects, there is still much more to be done to form an effective and credible regional economic group. This paper provides some suggestions in this respect.

The mechanisms of the globalization process

Rick Wilson and five other academics found that globalization might be “fundamental in shaping contemporary large-scale cooperation and may be a positive force toward the provision of global public goods.” (Rick Wilson, et. all, 2009)

Globalization is primarily a consequence of cross-border business. This complex and irreversible process gives rise, at state level, to winners and losers, and those who know how to capitalize this phenomenon will only win. Of course, that globalization as a dynamic phenomenon, both sides have positive and negative sides and no one denies the overwhelming importance of this process, in any economic and social life of mankind. Globalization should not be perceived as an exclusively negative phenomenon. Rather, we must realize that it is a necessity and is the only solution to solving the major challenges faced by humanity. However, we needed to develop models for implementation of this concept such that its effects on humanity to be desired, beneficial, leading to equity and harmony, the development of the whole world depending on available resources and a formidable opportunity afforded to future technology. Globalization would not have been possible without technical progress, in general, and especially without the revolution in information and communication technology.

Aspects of social and economic life that reflect the globalization process:

- the global nature of science and technology: even if the main technical development opportunities are concentrated in the developed world, scientific research is based on global resources, and on the implementation of technology designed for global goals;
- global marketing: marketing strategy of companies that meet and promote the globalization process;
- global financial system: the world economy relies on a network that involves global, banking and capital market operators, national regulatory bodies, international financial institutions;
- communication infrastructure: technical progress has allowed the improvement of communications systems material, achieving media coverage worldwide, and especially to establish a global network of transmission/reception of information;
- global institutional framework: a number of organizations such as government (UN system) or non-governmental organizations (NGOs) to promote discussions and actions concerning global issues: pollution, crime, underdevelopment and the like.

Globalization of economy requires a globalization thought and activity, which means the ability to understand the world as a single market, the conditions and laws are very different.

Currently, globalization is contested by everyone. There are complaints about it, but not missing any praise. Globalization can be a force for spreading the good: the globalization of ideas about democracy and civil society has changed people's thinking, while political movements have gone global products to ease debt burden.

Globalization has made hundreds of millions of people to achieve higher living standards, also economic globalization has brought benefits to countries that took advantage of it by identifying new export markets and attracting foreign investment. Stiglitz said that countries which had gained most were those who took their own fate and realize the role they can play in the development of the state, abandoning the reliance on the idea of a market capable to solve their own problems (Joseph E. Stiglitz, 2005, p. 378). Globalization has had beneficial effects on democracy, national elites trying to replace dictatorship with the dictatorship of international finance. Some countries have been forced by the markets and international financial institutions to give up their sovereignty, which allowed the capital markets, including speculators whose concerns were short-term economic growth, long term and not a country along with increased living standards, to "bring order", telling them what to do and what not to do.

For millions of people, we can say that globalization has not brought anything, or even a negative impact because their moral situation has worsened, their jobs were abolished, people become powerless in the face of globalization force that no one could control, while witnessing the undermining of democracy and the erosion of their cultures. Economic growth – including that induced by globalization – will lead to urbanization, undermining traditional rural societies. (Vârgă A., Ungureanu A., 2010)

Developing countries have been most successful, most of East Asia, opened to the world, but they did it slowly and following certain steps. Those countries have benefited from globalization to boost exports, and consequently, to develop a faster pace. They are abandoning the protectionist measures carefully and consistently, when they were new jobs created. These countries have ensured that there is sufficient capital to create new businesses and jobs or even their own forces have contributed to this effort. China has eliminated trade barriers not very long, but at a distance from the time the road had already started to walk towards a market economy, a period which has seen very rapid growth.

Other problems associated with globalization are inevitable and must be taught how to cope with.

Globalization has made the fields more and more effects will be manifest in the world. In these areas must develop collective action – and the rules on international business management are essential. With the identification of these areas have been created international institutions to deal with these problems, but not all operate with better results.

However, globalization is just one of many forces that affect our societies and economies. Technological changes have increased the importance of skills in

certain markets, so that those who have won in today's economy are those who have or can obtain those skills. Changes in technology may ultimately prove a more important factor than globalization, even the decline in unskilled wages. (Joseph E. Stiglitz, 2008, p. 234)

The globalization era leads to new types of relationships between business and its environment. The existence and future of the company are under the sign of the impact of information technology and telecommunications. They are the vectors that spread the advanced technology and wealth, contributing to increased living standards and improving the business environment. (Ionuț Pandelică, 2007, p. 82)

To meet the challenges of business globalization, many companies form strategic alliances, cooperation or merging with other companies, even competitors. Mergers, cooperation, acquisitions and strategic alliances are logical and inevitable consequence of competition in a global economy without barriers, and becoming more integrated. We are witnessing a globalized economy combined with information technology, which enables large corporations to consolidate this control on a scale that has not been possible until now.

The benefits of cooperation

Cooperation is seen by many companies as an alternative path to success. In recent years have increased joint international associations, licensing, co-production agreements, joint research programs, exploration of consortia and other cooperative links between two or more corporations with potential. We see a preference for smaller companies, especially those from developing countries to form cooperative relations, despite the fact that these agreements were often regarded as a good option but placed second place from one option to enter a market. (Moravcsik, A., 1999, p. 267-306). Licensing, joint ventures, co-management and service agreements can also be used as an option to pass protectionist barriers to entry into a market in developing countries.

Increasing tendency towards cooperation is currently visible in two forms: first, large firms started to focus on key competencies, and secondly companies can't handle the competition at the highest level of performance in all activities they carry, so they use to relocate certain parts of the production process in other countries. Also, companies find that successful cooperation in order to enter into a market exchange relationship with a supplier and integration activities with it substantial benefits.

Cooperation agreements, which are joint ventures between local firms, are common and also necessary for market access. The operation involves pooling of capital and technology change, and benefit from greater economies of scale. On the other hand, each partner in the cooperation has less freedom to make decisions to themselves in terms of optimizing a new market entry, product development, application of transfer pricing, territorial scope of laws, and delays in the accumulate profit for dividend payment. (Farok J., Lorange, P., 2002, p. 8] There are situations in which cooperation is seen as a governance structure for organizing

the exchange through cooperative relationships that do not involve transfer of capital between firms involved in business. Companies are bound by relationships, each company performing a specific role within the group format.

The growing number of alliances and cooperation in which firms carry out their work suffers constantly changes, companies are increasingly seeking partnerships close to their key activities and exchange of technology, development of knowledge, innovation, value creation becomes the concern of alliances, rather than production of tangible goods. Such cooperation may become a dominant organizational form of the economy, defined as a system based on the development, manufacture and marketing of goods and services where a substantial part of business activity is conducted within the alliance of many firms. Cooperation in this sense is defined as autonomous organizations directly or indirectly interacting, based on one or more contracts of alliance. The aim of cooperation is gaining a competitive advantage for individual organizations involved. One network won't cover an entire market; each network has its limitations, although they are difficult to define. A key element is that the interaction between an alliance of member firms is more intense than between companies from outside the network. Cooperative is formed by independent companies trying to meet their targets with other companies involved. Companies interact in a collaborative, are influencing each other, to establish collaborative relationships. Not all member firms must work with each member, there are connections between each of the member companies, but situations in which companies collaborate indirectly through members of the alliance partners. Collaborations between companies are considered the basic elements of cooperation. There may be an alliance concluded between several companies, which became a company network, but can exist simultaneously and networks formed by bilateral agreements between partners of the alliance companies.

Penrose shows that the network companies do not lose their individual identity, but their administrative boundaries are unclear and the extent to which any individual company to exercise control is also unclear. Although formal contracts are legal base of businesses, their operations based on cooperation is not so much on the exercise of control, but on given the consensus of the participants shared goals and addition. Given the expansion of various forms of cooperation between firms in recent years (strategic alliances, management contracts, joint ventures, franchise agreements, etc.), the question arises whether we already have a new theory of the firm based on the network. (Penrose E., 2002)

A cooperation agreement focuses on four major areas, each bringing important contributions:

- *the first* area is a selection of partners;
- *the second* operation involves the cooperation to include strong organization with a continuous existence in the market to provide stability and continuity of cooperation;
- *thirdly*, cooperation between organizations powerful means to share a common purpose;

- *in the fourth*, often incorporating more technology cooperation. In this way, corporations are partners in a co-creating value, but may also be affected by operational interdependencies due to other third party partners.

An important benefit of cooperative relationship between the corporations is marked by inter-trading operations. From a general point of view, the operation of joint ventures, licensing arrangements and other types of cooperation can be achieved through inter-trade objectives, such as risk reduction, economies of scale and/or rationalization, exchange technology, co-opting or blocking competition, facilitating the company's international expansion and inexperienced vertical. Operations benefits of trade integration between the company the potential benefits of cooperation creates value and could provide a more competitive economy and not finally, saves cost benefits. (Reuer, J.J., 2004, p.14)

Conclusions

Globalization is just one of many forces that affect our societies and economies Understanding globalization is a necessity and is the only solution to solving the major challenges faced by humanity. Aspects of social and economic life that reflect the globalization process include: the global nature of science and technology, global marketing, global financial system, communication infrastructure, global institutional framework.

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